



## NATURE, PEOPLE AND CLIMATE INVESTMENT PROGRAM

### Design Document



## Revision History

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01	Page 33, Annex 2: CIF Nature Solutions Program Theory of Change	April 2023	Text revised to reflect the approved new CIF Impact Statement as per CIF Theory of Change	The joint CTF and SCF Trust Fund Committees approved the CIF Theory of Change by mail on June 7, 2022	SCF Trust Fund Committee

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# 1. Introduction

## Overview of the Development and Climate Change Challenges

1. **An estimated 23 percent of total anthropogenic greenhouse gas emissions (2007–2016) derive from agriculture, forestry and other land use (AFOLU).**<sup>1</sup> Land use change is both a cause and consequence of global environmental change.<sup>2</sup> Land and ecosystems are negatively impacted by climate change, which can exacerbate land degradation processes through heat stress, soil erosion, and increases in frequency and intensity of rainfall, flooding, and drought.
2. **Population growth and changes in per capita consumption of food, feed, fiber, timber, and energy have caused unprecedented rates of land and freshwater use.**<sup>3</sup> Seventy-five percent of the land-based environment and about 66 percent of the marine environment have been severely altered by human actions.<sup>4</sup> More than 30 percent of the world's land surface and nearly 75 percent of freshwater resources are now designated to crop or livestock production. The world's larger and increasingly urban population will likely increase demand for food, water, minerals, fisheries, and other natural resources, putting additional pressures on the environment. If new responses capable of modifying production practices and consumptions behavior are not introduced, the increasing demand will likely threaten environmental goods and ecosystem services and undermine efforts to meet future food demands while also affecting livelihoods and health<sup>5</sup>~~[OBJ]~~~~[OBJ]~~. In addition, population increase drives infrastructure expansions opening areas to new threats. New infrastructure can come with high environmental and social costs, but it can also generate positive economic effects and even environmental gains depending on where and how investment is implemented and governed.
3. **The production of commodities, shifting agriculture, large-scale forestry operations, wildfire, and urbanization have led to significant changes in global forest cover.** The production of commodities like soy, beef, palm oil, and wood fiber are responsible for about 27 percent of permanent global forest loss<sup>6</sup>. Shifting agriculture, wildfire and intensification and expansion of urban centers have contributed to further forest disturbance.<sup>7</sup> The substantial projected increase in demand for forestry products<sup>8</sup> and minerals<sup>9</sup> will likely enhance land-use change and deforestation trends if governments and companies do not design and implement more effective policies and practices. Their policy and investment decisions will influence the greenhouse gas (GHG) emission profile of these sectors for the years to come.

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<sup>1</sup> IPCC (2019). [Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse Gas Fluxes in Terrestrial Ecosystems: Summary for Policy Makers](#).

<sup>2</sup> Song et al. (2018). *Global Land Change from 1982 to 2016*. Turner, B. L. II et al., (2007), [The Emergence of Land Change Science for Global Environmental Change and Sustainability](#); Foley, J. A. et al. (2005), *Global Consequences of Land Use*.

<sup>3</sup> IPCC (2019). *Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse Gas Fluxes in Terrestrial Ecosystems: Summary for Policy Makers*.

<sup>4</sup> IPBES (2019). [Global Assessment Report on Biodiversity and Ecosystem Services](#).

<sup>5</sup> Sayer et al. (2013). [Ten Principles for a Landscape Approach to Reconciling Agriculture, Conservation, and Other Competing Land-uses](#); IPBES (2019), *Global Assessment Report on Biodiversity and Ecosystem Services*.

<sup>6</sup> Refers to forest disturbance between 2001 and 2015.

<sup>7</sup> Curtis P.G. et al. (2018). [Classifying Drivers of Global Forest Loss](#).

<sup>8</sup> According to [UN Environment](#), considering only in Africa the demand will triple by 2050.

<sup>9</sup> For example, according to the World Bank brief on [Climate-Smart Mining: Minerals for Climate Action](#), to cover future global demand the production of lithium will have to increase by 965% and of cobalt by 585% by 2050.

4. **Global water demand from agriculture, industry, and domestic sectors is projected to increase, as is water stress under changing climate conditions.** Driven by a combination of population growth, socio-economic development and changing consumption patterns, water global demand has been increasing by 1 percent annually since the 1980s. This growth, which has been led by surging demand in developing countries and emerging economies, is expected to continue increasing at a similar rate until 2050, accounting for an increase of 20 to 30 percent above the current level of water use.<sup>10</sup> Agriculture, which accounts for 69 percent of annual water withdrawals globally, is expected to remain the largest user over the coming decades, albeit a significant share of the expected growth will be attributed to increases in demand by the industrial and domestic sectors.<sup>11</sup> As demand for water grows and the effects of climate change intensify, observed water stress levels are expected to continue increasing.<sup>12</sup>
5. Due to increases in the magnitude and frequency of extreme weather events, disruption of food supply is expected to lead to higher food prices and increased risk of food insecurity and hunger.<sup>13</sup> To feed the world's population by 2050, food production (net of crops used for biofuels) must increase by 60 to 70 percent.<sup>14</sup> The IPCC 21 highlights that many changes in the climate system have become larger and directly related to the increasing warming include the increases in the frequency, intensity, and duration of heat-related extreme events, such as droughts and extreme rainfall<sup>15</sup>, likely increasing socio-economic implications. The magnitude and frequency of extreme weather events will disrupt food chains and stability of food supply.
6. **The impacts of climate change on ecosystem services are projected to negatively affect income, livelihoods, and food security of coastal communities.** About 10 percent of the world's population depend on fisheries and aquaculture for livelihood.<sup>16</sup> In 2016, global fish production reached 171 million tons, which is the highest on record with 47 percent of it attributed to aquaculture.<sup>17</sup> However, the percentage of fish stock caught at biologically unsustainable levels increased from 10 percent in 1974 to 33 percent in 2015.<sup>18</sup> Already vulnerable coastal communities are facing increasing environmental challenges, including coastal erosion, freshwater salinization, and ecological changes caused by sea level rise and warmer ocean temperatures.
7. **To address the climate change challenge and shift toward sustainable uses of land and other ecosystems, a multi-sectoral systems-level strategy is needed to see beyond a narrow sector-by-sector view.** The scale and urgency of the challenge is too great to address agriculture, forestry, biodiversity, food security, economic growth and poverty alleviation as separate issues or in silos. Approaches that tackle the drivers and impacts of human activities and climate change on land and other natural resources in an integrated and sustainable manner need to become the standard of land-use planning and rural

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<sup>10</sup> UN Water (2019), *World Water Development Report* (2019)

<sup>11</sup> Ibid

<sup>12</sup> Ibid

<sup>13</sup> IPCC (2019). *Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse Gas Fluxes in Terrestrial Ecosystems: Summary for Policy Makers*.

<sup>14</sup> FAO (2009). [How to Feed the World in 2050](#).

<sup>15</sup> IPCC (2021). [Climate Change 2021: The Physical Science Basis: Summary for Policymakers](#).

<sup>16</sup> CGIAR. 2018. <https://www.cgiar.org/news-events/news/fisheries-aquaculture-will-benefit-new-agreement/>

<sup>17</sup> Aquaculture also tends to increase demand from other natural resources beyond natural environment (exogenous sources of nutrients to keep the levels of production).

<sup>18</sup> Food and Agriculture Organization of the United Nations (2018), [The State of the World's Fisheries and Aquaculture](#).



development. Nature-based solutions (NBS) represent an approach through which societal challenges are addressed by providing environmental, social, and economic benefits as well as contributing to climate change mitigation and adaptation. They offer an opportunity to unlock nature's transformative potential for climate action.

8. Although there is no single accepted definition for the term “Nature-based solutions,”<sup>19</sup> they are considered an effective, long-term, cost-efficient, and globally scalable approach for climate action. The European Commission defines Nature-based solutions as solutions inspired and supported by nature, designed to address societal challenges which are cost-effective, simultaneously provide environmental, social and economic benefits, and help build resilience. According to IUCN, Nature-based solutions are actions to protect, sustainably manage, and restore natural and modified ecosystems that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits.<sup>20</sup> Broad elements of both these definitions align with the CIF's multi-benefit approach to NBS in the Nature, People, Climate Program (CIF Nature Solutions). The CIF sees Nature-based solutions as having potential to remove up to 12 gigatons of GHG emissions per year, build climate resilience in various sectors and regions, and add USD 2.3 trillion in productive growth to the global economy, while also supporting vital ecosystem services and the management of natural resources.<sup>21</sup>
9. The complexity of the challenges that need to be tackled to achieve the sustainable use of land and natural resources will require complementary solutions to nature-based ones, ranging from conventional to technological innovations. For example, the introduction and adoption of improved technologies in agriculture can greatly benefit production and climate change action at all levels of the supply chain.
10. Sustainable use of land and natural resources help to simultaneously achieve multiple benefits that support management of the environment and make sound economic sense. Sustainable land management can contribute to climate change adaptation, mitigation, and several Sustainable Development Goals (SDG) at the same time.<sup>22</sup> Research shows that natural climate solutions can provide over one-third of the cost-effective climate mitigation needed up to 2030 to stabilize warming to below 2°C and help reduce the consequences of physical climate risks.<sup>23</sup>
11. Addressing the interlinkages between climate change and biodiversity is critical to Nature-based solutions. For example, deforestation both erodes biodiversity and leads to greenhouse gas emissions, while also resulting in natural resources-reliant populations becoming more vulnerable to climate-induced and other shocks. Biodiversity loss, in turn, contributes to climate change, especially through impacts on nitrogen, carbon and water cycles. The evidence is clear that a sustainable global future for people and nature is achievable, but it requires transformative change with rapid and far-reaching actions that are ambitious in their emissions reductions and resilience strengthening goals, and supportive of biodiversity conservation.

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<sup>19</sup> European Commission, 2016; Raymond et al., 2017a.

<sup>20</sup> Cohen-Shacham, E., Walters, G., Janzen, C. and Maginnis, S. (eds.) (2016). *Nature-based Solutions to address global societal challenges*. Gland, Switzerland: IUCN

<sup>21</sup> Secretary-General's Climate Action Summit – Track #6: Nature-Based Solutions May 2019.

<sup>22</sup> IPCC (2019). *Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse Gas Fluxes in Terrestrial Ecosystems: Summary for Policy Makers*.

<sup>23</sup> Griscom, B.W. et al. (2017), [Natural Climate Solutions](#).

12. The shift to more sustainable forms of agriculture and forest management, combined with strong forest protection, could deliver over USD 2 trillion per year of economic benefits, generate millions of jobs (mainly in the developing countries), improve food security, and deliver over a third of the climate change solution. Fortunately, agricultural value chains could potentially play a significant positive role in protecting and enhancing tropical tree cover.<sup>24</sup>
13. While there is a clear case for land-based responses, seizing their potential to reverse current trends will require overcoming institutional, knowledge, financing, technological and political barriers.<sup>25</sup> Such barriers differ across regions and can hinder the ability of governments, the private sector, rural communities, and Indigenous People to value and integrate nature's potential in decision-making to protect land resources and ecosystems.
14. **Insecure land tenure, unattractive risk-adjusted rates of return, inadequate private and public incentives (including limited market access)**, and the lack of access to resources, knowledge, and agricultural advisory services are critical obstacles to the adoption of sustainable land management practices.<sup>26</sup> Socio-economic, gender-based, financial, and cultural barriers can also limit the adoption of many land-based response options, as can the uncertainty about benefits.<sup>27</sup> Climate and environmental stresses are key drivers of displacement for many poor communities, while exacerbating existing stresses on resources in receiving areas.<sup>28</sup>
15. The COVID-19 pandemic has had undeniable human and economic impacts, serving as a stark reminder of possible negative impacts resulting from the unsustainable use of our natural resources. Designing nature-positive stimulus packages can hold the key to preventing future outbreaks, in addition to ensuring the long-term sustainability of livelihoods and business activities. One of the biggest beneficiaries of shifting toward valuing and investing in natural capital is the rural economy, securing the future supply of sustainable food and commodities. Concessional finance focused on a green recovery is a key tool for creating the essential enabling conditions for unlocking the estimated USD 300–400 billion of annual resources required to preserve our natural capital. A variety of financial and non-financial instruments are required to tackle institutional, policy, and market failures and other barriers to the sustainable use of, and investment in, land and other natural resources.

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<sup>24</sup> [https://www.profor.info/sites/profor.info/files/LEAVES\\_SynthesisReport\\_PROFOR\\_2018.pdf](https://www.profor.info/sites/profor.info/files/LEAVES_SynthesisReport_PROFOR_2018.pdf)

<sup>25</sup> IPCC (2019), *Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse Gas Fluxes in Terrestrial Ecosystems: Summary for Policy Makers*; IPCC (2018), *Global warming of 1.5°C - Summary for Policymakers*; Stickler C. et al. (2018), *The State of Jurisdictional Sustainability: Synthesis for Practitioners and Policymakers*.

<sup>26</sup> Furthermore, insecure land tenure and limited recognition of customary access to land and ownership of land can result in increased vulnerability and decreased adaptive capacity. IPCC (2019), [Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse Gas Fluxes in Terrestrial Ecosystems: Summary for Policy Makers](#).

<sup>27</sup> Ibid

<sup>28</sup> Rigaud K.K et al. (2018). [Groundswell: Preparing for Internal Climate Migration](#). World Bank, Washington, DC.

## 2. Purpose and Objectives

16. CIF's Nature, People and Climate Investments Program deploys concessional resources at scale to address climate change and improve livelihoods through the sustainable use of land and other natural resources.
17. The objective will be achieved by deploying sustainable, multi-sectoral approaches most suited to the target context—government, industry, or community-led models—to harness the potential of land resources and ecosystems in climate action and to target context-specific barriers to the sustainable use and management of land resources and ecosystems (see Figure 1). It will do so in key areas of relevance for achieving the land and ecosystems transitions, namely agriculture and food, forests, and other ecosystems like coastal systems, by addressing trade-offs and synergies among stakeholders and between different parts of the prioritized areas and by building collaborative relationships.<sup>29</sup> To these ends, CIF Nature Solutions will deploy CIF's concessional resources to do the following:
- Establish a shared vision for sustainably using and managing land resources through a programmatic multi-stakeholder process, fostering partnerships across government levels, sector agencies, the private sector, local communities, and Indigenous Peoples.
  - Strengthen enabling environments to encourage investments in Nature-based solutions and enable the adoption of sustainable practices. This will involve scaling-up support to national and sub-national governments in identifying specific socio-economic development and climate and land-related issues to address and in promoting measures to boost sustainable livelihoods, build resilience at the local level, and conserve, restore, and enhance natural resources.
  - Tackle risks and financing barriers and create incentives for sustainable use of lands and natural resources, including those from coastal systems<sup>30</sup>, by providing risk coverage and catalytic funding.
  - Foster innovation by providing funding support to pilot innovative projects and financial models and support the uptake of new technologies, including the use of data-driven spatial planning tools and agricultural innovations like biotechnology.
  - Support Indigenous Peoples and local communities to actively develop and implement projects catering to their unique needs through dedicated resources.

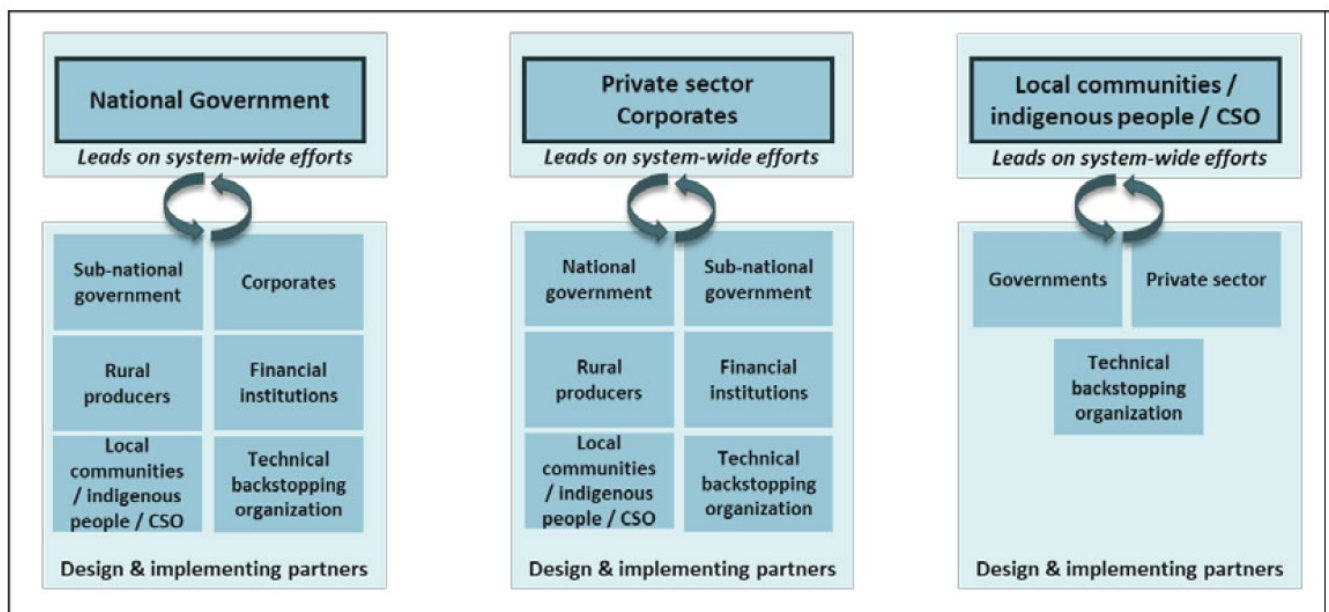
**Figure 1: System-wide solutions for the sustainable use of land and other ecosystems can be deployed through various models, in partnership with multiple stakeholders**

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<sup>29</sup> Denier, L., Scherr, S.J., Shames, S., Chatterton, P., Hovani, L. and N. Stam. (2015). *The Little Sustainable Landscapes Book*. 1st ed. Oxford: Global Canopy Programme.

<sup>30</sup> Coastal systems host an abundance of natural resources, on land and at sea, that provide vital ecosystem services and help buffer against severe weather events. These resources play a key role in the economic and physical resilience of coastal regions to existing and future challenges.





18. Through CIF Nature Solutions, CIF will seek to enhance the ability of CIF's partner multilateral development banks (MDBs) to innovate how concessional finance is delivered on the ground to cater to the needs of developing countries and conserve land resources and ecosystem services. CIF will support MDBs in the design and implementation of innovative financing strategies aimed at, for example, accelerating recipient countries' ability to deliver on their climate and sustainable development targets, tackling barriers to private investments, or mobilizing capital toward areas that have not yet been able to attract commercial capital at all or at scale.
19. A systems-wide approach offers a more viable option compared to a sector-by-sector approach, but it may involve longer preparation and implementation periods and complicated processes requiring the need for concessional finance to identify, pilot test, and demonstrate the approach. Investments targeted at strengthening the climate resilience of rural communities, land resources, and ecosystems can have long-term or uncertain returns and call for access to local currency solutions. Concessional capital can help improve the risk-return profile of such investments or hedge currency risk, thereby enabling enhanced access to finance in local currency.
20. Engagement, coordination, and collaboration of stakeholders from different administrative levels and sectors are critical to any sustainable initiatives. The process for prioritizing investments that target the root causes of climate vulnerability, and high GHG emission activities will require a participatory approach involving various stakeholders from the government, the private sector, development partners, non-government actors, Indigenous Peoples and local communities.

### 3. Governance

21. The Trust Fund Committee of CIF's Strategic Climate Fund (SCF) is the decision-making body that oversees the operations and activities of SCF. Responsibilities include approving establishment of SCF programs and the scope, objectives, and eligibility criteria governing the use of the funds under the SCF programs; ensuring that the strategic orientation of SCF is guided by the principles of the goals and objectives of the Paris Agreement; establishing a

SCF Sub-Committee for each SCF program or group of SCF programs and designating who may participate in the SCF Sub-Committee; approving allocation of SCF resources for administrative budgets; reviewing reports from the Trustee on the financial status of SCF; and exercising such other functions as the SCF Trust Fund Committee may deem appropriate to fulfill the purposes of SCF.<sup>31</sup>

22. The SCF Trust Fund Committee has established the Global Climate Action Programs Sub-Committee (GCAP Sub-Committee) to oversee the operations and activities of the new strategic programs,<sup>32</sup> including CIF Nature Solutions. The roles and responsibilities of the SCF Trust Fund Committee and the GCAP Sub-Committee can be found in the [Governance Framework for the Strategic Climate Fund](#),<sup>33</sup> and the procedures for conducting committee meetings can be found in the [Rules of Procedure for the Meetings of the Trust Fund Committee of the Strategic Climate Fund](#).<sup>34</sup>
23. The rules of procedure for meetings of the SCF Trust Fund Committee will apply, mutatis mutandis, to the proceedings of the GCAP Sub-Committee.

#### 4. Country Eligibility and Selection of Pilot Programs

24. All countries that meet the following criteria can express their interest in becoming a CIF country under the program:
- a. Country must be eligible for Official Development Assistance (ODA)<sup>35</sup> at the time of the call for the Expression of Interest (Eoi) under the program.<sup>36</sup>
  - b. Country must have an active lending program with at least one of CIF's partner MDBs<sup>37</sup>
25. In recognition of the presence of multi-national drivers and pressures of climate change, and that addressing systemic barriers to low-emission and climate-resilient development pathways can require multi-country partnerships and actions, a country can also express

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<sup>31</sup> <https://www.climateinvestmentfunds.org/sites/default/files/SCF%20Governance%20Framework-FINAL.pdf>

<sup>32</sup> The new strategic programs are: Integration of Renewable Energy into Power Systems; Climate-Smart Urbanization, Accelerating Low-Carbon, Climate-Resilient Transition in Industry, and Nature, People and Climate Investments.

<sup>33</sup> Available at: <https://www.climateinvestmentfunds.org/sites/default/files/SCF%20Governance%20Framework-FINAL.pdf>

<sup>34</sup> Available at: [https://www.climateinvestmentfunds.org/sites/default/files/meeting-documents/scf\\_rules\\_of\\_procedure\\_for\\_tfc\\_meetings\\_revised\\_2014\\_0.pdf](https://www.climateinvestmentfunds.org/sites/default/files/meeting-documents/scf_rules_of_procedure_for_tfc_meetings_revised_2014_0.pdf)

<sup>35</sup> The Organization for Economic Co-operation and Development/Development Assistance Committee's (OECD/DAC) list of ODA recipients for 2020 and 2021 is available on the OECD web site: [DAC List of ODA Recipients](#). The DAC revises the List every three years. The next review of the DAC List will take place in 2023. In instances where a country graduates from one lending category to another, new pricing may apply. See the *CIF Financial Terms and Conditions* policy for additional information: [https://www.climateinvestmentfunds.org/sites/cif\\_enc/files/meeting-documents/joint\\_ctf\\_scf\\_cif\\_financial\\_terms\\_and\\_conditions\\_nov\\_10\\_0.pdf](https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/joint_ctf_scf_cif_financial_terms_and_conditions_nov_10_0.pdf).

<sup>36</sup> A country would be deemed eligible for CIF concessional resources if the country holds ODA-eligibility status at the time of the relevant CIF governing body inviting a country into a CIF program. To abide by the CIF principle of a dependable funding window being available for recipient countries, this eligibility will be honored for all projects under preparation, even if the country graduates from ODA eligibility during the course of programming. Should a country graduate from ODA, any projects being submitted to the Committee for approval will be subject to relevant pricing policy rates, as specified in the *CIF Financial Terms and Conditions* policy: [https://www.climateinvestmentfunds.org/sites/cif\\_enc/files/meeting-documents/joint\\_ctf\\_scf\\_cif\\_financial\\_terms\\_and\\_conditions\\_nov\\_10\\_0.pdf](https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/joint_ctf_scf_cif_financial_terms_and_conditions_nov_10_0.pdf).

<sup>37</sup> African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, International Finance Corporation, and the World Bank

interest on behalf of a group of ODA-eligible neighbor countries in their region to receive CIF concessional resources through a regional intervention.

26. Additional information regarding the country selection process and eligibility can be found in the [\*Country Selection Process for the Climate Investment Funds' New Strategic Programs\*](#),<sup>38</sup> which describes in depth the following:

- a. Details and procedures on recipient countries eligibility and how they can prepare and submit an EoI to access funding under one or more new programs.
- b. Details and procedures on how independent expert groups will be identified and selected to review EoIs for each program and make recommendations to the relevant SCF governing body on the countries to invite to participate in the new CIF programs.
- c. The criteria and selection process by which countries that have submitted an EoI will be assessed.

## 5. Design Principles, Financing Terms and Conditions, and Investment Criteria

27. The programmatic approach is one of the core design elements of CIF's business model and integral to CIF's ambition to achieve transformational change. CIF will continue to use a programmatic approach in the allocation of resources to programs and projects developed under CIF Nature Solutions and will take the following four main modalities:

- Government-led investment plan
- Dedicated private sector windows
- Dedicated Climate Ventures windows for innovation
- Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM)

28. **Government-led investment plan.** A government-led investment plan that is gender-responsive and socially inclusive can translate into comprehensive, multi-year, strategically linked capital investment opportunities. It serves as a platform to support priority investments, including from the private sector, facilitate MDBs cooperation, and maximize synergies in the use of climate finance toward the aligned policy objectives.

29. The investment plan will involve at least one joint mission led by the relevant government entity working together with the respective MDBs. Solid pre-work will ensure the joint mission is inclusive and involves engagement<sup>39</sup> with a wide range of stakeholders, including representatives from relevant government agencies (including the ministries in charge of women's, gender and indigenous affairs), private sector groups, other development partners, non-governmental organizations (NGOs), academia, women's organizations, Indigenous Peoples' organizations, vulnerable communities, organizations for marginalized peoples, particularly marginalization based on race, gender, sexual orientation, or gender identity, and other community-based and civil society organizations (CSOs), including youth

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<sup>38</sup> Available at: [https://www.climateinvestmentfunds.org/sites/cif\\_enc/files/meeting-documents/country\\_selection\\_process\\_for\\_the\\_climate\\_investment\\_funds\\_new\\_strategic\\_programs\\_scf.pdf](https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/country_selection_process_for_the_climate_investment_funds_new_strategic_programs_scf.pdf)

<sup>39</sup> Stakeholder engagement modules will encompass focused discussions, dialogues, consultations which will be tailored to meet the needs of broader stakeholder groups.

organizations. This phase will result in the formulation of an investment plan setting the foundation for subsequent development of strategically aligned program and project pipelines and strategies for mainstreaming climate risk and opportunities into decision-making processes and mobilizing resources from other public and private sector entities. The investment plan will be submitted to the relevant governing body of CIF for review and endorsement as a basis for preparing program or project proposals for CIF funding. Ideally, the country's Ministry of Finance or Planning will submit the investment plan, which will identify how it will seek to mobilize finance from other public and private sources and define how CIF support will help the government boost its ambition in accelerating climate action.

30. **Dedicated private sector window.** Private sector engagement will be critical to driving transformational change under the CIF Nature Solutions program. Under the CIF Nature Solutions program, a dedicated private sector window (DPSW) can support a programmatic approach that will enable private sector and MDB operations to work together to identify priority thematic and technology-based private sector funding opportunities in all countries deemed eligible for CIF funding by the relevant governing body. This approach seeks to harness CIF's comparative advantage in enabling innovation by supporting MDBs in pursuing frontier approaches in difficult contexts. Transformational change dimensions and guiding questions as provided in Annex 1 should be used when designing DPSW programs and projects. Additionally, the dedicated private sector windows should drive significant mobilization, particularly from the private sector. To that end, each DPSW project will require a private sector co-finance ratio of at least 1:2 for investments in CIF's Tier 3 countries, and a 1:1 co-finance ratio in CIF's Tier 1 and 2 countries'; exceptions to this ratio will only be considered on an exceptional basis and with sufficient justification.<sup>40</sup> In order to accelerate the dedicated private sector window pipeline, it is proposed that CIF use a sealed pipeline approach.<sup>41</sup>
31. **Dedicated Climate Ventures window (CCVs).** The CIF Climate Ventures windows will provide MDBs with the flexibility, incentive, and risk capital required to support innovative and potentially transformative climate initiatives that they would otherwise be unable to undertake with their resources alone. By targeting frontier innovations in technology, business models, and market approaches, the financing and support provided by the CCV window could prove to be a game changer for many nascent low-carbon sectors in developing countries, leading to potentially transformative impacts. The operational modalities including governance arrangements, types of technologies/initiatives supported,

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<sup>40</sup> CIF offers concessional public sector loans on three sets of terms: Tier 1, Tier 2 and Tier 3: Tier 1 Terms: A country classified as an IDA-only Country and/or a Small State Economy under IDA classifications, or the CIF MDB implementing entities' equivalent; b. Tier 2 Terms: A country classified as a Gap Country or a Blend Country, except Small State Economies, under IDA classifications, or the CIF MDB implementing entities' equivalent; and c. Tier 3 Terms: A country which holds Official Development Assistance (ODA)-eligibility status, but does not fall under the CIF Tier 1 or Tier 2 classifications. See Section 4 and Annex 2 of the [CIF Financial Terms and Conditions](https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/joint_ctf_scf_cif_financial_terms_and_conditions_nov_10_0.pdf) policy for additional information. [https://www.climateinvestmentfunds.org/sites/cif\\_enc/files/meeting-documents/joint\\_ctf\\_scf\\_cif\\_financial\\_terms\\_and\\_conditions\\_nov\\_10\\_0.pdf](https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/joint_ctf_scf_cif_financial_terms_and_conditions_nov_10_0.pdf).

<sup>41</sup> Since 2016, CTF has used a sealed pipeline approach, wherein CIF AU works with the MDBs to maintain list of prioritized projects/programs whose funding requests in aggregate do not exceed the available resources for commitment. Projects and programs not part of the sealed pipeline may be eligible for funding subject to resource availability and can be moved to the sealed pipeline during the periodical MDB pipeline review and update.

and other details can be found in the ‘Proposal for the CIF Climate Ventures Window’ document.<sup>42</sup>

32. **Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM).** This dedicated window will build on CIF’s DGM, an effective model for increasing the engagement of Indigenous Peoples and local communities in sustainable forest management and climate policy and action.<sup>43</sup> Building on lessons learned and demand from Indigenous Peoples and local communities, this new phase of DGM will continue empowering these groups by providing them with direct access to funds, but will expand its objective beyond forestry and issues related to reducing emissions from deforestation and forest degradation (REDD+) to promote the multi-sectoral approach that is needed to achieve climate goals and sustainability. It will also explore opportunities to foster partnerships with other initiatives that provide direct access to climate funding to Indigenous People and local communities.
33. Section 6 describes in detail how concessional resources under the CIF Nature Solutions program will be deployed and how programs and projects will be implemented consistent with the design and implementation principles provided in Annex 1.

## 5.1. Financial Terms and Conditions

34. The financial terms and conditions for CIF Nature Solutions are governed by the [\*Climate Investment Funds Financial Terms and Conditions\*](#),<sup>44</sup> which includes information on:
- a. The principles and guidelines for using CIF concessional resources under CIF Nature Solutions<sup>45</sup>
  - b. The financing modalities supported
  - c. The financial terms and conditions for public sector concessional loans, grants, and guarantees
  - d. The financial terms and conditions for private sector projects
  - e. Eligibility for concessional funding
35. The [\*Financial Terms and Conditions\*](#) policy will be updated annually to reflect changes to lending/guarantee rates, eligibility for concessional funding, and other information. The policy will be reviewed biennially to address policy-related matters, such as emerging topics like increased local currency lending and risk mitigation measures, pertaining to financial terms and conditions and country eligibility criteria.
36. For each CIF Nature Solutions project/program submission, in line with the principles mentioned in paragraph 33 above and elaborated on in the *Financial Terms and Conditions* policy, MDBs will be required to

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<sup>42</sup> [https://www.climateinvestmentfunds.org/sites/cif\\_enc/files/meeting-documents/scf\\_tfc.15\\_inf.4\\_cif\\_climate\\_ventures\\_proposal.pdf](https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/scf_tfc.15_inf.4_cif_climate_ventures_proposal.pdf). Note that as of September 2021, this document is still under discussion with the SCF TFC and has yet to be approved.

<sup>43</sup> Regarding adaptation action the CIF is committed to follow the ‘The Principles for Locally Led Adaptation’ identified by the Global Commission on Global Adaptation.

<sup>44</sup> Available at: [https://www.climateinvestmentfunds.org/sites/cif\\_enc/files/meeting-documents/joint\\_ctf\\_scf\\_cif\\_financial\\_terms\\_and\\_conditions\\_nov\\_10\\_0.pdf](https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/joint_ctf_scf_cif_financial_terms_and_conditions_nov_10_0.pdf)

<sup>45</sup> See Annex 1



- a) Provide the level of concessionality at the project level (see Annex for details), <sup>46</sup>
- b) Provide a rationale on the need for concessionality for the given project/program.
- c) Provide an explanation for the type of instrument being used (e.g., grants, loans, guarantees), taking account of the need to ensure both minimum concessionality at the project level and the importance of maximizing immediate climate action.<sup>47</sup>

**37. MDB Co-financing.** To maximize the impact of CIF concessional resources, they must be implemented alongside an adequate volume of MDBs' own resources and with additional co-financing from other public and/or private entities. In exceptional circumstances (e.g., for countries in debt distress / at risk of debt distress), a stand-alone CIF funded program or project may be allowed for a.) public sector operations, or b), for private sector CCV operations only, subject to justification from the country and/or relevant MDB.

## 5.2. Investment Criteria

38. With a view to maximize the impact of CIF's resources, each program or project proposed for CIF financing shall demonstrate how it will meet the following criteria:

- a. Potential for transformational change
  - Relevance (strategic alignment)
  - Systemic change
  - Speed<sup>48</sup>
  - Scale
  - Adaptive sustainability<sup>49</sup>
- b. Potential to enhance resilience to climate risks contribute to lower-emission and climate resilient development
- c. Potential to significantly contribute to the principles of a just transition towards lower-emission and climate resilient development
- d. Financial effectiveness
  - i. Value for Money
  - ii. Mobilization Potential
- e. Implementation potential
- f. Gender equality and social inclusion impact
- g. Development impact potential

<sup>46</sup> Due to the nature of private sector operations under CIF, this information will need to be provided ex-post after approval of each relevant private sector subproject

<sup>47</sup> In the case of private sector projects, MDBs can provide a more high-level, preliminary assessment at the TFC program approval stage, with more in-depth information provided ex-post after approval of each relevant subproject

<sup>48</sup> The speed dimension refers to the need to accelerate or decelerate outcomes and impacts to achieve the appropriate speed of change. The speed dimension was added in 2021 to emphasize the closing window of opportunity for making the transformations needed to avert the catastrophic impacts of climate change while simultaneously ensuring a just transition.

<sup>49</sup> Adaptive sustainability refers to transformational changes that are robust, resilient, and lasting over the long-term, as well as adaptive to evolving contexts and able to balance social, economic and environmental factors. Please see Annex 1 for further elaboration of the transformational change dimensions.

39. The specific ways in which projects are expected to meet these criteria would be clearly and consistently highlighted in cover sheets and other project documents when they are submitted for Trust Fund Committee approval. See Annex 1 for details on the investment criteria and Figure 3 for potential list of interventions. Guidance on summarizing the criteria will be provided, along with a template for project cover sheets, in the Program Implementation Document.

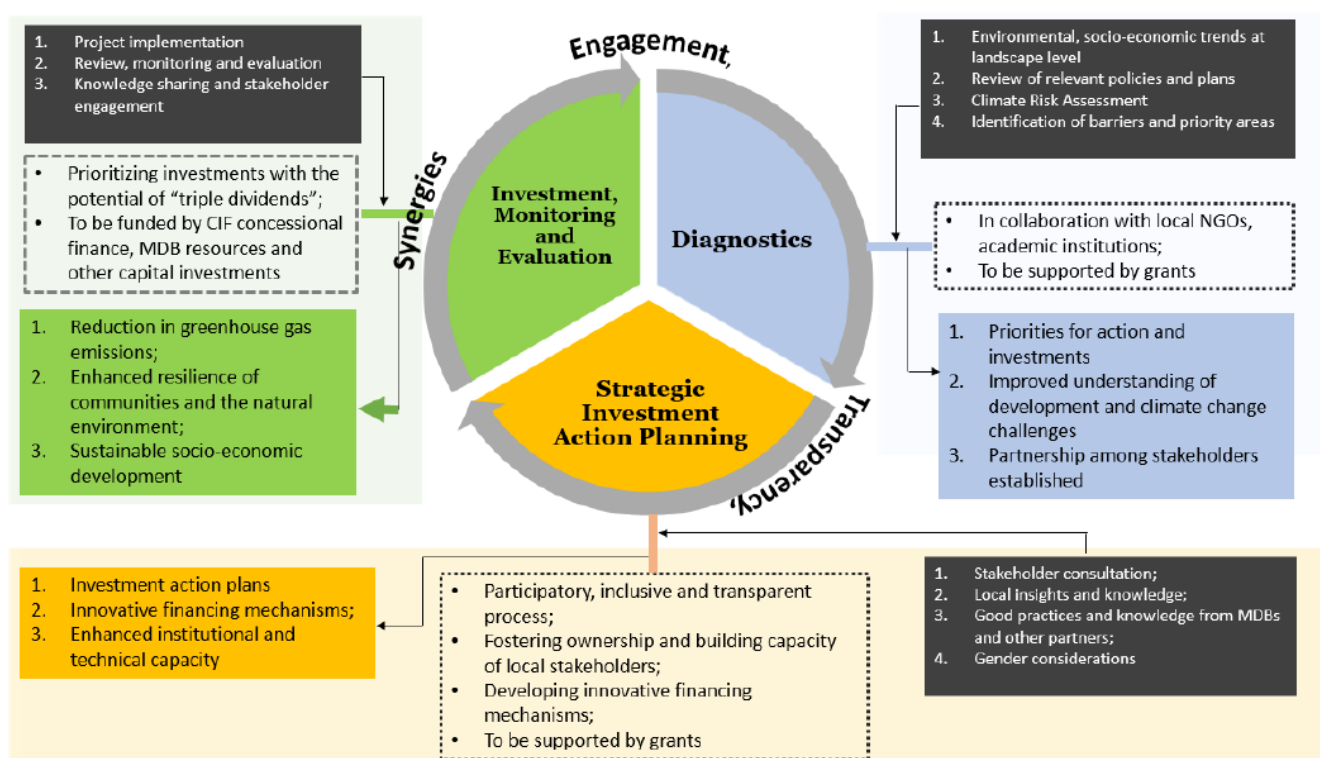
### 5.3. Environmental and Social Impact

40. All CIF financed projects will follow their respective MDB guidelines and procedures for environmental and social safeguards.

## 6. CIF Programming

41. CIF Nature Solutions consists of three phases to develop solutions through participatory land use diagnostics, strategic planning and investments, and monitoring and evaluation. These steps will be undertaken on an as-needed basis, depending on context-specific circumstances and recipient countries' requirements (see Figure 2).

**Figure 2: An integrated approach to sustainable land use\***



\*Note that local NGOs refers to Civil Society Organizations (CSOs) and other local stakeholders (e.g., Indigenous People and local community organizations)

42. CIF Nature Solutions will be delivered through a multi-stakeholder process and governance mechanism through which different needs and ambitions can be voiced and considered to articulate a shared vision and define a roadmap for implementation with assigned roles and responsibilities. The sustainable land-use approach model will be tailored to context-specific circumstances to support either government, industry, or community leadership models. (See Figure 1). CIF Nature Solutions' multi-stakeholder approach aligns with the vision of the [\*Partnership for Just Rural Transition\*](#) in which governments, companies, and local communities collaboratively seek to mobilize solutions and investments for sustainable food production, stewardship of land, natural resources and ecosystems, and enhancing livelihoods.
43. The three phases: Strategic planning, Investment Plan design and Monitoring and Evaluation will be completed, as appropriate, during the full cycle of CIF Nature Solutions programing at the country level. Phase 3 on Investment, Monitoring and Evaluation should have the highest proportion of funding dedicated to it.
44. **Phase 1: Land Use Diagnostic.** The diagnostic phase will enable CIF countries to assess and prioritize the climatic and socio-economic issues and trends in land-use changes of a particular area or multiple areas, including those in coastal and transboundary zones. It will also investigate how such issues could evolve under changing climate conditions. Phase 1 will be enabled by CIF grants.
45. The robust, data-based, and participatory diagnostic will build on existing low-emissions and/or climate-resilient rural development plans (e.g., jurisdictional strategies and action plans, REDD+ strategies, sustainable development plans, or any other equivalent planning documents) and their relative level of implementation, effectiveness, efficiency, and sustainability. It will also build on ongoing and planned MDB operations in the country's relevant sectors and on other funding sources and initiatives in a manner that is complementary and leverages further financial support. The diagnostic will identify those institutional, policy, regulatory, and socio-economic structures or other barriers that incentive or hinder the adoption of sustainable practices and private investment into catalytic projects.
46. **Phase 2: Preparation of Investment Plan.** The investment plan will outline how the challenges identified through the diagnostic will be tackled through policy, institutional, and technical assistance interventions and investments. The Investment plan, led and owned by the government and supported by relevant stakeholders of the recipient country, will define a common vision and strategic approach for the areas to be targeted, which will become the basis for identifying a range of priority investment pipeline. It will build on existing nationally driven climate-related plans or long-term strategies, with a view to ensuring alignment with country priorities that contributes to a long-term low carbon growth transition pathway consistent with the Paris Agreement climate goals. It will also build on strategic use of concessional resources, and enhanced climate action. This phase will be enabled by CIF grants.
47. The investment plan will be supported by both the public and private sector units of the participating MDBs. It shall be inclusive, transparent, and participatory, involving sectoral ministries (including ministries involved in finance, planning, women's affairs, and Indigenous Peoples' affairs), provincial government authorities, development partners working in the country (including UN and bilateral development agencies), representative

NGOs, Indigenous Peoples organizations, women's organizations, local community groups, the private sector, and other stakeholders.

48. Work can be done engaging the regional, provincial, county, or any other appropriate unit of government to ensure that plans and actions proposed at the local level are consistent with and embedded into local regulatory and budgeting processes. Local processes can also be reformed to promote more consistent and sustainable land use approaches. This ensures that the plans, practices, and policies are sustained beyond the project cycle funding. The investment plan should also take into consideration transboundary priorities and the country's commitment to international or multi-country initiatives and agreements.
49. Recipient country governments should establish or identify a crosscutting, multi-stakeholder steering committee to assist in program planning, implementation, and monitoring and evaluation. It should include representatives of relevant government authorities, Indigenous Peoples, women and women's organizations, and organizations for marginalized peoples, particularly marginalization based on gender, sexual orientation, or gender identity, local communities, NGOs, CSOs, youth organizations, and the private sector. Having strong participatory stakeholder engagement is an important mechanism to lend credibility to the investment plan and achieve implementation continuity and more sustainable results.

**50. Phase 3: Development, implementation, and monitoring of catalytic investment projects.**

This phase focuses on developing and implementing catalytic investment pipelines identified and prioritized by countries in their investment plans. CIF Nature Solutions can provide catalytic support at the pre-investment and investment phase of the project, depending on context-specific circumstances (see Figure 3<sup>50</sup>). At the pre-investment phase, interventions supported can include the following, among others:

- Prefeasibility and feasibility studies
- Technical, financial, economic, social, environmental, and legal due diligence
- Financial, institutional and legal structuring
- Financial models
- Risk analysis and matrices
- Preparation of contracts, bidding and selection procedures
- Evaluations of the legal frameworks and other studies necessary to determine the technical, financial, environmental, economic, and social feasibility required for the preparation and implementation of the project

51. Interventions to be supported by CIF Nature Solutions will contribute to climate change adaptation and mitigation while promoting sustainable livelihoods, food production, enhancing ecosystems services, and reducing biodiversity loss and other climate co-benefits. Priority will be given to strategically aligned interventions that are both ambitious and transformational<sup>51</sup> and where concessional climate finance is needed to overcome barriers to meaningfully achieve program objectives.

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<sup>50</sup> This list may be subject to periodic updates, determined by CIF AU, the MDB Committee, and the Trust Fund Committee, based on changes in technology and/or conditions on the ground in participating countries, or other factors.

<sup>51</sup> Viguri, S. and López, M. (2019). Designing for transformation: a practice-oriented toolkit for mainstreaming transformational change in program and project preparation processes. CIF-ADB-IDB Group

52. Potential interventions to be funded and instruments to be used in this phase include:

- a. **Enabling environments:** Grants for technical assistance, capacity building, and policy dialogues
- b. **Enabling investments:** Grants for project preparation, technical assistance and capacity building; performance-based incentives; concessional debt; guarantees, hedging, and credit enhancement; and junior equity and mezzanine



**Figure 3: Examples of potential interventions and instruments**

	Enabling environment	Enabling investments
TYPES OF INTERVENTIONS	<p><b>Land and natural resources management frameworks</b></p> <ul style="list-style-type: none"> <li>• Participatory development of jurisdiction-wide spatial plan, land-use zoning</li> <li>• Development of jurisdictional monitoring, reporting and verification systems</li> <li>• Development of standards/certification for sustainable production</li> </ul> <p><b>Land-use institutional and governance systems</b></p> <ul style="list-style-type: none"> <li>• Strengthening institutional capacity across governments levels</li> <li>• Strengthening of governance frameworks from national, sub-national to community level, including through the establishment of multi-stakeholders bodies ensuring representation of relevant actor groups (e.g. producers, local communities, indigenous people)</li> </ul> <p><b>Land-use policy and regulation</b></p> <ul style="list-style-type: none"> <li>• Support to policy/regulatory reforms e.g. land-zoning laws, land tenure and access rights and enforcement mechanisms</li> <li>• Introduction of incentive schemes</li> </ul> <p><b>Public budgeting</b></p> <ul style="list-style-type: none"> <li>• Integration of climate considerations and landscape-wide needs in budgeting processes and guidelines including those at sub-national level</li> <li>• Support subsidies reforms</li> </ul> <p><b>Capacity building</b></p> <ul style="list-style-type: none"> <li>• Developing tools and approaches to build the capacity for integrated landscape approach for communities</li> <li>• Improving financial literacy of government's agencies to better engage with private investors/financiers</li> <li>• Support government actors in preparing bankable projects and creating an environment conducive to private investments in integrated land management</li> <li>• Providing bespoke training to grow the ecosystem of small and medium-sized enterprises including through targeted incubation and aggregation</li> </ul>	<p><b>Agriculture and food systems</b></p> <ul style="list-style-type: none"> <li>• Climate-smart agricultural techniques e.g., agroforestry, intercropping, conservation agriculture, crop rotation, integrated crop-livestock management</li> <li>• Climate-smart agricultural technologies e.g. decision-support tools, remote sensing, GIS, drones, mobile monitoring systems, water harvesting and water-efficient irrigation systems, drought resilient seeds/plants</li> <li>• Post-harvest storage systems</li> <li>• Prevention and management systems for extreme events</li> <li>• Innovative food products capable of increasing nutritional value and reduction of carbon footprint</li> </ul> <p><b>Forests and other ecosystems</b></p> <ul style="list-style-type: none"> <li>• Reforestation / forest restoration</li> <li>• Restoration of high-carbon ecosystems</li> <li>• Community-based natural resource management systems</li> <li>• Development and testing of innovative nature-based solutions</li> <li>• Sustainable timber value-chain development</li> <li>• Support to forestry companies working with local communities on issues such as out growers schemes and Free and Prior Informed Consent</li> <li>• Creation of enterprises employing nature-based products and services e.g. tourism and non-timber forest products</li> </ul> <p><b>Coastal systems</b></p> <ul style="list-style-type: none"> <li>• Restoration, afforestation of costal wetlands / mangroves</li> <li>• Watershed and reservoir management systems</li> <li>• Piloting of innovative nature-based / ecosystem-based solutions to restore ecosystems, protect built environment, and improve livelihoods</li> <li>• Improved preparedness of coastal communities through early warning systems</li> </ul>
INSTRUMENTS	<ul style="list-style-type: none"> <li>• Grants for technical assistance, capacity building, and policy dialogues</li> </ul>	<ul style="list-style-type: none"> <li>• Grants for project preparation, technical assistance and capacity building</li> <li>• Performance-based incentives</li> <li>• Concessional debt</li> <li>• Guarantees / hedging / credit enhancement</li> <li>• Junior equity / Mezzanine</li> </ul>

## 6.1. Pipeline Management and Cancellation Policy

53. The '[CIF Pipeline Management and Cancellation Policy](https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/joint_ctf-scf_tfc.23_4_cif_pipeline_management_and_cancellation_policy.pdf)<sup>52</sup>' ensures the efficient and effective implementation of programs and projects and disbursement of approved funds in order to maximize the use of available resources under CIF Nature Solutions over time. The policy sets out the core guiding the commitment of CIF concessional resources for programs and projects. It also establishes deadlines and timeframes for each of the steps in the project cycle and identifies the procedures to be followed in case an extension of those timeframes is required and/or there are any changes in the Investment Plans or projects.

## 7. Monitoring and Reporting

54. Over the past ten years, CIF has been a pioneer in climate finance monitoring and results reporting. It employs a unique participatory monitoring and reporting system that fosters a programmatic approach from investment design to implementation to completion. Working through a transparent, country-led process that engages a range of stakeholders—including government ministries, civil society, Indigenous Peoples and local communities, private

<sup>52</sup> Available at: [https://www.climateinvestmentfunds.org/sites/cif\\_enc/files/meeting-documents/joint\\_ctf-scf\\_tfc.23\\_4\\_cif\\_pipeline\\_management\\_and\\_cancellation\\_policy.pdf](https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/joint_ctf-scf_tfc.23_4_cif_pipeline_management_and_cancellation_policy.pdf)

sector, and the MDBs—the process builds capacity and country ownership. It integrates with existing monitoring and evaluation systems at the country level and aligns with national monitoring and reporting systems.

55. CIF monitoring and reporting systems ensure in-country stakeholders and implementing MDBs have roles in tracking the performance of CIF-backed investments to ensure accountability, learning, progress, and results in advancing climate-smart development. This inclusive, programmatic approach is time intensive but serves to enrich the entire process for maximized results. It links a series of actions and investments that mutually reinforce each other and contribute to national development goals and existing programming and partnerships.
56. As the delivery of climate financing continues to evolve, so does the requirement to capture, analyze, and learn from empirically robust data in real time. This is relevant to ensure that CIF Nature Solutions stays committed and accountable to core objectives, informs decision-making, and demonstrates progress toward national, regional, and international goals. It is also relevant to ensure that the activities pursued under CIF Nature Solutions can self-assess, course correct, and maximize impacts for the most urgent issues and most vulnerable populations.
57. CIF approaches Monitoring Evaluation and Learning (MEL) in an integrated way that is reflected in a common set of principles, integrated results frameworks, and collaboration and coordination across MEL activities. When implemented in complementary ways, these activities build on one another to produce compelling evidence, knowledge and learning opportunities for key stakeholders in support of CIF's overall goals and program objectives. The principles and approaches articulated in the CIF MEL policy can thus serve as a critical tool for advancing effective climate finance delivery in developing countries, leading to enhanced transformational impact. Given the increasing scale and urgency of the climate crisis, CIF's commitment to rigorous and strategic, evidence-based MEL as described in its new policy is an essential and integral part of its program delivery model.
58. CIF Nature Solutions' monitoring and reporting framework will be guided by CIF's MEL policy and move the needle both on how climate investments elaborate scientifically rigorous theories of change, and on how they approach and treat the corresponding data while striving towards transformational change. The monitor and reporting framework will build on current successes that have redefined the results measurement landscape in climate change. CIF's participatory stakeholder-driven approach to monitoring and reporting has allowed greater integrity, ownership, inclusiveness, empowerment, integration, and usability of the data that is collected and, therefore, also of the lessons learned. Enhancing the ability for climate finance to deliver the greatest impact per-dollar requires that financing entities can produce genuine findings that can inform real-world challenges in deploying projects. This remains the foundational driver of the monitoring and reporting frameworks.
59. The new monitoring and reporting framework will operate to ensure CIF Nature Solutions aligns with CIF objectives on two tiers:
  - a. Strength-of-fit with new programs, assessing the rationale behind a project's requirements for CIF concessional financing, and its ability to create long-term, viable, and inclusive systemic change that shifts into an improved low-emission environment and climate-resilient development. The integrated results framework at this

overarching program level will tag projects to key aspects under the four primary transformational change parameters (relevance, systemic change, scale and sustainability) using qualitative measures.

- b. Strength-of-fit with programmatic objectives, tracking a project's ability to deliver on core climate-change objectives. At the program level, the framework will carry core indicators that underpin the primary drivers of the financing window. Each program area will report against a set of pre-established core indicators. At the project level, the framework will draw on the MDB project log-frame indicators that define more specialized indicators tracking sector-, country-, or population-specific (including gender-specific) metrics that are also fundamental to assessing impact delivery. The frameworks will be built to track results at different levels and timeframes of decision-making and tie in with CIF's research on development co-benefits.

60. To meet these goals, a detailed integrated results framework, monitoring and reporting guidance tools and quality at entry measures of indicators and results system set-up will be established for CIF Nature Solutions.

## **8. Resources for Country Engagement and MDB Budget**

### **8.1. Investment Plan Preparation Grant**

61. Funding in the form of Investment Plan Preparation Grants (IPPGs) will be provided to countries that are invited to prepare an investment plan under the Program, to enable them to take a leadership role in working with the MDBs to develop their investment plan. These resources may be made available to the selected countries for additional work, including stakeholder engagement and planning sessions. Funding would be made available up-front to complete the investment plan preparation process.

### **8.2. MDB-Coordinated Country Engagement**

62. Funding is provided to MDBs to support their costs related to investment plan preparation, monitoring and reporting by countries at investment plan level, in-country stakeholder engagement during investment plan implementation, gender mainstreaming, and the development of regional or country knowledge products or south-to-south learning activities. Details of these activities are as follows.

- a. **MDB support for investment plan preparation:** These resources will facilitate the process of agreeing, at the outset, the respective roles, division of tasks, and overall approach between the MDBs. The implementing principles of collaboration between MDBs will promote lessons sharing and a consistently wide scope of consultations. These resources will also be used to undertake other activities associated with investment plan preparation, such as missions, studies, consultancies. Eligible activities include:
  - Travel expenses for scoping, joint missions, and other technical missions relating to the preparation of the investment plans including support for virtual events and/or trainings
  - Supporting countries in the stakeholder engagement process, including outreach to vulnerable communities, women's organizations, youth groups and marginalized

- groups due to race, gender, gender identity, or sexual orientation and efforts to expand participation of all genders in the consultation process. The inclusive consultation process will promote integrated and multisectoral approach involving all relevant sectors in defining the scope of the CIF Nature Solutions program
- Cost of hiring local and international consultants to support the investment plan preparation or the country programming process, including on gender
  - Activities aimed at sensitizing MDB country teams on the spirit of CIF collaboration and on CIF guidelines and procedures
  - Cost of staff time for MDB sector specialists based in-country and at headquarters<sup>53</sup>
  - Other stakeholder meetings and events held to ensure that CIF investment plans are prepared under a joint framework, coordinated by the MDBs, and under the leadership of CIF countries
- b. **Other country engagement activities post-investment plan endorsement:** This will include funding for gender mainstreaming activities, monitoring and reporting at investment plan level, south-south learning, convening of stakeholder reviews of investment plan implementation progress and completion, integrating CIF lessons, and promoting the application of learning studies and activities. Activities will be implemented and coordinated by the MDB focal point teams, in response to demand from CIF countries.

### 8.3. Annual Administrative Budget Support to MDB Focal Point Teams

63. The focal point teams for the MDBs receive an annual budget related to coordination costs for managing their CIF portfolio. Core administrative costs for the MDB focal point teams, as it relates to the new programs will be submitted in the annual CIF business plan and budget.
64. Focal point teams within each MDB coordinate CIF financing within their organizations and provide guidance to task team leaders on implementing CIF projects and programs. The focal point teams work closely with the Trustee and the CIF Administrative Unit to achieve the following:
- a. Overall coordination and advisory support to leverage best practices across CIF programs
  - b. Participate in CIF governance through MDB Committee meetings, preparation and review of policy documents, and participation in CIF events
  - c. Support investment plan preparation and other country engagement activities across CIF programs
  - d. Support the project and program approval process by responding to questions and comments from Committee members
  - e. Conduct financial reporting to the Trustee based on the requirements of the Financial Procedures Agreements (FPAs)
  - f. Provide mid-term review and reporting on projects to track underperforming projects and advise teams on restructuring and other changes to approved projects
  - g. Monitor and report on risks and overall risk management of the portfolio

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<sup>53</sup> Staff time for CIF Focal points are covered under the CIF Administrative Services Budget

- h. Manage communications on the MDB portfolio and support knowledge management and analytics across CIF in terms of publications, seminars, fora, community of practices, regular dissemination of best practices and lessons learned across the portfolio
- i. Engage across MDB institutions to leverage partnerships and additional funding to existing CIF programs
- j. Identify synergies and complementarities between climate funds, including the Green Climate Fund (GCF), Global Environment Facility (GEF), Adaptation Fund (AF), and explore possibilities for upscaling CIF investments

#### **8.4. MDB Project Implementation and Supervision Services**

65. MDB Project Implementation and Supervision Services (MPIS) will reimburse MDBs for the incremental staff, consultant, travel, and related costs of project development, appraisal, implementation support, supervision and reporting. While CIF operations are largely integrated into MDBs' own operations to minimize additional workflow and transaction costs, there will be some incremental costs to the MDBs for staff, due diligence, and reporting, which will be recovered through the MDB fee. Such costs can include, for instance:

- Additional financial analysis to justify the need and role of CIF's concessional financing
- Inclusion of strategic program specialists and/or blended finance specialist in operations teams
- Monitoring, reporting and evaluation according to CIF's results measurement system
- Additional cost of legal, loan, and accounting services to administer CIF's concessional resources

### **9. Risk Management**

66. The GCAP Sub-Committee will determine CIF Nature Solutions' risk appetite, which will be codified in a related corresponding risk appetite statement by the CIF Administrative Unit. In many cases, the degree of CIF's risk appetite will influence its ability to deliver transformational change.

67. The GCAP Sub-Committee should be particularly focused on risks that could affect CIF Nature Solutions' strategy and ability to meet its objectives, as well as risks that could damage the program's reputation.

68. The manner in which risk-related information is able to flow within CIF Nature Solutions' governance and organizational structures affects the nature of risk-related discourse and risk-based decision-making within the program. The program's governance and organizational structure involves four primary parties: GCAP Sub-Committee, CIF Administrative Unit, MDBs, and the Trustee. Together, they carry out the four integral tasks to the risk management function: identifying, assessing, monitoring and reporting, and mitigating and controlling risks.

69. Appetite or tolerance for a given risk may be classified as either Low (which includes risks for which there is no appetite/zero tolerance), Medium, or High. The level of risk to which



CIF Nature Solutions is exposed is determined based on the combination of the risk's likelihood and severity.

70. Risk exposures depend on the characteristics of a program, as well as its level of maturity. They can include credit risk, currency risk, resource availability risk, implementation risk, fraud risk, sexual exploitation and abuse, and the risk of external events. Each risk will be assessed relative to its corresponding risk appetite as codified in the program's risk appetite statement and reported to the program's governing body regularly through the program's risk dashboard and risk report.

## 10. Gender and Social Inclusion

71. The [CIF Gender Policy<sup>54</sup>](#) and the [CIF Gender Action Plan Phase 3<sup>55</sup>](#) structure CIF's approach to gender mainstreaming in its programming. These documents outline key requirements and resources in the areas of inclusive consultation during investment plan and project design and implementation, CIF Administrative Unit gender technical upstream support and review, monitoring and reporting, and CIF governance.
72. Gender-representation in design and implementation process: Consultations for investment plans preparation under the CIF Nature Solutions program should include relevant women's organizations and diverse gender-related CSOs, private sector stakeholders working to promote gender inclusion, the ministry in charge of women's affairs, and gender focal points of relevant line ministries. Efforts to consult with CSOs representing interests of other groups that are likely to face barriers to inclusion in project-related activities, such as Indigenous Peoples, youth, persons with disabilities, and with local communities in the project areas are also encouraged. Joint mission teams for investment plan development will include gender expertise (e.g., a gender/social development specialist) from concerned MDBs. Liaison with the country gender focal point of UNFCCC is also encouraged. Participatory, gender-inclusive monitoring and reporting scoring workshops, to include CSO representation, particularly of women's organizations, will assess investment plan implementation regularly and during any investment plan revision processes. Some CIF countries have adopted the good practice of identifying gender focal points for investment plan implementation, as well as separate budget line items for gender work under the plan; and such practice is highly encouraged under the CIF Nature Solutions program. All of the efforts to reach out and include women and other social groups in project design and implementation should be described in the project documents, and issues and concerns raised by them clearly reflected in gender and social inclusion analysis.
73. **Gender equality and social inclusion analysis:** Project design should include explicit analysis of gaps between men and women, as well as also strive to identify other groups that might face exclusion regarding specific project activities – youth, Indigenous Peoples, persons with disabilities etc. Such analysis should look at differences in access to services, productive assets and resources, employment and income levels, skills and capacity. It should also consider context-specific roles and norms, affecting their participation in

<sup>54</sup> Available at [https://www.climateinvestmentfunds.org/sites/cif\\_enc/files/knowledge-documents/joint\\_ctf-scf\\_17\\_4\\_rev1\\_cif\\_gender\\_policy\\_rev1\\_2\\_final.pdf](https://www.climateinvestmentfunds.org/sites/cif_enc/files/knowledge-documents/joint_ctf-scf_17_4_rev1_cif_gender_policy_rev1_2_final.pdf)

<sup>55</sup> CIF Gender Action Plan Phase 3. <https://www.climateinvestmentfunds.org/knowledge-documents/cif-gender-action-plan-phase-3>

decision making and leadership roles, as well as gender-responsiveness of policies. Based on the results of such analysis, specific actions to reduce those gaps and ensure distribution effects for women and other social groups should be identified in the proposal and include indicators to monitor progress. CIF AU started to provide upstream technical gender review inputs based on demand by MDBs to strengthen gender integration in CIF project design. This will continue and interested MDB task teams are encouraged to engage with CIF AU early on during project and investment action plan design to seek gender technical review inputs. As outlined in the CIF Gender Action Plan Phase 3, CIF AU will track the number and % of new Investment Plans and projects that have received technical support on gender from CIF AU or other facilitated mechanism (such as Gender Groups of MDBs) prior to TFC submission for approval.

74. **Gender and social inclusion monitoring and reporting:** Gender reporting under Phase 3 of the CIF Gender Action Plan includes a range of reporting streams, including on a set of gender indicators on the plan overall, project reporting on CIF Nature Solutions core indicators (including beneficiary tracking), and reporting on any gender-related indicators that teams have developed for their MDB project results frameworks. Reporting on “gender performance” ratings on CIF-financed projects present in MDB internal gender reporting systems (e.g., under gender tag or gender marker systems) will be consolidated to aid CIF reporting on gender performance trends. Additionally, disaggregated reporting on impact for other groups that are likely to face inclusion barriers is encouraged whenever relevant and feasible.
75. **Entry points for gender and social inclusion in the Nature Solution program:** CIF is committed to gender mainstreaming and enhancement of gender equality outcomes across its programming and operations. It also increasingly places emphasis on social inclusion both through procedural justice and distributional impacts in the context of just transition. To ensure CIF delivers on its gender and social inclusion commitments, each program and project proposed for funding will articulate the process used to identify, evaluate, and address existing context-specific barriers and gaps in gender equality and social inclusion, including use of participatory approaches and climate-smart planning that include women’s and organizations for marginalized peoples, particularly marginalization based on race, gender, sexual orientation, or gender identity . CIF projects should also ensure equitable outcomes with particular attention to vulnerable groups, particularly people marginalized by gender.

## 11. Communications

76. Communication is a central component of CIF partnerships, amplifying CIF’s visibility and enabling the effective dissemination of the successes and challenges stemming from one of the world's largest climate finance mechanisms.
77. Communications activities of the CIF Administrative Unit and MDBs under CIF Nature Solutions program will be guided by the forthcoming CIF Visibility and Branding Policy. This policy provides guidelines on how MDBs and other partners involved in the new CIF programs are expected to brand information and communication material resulting from any projects under the new CIF programs. The policy covers the following:
  - a. How the CIF logo is used in communication products (including printed materials and digital products)

- b. How disclaimers and copyright texts should be used for CIF-related communications products
- c. How milestone news and press-releases should be managed and executed for CIF projects
- d. How events regarding CIF projects should be handled in regard to CIF and its partner MDBs

78. CIF stakeholders recognize the value that communications, media, art and storytelling can play in all phases of operations, including early-stage Investment planning. The CIF Administrative Unit, MDBs, and other key stakeholders will explore how such communication tools can be incorporated into the development and delivery of investment plans and programs.

## **12. Stakeholder Engagement**

79. CIF has a five-pronged approach to stakeholder engagement that includes 1. country-led multi-stakeholder planning; 2. inclusive and transparent governance structure; 3. capacity strengthening; 4. research, knowledge products, and evaluation; and 5. support to the Stakeholder Advisory Network on Climate Finance (SAN).

80. The CIF's business model hinges on a country-led participatory programmatic approach and strong consideration for social cohesion at the outset and throughout the project cycle. Independent evaluations and results from consultations confirm that such a business model cannot be honored without attention to an inclusive and transparent decision-making process that brings together both contributor and recipient countries as well as non-state actors from civil society and the private sector as observers. The latter have a stake in the transparent and accountable use of climate finance and in ensuring that resources reach the most climate vulnerable communities at the grassroots level.

81. From its establishment, CIF has welcomed CSOs, private sector entities, and Indigenous Peoples organizations as an integral part of its governance and operational delivery. Upstream engagement of stakeholders in the project design cycle has helped CIF countries take into account multiple needs and perspectives and more strategically plan for climate action. CIF's inclusive model has reinforced an integrated multisectoral investment plans comprising mutually reinforcing investments.

82. The CIF's Stakeholder Observers program, which has been in existence for 10 years, enables over 40 observers representing CSOs, the private sector, and Indigenous Peoples and local communities to participate in CIF governance committees at the global level, contribute to formulating climate strategies at the global and national levels, and monitor climate projects at the local level. CIF also consults frequently with stakeholders on all three levels, carries out joint research, and facilitates capacity building efforts of stakeholders. CIF also supports SAN, a platform for convening past and present observers from across five climate and environment funds (GCF, GEF, AF, FCPF, and CIF) to promote cross-pollination and capacity strengthening in the global climate finance community.

83. CIF provides the platform, tools, and resources to effectively engage stakeholders in investment planning, project implementation and monitoring, and reporting. These are key to securing the transparent, accountable, and sustainable use of funds at the national and local levels. While engagement of non-state actors at the global level has demonstrated replicable examples for other climate funds, study findings indicate that engagement at the

national and local levels could be further strengthened. Based on experience, the CIF stakeholder engagement program of activities will further reinforce adoption and use of stakeholder mapping tools, provide tailored capacity building training, carry out country-level policy dialogue and consultation sessions to better engage marginalized and vulnerable communities, and enhance local stakeholder constituency representation at the CIF governance and policy-making level.

### **13. Knowledge, Evaluation, and Learning**

84. Robust knowledge, evaluation and learning are critically important within the new CIF programs to maximize the impact of these investments and ensure that emerging lessons are used to inform ongoing course corrections as well as the design of future projects. In particular, the new programs and related investment models represent frontier areas where existing evidence is scarce and robust learning activities can have wide influence, both within CIF and the wider climate finance sector. CIF's mandate as a learning laboratory for scaled up climate finance and dedicated efforts in this area in recent years have provided strategic and operational insights to inform decisions on many levels and have demonstrated the value of investing early in evidence-based learning activities.
85. CIF's Evaluation and Learning (E&) Initiative uses demand-driven, user-centric approaches to collectively prioritize and undertake a range of evaluative studies and learning activities relevant to the new program areas. This includes, for example, cross-cutting thematic or program-level independent evaluations, sector-specific learning reviews, case studies, and facilitated learning events at the global, regional and/or country-level. Current priority learning themes, such as transformational change, development impacts of climate finance, just transition, private sector investment, and local stakeholders, are pertinent and timely to both the new programs and the COVID-19-influenced global context. In line with the E&L Business Plan and more specific annual work plans, the E&L Initiative will work together with MDBs, countries, and other stakeholders to develop and implement these activities as they relate to the new programs. Engagement may include, for example, membership in the E&L Advisory Group, participation in learning exchanges, and engagement in studies and evaluations, including sharing relevant information and facilitating field for third-party researchers.
86. Other related knowledge and learning efforts will entail joint planning and implementation processes. This includes, for example, engagement with future Global Delivery Initiative (GDI) and Development Impact Evaluation (DIME) studies, as well as program-level knowledge management products, initiatives and learning events, such as regional or global learning forums or cross-visits. These will also be prioritized and implemented in consultation with MDBs, countries and other partners and stakeholders (including through country engagement activities and budget).

## **Annex 1. Investment Criteria under the CIF Nature, People and Climate Investments Program**

1. CIF Nature Solutions will deploy concessional resources at scale to improve livelihoods and address climate change through the sustainable use of land and other natural resources adopting multisectoral and integrated systems wide approaches.
2. Towards this end, each program/project proposed for CIF financing under Nature solutions shall be relevant for achieving land and other ecosystems transitions namely agriculture and food, forests, rangelands, coastal systems by addressing trade-offs and synergies among multiple stakeholders
3. With a view to maximizing the impact of CIF's resources, each program/project proposed for CIF financing shall demonstrate how it will meet the following criteria:

### **1. Potential for transformational change**

4. Transformational change requires attention to five dimensions – Relevance, Systemic Change, Speed, Scale, and Adaptive Sustainability. The specific emphasis and significance of these dimensions are context dependent. Ultimately attention to these dimensions should support fundamental system change, with large-scale positive impacts, that shift and accelerate the trajectory of progress toward climate-neutral, inclusive, resilient, and sustainable development pathways. The following descriptions and questions should guide the initial assessment, design, implementation, and evaluation of Nature, People, Climate Program and projects for transformational climate action. The 'what' questions below pertain to what the change needs to be, while the 'how' questions pertain to how the change is brought about.

#### **1.1. Relevance**

5. Each program/project proposed for CIF financing shall demonstrate Relevance to advancing the strategic objectives and transformational change goals of CIF Nature Solutions through the alignment of context, goals, and action. Programs/projects will consider the alignment of context (e.g., environmental stress, land use policies, social justice, technology/finance challenges, economic development, etc.), goals (e.g., CIF Nature Solutions program strategic objectives, existing low-emissions and/or climate-resilient rural development plans, etc.), and action (e.g., specific programs, projects, etc.). This may include, for example, investments in Nature-based solutions to address agriculture, forestry, biodiversity, food security, social inclusion, economic growth, and poverty alleviation, including as related to and ensuring coherence with other relevant partners, stakeholders, and investments.



What	What are the fundamental changes and large-scale positive impacts, relevant to nature, people, and climate (CIF Nature Solutions) in this context, that we wish to bring about?
How	<p>a. Context: How is the intervention relevant to CIF Nature Solutions in this context including, existing assets, barriers to change, and complementary existing efforts?</p> <p>Alignment: How does the intervention align with the strategic objectives and expected development impacts of CIF Nature Solutions including sustainable livelihoods, ecological restoration, greater equity and inclusion, just transitions, and sustainable development?</p> <p>Proposed action: How is the intervention logic relevant to the fundamental change and transformational impacts required for, and resultant from, CIF Nature Solutions? What is the theory of change?</p>

## 1.2. Systemic change

6. Each program/project proposed for CIF financing shall demonstrate how it will lead to fundamental shifts in the structures and functions of the CIF Nature Solutions system by identifying and defining strategic systems, removing entrenched barriers, opening new opportunities or pathways, and shifting of power dynamics within and between key systems. This requires a process (e.g., systems mapping, market studies, stakeholder consultations, etc.) to identify the most strategic land use systems (e.g., legal and regulatory frameworks, commercial and financial markets, technology systems, governance systems, social systems, and ecosystems related to agriculture, forestry, water, etc.). Within those systems, the most significant barriers to RE integration (e.g., competing land use interests; institutional, regulatory, and policy failures; market failures and financial barriers; knowledge and technical capacity barriers) will need to be addressed, and opportunities (e.g., through coalitions of support, new land use models, supportive policy and regulatory frameworks, etc.) for change will need to be identified.

What	What are the systems where change is needed and what change is required between and within these systems to achieve fundamental shifts in the use of land and other natural systems?
How	<p>Systems: How has the system, including system boundaries, related to Nature Solutions been identified and defined (e.g., systems mapping, market studies, stakeholder consultations, etc.)?</p> <p>Barriers and Pathways: How does the intervention remove entrenched barriers (e.g., competing land use interests; institutional, regulatory, and policy failures; market failures and financial barriers; knowledge and technical capacity barriers) and open new pathways for the systemic change required to ensure Nature Solutions?</p> <p>Power: How does the intervention elevate the influence of beneficiaries and other stakeholders, including marginalized and vulnerable groups, to contribute to and benefit from Nature Solutions?</p>

### 1.3. Speed

7. Each program/project proposed for CIF financing shall demonstrate how it will balance the speed of change required by the urgency of addressing climate change, while considering the time required for inclusivity and addressing system complexities. Accelerating changes in the use of land and other natural systems so requires leveraging a variety of flexible financial and non-financial instruments in a timely way, while also taking the time to ensure different needs and ambitions can be voiced and considered to articulate a shared vision and define a roadmap for implementation.

What	What will it take to achieve Nature Solutions in a timeframe that aligns with the urgency and complexity of the climate crisis?
How	Acceleration: How does the intervention accelerate progress towards Nature Solutions?  Complexity and Inclusivity: How does the intervention use safeguards, impact assessments, and socially inclusive processes to ensure adequate engagement with complex and contested issues associated with sustainable land use?

### 1.4. Scale

8. Each program/project proposed for CIF financing shall demonstrate how it will seek to deliver contextually large-scale impacts, such as explicit strategies for enabling subsequent scale-up or replication of the CIF-funded intervention and wider sustainability impacts. This may involve to a combination of vertical (i.e., policy/implementation, such as national budgets for community projects, etc.), horizontal (i.e., numbers or geographic spread, such as reach of climate-resilient agricultural technologies/approaches, use of data-driven spatial planning tools, number of new jobs, and geographical area of land being sustainably managed) and depth (i.e., understanding and support, such as a shared vision for land use, etc.) scaling pathways within and beyond the intervention.

What	What contextually large changes need to be scaled within and beyond the project intervention?
How	Vertical scaling: How does the intervention support scaling within and across policy and implementation processes associated with Nature Solutions?  Horizontal scaling: How does the intervention expand the number of people/institutions or geographic areas engaged with or benefitting from Nature Solutions?  Depth scaling: How does the intervention deepen understanding of and support for Nature Solutions?

## 1.5. Adaptive sustainability

9. Each program/project proposed for CIF financing shall demonstrate how it will seek to deliver transformational changes that are resilient and lasting over the long-term, after concessional finance support is terminated, as well as adaptive to evolving contexts. This involves building capacity (e.g., to understand and influence land use and climate resilience strategies and activities) in relevant stakeholders and institutions. Interventions should enable experimentation (e.g., of new policies, business models, market approaches, and technologies) and flexibility to learn and course correct during and after implementation. Programs should also support resilience from backsliding (e.g., creating demand for sustainable land use, building relationships across sectors, budgeting support, etc.). These processes should progressively build, refine, and retain climate-neutral, inclusive, resilient, and sustainable development pathways.

What	What changes related to Nature Solutions, and broader sustainable development, are sustained and advanced beyond the intervention?
How	<p>Capacity: How does the intervention build the capacity of stakeholders and institutions to advance and sustain Nature Solutions and broader sustainable development?</p> <p>Adaptability: How does the intervention enable experimentation and flexibility, including the ability to learn and course correct when necessary?</p> <p>Resilience: How does the intervention insulate Nature Solutions from backsliding due to endogenous and exogenous pressures or shock and enable recovery when required?</p>

## 2. Potential to enhance resilience to climate risks contribute to lower-emission and climate resilient development

10. Each program/project proposed for CIF financing shall demonstrate its potential to contribute toward the following and/or other relevant climate-resilience metric:
- Enhanced awareness, knowledge, and capacity for addressing specific climate vulnerabilities through innovative approaches or solutions (technology, financing instruments, institutional arrangements, etc.)
  - Enhanced integration of climate-related risks (transition and/or physical) considerations in project beneficiaries' decision-making processes, including through enhanced mainstreaming of climate-related risks in relevant policies, regulations, strategies and plans; enhanced access and use of climate information; enhanced uptake of climate-resilient technologies/approaches; enhanced climate-related financial disclosure of material transition and/or physical climate risks
  - Enhanced resilience of rural communities, Indigenous Peoples, women forest producers and farmers, ecosystems and ecosystem services, and/or of the private actors targeted by the project/program

11. To this end, MDBs will be asked to track and report on climate resilience results in accordance with the joint approach of the MDB Climate Finance Group on climate resilience metrics.<sup>56</sup>
12. Potential to significantly contribute to lower-emission and climate resilient development. Each program/project proposed for CIF financing shall demonstrate:
  - a. The direct CO<sub>2</sub>-equivalent emissions savings/avoidance/removal potential over its lifetime. Targeted interventions should seek to provide a sizeable contribution toward the achievement of countries' climate goals and commitments and in raising their ambitions and to contribute to the deployment, diffusion, transfer of best available technologies, and/or the pilot testing of new technologies with high potential for scale-up and replication
  - b. The extent to which the program/project contributes to a long-term transition pathway consistent with the Paris Agreement climate goals

### **3. Potential to significantly contribute to the principles of just transition**

13. Addressing climate change and achieving the Sustainable Development Goals requires deep and multi-dimensional change that will impact different segments of society in diverse ways. Consideration of the potential positive and negative impacts of the transition to low-carbon and climate resilient economies, as well as the underlying causes of inequality, exclusion and injustice, is needed to develop strategies for the mitigation of losses and the distribution of gains in the transition. CIF is committed to ensuring that those affected by these changes, particularly vulnerable and marginalized groups, be included and empowered in the decision-making processes that will affect their lives. Drawing on guidelines, tools and international standards, such as the International Labour Organization's Guidelines for a Just Transition. CIF projects should support a just transition through socially inclusive processes that seek to identify and address the distributional impacts of the transition for workers and communities.

## **4. Financial effectiveness**

### **4.1. Value for money**

14. Each program/project proposed for CIF financing shall include

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<sup>56</sup> See Joint-MDBs (2019), [A Framework for Climate Resilience Metrics in Financing Operations - Joint MDB IDFC technical paper](#).

- a. A detailed assessment of the need for concessionality and how the program/project meets the principles for using concessional resources. This includes a calculation of the level of concessionality at the project level.<sup>57, 58</sup>
- b. An assessment of the cost-benefit ratio and/or other relevant indicators of cost effectiveness
- c. An assessment of the additionality of the project, and how the project complements existing efforts, with a focus on impact and leveraging of funds, as the basis for examination
- d. An explanation for the type of instrument being used (e.g., grants, loans, guarantees, etc.), taking account of the need to ensure both minimum concessionality at the project level and the importance of maximizing immediate climate action.<sup>59</sup>

## 4.2. Mobilization potential

15. CIF aims to mobilize additional resources at scale to achieve rapidly and efficiently the objectives of CIF Nature Solutions. Each investment program/project proposed for CIF financing must be co-financed by MDBs and other public and/or private entities (e.g., governments, project sponsors, other bilateral and multilateral nature development partners, and philanthropic organizations).

## 5. Implementation potential

16. Consistent with standard MDBs appraisal procedures, each program/project proposed for CIF funding shall articulate how it will ensure successful implementation, including arrangements for long-term operations. Successful implementation implies identifying the institution(s) with the capacity and the responsibility for implementation, coordinating and collaborating with relevant stakeholders or initiatives, and addressing those institutional, policy or regulatory failures, market failures, financial barriers, or knowledge and technical capacity barriers hindering the ability or willingness of governments, rural communities, or the private sector to address climate risks, protect the natural capital, including by ensuring alignment of incentives across relevant stakeholders to work toward a shared sustainable vision for sustainably using and managing land and natural resources. Successful implementation also includes evidence of formal governments leadership and commitment and/or formal commitment and buy-in from private sector actors.

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<sup>57</sup> For public sector projects, the reference price should be taken to be the standard rate charged by the MDB for that country with the exception that concessionality does not need to be calculated for countries only eligible for concessional financing from the MDB. For private sector projects the IFC's methodology at [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/bf/bf-details/concessionality-calculation](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/bf/bf-details/concessionality-calculation) should be applied.

<sup>58</sup> Due to the nature of private sector operations under CIF, this information will need to be provided ex-post after approval of each relevant private sector subproject

<sup>59</sup> In the case of private sector projects, MDBs can provide a more high-level, preliminary assessment at the TFC program approval stage, with more in-depth information provided ex-post after approval of each relevant subproject

## **6. Gender equality and social inclusion impact**

17. CIF is committed to gender mainstreaming and enhancement of gender equality outcomes across its programming and operations, in line with its CIF Gender Policy. It is also committed to enhancing the representation and voice of Indigenous Peoples, local communities, and youth organizations in decision-making processes. To ensure CIF delivers on its gender and social inclusion commitments, each program/project proposed for CIF funding shall articulate the process used to identify, evaluate, and address existing context-specific barriers and gaps to gender equality and social inclusion. a. Particular efforts should be made to consult with relevant diverse range of women's organizations and gender related CSOs, private sector stakeholders working to promote gender inclusion, the ministry in charge of women's affairs, and gender focal points of relevant line ministries. Efforts to consult with CSOs representing interests of other groups that are likely to face barriers to inclusion in project-related activities, such Indigenous Peoples, youth, persons with disabilities, race and local communities are encouraged. Conclusions of these consultations should be reflected in gender and social inclusion analysis in the project document. Expected gender equality and social inclusion outcomes in the context of planned investments clearly link to the gaps identified should be included, with sex-disaggregated indicators included in the program/ project results framework. Reporting on results specific to other social groups is also encouraged.
18. Each program/project when relevant should promote the full and effective participation of Indigenous Peoples and Local Communities in the effort to reduce greenhouse gas emissions from deforestation and forest degradation and promote sustainable forest management at local level. As demonstrated by the Dedicated Grant Mechanism (DGM), established under the FIP, Indigenous Peoples and Local Communities have the potential to promote sustainable forest-use practice that can be supported, shared, and elevated to the national and global policy arena. Lessons from the DGM Learning Review showcases built capacity over time to support local, regional and global policy dialogue on sustainable forest management and efforts to enhance forest carbon stocks.

## **7. Development impact potential**

19. CIF aims through the CIF Nature Solutions program to contribute to achieving the SDGs, particularly but not limited to the following:
- SDG 1: No Poverty
  - SDG 5: Gender equality: Achieve gender equality and empower all women and girls
  - SDG 8: Decent work and economic growth
  - SDG 9: Industry, innovation and infrastructure
  - SDG 13: Climate action: Take urgent action to combat climate change and its impacts
  - SDG 14: Life below water: Conserve and sustainably use the oceans, seas, and marine resources for sustainable development
  - SDG 15: Life on land: Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

20. Each program/project proposed for CIF financing shall demonstrate its development impacts potential consistent with standard MDB appraisal criteria and for the case of CIF Nature Solutions with particular emphasis on the following:

a. Socio-economic potential for achieving:

- Greater resilience of the poor, including women, and those in vulnerable situations and reduce their exposure and vulnerability to climate-related shocks and stressors and other economic, social, and environmental shocks and disasters
- Improved agricultural productivity and incomes of small-scale food producers and collectors, with particular attention to women, Indigenous Peoples, and local communities, including through secure and equal access to land, other productive resources and inputs like non-timber forestry products resources, knowledge, financial services, markets, and opportunities for value addition and non-farm employment
- Enhanced adoption of climate-smart agricultural practices that increase productivity and production and help maintain ecosystems and sources of livelihood
- More sustainable use of marine resources to build resilience, improve economic growth, and promote sustainable livelihoods and marine ecosystems health
- Empowerment and enhanced participation of women, Indigenous Peoples, and local communities at all levels of decision-making on sustainable land-use in political, economic, and public life

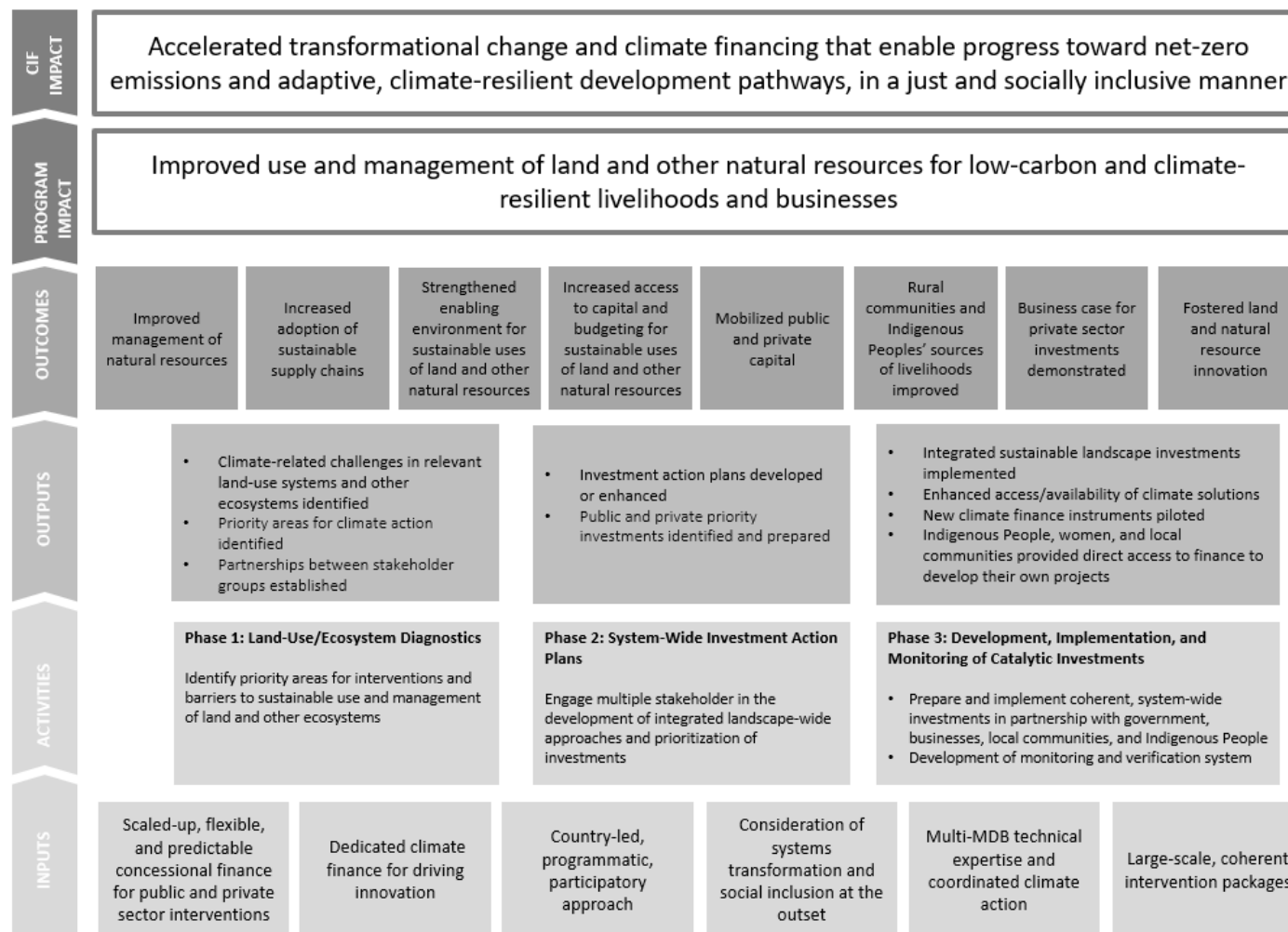
b. Environmental potential for achieving:

- Improved conservation, restoration, and sustainable use of terrestrial and inland freshwater ecosystems and their services
- Enhanced adoption of sustainable management of all types of forests, halting deforestation, restoring degraded forests, and substantially increasing afforestation and reforestation towards enhancing Carbon stocks

## Annex 2: CIF Nature Solutions Program Theory of Change

### CIF Nature Solutions Program Theory of Change

*Investments based on a integrated system-wide approach can reconcile competing uses of land and other natural resources to unlock the potential of nature for climate action. This will lead to improved health of land and other ecosystems, reduced greenhouse gas emissions, and enhanced sustainability and climate resilience of livelihoods and businesses, thereby mobilizing additional public and private funding.*







## THE CLIMATE INVESTMENT FUNDS

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## The Climate Investment Funds

The Climate Investment Funds (CIF) were established in 2008 to mobilize resources and trigger investments for low carbon, climate resilient development in select middle and low income countries. To date, 14 contributor countries have pledged funds to CIF that have been channeled for mitigation and adaptation interventions at an unprecedented scale in 72 recipient countries. The CIF is the largest active climate finance mechanism in the world.



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