CIF CLIMATE INVESTMENT FUNDS

Investing in the future

Joint CTF and SCF Trust Fund Committees

May 2022

Theory of Change for the Climate Investment Funds

Contents

1. Introduction 1
2. Background and Rationale 1
3. CIF Theory of Change Statement 2
4. CIF Theory of Change Diagram 3
5. Description of Results Levels 5
   5.1. Impacts 5
   5.2. Outcomes 7
   5.3. Outputs 8
   5.4. Activities 9
   5.5. Inputs 9
6. Impact Pathways 10
7. Assumptions, Barriers, and Risks 11
   7.1. Assumptions 11
   7.2. Barriers 14
   7.3. Risks 15

1. Introduction

1. The Climate Investment Funds (CIF) were established in 2008 to provide ambitious, scaled-up, flexible, and predictable climate financing that enables transformational investments toward net-zero emissions and adaptive, climate-resilient development pathways in targeted CIF recipient countries. As of December 2021, a total of 14 contributor countries have pledged over $10.5 billion to CIF, and around $7.5 billion of CIF resources under implementation are mobilizing an additional $61 billion in co-financing for climate change mitigation and adaptation interventions in 72 recipient countries. CIF's large-scale, low-cost, long-term financing lowers the risk and cost of climate financing, which is intended to enable the testing of new business models, build track records in unproven markets, facilitate technology transfer, and boost investor confidence to unlock additional sources of finance in support of the goals of the Paris Agreement.

2. Background and Rationale

2. This document presents an updated Theory of Change (ToC) for CIF as a whole. An initial CIF logic model was established in 2010, alongside logic models for CIF's first generation of programs, i.e. the Clean Technology Fund (CTF), the Scaling Up Renewable Energy Program in Low-Income Countries (SREP), the Pilot Program for Climate Resilience (PPCR), and the Forest Investment Program (FIP).[1] Programmatic results frameworks and logic models were later revised for CTF,[2] SREP,[3] PPCR,[4] and FIP.[5] More recent CIF programming areas[6] have established ToCs within their program proposals and/or design documents. However, the CIF-wide logic model has not been updated or developed into a ToC since it was first established.

3. After more than a decade of implementation experience and lessons generated through CIF's role as a climate finance learning laboratory—and now with the goals of the Paris Agreement as the guiding framework for all international climate policy and finance, including multilateral institutions—the theoretical basis for how CIF contributes to

[1] *Harmonization of CIF Results Frameworks,* March 2010

[2] *Revised CTF Results Framework*, Jan 2013

[3] *Revised SREP Results Framework*, June 2012

[4] *Revised PPCR Results Framework*, Oct 2012

[5] *Revised FIP Results Framework*, Oct 2012

[6] For example, the Accelerating Coal Transition Investment Program; the Renewable Energy Integration Program; and the Nature, People, and Climate Investments Program. Additional CIF programs may be approved in the future.

transformational change[7] through climate action has evolved. Moreover, as new CIF programs, initiatives, and activities are approved, there is a strategic and operational need to reformulate how these components work in concert to drive CIF's overarching mission: accelerating transformational change and climate financing that enable progress toward net-zero emissions and adaptive, climate-resilient development pathways, in a just and socially inclusive manner.

3. CIF Theory of Change Statement

4. Despite the urgency and severity of the climate crisis, the level of global climate finance and corresponding actions remains far below the scale needed to keep a 1.5-degree Celsius warming limit within reach and to increase adaptation and resilience to the adverse effects of a changing climate. CIF recipient countries, in particular, face several key challenges to ensuring climate-responsive, just, and socially inclusive development trajectories: insufficient coordination mechanisms for scaled-up, multi-sectoral climate investments; inadequate public/private market incentives for climate finance; unfulfilled financing gaps in priority sectors and countries; unproven technologies and innovations; and policy and regulatory barriers, among others.[8]

5. CIF fulfills an important niche in the international climate financing architecture by providing and enabling ambitious, scaled-up resource flows to targeted sectors and eligible recipient countries with significant untapped transformational potential. The CIF mechanism aims to help close the global climate financing gap, while also supporting multilateral development banks (MDBs), private investors, countries, and other stakeholders to enhance their own climate financing, investments, and broader actions in line with the goals of the Paris Agreement.

6. Based on the development challenges highlighted above, CIF's business model responds to the urgent need for: (a) increased scale and integration of climate investments in recipient countries; (b) innovative financial instruments and concessionality to enable the bankability of climate investments in new and/or risky areas; (c) investments that drive inclusive transformational change, gender equality, and a just transition at the systems level; and (d) strategic engagement, technical assistance, policy support, learning, and accountability within and among CIF recipient countries and local stakeholder groups.

7. CIF's Theory of Change is summarized in the following four-part statement:

---

[7] CIF defines transformational change as: "fundamental change in systems relevant to climate action, with large-scale positive impacts that shift and accelerate the trajectory of progress towards climate-neutral, inclusive, resilient, and sustainable development pathways."

[8] A full list of upstream barriers that CIF helps to address can be found in Section 7.2.

Description of CIF Theory of Change:

CIF employs a signature country-led, programmatic, participatory approach that draws from multi-MDB technical expertise and coordinated climate action to deliver large-scale, coherent packages of public and private sector interventions that contribute toward the goals of the Paris Agreement by addressing strategic gaps in targeted CIF recipient countries. Backed by ambitious, scaled-up, flexible, and predictable sources of concessional climate finance for CIF recipient countries, CIF's investments are also buttressed by dedicated resources for driving innovation, policy support, technology transfer, and technical assistance, alongside the consideration of systems transformation, gender equality, social inclusion and distributional equity (i.e., just transition), accountability, and learning from the outset.

The implementation of CIF investments—in the areas of renewable energy, energy efficiency, clean transport, energy storage and grid integration, off-grid systems, coal phase-out, land and ecosystems, cities, industries, forests, clean technology, and climate adaptation/resilience—enables a broad, yet strategic range of climate-responsive outcomes for the energy sector, land/resources/assets, people, markets, policies, and innovation. CIF's ability to drive these outcomes is further supported by scaled-up co-financing, technical assistance, policy dialogues, gender mainstreaming, stakeholder engagement, and learning, in coordination with MDBs.

The combination of outcomes, together with context-specific enabling environments, demonstration effects, replication, catalytic outcomes, and disruptions, will directly result in the reduction/avoidance of greenhouse gas (GHG) emissions, strengthened climate resilience, improved social and economic development and gender equality), increased levels of direct and follow-on climate financing, and new climate technologies and innovative solutions. At the same time, the complex interplay of these impacts with/within social, economic, and environmental systems will contribute, in part, to new signals of transformational change and a just transition across sectors and dimensions.

CIF's multiple impact pathways will contribute to a main impact objective: accelerated transformational change and climate financing that enable progress toward net-zero emissions and adaptive, climate-resilient development pathways, in a just and socially inclusive manner.

4. CIF Theory of Change Diagram

8. The following page illustrates the CIF ToC in a single diagram, which is fully described and explained in Section 5. Impact pathways, explained in Section 6, correspond to five categories of elements set out in the color key at the bottom of the diagram. Further assumptions, barriers, and risks related to the statements in this diagram are detailed in Section 7.

CIF THEORY OF CHANGE

CIF CLIMATE INVESTMENT FUNDS

CIF IMPACT

Accelerated transformational change and climate financing that enable progress toward net-zero emissions and adaptive, climate-resilient development pathways, in a just and socially inclusive manner

IMPACTS

Reduced or avoided GHG emissions and enhanced carbon sequestration	Strengthened climate resilience of land, people, and physical assets	Transformation of energy, land-use, industrial, social, environmental, and governance systems in support of the goals of the Paris Agreement	Improved social and economic development impacts from climate finance in line with a just transition	Markets created and deepened with scaled-up climate finance and follow-on investments	Disruptive climate technologies and innovative solutions more competitive across sectors and countries

OUTCOMES

Energy: Increased renewable energy supply, energy access, efficiency, security, and flexibility via grid and off-grid systems, alongside coal phase-out	**Land, Resources, and Assets:** Improved sustainability, use, and management of rural and urban lands, resources, and assets, i.e., forests, coasts, agro-systems, cities, industries, and supply/value chains	**People:** Strengthened livelihoods, well-being, gender equality, food security, adaptive capacity, and climate engagement, with greater social inclusion and distributional equity	**Markets:** Signals of more competitive, emerging markets with increased climate co-financing and attention to environmental, social, and governance (ESG) principles	**Policies:** Improved climate-responsive governance with policies and regulatory frameworks adopted and implemented	**Innovation:** Successful piloting of new/transferred climate technologies and innovative solutions in CIF recipient countries

OUTPUTS

New investments implemented in renewable energy, clean transport, energy efficiency, energy storage and grid integration, off-grid systems, coal phase-out, land and ecosystems, cities, industries, forests, clean technology, and climate adaptation/resilience	Accelerated climate action by countries, MDBs, institutions, local stakeholders, and the private sector	Demonstrated inclusivity and systems-level coordination in development activities with country ownership	Climate-responsive markets and policies supported at scale	Learning, accountability, feedback loops, and innovation fostered

ACTIVITIES

Upstream Support: Diagnostics, roadmaps, market and system operations, and other technical assistance **Country Investment Planning:** Design of large-scale, system-wide investment plans for CIF recipient countries **Projects:** Development of coherent, bankable pipelines of projects implemented across MDBs	Provision of flexible, innovative climate finance instruments to crowd in strategically aligned investments from MDBs, international public/private capital, and domestic resources	Bespoke technical assistance, capacity building, policy dialogues, gender mainstreaming, stakeholder engagement, and learning activities	CIF-level program coordination, monitoring, evaluation, and learning, gender, knowledge management, and governance activities coordinated with MDBs

INPUTS

Country-led, programmatic, participatory approach	Capacity and support for large-scale, coherent packages of public and private sector interventions that contribute toward the goals of the Paris Agreement	Multi-MDB technical expertise and coordinated climate action addressing strategic gaps in targeted CIF recipient countries	Consideration of systems transformation, gender equality, social inclusion, distributional equity, accountability, and learning from the outset	Ambitious, scaled-up, flexible, and predictable concessional climate finance for CIF recipient countries	Dedicated climate finance and resources for driving innovation, policy support, technology transfer, and technical assistance

- Implementation Design Elements
- Systemic Design Elements
- Financial Elements
- Policy Elements
- Enhancing Elements

5. Description of Results Levels

5.1. Impacts

9. At the highest level, all CIF programs and activities share a common goal that is articulated in CIF's impact statement.

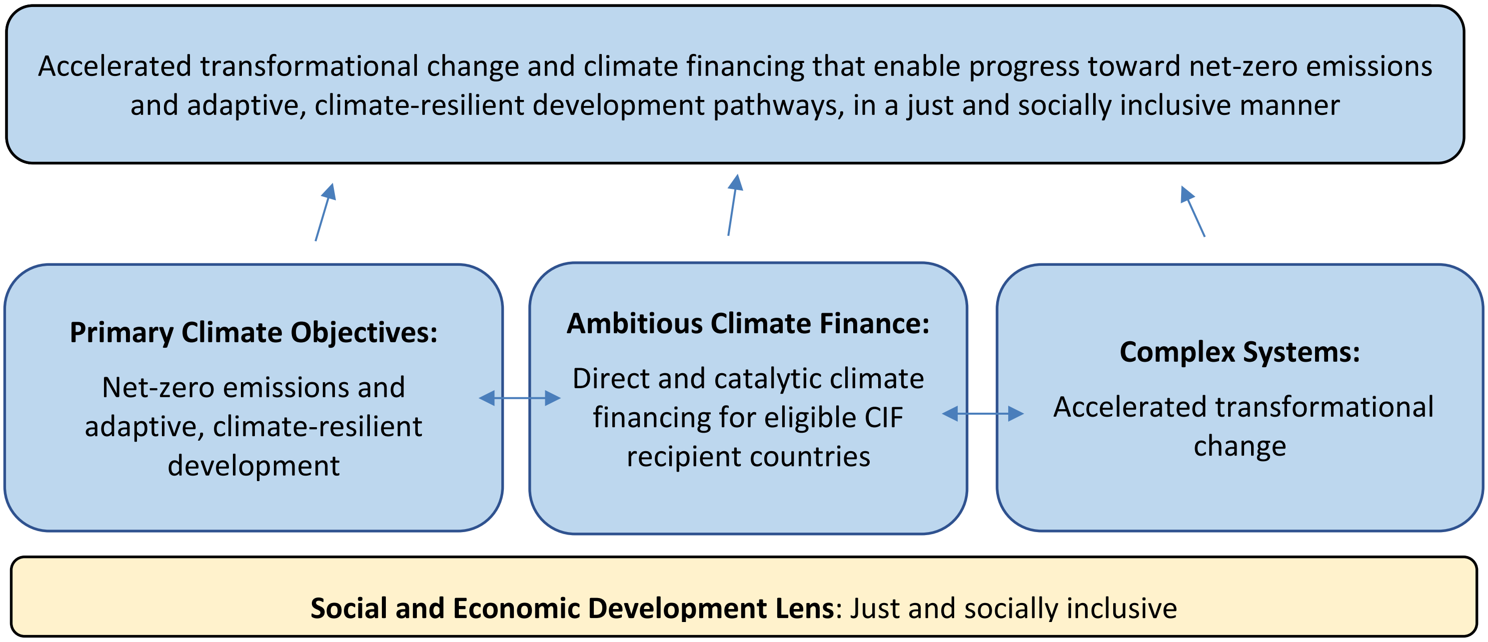
CIF Impact Statement: Accelerated transformational change and climate financing that enable progress toward net-zero emissions and adaptive, climate-resilient development pathways, in a just and socially inclusive manner

10. This impact statement covers primary climate objectives ("net-zero emissions" and "adaptive, climate-resilient development"), complex systems change ("accelerated transformational change"), social and economic development elements ("just and socially inclusive manner"), in addition to CIF's fundamental role as a direct source and catalyst of climate financing for eligible recipient countries.

11. The primary climate objectives relate to increased mitigation and enhanced climate resilience in support of the goals of the Paris Agreement. CIF contributes to both of these results areas in a direct fashion. The complex systems component takes into account CIF's role in supporting sustainably integrated social, economic, and environmental systems, along with the underlying need for accelerated climate action and transformational change through a just transition. This type of transformational change is inherently complex, requiring emergent, adaptive, and innovative approaches to understand CIF's contribution, as well as learning and knowledge-sharing among CIF stakeholders. At the same time, CIF investments are expected to be just and socially inclusive, making positive contributions in areas such as gender equality, economic livelihoods, and distributional equity. Together, CIF's primary climate objectives, complex systems approach, social and economic development lens, and mandate for ambitious climate financing constitute its primary impact objective.

12. The impact statement is situated at the **CIF Impact** level of the ToC. More recent CIF programs share this impact statement at the highest position within their program-specific Integrated Results Frameworks (IRFs). The first generation of CIF programs employed an earlier iteration of this impact statement at the time of their approval; however, the current CIF impact statement now applies in principle to CTF, SREP, PPCR, and FIP in addition to new and future CIF programs.

Figure 1: Elements of CIF's Impact Statement



13. Several impact pathways (see Section 6) cut across CIF's programs and activities to culminate in this goal. The ToC thus includes six impact statements undergirding the singular CIF impact statement. Together, they constitute the **Impacts** level of the ToC:

   a. **Impact 1. Mitigation:** Reduced or avoided GHG emissions and enhanced carbon sequestration
   b. **Impact 2. Resilience:** Strengthened climate resilience of land,[9] people, and physical assets
   c. **Impact 3. Systems Transformations:** Transformation of energy, land-use, industrial, social, environmental, and governance systems in support of the goals of the Paris Agreement
   d. **Impact 4. Social and Economic Development:** Improved social and economic development impacts from climate finance in line with a just transition[10]
   e. **Impact 5. Financial Transformation:** Markets created and deepened with scaled-up climate finance and follow-on investments

[9] "Land", in this context, refers to a broad geographic category, including but not limited to forests, agro-systems, coastal systems, urban areas, and other spatial environments targeted by CIF interventions. These specific environments and ecosystems are further detailed in relevant program-level documents from FIP, NPC, PPCR, etc.

[10] Including gender-transformative impacts, such as the improved asset position, voice, and resilient livelihoods of women through gender-responsive institutions and markets

f. **Impact 6. Disruption:** Disruptive climate technologies and innovative solutions more competitive across sectors and countries

5.2. Outcomes

14. The **Outcomes** level of the CIF ToC is designed to consider the ensemble of program outcomes alongside CIF's smaller financing windows and other activities integral to its business model, such as gender, stakeholder engagement, monitoring, evaluation, learning, policy support, and special initiatives. While CIF primarily relies on the programmatic approach to achieve its key results, the approach to CIF outcomes, outlined in this document, provides a broader theoretical framework intended to unify CIF's multiple programs and activities under a single model.

a. **Outcome 1. Energy:** Increased renewable energy supply, energy access, efficiency, security, and flexibility via grid and off-grid systems, alongside coal phase-out
b. **Outcome 2. Land, Resources, and Assets:** Improved sustainability, use, and management of rural and urban lands, resources, and assets, i.e., forests, coasts, agro-systems, cities, industries, and supply/value chains
c. **Outcome 3. People:** Strengthened livelihoods, well-being, gender equality, food security, adaptive capacity, and climate engagement, with greater social inclusion and distributional equity
d. **Outcome 4. Markets:** Signals of more competitive, emerging markets, with increased climate co-financing and attention to environmental, social, and governance (ESG) principles
e. **Outcome 5. Policies:** Improved climate-responsive governance, with policies and regulatory frameworks adopted and implemented
f. **Outcome 6. Innovation:** Successful piloting of new/transferred climate technologies and innovative solutions in CIF recipient countries

Change Mechanisms from Outcomes to Impacts:

This ToC rests on the *complex interplay of multiple factors and multiple causal pathways* contributing to the higher levels of CIF's expected results. For this reason, the six outcomes described in *Section 5.2* do not correspond one-for-one to the six impacts described in *Section 5.1.*

Outcome 1 encapsulates the most prominent CIF investments in the energy sector. It draws from the Clean Technology Fund (CTF); the Scaling Up Renewable Energy in Low Income Countries Program (SREP); the Global Energy Storage Program (GESP); the Renewable Energy Integration Program (REI); the Accelerating Coal Transition Investment Program (ACT); and other potential CIF investment vehicles.

Outcome 2 attempts to capture a more diverse set of investments from the Forest Investment Program (FIP); the Pilot Program for Climate Resilience (PPCR); the Nature, People, and Climate Investments Program (NPC); the Accelerating Coal Transition Investment Program (ACT); the Climate-Smart

Urbanization Program (Urban); and the Accelerating Low-Carbon, Climate-Resilient Transition in Industry Program (Industry)—all through the prism of adopted sustainable use and management.

Outcome 3 refers to all CIF investments in human capital, whether through the direct/indirect targeting of program beneficiaries, the mainstreaming of gender equality, stakeholder engagement for climate action, or support through another CIF mechanism. Outcomes 1-3 are all expected to contribute, in part, to Climate Mitigation (Impact 1), Climate Resilience (Impact 2), Systems Transformation (Impact 3), as well as Social and Economic Development (Impact 4).

The next set of outcomes—Policies (Outcome 4), Markets (Outcome 5), and Innovation (Outcome 6)— are somewhat more fluid. For example, CIF-supported policy and regulatory outcomes have the potential to indirectly support all six impacts. Signals of increasingly competitive markets (Outcome 5) are indeed likely to drive climate finance in markets (Impact 5) in a more direct fashion, whereas Innovation (Outcome 6) has its own causal pathway in the ToC, based on a high-risk/high-reward likelihood of achieving impact. Innovation can also be thought to cross-fertilize and influence change mechanisms throughout the other impact pathways.

Finally, it should be noted that the transition from Outcomes to Impacts might be more challenging to realize than transitions between other levels in the ToC. At these higher levels, the interplay of complex systems across impact pathways is particularly important, and change mechanisms are likely to be more context-specific than a CIF-wide ToC can comprehensively illustrate. Still, across CIF, factors like an *enabling environment, coupled with demonstration effects, replication, catalytic outcomes, and disruptions*, are likely to play a critical role in driving outcomes toward transformational impacts across cases.

5.3. Outputs

15. The **Outputs** level describes the key short-term results of CIF's business model, which stem directly from CIF's programs, initiatives, and other activities. For instance, the first output represents the fundamental component of CIF's core business. The specificity of this output might shift somewhat over time, as investment pipelines take shape and climate finance strategies evolve. The remaining outputs apply broadly across CIF programs, initiatives, and activities.

    a. **Output 1. New Investments:** New investments implemented in renewable energy, clean transport, energy efficiency, energy storage and grid integration, off-grid systems, coal phase-out, land and ecosystems, cities, industries, forests, clean technology, and climate adaptation/resilience
    b. **Output 2. Climate Action:** Accelerated climate action by countries, MDBs, institutions, local stakeholders, and the private sector
    c. **Output 3. Inclusivity and Systems-Level Coordination:** Demonstrated inclusivity and systems-level coordination in development activities with country ownership
    d. **Output 4. Markets and Policies:** Climate-responsive markets and policies supported at scale
    e. **Output 5. Learning and Innovation:** Learning, accountability, feedback loops, and innovation fostered

5.4. Activities

16. The **Activities** level portrays the key areas of CIF's ongoing business. As is the case with the Outputs level, the first activity represents the fundamental components of CIF's activities (in three parts), whereas the three subsequent activities (2–4) represent a broader range of features present throughout CIF's Administrative Unit, programming, initiatives, and other activities.

    a. **Activity 1. Investment Planning:**

        1a: *Upstream Support* – Diagnostics, roadmaps, market and system operations, and other technical assistance

        1b: *Country Investment Planning* – Design of large-scale, system-wide investment plans for CIF recipient countries

        1c: *Projects* – Development of coherent, bankable pipelines of projects implemented across MDBs

    b. **Activity 2. Climate Financing:** Provision of flexible, innovative climate finance instruments to crowd in strategically aligned investments from MDBs, international public/private capital, and domestic resources
    c. **Activity 3. Enhancing Activities:** Bespoke technical assistance, capacity building, policy dialogues, gender mainstreaming, stakeholder engagement, and learning activities
    d. **Activity 4. CIF-MDB Technical and Administrative Support:** CIF-level program coordination, monitoring, evaluation, and learning, gender, knowledge management, and governance activities coordinated with MDBs

5.5. Inputs

17. At the base of the CIF ToC, the **Inputs** level sets out the essential design features of CIF's business model, alongside some foundational expectations related to partner engagement and resource availability. These inputs closely mirror the expected inputs reflected in CIF's program-specific theories of change. However, the input statements are moderately expanded to better cover the non-programmatic aspects of CIF's work.

    a. **Input 1. Programmatic Approach:** Country-led, programmatic, participatory approach
    b. **Input 2. Intervention Capacity at Scale:** Capacity and support for large-scale, coherent packages of public and private sector interventions that contribute toward the goals of the Paris Agreement
    c. **Input 3. Multi-MDB Approach:** Multi-MDB technical expertise and coordinated climate action addressing strategic gaps in targeted CIF recipient countries
    d. **Input 4. Inclusive, Transformational Design Considerations:** Consideration of systems transformation, gender equality, social inclusion, distributional equity, accountability, and learning from the outset
    e. **Input 5. Climate Finance at Scale**: Ambitious, scaled-up, flexible, and predictable concessional climate finance for CIF recipient countries

f. **Input 6. Resources for Innovation and TA:** Dedicated climate finance and resources for driving innovation, policy support, technology transfer, and technical assistance

6. Impact Pathways

18. For the purposes of the CIF ToC, mechanisms and processes of change are expected to take place in concert along several impact pathways. These impact pathways form a heuristic intended to help organize a high-level understanding of mechanisms and processes of change; in practice, aspects represented in the impact pathways are likely to overlap and intersect more fluidly than the ToC illustrates. Certain aspects might also be relatively more present or absent according to different country and investment contexts.

19. **Implementation Design Elements:** Represented in orange, the implementation design elements in the CIF ToC reflect the fundamental aspects of CIF's business model. This pathway illustrates how CIF's structure and design lead to the development of country investment plans, the implementation of investments through MDBs, climate-responsive sector outcomes, and primary climate impacts.

20. **Systemic Design Elements:** Represented in yellow, the systemic design elements in the CIF ToC refer to the more transformational aspects of CIF's work. While these elements are also interfused with implementation design elements (in orange), they are characterized by less linear, more context-specific systems pathways.

21. **Financial Elements:** Represented in bright green, the financial elements in the CIF ToC capture CIF's role as a financing mechanism. This pathway illustrates how ambitious climate financing for eligible CIF recipient countries and the strategic deployment of concessional resources enable an increased level of climate finance and co-financing overall, with the longer-term objective to catalyze follow-on climate investments by opening and transforming markets.

22. **Policy Elements:** Represented in turquoise, the policy elements in the CIF ToC convey CIF's contributions to larger processes of climate-responsive policy reforms and Paris Agreement alignment within and amongst countries. This pathway is relatively diffuse, since policy considerations may be incorporated throughout many of CIF's interventions, and some policy elements are woven within neighboring impact pathways (i.e. other colors) in the CIF ToC diagram. For example, one key upstream activity driving the policy pathway is CIF's country investment planning process.

23. **Enhancing Elements:** Represented in light blue, the enhancing elements in the CIF ToC highlight non-programmatic and cross-cutting aspects of CIF's business model, which help drive CIF's overall objectives. This pathway illustrates how dedicated activities in areas such as innovation, program coordination, technology transfer, technical assistance, monitoring and evaluation, gender, knowledge management, stakeholder engagement, and learning

promote feedback loops, investment quality, and innovation to enhance CIF's transformational potential.

7. Assumptions, Barriers, and Risks

24. The assumptions, barriers, and risks underpinning CIF's ToC provide a guiding framework for how effectively this theoretical model can capture CIF's investments, their implementation, and their results in practice. For instance, any assumptions in the model that do not hold in the real world may affect the results observed at higher levels in the theory, such as the Outcomes, Impacts, and CIF Impact. The occurrence of unanticipated barriers and risks may also cause deviations from the theory, in turn weakening the robustness of the results chain from Inputs to CIF Impact along the impact pathways where these deviations take place. The apt consideration of assumptions, barriers, and risks, prior to and throughout implementation, can help practitioners plan for—and to the extent possible, mitigate—deviations that challenge the transformational potential outlined in the theoretical model.

25. Assumptions, barriers, and risks with the potential to influence the robustness of the CIF ToC span several types of factors:

    (1) Political, Institutional, and Regulatory Factors
    (2) Financial and Economic Factors
    (3) Enabling Environmental Factors
    (4) Socio-Cultural Factors
    (5) Operational Factors
    (6) Technical Factors

26. These factors are relevant to the "Upstream" phases of the CIF ToC (approximately from baseline scenarios to "Inputs" and "Activities" in the model), as well as to "Downstream" phases of the CIF ToC (approximately from "Activities" to "Outputs", "Outcomes", and "Impacts" in the model). However, some factors may be more relevant within specific phases than others.

27. This document illustrates the highest common denominator of assumptions, barriers, and risks that are broadly applicable across CIF. More detailed and sector-specific assumptions, barriers, and risks (beyond the scope of what is presented in this section) may apply to individual CIF programs. In addition, some overlaps between assumptions, barriers, and risks are to be expected. For example, some factors could yield both a barrier and a risk, as well as a corollary assumption built into the theoretical model.

7.1. Assumptions

28. The CIF ToC incorporates assumptions that are based on a likely scenario of factors foreseen in CIF's business model, as projected from current conditions and a reasonable set of expectations related to macro-level trends, due diligence, coordinated implementation management, and risk mitigation measures. These assumptions take into consideration the

barriers and risks described in the following subsections, recognizing that not all barriers and risks are equally likely to persist or occur, and among those that do occur, they are not equally likely to deviate the trajectory of the multiple impact pathways CIF supports.

29. The assumptions underlying the CIF ToC are divided into "Upstream" and "Downstream" categories, which are further broken down per level of the ToC, i.e., Inputs, Activities, Outputs, Outcomes, Impacts, and CIF Impact. Each assumption statement corresponds to the statements made in that same level of the ToC diagram, as read from left to right.

Upstream Assumptions
Inputs: 1. Sufficient MDB and country appetite/demand for programmatic climate action exists, with minimum policy and regulatory thresholds met for investments to take place. 2. Sufficient capitalization, support, and resource availability in CIF programs lead to the development of bankable investment plans that contribute toward the goals of the Paris Agreement. 3. CIF's business model, targeted sectors, recipient countries supported, and investment areas fill strategic gaps in the international climate finance architecture. 4. Countries and MDBs incorporate CIF's consideration of systems transformation, gender equality, social inclusion, distributional equity, accountability, and learning in the design of investments, with oversight from the Trust Fund Committee (TFC). 5. CIF's concessional resources incentivize MDBs and public/private sources of co-financing to increase their level of ambition for scaled-up climate financing resource flows to CIF recipient countries. 6. Innovation and technical assistance components are incorporated across CIF investments, with a commitment to supporting frontier and/or first-of-their-kind projects, new/transferred technologies, and new business models. Activities: 1. CIF's business model of diagnostics, investment planning, and upstream technical support leads to coherent, bankable pipelines of CIF projects implemented across MDBs. 2. Continued resource availability and the deployment of flexible, innovative climate finance instruments mobilize co-financing from MDBs, governments, and other sources of international public/private capital to scale up and strategically align investments. 3. Technical assistance, capacity building, policy dialogues, gender mainstreaming, stakeholder engagement, and learning activities are demand-driven and strategically implemented. 4. CIF support, via program coordination, monitoring, evaluation, and learning, gender, knowledge management, and governance activities, ensures good coordination with MDBs and other CIF stakeholders

throughout implementation.
Downstream Assumptions
Outputs: 1. Most CIF projects are implemented in an adequate and timely manner. 2. Contributor and recipient countries, MDBs, institutions, local stakeholders, and the private sector demonstrate adequate and/or increasing political will for climate action. 3. Considerations of inclusivity and systems-level coordination during the design phase are carried into the implementation of projects, with ongoing joint-MDB and country coordination of investment plans. 4. Targeted markets and policies are receptive to receiving CIF support. 5. Mechanisms for learning, accountability, feedback loops, and innovation are strategically implemented across CIF's activities. Outcomes:[11] 1. CIF investments in the energy sector make a significant contribution to renewable energy supply, energy access, efficiency, security, flexibility, and coal phase-out, via strong sectoral demand, implementation, and uptake of solutions. 2. CIF investments in land, resources, and assets make a significant contribution to the latter's sustainability, use, and management in rural and urban areas, via strong multi-sectoral demand, implementation, and uptake of solutions. 3. CIF investments in people make a significant contribution toward strengthened livelihoods, well-being, gender equality, food security, adaptive capacity, and climate engagement—with greater social inclusion and distributional equity— via strong demand, implementation, and uptake of solutions, along with a reduction in socio-cultural barriers to climate action, sufficient local stakeholder engagement, and gender responsiveness. 4. Critical technical and institutional capacity gaps and some barriers to market entry are reduced through CIF's support; markets are not distorted; private sector actors remain receptive to ESG principles; and projects with the potential for demonstration effects, replication, and catalytic outcomes are successfully implemented 5. Policy and regulatory environments become increasingly climate-responsive over time. 6. Some proportion of (but likely not all) new/transferred technologies, innovations, and solutions prove successful in CIF recipient countries.

[11] The first three outcomes are based on a wide range of CIF-supported project types. More sector- and program-specific details on assumptions can be found in program-level documents.

Impacts:

1. Reduced or avoided GHG emissions and enhanced carbon sequestration from CIF are not hindered by external factors in related sectors or areas.

2. Maladaptation is avoided in strengthening the climate resilience of land, people, and physical assets.

3. Project and program results interact with complex systems in targeted sectors/investment areas, set against growing inertia for global climate action toward the goals of the Paris Agreement and improving climate responsiveness of policy and regulatory environments.

4. Climate finance directly supports social and economic development elements of a just transition while also helping to drive overall social and economic development trajectories, including improved gender equality economic livelihoods, and distributional equity, as co-benefits.

5. External factors contribute simultaneously to the increased climate responsiveness and competitiveness of CIF-targeted markets, scaled-up climate financing, and follow-on investments.

6. Some proportion of (but likely not all) new/transferred technologies, innovations, and solutions become viable, competitive, and/or sustainable following CIF's support.

CIF Impact:

1. All CIF impact pathways work in concert to accelerate transformational change and climate financing toward net-zero emissions and adaptive, climate-resilient development pathways.

2. CIF's primary climate results (progress toward net-zero emissions and climate resilience) interact synergistically with the transformation of complex social, economic, and environmental systems.

3. Climate financing spans multiple levels of the Theory of Change, not only as an input and means of achieving CIF's impact, but also as a scaled-up impact itself. Accelerated climate financing is to be achieved through CIF's direct/indirect role in co-leveraging climate financing resources and in catalyzing follow-on investments in CIF-supported countries and markets.

7.2. Barriers

30. Fundamentally, CIF programs are designed to overcome baseline barriers to effective climate action in targeted investment areas. Many of these barriers are likely to persist to some degree despite CIF's interventions and might therefore represent ongoing upstream and downstream barriers to CIF's mission. Other barriers may be directly overcome through CIF interventions.

31. The barriers are divided into "Upstream" and "Downstream" categories and are largely cross-cutting in their application to the CIF ToC diagram.

Upstream Barriers	Downstream Barriers
1. Insufficient coordination mechanisms for multi-sectoral climate investments at scale in low- and middle-income countries 2. Inadequate public/private market incentives and realized commitments for climate finance at the level needed to meet the goals of the Paris Agreement 3. Key gaps in the international climate finance architecture in priority sectors[12] and eligible CIF recipient countries with transformational potential 4. Insufficient climate responsiveness of policy and regulatory environments 5. Insufficient climate responsiveness of socio-cultural conditions, norms, and behaviors 6. Gaps in technical capacity, knowledge, and awareness 7. Political economy challenges and/or competing development priorities 8. Unproven technologies and insufficient levels of innovation needed to meet the goals of the Paris Agreement	1. Challenges to maintaining the coordination of CIF investment plans in recipient countries and among MDBs 2. Limited public/private co-financing opportunities 3. Challenges to implementing investments with effective local stakeholder engagement, gender equality, social inclusion, distributional equity, and transformational design elements 4. Insufficient climate responsiveness of policy and regulatory environments 5. Barriers to the uptake of climate solutions due to socio-cultural conditions, norms, and behaviors 6. Ongoing gaps in technical capacity, knowledge, and awareness 7. Ongoing or emergent political economy challenges and/or competing development priorities 8. Challenges to implementing unproven technologies and innovations, some of which may fail 9. Limited catalytic or demonstration effects 10. Gaps between project-level results and the sustainable integration of social, economic, and environmental system at meso- and macro-levels

7.3. Risks

32. CIF's corporate approach to determining and assessing risk exposures depends on the characteristics of a program and its level of maturity. The standard risk categories that CIF monitors include:

(1) Financial risks[13]

[12] For example, energy storage, renewable energy integration, integrated nature-people-climate solutions at the landscape- or ecosystem-level, equitable coal phase-out, etc.

[13] For example, credit risk and market risks (i.e., currency risk, interest rate risk, liquidity risk)

(2) Operational risks[14]
(3) Strategic risks[15]
(4) Compliance and legal risks
(5) Reputational risks

33. Risk management roles pertaining to these categories are the responsibility of different actors within CIF's business model. For instance, as implementing entities, MDBs are responsible for assessing and mitigating a broad range of implementation-related risks at the project level, which are then categorized and reported to CIF on a semi-annual basis. As a funder, CIF's risk management approach is situated at a more macro level.

34. For the purposes of the CIF ToC, risks cover the full CIF business model and network of stakeholders within, across, and external to programs. Most of the barriers mentioned in the preceding section may also be considered as risks insofar as their occurrence in different country, market, and investment contexts can prove sufficiently salient to limit CIF's effectiveness in these same contexts. Other risks in this section draw from CIF's corporate risk categories but are adapted to focus more directly on the mechanisms of change implicit to the ToC. In practice, CIF employs a combination of operational and risk reporting, monitoring, evaluation, and learning approaches to help identify and assess where, and to what extent, risks are presenting challenges to CIF's implementation and/or achievement of results.

35. ToC-related risks are divided into "Upstream" and "Downstream" categories and are largely cross-cutting in their application to the CIF ToC diagram.

[14] For example, fraud risk and risks from external events

[15] For example, implementation risk and resource availability risk

Upstream Risks	Downstream Risks
1. Insufficient demand/ambition for climate action 2. Challenges to convening and building consensus among stakeholders for the development of investment plans 3. Ineffective investment areas or targeting strategy 4. Delayed/canceled design or approval processes 5. Design of projects or programs not sufficiently transformational or innovative 6. CIF resource availability risk 7. Inability to attract sufficient levels of co-financing for ambitious, bankable packages of investments 8. Political economy challenges impeding climate responsiveness of policy and regulatory environments 9. Challenges to building consensus among MDBs on “enhancing elements” of the CIF business model 10. Inability to identify viable new/transferable technologies and innovations 10. Risks from external events (e.g., pandemic, coup d’état, etc.) 11. Compliance and legal risks 12. Reputational risks	1. Decreases in demand/ambition for climate action 2. Implementation risk (e.g., poor execution, delays, and/or cancellations) 3. Fraud risk 4. Risk of siloed implementation and/or lack of systemic coordination 5. Interrupted resource availability from CIF or co-financiers 6. Financial risks (e.g., credit risk, currency risk, interest rate risk, liquidity risk) 7. Inability to influence climate responsiveness of policy and regulatory environments 8. Emergent changes in countries’ politics and/or policy priorities 9. Risk of social exclusion and/or fragmentation 10. Inability of projects to maintain “enhancing” elements” of the CIF business model throughout implementation 11. Failure to meet tipping points in markets and/or develop a positive track record from technologies and innovations 12. Risks from external events (e.g., pandemic, coup d’état, etc.) 13. Insufficient resilience to natural disasters or other adverse climate events 14. Compliance and legal risks 15. Reputational risks

CIF
CLIMATE
INVESTMENT
FUNDS

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.

THE CLIMATE INVESTMENT FUNDS
c/o The World Bank Group
1818 H Street NW, Washington, D.C. 20433 USA

Telephone: +1 (202) 458-1801
Internet: www.climateinvestmentfunds.org

@CIF_action
CIFaction
CIFaction
CIFaction
CIFaction
@CIF_action

@CIF_action
CIFaction
CIFaction
CIFaction
CIFaction