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The Climate Investment Funds (CIFs)

Multilateral Environmental Assistance

Many governments believe that environmental degradation and climate change pose international and trans-boundary risks to human populations, economies, and ecosystems that could result in a worsening of poverty, social tensions, and political stability. To confront these global challenges, countries have negotiated various international agreements to protect the environment, reduce pollution, conserve natural resources, and promote sustainable growth. While some observers call upon industrialized countries to take the lead in addressing these issues, there is recognition that efforts are unlikely to be sufficient without similar measures being implemented in developing countries. However, developing countries, which tend to be focused on poverty reduction and economic growth, may not have the financial resources, technological know-how, and/or institutional capacity to deploy such measures on their own. Therefore, international development assistance has been a principal method for governments to support developing country action on global environmental problems.

The United States and other industrialized countries have committed to providing financial assistance for environmental initiatives through a variety of multilateral agreements (e.g., the Montreal Protocol [1987], the U.N. Framework Convention on Climate Change [1992], and the U.N. Convention to Combat Desertification [1994]). International financial assistance takes many forms, from fiscal transfers to market transactions, and includes official development assistance, contributions to multilateral development banks (MDBs) and other international financial institutions, export credits, loan guarantees, insurance products, and foreign direct investment.

Background

In February 2008, Japan, the United Kingdom, and the United States announced their intention to create a set of funds at the MDBs to help developing countries "bridge the gap between dirty and clean energy" and "boost the World Bank's ability to help developing countries tackle climate change" (Henry Paulson, et al., "Financial Bridge from Dirty to Clean," *Financial Times*, February 7, 2008). The World Bank held the first design meeting for the proposed Climate Investment Funds (CIFs) in March 2008 in Paris, France. Two subsequent meetings were held in Washington, DC, and Potsdam, Germany, and on May 23, 2008, representatives from 40 developing and industrialized countries reached agreement on the funds' design and duration. (The CIFs were programmed to sunset upon the commencement of the Green Climate Fund in the U.N. Framework Convention on Climate Change [UNFCCC].)

The Climate Investment Funds

Since 2008, the CIFs have provided 63 developing and middle income countries with financial resources to mitigate and manage the challenges of climate change and reduce their greenhouse gas emissions. The CIFs are composed of two separate trust funds—the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF)—each with a specific scope, objective, and governing body. Overall, 14 contributor countries have pledged $7.6 billion to the funds since September 2008. The contributions are expected to leverage an additional $57 billion from other sources (e.g., MDBs, financial intermediaries, and the private sector). For a full description of purpose and programs, see the CIFs website at http://www.climateinvestmentfunds.org/cif/.

Organizational Structure

The CIFs are implemented through a partnership of the MDBs and governed by representatives from both the contributor and recipient countries. The role of governance for the CIFs is to approve investment plans, programming, and the allocation of financial resources and to provide guidance, performance evaluation, and reporting. It is further tasked with ensuring that the strategic orientation of the CIFs is guided by the principles of the UNFCCC. The organizational structure of the CIFs is balanced between contributor and developing countries. All decisions are made by consensus. Other international organizations, the private sector, and civil society representatives are included as observers. All observer roles are "active," allowing them to take the floor, propose agenda items, and recommend experts but not to vote. The governance structure of the CIFs includes the following: a Trust Fund Committee, an MDB Committee, a Partnership Forum, an Administrative Unit, and the Trustee (the World Bank).

Funding

The United States pledged $2 billion to the CIFs in 2008. All U.S. funding is subject to annual congressional appropriations, and payments are made by the U.S. Treasury to the World Bank as trustee for the CIFs. Appropriations have varied widely over the years, largely reflecting budget trends. Through fiscal year (FY) 2015, the United States has contributed approximately $1.77 billion to the CIFs. The Administration's FY2016 budget request includes $170.7 million for the CTF and $59.6 million for the SCF. If appropriated, this request would fulfill the United States' 2008 pledge. See **Table 1** for a summary of U.S. contributions to the CIFs.

Table 1. U.S. Contributions to the CIFs by Fiscal Year

Fiscal Year	Clean Technology Fund (USD millions)	Strategic Climate Fund (USD millions)
2010	$300.0	$75.0
2011	$184.6	$50.0
2012	$229.6	$74.9
2013	$196.2	$110.2
2014	$209.6	$74.9
2015	$201.3	$63.2
2016 (request)	$170.7	$59.6
Total	**$1,492.0**	**$508.0**

Source: CRS, from the U.S. Department of the Treasury.

The Clean Technology Fund

The CTF was established in 2008 to provide scaled-up financing to middle income countries to contribute to the demonstration, deployment, and transfer of low-carbon technologies with the potential for long-term greenhouse gas emissions savings. CTF concessional financing, channeled through five partner MDBs, focuses on large-scale, country-led projects in renewable energy, energy efficiency, and transport.

- Contributor countries have pledged $5.3 billion to the CTF since 2008.
- The CTF supports 134 projects and programs totaling $6.1 billion and expects co-financing of $51 billion from other sources.
- $3.9 billion is approved for 70 projects, leveraging $44 billion in co-financing, to deliver 16.6 gigawatts of renewable energy capacity, of which 2.2 gigawatts is already installed.
- CTF investments are projected to result in approximately 1.7 billion tons of greenhouse gas emission reductions over their lifecycle (i.e., equivalent to emissions from approximately 550 million cars).

The CTF differs from other mitigation-focused, multilateral climate instruments by focusing on larger transactions in a smaller number of countries. The CTF aims to drive down technology costs, stimulate private sector participation, and catalyze transformations that can be replicated elsewhere. The CTF is currently operational in 19 countries and one region and includes plans in Chile, Colombia, Egypt, India, Indonesia, Kazakhstan, Mexico, Morocco, Nigeria, the Philippines, South Africa, Thailand, Turkey, Ukraine, and Vietnam and one regional investment plan in the Middle East and North Africa covering Algeria, Egypt, Jordan, Morocco, and Tunisia. Projects include support for wind energy, urban public transportation systems, solar water heaters, smart-grid development, and concentrating solar thermal power programs, among others.

The Strategic Climate Fund

The SCF aims to help developing countries prepare for climate change by promoting low-carbon, climate-resilient development. Three targeted programs provide grants and concessional loans to pilot new approaches aimed at specific challenges.

The Forest Investment Program (FIP). The FIP, approved in May 2009, supports developing countries' efforts to reduce emissions from deforestation and forest degradation. It provides financing for managing forests and for educating indigenous and local communities about national forest laws.

The Pilot Program for Climate Resilience (PPCR). The PPRC, approved in November 2008, was the first program under the SCF to become operational. It supports ways to integrate climate risk and resilience into the development strategies of low-income countries. It finances efforts to provide technical assistance to help with capacity building, policy reform, and sector investment.

The Program for Scaling-Up Renewable Energy in Low Income Countries (SREP). The SREP, approved in May 2009, supports projects that demonstrate the social, economic, and environmental viability of low-carbon development pathways in the energy sector. It seeks to create new economic opportunities and increase energy access through the production and use of renewable energy.

Issues for Congress

Congressional committees of jurisdiction over the CIFs include the U.S. House of Representatives Committees on Foreign Affairs, Financial Services, and Appropriations and the U.S. Senate Committees on Foreign Relations and Appropriations. The CIFs, as a part of U.S. multilateral assistance, are managed by the U.S. Department of the Treasury and are funded through the Administration's Executive Budget, Function 150 account, for State, Foreign Operations, and Related Programs.

As Congress considers potential authorizations and/or appropriations for the CIFs, it may have questions concerning existing bilateral and multilateral programs that address international environmental issues. Some concerns may include the cost, purpose, direction, efficiency, and effectiveness of these programs, as well as the relationship between international development assistance for the environment and the interests of industry, investors, humanitarian efforts, national security, and international leadership. For more discussion on the benefits and costs of international environmental assistance, see CRS Report R41845, *The Global Climate Change Initiative (GCCI): Budget Authority and Request, FY2010-FY2016.*

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