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EVALUATION OF THE SWEDISH CLIMATE CHANGE INITIATIVE, 2009–2012: CLEAN TECHNOLOGY FUND CASE STUDY

Jessica Wilson

Evaluation of the Swedish Climate Change Initiative 2009 – 2012: Clean Technology Fund Case study

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Expertgruppen för biståndsanalys (EBA)

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Foreword by the EBA

In 2009, the Swedish government decided to start using ODA to deal with climate change and its negative effects. With a primary focus on the poorest countries, and mainly on their adaptation to climate change, Sweden set aside 4 billion SEK to be used over a four-year period. Furthermore, this constituted a major part of Sweden's 7 billion SEK contribution to the internationally agreed 'fast-start' of climate finance.

Ten years later, this surge of climate finance, including the bilateral, regional and multilateral activities to which it was put to use, has been evaluated. This report contains a case study in which the multilateral Clean Technology Fund aiming at mitigation has been evaluated as a part of the climate change initiative (CCI). Together with ten other case study reports this study is published on-line and may be found at https://eba.se/en/ebarapport/. The synthesis report of the evaluation, together with a separate summary of the evaluation are available in print and on-line.

It is our hope that this evaluation may provide guidance for the future use of ODA in the efforts to curbe climate change. The intended users of the evaluation are primarily staff at the MFA and Sida who engage in this challenge on a daily basis.

The evaluation has been accompanied by a reference group. This group has taken active part in a particular learning process the evaulation has facilitated. The reference group has been chaired by Johan Schaar, vice chair of the EBA. The responsibility of the analysis and the recommendations rests entirely with the evaluators.

Helena Lindholm, EBA Chair

Abbreviations

CCAC	Climate and clean air coalition
CCCD	Commission on Climate Change and Development
CCI	(Swedish) Climate Change Initiative
CIF AU	CIF Administrative Unit
CIF	Climate Investment Funds
CO_2	carbon dioxide
CO_2e	carbon dioxide equivalent (refers to all ghg emissions converted to CO_2)
COP	Conference of Parties (to the UNFCCC)
CSP	Concentrated solar power
CTF	Clean Technology Fund
DPSP	dedicated private sector programme
EBA	Expert Group for Aid Studies
EN	Emerald Network
ERG	Evaluation Reference Group
FIP	Forest Investment Programme
GCF	Green Climate Fund
GEF	Global Environment Facility
ghg	greenhouse gas
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IP	Investment Plan
LDC	Least Developed Country
LDCF	Least Developed Countries Fund
M&E	Monitoring and evaluation
MDB	Multi-lateral Development Bank
MENA	Middle East North Africa
MFA	(Swedish) Ministry for Foreign Affairs
MFA	Swedish Ministry for Foreign Affairs
MOPAN	Multilateral organisation performance assessment network
Mt	Megatonne (1 million metric tonnes)
NDC	Nationally Determined Contributions
ODA	Official (sometimes *Overseas*) Development Assistance
ODI	Overseas Development Institute

PPCR	Pilot Programme for Climate Resilience
SCF	Strategic Climate Fund
SE4All	Sustainable energy for all
SEK	Swedish Kroner
SREP	Scaling up Renewable Energy in Low Income Countries Programme
TCLP	Transformational Change Learning Partnership
TFC	Trust Fund Committee
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar

Introduction

The Expert Group for Aid Studies (EBA) has commissioned an impact evaluation of the Swedish Climate Change Initiative (CCI, 2009-2012). The CCI was a four-year Swedish Government programme in climate change adaptation and mitigation measures, totalling SEK 4 billion of ODA. Two thirds of this funding was allocated through multinational organisations via the Swedish Ministry for Foreign Affairs (MFA) and one third to bilateral and regional efforts via Sida. The goal of the CCI was "to effectively contribute to long term adaptation efforts, especially in the poorest countries, and to developing countries' efforts to reduce greenhouse gas emissions."

Selection of the CTF as a case study

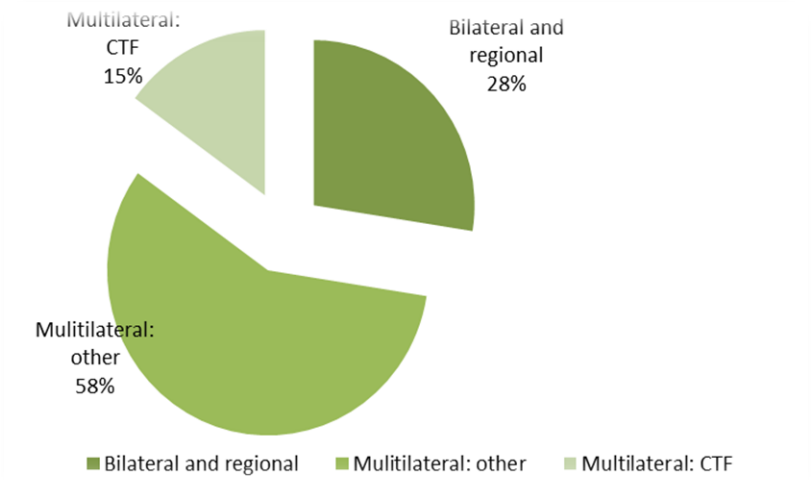
CCI multilateral funding totalling SEK 2.9 billion (USD407m) was allocated to 17 multinational funds, programmes and initiatives. Four of these programmes were selected as case studies within the evaluation in consultation with MFA – two case studies with an adaptation focus; and two with a mitigation focus. The CTF was selected as one of the two case studies within the mitigation group, the other being FIP.

A decision was made on 14 April 2009 by Anders Bengtcén, the head of the Unit for Multilateral Development Cooperation, to allocate a total of SEK600m from CCI to the CTF between 2009 and 2011. This amounted to a total financial contribution of approximately USD80m, which was 15 percent of the total CCI budget (Figure 1). Only the International Development Association (IDA) received a larger tranche of funding (SEK705m) from the CCI. Given the large size of the grant, it makes sense to look at CTF as a source of learning for Sweden's future climate aid.

In comparison with some of the other case studies in the evaluation, the CTF case study is relatively light touch, or 'shallow dive'. This means that the case study is based on a limited review of primary data and a limited number of interviews held remotely.

Compared with two of the multilateral case studies (the Global Facility for Disaster Reduction and Recovery, and the Adaptation Fund), which involve both global and country case study assessments, the CTF case study involves a global assessment only.

Figure 1: Allocation of CCI funds



Evaluation framework and methodology

The two questions guiding the overall evaluation, of which this is a contributing case study, are:

Q1: Has the CCI contributed to sustainable climate change adaptation and mitigation in poor countries? If so in what way, and to what extent?

a) what was the value of the 'surge' of fast track funding represented by CCI?
b) what was the value of taking a principles-based approach to guide CCI investments & implementation?
c) how did this translate into sustainable impacts over the longer term?

Q2: What lessons from the CCI can inform climate aid today?

To answer these questions, telephonic interviews were held with 12 people, and a range of documentation reviewed (see list in Appendix).

Reviewed documents included CTF TCF co-chair summary reports and participants lists, operations and results reports; evaluation and learning reports commissioned by CIF; MFA overarching strategy & development policies; MFA contractual documents relating to the CTF financial contribution; reports by MFA staff on CTF TFC meetings; independent reviews and reports on climate change, low-carbon development, renewable energy and climate finance.

The case study starts with the bigger picture of the CTF (chapter 2) and then digs down into Sweden's, and then specifically CCI's contribution, which is broken into two time periods (chapters 3 and 4). Chapter 5 is an evaluative assessment of the CTF based on studies commissioned by the CIF Evaluation and Learning Unit. It is placed here in the report so that it can be read in the light of Sweden's participation and contribution to the CTF. Chapter 6 reflects on what has been learnt through the CTF, and about how and what Sweden and CCI contributed. Points to facilitate discussion on draft recommendations by the Evaluation Reference Group are presented in chapter 7.

Limitations of the study

Given that this is a 'shallow dive' assessment at a global level only, there is an intrinsic bias towards aggregated, generalised information. It is not possible to critically analyse this information to see whether it holds true – and how – at a country or project level. What appears visible at this global scale might manifest very differently at an operational level. See, for example a discussion on gender in chapter 6.

A second limitation is the *source* of the global-level information. This case study relies heavily on studies commissioned by the CIF, and on informants who are 'insiders' and actively supporting the CIF. Although the evaluation and transformational learning reports were researched and written by independent consultants, the scope of study was approved by the CIF AU. Most people interviewed have a vested interest in CTF succeeding. While we are aware of a wide range of studies, some of which are critical of the CTF, we

have not been able to investigate these within the limits of a shallow-dive case study. This means that the perspectives of people who are critical of the CTF are largely absent.

The third limitation relates to the availability of information on the thinking and motivation behind Sweden's participation in the CTF during the CCI.

In conclusion, I want to share some of my own reflections and impression after an intensive week's participation in seminars, board meetings and informal conversations.[1]

The four pages following this statement - which was part of a memo requested from the Swedish MFA archives in Stockholm - are blank (presumably excised). It was not possible to interview anyone who had made a decision regarding financial disbursements. Those interviewed from the time of CCI were only active for a short period and had limited knowledge or memory. Documents requested from the MFA archives on reports from the early CTF meetings were not Contextualising the CTF story

Rationale for establishing the CTF

The CTF was developed at a particular time in the history of climate change negotiations and climate finance. Although the climate science was clear, international mechanisms and commitments to address climate change were weak. The political economy of climate change remained contested, not only between developed and developing countries but within different blocs. The slowness of multilateral negotiations combined with continued denialism clashed with the necessity for urgent action that was becoming increasingly apparent through emerging climate change science. The CIF, developed outside the multilateral climate change negotiations, was a way to sidestep some of these difficulties.

2008 was also the time of the global financial crisis. This had two contextual implications for climate finance. Firstly, donor countries were cash-strapped and there was a lot of competition for funds

1 MFA Memo 5/7/2011

because of the need to replenish capital in the development banks. Secondly, they were risk-averse and cautious about which institutions managed their money. The World Bank was seen as a low-risk choice.

Climate change, energy and sustainable development

Traditionally, economic growth as measured by GDP has correlated closely with energy consumption. The industrialised countries have become rich by using cheap energy. Developing countries have wanted to follow the same route. This has also been the 'development path' promoted through ODA and by multilateral agencies such as the World Bank.

Unfortunately, this path has also led to climate change. Since the industrial revolution, burning fossil fuels has steadily built up levels of carbon dioxide in the atmosphere, and the world has had to rethink its economic model. While there are a myriad of strategies, one of the most appealing is to decouple growth from energy consumption, and energy consumption from CO_2 emissions. The CTF falls within this logic. It seeks to transform markets to catalyse a transition away from fossil fuels towards renewable energy, and to improve energy efficiency thereby 'decarbonising' economic growth.

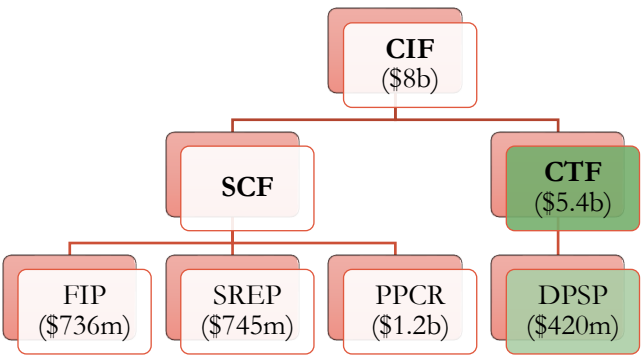
There are broader critiques of globalisation and growth-oriented economic strategies that are worth bearing in mind. Ecological economics, steady-state economics and more recently doughnut economics are all ways in which scholars are trying to provide new economic models that meet humans' well-being needs without destroying the ecological systems that support all life.[2] The deeper cause of climate change and how to address it are being explored also through many other disciplines, and through trans-disciplines that encompass social, political, psychological, ecological, economic, cultural and spiritual dimensions. These approaches are seeking a

[2] A large body of literature has developed around this. See for example work by Herman Daly, Lorenzo Fioramonti, Tim Jackson, Kate Raworth.

paradigm shift and transformation at a deeper level. It is beyond the scope of this case study to assess the contribution of the CTF to this broader transformation imperative.

Overview of the CTF[3]

The Clean Technology Fund (CTF) is a dedicated climate fund that provides large-scale finance within the renewable energy, energy efficiency and transport sectors. It is one of two trust funds under the Climate Investment Funds (CIFs), managed by the World Bank. The CIF was established in 2008 as an interim measure, outside the UNFCCC, to provide large-scale climate finance to pilot transformational actions in selected developing countries. When the CIF was established, it included a 'sunset clause' for closure in anticipation of new agreed climate financial architecture under the UNFCCC[4].



The CTF promotes scaled-up financing for demonstration, deployment and transfer of low-carbon technologies to reduce greenhouse gas emissions in the long-term. Most projects currently fall within the sectors of renewable energy generation, transport and energy efficiency, although other sectors are not precluded. Details on the CTF aims are presented in box 1.

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3 Drawn largely from https://climatefundsupdate.org/the-funds/clean-technology-fund/

4 When – or whether – to trigger this clause is currently the subject of heated debate. See section 4.4

Box 1: CTF aims

1. Provide positive incentives, through public and private sector investments, for the demonstration of low carbon development and mitigation of greenhouse gas emissions;
2. Fund low carbon programs and projects that are embedded in national plans and strategies, scaling up development and accelerating the diffusion and transfer of clean technologies;
3. Realise environmental and social co-benefits, illustrating the potential for low-carbon technologies in contributing to sustainable development and the Millennium Development Goals;
4. Support international cooperation on climate change;
5. Utilise skills and capabilities of the MDBs to raise and deliver new and additional resources, including official and concessional funding, at significant scale; and
6. Share experiences and lessons learned in responding to climate change challenges.

The CTF is governed by a Trust Fund Committee (TFC) comprised of eight donor countries and eight countries eligible for CTF funding, which must include at least one recipient country with a project under consideration. There is also an MDB committee, which facilitates collaboration, coordination and knowledge exchange among MDB partners. A limited number of representatives from civil society, the private sector, UN agencies, donor and recipient countries can observe TFC meetings, except during 'closed executive sessions', for example when the TFC is deliberating investment plans. Early documents mention a civil society forum, a private sector forum and an annual partnership forum [5]. Aside from the partnership forum, which is being rethought, these do not appear to be functioning.

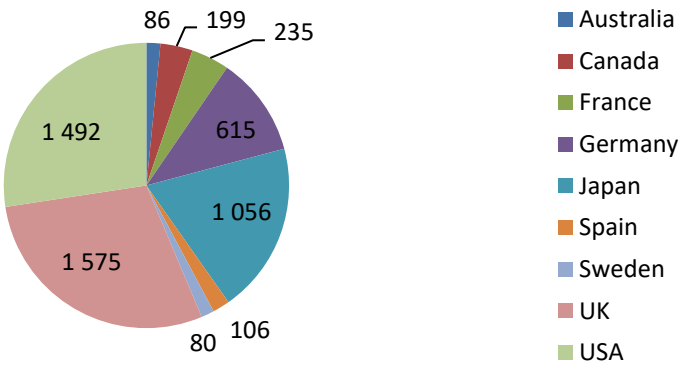
Nine donors have contributed or pledged a total of USD 5.4b to the CTF to date. By June 2018, USD 5 billion had been approved by the CTF TFC for 130 projects and programmes in 19 countries[6].

[5] https://climatefundsupdate.org/the-funds/clean-technology-fund/

[6] Bird et al, 2019. Alternative numbers are given in a 10 May 2019 semi-operational report: 'As of December 31, 2018, USD 4.9 billion had been approved by the CTF Trust Fund Committee for 132[6] projects and programs'

Fifteen of these countries have national Investment Plans (IPs)[7]; the other four[8] are part of the Middle East North Africa (MENA) regional programme only. The funds are channelled through six MDBs[9]. Almost half a billion USD of these funds[10] are distributed through the Dedicated Private Sector Programme (DPSP), which was established in 2013.

Figure 2: Donor contributions to CTF in millions of USD



Like the other CIF funds, the CTF follows a programmatic approach. Together with the MDBs, countries develop IPs that are endorsed by the CTF TFC before being approved by the MDB committee. Projects are then approved within these broader IPs. Project eligibility and level of financing is assessed on potential "transformative" effects as well as project viability in the absence of concessional finance. Projects can also be developed under the DPSP. DPSP funding is available for projects in all CIF-approved countries, including, and in addition to, those with an Investment Plan (IP) under the CTF. CTF programmes are intended to "stimulate lasting changes in the structure or function of a sector,

7 Egypt, Morocco, Nigeria, South Africa, Chile, Colombia, Mexico, India, Indonesia, Philippines, Thailand, Vietnam, Kazakhstan, Turkey, Ukraine

8 Algeria, Libya, Tunisia, Jordan

9 African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IADB), and World Bank Group (WB) – IDA and IFC.

10 CTF factsheet: https://www.climateinvestmentfunds.org/sites/cif_enc/files/ctf_factsheet.pdf

sub-sector or market" by improving internal rates of return on low greenhouse gas emissions investments.

Figure 3: CTF fund allocation by sector

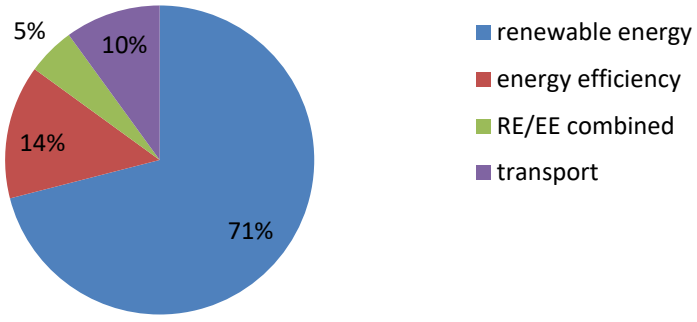
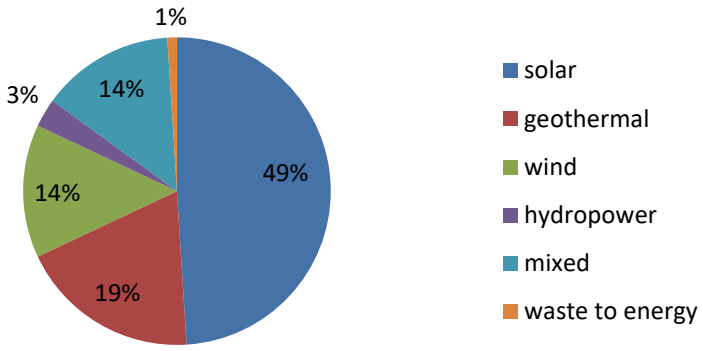


Figure 4: CTF fund allocation by technology



provided, and much of the commentary in reports by Swedish representatives from later CTF TFC meetings was excised[11].

[11] The method of requesting documents from the archives in Stockholm, and what was made available to us, contrasts with the open access we were given to the archives of Sweden's regional investments, held in Nairobi and Addis Ababa.

Phase I: Development of Investment Plans (2008-2012)

This time period covers the establishment and design of the CTF as well as the development of national and regional investment plans. It coincides with Sweden's CCI and Sweden's decision to invest in the CTF.

Overview of Phase I

Due to its size, the CTF was seen to play a major role in achieving the overall results articulated in the CIF logic model through transformation, catalysis and replication. In the 2010 logic model, the CTF's aim was captured as follows:

"The CTF aims to transform the energy supply and demand in the power, transport, building and construction, industrial, and agricultural sectors to low carbon development pathways. It cannot transform these sectors directly but aims to trigger and catalyse changes and replicate successes. The projects that it will fund are many and varied but can generally be captured in the three categories of transport, renewable energy, and energy efficiency and demand side management."[12]

The inclusion of agriculture is interesting as, aside from a few projects such as energy efficiency in farm equipment, it does not feature as a sector in later evaluation reports or in any of the interviews held for this case study.

The CTF got off to a quick start. Most investment plans were endorsed during the first two years and all sixteen by the end of 2012. Unlike the Forest Investment Programme (FIP), the development of the IPs was not financed with grant funds[13].

12 Harmonisation of CIF results frameworks, March 2010
13 ICF International, 2018

Table 1: Evolution of activities and projects

Year	Finance	# Implementing entities endorsed	Countries
2009	300 MSEK	9	Egypt, Mexico, Morocco, Philippines, South Africa, Thailand, Turkey, Vietnam, MENA region
2010	200 MSEK	5	Colombia, Indonesia, Kazakhstan, Nigeria, Ukraine
2011	100 MSEK	1	India
2012		1	Chile

The Trust Fund Committee was established with an equal number of representatives from developed and developing countries. Developing countries are subject to a selection process, unlike developed countries whose seats are based on donor contributions. Developing countries are not necessarily CTF recipient countries. The developing country committee members are there to represent constituencies, for example Africa, rather than their own countries, with an effort for proportionality across the regions. They include the four BASIC countries, Brazil, India, China and South Africa14. Country membership of the TFC has been very stable, since inception although individual participants have changed. Of the 9 donors, Canada was not part of the founding committee but replaced Australia in around 2010. Of the 8 developing countries, the four BASIC countries were there at inception and remain on the committee today.

In these early years, there was some tension between developed and developing countries. Developing countries were inherently suspicious of the World Bank and worried that setting up the CIF would subvert the establishment of a climate fund under the UN. Donor countries wanted to get moving due to the urgency of mitigating climate change. Part of the rationale for setting up the fund was to target middle income countries with growing emissions

14 These 'newly industrialising' countries formalised as a bloc in Nov 2009.

to 'bend the emissions curve'. These countries couldn't get concessional finance as easily as lower income countries.

Why did Sweden invest in the CTF?

It [CTF] had a modern, rational approach; a well-functioning structure at this time. It was open to collaboration with others and quite easy to bring in knowledge and experience from other institutions. (Official, Swedish MFA)

Part of the rationale for investing in CTF was linked to Sweden's role as EU Chair in the six-month leading up to, and including, UNFCCC COP15 in Copenhagen, December 2009. There were high expectations that Copenhagen would deliver a new 'climate deal' (in the end Copenhagen failed and the 'deal' was only reached several years later in Paris). Sweden was anxious to raise the ambitions of other countries regarding both mitigation and financing commitments. Although it was unusual for Sweden to fund middle income countries, they hoped to lead by example through committing finances to mitigation in developing countries with rising emissions. In the ongoing debate about whether to reduce emissions locally or abroad, the centre right government, which was in power at the time, favoured mitigation abroad for economic and cost-effectiveness reasons.

At the time, there was no other fund that could deliver what CTF was offering.

The GEF, LDCF and AF already existed but they had limitations and were only financing small scale projects. They could only invest up to USD10m in a project at a time. A dedicated climate change channel that was able to provide large-scale financing to mitigation action was missing and that was why CTF was very attractive. In terms of scaling up as a climate fund, there was no other option. (Official, Swedish MFA)

Within the MFA, the climate financing portfolio had moved from the UN division to the MDB division because the Minister responsible for development cooperation wanted to clean up the financing efforts going to a multitude of institutions. Each institution had a strategy and a system was introduced to assess them, relying heavily on the Multilateral Organisation Performance

Assessment Network (MOPAN) [15]. Financing was adjusted depending on the assessment – either up, or the same, or less. Sweden felt confident the MDBs were well placed to manage funds at the time of the global financial crisis. They saw their contribution to the CTF as helping with this administrative set-up.

*The MFA view of the MDBs has always been quite positive (even today) in terms of effectiveness and our high profile engagement with them. Sweden is a large donor to them. This is to the advantage of CTF, which was then a natural choice. (*Official, Swedish MFA)

Perhaps there was also some relief at working on climate mitigation outside of the highly politicised and contentious space of the UNFCCC negotiations. An MFA representative had very positive impressions of the CTF in its early days. Knowledgeable people participated. The meetings were very open and educational including discussions on different types of technology, mitigation and energy efficiency. People were encouraged to participate. Unlike the GEF it was not highly politicised. The conversation was 'rational' and it was a place to learn. This learning was taken back to Sweden.

From this we can see that Sweden's decision to invest in the CTF aligned with the CCI principles [16]. It added tangible value by supporting the nascent CTF fund (P2); the set-up of the fund was in line with the Paris agenda principles on aid effectiveness through harmonising donor contributions (P3); and it was a clear response to climate negotiations at the time in that finance commitments were sought from developed countries but an appropriate financing mechanism was not yet available under the UNFCCC (P4).

Sweden's contribution

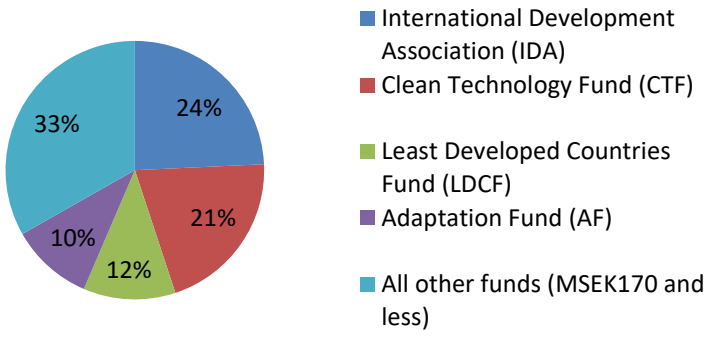
Sweden allocated SEK 600 million as an unconditional grant to the CTF. This was more than 20 percent of the CCI funds allocated to multilateral funds. By comparison, the IDA received SEK705m, the

15 Housed by OECD

16 See p.23 for more details on the CCI principles

Least Developed Countries Fund (LDCF) SEK335m and the Adaptation Fund SEK 300 million. All other funds were allocated less than SEK 170 million.

Figure 5: CCI allocation to multilateral funds



The CTF allocation was disbursed in three tranches: SEK300m in 2009, SEK200m in 2010, and SEK100m in 2011. Although Sweden's financial contribution was a large portion of its CCI funds, it has contributed less than one and a half percent of the total CTF financial pledges and contributions (Figure 2)[17]. Regardless, this financial contribution earned Sweden one of eight donor seats on the CTF TFC, which it has retained to date[18]. Unlike many other donor countries, Sweden did not use the CTF to market their own clean technology. Once energy funds became available that focused on low income countries or collaboration, Sweden invested in them also, for example it disbursed SEK170m to the Scaling up Renewable Energy in Low Income Countries Programme (SREP) in 2012.

Sweden was an active participant on the CTF committee and was seen to play a constructive role. Its contributions were pragmatic, focused on developing a results framework, achieving impacts, due diligence, good governance, trying to find collective decisions, and ensuring things were country led. It was a bastion of multilateralism and a champion of addressing climate change and the Sustainable

17 As of 30 Sept. 2018

18 There was a brief period when Sweden shared its seat with Spain (Nilsson, 2013)

Development Goals. These principle-based contributions were in line with the principles of the CCI.

A representative from the Swedish Energy Agency attended many of the early meetings. In the later years of this first phase, they were invited to assess various projects. Sweden is a cold country and energy efficient. It has a lot of technology[19] and expertise, including on developing regulations, and was able to make contributions in this sphere.

One specific intervention captured in an MFA memo after a CTF meeting in Manila was to ensure a safeguard in the Indonesian IP that the production of palm oil didn't increase incentives for deforestation[20]. Sweden thus had an eye on broader sustainability imperatives and was able to influence practices. It illustrates that Sweden's participation had a tangible added value, which was one of the CCI principles.

Sweden had a particular interest in raising the profile of gender within the CIF generally, including the CTF. In this Canada was a close ally, with the UK and Germany also raising gender concerns. Unfortunately, the approach of these countries to gender issues appears to have alienated developing countries represented on the CTF in the context of climate action at the time, who effectively were silent on this issue. A deeper discussion on this is presented in Section 6.3.

The discussions and experience gained at the CTF was useful for Sweden's other work, including its participation on other boards.

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19 Already in 2009 Swedish export energy was working on a concept called 'single city' which was about building cities that were designed around a circular economy (although the term itself came later). Several residential areas in Sweden were being constructed around renewable energy for heating, and where waste would be used to produce biogas for local transport systems. These kinds of concepts and technical knowhow were the focus of clean technology promotion in other countries through Swedish embassies.

20 MFA memo 17 March 2010

Results by the end of 2012

A results framework was designed during this period with five core indicators:

- Tonnes of CO_2e reduced or avoided
- USD leveraged through the CTF
- MW of installed capacity
- Number of additional low CO_2 passengers
- Annual GWh of energy savings

Co-benefits were also to be reported on. These included, but were not limited to, access to energy, health and job creation.

By the end of 2012, no results had yet been reported (the first results report was in 2014). Nevertheless, there were clues as to the *expected* results. An MFA memo dated 22/2/2013 refers to the CIF 2011 Annual Report and states that by 31 December of that year:

"The CTF Committee had approved funding for 26 projects distributed among 13 countries. Funding for these 26 projects totalled USD1.9 billion, an amount expected to result USD14 billion in co-financing from states, multilateral development banks and other actors. One third of this co-financing is expected to come from the private sector. Activities within the thirteen investment plans that have so far become financed is expected to result in an overall reduction in emissions of 1.6 million tonnes of carbon dioxide. Each dollar within the CTF thus results in an emission reduction of about 330 kg CO_2, which means emission reductions of just over 50 kg CO_2, per krona invested (2 öre per kg CO_2)."[21]

This was part of the close-out report covering the last tranche of Sweden's financial contribution to the CTF.

In summary, as one of 9 donors, Sweden's financial contribution during this period helped to establish the CTF as a multilateral fund. Their active participation and principled approach contributed to the fund's design and operations, including a clear results framework, systems for programme and project approval, and a

21 MFA memo UF2011/56416/UD/MU dated 22/2/2013

governance committee in which developing and developed countries could participate equally. These contributions are in line with the CCI principles and support part of its overall goal to contribute to 'developing countries efforts to reduce greenhouse gas emissions'.

Phase II: Project implementation (2013-2019)

Overview of phase II

Compared to phase I, phase II was less political and focussed more on maintenance in relation to national programmes. The logical framework and all IPs had been approved and the task was to adjust them as necessary to changing contexts, and to approve and implement projects. In mid-2014, the CIF gender plan, which Sweden had been instrumental in driving, started.

In 2013, the Dedicated Private Sector Programme (DPSP) was launched to mobilise greater flows of financial investment. This new approach to programming, which had a technology focus, was driven initially by the UK. but supported by all CTF countries. DPSP funding is available to all CIF-eligible countries, not just those with an IP under CTF.

When the DPSP was launched, an indicative allocation of about USD500 million was made for two phases in 2013 and 2014 under six thematic areas: geothermal power, mini-grids, mezzanine finance, energy efficiency, solar photovoltaic power, and early stage renewable energy.[22] In December 2017, Phase III was endorsed by CTF TFC focusing on three broad themes: energy efficiency, renewable energy plus, and sustainable transport. In June 2019, Phase IV was endorsed on battery storage. Sweden abstained from endorsing this decision but did not wish to block the consensus of the rest of the committee[23]. The decision also encouraged new financial contributions, without which the programme would not be implemented.

The thematic approach of the DPSP helped to drive particular technologies across different geographies. For example geothermal energy requires particular financial instruments due to the high-cost

22 ICF International, 2018

23 CIF: Summary of the Co-Chairs, 4 June 2019

high-risk nature of upstream investment. The probability of failure is very high for the exploration drilling phase, and it is very expensive. Learning about financing models through DPSP has gone beyond the projects it has supported.

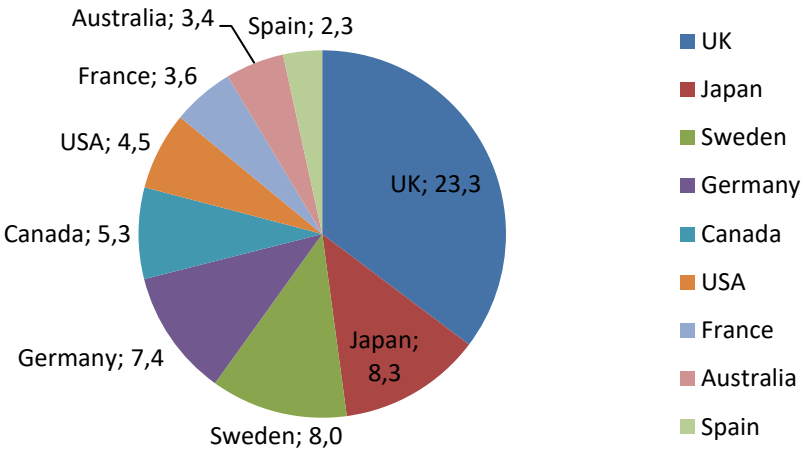
Sustainability of Sweden's contribution

Sweden made no further financial contributions to the CTF after the CCI investments. This was for two reasons. Firstly, they saw the CIF as bridge-funds until the GCF was up and running. Secondly, the CTF was slow to disburse funds, which also meant there was no demand for further funding after the CCI period. Nevertheless, Sweden retained their seat on the CTF TFC and continued to participate actively in meetings. Thus, they remain one of sixteen custodians of a USD5.4b fund – a significant amount of money, and a significant responsibility. They saw one of their tasks in this period to get the money out to projects more quickly.

During this time, Sweden took a new approach to trying to raise the climate ambitions of other countries. They wanted country contributions to be measured per capita. For Sweden this was important, as it represents a tax per person contributing. In fact, Sweden falls below both the UK and Japan when it comes to per capita contributions (see Figure 6).

It is extremely difficult to understand what really happens inside the rooms in which multinational deliberations take place. The CTF operates through consensus not voting and official reports therefore speak to decisions made by all countries. There was mention that Sweden has become less progressive, whereas others have commented that Sweden has continued to play a constructive role in promoting aid effectiveness, including results reporting and transparency. Sweden also have continued to hold the gender flag and – in contrast to some others - never tried to include Swedish technology as a condition of project approval. This is worth mentioning because it illuminates an unspoken principle about Sweden's approach to aid, which is appreciated by developing countries and indicates that their CCI grants really were unconditional.

Figure 6 : USD per capita contributions to CTF [24]



Within the MFA there was also restructuring. Whereas during Phase I only one person worked on climate change issues, which fell into the banking group, today there is a group tasked with climate change, environment and energy. The Swedish Energy Agency did not attend CTF committee meetings but the MFA did continue to consult with them regarding positions and they were responsible for assessing projects under both CTF and SREP.

One of the key tensions in the CTF continued to be the level of financial risk that donor countries were willing to take.

"Five years ago we actually had to find a mechanism to ring-fence the loan contributors so that we could move forward and allow CTF to take on the necessary risk to meet its strategic objectives, but without having to face this governance hurdle from the loan contributors." (Official, CIF, World Bank)

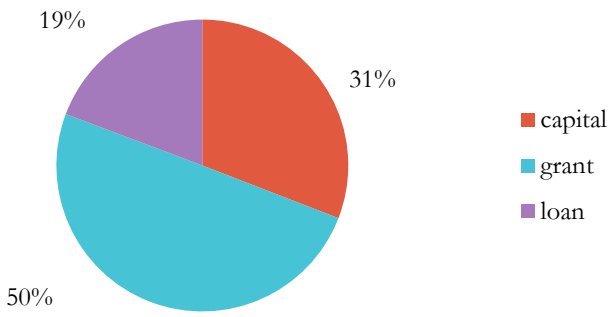
Because Sweden's contribution was an unconditional grant they supported a higher risk approach. Along with the UK, they were also vocal in supporting a proposed new vehicle to issue green bonds in capital markets using CTF assets. Under discussion for the

[24] Calculation = Total CTF contributions to date divided by 2019 populations as per: http://worldpopulationreview.com/2019 population data

last three years, this has not yet happened because of lack of consensus within the Trust Fund Committee.

This discussion on financial risk, the shift from grants to loans, and the requirement to secure co-financing in open markets is important not only to the CTF but because it mirrors what is happening elsewhere in donor aid.

Figure 7 : CTF contributions by type



Results by the end of 2018

Direct results attributed to CTF projects are presented in Table 2 below.

Table 2: Quantitative results against targets[25]

Result (2018 results report)	Target	% of target achieved	Comment
11.7 $MtCO_2e$/year	66.3	18	GHG emission reduction [26] from 32 projects and USD1.6b
USD21.7b	49.7b	44	Co-financing leveraged for 66 projects with USD4.2b CTF funds
7 189 MW	26 506	27	Installed RE capacity from 29 projects and USD2.1b
487 188 passengers/ day on low carbon public transport	6.3m	8	2 projects and USD240m
4 439 GWh/year	10 572	42	Energy savings from 17 projects and USD666m

To put this in perspective, we need emissions *reductions* of 45 percent below 2010 levels by 2030, and net-zero emissions by 2050, to stay within 1.5°C of global warming [27]. In 2018, global energy consumption *grew* by 2.3 percent, nearly twice the average rate of growth since 2010. Global energy-related CO_2 emissions *rose* by 1.7 percent to a historic high of 33.1 Gt[28]. If it meets its target, the CTF would have contributed 0,2 percent of what is needed to reach zero-emissions. The task is daunting.

The MDBs are expected to include co-benefits in their project reports. These are then included in the operation and results reports. However, they have not been aggregated in the way the core indicators have been and are difficult to summarize for the purposes of this case study. The CIF monitoring and evaluation team have identified this as a gap and plan to do an analysis on the co-benefits.

25 https://www.climateinvestmentfunds.org/results/ctf-results

26 The indicator is 'ghg reduced or avoided' but results refer only to 'emission reduction'

27 IPCC, 2018

28 CTF semi-annual operational report, 10 May 2019 citing the IEA

The Sunset Clause

The sunset clause has dominated much of the discussion in the CTF over the past few years. Whether or not it is resolved and *how* it is resolved has a great bearing on current programming and investment decisions. Sweden has played a noticeable role in these debates and was, together with some other countries, prepared to start discussing sunset in 2019.

Many argue that the context in which the sunset clause was written into the CTF, and its rationale, have changed over the past ten years. There were concerns at the time that climate financing could develop outside of the UN multilateral negotiations. Countries, especially developing countries, were concerned that the CTF shouldn't pre-empt what was being negotiated; and that it shouldn't be assumed to become the global mechanism for climate finance. Now many countries see it as complementary to the GCF; alternatively, that the GCF is not yet able to fill the gap that sun-setting the CTF would leave. The CTF is seen by member countries to be highly functional with good governance systems and a track-record of disbursing large sums of money for climate change mitigation and adaptation. Politically, there has been something of a reversal with developing countries now calling for the CTF to be replenished and the sunset clause cancelled; whereas some developed countries, notably France and Japan, would prefer to close it down.

Sweden's position on the future of the CTF puzzles some of the other CTF members, including both developing countries and donors, as well as the CIF AU, who have described it variously as 'weird', 'obstructive', 'surprising' and 'incorrectly argued'. Sweden's underlying logic to their position was consistent with that set out in *Future of the Funds,* a report by WRI sponsored by Sweden[29]. The report provides recommendations on how to make multilateral climate funds more effective and coherent through architectural and operational reforms. They provide options for the CIFs through a continuum of reforms that moves towards sun-setting providing the

[29] Amerasinghe, N et. al. 2017

GCF assumes its role; and prior to that for alternate financing models to be explored that don't rely on donor funds. Sweden was thus waiting until negotiations under the GCF replenishment were finalized before making decisions regarding future CTF commitments.

Discussions on the sunset clause are highly political, both inside and outside the CTF. Much as some countries are confused by Sweden's position, Sweden seems puzzled about what developing countries really want. On 8 April 2019, developing countries wrote a statement in favour of keeping the CIF as a key component of the climate finance architecture, and for the funds to be replenished. By mid-2019, 48 countries had signed the statement[30]. Yet according to MFA staff, this position is not consistent with developing countries' position during the early years of the CIFs where the CIFs were portrayed as lacking legitimacy since they did not receive guidance from the COP. Adding to the tension are views from outside national governments. On 3 June 2019 two conflicting statements came out from civil society, one to keep the CIF[31] and the other to trigger the sunset[32]. Only the statement in support of CIF is available on the CIF website.

CTF achievements and barriers encountered

I think the CTF has been very successful across the board. We were able to work and see different opportunities or momentums in different countries and markets, and because of the scale, predictability and flexibility of finance, align the incentives of government and the private sector. (Official, CIF, World Bank)

Because no results had been reported by the end of the first phase and evaluations were only done in the second phase, it is useful to look at what the CTF has achieved and what barriers it has encountered over the full duration of the CTF. What follows is a

30 https://www.climateinvestmentfunds.org/news/joint-ministerial-statement

31 https://www.climateinvestmentfunds.org/news/statement-civil-society-private-sector-and-indigenous-peoples-support-recapitalization-climate This statement is signed by both civil society and private sector organisations.

32 https://www.actionaidusa.org/wp-content/uploads/2019/06/CIF-Sunset-Letter-5-June.pdf

brief summary. A deeper evaluative assessment – of what happened and why –is presented in the next section.

CTF achievements

The CTF's key success has been to transform markets to attract finance to low carbon projects. This has been done in collaboration with the MDBs through concessional finance and demonstration projects that have reduced both real and perceived financial risk, and brought forward in time tipping points when renewable energy is commercially viable. Wind and solar have been particularly successful.

At a national level, the scale, predictability and programmatic approach of the CTF has got the attention of finance and planning ministries to engage and think strategically. The careful pairing of investment flexibility instruments with technical advice to support an enabling environment has worked well to change regulatory frameworks.

Another area of success has been changes to the ways in which the MDBs work both internally, and with each other. Cooperation has replaced a previously more competitive environment. More ambitious investments in clean energy are now the norm in the bank.

CTF barriers

Mirroring the key successes of the CTF, the barriers have also been finance related. These barriers include the lack of track record of these kinds of financial investments and risk appetite. Amongst the CTF donors, countries wanted to take different levels of financial risk, depending on whether their contribution was in the form of a loan, capital or grant. This debate also spread to whether or not the financial reflows (i.e. the money that countries paid back) could be reinvested in CTF projects, with Japan and USA arguing it should not.

Although the money was mobilised quickly, it took a long time to start flowing to projects. Like other development initiatives, things were at times slow to move in-country because of political processes such as short-term election cycles. The process of approval through MDB boards could also take time.

Projects in the transport sector were more difficult to establish and implement than in clean energy. Their decentralised and local nature requires greater levels of cooperation between different tiers of government. Procurement can be challenging. It is also harder for MDBs to provide finance at this sub-national scale. Within the clean energy sector, renewable energy has been more successful than energy efficiency.

One example has been identified where opposition at national level has stopped or delayed CTF processes. In Mexico, a newly elected government cancelled a round of auctions that had been set up to crowd in international finance for renewable energy. The tension was around national versus international ownership of the country's energy production.

Evaluative assessment of CTF

The CIF Evaluation and Learning Initiative (E&LI) was established in 2016. It prioritises four key themes and related sub-topics, developed through wide consultation and dialogue. These are:

Transformational Change: Understanding and assessing CIF contributions to transformational change, across programs and dimensions. The dimensions are relevance, systemic change, scale and sustainability.

Private Sector Investment: Investigating financing models and experiences in CIF programs and sectors, and the role of concessional finance.

CIF Design and Approach: Evaluating the effectiveness of the CIF Programmatic Approach as a delivery modality, as well as other program-specific strategies and approaches.

Local Stakeholder Engagement and Benefit: Exploring CIF local stakeholder engagement strategies, Indigenous Peoples, gender and other topics focused on local actors.

This chapter summarises four evaluations commissioned by CIF E&LI, completed in 2018 or 2019 that talk to the first three themes. A fifth evaluation – on local stakeholder engagement – is not yet complete and will make an important contribution to a deeper understanding of on-the-ground results. This chapter ends with a brief discussion on the limitations of the commissioned evaluations.

Transformational change[33]

The TCLP defines transformational change in climate action as strategic changes in targeted markets and other systems, with large-scale, sustainable impacts that shift and/or accelerate the trajectory toward low-carbon and climate-resilient development. The four dimensions of relevance, systemic change, scale, and sustainability

[33] Studies by ITAD, 2019 and Bird et al, 2019

must be achieved to realise comprehensive transformation[34] (see box 2). The theory of transformational change articulates 9 implementation pathways or arenas of intervention for CIF, of which 8 are relevant to CTF. These are institutions, governance and engagement, markets, technologies and infrastructure, policies, knowledge and information, practices and mindsets, and financing.

Box 2: Dimensions of transformational change

- *Relevance* refers to the strategic focus of CIF investments—impacting low-carbon and climate-resilient development, with sustainable development co-benefits.
- *Systemic change* refers to fundamental shifts in system structures and functions.
- *Scale* refers to contextually large-scale transformational processes and impacts.
- *Sustainability* refers to the robustness and resilience of changes.

The CTF is the only CIF programme with strong evidence of signals of transformation across all four dimensions of transformational change. CTF IPs and projects have been approved and running for a longer time, which can partly explain the advanced signals relative to the other funds. Nevertheless, to affect transformation to this degree is laudable. There have been shifts in risk perception by investors, lower investment costs for low-carbon technologies, changes in investment behaviours, increased installed capacity of PV and wind (beyond CTF projects), and a shift to non-concessional finance for some low-carbon technology deployment. Areas where success has been more limited in terms of contributing to all transformation dimensions include transport, concentrated solar power (CSP) and geothermal energy.

Contributing to the CTF success has been: the scale, flexibility and concessionality of finance; alignment with national policies and priorities; a focus on financing costs and risk barriers; supportive regulatory and legal frameworks; selection and timing of interventions; the scale of finance, which was large enough to

[34] CIF, 2019

catalyse additional investments; and demonstration of viable low-carbon technologies.

The role of concessional finance[35]

There has been a massive change in the economics of clean energy since the CTF was launched in 2009, which needs to be kept in mind in assessing interventions and looking at the way forward from today. The study by Bloomberg New Energy Finance (BNEF) provides evidence of the critical role of concessional finance, provided by CTF, in overcoming investment barriers and helping to scale up low carbon technologies. The CTF has shown that concessional finance can i) accelerate the uptake of clean technologies in developing countries; ii) speed up the transition from fossil fuels to renewables by bringing forward in time the tipping point whereby it is cheaper to build and/or produce renewable energy than build and/or continue to run fossil fuel power generation, and iii) help create markets for new low-carbon technologies, such as batteries. CTF financing has led to, or been supported by, other market mechanisms, including carbon taxes, feed-in tariffs, reverse auctions for clean power, net billing, refinancing of clean energy plants and mobilising significant co-financing. There is also evidence of transformational shifts in economic and market systems.

Programmatic approach[36]

The CIF adopted a country programmatic approach through the development of Investment Plans, within which projects would be approved for funding[37]. A programmatic approach was being used by other development agencies at the time to strengthen donor coordination, maximise impacts and foster national ownership, to counter some concerns around project-by-project modalities. The CIF incorporated this approach to aid effectiveness and added to

35 BNEF
36 ICF International, 2018
37 The DPSP is an exception to this as discussed later

the ambition through, for example, multi-stakeholder consultation in the *investment planning* phase. Once IPs were endorsed and projects being implemented, CIF committees recognised that the programmatic approach needed to be supported through continued engagement and needed to be reinforced through mechanisms in the *project implementation* phase. The mechanisms were: establishing or strengthening country coordination, country-level MDB partnership, collaboration among country stakeholders, and a multi-year budget to support country level activities. Costs for the CIF programmatic approach were lowest in CTF (approximately 0,1 percent of endorsed funding) compared to 4,2 percent for PPCR and 1 percent overall for all CIF endorsed funds.

The relatively low funding to the programmatic approach for CTF correlates with the degree to which CTF meets the expected outcomes from using a programmatic approach compared to the other funds. Overall, the programmatic approach has been largely dormant in CTF after IP endorsement. CTF was particularly weak in meeting outcomes relating to country-level coordination, learning, and multi-stakeholder engagement beyond the private sector. It did not, for example, specify the inclusion of civil society and vulnerable groups in IP development. However, the CTF made significant contribution to the outcome "other climate investment" through scale, resource predictability and flexibility, as well as risk mitigation and tipping markets. A degree of government commitment was generated through IP design processes and strong ownership of individual investment projects.

CTF has contributed to innovative projects through its financing approach, which includes the certainty of scaled up resources, flexibility to reallocate resources as contexts change and a mix of public and private funding. For example, in Turkey different business models are being used to implement and scale up energy efficiency programmes using a mix of public and private investments designed in a complementary way. On the downside, the strong private sector portfolio in CTF has constrained information sharing due to confidentiality considerations.

The DPSP has used a slightly different programmatic approach to the IPs. It is based on thematic, technology focused priorities

including geothermal energy mini-grids and energy efficiency. Project pipelines were developed through joint MDB planning. How (and whether) these projects relate to projects within the IPs is not clear. Mechanisms have not been put in place to support coordination or exchange within the thematic areas, except for a CIF-funded dialogue on geothermal energy.

Limitations to the CIF commissioned evaluations

The evaluation team found the conceptualisation of the sustainability dimension particularly challenging[38]. In the TCLP, *sustainability* refers to the resilience and robustness of changes. This dimension could be enhanced to strengthen an understanding of transformation. For example, the evaluation team were having to grapple with what it meant for a technology, such as CSP, to be resilient to increasing heat and long-term stresses in places that might be deserts by the end of the century. The sustainability of the *transformation* was not directly examined. For example, would financial systems, which are the main drivers of change, look the same in fifty years' time?

USD 725 million has been approved in CTF funding for India, (with a significant amount, USD 327 million, disbursed to date). This is more money than any other country has received. India has not been looked at as a case study by any of the evaluations; it is an untapped source of potential learning.

There has been only very limited evaluation of co-benefits that were anticipated under the CTF, namely access to energy, improved health, and employment. Other unanticipated benefits or negative impacts such as land use, water and local ownership have also been overlooked. This limits a deeper understanding of how CTF projects have impacted more broadly on sustainability imperatives at local and national levels.

38 ITAD 2019

It is hard to imagine a transformed, climate resilient society that does not tackle current unequal power relations and historical legacies, including colonialism. A coherent and systematic analysis of power seems to be absent from these studies and from the working definition of transformation. It is possible that an aspect of it will be included in the upcoming study on local stakeholder engagement. Issues of gender have also been highlighted.

Reflection and learning

A changed context

The economics of clean energy have changed dramatically and positively since CTF's founding. In light of that, new thinking about where and how to deploy capital is merited[39].

Renewable energy is cheaper, and in many places and for some technologies, has reached the point whereby it no longer needs concessional finance to be commercially viable. This shift is dramatic as it means ODA for climate mitigation can be used to target other drivers of greenhouse gas emissions, in addition to renewable energy technologies that still require high-risk investment.

A second contextual change in the past ten years is that both developed and developing countries have made mitigation commitments through their Nationally Determined Contributions under the UNFCCC's 2015 Paris Agreement.

A third contextual shift has already been hinted at, which is the nature of aid finance itself.

*Loans are playing a bigger role. Developing countries must make use of their own resources or go into the market to get their own money. Most [developed countries] don't recognise their ODA commitment. So, it is changing with respect to multilateral funding. Even in existing funds you see diminishment of grants and more loans; and [donors] want higher levels of co-financing. This is an unhelpful trend. (*CTF TFC Developing Country member)

Insights into the CTF

Countries like Sweden punch above their weight. (CTF TFC Developed Country member)

[39] The CTF & Concessional Finance, (CIF, Feb 2019)

The CTF is presented widely as a success story. It has made its mark in energy, which is perhaps the key sector that needs to be transformed if we are to avoid cataclysmic climate change. And it has worked through leveraging financial markets, which are one of the most powerful drivers of economies. The CTF has contributed to the transformation of energy markets away from fossil fuels towards renewables and to the uptake of energy efficiency projects. Clearly there are things to be learnt and built on from the CTF's ten years of existence. Sweden is already taking these lessons into the GCF. These include lessons from the design of the fund, the need to strengthen national ownership, and mobilising finance from the private sector.

Country ownership was high when seen at a national level. The CTF IPs and projects were big investments that needed high-level government approval and support. There was typically strong alignment of CTF plans and projects with national policies, including UNFCCC climate change commitments, many from COP15 in Copenhagen in 2009. In addition, many renewable energy projects supported clear national policies and programs to accelerate renewable energy adoption for energy security and emissions reduction.

There are also cautions and areas of blindness. While the signals of transformation were strong in all four dimensions, the CTF did not show a strong, inclusive programmatic approach. The developmental aspects of energy provision through CTF projects are hard to assess. Indications are that they are limited and not included in the design or implementation of the IP or DPSP projects. This is in keeping with a world view that technology is politically neutral, does not benefit from a participatory approach, and is separate from its context[40]. This erroneous view is at odds with a holistic understanding of the drivers of climate change and the deep systemic transformations that are needed to address it. It seems at odds also with Sweden's development objectives.

A clue to another possible fault-line is Mexico's reversal of a previously agreed renewable energy auction. At stake was national

[40] See for example Stirling, 2008

versus globalised ownership of energy production. National energy security is an important component of national sovereignty. It also shifts power dynamics between countries. It will be disastrous (and unsustainable) if transformation of energy markets means that the north has new power over the south. From a justice perspective, it is especially egregious given that climate change has been caused by industrialised countries, yet it is poorer countries that already experience the brunt, which is set to increase in the future. Beyond national ownership, there are also possible avenues to explore regarding local or community ownership. Again, these would require care is taken to bring in perspectives of local and civil society organisations.

The level of country ownership in the CTF is worth exploring further. One of the curiosities expressed by MFA interviewees was the extent to which there is country ownership of CTF programmes and projects. Another was what developing countries *really* want in relation to the sunset clause and the continuation of CTF. These questions are related and the fact that they are posed points to an inadequacy in the CTF M&E system to understand more deeply what is happening on the ground. Of course, there are always political dynamics *within* countries, which means that it might never be possible to answer the questions with certainty or finality.[41]

Alignment of Swedish principles with the CTF

This CTF case study is one of two within the CCI evaluation with a climate change *mitigation* focus. Both the CCI and CCCD principles are biased towards adaptation, which is in keeping with Sweden's broader development policy to support people in the poorest countries.

Of the seven CCI principles, three refer specifically to adaptation, one to the CCCD which also focuses primarily on adaptation, and three are relevant to both mitigation and adaptation (Table 1). This section focuses on the latter three, namely P2 ,P3 and P4. Central to the *multilateral contributions,* such as CTF, was to

[41] The Paris principles on aid effectiveness do not mention these sub-national dynamics

safeguard the Paris agenda on aid effectiveness (P3). Lastly, although not explicitly stated in CCI, Swedish participation was informed by a principle on gender equality, which is discussed separately below.

Table 3: Goal and set of principles guiding CCI contributions

GOAL	To effectively contribute to long-term adaptation efforts, especially in the poorest countries, and to developing countries efforts to reduce greenhouse gas emissions.	
P1	The funds reserved for adaptation interventions should go primarily to the poorest countries.	Adaptation
P2	The Swedish contributions should have a tangible added value.	Adaption and Mitigation
P3	Contributions should work towards the implementation of the Paris agenda principles on aid effectiveness.	Adaption and Mitigation
P4	Consideration should be taken to the ongoing international climate negotiations regarding timing and choice of channels.	Adaption and Mitigation
P5	The allocation should reflect the ongoing work of the Commission on Climate Change and Development (CCCD).	Adaptation (and some mitigation)
P6	Sustainable adaptation to climate change requires that the climate perspective is integrated into the countries' own development strategies. Central areas are water-and land-use in urban as well as rural areas.	Adaptation
P7	A proportion of the Swedish contributions should focus on disaster risk reduction as an integral part of climate adaptation.	Adaptation

Tangible added value (P2)

Sweden's engaged participation in the CTF was welcomed by everyone interviewed for this case study. Their input was seen to be constructive and principled, seeking to build consensus whilst keeping an eye on the deeper objective of the fund to mitigate

climate change. In this they were allied with others in the fund and so their contribution was part of a collective effort. Regarding gender, however, they were leaders and it is likely that gender issues would not have received the profile that they did if Sweden had been absent from the fund.

Paris agenda principles on aid effectiveness (P3)

Aid effectiveness was held as important to Swedish representatives to the CTF throughout the past ten years. The extent to which they succeeded in shaping the CTF to align with these principles is presented in Table 2.

Table 4: Alignment of CTF to the aid effectiveness agenda

	Paris Agenda Principle	CTF operations
i	developing country ownership of adaptation and mitigation strategies	This is difficult to assess without looking into what is happening at a national level. The extent to which MDBs are driving the IPs needs to be explored; as does the relative strength of national finance and planning ministries compared to others such as environment and health. Lastly the low level of civic engagement in the CTF could mean that it is driven by certain interest groups only. On the positive side, at the level of CTF governance, working relationships are good and all committee members have equal say in commenting on and approving strategies. The programmatic approach also means there is some level of country ownership beyond individual projects.
ii	alignment of priorities between donor and recipient country	There seems to be alignment in that the CTF-funded projects aim both to increase the amount of energy available (e.g. through generation or efficiency) *and* reduce the carbon

		intensity of energy. This corresponds to traditional priorities of 'development' (recipient countries) and 'mitigation' (donor countries).
iii	donor agencies harmonise and coordinate development aid	The CTF is a multilateral fund that is managed through consensus. This already shows a degree of harmonisation and coordination. Beyond that, there is coordination among the MDBs who are the implementing agents for the funds.
iv	both donors and recipients manage for results	The CTF TFC manages for results through regular meetings and semi-annual operational and results reports. Recipient countries have a more limited voice on the CTF TFC board than they do on the FIP Sub Committee. This is because they occupy only some of the seats reserved for developing countries. Since this is a shallow-dive case study, it cannot comment on the degree to which recipient countries manage for results at a national level.
v	mutual accountability	The results emerging from CTF projects are reviewed at CTF TFC meetings where both donors and developing countries participate. Periodic evaluations have been conducted which also contribute towards a review of results and which enable mutual accountability for the funds spent.

Alignment with climate change negotiations (P4)

Sweden's choice to invest in CTF was directly linked to the status of UNFCCC negotiations, as explained in the body of this report. The CCI was an ambitious initiative that sought to increase the ambitions of other countries to act urgently to address climate change. Sweden has taken what it has learnt through the CTF back into international climate change negotiations through its active role

in the GCF, including on programme design, country ownership and mobilising finance from the private sector.

Gender (not an explicit CCI principle)

Developing countries just tolerate it [Sweden's approach to gender] and you make sure you tick the box. It hasn't been something that's catalysed looking at gender empowerment, which is driven by other issues. (CTF TFC Developing country member)

The CTF is not an obvious place to include discussions on gender, yet it is critical. There is a view that gender is irrelevant to high technology solutions; that building a CSP plant is 'gender neutral.' Sweden and some allied countries argue differently. The result has been a CIF Gender Action Plan and the inclusion of impacts, disaggregated by gender, in the reporting requirements for projects.

Sweden's push for gender has been critical. It has shifted the debate from [women as] main climate change victim to empowering women for better results. (Official, CIF, World Bank)

This was not the view of one of the developing country TFC members who said that gender had become something of a conditionality. More worryingly, he said that the way in which discussions happened precluded conflicting views. Developing countries were assumed 'not to care' about gender and so there was no real attempt to understand what is driving gender dynamics in the recipient countries. The result was a tick-box approach based on number of women involved or benefiting. Thus the 'success' proclaimed in the operational reports can be interpreted in different ways.

The most recent semi-operational report shows an increase in the quality of the CTF investment plan and project portfolio since the start of the CIF Gender Action Plan. Attention to gender dimensions in CTF projects more than doubled across all project dimensions monitored under the Gender Action Plan (i.e., presence

of sector-specific gender analysis, women-specific activities, and sex-disaggregated monitoring indicators). [42]

Swedish added value from CTF participation

Sweden gained in three main ways from its contribution to and participation in CTF:

1. Learning and capacity building
2. Recognised and respected player within climate change negotiations and climate finance
3. Contribution to global emissions reductions

Learning and capacity building

MFA participants in early CTF meetings commented that it was a good place to learn. The debate was open and there was an effort to look for workable solutions. Technical experts were present and Sweden was also able to share its own experiences with implementing clean energy strategies. Beyond the technology side, the CTF provided an excellent space to learn about climate financing, in particular how to match different financial models to different technologies and contexts.

The learning was captured in reports written by MFA representatives and brought back to Sweden where it was useful for other boards and committees that they were active in, including, as noted above, and most recently, the GCF. The Swedish Energy Agency was also involved.

When CTF began, there was just one person responsible for climate change within the MDB division of the MFA. Now there is a whole department with many people. Although there are other reasons for this growth, it is likely that the CTF, as one of the main

[42] CTF Semi-annual operational report, 10 May 2019

CCI recipients, played a role in motivating for and growing this capacity.

Climate change profile

One of Sweden's rationales for investing in the CTF was to increase the ambitions of other countries. It used its position as EU Chair to amplify this. Through its consistent and principled approach, Sweden has gained the respect of both donor and recipient countries within international climate change processes. As one of only nine donors to the CTF, it had huge responsibility in managing a massive fund, and this experience gives it credibility within climate finance negotiations. It is perhaps this profile and credibility that lends weight to its position on the sunset clause and irks many of the countries who would like to postpone or cancel the triggering of the clause.

Global emissions reductions

Several interviewees noted that Sweden did not use their financial contribution to the fund to push Swedish technologies. The material gain of their contribution was instead the public good of global emissions reductions.

Discussion, future climate investments

The following discussion points are briefly summarised to help inform Sweden's future climate investments.

- **Programme or project approach**: A country-led programmatic approach is more effective, allowing for greater synergies & country ownership vs. a project approach, which is more ad hoc but can be quicker; as countries start developing climate change implementation plans or embedding climate change within their national development plans, the need for another programmatic approach diminishes and project financing could become more attractive
- **Match financial mechanisms** to projects / programmes at different scales. For example, MDBs are good at large-scale national projects, but not really at local interventions
- **Role of MDBs** needs to be better understood within a broader transformation imperative; are there negative consequences of working through the banks, if yes, what and under what conditions? How does Sweden understand the 'political economy' of concessional finance?
- **Develop a Swedish 'theory of transformational change'** to inform their climate change work within a broader development paradigm. For example, what would be included within an energy mitigation strategy beyond market transformation?
- Clarify **Sweden's niche in climate financing**. Is it better to support a range of funds, or focus on a few? Participating in many funds mean that learning can take place between them but stretches capacity thinly. Sweden's 'value add' is not (from this case study) their financial contribution, but their constructive engagement and principled approach. Sweden also has an opportunity to take what they have learnt into future climate fund negotiations.

- **Clarify the new high leverage points for climate funding.** How might Sweden best position itself today for new 'surges' in climate funding? The main benefit of CCI investment in CTF lay in a place at the table – much of the framing of CTF had already taken place. Are there new opportunities where Sweden might play a greater role in framing, as well as a seat at the table?
- **Deepen democracy within climate financing**. Build on the success of gender to make visible and contest other power imbalances / intersectionality. Explore and create space for the contributions that civil society could bring to large-scale finance and 'technology'-led projects
- Clarify Sweden's position on the **sunset clause**, which is currently viewed as unhelpful. It might be different for each of the CIF funds that Sweden invests in; think through implications for governance of the fund.
- Clarify **lessons** that can be taken from this case study and applied in the context of Swedish contributions to the GCF, over and above those lessons already being applied.

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Appendix

List of interviewees

All interviews were conducted by Jessica Wilson or John Colvin, between 25 June and 30 July, 2019

Organisation	**Number of people interviewed**
Official, Climate Investment Funds (CIF), Washington DC, USA	5
Member of the Clean Technology Fund (CTF) Trust Fund Committee (TFC), countries other than Sweden	2
External CIF evaluator	1
Official, Swedish Ministry of Foreign Affairs	4
Total	**12**

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The multilateral Clean Technology Fund (CTF) provides large-scale finance to renewable energy and energy efficiency. It is widely presented as a success story. Early support to CTF have contributed to give Sweden a leading role in climate finance more broadly. However, to move forward towards broad transformation, Sweden should further refine its climate finance approach.

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