



## The Climate Investment Funds (CIFs)

### International Environmental Assistance

Many governments hold that environmental degradation and climate change pose international and trans-boundary risks to human populations, economies, and ecosystems. To confront these challenges, governments 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, many recognize that efforts are unlikely to be sufficient without similar measures being taken in lower-income countries. However, lower-income countries, which tend to focus on poverty reduction and economic growth, may not have the financial resources, technological know-how, and/or institutional capacity to deploy environmentally protective measures on their own. Therefore, international financial assistance, or foreign aid, has been a principal method for governments to support actions on global environmental problems in lower-income countries. Often, this assistance can serve as a cost-effective strategy for donor countries to provide greater market access for domestic goods and services abroad and increased environmental benefits at home.

The United States and other industrialized countries have committed to providing financial assistance for global environmental initiatives through a variety of multilateral agreements, including 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. It may include grants, loans, loan guarantees, export credits, insurance products, and private sector investment. It may be structured as official bilateral development assistance or as contributions to multilateral development banks (MDBs) and other international financial institutions.

### 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 72 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 \$8.1 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 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 Treasury Department to the World Bank as trustee for the CIFs. Appropriations have varied widely over the years, largely reflecting budget trends. Appropriations provided for in H.R. 2029, the Continuing Appropriations Act, 2016, enacted on December 18, 2015, as P.L. 114-113, served to fulfill the United States’ 2008 pledge. The Administration did not request any additional funds for FY2017. See **Table 1** for a summary of U.S. contributions.

**Table I. 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	\$201.2	\$63.2
2016	\$170.7	\$59.6
<b>Total</b>	<b>\$1,492.0</b>	<b>\$508.0</b>

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.
- To date, the CTF supports 71 projects and programs totaling \$3.4 billion and expects co-financing of \$32 billion from other sources.
- CTF investments are projected to result in approximately 15 gigawatts of installed electrical capacity—44.6 million tons of greenhouse gas emission reductions—per year at an energy savings of 8,900 gigawatts per year.

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 15 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*, 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*, 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*, 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 GEF, as a part of U.S. multilateral assistance, is managed by the U.S. Department of the Treasury and is funded through the Administration's International Affairs Function 150 account for State, Foreign Operations, and Related Programs.

As Congress evaluates U.S. participation in 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 In Focus IF10397, *The Global Climate Change Initiative (GCCII): Budget Authority and Request, FY2015 - FY2017*.

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