

Ministry of Foreign Affairs – (Department for Green Diplomacy and Climate)

Meeting in the Council for Development Policy on 22nd September 2022

Agenda Item No. 6

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|---|---|
| 1. Overall purpose: | <i>For discussion and recommendation to the Minister</i> |
| 2. Title: | Support to the Climate Investment Fund's Accelerating Coal Transition (CIF ACT) Programme 2022-2026 |
| 3. Presentation for Programme Committee: | 2nd May 2022 |
| 4. Previous Danish support presented to UPR: | No, this is the first presentation to UPR |

Danish support to Climate Investment Fund's Accelerating Coal Transition (ACT)

Key results:


















- Governance: Countries adopt and implement policies and strategies for coal-to-clean transition across government.
- People and communities: Sources of income created for affected employees through job retention, job creation and re-skilling
- Land and infrastructure: GHG emissions reduced. Coal assets decommissioned. Coal sites re-purposed. Renewable energy capacity added. Private sector finance mobilized.

Justification for support:

Coal is the single largest source to global temperature rise. Rapid phase-out of coal is required to reach the goals of the Paris Agreement. Replacing uncompetitive coal mines and coal-fired power plants with clean energy could save USD136 billion in 2025. ACT reflects the Danish development approach and climate and energy objectives as set out in "The World We Share" and "A Green and Sustainable World". This includes global coal phase out, fight against poverty and inequality, and promotion of democracy and sustainable development. In addition, ACT commits to the principles of a Just Energy Transition considering the distributional impacts of change in terms of investments in job-creation, re-skilling and inclusive growth at local level. ACT's can generate interactions between the bilateral and multilateral arms of Danish global climate and energy strategies and investments, including in the first ACT target countries, South Africa, Indonesia, and India. In a joint process with the MDBs, Denmark will be well positioned to undertake a stronger climate diplomacy dialogue in the countries. Denmark's support of DKK 100 million will constitute around 0.75% of the anticipated ACT budget (app. 2 billion USD) and contribute to leveraging funds in the magnitude of USD 5-8 billion.

Major risks and challenges, amongst others

- Severe fluctuations in global energy markets due to the current war in Ukraine
- Challenges in relation to COVID-19
- Risks related to the political economy around the use of coal, including local resistance to energy transition and disruption of status quo.

File No.	2022-20005					
Country	Global					
Responsible	GDK					
Sector	Climate and Energy					
Partner	Climate Investment Fund, CIF					
<i>DKK million</i>	2022	2023	2024	2025	2026	Total
Commitment	100					100
Projected		25	25	25	25	100
Duration	2023-2027					
Previous grants	None to ACT					
Finance Act	06.34.01.70					
Head of unit	Karin Poulsen					
Desk officer	Merete V Pedersen					
Reviewed by	Katja Thøgersen Staun					
Relevant SDGs						
 No Poverty	 No Hunger	 Good Health, Wellbeing	 Quality Education	 Gender Equality	 Clean Water, Sanitation	
 Affordable Clean Energy	 Decent Jobs, Econ. Growth	 Industry, Innovation, Infrastructure	 Reduced Inequalities	 Sustainable Cities, Communities	 Responsible Consumption & Production	
 Climate Action	 Life below Water	 Life on Land	 Peace & Justice	 Partnerships for Goals		

Strategic objectives/Objectives

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

ACT specific objective: Accelerated transition from coal to clean energy while supporting socio-economic goals and environmental remediation.

Environment and climate targeting

	Climate adaptation	Climate mitigation	Biodiversity	Other green/environment
Indicate 0, 50% or 100%		100%		
Total green budget (DKK)		DKK 100 million		

Justification for choice of partner:

The Climate Investment Funds (CIF) is one of the most recognised global climate finance mechanisms, implemented through the MDBs. To facilitate cross-fertilization, synergies, and learning, as well as a global range of Just Energy Transition and coal phase-out investments, support to CIF ACT is assessed to be an efficient option. Denmark has supported CIF through many years (in total USD58.6 million), and is currently contributing to the finalization of the ACT program, in dialogue with other donors, and in direct interaction with CIF

Summary:

ACT is a new investment programme purposely designed to enable selected countries to finance economically and environmentally beneficial investment plans that will phase-out coal, while tackling challenges linked to policies/strategies, people and communities, as well as to land and infrastructure. The program will address funding gaps in the implementation of country-level strategies and associated kick-start of coal phase-out projects; building support at the local and regional levels; and enable new economic activities for the communities impacted by the transition, through re-purposing of sites and renewable energy development.

Budget:

CIF-ACT	DKK100 million
Total	DKK100 million

Abbreviations

ACT	Accelerated Coal Transition – program under CIF
ADB	Asian Development Bank
AfDB	Africa Development Bank
CIF	Climate Investment Funds
CTF	Clean Technology Fund
Danida	Denmark's International Development Cooperation
DEA	Danish Energy Agency
DFI	Development Finance Institution
DI	Confederation of Danish Industries
EBRD	European Bank for Reconstruction and Development
EE	Energy Efficiency
ESMAP	Energy Sector Management Assistance Program
EU	European Union
3F	The United Federation of Danish Workers
FCV	Fragility, conflict, and violence
GOI	Government of Indonesia
GDK	Green Diplomacy and Climate – MFA Denmark
GHG	Greenhouse Gas Emissions
G20	Group of 20 largest Global economies
GEF	Global Environment Facility
GWh	Gigawatt-hour
HRBA	Human Rights Based Approach
IBRD	International Bank of Reconstruction and Development (World Bank)
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IFIs	International Financial Institutions
IEA	International Energy Agency
IP	Investment Plans to transition away from coal
IPCC	Intergovernmental Panel on Climate Change
IRENA	International Renewable Energy Agency
MCEU	Ministry of Climate, Energy and Utilities (Denmark)
MDB	Multilateral Development Bank
MEL	Monitoring Learning and Evaluation (of the World Bank)
MFA	Ministry of Foreign Affairs (Denmark)
Mt	Mega Ton
NDC	Nationally Determined Contribution
NDF	Nordic Development Fund
NEFCO	Nordic Environment Finance Corporation
NGO	Non-governmental organization
NUM	National Union of Mineworkers
ODA	Overseas Development Assistance
OECD	Organization for Economic Co-operation and Development
PPP	Public-Private Partnership
RE	Renewable Energy
RISE	Regulatory Indicators for Sustainable Energy
SDGs	UN Sustainable Development Goals

SEFA	Sustainable Energy Fund for Africa
SCF	Strategic Climate Fund
SESA	Strategic Environmental and Social Assessment
SSC	Danish Strategic Sector Cooperation
TAF	Technical Assistance Facility
UN	United Nations
UNDP	UN Development Program
UNEP	UN Environment Program
UNFCCC	United Nations Framework Convention on Climate Change
WB	World Bank

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1 Introduction

This program document presents the background, rationale and justification, objectives and management arrangements for Denmark's support to the Accelerating Coal Transition Investment Program (ACT) between 2023 and 2027 as agreed between the parties: The CIF, Clean Technology Fund (CTF) and GDK in the Ministry of Foreign Affairs of Denmark. This project document is an annex to the legal bilateral agreement with the implementing partner and constitutes an integral part thereof together with the documentation specified below.

"The Documentation" refers to the partner documentation for the supported intervention, which is the Climate Investment Fund's **Accelerating Coal Transition Investment Program Design Document** of 17 March, 2022¹, with the associated Integrated Results Framework.

2 Context

The Climate Investment Fund (CIF), in partnership with its implementing MDBs, has established ACT, in recognition of the need to mobilize funds to accelerate the transition away from coal. The program has been established through the CTF with an anticipated budget of approximately USD2 billion. ACT was launched at COP26, facilitated by the G7 statement on coal phase-out in June 2021², and is intended to accelerate the phase-out of coal in selected coal-dependent countries.

During 2021, The Ministry of Climate, Energy and Utilities, MEUC, and the Danish MFA assessed options for support through the climate envelope to the phase out of coal. Currently, numerous Just Energy Transition (JET) partnerships tracks are emerging. In the context of COP26, a South Africa JET deal emerged, involving financial support to the Government of South Africa, in return for an inclusive and just phase out of coal. In addition, MDBs have their respective programs within this field, e.g. Asian Development Banks Energy Transition Mechanism and Just Transition Facility. In order to facilitate cross-fertilization, synergies, and learning, as well as a global range of investments, support to CIF ACT was determined to be the best option, from a Danish point of view. Denmark pledged, during COP 26 in Glasgow, an immediate contribution of DKK100 million to ACT, on condition of the parliamentary approval of the finance bill 2022. CIF provides highly competitive financing that reduces risk for investors, and facilitates lowering of barriers to piloting new technologies, scaling up proven solutions, opening up sustainable markets, and mobilizing private sector capital for climate action. Moreover, the CIF ACT program represents a very good opportunity for Denmark to meet its international climate commitments and its strategic development policies, expressed in "A Green and Sustainable World" and "the World We Share". Denmark has so far been a contributor to CIF's Strategic Climate Fund (SCF) Trust Fund. With this additional contribution to ACT Denmark will also become a member of the CTF Trust Fund Committee.

2.1 Brief summary of the main issues

Coal burning remains the single largest contributor to anthropogenic climate change, with coal-fired power alone accounting for about 30% of the projected global temperature rise. To keep the Paris Agreement's temperature targets within reach, global coal use must decline by 80% below 2010 levels by 2030.³

¹ https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/act_investment_program_-_design_document.pdf

² <https://www.g7uk.org/wp-content/uploads/2021/06/Carbis-Bay-G7-Summit-Communique-PDF-430KB-25-pages-3-1.pdf>

³ "Coal Phase-Out—Global and Regional Perspective," Climate Analytics, <https://climateanalytics.org/briefings/coal-phaseout>

Coal exploitation also has significant associated impacts on health and environmental quality. In addition, coal is becoming increasingly uneconomical as an energy source in comparison to renewables. Taken together these factors have led to an international consensus that the phase-out of coal should be a priority in the efforts to reduce emissions of CO₂.

In many developing economies, with ready access to coal, coal-fired electricity production has traditionally been viewed as the cheapest and quickest way to electrify the nation; with resultant economic growth and rising living standards. This calculus is, however, now changing. Not only are the production costs of alternative power supply decreasing, but the costs of coal power are increasing due to increased costs of extraction and transport of depleted resources; a greater awareness of the environmental and social costs; and, a better understanding of the hidden subsidies in the coal supply chain. Coal extraction at source is typically highly subsidized, and 99% of coal is priced at less than half its true cost⁴. Economic analysis shows that the share of uncompetitive coal plants worldwide is about 56 % in 2022 and expected to be 78 % in 2025.⁵

The value of coal exploitation as a provider of employment, especially for low-skilled workers, is also being increasingly questioned. Although the global coal industry still employs around 7 million people worldwide,⁶ the size of the industry is rapidly declining in many countries. In contrast, employment in the renewable energy industry was an estimated 7.3 million in 2012 and this had increased to approximately 12 million people by 2020.⁷

The phase-out of coal is often met with strong opposition from various political actors within and outside governments due to the misalignment of near-term and longer-term incentives. Powerful vested interests in the coal sector and throughout the economy – including energy ministries, utilities and private sector energy producers and mining operators – imply strong economic and political incentives to maintain the status quo. Mining workers, their unions, and workers throughout the supply chain are concerned to preserve jobs and livelihoods. Other stakeholders, such as the renewable energy industry, health and environment professionals and climate advocates cite the benefits of coal phase-out, including the potential industrial regeneration, and the social, public health, and environmental benefits.

The economic and environmental case for a transition from coal to sustainable sources of power generation is overwhelming, but the barriers to making the transition are multiple, particularly in lower-income countries. The transition is complex; involving a large number of actors, effects on the entire value chain, and the costs and benefits are distributed unevenly between the various stakeholders. Coal regions are typically mono-industry areas, and transition may involve re-orienting the structure of the economy itself.

Nevertheless, during COP26 more than 40 countries pledged to phase out coal in richer countries by the 2030's and in poorer countries by the 2040's.

Transition strategies must include the creation of new labor opportunities for existing and future workforces of coal regions, along with large social protection, education, and economic innovation programs. It is important to share the benefits of the transition with coal workers and communities, who could benefit from dedicated resources to preserve livelihoods, and ensure that the local communities continue to thrive.

⁴ <https://e360.yale.edu/digest/fossil-fuels-received-5-9-trillion-in-subsidies-in-2020-report-finds>

⁵ "How to Retire Early: Making Accelerated Coal Phase out Feasible and Just", Rocky Mountain Institute, 2020

⁶ Pai, Sandeep, et al. "Solar has greater techno-economic resource suitability than wind for replacing coal mining jobs." Environmental Research Letters Vol. 15, No. 3. 2020.

⁷ <https://www.irena.org/publications/2021/Oct/Renewable-Energy-and-Jobs-Annual-Review-2021>

2.2 Accelerated Coal Transition (ACT) Investment Program

ACT is a program under CIF and will be implemented through partner MDBs. It is structured around three pillars: 1: Governance, focusing on adoption and implementation of policies and strategies for coal-to-clean transition. 2: People, focusing on jobs, incomes and skills of affected employees and communities. 3: Infrastructure, focusing on the investments, incl. from mobilized private finance, for decommissioning and repurposing coal infrastructure and land.

ACT will support developing countries that are eligible for ODA, have coal-based electricity of more than 4,000 GWh per year and more than 10% of total electricity generation, and a coal production of more than 4,000 Mt per year, and that have an active lending program with one of CIF's partner MDBs. In the spring of 2021, ACT invited such developing countries to submit an expression of interest (EoI) to participate in the ACT Investment Program. The EoIs were evaluated by an Independent Expert Group and ranked according to the criteria established by ACT. Fourteen countries pre-qualified. The countries selected by CIF's trust fund committee for the first phase of support, South Africa, India, Philippines, and Indonesia, together account for almost 15% of the total world coal consumption⁸. The subsequent scoping and preparation process to develop IPs in the countries have demonstrated significant commitment from national governments, through their allocation of human resources and extensive preparation and consultations in advance of the MDB missions. Asian Development Bank (ADB) will lead the implementation in Indonesia and Philippines; the World Bank will take lead in India and South Africa— in South Africa jointly with the African Development Bank (AfDB).

South Africa accounts for more than 90% of the coal production and 85% of the coal fired electricity capacity in the African continent. The energy sector is dominated by coal, accounting for more than 85% of power generation and more than 70% of the total energy supply. South Africa ranks 7th in the world in volume of coal consumption, accounting for about 2.4% of the world total.⁹ In **India**, coal accounts for 74% of electric generation, and the country holds about 9% of the world's total coal reserves. India ranks 2nd in the world for coal consumption, accounting for about 11.3% of the total. **Indonesia's** grid-based installed power generation is 60% coal-based and the country ranks 12th in the world for coal consumption, accounting for about 1.2% of the total. In the **Philippines**, 36% of power production comes from coal and the country ranks 28th in the world for coal consumption, accounting for about 0.3% of the world total.¹⁰

2.3 Strategic Framework

The Paris Agreement¹¹ is the overall strategic framework that guides the ACT. ACT was developed to contribute to the objective of limiting global temperature increase to 1.5°C above pre-industrial levels and “Taking into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities.”¹²

Just Transition, Definition

First defined by ILO¹³:

A Just Transition means greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind.

⁸ <https://www.worldometers.info/about/>

⁹ <http://www.energy.gov.za/files/media/explained/South-African-Coal-Sector-Report.pdf>

¹⁰ <https://www.worldometers.info/coal/>

¹¹ https://unfccc.int/sites/default/files/english_paris_agreement.pdf

¹² https://unfccc.int/sites/default/files/english_paris_agreement.pdf

¹³ https://www.ilo.org/global/topics/green-jobs/WCMS_824102/lang--en/index.htm

A Just Transition involves maximizing the social and economic opportunities of climate action, while minimizing and carefully managing any challenges – including through effective social dialogue among all groups impacted, and respect for fundamental labor principles and rights.

Just Transition reaches beyond the energy sector. However, ACT uses Just Transition mainly in the context of transition from coal to clean energy (possibly in addition climate smart activities), depending on the specific context. Hence, this Program Document uses the term **Just Energy Transition** to refer specifically to the energy sector and phase-out of coal. Thus, the Investment Plans supported by ACT need *“to support a just transition through socially inclusive processes that seek to identify and address the distributional impacts of the transition for workers and communities drawing on guidelines, tools and international standards.”*

ACT will also be guided by IEA’s *“Net Zero by 2050; A Roadmap for the Global Energy Sector”*¹⁴ and IPCC’s *“Mitigation Pathways Compatible with 1.5°C in the Context of Sustainable Development”*¹⁵. At national level, implementation of ACT, through the MDBs, will be guided by relevant National Determined Contributions (NDCs) and national policies rules and regulations. This includes, for example, the Integrated Resources Plan (2019) for South Africa¹⁶.

The ACT investment program is well aligned with the Danish Development Policy *“The World We Share”*¹⁷ and the Danish long-term strategy for global climate action *“A Green and Sustainable World”*.¹⁸

ACT will, aligned with *A Green and Sustainable World*, **increase global climate ambition** to influence states and non-state actors to commit to ambitious objectives contributing to limiting global warming; **reduce greenhouse gas emissions** through a global green and Just Energy Transition focused on reducing emissions of large emitters and sustainable development in developing countries; **shift financial flows from black to green**, and; **Cooperate with the private sector on green solutions**, by leveraging funds from the private sector to finance renewable energy solutions.

Denmark’s support to ACT will meet several of the core elements of the vision for Denmark’s development cooperation outlined in *“The World We Share”*¹⁹, including:

- *Development cooperation must fight poverty and inequality and promote democracy, sustainable development, peace and stability*
- *Take the lead on implementing the Paris Agreement and contribute to creating sustainable development and growth for the world’s poorest*
- *Meet our international climate commitments, including in relation to climate finance”*

Denmark’s support to ACT directly addresses “The World We Share” overall target (No.4): **The fight for climate, nature and environment**, objective No.2: *Assume international leadership within reductions, green transition, and access to clean energy* where Denmark will:

- Ensure access to clean and renewable energy for more people in Africa to facilitate social and economic development as well as job creation (SDG 8)
- Strengthen the Danish SDG7 leadership and energy cooperation on green transition in developing countries, including promoting renewable energy and energy efficiency.

¹⁴ <https://www.iea.org/reports/net-zero-by-2050>

¹⁵ https://www.ipcc.ch/site/assets/uploads/sites/2/2019/02/SR15_Chapter2_Low_Res.pdf

¹⁶ <http://www.energy.gov.za/IRP/2019/IRP-2019.pdf>

¹⁷ <https://amg.um.dk/policies-and-strategies/strategy-for-danish-development-cooperation>

¹⁸ https://www.regeringen.dk/media/10084/a_green_and_sustainable_world.pdf

¹⁹ <https://um.dk/en/danida/strategies-and-priorities>

- Promote ambitious national climate action plans that enable developing countries and growth economies to transition from fossil fuels to clean energy sources, particularly through coal phase-out (SDG 13).

ACT contributes to Denmark's international leadership in the green transition and ambition to increase access to clean energy provision, including in Africa. It is compatible with Danish efforts to facilitate social and economic development as well as job creation, especially in emerging economies with high GHG emission levels, where Denmark also has a strategic sector cooperation (SSC) program and/or a Danish Energy Partnership Program (DEPP) intervention in the energy sector, including in India, Indonesia and South Africa.

ACT will support ambitious national climate action plans that enable developing countries and emerging economies to transition away from coal to clean energy. Funds that are currently being used to develop or deploy inefficient, costly, and polluting fossil fuel plant can then be redirected and, in combination with climate finance through the MDBs, can be used to ensure and accelerate a just energy transition (JET). This will include creating economic opportunities along with access to skills and training leading to green growth that benefits everyone.

Denmark's support to ACT also fits directly with the priority of the Danish Government for 2022 – 2025 that development assistance *"must show the way and inspire action by the large carbon emitting countries (...) and must especially increase our climate efforts that can make a concrete difference for vulnerable people in poor and fragile countries"*²⁰.

2.4 CIF Experience

CIF was established in 2008, and Denmark joined shortly afterwards. Since that time, CIF has invested more than USD10 billion in accelerating climate action through programs in developing and middle-income countries. Originally, CIF was created as an interim mechanism before a new UNFCCC climate finance structure/facility had been established. However, although the decision to establish the Green Climate Fund was taken in 2015, it was eventually decided, in 2019, to maintain the existence of CIF and assign it a new strategic role in the climate finance landscape. Reviews (from 2018) and evaluation (2019) have documented CIF's efficiency achieved, in part through a shared secretariat for programs which allows a level of cost sharing that would otherwise require separate administrative structures. It has also been documented that Denmark's share of a seat with other donors in the overall Strategic Climate Fund trust fund committee has been valuable, and that Denmark, in annual governance meetings, has been able to actively promote reforms and influence CIF implementation. CIF has played a significant role in helping key MDBs learn and pilot new approaches to low carbon emission investment, by creating incentives for the MDBs to put more emphasis on clean energy and climate change and to be more proactive in addressing climate change issues in justification of their investments. This has included exploring opportunities to raise additional finance from institutional investors and the capital markets to de-risk clean energy investments.

CIF now manages a collection of targeted programs that promote climate-smart development planning and action through 325 projects in 72 countries worldwide. Independent evaluations have shown that CIF has succeeded in accelerating progress in the areas of clean technologies, energy access, climate resilience, and sustainable forestry. CIF is presently establishing new programs meant to accelerate investments in the transition from coal, climate-smart cities, nature-based solutions, industry decarbonization, and renewable energy integration.

Denmark has contributed USD58.6 million to CIF. Currently, Denmark supports CIF's Technical Assistance Facility (TAF) for Clean Energy Investments with a four-year contribution of 95 million DKK in total,

²⁰ <https://um.dk/en/danida/strategies-and-priorities/government-priorities-danish-development-assistance>

approved in 2018. TAF supports MDBs in providing technical assistance and institutional capacity building to help developing countries attract investments and mobilize private capital for clean energy. Danish supervision of its contribution to CIF TAF has benefited from productive and regular bilateral contact with the CIF Administrative Unit on program implementation. In addition, Denmark is part of an Advisory Group which supervises the call for proposals, reviews the proposals submitted by the MDBs and recommends decisions to the CIF Trust Fund Committee for final approval. Since the TA Facility is new and the first MDB project proposals under TAF were approved in mid-2020 with a two year project cycle - and given the impact of Covid19-, it is too early to assess the results of TAF.

CIF interventions are implemented by the partnering MDBs. For the ACT, MDBs are particularly well-placed to catalyze the transition due to their mandates, capital, and regional expertise and country presence. MDBs are expected to deliver a holistic, integrated, social inclusive and gender equal JET approach through specific activities co-financed by MDBs' own resources. They have demonstrated the necessary experience and expertise within this theme over more than 20 years of work in the target areas. For example, since 1995, World Bank has had considerable success supporting countries where coal mines and power plants are closing through its Energy Sector Management Assistance Program (ESMAP). This includes looking at the interdependencies between the decommissioning of coal assets—such as mines, transport, and power plants—and developing renewable energy projects to take their place. Furthermore, the MDB's are committed to Just Transition, as expressed as an element of their joint statement ahead of COP24 in 2019²¹. In the autumn of 2021 the MDB's took stock of progress on Just Transition, produced a technical paper, and established three new objectives for their common work, including promotion of learning and development of a joint tool kit, as well as establishment of partnerships between the MDBs and other stakeholders on Just Transition.

CIF supported activities also includes development of roadmaps focusing on governance structures, the welfare of people and communities, and the remediation and repurposing of former mining lands and coal-fired power plants, that put people and the environment at the center of the transition away from coal. This has led to plans, policies, and actions that together can mitigate the impact of coal mine closure on affected people and communities. Based on this experience CIF has compiled a series of case studies. The latest include: *Supporting Just Transitions to Sustainable Land Use in Ghana*²², *Supporting Just Transitions in India*²³, *Supporting just transitions in South Africa*²⁴, and *Understanding Just Transitions in Coal Dependent Communities*²⁵.

Although coal phase out is a relatively new endeavor for MDBs, they have accumulated some relevant experience in mines closure and related environmental and social management plans. E.g. the World Bank through support to Greece and Poland²⁶ has learned that early engagement with communities is a vital part of understanding the potential social impacts on different groups of people, building trust, and ensuring they can drive their development and transition process. The learnings show that it is important to engage

²¹ <https://www.adb.org/sites/default/files/page/41117/climate-change-finance-joint-mdb-statement-2019-09-23.pdf>

²² https://www.climateinvestmentfunds.org/sites/cif_enc/files/knowledge-documents/ghana_just_transitions.pdf

²³ https://www.climateinvestmentfunds.org/sites/cif_enc/files/knowledge-documents/supporting_just_transitions_in_india.pdf

²⁴ https://www.climateinvestmentfunds.org/sites/cif_enc/files/knowledge-documents/supporting_just_transitions_in_south_africa.pdf

²⁵ https://www.climateinvestmentfunds.org/sites/cif_enc/files/knowledge-documents/understanding_just_coal_dependent_communities.pdf

²⁶ <https://www.worldbank.org/en/news/feature/2021/11/03/for-a-just-transition-away-from-coal-people-must-be-at-the-center>

those who are most impacted, when creating the policies, plans and reforms that aims at strengthening institutions and when mobilizing investments needed. It is likewise key support people in their post-transition jobs and lives, and build a new economic future.

The MDBs also possess long experience in engaging the private sector through public-private partnerships for infrastructure development, as well as in monitoring and managing social and gender impacts of infrastructure development

2.5 Links and synergies

Danish support to ACT generates an opportunity to synergise with the Danish bilateral support programs, as three of the first four ACT countries selected for the phasing-out of coal, has already a government-to-government strategic energy sector reform program with Denmark^{27,28,29}. This involves partnerships between Danish Energy Agency (DEA) and national authorities, in 3 out of the 4 ACT countries (South Africa, India and Indonesia), where public sector expertise from Denmark is made available to partner government policy makers, civil servants, and energy system managers and operators. The DEA projects include Danish Energy Program, DEPP, and Strategic Sector Cooperation, SSC where the DEA e.g. assists in long term energy planning and policy development for renewable energy (RE) expansion, and provides technical solutions to enhance the integration of RE into the grid. Denmark's support can become critical elements in ACT implementation, e.g. by providing hard data to support and strengthen the investment cases for projects that accelerate the transition away from coal. Danish technical advice and data generated by Danish interventions are already being considered relevant to the investment plan, IP, preparation in India and South Africa where Denmark has also been invited to the broader JET Partnership consultations. The implementation of ACT initiatives investment plans may also create opportunities to expand the scope of Denmark's engagements. More funding may, for example, become available to test ideas generated through DEA support, or the timing and ambition of policy changes and performance targets may be prioritized higher and implementation accelerated.

Denmark supports the World Bank's ESMAP and the AfDB's Sustainable Energy Fund for Africa (SEFA). These programs also provide information and capacity development that can contribute to the process of preparing and implementing investment plans for ACT. In addition, these programs may co-finance ACT interventions during implementation.

Other international initiatives are emerging to meet the vast financial requirements to phase out coal. This includes the Just Energy Transition, JET partnership (JET-P) established between South Africa and development partners including France, Germany, United Kingdom, United States of America, and the European Union in the UNFCCC Conference of the Parties, COP27 in 2021. This Partnership aims to accelerate the decarbonization of South Africa's economy and to mobilize an initial commitment of USD8.5 billion of financing, in a variety of forms including grants, concessional loans and investments and risk sharing instruments. With ACT being one step ahead of JET-P, investment plans identified in ACT could be useful as investment guidance for JET-P. The initial success of this initiative is now creating interest for similar JET-P with other countries, and the G7 is exploring opportunities to support additional countries such as Indonesia, Vietnam and India.

ACT will be among the first movers in demonstrating approaches and instruments that will accelerate coal phase-out. An additional expected outcome is therefore the demonstration, at-scale, of the economic, social, and environmental benefits, paving the way for other actors to mobilize additional funds for JET.

²⁷ <https://sydafrika.um.dk/en/sector-cooperation/energy-partnership-program>

²⁸ <https://indonesien.um.dk/en/the-trade-council/biomass-and-wte-in-indonesia/danish-governmental-support>

²⁹ <https://indien.um.dk/en/denmark-in-india/strategic-sector-cooperation/energy>

2.6 Danish interests

Denmark is able to contribute more than just funds to ACT. Denmark can increase its influence and visibility and further the strategic objectives in “The World We Share” and “A Green and Sustainable World” to accelerate the phase out of coal. This can be done by promoting Danish experience and demonstrating the possibilities for decoupling economic growth from carbon emissions.

The export opportunities for Danish renewable energy solutions will increase with the phase-out of coal and increase in investments in renewable energy in the ACT countries. The foundation for such increased trade opportunities is already being laid, for example, through the *India–Denmark Joint Statement during Official Visit of Prime Minister of India to Denmark 3-4 May 2022*³⁰ where the two leaders agreed to further strengthen their cooperation within the renewable energy sector. A maturing and increasing market for renewable energy solutions is of interest for Denmark. Danish renewable energy developers (e.g. Ørsted, and others) will benefit from an increased international demand for renewable energy projects, and Danish pension funds may be increasingly interested in leveraging finance for such projects, including in developing and emerging economies. This has a potential spill-over effect on Danish products, especially those in the wind industry. Danish wind turbine and component manufacturers are world leading due to the Danish first mover advantage in the field and they are among the most competitive where tendering includes e.g. least climate footprint or the least lifecycle costs.

Danida Sustainable Infrastructure Finance (DSIF) has recently been granted to enter South Africa with concessional investments, including in the wind energy market which can facilitate renewable energy investment opportunities that could include Danish developers.

The Danish civil society interest is, in addition to the reduction of carbon emissions, through Strategic Partnerships with the MFA, to promote social inclusion in relation to coal phase-out. 3F has a particular interest in South Africa due to their partnership with the National Union of Mineworkers through the 3F/Danish Trade Union Development Agency/DI consortium under the Strategic Partnership-frame. The National Union of Mineworkers is specifically interested in learning from the Danish experience in the green transition, how this has generated green jobs and how they in a cooperation with 3F is best positioned to support a Just Transition away from coal and introducing renewable energy jobs. A dialogue with 3F has commenced and will be maintained throughout the implementation of CIF ACT. Similar approaches could be initiated in the other three countries.

3 Rationale and justification

3.1 Rationale

Accounting for 30% of projected global temperature rise, coal is the single largest contributor to climate change. To keep the Paris Agreement’s temperature targets within reach, global coal use must decline by 80% below 2010 levels by 2030³¹. This requires an accelerated transition away from coal. Replacing uncompetitive coal with clean energy could save electricity customers around the world USD73 billion in 2022 and as much as USD136 billion in 2025.³² Savings that could be captured to support a Just Energy Transition for coal industry workers and communities. These figures do not include the additional social and environmental benefits of reducing carbon dioxide and other coal pollutants³³.

³⁰ <https://www.stm.dk/statsministeriet/publikationer/indisk-dansk-faelleserklaering-ifm-premierminister-modis-officielle-besoeg-i-danmark/>

³¹ <https://climateanalytics.org/briefings/coal-phase-out/>

³² *How to Retire Early: Making Accelerated Coal Phaseout Feasible and Just*, Rocky Mountain Institute, 2020

³³ *How to Retire Early: Making Accelerated Coal Phaseout Feasible and Just*, Rocky Mountain Institute, 2020

ACT has been developed to mobilize funds and accelerate the transition from coal to clean energy in developing countries and emerging economies. CIF will support coal phase-out in the large emitting and leading coal producing and consuming countries. The countries selected for the first phase of support, South Africa, India, Philippines, and Indonesia, together account for almost 15% of the total world coal consumption³⁴. This will be a major contribution to meeting the objectives of the Paris Agreement, which is a high priority of Denmark. ACT aligns well also with other objectives set out in “the World We Share” and “A Green and Sustainable World”. These objectives include the fight against poverty and inequality and promotion of democracy, sustainable development, peace and stability, which are integral parts of the mission and operating principles of all MDBs and are included in the purposes and objectives of ACT. Moreover, the “How to notes³⁵” on Energy & Emission Reductions (priority theme 1) and on Job Creation & Sustainable Growth, underline the need for an accelerated coal phase-out and an inclusive and Just Energy Transition. ACT commits to the principles of a Just Energy Transition, which incorporates the diverse perspectives and concerns of affected people and considers the distributional impacts of change. This captures the core elements of the Human Rights Based Approach, also a key Danish development cooperation approach.

As a member of the CTF Trust Fund Committee, Denmark will be able to influence the overall strategic direction of major demonstration investments in the global transition from coal to clean energy, and thereby strengthen the implementation of the Paris Agreement, reducing carbon emissions contribution to achieve SDG 13 and in addition contribute to achieving SDG7 (energy), and SDG 8 (decent jobs). Denmark’s active engagement with the MDBs, most notably World Bank’s ESMAP program, and Africa Development Bank’s SEFA trust fund, as well as Denmark’s active engagement in the executive board offices is a good platform to advance ACT and vice versa. Denmark is cooperating with governments and MDBs in three of ACT’s initial target countries (South Africa, India and Indonesia).

The Danish influence on ACT will take place at various levels and times:

- At **country level** in CIF ACT missions, meetings, and discussions incl. at the stage of design of the Investment Plans (IP) to be presented for the CTF. Similarly in the implementation phase of the investments. Denmark will be able to contribute to a process, at country level, that makes use of Denmark’s data, knowledge and experience on renewable energy and make it available for planners and implementers of innovative large-scale investment programs replacing coal assets with clean alternatives.
- At the strategic level in the **CIF Trust funds** when discussing and agreeing on the overall direction of the ACT program and when approving and reviewing the progress of the IPs, Denmark will be able to contribute impressions from the countries, from climate diplomacy etc.

Building on the existing bilateral cooperation with three of the four selected countries, and the multilateral energy sector portfolio with the MDBs, Denmark can develop powerful and synergistic interactions between the bilateral and multilateral Danish efforts to accelerate clean energy investments. Also, the link with Danish civil society and private sector and finance will strengthen the coherence. In a joint process with the MDBs, Denmark will be well positioned to undertake a stronger climate diplomacy dialogue in the countries and facilitate the integration of ACT into the countries’ wider renewable energy agenda.

Denmark’s contribution of DKK100 million will constitute around 0.75% of the anticipated total value of ACT of USD2 billion. Although this is a small fraction of the total funds, it contributes to leveraging funds in the magnitude of USD5-8 billion for investment in renewable energy in the relevant countries. As such a substantial leverage factor and influence with a small contribution. Denmark's contribution is in the form of

³⁴ <https://www.worldometers.info/about/>

³⁵ Notes that describes the thematic implementation of “the World We Share”

grant funding, unlike some other contributions to ACT which comes in the form of loans, and would therefore potentially be used for Technical Assistance e.g. in the design phase and thus potentially influence the development of investment plans. It can also be used for Technical Assistance related to ACT implementation of Pillar 2 on People (see later). However, it should be noted that the Danish grant contribution is not earmarked, and is seen as a contribution to the entire ACT program.

The leveraging of private green finance is expected to become more powerful as countries publicly commit to an expedited closure or repurposing of existing coal capacity, and thus send an important and powerful market signal to private investors, while creating a range of investment opportunities. The reduction in coal generation will need to be replaced by a rapid and predictable expansion of clean and renewable energy, creating significant investment opportunities. It could be in the form of a coal plant site repurposing, which may provide significant opportunity for the private sector including development of solar/wind, battery, heat or air pressure storage facilities. It could likewise be in the form of restructured utilities that are moving from their current, expensive, unsustainable and high-cost of capital coal posture to more efficient, predictable and reliable lower-carbon holdings. A variety of finance models are identified by CIF and the MDBs, ranging from public-private blended finance vehicles to project finance, as well as finance generated through the carbon market. These will be tested and refined as ACT progresses.

3.2 Justification of ACT according to DAC criteria

The objective of ACT will be achieved through country interventions that are relevant to the context, achieve their objectives, deliver results in an efficient way, and have positive, lasting impacts.

Relevance: According to IPCC³⁶, the prospect of limiting global warming to 1.5°C requires urgent action to lower GHG emissions over the next decade, and a key element of this will be the reduction of emissions from coal. CIF's overall objective is to accelerate transformation towards net-zero emission development pathways to limit global warming to 1.5C. According to The International Energy Agency this requires that no additional new final investment decisions are taken to build new unabated coal-fired plants; that the least efficient coal-fired plants are phased out by 2030; and, that the remaining plants still in use by 2040 are retrofitted with carbon-capture-and-storage technology (CCS)³⁷.

ACT's focus is to accelerate the phase-out of coal by tackling key barriers related to governance, people, and infrastructure, and addressing funding gaps. Successful implementation of country-level strategies and associated investment plans (projects); building support at the local and regional levels; and accelerate the retirement of existing coal assets (coal mines and coal power plants) together with enabling a Just Transition through the development of new economic activities for the people impacted by the transition, is the aim of ACT. Specific interventions will be demonstrated in four selected countries where country Investment Plans will identify national coal phase-out priorities where ACT can add most value. The inputs required will be a combination of ACT investments and funds leveraged through the MDBs and the private sector.

Coherence: To maximize the impact of the multiple initiatives and interventions to accelerate the coal phase-out in the selected ACT countries, coherence is needed, so that synergies (or trade-offs) between interventions can be identified. An overriding priority in the ACT countries is to sustain economic growth and spread the benefits to all sections of society. ACT pays great attention to the need to promote the

³⁶ https://www.ipcc.ch/site/assets/uploads/sites/2/2019/02/SR15_Chapter2_Low_Res.pdf

³⁷ https://iea.blob.core.windows.net/assets/7ebafc81-74ed-412b-9c60-5cc32c8396e4/NetZeroBy2050-ARoadmapfortheGlobalEnergySector-SummaryforPolicyMakers_CORR.pdf

energy transition, whilst maintaining economic growth and obtaining other priorities such as public health benefits of reduced air pollution, energy security and employment opportunities.

Denmark will, e.g. through its engagement in the CIFs and the Trust Fund Committees, seek to encourage cooperation between ACT interventions and Danish renewable energy initiatives, in particular in Indonesia, India, and in South Africa. Denmark will also enforce cooperation with other international institutions and initiatives sharing the agenda of coal phase-out, e.g. the JET Partnership in South Africa and other countries, and organizations such as IRENA and IEA. This will also avoid duplication of effort ("external coherence").

Effectiveness: ACT is designed to accelerate the phase-out of coal-fired power production through direct investments in coal phase-out and a JET process that removes financial, institutional and social barriers. This includes support to countries in developing, adopting and implementing policies and strategies for coal phase-out; reducing GHG emissions, creating new sources of income for the affected employees, equipping these with relevant skills for participation in the emergent green economy; reclaiming land and other infrastructure; installing clean energy production and mobilizing private sector financing. It will also act as a testing ground for innovative instruments that will show other countries how economic and environmentally beneficial reforms can be implemented. The program approach is aligned directly with the stated aims in a realistic and achievable manner that responds to national demand, international climate imperatives and economic development.

Efficiency: ACT is expected to be extremely efficient, over the entire program cycle. ACT/CIF investment costs are reduced by the co-finance by MDB's and by the leverage of other funds, including from the private sector. Short-term costs are likely to be largely off-set by the social, economic, environmental, health and climate benefits that are likely to accrue in the medium- to long-term. ACT will also provide a coordination platform for MDBs to facilitate harmonized and common support procedures for funding and monitoring, thereby contributing to greater efficiency throughout the funding network. The efficiency of individual interventions will be assured by the MDBs as implementing agencies, building on existing trust from long-standing relationships in the partner countries to ensure that the approaches and methodologies are driven by partner demand, and have already been tested and deemed fit-for-purpose. MDBs will use other vehicles in their implementation of ACT. The World Bank will use ESMAF, and ADB the Emission Transition Mechanism, ETM, and its Just Transition Facility. This will ensure reduced costs and economies of scale and will generate anticipated leverage factors of at least 1:2.68

Impact: The four first ACT countries that have been identified are countries with a high potential for GHG emissions reduction through the phase-out of coal. If successfully implemented, ACT will contribute not only towards the global aim of limiting global temperature rise, but would also, through JET, help to generate more jobs and reduce poverty, (renewable energy is known to create more jobs than any other energy generation technology), reduce air pollution thereby contributing to public health, and improve governance through transparent policies and strategies. ACT, CIF and the MDBs will use their global networks to disseminate lessons learned and successful innovative tools to inform countries and financing partners interested in benefitting from the ACT experiences, which will amplify the effectiveness of ACT through global replication.

Sustainability: All outputs will be developed in country-led processes with the aim of letting the MDB(s) fully assume the long-term responsibility for replication of project outputs. ACT will support the development of strategies, policies and plans for coal-to-clean energy that will influence central and regional governments' broader decision making for a future renewable energy generation and energy efficiency.

Each ACT investment plan and individual projects shall demonstrate how it will seek to deliver transformational changes that are resilient and lasting over the long-term, after concessional finance support is terminated. This involves developing capacity e.g. to understand, formulate, implement, maintain, and monitor financially sustainable activities. Interventions will enable experimentation (e.g. of new technologies, policies, and business models) and flexibility to learn and course-correct during and after implementation. Investment Plans and projects should also create resilience from backsliding (e.g. creating demand for renewable energy through job creation and awareness building, ensuring a just transition, installing appropriate technologies, etc.). These processes should progressively develop, refine, and retain climate-neutral, inclusive, resilient, and sustainable development pathways.

3.3 Alignment with Danish cross-cutting priorities

ACT is well aligned with Denmark's national policy and international development assistance goals as described above (Section 2.6). ACT, especially pillar 1 and 2 (governance and people) is also well aligned with Denmark's cross-cutting priorities, including the Human Rights Based Approach, Leaving No-one Behind, gender and youth, consultation processes at the local level, climate change and environmental considerations. CIF is committed to enhancing the inclusion of marginalized groups—women, Indigenous Peoples, local communities, youth, and people with disabilities. Guided by CIF policy, ACT will take a systems approach that will address different segments of society in diverse ways to fight climate change and poverty. Projects identified for development, based on the Investment Plans, will consider the potential positive and negative impacts for various target groups of the transition away from coal, as well as understanding the underlying causes of inequality, exclusion, and injustice, to help develop strategies for the mitigation of losses and the distribution of gains in the transition³⁸.

The CIF *Gender Action Plan* (Phase 3, 2021-2024) commits to supporting gender equality and social inclusion across all CIF programs. ACT supported projects will be specific in their design with respect to how women will effectively access and participate in targeted high-impact activities and access funds that aim at fostering women's climate leadership, and how they will participate in designing and informing coal-to-clean transition strategies and implementation plans. Each investment plan/project proposed for ACT funding will be required to articulate the process used to identify, evaluate, and address causes of vulnerability for women and excluded groups, and existing context-specific barriers and gaps in gender equality and social inclusion with the aim to reduce these gaps and improve gender and social inclusion outcomes on the ground. Gender results indicators will be monitored at the level of the overall CIF Gender Action Plan, as well as in gender-disaggregated key results indicators at project level. In addition, Canada, as a donor to ACT, will add a dedicated envelope on gender and equality to be implemented as part of ACT. In addition, MDB's policies on social inclusion and gender will be instituted as a default. Where CIF policies and guidelines are more ambitious, these will apply instead.

ACT is also committed to enhancing the representation and voice of local communities, and traditionally excluded groups such as *Indigenous Peoples* and *youth* in identifying program investments. In ACT's pillar 2, youth could have a central role in approaches to job creation applying CIF's Youth Engagement Strategy (YES). Through a commitment to "leaving no-one behind", ACT is committed to ensure that target groups affected by the changes, particularly vulnerable and marginalized groups, will be included and empowered in decision-making processes that will affect their lives. ACT's socially inclusive processes seek to identify and address the distributional impacts of the transition for coal industry workers and communities. The JET approach, built into ACT, is key to protect people from poverty when coal assets are decommissioned. *Coal industry workers*, such as miners may have specialized industry-specific skills and/or depend on being located near such facilities, and their risk of falling into persistent poverty may be amplified if they lose their jobs.

³⁸ <https://www.oecd.org/env/cc/2502872.pdf>

ACT is designed to create more *resilient societies*, including societies that are better equipped to adapt to climate change. Addressing *climate change* through the phase-out of coal, will reduce emissions and contribute positively to the achievement of the global goal to limit temperature rise in accordance with the Paris Agreement. The impacts of climate change and the vulnerability of poor communities to climate change vary greatly with location, but generally, the adverse consequences of climate change are superimposed on existing vulnerabilities, so climate change disproportionately harms the poor. Climate change will further reduce access to drinking water, negatively affect the health of poor people, and will pose a real threat to food security in many countries in Africa, Asia, and Latin America. All projects under ACT will be implemented by the partner MDBs and therefore, adhering to accepted international norms of environmental and social good practice consistent with their individual procedures and guidelines on environment and social good practices.

4 Program Objective

The relevant development objectives, agreed amongst CIF members, are:

CIF's strategic objective: *Accelerated transformational change and climate financing that enable progress toward net-zero emissions and adaptive, climate-resilient development pathways, in a just and socially inclusive manner.*

ACT specific objectives: *Accelerated transition from coal-powered to clean energy while supporting socio-economic goals and environmental remediation.*

5 Theory of change and key assumptions

The Theory of Change developed and agreed in a process of the CIF trust fund committee are:

If ACT addresses finance gaps related to the successful implementation of country-level energy transition/coal phase-out strategies and associated pilot coal phase-out projects; and *if* it builds support at the local and regional levels to reconsider the development of new coal plants; and *if* it supports policy and investment activity in economic regeneration, social and educational plans, that facilitate economic support for affected employees and communities; *then* national governments, public sector utilities and private sector operators will act to accelerate the retirement of existing coal assets and their replacement with new sources of renewable energy while ensuring a holistic, integrated, socially inclusive and gender equitable Just Transition away from coal.

The results chain may differ based on specific country contexts and may be different for individual Investment Plans and projects, but at a general level the *assumptions* may be: The client country exhibits and exercises commitments to accepted environmental and social protection objectives. International commitments to climate change mitigation, as well as national targets for clean energy, continue to drive country-level action. There is availability of local and/or international investment potential for clean energy in developing markets. Clean energy technologies continue to be increasingly competitive against fossil-fuel alternatives, despite need for energy security as a spillover effect from the war in Ukraine, and the viability of renewable energy generation, storage, and energy efficiency is demonstrated. The transition is just, and people are able to adapt to alternative job situations. The coal industry is ready and willing to engage and sees benefits in the transition.

Danish perspectives and observations on the Theory of Change and assumptions: The ACT Theory of Change (ToC) is relevant and appropriate, with appropriate drivers, assumptions and risks, although major implementation challenges related to just transition and the political economy of the phase out of coal is likely to be encountered in specific contexts and at various levels. Denmark will pay particular attention to the political economy challenges, and to the implementation of Pillar 2 and realization of the JUST transition in its engagement at country level and at strategic level the trust fund committee.

6 Summary of the results framework

For results-based management, learning and reporting purposes, Denmark will base the actual support on progress attained in the implementation of ACT as described in the documentation. Progress will be measured through CIF's monitoring framework focusing on a limited number of key outcome(s) and their associated indicators, with each ACT core indicator flowing from and corresponding directly to ACT's core objectives as defined in its Theory of Change.

The Result framework for the Climate Investment Funds Accelerated Coal Transition Investment Program is presented below in the Danida format, but fully based on the actual ACT Integrated Results Framework.

Supra Program level	Climate Investment Fund (CIF)
CIF Impact Objective	Accelerated transformational change and climate financing that enable progress toward net-zero emissions and adaptive, climate-resilient development pathways, in a just and socially inclusive manner.

Program level	Accelerated Coal Transition Investment Program
ACT Objective	Accelerated transition from coal-powered to clean energy while supporting socio-economic goals and environmental remediation.

Pillar 1: Governance

Outcome A	Countries adopt and implement policies and strategies for coal-to-clean transition
Outcome B	Increased government and public readiness and appetite to reduce coal dependence

Pillar 2: People

Outcome C	Sources of income created for affected employees through job retention or job creation
Outcome D	Affected employees/communities equipped with relevant skills for jobs of the future

Pillar 3: Infrastructure

Outcome E	GHG emissions reduced
Outcome F	Private sector financing mobilized
Outcome G	Countries transition to cleaner energy sources
Outcome H	Land and other infrastructure reclaimed

ACT Program level co-benefits

Outcome I	Social, Economic, and Environmental Development Co-Benefits, including: Pollutants; Just Transition, Enhanced energy access, and; Gender- and vulnerable groups-specific co-benefits
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7 Inputs/budget

Funds for ACT are made available through the Clean Technology Fund (CTF) Trust Fund. The current ACT budget is expected to be in the magnitude of USD2 billion, with confirmed commitments from Canada, Germany and UK totaling roughly USD 1.4 billion. The United States has also expressed interest in supporting the program and is at advanced stages of securing internal authorizations for making a commitment. Commitments are a mixture of grants, concessional loans, equity and capital investments. **The Danish support to ACT will be a grant contribution to the CTF of DKK100 million.**

ACT's budget will, overall, be used for inputs in the four selected countries to:

- Scaled-up, flexible and predictable concessional finance for public and private interventions
- Dedicated climate finance for driving innovation
- Country-led, programmatic participatory approaches
- Consideration of systems transformation and social inclusion from the onset
- Multi-MBD technical expertise and coordinated climate action
- Large-scale coherent intervention packages

Specifically under pillar 2, and in line with the premise of ensuring a holistic approach to address the coal transition challenges, the program will support socio-economic measures to minimize the impacts of transition on people and communities including a focus on upskilling and re-skilling to help people not only retain jobs where feasible, but also prepare for new jobs as available. Investment funding will also be made available for supporting green economic diversification projects under this pillar that can create alternative income generation opportunities for the people and communities impacted by the transition.

The detailed budget for ACT is yet to be established, when the Country Investment Plans are in place, and individual projects are prioritized (expected in FY22/23) – all of it approved by the CIF trust fund committee. The MDB's will prepare the detailed budget at outcome level by FY covering the respective investments, based on the selected countries' IPs. For this reason, a budget has not been annexed to this document (as would normally be required) – an approach which is endorsed by the appraisal team.

In October 2021, the CTF Trust Fund Committee, based on the Independent Expert Group assessment, available resources, invited the first four countries to prepare, in collaboration with the MDBs, an investment plan under the ACT program, and submit it to the CTF Trust Fund Committee for review and endorsement. Given the expected contributions at this stage, the Trust Fund Committee approved an indicative allocation range of USD 200.0 – USD 500.0 million per country, based on a needs assessments made at the time of the investment plan preparation. The countries have until May 2023 to submit an investment plan for the Trust Fund Committee's consideration. In a subsequent meeting in June 2022, the Trust Fund Committee requested the MDBs to make an assessment of readiness and potential funding envelopes for individual countries who were not selected for the first phase of Investment Program in October 2021. No funding envelopes has been set aside for these countries.

ACT selected countries can receive a maximum of USD1,000,000 each to *develop* relevant Investment Plans (IP) as an IP Preparation Grants to enable them to take leadership roles in working with the MDBs to develop the IPs. ACT Project-related costs incurred by the MDBs are managed outside the CIF administrative budget. The MDBs recover their costs of preparing, supporting implementation, and supervising ACT-funded programs and projects through project administration fees applied to ACT loans and guarantees, as well as program implementation service fees approved by the CTF Trust Fund Committee.

The overall *investment* budget is expected to be distributed between the three program pillars such that:

Pillar 1 (Governance) 5%

Pillar 2 (People) 25%

Pillar 3 (Land and infrastructure) 70%

An ACT budget distribution (without co-finance from MDB and leveraged private financiers) could possibly be illustrated like this (in USD million). Please note, this budget is produced by the formulation team simply for illustrative purposes:

	2023	2024	2025	2026	TOTAL
Pillar 1	75	20	4	1	100
Pillar 2	50	150	200	100	500
Pillar 3	-	400	500	500	1.400
Total	125	570	704	601	2.000

It should be noted that ATC funds can be activated only for investments directly related to the phase-out of coal and hence not for wider social activities or employment. Such funds will have to be mobilized from national own resources, by MDBs or other sources.

ACT anticipates that MDBs will co-finance activities and leverage funds (app. 1:2.7 anticipated) from national funds, private sector, and other funds, with a distribution between pillars similar to the one indicated above. The ability to leverage funds for the energy sector transition and the phase out of coal from the private sector and national government funds has earlier been demonstrated in the ADB Emission Transition Mechanism and Just Transition Facility and in the World Bank's ESMAP. These precedent experiences provide legitimate reasons to expect a similar level of fund leverage for the ACT funded projects and initiatives. The models/mechanisms for mobilization of finance and engagement of private sector investments e.g. PPPs etc. are indicated in section 3.1 above on Rationale.

The Danish grant will be spent on activities leading to the expected outputs and outcomes as agreed between the MDBs and CIF as determined during the annual CTF meeting. CIF is responsible for ensuring that the funds are spent in compliance with the agreed ACT program document and with due consideration to economy, efficiency and effectiveness in achieving the results intended.

8 Institutional and Management arrangement

8.1 Presentation of the organizational set-up

The ACT program has been established under the CTF within the current CIF governance structure³⁹. The governance arrangement of the CIF trust funds includes equal representation of donor and recipient countries, consensus decision making, and active observer status for private sector, civil society, and indigenous peoples' representatives. This is further facilitated through the CIF Partnership Forum meeting every 18 months bringing together the stakeholder groups engaged in the CIF - governments, civil society, indigenous peoples, private sector, and others – to explore the linkages between climate change and development as they have been addressed within the context of the CIF.

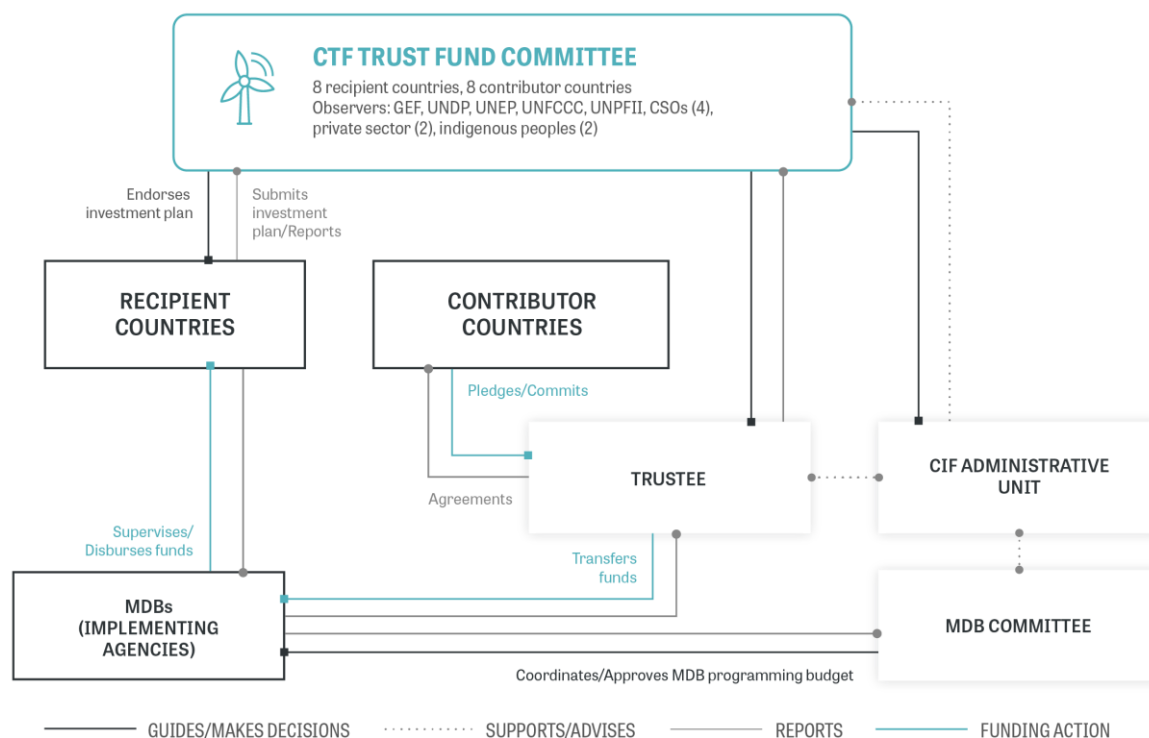
The governance and organizational structure of the CIF includes the CTF Trust Fund Committee, an MDB Committee, a Partnership Forum, Administrative Unit and the Trustee (the World Bank). CIF is currently undergoing a forward looking operational and governance review, in order to review the structure that is unchanged since the establishment in 2008, and to ensure CIF has a robust organizational and

administrative arrangement, aligning with the major evolutions in the climate finance landscape. Denmark is as a donor and trust fund member consulted on the review, and has no concerns on the future direction.

The CTF Trust Fund Committee oversees and decides on strategic direction, operations and other activities, as well as the policies that drive those activities. In effect, the CTF Trust Fund Committee is responsible for:⁴⁰ i) approving programming and pipeline priorities, operational criteria, and financing modalities; ii) ensuring that the strategic orientation of the program is guided by the principles of the UNFCCC; iii) endorsing further development of activities in investment plans for financing; iv) approving allocation of resources for programs and projects; v) approving allocation of resources for administrative budgets; vi) providing guidance on the convening of key CIF Forums; vii) ensuring monitoring and periodic independent evaluation of performance and financial accountability of the MDBs; viii) approving annual reports of the CTF; ix) ensuring that annual reports and evaluations, including lessons learned, are transmitted to the UNFCCC; x) reviewing reports from the Trustee on the financial status of the CTF, including ACT, and; xi) exercising such other functions as the CTF Trust Fund Committee may deem appropriate to fulfill the purposes of the ACT investment program.

A MDB Committee has been established and comprises representatives from the participating MDB. It facilitates collaboration, coordination, and information exchange among the MDBs, identifying specific areas of MDB cooperation, linking their initiatives with CTF programs and projects. The MDB Committee will, in cooperation with the CIF Administrative Unit, be responsible for reviewing recommendations proposed by the CTF Trust Fund Committee.

The CTF governance is illustrated in the figure below.



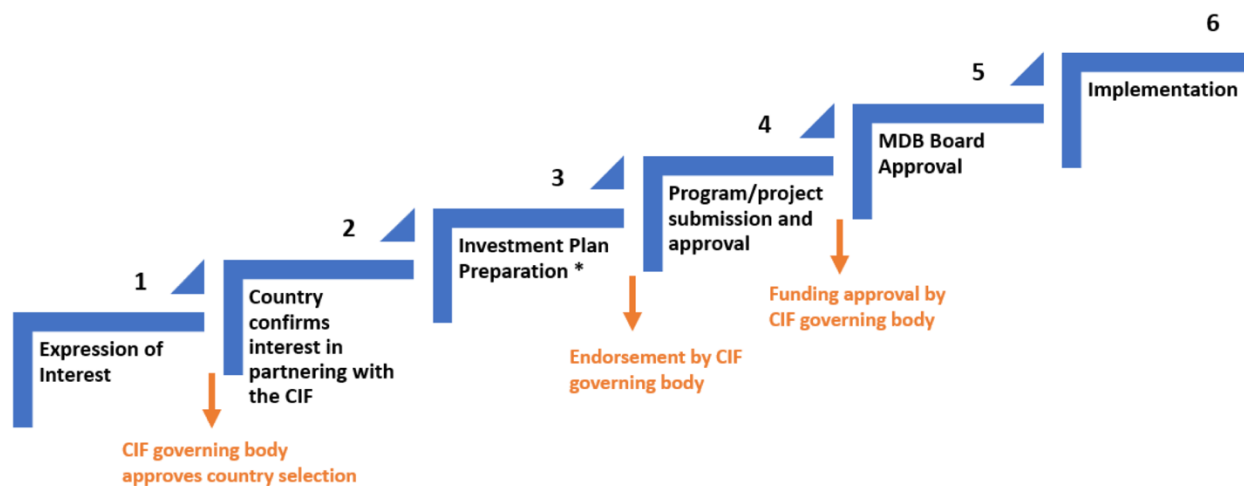
The implementing MDBs each have an ACT focal point to coordinate ACT financing within their organizations and provide guidance to task team leaders in implementing ACT projects and programs. Each MDB determines (with the countries), in accordance with its own internal processes, when to submit a

⁴⁰ [Governance framework for the Clean Technology Fund \(CTF\)](#)

proposal to the CTF Trust Fund Committee for approval. The proposals will be put for CIF approval before the internal MDB appraisal and negotiations of the lending terms. CIF relies on MDB procedures and standards during post-MDB-approval processes. This reflects a fundamental principle of the CIF as a partnership of the MDBs.

CIF's dedicated Administrative Unit was established to support the CTF Trust Fund Committee and other bodies of the CIF. The Administrative Unit is housed in the World Bank HQ and comprise a small team of professional and administrative staff employed by the World Bank. The Administrative Unit is responsible (in this case with a focus on ACT) for: a) making recommendations, in consultation with the MDB Committee, on the activity cycle for approval by the CTF; b) managing the process of endorsement of investment plans and dedicated funding windows; c) managing the process of approvals, including submissions and comments for extension requests, project/programs approval and investment plan revisions; d) maintaining updated information related to the pipeline management process in the CIF; e) coordinating the pipeline management in collaboration with the MDB Committee; f) preparing periodical reports on pipeline and project management status; g) collaborating with the Trustee to ensure that they receive all the information necessary to carry out their responsibilities.

Illustration of the CIF approval ladder:



Denmark will, by contributing to ACT, become a formal member of the CTF Trust Fund Committee and will be able to influence the overall strategic direction of the ACT implementation and approve the Investment plans presented, while the influence on the early design and implementation of the actual Investment Plans is likely to materialize at country level. Denmark would also use its influence as member of the trust fund committee to advocate for and participate in joint reviews to the extent possible. The CTF has no requirements for a minimum contribution, and all members have in principle an equal voice in decision making.

The World Bank's IBRD branch is Trustee for the CTF and holds in trust, as a legal owner, and administers the funds, assets and receipts that constitute the Trust Fund, pursuant to the terms of the Contribution Agreements. The Trustee will make commitments and transfers of the CTF resources, in accordance with the approvals of the CTF Trust Fund Committee. Upon the transfer of funds to the MDBs, the Trustee will leave the responsibility for the use of the CTF resources transferred with the MDBs.

A task force for the formulation of the Danish ACT support program document was established between the Ministry of Foreign Affairs, the Ministry of Climate, Energy and Utilities and the Danish Embassies in

Indonesia, India, and South Africa. It has proven to be a useful coordination mechanism and will continue its work amongst other to ensure coordination amongst the Danish stakeholders and between ACT and Danish interventions in the relevant countries. The task force will try to influence the implementation process, through the CTF Trust Fund Committee and the ACT implementation, including on Just Transition. The task force will closely follow the performance of ACT at country level and collect information on strategic decisions that may provide opportunities for Danish Climate Diplomacy. Engagement with civil society, such as 3F, that's maintains in close contact with part of the ACT target group, will likewise be maintained, amongst others to feed in impressions from the country level.

8.2 Monitoring and reporting

The CIF "Monitoring, Evaluation and Learning" (MEL) is an integrated approach, expressed in a common set of principles, and building on an integrated results framework. The CIF MEL approach produces evidence, knowledge and learning opportunities for all the key stakeholders of ACT. The CIF MEL approach is designed to advance effective climate finance delivery in developing countries, leading to enhanced transformational impact.

Results generated from each ACT project will be monitored and reported by the responsible implementing MDB's own monitoring and reporting system and submitted to CIF. ACT will to the largest extent possible, also seek to be integrated within existing (government, MDB and industry) monitoring and reporting systems at the country level, with ACT country/IP-level indicators chosen to draw from existing national statistics, macro level indicators, World Bank and MDB country data, and to be tracked directly by the CIF.

ACT's monitoring and results reporting procedure will follow CIF's general annual results reporting cycle. The ACT program's impact pathways, for all 3 pillars, will be summarized and outcomes (from the integrated results framework) tracked, alongside additional indicators (e.g., optional and co-benefits), tracking other, projects-specific outcomes. The performance of all of these indicators (and the delivery of impact pathways, including for Pillar 2: People) will be captured via the annual results collection, collation, analysis and reporting processes. The annual results reporting will be augmented by the broader, integrated MEL approach, and will further include, amongst others, assessing of gender, SDGs, transformational change etc.

MDBs will submit project specific data annually to CIF (reporting on the core indicators, optional indicators, and co-benefit indicators selected at project inception), online, via the CIF Collaboration Hub, and upload any necessary accompanying narrative explanation and attach materials to explain the rationale and facilitate validation. This data will be validated and analyzed, and used to report annually to all CIF stakeholders, alongside other key metrics e.g. portfolio maturity and country/regional/sectoral disaggregation, as relevant. This will apply to the ACT during the entire implementation phase, allowing for year-on-year analyses of portfolio performance against aggregate targets.

The CIF has also expanded its partnership with the World Bank Group's Development Impact Evaluation (DIME) unit, with a new 5-year program focusing specifically on the ACT, and scheduled to deliver periodic, real-time analyses and analytics (based on modelling approaches and field-based randomized control trials) to address evidence gaps, and provide deeper understanding of the impacts of varying project/policy modalities, thereby providing critical, data-driven findings to inform Investment Plan implementation and project operations and.

In addition to the annual results reports, there will be Aide Memoires from each mission undertaken during ACT preparation and supervision reports during implementation. All reports can be accessed by contributing partners on request.

Overall ACT evaluations/reviews can be carried out upon request from the CTF Trust Fund Committee and may be joined by contributing partners on request. Denmark will advocate for and participate in joint reviews to the extent possible.

The established Danish task force will act as a Danish platform for “monitoring” and discussing progress and the ACT performance in the relevant countries. It will meet (virtually) at least once per year.

8.3 Knowledge Management and Learning

ACT will prepare robust knowledge, evaluation and learning reports to improve the impact of investments and ensure that emerging lessons are used to inform ongoing course corrections as well as the design of future projects. CIF’s MEL initiative will be engaged to assist in prioritizing and to undertake evaluative studies and learning activities relevant to ACT. This may include cross-cutting thematic or program-level independent evaluations, sector-specific learning reviews, case studies, and facilitated learning events at the global, regional, and country level.

The Danish SSC coordinators in the relevant ACT countries can participate in ACT learning events and contribute with Danish experience, as well as extract lessons and knowledge that could benefit Danish bilateral programs.

8.4 Anti-corruption measures

To ensure full transparency and openness in CIF governance and financing operations and to deter fraud and corruption, CIF relies on well-established transparency and accountability mechanisms. Suspected fraud and corruption in CIF-financed operations, as well as allegations regarding misconduct of officials, employees or consultants involved in CIF-financed operations, can be reported through the accountability, integrity, and anti-corruption mechanisms of the MDBs.^{41,42,43}

No offer, payment, consideration, or benefit of any kind, which could be regarded as an illegal or corrupt practice, shall be made, promised, sought or accepted - neither directly nor indirectly - as an inducement or reward in relation to activities funded under this agreement, incl. tendering, award, or execution of contracts. Any such practice will be grounds for the immediate cancellation of this agreement or parts of it, and for such additional action, civil and/or criminal, as may be appropriate. At the discretion of the Government of Denmark, a further consequence of any such practice can be the definite exclusion from any engagements funded by the Government of Denmark.

8.5 Communication plan

Communication is a central component of CIF partnerships, amplifying CIF’s visibility and enabling the effective dissemination of the successes and lessons learned. Communications activities of CIF ACT and MDBs will be guided by the CIF Visibility and Branding Policy. A key element will be dissemination of results. In addition to communication on the CIF web portal, MDBs will explore how to use information in their media, art, and storytelling in all phases of operations, including early-stage investment planning.

From a Danish perspective, communication of ACT results will include active dissemination of country specific results through relevant Embassy web-pages, participation in dissemination workshops and events locally, and will be taking any opportunity to promote Denmark’s energy cooperation in the project countries in relation to renewable energy. Denmark will also, when an opportunity arises, actively seek to

⁴¹ <https://www.worldbank.org/en/about/unit/integrity-vice-presidency>

⁴² <https://www.afdb.org/en/about-us/organisational-structure/integrity-and-anti-corruption>

⁴³ <https://www.adb.org/integrity>

co-host or participate in local or “global” ACT learning events and, when relevant, invite senior policy makers to Denmark to observe Danish approaches to a green energy transition.

8.6 Special conditions

The MFA of Denmark and the MCEU shall have the right to carry out any technical or financial supervision mission that is considered necessary to monitor the implementation of the program.

After the termination of Denmark’s support to ACT, the MFA of Denmark reserves the right to carry out evaluations in accordance with this article.

9 Financial Management, planning and reporting

The Contribution Agreement regarding the Danish funding for ACT through the CTF Trust Fund will be entered into between the Ministry of Foreign Affairs and the World Bank as Trustee. Financial management, accounting and reporting will follow the procedures established for CTF as agreed with the Trustee.

Disbursement of funds is made based on a written request for funds incl. bank details and double signatures, and satisfactory reporting.

The Trustee will require, and accept from the MDBs, periodic financial reports, as agreed between the Trustee and the CTF Trust Fund Committee. Each MDB will be responsible for the use of funds transferred by the Trustee and activities carried out therewith in accordance with i) its own policies, guidelines, and procedures, and; ii) the applicable decisions of the CTF Trust Fund Committee, including the purpose for which the allocations of the funds have been approved. The Trustee will be accountable to the CTF Trust Fund Committee for the performance of its functions.

Financial Reports: According to the Governance Framework for the CTF, the World Bank, in its capacity as the Trustee of CTF provides to the CTF Trust Fund Committee at least annual reports on the financial status of the Trust Fund, as agreed between the Trustee and the CTF Trust Fund Committee. The annual accounts shall be drawn up to the same level of detail as the agreed upon budget.

Procurement: Procurement will adhere to the implementing MDB procurement policies. CIF procurement adheres to the WB procurement guidelines.

Auditing: Audited financial statements are provided by the Trustee on an annual basis to the CTF contributing partners. This will be delivered up to 6 months after the end of the reporting period.

Any interest accrued and unspent funds by the end of the implementation period shall be returned to the MFA.

10 Risk Management

MDBs and CIF employ extensive risk management tools. CIF’s risk management system requires that activities be monitored against the CTF Risk Appetite Statement determined by the CTF Trust Fund Committee, and that it is reported to CTF. A specific focus will be on risks which could affect the ACT strategy and ability to meet its objectives, as well as risks that could damage the program’s reputation.

Risk exposure will be determined as part of the development of each investment plan and may include:

- credit risk
- currency risk
- resource availability risk

- implementation risk
- fraud risk
- risk of sexual exploitation and abuse
- risk of external events
- risk of forced labour
- External events

Each risk will be assessed relative to the corresponding risk appetite and reported to the CTF TFC periodically in a separate ACT-specific section of risk report, or a separate ACT-specific risk report.

Implementation Risk and External Events represent two key risks to which ACT will be exposed.

Implementation risk represents the risk that a project is not implemented in a timely manner or at all. Committing funds to projects which are not implemented in a timely manner leaves these funds unavailable for other projects which may have been promptly implemented, postponing the realization of the climate-related benefits which the funds were intended to achieve. This program targets developing countries, some of which are facing capacity and expertise constraints, which heighten the level of implementation risk associated with the program's projects.

External events risk represents the risk that external events (e.g. natural disasters, disease, and military conflict) will adversely affect the implementation and/or success of the program's projects. This program targets regions, some of which are unstable or highly susceptible to the impacts of external events.

Institutional risk of significance may arise from retiring and re-purposing of existing assets when powerful industries oppose project plans. It should be noted, however, that the current iteration of the document does not attempt to identify or analyze individual risks specific to the countries themselves. It is stated that these will be identified in the MDBs' program documents.

At this stage, additional risks identified in the formulation of this Danish program document, that may become relevant include:

- Severe fluctuations in global energy markets due to the current war in Ukraine
- Current and potential new emerging challenges in relation to COVID-19
- Risks related to the political economy around the use of coal, including the local resistance to energy transition and disruption of status quo, particularly in South Africa and in India. If the JET measures are not adequately targeted and managed, and if the CIF-investments are perceived as detrimental to the livelihoods of communities that are dependent on the production and use of coal, there is a risk of popular and political resistance at local, regional, and national level.

To reduce risks of particular Danish concern, including risks of failing to achieve the ACT objective and reputational risks, Denmark will ensure that attention to such risks is given by the CTF Trust Fund Committee. These risks can be mitigated by careful attention to the individual MDB Investment Plan and project designs. If activities that may give rise to such risks are being planned, Denmark will be in a position to raise concerns at committee level and offer advice to the program implementers on how to mitigate risk. Likewise, in countries where Denmark has specific energy sector knowledge from its bilateral engagement, Denmark may be able to influence the ACT priorities in the country and help identify and manage such risk.

An explicit Danish risk management matrix is presented in Annex 4. Detailed risks will be identified, and management mechanisms proposed by the MDBs as part of project design and follow the CTF Risk Appetite Statement.⁴⁴ Based on this, CIFs Risk Appetite is regularly reviewed and updated.

11 Closure

Even with an accelerated approach to transition away from coal, it is anticipated that support to this program is required further into the future than the current Danish support to CIF ACT. In addition, coal phase-out and just energy transition will be themes for continued support from Denmark for a foreseeable future.

A decision for Denmark to additional support to the CIF ACT program is conditioned on ACT's performance and achievement of the current set of result targets. ACT's next steps to possibly include more countries in the investment program (DAC'able Countries) could also be an important factor when considering an additional Danish ACT contribution at a later stage.

⁴⁴ https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/ctf_risk_appetite_statement_final_document.pdf

Annexes:

Annex 1: Context Analysis

1. Overall Development Challenges, Opportunities and Risks

Despite the developments supporting transformation of the energy sector in recent times, energy-related carbon dioxide emissions have continued to rise over the last five years and reached record levels in 2018. According to IEA, CO₂ emitted from coal combustion was responsible for over 0.3°C of the 1°C increase in global average annual surface temperatures above pre-industrial levels, making coal the single largest source of global temperature increase.

The world has more than 2,400 coal-fired power plants operating in 79 countries, with a total of nearly 2,100 gigawatts (GW) of capacity. An additional 176 GW of coal capacity is under construction at more than 189 plants, and 280 GW is planned at 296 plants. The directive is clear—stop building new coal plants and retire existing ones in the developed world by 2030, and the rest of the world soon after, according to studies by the Intergovernmental Panel on Climate Change (IPCC) and International Energy Agency (IEA), among others.

In countries with large coal assets, coal is seen as a valuable resource that should be exploited. In such countries it has traditionally been perceived as the cheapest readily accessible energy source for rapid electrification, if externalities are not considered. However, more complete economic analysis suggests that perception is increasingly likely to be inaccurate. Coal power production and extraction at source, is highly subsidized, and 99 percent of coal is priced at less than half its true cost. In addition, the vast majority (93 percent) of global coal-fired power plants are “locked-in” by long-term contracts, noncompetitive tariffs, and are thus insulated from competition from renewables. Recent studies show that the share of coal plants that would be uncompetitive in a free energy market was about 56 % worldwide in 2022 and is expected to be 78 % by 2025.

The advent of low-cost solar, wind and increasingly battery and other energy storage technologies provide an opportunity for countries to re-evaluate new coal assets being built, re-purpose existing assets, which still have considerable life left, and/or decommission existing assets accelerating their retirement. Replacement of uneconomic coal plant is not only expected to bring more efficiency but also offer climate, public health, and environmental benefits.

Significant social, economic, and political challenges remain to be resolved. Coal regions are typically mono-industry areas, and transition may involve re-orienting the structure of the economy itself. Developing country demand-driven regional transition strategies identifying new labour opportunities for existing and future workforces of coal regions is key. Alongside these nationally driven efforts, there is the need to strengthen local and regional institutions to manage the transition, notably the capacity to implement large social protection, re-education, and economic innovation programs. The remaining economic life of existing coal assets as well as the huge underlying costs associated with reclaiming, decommissioning, and re-purposing of these coal assets are key barriers for a coal transition.

The main objective of the ACT Investment Program is to tackle key barriers related to governance, people, and infrastructure, and address funding gaps leading to the successful implementation of country-level strategies and associated projects; building support at the local and regional levels; and accelerate the retirement of existing coal assets (coal mines and coal power plants) together with

enabling new economic activities for those impacted by the transition. The importance of decent jobs is crucial and requires ambitious policy support and investments in a future-oriented climate-safe, and just energy transition pathway.

During COP26 more than 40 countries pledged to phase out coal in richer countries by the 2030's and in poorer countries by the 2040's.

In the spring of 2021, developing countries were invited to submit an expression of interests (Eoi) to participate in the ACT's Investment Program. Interested countries are required to meet ODA eligibility criteria according to OECD/DAC guidelines and have an active MDB country program, have coal-based electricity of more than 4,000 GWh per year and more than 10% of total electricity generation, and a coal production of more than 4,000 Mt per year. The EOIs were evaluated by an Independent Expert Group (IEG) and ranked according to the criteria established by the CIF. Fourteen countries pre-qualified and South Africa, India, Indonesia and the Philippines were selected by the CTF as first and main recipients of ACT funding, being some of the world's most coal dependent developing countries.

Coal Power Capacity (mW)

Country	Under Development	Operating	Cancelled (2010–2021)
Philippines	4,291	10,557	10,980
Indonesia	26,259	40,162	32,770
South Africa	3,870	43,409	14,330
India	55,233	231,947	587,231

South Africa

South Africa accounts for more than 90% of the coal production and 85% of the coal fired electricity capacity in the African continent. The energy sector is dominated by coal, which is used for more than 85% of the domestic power generation and more than 70% of the domestic total energy supply. South Africa ranks 7th in the world of coal consumption, accounting for about 2.4% of the world's total consumption.

Mode	Generation Capacity (MW)	Percentage (%)
Total Thermal	46,776	91.2
Hydropower	661	1.3
Renewable Energy Sources	3,852	7.5
Total	51,309	100.0
Source: USAID 2020.		

South Africa's energy sector contributes about 80 percent of national greenhouse gas (GHG) emissions, of which more than 50 percent comes from fossil fuels alone (Integrated Resource Plan, IRP 2019). ESKOM, its state power utility, produces 95 percent of the nation's electricity, the bulk of this coming from coal-fired capacity, much of which has completed its economic life and does not comply with the environmental norms (REW 2019). The Government's Integrated Resource Plan (IRP)

provides a road map for its future energy mix and envisages the addition of at least 20 gigawatt (GW) renewable energy (RE) out of a total 29 GW additional capacity by 2030 (IEA 2019), so that a major part of the country's electricity (78 GW) in 2030 will come from renewable energy (52 GW) (REW 2019). As part of the IRP 2019, ESKOM is expected to decommission about 5 GW of its coal-fired capacity by 2022, 10 GW by 2030, and 35 GW by 2050. The South African power sector faces severe challenges as the country looks to support and sustain its economic growth, manage energy costs, and meet increasingly ambitious environmental targets. These challenges can be successfully addressed if it turns to repurpose its coal plants toward renewable energy-based options.

South Africa is one of the first countries to be selected under the ACT, and the Government, supported by the MDBs, has undertaken a number of preparatory activities, including conducting two virtual Scoping Missions chaired the Department of Forestry, Fisheries and the Environment (DFFE), to inform, engage with and consult with major stakeholder groups, including relevant government officials, representatives from Civil Society Organizations (CSOs), academia and the development partner community. The missions revealed that South Africa, which is heavily coal-dependent for its energy needs, has identified the decommissioning and repurposing of old and inefficient coal power plants (primarily Eskom-owned and operated) in its coal transition roadmap.

India

India holds about 9% of the world's total coal reserves and ranks 2nd in the world for coal consumption. Coal is the largest and most important source of energy in India for both power generation and for industrial purposes. The use of coal is inevitable in the short term to meet demand – India's electricity consumption is expected to triple by 2040 (more than the EU's total electricity consumption today). India has a large coal mining production and significant coal reserves, but despite this, it is still necessary to import coal from other countries. Coal accounts for 74% of India's electric generation. India has the second largest capacity of operating and proposed coal plants after China.

Although India's 2018 National Electricity Plan (NEP) identified approximately 48 GW of coal for retirement by 2027, new higher-efficiency plants of greater capacity are still being built and retirements of existing plants have been slow. In 2021, continued cost decreases for renewable energy, coupled with worsening health and environmental issues, intensified discussions around stranded assets and closing existing coal plants. Both India's Power and Finance Ministers stated that India's oldest and dirtiest coal-fired power plants need to shut down.

In November 2021, Prime Minister Narendra Modi announced India's aim to achieve net-zero emissions by 2070 and also pledged to attain 500 GW of installed electricity capacity from non-fossil fuel sources by 2030. "It is a fact that banks as well as insurance companies are now moving away from coal-fired power plants due to concerns over climate change, high risk due to social opposition, and large number[s] of stranded assets where existing power plants are not able to find takers for the power generated." Boom and Bust Coal 2022, "Tracking the Global Coal Plant Pipeline Global Energy Monitor et al, April 2022"

Public interest, Expert Appraisal Committee investigations, and spontaneous Tribunal action have brought the permits for coal projects under construction into question. Today, India is at a crossroads in terms of increasingly uneconomic, old, and polluting coal plants on one hand and ambitious renewable energy (RE) targets on the other. The targets are 175 gigawatt (GW) renewable energy (RE) capacity by 2022 and 40 percent generation capacity from non-fossil fuel sources by 2030 (Shrimal,

2020). There is an overwhelming dominance of fossil fuels in power generation, with as much as 50 to 55 percent of total installed generation capacity under coal plants producing more than 65 percent of total electricity generated. Table A.1 presents mode wise installed capacity in India as of March 6, 2020.

INDIA ENERGY TYPE INSTALLED CAPACITY

TYPE	Installed Capacity (MW)	Percentage (%)
Total Thermal	230,906	62.2
Coal	198,525	53.6
Lignite	6,610	1.8
Gas	24,992	6.7
Oil	510	0.1
Hydropower (renewable)	45,699	12.3
Nuclear	6,780	1.8
Renewable Energy Sources	87,669	23.6
Total	371,054	100.0

Source: Ministry of Power 2020.

India is currently experiencing the worst energy crisis in six years, with widespread electricity outages and major challenges in providing adequate electricity to consumers. In April 2022, there were power outages equivalent to 1.6% of total electricity demand in India, which amongst others entails reduction in industrial production. The energy crisis is primarily caused by Indian coal stocks at a critically low level. Some power plants do not have enough coal available to maintain normal production to meet the demand. The Indian government itself has stated that the current crisis is not due to lack of production capacity but lack of coal supply. Coal stocks are at the lowest level in nine years, despite the fact that the major government-owned coal production company supplies more than ever before. Domestic coal supplies right now can only meet about 88% of coal needs while coal imports have slowed in recent years.

Due to the increase in coal supply and production of electricity at coal power plants in India, the share of coal in the energy mix is expected to increase this year. Coal power generation increased by 9.26% from April 2021 to April 2022 and accounted for 75.1% of total electricity generation in April. In the same period, total electricity production has increased by 11.8%, i.e. other sources have also increased their production. It is expected that electricity generation from coal plants will increase by up to 17% during this year compared to previous years. (India's Energy Crisis, Report for Danish Embassy in Delhi. 2022)

Indonesia

Indonesia ranks 12th in the world of coal consumption, and power generation is 60% coal based. In 2021, Indonesia's operating coal capacity increased 9% from 36.6 GW to 40.1 GW, and is up 54% from 26.1 GW in 2015. The country has 15.4 GW of coal power under construction, an amount exceeding all other countries except China and India. In addition, the country has 10.8 GW of coal in pre-construction and 11.2 GW of shelved plans. However, only six units, representing a total proposed capacity of 2 GW, have received a permit to begin construction. The Government of Indonesia (GOI) has identified a just and affordable transition from coal to clean energy as a national priority under its net-zero carbon growth scenario and has included energy transition driven by a sustainable financing mechanism as a key deliverable for its Presidency of the 17th G20 during 2022.

Indonesia's recent net-zero commitments by both its Ministry of Energy and Mineral Resource (MEMR) and its state-owned utility, PLN (Perusahaan Listrik Negara, English: State Electricity Company) are indications of change in a country where a preferential permitting of coal in the last decade led to an over-construction of baseload power, a debt-ridden national utility (PLN), and an extremely carbon-intensive economy.

In May 2021, PLN announced plans to stop building new coal after 2023 and achieve carbon neutrality by 2060, in addition to Indonesia's target of 23% renewables by 2025. In August 2021, the Asian Development Bank (ADB) announced the launch of the Energy Transition Mechanism to provide funding for Indonesia, Vietnam, and the Philippines to upgrade energy infrastructure and accelerate the clean energy transition. In November 2021, Indonesia committed to retiring 9.2 GW of coal capacity by 2030 with international support: 5.5 GW would be decommissioned early without any replacement, and another 3.7 GW would be retired and replaced with renewables. The pledge improved initial plans to decommission 1.1 GW by 2030.

In addition to the Indonesian government's pledges toward decarbonization, in 2021 two of the country's biggest coal plant financiers—China and Japan—announced an end to financing coal plants overseas. Combined, these developments reflect a turning point for the country's clean energy transition. However, the country still faces significant challenges, as most of its operating coal plants have been built with guaranteed tariffs that have locked PLN into fixed payments for decades, long after the operation of the coal plant is projected to cost more than building new wind and solar power. Indonesia's new coal-reliant industrial parks being developed with Chinese support also run particularly counter to China and Indonesia's ambitious pledges.

The Philippines

The Philippines ranks 28th in the world of coal consumption, 36% of its power production is from coal. In October 2020, the Philippine Department of Energy (DOE) declared a moratorium on new coal plants that were not already in the permitting pipeline. The move was a milestone for the country, which has added half of its 10.3 GW of operating coal plants since 2015. Other than the 1.6 GW which had already been under construction for some years, no new coal plants has entered construction or been added to the grid in 2021. In addition, the amount of coal power considered in active pre-construction was more than halved, declining from 6.3 GW in 2020 to 2.6 GW in 2021. More proposed capacity (10.9 GW) has been cancelled, and advocates for coal phase-out have urged DOE to extend the moratorium to apply to the remaining 2.6 GW in pre-construction and 5.6 GW of shelved proposals. In October 2021, the DOE released its Energy Plan 2020-2040 (PEP), which retained coal's role in the energy mix until 2040. At the COP26, the Philippines partially committed to phasing out coal by 2040, but did not pledge to end investment in new coal power generation. This makes it possible for pre-construction plants to get built, and even opens the possibility for the moratorium on permits to be lifted in the future. Any new plans are likely to be vehemently opposed, as provinces, towns, and communities continue to ban or oppose projects. In late 2021, the Philippine Movement for Climate Justice (PM CJ) called for the Asian Development Bank's new Energy Transition Mechanism (ETM), launched in partnership with some Southeast Asian countries including the Philippines, to center climate justice and ensure urgency in its new climate finance framework.

Risk

Risks will be assessed and managed by the implementing MDBs as part of their standard risk management procedure. To guide MDBs in selection and formulation of interventions the CTF has a Risk Appetite Statement. The ACT document also notes that facilitating a coal phase out and demonstrating innovative low carbon technologies (and gathering lessons learned from this), requires a willingness to take substantial risk under certain circumstances. ACT therefore accepts some types of financial risk, although each risk will be assessed relative to its corresponding risk appetite and reported to ACT's governing body regularly via an ACT-specific risk dashboard, and periodically via an ACT-specific risk in the CTF risk report or an ACT-specific risk report. The implementing entities, the MDBs, will identify, assess, monitor/report and mitigate/control the program's risk exposures on an ongoing basis.

At the present stage of programme development contextual risks are more apparent than programmatic risks. Of particular concern are the risks which arise from the political economy in the participating countries. Recent Danish experience with the bilateral programme in India has shown that a careful approach is needed to avoid alienating political constituencies that see coal as an essential part of the energy mix for the foreseeable future. Such risks are elaborated along with potential mitigation measures in annex 4. It should be noted that the ultimate responsibility for developing risk mitigation and reporting on risk lies with the implementing MDBs. Danish strategic insights derived from bilateral cooperation will, however be readily available to programme implementers through the trust fund committee.

Key documentation and sources used for the analysis:

Coal Plant Repurposing for Ageing Coal Fleets in Developing Countries, ESMAP, Technical Report 016/21
 Joint World Bank Group/African Development Bank Accelerating Coal Transition Investment Plan Scoping Mission January 18 – February 07, 2022, Draft Aide Memoire
 Boom And Bust Coal 2022, Tracking the Global Coal Plant Pipeline, Global Energy Monitor, Sierra Club, Report, April 2022
 Regional: Opportunities to Accelerate Coal to Clean Power Transition in Selected Southeast Asian Developing Member Countries, Carbon Trust, Asian Development Bank, October 2021.
 Accelerating Coal Transition Investment Program, Draft Design Document, Climate Investment Funds, February 2022.
 How to Retire Early: Making Accelerated Coal Phase out Feasible and Just", Rocky Mountain Institute, 2020
<https://e360.yale.edu/digest/fossil-fuels-received-5-9-trillion-in-subsidies-in-2020-report-finds>
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<http://www.energy.gov.za/files/media/explained/South-African-Coal-Sector-Report.pdf>
<https://www.worldometers.info/coal/>
 Legal Initiative for Forest and Environment, New Delhi 2022
 Integrated Resource Plan (IRP2019), Department of Energy, Republic of South Africa, October 2019

2. Political Economy and Stakeholder Analysis

In each of the countries that have so far been selected for ACT support, there are compelling political, economic, and environmental reasons to phase out coal-generated power production. Each of the countries has committed to the ACT objectives at the highest level and is in the process of preparing with the MDBs an Investment Plan (Philippines delayed). Each expects immediate financial, environmental and social benefits in addition to the longer-term contribution to combating climate change. At COP26 a Global Coal to Clean Power Transition Statement was published stating that “Our shared vision is to accelerate a transition away from unabated coal power generation, as it is essential to meet our shared goals under the Paris Agreement, in a way that benefits workers and communities and ensures access to affordable, reliable, sustainable and modern energy for all by 2030”. This was supported in part by Philippines and Indonesia, although not by India or South Africa. However, in all of these countries, the political economy of the coal industry can present barriers to change. The phase-out of coal is often met with strong opposition from various vested interests within and outside governments. This includes ministries responsible for (coal) power generation, the private and/or state-owned coal industry, the semi-public energy sector companies and utilities, and the unions who may all want to maintain status quo. Other stakeholders, such as the renewable energy industry and climate advocates may argue ambitious climate goals and policies through the phase-out of coal.

Criteria for ACT investment include willingness of stakeholders (i.e. local governments favourable disposition toward RE), locational attributes of the coal plant site in terms of its RE potential, and availability of cheap land. The last criteria suggest targeting coal plants located in rural locations, where land is relatively cheaper. However, even rural coal sites, where a power plant forms the only revenue source for local communities, may find it difficult to consider decommissioning/repurposing, and the policy response needs to address the economic and fiscal impacts of decommissioning such plants in rural areas. The substantial economic shift accompanying coal plant retirement affects not only the coal industry owners, but also the employees associated with the entire power sector value chain, as well as the local business and commerce in the location in-question. The impact of coal plant retirement goes beyond power plants and impacts various other sectors like coal mining, railways, and so forth. Furthermore, as many of the state-owned plants get a generation schedule from distribution companies, it can even cause potential disruptions to the power distribution sector. A recent ESMAP report (see key documentation below) therefore, suggests that the issue of employees working in coal plants poses a formidable challenge to the repurposing objective and needs special attention, particularly in the case of private plants. Although repurposing partially addresses this by reemploying some staff, it may not be adequate. Private plants may explore other policy measures such as post-layoff temporary income support through sharing of gains accrued from repurposing. These actions are not necessarily part of the CIF ACT programme but will be part of a suite of complementary actions that need to be considered by the implementing MDBs.

No detailed studies of the political economy were specifically commissioned to assist the development of the programme. Where Danish embassies have been active in supporting the energy sector, valuable insights around the use of coal and the transition to renewable energy has been accumulated. This information was used to formulate the following country-specific notes.

South Africa

There are several reasons why, in some parts of the South African political system and in the South African central administration, there is a lack of motivation to work for an accelerated coal phase-out. Personal interests in the coal industry and the transport sector mean that several politicians have no interest in an accelerated coal phase-out.

Firstly, there is currently a lack of 4-6 GW of generation capacity, leading to periodic load shedding – i.e. controlled (and sometimes uncontrolled), periodic, decoupling of electricity in defined areas (applies to all electricity customers, except critical infrastructure, i.e. residential, service and industry). A program on the decommissioning and repurposing of coal plants need to articulate an alternative that will increase electricity generation will only exacerbate this situation.

Secondly, there is concern over the just part of the transition, and how the socio-economic transition keep up with coal phase-out. Jobs and employment must be ensured for people who are now part of the coal industry: miners, employees at coal power plants and in the transport industry, etc. Not least derived professions (restaurants, service industries, etc.) in communities dependent on coal. According to the unions, COSATU, NUM and NUMSA, accelerating the coal phase-out is not beneficial, especially in the light of the retraining needs of coal-dependent communities. It is believed that the coal phase-out will come by itself sooner or later in any case, and that the retraining can keep up if the phase-out runs at its natural speed.

Thirdly, there is a specific concern about reduced revenues in the transport sector. A large number of coal trucks transport coal every day between mines, power plants to ports and across the borders of neighboring countries. There is also concern about reduced income from the export of coal by the closure of coal mines and the fate of two brand new, expensive coal plants – Medupi and Kusile – that are still in the process of being upgraded to full capacity.

Fourthly, there are technical/economic concerns. It is thought that the transmission network is not ready for the new Variable Renewable Energy types. The CIF estimates that upgrading the transmission network to handle new types of post-coal energy would cost \$12 billion. Another technical argument against coal phase out is that baseload from coal plants cannot be immediately replaced by RE. Storage technology is still too expensive and too nascent.

On the other hand are several arguments used in the South African political system advocating a transition. These, however, are more focused on an accelerated upscaling of VE and not an outright accelerated coal phase-out:

- Global pressure on net-zero: more politicians and players in the central administration may feel the pressure from the international community for net-zero announcements and raised NDC's level of ambition. In particular, new investments in renewable energy and the building of the green hydrogen and e-mobility industry are whetting the appetite of some of the South African politicians.
- Health: Especially in the Mpumalanga region, the air quality is deteriorating and working conditions around the coal mines and coal plants are poor. This is due to an outdated fleet of coal power plants, on average 41 years and several of them, extended beyond expected life time. Moreover, they are expensive to maintain. The discussion takes place on public platforms in South Africa and often between different members of the ruling party, the ANC. There does not appear to be a common line in government on several of these issues.

An example of the divided discussion: Hundreds of workers and affected communities marched to the offices of ESKOM in Johannesburg on 11 December 2021 to protest the privatization of the public power utility which they say is leading to job losses for tens of thousands of employees and will make electricity unaffordable for poor communities. During the march, the National Union of Mineworkers (NUM) which is affiliated to IndustriALL Global Union, presented a list of demands to the ESKOM management. These included stopping the unbundling (ESKOM undergoing a transition, splitting different functions),

dissolving the ESKOM board and the immediate resignation of the management. The union also wants conditions of service for workers to be reinstated and for a 15 per cent wage increase to be given. Additionally, it demands that the “premature” closing of coal power stations be halted.

India

Private coal mining was only allowed in India in 2020 and the government, and government-controlled agencies, like Indian Railway, plays a completely dominant role. As an illustrative example of this dominant structure, the coal transport within India can be highlighted. Coal mining production is largely based in the eastern part of the country, while a large part of the coal power plants and electricity consumption are in the southern, western and northern regions of the country. Therefore, the Indian Railway Network is essential for transporting coal from the coal mines to the coal plants in other parts of the country. These movements cross-subsidize, for example, cheap passenger train tickets, on which large parts of the population depend.

The Indian government and Energy Minister Singh have made it clear that the government's priority is sufficient energy for uncompromised economic growth. The central government has therefore implemented a number of initiatives to counteract the energy crisis. The main initiative is that the government's position on the import of coal has drastically changed. Until recently, it was a clear priority for the government to reduce coal imports, while an increase in coal import has been introduced. Other measures include the government providing funding for stranded plants to restart their production of electricity, despite having previously been shut down.

Indonesia

Indonesia exports app. 80 pct. of the produced coal, so the loss of mining jobs in a just energy transition is not a major topic, compared to other coal-intensive emerging economies. The economic interest from ministers, politically powerful persons, influential families and companies in coal mining and power plants is however significant in Indonesia. Coal mining has historically been supported by international investors. The national coal consumption is indirectly subsidized through several policies including a Domestic Market Obligation, which allows power plants to buy coal below the world market price. The large invested capital in coal mines and (over)capacity of coal-fired power plants is a stumbling block for investments in renewable energy, which would be economically competitive without indirect subsidies. The wish for international compensation for early retirement of assets in coal industry is a key- point in the Indonesian perception of just energy transition. Attracting foreign investments is a political top-priority for Indonesia.

Stakeholder Analysis

In Indonesia and Philippines, it will be ADB who will implement ACT; In India it will be World Bank who implements; and in South Africa it will be World Bank and the African Development Bank.

CIF programming includes:

- Diagnostic and investment planning at the national/ sub-national/ sector-level
- Development of a coherent intervention package
- Implementation of strategically aligned interventions

The diagnostic and investment planning phase will ensure consultation with a wide range of stakeholders, including representatives from relevant government agencies, private sector groups, relevant unions or other workers' representative bodies, other development partners, non-governmental organizations (NGOs), academia, youth organizations, Indigenous Peoples' organizations, and other community-based and civil society organizations (CSOs). This phase will result in the formulation of an investment plan. The ACT Design document suggests that "ideally, the country's Ministry of Finance or Planning will submit the investment plan". In fact, so far, the participating countries have selected a "focal point" ministry to coordinate the governments' response. In South Africa this is the Department of Forestry, Fisheries and Environmental Affairs; in Indonesia the Ministry of Finance. The arrangements in India will be different, with participating entities at the (sub-national) State level.

A stakeholder analysis is presented in Annex 2.

Key documentation and sources used for the analysis:

Coal Plant Repurposing for Ageing Coal Fleets In Developing Countries, ESMAP, Technical Report 016/21 Indonesia: Energy Sector Assessment, Strategy, and Road Map. Asian Development Bank, 2016.

Regional: Opportunities to Accelerate Coal to Clean Power Transition in Selected Southeast Asian Developing Member Countries, Carbon Trust, Asian Development Bank, October 2021.

Accelerating Coal Transition Investment Program, Draft Design Document, Climate Investment Funds, February 2022.

Personal Communication, Embassy of Denmark, Pretoria, South Africa May 2022

Personal Communication, Embassy of Denmark, Jakarta, Indonesia May 2022

IndustriALL Global Union 16/21/21

3. Fragility, Conflict and Resilience

Fragility, conflict, and violence (FCV) present a critical development challenge that threatens efforts to end extreme poverty in both low- and middle-income countries. By 2030, up to two-thirds of the world's extreme poor could live in FCV settings. Conflicts also drive 80% of all humanitarian needs. The World Bank Group has developed a comprehensive [strategy to address the drivers of FCV](#) in affected countries and their impact on vulnerable populations, with the ultimate goal of contributing to peace and prosperity. Key elements include:

- Risk and Resilience Assessments: Serve as the basis for country engagements and inform the preparation of the Systematic Country Diagnostics (SCD) and Country Partnership Frameworks (CPF). They also aim to address significant risks and shocks of different kinds.
- Recovery and Peacebuilding Assessments: Provide a platform to help governments and their international partners identify, prioritize and sequence recovery and peacebuilding activities and coordinate support for planning and implementation.

The other MDBs have also adopted this approach, which will, inter alia, allow MDBs to remain engaged during active conflict, and in countries going through recovery and transition. These approaches are available but have not yet been included in the planning of ACT, since fragile states will not be part of the programme – at least not in its initial phase.

Key documentation and sources used for the analysis:

DAC International Network on Conflict and Fragility (INCAF): <http://www.oecd.org/dac/governance-peace/conflictfragilityandresilience/>

World Bank - Fragility, Conflict and Violence:

<http://www.worldbank.org/en/topic/fragilityconflictviolence>

4. Human Rights, Gender, Youth and applying a Human Rights Based Approach

The '[CIF Gender Policy](#) and the [CIF Gender Action Plan Phase 3](#) structure CIF's approach to gender mainstreaming in its programming. These documents outline key requirements and resources in the areas of inclusive consultation during investment plan and project design and implementation, CIF Administrative Unit gender technical upstream support and review, monitoring and reporting, and CIF governance.

The CIF Gender Action Plan (Phase 3, 2021-2024) is committed to supporting gender equality and social inclusion across all CIF programmes, and is intended to consolidate gains previous work and embed application of the CIF Gender Policy in program processes, including deepening upstream support to MDBs and countries with gender technical assistance for Investment Planning and project design; and to enhance gender monitoring and reporting, and knowledge and capacity. Through this, CIF aims to achieve Gender Transformative Impact in the key areas of asset position, voice, and resilient livelihood status of women, a.o. through gender-responsive institutions and markets.

This vision is structured along four priority processes.

- Priority Process 1: Deepen gender upstream support to MDBs and countries in new CIF IPs and projects
- Priority Process 2: Strengthen collaborative learning on Gender and Climate across the CIF Partnership, and externally
- Priority Process 3: Strengthen Women's Climate Leadership in Country Planning Systems
- Priority Process 4: Expand gender analytics on key CIF focus areas, including Just Transition

CIF is also committed to enhancing the representation and voice of local communities, and traditionally excluded groups such as Indigenous Peoples and youth in identifying program investments. In ACT's pillar 2 youth could have a central role in approaches to job creation applying CIF's Youth Engagement Strategy (YES).

To ensure CIF delivers on its gender and social inclusion commitments, each program/project proposed for CIF funding shall articulate the process used to identify, evaluate, and address drivers of vulnerability for women and excluded groups, and existing context-specific barriers and gaps in gender equality and social inclusion, with the aim of reducing these gaps and improving gender and social inclusion outcomes on the ground. Expected gender equality and social inclusion outcomes in the context of planned investments should be clearly identified in relation to sector-specific gender and social inclusion gaps and monitored using sex-disaggregated gender indicators included in the program/ project results framework.

Consultations for investment plans preparation under CIF ACT will include relevant women's organizations and diverse gender-related CSOs, private sector stakeholders working to promote gender inclusion, the ministry in charge of women's affairs, and gender focal points of relevant line ministries. Efforts to consult with CSOs representing interests of other groups that are likely to face barriers to inclusion in project-related activities, such as Indigenous People, youth, persons with disabilities are also encouraged. Joint mission teams for investment plan development will include gender expertise (e.g., a gender specialist) from concerned MDBs. Liaison with the country gender focal point of UNFCCC is also encouraged. Participatory, gender-inclusive monitoring and reporting scoring workshops, will include CSO representation, particularly of women's organizations, and will assess investment plan implementation regularly and during any investment plan revision processes.

All of the efforts to reach out and include women and other social groups in project design and implementation will be described in the project documents, and issues and concerns raised by them clearly reflected in gender and social inclusion analysis.

Overall, CIF projects should acknowledge the important role of women and traditionally marginalized and excluded groups during the project design phase and capture their concerns, views, and priorities; ensure their participation and leadership in coal transition planning and decision-making processes; and provide them equally accessible opportunities to engage with them as agents of change in ensuring just transitions out of coal.

The program will aim to foster women's climate leadership and effective participation in designing and informing coal-to-clean transition strategies and implementation plans through a dedicated mechanism. It will offer support for activities during both Investment Plan (IP) preparation phase as well as IP implementation phase covering the following areas: 1) direct grants; 2) capacity building; 3) designing and piloting access to finance, and 4) evidence generation and knowledge sharing.

ACT supported projects will be specific in their design on how women will effectively access and participate in targeted high-impact activities and access funds that aim at fostering women's climate leadership and effective participation in designing and informing coal-to-clean transition strategies and implementation plans.

Canada, as a donor to ACT, is likely to add a dedicated envelope on gender and equality to be implemented as part of the ACT.

Human Rights Based Approach

The ACT document does not use the term "Human Rights Based Approach" (HRBA) but the principles and concerns that comprise HRBA are fully captured in the commitment to a Just Transition that is integral to the ACT programme.

A "Just Transition for All" initiative puts people and communities at the center of the transition. The initiative works with stakeholders to create the plans, policies, and reforms needed to mitigate environmental impacts, support impacted people, and build a new clean energy future.

The ACT approach is based on lessons learned from MDBs and decades of transition experience. National, regional, and local authorities will be assisted to develop clear roadmaps focusing on governance structures, the welfare of people and communities, and the remediation and repurposing of former mining lands and coal-fired power plants. Each of the three pillars of ACT involves a set of plans, policies, and actions that together can mitigate the impact of coal mine closure on affected people and communities. Active stakeholder engagement at each phase of transition and within each focus area is crucial.

ACT is committed through CIF to ensure that target groups affected, particularly vulnerable and marginalized groups in the targeted areas, will be included and empowered in the decision-making processes that will affect their lives. ACT is committed, through the implementing MDBs, to support a Just Transition through socially inclusive processes that seek to identify and address the distributional impacts of the transition for coal industry workers and communities. This should include consideration of the potential positive and negative impacts of the transition to low-carbon and climate resilient economies, as well as the underlying causes of inequality, exclusion and injustice, needed to develop strategies for the mitigation of losses and the distribution of gains in the transition. In many cases, this will mean strategic investments at local level in re-skilling and private sector-lead initiatives with a special emphasis on the creation of green jobs, income generating activities and inclusive growth in communities affected by the phasing out of coal. If this is not adequately addressed, it can lead to popular and political resistance at local and national level against the CIF-investments and objectives.

The Just Transition part of phase-out of coal is key to ensure that people are not moved (further) into poverty. Coal industry workers, such as miners may have specialized industry-specific skills and/or depend on being located near such facilities and their poverty may be amplified if they lose their jobs. In supporting a Just Transition, ACT is, in line with “The World We Share”, committed to identify poor and isolated groups and will support socio-economic measures to minimize the impacts of transition on people and communities. This includes a focus on upskilling and re-skilling to help people retain their employment opportunities where feasible and prepare for new and decent jobs that benefit everyone and creates an opportunity for private sector development in local communities.

Under the project specific interventions, CIF will base itself on existing principles for consulting with actors in partner countries to participate in policy dialogues to ensure, transparency, non-discrimination and accountability. No rights holders are excluded from involvement in the program. Results from ACT will be made publicly available in English and other languages as necessary, through well-elaborated communication activities.

key documentation and sources used for the analysis:

<https://www.adb.org/sites/default/files/related/241521/Statement-MDBs-Just-Transition-High-Level-Principles.pdf>

<https://www.oecd.org/env/cc/2502872.pdf>

Accelerating Coal Transition Investment Program, Draft Design Document, Climate Investment Funds, February 2022.

5. Inclusive sustainable growth, climate change and environment

Each program/ project proposed for CIF financing shall demonstrate how it will contribute to achieving the objectives of the program by including, as applicable, an assessment of its contribution toward the following:

- Increased rate of renewable energy deployment, energy savings, sequestration based on a range of land-use activities among others.
- Reduction/avoidance of GHG emissions. Each program/project proposed for CIF funding will contain an assessment of direct CO₂-equivalent emissions savings over the lifetime of the proposed investment program/project. This indicator should be reported as direct vs. indirect reductions (per MDB-approved methodologies) with evidence provided. Emission reductions will be calculated by subtracting projected lifetime emissions of a CIF-financed intervention from the projected lifetime emissions of the business-as-usual program/project that would have otherwise been pursued. Each program/project interventions should seek to achieve the greatest GHG abatement opportunity available in the target context, providing a sizeable contribution towards the achievement of a country's climate goals, strategies, or plans and/or in rising ambitions.
- Contribution to technology development. CIF's will prioritize the deployment, diffusion, and transfer of low-emissions technologies that are at, or approaching, the "market take-off" phase and in sectors that make major contributions to GHG emissions. Each program/project proposed for CIF financing shall outline a given technology's stage of development and mitigation potential (tCO₂-equivalent/year) as well as on their ability to increase power system's flexibility, reliability, and resilience. CIF will not support technologies that are still in the research stage. CIF's concessional resources should be focused on technology deployment, which may include commercial demonstration of new low-emission technologies.
- Enhanced integration of climate-related risks (transition risk) considerations in project stakeholders' decision-making processes, including through enhanced climate-related financial disclosures.
- Prevention of increased import dependency on fossil fuels. Each program/project proposed for CIF funding will contain an assessment of the program's/project's implications on national, regional and local energy security. Lower dependency on electricity from coal-fired power plants domestically made possible through CIF funding will not lead to increased imports of electricity from coal combustion or other fossil fuels from abroad.

ADB is undertaking a regional-level Strategic Environmental and Social Assessment (SESA) scoping study for the ADB Emission Transition Mechanism, ETM (one of the base programs for CIF ACT implementation) which will address the issues specific to CFPP retirement and decommissioning across Southeast Asia, including in Indonesia. Also, an assessment of impact of coal retirement on local communities and just transition is ongoing for Indonesia and Philippines as part the ETM Feasibility Study and will inform national SESAs and additional JT planning. World Bank is conducting an environmental and social systems assessment for its Energy Transition activities. Environmental and social impact assessments (ESIA), as required, will be conducted on individual investments following respective MDB policies and procedures.

Relevant references include:

AfDB Environmental and Social Assessment Procedures (ESAP) Revised 2015

AfDB Second Climate Change Action Plan

Accelerating Coal Transition Investment Program, Draft Design Document, Climate Investment Funds, February 2022.

Strategic Environmental Assessment in Policy and Sector Reform: Conceptual Model and Operational Guidance, Washington, World Bank, 2011

Coal Plant Repurposing for Ageing Coal Fleets in Developing Countries, ESMAP, Technical Report 016/21 Regional: Opportunities to Accelerate Coal to Clean Power Transition in Selected Southeast Asian Developing Member Countries, Carbon Trust, Asian Development Bank, October 2021.

6. Capacity of public sector, public financial management and corruption

The main objective of the ACT Investment Program is to accelerate coal phase-out and emission reduction through the tackling of key barriers related to the coal- to-clean energy transition. ACT will invest to de-risk, pilot, and scale investments across three critical dimensions of the coal transition: governance, people and communities, and infrastructure. This includes efforts to enhance in-country capacity to manage energy transitions, repurpose or decommission coal assets, and create sustainable economic opportunities and social protection programs for coal-dependent communities. ACT is designed to provide a clear policy signal, identify and support relevant institutions, stakeholders, and decision-making structures, both at the local and regional levels, and ensure a well-coordinated implementation strategy across different ministries and agencies within the participating countries. This may include developing a transformation strategy, an economic and social development plan, and communication strategy, among others, as part of implementation of investment projects, through close consultation with key stakeholders.

Each country will prepare an Investment Plan in cooperation with the CIF's Multilateral Development Bank (MDB) partners, that fleshes out the government's proposals, identifies potential areas for MDB investment and technical assistance and includes the potential of mobilizing complementary co-financing, including from bilateral, multilateral, and private sources. Thus support to governance is an integral part of the program.

With regard to corruption, there are common principles and guidelines for investigations jointly endorsed by the African Development Bank Group, Asian Development Bank, and the World Bank Group. They include zero tolerance for corruption aligned with a broader commitment to combat corruption and improve governance as an operational priority. For example, AfDB has an Integrity and Anti-Corruption Department with an overriding mandate to carry out independent investigations into allegations of corruption, fraud and other sanctionable practices in Bank Group Financed Operations. AfDB's Integrity Strategy comprises proactive prevention through risk assessments, sensitization programs, due diligence, and other activities, mainstreaming integrity issues into Bank Group operations and activities, providing technical support to regional member countries in integrity issues and enhancing accountability, participation in international and regional integrity initiatives, and investigations, sanctions and other deterrence processes.

Key documentation and sources used for the analysis:

AfDB: policy on integrity and anti-corruption and policy on sanctionable practices
ADB Office of Anticorruption and Integrity: 2021 Annual Report, Institutional Document | April 2022

7. Matching with Danish strengths and interests, engaging Danish actors and seeking synergies

The ACT program matches with Danish strengths and interests in several ways:

- It aligns with the Danish policy and objectives within international development and climate policy, with global coal phase out, emission reduction and a just energy transition as clear priorities, in cooperation with other like-minded donors

- It constitutes additional support in areas (climate change mitigation, energy sector reform), in which Denmark is already engaged in bilateral and multilateral interventions, thus creating opportunities for synergy and cross-fertilization;
- It addresses areas of concern to Danish civil society and provides information and opportunities for them to enhance their reach;
- It will generate information and commercial opportunities for the Danish private sector to provide goods and services to countries participating in ACT.

These are elaborated more fully below.

International Development and Climate Policy

The ACT program has been developed to mobilize funds and accelerate the transition from coal to clean energy in developing countries and emerging economies. This is a major step in meeting the objectives of the Paris Agreement, which is a high priority of Denmark. ACT also incorporates an approach and a set of principles similar to those of Danish development approach and objectives as set out in “the World We Share” and “A Green and Sustainable World”. This approach and these objectives include the fight against poverty and inequality and promotion of democracy, sustainable development, peace and stability, which are integral parts of the mission and operating principles of all MDBs and are included in the purposes and objectives of ACT. Moreover, the How to notes, outlining the implementation approach to the development strategy “the World We Share” on Energy & Emission Reductions (priority theme 1) and on Job Creation & Sustainable Growth clearly underlines the need for an inclusive and just energy transition. ACT commits to the principles of a Just Energy Transition, which incorporates the diverse perspectives and concerns of affected people and considers the distributional impacts of change. This captures the core elements of the Human Rights Based Approach, also a key Danish development cooperation approach.

The proposal is also in line with the Government’s Priorities for Danish Development Cooperation 2018, The World 2030, where emphasis is put on reaching the Sustainable Development Goals inter alia through market development, creation of framework conditions and mobilisation of private funding. Priorities will be focused on energy related interventions in order to take further advantage of the Danish comparative advantage in this area and complement existing Danish collaboration at international level. Finally, it will also activate further synergies with the Danish bilateral assistance in emerging economies, namely the Strategic Sector Cooperation and Danish Energy Partnership Programmes.

Synergy and Compatibility with Other Interventions

Building on existing bilateral energy cooperation in three of ACT’s first batch of countries, South Africa, India and Indonesia, Denmark can develop powerful and synergistic interactions between the bilateral and multilateral arms of Danish investments and ensure a better alignment with Danish priorities (ref. above). In addition, in a joint process with the MDBs, Denmark will be well positioned to undertake a stronger climate diplomacy dialogue in the countries and facilitate the integration of ACT into the wider renewable energy agenda in these countries. A task force has been established to facilitate this during the formulation, and will be continued into implementation.

Denmark contributes to several other multilateral climate change and sustainable energy initiatives with which there is potential for synergy with ACT including:

- The World Bank Energy Sector Management Assistance Program (ESMAP), which supports the

improvement of the enabling environment and policy reforms, influences World Bank lending, and serves as a global knowledge hub under SE4ALL - and in this capacity is key to development of major tools such as the Energy Progress Report tracking of progress against SDG7 targets, the Regulatory Indicators for Sustainable Energy (RISE), the Multi-tier Framework for energy access, etc.

- The Sustainable Energy Fund for Africa (SEFA) is a multi-donor Special Fund managed by the African Development Bank. It provides catalytic finance to unlock private sector investments in renewable energy and energy efficiency. SEFA offers technical assistance and concessional finance instruments to remove market barriers, build a more robust pipeline of projects and improve the risk-return profile of individual investments. The Fund's overarching goal is to contribute to universal access to affordable, reliable, sustainable, and modern energy services for all in Africa, in line with the New Deal on Energy for Africa and Sustainable Development Goal 7. SEFA was established in 2011 in partnership with the government of Denmark, and has since received contributions from the governments of the United States, United Kingdom, Italy, Norway, Spain, Sweden, Nordic Development Fund and Germany.

- CIF Technical Assistance Facility for Clean Energy Investment Mobilisation (TAF) was established in 2019 with a contribution from Denmark. TAF supports MDBs in providing technical assistance and institutional capacity building to help developing countries attract investments and mobilise private capital for renewable power generation, energy efficiency and systems integration of renewable energy.

- The UNEP-Copenhagen Climate Centre, and its Copenhagen Centre on Energy Efficiency (CCEE), which is the global EE hub in the international energy architecture;

- The Climate Technology Centre and Network (CTCN) that is the operational arm of the UNFCCC Technology Mechanism and provides demand-driven support to countries in Africa and other parts of the world. See for example the regional Africa forum for NDE and TNA focal points.

- The International Energy Agency (IEA) that provides global and regional energy outlooks and scenarios and supports the energy transition in emerging economies with a specific focus on EE. IEA has signed an agreement with the African Union on a strategic partnership on sustainable energy for all goals in Sub-Saharan Africa.

- The International Renewable Energy Agency (IRENA) is an intergovernmental organisation that supports countries in their transition to a sustainable energy future, and serves as a repository of policy, technology, resource and financial knowledge on renewable energy. IRENA promotes the widespread adoption and sustainable use of all forms of renewable energy, including bioenergy, geothermal, hydropower, ocean, solar and wind energy in the pursuit of sustainable development, energy access, energy security and low-carbon economic growth and prosperity. IRENA is also advising on just energy transition

- OECD's Clean Energy Finance and Investment Mobilisation Programme which includes work in three of the ACT countries: India and Indonesia (through Danish contribution) and Philippines (through German contribution).

- The Nordic Development Fund (NDF), the joint development finance institution of the five Nordic countries. The objective of NDF is to facilitate climate change investments in low-income and lower-

middle-income countries for mitigation and adaptation activities. NDF finances in cooperation with bilateral and multilateral development institutions through co-financing. The Fund finances the Nordic Climate Facility and Energy and Environment Partnership Trust Fund (EEP Africa), which funds projects that have a potential to combat climate change and reduce poverty in low-income and lower-middle-income countries. NDF financing is provided mainly for technical assistance and for investments. Denmark also contributes the Nordic Environment Finance Corporation (NEFCO) that helps provide access to solar energy for up to 1 million people in Africa.

Interests of Danish Civil Society

In addition to reduction of carbon emissions, the Danish civil society interest in Just Energy transition, is to promote the JUST transition and social inclusion in a coal phase out. This is facilitated through their international sister organizations. As an example 3F has a particular interest in South Africa in their partnership with the National Union of Mineworkers through the 3F/DI consortium of the civil society partnership frame. The National Union of Mineworkers are specifically interested in learning from the Danish experience of a green transition and how this has generated green jobs. 3F can assist their partner by sharing experiences on how they can best position themselves to support a just transition away from coal and introducing renewable energy jobs.

Commercial Opportunities for the Private Sector

Opportunities for Danish exports of high-tech solutions and cutting-edge expertise will increase with investments in renewable energy in the ACT countries. This was already becoming apparent through the *India–Denmark Joint Statement during Official Visit of Prime Minister of India to Denmark 3-4 May 2022*, where the two leaders agreed to further strengthen their cooperation within the renewable energy sector, especially in cross-sectoral energy planning with a focus on green hydrogen, integration of renewable energy, energy storage and decarbonization. Vestas Wind Systems A/S a leading Danish manufacturer, seller, installer, and servicer of wind turbines is already active in several program countries.

The Danish grant support to ACT is untied and therefore not directly associated with Danish commercial interest. However, there are many potential opportunities for commercial and substantive engagement of the Danish resource base in RE and EE solutions in all four initial ACT countries. Danish strongholds and business potentials in energy technology and energy-related research and development are prominent within wind technology. Denmark is likewise relatively well positioned within EE in lighting, low-energy buildings, building materials and processes, as well as reduction of energy consumption in existing buildings. Denmark also has a stronghold position in e.g. smart grids and system integration of variable RE. Danish interests include more specifically to promote Danish experience and demonstration in the possibilities of decoupling economic growth from carbon emissions through a just transition.

A maturing market for renewable energy solutions is of interest for Denmark. Danish renewable energy developers (e.g. Ørsted and others) could have an interest in being invited to deliver renewable energy solutions and leverage finance from e.g. Danish pension funds. This has a potential of a spill-over effect on Danish products, especially those in the wind industry. Danish wind turbine and component manufacturers are world leading due to the Danish first mover advantage in the field and they are among the most competitive where tendering includes e.g. least climate footprint or the least lifecycle costs. The wind industry would therefore be particularly interested in potential tenders for wind (renewable energy) resulting from the ACT investment/repurposing pillar.

Governance aspects of ACT is also of interest to Danish industries and other organizations for the green industry in Denmark given the opportunity to demonstrate the economic benefits of the transition from coal to wind energy. Moreover, the Danish government could, in a joint process with Germany (having phased out coal mines) demonstrate a smooth and just transition from coal to clean energy.

Key documentation and sources used for the analysis:

'Evaluation of Denmark's Climate Change Funding to Developing Countries' Source: <http://danida-publikationer.dk/publikationer/publikationsdetaljer.aspx?PIId=d9527152-0b6c-4c6d-8a3fe39b47dfffab>]: UPR 04a CIF

<https://www.stm.dk/statsministeriet/publikationer/indisk-dansk-faelleserklaering-ifm-premierminister-modis-officielle-besoeg-i-danmark/>

<https://www.stm.dk/statsministeriet/publikationer/indisk-dansk-faelleserklaering-ifm-premierminister-modis-officielle-besoeg-i-danmark/>

Annex 2: Partner Assessment

Brief presentation of key partner features

The Climate Investment Fund (CIF), launched in 2008, is climate financing instrument established to help developing countries pilot low-emissions and climate-resilient development. CIF assists developing countries by financing investments in large-scale high impact programs aimed at initiating transformational change in policies, sectors and markets. It fills a significant financing gap in climate change financing arrangements.

CIF was chosen to host ACT for its mandate and role in climate financing. ACT was therefore established as an instrument under CIF with a Trust Fund under the Clean Technology Fund (CTF) that supports the demonstration and deployment of low carbon technologies in key high emission developing countries. CTF is governed by a Trust Fund Committee made up of equal numbers of contributing partners and the selected project countries. A range of civil society, indigenous and private sector stakeholders are included as observers.

The implementing agencies of CIF are six MDBs (the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, and the World Bank Group, including the International Finance Cooperation), and CIF is hosted by the World Bank. Denmark has contributed to CIF since its launch with a total of USD58.6 million.

Assessment of the participating MDBs (World Bank (IBRD) (2015-16), Asia Development Bank (ADB) (2017-18), Africa Development Bank (AfDB) (2015-16) and International Finance Corporation (IFC)) is carried out by MOPAN at regular intervals – year mentioned in parentheses⁴⁵. They are all assessed to be fit-for-purpose.

Summary of stakeholder analysis

Target beneficiary groups for CIF-ACT will be those identified in the partner countries by the implementing MDBs and will typically be public institutions, especially ministries related to climate change, including ministries of energy and minerals and ministries of environment. Other stakeholders will be power companies – public and private – other private sector actors, especially developers in the renewable energy sector, utilities, but also the general public being affected by closing of coal mines and coal fired power plants, e.g. a village primarily living from providing food supply and other amenities to the coal mines and their workers.

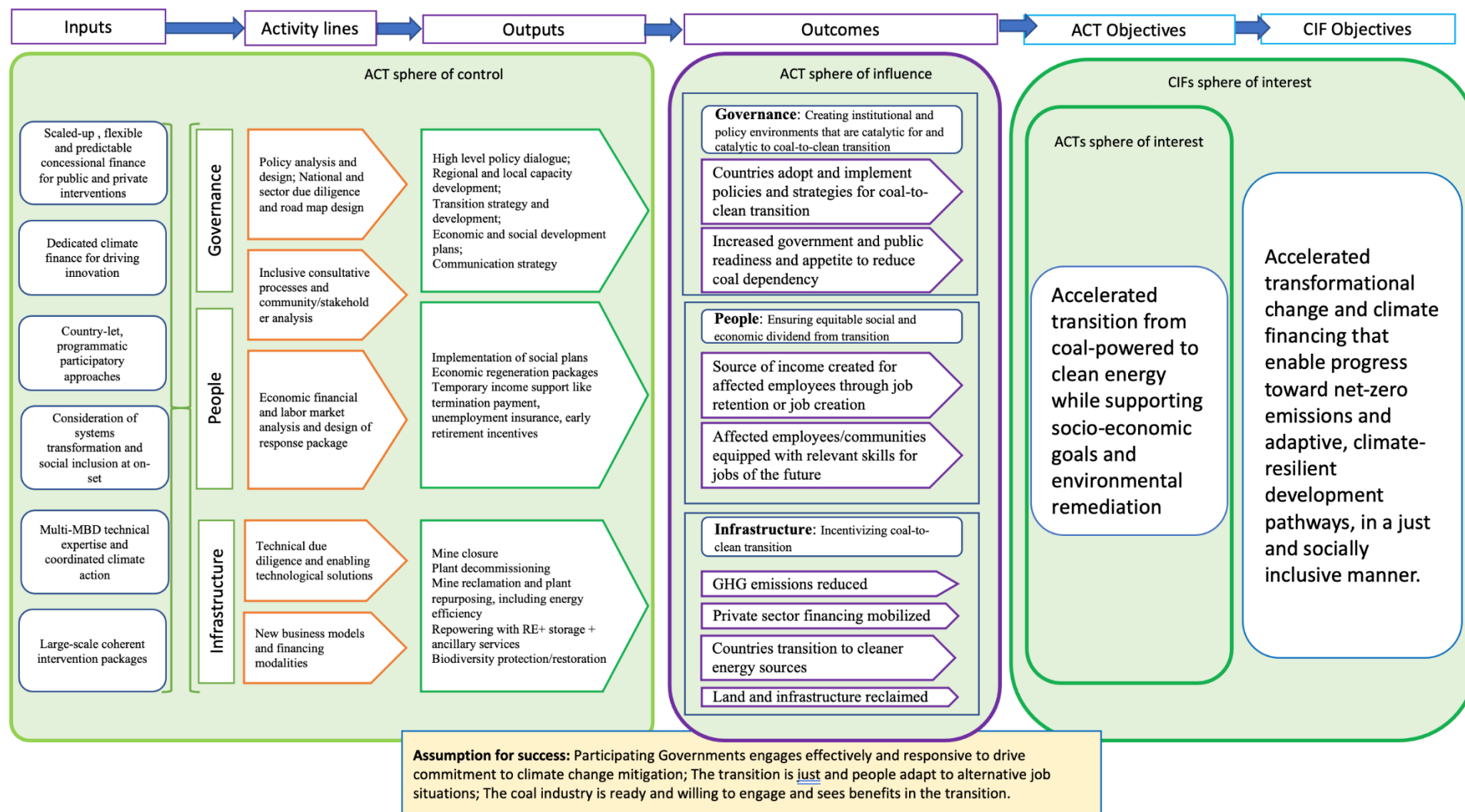
⁴⁵ <https://www.mopanonline.org/assessments/>

Name of Partner	Core business	Importance	Influence	Contribution	Capacity	Exit strategy
CIF	CIF's main goal is to achieve net-zero emission of greenhouse gases through investments in large-scale high impact programs aimed at initiating transformational change in policies, sectors and markets in developing countries. ACT specifically will aim at phasing out of coal through a just transition process using MDBs as project facilitators.	<p>Low to medium. Medium because ACT is a first mover in the selected countries in the phase out of coal and can be a catalyst to major investments in coal phase out. In addition, ACT projects will demonstrate the possibilities in phase out of coal through a just transition.</p> <p>Low, because the USD 2 billion currently available is marginal in a total phase out of coal, that requires more than a 100 times that in investments and other support (including the Just Energy Transition package to South</p>	<p>High.</p> <p>CIF-ACT is highly demand drive and implementation country led. Projects will be prioritized by the implementing countries and CIF-ACT will, in a joint process with the MDBs assist in prioritization of projects to be supported and supervise implementation.</p>	<p>CIFs main contribution will be catalytic, concessional financing of projects and provision of knowledge and lessons from other countries that will benefit implementation. As Trustee, World Bank is in charge of finance disbursements and oversee the MDBs project implementation.</p>	<p>Strength: Delivering results on poverty and sustainable development in line with its mandate and contributes strongly to the specific agenda on net-zero GHG emissions.</p> <p>Weakness: CIF activities are implemented through MDBs and, hence, relies on MDBs implementation abilities.</p> <p>Opportunities: Provide cross-country knowledge and learning to all implementing countries and can demonstrate Just Transition from</p>	<p>There is no intention of closing ACT over the coming funding period. Exit will eventually be decided by the CTF Trust Fund Committee</p>

		Africa with USD 8 billion) will come into play.			one country to another. Threat: CIF has no influence over governments willingness to phase out of coal.	
MDBs	Cover the broad range of investments in development assistance with the aim to end extreme poverty within a generation and boost shared prosperity.	High, because with ACT MDBs will be able to leverage additional finance support and are well respected in the identified partner countries.	High, MDBs have long experience in similar efforts across countries. Provides access to national and local governments and relevant country strategies, ensures country buy-in	MDBs will contribute with highly professional inputs from a broad range of specialist, spanning from finance specialists, energy specialists to social economic specialists	Strength: Strong professional ability Weakness: Impatient in participatory approaches and have focus on delivering results Opportunities: Provide cross-country knowledge and learning to all implementing countries and can demonstrate Just Transition from one country to another. Threat: Push on governments to make rapid changes may lead to delayed decision-making	All MDB projects will have an exit clause at the end of the supporting period

[Annex 3: Theory of Change, Scenario and Result Framework](#)

The ACT Theory of Change is displayed on the following page



Result framework for the Climate Investment Funds Accelerated Coal Transition Investment Program

Supra Project level	Climate Investment Fund (CIF)
CIF Impact Objective	Accelerated transformational change and climate financing that enable progress toward net-zero emissions and adaptive, climate-resilient development pathways, in a just and socially inclusive manner.
Impact Indicator (aggregating from ACT core indicators, below_	CIF 1. Mitigation: GHG emissions reduced or avoided (t CO2 eq) CIF 2. Adaptation: Strengthened climate resilience of land(ha), people (#), and physical assets (USD) through a CIF supported adaptation mechanism CIF 3. Beneficiaries: Number of women and men benefiting from CIF investments CIF 4. Co-Finance: Volume of co-finance leveraged (USD)
Baselines, as relate to ACT	CIF1: 0; CIF2: 0; CIF3: 0; CIF4: 0

Program level	Accelerated Coal Transition Investment Program
ACT Objective	Accelerate transition from coal-powered to clean energy while supporting socio-economic goals and environmental remediation.
Impact Indicator	ACT Impact Proxies: <ul style="list-style-type: none"> • Share of renewable energy generation in supported countries' energy systems (%) • National RISE Scores (ESMAP) • Job volume, job quality, job accessibility and job security indicators (e.g. The Good Jobs (TGE) KPIs, etc.)
Baseline	TBD as part of National Investment Plans

Pillar 1: Governance

Outcome A	Countries adopt and implement policies and strategies for coal-to-clean transition
Outcome indicator	ACT CORE 1: Policies: Number of policies, regulations, codes, or standards that have been amended or adopted (#)
Baseline	ACT CORE 1: 0
Target	TBD as part of individual project designs/targets
Outcome B	Increased government and public readiness and appetite to reduce coal dependence
Outcome indicator	ACT CORE 2. Readiness. Coal transition strategies adopted (#)
Baseline	ACT CORE 2: 0
Target	TBD as part of individual project designs/targets

Pillar 2: People

Outcome C	Sources of income created for affected employees through job retention or job creation
Outcome indicator	ACT CORE 3 (= CIF 3): Income security for employees of subset industries: Number and percentage of employees of retired coal plants/mines that have access to sustained income (#,%)
Baseline	0
Target	TBD as part of individual project designs/targets
Outcome D	Affected employees/communities equipped with relevant skills for jobs of the future

Outcome indicator	ACT Core 4. Social Plans and Economic Regeneration Packages: Number of direct beneficiaries of implemented social plans and economic regeneration activities (#)
Baseline	0
Target	TBD as part of individual project designs/targets

Pillar 3: Infrastructure

Outcome E	GHG emissions reduced
Outcome indicator	ACT CORE 5 (= CIF 1). Mitigation: GHG emissions reduced or avoided (t CO2 eq) – direct/indirect
Baseline	0
Target	TBD as part of individual project designs/targets
Outcome F	Private sector financing mobilized
Outcome indicator	ACT CORE 6 (= CIF 4). Co-Finance: Volume of co-finance leveraged (USD)
Baseline	0
Target	TBD as part of individual project designs/targets
Outcome G	Countries transition to cleaner energy sources
Outcome indicator	ACT CORE 7 Plant decommissioning: Capacity of existing coal power/heat generation assets accelerated for retirement (MW/GJ) ACT CORE 8 Repowering: Installed capacity of renewable energy (MW) ACT CORE 9 Coal Abatement: Amount of coal diverted (MT)
Baseline	ACT CORE 7: 0 ACT CORE 8: 0 ACT CORE 9: 0
Target	TBD as part of individual project designs/targets
Outcome H	Land and other infrastructure reclaimed
Outcome indicator	ACT CORE 10 Mine closure, reclamation: Mine area reclaimed and reforested/restored (Ha) ACT CORE 11 Plant closure, repurposing: Annual energy savings (GWh/yr)
Baseline	ACT CORE 10: 0 ACT CORE 11: 0
Target	TBD as part of individual project designs/targets

ACT Program level co-benefits

Outcome I	Social, Economic, and Environmental Development Co-Benefits
Outcome indicator	CO-BENEFIT 1. Pollutants Atmospheric Pollution: <ul style="list-style-type: none"> Decrease in PM2.5 concentration Terrestrial Pollution: Reduction in volume of contaminants discharged Health Benefits: Value of avoided health costs due to reductions in pollutants (USD) CO-BENEFIT 2. Just Transition: <ul style="list-style-type: none"> Social Inclusion and Distributional Impacts CO-BENEFIT 3. Enhanced Energy Access

	<ul style="list-style-type: none"> • National RISE Scores (ESMAP) • National MTF rates (ESMAP) /SE4All Global Tracking Framework (GTF) CO-BENEFIT 4. Gender- and vulnerable groups-specific co-benefits <ul style="list-style-type: none"> • Number of beneficiaries (#)
Baseline	CO-BENEFIT 1. TBD CO-BENEFIT 2. 0 CO-BENEFIT 3. TBD CO-BENEFIT 4. 0
Target	TBD as part of individual project designs/targets

Annex 4: Risk Matrix (Capturing the identified risks by the Danish team)

Contextual risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Severe fluctuations in global energy markets due to the current war in Ukraine	Likely	Major	Flexibility and step wise approach to program implementation	Represents the risk that a project is not implemented in a timely manner. Committing funds to projects which are not implemented in a timely manner leaves these funds unavailable for other projects which may have been promptly implemented, postponing the realization of the climate-related benefits which the funds were intended to achieve.	The Russian invasion of Ukraine has impelled countries to attempt to diversify their energy inputs and increase their energy security by re-evaluating domestic assets potentially including coal. The impact is increased uncertainty but impact in the short term may be negative – in the medium to long term can be positive.
Current and potential new emerging challenges in relation to COVID-19	Almost certain	Insignificant	Flexibility and step wise approach to program implementation	Represents the risk that a project is not implemented in a timely manner. Committing funds to projects which are not implemented in a timely manner leaves these funds unavailable for other projects which may have been promptly implemented, postponing the realization of the climate-related benefits which the funds were intended to achieve.	The Current COVID-19 situation has delayed implementation of projects including those in the RE sector, due to delays in production of certain elements in COVID-19 effected countries. The impact is increased uncertainty and potential delays but will have insignificant long-term effects.

Political and social instability in program country	Possible	Major	The implementing MDBs will carefully follow the political and social development of the countries and the selection of the countries have been based on stable political and social contexts.	Represents the risk that a project is not implemented in a timely manner. Committing funds to projects which are not implemented in a timely manner leaves these funds unavailable for other projects which may have been promptly implemented, postponing the realization of the climate-related benefits which the funds were intended to achieve.	The program targets recipients that are (or are domiciled in) developing countries, some of which possess characteristics (e.g. political and economic instability, lack of local level capacity and expertise, or above average exposure to external events such as hurricanes, pandemics and military conflict) which heighten the level of implementation risk associated with the program's projects.
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Programmatic risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Resistance to energy transition and disruption of status quo	Possible	Major	Careful assessment and design of just transition as is part of ACT	Protests and non-cooperation from involved institutions and stakeholders on the ground	Resistance from institutions and civil society due to interruption of supply chains and loss of assets and jobs
Capacity constraints at country level and willingness and ability to absorb support	Possible	Major/minor	Program design and program management	It is still possible that limited capacity will limit or delay implementation.	The program targets recipients that are (or are domiciled in) developing countries, some of which lack local level capacity and expertise which heightens the level of implementation risk associated with the program's projects. The current knowledge in opportunities to replace coal with renewable energy is limited. Developing the capacity of political decision makers and practitioners in long-term energy planning and integration of RE in the

					grid, as done by DEAs programs (e.g. DEPP) is important to understand benefits of the transition.
Just transition is not fully achieved i.e. the benefits of the program are not fairly distributed and the program will leave some poor or marginalized groups unjustly disadvantaged	Possible	Moderate	Program design with careful assessment and response to social impacts fully aligned with the principles of Just Transition.	The systems used to identify and compensate eligible stakeholders will unintentionally omit individuals or groups, and distribution of funds suffers from inefficiency or corruption.	The ACT design document leaves the MDBs to identify and add co-finance amongst others for social interventions that will ensure a just transition. Pillar 2 People and communities is designed to ensure that holistic approaches and socio economic measures are applied to address economic and social challenges faced by communities and gender (specific Canadian grant) most effected by the transition. However, support from CIF-ACT will be limited and funds are expected to be mobilized from MDBs own resource for wider activities such as social protection/ job creation activities.

Institutional risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Protests and political backlash associated with program activities from groups that feel they have been impacted but not compensated will lead to international negative attention from international NGOs	Possible	Moderate	Careful stakeholder analysis, assessment of needs and comprehensive and far-reaching communication strategy of the project's strategy to address needs prior to implementation	Even when mitigated, there may still be a residual dissatisfaction among certain groups or individuals.	There are complex supply chains, formal and informal, that are build up around the coal mines and the distribution networks communities. No matter how well designed the program is there will likely be some groups that feel they are impacted and not properly compensated. They may have contact with e.g. international workers unions
The scale of ACT insufficient to motivate	Unlikely	Major	Extensive consultation with	Other contributions to coal transition are more attractive,	The ACT support on its own is limited seen in the context of scale needed to

countries and MDBs to prioritize project implementation			MDBs and countries during the IP development to increase alignment with goals and, therefore, increase demand	larger in scale and with fewer “strings” attached	phase out coal. MDBs may not see sufficient opportunity to leverage funds from the support. Countries may find other agencies support larger in scale and with fewer conditions to access funds.
Beneficiaries of ACT funding promote solutions whereby undisbursed funds or reflows are invested in fossil fuels.	Unlikely	Minor	ACT recognizes the risk and adjust programming to ensure it is unlikely to materialize.	Recipients of funding that have some autonomy after consultation with stakeholders that will design small scale interventions that may involve some investment in fossil fuel technology, e.g. investment in local domestic heating systems.	The risk that the program and/or its stakeholders will be perceived either imprudent or unethical because they permit undisbursed funds or reflows to be invested in fossil fuels. The program could be discredited by the perception that it invests in companies whose primary business is perceived to aggravate the very problem which the program was designed to address (the impacts of climate change).

Annex 6: List of Supplementary Materials

Documents on the CIF ACT Investment Program:

- Program Document for CIF TFC approval:
https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/joint_ctf-scf_tfc.23_6_rev.2_cif_accelerating_coal_transition_investment_program_2.pdf
- Report from the Independent Expert Group on country selection:
https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/ctf_tfc.is_2_4_accelerating_coal_transition_act_investment_program_independent_expert_group_report_0.pdf
- Presentation from the Independent Expert Group:
https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/accelerating_coal_transition_act_investment_program-independent_expert_group_report_presentation.pdf
- ACCELERATING COAL TRANSITION INVESTMENT PROGRAM – CIF, Revised Design Document, February 24, 2022 (Word document – not publicly available)
- ACCELERATING COAL TRANSITION INVESTMENT PROGRAM -- Integrated Results Framework, CIF, Undated. (PDF document – not publicly available)
- CTF Pipeline Management and Cancellation Policy (2016)
https://www.climateinvestmentfunds.org/sites/default/files/meeting-documents/ctf_pipeline_management_and_cancellation_policy_final_revised_0.pdf
- Meeting of the CTF and SCF Trust Fund Committees Washington D.C. (Virtual) Tuesday, November 17, 2020; CIF Pipeline Management and Cancellation Policy
https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/joint_ctf-scf_tfc.23_4_cif_pipeline_management_and_cancellation_policy.pdf
- Joint Meeting of the CTF and SCF Trust Fund Committees Washington D.C. (Virtual) Tuesday, January 25, 2022 – Wednesday January 26, 2022 SUPPLEMENTAL BUDGET REQUEST FOR CIF
https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/joint_ctf_scf_tfc_25_5_supplemental_budget_request_for_cif.pdf
- Supporting Just Transitions in South Africa:
https://www.climateinvestmentfunds.org/sites/cif_enc/files/knowledge-documents/supporting_just_transitions_in_south_africa.pdf

Relevant documents on CIF (Climate Investments Fund)

- CIF Brochure 2021: https://www.climateinvestmentfunds.org/sites/cif_enc/files/knowledge-documents/cif_brochure_2021.pdf
- CTF Governance Framework (2008, amended 2014, planned to be amended in 2022):
https://www.climateinvestmentfunds.org/sites/default/files/meeting-documents/ctf_governance_framework_revised_2014_0.pdf

Other useful documents:

- Department of Energy – Integrated Resources Plan (2019):
<http://www.energy.gov.za/IRP/2019/IRP-2019.pdf>
- Net Zero by 2050; A Roadmap for the Global Energy Sector. IEAs Flagship report — May 2021
<https://www.iea.org/reports/net-zero-by-2050>
- IPCC Mitigation Pathways Compatible with 1.5°C in the Context of Sustainable Development, 2018
https://www.ipcc.ch/site/assets/uploads/sites/2/2019/02/SR15_Chapter2_Low_Res.pdf
-

Annex 7: Plan for Communication of Results

What? (the message)	When? (the timing)	How? (the mechanism)	Audience(s)	Responsible
Findings and lessons learned; sharing of best practices, cross fertilization of ideas etc. on how to best accelerate transition away from coal	Whenever an opportunity arises through special, targeted initiatives and events at international level and as part of ACT annual report and	In publications, international events and posted on CIF and ACT web-pages as well as on participating partners (MDBs and country partners) web pages	All countries with the aim to transition away from coal in their energy mix; to other development partners; international and national investors and the general public, academia, private sector enterprises	CIFs communication unit.
Success stories emerging from the cooperation between ACT and Danish supported initiatives through e.g. SSC	Whenever an opportunity arises and through presentations and events in international events and relevant events in ACT countries with Danish representation	In publications and web-based communications.	To other development partners; international and national investors and the general public, academia, private sector enterprises	MCEU, DEA and MFA
Development of key strategic messages to promote a the phase out of coal	At the on-set of the program	Danish MFA communication web-pages and at embassy web-pages in relevant ACT countries	Danish tax payers; other development partners and cooperation partners and decision makers in target countries.	MFA relevant departments and Danish embassies in ACT countries.

Annex 8: Process Action Plan for Implementation

Version of 20. May, 2022

Action/product	Deadlines	Responsible/involved units	Comment/status
Formulation, quality assurance and approval			
Drafting Project document w. annexes	April -- May	Consultant	Summary conclusions from the Program Committee taken into account.
Draft Project Document ready for comments by Task Force	20 May, 2022	Consultant	
Meeting in Task Force to discuss and make comments to Draft Project Document	Week 21	GDK	
Project Document ready for Appraisal responding to comments from Task Force	1 June, 2022	Consultant	
Quality assurance: Appraisal	June	ELQ	
Appraisal	June/July	ELQ	
Draft appraisal report integrating comments from responsible unit and partner	August	ELQ	
Preparation of Final Project Document, responding to comments from Appraisal	August, 2022	Consultant	
Final Project Document, annexes and appropriation cover note forwarded to ELQ	5/9 (confirmation of agenda item 11/8)	GDK	
Presentation to the Council for Development Policy	22/9	GDK	
The minister approves the project		ELQ submits the proposed project/program together with the minutes of meeting	After Council for Development Policy meeting
Document for Finance Committee (Aktstykke) and presentation to the Parliamentary Finance Committee, if applicable	After the Minister's approval		
Initial actions following the Minister's approval			
ELQ facilitates that grant proposals are published on Danida Transparency after the Minister's approval		ELQ	

Signing of Government-to-government agreement(s) and/or other legally binding agreements (commitments) with partner(s)	After the Minister's approval	Responsible unit	
Register commitment(s) in MFA's financial systems within the planned quarter	After agreement(s) are signed	Responsible unit	

Annex 9: Quality Assurance Checklist

ANNEX 4: SUMMARY OF RECOMMENDATIONS

Title of Project	Danish Support to the Climate Investment Funds' Accelerating Coal Transition (ACT) Program
File number/F2 reference	2022-20005
Appraisal report date	Final 5th September
Council for Development Policy meeting date	22 September
Summary of possible recommendations not followed (to be filled in by the responsible unit)	
Overall conclusions of the appraisal <p>Through its grant to the ACT, Denmark will contribute to the critically important process to transit from coal-based energy to renewable energy and energy saving to reach the climate goal of reducing GHG emissions, and to the SDGs on energy, climate, poverty reduction, employment, and job creation, as well as preservation of the environment and health. Furthermore, supporting ACT will enable Denmark to strengthen its climate diplomacy through i) being part of the group coordinating the Just Energy Transition Partnership, JETP (i.e., the International Partners Group, IPG); ii) being a member of the Climate Investment Funds Clean Technology Fund (CTF) Trust Fund Committee; and iii) in-country dialogues and positioning Danish sector cooperation programmes in the first target countries of South Africa, India, and Indonesia.</p> <p>The contribution to ACT is well aligned with Denmark strategic priorities as formulated in "The World We Share" and "A Green and Sustainable World".</p> <p>The ACT programme gives high priority to social protection and employments issues (25 % of budget) as a basis for the transition process and is supported by the highest level of Government and is a country led process. Still, the political economy of the transition process is highly complex.</p> <p>Overall, the AT assesses that ACT is a relevant partner of choice as it includes the major MDBs, has leverage to lead the ACT programme and is also linked to/synergetic with the JET-P, key national stakeholders, and major donors within G7. A key argument in the AT's view is also that although it can be a long process to prepare investments with several "layers", a strong advantage of ACT is its ability to facilitate more effective coordination and dialogue among MDBs for alignment, and it can with weight engage in broader national/G7 processes – in this regard no real alternatives exist. The ACT is thus considered as highly relevant and strategic, although the contribution is not without risks in relation to the longer-term transition process.</p> <p>The overall conclusion of the appraisal is that the proposed project is <i>recommended for approval with adjustments</i> taking the recommendations of this report into consideration:</p>	
Recommendations by the appraisal team	Follow up by the responsible unit

<p>While Denmark has supported CIF for many years, most recently through a grant in 2018, few lessons learned from earlier support are presented in the draft PD.</p> <p>Recommendation 1: <i>Further reflect the lessons learned from working with CIF. Although ACT is a new programme, Denmark is a longstanding supporter of CIF, and some results and lessons learned from working with CIF must be expected. Also, some reference to the MDBs' experience in relevant areas of coal transition could be relevant.</i></p>	<p>Agreed: Lessons Learned has been elaborated further both with regard to CIF and the MDBs</p>
<p>The draft PD has not yet been shared with the CIF AU as part of the formulation process.</p> <p>Recommendation 2: <i>Consider sending the revised draft version of the PD to CIF AU for comments. As the PD will be part of the legal Agreement for Danish support to CIF, the AT recommends that the implementing partner should have the opportunity to comment on the draft PD and as such be engaged in the final steps of the formulation.</i></p>	<p>Agreed. The draft PD has been shared with the CIF Administrative Unit for comments</p>
<p>The proposed support of DKK 100 million - although sizeable in the context of Danish development cooperation - is relatively small in a large programme, but more could also be said in the PD about where when and how there are opportunities for Danish influence.</p> <p>Recommendation 3: <i>Further clarify the opportunities and mechanisms for Danish influence in ACT governance and in the formulation, approval, and implementation of country IPs.</i></p>	<p>Agreed. The description of opportunities of influence has been further highlighted</p>
<p>The theory of change (ToC) described in the draft PD is built on the ACT ToC graphic presented in its design document. While maintaining the CIF ACT ToC, the PD would also benefit from presenting the Danish perspective on drivers, assumptions, and risks.</p> <p>Recommendation 4: <i>Strengthen the Theory of Change section in the PD, providing the Danish perspectives on drivers, assumptions, and risks, which Denmark will in particular follow/pay attention to.</i></p>	<p>Partly agreed: The narrative is a presentation of the CIF ACT ToC. It is underlined that Denmark will have specific perspectives during the implementation of CIF ACT.</p>

<p>While the draft PD mentions that reviews can be carried out upon request from the CTF Trust Fund Committee, the AT finds it relevant to strengthen this provision and ensure that funding administered by the MFA is available for Danish participation in a joint review.</p> <p>Recommendation 5: <i>As ACT is a new programme and to provide the basis for potential future Danish contribution, it is recommended to work for a joint Mid-Term Review (MTR) with sufficient budget allocated to it.</i></p>	<p>Agreed: The PD states that Denmark will work for and participate in a potential Joint Mid Term Review.</p>
<p>The overall approach to monitoring and reporting is solid, relying on the MDBs' own project level monitoring and reporting. However, the PD would gain from further clarifying how the different reporting systems will be coordinated within CIF to ensure they enable steering and adjustments during ACT implementation – in particular in the areas where results are most challenging to capture.</p> <p>Recommendation 6: <i>Further describe CIF internal mechanisms to coordinate the monitoring and reporting and ensure these can be used for steering ACT implementation, especially with regards to the areas where changes are the most challenging to capture, i.e., equity and the Pillar 2 on people and communities.</i></p>	<p>Agreed. The description of the monitoring and reporting has been elaborated</p>
<p>At this stage a detailed budget for the ACT programme has not been prepared and annual budgets for approval by the Trust Fund Committee will reflect the country IPs once finalized. As such, the draft PD, at this stage, cannot include a detailed budget and/or budget scenarios.</p> <p>Recommendation 7: <i>Considering that a detailed budget cannot be established before the finalisation of country IPs, replace the draft PD's supplemental budget for 2022 by information about the ACT budgeting processes, criteria and ceilings as well as further information regarding tentative country budget allocations and MDBs financial commitment to ACT Pillar 2 to advance the "Just" part of the coal transition, also outside the energy sector.</i></p>	<p>Agreed. The budget section is providing more details along the lines of the recommendation</p>

<p>Risks will be measured against the Clean Technology Fund (CTF's) Risk Appetite Statement. The AT acknowledges that it is not possible to include a full risk assessment for CIF ACT at this stage, as risk assessment will be part of the preparation of each country IP, currently under development.</p> <p>Recommendation 8: <i>Include a more detailed assessment and description of CIF/CTF's risk management system and main elements of CTF's Risk Appetite Statement. Further describe how and where/when Denmark can influence assessments and decisions around risk acceptability and mitigation.</i></p>	<p>Agreed. More details on risk management and the entry point of donor influence is provided</p>
<p>The draft PD states that <i>"Even with an accelerated approach to transition away from coal, it is anticipated that support to this program is required further into the future than the current Danish support to CIF-ACT"</i>.</p> <p>Recommendation 9: <i>As the coal transition is a longer endeavour and further Danish support could be relevant, the PD should elaborate on considerations concerning the expected duration of Denmark's support to ACT. This may include reflections on ACT's future relevance to Danish priorities if additional countries may be included that are not Danish priority countries.</i></p>	<p>Partly agreed. At this stage it is somewhat premature to determine the duration of support, but in agreement that it is necessary in due time to determine further support beyond the first four countries.</p>

I hereby confirm that the appraisal team has identified the above-mentioned issues and provided the corresponding recommendations as stated above to be addressed properly in the follow-up to the appraisal.

Signed in Copenhagen on the 1st September 2022


Appraisal Team leader/ELK representative

I hereby confirm that the responsible unit has undertaken the follow-up activities as stated above. In cases where appraisal recommendations have not been accepted, reasons for this are given either in the table or in the notes enclosed.

Signed in on the 1. september 2022

Head of Unit/GDK

