

# CLIMATE INVESTMENT FUNDS

PPCR/SC.19/5  
December 5, 2016

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Meeting of the PPCR Sub-Committee  
Washington D.C.  
Thursday, December 8, 2016

Agenda 5

**PIPELINE MANAGEMENT POLICY FOR SCF PROGRAMS  
(PPCR)**

## **PROPOSED DECISION**

The PPCR Sub-Committee reviewed document, PPCR/SC.19/5, *Pipeline Management policy for SCF Programs*, and approves the proposal for effectively managing the pipeline under the Pilot Program for Climate Resilience.

## 1. Introduction

1. At its meeting in June 2016, the SCF Sub-Committees expressed concern over slow progress in the implementation of investment plans, projects and related disbursements and requested the CIF Administrative Unit to include detailed information on the reasons for such slow progress in subsequent semi-annual operational reports.
2. The Sub-Committees encouraged the Multilateral Development Banks (MDBs) and the SCF pilot countries to take all possible measures to expedite the implementation of projects and the disbursement of funds. In this context, the SCF Sub-Committees requested the CIF Administrative Unit, working with MDBs and the Trustee, to prepare a pipeline management and cancellation policy for the SCF Programs, taking into account the nature of the SCF projects and programs.
3. This policy paper is prepared in response to the Sub-Committee's request and proposes a number of measures for SCF pipeline management, and cancellation of resources. This document will apply to all three SCF Programs in order to ensure a harmonized policy and operational framework across SCF. Program-specific details that reflect the unique nature and requirements of each SCF program are provided as Annexes.

## 2. Background and Context

4. Under the three targeted programs of the Strategic Climate Fund (SCF) – Forest Investment Program (FIP), Pilot Program for Climate Resilience (PPCR) and Scaling-up Renewable Energy Program in Low-Income Countries (SREP) - Investment Plans<sup>1</sup> are submitted by governments, with the assistance of MDBs working in the country, and endorsed by the appropriate Sub-Committee as a basis for the further development of proposals. Project and program proposals are submitted to the CIF Sub-Committee for approval of CIF funding at the pre-appraisal stage.
5. The Sub-Committees for FIP, PPCR and SREP have agreed on principles for the allocation of resources to the selected pilot countries taking into account, among other things, the pledges per targeted program. The allocation of resources to the initial round<sup>2</sup> of pilot countries is expressed through a range with an upper and lower ceiling, recognizing that actual funding decisions are to be made on the basis of project and program proposals. The Sub-Committees have underscored that the quality of the proposed activities will be a significant factor in the funding to be approved when project proposals are submitted for approval of SCF funding.

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<sup>1</sup> Investment Plans for FIP and SREP; Strategic Programs for Climate Resilience (SPCR) for PPCR

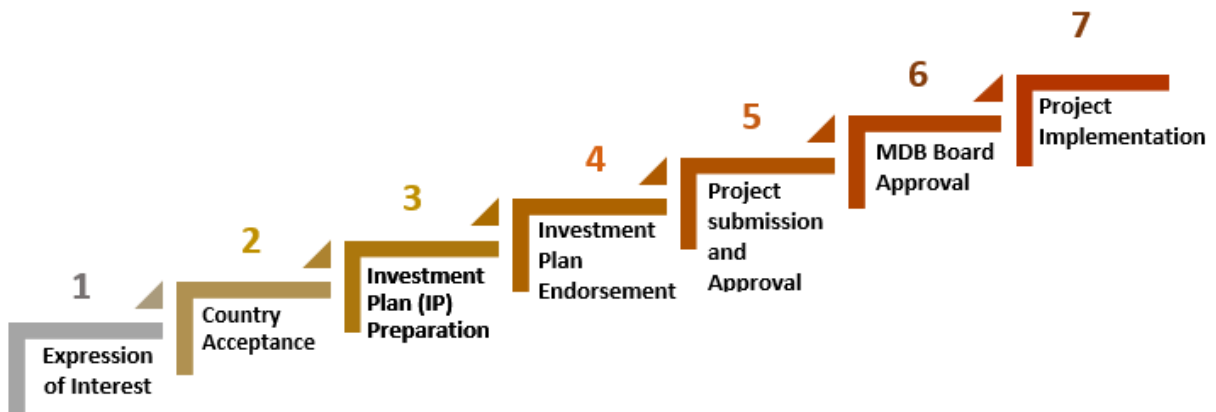
<sup>2</sup> Some of the recently selected pilot countries into the SCF programs will not have guaranteed funding

6. As investment plans continue to be prepared, with resource constraints, it is timely to agree upon a strategy for actively managing the project and program pipeline in a manner that maximizes the efficient and effective use of available resources over time.
7. In November 2011, the SCF Trust Fund Committee approved a pipeline management policy for targeted programs under the SCF<sup>3</sup>. The document defined a strategy for actively managing the project and program pipeline in a manner that maximizes the efficient and effective use of available resources over time. The policy document further outlined the approach and principles that have defined SCF pipeline management. The pipeline management system proposed in the existing document has served as a tool in ensuring that projects and programs submitted to the Sub-Committees for approval of SCF funding do not exceed available resources in the Trust Fund. The tool also serves as a tracking platform not only for pledges but also for allocation updates and pipeline related information including analyses.
8. This updated policy paper will provide a framework for the implementation of the existing SCF policy, and to enhance pipeline management and prioritization of the SCF portfolio. This will contribute to the effective and efficient oversight of the SCF programs by providing the Sub-Committee members and country teams responsible for preparing investment frameworks, with predictability and confidence in the management of the funds.

### 3. CIF Programming Cycle

9. The programming cycle of SCF programs broadly comprise the stages depicted in Figure 1 below:

**Figure 1: MDB Supported CIF Programming Cycle**



<sup>3</sup> [Pipeline Management of the Targeted Programs under the Strategic Climate Fund.](#)

10. The proposed procedures for pipeline management targets the periods between:
  - Country acceptance into the CIF and endorsement of an Investment Plan (Stages 2 to 4);
  - IP endorsement and funding approval (Stages 4 to 5); and
  - Funding approval by the Sub-Committee and MDB Board Approval (Stages 5 to 6).
11. Following MDB Board Approval of a project, the MDB's own cancellation policies will be applied during project implementation. Changes to the investment plan deemed to be strategic by the country or MDBs should be presented to the SCF Sub-Committees for review and endorsement in line with the procedures outlined in the document *Pipeline Management of the Targeted Programs under the Strategic Climate Fund* as restated in Section 5 below. Progress on development of IPs and projects will be reported in the CIF periodic operational reports.

#### **4. Elements for Pipeline Management in the SCF**

12. In this section, details of the proposed pipeline management for identified stages will be presented. The pipeline management procedures prior to endorsement of investment plans focus primarily on the public sector.

##### **4.1 Pipeline management Prior to Endorsement of Investment Plans**

13. The following procedures are proposed to define pipeline management procedures prior to endorsement of investment plans:
  - New pilot countries accepted into the SCF programs should submit their investment plans for endorsement within a 24-month (2-year) timeframe from the date of acceptance into the SCF, or as directed by the Sub-Committee.
  - Should any of the pilot countries be unable to submit their Investment Plan (IP)<sup>4</sup> for endorsement within the two year period, these countries may request an extension using templates included in this document. This will be presented to the relevant SCF Sub-Committee who will determine if an extension can be granted and if so, for what timeframe.

##### **4.2 Pipeline management after IP endorsement**

14. The CIF Administrative Unit, and the relevant MDB Committees, will continue to prepare a project submission calendar for all the projects in the pipeline, to be presented to the relevant Sub-Committees through the CIF operational reports.

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<sup>4</sup> Investment Plans for FIP and SREP; Strategic Programs for Climate Resilience (SPCR) for PPCR

15. Project and program readiness will continue to be considered as the primary criterion for the commitment of SCF resources to IPs. Resources should only be committed for projects or programs that are ready to move forward to final approval and implementation so that SCF resources are effectively and efficiently used for on-the-ground activities. Hence, programming projections should be as realistic as possible with regard to the timing of project or program processing and should include information on the expected timeline for committing resources. Private sector programs encompassing an envelope of funding for a number of projects should be presented to the respective Sub-Committee for approval only when projects utilizing at least one third of the program's resources have been identified and are mandate-ready. Public sector projects and programs will be presented to the respective Sub-Committees for approval before appraisal and negotiations of the investment terms.
16. For projects and programs entering the SCF program pipelines following the endorsement of the investment plans<sup>5</sup>, the following timeframes and measures are proposed to enhance pipeline management:
  - Projects and programs must be submitted to the relevant Sub-Committee for funding approval within 24 months of IP or concept endorsement. Alternative submission timeline (in months) may be proposed for specific projects in the endorsed Investment Plan, with a justification for a longer timeframe. Upon endorsement of the IP the approved timelines will apply.
  - This policy will take effect on January 1, 2017. For existing projects and programs that have already exceeded the 24 month deadline, this policy will take effect on September 30th, 2017.
  - In exceptional circumstances, the MDBs, in conjunction with the countries may submit to the relevant Sub-Committee a request for an extension of the deadline for approval.
  - Projects and programs for which an application for extension is not requested, or whose application is declined by the Sub-Committee will be dropped from the pipeline, as outlined in Section 6.

### **4.3 Pipeline management after Sub-Committee approval**

17. Following Sub-Committee approval, projects advance to the next stage of the CIF programming cycle and obtain MDB Board approval. The proposed procedures to manage the pipeline of SCF programs at this stage are:
  - Unless project proposals approved by the relevant Sub-Committee specify different timeframes, MDB Board approval must be obtained within 9 months after Sub-Committee approval for public sector projects. For private sector stand-alone projects or programs (i.e., without sub-projects), 24 months to reach MDB Board

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<sup>5</sup> Or endorsement of concepts for dedicated private sector windows such as the Private Sector Set-Asides (PSSA),

approval. For private sector programs with sub-projects, 36 months to reach MDB board approval for all sub-projects.

- This policy will take effect on January 1, 2017. For existing projects and programs that have already exceeded the applicable deadline, this policy will take effect on September 30<sup>th</sup>, 2017.
- MDBs may submit a request for an extension of the deadline for funding approval by the MDB to the relevant Sub-Committee.
- If a project fails to meet the above applicable timeframe, the project funds will be released.

## **5. Managing Pipeline Changes – IP Update and Changes**

18. The proposed procedure for managing pipeline changes, are restated from the Pipeline Management of the Targeted Programs under the Strategic Climate Fund<sup>6</sup>, approved in November, 2011.
19. Based on experience gained in managing the CIF pipeline, it is apparent that project development and expectations are constantly evolving for many reasons. In some cases, modifications to the original investment plans endorsed by the Sub-Committee may be proposed. In other cases, project and program development may be delayed. Some projects or programs originally identified in an investment plan may be dropped or cancelled due to changes, among other things, in country priorities, financing structure of the project, or new information that becomes available.
20. Any investment plan should be considered a dynamic document, with the flexibility to consider changing circumstances and new opportunities. Experience from the CIF programming process has shown that there is need for a transparent communication to the Trust Fund Committee and/or Sub-Committees in the event of changes in the sector selected, or requested increases in the resource envelope. The proposal below regarding updating investment plans and managing pipeline changes builds on the experience from the CTF pipeline management approach.
21. It is proposed that any change to the investment plan deemed to be strategic by the country or the MDBs should be presented to the relevant Sub-Committee for review and endorsement. In particular, guidance and endorsement from the Sub-Committee will be sought, through a decision by mail, for the following types of change to an investment plan:

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<sup>6</sup> Pipeline Management of the Targeted Programs under the Strategic Climate Fund

- a) increasing the resource envelope for the investment plan;
  - b) adding, dropping, or shifting resources between
    - *PPCR*: specific sectors or sub-sectors by more than 15 percent of the funding envelope of the investment plan or by more than US\$10 million;
    - *FIP*: drivers of deforestation and forest degradation by more than 15 percent of the funding envelope of the investment plan or by more than US\$ 8 million;
    - *SREP*: projects that adopt different renewable energy technologies by more than 15 percent of the funding envelope of the investment plan or by more than US\$ 5 million;
  - c) shifting resources between the private and the public sector.<sup>7</sup>
22. Any other amendments to the investment plans will be notified to the relevant Sub-Committee through the semi-annual update of the SCF pipeline, which will include information on the status of each of the projects and programs in the pipeline.
23. When the proposed changes to an investment plan require endorsement by the relevant Sub-Committee, a request to the Sub-Committee should be submitted to the CIF Administrative Unit for review. Such a request should include the following:
- a) review of the status of the implementation of the original investment plan;
  - b) explanation of the circumstances and rationale for revising the investment plan and making changes to the projects or programs included;
  - c) description of the proposed changes; and
  - d) assessment of the potential impact of the proposed changes on achieving the objectives and targets of the original investment plan.
24. The Sub-Committee will review the revised investment plan and consider whether or not to endorse the proposed changes. If the proposed changes are endorsed by the Sub-Committee, the pipeline will be updated accordingly. For new projects introduced in the revised investment plan, the pipeline management timelines will restart for only the applicable projects that underwent changes.
25. If the proposed changes are not endorsed, the Sub-Committee may propose an alternative way forward in consultation with the concerned country and MDBs. Such proposals will indicate whether the projects and programs concerned will be removed from the pipeline, whether the associated resources will be released from the funding allocation to the investment plan, and, in the case of funding being released, how the released resources may be used.

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<sup>7</sup> Projects implemented by the private sector arms of the MDBs are classified as private sector projects, whereas those implemented by the public sector arms of the MDBs are classified as public sector projects. It is recognized that projects implemented by the public sector arms of the MDBs may also engage the private sector through on-lending and/or other schemes.



## 6. Procedures for Implementation of the Pipeline Management Policy

26. To facilitate the procedure for application of this policy, the following is proposed:

- The MDB Committees and the CIF AU will conduct periodic review of the pipeline to ensure that resources are only being committed for projects or programs that are ready to move forward to final approval and implementation so that SCF resources are effectively and efficiently used for on-the-ground activities, in line with the readiness criteria.
- A notification system will be initiated by the CIF AU to advise the pilot country involved, MDBs and the Sub-Committee six months in advance of an impending deadline;
- An extension of a deadline may be requested by the pilot country and MDB using the templates provided as Attachments A-D.
- Applications for extension should specify the reasons for delay and describe next steps to ensure approval by the proposed date.
- Special consideration may be given to force majeure cases, such as extreme events, due to the risks faced by countries and MDBs in the programmatic approach.
- This extension must be submitted to the Sub-Committee through the CIF Admin Unit for consideration via e-mail no later than three months before the deadline.
- The Sub-Committee can take a decision by email or may decide to defer the discussion to the next Sub-Committee meeting.
- Options for the Sub-Committee include:
  - a) Provide an extension to the submission deadline in line with an acceptable action plan, where necessary, including the provision for additional progress updates to the Sub-Committee.
  - b) Where extension to the submission deadline is not granted, the Sub-Committee may propose an alternative way forward in consultation with the concerned country and MDB. Such proposals will indicate whether the project concerned will be removed from the pipeline and how any funds released may be used.
- With the approval of this SCF Pipeline Management Policy, the Trustee will be authorized to de-commit the cancelled or dropped resources based upon the information provided to the Trustee by the MDBs pursuant to this policy<sup>8</sup>.
- When the process for preparing an IP or a project is suspended, in recognition that funds may have already been committed by the Trustee for IP or project preparation, and that work has been carried out, there will be no attempt to recover any amounts related to IP Preparation Grants, Project Preparation Grants, or country programming budget. In practice, it is acknowledged that these funds will have been used to improve stakeholder engagement and support the country's climate goals.

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<sup>8</sup> Unless the IP preparation grant or Project Preparation Grant has already been approved by the respective MDB, in which case MDB cancellation policies will apply.

## **Annex 1: PPCR-Specific Guidance on Pipeline Management and Cancellation of Resources**

### **I. Background and Context**

1. PPCR was developed to support countries in shaping their adaptation strategies and planning processes; strengthen institutional and stakeholder capacity to effectively mainstream climate resilience into development planning; and pilot innovative public and private sector adaptation investments. Even as the climate finance landscape has evolved, the PPCR remains the only funding mechanism that both encourages and provides the significant resources needed to help countries develop and implement a programmatic approach through both planning and investments. By design, the investments identified in the SPCRs are often complex and require broader stakeholder engagement needing appropriate preparation time for developing appropriate approaches and consensus. As such, the timeline for the development of quality SPCRs and corresponding project investments must be considered within this context.
2. The first group of PPCR pilot countries and regional programs have completed their SPCRs and are currently at different stages of project preparation and implementation. In May 2015, the PPCR Subcommittee, based on the recommendation of the PPCR Expert Group on the selection of new pilot countries, approved the selection of additional 10 countries to prepare SPCRs. These were: Bhutan, Ethiopia, The Gambia, Honduras, Kyrgyz Republic, Madagascar, Malawi, Philippines, Rwanda, and Uganda.
3. At its meeting in June 2016, the PPCR Sub-Committee expressed concern over the slow progress in the implementation of SPCRs, projects and related disbursements and requested the CIF Administrative Unit to include detailed information on the reasons for such delays in subsequent semi-annual operational reports. During the meeting, the Sub-Committee encouraged Multilateral Development Banks (MDBs) and the PPCR pilot countries to take all possible measures to expedite the implementation of projects and the disbursement of funds. In this context, the Sub-Committee requested the CIF Administrative Unit, working with MDBs and the Trustee, to prepare a cancellation policy for the PPCR, taking into account the nature of PPCR projects.<sup>9</sup>

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<sup>9</sup> [https://www-cif.climateinvestmentfunds.org/sites/default/files/events/files/ppcr\\_co\\_chairs\\_summary\\_june\\_2016.pdf](https://www-cif.climateinvestmentfunds.org/sites/default/files/events/files/ppcr_co_chairs_summary_june_2016.pdf)

## II. Elements for Pipeline Management

### Prior to Endorsement of Investment Plans

4. The following procedures are proposed to maximize the resources available to fund endorsed investment plans:
  - a) New pilot countries accepted into the PPCR should submit their investment plans for endorsement within a two-year timeframe from acceptance into the PPCR or as directed by the Sub-Committee.
  - b) Should any new pilot countries be unable to submit their investment plans for endorsement within the two-year period, then a justification for extension should be sought from the PPCR Sub-committee on or before March 2017.
  - c) In the event that neither a) nor b) above are met, the pilot countries will be removed from the list of priority countries to receive possible funding in the event new resources for PPCR become available.

### Pipeline management after Investment Plan approval

5. The CIF Administrative Unit will to continue update and review the PPCR pipeline on a regular basis.
  - a) The overarching Pipeline Management Policy for SCF Programs will apply to public and private sector projects that have not been brought to the PPCR-Subcommittee and which have been in the pipeline for over 24 months.

PROJECT ID	SPCR/ PSSA	COUNTRY	PROJECT TITLE	MDB	Public/ Private	Grant	NonGrant	MPIs	Expected Committee Approval Date	Pipeline Age based on Expected PPCR SC Approval
PPCRMZ501A	PSSA	Mozambique	Lurio Sustainable Forestry Project	AfDB	Private	-	11.00	0.20	Nov-16	28
PPCRBO601A	PSSA	Bolivia	Financial Risk Management for Climate Resilience in the Agriculture Sector	IDB	Public	-	10.00	0.15	Nov-16	28
XPCRNP026B	SPCR	Nepal	Building Resilience to Climate-Related Hazards-Additional Funding	IBRD	Public	5.00	-	-	Jan-17	19
PPCRLC506A	PSSA	Caribbean-Saint Lucia	Supporting climate resilient investments in the agricultural sector in Saint Lucia	IDB	Private	-	1.00	0.20	Mar-17	40
PPCRBO602A	PSSA	Bolivia	Microfinance and Climate Resilience for Smallholder Farmers in Bolivia	IDB	Private	-	4.00	0.20	Mar-17	32
XPCRHT070A	SPCR	Caribbean-Haiti	Municipal Development and Urban Resilience Project	IBRD	Public	7.50	-	0.25	Mar-17	46
XPCRJM072A	SPCR	Caribbean-Jamaica	Promoting Community-based Climate Resilience in the Fisheries Sector of Jamaica	IBRD	Public	4.80	-	-	Apr-17	34
PPCRBO606A	PSSA	Bolivia	Inclusive Finance to Improve Climate Resilience of Bolivian Agricultural Producers	IDB	Private	-	5.00	0.20	Jun-17	32
PPCRNE031A	SPCR	Niger	Project for the Improvement of Climate Forecasting Systems and Operationalization of Early Warning Systems (PDIPC)	IFC	Private	-	1.50		Jun-17	79
PPCRNE033A	SPCR	Niger	Sustainable Management and Control of Water Resources (PROMOVARE)	IFC	Private	-	2.50		Jun-17	79
PPCRNE035A	SPCR	Niger	Community Action Project for Climate Resilience (CAPCR)-Private Sector Investment to Build Climate Resilience in Niger's Agricultural Sector	IFC	Private	-	6.00		Jun-17	79
XPCRPG067B	SPCR	South Pacific-Papua New Guinea	Additional Financing to Building Resilience to Climate Change in Papua New Guinea	ADB	Public	4.80	-		Sep-17	58
PPCRBO605A	PSSA	Bolivia	Building Climate Resilience in Small Livestock Producers in the Bolivian Chaco Region	IDB	Private	-	5.50	0.20	TBD	32
XPCRRY055A	SPCR	Yemen	Climate Resilience of Coastal Communities (CRCC)	IBRD	Public	20.00	-	0.30	TBD	61
XPCRRY066A	SPCR	Yemen	Climate Resilience of Rural Communities	IBRD	Public	18.60	-	0.45	TBD	55
PPCRZM043A	SPCR	Zambia	Private Sector Support to Climate Resilience-Investment Component	IFC	Private	-	13.50		TBD	71

Notes:

1. Of all the 16 projects in the pipeline, only the Nepal project has not crossed the 24-month threshold in obtaining PPCR Subcommittee approval.
2. Projects with "TBD" were assumed to be submitted for PPCR Subcommittee approval in June 2017 to be able to estimate the pipeline age.

**Attachments: Templates to request extension of cancellation deadline**

<b>Template A - Request for an Extension of IP/SPCR Endorsement Date</b>			
1. Country Name			
2. Source of Funding	<input type="checkbox"/> FIP	<input type="checkbox"/> PPCR	<input type="checkbox"/> SREP
3. Lead MDB		4. Name of Lead MDB Focal Point:	
5. Partner MDBs			
6. Country Focal Point			
7. Date of Country Acceptance in the SCF Program			
8. Date of IPPG Approval			
9. Date of Scoping Mission		10. Date of Joint Missions <i>First:</i> <i>Second:</i>	
11. Date of IP/SPCR Approval	Original:		Proposed:
<p>Current Status of IP/SPCR Preparation  <i>(describe in details activities and consultations conducted during the SPCR preparation process and other relevant information related to finalizing the IP/SPCR)</i></p>			
<p>Next Steps to Justify Request for an Extension and Ensure Approval by the Proposed Target Date  <i>(describe all activities to be completed during the extension)</i></p>			

**Template B - Request for an Extension of deadline for Project/Program Approval by the Subcommittee**

1. Country/Region:		2. CIF Project ID#:	
3. Source of Funding:	<input type="checkbox"/> FIP	<input type="checkbox"/> PPCR	<input type="checkbox"/> SREP
4. Project/Program Title:			
5. Type of CIF Investment:	<input type="checkbox"/> Public	<input type="checkbox"/> Private	<input type="checkbox"/> Mixed
6. Funding Request in million USD equivalent:	<i>Grant:</i>	<i>Non-Grant:</i>	
7. Implementing MDB(s):			
8. National Implementing Agency:			
9. MDB Focal Point and Project/Program Task Team Leader (TTL):	<i>Headquarters- Focal Point:</i>	<i>TTL:</i>	
10. Date of Project Approval	Original Approval date:	Proposed extended approval date:	
11. Project/Program Description <i>(including proposed objectives and expected outcomes):</i>			
12. Update on Project Preparation <i>(describe in detail activities and consultations conducted during the SPCR preparation process and other relevant information related to finalizing the project design):</i>			
13. Next Steps to Justify Request for an Extension and Ensure Approval by the New Target Date <i>(describe all activities to be completed during the extension)</i>			

<b>Template C - Request for an Extension of deadline for Project/Program Approval by the MDB Board</b>			
1. Country/Region:		2. CIF Project ID#:	
3. Source of Funding:	<input type="checkbox"/> FIP	<input type="checkbox"/> PPCR	<input type="checkbox"/> SREP
4. Project/Program Title:			
5. Type of CIF Investment:	<input type="checkbox"/> Public	<input type="checkbox"/> Private	<input type="checkbox"/> Mixed
6. Funding Request in million USD equivalent:	<i>Grant:</i>		<i>Non-Grant:</i>
7. Implementing MDB(s):			
8. National Implementing Agency:			
9. MDB Focal Point and Project/Program Task Team Leader (TTL):	<i>Headquarters- Focal Point:</i>		<i>TTL:</i>
10. Date of Project/Program approval by Sub-Committee	Date:		
11. Date of Project Approval by MDB Board	Original:		Proposed:
12. Project/Program Description <i>(including proposed objectives and expected outcomes):</i>			
13. Reason/s for Delay in MDB Approval			
14. Next Steps to Justify Request for an Extension and Ensure Approval by the Proposed Target Date <i>(describe all activities to be completed during the extension)</i>			

<b>Template D - Investment Plan Update - Coversheet</b>		
1. Country/Region:		
2. Source of Funding:	<input type="checkbox"/> FIP	<input type="checkbox"/> PPCR <input type="checkbox"/> SREP
3. Investment Plan Title:		
4. Initial IP Endorsed amount (million, USD equivalent):	<i>Grant:</i>	<i>Non-Grant:</i>
5. Revised IP amount (million, USD equivalent)	<i>Grant:</i>	<i>Non-Grant:</i>
6. Date of IP Approval		
7. Implementing MDB(s):		
8. National Implementing Agency:		
9. MDB Focal Point and Project/Program Task Team Leader (TTL):	<i>Headquarters- Focal Point:</i>	<i>TTL:</i>
10. Proposed changes to Investment Plan		
11. Revised project timelines and implementation arrangements		