

January 10, 2014

PROCEDURES FOR THE SECOND ROUND OF THE PPCR PRIVATE SECTOR SET ASIDE

I. BACKGROUND

1. At its meeting in November 2012, the PPCR Sub-Committee reviewed document PPCR/SC.11/6/Rev.1, *Proposal for the Allocation of PPCR Resources*¹ and agreed to set aside approximately USD 70 million in unallocated capital contributions pledged or committed to the PPCR for allocation, on a competitive basis and according to agreed criteria and procedures, to private sector projects and programs which further the objectives of PPCR pilot country and regional strategic programs for climate resilience (SPCRs).² There are no grant resources available under the PPCR private sector set-aside.³
2. Consistent with the decision of the PPCR Sub-Committee, the CIF Administrative Unit, in collaboration with the MDB Committee, developed *Procedures for allocating PPCR Resources on a Competitive Basis from an Agreed Set Aside of Resources*, which the PPCR Sub-Committee approved.⁴ In accordance with these agreed procedures, MDBs submitted project and program concepts for review by an expert group, which was tasked with recommending a prioritized list of concepts for consideration by the PPCR Sub-Committee.
3. At its meeting in November 2013, the PPCR Sub-Committee reviewed PPCR/SC.13/4/Rev.1, *Review and selection of concepts to be financed from the PPCR private sector set aside*, which includes the report of the expert group.⁵ The PPCR Sub-Committee endorsed the further development of two project concepts, and endorsed an additional four project concepts subject to the resolution of concerns raised by the expert group and PPCR Sub-Committee.
4. The Sub-Committee requested the CIF Administrative Unit and the MDB Committee to review and revise the procedures, and in particular to elaborate on steps and required budget resources to communicate the opportunity for funding more effectively. The Sub-Committee also requested that the criteria used for reviewing project concepts be revised taking into account the comments from the Sub-Committee and the expert group as well as any written comments submitted by members by November 15, 2013. The CIF Administrative Unit was requested to circulate the revised procedures and criteria for Sub-Committee review and approval by mail.
5. The Sub-Committee further agreed that a second round for selecting project concepts be prepared for funding under the PPCR set aside after the approval of the revised procedures and review criteria with a view to the selection of project concepts at the next Sub-Committee meeting.
6. The Sub-Committee noted that at least \$30 million in concessional lending is available for the second round.

¹ See https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR_6_allocation_of_resources.pdf

² A strategic program for climate resilience (SPCR) is an investment plan under the PCPR

³ See:

https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/FINAL_Summary_of_Co_Chairs_PPCR_SC_Nov2012.pdf

⁴ See

https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Procedures_for_Allocating_PPCR_Resources_on_a_Competitive_Basis_from_a_Set_Aside_0.pdf

⁵ See

https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR_SC.13_4_Review_and_selection_of_concepts_to_be_financed_from_the_PPCR_private_sector_set_aside_.pdf

7. The CIF Administrative Unit, in collaboration with the MDB Committee, has revised the *Procedures for the second round of the private sector set asides for PPCR* taking into account the lessons identified by the expert group, comments received during and after the meeting of the Sub-Committee and feedback provided by the MDBs.

II. PROCEDURES

8. To be eligible to receive funding under the second round of the PPCR private sector set-aside, project or program submissions must advance the objectives of endorsed SPCRs and encourage interest from a broad range of private and public sector actors. Resources from the set-aside may be provided to either:

- a) private sector clients working through MDB private sector arms, or
- b) public sector entities working through the MDB public sector arms which benefit private sector clients through the removal of barriers, including the creation of an enabling environment for the private sector to engage in resilience activities, provided that a minimum of 50% of allocations under the current set-aside round are made to projects or programs for private sector clients working through the MDB private sector arms.⁶

9. To facilitate the preparation and consideration of concept submissions, a template outlining information that should be included in a project concept submission is attached in Annex I. Annex II presents a timeline for the process to be followed in carrying out the second round of selecting of concepts to be funded.

III. INFORMATION SHARING AND OUTREACH

10. Information on the set aside and the agreed procedures, including a common format for presenting concepts; a timeline for the completion of steps, and links to the investment plan and other relevant information will be made available through the dedicated page on the CIF Administrative Unit's website and, as appropriate, the websites of the MDBs.

11. Recognizing the need for proactive outreach and awareness,

- a) the CIF Administrative Unit will facilitate information sharing and awareness raising on the PPCR private sector set-aside for MDB staff, including information sessions for MDBs at their HQ offices or through video conferences as needed;
- b) MDB PPCR focal points will facilitate information and awareness raising seminars with MDB project teams and will undertake proactive outreach in collaboration with relevant government focal points. This could include, for example, contacting local chambers of commerce, local financial institutions professional associations, and potential private sector clients; and

⁶ No credit resources are to be provided for public sector projects to countries in high debt distress. (*MDB Policies and Tool regarding Debt Sustainability and their Application in the PPCR*, October 2011)

- c) if requested, up to USD 10,000 per pilot country will be provided from the approved resources available for MDB support to country programming under the FY14 CIF Administrative budget to cover additional MDB outreach and awareness activities. Such resources will be to be approved by the MDB Committee.

12. To be considered for PPCR funding, concept proposals should be submitted by an MDB on behalf of the potential project proponent. Project concepts will be developed in consultation with, and with the engagement of, relevant public and private sector stakeholders and beneficiaries from the recipient countries, including PPCR government focal points. Continued engagement by the MDBs with stakeholders through the normal MDB processes will also aid in ensuring alignment of project concepts with country, MDB, and PPCR strategies and objectives.

13. Concept notes should be submitted to the CIF Administrative Unit by the MDBs using the template provided in Annex I. Concept notes should clearly demonstrate alignment with the principles of the PPCR design document and should specify why they have the potential to advance PPCR program objectives.

14. The expert group will review the concept proposals and make prioritized recommendations based on the extent to which the concept proposals meet the below criteria. For each criterion, a weight has been assigned to guide project proponents and the expert reviewers when considering concepts.

- a) *Further advancement of the objectives of the endorsed SPCR (15%):* The degree to which the proposed project meets the investment criteria for the PPCR, including:
 - i. pilot and demonstrate approaches for integration of climate risk and resilience into development policies and planning;
 - ii. strengthen capacities at the national levels to integrate climate resilience into development planning;
 - iii. scale-up and leverage climate resilient investment, building on other ongoing initiatives; and
 - iv. enable learning-by-doing and sharing of lessons at country, regional and global levels.
- b) *Level of innovation proposed (25 % weighting):* this may include innovation in terms of technology, business model, financial instruments or structure. The "level of innovation proposed" needs to be justified in the country- or sector-specific context of the proposal.
- c) *Readiness (20% weighting):* feasibility of MDB board approval within 9-18 months of PPCR funding approval by the PPCR Sub-Committee. An assessment

of readiness may include regulatory framework, institutional capacity or implementation risk.

- d) *Level of benefits to vulnerable groups (20% weighting):* how the project/program may benefit vulnerable or marginalized groups, and how gender considerations will be taken into account.
- e) *Sustainability of intended results (20% weighting):* the likelihood of a project to produce results which can be sustained over time without additional external financial support or have a demonstrative character to be scaled up through markets.

15. The review of the concept proposals submitted under the second round will be undertaken by the same expert group as for the first round assisted by a representative from the CIF Administrative Unit. If individuals selected to participate as experts under the first round of the PPCR set-aside are unavailable to participate in the second round, the CIF Administrative Unit will consult with the MDBs to propose new experts for approval by the Sub-Committee.

16. The expert group will review the concepts in accordance with the criteria listed in paragraph 14 above and will prepare a list of priority concept proposals that it recommends be allocated the PPCR resources available under the second round rating them based on the weights proposed in paragraph 14. In recommending a priority list of concepts, the review group should also include an additional list of concepts, for up to an additional 50% of the level of funding available in the set aside, for consideration by the Sub-Committee in making its decision on allocating the resources. If there are not a sufficient number of good quality concept proposals then the expert group need not recommend a full allocation of the resources.

17. The expert group should include a qualitative explanation of the methodology used to evaluate and prioritize concept recommendations based on the guidelines described in this document.

18. The CIF Administrative Unit will submit the report of the expert group to the PPCR Sub-Committee for consideration at its next meeting, where the Sub-Committee will endorse proposals for further development. Proposals endorsed by the PPCR Sub-Committee will be developed in accordance with PPCR procedures.

Annex I: Common Format for Project/Program Concept Note for the Use of Resources from the PPCR Competitive Set-Aside (Round II)

| | | | |
|--|---|---|--|
| 1. Country/Region: | | 2. CIF Project ID#: | |
| 3. Project/Program Title: | | | |
| 4. Date of Endorsement of the Investment Plan: | | | |
| 5. Funding Request (in million USD equivalent): | <i>Non-Grant (loan, equity, guarantee, etc.):</i> | | |
| 6. Implementing MDB(s): | | <input type="checkbox"/> Private sector arm <input type="checkbox"/> Public sector arm | |
| 7. Executing Agency: | | | |
| 8. MDB Focal Point and Project/Program Task Team Leader (TTL): | <i>Headquarters- Focal Point:</i> | <i>TTL:</i> | |

I. Project/Program Description: Provide a summary description of the project, objectives, and expected outcomes. Also, provide information whether this will be a solely private sector project, a PPP, or a public sector project financing private sector entities.

II. Context and market: Provide brief explanation of country/sector context and an overview of the market (product nature, supply and demand status, prices, and competition. In the absence of other comparable products, provide a brief explanation on how the proposed product will substitute for existing products and the benefits from a climate standpoint, and the prospects of commercial viability. If proposing a new business model, provide information of comparable to business as usual). Also, provide an overview of current **market barriers** and how will they be reversed by the proposed project.

III. Project description and Innovation:

- a. **Project Description** - Describe the project’s objectives and activities
- b. **Innovation** - how the project is innovative in terms of technology, business model, financial instruments or structure, market creation, and/or new partnerships, and how the innovation will add value to the project. The level of innovation proposed needs to be justified in the country- or sector-specific context of the proposal.
- c. **Technology, Product, and/or Business Model:** Provide description of the technology, the technology provider if identified, whether it has been tested, commercialized and viable commercially. If the project does not involve a technology, provide a description of the business model and its structure.
- d. **Sustainability of intended results:** provide information on the likelihood of a project to produce results which can be sustained over time without additional external financial support or have a demonstrative character to be scaled up through markets.

IV. Inclusivity: Provide information on how the project/program may benefit vulnerable or marginalized groups, and how gender considerations will be addressed to the extent possible, provide information on the population size, degree of vulnerability, and estimated impact on vulnerable populations.

V. Financial Plan (Indicative):

| Source of Funding (by type of instrument, equity, debt, guarantee, grants, credit lines, etc.) | Amount (USD million equivalent) | Percentage (%) |
|---|------------------------------------|-------------------|
| Project developer | | |
| MDBs | | |
| PPCR | | |
| Local banks | | |
| Other investors | | |
| Bilaterals | | |
| Others | | |
| TOTAL | | 100% |

VI. Expected Results and Indicators⁷

| Indicator(s) | Expected Result(s) |
|----------------------------------|--------------------|
| <i>Development Result(s):...</i> | |

VII. Implementation Arrangements and Feasibility: Provide information on the implementation feasibility of the proposed project and an estimated timeline for PPCR funding and MDB approval (PPCR Sub-Committee and MDB).

VIII. Potential Risks and Mitigation Measures: What are the risks that might prevent the project development outcome(s) from being realized, including but not limited to, political, policy-related, social/stakeholder-related, macro-economic, or financial?

⁷ These indicators will need to contribute to the five agreed PPCR core indicators which are monitored at the level of the endorsed SPCR.

Annex II: Proposed Timeline for the Second Round of Proposals under the PPCR Private Sector Set-Asides

End November 2013

Agree procedures, criteria, timeline, and common format. Circulate revised procedures and criteria for Sub-Committee review and approval by mail by end of November 2013.

December 2013

Confirm participation of expert group from first round.

MDBs and CIF Administrative Unit to make available publicly through various channels, as appropriate, procedures, timeline and a common format as well as relevant background information. This will include revisions to dedicated pages on the CIF and MDB websites (as appropriate) as well as on websites in the countries and other communication means.

Immediately upon approval of the procedures by the Sub-Committee, the pilot countries and other proponents to work with MDBs to generate project/program ideas to be submitted as a concept note using the common format.

December 2013 – End April 2014

MDBs and pilot countries generate project/program ideas to be submitted as a concept note using the common format.

Additional outreach initiatives.

End April 2014

Deadline for submission of concept proposals (MDBs and project proponents).

Proposals compiled for review by the expert group (CIF AU).

Mid May 2014

Expert group meets to review and score all eligible proposed concept proposals and agree on recommendations to be submitted to the Sub-Committee.

End May 2014

Circulation of the expert group report to the Sub-Committee.

June, 2014

Sub-Committee reviews proposed list of concepts in the amount of the agreed set-aside + 50% and endorses concepts.