

Cover Note

Pilot Program for Climate Resilience (PPCR)

Project Approval Request: Expansion of IFC-PPCR Strengthening Vulnerable Infrastructure Project

Background

On June 2011, the PPCR Sub-Committee endorsed Nepal's Strategic Program for Climate Resilience (SPCR) and allocated a total of USD110 million of PPCR funds (USD60 million in grants and USD 50 million in concessional finance) to the Government of Nepal. In July 2012, the PPCR allocation was revised to a total of USD91 million (USD55 million in grants and USD36 million in concessional finance) according to the following programs:

MDB	Project Name	Concessional Finance (USD M)	Grants (USD M)	Total (USD M)
ADB	Building Climate Resilience of Watersheds in Mountain Eco-Regions	\$14.4	\$24.4	\$38.8
IFC	Building Climate Resilient Communities through Private Sector Participation	\$6.6	\$2.4	\$9
IBRD	Building Resilience to Climate Related Hazards	\$15	\$16	\$31
ADB	Mainstreaming Climate Change Risk Management in Development	-	\$7.16	\$7.16
IBRD	Enhancing Climate Resilience of Endangered Species	-	\$5	\$5
Total		\$36	\$55	\$91

Current Status of PPCR Projects under Nepal's SPCR

As of May 2015, the status of the projects and programs in Nepal's SPCR is as follows:

MDB	Project Name	Status	Concessional Finance (USD M)	Grants (USD M)	Total PPCR Funds (USD M)
ADB	Building Climate Resilience of Watersheds in Mountain Eco-Regions	Project under implementation.	<i>\$ funds cancelled</i>	\$24.4	\$24.4
IFC	Building Climate Resilient Communities through Private Sector Participation (IFC)	Program under implementation	\$6.6	\$2.1	\$8.7
IBRD	Building Resilience to Climate Related Hazards	Project under implementation.	\$15	\$16	\$31

(IBRD)					
ADB	Mainstreaming Climate Change Risk Management in Development (IBRD)	Project under implantation	\$	\$7.16	\$7.16
IBRD	Enhancing Climate Resilience of Endangered Species	Original project dropped. Funds will be reallocated to IBRD's new project under development	-	-	-
Total used funds to date			\$21.6	\$49.66	\$71.26

As can be noted from the above table, the government of Nepal has decided not to use \$14.4 million in concessional finance for projects that was originally allocated to ADB's *Building Climate Resilience of Watersheds in Mountain Eco-Regions* project. Therefore, these \$14.4 million in concessional finance are currently available for projects that meet the objectives described in Nepal's SPCR. The overall utilization of PPCR funds are as follows:

	Concessional Finance (USD M)	Grants (USD M)	Total PPCR Funds (USD M)
Total funds allocated to projects and programs	\$36	\$55	\$91
Total used funds to date	\$21.6	\$49.66	\$71.26
Remaining funds to be used for projects	\$14.4	\$5	\$19.4

For more detailed information on the current status of ADB' and IBRD's respective projects, please refer to the PPCR Country and Regional Portfolio as of March 2015 (link [here](#)).

IFC's *Building Climate Resilient Communities through Private Sector Participation Program* was approved by the PPCR Sub-Committee in September 2012. The Program aims to improve access to climate resilient technologies and reduce market barriers in specific sectors to help build climate resilient communities. It consists of three sub-projects, as follows:

a) Promoting Climate Resilient Agriculture (\$5.6 million)

This advisory services project was approved by IFC Management in January 2013. Under this project, IFC is working with the Nepal's private agribusiness companies to promote improved agricultural and water management practices, as well as, introduce new farming techniques to smallholder farmers. This project aims to benefit 15,000 farmers and increase the productivity of their farms by 20 percent. To date, over 3,000 farmers have been trained in better farming practices including

climate adaptive technologies such as adoption of high yielding and stress tolerant seeds, more efficient and improved irrigation systems, among others.

b) Feasibility Study on Low Cost Climate Resilient Housing (\$0.1 million)

This advisory services project was approved by IFC Management in May 2013. The overall objective of this sub-project is to conduct in-depth market assessments to review access to climate resilient housing and housing finance for low-income segments in Nepal. The project will identify the specific challenges that prevent expansion of appropriate low-income climate resilience housing finance in the country. To date, a draft market assessment for low-cost climate resilient housing has been completed. The report will be completed and finalized for dissemination in the second half of 2015.

c) Strengthening Vulnerable Infrastructure (\$3.0 million).

In September 2012, the PPCR-Subcommittee approved USD 3 million of PPCR concessional finance for the “Climate Proofing Vulnerable Infrastructure Project” which aims to strengthen climate change risk management capacity of Nepal’s private sector by climate proofing vulnerable hydropower plants. To date, IFC has invested in one hydro sub-project under this project, and based on IFC’s engagement and business development in the sector, there is a need for additional investments to strengthen vulnerable hydropower plants in Nepal against climate change impacts.

IFC is, therefore, proposing to access additional PPCR concessional finance for Nepal that remains unused (USD14.4 million) from Nepal’s endorsed SPCR to expand investments and meet the demand for financing climate resilience in Nepal’s hydropower sector. IFC has consulted with the government of Nepal and it has expressed full support to this proposal.

A context for the sector, the market barriers, and the proposed request is described in details in the enclosed Project Proposal “*Expansion of the Strengthening Vulnerable Infrastructure Project*”.