

CLIMATE INVESTMENT FUNDS

February 7, 2020

OPTIONS FOR THE USE OF AVAILABLE PPCR RESOURCES

PROPOSED DECISION

The PPCR Sub-Committee, having reviewed the document entitled, *Options for the Use of Available PPCR Resources*, dated January 6, 2020, approves:

Option 1: Utilize resources for business development in the form of project preparation and/or implementation of technical assistance to:

Track 1A: Develop innovative private sector initiatives with a climate resilience focus;

Track 1B: Support Technical Assistance for Ministries of Finance, Planning and other key line ministries, to mainstream climate risk management and resilience into economic planning and development; and,

Track 1C: Provide project preparation grants for projects identified in SPCRs which remain unfunded and/or critical technical assistance grants to pursue the objectives of the SPCRs of PPCR pilot countries.

The Sub-Committee notes the recommendation that funds should be utilized within 3 years after MDB Board approval; however, should implementation need to go beyond 3 years, MDBs must provide a strong justification for the extension, at the stage of the Sub-Committee approval of the project.

The Sub-Committee may decide to revisit the options presented in the document should the funding situation of the PPCR change.

The utilization and programming of available resources under the PPCR will follow approved PPCR policies, guidelines and procedures including PPCR Programming and Financing Modalities, the Revised PPCR Results Framework, and PPCR Pipeline Management Policy.

I. Introduction

1. The Pilot Program for Climate Resilience (PPCR) is a USD 1.2 billion program of the Climate Investment Funds (CIF). It supports countries and regions that are most vulnerable to climate change to implement at-scale, innovative approaches and solutions to address climate risks and promote climate adaptation and resilience in development planning and investments.
2. Overall, there are 28 countries and two regions participating in the PPCR. The original PPCR pilot group comprises 18 countries and two regions (Caribbean and South Pacific). This first group of countries were provided funding to prepare their Strategic Programs for Climate Resilience (SPCRs) and implement the projects identified in their endorsed SPCR for an average amount of USD 50 million. In May 2015, a group of 10 new pilot countries were selected to prepare their SPCR with funding support of USD 1.5 million each.
3. In 2012, the CIF also established the PPCR Private Sector Set Aside (PSSA) to further encourage the private sector to venture into adaptation and resilience work in the PPCR pilot countries. Through the PSSA, PPCR offered concessional financing to the private sector through the MDBs to test out innovative and pioneering approaches on adaptation. So far, there are five projects implemented under the PSSA. In May 2015, CIF expanded the scope of the PSSA by making all CIF countries eligible to access the funding window and revised its implementation modalities drawing from the lessons learned during the first round of PSSA implementation. However, no additional funding from the donors was received after May 2015 to enable this expanded and revised PSSA to be implemented.
4. By end of June 2018, the PPCR Sub-Committee completed the approval of all the 65 PPCR projects in the pipeline of the original pilot group of 18 countries and two regions, with a total allocation of USD 1,005.8 million. For the second round of 10 PPCR pilot countries participating in the PPCR, no funding was allocated to prepare and implement projects under their endorsed SPCR. The PPCR Sub-Committee encouraged the countries and the Multilateral Development Banks (MDBs) to actively seek resources from other bilateral and multilateral sources to finance the development and implementation of projects foreseen in their SPCR.
5. During the PPCR Sub-Committee meeting on February 1, 2019, in Ouarzazate, Morocco, the CIF Administrative Unit (CIF-AU) reported to the Sub-Committee that about USD 13.4 million of available grant resources remained under the PPCR after approval of all the PPCR projects in the pipeline. As of end of September 2019, total available funding stands at USD 19.8 million in grant and USD 8.2 million in capital resources (Table 1). To optimize utilization of PPCR resources, the Sub-Committee requested the CIFAU, in collaboration with the MDBs, to develop a brief paper on options for utilizing these remaining PPCR resources.

Table 1
PPCR Available Resources (in million USD, as of September 30, 2019)

Grant	Capital	Total
19.8	8.2	28.0

II. Options on the use of available PPCR resources

6. Consistent with the decision of the PPCR Sub-Committee, the CIFAU, in collaboration with the MDBs, has prepared the following options for the utilization of available resources under the PPCR.

Option 1: Utilize resources for business development in the form of project preparation and/or implementation of technical assistance.

7. Option 1 proposes that available resources could be used for project preparation and/or technical assistance to:

- *Track 1A:* Develop innovative private sector initiatives with a climate resilience focus;
- *Track 1B:* Support Technical Assistance to help Ministries of Finance, Planning and other key line ministries, mainstream climate risk management and resilience into economic planning and development; and,
- *Track 1C:* Provide project preparation grants for projects identified in SPCRs which remain unfunded and/or critical technical assistance grants to pursue the objectives of the SPCRs of PPCR pilot countries.

Track 1A: Develop innovative private sector initiatives with a climate resilience focus

8. Available resources could be used for a dedicated window similar to Dedicated Private Sector Program (DPSP) under the Clean Technology Fund¹. These resources could provide technical assistance for CIF countries to address regulatory issues and standards that would enable private sector investments in their countries or pilot innovative projects that will demonstrate pioneering approaches to adapting to climate change and building resilience through private sector engagement. The resources would be used in line with the decision by the PPCR Sub-Committee taken during its meeting held on May 14, 2015² concerning private sector programs in the PPCR to:

¹ https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/ctf_tfc.20_5_ctf_dpssp_iii_proposal.pdf

²

https://www.climateinvestmentfunds.org/sites/cif_enc/files/events/files/ppcr_co_chairs_summary_final_5_28_2015_0.pdf

- a) *Permit project and program proposals or project and program concepts to be submitted to the Sub-Committee on a rolling basis*
- b) *Be open to proposals for new private sector projects, including regional projects and projects benefitting small and medium enterprises consistent with the overall objectives of the PPCR, from all CIF countries under the following conditions:*
 - i. *MDBs can submit requests to support technical assistance to make the “business case” for resilience investments by supporting resource audits, feasibility studies etc. for projects in all CIF countries; and*
 - ii. *Priority for investment resources will be given to projects in PPCR countries and low-income and lower middle-income CIF countries;*
 - iii. *There will be an overall cap for technical assistance funding*
- c) *Consider requests for investments in private projects in other CIF countries meet the following criteria:*
 - i. *The investment will be made in a region or industry sector that faces demonstrable adaptation challenges and can act as a demonstration pilot for low income countries by being replicable and sharing relevant experience and learning;*
 - ii. *The investment must demonstrate significant direct benefits by (A) making the livelihoods of small-scale private actors more resilient to climate change, or (B) providing the co-benefit of increased community resilience, for example, by reducing pressure on scarce water resources, increasing food security, or increasing the resilience of the local community to extreme weather;*
 - iii. *Other countries will only be allowed to receive non-grant financing for private sector operations, including through MDB public sector arms. For private operations the minimal concessionality principle applies. Grants for technical assistance can be accessed as described above; and*
 - iv. *A cap will be set on funding investments in such countries to ensure adequate resources are available for PPCR and low-income CIF countries.*

Accordingly, the Sub-Committee requested the CIF Administrative Unit to propose levels for the above-mentioned caps, once a funding envelope becomes available, for approval by the Sub-Committee.

Track 1B: Support Technical Assistance for Ministries of Finance, Planning and other key line ministries, to mainstream climate risk management and resilience into economic planning and development

9. A critical challenge in scaling up adaptation actions is strengthening how governments account for, integrate, and manage climate risks in their fiscal, financial, and planning decisions. The Global Commission on Adaptation³ is calling on donors, countries and technical partners to assist Ministries of Finance, Planning and other key line ministries undertake systematic

³ The Commission was created with a mandate to encourage the development of measures to manage the effects of climate change through technology, planning and investments.

identification, integration, disclosure, and management of both short- and longer-term climate risks, and prevent their impacts on national and local economic planning and development. This option proposes that available PPCR resources be used to support relevant ministries in CIF countries to strengthen their climate resilience mainstreaming efforts.

Track 1C: Provide project preparation grants for projects identified in SPCRs which remain unfunded and/or critical technical assistance grants to pursue the objectives of the SPCRs of PPCR pilot countries

10. As mentioned above, the new group of PPCR pilot countries were provided funding to support the preparation of their SPCRs. An allocation of USD 1.5 million was provided to each of the 10 new countries through the lead MDB supporting the preparation of their SPCRs. However, no funding was made available to prepare and implement projects under these endorsed SPCRs and countries and MDBs were advised by the PPCR Sub Committee to actively seek resources from other sources.

11. Some of the new PPCR countries have indicated their interest to access PPCR funds for project preparation. Others have indicated that available resources can be used to top up existing technical assistance and complete PPCR Phase 1 activities.⁴ Given the limited funding available in PPCR, using the remaining funds for project preparation will provide an opportunity to the new pilot countries to access funding from other sources, maximizing the leverage potential of PPCR limited resources. MDBs undertook consultations with the second round of pilot countries on their intention to utilize resources from PPCR if they become available. Table 2 provides a summary of the consultation.

12. Similarly, several original PPCR pilot countries have also expressed their need for additional resources to implement technical assistance to further advance the objectives of their SPCRs. Therefore, this option proposes that the available resources be used by (i) new PPCR countries to prepare projects under the endorsed SPCRs that they intend to submit to the GCF, or to other bilateral and multilateral sources of funding, or (ii) PPCR countries, both the original and new set of countries, to implement specific technical assistance that will contribute to meeting the objectives of the SPCR.

13. *Implementation process for Option 1:* The CIF AU will notify the PPCR MDB Committee of the amount of available resources in PPCR to implement Option 1.⁵ Working with CIF countries, MDBs will develop concept proposals for submission and review by the PPCR MDB Committee.⁶ Given the limited funding available, each country may request up to a maximum of USD 5 million for Track 1A and USD 1 million for Track 1B and 1C. Based on the concept submissions, the MDBs will develop a pipeline of projects for endorsement by the PPCR Sub-

⁴ Phase 1 refers to the SPCR preparation process which also includes capacity building components.

⁵ The Trustee will confirm the total available PPCR resources.

⁶ Templates for Project Preparation Grant and Technical Assistance requests are included in this paper as Annexes 1 and 2.

Committee. The PPCR Sub-Committee will review the pipeline and endorse which projects may be developed into technical proposals.

Option 2: Utilize resources to finance projects under the endorsed SPCRs of new pilot countries

14. So far, only a few projects identified in the endorsed SPCRs of new countries are able to access other sources of funding (See Table 3). The available resources under the PPCR therefore could be utilized to finance the implementation of unfunded projects under the endorsed SPCRs in the new pilot countries. All projects to be financed through the available resources, must have confirmed co-financing from other sources to support its full implementation.⁷ The MDBs provided an indicative pipeline of projects that can be funded through the available resources from PPCR as shown in Table 4.

15. **Implementation process for Option 2:** The CIF AU would work with the MDBs to establish the selection criteria⁸ for prioritizing projects under the endorsed SPCRs of the new pilot countries. Based on these criteria, the MDB Committee would develop a pipeline of projects. This would serve as a reserve pipeline of PPCR projects to be prioritized as and when additional funding for PPCR programming becomes available. The MDBs can update this pipeline on a quarterly basis. Once the pipeline is agreed by the PPCR MDB Committee based on the established selection criteria, the projects would be submitted to the PPCR Sub-Committee for review and approval by mail following the CIF established guidelines and procedures.

MDB project implementation and supervision services (MPIS)

16. Funding to support MDB Project Implementation and Supervision Services (MPIS) and other cost variances will be allocated in the implementation of the options.

III. Recommendation

17. The CIF AU, in collaboration with the MDBs, having examined the above options on the use of resources available for programming under the PPCR, recommends the implementation of Option 1. Funds should be utilized within 3 years after MDB approval unless enough justification is provided for implementation beyond 3 years during the PPCR Sub-Committee approval stage.

⁷ PPCR resources should be used to fund the additional cost necessary to integrate adaptation and resilience objectives in investment projects.

⁸ The selection criteria could include availability of the required co-financing from other sources such as MDBs and other donors, institutional readiness, and project has been identified as a priority based on MDB country partnership strategies or country operations and business plans.

18. The PPCR Sub-Committee may decide to revisit these options in the future should the funding situation of the PPCR change.

19. The utilization and programming of available resources under the PPCR will follow approved PPCR policies, guidelines and procedures including PPCR Programming and Financing Modalities⁹, the Revised PPCR Results Framework¹⁰, and PPCR Pipeline Management Policy¹¹.

⁹ https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/ppcr_programming_and_financing_modalities.pdf

¹⁰ https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/ppcr_5_revised_ppcr_results_framework_0.pdf

¹¹ https://www.climateinvestmentfunds.org/sites/cif_enc/files/meeting-documents/ppcr_19_5_rev.1_decision_by_mail_pipeline_management_policy_final_revised.pdf

Table 2

PPCR Resource Needs/Priorities for New PPCR Countries

Countries	PPCR Resource Needs/Priorities			Importance of PPCR grant
	PPG	Technical Assistance	Implementation	
Bhutan	Medium Priority		Very High priority for projects/technical assistance related to strengthening weather and climate services capacity and managing flood and disaster risk in selected hotspots.	A request of US\$2 million in addition to PPCR funds for Bhutan. The SPCR was well received and endorsed and during its preparation, analysis of historical climate and climate projection, assessment of flooding hazards in Gelephu and climate smart human settlement planning and development in Samdrup Jongkhar were completed. One of the main findings that came out of these studies and dialogues was related to the critical constraint that Bhutan is facing due to the absence of a common geospatial information platform for risk data and information. Data is sparse, disaggregated and despite the country's well recognized efforts at planning for resilience, these are not based on solid information. In order to consolidate all efforts in the resilience agenda, those including from the PPCR and other ongoing engagements, development of a common platform of risk data and information and a multi hazard risk assessment for Bhutan is recognized as an immediate priority by the government (RGOB). The Bank team has responded to RGOB's request for support in this area and had initiated a Technical Assistance activity

				with support from GFDRR. The activity seeks to enhance the capacity within Bhutan to strengthen resilience related information management and develop disaster and climate risk assessments to allow for risk-informed planning and decision support in key agencies.
Honduras	Very High priority to support project preparation for 1 IDA project		High priority to support scale-up of project implementation	An IDA project is under preparation with the objective to strengthen water security and climate resilience of the Central American Dry Corridor (P169901), a USD 60 M lending operation. The PPCR has been instrumental in the preparation and the scope is aligned with the SPCR. The Project is going to the board on March 2020. On the ground, demands are much larger than what the Project can offer, so, is it possible to leverage financial resources, for example some USD 10 million dollars from PPCR remaining resources to increase the project scope and to cover more activities, make the package more interesting from a financial standpoint.
Kyrgyz Republic			EUR 2 million grants are requested from PPCR High priority to support project implementation	EBRD is providing \$8 million loan and \$3 million grant (from EBRD Shareholder Special Fund) and is seeking an implementation grant of EUR 2 million (CAPEX & TA) to support the implementation of climate resilience solutions in the Kyrgyz Rail network. This climate resilient connectivity project is a critical investment, necessary to ensure continued successful movement of goods and people on the network in the face of climate change. The project involves

				actively managing climate risks throughout design and operation, pioneering international best practice. It will be the first of its kind in the rail sector in Central Asia.
Kyrgyz Republic			Out of total USD 3 - 4 million of investment incentive funding needs, USD 1 million is requested from PPCR.	EBRD is providing \$30-\$40 million and seeking USD 1 million of investment incentives to promote private sector climate resilience solutions to a large number of beneficiaries. Investments will range from sustainable water resource management (e.g. drip irrigation), conservation agriculture that reduced land degradation (e.g. no till farming), and heat and weather event management (e.g. cold storage, solar dryer, etc.)
Madagascar	Very High priority to support project preparation for 1 GCF, and 2 IDA projects	Very High priority; Need funding for follow-up activities to complete PPCR Phase 1	High priority to support project implementation	Top-up will help complete PPCR Phase I PPG will help develop project proposal and preparation of 3 projects to leverage resources from GCF and IDA
Malawi	High priority to support project preparation	Very High priority to complete Phase I	High priority as there is still a funding gap of around \$20 million	Top-up will help complete Phase I PPCR grant will help close the funding gap of around \$20 million
Rwanda	Very High priority to support project preparation for pilot projects under NDC Deep Dive	Very High Priority for technical assistance under NDC Deep Dive	High priority to support pilot project implementation under the NDC Deep Dive	Rwanda is keen on mobilizing grant funds for project preparation, technical assistance and pilots under the NDC Deep Dive. "Rwanda: Advancing Financial Innovation to scale up Climate Action". Ideally, \$4 - \$5 M in PPCR grant resources can be integrated into the NDC Deep Dive if available. A recipient executed small grant is

				<p>being prepared right now. Another option is to mobilize PPCR grant resources for urban resilience (one of the SPCR Programs) under the umbrella of Rwanda Urban Development Project II. This is a joint Urban-Environment Operation going to Board on Q3. It includes 90 M IDA, 9 M GEF. Adding grant financing from PPCR will be ideal and very timely. The IDA operation can absorb the capital resources.</p>
<p>Philippines</p>	<p>High priority to support project preparation</p>	<p>Very High priority</p>	<p>High priority to support project implementation</p>	<p>Additional PPCR funds could be used for analysis of coastal protection and resilience needs, as well as project preparation. However, this project is not yet formally in the Bank’s pipeline. The Department of Agriculture has requested support from the Bank, which has been agreed in principle, but support from the Department of Finance also needs to be secured.</p> <p>Mindanao Inclusive Agriculture Development Project (P163107): The project is under preparation. Additional PPCR funds could be used for analysis of water resources and climate resilience needs at the watershed level for inclusion into the project design, as well as piloting a new model for watershed management planning – the Convergence Area Development Plan – within Mindanao. Mindanao is the most drought-affected region in Philippines, and this project will</p>

				<p>particularly focus on ethnic minority communities.</p> <p>Sustainable, Inclusive and Resilient Tourism project (P171556): Project is under preparation and will work in 4 tourism areas in the Philippines. The PPCR funds could be used to support analysis of DRM, coastal protection and/or coastal ecosystem activities for inclusion under the project.</p>
Uganda	Very High priority to support project preparation for 1 GCF, and 1 IDA projects			Can help leverage IDA and GCF co-financing

Table 3: Projects Identified under the Endorsed SPCRs that are in the process of accessing or able to access funds from the GCF and other sources

Country	Implementing Agency	Project Name	Amount Requested (million \$)	Source of Funding
Bhutan	World Bank	Building Climate-Resilience Through Enhancement of Hydro-Meteorological & Cryosphere Information	WB PARCC TF: 1.5 EU SAR: 1 RETF: 3.8	World Bank
Honduras	World Bank	Resilient Water Management	40	World Bank
Kyrgyz Republic	World Food Programme	Empowering Food Insecure and Vulnerable Communities through Climate Services and Diversification of Climate Sensitive Livelihoods in the Kyrgyz Republic.	8.6	GCF
	ADB	Climate Resilience and Disaster Risk Reduction in Water Management	35	ADB
	World Bank	Second Phase of the Central Asia Hydrometeorology Modernization Project	20	ADB
	EBRD	Climate Resilience Solutions in the Kyrgyz Rail Network	11	EBRD
	EBRD	Building Climate Resilience Irrigation Infrastructure in the Kyrgyz Republic	250	EU (IFCA)
	FAO	Transition to Climatically Optimized Land-Use Practices: Mitigation through Adaptive and Sustainable Forest and Pasture Management with Community Leadership	40	GCF
Madagascar	World Bank	Integrated Urban Development and Resilience Project for Greater Antananarivo	40	GCF
Malawi	World Bank	Productive Landscape Project	125	WB
Rwanda	World Bank	Upper Nyabarongo Catchment Restoration Plan in the Mbirurume Sub – catchment	44.4	GCF
Rwanda	World Bank	Flood risk management in the Volcanoes region	34.6	GCF
Uganda	World Bank	Strengthening Resilience of Ecosystems and Livelihoods in Albertine Rift	25	GCF

Table 4: Indicative Project Pipeline of New PPCR Countries

Country	Implementing Agency	Project Name	Amount (million \$)
Kyrgyz Republic	EBRD	Climate Resilience Solutions in the Kyrgyz Rail Network	2
Kyrgyz Republic	EBRD	Sustainable Water Resources Management through Climate-Smart Private Sector Solutions	1
Bhutan	World Bank	Technical Assistance for Improving Climate Information Services and Platform	2
Honduras	World Bank	Central American Dry Corridor Project	10
Philippines	World Bank	Coastal Resources & Livelihoods Resilience	5
Rwanda	World Bank	Advancing Financial Innovation to scale up Climate Action	5
Rwanda	World Bank	Rwanda Urban Development Project II	5
Total			30

*Kyrgyz Republic and Rwanda have expressed interest in accessing PPCR capital resources.

Annex 1
Template for Project Preparation Grant Request

PILOT PROGRAM FOR CLIMATE RESILIENCE		
Project Preparation Grant Request		
1. Country/Region:		2. CIF Project ID#: (Trustee will assign ID)
3. Project Name:		
4. Estimated Project Cost	<i>Grant:</i>	<i>Loan:</i>
5. Preparation Grant Request (in USD million):		<i>MDB:</i>
6. National/[Regional] Project Focal Point:		
7. National/[Regional] Executing Agency (project/program):		
8. MDB PPCR Focal Point and Project/Program Task Team Leader (TTL):	<i>Headquarters-PPCR Focal Point:</i>	<i>TTL:</i>
9. Description of activities covered by the preparation grant:		
10. Justification for the PPG request and the amount being requested		
11. Outputs:		
Deliverable	Timeline	
(a)		
(b)		
...		
12. Budget (indicative):		
Expenditures¹²	Amount (USD) - estimates	
Consultants		
Equipment		
Workshops/seminars		
Travel/transportation		
Others (admin costs/operational costs)		
Contingencies (max. 10%)		
Total Cost		
Other contributions:		
• Government		

¹² These expenditure categories may be adjusted during project preparation according to emerging needs.

• MDB		
• Private Sector		
• Others (please specify)		
13. Timeframe for project preparation (tentative)		
14. Estimated Project Co-financing Sources	Co-financing Amount in USD	Co-financing Confirmed? (Yes or No?)
• Government		
• MDB		
• Private Sector		
• Others (please specify)		
15. Other Partners involved in project design and implementation ¹³ :		
16. If applicable, explanation for why the grant is MDB executed:		
17. Implementation Arrangements (incl. procurement of goods and services):		

¹³ Other local, national and international partners expected to be involved in design and implementation of the project.

**Annex 2
Template Summary for Technical Assistance Request**

PILOT PROGRAM FOR CLIMATE RESILIENCE			
Summary – Technical Assistance Request			
1. Country/Region:		2. CIF Project ID#:	(Trustee will assign ID)
3. TA Title:			
4. Total TA Cost:			
5. Funding Request from PPCR (in USD)			
6. Implementing MDB:			
7. Other MDB Involvement	<i>MDB:</i>	<i>Type of Involvement:</i>	
8. National/[Regional] Project Focal Point:			
9. National/[Regional] Executing Agency ¹⁴ for project/program:			
10. MDB PPCR Focal Point and TA Task Team Leader (TTL):	<i>Headquarters-PPCR Focal Point:</i>	<i>TTL:</i>	
11. TA Description:			
12. Objective			
13. Expected Outcomes:			
14. Key Results and Indicators for Success (consistent with PPCR Core indicators):			
Result	Indicator		
(a)			
(b)			
...			
15. Budget:			
Expenditures ¹⁵	Amount (USD) - estimates		

¹⁴ Can be Government agency or private sector firm

¹⁵ Expenditure categories should be provided by the MDBs based on own procedures.

Contingencies (max. 10%)		
Total Cost		
Co-Financing ¹⁶ :	<i>Amount (USD million):</i>	<i>Type of contribution:</i>
• Government		
• MDB		
• Private Sector		
• Others (please specify)		
Co-Financing Total		
16. TA Timeframe		
17. Role of other Partners involved in project/program¹⁷:		
18. Implementation Arrangements (incl. procurement of goods and services):		
19. Other Information:		

¹⁶ This includes: in-kind contributions (monetary value), MDB loan or grant, parallel financing, etc.

¹⁷ Other local, national and international partners to be involved in implementation of the project/program.