

# CLIMATE INVESTMENT FUNDS

PPCR/SC.6/8/Rev.1/Add.1  
June 11, 2010

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Meeting of the PPCR Sub-Committee  
Washington, D.C.  
June 23, 2010

**PILOT PROGRAM FOR CLIMATE RESILIENCE (PPCR):  
FINANCING MODALITIES  
(ADDENDUM ON MDB FEES)**

1. Paragraphs 37 to 39 of document PPCR/SC.6/8/Rev.1, *Pilot Program for Climate Resilience (PPCR): Financing Modalities*, note:

“37. The MDB fees are to reimburse the MDB for its incremental staff, consultants, travel and related costs of project development, appraisal, implementation support, supervision and reporting.

38. It is proposed that a simplified system be used to determine the MDB fee on each public sector project and program, and that such fees be approved at the time that an strategic program is endorsed by the Sub-Committee.

39. It is proposed that the same system for determining fees be used for all SCF targeted programs. A proposal, based on the MDB experience in preparing and supervising projects through their normal lending activities is under discussion by the MDBs. Once this proposal is agreed by the MDBs, it will be submitted to the Sub-Committee for approval.”

2. After consultation with the MDB Committee, the following system is proposed for determining MDB fees for public sector programs and projects financed by PPCR. This system is being proposed to all SCF Sub-Committees for application under the targeted programs.

### **Fee Levels**

3. The following fee levels are proposed.

- a. For *investment projects*, it is proposed that a flat fee of US\$350,000 be approved for the MDB supervising the project preparation and supervision over the life of the project. This is equivalent to additional costs of about 40% over and above a standard MDB project, and would cover additional preparation and supervision costs, including additional legal and disbursement work
- b. Recognizing that *country and sector circumstances* might require more intensive preparation and/or supervision effort, it is proposed that an MDB may request the Sub-Committee to approve a fee that exceeds US\$350,000. In requesting a higher fee, the MDB would need to fully justify the additional costs requested.
- c. For *grants* provided for (i) assistance to countries to prepare a strategic program or (ii) technical assistance projects, including advisory services and knowledge management, determination of the fee level for preparation and supervision should follow the standard procedures for smaller trust funds, that is, 5% of the value of the grant up to a maximum grant of US\$ 1.5 million. For any such grant exceeding US\$1.5 million, the MDB would need to provide the Sub-Committee a justification for requesting approval of a fee that would exceed US\$75,000 (i.e., 5% of \$1.5 million).

## **Modalities for Cost Recovery**

4. At the time of submission of a strategic program, the MDBs would submit requests for fees to cover the preparation and supervision costs of the projects under that strategic program, consistent with the levels described above, which would be reviewed and approved by the Sub-Committee. MDBs would receive fees in two tranches; half when the strategic program is endorsed, and the remainder when the PPCR funding for the individual project is approved by the Sub-Committee.<sup>1</sup>

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<sup>1</sup> In the event that a project is dropped or cancelled, the MDB would not be required to return funds that have already been spent on preparation. Unspent or uncommitted fees would be returned to the Trustee.