

# CLIMATE INVESTMENT FUNDS

PPCR/SC.15/7  
October 17, 2014

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Meeting of the PPCR Sub-Committee  
Washington, DC  
November 18, 2014

Agenda Item 7

## **CRITERIA AND PROCESS FOR SELECTING NEW PILOT COUNTRIES UNDER THE PILOT PROGRAM FOR CLIMATE RESILIENCE**

**(SUMMARY)**

## **PROPOSED DECISION**

The meeting reviewed document PPCR/SC.15/7, *Criteria and Process for Selecting New Pilot Countries under the Pilot Program for Climate Resilience*, and the PPCR Sub-Committee

- (i) agrees to invite eligible countries to express interest in participating in the PPCR;
- (ii) requests the CIF Administrative Unit and the MDBs to make all necessary arrangements for the process of selecting new PPCR pilot countries in accordance with the provisions in this document;
- (iii) looks forward to considering the selection of new PPCR pilot countries based on the recommendation of the expert group during the next meeting of the PPCR Sub-Committee in Spring 2015; and
- (iv) confirms that the decision to invite new countries to the PPCR is consistent with the decision on the CIF sunset clause agreed on in the joint meeting of the CTF and SCF Trust Fund Committees on November 17, 2014.

## I. INTRODUCTION

1. At its meeting on June 27, 2014, the PPCR Sub-Committee reviewed document PPCR/SC.14/4, *Options for the Use of Potential New Funds under the PPCR*, and agreed to the further development of options 1 (Selection of new PPCR pilot countries) and 2 (Using existing pilot countries as a “hub” on which to expand to a multi-country or regional program) to be further discussed in November 2014 after the discussion in the joint meeting of the CTF and SCF Trust Fund Committees on the CIF sunset clause.

2. The Sub-Committee also agreed to further develop the option to demonstrate and further incentivize innovative private sector investments in climate resilience and adaptation in current PPCR pilot countries and by expanding private sector activities to low and lower middle income<sup>1</sup> CIF countries and recognizing the need for appropriate technical assistance, training, and country engagement in existing PPCR countries and other low income countries.

3. This paper responds to the request by the PPCR Sub-Committee to further develop options 1 and 2 by outlining the criteria and process for selecting potential new countries under the PPCR using the previously agreed selection criteria and process as a basis.<sup>2</sup>

4. The proposed criteria and procedures suggest combining options 1 and 2. For option 2, the MDB PPCR Committee has deemed it more appropriate that the MDBs work with relevant country governments to express interest in a PPCR regional program. For new PPCR countries to benefit from the experiences current PPCR pilot countries have made, it is suggested that various efforts are made to maximize the knowledge transfer and interactions. This could include the organization of dedicated meetings between the current and newly selected PPCR pilot countries through CIF’s Global Knowledge Management Program.

## II. CRITERIA GUIDING PPCR COUNTRY SELECTION

### Previously agreed Criteria

5. It is proposed that the previously agreed core principles and criteria be used as a basis for considering new PPCR pilot countries, with some modifications reflected below. These modifications are based on the lessons learned from the first round of selecting PPCR pilots, and focus on three criteria which have been identified as most important for the selection of new pilots. Furthermore, it is proposed that information submitted by the eligible countries in their expressions of interest be taken into account in ranking the countries against the criteria and that weights be assigned to the proposed criteria to be applied by the expert group in its review and scoring of the expressions of interest.

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<sup>1</sup> Based on World Bank country classification by income (<http://data.worldbank.org/about/country-and-lending-groups>)

<sup>2</sup> See *PPCR Design Document* (November 2008)

([https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR\\_design\\_Document\\_final.pdf](https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR_design_Document_final.pdf)); and *Terms of Reference and Guidance for the Expert group on the Selection of Countries to Participate in the Pilot Program for Climate Resilience* (November 2008)

([https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR\\_Terms\\_of\\_Reference\\_and\\_Guidance\\_for\\_Expert\\_Group\\_final.pdf](https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/PPCR_Terms_of_Reference_and_Guidance_for_Expert_Group_final.pdf)).

## Proposed Weighted Criteria

6. Below are three criteria with weightings proposed for selecting new PPCR pilot countries or regional programs eligible to receive funding under the PPCR:

- a) ***Vulnerability to climate risks and hazards*** (weight: 40%). It is proposed to use existing indices of high reputation which are composed of a comprehensive set of variables (e.g. bio-physical, population, capacity and economic variables) and use a transparent approach and methodology to be created and updated. Examples of such indices include the *University of Notre Dame* Global Adaptation Index (ND-GAIN Index)<sup>3</sup> or the *Maplecroft* Climate Change Vulnerability Index (CCVI)<sup>4</sup>, or other relevant documents quantifying the vulnerability of countries to the impacts of climate change<sup>5</sup> as data source. Data from public sources will be compiled.
- b) ***Enabling environment*** (weight: 30%). This will involve two aspects as elaborated below:
  - i. the existence of supportive ***regulatory structures and institutions to mainstream climate resilience considerations into national sector plans and policies***. This could include sector or cross-cutting policies and regulations addressing the impacts of climate variability and change, such as land use policies, disaster risk management plans; incentives for the sustainable use of natural resources (e.g. Payment for Environmental Service), or certification standards. Sector-wide development strategies that are open to promote cross-sectoral and integrated approaches to address climate risks and hazards (including a NAPA or NAP). An inter-agencies mechanism that coordinates cross-sectoral aspects of the economy. Countries could be assessed on national and local strategies and capacities for channeling climate and other development finance in a structured and transparent way.
  - ii. an ***enabling regulatory environment that promotes the development of the private sector or, new business models for private sector investments*** in sectors affected by the impacts of climate variability and change. This

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<sup>3</sup> The ND-GAIN Index is a navigation tool that helps corporate and development leaders manage risks exacerbated by climate change such as over-crowding, food insecurity, inadequate infrastructure and civil conflicts. The Index shows a country's level of vulnerability, and the readiness of a country to successfully implement adaptation solutions. The tool is free and open-source. Using over 15 years of data, across 50 variables, ND-GAIN ranks over 175 countries annually based on how vulnerable they are to droughts, super-storms and other natural disasters and, uniquely, how ready they are to successfully implement adaptation solutions. (<http://gain.org/>)

<sup>4</sup> The Climate Change Vulnerability Index (CCVI) forms a central part of the of *Maplecroft's* Climate Change and Environmental Risk Atlas. *Maplecroft's* CCVI has been developed to identify climate-related risks to populations, business and governments over the next 30 years, down to a level of 22km<sup>2</sup> worldwide. It does so by evaluating three factors: exposure to extreme climate-related events, including sea level rise and future changes in temperature, precipitation and specific humidity; the sensitivity of populations, in terms of health, education, agricultural dependence and available infrastructure; and the adaptive capacity of countries to combat the impacts of climate change, which encompasses, R&D, economic factors, resource security and the effectiveness of government. (<http://maplecroft.com/>)

<sup>5</sup> E.g. Wheeler, D. (2011). "*Quantifying Vulnerability to Climate Change: Implications for Adaptation Assistance.*" CGD Working Paper 240. Center for Global Development. <http://www.cgdev.org/content/publications/detail/1424759>

could include policies and incentives that support private sector development and public-private partnerships. This could also include availability, or willingness to develop, local capacity of businesses which are affected by the impacts of climate variability and change and have potential to offer solutions. Quantitative assessments may use the “Ease of Doing Business” index. A high index means the regulatory environment is more conducive to the starting and operating a private local firm. The index uses the following additional variables that are relevant for assessing the private sector enabling environment in PPCR countries:

- Enforcing contracts
- Trading across borders
- Resolving Insolvency
- Getting Credit
- Registering Property
- Starting a business

c) ***Potential capacity for implementation***, including sufficient institutional and technical capacity (weight: 30%). This could include track records of (a) relevant projects implemented with the MDBs or other entities; (b) outputs and outcomes from projects addressing relevant sectors of the economy that are completed or initiated with participation of government and other stakeholders; (c) previous experience implementing projects in sectors affected by the impacts of climate variability and change, and (d) capacity for managing rural or urban landscapes and their interfaces at scale. Capacity of technical personnel in sector ministries and associated service providers. The existence of a multi-sectoral mechanism that can effectively address the needs for a climate-resilient development path. The government’s ability to effectively absorb additional funds must be considered by assessing the ability of a country to manage and coordinate climate and other development finance.

d) ***For regional programs only***: A clear presentation should be given on the rationale and value added for proposing the regional program (e.g. shared watershed or biome that needs an integrated and multi-country management approach; potential for a significant risk insurance program). The willingness of governments of countries involved in a potential regional program to support the effort needs to be presented. If there is a regional entity relevant for the proposed program (inter-governmental or otherwise), information should be provided on what role this entity might play in the program.

7. During its discussion on the selection of new PPCR countries, the PPCR Sub-Committee will take into account the recommendations of the expert group as well as the submitted expressions of interest. Annex 1 in the full report provides a list of eligible countries that can request to participate in the PPCR.

### III. PROPOSED PROCESS

8. The CIF Administrative Unit will invite eligible countries to submit an expression of interest in participating in the PPCR in accordance with the outline presented in Annex 2. For regional programs, on behalf of and endorsed by relevant countries' governments, an MDB can express interest in participating in the PPCR through a regional program. The CIF Administrative Unit will convene an expert group to review the expressions of interest received, score the proposals, and recommend to the Sub-Committee a prioritized list of countries or regional programs that could benefit from the PPCR. The CIF Administrative Unit will consult with the PPCR Sub-Committee members and the MDBs to propose [4][6]experts for approval by the Sub-Committee. A provisional timeline for the selection of new PPCR pilots can be found in annex 3.

9. During its deliberation, the expert group will have the opportunity to discuss the expression of interest with the proposing country government(s) and the MDBs which might be involved in the potential future PPCR program.

10. In presenting its recommendations to the PPCR Sub-Committee, the expert group is requested to elaborate how it has taken the above criteria and other considerations into account in preparing its list of potential new pilot countries. The expert group report should include, inter alia, information on:

- a) methodology (including a score card) and analysis leading to the group's list of proposed new PPCR pilot countries or regional programs; and
- b) an assessment of key issues and challenges for the identified pilot countries or regional programs.

11. The Sub-Committee will review the report of the expert group at its meeting in May 2015 and is expected to make a decision at that meeting. Annex 3 proposes a timeline for selecting new PPCR pilot countries.

12. Once new countries are selected to participate in the PPCR, the CIF Administrative Unit in collaboration with the MDBs will further explore opportunities for a systematic exchange on lessons learned between the first set of PPCR pilot countries and the newly selected countries or regional programs.

## **Outline of Expression of Interest to Participate in the PPCR<sup>6</sup>**

### **I. COUNTRY AND GOVERNMENT AGENCY SUBMITTING EXPRESSION OF INTEREST<sup>7</sup>**

### **II. DESCRIPTION OF THE COUNTRY/REGION AND VULNERABILITY CONTEXT**

Please provide a summary of the country/region and climate vulnerability context, including affected sectors and people (population dependent on resources impacted by climate variability and change); information on relative poverty; relevant national sector and cross-sector policies and plans, including the NAPA, NAP or equivalent, and status of preparation and implementation. The existence of a functional national or sectoral unit with a mandate to address climate change within the government(s) should be described. Information on stakeholder groups<sup>8</sup> and how they will be engaged in the process (e.g. private sector - Chamber of Commerce; communities – civil society organizations, including women groups and city councils; etc) and existing platforms for the various groups to engage in a national dialogue with the government should be provided as well.

Note: This section will inform the discussion on criteria 1 (*vulnerability to climate risks and hazards*) and criteria 2 (*enabling environment*) used as the basis for considering new PPCR pilot countries.

### **III. ENABLING POLICY AND REGULATORY ENVIRONMENT**

Please provide an overview of relevant policies, plans, legal frameworks and regulatory structures for the sectors which would be potentially addressed through the PPCR and how climate change is currently featured. Discuss the existing level of mainstreaming of climate considerations in relevant policies, plans and legal and regulatory frameworks and what needs to be improved in order for the public and private sector entities to change the current approaches and business models. Please describe, what if any, institutional arrangements or policies or incentives are present for the private sector investments in adaptation? Examples may include building codes/standards that take into climate change, zoning regulations/land use rules with a view to climate impacts, legal or regulatory obligation of operators of critical infrastructure or financial/economic incentives for uptake for adaptive technologies or actions, etc.

Note: This section will inform the discussion on criteria 2 (*enabling environment*) used as the basis for considering new PPCR pilot countries.

### **IV. INSTITUTIONAL AND TECHNICAL CAPACITY**

Please provide an analysis of the institutional and technical capacity for implementation, including the government's ability to effectively absorb additional funds and active engagement

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<sup>6</sup> The expression of interest should not exceed 10 pages, excluding tables, charts, and annexes.

<sup>7</sup> Regional institutions expressing interest in a regional or multi-country program should submit a letter from the participating government of the participating country endorsing the expression of interest submitted by the regional institution.

<sup>8</sup> Stakeholder groups include rural and urban communities, Indigenous Peoples, private sector, government; international development partners.

of private sector in key/climate relevant sectors. This could include a track record of outputs and outcomes from projects addressing relevant sectors of the economy that are completed or initiated with participation of government and other stakeholders, previous experience implementing projects in sectors affected by the impacts of climate variability and change, capacity for managing rural or urban landscapes and their interfaces at scale. Capacity of technical personnel in sector ministries and associated service providers should be presented. Information should be provided on the existence of a multi-sectoral mechanism that can effectively address the needs for a climate-resilient development path. Information on how the government manages and coordinates climate and other development finance should be provided. Please also provide a preliminary assessment of potential implementation risks.

Note: This section will inform the discussion on criteria 3 (*implementation capacity*) used as the basis for considering new PPCR pilot countries.

## **V. PROGRAMS OF MDBS AND DEVELOPMENT PARTNERS**

Please describe briefly the ongoing and planned programs of the relevant multilateral development banks (MDBs) and other development partners relevant to mainstreaming climate resilience into economic sectors and increase the capacity of the population to cope with climate-related hazards and how the PPCR would link to and build upon these programs.

## **VI. RATIONALE FOR SELECTED SECTORS AND OTHER INTERVENTIONS FOR PPCR FINANCING**

Please identify barriers for

- a. for mainstreaming climate resilience considerations into economic sectors and sub-sectors; and
- b. enhancing the capacity of the population to cope with the impacts of climate variability and change.

Identify economic sectors and other investment areas targeted for possible PPCR financing as well as the rationale for prioritizing them for PPCR interventions. Identify potential benefits and outcomes from the potential PPCR engagement.

## **VII. VALUE PROPOSITION ON SHARING RELEVANT KNOWLEDGE**

Please identify lessons your country is interested in to learn from the first set of PPCR countries.

Please identify experiences and lessons your country has made with climate-resilient development and adaptation activities, other PPCR countries might be interested in.



**VIII. FOR REGIONAL PROGRAMS ONLY:**

Please present the rationale and value added for proposing a regional program. Provide evidence that relevant governments of countries which will be part of the regional program will be supportive of the effort. Please elaborate whether there is a regional entity relevant for the proposed program and what roles and responsibilities this entity could play in the program.