CLIMATE INVESTMENT FUNDS

PPCR/SC.8/3
June 15, 2011

Meeting of the PPCR Sub-Committee
Cape Town, South Africa
June 28 and 29, 2011

Agenda Item 4

THE USE OF CONCESSIONAL FINANCE IN THE PPCR
SUMMARY

Proposed Decision by the PPCR Sub-Committee

The PPCR Sub-Committee reviewed document PPCR/SC.8/3, *The Use of Concessional Finance in the PPCR*, and

(a) agrees that each pilot country may program an equal share of the available concessional finance amount. With a current pledge level of concessional resources of USD372million[1], and the projection that 9 pilots[2] (8 country pilots and 4 countries participating in the Caribbean regional pilot) have requested or will request concessional resources, the allocation ceiling per pilot would be USD41million per pilot program. Countries may chose to program for a higher amount of concessional finance but need to recognize that the availability of additional PPCR credits would depend on the availability of additional contributions to the PPCR.

or

agrees that PPCR pilot countries whose SPCR were endorsed prior to the Sub-Committee meeting in June 2011 (Bangladesh, Grenada, Niger and St. Vincent and the Grenadines) may continue to program up to the ceiling of the resources requested in the SPCR. For the remaining six country pilots and countries participating in the Caribbean regional pilot that have expressed an interest in requesting concessional resources, each pilot may program up to USD36million, which is an equal share of the remaining capital contributions pledged to the PPCR. Countries may chose to program for a higher amount of concessional finance but need to recognize that the availability of additional PPCR credits would depend on the availability of additional contributions to the PPCR.

(b) requests MDB teams to assist PPCR pilot countries falling under high and moderate debt distress risk rankings to conduct a macro-economic analysis in order to evaluate the potential for impacting their debt sustainability if they were to draw on PPCR credits. Each public sector project and program requesting the use of PPCR credits presented for review and approval by the PPCR Sub-Committee should include an annex presenting the macro-economic analysis.

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[1] March 2011

[2] Regional pilots are considered as one PPCR pilot.

1. The objective of the PPCR is to pilot and demonstrate ways to integrate climate risk and resilience into core development planning, while complementing other ongoing activities. The pilot programs implemented under the PPCR should be country led, build on National Adaptation Programs of Action and other relevant country studies and strategies, and be strategically aligned with the Adaptation Fund and other donor funded activities to provide pilot finance in the short term so as to learn lessons that will be useful in designing scaled up adaptation financing.

2. The PPCR aims to contribute to achieving this objective (…) by seeking to provide incentives for scaled-up action and transformational change in integrating consideration of climate resilience in national development planning consistent with poverty reduction and sustainable development goals.[3]

3. In support of the objective set out in the PPCR design document, the PPCR supports the following two types of activities:

(a) The PPCR may provide funding for technical assistance to enable developing countries to build upon existing national work to integrate climate resilience into national or sectoral development plans, strategies and financing.

(b) The PPCR may provide additional financial resources to help fund a program of public and private sector investments identified in national or sectoral development plans or strategies addressing climate resilience.

4. The PPCR provides for both grants and highly concessional financing (near-zero interest credits with a grant element of 75%) to finance the additional costs necessary to make a development activity resilient to the impacts of climate change. ***Countries may choose to only access PPCR grant resources.***

5. During its meeting in November 2010, the Sub-Committee requested the CIF Administrative Unit and the MDB Committee to examine expectations regarding the use of concessional financing other than grants under the PPCR and to inform the Sub-Committee meeting at its next meeting of its conclusions with respect to the allocation of those resources. Based on current information available from the countries, twelve out of the eighteen countries participating in the PPCR have indicated an interest in accessing credits together with grant resources to address national adaptation needs. This paper also explores how countries expect to utilize such concessional financing.

6. The Sub-Committee also raised questions about the Debt Sustainability Framework (DSF) to countries choosing to requests credits through the PPCR. The DSF is an internationally recognized monitoring instrument that has been developed jointly by the IMF and the World Bank to help guide countries and donors in financing for low-income countries' development needs, while reducing the chances of an excessive build-up of debt in the future.

[3] *The Pilot Program for Climate Resilience under the Strategic Climate Fund*, 2008

7. Consistent with this request, the CIF Administrative Unit, in collaboration with the MDBs, prepared document PPCR/SC.8/3, *The Use of Concessional Finance in the PPCR*, which (a) recalls the agreed policy on the use of credits in the PPCR, (b) provides initial experience with programming activities supported through PPCR credits, (c) identifies the demand for credits under the PPCR, and (d) discusses the consistency of the use of PPCR credits with the Debt Sustainability Framework.

8. The Sub-Committee is invited **to review** the document and **provide** guidance on the allocation of the concessional resources available through the PPCR.