

CLIMATE INVESTMENT FUNDS

PPCR/SC.14/4
May 26, 2014

Meeting of the PPCR Sub-Committee
Montego Bay, Jamaica
June 27, 2014

Agenda Item 4

OPTIONS FOR THE USE OF POTENTIAL NEW FUNDS UNDER THE PPCR

PROPOSED DECISION

The PPCR Sub-Committee reviewed document, PPCR/SC.14/4, *Options for the Use of Potential New Funds under the PPCR*, and welcomes the proposed options.

The Sub-Committee agrees that the following should be pursued should additional funds be made available to the CIF...

- [i. *Option 1: Selection of new PPCR pilot countries.*]
- [ii. *Option 2: Using existing pilot countries as a “hub” on which to expand to a multi-country or regional program.*]
- [iii. *Option 3: Demonstrating and further incentivizing innovative private sector investments in climate resilience and adaptation by expanding activities to all CIF countries.*]

The Sub-Committee requests the CIF Administrative Unit, to keep it informed of the availability of new resources so the Sub-Committee can agree if and when it is appropriate to expedite the implementation of any option.

I. INTRODUCTION

1. At its meeting in November 2013, the PPCR Sub-Committee reviewed document PPCR/SC.13/5, *Approaches and Criteria for Considering Potential new Pilot Countries*, and agreed that while it was not timely to consider inviting new countries or regions to participate in the PPCR, it welcomed a broader discussion of how funding could be used effectively should additional funds become available.

2. The PPCR Sub-Committee suggested that in addition to new countries or regional pilots, consideration could be given to: (a) deepening existing pilot programs; (b) expanding existing pilot countries into regional “hubs”; (c) developing new and improved instruments for engaging the private sector; and (d) supporting additional rounds of financing under the private sector set aside.

3. The CIF Administrative Unit, in collaboration with the MDBs, was invited to prepare a paper exploring possibilities for the use of new funds, should they become available under the PPCR, for consideration by the Sub-Committee.

II. OPTIONS FOR THE USE OF POTENTIAL NEW FUNDS UNDER THE PPCR

4. Consistent with the decision, the CIF Administrative Unit, in collaboration with the MDBs, has prepared the following three options for the use of new PPCR resources, should they become available:

Option 1: Selection of new PPCR pilot countries

Option 2: Using existing pilot countries as a “hub” on which to expand to a multi-country or regional program

Option 3: Demonstrating and further incentivizing innovative private sector investments in climate resilience and adaptation by expanding activities to all CIF countries

5. Each option will depend on the amount of additional resources available to the PPCR. The Sub-Committee may decide to choose one option or it may conclude that a combination of options should be piloted.

Option 1: Selection of new PPCR pilot countries

6. As of March 2014, 22 additional countries have expressed interest in participating in the PPCR.

7. Taking into account the current needs for financial resources and technical support to enable developing countries to cope with the impacts of climate variability and change¹, it is proposed that additional countries be invited to participate in the PPCR. The objective would be to allow new pilot countries to develop effective strategies for demonstrating and mainstreaming climate resilience into development planning and action, in pursuing sectors most vulnerable to climate change impacts, and to undertake priority investments. The new countries and the MDBs would be able to build on the lessons and experiences of existing PPCR pilots.

8. To implement this option, a new selection process would be needed. It is suggested that a process similar to the selection process being followed to identify additional SREP countries may usefully be explored (*Criteria and Process for Selecting New Pilot Countries under the SREP*², 2014).

9. The CIF Administrative Unit would invite eligible countries³ to submit an expression of interest in participating in the PPCR based on a list of information that could usefully be provided to allow for an assessment of the capacities and priorities of a country to participate in the PPCR. The CIF Administrative Unit, in collaboration with the MDBs, would prepare an outline of an expression of interest and submit it to the Sub-Committee for approval.

10. An expert group would be established to review the expressions of interest and recommend new countries, using selection criteria agreed by the PPCR Sub-Committee.

11. The PPCR Sub-Committee would invite the expert group to recommend an agreed number of countries that could benefit from the PPCR while contributing to the overall programmatic objectives of PPCR. Depending on the amount of available additional resources, the PPCR Sub-Committee would then select a number of countries and invite them to prepare a PPCR investment plan⁴. Preparatory grant resources could be provided. For the current set of PPCR pilots, preparatory grant resources in the amount of USD 1.5 million per pilot were

¹ A study by the World Bank on “The Economics of Adaptation” (2010) estimates the annual cost of adaptation in developing countries at USD 75 to 100 billion dollars between 2010 and 2050¹ and USD 9 to 41 billion annually. A 2008 UNFCCC study “Investment and Financial Flows to Address Climate Change” (2008) estimates that to address climate change impacts in the agriculture, forestry and fisheries sectors, an additional USD 14 billion in investment and financial flows would be needed. About half of this amount is estimated to be needed in developing countries. Resources would be needed to purchase new capital; for example to irrigate areas, adopt new practices and to move processing facilities; and for research and extension activities to facilitate adaptation. With sea level rise, the investment in coastal zones needed is estimated to represent an additional USD 11 billion in 2030.

² https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Criteria%20for%20new%20SREP%20pilot%20countries_final_2-26-2014.pdf

³ Paragraphs 19 and 20 of the *PPCR Design Document* (2011) provide:

19. Country eligibility of the PPCR will be based on:

(a) Official Development Assistance (ODA)-eligibility (according to the Organization for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) guidelines); and
(b) an active MDB country program. For this purpose, an “active” program means where an MDB has a lending program and/or on-going policy dialogue with the country.

20. Priority will be given to highly vulnerable least developed countries eligible for MDB concessional funds, including the small island developing states among them. The PPCR Sub-Committee will determine the number of countries to be supported by PPCR financing as the pilots, taking into account, among other things, the resources available for the PPCR and the objective of providing scaled-up resources in the pilot countries. Final selection of pilot countries will be made by the PPCR Sub-Committee, based on advice of the Expert Group.

⁴ A PPCR investment plan is often referred to as Strategic Program for Climate Resilience.

provided. Resources were used to develop the investment plan and initiate capacity development measures such as setting up or enhancing cross-sectoral coordination mechanisms.

12. Once new countries are selected, programming of PPCR resources will follow approved PPCR policies, guidelines and procedures (see *PPCR Programming and Financing Modalities* and the *PPCR Results Framework*).

13. If new PPCR resources in the amount of USD 500 million would be made available between 5 and 8 new countries could be selected to participate in the PPCR from the list recommended by the expert group.

Option 2: Use existing pilot countries as a “hub” on which to expand to a multi-country or regional program by selecting new pilot countries

14. Option 2 also proposes the expansion of the PPCR. However, the option limits the eligible countries to those neighboring existing PPCR pilot countries. The resulting PPCR programs can be of regional or multi-country nature.

15. The objective would be to address issues of similar concerns or common shared interests in a region (e.g. water scarcity, food security, integrated watershed management, ecosystem/biome management and coastal zone management) and further enhance regional leadership by using existing PPCR countries as champions. The option offers opportunities for South-South exchanges and sharing lessons from the PPCR programming process. The recently conducted study on lessons learned from the PPCR programming process concluded that “a regional track can provide benefits to countries with limited capacity facing shared challenges”.

16. The challenge for this option is related to the known complexities associated with the development and implementation of a multi-country/regional program. In addition, experience from other institutions supporting regional programs (e.g. GEF) has shown that regional coordination is often difficult if either no strong regional institution exists or political disagreements affect coordination and collaboration⁵.

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https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/SREP_Inf_2_Lessons_Learned_from_Developing_Regional_Programs_under_PPCR_0.pdf

17. The table below provides some illustrative examples for potential multi-country/regional PPCR programs:

| Geographical Program Base | PPCR Champion | Potential program themes | Potential eligible additional countries⁶ |
|----------------------------------|--|--|---|
| West-Africa | Niger | Water and land use management; food security | Benin, Burkina Faso, Cameroon, Chad, Côte d'Ivoire, Guinea, Mali, and Nigeria |
| Central Asia | Tajikistan | Water use and efficiency; land management; energy (hydro) | Kazakhstan, Kyrgyz Republic, Turkmenistan and Uzbekistan |
| Southern Africa | Mozambique and Zambia | Water management and disaster risk management (e.g. floods) | Angola, Botswana, Malawi, Namibia, South Africa, Zimbabwe |
| Caribbean | Dominica, Grenada, Haiti, Jamaica, St. Lucia, St. Vincent and the Grenadines | Disaster risk management, climate data and hydromet services | Other eligible SIDS and coastal countries (e.g. Belize) (all members of <i>CARICOM</i>) |
| Pacific | Papua New Guinea, Samoa, Tonga | Disaster risk management, climate data and hydromet services | Other eligible SIDS (all member of <i>Pacific Regional Environment Programme</i> and the <i>Pacific Islands Forum Secretariat</i>) |
| Asia | Bangladesh and Nepal | Watershed and basin management (Himalayas to Ganges river delta to Bay of Bengal); agriculture, cities | Buthan, India, Myanmar |
| | Cambodia | River basin management (Mekong) | Cambodia, Laos, Myanmar, Thailand, Vietnam, China (Yunnan Province) |
| Latin America | Bolivia | Biome management (e.g. Gran Chaco Americano; Amazon); ecosystem-based adaptation | Brazil, Argentina, Peru |

18. To implement this option the MDBs would be invited to work closely with any existing pilot PPCR countries and neighboring countries to assess their interest in participating in a regional program. The current PPCR pilot country or countries should play a critical role in providing PPCR lessons and experiences during the regional dialogues around the development

⁶ It is acknowledged that not all listed countries are highly vulnerable least development countries. However, the PPCR Sub-Committee might consider inviting countries to participate in the PPCR which are highly vulnerable but not least developed countries.

and submission of a regional PPCR investment plan agreed by relevant countries facing similar challenges in the region. As with the current regional PPCR programs, the new regional program could have both country-based investment plans and a regional track to ensure continued dialogue and learning among the participating countries. If not otherwise justified, existing PPCR countries would not be expected to receive additional resources except for some limited funding to facilitate their engagement in knowledge sharing and transfer to new countries.

19. Preparatory grant resources would be provided to the new countries through the MDBs to develop the regional program. Consistent with existing procedures, the PPCR Sub-Committee would review and endorse the investment plan(s).

20. This option would require between USD 200 and 500 million per regional pilot depending on the number of countries invited to participate.

Option 3: Demonstrating and further incentivizing innovative private sector investments in climate resilience and adaptation by expanding activities to all CIF countries

21. Based on emerging lessons learned from the first two rounds of the PPCR private sector set aside process, option 3 proposes to extend the scope of the set-aside to allow project concepts to be considered for PPCR funding for activities that advances PPCR objectives in any of the CIF countries.

22. The objective would be to expand the market opportunities for the private sector to engage in climate resilience and adaptation activities by including a wider range of countries, including middle income countries. The expansion would enhance the competitive scope of the program, allowing the best opportunities and projects to be funded while deepening the examples of good practices and enhancing South-South learning.

23. Proposed investment ideas would need to present a relevant programming context such as an approved National Plan on Adaptation (NAPA) or an equivalent national-level climate policy or plan.

24. The set aside would continue to function as a competitive allocation of resources under the PPCR private sector set-aside. It would be expanded so that project activities to be implemented in any of the CIF countries could be considered. Consideration could be given to theme-based rounds of selection, with call for proposals in such areas as:

- a) establishing dedicated financing facilities to scale up finance for climate resilience measures in vulnerable sectors (e.g. agriculture, residential/commercial property, manufacturing, renewables, tourism);
- b) providing targeted finance for making privately owned/managed infrastructure more climate-resilient (e.g. transport, ports, roads, power and energy, housing, natural resources, water supplies);

- c) developing insurance-based mechanisms to help businesses and households cope with climate-driven risks and shocks;
- d) improving access to climate information and services for the end users in vulnerable sectors (e.g. water, agriculture, roads, health, disaster risk management);
- e) supporting waste water recovery and improved water resource management; or
- f) enhancing agriculture and agribusiness supply chain resilience.

25. It is suggested that at least USD 150 million in PPCR resources be available if this option is to move forward.