

# CLIMATE INVESTMENT FUNDS

PPCR/SC.5/4  
March 3, 2010

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Meeting of the PPCR Sub-Committee  
Manila, Philippines  
March 16, 2010

## **PROPOSAL FOR ACCELERATED FUNDING OF PHASE 1 ACTIVITIES**

**Proposed Sub- Committee Decision**

The PPCR Sub-Committee, having reviewed document PPCR/SC.5/4, *Proposal for accelerated funding of phase 1 activities*, approves the proposed procedures to accelerate the provision of financing to the pilots for the Phase 1 activities under the PPCR.

## **BACKGROUND**

1. The Pilot Program for Climate Resilience joint missions are recently completed or in the final planning stage in most pilot countries. Government counterparts are showing impressive commitment to the principle of mainstreaming resilience into country development planning, budgeting and implementation. The purpose of this note is to propose a minor modification in the financing modalities for Phase 1 activities to accelerate the start of activities in the PPCR Pilot Countries and Caribbean and Pacific regional programs.

2. 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. As recognized in the PPCR programming document, participating countries are at very different stages in addressing climate risk to their development planning and budgeting processes. Therefore, the PPCR process needs to be flexible and in all cases should take account of, and build on, existing efforts.

3. To maximize effectiveness, the PPCR planning process should be integrated with the government planning process. Medium term poverty reduction and economic development plans are generally prepared on a three to four year cycle. In some cases, Governments have alerted MDB task teams to the fact that plan preparation processes are well under way, and funds would quickly need to be made available to ensure mainstreaming resilience into the next planning cycle. In the case of Zambia, for example, the development plan is due to be completed in June 2010.

4. The programming and financing modalities provide for a grant amount of up to \$1.5 million to be available for Phase 1 activities for single country pilots and regional programs<sup>1</sup>. The specific amount is to be approved by the PPCR Sub-Committee, based on a work plan and budget for Phase 1 to be submitted by the pilot country. We would like to bring two issues to the attention of the PPCR Sub-Committee, though we request a decision only on the second one.

### **PHASE 1 PROGRAM MANAGEMENT: NEED FOR REALISM REGARDING IMPLEMENTATION TIMETABLES**

5. Where MDB procedures require these grants to be recipient executed (ensuring country ownership)<sup>2</sup>, MDB task teams and government counterparts are struggling to reconcile the need to move quickly, and the need to follow standard MDB processes, which exist to ensure transparent procurement and sound management of funds.

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<sup>1</sup> The Maximum funds available for phase 1 activities within a regional pilot may be larger than for PPCR single country pilots due to added transaction cost. Regional pilots may request additional finance in order to adequately cover these additional transaction costs.

<sup>2</sup> While Regional Development Banks can operate through both country executed and agency executed grants, IBRD can only operate through country executed grants.

6. Standard MDB procedures for recipient executed grants require a review of the procurement and financial management capacity of the government implementing agency before the grant is signed, and preparation of a detailed procurement and financial management plan. Following grant signature the government implementing agency would then initiate procurement of consulting services, and consultants would likely not be able to start work until three months later. Hence, at the earliest work would start 4-5 months after the joint mission? Furthermore it will take some time to complete the technical work for preparation of the full grant proposal.

7. Even where grants are implemented by MDBs the requirement to follow standard bidding procedures for consultants' services stands, and there are requirements also for close consultation with the government agencies concerned.

8. Task teams and recipient governments, where grants are recipient executed, can accelerate the process somewhat by ensuring where possible that recipient entities are already procurement and financial management accredited and have experience managing externally financed programs. MDBs are working to ensure this in the PPCR countries, all of which already have experience working on MDB-financed programs. *We will need to be realistic, nevertheless, about the time that it will take to start disbursing funds under approved Phase 1 grants.*

#### **DETAILED DESIGN OF PHASE 1 GRANTS: FACILITATING START-UP**

9. Some teams, following completion of joint missions, are not yet in a position to prepare detailed proposals for phase 1 activities, since further work is necessary to identify priority areas. Yet submission of two separate grants, for the first and second tranches of phase 1 respectively, would bring additional administrative and transaction costs. We would like to avoid these additional costs by permitting a minor amendment, if need be, to the approval process of Phase 1 grants, as described below.

10. We propose, therefore, that if necessary we permit teams to submit a proposal for up to US\$ 1.5 million in total, with a detailed budget and work program only for an initial phase of up to 25% of that amount, and a broad outline of activities for the remainder<sup>3</sup>. The PPCR Sub-Committee would approve the entire US\$ 1.5 million but in two tranches. Approval of the initial amount of up to 25% would be given immediately, and approval of the second tranche would be subject to a full proposal being submitted to the PPCR Sub-Committee for review and confirmation of approval when more detailed funding information is available.

11. The PPCR Sub-Committee is invited to approve this proposal.

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<sup>3</sup> The Maximum funds available for phase 1 activities within a regional pilot may be larger than for PPCR single country pilots due to added transaction cost. Regional pilots may request additional finance in order to adequately cover these additional transaction costs.