

# CLIMATE INVESTMENT FUNDS

PPCR/SC.10/9  
April 13, 2012

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Meeting of the PPCR Sub-Committee  
Washington, DC  
April 30, 2012

Agenda Item 10

## **ALLOCATION OF PPCR RESOURCES**

**Proposed Decision by the PPCR Sub-Committee**

The Sub-Committee reviewed document PPCR/SC.10/9, *Allocation of PPCR Resources*, and agrees to the following rationale and indicative allocation of the PPCR resources that are currently unallocated:

[to be completed on the basis of the discussions at the Sub-Committee meeting and the preferred option].

The Sub-Committee requests the CIF Administrative Unit to inform the countries and the MDBs about these revised indicative allocations.

## I. BACKGROUND

1. During its meeting in November 2011, the PPCR Sub-Committee requested the CIF Administrative Unit to provide a report on the requests from governments for PPCR resources and a stocktaking of funding availability. The purpose of this paper is to provide up-to-date pledging and funding information to the Sub-Committee so it may consider how best to move forward in programming PPCR resources.

2. With the endorsement of all but one of the SPCRs expected at the Sub-Committee in May 2012, it is timely to provide further clarity to the pilot countries and the MDBs as to the resources that should be made available for each program as the countries and other stakeholders are now moving forward in preparing the projects foreseen in their endorsed SPCRs. This is particularly pressing for those countries that have made a request for resources that exceeds the indicative allocations agreed by the Sub-Committee, and in particular, requests for utilizing the capital contributions of the program.

## II. FUNDING AVAILABILITY

3. Taking into account the decisions of the PPCR Sub-Committee, and in particular decisions related to the allocation of resources and the endorsement of SPCRs (see Annex I), a summary of allocated and unallocated funding is as follows<sup>1</sup>:

	Grants (USD million)	Capital Contribution (USD million)
<b>Total pledges</b> (as of December 31, 2011)	<b>726</b>	<b>385</b>
<b>Funding requested in SPCRs</b> (as of March 31, 2012)		
Endorsed SPCRs	460	340/447
Expected SPCRs	150	5/5
<b>Total SPCR request</b>	<b>610</b>	<b>345/452</b>
<b>Other approved funding</b>		
“Phase 1” grants	13	0
MDB costs for project preparation and supervision	30	0
<b>Total other funding</b>	<b>43</b>	<b>0</b>
<b>Total allocations</b>	<b>653</b>	<b>345/452</b>
<b>Balance</b>	<b>73</b>	<b>40/-67</b>

<sup>1</sup> Two numbers separated by a “/” appear in those lines where the requested amount for PPCR resources differs from the endorsed amount. The first number reflects the allocation applying decisions of the Sub-Committee as to caps on the amount of credits that may be approved while the second number reflects the total amount requested by the PPCR pilots in their investment plans.

### III. OPTIONS FOR ALLOCATING CURRENT BALANCE IN PPCR RESOURCES

4. With a balance of resources in the amount of USD 73 million in grant resources and either USD 40 million in available credits or a credit deficit of USD 67 million, seven options for allocating the current balance (and potential new contributions) are proposed below. The Sub-Committee is invited to review the options and to provide further guidance as to how best to use the PPCR resources. It should be noted that these options are not mutually exclusive, and the Sub-Committee may wish to consider alternatives that draw from more than one option. The seven options are:

- a) Option 1: allocate the resources to existing pilots that have requested through their endorsed SPCR concessional resources beyond the cap of USD 36 million;
- b) Option 2: allocate the additional grant resources to the four single country pilots that have been assessed as being at high (Tajikistan, Yemen) and moderate risk (Cambodia, Nepal) of debt distress. For countries at moderate risk, this amount would substitute for an equal amount of credits requested for public sector projects if appropriate;
- c) Option 3: combine the first two options by (i) replacing the USD 36 allocations in credits for Cambodia and Nepal with grants resources, if appropriate and (ii) allocating the resulting pool of credit(s) to allow the remaining single pilot countries to access credits up to the full amount requested in their endorsed plans;
- d) Option 4: increase the allocations to country pilots under the Caribbean and Pacific regional programs;
- e) Option 5: authorize the inclusion of one or more new pilot countries; or
- f) Option 6: establish a competitive reserve; or
- g) Option 7: Invite number of countries to prepare their SPCRs as "readiness" mechanisms for climate resilience.

*Option 1: Allocate the resources to existing pilots requesting through their endorsed SPCR concessional resources beyond the cap of USD 36 million*

5. The *Programming and Financing Modalities for the SCF Targeted Program, the Pilot Program for Climate Resilience (PPCR)* agreed by the Sub-Committee in 2009 established a cap of 20% of the total available concessional finance for any one pilot requesting to utilize the credits available under the PPCR. At the time, the PPCR Sub-Committee and the MDBs expected low demand for accessing the available near-zero interest credits, and therefore, a cap of 20% appeared reasonable. The PPCR Sub-Committee also agreed to keep this allocation under review and to re-evaluate the cap after the submission of the first three to five Strategic Programs.

6. The Sub-Committee reviewed this cap in June 2011, and based on the information provided by the pilot countries and the MDBs, it became clear that there was much more interest in utilizing the PPCR credits than originally anticipated. Based on expectations for additional requests for utilizing these funds, the Sub-Committee agreed at that time that:

- a) PPCR pilot countries whose SPCRs were endorsed prior to the Sub-Committee meeting in June 2011 (Bangladesh - requested credits totaling USD 60 million, Grenada - requested credits totaling USD 12 million, Niger – requested credits totaling USD 60 million, and St. Vincent and the Grenadines – requested credits totaling USD 3 million) could program up to the ceiling of the credits requested in the SPCR .
- b) single country pilots and countries participating in the Caribbean regional program that have expressed an interest in requesting concessional resources were invited to program no more than a total of USD 36 million in PPCR credits. An allocation of USD 36 million provided an equal share of the amount remaining in capital contributions pledged to the PPCR.

7. When the pilot countries submitted their SPCRs for endorsement at, or subsequent to, the PPCR Sub-Committee meeting in June 2011, six pilot countries requested an allocation of credits that exceeded the new cap of USD 36 million (Bolivia - USD 60 million, Cambodia - USD 55 million, Mozambique - USD 52 million, Nepal - USD 60 million and Zambia - USD 60 million). In endorsing these SPCRs, the Sub-Committee took note of the request for the higher level of credits and called upon contributors and other countries, the MDBs and other development partners to seek to mobilize additional resources that will allow the aspirations in funding of all SPCRs to be met.

8. In October 2011, the Government of Yemen submitted its SPCR with a credit request of USD 60 million<sup>2</sup>. The plan was not endorsed at that time and has been resubmitted for review and endorsement at the upcoming PPCR Sub-Committee meeting.

9. Under this option, the PPCR Sub-Committee would agree to allocate the current balance of USD 113 million (USD 73 million in grants and USD 40 million in credits) to those countries which requested more credits than the cap agreed in June 2011 to reduce the shortfall, based on resources available. Funds drawn from the available grant resources would be expected to be disbursed as near-zero credits.

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<sup>2</sup> Yemen is a country in high debt distress and hence, not eligible to receive credits from the PPCR for public sector operations.

10. The following pilots would be affected:

	<b>Pilot</b>	<b>Credit Request</b>	<b>Endorsed Credit Amount</b>	<b>Endorsed SPCR Total (grants and credits)</b>	<b>Current Shortfall</b>	<b>Proposed additional credit amount</b>	<b>Revised SPCR total</b>
1	Bolivia	60	36	86	24	19	105
2	Cambodia	55	36	86	19	19	105
3	Mozambique	52	36	86	16	16	102
4	Nepal	60	36	86	24	19	105
5	Zambia	60	36	86	24	19	105
6	(Yemen)	60	(36)	(86)	(24)	(19)	(105)
	<b>Total</b>	<b>347</b>	<b>216</b>	<b>516</b>	<b>131</b>	<b>111</b>	<b>627</b>

*Option 2: Allocate the additional grant resources to the four single country pilots that have been assessed as being at high (Tajikistan, Yemen) or moderate (Cambodia, Nepal) risk of debt distress. For countries at moderate risk, this amount would substitute for an equal amount of credits requested for public sector projects, if appropriate.*

11. The PPCR Sub-Committee has agreed that “countries assessed as being at high risk of debt distress are not eligible to access credits for public sector projects. Countries assessed at being at moderate risk of debt distress may access PPCR credits for public sector investments provided that these countries, together with the MDBs and the IMF, conduct a macro-economic analysis to evaluate the potential for PPCR credits to impact their debts sustainability. All countries may utilize PPCR credits for private sector investments.”

12. Tajikistan and Yemen are assessed as being at high risk of debt distress, and therefore, are ineligible for accessing PPCR credits for public sector investments. Cambodia and Nepal are assessed at being at moderate debt distress. All projects under the Cambodia SPCR are public sector operations, hence, up to USD 36 million in approved PPCR credit resources could be substituted with PPCR grant resources, if appropriate. Nepal’s SPCR lists one IFC private sector operation, requesting USD 10 million in PPCR credit resources. The remaining USD 26 million in PPCR credit resources are planned for public sector operations supported by ADB and the World Bank. If appropriate, these resources could be disbursed as grant resources, partially or in full.

13. Taking into account the circumstances in each country, under this option, the grant allocations for the four single pilot countries would be increased equally by USD 18 million, while the allocation of credits for Cambodia and Nepal would be reduced by up to 18 million. No increase for countries included in regional programs have been foreseen under this option, but this could be included in a variation of this option.

<b>Pilot</b>	<b>Grants requested (in US\$ million)</b>	<b>Credit (in US\$ million) applying cap agreed in June 2011 and debt sustainability policy</b>	<b>SPCR Total</b>	<b>New allocation of grants (in US\$ million)</b>	<b>New allocation of credits to public sector (in US\$ million)</b>	<b>Revised SPCR total</b>
1 Cambodia	50	36	86	68	18	86
2 Nepal	50	36	86	68	18	86
3 Tajikistan	48	0	48	68	0	68
4 (Yemen)	50	(36 <sup>3</sup> )	(86)	68	18	86
<b>Total</b>	<b>198</b>	<b>72</b>	<b>306</b>	<b>272</b>	<b>54</b>	<b>326</b>

*Option 3 would combine the first two options by (a) replacing the USD 36 allocations in credits for countries at moderate risk of debt distress (Cambodia and Nepal) with grants resources if appropriate), and (b) allocating the resulting pool of credit(s) (188 million of which 116 million is currently available and 72 million would be released from Cambodia and Nepal's allocation) to allow the remaining eligible single pilot countries to access credits up to the full amount requested in their endorsed plans.*

14. Under this scenario, the allocations would be as follows:

<b>Pilot</b>	<b>Grants requested (in US\$ million)</b>	<b>Credit applying cap agreed in June 2011 (in US\$ million)</b>	<b>SPCR Total</b>	<b>New allocation of grants (in US\$ million)</b>	<b>New allocation of credits (in US\$ million)</b>	<b>Revised SPCR Total</b>
1 Bangladesh	50	60	110	50	60	110
2 Bolivia	50	36	86	50	60	110
3 Cambodia	50	36	86	86	0	86
4 Mozambique	50	36	86	50	60	110
5 Nepal	50	36	86	86	0	86
6 Niger	50	60	110	50	60	110
7 Tajikistan	48	0	48	48	0	48
8 (Yemen)	50	(36 <sup>4</sup> )	(86)	(50)	(60)	(110)
9 Zambia	50	36	86	50	60	110
<b>Total</b>	<b>448</b>	<b>336</b>	<b>784</b>	<b>520</b>	<b>360</b>	<b>880</b>

*Option 4: Allocate additional funds to the single country pilots in the regional programs*

15. For the Caribbean and Pacific regional programs, the PPCR Sub-Committee allocated an indicative range of USD60-75million in grant resources to the regional program without further specification. In addition, the regional programs were also allocated up to USD 36million in PPCR credits. The division of resources among countries and between the countries and the

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

regional track was not made in advance of the planning process which became a challenge during the planning process<sup>5</sup>.

16. Experience gained through the country programming process has now shown that the demand for grant and credit resources by countries participating in the regional programs is much higher than what is currently expected to be available under the regional programs. Countries participating in the regional programs have access to significantly lower amounts of PPCR resources compared to the single pilot countries. If the additional available funds were allocated to increase the resources available for country pilots under the regional programs, each country would receive an additional USD 8 million in grant resources and an 35% increase in the allocation PPCR credit resources to the regional program (up to USD 49 million) to match the requested credit requests..

17. Under this option, the allocation would be as follows:

<b>Pilot</b>	<b>Grants requested (in US\$ million)</b>	<b>New allocation of grants (in US\$ million)</b>	<b>Credit (in US\$ million)</b>
<b>CARIBBEAN REGIONAL PROGRAM</b>			
Dominica	7*	15	9
Grenada	8	16	12
Haiti	20*	28	0
Jamaica	15	23	10
St. Lucia	7	15	15
St. Vincent and the Grenadines	7	15	3
Regional Track	12*	12	0
<b>Total</b>	<b>76</b>	<b>124</b>	<b>49</b>
<b>PACIFIC REGIONAL PROGRAM</b>			
PNG	25*	33	0
Samoa	25	33	0
Tonga	25*	33	0
Regional Track	10*	10	0
<b>Total</b>	<b>85</b>	<b>109</b>	<b>0</b>

Note: \* indicate projections for SPCRs which have not received an endorsement yet.

#### *Option 5: Considering new PPCR Pilots*

18. The PPCR Sub-Committee may consider including additional PPCR pilot countries in the program. With an available balance of USD 113 million in grants and credits, the Sub-Committee might consider 1 or 2 additional pilots.

19. The expert group established to recommend highly vulnerable low-income countries to participate in the pilot program recommended an additional 11 countries that could usefully be included in the PPCR if resources were available: Bhutan, Chad, Ethiopia, India, Mauritania, Morocco, Peru, Philippines, Sierra Leone, Uzbekistan and Vietnam.

<sup>5</sup> SREP/SC.IS.2/Inf.2 *Lessons Learned from Developing Regional Programs under the Pilot Program for Climate Resilience*



20. The PPCR has received requests from Democratic Republic of Congo, Ethiopia, the countries members of the Nile Basin Initiative (Egypt, Sudan, Ethiopia, Uganda, Kenya, Tanzania, Burundi, Rwanda, the Democratic Republic of Congo (DRC)), and Peru to become pilots under the PPCR.

*Option 6: Establish a Competitive Reserve*

21. Under the Forest Investment Program and the Program on Scaling Up Renewable Energy in Low-Income Countries, a reserve fund has been established from which resources are to be allocated on a competitive basis to projects that would required funding beyond the indicative country allocation. Projects to receive such funding are to be selected by the Sub-Committee on the basis of agreed criteria.

22. Option 6 would be to establish such a competitive reserve under the PPCR. If this option were selected, the Sub-Committee would be invited to provide guidance on the types of investments that could be funded from the reserve. The Administrative Unit, in consultation with the MDB Committee, could prepare a proposal for review and approval at the next meeting of the Sub-Committee proposing criteria and the procedures to guide allocation of resources from the reserve.

*Option 7: Invite a selected Number of Countries to prepare their SPCRs as "readiness" mechanisms for climate resilience and related funding.*

23. Option 7 proposes to allow a certain number of countries to prepare for mainstreaming climate resilience into national development goals and identify finance-ready investments. The PPCR has gained concrete experiences on how to work with countries to develop SPCRs as an investment plan supporting the a climate-resilient national development agenda through a broad-based process of consultations and set up of cross-sectoral institutional arrangements. Allowing additional countries to take advantage of this process proposed under this option, would also allow them to be become part of the PPCR learning network and hence broadening it.

24. The current set of PPCR pilot countries received USD 1.5 million for the development of their SPCRs. With the currently available USD 73 million in PPCR grant resources, about 45 countries could start the programming process, including all countries and regional initiatives which have expressed interest in participating in the PPCR.

## Annex

### Request for PPCR Resources by Pilot

PPCR resources are used to fund the following:

- a) preparation grants for the development of a SPCR (“Phase 1” grant);
- b) grant and credit resources for the implementation of projects and programs under endorsed SPCRs<sup>6</sup>; and
- c) MDB costs for the preparation and supervision of projects and programs (grants).

### *Approved Preparatory Grants for SPCR Development*

As of January 31, 2012, the Sub-Committee has approved approximately USD13 million in preparatory grant resources to support the development of SPCRs. No further grant requests from the current set of PPCR pilots are expected.

	<b>Pilot</b>	<b>SPCR Preparation Grant</b>
1	Bangladesh	0
2	Bolivia	1,500,000
3	Cambodia	1,500,000
4	Mozambique	1,500,000
5	Nepal	225,000
6	Niger	0
7	Yemen	1,500,000
8	Tajikistan	1,500,000
9	Zambia	1,500,000
	Caribbean	
10	Haiti	450,000
12	Saint Lucia	315,000
12	Grenada	217,000
13	Dominica	307,000
14	Saint Vincent and the Grenadines	277,440
15	Jamaica	507,000
16	Regional Track	239,772
	Pacific	
17	Papua New Guinea	500,000
18	Samoa	500,000
19	Tonga	250,000
20	Regional Track	0
	<b>Total Approved</b>	<b>12,788,212</b>

<sup>6</sup> Project/program preparation grants are managed within the endorsed resources envelop.

### *Endorsed SPCRs*

As of February 29, 2012, the PPCR Sub-Committee has endorsed 13 SPCRs. For the 13 SPCRs, governments requested a total of US\$907 million in PPCR resources. Due to the unexpectedly high demand for PPCR credit resources, there is a shortfall of US\$107 million between the credits requested by the pilot country governments and the amount authorized by the PPCR Sub-Committee in accordance with the agreed cap.

	<b>Pilot</b>	<b>Grants requested (in US\$ million)</b>	<b>Credit applying cap agreed in June 2011 (in US\$ million)</b>	<b>Credit requested in SPCRs (in US\$ million)</b>
1	Bangladesh	50	60	60
2	Bolivia	50	36	60
3	Cambodia	50	36	55
4	Grenada	8	12	12
5	Jamaica	15	10	10
6	Mozambique	50	36	52
7	Nepal	50	36	60
8	Niger	50	60	60
9	Saint Lucia	7	15	15
10	Saint Vincent and the Grenadines	7	3	3
11	Samoa	25	0	0
12	Tajikistan	48	0	0
13	Zambia	50	36	60
	<b>Total</b>	<b>460</b>	<b>340</b>	<b>447</b>

### *SPCRs under Preparation*

Based on MDB projections, the remaining 7 SPCRs will be submitted in 2012 and are expected to request the following PPCR resources:

	<b>Pilot</b>	<b>Grant (in US\$ mio)</b>	<b>Credit (in US\$ mio)</b>
1	Caribbean Regional Track	12	0
2	Dominica	7	9
3	Haiti	20	0
4	Pacific Regional Track	10	0
5	Papua New Guinea	25	0
6	Tonga	25	0
7	Yemen	50	60 <sup>7</sup>
	<b>Total Expected</b>	<b>149</b>	<b>69</b>

### *MDB project preparation and supervision services*

During its meeting in June 2011, the SCF Trust Fund Committee approved the funding proposals to cover the costs of project preparation and supervision services provided by the MDBs

<sup>7</sup> Yemen is a country in high debt distress and is therefore not eligible to receive PPCR credits for public sector operations.

presented in the document, *MDB Project Implementation Services under SCF's Targeted Programs: Sources of Funding and Implementation Arrangements*.

It was agreed that funding of these costs would be drawn from the reserve that each of the three Sub-Committees have agreed to set aside from the amounts pledged by the contributor countries prior to determining the indicative ranges of allocations for investment plans. The payments to the MDBs for their project preparation and supervision services is therefore not be part of the CIF resource envelope for which countries will seek Sub-Committee endorsement.

The estimated payments for project preparation and supervision services to be provided by the MDBs under the PPCR is USD 30 million.