

# CLIMATE INVESTMENT FUNDS

PPCR/SC.13/4/Rev.1  
October 24, 2013

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Meeting of the PPCR Sub-Committee  
Washington D.C.  
November 1, 2013

Agenda Item 4

**REVIEW AND SELECTION OF CONCEPTS  
TO BE FINANCED FROM THE PPCR PRIVATE SECTOR SET ASIDE**

## PROPOSED DECISION

The PPCR Sub-Committee reviewed document PPCR/SC.11/4/Rev.1, *Review and Selection of Concepts to be Financed from the PPCR Private Sector Set Aside*, and notes with appreciation the work of the expert group.

The PPCR Sub Committee:

- a) endorses the following project concepts to be further developed for PPCR funding approval:  
  
...;
- b) invites the MDBs for the selected project concepts to prepare, in collaboration with the project proponent, a detailed project document and submit it to the PPCR Sub-Committee for PPCR funding approval; and
- c) requests the CIF Administrative Unit, in collaboration with the MDBs and the pilot countries, to further analyze the effectiveness and value-added of the PPCR private sector set-aside, including its competitive selection process with a view to improve the current procedures should a second round of funding be made available and to share lessons learned with interested stakeholder groups. Results from the analysis and lessons learned should be shared at the next PPCR Sub-Committee meeting.

## I. INTRODUCTION

1. During its meeting in November 2012, the PPCR Sub-Committee approved document PPCR/SC.11/Rev.1, *Procedures for the Allocation of PPCR Resources*. The Sub-Committee agreed that a revised proposal for the procedures and criteria to be followed to select the programs/projects to be funded from the competitive set aside should be prepared by the CIF Administrative Unit, in collaboration with the MDB Committee, and circulated to the Sub-Committee for review and comment.
2. Consistent with the decision, the *Procedures for Allocating PPCR Resources on a Competitive Basis from a Set Aside* were subsequently approved by the PPCR Sub-Committee on February 25, 2013 through a decision-by-mail (annexed to this report).
3. USD 70 million in capital contributions were made available for the set aside. Programs and projects financed from the set aside may be either for:
  - a) private sector clients working through the MDB private sector arms, or
  - b) public sector entities working through the MDB public sector arms, provided that a minimum of USD 25 million in capital is allocated to programs and projects for private sector clients working through the MDB private sector arms.
4. In accordance with paragraphs 11 through 13 of the approved procedures, the CIF Administrative Unit invited focal points in PPCR pilot countries and regions and PPCR contributor countries to submit names and resumes of experts with appropriate experience, including experience with private sector development and/or investment for consideration as members of the expert panel.
5. The MDB Committee met on June 19, 2013 and discussed the selection of the expert. On August 5, 2013, the CIF Administrative Unit, submitted the list of the following four experts proposed (two nominated by pilot countries and two nominated by contributor countries) to the PPCR Sub-Committee for approval by mail:
  - a) Lloyd Chingambo (Chair), Zambia
  - b) Bernd Schmidt, Germany
  - c) Kerem Okumus, Turkey
  - d) Heather McGray, UK
6. The composition of the independent expert group was approved on August 19, 2013.
7. The expert group met from September 30 – October 2, 2013 in Washington DC. Unfortunately, Heather McGray was unable to participate due to a scheduling conflict.

8. Eleven concepts were received by the CIF Administrative Unit for review by the expert group. Proponents from the following PPCR pilot countries submitted concepts through the MDBs: Dominica, Haiti, Jamaica, Mozambique, Saint Lucia, and Tajikistan. Additionally, one multi-country proposal was submitted for Zambia, Niger, and Mozambique.

9. Of the 11 received proposals,

- a) eight (8) target private sector clients working through the MDB private sector arms;
- b) none target public sector entities working through the MDB public sector arms; and,
- c) three (3) did not specify.

10. Despite the provision of concessional finance only, one proposal requests grant resources. Currently, all grant funding has been indicatively allocated to the PPCR pilots.

11. Consistent with paragraph 10 of the procedures, the expert group prioritized the concepts based primarily on the potential of the proposal to advance PPCR program objectives, principles and investment criteria, as contained in the PPCR design document and investment criteria, and on the following additional criteria:

- a) further advancement of the objectives of the SPCR;
- b) level of innovation proposed;
- c) implementation feasibility within 9-18 months after funding approval by the PPCR Sub-Committee; and
- d) progress that has been achieved in implementing other projects under the endorsed SPCR.

12. The expert group has:

- a) ranked and recommended 2 concepts, totaling funding requests for USD 15 million in credits, to be funded;
- b) ranked and recommended with conditions 4 additional concepts, totaling funding requests for USD 25.85 million in credits, to be funded once conditions are addressed;
- c) identified 2 concepts, totaling funding requests for USD 30.15 million (USD 0.15 million in grants; USD 30 million in credits), to be referred back for further development and resubmission; and

- d) concluded that 3 concepts should not be pursued as they do not meet the criteria mentioned in paragraph 8.

13. Consistent with paragraph 12 of the procedures, in proposing the list of concepts, the review group developed a scoring system as a qualitative explanation for its recommendations and prioritization. The common format facilitated comparability among the proposals and demonstrates a consistent application of the criteria. The details of this scoring system as well as an analysis of lessons learned are further described in the report of the independent expert group.

14. The following annexes are included in this document:

- a) Annex I: Report of the Independent Expert Group
- b) Annex II: MDB Comments on the Expert Group Report for PPCR
- c) Annex III: Procedures for Allocating PPCR Resources on a Competitive Basis from a Set Aside

**Table 1: Summary of PPCR Project Rankings and Funding Requests**

Country	Project Name	MDB	Total Score	Grants (USD million)	Loan (USD million)	Public Sector Arm	Private Sector Arm	Recommendations
Tajikistan	Enhancing the Climate Resilience of the Energy Sector	EBRD	37	0	10		x	recommended
Tajikistan	Small business climate resilience financing facility	EBRD	34	0	5		x	
<b>Subtotal</b>					<b>15</b>			
Mozambique	Lurio Green Resources Forestry Project	AfDB	27	0	11 <sup>1</sup>		x	recommended with conditions
Jamaica	Financing water adaptation in Jamaica’s new urban housing sector	IDB	26	0	5.75		x	
Saint Lucia	Supporting climate resilient investments in the agricultural sector in Saint Lucia: provision of small to medium sized loans to farmers, farmer associations, distributors/ wholesalers and processing companies.	IDB	26	0	6.1		x	
Haiti	Support for the building of a climate resilient sorghum supply chain in Haiti	IDB	24	0	3		x	
<b>Subtotal</b>					<b>25.85</b>			
Regional	Climate Change and the Private Sector: Supporting adaptation and resilience	AfDB	19	0.15	15		x	referred back for further development and resubmission
Dominica	Community Climate Change Adaptation Projects: coastal zone protection, slope stabilization and livelihood enhancement	IBRD	(not scored)	0	15		x	
<b>Subtotal</b>				<b>0.15</b>	<b>30</b>			
Dominica	Reducing Carbon Footprints and developing climate resilience within Dominica's manufacturing sector	-	(not scored)	0	15	-	-	not recommended
Dominica	The creation of model green residential housing and accommodations units, and the production of environmentally friendly materials for use in construction industry in Dominica	-	(not scored)	0	15	-	-	
Dominica	Water Reducing Carbon Footprint in the Caribbean	-	(not scored)	0.44	6.6	-	-	

<sup>1</sup> Proposal states funding request of “up to US\$11 million concessional loan.”

## **ANNEX I: REPORT OF THE INDEPENDENT EXPERT GROUP**

### **TABLE OF CONTENTS**

- 1. Commendation of PPCR Private Sector Set-Aside**
- 2. The Project Proposals**
- 3. The Scoring Criteria**
- 4. The Scoring Methodology Applied**
- 5. Reviews of the Project Proposals**
- 6. Review of the Concept Proposal submitted Dominica**
- 7. Summary of Recommendations on the Concept Proposals**
- 8. Final Observations and Recommendations**
- 9. Composition and Details of the Expert Group**

## **COMMENDATION OF PPCR PRIVATE SECTOR SET-ASIDE PROGRAM**

In making the report below, the Expert Group wish to genuinely state that the decision to introduce and pilot Private Sector Set-Aside programme under the PPCR was both visionary and a commendable decision. And the Team makes this bold without any reservations. Moreover, and specifically, it would like to state that the program should not only be commended, but should be regarded as a success, regardless of whatever areas seem or seen to weaknesses at this stage. A pilot program will always be associated with issues that needing fixing after lessons have been learnt from its initial outing in the open. From the experience, we have gathered, from analyzing the various proposals given to us, things have gone very well; and it is the only way things could have gone, being the first time the program has been implemented. What we should all do, from this first experience, is to determine if and what things might need improving upon, if any. Therefore, whatever lessons, may have emerged, should only be used to fix things going forward. In this regard, the specific observations which have made in this report are in the spirit of seeking to contribute in the process of improving things rather than as criticisms.

## THE CONCEPT PROPOSALS

The figure below, presents the complete list of the project proposals by: country, project titles, implementing MDBs and the amounts requested. This constitutes the full list of projects the Experts Group handled.

S/ N.	COUNTRY	CONCEPT PROPOSALS SUBMITTED TO CIF	IMPLEMENTING MDB	AMOUNT REQUESTED (USD)	
				Grant	Non-Grant
1.	Dominica	• Community Climate Change Adaptation Projects: Coastal Zone Protection, Slope Stabilization and livelihood Enhancement.	World Bank	-	15,000,000
		• Reducing Carbon Footprints and Developing Climate Resilience within Dominica's Manufacturing Sector.	(Not indicated)	-	15,000,000
		• The Creation of Model Green Residential Housing and Accommodations Units, and the Production of Environmentally friendly materials for use in Construction Industry in Dominica.	(Not indicated)	-	15,000,000
		• Water Reducing Carbon Footprint in the Caribbean.	(Not indicated)	439,557	6,592,066
2.	Haiti	• Support for Building of a Climate Resilient Sorghum Supply Chain in Haiti.	IDB	-	3,000,000
3.	Jamaica	• Financing Water Adaptation in Jamaica's new Urban Housing Sector.	IDB	-	5,750,000
4.	Mozambique	• Lurio Green Resources Forestry Project.	AfDB	-	11,000,000
5.	Regional (Mozambique, Niger, Zambia)	• Climate Change and the Private Sector: Supporting Adaptation and Resilience.	AfDB	150,000	15,000,000
6.	Saint Lucia	• Supporting Climate Resilient Investments in the Agricultural Sector in Saint Lucia: Provision of Small to Medium sized loans to farmers, farmer associations, distributors/wholesalers and processing companies.	IDB	-	6,000,000
7.	Tajikistan	• Tajikistan: Enhancing the Climate Resilience of the Energy Sector	EBRD	-	10,000,000
		• Tajikistan: Small Business Climate Resilience Financing Facility	EBRD	-	5,000,000

## THE SCORING CRITERIA

S/N.	SCORING CRITERIA	1	2	3	4	5
1.	Alignment with PPCR Objectives in Investment Plan	VeryWeak	Weak	Adequate	Strong	Very Strong
2.	Consistency with PPCR objectives and investment criteria	VeryWeak	Weak	Adequate	Strong	Very Strong
3.	Level of Innovation	VeryWeak	Weak	Adequate	Strong	Very Strong
4.	Leveraging Ratio	VeryWeak	Weak	Adequate	Strong	Very Strong
5.	TimelyDeliveryof Projects	> 1 Red	1 Red	>1 Yellow	1 Yellow	All Green
6.	Implementation Feasibility	>15 Months	12-15 Months	9-12 Months	6-9 Months	<6 Months
7.	Addressed Economic Sector and Activities	Sector and Activities addressed already in Existing Projects	Sector already addressed, few new Activities	Sector already addressed, mix of New Activities/ already Addressed	Sector already addressed, majority of proposed Activities are New	Not addressed in any Existing Projects
8.	TargetedStakeholder Groups	Alreadyaddressedand not Vulnerable	Not addressed yet and not Vulnerable	Not addressedyetand Vulnerable	Already addressed but highly Vulnerable	Not addressed yet and highly Vulnerable
9.	Implementation Structure	VeryWeak	Weak	Adequate	Strong	Very Strong
Removed: <b>Rate of Funding Approval.</b>						
Introduced: <b>Implementation Structure.</b>						

The above figure, presents the Score Card which was given to the Reviewing Team to use, as the tool for analyzing and scoring the projects. The composition of the Expert which undertook the exercising of reviewing the proposals is given at the end of this Report. After carefully considering the Score Card, the Team took the liberty to adjust it slightly.

## THE SCORING METHODOLOGY APPLIED

The methodology applied, followed closely the given “score card”. The few modifications, as were made, were deemed to be necessary for application. These modifications involve the following criteria:

- **Rate of funding approval**—This variable was dropped, as it was not to be necessary or a major factor in appraising projects under the PPCR Private Sector Set Aside. The reasoning for dropping this factor was that there should not be a “weak” rating for a private sector project even if a project under the public side of the PPCR is not or has not performed as expected. The expert team considered that a learning curve is a factor which allows for the performance of a country.
- **Timely delivery of projects**—While this variable was acknowledged for each of the project proposals it was for the reasons mentioned under “Rate of funding approval” not taken into consideration in the scoring process.
- **Implementation structure**— Was added because the Team felt that an appropriately structured implementation framework was useful, in that it assures a smooth running and effective execution of a project and minimized the risk of failure.

The leverage ratio has been applied differently as compared to the given “score card”; this is because favourable ratios with the private sector are already given.

## REVIEWS OF THE CONCEPT PROPOSALS

### TAJIKISTAN

#### Project Concept Proposal: Enhancing the Climate Resilience of the Energy Sector

**Score Achieved: 37**

#### **Aim**

Aims to improve the climate resilience of Tajikistan “hydropower-dominated” energy sector, and suggests that it would do this through an integrated programme of activities which would be designed to, inter alia: 1) improve the enabling environment for institutionalizing and achieving climate resilient energy security; 2) strengthen the country’s institutional capacities for climate resilient hydropower operations, and, 3) upgrade a major hydropower plant facility through retrofitting it with climate resilient technology.

#### **Key Observations**

1. The Experts considered this proposal as being sound and well defined. It is also closely linked to the SPCR Criteria (Focus on hydroelectric infrastructure; energy and water are rated as most critical vulnerabilities especially in the energy sector). Its objectives are aimed achieving; demonstration effect, development of capacity and attracting substantial investment. As a pilot, the project has potential to be scaled up in Tajikistan and the region.
2. The leverage ratio is considered to be (USD 10 million PPCR plus USD 46.6 million EBRD). The connection with the grant funding of USD 11 m complements the approach and would be instrumental in achieving the targeted objectives. The methodology to optimize the productivity of the hydropower plant in the face of projected climatic and hydrological variability is an innovative approach.
3. ERDB approval is foreseen at the end of November 2013, thus, timely delivery of the project is likely.

#### **Recommendation**

The proposal was recommended without conditions.

## **TAJIKISTAN**

### **Project Concept Proposal: Small Business Climate Resilience Financing Facility**

**Score Achieved: 34**

#### **Aim**

Building on the work and experience of EBRD of providing special purpose intermediated finance through targeted credit lines, which are channeled through local banks, the pilot project seeks to adopt the model to launch an innovative financing facility to support the private sector. The pilot highlights the country's critical risk exposure to energy security and water security, and wishes to specifically address this risk. In acknowledging this risk exposure, the pilot project points out that two of the main ways, in which the private sector in Tajikistan are most vulnerable to climate change relate to energy and water security. Through the proposed facility, the project would aim to make it possible for the private sector to access finance at affordable rates, as well as to buy climate resilient, energy efficient and water technologies.

#### **Key Observations**

1. It is a well defined and sound proposal and is closely linked to the SPCR Criteria (Energy and water are rated as most critical vulnerabilities especially in the private sector).
2. The project is expected to offer a new adaptation facility. As such, it would trigger demand in all the economic sectors and fields of economic activity. In terms of funding, it would trigger additional USD 10 million from the EBRD. The connection with the grant funding of USD 2.77 million complements the approach and would be instrumental in achieving the targeted objectives.
3. While the funding requested (USD 5 million) seems to be relatively low; it is considered to be adequate as this is a pilot. It was also felt that later, the project could be scaled up if it becomes successful.
4. The facility will be implemented through partner financial institutions (banks and non-bank microfinance institutions). And this is expected to bring to bear considerable local currency participation and lending. Most of these institutions are well known to EBRD.

As the proposal has already been approved by the EBRD operations committee in July 2013, timely delivery of the project is likely.

#### **Recommendation**

The proposal was recommended without conditions.

## **SAINT LUCIA**

### **Project Concept Proposal: Supporting Climate Resilience Investments in the Agricultural Sector in St. Lucia**

**Score Achieved: 26**

#### **Aim**

The pilot proposes to use the PPCR funds, if approved, to put in place a loan scheme to support the private sector adopt and/or introduce climate resilient agriculture. It seeks to promote the development of new agribusinesses; encourage switching from traditional business practices to new one which would embrace climate resilient technologies and practices, and build capacity among existing businesses. Given the vulnerability of Saint Lucia to climate change and its variability, the heart of the pilot project is about: 1) protecting private sector businesses and livelihoods from the impact of climate change; 2) supporting the production of high value climate resilient agricultural products; 3) increasing the country's food security, ensuring all year round reliability of food supply for the local market and export, and, 3) raising awareness about the importance of embracing climate resilient practices among private sector players.

#### **Key Observations**

The project concept proposal fits into elements of SPCR, and is deemed to be of national significance (Food security, food production, agro-processing facilities, food storage). It also relates well to elements of the implementation plan of the National Climate Change Adaptation Policy. While the approach is sound, the Expert Group was of the view that the project would need to incorporate insurance of farmers, as a component necessary to make its effectiveness assured. And, the issue of demonstration effect in the region is foreseen but needs further elaboration.

#### **Conditions**

The conclusion the Sub-Committee could consider allowing the project to access the PPCR Funds under the Private Sector Set Aside, subject to the following conditions:

1. The proposal still requires to present an implementation structure which would clarify the following issues into account:
  - a) Issues to do with how poverty reduction among smallholders and other potential beneficiaries would be dealt with
  - b) Clarification of how the Banana Trust will mobilise the people
  - c) The setting up of an insurance facility to provide farmers with adequate product insurance to protect their investments and loan liabilities. The crop insurance facility is innovative and should thus become a key component of the project

- d) The design and delivery mechanism of the outreach programme which would advertise the loan scheme to be offered and all the accompanying products, etc.
  - e) The project proposal needs to clearly elaborate how farmers/farmers associations will be major beneficiaries of the loans.
1. Stemming from the possible technical assistance that will accompany the programme from PROADAPT, the innovative features expected to be developed, as suggested by the proposal need to be clearly defined and developed.
  2. It will also be necessary to clearly show the breakdown of the proposed allocation structure of shares, and how shares shall be given to stakeholders.
  3. The promoters will also need to explain why the project has not projected equity and public funding.

The project will be developed by August 2014, thus timely delivery is within reach.

**Recommendation**

The proposal was recommended with conditions.

**JAMAICA**

**Project Concept Proposal: Financing Water Adaptation in Jamaica's New Urban Housing Sector**

**Score Achieved: 26**

**Aim**

The project proposes to use the PPCR funds to put in place a concessional loan scheme which would support private sector housing developers and construction companies to deliver water secure and climate resilient housing in Jamaica. The proposal highlights severe and worsening water security problems faced by Jamaicans in general due to a combination of factors, which include environmental degradation, stressed infrastructure, urbanization and a changing climate. Against this scenario, the proposal highlights how the bad state of assets and their operation affect water supply and distribution. In the end, the assets and networks create severe problems for consumers and lead to serious operational costs and water charges. The proposal highlights how housing developers and construction companies in Jamaica are proactively keen to implement standards and technologies which will increase efficiency and climate resilience in the water sector.

### **Key Observations**

The project concept proposal fits well with SPCR as a financing mechanism for Climate Change Adaptation initiatives by private sector. It is also considered to be important for the country. The Strategic Element 2, Goal 1 of the Implementation Plan of the Regional Framework for achieving development resilient to Climate Change is addressed as well.

The project is expected to catalyze investment activity in both adaptation and mitigation in the market. Moreover, it is envisaged that this pilot project will be instrumental in galvanizing the already motivated private sector actors. Therefore, despite some apparent weaknesses in the structure of the project; the Team felt persuaded that the inherent innovative features of the project are not sufficiently important, and outweigh the weaknesses. Moreover, the project is expected to improve the water efficiency standards in Jamaica which further makes the project transformational enough, to be recommended for support.

### **Conditions**

In recommending the proposal for support, the Team felt the following issues should first be attended to before the PPCR funds are given:

1. The project is structured to rely mainly on PPCR funds, as well as, funds from PROADAPT, a parallel project. No equity funding is foreseen. In this regard, the project should demonstrate clearly how the demonstrational effect of innovative activities would trigger additional investments into the programme, if PPCR funds are provided. Or indeed, its sustainability afterwards.
2. There is also need to strengthen the demand side of the business model of the project. The proposal has suggested that tenants and owners of residential houses could be recipients of the loans. This needs to be demonstrated and fully developed. This is particularly important in that the stated groups can be considered as vulnerable stakeholders more than the private sector actors in the housing sector.
3. The housing sector does not seem to be addressed yet for water sustainability at the moment, this exercise needs to be done and incorporated in the project proposal.
4. The role of Capital Solutions Limited, the proposed Executing Agency, has to be clarified, this needs to be done. In the same vein, there is no clear information on the project implementation structure, this requires developing. It would also be preferable if the domestic financial market could be sufficiently galvanized to securely anchor the project/program into the domestic financing structures. Similarly, the role of the National Water commission in the programme needs to be strengthened.

5. The project needs to think about including, in the business model, retrofitting, so that lower income population groups could be reached. Moreover, the programme should look into developing ways in which government involvement in the programme would be incorporated to promote standards and shape procurement policies.

Implementation is expected to start mid/late 2014, it makes timely delivery of the project possible.

### **Recommendation**

The proposal was recommended with conditions.

### **HAITI**

#### **Project Concept Proposal: Support for the Building of a Climate Resilient Sorghum Supply Chain in Haiti**

**Score Achieved: 24**

### **Aim**

This pilot project proposal aims to build climate resilience into the supply chain of Brasserie Nationale d'Haiti (BRANA), through linking together a local private sector multinational company and small farmers growing sorghum in Haiti, through promoting climate-resilient post harvesting measures among the small farmers. This market structure would deliver sorghum from the farmers to BRANA to use in the production of Malta H, a local brand of a non-alcoholic carbonated malt beverage. The objective of this proposal is to implement climate change adaptation measures related to post harvesting activities for sorghum to provide a product into BRANA's supply chain thereby increasing the income of the small farmers involved in the value chain, as well as, help small farmers to secure their production. The proposed intervention is also anchored into a larger program sponsored by the Multilateral Investment Fund (MIF) of the IDB Group which is also structured around collaboration with BRANA. This larger programme aims to establish a fully sustainable supply chain of sorghum for BRANA and the farmers involved in the value chain.

### **Key Observations**

The proposal links well into Component 2 (Climate Proofing of agriculture and ensuring food security) of the SPCR. It is a proactive approach and as a pilot and demonstration investment programme, it possesses potential to provide valuable lessons for influencing others and is capable of achieving scalability. It has potential to become a model for the region.

The Expert Group accepted the innovation claim that the project would facilitate the building and promoting of climate resilience in post-harvesting measures among small scale farmers growing sorghum in Haiti through the enhancement of the value chain structure; and that the project would introduce, a unique market guaranteed structure between BRANA corporation and small farmers involved in sorghum growing. However, they still felt that, useful as the project appears to be, there are still, some issues and aspects of it which require further thought and development.

### **Conditions**

The Expert Group's conclusion after analysis of the concept proposal was that the Sub-Committee could consider allowing the project through, subject to the following conditions:

1. The project's apparent heavy reliance on the activities of the SMASH Alliance programme, a complementary programme needs to be looked into. The Team noted that the agenda of SMASH Alliance is to engage 18,000 farmers to produce quality sorghum through supporting their pre-harvesting activities and guaranteeing them a secure market. This complimentary programme is supported by PROADAPT. Assure that this is a sound and dependable structure, worth banking on, it is important that the requested funding into the SMASH Alliance project, equity as well as the MIF and USAID funding be demonstrated that they are assured and in place before the PPCR funding is released.
2. The Team was also of the view that an effective and appropriately structured project implementation structure be developed that would both allow and facilitate the participation of domestic financial institutions. While BRANA is expected to have a strong role in the implementation structure, it should not automatically follow that it should also receive the loan and not any other institution. Moreover, the team felt that a "special funds steering committee" (which includes representatives of farmers/ farmers associations) could be set up to oversee the management and distribution of the funds.
3. The structures of this project needs be developed to be deliberately be inclusive. This is in recognition of the fact that small scale farmers are a highly vulnerable stakeholder group. Conversely, BRANA is capable of sourcing funding elsewhere. It should therefore be a condition that smallholders and their associations should be unambiguously structured to substantially profit from the loans. It should also be a condition that smallholders who are not suppliers of BRANA should have equal opportunity and access to the funds.

### **Recommendation**

The proposal was recommended with conditions.

## **MOZAMBIQUE**

### **Project Concept Proposal: Lurio Green Resources Forestry Project**

**Score Achieved: 27**

#### **Aim**

Green Resources AS (AGRA), a Norwegian forest management company, has proposed to develop a forest plantation in Nampula Province, in northern Mozambique. On the ground, to implement the project, is Lurio Green Resources (LGR), a 100% owned subsidiary of AGRA, a Mozambican registered company which proposes to develop in Phase 1 of the programme (2013-2017), a 24,000 ha Eucalyptus forest plantation, out of 126,000 ha of land lease from the Mozambican government. The project is structured to support the development of an additional 10,000 ha of small and medium holder out-grower plantations.

#### **Key Observations**

The proposal links into the SPCR pillar on Natural Resources Management. It is also aligned with the action plans and strategy papers of Mozambique. While the proposal tends more towards mitigation, it also addresses aspects of adaptation. Severe problems of poverty and malnutrition would most likely be addressed through the project. Moreover, illegal logging and use of fuel wood should decrease through its realization while it is expected that the project would give rise to increased farmers' incomes; jobs, as laid down under the results and indicators. The project's leverage ratio of 1:6 is strong. After a preparation phase of around 2 years, the project seems to be ready to go.

#### **Conditions**

The Expert Group's conclusion was that the Sub-Committee could consider allowing the project to access the PPCR Funds, subject to the following conditions:

1. The needs to clearly specify the "heavy community involvement" and the out-grower schemes that are mentioned to be the innovative parts.
2. The proposal mentions potential negative environmental and social impacts; it will be important to have an integrated environmental and social impact analysis with convincing mitigation strategies or solutions mapped out before funding is endorsed.
3. In the light of an uncertain and unstable global carbon market, what plans will be put in place to mitigate the risks? In this regard, updated data on how these risks are integrated in the financial flows would need to be provided in order to secure a sound financial base for the project.

**Recommendation**

The proposal was recommended with conditions.

**REGIONAL PROJECT - (MOZAMBIQUE, NIGER, ZAMBIA)****Project Concept Proposal: Climate Change and the Private Sector: Supporting Adaptation and Resilience**

**Score Achieved: 19**

**Aim**

The objective of this programme is to support private sector involvement (particularly, the small and medium enterprises (SMEs)), in new business activities which contribute to climate change adaptation, and in general climate resilience. It would do this by providing financial intermediation to domestic financial institutions. The programme seeks to mobilise sufficient financial resources which will then be made available to SMEs in the three countries (Mozambique, Niger and Zambia) covered under the project. The rationale for this is that only 5% of current climate finance flows go into adaptation investments and these are typically from multilateral, bilateral, national or philanthropic institutions, and not the private sector. This project is seeking to change this position.

**Key Observations**

This proposal needs to be developed more fully than has been done. Currently, it does not either convincingly articulate the issues and strands of the argument regarding why they consider it to be innovative, or indeed, why the project has been presented as a regional one. It should show how it links into the SPCRs. Notwithstanding, the Team found the proposal to be an interesting proposition, with potential to become an innovative and catalytic vehicle capable of creating, as has been suggested, an “adaptation marketplace”, in which domestic financial institutions would be unlocked into supporting climate change projects, and not just adaptation activities. It is thus, conceivable that if access to capital is “created” for SMEs, through this project proposal, a wide range of adaptation and resilience-oriented products would emerge for the market. Similarly, as noted already, the project programme would equally support mitigation investments, which should in time create an interesting balance between adaptation and mitigation, something not seen yet.

The Expert Group observed too that the programme promotes hope that through the programme, other innovative and institutional funds not easily accessible or even contemplated would become accessible or would be leveraged thereby creating an even bigger pool of funds available to tap into by the private sector. In the process, the programme would start more easily understood, and scaled up, on the implementation successes of the public and institutional initiatives.

The success of this programme, it would seem, may well depend on how well the targeted local financial institutions would respond, and a favourable engagement these institutions cannot be taken as given. This is because, the three countries in the pilot, do not have at the moment, a fully developed understanding of the impact of climate change or indeed, the investment opportunities that can be derived thereof and/or are associated with climate change. This gap in understanding and knowledge needs to be bridged first for this project to have a realistic chance of realizing many of many of objectives it hopes to achieve.

The Team was also of the view that proposal needs to incorporate strong training, marketing and publicity activities to proactively and deliberately ignite or sharpen understanding and interest in climate change issues among local financial institutions, so that they can begin to freely engage. In other words, the programme would simply have to go into the market to develop capacity of local banks. Consequently, team considered that the US\$ 60 million mentioned as being expected from local banks to not possible at this stage. Similarly, the leverage ratio of 1:3 which is associated with this proposal cannot yet be confirmed or deemed achievable under the existing local market conditions.

#### **Recommendation**

**The proposal was referred back to the drawing board:** The Experts concluded that rather than throw the proposal completely away, it possesses enough merit for it to be given a second chance. It could therefore be sent back to be developed with a view to be re-submitted.

## REVIEW OF CONCEPT PROPOSALS SUBMITTED BY DOMINICA

### General Observations

The Proposals, were prepared, we were informed, without input or involvement from any Implementing MDB. Perhaps because of this, the projects submitted for consideration lacked clarity and the kind focus as was expected. Because of this, the Team found it difficult assess the projects. To avoid disappointment, countries should in future, be guided and encouraged to follow the laid down procedures and processes when applying for the funds. Learning from the experience of the other proposals in the same batch, it became clear that intensive dialogue between countries' PPCR Focal Point and a hands-on MDB involvement is vital in the development and submission of these proposals. CIF may consider putting some small facility together, that could be used to allocate fund to build capacity among and within countries where this type of support may be required. It was our view that without CIF investing this need, effective project preparation may still be a problem the next time this program would be run. In the four projects Dominica submitted, the link between SPCR and PPCR was not elaborated. Moreover, the Team felt the proposals failed to level of specificity of the proposed activities as they would have expected. The vulnerable stakeholder groups needed to have been specified more clearly. The inclusion of relevant stakeholders during drafting project concepts should be better.

### Specific Observations on the Proposals

In the end, the Expert team concluded that three of the proposals did not meet the objectives of the PPCR private sector set aside. However, there seemed to be some potential in the proposal on: "Community Climate Change Adaptation Projects: coastal zone protection, slope stabilization and livelihood enhancement." In this case, the project proposal corresponds with Component 3 of the SPCR i.e. ***Enhancing Ecosystem/Infrastructure Resilience and Promotion of Sustainable Human Settlements.*** Accordingly, the team strongly felt that this proposal could be allowed to be resubmitted after it has worked on.

### The Decisions and Recommendations of the Team

Consequent upon the foregoing, the Team decided not to score the proposals. Notwithstanding this decision, the Experts noted and fully appreciated the obvious and very keen interest expressed Dominica, through the four proposals the country submitted. With exception of Tajikistan which submitted two proposals, it is only Dominica which submitted the highest number of projects. It was clear to the team that had Dominica accessed the critical MDB technical support as was present in the other proposals, it is conceivable that they too, could have had strong proposals, and would in turn attracted favourable recommendations on them.

### SUMMARY OF RECOMMENDATIONS ON THE PROJECTS

The figure below, gives presents the Summary of the Recommendations of the Expert Group on each project. This one page, summarizes what we hope, would be considered and accepted as a fair and impartial adjudication on the individual project by the Team. These decisions were taken collectively; there were no abstentions from any member of the Team.

S/N.	COUNTRY	PROJECTS	SCORE ACHIEVED	DECISION TAKEN BY THE EXPERTS
1.	Dominica	<ul style="list-style-type: none"> <li>Community Climate Change Adaptation Projects: Coastal Zone Protection, Slope Stabilization and livelihood Enhancement.</li> </ul>	(Not Scored)	Referred back for further Development and Resubmission.
		<ul style="list-style-type: none"> <li>Reducing Carbon Footprints and Developing Climate Resilience within Dominica's Manufacturing Sector.</li> </ul>	(Not Scored)	Not Recommended
		<ul style="list-style-type: none"> <li>The Creation of Model Green Residential Housing and Accommodations Units, and the Production of Environmentally friendly materials for use in Construction Industry in Dominica.</li> </ul>	(Not Scored)	Not Recommended
		<ul style="list-style-type: none"> <li>Water Reducing Carbon Footprint in the Caribbean.</li> </ul>	(Not Scored)	Not Recommended
2.	Haiti	<ul style="list-style-type: none"> <li>Support for Building of a Climate Resilient Sorghum Supply Chain in Haiti.</li> </ul>	24	Recommended with Conditions
3.	Jamaica	<ul style="list-style-type: none"> <li>Financing Water Adaptation in Jamaica's new Urban Housing Sector.</li> </ul>	26	Recommended with Conditions
4.	Mozambique	<ul style="list-style-type: none"> <li>Lurio Green Resources Forestry Project.</li> </ul>	27	Recommended with Conditions
5.	Regional (Mozambique, Niger, Zambia)	<ul style="list-style-type: none"> <li>Climate Change and the Private Sector: Supporting Adaptation and Resilience.</li> </ul>	19	Referred back for further Development and Resubmission.
6.	Saint Lucia	<ul style="list-style-type: none"> <li>Supporting Climate Resilient Investments in the Agricultural Sector in Saint Lucia: Provision of Small to Medium sized loans to farmers, farmer associations, distributors/wholesalers and processing companies.</li> </ul>	26	Recommended with Conditions
7.	Tajikistan	<ul style="list-style-type: none"> <li>Tajikistan: Enhancing the Climate Resilience of the Energy Sector</li> </ul>	37	Recommended
		<ul style="list-style-type: none"> <li>Tajikistan: Small Business Climate Resilience Financing Facility</li> </ul>	34	Recommended

## **FINAL OBSERVATIONS AND RECOMMENDATIONS**

Having completed the exercise of reviewing the project proposals, the Review Team felt that there were a number of valuable lessons it had learnt, from the experience, which it would like to highlight. But as pointed out earlier, the aim is not to present these reflections as criticisms, but as valuable lessons that may well be useful in improving the program and shaping the future. These observations are therefore, nothing but a reflective feedback on a terrific pilot program, the team has been honoured to handle. It is hoped that some of them may be found useful enough, to be used in making adjustments to Program, which we expect will follow in due course. The following then, are among some of the issues/lessons the CIF in general, and the PPCR Sub-Committee in particular, may wish to consider looking at, as it reviews how to improve the Program, based on its own assessment of how this “pilot use of the PPCR resources” has performed:

- **Need to introduce weighting in the system of scoring proposals**

The Score Card which has been used to score projects in this exercise treats all the scoring variables with equal weight. The Team thought that it might be useful, in future, if weighting could be applied. When project proposals begin to be more than what was the case in this first round of “Call for Project Proposals”, it would be necessary to tighten the scoring process.

- **Need for project implementation structures or framework**

It became apparent, as we went through the proposals that the issue of how the projects would be implemented was not fully developed. Yet, having in place, an effective a project implementation framework would be essential in mitigating against, a project failing. A clear and well developed project implementation structure should be considered a critical requirement before a proposal would be deemed ready for submission for consideration. The team would therefore like to propose that the issue of implementation structure be considered for incorporation in the prescribed Template which has been prepared for prospective Project Promoters to fill in.

- **Project proposals need sustainability plans**

The Review Team also noted, in some cases, the absence of clearly defined sustainability plans for the projects. To ensure that projects, once supported under the PPCR Private Sector Set-Aside do not become “white elephants”, after PPCR funds are used up, there is need to ensure that each project has a strong and verifiable sustainability “backbone”, to mitigate to some degree of certain, that the project would not “die” after the PPCR funding program is no longer in the picture.

- **Projects with Pledged Support**

For projects which indicate that they already have some commitment of support from other institutions, it would be necessary to ascertain that such commitments are truly in place and are dependable. Such preparatory measures for a project would need to be clearly depicted, showing what commitment (in whatever form) would already have been mobilised and standing behind a project proposal.

- **Role of MDBs in the PPCR Private Sector Set-Aside Programme**

The experience of Dominica highlighted a clear need for MDs' strong involvement in the programme. Going forward, it is recommended that carefully structured mechanisms for such strong involvement of MDBs be considered as not only being critical, but as part and parcel of the programme. Without such a system being in devised, the existing system would continue to fall short, on its effectiveness, when it would be expected to ensure that equal opportunities are created across all the countries.

- **Level of inclusion of deprived vulnerable population groups**

Pilot project proposals submitted for funding should endeavor as much as possible to be inclusive. They should be encouraged to raise the level of participation of deprived and vulnerable groups. In fact, this criterion could be one of those that could be rated as important on the score card, with high scores allocated to them in the rating of the proposal.

- **Road shows and awareness raising for the PPCR Private Sector Set-Aside is Essential**

Reflecting on the low number of the project proposal submissions received, in this first round, the Review Team felt that CIF and the Sub-Committee could consider improving the sensitization activities employed in getting the information about the program out. The Team did not think that using websites alone or mostly, as the key tool of getting information out, was ever going to be enough or adequate. This is because, in many of the target countries, the culture of people looking at or using websites as an operational tool has not yet fully taken root. It would therefore be necessary to consider using a variety of tools to reach people. Specifically, the Team would like to propose that some direct measures be considered as well, such as letters. Letters could be sent to targeted associations, such as chambers of commerce and industries informing them of the opportunities available through the Private Set-Aside programme. More than likely, this information would then be circulated to the membership. This route could probably help to get information to intended population groups easily and effectively.

- **The PPCR Private Sector Set-Aside Program should be considered for Extension**

The Expert Group considered this program to be quite innovative; and consequently would like to recommend that it be extended. Moreover, it is a program that could be developed into one of the permanent pillars of PPCR Program.

- **Potential of the PPCR Funds to be used to Leverage Commercial Funds**

The Review Team expects that sooner, rather later; the private sector would be both sensitized and galvanized into embracing the Private Sector Set-Aside. When that happens, the funds that are being set aside under the program would be insufficient to support many good projects that would be coming through. This will cause a real dilemma on those that will be charged with the responsibility of selecting which projects to recommend for support. Accordingly, the Team would like to recommend, that the Sub-committee considers adopting a twin-strategy, in the way the funds under the Set-Aside are deployed. The Team would like to propose that the Sub-Committee considers splitting the available into two pools. One pool of funds would be disbursed used directly while other, would be used via other financial institutions, as follow:

- a) **Strategy One** –This would involve direct disbursement to projects, as is the case now.
- b) **Strategy Two** – In indirect routes, the PPCR funds would be used via other domestic financial institutions, through a variety of leveraging financial and risk mitigation instruments. The objective here is to utilize funds, for unlocking the huge potential of the huge pools of funds that lie within the domestic financial sector.

It is envisaged that under this regime, it may become possible for different project risk profiles submitted by different stakeholder groups to be covered; without the program leaving anyone behind because of lack of funds.

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## ANNEX II: MDB COMMENTS ON THE EXPERT GROUP REPORT FOR PPCR

### I. AFRICAN DEVELOPMENT BANK COMMENTS:

#### **MOZAMBIQUE, Project Concept Proposal: Lurio Green Resources Forestry Project**

Conditions

**1. The needs to clearly specify the “heavy community involvement” and the out-grower schemes that are mentioned to be the innovative parts.**

This will be developed during project preparation phase.

**2. The proposal mentions potential negative environmental and social impacts; it will be important to have an integrated environmental and social impact analysis with convincing mitigation strategies or solutions mapped out before funding is endorsed.**

In processing the Lurio Project, AfDB will apply its own rules and guidelines with regards to environmental and social impacts. *African Development Bank Group’s Policy on the Environment (2004)* sets out the broad strategic and policy framework under which all operations shall be implemented and calls on all relevant stakeholders that any operation should help improve the quality of life of the people in Africa, by preserving and enhancing the ecological capital and life-support systems across the continent.

*The Environmental and Social Assessment Procedures for AfDB’s Operations (2011)* provides a formal process for the internal and inter-departmental environmental and social review of Bank’s financed projects. By formalizing the use of assessments and actions with a view to enhance project benefits and prevent, minimize, mitigate and/or compensate for adverse impacts. In the case of the Lurio Project, given its perceived high impacts, the Bank will require the sponsor to undertake: (i) Environmental and Social Impact Assessment (ESIA), (ii) Environmental and Social Management Plan (ESMP), (iii) Resettlement Action Plan (RAP), and (iv) Environmental and Social Audits (ESA). All these documents will be reviewed and cleared by the Bank’s Environmental and Social specialists as well as the safeguards unit to ensure all risks are identified and mitigation strategies structured and implemented. This exercise is part of a wider internal review and approval process that includes assessing a project’s credit strength, the Bank’s additionality and development outcomes.

**3. In the light of an uncertain and unstable global carbon market, what plans will be put in place to mitigate the risks? In this regard, updated data on how these risks are integrated in the financial flows would need to be provided in order to secure a sound financial base for the project.**

In the context of the Lurio Project, one of the key risks identified by the Bank’s appraisal team is related to the carbon revenue potential due to uncertainties in the carbon markets (CDM and VCS), especially when the project estimates that it will generate approximately USD 200 million over the life of the project in carbon revenues. This represents a vital source of revenue to the project, particularly in the early years as the project foresees to use its own

net income to reinvest in the expansion of the project (Note: PPCR funding will mitigate this impact by being drawdown *pari passu* with equity).

Green Resources AS Norway, the project sponsor, has established an internal team that is fully dedicated to handle carbon credit issues. The team boasts a track record of success including a CDM certification in 2011 for a forestry project in Uganda and bilateral sales agreements with the Government of Norway and the Swedish Energy Agency.

From a credit risk standpoint, given that the Lurio Project is non-sovereign transaction without a sovereign guarantee attached, AfDB must ensure that the risk of default of the project company on its obligations (e.g. debt repayment) is minimized. This involves the negotiation of a security package between the project company and other financiers, which shall never underestimate the negative impact of such potential revenues not materializing. This is structured in many different ways but having always as a guiding principle the need of the debt service coverage ratios be equal or above x1.3 to ensure default risk is minimized.

## **II. INTER-AMERICAN DEVELOPMENT BANK COMMENTS:**

**Overall** we can agree with the conditions and incorporate them into the three project proposals though we want to highlight the following concerns regarding the conditions for Haiti project.

### **HAITI, Project Concept Proposal: Support for the building of a climate resilient sorghum supply chain in Haiti**

- The project basis is founded on supply chain development and strengthening the value chain of sorghum. It is relevant for us to maintain the essence of the project to ensure the incentive structure for BRANA's and the smallholders. Particularly:
- **Haiti Project, Condition 2:**
- The structure for implementing the project will be defined in detail during the design phase to ensure a robust governance of the project and, overall, to facilitate its ownership, both, by the smallholders and BRANA.
- **Haiti Project, Condition 3:**
- Given that this is a project based in supply and value chain development, we need to carefully revise during the design phase if it is possible to include smallholders who are not suppliers of BRANA to have equal opportunity and access to the funds. We consider relevant to maintain the effectiveness of BRANA's program for creating a virtual cycle with the sorghum farmers with whom they are working. Considering the suggestion from the experts, we will carefully analyze the possible alternatives for sharing this initiative with smallholders outside BRANA's supply chain including, among others, knowledge sharing, farming organizations and other buyers to have an inclusive approach.

**JAMAICA, Project Concept Proposal: Financing water adaptation in Jamaica’s new urban housing sector, and;**

**SAINT LUCIA, Project Concept Proposal: Supporting climate resilient investments in the agricultural sector in Saint Lucia: provision of small to medium sized loans to farmers, farmer associations, distributors/ wholesalers and processing companies.**

We are in fundamental agreement with the conditions listed by the PPCR Sub-Committee for the proposals for St. Lucia and Jamaica.

We do have a couple of clarifications, however.

First, reference is made to expected implementation dates in the PPCR sub-committee comments for both the St. Lucia and Jamaica proposals. These dates were taken from the meeting between the IDB-MIF team in Washington and the private sector PPCR sub-committee. To be clear, these dates refer to the approval and implementation of PROADAPT projects in St. Lucia and Jamaica, respectively, and not the fully developed PPCR loan packages in each country.

Second, the proposal for St. Lucia states on page 2 that “ To support the successful roll out of the PPCR funded loan scheme, the following activities are also being **considered** for non-grant funding from PROADAPT in the region (separate from this proposal):

- A market analysis to appraise specific market needs on adaptation, actors, existing resources and opportunities for climate resilient investments. (See section VI for additional information).
- **The setting up of an insurance facility to provide farmers** with adequate insurance products to protect their investments and loan liabilities. An analysis of possible mechanisms to lower insurance premiums through a government subsidy, or finding an alternative route to low risk premium costs, will be undertaken, learning from practices established in other parts of the world to help poor farmers access insurance.
- The design and delivery of an outreach campaign to advertise the loan scheme being offered, accompanying products (such as insurance packages), and to make a clear business case to farmers for participating in the loan scheme. The Banana Industry Trust has agreed to coordinate this, possibly in collaboration with other Saint Lucian agricultural associations.
- Provision of a resilience screening/ business continuity planning service to potential borrowers to help them identify opportunities for which a loan facility may be appropriate.

We note and accept the PPCR sub-committee’s condition that an insurance scheme be set up in this PPCR package, but would like to make it clear that the viability of such a scheme has not yet been determined.

**III. EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT COMMENTS:**  
None.

**IV. INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT COMMENTS:**

**DOMINICA, Project Concept Proposal: Community Climate Change Adaptation Projects: coastal zone protection, slope stabilization and livelihood enhancement.**

Thank you for sharing the report from the Expert Group for the PPCR set-aside. We note that one of the proposals from Dominica "Community Climate Change Adaptation Projects: coastal zone protection, slope stabilization and livelihood enhancement" has been referred back for further development and re-submission. Please note that IBRD was not involved in the development of this proposal. Accordingly, we have informed the Dominica team in IBRD of the outcome of the Expert Group review and we will need to seek clarity on the feasibility of supporting the implementation of this project, should the proposal be selected for further work.

ANNEX III: Procedures for allocating PPCR resources on a competitive basis from an agreed set  
aside of resources

## CLIMATE INVESTMENT FUNDS

February 25, 2013

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**PROCEDURES FOR ALLOCATING PPCR RESOURCES  
ON A COMPETITIVE BASIS FROM AN AGREED SET ASIDE OF RESOURCES**

## BACKGROUND

1. During its last meeting in November 2012, the PPCR Sub-Committee reviewed document PPCR/SC.11/Rev.1, *Proposal for the Allocation of PPCR Resources*, and agreed:

- a) to allocate unallocated grant resources pledged or committed to the PPCR as of September 30, 2012 as follows:
  - i. Bolivia, Cambodia, Dominica, Grenada, Haiti, Jamaica, Mozambique, Nepal, Papua New Guinea, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Tonga and, Zambia will receive an additional indicative allocation of USD 5 million
  - ii. Yemen will receive an additional indicative allocation of USD 8 million;  
and
  - iii. Tajikistan will receive an additional indicative allocation of USD 10 million.
- b) Each pilot country listed above was invited to work with the MDBs to prepare, for endorsement by the Sub-Committee, a concept or concepts for programs/projects that further advance the objectives of its SPCR utilizing the additional allocation. If such a program/project concept(s) is not submitted to the Sub-Committee within 18 months of this decision and following that endorsed, the unused allocation will be transferred to the set aside for a competitive process described below.
- c) The unallocated capital contributions pledged or committed to the PPCR as of September 30, 2012, was set aside for allocation, through a competitive process, to additional programs and projects that further the objectives of the SPCR. Programs and projects financed from the set aside may be either for:
  - i. private sector clients working through the MDB private sector arms, or
  - ii. public sector entities working through the MDB public sector arms, provided that a minimum of USD 25 million in capital is allocated to programs and projects for private sector clients working through the MDB private sector arms.
- d) PPCR contributors may choose to indicate new funding to the PPCR to be added to the competitive set aside.
- e) This decision does not set any precedent for the use of additional contributions that may be made to the PPCR.
- f) The Sub-Committee agreed to review the use of the set aside at its meeting in May 2014 and consider any appropriate changes to enhance its effectiveness.

- g) The Sub-Committee reconfirmed that commitment of PPCR resources will depend on the submission of high quality project proposals and the availability of resources in the SCF Trust Fund.

2. This note sets out the procedures for allocating currently unallocated concessional PPCR resources and potential new resources to programs and projects on a competitive basis, with a view to promote innovative approaches to engage the private sector through private and public sector investments in the PPCR pilots, as agreed in sub-paragraph (c) above.

3. The proposed procedures for the PPCR are broadly consistent with the procedures for allocating designated resources on a competitive basis in the other SCF targeted programs. Modifications have been made to address PPCR-specific policies and decisions.

## PROCEDURES

4. Consistent with the decision of the PPCR Sub-Committee, an amount has been set aside for allocation, through a competitive process, to additional programs and projects that promote innovative approaches to engage and enable the private sector through private and public sector investments in the nine pilot countries and two regional programs.

5. Such programs and projects should further advance the objectives of the endorsed strategic program for climate resilience (SPCR)<sup>1</sup> and should serve to encourage interest from a broad range of private and public sector actors. Resources from the set aside may be provided to either:

- a) private sector clients working through MDB private sector arms, or
- b) public sector entities working through the MDB public sector arms by benefitting private sector clients through the removal of barriers for the private sector to engage in adaptation activities<sup>2</sup>, provided that a minimum of USD 25 million in capital is allocated to programs and projects for private sector clients working through the MDB private sector arms.

6. No one project or program funded from the reserve is to receive more than USD 15 million nor less than USD 3 million in PPCR funding.

7. In order to facilitate the preparation and consideration of program and project concepts, the CIF Administrative Unit and the MDBs will agree on a common format for presenting such concepts and a timeline for the completion of the steps agreed under these procedures so as to allow the submission of a list of priority concepts to be considered by the Sub-Committee four weeks in advance of its meeting in November 2013.

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<sup>1</sup> A strategic program for climate resilience (SPCR) is an investment plan under the PCPR.

<sup>2</sup> No credit resources are to be provided for public sector projects to countries in high debt distress. (*MDB Policies and Tool regarding Debt Sustainability and their Application in the PPCR*, October 2011)

8. After approval of the procedures by the Sub-Committee, information on the set aside and the agreed procedures, a common format for presenting concepts, a timeline for the completion of steps, and links to the SPCRs and other relevant information is to be made available through the following channels:

- a) the CIF website and, as appropriate, the websites of the MDBs;
- b) pilot country or regional focal points for dissemination to national and regional constituencies and networks; and
- c) other relevant channels that may be agreed upon by the MDBs and the pilot country or regional focal points.

9. The MDBs will develop, share and discuss with the pilot country or regional focal point any program or project concepts which they consider appropriate and feasible to advance private sector engagement in support of the objectives of the SPCR.

10. Concept proposals will be submitted to the CIF Administrative Unit by the MDBs and reviewed by a working group of experts (see paragraph 13 below) for prioritization based primarily on the potential of the proposal to advance PPCR program objectives, principles and investment criteria, as contained in the PPCR design document and investment criteria, and on the following additional criteria:

- a) further advancement of the objectives of the SPCR;
- b) level of innovation proposed;
- c) implementation feasibility within 9-18 months after funding approval by the PPCR Sub-Committee; and
- d) progress that has been achieved in implementing other projects under the endorsed SPCR.

11. A review of the concept proposals submitted by the CIF Administrative Unit will be undertaken by a working group comprised of four experts and one representative from the CIF Administrative Unit (see paragraph 12 below). The working group will review the concepts in accordance with the criteria listed in paragraph 10 above and will prepare a list of priority concepts that it recommends be allocated the PPCR resources available in the set aside. In recommending a priority list of concepts to be allocated the available PPCR funding, the review group should also include an additional list of concepts, for up to an additional 50% of the level of funding available in the set aside, for consideration by the Sub-Committee in making its decision on allocating the resources. However, there should be a clear minimum set of criteria that must be met. If there are not a sufficient number of good quality concepts then the expert group needs not recommend a full allocation of the resources.

12. In proposing the list of concepts, the working group should include a qualitative explanation of its recommendations and prioritization, and the methodology used for scoring the submitted concepts.

13. In order to establish the review group, the CIF Administrative Unit should invite pilot countries, relevant regional organizations and PPCR contributor countries to submit names and resumes of experts with appropriate experience, including experience with the private sector, whom they would like to propose for inclusion in the working group. The CIF Administrative Unit, in collaboration with the MDB Committee, will propose: (a) two experts from among those proposed by the pilot countries and relevant regional organizations and (b) two experts from among those proposed by the PPCR contributor countries, to be invited to participate in the working group. The working group should be an inter-disciplinary team reflecting knowledge and experience of climate change adaptation practices, with emphasis on engaging the private sector in climate-sensitive sectors. The list of the four proposed experts will be submitted to the Sub-Committee for approval by mail.

14. The CIF Administrative Unit will submit the report of the working group to the Sub-Committee for consideration and a decision on the allocation of the resources available in the set aside at its meeting in November 2013. Each project or program identified in the priority list and the list of additional concepts presented in the report would be supported by a no-objection letter from the PPCR country or regional focal point.

15. In accordance with the rules of procedure, the Sub-Committee will be invited to review, endorse and approve the PPCR financing for the project/program and will be provided with a maximum of two weeks (or ten business days) in which to review the document. If there is any question on the proposed, any member or observer may send the question to the Administrative Unit. All questions will be posted on the website. The country/regional institution in collaboration with the appropriate MDB will be invited to respond to the question in a timely manner. The Sub-Committee will be allocated a maximum of 48 hours to consider on a no-objection basis the reply to any question before closing the period for review. All replies will also be posted on the website.

16. Once the concept note has been endorsed by the PPCR Sub-Committee, projects/programs will be prepared consistent with MDB procedures for submission to the Sub-Committee for approval of PPCR financing. At that stage, projects/programs are well prepared either at appraisal or pre-appraisal stage. Once a project/program proposal is ready for Sub-Committee approval, the MDB should send the project/program document to the CIF Administrative Unit (including a summary) for approval by the PPCR Sub-Committee of PPCR financing. The proposal will be submitted to the PPCR Sub-Committee for approval by mail<sup>3</sup>.

17. The CIF Administrative Unit, in collaboration with the MDBs and the PPCR pilots, is requested to collect lessons and reflections about the effectiveness and value-added of the set aside and the competitive selection process with a view to drawing lessons for the future.

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<sup>3</sup> See paragraphs 35-40 of the *Rules of Procedure for SCF Trust Fund Committee Meetings*.

18. The Sub-Committee will keep the application of these procedures under review with a view to making any revisions or amendments that may be necessary to improve their effectiveness should additional funding become available.

19. If sufficient resources become available for the set-aside, a second request for proposals may be issued by the PPCR Sub-Committee taking into account lessons learned from the first competitive round.