Working paper

The effectiveness of climate finance:

a review of the Pilot Program for Climate Resilience

Nella Canales Trujillo, Sam Barrett and Smita Nakhooda

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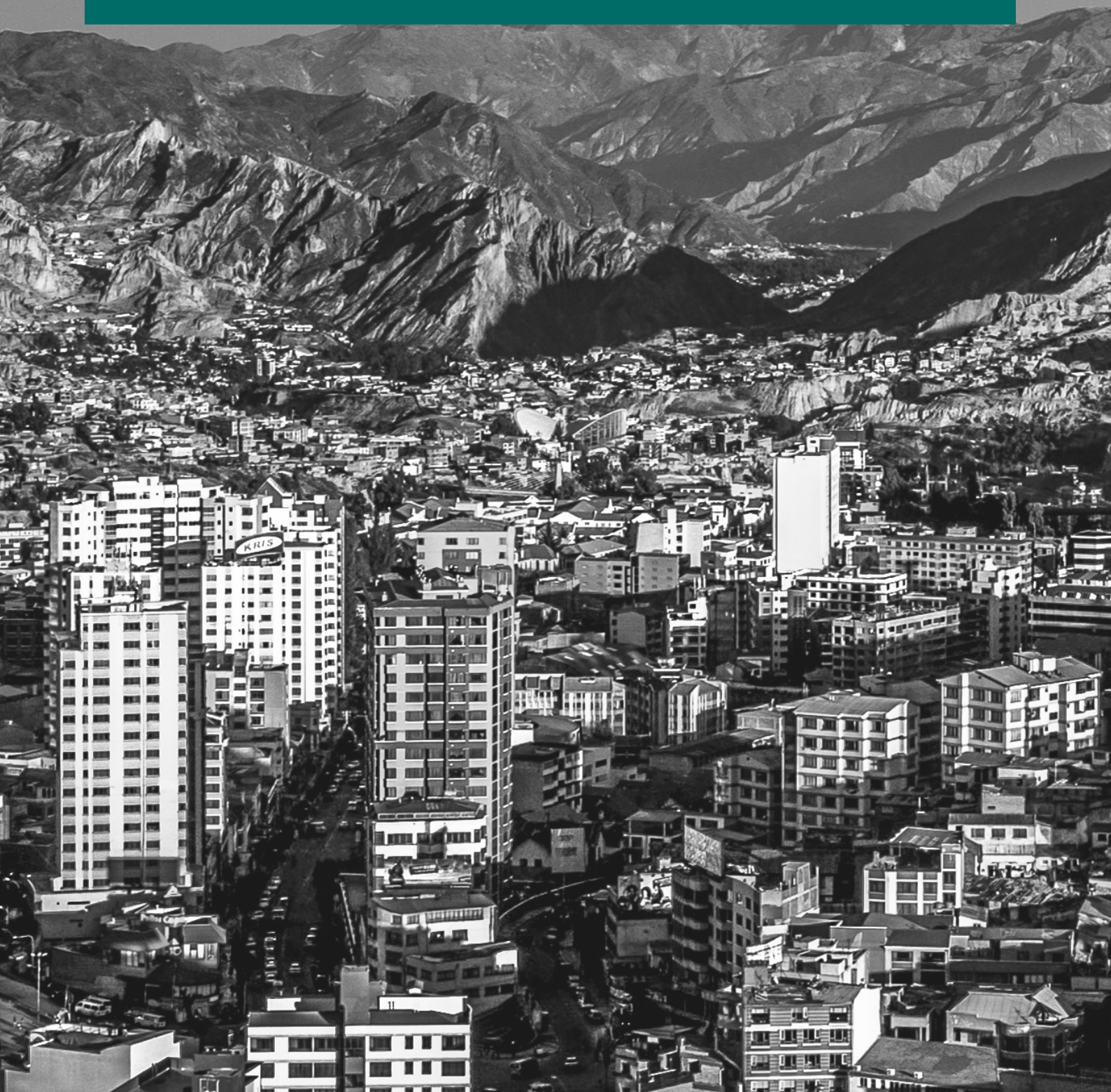

The effectiveness of climate finance

A review of the Pilot Program for Climate Resilience

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Abstract

The Pilot Program for Climate Resilience (PPCR) is the largest multilateral adaptation fund, with pledged capitalisation of more than $1 billion in grants and concessional loans. The PPCR aims to achieve "transformational change" towards climate resilient development in recipient countries; focusing on mainstreaming climate adaptation into national level plans, poverty alleviation strategies and sustainability goals. This working paper is one of a series of ODI studies into the effectiveness of international climate funds using a common analytical framework. It was updated in September 2014 to reflect insights from the independent evaluation of the CIFs and the June 2014 CIF Partnership Forum. The PPCR approach has expanded the range of financial instruments used to support adaptation in developing countries, engaged Ministries of Finance in discussions around resilience, and focused attention on the need to address underlying policy, regulatory and institutional capacity to support resilient development. In many ways, it has been a game changer on adaptation finance. There is, however, a need to deepen national ownership of PPCR supported programs, and ensure that funding addresses the needs of the poorest and most vulnerable, to ensure long term effectiveness and sustainability.

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Summary

FUND PURPOSE AND OBJECTIVES / THEORY OF CHANGE

To pilot and demonstrate approaches and strengthen capacities for the integration of climate risk and resilience into development policies and planning; scale-up and leverage climate resilient investment, building on other ongoing initiatives; and enable learning-by-doing and sharing of lessons at country, regional and global levels

SPENDING

1. Resource mobilisation • The PPCR has become the largest source of public finance for adaptation today, despite lacking a formal "resource mobilisation" process. • This is partly due to its flexibility in accepting capital contributions and offering loans that create a potential re-flow of finance for future investment. • The majority of committed finance has now been deposited, and new pledges have been forthcoming, which suggest that it has won the trust of donors.	- $1.3 billion pledged from a variety of donors within a short period of time
2. Voice and administration • Equal representation of developed and developing countries on the governing Sub-Committee. • Transparency and disclosure practices have improved over time, and efforts have been made to consult national stakeholders, including civil society organisations. • There is a need to include a breadth of perspectives on adaptation and forums for meaningful and responsive deliberation on priorities for finance.	- Sub-Committee contains six members each from donor and recipient countries.
3. Investment Strategy and Allocation • Expert driven process to select pilot countries. The initial set of pilot programs represent a relatively geographically diverse set of countries highly vulnerable to climate change, with MDB programing to build on and adequate absorptive capacity. • Project cycle has been long, but innovative in terms of its programmatic approach. This has allowed for wider stakeholder input. • Support for analytical work to frame and inform investment priorities has proved useful, and has been extended to support ongoing programming.	
4. Disbursement and Risk Management • Progress has consistently been slower than projected, although pace of program approval has increased significantly. • While the slow pace of implementation reflects the need for more agile implementation systems, it also reflects the reality that good programming takes time and iteration. • An increasingly proactive approach to risk management is being taken. MDB safeguard policies also help manage environmental and social issues.	- Disbursement levels are low at 8% ($46.8 million).
5. Monitoring, evaluation, and learning • Results framework has advanced global understanding of approaches to monitoring and evaluation of adaptation. A simplified and outcome driven approach to impact assessment is now being piloted. • The space for critical reflection on progress and achievements has increased. There is a growing emphasis on learning from the practical experiences of the PPCR. • Recognised need to strengthen learning from individual projects and transactions.	- Project implementation is in the very early stages. - Annual reporting on results is due to begin in 2014.

INSTRUMENTS

The PPCR is the first adaptation fund to offer loans as well as grants. Loans are highly concessional, with near zero interest and a 75% grant element. Countries may choose to access only grant finance. Although controversial, the offering of loans has assisted the programme in raising considerable levels of donor funding.

OUTCOMES

6. Scale

- The PPCR has enabled adaptation finance at unprecedented scale, conducive to a programmatic approach.
- The combination of a large volume of funding to spend and a capitalization that requires some of this investment to earn a return may focus attention on larger scale interventions. Programming has therefore tended to focus less on smaller scale or community level approaches

7. Enabling environments

- The PPCR has prompted attention to climate risk as a development concern, and sought to support efforts to incorporate climate risk into mainstream development planning
- It has supported institutional capacity building related to climate change, and fostered arrangements to coordinate across governments

8. Catalytic outcomes

- Focus on engaging the private sector in adaptation is innovative, but delivery has proven challenging in practice.
- In practice much of the additional finance raised comes from the MDBs themselves and other public sector institutions, rather than the private sector.
- New dedicated private sector set-aside programs have focused attention, but their impact remains to be seen.

9. Innovation

- It is unclear the extent to which the PPCR portfolio has focused on supporting innovation including innovative approaches to finance and domestic capacity to innovate to deal with the impacts of climate change.
- Substantial emphasis placed on improving access to technology and information that will support better decision-making in a context of climate variability.

10. National ownership and sustainability

- Efforts were made to engage a wide range of stakeholders in the development of SPCRs in many countries, and in many cases programs may have been effective in securing government ownership
- The extent to which PPCR programs are more widely owned varies substantially. Perception in some cases that MDB programming priorities have determined financing decisions.
- Recognized need for sustained and iterative engagement that has practical links to program implementation

ROLE IN THE GLOBAL CLIMATE FINANCE ARCHITECTURE

The PPCR has potentially been the most significant mobilizer of public climate finance for adaptation and has had a disruptive influence on the adaptation finance landscape. It has challenged understandings of what it takes to finance developing country adaptation. Its programmatic nature advocates a participatory approach with civil society and local stakeholders but there is a need to deepen this engagement. Many of its delivery parameters and objectives may present the contours of a more sustainable framework for adaptation finance that helps to mainstream climate risk into development planning and finance. While encouraging progress is being made, much remains to be done to realize the vision.

Introduction: The Context for Establishing the Pilot Program for Climate Resilience and its Driving Logic and Objectives

The Pilot Program on Climate Resilience (PPCR) is the adaptation program of the Climate Investment Funds (CIFs). Its objective is to "pilot and demonstrate ways to integrate climate risk and resilience into core development planning, while complementing other ongoing activities" (CIF, 2011a). It is one of the largest funds for adaptation to climate change in developing countries in existence.

The CIFs were established as part of a response to the G8[1] countries' request for the World Bank and other Multilateral Development Banks (MDBs) to support a transition to clean energy and assist responses to climate change in developing countries (G8, 2005). Analytical work to develop a Clean Energy Investment Framework at the World Bank had highlighted the importance of funding to support adaptation to the impacts of climate change, particularly in poorer borrowing member countries that have made modest contributions to the accumulation of global greenhouse gas (GHG) emissions (World Bank, 2006). In turn, many developed countries were interested in experimenting with new modalities for financing adaptation to climate change at a significant scale.

The UK, one of the founding members of the CIFs, had set funding aside for international climate change through the International Window of the Environmental Transformation Fund that it had set up as part of its response to the findings of the Stern Review of the Economics of Climate Change. Other developed countries quickly stepped up with supplementary funding for the CIF adaptation program, which came to be known as the Pilot Program on Climate Resilience.

The PPCR aims to harness the implementation capacities of the MDBs and their existing programming (Ayers, 2009), while helping the banks learn how to incorporate climate risk and resilience into their programming (CIF, 2009a). It seeks to take a programmatic partnership approach (involving governments, private sector and local communities) and mainstream adaptation into development planning (Saito, 2013). Efforts are being made to 'crowd-in' additional investment, including from the private sector, through aggregating grants and loans with on-going MDB activities and domestic public financing (Climate Investment Funds, 2009b). The original terms of the PPCR identified the following five key considerations that might drive a need for access to public finance for adaptation: higher investment costs; a lack of access to capital; real and perceived risks associated with climate change; a lack of technical or commercial skills and information; and a constrained ability to pay. The specific objectives of the PPCR include: piloting and demonstrating approaches for the integration of climate risk and resilience into development policies and planning; strengthening capacities to integrate climate

[1] Canada, France, Germany, Italy, Japan, Russia, USA and UK

resilience into development planning; scaling-up and leveraging climate resilient investment, building on other ongoing initiatives; and enabling learning-by-doing and sharing of lessons at country, regional and global levels (Bann 2014).

Part of the motivation for creating the PPCR, particularly from a contributor country perspective, was to create a space less fettered by the politics of the UNFCCC, where a small number of larger scale programs could be developed using relatively larger volumes of concessional (rather than pure grant) finance. But the period in which the PPCR was designed coincided with the long-awaited operationalization of the Adaptation Fund of the Kyoto Protocol, under the UNFCCC. This coincidence proved highly controversial, and sparked a heated debate over whether the establishment of the CIFs would undermine UNFCCC financial mechanisms.

As a result, a sunset clause was included in the governing instruments creating the Climate Investment Funds, stating that the Funds would "sunset" once a new financial architecture under the UNFCCC was operational.[2] There is a working assumption that CIF programming will continue until 2015 (CIF, 2013a), as the operationalization of new UNFCCC financial mechanisms such as the Green Climate Fund have taken significant time.

[2] The clause governing the PPCR originally stipulated that it would sunset by 2012; this was revised when it became clear that it would take longer for new instruments under the Convention such as the Green Climate Fund to be operational.

Objectives, Framework, and Methodology

As the international community seeks to scale up the delivery of climate finance, there is growing interest in understanding what it takes to spend international climate finance effectively. The goal of this assessment is not to present a comprehensive evaluation of the Pilot Programme for Climate Resilience (PPCR). Instead, we seek to provide an evidence based overview of the operations and achievements of climate finance initiatives, and identify key challenges encountered (and why), and lessons learned for the effective delivery of climate finance. This paper presents a qualitative analysis of the achievements of climate funds complemented with relevant quantitative data, that is cognisant of the context and constraints within which funds operate.

The assessment starts by considering the driving objectives of a multilateral climate fund, setting it in its historical context, and the range of financing instruments that it has been able to offer. The context, objectives, and instruments that a fund offers fundamentally shape what it is able to achieve. We then analyse five interlinked components of effective spending, considering the integrity, efficiency and transparency of associated processes: (1) resource mobilisation, as the availability of resources fundamentally affects what a fund is able to support, and the range of outcomes and objectives it is able to achieve (2) the governance of a fund, as this is likely to shape trust in an initiative, and the extent to which it operates in a transparent, inclusive and accountable way (3) an investment strategy and fund allocation process is one of the key outcomes of an effective governance structure, and it is essential to understand the formal processes and informal influences that affect how funding decisions are made (4) Disbursement of funding and risk management in support of approved programs is a key issue of interest, and provides insights into the mechanics of supporting robust activities, and avoiding negative impacts (5) Monitoring, evaluation and learning processes, in order to understand the systems that funds have established to understand impact and strengthen performance.

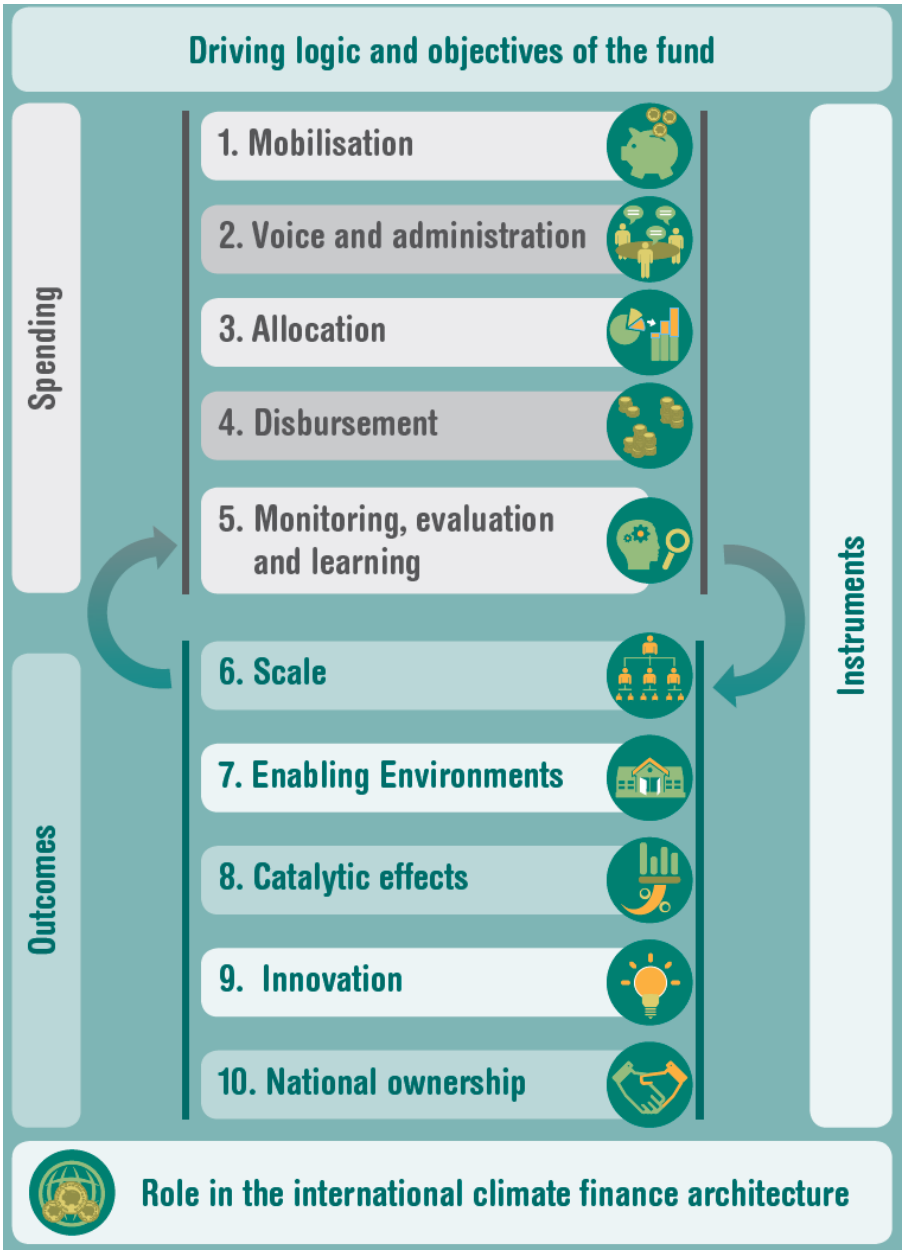


Figure 1: ODI's Climate Finance Effectiveness Framework

Next, we present a detailed review of the active portfolio of the fund, in order to inform subsequent analysis of the effectiveness of its outcomes, using fund self-reporting complemented with data collected on http://climatefundsupdate.org. The review considers the recipients of funding (type of institution; geographic distribution); the level at which funds have worked; Instruments through which funding was delivered (such as grants, performance based grants; concessional loans, guarantees, equity, etc); and the types of technologies and approaches that have been supported.

On the basis of the portfolio review, we consider five interlinked components that are likely to shape the outcomes of global climate funds. We analyse whether the fund has been able to work a variety of (6) scales from global to local, and support both small and large size projects that can be replicated and scaled up. We also consider the funds approach to engaging with (7) enabling environments, and whether it has been able to address underlying policy, regulation and governance that

affects the long term viability of low carbon and climate resilient interventions. Next, we review the (8) catalytic effects of the fund, particularly with respect to the private sector, recognising the diversity of ways in which investment and implementation capacities may be harnessed in support of low carbon climate resilient development. Recognising the central importance of finance for (9) innovation to global efforts to respond to climate change, we analyse the extent to which climate funds support innovative technologies and approaches, including at the local level. Finally, we consider the role of the fund in fostering (10) national ownership and leadership, seeking to understand the role that national institutions have played in identifying funding priorities, and how well funding has been aligned with emerging national climate change and development priorities.

In completing this analysis, we drew on primary interviews with stakeholders in the fund, and complemented it with selective examples from the portfolio review that illustrate the various approaches that have been taken. Country level reporting was available for all the pilot countries and regions (Bangladesh, Cambodia, Dominica, Haiti, Jamaica, Mozambique, Nepal, Niger, Papua New Guinea, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Tajikistan, Tonga, Yemen and Zambia). We built on emerging research from the International Institute for Environment and Development (IIED) on the political economy of the PPCR in Nepal and Bangladesh. ODI has recently been involved in research on country level delivery of climate finance in Cambodia, the Caribbean region, Nepal, and Zambia. We have brought insights from this research to bear here. Where data availability allows it, we complemented our qualitative analysis with quantitative analysis. Nevertheless, given the early stage of implementation of the PPCR, we were able to analyse the effectiveness of its outcomes with much less precision than the effectiveness of its spending processes. Finally, we analyse the role of the fund in the global international climate finance architecture, and the particular value that it has added.

A. Instruments

The PPCR aims to scale up finance to establish transformational change in climate resilient development. The array of instruments available to recipients is designed to blend PPCR grants and highly concessional loans with standard MDB activities and finance, alongside domestic public and private financing (CIF, 2009b). It is the first fund for adaptation offering concessional loans, in addition to grants. Concessional loans are offered at near zero interest with a 75% grant element. Countries may choose to only access grants from the fund (CIF, 2011b).

The use of concessional loans for adaptation has been controversial. At the outset, many NGOs and some developing country representatives voiced strong objections to such an approach, as adaptation finance is often considered compensation to developing countries given historical carbon emissions from developed states (Farber, 2007; Hulme, O'Neill and Dessai, 2012). Many vulnerable countries are also 'Least Developed Countries' who often already have high debt burdens (Thapa, 2011).

But many of the investments that governments are proposing to strengthen their resilience, for example more resilient infrastructure such as roads and irrigation systems, as well as interventions in productive sectors such as agriculture, may lend themselves to finance through non-grant instruments. Strategic investments that increase government fiscal space to allow them to incorporate climate risk considerations into decision-making may also be financed through sector or development policy loans. Furthermore, loan finance is now available on an "opt in" basis in the sense that countries are able to decide whether or not they want to participate in the PPCR, or take loans. Furthermore, it has proven easier to raise larger sums of adaptation finance through loans, wherein there is a chance that capital may be returned to contributors.

As of November 2011, highly indebted poor countries for whom PPCR loans may add further to existing debt burdens are not eligible to access loans, and can only access grant finance. Less indebted countries may opt to access grants as well as concessional loans, substantially increasing the size of their investment envelope. The PPCR also supports public-private partnerships and private investment on climate resilience.

Concessional loans are available to 7 of the 9 country pilots and to all the countries within the Caribbean cluster with the exception of Haiti. Tajikistan, Yemen, and several Pacific Islands participating in the Caribbean regional program have not accessed credit instruments. Indeed demand for debt has been greater than expected, and has represented between 30% (in Saint Vincent and the Grenadines) and 55% (in Bangladesh, Bolivia and Niger) of total funding requested (CIF, 2013b).

Concessional loans have been provisionally been allocated for 13 of 62 projects[3] within the current country pilots, and represent some $172m of the $534m (32%) total allocated funds in the current pipeline. Table 1 below summarises the structure of the current PPCR allocation by instrument.

Box 1: Circumstances for access to PPCR resources

The PPCR funding is available when recipients demonstrate:

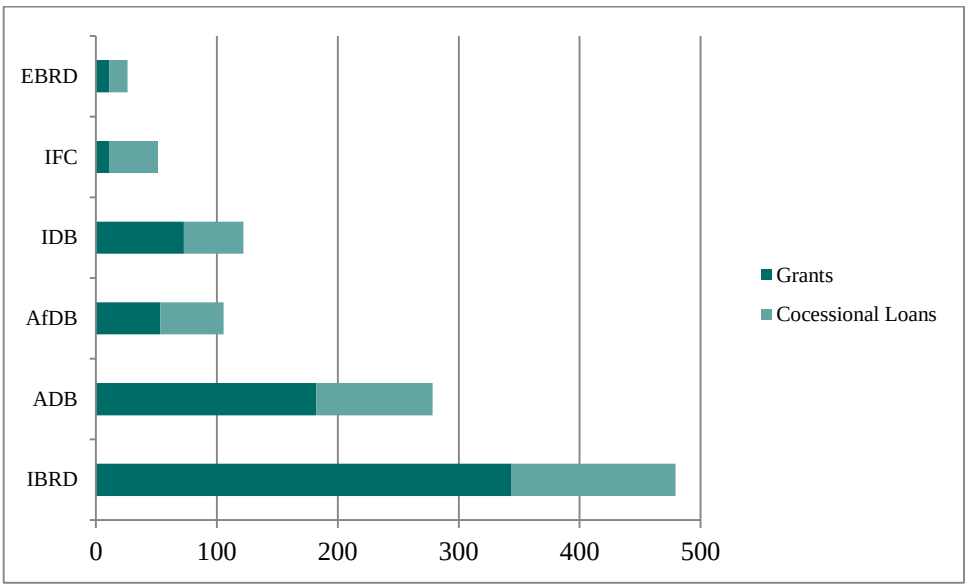
- Higher initial capital costs for integrating climate resilience into development activities.
- Lack of access to capital due to uncertainties caused climate variability.
- Risks that climate change poses to investment and maintaining access to capital.
- Lack of climate information, or expertise, of lenders and government officials.
- A constrained ability to pay upfront costs due to the uncertainties of climate variability

Source: PPCR Financing Modalities (CIF, 2010a)

Table 1: SPCR by financial instrument

Group	Country	SPCR Grants*	SPCR Credits*	Total SPCR funding*	Debt % of total SPCR Funding
Caribbean Region	Dominica	$7	$9	$16	56%
	Grenada	$8	$12	$20	60%
	Jamaica	$15	$10	$25	40%
	St Lucia	$7	$10	$17	59%
	St Vin. & Grenadines	$7	$3	$10	30%
	Haiti	$25		$25	0%
Pacific Region	Pacific	$11		$11	0%
	Pap. New Guinea.	$25		$25	0%
	Samoa	$25		$25	0%
	Tonga	$15		$15	0%
Country Pilot	Bangladesh	$50	$60	$110	55%
	Bolivia	$55	$60	$115	52%
	Cambodia	$50	$36	$86	42%
	Mozambique	$50	$36	$86	42%
	Nepal	$55	$36	$91	40%
	Niger	$50	$60	$110	55%
	Tajikistan	$58		$58	0%
	Yemen	$50		$50	0%
	Zambia	$50	$36	$86	42%
TOTAL ($m*)		**$612**	**$368**	**$980**	**38%**

[3] At the time of data collection, the PPCR portfolio included 66 projects of which 25 had passed the final stage of approval, the MDB approval process.



Source: Climate Funds Update and PPCR Semi-Annual Operational Report, as of 30 September 20142013

Figure 2: PPCR Instruments by Implementing Entity.

B. Spending

1. Resource mobilisation approach

As noted, the PPCR was established in response to a commitment of funding from group of interested donor countries, particularly the United Kingdom. The first year of operations (2008[4] - 2009) witnessed rapid mobilisation of $613 million through contributions from the United Kingdom, Canada, Germany and Australia. To date, the UK, US and Japan remain the largest contributors to the fund. This represents the most successful effort to mobilise public concessional finance for adaptation in developing countries so far. Pledges to the PPCR amounted to US$ 1.3 billion by 2014.[5]

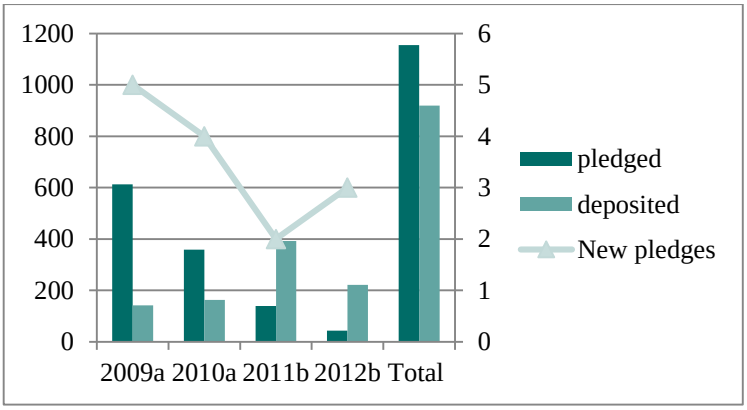
The United Kingdom ($406m) and Spain ($13m) contributions to the PPCR are in the form of capital. These contributions may need to be returned to the providers, and account for 36% of the total PPCR budget ($419m). The majority of funding 64% or ($736m) are grant contributions. The primary contributors are the UK (45% of the total budget), followed by the United States (25%)[6] and Japan (CFU, 2014). Despite early concerns, as of June 2014 the majority of pledged finance has been deposited. $183 million of the US pledge, however, remains to be deposited. As a result, 86%

[4] CIF official pledging date: September 25, 2008.

[5] Of course these numbers are not strictly comparable, however, since UNFCCC funds only offer grants, whereas as discussed the ICCTF has offered concessional loans .

[6] The allocation to the PPCR is indicative - total pledge to the CIF is $2bn (CIF, 2012)

of the total pledged funding pledged has actually been deposited and can be committed.



a/ Represent values on the basis of exchange rates as of September 30,2012
b/ Represent values on the basis of exchange rates as of December 31, 2012
Sources: CFU 2013, CIF 2009, CIF 2010, CIF 2011, CIF 2012

Figure 3: Pledges and deposits to the PPCR

Take away messages

- The PPCR has succeeded in raising $1.3 billion from a variety of donors within a short period of time, despite the lack of a formal "resource mobilisation" process, and is the largest source of public finance for adaptation today
- In part its success with resource mobilisation is linked to greater flexibility about capitalisation and financial offerings: it has accepted capital contributions and offers loans which create a potential re-flow of finance for future investment.
- The majority of committed finance has now been deposited, and new pledges have been forthcoming, which suggest that it has won the trust of donors

2. Voice and administration

As noted, the controversy sparked by the proposal to create the PPCR led to a focus on creating inclusive governance structures that would give developing countries a voice in decision-making, and support learning and coherence between its programming and that of other multilateral climate funds. In this section we reflect on key dimensions of these arrangements.

Decision making processes

CIF governance now involves 6 developed and 6 developing country governments on the PPCR trust fund committee; an MDB Committee; and a trustee and Administrative Unit housed at the World Bank. Representatives of the Adaptation Fund Board (the developing country chair or vice chair) are also invited to participate in the meetings to ensure complementarity between these two funds and facilitate learning. In addition, the committee includes 4 representatives of civil society (from Latin America, Africa, Asia and Developed Countries as regions), 2 representatives

of the private sector, and indigenous peoples' groups as active observers, although they do not "vote" in decision making.[7] Observers are designated through a "self-selection" process among their peer institutions. UN organisations including the UNFCCC, the GEF, UNDP, UNEP, and representatives of the Adaptation Fund are also invited to attend meetings. Various expert bodies have also helped inform the selection of PPCR pilot countries, as well as its results areas.

The PPCR Sub-committee meet at least once a year and make decisions based on consensus. Some contributors share seats on the committee PPCR committee (as there are more than 6 contributors). Developing countries were appointed through a process of self-selection. Stakeholders observe that over time as programs have become better established, recipient countries have become more vocal about their preferences.

The SCF also has its own governing committee, and meets to take strategic decisions and formalize sub-committee proposals. Strategic decisions on CIF priorities are taken at the joint SCF-Clean Technology Fund committee meetings.

Administration

PPCR programming is supported by the Administrative Unit and the MDB Committee, which includes focal points from the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), and the Inter-American Development Bank (IADB). As of June 2014 the cumulative Administrative Unit budget is $23 million, or 2% of the total expenditure of the Climate Investment Funds as a whole (Strategic Climate Fund, 2014). Its budget includes the cost of World Bank administration services[8] and MDB Committee, budgets for Partnership Forums, MDB support to country programming[9] and other initiatives. In addition, the MDBs charge a 5% service fee for the programs that they manage, which helps recover their costs. Total administration costs represent 13% of the current approved funds for investment.

Transparency

Over time, the CIFs as a whole and the PPCR specifically have adopted increasingly comprehensive disclosure practices. Most decisions, comments and financial information are publicly available on the CIFs' website, which is increasingly accessible and navigable. Detailed information on the implementation of private sector programs, however, is not available due to business confidentiality restrictions. This is a significant challenge given the importance of the PPCR as a platform to learn about what works when it comes to private sector engagement in adaptation. MDB disclosure policies apply to particular programs that they finance using PPCR resources. Since the end of 2013, the CIF also reports in an IATI compatible format.

The CIF administrative unit is now investing in communication and outreach around programming. It has, however, been a challenge to find ways to make its work easily accessible and understandable to general audiences, particularly in the countries where the PPCR is active. In country, the CIFs rely on the dissemination systems of the implementing MDBs, and support the recipient country governments to make information on programming publicly available. Any limitations to these systems in turn affect awareness and transparency at a more local level. Civil society and private

[7] A practice first adopted by the GEF

[8] Composed of 25 full-time staff (30 during FY 2014) providing services for the CTF and the SCF. Project reviews are undertaken by contract services, but costs remain under the administration budget.

[9] Includes scoping and participation in Joint missions and others indirectly related to project implementation.

sector stakeholders in the fund also share the responsibility of disseminating key information and raising awareness of its operations, and have been delivering on this responsibility to varying degrees.

Stakeholder participation

The PPCR has taken a relatively deliberate approach to consulting stakeholders in its governance as well as through in country programming and participation. At the fund level, as noted, representatives of civil society, indigenous people's groups, and the private sector are able to comment propose agenda items, and engage in decision making even though they do not always vote. Stakeholders in the fund recognize the value of observer participation in its governance. But there has been a wide variance in the capacity and expertise that various observers have brought to the table. As the PPCR has moved to an implementation phase, the value of the "on the ground" perspectives and practical experiences that some of the regional NGOs can bring are increasingly recognized. Ultimately observers can inform and influence decisions, but do not take them (Rai, 2013).

At country level, the MDBs developing PPCR investment plans did seek to engage stakeholders beyond government from the outset, including during some of the joint missions to scope potential interventions. Indeed MDBs were required to document who they had consulted with when plans were proposed. The elaboration of Strategic Programs on Climate Resilience has also placed a strong emphasis on stakeholder engagement. PPCR programming however had to build on MDB competencies and experiences. They played a substantial role in influencing investment priorities. Stakeholder perceptions of the adequacy of the consultation processes put in place at country level have therefore been mixed. For example, in Tajikistan some CSOs reported that consultation processes were limited to consultation workshops during in-country Joint Missions without follow up discussions or an in-country focal point[10] (Oxfam, 2011). Similarly, CSOs in Mozambique reported feeling outsiders to the design and implementation process, and suggested that consultations offered limited scope to shape programs (Shankland and Chambote, 2011). Analysis of the PPCR experience in Nepal highlighted the lack of engagement of local and community based organisations, a significant consideration in light of the Nepal's commitment to deliver 80% of climate finance to local institutions and investments in local adaptation planning (Rai et al 2013a).

Part of the challenge in many countries was the visceral reaction from many NGOs to the notion that loans were part of the available financing (Rai, 2013), compounded in many cases by inherent mistrust of the development banks. As a result in some cases, CSOs did not participate in formal consultations as a point of principle.

Take away messages

- The PPCR has adopted a governance structure that offers equal representation for developed and developing countries, though MDB programming presents the basis for PPCR programming
- Transparency and disclosure practices have improved over time
- Efforts have been made to consult national stakeholders, including civil society organisations
- There is a need to include a breadth of perspectives on adaptation, and forums for meaningful and responsive deliberation on priorities for finance

[10] MDB personnel overseeing the SPCR were based outside Tajikistan.

3. Investment strategy and allocation

Country selection

The limited resources available to the PPCR and its objective of exploring larger scale interventions to strengthen adaptation necessarily limited the number of countries that the PPCR would be able to support. It was therefore expressly structured as a "Pilot Program" that would work in a small number of countries to explore the transformational effect of funding flows. While the fund would seek to support countries that were highly vulnerable to climate change, they would also need to be eligible to receive official development assistance. Furthermore, there needed to be an ongoing engagement by the regional development banks and the World Bank to build on. The PPCR also sought geographic balance in its engagement, and to support countries confronting a range of climate related challenges and hazards to facilitate learning (Climate Investment Funds, 2011a).

Developing countries were invited to express interest in the PPCR by the MDBs, and an Expert Group was selected to refine criteria for assessing suitability of proposed pilots, and making recommendations to the PPCR sub-committee (Climate Investment Funds, 2009c). Its recommendations were made public. Selections were made by the governing subcommittee, whose decisions reflected both political as well as practical considerations. In practice, many of the countries who had been actively engaging with the MDBs on the possibility of developing PPCR programs stepped up to participate in the governing committee: 5 of the 7 countries ultimately selected to join the PPCR during the first selection round were also represented on the subcommittee. To ensure geographical balance, the sub-committee requested the expert group to also explore individual country programs in the Middle East and North Africa region, as well as regional programs in the Caribbean and Pacific. The latter commitment reflected the political commitment of the PPCR to prioritise the needs of the vulnerable including small island developing states, who are also a crucial stakeholder in the UNFCCC negotiations.

Table 2: PPCR Country Pilot selection considerations*

	Recipient Climate Vulnerability (Regional Average)[11]	Absorptive Capacity – GDP per capita (Regional Average)	Extent of Past World Bank Engagement (Regional Average) [12]	Main Physical Hazard Type[13]
Bangladesh	0.493 (0.407)	$537 ($2469)	$88bn ($19bn)	Flooding, Sea Level Rise
Bolivia	0.378 (0.355)	$1695 ($6200)	$11bn ($27bn)	Snow and Ice Melt
Cambodia	0.493 (0.407)	$742 ($2469)	$3.9bn ($19bn)	Flooding
Mozambique	0.505 (0.472)	$434 ($1420)	$11bn ($10.2bn)	Flooding, Sea Level Rise, Drought
Nepal	0.493 (0.407)	$477 ($2469)	$14.5bn ($19bn)	Flooding
Niger	0.525 (0.472)	$364 ($1420)	$248m ($10.2bn)	Drought
Tajikistan	0.413 (0.407)	$709 ($2469)	$2.6bn (19bn)	Drought, Dry Spells
Yemen	0.527 (0.340)	$1237 ($6789)	$17.1bn ($4.5bn)	Drought
Zambia	0.485 (0.472)	$1175 ($1420)	$17bn ($10.2bn)	Drought, Dry Spells

*Regional block countries not included

[11] Climate vulnerability data are taken from the GAIN index.
[12] Average figures exclude the heavily populated countries of China, India and Indonesia.
[13] Information for physical hazards is taken from the Expert Group Report to the Sub-Committee (Climate Investment Funds, 2009a).

Overall, the PPCR allocation illustrates the reality of pragmatic compromise in adaptation finance. The Expert Group considered the PPCR's agenda and made recommendations to the sub-committee taking the need for geographic balance and heterogeneous responses to hazard into account (Table 2). Highly climate vulnerable countries are targeted as recipients, but poor absorptive capacity and high levels of indebtedness constrain how much finance they can access and use. The amount of finance offered to countries, however, is somewhat linked with their vulnerability to climate change impacts.[14]

The project cycle

Once pilot countries were selected, a joint mission involving the World Bank and the relevant RDB took place to scope interest and priorities. Support was then offered in two phases: first for a 3 – 18 month preparatory process to develop a Strategic Program on Climate Resilience (SPCR) through which national stakeholders could consider priorities for PPCR finance in the context of their vulnerabilities and national development strategies (CIF, 2009b)[15]. Up to $1.5 million was available for this phase, and was accessed by all but two pilot countries (Bangladesh and Niger). Phase I activities included analysis of climate risks using economic techniques and vulnerability assessments; institutional Analysis, including potential arrangements to support inter-agency coordination; knowledge and awareness raising; capacity building; and consultation processes (Bann, 2014).

In the second phase, funding for implementation was sought using grant and, if needed, concessional loan finance. PPCR programs are co-financed by the MDBs using their core resources (usually loans and technical assistance). SPCRs were intended to build on relevant adaptation planning that countries had already undertaken, including National Adaptation Programs of Action (NAPAs) developed under the UNFCCC. In practice while the NAPAs informed programming, the immediate term projects that they had proposed were not always prioritized for finance (Rai, 2013). This was reportedly a source of contention in some countries.

In some countries, an early agreement was struck between the RDBs and the countries on the investment priorities for the PPCR would be, in parallel to the elaboration of the SPCR. This has led, in some cases, to a disconnect between the investments financed by the PPCR and the institutional engagement and capacity building efforts it has supported. In other countries, the SPCR process substantially shaped the priorities of the investment plan. A significant element of the SPCR in many countries was the establishment of country coordination units. SPCRs for all pilot countries have now been approved. Many investment plans build on ongoing MDB programming for infrastructure (including roads and infrastructure) or agriculture. In several countries efforts have been made to engage the private sector in adaptation. The submission of projects and programs for PPCR funding approval has slowed (CIFb, 2013). Challenges with developing studies, procurement, and market barriers are cited as major reasons for delays[16]. In practice, capacity building efforts have progressed in tandem with implementation efforts.

[14] Results show a positive 0.19 Spearman correlation holding 0.1 statistical significance (n=75).

[15] If required, countries can access up to $1.5m in grants for SPCR preparation.

[16] Another explanation is the two-phase process that can involve engagement with the approval bureaucracies of the Climate Investment Fund, the PPCR-SC and the regional development bank.

Take away messages

- The PPCR used an expert driven process to select pilot countries. The initial set of pilot programs represent a relatively geographically diverse set of countries highly vulnerable to climate change, with MDB programing to build on and adequate absorptive capacity
- The project cycle has been long, but innovative in terms of its programmatic approach. This has allowed for wider stakeholder input.
- Support for analytical work to frame and inform investment priorities has proved useful, and has been extended to support ongoing programming

4. Disbursement and risk management

A key issue of concern for both contributors and recipients of multilateral finance has been how to disburse funds as quickly and efficiently as possible.[17] This concern is of particular interest for climate finance given the complexity of projects and the urgency of action. The efficiency of disbursement is linked to the integrity of the allocation processes described above. There may be trade-offs between rapid disbursement, however, and ensuring that programs are well designed and meet intended outcomes. We therefore consider the disbursement of PPCR funds, and the systems that are in place to manage risks and ensure that projects do not have negative environmental or social impacts

Efficiency of disbursement

The slow pace of progress from the approval of SPCRs to actual implementation through project approval and in turn disbursement has been acknowledged as a significant challenge for the PPCR. Over time, however, substantial progress has been made on approvals, with 74% of the projects in the PPCR pipeline approved by the PPCR subcommittee, and more than 67% of programs approved by the implementing MDBs board.[18] Despite this progress, disbursement rates remain rather low at about 8% of finance approved by the MDB's own boards (see Table 3).[19] These figures nevertheless suggest a significant increase in the pace of implementation in 2014 over previous years. In the first half of 2014 alone, disbursement increased from $21.2 million to $46.8 million (CIF Evaluation, 2014).

In part, slow progress reflects the time taken to complete the preparatory phases of PPCR programming and move towards implementation. Stakeholders note that these upfront investments are likely to be important to the long term impact of programs, even though they have taken time (CIF, 2013b). Expert interviews completed for this report, however, also suggest that the limited capacity within pilot countries and their extreme vulnerability has further compounded the pace of implementation. In general, public sector projects received first disbursements 6 months after initial MDB approval, and after 11 months for private sector projects (CIF, 2013b).

[17] Disbursements are cash payments from MDBs to recipients.

[18] MDB boards generally only approve the full project after the concessional resources of the CIF have been approved by the relevant sub-committees. Information is as of 30 September, 2014.

[19] And 6% of the funding approved by the PPCR sub committee

Table 3: Approval and disbursement of PPCR programs

	Pipeline (based on endorsed SPCR and the PPCR set-aside)	PPCR Funding[1] approved by Sub-Committee	MDB Approved	Disbursed
PPCR Resources (USD Millions)	1051	736.49	565	46.8
Number of Projects/Programs	71	43	34	29

The recent independent evaluation of the CIF also echoed the finding that the pace of PPCR program implementation had been slow (CIF Evaluation, 2014). The MDBs have recognised the need to increase the pace of disbursement and oversight of programs.

Safeguards and risk management

Over time the CIFs as a whole and the PPCR in particular have adopted an increasingly sophisticated risk management framework.[20] The adoption of these frameworks responds in part to strong interest from contributors in managing their investments well, and the need to manage the financial risk profile of the Fund carefully as a result of the form of its capitalisation. Risks that are monitored include: financial management; credit; market interest rate and foreign exchange; pledge risk; misuse of funds; impact; operational portfolio; pipeline management; and financing terms. The risk register notes that optimistic projections for implementation may be a significant risk for the PPCR, noting that while the realised approval rate has been increasing it has consistently been substantially lower than projected. In addition, since 2010 the CIF has introduced a traffic light system to monitor whether project approval was on track with the timeline envisioned in relevant SPCRs.

In addition, environmental and social risks that may be posed through PPCR investments are managed through the MDB's safeguard systems, including their relevant grievance mechanisms. Social and Environmental Safeguards (SES) are applied regularly by each MDB during the development phase (ICF International, 2013). When multiple MDBs are involved in one program, a 'harmonised approach' is to be adopted, but in practice implementation of this principle has often been challenging.

Take away messages

- After 5 years of operation, the pace of approval of PPCR programs has increased significantly. This reflects to some extent the completion of preparatory programming phases. However disbursement levels are low at 6%, and progress has consistently been lower than projected.
- While the slow pace of implementation reflects the need for more agile implementation systems, and in retrospect there were opportunities to accelerate stakeholder engagement, it also reflects the reality good programming takes time and iteration.
- An increasingly proactive approach to risk management is being taken, with a focus on financial and investment risk (including contributions to impact areas). MDB safeguard policies also help manage

20

https://climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CTF_SCF_TFC_12_5_Risk_report_on_CTF_and_SCF_Trust_Funds_full_report_.pdf

environmental and social issues, though the need for harmonisation has been flagged.

5. Monitoring, evaluation and learning

Monitoring and evaluation (M&E) of funded activities is essential for improving the effectiveness of spending and justifying the use of scarce public resources for climate finance, as well as for reasons of transparency and accountability. Measuring the impact of adaptation finance on resilience is notoriously difficult (Spearman and McGray 2011; Jones et al., 2012). The PPCR has sought to take new approaches to this difficult set of conceptual issues. Starting in 2009 efforts were made to develop an initial results framework which was found to be too complex and ambitious. A second and simplified iteration of the framework has recently been adopted, which seeks to present a more streamlined and manageable approach.

Iterations of the PPCR results framework

The initial PPCR results framework included 22 indicators mapped to a common "'Managing for Development Results Framework' used across the CIFs at the time of adoption. The framework sought to capture specific outputs of technical support and programmatic approaches to climate resilience, how they affect institutional arrangements, and in turn give rise to immediate and intermediate outcomes through increased capacity to address climate risk and resilience (CIF, 2009d). Attribution of impact across this chain, however, was challenging (Climate Investment Funds, 2012a). Furthermore reporting against all 22 indicators was not practical (ICF International, 2013), and required substantial data collection at multiple scales (CIF, 2012b) beyond the capabilities of executing entities. Some stakeholders have observed that the approach taken in the original results framework was to include all indicators that were of importance to constituents, regardless of whether data collection systems supported their use and implementation (CIF Evaluation, 2014)

The second iteration of the results framework focuses on the Fund's operational objectives, and is summarized in Table 4 below. The revised logic model and results framework identify inputs and outputs, outcomes and impacts, with a much smaller number of indicators that can be tailored to different contexts. The framework appears much more practical, and has informed efforts to revise and refine the results frameworks of other Funds. Nevertheless it has been noted that there is some overlap between the simplified indicators that have been agreed (CIF Evaluation, 2014).

Table 4: Revised PPCR Logic Model

(1) PPCR Outputs	(2) SPCR Outcomes	(3) Transform. Impact (10-20yrs)	(4) CIF Outcomes (15-20yrs)
- e.g Investment to improve climate resilience of development planning in vulnerable sectors - e.g Investment for climate resilient water supply improved	- Adaptive capacities - Institutional frameworks - Climate information application - Improved sector planning and regulation - Innovative climate responsive investment	- General increased resilience to climate variability and change - Strengthened climate responsiveness to development planning	- Improved climate resilient development consistent with CIF objectives
→	→	→	→

MDBs produce quantifiable indicators from the results framework using SPCR outcomes (column 2) and the transformational impact of activities (column 3). Each result is categorised as either: a) 'core' and in need of translating into the respective SPCR; or b) 'optional' and left to the discretion of recipients to decide their own measures. In total, there are five core and six country program specific indicators (see Table 5) (CIF, 2012b). Baseline and target measures provide indicators with a defined starting point and the objective to be achieved respectively.

Monitoring is the responsibility of the PPCR Focal Point or a designated agency, which is supported by MDBs (CIF, 2012b). This body reports annually to the PPCR-SC on SPCR implementation progress. MDBs also share information about SPCR implementation with recipients and the CIF Administration Unit (Climate Investment Funds, 2012b).

Table 5: Revised PPCR Results Framework

SPCR Outcomes/Impact	Example Indicator	Indicators
1. Adaptive Capacities	1. Use of tools, instruments and strategy	1/0
2. Institutional Frameworks	2. Government capacity and coordination	1/0
3. Climate Information Applied	3. Use of climate information products	0/1
4. Sector planning/regulation	4. Encourage investment - climate sectors	0/1
5. Climate Responsive Investment	5. Climate responsive instruments/investing	1/0
6. Resilience to climate change**	6. Improve livelihoods	1/3
7. Climate responsiveness to development planning**	7. Integrating climate into nat./sector plans	1/1
		5/6
		5+6=11

** Contribution to Transformative Impact

An independent review of the experience of the CIF identifies a lack of detailed guidance on defining indicators, requisite data collection and standardized aspects of monitoring and evaluation (CIF Evaluation, 2014). As a result of the delayed adoption of the results framework of the Fund, reporting on aggregate results has been delayed, although the CIF administrative unit has made efforts to collect insights on project level achievements. The first round of baseline information was reported in October 2013. The first round of progress reporting was expected in June 2014, and aggregate reports will be prepared for the November 2014 trust fund committee meeting.

Learning

Learning was a core objective of the establishment of the PPCR at the outset. Over time, the CIFs have invested growing resources in taking stock of implementation experience. Important elements of the strategy include meetings for Pilot countries to exchange experiences, challenges and good practice (CIF, 2013b). As the PPCR monitoring and evaluation framework has evolved, the CIF administrative unit is taking steps to foster a community of practice to exchange lessons on the use of the framework and support robust reporting.

While early learning products commissioned by the CIFs often presented high level overviews of experience, the CIF administrative unit is increasingly commissioning bespoke analysis of particular dimensions of CIF programming experience that do include some critical and reflective commentary. As implementation experience has accumulated, the space for informed and constructive debate about lessons learned appears to have increased to some extent. Indeed there is evidence that the CIF administrative unit is increasingly partnering with others to distill lessons from its

experiences. It recently collaborated with the Climate Policy Initiative to take stock of the PPCR's experience engaging the private sector on adaptation (CPI, 2013). It has also showcased learning and insights from independent researchers such as the International Institute for Environment and Development, and shared these with partner countries. Of course at country level many PPCR programs are assisting information development and learning that should support more resilient development. In practice, however, there is often limited learning built into the design of funded programs and interventions. Some fund stakeholders, such as the UK, have sought to encourage more active approaches to learning from interventions by seeking proposals for evidence based approaches in the project cycle. Options to this end are to be developed by MDBs, if there is interest in pursuing them from the recipient country. Recipient countries in turn have expressed concerns about the costs that these additional measures may incur.

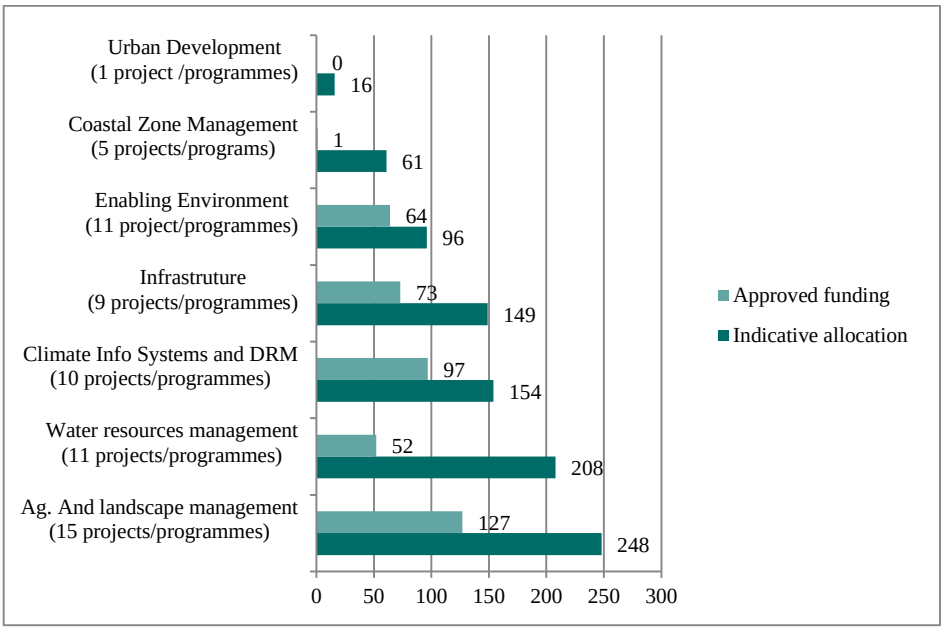
Take away messages

- The PPCR results framework has advanced global understanding of approaches to monitoring and evaluation of adaptation, and is now piloting a simplified and outcome driven approach to impact assessment. While baseline information has been compiled, aggregate impacts remain to be reported.
- Over time the space for critical reflection on progress and achievements has increased, and there is a growing emphasis on learning from the practical experiences of the PPCR.
- There is a recognised need to strengthen learning from individual projects and transactions, however, although there are concerns about the potential costs of more evidence based approaches to learning.
- Reporting on progress using the results framework may be used to get a better sense of where implementation records are strong, and where there may be weaknesses to address.

C. Effectiveness in achieving outcomes

Portfolio

The PPCR portfolio is heterogeneous. It includes support for the development of climate information systems; disaster risk management; infrastructure improvements; climate-proofing roads, flood prevention, irrigation and housing; enhancement of agricultural productivity; water management; and coastal and urban development (see Figure 4). In several cases the PPCR has sought to encourage private sector participation in adaptation. It has also explored options to manage disaster risk through insurance programs.

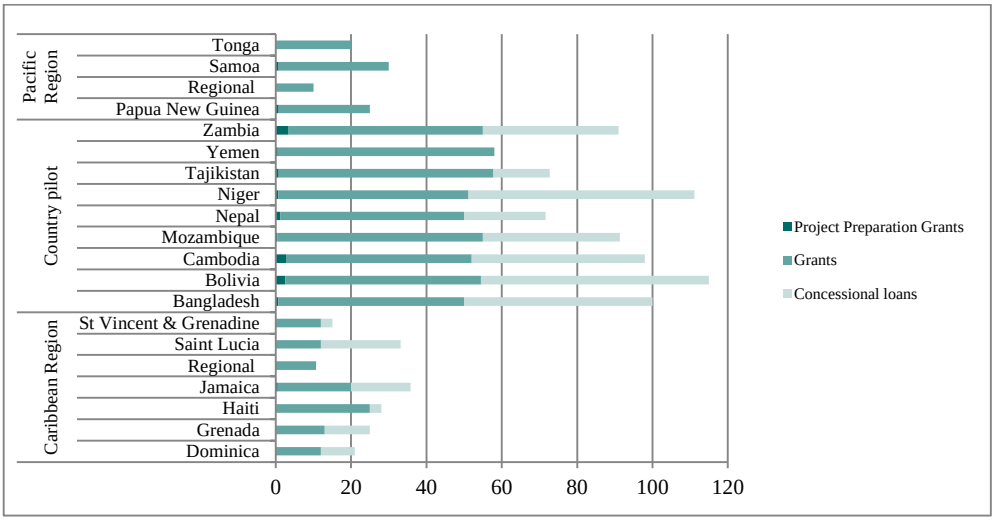


Source: PPCR Semi Annual Operational Report (September 2013)

Figure 4: PPCR Sectoral focus of investment

Niger has one of the biggest approved projects ($63m) for increasing resilience of productive systems; the objective is to coordinate, improve and scale-up investments and on-going efforts into sustainable water and land management. Irrigation is the focus in Gaza Province, a climate vulnerable area of Mozambique, which seeks to build resilience through food production, rural infrastructure and landscape sectors. Bangladesh is the country with most of its SPCR approved and a country portfolio focused on coastal resilience, aiming to climate-proof development through coordinating grants and concessional loans.

Figure 5: Geographic distribution of the PPCR portfolio (in $m)

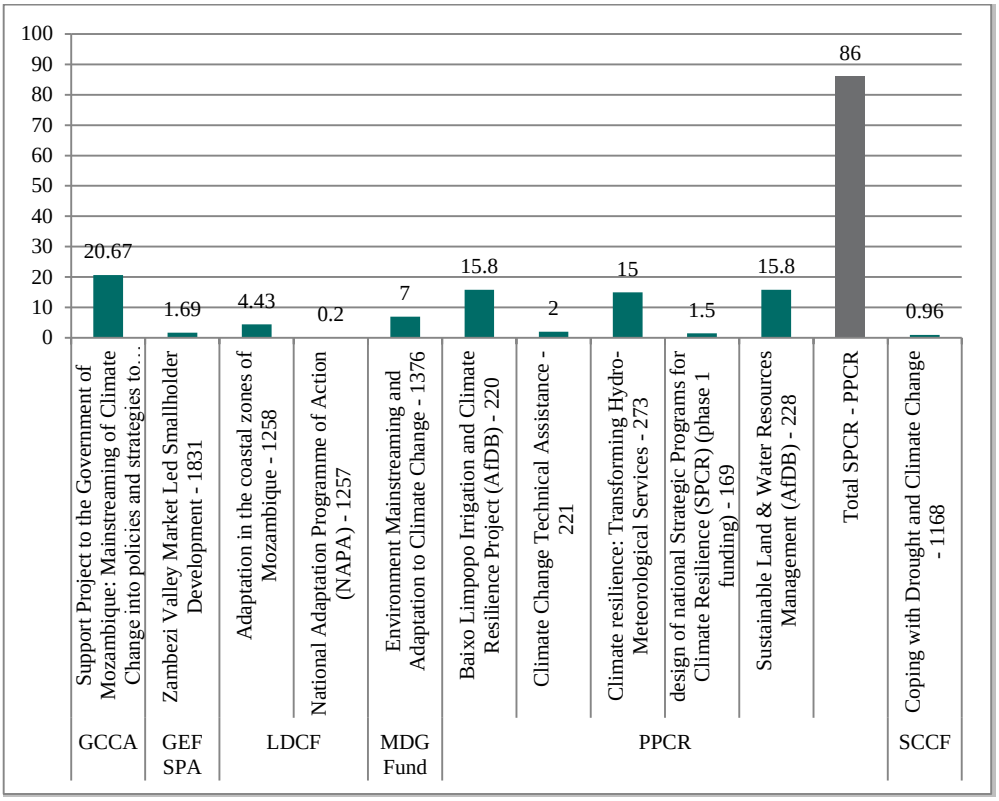


Source: Climate Funds Update & PPCR Country and Regional Portfolios (as of 30, September 2014)

Scale

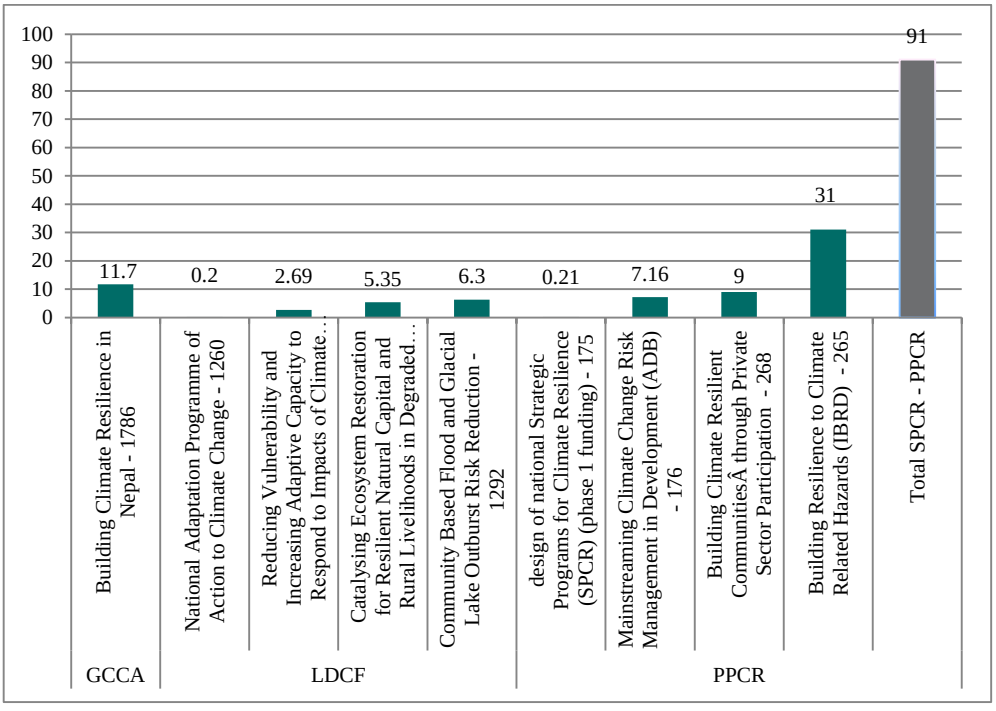
The scale of funding that the PPCR offers differentiates it from other funds, and has partly enabled it to engage key actors in recipient countries around issues related to mainstreaming climate adaptation into development. The fact that the PPCR only works in a relatively small number of pilot countries has allowed it to focus its efforts.[21] The average size of a PPCR program is about $80 million[22] per pilot country, and $18million for countries that are participants in regional programs. By contrast the Adaptation Fund has capped available finance per country at $10 million. The average size of a project under the Least Developed Countries Fund is $8.5 million, and $4.7 million under the Special Climate Change Fund (Climate Funds Update, 2013). As the figures below show, at a country level PPCR program funding is often substantially larger than any other available source of international climate finance.

[21] The Expert Group was recruited for identifying 5 to 10 highly vulnerable countries.
[22] All the pilot countries have access to at least USD 50 million in grants



Source: Climate Funds Update

Figure 6: Scale of Multilateral Adaptation funding in Mozambique



Source: Climate Funds Update

Figure 7: Scale of Multilateral Adaptation Finance in Nepal

Within the overall PPCR portfolio, project size also varies according to the nature of the investment - from $0.5m for technical assistance in knowledge management in Bangladesh, to $63m for community action in Niger. PPCR implementation happens on a range of scales and varies across programs. Most SPCRs include: national components for mainstreaming and climate information; sectoral approaches to climate-proof agriculture and energy sectors; subnational action in provinces, basins or specific geographic areas, such as coastal zones or areas under natural protectorate. The first project approval in Bangladesh – the Coastal Climate Resilient Infrastructure - is indicative of this multi-scalar focus. Deliverables range from upgrading 537km of rural roads to constructing and improving 25 cyclone shelters. In some cases, for example Zambia, the PPCR is working at a river basin level to strengthen resilience. The PPCR is, however, inclined to fund larger scale infrastructure related projects, or local level implementation over a considerable area. For instance, a community level infrastructure upgrade in Tajikistan provides improvements to water management capacity, but over 19 Jamoats, or approximately a 20th of the country landmass.

In part, these larger scale interventions are better suited to both the instruments that the PPCR offers (as many hold the promise of some potential returns on investments), and the larger scale at which it seeks to offer finance. But as a result, smaller scale interventions that focus on the needs of communities have been relatively less prominent in the PPCR portfolio. The Program has, however, supported funding mechanisms which in turn transfer finance or other benefits to households or communities. There is a need for further research to understand how PPCR programs are supporting communities and local level action

Take away messages

- The PPCR has enabled adaptation finance at unprecedented scale, conducive to a programmatic approach.
- The combination of a large volume of funding to spend, and a capitalization that requires some of this investment to earn a return, may serve to focus attention on larger scale interventions that present smaller transaction costs for the MDBs. As a result PPCR programming has tended to focus less on smaller scale or community level approaches

7. Enabling environments

The PPCR approach establishes actions to link and strengthen integration of climate change into development (see Context section). For Least Developed Countries (LDCs), this refers to linkages with National Adaptation Plans of Action (NAPA), and other national planning instruments including climate change strategies. Capacity building activities include knowledge management for climate resilience (Bangladesh, Jamaica, Zambia), mainstreaming climate into development planning (Nepal, Mozambique) and developing linkages between public and private sectors (Jamaica). Expert interviews suggest that the $1.5m used to develop initial investment plans established higher-level institutional mechanisms, with benefits in terms of technical assistance advancing the enabling environment. Recent studies of experiences with programmatic approaches commissioned by the CIF administrative unit similarly suggest an important role for the SPCR phase in helping to establish institutional arrangements for coordination across government stakeholders in the

context of PPCR implementation (Bann, 2014). The importance of the PPCR's engagement with lead ministries for finance, planning and economic development who have convening power at national level has been an important aspect of this effort.

Capacity building within national institutions has been supported by the MDBs, often with the help of contracted experts. Regional pilots also include funding for a regional coordination approaches. For example, the Pacific region has a coordination budget of $10 million. This includes a knowledge and communication network showcasing comparative expertise for specific countries, particularly around national and subnational capacities on disaster risk reduction coastal infrastructure. In addition, the Caribbean region has $10.6m budget for regional activities, directed through the Caribbean Community Climate Change Centre. This focuses on regional climate information that downscales projection models for project planning, and for conducting awareness and understanding of climate change, and finally, lessons learned from PPRC funding. In practice, however, participating countries in the Caribbean have developed standalone programs to benefit from the PPCR that reflect domestic needs and priorities, rather than seeking to benefit from regional investments.

Many SPCRs include both technical assistance and investments in information that facilitate better decision making, such as climate data and hydromet projects to inform decision-making and raising awareness of mainstreaming climate resilience across sectors. However, SPCR development varies depending on levels of regulatory implementation and general climate policy in each country pilot. For example, Bangladesh opted to 'leapfrog' SPCR development and began developing projects that built on its NAPA and climate change strategies. By contrast Nepal's same intention was blocked by MDBs, arguing that NAPAs focus on immediate and urgent needs, whilst the PPCR focuses on more medium and long-term climate-proofing (Rai, 2013).

PPCR and MDB efforts have generally sought to integrate climate change into development planning processes through capacity building and mainstreaming; constructing coordination units; and developing the appropriate conditions for private investment of considerable scale. Such efforts of the PPCR have strengthened overall capacity and established conditions necessary to attract adaptation investments of considerable scale.

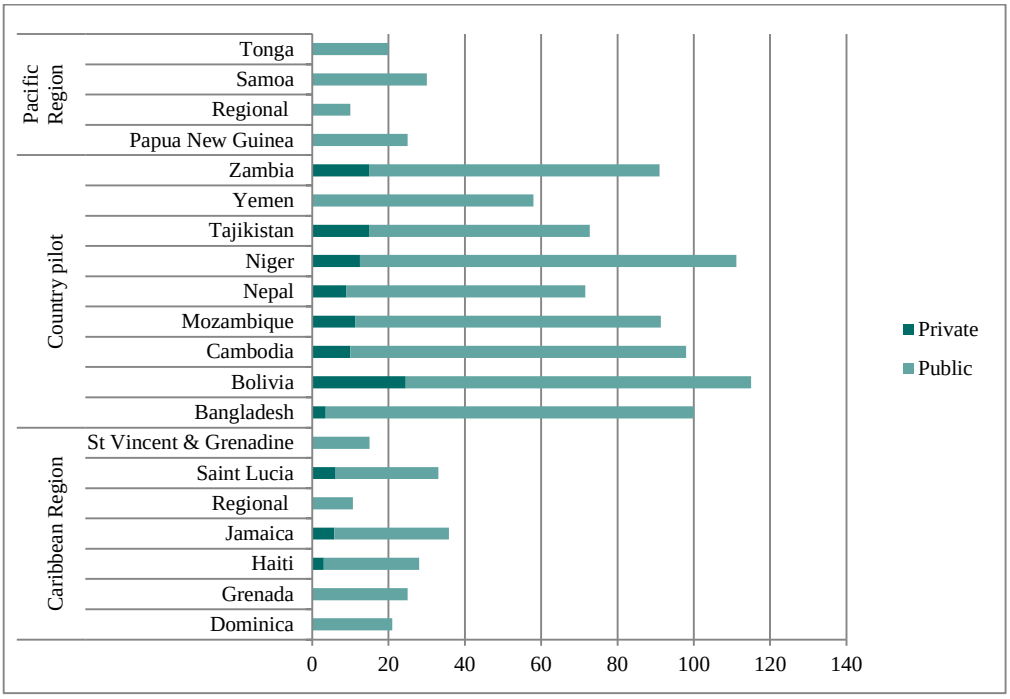
Take away messages

- The PPCR has prompted attention to climate risk as a development concern, and sought to support efforts to incorporate climate risk into mainstream development planning
- It has supported institutional capacity building related to climate change, and fostered arrangements to coordinate across governments

8. Catalytic outcomes

The PPCR has sought to unlock wider flows of finance for adaptation from both public and private sector sources. It has sought to use concessional loans and public-private partnerships to address barriers to investors aiming for returns (Windmeisser, 2013). Overall, the Fund aims to reduce entry costs, compensate for relatively poor economies of scale, and generally underwrite investment risk (CIF 2010a).

Yet despite bold aspirations at the outset, the PPCR has struggled to engage the private sector in practice. Only 10 private sector projects have been developed out of core country allocations for SPCRs. The IFC has led many of these programs.



Source: Adapted from PPCR Country and Regional Portfolios (as of 30 September 2014)

Figure 8: Allocation of PPCR funds for Private and Public Projects by Country

Private sector projects in the current portfolio primarily support natural resource management and infrastructure sectors. Examples include: supporting agribusiness to develop climate resilience and contribute to food security (Bangladesh, Nepal, Niger, Zambia); development of resilient housing in coastal regions (Bangladesh); credit lines for agriculture and water sectors (Mozambique); management and control of water resources (Niger); and forest management, timber harvesting and tourism (Mozambique). In Zambia, the PPCR has been supporting the development of an index for weather insurance, and efforts to extend micro-credit with US$ 15 million.

Country reports from Bangladesh suggest that markets require greater sensitization and awareness of climate challenges, impacts and opportunities. Financial institutions require more certainty regarding climate risk, and more data to inform risk assessments (CIF, 2010b). A need for deeper and more tailored engagement with private sector stakeholders has been acknowledged.

Recent analysis of the PPCR's relatively advanced efforts to engage the private sector in Nepal suggest that its attempts to address initial costs and capacity gaps may support continued private investment in targeted sectors (Trabacchi and Stadelmann, 2013). Nevertheless, there has been limited evidence that the PPCR has been an effective catalyst of private sector investment (Rai, 2013).

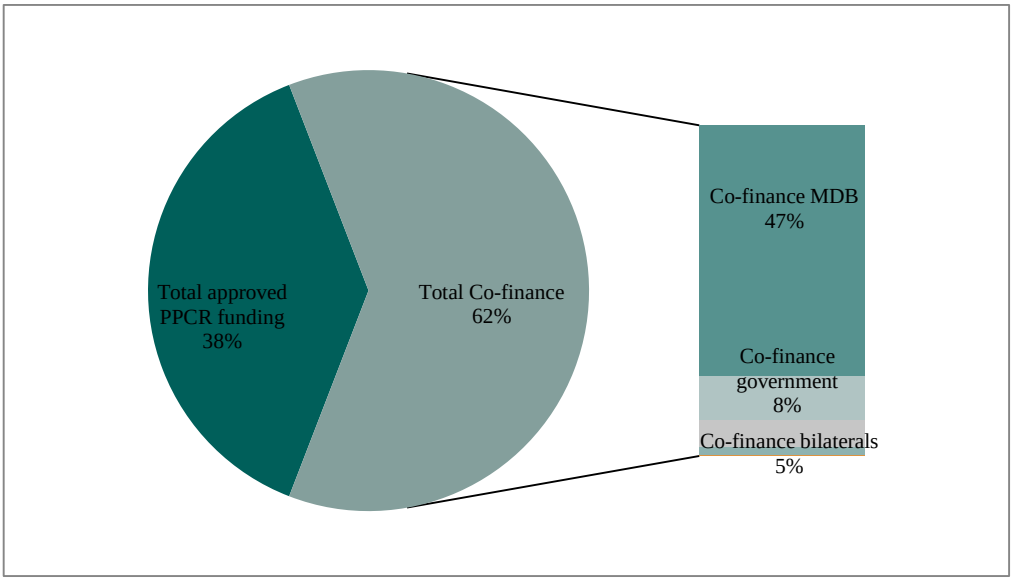
This is a recognised challenge for the PPCR. In November 2012 a $70 million private sector set aside program was introduced, aimed at focusing attention on possibilities to engage the private sector in adaptation. Submitted concept notes were subject to

expert review. Two projects proposed by the EBRD in Tajikistan were approved in November 2013: one to enhance the climate resilience of the energy sector and a second to develop a small business climate resilience financing centre by the EBRD in Tajikistan. In addition the IDB was invited to further develop proposals to build climate resilient sorghum supply chains in Haiti; to finance water adaptation in Jamaica's new urban housing sector; and to provide small and medium size loans to farmers and associated actors in St Lucia. Finally, the AfDB was invited to elaborate a forestry resilience project in Mozambique.

A second round of bidding for private sector set aside programs under the PPCR was agreed and culminated in June 2014. In the second phase, private sector institutions were encouraged to approach the CIF administrative unit and MDB committee directly with proposals for potential interventions. 4 additional concepts were approved for elaboration, including two ADB proposals for projects in Cambodia that will support resilience in the rice value chain, and rain water harvesting and drip irrigation. In addition two IDB supported programs targeting private actors in the agriculture sector in Bolivia were approved. While the set aside program has been effective in focusing attention on the potential to finance private sector action on adaptation, its effectiveness in practice remains to be assessed.

Unlocking additional finance

There has been a significant focus on the leverage impact of the CIFs as a whole, including the PPCR, as an indicator of effectiveness in mobilising additional finance for adaptation. According to the current co-finance submitted with project proposals, average leverage amounts to 1:1.32 (CIF 2013b). As of the 30th of September 2014, most. Most of the co-financing of the approved projects[23] has been raised from the MDBs themselves (47%) and other public sector institutions. Co-financing from recipient governments themselves accounts for 8% of total co-financing (See Figure 9).



Source: Adapted from PPCR Country and Regional Portfolios (as of 30 September 2014)

Figure 9: Co-finance for current PPCR portfolio

[23] We considered approved project those been approved by the SC of the PPCR and those approved by the MDBs.

The leverage and co-financing ratios vary substantially from project to project. In Bangladesh, co-financing for the 'Coastal Embankments Improvement and Afforestation project' is provided by the International Development Association (IDA) with a credit of SDR 248.6 million (equivalent to $375 million)[24], with a grace period of 10 years and a concessional interest rate of 1% for the period commencing September 1, 2023 to March 1, 2033; and 2% for the period commencing September 1, 2033 to March 1, 2053 (IDA, 2013). With a total PPCR support of $25 million, the leverage ratio for this project is 15. The IDA's credit provides support for older rehabilitation works which are complimentary to those supported by the PPCR grant, and provides additional funding for afforestation, social and environmental protection plans, as well as for long term monitoring, research and analysis of Bangladesh's coastal zone[25]. While the level of leverage is high, it is important to note that the World Bank (IBRD and IDA are part of the World Bank) has been involved in the Bangladesh's coastal protection and rehabilitation since 1970, after the Bhola cyclone.

A Sector Development Program (SDP) for Climate Resilient Rice Commercialization in Cambodia is co-financed by the Asian Development Bank (ADB) with a combination of a $55 million ADB loan, a $14.6 million grant from the Global Agriculture and Food Security Program (GAFSP), $9.5 million from the PPCR and $8.3 million from the Royal Government of Cambodia (ADB, 2011). The total co-finance leverage ratio is 9.5. The loan from the ADB will support program establishment as well as civil works investment derived from it. The GASFP supports civil works and program development. Sector development programmes have been supported by ADB in Cambodia in different sectors, including Education, Water Resources Management and Finance since 2010.

Take away messages

- The PPCR focus on engaging the private sector in adaptation is innovative, but delivery has proven challenging in practice
- While there has been a focus on unlocking additional finance for adaptation, in practice much of the additional finance raised comes from the MDBs themselves, and other public sector institutions
- New dedicated private sector set aside programs have focused attention on these possibilities, but their impact remains to be seen

9. Innovation

The PPCR has a number of innovative features as a channel of adaptation finance. First and foremost, the objective of transforming 'business as usual' development into climate resilient development (CIF, 2009b) reflects a new approach to international adaptation finance (Ayers and Huq, 2009). The programmatic approach of the PPCR in particular has been recognised as a potentially significant innovation, although in retrospect elements of execution might have been strengthened.

Strengthening the information base for resilient decision-making and development has been a substantial area of emphasis for the PPCR. For instance, Niger and Mozambique received funds to improve hydro-meteorological capacity and

[2424] Project was approved on the 26th of June 2013. The closing day of the project is 31st of December 2020.

[25] The project responds to a primary objective of the Bangladesh Climate Change Strategy and Action Plan (BCCSAP).

communication (Niger) and climate-proof agricultural supply chains (Mozambique) (AfDB, 2013); Nepal has been assisted to monitor and analyze climate variations and incorporate climate adaptation into planning at national and local levels, specifically within vulnerable sectors (ADB, 2013). Improving hydro-meteorological data can facilitate a sustainable increase in adaptive capacity particularly for rural populations reliant on subsistence farming even after funding terminates (Patt, 2009). In the Caribbean, the PPCR has been supporting major investments in better information tools to support resilience planning through the Caribbean Climate Change Community Centre, helping to develop a local centre of excellence on climate science. While these approaches are not, in and of themselves, innovative, they are providing access to much needed information to support climate resilient decision-making.

PPCR implementing entities are being encouraged to develop more innovative approaches to adaptation finance over time, including through the private sector set aside facility. Indeed innovation has been a focus in the Private sector set aside approach. In practice, however, the extent to which the full potential for innovative approaches to adaptation has been embraced through PPCR programming is unclear.

Take away messages

- While there are many innovative aspects of the PPCR's design and approach, the extent to which its portfolio has focused on supporting innovation including innovative approaches to finance and domestic capacity to innovate to deal with the impacts of climate change is unclear;
- The program has, however, placed a substantial emphasis on improving access to technology and information that will support better decision-making in a context of climate variability

10. National ownership and sustainability

National ownership and leadership is considered a key dimension of the effectiveness of international climate funds (Chaum et al. 2011; OECD 2012). The PPCR promotes country ownership as an operating principle. The programmatic nature of the PPCR presented the potential to create a platform for deep engagement of national government actors and other key stakeholders around the implications of climate change for development trajectories.

In many cases the PPCR sought to build on ongoing climate change response efforts, including policies, plans and National Adaptation Programs of Action. In countries such as Bangladesh where the domestic climate governance arrangements were relatively mature, there was much to build on and the priorities adopted by the government and the MDBs would seem to broadly align with the groundwork that had been laid. Yet in practice political reservations about the role of MDBs, and political concerns from some stakeholders about the moral implications of accepting loans to finance adaptation, led to contentious dynamics at country level. In other countries, for example Zambia, the PPCR built on the country's national development strategy. In practice, however, several recipient country stakeholders have suggested that MDB programming priorities occasionally took precedence over national priorities when it came to actual implementation of the PPCR.

In several countries the PPCR has sought to support dialogue and consultation across government and non-governmental stakeholders. For example in Zambia the PPCR

helped create a coordinating body led by the Ministry of Finance that brought other government departments together with civil society representatives to agree on priorities for climate finance (Watson, Van Rooij and Nakhooda, 2013). Similarly in Yemen the SPCR process sought to engage the Government, public citizens, MDBs, and national-local associations on sector-specific objectives (CIF, 2012c). Horizontal coordination across governments has varied substantially, however (CIF Evaluation, 2014). While the convening power of the focal point has been highlighted as one impediment to better coordination, incentives to coordinate (even when the mandate or political influence may be present) has also been an issue.

As noted there was a strong emphasis on stakeholder consultation in the development of the SPCRs; but the output of that consultation in terms of the priorities for implementation was not always so clear. Furthermore, dialogue and engagement has not always been sustained after the elaboration of the SPCR, especially in countries where support for institutional arrangements for national coordination was less central to programming.

The recent evaluation of the CIFs noted that "The lack of ongoing approaches to consultation has inhibited the development of strong and inclusive networks of stakeholders with the capacity to support SPCR project interventions… a scarcity of post-endorsement communication and awareness efforts threaten to undermine receptivity, interest, credibility, trust, cooperation, and potential for coordination that was built during the SPCR process" (CIF Evaluation, 2014 p45). This insight highlights the need for ongoing and sustained engagement to secure lasting ownership of funded interventions.

Take away messages

- Efforts were made to engage a wide range of stakeholders in the development of SPCRs in many countries, and in many cases programs may have been effective in securing government ownership
- The extent to which PPCR programs are more widely owned varies substantially, however, and in some cases there is a perception that MDB programming priorities have determined financing decisions
- There is a recognized need for sustained and iterative engagement that has practical links to program implementation

Conclusion: Role in the global finance architecture

The PPCR is the first fund to systematically prioritize the broad introduction of resilience building and climate risk reducing activities that were previously implemented in isolation.

The PPCR has potentially been the most significant mobilizer of adaptation finance within the public climate finance architecture. In many ways, the Fund has challenged and transformed understandings of what it takes to finance adaptation in developing countries. Its objectives are ambitious. Through the delivery of adaptation finance at relative scale, it has sought to have a transformational effect that simultaneously infuses climate resilience into development finance and entices further adaptation finance of considerable scale.

One goal of the PPCR was to encourage investment in adaptation from the private sector; in practice this goal has been difficult to achieve. Private sector programs

have been relatively slow to be approved. The effect of recent efforts to support private sector action through a dedicated private sector funding program remain to be seen, though they have certainly expedited the pace of private sector program implementation.

Significant funds come with considerable oversight. The MDBs operating in each pilot have had a substantial role in planning how funds will be used, and implementing programs. The PPCR is primarily designed to complement on-going development programming by MDBs in each pilot country. Nevertheless, this has direct implications for various actors in climate change governance concerned with national ownership. The Fund's programmatic nature advocates a participatory approach with civil society and local stakeholders, but there is a recognised need to deepen and sustain such engagement to better support effective program implementation.

The PPCR has been a major – and disruptive—innovation in the global adaptation finance landscape. Many of its delivery parameters and objectives may present the contours of a more sustainable framework for adaptation finance that helps to make climate risk a more material consideration for mainstream development planning and finance. While encouraging progress is being made, much remains to be done to realize the vision.

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