



Recommended Approach to Right-Sizing CIF Nature, People and Climate Program Funding Allocations



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Recommended Approach to Right-Sizing CIF Nature, People and Climate Program Funding Allocations

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CIF Nature, People and Climate Investment Program

For the Global Climate Action Programs (GCAP) Sub-Committee
of the SCF Trust Fund Committee

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I. Introduction

This document presents a right-sizing proposal for funding allocations under the Climate Investment Funds (CIF) Nature, People and Climate (NPC) Program for consideration and endorsement by the CIF Global Climate Action Programs (GCAP) Sub-Committee. The guidance below proposes country/regional allocations comprising both government-led investment plans and a financing window for direct funding to indigenous peoples and local communities through the Dedicated Grant Mechanism (DGM). These are separate financing modalities: one (the IP) to be implemented by the government with the support of the relevant MDBs; and the other (the DGM) a direct financing window for IPLCs. The funds allocated to these two components of the country allocation therefore should not be seen as fungible.

Per the decision of the Sub-Committee during its meeting of 2nd February 2023, the right-sizing proposal seeks to establish a set of principles and an approach according to which both currently available and future contributions can be judiciously distributed among the 10 country and regional Expressions of Interest (EOI) selected by the Sub-Committee for Investment Program preparation and potential funding. The order of their funding consideration takes account of the Sub-Committee's decision during its 25th October 2022 meeting, which listed the first five EOIs selected (in alphabetical order) as: Dominican Republic; Egypt; Fiji; Kenya; and Regional Africa (Zambia, Malawi, Mozambique, Namibia and Tanzania). Likewise, the second tier of selected EOIs were given as: Brazil; Ethiopia; Rwanda; Zambia; and Namibia. Implicit in this listing of the second-tier countries, is the GCAP Sub-Committee's expectation that the EOIs should receive funding in this order based on the availability of NPC Program contributions.

At its 2nd February 2023 meeting, the GCAP Sub-Committee received an update on the NPC Program and reviewed a Right-Sizing Proposal prepared by the Multilateral Development Banks (MDBs) for its consideration. As reflected in the Co-Chairs Summary (in italics):

The Sub-Committee requested the CIF Administrative Unit, working together with the Co-Chairs of the Independent Expert Group and the MDB Committee:

- *to prepare more detailed guidance on suitable funding allocations for all ten Expressions of Interest selected at its last meeting, based on a potential total resource allocation of USD 357 million, and taking into account the availability of co-financing as a criteria for making allocation recommendations and the preference of the Sub-Committee to include a Dedicated Grant Mechanism for all Expressions of Interest (including the regional program); and*
- *to present this guidance to the Sub-Committee for approval by email no later than April 16, 2023.*

The Sub-Committee noted that any future allocation of funding is subject to availability of trust fund resources at the time of allocation.

II. Guidance on a Right-sizing Approach and Associated Allocations

Guidance to the Sub-Committee on an approach for right-sizing the allocations consistent with its decision is presented below. It was prepared by the NPC Independent Expert Group (IEG) Co-Chairs with the facilitation and coordination of the CIF Administrative Unit, including two discussions held with the MDBs Committee and additional opportunities to provide written inputs to subsequent versions. The proposed approach is based on several assumptions:

First, the Trustee estimates that, as of the end of March 2023, approximately \$369 million in contributions to the NPC Program are currently held or pledged to the CIF Trust Fund. Of these resources, \$25 million are being set aside to cover the anticipated costs of country Investment Plan Preparation Grants (IPPG) and Country Engagement budgets for MDB costs in support of Investment Plan (IP) preparation, MPIS fees and currency exchange risk, leaving a current total of \$344 million to be allocated.

Second, consistent with the Sub-Committee's direction, the proposed approach is applied to all 10 EOIs selected thus far. This allows for a consistent right-sizing of allocations for all EOIs included in the Sub-Committee's initially selected group, and it provides a potential basis for future allocations should there be sufficient additional contributions. The \$344 million in funding available at present is allocated only among the first 8 EOIs in order for CIF financing for each NPC IP to be at a level that offers an opportunity to achieve significant climate and development impact.

It is recommended that the remaining 2 EOIs, from Zambia and Namibia, be prioritized for funding as soon as sufficient NPC Program contributions become available. The funding allocations identified herein for the EOIs from Zambia and Namibia may be used to guide their IP preparation processes.¹ The Sub-Committee be assured that, although Zambia and Namibia are also participants in the Zambezi Regional program, there is no significant overlap between the regional and national EOIs. According to the information submitted in the EOIs, the recently formed climate oversight ministry in Zambia will promote ecosystem-based climate actions in three targeted landscapes as well as associated legal, governance and partnership arrangements in response to adverse climate impacts on agriculture, fisheries and rangelands. And Namibia has proposed a two-phase approach comprising an initial strengthening of policy, institutional arrangements and baseline information followed by investments across agriculture, forest, savannah, rangeland, inland water, and coastal ecosystems to strengthen community resilience and support sustainable enterprises. The two national EOIs propose distinct nature-based solutions which are important in their own right, apart from and complementary to those proposed under the regional EOI.

Third, the approach relies in part on the scores each EOI received from the IEG, with a shift in weighting of selected criteria to reflect the key implementation characteristics of Impact and Leverage – see below. An additional factor is also included to take account of the opportunity presented by each EOI to achieve Impact at Scale. Absolute allocations are rounded to the nearest \$1 million, without the use of ranges.

Each country EOI is given a floor allocation of \$16 million, except that, reflecting the complexity of the 5-country regional proposal, this EOI is given the slightly higher floor allocation of \$18 million. Consistent with Sub-Committee guidance, an upward adjustment is then made for each EOI, taking account of three criteria:

- **General Impact Potential.** A factor to take account of impact potential was built around three of the original EOI assessment criteria: Vision and Ambition; Implementation and Relevance for CIF Strategic Programs; and Social Inclusion, Stakeholder Engagement and Gender Equality. The heaviest weighting is given to the factor of Vision and Ambition.
- **Leverage Potential.** A factor to reflect the EOI's co-financing and other leveraging potential was built around the original EOI assessment criteria covering: MDB Partnerships; and Private Sector Engagement and Mobilization. The coefficients used for these two criteria are given a strong weighting.

¹ It is noted that Zambia (as lead) and Namibia are part of the Zambezi Basin regional Investment Plan along with Malawi, Mozambique and Tanzania.

- **Impact at Scale.** An additional factor was included to take account of the potential to achieve impact at scale, based on a combination of the population of the proponent country/ies and their geographic scope. The adjustment coefficient applied for this factor ranges from none to 3.1, depending on the size and population of the relevant country/ies.

It is in this manner that the allocations are calculated. They begin with the floor amount, to which are added adjustments based on the original EOI scores plus an Impact at Scale factor to determine additional upward adjustments. These adjustments are then combined with the floor amount to determine the recommended “baseline” funding allocation for each EOI.

Finally, the allocation of NPC funding for the DGM financing window was calculated as a flat rate of 10% on top of each “baseline” allocation and rounded to the nearest \$1 million. This DGM allocation amount, however, was subjected to a floor of \$4 million per EOI, reflecting CIF experience with the minimum required for impact, the high demand for such resources and to further justify associated administrative costs. An additional \$5 million has been set aside from the NPC Program budget as a contribution to the global component of the DGM, which will support: global outreach through information-sharing and capacity development to strengthen global and regional IPLC networks; provide secretariat services and help with the establishment and implementation of DGM country projects; and assist in planning, monitoring and reporting on the progress of the DGM in achieving its objectives.

The result of this approach to recommending right-sized NPC Program allocations is reflected in the table below (expressed in USD\$ millions):

Country or Region	Floor Funding	Impact, Leverage and Scale Adjustment	Baseline Allocation	National / Regional DGM	Total EOI Allocation
Zambezi Basin	18	40	58	6	64
Kenya	16	18	34	4	38
Egypt	16	24	40	4	44
Dominican Republic	16	14	30	4	34
Fiji	16	11	27	4	31
Brazil	16	31	47	5	52
Rwanda	16	15	31	4	35
Ethiopia	16	21	37	4	41
Allocation Sub-Totals:	130	174	304	35	339
Set Asides					
NPC Budgets (IPPG, Country Engagement, MPIS Fees and Currency Risk)					25
DGM Global Component					5
Set Aside Sub-Totals:					30
Total Program Funding:					369
Allocation subject to availability of further NPC Program contributions:					
Zambia	16	17	33	4	37
Namibia	16	16	32	4	36

III. Recommended Sub-Committee Decision

The GCAP Sub-Committee, having reviewed the document titled *Recommended Approach to Right-Sizing CIF Nature, People and Climate Program Funding Allocations*, approves the guidance prepared by the IEG Co-Chairs, with the support of CIF AU and input from members of the MDB Committee, for the Nature, People and Climate (NPC) Program, as follows:

Country or Region	Baseline Allocation	National / Regional DGM	Total EOI Allocation
Zambezi Basin	58	6	64
Kenya	34	4	38
Egypt	40	4	44
Dominican Republic	30	4	34
Fiji	27	4	31
Brazil	47	5	52
Rwanda	31	4	35
Ethiopia	37	4	41
Allocation Sub-Totals:	304	35	339
Set Asides			
NPC Budgets (IPPG, Country Engagement, MPIS Fees and Currency Risk)			25
DGM Global Component			5
Set Aside Sub-Totals:			30
Total Program Funding:			369
Allocation subject to availability of further NPC Program contributions:			
Zambia	33	4	37
Namibia	32	4	36

The GCAP Sub-Committee notes that any future allocation of funding remains subject to availability of trust fund resources at the time of allocation.