

# Piloting innovative financing for climate adaptation technologies in medium-sized cities

Review PIF and Make a recommendation

## Basic project information

**GEF ID**

10433

**Countries**

Global

**Project Name**

Piloting innovative financing for climate adaptation technologies in medium-sized cities

**Agenices**

UNIDO

**Date received by PM**

11/11/2019

**Review completed by PM**

12/3/2019

**Program Manager**

Yuki Shiga

**Focal Area**

Climate Change

**Project Type**

MSP

## **PIF**

### **Part I – Project Information**

#### **Focal area elements**

**1. Is the project/program aligned with the relevant GEF focal area elements in Table A, as defined by the GEF 7 Programming Directions?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019: Yes. CCA-1 in Table A is aligned with 2018-2022 GEF Programming Strategy on Adaptation to Climate Change for the LDCF and SCCF.

#### **Agency Response**

**Indicative project/program description summary**

**2. Are the components in Table B and as described in the PIF sound, appropriate, and sufficiently clear to achieve the project/program objectives and the core indicators?**

**Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 2Dec2019:

Cleared at the PIF stage.

GEFSEC 29Nov2019:

Thank you. However, we are unable to track what specific text was added or edited. Please explicitly indicate what changes were made, preferably by uploading a tracked changes version or a version with new text highlighted, in the documents upload section of the portal. Alternatively, highlight new text in the PIF.

GEFSEC 27Nov2019:

Technology transfer strategy /Iterative strengthening: Cleared. Agency has addressed the comment.

Strengthening Component 2: Considering the importance of keeping the momentum after the project, it is preferable that the action plan can be recommended to the local authority(ies) within the project period. Please consider to develop at least a draft action plan so that it could be presented to the relevant authorities for their inputs and endorsement after, but seamlessly after, the project, for smoother implementation of the technology financing plans, for the city(ies) identified, to enable implementation of the technology financing plans, for the city(ies) identified as having a large and effective impact. Please clarify this in the PIF.

GEFSEC 14Nov2019:

Please strengthen the technology transfer strategy beyond the 3 pilot cities, including as related to Output 3.1.2. For example, who will be the audience; how many people will be engaged in this learning; what knowledge sharing modalities will be used (e.g. CTCN webinar series; sessions in CTCN regional dialogues and/or other technical workshops; etc?). Please consider implications for the indicator on number of people trained.

Please identify outputs and budget for iterative strengthening of the toolkit materials drafted through Component 1, based on learning gained during the city pilots through Component 2, and consider including a new output for this iterative strengthening of the toolkit under component 1 or component 3.

Please strengthen Component 2 by including an output focused on producing a specific action plan or other means to focus and help ensure action to implement the adaptation investment strategies and their priority projects for each city, including benefiting from inputs gained through the match-making engagements with investors. Since technology assessment /mapping activities in Component 1 can make use of existing tools and methods, please consider shifting budget from Component 1 to Component 2 to further strengthen Component 2 and have greater balance of budget among components.

Recommended action: Please consider and elaborate on the above.

## **Agency Response**

2 Dec

The document GEF7PIF\_MSP\_challenge\_fund\_20191128\_TT with track changes has been uploaded so to facilitate the tracking of edits made.

28 Nov

The comment is now included in the description of the future project scenario, under item 3 [in Part II: Project Justification 3) the proposed alternative scenario with a brief description of expected outcomes and components of the project].

25 Nov

The audience includes the beneficiary cities, the CTCN network, and regional workshops will be organized, as now listed under component 2.1.4. Given the limited funding, the intention is to add this activity to planned CTCN regional workshops.

The new output on iterative strengthening is a good recommendation and has been added in component 3.

Given that the resources made available are scarce, the project team has deliberately chosen to exclude action beyond the developing of the financing plans. The recommendation on shifting funds would mean that the resources would not suffice for either component. Hence, this aspect cannot be addressed.

## **Co-financing**

**3. Are the indicative expected amounts, sources and types of co-financing adequately documented and consistent with the requirements of the Co-Financing Policy and Guidelines, with a description on how the breakdown of co-financing was identified and meets the definition of investment mobilized?**

### **Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 23Dec2019:

Although the provided explanation is not too much tangible, considering that the project sites are to be determined during the PPG phase, it is acceptable at this stage. However, Agency is kindly requested to put utmost efforts to secure the identified co-finance including those of investment mobilized during the PPG phase.

GEFSEC(PPO) 10&16Dec2019:

How 'investment mobilized' will be identified in the PPG phase is explained; however please further provide an explanation on how 'investment mobilized' in the current PIF were identified.

GEFSEC 14Nov2019:

Yes. Sufficient for the PIF stage. A total of \$2.3 million (grant and in-kind) is indicated as a co-finance. By the CEO Approval stage, please consider further co-financing from projects delineated as a baseline (e.g., ADB and CTCN project), depending on the selection of countries/cities in the PPG phase.

### **Agency Response**

GEFSEC(PPO) 10Dec2019: A sentence has been added.

GEFSEC(PPO) 16Dec2019: The explanation has been further elaborated.

### **GEF Resource Availability**

**4. Is the proposed GEF financing in Table D (including the Agency fee) in line with GEF policies and guidelines? Are they within the resources available from (mark all that apply):**

### **Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019:

Yes.

**Agency Response**

**The STAR allocation?**

**Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019:

N/A

**Agency Response**

**The focal area allocation?**

**Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019:

N/A

**Agency Response**

**The LDCF under the principle of equitable access**

**Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019:

Yes

**Agency Response**

**The SCCF (Adaptation or Technology Transfer)?**

**Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019:

Yes (SCCF-A)

**Agency Response**

**Focal area set-aside?**

**Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019:

N/A

**Agency Response**

**Impact Program Incentive?**

**Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019:

N/A

**Agency Response**

**Project Preparation Grant**

**5. Is PPG requested in Table E within the allowable cap? Has an exception (e.g. for regional projects) been sufficiently substantiated? (not applicable to PFD)**

**Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019:

Yes. PPG requested of \$50k is within the allowable cap (\$50k).

**Agency Response**

**Core indicators**

**6. Are the identified core indicators in Table F calculated using the methodology included in the correspondent Guidelines? (GEF/C.54/11/Rev.01)**

**Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 27Nov2019:

Cleared. Agency has addressed the comment.

GEFSEC 14Nov2019:

Further information requested. 'Sector coverage' and 'climate change targets' need to be filled in Meta-Information.

Recommended action: Please provide above information in Meta-Information.

**Agency Response** The missing fields have been completed and they are highlighted. A new xls sheet has been uploaded

**Project/Program taxonomy**

**7. Is the project/ program properly tagged with the appropriate keywords as requested in Table G?**



### **Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 16Dec2019:

Cleared. Agency has addressed the comment.

GEFSEC(PPO) 10Dec2019:

Please complete the taxonomy.

**Agency Response** GEFSEC(PPO) 10Dec2019: Taxonomy was missing in the portal and has been added.

### **Part II – Project Justification**

**1. Has the project/program described the global environmental / adaptation problems, including the root causes and barriers that need to be addressed?**

### **Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019:

Yes. The adaptation problem and associated barriers are clearly articulated. Adaptation problem: Cities face some of the highest levels of economic loss from climate impacts. At the same time, cities are estimated to hold 2/3 of the world's population by 2050. Despite the recognition of these significant challenges, medium-size cities are often underserved by the international communities.

Barriers:

- Limited expertise and technological capabilities on climate change adaptation technologies.
- Poor mainstreaming of climate change adaptation across municipal business units.
- Lack of suitable financial and business models.
- Insufficient support for research and learning in relation to the importance of municipal governments in increasing resilience to climate change.
- Lack of private sector involvement in adaptation technologies related businesses.

### **Agency Response**

**2. Is the baseline scenario or any associated baseline projects appropriately described?**

### **Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019:

Yes. Sufficient for the PIF stage. It will be important to provide further baseline for selected countries and cities by the CEO Approval stage. Also, please do be aware when selecting the countries during the PPG phase that LDCF can be only utilized for LDCs only, where as SCCF can be targeted to any developing countries.

### **Agency Response**

**3. Does the proposed alternative scenario describe the expected outcomes and components of the project/program?**

### **Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 2Dec2019:

Cleared. Sufficient for the PIF stage.

GEFSEC 1Dec2019:

Thank you. As indicated above, we are unable to track what specific text was added or edited. Please explicitly indicate what changes were made, preferably by uploading a tracked changes version or a version with new text highlighted, in the documents upload section of the portal. Alternatively, highlight new text in the PIF.

GEFSEC 27Nov2019:

Unsuccessful experience /financial community /engagement: Agency has addressed the comment.

Adaptation plans: Considering the importance of keeping the momentum after the project, it is important the action plan be presented to local authority(ies) within the project period, Please develop and present at least a draft action plan so that it could be presented to the relevant authorities for their inputs. Please clarify this in the PIF.

3 pilots: Please reflect the response in the PIF.

GEFSEC 14Nov2019:

Further consideration requested. The project seeks to improve the current situation by developing and introducing a financing toolkit dedicated to medium-size cities. The project is structured around four Components:

Component 1: Municipal financing toolkit for CCA

Component 2: Piloting of the toolkit developed in Component 1

Component 3: Project monitoring and learning

Component 4: Project evaluation

However, it may be important to learn from successful experiences as well as those that failed. Failed experiences could provide important lessons learnt for future project not to fail. Thus, please consider also incorporating unsuccessful experiences, if useful, in case studies and other learning information on innovative finance mechanisms for CCA.

In addition, please clarify what financial community is being referred to in Output 2.1.3.

Also, after 'adaptation plans' are presented to the financial community, please go one step further in producing a 'action plan' based on inputs from the community and incorporate this in the outputs.

Furthermore, please clarify how many pilots are to be conducted for the cities in LDCs/SIDSs? PIF states: 'Priority will be given to LDCs, with a focus on identifying 2 out of the 3 pilot in a LDCs country; with a minimum threshold of selecting at least 1 out of the 3 cities in a LDC'. Also, considering that proactive and strong engagement from the cities/countries are important, please consider additional criteria for this in selecting a city for the pilot.

## **Agency Response**

2 Dec

The document GEF7PIF\_MSP\_challenge\_fund\_20191128\_TT with track changes has been uploaded so to facilitate the tracking of edits made.

28 Nov

The draft action plan will be developed and the comment has been reflected in the future project scenario [in Part II: Project Justification 3) the proposed alternative scenario with a brief description of expected outcomes and components of the project].

The quantification of the 3 is now added to Output 2.1.1: Adaptation technology financing plans for 3 medium-sized cities are developed

25 Nov

The recommendation on unsuccessful experiences has been added to the narrative of the toolkit development (please see the proposed alternative scenario section)

The financial community includes the 1) identified financiers, the project will engage with UNEP Finance Initiative (UNEP-FI), the Cities Climate Finance Leadership Alliance (CCFLA), and the Private Finance Advisory Network (PFAN); 2) Regional and national financiers will be identified during the project preparation grant. This was already described in the proposed alternative scenario section, no edits are made.

In line with the response to section 2, given that the resources made available are scarce, the project team has deliberately chosen to exclude action beyond the developing of the financing plans. The recommendation on shifting funds would mean that the resources would not suffice for either component. Hence, this aspect cannot be addressed.

There are going to be 3 pilots in total as listed in outcome 2.1. At least one of the 3 cities will be in an LDC, thus the funding request is made 1/3 from LDCF and 2/3 from SCCF. Priority will be given to cities in SIDs for the other 2 pilots.

The recommendation on the engagement is included in the City selection section.

**4. Is the project/program aligned with focal area and/or Impact Program strategies?**

### **Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 27Nov2019:

Cleared. Agency has addressed the comment.

GEFSEC 14Nov2019:

Further consideration requested. The proposal is in line with CCA-1 and this has been indicated in Table A. However, from the PIF, project seem to align with CCA-2 (Mainstream climate adaptation and resilience for systemic impact) as well. Please consider this.

Recommended action: Please consider the above.

### **Agency Response**

The recommendation has been considered and reflected in Table A and section 4.

**5. Is the incremental / additional cost reasoning properly described as per the Guidelines provided in GEF/C.31/12?**

### **Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019:

Yes. Sufficient for the PIF stage. At CEO Approval stage, the Agency is requested to provide further information on additionality to the baseline scenarios relevant to the selected countries/cities.

### **Agency Response**

**6. Are the project's/program's indicative targeted contributions to global environmental benefits (measured through core indicators) reasonable and achievable? Or for adaptation benefits?**

### **Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019:

Cleared. Please note further efforts will be requested to enhance the Core Indicator targets during the PPG phase.

GEFSEC 14Nov2019:

Need further consideration. Compared to the ambitious target of Core Indicator 1, Core Indicator 4 (no. of people trained) is exceptionally low. In revising this, please note the comment on broader learning beyond the 3 city pilots.

Recommended action: Please consider increasing Core Indicator 4, or provide sufficient justification to the current figure.

### **Agency Response**

Core indicator 4 (no. of people trained) is low because middle-sized city administrations are small in size, and finding the right stakeholder will be challenging. During the PPG phase we will further analyse if the number of people trained can be increased, once the stakeholder mapping is completed.

**7. Is there potential for innovation, sustainability and scaling up in this project?**

### **Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 27Nov2019:

Cleared. Agency has addressed the comment.

GEFSEC 14Nov2019:

Innovation- please further elaborate on and define 'innovative finance' for this project. For example, what (e.g., financial instrument, arrangement...) and/or how (e.g., approach, contract...) is this different from the conventional finance?

Sustainability- According to Core Indicator 3, project will target 3 policies to mainstream climate resilience. Do these policies contribute to sustainability of the project? If so, how, and please delineate this in the appropriate section of the PIF.

Recommended action: Please further elaborate on the above.

### **Agency Response**

New climate finance instruments will be considered for municipal financing, which is currently not commonplace, particularly for medium scale cities. These include some of the innovative financing approaches that will be explored will include: green municipal bonds; inter-municipal and federal-municipal partnerships; de-risking mechanisms; pooled loan guarantee instruments; and public-private partnerships (shared asset ownership, etc). This information has been added to the proposal in the innovation section

The number of policies/plans that will mainstream climate resilience from Core Indicator 3 refers to the climate-smart investment plans that each of the three cities will produce and update on a yearly basis.

**Project/Program Map and Coordinates**

**Is there a preliminary geo-reference to the project's/program's intended location?**

**Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019:

Cleared. The maps and coordinates will be completed following the country/city selection process during PPG phase.

**Agency Response**

**Stakeholders**

**Does the PIF/PFD include indicative information on Stakeholders engagement to date? If not, is the justification provided appropriate? Does the PIF/PFD include information about the proposed means of future engagement?**

**Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019:

Yes. Sufficient for the PIF stage. The PIF clearly indicates a range of stakeholders and their potential role during the project.

**Agency Response**

**Gender Equality and Women's Empowerment**

**Is the articulation of gender context and indicative information on the importance and need to promote gender equality and the empowerment of women, adequate?**

**Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019:

Yes. The PIF adequately articulates gender context and indicative information on the importance and need to promote gender equality and the empowerment of women. Core Indicators also provide gender disaggregated targets.

### **Agency Response**

#### **Private Sector Engagement**

**Is the case made for private sector engagement consistent with the proposed approach?**

### **Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 27Nov2019:

Cleared. Agency has addressed the comment.

GEFSEC 14Nov2019:

Partially. PIF mentions that private sector financiers will be engaged in the project. Please ensure active private sector engagement in all components and outputs of the project.

### **Agency Response**

This change has been reflected in the private sector engagement section.

#### **Risks**

**Does the project/program consider potential major risks, including the consequences of climate change, that might prevent the project objectives from being achieved or may be resulting from project/program implementation, and propose measures that address these risks to be further developed during the project design?**



### **Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 27Nov2019:

Agency has addressed the comment.

GEFSEC 14Nov2019:

Additional information requested. The importance of private sector involvement is highlight in the PIF; however, it is not sufficiently clear how the proponent will secure active and strong engagement from the private sector in all relevant aspects, and particularly for Outputs 1.1.1. (development of financing toolkit) and 2.1.3. (adaptation technology financing plan) where their contribution is crucially important. For example, could reluctance or weak engagement of the private sector be a risk? Please expand.

Recommended action: Please clarify how the proposed project will ensure securing active and strong engagement from the private sector.

### **Agency Response**

The project will utilize established mechanisms for the engagement that have been tested under other projects form the UN parent agencies. For example, the PFAN global network and the partners of UNEP-\*FI. An additional risk has been added as recommended to the risk table.

### **Coordination**

**Is the institutional arrangement for project/program coordination including management, monitoring and evaluation outlined? Is there a description of possible coordination with relevant GEF-financed projects/programs and other bilateral/multilateral initiatives in the project/program area?**

### **Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019:

Yes. Sufficient for the PIF stage. However, the Agency is requested to consider including local entities as an executing agency by CEO Approval stage, after countries/cites are selected. This is to secure strong and proactive engagement from the local country/community and ensure knowledge and experience from the project remain with them. The Agency is strongly encouraged to discuss any and all options for execution that do not include the government (if this will be the case) with the GEFSEC early in the PPG phase.

During PPG stage, it will be important to provide deeper explanation on how the baseline projects/activities are helping in designing this proposal for each city (e.g., how this proposal is building on the baseline projects/activities; how lessons learned and findings from the baseline projects/activities are reflected in the proposal; identification and justification on the remaining gaps to be addressed in this project), depending on the countries/cities to be selected in the PPG phase.

As the agency knows, the implementation and execution roles on GEF projects are meant to be separate per policy and guideline. The GEFSEC will analyze any requests for dual role playing by an agency at the time of CEO endorsement and only approve those cases that it deems warranted on an “exceptional” basis. We strongly encourage the agency to look at third party options as a preferred way forward. We also strongly encourage the agency to discuss any and all options for execution that do not include the government with the GEFSEC early in the PPG phase. The technical clearance of this PIF in no way endorses any alternative execution arrangement.

**Agency Response** comments for PPG phase are noted  
**Consistency with National Priorities**

**Has the project/program cited alignment with any of the recipient country’s national strategies and plans or reports and assessments under relevant conventions?**

**Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019:

Yes. Sufficient for the PIF stage. However, during the PPG stage, please further consider further relevant policies/plans of the selected countries and cities and make sure the project is consistent with these.

**Agency Response**  
**Knowledge Management**

**Is the proposed “knowledge management (KM) approach” in line with GEF requirements to foster learning and sharing from relevant projects/programs, initiatives and evaluations; and contribute to the project’s/program’s overall impact and sustainability?**

### **Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 27Nov2019:

Cleared. Agency has addressed the comment.

GEFSEC 14Nov2019:

Please elaborate further on knowledge sharing among three different cities in a different region and country, and make any corresponding changes to other sections and outputs. Also please delineate how knowledge shared will be reflected in their adaptation plans, as well as to the toolkit itself.

Recommended action: Please further elaborate on the above.

**Agency Response** The regional sessions have been added, as well as webinar for dissemination as output 2.1.4.

### **Part III – Country Endorsements**

**Has the project/program been endorsed by the country's GEF Operational Focal Point and has the name and position been checked against the GEF data base?**

### **Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019:

As project sites have not been identified, there are no OFP(s) to contact. The endorsement letters from Operational Focal Point from each of the selected country are required by the CEO Approval stage (total three).

### **Agency Response**

**Termsheet, reflow table and agency capacity in NGI Projects**

**Does the project provide sufficient detail in Annex A (indicative termsheet) to take a decision on the following selection criteria: co-financing ratios, financial terms and conditions, and financial additionality? If not, please provide comments. Does the project provide a detailed reflow table in Annex B to assess the project capacity of**

generating reflows? If not, please provide comments. After reading the questionnaire in Annex C, is the Partner Agency eligible to administer concessional finance? If not, please provide comments.

**Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 14Nov2019:

N/A

**Agency Response**

**GEFSEC DECISION**

**RECOMMENDATION**

**Is the PIF/PFD recommended for technical clearance? Is the PPG (if requested) being recommended for clearance?**

**Secretariat Comment at PIF/Work Program Inclusion**

GEFSEC 23Dec2019:

This PIF is recommended for technical clearance.

GEFSEC(PPO) 16Dec2019:

Not yet. Please refer to comments on Part I Item 3.

GEFSEC(PPO) 10Dec2019:

Not yet. Please refer to comments on Part I Items 3 and 7.

GEFSEC 2Dec2019:

This PIF is recommended for technical clearance, pending inputs from PPO.

GEFSEC 1Dec2019:

Nearly but not yet. Please note two comments above requesting explicit indication of edits made.

GEFSEC 27Nov2019:

Not yet. Please refer to the review items and resubmit for consideration.

GEFSEC 14Nov2019:

Not yet. Please refer to the review items and resubmit for consideration.

**ADDITIONAL COMMENTS**

**Additional recommendations to be considered by Agency at the time of CEO endorsement/approval.**

**Secretariat Comment at PIF/Work Program Inclusion**

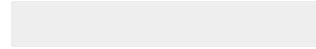
**Review Dates**

|   | PIF Review | Agency Response |
|---|------------|-----------------|
| <b>First Review</b>                     |            |                 |
| <b>Additional Review (as necessary)</b> |            |                 |
| <b>Additional Review (as necessary)</b> |            |                 |
| <b>Additional Review (as necessary)</b> |            |                 |

PIF Review

Agency Response

**Additional Review (as necessary)**



**PIF Recommendation to CEO**

**Brief reasoning for recommendations to CEO for PIF Approval**

undefined