



THE PROPOSED CLIMATE AND SUSTAINABILITY PROJECT PREPARATORY FUND (CSPPF)

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FOR INFORMATION

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Introduction

1. At the 22nd Ministerial Conference of the Central Asia Regional Economic Cooperation (CAREC) Program in Tbilisi, Georgia in November 2023, CAREC members endorsed the “Regional Action on Climate Change: A Vision for CAREC” (“CAREC Climate Change Vision”).¹ The CAREC Climate Change Vision aims to help CAREC countries implement their commitments under the Paris Agreement and achieve the Sustainable Development Goals (SDGs) by promoting regional actions for energy transition, decarbonization, innovative financing solutions, and climate-resilient infrastructure and policies.

2. CAREC countries’ ministers and senior officials also welcomed the concept of establishing the Climate and Sustainability Project Preparatory Fund (CSPPF)—a trust fund in the Asian Development Bank (ADB)—to help address the financing gaps in achieving climate change goals through the preparation of bankable and climate-resilient regional projects for CAREC countries.

3. **Rationale.** The CAREC region increasingly faces severe climate change impacts, including higher-than-average temperature rises, greater water scarcity, more floods and droughts, glacial melting, expanded desertification, declines in agricultural productivity, and food insecurity, which requires urgent and effective responses. Sound, high-return, and investment-ready regional projects are crucial to addressing the increasing effects of climate change, which exacerbate existing vulnerabilities and create new challenges across the CAREC region. However, CAREC countries face resource and capacity constraints in identifying and preparing green, climate-resilient infrastructure projects of a regional nature capable of attracting sufficient external financing. The CAREC region also has insufficient capacity to arrange innovative and long-term financial instruments and modalities from diversified sources to finance such projects.

4. The **Establishment Paper** for the proposed CSPPF has been prepared and being considered internally within ADB. ADB is expected to administer contributions to the CSPPF from bilateral, and multilateral partners and other concessional and commercial sources (the “Financing Partners”) to be effected through individual Trust Fund Contribution Agreement entered into between ADB and each Financing Partner in accordance with the terms and conditions set out in the Establishment Paper.

5. Potential donors who have expressed their interest to become a founding member and **Financing Partner** of the CSPPF include the Governments of the People’s Republic of China (PRC) and Republic of Korea (ROK). On 4 May 2024, ADB and the ROK (through the Ministry of Economy and Finance) signed at the sideline of the 57th Annual ADB Meeting, the Letter of Intent to contribute to the CSPPF in the amount of \$3 million.

Objectives and Scope

6. The CSPPF will help address and narrow CAREC countries’ financing gaps in achieving climate change goals and SDGs through supporting the preparation of bankable climate- and SDG-related regional projects. The CSPPF will provide CAREC countries with a streamlined mechanism in the identification, preparation, finance structuring, and implementation of regional climate- and SDG-related projects that are aligned with CAREC countries’ commitments to address climate change impacts.

¹ ADB. 2024. [Regional Action on Climate Change: A Vision for CAREC](#). Manila.

7. **General Eligibility Criteria.** Eligible recipients of resources allocated from the CSPPF will be the Member Countries of the CAREC Program.²

8. The CSPPF will help prepare and structure sound, bankable projects that: (i) support joint initiatives and programs to reduce greenhouse emissions; (ii) are regional in nature; (iii) promote climate mitigation and adaptation, and sustainability;³ and (iv) result in an investment project that is included in the investment framework and/or pipeline of the relevant CAREC sector strategy; the CAREC Member Countries' own investment project pipeline; and/or the project pipeline of CAREC Development Partners.

9. The CSPPF will support regional projects across CAREC 2030's operational clusters, guided by the **seven priority sectors and/or areas** under the CAREC Climate Change Vision: (i) energy, (ii) water, (iii) agriculture, (iv) transport, transit, and trade, (v) climate-smart cities, (vi) climate-related disasters, and (vii) health, education, and social protection. The CSPPF allocation will be flexible in the relevant sectors and thematic areas in line with the priorities of the CAREC countries, to be set forth in the CSPPF Implementation Guidelines.

10. **Use of Resources of the CSPPF.** The CSPPF resources will be used to support sovereign operations through technical assistance (TA),⁴ grants,⁵ and direct charges.

11. **Contributions and Fund Transfer Arrangements.** The CSPPF is a multiple-partner fund to be administered by ADB. ADB will accept, on an untied basis, contributions to the CSPPF from bilateral, multilateral, and other sources, including CAREC Development Partners, CAREC Member Countries, and other concessional Financing Partners.⁶

12. **Governance Structure.** A Steering Committee chaired by the Director General, ADB's Central and West Asia Regional Department (CWRD), will provide strategic direction and guidance on CSPPF. The Regional Cooperation and Integration Unit, CWRD (CWRC) will manage the CSPPF as the Fund Manager.⁷ The Fund Manager performs daily administration of the CSPPF, support the Steering Committee on the technical review of applications to ensure the proposals meet the eligibility criteria of the CSPPF, and monitor the CSPPF and prepare a progress report annually, to be included in the CAREC Program Implementation Report and

² CAREC Member Countries include Afghanistan, Azerbaijan, People's Republic of China (PRC), Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. ADB placed its regular assistance to Afghanistan on hold effective 15 August 2021. PRC, being a Financing Partner, may only receive support from the CSPPF as an eligible recipient in relation to multi-country regional projects and activities supported by the CSPPF.

³ Priority will be given based on the severity of climate risks, the extent of loss and damage from climate-related disasters, the size and poverty levels of the affected population, and the funding needed to mitigate climate impacts in the short, medium, and long term.

⁴ To provide support for project preparatory activities including technical, financial, legal, commercial, and safeguards aspects, pre-feasibility, feasibility, and other project-related studies as well as support upstream knowledge work, such as regional and sectoral climate assessments and scoping studies on emerging and innovative regional approaches to address climate change and sustainability issues, leading to investments pipeline development.

⁵ To support small-size grant components of investment projects that demonstrate and/or pilot innovative features with climate change components.

⁶ ADB may consider funding contributions from the private sector with corporate social responsibility and philanthropic thrusts or foundations in line with relevant ADB requirements.

⁷ A staff member designated by the Regional Head, CWRC will be the focal for CSPPF, to be supported by the CAREC focal point on climate change in ADB in performing its duties.

submitted to the CAREC Ministerial Conference annually for information. The administration of the CSPPF will be governed by its Implementation Guidelines to be prepared by the Fund Manager and approved by the Steering Committee on or before the first fund allocation to be made.

13. **Considerations of Proposals.** The proponents seeking funding from the CSPPF will submit an application to the Fund Manager. The Fund Manager will undertake initial review of the proposal's compliance with the CSPPF eligibility criteria. The Steering Committee, in coordination with relevant departments in ADB, will conduct a technical review of the submitted proposals. The Financing Partners will be informed of the submitted proposals and the technical review results. Subject to compliance with the CSPPF eligibility criteria [*and no express objections from any Financing Partner*], the Steering Committee, will recommend funding allocation for project and activities proposals. The chair of the Steering Committee—the Director General of CWRD, ADB—approves funding allocation for project and activities proposals.

14. **Annual Consultation Meetings.** The Financing Partners and ADB will meet at least once a year after the establishment of the CSPPF to review progress, administrative matters, and strategic directions (e.g., annual work plan, project and activities pipeline, and budget allocation) of the CSPPF. Additional consultations may be held upon reasonable request of any Financing Partner or ADB. The Steering Committee will consult, as it deems necessary from time to time, with the CAREC Working Group on Climate Change on CAREC countries' needs and priorities for climate and sustainability projects for funding under CSPPF, and coordination and collaboration with CAREC Development Partners, and other relevant issues, such as new Financing Partners for CSPPF.