

# CLIMATE INVESTMENT FUNDS

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**November 11, 2010**  
**SREP Pilot Country Meeting**



- **Status of SREP**
- **Programming Modalities and Operational Guidelines**
- **Financing Modalities**

# Structure



## Clean Technology Fund (CTF)

Finance scaled-up demonstration, deployment and transfer of *low emissions technologies* to initiate transformation to low emission development

### CTF Investment Plans

- Support country and regional development strategies
- Optimize blending with MDB financing and other sources, including bilateral programs
- Range of financial products to stimulate private sector engagement

**13 CTF Investment Plans (\$4.5 billion):** Colombia, Egypt, Indonesia, Kazakhstan, Mexico, Morocco, Philippines, South Africa, Thailand, Turkey, Ukraine, Vietnam; regional MENA Concentrated Solar Power (Algeria, Egypt, Jordan, Morocco, Tunisia)

\$4.5 billion

## Strategic Climate Fund (SCF)

*Targeted programs* with dedicated funding to pilot new approaches to initiate transformation with potential for scaling up

**Pilot Program for Climate Resilience (PPCR)**  
Mainstream resilience in development planning

**Forest Investment Program (FIP)**  
Reduce emissions from deforestation and forest degradation

**Scaling Up Renewable Energy in Low Income Countries (SREP)**  
Create new economic opportunities and increase energy access through renewable energy

**9 PPCR country, 2 regional pilots (\$1 b):** Bangladesh, Bolivia, Cambodia, Mozambique, Nepal, Niger, Tajikistan, Yemen, Zambia, Caribbean, S. Pacific

**8 FIP pilots (\$587m):** Brazil, Burkina Faso, Democratic Republic of Congo, Ghana, Indonesia, Laos, Mexico, Peru

**6 SREP pilots (\$310m):** Ethiopia, Honduras, Kenya, Maldives, Mali, Nepal

\$1.9 billion

# SCF: Scaling Up Renewable Energy Program in Low Income Countries (SREP)

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## Scale —

\$310 million in pledges for significant programs of capacity building and investments in renewable energy

## Governance —

Sub-Committee:

**6 donors countries:** Japan, Netherlands, Norway, Switzerland/Denmark, United Kingdom, United States

**6 recipient countries:** Armenia, Bangladesh, Nicaragua, Solomon Islands, Tanzania, Yemen

+ **observers** (4 civil society, 2 Indigenous Peoples, 2 private sector), GEF, UNDP, UNEP, UNFCCC

<i>Pledges for SREP to date</i>	<i>US\$M equiv.</i>
Denmark	11
Japan	44
Netherlands	76
Norway	26
Switzerland	20
United Kingdom	80
United States	50
<b>Total</b>	<b>\$307 million</b>

# Purpose and Objective

To pilot and demonstrate the **economic, social and environmental viability of low carbon development pathways** in the energy sector by creating new economic opportunities and **increasing energy access** through the use of renewable energy

- Initiate process leading towards **transformational change**
- Overcome economic and non-economic barriers to scale up **private sector**
- Facilitate **knowledge sharing** and exchange
- Highlight economic, social and environmental **co-benefits** of RE programs
- Demonstrate RE feasible pathway to **economic growth and development**

## **SREP Countries:**

**Ethiopia**

**Honduras**

**Kenya**

**Maldives**

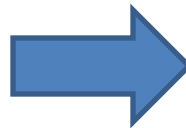
**Mali**

**Nepal**

Program's status following Monday's Sub-Committee meeting:

## 1. Key documents approved

**Programming** and  
**financing** modalities  
approved by SC



Formal Programming – **scoping**  
**and joint MDB mission** – may  
be planned and executed

## 2. Allocation of resources:

Sub-Committed approved principles guiding allocation of SREP resources, including:

- (a) \$25m base allocation
- (b) Based on quantitative index comparing country size, potential for achieving results, and development challenges, Sub-Committee groups countries into three levels (low, medium, high). Countries may program as follows:
  - (a) Low (Honduras and Maldives) -- \$25 – 30 million
  - (b) Medium (Mali and Nepal) -- \$25 – 40 million
  - (c) High (Ethiopia and Kenya) -- \$25 – 50 million
- (c) Reserve of \$60m, which may be allocated after **all** Investment Plans have been endorsed.
- (d) Quality and proposed activities with in investment plan major factor in allocation of reserve.



## What is an Investment Plan?

- Country owned, multi-year proposals that includes:
  - Description of programmatic goals for creating new economic opportunities and increasing energy access through renewables
  - Proposed uses of SREP resources,
  - Proposed activities of other development partners
- IP should also include:
  - Concept briefs for proposed investment for SREP funding
  - Requests for any IP preparation grants

Structure of Investment Plan is presented in Annex E of the Programming Modalities

Similar to structure of Clean Technology Fund Investment Plans, accessible on our website:

<http://www.climateinvestmentfunds.org/cif/Country%20Investment%20Plans>

Investment Plans may include investments and other activities under two broad categories for SREP support:

## Capacity building and advisory services –

- Development of energy policies and legislation
- Assessment of technical resource potential
- Strengthening governance and institutional capacity
- Creation of incentive scheme to improve financial viability of RETs

## Investments –

- Targeted investments leading to the deployment of different renewable energy technologies and their operational management.

## Eligible Investments:

- Renewable energy technologies: **solar, wind, bio-energy, geothermal, small hydro**
- Types of RE deployment applications: **electricity generation, thermal applications, mechanical operations**
- Mode of technology: **National/regional grid connected, off-grid, stand alone or distributed generation**
- Interconnection improvements** directly related to RE scale up programs

## Phase 1: Pre-Investment phase

- MDB scoping mission at invitation of Government

- Advance preparation grant (if requested) to be approved by MDB Committee

- MDB joint mission(s)

- Investment plan preparation grant (if requested) to be approved by MDB Committee

- Develop investment plan

- Endorsement of investment plan by Sub-Committee

# Country led Joint Mission and Preparation Grants

**Purpose:** to help pilot country prepare SREP Investment Plans

## *Scoping Mission*

- ❑ To assist in planning and preparing Joint Mission, including developing TOR.

## *Request for Advance Preparation Grant*

- ❑ Government may request an advance preparation grant of up to \$375,000 for early preparatory work. Request submitted to CIF AU for MDB Committee approval

## *Initial preparation for Country-led joint Missions*

- ❑ Joint mission TOR to include composition, budget, contacts, schedule, division of labor
- ❑ MDB Committee approves TOR/budget to be allocated from joint programming budget
- ❑ CIF Administrative Unit notifies SREP Sub-Committee and posts information on web 4 weeks prior to mission

## *Undertaking Joint Mission*


- ❑ Government leads, MDBs, other development partners (bi and multilateral), indigenous peoples, civil society, private sector participate
- ❑ Focus on diagnosis, stakeholder consultation, results orientation
- ❑ Report of missions prepared before mission end; mission report on web

# Investment Plan Endorsement

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- IP reviewed and approved by government
- IP submitted by government to SREP SC through CIF AU
- SREP SC reviews IP taking into account access to energy and development goals, and SREP investment criteria
- SREP SC endorses IP as a basis for moving forward to develop proposed projects ideas and approves funding requested for project preparation.
- SREP SC provides comments on draft Project Concept Note at time of endorsement of the investment plan
- Program and project activities will be prepared and implemented in accordance with relevant MDB procedures

## Phase 2: Implementation of Investment Plan

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- Develop investment and other financing proposals
  - Approval of SREP financing for investment and other proposals by Sub-Committee
  - Implementation of investments
  - Monitoring and evaluation

# Preparation and approval of Investments

## Preparation of SREP Projects

- Based on Investment plan, MDB(s) work with public/private partner to prepare proposal
- MDB policies, procedures, and safeguards apply

## Approval of SREP Financing for Investments

- Project proposals approved by mail by the Sub-Committee on a no objection basis
- After approval, MDB follow internal procedures for final board approval

## Projects and Investments should address the following criteria:

- Increased installed capacity from renewable energy sources
- Increased access to energy through renewable energy sources
- Low Emission Development
- Affordability and competitiveness of renewable sources
- Productive use of energy
- Economic, social and environmental development impact
- Economic and financial viability
- Leveraging additional resources
- Gender
- Co-benefits of renewable energy scale up



SREP offers a mix of financing which should leverage other public and private sector resources and may be blended with financing available from the MDBs, bilateral agencies, and other development partners.

SREP supports a variety of finance products including:

- **Grants**
- **Concessional loans**
- **Guarantees and equity**
- **Performance-based mechanisms such as Output based aid (OBA), Advance Market Commitments, and other innovative mechanisms**

# Grants for Preparation activities

Up front financing for country-based activities to prepare:

SREP Investment Plans in countries lacking an adequate basis for preparation.

- **A preparation grant**, based on country needs, up to \$1.5m may be requested by the country. It should be submitted to the CIF Adim Unit for MDB approval. Requests for greater amounts would need SC approval.
- Activities to be covered include: consultations with stakeholders, policy development and planning, and other technical assistance and capacity building activities.
- **An advance of this grant**, up to \$375, 000, may also be request after the scoping mission.
- All preparation grant funding would be included within the envelope of SREP funds allocated to country.

SREP projects and programs:

- Development of quality investments
- <sup>18</sup> Preparation grants also available (see annex B in programming modalities).

# Grants for Investments

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## Grants for Investment Projects and Programs:

Capacity building and advisory services to support delivery and results:

- Country owned, flexible and incorporated into the investment plan
- Tailored to recipient country needs and local conditions and interested into the design of investment

## Grants for Investment Projects

Examples of innovative mechanisms include:

- Output based aid
- Advanced market commitments

## Concessional loans

MDBs may provide SREP concessional financing support to countries through:

- Lending to national governments;
- Lending to national governments for on-lending to sub-national entities;
- Lending to sub-national entities; or
- Lending to the private sector.

Public sector SREP loan terms:

<b>SREP Loans</b>	<b>Maturity</b>	<b>Grace Period</b>	<b>Principal Repayments Year 11-20</b>	<b>Principal Repayments Years 21-40</b>	<b>FY10-11 Service Charge</b>	<b>Grant Element</b>
	40	10	2%	4%	0.1%	~75%

SREP offers grants, concessional loans and equity and guarantees products to support private sector projects and programs. The terms and structures of each financial product would be determined on a case by case basis to address the specific barriers identified in each case.