

CLIMATE INVESTMENT FUNDS

SREP/SC.19/3

May 18, 2018

Meeting of the SREP Sub-Committee

Washington, DC

Wednesday, June 6, 2018

Agenda 3

SREP SEMI-ANNUAL OPERATIONAL REPORT (SUMMARY)

PROPOSED DECISION

The SREP Sub-Committee reviewed the document, SREP/SC.19/3, *SREP Semi-Annual Operational Report*, and welcomes the progress that has been made in advancing the work of the SREP in the pilot countries.

The Sub-Committee appreciates the analysis conducted by the CIF Administrative Unit, in collaboration with the MDBs, on achievements, resource availability, pipeline review, and portfolio updates.

1 Strategic issues

1.1 Overview of SREP implementation

1. As of December 31, 2017, the SREP Sub-Committee has endorsed investment plans for 20 pilot countries with a total indicative allocation of USD 763.5 million and seven project concepts under the PSSA with an indicative allocation of another USD 92.4 million.
2. The overarching expected results¹ under the 20 endorsed investment plans and PSSA include an estimated 6,778 gigawatt hours (GWh) of electricity to be generated annually from renewable energy sources (equivalent to the annual electricity production of Armenia) and new or improved access to clean, modern energy services for 17.4 million people (approximately the population of Malawi). The total estimated greenhouse gas (GHG) emissions to be avoided are approximately 5.4 million tons CO₂e/yr.
3. Of this, the expected results from projects approved by the SREP Sub-Committee and projects in the sealed pipeline include an estimated 6,345 GWh of renewable energy electricity to be generated annually, new or improved energy access for 15.9 million people, and total estimated GHG emissions to be avoided of 5.2 million tons CO₂e/yr.
4. Progress of implementation varies among the pilot countries. Overall, about 74 percent of the funding under the sealed pipeline has been approved by the SREP Sub-Committee, with countries that joined the SREP earlier reaching a higher approval rate than those that joined later. Total approval rate, including the 5 projects approved by the SREP Sub-Committee after the current reporting period, is at 81 percent².

1.2 Resource availability

Decisions by the SCF Trust Fund Committee

5. At the December 11, 2017 meeting, the Strategic Climate Fund (SCF) Trust Fund Committee, reviewed the *Report of the Trustee on the Financial Status of the SCF* and noted that the investment income of the SCF Trust Fund is not currently expected to be sufficient to cover the costs of the projected level of Administrative Services by the CIF Administrative Unit, MDBs, and the Trustee. The Committee requested the CIF Administrative Unit, working in collaboration with the MDBs and the Trustee, to undertake a full analysis to explore possible options for financing administrative expenses, costs reductions, and attribution of administrative expenses among the SCF programs. The

¹ Including projects in the sealed and reserve pipelines.

² Approval amounts mentioned are against the sealed pipeline.

Committee also decided to pause the approval of any funding within the SCF, other than that of project preparation grants, until such time that the Committee had reviewed the analysis requested and decided on a way forward.

6. At the intersessional meeting held on March 8, 2018, the SCF Trust Fund Committee considered proposals for addressing the shortfall in the SCF Trust Fund set out in the document entitled *Long-term SCF Administrative Costs and Funding Options* developed by the CIF Administrative Unit, the MDBs, and the Trustee. The Committee decided on a means to apportion administrative costs between SCF programs and agreed that reflows from SCF loans may be used to finance the potential shortfall of grant resources to cover administrative costs after they become available in each program. The Committee further agreed that the pause in approval of SCF funding be lifted.
7. More specifically, the SCF Trust Fund Committee agreed to allocate a portion of the available grant resources from each of the SCF programs to finance estimated administrative costs from FY19 to FY28 as follows:
 - USD 11.6 million from the FIP
 - USD 10.6 million from the PPCR
 - USD 31.6 million from the SREP

Resource availability for the SREP

8. Based on the decisions of the SCF Trust Fund Committee, the Trustee and the CIF Administrative Unit have updated the resource availability for each of the SCF programs. As of March 31, 2018, the SREP had an unrestricted fund balance after reserves of USD 159.9 million (USD 48.3 million grant and USD 111.6 million non-grant). Total anticipated commitments were USD 226 million, including projects and programs (and MPIS³) in the sealed and reserve pipeline (see Table 1).

Table 1. SREP resource availability schedule summary
(USD million, as of March 31, 2018)

		Total	Grant	Non-Grant
Unrestricted Fund Balance		191.5	79.9	111.6
Admin Expenses-Reserve (includes Country programing budget/Learning and Knowledge exchange reserve) and for FY 19-28 (net of estimated investment income and reflows as of SCF Committee Decision March 8, 2018)	(1)	(31.6)	(31.6)	
Unrestricted Fund Balance after reserves (A)		159.9	48.3	111.6
Anticipated Commitments (FY18-FY21)				

³ MDB Project Implementation Services

<i>Program/Project Funding and MPIS Costs</i>		226.0	99.6	126.4
Total Anticipated Commitments (B)	(2)	226.0	99.6	126.4
Available Resources (A - B)		(66.1)	(51.3)	(14.8)
Potential Future Resources (FY18-FY21)				
<i>Release of Currency Risk Reserves</i>	(3)	37.4	4.2	33.2
Total Potential Future Resources (C)		37.4	4.2	33.2
Potential Available Resources (A - B + C)		(28.7)	(47.1)	18.4

(1) The amount of this reserve is estimated by the CIF Administrative Unit and Trustee using the 10-year forecast of the Administrative Budget less the 10-year estimate of Investment Income and reflows. Pro-rata estimates across three SCF programs are based on the 22% fixed pro rata share of the SREP's cash balance as at December 31, 2017 approved by the committee on March 8, 2018. The decision reads as "allocate USD 31.6 million from the available grant resources in the SREP Program Sub-Account to finance estimated Administrative Costs from FY19 to FY28, such that the projected, indicative amount of approximately USD 59.6 million in SREP grant resources remains available for allocation to SREP projects."

(2) Includes both sealed and reserve pipeline.

(3) Amounts withheld to mitigate over-commitment risk resulting from the effects of currency exchange rate fluctuations on the value of outstanding non-USD denominated promissory notes.

9. Assuming the release of currency risk reserves amounting to USD 37.4 million, the MDB Committee has agreed to propose an updated sealed pipeline of projects that matches the current available SREP resources as of March 31, 2018. The sealed pipeline will be kept under review and will be presented to the SREP Sub-Committee periodically.

1.3 Stocktaking review of SREP M&R system

10. The SREP Sub-Committee in December 2017 requested the CIF Administrative Unit to update the SREP results framework to better capture interim results generated in the SREP portfolio. A stocktaking review of the SREP monitoring and reporting (M&R) system was undertaken in the spring of 2018 to examine ways of enhancing the effectiveness and usefulness of the system and to address the challenges faced during implementation from 2014 to 2017.
11. In particular, due to the nature of the SREP's programming, significant progress on the two core indicators only occurs near or at project/program completion. This has generated an interim data gap throughout the implementation of the SREP, as few projects in the portfolio have reached completion, and a significant portion now focus largely on pre-investment and/or enabling activities that fall outside the purview of the core indicators.

12. The resulting report⁴ identifies the following key constraints of the SREP M&R system, as well as recommendations to resolve them:

- Bridging the gap of intermediary results by shifting weight of core and co-benefit indicators within the SREP results framework
- Increasing the reporting frequency of finance leveraged
- Specifying suitable reporting for geothermal and other upstream projects
- Clarifying requirements for energy access
- Addressing challenges in aggregating and harmonizing certain indicators
- Taking better advantage of MDB results reporting already occurring within their institutional arrangements.

2 Status of the SREP portfolio

2.1 Portfolio overview and updates

13. As of December 31, 2017, total funding approved by the SREP Sub-Committee reached USD 502.4 million⁵ for 39 projects and programs, including four projects under PSSA (see Table 2 for overview). This amount accounts for 74 percent of the SREP sealed pipeline. These projects are expected to leverage a total of USD 2.6 billion in co-financing (with a 1 to 5.1 co-financing ratio) from recipient governments, MDBs, private sector, and bilateral agencies⁶.

Table 2. Overview of SREP portfolio (as of December 31, 2017)⁷

	Indicative pipeline allocation				Approved funding		Disbursement
	TOTAL	IP	PSSA	IPPG	Sub-Committee	MDB	
SREP funding (USD million) *	792.4	705.1	85.2	2.1	502.4	381.6	66.0
Number of projects	67	61	6		39	31	19

* Note: Includes Project Preparation Grants (PPGs)

⁴ Available at <https://www.climateinvestmentfunds.org/event/srep-sub-committee-meeting-wednesday-june-6-2018>

⁵ Total approved project funding=project funding+ IPPGs + PPGs

⁶ Detailed information on co-financing breakdown by project is included in the *SREP Country Portfolios* information document Available at <https://www.climateinvestmentfunds.org/event/srep-sub-committee-meeting-wednesday-june-6-2018>

⁷ Not including projects cancelled or dropped.