

CLIMATE INVESTMENT FUNDS

SREP/SC.10/6
October 10, 2013

Meeting of the SREP Sub-Committee
Washington D.C.
October 31, 2013

Agenda Item 6

PROPOSAL FOR ENHANCING SREP PIPELINE MANAGEMENT

PROPOSED DECISION

The SREP Sub-Committee reviewed document SREP/SC.10/6, *Proposal for Enhancing SREP Pipeline Management*, and welcomes the measures proposed, including readiness-based pipeline management and over-programming.

The Sub-Committee agrees that:

- a) an over-programming of 20 percent may be applied to the SREP;
- b) the Sub-Committee's decision in March 2012 regarding prioritization of SREP reserve countries be amended so that projects included in an endorsed investment plan from among the reserve countries could be further developed for funding as soon as the plan is endorsed, provided that the requested funding does not exceed the available funds and an over-programming allowance of 20 percent. There should be no change in the previously agreed amount of indicative allocations; and
- c) the Sub-Committee will take stock at its next meeting of progress made in endorsing the investment plans of the reserve countries and ascertain at that meeting whether there are unallocated funds that could usefully be allocated to another round of the set-aside or to new countries.

I. INTRODUCTION

1. At its meeting in May 2013, the SREP Sub-Committee agreed that steps should be taken to enhance the strategic and effective management of SREP resources similar to efforts under the CTF, and requested the CIF Administrative Unit, in collaboration with the MDB Committee, to put forward proposals to enhance pipeline management, and in particular to consider: (a) means to speed up preparation and implementation of projects in the pipeline; (b) over-programming; and (c) inclusion of more pilot countries, providing flexibility in relation to the list of reserve countries.

2. This paper has been prepared in response to the above Sub-Committee's decision. Approaches and criteria for considering potential new pilot countries are discussed in a separate paper (see SREP/SC.10/8).

II. STATUS OF THE SREP PIPELINE

3. Endorsement of the investment plans from the initial six pilot countries (Ethiopia, Honduras, Kenya, Maldives, Mali, and Nepal) took place between September 2011 and October 2012. In the meantime, based on the availability of new funding, two new countries (Tanzania and Liberia) were included as new pilot countries and started developing their investment plans. Subsequently, Tanzania's investment plan was endorsed in September 2013, and Liberia has submitted its investment plan for endorsement at the upcoming Sub-Committee meeting in October 2013.

4. The current SREP portfolio consists of 26 projects and programs from the seven pilot countries with endorsed investment plans for a total indicative allocation of USD 290 million in SREP funding. As of September 15, 2013, four project proposals (two of them submitted as a joint program) have been approved by the Sub-Committee for a total of USD 45.9 million in SREP funding.¹

5. The Sub-Committee at its last meeting in May 2013 took note of the situation of slow delivery and urged the MDBs to work closely with the countries to expedite the preparation and implementation of the projects and to submit project proposals to the Sub-Committee for funding approval in the proposed timeframes. The Sub-Committee also requested the CIF Administrative Unit, in collaboration with the MDB Committee, to put forward measures to enhance SREP pipeline management.

III. PROPOSED MEASURES

6. In light of the decisions by the Sub-Committee in May 2013, the CIF Administrative Unit and the MDBs considered the three measures introduced for enhancing pipeline management under the CTF, namely, a) applying readiness-based pipeline management; b) shortening the timeframes and improving milestones for project delivery; and c) allowing over-programming,

¹ Subsequent to the cut-off date of September 15, 2013, a number of projects were submitted to the Sub-Committee for funding approval.

and concluded that some but not all measures introduced for the CTF would be applicable or suitable for SREP.

7. First, with respect to readiness-based pipeline management, while this measure is considered applicable and can usefully be applied for SREP, it was suggested that the readiness criteria introduced under the CTF be refined to make them more consistent between the public and the private sector and to better reflect reality on the ground.

8. Second, with respect shortening the timeframes for project delivery, it is not clear from the CTF experience whether this measure has made any direct impact on accelerating project delivery, and furthermore, given that SREP countries tend to face more human and institutional capacity constraints, more challenging market conditions, and less favorable political and policy environment, it was suggested that this measure not be considered for the enhancement of SREP pipeline management.

9. Third, with respect to over-programming, this measure is considered a useful tool for enhancing pipeline management and can be applicable to SREP and CTF alike. Recognizing the access to capital constraints faced by the SREP pilot countries and the fact that SREP is a smaller, younger pipeline compared to that of the CTF, and under which readiness was a key criterion to choose investments, it is suggested that a more prudent approach be taken in applying over-programming (e.g., an over-programming not to exceed 20 percent).

10. With the above considerations in mind, the following two measures are proposed for the enhancement of SREP pipeline management.

Readiness-based pipeline management

11. The MDB Committee and the CIF Administrative Unit will update and review the SREP pipeline on a quarterly basis and constitute a projected approval calendar to include projects and programs that have met all of the following readiness criteria:

- a) For public sector projects:
 - i. project concept (or equivalent) approved by MDB management;
 - ii. feasibility study completed or initiated for projects that require extensive feasibility study; and
 - iii. inclusion in the government borrowing plan, when applicable.
- b) For private sector projects and programs:
 - i. initial project or program concept (or equivalent) approved by MDB management;
 - ii. operation leader assigned; and

- iii. inclusion in the MDB's project tracking system.

Over-programming

12. Over-programming would allow more projects in the SREP pipeline than the amount of pledged resources. Over-programming is a standard practice within the MDBs to ensure full delivery of a financial envelope in a fiscal year. Experience of the MDBs shows that some projects in the pipeline are bound to slip for various reasons or do not materialize at all, and over-programming allows for other projects to be brought forward for approval to fill any gaps. It is proposed that for SREP an over-programming of 20 percent over the pledged resources that have not been committed or allocated.

13. For the current eight pilot countries (including Liberia), the total indicative allocations would be USD 340 million, of which USD 59 million has been approved for projects and preparation grants as September 15, 2013, leaving USD 281 million to be approved.

14. In addition, an SREP set-aside has been established for USD 90 million. Based on the recommendations of the expert group (see document SREP/SC.10/7), six projects and programs with a total request of USD 85 million in SREP funding could enter the SREP pipeline.

15. Therefore, the SREP pipeline of USD 366 million of unapproved funding (281+85=366) would serve as the baseline for over-programming. A 20 percent over-programming over this amount would allow up to USD 73 million of new projects in the SREP pipeline.

IV. FLEXIBILITY WITH PRIORITIZATION FOR RESERVE PILOTS

16. At the Intersessional meeting in March 2013, the SREP Sub-Committee agreed that when available, SREP funding to finance the implementation of the investment plans should be provided to countries, in the priority order and with the indicative allocations below:

- a) Tanzania: USD 25 – 50 million
- b) Liberia: USD 25 – 50 million
- c) Yemen: USD 25 – 40 million
- d) Armenia: USD 25 – 40 million
- e) Pacific region: USD 25 – 30 million
- f) Mongolia: USD 25 – 30 million

17. With available funding, both Tanzania and Liberia have been included as SREP pilot countries. For the remaining four reserve pilots under SREP, Armenia plans to submit its investment plan in October 2013, Solomon Islands in early 2014, and Yemen and Vanuatu in

mid-2014 or later. Much uncertainty is associated with Mongolia as to whether or when work to develop its SREP investment plan could commence.

18. Given the status of the preparatory work among the four remaining SREP reserve pilots and in order to expedite the process of availing funds to countries who are ready to present their investment plans for endorsement, it is proposed that the Sub-Committee’s decision in March 2012 be amended so that allocation priority of SREP funding, when available, would be given to the remaining reserve countries when their investment plans are endorsed, with no change in the amount of the previously agreed indicative allocations.

19. The current total SREP pledges are USD 486 million.² Out of this amount, up to USD 340 million is allocated to finance the eight pilot countries with endorsed investment plans. In addition, USD 15 million has been reserved to cover the costs for MDB project preparation and supervision. If the Sub-Committee agrees to allocate UD 85 million to finance the prioritized projects from the set-aside, as recommended by the expert group, then USD 46 million would be available to finance projects from additional SREP reserve countries.

20. If a 20 percent over-programming applies to the SREP pipeline as of October 2013, taking into account proposed SREP projects for financing from the set-aside and unallocated resources, the total amount of resources available for new programming would be USD 119 million (see Table 1).

Table 1: Resources Available for New Funding
(USD Million)

Remaining amount from the 8 pilot countries	Set-aside amount	20 percent over-programming	Unallocated resources	Resources available for new funding
281	85	$(281+73) \times 0.2 = 73$	46	$73+46=119$

21. It should be recognized that the effect of over-programming on expediting SREP project delivery may not be as immediate as in the CTF, whereby additional CTF investment plans had been endorsed when over-programming was introduced, and subsequently some projects and programs under the endorsed investment plans moved swiftly to submission for funding approval. Consequently, in the near term (i.e., during FY14), projects and programs to be submitted to the Sub-Committee will likely come more or less exclusively from the existing SREP pipeline.

22. It is proposed that the Sub-Committee take stock at its next meeting of progress made in endorsing the investment plans of the reserve countries and ascertain at that meeting whether there are unallocated funds that could usefully be allocated to another round of the set-aside or to new countries.

² Based on exchange rates as of June 30, 2013.