

CLIMATE INVESTMENT FUNDS

SREP/SC.10/7
October 7, 2013

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

Agenda Item 7

**REVIEW AND SELECTION OF CONCEPTS TO BE FINANCED
FROM THE SREP PRIVATE SECTOR SET ASIDE**

PROPOSED DECISION

The SREP Sub-Committee reviewed the document, SREP/SC.10/7 *Review and selection of concepts to be financed from the SREP private sector set aside*, and notes with appreciation the work of the expert group.

The SREP Sub-Committee:

- a) endorses the following project concepts to be further developed for SREP funding approval:

.....
- b) invites the MDBs for the selected project concepts to prepare, in collaboration with the project proponent, a detailed project document and submit it to the SREP Sub-Committee for SREP funding approval.
- c) requests the CIF Administrative Unit, in collaboration with the MDBs and the pilot countries, to further analyze the effectiveness and value-added of the SREP private sector set-aside, including its competitive selection process with a view to improve the current procedures should a second round of funding be made available and to share lessons learned with interested stakeholder groups. Results from the analysis and lessons learned should be shared at the next SREP Sub-Committee meeting.

I. INTRODUCTION

1. The *Procedures for Allocating SREP Resources on a Competitive Basis from a Set Aside* (annexed to this report) were approved by the SREP Sub-Committee on April 9, 2013 through a decision-by-mail. USD 90 million in funds were available for the set aside.

2. The CIF Administrative Unit invited focal points in SREP pilot countries and SREP contributor countries to submit names and resumes of experts with appropriate experience, including experience with private sector development and/or investment, for the expert panel. The MDB Committee in their meeting of June 19, 2013 proposed four experts (two nominated by pilot countries and two nominated by contributor countries). The list of the four proposed experts was submitted to the Sub-Committee for approval by mail on July 15, 2013. The selected experts are:

- a) Tamara Babayan, Armenia
- b) Ashington Ngigi, Kenya
- c) Robert van der Plas, Netherlands
- d) Nadia Crandall (Chairperson for the panel), UK.

3. Twelve concept proposals were submitted to the CIF Administrative Unit by the MDBs for review by the experts. This included projects located in the first six SREP pilot countries: Ethiopia, Honduras, Kenya, Maldives, Mali, and Nepal. Additionally, three regional proposals were submitted spanning several of the pilot countries.

4. The experts prioritized the concept proposals based primarily on the ability of projects to advance SREP program objectives, and investment criteria, as well as additional objectives contained in the SREP set-aside design document:

- a) alignment with the objective of the country investment plans;
- b) level of innovation proposed;
- c) demonstration of private sector support and engagement;
- d) project readiness and sustainability, for example the projects are expected to be approved by MDBs and implementation would begin within 12 months or shorter¹; and
- e) progress that has been achieved in implementing other projects under the endorsed investment plan.

¹ To be substantiated by readiness criteria under development by the MDBs.

5. The expert group has recommended a priority list of 6 concepts amounting to USD 84.6 million in SREP funding to be allocated from the USD 90 million available in the set aside. Further, the expert review group has also included an additional list of 3 concepts for USD 37 million, which could be usefully considered by the Sub-Committee if further preparatory work is undertaken and additional funds are made available. Finally, the expert group recommends that 3 concepts not be pursued as they did not meet the criteria mentioned above.

6. The expert review group has developed a scoring system to support its recommendations and prioritizations. The common format facilitated comparability among the proposals and demonstrates a consistent application of the criteria. The details of this scoring system as well as an analysis of lessons learned can be found in the expert's report to the SREP Sub-committee in Annex I. The two tables on the following page represent the initial project ranking based on the scorecard provided in the Proposal for Allocation of SREP Resources (SREP/SC.8/6, October 15, 2012) - at the bottom of the page, and the final project rankings based on the scoring system developed by the expert group (at the top of the page).

7. At its meeting in October 2012, the Sub-Committee agreed that SREP resources should be set aside for allocation to programs and projects, selected on a competitive basis, to provide SREP funding to:

- a) private sector clients working through MDB private sector arms, or
- b) public sector entities which would in turn channel all funds to private sector recipients, through innovative, competitive mechanisms such as competitive allocation of subsidies to private sector entities, public-private partnerships, or results-based financing.

8. Among the 12 proposals submitted, 11 called for concessional loans, of these 3 called for additional grant funding, and 1 called only for grant funding. The MDB committee recommends that the Sub-Committee approve the 6 priority concepts selected by the expert group, including those requiring grant resources of USD 6 million out of a total of USD 84.6 million. However, the Sub-Committee is invited to clarify the type of funding that would be available for any future rounds under these competitive procedures if additional resources were made available.

9. The following annexes are included in this document:

- a) Annex I: Report of the Expert Group established to review concepts submitted for funding from the SREP set aside.
- b) Annex II: MDB Comments on the Expert Report for SREP
- c) Annex III: Procedures for Allocating SREP Resources on a Competitive Basis from a Set Aside.

FINAL PROJECT RANKINGS AND CUMULATIVE FUNDING CALCULATIONS USING AMENDED SCORECARD DEVELOPED BY THE EXPERT GROUP

Country	Project Name	MDB	Total Score	Funding Req USD	Cumulative Funding USD	Public Sector Arm	Private Sector Arm	Breakdown Private Versus Public
Maldives	Satellite Islands Renewable Energy Program	ADB	18	10	10		x	Public: 9.50% Private: 90.50%
Honduras	Strengthening of the ADERC H-REFF	IDB	14	15	25		x	
Mali	Scatec Solar PV 33 MW	AfDB	13	25	50		x	
Kenya	Kopere Solar Park	AfDB	13	11.6	61.6		x	
Nepal	ABC Business Models for Off-Grid Energy Access Nepal	IBRD	11	8	69.6	x		
Honduras	Sustainable Facility for Self Supply Renewable Energy	IDB	11	15	84.6		x	
Kenya	East Africa Climate Venture Facility (EACVF)	IBRD	10	10	94.6	x		
Kenya/Ethiopia	Sustainable Power for Rural Communities	AfDB	10	7	101.6		x	
Regional	Risk Mitigation Program to Address Regulatory & Credit Risks	IBRD	10	20	121.6	x		
Regional	ABC Business Models for Off-Grid Energy Access	IBRD	9	19	140.6	x		
Honduras	Sustainable fuel wood use in SMEs	IDB	8	3.5	144.1		x	
Regional	Financial Intermediation for SMEs in African Pilot-Countries	AfDB	7	15	159.1		x	

INITIAL PROJECT RANKINGS USING SCORECARD PROVIDED FOR PRIORITISING SREP PROPOSALS

Country	Project Name	MDB	Total Score	Funding Req USD	Cumulative Funding USD	Public Sector Arm	Private Sector Arm	Breakdown Private Versus Public
Honduras	Strengthening of the ADERC H-REFF	IDB	26	15	15		x	Public: 31.50% Private: 68.50%
Regional	ABC Business Models for Off-Grid Energy Access	IBRD	25	19	34	x		
Kenya/Ethiopia	Sustainable Power for Rural Communities	AfDB	24	7	41		x	
Mali	Scatec Solar PV 33 MW	AfDB	24	25	66		x	
Nepal	ABC Business Models for Off-Grid Energy Access Nepal	IBRD	24	8	74	x		
Kenya	Kopere Solar Park	AfDB	23	11.6	85.6		x	
Maldives	Satellite Islands Renewable Energy Program	ADB	23	10	95.6		x	
Honduras	Sustainable Facility for Self Supply Renewable Energy	IDB	19	15	110.6		x	
Kenya	East Africa Climate Venture Facility (EACVF)	IBRD	18	10	120.6	x		
Regional	Financial Intermediation for SMEs in African Pilot-Countries	AfDB	18	15	135.6		x	
Regional	Risk Mitigation Program to Address Regulatory & Credit Risks	IBRD	18	20	155.6	x		
Honduras	Sustainable fuel wood use in SMEs	IDB	17	3.5	159.1		x	

Annex I: Reporting of the Expert Group established to review concepts submitted for funding from the SREP set aside

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ACKNOWLEDGEMENTS

The SREP Expert Group (EG) would like to recognize that a large amount of data has been prepared and made available by the Multilateral Development Banks and the CIF Administrative Unit.

We would like to acknowledge the extensive support provided by the CIF Administrative Unit as well as valuable inputs from the IBRD, the IDB, the African Development Bank and the Asian Development Bank.. Their thoughtful insights were of tremendous value to our discussions as an Expert Group.

The EG wishes to thank the CIF Administrative Unit prior to, during and subsequent to the Expert consultations for their generous help. The documentation was thorough and well presented and was an essential element of the Expert Group deliberations.

EXECUTIVE SUMMARY

A budget of USD 90 MM is available for projects selected by the SREP Sub-Committee. The EG was asked to rank SREP project submissions and to recommend a list of additional concepts for up to a further USD 45 MM (an additional 50%), for consideration by the Sub-Committee, for a total of USD 135 MM.

The following table identifies the final ranking of the SREP project submissions, and includes a cumulative spending allocation. This table may be used as a tool to allocate resources, and is intended as such. However, the EG advises caution in the use of these rankings. Concerns over procedure and methodology which are explored in this report, contribute to uncertainty over the accuracy of the assessments.

Given the generally incomplete status of the project proposals, the complexity of the issues and the effect of weighting and criteria decisions, the EG does not attempt to allocate funds other than by ranking. For a complete assessment exercise, the EG would require formulated proposals that incorporate all necessary financial, technical and commercial detail, and have the opportunity to use them as a basis for in-depth conversations with MDBs.

**FINAL PROJECT RANKINGS AND CUMULATIVE FUNDING CALCULATIONS USING
AMENDED SCORECARD DEVELOPED BY THE EXPERT GROUP**

	Country	Project Name	MDB	Level of innovation	Leveraging ratio	Increased supply of RE (MW)	Readiness	Commercial Sustainability	Total	Funding Requested USD	Cumulative Funding USD
G	Maldives	Satellite Islands Renewable Energy Program	ADB	3	2	5	5	3	18	10.0	10.0
C	Honduras	Strengthening of the ADERC H-REFF	IDB	2	4	4	1	3	14	15.0	25.0
H	Mali	Scatec Solar PV 33 MW	AfDB	2	1	5	3	2	13	25.0	50.0
D	Kenya	Kopere Solar Park	AfDB	3	1	2	5	2	13	11.6	61.6
I	Nepal	ABC Business Models for Off-Grid Energy Access Nepal	IBRD	3	1	2	3	2	11	8.0	69.6
A	Honduras	Sustainable Facility for Self Supply Renewable Energy	AfDB	2	2	2	1	4	11	15.0	84.6
E	Kenya	East Africa Climate Venture Facility (EACVF)	IBRD	2	2	2	2	2	10	10.0	94.6
F	Kenya/ Ethiopia	Sustainable Power for Rural Communities	IDB	3	1	2	2	2	10	7.0	101.6
K	Regional	Risk Mitigation Program to Address Regulatory & Credit Risks	IBRD	3	1	1	2	3	10	20.0	121.6
L	Regional	ABC Business Models for Off-Grid Energy Access	IDB	3	2	1	1	2	9	19.0	140.6
B	Honduras	Sustainable fuel wood use in SMEs	IDB	2	1	1	2	2	8	3.5	144.1
J	Regional	Financial Intermediation for SMEs in African Pilot-Countries	AfDB	1	2	1	1	2	7	15.0	159.1

The Expert Group Review Process (page 10) explains how the EG approached their task and notes some of the challenges that were apparent.

In the **Assessment of Ranking Criteria** (page 12), each of the criteria is discussed in detail, noting where ambiguities and problems arose. The reader is referred to Appendix C and D where projects are ranked according to the original criteria provided by the SREP Sub-Committee. In a subsequent ranking exercise, the EG identified two additional criteria that were thought to add clarity to the process. Appendix E shows the revised final scorecard that was used to rank projects and Appendix F shows detailed project rankings on all 5 final criteria.

Individual Project Assessments (page 19) is a section that discusses each project in turn, with detailed comments and recommendations for each.

Procedural Challenges and Creative Tensions (page 31) explores the ambiguities that the EG encountered as they discussed projects among themselves and with the MDBs.

Expert Recommendations to the Sub-Committee (page 34) identifies suggestions for fine-tuning that may be helpful in a subsequent SREP funds allocation process.

INTRODUCTION

The Program on Scaling-up Renewable Energy in Low Income Countries (SREP) was established by the Climate Investment Funds (CIF) in order 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.

Project and program concepts prepared by the MDBs were submitted to the CIF Administrative unit for review by a panel of four experts. Two of these experts were selected from among those proposed by the pilot countries, and two were selected from among those proposed by the SREP contributor countries.

The expert group (EG) was tasked with reviewing the proposals in accordance with the criteria provided by the CIF Administrative Unit and preparing a list of priority concepts that it recommends should be allocated the SREP resources available in the set aside, a total of USD 90 MM. Approximately 60% of this (USD 54 MM) is intended for private sector clients working through MDB private sector arms. The remaining 40% (USD 36 MM) is intended for public sector entities that will in turn channel all funds to private sector recipients through innovative, competitive mechanisms.

The EG was also asked to include a list of additional concepts for up to an additional 50 per cent of the level of funding available in the set aside, for consideration by the Sub-Committee as it allocates resources.

Finally, the EG was asked to include a qualitative explanation of the criteria used and the scoring of proposals leading to its recommendation and prioritisation.

PROJECT SUBMISSIONS ASSESSED BY THE EG

For ease of reference, the Expert Group provided alphabetic tags for each project, as shown below. The EG was pleased to note that 4 MDBs engaged with the project, most of them making multiple submissions.

The 6 SREP pilot countries were all adequately or well represented, with the exception of Ethiopia. Although Project F and Project J, both multi-country or regional proposals, identified Ethiopia as a target, information for country implementation was entirely lacking.

	Country	Project Name	MDB
A	Honduras	Sustainable Facility for Privately-contracted and Self Supply Renewable Energy	IDB
B	Honduras	Sustainable fuel wood use in SMEs	IDB
C	Honduras	Strengthening of the ADERC Honduras Renewable Energy Financing Facility (H-REFF)	IDB
D	Kenya	Kopere Solar Park	AfDB
E	Kenya	East Africa Climate Venture Facility (EACVF) Project	IBRD
F	Kenya/Ethiopia	Affordable, Sustainable Power for Rural Communities in Kenya and Ethiopia	AfDB
G	Maldives	Satellite Islands Renewable Energy Program	ADB
H	Mali	Scatec Solar Mali Ségou PV 33MWc	AfDB
I	Nepal	ABC Business Models for Private Sector-Led Off-Grid Energy Access in Nepal	IBRD
J	Regional	Financial Intermediation for SMEs in SREP African Pilot-Countries	AfDB
K	Regional	Risk Mitigation for Regulatory and Credit Risks for Renewable Energy Projects under SREP	IBRD
L	Regional	Program for Supporting ABC Business Models for Private Sector-Led Off-Grid Energy Access	IBRD

EXPERT GROUP REVIEW PROCESS

- The Expert Group (EG) was provided with the following documents prior to the Washington meeting:
 - SREP Design document dated June 1st 2009
 - Report of the SREP Expert Group dated June 4th 2010
 - SREP Programming modalities and operational guidelines dated November 8th 2010.
 - Scorecard for prioritizing SREP proposals (taken from SREP/SC.8/6 October 15, 2012
 - Procedures for allocating SREP resources on a competitive basis from a set-aside dated April 9th 2013
 - SREP Semi-annual operational report dated May 1st 2013
 - Proposed timeline for delivery of a first round of proposals under the SREP set-aside.
 - Terms of Reference for the SREP expert panel private sector set-aside dated August 23, 2013
 - SREP project submissions (12 proposals in total)
 - Final project list dated August 28th 2013
 - Country investment plans for Ethiopia, Kenya, Nepal, Honduras and Mali.
- In response, the EG formulated detailed questions on each of the 12 proposals. These were forwarded to the MDBs via the CIF Administrative Unit on September 5th 2013. **The EG felt it essential to identify questions in a timely way** so that MDBs would have every opportunity to supply thoughtful answers.
- Even at this early stage **it became apparent that ranking criteria would be a matter for discussion.** Questions and comments on these ranking criteria were forwarded to the CIF Administrative Unit in early September, and preliminary answers sought.
- Answers to the Expert questions were received periodically from the MDBs. However, **many answers arrived very late, adding to the demands on the EG's limited time in Washington.**
- The Experts noted that MDB submissions fell into two broad groups. The first group comprises renewable energy projects where additional generation capacity should be measurable. The second group comprises enabling infrastructure directed towards improving market, regulatory and economic conditions where increased generation capacity cannot be measured. **In the latter case, increased supply of renewable energy may not be a valid ranking criterion.**

- The CIF Administrative Unit set up conference calls with each of the MDBs, scheduled for September 16th and 17th. These calls became the focus of the first two days work in Washington and in every case they ran substantially over the time allotted. **In-depth conversations were essential to the EG's assessment because there was no other way for the complexity of the issues to be fully addressed. Face-to-face meetings, where possible, were found to be particularly valuable.**
- During the discussions held between the EG and MDBs, **it became apparent that the format for project submissions would need revision.** It was often the case that the EGs gained fundamental insights in discussion that were not available from formal project submissions.
- The EG discussed proposals and ranking criteria on Wednesday September 18th, and finalised rankings.
- The Chair wrote up the report with input from all members of the EG, and submitted it to the CIF Administrative Unit on Friday September 27th.

ASSESSMENT OF RANKING CRITERIA

The SREP sub-committee proposed 8 ranking criteria, 6 of them general and 2 of them SREP program-specific criteria. An **initial ranking** was finalised using these criteria. (Appendix C for initial ranking criteria and Appendix D for initial rankings).

After extensive discussion, the EG found that this initial ranking did not reflect their intuitive response to the proposals. As a result, the EG sought a format that would better align their quantitative and intuitive responses. A new set of criteria was developed and implemented to create a second and **final ranking** (Appendix E for final ranking criteria and Appendix F for final rankings).

1. Alignment with the objectives of the country investment plan:

The EG noted that all proposals were aligned with the country investment plan. The **initial ranking** gave equal scores to every proposal, since a qualitative ranking was not appropriate. In subsequent discussion however, it was agreed that this ranking is a matter of compliance and should be binary:

- If a proposal meets this requirement, it should be assessed.
- If a proposal fails to meet this requirement, it should be disqualified.

This criterion was not included in the **final ranking**.

2. Consistency with SREP Objectives, Principles and Investment Criteria:

As with criterion 1, the EG noted that all proposals were consistent with SREP objectives. The **initial ranking** gave equal scores to every proposal, since a qualitative ranking was not appropriate. In subsequent discussion however, it was agreed that this ranking is a matter of compliance and should be binary:

- If a proposal meets this requirement, it should be assessed.
- If a proposal fails to meet this requirement, it should be disqualified.

This criterion was not included in the **final ranking**.

3. Level of Innovation

The EG identified 5 elements contributing to innovation. Each factor received a binary ranking of 0 or 1, so that the overall Innovation score is a minimum of 0 and a maximum of 5:

- 1. Innovative technology:** Technologies that have not previously been harnessed in a particular geography, or a novel application of technology that is responsive to specific country needs.
- 2. Market creation:** Stimulation of under-developed markets and/or the likelihood of scaling up a successful project both nationally and trans-nationally.
- 3. Innovative financing structures:** The creation of financial models or the harnessing of financial intermediaries without which the project could not proceed.
- 4. Innovative business models:** The creation or application of business models new to a particular geography without which the project could not proceed.
- 5. New partnerships:** Harnessing new and/or local project and investment partnerships, especially where an early-stage relationship can be productively developed.

This criterion is included in both **initial** and **final** rankings.

4. Projected leverage of private sector investments to the SREP Funds

In order to clarify leverage, the EG requested that leverage data be provided in the format shown in Appendix B, requiring MDBs to identify the funding that is already approved and confirmed, as opposed to that which is anticipated. Specific challenges with this criterion were as follows:

1. Some proposals offered no financial or leveraging information. In response to our questioning, MDBs responded that the proposal was at a conceptual level and that data was not available. Where this was the case, the EG gave the minimum ranking.

2. Where leverage ratios were supplied, they were often considered to be unreliable or unrealistic because of the early stage of the proposal. For want of any better data, the EG ranked according to stated MDB numbers. However, this methodology may need to be rethought for the next round of submissions.
3. Proposals did not differentiate between funds that had been secured and funds that were anticipated. In response, the EG asked MDBs to supply leverage information in the format shown in Appendix B.
4. Most proposals indicated that funding would be sought from bilateral agencies and other public sector sources in addition to that supplied by SREP and the MDBs themselves. Although SREP has a strong bias towards private sector engagement, the EG interpreted this criterion in the broadest way; that is, by calculating the additional funding leveraged by the SREP program, regardless of its source.
5. In some cases, leverage numbers were provided that presupposed either an extensive recycling of funds, or combined funds from separate SREP pots. In this case, the EG ranked conservatively, allowing for leverage ratios that applied only to the initial phase of the proposal without recycling assumptions, or that applied only to SREP set aside funds.

This criterion was included in both **initial** and **final** rankings.

5. Rate of funding approval under the endorsed investment plans

All projects were assessed on this criterion in the **initial** rankings. However, the EG raised the following concerns:

1. Rate of funding approval is derived from the SREP Semi-Annual Operational Report issued by the SREP Sub-committee on May 1st 2013. Approvals are country-based and may not reflect the specific proposal that is currently being ranked, or the MDB responsible. As a result, proposals may be rewarded or penalised inappropriately.
2. For regional proposals, it was not possible to supply an accurate ranking as countries have different levels of funding approval. The EG has insufficient information to rank the different countries according to anticipated spending allocation.
3. Data is supplied by the SREP Sub-Committee and the EG can supply no useful input into this criterion.

This criterion was not included in the **final ranking**

6. Timely Delivery of projects under endorsed investment plans

All projects were assessed on this criterion in the **initial** rankings. However, the EG raised the following concerns:

1. Information on the timely delivery of projects is derived from the SREP Semi-Annual Operational Report issued by the SREP Sub-committee on May 1st 2013. The rate of funding approval is dependent both on the MDB and their

- private sector partner/s, and is assessed by country, rather than by project. As a result, new proposals may be inappropriately penalised or rewarded.
2. For regional proposals, it was not possible to supply an accurate ranking as countries have different levels of funding approval and the EG has insufficient information to rank countries according to anticipated spending allocation.
 3. Data is supplied by the SREP Sub-Committee and the EG can supply no useful input into this criterion.

This criterion was not included in the **final ranking**. Instead, it was replaced by a new criterion, **Readiness** (clause 9 in this section, and Appendix E).

7. Increased supply of renewable energy measured in MWh

All projects were assessed on this criterion in the **initial** rankings. However, the EG raised the following concerns:

1. Installed MW should be used for assessment, rather than MWh, which measures how much of the generating capacity can be utilized. A highly simplified example shows how the number for MWh is derived:
 - a. A developer installs 10 MW of solar PV energy
 - b. This number is multiplied by the number of hours in a year ($365 \times 24 = 8640$)
 - c. This number is further qualified by a capacity factor that describes the ratio of actual output to potential output of a power installation. In the case of solar PV, this might be approximately 18%.
 - d. So the MWh delivered in this case would be: $10 \times 8640 \times 18\% = 15,552$ MWh.
 - e. Different technologies have different capacity factors.
 - i. Wind ranges from 20 – 40%
 - ii. Hydro ranges from 30 – 80%
 - iii. Geothermal ranges from 60 – 90%
 - iv. Biomass ranges from 60 – 80%
2. Several proposals indicated multiple possible technologies but did not identify which would be selected. MWh could not be calculated because the capacity factors are not known.
3. Even with a single renewable energy technology, capacity factors depend on procurement decisions, climate, distance from interconnectors, etc.
4. Certain proposals could not be assessed on either MWh or MW. For example, the Honduras sustainable fuel wood use proposal reduces fuel consumption, but provides no additional installed capacity.
5. Projects submitted by MDBs fall into two very diverse groups. The first group comprises renewable energy projects where additional generation capacity should be measurable. The second group comprises enabling infrastructure directed towards improving market, regulatory and economic conditions where increased generation capacity cannot be measured. In the latter case, increased supply of renewable energy may not be a valid ranking criterion.
6. Existing installed capacity in a country should be taken into account when assessing the value of additional capacity. 10 MW in Mali and 10 MW in

Kenya are of very different orders of importance (See Capacity and Access table in Appendix E).

This criterion was included in both **initial** and **final** rankings, but applied in different ways. **Initial** rankings assessed MWs only. **Final** rankings assessed **new MW as a percentage of renewable energy relative to a country's existing installed MW**. Where no MW estimate was provided, the EG ranked the proposal with a minimum score.

8. Increased access to modern energy services measured in number of women and men who will directly benefit from the project

All projects were assessed on this criterion in the **initial** rankings. However, the EG raised the following concerns:

1. Not every project is geared to access in terms of individuals served. Several are focussed on enabling infrastructure and or improved market and financial conditions.
2. A number of proposals were very early stage and did not have increased access numbers available. Where no information existing, the EG applied the minimum ranking.
3. Where proposals did supply numbers, these were regarded as unreliable (see watts per person calculation in the Capacity and Access Table in Appendix G which shows that the estimates do not reflect the reality of individual usage in different target countries).
4. Where apparently reliable numbers were supplied, these were not related to the electrification rates of the country. 1,000 new users provided with electrification in Mali is a very different accomplishment from 1,000 new users provided with electrification in Kenya.
5. The estimated number of users is generally derived from the number for installed MW. Criterion 8 is therefore a restatement in different terms of criterion 7.

This criterion was not included in the **final ranking**

Additional Criteria identified by EG and applied in final ranking

The EG developed two additional criteria. These were applied in the final ranking. It is recommended that these criteria be considered for project rankings going forward as they were found to be productive in relating the EG's intuitive response to proposals to a quantitative assessment.

9. Readiness

Procedures for allocating SREP resources on a competitive basis from a set aside, dated April 9 2013, states in clause 6 d): Projects expected to be approved by MDBs and implementation would begin within 12 months or shorter. In response, the EG has created a criterion called Readiness. This comprises five elements, each of which are given a binary score of 0 or 1, so that the overall Readiness score is a minimum of 0 and a maximum of 5. The five elements are as follows:

1. Regulatory framework must be in place
2. Institutional capacity must be evident
3. There must be clear ownership or championing of the project
4. Implementation arrangements should be addressed in sufficient detail to show an acceptable level of implementation risk.
5. There must be clarity of project design.

In the **final** ranking, this Readiness criterion was substituted for criterion 6, Timely Delivery of Projects.

10. Commercial sustainability

SREP Programming Modalities and Operational Guidelines, dated November 8 2010, states in clause 23 g): Investment proposals should demonstrate the economic viability of investments and the financial viability with the inclusion of time-bound SREP resources. In response, the EG has created a criterion called Commercial Sustainability. This is ranked on a qualitative scale with 1 being very weak and 5 being very strong.

The EG defines commercial sustainability as the likelihood of a proposal being able to stand alone in subsequent iterations or on a larger scale, without the need for additional SREP funds.

In the **final** ranking, this Commercial Sustainability criterion complemented criterion 4. It provides a slightly different and more qualitative approach to Projected leverage of private sector investments, without the need to rely on highly speculative numbers supplied by the MDBs.

INDIVIDUAL PROJECT ASSESSMENTS

Project A: Honduras. Sustainable Facility for Privately-Contracted and Self-Supply renewable energy

Expert Project Ranking:

This project was ranked 6th on the amended criteria. The reasons for this are as follows:

- There was concern that implementation arrangements might be insufficiently developed. The run-of-river hydro projects were funded in December 2011 and are still now under construction. The EG felt that this time-frame was extended given the small size of these hydro plants and the relatively straightforward technology involved. As a result, this project was considered to have an above average implementation risk.
- While the state utility, ENEE, is not the main off-taker these projects are required to sell 10% of their electricity to the grid. There are concerns around ENEE with regard to their corporate and business practices. This concern raises implementation risk.
- This project builds on an existing, well-established and successful program with Banco Atlantida. The sustainable energy project was set up in November 2010 with a dedicated unit at the bank. To date, 4 run-of-river hydro projects have been funded together with biomass, biogas and waste to energy projects, with a zero default rate. The EG was not able, as a result, to rank the project high on innovation.
- The leverage ratio at 1:5 is average with USD 15 MM of SREP set aside funds generating a further USD 72.5 MM in public and private sector funding.
- This project is intended to provide 12 MW of installed capacity, or 1% of the overall installed energy capacity in the Honduras. On a relative country ranking of additional renewable energy capacity relative to existing energy capacity, the score was below average.

Expert Project Recommendations:

- The EG regarded this project favourably, because it identified a highly functional and experienced private sector partner and was well thought through. However, it gained an average ranking because of its level of innovation, leverage and size relative to the installed capacity of the Honduras.
- IDB might consider resourcing the clarification of certain aspects of the project including project pipeline, implementation arrangements with Banco Atlantida, and risk reduction mechanisms relating to offtake by the state utility, ENEE.

Project B: Honduras: Sustainable fuel wood use in SMEs

Expert Ranking:

This project ranked 11th on the amended criteria. The reasons for this are as follows:

- It was unclear whether a Honduran regulatory framework was in place for sustainable fuel wood use.
- Implementation arrangements were unclear, particularly with regard to the financial aspects. The proposal suggested that support might be provided from other cook stove programs under preparation; also that debt financing would be provided by the commercial banking sector; also that equity financing might be available from microfinance institutions. However, there was no discussion as to how these multiple financing providers might work together.
- There was insufficient clarity with regard to the program. Payback periods for the improved furnaces were variously quoted as 2 years, 7.43 months and 71 days. While differing technologies will necessarily offer different payback periods, the range was considered unacceptably wide.
- Fuel wood cost savings were estimated at USD 200 per day for users of the improved furnaces. Without supporting evidence, this number did not seem credible to the EG. Therefore, it was impossible to assess whether the project would be commercially sustainable.
- The project was regarded as having significant implementation risk, as there was insufficient supporting data.
- It wasn't clear that a new SME program for commercial stoves was sufficiently innovative, given the many existing stove programs for domestic use.
- The leverage ranking was low at 1:1 with SREP set aside funds of USD 3.5 MM generating a further USD 3.5 MM in public and private sector funding.
- The project will not increase the supply of renewable energy. Rather, it is intended to reduce the consumption of firewood.

Expert Project Recommendations:

- IDB should consider whether this project is aligned with SREP objectives, or whether it would benefit from alternative funding.
- IDB should consider ensuring that basic questions can be addressed including: optimal technology choices, technology sourcing, procurement and installation costs, management of a pilot program, actual payback periods, selection of financing intermediaries in the private sector, and selection of local partners.

Project C: Honduras: Strengthening of the ADERC H-REFF

Expert Ranking:

This project ranked 2nd on the amended criteria. The reasons for this are as follows:

- The EG believes that there is an adequate regulatory framework in the Honduras for renewable energy projects.
- The proposal is thought to be commercially sustainable.
- The project leverage ratio is high at 1:8. As leverage numbers combined SREP set aside funds with SREP IP funding, the EG calculated a ratio for the set aside funding only.
- The set aside funding will increase the supply of renewable energy by 20 – 35 MW, that is 2% of 2010 installed capacity in the Honduras.

Expert Project Recommendations:

- While this project ranked high on the criteria, it is at early conceptual stage, and the EG requests that the IDB should accelerate consultation with Triodos, their chosen consultant, to produce a detailed implementation plan.

Project D: Kenya: Kopere Solar Park

Expert Ranking:

This project ranked 4th on the amended criteria. The reasons for this are as follows:

- There is an established regulatory framework in Kenya for renewable energy.
- There is clear institutional capacity for taking the project forward.
- There is clear ownership of the project, with experienced players. An SPV has been established by Subuiga International to act as the holding company for investors, and Martifer Solar is providing the turnkey PV solution.
- Implementation arrangements are already in process.
- There is reasonable clarity as to how the project will be implemented.
- With solar PV projects already operating in Kenya, there is a proven track record for commercial sustainability.
- There is low implementation risk.
- This project was awarded a slightly above average ranking for innovation because of a replicable financial model that harnesses private sector funding, and because of an accompanying technology transfer scheme.
- The project scored relatively low on leverage at a ratio of 1: 1.7.
- This project is intended to provide 15 MW of capacity, or 1% of the overall installed energy capacity of 1,590 MW in Kenya. On a relative country ranking of additional renewable energy capacity relative to existing energy capacity, the score was below average.

Expert Project Recommendations:

- The EG recommends that AfDB continue to explore the following: interconnection arrangements and costs; ways to lower OPEX and CAPEX to optimise returns for private equity investors; discussions with the Minister of Energy regarding tariff structure; fixed vs tracking solar PV panels to maximise commercial sustainability.

Project E: Kenya: East Africa Climate Venture Facility (EACVF)

Expert Ranking:

This project ranked 7th on the amended criteria. The reasons for this are as follows:

- Implementation arrangements appear to be weak, with an investment fund structure that has not been tested in the market and does not appear to be competitive.
- As a result the project scored poorly on implementation risk as the EG felt it unlikely that the investment fund could be structured as proposed.
- The project received an average ranking on innovation. It will pilot financing for companies seeking between USD 100 K and USD 1.5 MM, which are not currently well served by the market.
- The project scored a slightly above average ranking for leverage at 1: 3.5. No account was taken of the possible recycling of the initial funds.
- No information was supplied on additional installed MW of renewable energy. As a result, the project received the lowest ranking on this criterion.

Expert Project Recommendations:

- The EG recommends further analysis of the fund structure. Its small size, very high fees, considerable risks, and a hurdle rate of 8% in an environment with almost 7% official inflation might cause investors to shy away, the inbuilt inflation escalator notwithstanding.
- A focus on project implementation would be helpful a launch within the preferred 12 month time period looks optimistic.

Project F: Kenya/Ethiopia: Affordable, Sustainable power for rural communities in Kenya and Ethiopia

Expert Ranking:

This project ranked 8th on the amended criteria. The reasons for this are as follows:

- AfDB's chosen private sector counterpart is Africa Power, a newly formed partnership. Although the individual partners have extensive experience in alternative energy and rural development, the entity itself has no track record

on which to rely. As a result, it was given a low ranking on institutional capacity.

- Africa Power identifies 660 primary installations in which cell phone towers provide the anchor (A) for a series of projects which will also include small agricultural and business (B), as well as domestic customer installations (C) in an ABC business model. However, on questioning, AfDB was unable to provide detail about any of these primary installations.
- The project is still at a fairly conceptual stage and there appeared to be no data at all on Ethiopia. It was felt that the project was over-ambitious in geography and scope. In addition, the EG noted that very large numbers of telecoms companies are already using solar PV in Kenya and it was unclear whether Africa Power had in fact identified viable target installations. Implementation risk was ranked high as a result.
- The project was awarded a below average score for innovation, as solar power for telecoms towers, and an ABC business model are both well established in Kenya. The fact that there are no upfront capital costs for the end user, and that returns are generated through savings on energy costs is also an established business model in Kenya.
- The leverage ranking was low at 1: 0.43 with USD 7 MM in upfront SREP funds supporting a total phase I investment of a further USD 3 MM. It was considered that SREP was inappropriately taking the bulk of the risk in this project. Consistent with its overall methodology, the EG did not include leverage numbers presented for phase II.
- This project anticipates 10 MW of additional renewable energy, and was awarded a low ranking in terms of additional renewable energy capacity as a percentage of installed capacity in Kenya and Ethiopia.

Expert Project Recommendations:

- It was evident that a lot of serious work and thought has gone into this proposal. The EG suggests that further preparatory work be done and that the project be resubmitted once concerns have been addressed.

Project G: Maldives: Satellite Islands Renewable Energy Program

Expert Ranking:

This project ranked 1st on the amended criteria. The reasons for this are as follows:

- There is a robust and established regulatory framework in the Maldives for renewable energy.
- The program has already been launched with a marketing initiative to resort owners, and engagement from developers. Institutional capacity was therefore considered to be in place.
- Resort owners appear to be credible off-takers, particularly where they are part of a multinational hotel chain. Given the high cost of diesel generators and the associated environmental problems, resort owners are keen to move

forward with a solar PV solution. The project was awarded a positive ranking for ownership.

- Implementation arrangements are already in process.
- There is reasonable clarity as to how the project will be implemented, although significant additional work must be done on the economics.
- With solar micro-grids already operating in the Pacific Islands, there is some track record proving commercial sustainability.
- The project is ranked high for innovation as this model has not yet been applied in the Maldives
- The project was low for leverage, with USD 10 MM of SREP funds generating a further investment of USD 25 MM for a 1: 2.5 ratio.
- This project is intended to provide 10 MW of solar capacity, or 16% of the overall installed energy capacity of 62 MW in the Maldives. It was ranked as above average on this criterion.

Expert Project Recommendations:

- Further work is needed to identify the list of resort and satellite islands with bankable offtakers, and where the cost of submarine cabling does not present a commercial barrier.
- FiT negotiations should continue with the Government of Maldives to ensure a viable structure for solar PV projects.
- Environmental studies should commence, particularly with regard to marine flora and fauna.

Project H: Mali: Scatec Solar Mali Segou PV 33 MW

Expert Ranking:

This project ranks 3rd on the amended criteria. The reasons for this are as follows:

- There is significant engagement with Energie du Mali, the parastatal energy agency, and negotiations with regard to PPA, sponsors, financiers and guarantors are continuing. The regulatory framework and institutional capacity are progressing.
- The project is led by the Scatec Solar Group, an international solar developer based in Norway and backed by Norfund. They have a successful track record based on a highly integrated development and operating model. The project was ranked high on ownership.
- There is considerable clarity in presentation, based on Scatec's previous experience.
- It is considered that the project is commercially sustainable.
- The project is considered innovative because of its large scale and location in a climate that presents challenges for solar PV. The highly integrated model proposed by Scatec is also an innovative idea that should help ensure a high quality process and successful outcome.
- The leverage ratio is below average at 1: 2.4, with Euro 16.7 MM of SREP funds supporting a further Euro 39 MM of investment.

- The project scores high on additional capacity rankings, with the 33 MW providing 11% of the existing installed capacity in Mali, based on 2010 numbers.

Expert Project Recommendations:

- The Mali national grid should be checked for capacity and robustness
- The political situation needs to be closely monitored.

Project I: Nepal: Program for supported ABC Business Models for Private Sector-led Off-grid Energy Access in Nepal

Expert Ranking:

This project is ranked 5th on the amended criteria. The reasons for this are as follows:

- Nepal has addressed the regulatory framework to support this initiative. Discussions have been held with the Ministry of Science, Technology and Environment, the regulator for small renewable energy projects. The Ministry has indicated that a private developer of off-grid energy will be eligible for subsidy support. The EG ranked the regulatory framework positively.
- Preliminary discussions have been held with two project developers and a mobile telecom company. Possible anchors for the ABC model include telecoms companies and hospitals. The EG ranked ownership of this project positively.
- Implementation arrangements are being addressed and are considered to be conceptually feasible.
- There is considerable clarity in presentation.
- It is considered that the project is commercially sustainable as it is attracting significant interest from indigenous developers and conversations with them are moving ahead.
- The project is considered innovative because it implements the ABC business model, provides a holistic approach to potential barriers faced by the private sector and tests results-based financing (RBF) and guarantee mechanisms.
- The leverage ratio is ranked below average at 1: 4, with USD 8 MM of SREP funds supporting a further USD 32 MM of investment.
- The project scores below average on additional capacity rankings, with approximately 15 – 20 additional installed MW of off-grid energy in total.

Expert Project Recommendations

- Steps should be taken to address implementation risk

Project J: Regional: Financial Intermediation for SMEs in SREP African Pilot Countries

Expert Ranking:

This project ranked 12th on the amended criteria. The reasons for this are as follows:

- The project ranks low on all readiness criteria, including regulatory framework, institutional capacity, ownership, implementation arrangements and clarity.
- No program partners have been identified.
- Implementation risk is considered high as no detail is provided.
- Innovation is ranked low as market creation using local financial intermediaries is widely used in developing countries.
- The project indicates a leverage ratio of 1: 4.5, with SREP funds of USD 15 MM leveraging an anticipated further USD 72.5 MM. However, it is impossible to assess the validity of these numbers.
- No additional renewable energy capacity numbers are provided.

Expert Project Recommendations:

- This proposal is very preliminary and cannot at this stage be adequately assessed by the EG

Project K: Regional: Risk Mitigation Program to address Regulatory and Credit Risks for Renewable Energy Projects under SREP

Expert Ranking:

This project ranked 9th on the amended criteria. The reasons for this are as follows:

- The project is highly conceptual and very early stage. No co-investors are identified and therefore it ranks poorly on ownership.
- There is no information on implementation arrangements. This ranking is also low.
- While the concept of regulatory insurance is reasonably clear, no detail has been given. The project ranks poorly on clarity.
- Without any financial information, it is impossible to calculate leverage ratios.
- No capacity increase has been indicated as this is an enabling platform, rather than a renewable energy project.

Expert Project Recommendations:

- The project ranked high on innovation, as regulatory risk is rarely directly addressed, generally being subsumed under political or country risk insurance.
- The EG recommends that further work be done on this to assess whether the idea is viable.

Project L: Regional: ABC business models for off-grid energy access

Expert Ranking:

This project is ranked 10th on the amended criteria. The reasons for this are as follows:

- It is effectively the same proposal as project I: Program for supported ABC business models for private sector-led off-grid energy access in Nepal, the focus here is regional.
- The EG recommends that only one of these projects is funded and strongly prefers the Nepal-focussed version.
- This regional proposal lacks any estimate of increased installed capacity.
- There is insufficient information to assess leverage numbers
- The EG ranked the regional project low on the readiness criterion.

Expert Projection Recommendations:

- The EG in this case ranks the regional project lower than the Nepal submission, which is a geography specific initiative. This is because the proposal is at conceptual stage and has significant implementation risk. If the Nepal-focussed project proves successful, regional diversification can be considered in due course.

PROCEDURAL CHALLENGES AND CREATIVE TENSIONS

A complex project development process of this kind is likely to generate tensions among the competing agendas and preferences of different stakeholders. Often these tensions can be creative and highly productive. However, the EG identified a number of challenges that, if reformulated, might streamline the process and optimise the outcome for everyone involved in a subsequent SREP funding round.

1. Conceptual versus Detailed Proposals

Procedures for allocating SREP resources on a competitive basis from a set aside, dated April 9 2013, states in clause 6 d): “Projects expected to be approved by MDBs and implementation would begin within 12 months or shorter.” The same document states in clause 5: “The Sub-Committee will invite the MDBs and pilot countries to initiate the development of concept proposals...”

All SREP project submissions were at concept stage. Many offered minimal detail, while others showed some focus on high-level implementation strategies. In general, MDBs were unable to provide the detailed answers that were required for ranking assessments. Estimates for projected leverage, increased supply and increased access were notably speculative or simply missing. As a result, the EG spent time requesting information that either was not available, or, if provided, could not be supported.

2. Engagement by MDBs

The EG expected that a considerable amount of background analysis would be available. In fact, this was often not the case. When questioned, MDBs commented that they have not resourced the proposals and will do so only once SREP funding is committed. This is a classic dilemma that may lead to a sub-optimal process. Clearly, if the SREP Sub-Committee requires expedient implementation, proposals that are much more developed should be preferred over those that are merely good ideas.

3. innovation versus Project Readiness

The innovation criterion was generally well observed, although its interpretation was sometimes stretched. Highly innovative projects may take longer to develop and therefore create a tension with the SREP requirement for rapid implementation.

4.Generation Capacity versus Enabling infrastructure

Projects submitted by MDBs fell into two diverse groups. The first group comprised renewable energy projects where additional generation capacity should be readily measurable. The second group comprised enabling infrastructure directed towards

improving market, regulatory and economic conditions where increased generation capacity cannot be measured. It is clear that these two approaches may benefit from differentiated ranking criteria.

5. Private Sector Partnerships

Procedures for allocating SREP resources on a Competitive Basis from a Set Aside, dated April 9 2013, states in clauses 13 and 14 that through CIF and MDB websites and other mechanisms, ‘proponents of potential project concepts will be encouraged to contact one of the MDB partners.’”

It was not made clear how MDBs identified private sector partners, but it became apparent that in most cases they had selected entities with which there were already strong existing relationships or ongoing projects.

Resource constraints, the natural caution of multilateral development bankers, and human nature will all militate towards choosing known partners. This could penalise less mainstream and perhaps more innovative entities that may receive less consideration from the MDBs.

6. Regional versus Country-Specific Proposals

Regional proposals are preferred by MDBS for three reasons:

1. They offer more flexibility. If there are barriers to implementation in one country, a project can always be expedited in another.
2. They provide more latitude for scaling up.
3. They might offer the opportunity for synergies and cross-fertilisation of ideas, particularly where there are similarities of regulation, climate or infrastructure.

The EG was generally wary of regional proposals however. These proposals were often technology agnostic, intended to reach across multiple countries, and with no identified private sector partners. It was felt that implementation risk would be much higher as a result. Furthermore, there is inevitably more public sector involvement in regionally managed initiatives, thus potentially de-emphasising the private sector and increasing the complexity of dialogue between the various stakeholders.

7. Leveraging

Procedures for allocating SREP resources on a Competitive Basis from a Set Aside, dated April 9 2013 states in clause 1 that SREP funding should be provided to private sector clients working through MDB private sector arms (60% allocation) and to public sector entities which would in turn channel all funds to private sector recipients (40% allocation). The focus on private sector participation is very clear.

Many proposals, while they refer to private sector investment as an important component of co-financing, do not identify entities or individuals with which they will engage. The EG was concerned that the private sector would find proposals

insufficiently commercial in some cases, and that therefore joint venture partners would be hard to recruit on a commercial basis.

8. Economic and financial viability

SREP Programming Modalities and Operational Guidelines, dated November 8 2010, states in clause 23 g): Investment proposals should demonstrate the economic viability of investments and the financial viability with the inclusion of time-bound SREP resources. The EG recognized that SREP is intended to provide transformative funding which can result in new economic opportunities, with proposals capable of standing alone in subsequent iterations or on a larger scale, without the need for additional SREP funds. Where MDB data was limited or speculative, the EG faced challenges in assessing economic and commercial viability.

RECOMMENDATIONS TO THE SUB-COMMITTEE

1. Ranking Criteria:

The EG has concerns about the content and application of the ranking criteria provided. A detailed discussion of these concerns can be found in the section on Assessment of Ranking Criteria. Projects have been ranked twice; once on the criteria provided and once on a second set of criteria developed by the EG.

Further, the SREP Sub-Committee may need to differentiate in their ranking criteria between proposals for renewable energy projects where increased generation capacity should be measurable, and proposals directed towards enabling infrastructure where increased generation capacity cannot be measured.

It is recommended that the SREP Sub-Committee reconsider ranking criteria going forward.

2. MDB Accountability

MDBs were responsive and helpful throughout the consultations in Washington. However, the EG remains concerned about accountability mechanisms. In particular, the EG recommends:

- Greater MDB engagement prior to SREP funding application.
- More robust project data and financials.
- More detail on co-financing arrangements
- Clarity on how MDBs source private sector partners

3. Private Sector Engagement

The EG was concerned that MDBs may be biased towards existing private sector partners, possibly precluding new and innovative entrants from consideration. It is not clear that they are fully adopting the procedures recommended for inviting expressions of interest in Clauses 13 and 14 of the Procedures.

It is recommended that the MDBs clarify their engagement with local communities to seek out new private sector partners.

It is also suggested that projects which evidence strong private sector partnerships should be privileged.

4. Granularity of Proposals

The EG was concerned about the lack of clarity and detail in a number of proposals that were reviewed. As a result, the EG faced challenges in assessment and ranking.

It is recommended that the SREP Sub-Committee reconsider the balance between requesting concept-stage proposals on the one hand, and speed and risk of implementation on the other hand.

5. Analogues from other geographies and industries

It is recommended that MDBs be asked to provide specific analogues for their projects where technologies, business models, financing structures or partnership arrangements may have succeeded in other geographies or other industry sectors. This should generate cross-fertilisation of ideas and reduce risk, as the analogues will inform the detailed business plan and the implementation plan for SREP projects.

6. Project Submission Format

MDB proposals varied widely in their level of detail and their structure. There was real inconsistency in what was provided to the EG, making it extraordinarily difficult to construct a coherent assessment process.

The EG recommends that the application form for SREP Funds be significantly revised to ensure that essential questions are fully addressed, including but not limited to the following:

- Overview of committed and expected leverage
- Defensible estimate of private sector involvement
- MW estimates and rationale for these.
- Reason for selecting identified local partners

- Proposed timing for implementation of the project.

7. SREP Funding Protocol

The EG recommends looking to private sector analogues for funding protocols. An alternative funding protocol might lower risk, improve MDB accountability and engagement, and increase the financial and socio-economic leverage of SREP funding. Such a protocol would provide for a sequential approach to, and more time-bound release of funds with sums available on a staged basis in response to meeting agreed targets.

Funding protocols such as this are widely used in private sector incubators and accelerators for early-stage businesses, and in the venture capital community.

A highly simplified example might work as follows:

- MDBs apply for small grants that will resource selection of private sector partners, projects and technical assistance (Stage 1).
- Stage 1 projects are ranked by the SREP Sub-Committee together with the EG and the best are selected for Stage 2.
- Successful MDB applications receive a further grant to create a detailed business plan, or investment proposal (Stage 2).
- Stage 2 projects are ranked by the SREP Sub-Committee together with the EG and the best are selected for Stage 3.
- Successful MDB are funded with more substantial loans to be drawn down against agreed performance targets (Stage 3). These performance targets are taken directly from the business plan.
- Stage 3 projects are ranked by the SREP Sub-Committee, together with the EG. A working group is formed to oversee performance against agreed targets and to release drawdowns as these targets are met.
- Where management targets are met, further funds would be available as the project moves forward.
- Where management targets are not met, the working group will assess whether further loans or grants should be forthcoming from SREP funds.

This protocol offers a number of benefits, including greater MDB accountability, better husbanding of resources, a more cautious approach to the SREP grant and loan portfolio, and the development over time of an Expert Group that can bring not only industry, but also project-specific knowledge to bear on critical financial decisions.

Expert Group Participants

Four experts were appointed by the CIF Sub-Committee, two from those proposed by the pilot countries, and two from those proposed by the SREP contributor countries. The expert group as it was finally constituted represented a range of skills that proved extremely productive, combining:

- Public and private sector backgrounds
- Detailed in-country knowledge
- Hands-on experience of specific renewable energy and energy mitigation technologies, including wind, solar, hydro, biomass, and efficient wood-stoves.
- Financial expertise, notably with financing structures and social impact funds.
- Gender diversity

Name	Country	Title	Organisation
Tamara Babayan	Armenia	Director	Armenia Renewable Resources and Energy Efficiency Fund
Nadia Crandall (Chair)	UK	Director	Harvard Business School Angels of London
Ashington Ngigi	Kenya	Managing Director	IT Power Eastern Africa
Robert van der Plas	Netherlands	Director	Marge Sarl

APPENDIX B

SUMMARY OF CO-FINANCING SOURCES

Source	Approved & Confirmed	Anticipated
Project Developer		
Beneficiaries		
Private Investors		
Commercial Banks		
MDB 1		
MDB 2		
SREP Set Aside		

MDBs were asked to fill out this summary for each of their projects in order to identify realistic sums for co-financing sources. These were then fed back into the projected leverage criterion.

APPENDIX C

INITIAL SCORECARD FOR PRIORITISING SREP PROPOSALS (SREP/SC.8/6 October 15, 2012)

The scorecard for prioritizing SREP proposals will include six general criteria common to all SCF programs and two SREP-specific criteria. Each criterion will be rated on a scale of 1 (lowest) to 5 (highest). Project proposals will be prioritized based on the sum of the scores across all ten criteria. A maximum score of 40 could be given to a proposal.

General Criteria

1. Alignment with the objectives of the country investment plan. This will be a qualitative assessment, with 1 being very weak and 5 being very strong.
2. Consistency with the SREP objectives, principles and investment criteria.6 This will be a qualitative assessment, with 1 being very weak and 5 being very strong.
3. Level of innovation. This is a qualitative assessment, with 1 being very weak and 5 being very strong. It should take into account, for example, innovative technology choice, stimulation of underdeveloped markets, taking a good practice to scale, creating new partnership, piloting a new approach to “business-as-usual”, or use of an innovative financing instrument.
4. Projected leverage of private sector investments to the SREP funds. A higher score would indicate a higher leveraging ratio. If projected leveraging for SREP funds is around 1:2, a score of 1 will be given. If projected leveraging exceeds 1:10, a score of 5 will be given. The investments to be leveraged should be directly under the scope of the project with explicit targets and timeframes to be monitored under the project’s results framework.
5. Rate of funding approval under the endorsed investment plans. A higher score would indicate a higher level of funding approval. If less than 20 percent of the indicative funding allocated to the endorsed investment plan has been approved by the Sub-Committee, a score of 1 will be given. If more than 80 percent has been approved, a score of 5 will be given.
6. Timely delivery of projects under endorsed investment plans. A higher score would indicate the timely meeting of agreed benchmarks. If more than 1 project is in the “red” zone, a score of 1 will be given. If all projects are in the “green” zone, a score of 5 will be given.

The expert group may wish to consider giving higher weights to some criteria than to others.

SREP Program-Specific Criteria

Based on the revised SREP results framework approved by the SREP Sub-Committee and the SCF Committee, respectively, two additional SREP-specific criteria are proposed here.

1. Increased supply of renewable energy measured in MWh. Rating of this criterion for a proposal will be relative to other proposals, with a score of 5 given to the proposal that expects to generate the most MWh, and 4 to the second highest, etc.
2. Increased access to modern energy services measured in number of women and men who will directly benefit from the project. Rating of this criterion for a proposal will be relative to other proposals, with a score of 5 given to the proposal that expects to provide the most number of women and men and 4 to the second highest, etc.

Scorecard

To the sum up the criteria outlined above, the following table provides a scorecard for prioritizing SREP project proposals.

Criteria		1	2	3	4	5
1	Alignment with country objectives	Very weak	Weak	Adequate	Strong	Very Strong
2	Consistency with SREP objectives	Very weak	Weak	Adequate	Strong	Very Strong
3	Level of innovation	Very weak	Weak	Adequate	Strong	Very Strong
4	Leveraging ratio of private sector investments	Around 1:2	Around 1:4	Around 1:6	Around 1:8	Above 1:10
5	Rate of funding approval (% total)	Below 20%	20%-39%	40-59%	60-79%	80% or above
6	Timely delivery of projects	>1 red	1 red	>1 yellow	1 yellow	all green
7	Increased supply of RE (MWh)	Relative to other proposals				
8	Increased access (number of beneficiaries)	Relative to other proposals				

APPENDIX D

PROJECT RANKINGS USING INITIAL SCORECARD FOR PRIORITISING SREP PROPOSALS

INITIAL PROJECT RANKINGS USING SCORECARD PROVIDED FOR PRIORITISING SREP PROPOSALS												
	Country	Project Name	MDB	Alignment Country Objectives	Consistency SREP Objectives	Level of Innovation	Projected Leverage	Rate of Funding Approval	Timely Delivery of Projects	Increased Supply of RE	Increased Access	Total
C	Honduras	Strengthening of the ADERC H-REFF	IDB	5	5	2	4	1	2	5	2	26
L	Regional	ABC Business Models for Off-Grid Energy Access	IBRD	5	5	3	2	2	3	3	2	25
F	Kenya/ Ethiopia	Sustainable Power for Rural Communities	AfDB	5	5	2	1	2	2	2	5	24
H	Mali	Scatec Solar PV 33 MW	AfDB	5	5	2	1	1	4	5	1	24
I	Nepal	ABC Business Models for Off-Grid Energy Access Nepal	IBRD	5	5	3	2	3	4	1	1	24
D	Kenya	Kopere Solar Park	AfDB	5	5	3	1	3	1	3	2	23
G	Maldives	Satellite Islands Renewable Energy Program	ADB	5	5	3	1	1	5	2	1	23
A	Honduras	Sustainable Facility for Self Supply Renewable Energy	IDB	5	5	2	2	1	2	2	0	19
E	Kenya	East Africa Climate Venture Facility (EACVF)	IBRD	5	5	3	1	3	1	0	0	18
J	Regional	Financial Intermediation for SMEs in African Pilot-Countries	AfDB	5	5	1	2	1	4	0	0	18
K	Regional	Risk Mitigation Program to Address Regulatory & Credit Risks	IBRD	5	5	3	1	1	3	0	0	18
B	Honduras	Sustainable fuel wood use in SMEs	IDB	5	5	2	1	1	2	0	1	17

APPENDIX E

REVISED SCORECARD FOR PRIORITISING SREP PROPOSALS (Proposed by Expert Group September 27, 2013)

The EG applied 5 criteria in their **final** ranking as follows: (Appendix F for final rankings).

Level of Innovation (comprising 5 sub-criteria ranked on a binary scale) for a ranking between 1 and 5: Numerical rankings were inevitably qualitative judgements.

1. Innovative technology
2. Market creation
3. Innovative financing structures
4. Innovative business models
5. New partnerships

Projected leverage of the SREP Funds: Leverage was ranked on a relative basis.

The EG calculated all additional funding leveraged by the SREP program, regardless of its source. Leverage ratios were applied only to the initial phase of a proposal without recycling assumptions, and only to SREP set aside funds.

Increased supply of renewable energy measured in MW

Installed MWs were ranked relative to their contribution to each country's existing installed energy base. (See Capacity and Access table in Appendix G).

Readiness (comprising 5 sub-criteria) for a ranking between 1 and 5: Numerical rankings were inevitably qualitative judgements.

1. Regulatory framework must be in place
2. Institutional capacity must be evident
3. There must be clear ownership or championing of the project
4. Implementation arrangements should be addressed in sufficient detail to show an acceptable level of implementation risk.
5. There must be clarity of project design.

Commercial sustainability on a scale between 1 and 5:

The EG used a qualitative ranking to assess the likelihood of a proposal being able to stand alone in subsequent iterations or on a larger scale, without the need for additional SREP funds.

APPENDIX F

DETAILED FINAL PROJECT RANKINGS USING AMENDED SCORECARD

Criteria and Projects		A	B	C	D	E	F	G	H	I	J	K	L
1	Level of Innovation (Total of 5 binary components)												
	Innovative technology	0	0	0	0	0	0	0	1	0	0	0	0
	Market creation	1	1	1	1	1	1	1	0	1	0	1	1
	Innovative financing structures	0	0	0	1	1	1	0	1	0	1	0	0
	Innovative business models	0	0	1	0	0	0	1	0	1	0	1	1
	New Partnerships	1	1	0	1	1	1	1	0	1	0	1	0
2	Projected Leverage of SREP Funds (Relative ranking 1 - 5)	2	1	4	1	1	1	1	1	2	2	1	2
3	Increased relative supply of renewable energy in MW (1 - 5)	2	1	3	3	1	2	5	5	2	1	1	1
4	Readiness (Total of 5 binary components)												
	Regulatory framework	1	0	1	1	1	1	1	0	1	1	1	1
	Institutional Capacity	0	1	0	1	1	0	1	0	0	0	1	0
	Clear ownership	1	1	0	1	1	1	1	1	1	0	0	0
	Implementation arrangements	1	0	0	1	0	0	1	1	1	0	0	0
	Clarity of project design	1	0	0	1	1	0	1	1	1	0	0	1
5	Commercial Sustainability (Qualitative ranking 1 - 5)	1	1	3	3	1	3	3	3	3	1	3	3
TOTAL		11	7	13	15	10	11	17	14	14	6	10	10

APPENDIX G

CAPACITY AND ACCESS TABLES

	Country	Project Name	MDB	Add'l capacity MW	Installed country capacity*	Contribution to total	score	Add'l access people	Watts per person
A	Honduras	Sustainable Facility for Self Supply RE	IDB	12.0	1,701	1%	1.0	-	-
B	Honduras	Sustainable fuel wood use in SMEs	IDB				-	6,250	-
C	Honduras	Strengthening of the ADERC H-REFF	IDB	27.5	1,701	2%	1.0	275,000	100
D	Kenya	Kopere Solar Park	AfDB	17.0	1,698	1%	1.0	300,000	57
E	Kenya	East Africa Climate Venture Facility (EACVF)	IBRD		1,698		-	-	-
F	Kenya/Ethiopia	Rural Communities in Kenya and Ethiopia	AfDB	10.0	1,698	1%	1.0	1,150,000	9
G	Maldives	Satellite Islands Renewable Energy Program	ADB	10.0	62	16%	8.0	10,000	1,000
H	Mali	Scatec Solar Mali Ségou PV 33MWc	AfDB	33.0	304	11%	5.0	130,000	254
I	Nepal	ABC Business Models Off-Grid Energy Access	IBRD	5.0	721	1%	1.0	125,000	40
J	Regional	Financial Intermediatio African Pilot Countries	AfDB				-	-	-
K	Regional	Regulatory and Credit Risks for RE Projects	IBRD				-	-	-
L	Regional	ABC Business Models Off-Grid Energy Access	IBRD	17.5			-	450,000	39

* Installed country capacity from US Energy Information Administration 2010

APPENDIX H

TIME LINE FOR EXPERT GROUP

August 1st 2013:

Confirmation of Expert Appointments by the CIF Sub-Committee

August 22nd 2013:

Conference call with Expert Group and CIF Administrative Unit

September 16th - 18th 2013:

Meeting of Expert Group in Washington DC

September 27th 2013:

Submission of Expert Group report to the CIF Administrative Unit

October 30th and 31st 2013:

Expert Group Chair reports to the SREP Sub-Committee

APPENDIX I

SCHEDULE OF MEETINGS AND CALLS IN WASHINGTON DC

Monday September 16th 2013:

- 8.30 – 10.00 am:** Conference call: Asia Development Bank (ADB) regarding Proposal G: Maldives Satellite Islands renewable program.
- 10.00 – 11.00 am:** Introduction by Funke Oyewole, CIF Administrative Unit Deputy Program Manager
- 11.00 – 12.30 am:** Conference call and meeting: International Bank for Reconstruction and Development (IBRD):
Proposal E: Kenya EACV
Proposal K: Regional risk mitigation program
- 3.00 – 4.30 pm:** Conference call: Inter-American Development Bank (IDB)
Proposal A: Honduras Sustainable Facility for RE
Proposal B: Honduras Sustainable fuel wood use
Proposal C: Honduras ADERC H-REFF

Tuesday September 17th 2013:

- 8.30 – 10.30 am:** Conference call: African Development Bank (AfDB)
Proposal D: Kenya Kopere Solar Park
Proposal F: Kenya/Ethiopia sustainable power – rural
Proposal H: Mali Scatec Solar 33 MW
Proposal J: Regional financing intermediation SMEs Africa
- 2.00 – 3.30 pm:** Conference call and meeting: International Bank for Reconstruction and Development (IBRD):
Proposal I: Nepal ABC models for off-grid
Proposal L: Regional ABC models for off-grid
- 4.00 – 5.15 pm:** Conference call and meeting: IDB
Further clarification on Honduras proposals

Wednesday September 18th 2013:

- 8.00 – 5.00 pm:** Expert meeting and assessment of proposal rankings
- 5.00 – 5.45 pm:** Closing by Patricia Bliss-Guest, CIF Administrative Unit Program Manager.

ANNEX II: MDB COMMENTS ON THE EXPERT GROUP REPORT FOR SREP

I. AFRICAN DEVELOPMENT BANK COMMENTS:

Please find below our comments to inaccuracies we identified in terms of the SREP EG Report as far as Project F is concerned, or AfDB's project entitled **Kenya/Ethiopia: Affordable, Sustainable power for rural communities in Kenya and Ethiopia (project F)**.

1. **On page 21 second bullet point** it is stated that "*Africa Power identifies 660 primary installations in which cell phone towers provide the anchor (A) for a series of projects which will also include small agricultural and business (B), as well as domestic customer installations (C) in an ABC business model. However, on questioning, AfDB was unable to provide detail about any of these primary installations*". However, in the additional answers provided after the call with the Experts, we provided information conveyed by Africa Power that over 10,000 towers had potential for this business model in two countries, which implies fairly sufficient potential market size. Since the situation on how to provide electricity to towers varies over time, Africa Power suggested that primary installation sites would be determined upon the discussion with telecom operators, following Africa Power's own prioritizing strategy specified in the same answer.

2. **On page 21 third bullet point** it is stated that "*The project is still at a fairly conceptual stage and there appeared to be no data at all on Ethiopia. It was felt that the project was over-ambitious in geography and scope. In addition, the EG noted that very large numbers of telecoms companies are already using solar PV in Kenya and it was unclear whether Africa Power had in fact identified viable target installations. Implementation risk was ranked high as a result*". However, again according to the answers responded to the additional questionnaire, we provided information conveyed by Africa Power that the sponsor had in fact identified a very small number of towers that were operated by alternative energy sources in both Kenya and Ethiopia, unlike what was the understanding by the experts. We further indicated that the sponsor had already discussed the proposal with local partners and identified several application models that can be financially-viable in cooperation with partners. Safaricom, the largest telecom operator in Kenya recently initiated with Africa Power a primary study on the strategy for powering their towers through renewables, which may potentially lead to the implementation of the strategy. Therefore we don't believe it's adequate to rank the implementation risk as high based on this additional information.

3. **On page 21 fourth bullet point** it is stated that "*The project was awarded a below average score for innovation, as solar power for telecoms towers, and an ABC business model are both well established in Kenya. The fact that there are no upfront capital costs for the end user, and that returns are generated through savings on energy costs is also an established business model in Kenya.*" However, in the additional answers provided after the call with the Experts, we provided information conveyed by Africa Power that Africa Power conducted a market competition analysis and could not identify other entities working on the same business model in Kenya and Ethiopia.

4. **In Appendix F on page 37**, this project didn't get a point on "implementation arrangements" and "clarity of project design". These should be re-evaluated based on the points

discussed above. This proposal provided sufficiently implementation arrangements information and a clear business model.

II. ASIAN DEVELOPMENT BANK COMMENTS:

On the Satellite Islands Renewable Energy Program (project G), response to second bullet:

- as primary electricity offtakers will be private resorts based on their avoided cost of diesel power generation, further government decisions on FIT are unlikely to have an impact on our proposed program and implementation

III. INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT COMMENTS:

Project E, Kenya: East Africa Climate Venture Facility (EACVF)

- the revolving of funding, which represents a key aspect of the proposal, has not been taken into account for assessing the criterion on financial leverage. Note that the revolving nature of the facility is part of the design and is not similar to scale up as a result of demonstrational effect which indeed should not be considered.
- the report indicates that "*no information was supplied on additional installed MW*" (see page 20 in the EG report). While this information had not been provided in the original proposal, an estimate of additional installed capacity was provided in the written responses (see responses attached below). It is unclear whether or not the Expert Group took the information about MW installed into account for the assessment of the proposal.
- we do not think that the proposal should get zero score for increased access. Although no data on increased access was provided due to the nature of the facility (any figure we may have provided would have been an extremely rough estimate), naturally all projects supported through the facility will result in increased access particularly due to focus on small companies which largely operate in off-grid areas.
- the report indicates that project implementation within the 12 month period "*looks optimistic*" (see page 20 in the EG report). A vast amount of initial discussions on implementation arrangements and search for a fund manager has already taken place and the team is confident that the project can be implemented in 12 months or less.
- the observation that "*the project scored slightly above average ranking for leverage at 3.5*" (see page 20 in the EG report) contradicts the observation made for proposal "I - Nepal ABC Model", where "*the leverage ratio is ranked below average at 1:4...*" (see page 23 in the EG report). The Expert Group may want to revisit the calculations and ranking.

Projects I and L, ABC Model (Nepal/Regional)

- given the contradiction in the text related to financial leverage (as indicated in a previous comment), the Expert Group may want to revisit the calculations and ranking.

- the report indicates that *"this regional proposal lacks any estimate of increased installed capacity"* (see page 25 in the EG report). While this information had not been provided in the original proposal, an estimate of additional installed capacity was provided in the written responses (see responses attached below):

The assumption of installed capacity is 15-20MW and the rationale for using a range is provided below. As stated earlier, energy service delivery to dispersed off-grid customers (A, B and C) – and not installed capacity - is the objective of this Program. The private entrepreneurs are expected to service this demand by setting up small generation & distribution facilities (or sites) near the demand centers. The estimation of energy supply (in MWh per site per year) is market driven, i.e., dependent on the demand that will be assessed by the private enterprise through customer survey. The estimates in the proposal are based on a feasibility study done in Tanzania, which indicated that demand is highly variable and site specific, with a major share of the demand in initial stage coming from the Anchor.

The assumption of 15-20MW will not translate into an exact equivalent of energy delivery as the demand is variable. An indicative breakdown of the demand from a small site, with 10KW installed capacity will typically include 5KW for the Anchor, 3 KW for the local businesses and 2KW for households. The household level affordability and resulting energy demand is expected to vary from a solar lantern or rooftop system replacing kerosene lamp, to batteries of varying sizes. The largest batteries can even support small refrigerators and other appliances and replace small diesel generators. Based on the variability of demand per site and across countries, we have calculated the per site energy supply of 10KW and 30KW, which corresponds to energy delivery of 14GWH to 47GWH per year. The range of 27 to 35 is in GWh. This range was estimated estimate using a mix of sites and of customer profiles, across countries. The figure of 172,800 MWH does not seem to appear in the proposal (Global or Nepal).

IV. INTER-AMERICAN DEVELOPMENT BANK COMMENTS:

Project B: Honduras: Sustainable fuel wood use inn SMEs (experts comments provided in italics)

- *There was insufficient clarity with regard to the program. Payback periods for the improved furnaces were variously quoted as 2 years, 7.43 months and 71 days. While differing technologies will necessarily offer different payback periods, the range was considered unacceptably wide. The 8 months and 71 days figures were further clarified per EG request in the second Q&A doc we sent on 9/18. The 2-year figure we provided in a previous document was not meant as payback period (we mistakenly called it so), but as loan repayment period.*

- *It wasn't clear that a new SME program for commercial stoves was sufficiently innovative, given the many existing stove programs for domestic use. The technologies for commercial stove implementation are very different from domestic in many cases, for example for brick makers. This area has not been explored by any MDB in the region and that was a reason why we thought the project was innovative.*
- *The project will not increase the supply of renewable energy. Rather, it is intended to reduce the consumption of firewood. SREP objectives are not just narrowly defined as increase of renewable energy, but also the reduction of inefficient use of biomass (which makes the use of the resources more renewable in reducing the non-renewable fraction NRF). The following quote from the SREP Objectives section of the "SREP Programming Modalities" document confirms so: "SREP should assist low income countries to initiate a process leading towards transformational change to low carbon energy pathways by exploiting their renewable energy potential in place of fossil-based energy supply and inefficient use of biomass." Evaluation criteria used by EG on "Increased supply of RE (MW)" may in a case like this be better replaced by, for example, "increased efficiency in the use of biomass" (and if so proposal may be re-scored and re-ranked).*
- *IDB should consider whether this project is aligned with SREP objectives, or whether it would benefit from alternative funding. An improved biomass stove program was approved by SREP SC as part of the Investment Plan. This confirms this type of project is aligned with SREP objectives. The quote in the comment above further supports this.*

Project A: Honduras: Sustainable Facility for Privately-Contracted and Self-supply of Renewable Energy

- *There was concern that implementation arrangements might be insufficiently developed. The run-of-river hydro projects were funded in December 2011 and are still now under construction. The EG felt that this time-frame was extended given the small size of these hydro plants and the relatively straightforward technology involved. As a result, this project was considered to have an above average implementation risk. We believe the EG may have not understood the explanation we provided during the 2nd call on 9/17. In December 2011, the IDB disbursed a loan to Banco Atlantida, with 5 years tenor and 2 years grace. This does not mean that the hydro projects were automatically financed on that date. In fact, the 2-years grace period (instead of the usual one year) was given to Banco Atlantida to build a pipeline of projects to be financed since they could rely on our source of funding only when disbursed. Between 2012 and 2013 then the projects received financing and they are now following the normal course.*

CLIMATE INVESTMENT FUNDS

April 9, 2013

PROCEDURES FOR ALLOCATING SREP RESOURCES ON A COMPETITIVE BASIS FROM A SET ASIDE

1. At its meeting in October 2012, the Sub-Committee agreed that SREP resources should be set aside for allocation to programs and projects, selected on a competitive basis, to provide SREP funding to:
 - a) private sector clients working through MDB private sector arms, or
 - b) public sector entities which would in turn channel all funds to private sector recipients, through innovative, competitive mechanisms such as competitive allocation of subsidies to private sector entities, public-private partnerships, or results-based financing.
2. The Sub-Committee further agreed that a minimum of 60 percent of the set aside resources will be allocated to private sector clients working through MDB private sector arms.
3. The Sub-Committee agreed that projects financed from the set aside should be located in the first six SREP pilot countries: Ethiopia, Honduras, Kenya, Maldives, Mali, and Nepal.
4. The following procedures are to be followed to select the programs/projects to be funded from the SREP set aside.
5. The Sub-Committee will invite the MDBs and pilot countries to initiate the development of concept proposals for programs and projects to engage the private sector in support of the objectives of the relevant country investment plans. The MDBs will inform the pilot country focal point with a brief description of the program or project concepts which they consider appropriate and feasible to advance private sector engagement in support of the objectives of the country's investment plan, taking into account issues of commercial confidentiality.
6. Concept proposals will be submitted to the CIF Administrative Unit by the MDBs and reviewed by a group of experts (see paragraph 7) for prioritization based primarily on ability to advance SREP program objectives, principles and investment criteria, as contained in the SREP design document and investment criteria, and with the following additional criteria:
 - a) alignment with the objective of the country investment plans;
 - b) level of innovation proposed, such as innovative project approaches and financing models, while focusing on proven technologies;
 - c) demonstration of private sector support and engagement;
 - d) projects expected to be approved by MDBs and implementation would begin within 12 months or shorter;¹ and
 - e) progress that has been achieved in implementing other projects under the endorsed investment plan.

¹ To be substantiated by readiness criteria under development by the MDBs.

7. The Sub-Committee agrees that project and program concepts will be prepared by the MDBs and submitted to the CIF Administrative Unit for review by a group of four experts. The review group will review the concepts in accordance with the criteria listed in the paragraph 6 and will prepare a list of priority concepts that it recommends be allocated the SREP resources available in the set aside. In recommending a priority list of concepts to be allocated the available SREP funding, the review group should also include an additional list of concepts, for up to an additional 50 percent of the level of funding available in the set aside, for consideration by the Sub-Committee in making its decision on allocating the resources. In proposing the list of concepts, the review group should include a qualitative explanation of the criteria used and the scoring of proposals leading to its recommendations and prioritization. It is recommended that the review group use a common format to facilitate comparability among the proposals and demonstrate a consistent application of the criteria.
8. In order to establish the review group, the CIF Administrative Unit should invite focal points in the pilot countries eligible to have projects from the set aside associated with their investment plans and SREP contributor countries to submit names and resumes of experts with appropriate experience, including experience with private sector development and/or investment, whom they would like to propose for inclusion in the group. The CIF Administrative Unit, in collaboration with the MDB Committee, will propose two experts from among those proposed by the pilot countries and two experts from among those proposed by the SREP contributor countries to be invited to participate in the review group. The list of the four proposed experts will be submitted to the Sub-Committee for approval by mail.
9. The CIF Administrative Unit will submit the report of the review group to the Sub-Committee for consideration and a decision on the allocation of at least a first tranche of the resources in the set aside at its meeting in November 2013. Subsequently, for each project or program allocated funding by the Sub-Committee, the MDB associated with the project would seek an endorsement on a no-objection basis from the SREP country focal point.
10. The CIF Administrative Unit and the MDB Committee are invited to prepare a timeline for the completion of the steps described in this decision so as to allow the submission of the report of the review group to the Sub-Committee four weeks in advance of its meeting in November 2013.
11. Once a concept has been endorsed, the further development of the project or program will follow the procedures agreed for other activities financed under the endorsed investment plans.
12. In order to facilitate the preparation and consideration of program and project concepts, the CIF Administrative Unit and the MDBs will agree on a common format for presenting such concepts.
13. The Sub-Committee requests that information on the set aside and the agreed procedures, the common format for presenting concepts, the timeline for the completion of steps, and links to pilot country investment plans and other relevant information be made available through the following channels:

- a) the CIF website and, as appropriate, the websites of the MDBs;
- b) pilot country focal points for dissemination to national constituencies and networks; and
- c) other relevant channels that may be agreed upon by the MDBs and the pilot country focal points.

14. Through the website, proponents of potential project concepts will be encouraged to contact one of the MDB partners.

15. The CIF Administrative Unit, the MDBs, and the pilot countries are requested to collect lessons and reflections about the effectiveness and value-added of the set aside and the competitive selection process with a view to drawing lessons for the future. The lesson-learning process will include assessment of the contribution to transformative change through scaled-up private sector investment and improved enabling market framework.

16. Based on experience and lessons learned in funding projects from the set aside, the Sub-Committee may consider whether funding may be made available to finance projects in SREP pilot countries beyond the initial six countries.

Other Considerations

17. At its meeting in November 2012, the Sub-Committee agreed that the set aside funds should be used to finance no more than three programs/projects, and that there should be a maximum of one program/project in any country receiving financing from these resources. The Sub-Committee further decided that other programs and projects beyond these three projects may be selected for funding when a minimum of USD 15 million in additional funding is made available to the set aside.

18. As of March 1, 2013, there are USD 90 million in funds available for the set aside. As the USD 15 million threshold has been met, the group of experts should be able to propose more than three programs/projects. It is recommended that the group also be authorized to propose more than one program/project in a single eligible pilot country, provided that funding for projects financed from the set aside in any one country does not exceed a third of the resources available in the set aside.