

CLIMATE INVESTMENT FUNDS

SREP/SC.15/4
May 12, 2015

Meeting of the SREP Sub-Committee
Oaxaca, Mexico
Friday, June 17, 2015

Agenda Item 4

SREP SEMI-ANNUAL OPERATIONAL REPORT (SUMMARY)

PROPOSED DECISION

The SREP Sub-Committee reviewed document SREP/SC.15/4, SREP Semi-Annual Operational Report, and welcomes the progress that has been made in advancing the work of the SREP in the pilot countries. The Sub-Committee urges the MDBs to work closely with the governments and other stakeholders in the pilot countries to accelerate the development and implementation of the projects. The Sub-Committee notes that SREP does not have sufficient resources to finance all the investment plans in the new pilot countries and encourages contributor countries in a position to do so to make additional contributions to the SREP.

[The Sub-Committee may consider additional decision items based on the outcomes of the discussion of the CIF strategic directions at the Joint Meeting of the CTF-SCF Trust Fund Committees and the discussion of the SREP strategic directions at the SREP Sub-Committee meeting.]

1 Introduction

1. This report identifies key strategic issues for the Scaling-up Renewable Energy in Low Income Countries Program (SREP), and provides a status update on the portfolio of SREP-funded programs and projects under endorsed investment plans and the SREP Private Sector Set-Aside (PSSA), and related activities. The report covers the period from July 1 to December 31, 2015.

2 Strategic Issues

2.1 Progress and Challenges

2. Investment plans from six new countries were endorsed by the Sub-Committee in May and November 2015 (Bangladesh, Ghana, Haiti, Nicaragua, Rwanda, and Uganda). One new investment plan is expected to be submitted for endorsement at the June 2016 meeting (Cambodia). With the exception of Kiribati, the remaining new countries (Benin, Lesotho, Madagascar, Malawi, Sierra Leone, and Zambia) are at various stages of developing their investment plans and are targeting for submission at the Sub-Committee meeting in FY17.
3. Development and submission of SREP projects to the Sub-Committee for funding approval continues to experience delays among SREP countries. Challenges outlined in the previous semi-annual operational reports persist in most SREP countries, including political, institutional, regulatory, operational, and market challenges. Private sector projects in these countries are also subject to significant delays given the long lead times to sign power purchase agreements (PPAs) and arrange the financing
4. For FY16 (July 1, 2015 to June 30, 2016), a total of 18 projects with USD 216 million in SREP funding have been scheduled for submission to the Sub-Committee (see Figure 2). As of December 31, 2015, USD 62 million (four projects) in SREP funding was approved by the Sub-Committee. Looking forward, it is expected a significant delivery of SREP projects for the remainder of FY16 and FY17, including endorsement of new investment plans and project submissions.

2.2 Resource availability

5. The SREP Sub-Committee agreed in October 2013 to allow 30 percent over-programming in the management of the pipeline. As of December 31, 2015, the pipeline included a total of USD 587 million of projects and programs (including MPIS) to be submitted for approval by the Sub-Committee
6. Overall there are sufficient resources to support funding commitment until December 2016 assuming that all projects in the pipeline will be submitted for funding approval. The Sub-Committee has approved guidelines for the distribution of grant and non-grant resources for the pilot countries. Due to the worsening of debt distress for some countries, as well as

exceptional cases approved by the Sub-Committee to commit grant resources to a number of projects, there is a likelihood that grant resources may run out before non-grant resources, especially if projects requesting grants move faster in the pipeline. The CIF Administrative Unit working with the Trustee and MDBs will monitor closely the availability of resources, including that of grants, for commitment

7. It should be noted that there are still nine SREP pilot countries that have not submitted their investment plans for endorsement. The total indicative allocations for these countries amount to USD 325 million. According to the prior agreement of the Sub-Committee, investment plans from the new countries will be endorsed regardless of funding availability, but for the purpose of pipeline entry, up to 30 percent over-programming will be applied to the SREP pipeline. It is suggested that the Sub-Committee consider the elements of funding scenarios elaborated in the SREP strategic paper so remaining SREP pilot countries can continue to benefit from the SREP once their investment plans are ready for endorsement

2.3 Strategic directions for the SREP

8. A strategic discussion on the SREP will be included as part of the overall CIF Strategic Paper to be presented to the meeting of the CTF-SCF Joint Committees in June 2016. The SREP strategic paper will review the context of the SREP since its creation and lessons learned, elaborate funding scenarios for SREP in the near term, and propose an Enhanced Private Sector Program for Energy Access. This includes the program's value proposition, opportunities, and type of investments and activities that can be financed. Recognizing the challenges and opportunities to expand energy access through renewable energy in the poorest countries in the world, a key feature of the proposed program is to allow more flexibility to the MDBs and the countries so that they can move quickly to capture market opportunities as they arise.

3 Status of the SREP

3.1 Portfolio overview

9. To date, total pledges and contributions to the SREP is about USD 787 million. The SREP pipeline (projects to be submitted) and portfolio (projects approved) currently include 66 projects and programs: 59 under 18 endorsed investment plans and 7 under the PSSA, with total indicative allocations of USD 809 million. As of December 31, 2015, total funding approved by the Sub-Committee reached USD 226 million for 21 projects and programs, including two projects under PSSA
10. These projects are expected to leverage a total of USD 1.6 billion in co-financing (with a 1 to 7.14 co-financing ratio) from the governments, MDBs, private sector, and bilateral agencies. Detailed information on co-financing breakdown by project is included in the SREP Country Portfolios

11. Approximately 28 percent of SREP funding for projects and programs under the endorsed investment plans has been approved by the Sub-Committee and 24 percent has also received MDB approval.

3.2 Update on knowledge management

12. In partnership with the ESMAP, the first learning event on CIF-supported mini-grid investments will take place in Kenya during the week of May 23, 2016. It will include a field visit to an operational mini-grid and a two-day dialogue structured around specific topics to drill down deeper into the broader themes and enable knowledge exchange among countries, MDBs, project developers, and expert practitioners

3.3 Update on the special initiative on Multi-Tier Access Framework

13. The special initiative will target at least ten SREP pilot countries. The current list includes Bangladesh, Ethiopia, Haiti, Honduras, Liberia, Kenya, Rwanda, Tanzania, Uganda, and Zambia. By the end of FY16, the first phase should be completed, including:

- Country selection, development of survey tool, methodology, manuals, guidelines
- Communication with relevant stakeholder in the selected country (government and national statistical offices)
- First contracts signed and starting of disbursements
- Starting of data collection in one or two countries

3.4 Update on gender

14. The CIF portfolio of investment plans and projects approved by the Trust Fund Committee and Sub-Committees across all four programs from January 1 – December 31, 2015 was reviewed to identify program progress regarding gender “quality at entry”. Across the gender indicators, the SREP was a top performer among all Strategic Climate Fund (SCF) programs regarding gender performance on SREP investment plans and projects approved in 2015.