

# CLIMATE INVESTMENT FUNDS DRAFT

February 27, 2013

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

1. At its meeting in November 2012, the Sub-Committee agreed that<sup>1</sup>:
  - a) USD 50 million in SREP resources should be set aside for allocation to programs and projects, selected on a competitive basis, that support in the first six SREP pilot countries<sup>2</sup> programs/projects beyond those to be financed with the indicative allocation that was confirmed when the investment plan was endorsed;
  - b) these 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;
  - c) contributors may choose to indicate new funding to be added to this set aside, provided that the total financing for this initial set aside should not exceed USD 90 million without further approval of the Sub-Committee;
  - d) other programs/projects beyond the three referred to in (b) above may be selected for funding when a minimum of USD 15 million in additional funding is made available to the set aside; and
  - e) when the USD 90 million set aside limit is reached, contributor countries are invited to give priority to funding new SREP pilot countries.
2. The SREP Sub-Committee agreed further that resources from the set aside may be provided to either:
  - 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;

and 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 following procedures are proposed to be followed to select the programs/projects to be funded from the SREP set aside.

4. 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.

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<sup>1</sup> Summary of the Co-Chairs, December 20, 2012.

<sup>2</sup> Ethiopia, Honduras, Kenya, Mali, Maldives, and Nepal.

5. Concept proposals will be submitted to the CIF Administrative Unit by the MDBs and reviewed by a committee of experts (see paragraph 6 below) 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;
- c) projects expected to be approved by MDBs and implementation began within 12 months or shorter;<sup>3</sup> and
- d) progress that has been achieved in implementing other projects under the endorsed investment plan.

6. 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 5 above 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 for its recommendations and prioritization.

7. 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 (see paragraph 1.a) 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.

8. 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 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.

9. 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

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<sup>3</sup> To be substantiated by readiness criteria under development by the MDBs.

report of the review group to the Sub-Committee four weeks in advance of its meeting in November 2013.

10. 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.

11. 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.

12. 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.

13. 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.

14. These procedures are open for review and/or revision should additional funding become available.