

# CLIMATE INVESTMENT FUNDS

December 1, 2011

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Summary of the Co-Chairs  
Meeting of the SREP Sub-Committee  
Washington, D.C.  
November 1, 2011

Co-Chairs

Evelyn Bautista, Honduras  
Greg Briffa, United Kingdom

## **OPENING OF THE MEETING**

1. The Sub-Committee elected Minister Evelyn Bautista, Sub-Committee member from Honduras, and Mr. Greg Briffa, Sub-Committee member from the United Kingdom, to serve as Co-Chairs. For the recipient country group, Minister Bautista was elected to serve for the next 18 months until the next election of Co-Chairs at the SREP Sub-Committee meeting to be convened in May 2013. For the contributor country group, Mr. Briffa was elected to serve until the next meeting of the Sub-Committee in May 2012.

## **ADOPTION OF AGENDA**

2. The meeting adopted the provisional agenda set forth in document SREP/SC.6/1/Rev.4.

## **SEMI-ANNUAL REPORT ON SREP OPERATIONS**

3. The Sub-Committee, having reviewed document SREP/SC.6/3, *Semi-Annual Report on SREP Operations*, takes note of the progress that has been made in advancing the work of the SREP in the pilot countries and welcomes the submissions of the first four investment plans. The Sub-Committee looks forward to the further development and submission of project proposals for approval of SREP funding under the investment plans. The Sub-Committee encourages the remaining two pilot countries and the MDBs to complete the preparation of the investment plans for review and endorsement by the Sub-Committee at an intersessional meeting to be convened in conjunction with the pilot country meeting in Kenya in March 2012.

## **DISTRIBUTION OF RESOURCES TO SREP PILOT COUNTRIES TAKING INTO ACCOUNT GRANT AND CAPITAL CONTRIBUTIONS**

4. The Sub-Committee reviewed document SREP/SC.6/4Rev.1, *Distribution of Resources to SREP Pilot Countries taking into account Grant and Capital Contributions*, and takes note of the proposal. Based on the discussions at the meeting, the Sub-Committee agrees to the following guidelines in distributing resources to the pilot countries for the preparation of SREP investment plans, programs and projects:

- a. for pilot countries with low risk of debt distress, no more than 70 percent of the indicative funding agreed to by the Sub-Committee should be drawn from the grant contributions;
- b. for pilot countries with moderate or high risks of debt distress, all indicative funding agreed to by the Sub-Committee can be drawn from the grant contributions, except for private sector projects which could be drawn from the capital contributions since they do not increase the sovereign debt of the country. SREP funds used in private sector investments should adhere to the principles outlined in *SREP Financing Modalities*;

- c. for the purpose of assessing a country's risk of debt distress, the latest available debt sustainability analysis from IDA and/or the relevant Regional Development Bank at the time of the endorsement of the proposed investment plan should be used.

5. The Sub-Committee may revisit these guidelines in the future as appropriate when additional information becomes available.

#### **KENYA: MENENGAI GEOTHERMAL DEVELOPMENT PROJECT**

6. The SREP Sub-Committee, having reviewed the project proposal, *Kenya: Menengai Geothermal Development Project*, notes its strong support for the project objectives and goals and confirms its expectation that the requested SREP funding for the project will be approved. The Sub-Committee requests the Government of Kenya and the African Development Bank to prepare a revised proposal, taking into account comments made by the Sub-Committee members during the meeting as well as subsequent written comments, with a view to its approval by mail by mid-November. In particular, the project should be revised to:

- a) enumerate in the project document the potential development benefits,
- b) elaborate on the fiduciary risks and modalities, and
- c) address the scaling-up of the project to 400 megawatts.

7. Members are requested to confirm their comments in writing by November 4, 2011.

#### **SREP INVESTMENT PLAN FOR HONDURAS**

8. The SREP Sub-Committee, having reviewed the *Investment Plan for Honduras* (document SREP/SC.6/6),

- a) endorses the investment plan as a basis for the further development of the projects foreseen in the plan and takes note of the requested funding of USD 30 million in SREP funding from the indicative allocation to Honduras. The Sub-Committee requests the Government of Honduras, in the further development of the proposed projects, to take into account comments submitted by Sub-Committee members by November 15, 2011.
- b) reconfirms its decision on the allocation of resources, adopted at its meeting in November 2010, that all allocation amounts are indicative for planning purposes and that approval of funding will be on the basis of high quality investment plans and projects. The range of funding agreed for Honduras under the indicative allocation is up to USD 30 million in SREP resources.

- c) further reconfirms that a reserve from the pledges to SREP as of November 2010 has been established, and that the Sub-Committee will agree on allocations from the reserve to project proposals included in the investment plans once the investment plans for all six pilot countries have been endorsed and the Sub-Committee has approved criteria for allocating the reserve amount.
- d) invites members to submit written comments on the plan to the Administrative Unit by November 15, 2011, and requests the Government of Honduras and the MDBs to prepare a note addressing the comments and questions of the members, including those to be submitted in writing. In submitting comments, members are invited to indicate strategic concerns they wish to see addressed in the note as distinct from comments that are to be taken into consideration in the further development of the proposed projects. The comments will be made publicly available on the CIF website.
- e) approves a total of USD 600,000 in SREP funding as preparation grants for the following projects to be developed under the Investment Plan:
  - i. USD 300,000 for the project “*Component 2 – Grid-Connected RE Development Support (ADERC)*” (IDB)
  - ii. USD 300,000 for the project “*Component 3 – Sustainable Rural Energization (ERUS)*” (World Bank)
- f) takes note of the estimated budget for MDB project preparation and supervision services for projects included in the Investment Plan and approves a first tranche of funding for such preparation and supervision services as follows:
  - i. USD 214,000 for “*Program A*”: *Component 1-FOMPIER and Component 3-ERUS* (IBRD)
  - ii. USD 250,000 for the “*Program C*”: *Component 1-FOMPIER and Component 2-ADERC* (IDB public sector)
  - iii. USD 221,000 for the “*Program D*”: *Component 2-ADERC and Component 3-ERUS* (IDB private sector).

## **SREP INVESTMENT PLAN FOR MALI**

9. The SREP Sub-Committee, having reviewed the *Investment Plan for Mali* (document SREP/SC.6/7),

- a) endorses the investment plan in principle as a basis for the further development of the projects foreseen in the plan and takes note of the requested funding of USD 40 million in SREP funding from the indicative allocation to Mali. The Sub-Committee requests the Government of Mali, in the further development of the proposed projects, to take into account comments submitted by Sub-Committee members by November 15, 2011.

- b) reconfirms its decision on the allocation of resources, adopted at its meeting in November 2010, that all allocation amounts are indicative for planning purposes and that approval of funding will be on the basis of high quality investment plans and projects. The range of funding agreed for Mali under the indicative allocation is up to USD 40 million in SREP resources;
- c) further reconfirms that a reserve from the pledges to SREP as of November 2010 has been established, and that the Sub-Committee will agree on allocations from the reserve to project proposals included in the investment plans once the investment plans for all six pilot countries have been endorsed and the Sub-Committee has approved criteria for allocating the reserve amount.
- d) approves a total of USD 1.48 million in SREP funding as a first tranche of preparation grants for the following projects to be developed under the investment plan:
  - i. USD 495,000 for the project “*Solar Photovoltaic IPP*” (AfDB)
  - ii. USD 250,000 for the project “*Rural Electrification Hybrid Systems*” (World Bank)
  - iii. USD 735,000 for the project “*Micro and Mini Hydro Power Plants Development (PDM-Hydro)*” (AfDB).
- e) takes note of the estimated budget for MDB project preparation and supervision services for projects included in the investment plan and approves a first tranche of funding for such preparation and supervision services as follows:
  - i. USD 200,000 for the project “*Solar Photovoltaic IPP*” (AfDB)
  - ii. USD 200,000 for the project “*Rural Electrification Hybrid Systems*” (World Bank)
  - iii. USD 200,000 for the project “*Micro and Mini Hydro Power Plants Development (PDM-Hydro)*” (AfDB).
- f) requests the Government of Mali and the MDBs to prepare for consideration by the Sub-Committee at its intersessional meeting in March 2012, responses to questions raised by members of the Sub-Committee, including further information on:
  - i. benchmarking of costs
  - ii. explanation of how proposals will lead to reduced costs in the long term.

## **SREP INVESTMENT PLAN FOR NEPAL**

10. The SREP Sub-Committee, having reviewed the *Investment Plan for Nepal* (document SREP/SC.6/8/Rev.2),

- a) welcomes the investment plan and endorses the first two components of the investment plan as a basis for the further development of the projects foreseen in those components.
- b) invites the Government of Nepal to reconsider SREP funding for the third component of the plan, *Sustainable Household Energy Solutions*, and to consider; (i) reallocating some of this funding to other projects in the plan, and (ii) how to bring the third component more in line with the objectives of SREP.
- c) requests the Government of Nepal, in the further development of the investment plan and the proposed projects to take into account comments submitted by Sub-Committee members by November 8, 2011.
- d) the Government of Nepal is further invited to inform the Sub-Committee, through the CIF Administrative Unit, of any proposed revisions to the plan by November 30, 2011.
- e) takes note of the estimated budget for MDB project preparation and supervision services for projects included in the first two components of the investment plan and approves a first tranche of funding for such preparation and supervision services as follows:
  - i. USD 370,000 for “*Scaling Up Small Hydro Promotion Nepal*” (ADB)
  - ii. USD 370,000 for the “*Scaling Up Access to Electricity in Rural Nepal*” (ADB).

**REVISED PROPOSAL FOR CRITERIA FOR THE ALLOCATION OF THE FUNDING RESERVE UNDER SREP**

*Allocation of the reserve resources to existing pilot programs*

11. The SREP Sub-Committee reviewed document SREP/SC.6/9, *Revised Proposal for the Allocation of the Funding Reserve under SREP*, and agrees that the following criteria should guide the allocation of resources from the reserve for project and program proposals:

- a) readiness to effectively absorb additional resources and country ownership; and
- b) project design in terms of engaging and leveraging investment of the private sector and utilizing diverse and innovative approaches and instruments.

12. To support the SREP’s objective of providing scaled-up resources for renewable energy investments, it is agreed that no more than three projects and no more than one project per investment plan should be funded from the current reserve.

13. The Sub-Committee agrees to revisit the process to be followed for selecting projects or programs to be funded from the reserve at its meeting in May 2012 with a view to deciding on the projects or programs to be funded at its meeting in November 2012.

14. The Sub-Committee further agrees that the current pilot countries may draw upon their initial allocation to develop projects to be submitted for reserve funding, or if necessary, they may seek funding from the reserve resources. The amount of funding requested for project preparation should be reasonable, taking into account the experience of the countries and MDBs in preparing projects of a similar size and complexity. Funding requests for project preparation should be submitted to the Sub-Committee for approval.

*Allocation of funding to countries and programs on the SREP reserve list*

15. The Sub-Committee agrees that it would be beneficial for the countries on the reserve list of programs to begin work to develop investment plans for scaling up the use of renewable energy, recognizing that resources may not necessarily be available to finance those plans under the SREP but that financing may be available through other sources of climate finance.

16. The Sub-Committee agrees that up to USD 300,000 may be provided to each of the countries on the SREP reserve list of pilot programs, and up to USD 600,000 to be divided among the countries identified to participate in the Pacific regional pilot, to enable them to take a leadership role in working with the MDBs to develop investment plans.

17. The Sub-Committee also requests the SCF Trust Fund Committee to increase the funds approved for the SREP country programming component of the CIF Administrative Budget to finance the additional costs of MDB programming that will be incurred in working with the countries on the SREP reserve list to develop investment plans. Such programming costs should be no higher than the norm established for all SCF programs, and the MDBs are requested to seek all opportunities to reduce those costs.

18. Sub-Committee members are invited to submit to the CIF Administrative Unit by November 15, 2011, their comments on the countries to be a primary focus of the proposed program for the Pacific, recognizing its decision in November 2010 that “a decision on which countries should be invited to participate in a Pacific regional program should be determined in the future”.

19. The CIF Administrative Unit is requested to prepare the following notes for consideration at the March 2012 intersessional meeting of the Sub-Committee:

- a) a note on the indicators that were applied to guide the allocation of resources to the SREP pilot counties and the results of applying those indicators to

assign priority to the pilots on the SREP reserve list with a view to enabling a decision on the financing of additional pilots

- b) a note on the experience and lessons learned from developing regional programs in the PPCR, and proposals as to the scope of a Pacific regional program under the SREP.

#### **SREP AND RESULTS-BASED FINANCING**

20. The Sub-Committee agreed that document SREP/SC.6/10, *SREP and Results-Based Financing*, should be circulated by mail for comment.

#### **OTHER BUSINESS**

21. The Sub-Committee requests the MDBs to ensure that investment plans and projects and programs are subject to MDB quality review processes before they are submitted to the Sub-Committee for review.

22. The Sub-Committee further requests the CIF Administrative Unit and the MDBs to ensure that in selecting experts to undertake independent quality reviews of investment plans, all steps are taken to ensure that there is no conflict of interest or potential conflict of interest.

#### **CLOSING**

23. The meeting was closed on November 1, 2011.