

## **PROPOSAL FOR ALLOCATING RESOURCES TO THE SREP NEW PILOT COUNTRIES**

CIF Administrative Unit Responses (including inputs from the MDBs) to Comments and Questions Raised by Sub-Committee Members

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### 1. Smaller allocations to all 14 countries

The option to adjust the allocation per country to such a level that all new countries could participate based on present funding is associated with several disadvantages as risks, namely: (1) a smaller resource envelope per country/investment would result in sub-optimal allocation of resources; (2) it would disadvantage engagement with the private sector; (3) it would be more challenging to mobilize the interest and ownership of some governments; (4) makes it more difficult to achieve full engagement of all MDBs (some MDB teams may pull out from some SREP IP processes in some of the new pilot countries due to small resource envelopes); (5) arbitrarily reducing the resource envelope per country would also be inconsistent with prior decisions by the Sub-Committee; and (6) if every new pilot country's projects are to be included in the pipeline and if some fail to submit their investment plans expeditiously, it will inevitably lead to a slower pipeline.

### 2. Over-programming

The decision on over-programming was reached by the Sub-Committee in November 2013. There was effectively no over-programming up to that time. But with the subsequent endorsement of additional investment plans and pipeline entry of the projects therein, over-programming became a reality as the pipeline exceeded the availability of resources. In response to the wording request from the Netherlands, we have changed the wording in the decision to "reaffirms".

According to the proposal, the Sub-Committee would endorse all 14 investment plans regardless of the funding situation. However, only projects from about nine countries/investment plans would enter the pipeline. Should more funding become available, more projects from additional endorsed investment plan could enter the pipeline.

### 3. Principle of First Come First Served

Because Mongolia and Yemen are considered "old" SREP countries, endorsement of their investment plans and the pipeline entry of their projects are not subject to the "first come, first served" approach for the new countries.

However, there is one SREP pipeline, irrespective of "old" or "new" countries, so once projects have entered the pipeline, they are subject to the same pipeline management procedures and measures. The Sub-Committee may decide to provide a reasonable timeframe or deadline for Mongolia and Yemen to submit their investment plans for endorsement.

Given the "one-pipeline" approach as well as over-programming, projects that move slowly run the risk of funding shortfalls in the future.

#### 4. Upper and lower limits

The current proposal does not include a lower limit for the new pilot countries. The implication (of not having one) is that even for countries with endorsed investment plans and with projects in the pipeline, they are not guaranteed to receive any amount of resources, especially if it takes a long time (relative to others) to develop and submit project proposals, while taking into account the specific constraints of least developed countries and fragile states.

The upper limits in the proposal are indicative envelopes for planning purposes. If a country decides to go beyond those upper limits they could include them in the investment plans for potential funding by other sources of climate finance. Those projects will not enter the SREP pipeline even if the investment plan is endorsed by the Sub-Committee.

#### 5. Distribution of Grants versus Non-grant Resources

The additional grant and capital contributions from the UK have been made at the level of the SCF Trust Fund with only indicative amounts split per SCF program. The CIF AU is working with the MDBs to present a separate proposal regarding the parameters that can be used for distributing grant and non-grant resources to the new set of 14 pilot countries. This proposal is expected to be submitted to the SREP Sub-Committee during the month of January 2015.

#### 6. Additional Points

With respect to avoiding creating unrealistic expectations, we have revised the proposal and replaced references to “allocations” with “envelopes” and similar language.

It is difficult to predict whether the countries and MDBs will shift the focus from grid-connected RE to small-scale (off-grid, min-grid) solutions.