

# CLIMATE INVESTMENT FUNDS

March 25, 2013

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

**Revised Draft**

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 proposed 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;<sup>1</sup> and
  - e) progress that has been achieved in implementing other projects under the endorsed investment plan.

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<sup>1</sup> 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.