

January 6, 2015

**Approval by mail: Proposal for Allocating Resources to the SREP New Pilot Countries (SREP)—  
Comments from Switzerland**

Dear Mafalda,

First, please let me transmit our best wishes for 2015.

We thank the CIF Administration Unit for the document entitled „Proposal for Allocating Resources to the SREP New Pilot Countries”.

Prior to approving the decision by mail, we have a few questions as follow:

1. Point 7 (table 3): We noticed the proposed upper limits for allocations. Are there any proposed lower limits and, if so, what is the implication of the latter?  
We remember that for the original pilot and reserve countries the lower limits were \$25 million. What is the meaning of these lower limits?
2. Point 10: We understand from the wording that Mongolia and Yemen still have priority on the 14 new pilot countries and are not subject to the “First Come, First Served” rule. Is our understanding correct?  
What happens if Mongolia and Yemen fail to submit their Investment Plans within a reasonable time frame? What would be a reasonable time frame?
3. Point 12: We took note that the presently available funds (including 30% over-programming) would allow to fund projects and programs from about nine Investment Plans (@ the average of \$40 million upper limit).  
Does this mean that the SREP Subcommittee should endorse only up to nine (average) Investment Plans until yet additional funds become available?  
Or, how would the funding restriction be handled otherwise?
4. Point 20: Assuming that the additional funds from UK are capital/concessional loans and not grants, we understand that although enough funds would be theoretically available to co-finance projects and programs for 9 (average) Investment Plans, we are likely to face a stringent limitation of grant money. How should the (expected large) discrepancy between needed/requested and available grants be addressed? Is it foreseen/possible that a reallocation of capital vs grant money is also made for existing pilot countries (including Mongolia and Yemen)?  
We noticed that the issue is not addressed in the decision text. How does the CIF AU propose to address it?

Thank you in advance for the answers you can provide us regarding these questions.

Best regards  
Daniel

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January 9, 2015

**Approval by mail: Proposal for Allocating Resources to the SREP New Pilot Countries (SREP)—  
Comments from the Netherlands**

Thank you for this well presented proposal. I have two questions, before we can accept it:

1. on this proposed decision: (b) mentions the word “agrees”; is this a new decision or should this be “reconfirms” ? Is it correct that overprogramming on the pipeline of projects applies already to all countries, including the first batch of approved IPs?

2. paragraph 14 gives two disadvantages for the option to adjust the allocation per country to such a level that all new countries could participate based on present funding incl. overprogramming to 130%. The first argument seems invalid (projects for individual countries can still be entered into the SREP pipeline immediately after acceptance of the investment plan). The second argument suggests that MDBs would have less appetite or face more challenges if the envelope would be smaller. I do not recognize this from the first batch of pilot countries at all. Furthermore, if SREP shifts its focus from grid connected renewables to energy access, the project size would normally be smaller (see typical size of MDB projects in the field of energy access). The argumentation therefore seems unclear.

I would regret this option being ruled out beforehand as less desirable. The clear advantage of this option would be that, instead of 7 to 9 countries, all 14 new countries would have a realistic possibility to get their IP approved and their projects competing for funds in the SREP pipeline (important for their interest and commitment, as well as for a good pipeline). Taking Kiribati as outlier with 5M USD, the average allocation for the other 13 countries would in the same calculation be 27M USD, which seems sufficient for significant investment plans.

Would CIFAdmin and MDBs be open to ask the Subcommittee to decide on the preferred option (current proposal versus para 14) ?

In view of the relevance of these questions, I would welcome your feedback as well as the possibility to further exchange on this with other SC members.

Can the decision date be postponed from today until at least Jan 16<sup>th</sup> ?

Looking forward to your feedback.

Best regards, Frank

**Frank van der Vleuten**



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*Netherlands Enterprise Agency implements policies of a.o. the Ministry of Foreign Affairs, the Ministry of Economic Affairs, and the Ministry of Infrastructure and Environment, with the aim to make society more sustainable and strengthen the Dutch economy. Overview of generic instruments here: <http://bit.ly/1vzmp5B>*

January 12, 2015

**Approval by mail: Proposal for Allocating Resources to the SREP New Pilot Countries (SREP)—  
Comments from the United States**

Dear Admin Unit,

Thank you for the opportunity to review the proposed allocation of resources to the new SREP pilot countries. This new round of investment plan development provides an important opportunity for participating pilot countries to generate viable road maps for clean energy deployment as they also prepare to participate in the Green Climate Fund.

As such, we want to encourage ambitious thinking and action while meeting the dual objectives of developing investment plans for the use of available SREP resources and a future project pipeline. We are concerned that the proposal as structured will not achieve this, and we propose that you reconsider the allocations to Phase 1.

Specifically, we think that the proposed envelope of allocations for the 14 pilot countries will generate unrealistic expectations about how much funding will be available in the next two years. Even with new contributions, the proposed envelope of \$560 million is more than double the amount of unallocated resources available when one considers the notional allocations to existing programs. While we agree that a certain amount of overprogramming is desirable, we believe that transparency about the potential availability of SREP resources is essential to ensuring that countries can plan and prioritize programs appropriately. .

A better solution would be to allocate new resources in a way that balances ambitious planning with prudent expectations about the availability of SREP resources. Our recommendation combines a more modest allocation with a phasing of the program. We propose that first phase of Investment Plans be guided by the amount of resources on hand plus a conservative amount of overprogramming. The second phase could be based on the 30 percent overprogramming recommended in the proposal, allowing fast-moving countries to have access to additional SREP funding, subject to resource availability. The third phase could be potentially financed by a variety of resources. We anticipate this will allow countries to be ambitious with their plans while reducing the possibility that SREP will not be able to fund a large portion of its pipeline.

We defer to the professional judgment of those closer to plan development as to whether it makes more sense to reduce the indicative allocations of all 14 prospective countries proportionally or use another means to phase IP development.

We look forward to reactions from other Subcommittee members and would be pleased to discuss ways we can make such an approach work. Thank you for your time and the opportunity to comment.

danny

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## **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

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

### 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 get 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.