

CLIMATE INVESTMENT FUNDS

April 13, 2015

**PROPOSAL FOR DISTRIBUTING GRANT AND NON-GRANT RESOURCES TO
THE SREP NEW PILOT COUNTRIES**

PROPOSED DECISION

The SREP Sub-Committee, having reviewed the document, *Proposal for Distributing Grant and Non-Grant Resources to the SREP New Pilot Countries*, agrees to the following guidelines for the 14 new pilot countries for planning purposes:

- a) For countries with low risk of debt distress, the share of grant resources to be requested should not exceed 45 percent of the country's total indicative funding envelope;
- b) For countries with moderate risk of debt distress, the share of grant resources to be requested should not exceed 55 percent of the country's total indicative funding envelope; and
- c) For countries with high risk of debt distress, grant resources could be requested for the country's entire indicative funding envelope, except for private sector projects which could request non-grant resources.

The Sub-Committee agrees to revisit these guidelines as appropriate when additional information becomes available.

I. INTRODUCTION

1. In January 2015, the SREP Sub-Committee approved the *Proposal for Allocating Resources to the SREP New Pilot Countries*.¹ The current proposal provides guidelines on the distribution of grant and non-grant resources to the SREP new pilot countries, based on the type of resources currently available and in accordance with the levels of debt distress for the new pilot countries.

II. GUIDELINES FOR EXISTING COUNTRIES

2. For the existing SREP countries², it is proposed that the guidelines approved by the SREP Sub-Committee in November 2011 continue to be applied. That is, for countries with a low risk of debt distress, no more than 70 percent of the indicative funding agreed to by the Sub-Committee should be drawn from grant contributions; for countries with moderate or high risk of debt distress, all indicative funding agreed to by the Sub-Committee can be drawn from grant contributions, except for private sector projects which could be drawn from capital contributions since they do not increase the sovereign debt of the country.

3. The Sub-Committee also agreed to revisit these guidelines as appropriate when additional information becomes available.³

Guidelines for New Pilot Countries

4. Based on the contributions of new resources to the SREP made in November 2014 and the levels of debt distress of the new pilot countries, the CIF Administrative Unit working with the MDBs proposes the following guidelines for distributing grant and non-grant resources to the SREP new pilot countries for planning purposes:

- a) For countries with low risk of debt distress, the share of grant resources to be requested should not exceed 45 percent of the country's total indicative funding envelope;
- b) For countries with moderate risk of debt distress, the share of grant resources to be requested should not exceed 55 percent of the country's total indicative funding envelope;

¹https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Proposal%20for%20SREP%20New%20Pilot%20Countries_revised%201-15-2015.pdf.

² Existing countries refer to the following 13 countries: Armenia, Ethiopia, Honduras, Kenya, Liberia, Maldives, Mali, Mongolia, Nepal, Solomon Islands, Tanzania, Vanuatu, and Yemen.

³ In endorsing the *SREP Investment Plan for Liberia* in October 2013, the Sub-Committee took note of the request by the Government of Liberia to receive all indicative allocation in the form of grants. Recalling its decision at the Sub-Committee meeting in November 2011 that for pilot countries with a 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 and recognizing that Liberia has a low risk of debt distress, the Sub-Committee requested that should grant financing be deemed appropriate in accordance with the approved *SREP Financing Modalities*, the Government of Liberia and the MDBs should provide sufficient justification for grant financing when submitting the project proposals to the Sub-Committee for approval of SREP funding. The Sub-Committee will decide at that time whether funding should be provided in the form of a grant.

- c) For countries with high risk of debt distress, grant resources could be requested for the country's entire indicative funding envelope, except for private sector projects which could request non-grant resources.

5. The table below provides information on the current risk of debt distress for the 14 new pilot countries⁴ and the indicative distribution of grant and non-grant resources for each country for planning purposes.

Country	Risk of Debt Distress	Grant (Maximum) (USD Million)	Non-Grant (Minimum) (USD Million)	Total Indicative Allocation (USD Million)
Bangladesh	Low	33.75	41.25	75
Madagascar	Low	22.50	27.50	50
Malawi	Moderate	27.50	22.50	50
Rwanda	Low	22.50	27.50	50
Uganda	Low	22.50	27.50	50
Benin	Low	18.00	22.00	40
Ghana	Moderate	22.00	18.00	40
Sierra Leone	Moderate	22.00	18.00	40
Zambia	Low	18.00	22.00	40
Cambodia	Low	13.50	16.50	30
Haiti	High	30.00	0.00	30
Lesotho	Moderate	16.50	13.50	30
Nicaragua	Moderate	16.50	13.50	30
Kiribati	High	5.00	0.00	5
Total		290.25	269.75	560

6. As a general principle for the purpose of programming, the amount of grants requested by the projects and programs in the pipeline along with other funding commitments requiring grants should match the availability of grant contributions. The new pilot countries are encouraged to engage the private sector during the development of their investment plans and to allocate, as appropriate, resources to projects and programs for implementation by the private sector.

7. The Sub-Committee may wish to revisit these guidelines as appropriate when additional information becomes available.

⁴ Source of countries' risk of debt distress information: <https://www.imf.org/external/Pubs/ft/dsa/DSAlist.pdf>.