

CLIMATE INVESTMENT FUNDS

SREP/SC.16/3
November 10, 2016

Meeting of the CTF Trust Fund Committee
Washington DC
Tuesday, December 6, 2016

Agenda 3

SREP OPERATIONAL AND RESULTS REPORT (SUMMARY)

PROPOSED DECISION

The SREP Sub-Committee reviewed document SREP/SC.16/3, *SREP Operational and Results Report*, and welcomes the progress that has been made in advancing the work of the SREP in the pilot countries.

The Sub-Committee appreciates the analysis conducted by the CIF Administrative Unit, in collaboration with the MDBs, on achievements and results, resource availability, pipeline review, and portfolio updates. The Sub-Committee encourages MDBs and the SREP pilot countries to take all possible measures to expedite the implementation of projects and the disbursement of funds.

The Sub-Committee welcomes the results that have been achieved so far and encourages the MDBs to continue providing information on expected and actual results of SREP.

1 Introduction

1. Following guidance by the Sub-Committee of the Scaling up Renewable Energy in Low Income Countries Program (SREP), this Operational & Results Report (ORR) is the first of its kind combining the previously separate Semi-Annual Report and Results Report. The report covers the period from January 1, to June 30, 2016, from an operational perspective, and it reports SREP results over a one-year period

2 Strategic issues

2. As of June 30, 2016, the SREP Sub-Committee has endorsed investment plans for 19 pilot countries, with total indicative endorsed allocations of USD 745 million and seven project concepts under the PSSA, with an indicative endorsed allocation of another USD 92.4 million, as Total SREP endorsed indicative funding is USD 838.9 million.
3. The overarching expected results under the 19 endorsed investment plans and PSSA include an estimated 6,686 gigawatt hours (GWh) electricity to be generated annually—equivalent to the annual electricity production of Armenia—and new or improved access to 17.3 million people—approximately the population of Malawi.

2.1 Resource availability:

4. As of June 30, 2016, the pipeline includes a total of USD 555 million of projects and programs (including MPIS) to be submitted for approval by the Sub-Committee.
5. The SREP's currency risk exposure to fluctuations in the value of the GBP has impacted the program's available resources. Between May 31 and June 30, the GBP experienced a decline in value of over 8 percent causing a commensurate decline in the value of the GBP 241.3 million unencashed promissory notes. During this period, unrealized currency related losses in the value of these promissory notes increased to USD 51.2 million, from USD 25.1 million
6. Expected funding available for programming was approximately USD 404 million. With a remaining pipeline of USD 555 million plus projected administrative costs of USD 43 million, total over-programming would reach USD 194 million. If the currency reserves are not needed to address declines in the value of the unencashed promissory notes, and the outstanding pledges are received, total over-programming amount would decline to approximately USD 120 million
7. As of June 30, 2016, there are sufficient resources to support funding commitment until February 2017, assuming that all projects in the pipeline will be submitted for funding approval.
8. There are still eight SREP pilot countries that have not submitted their investment plans for endorsement. Benin, Lesotho, Madagascar, Malawi, Sierra Leone, and Zambia expect to complete and submit their investment plans for endorsement at the Sub-Committee meeting in June 2017. Development of SREP investment plans in Kiribati and Yemen has been put on hold
9. The total indicative allocations for these countries amount to USD 295 million. According to the prior agreement of the Sub-Committee, investment plans from the new countries will be endorsed

regardless of funding availability, but for the purpose of pipeline entry, up to 30 percent over-programming will be applied to the SREP pipeline.

10. Given the current resource availability situation, there is no more headroom in over-programming agreements to allow new projects in the pipeline. Additional resources would be needed to allow projects of the remaining new countries without endorsed investment plans to enter the pipeline.
11. At its meeting in June 2016, the SREP Sub-Committee requested the CIF Administrative Unit to present an assessment as to whether and how Project Preparation Grants (PPGs) could be provided for endorsed investment plans for which implementation funding may not be available.
12. Total PPGs for SREP projects (approved projects + projects in the pipeline) accounts for USD 27.9 million, being the median USD 0.70 million per project and USD 1.5 million per country. Assuming similar figures for the remaining new countries, estimated PPG needs total USD 9.5 million

2.2 Pipeline Management measures:

13. A pipeline management policy paper has been prepared, to propose a more rigorous pipeline management approach, in response to the Sub-Committee's request and is expected to be presented to the Sub-Committee for consideration before or by the Sub-Committee meeting in December 2016

2.3 Private sector engagement:

14. The SREP Sub-Committee requested the CIF Administrative Unit to explore modifications to the SREP private sector mechanisms in order to increase the mobilization of private sector investments in SREP pilot countries. A paper with a proposed Enhanced Private Sector Program (EPSP) is expected to be presented at the SREP Sub-Committee in December 2016

3 Status of the SREP portfolio

15. As of June 30, 2016, total funding approved by the Sub-Committee reached USD 263.9 million¹ for 23 projects and programs, including two projects under PSSA (see Table 1). This amount accounts for 32 percent of the total indicative allocations under the endorsed investment plans and PSSA. These projects are expected to leverage a total of USD 1.9 billion in co-financing (with a 1 to 7.3 co-financing ratio) from the governments, MDBs, private sector, and bilateral agencies. Detailed information on co-financing breakdown by project is included in the *SREP Country Portfolios* document.

¹ Total Approved Project Funding=Project Funding+ IPPGs + PPGs

Table 1. Overview of SREP portfolio (as of June 30, 2016)

| | Indicative Pipeline Allocation | | | Approved funding | | Disbursement |
|-------------------------------|--------------------------------|-------|-----------------|------------------|-------|--------------|
| | TOTAL | IP | PSSA | Committee | MDB | |
| SREP Funding (in USD million) | 822.2 | 736.6 | 85.6 | 263.9 | 230.7 | 33.5 |
| Number of projects | 68 | 62 | 6 ^{a/} | 23 | 21 | 15 |

a/ Kenya Climate Venture Facility Project dropped from the pipeline in May 2016

3.1 Analysis of project approval delays

16. The most common reason used to explain project delays in submission to the Sub-Committee is the delays at the project design phase. Eleven projects in eight countries (Ethiopia, Mali, Tanzania, Liberia, Kenya, Honduras, Vanuatu and Maldives) identified this category as the main reason for the delays. The project design phase includes project design development, recruitment of technical experts, consultations with different stakeholders, negotiations, among other steps
17. Government approval processes also delay project submissions to the Sub-Committee in the case of five projects in three different countries (Kenya, Uganda and Honduras)

3.2 Disbursement analysis

18. Disbursements for the SREP were USD 6.59 million during the reporting period. This means that the cumulative disbursement figure grew by 24 percent between January 1 and June 30, 2016, from USD 26.9 million to USD 33.49 million
19. Out of 21 MDB approved projects, 14 are disbursing (four of them are capacity building projects). Two of them (advisory services with IFC on Ethiopia Geothermal Sector Strategy and Regulations and Lighting Ethiopia) are fully disbursed.
20. Six projects have deviated from programmed disbursement. Reasons for disbursement delays in these six projects vary: procurement/bidding issues in Maldives and Ethiopia, natural disaster and delays in contract awards in Nepal, Government restructuring and establishment of the project management unit in Honduras

4 Results reporting

21. Table 2 offers an overview of some SREP expected results and actual results (cumulative and for the latest 12-month reporting period). Most of the projects in the portfolio are at an early stage of implementation, hence not reporting on all key parameters:

Table 2: SREP results global overview (SREP funding USD 168.9 million²)

| | Actual (RY16) | Target |
|--|------------------|-----------|
| Electricity output (MWh/yr) | 276 | 2,584,369 |
| Improved energy access (people) | 7,395 | 4,922,713 |
| Improved energy access (businesses) | - | 300,722 |
| GHG emissions reduced/avoided (tons CO2 eq/yr) | 251.3 | 3,632,829 |
| Installed capacity (MW) | 0.9 | 732.6 |
| Co-financing (USD million) | 489.9 | 1598.1 |

*GHG reductions/ Electricity output: Targets ANNUAL

*Co-financing/ Installed capacity/ improved energy access:
Targets CUMULATIVE

22. **Electricity output:** The only project that is reporting on actual electricity produced is the *Self-Supply RE Guarantee Program* in Honduras, with 276 MWh produced and 174 tons of CO₂ equivalent avoided. It is the first SREP project in operation from October 2015, with an solar PV installed capacity of 0.9 MW.
23. **Improved energy access:** Two projects are reporting on actual improved energy access: *The South Asia Subregional Economic Cooperation Power System Expansion Project* in Nepal, benefitting 6,600 people (see Box 2) and *the Sustainable Rural Energization Program (ERUS)-Part I & III: Promoting Sustainable Business Models for Clean Cookstoves Dissemination* in Honduras, benefitting 795 people

² Funding for MDB approved projects, as of December 31, 2015.