

CLIMATE INVESTMENT FUNDS

SREP/SC.7/6
April 13, 2012

Meeting of the SREP Trust Fund Committee
Washington, D.C.
May 1, 2012

Agenda Item 7

PROPOSAL FOR SREP PIPELINE MANAGEMENT

Proposed Decision by SREP Sub-Committee

The SREP Sub-Committee reviewed document SREP/SC.7/6, *Proposal for SREP Pipeline Management*, approves the proposal.

I. INTRODUCTION

1. At the intersessional meeting in March 2012, the SREP Sub-Committee requested the CIF Administrative Unit to prepare, in consultation with the MDB Committee, a proposal for the management of the SREP pipeline in such a way as to ensure the effective and efficient use of SREP resources for review at the next Sub-Committee meeting during the week of April 30, 2012.

2. This document has been prepared by the CIF Administrative Unit in consultation with the MDB Committee in response to the above request. The document draws heavily from the CTF guidelines for pipeline management¹ and the proposed targets for the delivery of CTF projects being presented to the CTF Trust Fund Committee at its meeting in May 2012².

II. PIPELINE MANAGEMENT APPROACH

3. An important objective of pipeline management is to contribute to the effectiveness and efficiency of the SREP by providing predictability and confidence in the management of the funds to the governance bodies of the funds as well as the country teams that are responsible for preparing programs and projects. In addition, a pipeline management system is a tool to ensure that projects and programs submitted to the Sub-Committee for approval of SREP funding do not exceed the resources available in the Trust Fund.

4. **Contributions.** The Trustee has developed a Resource Availability Projection Tool to facilitate planning on when resources will be available for commitment under SREP. This tool provides forecasts of available funds and a summary of the cumulative contributions to the trust fund for the various forms of contributions (grants, capital, and loans).

5. Projections are based on the Trustee's discussions with contributor countries and experience and past practices in other multi-donor funds managed by the Trustee.

6. **Programs and Projects.** The pipeline of projects and programs is provided by the MDBs based on an indicative timeline for development of activities outlined in the endorsed investment plans. The MDBs' forecast for each project or program includes indicative dates for submission to the Sub-Committee for approval of SREP funding and for approval by the MDBs.

7. The SREP pipeline management approach builds on cash flow projections of inflow of contributions as provided by the Trustee and outflow of pipeline programming requirements as provided by the MDBs. These cash flow projections provide an analytical tool to assess the liquidity position of the SREP funds at any point of time, ensure that resources are available through the year, and smooth out the step pattern resulting from contributions being concentrated in the period of May to June of each year. It also ensures effective project processing by providing information to country teams that allow them to reasonably plan their work programs and schedule for approval of projects.

¹ *CTF Guidelines to Management of Pipeline and Revisions to Investment Plans*, December 15, 2011,

² *Proposal for Establishing Targets to Monitor Delivery of CTF Projects*, CTF/TFC.9/6.

8. **Pipeline Management Principles.** In proposing the pipeline management approach, the following principles and objectives have been taken into account:

- a) *Data accuracy:* Several levels of checks and balances should be established to ensure that data are accurate and reflect, to the extent possible, reasonable and realistic projections of both resource availability and pipeline needs. Each MDB is responsible for submitting accurate data in a timely manner. The CIF Administrative Unit is responsible for compiling the data into a user friendly pipeline, confirming that the data are consistent with the endorsed investment plans, identifying any “red flags”, and facilitating resolution by the MDB Committee of any conflicting requests for resources.
- b) *Partnership:* MDBs collaborating on the same investment plan should consult each other and inform the country before submitting data for inclusion in the pipeline management system. The SREP funding for projects and programs to be proposed to the Sub-Committee for approval should be consistent with the SREP resource allocation proposed in the endorsed investment plan, unless otherwise agreed by the MDBs and the respective government.
- c) *Collective agreement:* As the SREP is a collaborative partnership among the MDBs, pipeline management will be handled through collective deliberations with the objective of reaching a common position within the MDB Committee. When issues arise, the MDB Committee will review the available resource and programming needs within the pipeline requirements of each MDB and agree on a “calendar of approvals” following prioritization criteria as set forth in Section III below. If, on an exceptional basis, the MDB Committee is unable to reach an agreement on a “calendar of approvals,” unresolved issues will be brought on a case-by-case basis to the attention of the relevant Vice Presidents or equivalent level manager of the MDBs involved in the disagreement for advice and resolution.

9. **Pipeline Management Process.** Although the pipeline will be kept under review on a quarterly basis, it is proposed that the pipeline be managed on a fiscal-year basis (a 12-month horizon) to allow country teams to better plan their work. The following process has been agreed by the MDB Committee to achieve this goal:

- a) Prior to the start of the fiscal year (July – June)³, the MDB Committee, based on the projection of resources provided by the Trustee, will agree on an overall programming figure for the fiscal year. At mid-point in the fiscal year, a preliminary approval calendar for the first six months of the next fiscal year will be prepared.
- b) As an input to this process, the CIF Administrative Unit, based on the programming information submitted by the MDBs, will prepare a comprehensive

³ For planning purposes, the SREP pipeline management will follow Trustee’s fiscal year (June 30 to July 31).

list of programs and projects expected to be submitted for funding approval during the fiscal year. The Trustee will prepare a projection of resource availability for the fiscal year.

- c) The MDB Committee, based on the information provided under a) and b) above, will develop a proposed approval calendar for the fiscal year, with an indication of programs or projects to be submitted to the Sub-Committee for funding approval during each quarter of the fiscal year, taking into account the criteria in Section III below.
- d) The MDBs will seek to spread out submission of programs and projects to the Sub-Committee over the course of the year to avoid “front-loading” or “bunching” of project approvals. It is expected that there may be more approval activity during the last quarter of the fiscal year (April to June) due to slippage.
- e) The approval calendar will be reviewed on a quarterly basis, and revised as necessary, by the MDB Committee.
- f) The approval calendar, and any quarterly revision, will be disseminated to the Sub-Committee Members for information.

III. PIPELINE MANAGEMENT CRITERIA

10. In proposing an approval calendar for the fiscal year, the MDB Committee will apply the following criteria:

- a) *Project/program readiness*: Resources should only be committed for projects or programs that are ready to move forward to final approval and implementation so that SREP resources are effectively and efficiently used for on-the-ground activities. Hence, programming projections should be as realistic as possible with regard to the timing of program or project processing and should include information on the expected timeline for committing resources, including the expected date of final MDB approval, so that the MDB Committee can accurately predict resource needs and cash flows. Private sector programs encompassing an envelope of funding for a number of projects should be presented to the Sub-Committee for approval only when projects utilizing at least one third of the program’s resources have been identified and are mandate-ready. Public sector programs and projects should normally be presented to the Sub-Committee for approval before appraisal and negotiations of the lending terms.
- b) Despite best efforts at realistic planning, it is inevitable that there may be delays in processing of programs and projects. The MDB Committee will review any public sector program or project for which SREP funding has been approved, but which has not been submitted for MDB Board

approval within 9 months of the SREP funding decision. For private sector programs, the MDB Committee will review any program for which SREP funding has been approved but more than a third of the funds within the program have not been submitted for Board approval within (a) 9 months from the SREP funding decision for financial sector programs, and (b) 18 months from the SREP funding decision for infrastructure projects. Based on its quarterly review, the MDB Committee may decide that the approved funds be reallocated so as to provide more funding space for other faster-moving projects. Should the MDB Committee decide this course of action, it will inform the Sub-Committee of the reallocation by mail. Any project or program for which SREP funding has been reallocated due to delays in its processing may be resubmitted to the MDB Committee for reentry into the pipeline subject to availability of funds as soon as the delays have been resolved.

- c) *Balance*: The pipeline management system should ensure that there is a balanced approach amongst regions and investment plans. Therefore, in agreeing upon the approval calendar, the MDB Committee should consider the funds already approved under each investment plan and, in the aggregate, for each region and should seek to achieve an equitable balance among plans and regions. In order to promote a strong partnership and collaboration among the MDBs, it is also important to strive for active engagement of all the MDB partners. The MDB Committee will strive to promote a balanced distribution of funds through each of the MDB partners.
- d) *Public sector-private sector distribution*: SREP funding is to be used to support both public and private sector activities. It is important to have a critical mass of operations in both sectors. The distribution of activities within each sector should be considered if it is necessary to prioritize the approval schedule of projects and programs in the pipeline, and the distribution of available funding should reflect the proportionate allocation of resources to public sector and private sector investments agreed in the country investment plans, whenever possible.
- e) *Technological/sectoral diversity*: Diversity in technologies applied in SREP programs will help to strengthen the impact of the SREP as a mechanism to pilot new approaches to address climate change. The MDB Committee should, when necessary, give priority consideration in scheduling the approvals to programs and projects that reflect technologies not yet piloted in the SREP.
- f) *Co-financing opportunities*: Leveraging resources beyond the SREP funding is an important element of the SREP objectives. It is important to consider if potential sources of co-financing may be jeopardized should a program or project be delayed.

11. In discussing the approval calendar, the MDB Committee will screen the pipeline first for project/program readiness before assessing projects and programs against the other criteria which are all considered equally important.

IV. PROPOSED TARGETS AND ACTIONS

12. It is proposed that in order to enhance SREP operations and strengthen pipeline management, four milestones for program and project delivery should be monitored:⁴

- a) a milestone on funding approval by the Sub-Committee from the date of endorsement of an investment plan;
- b) a milestone on MDB approval from the date of SREP funding approval;
- c) a milestone on project effectiveness from the date of MDB approval; and
- d) a milestone on project disbursement.

13. Once the Sub-Committee approves the proposed targets, the status of monitoring the milestones will be reported to the Sub-Committee in the semi-annual reports on SREP operations, and the SREP traffic light system will be updated to incorporate the agreed milestones and targets.

14. The following targets are proposed to encourage expeditious delivery of SREP projects.

- a) SREP funding approval. Once an investment plan is endorsed, all projects/programs therein should be submitted to the Sub-Committee for funding approval within 36 months from the date of endorsement of the investment plan.

If delay is expected for the submission of any project or program for SREP funding approval exceeding 36 months from the date of endorsement of an investment plan, the MDBs should work with the country to review the progress of implementation of the plan and submit an update to the Sub-Committee with a detailed explanation on the reasons for delay, corrective measures, and new delivery targets.

If circumstances have evolved that require major changes of an endorsed investment plan,⁵ a revised investment plan should be prepared by the country with the support of the MDBs for review and endorsement by the Sub-Committee.

⁴ The proposed targets and actions are not intended to supersede MDBs' policies and procedures or the Financial Procedures Agreement between the Trustee and each MDB.

⁵ For definition of "major changes", see *CTF Guidelines to the Management of Pipeline and Revisions to Investment Plans*, December 15, 2011.

If the Sub-Committee endorses the update or the revised investment plan, the pipeline will be adjusted accordingly. If the Sub-Committee does not endorse the update or the revised investment plan, the Sub-Committee may decide to take appropriate actions, including releasing the resources from the plan and reallocating them to fund projects and programs in other endorsed investment plans.

- b) MDB approval. Submission of appraised projects for MDB approval should be no later than 9 months after SREP funding approval.⁶

If a project fails to meet this delivery target, the country in consultation with the MDBs involved (the MDBs in the case of private sector programs) should provide a detailed explanation to the Sub-Committee on the reasons for delay, corrective measures to be taken, and a reasonable new target for delivery.

If a project fails to meet the new delivery target, the Sub-Committee may review the situation and decide to take appropriate actions. Such actions may involve canceling project funding approval and releasing the funds for other projects and activities.

- c) Project effectiveness. Project effectiveness should take place no later than 9 months after MDB approval.

If a project fails to meet this delivery target, the country, in consultation with the MDB or MDBs involved, should provide a detailed explanation to the Sub-Committee on the reasons for delay, corrective measures to be taken, and a reasonable new target for delivery.

The Sub-Committee may also communicate to the senior management of the MDB and request appropriate actions to be taken to expedite project effectiveness.

- d) Disbursement. The MDBs will monitor project disbursement closely and report to the Sub-Committee. If significant delay occurs, the Sub-Committee may communicate to the senior management of the MDB and request appropriate actions to be taken to expedite project disbursement.

⁶ For private sector programs, the provisions under the pipeline management guidelines apply.