

CLIMATE INVESTMENT FUNDS

SREP/SC.IS.2/6
February 17, 2012

Intersessional Meeting of the SREP Sub-Committee
Nairobi, Kenya
March 8-9, 2012

Agenda Item 9

PRIORITIZATION OF PILOTS ON THE SREP RESERVE LIST

Proposed Decision by SREP Sub-Committee

The Sub-Committee reviewed the *Prioritization of Pilots on the SREP Reserve List*, (Document SREP/SC.IS.2/6), and agrees to consider for endorsement investment plans prepared by countries on the reserve list at the first Sub-Committee meeting after the plan is submitted to the CIF Administrative Unit.

The Sub-Committee agrees that SREP funding to finance the implementation of the investment plans should be provided to the countries on the reserve list in the following priority order:

1. Tanzania
2. Liberia
3. Yemen
4. Armenia
5. Pacific region
6. Mongolia

A pilot country and the MDBs are authorized to proceed with developing project and program proposals for SREP funding in a pilot country, taking into account the above priority order, provided that sufficient funds are pledged to the SREP to cover the full funding of each new pilot. Once this provision is met, the decision to proceed with developing project and program proposals in a pilot country should be confirmed by the Sub-Committee through a decision by mail.

I. INTRODUCTION

1. At its meeting in November 2011, the SREP Sub-Committee requested the CIF Administrative Unit to prepare a note for consideration at the March 2012 intersessional meeting of the Sub-Committee on the indicators that were applied to guide the allocation of resources to the SREP pilot counties and the results of applying those indicators to assign priority to the pilots on the SREP reserve list with a view to enabling a decision on the financing of additional pilots.

2. This note has been prepared by the CIF Administrative Unit in response to the Sub-Committee's request, taking into consideration the principles for allocating SREP resources approved by Sub-Committee, the indicators applied to guide the allocation of resources to the initial SREP pilot countries, information provided by the Expert Group in its prior reports to the Sub-Committee, and other sources of data.

II. APPLICATION OF INDICATORS TO THE PILOTS ON THE RESERVE LIST

3. The indicators that were applied to guide the allocation of resources to the SREP pilot countries were presented to the SREP Sub-Committee in November 2010 (document SREP/SC.4/5), and consisted of the following:

- a) *Size of the country*, composed of population and GDP at purchasing power parity (PPP), assuming that the larger the country, the higher potential it has to achieve a higher impact.
- b) *Potential for achieving results*, composed of the World Bank's Country Policy and Institutional Assessment (CPIA) and percentage of population with access to electricity. CPIA is the main criterion for allocating IDA resources (also referred to as the IDA Resource Allocation Index or IRAI), and is used to evaluate economic management, structural policies, policies for social inclusion and equity, and public sector management and institutions. This indicator also reflects the effectiveness of the country for utilizing external funding. The access-to-electricity indicator assumes that there is greater potential for countries with low access and hence significant pent-up demand to advance the objectives of the SREP.
- c) *Development challenges*, composed of the Human Development Index (HDI) and the GDP (PPP) per capita measures, assuming that the greater the development challenges, the more potential it has toward improving its conditions.

4. Data for the above three sets of indicators were collected, and are presented in Table 1.

Table 1: Data for SREP Pilots on the Reserve List

Country/ Region	Population (Million)	GDP – PPP (Million USD)	CPIA (IRAI)	Electricity access (%)	HDI	GDP per capita – PPP (USD)
Armenia	3.1	16,892	4.17	100	0.716	5,449
Liberia	4.0	1,673	2.83	1	0.329	418
Mongolia	2.8	11,123	3.33	90	0.653	3,973
Pacific*	1.1	4,046	3.14	40	0.602	3,601
Tanzania	44.8	62,699	3.83	11	0.466	1,400
Yemen	24.1	58,477	3.33	50	0.462	2,426

* Kiribati, Samoa, Solomon Islands, Tonga, Vanuatu
Data source: World Bank, UNDP, and Expert Group.

5. Applying the methodology used in the *Proposal for the Allocation of Resources to the SREP Pilots (SREP/SC.4/5)*, data in Table 1 are converted into ranges in order to have a relative comparison among these pilots. Those equal to or below (for population, GDP, and CPIA) or above (for electricity access, HDI, and GDP per capita) the median are assigned a rating of 1, those between the median and one standard deviation of the median are assigned a rating of 2, and those above or below one standard deviation of the median are assigned a rating of 3. A quantitative index of the indicators is derived using the average values of the indicators (Table 2).

Table 2: Results of Prioritization of SREP Pilots on the Reserve List

Country/ Region	Size of the Country		Potential for Achieving Results		Development Challenges		Average	Ranking
	Population	GDP	CPIA	Electricity access	HDI	GDP per capita		
Armenia	1	2	3	1	1	1	1.500	Medium
Liberia	2	1	1	3	3	3	2.167	High
Mongolia	1	1	1	1	1	1	1.000	Low
Pacific*	1	1	1	2	1	1	1.167	Low
Tanzania	3	3	3	2	2	2	2.500	High
Yemen	3	3	1	1	2	2	2.000	Medium

* Kiribati, Samoa, Solomon Islands, Tonga, and Vanuatu

6. The quantitative index results in the following priority ranking among the six pilots on the SREP reserve list:

1. Tanzania (High)
2. Liberia (High)
3. Yemen (Medium)
4. Armenia (Medium)
5. Pacific region (Low)
6. Mongolia (Low)

III. OTHER CONSIDERATIONS

7. Mongolia was among the original six pilot countries selected by the SREP expert group, who believed that it would add a valuable case to the program. Some members of the Sub-Committee expressed the view that priority should be given to Least Developed Countries in the selection of the pilot programs, and this led to a decision to include Mongolia on the reserve list. The Mongolian government expressed its disappointment about this decision, and has asked to be given special consideration when the Sub-Committee discusses allocation of funds to the reserve countries.

IV. FUNDING REQUIREMENTS FOR THE SIX ADDITIONAL PILOTS

8. In approving funding for the six pilots currently being funded under the SREP, the Sub-Committee agreed on a funding range for each of the pilots. The minimum amount allocated to each country was USD 25 million, with an upper amount of USD 50 million for two countries with a high ranking (Ethiopia and Kenya), USD 40 million for countries with a medium ranking (Mali and Nepal), and USD 30 million for two countries with a low ranking (Honduras and Maldives). A reserve was also established to provide additional funding for projects in the pilot countries in accordance with criteria to be approved by the Sub-Committee.

9. If resources become available for funding new pilots, similar ranges may be applied to the six new pilots resulting in the following:

Liberia and Tanzania	USD 25-50 million
Armenia and Yemen	USD 25-40 million
Mongolia and Pacific regional program	USD 25-30 million

10. Experience from the SREP and other SCF programs shows that countries investment plans usually request the maximum amount of the range and beyond. To fully fund the six programs at the top end of the range would require an additional USD 240 million in pledges.

V. PREPARATION OF INVESTMENT PLANS

11. The Sub-Committee agreed at its meeting in November 2011 that countries on the SREP reserve list may be invited to develop investment plans for scaling up the use of renewable energy, recognizing that resources may not necessarily be available to finance those plans under the SREP but that financing may be available through other sources of climate finance. The Sub-Committee also agreed that up to USD 300,000 may be provided to each of the countries on the SREP reserve list of pilot programs, and up to USD 600,000 to the Pacific regional pilot, to enable them to take a leadership role in working with the MDBs to develop investment plans.

12. As of February 17, 2012, four countries (Armenia, Liberia, Mongolia, and Tanzania) have confirmed their interest to the CIF Administrative Unit to participate in the SREP.

VI. MOVING FORWARD

13. The Sub-Committee should provide guidance as to whether it wishes to review and endorse investment plans that may be developed with SREP resources by countries on the reserve list either as soon as the plans are available or only when funds are available for financing the programs.

14. Regarding project and program funding by SREP, the Sub-Committee may wish to consider moving forward in programming additional resources pledged to the SREP either up to the maximum of each funding range or up to the minimum of each funding range for the new pilots. It is proposed that the new pilots be allowed to move forward according to their respective priority ranking as soon as sufficient funds are pledged to the SREP to cover the full funding of each new pilot.

15. Under a maximum funding range scenario, the pilot with the highest priority ranking may seek SREP funding once an additional USD 50 million is pledged, the pilot with the second highest priority ranking may thereafter seek SREP funding once an additional USD 50 million is pledged, and the pilot with the third highest priority ranking may thereafter seek SREP funding once an additional USD 40 million is pledged, and so forth.

16. Alternatively, under a minimum funding range scenario, which is USD 25 million for each pilot, the pilot with the highest priority ranking may seek SREP funding once an additional USD 25 million is pledged, the pilot with the second highest priority ranking may thereafter seek SREP funding once an additional USD 25 million is pledged, and the pilot with the third highest priority ranking may thereafter seek SREP funding once an additional USD 25 million is pledged, and so forth. Once all six new pilots have received the minimum funding (USD 150 million total), any further funding that may be pledged may become available to the pilots on the reserve list according to their respective priority ranking to allow each pilot to reach the top of the agreed range.