

CLIMATE INVESTMENT FUNDS

SREP/SC.IS.2/7
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Intersessional Meeting of the SREP Sub-Committee
Nairobi, Kenya
March 8-9, 2012

Agenda Item 10

PROPOSAL FOR THE SCOPE OF A PACIFIC REGIONAL PROGRAM UNDER THE SREP

Proposed Decision by SREP Sub-Committee

The Sub-Committee reviewed document SREP/SC.IS.2/7, *Proposal for the Scope of a Pacific Regional Program under the SREP*, and agrees that

- a) the following countries should be invited to participate in a Pacific regional program and to prepare a country investment plan:

XXX

XXX

...

- b) a regional component for knowledge sharing and capacity building may be developed if, after consultation with the above countries, the countries and ADB and the World Bank Group agree that such a component would have a clear value added to achieving the objective of SREP;
- c) any regional component should not exceed 10% of the total funding envelope for the regional program;
- d) the selected countries are invited to begin working with ADB and the World Bank Group to prepare their investment plans; and
- e) development and implementation of a Pacific regional program should build upon, coordinate with, and draw lessons from existing renewable energy initiatives and activities supported by other multilateral and bilateral institutions.

I. INTRODUCTION

1. During its meeting in November 2011, the SREP Sub-Committee agreed that it would be beneficial for countries on the reserve list of potential SREP programs to receive funding from the SREP to begin work to develop investment plans for scaling up the use of renewable energy. The programs on the agreed SREP reserve list are: Armenia, Liberia, Mongolia, Pacific regional program, Tanzania, and Yemen.
2. In approving the reserve list at its meeting in November 2010, the Sub-Committee recognized that it might be preferable to streamline the Pacific regional program proposed by the expert group that had been established to recommend pilot programs for the SREP. The Sub-Committee agreed that a decision on which countries should be invited to participate in a Pacific regional program should be determined in the future.
3. With the decision to provide an opportunity to countries on the reserve list of programs to begin work to develop investment plans, it is timely for the Sub-Committee to reach a decision on the countries to be invited to participate in a Pacific regional program.
4. To assist it in reaching a decision, the Sub-Committee at its meeting in November 2011 requested the CIF Administrative Unit to prepare, “a note on the experience and lessons learned from developing regional programs in the PPCR, and proposals as to the scope of a Pacific regional program under the SREP” for consideration at the March 2012 intersessional meeting of the Sub-Committee. A paper capturing the experience and lessons learned from developing regional programs in the PPCR has been submitted to the Sub-Committee as document SREP/SC.IS.2/Inf.4.
5. This note provides further information on the issue of which countries should be invited to participate in a Pacific region program under the SREP.

II. PRIOR DELIBERATIONS BY THE SUB-COMMITTEE

6. In June 2010, the SREP Sub-Committee approved an additional set of criteria to be applied by the Expert Group in selecting country and regional pilots to be included on a reserve list of potential SREP programs. The decision is provided below:

“The Sub-Committee requests the Expert Group to reconsider the countries that had previously submitted Expressions of Interest and to prepare a list of six alternate pilots that could be considered should funding become available for additional programs, utilizing the criteria for the selection of country and regional pilots previously agreed by the Sub-Committee. In addition, the Expert Group should:

- a) include on the revised list of alternate pilots the three countries previously recommended by the Expert Group: Armenia, Liberia and Mongolia (listed in alphabetical order); and

- b) for the other three to be included on the revised list of alternate pilots: i) give priority to those countries that have submitted an expression of interest that are least developed countries and low income countries, identified as such on the OECD DAC List of ODA recipients; ii) review the potential of a pilot program in a country having submitted an Expression of Interest in the Middle East and North African region and in the Pacific region; and iii) review the potential of a regional pilot program.”

7. In November 2010, the Sub-Committee reviewed and approved the Expert Group’s recommendation, which included a Pacific regional program. However, during the discussion on the proposed list of reserve pilot programs, a number of Sub-Committee members expressed the view that the group’s recommendation for five countries to be included in a regional pilot included too many countries for an effective program.

8. One member proposed that a single country program in the Solomon Islands should be pursued in lieu of a regional program. Another member suggested that the regional program be limited to the Solomon Islands and Vanuatu since they have the lowest levels of electricity access, at 14% and 19%, respectively, according to the supplemental report of the Expert Group. The Co-Chair of the Expert Group pointed out during the Sub-Committee meeting that the Expert Group considered countries individually, but she also noted the willingness of the Pacific countries to participate in a regional program as indicated in the expressions of interest letters submitted by each country.

9. Eventually the Sub-Committee approved a list of six pilots, including a Pacific Islands regional program, with the following caveat:

The Sub-Committee approves this list recognizing that it might be preferable to streamline the Pacific regional program. The Sub-Committee agrees that a decision on which countries should be invited to participate in a Pacific regional program should be determined in the future.

III. SCOPE OF A PACIFIC REGIONAL PROGRAM

10. In order to prioritize the potential countries in a Pacific regional program, the indicators and methodology that were used for prioritizing the SREP pilot countries as well as additional pilots are applied here.¹ Data for the indicators for the five Pacific countries are shown in Table 1.

11. Data in Table 1 are converted into ranges in order to have a relative comparison among these countries. Those 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,

¹ See document SREP/SC.IS.2/6, *Prioritization of Pilot Countries on the SREP Reserve List*.

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. Based on this index, a ranking is assigned to each of the countries. The results are shown in Table 2.

Table 1: Data for the Pacific Countries

Country	Population (Million)	GDP – PPP (Million USD)	CPIA (IRAI)	Electricity Access (%)	HDI	GDP per capita – PPP (USD)
Kiribati	0.10	246	3.0	60	0.624	2,469
Samoa	0.18	805	4.1	97	0.688	4,396
Solomon Islands	0.54	1,458	2.8	14	0.510	2,709
Tonga	0.10	471	3.5	92	0.704	4,529
Vanuatu	0.24	1,066	3.4	19	0.617	4,450

Source: World Bank, UNDP, and Expert Group.

Table 2: Results of Prioritization of the Pacific Islands

Country	Size of the Country		Potential for Achieving Results		Development Challenges		Average	Priority Ranking
	Population	GDP	CPIA	Electricity Access	HDI	GDP per capita		
Kiribati	1	1	1	2	2	3	1.7	4
Samoa	2	2	3	1	1	2	1.8	3
Solomon Islands	3	3	1	3	3	3	2.7	1
Tonga	1	1	2	1	1	1	1.2	5
Vanuatu	2	2	2	3	2	1	2.0	2

12. According to the prioritization results shown in Table 2, the country with the highest ranking among the five proposed Pacific countries is the Solomon Islands, followed by Vanuatu. Tonga has the lowest ranking, while Samoa and Kiribati fall in the middle of the rankings.

13. If only access to electricity is used as a sole indicator, the Solomon Islands and Vanuatu would still rank at the top (14% and 19%, respectively), followed by Kiribati (60%). Tonga and Samoa would rank the lowest (92% and 97%, respectively).

14. The Sub-Committee is invited to review these results together with document SREP/SC.IS.2/Inf.2 on the experience of regional programs under the PPCR and agree on the countries to be included in a regional program under the SREP.

15. The Sub-Committee may also take into consideration the absorptive capacity of the candidate countries as well as the minimum amount of resources necessary to initiate a transformational change in the use of renewable energy in these countries, bearing in mind the funding range of USD 25-30 million proposed for a Pacific regional program (document SREP/SC.IS.2/6).

16. If one country is to be selected, the notion of a Pacific regional program will no longer apply. The Solomon Island could be selected as the pilot country from the Pacific region, along with the other five countries on the SREP reserve list.

17. If two or more countries are to be selected to constitute a Pacific regional program, a strong rationale for funding a regional track in addition to the funds to be allocated to countries indicated in the program needs to be established, as suggested from lessons learned from developing regional programs under the PPCR. Furthermore, the development of any new regional program should build upon, coordinate with, and draw lessons from existing renewable energy initiatives and activities supported by other multilateral and bilateral institutions.

18. Given the proposed funding range and the possible number of countries to be included in a regional program, a number of funding scenarios could be envisaged. Table 3 provides possible funding scenarios for a Pacific regional program with the number of countries ranging from 1 to 5, and with or without a regional track, assuming that

- a) for scenarios with a regional track, 10% funding is allocated for a regional track and 90% funding is allocated for country investment programs, except for the case of a single country where regional track is not applicable; and
- b) whether with or without a regional track, funding is equally divided among the participating countries.

Table 3: Funding Scenarios for a Pacific Regional Program

Number of Countries	Funding per Country without Regional Track (Million USD)	Funding with Regional Track	
		Regional Track (Million USD)	Funding per Country (Million USD)
1	25-30	0	25-30
2	12.5-15	2.5-3.0	11.25-13.5
3	8.33-10	2.5-3.0	7.5-9
4	6.25-7.5	2.5-3.0	5.625-6.75
5	5-6	2.5-3.0	4.5-5.4

19. The MDB Committee has proposed the following for consideration by the Sub-Committee:

- a) the number of countries in a Pacific program should be limited to 2 to 3 in order to achieve transformational impact, keep transaction costs low, and avoid spreading the limited resources too thinly across countries;
- b) individual investment plans should be prepared for each selected country, and the regional component should be limited to knowledge transfer, capacity building, and experience sharing.