

CLIMATE INVESTMENT FUNDS

June 2, 2017

SREP PIPELINE MANAGEMENT POLICY

I. Introduction

1. At its meeting in June 2016, the SREP Sub-Committee requested the CIF Administrative Unit, working with the MDBs and the Trustee, to prepare a pipeline management policy for the SREP, taking into account the circumstances of SREP pilot countries, for consideration by the Sub-Committee at its next meeting.

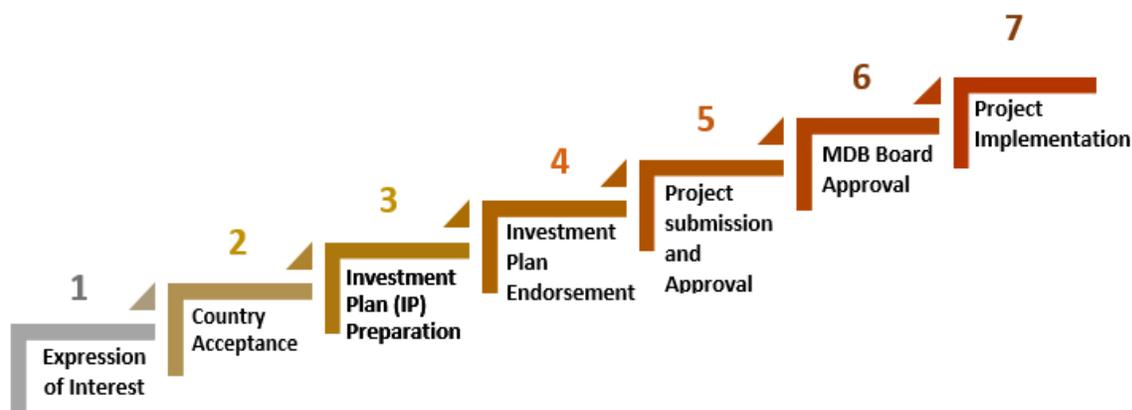
2. The Sub-Committee met in December 2016 and discussed a pipeline management policy paper for the three targeted programs under the Strategic Climate Fund (SCF) and provided initial feedback. More comments were received subsequent to the meeting. The Sub-Committee requested that a revised document on SREP pipeline management, including more elaboration of the “sealed pipeline” and a list of projects that could potentially be cancelled, be circulated to the Sub-Committee for review by January 31, 2017, and that a virtual discussion of the Sub-Committee be arranged to facilitate the decision making before the end of February 2017.

3. A virtual discussion of the Sub-Committee took place on February 22, 2017. The Sub-Committee requested the CIF Administrative Unit to take into account additional comments provided by Sub-Committee members and to provide an updated combined (grant and non-grant) sealed pipeline in the revised proposal.

4. Annex 1 provides an updated sealed pipeline of projects that matches the currently available SREP resources as of March 31, 2017, along with a reserve pipeline.¹ Annex 2 provides monthly resource tracking for the SREP. The sealed and reserve pipelines will be kept under review periodically and will be presented to the Sub-Committee every six months as part of the SREP semi-annual operational report.

II. Background and Context

5. The programming cycle of the CIF programs, including the SREP, broadly comprises the following stages:



¹ See under Annex 2 the approach agreed by the MDB Committee on the sealed pipeline.

6. Development and management of the CIF pipelines involve stages 3 to 6, from development and endorsement of an investment plan (stages 3 and 4) to preparation and approval of a project (stage 5) and project appraisal and approval by the MDB board (stage 6). Subsequent to MDB board approval of a project, the MDB's own policies on pipeline management and cancellation will be applied during project implementation.

7. Development of SREP investment plans is led by the governments of the pilot countries, with the support of the MDBs. Once an investment plan is endorsed by the Sub-Committee, it forms the basis for the further development of project proposals. Project proposals are submitted to the Sub-Committee for approval of funding at the pre-appraisal stage, before submission for MDB board approval.

8. When selecting pilot countries for the SREP, the Sub-Committee adopted principles for the allocation of resources to the pilot countries, taking into account, among other things, the pledges and contributions to the SREP. For the initial 12 pilots (including the Pacific regional program) selected between 2010 and 2013, the Sub-Committee agreed to a range of indicative allocations for each of the pilots. The minimum indicative allocation for each pilot was USD 25 million, with an upper amount ranging from USD 30 million to USD 50 million.² For the 14 pilot countries selected in 2014, the Sub-Committee agreed, for planning purposes, to an indicative allocation as an upper limit for each pilot country, ranging from USD 5 million to USD 75 million.³ It is important to note that the allocations for the pilot countries are indicative; they should not be considered entitlements to the countries or guaranteed funding for the projects. Actual funding decisions are made on the basis of project proposals subject to the availability of resources.

III. Existing SREP Pipeline Management Policy and Practice

9. In November 2011, the SCF Trust Fund Committee approved a pipeline management policy for the targeted programs under the SCF.⁴ The policy outlined the approach, principles, process, and criteria of pipeline management for the three SCF targeted programs. In addition, the policy provided specific procedures for managing pipeline changes and revision of the endorsed investment plans. These procedures, reproduced below (i.e., paragraphs 10-13) with some modifications tailored to the SREP, continue to be applied for the management of the SREP pipeline.⁵

10. Any change to the investment plan deemed to be strategic by the country or the MDBs should be presented to the relevant Sub-Committee for review and endorsement. In particular,

² Ethiopia, Kenya, Liberia, Tanzania: USD 25-50 million; Mali, Nepal, Armenia, Yemen: USD 25-40 million; Honduras, Maldives, Mongolia, Pacific regional program (Solomon Islands, Vanuatu, and a regional component) USD 25-30 million.

³ Bangladesh: USD 75 million; Madagascar, Malawi, Rwanda, Uganda: USD 50 million; Benin, Ghana, Sierra Leone, Zambia: USD 40 million; Cambodia, Haiti, Lesotho, Nicaragua: USD 30 million; Kiribati: USD 5 million.

⁴ https://www-cif.climateinvestmentfunds.org/sites/default/files/meeting-documents/pipeline_management_of_the_targeted_programs_under_the_scf_0.pdf.

⁵ To date, one SREP investment plan, from Nepal, has been revised, and the revised plan was endorsed by the SREP Sub-Committee.

guidance and endorsement from the Sub-Committee will be sought, through a decision by mail, for the following types of change to an investment plan:

- a) increasing the resource envelope for the investment plan;
- b) adding, dropping, or shifting resources between projects that adopt different renewable energy technologies by more than 15 percent of the funding envelope of the investment plan or by more than USD 5 million;
- c) shifting resources between the private and the public sector.⁶

11. Any other amendments to the investment plans will be notified to the relevant Sub-Committee through the semi-annual update, which will include information on the status of each of the projects and programs in the pipeline.

12. When the proposed changes to an investment plan require endorsement by the relevant Sub-Committee, a request to the Sub-Committee should be submitted to the CIF Administrative Unit for review. Such a request should include the following:

- a) review of the status of the implementation of the original investment plan;
- b) explanation of the circumstances and rationale for revising the investment plan and making changes to the projects or programs included;
- c) description of the proposed changes; and
- d) assessment of the potential impact of the proposed changes on achieving the objectives and targets of the original investment plan.

13. The Sub-Committee will review the revised investment plan and consider whether or not to endorse the proposed changes. If the proposed changes are endorsed by the Sub-Committee, the pipeline will be updated accordingly. For new projects introduced in the revised investment plan, the pipeline management timelines will restart only for the applicable projects that underwent changes.

14. For projects in the pipeline, as with all CIF programs, the CIF Administrative Unit uses a traffic light system to track the progress of the projects at two stages: between pipeline entry (i.e., following endorsement of the investment plan) and funding approval by the Sub-Committee and between Sub-Committee approval and MDB board approval. The results of the pipeline tracking are updated periodically and presented to the Sub-Committee in the semi-annual operational reports.

15. In October 2013, the SREP Sub-Committee approved a *Proposal for Enhancing SREP Pipeline Management*,⁷ which included measures related to readiness-based pipeline management and over-programming.

⁶ Projects implemented by the private sector arms of the MDBs are classified as private sector projects, whereas those implemented by the public sector arms of the MDBs are classified as public sector projects. It is recognized that projects implemented by the public sector arms of the MDBs may also engage the private sector through on-lending and/or other schemes.

⁷ https://www-cif.climateinvestmentfunds.org/sites/default/files/meeting-documents/srep_sc.10_6_proposal_for_enhancing_pipeline_management.pdf.

16. The SREP MDB Committee and the CIF Administrative Unit have followed the principle of readiness-based pipeline management and update and review the SREP pipeline on a semi-annual basis. Pipeline updates have been prepared for the entire SREP pipeline, comprised of all projects identified in the endorsed investment plans that have not been approved by the Sub-Committee. Readiness has been used as the primary criterion for the commitment of SREP resources.

17. With respect to over-programming, the SREP Sub-Committee agreed that up to 30 percent over-programming may be applied to the SREP, recognizing the need to safeguard the minimum allocation agreed for the pilot countries, in particular least developed countries and fragile states. The CIF Administrative Unit has been monitoring the approval rates of the first 12 pilots and includes such information in the semi-annual operational reports. In addition, the CIF Administrative Unit includes information on over-programming when circulating requests for project funding approval to the Sub-Committee.

IV. Measures for SREP Pipeline Management

18. The measures for SREP pipeline management in this section cover stages 2 to 6 of the CIF programming cycle, i.e., from country acceptance to the SREP to MDB board approval of a project. Once a project has been approved by the MDB board, the MDB policies on pipeline management and cancellation will apply.

Endorsement of investment plans

19. Strictly speaking, pipeline management starts after an investment plan has been endorsed by the Sub-Committee and the projects therein have entered the pipeline. For the 14 new pilot countries, the SREP Sub-Committee agreed in January 2015 to endorse their investment plans on a first-come, first-served basis, taking into account the quality of the investment plans, regardless of funding availability. Funding for the projects and programs proposed in the investment plans will be contingent upon the availability of funds. The Sub-Committee has invited SREP pilot countries, in cooperation with the MDBs, to design and/or adapt the investment plans and projects in a manner that enables access to other funding channels, in particular the Green Climate Fund (GCF).

20. Among the 27 SREP pilot countries (including Solomon Islands and Vanuatu as part of the Pacific program) that have been selected by the SREP Sub-Committee so far, eight have not presented their investment plans for endorsement by the Sub-Committee:⁸ Benin, Lesotho, Madagascar, Malawi, Sierra Leone and Zambia are in the process of preparing their investment plans and are expected to submit them for endorsement in 2017. Kiribati has confirmed that the World Bank will be the lead MDB to support the country to develop an SREP investment plan. As for Yemen, due to the security situation, the World Bank continues to suspend missions to the country, and therefore preparation of the SREP investment plan has been put on hold.

⁸ Indicative allocations for these countries are: USD 50 million for Madagascar and Malawi; USD 40 million for Benin, Sierra Leone, Zambia and Yemen; USD 30 million for Lesotho; USD 5 million for Kiribati.

21. 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.

22. Total PPGs for SREP projects (approved projects + projects in the pipeline) approved by the Sub-Committee so far total USD 27.9 million, with a median of USD 0.7 million per project or USD 1.5 million per country. About half of the projects under the endorsed investment plans have requested PPGs.

23. Assuming similar figures for the remaining new countries (excluding Yemen), estimated PPG needs would total about USD 10 million for the remaining countries without endorsed investment plans. If these countries request a PPG for every project, then total funding needs for PPGs would amount to about USD 20 million.

24. For the remaining SREP pilot countries, the Sub-Committee continue, as previously agreed, to endorse their investment plans after they have been fully developed and submitted by the governments, with the support of the MDBs. In accordance with the SREP resource allocation procedure approved by the Sub-Committee for the new pilot countries, the Sub-Committee may endorse investment plans regardless of the availability of resources. Given the proposed approach for managing the SREP pipeline (see section below on pipeline management after investment plan endorsement and pipeline entry), once an investment plan from the remaining countries is endorsed by the Sub-Committee, the projects identified in the plan will become part of a reserve pipeline. Projects in the reserve pipeline may become part of the “sealed pipeline” in the future if projects in the current sealed pipeline get delayed in submission or if additional resources become available to the SREP.

25. In order to encourage the countries and MDBs to complete the development of the investment plans for the remaining SREP pilot countries, up to USD 10 million PPGs will be set aside and made available to these countries upon request once their investment plans are endorsed. The Sub-Committee has requested that the pilot countries and MDBs present a strong justification for any PPG requests that accompany the submission of the investment plans.

Cancellation of IPPGs and PPGs

26. SREP cancellation policy for implementing investment plan preparation grants (IPPGs) and project preparation grants (PPGs) was approved by the Sub-Committee when the SREP was established in 2010.⁹ The specific provisions are reaffirmed below (paragraphs 27-29), and they should continue to be applied for the ongoing and future IPPGs and PPGs.

27. Reallocation of grant activities and funds. If the reallocation requires a formal amendment to the grant agreement according to the MDB’s policies, then the MDB will seek approval from the SREP Sub-Committee prior to amendment. If no amendment is required according to the MDB’s policies, the MDB may reallocate according to its procedures and will inform the SREP Sub-Committee upon such revision.

⁹ *SREP Financing Modalities*, November 8, 2010.

28. Grant cancellation. In addition to the requirement of the relevant MDB's policy on cancellation, the balance of investment plan preparation grants may be subject to cancellation under the following circumstances:

- (i) The grant agreement has not been signed six months after approval of the grant; or
- (ii) There has been no implementation progress, including zero disbursements for 12 months after signature of the grant agreement.¹⁰

29. The MDB Committee may approve exceptions on the basis of a satisfactory explanation, which will be reported to the SREP Sub-Committee.¹¹

Pipeline management after investment plan endorsement and pipeline entry

30. It should be recognized that over-programming was agreed by the Sub-Committee for the SREP, as a way to encourage competition and efficient use of limited resources. However, in the current circumstances of the SREP, and based on the experience of the CTF, the CIF Administrative Unit and the MDB Committee will prepare a "sealed pipeline" primarily based on readiness (i.e., the expected project submission date) and the available resources for funding commitment. The sealed pipeline will match the projected available funding, and it will be updated on a semi-annual basis, or more frequently depending on resource availability and pipeline movement.

31. If a project in the sealed pipeline fails to be submitted to the Sub-Committee for funding approval as scheduled, it will lose priority to receive funding. It may become part of a new sealed pipeline during the next round of pipeline update if sufficient resources are available. The sealed pipeline approach will provide more predictability of resources to the MDBs for project development and encourage them to deliver projects expeditiously and make best possible project submission forecasts.

32. Any projects that are not part of the sealed pipeline may not be funded by the SREP, and therefore could potentially be "canceled" from the SREP pipeline if no resources are available. These projects will be placed in a "reserve pipeline". In the event that projects in the sealed pipeline fail to be submitted as scheduled or that additional resources become available, projects in the reserve pipeline may be moved to the sealed pipeline based on their readiness. For projects that are not under active development, the MDBs should identify them as such during pipeline update, and such information will be reported to the Sub-Committee.

33. For projects that have remained in the SREP pipeline for over 24 months, the MDBs will continue to provide updates and detailed reasons for delays to the Sub-Committee through semi-annual operational reports and country portfolio reports.

¹⁰ Once a grant is approved by an MDB, the MDB cancellation policy should be taken into account.

¹¹ According to the *SREP Financing Modalities* (November 8, 2010), the Sub-Committee agreed to delegate its approval authority for preparation grants up to USD 1.5 million and for advances of such grants up to USD 375,000 to the MDB Committee.

34. When updating the SREP pipeline, the CIF Administrative Unit and the MDB Committee should consider a sealed pipeline along with a reserve pipeline as well as projects no longer under active development and present them to the SREP Sub-Committee in the semi-annual operational reports. Once additional investment plans are endorsed, if their projects cannot enter the sealed pipeline due to resource constraints, they will be placed in the reserve pipeline.

35. Annex 1 includes an updated SREP pipeline that consists of a sealed pipeline, a reserve pipeline, and a list of projects that are not under active development. Annex 2 provides a monthly resource availability schedule. The current sealed pipeline agreed to by the MDB Committee includes (1) all projects scheduled for submission in May 2017; (2) two projects scheduled for submission after May 2017 requesting primarily non-grant resources; and (3) all remaining projects requesting only non-grant resources.

Pipeline management after Sub-Committee approval

36. Following Sub-Committee approval of SREP funding, projects advance to the next stage of the CIF programming cycle to obtain MDB board approval. The following timeframes and measures will be applied for managing the SREP pipeline at this stage:

- For public sector projects, MDB board approval must be obtained within 9 months after Sub-Committee approval.
- For private sector stand-alone projects or programs (i.e., without sub-projects), MDB board approval must be obtained within 24 months. For private sector programs with sub-projects, MDB board approval must be obtained within 36 months for all sub-projects.
- These deadlines will be applicable unless otherwise specified in the project proposals approved by the SREP Sub-Committee.

37. This policy will take effect immediately upon approval by the Sub-Committee. For existing projects and programs that have already exceeded the above applicable deadlines (or that will exceed the above deadlines by September 30, 2017), a grace period is granted until September 30, 2017.

38. Under exceptional circumstances, the MDBs may request, with detailed justifications, an extension of the deadline for MDB board approval date. If the request is approved by the Sub-Committee, the new deadline will apply.

39. If a project fails to meet the above applicable deadline, the relevant MDB should take immediate steps to cancel the project funds.

40. In the event that a project approved by the Sub-Committee fails to be submitted or approved by the MDB board, in part or in full, the relevant MDB should take immediate steps to inform the CIF Administrative Unit and work with the Trustee to cancel the relevant project

funds. The CIF Administrative Unit will include such information in the semi-annual operational report.

Annex 1: SREP Pipeline

(Million USD, based on resource availability as of March 2017)

PROJECT ID	IP/ PSSA	COUNTRY	PROJECT TITLE	MDB	Public/ Private	Grant	Non- Grant	Expected Submission Date	Amt of grant to be reduced	REMARKS
SEALED PIPELINE										
XSRRW058A	IP	Rwanda	Renewable energy Fund	IBRD	Public	21.44	27.50	Apr-17		Approved
XSREHT047A	IP	Haiti	Renewable Energy and Access for All	IBRD	Public	10.00	-	May-17	1.38	
XSREHT050A	IP	Haiti	Renewable Energy for the Metropolitan Area	IBRD	Public	11.00	-	May-17		
XSRENI053A	IP	Nicaragua	Geothermal Development Project	IBRD	Public	8.25	6.75	May-17	0.54	to be allocated as nongrant
XSREHN007A	IP	Honduras	Grid-Connected RE Development Support(ADERC)-Transmission	IDB	Public	6.78	-	May-17		
XSREBD076A	IP	Bangladesh	Scaling Up Renewable Project	IBRD	Public	2.05	26.25	May-17	0.13	to be allocated as nongrant
XSREN504A	PSSA	Nepal	ABC Business Models for Off-Grid Energy Access Nepal	IBRD	Public	6.00	2.00	May-17	0.39	
XSREL032A	IP	Liberia	Renewable energy for Electrification in Eastern Liberia Project-Stand-Alone PV	AFDB	Public	23.50	-	May-17		
XSRET2027A	IP	Tanzania	Geothermal Development	AFDB	Public	19.55	5.00	May-17	2.82	
XSREBD064A	IP	Bangladesh	Off-Grid Solar PV-Solar Irrigation	ADB	Public	24.00	-	May-17	1.77	
PSREKE503A	PSSA	Kenya	Kopere Solar Park	AfDB	Private	-	11.60	May-17		
			PPGs for remaining SREP countries that have not submitted their IPs			10.00		May-17		
XSREHN010A	IP	Honduras	Sustainable Rural Energization(ERUS)	IDB	Public	7.48	-	May-17	0.93	
PSREKH072A	IP	Cambodia	Accelerating Solar Power through Private Sector (Rooftop Solar Systems and Utility-scale Solar Farm)	ADB	Private	3.00	11.00	Jun-17		
PSREBD062A	IP	Bangladesh	Grid Connected Renewables: Investment in Utility-scale solar, wind and rooftop solar (including technical assistance)	IFC	Private	0.50	15.00	Sep-17	0.03	
XSREAM035A	IP	Armenia	Development of Utility-Scale Solar PV	IBRD	Public	-	26.00	Jul-17		
PSREHN009A	IP	Honduras	Grid-Connected RE Development Support(ADERC)-Transmission	IDB	Private	-	5.00	Aug-17		
PSREKH073A	IP	Cambodia	Biomass Power Project	ADB	Private	-	5.00	Sep-17		
PSREGH046A	IP	Ghana	Utility-scale Solar PV/Wind Power Generation	IFC	Private	-	10.00	Oct-17		
PSREKE601A	PSSA	Kenya	Olkaria IV Geothermal Power Plant	AFDB	Private	-	20.00	Oct-17		
PSREET005B	IP	Ethiopia	Clean Energy SMEs Capacity Building and Investment Facility	IFC	Private	-	2.00	Dec-17		
PSREML015A	IP	Mali	Solar PV IPP	AFDB	Private	-	11.05	Jan-18		
PSREHT049A	IP	Haiti	Off-Grid Electricity Services for productive, Social and Household Uses Project	IFC	Private	-	7.00	Jun-18		
RESERVE PIPELINE										
XSRENI075A	IP	Nicaragua	Integral Development of Rural Areas Project	IDB	Public	7.50	-	Jun-17		
PSREUG067A	IP	Uganda	130MW Geothermal Development Program	IFC	Private	2.00	-	Jun-17		
XSREML017A	IP	Mali	Development of Micro/Mini Hydroelectricity for Rural Electrification in mali(PDM-Hydro)	AFDB	Public	8.70	-	Jun-17		
XSREET004A	IP	Ethiopia	Assela Wind Farm Project	AfDB	Public	18.30	-	Jun-17		
PSREHT048A	IP	Haiti	RE for the Metropolitan Area	IBRD	Public	1.50	-	Jun-17		
PSREHTXXXA	IP	Haiti	RE for the Port-Au-Prince Metropolitan Area	IFC	Private	0.50	-	Jun-17		
XSREKH074A	IP	Cambodia	Policy Support and Public Awareness	ADB	Public	3.00	-	Jun-17		
XSREKH071A	IP	Cambodia	Solar Energy Development (Solar Home Systems and Solar Mini-grids)	ADB	Public	5.00	1.00	Jul-17		
XSREKE013A	IP	Kenya	Menengai Geothermal Project	AFDB	Public	10.50	4.50	Aug-17		
XSRESB037A	IP	Solomon Islands	Renewable Energy Access Project	IBRD	Public	6.55	-	Sep-17		
XSREBD063A	IP	Bangladesh	Off-Grid Solar PV-Mini Grids	ADB	Public	5.00	-	Dec-17		
XSREMN055A	IP	Mongolia	Upscaling Rural Renewable Energy	ADB	Public	14.60	-	Dec-17		
XSREGH044A	IP	Ghana	RE Mini-Grids and Stand Alone Solar PV Systems	AFDB	Public	16.60	-	Jun-18		
XSREGH045A	IP	Ghana	Solar PV Based Net Metering with Battery Storage	AFDB	Public	11.89	-	Jun-18		
XSREUG068A	IP	Uganda	Decentralized Renewables Development Program: Mini-Grids & Urban Small Scale	AFDB	Public	7.10	-	Jul-18		
XSREUG070A	IP	Uganda	Wind Resource Map and Pilot Wind Power Development Program	AFDB	Public	4.93	-	Jul-18		
NOT UNDER ACTIVE DEVELOPMENT										
PSREMV026A	IP	Maldives	Waste-to-Energy Thilafushi	IFC	Private	4.00	-	TBD		
XSREUG066A	IP	Uganda	130MW Geothermal Development Program	AFDB	Public	4.30	27.50	TBD		
			TOTAL			285.51	224.15		7.99	

Annex 2: SREP Monthly Resource Tracking*

(Million USD, based on resource availability as of March 2017)

	Grant/NonGrant Breakdown			
	ALLOCATION		FUNDING BALANCE	
	Grant	NonGrant	Grant	NonGrant
Beginning Balance, Apr. 1, 2017			171.65	168.61
Less: Administrative Budget-FY18 to FY21	33.54		138.11	168.61
<i>Apr-17</i>	21.74	27.50	116.37	141.11
<i>May-17</i>	130.91	51.60	(14.54)	89.51
<i>Jun-17</i>	42.13	-	(56.66)	89.51
<i>Jul-17</i>	5.65	27.00	(62.32)	62.51
<i>Aug-17</i>	13.80	20.50	(76.12)	42.01
<i>Sep-17</i>	7.52	20.00	(83.64)	22.01
<i>Oct-17</i>	0.45	30.00	(84.09)	(7.99)
<i>Nov-17</i>	-	-	(84.09)	(7.99)
<i>Dec-17</i>	20.03	2.00	(104.12)	(9.99)
<i>Jan-18</i>	0.20	11.05	(104.32)	(21.04)
<i>Jun-18</i>	29.33	7.00	(133.65)	(28.04)
<i>Jul-18</i>	12.18	-	(145.82)	(28.04)
<i>Dec-18</i>	-	-	(145.82)	(28.04)
Add: Reserves			11.96	33.12
			(133.87)	5.08

*Funding balance shown in the table is prior to reduction indicated in Annex 1 and excludes potential release of the reserves.