Climate Investment Funds

Summary of the Co-Chairs
SREP Sub-Committee Meeting

June 22, 2010

Co-Chairs

Adrine Ter-Grigoryan, Armenia
Brigitte Cuendet, Switzerland

OPENING OF THE MEETING

1.   The meeting was opened by the Co-Chairs: Brigitte Cuendet (Sub-Committee Member from Switzerland) and Adrine Ter-Grigoryan (Sub-Committee Member from Armenia). It was noted that Ms. Cuendet would chair discussions on agenda items 5, 6, 7 and 8, and Ms. Ter-Grigoryan would chair discussions on agenda items 1, 2, 3 and 4.

2.   The representative from Denmark announced a pledge of 61 million Danish Krone (approximately USD 10 million) to SREP.

ADOPTION OF THE AGENDA

3.   The meeting adopted the provisional agenda set forth in document SREP/SC.3/1, with the understanding that under the item "Other Business" the Sub-Committee would discuss the process for finalizing the Chairs' summaries of the meetings.

SREP PROGRAMMING MODALITIES AND OPERATIONAL GUIDELINES

4.   The SREP Sub-Committee reviewed document SREP/SC.3/3, *SREP Programming Modalities and Operational Guidelines*, and commented on the text. Members may, if they so choose, provide additional written comments on the document to the CIF Administrative Unit by July 15, 2010. The CIF Administrative Unit is request to post all written comments on its website. The CIF Administrative Unit, in collaboration with the MDB Committee, is further requested to revise the document, taking into account the comments provided during the meeting and in writing by the Sub-Committee Members, and to circulate the revised document for approval by mail by the end of July 2010.

5.   The Sub-Committee also reviewed document SREP/SC.3/Inf.2, *Information Note on the use of hybrid systems under SREP*. The Sub-Committee was unable to reach a final decision on the funding of hybrid systems under the SREP, and it will need to revisit this issue in finalizing the programming document. Recognizing the objective of the SREP to provide funding to increase the use of renewable energy, the following options were considered:

   a. exclude hybrid systems that utilize non-renewable energy from SREP funded investments and activities;
   b. allow SREP funding for non-renewable energy hybrid systems on a case-by-case basis, bearing in mind the objectives of the SREP, while establishing a cap for the percentage of output from a SREP-funded investment program or activity that may be generated by non-renewable systems and requiring an analysis of long-term sensitivity to fossil fuel prices; or
   c. allow SREP-funded investments and activities to include components for hybrid systems, but such components would need to be financed from a source other than the SREP.

6.   The Sub-Committee agrees that up to USD 1.5 million in grant funding may be provided to countries to finance activities related to the preparation of an investment plan. An advance of this grant, up to 25% of the expected total, may be requested early in the process if such resources are required to assist the country to fully engage in leading the design of the SREP program. This agreement will be reflected in the proposed *SREP Programming Modalities and Operational Guidelines*.

PRESENTATION OF REPORT OF THE SREP EXPERT GROUP FOLLOWED BY QUESTIONS AND ANSWERS

7.   The Sub-Committee welcomes the presentation of the Co-Chairs of the SREP Expert Group on the work of the group and the group's report (SREP/SC.3/4) and expresses its appreciation for the work that has been carried out by the group and the further clarifications provided to the Sub-Committee by the group's Co-Chairs.   The Sub-Committee requests that further work be undertaken as discussed in paragraph 9 below.

SELECTION OF SREP PILOTS

8.   Based on the recommendations proposed by the SREP Expert Group, the Sub-Committee approves the following six pilots to be financed by the SREP (listed in alphabetical order)[1]:

> a) Ethiopia
> b) Honduras
> c) Kenya
> d) Maldives
> e) Mali
> f) Nepal

9.   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);
> 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

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[1]   Consistent with paragraph 34 of the *Rule and Procedures for SCF Trust Fund Committee Meetings*, which apply *mutatis mutandis* to meetings of the SCF Sub-Committees, the Sub-Committee Member from Solomon Islands, while not blocking a consensus decision, objected to the selection of the pilot countries, expressed concern regarding the lack of depth in the Expert Group report, and requested that the Expert Group rank all countries that had submitted an Expression of Interest before the Sub-Committee selects the pilots. The Sub-Committee Member from Nicaragua did not approve the selection of the pilot countries but did not wish to block the decision of the Sub-Committee. He objected that the list did not include Nicaragua despite the country being the second poorest country in the Latin America and Caribbean region and the country's substantial efforts in the energy sector.

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.

SREP FINANCING MODALITIES

10.   The SREP Sub-Committee reviewed documents SREP/SC.3/5 and SREP/SC.3/5/Add.1, *SREP Financing Modalities*, and commented on the text. Members may, if they so choose, provide additional written comments on the document to the CIF Administrative Unit by July 15, 2010. The CIF Administrative Unit is requested to post all written comments on its website.[2] The CIF Administrative Unit, in collaboration with the MDB Committee, is further requested to revise the document, taking into account the comments made during the meeting and in writing by the Sub-Committee Members, and to circulate the revised document for approval by mail by the end of July 2010.

11.   The Sub-Committee agrees to consider the issue of MDB fees separately from the financing modalities. The CIF Administrative Unit is requested to prepare, in collaboration with the MDB Committee, a paper on the MDB fees that provides greater clarity and more detailed information for consideration at the next meeting of the Sub-Committee in November 2010.

OTHER BUSINESS

12.   With respect to the Co-Chairs Summary that is to be prepared for each Sub-Committee meeting in accordance with paragraph 42 of the Rules of Procedure, it was agreed that the following steps will be followed:

   a) the CIF Administrative Unit will prepare a draft summary,
   b) the Administrative Unit will circulate the draft summary to all Members of the Sub-Committee for review,
   c) Members of the Sub-Committee may provide comments on the draft summary to the Co-Chairs, copying other Sub-Committee Members and the Administrative Unit,
   d) the Co-Chairs will approve the final summary, taking into account any comments submitted by Members.

13.   The Sub-Committee requests the Administrative Unit to prepare a note on the possibility of convening CIF Trust Fund Committee and Sub-Committee meetings in Europe as well as in Washington. The note should be submitted to the Joint Meeting of the CTF and SCF Trust Fund Committees in November 2010 for consideration.

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[2] The Sub-Committee Member form the Solomon Islands did not support the provision of an opportunity to submit additional written comments.

CLOSING

14.   The meeting was closed on June 22, 2010.