

Renewable Energy Financing Program for the Non Interconnected Zones (ZNIs)

Responses to Comments and Questions from CTF TFC Members

Prepared by the Inter-American Development Bank (IDB)

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We would like to thank the government of the United Kingdom for their questions. Please find below our responses.

Q: Could you please elaborate on the additionality of this proposal? It is described that there are already government initiatives and regulatory framework to increase energy access in ZNIs, can this program claim all the benefits of new RE plants?

A: Our analysis of credit demand for investment – informed by surveys conducted on all potential beneficiaries – was clear in that it is not possible to fund these investments in the next few years (4-5 years) due to lack of financing for private investments in these types of projects. Therefore, the additionality is entirely attributable to the program for the amount of investment undertaken over the relevant period under consideration (4-5 years). We are also considering that the program will have an additionality beyond these initial investments as it would foster the emergence of lending by local financial institutions to these types of projects (albeit at less favourable terms) over time. In the short term the regulations would not have an additionality impact. In the long term (beyond the first 4-5 years investments), the additionality assessment considers that both the pilot investments from the Program (allowing that financing in adequate conditions is made available to private investors) and gradual regulatory framework adoption would result in the private investments in new RE plants.

Q: Regarding the Developmental Impact, the proposal makes reference to the Millennium Development Goals. These have been superseded by the Sustainable Development Goals so it would be good if the proposal could be updated to reflect that.

A: Thank you. We have updated the references to the Sustainable Development Goals in section 4 (*Development impact*) of Annex 1, based on the [2030 Agenda for Sustainable Development](#), as follows:

Contribution to the Sustainable Development Goals (SDGs). The project aims to contribute to the following SDGs: (i) SDG 1: End poverty in all forms everywhere: Most (84%) of the users of the energy services in the ZNIs are classified by the statistics office of the Government of Colombia as living in the lowest socio-economic conditions (stratum 1), referring to the physical conditions of households and their productive capacity. Furthermore, within the ZNIs in Colombia, the percentage of unsatisfied basic needs (NBI) is 71%, whereas for the rest of the country it is 28%. The proposed Program is expected to enhance the quality of energy service provided by increasing the reliability of the system and enhancing daily-hours of electricity. This is expected to increase productivity and economic benefits, as local businesses would be able to operate longer hours and connect new equipment to increase production and improve the living conditions of the highly diverse

communities in the ZNIs, with approximately 840,000 indigenous people of different ethnic groups and 950,000 Afro-Colombians. (ii) **SDG 7: *Ensure access to affordable, reliable, sustainable and modern energy for all***: In the case of 1,118 communities in the ZNIs, 96% have low efficiency, expensive to operate diesel generators to cover their electricity needs. The energy use and GHG emissions are likely to contribute to a further deterioration of the environment unless low-carbon technologies are adopted. A challenge remains with respect to introducing new technologies to the grid. Generator service provider companies lack knowledge of the economic benefits of RE systems and perceive that RE investments are expensive (direct costs) and may not have the returns in the very short term of other alternative investments (opportunity costs).