

Response to Comments from SECO

Comment	Response
1. MDB Board approvals	
<p>a. (C/Q) MDB approvals are now lagging far behind SREP SC approvals. How realistic are the projections for FY18 (i.e. until 30.6.2018)?</p>	<p><u>World Bank</u>: The proposed February 2018 MDB Board approval date for The Nepal ABC Business Models for Off-Grid Energy Access and Mar 2018 for Bangladesh Scaling-up Renewable Energy Project are being reconsidered, given the progress so far is meeting the outstanding requirements for World Bank’s Board submission. The Board dates will be updated as soon as possible, taking into account the provisions of the SREP pipeline management policy.</p> <p><u>ADB</u>: All SC approved ADB projects have been MDB approved. Two ADB projects are expected to receive SREP funding approval by Q1 2018 and MDB approval by Q3/Q4 2018.</p>
<p>b. (Q) What is in particular the status of the Rwanda Renewable Energy Fund?</p>	<p><u>World Bank</u>: The REF was approved by SREP in April 2017 and by the WB Board in June 2017. The project became effective on November 3, 2017 and is now in implementation phase.</p>
2. Resource availability:	
<p>(Q) To what extent is the country programming reserve also affected by the decision of the SCF TFC on 11th December?</p>	<p><u>CIF AU</u>: Some activities under country programming that will request funding during this pause period will be affected.</p>
<p>(Q) In table 1 p.6, if only the sealed pipeline is considered, the balances of available resources would be USD 15.8 million (of which USD 6.2 million grant and USD 9.6 million non-grant. These figures are already taking into account the reserves for country programming and administrative</p>	<p><u>Trustee</u>: Considering only the sealed pipeline, the available resources would be USD 15.2 million, of which USD 5.6 million for Grants and USD 9.6 million for non-grants.</p>

<p>expenses, as proposed to the SCF TFC (but not accepted). Right?</p>	
<p>(Q) With cumulated disbursements at USD 50.4 million (only) and cash contributions at USD 513.2 million, there should be a cash balance of USD 462.8 million available to generate investment income. At 0.9% p.a. this balance should generate USD 4.17 million investment income in FY18. Is this so?</p>	<p><u>Trustee:</u> Not necessarily. The SREP Funds Held in Trust in cash at 30 September 2017 amounted to USD 371.6 million (see Trustee Report Table 4.3). This is expected to decline to less than USD 200 million in FY19 as cash is transferred for projects. The estimated pro-rata Investment Income allocation to SREP is reported in the Funding Gap slide circulated to the SCF TFC.</p>
<p>(Q) How compatible is this with the statements made in the trustee report on the financial status of the SCF discussed during the SCF TFC meeting of 11th December? It seems not, as according to your answers to our question Nr 1b regarding this report, only USD 1.1 million investment income is expected to be generated until 30.6.2018 by the overall SCF cash balances (which should be at last as large as only SREP's).</p>	<p><u>Trustee:</u> The USD 1.1 million in the Trustee Report (Table, 1, footnote 'f') is a conservative estimate. SCF balances are expected to decline over FY18, and are invested in Model Portfolios with different investment horizons; actual income will be available only at the end of the FY.</p>
<p>3. Investment Plans:</p>	
<p>(C/Q to MDBs) We have the impression that the current practice with new pilot countries to endorse SREP IPs and approve Project Preparation Grants in view to seek funding from other sources (incl. the GCF) is not successful. Is our impression correct? What are the barriers?</p>	<p><u>CIF AU:</u> MDBs responded to this question at the SC meeting. One of the barriers mentioned is the high transaction cost associated with seeing funding from the GCF.</p> <p><u>ADB:</u> The revised Cambodia SREP IP indicates the use of PPGs to support the government in developing large-scale solar energy development (e.g. utility-scale solar, mini-grids projects) to enable access to and secure GCF or other funding sources. PPGs will be processed as a project preparation TA to design these projects in accordance with the investment frameworks of, e.g., the GCF. It needs to be noted that the focal points of the Government of Cambodia for SREP and the GCF are not the same.</p>
<p>(C) IP preparation seems to be lagging since there is no longer a guarantee for project funding. To remediate to</p>	<p><u>CIF AU:</u> This was reflected in the SC's decision at the meeting.</p>

<p>this we recommend to set a deadline for IPs to be submitted to the SREP Subcommittee, e.g. December 2018. The remaining balance of PPGs should then be included in the Sealed Pipeline with a due date of Dec 2018.</p>	
<p>4. Results:</p>	
<p>(C) Results are still far from targets. We acknowledge that the latter have now (eventually) been adjusted to reality, notably with regards to the Menengai geothermal development project.</p>	<p><u>CIF AU</u>: Yes, we worked with AfDB to make the necessary adjustments.</p> <p><u>ADB</u>: Projects are still at early stages of project implementation. Maldives POISED project, with the commissioning of its first 2 MW solar capacity, is expected to report results by next reporting year (RY 2018).</p>
<p>(Q) With regards to the Menengai geothermal development program, what indications do we have that investors will be ready to develop the site (i.e. build a steam gathering system and a power plant)?</p>	<p><u>[AfDB]</u>: As of December 2017, three Independent Power Producers (IPPs) were selected to construct and operate three power plants with an installed capacity of 35 MW each. One of these IPPs is expected to start construction in February 2018 following the reception of a letter of support from the Government of Kenya. The other two are expected to follow suit.</p>
<p>(C/Q) Based on the report and the SREP Country Portfolio, we are concerned about the following projects:</p> <ul style="list-style-type: none"> i. Ethiopia geothermal sector development: significant delays, project may be restructured ii. Armenia geothermal project: the highest temperature 125°C measured in just one case is at the lower limit of feasibility iii. Liberia Renewable Energy for Electrification in North and Center Liberia Project: delay of 11 months re. contract to Owner's Engineer <p>(C) We reiterate our comment that the option of adding solar PV as an alternative RE generation source to these mini-grids at a later stage (i.e. if</p>	<p><u>World Bank</u>:</p> <p>i. Ethiopia geothermal sector development:</p> <p>The GSDP has experienced significant delay for several reasons, including the change of personnel at Ethiopia Electric Power (EEP), delay of engaging geothermal consultants, and delayed Government of Ethiopia (GoE) decision on the most appropriate approach to procure drilling rigs. Most notably, the EEP cancelled the bids for drilling rigs, which has been received in February 2016, due to the cost and technical considerations. The EEP now plans to procure drilling rigs, operation and maintenance service in Aluto under single contract, which is expected to be floated for bidding by March 2018.</p>

project savings are available) should be considered in the procurement process.

Please elaborate shortly on the status of these projects.

The EEP has made several important implementation progress in the past few months. EEP has shared with the Bank bidding documents for the abovementioned drilling contract in Aluto, as well as a civil work contract to prepare drilling sites. EEP is also now supported by qualified geothermal experts – ElectroConsult (appointed by EEP) and WestJEC (appointed by JICA). The EEP also developed a ToR for consultancy service to strengthen Ethiopia’s geothermal development capacity. The Bank team informed the GoE and EEP on key action items by the end of December 2017 and March 2018 to ensure the project progress, which are being closely monitored. The GoE has requested the Bank to restructure the project, taking into account the change of procurement approach and progress of key action items currently under implementation. The proposed restructuring will be presented to the SREP Sub-Committee in the coming months.

ii. Armenia geothermal project:

The implementing agency, R2E2 Fun, sent letters (including relevant reports and associated technical information) to 50 international companies that have experience in investing in geothermal power plants in order to gauge their interest in the Karkar project. Out of those 50 companies, only one company showed an interest in visiting Armenia to further study the proposed project. Given the low response to the first round of letters, the list of potential investors was extended to include foreign embassies (in Armenia) of countries with geothermal developments. The letters, sent on behalf of the Minister of Energy, were sent in September and the Ministry and R2E2 have requested the Bank to postpone the decision on next steps for the project until the end of October, in order to give enough time for potential responses.

In the meantime, the updated economic and financial analysis has been delivered by R2E2’s consultant. The analyses show that the geothermal plant would most likely not be economically viable compared with other supply options and that the minimum tariff required to make the project financially viable would, in most scenarios, be significantly above the average supply cost for Armenia. Therefore, the main question posed to the Government is whether, even if willing developers and investors were identified, it would make economic sense for the country to proceed with the project. The final decision will be made by the Government and the Bank in January but that, so far, there is no significant interest from the private sector to follow up on this project.

	<p>iii. Liberia Renewable Energy for Electrification in North and Center Liberia Project</p> <p>Re-bidding of the owner’s engineer has been completed, consultant has been mobilized, and inception visit took place in December 2017. The international procurement consultant is now on board supporting RREA in procurement of major packages (and delays in procurement is no longer expected). A Hydrology specialist and a Sedimentation specialist were appointed and they have completed their reports. The analyses by these specialists and the owner’s engineer have concluded that geotechnical studies will be needed to inform the design for the main hydro plant, which will take about six months to complete. Two options are currently being considered: i) either do the geotechnical studies now before inviting tenders for the main hydro plant; or ii) invite the tender now and detailed design will be done by the selected bidder based on geotechnical data. Option i) is preferred as it will minimize the risk of cost-overrun. The owner’s engineer will detail out the scope of the geotechnical studies and RREA is expected to initiate the studies shortly.</p> <p>Regarding the option of replacing diesel back-up with solar, in the short term, it still remains unfeasible given the costs of solar and the fact that diesel generation will complement hydro during the peak demand happening during evening hours (when solar cannot generate). However, the team will assess the feasibility of adding a pilot solar powered solution with batteries if savings are realized pursuant to the procurement process</p>
(C) We recommend to report intermediary results (i.e. outputs or intermediary outcomes) based on the results frameworks used by the MDBs at project level.	<u>CIF AU</u> : We fully agree. This was also reflected in the SC’s decision at the meeting.
(Q) To what extent is progress in the enabling environment for RE documented and monitored via the RISE indicator?	<u>CIF AU</u> : MDBs responded to this question at the SC meeting. More updates will be provided in the next operational report.

5. Sealed Pipeline

(C) We noticed that the project “AfdB / Development of micro/mini hydroelectricity for rural electrification in Mali (PDM-Hydro)” has already been submitted to the AfDB board without SREP co-financing. If this is the case, that project has obviously no urgent need of SREP co-financing and should thus be replaced by another project from the reserve pipeline.

AfDB: The SREP component (USD 8.7 million in grant resources) was not initially included in the financing plan for the simple reason that until recently the project was not part of the SREP Sealed Pipeline and as such there was no visibility on the availability of SREP funding. Because this project is a priority to the Government of Mali, both parties in cooperation with the African Investment Facility (AfIF) of the European Union have decided to advance with the project despite being forced to shorten its scope. Whereas the SREP Mali Investment Plan mentioned the construction and operations of four micro-hydropower plants, two mini-hydropower plants and respective transmission and distribution networks, the document submitted to AfDB’s Board of Directors only mentions two micro-hydropower plants, the respective transmission and distribution networks, institutional building and a project management component.

Following the graduation of the project into the SREP Sealed Pipeline, the project’s team is now considering avenues to extend the scope of the project as well as the participation of other donors (e.g. Islamic Development Bank) and table the SREP funding for approval by our Board of Directors following approval by the SREP Sub-Committee.