

March 28, 2014

Response from IBRD—Approval by mail: Maldives: Accelerating Sustainable Private Investments in Renewable Energy (ASPIRE) (SREP) IBRD

"How does ASPIRE give content to the Climate Investment Fund ambition to promote gender as driver of transformative change?"

ASPIRE will enable investments in solar PV, which cheaper than diesel for producing electricity in Maldives. In presence of suitable tariff reform, PV penetration will reduce tariff for consumers. One of the best ways to lift women out of poverty is to give them income-generating opportunities. Low cost renewable energy can support women entrepreneurship enabling them to run small enterprises, such as small stores, tailor shops, beauty salons, or handicraft workshops, etc. out of their homes. Lower tariffs can encourage women to extend their evening hours for education, income-earning activities, and improvement of family conditions. Women's safety will also improve with increase in consumption of low cost renewable energy for street and community lighting.

Additionally, ASPIRE will increase capacity of women engaged in electricity sector, in general, and PV sector, in particular. Targeted trainings can be provided to women technocrats working in Maldivian utilities and bureaucracy. Also, women will be encouraged through trainings and awareness to join the PV sector workforce.

Finally, a decline in bulk power costs will result in a reduction in government spending on electricity subsidies, as well as smaller foreign exchange outflows due to lower volumes of oil product imports. These funds could be directed towards education and health-care programs that disproportionately benefit women and make the society more aware of gender issues, moving the country towards greater inclusiveness of women in the country's development.

2. To what extent has the interest of private sector investors for this type of investments in Maldives been sufficiently analyzed and demonstrated to justify the expectation that 34 million USD private sector investments will be leveraged?

The team and the Government of Maldives, with the assistance of their Advisors, have conducted a thorough outreach to the market, having contacted and spoken to over 70 companies in the PV space. More than 25 companies have stated their interest in Maldives and communicated their expertise in the PV deployment, preferred developer selection mechanism and size of the Maldivian opportunity. The market sounding exercise culminated in Investor Conference organized by Government of Maldives on March 26, 2014, where more than 20 companies participated and provided detailed feedback on the design of ASPIRE program. Suggestions were received regarding technical issues, bidding strategies, contractual structures, subsidies, as well as the security package. Based on the feedback received, both at the conference and also

before that, the team is convinced that private companies clearly see the business case for PV deployment in Maldives. They also saw value in the SREP-World Bank security package as an appropriate risk mitigation instrument, which proposes to provide coverage for short term payment shortfalls, as well as mitigation for the more severe early termination of contracts. Feedback received through this exercise has informed discussions with government and also the project design. If appropriate solutions are reached on certain critical risks, such as currency inconvertibility, we believe that private investment for 20 MW in 5 years, and a continuing penetration of solar technologies beyond the program life is fully justified. This would mean investments above the \$34 million.

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