

CLIMATE INVESTMENT FUNDS

SREP/SC.IS.3/Inf.3

July 24, 2013

Intersessional Meeting of the SREP Sub-Committee

Brussels, Belgium

July 25, 2013

**COMMENTS ON TANZANIA'S INVESTMENT PLAN
SUBMITTED BY SUB-COMMITTEE MEMBER FROM UNITED KINGDOM**

Initial UK comments on the SREP Plan for Tanzania

We welcome the Tanzania SREP investment plan and support its objectives and its overall prioritisation of geothermal and off-grid electrification (RERE). We have however the following comments for further consideration in the working up of the individual projects.

On the investment plan and delivery **approach in general**:

- We are concerned about the capacity on the part of the MDBs in Tanzania to deliver on their lead-MDB roles on each of the programmes. We believe that **there should be someone based in Dar es Salaam within each MDB with lead responsibility and competence to deliver on the lead-MDB role in the Geothermal and RERE projects.**
- We are keen that up to date and consistent methodologies on results are in use in SREP, and request that **the logframe be reviewed and strengthened** based on the indicator methodologies by the CIF Admin Unit. In particular we are keen for a **realistic and comparable estimation of the energy access beneficiary numbers.**

On the **geothermal component specifically**, while we strongly support the development of Geothermal potential in Tanzania we have a series of concerns:

- It is our view that at the current tariffs and with the current offtaker risk profile, the **projections for private sector lending into the Geothermal project are not realistic.** We suggest that more rigorous and realistic analysis, as well as lender market soundings, are done in the project design phase. These should be reflected in the project documents and should also provide useful insight for the Government in spurring critical reforms and informing the technical assistance work. We hope that the SREP Enabling Environment Indicator in development can also support this process.
- While the offtaker risk issue is addressed to some extent in the inclusion of a Partial Risk Guarantee element and mention of a Letter of Credit to developers, there is very little detail on this. In the project document we would expect to see **more detailed proposals for how any guarantee and/or insurance instruments would be integrated with progress on the underlying tariff and TANESCO reform issues** to increase lender confidence and reduce borrowing costs.
- We support the application of SREP financing to support technical assistance, transaction advisory services and development of the regulatory environment for Geothermal. We look forward in the project documents to a breakdown of what this will be spent on, a timetable for it (including phasing of payments linked to milestones achieved), and to discussing **how the additional donor support to Geothermal in East Africa may be coordinated.**

On the off-grid Rural Energy for Rural Electrification (RERE component), we welcome the clear focus on clean energy access in Tanzania, however we have the following concerns:

- We are **concerned at the cost of \$1m for consultants to prepare the RERE project** without further budget justification. We would like to see the MEM/REA and lead MDBs delivering more of this work.
- **In the mini-grids component, the proportion of the SREP funds going to transaction advisory services, training and management (almost 50% of the \$15m set aside) is high**, and we would welcome further justification of this.

Does IFC plan to expand the bundling concept TEDAP is trying with intermediaries to provide advisory services (for example with GVEP International supporting 6 projects)?

- On the timeline for delivery of the project documents, it is stated on p97 that these will come to the SREP committee in May 2014, but the preparation grant request states Q4 2014 on p99. **We clearly prefer the earlier date**, which is also more in line with the UK's timeline for additional support to this sector in East Africa, which we would like to align closely with SREP support.
- Given the importance of community consent, involvement and awareness to off-grid market expansion, the programme design should set out a stronger approach to **facilitating community and CSO engagement with the RERE programme**. While the IFC would be potentially well placed (noting our earlier comment on need for staff in country) to provide TA to off-grid businesses and developers, they do not have capacity to engage with communities and consumer groups on their involvement.