

July15, 2015

**Approval by mail: Armenia: Geothermal Exploratory Drilling Project (SREP) (World Bank)-- Project Implementation and Supervision Services – Comment from the UK**

Dear Mafalda,

Thanks you for the decision by mail to approve MPIS costs which were omitted from the earlier project approval.

We note that the costs are within benchmark and subsequently approve the decision. However, we also note that the second tranche of \$320,000 exceeds the estimate presented in the investment plan by \$120,000 – this is a significant increase in excess of 35% of the MPIS costs originally presented. While we note the requirement for MPIS costs to be explained if they exceed benchmarks, there does not seem to be a requirement for these costs to be explained when the original estimates deviate from earlier estimates (as in this programme) by a significant amount. Would it possible to include a requirement for MPIS cost increases (or reductions) in excess of a 10% change from costs originally proposed to be briefly explained at the time of project approval?

Kind regards

Simon

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