

CLIMATE INVESTMENT FUNDS

SREP/SC.7/Inf.2
April 26, 2012

Meeting of the SREP Sub-Committee
Washington, D.C.
May 1, 2012

COMMENTS SUBMITTED BY THE SUB-COMMITTEE MEMBER FROM SWITZERLAND

This paper has been submitted by the Sub-Committee member from Switzerland who is unable to attend the Sub-Committee meeting but wanted to share his views on the different agenda items before the Sub-Committee.

After further consultations with the CIF Administrative Unit and other colleagues on the Sub-Committee, the member indicated that the following should be added to define the Swiss “limit position” on the subject of the Results Framework.

"We would agree to a revised Results Framework in which the (existing) objective “Strengthening the Enabling Environment for Renewable Energy” is included with policy indicators and measurement concepts for the latter yet to be defined."



Meeting of the SREP Subcommittee / May 1st, 2012
Swiss positions

Switzerland will not be able to attend the meeting and thus delegates its representation to the representative of Denmark (Mr Christoffer Bertelson), our twinning partner, based on the following positions:

Agenda Item 2 : Election of Co-Chair from contributor countries

As indicated by e-mail earlier Switzerland supports the candidature of the Netherlands as co-chair of the SREP Subcommittee until May 2013.

Agenda Item 4 : Proposal for a revised SREP Results Framework

As indicated during the intersessional SREP subcommittee meeting in Nairobi and in the different e-mail exchanges thereafter, we insist on keeping the result "strengthened enabling environment for renewable energy production and use", measured by the two indicators:

- Adoption of and implementation of low carbon energy development plans
- Enactment of policies, laws, and regulations for renewable energy

The key issue here is that in order to achieve a transformational impact, it is not enough to realize a number of successful projects, but it is essential that the enabling environment is strengthened to foster further actions, notably by the private sector.

We acknowledge that the issue is mentioned in paragraph II-9, but that is not enough in our eyes. In order to be achieved, it needs to be required, planned and measured and thus it belongs into the Results Framework. Also it is part of the overarching programmatic approach of SREP and cannot be included at the project level.

Agenda Item 5 : Semi-annual report on SREP operations

We thank the CIF Admin unit for the semi-annual report and we would like to raise the following questions:

- We still see a significant discrepancy between the grant/credit ratio in the financing requests as compared to the available funds. How will this issue be addressed?
- We are presently experiencing political upheavals in two pilot countries (Maldives, Mali). How will this affect the implementation of the program? Do we have mitigation strategies in this regard?

Agenda Item 6 : Investment Plan for Ethiopia (Response to comments)

We thank Ethiopia for their answers to our comments. However we still have significant concerns, notably about the following questions/answers:

- Q/A 1: We seriously question the relevance of the used definition regarding electricity access with Ethiopia's claim that 41% of rural towns and villages presently have access (i.e. are connected to the grid) while EEPCo has only 2 million customers in a country of 88 million inhabitants (that is 2.3%) and where only 10-15% of the population (people) actually have access to electricity, depending on the statistics. With regards to poverty alleviation, the relevant issue is the percentage of people who have access.
- Q/A 3: Generating export revenues based on cheap excess hydropower is a reasonable strategy. However, the diversification of RE sources to geothermal and/or wind power, using SREP grants and concessional loans, must primarily benefit the development through energy access and security of Ethiopia, and not serve to further increase electricity exports.
- Q/A 4: We still do not see how the local manufacturing will affect the cost of wind power in Ethiopia and if this would be competitive with the Chinese suppliers. Could Ethiopia please share the result of the underlying studies?
- Q/A 5: We still do not see the demonstration and transformation impacts of a third government owned and promoted wind farm. Such an impact would be reached if the opportunity of available SREP funds are used to promote an Ethiopian PPP in the wind sector and mitigate the related financial risks. We would have strong reluctance to endorse the project if we do not see a clear demonstration/transformation effect.
- Q/A 8: We would like to have the IFCs position on this subject (i.e. stating that the private sector has enough funds available at good conditions in Ethiopia).
- Q/A 9 and 10: Switzerland still considers that the present IP does not enough address the two key aspects of energy poverty alleviation and private sector involvement. Our proposal to reallocate more funds to component 3 stems from this weakness which was also outlined by the independent external review: "*The largest contributions to poverty reduction will come from the energy SME capacity project, which will result in a reduction of the use of biomass and kerosene and result in more time to pursue productive, educational and other activities*". This is a strong statement given that only 8% of the SREP contribution is foreseen for component 3.

Agenda Item 7 : Proposal for SREP Pipeline Management

We have no objection to the proposal.

Agenda Item 8 : Proposal for selecting projects for funding from the SREP reserve

We have the following comments regarding the mentioned paragraphs:

- II-5: In our opinion "Readiness" defined as "*progress in developing and implementing projects and programs foreseen in a country's investment plan*" is not adequately measured by the percentage of the indicative funding allocation approved by the SREP Subcommittee. It takes more than approval to implement a project. Therefore, if this is the only criterion for readiness we can imagine, the percentage should be higher than the proposed 30-50%. We suggest 75%.
- II-20: taking into account the above, we should definitely postpone the decision on selecting projects for funding from the SREP reserve for the first six pilot countries until May 2013 or beyond.
- III: A key open question regarding the disposal of reserve funds is how the additional pilot countries should be treated in this respect. Should an additional reserve fund be constituted or should additional money be injected into the existing reserve fund each time a new pilot country is admitted, making the latter eligible for reserve funding in the same way as the first six pilot countries. In this case the question regarding the timing of reserve fund allocation has to be addressed.