

CLIMATE INVESTMENT FUNDS

May 26, 2017

[[APPROVAL BY MAIL]: HAITI: RENEWABLE ENERGY AND ACCESS FOR ALL (WORLD BANK) (SREP) (XSREHT047A) AND HAITI: RENEWABLE ENERGY FOR THE METROPOLITAN AREA (WORLD BANK) (SREP) (XSREHT050A)

RESPONSE FROM WORLD BANK TO COMMENTS RECEIVED FROM UNITED KINGDOM

Thank you for the follow up questions. Please find our responses below.

I - Regarding the sensitivity of the NPV to changes in discount rates.

Yes indeed, we have modelled the effect of various other discount rates on NPV in depth, as part of the extensive scenario analysis summarized in Annex 6. For example, we have ran all economic analysis scenarios also for the 10% country hurdle rate used as “traditional” hurdle EIRR by most previous World Bank PADs (and by many other donors to date) - and NPV indeed stays positive at 10% discount rate for all relevant scenarios, both for the overall project and the individual subprojects (this is one reason why we refer to the EIRR results as “robust”).

You can get a good idea of this robustness of NPV, amongst others, from the following ANNEX 6 results:

1. The EIRRs with carbon benefits (base case) for ALL relevant subprojects and components (including the conservative cases for the main parameters besides discount rate) vary from 11% to 54% [§1 Annex 6]. Given that the EIRR is defined as the “switching value” for which NPV turns 0, in the case of RE projects (which have front loaded costs and benefit from lower discount rates), this is tantamount to NPV>0 in all cases (sic) for all discount rates 0 even for discount rates higher than 11%.
3. Table A6.6 shows the full (sic) sensitivity of EIRR for one probable Component 1 site (Jeremie) on many design parameters, including quite unattractive combinations (the orange dots): again, you can see that EIRR>10% for all but 2 cases.
4. Finally, Table A6.8 shows the NPV at 2% (upper table part) and at 10% (lower table part – which says “old WBG standard country hurdle rate”) for all system types of component 2 (the tables are small, sorry for that!). You will see there that NPV@10% is positive and robust for all system sizes and types.

II. Regarding the calculation and attribution of results to SREP and CTF financing to avoid double-counting.

The first column of the table in Annex 7 (page 129) presents, for component 2 (or SREP Renewable Energy and Access for All project), the results that can be attributed to SREP financing only, excluding the impact of CTF co-financing. To avoid double-counting in reporting to CIF, SREP and CTF results are reported separately. The allocation is based on the relative weight of each funding source in the financing package of off-grid investments (see also footnote 105 on page 129).