

# CLIMATE INVESTMENT FUNDS

July 3, 2017

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**[APPROVAL BY MAIL]: TANZANIA: GEOTHERMAL ENERGY DEVELOPMENT PROJECT  
(SREP)(AFDB)-XSRETZ027A**

**COMMENTS FROM SWITZERLAND**

Thank you for your answers. We have some follow-up questions and comments:

I. (Re. answer to question 1b): (Q) What results would be considered promising in terms of heat, pressure, and other relevant technical criteria?

II. (Re. answer to question 1c): (C) It shall be understood that in such a case where the results of exploration drilling are not promising/conclusive, the SREP subcommittee shall be re-consulted to determine what shall be done with the unused SREP contribution.

III. (Re. answer to question 2b): (C/Q) We have attempted to distribute the different contributions on the 4 components but could not succeed since certain information does not tally or is still not clear, including:

a. There is a funding gap in component A. Who fills this?

b. SREP grant is \$16.73 million but the sum over components A, B and C is \$16.8 million.

c. Component C: Total is \$1.7 million, so the SREP contribution cannot be \$2.2 million /\$1.7 million grant + \$0.5 million loan).

d. To what component is GEF contribution of \$0.85 million allocated?

e. If all AfIF and AfDB funding goes to component B, there is no need for \$3.3 million GRMF.

f. Component D: Total is \$7.8 million and you mentioned that this should be entirely covered by GoT. Yet their contribution is only \$4.55 million.

Please explain.

IV. (Re. answer to question 2c): (Q) You mentioned that any compensation payable to project affected people must be covered by the Government of Tanzania (GoT), but while the estimated needed compensation is \$7.3 million, the total contribution of the GoT is \$4.55 million. What happens to this funding gap of at least \$2.75 million?

V. (Re. answer to question 5b):

a. (Q) In your answer, you are referring to an "AfDB ADF contribution" but in the project proposal, there is only an AfDB loan of \$45 million and an AfIF (African Investment Facility) grant of \$13.57 million. Please clarify your answer.

b. (C/Q) We understand your answer in the sense that risks are equally (i.e. *pari passu*) shared between all contributors, including AfDB (loan). Is our understanding correct?

VI. (Re. answer to question 5e): (C) We do not agree to your statement that "no offtake agreement is required to ensure the successful completion of the project". Although phase II (construction of the plant) is not requesting any SREP funding, the expected results of the SREP funded project as listed in the Results Frame-work will only materialize if a power plant is built. And since the IPP seems to be the expected business model for such a plant, an off-take agreement will be need-ed to conclude a deal and the off-taker risk is thus relevant.