

November 4, 2011

**Comments from Switzerland on Kenya: Menengai Geothermal Development Project**

Dear Patricia,

Please receive attached our comments regarding Menengai Geothermal Development project.

Best regards,  
Daniel Menebhi

**Daniel Menebhi**  
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State Secretariat for Economic Affairs SECO  
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## **Menengai Geothermal Development project**

Kenya requested approval of a first SREP contribution of USD 25 million for the Menengai Geothermal Development project, channeled through the AfDB, to fund first risk drilling activities which shall prove the field to be viable for steam production and subsequent geothermal power generation.

With regards to the discussions held during the SREP Subcommittee meeting in Washington on 1st November 2011, we maintain our concerns that an 80% allocation of the SREP funds destined to Kenya to this single project is excessive.

We do support the project and believe in its transformational effect and are thus ready to support Kenya's request in an e-mail approval procedure to be completed by end of November 2011.

We therefore would like the following concerns to be addressed in an amended project paper:

1. We found the project document inconsistent with the endorsed SREP IP in as far as it foresees the development of 400 MW of steam destined to geothermal power generation (vs 200 MW in the IP). We understand from the comments made by the AfDB during the meeting that SREP support generated unexpectedly strong interest for the project from other sources of financing, which enabled the scaling-up of the project. We of course welcome this development which is a strong sign of the SREP's leverage power.

However, we would like to have the project document amended to reflect the change from 200 MW to 400 MW, notably in relation to phase II of the project (construction of the power plants and related transmission equipment) as well as in the results framework.

2. It was emphasized by Kenya and the MDBs that the project would have a significant impact also on access to electricity for the poor and thus poverty reduction and social inclusion, which are important objectives of the SREP. We would welcome an explicit listing and justification of these trickle-down effects and the mechanisms and activities foreseen to foster them.
3. Finally, we join other countries in their concerns regarding the fiduciary risks particularly related to the size of the project. We would thus appreciate a clear outline of all mechanisms, including the explicit mentioning of the application of MDB rules and procedures, foreseen to mitigate all sorts of fiduciary risks. The risk mitigation mechanisms should be detailed and the respective responsibilities outlined.

We are looking forward for an amended document by November 15th for approval by e-mail until November 30, 2011.

Berne, 4th November 2011