



October 19, 2011

Hon. Minister Mahmood Razeed
Ministry of Economic Development
Government of Maldives
Boduthakurufaanu Magu
Malé 20125

Honorable Minister:

***Scaling-Up Renewable Energy Program for Low Income Countries (SREP):
Joint Mission– September 4-8, 2011
P P125417***

We are pleased to send you the aide-memoire of the recent Multilateral Development Bank (MDB) Joint Mission comprising the Asian Development Bank (ADB) and World Bank Group (WBG) to the Maldives from September 4 to 8, 2011. The objectives of the mission were to assist the Government of Maldives (GoM) in finalizing and validating the investment priorities identified in the draft Investment Plan (IP), conduct consultations with national stakeholders through workshops and meetings to discuss the investment priorities proposed by GoM, and to identify potential co-financiers, and initiate the work related to the IP environmental and social framework and policy support.

The mission wishes to thank the Ministry of Economic Development as well as the President's Office, the Ministry of Finance and Treasury, the Ministry of Housing and Environment, the State Electric Company, the regional utilities and other government agencies, and stakeholders for the productive discussions and courtesies extended to the mission. The attached Aide-Memoire provides an update on the preparation status of the Scaling up Renewable Energy Program (SREP) IP including a summary of agreements with GoM, IP consultants and other stakeholders on proposed renewable energy schemes.

While the Aide-Memoire outlines several key issues and agreements reached with GoM, we would like to confirm the government's request for additional time to complete the IP. The revised submission of the IP to the SREP sub-committee has been postponed to February 2012. In order to ensure delivery of a quality IP for approval in time for the next scheduled sub-committee meeting, GoM agreed to send the final draft for review by the MDBs by November 28, 2011 noting that a second round of consultations would be undertaken with both public and private stakeholders simultaneously, prior to finalizing the plan. The plan would be discussed and finalized during the next Joint Mission planned to take place in mid-January 2012.

The joint MDB team is available to respond to any questions or clarifications regarding SREP and related activities.

Yours sincerely,



Diarietou Gaye
Country Director for
Sri Lanka and
Maldives



Adam Sack
Country Manager
International Finance
Corporation



Sekhar Bonu,
Director, SARC
Asian Development
Bank

cc: Hon. Ahmed Inaz, Minister of Finance and Treasury
Hon. Mohammed Aslam, Minister of Housing and Environment
Mr. Ahmed As-ad, Financial Controller, Ministry of Finance and Treasury
Mr. Ibrahim Hood, Under Secretary, Vice President's Secretariat
Ms. Shauna Aminath, Deputy Undersecretary, President's Office
Dr. Hussain Niyaz, Executive Director, Ministry of Foreign Affairs
Mr. Yusuf Riza, Permanent Secretary, Ministry of Economic Development
Mr. Ahmed Saleem, Permanent Secretary, Ministry of Housing and Environment
Mr. Merza Hasan, Executive Director for Maldives, The World Bank
Ms. Jeehan Nawaf Abdul Malik Abdul Ghaffar, Advisor to the Executive Director
for Maldives, The World Bank

Attachment: SREP Joint Mission Aide Memoire (September 2011)

REPUBLIC OF MALDIVES
SCALING UP RENEWABLE ENERGY PROGRAM FOR LOW INCOME COUNTRIES

JOINT MULTILATERAL DEVELOPMENT BANK MISSION
SEPTEMBER 4-8, 2011

AIDE-MÉMOIRE

I. INTRODUCTION

1. A joint Multilateral Development Bank (MDB)¹ team comprised of the Asian Development Bank (ADB) and World Bank Group (WBG) conducted a Joint Mission to Maldives for the Scaling-Up Renewable Energy Program (SREP) from September 4-8, 2011. The Government of Maldives (GoM) was represented by the Ministry of Economic Development (MED). The joint MDB team also met with the Ministry of Finance and Treasury (MFT), the President's Office (PO) and PricewaterhouseCoopers (PwC) – the consultants appointed by GoM to assist with the preparation of the Investment Plan (IP). The mission also attended a consultation workshop attended by other development partners, civil society, private sector developers and financiers, as well as the utility companies and other members of government. A complete list of stakeholders met is attached as Annex I.
2. The joint MDB team would like to express its appreciation to MFT and MED for the productive discussions and organization of the Joint Mission, as well as to the PO and other government agencies, private sector and the utility companies for productive discussions on SREP. This Aide-Memoire summarizes the mission findings, agreements reached, and next steps.
3. The objectives of the Joint Mission were to:
 - (i) Conduct consultations with national stakeholders through workshops and meetings to discuss the investment priorities proposed by GoM, and to identify potential co-financiers;
 - (ii) Assist GoM in finalizing and validating the investment priorities identified in the draft IP, and support GoM in completing the plan; and
 - (iii) Initiate the work related to the IP environmental and social framework and policy support.

II. SUMMARY OF MISSION FINDINGS AND AGREED ACTIONS

A. Endorsement of the Renewable Energy Investment Framework

4. The Renewable Energy Investment Framework (REIF) prepared by GoM was presented for cabinet approval and has received in-principal endorsement. The REIF will provide a framework for developing investment planning for renewable energy in a coordinated way in the Maldives. The SREP IP fits appropriately within the REIF. GoM is planning to crowd-source the REIF through a web-based consultation and feedback process.

¹ The mission was comprised of the following from Asian Development Bank: Len George (Energy Specialist) and Priyantha Wijayatunga (Senior Energy Specialist); from The World Bank: Abdulaziz Faghi (Operations Officer), Anil Cabraal (Renewable Energy Consultant) and Gevorg Sargsyan (SREP Program Coordinator). From International Finance Corporation: Pavol Vajda (Sr. Operations Officer) and Divya Singh (Investment Analyst).

B. Progress on IP preparation

5. Considerable progress has been achieved on the preparation of the SREP IP including analysis of technology options and economics, financing modalities and other co- benefits. The draft IP prepared by GoM with support from PwC was discussed with during mission. GoM also hosted a consultation workshop on the REIF and SREP with a diverse range of stakeholders including members of civil society, public utilities, private sector developers, telecom companies, the climate change advisory council, transparency Maldives, and others. The workshop was very well-received by participants who provided valuable feedback to GoM. The consultations also provided a forum for discussion on many aspects of renewable energy development in the Maldives, prompting suggestion to create a regular.

6. The mission was informed by GoM that they wish to avail of additional time to prepare a more robust IP. GoM indicated their intent on submitting the IP for approval in time for the SREP sub-committee meeting tentatively scheduled in February 2012. The MDBs discussed with GoM the revised timetable for completing the IP exercise. GoM will have the final draft IP ready in December 2011 for an MDB review. A second consultation workshop and/or disclosure of the IP for public consultation on the government website will take place in early January 2012. The MDB team agreed in principle to conduct a final Joint Mission during that time.

7. The MDB team reviewed a list of potential candidates to carry out the independent technical review of the SREP IP. The selected reviewer will be selected upon conclusion of the Joint Mission and will be submitted to the Climate Investment Fund Administrative Unit (CIF AU) for approval. (revised key dates and milestones are outlined in paragraph 13 below).

8. Based on the detailed analysis presented in the draft IP, fixed solar photovoltaic (PV) presents the highest potential across the country. Wind power is limited to a few months of the year and most of the resource concentrated in the central atolls. Centralized biomass combustion also emerged as part of the least cost plan but needs detailed studies. Low cost energy efficiency interventions have also been identified as an integral part of the plan. GoM and their consultants will revise the IP taking into consideration the feedback received from the consultations including detailed comments provided by the MDB during the mission. Consultants will also review other options such as waste heat utilization. The IP should also include proposed project financing, technical assistance for feasibility studies or transaction structuring and capacity building and needs to take into account public consultation inputs including on technology selection and financing mechanisms.

C. Consultations with Relevant Stakeholders

9. A public consultation was held to solicit feedback from stakeholders in the Maldives on the REIF and outline of the SREP IP. A list of attendees is attached as Annex II. GoM presented stakeholders with the framework for renewable energy and the role of SREP in achieving the country's goals for the sector. It was agreed that the draft REIF and SREP IP will be made available electronically in the public domain for all stakeholders to provide comments and suggestions.

10. The main issues raised during the consultations are summarized below:

- a. Stakeholders agreed that the major priorities for sector development in the Maldives were to focus on energy efficiency and solar photovoltaics for renewable energy generation. In addition, concerns were raised regarding energy security in the proposed shift from dependence on diesel imports to imported biomass which is proposed for the Malé region.

- b. Emphasis on local private sector playing a role came across strongly in the consultations and that they should play a greater role in the development and implementation of renewable energy initiatives.
- c. Clarity was requested regarding the role of the proposed institutions to be created, namely Maldives Energy Finance Corporation (MEFCO) and Maldives Energy Technology and Support Unit (METSU) with respect to ensuring that competition will be enhanced and that these organization do not bias project development and technology selection. Also, concerns were raised on whether MEFCO and METSU would creating new bureaucracies and that priority should be given to strengthening existing institutions.
- d. There is a strong need to build local expertise and less dependence on foreign consultancies.

D. SREP Financing Modalities

11. The MDB team discussed the financing modalities proposed by GoM and the framework for channeling SREP funding. A number of options were discussed and those were also presented to the public during the stakeholder consultation..

12. The mission discussed with GoM the proposed SREP delivery models and structures ranging from a public lending and technical advisory agency to a single buyer model. GoM plans to submit this to the Renewable Energy Investment Office ministerial committee for review and endorsement upon conclusion of the mission.

E. Agreed Actions with GoM

13. The following is a summary of key issues and agreements reached with the government during the mission:

| S/N | Activity / Milestone | Key Planned Dates |
|------------|---|---|
| 1 | The draft IP will be finalized by GoM supported by the President's Energy Advisor and IP consultants. | December 14, 2011 |
| 2 | The draft IP will be shared with the MDBs for a quality review. | December 14, 2011 |
| 3 | A Joint Mission will be fielded to review the final IP and conclude the stakeholder and public consultations. | January 10-15, 2012: Joint Mission |
| 4 | Stakeholder consultation workshop and/or dissemination of final IP to public domain. | January 12, 2012: Public stakeholder consultations |
| 5 | Following the Joint Mission, the IP will be finalized incorporating input from the MDB review and taking into account feedback / comments from the public consultation process. | January 28, 2012: IP finalized based on review by MDBs and feedback from consultations |
| 6 | The final IP is submitted to the SREP sub-committee approval. | February 12, 2012 (or earlier date, if ready) |

F. Annexes

- Annex I List of persons met
- Annex II List of and participants in the public consultation

List of persons met and participants

| Name | Designation | Institution |
|-----------------------------|--|---|
| GOVERNMENT OFFICIALS | | |
| Dr. Mohammed Waheed Hassan | Vice President | Government of Maldives |
| Ms. Aminath Shauna | Deputy Under Secretary | Government of Maldives-President's Office |
| Mr. Mike Mason | Energy Advisor to the President | Government of Maldives-President's Office |
| Mr. Ahmed As-ad | Financial Controller | Ministry of Finance and Treasury |
| Ms. Fathmath Nuzuha | Deputy Minister | Ministry of Finance and Treasury |
| Ms. Aminath Ali | Director General | Ministry of Finance and Treasury |
| Ms. Asma Moosa | - | Ministry of Finance and Treasury |
| Mr. Mahmood Razee | Minister | Ministry of Economic Development |
| Mr. Yusuf Riza | Permanent Secretary | Ministry of Economic Development |
| Ms. Saeeda Umar | Coordinator, National Impl. Unit | Ministry of Economic Development |
| Mr. Ahmed Ali | Deputy Director, Climate Change | Ministry of Housing and Environment |
| Mr. Mohamed Shan | Project Manager | Ministry of Housing and Environment |
| Mr. Maumoon Khalid | Procurement Officer | Ministry of Housing and Environment |
| IP CONSULTANTS | | |
| Mr. Amit Kumar | Assoc. Director – Energy and Utilities | PricewaterhouseCoopers |
| Mr. Vibhash Garg | Manager – Energy and Utilities | PricewaterhouseCoopers |
| Mr. Manoj Kumar Bansal | Manager – GRID Energy and Utilities | PricewaterhouseCoopers |
| Mr. Rajeev Ralhan | Energy Efficiency Specialist | PricewaterhouseCoopers |
| Ms. B. Rajesh | Economist & Financial Analyst | PricewaterhouseCoopers |




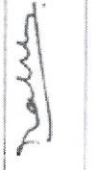

List of participants in the public consultations

SREP Investment Plan Stakeholder's workshop

Venue: STELCO Training Room

Date: 07 Sept 2011














Time: 0900am to 1200pm

| | | | | | Participants attendance sheet | |
|----|--------------------------|----------------------------|------------|------------------------------|---|--|
| | Name | Organization | Contact No | e-mail | Signature | |
| 1 | Ibrahim Izhaan | Upper North Utilities | 7774818 | ibrahim.izhaan@anuul.com.mv |  | |
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| 3 | Fathmath nushfa | Upper south utilities | 9696906 | fathmath.nushfa@anuul.com.mv |  | |
| 4 | Abdulla Miad | Southern Utilities Limited | 7772218 | miad.abdulla@gmail.com | | |
| 5 | Ahmed shamnoon | Northern Utilities Limited | 7988901 | | | |
| 6 | Ali Majid | Northern Utilities Limited | 7772343 | | | |
| 7 | Ahmed shamnoon | Northern Utilities Limited | 7988901 | | | |
| 8 | Ali Majid | Northern Utilities Limited | 7772343 | | | |
| 9 | Mr. Mahesh Deshpande | GMR | 9788053 | Maresh.deshpande@gmrgroup.in |  | |
| 10 | Ms. Aabha Dongre | GMR | | | | |
| 11 | Abdul Azeez Abdul Hakeem | CCAC | 7784263 | ndazeer@hotmail.com |  | |

List of participants in the public consultations

| | | | | | |
|----|--------------------|-----------------------------|-----------------|---|-----------|
| 12 | Dr. Simad Saeed | CCAC | 7777445/3312514 | Simad_saeed@gmail.com | |
| 13 | Ms. Hudha Ahmed | CCAC | 7788010 | hudha-ahmed@hotmail.com | |
| 14 | Mr. Mohamed Inaz | CCAC UNPP + CCAC | 7656516 | Mohamed.inaz@gmail.com Mohamed.inaz@undp.org | |
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| 22 | Khadheeja Naseem | Transparency Maldives | 7762274 | khadheeja.naseem@transparencymaldives.org | Khadheeja |
| 23 | Amir Hassan | MHE | 7749203 | Amir.hassan@mh.gov.mv | |
| 24 | Ajwad Musthafa | MEA | 2958100 | ajwad.musthafa@mea.gov.mv | |
| 25 | Dr. Zaidur Mohamed | STELCO | 7782343 | zaid@stelco.com.mv | |

List of participants in the public consultations

| | | | | | |
|----|-----------------------------|---------------------|-------------------------|---------------------------------|---|
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| 39 | Ahmed Ahmed | REM | 7788010 | |  |

