

**[APPROVED BY MAIL]: REVISED SREP INVESTMENT PLAN FOR ZAMBIA**

**COMMENTS AND RESPONSES**

Question	Response
<p><b>United Kingdom:</b>  <b>Wind, component 2 - Why is concessional finance deemed to be required now, whereas in the 1<sup>st</sup> version it wasn't?</b></p>	<p>You will recall from discussions during the SREP Sub-Committee (SC) meeting held in Morocco in early February that some members were reluctant to endorse the Investment Plan with two project concept notes not being supported by any MDB. This was the case with project # 2 and #3.</p> <p>At that time, AfDB informed the committee that it was unable to participate in the Joint Mission (held between 3 and 4 January 2019) due to the short notice and that given the aggressive timeline for circulation of the Investment Plan to the committee, AfDB was in no conditions to consider support to a particular component under the country's investment plan.</p> <p>During the SREP SC Meeting, AfDB informed the committee that it would be happy to consider supporting project # 2 if all parties would have additional time to engage in detailed discussions with the Zambia SREP Focal Point and the National Team. It should be noted that the first version required concessional financing for the development of a regulatory framework and the preparation of an auction for a wind power plant. Since endorsement was delayed, discussions were held between AfDB and the Government of Zambia following the February SREP SC Meeting and all parties agreed that given the fact that the wind market in Zambia is nascent, concessional financing may be needed to derisk the first wind power project in the country for private investment and improve the affordability of the power output for the government. This led to the revision of the original concept note and to the request for a Project Preparation Grant.</p>
<p><b>United Kingdom:</b>  <b>Geo-thermal, Component 3 – Why has the request for SREP support to this component been removed?</b></p>	<p>During the SREP sub-committee meeting of February 1, 2019, the committee advised that SREP co-financing should not be sought for investment components that are not supported by SREP implementing entities.</p> <p>As stated in the Investment Plan, SREP co-financing is not sought for the implementation of Component 3 (Investment in Geothermal Development) because the World Bank and the African Development Bank (SREP implementing entities) are not prioritizing geothermal in Zambia at the moment.</p> <p>However, geothermal development is an important part of GRZ's long-term development strategy and will require concessional funding for market initiation and scaled-up development. GRZ will continue to engage with cooperating partners to address the existing barriers.</p>
<p><b>United Kingdom:</b>  <b>Gender - can you please provide a short summary of the improvements in regard to Gender targeted activities and importantly how any</b></p>	<p>In addition to Section 4.1.6 in the revised version of the investment plan, please find below.</p> <p>The targeted gender activities will improve productive uses of energy and enhance women's enterprises and livelihoods, and women's employment in the energy sector.</p>

<p><b>effects from the proposed activities will be measured?</b></p>	<p><b>Productive Uses of Energy</b></p> <p>Access to reliable and affordable energy services can support income earning for women’s enterprises by extending the working day or enhancing agro-processing, manufacturing or service delivery. Mechanized community-level assets and services, such as electric water pumping and grain grinding, yield time savings and reduce the labor burden of women, which can allow them to set up their own small enterprises and/or increase available leisure time.</p> <p>Investments in renewable energy will not only improve opportunities for women related to employment, but should also address the gender gaps between women and men related to enterprises and livelihoods at the community level. The SREP IP intends to look at these productivity gap through following activities:</p> <ul style="list-style-type: none"> <li>• Supporting country baseline assessments,.</li> <li>• Assessing the drivers of productivity gaps and relevant possible interventions to enhance women’s livelihoods through energy access.</li> <li>• Designing and implementing comprehensive approaches that enhance the productive uses of energy in agricultural, industrial and service sectors by e.g. enhancing the knowledge and skills of small and micro-business, households and farmers on how to use newfound electrical and motive power for profitable enterprise.</li> <li>• Partnerships could include engagement with in-country agricultural associations, micro-business support entities, aid agencies and donors, governments, non-governmental organizations, private sector firms, and researchers.</li> </ul> <p><b>Women’s Employment in Energy</b></p> <p>As employees, particularly in executive and management positions, women’s representation can strengthen a utility’s business and social performance, better anchoring the company in its operating environment. For example, in the Comoros women’s engagement in resolving non-payment of bills and illegal connections led to 32 percent of unpaid bills being collected and enhanced timely bill payment. As job growth in the renewable energy sector continues, it is essential to develop and implement policies that create a more gender-inclusive workplace. For example, in Latin America women account for only 17 percent of senior leadership positions and 9 percent of executive positions in the energy sector workforce. In addition, in the off-grid sector various opportunities remain unexplored to enhance women’s employment as technician, retailers, marketing and maintenance.</p> <p>Key things to consider when observing these gender gaps in the renewable energy sector, is investigating the systemic barriers to women’s participation in education and employment across recruitment, retention and promotion through multiple levels within households, in the community, across institutions, and in the broader society.</p> <p>Activities will include the following aspects:</p> <ul style="list-style-type: none"> <li>• Supporting country gender baseline assessments for energy sector work in Zambia with key energy stakeholders (ZESCO etc), i.e. collect key baseline data, specifically related to employment in the sector, sexual harassment policies, mapping women’s engagement in the solar industry etc.</li> </ul>
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<p><b>Switzerland:</b>  <b>What is the nature of the listed USD 14.4 million contribution from other donors?</b></p>	<p>The USD 14.4 million contribution will be required to co-finance the costs associated with the construction of the proposed wind farm. This amount will not necessarily come from donors but rather from other MDBs, DFIs and/or commercial investors depending on the appetite of the different financiers. This is expected to be a non-grant contribution.</p>

<p><b>Switzerland: What mechanism or instrument is foreseen for the de-risking?</b></p>	<p>This will be determined during project appraisal but may include guarantees and/or concessional loans. This will be discussed in detail in the funding request to be presented to the SREP Sub-Committee for final approval.</p>
<p><b>Switzerland:</b>   <b>Given the above, how is the need for grants and the amount (USD 10 million) also in relation to the total investment (USD 61 million - i.e. 16% or more if other donors is also grant) justified?</b></p>	<p>Other than the USD 1.15 million Project Preparation Grant being requested as part of this component, no additional SREP grants will be deployed in the context of the project. In order to fully finance the project’s total costs, a combination of equity and other non-grant instruments will be deployed. Please note that footnote (i) in page XIII of the Indicative Financing Plan which states that “all SREP funds are assumed to be grants” does not apply to the wind project.</p>
<p><b>Switzerland: Could a capital contribution (i.e. SREP non-grants) also be an option? If not, why?</b></p>	<p>Please see response to previous question.</p>
<p><b>Switzerland: As a comment, we would like to remind the AfDB and the Government of Zambia that in the approval of the project, the SREP Subcommittee is likely to request evidence of the application of sound blending practices for the de-</b></p>	<p>This will be a key point in the preparation of the funding request. For your information, all funding requests concerning private sector projects submitted to the SREP Sub-Committee respond to the principles outlined in the SREP Financing Modalities (2010) for private sector projects namely the principle of minimum concessionality, avoidance of market distortion and crowding out of investors and, among others, financial sustainability. These are similar to the principles outlined in the final report issued by the DFI Working Group on Blended Concessional Finance for Private Sector Projects of which AfDB is an active member. In response to the report issue by the DFI Group, AfDB published in February 2019 a document entitled “Approach to Blended Finance: Principles, Governance and Procedures”.</p>

<b>risking operation involving the SREP contribution.</b>	
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