

CLIMATE INVESTMENT FUNDS

July 23, 2017

**[APPROVAL BY MAIL]: BANGLADESH: POWER SYSTEM EFFICIENCY IMPROVEMENT
PROJECT – ADDITIONAL FINANCING- OFF GRID SOLAR PV: SOLAR IRRIGATION
(ADB)(SREP)- XSREBD064A**

ASIAN DEVELOPMENT BANK RESPONSE TO COMMENTS FROM SWITZERLAND

ADB and GoB recognize and accept these conditions and will make sure that these are all reflected in the grant agreement.

(1) We will surely review the adequacy of the solar irrigation systems during processing and implementation of the project, and make changes in the quantity as necessary.

(2) Yes, the Results Framework will be updated as and when necessary.

(3) We also feel the strong need to develop a sustainable model after completion of the project, and the Government of Bangladesh agreed to take it forward to replace the existing 1.3 million diesel-based irrigation pumps with solar pumps.

The Government's commitment and policy directions for accelerated solar energy development including accelerated deployment of solar irrigation pumps is already reflected in the following documents:

(i) Renewable Energy Policy of Bangladesh issued in December 2008 to set forth various policy directions in institutional; resource, technology, and program development; investment and fiscal incentives; and regulatory framework for promotion of renewable energy in the country.

(ii) Guideline for the Implementation of Solar Power Development Program issued in October 2013. Chapter 5 provides specific guidelines for setting up solar irrigation pumps, and Chapter 8 covers financial benefits to be provided by the Government for renewable energy development.

(iii) Intended Nationally Determined Contributions (INDC) issued in September 2015 highlighting the government's commitment to maximize the use of renewable energy sources to lower GHG emissions, including scaling up of solar irrigation pumps. The INDC estimates that the investment requirement for solar irrigation pumps during 2011-2030 will be \$600 million.

During the fact-finding mission of July 2017, ADB mission agreed with the government's request subject to approval by ADB management and SREP (TA portion) to allocate under the TA project \$676,000 for detailed assessment of solar irrigation pump market potential in the country, available technologies and business models, review of options to scale up based on this pilot project; and preparation of specific actions to accelerate deployment of solar irrigation pumps in the context of Bangladesh. This will include a study on removal of subsidies on diesel, if any, and other incentive mechanisms. GoB is firmly committed to take such action under the ADB Loan and SREP Grant project for promoting solar energy utilization in the irrigation sector. Sustainable Renewable Energy Development Authority (SREDA), as the nodal agency for renewable energy and energy efficiency policy development, will play the leading role for this commitment. Moreover, GoB agreed to have one grant covenant introduced in the grant agreement between ADB and GOB regarding the actions taken for incentivizing the solar irrigation.