

# CLIMATE INVESTMENT FUNDS

May 31, 2018

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Meeting of the SREP Sub-Committee  
Washington D.C.  
Wednesday, June 6, 2018

**COMMENTS FROM SWITZERLAND ON THE SREP INVESTMENT PLAN FOR MADAGASCAR**

SREP Investment Plan for Madagascar  
SREP/SC.9/4

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**Questions (Q) and Comments (C)**

1. Project 1 Rural electrification by RE and mini grids:
  - a. (Q) We understand that the proposed implementation option is the license to a private operator. How is the SREP contribution (USD 1.5 million grant and USD 10 million non-grant) intended to be used to fund this project (i.e. what instruments will be deployed by SREP and the World Bank)?
  - b. (Q) We understand that the World Bank will implement project 1, yet the financial plan foresees USD 5-10 million loans from AfDB. Please clarify.
  - c. (C) It is stated (p.60) that in order to achieve a target rate (electricity tariff) of 16 c/kWh, the subsidy must cover at least 30% of the investment, i.e. USD 17.4 million and that additional USD 8.8 million grant contributions are therefore sought.
    - i. From whom does the Government of Madagascar expect such additional grant contributions? How realistic is this?
    - ii. What happens if these contributions do not materialize, notably in terms of the project's results?
    - iii. What about the USD 1.5 million grant from SREP. Is this not part of the investment subsidies and should therefore be deducted from the USD 8.8 million?
2. Project 2: Hybridization of JIRAMA isolated centers
  - a. (Q) What sub-projects are covered in the SREP co-financed part of Strategic Avenue 2?
  - b. (C) We take note that the project foresees the replacement of existing diesel generator sets by new ones in addition to the introduction of RE (p.61, fifth paragraph). We would like to remind that SREP funding must not be used to finance such diesel generator sets. Moreover, we recommend that provisions are made to minimize the use of diesel in the hybrid systems.
  - c. (Q) What technical assistance is foreseen with the requested USD 2 million SREP grant (notably in complementarity to the also requested USD 1.4 SREP project preparation grant)?
  - d. (Q) We noticed that through hybridization, the electricity generation costs can be reduced by 20% to 30.6 c/kWh. This is however still a very high cost and compares with 12-16 c/kWh for rural electrification.
    - i. Why is this cost still so high?
    - ii. How affordable is this electricity for the concerned populations?
    - iii. What provisions are foreseen to make sure that the cost savings related to the introduction of RE are retroceded to the consumers?
3. Financing Plan
  - a. (C) The requested project preparation grant [USD 1.4 million] seems high in relation to the overall budget of Project 2! What will be precisely achieved with that grant?

- b. (Q) The contribution of the Government of Madagascar (GoMg) is stated to be 0 although in a footnote (10, table 2, p.11) it is mentioned that it could contribute to make energy purchase contracts with JIRAMA more secure.
  - i. By what means would the (payment) risk of the offtake agreements be addressed by the GoMg? In what way would that complement the intended guarantee the AfDB would put in place with the SREP non-grant contribution of USD 6 million?
  - ii. Why does the GoMg not contribute to the projects via reducing or waiving taxes and duties? What effect would a waiver of the [33%] corporate tax have on the financing needs of the two projects?
- 4. Objectives and expected results
  - a. (Q) Does the proposed SREP Investment Plan have a direct link to Madagascar's NDCs (nationally determined contributions) to the Paris Agreement?
  - b. (C/Q) The NPE (2015-2030) objectives are very ambitious. With SREP representing just 2% of the investments needed to achieve these objectives (p.27), where does the GoMg intend to find the remaining financing?
  - c. (Q) What is the approximate split of electricity generated from RE (55 GWh/y) between the two projects?
  - d. (C) The number of beneficiaries (18'500 homes or 93'000 people) is not gender disaggregated. Please disaggregate.
  - e. (C) The leverage factor is not expressed as usual in SREP, i.e. ratio of additional financing mobilized by SREP. This would be 1: 3.67, not 1:4.7. (1:3.43 if the requested project preparation grant is added).
  - f. (Q) Please detail the calculation showing how you reach 37'000 tCO<sub>2</sub>eq/y of avoided or reduced greenhouse gas emissions.

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