

CLIMATE INVESTMENT FUNDS

April 14, 2016

**[APPROVE BY MAIL]: TANZANIA: RURAL ELECTRIFICATION EXPANSION PROJECT (SREP)
(WORLD BANK) (XSRETZ028A)**

COMMENTS RECEIVED FROM SWITZERLAND

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Sent: Thursday, April 14, 2016 11:35 AM

To: CIFapprovalbymail <cifapprovalbymail@worldbank.org>

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Subject: AW: [Approval by mail] Tanzania: Rural Electrification Expansion Project (SREP) World Bank - XSRETZ028A- World Bank Response

Dear Mafalda,

Thank you for circulating this proposal and the answers from the World Bank to our questions. Please also thank the World Bank team for their reactivity.

We are now ready to support the approval of the project along with the proposed SREP allocation and MDB allocation for implementation services costs.

We do have the following comments and recommendations:

- The proposed Payment Security Mechanism must not constitute an incentive to TANESCO to further deteriorate its payment practices towards SPPs. It should be extended also to communities if the direct supply of the latter by SPPs, without implication of TANESCO, should become an important component of the project.
- Regarding the off-grid solar PV components (second window of the credit line), there seems to be an inconsistency between the expected results in terms of leveraged co-financing (USD 28 million from TIB) and project results (1 MW, 30'000 households, 150'000 beneficiaries). The results are obviously derived from the assumption that the TIB loans will carry a 70% loan loss, which seems exceedingly high even for the solar PV sector in Africa. In order for the results to be consistent with the financing (i.e. \$28 million TIB loans), the objectives in the Results Framework should be increased (to 2 MW installed capacity, possibly using larger systems per connection which would be consistent with a more productive use of electricity). This higher objective is also more consistent with the Results Framework of the endorsed IP, which was 2.2 MW.
- These more ambitious objectives are consistent with the assumption that the loan loss default ratio can be reduced by half (from 70% to 35%), which should be possible by adequate screening of the loan applications and, if necessary, the provision of technical assistance/capacity building to TIB.

Please inform the World Bank and the Government of Tanzania accordingly.

Please also record our comments and recommendations in the therefore foreseen place on the SREP website.

Thank you and best regards

Daniel

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