

CLIMATE INVESTMENT FUNDS

April 4, 2016

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

COMMENTS RECEIVED FROM SWITZERLAND



SREP Tanzania Rural Electrification Expansion Project (TREP)

Questions and comments

1. Financial plan , use of SREP contribution

As the SREP financing is embedded in a larger project, the proposed allocation of funds is rather confusing and needs clarifications regarding the following points:

- a. According to the endorsed investment plan, a total SREP contribution of USD 25 million was foreseen for a Renewable Energy for Rural Electrification Project. The proposed SREP allocation to TREP is USD 19 million. Please explain what will be done with the remaining USD 6 million.
- b. In Annex 10, which summarizes the SREP allocation to TREP, there is no clear summary of the SREP and other contributions related to the specific subcomponents and their expected results. Please provide such a table.
- c. From the text, we understood that the SREP contribution consists in a concessional loan allocation of USD 10 million, to be used as Payment Security Mechanism (PSM) to guarantee timely payments from TANESCO to Small Power Producers (SPP) and of a grant allocation of USD 9 million to cover potential losses by the Tanzania Investment Bank (TIB) on its loans to quality-verified solar system providers, selling solar systems in rural areas (2nd window of credit line). Please confirm or correct our understanding.
- d. Is the PSM also designed to guarantee payments from the local communities in the case of mini-grids not operated by TANESCO? If not, why?

2. Expected results and relation to SREP contribution

- a. In the Results Framework, there seems to be a typo under lifetime ghg emission savings. It says "2.22 tCO₂ over lifetime". Should that be 2.24 million tCO₂? Please also explain the figure of 2.24 tCO₂/year for the Transformational Scaled-Up Phase.
- b. The financing leveraged by the SREP contribution (USD 19 million) is declared at USD 155 million, relating to the SREP/IDA project which is expected to finance 33MW of installed generating capacity from renewable energy. This represents a total investment (including the SREP contribution) of USD 5'270 per kW which seems high. Please explain. Alternatively, what are the expected results from the SIDA/DfID contributions, if they are additional? Why are they not reflected in the Results Framework?
- c. In particular the 2nd window of the credit line to be financed by USD 9 million SREP grant plus USD 1 million IDA loan seems excessive in relation to the expected results of 1 MW installed solar PV capacity for 150'000 people. Comparable figures from EnDev (Energising Development) are EUR 14.90 per person connected with similar range of installed capacities per connection (10-50 Watt vs average 33.3 Watt) which would result in a total cost for this sub-component of USD 2.5 million. Please explain why the SREP funding should be used in such apparently inefficient way to reach the proposed results.
- d. Why are grants needed for a project with an expected economic rate of return exceeding 25%?

3. Other

- a. Are there any estimates as to the number of jobs to be created by the project, in particular the SREP related component.
- b. With reference to the e-mail sent by Mr Mairena from CADPI on 24th March, to which we have not seen any answer so far, how does this project (SREP component) affect the territories and resources of indigenous people, how will the government and private enterprises consider the effects on these indigenous people and how will their rights be considered if they are affected by these investments?