

June 10, 2014

Comments from the UK—Approval by mail: Maldives - Preparing Outer Islands for Sustainable Energy Development Project (ADB) SREP

Dear Patricia,

Thank you for sending through the Preparing Outer Islands for Sustainable Energy Development (POISED) Project from the Government of the Maldives and the Asian Development Bank (ADB), requesting approval of USD12.0 million in grant funding and USD 400,000 for technical assistance.

We have found timely review and approval of this proposal more difficult than usual, in part because of an influx of CIF proposals at the same time as we have received Committee papers for review ahead of the Trust Fund committee meetings. In addition it was also hard to see the clear case being made in the presentation to the sub-committee in multiple documents how the project satisfies the SREP investment criteria. We would appreciate answers to the following questions before we are able to confirm approval:

- Form of support:
 - Given that the SREP funds are to be on-lent, why is it necessary that SREP provide grant resources to the ADB and why would loan resources not be applicable here? Further to this, we note that the proposed (but not confirmed?) funding from EIB and AsDB is in the form of loans.
 - Pg 4 of the ADB proposal says that GoM will on-lend SREP grant funds for a period of 20 yrs, with 5 yrs grace at and interest rate of 2%. What will the reflowing interest payments and principal amounts be used for, who will manage and retain it?
- Use of SREP funds:
 - Page 12 of the RRP document implies that 20MW of diesel will be replaced, however it is not clear if this is with more diesel (the GoM component?) or with the solar PV. Could ADB provide clearer information on the cost-breakdown of the project by expenditure category and on what SREP funds and other co-funding will be used for?
- TA: How will the report into private sector barriers (component 2 of the TA) be additional to research that the World Bank have already conducted to design their partial risk guarantee program?
- Private investment

- Although para 14 mentions possible WB partial risk guarantees to encourage private investment, the remainder of the proposal does not seem to allow for any possibility of private investment in this project – it would be useful to explain why this is the case. Para 4 states, *Private sector investment projects to support solar photovoltaic investments on larger islands (initially planned for STELCO) are under consideration outside and complementary to the Project.* Given that it is SREP’s ambition to be transformative, it would be useful to understand why more concrete steps “complementary to the project” cannot be cited. Can the ADB/GoM better explain why SREP funds are best used in this way?
- Results:
 - Cost per MW: Since there is no cost-breakdown by type of activity it is not possible to evaluate the cost per MW installed. In the ASPIRE –WB project carried out on the main islands of Male and Hulhumale we have seen a cost per MW of \$2M (\$61M budget for 20MW installed).
 - CO2 savings: Based on the installation of 21 MW solar capacity and annual electricity output of 27.6 GWh (assuming 15% output) directly supported by the project and the SREP proxy for emission conversion CO2 savings per annum should be 20,411 tons, whereas the document refers to 40,000 tons carbon dioxide equivalent per year. Could ADB clarify the calculations including project boundaries, baselines, evidence on the lifetime of technology or investment, source of energy savings etc.?

Kind regards

Simon