

November 4, 2011

Comments from Switzerland on SREP Investment Plan of Mali

Dear Patricia,

Please receive attached our comments regarding SREP IP for Mali.

Best regards,
Daniel Menebhi

Daniel Menebhi
Program Manager

Federal Department of Economic Affairs FDEA
State Secretariat for Economic Affairs SECO
Infrastructure Financing



SREP Investment Plan for Mali

We thank Mali for a comprehensive Investment Plan.

We understand and value the efforts that were made to produce a document that is consistent with the needs of the country and the strategies already pursued.

We support the endorsement of the SREP Investment Plan for Mali under the following reservations:

1. The budgeted costs per installed kW for all three components are clearly exaggerated. We urge Mali and the MDBs to verify costs and come up with more realistic estimates that should be supported by specific projects.
2. We believe that the concept of just using grant money to buy down investment costs is not sustainable. In order to have a transformational impact, the IP should foresee market conform mechanisms to induce the private sector to invest. Beneficiaries of off-grid installations should be induced to participate in the investment and get ownership of the installed equipment.
3. At a total of USD 3'790'000, the requested project preparation costs are too high in relation to the overall investment (9.4%). Moreover, Mali also requests an additional USD 2'500'000 to fund a Strategic Coordination mechanism, further increasing the preparation and coordination cost to over 15% of the total. We would welcome a sounder balance between effective investment and project preparation/coordination costs.
4. While not entirely opposed, we have strong reservations regarding the promotion of biofuels. Studies and recent development show that, while recognized to contribute to a reduction of CO₂ emissions, biofuels have a potentially even higher (negative) ecological impact than fossil fuels. In any case, a thorough analysis of the whole value chains must be made to assure that the production of biofuels does not negatively affect the local food supply, nor the environment.

Besides these reservations, we have the following questions and comments:

1. What is the proposed location for the 20 MW solar PV IPP (component I)? Does the necessary transmission infrastructure already exist or is it included in the project? What community(ies) will benefit from the realization of this project?
2. In the Result Framework, we miss at least the two indicators "GHG reduction" (in t/y) and "number of additional households with access to energy". Could you produce baseline and target figures for these indicators? Also for many other indicators, the values are still "tbd". Who will define them? When? (Note: the Result Framework is not summarized in the Executive Summary).
3. Regarding component I (Solar PV IPP), while supporting a disbursement to the Special Purpose Vehicle SPV owned by the successful bidder, we believe that joint share ownership with the Government of Mali would reduce the fiduciary risk of the project and assure that benefits would not be entirely privatized.
5. With regards to electrification in remote areas, we believe that solar PV applications (costing about USD 250 per household) are a good alternative to provide access to electricity. In a country like Mali, access to electricity is still a high priority and the im-

pact on education as well as access to information and communication technologies is at least as important as the employment effect of factories.

Because of the high costs involved, a grid based system may therefore not be the best solution for the electrification of rural and remote areas. We would support a program seeking to install off-grid solar systems to households, whereby productive use is emphasized by proposing larger systems to small enterprises and using synergies with the electrification of community buildings (schools, administrations).

To enable a large scale replication of off-grid solar systems, the beneficiaries should be induced to acquire property of the installed systems by paying for them in installments, pre-financed by a micro-credit system with reasonable interest rates. Subsidies should be avoided/minimized.

In order to be sustainable, the program must foresee local facilities for regular maintenance, repairs and recycling (or disposal) of obsolete equipment. Life cycle considerations should ensure that the most sustainable and environmentally sound solar PV technology is used.

We are looking forward for an update of the Investment Plan to address our reservations and be discussed during the next (interseessional) SREP Subcommittee meeting.

Berne, 4th November 2011