

CLIMATE INVESTMENT FUNDS

SREP/SC.IS.1/CRP.4
September 8, 2011

Intersessional Meeting of the SREP Sub-Committee
Washington, D.C.
September 8, 2011

**COMMENTS ON KENYA'S INVESTMENT PLAN
SUBMITTED BY PRIVATE SECTOR OBSERVER**

Note on Private Sector Observer position regarding the SREP IP

September 7, 2011

Ambachew F. Admassie

We thank Kenya for the well structured IP. However we have the following comments from the private sector perspective.

1. SREP governance warrants a full and transparent engagement of all stakeholders towards and in the IP preparation process, with the objective of entertaining valid concerns and also fulfilling the bare minimum requirement for sustainable development. We all understand that the inception of CIF followed the Bali track and the Bali track being a grandchild of the CSD, this step must genuinely be embedded in the process as a pillar. This then means that engagement alone of an MDB in the IP preparation cannot validate a choice of side skipping this step. Private sector stakeholders wish to know and deserve the report of the entire stakeholder consultation process in this IP and in other IPs to come. This constituency also kindly request, as is customary with any transparent process, the full proceedings of and the consultation documents to be publicly displayed on the CIF site for reasonable number of days before endorsement calls are extended.
2. The objective of the SREP being tied to pursuing a strategy that will combine public sector and private sector actions, the SREP should seek to overcome economic and non-economic barriers in order to scale-up private sector investments contributing to the objectives of the SREP. This essentially means that the underlying proposal has to be Additional, which essentially means that it would not easily have occurred without SREP funding.

The Geothermal proposal for funding, that targets detailed surface exploration, infrastructural development, drilling of exploratory and appraisal wells would not have occurred since it is largely a pre project exercise with some risk of failure. A last mile SREP funding of 40mil over a 145mill Government seed fund with a purpose of further scale up by private sector seems clearly transformational. However, since the scaling up phase is postponed to a reserve fund, it can't be assured whether similar funding model based on top up crowd in from Grants and MDBs is not going to be followed for the subsequent phase.

SREP governance won't have a control over the second phase and it is very difficult to imagine the level of innovation or transformational effect from SREP financing in phase I, if business as usual financing grid is reverted to in phase II. In this regard I recommend the inclusion of statements or schedule of disbursement in the IP that are strictly tied to other elements related to proposed creation of enabling environments that should be performed in parallel. The alternative is truncating the share of SREP for the Geothermal proposal to be a maximum of 25% and the balance distributed to the RE fund pool, Hybrid mini grid and solar water heating projects.

3. We are aware that there are statements in the IP that refer to the plan for interplay of private sector efforts in scaling up RETs. Much of it is reflected under each program in terms of creating enabling environment, access to the grid for power supply using FiT instruments and access to project finance from a RE fund pool to be established by Kenyan Government. Clearly, however the share of allocation of SREP fund lacks fairness (80:20) between projects that could be propelled by different constituencies. Apart from this the proposal for the hybrid mini grid system is strongly supported.