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20th August, 2013

Ms Patricia Bliss-Guest,
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USA

Re: SUBMISSION OF RESPONSES ON QUESTIONS AND COMMENTS RAISED BY THE SREP SUB-COMMITTEE ON THE SREP TANZANIA INVESTMENT PLAN

Reference is made to the SREP Sub-Committee meeting held on 25th July, 2013 in Brussels, Belgium.

On behalf of the United Republic of Tanzania (URT), I would like to to take this opportunity to express our sincere thanks to the SREP Sub-Committee for endorsing URT's Investment Plan subject to our responses on the raised questions and comments.

It is my pleasure to submit responses from the URT for consideration by the SREP Sub-Committee. Appended to this letter is our point-by-point response to the issues raised by the Sub-Committee members.

Your cooperation is highly appreciated and we look forward for your positive consideration.

E.C. Maswi

PERMANENT SECRETARY

SREP TANZANIA INVESTMENT PLAN
RESPONSES FROM THE GOVERNMENT OF UNITED REPUBLIC OF TANZANIA (URT) AND MULTILATERAL DEVELOPMENT BANKS (MDBs) ON ISSUES THAT WERE RAISED DURING THE DISCUSSION OF THE TANZANIAN IP BY THE SREP SUB-COMMITTEE

SN	Comments/Questions from Sub-Committee Members	Response from URT and MDBs
1.0	**United Kingdom**	
1.01	We welcome the Tanzania SREP investment plan and support its objectives and its overall prioritisation of geothermal and off-grid electrification (RERE). We have however the following comments for further consideration in the working up of the individual projects.	Thank you
1.02	We are concerned about the capacity on the part of the MDBs in Tanzania to deliver on their lead-MDB roles on each of the progammes. We believe that there should be someone based in Dar es Salaam within each MDB with lead responsibility and competence to deliver on the lead-MDB role in the Geothermal and RERE projects.	AfDB – The Senior Task manager for the project is based in Kenya, with the co task manager being based in Dar es Salaam. The field office also has procurement and FM specialists to help on such aspects of the project preparation and implementation. WB –The WB has a Senior Energy Specialist based in Dar es Salaam who is responsible for the overall energy portfolio in Tanzania, including SREP. The Specialist will closely work with the Task Team Leader and team in Washington DC. Further, the procurement, financial management and safeguards specialists are also based in the field, and will support project preparation and implementation of the RERE project. IFC – There is a Senior Energy Specialist based in Nairobi, and IFC will recruit a team member, based in Dar, to lead on the RERE project. The IFC Office in Dar is also currently staffed with a Resident Representative, who will serve as an important interface with IFC's broader advisory and investment teams, ensuring that the best of the institution during this activity is leveraged.
1.03	We are keen that up to date and consistent methodologies on results are in use in SREP, and request that the log frame be reviewed and	Calculations on energy access beneficiary numbers were done based on the on-going work for the Prospectus for Rural Electrification. Assumptions were that population growth rates remain 2.9% per year, population distribution remains

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	strengthened based on the indicator methodologies by the CIF Admin Unit. In particular we are keen for a realistic and comparable estimation of the energy access beneficiary numbers.	unchanged, and the average household size stays at 4.9 persons/hh. From our perspective, this seems to provide a reasonable and comparable set of estimates. In case you feel like you expect more information, please explain further your concern and we will respond as best we can.
1.04	On the geothermal component specifically, while we strongly support the development of Geothermal potential in Tanzania we have a series of concerns: It is our view that at the current tariffs and with the current off-taker risk profile, the projections for private sector lending into the Geothermal project are not realistic. We suggest that more rigorous and realistic analysis, as well as lender market soundings, are done in the project design phase. These should be reflected in the project documents and should also provide useful insight for the Government in spurring critical reforms and informing the technical assistance work. We hope that the SREP Enabling Environment Indicator in development can also support this process.	Well noted and we support this approach – it was discussed during IP preparation and UK was keen on contributing to the economic analysis for this project. Further analysis will be done during project preparation to see how best this risk can be handled. We also believe that, with the reforms being put in place, and with support from the WB DPO and the AfDB PBO under preparation, the off-taker risk profile should improve in the coming years, making it less risky for the private investors to get involved in geothermal development.
1.05	While the off-taker risk issue is addressed to some extent in the inclusion of a Partial Risk Guarantee element and mention of a Letter of Credit to developers, there is very little detail on this. In the project document we would expect to see more detailed proposals for how any guarantee and/or insurance instruments would be integrated with progress on the underlying tariff and TANESCO	More information will be provided during project preparation. The WB and AfDB budget support policy operations will support reforms in the sector and should increase lender confidence, together with the guarantee provided on the project.

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	reform issues to increase lender confidence and reduce borrowing costs.	
1.06	We support the application of SREP financing to support technical assistance, transaction advisory services and development of the regulatory environment for Geothermal. We look forward in the project documents to a breakdown of what this will be spent on, a timetable for it (including phasing of payments linked to milestones achieved), and to discussing how the additional donor support to Geothermal in East Africa may be coordinated.	We agree, there are other donors interested in supporting geothermal and we'll explore options to make sure that SREP financing is used for activities that are not covered by other partners in order to increase coordination and efficiency in investment. The project appraisal document will provide all information needed in terms of budget breakdown and timeline for implementation of the planned activities.
1.07	On the off-grid Rural Energy for Rural Electrification (RERE component), we welcome the clear focus on clean energy access in Tanzania, however we have the following concerns: We are concerned at the cost of $1m for consultants to prepare the RERE project without further budget justification. We would like to see the MEM/REA and lead MDBs delivering more of this work.	The Project Preparation Grant (PPG) covers both WB and IFC project preparation, which includes several components: preparation of the risk-mitigation facility (USD 200,000), preparation of the TASF (USD 200,000) and preparation of 10 SSMPs (USD 600,000). These activities go beyond mere project preparation for internal WBG approval but include detailed preparatory work; wide stakeholder consultations, the preparation of bidding documents, awareness creation, designing and setting up the TASF to be operational from the start of the actual project work, among other things. The PPG will therefore help to anticipate important preparatory work for the RERE project and hence speed-up successful project implementation and disbursements once RERE is finally approved. Both WB and IFC staff will be actively involved in undertaking these preparatory activities, and their staff time will be financed on top of US$1 million that will be directed towards consultant support.
1.08	In the mini-grids component, the proportion of the SREP funds going to transaction advisory services, training and management (almost 50% of the $15m set aside) is high, and we would welcome further justification of this. Does IFC plan to expand the	Although the proportion of SREP funding to the TASF seems high, this activity has been given a high priority and a significant allocation based upon the experience to date in implementing TEDAP. While funds are available under TEDAP for investments—including performance grants and credit line availability, individual projects are taking longer to reach financial closure than

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	bundling concept TEDAP is trying with intermediaries to provide advisory services (for example with GVEP International supporting 6 projects)?	was anticipated. Our assessment is that this slow pace of project development is largely attributable to capacity constraints at various levels—among developers, financiers, and REA. Therefore, it is essential to allocate resources for these "soft" transaction advisory activities. In the past, the delivery of transaction advisory services has been time-consuming and constrained by limited human capacity which, in turn, have led to delays in obtaining services on a project-by-project basis. In response to this experience, the RERE project will establish a world-class Transaction Advisory Services Facility (TASF) to provide support to individual developers for pre-feasibility and feasibility studies; regulatory compliance; technical design and evaluation; procurement; business plan preparation; financial and economic modelling; market and risk assessments, and financial closure. IFC will lead this work.
1.09	On the timeline for delivery of the project documents, it is stated on p97 that these will come to the SREP committee in May 2014, but the preparation grant request states Q4 2014 on p99. We clearly prefer the earlier date, which is also more in line with the UK's timeline for additional support to this sector in East Africa, which we would like to align closely with SREP support.	Our apologies for any confusion created. The plan is to deliver the project to the SREP Subcommittee in May 2014 (which is Q4 of fiscal year 2014), and to the WB Board in Q1 of FY2015 (delivery to SREP Subcommittee is before appraisal, but there are usually several months between appraisal and Board delivery to allow for final negotiations, *inter alia*). IFC project preparation will result in an outline of how this facility will actually deliver, and therefore significant leg-work will have been done by May 2014.
1.10	Given the importance of community consent, involvement and awareness to off-grid market expansion, the programme design should set out a stronger approach to facilitating community and CSO engagement with the RERE programme. While the IFC would be potentially well placed (noting our earlier comment on need for staff in	We fully agree. Community and CSO engagement with the RERE project will be important. TASF will be contracted out and will be placed locally in Tanzania. There is a proposal to host the TASF within the REA offices in Dar es Salaam. We will consider both the potential merits and disadvantages of various host institutional arrangements for the TASF during project preparation phase. One immediate observation, however, is that basing the TASF at REA would improve communication between the teams leading

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	country) to provide TA to off-grid businesses and developers, they do not have capacity to engage with communities and consumer groups on their involvement.	TASF and associate project support facilities. TASF will include expertise on community development, as both private sector-driven and community-driven projects will be supported – as long as they are developed on sustainable business principles. IFC Advisory has extensive experience working on base-of-pyramid business models that operate in new markets, and therefore on broader market development and transformation which necessarily involved end-users (communities). IFC's Lighting Africa and Lighting India programmes work, leveraging appropriate partner organizations and consultants. In addition, through IFC's advisory work on agriculture/small farmer/financial inclusion, supply chain development and SME training, IFC has in-house knowledge on more grass-roots level engagement. Therefore, we would revert that IFC has relevant expertise that may not normally be associated with a DFI. While IFC is the key implementing agency for TASF, its design will be developed in close coordination with REA, the World Bank and other donors working within Tanzania's energy sector.
1.11	We would appreciate clarification on the timing of the support for the legal and regulatory work on geothermal. We would just like to confirm that the geothermal legal and regulatory work will start and be funded under the Project Preparation Grant (PPG,) rather than waiting for full approval of the wider project	Yes, this is what has been agreed upon. The PPG reflects the willingness to start working on the legal and regulatory framework as soon as possible, during project preparation. We expect to undertake an assessment of the various incentive instruments and seek to evaluate their appropriateness across the sector during preparatory activities. Propositions will be made during project preparation in order to improve the legal and regulatory framework early on.
1.12	On connection incentives, we would encourage project designers to consider as part of the RERE design a differentiated rate for on-grid and off-grid/isolated mini-grids to reflect the cost of	Suggestion taken and will be taken on board during project preparation phase.

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	development and further incentivise off-grid/isolated grids – this has come up as an issue in recent EU Consultations	
1.13	Explain how the number of beneficiaries in the results framework were obtained	The assumptions are explained in the Investment Plan, footnotes **g** and **h** in relation to the results framework. For geothermal project the estimate is to generate 700 GWh per annum; with an estimate of 100 KWh per capita energy consumption by year 2020, the project will benefit about 7 million people. The number of potential beneficiaries is provided for information purposes as it is understood that about 7 million Tanzanians will only benefit from additional power generation once the geothermal power plant is built and connected to the grid. For RERE, the 2.2 million beneficiaries are based on the REA's Investment Prospectus Study conducted by IED Consulting of France with support from NORAD.
1.14	Within the RERE project, provide details for what the money will be used for.	General details are provided in Table 9 (SREP Indicative Financing Plan on page 58) of the IP document submitted. Further detailed breakdowns will be provided during the project preparation phase.
2.0	**Norway**	
2.01	We would like to commend Tanzania for its thorough work on the IP. We have however a few general comments to the two suggested investment projects, and some more detailed comments to the IP.	Thank you
2.02	Geothermal Power Development Project, 25 million USD. - The main argument of laying the groundwork for private investments by mapping resources and creating an enabling environment seems to be sound.	We believe that the content of the geothermal project description is the same across the document, though it might be written a bit differently in the various sections. If there are some specific points you would like us to clarify, GoT and MDBs will be glad to do so. Regarding the USD20 million used for test drilling and feasibility studies,

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	- The description of the geothermal project is quite brief, and descriptions in the summary, main body and annex differ somewhat. According to table 1, page 85, 20 of the 25 million USD for the geothermal project will be spent on "test-drilling programme design, test-drilling and feasibility studies". This could be elaborated upon.	information is provided on page 64 and pages 100-101 (laid out version of the IP) is more detailed and will answer your question; more information will be provided during project preparation. ***"Geothermal resource assessment and feasibility studies.*** *These activities comprise satellite imaging and resource identification of high-potential sites supported by JICA to select from 3–5 fields for further in-depth investigation. Pre-feasibility studies based on conceptual models of the field will be undertaken, along with assessing suitability based on environmental and social factors and project economics. For sites evaluated as promising,[1] an exploratory well-drilling programme will be prepared and, with SREP support, test well drilling will be undertaken by an expert firm contracted on a competitive basis. Where resources are confirmed, feasibility studies will be prepared."*
2.03	Renewable Energy for Rural Electrification (RERE) Project, 25 million USD. The partner in the rural electrification project is the Rural Energy Agency (REA). As indicated in the SREP (but not included in the financing plan), Norway has recently (April 2013) signed a NOK 700 million agreement with REA for rural electrification. - It is anticipated that a large proportion of these funds will support grid extension through TANESCO (historically more than 80% of the REA funds have been allocated to TANESCO), and as such one of the key risks associated with the support is that the tariffs are not cost-reflective and that TANESCO is unable to provide sufficient O&M on	1. Grid-extension / TANESCO - We agree with your observation. Therefore, the RERE project aims at bringing the capabilities and commitments of the private sector and community organizations into the rural electrification arena to complement TANESCO's grid extension. A good example is Mwenga project (already in place, 4MW) that is selling electricity to TANESCO and to 2600 households. It is important to note that this type of a rural electrification project provides an alternative avenue for access to electricity for communities that otherwise would not have been served. We further agree that issues linked to TANESCO need to be addressed. We closely work with the MDBs to prepare such a long-term solution. Our ambitious Big Results Now (BRN) Initiative has as one of its key objectives the continued evolution of the electricity sector institutional structure. It also focuses on increasing access to electricity for rural households through both conventional and non-conventional means. For the interim solution, the RERE project will set-up a risk-mitigation instrument against the TANESCO off-

[1] It is anticipated that exploratory well drilling will be done for 2–3 sites, in accordance with the results of the identification phase.

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	existing, as well as new transmission. It is hoped that replacement of the oil-generated EPP along with tariff increases will bring more cost-reflective tariffs. - Another key risk is associated with REA's implementation and management capacity in light of a significant increase in portfolio and funds volume, to now also include the SREP-IP. As the IP states at the bottom of page 19: …acknowledged the need to strengthen the institutional capacities of MEM and the REA to handle the increased workload expected during the SREP implementation…" cannot be underestimated - The Investment Prospectus (also mentioned in the IP) has also flagged capacity concern related to TANESCO and REA relative to national targets and level of ambition - As much of the funding to REA is likely to be implemented through TANESCO it is important to address risks and capacity associated with both TANESCO and REA	taker risk (delayed payments to rural electrification projects). 2. REA capacity - we are aware of capacity challenges related to scaling up rural electrification activities, especially for the Rural Energy Agency. However, REA is in the midst of a rapid growth situation and the agency is planning to increase both its staffing level and base of outsourced consultants to cope with increasing workload. The contribution of the Transaction Advisory Services support from SREP, USAID and Power Africa Initiatives will also be used to complement REA capacity. 3. We agree that the risk mitigation facility has to be designed carefully so that it supports incentives for timely payment (not the opposite). That is why PPG resources will be used for a careful design of the facility.
2.04	3. Other comments: The degree of private sector investments seems sensible	Noted and acknowledged
2.05	It is interesting to see and appreciated that Tanzania aims to apply performance based incentives for rural electrification	Noted and acknowledged
2.06	As the independent review points out, major market transformation through SREP is unlikely. The proposed IP will first of all be demonstrational and potentially secure that a few projects are	We have gathered good experiences and valuable lessons-learned from the WB TEDAP project which resulted in a diverse and rich project pipeline - which is promising. As such, the RERE project will be designed to strengthen that project pipeline and to scale-up the mini-grid scheme in Tanzania.

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	implemented	
2.07	Ensuring a sound income potential for the projects and a credit worthy off-taker is key in order to create a market and attract private investors, hence, the underlying risks should be addressed. Without cost reflective tariffs and a credit worthy utility it is challenging attracting private capital and commercial banks. Process for addressing some of these concerns are mentioned in the IP, but may be considered to be prerequisite to full SREP funding and at least be considered as indicator for measuring successful progress.	The major risks to the successful scaling-up of mini-grids in Tanzania are addressed in the design of the RERE project: it will set-up a risk-mitigation instrument against TANESCO off-taker risk, and it will bundle services for the private and community driven mini-grids in a systemic way. We are certain that these instruments together offer a good interim solution for private investments. For the long-term solution, we agree that cost-reflective tariffs and a commercially viable utility are the necessary drivers for private investments. To this end, the GoT strategy is to help TANESCO to reach financial stability; through numerous measures which cover management and indicators, efficiency, recollection methods, reduction of outstanding debts, restructuring, tariffs, etc. Another important step taken by GoT has been to include the TANESCO restructuring in the "BIG RESULTS NOW" (BRN) for the energy sector by 2025. We are convinced that the SREP activities and the above-listed measures will reinforce each other. However, as SREP is only one piece of several important measures, we don't see the necessity to link its direct success to the overall sector-wide reform. From our point of view, it would not be appropriate.
2.08	In addition, addressing the exploration risk for geothermal power is potentially a good way to reduce the risk for private investors and hence attract more private capital and enable involvement of commercial banks (but this is not sufficient alone the risks mentioned above should also be addressed)	We agree.
2.09	It should be carefully considered how the introduction of credit lines/PPG for off-taker risk (liquidity guarantees) incentivise the utility and how	Agreed. The proposed risk mitigation instruments will be developed in parallel to the other measures of GoT, supported by MDBs, aimed at improving TANESCO's financial situation. The risk mitigation instruments for rural

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	this affect the risk of non-payment. This should be further evaluated and measures should be introduced to address this risk. It is important that underlying risks are addressed to the extent possible before introducing new guarantees	electrification will be designed carefully during the project preparation phase, having in mind a need to balance incentives for TANESCO to pay on time with providing confidence to financiers to invest.
2.10	Clear understanding of how licenses/projects are offered/handed over to private investors should be considered to be in place before support is given to test drilling	We fully agree – this is why the legal and regulatory framework will be developed already during project preparation. This is a critical element that needs to be addressed the earliest.
2.11	The timeline/realistic time schedule for the proposed programmes/projects should preferably be presented (key indicator)	MDBs are glad to provide a more detailed timeline once the SREP IP is fully endorsed so that project preparation and closer planning can be initiated. On the RERE project, the plan is to deliver the project to the SREP Subcommittee in May 2014, and to the WB Board in Q1 FY15. On the geothermal project, the plan is to deliver the project to the SREP Subcommittee during the third quarter of 2014, and to the AfDB Board in at the end of 2014.
2.12	As pointed out, there is a risk that inadequate funds will be available. This risk could be reduced by addressing underlying risks (see above) and make clear priorities between the proposed initiatives included in the IP in order to secure the financing of the key activities	We agree, your recommendation will be taken in to account during project preparation. At this time, it will also be more clear the level of co-financing available for both projects. Priorities for the different activities/instruments will be made by the lead-MDB in case funds won't be adequate for the respective SREP project.
2.13	The business model for private involvement in mini and micro-grids are unclear and should preferably be further addressed	Advancing existing and testing conceptual business models for distributed systems is one of the key aims of the RERE project, especially under the TASF. There are a number of micro- and mini-grid business models in Tanzania which rely on a bottom-up approach for rural electrification where developers design what is most suitable for the long-term given the existing regulatory and support framework. They can be broadly categorized as micro-grids that primarily or solely serve households, and those built around anchor clients (e.g. TANESCO, mining or agro operations) which require significant load and therefore can support larger mini-grids systems. Some use pre-paid

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		metering, other have a pre-paid fixed 'energy service agreement' which allows, for instance, for 2-4 lights and a cell-phone charger per household, still others have post-paid metering and support much larger loads associated with small businesses. Some models have a large component of grant funding at the early stages (for instance, to cover costs of feasibility studies and maybe even a portion of the capital costs), while others are fully commercially oriented. In short, micro- and mini-grids business models vary and are to a large degree determined by the size of (electricity) demand; primary energy resource powering the system; capital costs of the system; nature of financing available; and profile of end-users. Collectively, these factors determine the business model that makes most sense for a given area. Under TASF, the approach will be to work with existing developers to build upon their experience, add lessons learned from other parts of the world (for instance, India), improve on their current approaches, and help to make them both scalable and replicable. We will also solicit interest from parties that may be watching on the side-lines to see how successful these companies are before entering the space. What will be critical is to demonstrate the financial viability of such distributed systems in order to attract private sector interest and participation.
2.14	We would recommend that corruption risk should be included in the risk matrix and that measures to address this risk are integrated into the IP	Moving forward, this risk will be taken into account in the projects' respective documentation.
2.15	It is important to enter into dialogue with private developers before test drilling takes place in order to secure that the quality of data gathered are sufficient and to ensure that the site is seen as interesting for investors/project developers – this is key in order to secure that the public/donor funded test drilling becomes catalytic and a successful development of the site	We agree. AfDB has the experience of assisting in developing geothermal in East Africa and will enter in early dialogue with private investors to make sure they can develop the project after major risk such as drilling phase progressed well
2.16	We would recommend that Ruhoi in Rufiji district	During project preparation, some assessment will be done of the best potential

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	(Pwani Region) also is considered as potential site for geothermal development (ref. SREP Investment brief) as our understanding is that this area potentially have large potential and is situated close to large consumer centres	sites, and we will explore the option of Ruhoi site among others. Thank you.
2.17	Capacity of TANESCO to deliver on the SREP programme	The Government of Tanzania, along with the MDBs and Development Partners, is keenly aware of this temporary difficulty and is working closely with TANESCO to overcome its problems through improving its liquidity position, pre-conditioned on performance improvements. Based on the Cost of Service Study, the EWURA expects to move to a cost-reflective tariff so that, over the next 3–4 years, TANESCO is ensured of being in a stronger financial position. Specific measures being undertaken by the government include: i. To improve Collection efficiency through installation of Automatic Meter Reader (AMR) to large customers and prepaid meters for domestic users ii. Replacing expensive sources of energy (EPPs) by installing Gas fired plants and renewable projects iii. Restructuring/Reforming/Unbundling TANESCO iv. Raising tariff based on service improvement
2.18	Emphasis on private sector participation	Initiatives have been put forward to attract and capture the interests of the private sector investors and commercial banks: TASF will ensure well packaged RERE projects to attract interest and participation of investors; Partial Guarantee Scheme (PGS) will provide against TANESCO risk of delayed payments, while policy and regulatory reviews will ensure good investment environment, presence of MDBs in this initiative will provide confidence of both private investors and commercial sector lenders to participate in the SREP programme.
3.0	**Netherlands/Sweden**	
3.01	We congratulate Tanzania with the work that has gone into developing the investment plan for SREP.	Thank you.

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	We support the investment plan and are ready for "in principle endorsement" of the investment plan and approval of the related project preparation grants.	
3.02	To be able to support the formal endorsement, scheduled for the next meeting of the SREP sub-committee in November 2013, we seek further clarification on the following issues: *a.* We subscribe to the importance of a balanced and broad energy mix for Tanzania, reserving also scarce GoTz means (funds and capacities) for geothermal energy and renewable energy for rural electrification. We are concerned that attention for the development of renewable energy sources could be victim of growing demands on government institutions for exploration and development of the non-renewable gas sector. *We would therefore like to get further clarification how the GoTz plans to address this risk.*	The United Republic of Tanzania has decided to mix its power generation due to various reasons as explained in the IP. However, we have plans to make sure that all prioritized sources of power are developed: i. Big Results Now (BRN) Programme: We have launched the BRN programme whereby we have prioritized a number of projects which under a special monitoring through a Ministerial Delivery Unit will make sure that these projects are implemented on time. The projects involve both the development of renewable energy and gas sources to power generations. ii. Improve TANESCO situation: There are measures being undertaken to improve TANESCO's situation and make sure that the Utility is capable to absorb the power that will be generated from all generation sources. Measures to be taken include the reform of TANESCO by the Government, improve financial situation of TANESCO through the budget support operations done by the MDBs (both budget support operations and SREP investments should enforce each other strengthen the overall TANESCO situation). Further, as part of SREP projects, we have planned for specific risk mitigation mechanism). iii. A well, set institutional framework: Rural Energy Agency (REA) as a responsible institution to electrify rural areas is in front to facilitate the development of renewable energy projects in rural areas (grid connected and stand-alone mini-grids) where 75% of the Tanzanian population live; EWURA – a regulatory authority; TANESCO which will be improved to manage its obligation and the National SREP

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		Advisory Board which will be in place when the implementation of SREP projects start. We therefore, would like to assure you that, there will be no risk in developing all prioritized sources of power. The country's sequence of power generation prioritization focuses first on gas, renewable, hydro and coal as clearly outlined in the national Power System Master Plan (PSMP) of 2012 - 2035. To add on this and given its large size and scattered nature of population and development centres, neither one electrification approach nor one source of energy can be relied upon for the entire solution: a portfolio approach to both electricity supply and access is required. It is true that gas-based resources will enhance power supply to grid-connected customers, but still a larger portion of the population in remote off-grid rural areas will rely on the successful development of isolated renewable energy based mini-grids for their source of modern energy services.
3.03	We realize that Tanzania faces an urgent crisis in the energy sector, that requires, as stated in the document, a whole range of measures in the electricity sector (loss-reduction, revenue enhancement, restructuring) as well as further strengthening of the legal and regulatory framework. In this context, the investment plan anticipates private investments of 518 million USD on a total of 719 million. *We would therefore like to get further clarification to what extent the GoTz can already demonstrate private sector interest, and how GoTz will track progress with the mobilization of private sector investments and the strengthening of the enabling environment for private sector participation, and*	To attract the private sector investment, the Government has instituted a range of energy sector reforms which have attracted private sector investment to boost electricity supply. These are establishment of key policies and legislation pieces including: National Energy Policy, 2003 which is under review; Energy and Water Utilities Authority Act, 2001 and 2006; Rural Energy Act, 2005; Electricity Act, 2008; Public Private Partnership Act. No. 18, 2010; Environmental Management Act, 2004; National Adaptation Planning for Action, 2007; and Sector Environmental Action Plan, 2011-2016. As well as Power System Master Plan, 2012. For Renewable Energy for Rural Electrification (RERE) project, SREP-Tanzania will set up world class Transaction Advisory Services Facility (TASF) to provide firm-level support for pre-feasibility and feasibility studies, regulatory compliance, technical design and evaluation, procurement, preparation of business plans and models, financial and economic modelling,

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	inform the subcommittee about this progress.	market and risk assessments, and financial closure. The key ingredient for success will be committing to a large volume of business to attract highly reputable experts with a significant depth of expertise and providing high quality public goods (e.g. market and resource data) in an efficient manner, such that all developers benefit equally and can focus their limited human and financial resources on operations. The TASF services will be competitively awarded to reputable service providers, and particular attention will be paid to leveraging local expertise to ensure that advisory services are rooted in local know-how and to promote longer-term development of local capacity. Investments in privately-developed, Small Power Producer schemes under the TEDAP project have already resulted in the credit line being used to support 4.8 MW of plants to date. With two or three plants totalling nearly 20 MW of new capacity approaching financial closure, the available funds under the credit line ($23m total) are expected to be exhausted no later than Q1 2014. The current pipeline of privately developed Small Power Producer Schemes includes biomass, small hydro and solar projects totalling roughly 126 MW of estimated new capacity. The private sector, including the Tanzania banking sector, is increasingly stepping up to the challenge in the small, renewable electricity subsector. For geothermal development, SREP Tanzania will facilitate private sector entry by putting in place the appropriate policy and legal and regulatory framework and by financing higher-risk phases of implementation (e.g. test drilling). It is expected that the private sector will enter at the independent Power Producer (IPP) development phase to provide the technical know-how and financing for development of geothermal power. Therefore, the progress of the above will be tracked by the Government through the SREP Tanzania Advisory Board whose members are drawn from

SN	Comments/Questions from Sub-Committee Members	Response from URT and MDBs
		key public and private sector institutions. Under the Advisory Board will be National Task Force to coordinate and advise the Ministry on the implementation of geothermal projects; and Rural Energy Working Group to coordinate and advise the Rural Energy Agency on the implementation of RERE projects. In addition; the Ministry is coordinating with the Tanzania Private Sector Foundation (TPSF), the Tanzania Investment Centre (TIC) and the Tanzania National Business Council (TNBC) in marketing potential energy investment opportunities and incentives to prospective domestic and foreign private sector investors.
3.04	We welcome the component of the investment plan that focuses on rural electrification, as this will improve the balance of energy priorities for urban centres and the urgent energy needs of the energy poor in rural areas. We agree that this challenge has an important gender dimension. While the document mentions gender co-benefits, it is unclear how these will be attained. *We would therefore like to request the GoTz to clarify the results-chain through which the program will contribute to improved gender equality.*	REA will apply the tools it has developed with the support of the AFREA financed Gender and Energy activity. AFREA's support in this area has focused on creating a deeper understanding of and capacity to mainstream gender into the Rural Energy Agency's work. It has worked to build a strong basis of awareness of men's and women's differing energy needs, as well as building skills to ensure that rural energy activities encourage women's participation, as well as provide services in a way that women can access them. The work involved first having a local consultant conduct an internal gender assessment of how gender is considered in REA's work - to what extent are people aware of what gender means in energy; to what extent are they required or encouraged to consider it in their work; and how do current projects include any awareness on gender. Based on the assessment, the consultant identified gaps in skills, as well as in terms of the tools that staff would need to be able to more systematically address gender. He designed checklists and indicators for staff to use to verify when and how to include gender (which is now being used for the evaluation of the funding requests). REA is now integrating gender objectives in its support to project developers. For example, REA made a specific call for women-led, and women-benefitting projects in their most recent call for Lighting Rural Tanzania II projects, which led to 3 women-led initiatives being selected for support.

SN	Comments/Questions from Sub-Committee Members	Response from URT and MDBs
3.05	We appreciate that the rural electrification component has great potential for productive use of energy in the targeted rural communities. We refer to experiences of the World Bank with promotion of productive use of electricity in for instance Peru (see http://www.esmap.org/node/2678). From the investment plan, it is unclear whether specific approaches to maximize the productive use of energy will be built into the project. *We would therefore like to seek clarity from the GoTz to what extent productive use of energy by rural communities will be prioritized in the elaboration of this component.*	Productive use of energy by rural communities will be prioritized through the National Electrification Programme Prospectus which has been developed by REA (implementers of SREP-RERE projects). The Prospectus identifies a least cost rural electrification strategy that together with the continued electrification development in urban areas will contribute to attain the national objective for electrification ratio: 30% by 2015 and 50% by 2020. The national development goal of transforming to a middle income economy by year 2025 (Tanzanian National Development Vision 2025) defines the country determination to use electricity for both social and productive use. This doesn't only make rural energy projects financially viable but has a strong component of income generation as electrification in rural areas will enhance irrigation based agriculture, enable agro-processing, reduce post-harvest losses, enable development of repair and maintenance workshops to produce and repair farm implements, enhance information flow to support agro-marketing, reduce rural urban migration, attract extension officers to work in rural areas and enhance medication and vaccination to render a health and strong workforce for the rural economy. One of the approaches for rural areas has been developed on a GIS database created in Manifold using a least-cost planning programme GEOSIM for grid and off-grid options as well as for disseminated energy services options (Manifold only).This approach is based on the selection of development centres having economic and social growth potentials. These centres are qualified to be supplied during the planning exercise. They will be in priority supplied through grid extension options and the remaining centres will be proposed a selection of the off-grid options. Each centre is ranked by its Indicator for Potential Development (IPD) at provincial and national levels in both countries, compiling a series of indicators on health and education infrastructures and on economic growth potentials. The settlements with the highest IPD have been selected as Development Centres. So far 678 non

SN	Comments/Questions from Sub-Committee Members	Response from URT and MDBs
		electrified development centres have been selected. The Tanzanian Government underscores the lessons drawn from experiences with productive use of energy in rural electrification projects in Peru and Bangladesh where 20,000 and 66,000 rural energy entrepreneurs benefited, respectively. Notwithstanding the fact that the productive use component is taken on-board in all our rural energy projects as explained earlier; we are flexible to learn and improve from these and other successful models. Productive uses are essential to foster development impact and ensure sustainability of mini-grids, and RERE will take several approaches to realize that development potential. TASF will provide technical assistance to the developers to identify, assess and develop anchor clients and business customers to ensure sustainability of the revenue base for these mini-grids. The capacity building component of SREP will provide technical support to REA to support development of productive uses in the mini-grid area. It is expected that the actual support to productive uses will be done jointly with other development partners – for example, GIZ and their potential support for productive uses in Tanzania. Initial discussions on future collaboration have been initiated.
4.0	**Switzerland**	
4.01	We thank Tanzania for a well prepared Investment Plan. We understand and *value* the efforts that were made to produce a document that addresses the needs of the country and is consistent with the strategies already pursued. We *have* the following questions (0), comments (C) and recommendations (R):	Thank you
4.02	(C) We appreciate a well balanced allocation of	Noted and acknowledged

SN	Comments/Questions from Sub-Committee Members	Response from URT and MDBs
	SREP funds between one large grid-connected geothermal development project and a program to apply renewable energy to rural electrification, using mini-grids (up to 10 MW), micro-grids and sustainable solar market packages (SSMP). We believe that this proposed mix correctly addresses the challenges facing Tanzania in relation to both, access to sustainable energy and productive use of sustainable energy.	
4.03	(C) We noticed the *very* high ambitions regarding the increase of per capita energy consumption (+450%), the annual electricity output from renewable energy (+540%) and the increased investments (USD 1 billion) until 2020. We would like to *have* an appreciation of the realism (feasibility) of these ambitions from the Government of Tanzania (GoT) and the MDBs.	Tanzania begins from a very low base of electricity consumption per capita and a very small base of non-hydro renewable energy. So while in percentage terms, they figures seem immense, in the context of Tanzania's economic growth and development plan, they are achievable. They were drawn from MEM's Power System Master Plan (2012 update). The Government has made a national commitment to grow its economy at a rapid pace, and to expand electricity access to vast majority of its populace who are without electricity access (82%), it will have to expand its generation capacity and its transmission and distribution network. Moreover, the country is currently facing an electricity capacity deficit. To support this, rapid expansion of electricity generation capability is required. The estimated capacity additions are based on an assessment made by a multi-agency committee established by MEM and it is the basis of broader sector development dialogue within the country and with our development partners. The Government intends to maximize its use of natural and renewable energy resources for economic and energy security reasons. We expect with SREP support, investment share of renewable energy will increase.
4.04	(C) Regarding the financial plan, we noticed the *very* high ambition of Tanzania regarding the *leverage* of	Much of the leverage comes from the power development phase of the geothermal component. Excluding the investment required for geothermal

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	SREP funds (13:1) and in particular of private sector equity and commercial loans, in comparison to the investment plans of Kenya and Ethiopia, for whom the SREP *leverage* factors are 8.4 and 8.9. We believe that the higher le*verage* factor implies a significantly higher risk regarding the fulfillment of the investment plan (effectiveness and sustainability).	power development phase, the leverage is 4:1. The Government is confident that should quality and quantity the geothermal resources be confirmed, the required generation investments will come forward. Yes, SREP resources are used in the highest risk geothermal resource assessment and confirmation phase, and the consequent high leverage is an indication of the value of using SREP resources in this high risk phase, thereby, leveraging considerably more resources in the less risky power development phase.
4.05	(C) We also noticed that the MDB share in the total proposed investment for Tanzania is only 13%, *vs* 35% in Kenya and 41% in Ethiopia. The MOBs are the key partners of the SREP (pilot) countries in the implementation of their investment plans. Their tendentially lower engagement in Tanzania further accentuates our risk perception regarding the fulfillment of the investment plan.	Again, this is because we anticipate significant private sector and commercial financing to play a dominant role in the geothermal power development phase (64% of the total funding). MDB financing is appropriately used to complement SREP funds for the more risky investments where private sector and commercial financing will be hard to attract without these sources requiring exceptionally high financial returns which in turn will make renewable energy power more expensive. Leaving out the private/commercial financing investments in the geothermal power development phase, the MBD finances contribute 37% of the financial requirements which is in the range of the share in Kenya and Ethiopia.
4.06	(C) Finally we also noticed the *very* small share of the GoT in the *overall* investment plan. This raises the question of the GoTs dedication to the scaling-up of renewable energy vs other energy programs (e.g. natural gas development).	We believe that it would be a mistake to equate the current estimated value of the GoT contribution to the program as the sole indicator of the GoT commitment to RE. Earlier, we mentioned the rapid growth taking place in REA. Also, we mentioned the Big Results Now (BRN) framework for priority projects which include, inter alia, the SSMP program and the mini-hydro program, which combine to account for nearly 100,000 of the almost 1 million new consumer connections targeted under the program. In addition, experience under TEDAP demonstrates that when there is agreement to move forward on a contract or procurement, REA has been willing to contribute more than their

SN	Comments/Questions from Sub-Committee Members	Response from URT and MDBs
		estimated share of the co-financing to make these priority projects happen. GoT co-financing to these ongoing initiatives while they are under implementation has far exceeded the initial estimates made in the proposals. The GoT is also engaging in the geothermal sub-sector with the preparation of a geothermal roadmap that SREP will help implement. In 2013, some dedicated national budget (about USD 600,000) was allocated by the GoT to kick-start the development of the geothermal sub-sector. As the SREP geothermal project is being prepared, the contribution from the GoT might be increased.
4.07	(C) Our comments (2, 3 and 4) are *even* more valid for the geothermal development project. Regarding this component only, the SREP *leverage* factor is *over* 20:1 and the MOB's share is only 8.4%. In the geothermal projects of Kenya and Ethiopia, the MDB's share in the total investment is respectively 39% and 26%.	Again as noted in comments to point 4, the reason is because we expect and will strongly encourage private investment in the less risky geothermal power development phase. Note in particular the strategic use of MDB resources for the risk mitigation facilities. Leaving out the private/commercial sector financing for 100 MW geothermal power development phase, the MDB share is 58.5%, far greater than in Ethiopia and Kenya.
4.08	(R) In order to reduce the perceived risks described *above*, we recommend that the GoT and the MDBs explore the possibility to increase their respective shares in the proposed investments, notably for the geothermal project. We would also welcome more detailed exploration of possible funding sources from other developing partners, specialized trust funds (e.g. Public Private Infrastructure Advisory Facility PPIAF for transaction *advice* regarding PPP or Private Investment Development Group PIOG), private sector *investors* and commercial banks.	Note that a significant share of MDB resources are used in risk mitigation facilities which permit MDB resources to be considerably leveraged. Regarding the RERE project, IFC specifically has the lead responsibility of bringing it's considerably expertise to provide transaction advisory services that also increase the confidence to investors. Regarding the geothermal project, its financing already includes private investors and commercial banks as you can see in the financing table. We will look at PPIAF or other Trust funds for advisory services for the transaction; note that AfDB also has in house a Legal African Facility that will help GoT for the transactions with private investors in order to get good deals. Other partners to co-finance the project will come during project preparation.

SN	Comments/Questions from Sub-Committee Members	Response from URT and MDBs
4.09	(Q) Regarding the geothermal component, we understand that, unlike in Kenya and Ethiopia, there is no existing (even experimental) geothermal power plant in Tanzania. To what extent have there already been exploration drillings allowing the qualification of certain areas/fields? Is there a clear idea of where the proposed geothermal project should be located? Which area would that be and why?	A private sector developer has been granted an exploratory licence in several fields and they are targeting their initial efforts at two fields. In order to reduce the risks, SREP resources are used to widen the number of fields to be explored. As stated in the IP, JICA is supporting satellite and ground-based geothermal resource screening in various potential areas throughout Tanzania. The identification of fields and then narrowing deeper exploration in the fields with highest promise is the work to be done initially under the SREP project. It would be premature to pre-select fields at this stage without a more thorough investigation and prioritization.
	(C/Q) We noticed that the cost of 1 kW installed capacity of the proposed geothermal project in Tanzania is estimated at over 5300 USD. This is far higher than the costs foreseen for Menengai (3900 USD) or Aluto Langano (3400 USD). Could this be explained?	This is a function of the uncertainties surrounding resource conditions in Tanzania. Moreover, geo-scientists expect the geothermal resource temperatures to be lower in Tanzania compared to the more northern countries. Consequently, project costs are likely to be higher. More precise project cost estimation can only be done once the resource confirmation work is completed. At that time, the cost estimates will be re-evaluated. The important point to note is that, despite these higher unit costs, especially for the first 100 MW, geothermal power is competitive with coal and hydropower.
4.10	(C) We welcome the proposed step-by-step approach with the geothermal development project, starting with the improvement of the enabling environment. We noticed that the USD 25 million SREP funds are further foreseen to: a. assess the geothermal resources (including exploration drilling in various still undefined locations), b. mitigate the project development risk (including project co-financing and transaction advisory services)	Thank you. This work will be done during detailed project preparation for which PPG is sought.

SN	Comments/Questions from Sub-Committee Members	Response from URT and MDBs
	c. mitigates the delayed payment risk of the utility (TANESCO). It would be useful to get a more precise description of the different activities to be co-financed by the SREP contribution, as well as a tentative estimation of total costs and SREP contributions for each of these activities.	
4.11	(C) We welcome the extension of rural electrification with renewable energy on the basis of existing experience gained through the TEDAP (Tanzania Electricity Development and Access Project) and we believe that the proposed SREP funding will contribute to scale-up this program.	We are confident that it will.
4.12	(R) While access to (clean) energy is a necessary condition to escape poverty, a minimalistic power supply is not sufficient to generate the transformation effect sought in the SREP program. We therefore recommend to dimension the mini-grid; micro-grid and SSMP based electrification projects in a manner that electricity gets accessible in the concerned communities also for productive use.	We remain concerned with this very issue, and it forms the basis for ensuring an emphasis on mini-grid supply that has the potential to meet demand for energy that has, in the past, been suppressed or constrained. The identification of communities to be served and the assessment of their electricity requirements are obtained from the Rural Electrification Investment Prospectus which is under preparation. As the experiences from TEDAP and REA demonstrate, the local conditions in terms of productive/economic activities and the ability of consumers to pay have a direct bearing on their need for large quantities of electricity. As the reviewer notes, electricity is but one condition to support economic and social development, it is not a sufficient condition. With respect to ensuring support to productive uses, we would refer to the above discussion of the topic under the early responses to comments from the Netherlands. In summary, the GIS-based approach used has identified nearly 678 non-electrified market centers with the greatest potential for hosting small-scale rural industries and agro-processing firms if electrified. The TASF will

SN	Comments/Questions from Sub-Committee Members	Response from URT and MDBs
		focus on market centers and locations with anchor clients who will provide the foundation for rural electricity use. The capacity building element is designed to strengthen REA's ability to provide support to productive uses. In addition, collaboration with other donors with a substantial track record in identifying and supporting electricity for rural productive use is under consideration.
4.13	We would like to emphasize on the importance to preserve the forest resources of Tanzania, which is conditional to the substitution of and/or a more efficient use of traditional biomass in the rural areas. In this sense the mentioned reserve project (alternative biomass supply) would be a relevant addition to the program, if and when Tanzania becomes eligible for additional funds from the SREP.	This is an important area for Tanzania given the pressures on its forest resources. We appreciate your acknowledgement of its importance. We do hope that if SREP reserve funds are available, that funds will be committed to support the implementation of the Biomass Energy Strategy Tanzania (BEST).
5.0	**Maldives**	
5.01	As the IP clearly shows, in Tanzania only 20% of the population has access to electricity and many of these are rural communities, considering that the levelised cost of indigenous renewable energy sources which are under 0.12 cents/kWh, there is huge potential for Tanzania to tremendously benefit from these resources. Maldives is very positive that the plan will accelerate the investments in renewable energy and like to congratulate Tanzania for its effort in preparing such a comprehensive document. Based from our review of Tanzania's investment plan, we like to note some comments/observations/clarifications as stated below.	We fully agree.

SN	Comments/Questions from Sub-Committee Members	Response from URT and MDBs
5.02	The SREP Financing Plan indicates private investments of up to around $ 173 million which is a relatively large figure in terms of private investment scale. It is important to confirm whether the government has made any preliminary assessment regarding the availability of such interested investors who have determined commitment.	For the RERE project, the projections were based on the already existing project pipeline of small renewable energy projects at REA – which receive financial and pre-investment support through various TEDAP instruments. As such predictions are possible. For the geothermal project, based on preliminary discussions with private investors, and considering that one of them is already doing some test drilling, we believe there is potential for investors to come in, as long as the appropriate regulatory framework is in place. Private sector response will be ensured if projects offered through this SREP initiative are properly packaged and promises to return adequately on their investments. With TASF team from IFC wing and strong commitment of the Ministry of Energy and Minerals, GoT is optimistic that such an offer should be achieved.
5.03	The government contribution to the private sector is $3.9 million versus $50 million from SREP. As the government contribution appears to be relatively small. I'm sure that the small amount is not the reflection of the government's commitment to SREP IP.	We believe that it would be a mistake to equate the current estimated value of the GoT contribution to the program as the sole indicator of the GoT commitment to RE. Earlier, we mentioned the rapid growth taking place in REA. Also, we mentioned the Big Results Now (BRN) framework for priority projects which include, inter alia, the SSMP program and the mini-hydro program, which combine to account for nearly 100,000 of the almost 1 million new consumer connections targeted under the program. In addition, experience under TEDAP demonstrates that when there is agreement to move forward on a contract or procurement, REA has been willing to contribute more than their estimated share of the co-financing to make these priority projects happen. GoT co-financing to these ongoing initiatives while they are under implementation has far exceeded the initial estimates made in the proposals. The GoT is also engaging in the geothermal sub-sector with the preparation of

SN	Comments/Questions from Sub-Committee Members	Response from URT and MDBs
		a geothermal roadmap that SREP will help implement. In 2013, some dedicated national budget (about USD 600,000) was allocated by the GoT to kick-start the development of the geothermal sub-sector. As the project is being prepared, the contribution from the GoT might be increased.
5.04	A major component of SREP allocation is directed towards feasibility studies and other soft components in comparison to the real investments. Out of the $50 million, most of the funds are allocated for feasibility, project development/transaction advisory service, capacity development/transaction advisory service, capacity development, etc. with up to only $8.75 million allocated for mini/micro grids and stand alone for solar. We feel that SREP funds need to be utilized for investment related activities rather than for soft components.	Allocating major SREP resources for these activities is intentional, and is based on experiences from TEDAP. While currently we have sufficient funds for investments, including through performance grants and credit lines, the pace of project development is low in large reason because of capacity constraints at various levels resulting from developers, banks and REA all being overstretched. We have found that sufficient resources for these "soft" activities are essential to "prime-the-pump" in preparation for the onslaught of private projects and financing that we are seeking to unleash. Nevertheless, we will bear this constructive suggestion in mind as we move forward into the project preparation stage. If we see that the "soft" needs are met and there is an opportunity to devote a larger share to "hard" activities, we will not hesitate to do so. For the geothermal project, a big part of the investment is destined for "hard" investment, especially in the form of drilling of test and production wells.
5.05	In general we have observed that the investment plan is in line with the requirements and is very comprehensive and we are pleased to endorse the IP. We wish all the best to Tanzanian colleagues in their effort to transform the energy sector.	Thank you
6.0	**Australia and United States of America (USA)**	
6.01	Like others, we notice that there is a significant expectation of private co-financing in the program. Essentially, you are relying on public finance for development and hope to attract private	The Geothermal model where public funds are used in the exploration phase and private during development phase is used in most African countries, including Kenya. This reduces the uncertainty hence reduces the risk for private developers, and thus can result in lower tariffs on the electricity sold

SN	Comments/Questions from Sub-Committee Members	Response from URT and MDBs
	infrastructure finance later. Do you have an example of where this model of initial public development phase investment followed immediately by private construction phase investment has worked in Tanzania in the past?	from these plants. We also refer you to question 2.15.
6.02	How advanced are discussions with the private sector relating to financial commitments?	Private sector response will be ensured if projects offered through this SREP initiative are properly packaged and promises to return adequately on their investments. With TASF team from IFC wing and strong commitment of the Ministry of Energy and Minerals, GoT is optimistic that such an offer should be achieved. Further discussions with private investors will take place during project preparation, and reflected in projects' documents to be submitted to SREP Sub-Committee later on.
6.03	It would be helpful to have more detailed data on the risk premiums expected in the private sector, specifically for geothermal power investment.	Risk premiums for the private sector in geothermal can be sought from Kenya, where the sunk cost of dry wells, and poor quality steam can contribute to the premium surcharges; we have few test drill in Tanzania and hence, cannot provide same.
6.04	We would appreciate further detail on where geothermal fits in terms of development priorities for the generation sector given the large pipeline of natural gas projects currently being cultivated.	The United Republic of Tanzania has decided to diversify sources of power generation due to various reasons as explained in the IP. In the short-term the gas based generation is meant to replace oil based EPP. In addition, the country would like to include geothermal in the energy mix as a competitive base-load power supply. Given large size of the country and scattered nature of its population and development centres, it will not be reliable to rely on one source of energy or one electrification approach to provide solution to all areas around the country. A larger portion of the population in remote off-grid rural areas will rely on the successful development of isolated renewable energy based mini-grids as sustainable source of modern energy services. Moreover, as stated in IP the government is committed to engage on a green growth pathway by increasing share of renewable energy in the national energy mix.

SN	Comments/Questions from Sub-Committee Members	Response from URT and MDBs
6.05	On rural electrification, we like the focus on proving new business models in the mini-grid and off-grid space. This portion of the Plan relies heavily on public finance with a relatively low amount of private finance. The test of successful projects is the extent to which they are able to be replicated elsewhere. The results framework should measure whether and how much replication has taken place.	Noted and acknowledged.
6.06	Both portions of the project rely heavily on the restructuring of TANESCO. We would like more detail about these exact restructuring plans in the revised investment plan.	The Government of Tanzania in collaboration with the AfDB has engaged a Consultant to study and advise the Government on how best to undertake the restructuring of TANESCO. This assignment has been prioritized as one of the deliverables of the Ministry of Energy and Minerals under the Big Results Now (BRN) initiative. Information shall be made available to you once ready.
7.0	**Kenya**	
7.01	On-going activities to help TANESCO from WB and AfDB, is this a loan or a grant?	The Government of Tanzania, along with the MDBs and Development Partners, is keenly aware of this temporary difficulty and is working closely with TANESCO to overcome its problems through improving its liquidity position, pre-conditioned on performance improvements. Based on the Cost of Service Study, the EWURA expects to move to a cost-reflective tariff so that, over the next 3–4 years, TANESCO is ensured of being in a stronger financial position. In addition, both Geothermal and RERE projects plan to establish off-taker risk mitigation facilities.
7.02	Figure quoted for Private sector contribution is very high	The Rural Energy Act of 2008 of the GoT provides for participation of the private sector in power generation, transmission and distribution. The Public Private Partnership Policy of 2009 and Public and Private Partnership Act of 2010 define the Government's engagement of the private sector in development projects. Such initiatives and several others, outline the GoT's reliance from the private sector.
7.03	What measures have been taken not to burden Tanzania?	Development of the energy sector will ensure long term sustainable and reliable power supply for various functions of the economy. Further

SN	Comments/Questions from Sub-Committee Members	Response from URT and MDBs
		development of geothermal and renewable based resources for power generation will relieve GoT of the current burdening cost of relying on costly Emergence Power Suppliers! Measures undertaken under SREP will free us from the current burden rather than it being a burden.
7.04	What activities are going on geothermal exploration in Tanzania	Activities undertaken so far as with regard to geothermal exploration are detailed surface exploration including geological, geochemical and geophysical methods. Reconnaissance survey is on-going in five different sites. Further details are in the SREP IP document (laid out version) pages 42 – 43.
7.05	Who will be affected by the geothermal activities?	Based on the outcomes of the aforementioned surface exploration and reconnaissance survey stages, this will be determined at the stage of conducting the Environmental and Social Impact Assessment for this project.
7.06	Are there existing geothermal policies and regulation in place?	The Tanzania's National Energy Policy of 2003 provides for geothermal as one of the priority energy resources to be developed. The Ministry of Energy and Minerals has set up a geothermal National Task Force to advise the GoT on geothermal development, strategy and policy formulation. We are also set to borrow the experience of our neighbours, Kenya, which is a step ahead in this and recently the Energy Committee Parliamentarians visited Kenya to learn from the best practices on this. The geothermal strategy, legal and regulatory framework will be prepared under the SREP programme.
7.07	Disclosure of the SREP IP: How was the SREP IP disclosed to those who will be affected?	The public was involved in the preparation of IP by incorporating their comments to the document which were collected during consultation workshops. In order to solicit more comments from people who could not attend workshops, the draft IP document was posted on MEM, REA, EWURA, and TANESCO websites. Those who may be affected by the projects will be consulted during project preparation, in line with the national and MDBs environmental and social safeguards policies.