

# CLIMATE INVESTMENT FUNDS

July 26, 2016

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**[APPROVE BY MAIL]: NICARAGUA: GEOTHERMAL EXPLORATION AND TRANSMISSION  
IMPROVEMENT PROGRAM UNDER THE PINIC (SREP) (IDBG)**

**ADDITIONAL COMMENTS RECEIVED FROM THE NETHERLANDS AND THE UNITED STATES**

July 26, 2016

### **Comments from the United States**

Dear CIF Admin Unit,

Thank you for forwarding the IDB's responses to our questions. We have a few follow-up questions:

- Paragraph 10 in Annex III (pg 58 of the pdf version) of the proposal indicates that there are significant breaches in the Stage 1 ESIA. Please provide more detail about the IDB's plans to address the breaches in the Stage 1 ESIA.
- Additionally, Annex III says there is no ESIA for Stage 2 of the project. Will Stage 2 subprojects require IDB Board approval to move forward, and if so with the ESIA be made available for review 120 days before approval? If not, when will the ESIA be made available?
- Has an Environmental and Social Management Framework been developed for Stage 2? If so, we would like to see a copy of it.

Danny

### **Comments from the Netherlands**

Dear Claudio,

Thanks for your explanation below. I've consulted Frank, who is now on vacation in the south of France.

We understand that our World Bank colleagues are preparing for their project, but we don't believe the WB already approved the project. Therefore it must be feasible to readjust the project in the ways described by Frank in his e-mail below under points 1 and 2:

1. We endorse the project proposal, with the condition that the funding is taken from the budget allocation to the geothermal component. This implies (for this approval) a shift between IDB and WB reservations for geothermal.
2. We postpone the discussion about the budget shift between components of the IP (from the rural energy component to the geothermal component) to the next meeting of the subcommittee or another suitable occasion.

You may contact me to discuss this today or tomorrow, but I am not in a position to adjust this proposal without having feed-back on the reaction of other donors on this proposal.

Thanks and regards,

**Ronald Goldberg**



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July 22, 2016

## **Response from IDB**

Dear Ronald

You may have seen a series of emails regarding our geothermal project in Nicaragua, which was submitted for approval to the SREP Sub-Committee.

Frank van der Vleuten stated his concern because we are proposing a reallocation of USD 4.5 million from the rural energy component to the geothermal component. Since Frank is concerned *“that the rural energy component would become too marginal to have a meaningful impact on energy access in Nicaragua”*, he wrote to the Sub-Committee that the Netherlands *“endorse[s] the project proposal, with the condition that the funding is taken from the budget allocation to the geothermal component. This implies (for this approval) a shift between IDB and WB reservations for geothermal”*.

Unfortunately, this condition is impossible to meet, because our World Bank colleagues are already preparing their project, utilizing their full allocation of SREP resources.

Since Frank said that the approval was contingent upon this condition, the only way to have this project approved is with an approval email from the Netherlands.

We would like to have an opportunity to explain to you that we share Frank’s and other Sub-Committee members’ views with regards to the importance of rural electrification and energy access. In consultation with the Government of Nicaragua, we have decided to transform the energy access component into a separate, dedicated operation that would be approved in 2017. In this way the energy access objectives will not only be maintained but also the funding would be increased from \$107.7 million, as foreseen in the SREP Investment Plan, to \$125.28 million (components 2A, 2B, and 2C on the financing table on Table 12, page 5 of the attached Q&A document).

As you may have seen, we are currently under an extremely tight schedule in order to secure the availability of USD 22.5 million from the IDB’s Grant Leverage Mechanism for the geothermal program. The GLM is a fund that provides additional resources for the region’s poorest countries and will expire on September 13<sup>th</sup>.

We tried to have a telephone conversation with Frank today, but he had already left the office. Given the tight schedule, I would be extremely grateful if we could have a conversation with you before the approval deadline (Tuesday, July 26<sup>th</sup>), so that the approval is not postponed. Is this possible? Can you give me your phone number?

Best regards

Claudio

July 22, 2016

**Comments from the Netherlands**

Dear Mafalda,

Thank you for these replies.

We remain concerned about the possible impact of the proposed shift in budget between the rural energy component and the geothermal component. We feel that this shift cannot be seen as a minor shift. In particular, we are concerned that the rural energy component would become too marginal to have a meaningful impact on energy access in Nicaragua. We note that the discussions around accepting new pilot countries incl. Nicaragua prioritized targeting energy access gaps in particular.

To better assess this concern, we have asked for updates to the detailed financing plan tables in the IP (chapter 6 tables 11 and 12). Unfortunately these updates were not included in the IDBG responses. With the information and replies available, we are reluctant to endorse the proposed change to the IP.

In view of the holiday season, and the urgent need of IDB to get a clear decision on the project proposal, we would therefore like to make the following proposal:

1. We endorse the project proposal, with the condition that the funding is taken from the budget allocation to the geothermal component. This implies (for this approval) a shift between IDB and WB reservations for geothermal.
2. We postpone the discussion about the budget shift between components of the IP (from the rural energy component to the geothermal component) to the next meeting of the subcommittee or another suitable occasion.

We would appreciate feedback from other subcommittee members, if you share the mentioned concern and feel this is a good way forward.

Best regards, Frank

PS. I will be on leave from tomorrow until August 15<sup>th</sup>. For any urgent follow-up discussion next week, you may contact colleague Ronald Goldberg (address in CC).

## Frank van der Vleuten



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