

**[APPROVAL BY MAIL]: BANGLADESH: POWER SYSTEM EFFICIENCY IMPROVEMENT
PROJECT – ADDITIONAL FINANCING- OFF GRID SOLAR PV: SOLAR IRRIGATION
(ADB)(SREP)- XSREBD064A**

COMMENTS FROM SWITZERLAND

Thank you for responding to our questions and comments.

We have a number of follow-up questions and comments:

I. (Re. answer 1b): Thank you for indicating the unit prices of solar irrigation systems in Table 7 of the revised SREP cover page. We have the following open questions and comments:

a. (Q) The total for all 2000 solar PV pump systems adds up to \$46'418'236.30. Yet the total project financing is \$47'385'000.- What is the difference corresponding to?

b. (C/Q The unit prices for the proposed solar PV pump systems seem excessive compared to prices practiced in India (actually almost three times the price)!

See also: <https://www.quora.com/What-is-the-approximate-cost-of-installing-a-solar-water-pump-for-pumping-water-from-a-well-for-irrigation-purposes-in-India>
What is your explanation to that?

II. (Re. answer 2c): (C) We took note that the \$6.6 million reinstated into the project as a contribution of the Government of Bangladesh represents taxes and duties. Please note that we do not consider taxes and duties in the beneficiary country (or the absence of such) as a real contribution to a project. We thus consider the contribution of the GoB as nil, except if it occurs in another form, i.e. a real pecuniary or in-kind contribution to the project.

III. (Re. answer 3a): (C/Q) We still do not see how the gap from 5 GWh/y to 43 GWh/y (IP) will be filled. Or will the mini-grids project make up this difference? And will there be SREP funding for this?

IV. (Re. answer 3b): (C) We reject the statement that modest Ghg reductions are "typical for every SREP project in the global portfolio". A number of SREP projects do foresee a substantial reduction or avoidance of CO2 emissions.

V. (Re. answer 3c): leverage of co-financing

a. (C) The direct leverage ratio is defined as the additional co-financing for every dollar of SREP contribution, i.e. $(53.91-22.22)/22.22 = 1.426$ if including the GoB contribution of \$6.6 million. If we exclude this because of the reasons exposed under II above, the ratio is 1.129.

b. (C) We cannot follow your reasoning about the total solar energy component of the project. The co-financing is summarized in chapter 15 of that cover page document (\$25.165 million in the original document and \$31.69 million minus \$6.6 million – as we see it – in the revised document).

VI. (Re. answer 4a): Based on the additional information in the revised SREP cover document, we have computed the payback periods of the investments net of SREP grant contribution for each type of system, resulting in 9.7, 11.8, 7.6 and 6.7 years respectively. This is under the assumption that revenues expressed in table 8 are per year (not per month as indicated in the last line).

a. (Q) Can you confirm these figures?

b. (Q) We noticed that the larger systems generating electricity have significantly lower payback periods. This would indicate that the larger a system an operator can afford, the bigger his benefits from the project. Can such an approach still be considered pro-poor?

VII. (Re. answer 4b): (Q) What would EIRR and FIRR be if calculated following ADB guidance?

VIII. (Re. answer 4c): (C) We take note that “the Government of Bangladesh proceeded with the IP preparation with the clear understanding that all SREP funds would be in form of grants”. However, in view of the multiple other projects waiting in the reserve pipeline, this argument is not enough in our eyes to justify the allocation of grants to this specific project.

IX. (Re. answer 4d): (C/Q) Your reply is a statement not an answer to our question! Could a SREP non-grant contribution be a viable option? If not, why?