

September 24, 2010

**Comments from the United States on AfDB/IFC South Africa Projects and IFC's
Philippines: Renewable Energy Accelerator Program**

Colleagues:

First, thank you to AfDB and IFC for their efforts on these private sector proposals, and to our fellow TFC members for their thoughtful comments.

I am pleased to register board U.S. support for this group of proposals, with only one exception.

At this time, we are unable to extend our support to the South Africa solar water heater (SWH) proposal. While we understand that private sector proposals often lack certain details because the specific investments have not yet been identified, we generally expect that the proposal will set out a very detailed and clear concept. The SWH proposal is simply too unclear, unfocused, and does not appear to be fully developed. We also share or appreciate many of the comments and concerns raised by other TFC members relating to this proposal. For these reasons, we recommend that the proposal be withdrawn, redeveloped and represented at a later date. In general, we still support the use of CTF funds for a private sector SWH in South Africa.

On a different note, while we understand some members' concerns about approving the Philippines REAP proposals before feed-in tariff (FIT) regimes are finalized, we think that waiting to approve allocation of CTF funding until such a time will in fact result in needless delays. It is our understanding that the particular projects will be developed over the course of the next 6, 9 or 12 months, at which point IFC will know and carefully consider the final FIT structures as they determine the appropriate level of concessionality for each investment and negotiate the final terms. Additionally, because these are pioneer investments we do not believe that a FIT will provide a sufficient early entrant incentive and that CTF funds will still be required to activate these first movers.

Best Regards,
Daniel