

**IBRD Response to Trust Fund Committee Comments
Egypt: Wind Power Development Project**

Dear Trust Fund Committee Members,

We would like to thank you for your comments and favorable consideration of the wind power scale-up project in Egypt. Project appraisal and negotiations have now been completed.

We acknowledge the importance of continued progress by the Government of Egypt on sector and market reform in realizing the objectives of this project. This is a central part of our engagement with the Government and, in particular, we will continue to place emphasis on the issue of subsidies during project implementation.

We also appreciate the work being undertaken by bilateral donors in the area of wind power development in Egypt and have described their activities in the final document. During implementation, the World Bank looks forward to working with bilateral and multilateral donors in a closely coordinated manner on renewable energy development, particularly in view of the fact that significant investment support as well as technical assistance is required to support the Government's vision of scaling-up wind power.

Regarding the request for a financial analysis to justify CTF financing, we have sought to sharpen the analysis and have included it in the final project document. The assumptions used in the financial analysis (including choice of discount rates) are presented in the document. In summary, the financial analysis is based on the fact that, through a system of non-cash subsidies, EETC is assured a positive margin on the purchase-resale of electricity, and is therefore insulated from increases in the average cost of generation. In order to capture all of the financial impacts of the project, it was necessary to examine the project's financial returns from the perspective of the Government of Egypt which is the primary borrower and ultimate owner of the consolidated sector as well as the entity which will, either directly or indirectly, receive the incremental revenues and bear the full burden of incremental costs.

Finally, we should like to clarify that the amount of CTF funding requested for this project will have no impact on other project proposals in Egypt's CTF investment plan. The only change is that CTF financing for the Renewable Energy Fund component of this project has been re-allocated entirely to the transmission infrastructure. There has been no effect on the private sector wind and urban transport projects.

Sincerely,

Rohit Khanna
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World Bank