

October 6, 2010

IFC's response to Germany

Dear Patricia,

thank you for the final extension of the deadline and the opportunity to review the answers provided to our comments in detail.

As we do appreciate the necessity to move quickly as well as the importance of the RE and EE sub-sectors in the South African energy sector as such, we would like to support the project proposals. On the other hand, a number of our concerns expressed in the first round of comments has not been addressed adequately, therefore we feel the obligation to seek IFC's and AfDB's written confirmation that they undertake to follow-up on these issues during implementation (s. below).

On a more general note: The unconditional letter of commitment we are asked to provide was originally agreed as a concession granted by the TFC to the IFC and others on the understanding that it should only be used under special circumstances. The necessity to grant this concession has not been made entirely clear to us in this case. We therefore only reluctantly consider to do so, and would prefer for future project proposals to be submitted in a more advanced stage.

Our approval is subject to IFC's and AfDB's written confirmation on the following requests:

SA Sustainable Energy Acceleration Program

ad 1. We did not ask for specific names and partner companies in the proposal, but rather detailed information about the current market situation and more detailed support concepts. We nevertheless look forward to receiving specific information about the former on the basis of the agreed NDA as quickly as possible.

IFC and AFDB commit to providing specific client and partner names along with a general investment description at least 30 days prior to each MDB's Board Approval per Annex B of the CTF Private Sector Operational Guidelines approved on January 12, 2009. IFC and AFDB further commit to providing donors who have signed an NDA and so request, financial details on CTF sub-projects once such projects have been committed.

ad 2. and 6.

- We still maintain that a meeting at the Norwegian embassy in March 2009 is not enough basis for a successfully harmonised donor approach. Given the various institutional changes and the fast development of the clean energy sector a regular up date would have been helpful. And even after we pointedly requested better coordination no meeting with our German DC officials on the ground has taken place. We do expect harmonisation to go beyond a single meeting and request you to do a mapping of development partners' activities, identifying niches and an analysis of value added. We are fully aware of the additional burden of work, but crowding-out will be a real issue.

- fyi: German DC works directly and indirectly with the private sector in South African energy sector. An ongoing dialogue should take place in Pretoria were most donors' HQ are located.

IFC and AFDB commit to undertaking a mapping exercise of all DFI energy interventions in Sought Africa. We expect to kick-off this mapping exercise with a multi stakeholder meeting in Pretoria in November. We would like to note that we have made repeated attempts to meet with KfW in South Africa since program submission, but they were unable to meet with us in person. We did, however, have a telephone conversation with Mr. Georg Gruener, KfW sector coordinator RE and EE on September 23.

ad 4. There is a large interest by the private sector for these projects and most of the projects are commercially viable. As you are explaining that early entrant barriers may necessitate CTF funds to balance the playing field among developers we seek confirmation on your commitment to a minimum concessionality and would like to receive an up date on specific terms when you have prepared individual projects (given NDA signature).

We reiterate our commitment to apply the principle of minimum concessionality to all CTF sub-projects. As discussed above, we will provide TFC members who sign an NDA and so request, with project specific financial information as outlined in the NDA.

South Africa Energy Efficiency Program

ad 1. and ad. 2./6. see above.

fyi: We would like to inform you that TA programs although implemented with government institutions might also target private sector players, e.g. a TA component attached to an institution like the national energy efficiency agency might specifically develop programmes for SME's.

We note and agree with your comment and will take it into account as we develop our program further.

We welcome the proposal to reduce the administrative costs by 50% to

use them for investment purposes instead.

Thank you for your consideration,

all the best
Annette