

**Responses to Questions/Comments raised by the USA  
Concentrated Solar Power Project Technical Assistance Program  
Comments Matrix  
10/17/2014**

<b>PEER REVIEW COMMENTS</b>		
<b>Sequence of Comments</b>	<b>Questions/Comments</b>	<b>TEAM RESPONSE</b>
<b>Recent comments (July 2014)</b>	<p>We request you make the following changes to the TA proposal:</p> <ul style="list-style-type: none"> <li>• More emphasis on direct interventions and support to advance projects in Tunisia and Egypt</li> <li>• Less emphasis on CSP industrial support</li> <li>• Strong efforts to discourage the use of LCRs in any MENA CSP activities</li> </ul>	<p>The requested changes have been taken into account. The revised TA proposal has been restructured to more directly focus on assistance to project preparation. For instance the amount of the small grant sub-component was re-designed as an innovative mechanism to spur collaboration between international CSP industrial players and local industries with the purpose of jump-starting CSP projects on the ground.</p> <p>In addition, interventions were added to support project development/preparation. For example, activities were included to assist interested countries (including Egypt, Jordan, and Tunisia) in preparing project bidding documents. Also, opportunities to convert existing and planned power plants into CSP hybrids (ISCCs) can now be considered as well as ways to enhance network interconnections will be explored more broadly in participating countries with the aim of realizing more projects. This is expected to significantly contribute to develop and/or advance the pipeline of CSP projects.</p> <p>It should be noted that the revised TA proposal does not encourage the use of local content requirements in any country, which would be contrary to World Bank procurement rules. More specifically, the TA program could become a platform for dissuading the use of local content requirements, which are seen as an ineffective instrument for industrial policy.</p>

<p><b>Previous comments (June 2014)</b></p>	<p>Why has the CTF been identified as a funding source? Have other funding sources been explored, such as the GEF?</p>	<p>The proposed project was included in the MENA CSP Investment Plan (IP) Update endorsed by the CTF Trust Fund Committee in May 2013. As described in the IP, the Technical Assistance component was developed as <u>a remedy to reduce the delays in implementing the progress of the MENA CSP IP and also to catalyze future investments</u>. During the past year both the AfDB and the World Bank teams have assessed the non-financial barriers of the implementation of the program. Based on consultations with local stakeholders, key barriers identified included: unattractive regulatory/institutional framework, lack of industrial know-how, and absence of a strong and foreseeable CSP market. Those barriers will be addressed in the revised TA proposal.</p> <p>It should be noted that the majority of the incremental costs of these projects – compared to the least cost alternative – is born by the countries themselves as it cannot be covered by the globally available concessional financing. For example, for the Noor II &amp; III project Morocco pays 70 percent of the incremental costs equivalent to US\$700 million over the lifetime of the project while the concessional financing (including the CTF) only covers about 30 percent.</p> <p>With respect to the GEF specifically it should be noted that the GEF cannot fund regional programs.</p>
	<p>The objective to the CTF is to focus on deployment of low-emission technology. While such deployment could and should spur local investment in the sector to support the technology, CTF does not have an explicit objective of supporting local manufacturing capacity, particularly when such support is separated from project investments.</p>	<p>This is noted. The emphasis on local manufacturing has been reduced. The revised TA proposal covers activities to, among other goals, address regulatory/institutional barriers; support project development in Egypt, Jordan, and Tunisia; and explore the development of small-scale concentrated solar market. Such revised focus will better contribute to the deployment of low-emission technology, a key CTF objective.</p> <p>As stated above, the Technical Assistance grant, as now presented, constitutes a mechanism to facilitate cooperation between international and local industry</p>

		players. Such cooperation may facilitate know-how/technology transfer, and thereby contribute to reduce CSP project costs.
	It is difficult to see how this project can meet CTF funding criteria for reduced GHG emissions in the electricity sector when the intervention is so indirect.	The TA project should not be seen in isolation from the approved and proposed investment projects which will generate the greenhouse gas emissions. We expect that it will be of particular benefit in Tunisia and Egypt. In addition, the TA will help with the long term scale up of CSP investments in the region and globally by distilling and sharing lessons learnt during preparation and implementation. The team believes that having one regional TA would be more efficient and effective than having TA components in individual investment operations.
	The GEF has funded a hybrid CSP/gas plants in Morocco and we believe that it may have also supported similar plants elsewhere in the region. There is no clear justification for why further hybrid plants are needed at a scale that justifies CTF support rather than other funding sources.	It is correct that the GEF financed both the hybrid CSP (ISSC) plants of Ain Beni Mathar project in Morocco and Kureimat in Egypt  Retrofitting existing power plants with a solar field can be a highly cost effective way of building CSP power plants, as it could mean that no new power block is needed. This would then in turn reduce the incremental costs that the countries would have to bear themselves. The Government of Egypt has expressed particular interest in this option and sent a letter to the CTF in this respect.
	A \$10 million grant is a substantial sized grant for a project that offers no certainty link to investments. CTF project preparation grants have traditionally been more modest in scope. Why is this one proposed at such a level?	The amount of US\$10 million was proposed and approved in principle by the CTF Trust Fund Committee in May 2013 as part of the update of the MENA CSP IP program. The proposed envelope is a regional program to cover six countries. The amount is just about 1% of the total investment envelope which is lower than an average TA component for investment projects. We believe it is the appropriate size to cover the many complex aspects of CSP technology.