

October 20, 2010

**Comments from France on the AfDB/IBRD  
South Africa: Eskom Renewables Support Project**

Dear Patricia,

Here are our comments on the proposed Eskom renewables support project.

First, we welcome the government of South Africa and Eskom ambition and commitment for the development of renewable energy. In this respect, we find the proposed project accurately targeted, with its wind and solar components. France, through Agence Française de Développement and along with other DFIs, is ready to commit significant financial resources to support it. As a result, this project provides the opportunity to demonstrate the catalytic role of CTF investment and how coordination between lenders makes it possible to boost the impact of CTF money.

Looking at how contributions from other lenders are currently taken into account in the document, it unfortunately seems to us that the current proposal misses this objective. To give two examples:

- The report on AFD planned contribution to the Sere Wind Power Project is inaccurate. While this contribution is presented as an expression of interest requesting a 6 months approval process, a 100 M€ loan has actually already been approved for the construction of this project.
- There are inconsistencies on the cost of each component, and on the contribution from other lenders, between the table on co-financing (table 1 on p.97) and the main financing plan (table 1 on p.10 or annex 5 on p.50). 50M\$ of project cost and other lenders contributions are shifted from wind to solar from one table to the other.

This leaves the impression of an inappropriate consideration of the availability of bilateral financing and we then believe that, before approval, further coordination is needed on this project to demonstrate that CTF money leverages the available financing and plays its catalytic role.

We reiterate the call, already expressed by several TF committee members in September on private projects submitted by IFC, for greater coordination between multilateral and bilateral DFIs ahead of the submission of the projects to the TF committee. The feedback we had then was that the involved MDBs (IFC and AfDB) supported this approach and looked for guidance from the MDB Committee and the CIF Admin Unit. 1) What proposals or decisions have been considered or taken by the MDB Committee and/or the Admin unit in this respect?

Two additional questions:

- 2) On the solar component of the project, like UK we have a question on the timing of its submission to the TF Committee, given remaining technical steps before its design.
- 3) On the wind component, we would like to know the rationale behind the increase from 100 M\$ to 150 M\$ of the CTF contribution (with a corresponding decrease of CTF contribution to the solar component from 250 M\$ to 200 M\$), which leads to a high degree of

concessionnality (with a higher share of CTF money on the wind component than on the solar component).

Best regards,

Cyril

**Cyril ROUSSEAU**