

## **Comments to the Investment Plan Morocco:**

### **German CTF Trust Fund Committee Member**

**Germany supports the Investment Plan for Morocco and asks to address the following issues in the further elaboration of the Investment program. Furthermore, we ask for a feedback on how the specific issues raised will be addressed in the investment plan.**

#### **Electricity Tariffs:**

An analysis of the energy prices in Morocco and in particular the electricity tariffs are of major importance for evaluating the enabling environment for energy efficiency measures. This is lacking in the document and should be completed by this information. For future CTF proposals this should be a standard element in the presentation of energy efficiency components of CTF investment plans.

#### **Institutional Setup**

In the case of its Investment Plan for Morocco, the CTF is opting for the support of the Fonds pour le Développement de l'Énergie (FDE) as a lasting national funding mechanism for the sector. What is also clear with regard to the FDE is that the operation of this fund will not be focussed only on clean energy investments but also predominately on fossil power plants, etc. With this focus, the attention of the FDE structure in promoting those investments on which the earmarked CTF funding is concentrated may not be as one would wish. The CTF contribution to the FDE is of minor importance compared to other contributions. For that reason, it will probably be necessary to ensure adequate institutional structures for the CTF purposes and ring-fence the CTF contribution from the rest of the FDE. A feedback on how this will be done would be appreciated.

Usually, a decision about a donor's contribution to an intermediary structure like the FDE depends on well-established rules and an operational track record of the institution. In this aspect, the CTF proposal is far from meeting usual standards.

The FDE is not yet operational. Its governance structure and procedures have not yet been defined. Management and qualified staff have not yet been recruited. And it is not clear how the administrative costs of the FDE are covered, particularly in the initial phase. Under these circumstances, the presentation of this CTF proposal is premature and should be reviewed.

A more substantial and convincing proposal certainly could be presented after the basic decisions about management, staffing, governance structure, financing of administration costs and internal procedures have been taken.

Additionally, the description of the implementation potential and risk management (p. 47) does not include the important risk related to the establishment of the institutional structure of the FDE, including the aspects of management, staffing and procedures. We would again ask for a feedback on the risks analysis in this regard.

#### **Eligibility Criteria**

The specific eligibility criteria for individual projects financed under the CTF are currently unclear. What seems to be clear are the investment categories which are eligible. But for example the more specific criteria to be covered by a feasibility study for an individual wind park (including the more specific environmental issues) are not pre-determined in more detail.

**Management Capabilities:**

Another important issue is whether the FDE will be in a position to manage the identification, structuring and follow-up of energy efficiency projects which are much more complex than a large wind park and where we know from experience that a pro-active role of the financing institution is needed to create awareness at the level of the potential client. So for example the FDE should be able to manage energy audits for the final clients. Such reflections and the consequences for TA support are lacking in the proposal. How this issues are going to be adressed.

**Technical Assistance:**

An detailed proposal for TA to support the FDE based on a precise needs assessment should be presented. The current proposal is a simple listing of general issues which might be covered in the TA component but which have no specific reference to the institution to be supported. This TA proposal is conceptually far behind we expect in this situation. We would also like to see a much more detailed description of proposed TA measures including a more detailed breakdown of costs.

**Flow of Funds:**

It remains unclear why the financing structure of the Investment Plan is split into IBRD, IFC und AfDB. Channelling the CTF funds through all three institutions will increase transaction costs at the MDBs and at the side of Morocco if in the end of the day all funds will be contributed to the FDE. Although we acknowledge that IFC might have different funding requirements at least the inclusion of IBRD and AfDB is not clear to us. What is the value added of having all three actors involved.