

4/15/2014

**Comments from the United Kingdom--Approval by Mail: Ethiopia: Geothermal Sector Development Project (GSDP) SREP (IBRD)**

Dear Patricia,

Thank you for the approval by mail for \$24.5 million in SREP grant funding for the project proposal entitled: Geothermal Sector Development Project (GSDP), submitted by the Government of Ethiopia and the World Bank.

We appreciate the responses provided to the questions submitted, and for the additional information provided on the teleconference on 14<sup>th</sup> April. The UK is content to approve the above request, with the following considerations which we would like to see more clearly reflected in the final PAD:

Although we accept the World Bank's arguments that it will be necessary in this case for a strong public role in the development of this first geothermal project in Ethiopia and we appreciate the significant public leverage which this project has attracted from IDA and Japan in particular - we continue to have concerns that the demonstration and transformation effect of the project could be compromised by this delivery approach. In order to mitigate these risks as far as possible we would like to see the following incorporated in the final project document:

- 1) **a clearer alignment with the IFC Geothermal Sector Strategy** work - ensuring this project's design and delivery will be tailored to contribute to the maximum extent to that wider strategy and transformation
- 2) **inclusion of a training and capacity development strategy** around the Aluto site as mentioned in the response to our question 2, in order to realise the sector knowledge and capacity benefits envisaged from this project
- 3) **a clear strategy on engaging international expertise on a competitive basis** where necessary given delivery concerns to bolster available national capacity, incorporate international best practice and accelerate progress
- 4) **inclusion of a delivery approach review function at key milestones** (such as the end of the pilot drilling phase and then again after the steam gathering phase) where the question is asked whether the demonstration and transformational ambition of the project is still best served by continuing with the publically-financed route – or whether sector shifts have progressed to the point that other options are preferable.

Best regards

Simon

Simon Foster

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