

# CLIMATE INVESTMENT FUNDS

October 4, 2016

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**[APPROVE BY MAIL]: MOROCCO: ONE WIND ENERGY PLAN (CTF) (AfDB)--XCTFMA057A**

**RESPONSE FROM THE AFRICAN DEVELOPMENT BANK**

**CTF MOROCCO – ONE WIND ENERGY PLAN – REALLOCATION OF USD 30.71 MILLION - ISSUES LIST**

#	Comment / Issue	Made by	Answer																
1	For the two wind projects that are due to receive the reallocated funds, namely Djebel el Hadid and Midelt, please elaborate and provide further details on the current status of the projects, rationale for their inclusion and expected results including capacity, GHG emissions, etc. Please provide an updated timeframe for the key milestones in the project, including the planned disbursement schedule and the current position of the existing projects.	UK	<p>The rationale for the inclusion of the projects is well explained both in the CTF Morocco Investment Plan and in the Project Appraisal document approved by the CTF Trust Fund Committee in 2011. The initially proposed sub-components – both hydro and wind - were part of a larger wind power investment program by the Government of Morocco. This proposed reallocation is made with the objective of accelerating the implementation of the overall program.</p> <p><b>Project Status</b></p> <p><u>Djebel el Hadid:</u> The development of the project is ongoing and the incorporation of the Special Purpose Vehicle is expected during the first quarter of 2017, following which construction will start.</p> <p><u>Midelt:</u> The development of the project is ongoing and the incorporation of the Special Purpose Vehicle is expected during the last quarter of 2016, following which construction will start.</p> <p>The table below provides information on the key steps towards full implementation of the wind sub-components.</p> <table border="1" data-bbox="1041 1008 1980 1179"> <thead> <tr> <th>Key Steps</th> <th>Midelt</th> <th>Tanger II</th> <th>Djebel el Hadid</th> </tr> </thead> <tbody> <tr> <td>Begin of Construction</td> <td>31/11/2016</td> <td>30/06/2017</td> <td>30/09/2017</td> </tr> <tr> <td>Duration of Works</td> <td>18 months</td> <td>16 months</td> <td>20 months</td> </tr> <tr> <td>Commercial Operation Date</td> <td>30/06/2018</td> <td>30/10/2018</td> <td>30/05/2019</td> </tr> </tbody> </table> <p>The key milestones for the full implementation of the projects is as follows:</p> <ol style="list-style-type: none"> <li><u>MDB Approval of the proposed Reallocation:</u> 15/10/2016</li> <li><u>First Disbursement:</u> 1<sup>st</sup> Semester 2017</li> <li><u>Last Disbursement:</u> 2<sup>nd</sup> Semester 2019</li> </ol>	Key Steps	Midelt	Tanger II	Djebel el Hadid	Begin of Construction	31/11/2016	30/06/2017	30/09/2017	Duration of Works	18 months	16 months	20 months	Commercial Operation Date	30/06/2018	30/10/2018	30/05/2019
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			Monitoring associated with this CTF program is ongoing and in line with the CTF Results Framework. No reporting is made at the sub-component level but rather on the overall program.
2	Can an explanation be provided on the potential impact on the hydro industry as a result of this decision.	UK	<p>The impact on the hydro industry as a result of this reallocation is perceived to be marginal. As stated in the letter provided by the Government of Morocco and that was attached to the approval email submitted to the CTF TFC, the construction of the M'Dez - El Menzel hydro sub-component is still a priority for the Government of Morocco, despite being dropped from the CTF program.</p> <p>Its implementation depends, on first phase, on the construction of a dam which is the responsibility of the <i>Direction des Aménagements Hydrauliques</i> and on a second phase on ONE. Due to some relevant delays on the first phase, ONE (the borrower of the CTF loan) decided to optimize the program and reallocate funds to the new proposed sub-components. Once the first phase of the M'Dez - El Menzel hydro sub-component advances to an optimal level, ONE will seek funding from other sources.</p>
3	Annex II highlights some significant changes in funding from the initial plan, please could the team provide a justification and rationale to these changes and how the funding changes have impacted the CTF project results in Table 4. For example, Annex II shows that the World Bank has withdrawn its funds (\$124.25m) from the project and KfW and EIB are now funding the wind projects, in addition the contributions from the Government of Morocco and bilateral funding have also changed.	UK	<p>The change in funding resulting from the proposed reallocation is marginal. The amount is roughly USD 150 million corresponding to 6.9% of the initial total financing plan that was estimated at USD 2.16 billion. The World Bank decided to withdraw from the project and reasons leading to this decision are captured in the revised version of the CTF Morocco Investment Plan which was approved by the CTF Trust Fund Committee on February 2014. As a consequence of the funding gap, the Government of Morocco had to revise the initial financial plan and engage in negotiations with other potential financiers</p> <p>The USD 150 million decrease in the revised financial plan arises mainly from:</p> <ul style="list-style-type: none"> <li>(i) different technology mix in the new proposal; and</li> <li>(ii) drop in costs associated with the deployment of wind technologies since initial approval up to today.</li> </ul>

4	Please can the project team explain the additionality of the CTF funding with respect to the new wind farm projects?	UK	The commercial terms provided by the CTF are more interesting compared to other potential loans. As such, since the program is ongoing, funds are ready to be disbursed and in order to avoid higher transaction costs and ensure speed in implementation, the Government of Morocco requested that CTF funds are used in line with the proposed reallocation.
5	We note that the total GHG emission savings for the new projects is very similar to the original savings. Please could the team provide more detail on rationale behind this and how this has been calculated?	UK	<p>As explained in paragraph 4.3, the total change in the installed capacity caused by this reallocation is only 30MW. Therefore, the changes in GHG emission savings are very residual.</p> <p>The new figures are based on an extrapolation of the figures provided to the CTF Trust Fund Committee in 2011, after correcting for the new installed capacity.</p>
6	Please could the project team also provide further clarification on the following points: (see last column in italic)	UK	<ul style="list-style-type: none"> <li>○ <i>Table 1 – the 32.8% shown in the last column for the Koudia El Baida project seems to be incorrect, please could the team provide the updated figure?</i></li> </ul> <p>[AfDB]: The updated figure in Table 1 is 80.3%. The document was revised accordingly.</p> <ul style="list-style-type: none"> <li>○ <i>Section 4 – the cost of Tanger II Wind Farm (which I understand is now a 100MW project) seems to be equal to that of the new Midelt project at 150MW, is this correct? We have also noted that both amounts appear to be inconsistent with Table B in Annex II; can the project team please clarify?</i></li> </ul> <p>[AfDB]: The amounts were updated in section 4 to ensure consistency throughout the document, namely in Table B of Annex 2. Inconsistencies likely came from the fact that some of the amounts were communicated to AfDB in EUR and local currency while others in USD. The Tanger II Wind Farm total estimated cost is USD 178.09 million against USD 277.59 million for the Midelt Wind Farm.</p> <ul style="list-style-type: none"> <li>○ <i>It seems from Table 3 that the capacity of the wind sub-component has increased by 200MW; however I can only derive a net 100MW increase from the changes described in paragraph 4.1. Does the additional 100MW come from the Djebel el Hadid project (it would seem so given the increase in this project's costs shown in Annex II) and if so, can the project team please confirm what this project's</i></li> </ul>

			<p><i>initial capacity was and how much it has increased by? It would also be good to see a sentence describing these changes in paragraph 4.1 to make it easier for readers to understand the various changes that have taken place.</i></p> <p>[AfDB]: Paragraph 4.1 was revised accordingly. Its initial purpose was to explain the differences in the revised financial plan and not so much the differences in installed capacity. AfDB can confirm that the gain in installed capacity is 200MW and results from the following actualizations: (i) Djbel el Hadid from 100 MW to 200MW, (ii) Tanger II from 150MW to 100MW, and (iii) Midelt 150MW.</p> <p><i>Finally it would be useful to clarify from the start that the Djebel el Hadid project is the project in which the WB \$25m were initially planned to be invested, as that only becomes clear in Table A of Annex II – otherwise it's difficult to understand why Djebel el Hadid shows up in Table 1 whereas the Midelt project doesn't, since they're both introduced as new projects in paragraph 3.1.</i></p> <p>[AfDB]: A sentence was added to paragraph 1.1 despite the fact that the change was well captured in the decision issued by the <u>CTF Trust Fund Committee on 6 February, 2014 that reviewed the Morocco CTF Investment Plan</u>. Both documents are publicly available in the CIF website, more precisely in CTF Morocco page.</p>
7	Are the financial terms – which are not mentioned at all – intended to stay the same as with the original submission?	Germany	The loan agreement currently in force will not be amended as a result of this reallocation. As such, the financial terms remain unchanged.