

CLIMATE INVESTMENT FUNDS

October 28, 2016

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

Dear Mafalda, dear colleagues,

Thank you for the additional information provided by AfDB and the opportunity to reviewing carefully the proposed decision of reallocating USD 30.71 million in CTF funding from the hydro sub-component to two wind sub-components under the project entitled 'ONE Wind Energy Plan for Morocco (ONEE)'.

Based on our detailed analyses, we understand that, during the process for securing financing for the wind park project, which lasted several years, ONEE asked for and received several financing offers at different stages. Particularly important for Germany is the fact that the Moroccan government solicited and got in 2014 approved a highly concessional loan of EUR 70 million from the German Government, via KfW, in addition to a previous loan from the German Government of EUR 130 million. These German loans are beyond other funding granted by EIB, EU and AfDB including the CTF components.

In our assessment, the reallocation of CTF funding requested now is more concessional than the loan from Germany and will imply that these EUR 70 million, solicited by and granted to Morocco from the German Government, are not needed any more. In other words, CTF funding will crowd out the highly concessional loan of EUR 70 million from the German government. This is a very serious implication for the German Government and contradicts the CTF's principle to not crowd out other funding.

Given the seriousness of this matter, Germany needs more time to assess the political implications of this consequence and to come to a decision, which, however, cannot be taken in the short term. We, therefore, ask for your understanding that we currently cannot agree to the presented reallocation proposal in Morocco, submitted by the Government of Morocco and the AfDB.

Please rest assured that we will consider in our political assessment that we want to avoid that neither Morocco nor AfDB will lose the CTF funds of USD 30.71 million, proposed for reallocation. To the contrary, we want to make sure that the AfDB will continue to using these financial resources to the benefit of renewable energies in Morocco.

We appreciate your understanding for our political context.

Best regards,

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