

June 19, 2014

Comments from Germany--Approval by mail: CTF India: Partial Risk Sharing Facility for Energy Efficiency (PRSF)

Dear Patricia and IBRD India Team,

We have looked at IBRDs response with regard to the co-financing issues and we are currently not in a position to approve the proposal. While we still support the importance of increased energy efficiency in India, we have two major issues with respect to this proposal. Those are the lack of co-financing and the pricing of the transaction set at 10 bps, which is below the cost of funding.

We consider co-financing a fundamental requirement of the CTF structure. We would like to see, if - in case IBRD is not able for budget or other reasons to co-finance - another MDB might step in. And we are willing to discuss the options further in Jamaica.

In the interest of the financial sustainability of the CTF, we consider it furthermore key that funds are not committed below their actual funding cost. For our point of view, it is crucial that out-going funds are not priced cheaper than incoming funds. On this aspect, we can see two principle solutions:

a) pricing for the guarantee is raised to 75 bps for the committed amount of the guarantee to SIDBI and 10 bps as a commitment fee for the uncommitted amount or alternatively

b) funding of the guarantee from grants contributions.

In addition, we would also suggest to discuss in Jamaica an amendement to the financing documents to reflect the issues of insufficient pricing for public sector guarantees.

We look forward seeing you all in Jamaica.

Kind regards,

Frank

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