

June 23, 2014

**Approval by mail: India: Partial Risk Sharing Facility for Energy Efficiency (PRSF) CTF (IBRD)**

Dear Patricia,

I refer to the comments of Germany on the India - Partial Risk Sharing Facility for Energy Efficiency project, posed for funding from CTF through IBRD, and wish to state the following:

The Government of Germany has declined to approve the project on the grounds that there is no co-financing from IBRD, and the guarantee fee should be 0.75%, and not 0.1%. On these issues permit me to make the following points:

**A. Co-financing from IBRD:** We do share Germany's concern about the need to promote co-financing. However, we are not aware of a rule in CTF, making co-financing compulsory. As far as we are aware, IBRD's co-financing is not compulsory and it cannot become a pre-condition to all CTF projects. The CTF-TFC has, in the past, approved stand-alone CTF projects without any MDB co-financing. Some examples are: (a) Philippines EC-PCG (USD 44 mn), and (b) India SEEP (USD 50 mn). There may be more projects that we are not aware of. We would therefore appreciate if we could follow the laid down rules and procedures while considering a project for approval and any change in policy could be brought separately before the CTF-TFC for discussion and a decision following due process, to be made applicable to future projects. It is also relevant to point here that the India Investment Plan, approved by the CTF TFC, clearly states that this project is not expected to be co-financed by World Bank ([https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CTF\\_India\\_investment\\_plan\\_101411.pdf](https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CTF_India_investment_plan_101411.pdf)). There is also no requirement in CTF design documents that every single project should have MDB Cofinancing.

**Guarantee Charge:** The CTF policy document specifies guarantee fee at 0.1%. (According to the para 27 of the CTF paper on financing products, terms and review procedures for public sector operations, approved by CTF committee, the only fee, the World Bank could charge is 0.1%. ([https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CTF\\_Financing\\_Products\\_Terms\\_Public\\_Sector\\_Nov2013\\_0.pdf](https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CTF_Financing_Products_Terms_Public_Sector_Nov2013_0.pdf)) The CTF-TFC approved the Philippines EC-PCG's (USD 44 million) project with the same pricing terms of guarantee fee of 10 basis points. We are therefore surprised that when the policy document specifies 0.1% as guarantee fee, a higher fee of 0.75% is being asked for. Terms of loan / guarantee are a matter of policy and they cannot be altered from project to project. Any revision of the guarantee fee from the laid down rate of 0.1% can only be considered by the Trust Fund Committee as a separate subject. Any decision taken by the CTF-TFC on the issues of terms of loan / guarantee can only be applied to projects prospectively.

In the light of the above I would request you to bring these comments to the notice of the Govt. of Germany so that they could re-consider their decision and agree to the CTF allocation of USD 25 million as contingent guarantee to the project proposal India- Partial Risk Sharing Facility for Energy Efficiency.

With warm regards

L.K. Atheeq

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