

May 15, 2014

Comments from Canada--Approval by mail: Renewable Energy Mini-Grids and Distributed Power Generation Program (India, Indonesia, Philippines) ADB - CTF - Dedicated Private Sector Programs

Dear Patricia,

Thank you for the opportunity to review and comment on the revised proposal for the *Renewable Energy Mini-Grids and Distributed Power Generation Program (India, Indonesia, Philippines)*, which Canada is pleased to support. The program has strong potential to catalyze growth in access to electricity by addressing the financial barriers to private sector-led development of renewable energy based mini grids, which is a particularly acute issue for rural areas without access to national electricity grids. We also recognize the significant development impacts of the program on those beneficiaries without access to modern, commercial forms energy, especially women, and we look forward to the inclusion of sex-disaggregated results over time as part of the Program's performance indicators. Canada also appreciates ADB's responsive revisions to the project proposal; in particular, we welcome the provision of more concrete information on the financial tools proposed, including the sub-investment limits on the subordinated debt and equity components.

We are pleased that the proposal is generally consistent with the CTF's private sector investment guidelines (e.g., *CTF Private Sector Operational Guidelines*, and the *CTF Financing Products, Terms and Review Procedures for Private Sector Operations*) on the CTF not undertaking stand-alone investments. As for the specific exception proposed in this Program, Canada supports the request for stand-alone CTF project financing in the case of Simpa Networks, given ADB's existing exposure to Simpa Networks and the fact that ADB is unable to co-invest in this sub-investment due to internal risk management limits related to single borrower exposure. Canada considers the aforementioned guidelines on CTF stand-alone financing to be an important risk mitigation/alignment tool of the CTF; the presumption of CTF project financing should continue to be that CTF funding is blended with MDB financing. As in the case of Simpa Networks, we could consider exceptions, though request that proposals for future exceptions, if any, be clearly highlighted in the project proposal and that the rationale for the exception be provided. The rationale should include: the amount and type of existing exposure to the borrower; MDB internal restrictions; and, any additional considerations that would help inform the CTF Committee's consideration, including potential financial risks.

Kind regards,
Michelle