

May 13, 2014

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

Dear Patricia and IBRD India-Team,

GER very much appreciates the efforts the project team has put into structuring this proposal. We believe that promotion of energy efficiency in India is important to achieve significant reductions in greenhouse gas emissions in the countries and that well-functioning ESCOs can play an important role in advancing energy efficiency measures in India.

We agree with the valuable input and suggestions by the independent reviewer and appreciate the responses that have already been provided by the IBRD team. In addition, we have the following comments/questions: 1. We are not sure, if EESL is best suited to be the sole TA-provider. From our experience, Indian ESCOs have not been that successful in the past, among other things, because they have not been that creative in developing creative or alternative business models. We would therefore strongly suggest to consider dedicating at least part of the TA component to international consultants, who could bring international best practice to India in order to make the offers especially of the ESCOS more attractive to their clients.

2. M+V activities at SIDBI Since KfW is working with SIDBI in the context of a number of energy efficiency projects, we are well aware that SIDBI is currently revising its guidelines for monitoring, evaluation and verification of such projects. From our point of view, it would be important to ensure that especially M+V activities are coordinated with other projects currently implemented to ensure that the same standards are applied for all projects in that area.

3. We would have furthermore liked to see in the proposal a bit of an analyses on SIDBIs financial situation and SIDBIs previous experience in the field of energy efficiency.

4. Can you also pls provide more information on the participating financial institutions and their level of expertise and involvement in the field of EE.

5. Last but not least, we were very surprised to see that IBRD is proposing a guarantee

fee of 10 bps for a guarantee of up to 20 years!

This is in our understanding not in line with the CTF pricing grid, which stipulates an annual fee of 75 bps for guarantees. This is even more of a concern given our current discussion on risk and income issues related to CTF as well as the fact that there is no government guarantee in place and the project is to a significant extent exposed to private sector risk.

While GER remains supportive of the project, approval to the proposal is subject to a satisfactory solution of the above questions and especially the pricing issue.

Kind regards,

Frank

Frank Fass-Metz

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