

March 21, 2014

Comments from France, Canada, and Germany Approval by Mail: CTF Chile: Chile Geothermal Risk Mitigation Program (IDB) // Mexico: Geothermal Financing and Risk Transfer Facility (IDB) CTF

This email is sent on behalf of Canada and France, with support from Germany.

Dear Patricia and colleagues,

We have reviewed with interest the project approval requests for the geothermal financing and risk transfer facilities under the Dedicated Private Sector Program (DPSP) in Mexico and Chile, for which CTF Trust Fund Committee approval is sought by March 24, 2014. To inform our positions on these two DPSP funding requests, we require a point of clarification regarding the source of outgoing financing.

We note that the proposed decision text for the DPSP funding for Mexico specifies that the DPSP financing is in the form of a "contingent recovery grant", whereas the Chilean project refers to it as a "concessional loan/guarantee", though both project documents calls for loans that are convertible to grants, or contingent recovery grants, in recognition of the significant risks associated with funding geothermal exploration and test drilling. Given that both projects request highly concessional financing from the DPSP, we request confirmation that the outgoing DPSP financing would be sourced from grant contributions, if approved, consistent with the CTF matched funding principles. In addition, we would appreciate the decision being clarified accordingly.

We request clarification on this point at your earliest convenience to allow us to reach a decision on these projects, ideally by the March 24th deadline. Please note that we are not able to support the proposed decision until such clarification has been provided and we have had a chance to discuss internally.

Kind regards,

Michelle

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