

# Responses to Questions from CTF TFC Members on the Second Amendment to the Mexico Private Sector Energy Efficiency Program

*Prepared by the Inter-American Development Bank (IDB)*

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We would like to thank the government of Germany for the question. Please find below our response.

***Q: With the proposed amendment CTF financial resources will not rank pari passu with IDB resources any more. We would like to know, if IDB assumes that this will imply higher risk for CTF resources and if so, whether and how this will be reflected in the financial terms. So far “Guarantee Fee not less than 20 to 50 basis points” are intended, which seems to be pretty low to us.***

A: While a number of risks will be shared between CTF and IDB, the proposed change implies that the CTF will be taking a higher level of risk than the IDB: Performance risk will be first absorbed by the overcollateralization provided by equity investors, and then by the CTF, in a second-loss position. Pricing will reflect this, as the price range for the CTF guarantee is expected to be between 130 and 170 bps, instead of the floor pricing specified on the proposal that was originally approved (negotiations are currently at an advanced stage).

Please note however that the program expects to have multiple bond issuances over the next few years, and conditions in the financial markets may change, requiring consistent adjustments to pricing of follow-up issuances too. Keeping this in mind, we foresee that the pricing in the future might be outside of the 130-170 bps range, but never under 100 bps.