

September 22, 2015

Approval by mail: Dedicated Private Sector Programs (DPSP) II - Renewable Energy Mini Grids and Distributed Power Generation - Haiti: Modern Energy Services For All Project (World Bank) CTF – Comments from Germany

Dear Mafalda, dear Colleagues,

Thank you for the possibility to comment on the aforementioned proposal.

Given the importance of universal energy access in Haiti and the poor performance of EDH, we generally support the approach to promote solar lanterns and mini-grids. On the other hand the proposed mechanism under component 2 seems to be rather complicated. In addition we urgently seek clarification on the use of financial products. Our more detailed queries are as follows:

- The proposal requests a softer term public loan (14.5 m\$) but the proposed facility intends inter alia to offer equity and grants. While public loans usually are sourced by all contributors, equity would be a higher risk profile financial product and therefore to be excluded from the general risk sharing. Clarification from WB and the Trustee how this is taken care of would be appreciated and is important for our approval.
- The facility would extend grants, equity, working capital and medium-term debt. Will the fund manager be free to decide how to allocate the funds or will there be an ex-ante distribution between grants, equity and debt?
- What are the return expectations of the fund to be established under component 2?
- The regulatory framework for mini-grids seems to be unclear. How would the project ensure close coordination with the government-owned energy monopolist EDH?
- The volume of the facility under component 2 is relative small. The transaction cost of creating a separate structure with a private fund manager would be comparatively high. Has the option to implement the facility with an existing local financial intermediary been considered?
- The fund manager is expected to be a consortium of an international fund manager and a local FI. Would the local FI be expected to leverage the funding available under component 2 with own funds?
- To exit equity investments in due time would be a major challenge, especially in the Haitian context. Are there expected exit options? We would suggest that the fund manager to be selected should be able to present possible exit strategies.

Thanks a lot for your efforts. We assume that the deadline will be postponed until two days after circulation of responses.

Romeo

Dr. Romeo Bertolini

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