

March 21, 2014

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

Dear Patricia, dear all,

thank you for the program proposal, which is in line with the DPSP decision to promote access to clean energy in off-grid communities. We especially appreciate the multitude of positive development impacts, such as health, gender, education and economic co-benefits. On the other hand, the proposal comes at an early stage, still leaving open crucial specifications, making it difficult to assess. This is critical, because at the same time ADB asks for an "unconditional letter of commitment" and to make use of a range of "innovative" financial products (Mezzanine Finance, Equity) which come along with high risks. Therefore GER asks to convene a teleconference with the CTF TFC and ADB to find a way forward and at the same time for an extension of the deadline so that we have two days after the teleconference and responses from ADB in writing.

Our concerns, questions and comments in more detail:

- Why is ADB going to invest a share of the CTF allocation in impact funds (instead of investing the whole amount directly)?
- Specific informations are rare, e.g. no mentioning of the final borrowers, "an indicative financing plan for the Program cannot be estimated at this time" (p. 7).
- Risk assessment is difficult without knowing the financial products and terms. However, we appreciate the commitment to limit the use of equity (p. 13), but 50% of the program for equity still is much without knowing "the minimum or likely rate of return" (p. 9).
- Replication potential (p. 10) seems to be exaggerated (factor 60!).
- Will ADB cofinance all of the projects where CTF allocations are used for?
- Regulation in Indonesia: PLN has a monopoly and so far, permission has not been granted (p. 5): isn't that an obstacle?

- Last but not least: The TFC could make better informed decisions, if in case of use of "innovative" financial products (products other than senior loans) the Trustee would provide an assessment based on the CF-Model. We are concerned about the management of the risk exposure of the CTF through the TFC decision making process, which from our perspective still is not very transparent. Individual decisions impact on the financial situation at the projected date for the recalculation (June 2028) and they might go beyond the margin, that can be absorbed, while at and at the same time also other proposal could increase the risk exposure significantly.

Kind regards,

Frank

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