

CLIMATE INVESTMENT FUNDS

March 23, 2016

**[APPROVAL BY MAIL]: DPSP II KENYA: CONCESSIONAL FINANCE PROGRAM FOR
GEOTHERMAL GENERATION (CTF) (AfDB) - PCTFKE604B- DEADLINE EXTENDED**

Comments received from Germany

Dear Mafalda,

As indicated earlier the level of concessionality needed for the project is a major concern for GER and we feel that we are not in a position to take a final decision on the proposal based on the limited information provided for the two projects. To that extent GER fully supports the request made by UK.

In order to assess the level of concessionality of the project we would appreciate to receive more detailed information on some of the questions raised earlier in addition to what has been requested by UK:

1. Which criteria has AfDB used to assess the requirement of concessional funding?
2. Internal rate of return (IRR) and return over equity (ROE) for each project to be financed under two scenarios: with and without CTF-Funds (with the proposed concessionality). What are minimum figures for these indicators to have a bankable project? We would also ask you to provide the DSCR for the project.
3. What contribution from the capital expenditure is expected to come from equity shareholders? At which cost?

We also think that a floor pricing of 75 bps (standard pricing for public sector loans) is not appropriate for a private sector project with no government guarantee. We would therefore strongly urge you to apply a higher base pricing in the range of 100-120 bps in order to properly reflect the higher risk of a private sector project.

Best regards,

Hans Peter

Dr. Hans-Peter Küppers

Sondereinheit "Klima" - Klimapolitik und Klimafinanzierung

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