

March 27, 2012

Comments from Germany on Approval by mail: Project Preparation Grant - Global Climate Partnership Fund - Indonesia EE/RE Investment Program

Dear colleagues,

please find enclosed some remarks with regards to the project preparation grant for Indonesias EE/RE Investment Program. We have no objections to the TA proposal but some suggestions for the project design of the CTF investment prepared with this TA.

Thank you very much,

kind regards

Ina von Frantzius

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- ADB submitted to the CTF Trust Fund Committee an application for PPTA for preparing an investment from the CTF to the GCPF targeting energy efficiency and renewable energy investments in Indonesia. The intended programme generally fits within the Indonesia investment plan for the CTF as approved in April, 2010.
- With regards to the planned CTF investment: Given the structure of the GCPF it is probably intended to use the CTF funds as a first loss tranche. This has several implications which should be considered when structuring the investments: Firstly, the impact on the CTF's overall risk position should be considered. It should be carefully evaluated and argued whether and why this high risk investment of CTF funds is appropriate in the context. Secondly, the CTF Guidelines state clear conditions which have to be fulfilled for a CTF investment to be subordinate to MDB investment (generally, CTF and MDB funds are to be structured *pari passu*). Again, it should be carefully evaluated and argued whether and why a potential subordination of CTF funds is appropriate in the context in the framework of the CTF guidelines.
- Furthermore, we have concerns relating to the structure of employment of the CTF funds. We would like to request the PPTA team to ensure that the structure for employing the CTF funds is designed to ensure efficiency. Over-head costs (such as fees, transaction costs etc.) must be minimised. Alternative structures should be evaluated to make sure that no different structure exists which could achieve the intended goal more efficiently.
- Finally, the PPTA-team should ensure that the programme business plan and set-up are structured such that they complement other products and initiatives in the market.