

# CLIMATE INVESTMENT FUNDS

May 30, 2017

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**[APPROVED BY MAIL]: DPSP II: DOMINICA: GEOTHERMAL RISK MITIGATION (WORLD BANK) (CTF) - XCTFDM619A**

**COMMENTS FROM GERMANY**

Dear Mafalda, dear Jonathan, dear all,

Thank you for the opportunity to comment on the proposal “DPSP II: Dominica: Geothermal Risk Mitigation (World Bank)”. Before finishing our assessment of this proposal and maybe posting further questions / comments, FRA and GER would like to draw your attention to the envisaged financial instruments.

The Project Appraisal Document (PAD) proposes USD 9 million contingent finance / grant in Aid of Additional Drilling (component 2) and a USD 1 million grant for Technical Assistance (component 3), specifying that the “proposed contingent finance will provide insurance against” the “residual resource risk” and “would be disbursed on a grant basis” (pages 41-44, 50). Ceteris paribus, this obviously implies a higher degree of risk.

According to 1.3 (c) of the “Principles regarding Contributions to the CTF” loan contributions may only be used to finance financial products “on terms no more concessional than the terms of the contributions” and may not be used to finance contingent finance / grants.

We therefore assume that the contingent finance / grant (component 2) will be classified as a higher risk profile financial product and will consequently be excluded from the CTF Net Income and loss sharing calculation and that neither the contingent finance / grant (component 2) nor the TA grant (component 3) will be financed by loan contributions. Before being able to approve the proposed project, FRA and GER kindly ask the Trustee to confirm this understanding.

Many thanks and best regards,  
Katharina

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