

December 16, 2014

**Comments from UK--DPSP II: LAC Regional: Energy Efficiency and Self-Supply RE Program (IDB) (CTF)**

Dear Mafalda,

The UK is in the process of reviewing this project and has the following questions for the project team.

Financing arrangements:

- Could IDB provide further details on what will be the extent of coverage provided by the CTF guarantees i.e. what would the financing arrangements of an example project look like?
- Re footnote 6 on pg 9. that states that "in some cases the final cost to the borrower may not increase" Could IDB elaborate on how will the benefits of concessional CTF funds be passed on to the end borrowers?
- Would uncalled CTF guarantees be recycled for further projects?

Transformation – financial sustainability:

- On pg. 8 it is stated that currently the financing of these projects is above the risk tolerance of not just local banks but IDB as well. Is this due to perceived or actual risks?
- Considering this above statement what is the realistic potential for market transformation? Is it plausible that the risk will reduce sufficiently enough to encourage FIs to enter the market over time with interest rates/collateral requirements low enough to make EE/SS viable?
- In countries like Chile where IDB is proposing a more private sector focused approach working through financial intermediaries – how will IDB safeguard against the negative "more concessional" demonstrational impact of this programme?

Regulatory environment:

- The PAD contains little mention of the target countries, their engagement with this project or their ability to facilitate it. The regulatory environment is also not addressed. It would be good to know whether IDB has investigated the regulatory environment or received endorsement from target countries for this. Given the plan to support 'innovative' technologies, there is a higher risk that the regulatory framework is not set up for them.

Results framework:

- What is the assumption on the proposed investment split (%) between the proposed energy efficiency and self-supply renewable energy interventions?
- Relating to the developmental results, would the IDB identify a developmental co-benefit to report against?

Kind regards

Simon

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