

November 7, 2014

**Approval by mail: MENA Regional: SEMed Private Renewable Energy Framework
(SPREF) (EBRD)**

Dear Mafalda and colleagues,

We have received EBRD responses to our comments and had wished to receive a coordinated response from EBRD, CIF Admin Unit and Trustee to our query on pricing as well as the use of higher risk financial products.

1) Regarding the pricing of the MENA transaction, we are still of the opinion that a private sector transaction by its nature is riskier than a loan to the public sector and should be priced accordingly. As per the latest version of the financial model the pricing for senior private sector loans is around 1,2% and we believe that this would be an appropriate floor pricing for the MENA projects as well

With respect to EBRD's proposal to potentially apply equity and/or quasi-equity, pls see our comment below.

2) Use of higher risk financial products - we have noted that both the MENA and the Colombia project include the use of "higher risk" financial products, such as equity, first loss guarantees and quasi equity; thus we propose that these projects be sourced from grants, on an exceptional basis, until the risk sharing amendment is in place as was done for the most recent CTF investment Ukraine.

Please note here that in the context of the Columbia proposal, we might still submit further comments/ questions with respect to the content of the proposal, but we thought that it would be useful to discuss the underlying fundamentals in due course.

We would therefore hold our approval on the MENA project until a satisfactory solution to the two issues above can be found.

Given the KAZ proposal we received yesterday, EBRD is again proposing a floor pricing of 75 bps for private sector investments and at the same time outlining some degrees of weakness on the borrowers side, I think we need to find a more general approach to pricing issues in the weeks ahead.

We look forward to hearing from you,

Kind regards
Romeo