

# CLIMATE INVESTMENT FUNDS

May 5, 2016

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**[APPROVE BY MAIL]: INDIA: SOLAR ROOFTOP INVESTMENT PROGRAM GUARANTEED BY  
INDIA (CTF) (ADB) - XCTFIN227A**

**COMMENTS RECEIVED FROM THE UK**

Mafalda,

Thank you for this proposal, we thought it was well written and included some really useful detail.

The key area that we feel we need more information on is the impact of cancelling the Solar Park Infrastructure Project:

- Could you explain the analysis behind the reallocation of \$50m from the Solar Park project to this project?
- Can that project now get other funding or will it no longer go ahead? What is the potential impact if it doesn't go ahead?
- Why does this project specifically require an additional \$50m?
- Is the ADB also shifting its initial contribution from the Solar Park project to this project?

General comments/questions:

- We agree with the general approach being taken for the rollout, where different business models are being tested. This diversified approach reduces risk and encourages innovation. We would be interested to know whether there is any evidence that the two approaches being taken work?
- It seems that rooftop solar returns are already quite healthy and that projects are already bankable (see p17); so our understanding is that the CTF funding is mainly needed in order to encourage the uptake of project finance by commercial banks. In other words the main issue in this case is not the cost of financing but its availability. Given this situation, it would be good to have a better understanding of how the on-lending process will work. In particular it would be good to have an idea of the rate at which PNB is planning to lend to rooftop projects and how this will compare to the rate at which it will borrow from CTF and ADB – as it wouldn't seem right for the CTF funding to benefit mainly PNB if PNB plans to lend to rooftop projects at commercial rates.
- Linked to this, the calculations are based on the assumption that the \$500m from CTF and ADB will in turn unlock \$300m equity and \$200m from "unrestricted sources". It would seem to make sense for PNB to contribute some of their own funds to this \$200m amount, especially if they stand to make a profit from their financial intermediary position. Have any discussions started with PNB and other potential "unrestricted sources" in order to determine whether the \$200m target is achievable? How is the project team planning to attract this additional funding?
- Is there a reason why other commercial banks are not part of this programme? We think that transformational change is more likely the more banks that are lending for solar projects.
- Could you provide a bit more detail on how PNB will use the funding allocated for technical assistance (\$4.75 million) to help develop solar rooftop business capacity and accelerate market development?
- How will it be ensured that private finance is leveraged?

Kind regards,  
Kate