

International Finance Corporation

**Financing for Private Sector
Renewable Energy Projects**

Village Power '98 Conference
Washington, DC
October 8, 1998

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- + IFC Financing for RE Projects

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**IFC is looking for high
quality, private-sector
renewable energy projects**


IFC - Basic Facts

- + Private sector affiliate of World Bank Group owned by 124 member governments
- + Objective – Promote economic development through commercially viable, private-sector investments
- + Largest multilateral source of loan and equity finance for private enterprises in developing countries
- + In FY 1998, IFC approved US\$ 3.4 billion of investments in 308 projects

IFC's Role

IFC acts as a catalyst to stimulate and mobilize private investment:

IFC investments	US\$ 3.4 billion
+ IFC syndications	US\$ 2.5 billion
+ Other funding sources	US\$ 9.8 billion
Total project cost	US\$ 15.7 billion



IFC Capabilities

- + Project finance
- + Capital markets development
- + Financial advisory work
- + Project development facilities
- + Special initiatives



IFC Investment Guidelines

- + Maximum 25% (35%) of project cost
 - + Excludes funds raised from other sources
- + Market pricing
 - + But flexible on final maturity and grace period
- + No Government guarantees
- + Meet IFC and host country environmental guidelines



IFC's Value Added

- + Direct funding with long-term staying power
- + Catalyst for other investors and lenders
 - + post-occupancy funding for RE projects
- + Honest broker/neutral partner
 - + Reassuring presence for joint venture partners and host Government
- + Risk identification and mitigation



IFC/GEF Financing

- GEF Project Eligibility
 - Meets GEF objective of mitigating climate change
- GEF Funding Limits
 - GEF only covers incremental costs associated with meeting GEF objective

IFC/GEF Strategy

Match the type of support to the obstacles or risks blocking achievement of GEF objectives

➤ Prefer non-grant financing

- Focus on near-commercial projects
 - Minimize use of GEF resources
 - Maximize leverage of GEF resources
 - Where possible, co-finance with IFC

IFC/GEF Strategy

- Why work directly with the private sector?
 - Accelerate market acceptance by funding projects which are close to commercial viability
 - Leverage private capital flows
 - Technology + Management => Efficiency
- Only one of several paths to engaging the private sector

IFC Renewable Energy Projects

- IFC/GEF Small and Medium Enterprise Program (SME)
- IFC/GEF Photovoltaic Market Transformation Initiative (PVMTI)
- IFC/GEF Renewable Energy and Energy Efficiency Fund (REEF)
- + Small hydro + biomass + geothermal + EE

Small and Medium Scale Enterprise Program

- US\$ 21 million program to provide contingent, concessional loans to financial intermediaries (FIs) which then on-lend or invest in SMEs
- FIs include both NGOs and commercial enterprises
- Incentives for FIs to seek repayment from SMEs
- 10 FIs selected to date - US\$ 6.3 M approved



SME Program - Highlights

- RE projects approved to date:
 - 3 off-grid PV projects:
 - Solis Dombivasi (through EEAF)
 - Gidissa Skati, Bangladesh
 - SGLCO Vietnam
 - 1 FI providing EE services - CFL replacement in Egypt and ESCOs in north Africa and Central America
- Considering several other RE projects and still accepting applications for new intermediaries



Photovoltaic Market Transformation Initiative

- Objective: To accelerate adoption of photovoltaic technology in India, Kenya and Morocco
- Structure: US\$ 30 million GEF funding to be allocated by IFC to private companies on a competitive basis



PVMTI - Highlights

- Selection criteria:
 - Meet GEF criteria
 - Innovative market development
 - Maximize leverage of GEF funds
 - Cost-effectiveness (cost/Wp delivered)
 - Local ownership by private sector
 - Use of open-grid financing structures
- Status - Request for proposals issued Sept. 1998; initial deadline for submissions Dec. 1998



Renewable Energy and Energy Efficiency Fund

- US\$ 50-100 million global investment fund providing both equity and debt
- Target sectors: On-grid RE, off-grid RE and EE projects
- Mid-sized projects < 50 MW
- Additional US\$ 10-30 million in GEF funds for co-financing of projects and incremental fund manager costs

REEF - Highlights

- First fund focusing on RE/EE in emerging markets
- Aim to open new markets and build credibility of the RE/EE sectors among sponsors, clients and financiers
- Channels selective GEF concessional support only to projects that require assistance
- Status – Fund raising underway

IFC RE Project Pipeline

- Solar Development Corporation
 - Joint initiative with World Bank and US Foundation
 - Focused on accelerating the role of off-grid PV
 - Proposed US\$ 50 million venture consulting, design and business advisory services
 - Works building fund manager, identifying investors
- Exploring carbon offset financing
- Proposals for wind, biomass, PV, hybrids

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