



**International
Finance Corporation**
World Bank Group

Opportunities for collaboration with APP

Leveraging real
impact for clean
energy

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**Sustainable Energy
Team Leader**



IFC's Mission

*To promote **sustainable** private sector investment in developing countries, helping to reduce poverty and improve people's lives*

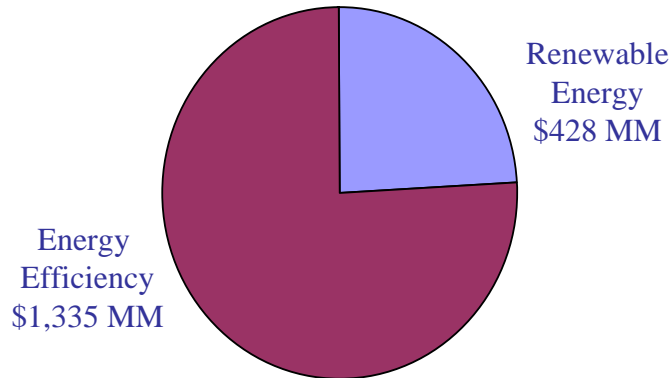


WBG Commitment to Clean Energy

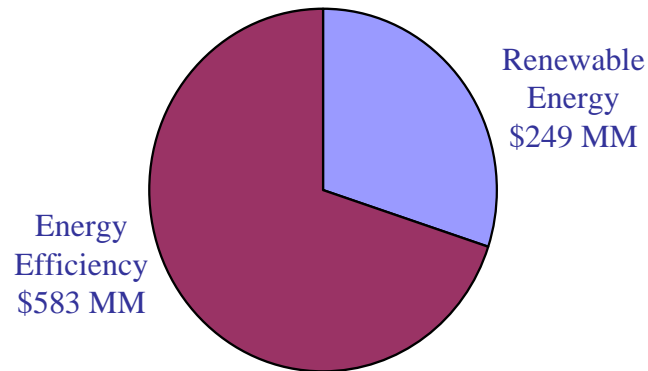
June 2004 Bonn, WB Commitment to increase EE/Renewable Energy investments 20% p.a.

➤ **Reinforced by G8 Gleneagles Clean Energy Investment Framework**

FY 06: \$1.8 billion



FY05: \$832 million



Energy Efficiency:

An opportunity lying in wait

- Cost-effective investments with compelling social, environmental, and economic benefits
- Barriers relate to nature of the underlying investments ... and human nature



What does each key institution do best?

Institutional comparative advantages vary

– IFC

-- ADB

– IBRD

-- Private equity

– MIGA

-- Commercial banks

- Big or small investments?
- Project management?
- Project development?
- Advisory?
- Supporting public or private sector?

Influencing markets vs. mobilizing capital



WBG Role



<u>Key Barriers</u>	<u>IFC Intervention</u>	<u>IBRD Intervention</u>
➤ Poor business enabling environment	➤ Market Development	➤ Regulatory Framework ➤ Standards / Codes
➤ Lack of Awareness / Information	➤ Replicate commercially viable business models	➤ Market Information dissemination
➤ Limited access to financing	➤ Mobilize Private Sector Investment ➤ Innovative Financial Structures	➤ Public / Parastatal Infrastructure Investments
➤ Lack of Technical Expertise	➤ Private sector Capacity Building ➤ Scaling up New Technology	➤ Technology transfer to public sector

IFC / IBRD cooperation in Public – Private Partnerships (e.g., OTP-Hungary, Kenya – Uganda Rail project, Lighting Africa)

What does IFC bring to the table?

Hand drill



Hand brace



Push drill



Electric drill



- Able to mobilize big chunks of money
- Network of investee companies
 - 45% of business done through financial intermediaries
 - Big global players
 - Substantial local players seeking to gain global stature
- Convening power/ private sector market focus
- Commitment and drive to innovate and the expertise to do so – structuring/credit/risk mitigation/technical
- A mission to support sustainable economic development
- Market focus and private sector orientation

And... realistically speaking

- Inability to efficiently invest directly in “small” transactions



Mobilizing EE Investment: Matching IFC's Strengths to Market Needs

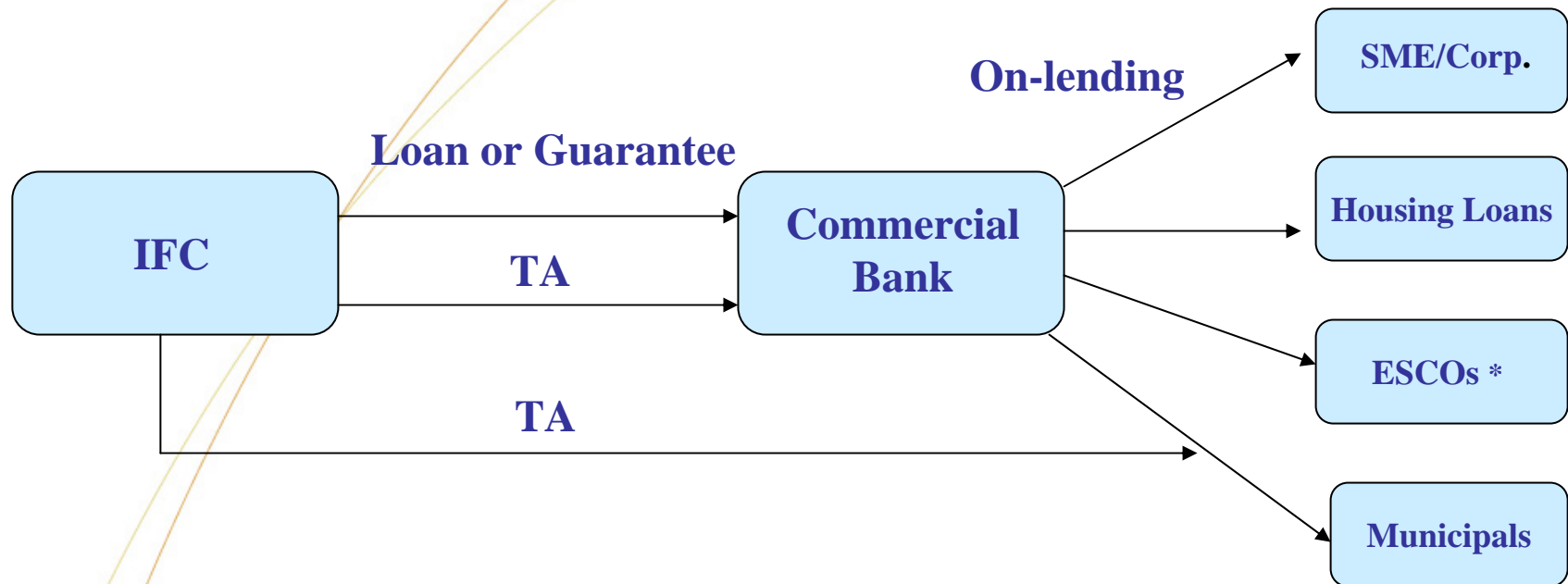
Barrier

- Small deal size
- Lack of lending experience by FIs
- Limited FI knowledge of EE sector
- Unsophisticated vendors and developers

IFC Response

- ⇒ Work through IFC's highly developed financial markets business
- ⇒ Support with credit enhancement/other financial products
- ⇒ Support with TA for financial product development/marketing; aggregate the market
- ⇒ Support with TA to prepare and standardize transactions

Wholesaling through FIs: How do we work?



*ESCO – Energy Service Companies

Building business for Partner Banks

The Ceska Sporitelna Story

- Competition squeezing margins for leading bank
- Developed FINancing Energy Saving Applications (FINESA) product
- US\$ 20 million in RE/EE loans in 36 months

Current project pipeline US\$ 58 million,

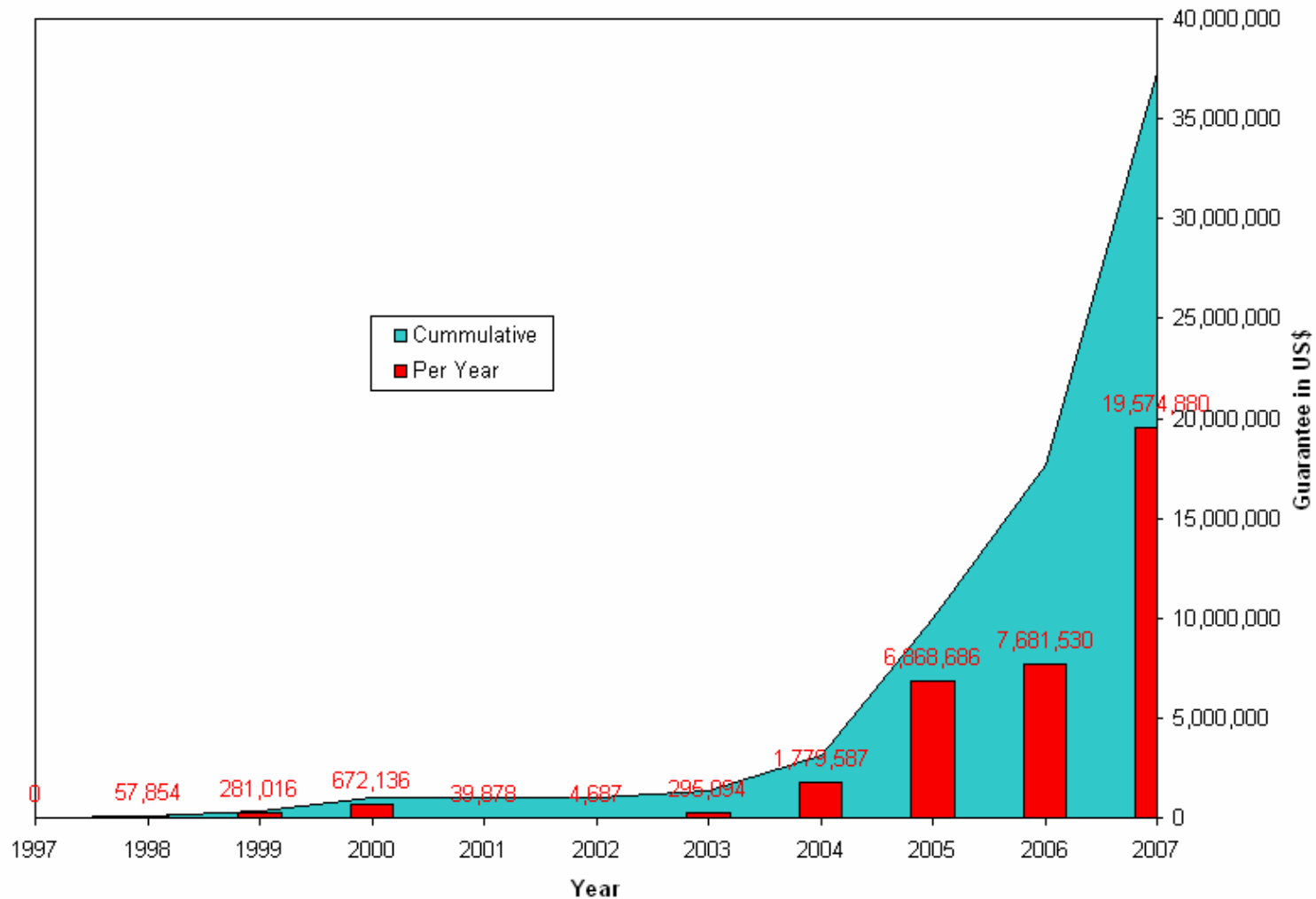
• Market Forces In Play

Sustained, Concrete Impact = Moving markets

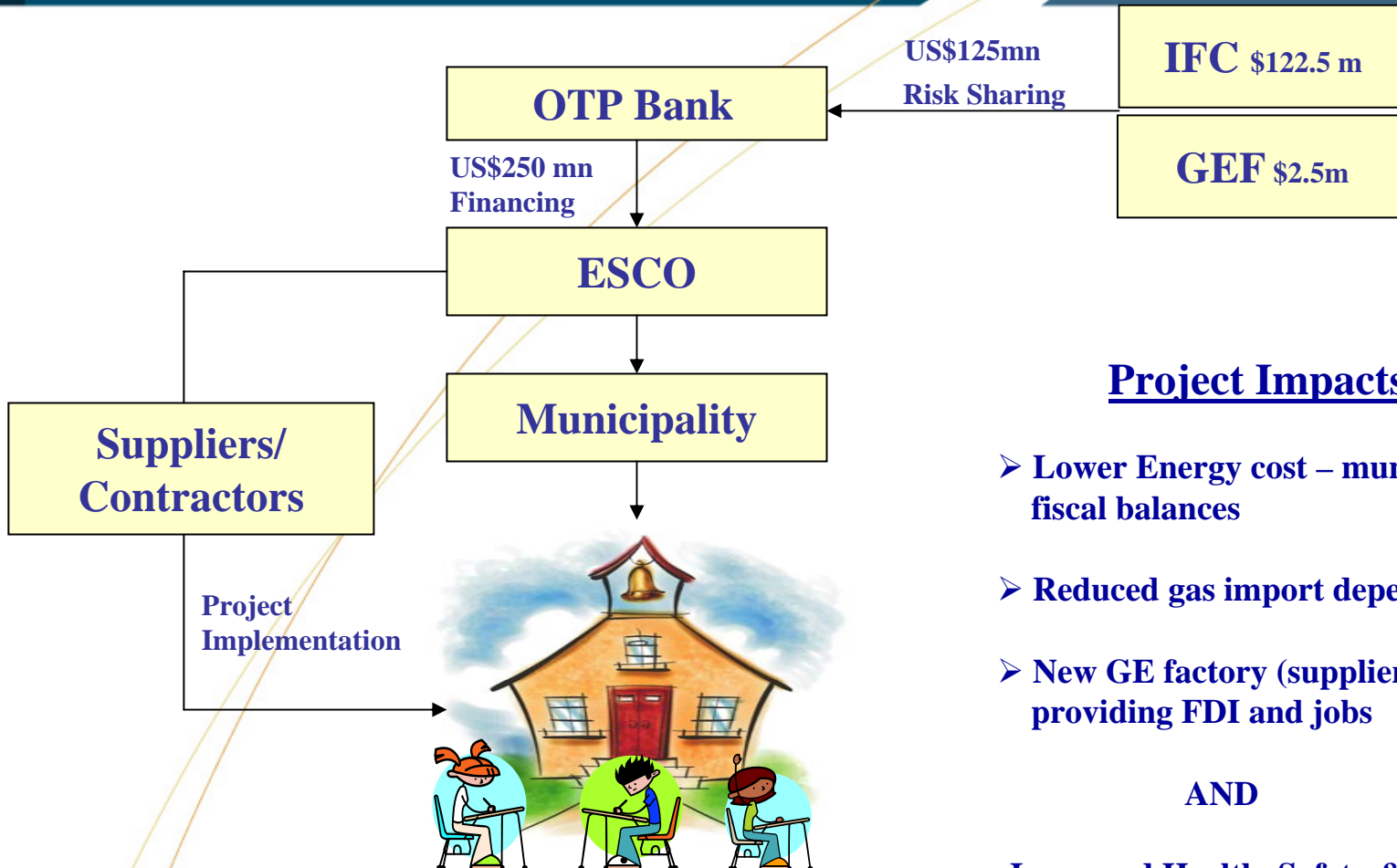


The Central Europe Pilot: Program Achievements

CEEF Guarantees 1997-2007
(as of 15 June 2007)



Scaling up – better leverage of funds



Project Impacts

- Lower Energy cost – municipal fiscal balances
- Reduced gas import dependence
- New GE factory (supplier) providing FDI and jobs

AND

Improved Health, Safety & Learning
Conditions for Children!!

>100 x 1 leverage
of donor funds



CHUEE Deal

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 Image © 2007 TerraMetrics

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One in a Million: A CHUEE Project Example

**Haizi Coking Plant
Coking Gas
Recovery for Power
Generation:**

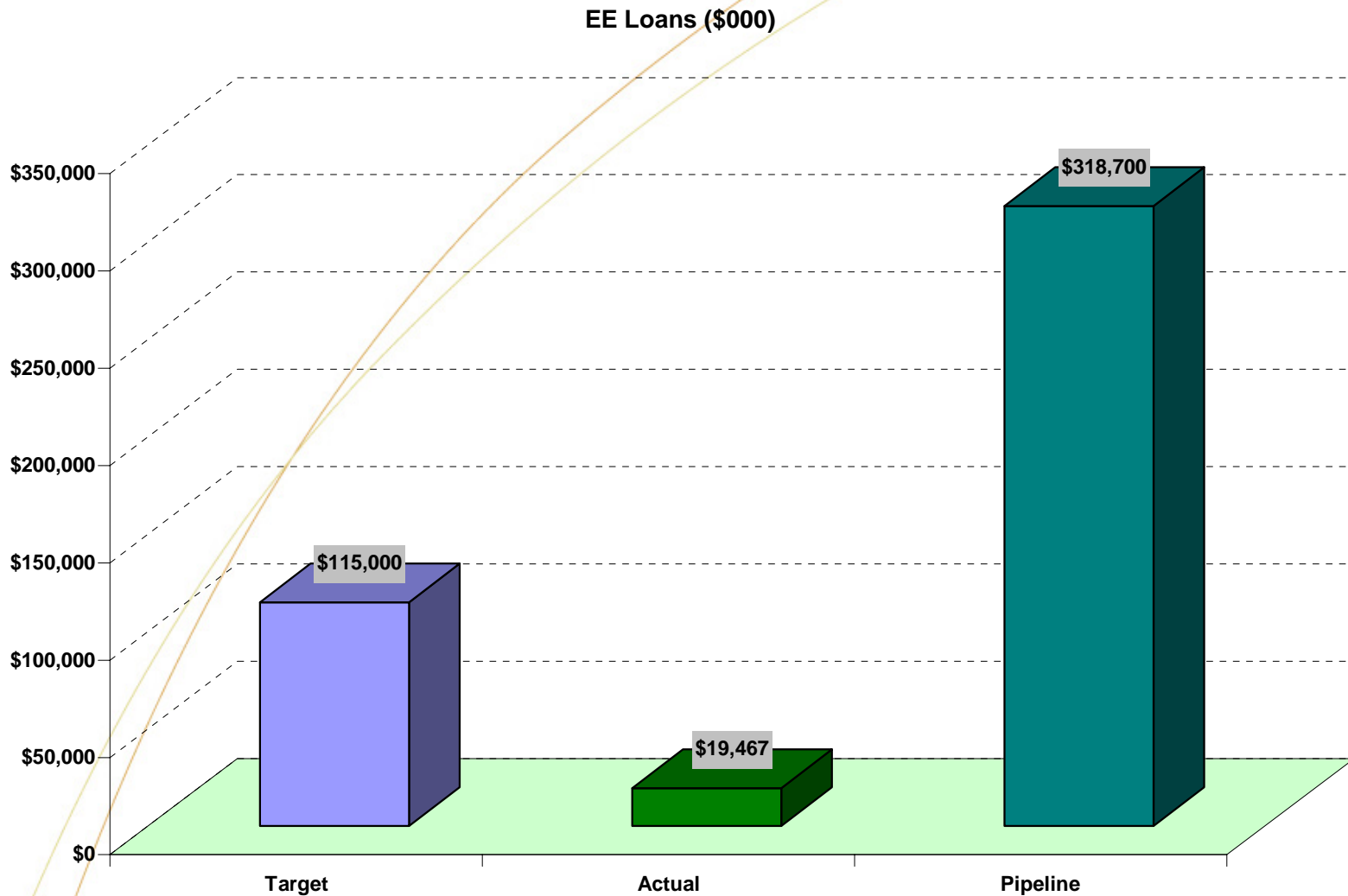
**\$2 million loan to
Shengdong
Machinery Company
Limited**

**20 units of gas-fired
power generators**

**Emission reduction
of more than 30,000
tons of CO₂ per year**

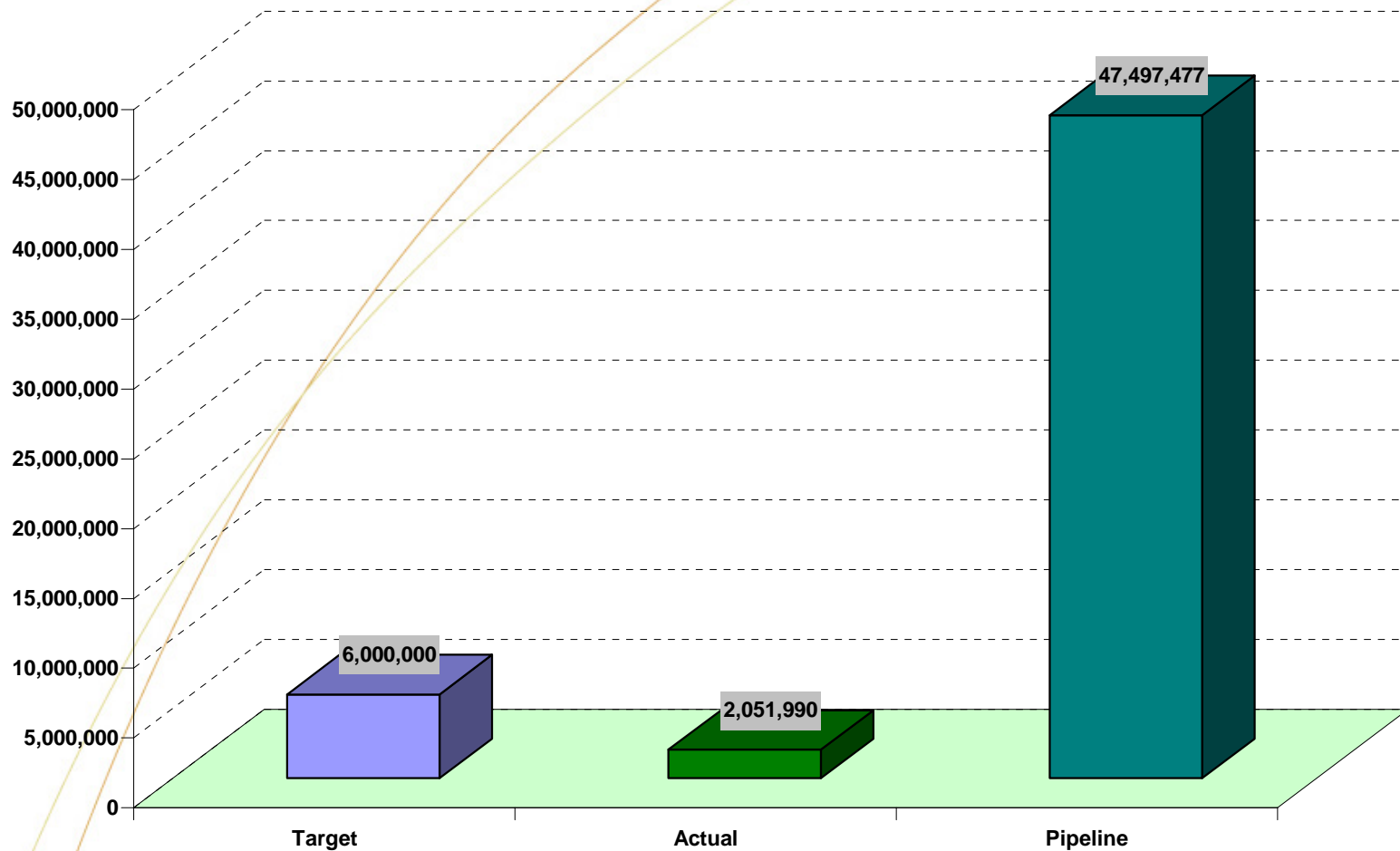


Loan amount up to date



Emission reduction up to date

Emission Reduction (tons of CO2 & equivalent)



Scaling up... what would it take?

- *Some* dedicated specialized funding
 - (highly leveraged).
- Specialized funding to cover:
 - Soft costs/transaction costs
 - Engineering assessments/audits, project definition, project identification, marketing ideas to clients
 - Credit enhancement and other financial products beyond institutional comfort zone
 - eg, Mezzanine financing for RE projects

Intelligently leveraging donor funds

And institutional partnerships

Beyond these specialized instruments...

The Sleeping Giant



Clean Energy Investment...

Embedded in IFC's business

IFC Investments in Clean Energy (US\$ million)	FY 06		FY 05	
	EE/RE \$ Component	IFC Prorated Share Invstmt	EE/RE \$ Component	IFC Prorated Share Invstmt
Infrastructure	535	125	508	122
Global Financial Markets	408	166	0	0
General Manufacturing	664	59	276	86
Agribusiness	28	4	36	10
Municipal Fund	102	37	0	0
Oil, Gas and Chemicals	25	2	12	4
TOTAL	1,762	393	832	221

Nice impact, but...



What if IFC were to systematically develop the latent opportunities and go to scale?

Strategy for Scaling Up

- Leverage existing client base
- Capitalize on WBG-wide sector expertise and market position (with governments and with private sector)
- Develop strategic partnerships with global players (Industry Clients, Equator Banks and global FIs, IFIs, Foundations, EU, Governments)
- Sector- specific product offerings (municipal water energy initiative, cleaner production loan facility, metals industry initiative, Housing EE initiative)
- Develop financial structures for higher risk products and segments where IFC has the strongest role – couple IFC net income resources with donor resources to leverage commercial investment by IFC and private sector

Leveraging donor funds to maximize market impact

Risk-sharing for innovation

- Donor support for risk-sharing instruments
 - High leverage – up to 100x1 times demonstrated
 - Sustained impact through short-term intervention
 - Risk-sharing enables new commercial and near-commercial investments to move forward;
 - Can be applied through financial intermediaries for smaller transactions or through IFC investment for larger transactions

Leveraging donor funds to maximize market impact

TA to enable market development

- Donor support for technical assistance
 - TA critical to support FI partners in developing sustainable clean energy lending businesses
 - Establish a pool of engineering expertise to capture latent opportunities in IFC's investment pipeline
 - IFC-led market development initiatives leverage IFC's position in the market to catalyze clean energy technology uptake [Efficient Lighting Initiative, Distributed Generation, Modern Off-Grid Lighting]