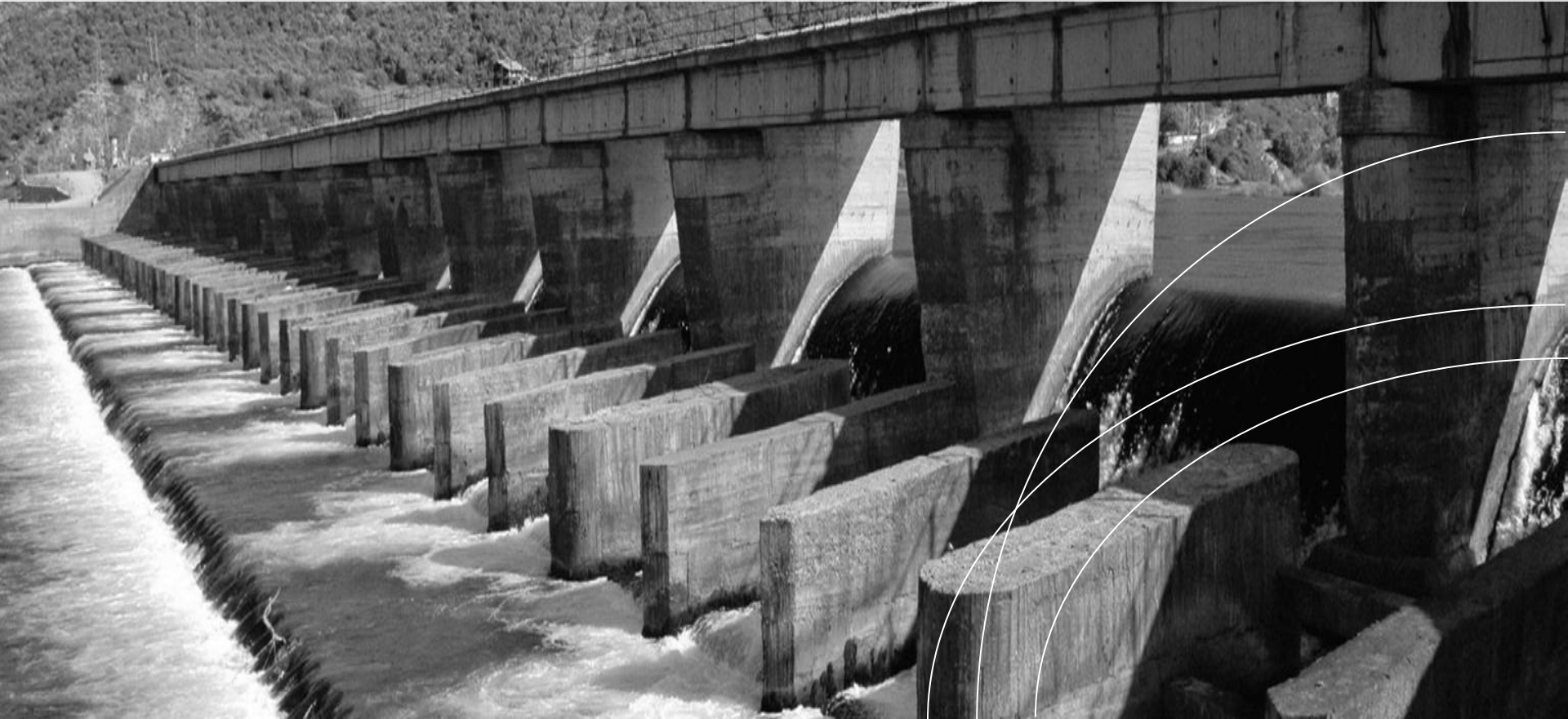


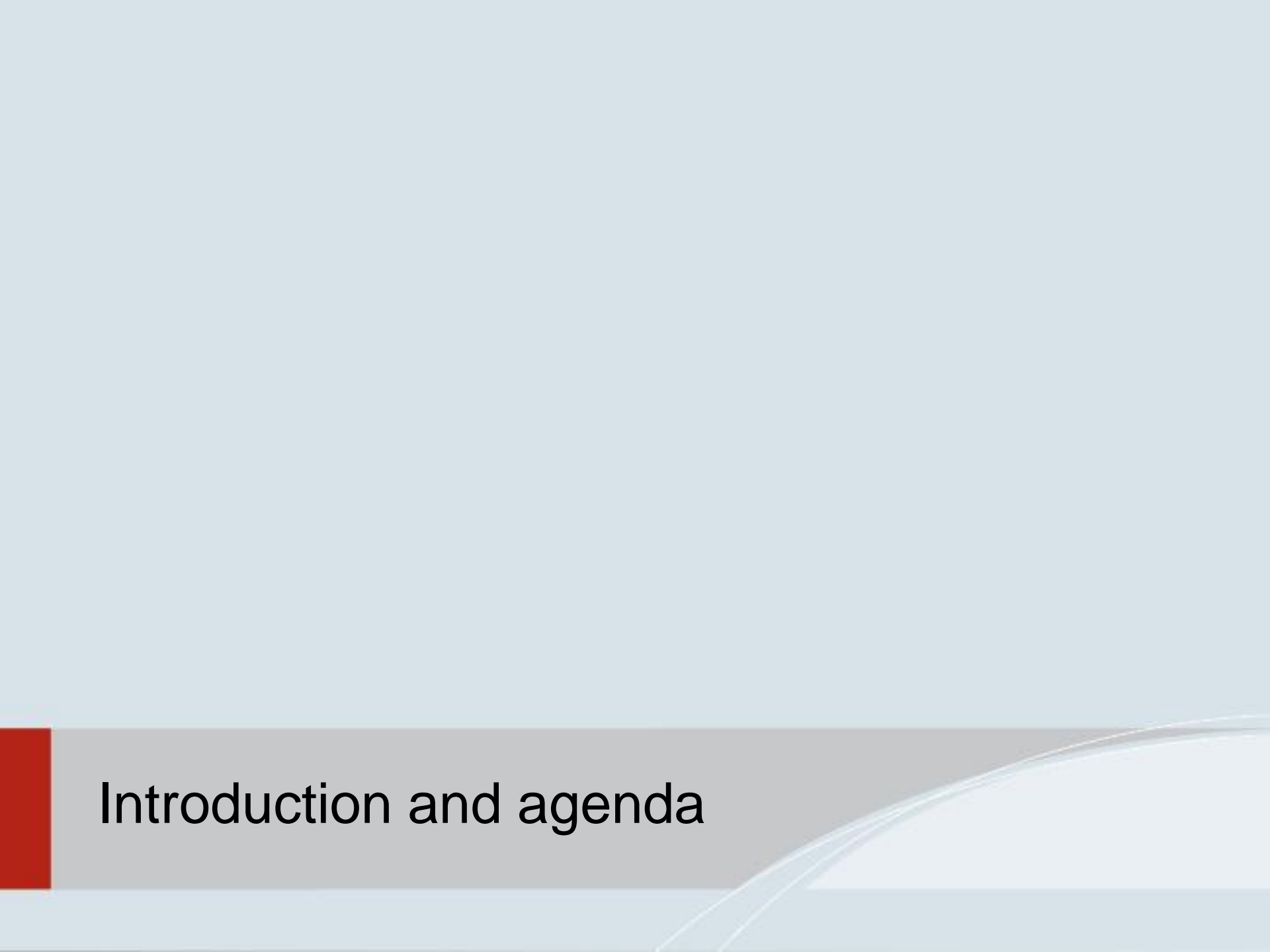
IFC Transaction Advisory Services

Creating opportunity where it's needed most



From Concept Design to Project Execution

ECREEE – Abidjan, March 2014



Introduction and agenda

Introduction and agenda

Introduction:

- IFC – PPP Transaction Advisory Services
- Dan Croft, Senior Investment Officer, Johannesburg
- Ange Kouassi, Consultant, Dakar

Agenda:

- Introduction to IFC
- IFC and ECREEE
- RE and EE implementation models
- Key issues in RE and EE PPPs
- How IFC can help
- Working with IFC
- Case studies



Introduction to IFC

Private sector arm of the World Bank Group



**International Bank
for Reconstruction
and Development
1945**

Lends to governments
of middle income
developing countries.



**International
Finance
Corporation
1956**

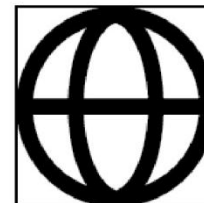
Promotes private
sector development
through financial
products and
investment services

**Provides Advisory
Services to
governments and
businesses**



**International
Development
Association
1960**

Provides
concessional loans to
governments of the
poorest countries.



**International Center
for Settlement of
Investment Disputes
1966**

Settles investment
disputes between
foreign investors and
host countries.



**Multilateral
Investment
Guarantee Agency
1988**

Provides guarantees
to foreign investors
against non-
commercial risk

Exclusive focus on private sector

What we do

Investment services

The World's largest multilateral provider of financing for private enterprises

\$5.3 billion invested in sub-Saharan Africa in 2013

- Loans
- Equity
- Guarantees
- Structured Finance

Advisory services

to governments and businesses to promote private sector development

\$65 million devoted to advisory services in sub-Saharan Africa in 2013

- Enterprise Assistance
- Environment & Social Sustainability
- Access to Finance
- Business Environment
- **Transaction Advisory Services**

Only DFI to provide transaction advisory services directly to public sector clients



IFC and ECREEE

Obvious fit

ECREEE has ambitious targets for 2018:

- 35 projects up to 30MW developed to feasibility
- 5 projects brought to financial closure
- 5 projects in operation
- 2 refurbishment / rehabilitation projects realised

ECREEE website clearly envisages:

- Private sector involvement in project delivery
- ECREEE engagement with new partners

IFC keen to do more to support RE and EE in Africa:

- MOU with ECREEE to support programme
- Engage with Member States directly



RE and EE implementation models

Three broad options

Purely public sector:

- Public procurement and operation
- Funding from Government / donors

Purely private sector ('true' IPP):

- Government establishes enabling regime
- Private sector free to develop projects
- No further Government support

Public-private partnership (PPP):

- Private funding, procurement and operation ...
- ... under an agreement with the public sector

What is a PPP?



“A partnership between the public and private sectors to deliver a public service with full or partial transfer of risks to the private sector”



Why involve the private sector?

Cost:

- Hydro – \$2-4m / MW = \$60-120m for 30MW
- Significant amounts of capital available:
 - Private equity
 - Commercial debt
 - DFI finance
- Typically conditional on private sector involvement
- Frees up public capital – e.g. network expansion

Expertise:

- Best practice in project development and operation
- Skills transfer



Key issues in RE and EE PPPs

Clear framework, robust revenue model

Investors look for security in a few key areas:

- Clear energy policy / Government priorities
- Clear route to PPA – to justify development risk:
 - Level playing-field
 - Lack of political interference
- Realistic tariff – all costs plus return on investment
- Creditworthy buyer (or Government support)

Without this, there will be no finance ... and no project

Solutions:

- IPP – Enabling regime, feed-in tariff, standard forms
- PPP – Concession / PPA

Land access, water rights, grid connection

Land access:

- IPP – land must be readily available
- PPP – typically part of concession structure

Water rights (hydro only):

- IPP – royalty regime, competing riparian rights?
- PPP – typically part of concession structure

Grid connection:

- Private construction
- Public ownership
- (Private O&M?)
- Importance of a grid code

Environmental & Social

Environmental issues:

- Ongoing river flow
- Biodiversity
- Greenhouse gas emissions

Social issues:

- Resettlement / land acquisition
- Competing water uses
- Surrounding infrastructure
- Labour conditions during construction
- Cultural heritage / indigenous peoples

Without E&S compliance, investors will not finance 16



How IFC can help

The partner of choice in PPPs ...

Global market knowledge

and experience as both advisor and investor

Objectivity & transparency
in transactions

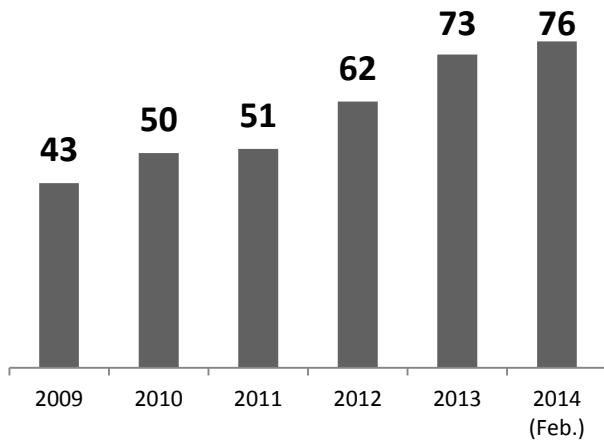
60

successful projects
since 2004

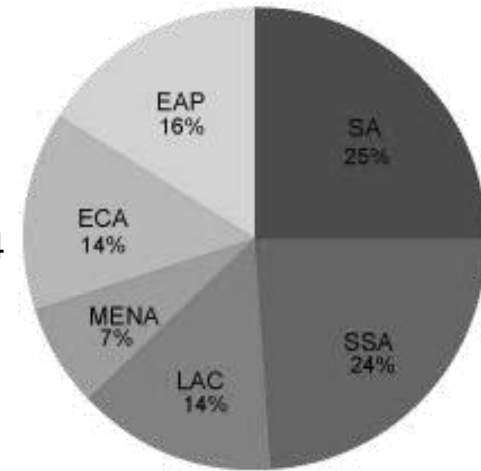
Neutral partner

balancing objectives of
government, consumers
and investors

... delivering real impact ...



79 active mandates
across the world in February 2014



35.5 million

people with first-time or improved access to education, electricity, health, sanitation, water, and other basic services



\$3 billion
in private investment



\$2 billion
in fiscal benefits

... through clear added value ...

Pioneering transactions
in frontier markets & sectors

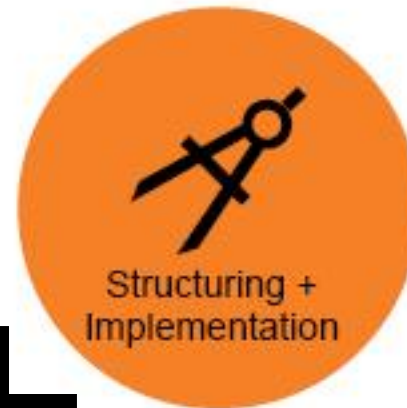
Risk sharing
and long-term
commitment

Social and environmental
focus

Worldwide expertise
of the largest multilateral
development organization

... across the entire transaction

- Introducing competition
- Setting the conditions for private investment



- Advising governments
- Collaborating with donors
- Implementing private-sector participation arrangements (PPPs)

- Assessing consistency with environmental and social standards.
- Tracking results and sharing lessons.



- Financing projects through debt, equity and mobilization of external resources.

A perfect partnership

PUBLIC

- Assumes risk as needed for project to succeed
- Defines regulatory and strategic framework
- Provides necessary subsidies to ensure affordability

IFC

- Ensures project feasibility
- Prepares structure
- Identifies investors
- Maximizes competition
- Helps close the deal

PRIVATE

- Brings expertise and efficiency
- Achieves risk-adjusted rate of return
- Manages technical, commercial and regulatory requirements
- Secures limited-recourse financing

Recap on key issues

Clear framework / revenue model:

- IFC advises on FITs and other frameworks
- IFC structures concessions

Land access, water rights, grid connection

- IFC advises on land access and water rights
- IFC can commission a new grid code

Environmental and social issues:

- IFC's Performance Standards – industry standard
- Compliance maximises availability of funding
- IFC advises on implementation and monitoring



Working with IFC

The PPP process

Phase 1

Analysis & Diagnosis

Assess PPP options / Perform market sounding

Define transaction structure

Government decision

Market to investors

Prepare PPP contract

Conduct tender

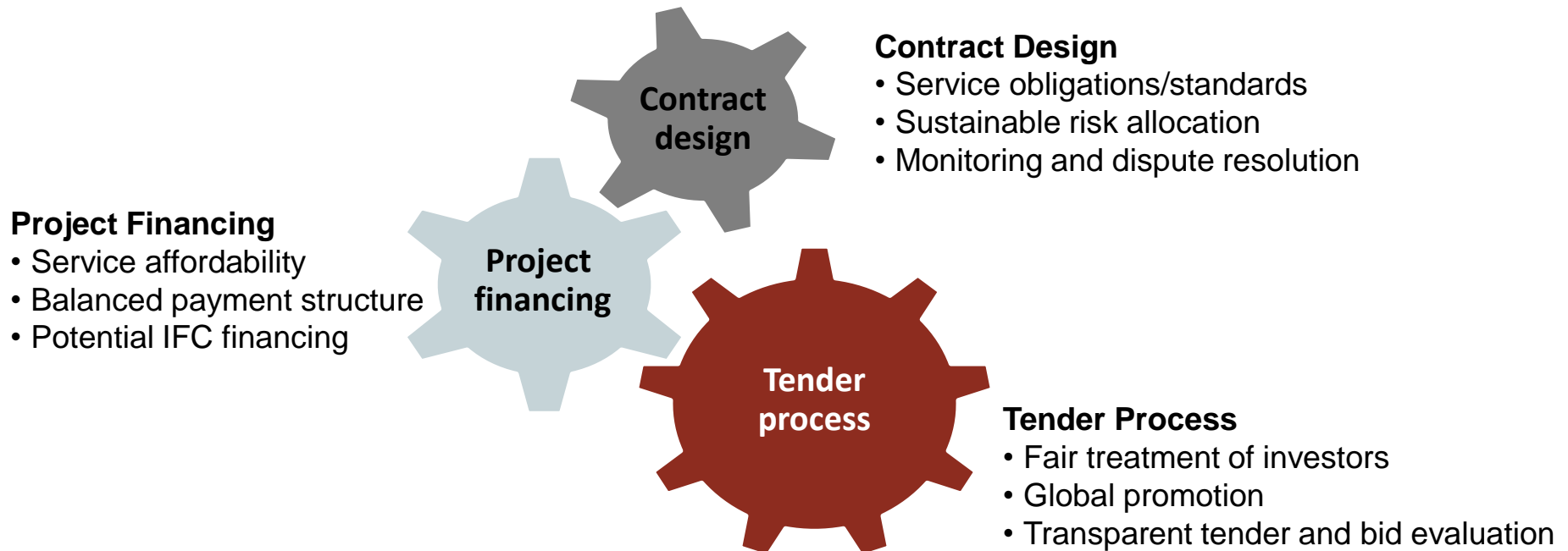
Closing

Due diligence identifies client objectives, investor interest, and strategic options, to inform optimal structure.

Development of marketing strategy to assistance with bid evaluation, award, and closing

Stakeholder engagement

A perfect fit



1 Mobilization

- Mandate signing
- Team setup
- Consultant selection
- Kick-off

1-2 months

2 Due diligence and strategic options

- Audits
- Preliminary marketing
- Financial analysis
- Strategic options report

4-6 months

3 Reforms and transaction preparation

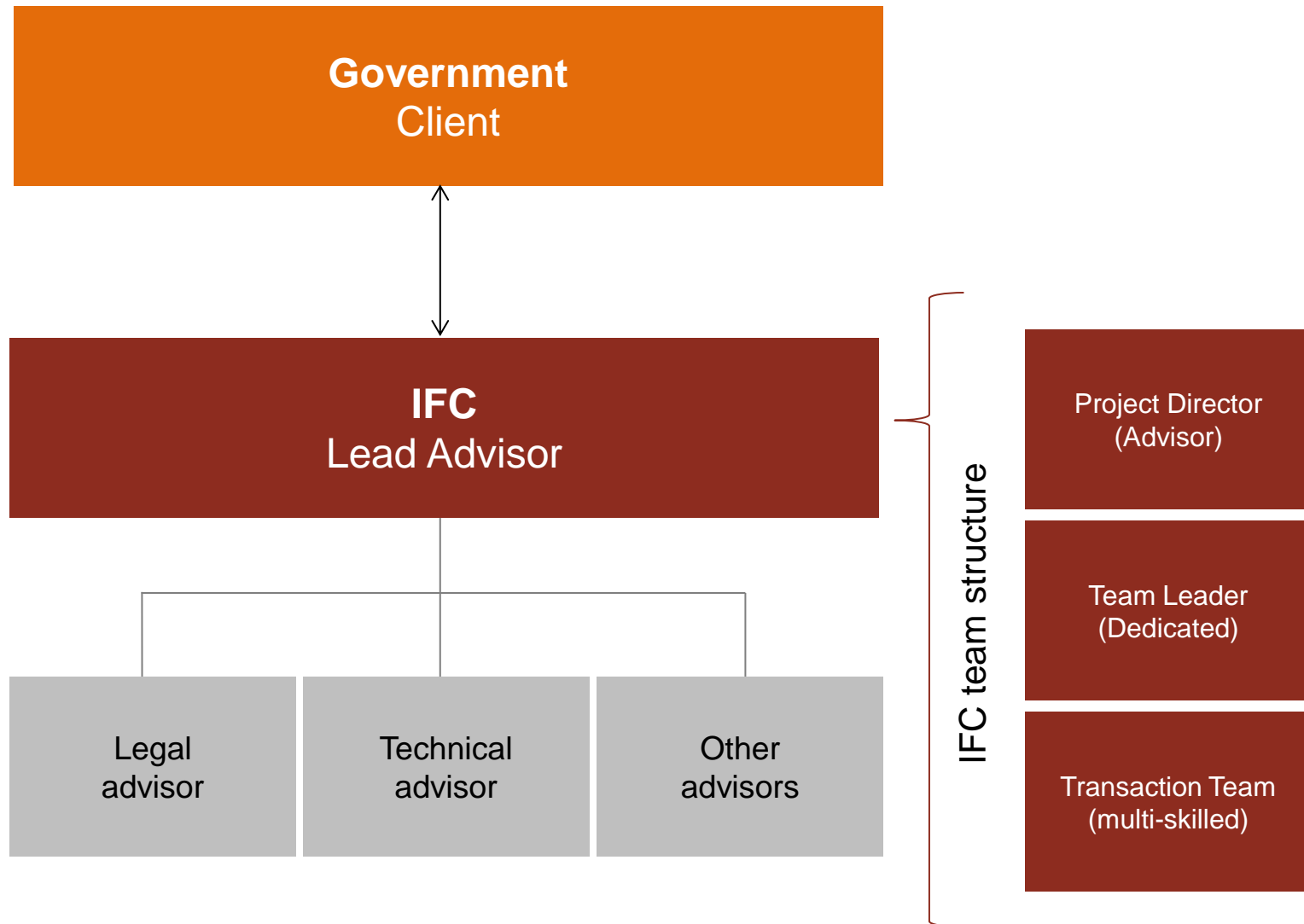
- Audits
- Marketing
- Reforms
- Labor/social plan

8-12 months

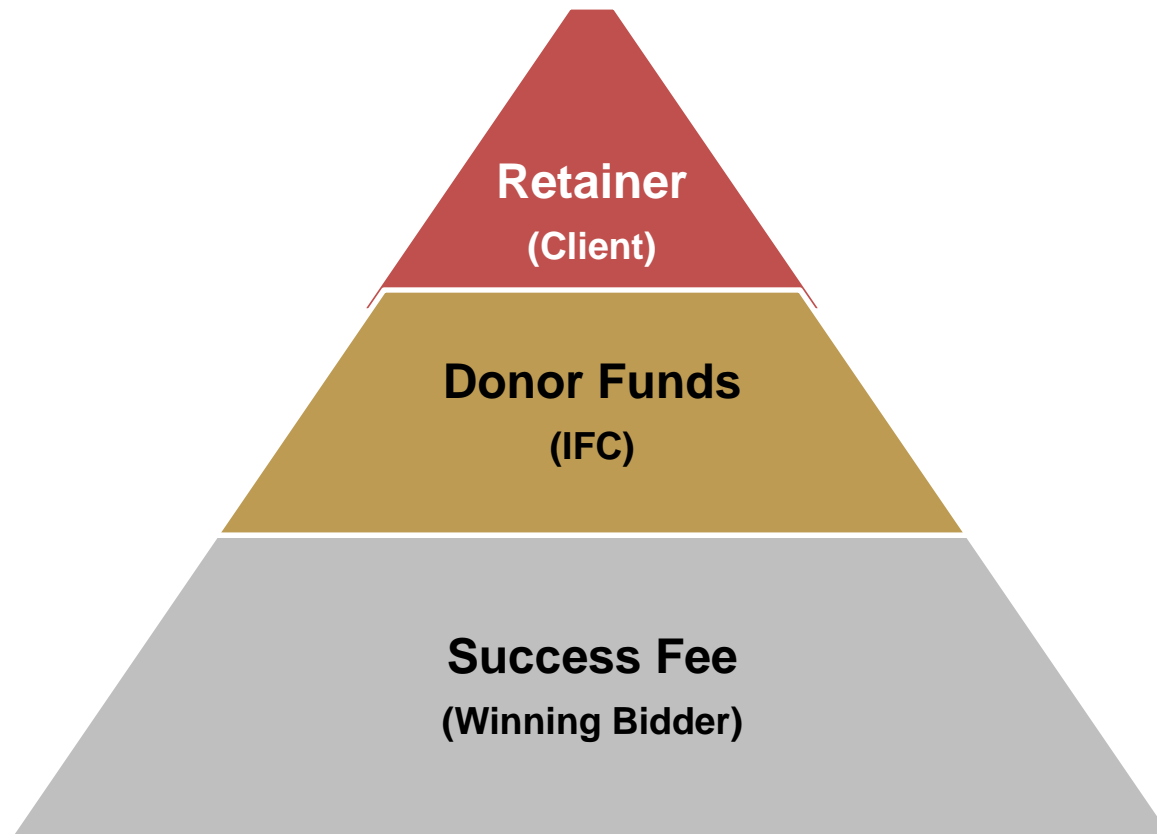
4 Implementation and closing

- Pre-qualification
- Marketing
- Contract preparation
- Tender & Closing

Advisory mandate structure



Fee-based service



This fee structure enables IFC to minimize the cost to the government and assume the risk of a successful closing



Case Studies

Large hydro – Sounda Gorge, Congo

400-1000MW, \$1-3bn, 150km from Pointe Noire

Long history:

- First studied by EDF in the 1950s
- Several subsequent attempts by private sector

IFC signed MOU with Government in February 2014:

- Key principles recognised (E&S, offtake etc.)
- IFC to develop timeline and budget for approval
- IFC now arranging \$2-3m donor funding

Next step – signature of full advisory mandate

Small hydro – Nyagak III, Uganda

4MW, isolated grid (West Nile Region, DRC border)

Uneconomic without donor subsidy:

- KfW grant, conditional on PPP structure
- Remaining funding from private sector

IFC advising UEGCL, state generation company:

- Technical, E&S and legal consultants
- Drafting tender and concession documents
- Roadshow to potential developers
- Support during tender process and negotiation

Three bidders – scheduled to close June 2014

Wind – Blue Mountain Pass, Lesotho

Full development programme by IFC:

- Initial mesoscale model for entire country
- Preliminary analysis of three sites:
 - Wind resource assessment
 - Logistics assessment
 - Environmental assessment
- Policy gap analysis of Lesotho energy sector
- One of three sites has sufficient resource (28MW)

Next steps:

- Validation of mesoscale model
- 24-month wind measurement programme
- Subject to wind resource, tender out as a PPP

Solar PV – Standardised PPP Model

Joint initiative – IFC, WB, MIGA

Low-cost, utility-scale solar PV power across Africa:

- Donor-funded pre-feasibility studies
- Simple, standard documentation and tenders
- Pre-approved long-term, low-cost debt for bidders
- MIGA and PRG support to enhance offtake credit

Simple, standard approach:

- Economies of learning/repetition
- <15c/kWh tariff – similar to that achieved in SA ...
- ... compared to 20-30c/kWh often proposed

Solar PV – Solar Home Systems, South Africa

Government target: 300,000 households by 2025

Current structure – ‘fee-for-service’:

- Flawed revenue model
- Wrong technology
- Insufficient transfer of risk to private sector

Proposed IFC assignment:

- Develop generic PPP model – install and maintain
- Use South Africa as a pilot – then roll out elsewhere
- Innovation is key – SMS-activated solar panels
- \$150,000 of donor funds secured for concept



What next?

IFC is here to help

RE and EE are strategic priorities:

- Senior management support
- Resources from across the World Bank Group
- Significant availability of donor funding

If you have potential projects:

- Discuss them with us here
- Send them to us for an initial desktop review
- We can visit you to discuss them in person

Many options available:

- Single-project mandate for larger schemes
- 'Packaging' option for smaller schemes

Thank You!

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