

Investment Project Development Standards

Need and an Opportunity

Renaissance Finance International

Need for Standardisation

- Each Project Sponsor, Investor and Financial Institution has its own investment objectives, procedures and financial instruments;
- Investors and Financial Institutions are approached for finance with a wide variety of business plans, investment proposals, presentations on opportunities to finance.

Current situation

- The project proponents have to re-work their proposals and submit them in a multitude of formats;
- The financiers have to analyse and evaluate information received in variety of structures and formats.

Result

- Loss of productivity and time for all parties;
- Expensive and protracted investment appraisal process;
- A number of investment opportunities are missed.

Information Memorandum or Business Plan

- **Information Memorandum** - a document describing the project as an investment opportunity and a business proposal used principally to raise equity and debt finance.
- **Business Plan** - more detailed description of the business, from personnel to market and financial forecasts, to be used internally as a benchmark, or externally to potential investors in the business.

Why IM or BP are needed

- A coherent and truthful presentation of the business, or project;
- Represents the opportunity in concise and structured manner;
- Provide the information needed to quantify risks and calculate expected returns and to assist project sponsors, investors and financiers in their decision making.

To whom it is addressed?

- Project Sponsor;
- Partner;
- Investor;
- Financier;
- Insurer;
- Arranger;
- Lawyer.

For what purpose?

- To get internal approval;
- To invite project partner/JV;
- To obtain equity investment;
- To get debt finance;
- To arrange project, or loan insurance;
- To arrange IPO, listing, bond issuance etc.

Information requirements to be met

- General and specific information requirements of the project parties;
- Statutory requirements - law, regulatory;
- Policy requirements - environmental, ethical, technical, labour, etc. policies of the project parties.

Examples



Environmental and Social Policy



Environmental, Health, and Safety Guidelines for Thermal Power Plants

Introduction

The Environmental, Health, and Safety (EHS) Guidelines are technical reference documents with general and industry-specific examples of Good International Industry Practice (GIIP). When one or more members of the World Bank Group are involved in a project, these EHS Guidelines are applied as required by their respective policies and standards. These industry sector EHS guidelines are designed to be used together with the **General EHS Guidelines** document, which provides guidance to users on common EHS issues potentially applicable to all industry sectors. For complex projects, use of multiple industry-sector guidelines may be necessary. A complete list of industry-sector guidelines can be found at:

www.ifc.org/foax/sustainability.nsf/Content/EnvironmentalGuidelines

The EHS Guidelines contain the performance levels and measures that are generally considered to be achievable in new facilities by existing technology at reasonable costs. Application of the EHS Guidelines to existing facilities may involve the establishment of site-specific targets, based on environmental assessments and/or environmental audits as appropriate, with an appropriate timetable for achieving them. The applicability of the EHS Guidelines should be tailored to the hazards and risks established for each project on the basis of the results of an environmental assessment in which site-specific variables, such as host country context, assimilative capacity of the environment, and other project factors, are taken into account. The applicability

of specific technical recommendations should be based on the professional opinion of qualified and experienced persons. In host country regulations differ from the levels and measures presented in the EHS Guidelines, projects are expected to achieve whichever is more stringent. If less stringent levels measures than those provided in these EHS Guidelines are appropriate, in view of specific project circumstances, a full detailed justification for any proposed alternatives is needed part of the site-specific environmental assessment. This justification should demonstrate that the choice for any alternative performance levels is protective of human health and the environment.

Applicability

This document includes information relevant to combustion processes fueled by gaseous, liquid and solid fossil fuels and biomass and designed to deliver electrical or mechanical power, steam, heat, or any combination of these, regardless of the type (except for solid waste which is covered under a separate Guideline for Waste Management Facilities), with a total rate heat input capacity above 50 Megawatt thermal input (MWh) Higher Heating Value (HHV) basis.¹ It applies to boilers, reciprocating engines, and combustion turbines in new and existing facilities. Annex A contains a detailed description of industry activities for this sector, and Annex B contains guidance for Environmental Assessment (EA) of thermal power project Emissions guidelines applicable to facilities with a total heat capacity of less than 50 MWh are presented in Section 1.1 of **General EHS Guidelines**. Depending on the characteristics of the project and its associated activities (i.e., fuel sourcing and evacuation of generated electricity), readers should also consider

¹ Defined as the exercise of professional skill, diligence, prudence and foresight that would be reasonably expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally. The circumstances that skilled and experienced professionals may find when evaluating the range of pollution prevention and control techniques available to a project may include, but are not limited to, varying levels of environmental degradation and environmental assimilative capacity as well as varying levels of financial and technical feasibility.

² Total capacity applicable to a facility with multiple units.

BANK

Mandatory Documents to be received from Customer

	Initial submission	Final Clearance	Annual Review (if there is a change)
1. Organizational chart		Photocopy	Photocopy
2. Overview of Ownership-structure		Photocopy	Photocopy
3. "Articles of Association" or equivalent documents		Photocopy	Photocopy
4. Certificate of Incorporation		Original certified photocopy	Original certified photocopy
5. Proof of legal registered address		Photocopy	Photocopy
6. Proof of operational address (if applicable)		Photocopy	Photocopy
7. List of Shareholders		Photocopy	Photocopy
8. ID document for Qualified Shareholders, if natural persons		Original certified photocopy	Original certified photocopy
9. Proof of residential address for Qualified Shareholders, if natural persons		Photocopy	Photocopy
10. List of Directors and or representatives		Photocopy	Photocopy
11. ID documents of at least two (Non) Executive Directors (preferably CEO, CFO or Chairman)		Photocopy	Photocopy
12. Proof of residential addresses of at least two (Non) executive Directors		Photocopy	Photocopy
13. Signatory List		Photocopy	Photocopy
14. List of UBOs (ultimate beneficial owners)		Photocopy	Photocopy
15. ID documents for Qualified UBOs		Original certified photocopy	Original certified photocopy
16. Proof of residential addresses for Qualified UBOs		Photocopy	Photocopy
17. Bank-license, if customer is a bank		Photocopy	Photocopy
18. Anti-money-laundering Questionnaire for Financial Institutions		Photocopy	Photocopy
19. Certified maps, titles, documents, confirming ownership of land and assets		Photocopy	Photocopy
20. Permits, Licenses,		Photocopy	Photocopy

Can an universal standard be created?

- Project and companies are unique - but evaluation of the risks and returns follows the same principles;
- Varying information requirements - but similar in content and purpose;
- Varying practices - but all aiming at getting a fair and comprehensive information on the project or business.

Examples of templates



European Commission



DGXVII Synergy Programme



Registered and General Address:
92 Littlewood Avenue, Farnborough
Kane BB8 9EW ENGLAND
Telephone: +44 1309 861176
E-mail: rfi@project-finance.com

Guide to Project Finance Business Plans

European Commission



Directorate General for Energy

GUIDE TO ENERGY EFFICIENCY BANKABLE PROPOSALS

Jointly prepared by:

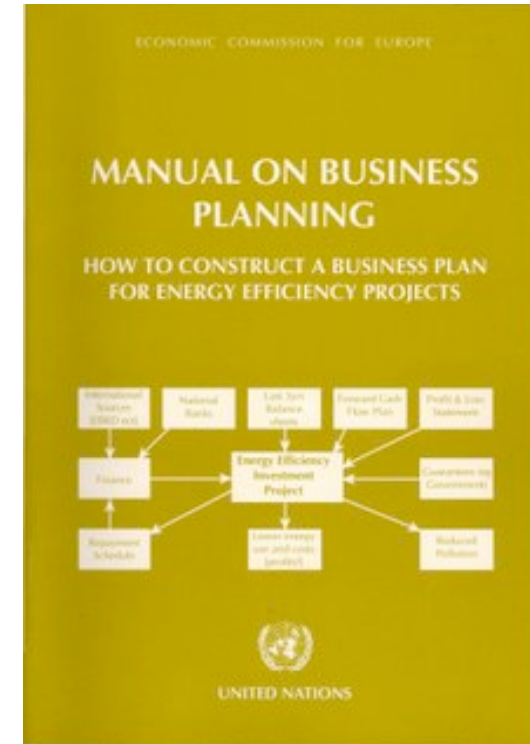
The European Commission - Directorate General for Energy - DGXVII
THERMIE and SYNERGY Programmes
and
The European Bank for Reconstruction and Development

Confidentiality: The contents of this document and any other documents and information flows identified or described within this document are to be treated as strictly confidential and may not be distributed or disseminated beyond the experts from the Industrial, Legal, Financial and EC organisations named within this document. For any documents and information where wider dissemination is acceptable, said distribution shall be agreed with all parties involved and shall be clearly stated in the item concerned before the item may be disseminated beyond the realms of this project.

Copyright: This document remains the property of RFI and is provided on the understanding that the document shall not be changed or modified in any way without the express written permission of a RFI Director and the copyright shall not pass to any party. Where applicable, RFI acknowledge that a prior copyright exists in some of the content.



"Education and training to achieve excellence in energy and environmental project finance"



Some approaches to establishing a standard

- Cover all principal aspects;
- In-built flexibility to allow for project uniqueness;
- Need to be worked together with IFIs, DFIs, Commercial banks, Private equity investors, Financial regulators, project developers.

Benefits

- Standardised, simplified submission;
- Simplified appraisal, analysis, evaluation;
- Standardised quantification of benefits;
- Standardised quantification of risks and returns;
- Simplification of investment cycle;
- Accelerated investments.

UNECE initiative for establishing Investment Project Development Standards

- Under the UN auspices;
- Long history of establishing standards -from Agricultural Quality to Energy Efficiency Standards and Labelling Systems;
- Complementary to Sustainable Energy initiatives like EE21, Energy Efficiency Investments for Climate Change Mitigation