

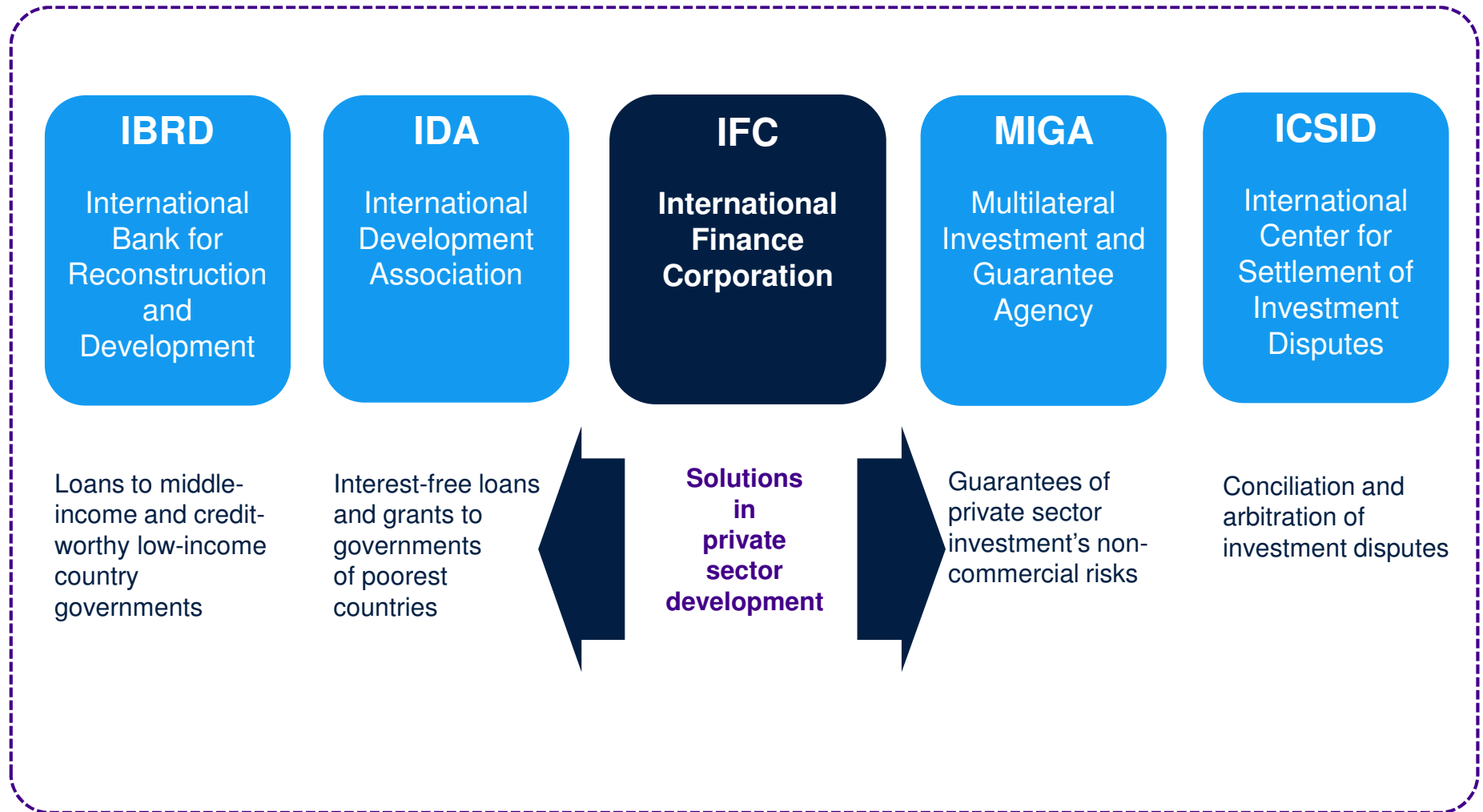
IFC VALUE PROPOSITION FOR CLEAN ENERGY FINANCE

APPROACH & EXPERIENCE



Bajame Sefa
Operations Officer
IFC Financial Institutions Group

IFC: PART OF THE WORLD BANK GROUP



WHAT WE DO

Integrated Solutions, Increased Impact

INVESTMENT

- Loans
- Equity
- Trade finance
- Syndications
- Securitized finance
- Risk management
- Blended finance

**\$51.7 bn portfolio
(FY14)**

ADVICE

- Firm-level advice
- PPP transaction advice
- In partnership w/World Bank, advice on broader market development and enabling environment for private sector

**720 projects valued at
\$1.1 bn (FY14)**

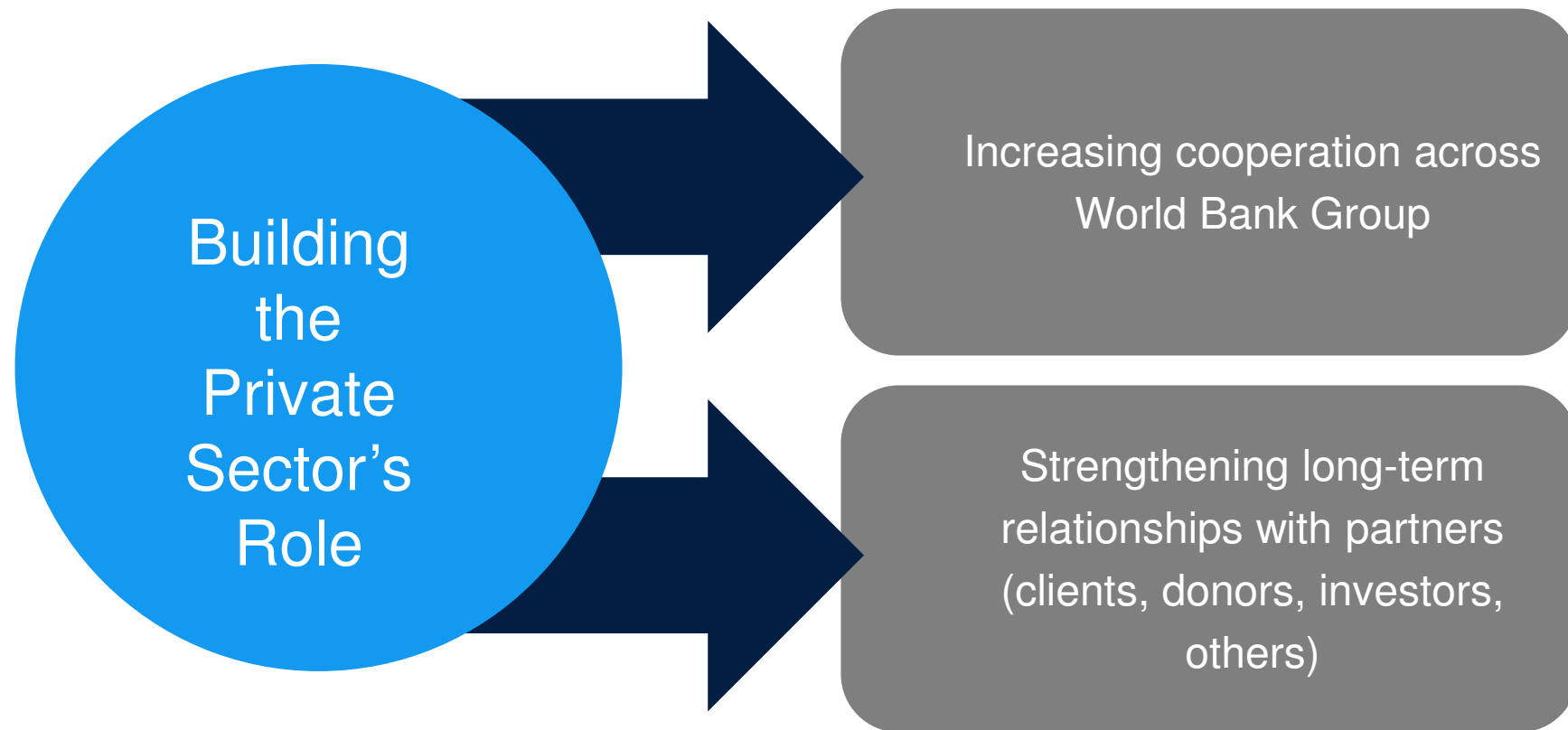
IFC ASSET MANAGEMENT COMPANY

- Wholly owned subsidiary of IFC
- Private equity fund manager
- Invests third-party capital alongside IFC

**\$6.4 bn under mgmt
(FY14)**

MEETING THE TWIN GOALS: IFC'S COMMITMENT

Ending Extreme Poverty, Boosting Shared Prosperity



IFC'S PRIORITIES

**Long-term
client relationships
in emerging markets**

**Frontier
markets**

Local **financial
markets**

**Strategic
Focus
Areas**

**Climate change
and environmental
& social sustainability**

Constraints to private sector growth in **infrastructure,
health, education, and the food supply chain**

WHAT IFC MEANS BY CLEAN ENERGY FINANCE?

Energy Efficiency (EE)

- Investing into fixed asset to reduce energy bill of end-users through increased efficiency of energy use (15% minimal threshold)
- Home EE renovation loans, SME loans, Corporate EE finance etc.

Renewable Energy (RE)

- Investing into technologies generating power or heat from renewable resources
- Project finance: Hydro power plants, wind, solar etc.

Cleaner Production (CP)

- Investing into technologies minimizing waste and emissions from industrial processes and maximizing product output, including water efficiency
- Improved industrial processes, waste water treatment, water efficiency

Other, Cross-Cutting Areas

- Transport - supporting close-to-zero emissions vehicles
- Green Buildings, ESCos, Supply-chains, general sustainability, etc

LIMITATION FACTORS FACED IN IMPLEMENTATION OF ENERGY EFFICIENCY PROJECTS

Drawbacks that may turn into opportunities

- Unawareness of available technologies and benefits of application and also of the real economics of properly designed projects.
- Lack of knowledge about the process and equipment, and inability to assess (prioritize) available solutions.
- Lack of experience and advice during the project preparation
- Appraisal and consideration of projects done separately from the enterprise operation model and effects from change of technology
- Payback periods
- Financing

HOW DOES IFC SUPPORT FIS?

Advisory (AS)

Investment (IS)

- Product Development
- Trainings for staff
 - loan officers,
 - credit risk managers,
 - marketing personnel
- SEF calculator
- Marketing activities

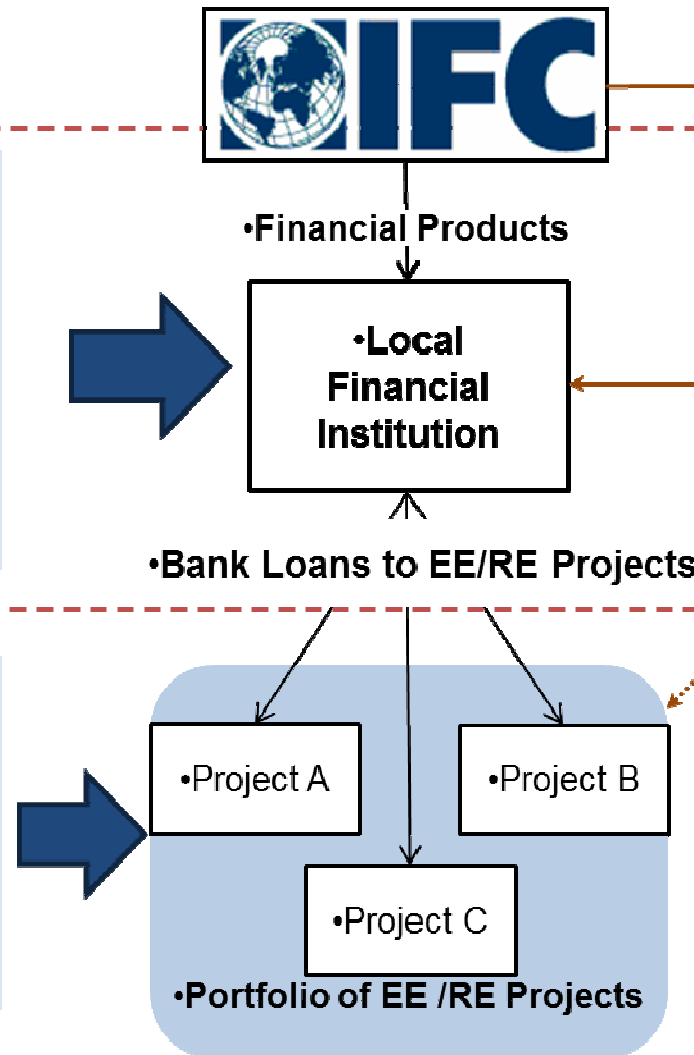
•Risk Positions at the Level of the Bank:

- Credit lines
- Equity
- Subordinated debt
- Currency swap
- Trade finance

- Project assessment support
- Pipeline Development
- Seminars
- Work with contractors/vendors

•Risk Positions at the Level of the Underlying Assets:

- Guarantees
- Portfolio Risk Sharing
- Direct Co-financing



MARKET THOROUGH EYES OF PARTICULAR DEPARTMENTS

Corporate Banking :

- Renewable energy projects
- Industrial plants (e.g. cement, glass, ceramic industries)
- Commerce / large malls, big-box store chains
- Efficient building construction companies
- District heating systems

Commercial Banking / SMEs:

- New machinery: substitution with more efficient equipment in all sectors, manufacturers of equipment used for clean energy production, etc.
- Examples: ovens, air conditioners / chillers, compressors, lighting, solar heating, etc.

Retail Banking:

- Housing Renovation Loans (multifamily or single family houses/apartments)
- Green Mortgages (cooperation with real estate developers + buyers)

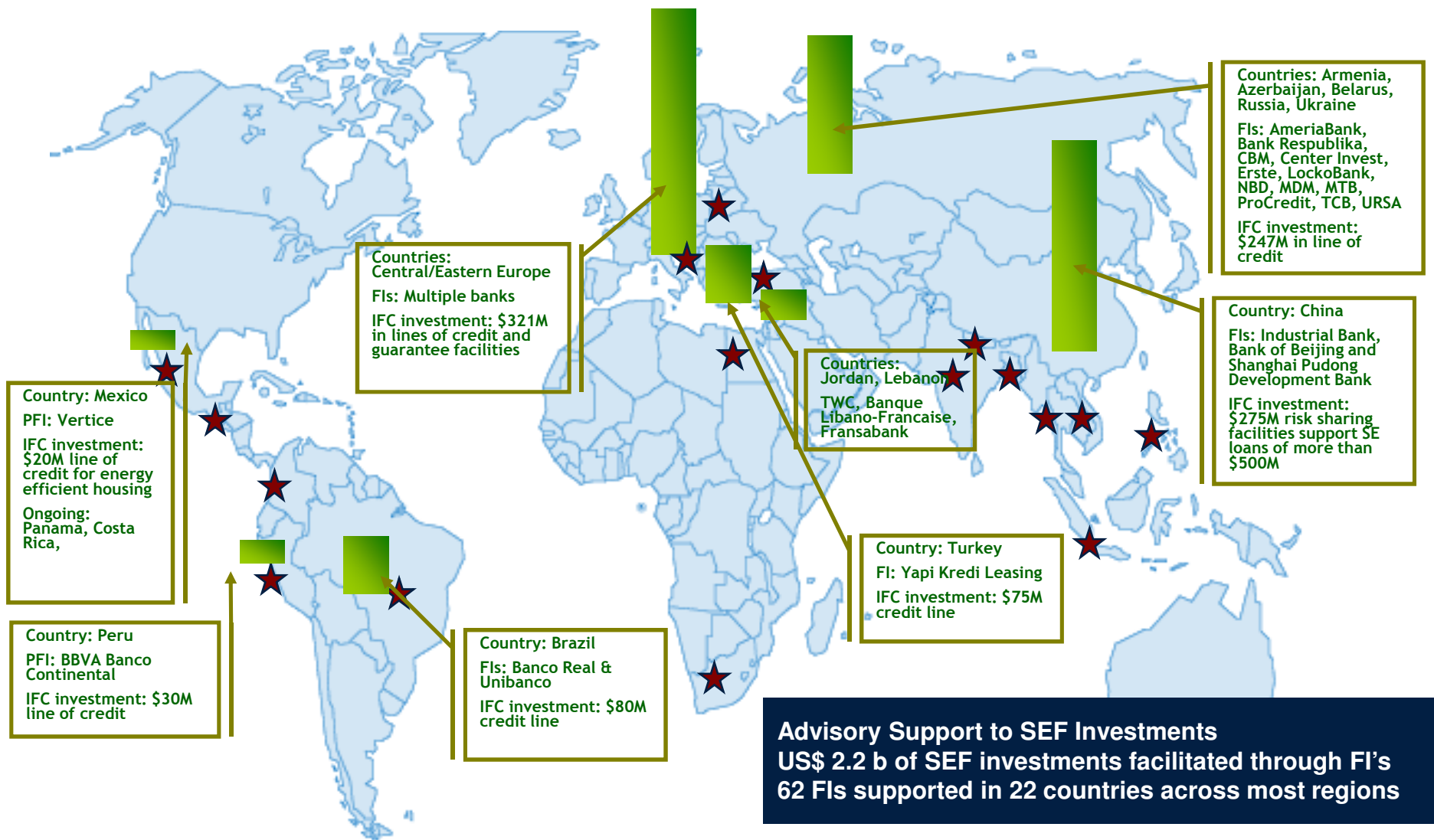
Leasing:

- Leasing of more efficient equipment (cogeneration equipment, PV solar panels for rooftops, machinery, production lines, hybrid fleets)

Public Finance:

- EE/RE in Municipalities (street lighting, district heating, public buildings renovations)

SUSTAINABLE ENERGY INVESTMENTS VIA FI'S



ACTIVE SUSTAINABLE ENERGY FINANCE PROGRAMS IN ECA

IFC – EE

ECA
PROGRAMS

ECA SEF PROGRAM

- > Residential and Industrial energy efficiency / RE
 - > Russia, Ukraine, Belarus, Moldova, Azerbaijan, Kosovo, Serbia,
-

RUSSIA REE PROGRAM

- > Residential energy efficiency – MFBs /HOAs
 - > Russia
-

UKRAINE REE PROGRAM

- > Residential energy efficiency – MFBs /HOAs
 - > Ukraine
-

ALBANIA REE PROGRAM

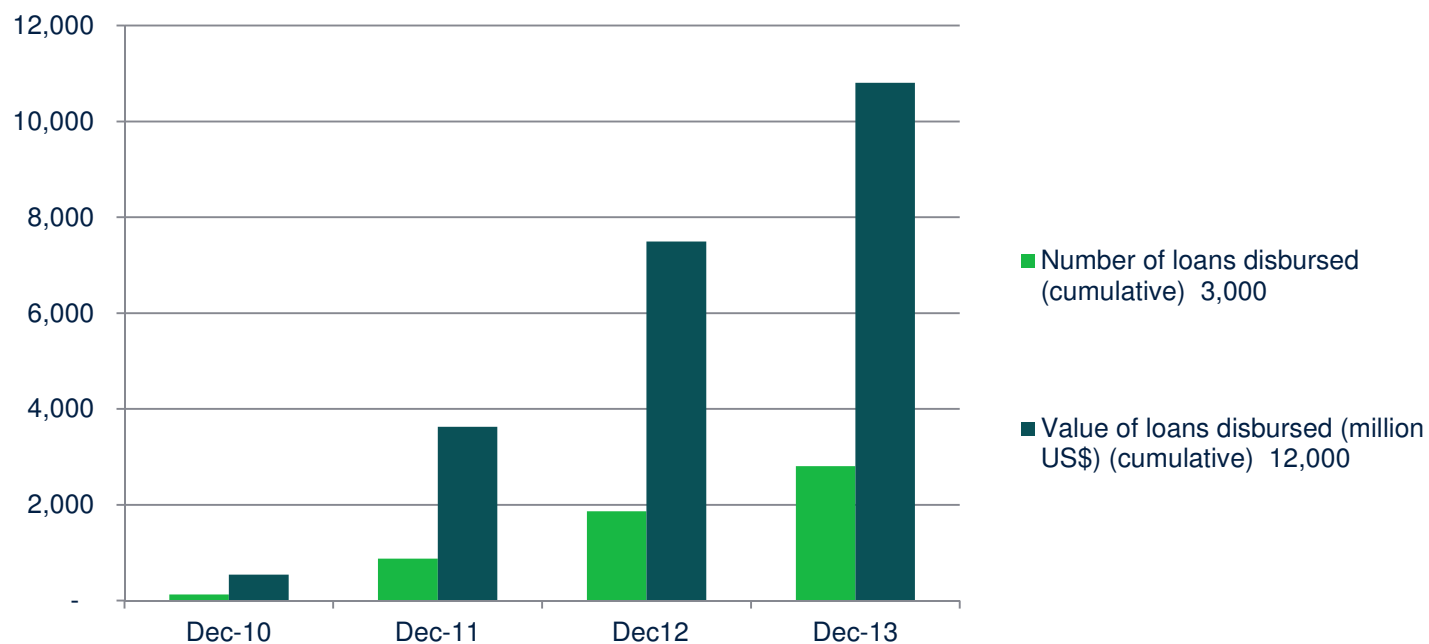
- > Residential energy efficiency – single home owners
 - > Albania
-

Armenia SEF PROGRAM

- > Residential Energy efficiency – single home owners and Industrial RE
 - > Armenia
-

ALBANIA RESIDENTIAL ENERGY EFFICIENCY PROGRAM

REE Loans disbursed



1st and 2nd FI started in July 2010

3rd FI started in January 2011

4th FI started in June 2012

5th FI joined in FY 14

CHALLENGES

- The **macroeconomic environment** continues to present significant risks to Energy Efficiency lending, as the financial slowdown has had a high impact on the overall economy, thus limiting the interest of industries to expand through borrowing.
- In **Albania** and **Armenia** the country specific IFC Programs running challenges of economical slowdown, low energy price, no incentive for financing Energy Efficiency and economic conditions of the population.
- In **Balkans**, the ECA SEF Program set its activities with a view that the EBRD is running a large program, funds being provided by the European Commission.
- In **Russia**, ECA SEF program may have a challenges in view of economical downturn and sanctions.
- In **Ukraine**, already stopped or undermined activities of many large enterprises and SMEs in conflict industrial regions and practically left no possibility to work in Crimea.
- **Expansion** to other ECA countries: Turkey, Belarus, Tajikistan. Activities are planned as jointly interventions of advisory and investment team.

THANK YOU!

Bajame SEFA, MBA
Operations Officer
IFC Financial Institutions Group
bsefa@ifc.org