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Potential contribution of innovative financing *mechanisms*

Towards Smart Sustainable Cities – Integrated Approaches

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Innovative mechanisms

- * *Advance Market Commitments (AMC)*: Fund structure designed to catalyse investments, from a mixture of government/ public funding with a possibility of other sources of funding – Private, Foundations, CSR.
- * *Revolving Fund*: Multi-sourced, diversified capital structure.
- * *Bond/ Loan structure using capital markets* to finance, with government/ public sector commitments backing the borrowing.
- * *Private partners* including suppliers JVs and upstream integration.
- * *Social Impact Bonds*: PPP Structures with risks being transferred to private investors/ capital markets/ individuals. Returns driven and impact investment.
- * *Social Impact Funds*: Private Fund structure with a public and private investor base, possibility of leverage from development banks/ loans. Returns and revenue driven.
- * *Islamic Financing/ CSR*: Corporate sector funding, unlocked often using public sector incentives.
- * *New donors, Bilateral Funding and Philanthropy* ++++++

Innovative financing mechanisms, in general, must provide for the following:

- * Sustainability
- * Predictability
- * Transparency
- * Leverage
- * Partnerships

Models that:

- * Can maximize impact and potentially generate returns for investors;
- * Engage a new tier of investor in terms of both financial capacity and risk appetite for financial products across asset classes;
- * Diversify financing to reduce risk.



Linking Funding to the Funded

In general, any platform to finance manufacturing must try to include initiatives to tap financing from:

- * The people that get the most benefit from the services being build – the populace – individual investments from conduits and bonds at the senior level debt lending.
- * Businesses that stand to benefit from the development – through indirect effects on health and better standard of living.
- * Businesses that are benefitting from the city.
- * Allow leveraging of government and public sector equity and budget allocations.
- * Allow development and commercial banks to contribute in areas and stages of knowledge and risk acceptance.



Catalytic Sustainable City Energy Fund (CSCE)

Leveraged & Diversified Capital Structure

- Matching funds
- Trade and Aid funds
- Philanthropy

Leverage Finance

- Development/ Commercial Bank
- Social Impact/ Pension Funds
- Bond/ Corporate Investors

Seed Funding

- Governments
- Organisations – Foundations
- PE Funds (GHIF)
- Fatigued/ New Donors

Non-returns Based Funding

Loans

Repayable from Sales, Take-out Financing

Seed-funding

Shareholding

Catalytic Sustainable City Energy Fund (CSCE)
Independent, Bankruptcy-Remote, Special-Purpose Trust

Equity

Shareholdings

Investments

Management PPP & Investment

- Fund Management Company (PPP)**
- Professional Fund Manager
 - Governments (Finance Ministries)
 - Multilaterals

- Investment & Advisory Committee (PPP)**
- Governments (Finance Ministries)
 - Industry, Multilaterals
 - Stakeholders
 - UNEP, UNECE, UNIDO

DIVERSIFIED INVESTMENTS IN ENERGY PROJECTS



Domestic/ Regional Health Bond Programmes

Defined: Using as a basis the IFFIm model of securitised bonds, there is much discussion if adapted models could be created at the regional or national level to fund other development such as in smart cities. Borrowings from the capital markets regionally/ eurobonds potentially to fund manufacturing.

Structure: A securitised regional bond programme, that could be securitised using the guarantees of governments in the EAC, and over-collateralised using the future income flow from revenues or other income models. The bonds would be long term, issued in the local market, with financing raised in the local capital markets.

Evidence: The IFFIm platform, Social Impact Bond Initiatives including bilateral bonds.

Points to consider:

- Securitisation Law unutilised thus far and the depth of domestic and regional capital markets.
- Capital Market appetite and knowledge of risks/ understanding.
- Projections in terms of timing for the project and returns scenarios.
- Size of the borrowing? Capital Markets needs.
- Rating issues and international debt issues.



Making the Energy Sector Bankable, Sustainable, Attractive to Diverse Funding

Creation of a KNOWLEDGE HUB

- * **Assimilate understanding of Needs & Requirements from Financiers**
- * **Lack of Knowledge Barrier - Educate Financiers & Private Sector (Local Specificities, Organisational Needs)**
- * **NATIONAL AND CITY PROFILES TO FACILITATE FUNDING: Strategy Building**
- * **Collaboration with Multilaterals, Banks, Capital Markets**
- * **Central Depository for all new energy/ infrastructure projects**
- * **Expert panel of Financiers Technical Experts from all Stakeholders**
- * **Deal Syndication and Fast Track Approaches**
- * **Achieve a blended mechanism**



Thank you

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