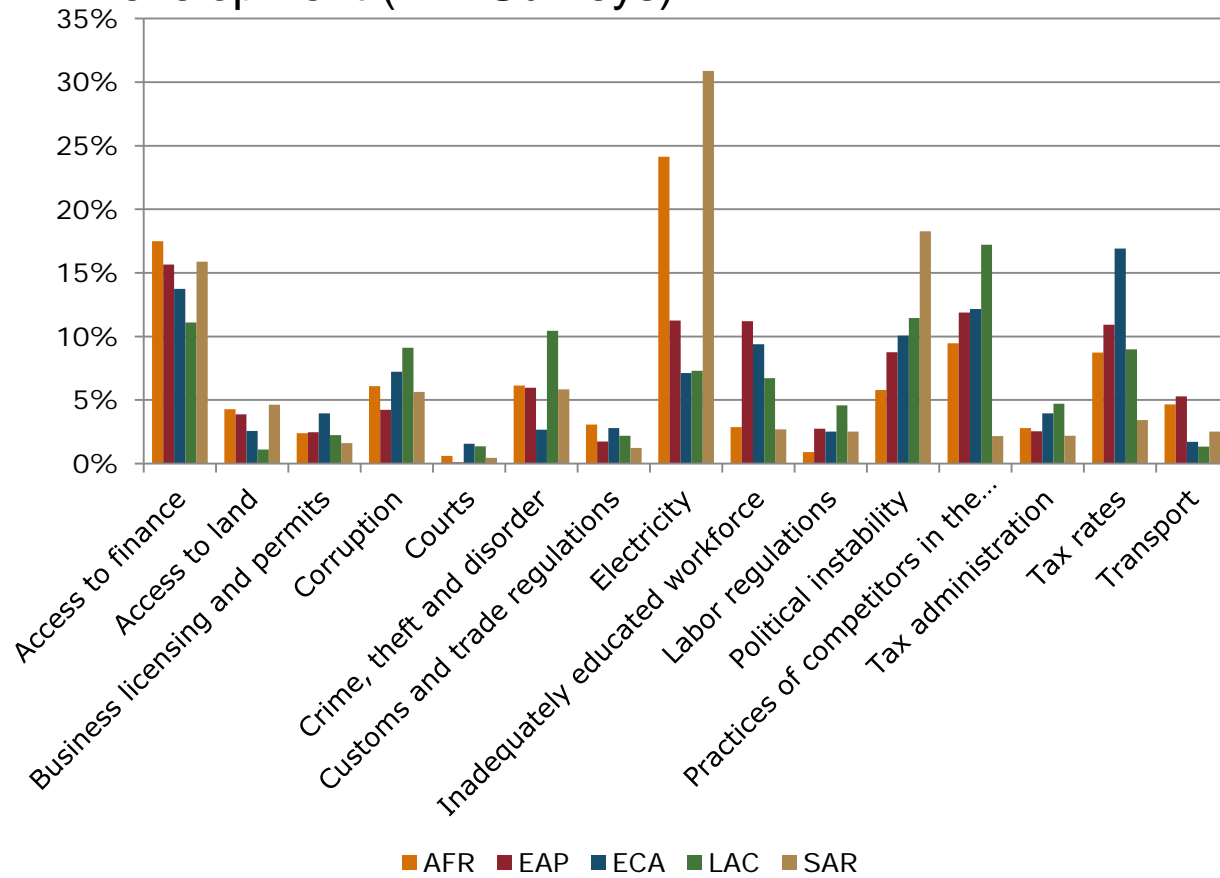


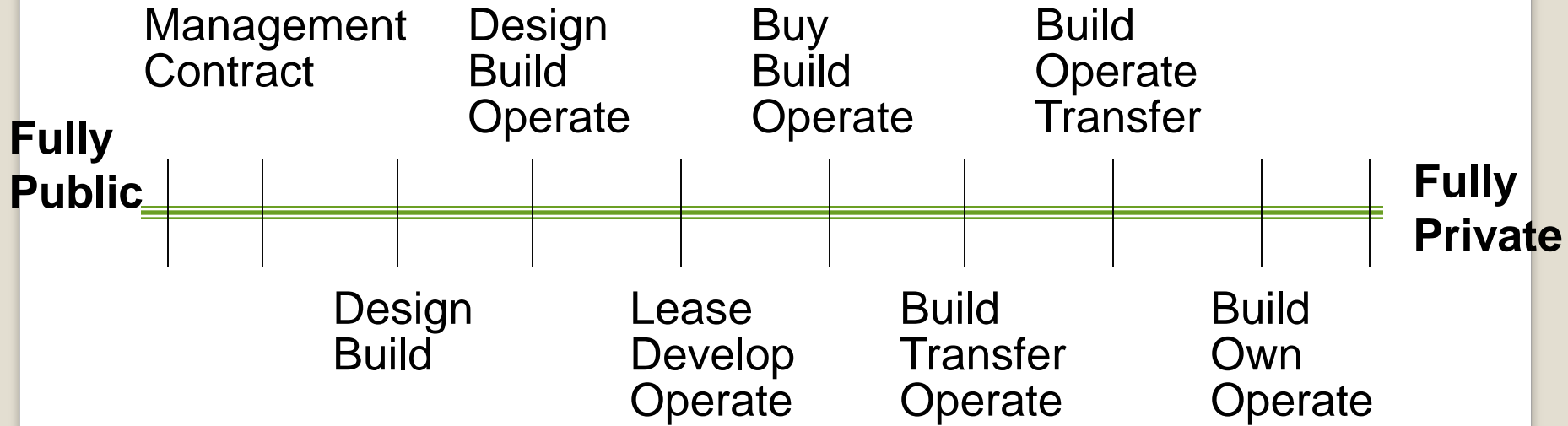
New energy funding approaches from Development Finance Institutions

Malcolm Bricknell
LCEDN Annual Conference June 1st 2018

Importance of Energy and Finance to Private Sector Development (WB Surveys)



Ownership Spectrum for Energy Projects

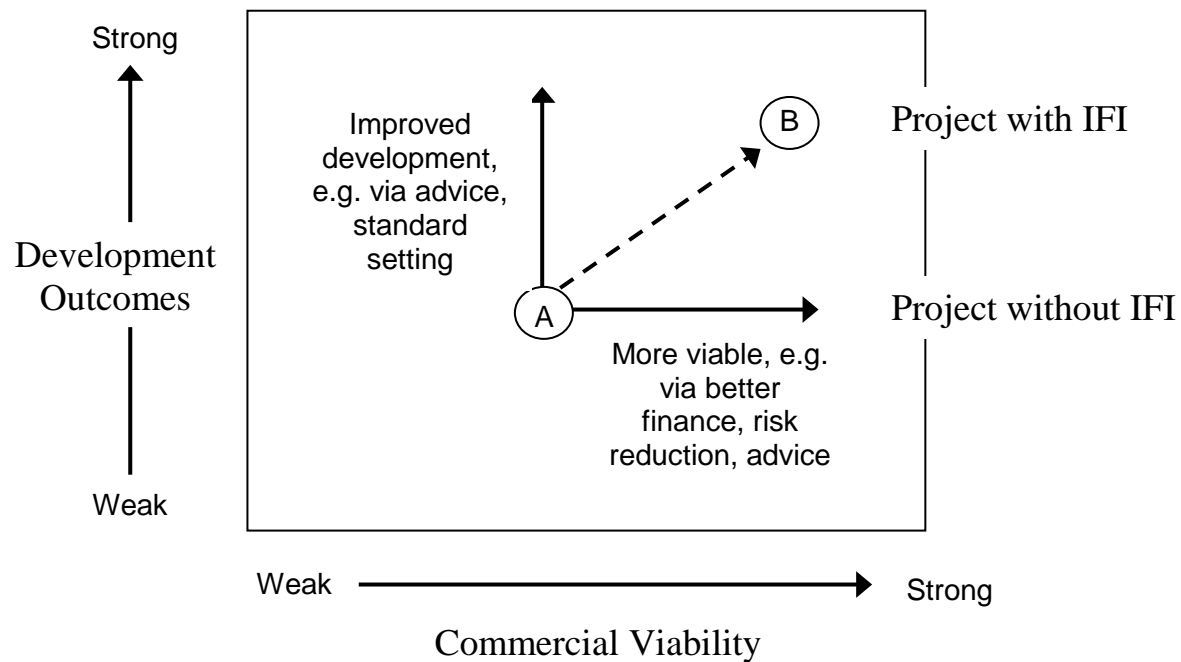


Types of RE Financing from IFIs to address different needs

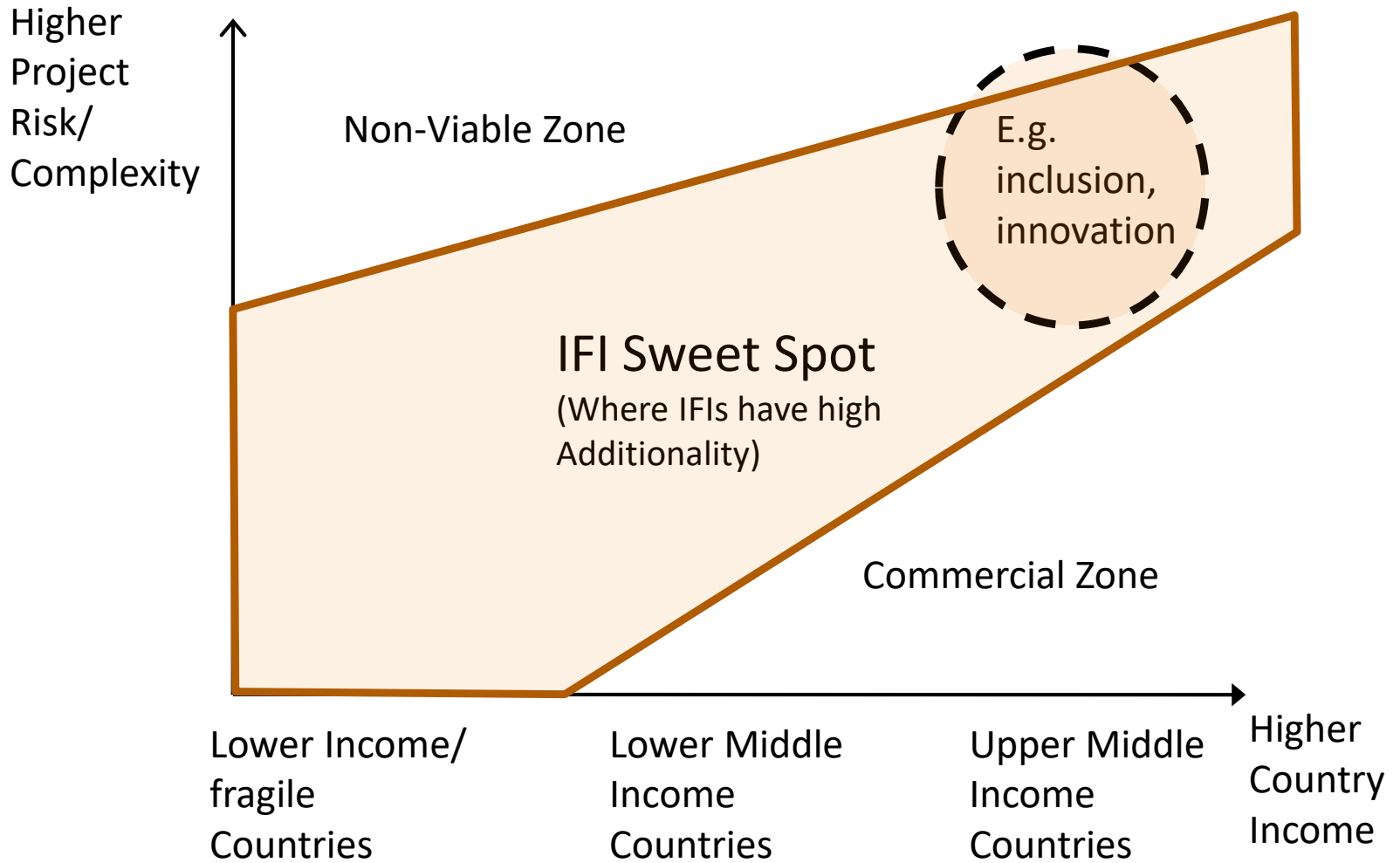
- **Government financing:** public sector lending, grants, subsidies
- **Project financing:** limited recourse financing to a SPV project company
- **Corporate financing:** financing to private companies
- **Consumer financing:** channelling funding to consumers to acquire RE products

IFI Objectives-Improving Development Impact and Viability

How IFI Additionality Improves Projects



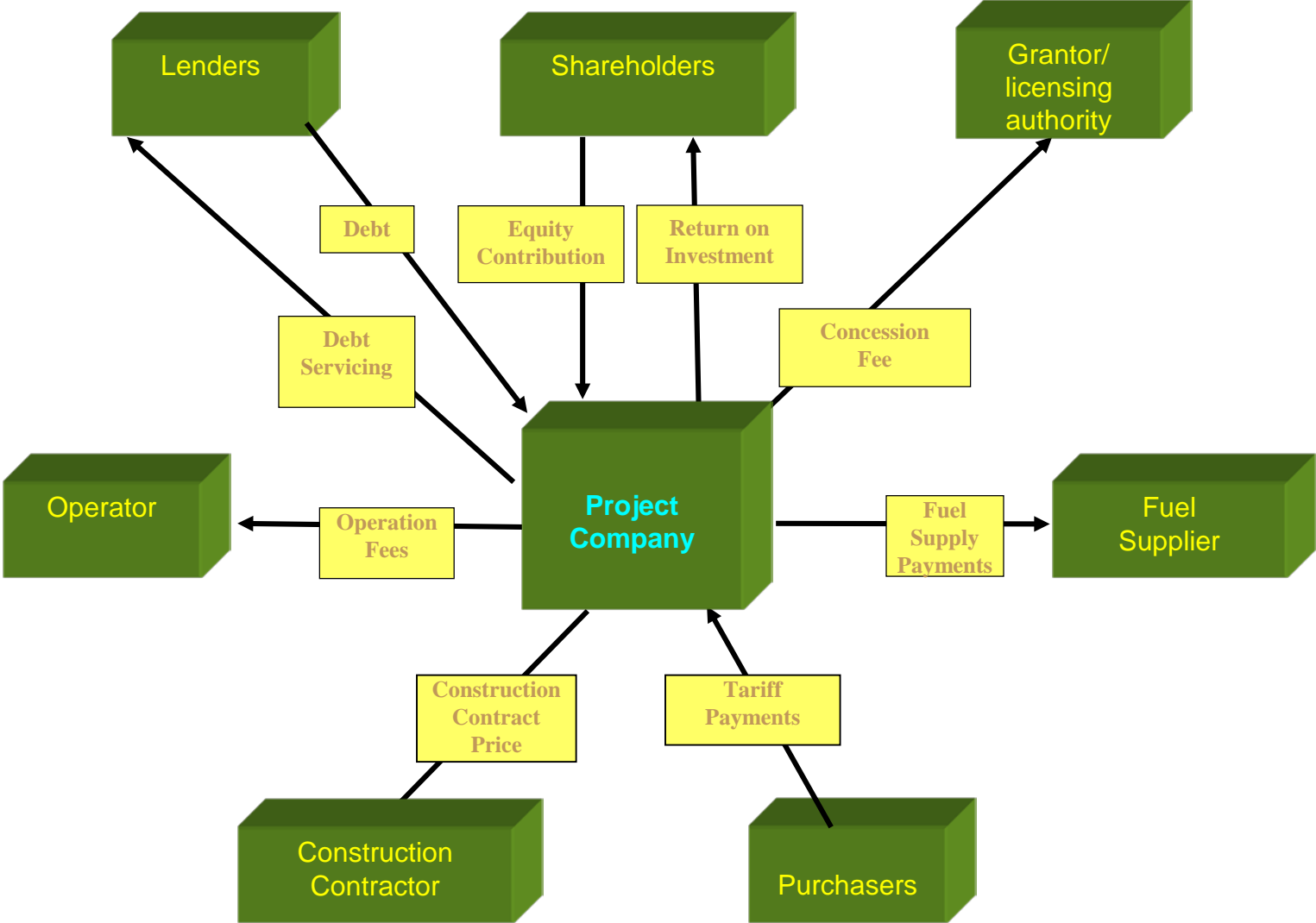
IFI Focus Areas



Typical DFI Project Financing



Typical Flow of Funds in Project Finance



Overview: Classical Project Financing

- loans to a company created for the purpose of a particular project (i.e. a Special Purpose Vehicle or SPV)
- the shareholders of the SPV have limited liability
- the lenders have 'limited recourse'
- the lenders' security is based around the SPV
- the project must be 'bankable', i.e. the lenders must be able to depend on the project payment scheme

Main Criteria for DFIs

Committed and experienced investor/operator/developer

Clear regulatory / contractual framework eg strong PPA from creditworthy utility/client

Competitiveness of power generation

Confirmation of renewable resource

Construction risk mitigated

Well prepared assessments by reputable independent parties (Technical feasibility study, ESIA)



Comprehensive Lenders Security

- security over every asset (fixed or floating)
- security over contracts
- security over shares
- security over every insurance policies
- security over bank accounts
- security over voting rights.

New Initiatives-Extending Lines of Credit Via Local Banks

- Mainstream DFI product
- Targetting both SMEs and Consumers
- Frequently Combined with TA Programmes
- Mixed results
- Scope to extend through eg first loss schemes



Social Impact Investing

Fund of Funds equity approach eg Geeref, CDC Impact Fund

Base of Pyramid Schemes subsidised by ODA

Microfinance including emergency support

Grant programmes sometimes linked to lending to enhance effectiveness



Future DFI Trends in RE Funding

Greater private sector focus of MDBs

More partnerships (e.g. with governments, private sector, NGOs)

Greater focus on development impact and results

Innovations, e.g. in PPPs/blended finance, mobilization, local currency finance, risk products, inclusive business, gender