



CASE STUDY 23: CHILE – CHILEAN ECONOMIC DEVELOPMENT AUTHORITY CREDIT LINES

Barriers	Lack of project finance
Instrument	Partial credit guarantee and credit lines to commercial banks
Application	CORFO provide credit guarantees to FIs, or provide credit line for on-lending to RE projects
Amount	n/a

PROJECT BACKGROUND AND OBJECTIVES

Chilean Government has enacted legislation to promote the use of renewable energy sources. Interests in investing in renewable energy projects are high, and there are plenty of opportunity and RE sources available in Chile. However, FIs in Chile are very conservative in their lending and has very low risk tolerance.

To overcome this barrier, the Chilean Economic Development Agency (CORFO) has since 2005 been offering credit lines to commercial banks for on-lending to RE projects. CORFO also offers partial credit guarantees for some hydro and wind development projects.

INSTRUMENTS USED

The credit lines provided by CORFO offer FIs a 30 months grace period and repayment terms of up to 12 years, allowing FIs to on-lend up to US\$5 million per project. To ensure uptake of the FIs financing, CORFO also offers project preparation matching funds for early stage project development. In addition, advanced project development activities are eligible for cost-sharing up to a maximum of 5% of the estimated investment.

The partial credit guarantee program appropriation is US\$70 million, and CORFO is able to leverage this amount five to one, leading to a US\$350 million total liability. If losses are greater than US\$70 million, they will be full recourse to CORFO. Loans are guaranteed up to 50% pari-passu, with a maximum terms of 12 years, and the guarantee fee is 1% per year.

INSTITUTIONAL ARRANGEMENTS

Donor agencies provide funding to CORFO, which will administer the funds and on lend the credit lines or partial credit guarantee to local FIs. Local FIs then provide loans for RE projects. CORFO may also provide funds to be used for project preparation, such as resource assessment, feasibility study, environmental studies or CDM documentation.

OUTCOMES

In 2008, CORFO has approved a portfolio of around 150 renewable energy projects, and about 15 projects being in construction or already operational.