EXPERIENCE MATTERS
Six Decades of Experience in Emerging Markets

June 2018

IFC | International Finance Corporation
Creating Markets, Creating Opportunities
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- A member of the World Bank Group
- Provides investment, advice, resource mobilization
- AAA credit rating; owned by 184 countries
- Present in nearly 100 countries

_IFC is the largest global development institution focused on the private sector in emerging markets._
IFC’S GLOBAL REACH

108 regional offices in 98 countries worldwide, AAA credit rating

3,879 staff (59% are based outside Washington DC)
IFC OFFERS THREE MUTUALLY REINFORCING SERVICES

**Client solutions**

**Investment services**
- Loans
- Equity
- Syndication
- Trade finance
- Securitized finance
- Treasury operations
- Risk management
- Blended finance

**Advisory services**
- Improve investment climate and create new markets
- Improve access to finance and risk management
- Strengthen clients’ performance and impact
- Advice on PPPs
- Improve Environmental, Social, and Corporate Governance Standards

**Third party assets**

**Asset Management Company**
- Private equity fund manager
- Invests third-party capital alongside IFC
- Different funds raised to focus on specific sectors and regions
- Separate subsidiary for independent decision-making

$52.1bn portfolio (FY16)

$220m annual spend; 60+% of program in IDA countries

$8.6bn AUM (FY16)
A Key Partner for Sustainable Cities

UPSTREAM & SECTOR SOLUTIONS
Develop upstream sector solutions:
• Policy dialogue/roundtables
• Strategy Preparation (sector strategies, invest. programs)
• Capital Markets Development

PROJECT-LEVEL ADVISORY
Pre-transaction advisory
• Value for Money
• Pre-feasibility
• E&S Review
PPP transaction advisory
• PPP options, structure, tender

FINANCING
Finance municipalities or private companies providing urban infra services:
• Debt (senior, subordinated, pooled, municipal bonds)
• Structured products (risk sharing instruments, securitization)
• Equity (equity and quasi equity)

SECTORS
Transport
Water
Waste
Street lighting
Energy
Buildings
Social
Others
IFC GLOBAL EXPERIENCE IN SUBNATIONAL FINANCE

Total Subnational Finance Program since 2003
• Includes both Municipal Infrastructure and Other Subnational (transactions with SOEs and Financial Institutions)
  • >US$ 2.0 billion committed
  • ~US$ 750 million mobilization
• 53 projects and 41 clients in 24 countries

Municipal Infrastructure Program since 2003
• ~1.0 billion committed
• 37 projects and 26 clients in 13 countries
AVAILABLE FINANCING INSTRUMENTS

Debt:
- Senior loans
- Subordinated loans
- Pooled loans/Bonds

Structured Products:
- Partial credit guarantees
- Risk-sharing facilities
- Securitizations

Equity and Quasi-equity:
- Long-term capital

All products:
- Do not require sovereign guarantee
- May be available in local currency
- Processed in 3-6 months … if the client is ready
- Limited TA bundled with financing.
- Technical Assistance grants can be applied for separately (e.g. from PPIAF-Sub-National Technical Assistance Facility at World Bank)
- Commercial pricing

Subnational Finance Program since 2003

by volume

- Local Currency Loan 24%
- Risk Sharing Facility 9%
- Bond Guarantee 2%
- Equity 11%
- Loan Guarantee 0%

by project count

- Foreign Currency Loan 38%
- Loan Guarantee 2%
- Foreign Currency Loan 39%
- Equity 4%
- Local Currency Loan 38%
- Risk Sharing Facility 11%
- Bond Guarantee 6%
WHAT KINDS OF CITIES ARE ELIGIBLE FOR SUPPORT?

IFC financing under umbrella of Subnational Finance Program is available to:

- Municipal and regional governments, and their service entities, including municipal companies
- Selected nationally owned infrastructure enterprises (SOEs)
- Banks and other financial intermediaries that finance subnational infrastructure
- Public Private Partnerships (PPPs) that provide key subnational infrastructure services
IFC’S TRACK RECORD AND EXPERIENCE IN THE WASTE SECTOR

- $250 million committed in 10 transactions in Solid Waste over the last 10 years

- Conducted PPP processes totaling almost $300 million in project cost

- Focus on middle-income countries:
  - evolved markets,
  - regulatory framework
  - higher private sector participation

- Experience in China, Turkey, Brazil, Mexico, India, Serbia

- Focusing on large, rapidly growing, and highly urbanized creditworthy municipalities
KEY FACTORS TO TEST BANKABILITY OF A PROJECT

Stability of regulatory framework & enforcement
Waste characterization - quality and quantity
SWM Plan

Analysis of offtake markets (eg electricity, RDF, compost, recyclate)

Technology
- Appropriateness
- Commercial proven
- Fits with SWM Plan

Transparent & participatory tender process

Bankable draft concession/ waste supply, offtake agmts. vetted

Land
- Secured
- Suitable

Deal structure fits w/ central/state/local govt structure

Creditworthy municipalities, offtakers/ utilities
- Ability for LT agreements / PPAs
- creditworthiness

Adequate revenues
- Tipping Fee
- Electricity rate/FiT
- Offtake markets

Quality of Sponsor

Project Cycle Timeline

Feasibility
Technology Selection
Project Development
Tender Process & Award
Financial Close
Scope

- private partner to design, build, finance and operate for 25 years, and transfer to the City thereafter:
  i. a **greenfield waste-to-energy facility** (30MW) producing district heat and electricity (deemed renewable energy),
  ii. **new sanitary landfills**, and
  iii. the **closing and rehabilitation of the existing landfill** in Vinca;

- Standard risk allocation based on comparable projects in Europe

Investment

- **estimated capital investment**: ~EUR 300M, fully funded by the private sector (investor’s equity + commercial loans from IFIs and banks)
IZMIR, TURKEY

IFC: a Strategic Advisor and Lender

- Financing across various sectors including transport (tramway, railcars) and wastewater treatment
- Advising on Waste Management solutions and Electric Buses
Thank you!

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