

Energy

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WORLD BANK GROUP COMMITMENT TO RENEWABLE ENERGY

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Among the various WBG institutions and units, IFC was the largest contributor to RE and EE, with \$393 million in commitments, and contributions of \$326 million of its own funds for new RE and EE projects and \$67 million for hydropower projects greater than 10MW. These increases suggest that the concerted efforts of the WBG to scale up support for new RE and EE are having a positive impact.

Continued Support to the Market

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TABLE 5: WORLD BANK GROUP COMMITMENTS FOR RENEWABLE ENERGY AND ENERGY EFFICIENCY IN FISCAL YEAR 2006 (MILLIONS OF DOLLARS)

| SOURCE OF FUNDS | NEW-RE | HYDRO >10MW | EE | TOTAL |
|--|--------------|--------------|--------------|--------------|
| World Bank (IBRD/IDA) | 135.7 | 118.6 | 115.3 | 369.5 |
| World Bank (GEF and Carbon Finance) | 54.7 | 6.0 | 1.2 | 62.0 |
| IFC (own funds) | 17.4 | 67.0 | 309.0 | 393.4 |
| IFC (GEF, Carbon Finance and other trust funds*) | 13.0 | 0.0 | 20.1 | 33.1 |
| MIGA | 0.0 | 0.0 | 1.8 | 1.8 |
| Total | 220.8 | 191.6 | 447.4 | 859.8 |

*The IFC's "other trust funds" category includes the Environmental Opportunities Facility.

MAINSTREAMING SOLAR PV INTO IFC INVESTMENTS

The projects described in this report were primarily financed with concessional resources from GEF and other donor support mechanisms, because they did not meet minimum eligibility requirements for IFC investments (although IFC also did invest on its own account in the externally managed funds created under SDG). One measure of success in donor-supported programs is the process of “mainstreaming”; i.e., the ability to make similar investments on commercial terms without donor subsidies, an evolution that is occurring in the context of IFC’s EE financing programs. As described in this report, the Corporation has approved an investment in a solar PV manufacturing facility in India (see Lesson Learned box on Moser Baer, page 22) and has indirectly supported a bank loan for a grid-tied solar PV power plant in the Czech Republic through a clean energy finance program (see Lesson Learned box on solar plant construction in the Czech Republic, page 17). For IFC to make additional fully commercial investments in solar PV production or enterprises, several conditions will have to be met:

- The investment should meet minimum size requirements to justify IFC’s transaction costs. While some latitude has been allowed for RE projects, deals of less than \$10 million are unlikely to be attractive.
- The expected rate of return should be commensurate with the level of perceived risk, which may be an issue for the production and sale of solar PV cells and modules currently being sold, primarily to satisfy short-term regulatory policies in a few industrialized countries, principally Germany, Spain, and the United States.
- Other positive attributes that may increase IFC interest in a project include opportunities to engage and influence government policy (e.g., through a solar PV purchase program), the leveraging of commercial finance from local FIs, local employment and associated supply chain benefits of the investment, and expected opportunities for further business growth.
- The proposed financing should also meet standard IFC conditions, including maintenance of appropriate minimum debt service coverage ratios, projected business performance metrics, sponsor support, and security arrangements. Most importantly, the financing should be based upon a sound and financially viable business plan that addresses a quantifiable market opportunity and is guided by an experienced management team.