IFC INFRAVENTURES

The IFC Global Infrastructure Project Development Fund
THE CHALLENGE

Infrastructure is critical to help end extreme poverty and boost shared prosperity by spurring economic growth and improving living standards. It is also an area in which the private sector can make a significant contribution. It is estimated\(^1\) that infrastructure investments of around US$ 2 trillion a year through 2020 are needed in developing countries to maintain current growth rates and meet future demands. However, private investment in infrastructure development in emerging countries has been slow and bringing projects to a financeable stage remains a challenge due to:

- Incomplete/ineffective regulatory framework
- Perception of risk
- Limited availability of early-stage risk capital and other project development resources
- Limited experience in developing private infrastructure projects in several countries

WHO WE ARE

IFC InfraVentures is a $150 million global infrastructure project development fund that has been created as part of World Bank Group’s efforts to increase the pipeline of bankable projects in developing countries. Its unique offering, combining early stage risk capital and experienced project development support, is designed to address the key constraints to private investment in infrastructure projects in frontier markets.

\(^1\) Center for Climate Change Economics and Policy, “Infrastructure for development: meeting the Challenge”, 2012
WHAT WE OFFER

IFC InfraVentures can fund up to $8 million of a project’s expenses at an early stage of development. This can represent a significant part of the funding necessary to bring an infrastructure project from idea to financial close. In addition, IFC InfraVentures’ experienced staff get actively involved in and support the project development activities. The type of activities and deliverables we can fund, support, execute and/or supervise include:

- Project and prototype feasibility studies
- Economic, social, technical and environmental studies
- Managing relationships with public and private stakeholders such as governments and civil society groups
- Financial modeling
- Negotiating financial and legal terms of project documents
- Selecting and supervising project participants
- Sourcing project equity and debt financing

IFC InfraVentures project support is not grant funding. In return for its development funding and assistance, IFC will have the right to a stake in the equity of the project at financial close, in most cases the right to arrange the long-term debt for the project and IFC may provide part of such debt.*

WHEN DO WE GET INVOLVED

IFC InfraVentures gets involved once a sponsor has a reasonable idea of the project, has secured preliminary support and authorization for the project from the government or other clients and has obtained indications that the project is economically

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* Equity and debt funding by IFC is subject to separate agreements from IFC InfraVentures’ early stage funding
viable. We mostly come in as minority partners to existing sponsors (up to 50% of the project development funding); in selected cases we may work with governments and act as sole sponsor of a project until an experienced majority sponsor has been identified to complete the development.

WHAT VALUE CAN WE ADD

• IFC InfraVentures staff work proactively as co-developers of the project, alongside the lead sponsor. Dedicated, experienced senior professionals are deployed, adding to the expertise of the development team

• By getting involved early, IFC InfraVentures staff can help structure the project so that the risk is reduced and it is made bankable. IFC InfraVentures’ participation at an early stage increases the likelihood that banks (including IFC) and equity investors will later invest in the project and thus reduces the time needed to reach financial close

• IFC’s expertise in mapping and resolving environmental and social issues as well as its considerable technical expertise give comfort to our partners, lenders, governments and other stakeholders that the project will be developed to the highest standards

• IFC’s convening power of governments and agencies helps resolve project development issues

• The project sponsors obtain access to all World Bank Group instruments and services

• IFC’s global presence and knowledge of local environments helps ensure the application of best practices to each project

• IFC’s coverage and access to a large client and equity and debt investors base help in raising capital for the projects it co-develops
PROJECT ELIGIBILITY CRITERIA

IFC InfraVentures seeks to invest in infrastructure projects that could reach financial close within 2-3 years. To qualify for IFC InfraVentures funding, projects must further meet the following criteria:

- Must be a Private Public Partnership (PPP) or private infrastructure project in a developing country or region, or selected middle income countries
- Must be at early stages of development
- Must have high development impact/powerful demonstration effect
- Must be related to core infrastructure such as power, water, roads, ports, airports, fiber connectivity, etc.
- Project size: > $200 million, although we do encourage sponsors with smaller projects but outstanding development impact or economics to also contact us
HOW DOES IT WORK

The Joint Development Agreement (JDA) governs the relationship of the parties, their rights and obligations during project development, as well as the rights of the parties to equity in the project at financial close.

IFC InfraVentures’ internal process has been streamlined to meet the requirements of project development. The IFC InfraVentures team is distributed globally, with hubs in Washington, Nairobi, Dakar, Johannesburg, Istanbul and New Delhi.

Sponsor starts project development

Sponsor and IFC InfraVentures agree development roles and responsibilities and enter into Joint Development Agreement (JDA)

Joint development of the project by Sponsor and IFC InfraVentures

Long-term financing discussions between Sponsor, IFC InfraVentures, IFC (as debt arranger and provider) and other lenders

Financial Close

Equity investment by Sponsor and IFC

Construction and Operation
PROJECT EXAMPLES

GEORGIA

IFC InfraVentures co-developed the $420 million, 181 MW Shuakhevi hydropower scheme in Georgia with Clean Energy Invest of Norway and Tata Power of India between 2011 and 2014. The project reached financial close in May 2014 and, once constructed, will sell 433GWh of electricity domestically in Georgia in winter and export to Turkey in the remainder of the year. It is the first project to be structured on a limited recourse basis in Georgia, and the first in a series of projects with the same partners. By sharing its prior experience in the Georgian and Turkish electricity sectors, IFC played a key role in mobilizing lenders for the project.

SENEGAL

IFC InfraVentures co-developed the $140 million, 96 MW Tobene Power HFO high-efficiency combined cycle power plant in Taiba Ndiaye, Senegal with Melec PowerGen of Lebanon between 2013 and 2014. The project reached financial close in August 2014 and, once constructed, will sell power to the Senegal state utility under a 20 year power purchase agreement. Although the sponsor was already present in the country, IFC InfraVentures’ role was critical in order to provide early feedback on bankability of the project, confirmation of the project’s merit in the long term development of the Senegalese power sector, and mobilization of the support of the World Bank.
IFC InfraVentures co-developed the $320 million, 100 MW Kipeto Wind power project in Kipeto, Kenya with GE, CraftsSkills and Kipeto Energy between 2013 and 2015. The project is expected to reach financial close in 2015 and, once constructed, will sell power to the Kenyan state utility under a 20 year power purchase agreement. IFC InfraVentures’ role has been critical in negotiating the PPA and Government of Kenya Support letter, drawing on several precedent investments in the power sector in Kenya, as well as in negotiating the financing documents, and actively leading the design of an innovative community trust facility.

IFC InfraVentures co-developed the 216 MW Upper Trishuli-1 hydropower scheme in Nepal with Korea South-East Power Co. between 2012 and 2015. The run of river project, expected to cost in excess of US$500mln, is anticipated to reach financial close by the fall of 2015 and, once constructed, to supply 1,450 GWh per annum of electricity, which will help address the debilitating power shortage and lack of industrial progress in Nepal. IFC InfraVentures’ role has been essential in catalyzing the project by assisting with contract structuring and negotiations, providing policy and regulatory support, sharing technical and environmental and social expertise, and mobilizing large-sized financing from the international financing community.
Other projects that IFC InfraVentures is or has been involved with (partial list):

- 65MW wind energy project in Indonesia
- 45MW hydro power project in Fiji
- Two further hydro power projects in Nepal with combined capacity of 1,150 MW and associated transmission lines
- Two LNG regasification projects in Bangladesh
- 100MW wind energy project in Kenya
- 40 MW hydro power project in Mali
- 33MW solar PV project in Mali
- 250MW tri-fuel power project in Nigeria
- 100MW wind energy project in Serbia
- 120MW wind project in Moldova
ABOUT IFC

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector. Working with private enterprises in about 100 countries, we use our capital, expertise, and influence to help eliminate extreme poverty and boost shared prosperity. In FY14, we provided more than $22 billion in financing to improve lives in developing countries and tackle the most urgent challenges of development. For more information, visit www.ifc.org

www.ifc.org/infraventures

Alain Ebobisse
Global Head
IFC InfraVentures
Email: InfoIV@ifc.org
Phone: 202-458-0629

2121 Pennsylvania Ave., NW
Washington, DC 20433, USA

April 2015