



**International
Finance Corporation**
World Bank Group



SEFI Roundtable 27 October 2005
New Instruments for New Challenges
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IFC: Part of the World Bank Group

IFC is owned by its 178 member countries, which collectively determine policies.



International Bank for Reconstruction and Development, 1945



International Finance Corporation, 1956



International Development Association, 1960



International Centre for Settlement of Investment Disputes, 1966



Multilateral Investment Guarantee Agency, 1988

World Bank Group Mission and Institutional Roles

- Mission: *Reducing poverty through sustainable development*
- IBRD lends to governments of middle-income developing countries.
- IDA provides concessional loans to governments of the poorest developing countries.
- MIGA provides guarantees to foreign investors against noncommercial risk.
- ICSID facilitates the settlement of investment disputes between governments and foreign investors.

IFC Mission and Services

- Mission: *To promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives*
- To assist private enterprise in developing countries, IFC:
 - Provides loans and equity for viable projects
 - Mobilizes capital from other sources
 - Provides technical assistance and advisory services

Differences in IBRD/IDA and IFC Project Lending

- IBRD and IDA:
 - Loans, credits or guarantees to governments. Could be on-lent to: Utilities, private sector, coops, NGOs etc.
 - Government guarantees required
 - GEF or other co-financing
 - Carbon Finance Business
 - Policy conditions often involved
 - Technical assistance
- IFC
 - Equity participation in private ventures or consortia
 - Loans, guarantees and structured finance products to private sector
 - No government guarantee
 - GEF or other co-financing
 - Carbon Finance Business
 - Generally no policy conditions
 - Technical assistance

Opportunities in Sustainable Energy

- Renewables
- Energy Efficiency
- Carbon Finance

Innovation in Financing: EE

- Premise: accelerate commercial lending to the sector

Two key underlying barriers:

Perception of high credit risk by FIs



High preparation costs and weak capacity in companies and project developers

FIs lack a coherent strategy to target these market niches

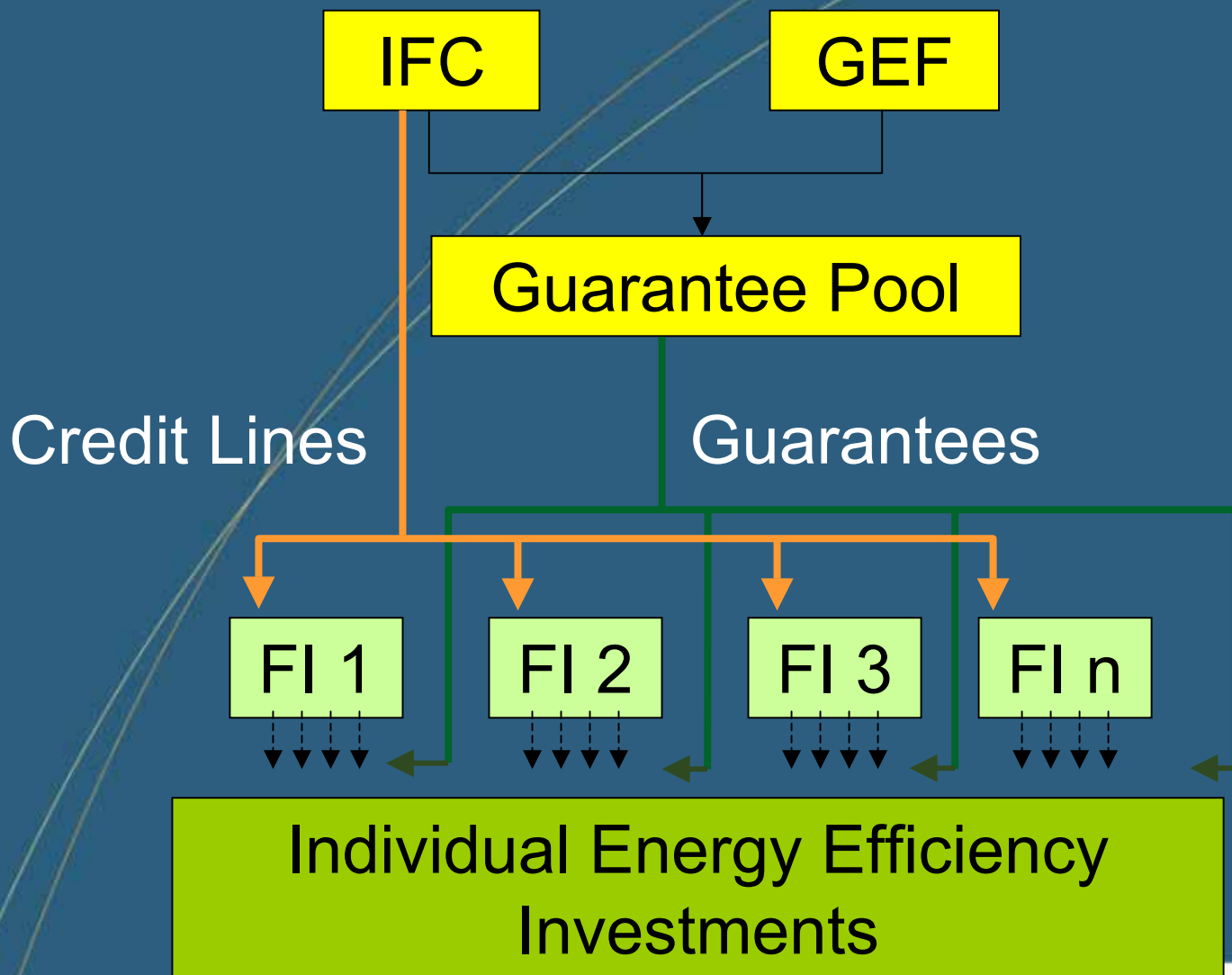


The IFC prescription:

Risk Management Tool
IFC/GEF provide partial guarantees for EE loans

Capacity Building Tool
Technical assistance to FIs, ESCOs, and SMEs

Typical Structure of EE investments



Innovation in Financing: Carbon

- Premise: a market opportunity for emerging markets
- Private sector is most significant seller of credits; will soon be significant buyer
- Huge potential for investment in carbon market-related businesses and products
- Opportunity for new financing and risk mitigation products

Carbon Finance: New Instruments

- Structured finance products to monetize future cashflows from sales of carbon credits
- Credit enhancement to provide investors with comfort about delivery of credits from projects in emerging markets
- Develop products -- especially the guarantee products -- for direct deployment and later roll out to FIs in emerging markets.

Thank you!

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