A Compendium of Investment Resources - 2008-041

A Review of Private-Public Partnership Financing and Project Implementation Models for the Nile Basin Countries (A Blue Chip Study)

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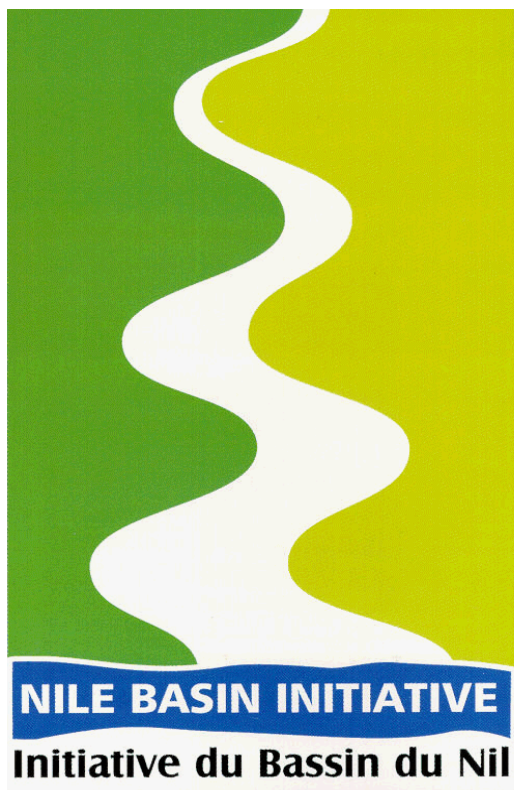

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Abbreviations

IPP	Independent Power Producer
IFI	Intenational Finance Institutions
DANIDA	Danish International Development Assistance
FAD	Spanish Development Aid Fund
NIB	Nordic Investment Bank
NDF	Nordic Development Fund
EIB	European Investment Bank
NPV	Net Present Value
IRR	Internal Rate of Return
MIGA	Multilateral Investment Guarantee Agency
IFC	International Finance Corporation
EOF	Environmental Opportunities Facility
SME	Small and Medium sized Enterprise
ECA	Export Credit Agency
OECD	Organisation for Economic Co-operation and Development
MBOs	Management buy-outs
MBIs	Management buy-ins
ODA	Official Development Assistance
ASAF	Aureos Southern Africa Fund
AfDB	African Development Bank
FIDIC	International Federation of Consulting Engineers
DC	Developing Countries
EKF	Danish Export Credit Fund
EIA	Environmental Impact Assessment
IIC	Inter American Investment Corporation
CABEI	Central American Bank of Econimic Integration

CAF	Corporacion Andina de Fomento
CIFI	Corporacion Interamericana para el Financiamiento de Infraestructura S.A.
IDB	Inter American Development Bank
RBTT	Royal Bank of Trinidad & Tobago
CAGR	Compound annual growth rate

Financial Glossary

Advance Payment Bond

A bond which secures the performance and the fulfilment of a contractual provision for making of advance payments.

Commercial Credit

Financing offered on commercial basis not including any grants, consessionality or government support.

Commercial Risks

Non-payment or non-fulfilment of an obligation by a foreign debtor: insolvency, bankruptcy or enforcement proceedings relating to the property of the foreign debtor, inability of the insured party or its representatives to honour a loan agreement due to circumstances that are beyond control of the insured party or its representatives and that occurred abroad.

Common Shares

Securities representing equity ownership in a corporation, providing voting rights, and entitling the holder to a share of the company's success through dividends and/or capital appreciation. In the event of liquidation, common shareholders have rights to a company's assets only after bondholders, other debt holders, and preferred shareholders have been satisfied. Typically, common shareholders receive one vote per share to elect the company’s board of directors (although the number of votes is not always directly proportional to the number of shares owned). The board of directors is the group of individuals that represents the owners of the corporation and oversees major decisions for the company. Common shareholders also receive voting rights regarding other company matters such as stock splits and company objectives.

Compound annual growth rate (CAGR)

The year-over-year growth rate of an investment over a specified period of time.

The compound annual growth rate is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered.

Discount rate

In context of NPV or IRR calculations, the discount rate is the annual percentage applied. In the context of project financing, the discount rate is often the all-in interest rate or the interest rate plus margin.

The discount rate R is applied in this investment equation 1/(1+R)N to calculate the Present Value of $1 after N periods.

Export Credit Agency (ECA)

Export Credit Agencies, commonly known as ECAs, are public agencies that provide government-backed loans (Export Credits), guarantees and insurance to corporations from their home country that seek to do business overseas in developing countries and emerging markets. Most industrialized nations have at least one ECA.

Grace Period

Is a period after the consolidation (end of disbursements) of the loan where there are no instalments paid on the loan, only interest rate payments. Some IFIs may offer grace periods for many years.

Guarantee

The assumption of responsibility for payment of a debt or performance of some obligation if the liable party fails to perform to expectations. The ECA can offer guarantees to banks that arrange Export Credits with a public or private entity in a foreign country as the borrower. The ECA is then assuming the risk of the borrower in case of default. The guarantee may cover political risk, commercial risk or both.

Guarantee Premium

The ECA will charge a guarantee premium for offering guarantees to an Export Credit. The cost of the guarantee premium is payable by the borrower and the price will vary from country to country depending on the credit worthiness of the borrowing countries and entity.

International Competitive Bidding (ICB)

ICB is one of several forms of procurement made with IFI financing. While the lender provides financing from its loans for the contracts and ensures that agreed procurement procedures are observed, the borrower, not the lender, is always responsible for procurement. ICB requires that: (a) all goods or works to be procured through ICB be internationally advertised through the United Nations (if it is a World Bank financing) and at least one major local newspaper; (b) bids be entertained in the bidder's or other currencies in which expenses would normally be occurred on in an international currency specified by the borrower; (c) payments be made in the currencies in the bids, without requirement to accept any portion of payment in countertrade; (d) documents be in an international language (English, French, or Spanish); (e) bids be openly reviewed; and (f) contracts be awarded to the lowest evaluated responsive bid. ICB permits a margin of preference to be given to domestic goods and, under certain conditions, to domestic contracting services in developing countries.

Less Developed Country (LDC)

An LDC is a country with low per capita gross national product. Terms such as third world, poor, developing nations, and underdeveloped have also been used to describe less developed countries.

LIBOR

London Inter-Bank Offer Rate. The interest rate that the banks charge each other for loans (usually in Euro or US$). This rate is applicable to the short-term international interbank market, and applies to very large loans borrowed for anywhere from one day to five years. This market allows banks with liquidity requirements to borrow quickly from other banks with surpluses, enabling banks to avoid holding excessively large amounts of their asset base as liquid assets. The LIBOR is officially fixed once a day by a small group of large London banks, but the rate changes throughout the day.

Limited International Bidding

LIB is another of several forms of procurement made with IFI financing. In some circumstances (such as: small purchases, urgent need, or few suppliers), suppliers or contractors of specialized goods and services participate by invitation rather than in response to an advertisement.

Loan maturity

The length of the re-payment period of a loan, measured in years.

Loan Syndications

A syndicated loan arranged and managed by one bank. The loan is, however, syndicated or shared by a group of lenders who also share both the risk and the opportunity to participate in the financing by providing various portions of a loan. Mainly used in large loan situations, syndication allows any one lender to provide a large loan while maintaining a more prudent and manageable credit exposure because they aren't the only creditor.

Mezzanine financing

A hybrid of debt and equity financing. Mezzanine financing is typically used to finance the expansion of existing companies, and it is basically debt capital that gives the lender the rights to convert to an ownership or equity interest in the company if the loan is not paid back in time and in full. It is generally subordinated to debt provided by senior lenders such as banks and venture capital companies. Since mezzanine financing is usually provided to the borrower very quickly with little due diligence on the part of the lender and little or no collateral on the part of the borrower, this type of financing is aggressively priced with the lender seeking a return in the 20%-30% range.

Mixed Credit

Credits offered on concessional terms, i.e. where the buyer obtains financing on better terms than agreed to in the standard conditions set forth in the Consensus agreement (OECD). Only buyers in countries where the GDP per capita is less than 3035 USD are eligible for mixed credits. According to the Consensus, it is not allowed to offer mixed credits for the financing of projects that could be financed on commercial terms. The concessional element of the mixed credit must exceed 50% of the contract value in the poorest countries, and 35% in other eligible countries.

Net Present Value (NPV)

The present value of the expected future cash flows minus the cost discounted with a selected discount rate.

OECD Consensus Agreement

Organisation for Economic Co-operation and Development – The OECD Consensus is an international agreement of the OECD that came into being in 1978. Its purpose is to maintain fair competition among exporting countries that are OECD Consensus Participants. The Agreement is orientated towards the limitation of both minimum interest rates for the financing of export transactions and minimum premium rates for insurance/guarantees.

Official Development Assistance

Bilateral official development assistance (ODA) agencies are government agencies set up to channel assistance to other countries - typically this assistance goes directly to the government. The largest agencies come from North America, Europe and Japan.

Political Risks

War or events similar to war, rebellion or revolution, government measures limiting, preventing or restricting remittances for a period of time exceeding 3 months; insured party's inability to fulfil its obligations due to other political events – this definition includes any loss incurred in the course of production with respect to a foreign debtor or its guarantor as a public law entity.

Preferred Stock

Capital stock which provides a specific dividend that is paid before any dividends are paid to common stock holders, and which takes precedence over common stock in the event of liquidation. Like common stock, preferred stocks represent partial ownership in a company, although preferred stock shareholders do not enjoy any of the voting rights of common stockholders. Also unlike common stock, a preferred stock pays a fixed dividend that does not fluctuate, although the company does not have to pay this dividend if it lacks the financial ability to do so. The main benefit to owning preferred stock is that the investor has a greater claim on the company's assets than common stockholders. Preferred shareholders always receive their dividends first and, in the event the company goes bankrupt, preferred shareholders are paid off before common stockholders. In general, there are four different types of preferred stock: cumulative preferred, non-cumulative, participating, and convertible. Also called preference shares.

Quasi-Equity

This is generally considered debt but having characteristics of equity capital, e.g. flexible repayment, expected higher rate of return and for the most part unsecured.

It usually refers to funds, other than paid-up capital and retained earnings, employed in a business and which will remain in a business as permanent capital.

Money granted to a company by the shareholders or some other party in the form of a loan might be classified as quasi-equity provided the repayment of such a loan is formally postponed to the benefit of other creditors.

In some instances long term debt may be considered quasi-equity especially where the repayment is spread over a long period of time.

Other examples of quasi-equity include 1) venture loans, 2) subordinated debt, and 3) mezzanine financing.

Special Drawing Rights (SDRs)

The SDR is an international reserve asset, created by the IMF in 1969 to supplement the existing official reserves of member countries. SDRs are allocated to member countries in proportion to their IMF quotas. The SDR also serves as the unit of account of the IMF and some other international organizations. The value of the SDR was initially defined as equivalent to 0.888671 grams of fine gold—which, at the time, was also equivalent to one U.S. dollar. This has changed and its value is today based on a basket of key international currencies. Today (24.09.2007) SDR 1 = US$ 1.55.

The internal rate of Return (IRR)

The discount rate that equals the present value of a future steam of cash flows to the initial investment.

When calculating the NPV using the IRR as discount rate, the NPV is zero

The IRR can be thought of as the annualized rate of return (in percent) of an investment using compound interest rate calculations. The IRR calculation is very useful when a number of future cash flows on which an interest rate needs to be calculated.

Venture Capital

Risk capital invested in a new company and/or technology in exchange for an equity position. Venture capital may be provided by individual investors, venture capital firms, large corporations or other entities.

Working Capital

Current assets minus current liabilities. Working capital measures how much in liquid assets a company has available to build its business. The number can be positive or negative, depending on how much debt the company is carrying. In general, companies that have a lot of working capital will be more successful since they can expand and improve their operations. Companies with negative working capital may lack the funds necessary for growth

1 Executive Summary

Abstract:

This document should be considered as an information manual of financial options for project developers and Independent Power Producers (IPPs). The document gives information of International Financial Institutions (IFIs) available for private and public projects. The document includes options for grants, non recourse project financing, secured loans, soft loans, guarantees, equity and quasi equity funding. For further information of the various financial institutions, or for specific applications for financing, the financial institutions should be contacted directly either by the project developer, an equipment supplier or an intermediate advisor in accordance with the contact information and application procedures as described in the document. The terms and conditions presented in the document should be considered as indicative and are not binding in any way to any of the parties.

Summary:

The table below gives an overview of the IFIs presented in this document and the financial instruments the various IFIs can offer. It is also an indication of the amounts available from the various institutions.

	Grants	**Loans**	**Soft Loans**	**Guarantees**	**Equity**	**Business Development Assistance**	**Quasi Equity**	**Amount**
Export Credits		■		■				Up to 85% of project value
Mixed Credits	■	■	■					Up to 100% of project value
NIB		■	■					Normally USD 5-40mill. Up to the value of Nordic content not to exeed 50% on project value
EIB		■	■					Up to EUR 25mill Up to 50% of project
MIGA				■		■		Up to USD 200 mill.
IFC		■			■	■	■	Up to USD 100 mill New projects 25%, Expansion projects 50%
EOF	■	■	■	■	■	■	■	Up to USD 2 mill
GEF	■							
EDFI		■		■	■	■	■	

	Grants	**Loans**	**Soft Loans**	**Guarantees**	**Equity**	**Business Development Assistance**	**Quasi Equity**	**Amount**
AfDB								Not specified
JBIC								7,231.5 billion yen per year for Overseas Economic Cooperation
IDB								Total lending capacity USD 101 Billion
AUREOS								
GLOBELEQ								
SN POWER								
Tata Power, India								Not Known
Sithe Global Power, LLC								Not Known

2 Introduction

The IFIs presented in this document summarizes most of the major players of project and export financing in developing countries. In addition to the financial institutions presented in the document there are of course a large amount of commercial banks heavily involved in such financing either alone or in cooperation with the presented institutions. Furthermore there are certainly a large amount of specialized consultancy companies and financial institutions, not mentioned in the document, which may contribute as advisors or with various types of financing mechanisms to Independent Power Producers. However, the financial sources described in this document should be a good introduction to what mechanisms are available and how to approach the financiers depending on the nature of a project.

In general, there are a few main issues a project developer should prepare and consider before sending an application or approaching the financial institutions:

- **Make a business plan:**

  A thoroughly prepared business plan is a requirement by most financial institutions before they can evaluate an application or investment proposal. It should include information of the project promoters, the project itself, socio-economic data and financial data. Annex no 7 is an example of a checkpoint list of what should be included in a business plan.

- **Environmental impact assessment:**

  The IFI's will pay special attention to ensure that projects which will benefit from their financing are established and managed in a way which minimizes negative effects on the external environment and the working environment (including considerations regarding avoidance of child labour) and respects the host country's environmental regulations. The project's possible negative effects shall be avoided or minimized and its positive effects encouraged. It is therefore very important the project developer prepares a complete environmental study and obtain all necessary environmental permits.

- **Use the commercial banks:**

  Many of the commercial banks, both local and international, possesses great expertise in project financing and will be good advisors in the process of structuring a financial package for a project. A local bank will in many cases be a part of the financial structure of the project. Use the local banks, their expertise and financial services when developing a project.

- **Use foreign contractors and equipment suppliers**:

  Many of the financing mechanisms require that a certain amount of content to the project is imported from the country of origin of which the financing is offered. A general advice in the search for financing is to utilize the expertise of the foreign equipment suppliers. Many of the main contractors and equipment suppliers have great experience in offering financial solutions together with their technical offers. They also have the contact network and local knowledge of the IFIs established in their country or region.

3 Export Credits

3.1 About

Governments provide official export credits through Export Credit Agencies (ECAs) in support of national exporters competing for overseas sales. ECAs provide credits to foreign buyers either directly or via private financial institutions benefiting from their insurance or guarantee cover. ECAs can be government institutions or private companies operating on behalf of the government.

Export credit (also called buyer's credit) is usually provided by one of the following:

- commercial bank loans that are insured or guaranteed by ECAs
- direct loans from ECAs.

Export credit is often part of an export credit package put together by a structured trade or project finance unit of a commercial bank. The mandate of most ECAs is to fill a "gap" and cover the risks that the commercial market will not.

The buyer's credit guarantee secures repayment of loans granted to a foreign buyer in connection with the purchase of goods or services from the country of origin of the ECA.

In the case of project finance the ECA expects a thorough project/risk analysis to be performed by an experienced and independent source acceptable to the ECA. The project itself must generate sufficient cash to service the debt. The ECA's risk sharing requirement can be fulfilled, for example, by one or more banks participating on equal terms with the ECA or playing some other major role. The rate of cover and other conditions will inter alias depend on what security is available.

A checklist (See 2.3) has been made to provide a general overview of the information required by the ECA before processing major applications for project finance.

Guarantees issued by the ECA are state guarantees. Banks are not required to make provisions in connection with loans guaranteed by the ECA. The buyer's credit guarantee therefore gives not only greater security and less risk, but also more competitive funding.

3.2 Terms and conditions

The buyer's credit guarantee covers instalments and interest, and it may be issued in any internationally accepted currency. The conditions of sale and borrowing must comply with the OECD Consensus Agreement as regards cash payment, term, instalment plan etc.

The guarantee normally covers both commercial and political risk. The ECA will underwrite up to 90% of the total credit amount in connection with commercial risk and up to 100% for political risk. The ECA will assess the borrower's repayment ability and

may also offer advice and guidance on financing. Special securities or risk sharing with others may be required - particularly in connection with project financing.

As an example the OECD Consensus Agreement terms specify that for credits in excess of two years there must be a cash payment of at least 15%. In other words the maximum financing must not exceed 85%. The loan must be repaid in equal semi-annual instalments from the time of consolidation.

The buyer's credit guarantee is generally used in connection with credits (loans) with terms in excess of two years.

Pricing of guarantee premium

The premiums quoted should be paid up front. Premiums are estimated on the basis of the ECA's total commitment under the policy. Guarantee cover in the production period requires a separate policy, with an additional premium.

With successive deliveries where the loan is disbursed in tranches, there is an additional premium calculated for the disbursement period.

The final premium for a specific guarantee will depend on an overall assessment of the marked, the repayment period and the creditworthiness of the buyer.

Normal terms and conditions

- minimum of 15% cash payment
- equal semi-annual instalments of the loan
- the credit period will normally be 8 to 12 years
- various forms of security may be required depending on the type of project and the buyer
- the percentage of cover will depend on the type of project, security rights etc.

3.3 Contact information

This page contains information in four categories; Multilateral ECAs, Official ECAs, Private Credit Insurers, and Oversight Groups:

http://www.people.hbs.edu/besty/projfinportal/ecas.htm

4 Mixed Credits and Official Development Assistance

4.1 About Official Development Assistance (ODA) Agencies

Bilateral official development assistance (ODA) agencies are government agencies set up to channel assistance to other countries - typically this assistance goes directly to the government. The largest agencies come from North America, Europe and Japan.

The following are web page information to bilateral ODA agencies:

Spain	Instituto de crédito oficial (ICO)	http://www.ico.es
Australia	Australian Agency for International Development (AusAID)	http://www.ausaid.gov.au/
France	Caisse française de développement (CFD)	http://www.cfd.fr/
Canada	Canadian International Development Agency (CIDA)	http://www.acdi-cida.gc.ca/
United Kingdom	Department for International Development (DfID)	http://www.oneworld.org/oda/
Germany	Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	http://www.gtz.de/
Finland	Finnish Aid	http://www.vn.fi/
Iceland	Icelandic International Development Agency (ICEIDA)	http://www.iceida.is/english
Portugal	Instituto da Cooperação Portuguesa	http://www.min-nestrangeiros.pt/mne/portugal/icoop/
Ireland	Development Cooperation Ireland	http://www.apso.ie/
Japan	Japan International Cooperation Agency (JICA)	http://www.jica.go.jp/english/
Luxemburg	Lux-Development	http://www.lux-development.lu/
Sweden	Swedish International Development Cooperation Agency (Sida)	http://www.sida.se/
United States	United States Agency for International Development (USAID)	http://www.info.usaid.gov/

Belgium	Foreign Affairs	http://www.diplobel.fgov.be/en/index_en.htm
Denmark	Danish International Development Assistance	http://www.um.dk/en/menu/DevelopmentPolicy/BusinessCooperation/MixedCredits/
France	Foreign Affairs	http://www.france.diplomatie.fr/frmonde/index.gb.html
The Netherlands	Foreign Affairs	http://www.bz.minbuza.nl/osamenw.html
New Zealand	Foreign Affairs	http://www.mft.govt.nz/
Norway	NORAD	http://www.norad.no

4.2 About Mixed credits

Mixed Credits are traditional export credits combined with 35% grant calculated on the value of the export credit. Many of the OECD[1] member countries offer mixed credits (or subsidized loans) in one way or another through their bilateral ODA agencies.

The specific terms and conditions for the mixed credits may vary from country to country. In some cases the funding will be tied to exporters with the same country of origin as the Development Assistance Office providing the mixed credit. In other cases contractors or suppliers from any country may participate in the tender for a specific project. In any case, an open tender process, either international of tied to a specific country, will be required in order for a project to get access to the mixed credits.

Some Development Assistance Offices have a so called "matching procedure". As an example, if a competitor offers the support of its government with a soft loan, the Italian government will offer the same to make sure that the Italian bidders have same state support.

Some countries have a policy to only offer the mixed credits on a government to government structure where it is required that the government is either the borrower or the guarantor of the loan facility. Others may accept a bank or financial institution as on-lender to a specific project.

A general condition for a project to be eligible for mixed credits is that it should NOT be economically feasible. For such projects the agencies mentioned above could be contacted to receive detailed information about application procedures and terms and conditions for the specific project financing.

[1] Australia Austria Belgium Canada Czech Republic Denmark European Community Finland France Germany Greece Hungary Iceland Ireland Italy Japan Korea Luxembourg Mexico Netherlands New Zealand Norway Poland Portugal Slovak Republic Spain Sweden Switzerland Turkey United Kingdom United States

5 Nordic Investment Bank

5.1 About

Nordic Investment Bank (NIB) finances investment projects and project exports, both in and outside the member countries. High priority is given to investments furthering economic cooperation between the member countries.

NIB's provision of credits is highly suited to investments that secure energy supplies, improve infrastructure or support research and development.

NIB is a multilateral financial institution and has financed over a thousand projects since it began operating in 1976.

NIB is owned by Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden.

Funding from NIB can cover local costs and can be offered up to the value of the Nordic content in the supply, however, not exceeding 50% of the project value. There is no fixed maximum amount for one transaction. However, the normal scheme varies between USD 5 mill and USD 40 mill.

5.2 Countries

NIB constantly broadens the geography of its lending operations by entering into agreements on financial cooperation with national governments around the world. As a rule, such agreements enable NIB to participate in the financing of projects in both the public and the private sector in the relevant country. NIB has established formal long-term cooperation with emerging and transitional economies in Africa and the Middle East; Asia; Central and Eastern Europe, and Latin America.

5.3 Agreements on financial cooperation

NIB has agreements with the following countries:

Argentina	Egypt	Morocco	Slovenia
Botswana	Hungary	Namibia	South Africa
Brazil	India	Pakistan	Sri Lanka
Bulgaria	Indonesia	Peru	Thailand
China	Jordan	Philippines	Tunisia
Colombia	Laos	Poland	Turkey

Croatia	Malaysia	Romania	Ukraine
Czech Republic	Mauritius	Russia	Uruguay
Dominican Republic	Mexico	Serbia	Venezuela
	Montenegro	Slovak Republic	Vietnam

Further, NIB has cooperation agreements with three regional multilateral banks: Black Sea Trade & Development Bank, The Central American Bank for Economic Integration CABEI and the Andean Development Corporation CAF. Through these institutions NIB can operate also in countries where it has no framework agreement

5.3.1 Environmental issues

For several years NIB has been working with environmental issues within the framework of certain given principles. They are compiled in an environmental policy, an official document that regulates the Bank's lending operations in terms of the environment. The policy establishes that all projects financed by NIB shall have obtained all necessary environmental permits and satisfy NIB's criteria of environmental acceptability. NIB refrains from financing projects that are environmentally questionable or if the projects fail to comply with international environmental rules or agreements.

NIB's environmental procedures shall ensure that projects financed by the Bank have been appraised from an environmental viewpoint and that all their relevant environmental implications have been taken into account in the evaluation process. The environmental problems entailed by projects can be avoided or in certain cases minimised by incorporating environmental issues in project evaluation from an early stage

5.4 Who can borrow from NIB?

Outside the member countries, NIB mainly grants loans to states and public institutions such as development banks. However, NIB may also grant loans outside the member countries to privately owned companies.

The borrower should be able to show economic stability, with a satisfactory level of solvency and profit.

NIB does not grant loans to private persons.

5.4.1 Loan Conditions

Concerning lending outside the member countries, long-term loans with maturities of up to seventeen years are granted. The repayment structure may include a grace period of up to five years. Interest rates and other fees depend on the borrower's choice of currency and NIB's assessment of the risk. Loans are granted for up to half the project's total cost.

5.4.2 Application procedure

Application for a loan from NIB can be presented either directly to NIB or to one of the local banks having a pre-negotiated credit line with NIB.

5.4.3 Contact information

HEADQUARTERS
Fabianinkatu 34
P.O. Box 249
FI-00171 Helsinki
Finland
Telephone: +358 9 18 001
Telefax: +358 9 1800 210
Internet: www.nib.int

6 European Investment Bank (EIB)

The task of the European Investment Bank, the European Union's financing institution, is to contribute towards the integration, balanced development and economic and social cohesion of the Member Countries.

To this end, it raises on the markets substantial volumes of funds which it directs on the most favourable terms towards financing capital projects according with the objectives of the Union.

Outside the Union the EIB implements the financial components of agreements concluded under European development aid and cooperation policies.

6.1 Who can benefit from an EIB loan?

EIB's clients are public and private sector bodies and enterprises. As a rule, the Bank normally only lends up to half of the capital required for a project. The Bank usually finances larger scale projects directly. It supports small investments, e.g. between EUR 40 000 to EUR 25 million, and the activities of small and medium-sized enterprises indirectly through its global loans.

6.1.1 Benefits of an EIB loan

With an excellent "AAA" credit reputation and operating as a major international borrower on financial markets, EIB is able to raise funds at advantageous rates. Being a not-for-profit institution, the Bank passes on the benefits to its clients in the form loans at fine rates. Interest rates are based on EIB's borrowing cost and a small margin to cover administrative expenses and other costs.

EIB can make available large amounts over long maturities in practically all major currencies such as EUR, GBP, but also USD, CHF, JPY and local currencies in the EU Accession Countries, etc.

As the EIB never finances more than 50% of the total project cost, the Bank in effect can act as a catalyst, encouraging other banks and financial partners to participate in an investment.

6.1.2 Procedure for obtaining an EIB loan

There is no standard procedure, official application form, questionnaire or required documentation for a first presentation of a project to the Bank. Initial contacts to discuss a proposed project can be in any form, by telephone, fax, e-mail or letter. For such first contacts, the project promoter should provide sufficient information to allow verification of compliance of the investment with EIB's objectives and have a well-developed business plan.

As a follow up, the Bank will review the promoter's own comprehensive feasibility studies, and make a preliminary assessment of the technical, environmental, economic, financial and legal aspects of the project. This is then followed up with a detailed

appraisal by an EIB project team, consisting of an economist, an engineer and a loan or contact officer within the Bank.

The project team will make use of the promoter's and other available reports, analyses and documents, and include a visit to the project's operating company and the investment's location. EIB forms its own opinion on the basis of available data and documents.

Assuming a satisfactory outcome the EIB review, a loan proposal will be put forward for approval by the Bank's Management Committee to the EIB Board of Directors, which meets about ten times a year. Once approved by the Board, the loan facility can be drawn down in one or a number of instalments according to the borrower's requirements, usually starting within 12 months of the approval date (Project cycle).

6.1.3 Conditions of EIB lending

EIB provides long-term loans, running from about 4 up to 20 years (possibly more), depending on the economic life of the assets being financed. As well as fixed interest rates, the Bank can offer revisable fixed and convertible rates (which allow for the change of interest rate formula during the loan life at predetermined dates or periods). EIB variable rate loans can be available at a spread usually below LIBOR fixed for the full maturity of the loan at the time of each draw down. In addition to its usually advantageous lending rates, the EIB charges neither commitment fees nor non-utilisation fees, but may charge fees for a project's appraisal and required legal services in appropriate cases.

EIB seeks an adequate security for its lending, such as from a bank or banking syndicate, a financial institution, or large well diversified parent company with a good credit rating. In certain circumstances, the Bank may also include a risk margin in the financing arrangements. EIB seek assurances that no other creditor is in a more favourable position than itself, taking into account the tenor and expected amount of the commitment. EIB monitors the project's progress, and may carry out onsite inspection. It may also prepare an end of project evaluation report.

6.1.4 Types of project eligible for EIB finance

EIB finances a broad range of projects in energy, infrastructure and industrial sectors. To be eligible, such projects have to contribute to EU economic policy objectives.

6.1.5 Contact information

The EIB is based in Luxembourg:

100, boulevard Konrad Adenauer
L-2950 Luxembourg
Email: info@eib.org
Tel: (+352) 43 79 31 00

Fax: (+352) 43 79 31 99
Internet: www.eib.org

7 World Bank

7.1 About

The World Bank Group consists of five closely associated institutions, all owned by member countries that carry ultimate decision-making power. As explained below, each institution plays a distinct role in the mission to fight poverty and improve living standards for people in the developing world. The term "World Bank Group" encompasses all five institutions. The term "World Bank" refers specifically to two of the five, IBRD and IDA.

Section 6.2 – 6.4 below describes more in detail some of the institutions within the World Bank group that are most likely to participate in the financing of renewable energy projects; either because of the strong focus on environment or because of the strong focus on private sector projects, or both.

7.1.1 The International Bank for Reconstruction and Development

IBRD aims to reduce poverty in middle-income and creditworthy poorer countries by promoting sustainable development through loans, guarantees, and (non-lending) analytical and advisory services. The income that IBRD has generated over the years has allowed it to fund several developmental activities and to ensure its financial strength, which enables it to borrow in capital markets at low cost and offer client's good borrowing terms. IBRD's 24-member Board is made up of 5 appointed and 19 elected Executive Directors, who represent its 184 member countries.

7.1.2 The International Development Association

Contributions to IDA enable the World Bank to provide approximately $6 billion to $9 billion a year in highly concessional financing to the world's 81 poorest countries (home to 2.5 billion people). IDA's interest-free credits and grants are vital because these countries have little or no capacity to borrow on market terms. IDA's resources help support country-led poverty reduction strategies in key policy areas, including raising productivity, providing accountable governance, improving the private investment climate, and improving access to education and health care for poor people.

7.1.3 The International Finance Corporation

IFC promotes economic development through the private sector. Working with business partners, it invests in sustainable private enterprises in developing countries without accepting government guarantees. It provides equity, long-term loans, structured finance and risk management products, and advisory services to its clients. IFC seeks to reach businesses in regions and countries that have limited access to capital. It provides finance in markets deemed too risky by commercial investors in the absence of IFC participation and adds value to the projects it finances through its corporate governance, environmental, and social expertise.

7.1.4 The Multilateral Investment Guarantee Agency

MIGA helps promote foreign direct investment in developing countries by providing guarantees to investors against non-commercial risks, such as expropriation, currency inconvertibility and transfer restrictions, war and civil disturbance, and breach of contract. MIGA's capacity to serve as an objective intermediary and to influence the resolution of potential disputes enhances investors' confidence that they will be protected against these risks. In addition, MIGA provides technical assistance and advisory services to help countries attract and retain foreign investment and to disseminate information on investment opportunities to the international business community.

7.1.5 ICSID The International Centre for Settlement of Investment Disputes

ICSID helps encourage foreign investment by providing international facilities for conciliation and arbitration of investment disputes, thereby helping foster an atmosphere of mutual confidence between states and foreign investors. Many international agreements concerning investment refer to ICSID's arbitration facilities. ICSID also issues publications on dispute settlement and foreign investment law.

7.2 MIGA

MIGA provides investment guarantees against certain non-commercial risks (i.e., political risk insurance) to eligible foreign investors for qualified investments in developing member countries. MIGA's coverage is against the following risks:

- Transfer Restriction
- Expropriation
- Breach of Contract
- War and Civil Disturbance

7.2.1 Qualified investments

MIGA insures new cross-border investments originating in any MIGA member country, destined for any other developing member country. New investment contributions associated with the expansion, modernization, or financial restructuring of existing projects are also eligible, as are acquisitions that involve the privatization of state-owned enterprises. Other investments may be eligible and are considered on a case-by-case basis.

Types of foreign investments that can be covered include equity, shareholder loans, and shareholder loan guaranties, provided the loans have a minimum maturity of three years. Loans to unrelated borrowers can be insured, provided a shareholder investment in the project is insured concurrently or has already been insured. Other forms of investment,

such as technical assistance and management contracts, and franchising and licensing agreements, may also be eligible for coverage.

New investments are those that have neither been made nor irrevocably committed on the date of submission to MIGA of a Preliminary Application for Guarantee signed by the investor. In keeping with MIGA's objective of promoting economic growth and development, investment projects must be financially and economically viable, environmentally sound, and consistent with the labour standards and other development objectives of the host country.

7.2.2 Eligible investors

Eligible investor's include nationals of a MIGA member country from a country other than the country in which the investment is to be made. Under certain conditions, investments made by nationals of the host country can also be eligible. A corporation is eligible for coverage if it is either incorporated, and has its principal place of business, in a member country, or if it is majority-owned by nationals of member countries. A state-owned corporation is eligible if it operates on a commercial basis.

7.2.3 Terms

Investors may choose any combination of the four types of coverage. Equity investments can be covered up to 90 percent, and debt up to 95 percent, with coverage typically available for up to 15 years, and in some cases, for up to 20. MIGA may insure up to $200 million, and if necessary more can be arranged through syndication of insurance. Pricing is determined on the basis of both country and project risk, with the effective price varying depending on the type of investment and industry sector. The investor has the option to cancel a policy after three years; however MIGA may not cancel the coverage.

7.2.4 Co-insurance and re-insurance

MIGA's guarantee program complements national and private investment insurance schemes, through coinsurance and reinsurance arrangements to provide investors more comprehensive investment insurance coverage worldwide. The agency recently revised its broker's program to encourage closer cooperation between investment brokers and MIGA.

7.2.5 Contact information

Location:

MIGA
1800 G Street, N.W., Suite 1200
Washington, D.C. 20433
U.S.A.

Mailing:

MIGA
1818 H Street, N.W.
Washington, D.C. 20433

U.S.A.

Telephone/Facsimile:

Main Operator/Staff Directory:	(202) 473-1000
- Senior Management Team	
- Operations	(202) 522-2630 (fax)
- External Outreach and Partners	(202) 522-0316 (fax)
- **Economics and Policy**	(202) 522-2620 (fax)
- Legal Affairs and Claims	(202) 522-2640 (fax)

7.3 International Finance Corporation (IFC)

7.3.1 About

Established in 1956, IFC is the largest multilateral source of loan and equity financing for private sector projects in developing countries. It promotes sustainable private sector development primarily by:

- Financing private sector projects located in the developing world.
- Helping private companies in the developing world mobilize financing in international financial markets.
- Providing advice and technical assistance to businesses and governments.

IFC's particular focus is to promote economic development by encouraging the growth of productive enterprise and efficient capital markets in its member countries. In this context, the advisory work with governments helps create conditions that stimulate the flow of both domestic and foreign private savings and investment.

IFC participates in an investment only when it can make a special contribution that complements the role of market operators. Accordingly, it plays a catalytic role, stimulating and mobilizing private investment in the developing world by demonstrating that investments there can be profitable.

7.3.2 Project Finance

IFC offers a full array of financial products and services to companies in its developing member countries. These include, but are not restricted to:

- Long-term loans in major and local currencies, at fixed or variable rates.
- Equity investments.

- Quasi-equity instruments (such as subordinated loans, preferred stock, income notes, convertible debt).
- Syndicated loans.
- Risk management (such as intermediation of currency and interest rate swaps, provision of hedging facilities).
- Intermediary finance.

IFC can provide financial instruments singly or in whatever combination necessary to ensure that projects are adequately funded from the outset. It can also help structure financial packages, coordinating financing from foreign and local banks and companies, and export credit agencies.

IFC charges market rates for its products and does not accept government guarantees.

To be eligible for IFC financing, projects must be profitable for investors, benefit the economy of the host country, and comply with stringent environmental and social guidelines.

IFC finances projects in all types of industries and sectors, for example: manufacturing, infrastructure, tourism, health and education, and financial services. Financial service projects represent a significant share of new approvals and range from investments in nascent leasing, insurance and mortgage markets to student loans and credit lines to local banks which, in turn, provide microfinance or business loans to Small and Medium Enterprises.

Although IFC is primarily a financier of private sector projects, it may provide finance for a company with some government ownership, provided there is private sector participation and the venture is run on a commercial basis. It can finance companies that are wholly locally owned as well as joint ventures between foreign and local shareholders.

To ensure the participation of investors and lenders from the private sector, IFC limits the total amount of own-account debt and equity financing it will provide for any single project. For new projects the maximum is 25% of the total estimated project costs, or, on an exceptional basis, up 35% for small projects. For expansion projects IFC may provide up to 50% of the project cost, provided its investments do not exceed 25% of the total capitalization of the project company. On average, for every $1 of IFC financing, other investors and lenders provide over $5.

IFC investment typically range from $1 million to $100 million. Its funds may be used for permanent working capital or for foreign or local expenditures in any IBRD member country to acquire fixed assets.

7.3.3 How to Apply for Financing

In order to be eligible for IFC funding, a project must meet a number of IFC criteria:

- The project must be located in a developing country* that is a member of IFC
- It must be in the private sector.
- It must be technically sound.

- It must have good prospects of being profitable.
- It must benefit the local economy.
- It must be environmentally and socially sound, satisfying IFC environmental and social standards as well as those of the host country.

A company or entrepreneur, foreign or domestic, seeking to establish a new venture or expand an existing enterprise can approach IFC directly by submitting an investment proposal (see art. 6.3.9). After this initial contact and a preliminary review, IFC may proceed by requesting a detailed feasibility study or business plan to determine whether or not to appraise the project.

The proposal can be submitted to an IFC industry sector department or to an IFC regional department at IFC headquarters in Washington, DC. The proposal can also be submitted to the IFC field office that is closest to the location of the proposed project.

7.3.4 Pricing and Financing Ceilings

To ensure the participation of investors and lenders from the private sector, IFC limits the total amount of own-account debt and equity financing it will provide for any single project. For new projects the maximum is 25% of the total estimated project costs, or, on an exceptional basis, up to 35% in small projects. For expansion projects IFC may provide up to 50% of the project cost, provided its investments do not exceed 25% of the total capitalization of the project company.

IFC provides a wide variety of financial products and services to its clients and can offer a mix of financing and advice that is tailored to meet the needs of each project. However, the bulk of the funding, as well as leadership and management responsibility, lie with private sector owners.

7.3.5 Preparing and Submitting an Investment Proposal

There is no standard application form for IFC financing. A company or entrepreneur, foreign or domestic, seeking to establish a new venture or expand an existing enterprise can approach IFC directly. This is best done by submitting an Investment Proposal to the appropriate IFC department or the IFC field office that is closest to the location of the proposed project. After these initial contacts and a preliminary review, IFC will request a detailed feasibility study or business plan to determine whether or not to appraise the project.

An Investment Proposal submitted to IFC for consideration should include the following preliminary information:

1. Brief description of project.
2. Sponsorship, management and technical assistance:
History and business of sponsors, including financial information.
Proposed management arrangements and names and curricula vitae of managers.
Description of technical arrangements and other external assistance (management, production, marketing, finance, etc.).

3. Market and sales:
Basic market orientation: local, national, regional, or export.
Projected production volumes, unit prices, sales objectives, and market share of proposed venture.
Potential users of products and distribution channels to be used. Present sources of supply for products.
Future competition and possibility that market may be satisfied by substitute products.
Tariff protection or import restrictions affecting products.
Critical factors that determine market potential.
4. Technical feasibility, manpower, raw material resources, and environment:
Brief description of manufacturing process.
Comments on special technical complexities and need for know-how and special skills.
Possible suppliers of equipment.
Availability of manpower and of infrastructure facilities (transport and communications, power, water, etc.).
Breakdown of projected operating costs by major categories of expenditures.
Source, cost, and quality of raw material supply and relations with support industries.
Import restrictions on required raw materials.
Proposed plant location in relation to suppliers, markets, infrastructure and manpower.
Proposed plant size in comparison with other known plants.
Potential environmental issues and how these issues are addressed.
5. Investment requirements, project financing, and returns:
Estimate of total project cost, broken down into land, construction, installed equipment, and working capital, indicating foreign exchange component.
Proposed financial structure of venture, indicating expected sources and terms of equity and debt financing.
Type of IFC financing (loan, equity, quasi-equity, a combination of financial products, etc.) and amount.
Projected financial statement, information on profitability, and return on investment.
Critical factors determining profitability.
6. Government support and regulations:
Project in context of government economic development and investment program.

Specific government incentives and support available to project.
Expected contribution of project to economic development.
Outline of government regulations on exchange controls and conditions of capital entry and repatriation.
7. Timetable envisaged for project preparation and completion.

7.3.6 Contact information

IFC Headquarter USA

International Finance Corporation
2121 Pennsylvania Ave., N.W.
Washington, DC 20433
USA
Tel: (202) 473-6195
Fax: (202) 974-4332

www.ifc.org

7.4 Global Environment Facility (GEF)

7.4.1 About GEF

The Global Environment Facility (GEF), established in 1991, helps developing countries fund projects and programs that protect the global environment. GEF grants support to projects related to biodiversity, climate change, international waters, land degradation, the ozone layer, and persistent organic pollutants.

As one of the three implementing agencies of the Global Environment Facility (GEF), the World Bank assists its member countries conserve the environment in this matter by providing GEF resources to cover the incremental costs of additional actions on these global issues.

The agreed incremental cost of activities concerning land degradation, primarily desertification and deforestation, as they relate to the four focal areas, is also eligible for funding.

7.4.2 Eligibility Criteria & Project Cycle

Any eligible individual or group may propose a project, which must meet two key criteria: It must reflect national or regional priorities and have the support of the country or countries involved, and it must improve the global environment or advance the prospect of reducing risks to it. GEF project ideas may be proposed directly to UNDP, UNEP, or the World Bank.

Country eligibility to receive funding is determined in two ways. Developing countries that have ratified the relevant treaty are eligible to propose biodiversity and climate change projects. Other countries, primarily those with economies in transition, are eligible if the country is a party to the appropriate treaty and is eligible to borrow from the World Bank or receive technical assistance grants from UNDP.

7.4.3 Contact information

World Bank Country Offices and Regional Missions are the first point of contact for most government officials, Non-governmental Organizations (NGOs), and other local partners interested in GEF support. For questions concerning the World Bank and GEF, you may also send an email message to the World Bank's GEF Coordination Team at eadvisor@worldbank.org or contact them at:

Global Environment Facility Coordination Team
Environment Department
The World Bank
1818 H Street, NW
Washington, DC 20433
USA
Telephone: +1 202 473 1816
Fax: +1 202 522 3256

8 EDFI (European Development Finance Institutions)

8.1 What is development finance?

Development finance is a specialised sector of the financial industry, and aims to bridge the gap between commercial investments and state-sponsored development aid, in the form of public and private-sector development projects. Whereas commercial banks often serve as vehicles for private individuals or companies to invest in relatively low-risk projects usually in mature western economies, development banks play a hugely important role in servicing the investment needs in developing and reforming economies. The financial support these banks bring to such relatively high-risk projects also serve as impetus for the involvement of private-sector capital, bringing in such diverse actors as commercial banks, investment funds and private individuals or companies. In addition, development banks often act in cooperation with governments and other organisations in providing funds for technical assistance, feasibility studies, and business and management consultancy, as well as serving as channels for policy implementation in the areas of responsible governance, compliance with environmental regulations and good business practices in relation to staff and the wider community.

Development Finance Institutions or "DFIs", are specialised development banks that are wholly or part-owned by national governments. They serve to implement their government's foreign development policy while retaining strong operational independence. They provide funds for foreign or domestic investors to initiate or develop projects in industry fields or countries which do not fall into the traditional arena of commercial banks or where the risk associated with a particular project or country makes such investments harder to bear for the business community alone. DFIs are equally fundamental in the small and medium enterprise (SME) sector where micro-loans, traditionally viewed as high-risk, form the bulk of investment activity.

DFIs source their capital from national or supra-national development funds or benefit from government backing which ensures their credit-worthiness. DFIs can thus raise large amounts of funds on the international capital markets and provide loans or use equity on very competitive terms, frequently on a par with commercial banks.

8.2 EDFI

EDFI, the Association of EUROPEAN DEVELOPMENT FINANCE INSTITUTIONS, is a group of thirteen European bilateral development finance institutions which provide long-term finance for private-sector enterprises in developing and reforming economies. Since its foundation in Brussels in 1992, EDFI's mission has been to foster co-operation among its members and to strengthen links with institutions of the European Union.

EDFI Members:

AWS	Austria Wirtschaftsservice Gesellschaft m.b.H.
BIO	Belgian Investment Company for Developing Countries
CDC	CDC Group
COFIDES	Compañía Española de Financiación del Desarollo
DEG	Deutsche Investitions- und Entwicklungsgesellschaft m.b.H.
FINNFUND	Finnish Fund for Industrial Cooperation Ltd.
FMO	Netherlands Development Finance Company
IFU, IØ, IFV	Danish International Investment Funds
NORFUND	Norwegian Investment Fund for Developing Countries
PROPARCO	Société de Promotion et de Participation pour la Coopération Economique
SBI-BMI	Belgian Corporation for International Investment
SIMEST	Società Italiana per le Imprese all'Estero
SWEDFUND	Swedfund International AB

8.3 AWS

8.3.1 General Information

FGG has been merged into Austria Wirtschaftsservice Gesellschaft m.b.H. (AWS) as of 1 October 2002. AWS has not just integrated FGG but also several other institutions that provide support for Austrian companies.

AWS assumes financing and project risks of investments based on the prospects for the business enterprise and the project concerned. AWS guarantees are top-rated instruments that cover the economic risk, as the Republic of Austria has assumed a counter-guarantee in the event that AWS defaults (AWS also offers grants and loans).

8.3.2 Instruments

AWS guarantees covering credit and project risks have a wide variety of applications. They can bear investment risks directly or can be used as security for banks in order to reduce the cost of external financing. They can also mobilise equity capital when used as capital guarantees for financial investors and funds.

The Direct Guarantee is the traditional AWS risk-sharing tool in the East-West Fund. It can be used when an enterprise is looking to share its project-related economic risk in respect of an equity investment or a direct investment abroad.

Based on the risk profile of the project concerned, AWS agrees guarantee terms tailored to the client's specific requirements. In the event that the project has to be regarded as having failed according to the relevant provisions of the guarantee agreement, AWS will refund part of the equity funds employed.

In the Financing Guarantee with Risk Sharing, AWS combines security for the financing with assuming part of the direct project risk. This form is used where, because of the special risks involved, the client is looking for a partner to share the economic risk and to help with the funding of the investment funds. Here, too, AWS agrees upon a definition of a project failure, based on the circumstances of the project concerned.

AWS issues guarantees for (fund) investment companies, which hold equity interests in different enterprises as well as for financial investors buying shares of such investment companies. AWS capital guarantees provide security for the investors' paid-in capital and encourage the establishment of equity participation companies.

8.3.3 Other Support

Within the Study Fund AWS can support Austrian companies with the planning and preparation of foreign investments, by assuming up to 50% of the costs of a preparatory study (maximum €100,000.).

8.3.4 Contact details

AWS
Ungargasse 37
1030 Vienna, Austria
Tel: INT+43.1.501.75.0
Fax: INT+43.1.501.75.360
E-mail: awsg@awsg.at
Website: http://www.awsg.at

8.4 BIO

8.4.1 General Information

BIO is a Belgian Development Finance Institution established in 2002. Its shareholders are the Belgian State, represented by the State Secretary for Development Co-operation, and the Société Belge d'Investissement International/SBI, already member of EDFI. Each of the shareholders holds 50% of the capital amounting to € 5 million. Furthermore, the Belgian State will make a non-equity contribution of €97.5 million, spread over 4 years.

BIO has been set up as an instrument to support the private sector - and more particularly the SMEs - in developing countries, with the aim of fostering economic and social progress in these countries.

About 70% of BIO's funds should be invested in intermediary financial structures, such as investment funds, non-banking financial institutions,etc.. With regard to its geographical focus, BIO has to develop its activities in countries belonging to one of the following categories (OECD-classification) : (i) least developed countries, (ii) low-income countries, (iii) countries with an average income, lower category, with an emphasis on the LDCs (about 35% of its investments).

8.4.2 Instruments

BIO operates on a commercial basis and charges market rates for its products and services. BIO offers the following products : (i) equity financing, always as a minority shareholder (usually not more than 35%), (ii) quasi-equity products which combine equity and debt features and (iii) long-term loans at fixed as well as variable rates. These loans are usually issued in € or $, but can also be provided in local currency. Their term typically varies between 3 to 10 years.

8.4.3 Contact details

BIO
Avenue de Tervurenlaan 188 A, 4th floor
1150 Brussels, Belgium
Tel.: +32 (0)2 778 9999
Fax: +32 (0)2 778 9990
E-mail: info@b-i-o.be
Website: http://www.b-i-o.be

8.5 CDC

8.5.1 General Information

Over the past 50 years, CDC has been helping businesses grow in Africa, Latin America, South Asia and Asia Pacific. CDC has an extensive network of offices and a good understanding of risk - it knows how to get business done in emerging markets. CDC has specialist expertise in the following areas - power, transport, consumer businesses, telecoms/IT, financial institutions, minerals, oil and gas, property and healthcare – and remains a significant investor in the agribusiness sector.

In 2000, CDC split up its portfolio so that it now has two distinctive blocks of assets – CDC Assets, a largely historical portfolio, mainly debt; and CDC Capital Partners, a younger private equity portfolio. At end 2001, CDC assets portfolio was £ 337 million and CDC Capital Partners was £ 479 million. CDC Capital Partners (CDC) provides risk capital for commercially sustainable business ventures in developing countries, especially poorer countries.

CDC generally invests in businesses looking for expansion capital or financing for change of control transactions. These businesses are good quality businesses with strong (or potentially strong) market positions and first class management capabilities. CDC takes significant equity positions in businesses which will achieve competitive rates of return and which comply with CDC's code of best practice on social, environmental, health and safety issues.

CDC is organising its investment activities through specialised funds targeted at private businesses in South Asia, Africa, power and small to medium enterprises (SMEs). The South Asia, Africa and SME funds will continue to invest in a broad range of businesses, including healthcare, financial institutions, consumer goods (primarily food & beverages), agribusiness, property, and minerals, oil and gas. The funds for power and SMEs will also operate in South Asia and Africa, as well as Latin America and South-East Asia. CDC's existing investment businesses in China, Malaysia and infrastructure are intended to be taken forward through smaller funds. CDC aims to

mobilise private finance into developing countries. This can be directly through co-investment opportunities, investment with third parties into private equity funds, or by demonstrating that it is possible to operate commercially within developing countries.

In 2001, Aureos Capital was established, the SME fund manager jointly owned by CDC Group plc and Norfund. Aureos Capital has recently raised US$33m for its Aureos Central America Fund and is in the process of raising funds for three African regional SME funds.

In 2002, CDC Globeleq was set up as CDC's power business, dedicated to owning and operating power plants in emerging markets. It has since acquired significant power operating assets in Africa and South Asia.

CDC currently manages a portfolio of US$1.2bn, invested in businesses across Latin America, Africa and Asia.

8.5.2 Instruments

CDC Capital Partners looks to provide equity finance for private sector business initiatives in emerging markets. They aim to make fully commercial returns on their investments and by seeking to identify and invest in sustainable and socially responsible businesses. CDC aims to promote the enlargement of the business base in these countries and improve the competitiveness of the underlying economies. CDC generally provides finance for expansion capital, management buy-outs, management buy-ins and privatisations.

8.5.3 Other Support

Alongside CGNU (now named Aviva) CDC is a joint venture partner in a Chinese private equity company, China Capital Partners. Alongside Norfund, CDC is also a joint investor in Aureos Capital, a private equity fund manager, dedicated to the SME sector, with 14 funds located across Central America, Africa, South Asia and Asia Pacific.

8.5.4 Contact details

CDC Group
6 Duke Street
London SW1Y 6BN, United Kingdom
Tel.: +44 (0)20 7484 7700
Fax: +44 (0)20 7484 7750
E-mail: enquiries@cdcgroup.com
Website: http://www.cdcgroup.com

8.6 COFIDES

8.6.1 General Information

Operating since 1990, COFIDES provides cost-effective financial support for projects in developing, transition and emerging countries in which Spanish companies are involved as investors. With own resources of €46 Million, COFIDES is majority owned

(61%) by the Spanish Government through different public institutions, such as the Spanish Institute for Foreign Trade (ICEX), the Institute for Official Credit (ICO) and the National Innovation Enterprise (ENISA). The remaining 39% are held by the three largest Spanish commercial banking groups (BBVA, SCH and Banco Sabadell).

COFIDES invests its own resources or mobilises third party funding from different instruments managed by COFIDES. Thus, COFIDES manages two Spanish Government trust funds recently established to support Spanish investments abroad (FIEX and FONPYME) and co-financing facilities established with Multilateral Financial Institutions such as the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the Inter-American Development Bank (IADB) / Multilateral Investment Fund (MIF).

COFIDES has supported projects in 43 different countries and has today a global investment capacity of nearly €600 million with an upper limit of €25 million per individual project.

8.6.2 Instruments

Equity investments:
COFIDES can take minority and temporary equity stakes in the projects it supports through ordinary or preferred shares. There is normally a put option agreement to sell the shares to the investors after a certain period of time.

Quasi-equity:
COFIDES also offers quasi-equity products, such as subordinated, convertible or income participating loans with the aim to reinforce the financial strength of the project by increasing the project company's own resources.

Loans:
COFIDES can also provide financial support through senior medium or long term loans to the project companies or the Spanish investors.

8.6.3 Other Support

COFIDES counsels potential investors to optimise the project financial scheme considering the various sources available and gives advice on project-related environmental matters. Moreover, it makes available to investors the experience acquired after twelve years of operations and offers institutional support to the investments.

8.6.4 Contact details

COFIDES
Principe de Vergara 132, Planta 12
28002 Madrid, Spain
Tel.: +34.91.562.60.08
Fax: +34.91.561.00.15
E-mail: cofides@cofides.es
Website: http://www.cofides.es

8.7 DEG

8.7.1 General Information

DEG, a member of the KfW banking group, has been specialising in long-term project and corporate financing since 1962. As one of Europe's large development finance institutions, DEG structures and finances investments by private companies in Africa, Asia and Latin America, as well as in Central and Eastern Europe. DEG invests in profitable projects that contribute to development and are ecologically and socially sustainable. DEG's aim is to establish and expand private enterprise structures in developing and transitional countries as the basis for sustainable economic growth and a lasting improvement in the living conditions of the local population.

So far DEG has worked together with over 1100 companies. By providing 5.6 billion euros of finance, DEG has achieved a total investment of 37 billion euros.

Shareholder: KfW Bankengruppe

Board of Management: Johannes-Jürgen Bernsen, Dr. Winfried Polte (spokesperson)

8.7.2 Instruments

DEG offers equity participations and long term loans as well as guarantees and mezzanine finance for investments in private companies, i.e. investments in start-ups or subsidiaries as well as in joint ventures. The financings are tailor-made and designed in such a way that the risk involved is commensurate with the specifics of the respective project.

Equity capital:

Equity participation in the project usually about 5-25%. Variable arrangement of the risk components. In certain cases, voting rights and seat on the board of directors of the company. Clearly defined exit strategies.

Long-term loans:

Euros or US dollars. Term usually between four and ten years. Interest rate fixed or variable; market oriented according to project and country risks. Collateral security as fixed assets in the country of investment; project-specific arrangement. DEG share of finance usually up to 35%.

Mezzanine finance:

Financing forms combining formative elements of equity participation and bank loan. Interest and repayments are subordinated to senior loans. Collateral is subordinated. Interest rates reflect risk. Conversion to equity is possible at fixed price and within a set time frame.

Guarantees:
Mobilisation of long-term local currency loans or bonds. Reduction of exchange rate risks by repayment of the loan in local currency. Guarantee fee for DEG is oriented according to the loan margin. Partial credit guarantee desired (local bank or bond

holders take partial risk) Tailor-made financing: Development of a finance solution tailored to the project and the country´s risk situation. Commitment of additional financing from commercial banks or international financing institutions.

8.7.3 Other Support

Project monitoring: Support in case of possible required restructuring. Environmental consulting with regard to ecological production and product risks. Legal support. Advice from DEG representative offices.

8.7.4 Contact details

DEG
Belvederestrasse 40
D-50933 Köln (Cologne), Germany
Tel.: INT+49.221.49.86.0
Fax: INT+49.221.49.86.1290
E-mail: BusinessRelations@deginvest.de
Website: http://www.deginvest.de

8.8 FINNFUND

8.8.1 General Information

Finnfund invests mainly with Finnish companies but can also finance their local partners, such as long-term customers, suppliers, subcontractors and companies that license technology. In addition, Finnfund can co-invest with other development finance institutions in projects that do not directly involve Finnish business but that generate significant environmental or social benefits for countries that are Finland's development cooperation partners. Finnfund's financing is on market terms and is not tied to Finnish exports. While continuing to operate in CIS-countries, Finnfund intends to make the bulk of its future investments in low-income and lower middle-income countries.

FINNFUND's share capital is EUR 54 million. The shareholders are the Finnish State (79.9%), Finnvera Plc (20%) and the Confederation of Finnish Industry and Employers (0.1%).

8.8.2 Instruments

Equity and quasi-equity investments:

Finnfund invests as a minority shareholder in projects managed by experienced and committed industrial sponsors. Its participation in ordinary or preference shares is determined on a case-by-case but is generally no more than 30 percent of the capital of the company being financed. Finnfund exits after operations have become established, usually after a 5- 10-year holding period. Exit terms are typically negotiated prior to committing funds. Also loans with equity features can be considered.

Investment loans:

Finnfund offers medium to long-term loans on market terms. The interest rate on investment loans depends on the project and the country risk, as well as on loan

collateral and the length of the grace and repayment period. Maturities and grace periods are tailored to suit the project. Loans are typically denominated in dollars or euros. In several countries, Finnfund is exempt from withholding tax on interest.

Guarantees:
In exceptional cases Finnfund can provide guarantees to help mobilise financing in local currency.

8.8.3 Other Support

Finnfund's network with Finnish and international financiers is at the client's disposal for the project.

8.8.4 Contact details

FINNFUND
Ratakatu 27, PO Box 391
00121 Helsinki, Finland
Tel.: INT+358.9.34.84.34
Fax: INT+358.9.34.84.33.46

8.9 FMO

8.9.1 General Information

FMO supports the private sector in developing countries with capital and technical know-how. Its aim is to achieve the highest possible development impact and to generate a favorable return on investment.

FMO was established in 1970 as a public-private partnership. A total of 51% of its shares are held by the Dutch State and 42% by the major Dutch banks. The remaining 7% are held by employers' associations and trade unions and by some 120 Dutch companies and private individuals. With a portfolio of nearly EUR 2 billion and a staff of more than 200, FMO is one of the world's largest bilateral development banks. FMO is a sound financial institution with a "Triple A" rating from Standard & Poor's.

FMO arranges financial support for private companies and banks in developing countries, concentrating on some 40 developing countries and countries in transition. Its focus in those countries is on exporting companies; the financial sector; infrastructure (physical infrastructure, transport, telecom, energy and water); and on micro, small and medium-sized enterprises. FMO's operations allow it to develop valuable working relationships between developing countries and international trade and industry.

In all its activities, FMO seeks active collaboration with partners. FMO works with local enterprises and banks, international commercial banks; other development banks; and international companies. FMO devotes special attention to its relationship with Dutch and European businesses.

The Company's operations are carried out by two business units: FMO Finance and FMO Investment Promotion:

8.9.2 FMO Finance

FMO Finance extends financing on commercial terms to enterprises and financial institutions in developing countries in the form of loans, mezzanine financing, equity investments, guarantees and syndicated loans. The main criteria for investment are commercial and financial viability, but FMO also attaches a great deal of importance to corporate social responsibility. Besides its own resources, FMO is able to deploy special Dutch government funds, meaning that the Company is in an excellent position to invest in some of the more high-risk countries and sectors.

8.9.3 FMO Investment Promotion

FMO is also the "one-stop investment shop" for companies aiming to do business in developing countries and countries in transition. FMO implements financial assistance programs for such companies on behalf of the Dutch government. The criterion is that the activities concerned focus on investment promotion; for example the supply of capital goods, feasibility studies during the pre-investment phase and management support in the post-investment phase. Some of these programmes are linked to the supply of goods and services by Dutch companies.

8.9.4 Contact details

FMO
Anna van Saksenlaan 71
2593 HW The Hague, The Netherlands
Tel.: INT+31.70.314.96.96
Fax: INT+31.70.324.61.87
E-mail: info@fmo.nl
Website: http://www.fmo.nl

8.10 IFU/IFV/IØ

8.10.1 General Information

IFU, the Industrialisation Fund for Developing Countries is a financial institution established by the Danish Government as a self-governing Fund. IFU can co-finance projects in developing countries with a per capita income below USD 5,115 (2004). Sister Funds are IØ, the Investment Fund for Central and Eastern Europe and IFV, the Investment Fund for Emerging Markets. IFV has stopped for new investments from 1 January 2004.

All Funds share the same Supervisory Board and Management. It is a condition for the Funds' financial participation in a project that there is a private Danish co-investor.

8.10.2 Instruments

Equity investments:
The Funds' equity stakes are always minority. The Funds normally withdraw from a project, when it has become self-sustaining, typically 5-10 years after start-up. When the Funds withdraw from a project, the shares are normally offered to the other partners.

Loans:
The Funds can offer loans denominated in convertible currencies, up to 5-7 years' life and with a grace period of 1-2 years. The interest rate is commercial and based on LIBOR plus a risk margin. The Funds can also offer loans with equity features or subordinated loans.

Guarantees:
The Funds can issue guarantees for loans to the projects offered by third parties, including local financial institutions.

8.10.3 Contact details

IFU IØ IFV
Bremerholm 4 - PO Box 2155
1016 Copenhagen K, Denmark
Tel.: INT+45.33.63.75.00
Fax: INT+45.33.32.25.24
E-mail: ifu@ifu.dk | ioe@ioe.dk | ifv@ifv.dk
Website: http://www.ifu.dk | http://www.ioe.dk | http://www.ifv.dk

8.11 NORFUND

8.11.1 General Information

Norfund makes risk capital investments through profitable private enterprises in developing countries, with the objective to create capital and employment in these areas. Norfund supports the realisation of viable projects that balance economic, social and environmental considerations.

Norfund is a separate legal entity with limited liability. The fund commenced operations in 1998 and has, NOK 2.4 billion at 31 December 2004, which is expected to grow. All capital is supplied by the Norwegian state and the board of directors is appointed by the Norwegian government.

8.11.2 Instruments

Equity investments:

Norfund generally pursues two investment strategies: Direct investments or investments in local venture funds that in turn invest in profitable, local businesses. Norfund invests risk capital in profitable projects in countries with a GNI below USD 5,290 per capita.

The capital invested is either share capital (ordinary or preference shares) or convertible or equity-linked loans.

Fund management:

In 2001, Norfund and CDC Capital Partners established Aureos Capital, a fund management company targeting small and medium sized enterprises ("SME") in developing countries. Once established, Aureos assumed the management responsibility for 139 portfolio companies - "the Legacy Portfolio" - with a book value of US$72 million originally invested and managed by CDC between 1989 and 2001. As at the end of April 2007 Aureos had effected 116 exits. The remaining 23 portfolio companies are valued at around US$26.3 million. The expected realized and unrealized cash multiple will be around 1.7 times book value.businesses.

8.11.3 Contact details

NORFUND
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Tel.: INT+47 2201 9393
Fax: INT+47 2201 9394
E-mail: post@norfund.no
Website: http://www.norfund.no

8.12 PROPARCO

8.12.1 General Information

The Société de Promotion et de Participation pour la Coopération Economique (PROPARCO) is a subsidiary of the Agence Française de Développement (AfD), dedicated to private sector financing. Its capital is €142.6 million held by AfD (68.1 %) and private shareholders.

PROPARCO operates mainly in Africa, South East Asia, the Caribbean and in the French Overseas Departments and Territories (equity investment only in ODT). Its role is to promote and support the creation, development, modernisation and restructuring of private companies. It operates in all manufacturing, infrastructure and service sectors, including financial services, but not property development. PROPARCO must evaluate the projects it funds to assess the sustainability of its impact on private sector development. PROPARCO must always satisfy itself that there are no other private sector financial institutions which have the available resources to contribute towards projects it is invited to participate in. Financial flows associated with the Company operations must be transparent, complying with the French and international laws and regulations aimed at combating money laundering and prejudicial fiscal policies.

8.12.2 Instruments

Equity and quasi-equity:

PROPARCO's investments are always minority shareholdings. They are intended for transfer to other shareholders, or sale on the financial market after an average period of six years, when the company has reached a sustainable level of maturity. The project's internal rate of return must be at least 15 %. PROPARCO engages in all forms of capital investment permitted by company law and regulations: shareholders' current accounts, convertible bonds, shareholders' loans and junior debt. PROPARCO participates in national and regional investment funds which specialise in capital investment.

Loans:
PROPARCO offers its clients different type of long-term loans. The loans are denominated in Euros and United States dollars for a period of up to fifteen years, with a grace period of up to five years.

Guarantees:
PROPARCO's signature provides a guarantee of solvency and makes it easier for private sector borrowers (credit institutions or private companies) to mobilise resources in local currency, by guaranteeing reimbursement of capital and interest thereon to subscribers.

8.12.3 Other Support

Drawing on its business experience, PROPARCO also provides services such as advice on strategy, networking, project appraisal, financial and legal structuring, or arrangement mandates.

8.12.4 Contact details

PROPARCO
5, Rue Roland Barthes
75598 Paris Cedex 12, France
Tel.: INT+33.1.53.44.37.37
Fax: INT+33.1.53.44.38.38
E-mail: proparco@afd.fr
Website: http://www.proparco.fr

8.13 SBI-BMI

8.13.1 General Information

BMI-SBI's main objective is to provide medium to long-term co-financing to foreign investments made by Belgian companies. The activities are oriented towards financing the creation of new joint ventures or subsidiaries worldwide and the acquisition, restructuring and development of existing companies. Flexible and attractive financing packages, supplemented by advice based on its extensive experience in financing foreign investment projects, is provided to its clients.

8.13.2 Instruments

Equity investments:

BMI-SBI is generally a minority shareholder and intends to sell its shares to the other shareholders once the project has been launched. BMI-SBI's will usually exit from the investments after 5 to 8 years. BMI-SBI's equity holding can be either at full risk or taken with a mitigated risk where a guaranteed return or a guaranteed capital redemption is given by either the local or Belgian partner.

Loans:
Credits are usually denominated in Euro up to 5 to 8 years' life with a grace period of 1 to 2 years. The loans can be either straight or convertible on the basis of the value of the shares "Blended operations", consisting of equity holdings and term loans, can also be envisaged. BMI-SBI can grant loans to one or several of its partners so as to finance their own stockholding in those ventures.

8.13.3 Other Support

In addition to direct financing schemes BMI-SBI can also offer other advantages of a non financial nature such as:

- Assistance in the conduct or the review of feasibility studies; identification of partners and long-term sources of financing and co-financing facilities from the European Union
- Cooperation of its legal department especially for the drawing-up of contracts and setting-up of companies abroad.

SBI has a 50:50 Joint Venture with the Belgian Government, BIO – Belgian Investment Company for Developing Countries - whose purpose is to invest risk capital primarily in SME's in developing countries and in particular in « priority countries » as defined by the Government.

8.14 SIMEST

8.14.1 General Information

SIMEST was established as a limited company in 1991. The majority shareholder is the Ministry for Productive Activities and its other shareholders include leading Italian banks and entrepreneurial associations. SIMEST promotes direct investments by Italian companies outside the European Union and manages various forms of public support for exports and the internationalisation of the Italian economy. SIMEST also provides Italian companies seeking to expand abroad with technical assistance and advisory services, such as scouting, matchmaking, pre-feasibility and feasibility studies, and advice on financial, legal and corporate questions concerning investment projects abroad to which SIMEST may contribute equity capital. SIMEST manages venture capital funds for the Ministry for Productive Activities, to be used for promoting investments abroad by Italian companies in the Federal Republic of Yugoslavia, the Balkans, Mediterranean Countries and China.

8.14.2 Instruments

Equity investments:

SIMEST can provide support for Italian companies by acquiring up to 25% of the equity capital of non-EU firms and joint ventures in which they invest. Its participation gives the Italian company making the investment access to interest rate support for loans granted to finance its own acquisition of equity capital. In 2001 the Board of Directors approved a total of 61 projects for an amount of €57.2 million.

Loans:

Credits are usually denominated in Euro up to 5 to 8 years' life with a grace period of 1 to 2 years. The loans can be either straight or convertible on the basis of the value of the shares "Blended operations", consisting of equity holdings and term loans, can also be envisaged. BMI-SBI can grant loans to one or several of its partners so as to finance their own stockholding in those ventures.

8.14.3 Other Support

Within the Study Fund AWS can support Austrian companies with the planning and preparation of foreign investments, by assuming up to 50% of the costs of a preparatory study (maximum €100,000).

8.14.4 Contact details

SIMEST
Corso Vittorio Emanuele II, 323
00186 Rome, Italy
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Fax: INT+39.06.68635.220
E-mail: info@simest.it
Website: http://www.simest.it

8.15 SWEDFUND

8.15.1 General Information

Swedfund International AB offers risk capital and know-how for investments in Central and Eastern Europe, Africa, Asia and Latin America. Swedfund´s vision is to contribute to the development of viable businesses thereby stimulating sustainable economic development in our investment countries. Swedfund is specialised in the field of complex investment environments with a high level of country risk. With a broad spectrum of financial solutions, combined with knowledge and experience, Swedfund gives their partners an opportunity to make more profit on their investments together with them. venture through the provision of guarantees. Swedfund's total exposure should not exceed 30 percent of the total investment. In addition to Swedfund's financial instruments and expertise in the field of complex investment environments, Swedfund can tailor-make financial solutions and assist in identifying co-financiers. Swedfund has in-house legal expertise and an extensive network of local and international development finance institutions, assisting in eliminating unnecessary risks.

8.15.2 Instruments

Equity capital:
Swedfund´s equity stake is always a minority stake and can be in the form of ordinary or preference shares.

Convertible, subordinated and secured loans:
Swedfund can extend medium-term loans on commercial terms to the joint venture company. Interest is normally fixed at the same time the loan agreement is signed. Swedfund may also provide loans at variable rates and with equity features.

Royalty loans:
Consisting of a low base rate and a performance-based part. The latter can be tied to the project company's turnover or profit. A large part of the loan charges are deferred until the company has achieved a cash flow sufficient to carry the costs.

Co-financing of leasing arrangements:
Leasing is suitable for industries that supply equipment or vehicles for which there is a good second-hand market.

8.15.3 Other Support

In some cases Swedfund can also assist the financing of a venture through the provision of guarantees. Swedfund's total exposure must not exceed 30 percent of the total investment. In addition to Swedfund's financial instruments and their expertise in the field of complex investment environments, Swedfund can tailor-make financial solutions and assist in identifying co-financiers.

Swedfund has in-house legal experts, who provide legal agreements and Swedfund has an extensive network of local and international development finance institutions, assisting in eliminating unnecessary risks.

8.15.4 Contact details

SWEDFUND
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E-mail: info@swedfund.se
Website: http://www.swedfund.se

9 Private equity investors

9.1 Introduction

There are many companies and private, semi-private or public entities investing in power projects worldwide, either through funds or directly in equity of power producing companies. The investment participation varies from development of green field projects to purchasing of majority or minority shares in power producing entities. Some are playing an active role in the business development, management and operation, and some are purely financial investors. The following are only three examples of such entities that may be approached for investments in power projects.

9.2 Aureos

Aureos Capital is an international manager of private equity funds and a market leading risk capital investor in emerging markets. The shareholders of Aureos are CDC and NORFUND (see chapter 7) The investors in Aureos equity capital funds are almost all of the IFI's mentioned in this document plus a whole range of other Local Financial Institutions and International Development Banks.

Aureos Capital aims to be the market leader in the provision of private equity to small and medium-sized enterprises in emerging markets. It realises this strategy with dedicated people and a strong local presence, continuously developing a culture of professionalism and excellence.

Aureos Capital also aims to deliver attractive financial returns and to add value for clients and investors – operating proactively and with integrity to the highest ethical standards.

9.3 Globeleq

9.3.1 About

Globeleq is an operating power company solely focused on the emerging markets of Africa, the Americas, and Asia. Launched in 2002 when the UK's CDC Group contributed both equity capital and its portfolio of power assets to the new enterprise, Globeleq safely provides clean, reliable electricity, creating sustainable returns and supporting the development of the electric power sector in the emerging markets.

With investments of over US$550 million, Globeleq is the fastest growing operating power company solely focused on the emerging markets of Africa, the Americas and Asia. Since 2002 the company has acquired more than 2,200 megawatts (MW) of generation capacity, reaching a total of over 3,000 MW in 21 projects in 16 countries. Globeleq is actively pursuing acquisitions and new project development.

Globeleq select stable power generation businesses with long-term power purchase agreements in growing emerging markets, positioning for expansion. Building on the

financial strength of the shareholder, CDC Group, Globeleq is actively seeking to raise capital from third parties and through the divestiture of non-strategic assets.

9.3.2 Contact information

Media and General Inquiries

Internet: www.globeleq.com
E-mail: info@globeleq.com
1400 Post Oak Boulevard
Suite 700
Houston, Texas 77056
United States of America
Tel: +1 (713) 355-3450
Fax: +1 (713) 355-3847

Globeleq affiliated companies may be contacted at the following office locations:

Cairo
14 Refaa Street, Dokki
Giza
Cairo, Egypt
Tel : +20 2 335 2363
Fax : +20 2 749 7646

Dar es Salaam

4th Floor, Barclays House
Ohio Street
P.O. Box 6342
Dar es Salaam, Tanzania
Tel: +255 (22) 212 4181
Fax: +255 (22) 212 4186

Houston
1400 Post Oak Blvd
.Suite 700
Houston, Texas 77056
United States of America
Tel: +1 (713) 355-3450
Fax: +1 (713) 355-3847

London
2 More London Riverside
London
SE1 2JT
United Kingdom
Tel: +44 (0)20 7 234 5400
Fax: +44 (0)20 7 234 5486

9.4 SN Power

9.4.1 About

SN Power (Statkraft Norfund Power Invest AS) was established in 2002 and is a Norwegian limited company owned by Statktaft and Norfund. Statkraft is a wholly state-owned utility and northern Europe's largest generator of hydropower, operating 91 hydropower stations with more than 12 000 MW installed capacity and 42 TWh in annual generation. Statkraft is also a significant player in the European electricity market.

The business objective of SN Power is to invest in, own and operate hydroelectric power projects in emerging markets on commercial terms. The company is strongly

committed to high social, environmental and ethical standards, which it seeks to achieve through profitable development and Greenfield projects and the acquisition/upgrading of existing assets.

SN Power's investment policy has a long-term perspective, based on close cooperation with local communities, equality, and mutual respect, proactive input and constructive ideas. The company capitalises on the technical and financial strength of it owners and Norway's extensive expertise in the design and construction of underground hydropower plants. This has been gained wholly hydro-based electricity production, 100 000GWh in installed capacity and 27 000 MW in output.

The core staff at SN Power are experienced professionals with broad international background in energy, infrastructure, manufacturing industries in deregulated and contract markets worldwide. The combination of these in-house skills and access to Norway's expertise in hydropower ensures state-of-the art solutions and operation and maintenance for all the company's projects.

9.4.2 Contact information

Statkraft Norfund Power Invest AS

Telephone: + 47 24 06 86 20

Telefax: + 47 24 06 86 21

Email: info@snpowerinvest.com

Visiting address

Lilleakerveien 6

0216 Oslo, Norway

Mailing address

Postbox 200, Lilleaker

0216 Oslo, Norway

Internet: www.snpowerinvest.com

9.5 Tata Power (India)

9.5.1 About

Recognised as India's largest private sector power utility, with a reputation for trustworthiness, built up over nearly nine decades. Tata Power has an installed power generation capacity of above 2300 Mega Watts, with the Mumbai power business, which has a unique mix of Thermal and Hydro Power, generated at the Thermal Power Station, Trombay, and the Hydro Electric Power Stations at Bhira, Bhivpuri and Khopoli, accounting for 1797 MW. Its diverse generation capability facilitates the company in producing low cost energy, thereby giving its consumers a greater value for money.

Tata Power has shown interest in African markets and is currently. Tata Africa Holdings signed a memorandum of understanding (MoU) with Zesco, in Zambia, and launched a partnership pact for the construction of the $150 million hydro power station in Itezhi-Tezhi on the Kafue river. The hydro power project was expected to boost the power station's generation capacity by about 120 megawatts of electricity and would cover a 350-kilometre transmission line to the national grid

9.5.2 Contact Information

In Africa

Tata Power (Mauritius) Ltd.

IFS Court, Twenty Eight

Cybercity, Ebene 1721-04

In India

42, Saki Vihar Road

Andheri (East)

Mumbai 400 072

Tel : 6751 3600

Fax : 6751 3635

9.6 Sithe Global Power, LLC

9.6.1 About

Sithe Global Power, LLC is an international development company engaged in the development, construction, acquisition and operation of electric generation facilities in attractive markets around the world. Sithe Global's management team has extensive industry experience and has worked together on numerous greenfield project developments and acquisitions. The management team includes many of the former senior management and project development team of Sithe Energies, Inc. as well as other experienced industry personnel. Sithe Global carries out its development and acquisition activities with much of the same strategic initiative and focus that helped build Sithe Energies into one of the most successful independent power producers in the world. Until its breakup, Sithe Energies had a leading reputation in power development, with average fleet availability in excess of 95%. The management of Sithe Global continues that tradition of high standards.

Sithe Global is affiliated with Blackstone Capital Partners, an affiliate of The Blackstone Group (which owns approximately 80% of the company) and the Reservoir Capital Group (which owns approximately 20% of the company). Blackstone and Reservoir have invested in Sithe Global with the object of participating in the first class development of power facilities at locations in the U.S. and certain international markets which are in need of new electric generating capacity.

Sithe Global is organized to allow management the flexibility to make important, well-informed decisions quickly. The majority shareholder, Blackstone, is fully supportive of the company's development initiatives and has committed to invest over $500 million in approved projects. This support is instrumental in allowing Sithe Global to seize and develop promising opportunities on a fast track basis.

Blackstone

The Blackstone Group, a private investment bank with offices in New York, London, Paris and Hamburg, was founded in 1985. Blackstone is an experienced and active investor in the energy sector, including investments in Premcor, Inc., one of the largest independent refiners of petroleum products in the U.S. prior to its acquisition by Valero (NYSE:VLO) in 2005; Texas Genco, a Houston-based wholesale electric power generating company; Foundation Coal (NYSE: FCL), a U.S. coal mining company; and Kosmos Energy, an oil exploration company. The firm has raised a total of approximately $47 billion for alternative asset investing since its formation. Over $27 billion of that has been for private equity investing, including Blackstone Capital Partners V, an institutional private equity fund of $13.5 billion.

Sithe Global along with the Aga Khan Fund for African Development to set up a company to build the 250-MW Bujagali hydroelectric dam on the Nile River. The first unit of the planned $867 million dam – the largest private-sector investment in East Africa to date –is projected to come on line in 2010.

9.6.2 Contact Information

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10 Regional banks and financial institutions

10.1 African Development Bank

10.1.1 About

The African Development Bank is a multilateral development bank whose shareholders include 53 African countries and 24 non-African countries from the Americas, Asia, and Europe. It was established in 1964, with its headquarters in Abidjan, Côte d'Ivoire, and officially began operations in 1967. It is the premier financial development institution of Africa, dedicated to combating poverty and improving the lives of people of the continent and engaged in the task of mobilizing resources towards the economic and social progress of its Regional Member Countries. The Bank's s mission is to promote economic and social development through loans, equity investments, and technical assistance.

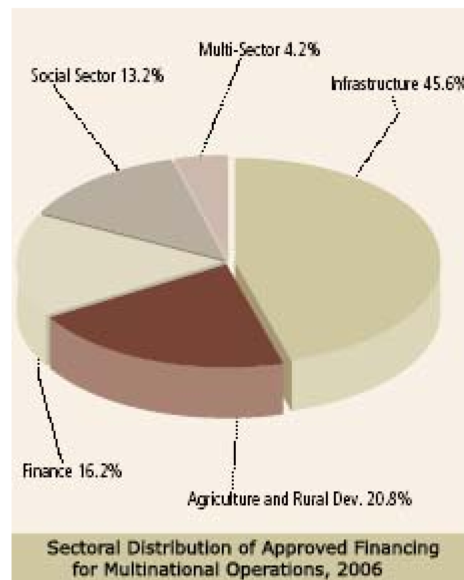
In 2006, the AfDB approved a total of UA 2.59 billion—comprising UA 2.31 billion for operations financing and UA 0.28 billion in debt relief, arrears clearance, and private sector loan guarantees. Operations focused on finance, infrastructure development, and multisector activities, reflecting the Bank Group's new strategic orientation towards enhancing selectivity and targeting specific areas of intervention. These 3 sectors, which accounted for 76.6 percent of loans and grants, have the greatest impact on economic growth, private sector development, and the promotion of good governance in support of the achievement of the MDGs.

10.1.2 Instruments

Bank Group total financing approvals reached a record high in 2006, rising 13.1 percent, from UA 2.29 billion in 2005 to UA 2.59 billion in 2006. This increase is attributable to the volume of loan and grant approvals, which rose from UA 1.74 billion in 2005 to UA 2.31 billion in 2006. During the period under review, project lending increased from UA 1.05 billion to UA 1.20 billion; policybased lending more than doubled—from UA 274.7 million to UA 618.4 million; and grants increased from UA 420.3 million to UA 492.4 million. In terms of financing window, the ADB and ADF accounted for 40.4 percent and 59.6 percent, respectively, of approvals in 2006, compared with 37.9 percent and 62.0 percent, respectively, in 2005.

There was a significant increase in loan approvals (project and policy-based lending), which rose 37.9 percent, from UA 1.32 billion in 2005 to UA 1.82 billion in 2006, and represented 70.1 percent of Bank Group operational approvals. Project lending, including sector investment operations and lines of credit, was the main financing instrument, accounting for 46.2 percent of operational approvals while policy-based lending accounted for 23.9 percent. The remaining 19 percent of approvals was allocated to financing for 70 grants, with the bulk of the resources (16.2 percent) allocated for 27 investment operations and 1 structural adjustment grant. The grants comprised 25 technical assistance grants (including 4 under the Middle Income Countries (MIC) initiative), and 17 special relief fund grants. UA 0.3 million was also approved for 1 Project Preparation Facility advance. In addition, UA 257.5 million was approved for 6 debt relief operations under the HIPC Initiative; UA 15.6 million in arrears clearance for the CAR under the PCCF, and UA 8.8 million for a private sector

loan guarantee. These Bank-financed programs and projects will be implemented in 37 RMCs, in partnership with other multilateral and bilateral donors.



Sectoral Distribution of Approved Financing for Multinational Operations, 2006

The Bank Group used both ADB and ADF resources to finance operations aimed at promoting regional economic cooperation and integration. Loan and grant approvals for multinational operations soared to their highest level in the past 5 years, reaching UA 417.9 million in 2006 (18 percent of operations approvals), compared with UA 85.8 million in 2005 and UA 219.2 million in 2004. The unprecedented increase reflects the Bank Group's new emphasis on the development of regional and multinational infrastructure and services. Consistent with its lead role in promoting subregional infrastructure under NEPAD, the Bank Group is stepping up action to help its RMCs build infrastructure and alleviate poverty. Infrastructure received the highest percentage of approvals, 45.6 percent, in support of the implementation of the NEPAD Short-term Action Plan (STAP). Agriculture and rural development (20.8 percent) and finance (16.2 percent) also benefited from large financing. These 3 sectors together accounted for close to 83 percent of approvals for multinational operations. The remaining sectors, social development, multisector, and humanitarian emergency assistance received about 18.0 percent of approvals.

Bank Group Approvals by Sector, 2006

In line with the Bank Group's new strategic orientations, the bulk of the UA 2.31 billion approved for sectoral projects and programs in 2006 was allocated to priority areas that are critical for promoting economic growth and reducing poverty in RMCs. The top 3 sectors that benefited from loan and grant approvals were infrastructure, finance, and the multisector.

Sector	Loans			Grants			Loans and Grants		
	Number	Amount	%	Number	Amount	%	Number	Amount	%
Agriculture and Rural Development	9	135.74	7.5	27	104.98	21.3	36	240.72	10.4
Social	4	134.03	7.4	12	110.30	22.4	16	244.33	10.6
Education	-	-	-	*4*	*65.00*	*13.2*	*4*	*65.00*	*2.8*
Health	*2*	*60.00*	*3.3*	*1*	*20.00*	*4.1*	*3*	*80.00*	*3.5*
Other	*2*	*74.03*	*4.1*	*7*	*25.30*	*5.1*	*9*	*99.33*	*4.3*
Infrastructure	17	714.47	39.3	15	143.25	29.1	32	857.72	37.2
Water Supply and Sanitation	5	185.31	10.2	5	42.38	8.6	10	227.69	9.9
Power Supply	3	164.63	9.1	1	2.57	0.5	4	167.21	7.2
Communication	-	-	-	-	-	-	-	-	-
Transport	9	364.53	20.1	9	98.30	20.0	18	462.83	20.1
Finance	4	495.12	27.3	-	-	-	4	495.12	21.5
Multisector	8	280.45	15.4	16	133.85	27.2	24	414.31	17.9
Industry, mining and quarrying	2	55.93	3.1	-	-	-	2	55.93	2.4
Urban Development	-	-	-	-	-	-	-	-	-
Environment	-	-	-	-	-	-	-	-	-
Total Loans and Grants	**44**	**1,815.73**	**100.0**	**70**	**492.39**	**100.0**	**114**	**2,308.12**	**100.0**
Other Approvals	**8**	**281.81**	**n.a.**	**-**	**-**	**n.a.**	**8**	**281.81**	**n.a.**
HIPC Debt Relief	6	257.49	n.a.	-	-	n.a.	6	257.49	n.a.
Post Conflict Country Facility	1	15.57	n.a.	-	-	n.a.	1	15.57	n.a.
Guarantees	1	8.75	n.a.	-	-	n.a.	1	8.75	n.a.
Total Approvals	52	2,097.55	n.a.	70	492.39	n.a.	122	2,589.94	n.a.

Source: ADB Statistics Department, Economic and Social Statistics Division
- Magnitude zero
n.a. Not applicable

10.1.2.1 Loans

10.1.2.1.1 Sovereign Guaranteed loans for public sector

A loan qualified as a Sovereign Guaranteed Loan if made to a Regional Member Country or if it is supported by the full faith and credit of the Member Country in whose territory the Borrower is domiciled, or in the case of loans to multinational institutions if it is guaranteed by a Member Country or by Member Countries in whose territory (ies) the Borrower shall execute the project.

Eligible Countries

Eligible countries for Public Sector Sovereign Guaranteed Loans are regional member countries (RMC) from the Bank's Category C and Category B or blend countries; currently Algeria, Botswana, Egypt, Equatorial Guinea, Gabon, Libya, Mauritius, Morocco, Namibia, Nigeria, Seychelles, South Africa, Swaziland, Tunisia and Zimbabwe.

Terms and conditions

Since 2005, loan pricing has been set at Libor+40bp, with neither front end fee nor commitment fee. The maturities on Sovereign Guaranteed extend to 20 years including a 5 year grace period. In principle, the Bank can also consider lending in other currencies in which it can fund itself efficiently and for which there is sufficient demand.

Disbursements, principal repayments and all loan charges are denominated in the loan currency (ies) chosen by the Borrower.

Currency substitution clause: In the event of a disruption that constrains the Bank's access to a given loan currency, the Bank may replace the loan currency by a substitute currency until appropriate access is restored. The Borrower can accept the substitute

currency, withdraw the disbursement request, prepay the loan without penalty or cancel the un-disbursed portion of the loan. A Borrower that accepts a substitute currency will be billed on a pro-rata basis in the original loan currency (ies) and the substitute currency. Interest on the substitute currency portion of the loan will accrue at the rate applicable in the substitute currency.

Loan disbursement: Loan disbursements, which will generally occur in several tranches over an agreed disbursement period, are contingent on the fulfillment of disbursement conditions specified in the loan agreement and in accordance with the "General Conditions Applicable to Loan and Guarantee Agreements".

Loan duration: The Bank provides long-term financing to suit the needs of its Borrowers. Loans may have a maximum maturity of up to twenty (20) years, inclusive of the grace period. Maturity restrictions may apply to certain currencies and product types depending on market conditions.

Grace period: Grace periods are dependent on the specific characteristics of the project and the time required for its implementation but should generally not exceed 5 years. In exceptional cases, grace periods longer than 5 years may be considered subject to satisfactory justification of project requirements by the Borrower. The grace period starts from the date of signature of the loan agreement.

Principal repayment terms: The Bank's principal repayment terms provide for the payment of equal installments of principal, after the expiration of the grace period. Other principal repayment terms, notably, annuities, bullet repayment and step-up or step-down amortization of principal may be considered subject to satisfactory justification of project requirements by the Borrower.

Payment frequency: Interest and any other charges on the Bank's loans are payable semi-annually on any of the payment dates. The Bank has the following payment dates:

a. For floating and fixed rate loans February 1 and August 1 are the standard repayment dates; in addition any combination of the 1st and 15th of any month (excluding 1st January) in accordance with the payment frequency selected by the Borrower is acceptable.

b. For variable rate loan: February 1 and August 1, March 1 and September 1, April 1 and October 1, May 1 and November 1,and June 1 and December 1 are the standard repayment dates.

Monthly, quarterly, and annual payment frequencies are allowable (except for variable rate loans) subject to suitable justification by the Borrower, according to payment dates.

Loan status: In most cases, the Bank makes its loans on a "senior" basis. Unless the Bank specifically agrees to other arrangements, its loan must rank on a par, regarding debt service and security, with other senior loans of the Borrower.

Interest rate terms: The Bank provides several alternative interest rate mechanisms. In all cases, the applicable rate of interest is the sum of two components, namely; the chosen base rate plus a lending margin (or spread). These two components are described below. Interest rates on Bank loans are expressed as nominal rates.

Interest and any other charges are computed on the basis of the actual number of days elapsed and a 365-day year.

Base Rates: To provide its Borrowers with the flexibility to match the interest rate structure of their loans with their individual financial needs, the Bank offers three principal structures for the base lending rate, namely; floating base rate, fixed base rate, and variable base rate.

Floating Base Rate: The floating base rate is determined for each Loan currency and reset frequency based on the Bank's selected reference interest rate in each market. The Bank's standard floating base rate is the six (6) month reference rate (USD LIBOR, JPY LIBOR, EURIBOR and JIBAR) which is reset semi-annually on 1 February and 1 August and is applicable for the six month period following the reset date.

Fixed Base Rate: The principal feature of the fixed rate is that it remains fixed for the life of the loan. However, because loans are generally disbursed in several tranches and the rate applicable to each loan tranche is fixed independently, a single fixed rate loan is usually initially composed of several tranches each with a different interest rate. The fixed rate for each loan tranche is computed by the Bank as the inter-bank swap market rate corresponding to the principal amortization schedule of that tranche plus the lending spread of 40 basis points. When the disbursement of a loan is complete, the Bank gives its Borrowers the option to consolidate multiple loan tranches into a single equivalent structure to simplify the future administration of the loan.

*Variable Base Rat*e: The "variable base rate" uses the Bank's historical average cost of funding of a designated pool of borrowings in each currency as its reference and is adjusted semiannually on January 1 and July 1. Unlike the floating base rate that closely follows market interest rates; the Bank's variable base rate adjusts very slowly to changes in market interest rates.

Lending Margins: The lending margin is a rate premium expressed as a nominal interest rate added to the Borrower's chosen base rate to determine the total lending rate. The lending margin is determined by the Bank and is independent of the base rate chosen, and it remains unchanged throughout the life of the loan.

Loan fees

Prepayment Premium: Subject to having paid all interests and upon giving the Bank 45 calendar days notice, loans can be pre-paid in whole or in part. In the event of early repayment, the Bank may charge a prepayment premium that reflects the Bank's cost of redeploying the pre-paid funds. The premium is based on current market interest rates, loan interest rate and repayment structure of the remaining term of the loan.

Loan Cancellation: Loan cancellation will be in accordance with appropriate Bank financial policies and guidelines and/or provisions of the loan agreement.

10.1.2.1.2Non-sovereign Guaranteed Loans

Non-Sovereign Guaranteed Loans to Public- Sector Enterprises (Public-Sector NSGLs) are made to public enterprises that meet specific eligibility criteria, without the requirement of a sovereign guarantee by the host government.

Eligible Countries

Eligible countries for Public-Sector NSGLs are regional member countries (RMC) from the Bank's Category C and Category B or blend countries.

Eligible Sectors

Under NSGLs operations, the Bank may provide assistance to a public sector enterprise engaged in activities in any sector, including, but not limited to, manufacturing, infrastructure, extractive industries, energy, and other productive activities, provided that the enterprise meet the eligibility criteria.

Terms and Conditions

Currencies : Any currency(ies) from USD, EURO, JPY, ZAR and any other currencies if there is sufficient demand.* (*) Currency substitution clause is in effect Disbursement Disbursements are denominated in the selected currency(ies) and are contingent on the fulfillment of disbursement conditions specified in the loan agreement.

Maturity & Grace Period: Loan may have a maximum maturity of up to fifteen (15) years, inclusive of the grace period of up to five (5) years. The duration of the loan and the grace period will depend on the specific characteristics of the projects and Bank's borrowing market conditions. Final maturity longer than fifteen (15) years and grace period longer than five (5) years may be considered subject to satisfactory justification by the borrower.

Repayment terms (Repayments are in currency (ies) disbursed)

Principal: Equal installments of principal. Other principal repayment terms such as annuities, bullet repayment and step-up or step-down amortization of the principal may be considered subject to satisfactory justification of project requirements.

Frequency: Interest and any other charges on Bank's loans are payable semi-annually on Bank's standard payment dates. Monthly, quarterly and annual payment frequencies are allowable subject to suitable justification by the borrower.

Interest rate terms = Base rate + Lending margin

Floating base rate: it is determined for each loan currency and reset with the same frequency as the repayments, based on the Bank's selected reference interest rate in each market. The Bank's standard floating base rate is the six (6) month reference rate that resets on 1 February and 1 August.

Variable base rate: it is determined for each loan currency using the Bank's average cost of funding of a designated pool of borrowings as the reference rate. It is adjusted twice a year on 1 January and 1 July.

Fixed base rate: It is calculated as the swap market rate corresponding to the principal amortization schedule of a particular tranche of a loan plus a premium to reflect the Bank's refinancing risk.

Lending margin: Project specific risk-based margin

Fees

Commitment fee: 0 - 1% for MIC countries, 0.5%-1% for others. The commitment fee is applicable on the undisbursed loan balances. It starts accruing 60 days after loan signature and is payable each payment date. Front-end fee: 1% of the loan amount. Payable before or at loan signature.

Appraisal fee: The Bank may charge an appraisal fee on a case-by-case basis.

Prepayment premium: In the event of early repayment, the Bank may charge a prepayment penalty that reflects the Bank's cost of re-deploying the pre-paid funds.

Late payment penalty: In case of late payment, the Bank will charge a penalty of two percent (2%) in addition to the applicable interest rate on the late payment.

Cancellation: Unused portion of loans can be cancelled according to "The Guidelines on Cancellation of ADB loans and ADF loans and grants dated March 1994".

10.1.2.1.3Risk Management Product

A RMP is a financial product, which allows a client to transform the financial risk characteristics of its obligation under a loan or other instrument without renegotiating or amending the terms of the original instrument. The Bank offers RMPs to its clients in order to enable them to hedge their exposure to market risks including interest rate, currency exchange and commodity price risks. RMPs will be available to clients at the time of loan signature or at any time during the life of the loan.

Terms and Conditions

Maximum transaction amount: The maximum amount will always be limited to the outstanding loan amount.

Minimum transaction amount: Generally, the equivalent of USD 3 million. The minimum transaction amounts, however, may vary from one market to the other and are dependent on market conditions at the time of the transaction.

Maximum maturity: Dependent on the maturities available in the relevant market but not longer than the outstanding maturity of the underlying loan or the portion of the loan being hedged.

Currencies: USD, EUR, JPY, ZAR and other approved Bank lending currencies for which liquid derivative markets exist.

Starting date: The starting date on a RMP transaction must coincide with an interest payment date on the underlying loan.

Ending date: The ending date on a RMP transaction must coincide with an interest payment date on the underlying loan and be beyond the starting date.

Payment dates: Payment dates will coincide with the payment dates on the underlying loan or portion of the loan being hedged.

Early termination: The client may terminate the RMP transaction at any time. The client shall pay, as a single payment, within five (5) business days from the date of the termination transaction, the applicable transaction fee on the terminated principal amount in addition to the settlement of the mark-to-market value of the terminated RMP.

Termination due to late payment: The Bank retains the right to terminate a RMP transaction, if payment on the RMP transaction is late by more than 30 calendar days. The early termination provision, above, will apply.

Payment of premiums and fees: Premiums and fees are payable as a single, upfront payment within five (5) business days from the date of execution of the transaction. Premiums and fees must be paid from the client's own resources and not from the underlying loan proceeds.

Currency of payments: Premiums and and fees are paid in the currency of the hedges and not the currency of the undergoing loan.

Loan pre-payment: the RMP transaction will be automatically terminated if the related portion of the underlying loan is prepaid. The early termination provision, above, will apply.

Application of partial payments: A partial payment2 will be applied first to interest and other charges on the loan, then to the RMP transaction and finally to the loan principal. For public sector clients, if the partial payment net of interest and other loan charges is insufficient to settle the RMP transaction, for consistency with the Sanctions Policy, when applicable, a cure period of thirty (30) days from the payment due date will be granted. However, during the cure period the late payment fee for RMPs will apply.

Late payment fee: A late payment fee equal to the floating interest base rate in the currency of the payment plus one percent (1%) for public sector clients or two percent (2%) for private sector clients will apply to late payment amounts, in addition to any foreign exchange loss due to the delayed payment on the RMP transaction.

10.2 Japan Bank for International Cooperation

10.2.1 About

Japan Bank for International Cooperation has a statutory mandate to undertake lending and other operations for the promotion of Japanese exports, imports and economic activities overseas; for the stability of international financial order; and for economic and social development as well as economic stability in the developing economies, thereby contributing to the sound development of the Japanese economy as well as international economy. JBIC operates under the principle that it will not compete with financial institutions in the private sector.

Capital

International Financial Operations: 985.5 billion yen

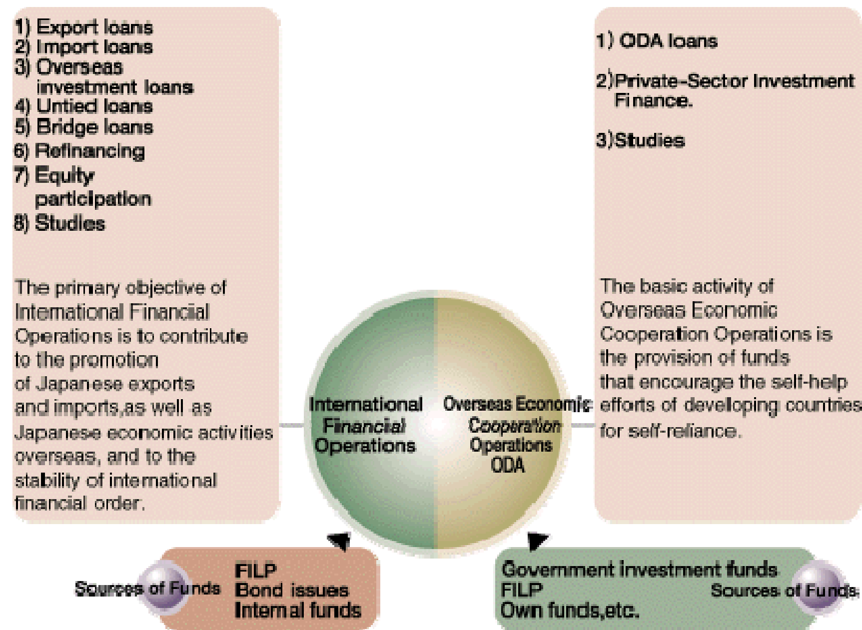
Overseas Economic Cooperation Operations: 7,231.5 billion yen

JBIC's operations consist of two distinct components:

a) *International Financial Operations contribute to the promotion of Japanese exports and imports, as well as Japanese economic activities overseas ,and to the stability of international financial order.*

b) *Overseas Economic Cooperation Operations support self-reliant development efforts in developing countries (ODA operations).*

These two kinds of operations are strictly separated in terms of financial sources and accounts.



10.2.2 Overseas Economic Cooperation Operations help Nation Building in Developing Countries

Overseas Economic Cooperation Operations provide financial assistance including ODA loans. The basic tenet of these operations is to provide concessionary long-term, low-interest funds needed for the self-help efforts of developing countries, including social infrastructure development and economic stabilization. More specifically, JBIC provides ODA loans in various forms attuned to the existing needs, Private-Sector Investment Finance Supporting business activities in developing countries, and development-related research.

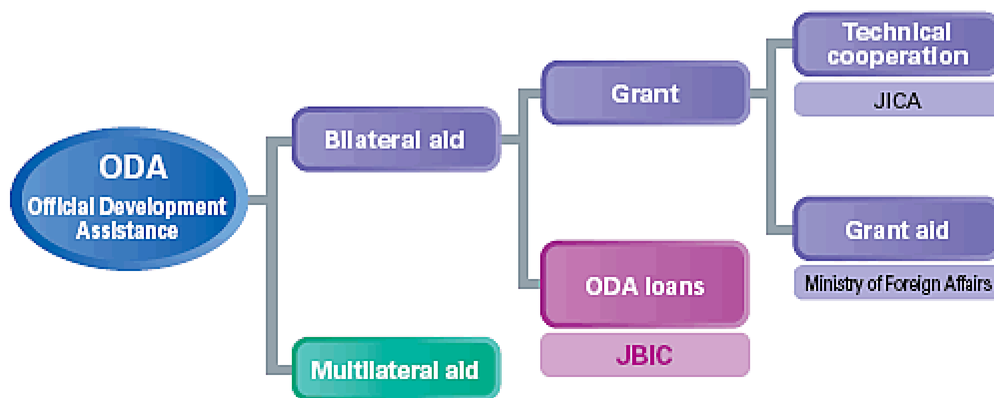
Among others, ODA loans are a key form of financial assistance that are indispensable in putting in place socioeconomic infrastructure for the economic development of developing countries. They account for 40 percent of Japan's official development assistance (ODA), making the Overseas Economic Cooperation Operations of JBIC as the cornerstone of Japanese ODA policy. In particular, a recent increase in financial demand for social development and rising needs to deal with global issues such as global environmental conservation have represented diverse development needs in different countries, calling for diverse and sophisticated functions of development assistance. The sources of finance for the Overseas Economic Cooperation Operations are composed of contributions from the general budget, funds from the fiscal investment and loan program and others. The former comes from tax revenues and government

bonds issues, whereas the latter is borrowings under the FILP, which may be traced to postal savings deposits and other sources. In view of such nature of these funds used in the Overseas Economic Cooperation Operations, vigorous efforts for information disclosure are underway to ensure transparency.

10.2.2.1 Official Development Assistance (ODA) and ODA Loans

ODA is broadly divided into bilateral aid, in which assistance is given directly to developing countries, and multilateral aid, which is provided through international organizations. Bilateral aid consists of concessional loans (ODA loans, etc.) and grants (grant aid and technical cooperation). Of these, JBIC provides concessional loans in Overseas Economic Cooperation Operations as ODA loans.

Types of ODA



JBIC follows the ODA Charter and Medium-Term Policy on ODA established by the Japanese government and has prepared the Medium-Term Strategy for Overseas Economic Cooperation Operations which indicates priority areas and regions where JBIC places the focus in conducting operations.

10.2.2.2 Characteristics of ODA loans

Ownership is crucial for economic growth and poverty reduction in developing countries. ODA loans, which require repayment, promote efficient use of the borrowed funds and appropriate supervision of the project they finance, thereby underpinning developing countries' ownership in the development process. In addition, as ODA loans are financial assistance with repayment obligation, they place a relatively small fiscal burden on the Japanese government and represent a sustainable instrument for official development assistance.

10.2.2.3 Target areas

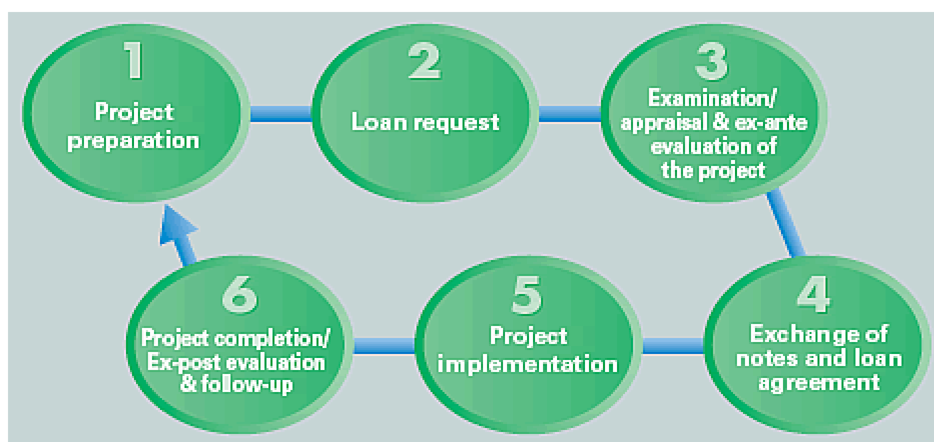
International organizations and developed nations are making a variety of efforts to achieve the MDGs. The ODA Charter adopted by the Cabinet in August 2003, moreover, assigned priority on poverty reduction and peace building, in line with the MDGs. Following the ODA Charter, ODA loans are being actively used to provide support in the areas contributing to poverty reduction, peace building and addressing global issues.

10.2.2.4 Target regions

Although ODA loans are primarily offered to countries in the Asian region given their strong geographical, historical, and economic links to Japan, there are also strong needs in countries other than those in the Asian region. JBIC has supported a wide range of countries and regions totaling 95 with ODA loans.

10.2.2.5 Project Cycle of ODA Loans

ODA loans follow six steps. As lessons learned from the ex-post evaluation at the final stage will be fed back to preparations of new projects, this flow of steps is called the project cycle.



10.2.3 Contact information

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Public Information and Disclosure Division
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Fax : + 81-(0)3-5218-3955
E-mail : E-mail to us

For inquiries about JBIC bonds

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Capital Markets Division
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E-mail: ir@jbic.go.jp

10.3 Inter American Development Bank

10.3.1 About

The IDB is today the main source of multilateral financing for sustainable economic, social and institutional development in Latin America and the Caribbean, as well as for regional integration. It provides loans, grants, guarantees, policy advice and technical

assistance to the public and private sectors in its Latin American and Caribbean borrowing member countries. Fulfi lling a long-standing Latin American aspiration, the IDB was established in 1959 with bold mandates and novel tools that made it a model for other regional development banks.

The IDB Group is composed of the IDB, the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF). The IIC focuses on support for small and medium-sized businesses, while the MIF promotes private sector growth through grants and investments

10.3.2 How Does the IDB Operate?

Operations of the IDB are guided by general operational policies, common to financing activities in all fields, and sector policies, which provide guidance in specific fields of activity. The Bank also has a procurement policy and an information disclosure policy.

The IDB's lending program is guided by strategies. It has an institutional strategy as well as sector strategies.

The Bank obtains its financial resources from its members, borrowings on the financial markets, funds it administers and loan repayments. It uses those resources to finance loans, grants, guarantees and investments for development projects in Latin America and the Caribbean.

Profit is not the IDB's main goal, but it does operate under financial principles similar to those of private banks. Its administration and asset management activities include receiving interest income from its loans and using cash management strategies to invest funds not immediately needed for disbursements.

The IDB accepts comments and opinions from the public on drafts of selected strategies and policies via periodic public consultation and participation exercises. The Bank also promotes the use of participation programs to encourage project beneficiaries to become involved in project preparation and implementation activities. It has an information disclosure policy that governs access to information on its operational activities.

The IDB has numerous committees and mechanisms in place to ensure sufficient audit and oversight for its projects and administration. The Bank also evaluates its activities to systematically assess the results of the activities it finances and related processes. Finally, it has initiatives, systems and organizational mechanisms in place to measure development effectiveness in its projects and its own operations and practices.

10.3.3 Contact information

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Washington, D.C. 20577, USA
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11 Carbon Finance

11.1 The World Bank Carbon Finance Unit

11.1.1 About

The World Bank Carbon Finance Unit (CFU) uses money contributed by governments and companies in OECD countries to purchase project-based greenhouse gas emission reductions in developing countries and countries with economies in transition. The emission reductions are purchased through one of the CFU's carbon funds on behalf of the contributor, and within the framework of the Kyoto Protocol's Clean Development Mechanism (CDM) or Joint Implementation (JI).

Unlike other World Bank development products, the CFU does not lend or grant resources to projects, but rather contracts to purchase emission reductions similar to a commercial transaction, paying for them annually or periodically once they have been verified by a third party auditor. The selling of emission reductions - or carbon finance - has been shown to increase the bankability of projects, by adding an additional revenue stream in hard currency, which reduces the risks of commercial lending or grant finance. Thus, carbon finance provides a means of leveraging new private and public investment into projects that reduce greenhouse gas emissions, thereby mitigating climate change while contributing to sustainable development.

11.1.2 How does it work?

The World Bank manages about one billion dollars to purchase credits of greenhouse gas emission reductions from projects that are expected to be registered for the purposes of the Kyoto Protocol's Article 12 (Clean Development Mechanism) or Article 6 (Joint Implementation). The following features should be taken into account while considering next steps for your project:

1. The World Bank helps to prepare all the carbon documentation for CDM and create the carbon asset. They advance funds for the preparation of this documentation if required and cap them in their Letter of Intent, which would provide with certainty and limit any unforeseen risks or costs. They recover the costs of preparing the CDM documentation from our future carbon payments to the project.

2. They the option of buying VERs (Verified Emission Reductions) or CERs (Certified Emission Reductions). When they purchase VERs, they will pay for the emission reductions when they complete their process of creating the carbon asset (upon an independent validation and issuance of a yearly or periodic verification reports), independent of how long it might take the UNFCCC to certify , issue and register the emission reduction. This constitutes a low-risk carbon cash flow to the project which the project can count on from a credit-worthy carbon buyer paying in hard currency. Unlike many Certified Emission Reduction (CER) contracts, the project is not penalized for regulatory delays outside their control. When the regulatory risk is low, ie. in projects where applicable baseline and monitoring methodologies have already been approved, or in sectors where the approval of the methodology is highly likely, the

customer may elect to sell CERs to the World Bank, which would obtain a better price than VERs. However in those cases, payment depends on certification, issuance and registration by the UNFCCC and its bodies.

3. Since some projects may be somewhat marginal in terms of IRR, World Bank's value proposition also includes:

   - A carbon payment stream beyond 2012 to ensure the viability of the project (most other buyers only buy carbon until 2012 when we purchase VERs.

   - Up to 25% of the ERPA value payable upfront and undiscounted, i.e. at identified benchmarks after financial closure, in cases where it can be demonstrated that such advance payment is absolutely necessary.

11.1.3 Minimum Project Requirements

Type of Project

- Greenhouse gases targeted should be those covered under the Kyoto Protocol (CO2, CH4, N2O, HFCs, PFCs, and SF6); and
- The Carbon Finance Unit, in accordance with the Marrakesh Accords, can support afforestation and reforestation projects in non-Annex I countries, and a whole range of land use, land-use change and forestry projects in Annex I countries.

Adequate Emission Reductions (ERs) Volume

The ER volume must be big enough to make a project viable under the CDM -- for example, a small-scale project should generate a minimum threshold of 50,000 tCO2e/year.

Demonstration of Additionality and Determination of Baseline Scenario and Emission Reductions

- Why the project should not happen on its own? (does project have significant barriers, or is not the most economically attractive)
- What could have happened in the absence of the project?
- Sources of emission reductions and total ER volume

Competent Project Participants and Clear Institutional Arrangement

- Technically experienced and sound project developers with clear division of functions.
- Demonstration of sound legal arrangement -- for example, who owns, who operates, and what type of agreement between project participants as well as with third party (e.g. power purchase agreement, ownership agreement, water right)

Viable Business and Operation Model that Helps Reduce Transaction Costs

- Potential for scale-up
- Involvement of intermediaries who can invest, bundle, and implement project-related CDM services locally

Ratification of Kyoto Protocol by the Host Country

- Has the host country ratified the KP or expressed its intention to ratify the KP in due course?
- Project should identify specific locations for its implementation.

Financing Sought

- The World Bank Carbon Finance Unit will not provide debt and/or equity finance for the baseline component of the project. The baseline component of the project should be financed by other sources;
- Payment on delivery of Emission Reductions.

Sound Financing Structure

- Sound financial health of project sponsors and co-financiers.
- The sooner the project can achieve financial closure, the better the chances of selection are

Technical Summary of Project

- Project should be replicable and/or facilitate technology transfer for the country;
- Technology to be applied must be an established and commercially feasible one in somewhere other than the country in consideration; and
- Project proposal should contain sample cases of the technology applied in the past in order to show its commercial feasibility.

Expected Environmental Benefits

Evidence should be given that the project is additional to the baseline or reference scenario, which represents the most likely or business-as-usual scenario in the country.

Safeguard Policies of the World Bank Group

The Bank Group has a body of well-developed, mandatory Safeguard policies which apply to all World Bank operations, as well as an extensive set of good practices. These are applied to CFU operations to ensure that they are environmentally and socially sound, whether baseline financing is from the Bank Group or from a third party project supplier. The project must be consistent with these safeguard policies and the host country's overall sustainable development framework.

Contribution to Sustainable Development

As defined by the host country. For some end-of-pipe type of projects, contribution to sustainable development can be manufactured through re-investment in host community of some revenues from carbon finance.

11.1.4 Carbon Funds and Facilities

Given below are some funds for Carbon Financing, providing an overview of their respective funding criteria. However, the list is not exhaustive and more funds are listed in the website (www.carbonfinance.org)

Prototype Carbon Fund

A partnership between seventeen companies and six governments, and managed by the World Bank, the PCF became operational in April 2000. As the first carbon fund, its mission is to pioneer the market for project-based greenhouse gas emission reductions while promoting sustainable development and offering a learning-by-doing opportunity to its stakeholders. The Fund has a total capital of $180 million.

The Netherlands Clean Development Mechanism Facility (NCDMF)

The World Bank announced an agreement with the Netherlands in May 2002, establishing a facility to purchase greenhouse gas emission reduction credits. The Facility supports projects in developing countries in exchange for such credits under the Clean Development Mechanism (CDM) established by the Kyoto Protocol to the UN Framework Convention on Climate Change.

The fund purchases Emission Reductions from projects in the following categories: (i) renewable energy technology, such as geothermal, wind, solar, and small-scale hydro-power; (ii) clean, sustainably grown biomass (no waste); (iii) energy efficiency improvement; (iv) fossil fuel switch and methane recovery; (v) sequestration.

Opportunities for both Developed and Developing Countries

For developed countries, such as the Netherlands, the establishment of a clean development mechanism facility increases the range of options for complying with their Kyoto Protocol emission reduction requirements, while at the same time promoting sustainable development, capacity building, fostering of knowledge, and market creation.

The Netherlands CDM Facility provides an excellent opportunity for many more developing countries to gain invaluable experience, by undertaking their first commercial transactions for the purchase of emission reduction credits under the CDM, and to compete in the emerging global carbon market.

Italian Carbon Fund

In fall 2003, the World Bank entered into an agreement with the Ministry for the Environment and Territory of Italy to create a fund to purchase greenhouse gas emission reductions from projects in developing countries and countries with economies in transition that may be recognized under such mechanisms as the Kyoto Protocol's CDM and JI. The Fund is open to the participation of Italian private and public sector entities and has a total capital of $155.6 million.

Contact:

To be contacted through the Carbon Finance Help Desk in the website www.carbonfinance.org

11.2 United Nations Environment Program (UNEP)

11.2.1 Using Carbon Finance to Promote Sustainable Energy Services in Africa (CF-SEA)

A joint UNEP-World Bank initiative, Carbon Finance for Sustainable Energy in Africa (CF-SEA), has started in Cameroon, Ghana, Mali, Mozambique and Zambia.

Since its launch in May 2005, teams have been working with host government agencies, banks and project sponsors to develop an initial pipeline of CDM investment opportunities some of which the World Bank hopes to finance through its Community Development Carbon Fund.

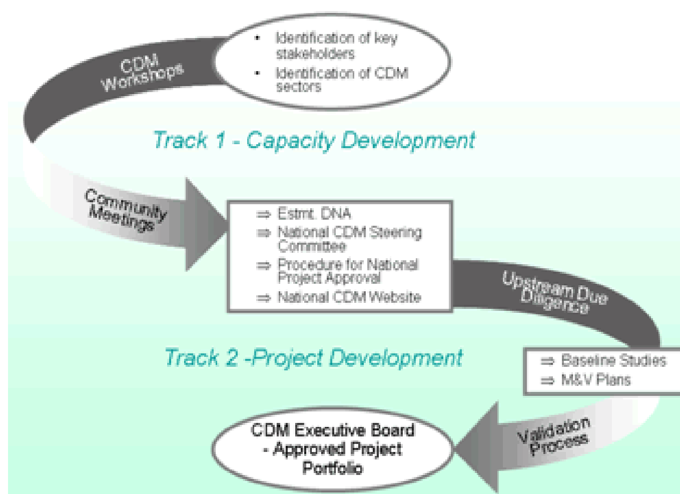
In all countries, particular interest has been manifested by local waste management operators, local and international hydro- and bioenergy project developers and local banks. Thanks to the joint efforts of local NGOs, project sponsors, international and local consultants, significant progress has been made in the identification and development of carbon project opportunities.

CF-SEA - The Programme Rationale

There is a pressing need to bring together the different experts, financiers and authorities needed to trigger CDM project activities in Sub-Saharan Africa. To address this deficit, CF-SEA is targeting African countries that offer sensible prospects for implementing a number of CDM projects within a reasonable timeframe.

In each of the target countries, the programme is working with a number of project developers to identify, prepare and take to market specific carbon projects, and strengthen the capacity of local carbon experts, co-financiers and governmental authorities to engage in CDM activities.

CF-SEA - The Dual-Track Project Schedule



Track 1 - Capacity Development for CDM

At the outset of programme activities, country teams identified potential local and regional intermediaries, institutions and experts and assessed their capabilities to bring deals to the market through desk- and field work.

Then hands-on training and capacity-building was provided to institutions/experts through technical training courses, field trips, web-based training and project development workshops.

Capacity development activities were modular and responded to the existing capacities and capacity-gaps of each organisation/ expert. Most importantly, technical training was provided to public sector experts who were mandated by the UNFCCC to designate a national authority. The training programme then focused on improving the ability of Designated National Authorities (DNAs) to secure a smooth and timely evaluation- and approval process for CDM projects, and act as enabling intermediary between project sponsors, certified emission reduction (CER) buyers, financial institutions and involved interest groups.

Track 2 - Targeted Technical Assistance for Project Preparation

In most countries, the programme has entered the Track 2 stage, or the "learning by doing" component of the programme, where experienced international carbon-consultants are providing the technical expertise, and financial engineering needed to successfully bring Project Idea Notes (PINs) and Carbon Finance Documents (CFDs) forward. In close collaboration with local partners, the CDM specialists are helping to move CDM proposals through the due diligence, documentation and validation processes, and liaise with the various governmental, financial and operational actors needed to move projects to financial closure.

For each selected country, the consultants are working with local project sponsors and project developers to assess the potential for projects including such technologies as landfill gas, biomass-valorisation, mini-hydro, energy efficiency, etc. The consultants are helping developers gather all information needed for a PIN and a CFD and are making suggestions as to how the project may be adjusted. The consultants are also looking at how projects can be bundled if they are too small by themselves and provide help on other critical issues such as financial analysis and financing gaps to be filled.

Implementing Agencies

Programme implementation and management is being carried out jointly by UNEP Division of Technology, Industry and Economics (DTIE), the UNEP RISOE Centre, and the World Bank's Community Development Carbon Fund (CDCF). Project funding is provided through contributions from the UN Foundation and the CDCF.

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