SUSTAINABLE ENERGY FINANCE THROUGH FINANCIAL INSTITUTIONS

Financial Institutions Group & Treasury Client Solutions
Overview of IFC and Sustainable Energy Finance
The World Bank Group has adopted two ambitious goals:

- **End extreme poverty**: the percentage of people living with less than $1.25 a day to fall to no more than 3% globally by 2030.
- **Promote shared prosperity**: foster income growth of the bottom 40% of population in developing countries.

**Overview of IFC**

**Five Institutions, One Group**

- **International Finance Corporation**
  - Provides loans, equity, and advisory services to private sector in developing countries.

- **International Bank for Reconstruction and Development**
  - Provides loans to middle-income and credit-worthy low-income country governments.

- **International Development Association**
  - Interest-free loans and grants to governments of poorest countries.

- **Multilateral Investment Guarantee Agency**
  - Guarantees of foreign direct investment’s non-commercial risks.

- **International Centre for Settlement of Investment Disputes**
  - Conciliation and arbitration of investment disputes.
Climate change is a strategic priority for IFC because it threatens development gains.

Constraints to private sector growth in infrastructure, health, education, and the food supply chain.
Overview of IFC

IFCs Climate Business registered steady growth through financial institutions, IFC has committed over US$4 billion till date.

In FY15, IFC surpassed its publicly stated climate business target of 20% penetration by reaching 22% of total volumes.

For FY20, the World Bank Group as a whole has committed to reaching 28% of climate penetration into total investment volumes.
Why are Banks becoming increasingly interested in SEF?

**SEF BUSINESS**

- **Contributes to improve portfolio risk profile**
- **Aligned with global trends**
- **Brings value to Banks**: New income, new clients, differentiation, reputation and branding.
- **Can be implemented across all Bank segments**
Holistic view of sustainable bank

SUSTAINABLE BANK

GREEN ASSETS
- Resource efficiency
- Energy efficiency (EE): Renewable energy (RE)

GREEN LIABILITIES

CORPORATE SOCIAL RESPONSABILITY POLICIES (CSR)

SOCIAL AND ENVIRONMENTAL RISKS MANAGEMENT SYSTEM
Why a Financial Institution would Issue Green Bonds?

Benefits to the Issuer

- Enhancement of Franchise value
- Tapping a wider investor base creating a value added offering for the existing investor base
- Encouraging greater institutional focus on climate and environmental finance therefore supporting the growth of a nascent business line
- Establishment of improved monitoring and reporting requirements to better capture positive impacts of the bank’s environmental finance activities
- Over time, increased demand is likely to drive increasingly favorable terms and a better price for the issuers, compared to a regular bond from the same issuer
- Risk mitigation: regulations in certain markets allow an issuer to raise longer term funding, a critical source for banks to expand their infrastructure funding, and alleviate its asset liability mismatches

Investor’s view on green bonds:
“As strong believers in the change green bonds can achieve, we think corporations across all industries should consider issuing [them]”
Enrico lo Guidice – MainStreet Partners

Issuer’s view on green bonds:
“Being the first Australian corporate to issue a green bond has confirmed that investors recognize our leading sustainability credentials and are confident in our commitment and ability to consistently deliver sustainable outcomes on our projects.”
Tiernan O’Rourke, Chief Financial Officer – Stockland

Market’s view on green bonds:
“Green bonds also attract new investors. When Unilever, a consumer-goods company, issued a £250m ($416m) green bond in March, 40% of the issue was snapped up by people outside Britain—an uncommon response to a sterling bond” – Economist
Solutions for climate mitigation and sustainable development

**ENERGY:** Low carbon generation, energy efficiency, storage, smart grids, sustainable energy access

**TRANSPORTATION:** Energy efficient components, fuels and logistics

**WATER:** Capture, treatment, conservation, wastewater treatment, access

**AIR & ENVIRONMENT:** Carbon credits, trading and offsets

**BUILDINGS:** Green buildings, green mortgages, etc.

**MANUFACTURING:** Green chemicals, RE/EE supply chain, cleaner production.

**AGRICULTURE & FORESTRY:** Land mgmt, low carbon and adaptation strategies, biomass.

**RECYCLING & WASTE:** Recycling and waste treatment services
IFC Value Proposition
IFC's Green Bond Experience

• Since its inaugural issue in 2010, IFC has been one of the pioneers in the Green Bond market and one of the largest global issuers.

• By June 30 2015, IFC has issued US$3.8 billion in Green Bonds through 37 transactions in 9 currencies including Chinese Renminbi, Turkish Lira, etc.

• In Feb 2013, IFC issued a US$1 billion green bond, the largest ever issued by any entity at the time and the first liquid benchmark green issuance that catalyzed the growth of the market from a niche product to main stream market instrument.

• In July 2015, IFC became the 1st issuer of offshore rupee green bonds and used the proceeds of INR 3.15 billion (~$49.2 million) in a green bond issued by Yes Bank, a leading Indian private sector bank.

• IFC also plays a leadership role in developing guidelines and procedures for the green bond market as a member of the Green Bond Principles Executive Committee.
What is IFC’s Value Proposition?

A complete package for clients

• Step 1: Technical support to issue a credible green bond
• Step 2: Bond structuring; depending on the product type
• Step 3: Mobilization; bringing other global investors

Our services include

• Ability to share expertise in Climate Business, Capital Markets and Green Bond market in one package
• Transfer knowledge and guide the issuance process to comply with the Green Bond Principles
• Ability to share the best in class impact reporting tools like CAFI tool, as part of the two-day training support to IFC’s client
• Ability to commit and invest in a local currency green bonds and catalyze off-shore investors along side IFC
• We bring a strong knowledge of socially responsible and impact investors
• Flexible investment horizon and approach, working with clients through their financing needs as easy and convenient as possible – from bridge financing, loan, bond, anchor investment, credit enhancements and other structured products
• Helps banks reduce transaction cost by quickly and easily determining whether a sub-project meets climate criteria
• It covers climate categories like renewable energy, energy efficiency, and special climate
• New categories like green buildings, fleet replacement, solid waste management, fuel switch, water efficiency, etc. will be shortly available
• Is a user-friendly tool with both portfolio monitoring and analytics functionality
• Available in multiple languages (Chinese, English, French, Russian, and Spanish)
• Also available in an excel format (files can be easily uploaded on the web-platform)
• To access to the application visit: https://cafi.ifc.org (only for IFC clients)
IFC can deliver a structured Climate Finance Advisory, to build bank’s internal capacity to independently manage a broader service offering to meet its client needs.
Helping Clients Access Capital Markets
IFC Debt Capital Market ("DCM") Product Offering

IFC offers a range of instruments aimed at helping clients successfully issue debt instruments (e.g. straight bonds, themed bonds, structured debt) in both international and domestic capital markets.

### 1. ANCHOR INVESTMENT

**Product:**
- Investment in:
  - Plain Vanilla Bonds
  - Green Bonds
  - Asset Backed / Structured Debt, etc

**What:**
Direct financing via purchase of a substantial portion of an issuance.

**How:**
IFC commits to subscribe to an issuance ahead of the public offering, which can be communicated to prospective investors to send a positive signal.

### 2. Credit Enhancement

**Product:**
- Guarantee on:
  - Bonds
  - Asset Backed / Structured Debt

**What:**
Partial guarantee of an issuance to improve the risk profile of the instrument.

**How:**
IFC provides a partial credit guarantee to improve the credit rating of an issuance for wider investor access and longer term financing.

### Best Practice

**Supporting the process:**
- Leverage IFC’s experience as a bond issuer to offer advisory on regulations, documentation and structuring across products
- Bring in partners that can provide additional resources

### Comprehensive Financing Solution

**Flexible approach to tailor offering to issuance process:**
- IFC’s approval to invest can be applied flexibly in the form of an Anchor Investment, Partial Credit Guarantee, or Loan disbursement / bridge financing if the bond issuance is delayed
## Anchor Investments

### IFC’s commitment to a Client’s issuance

**IFC as an Anchor Investor**
- Commitment is publicly communicated via the prospectus or during the roadshow
- Boosts investors’ confidence to improve subscription levels
- Subject to regulations, IFC may participate in the roadshow

**Support to the Client**
- Enhance access to primary debt markets for:
  - First-time issuers
  - Entry into new markets
  - Issuance in an adverse macro-economic environment
  - Tenor extension issuance

**Brand and Visibility**
- Lends IFC’s brand to the transaction, increasing its visibility in the market.
- IFC’s “stamp of approval” sends a positive signal to prospective investors
- Augments credibility of the issuance process

**IFC Flexibility**
- IFC is open to consider various options that fit the client’s needs. i.e. security type, market of issuance, form of documentation, currency of denomination, etc.
- Debt instruments IFC will consider include: corporate bonds, convertible bonds, callable bonds, covered bonds, green bonds, project bonds, Sukuk, etc.

“IFC’s Anchor Investment is a commitment to participate in a new issuance.”
IFC Partial Credit Guarantee (PCG) for Bonds

**Basics**
- IFC irrevocably guarantees due payment to bondholders, up to Guarantee Amount.
- IFC PCG can reduce both probability of default and loss given default.
- Objective is to offer minimum guarantee amount necessary to facilitate successful transaction.

**Benefits to Issuers**
- Access to wider investor base.
- Paves the way for future issuances without enhancement.
- Extend maturity.
- Rating increase.

**Benefits to Investors**
- Reduced loss given default.
- Reduced probability of default.
- IFC due diligence and supervision.
- “Stamp of Approval”.

**Diagram**
- Investors
  - Guaranteed Notes
  - IFC Guarantee
- Issuer
  - Stand-by Loan Agreement
- IFC
  - Investor Guarantee
  - Issuer

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Helping Clients Access Capital Markets
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