IFC IS THE LARGEST DEVELOPMENT BANK FOCUSED SOLELY ON THE PRIVATE SECTOR

Main driver of private sector development in the World Bank Group

- Profitable since 1956
- Almost 60% of IFC’s ~4,000 staff work in field offices
- More than 100 offices in 95 countries

We create opportunity for people – to escape poverty and improve their lives
INTEGRATED SOLUTIONS, INCREASED IMPACT

Over $50 billion committed portfolio
(IFC own account, FY 2015)

Latin America and the Caribbean          $11,198 (22%)
Europe and Central Asia                  $8,947 (18%)
Sub-Saharan Africa                       $8,681 (17%)
East Asia and the Pacific                $8,398 (17%)
South Asia                               $6,053 (12%)
Middle East and North Africa             $5,923 (12%)
Global                                   $1,203 (2%)

INVESTMENT
(Loans, Equity, Trade Finance, Syndications, Derivative and Structured Finance, Blended Finance)

ADVICE
(Integrated with IFC Investment)

IFC ASSET MANAGEMENT COMPANY
(Mobilizing and Managing Capital for Investment)

3 Product Areas:
Financial Markets 32%
Telecommunications & Information Technology 4%
Oil, Gas, & Mining 5%
Trade Finance 5%
Agribusiness & Forestry 7%
Funds 8%
Consumer & Social Services 8%
Manufacturing 11%
Infrastructure 20%

3 Focus Industries:
- Manufacturing, Agribusiness, Services
- Infrastructure and natural resources
- Financial institutions
IFC CAN SUPPORT MUNICIPALITIES SEVERAL WAYS

**IFC Advisory**

- **PPP Transaction Advisory**
  - Specializes in advising public sector on the introduction of private sector participation in the delivery of infrastructure services though PPP
  - Supports Municipality w/:
    - Concession structure
    - Transparent procurement process
    - Engaging qualified private sector firms (investors) to participate in RFP
  - Mobilize debt providers
  - **Advisory Service**
  - Technical Assistance

**IFC Infrastructure Investment**

- Provide financing to private companies who are providing services to the Municipality through a PPP/BOT concession
- Mobilize other sources of capital

**IFC Subnational Finance Program**

- Provide municipal financing directly to Municipal and regional governments, and their service entities
- Support the issuance of municipal debt (bonds)
- Mobilize financing sources
IFC Subnational Program offers:

- Long-term financing of essential public infrastructure **without sovereign guarantee**
- Mobilization of financial resources (syndication, parallel loans, credit guarantees)
- Access to IFC Advisory services (energy efficiency program, PPP advisory, cleaner production)
- Technical Assistance of WBG (PPIAF-SNTA)
- Access to **global experience** and expertise of World Bank Group
Total Subnational Finance Program since 2003

- Includes both Municipal Infrastructure and Other Subnational (transactions with SOEs and Financial Institutions)
  - >US$ 2.0 billion committed
  - ~US$ 750 million mobilization
  - ~US$ 1 billion outstanding
- 53 projects and 41 clients in 24 countries

Municipal Infrastructure Program since 2003

- ~1.0 billion committed
- ~US$ 300 million outstanding
- 37 projects and 26 clients in 13 countries
IFC financing under the umbrella of Subnational Finance Program is available to:

- Municipal and regional governments, and their service entities, including municipal companies
- Selected nationally owned infrastructure enterprises (SOEs)
- Banks and other financial intermediaries that finance subnational infrastructure
- Public Private Partnerships (PPPs) that provide key subnational infrastructure services
SECTOR COVERAGE

- Water, wastewater, solid waste management
- Roads, traffic engineering, bus transit systems, intercity rail track
- Power transmission and distribution, gas networks
- Fixed common (landlord) infrastructure in ports and waterways
- Urban streets, street lighting
- Social infrastructure, such as health and education
- District heating
- Other essential public services

**Subnational Finance Program since 2003**

**by volume**

- Water: 8%
- Transport/Roads: 46%
- Education: 4%
- Health: 0%
- Multiple sectors: 8%
- Other: 6%
- Power: 27%
- District Heating: 1%

**by project count**

- Water: 15%
- Transport/Roads: 41%
- Education: 6%
- Health: 2%
- Multiple sectors: 13%
- Other: 2%
- Power: 15%
- District Heating: 6%
AVAILABLE FINANCING INSTRUMENTS

Debt:
- Senior loans
- Subordinated loans
- Pooled loans/Bonds

Structured Products:
- Partial credit guarantees
- Risk-sharing facilities
- Securitizations

Equity and Quasi-equity:
- Long-term capital

All products:
- Do not require sovereign guarantee
- May be available in local currency
- Processed in 3-6 months … if the client is ready
- Limited TA bundled with financing.
- TA grants can be applied for separately (e.g. from PPIAF-SNTA)
- Commercial pricing

Subnational Finance Program since 2003

(by volume)
- Local Currency Loan: 24%
- Risk Sharing Facility: 9%
- Bond Guarantee: 2%
- Equity: 11%
- Loan Guarantee: 0%
- Foreign Currency Loan: 54%

(by project count)
- Local Currency Loan: 38%
- Risk Sharing Facility: 2%
- Bond Guarantee: 6%
- Equity: 4%
- Loan Guarantee: 2%
- Foreign Currency Loan: 39%
PROJECT CYCLE

Steps with Client involvement

- Initial Discussions
- Mandate Letter
- Field Appraisal - Financial, Economic, Technical, Social, Environmental
- Financing Negotiations
- Legal Agreement Signing
- Disbursement

IFC Internal Steps

- Initial Review and Authorization to Appraise
- Credit Approval
- Board Approval

Supervision/Evaluation
INVESTMENT CRITERIA

- Development Impact
- Financial
- Socio-economic
- Technical
- Institutional
- Regulatory
Case studies

IN SUBNATIONAL FINANCE
CASE STUDY 1 – UFAVODOKANAL (RUSSIA)

• A corporate 6-year loan of RUB500 million (~$16.5m) to a municipal company (Ufavodokanal) to finance capital expenditures and debt refinancing related to waste water treatment plant rehabilitation in 2009-2010.
• The loan is fully guaranteed by the municipality (the City of Ufa) and repaid from the cash flow of the company (tariff revenues)
• 50% of IFC financing was used to finish and launch a new 80%-completed wastewater processing block
• Another 50% of the loan helped to refinancing of the maturing debt from local banks, which was also used to fund the water sewerage rehabilitation program
• The project stopped disposal of untreated wastewater and significantly improved overall quality of wastewater discharged
CASE STUDY 2 – MYTISCHI (RUSSIA)

• A RUB300 million (~$10m) loan to municipal company (UZ ZhKKh) signed in June 2009 and maturing in 2015

• The municipal company implements the project on behalf of the municipality (the City of Mytischi)

• The City fully guarantees the loan and provides subsidy to the company to repay principal and interest

Project:

✓ Installation of 80 individual heat substations (IHS)
✓ Rehabilitation of 14 km of heat distribution pipes to be completed in 2011

Major impacts:

✓ reduced heat losses and electricity consumption
✓ reduction of make-up water losses
✓ reduced maintenance cost
✓ more efficient heat consumption
• 10-year $10 million loan to the City of Chisinau, Republic of Moldova

• The Project supports the 2010-2011 capital investment program of the City of Chisinau, that includes investments in essential infrastructure.

• IFC worked closely with the client to select high priority subprojects and ensure effective procurement

• Support of high priority capex needs:
  ✓ rehabilitation of key streets
  ✓ rehabilitation of the most obsolete parts of water/wastewater network

• IFC loan is paid from the general budget revenues
CASE STUDY 4 – PODGORICA (MONTENEGRO)

- 12-year EUR10 million loan to Podgorica, the Capital City of Montenegro disbursed in late 2010
- IFC loan will be repaid from the general budget revenues of the Municipality starting 2013
- IFC financing was used to complete the construction of the bypass which was delayed with the economic slowdown and reduced availability of long-term finance in the market

**Expected outcome:**

- reduced vehicle operating costs and travel times for over 30,000 people
- alleviate traffic congestion in the centre of Podgorica, thus mitigating accidents, noise and air pollution
CASE STUDY 5 – ISTANBUL METRO (TURKEY)

- IFC 10-year corporate loan of EUR50 million to Istanbul Metropolitan Municipality
- IFC participated in a EUR526 million syndication along with 12 other banks/IFIs
- IFC helped close a financing gap, and provide comfort to commercial lenders in a tightening global credit environment

**Project:**
- construction of the 22 km long metro rail line on the Asian side of Istanbul; connect to the Bosphorus Tube Tunnel crossing

**Key Outcomes:**
- help reduce travel time and improve mobility along a highly congested traffic corridor transporting some 450,000 riders per day by rail transit by 2012
- associated climate change and public health benefits.
CASE STUDY 6 – CHUVASH BONDS (RUSSIA)

- RUB 1 billion ($35 million) 5 year bond issued by the Chuvash Republic in 2006 to finance its capital expenditure program
- The IFC guarantee covers an amount up to 23% of the outstanding principal of the bond
- First subnational bond in Russia with a third party guarantee

**Outcomes:**

- The IFC guarantee supported the Republic’s effort to access longer term funding for basic infrastructure improvement.
- An IFC partial credit guarantee helped achieve a Moody’s international scale Ba2 rating and Aa2.ru local scale rating, one level above the Chuvash Republic’s standalone rating.
• IFC Risk Sharing to BBVA (Bank) allow them to increase the size of their loan to Metropolitan Municipality of Lima.

• Project: $90 million 5-year loan to Lima to finance a bus rapid transit.

• IFC provided up to 50% risk-sharing of a $64 million portion of a loan from BBVA to Lima.

• Development impact: Improved urban transport for over 500,000 passengers per day. 46% reduction in travel time on trunk corridor. Annual reduction of 200,000 tons of CO2.
CASE STUDY 8 – KARACHI PORT (PAKISTAN)

A US$70 million loan to finance restoration of Karachi Port damaged in 2007 by monsoons

Project (US$220 million):
- 1st stage – restoration and improvement of 5 berths financed by IFC
- 2nd stage - reconstruction of non-operational berths financed by the IBRD (~US$116.4 million), incl. an institutional strengthening component (~US$3.8 million)

IFC support:
- long-term financing on commercial terms not otherwise available in the current market
- organizational capacity to better manage environmental, health and safety, social risks
- more confidence to other potential investors
- technical assistance

Expected development impact:
- increased capacity and operational capabilities of the Port
- lower shipping costs, shorter turnaround and faster delivery
CASE STUDY 9 – BOGOTA STREETS (COLOMBIA)

A $45 million loan with 17 year maturity to finance part of a $150 million CAPEX program of Municipality of Bogota for 2007-2008

The Project:
✓ rehabilitation of urban streets network
✓ incremental construction of sidewalks and walking/bike paths

Development Impact:
✓ economic rates of return of at least 46%
✓ increased safety
✓ poverty alleviation – better access to work
✓ institutional development

IFC Role and Contributions:
✓ help the District complement its capital market borrowings and optimize its overall debt profile
✓ match the timing of disbursement with cash needs involving multiple rounds of procurement
✓ provide tenor sufficient to match the useful life of the infrastructure assets
✓ ensure long-term sustainability of investment and advisory services
CASE STUDY 10 – MSETCL (INDIA)

- A US$100 million equivalent local currency fixed rate loan to support a power transmission company MSETCL, owned by the state of Maharashtra
- Mobilization of up to US$50 million from the syndications market
- Financing of 2008-12 CAPEX program as a part of a larger World Bank Group institutional development engagement through PPIAF and ESMAP
- Enhancing discipline of market-based financing of utilities (corporate governance, E&S practices, quality of financial reporting), attracting commercial lending and potential investors in a future IPO by improving credibility and taking a pre-IPO equity stake
- Demonstration impact for State utilities

**IFC Support**

- Bridge the huge demand supply gap to meet the basic needs in power;
- Build upon the support of the World Bank to the Government of India in establishing a policy framework for commercialization and competition in the power sector.

**Development Impact**

- Reduction of transmission losses and improved quality of supply;
- Provision of new generation and electricity access;
- Growing competitiveness due to improving power supply and reducing costs of diesel generators.
CASE STUDY 11 - CASAN WATER (BRAZIL)

Subnational Finance – Companhia Caterinense de Aguas e Saneamento (CASAN) is a majority state government owned water and wastewater utility of Santa Catarina State in Brazil.

Help in accelerating Casan’s efficiency and management upgrade program.

Strengthen commercial viability of the company, save energy and water resources, and better target subsidies for the poor.

Project includes installation and replacement of water meters, customer data updates, and purchase of related equipment and training.

IFC Support

- BRL40 million Brazilian Real Loan linked to Inflation index, secured by tariff receivables.
- Help prepare the company to access financing from banks and local investors at attractive terms and diversify its funding sources.

Development Impact

- Save energy and water resources.
- Economic help to lower income residents.
- Improve competitiveness.
CASE STUDY 12 - DESO BRL (BRAZIL)

- Subnational Finance - Companhia de Saneamento de Sergipe – DESO (DESO) operates water and sewage systems in the State of Sergipe
- Financing DESO’s project which includes A) water loss control and physical measurement of water; and (B) operating improvements in the systems
- Improve commercial viability and reduce water losses, whereby freeing up scarce water and financial resources that can be used to increase water and sanitation service coverage for the predominantly poor residents of Sergipe
- Reduced water losses and an immediate revenue increase accelerate DESO’s financial recovery and improving its long run investment capacity

IFC Support
- Brazilian Reals linked loan, secured by tariff receivables
- Technical Assistance support through PPIAF-SNTA program
- Help prepare the company to access financing from banks and local investors at attractive terms and diversify its funding sources

Development Impact
- Increased end-user accountability for water consumption
- Strengthen the commercial viability of DESO, while ultimately saving water resources
CASE STUDY 13 - CITY OF JOHANNESBURG (SOUTH AFRICA)

• Municipal Financing Program to City of Johannesburg
• Guarantee for Municipal bond issuance used to:
  ➢ Support investments in essential infrastructure – water and wastewater, electricity and roads
  ➢ Restructure City’s liabilities – including those acquire through the consolidation of poorer municipalities
  ➢ 3 million people reached through the project

IFC Support

• Local currency partial credit guarantee – credit enhancement for senior unsecure bond issuance by the City for sale in the domestic capital market
• Achieved a national scale rating of AA-three rating levels above the city of Johannesburg’s stand-alone rating at that time.

Development Impact

• Private sector-led economic growth
• Broadening funding base for the City
• Diversification of local capital markets
• Diversification of investment opportunities for local institutional investors
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