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Launch of the FfD Tool: INFRADEV

*Bob Sheppard, Co-Chair, INFRADEV & Infrastructure Experts Group
Tom Cochran, Co-Chair, INFRADEV & Infrastructure Experts Group*

***Business Forum: UN International Conference on Financing for Development
Side Event: Mobilizing the Private Sector for Development:
Launching the FfD Toolkit***

Doha, Qatar; November 28th & 30th, 2008

INFRADEV [INFO-EXCHANGE]
Financing for Development Tool to mobilize private capital for developing country infrastructure

AGENDA

- **The Promise of The Monterrey Consensus:**
 - Closing the Infrastructure Gap
 - The Opportunity: Leveraging ODA and Official Sector Funding with Risk Mitigation
- **FfD Tools Developed to Implement Monterrey Consensus:**
 - **INFRADEV: Facilitation of Access to Private Sector Capital**
 - The Infrastructure Experts Group
 - INFRADEV Leaders Network
 - INFRADEV Info-Exchange
- **Next Steps: INFRADEV Available to Governments, Development Agencies, Private Sector**

The Promise of The Monterrey Consensus: Closing the Infrastructure Gap with Risk Mitigation & Information Services

“...there is the need for ... international and regional institutions ... to increase their support for private foreign investment in infrastructure development ...

“to provide export credits,

“co-financing,

“venture capital and other lending instruments,

“risk guarantees,

“leveraging aid resources,

“information on investment opportunities,

“business development services,

“fora to facilitate business contacts and cooperation ... as well as

“funding for feasibility studies.”

Monterrey Consensus

Outcome of the International Conference on Financing for Development, adopted by consensus on 15 February 2002 by the Preparatory Committee for presentation to Government leaders for their adoption at the Conference,

Monterrey, Mexico, 18-22 March 2002

Closing the Infrastructure Finance Gap

- **INFRASTRUCTURE GAP EQUALS 5.5% GDP:**
 - The infrastructure investment needed to keep up with projected growth in the developing world is equivalent to an average 5.5% of annual GDP of developing countries
- **US \$181 BILLION IN UNUSED MDB CAPITAL:**
 - As of 2004, unused capital at the World Bank and Regional Development Banks totaled US \$181 billion, an enormous reservoir of funds that could be used to leverage private sector investment in infrastructure (multiplier factor of 4 means over \$500 b available for MDB risk mitigation transactions)
- **PUBLIC SECTOR GAP IS 1.5 - 3% GDP:**
 - Currently the public sector, accounting for about three-quarters of all infrastructure investments, is spending only around 2 - 4% of GDP on infrastructure
- **NEED FOR PRIVATE SECTOR FINANCING:**
 - Private sector financing declined after peak in 1997; risk mitigation provided by MDBs is the key to creating opportunities that will attract needed investment and lending by private sector institutions
- **NEW ROLES FOR DEVELOPMENT AGENCIES:**
 - Use of risk mitigation products narrowly targeted at key risks will enable Development Agencies to mobilize needed long term low cost private capital

Sources: World Bank: *Global Development Finance 2004* ; Joint IMF/World Bank Report: *Infrastructure and the World Bank (2005)*; ADB, JBIC & World Bank: *Connecting East Asia: A New Framework for Infrastructure (2005)*

The Infrastructure Experts Group: Six Years Advancing the Monterrey Consensus

- **Monterrey 2002 Launch Of “The Infrastructure Experts Group”**
 - Objective: Increase Access to Private Sector Finance Through Public-private Risk Sharing for Developing Country Infrastructure Projects
 - Leverage Expertise Across Public and Private Sectors: Development Agencies, Private Sector Financial Institutions, Rating Agencies, Political Risk Insurance Providers, Law Firms, and Project Sponsors
- **Activities Of The Infrastructure Experts Group (2003-present):**
 - UN FfD Office: Funded Initial Study
 - Private Sector Volunteer Activities: Creation of an Intranet for Members; Conference Calls Devoted to New Risk Mitigation Products and Leading Edge Transactions; Participation in WEF Report
 - Swiss Funding 2006 - Now: Two Workstreams
 - Financial Advisory for 1-2 Demonstration Transactions: Showing How Non Investment Grade Developing Countries Can Develop and Finance Infrastructure Projects Securing Long Term Low Cost Finance
 - INFRADEV: Expanding Experts Group to Enable Government Officials and Development Agencies to Work More Effectively with Private Sector

Targeted Risk Mitigation: Example of Investment Grade Project in B Rated Country Saving US\$9 MM/year (AES Tietê)

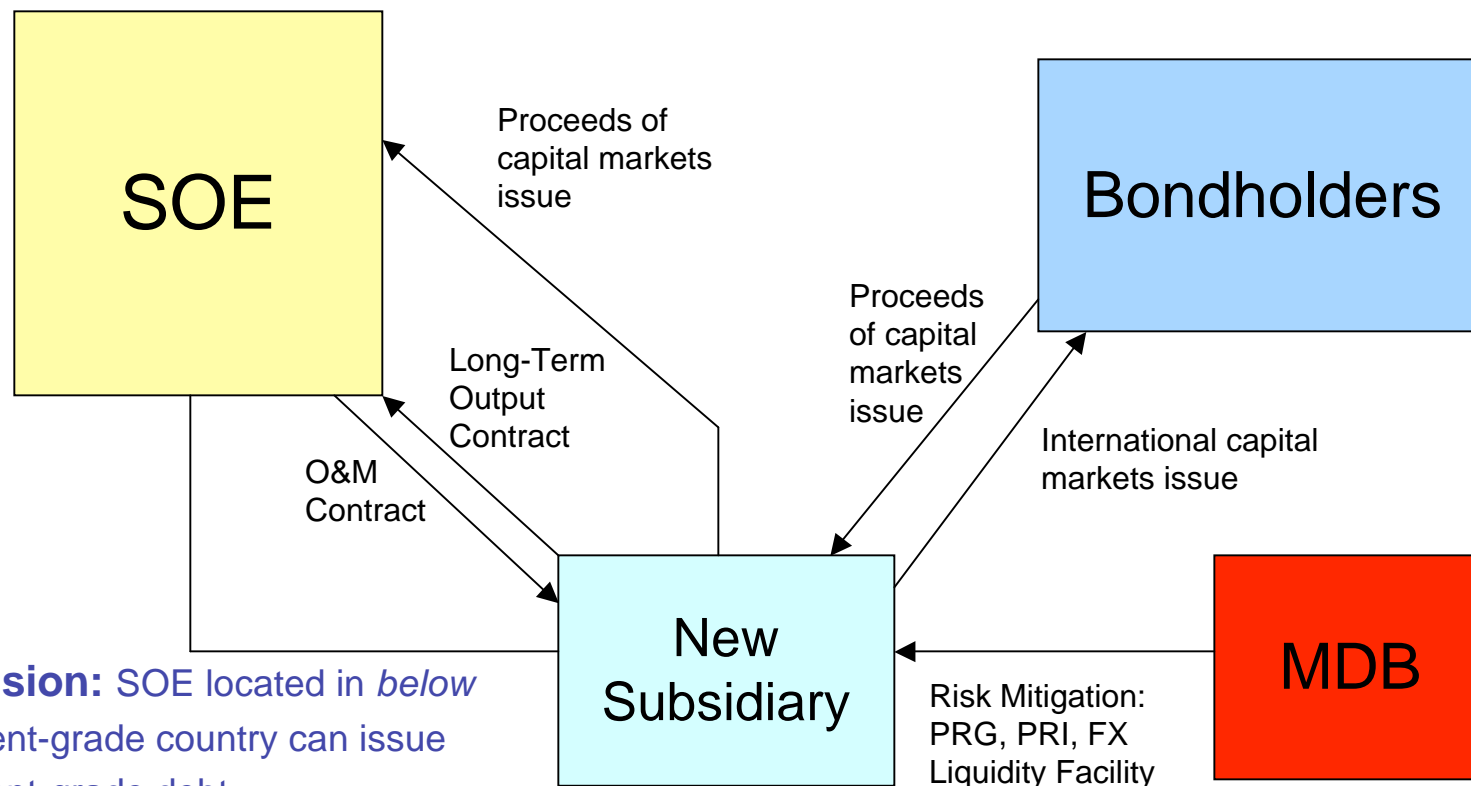
- **PROJECT:** 10 dam hydroelectric generation project in Brazil
- **FINANCING:**
 - Amount:* US\$300 million capital markets issue
 - Tenor:* 15 year final maturity (10 year average life)
 - Pricing:* 2.37% below Brazil's comparable sovereign debt
- **RISK MITIGATION:**
 - Political Risk Insurance* for transfer and convertibility of currency provided by OPIC – US\$85 million
 - Foreign Exchange Liquidity Facility* to mitigate risk of devaluation of Brazil's currency – US\$30 million
- **RATINGS:**
 - Moody's: Baa3 (Moody's sovereign rating for Brazil was B1)
 - Fitch: BBB- (Fitch's sovereign rating for Brazil was BB-)
- **INTEREST SAVINGS:** US\$9.0 million per year initially

Targeted Risk Mitigation: Example of how Partial Risk Guarantees Secured Needed Equity & Debt (Uganda)

- **World Bank PRG for UMEME (Uganda electric distribution):**
 - A PRG of US\$5.5 million was issued in support to the concessioning of the Uganda Electricity Distribution Company's (UEDCL) assets to Umeme Limited, a private consortium involving Globeleq Ltd and Eskom Enterprises, which was mandated to manage UEDCL's business for a period of 20 years. The PRG was issued for the benefit of Umeme to mitigate certain perceived regulatory and government agencies electricity payment risks.
 - The PRG enabled Globeleq and Eskom to make a US\$65 million commitment for new investment in Umema (Eskom later sold its interest to Globeleq)
- **World Bank PRG for Bujagali Hydroelectric Project (Uganda):**
 - A PRG of US\$115 million was issued to support the private sector debt tranche for this 250 megawatt hydroelectric generation project developed by Sithe Global Power and Industrial Promotion Services (Kenya), a company owned by the Aga Kahn Foundation.
 - Although the majority of the debt financing for the project was provided by a group of multilateral and bilateral institutions, the private sector component was significant and demonstrated the value of PRGs to lenders, as well as equity investors

Targeted Risk Mitigation: A State-Owned Electric Utility

State-owned enterprise (SOE) can construct new assets or transfer existing assets to New Subsidiary, which issues securities supported by the risk mitigation structure (PRG, PRI, FX Liquidity Facility)




Conclusion: SOE located in *below* investment-grade country can issue investment-grade debt

THE INFRADEV LEADERS NETWORK: Facilitating Access to Risk Mitigation Products & to Private Sector Capital

- **Global Network linking via INTRANET the critical participants of infrastructure projects with providers of needed services to access private sector finance**
 - **DEMAND FOR INFRASTRUCTURE PROJECTS**: Developing Country Government Officials responsible for infrastructure and PPP Programs present infrastructure projects requiring finance
 - **SUPPLY OF RISK MITIGATION & PROJECT DEVELOPMENT ASSISTANCE**: Public and Private Risk Mitigation and New Finance Providers present their Risk Mitigation Products and Project Development Assistance Services
 - **SOURCES OF FINANCE & THIRD PARTY SERVICES**: Infrastructure Experts who provide finance and critical transaction support services, such as bankers, rating agency analysts, lawyers, and consultants, present their services
- **On-Line Access to Enabling-Information, such as:**
 - **LEADING-EDGE TRANSACTIONS DEMONSTRATING THE USE OF RISK MITIGATION**: Selected completed infrastructure transactions illustrating how risk mitigation and new types of finance can be used to achieve better access to private capital for infrastructure projects
 - **BACKGROUND & RATIONALES**: Basics on key financial instruments; types of risks; past trends by region, sector; prior transactions in infrastructure finance; best practices & unresolved problems; etc
 - **CONTACT INFO**: Roadmaps on what is needed and who to contact

Home Page: [Info-Exchange]



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DEMAND FOR INFRASTRUCTURE: Why is Increased Infrastructure Funding Critical?




Quality infrastructure is a key requirement for ensuring that developing countries meet their UN Millennium Development Goals. Millions of people currently lack basic water, sewage, energy, transportation, and communication services that directly impact their life expectancy, ability to find employment, and overall quality of life. INFRADEV enables developing country government officials and development agencies to work directly with private sector providers of capital and services needed to develop and finance infrastructure finance.. [More...](#)

Infrastructure Programs **Project Pipelines**

Latest Infrastructure Program Updates: 11/25/2008 **Argentina: Aguas y Saneamiento...**; 11/19/2008 **Turkey: Privatization Administr...**; 11/18/2008 **Peru: Proinversion Investment ...**; 11/17/2008 **Uganda: Investment Authority**; 10/21/2008 **Mexico: Programa Nacional de I...** ; [More...](#)

RISK MITIGATION: Why can it Unlock Access to Lower-Cost, Longer-Term Financing?



Developing countries have limited access to private sector capital due to the perception of unacceptable risks, political, regulatory, credit, and currency. INFRADEV enables Risk Mitigation Product providers from the public and private sectors to provide information in one "marketplace" about their products that can be used to reduce these risks, and enable access to longer term, lower cost capital. [More...](#)

Risk Mitigation Products **Leading-Edge Transactions**

Latest Risk Mitigation Product Updates: 11/18/2008 **Buyer Credit Insurance (SERV)**; 11/18/2008 **IBRD Partial Risk Guarantee (W...**; 11/14/2008 **Political Risk Insurance (EDC)**; 11/14/2008 **Foreign Buyer Financing (EDC)**; 11/14/2008 **Political Risk Insurance (EDC)** ; [More...](#)

Latest Leading-Edge Transaction Updates: 05/07/2008 **SINERSA (DEG, IIC, CIFI)**; 05/01/2008 **Ho Chi Minh City Bonds**; 04/10/2008 **Bujagali Energy (AKFED, IDA, I...**; 03/18/2008 **Small Municipalities Finance -...**

Spotlight on...

Calendar of Events*

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Directories

- Infrastructure Programs
- Risk Mitigation Products
- Project Development Assistance
- Leading-Edge Transactions

Info Resources

- Types of Risks & Mitigants
- Investment Information
- International Development Finance Institutions Project Finance League Tables
- Sector Risks & Mitigants
- Types of Financing
- Infrastructure Needs
- Rating Criteria
- Private Sponsor Info
- Specific Transactions Info
- Success Stories
- Unresolved Problems
- Training Materials and Toolkits

Email Alert Service

- Email Alert Service

Other Financing for Development Tools

Resource [Info-Exchange]

Information Resource

| | |
|--------------------------|---|
| Title: | International Development Finance Institution Project Finance League Table Launched DOHA: November 28th |
| Author(s): | Reuters Project Finance International |
| Publication Year: | 2008 |
| Entered On: | 11/24/2008 at 01:24 PM |
| Updated On: | 11/24/2008 at 01:25 PM |
| Entered By: | Rebecca Villatoro |
| Comments: | |
| Documents: | PFI- Thomson Reuters League Tables Press release 11.08.doc |
| Categories: | International Development Finance Institutions Project Finance League Tables |

Home Page: [Leaders Network]



INFRADEV (LEADERS NETWORK)

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LATEST MEMBER CONTRIBUTIONS: Updates, Feedbacks and Information

| Title | Entered By | Date |
|--|-------------------|-----------------------|
| International Development Finance Institution Project Finance League Table Launched DOHA: November 28th | Rebecca Villatoro | Nov 24, 2008 01:24 PM |
| International Development Finance Institution (IDFI) Activity (Q1-Q3) | Rebecca Villatoro | Nov 24, 2008 01:14 PM |
| Uganda: Investment Authority | Rebecca Villatoro | Nov 17, 2008 02:46 PM |
| Political Risk Insurance Carbon Credit Projects (Zurich) | Rebecca Villatoro | Nov 13, 2008 01:36 PM |
| Political Risk Insurance (Zurich) | Rebecca Villatoro | Nov 11, 2008 05:56 PM |

= Update
 = Feedback
 = Resource
 = Testimonial
 = Question

[More](#)

DEMAND: INFRASTRUCTURE PROJECTS SEEKING FINANCE

Member Forum Country Infrastructure Needs & Programs
 Access Specific Country Programs
 Projects Seeking Finance Pipelines/Info Sources

SUPPLY: RISK MITIGATION PRODUCT DIRECTORY

Member Forum Risk Mitigation Product Updates & Proposals
 Access Public and Private Sector Risk Mitigation Products
 "Information Resources" on Risk Mitigation

SUCCESSES: COMPLETED TRANSACTIONS DEMONSTRATING USE OF RISK MITIGATION

Public Sector Majority Ownership

Ho Chi Minh City Bonds

Private Sector Majority Ownership

SINERSA (DEG, IIC, CIFI)

INFRADEV Activities

11/06/2008: IPWA Financial Tools Taskforce - Call - "AquaFund" - IADB's new project development facility to jumpstart water and sanitation projects

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- Mitigating Regulatory Risk?
- Mitigating Currency Risk?
- Sub-Sovereign Infrastructure Finance?
- Investor Needs & Capital Access?
- Other Issues and Proposals?
- Updates & Proposals on Risk Mitigation Products?
- Country Infrastructure Needs & Programs?
- Risk Mitigation Transactions?
- See All Topics

Info Resources


- Types of Risks & Mitigants

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11/06/2008: IPWA Financial Tools Taskforce - Call - "AquaFund" - IADB's new project development facility to jumpstart water and sanitation projects

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DEMAND FOR INFRASTRUCTURE: What are Infrastructure Needs and Programs?

| Title | Author | Date |
|--|-------------------|------------|
| Uganda: Investment Authority | Rebecca Villatoro | 11/17/2008 |
| Turkey: Privatization Administration | Rebecca Villatoro | 10/01/2008 |
| Nigeria: Bureau of Public Enterprises | Rebecca Villatoro | 09/30/2008 |
| Mexico: Programa Nacional de Infraestructura | Rebecca Villatoro | 09/12/2008 |
| Indonesia: National Committee for the Acceleration of Infrastructure Provision (KKPPI) | Rebecca Villatoro | 09/11/2008 |
| Vietnam: Foreign Investment Agency (Ministry of Planning and Investment) | Rebecca Villatoro | 09/10/2008 |
| Egypt: Public Private Partnership Programme - Ministry of Investment | Silke Hermes | 02/27/2008 |
| Egypt: Public and Private Partnership Unit - Ministry of Finance | Silke Hermes | 02/27/2008 |
| Nicaragua: ProNicaragua | Silke Hermes | 02/06/2008 |
| Brazil/São Paulo: Unidade de PPP | Silke Hermes | 02/06/2008 |

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Add Update

Please use "INFRASTRUCTURE ISSUE UPDATE" to alert INFRADEV Network Members of key issues impeding private infrastructure finance in developing countries and potential solutions. We encourage your contributions on risks impeding infrastructure finance and possible mitigants, new sources of finance such as sub-sovereign finance programs or capital markets and particular infrastructure finance needs of developing countries. When you submit an "INFRASTRUCTURE ISSUE UPDATE," an email alert will be sent out to all Members notifying them of the infrastructure issue you provided, and the item will be posted to the Member Forum of the INFRADEV Network.

Please use the [SHARE INFO Update](#) to add an information resource to the Network (for example, documents and website URLs on particular infrastructure finance risks, best practices or unresolved problems, transactions-related information, toolkits and training materials, event announcements, or other relevant information resources).

Please use the [RECOMMEND INFO Update](#) to recommend specific content to the INFRADEV Administrator, such as risk mitigation products, project development assistance services, specific country infrastructure programs with projects currently seeking financing or leading edge transactions demonstrating the innovative use of risk mitigation or sources of financing.

Title:

Topic:

Comments/Details:

Select documents to upload:

Next Steps: INFRADEV for FfD Follow-UP

- **Next Steps: Launch of INFRADEV**
 - Governments Broadcast Infrastructure Programs
 - Development Agencies Broadcast Risk Mitigation Products & Project Development Assistance Services
 - Private Sector Broadcast Services & Products
- **INFRADEV SIGN UP: FfD Follow-Up Tool to Implement Accra Agenda for Action:**
 - Country Ownership: Enhance Ability to Communicate Infrastructure Priorities, Develop & Finance Projects
 - Results: Development Agencies More Effective in Mobilizing Private Capital
- **Invite to Doha Bilateral Meetings:** *How to Use INFRADEV to Improve Access to Private Capital* (sign-up sheet at registration desk)

Contact: INFRADEV CO-CHAIRS bob@infradev.org; tom@infradev.org