

4. IFC Financial Products for Green Power

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In the longer term, green power has significant potential to reduce a Mobile Network Operator's (MNO) carbon footprint and slow energy consumption growth. A reliable green power source at a Base Transceiver Station (BTS) can be a very practical component of any MNO's current effort to expand its network into those remote areas that lack reliable grid power provision. Moreover, it is expected that future growth of the mobile industry will be highly dependent on expansion in remote parts of the world, many of which lie beyond the grid, reinforcing the critical role of green power alternatives.

However, one of the key limitations to the quick adoption of renewable solutions to BTS's is high upfront Capital Expenditure (CAPEX), in addition to potential limitations posed by the availability and capacity of renewable energy equipment.

In an effort to speed industry adoption of green power solution, the International Finance Corporation (IFC) is supporting the Green Power for Mobile (GPM) programme and is working to provide financing to support the operators' CAPEX budget for roll-out. IFC is a member of the World Bank Group that supports private sector development in developing countries and seeks to expand access to mobile technology and ICTs in poor and unconnected areas. As part of this effort, IFC has made a number of financial products available to provide financing for GPM projects. A selected list of these products is described below.



Loans

IFC offers fixed and variable rate "A-loans" from its own account to private sector projects in developing countries. Generally, these loans range from US\$5 million to US\$100 million. The loans typically have maturities of 7 to 12 years at origination, with grace periods and repayment schedules determined on a case-by-case basis. If warranted by the project, IFC can provide longer-term loans and longer grace periods. IFC can also provide US dollar and Euro financing as well as local currency debt financing in 3 different ways: (i) loans from IFC denominated in local currency; (ii) risk management swaps which allow clients to hedge existing or new foreign currency denominated liabilities back into local currency; and (iii) structured finance which enable clients to borrow in local currency from other sources.

IFC loans can finance both greenfield companies and expansion projects in developing countries. The Corporation also makes loans to intermediary banks, leasing companies, and other financial institutions through credit lines.

To ensure the participation of other private investors, A-loans are usually limited to 25% of the total estimated project costs for greenfield projects. In exceptional circumstances, loans totalling 35% of total project costs may be available. For expansion projects, IFC may provide up to 50% of the project cost, provided its investments do not exceed 25% of the total capitalisation of the project company.

Equity Finance

IFC could take equity stakes in private sector companies. As a long-term investor, IFC usually maintains equity investments for a period of 8 to 15 years. The Corporation does not take an active role in company management. It risks its own capital and does not accept government guarantees. To ensure the participation of other private investors, The Corporation generally subscribes to between 5% and 15% of a project's equity. IFC is never the largest shareholder in a project and will normally not hold more than a 35% stake.

IFC usually exits its investment through a sale of its shares on the domestic stock market in a way that will benefit the enterprise, often in a public offering.

Quasi-Equity Finance

IFC also offers a full range of C-loans – quasi-equity products with both debt and equity characteristics to private sector projects in developing countries. Among other instruments, The Corporation provides convertible debt and subordinated loan investments, which impose a fixed repayment schedule. It also offers preferred stock and income note investments, which require less rigid repayment schedules. Quasi-equity investments are made available whenever necessary, to ensure that a project is soundly funded.

Through its programme of syndicated B-loans, IFC offers commercial banks and other financial institutions the chance to lend to IFC-financed projects that they might not otherwise consider. These loans serve to broaden IFC's development impact by mobilising additional private sector financing in developing countries. Through this mechanism, financial institutions share fully in the commercial credit risk of projects and share the advantages that IFC derives as a multilateral development institution, while IFC remains the lender of record.

Structured Finance

IFC also provide clients with a series of cost-effective financing products that may not otherwise be available to them. Such products include credit enhancement structures for bonds and loans through partial credit guarantees or risk-sharing facilities.

Partial credit guarantees allow IFC to use its international triple-A credit rating to help clients diversify their funding sources, extend maturities, and obtain financing in their currency of choice. Partial loan and bond guarantees also help broaden clients' access to international and local capital markets. Credit enhancement structures help clients attract new sources of financing in their currency of choice, reduce borrowing costs, and extend maturities beyond what private investors would otherwise provide.

Risk-sharing facilities allow clients to transfer credit risk to IFC from their own portfolio or from a new portfolio they originate. The assets typically remain on the clients' balance sheet, and the risk transfer comes from a partial guarantee provided by IFC. In

general, clients will enter into such a facility with IFC because it helps them increase their capacity to originate new assets within an asset class whilst IFC seeks to increase its own exposure.

Together with the GSMA, IFC believes strongly in speeding adoption of green power sources for mobile applications, and it is uniquely positioned to facilitate this transformation through financing solutions not available through other institutions.

MNOs interested in learning more about IFC's financing options for green power are invited to contact greenpower@gsm.org for more information.

