



Central American Bank for Economic Integration

New FfD Tools for Greater Effectiveness

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Business Forum: UN International Conference on Financing for Development

Side Event: Mobilizing the Private Sector for Development

Panel Three: Increase the Effectiveness of MDB's

Doha, Qatar; November 28th



Agenda



I. Unique Position to Deliver Development Results

II. CABEI's Strategic Initiative in Renewable Energy Sources

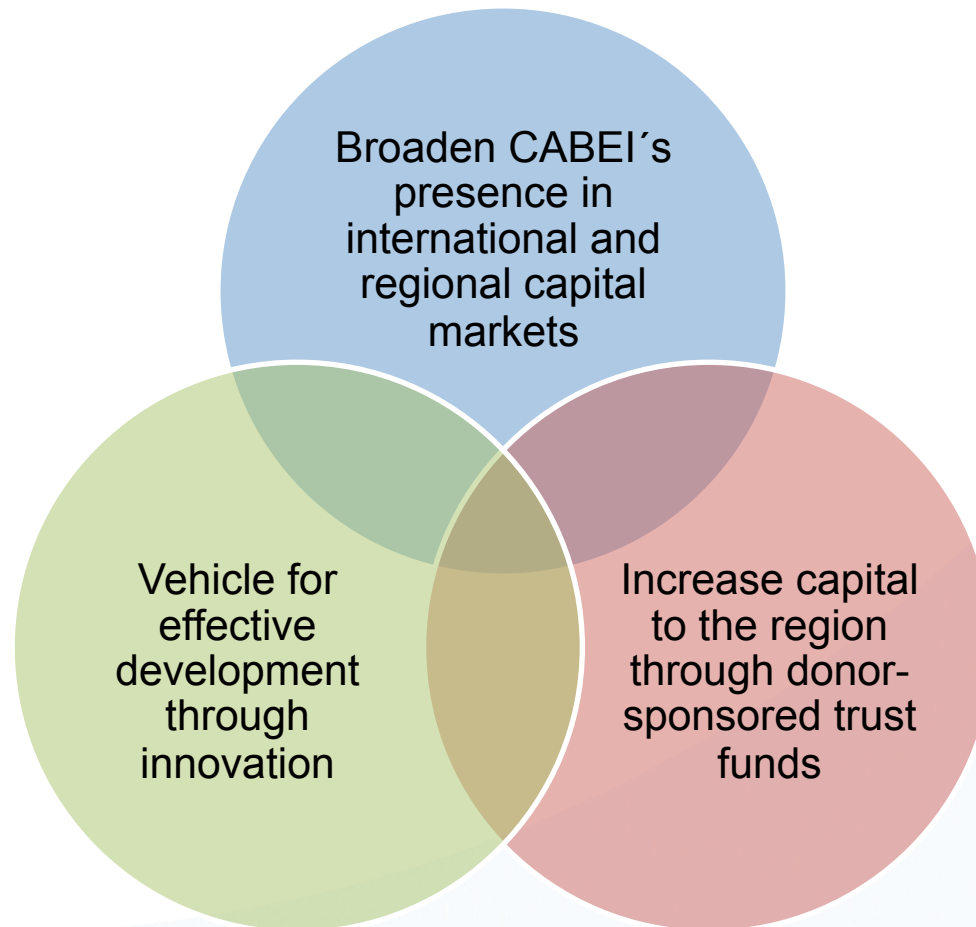
III. Road for MDB Effectiveness: Effective Risk Mitigation

CABEI's Competitive Advantage

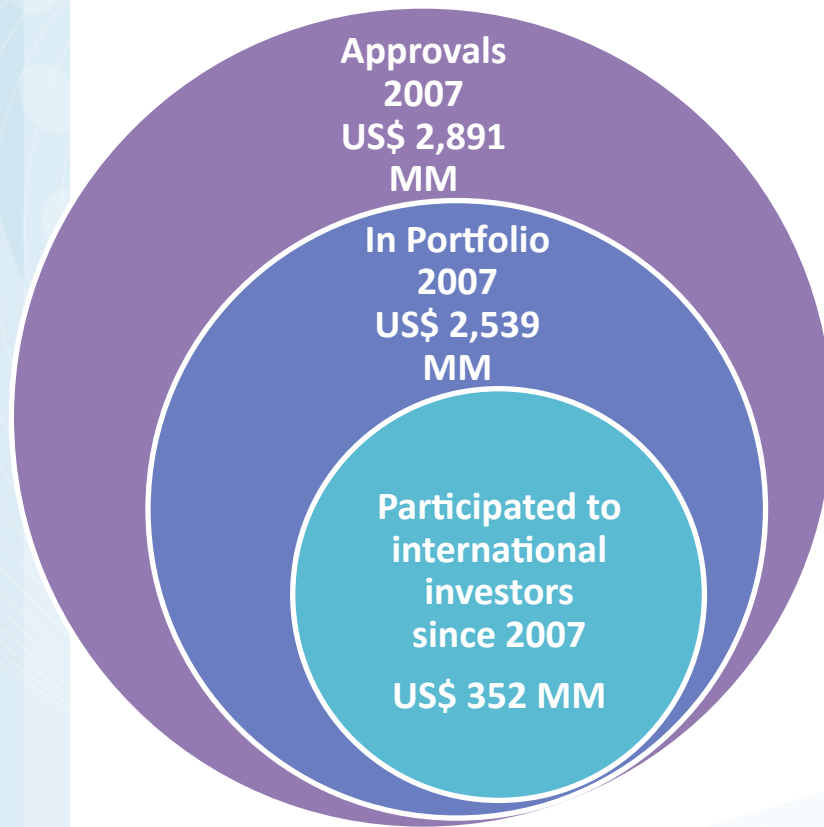


CABEI-Financial Intermediary for Central America

Attracting Capital to the Region



CABEI- Mobilizing Resources in Central America

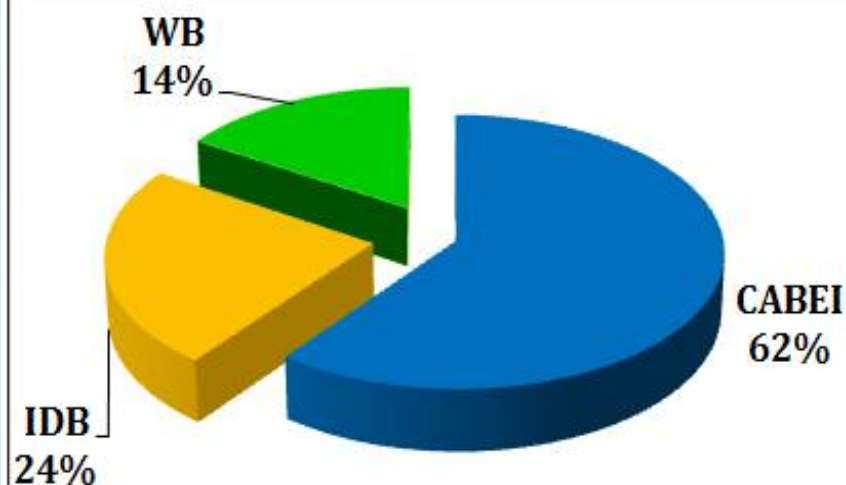


- CABEI currently manages \$195 million in Donor resources for Central America.
- With some of those resources, CABEI supports renewable energy projects by small local sponsors starting with the pre-investment phase (pipeline of \$18 million for 2009).
- For 2009, CABEI has identified almost \$4 billion in Renewable Energy projects in Central America.

CABEI-Resource Allocation in the Region

Participation in Central America- Multilateral Financing 2007

CABEI, WB and IADB Disbursements 2007 (In %)



* Includes concessional resources
 ** Includes CII disbursements
 *** Includes IFC resources.

CABEI, WB and IDB Disbursements 2007 (USD MM)

	IDB**	WB***	CABEI	TOTAL
Guatemala	241.1	136.3	672.8	1,050.2
El Salvador	101.8	61.9	154.0	313.3
Honduras	71.7	52.6	176.3	300.6
Nicaragua	142.9	77.1	94.7	314.6
Costa Rica	34.8	1.3	382.8	418.9
TOTAL	592.3	329.1	1,480.6	2,397.5

* Includes concessional resources
 ** Includes CII disbursements
 *** Includes IFC resources.

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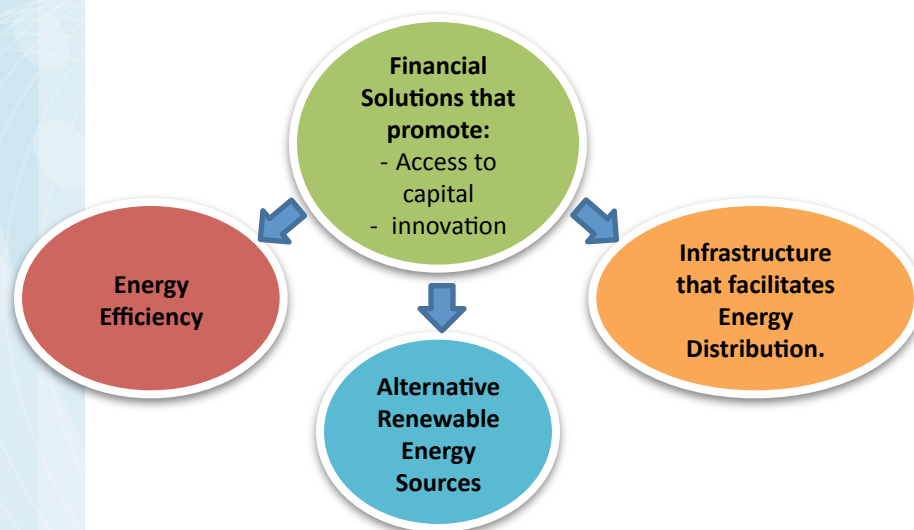


I. Unique Position to Deliver Development Results

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III. Road for MDB Effectiveness: Effective Risk Mitigation

CABEI's Strategic Initiative



General Objective:

Provide financial solutions to promote energy efficiency, to facilitate the development of renewable energy sources and reducing dependence on non-renewable energy sources in Central America.

Guideline No.1

- Promote the implementation of energy efficiency in all energy sources.

Guideline No.2

- Facilitate the development of renewable energy sources.

Guideline No.3

- Provide financial solutions that facilitate development of the energy infrastructure in the region.

Renewable Energy Sources

Central America Enjoys a Vast Potential of Renewable Energy Sources

- **Advantages**

- They produce low to no emissions, reduce environmental impact.
- They reduce dependency on non-renewable energy sources, which have to be imported into the region.
- They promote the social and economic development of nations.

- **Barriers for Development**

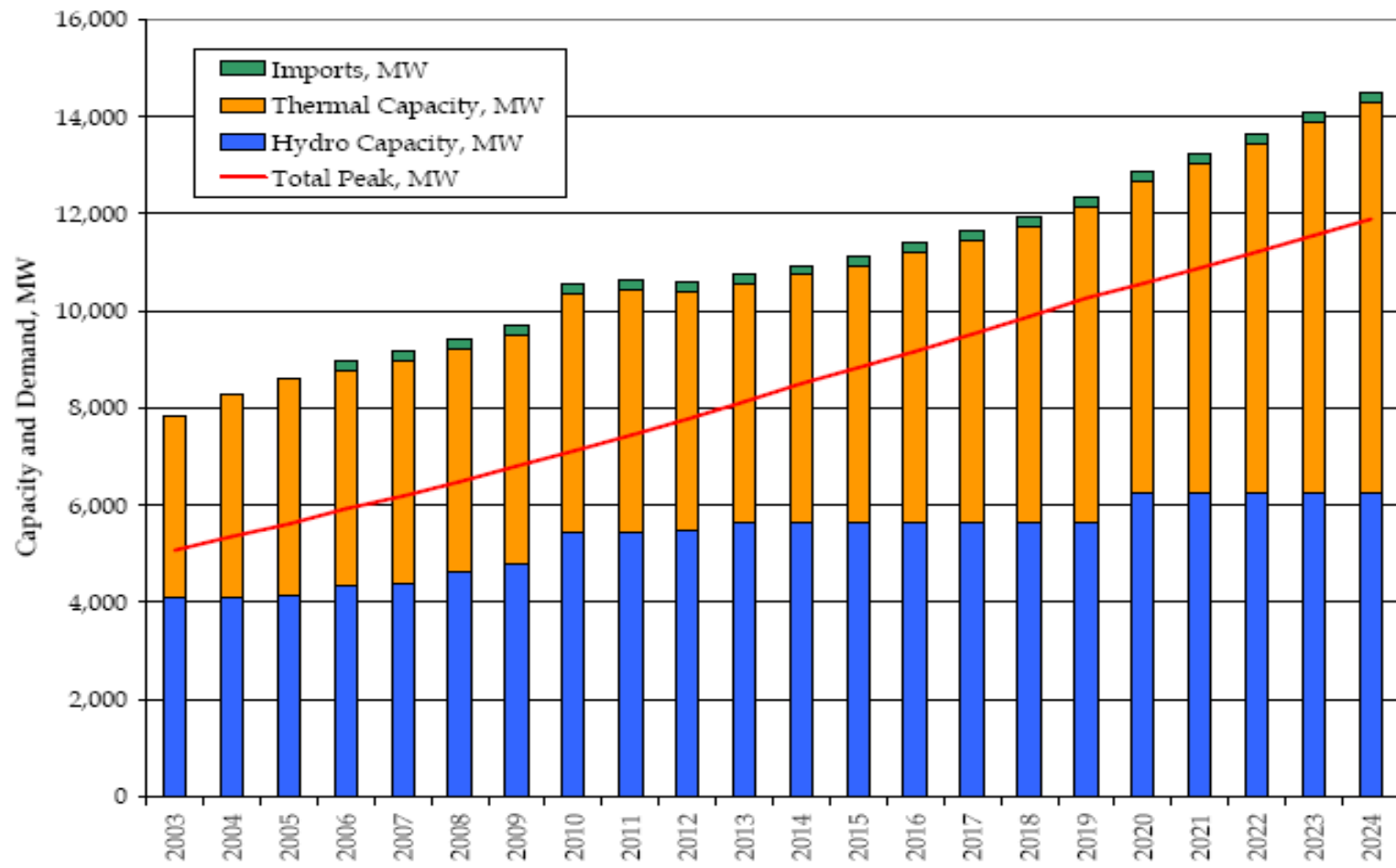
- Access to financing, capital.
- Regulatory framework in transition.
- Maintenance of the renewable resource for a continued use.



Central America

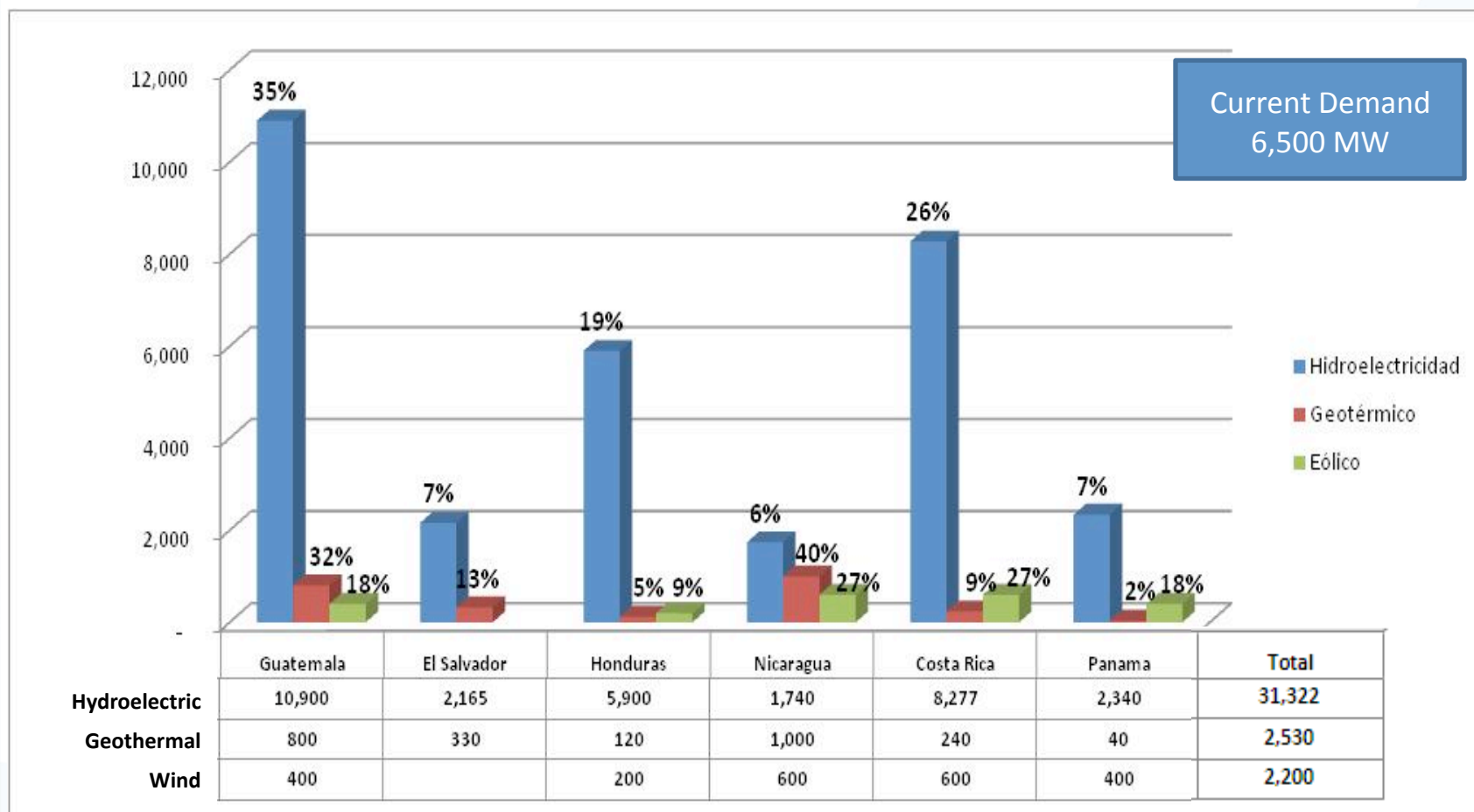
Energy Demand and Installed Capacity

Central American capacity mix and peak demand



Cepal: Estadísticas del Subsector Eléctrico. Cifras 2007.

Central America's Potential Renewable Sources (MW)



Cepal: Estadísticas del Subsector Eléctrico. Cifras 2007.

Central America

2009 Representative Investment Opportunities in Renewable Energy

Country	Type	MW	No. Projects	Total Cost	Sector
Guatemala	Hidro	235.6	4	\$ 482.8	Renewable Energy
El Salvador	Geo	525.0	1	\$ 800.0	Renewable Energy
El Salvador	Hidro	261.0	1	\$ 600.0	Renewable Energy
Honduras	Hidro	288.5	2	\$ 600.0	Renewable Energy
Honduras	Wind	100	1	\$ 272.5	Renewable Energy
Honduras	Bio	60	1	\$ 64.0	Renewable Energy
Nicargua	Wind	45	1	\$ 173.0	Renewable Energy
Nicargua	Geo	82	1	\$ 74.9	Renewable Energy
Costa Rica	Hidro	718	3	\$ 1,145.0	Renewable Energy
Costa Rica	Wind	49.5	1	\$ 100.0	Renewable Energy
			Total:	\$ 3,829.4	

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I. Unique Position to Deliver Development Results

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III. Road for MDB Effectiveness: Effective Risk Mitigation

Objective

Improve intermediation between capital providers and regional needs

Increase awareness, improve capital intermediation to finance projects in the region.

Harnessing Private Sector Capital with Risk Mitigation Products.

Leverage resources through Regional Funds, Risk Mitigation products and Renewable Energy Network.

Foundations

Donors

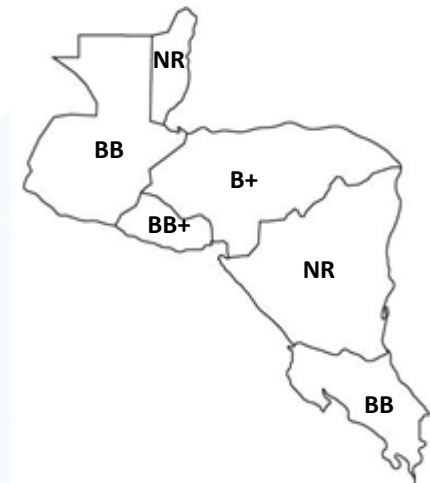
CABEI's Strategic Initiative

- Shift from exclusive use of balance sheet lending to a *targeted risk mitigation* approach in the infrastructure and energy sectors in order to:
 - Attract more private and public donor support and private sector participation.
 - Use CABEI's balance sheet more efficiently.
- Targeted risk mitigation is based on new risk mitigation products offered by CABEI:
 - Partial Risk Guarantees (PRGs) to mitigate regulatory risk.
 - Foreign Exchange Liquidity Facilities to mitigate currency risk.
- CABEI-sponsored regional funds to enable donors to participate in implementing the new approach:
 - Central American Risk Mitigation Fund.
 - Central American Renewable Energy Fund.



Need for CABEI Regional Risk Mitigation Fund

- All countries in the region have below investment- grade sovereign debt ratings (both foreign currency and local currency).
- Targeted risk mitigation approach will enable transactions to achieve ratings above the sovereign ceiling of the host country:
 - Will increase availability of commercial bank financing.
 - Will provide access to international capital markets.
- Higher ratings for transactions will facilitate:
 - Longer term financing.
 - Lower cost financing.



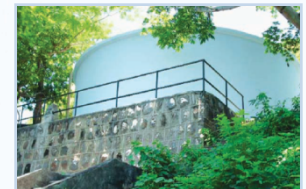
Source: S&P LT Foreign-Currency Rating

Efficiency of Targeted Risk Approach

- Private sector component (B loan) of traditional A/B loan financing has declined as a percentage of the official (A loan) commitment in the 2000s
 - e.g., B loan amount now often less than the A loan amount.
- Targeted risk approach provides greater leverage for official sector commitment:
 - PRG for risk mitigation may support private sector financing that is 1.5 to 3 times the amount of the PRG.
 - FX Liquidity facilities may support private sector financing that is 4 to 5 times the amount of the FX Liquidity facility.
- Capital charge for PRG or FX Liquidity Facility may be reduced compared to a funded loan.

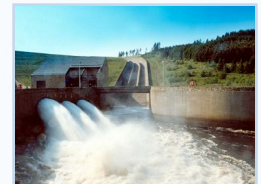
CABEI Regional Risk Mitigation Fund Initiative

- **Manager:** CABEI
- **Purpose:** To provide PRGs and FX Liquidity Facilities
- **Sectors:** Electric power (generation, transmission & distribution)
Telecom
Transport (airports, seaports, rail, toll roads & bridges)
Water & sewer
- **Transaction Size:** PRGs – up to US\$100 million
FX Liquidity Facilities – up to US\$50 million
- **Tenor:** Up to 15 years (per transaction)



CABEI Regional Renewable Energy Fund Initiative

- **Manager:** CABEI
- **Purpose:**
 - Pre-Investment Loans for project development
 - Senior debt for construction and term
 - Contingent financial support (e.g., PRGs)
Equity
- **Projects:**
 - Wind
 - Geothermal,
 - Hydro
 - Biomass & Biofuels
- **Transaction Size and Tenor:**
 - Pre-Investment Loans, up to US\$2.5 MM, 3 yrs
 - Senior debt, up to US\$75 MM, 15 yrs
 - Contingent support, up to US\$75 MM, 10 yrs
 - Equity, up to US\$10 MM



Central American Renewable Energy Network (RERCA)

- Being developed to support the renewable energy needs of the region by facilitating resources to sponsors, service providers, donors and lenders.
- Members
 - Public Sector: CABEL, Regional Country Governments.
 - Private Sector: Project Sponsors, Banks, Investment Funds, Pension Funds.
 - Other: Donors, Foundations, Law Firms, PDA.
- Members Consult on: Financing Projects, Implementing Projects, Best Practices, Opportunities.
- Info Resources: CABEL Services, Sources of Financing, Standards, Success Stories, etc.

Benefits of RERCA

- Enhanced capacity for BCIE to support project development and finance.
- Enables cost-effective public-private sector collaboration to advance renewable energy projects in Central America.
- Cost-effective communication among key participants;
 - Financing and service providers, projects sponsors and government officials.
- Brings Donors and Foundations in contact with regional needs.
- BCIE leadership in implementing the Monterrey Consensus and Paris Declaration.

CABEI Integrated Solution to Central America's Energy Needs

