ADDRESSING PROJECT PREPARATION CAPACITIES & ACCESS TO BLENDED FINANCE

Regional Meeting on Sustainable Energy For AFIRCAN LDC’s
Session IV: Project Preparation Skills

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UN Capital Development Fund

UNCDF is the UN’s capital investment agency for the world’s 48 least developed countries. With its capital mandate and instruments, UNCDF offers “last mile” finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.
African LDC’s have significant capital and capacities gap associated with project identification, preparation, structuring, and access to appropriate blend of finance to invest in energy projects that (i) have development impact (ii) take into account climate change and climate-resilience; and (iii) demonstrate value for money and the potential for scale up.
INFRASTRUCTURE PROJECT MILESTONES

- Project
- Bankable Project
- Loan Term Sheet Issued
- Financial Closure
- Construction starts
- Commercial Operations Date
- Debt Payback starts
PROJECT MILESTONES

Development Time = Costs

Min. $500k - $1m

% Allocation

- Developer
- Engineering
- Financial Model
- Legal Fees
- Compliance
- Independent DD
- Fund Raising

0%  20%  40%  60%  80%  100%

0,05  0,1  0,15  0,3  0,1  0,1  0,2

0,15  0,1  0,05  0,3  0,1  0,1  0,2
Common Barriers

1. Lack of capital resources and specialized skills required to prepare projects to be investment ready
   1. Governments
   2. Public & Private Developers
   3. Financial Instructions

2. Lack of sufficient budgeted cost & time appropriate to meet critical project milestones
A Way forward – *Starting point/Resources*

1. Institutions that provide support to LDC’s governments and their agencies:
   1. For financial, legal, and technical advisory services required to prepare and structure transactions.
   2. For enabling reforms and capacity building
2. Mapping out project preparation facilities (including development partners) in the country to understand their mandate, scope and to align synergies
   1. E.g. UNCDF Local Investment Finance Facility which support project developers to prepare bankable projects and access private sector funding & UNCDF Cleanstart off grid energy solutions programme
   2. Other tool boxes
3. Private sector transaction advisors – legal, engineering, financial etc
A Way forward – Access to finance

The role of development finance is to correct the imperfections in the capital markets

1. Blended finance (grants, mezzanine capital, loans) reduce risk and attract more investment
2. Credit enhancements
3. Limited public funding can be leveraged to access additional resources
4.
5.
THANK YOU

Peter Malika
Global Manager
Local Investment Finance Facility
peter.malika@uncdf.org