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EBSOMED
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SARDEGNA

Access to Finance

MAIA-TAQA

iHERITAGE

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INVESTMED

Med Pearls

SOLE

Dr. Alaa Ezz

Chairman, EBSOMED Steering Committee





What are the Sources of Finance

- **Main financial instruments**
 - Debt
 - Equity
 - Guarantees
- **Leveraging private sector capital**
- **Donors and DFIs**



Equity

Equity - ownership in the business

Common shares (junior equity) vs Preferred shares

- Junior shares are subordinated to preferred shares
- Liquidation: preferred stockholders paid first
- Dividends: different/greater for preferred shares

Public institutions often invest in **junior equity** → absorbs risks

Private investors invest preferred shares (senior shares)

Private Investors, DFIs, IFIs

Senior/Preferred Shares, Senior Debt

Public Donors, GEF

Junior Shares, Grants

When Equity financing is preferred

- Startup/entrepreneur: Banks will not provide Loans due to high risk of start-up failures, lack of collateral, credit record etc.
- Large corporation: cheaper to sell shares than to pay Loan Interest



Debt

Notes, bonds, loans, debentures, certificates, mortgages, leases & other agreements

Loan: \$ from a bank to a company, with interest payment, over specific time

- collateral to guarantee repayment (if difficult → equity preferred)

Bond: \$ from the public market to a company

- trade on public market and involve larger amounts (typically min \$100m)

Seniority

- Senior debt: greater security (lower risk) & lower interest payment
- Debt is senior to Equity - creditors are paid before shareholders

Private Investors	Senior Debt (Senior Notes, Loans)
Public Donors, DFIs	Subordinated Debt (Subordinated Notes, Loans)

Advantages

The bank or lending institution has no say in the way you run your company and does not have any ownership in your business.

The business **relationship ends once the money is paid back.**

The interest on the loan is **tax deductible.**

Loans can be **short term or long term.** **Principal and interest are known figures** you can plan in a budget (provided that you don't take a variable rate loan).



Guarantees

Reduce the probability of default

Support the flow of private investments - in projects where investors and lenders are seeking to mitigate risk

- **Credit guarantee – covers non payment by private borrowers.** Full or partial guarantee. Partial guarantee – up to a predetermined amount
- **Performance guarantee** - agreement between a client and a contractor for the contractor to perform all of their obligations under the contract

GUARANTEES

Parties: three parties involved in a guarantee: creditor, debtor and guarantor.

Liability: Basic liability of payment of debt falls on the debtor. If he fails to pay then responsibility falls on the guarantor.

Interest: Creditor and debtor has interest in the contract but guarantor has no interest in the contract.



Examples of Blending Finance

Source of Capital

Structure No. 1

Structure No. 2

Private Investors	Debt (Notes)	Senior Debt (Senior Notes, Loans)
DFIs, IFIs	Senior Shares	Subordinated Debt (Subordinated Notes, Loans)
DFIs, IFIs	Mezzanine Shares (Hybrid of Debt & Equity)	Senior Shares
Public Donors	Junior Shares	Junior Shares
	Guarantee	Grant

Equity: Provider takes most junior equity position: common equity in structures that incorporate preferred equity classes

Grants: Provider covers a set amount of first loss

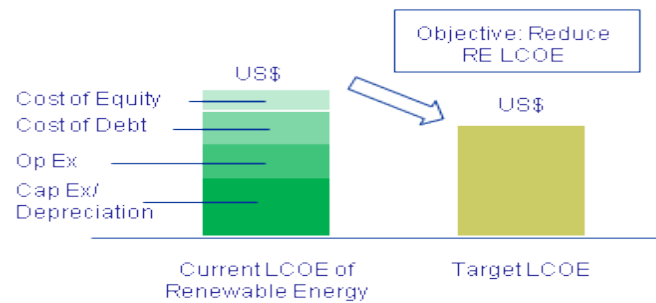
Guarantee: Provider covers a set amount of first loss. Similar to the grant, except the guarantee has a cost

Subordinated debt: Provider takes most junior debt position in a company



Risk and Blending

1. Analyse renewable energy (RE) using LCOE modeling



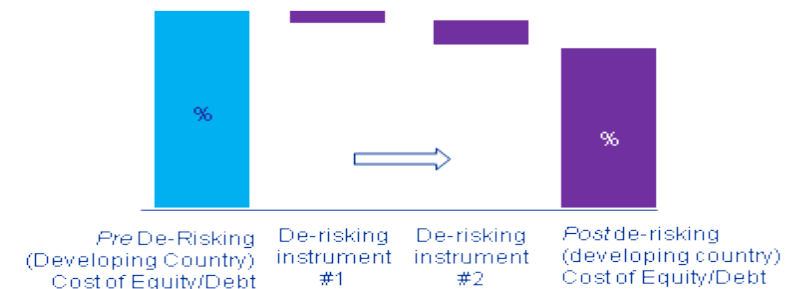
3. These 9 risk categories form part of the cost of equity/debt for renewable energy



2. Define 9 risk categories from an investment perspective

1. Power Market Risk
 2. Permits Risk
 3. Social Acceptance Risk
 4. Resource & Technology Risk
 5. Grid/Transmission Risk
 6. Counterparty Risk
 7. Financial Sector Risk
 8. Political Risk
 9. Currency/Macroeconomic Risk
- Technology/Sector level
- Macro level

4. Public instruments can reduce these risks and thereby decrease cost of equity/debt

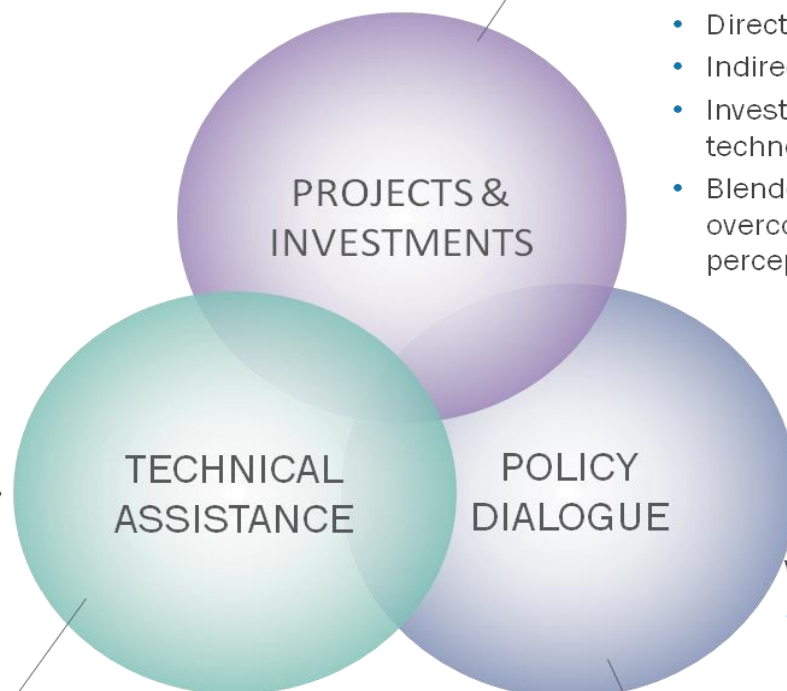




Examples EBRD

Activities to drive markets and investments

- Energy and resource audits to identify green investments
- Integrated technical, financial and marketing teams to support client banks in developing sustainable energy lending
- Risk assessments related to climate vulnerabilities
- Transition gaps and market scoping studies



PROJECTS &
INVESTMENTS

Tailored financing instruments

- Direct financing
- Indirect-financing via local banks (SEFFs)
- Investment grant support for climate technology transfer
- Blended concessional finance so as to overcome affordability and risk perceptions

TECHNICAL
ASSISTANCE

POLICY
DIALOGUE

Working with governments

- To address sustainability and environmental market failures
- To strengthen the institutional and regulatory context and create optimum conditions for green investments to take place



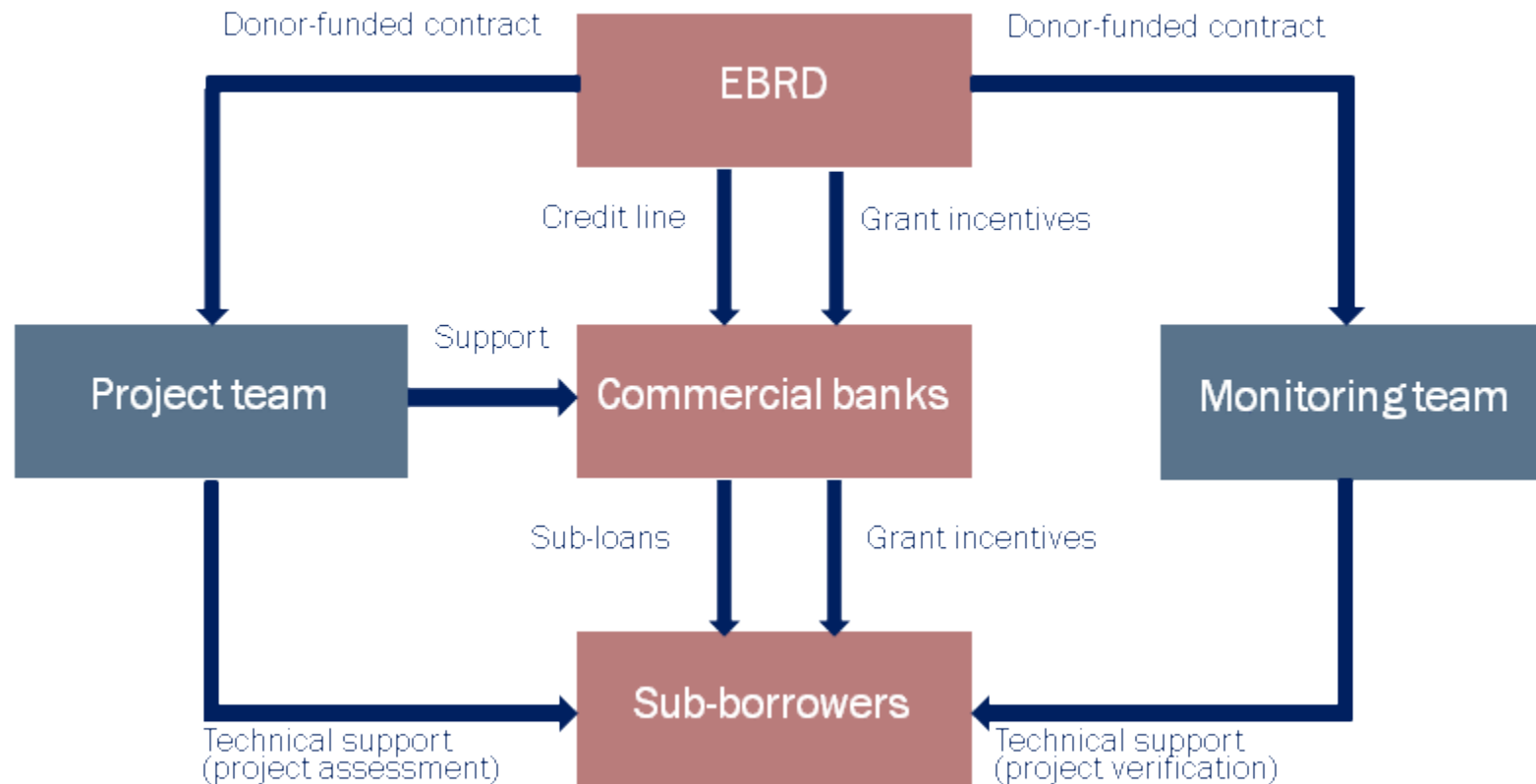
EBRD Instruments

- **Equity:** ranging from €2 million to €100 million in private sector projects.
- **Loans:** for larger projects (€3 million - €250 million)
- **Guarantees:** Through its Trade Facilitation Programme the EBRD provides guarantees to international confirming banks, taking the political and commercial payment risk

[Project finder \(ebrd.com\)](http://ebrd.com)



EBRD



SEFFs are effective in reaching a wide range of industrial and residential clients



EBRD Project Structure

- The EBRD tailors solutions to client and project needs and to the specific situation of the country, region and sector. It assigns a dedicated team of specialists with expertise in project finance, the region and sector, law and environment.
- The EBRD funds up to 35% of the total project cost for a greenfield project or 35% of the long-term capitalisation of an established company
- Additional funding by sponsors and other co-financiers is required. The EBRD may identify additional resources through its syndications programme
- Typical private sector projects are based on at least one-third equity investment
- Significant equity contributions are required from the sponsors. Sponsors should have a majority shareholding or adequate operational control. In-kind equity contributions are accepted



World Bank Group

IBRD
International Bank
for Reconstruction
and Development

Est. 1945

Role: To promote institutional, legal and regulatory reform

Clients: Governments of member countries with per capita income between \$1,025 and \$6,055.

Products:

- Technical assistance
- Loans
- Policy Advice

IDA
International
Development
Association

Est. 1960

To promote institutional, legal and regulatory reform

Governments of poorest countries with per capita income of less than \$1,025

- Technical assistance
- Interest Free Loans
- Policy Advice

IFC
International
Finance Corporation

Est. 1956

To promote private sector development

Private companies in 182 member countries

- **Equity/Quasi-Equity**
- **Long-term Loans**
- **Risk Management**
- **Advisory Services**

MIGA
Multilateral
Investment and
Guarantee Agency

Est. 1988

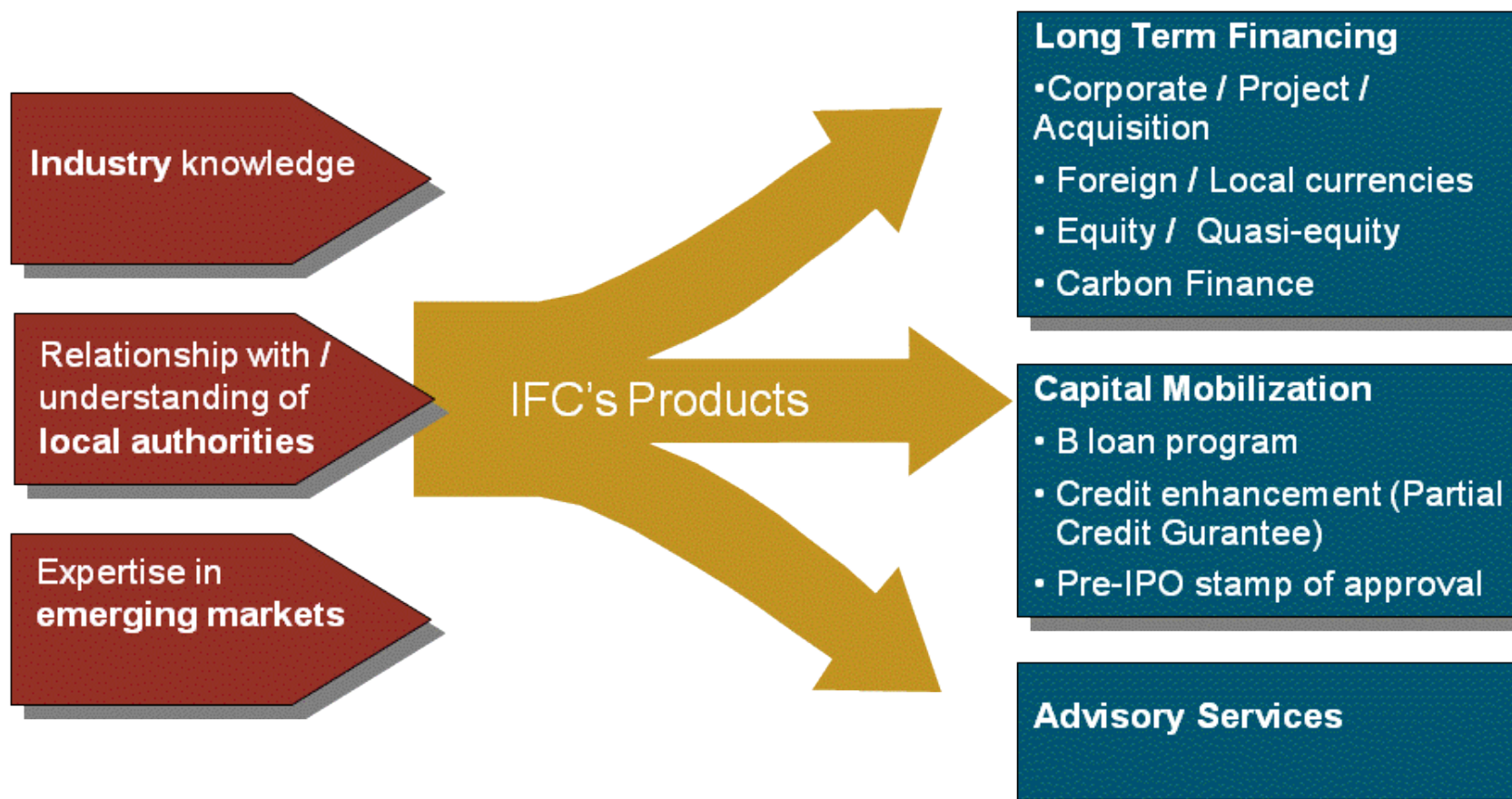
To reduce political investment risk

Foreign investors in member countries

- Political Risk Insurance



IFC value Added





IFC



- Corporate and JV
- Typically 5-15% shareholding (not to exceed 20% of total equity)
- Long-term investor, typically 6-8 year holding period
- Not just financial investor, adding to shareholder value
- Usually no seat on board
- Infraventures (early equity investments)

- Subordinated loans
- Income participating loans
- Convertibles
- Other hybrid instruments

- Senior Debt (corporate finance, project finance)
- Fixed/floating rates, US\$, Euro and local currencies available
- Commercial rates, repayment tailored to project/company needs
- Long maturities: 8-20 years, appropriate grace periods
- Range of security packages suited to project/country
- Mobilization of funds from other lenders and investors, through cofinancings, syndications, underwritings and guarantees



IFC

- **SMEs:** IFC works with banks, industry associations, and governments to help small businesses
- **Infrastructure and Renewable Energy:** IFC supports private sector investments in key infrastructure projects
- **Gender:** IFC provides loans, basic managerial training, and a host of other financial services to small businesses owned by women



Supported by our EU Projects



iHERITAGE



INVESTMED



INTECMED



Med Pearls



CRE@CTIVE



SOLE



A host of EU Projects offering Grants & TA

- ***In Innovation, Incubation, Access to Finance and SME Support***
 - EU Regional **EBSOMED** "Enhancing Business Support Organisations and Business Networks in the Southern Neighbourhood" <http://ebsomed.eu/>
 - EU ENI CBC **CRE@CTIVE** "Innovation for bringing creativity to activate Traditional Sectors in MED area" <http://www.enicbcmed.eu/projects/creative>
 - EU ENI CBC **INTECMED** "Incubators for innovation and technological transfer in the Mediterranean" <http://www.enicbcmed.eu/projects/intecmed>
 - EU ENI CBC **INVESTMED** "InNoVative Sustainable sTart-ups for the MEDiterranean" <http://www.enicbcmed.eu/projects/investmed>
- ***Water & Renewable Energy and Conservation***
 - EU ENI CBC **SOLE** "High Energy Efficiency for the Public Stock Buildings in Mediterranean" <http://www.enicbcmed.eu/projects/sole>
- ***Culture & Tourism***
 - EU ENI CBC **Med Pearls** "The Mediterranean as an innovative, integral and unique destination for Slow Tourism initiatives" <http://www.enicbcmed.eu/projects/med-pearls>
 - EU ENI CBC **iHERITAGE** "ICT Mediterranean platform for UNESCO cultural heritage" <http://www.enicbcmed.eu/projects/iheritage>



Offering in cash and in kind finance





With our Implementation Partner AASTMT



Arab Academy
For Science, Technology and Maritime Transport
Center of Entrepreneurship





MEDA Finance

The €23 Billion Initiative

<http://ebsomed.eu/en/content/meda-finance-2019-survey>



The 5th Euro-Mediterranean Conference & Exhibition on Donor Funding, Banking and Novel Financial Instruments

MEDA FINANCE



The EBSOMED project is led by BUSINESSMED within a consortium consisting of 6 partners.





Meda Finance

A total of 191 programmes were sourced, inclusive hundreds of instruments, that is besides the aid offered to Governments which is translated into tenders for services and supplies implemented by private sector from the Mediterranean

1. Over 156 programmes available for the whole region by 18 countries/institutions/programmes of AfDB, Belgium, EC, EIB, EBRD Finland, France, Germany, IDB, Japan, Kuwait, Netherlands, Saudi Arabia,, Spain, UAE, UNDP, UNIDO, USA, and WB/IFC/IBRD; besides what is offered to individual countries from Canada, Denmark, and Italy, .. and naturally the countries themselves.
2. Over 35 programmes available for individual MEDA countries



Meda Finance

- Grants: in cash or as technical assistance up to Euro 5 million (50% to 80% of costs), feasibility studies, export finance, credit guarantee, diagnostics, upgrading, training, investment and export promotion support, ...etc
- Soft loans: up to 80% of project budget extending from US\$ 100,000 up to 100 million, with interest from zero to less than commercial rate, both fixed and floating, both in euro/\$ or local currency, with grace periods from 1 up to 8 years and maturity from 5 up to 15 years (sovereign loans are 0.75% interest, grace 10 years, and maturity 40 years)



Meda Finance



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Meda Finance



1.47 EU: External Investment Plan (EIP)

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Short description

The EIP sets out a coherent and consistent approach and its implementation will allow the EU to lead by example in developing more effective partnerships, with partner countries and at the same time implementing international commitments on financing for development. Grants remain essential but the EIP will improve the way in which public funds are used and the way public authorities and private investors work together on investment projects.

Furthermore, it offers a guarantee to the private sector to invest in contexts that are politically more risky than others, and it addresses the key factors that enable crowding-in private investment where investors would not otherwise go.

Investments will mainly be targeted to improve social and economic infrastructure, for example municipal infrastructure and proximity services, and on providing support to SMEs, microfinance and job creation projects.

Business sectors

Agriculture sector

Target population

Africa, EU Neighbourhood

Type of funding

Technical assistance, Guarantees

Project investment by 2020

Between EUR 44 billion and 88 billion

Application process

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Public and private sector bodies are eligible counterparts and may submit investment proposals under the investment windows and sign guarantee agreements with the Commission, subject to the relevant financial assessments being carried out by external, independent experts, for the Commission.

The investment proposals will have to:

- contribute to economic and social development, with a focus on sustainability and job creation, particularly for youth and women, and dealing with addressing the root causes of irregular migration
- target socio-economic sectors. Particular focus will be on private sector development
- support the objectives of EU policies and with the relevant policy and political dialogues with partner countries, regional and multilateral fora as well as be aligned with partner countries' policies

Contact

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What We Do

