

INTERNATIONAL FINANCE CORPORATION

A SOLUTION PROVIDER FOR SUBNATIONAL GOVERNMENTS



November 2020

IFC is the private sector development arm of the World Bank Group



IBRD

International Bank for Reconstruction and Development

Loans to middle-income and credit-worthy low-income countries

IDA

International Development Association

Interest-free loans and grants to governments of poorest countries

IFC

International Finance Corporation

Solutions in private sector development

MIGA

Multilateral Investment Guarantee Agency

Guarantees of foreign direct investment's non-commercial risks

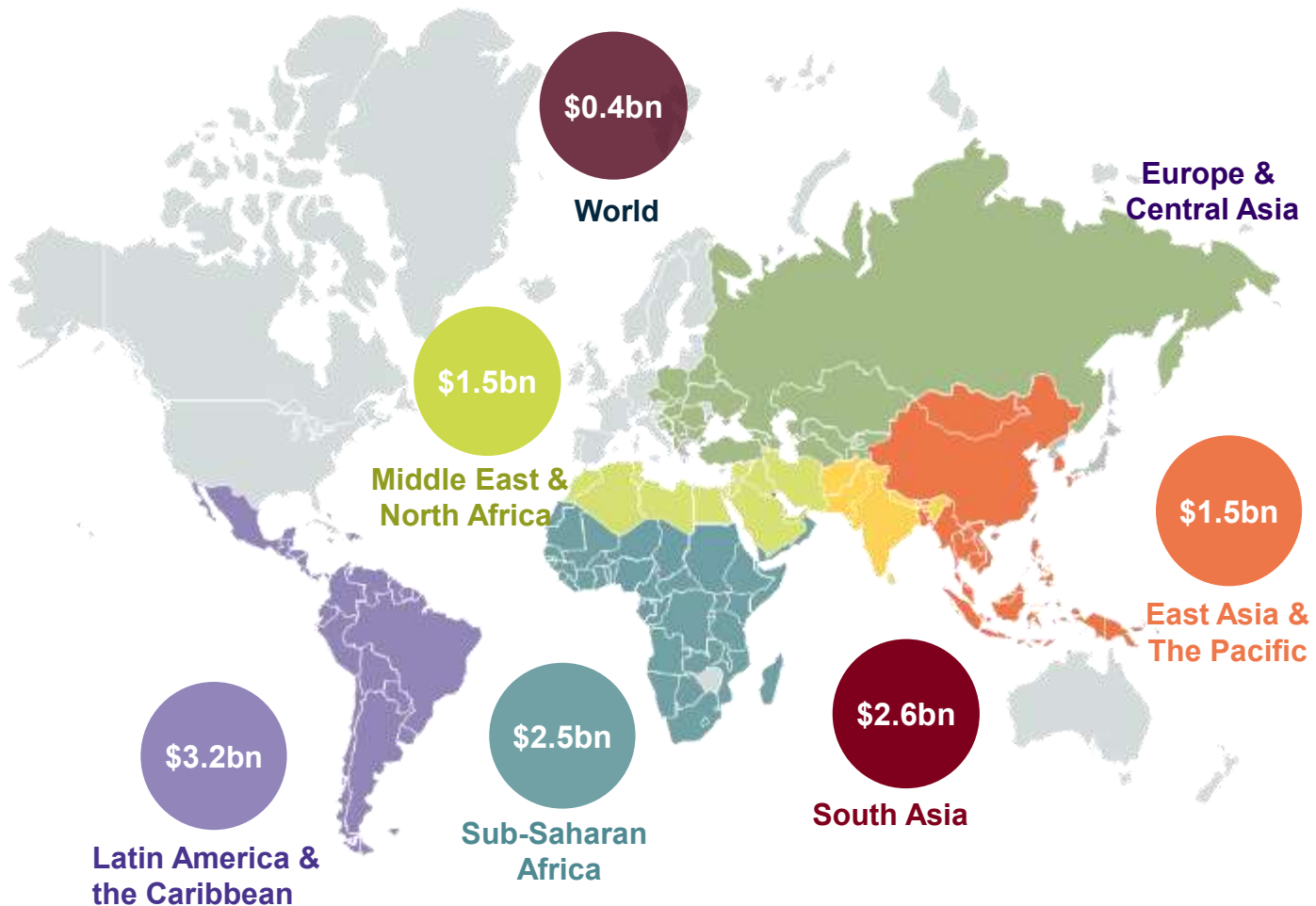
ICSID

International Centre for Settlement of Investment Disputes

Conciliation and arbitration of investment disputes

- Largest global development institution focused exclusively on the private sector
- Provides investment, advice, resource mobilization
- S&P & Moody's ratings of AAA. Owned by 184 member countries
- Offices in more than 100 countries around the world.

IFC's investment across all global infrastructure sectors is USD\$14 billion



Building long term partnership

Strategic
Partnership

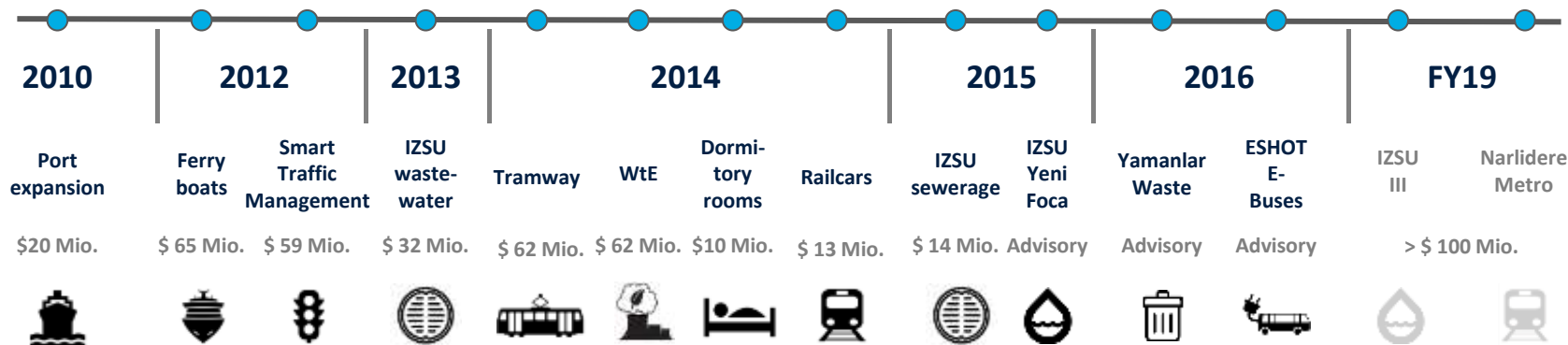


Background Information

Population: 2.8 Mio. (Metro: 4.1 Mio.), Turkey's 3rd largest city

Critical sectors jointly identified with city: Waste, water, transport

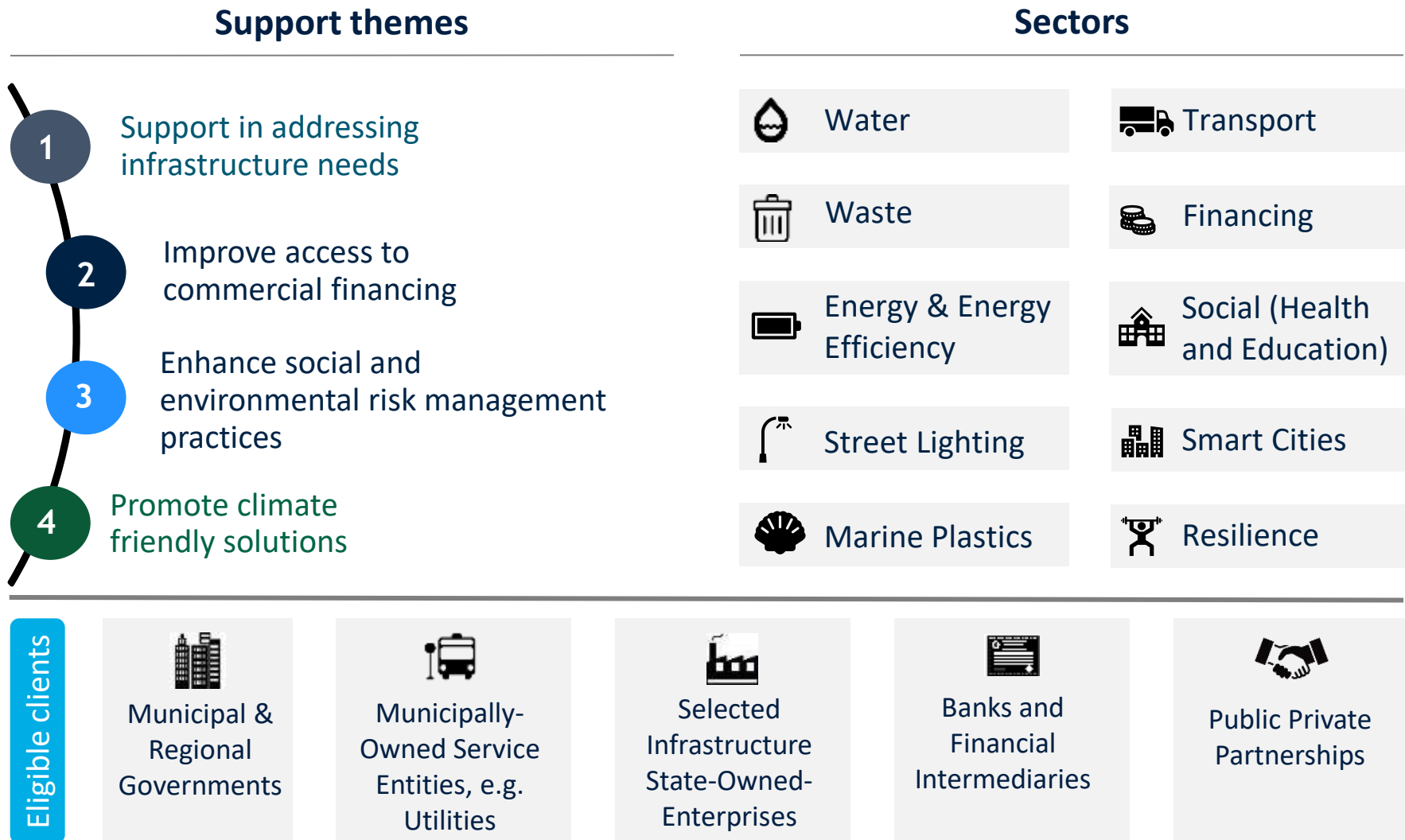
Engagement History



Cumulative Impacts

- **Total investment mobilization:** Largest municipal client, **USD 210 Mio. in IFC loans + USD 200 Mio.**
- **Project impacts*:** Transport: **Reduction of travel time by 25%, of CO2 emission by 20,000t p.a.**
Water: Facilitated access to **wastewater services for 240,000 people**
- **Diversification of finance:** **75%** of funding from international sources, compared to **30%** a decade ago

IFC engages across the full spectrum of urban infrastructure challenges



IFC provides much more than finance

Financing

Provide funds and help subnational governments (SNG) access other commercial sources of finance

- *Access to capital markets (municipal bonds)*
- *Direct finance, including Green Loans*
- Syndication/mobilization
- Guarantees
- Concessional Finance

Public Private Partnerships (PPPs)

Support SNGs with structuring PPPs and attracting private investment and expertise

- Structure projects from technical, financial and legal perspective
- Organize competitive tenders to attract investors



Advisory Services

Help Subnational governments build capacity and develop projects in-line with international best practice.

- Covid-19 Support
- Community Support
- Help in strategic city planning, e.g. through diagnostic sector analysis and project prioritization
- Provide trainings, e.g. on Environmental and Social (E&S) risk management
- Provide project development support, e.g. technology choice or business models
- Help with regard to E&S risk mitigation for individual projects

IFC offers its municipal partners a flexible financing package

Financing



Size: IFC can finance a project portfolio of the municipality/municipal company or co-finance single projects of the size > USD 10 million.



Pricing: In line with IFC mandate, we provide financing on commercial basis and take commercial risks. Therefore, pricing is typically aligned with market conditions. We could provide additional concessional loans, subject to the Sector, need and role.



Tenor: IFC can provide loans with maturities longer than available in the market, typically of up to 15 years.



Collateral: IFC can provide municipal financing on an unsecured basis, if the municipality or municipal company has a strong financial position.



Local Currency: IFC is able to fund in local currency, and also able to mobilize other commercial lenders



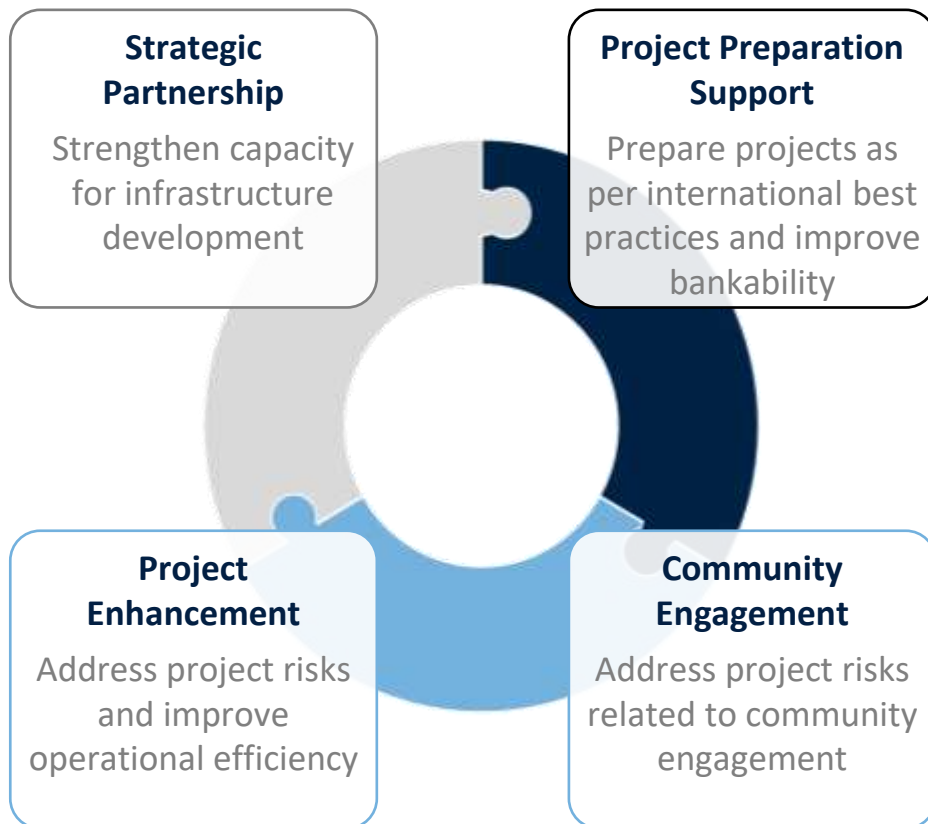
Ease of Implementation: Subject to relevant local laws, IFC may be exempt from procurement rules and quickly provide the financing and advisory services. We also do not mandate particular procurement standards, enabling fast and flexible implementation of the project.

Financing is typically supplemented by our tailored-made, free or subsidized in-house advisory services.

Our financing is provided with a package of advisory to help design and implement projects

Advisory

Overview



Menu of Services

STRATEGIC PARTNERSHIP

- Creditworthiness Assessment
- Credit Rating Support
- Infrastructure Diagnostics and Planning
- Strategy Development and Implementation
- Capacity Building of SNG's Staff

PROJECT PREPARATION SUPPORT

- Preparation of Pre-feasibility Study
- Assessment of Technology Solutions
- Assessment of Financing Options
- Review of Feasibility Studies and Design
- Resource efficiency (Green Buildings)

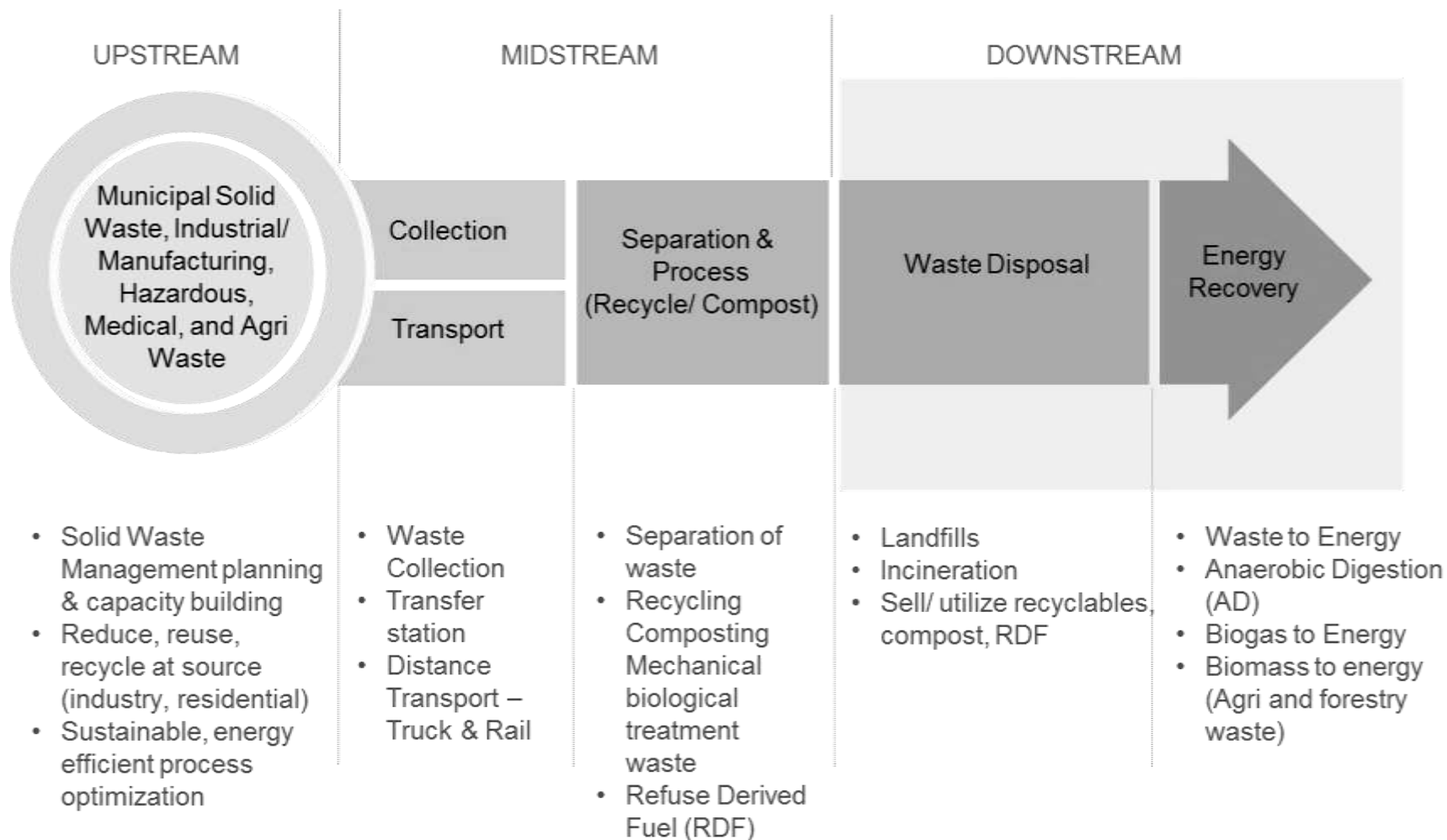
PROJECT ENHANCEMENT

- Business Models Development
- Procurement process Guidance & Technical Specifications
- Operational Performance Improvement
- Environmental and Social Risks Assessment

COMMUNITY ENGAGEMENT

- Stakeholder management
- Community outreach

For waste for example: across the MSW value chain



Advisory and investment support for municipal waste management systems

1 Advisory

MSW Strategy or ISWMP* Development

- To help the city develop a document with achievable targets, reasonable activities, infrastructure facilities and investment needs
- MSW projects prioritization

Pre-transaction advisory

- Market analysis;
- Pre-feasibility studies;
- Technological comparison analysis;
- Environmental & social review;
- “Value for Money” Analysis;
- Upstream work including regulatory analysis & policy dialogue

PPP transaction advisory

- Legal review/due diligence;
- Transaction structuring;
- Marketing/promotion;
- Tender development;
- Bidding support, incl. award of contract

2 Infrastructure Investment

Subnational Financing for Public Sector or Private Investors

- Debt financing for public entities (loan, subordinated loan, bonds, etc.)
- Structured products (partial credit guarantees, risk-sharing facilities, etc.)
- Equity and quasi-equity (long-term capital)



MSW Project Development Stages



Case study: Covid 19 Support to Izmir City, Turkey



City

Sector

Izmir, Turkey

Cross-cutting

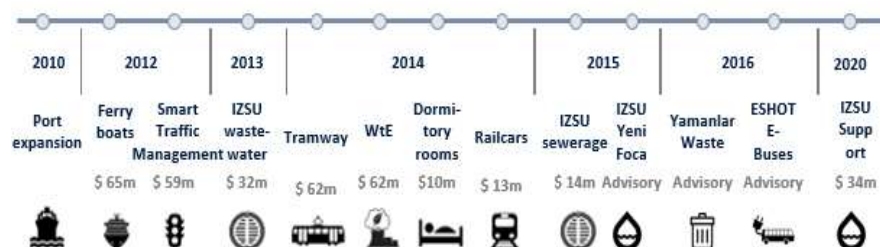
Situation

- Population: 4.3m (Turkey's 3rd largest city)
- Contributes 7% to Turkey's GDP
- Large port city; agriculture; tourism
- One of IFC's Largest Municipal Client; 6 Cities mandates signed to date
- New mandate signed on June 30, 2020 to support IZSU, the muni's WWTP company
- Advisory support on Open Data Strategy and COVID-19 response

Impact of Covid 19

- Confirmed cases: 2,884
 - Declining revenues:
 - Lower tax generation and revenue base of the City due to lower eco. activity (~11%*);
 - Higher subsidies to municipal companies due to low utilization rate (~80%*)
 - Increased expenses to procure goods and services in fight against COVID-19 (~51%*)
 - Large scale infrastructure investments frozen to avoid rise in indebtedness (e.g. large metro project ~EUR 700m)
 - Uncertain macroeconomic environment in Turkey (FX, inflation/interest rates).
- * Period April - June 2020

Izmir- IFC Engagement History



IFC Covid 19 Response

- US\$ 34m mandate (local currency equivalent) signed on June 30, to finance critical water and wastewater infrastructure investments which would otherwise be delayed due to COVID-19.
- Joint IFC-WB collaboration: application of behavioral sciences to improve social, operational, and financial resilience of the City, including during emergency situations (i.e. COVID-19).
 - ✓ Promote utility payment during and post COVID-19 through behaviorally informed solutions;
 - ✓ Incentivize tax compliance for businesses during and post COVID-19 through advice and policy recommendations;
 - ✓ Improve citizen engagement, including in times of emergencies.

III. CASE STUDIES

Case study: public transport system extension, 2018



City	Sector
Antalya	Transport (Tramway/Light-rail)

Situation

- Construction of a new 18.2 km tramway line with 29 stations and procurement of 20 tram vehicles
- New third line will connect City's northern populated but underprivileged neighborhoods to main city attractions
- Interconnections with existing two lines create an integrated railway system network

Implementation Challenges

- High number of accidents in existing network
- Limited insights into operational performance
- New line covers densely populated areas and requires major construction works

IFC Support

Financing Options (Project Preparation)

- Analysis of municipal bond market in Turkey

Operational Performance & Safety (Project Enhancement)

- Review of network performance, driver training, station accessibility, safety and emergency response procedures and comparison with national and international peers
- Comprehensive design guide for stations and intersections
- Recommendation of indicators to monitor performance

E&S (Project Enhancement)

- Development of stakeholder engagement and compensation plan

Outcomes*

- Introduction of improved accessibility and safety standards in existing and new lines
- Enhanced capacity to monitor and manage operational performance and facilitated dialogue between operator and municipality for defining performance standard
- Mitigated risks during construction

Improve overall system performance and mobilization of EUR 140 million financing package (EUR 80m IFC + EUR 60m MCPP, institutional investment)

* - planned

Case study: Public transport system modernization, 2018



City

Mariupol, Ukraine

Sector

Transport (Buses)

Situation

- City wishes to modernize the public transportation system, including the bus system with more than 140 million passengers annually, mostly low-income and refugees from close conflict zone
- Half of all vehicles beyond maximum useful service life, almost half of bus fleet not operational
- System has subsidized fares below cost recovery level, inefficient routing and interconnections due to limited data insights, low safety with high traffic accident rates, low accessibility standards, high greenhouse gas emissions and air pollution, as well as competing private operators with low performance and safety standards

IFC Support

Financing:

- EUR 12.5 million loan for procurement of more than 60 modern large capacity buses and upgrade of related infrastructure (dedicated lanes, bus stops, depots)

Comprehensive Advisory Package:

- Guidance on procurement process and upgrade of infrastructure, e.g. for segregation of traffic
- Recommendations on institutional and regulatory reform of public transport system
- Development of medium-term business plan
- Development of transport model for route-network optimization

Outcomes

- Enhanced bus service quality and safety
- Transport model allows testing/optimization of route scenarios based on updated data
- Reduced traffic congestion, incidence of traffic accidents, CO₂ emissions and noise pollution
- Spill-over effect on private transport providers through newly negotiated contracts

Integrated investment and advisory package ensures sustainability of Mariupol's public transport system.

Case study: Public street lighting PPP model, 2018



City	Sector
Bengaluru, India	Infrastructure (Street Lighting)

Situation

- Bengaluru (“BBMP”) is the information technology capital of India, often branded as the country’s Silicon Valley.
- The city boasts 485,000 streetlights but upgrading and maintaining the infrastructure has been a challenge.
- Poor operation and maintenance resulted in high energy consumption, poor lighting, non-functional meters, and high percentage of dysfunctional streetlights.
- and air pollution, as well as competing private operators with low performance and safety standards

IFC Support

Transaction advisor:

- IFC assisted BBMP as the lead transaction advisor to select the Energy Saving Company (ESCO) under a PPP model to install, operate, and maintain an energy efficient street lighting system in Bengaluru.

Technical, legal, and analytical support:

- Assessing potential energy savings possible post - implementation of Energy Conservation Measures (ECMs).
- Reviewing social, legal, and commercial issues related to the project, and to design a risk allocation framework.
- Leading discussions with potential investors to gauge commercial viability of the project, investor interest, and enable optimal project structuring.
- Managing the bid process, including preparation of bid documents and evaluation of bids.
- Evaluating technical experience of bidders.

Outcomes

- Reduce energy consumption by 85.5% – the highest savings guaranteed to date of any project in India, making the project one of the world’s largest municipal energy savings project for public street lighting
- Mobilize \$100 million in private investment
- Improve street light services for over 3.5 million people
- Enhance commercial activity and safety of residents, particularly women and children
- Reduce greenhouse gas emissions by 86,000 metric tons per year
- Integrate smart-city initiatives

Case study: Sanitary Landfill and MSW recovery, 2016



City

Izmir, Turkey

Sector

Solid Waste

Situation

- Low residual lifetime of existing landfill site (4-5 years) and leakage into nearby high-density settlements;
- Estimated project capacity ~2000tons MSW per day, serving approximately 2 Mio. people;
- Municipality considers construction of Solid Waste Utilization and Disposal facility at newly chosen site (Yamanlar);
- Various MSW recovery options considered (including material recovery, WtE, anaerobic digestion, etc.)

IFC Support

Project Pre-transaction advisory

Phase 1

- Review of Pre-feasibility Study on Solid Waste Treatment;
- Comparison Analysis of Solid Waste Treatment and Disposal Scenarios;
- Value for Money Analysis;
- Environmental & Social Issues Review of Solid Waste Treatment;
- Organized Roundtable on Structuring and Financing MSW Solutions in Turkey

Phase 2 (ongoing):

Evaluation of RDF treatment technologies and RDF off take options

Outcomes

- Evaluated the suggested technology solutions, key assumptions and provided indication on the overall appropriateness of the pre-feasibility report recommendations;
- Compared different waste treatment scenarios showing estimated capex, opex, and gate fee;
- Compared financing options (public vs PPP)
- Assessed compliance of waste treatment scenarios with IFC's Environmental, Health and Safety guidelines
- Facilitated the discussion between Izmir Municipality and private investors

Example of IFC Advisory Services - Health



IFC Improving Quality Healthcare Tool

50 Hospitals and Clinics in 20 Countries

Description

- IFC's IQ-Healthcare Tool helps health providers improve patient safety, align practices with global quality standards, and build safe healthcare infrastructure.
- A diagnostic tool that operates at the network-wide and single-facility level, our service identifies quality gaps and cost-efficient solutions.
- To date, the IQ-Healthcare Tool has been used with more than 50 hospitals and clinics in nearly 20 countries.

Why Focus on Quality Healthcare?

- **Global problem:** Poor quality healthcare causes more deaths than lack of access to healthcare
- **Risk management:** single incident can result in a large financial claim and ruin a hospital's reputation
- **Strategic positioning:** hospitals with sound quality assurance are more attractive partners for insurance companies and investors

IFC Healthcare Quality Assessment

- **Easy-to-use** series of quality assessment "scores"
- **Step-by-step guide** to reach international standards
- **Global expertise**, adjusted to local specificities
- **Detailed gap-analysis**

Key Components of Assessment (158 Measurable Elements in 8 Core Areas)

1. International Patients Safety Goals
2. Ethics, Patient, and Family Rights
3. Medication Management and Use
4. Quality Improvement and Patient Safety
5. Infection Control
6. Governance, Leadership and Direction
7. Facility Management and Safety
8. Human Resources

Case study: Waste to Energy PPP 2016-2017



City

Belgrade, Serbia

Sector

Waste, Power

Situation

- The existing waste treatment and disposal practices are at a very basic level, with old landfill not compliant with national and EU standards, posing substantial ecological issues
- City wants to improve current practices and make them compliant with EU legislation by building a greenfield state-of-the-art waste processing facility with RDF production & RDF-fired CHP plant & sanitary landfill + rehabilitate the old dumpsite
- Estimated project capacity 340k tons MSW per annum, serving approximately 1.65 Mio. people

IFC Support

PPP Transaction Advisory:

- Structuring and implementation of a PPP transaction for waste treatment and waste disposal services

Phase 1:

- Due diligence analysis of the project;
- Assessment of investor's interest;
- Preparation and presentation of the recommended PPP transaction structure

Phase 2:

- Preparation of tender documentation;
- Support throughout implementation and conclusion of the project tender process

Outcomes

- Introducing SWM and landfill management conforming to EU standards;
- Power generation through waste incineration; diversification of energy fuels and to reduce the commercial losses of the waste ecosystem; potential positive impact on GHG
- Improvement of environmental conditions through more resilient infrastructure for waste storage and disposal;
- Applied internationally accepted practices to protect soil, water and air resources

Case study: Covid 19 Support to Zaporizhzhia City, Ukraine



City

Zaporizhzhia

Sector

Cross- cutting

Situation

- Confirmed cases: 481 to date
- US\$ 18.5m decrease in revenues (~5%)
- Postponement of CAPEX plans

IFC Covid 19 Response

Capacity Building

- Community engagement for emergency response (Webinar): Improved capacity of local authorities on emergency response; better communication with citizens.
- Best practices on Infection control for the municipal healthcare department (Webinar): Improved capacity of hospitals and local doctors to support infected patients.

Mobility data analytics (Habidatum)

- Purchase of a data mobility software:
 - ✓ understand levels and patterns of citizen mobility
 - ✓ generate data visualizations
 - ✓ build scenarios
- Informed decision through data analysis: Local authorities actions (e.g. quarantine measures; re-opening) are informed by data analysis.

SMART ZAPORIZHZHIA PROJECT



Proposed investment of up to US\$ 60m (IFC O/A + Mobilization) to finance smart city infrastructures. Planned for commitment in FY21.

Complemented by an upstream and value-added advisory package:

- Project design, technical specifications and procurement support;
- Advice on smart city strategy;
- Advice on financial sustainability of the city's transport company;
- Advice on an integrated data platform;
- E&S and gender impact assessment;
- COVID-19 Response (collaboration with IFC Sustainable Infrastructure Unit).