International Off-Grid Renewable Energy Conference
Accra, 1-2 Nov 2012

IsDB’s Approach to Energy Poverty
The IsDB Group

Islamic Development Bank (IsDB)
Foster the economic development and social progress of MCs and Muslim communities.

International Islamic Trade Financing Corporation (ITFC)
Promote and enhance intra-trade and trade cooperation through trade finance and promotion programs.

Islamic Corporation for Insurance of Investment & Export Credit (ICIEC)
Provide export credit insurance, political risk insurance, technical assistance.

Islamic Corporation for the Development of the Private Sector (ICD)
Promote development of private sector development.

Islamic Research & Training Institute (IRTI)
Undertake applied & basic research in Islamic Economics and Finance.
Overview of Islamic Development Bank

- **Established in 1975** to foster socio-economic development in Member Countries
- A Unique Model of **South-South Cooperation**
- **Global MDB**: Membership 56 Countries spread over 4 continents

**Total Assets**: US$ 14.2 billion

**Authorized Capital**: US$ 47.0 billion

**Paid-up Capital**: US$ 6.3 billion

**Rated**: AAA Rating by Moody’s, Fitch and S&P. Zero-Risk Rating by the EU

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*Saudi Arabia, Libya, Iran, Nigeria, Qatar, Egypt, Turkey, United Arab Emirates and Kuwait*
Overview of Islamic Development Bank

Net approvals of IsDB Group
US$78 billion by end-1432H/2011G

![Diagram showing net approvals of IsDB Group from 2008 to 2011, with a focus on the energy sector.](image-url)
Rapid Scale-up in IsDB Energy Financing

Source: IDB
IsDB Energy Policy in the making ...

Building on recognized strengths in power generation and grid infrastructure, but greater focus on:

# Energy Poverty
# Sustainability (RE & EE)
# Knowledge
IsDB Energy Policy in the making...
Developing New Strengths in Addressing Energy Poverty

Energy for the Poor

- Access to Modern Energy
- RE based Off-Grid Electrification
- Mini Grids
- Home-based Systems
- Small-scale Commercial
- Non-Power: Cooking, Water Heating, etc.

- Areas of existing strength
- Areas of increased focus
- Areas for future focus
3-Year Programme on RE for the Poor -- focus on Off-Grid Solar

Preparatory Study (Consultancy ongoing)

**Expected Outcomes:**
- Identification of successful models of solar energy in IDB MCs
- Selection of two pilot MCs from SSA for off-grid solar energy projects

**Cooperation Mechanism and Financing:**
- TA grant financing by IsDB

Off-Grid Solar Infrastructure Projects

**Expected Outcomes:**
- Pilot demonstration projects: full cycle of an off-grid RE project from policy setting to infrastructure investment
- Off-grid solar projects (public, PPP)

**Cooperation Mechanism and Financing:**
- MC selection based on Preparatory Study findings
- Pilot projects to be implemented in cooperation with partner institutions
Recent Initiatives

Reverse Linkage on “RE for the Poor”

Interventions to strengthen cooperation

Sharing knowledge, experiences and best practices

Strategic cooperation leading to economic integration

IsDB

Turkey

5 SSA MCs
Reverse Linkage on RE for the Poor

**Short-Term Initiative**
Provider: Turkey
Recipients: 5 SSA MCs

- Kick-off Workshop in Jeddah
- Technical Visit to Turkey
- TR Private Sector Visit to SSA
- TR-IDB coord. mtg.

**Expected Outcomes:**
- Country specific road maps for IsDB MCs
- Pilot projects in selected countries (wt infrastructure component)

**Cooperation Mechanism and Financing:**
- RRAs based on Preparatory Study and in cooperation wt specialized institutions
- Twinning of public institutions wt TIKA support

**Medium-Term Initiative**
Provider: SSA MC
Recipients: SSA MC

Share experiences among alike countries of the region having RE dynamics

**Expected Outcomes:**
- Development of Off-Grid RE policy framework and regulatory / institutional structures

**Cooperation Mechanism and Financing:**
- Workshops btw government institutions
- CDD grant financing
ICD Central Asia RE Fund
Investing in a Portfolio of RE Assets

**Investment Manager:** ICD

**Investment Adviser:** CIIC (Azerbaijan based investment management co.)

**Target Region:** Kazakhstan, Azerbaijan, Turkmenistan, Tajikistan, Kyrgyzstan, Uzbekistan, Turkey, Albania, Kosovo, & Bosnia

**Core Target Technologies:** Wind, Solar, Hydro, Biomass

**Investment Universe:** Renewable Energy Infrastructure projects and companies

**Investment Horizon:** 8 to 10 years

**Fund Size:** US$25 to US$150 million

A similar fund planned also for Africa
ICD Central Asia RE Fund
Investing in a Portfolio of RE Assets

- Minimize market risk especially during initial years of operation (enhances leverage and gives clear visibility for cash flows)
- Diversify Country Specific Risks while allowing some clustering of investments
- Focus on mature technologies
- Diversify performance risk and limit conflicts of interest
- Minimize administrative costs while reasonably diversifying investments and avoiding costly large scale transactions

The fund shall invest mainly in projects ready for construction and shall not take development risk.
- The fund may invest in operating ventures

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The IDB’s Approach to Energy Poverty

Islamic Development Bank
Infrastructure Department
Jeddah, S. Arabia

Website:
http://www.isdb.org
IsDB Energy Financing

- Public Financing by IsDB (sovereign guarantee)
  - Up to US$ 225 million per project (up to US$ 450 million in multi-tranches)
  - Very concessional to LDCs ("loan"): Tenor up to 25 years; administrative fee only during implementation
  - Other concessional lending: Tenor up to 15 years
  - Grants for TA
- PPP financing by IsDB
  - US$ 120 million for PPP
  - Tenor depends on the project risks
- Private sector financing by ICD