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**Hydropower Investment
Promotion Project (HIPP)**

HIPP'S FIRST IFI EVENT

June 24, 2010

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USAID HYDROPOWER INVESTMENT PROMOTION PROJECT
(HIPP)

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DELOITTE CONSULTING LLP

IN COLLABORATION WITH BLACK & VEATCH AND PIERCE
ATWOOD ATTORNEYS LLC.

USAID/CAUCASUS OFFICE OF ENERGY AND ENVIRONMENT
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International Financial Institutions (IFIs) Events

IFIs represent an important source of investment finance for small and medium sized Georgian hydropower opportunities. IFIs, including the International Financial Corporation (IFC), European Bank for Reconstruction and Development (EBRD), Overseas Private Investment Corporation (OPIC) and several others, have mandates to bridge the financing gap for economically viable and attractive projects in developing countries. In such countries, including Georgia, the lack of commercially-available finance and the high levels of country risk create the need for IFI intervention to provide much-needed capital and stimulate investment.

This IFI mandate is especially critical to support Georgia's developing hydropower sector.

HIPP will organize a series of IFI Roundtables in Georgia to bring together a number of investment professionals from diverse institutions to share their experience in HPP advisory and financing activities in other countries, exchange ideas, and further develop options to enhance the investment climate.

HIPP's First IFI Event

Background

HIPP held the first IFI roundtable on June 24. This event is an integral part of our outreach and promotional activities (Task 3). Such events will help demonstrate to potential developers that Georgia is a viable destination for risk capital, offering feasible investment opportunities in its small and medium hydro sector, with the full support of the Government.

This first IFI roundtable was organized to gain preliminary input into various IFI financing programs and parameters and to learn from the experience of similar hydropower development programs in other countries, including the program aspects that contributed to the program's successes and failures and ability to attract investors.

- IFI and HIPP representatives, USAID and Ministry of Energy officials (including First Deputy Minister Marika Valishvili, USAID) actively partook in this high profile event.
- With several members of the Ministry of Energy's Investment Unit attending the roundtable, this event was also a capacity building session.
- On this occasion, select findings of the Turkish Report (Legal and Regulatory Review of the Turkish Electricity Sector, a key task 1 deliverable) were presented to the audience.



Picture 1 HIPP's First IFI Event

Development of IFI Roundtable: Agenda, Speakers and Presentations

Specific IFIs that were contacted included:

- European Bank for Reconstruction and Development (EBRD)
- Asian Development Bank (ADB)
- European Investment Bank (EIB)
- KfW
- International Financial Corporation (IFC)

- World Bank
- US Export / Import Bank (ExIm Bank)
- US Trade Development Agency (USTDA)

Unfortunately, due to a number of conflicts, many of the invited IFIs were not able to attend; however, the participation of the IFC, ADB and the submission of a presentation by KfW were more than sufficient to enable a quality discussion.

In addition to the presentations by IFIs, four advisors from Georgia HIPP delivered presentations on key topics relevant to IFI investment participation and international experience.

The USAID-approved agenda is attached as an appendix to this report, together with copies of the presentations delivered.

Attendees

Based on earlier meetings within the Ministry of Energy, we were able to get substantial participation from the key persons within the MOE, including Deputy Minister Valishvili, who together with USAID opened up the Roundtable. We expected two representatives from Invest in Georgia who confirmed their participation, but at the last minute they did not show. Nonetheless, we had quality representation from the MOE and its full participation.

The original roster of attendees, with indications of final participation, is attached as an appendix to this report.

Roundtable Discussions.

The Roundtable had excellent presentations and lively discussions among members of the audience and speakers.

Key takeaways from the Roundtable included:

- The active participation and keen interest of Deputy Minister Valishvili. She engaged in multiple discussions with speakers on their specific international experience and its applicability to Georgia. Her participation was a strong sign to her Team within the MOE of her support to this Project and its objectives
- The IFC representative, Martin Sobek, provided a highly appreciated presentation that was the subject of intense discussion afterward. While he presented his experiences from Albania, he was able to discuss multiple projects undertaken by the IFC, both successful and not, and was sufficiently familiar with the local market circumstances to keep things highly relevant for the audience.
- The discussion on the Turkish Market as an export market for Georgia was very well done and was clearly of keen interest to the audience. Many questions were raised about the practical opportunities and challenges for export to Turkey, benefiting the entire audience.



Picture 2 Martin Sobek, IFC

The Roundtable served as an important first event that brought the entire HIPP Project into discussions with counterparts within the MOE, including both formal and informal. These confidence-building events are critical to the development of healthy, trusting working relationships among the team members.

Next Steps.

It is important that we build on this event to organize and implement larger, more strategic roundtables and workshops in the nearest future. We are planning a follow-up Roundtable with the more significant participation of key IFIs active in Georgia, as well key counterparts within multiple Georgian Government entities, to discuss how we can improve and develop the hydropower investment climate in Georgia. With adequate lead time, we should be able to get the full participation of IFIs resident in Georgia, as well as the participation of US-sponsored and other IFIs that cover the country.

List of attachments (included separately)

1. Agenda for Georgia HIPP-sponsored International Financial Institution (IFI) Roundtable
2. Roster of Attendees, IFI Roundtable (actual)
3. Copies of Presentations delivered at IFI Roundtable

USAID Hydropower Investment Promotion Project (USAID-HIPP)

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