

# Financing Environmental Compliance



## Environment 2003 Conference

*Cairo, October 2003*

**KfW**

# Financing Environmental Compliance

- To comply or not to comply...??
- Cost of “non-compliance”
- Cost of compliance... break even
- Economic incentives... do they work??
- Success stories... FACE and PSI-I
- More to offer... PSI-II

# Financing Environmental Compliance

## ▶ To comply or not to comply...

- Are the environmental regulations strictly enforced?
- Am I really violating the laws?
- How much would it cost me to comply?

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## ▶ **Cost of “non-compliance”**

- Fines and/or fees imposed by environmental regulations
- Risk of shutting-down the business
- Risk of loosing the business image
- Risk of loosing external markets

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## ▶ Cost of compliance... break even

- Investment and O&M costs
- Benefits and Cost / Benefit Ratio
- Win-win situation
- Now or later?

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## ▶ **Economic incentives... do they work??**

- Types of incentives
- Gradually decreasing incentives
- Practice shows that it works

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## ▶ **Success stories... PSI-I and FACE**

- Economic incentives (mainly providing a grant and long term loan).
- PSI-I helps private sector industries to comply with all the environmental regulations, and to modernize themselves.
- FACE is primarily designed to help water polluting public sector industries to stop such pollution and comply with the relevant regulations.

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## ▶ PSI-I

### Design

- ◆ Program finance: € 33 million (credit + grant)
- ◆ Provides grants up to 50% + long term loan
- ◆ Finances environmental and IM investments
- ◆ Company to comply with all environmental regulations

### ● Facts and figures

- ◆ Total number of projects: 72 projects
- ◆ Projects completed: 58 projects
- ◆ Total investment: €41 million
- ◆ Program finance (credit + grant): €34 million

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## ▶ **FACE...**

### ▶ Design

- ◆ Program finance: € 25 million (grant)
- ◆ Provides grants up to 50%
- ◆ Finances only environmental investments
- ◆ Company to comply with relevant env. regulations

### ● Facts and figures

- ◆ Total number of financed projects: 40 projects
- ◆ Projects completed: 15 projects
- ◆ Total investment: € 46 million
- ◆ Program finance (Grant): € 19 million

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## ▶ More to offer... PSI-II

### ● Design

- ◆ Program finance: € 30 million (credit + grant)
- ◆ Provides grants up to 30% + long term loan
- ◆ Finances environmental and IM investments
- ◆ At least 25% of the required total financing should serve to improve environmental standards.

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## Conditions of Finance

### Grant Component - (up to Euro 0.6 million per enterprise)

Interest-free, non-repayable grant to cover:

- up to 15% of the investment cost of “integrated measures” (Adapting production processes to improved or up-to-date environmental friendly production technology)
- up to 30% of investment cost (including local cost) of distinct and specific environmental measures (such as filters, wastewater treatment plants etc.) or industrial safety measures.
- Pay-back period for project components is not less than 2 years

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## Conditions of Finance

### **Credit Component - (up to Euro 1.5 million per enterprise)**

Credits are denominated in EGP or €, with market interest rate, 5-8 years maturity including 12 months grace period, with a partial hedging mechanism for the foreign exchange risk.

# Financing Environmental Compliance

## ▶ Contact us...

For more information on PSI-II, please contact:

- KfW,
- the program's environmental consultant UNE, or
- the participating banks, CIB, EAB, and MIBank