

KEY ELEMENTS OF A BUSINESS PLAN FOR DISTRIBUTED RENEWABLE ENERGY PROJECTS

U.S. International Development Finance Corporation

This document incorporates the first round of information that a U.S. International Development Finance Corporation (DFC) deal team needs to preliminarily evaluate a distributed renewable energy (DRE) project or operating company. We encourage you to provide as much detail as possible for DFC to determine the credit worthiness and developmental impact of the project or company. All materials must be in English.

If you are applying for financing for specific projects, please build your business plan based on the information requested on pages 1 to 6 of this document. If you are applying for financing for your operating company, please continue to page 7 and build your business plan based on the information requested on pages 7 to 11.

PROJECT OVERVIEW

- Describe the project. Include the size (total kilowatts, # of people/businesses expected to gain electricity access, cost of electricity to the end user, # of hours of electricity provide per day), scope and technology.
- Is the project commercially sustainable without any government or grant support? If government subsidy is required (e.g., subsidized tariff), in what amount and over what period of time is it required?
- What is the specific DFC request? Are you seeking debt, a loan guarantee, equity, or political risk insurance? Are you also seeking linked technical assistance? What size DFC investment are you requesting and how will the capital be deployed?
- What are the anticipated total project costs, target leverage amounts, target tenor and target interest rate? What is the currency of the loan requested? Who is the borrower?
- Provide a Sources and Uses of funds table, including a breakdown of capital expenditures, soft costs, and type of capital expected as a percentage of total cost.
- What is the current status of your financing? How much equity have you raised? What other financial partners and equity investors are you considering?
- Where is the project located? Have you secured the land for your project? Please include maps. Describe approach for identifying, vetting, and securing the project site(s). Please note if any people or communities have been or will be displaced during the land acquisition.
- Describe the availability of necessary infrastructure (e.g., power, water, roads) for the Project.

- Outline your expected timeline and current status to complete permitting, acquire licenses, finalize environmental studies, achieve financial close, and commence commercial operations for the project overall, as well as for the individual sites as applicable. Does the government prioritize DRE projects and support with permitting and licensing requirements?
- Does your project have any contractual deadlines that it must meet? Describe efforts undertaken to source commercial sources of debt for the Project. How is DFC additional? Is there an appetite in the market, including among commercial lenders, insurers, or investors, for this type of transaction? Would DFC support crowd out opportunities that these commercial entities might otherwise take?

KEY PROJECT PARTIES

- Describe the project developer/company's ability to carry out this project based on their expertise, management team, and relevant track record.
 - Where is the project developer based? Is it a locally owned and operated company?
 - How long has the project developer been in operation?
 - What are the company's annual revenues, EBITDA, and net income/loss each year for the last 2 years?
 - Is the company currently profitable?
 - At what point does the company expect to reach profitability?
 - Is the company able to provide at least 2 years of audited financials?
 - Does the company have outstanding debt with other lenders? If so, please identify the outstanding loan amount, lender, maturity date, loan currency, and interest rate.
 - Can the company demonstrate a track record of successful repayment and reporting on past or current debt obligations?
 - What is the company's track record for raising equity?
 - Describe all relevant examples of the project developer successfully building, raising financing for and deploying distributed renewable energy systems. Include number of pilot and commercial sites in operation together with operating and financial close/performance achieved.
 - Has the project developer successfully raised financing from another Development Finance Institution (DFI)? If so, which DFIs?
 - Has the project developer received grant capital? Please provide details.
 - Provide short biographies for the developer and management team members.
- Please provide an ownership chart from project entity up to ultimate shareholders, identifying any U.S. parties and any women shareholders with >10% interest.
 - Please describe any Chinese involvement in the project (equipment, contractor(s), or financing).
- Will each activity or phase of the project (*i.e.*, construction, operation, monitoring, customer acquisitions and relationship) be carried out separately or by the same project developer/company?
- Describe the qualifications of each participant involved in the management, construction, and daily operations of the project, including major subcontractors, engineers, and manufacturers. Provide financial information for contractors with financial obligations to the project.

PROJECT IMPLEMENTATION

- Provide a project financial model. Discuss the model's main revenue and operating assumptions, inputs, debt service coverage ratio (DSCR), and results.
- What are the anticipated sources of project revenue?
- Indicate the share of revenues that will be contracted under different types of anchor loads pursuant to a long-term commercial contract of some type (power purchase agreement (PPA), offtake agreement, concession agreement, lease, management service agreement, etc.), and share of revenues generated by community-based consumers.
 - Provide copies or a summary of the key terms for each applicable project agreement.
 - Is another party (such as a governmental authority or corporation) guaranteeing the obligations of the agreement?
 - What is the project developer's assessment of the bankability of the contract(s)?
 - What is the project developer's assessment of the creditworthiness of the offtaker (if applicable)?
- Outline the critical project development milestones and include the following:
 - Identify potential technical challenges that the project may encounter.
 - Demonstrate that the project schedule allows for sufficient buffer time.
 - Identify the party(ies) that will manage each phase and are held responsible for delays or cost overruns.
- Provide available information on preliminary resource analyses on the project site.
- Provide information on interconnection or distribution lines from the project sites to the offtaker, customers or users.
- What is the equipment procurement strategy? Where will the project be sourcing its equipment? Identify whether any sources or contractors will be majority U.S.-owned.
- Provide the Engineering, Procurement and Construction (EPC) and Operations and Maintenance (O&M) plans, including summaries of key contractual terms.
- Provide an overview of the liquidated damages, performance bonds, and guarantees associated with the EPC and O&M contracts.
- Please discuss the following:

Customers

- Who are the target customers/users and how many will be served by this project?
- How is the credit quality of the customers screened?
- Include an assessment of their credit worthiness/financial capabilities.
- Where applicable, include any draft customer contracts, letters of interest from customers, or lists of potential future customers.

Technology/Systems

- What is the size of the systems offered?

- What is the cost of the system to the customer?
- What are the logistics arrangements from manufacturing to installation or sale to the customer?
- How are the systems installed?
- What are the fees and how are they paid/collected?
- What performance data (credit and technical) are being collected?
- Describe how the remote monitoring works, if applicable.

Marketing Plan

- How will the company target customers?
- What assumptions have you made about the prices these customers are willing to pay? How are the project's tariffs compared to the price of current source of generation customers are paying for?
- Describe the company's strategy and tactics for building a customer base and strengthening customer relationships.

Pipeline

- Include a projected project pipeline for the next 12-24 months.

RISK ANALYSIS & RISK MITIGATION PLAN

Describe the following risks and provide your mitigation strategies:

- Equity risk
- Construction and performance risk
- Foreign exchange and currency devaluation risk
- Inconvertibility risk
- Regulatory risk
- Legal risk
- Market risk
- Competitive risk
- Operational risk
- Site exclusivity risk
- Environmental /Social risk
- Offtake risk
- Consumer credit risk

COUNTRY AND MARKET ANALYSIS

In this section, include a narrative on the market and context in which the project will be operating and any potential competitive opportunities or threats that may impact the future of the industry and your project. In addition to market size, supply/demand characteristics, please include the following:

- Include an overview of the country's current energy infrastructure and the government agencies involved.
- Describe any similar products or services currently on the market or projected to enter the market in the next 12 months. What is the market share of the competitor and the project's anticipated market share? Provide an analysis of how your product/service compares to these competing technologies.
- Describe any barriers to entry or competitive advantages of your business model.
- Discuss any relevant energy laws or regulatory reforms that may benefit or impact your project.

DEVELOPMENT IMPACT

- What is the anticipated development impact of this project on the community, region, and country in which it will be located?
- How does the project help the country reach its stated climate and energy goals?
- Is it bringing electricity access to communities that have never been electrified? How many connections will this project create? Is it bringing more reliable electricity than the community or business currently has? How much will the project lower the cost of electricity to the communities it will serve?
- How many direct and indirect jobs is this project expected to create? How many of those jobs will go to locals?
- Does this project provide an energy solution related to the COVID-19 response?

INCLUSIVITY

Through DFC's 2X initiative, DFC is committed to gender lens investing in order to provide women in the developing world access to finance, jobs, and services that enhance economic opportunity.

DFC also is committed to advancing transactions that benefit underserved¹ or disadvantaged² populations.

- Is the project company owned or founded by women or other underserved or disadvantaged populations?
- What is the share of women or other underserved or disadvantaged populations in senior management, the workforce, and the Board of Directors in the project company?
- In narrative form, please describe how your project directly and/or indirectly impacts the women and other underserved or disadvantaged populations in the country and communities that are being served by this project. Please include information about the off-takers or recipients of the electricity, jobs provided to women or underserved populations as a result of this project, new economic activities that they will be engaging in as a result of this project, and any corporate social responsibility (CSR) projects impacting them that will be undertaken in conjunction with this project.
- What potential adverse impacts could there be on women and/or underserved or disadvantaged populations in particular as a result of the project?
- Describe what additional or supplementary efforts the project will undertake to engage women and other underserved or disadvantaged populations (over and above broad community engagement that may already include women, underserved, or disadvantaged populations) in the lead up to the deployment or construction of your project.

ENVIRONMENTAL AND SOCIAL IMPACTS

- Discuss the environmental and social impacts of your project.
- Include your plan to mitigate and manage any potential negative impacts.
- Has an Environmental Studies Impact Assessment (ESIA) been completed yet? Has it been conducted up to International Finance Corporation (IFC) standards? If completed, provide the key findings. If not, provide the expected timeline for completion.
- Comment on environmental and social studies or mitigating plans required by law and status.

¹ The term “underserved” refers to populations sharing a particular characteristic, as well as geographic communities that have been systematically denied a full opportunity to participate in aspects of economic, social, and civil life, as exemplified in Section 6 of [The Executive Order on Establishment of the White House Gender Policy Council](#).

² The disadvantaged or vulnerable status may stem from an individual’s or group’s race, color, sex, language, religion, political or other opinion, national or social origin, property, birth, or other status. Factors such as gender, age, ethnicity, culture, literacy, sickness, physical or mental disability, poverty or economic disadvantage, and dependence on unique natural resources should also be considered. [IFC Performance Standard 1, FN 18](#).

KEY ELEMENTS OF A BUSINESS PLAN FOR DISTRIBUTED RENEWABLE ENERGY OPERATING COMPANIES

U.S. International Development Finance Corporation

If the applicant is a distributed renewable energy (DRE) operating company that is seeking corporate finance rather than project finance, include the elements below in your business plan.

EXECUTIVE SUMMARY

- Include a high-level summary of the company and the proposed transaction.

COMPANY OVERVIEW AND HISTORY

- Describe the applicant company. What is the company's overall business model?
- How/when was the company founded? Was the company created through a joint venture? How long has the company been in operation?
- Where is the company located? What countries does the company operate in?
- What types of business lines does the company have (B2B, B2C, etc.)?
- List all key operating agreements necessary to undertake the primary business activities such as concession agreements, construction contracts, off-take agreements, environmental impact studies, feasibility studies, marketing studies, technical assistance agreements, management service agreements, leases, etc.

OWNERSHIP STRUCTURE

- Please provide an ownership chart for the company, identifying any U.S. parties and any women shareholders with >10% interest.

OPERATIONAL STRATEGY AND PERFORMANCE HIGHLIGHTS

- What is the company's operational strategy? Describe any key differentiators of the company.
- What are the Key Performance Indicators (KPIs) that the company tracks? Please provide historical KPIs for the past 3 years, if available.
- Describe the manufacturing and quality control processes. How does the company identify suppliers? What is the company's approach to supply chain management?
- What are the company's repossession and write-off policies?
- Please discuss the following:

Customers

- Who are your top existing customers? What are their total sales as percent of total sales.
- Who are the target customers/users and how many are served by this company?
- How is the credit quality of the customers screened?
- Include an assessment of their credit worthiness/financial capabilities.

Technology/Systems

- What are the different products offered and how much do they cost the consumer?
- How are fees paid/collected?
- Describe how the remote monitoring works, if applicable.

Marketing Plan

- Describe the company's strategy and tactics for building a customer base and strengthening customer relationships.

SWOT ANALYSIS

- Discuss the company's competitiveness and position in the marketplace via a SWOT (Strengths, Weaknesses, Opportunities, Threats) Analysis.

FINANCIAL REVIEW

- How many years has the company been revenue-generating? If the project company is a subsidiary of a parent/holding company that is revenue-producing, how long has the parent/holding company been revenue-generating?
 - Are historical financial statements audited? If so, to what accounting standards and by which accounting firm?
 - What are the company's annual revenues, EBITDA, and net income/loss each year for the last 2 years?
 - Is the company currently profitable?
 - If not, at what point does the company expect to reach profitability?
 - Is the company able to provide at least 2 years of audited financials (Profit and Loss (P&L) Statement with Gross and Net Margin, Cash Flow Statement, and Balance Sheet)? Detailed breakdown of gross and net revenues (*i.e.*, sales and costs of goods sold, revenues from individual business units combining to form overall total revenues, etc.)
 - Provide an explanation for inconsistent historical annual revenues, margins, etc.
 - Does the company have any existing borrowings? If so, identify lender, amount outstanding, tenor, and security/collateral.
 - Can the company demonstrate a track record of successful repayment and reporting on past or current debt obligations?
 - What is the company's track record for raising equity?
 - Has the company received grant capital? Please provide details.
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- Has the company successfully raised financing from another Development Finance Institution (DFI)? If so, which DFIs?
- Include the company's financial projections for the next 3-5 years with detailed assumptions, P&L figures, sales growth, and unit economics.
- Provide explanations of key drivers behind the numbers with regard to profitability, operating cash flow, etc.
- If company's projected margins are greater than current and/or historical margins over the past 5 years, provide reasons for expected greater future margins.
- Provide any underlying assumptions for all major expense and capital expenditures and projected required new working capital for the next 2 years, breakout one-time vs. annual.
- How much free cash is currently available? Please provide bank statements to verify.

LEADERSHIP

- Describe the Company's management structure and professional expertise of individuals in key management positions.
- Provide short biographies for the management team members and Board of Directors.
- Describe the qualifications of each participant on the management team, Board of Directors, and other key advisors.

TRANSACTION DESCRIPTION

- Describe the purpose for which the DFC loan is to be used and the development activities completed to date.
- What is the specific DFC request? Are you seeking debt, loan guarantee, equity, political risk insurance? Are you also seeking linked technical assistance? What size DFC investment are you requesting and how will the capital be deployed?
- How will assistance from the DFC allow the company to achieve its near-term operational objectives?
- What is the target leverage amounts, target tenor and target interest rate? What is the currency of the loan requested?
- Provide a Sources and Uses of funds table, including a breakdown of capital expenditures, soft costs, and type of capital expected as a percentage of total cost.
- What is the current status of your financing? How much equity have you raised? What other financial partners and equity investors are you considering?

- How is DFC additional? Is there an appetite in the market, including among commercial lenders, insurers, or investors, for this type of transaction? Would DFC support crowd out opportunities that these commercial entities might otherwise take?

DEVELOPMENT IMPACT

- What is the anticipated development impact of this company on the community, region, and country in which it is located?
- Is it bringing electricity access to communities that have never been electrified? Is it bringing more reliable electricity than the community or business currently has? Is it providing appliances that the community has not been able to use before? How much has the company lowered the cost of electricity to the communities it serves?
- How many employees does the company have? How many of these employees are local?
- Does this company provide an energy solution related to the COVID-19 response?

INCLUSIVITY

Through DFC's 2X initiative, DFC is committed to gender lens investing in order to provide women in the developing world access to finance, jobs, and services that enhance economic opportunity. DFC also is committed to advancing transactions that benefit underserved³ or disadvantaged⁴ populations.

- Is the company owned or founded by women or other underserved or disadvantaged populations?
- What is the share of women or other underserved or disadvantaged populations in senior management, the workforce, and the Board of Directors in the company?
- In narrative form, please describe how your company directly and/or indirectly impacts the women and other underserved or disadvantaged populations in the country and communities that are being served by this company. Please include information about the off-takers or recipients of the electricity, jobs provided to women or underserved populations as a result of this company, new economic activities that they will be engaging in as a result of this company, and any corporate social responsibility (CSR) projects impacting them that will be undertaken in conjunction with this company's operations.

³ The term "underserved" refers to populations sharing a particular characteristic, as well as geographic communities that have been systematically denied a full opportunity to participate in aspects of economic, social, and civil life, as exemplified in Section 6 of [The Executive Order on Establishment of the White House Gender Policy Council](#).

⁴ The disadvantaged or vulnerable status may stem from an individual's or group's race, color, sex, language, religion, political or other opinion, national or social origin, property, birth, or other status. Factors such as gender, age, ethnicity, culture, literacy, sickness, physical or mental disability, poverty or economic disadvantage, and dependence on unique natural resources should also be considered. [IFC Performance Standard 1, FN 18](#).

- What potential adverse impacts could there be on women and/or underserved or disadvantaged populations in particular as a result of the company operations?
- Describe what additional or supplementary efforts the company undertakes to engage women and other underserved or disadvantaged populations (over and above broad community engagement that may already include women, underserved, or disadvantaged populations).

MARKET ANALYSIS

In this section, include a narrative on the market and context in which the company operates and any potential competitive opportunities or threats that may impact the future of the industry and your company. In addition to market size, supply/demand characteristics, please include the following:

- Describe the competitive landscape for this product or service. Are there other similar products or services currently on the market or projected to enter the market in the next 12 months?
- How does your company's product or service compare to these competing technologies? Provide a peer benchmarking analysis, if available.
- What is the expected market size potential? What are the bases for estimation the market projections, and sources of underlying data?
- Describe any barriers to entry or competitive advantages of your business model.

ENVIRONMENTAL AND SOCIAL IMPACTS

- Discuss the environmental and social impacts of your business activities.
- Include your plan to mitigate and manage any potential negative impacts.