

IFC PRODUCTS FOR DEVELOPMENT

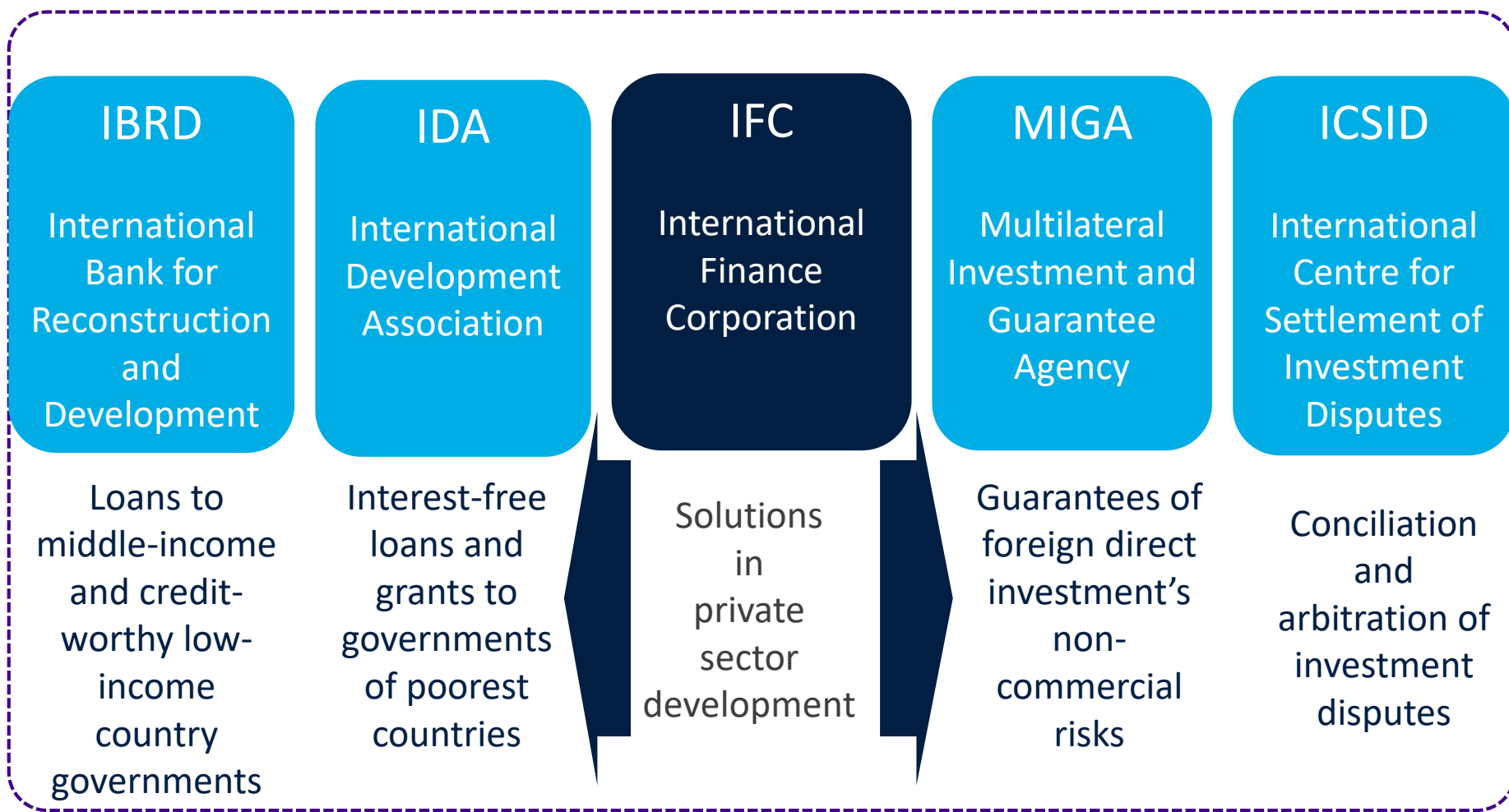
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**Focus Industry
Groups:**

**MANUFACTURING
AGRIBUSINESS &
SERVICES**

FINANCIAL INSTITUTIONS

**INFRASTRUCTURE AND
NATURAL RESOURCES**

INVESTMENT

(Loans, Equity, Trade Finance, Syndications,
Derivative and Structured Finance, Blended Finance)

ADVICE

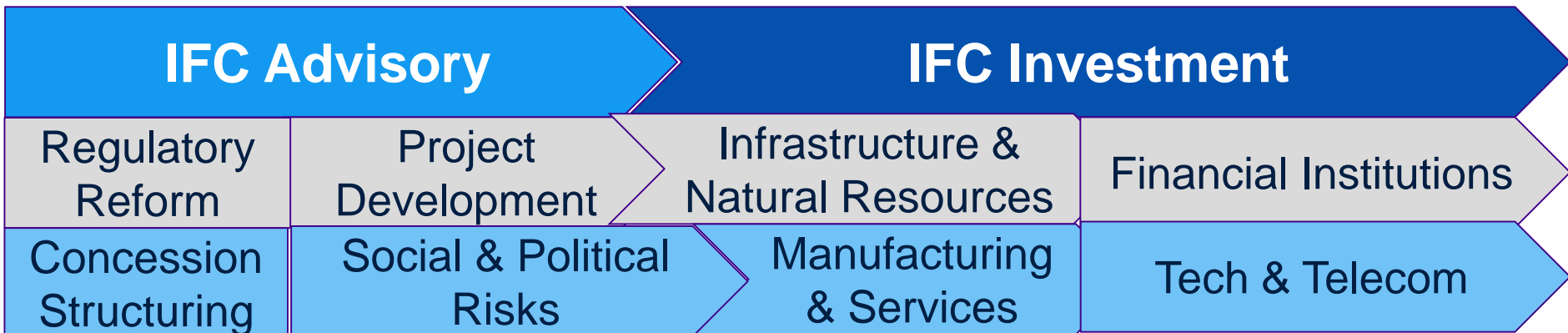
**(Solutions Combining IFC's Expertise and Tools To Unlock
Investment Opportunities And Strengthen Clients'
Performance And Impact)**

IFC ASSET MANAGEMENT COMPANY

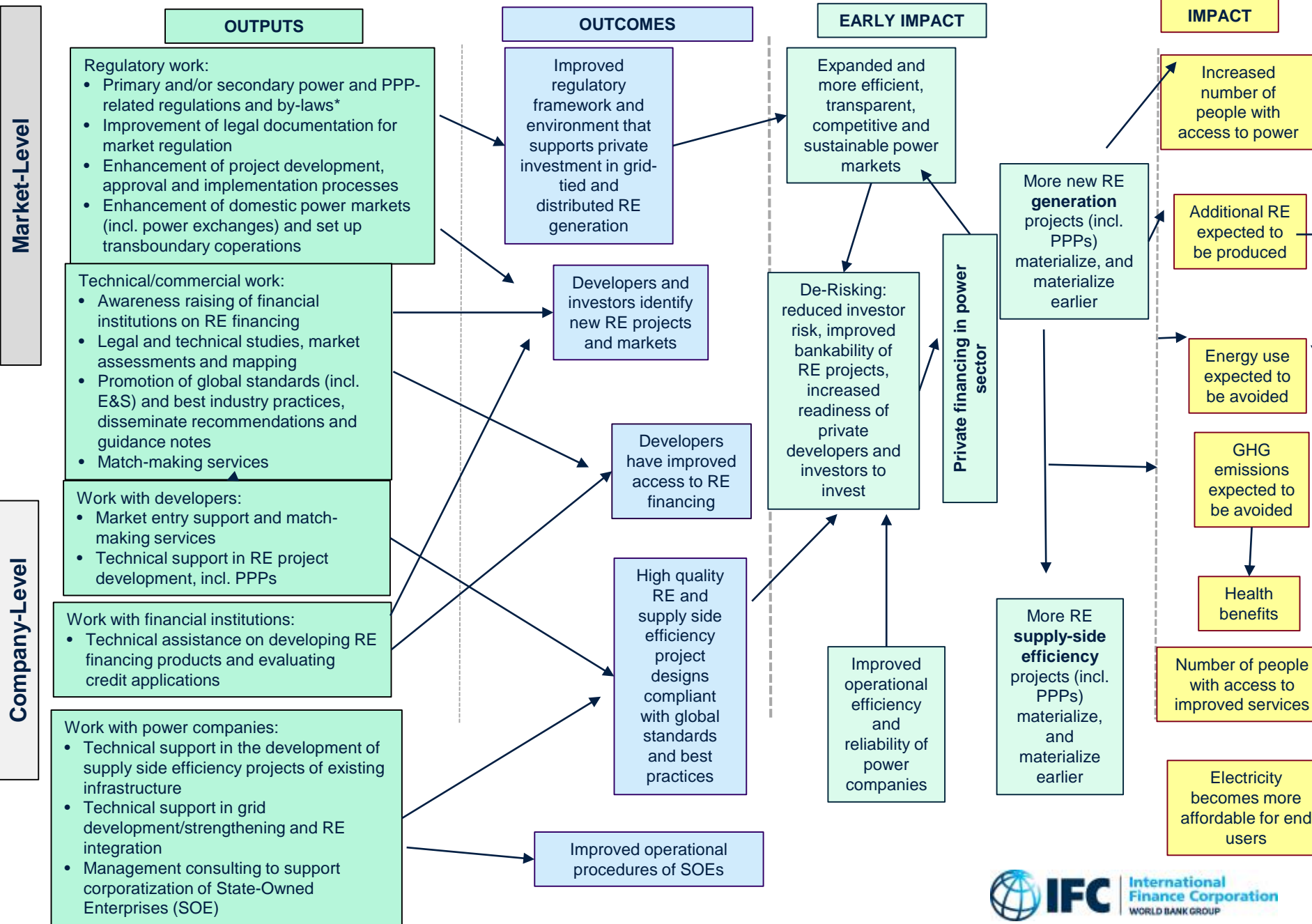
(Mobilizing and Managing Capital for Investment)

**Product
Areas:**

IFC starting point: mapping power advisory offering



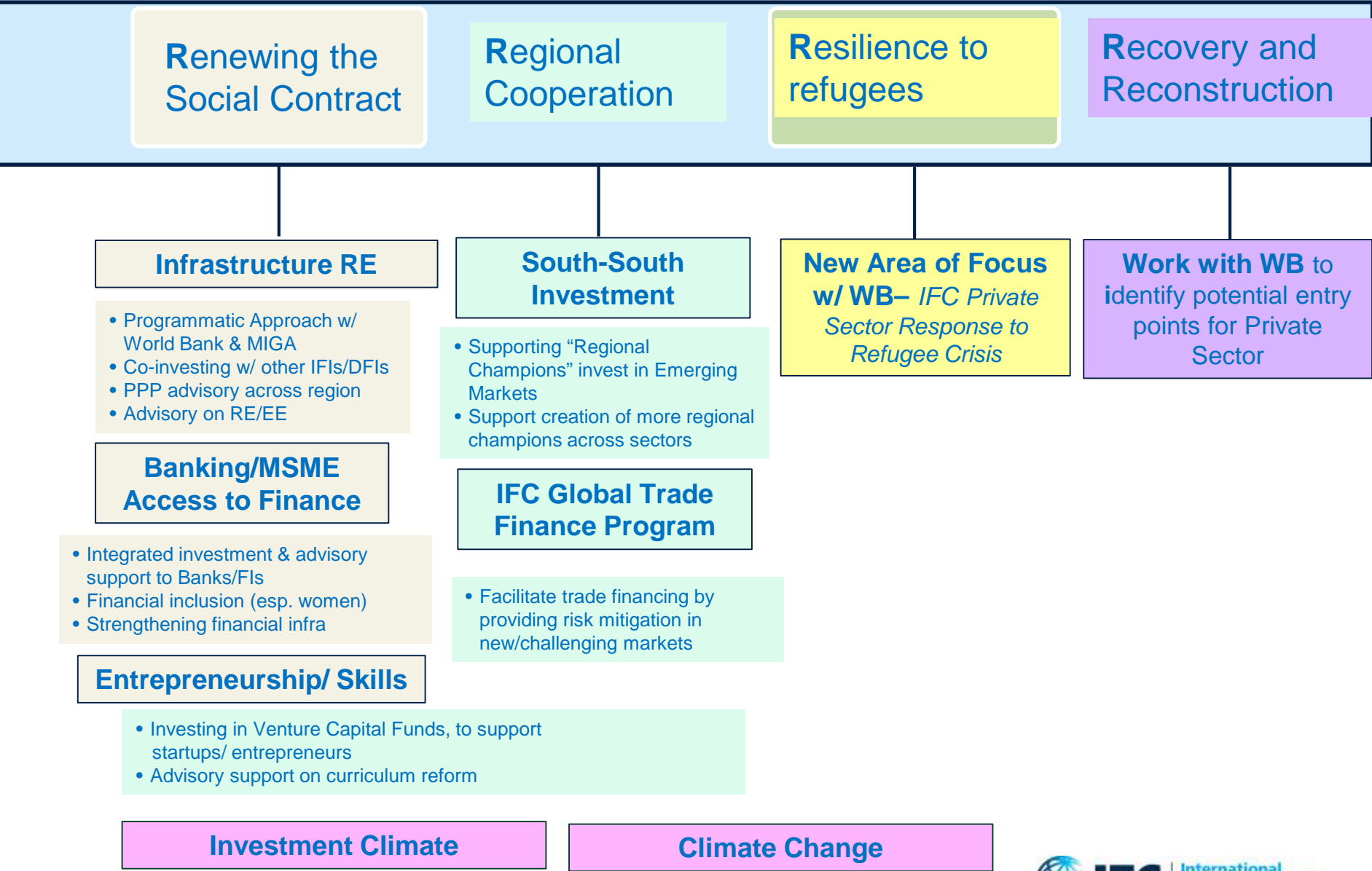
IFC's Theory of Change for Renewable Energy (RE) Regional Platform Programs – Advisory



IFC starting point: mapping power advisory offering

Firm level	Market level
<ul style="list-style-type: none">▪ Market entry and match-making services to developers/sponsors▪ Technical and commercial support to private and public developers/sponsors in RE project development (incl. PPPs)▪ Improving supply-side efficiency of utilities▪ Grid development/strengthening and RE integration▪ Management consulting to State Owned Enterprises▪ Technical assistance to financial institutions	<ul style="list-style-type: none">▪ Improving laws and regulations (in collaboration with the Bank)▪ Improving legal documentation used by Governments (e.g. PPAs)▪ Improving government project dev., approval and implementation processes▪ Set-up of domestic and regional power markets▪ Advocacy and commercial/technical work incl. knowledge generation and dissemination (e.g. market studies, best industry practices)
<ul style="list-style-type: none">▪ Individual private developers & sponsors▪ Public agencies & State Owned Enterp. Power companies/utilities▪ Financial institutions	<ul style="list-style-type: none">▪ Governments and municipalities▪ Groups of firms (developers, sponsors, financial institutions etc.)▪ Private sector and policy associations

IFC strategy for sustainable financing



IFC's "Cascade" Framework for Sustainable Infra Financing

"Mainstream the upstream"

De-risk and create markets by addressing the conditions for investments at the country and sector level—prioritizing reforms that remove binding constraints; and that over time expand infrastructure finance and delivery options

"Shift the default"

Crowd in commercial financing where it presents value-for-money...

... Requiring analysis of financing and delivery options at the sector, sub-sector, and project level

① Commercial Financing

Can commercial financing be cost-effectively mobilized for sustainable investment? If not...

② Upstream Reforms

- Country and Sector Policies
- Regulations and Pricing
- Institutions and Capacity

Can upstream reforms be put in place to address market failures? If not...

③ Public and Concessional Resources for Risk Instruments and Credit Enhancements

- Guarantees
- First Loss

Can risk instruments (Project Risk (PRG) & MIGA guarantees, IFC products & credit enhancements cost-effectively cover remaining risks? If not...

④ Public and Concessional Financing, including Sub-Sovereign

- Public finance (incl. national development banks)
- MDBs and DFIs

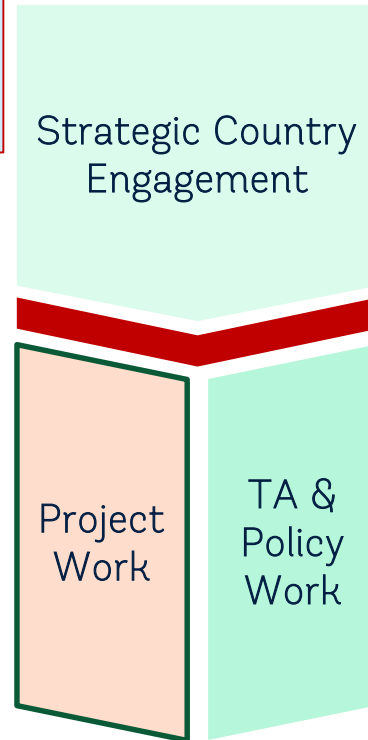
Can development objectives be met with scarce public financing?

IFC operationalizing the Cascade in client engagement cycle

Building New Partnerships with IFIs

(EBRD, EIB, AfDB, AIIB etc):

- Collaborating upstream on diagnostics and roadmaps at country, sector and project level;
 - Identifying opportunities for project and program co-financing.
-
- **Investment Projects** systematically assess financing & delivery options, e.g.
 - Are revenues sufficient & secure?
 - Can outputs be contractually defined?
 - Are macro & market conditions conducive?
 - Is legal & institutional environment clear?
 - **WBG and other partner support adapted** accordingly => blending; guarantees; other



Infrastructure focus:

- **Diagnostic analysis** of infrastructure sector environment, and country (macro, market & governance) conditions
- **Joint “Roadmap”** or sequenced work program for financing & technical support in priority sectors
- Coordinated Technical Assistance (TA) program(s), **prioritized & sequenced** to address binding constraints and unlock priority investments

Where do we start?

- Diagnostic analysis & joint roadmap => re-energized strategic engagement
- Joint roadmap (based on existing analysis) => more coordinated project and policy support
- Individual project engagements => short-term wins in “shifting the default”

CLEAN POWER

Recent technological disruptions in the power sector provide renewed impetus to achieving the objective of affordable and reliable energy for all, while also significantly reducing CO2 emissions.

Distributed power generation, especially hybrid PV-plus-storage systems, smart and energy efficient microgrids, and off-grid lighting products are creating opportunities to reach populations that are currently unserved or underserved.

Renewable energy, more efficient grids, and fuel-switching from coal and oil to natural gas can significantly reduce CO2 emissions

IFC starting point: mapping power advisory offering

Feasibility Studies

- Undertake detailed feasibility and (technical and commercial) design studies for selected project(s)

Project Support

- Support engagement with regulator and other stakeholders, (utilities etc.) to resolve regulatory and grid related issues for specific projects

Market Intelligence

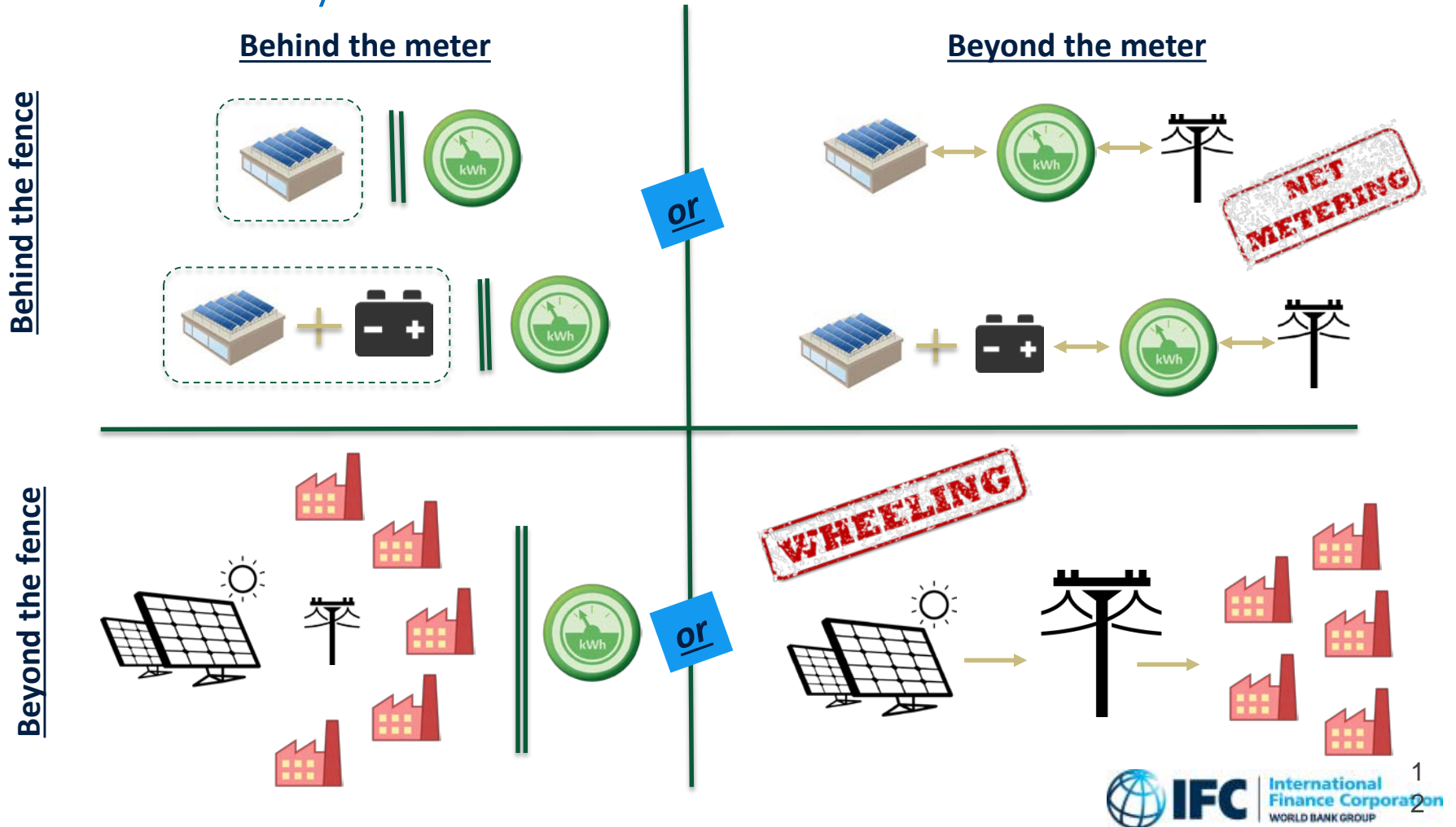
- Publish market data and sector level report which illuminates the opportunity, and guidance on how to take advantage of it
- Targeted communication to clients on clean power business cases

Development of RE i.e. PV

- Support to suppliers and banks on the latent opportunities
- Trade shows and conferences to bring together the various stakeholders (B2B marketing)

IFC starting point: mapping power advisory offering

Technical configuration of the CLEAN POWER solutions will vary by client, will depend on the regulations, and the respective utility cooperation. Project sizing will also need to be optimized across a variety of energy supply sources based on cost and availability



IFC's potential models under C&I distributed generation (DG) initiative

Business Models	PV System Owner	Payment Mechanism	Financing	Regulation	Balance Sheet
Owner-user	Consumer owns the PV system from the start	N/A	Consumer financing through equity	Owner-user can benefit from net metering by registering with utility and obtaining a generation license	Will show as a Capital Expenditure (CAPEX) on the Balance Sheet
Lease	DG company owns the system; the contract is on a BOOT basis and ownership is transferred at the end of the contract term	Off-taker pays a fixed amount as specified in the lease agreement	Financing is currently being done with DG company through equity only	DG company may chose to register with the utility and procure generation license for the location(s)	Will have an impact on the income statement as an expense, and will eventually impact the Equity part of the Balance Sheet
PPA		Payment criteria is specified in the PPA (discounts to the grid price etc.)	Very Limited financing facilities currently available in the market		

Supporting Climate Change Adaptation through Clean
Power Technologies and Smart Financial Instruments

IFC financial products: Equity Mobilization Program (summary)

What is EMP?

A way for IFC to mobilize equity and be compensated

- Equity Mobilization Program allows IFC to charge fees for mobilizing additional equity for existing and new clients. The Program's scope is to identify deals for co-investment and potential co-investors, structure and price the investment opportunities, and provide deal support to potential co-investors
- To date, 1 deal was completed – Summit Group. IFC earned a fee of \$3.6m, charging 2%-2.5% on the total invested amount of \$175.5m. The resulting fee on the total mobilized amount of \$113.75m was 3.2%.

Why now?

Mobilization strategic priority

- We do it for debt – why not equity?
- IFC does not have a broker/dealer license and we did not have a full legal evaluation of implementing such program. A full legal evaluation has now been done and has determined that IFC can provide Equity Mobilization services to its clients, subject to certain limitations.
- In many deals there is a need for additional equity over and above IFC's appetite and/or exposure limits. IFC has one of the best networks globally with potential investors. Our role is highly valued by clients and we can charge fees to mobilize additional equity. We have a compelling story – we are not simply charging fees for raising third party money - we are co-investors, putting substantial own funds at risk, and our equity franchise has a strong track record and reputation.

How will EMP be implemented?

In 3 stages

1. Development of the template agreements, obtaining internal approvals and laying out procedures and risk mitigants. Launching of corporate-wide EMP webpage containing the templates. (Done)
2. Formally launch the program and market it to internal users. (Underway)
3. Find a permanent home for the program, grow it, actively market it to external investors and equity clients.

IFC and International Development Association's (IDA's) Private Sector Window (PSW)



IDA

The World Bank's
Fund for the Poorest
WORLD BANK GROUP



IFC

International
Finance Corporation
WORLD BANK GROUP



MIGA

Multilateral Investment
Guarantee Agency
WORLD BANK GROUP

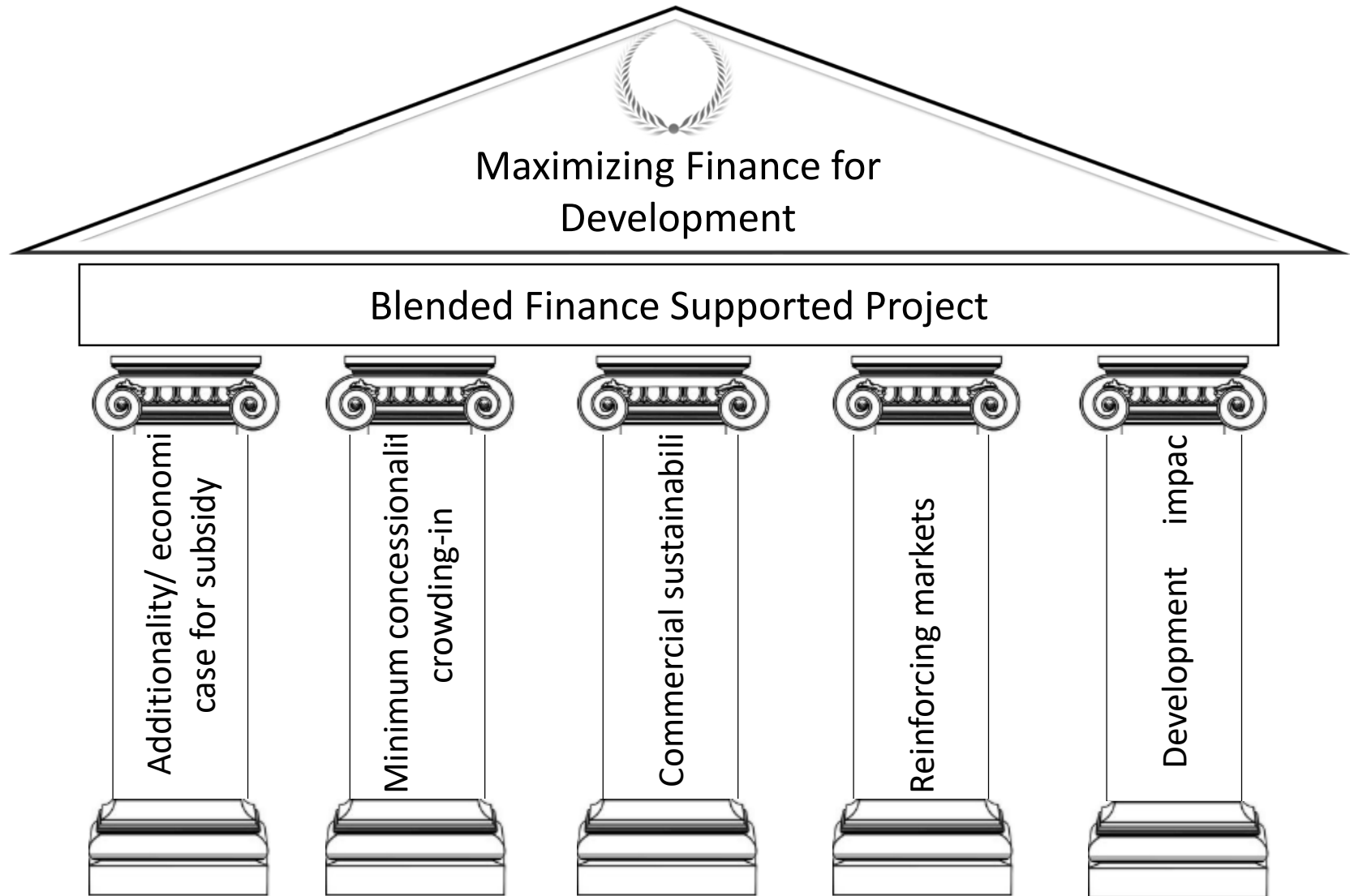
IFC's Blended Finance Journey

FY10-17, IFC deployed ~\$705M in blended finance alongside ~\$2.4B of its own funds to 119 projects

■ IFC own funds ■ Blended Finance

Sector	Funds committed	# of investments	Example themes addressed
Climate	<p>1,160 (IFC own funds) + 413 (Blended Finance)</p>	45	<ul style="list-style-type: none"> Renewable energy Off-grid lighting Green buildings Energy efficiency
Agriculture & Food Security	<p>394 (IFC own funds) + 220 (Blended Finance)</p>	42	<ul style="list-style-type: none"> Commodity financing Capital expansion Food production
SME Finance	<p>858 (IFC own funds) + 73 (Blended Finance)</p>	32	<ul style="list-style-type: none"> Women entrepreneurs Job creation Poverty reduction

Supporting Pillars for Blended Finance Deals



IDA Private Sector Window: Flexible Solutions

IDA Private Sector Window can add value via targeted financing solutions and guarantees to help overcome barriers and move high-impact deals in IDA/FCs markets over the finish line

- Concessional pricing (e.g., to support lower tariff)



Pricing

- Liquidity Support and PRI (e.g., termination cover)
- Subordinated loans/QE



Risk

- Longer grace
- Longer tenor
- Sculpted or back-ended repayments

Structure













Local Currency



- Access to a variety of local currency solutions

IDA18 Private Sector Window Overview

<p>\$2.5B</p>	<p>IDA PSW seeks to expand private investment in IDA-only countries, with a focus on IDA-eligible FCS</p>				
<p>4 OBJECTIVES</p>	<ul style="list-style-type: none"> • Support Scale-up of IFC/MIGA engagements in IDA-only and FCS markets • Offset risks and other impediments to investments • Crowd in private investment and help create markets • Support IDA18 Objectives and Special Themes 				
<p>4+1 FACILITIES</p>	 <p>Risk Mitigation Facility (\$1 billion)</p>	 <p>MIGA Guarantee Facility (\$500 million)</p>	 <p>Blended Finance Facility (\$600 million)</p>	 <p>Local Currency Facility (\$400 million)</p>	 <p>Creating Markets Advisory Window</p>
<p>5 IDA-18 THEMES</p>	 <p>Jobs and Economic Transformation</p>	 <p>Gender and Development</p>	 <p>Climate Change</p>	 <p>Fragility, Conflict & Violence</p>	 <p>Governance & Institution Building</p>

Note: Investments should align with one or more themes

PSW Facilities and Instruments

	Risk Mitigation Facility (RMF)*	Blended Finance Facility (BFF)*	MIGA Guarantee Facility (MGF)*	Local Currency Facility (LCF)*
Instruments	Project-based guarantees (liquidity support and political risk cover for IFC) without sovereign indemnity.	Concessional loans, subordinated debt, equity, guarantees, and risk sharing	MIGA political risk insurance (PRI) products for private sector clients and commercial lenders	Local currency denominated loans to private sector clients who operate in markets with limited currency hedging capabilities
Types of interventions supported	Infrastructure, telecom, public-private partnerships (PPPs)	High-impact projects across sectors	Investments in markets currently underserved by PRI and reinsurers	High impact investments with currency risk
Indicative allocation	US\$1,000M	US\$600m	US\$500m	US\$400m

* IFC-led PSW Facilities

RMF Products: Liquidity Support Guarantee (LSG)

Objective

Backstop ongoing payment obligations of state-owned off takers. All core infra sectors eligible for PSW support (especially relevant for power, gas to power projects).

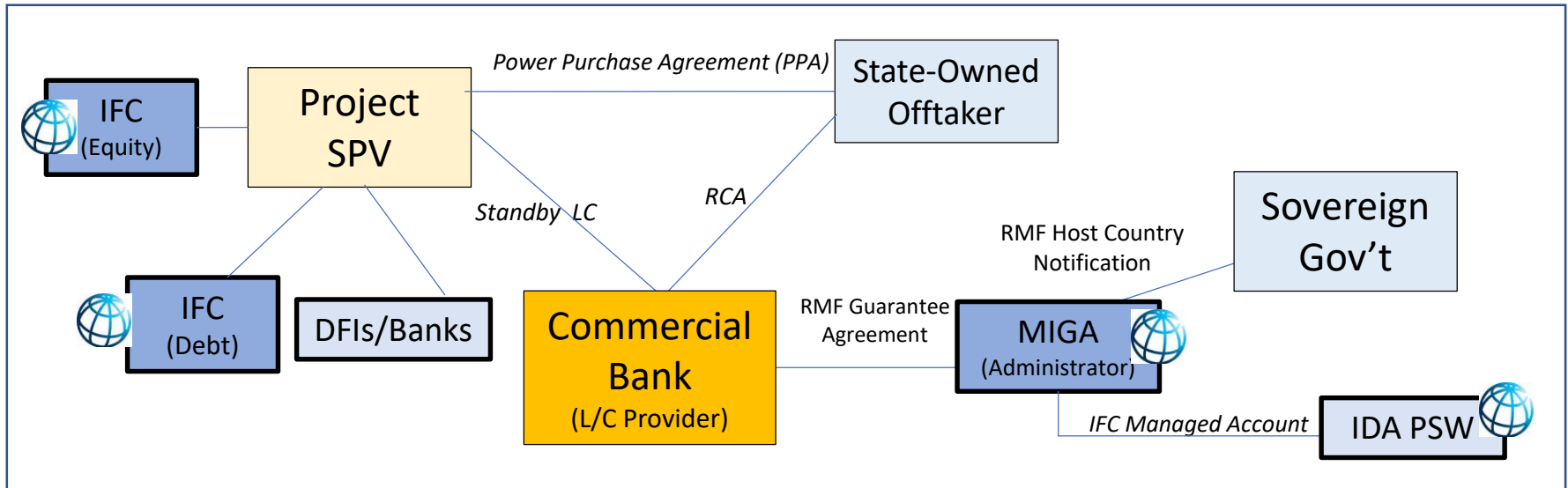
Product

6-12 months liquidity cover provided by an L/C Bank (or IFC) based on a guarantee issued by MIGA (as RMF Administrator) on behalf of IDA PSW. Pricing: 250bp +/- 50 bp.

When to use?

- RMF is meant to specifically address gaps not met by existing WBG instruments.
- LSG could be considered In cases where:
 - IDA has envelope constraints or IDA's unable/unwilling to cover transaction
 - Insufficient cover from IDA or inability of direct IDA guarantee to meet project needs
 - No LC banks available; Host gov't unwilling to provide counter-indemnity
 - Cross Border PPAs make PRG product impractical, etc.
- Countries where IFC has financed IPPs and didn't need a PRG or IDA PRG is available and provides sufficient cover are not clear candidates.
- Usual risk mitigants for contracts and gov't guarantees/support arrangements should be put into place whenever possible; WB sector engagement is usually required/preferred

RMF LSG: Power Transaction Illustrative Structure



- IFC as either debt or equity provider to the project SPV, with other lenders and equity investors
- Structured as a guarantee (e.g., typically covering 3 to 12 months of monthly payments) on a revolving standby Letter of Credit (LC) issued by a commercial bank (or by IFC, if no commercial bank is available to issue the LC)
- Risk addressed: Risk of non-payment by the state-owned off-taker
- All core infra sectors eligible for PSW support

The use of RMF products is meant to specifically address gaps not met by existing WBG instruments

RMF Products: Political Risk Insurance (PRI)

Objective

To provide political risk cover for project finance loans and equity investments, including for IFC investments.

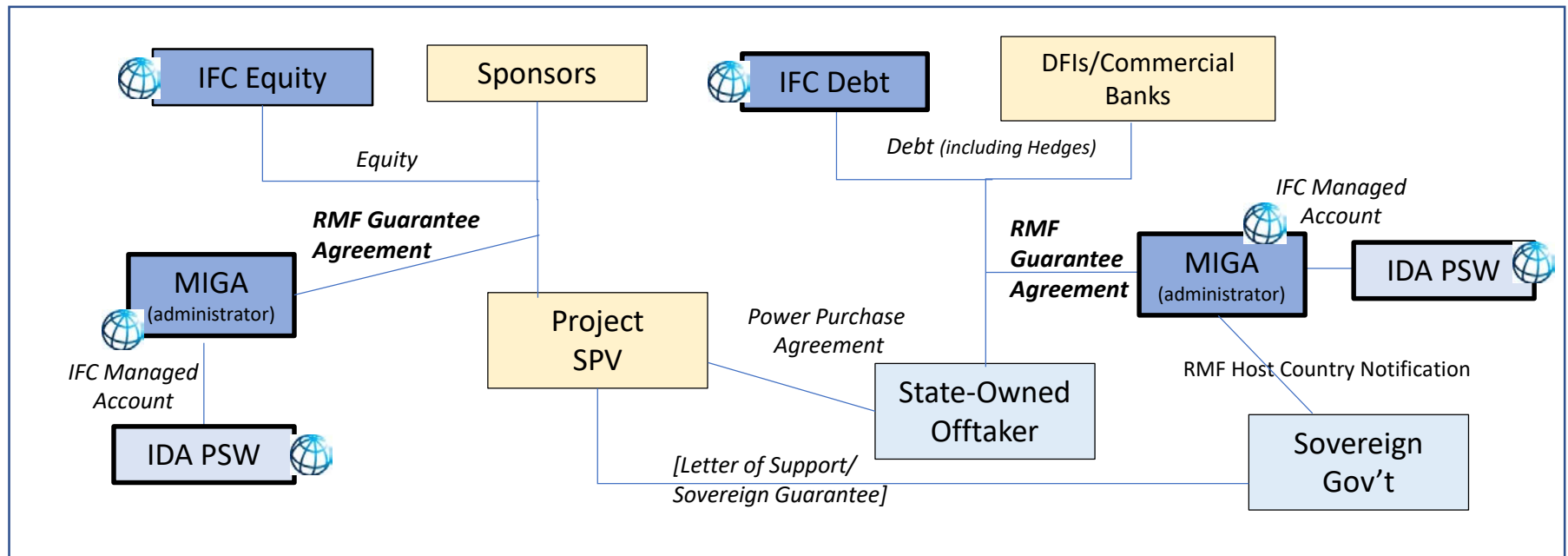
Product

PRI cover backstopped by PSW for risks such as breach of contract (termination), expropriation, war and civil disturbance, and currency convertibility.

When to use?

- RMF is meant to specifically address gaps not met by existing WBG instruments.
- PRI cover should be considered in cases where:
 - Termination risk (BoC) is high and IFC has no adequate way to mitigate such risk
 - Political Risks (WCD, Expropriation, Transferability, etc) are high and IFC (or DFI) debt/equity needs to be covered
 - Cross border transactions where existing instruments don't meet IFC needs
- The product can be combined with LSG.
- Usual standards related to contracts/gov't guarantees still apply

RMF PRI: Power Transaction Illustrative Structure



- For PRI, covered risks could be any or all of the traditional PRI products, i.e. expropriation, war and civil disturbance, currency convertibility and transfer risks, and breach of contract (termination). All core infra sectors eligible for PSW support.
- RMF PRI can cover IFC (debt and equity), as well as other lenders and equity providers (if MIGA cover is not available).

The use of RMF products is meant to specifically address gaps not met by existing WBG instruments

Blended Finance Facility (BFF)

Approach

- **Blended/Concessional financing** to enable IFC to support projects which are not yet able to fully meet commercial financing terms, but which promise to be sustainable over the long term and have strong development impact
- **Risk mitigation** through subordination, deferrals, provision of first loss, and structuring flexibility (e.g. longer tenors) to enable IFC and other lenders to support higher risk, high impact projects

Instruments

Senior
Loans

Subordinated
Loans

Preferred
Equity

Equity
(Direct & through
funds)

Guarantees

Builds on IFC's existing blended finance platforms, including the Blended Climate Finance programs, and extends support into new high-impact sectors

Local Currency Facility (LCF)

Solutions Hierarchy	<i>Solution Options</i>	<i>Description of approach and additionality</i>	<i>Risk borne by IDA</i>
	1 Counterparty credit risk transfer	<ul style="list-style-type: none"> Transact with local subsidiaries of international banks, domestic banks, and official counterparts, e.g., central banks, that offer local currency solutions, but who are currently not allowable because they do not meet IFC's current credit standards 	Counterparty credit risk of central banks/ local banks
	2 Non-deliverable swap & Spot FX market	<ul style="list-style-type: none"> Offshore counterparts (such as TCX, and some international banks) primarily provide non-deliverable currency hedging 	Currency transfer and convertibility risk
	3 Local Currency Pool Funding	<ul style="list-style-type: none"> IFC issues bonds in local markets and its funding activities have positioned it as a pioneer in developing emerging capital markets. 	Credit risk and potential negative carry on local investments that IFC will need to hold in local markets
	4 Outright spot FX transaction	<ul style="list-style-type: none"> This solution would be employed when other solutions cannot fill any remaining gaps, specifically: Coverage of IDA countries, Tenor, Pricing is prohibitively high. 	Unhedged local currency or interest rate

PSW Project Examples

- How can the IDA PSW support my project?

1. Malawi: 40 MW Solar IPP in FCS

Project Objective: GoM is seeking to diversify its energy sources and increase domestic capacity at a competitive cost. The proposed ~40 MW Solar PV project is part of Malawi's first solar IPP program and one of the country's first IPPs.

PSW RMF and Blended Finance Role: The project offtaker (ESCOM) is not fully bankable: lenders therefore require liquidity backstop to strengthen offtaker credit risk. **PSW BFF is expected to provide a concessional loan to support a lower tariff.** In addition, the **PSW RMF LSG can provide up to 9 months of liquidity support** for the project if IDA PRG is unavailable. In addition, the MIGA PSW Facility (MGF) may also provide PRI cover for equity.

Proposed IFC + PSW Solution

- IFC A Loan on commercial terms for 25% of project cost and mobilization of other lenders/DFIs
- PSW BFF Concessional Loan to support low tariff
- PSW RMF Liquidity Guarantee (LSG) to backstop up to 9 month of offtaker payment obligations if PRG unavailable
- Support on financial structuring, as well as technical and E&S know-how

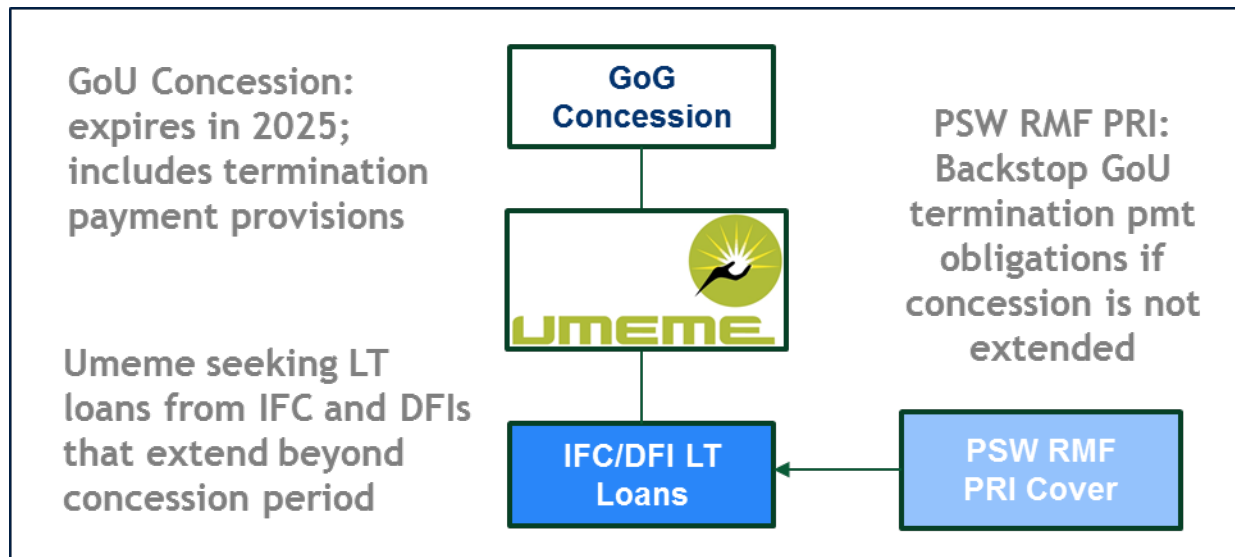


Note: Early stage opportunity. Project structure and PSW solution under discussion

2. Umeme: Supporting Uganda's Power Sector

Project Objective: Finance Umeme's \$125M capex program to support ongoing service quality improvements and support the access agenda. Strengthen Uganda's fledgling power sector and support one of the few privately-run utilities in the continent.

PSW Solution -- RMF PRI and Blended Finance: RMF to provide up to \$125M RMF Political Risk Insurance (Breach of Contract) cover for IFC and (potentially) other long-term lenders to help backstop Government of Uganda termination payments if concession is not extended. **PSW BFF could provide a concessional loan to support Uganda's access program.** MIGA PSW Facility (MGF) may also provide BoC cover for certain lenders.



3. Nepal: Upper Trishuli-1 Hydropower

Development Challenge:

- Chronic power shortages and reliance on petrol, firewood, and waste for energy needs hinders economic development and degrades the environment in Nepal.
- Electricity constitutes less than 5% of energy consumption but the country has untapped hydropower potential of up to ~40,000 MW

Project Impact

- UT-1 will produce 1,450 GWh per annum; project will meet 1/4 of Nepal's current shortages, and reduce greenhouse gases by about 800,000 tons CO2 equivalent per year
- Total cost = \$600 million of which \$118 million is proposed as concessional

PSW and Blended Finance Role:

- Blended Finance package (a mix of PSW and other BF sources) designed to help defray high upfront cost for a first-of-its-kind project with a long development period in a challenging environment
- PSW BFF Concessional Subordinated Loan designed to mitigate risks for senior lenders given tight senior DSCR

Total project cost is \$600m of which \$118m (20%) is concessional

Blended Finance Instruments	Amount (\$M)	Source
Concessional Senior Loan	5.7	PPCR
	30	Canada
PSW BFF Subordinated Concessional Loan	56	IDA PSW
Subordinated Secured Standby Revolving Loan	4	Finland
Concessional Equity	11	Finland
	1.3	PPCR
Total	118	

4. Local Currency Facility: Dakar BRT (early stage)

Development Challenge:

- The greater Dakar area has a fast growing population. As is the case throughout the developing world, the city is plagued by congestion and a lack of reliable urban transport options. In the absence of a well-coordinated, planned response, urban mobility in the Dakar area could substantially worsen.

PSW Local Currency Facility Role:

- The PSW Local Currency Facility could support IFC's ability to provide the project with a long-term local currency loan in XOF at a competitive cost. The local currency loan is expected to be the equivalent of \$15-20m USD.

Project Impact

- The Dakar Bus Rapid Transit (BRT) Project is expected to enhance urban mobility between Dakar and Guédiawaye through the development of a BRT corridor. Capex includes the purchase of the bus fleet while the infrastructure is paid for by the Government using WBG and EU public funds.



PSW Eligibility Criteria & Process

- How do I use the PSW?

PSW ELIGIBILITY CRITERIA: COUNTRY ELIGIBILITY, IDA STRATEGIC ALIGNMENT, AND CONCESSIONAL FINANCE PRINCIPLES

1

Country/Facility Criteria

Is the proposed proposal located in a PSW eligible Country/ region?

Is there full compliance with defined facility-specific limits?

2

Strategic alignment with WBG, IDA strategies

Is the project aligned with WBG Country Strategy?

Does it support IDA18 strategic themes & poverty focus?

Is the project aligned with WBG's approach to private sector development? (i.e. cascade, creating markets)

3

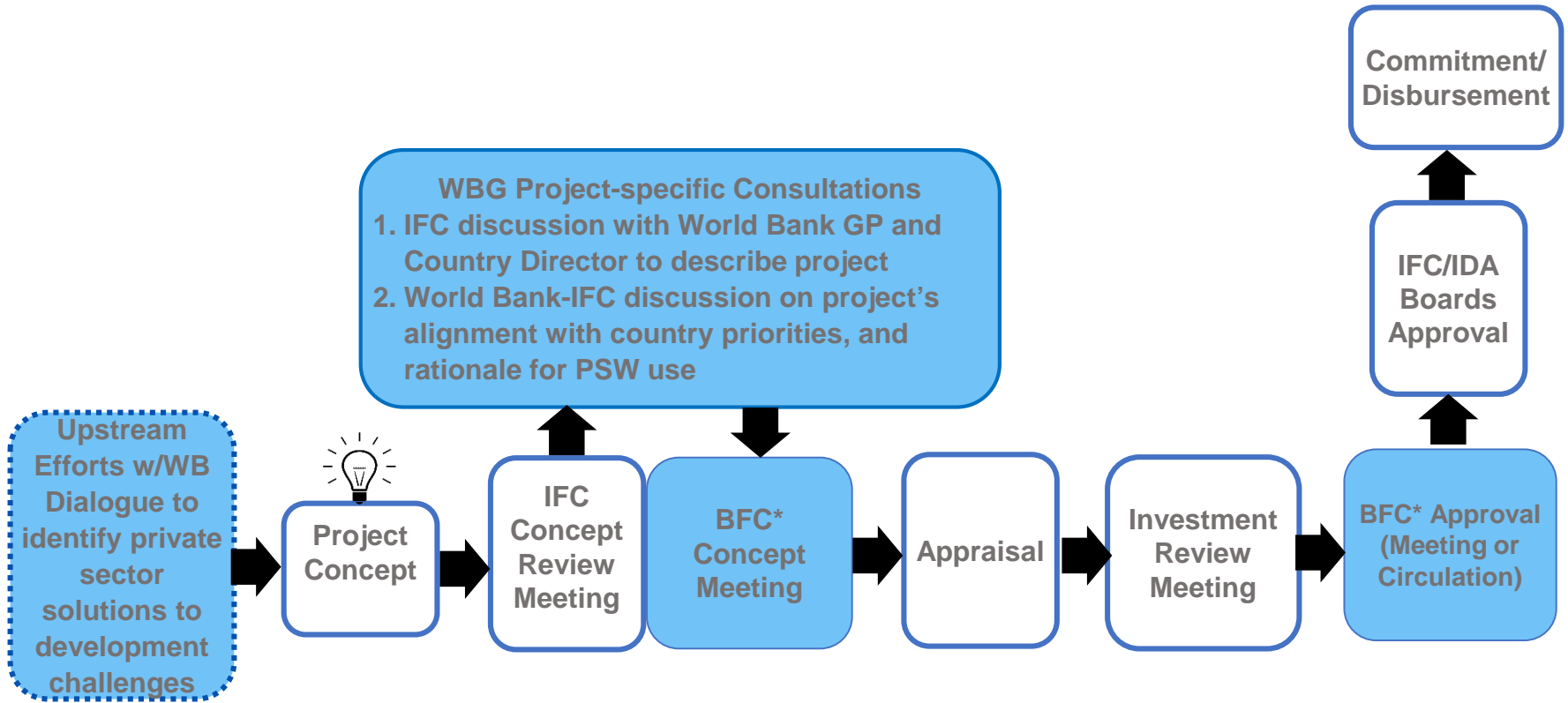
Principles for using concessional finance

What is the additionality through scale or scope of the project?

How is the principle of Minimum Concessionality applied in the proposed PSW-support?

Is there a path to sustainability in the proposed project?

PROCESSING YOUR PROJECT – IDA PSW



*Blue areas = IDA PSW process elements that are additional to the typical IFC transaction process.
 Note: Upstream efforts may not always occur; i.e., some projects may be opportunistic.

Investment Officer PSW CHECKLIST

✓ Is the project in PSW eligible country/region ?

– list available with PSW core team and online (type “PSW” in your browser)

✓ Can existing IDA/MIGA products be used for the project?

– need to use available products where possible; strong case to be made for PSW use

✓ Are the IDA Country and Sector teams supportive of the proposal?
Is the project aligned with WBG/IDA country strategy?

*– consult with relevant Bank country and sector teams, IFC regions
– confirm strategic alignment with IDA priorities*

✓ Are you engaging with the relevant contacts for structuring & pricing support?

– initial consult with Infra PSW core team or BF team for structuring and pricing guidance

✓ Are you following the appropriate approval process?

*– teams need to coordinate with PSW Core Team and/or BF IO’s throughout the process
– the overall approval process is similar to BF transactions*

ANNEX

PSW Eligible Countries: Sub-Saharan Africa

Benin
Burkina Faso
Burundi
Cameroon
Central African Republic
Chad
Comoros
Congo, Dem. Rep.
Congo, Rep.
Cote d'Ivoire
Djibouti
Ethiopia
Gambia

Guinea
Guinea-Bissau
Kenya (subnational)
Liberia
Madagascar
Malawi
Mali
Mauritania
Mozambique
Niger
Nigeria (sub-national)
Rwanda

Sao Tome and Principe
Senegal
Sierra Leone
South Sudan
Tanzania
Togo
Uganda

Note:

1. (subnational): Only conflict-affected regions of these countries will be eligible, subject to review by the PSW Oversight Committee.
2. Eritrea, Somalia, Sudan and Zimbabwe are IDA-eligible, but are inactive: no active IDA financing due to protracted non-accrual status.

PSW Eligible Countries: Other Regions

East Asia and Pacific

Cambodia
Kiribati
Marshall Islands
Micronesia
Myanmar
Papua New Guinea
Samoa
Solomon Islands
Timor-Leste
Tonga
Tuvalu*
Vanuatu

Middle East & North Africa

Afghanistan
Pakistan (subnational)
Yemen

South & Southeast Asia

Bangladesh
Maldives
Nepal

Europe and Central Asia

Kosovo
Kyrgyz Republic
Tajikistan

Latin America & Caribbean

Haiti

* Not a member of IFC.

Note:

1. (subnational): Only conflict-affected regions of these countries will be eligible, subject to review by the PSW Oversight Committee.

Adhering to the Principles of Blended Finance

IFC applies the following five principles when blending concessional donor funds (including PSW) alongside IFC's own commercial funds:



1

Additionality (Rationale/Economic Case for Using Subsidy). DFI support for the private sector should make a contribution that is beyond what is available, or that is otherwise absent from the market, and should not Crowd out the private Sector. Concessionality should not in itself be the source of additionality.



2

Crowding-in and minimum concessionality. DFI support to the private sector should, to the extent possible, contribute to catalyzing market development and the mobilization of private sector resources.



3

Commercial Sustainability. DFI support to the private sector and the impact achieved by each operation should aim to be sustainable. DFI support must therefore be expected to contribute towards the commercial viability of their clients.



4

Reinforcing Markets. DFI support to the private sector should be structured to effectively and efficiently address market failures, and minimize the risk of disrupting or unduly distorting markets or crowding out private finance, including new entrants.



5

Promoting High Standards. DFI private sector operations should seek to promote adherence to high standards of conduct in their clients, including in the areas of corporate governance, environmental impact, social inclusion, transparency, integrity, and disclosure.

THANK YOU

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