

GUARANTCO

Enabling long-term infrastructure
finance in local currency

1 November 2018



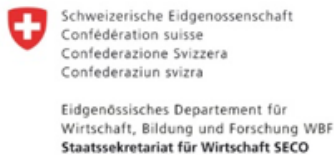
Overview



Who we are

Our owners

GuarantCo is funded by the governments of the **UK, Switzerland, the Netherlands, Sweden** and **Australia** through the Private Infrastructure Development Group and FMO.



Ministry of Foreign Affairs of the Netherlands

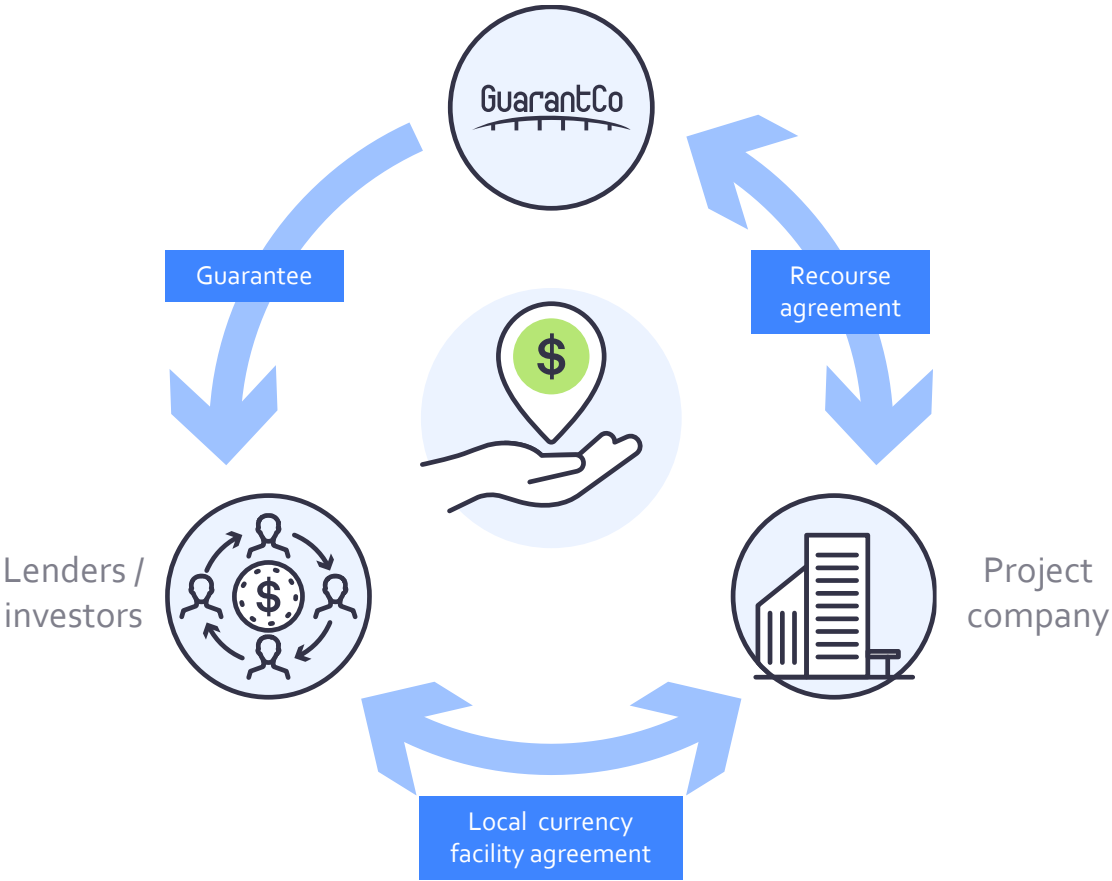


We use blended finance

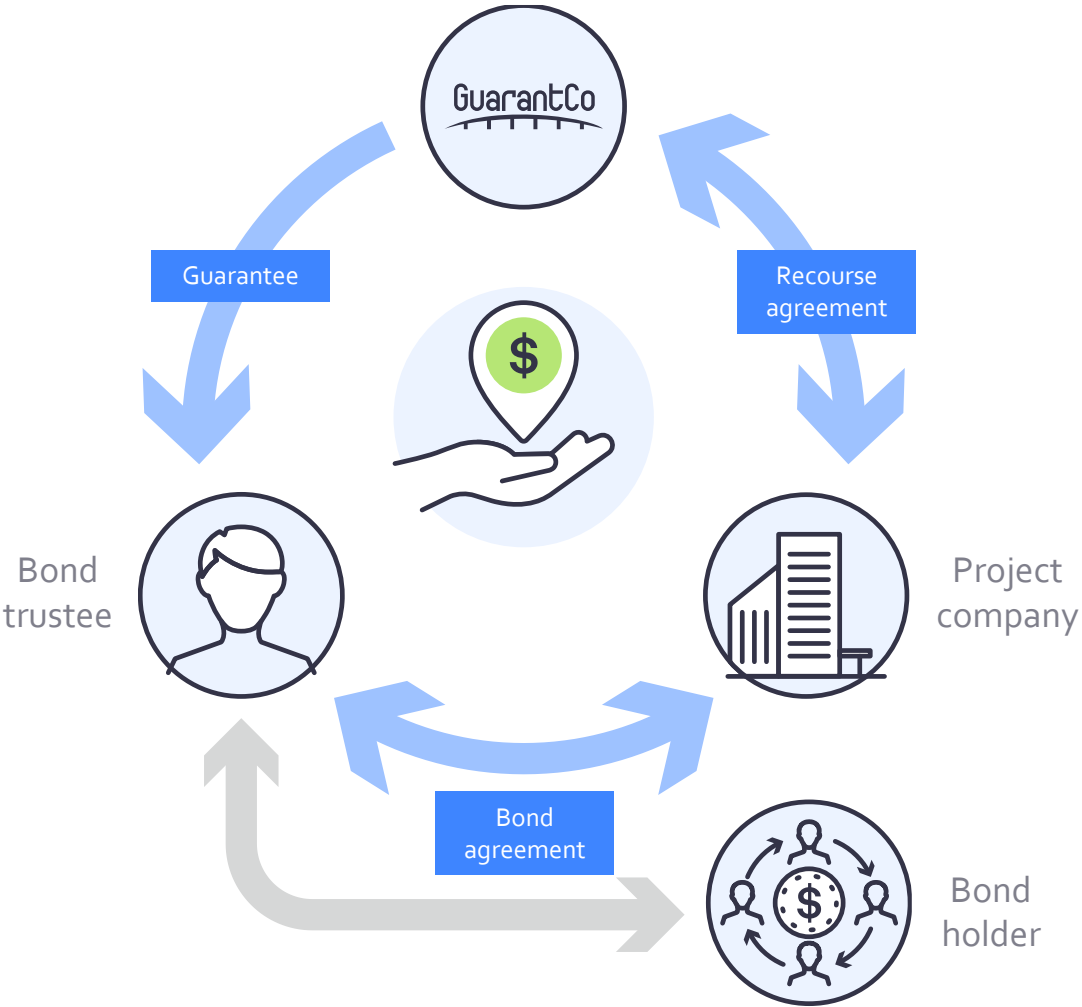
USD1 of public investment mobilises USD5 of private sector investments through use of **contingent credit solutions** aimed at enhancing the availability and role of local currency finance for infrastructure projects and developing local capital markets.



How our guarantees work



Guarantee over local currency loan



Guarantee over local currency bond

Why partner with GuarantCo?

Financier

- 1 Risk transfer (instead of risk mitigation) counterparty risk to AA- / A1 entity.
- 2 Efficient capital treatment for long dated transactions.
- 3 Build capacity in sustainable long-term finance using myriad types of financing solutions.

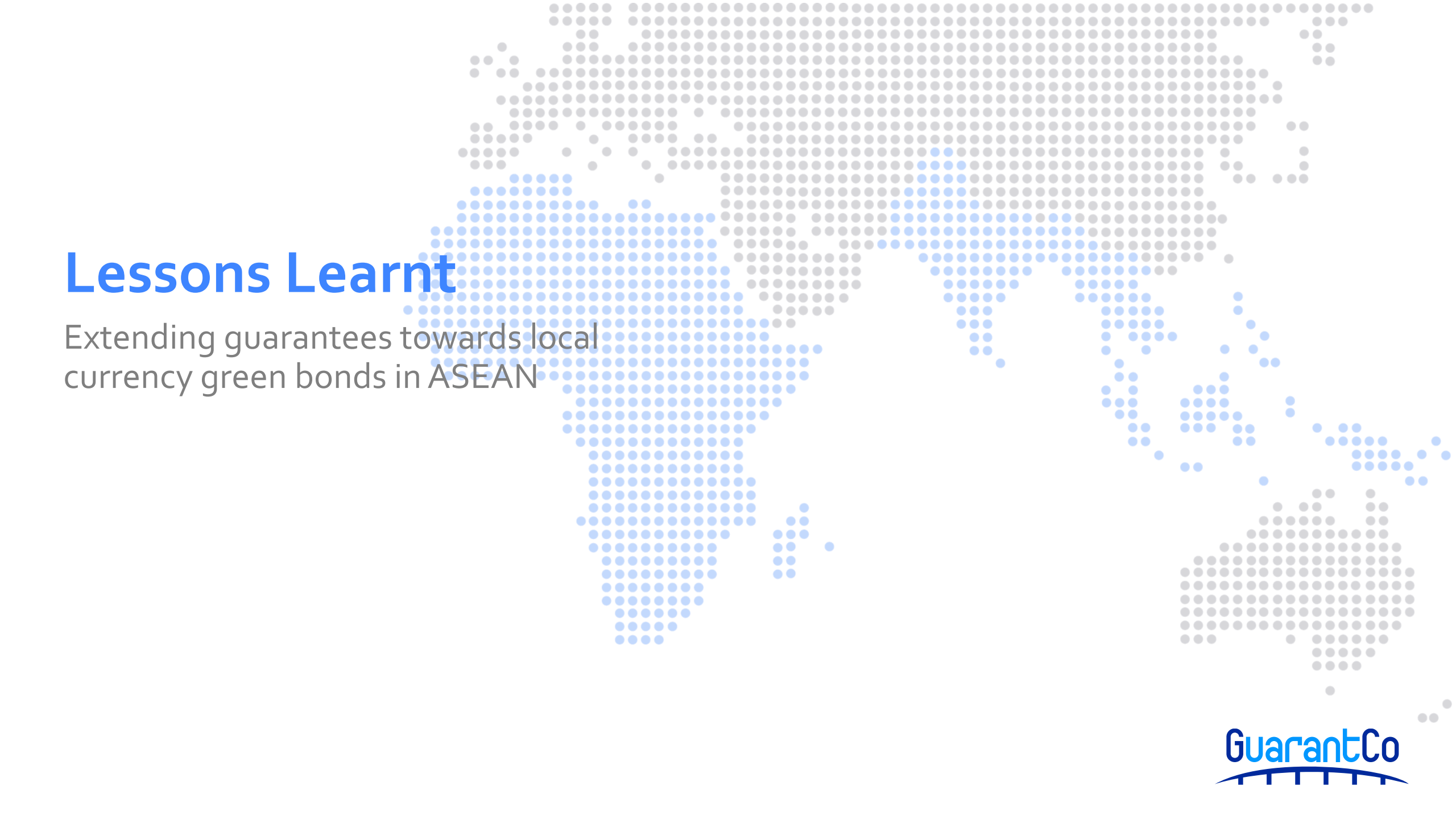
Borrower/Issuer

- 1 Positive signaling.
- 2 Access new proofs of capital (e.g. local currency loans and bond markets).
- 3 Enhance overall return on investments.

Suppliers (EPC, equipment etc)

- 1 Offer more flexible terms.
- 2 Opportunity to accelerate mobilising of projects whilst capital is being finalised.
- 3 Risk mitigation counterparty risk in event financing is extended.

Experiences in GuarantCo eligible ASEAN countries (to include Vietnam, Indonesia, Myanmar, Philippines, Laos and Cambodia) *to date* on the sustainable energy financing front.



Lessons Learnt

Extending guarantees towards local
currency green bonds in ASEAN

Lessons Learnt

- Minimum investment grade (international BBB – equivalent in local currency) ‘implied’/actual rating for potential private sector issuers particularly for investors with tenor appetite beyond seven years due to regulatory considerations. Potential role of credit enhancement solutions (including GuarantCo) to achieve such minimum rating.
- For qualifying potential bond issuers (given above), need for Borrowers to diversify funding sources to include debt capital markets both locally and internationally.
- Debt investors as providers of capital are **NOT** risk takers so risk allocations in a financing opportunity should take this into account.
- No ‘one size fits all’ solution.



Market outlook

Green Bond Issuances in ASEAN

Market Outlook

- Financial institutions in countries where there is an enabling environment to do so.
- State owned enterprises and large corporates with a corporate mandate to deliver on green credentials with strong credit fundamentals underpinning the issuance.
- Role of contingent solution providers like GuarantCo to support the following:
 - i) To enable creditworthy mid-sized players to tap the bond markets.
 - ii) Securitise pools of current and future receivables from green projects to raise additional capital from the debt capital markets (subject to applicable regulatory environment).

THANK YOU



GuarantCo is
supported by

