GUARANTCO

Enabling long-term infrastructure finance in local currency

1 November 2018

Implemented by:

GuarantCo is part of Private Infrastructure Development Group

Overview

Who we are

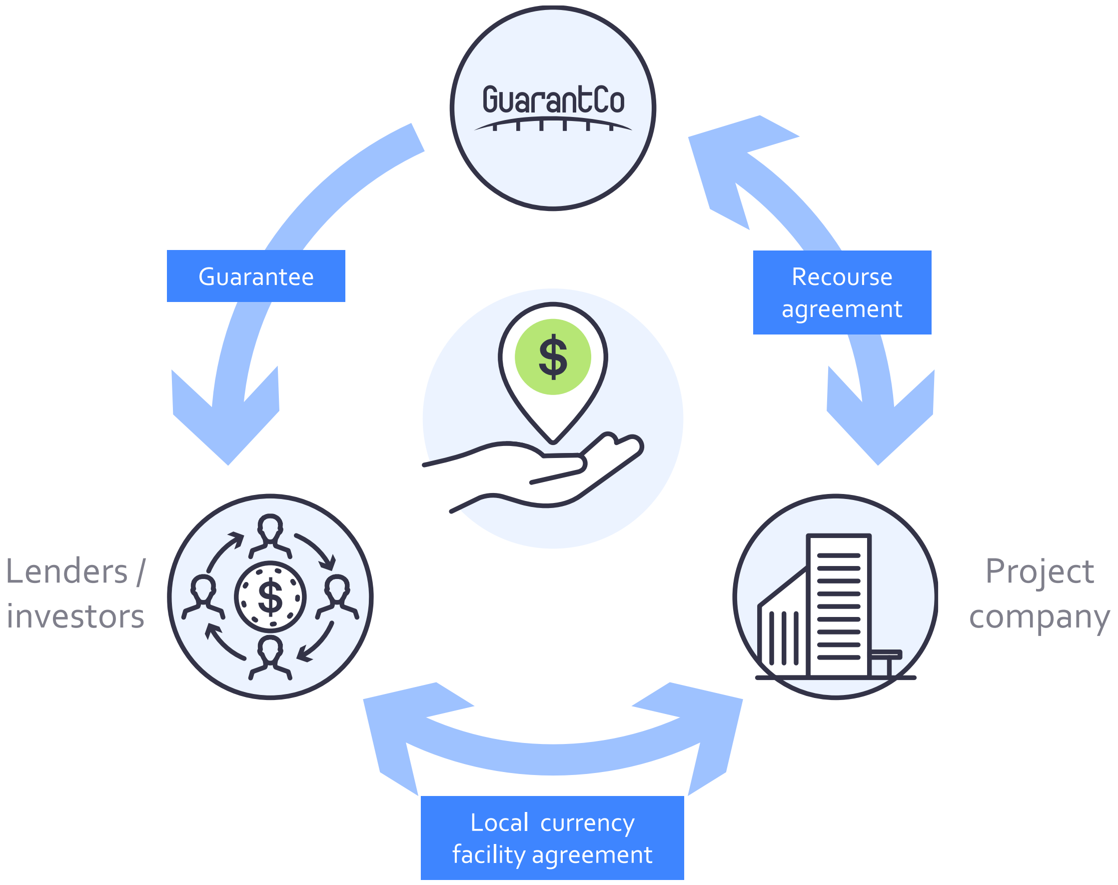
Our owners

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

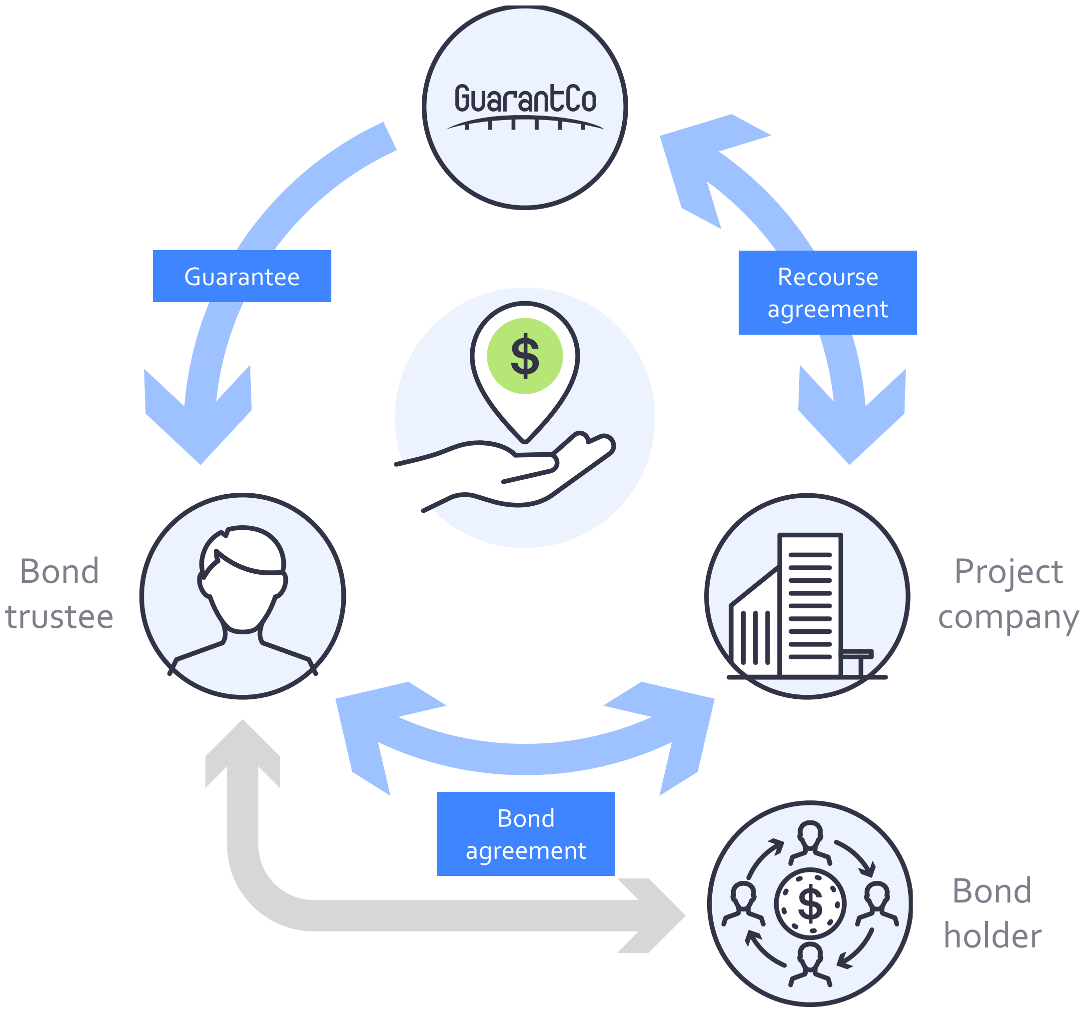
We use blended finance

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

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Why partner with GuarantCo?

Financier	Borrower/Issuer	Suppliers (EPC, equipment etc)
1 Risk transfer (instead of risk mitigation) counterparty risk to AA- / A1 entity.	1 Positive signaling.	1 Offer more flexible terms.
2 Efficient capital treatment for long dated transactions.	2 Access new proofs of capital (e.g. local currency loans and bond markets).	2 Opportunity to accelerate mobilising of projects whilst capital is being finalised.
3 Build capacity in sustainable long-term finance using myriad types of financing solutions.	3 Enhance overall return on investments.	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 <u>minimum</u> 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.

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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

UKaid
from the British people

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Eidgenössisches Departement für Wirtschaft, Bildung und Forschung WBF
Staatssekretariat für Wirtschaft SECO

Ministry of Foreign Affairs of the Netherlands

SWEDEN

Australian Aid

FMO
Entrepreneurial Development Bank

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