GuarantCo

Products and case studies

August 2021

GuarantCo is part of the Private Infrastructure Development Group

GuarantCo
GUARANTEES FOR DEVELOPMENT

Products and Case Studies

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GuarantCo

How our guarantees work

Partial Credit Guarantee – PCG - Bond

The product

PRODUCT PURPOSE

Mitigating bond credit risk in nascent capital markets

Constraints

Institutional investors in often have minimum credit rating criteria for investments. Bonds issued by corporates or projects in new markets often fail to make this minimum rating criteria.

Product Structure

GuarantCo can provide a guarantee, committing to cover a portion, usually 50 to 90 percent, of principal and coupon payments.

Impact

Corporates or projects in developing markets cannot access capital markets and have to rely on bank lending.

GuarantCo Solution

GuarantCo's PCG helps corporates and projects access capital markets by improving the credit rating of the issued bonds, allowing them to be purchased by a wider range of investors.

Case study

Nairobi, Kenya

Student housing complexes – IFC EDGE certified

PCG BENEFICIARY

Bondholders – via the bond trustee

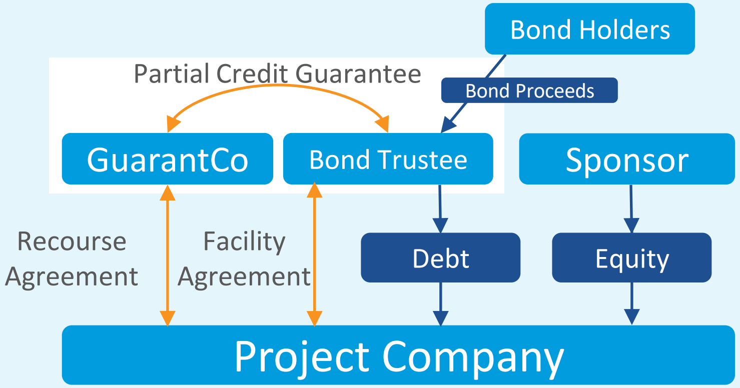
TENOR

7 years

PCG STRUCTURE

A 50% Guarantee on a USD 43 Million local currency bond programme, allowing the bond to be rated B1 by Moody's (1 notch higher than Kenya's sovereign rating at the time of issuance).

The first green project bond issued in Africa.



Partial Credit Guarantee – PCG - Loans

The product

PRODUCT PURPOSE

Reducing risk for local commercial banks

Constraints

Many banks in emerging markets have limitations which restrict the amount or tenor of funding. Projects or corporates may be forced to borrow in hard currency due to lack of local financing options.

Impact

Projects or corporates in developing markets are unable to secure the amount or type of bank funding that they require.

GuarantCo Solution

GuarantCo's PCG improves the credit profile of lending opportunities, helping banks to increase tenors, enter new sectors or offset exposure to existing bank customers, freeing up space under obligor limits for more lending.

Product Structure

GuarantCo can provide a guarantee, committing to cover a portion, usually 50%, of principal and interest payments.

greenyellow
smart energy solutions

Case study

Ambatolampy, Madagascar

20MW grid connected Solar Power Plant

PCG BENEFICIARY

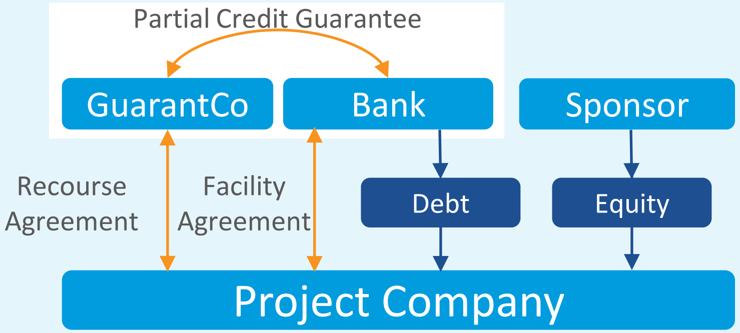
Three Malagasy commercial banks, including BFV Société Générale Madagascar

TENOR

9 years

PCG STRUCTURE

Guarantee provided jointly with Africa Guarantee Fund. The PCG mitigates credit risk including the exposure to the state-owned PPA offtaker.



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Product Structure

GuarantCo can provide a guarantee, committing to cover a portion, usually 50%, of principal and interest payments.

Case study

Teknaf, Cox's Bazar, Bangladesh

28MW grid connected Solar Power Plant

PCG BENEFICIARY

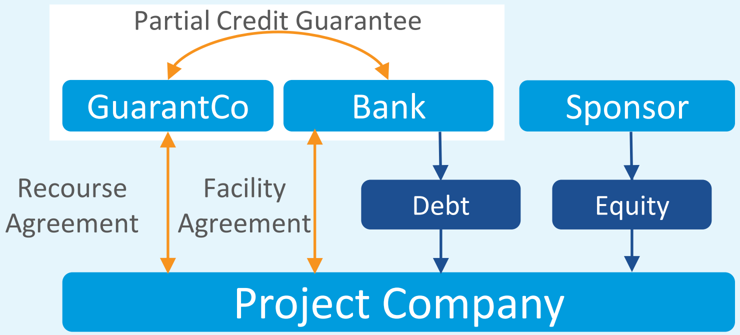
Standard Chartered Bank Bangladesh

TENOR

8 year – possible extension to 15 years

PCG STRUCTURE

Guarantee allowed Joules Power Limited to borrow a portion of the funds required for their Technaf project in Bangladesh Taka – reducing currency risk in the transaction.



Liquidity Extension Guarantee – LEG

The product

PRODUCT PURPOSE

Extending commercial banks loans tenors

Constraints

Due to liquidity mismatches and asset/liability management, commercial banks are often limited to a maximum tenor for the loans they provide.

Impact

Viable infrastructure projects that are unable to secure longer term financing solutions may be abandoned by sponsors.

GuarantCo Solution

GuarantCo's LEG product was designed to help the banks overcome this tenor obstacle and provide the long term finance that infrastructure projects require.

Product Structure

At financial close, the debt is structured as if amortising over a longer tenor e.g. 14 years, with a transfer date at the date the bank is comfortable lending for e.g. 7 years. At the end of each year, the bank has the option to push the transfer date forward for another year, or to run down the tenor toward the transfer date at which point the loan would be transferred to GuarantCo.

Kékéli Efficient Power

Case study

Lomé, Togo

Combined Cycle Gas Turbine power plant

LEG BENEFICIARY

Four commercial banks

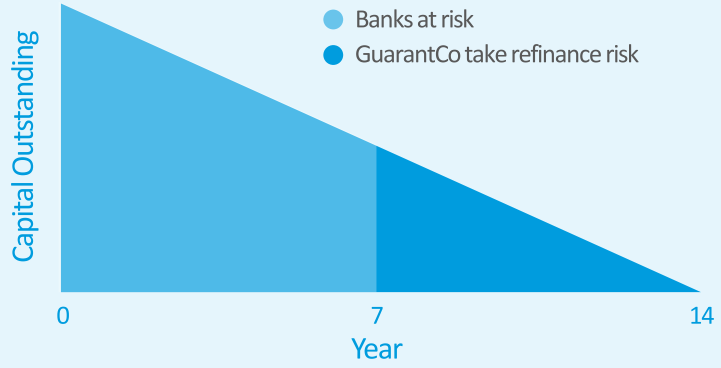
TENOR

7 years – initially available from local banks

Tenor targeted by Eranove, a French developer and majority shareholder of the project: 14 years

LEG STRUCTURE

The tenor of the loan was extended from 7 years to 14 years



Portfolio Guarantee

The product

PRODUCT PURPOSE

Increasing the capacity of local Lenders and Guarantors

Constraints

Local lenders or guarantors may have limited capacity in terms of their total exposure or exposure related to specific obligors, sectors or geographies.

Impact

Lenders and guarantors capacity for new exposure to infrastructure is limited, as often larger commitments are required.

GuarantCo Solution

The Portfolio Guarantee allows the lender or guarantor to target larger transactions, without breaching exposure limits, as GuarantCo provides a guarantee against new and existing infrastructure exposures.

Product Structure

GuarantCo can provide a Portfolio Guarantee to cover certain portfolio losses, usually on a second loss basis. These guarantees cover specific exposures to corporates, projects or financial institutions involved in facilitating infrastructure.

CRDB BANK
The bank that listens

Case study

Dar es Salaam, Tanzania

A portfolio of infrastructure-linked loans

PCG BENEFICIARY

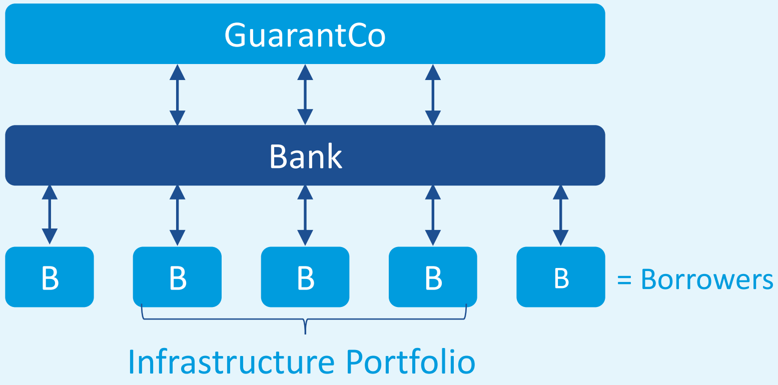
CRDB Bank plc

TENOR

5 years (option for 5 year extension - mutual consent)

PORTFOLIO GUARANTEE STRUCTURE

A Portfolio Guarantee providing 2nd loss protection on up to 50% of CRDB's loan portfolio. This Portfolio Guarantee allows the bank to free up capital and continue with its impressive lending growth.



EPC Contractor Guarantee

The product

PRODUCT PURPOSE

Facilitating vendor financing and faster project execution

Constraints

Engineering, Procurement and Construction (EPC) contractors can be reluctant to provide vendor financing in frontier markets due to uncertainty regarding the availability and timing of long term debt finance.

Impact

Projects can be delayed as sponsors need to secure external funding prior to EPC contractors incurring costs.

GuarantCo Solution

GuarantCo's EPC Contractor Guarantee product was designed to allow EPC contractors to provide vendor finance in geographies where otherwise they would not be able to.

Product Structure

The product is structured to provide a payment guarantee in favour of the EPC contractor that facilitates payment once construction has been completed. This allows the EPC contractor to incur costs and start construction in parallel with the project procuring long term debt financing. The product allows for a buffer between starting project construction and financial close for long term debt financing, reducing project execution times which can be an issue in frontier markets.

Case study

Tema, Ghana

LPG power plant and associated storage

LEG BENEFICIARY

METKA – EPC Contractor

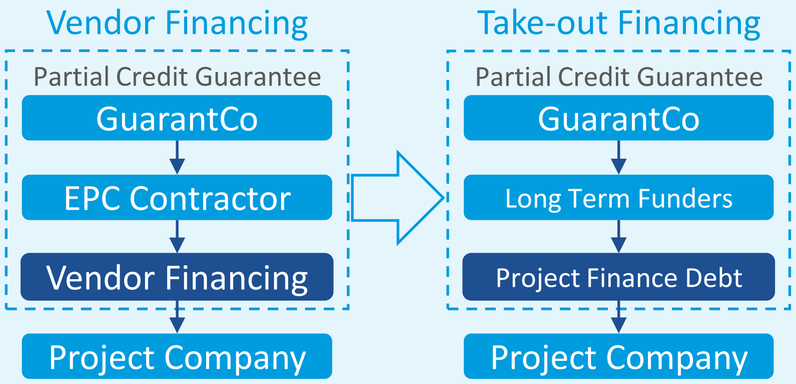
TENOR

2.5 years

Tenor equivalent to construction period + 6 months. Taken out by long-term finance at maturity

GUARANTEE STRUCTURE

The guarantee reduced the refinance risk for the EPC contractor, allowing them to provide vendor financing and commence works early



THANK YOU

GuarantCo is part of the Private Infrastructure Development Group

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GUARANTEES FOR DEVELOPMENT

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Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Australian Aid

Sweden Sverige

FMO Entrepreneurial Development Bank

AFD Agence Française de Développement

Canada