GuarantCo is supported by

Mobilising Local Funding and Building Local Capacity
1. GuarantCo Overview

**Experienced**

- Established 2005
- Over **40 projects** supported
- **US$700m** guarantees written
- Current portfolio **US$457m** (Dec-16)

**Innovative**

- **1st** corporate bond guarantee in Nigeria
- **1st** local currency project financing in Nepal
- **1st** AAA local currency sukuk in Pakistan
- **1st** local currency securitisation in Zambia

**Financial Strength**

- **1** GuarantCo commitment = **$5.48** billion private sector investment
- **44%** of total investment in fragile and conflicted affected states

**Making a difference**

- **12 million people** with additional access to infrastructure
## 2. Mobilising Local Currency

<table>
<thead>
<tr>
<th></th>
<th>Fossil Fuel Based Power</th>
<th>Renewable Energy</th>
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</thead>
<tbody>
<tr>
<td><strong>Capex</strong></td>
<td>$ / LCY</td>
<td>$ / LCY</td>
</tr>
<tr>
<td><strong>Fuel costs</strong></td>
<td>$</td>
<td>-</td>
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<tr>
<td><strong>Finance</strong></td>
<td>$</td>
<td>?</td>
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3. Mobilising Local Currency

Availability

- LCY markets significant in many geographies
- Pension fund and insurance industries are growing
- DFI and other sources of hard currency limited

Pricing

- True cost of hard currency rarely factored in (depreciation and convertibility issues)
- Not always as prohibitive as assumed

Local Capacity

- A problem as long as we allow it to be
- International capital needs to mobilise and not crowd out local funding sources
4. Case Study – Lower Solu, Nepal

- 82MW run-of-river hydro, 11% Nepal’s generating capacity
- COD expected 2019, improving electricity access for four million people
- GuarantCo LCY guarantee enabled four local banks to get comfortable with the project risk and provide funding to match the LCY portion of the PPA
- 16.5 year tenor
- 90% guarantee cover
5. The Next Step – InfraCredit(s)

- GuarantCo provides contingent capital support to InfraCredit Nigeria
- Core capital is provided by local partners, (NSIA cornerstone)
- Local partners enhance origination channels, increase market insight and add to local credibility
- 5x leverage at InfraCredit level results in original donor equity being leveraged up to 60x

<table>
<thead>
<tr>
<th>$1bn</th>
<th>$150m</th>
<th>$50m</th>
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<tbody>
<tr>
<td>60x</td>
<td>Core Capital</td>
<td></td>
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<tr>
<td>5x leverage</td>
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<tr>
<td>3x leverage</td>
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<tr>
<td>Donor Equity</td>
<td>$16.7m</td>
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GuarantCo: Guarantees for Development
NSIA: Nigeria Sovereign Investment Authority

www.guarantco.com
6. The Next Step – InfraCredit(s)
7. Conclusion

- Local capital markets and LCY in particular has to be an important part of the solution to funding developing countries’ energy infrastructure needs

- Solutions are market specific

- Need to create the tools, but direct capacity enhancement is needed to realise full potential