



Mobilising Local Funding and Building Local Capacity



GuarantCo is supported by



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



Making a difference



- > **\$1** GuarantCo commitment = **\$5.48** private sector investment
- > **44%** of total investment in fragile and conflicted affected states
- > **12 million people** with additional access to infrastructure

2. Mobilising Local Currency

	Fossil Fuel Based Power	Renewable Energy
Capex	\$ / LCY	\$ / LCY
Fuel costs	\$	-
Finance	\$?

3. Mobilising Local Currency

Availability



Pricing



Local Capacity



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

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

- A problem as long as we allow it to be
- International capital needs to mobilise and not crowd out local funding sources

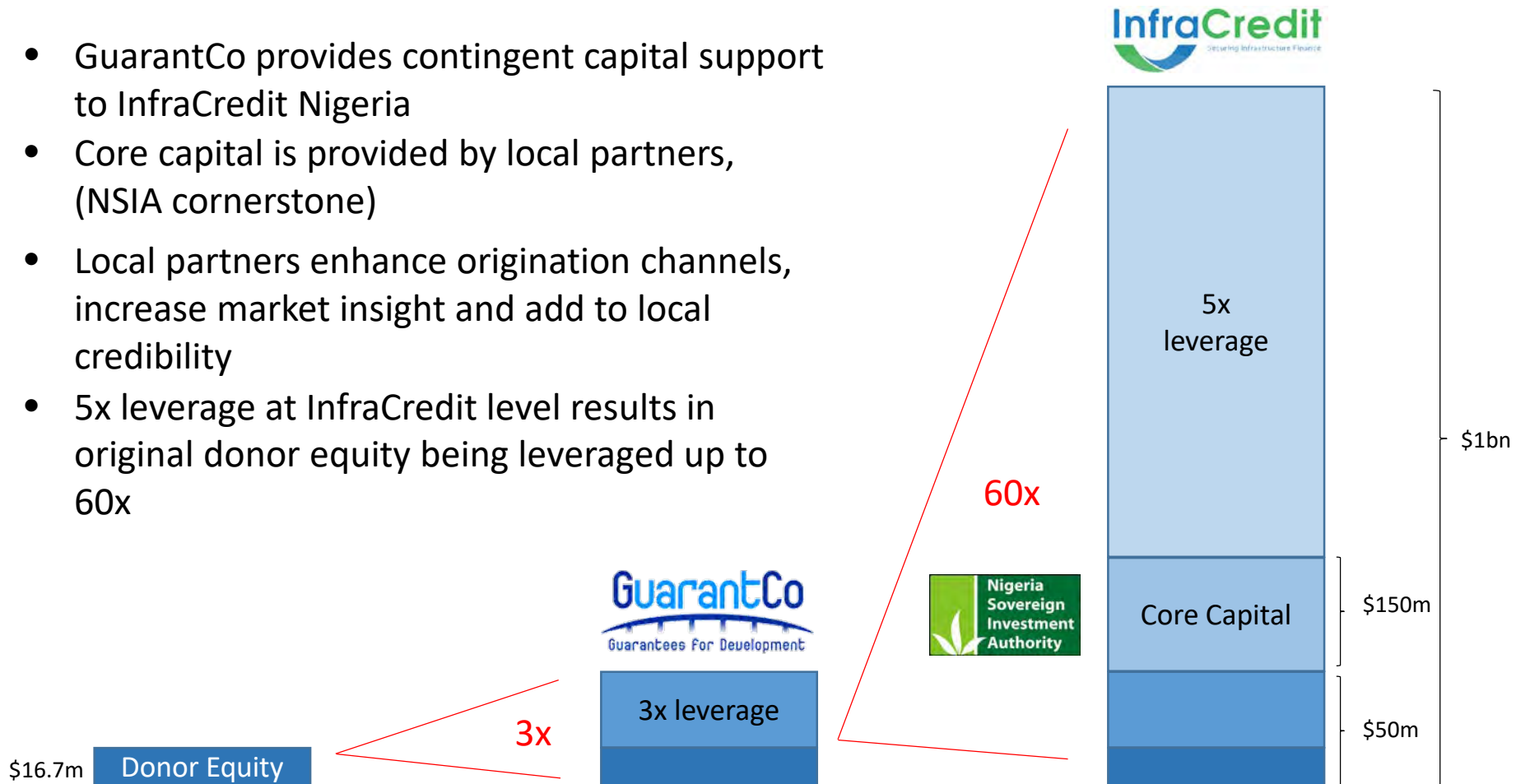
4. Case Study – Lower Solu, Nepal



- 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



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