

WORLD BANK GUARANTEES FOR SOLAR

OUARZAZATE SOLAR LEARNING & SHARING EVENT



THE WORLD BANK

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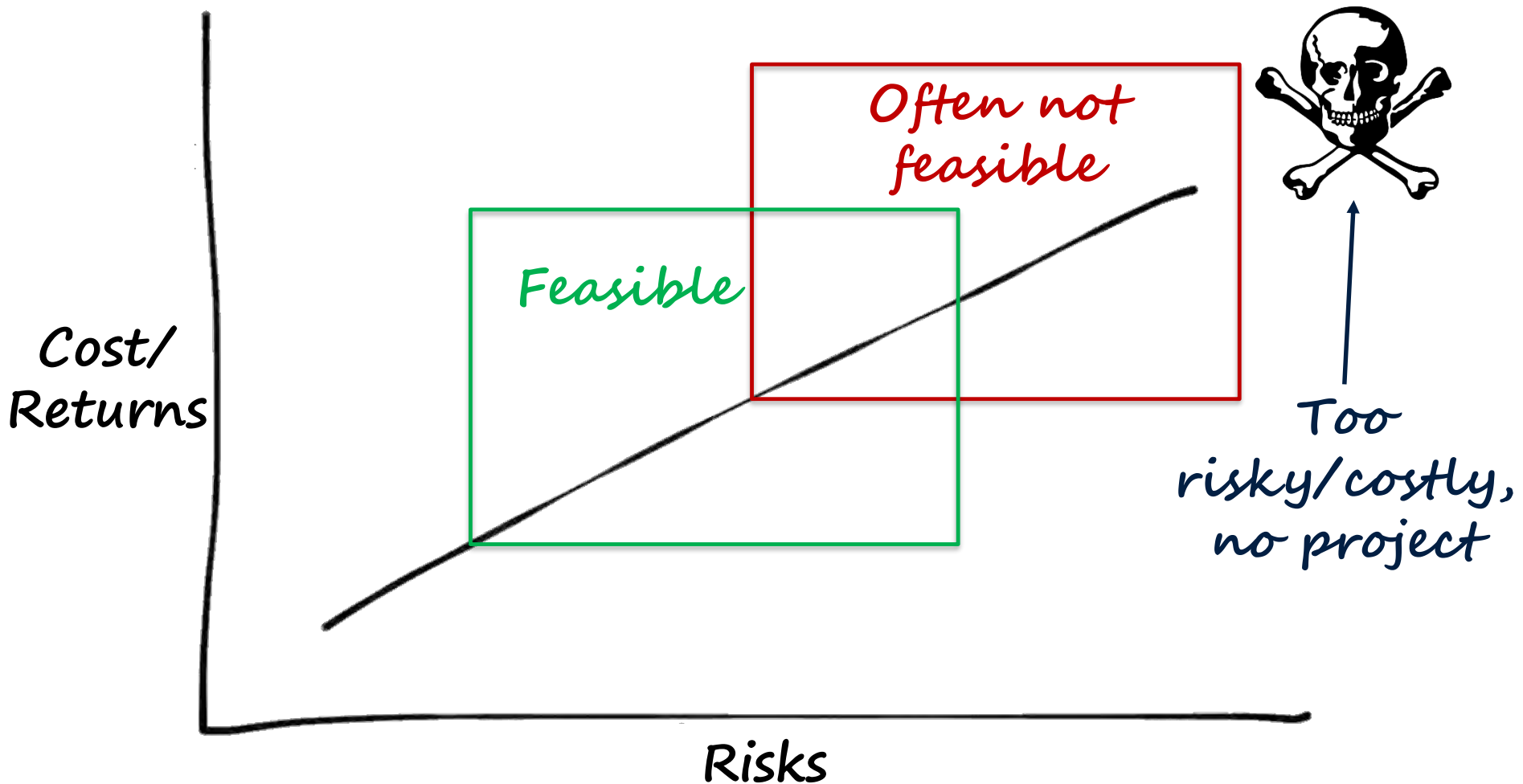
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RISKS ARE CRITICAL FOR INFRASTRUCTURE PROJECTS...



...and there is a fine line between taking a calculated risk and doing something foolish

DECREASING RISKS ENABLE PROJECTS



WHY WORLD BANK GUARANTEES?

Mitigate risks to mobilize private capital

- ✓ Enable projects by enhancing borrower/offtaker's creditworthiness
- ✓ Can help break negative cycle of sector's financial viability

Ensures long term presence of the WB in project

- ✓ Long-term presence in the country/sector
- ✓ "Halo effect", improves risk and transaction structuring

Leverage World Bank resources to mobilize private capital

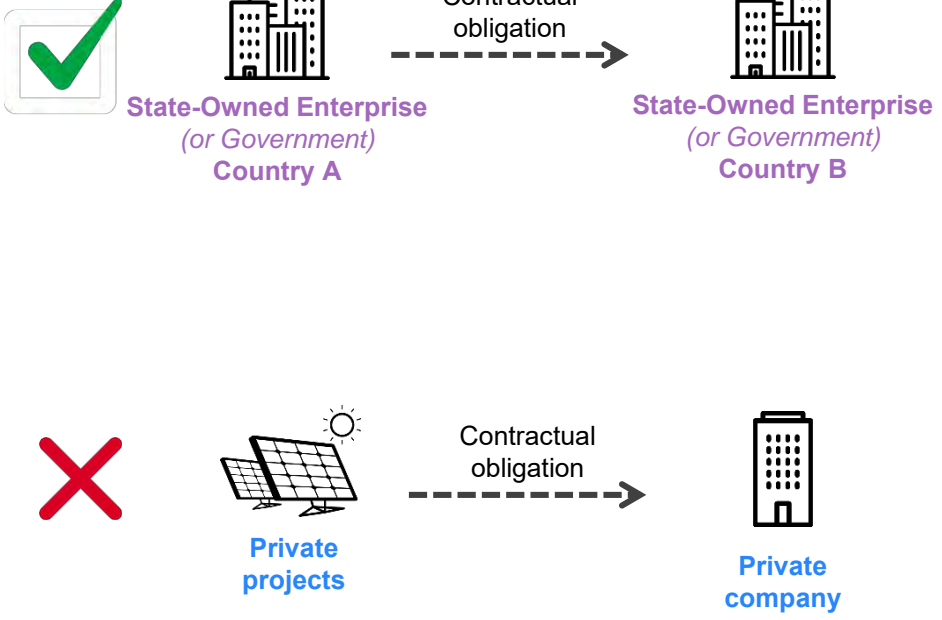
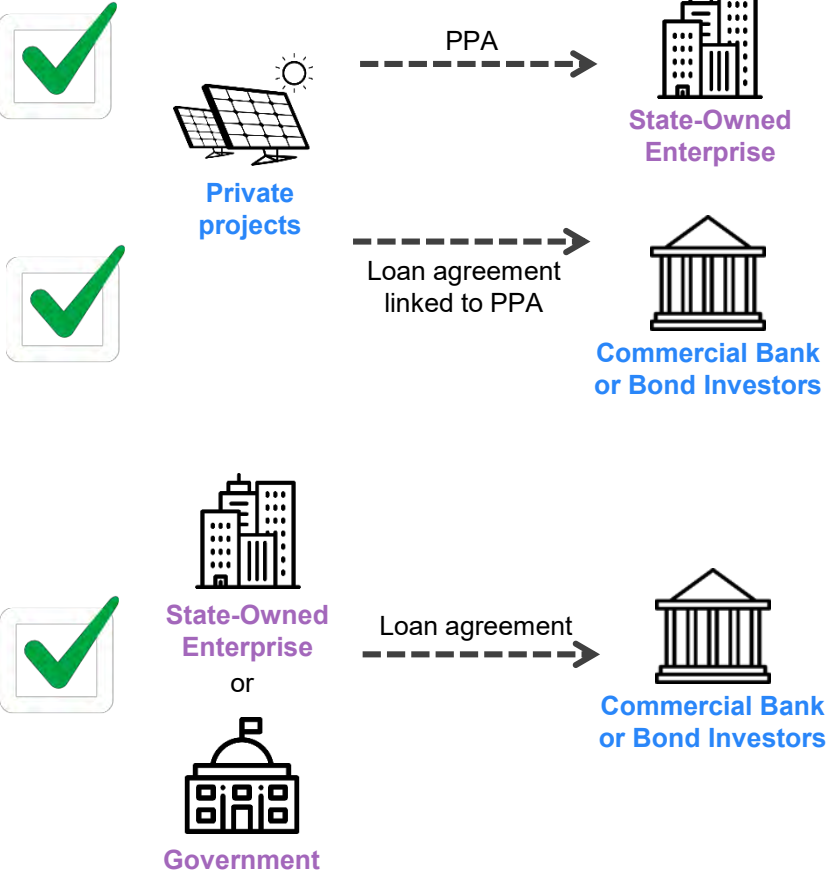
- ✓ Guarantees enable member countries to raise more capital than through straight loans
- ✓ More efficient use of WB balance sheet

Effective use of member countries' World Bank allocation

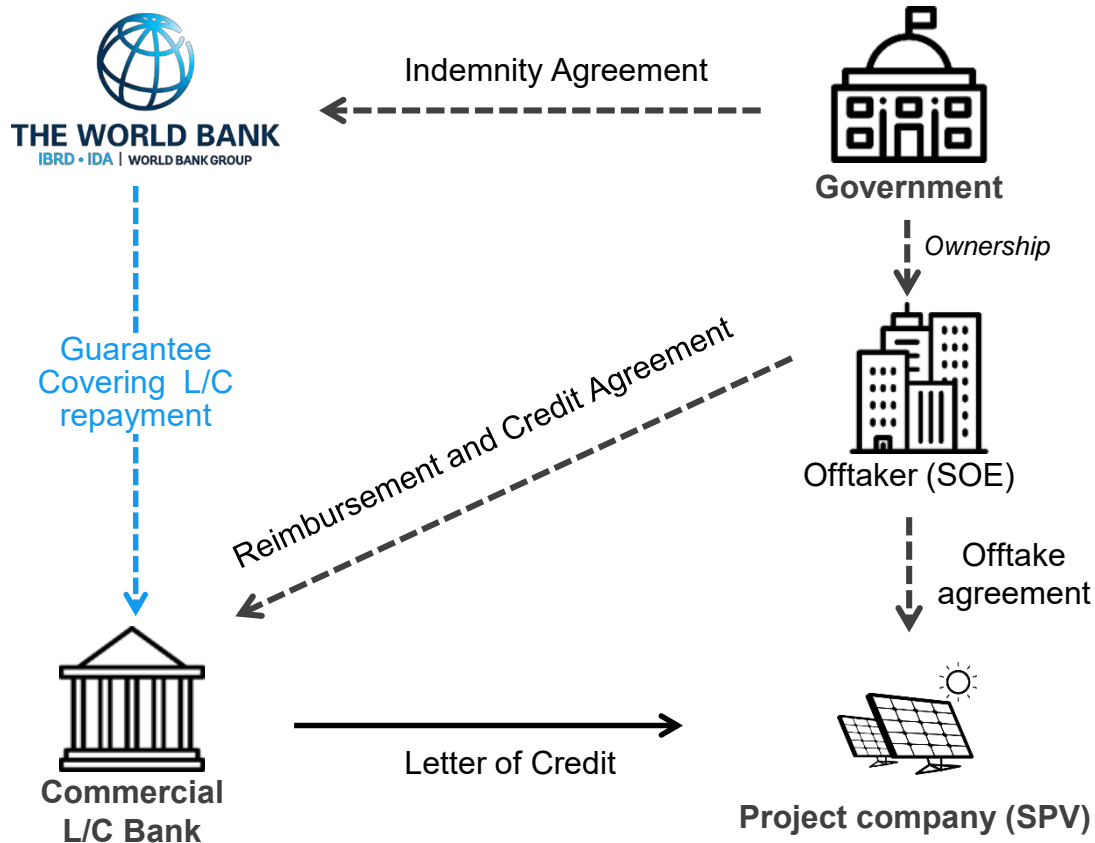
- ✓ For IDA countries only 25% of the guarantee face value is booked against the country allocation. IBRD on case by case.
- ✓ Only 0.75% guarantee fee per year for IDA concessional guarantees. 0.5%-1% per year for IBRD.



WHAT CAN WORLD BANK GUARANTEES DO?



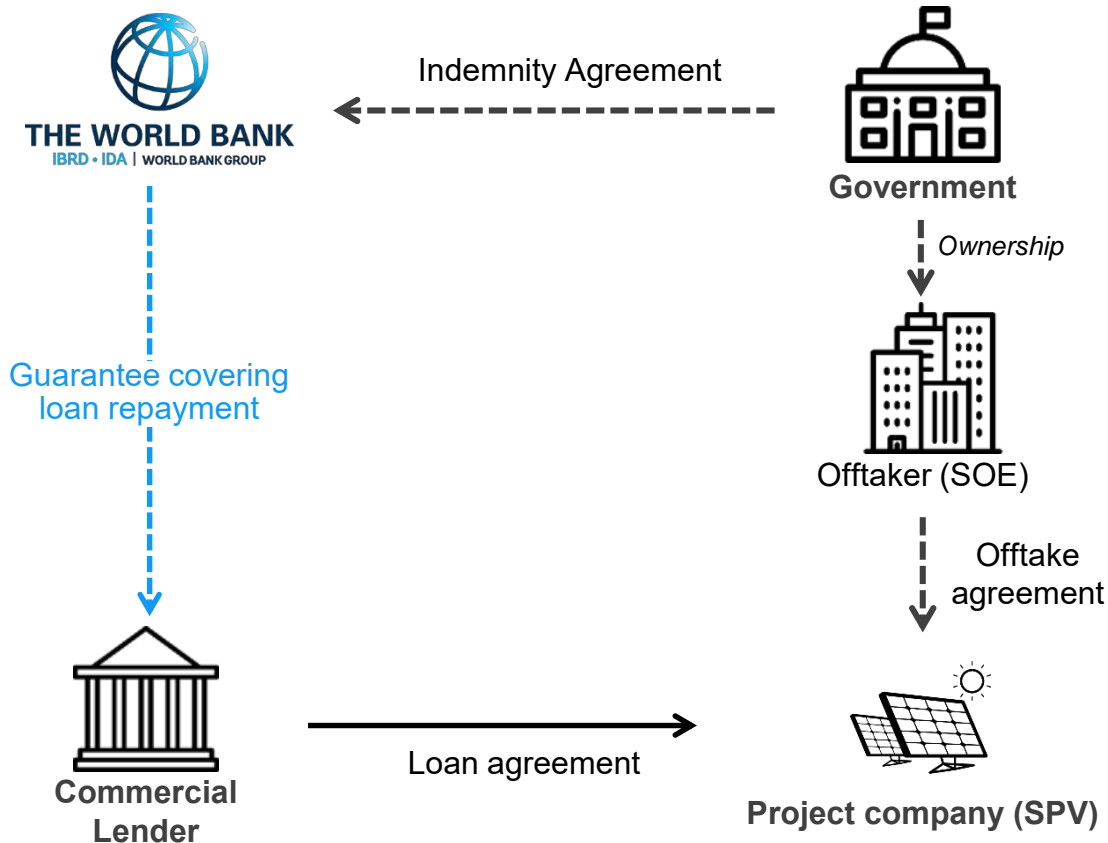
PAYMENT GUARANTEE WITH A LETTER OF CREDIT



Key takeaways

- ✓ Guarantee covers Letter of Credit (LC) providing liquidity support to mitigate public offtaker payment risk
- ✓ Upon drawdown on the LC by SPV, SOE/government have an obligation to repay the LC Bank within 12 months
- ✓ If the SOE and/or the government fail to repay the LC Bank, WB steps in and reimburses the LC Bank.
- ✓ Reduces cost of LC and extends tenor.

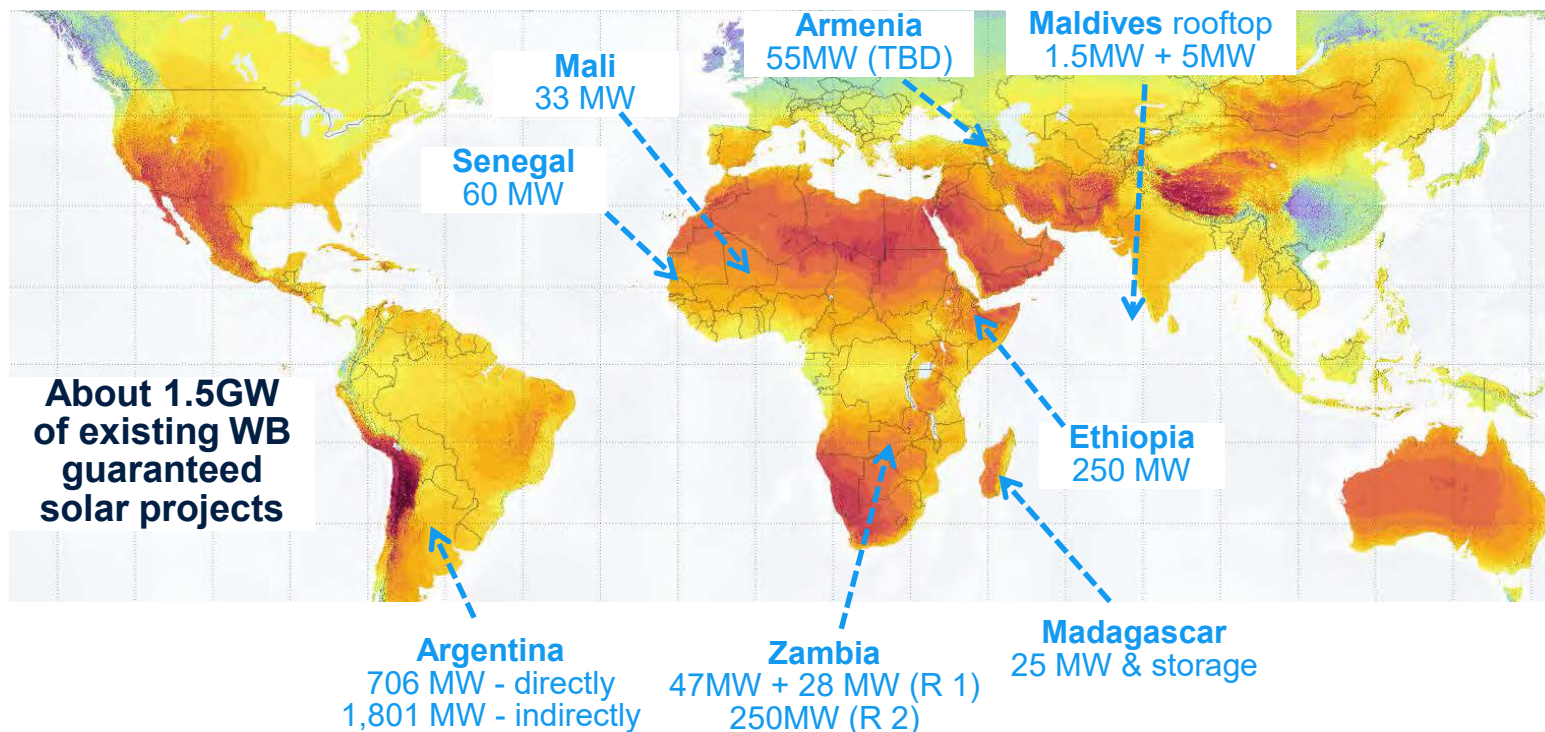
LOAN GUARANTEE



Key takeaways

- ✓ Guarantee covers loan repayment in case of events of default triggered by the Government/SOE
- ✓ Improved financing terms enable project company to offer more competitive tariffs

EXISTING WORLD BANK GUARANTEES FOR SOLAR



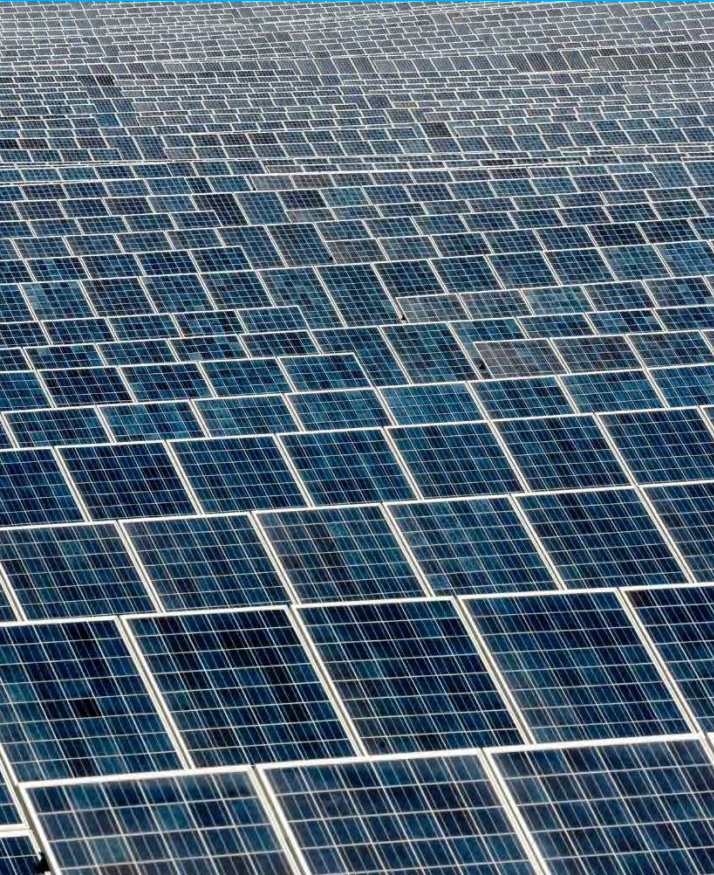
Some lessons:

- ✓ Positive experience with auctions. Key to identify risks and provide transparent options to bidders to mitigate them.
- ✓ Every guarantee needs specific assessment/structure/documents. Involve WB team early.
- ✓ Other WB guarantees also help solar projects: e.g. refinancing utility's debt to improve finances.

Scaling Solar



AN INNOVATION OF
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SCALING SOLAR EXAMPLE

PROBLEM TO SOLVE

Investment in African solar PV is not yet delivering on its potential...

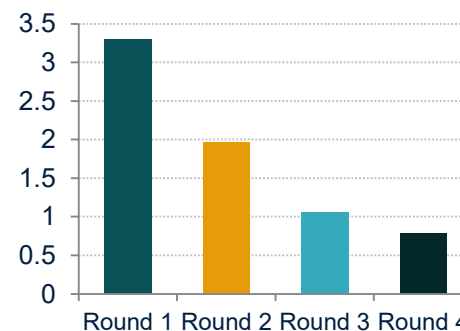
Status quo is slow, inefficient and expensive...

- ✘ Lack of competition
- ✘ High transaction costs
- ✘ Limited public capacity
- ✘ Lack of market scale
- ✘ High perceived risk

Done right, solar can deliver speed & low tariffs

- ✓ Competition
- ✓ Scale & repetition
- ✓ Bankable, non-negotiable docs

South Africa tariffs per round (ZAR/kWh)



-76% tariff drop for PV projects over 4 rounds

SCALING SOLAR OVERVIEW

A “One-Stop-Shop” Approach

Whole WBG in one packaged solution:

- Advice
- Tendering expertise
- Documentation
- Competitive financing and insurance
- Risk management and credit enhancement

Designed with both government and developers in mind

WBG expertise and lessons learned worldwide embedded

A Focus on Standardization

Fully developed documentation quickly tailored to local needs drives speed

Consistency across countries creates a single, ‘virtual’, large scale market to attract the largest and best global bidders

De-risking to lower tariffs and ensure success

Coordinated delivery to address both public and private sector constraints

Projects substantially developed to lower risk for developers and government

WB debt, insurance and guarantee products to lower investor risk and required returns

PROGRESS SO FAR

Zambia

Round 1

Project size: 2 projects for a total of 75.7 MWac

Bids: 48 applicants, 11 prequalified

Tariff: Record-low **6 USct/kWh achieved**. Second at 7.83 Usc/kWh

Status: **Two projects under construction**

Senegal

Project size: 100 MWac under procurement

Bids: 28 applicants, 12 prequalified

Tariff: **3.8€/kWh. 60% tariff reduction** compared to previous PPAs

Status: Awaiting financial close

Ethiopia

Project size: Round 1 of 250MWac under procurement

Status: Pre-qualified bidders selected

Madagascar

Project size: 25 MWac under procurement

Status: Pre-qualified bidders selected

Early discussions with other countries

Round 2

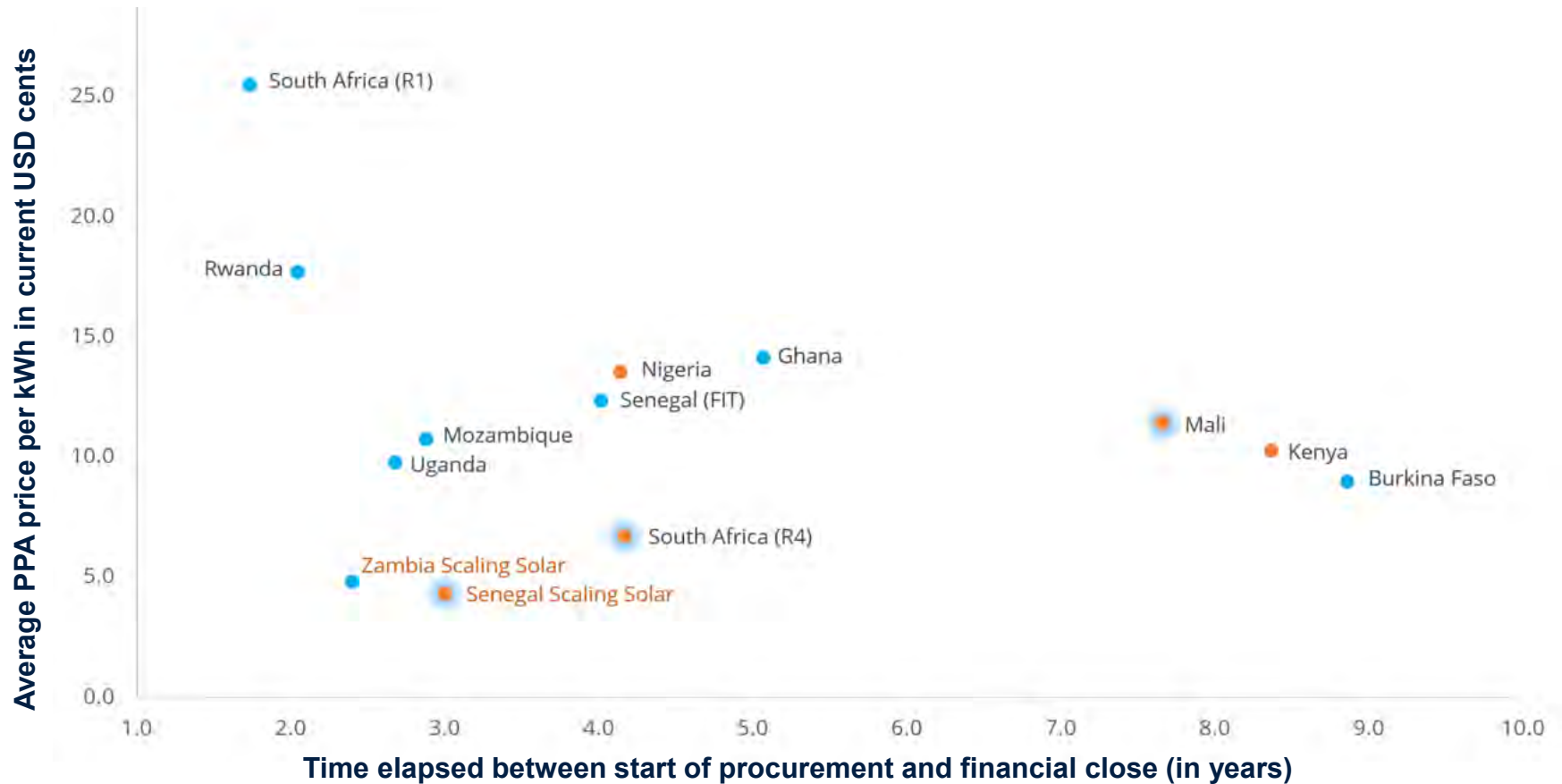
Project size: 250 MW under procurement

Bids: 21 applicants, 12 prequalified

Status: In preparation



COMPARISON OF TARIFF AND TIME TO MARKET FOR SUB-SAHARAN SOLAR PV

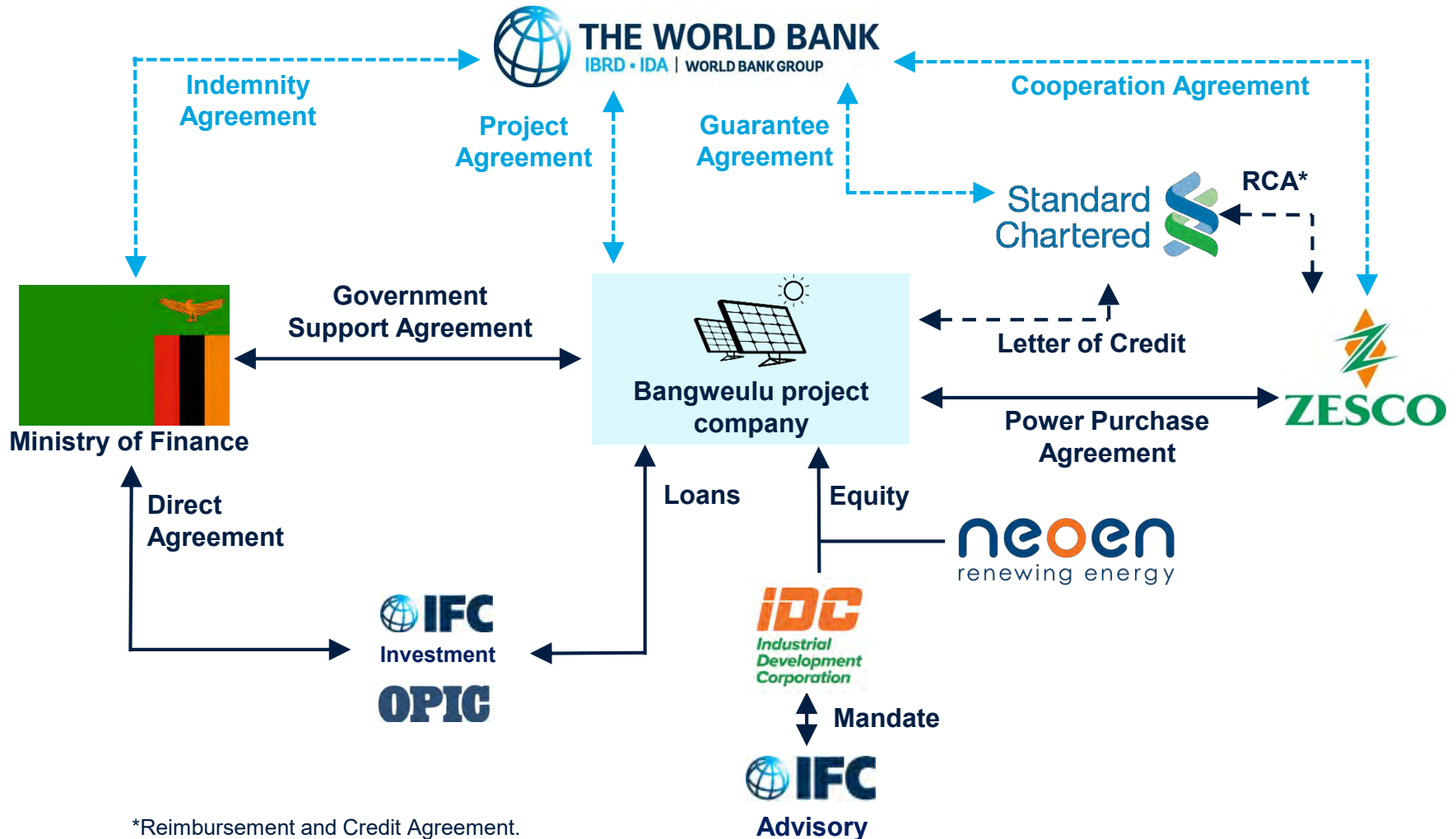


● Projects past financial close ● Ongoing projects as of May 2018 ● Expected time to financial close

DEVELOPERS THAT HAVE BID ON SCALING SOLAR



ZAMBIA BANGWEULU PROJECT EXAMPLE



*Reimbursement and Credit Agreement.
MoF is also a party.