

## السادة أعضاء جمعية رجال الأعمال المصريين الأفارقة المحترمين

تحية طيبة وبعد،،

استكمالاً للجهود والأنشطة المعمول بها والعلاقات المتميزة التي تربط جمعية رجال الأعمال المصريين الأفارقة بشركائها الاستراتيجيين والذي تحرص فيه بعض الجهات الخارجية على التعاون مع الجمعية وأعضائها فقد ورد إلينا من وزارة التخطيط والتنمية الاقتصادية والتعاون الدولي العرض التقديمي الذي تم تقديمه في ورشة العمل تحت عنوان "تشجيع الاستثمار الأجنبي المباشر في مصر من خلال ضمانات مجموعة البنك الدولي".

مرفق المنشور

وتفضلوا بقبول فائق الاحترام،

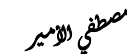
رئيس مجلس إدارة جمعية  
رجال الأعمال المصريين الأفارقة



د/ يسري الشرقاوي

جمعية رجال الأعمال المصريين الأفارقة  
مشهرة برقم 11455 لسنة 2021  
Egyptian African Businessmen's Association  
11455/2021

الأمين العام لجمعية  
رجال الأعمال المصريين الأفارقة



م مصطفى الامير

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وزارة التخطيط والتنمية الاقتصادية  
والتعاون الدولي  
Ministry of Planning, Economic  
Development & International  
Cooperation



WORLD BANK GROUP

Guarantees | MIGA

THE ARAB REPUBLIC OF EGYPT AND  
MIGA PRESENT:

# PROMOTING FOREIGN DIRECT INVESTMENT IN EGYPT

THROUGH WORLD BANK GROUP  
GUARANTEES

DECEMBER 15, 2024



ST. REGIS NEW CAPITAL, CAIRO





# Guarantee Platform Introduction and MIGA Products and Services

**Layali H. Abdeen**

Head, Middle East & North Africa



**WORLD BANK GROUP**  
**Guarantees | MIGA**



- 1. Overview of MIGA and WB Guarantee Platform**
- 2. Products Overview**
- 3. Process and Contacts**
- 4. Case Studies For MENA Region**



# The World Bank Group institutions support financing and private sector investment for EMDEs

## IBRD / IDA

**International Bank for Reconstruction and Development**

Est. 1945

**Financing for middle-income and creditworthy low-income countries**

**Support technical assistance**

**Policy advice**

**Guarantees**

Support countries' economic and institutional development

**International Development Association**

Est. 1960

**Financing for the world's poorest countries**

**Support technical assistance**

**Policy advice**

**Guarantees**

## World Bank Group mission

End extreme poverty and boost shared prosperity on a livable planet



## MIGA

**Multilateral Investment Guarantee Agency**

Est. 1988

**Guarantees**

- Political Risk Guarantees
- Non-Honoring of Public Debt
- Trade finance guarantees

Promote foreign direct investment

## IFC

**International Finance Corporation**

Est. 1956

**Investment (Equity/Debt)**

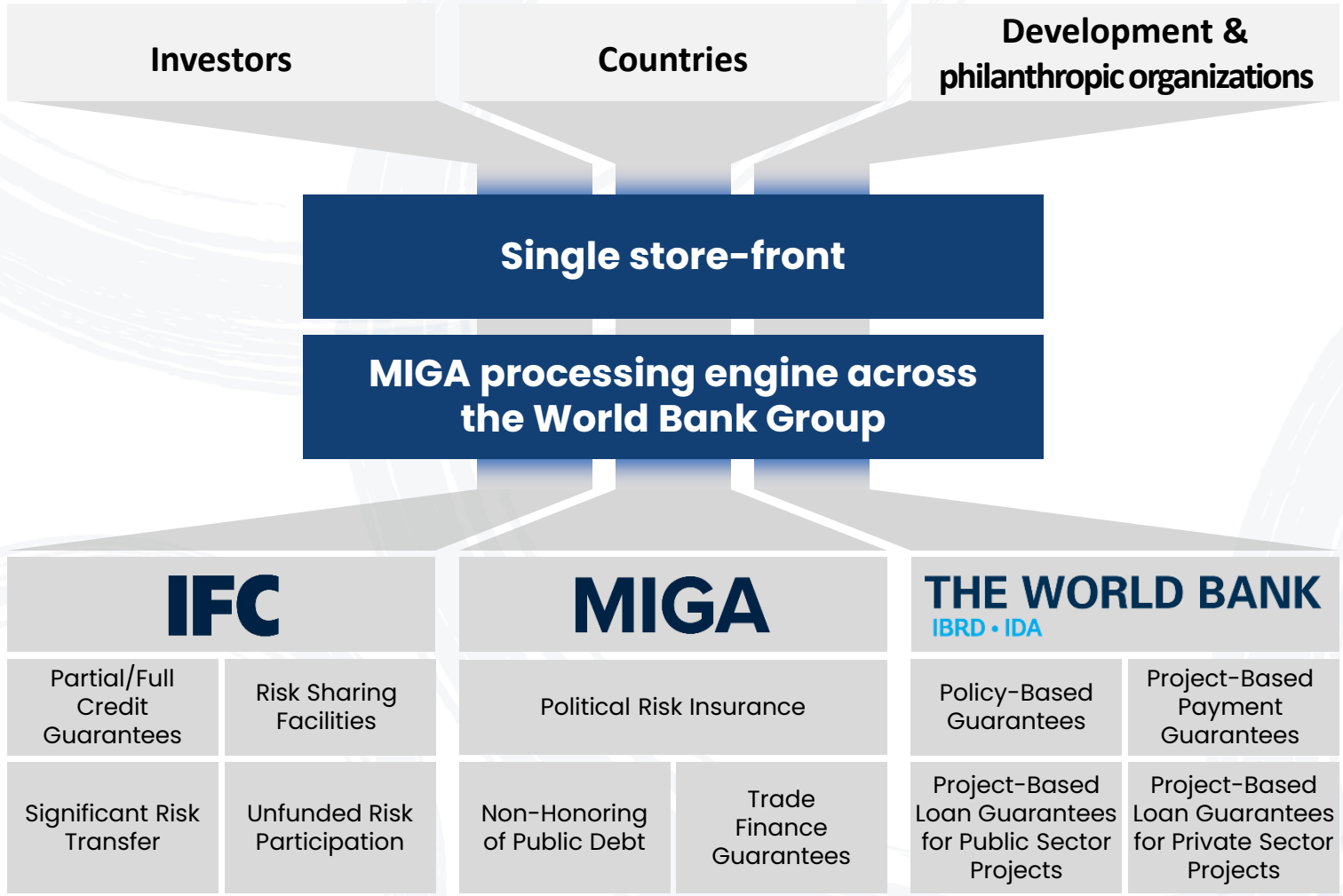
**Advisory Services**

**Guarantees**

Encourage private sector development



Common principles and approaches within WBG Guarantees will combine and leverage the strengths and experience across the WBG institutions



**1 Single storefront and point of contact for all investors, countries and partners**

**2 Streamlined processing and operations powered by MIGA**

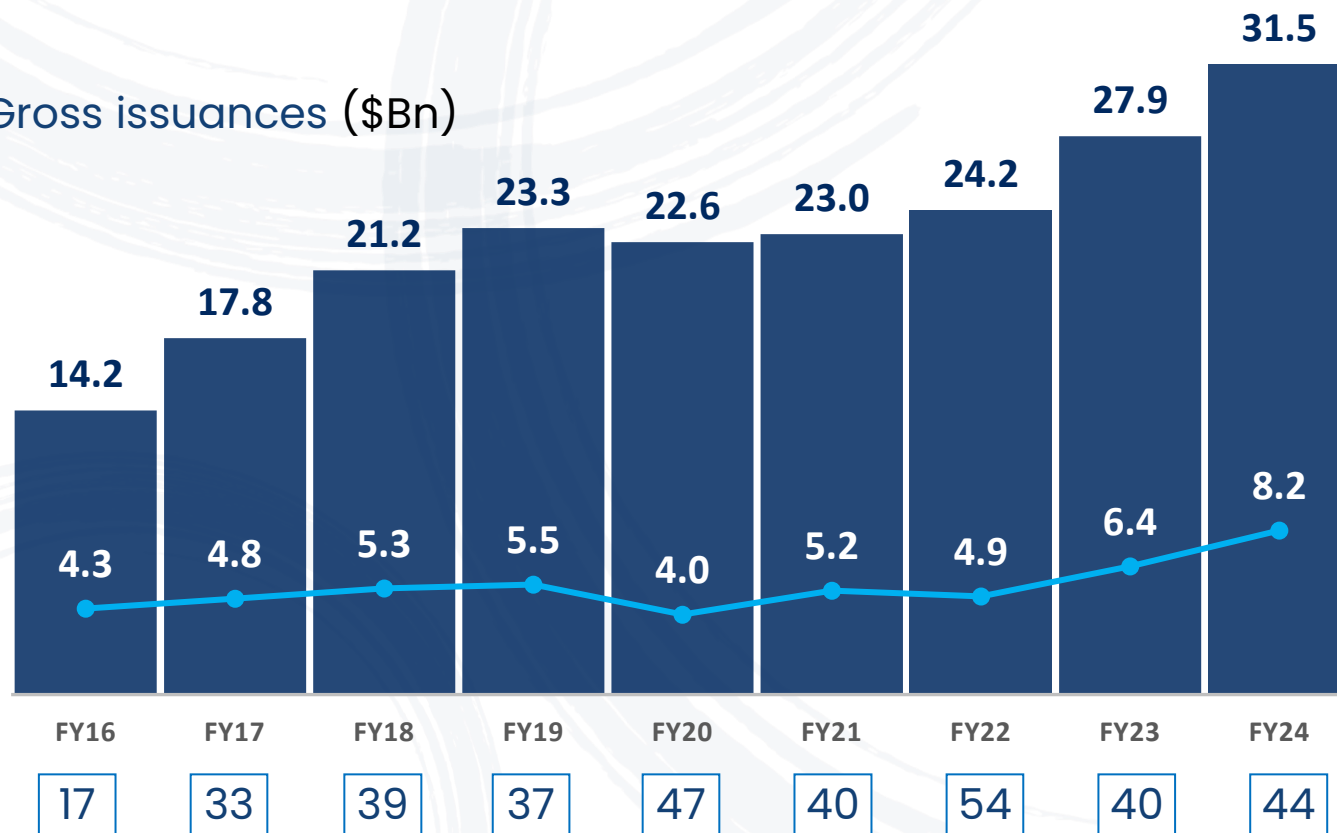
**3 Integrated menu of products provided through the three constituent parts of the WBG**



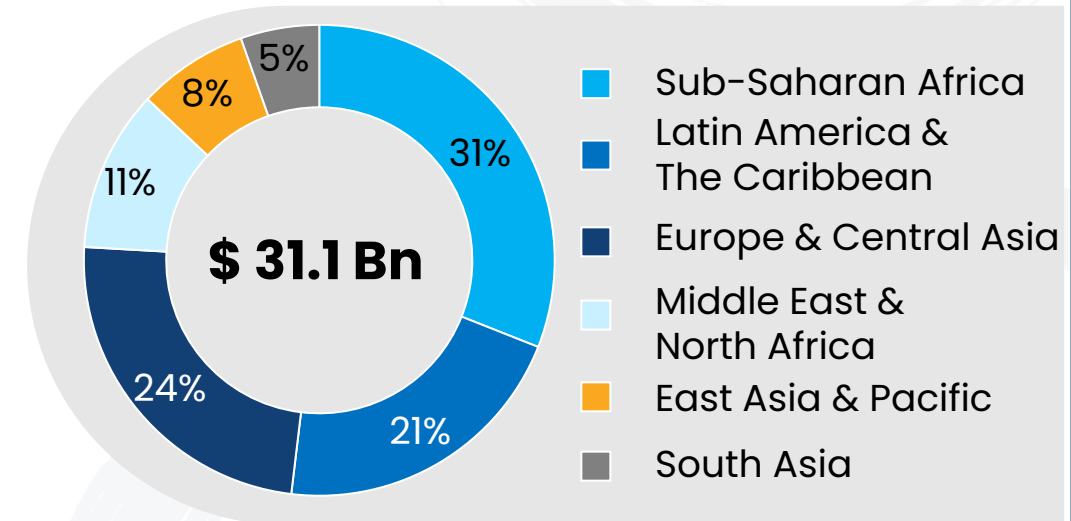
# MIGA's Activity & Portfolio Overview

- Outstanding Gross Exposure (\$Bn)
- Annual Gross Issuance (\$Bn)
- Number of new projects supported

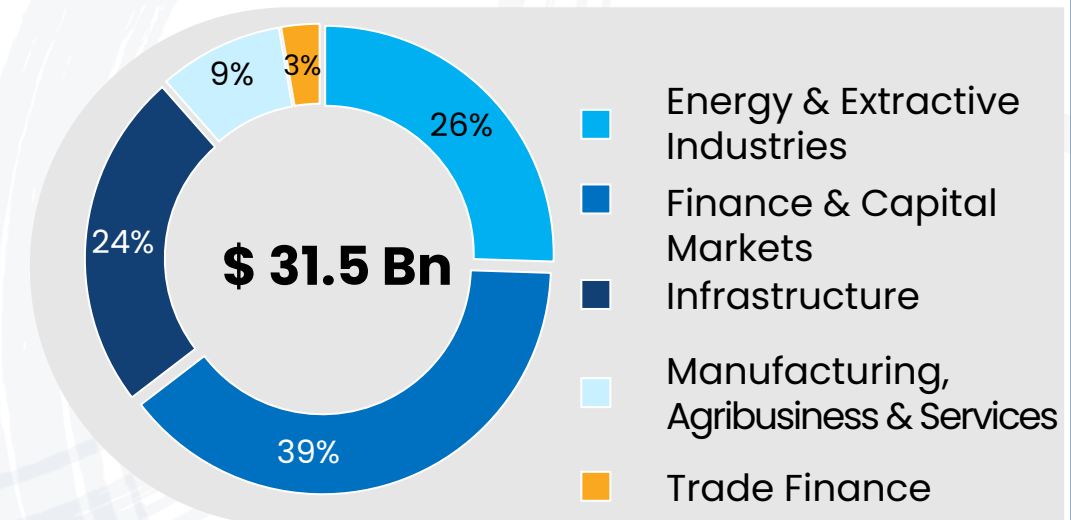
Gross issuances (\$Bn)



Breakdown by Region FY24



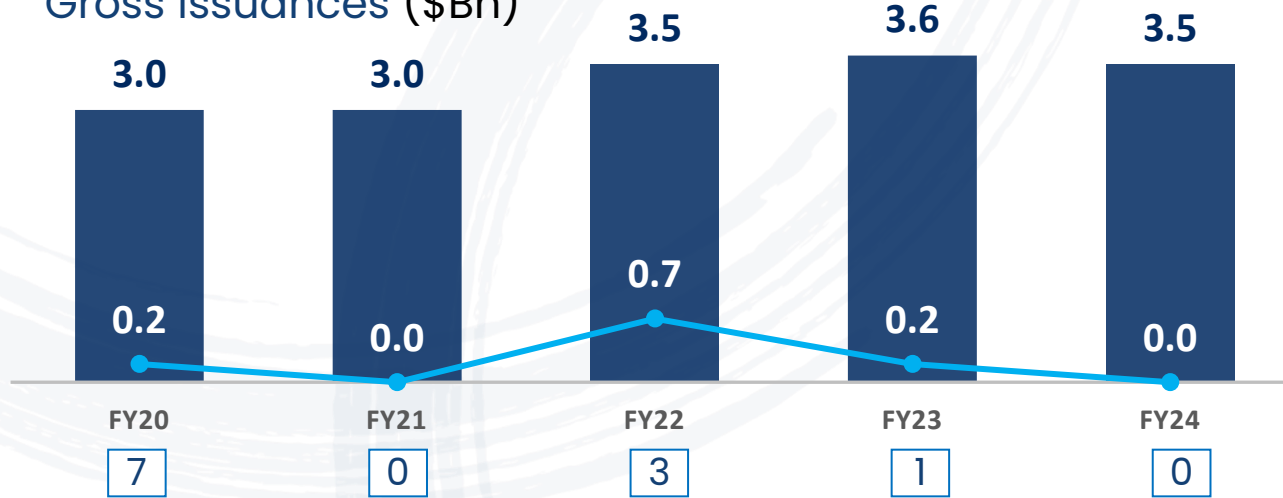
Breakdown by Sector FY24





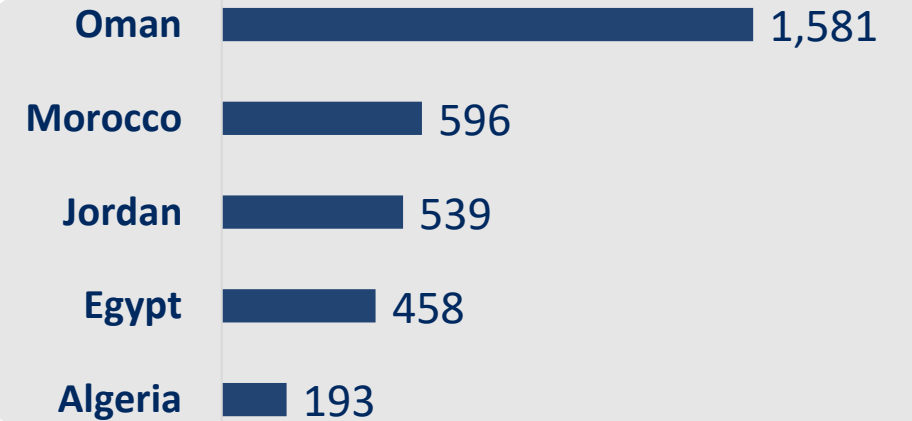
# MIGA's Support to MENA

### Gross issuances (\$Bn)

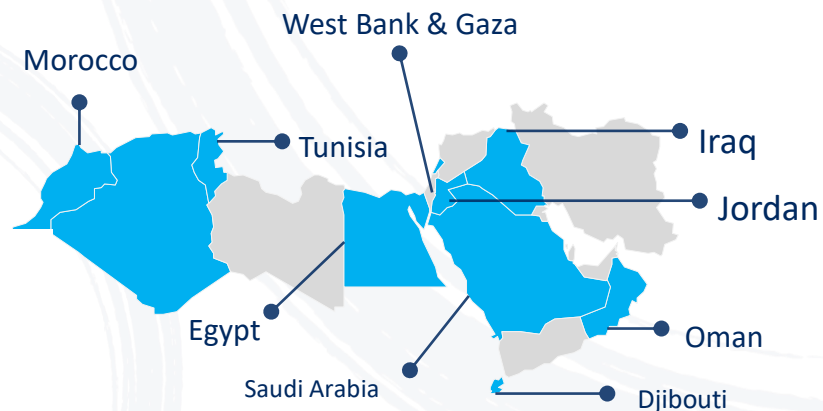
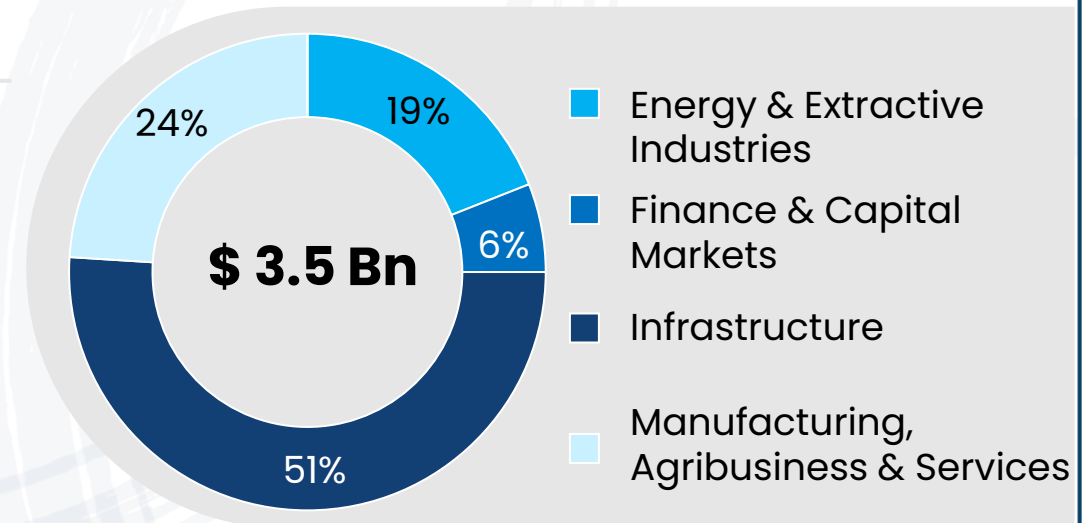


■ Outstanding Gross Exposure (\$Bn) 
 □ Number of new projects  
—●— Annual Gross Issuance (\$Bn)

## Top 5 Countries by Exposure FY24 (\$M)



## Breakdown by Sector FY24



1. West Bank & Gaza excluded



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There are three categories of products that the World Bank Group Guarantees platform offers

## **Political Risk Guarantees**

*Private sector*

Protects investments against non-commercial risks (e.g., outbreak of civil war, or government expropriating land)



## **Credit Guarantees**

*Public & private sector*

Mitigates credit risk and raises the credit worthiness of borrowers by guaranteeing loans



## **Trade Finance Guarantees For Public Sector Risk**

*Public sector*

Guards against non-payment by a sovereign or state-owned entity of its obligations relating to cross-border trade finance





# There are different products designed for specific needs

## Political Risk Guarantees



### MIGA Guarantees for Project Finance Structures

- ▶ Currency Inconvertibility and Transfer Restriction
- ▶ Expropriation
- ▶ War and Civil Disturbance
- ▶ Breach of Contract

### MIGA Regulatory Product for Banks

- ▶ Capital Optimization

### WB Guarantees for Project Finance Structures

- ▶ Project-Based Payment Guarantee
- ▶ Project-Based Loan Guarantee for Private Sector Borrowers



## Credit Guarantees

### MIGA Guarantees for Public Projects

- ▶ Non-Honoring of Public Debt

### WB Guarantees for Public Projects

- ▶ Policy-Based Guarantee
- ▶ Project-Based Loan Guarantee for Public Sector Projects

### IFC Guarantees for Private Sector

- ▶ Partial/Full Credit Guarantee for Loans
- ▶ Partial Credit Guarantee for Bonds
- ▶ Unfunded Risk Participation
- ▶ Risk-Sharing Facilities
- ▶ Significant Risk Transfer



## Trade Finance Guarantees for Public Sector Risk

### MIGA Trade Finance Guarantees

- ▶ Trade Loans
- ▶ Letter of Credit Confirmation for Central Banks only



# Guarantees to Support Private Sector Projects and PPPs in Egypt

## POLITICAL RISK GUARANTEES

### MIGA Guarantees for Project Finance Structures



#### **Currency Inconvertibility and Transfer Restriction**

Protects against losses arising from an inability to legally convert local currency into hard currency and/or transfer hard currency.



#### **Expropriation**

Protects against losses arising from government actions that may reduce ownership of the insured investment.



#### **War and Civil Disturbance**

Protects against loss from, damage to, or disappearance of tangible assets caused by political acts of war or civil disturbance.



#### **Breach of Contract**

Protects against losses arising from a government's breach or repudiation of a contract with an investor.

### MIGA Regulatory Product for Banks



#### **Capital Optimization**

Designed for global retail banks with significant exposures to central banks in emerging markets. It covers the risk of expropriation of mandatory/voluntary reserves held by a parent bank's emerging-market subsidiaries.



# Guarantees to Support Trade Finance in Egypt

## TRADE FINANCE GUARANTEES FOR PUBLIC SECTOR RISK

### MIGA Trade Finance Guarantees



#### Trade Loans

Provides protection against losses resulting from the failure of a *public entity* to pay an unconditional financial obligation related to a short-term trade finance facility.



#### Letter of Credit Confirmation for Central Banks only

Provides protection against losses resulting from the failure of a *state-owned bank* to pay an unconditional financial obligation related to a trade finance transaction.





# Key Parameters of MIGA covers

**182**

Eligible Investor  
Countries

## Financials instruments

Equity and shareholder loans

Loans, swaps and other debt instruments

Management contracts, corporate  
guarantees, etc.

**157**

Eligible Host  
Countries

**Offshore:** Investors  
& Lenders

In collaboration with other development institutions  
(MDBs, DFIs, WB & IFC)

**Host Country:**  
Project

- 
- ◇ MIGA can cover all/some foreign investors in a project
  - ◇ 95% coverage for debt, 90% for equity
  - ◇ Tenors up to 20 years
  - ◇ Broad range of cover size
  - ◇ Client can reduce, cancel, and – subject to approval – transfer or assign the policy
  - ✓ Identified project
  - ✓ Developmental impact
  - ✓ E&S Performance Standards
  - ✓ Integrity/ KYC

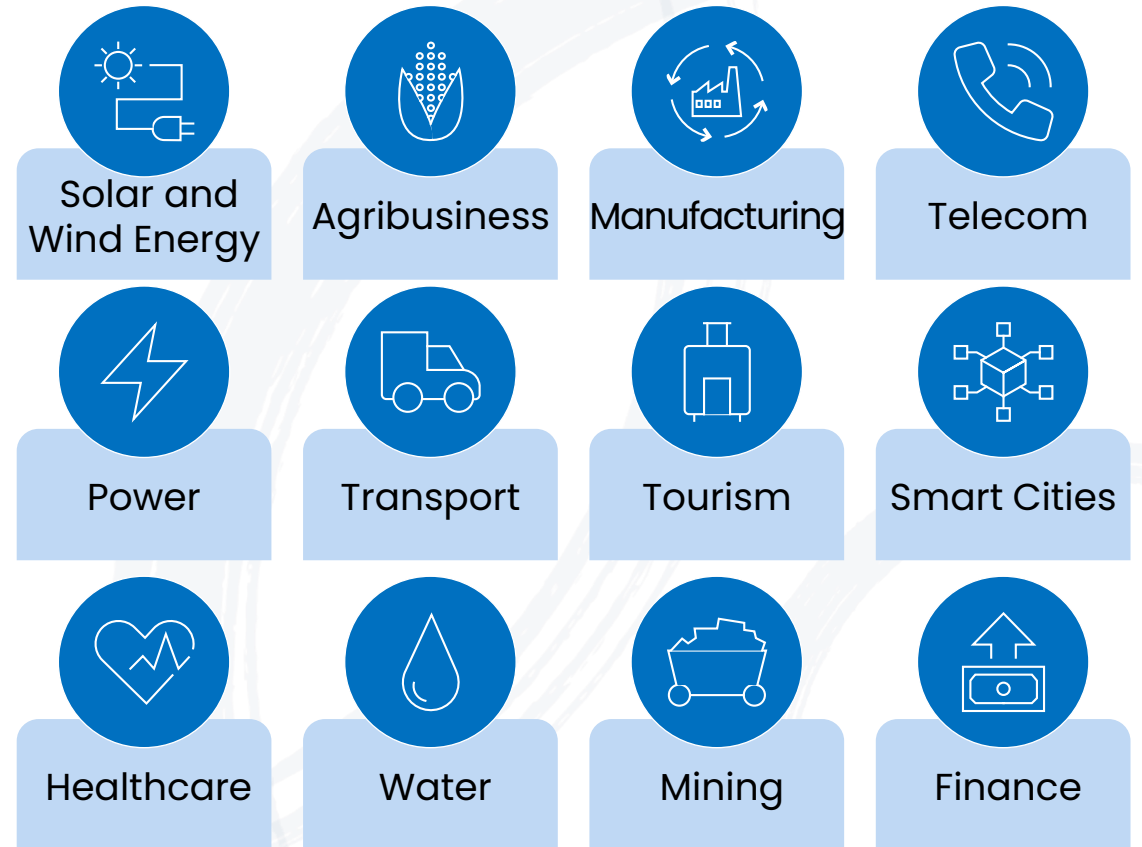


# WBG Guarantees has supported clients across a broad spectrum of sectors

## WBG Guarantees clients

## Sectors covered by WBG Guarantees

### Selected partners





# MIGA's Value Added



## Unrivalled Country Risk Management

- ▶ Robust history of resolving potential political risks before client operations are impacted (**200+** pre-claims managed among **1,000+** projects).
- ▶ Leverages World Bank Group network.



## Highly Rated and Financially Stable

- ▶ The World Bank Group and its unique structure of **189** member countries provide unparalleled stability and strength valued by investors entering situations with high perceived risk.



## Innovative Product Applications

- ▶ Strong record of customized solutions for debt and equity investors, governments, project sponsors, and service providers.



## Strong Risk Appetite and Global Reach

- ▶ History of operating in the most challenging markets, including low-income and fragile and conflict affected states.
- ▶ MIGA can support projects with long tenors, of up to **20** years.



## Pioneer of ESG Investments

- ▶ Internationally recognized E&S standards and best practices that significantly reduce investor/ client project and reputational risk.



# Pre-Claim Management & Compensation Track Record

## Deterrence Effect

### World Bank “Umbrella”:

- ▶ Host Countries mindful of perceived impact on WBG relationship and international investment community if MIGA were to pay a claim

### Shareholder Structure:

- ▶ Host Countries are represented at MIGA’s Board of Directors
- ▶ MIGA generally has access to officials at the highest level

## Facilitating Amicable Resolution of Disputes

### Confidential Discussions among Stakeholders:

- ▶ Confidentiality ensures open discussion
- ▶ MIGA does not impose settlements: request for MIGA’s help is voluntary

### MIGA as “Honest Broker”:

- ▶ MIGA has a contractual obligation to honor the guarantee contract
- ▶ It seeks amicable resolutions between Host Countries and Guarantee Holders

~ 1,000

Projects supported since inception

200+

Pre-claims managed

12

Claims paid in total o/w 10 claims due to War and Civil Disturbance



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# How MIGA Engages on Projects



## Regular Approach

- Regular Business Development with MIGA engaging directly with investors
- Investors approach MIGA with projects they have developed or tenders they are considering participating in



## Upstream Approach

- Engaging early on with Government (i.e., Investment Promotion Agencies, PPP units, line ministries) to understand priorities and current pipeline of projects
- MIGA includes a Term Sheet in transactions documents issued by Government (e.g. Scaling Solar Program)



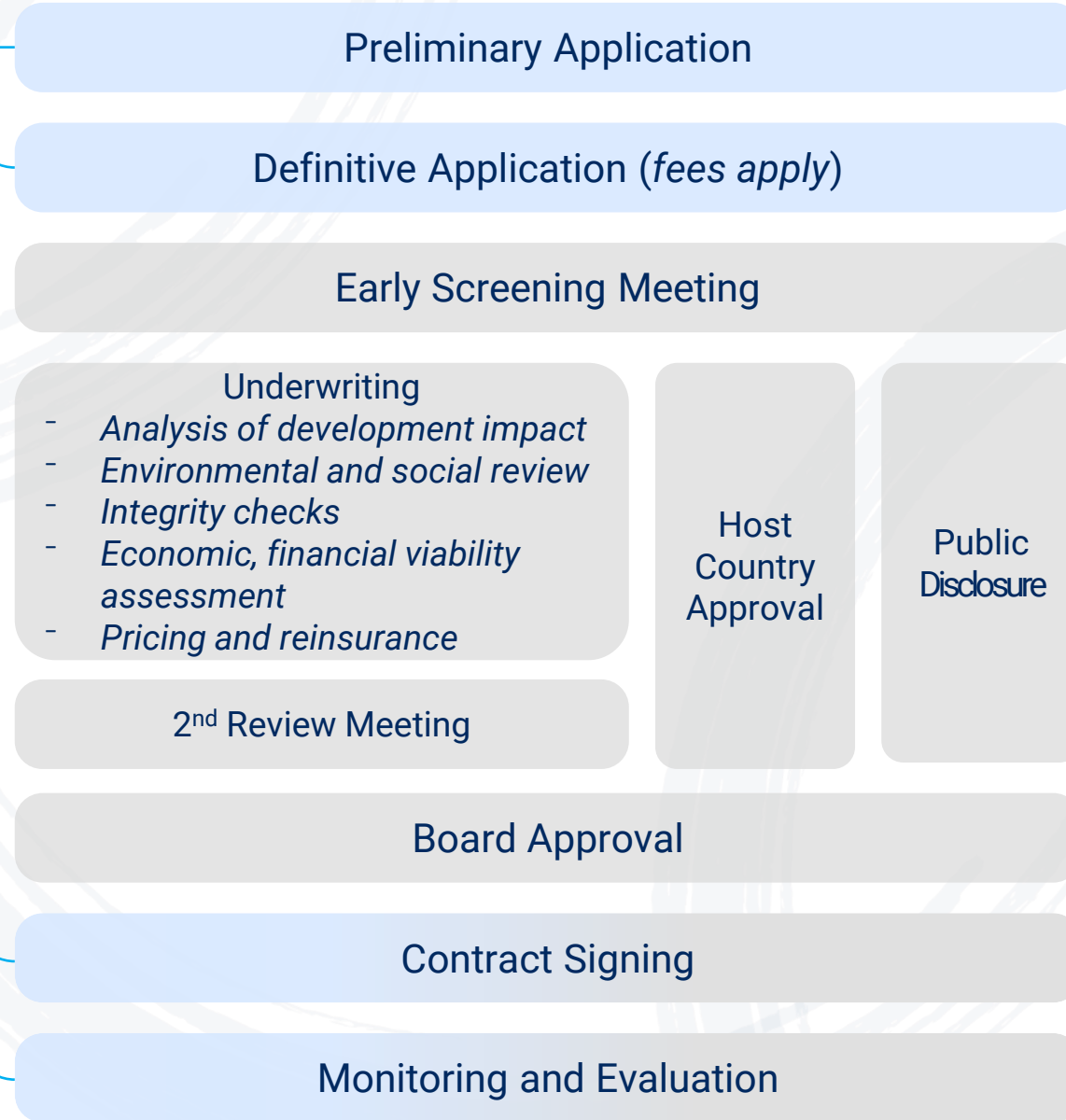
## Facilitating Public Private Sector Dialogue

- MIGA facilitates public private sector dialogue through, for instance organizing roundtables:
  - Providing a platform for governments to present key priorities and for investors to share needed measures to encourage engagement
  - MIGA to indicate appetite for supporting the highlighted projects



# MIGA Registration and Underwriting Process

**Investor**



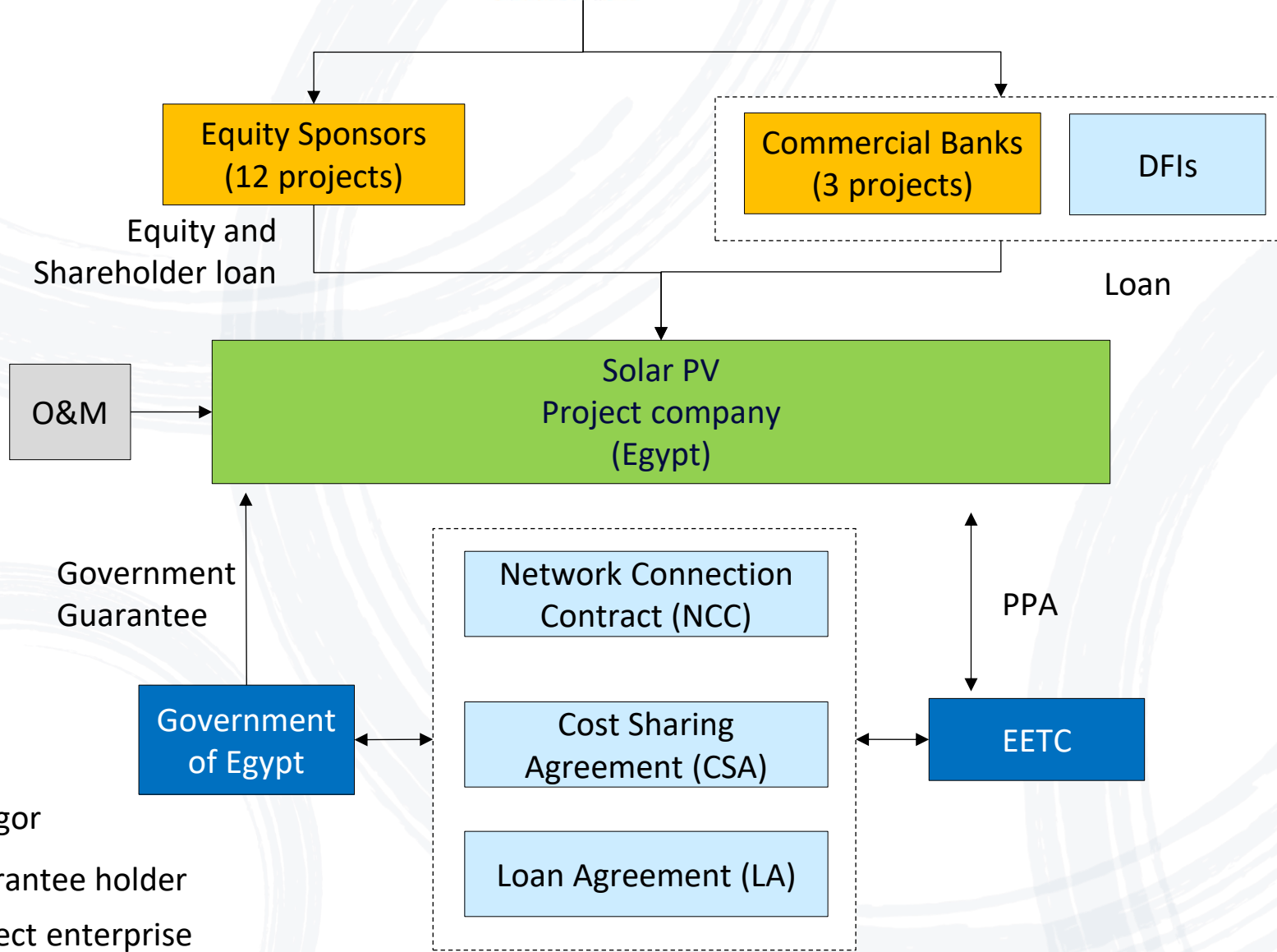


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# Supporting Egyptian effort to build the world's largest solar generation park

## Feed-In Tariff Benban Program, Egypt



- Obligor
- Guarantee holder
- Project enterprise

### Description:

- ▶ Construction, operation and maintenance of a green field solar Independent Power Producer facility
- ▶ Support for 12 projects with total installed capacity of about 600MW
- ▶ 25-year Power Purchase Agreement ("PPA")

### Guarantee Holder(s):



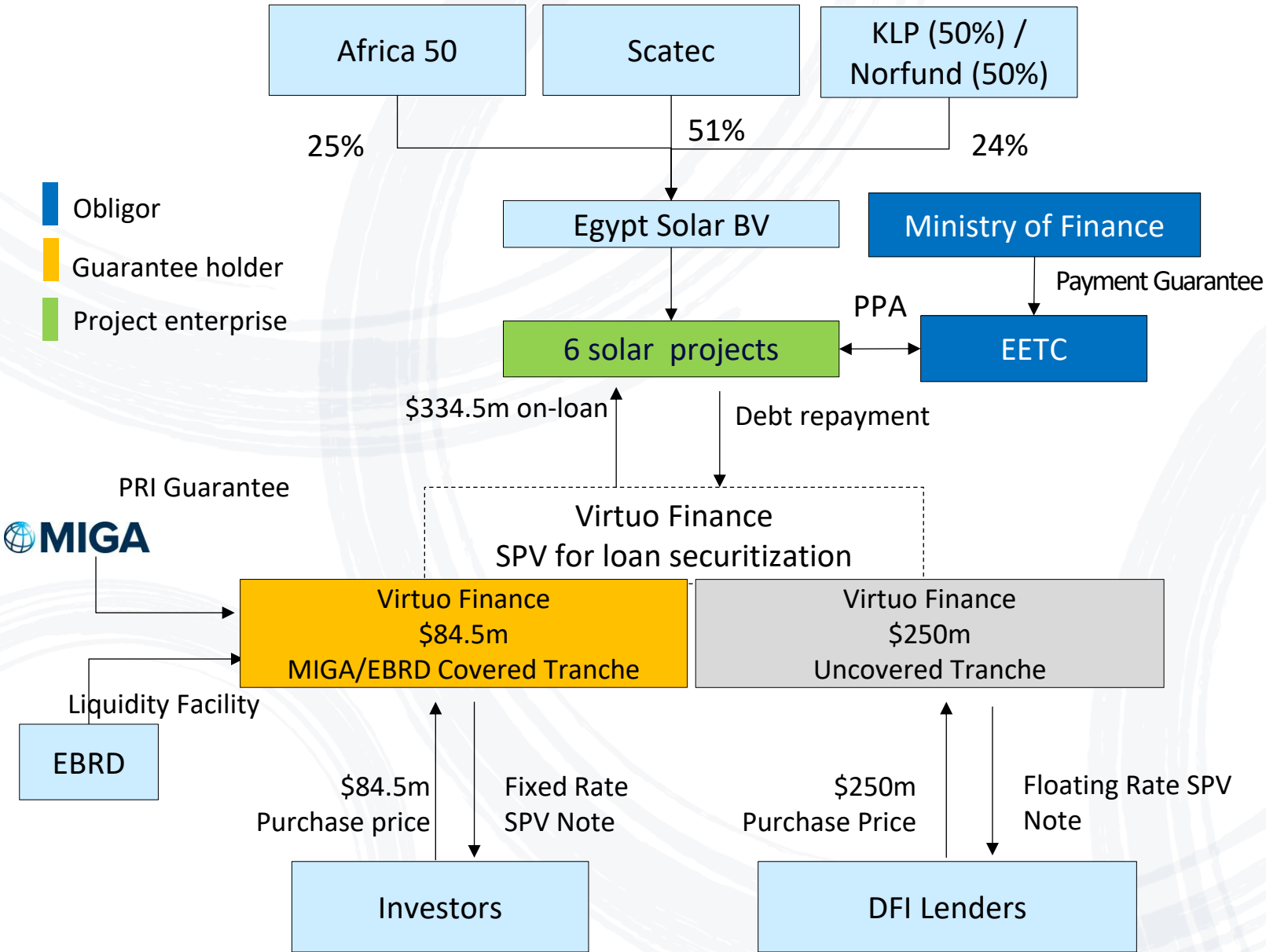
### MIGA cover:

- ▶ Amount: \$230m (equity, shareholder loan)
- ▶ Tenor: 15 years (equity), 20 years (shareholder loan)
- ▶ Issued: End 2017/Risk(s): Breach of Contract, Expropriation, Currency Inconvertibility and Transfer Restriction, War and Civil Disturbance
- ▶ 2018/ 2020



# Supporting innovative climate finance instrument for Egypt's first project green bond

## Scatec's Green Project Bond, Egypt



### Description:

- ▶ Bond refinancing of six solar projects (each 65MW)
- ▶ Two tranche bond: First tranche, \$84.5m, subscribed by institutional investors, covered by MIGA's PRI and EBRD's Credit Enhancement Facility. Uncovered second tranche, \$250m, subscribed by DFIs (EBRD, DFC, FMO, DEG)
- ▶ MIGA/EBRD covered tranche received a credit rating of BBB+ by Scope Credit Rating

### Guarantee Holder(s):

**Virtuo Finance Offshore SPV**

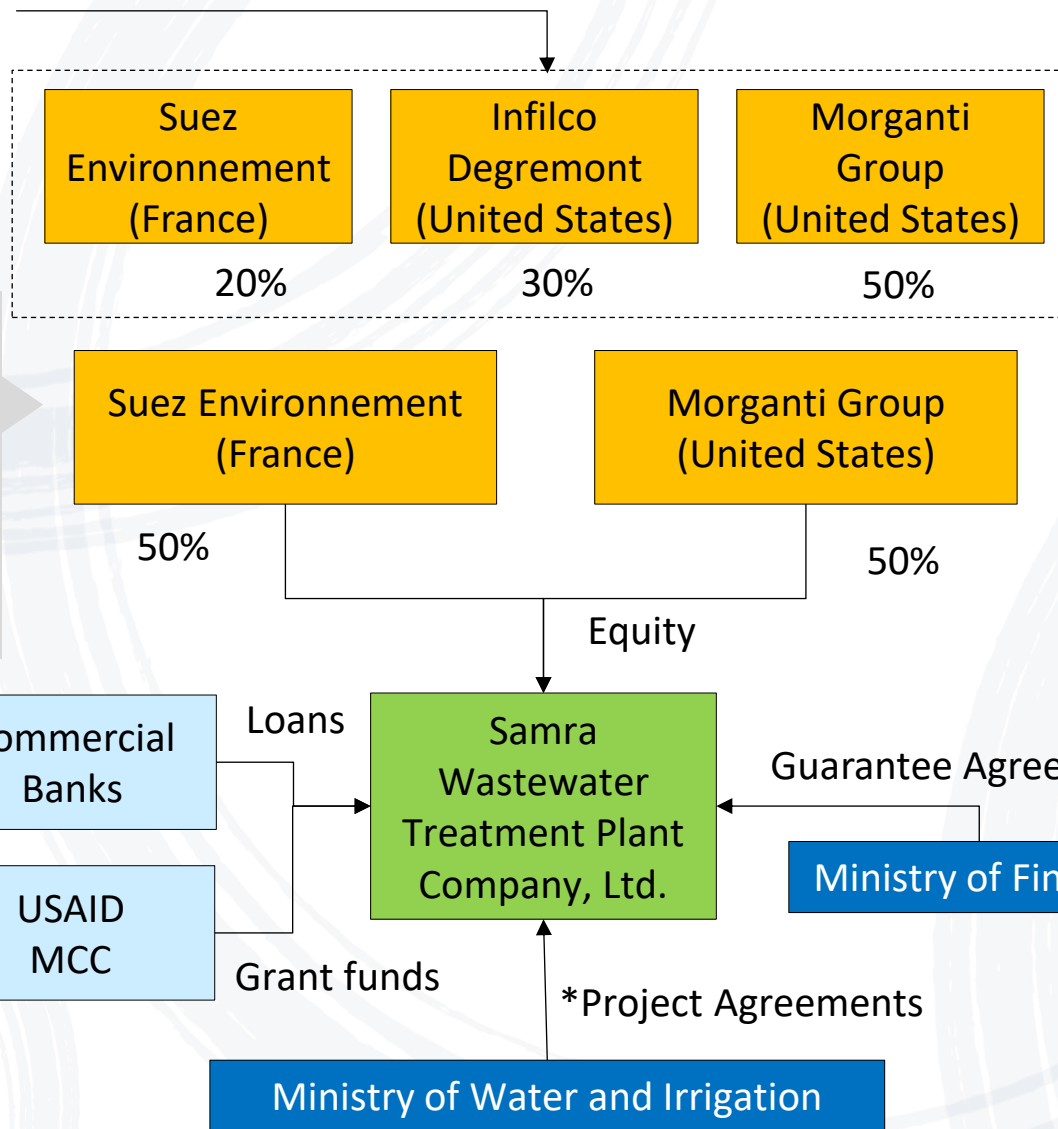
### MIGA cover:

- ▶ Amount: \$98.3m (debt, interest, and fees)
- ▶ Tenor: 19 years
- ▶ Risk(s): Breach of Contract, Expropriation, Currency Inconvertibility and Transfer Restriction, War and Civil Disturbance
- ▶ Issued: May 2022



# Wastewater Treatment expansion in Jordan

## AS Samra Project, Jordan



Following the acquisition of Infilco Degremont by Suez in 2017, the MIGA Guarantee Holders currently include Suez (50%) and Morganti Group (50%).

- Obligor
- Guarantee holder
- Project enterprise

### Description:

- ▶ Expansion of the existing wastewater treatment plant at AS-Samra, northeast of Amman, increasing daily treatment capacity by some 37%, to 365,000 m<sup>3</sup>
- ▶ 25-year PPP agreement on a build-operate-transfer (BOT) basis

### Guarantee Holder(s):



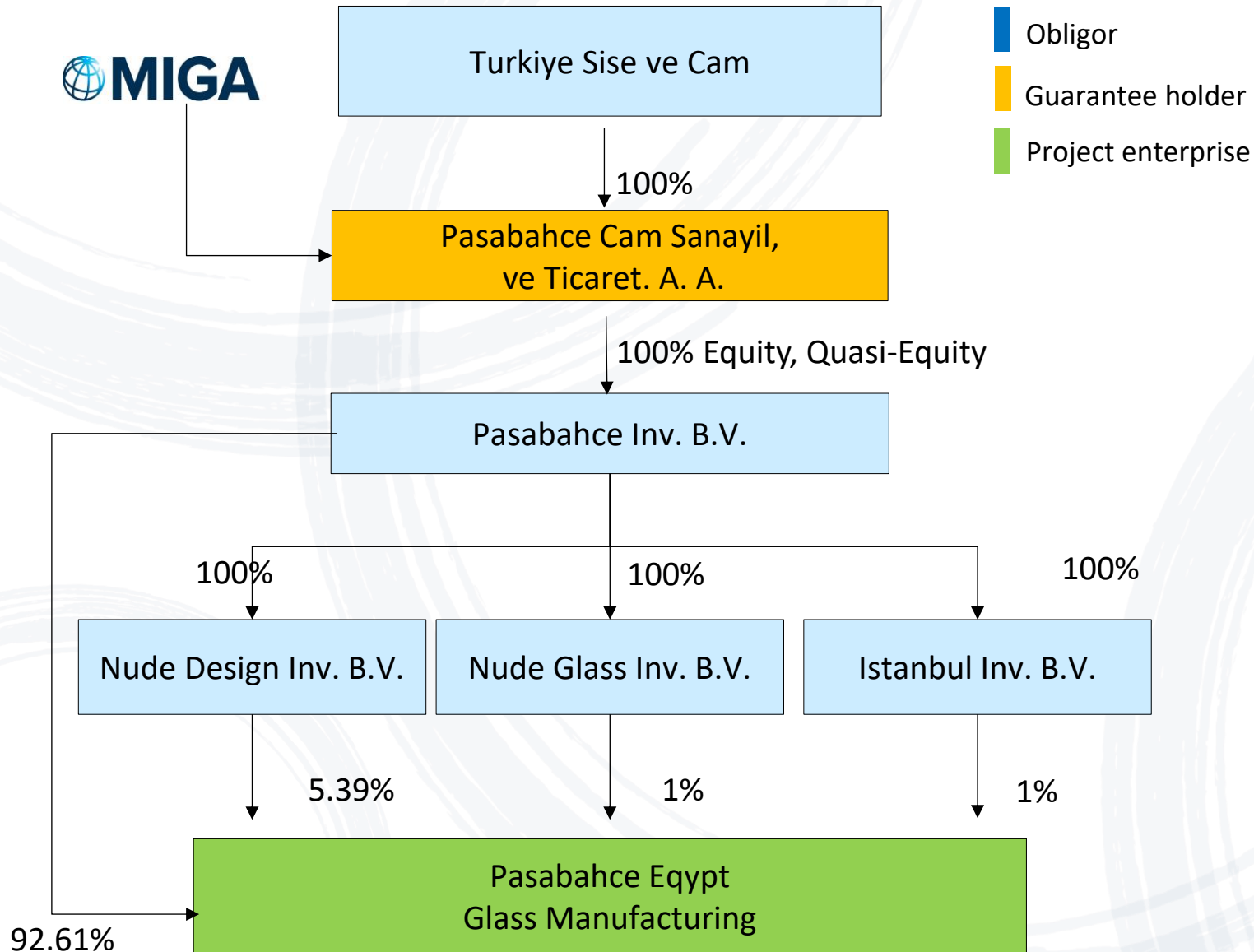
### MIGA cover:

- ▶ Amount: \$13.1m (equity, including future retained earnings and performance bond)
- ▶ Tenor: 20 years
- ▶ Risk(s): Breach of Contract
- ▶ Issued: June 2013



# Bringing world class glass production technology to Egypt

## Pasabahce Egypt Glass Manufacturing SAE, Egypt



### Description:

- ▶ Acquisition, expansion, and modernization of existing glass factory

### Guarantee Holder(s):



### MIGA cover:

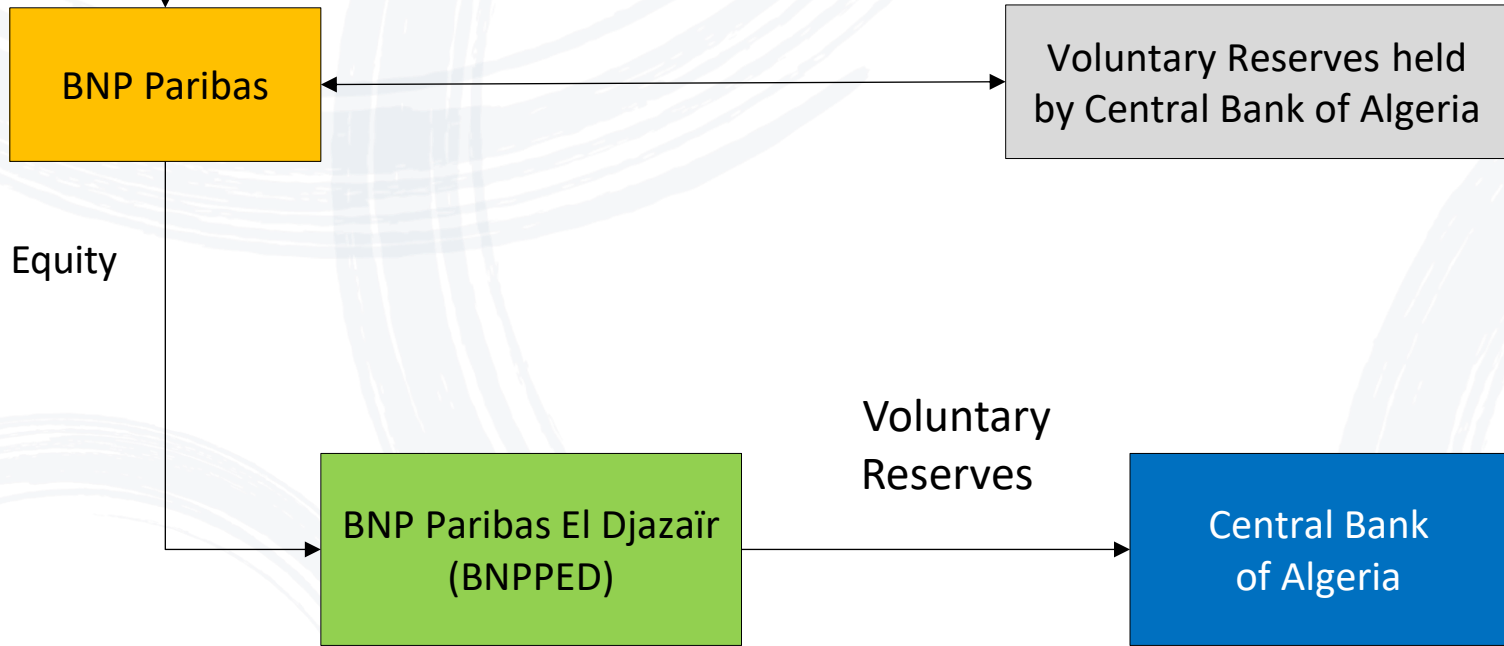
- ▶ Amount: \$16.2m (equity, quasi equity)
- ▶ Tenor: 15 years
- ▶ Risk(s): Expropriation, Currency Inconvertibility and Transfer Restriction, War and Civil Disturbance
- ▶ Issued: November 2018



Support lending to SMEs and climate finance related projects  
**BNP Paribas El Djazaïr (BNPPED), Algeria**



Risk Weighted Assets impact Capital Adequacy Ratio at the consolidated level



- Obligor
- Guarantee holder
- Project enterprise

**Description:**

- ▶ Support the subsidiary's lending operations in Algeria across its corporate borrower segment, which includes SMEs and climate finance-related projects, with a target towards new climate finance lending in the amount of US\$15.0 million (7.5% of the MIGA guarantee) and a Climate Finance Action Plan (CFAP), which contributes to MIGA's additionality.

**Guarantee Holder(s):**



**MIGA cover:**

- ▶ Amount: US\$192.85 million (equity)
- ▶ Tenor: 3 years
- ▶ Risk(s): Expropriation of funds
- ▶ Issued: June 2023

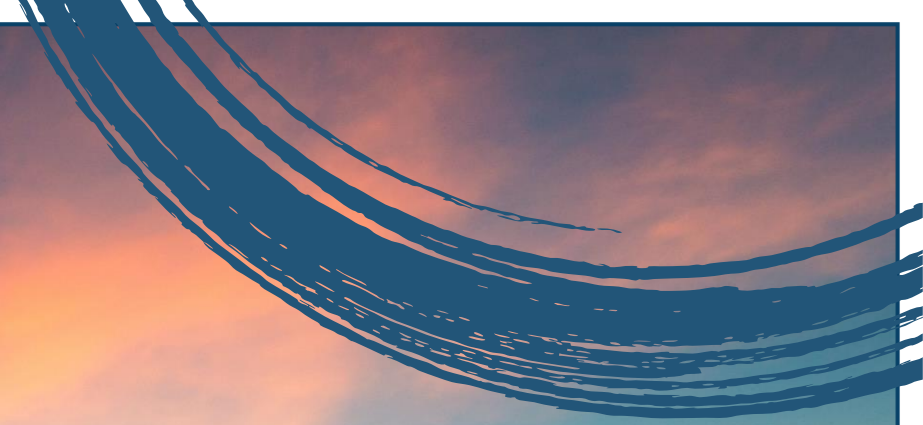


# Annex: Product Description



# MIGA Guarantees for Project Finance Structures

## Political Risk Guarantees



**WORLD BANK GROUP**

# Currency Inconvertibility and Transfer Restriction

## Guarantee details

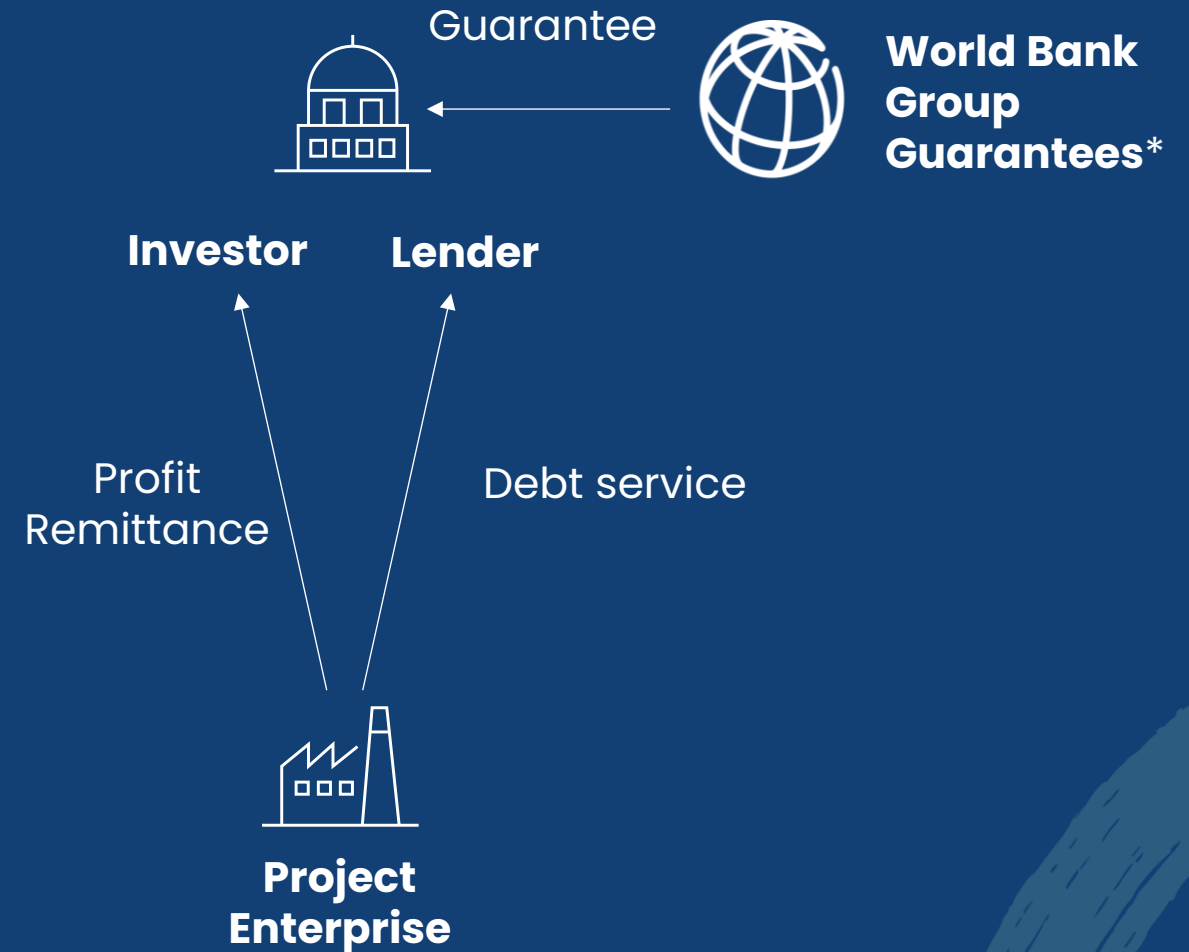
Provides protection against losses to investors or lenders arising from the inability to legally convert local currency (capital, profits, interest & principal loan payments) into hard currency, and/or transfer hard currency outside the host country due to government action or failure to act

## When to use

Investors investing in projects that receive revenue in local currency

## Benefits

Mobilizes foreign investment by managing the risks of transfer restriction and currency inconvertibility for international investors and lenders



\*On MIGA's balance sheet

# Expropriation

## Guarantee details

Provides protection against losses to international investors or lenders arising from government actions that reduce ownership of, control over, or rights to the insured investment (e.g. outright nationalization, confiscation, and “creeping” expropriation—a series of acts that, over time, have an expropriatory effect)

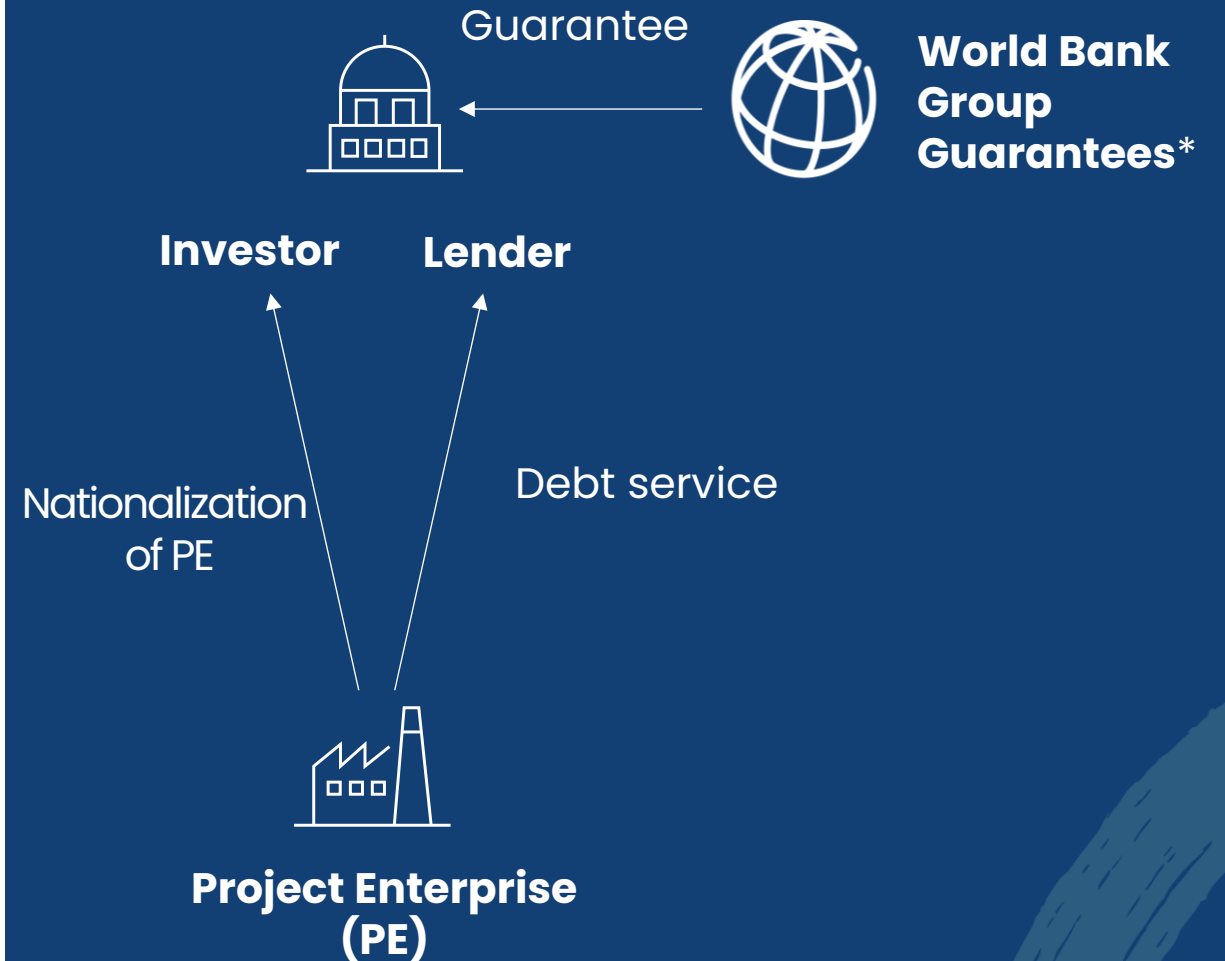
## When to use

More prominent, long-term projects such as infrastructure or utilities that have a higher risk of expropriation

## Benefits

Mitigates risk of losing control or ownership of investments

Provides compensation based on Project Enterprise net book value or market fair value, asset book value or blocked funds



\*On MIGA's balance sheet

# War and Civil Disturbance

## Guarantee details

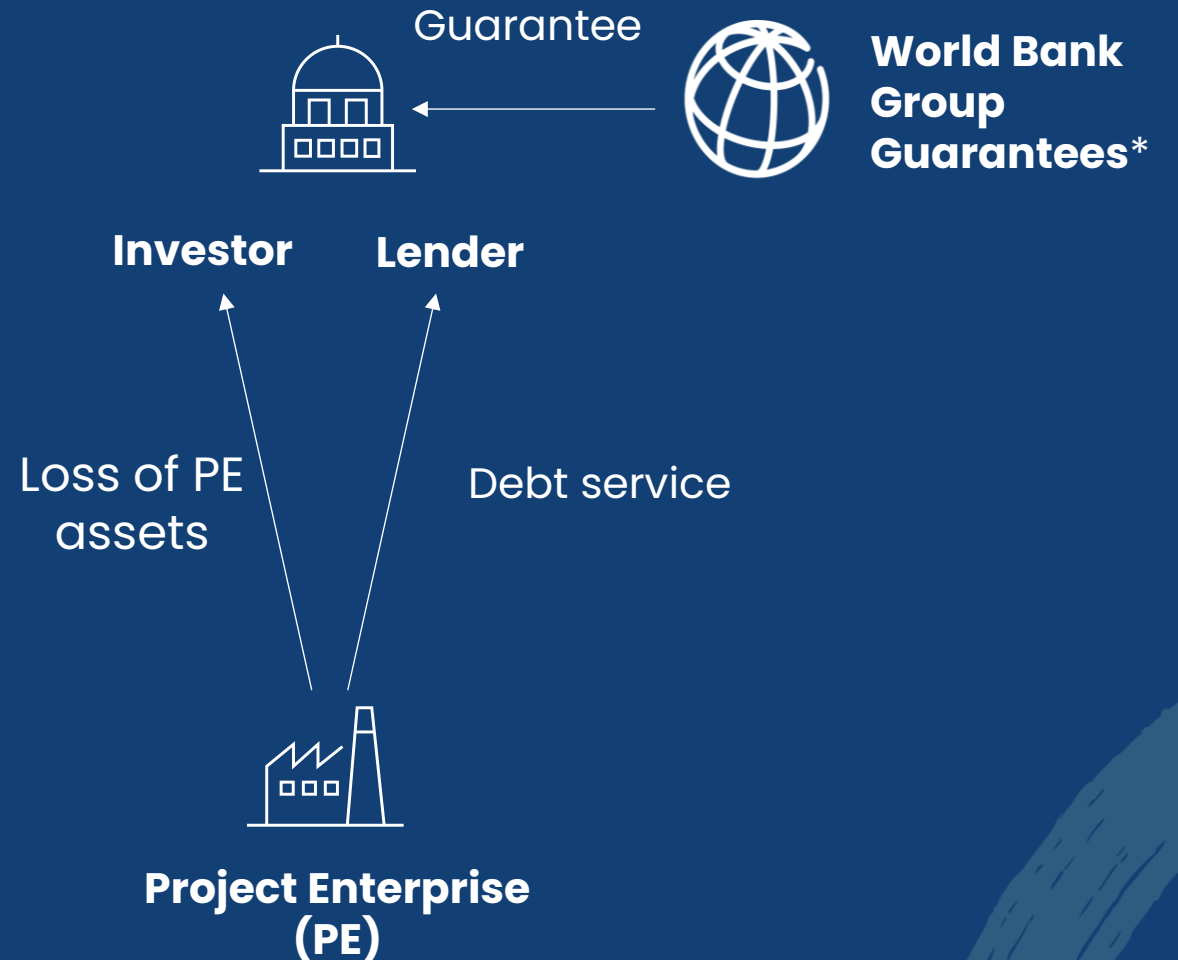
Provides protection against losses to investors or lenders arising from damage to, or destruction or disappearance of tangible assets, or temporary business interruption or total business interruption of the Project Enterprise, or default on debt service, due to political violence (incl. sabotage and terrorism)

## When to use

Investments in regions with a history of instability, particularly for projects involving significant physical assets

## Benefits

Mobilizes private sector investment into regions with elevated risk of civil disturbance and war by de-risking loans and equity investments



\*On MIGA's balance sheet

# Breach of Contract

## Guarantee details

Provides protection against losses to international investors or lenders arising from breach or repudiation of a contractual obligation by the government or, in certain circumstances, a state-owned company, for which an award has been rendered in favor of an investor and the government/SOE refuses to pay

## When to use

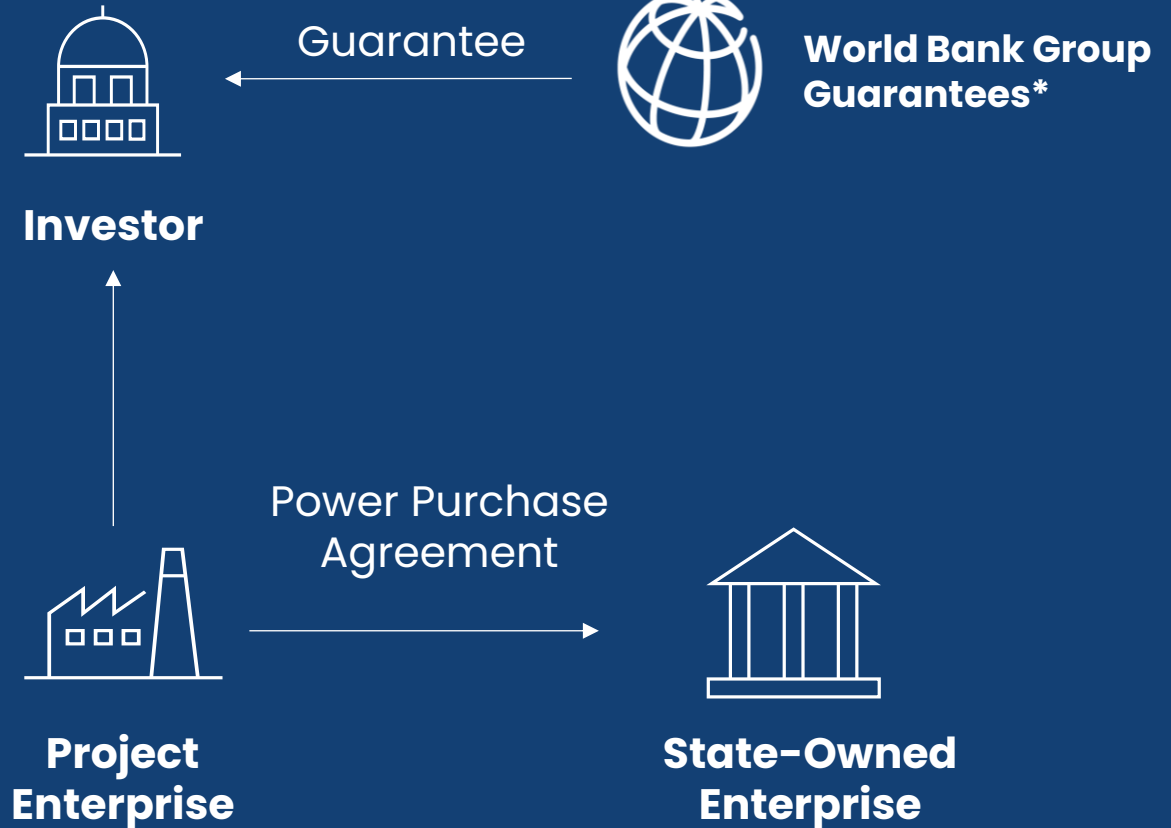
Investments involving long-term contracts with governments or state-owned enterprises, such as power purchase agreements or concessions

## Benefits

Encourages investment by reducing contract enforcement risk

Provides compensation for non-payment of an arbitration award or denial of recourse

Facilitates dispute resolution and enforcement of contracts



\*On MIGA's balance sheet



# MIGA Regulatory Products for Banks

## Political Risk Guarantees



# Capital Optimization

## Guarantee details

Covers the expropriation of mandatory or voluntary reserves held by global banks' subsidiaries in host countries, reducing counterparty risk and leading to a reduction in the bank group's risk-weighted assets (RWA)

## When to use

Global banks with significant exposures to Central Banks in emerging markets that want to optimize capital usage and expand their loan books

## Benefits

The risk-weighted asset capacity that is freed up can be used to grow the bank's loan book

Puts subsidiary banks on the same footing as locally-owned banks by reducing mandatory reserve requirements

This product is Basel compliant

WORLD BANK GROUP GUARANTEES

NON-COMMERCIAL RISKS

PRIVATE SECTOR MOBILIZATION

CROSS BORDER TRANSACTIONS

ILLUSTRATIVE



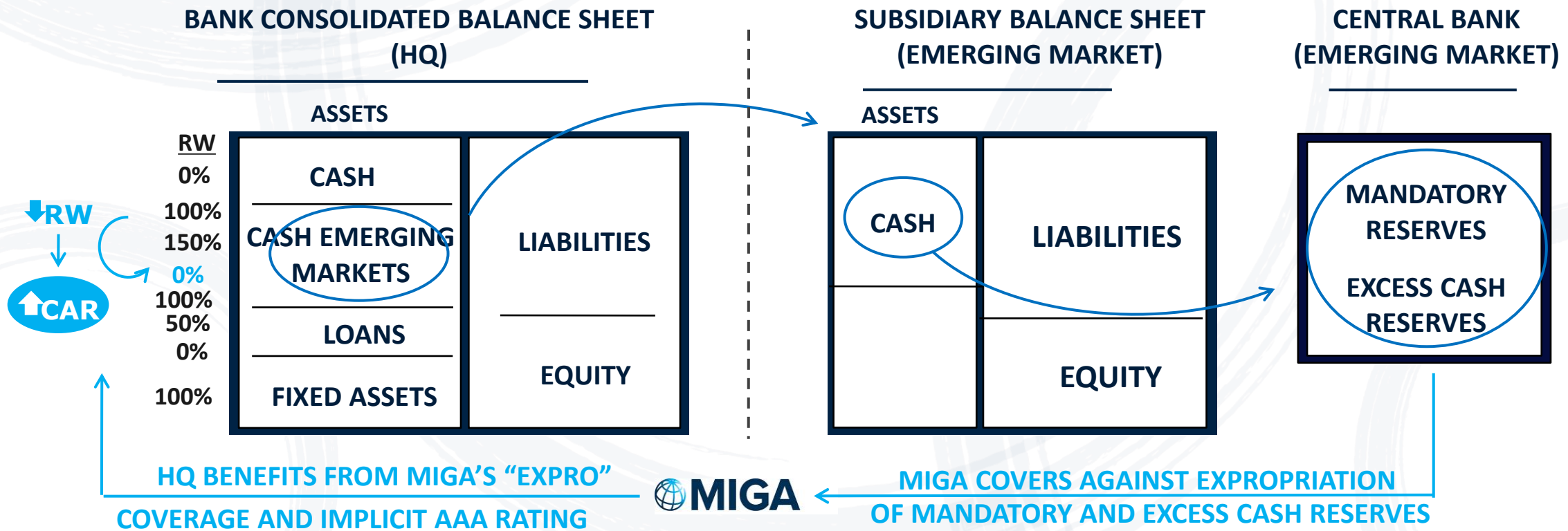
\*On MIGA's balance sheet



# The MIGA Solution

MIGA protects international banks against the expropriation of both mandatory and excess cash reserves through coverage of an equivalent amount of equity (in the form of new shares, capital increase, retained earnings, and/or parent guarantees of non-shareholder loans) and links these in the insurance contract to any expropriation event against funds held at EM central banks.

➔ **MIGA's implied AAA credit rating** translates into a reduction of risk weight, as well as an improvement in Capital Adequacy Ratio at the bank's consolidated balance sheet and in subsidiary's return-on-RWA





# MIGA's Value Added

**Increase in capital adequacy ratio** ◆

- Improvement in credit profile
- Lowering of the cost of capital
- Increase of asset growth opportunities

## Key Features

- ✓ Coverage available for subsidiaries in EM countries that are MIGA members, subject to host country approval
- ✓ Ability to provide coverage for local currency, USD and EUR
- ✓ Deterrence effect of MIGA / World Bank Group's involvement
- ✓ MIGA's strength as a mediator resulting from its position as a World Bank Group member
- ✓ Competitive pricing
- ✓ Model has already been tested in the market
- ✓ Access to MIGA / World Bank Group technical expertise and network
- ✓ Credibility from compliance with MIGA standards (Environmental & Social guidelines, governance, etc.)

## Basel Requirements

- ✓ Local banking law in the country of the Guarantee Holder ("GH") determines whether MIGA's guarantee achieves desired effect
  - ➔ Relevant sources: Basel Framework > EU Banking Directives > National banking law (not banking laws of the host countries)
- ✓ Client is responsible to ensure that MIGA's product complies with Basel Regulations through:
  - Client's legal advisor (legal opinion)
  - Client's auditor
  - Consultation with banking regulator (if possible)
- ✓ Case-by-case analysis required for each jurisdiction



# Trade Finance Guarantees for Public Sector Risk



WORLD BANK GROUP

# Trade Loans

## Guarantee details

Protects regional / global banks against the risk of a sovereign or state-owned entity failure to pay a trade finance obligation

## When to use

Sovereign or state-owned entities, including state-owned banks (SOB), looking to attract foreign lending to finance trade transactions

## Benefits

Increases available trade finance on the continent with greater availability and better terms for cross-border trade financing for sovereign or state-owned entities



\*On MIGA's balance sheet

# Contact

## Middle East and Egypt

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[miga.org](https://miga.org)



[miga-twitter](https://twitter.com/miga-twitter)



[miga-linkedin](https://www.linkedin.com/company/miga)



# World Bank Guarantee Products

Nadine Ghobrial

Senior Infrastructure Finance Specialist



WORLD BANK GROUP

Guarantees | MIGA



**Global macro conditions** remain challenging for infrastructure projects in emerging markets, including for Egypt.



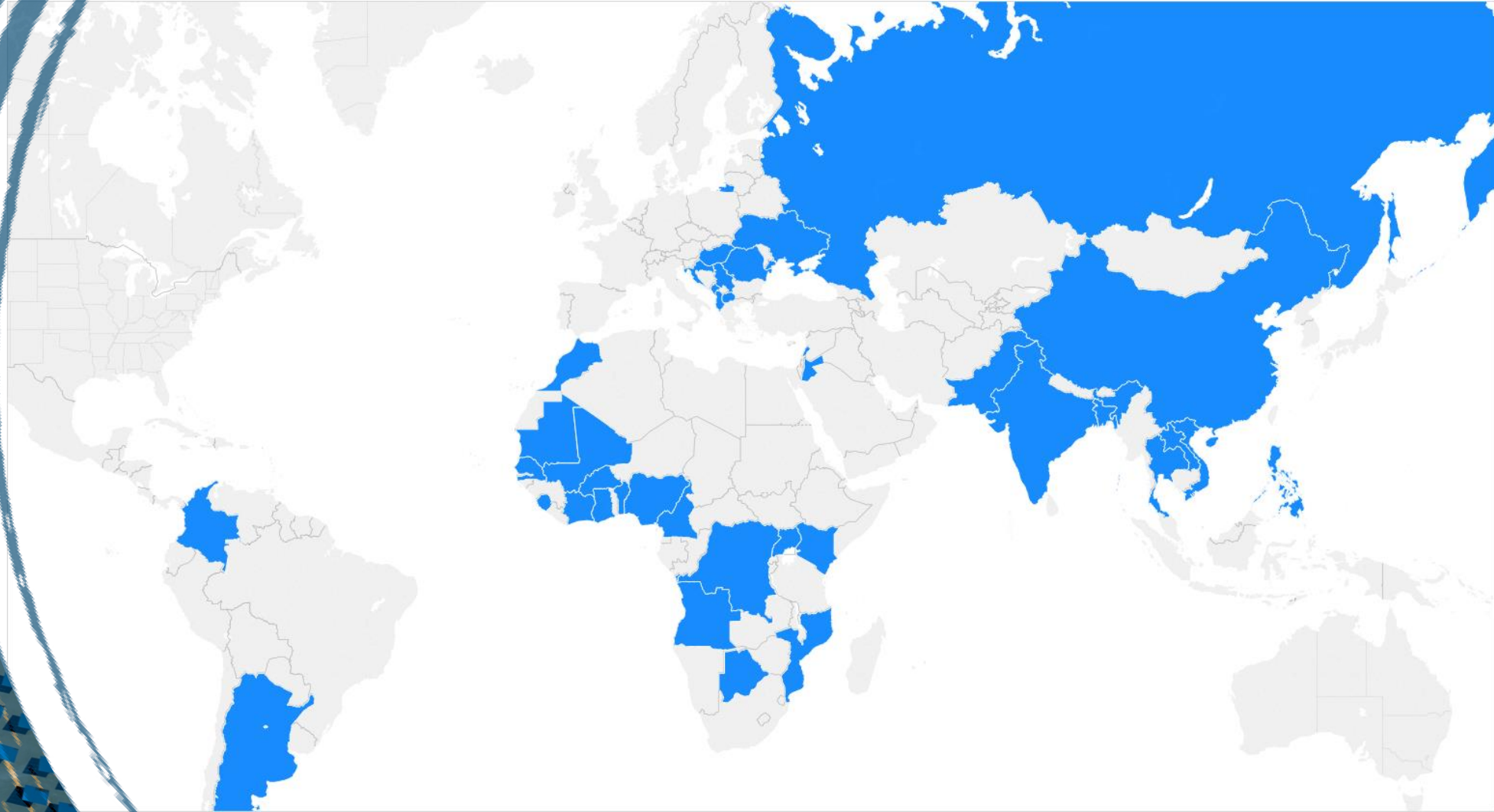
The **WB has a range of guarantee products** that could be deployed to mobilize private investments and raise long-term commercial financing.

- ▶ **Policy-Based Guarantees (PBG) for Governments.**
- ▶ **Partial Credit Guarantees (PCG) for SOEs.**
- ▶ **Partial Risk Guarantees (PRG) for large-scale private infrastructure projects.**



**Multiple factors impact the design of each guarantee operation**

# Demonstrated Success in Deploying Guarantees Globally



✓ \$7.4 billion of guarantees issued    ✓ 74 operations    ✓ 46 countries



# Example of Sectors Where WB Guarantees Can be Deployed





## Guarantees – Key principles and features



### **WB Loans and Guarantees: Different products but same frameworks**

- ▶ Same policies, similar internal processes, with some added flexibilities in the case of guarantees.



### **Guarantees are different financial instruments from Insurance**

- ▶ They shift the financial responsibility to the guarantor.
- ▶ The World Bank will work with the government to reduce the risk of a call on the guarantee.

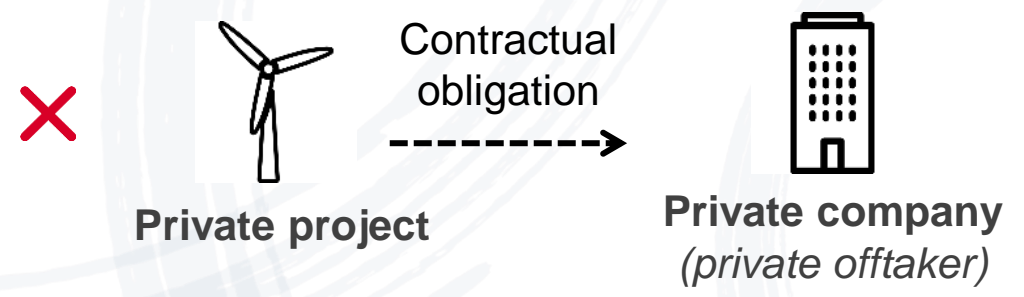
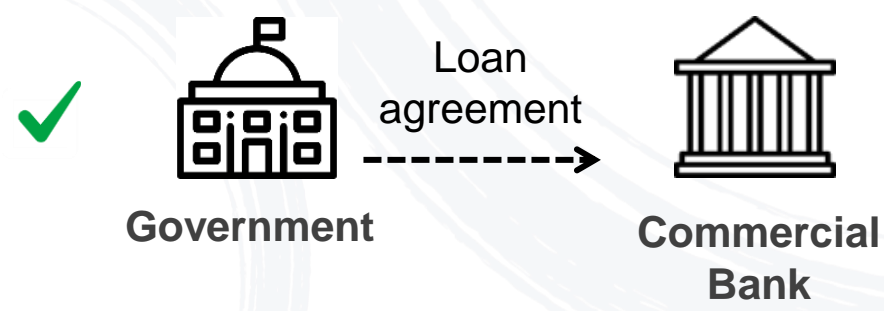
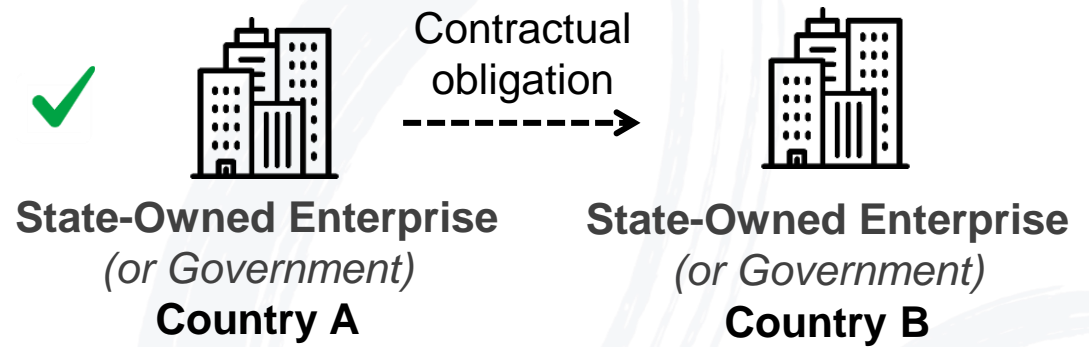
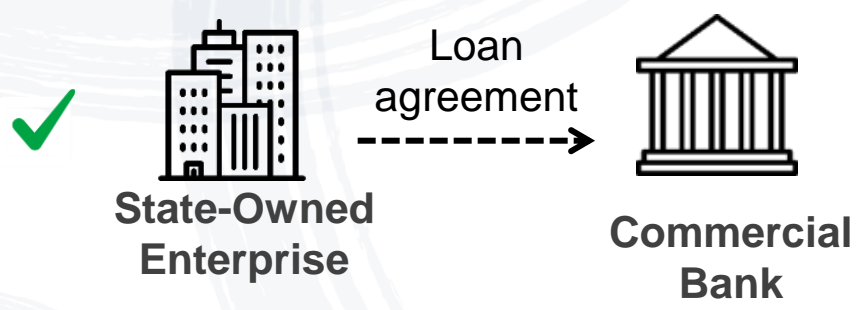
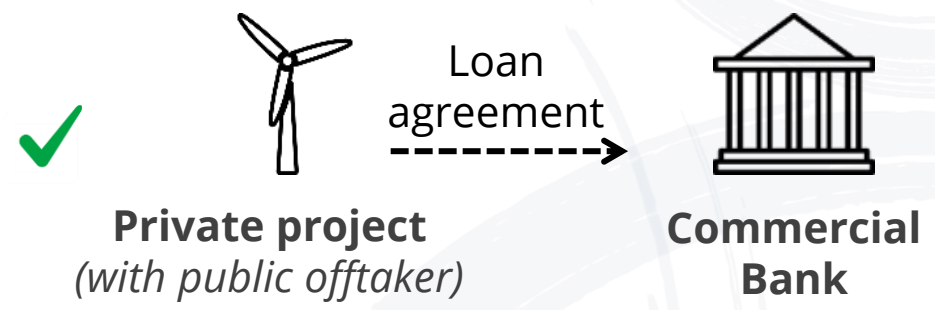
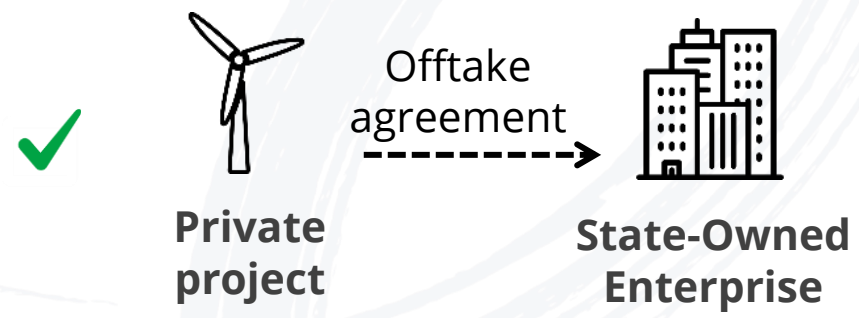


### **WB Guarantees always provide partial (not full) cover**

- ▶ To ensure financiers have skin in the game; better leveraging of limited WB resources; better management of the country's allocation.



# What can WB guarantees do? Possible guarantee Structures





# Policy-based guarantees (PBG)



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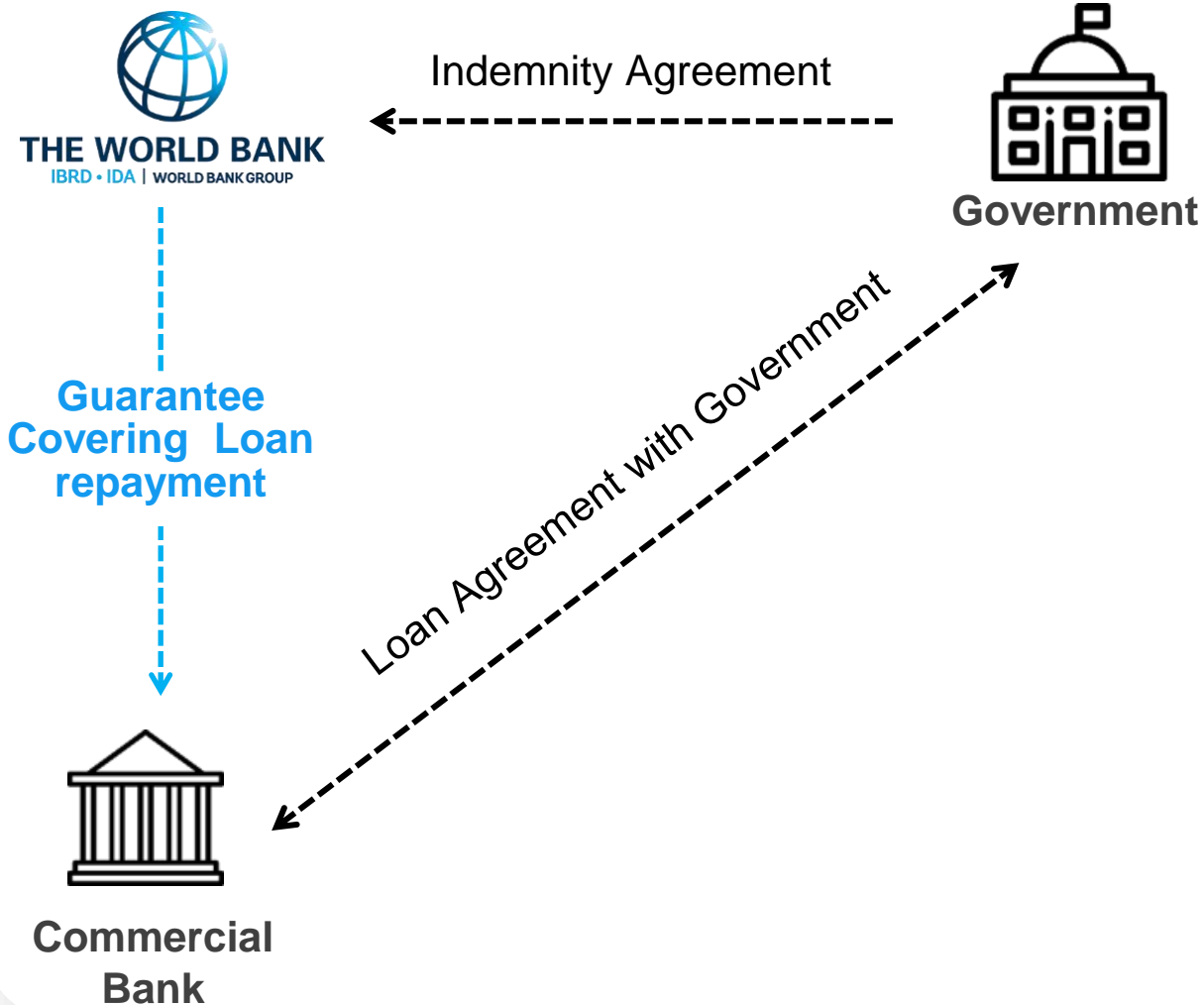




# PBG | Contractual structure



## Structure

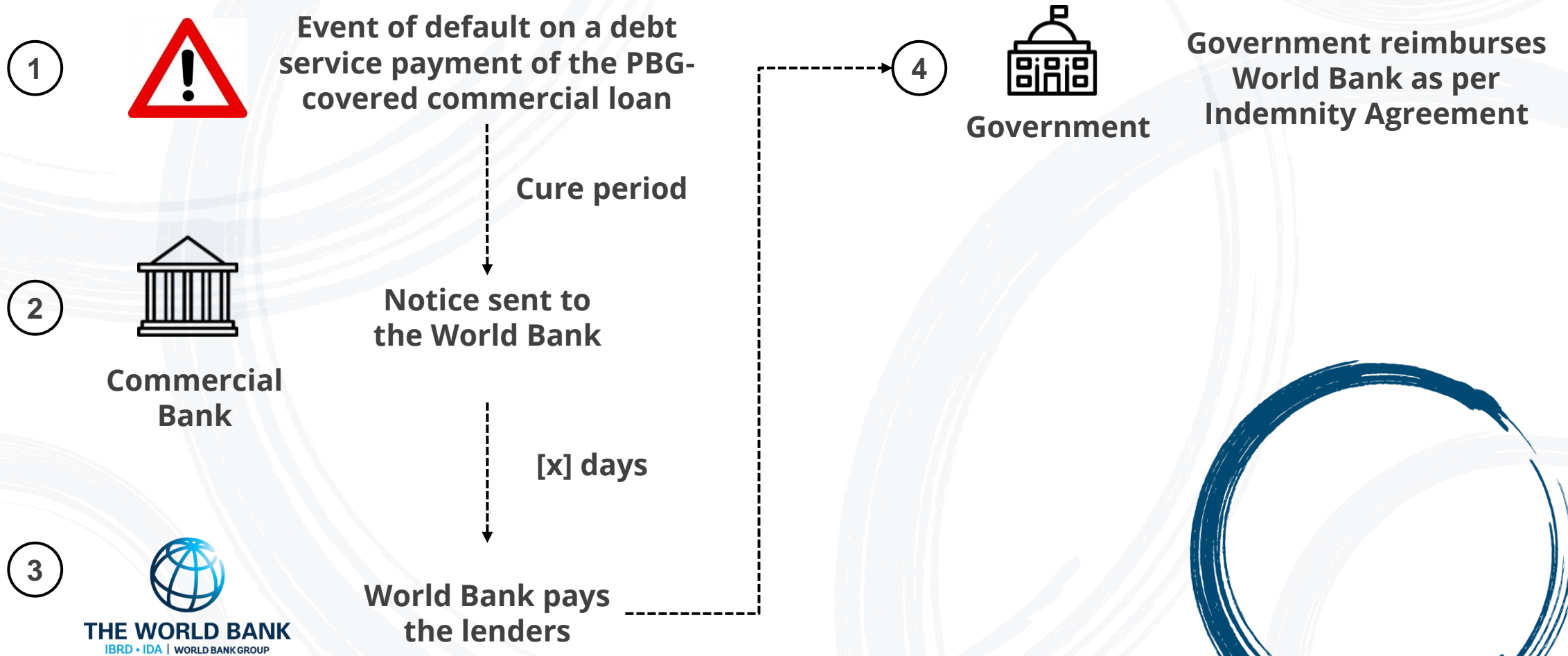


## Key takeaways

- ▶ Helps governments at the sovereign level raise long term commercial financing at blended terms: For budget support operations, LMO, etc...
- ▶ Provides protection to commercial lenders against the risk of an event of default.
- ▶ **Key benefits of using a PBG:**
  - ✓ Access to larger pool of investors/banks
  - ✓ Larger volume
  - ✓ Tenor extension
  - ✓ Lower interest rates



# PBG | Mechanics in case of event of default

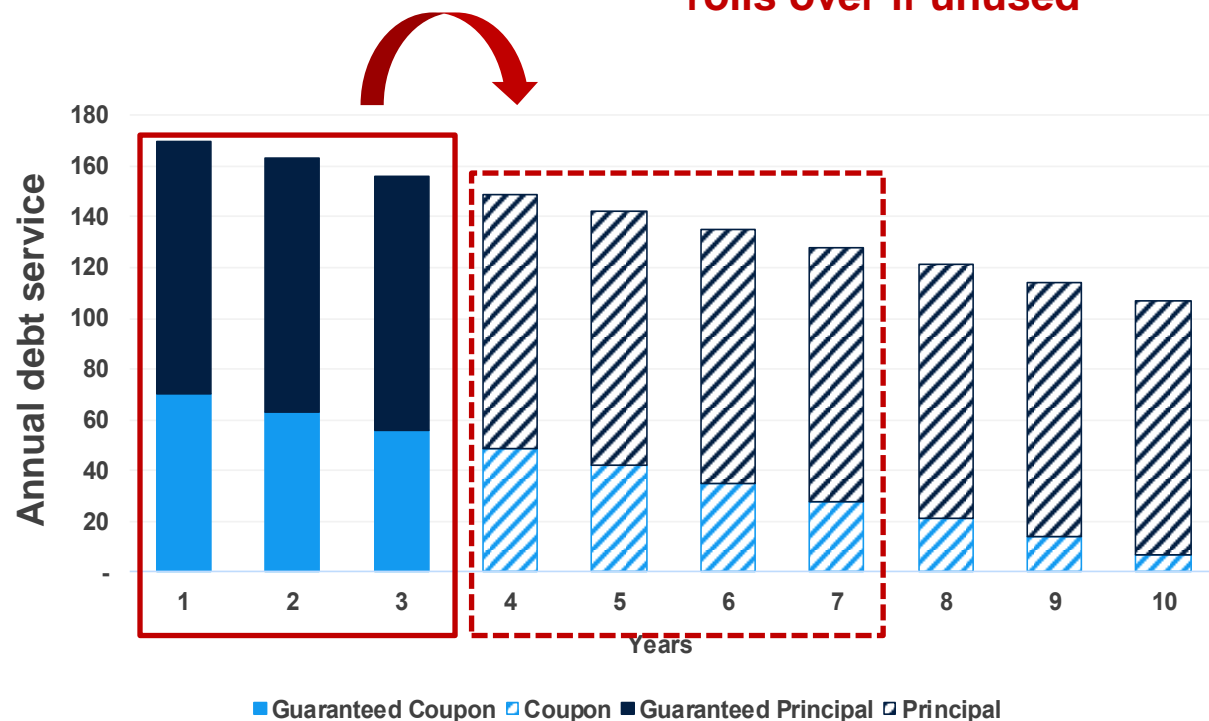




# PBG | Example of a First loss / Rolling guarantee structure

## First loss/rolling guarantee applied to a 10-year loan

Full amount of guarantee rolls over if unused



## Key takeaways

- ▶ Available from day 1
- ▶ Guarantee covers any missed debt service payment up to the guarantee value
- ▶ **If unused, guarantee continues to roll over until principal is repaid**
- ▶ Maximizes the value of the guarantee as available for whole life of the financing



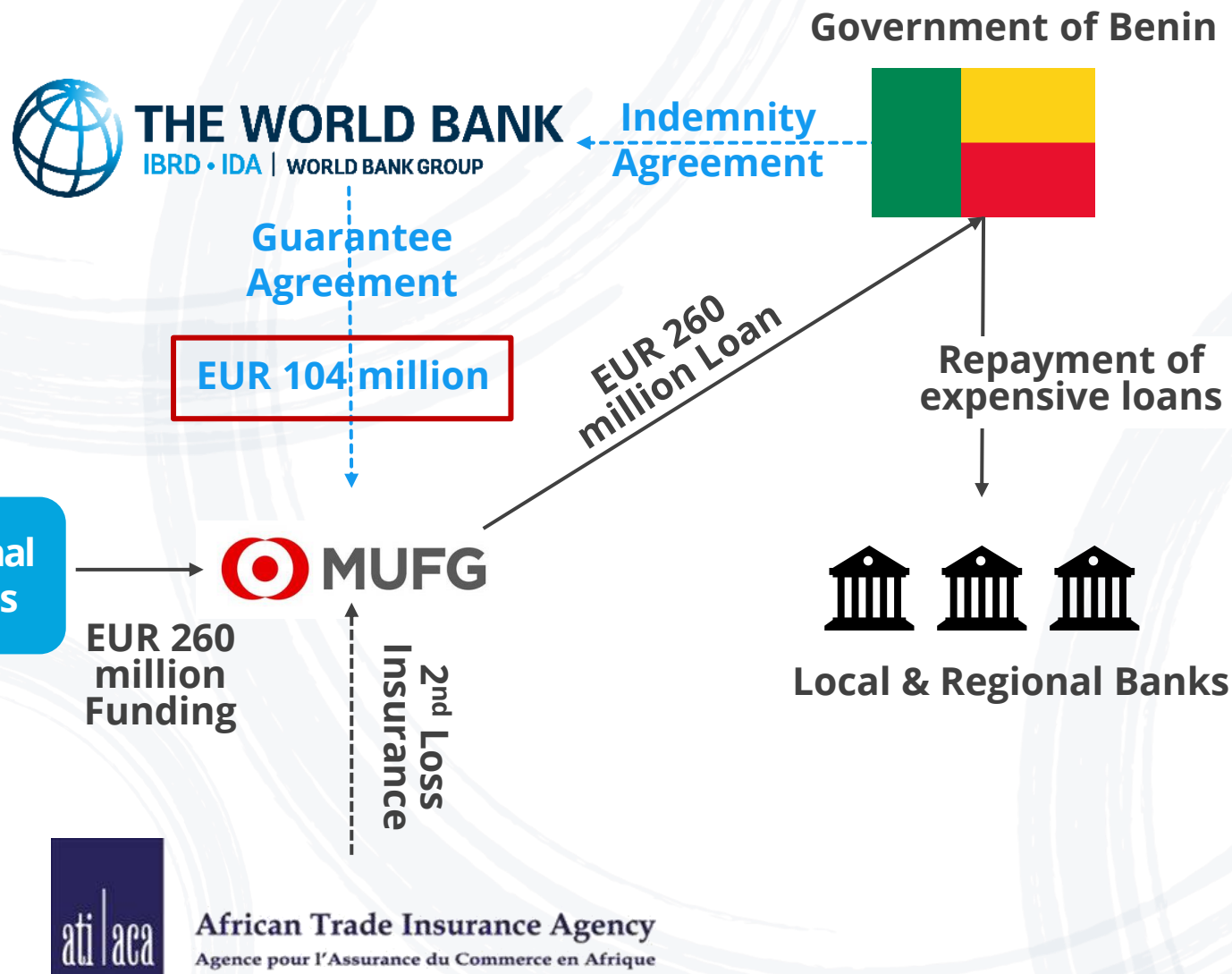
# Benin | PBG for a Liability Management Operation



WORLD BANK GROUP



# Benin | PBG for a Liability Management Operation



- ▶ Benin wanted to proactively carry out a liability management operation
- ▶ Through a Development Policy Financing operation, Benin requested a Policy-Based Guarantee
- ▶ Benin used a EUR 104 million first-loss guarantee to raised a 12-year, EUR 260 million commercial loan
- ▶ Second-loss insurers completed the structure to offer a comprehensive wrap that priced very competitively



**African Trade Insurance Agency**  
Agence pour l'Assurance du Commerce en Afrique



# Partial Credit Guarantees (PCG) and Partial Risk Guarantees (PRG)

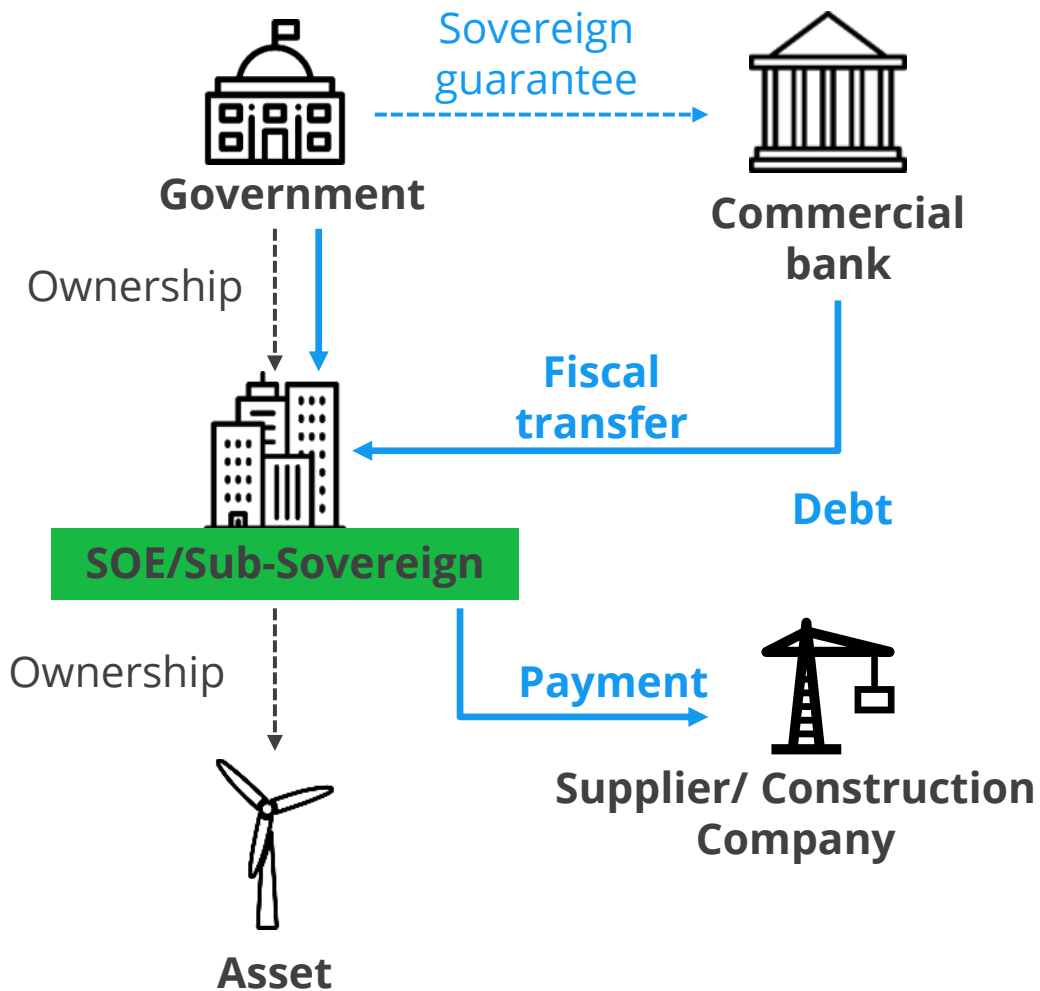


**WORLD BANK GROUP**

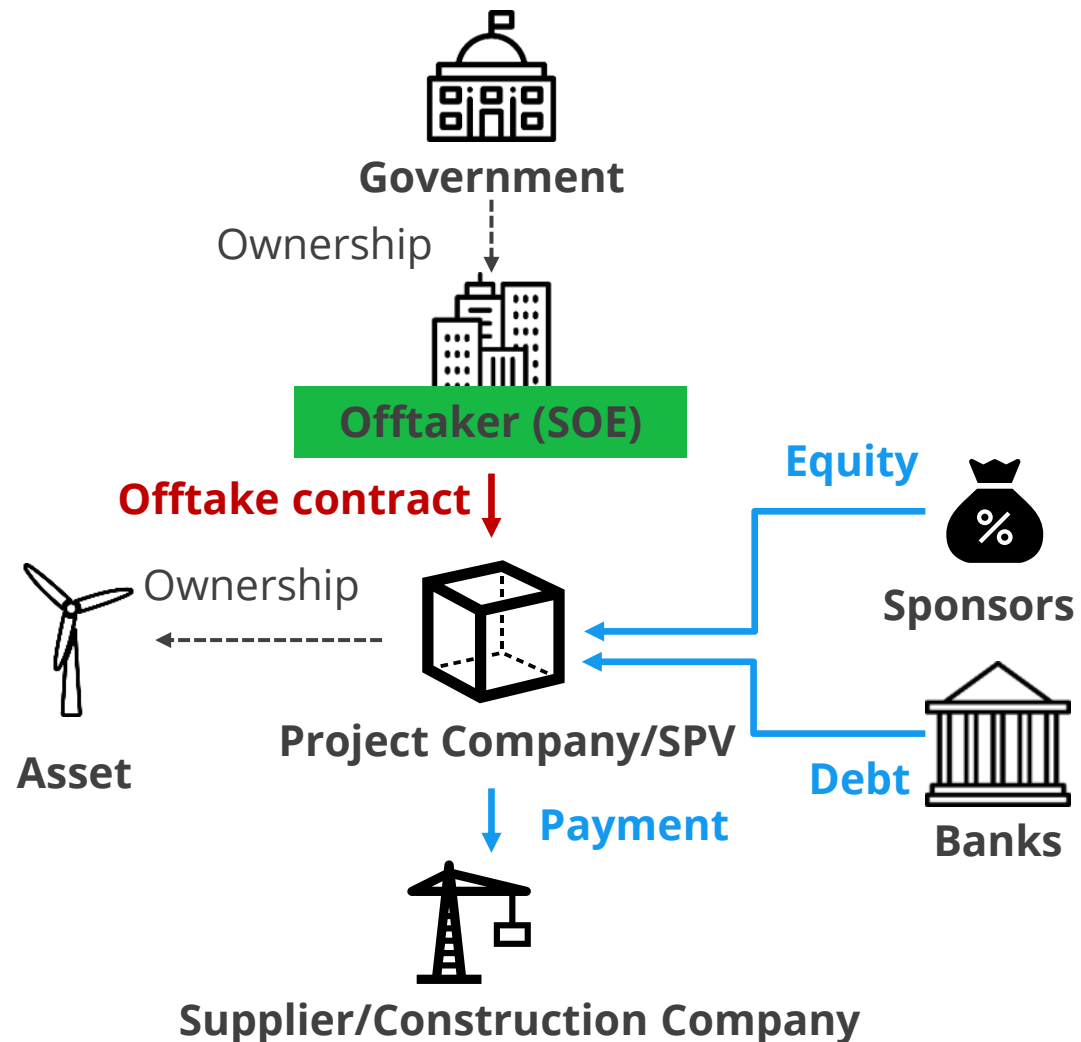


# Guarantees for Financing Infrastructure Projects

## 1 Public Sector Financing (EPC Modality)



## 2 Project Finance (Public Private Partnership Modality)





# Two Types of World Bank Guarantees to Support Each Modality

## 1 Public Sector Financing (EPC Modality)



Partial Credit Guarantees (PCG) for commercial financing by SOEs

### Requirements :

- ▶ **Macroeconomic framework** must be deemed adequate until effectiveness.
- ▶ **Prior actions** need to be completed before submission of the operation to World Bank Board.

## 2 Project Finance (Public Private Partnership Modality)



Partial Risk Guarantees (PRG) backstopping Government Payment Obligations

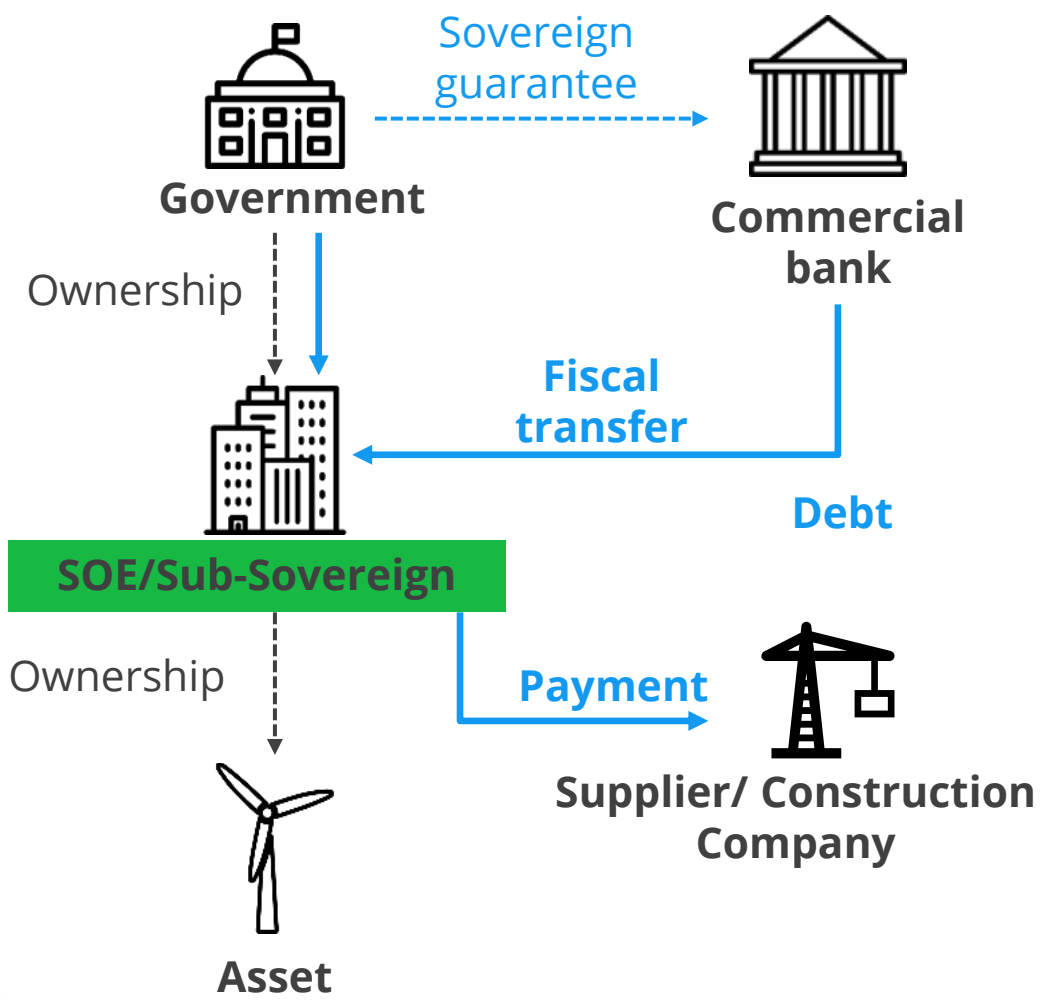
### Requirements:

- ▶ **Positive sector trajectory:** i.e., there are plans in place to deal with major sector issues.
- ▶ **Offtaker creditworthiness:** Track record of meeting payment obligations.
- ▶ **Project is part of the sector plan:** E.g., Least Cost Plan.
- ▶ **Government obligation** embedded in the structure.
- ▶ **Appropriate risk allocation:** Fair, incentivizing, bankable.

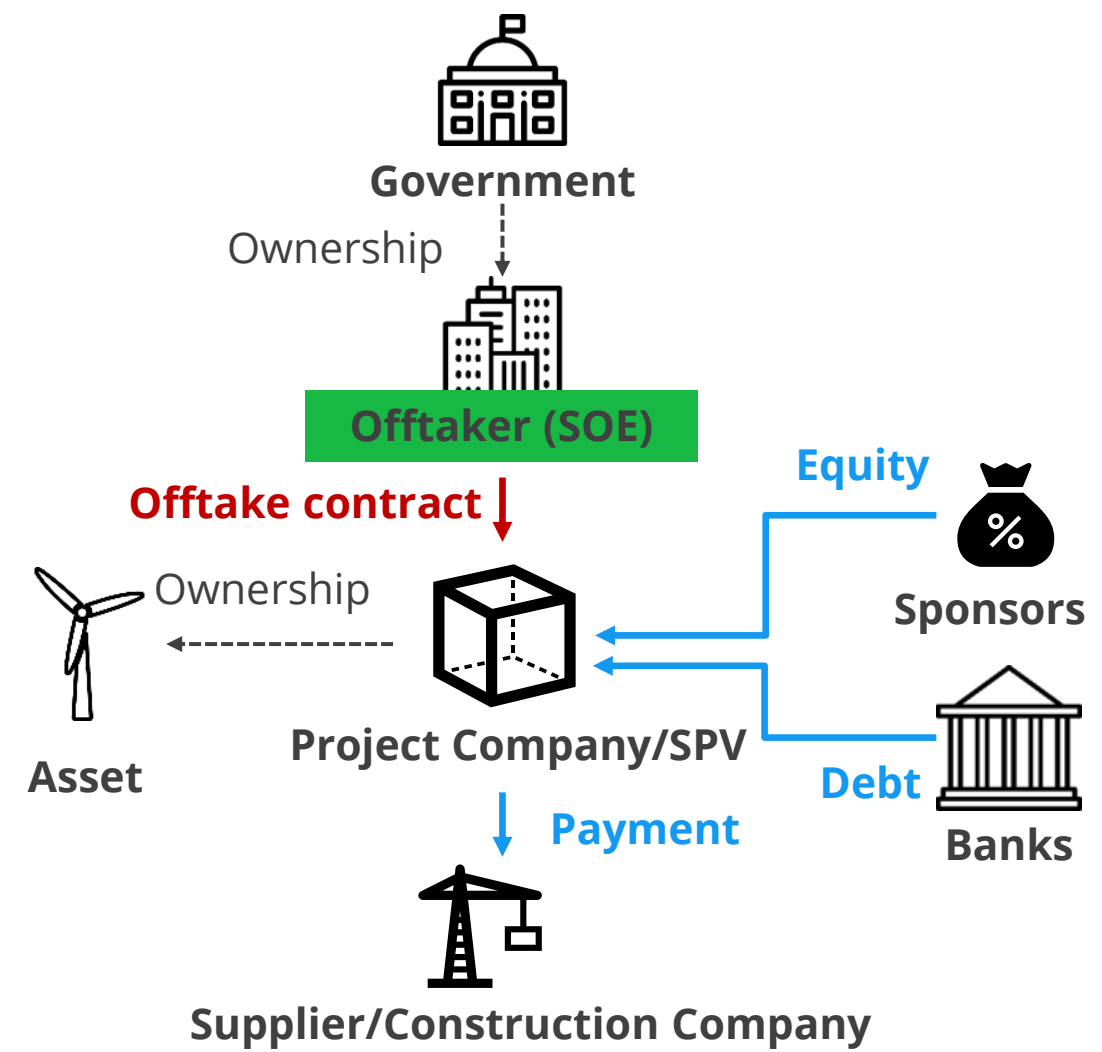


# Guarantees for Financing Infrastructure Projects

## 1 Public Sector Financing (EPC Modality)

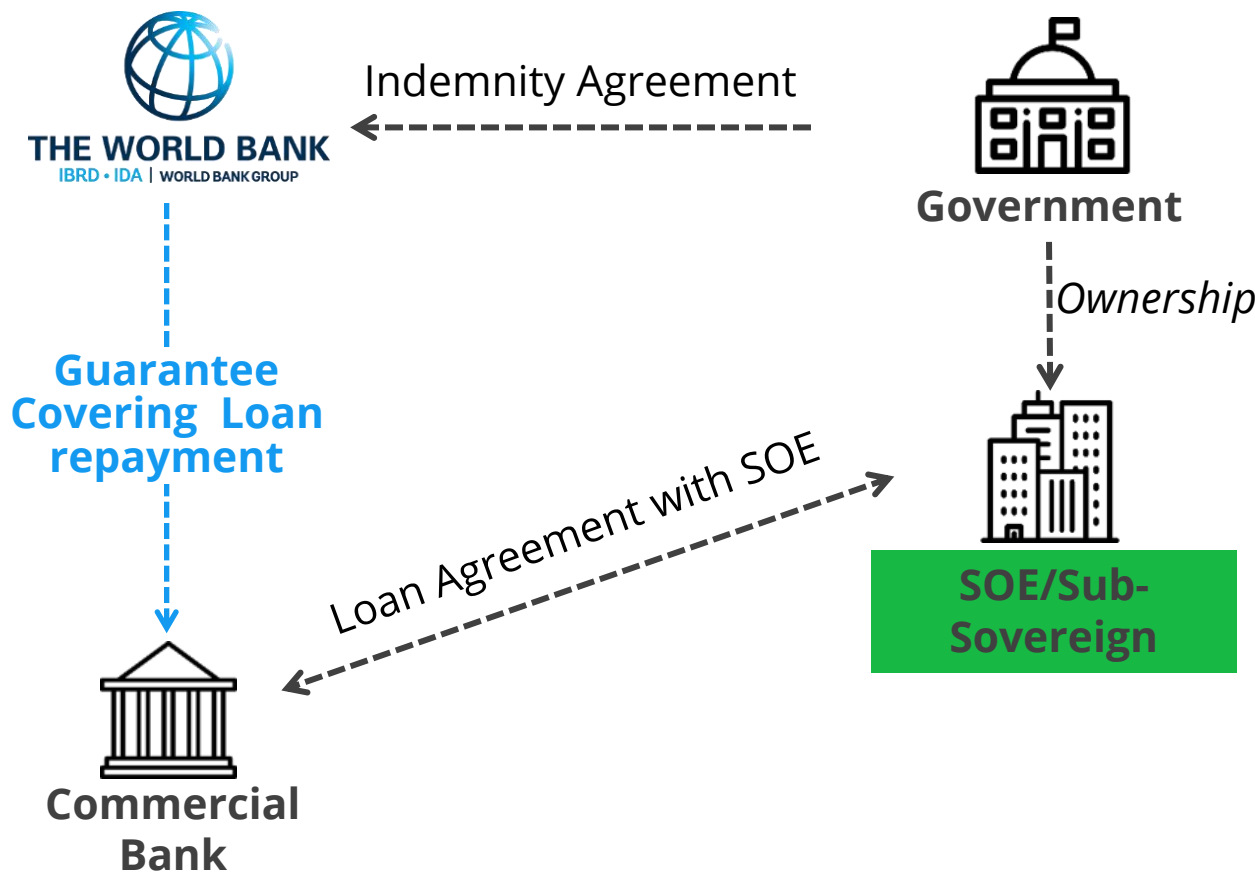


## 2 Project Finance (Public Private Partnership Modality)





## Structure



## Key takeaways

- ▶ Helps SOEs raise long term commercial financing at blended terms: **to make necessary investments or publicly finance infra projects.**
- ▶ Provides protection to commercial lenders against the risk of an event of default.
- ▶ **Key benefits of using a PBG:**
  - ✓ Access to larger pool of investors/banks
  - ✓ Larger volume
  - ✓ Tenor extension
  - ✓ Lower interest rates

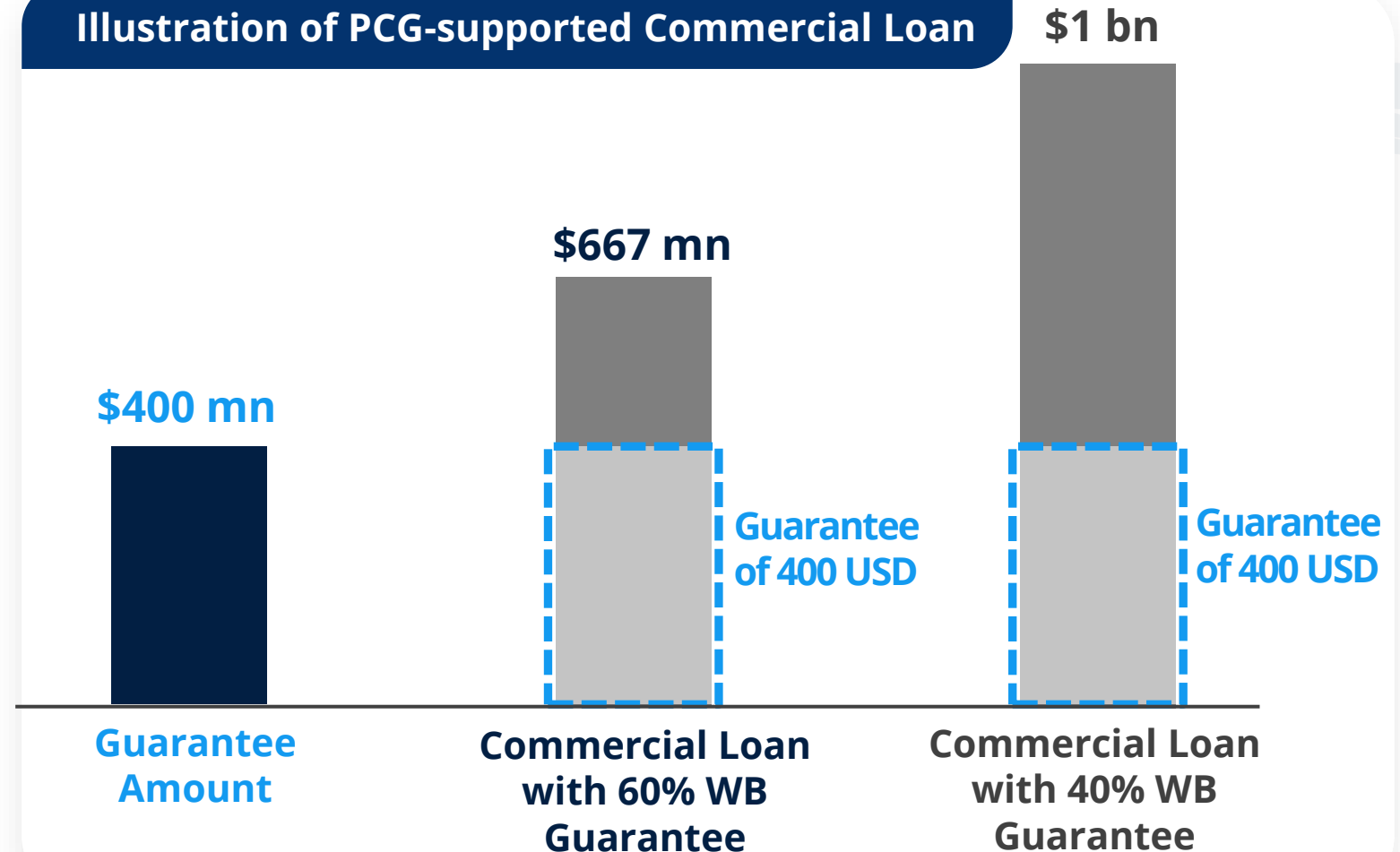


# A PCG would Help the SOE Access Commercial Financing at Blended Terms

## Key takeaways

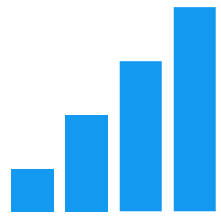
- ▶ Given market conditions, cost of borrowing for SOEs has gone up significantly.
- ▶ SOEs would likely need credit enhancement (guarantee).
- ▶ The WB-guaranteed loan would be subject to a **competitive RFP**: International Commercial Banks would compete to lend to the SOE on the best financing terms.

## Illustration of PCG-supported Commercial Loan

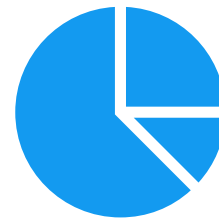




# PCG | RFP Parameters



**Size of the financing**



**Size of the IBRD Guarantee**



**Terms of the IBRD Guarantee**



**Commercial banks compete on the Loan Margin (all-in cost including guarantee fee)**



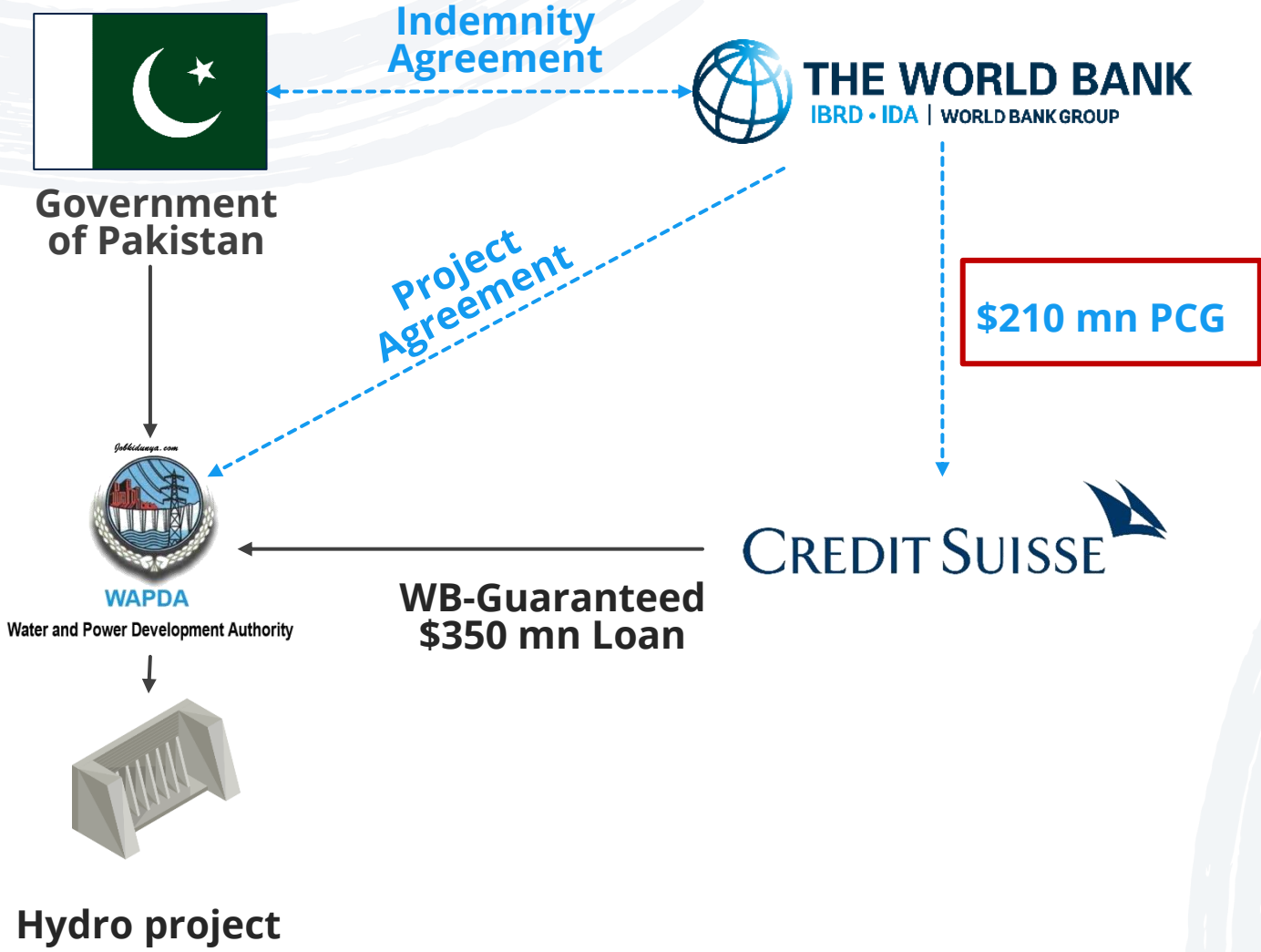
# Pakistan | PCG for DASU HYDROPOWER PROJECT



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# Pakistan | PCG for DASU HYDROPOWER PROJECT



- ▶ **The Project:** 2.2GW Dasu Hydropower dam, with a \$3.8 bn total cost.
- ▶ Technical complexity, large size, long construction period required multiple funding sources
- ▶ WAPDA (SOE) relied on a public financing structure.
- ▶ Long-term FX financing required, while local capital markets are restricted
- ▶ WAPDA raised commercial debt on its balance sheet through a WB guarantee
  - ✓ \$210 mn WB guarantee used to raise \$350 mn loan
  - ✓ Very competitive pricing achieved.



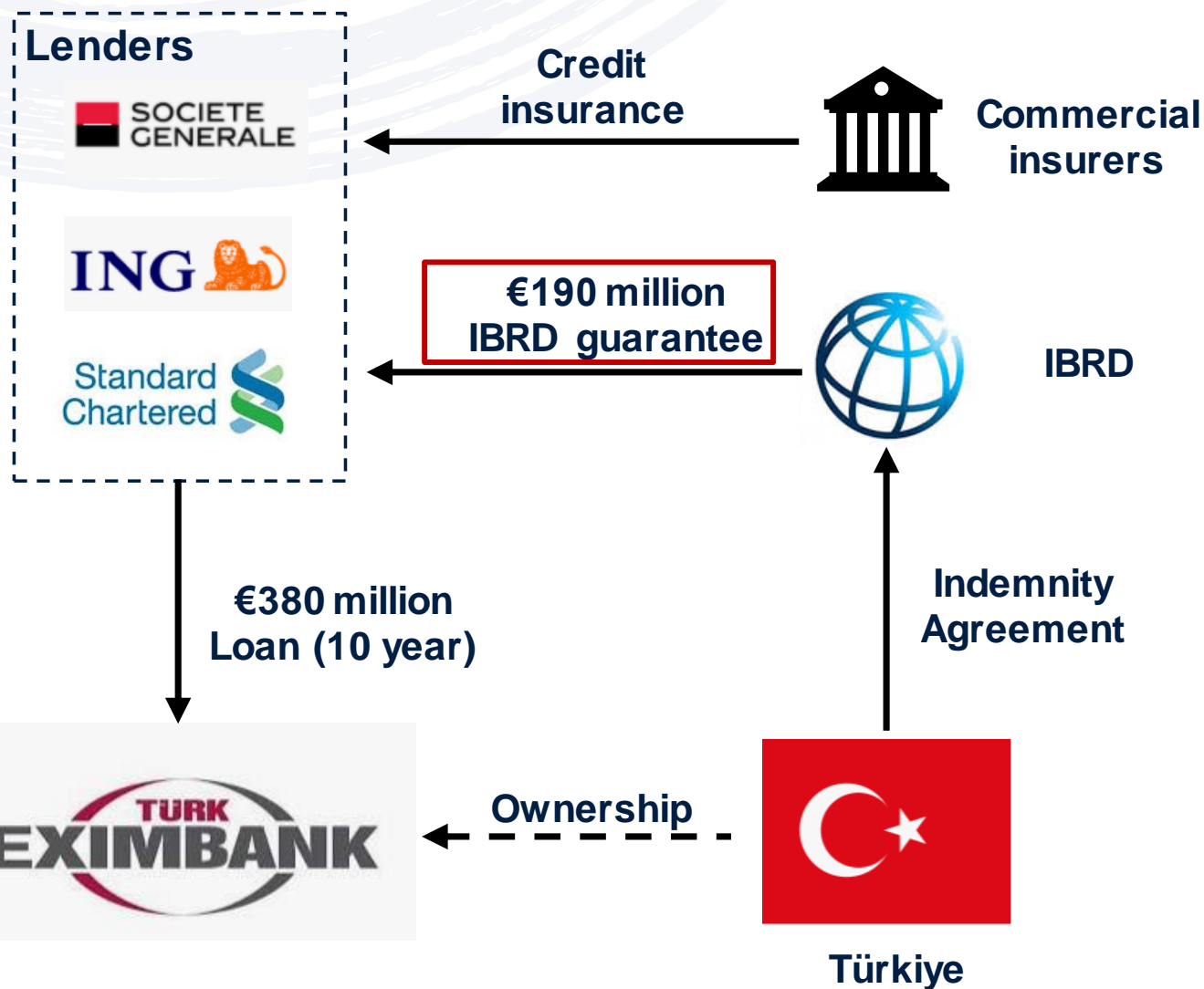
Turkey | PCG in support of Turk EXIMBANK



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## Turkey | PCG in support of Turk EXIMBANK

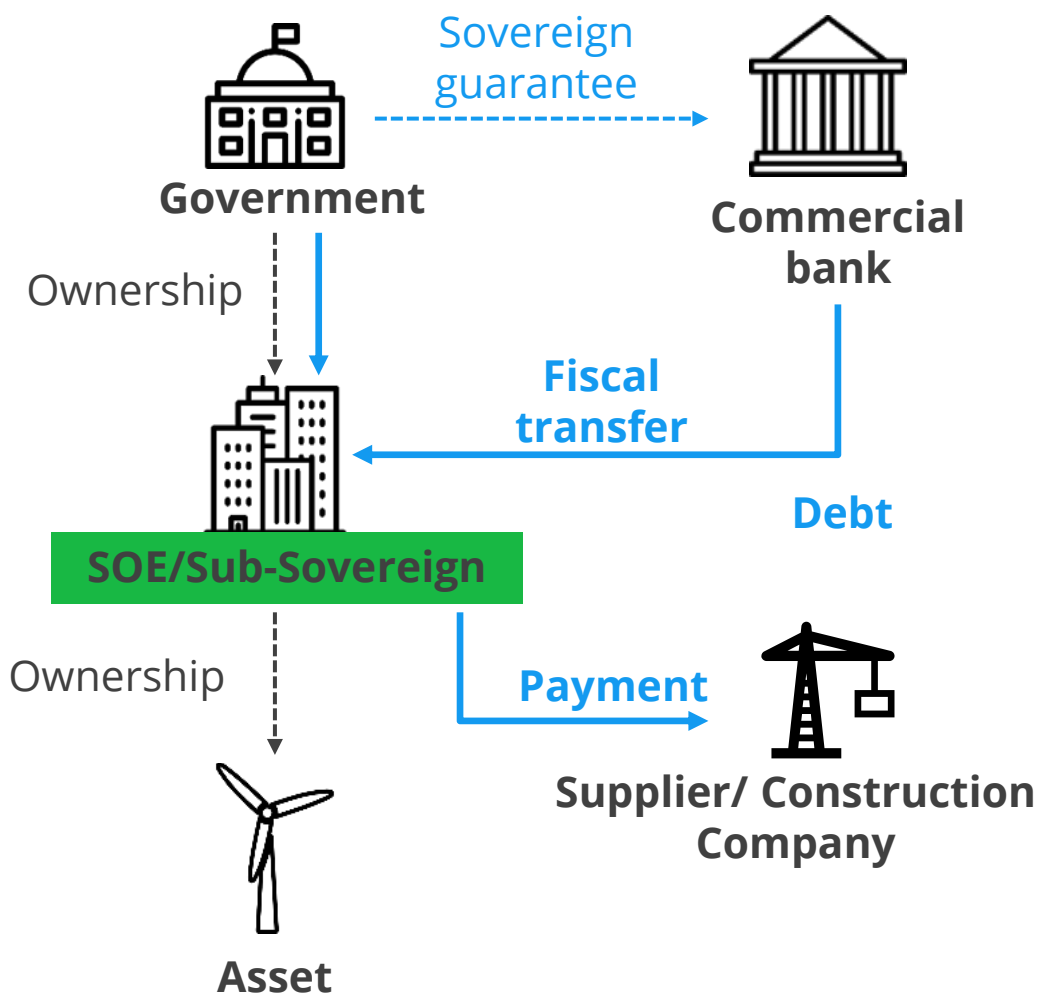


- ▶ The WB supported Turk Eximbank secure a **€380 mn commercial loan** amid market turmoil following COVID outbreak
- ▶ **IBRD guaranteed 50% of the face value of the loan** with the remaining guaranteed by private insurance providers
- ▶ **Lenders were selected through a competitive process**
- ▶ **The loan proceeds were exclusively on-lent to exporters**, the most productive sector of the Turkey economy

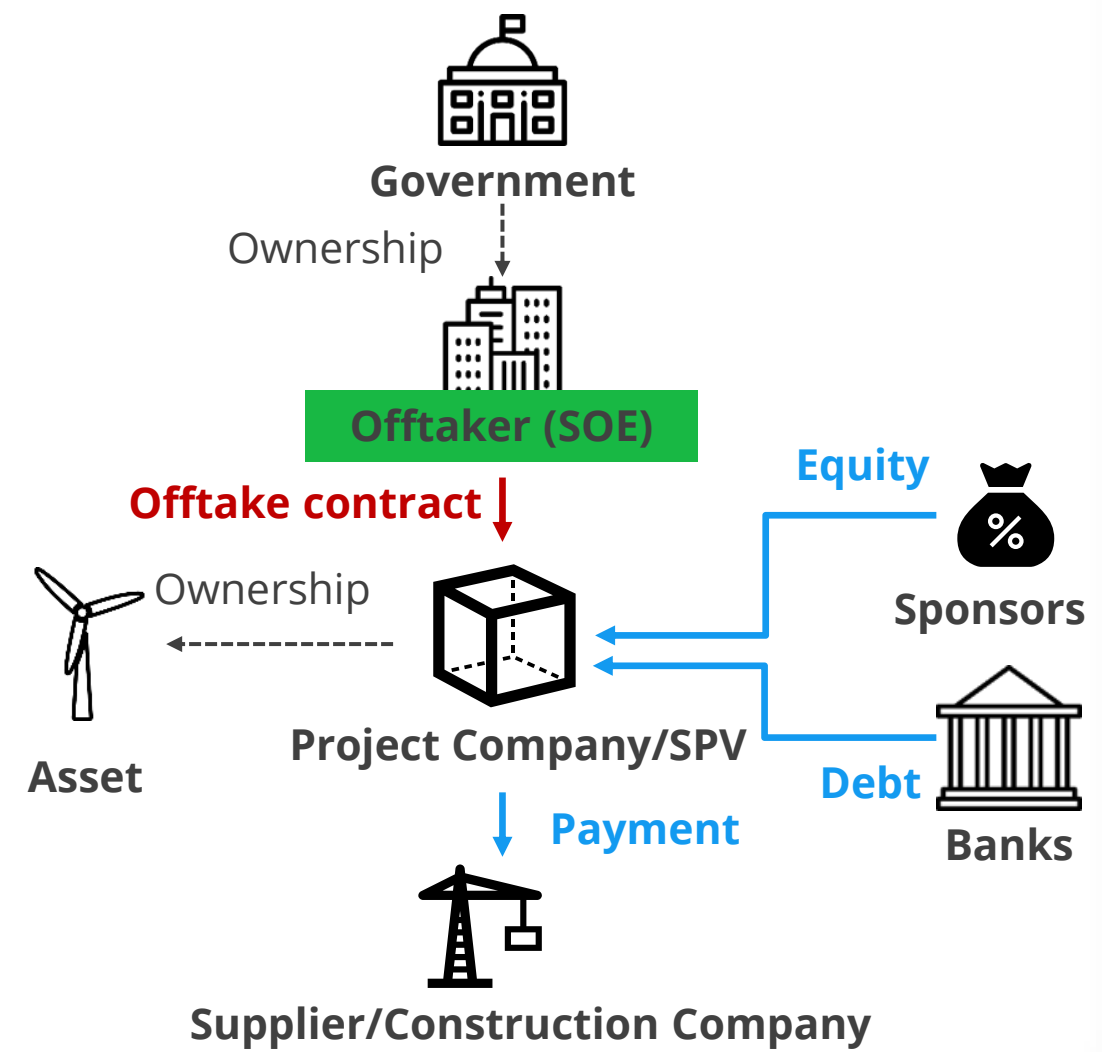


# Guarantees for Financing Infrastructure Projects

## 1 Public Sector Financing (EPC Modality)



## 2 Project Finance (Public Private Partnership Modality)

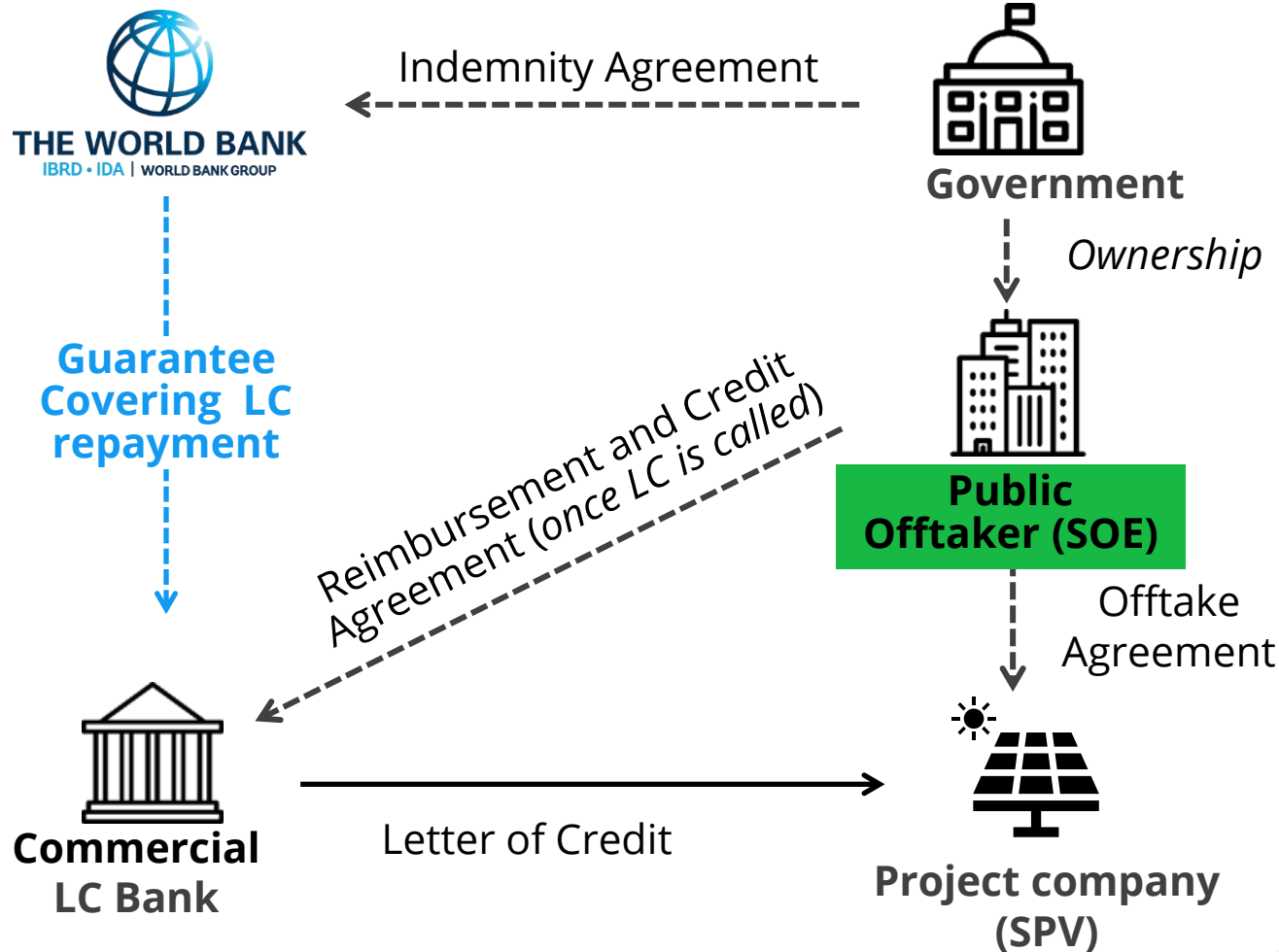




# PRG (Payment Guarantee) | Contractual structure



## Structure



## Key takeaways

- ▶ Payment guarantees can **backstop any payment obligation of the government** (offtake arrangement, replenishment of escrow account...)
- ▶ **Protects lenders against the risk of government non-payment of its obligations**
- ▶ **World Bank guarantees are always partial**  
→ covers 3-12 months of payment obligations



# PRG | Mechanics in case of event of default

1



Offtaker does not pay its payment obligation on time to the project company

2



Project company

Project company draws on a standby Letter of Credit (LC)

3



Commercial Bank

LC Drawdown converted into 12-month loan to SOE

4



Offtaker (SOE)

SOE repays within 12 months?

Yes ✓

4a

LC replenished

If Not X

4b



Government

Government repays loan? (LC replenished) ✓

If Not X

4c



Commercial Bank

Commercial bank not repaid within 12 months  
→ Notice sent to World Bank for repayment

5



THE WORLD BANK  
IBRD · IDA | WORLD BANK GROUP

World Bank pays the commercial bank (LC not replenished)

6



Government

Government reimburses World Bank as per Indemnity Agreement

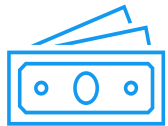


# PRG (Payment guarantee) | Benefits

## For Public Offtaker



**Affordable payment security compared to other options**



**Flexible liquidity support without direct recourse to the government**



**Lower end tariff to consumers**

## For Project Company



**Involvement of the World Bank ensuring sector viability and continuation of sector reforms**



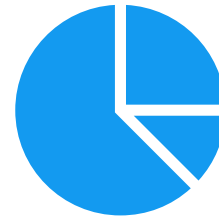
**Lower cost of capital through loans with better financing terms**



# PRG | RFP Parameters



**Project  
description and  
participants**



**Nominal amount  
of the Financing  
/ Guarantee**



**Terms of the IBRD  
Guarantee and  
Documentation  
Structure**



**Commercial banks compete on the  
LC Fees + Loan Margin**



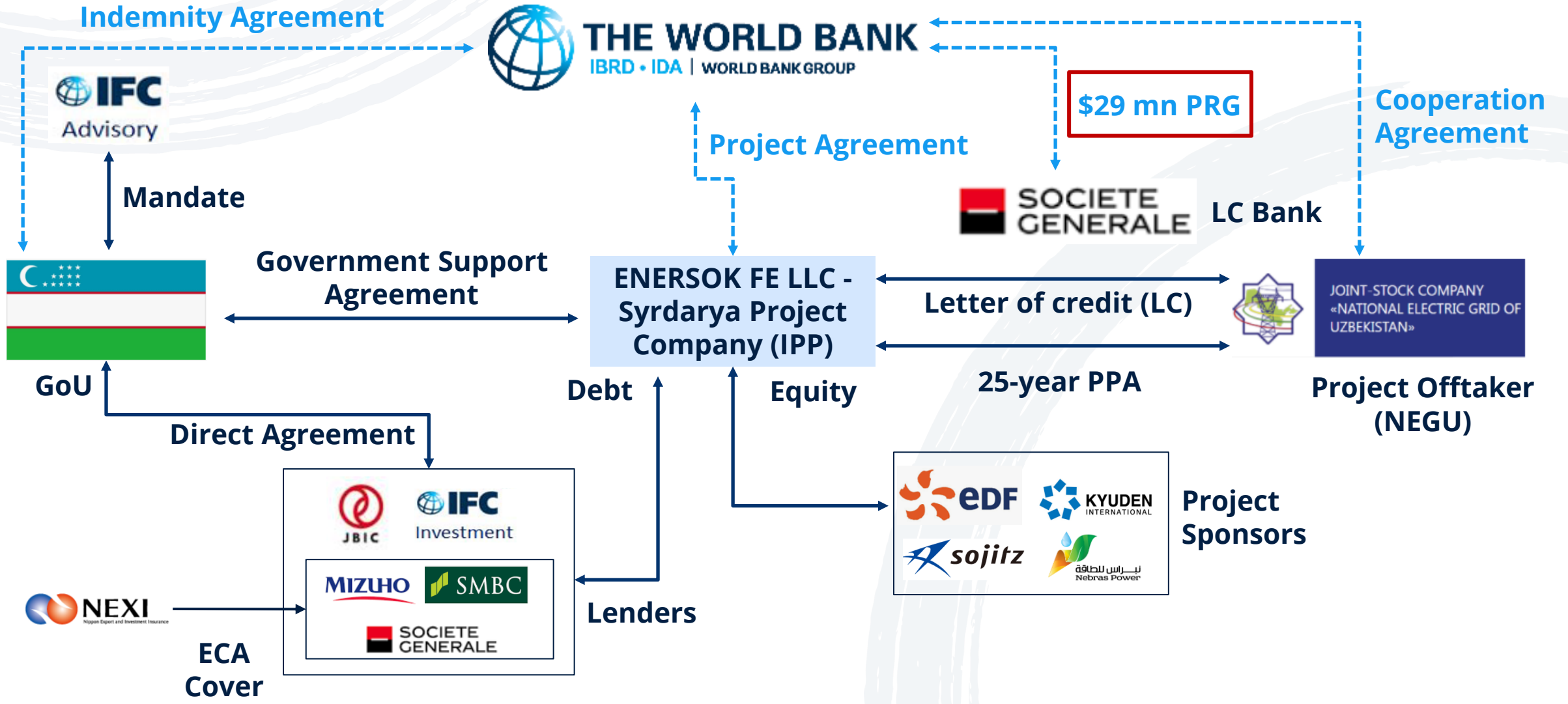
# Uzbekistan | PRG for Syrdarya CCGT project



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# Uzbekistan | PRG for Syrdarya CCGT project



# Contact

## Middle East and North Africa

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# Overview of IFC Operations in Egypt

Saad Sabrah

Country Head- Egypt



**IFC**

**International  
Finance Corporation**  
WORLD BANK GROUP





# IFC Globally and IFC Egypt - A legacy of growth



- **IFC has six decades of experience globally** providing loans, equity, and advisory services to private sector companies in emerging markets and in the world's most challenging markets.
- IFC has a global presence in more than **100 countries**, a network of **hundreds of financial institutions**, and more than **2,000 client firms**.
- In FY24, IFC invested **\$56 billion in financing**, including \$22 billion mobilized from other investors. As for the Advisory Services program expenditures, this amounted to **\$270 million**.
- Since the beginning of its operations in Egypt in **1975**, IFC has committed and mobilized over **US\$9 billion** in Egypt.



**6<sup>th</sup> largest** country office in IFC  
**3<sup>rd</sup> largest** office in Africa



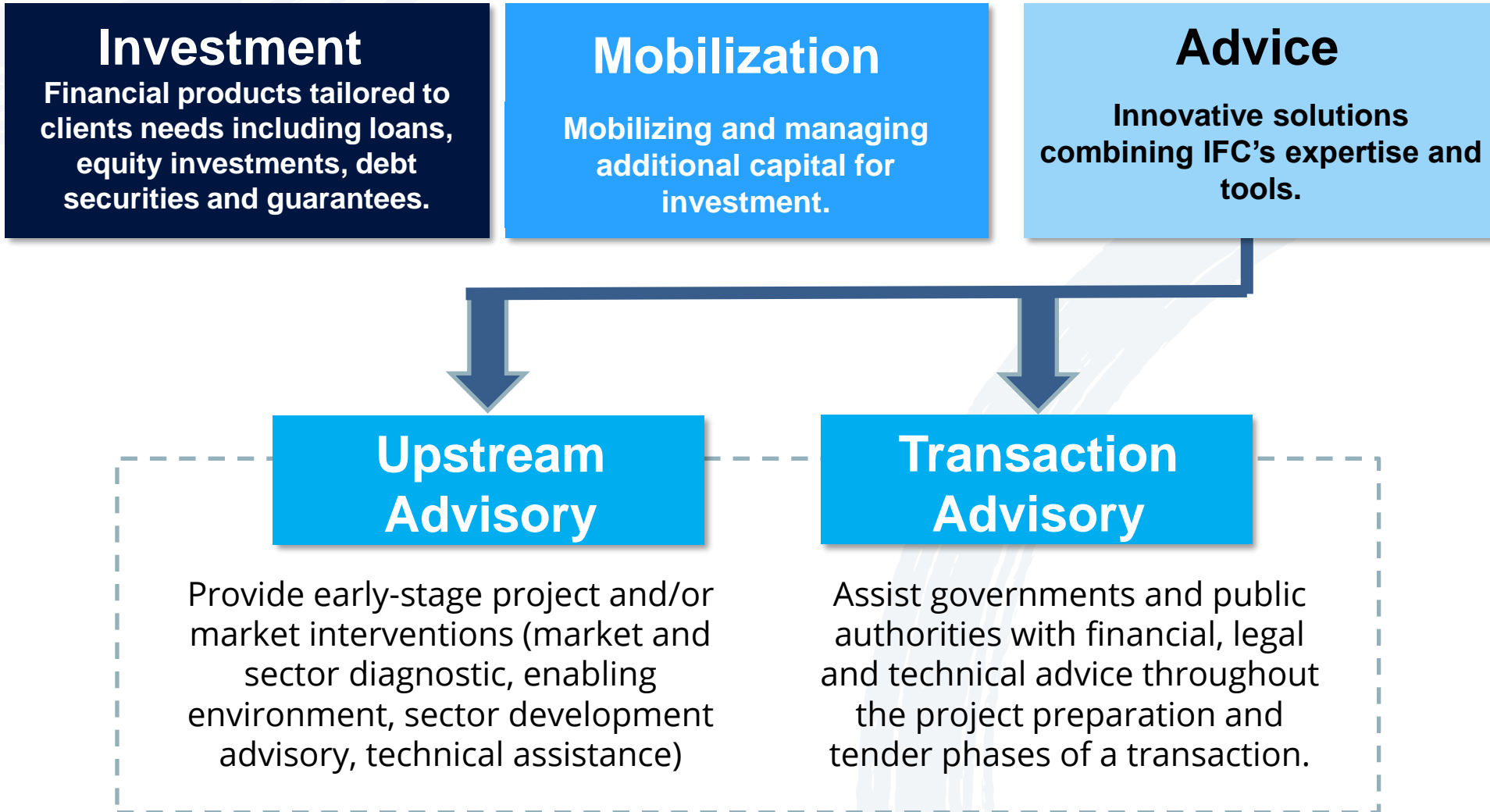
**111 staff**, with women  
representing **60%**



**20 nationalities**  
represented



# WHAT IFC DOES – IFC offers a mix of products to enable private sector mobilization





WHAT IFC DOES – Using comprehensive approaches to tap the power of the private sector, and utilizing integrated solutions for increased impact



## INVESTMENT & MOBILIZATION

### *Financial products tailored to client needs*

- ▶ Loans
- ▶ Equity
- ▶ Trade and Commodity Finance
- ▶ Derivatives and Structured Finance
- ▶ Blended Finance

### *Mobilizing and managing capital for investment*

- ▶ Syndications
- ▶ IFC Asset Management Company

**In FY24, IFC invested \$56 billion in in total investment commitments — the largest volume in our history. We set a record for climate commitments, which surpassed \$19 billion.**

## ADVICE

### *Innovative solutions combining IFC's expertise and tools*

- ▶ Help create new markets
- ▶ Unlock investment opportunities
- ▶ Strengthen clients' performance and impact
- ▶ Improve environmental, social, and corporate governance standards

**\$270 million program in FY24**



# Investment and Mobilization – IFC provides a set of investment products and services to fill significant investment gaps



<b>LOANS</b>	<ul style="list-style-type: none"><li>▶ Project and corporate financing</li><li>▶ On-lending through intermediary institutions</li></ul>
<b>EQUITY</b>	<ul style="list-style-type: none"><li>▶ Direct equity investments</li><li>▶ Private equity funds</li></ul>
<b>TRADE AND COMMODITY FINANCE</b>	<ul style="list-style-type: none"><li>▶ Guarantee of trade-related payment obligations of approved financial institutions</li></ul>
<b>SYNDICATIONS</b>	<ul style="list-style-type: none"><li>▶ Capital mobilization to serve developmental needs</li><li>▶ Over 60 co-financiers: banks, funds, DFIs</li></ul>
<b>DERIVATIVES AND STRUCTURED FINANCE</b>	<ul style="list-style-type: none"><li>▶ Derivative products to hedge interest rate, currency, or commodity-price exposures of IFC clients</li></ul>
<b>BLENDED FINANCE</b>	<ul style="list-style-type: none"><li>▶ Using donor funds to crowd in private financing</li></ul>



IFC Unfunded Guarantees– Instead of providing direct financing, IFC can leverage its triple-A rating and provide unfunded guarantees



*IFC guarantees enable lenders to offer funding by taking on part or all of the credit risk associated with a specific borrower. These guarantees can enhance the credit rating of a debt issuance, thereby allowing the issuer to reach a broader range of investors.*

### Partial/ Full Credit Guarantees for loans

### Partial Credit Guarantees for bonds

### Unfunded Risk Participations

- ▶ A partial or full credit guarantee from IFC is an irrevocable **commitment to pay a lender a specified amount if the borrower defaults and the loan is accelerated.**
- ▶ This payment is usually a pre-agreed percentage (or 100% if full credit guarantee) of the outstanding principal.
- ▶ Subject to local regulations, IFC's guarantees often carry a 0% risk weighting, per Basel guidelines, which can significantly **reduce expected losses for the lender and allow them to increase their credit exposure** to the borrower beyond their usual limits.



IFC Unfunded Guarantees– Instead of providing direct financing, IFC can leverage its triple-A rating and provide unfunded guarantees



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### Partial/ Full Credit Guarantees for loans

### Partial Credit Guarantees for bonds

### Unfunded Risk Participations

- ▶ Partial credit guarantees are a credit enhancement tool for corporate debt securities, where IFC irrevocably **commits to pay principal and/or interest to bondholders** up to a pre-determined amount.
- ▶ These guarantees can cover 100% of debt service payments for a specified period and up to a maximum cumulative amount, typically a percentage of the outstanding principal.
- ▶ If repaid within a specified period, the guarantee is reinstated, functioning like a liquidity facility. This helps prevent default during short-term liquidity issues, reducing both the expected loss and the probability of default of the guaranteed debt.



IFC Unfunded Guarantees– Instead of providing direct financing, IFC can leverage its triple-A rating and provide unfunded guarantees



*IFC guarantees enable lenders to offer funding by taking on part or all of the credit risk associated with a specific borrower. These guarantees can enhance the credit rating of a debt issuance, thereby allowing the issuer to reach a broader range of investors.*

Partial/ Full Credit Guarantees for loans

Partial Credit Guarantees for bonds

**Unfunded Risk Participations**

- ▶ Unfunded risk participation is a financial arrangement **where IFC takes on a specified portion of the credit risk of a loan or debt facility** issued by a financial institution, without providing upfront funding.
- ▶ **IFC conducts its own due diligence on the credit quality of each borrower.** If a default occurs, the lender can request payment from IFC for the portion of the risk participation.
- ▶ This arrangement allows the lender to **transfer part of its credit exposure to IFC, reducing its credit exposure and capital allocation** (subject to local regulations), and enabling the lender to offer larger financing amounts to higher-risk projects.



# IFC Trade and Commodity Finance Solutions – Global Trade Finance Program (GTFP)



GTFP is **IFC's flagship trade finance program**, having provided over 168,000 firms with \$105 billion with trade finance over the last 20 years.

Launched in 2005, the GTFP provides **risk mitigation by guaranteeing trade-related payment obligations of over 258 eligible FIs**.

GTFP offers confirming banks **partial or full guarantees covering payment risk** on banks in emerging markets for trade related transactions.

These guarantees are transaction specific and may be evidenced by a **variety of underlying instruments** such as: letters of credit, trade-related promissory notes, accepted drafts, bills of exchange, guarantees, bid and performance bonds and advance payment guarantees.



# IFC Global Trade and Commodity Finance Solutions – Global Trade Supplier Finance (GTSP)



The GTSF Program provides **post-shipment finance to suppliers** by discounting invoices once approved by the buyer, offering short-term financing solutions to suppliers in emerging markets.

Launched in 2010, the GTSP has **disbursed \$12.8 billion to over 2,500 suppliers across 28 countries** between 2012 and 2023.

The program primarily supports **SMEs by providing affordable short-term financing**, helping them to overcome the significant shortfall in access to finance.

The financing is provided **directly to suppliers via web-based supplier finance platforms or indirectly through financial institutions**, ensuring quick decision-making and turnaround times to meet client needs



# IFC's investment services cover four industry groups

## Financial Institution Group (FIG)

Financing to FIs including:

- Banks
- NBFIs
- MFIs
- Investment Banks
- Leasing Companies
- Mortgage Companies
- Insurance Companies

## Manufacturing, Agribusiness and Services (MAS)

Corporate Financing to:

- Manufacturing firms
- Agribusiness firms
- Hospitals and healthcare facilities
- Educational Service Providers

## Infrastructure and Natural Resources (INFRA)

Project/ Corporate Financing to:

- Infrastructure firms/projects across sectors including water, energy, transport and telecom

## Disruptive Technologies and Funds (CDF)

Financing to:

- Venture Capital firms
- Accelerators
- Private Equity Funds



IFC often combines its investments with advisory work



## Who IFC provides advisory to



### Companies

- ▶ Supply Chain
- ▶ Financial Management
- ▶ Employability
- ▶ Health Quality



### Financial institutions and funds

- ▶ Microfinance
- ▶ SME Banking
- ▶ Entrepreneurship



### Public Sector

- ▶ Business Environment
- ▶ PPP Transaction  
Advisory
- ▶ Credit Infrastructure

### Cross-cutting

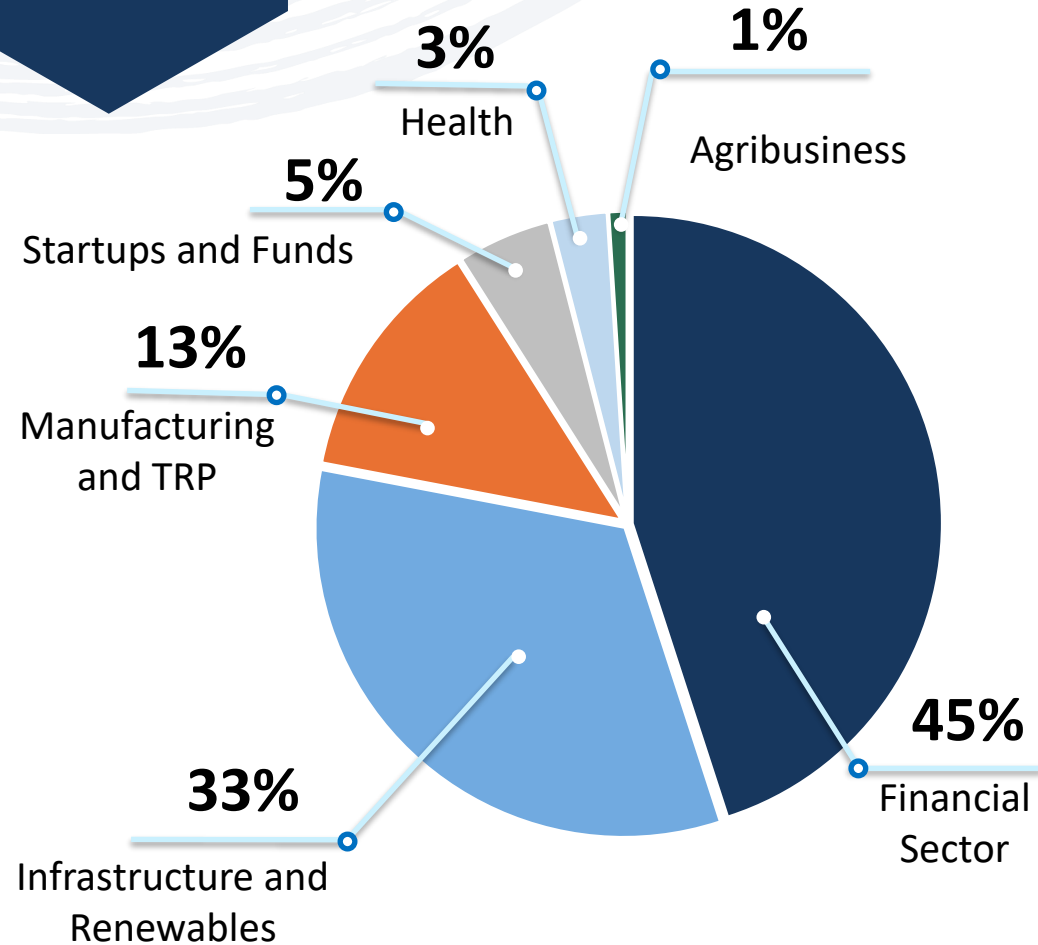
- ▶ Corporate Governance
- ▶ Environmental and Social Practices Management
- ▶ Gender and Economic Inclusion



# IFC has a diversified Portfolio in Egypt

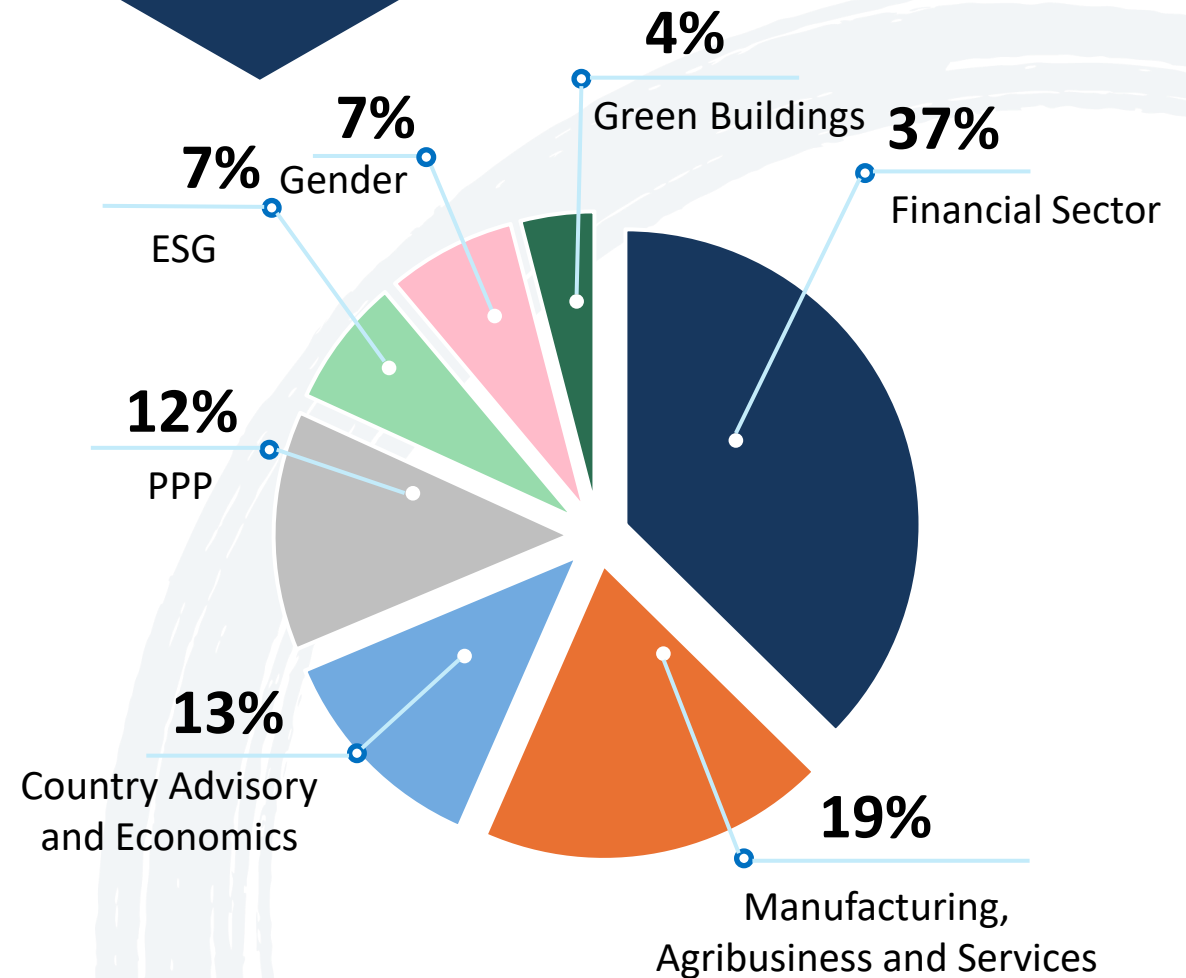
**\$2.5 Bn**

## Investment Portfolio



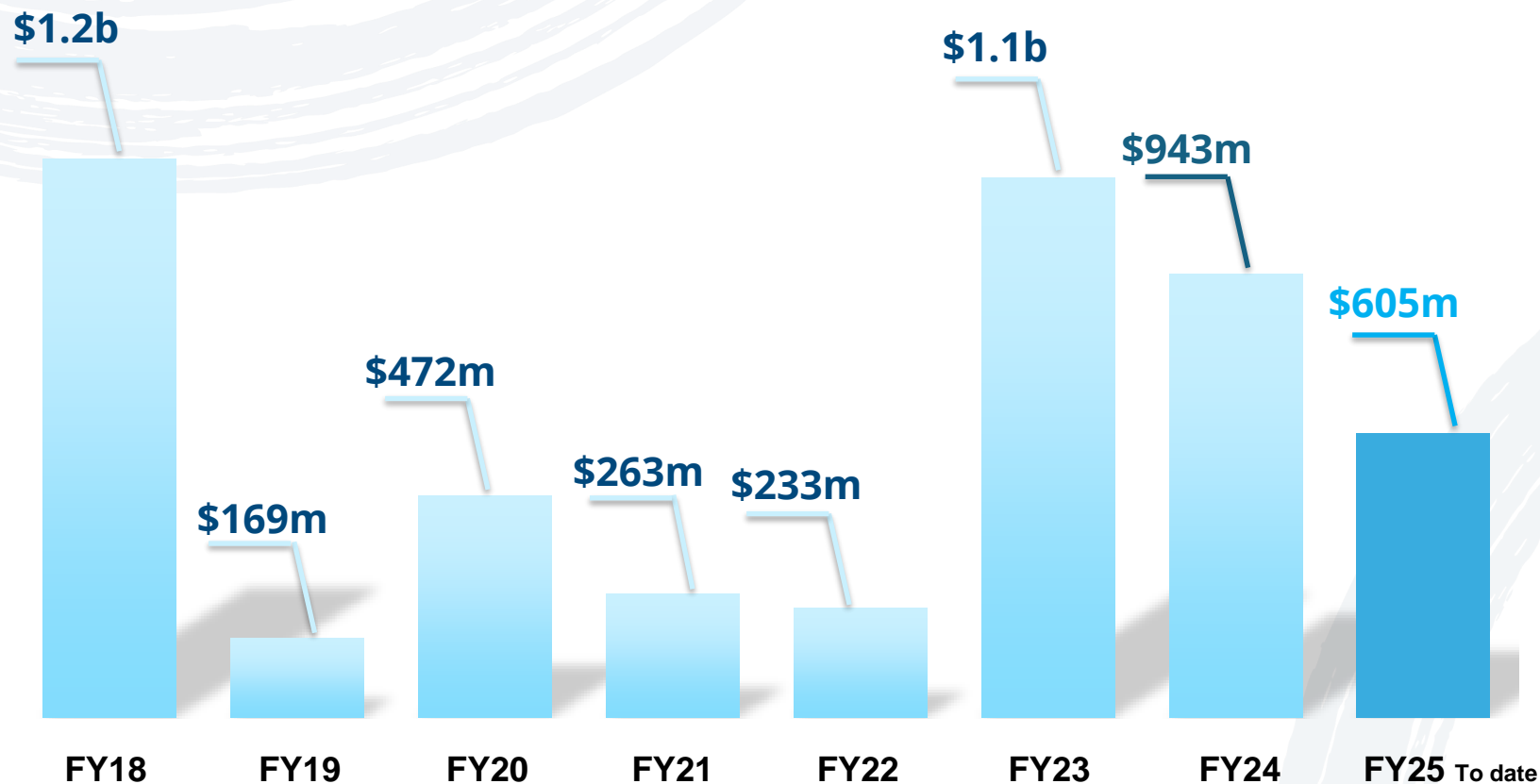
**\$24 Mn**

## Advisory Portfolio





\$5 Bn invested in Egypt over the past 7 years, with a strong pipeline of projects



**USD 5 Billion**

This includes supporting CDF, commercial banks, healthcare, sustainable manufacturing and renewables.

FY25 commitments stand at over **USD 600 million** in Egypt, and we aim to grow the portfolio further in the coming years. **Strong pipeline of projects amounting to about USD 800 million.**



# Recent Investment Highlights in Egypt



## Infrastructure and Natural Resources (INFRA)



**Amunet and Abydos**  
Total investment package of \$1bn

## Financial Institutions Group (FIG)



**Arab African International Bank (AAIB)**  
Investment package of \$300mn



# Recent Investment Highlights in Egypt

## Disruptive Technologies and Funds (CDF)



**Ezdehar**

**Total investment package of \$20mn**

## Manufacturing, Agribusiness, and Services (MAS)



**Orascom Development Egypt (ODE)**

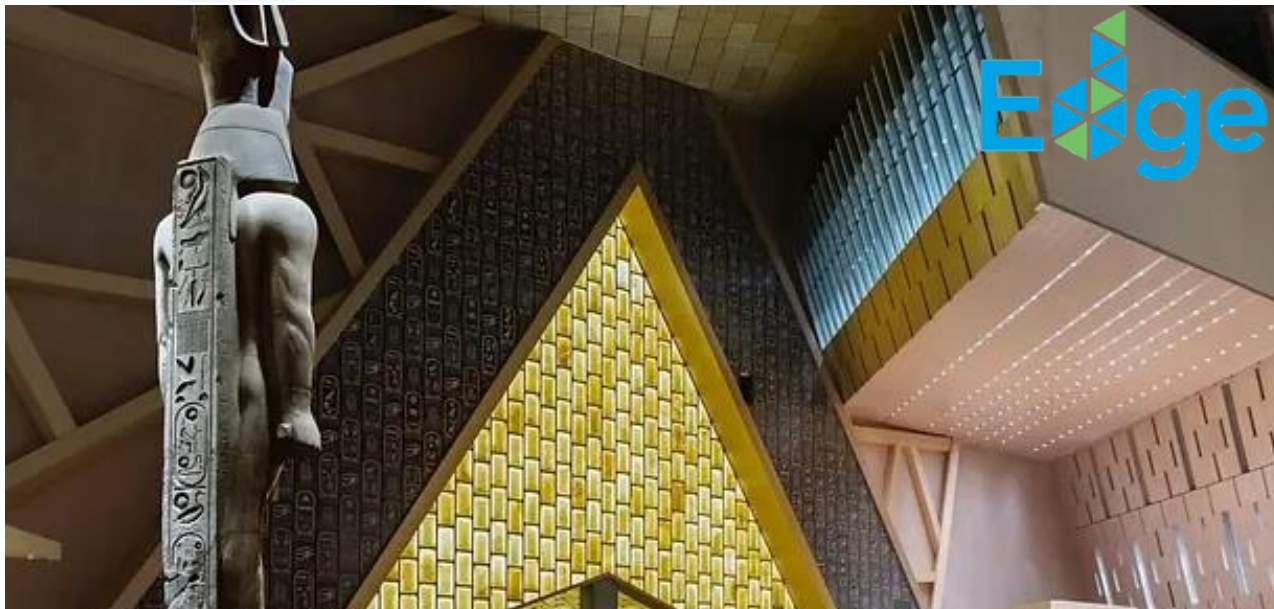
**Total investment package of \$155mn**



# Recent Advisory Highlights in Egypt



## Egypt Green Building Project



**Grand Egyptian Museum**  
**EDGE Advanced Green Building**

## Healthy Quality Egypt



**Private Healthcare Providers**  
**High Quality, More Accessible Care**

# Thank You!

