



De-risking Sustainable Infrastructure

IISD's Credit Enhancement Survey

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International Institute for Sustainable Development (IISD)



Public Procurement and Infrastructure Finance Program

IISD is an independent think tank championing sustainable solutions to 21st century problems. Our mission is to promote human development and environmental sustainability.

Infrastructure Finance Program's focus:

- Innovative financing solutions
- Demonstrating the business case for sustainable infrastructure – Sustainable Asset Valuation of IISD (SAVi) methodology



Why focus on credit enhancement?



- Particularly valuable for infrastructure planners in developing countries
- Moving from billions to trillions of infrastructure investment
- Especially important for sustainable infrastructure



IISD's Credit Enhancement Survey



- Why we do not see more infrastructure projects taking advantage of these instruments?
- What needs to be done to increase the use of credit enhancement instruments?
- Do we need more instruments? If yes, what project risks should they address?



Supply-Side Challenges



Guarantees on MDB balance sheets

- Lower volume than loans
- Treated the same way as loans on the balance sheet

Misalignment of incentives

- Employee incentive structures favour lending
- Annual Business Investment vs. Annual Mobilized investment
- Returns on guarantees are similar to loans



Supply-Side Challenges



Difficulties in asset recycling

- Basel III: long-term illiquid assets receive an especially unfavorable treatment
- Financial institutions tend not to keep infrastructure loans on their balance sheet

Alternative CE providers

- GuarantCo and the Credit Guarantee and Investment Facility
- Export credit agencies
- Universal guarantee facility



Demand-Side Challenges



Cost implications

- Infrastructure planners and project sponsors alike perceive credit enhancement from MDBs to be expensive
- Commercial markets cheaper?

Low awareness


- General awareness of credit enhancement solutions available is surprisingly low across infrastructure stakeholders
- Our solution: Online Credit Enhancement Inventory







Credit Enhancement Instruments for Infrastructure


This inventory lists the growing range of credit enhancement and de-risking instruments that are available to policy-makers, infrastructure planners and project sponsors to improve the financial feasibility of infrastructure projects. These instruments are particularly valuable to scale sustainable infrastructure.

Please Select Your Region 

Select your region 

Please Select Your Country

Select your country 

Please select credit enhancement provider
group(s) 

KFW DEVELOPMENT BANK

OVERSEAS PRIVATE INVESTMENT CORPORATION

AFRICAN TRADE INSURANCE AGENCY

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT
CREDIT (ICIEC)

EXPORT-IMPORT BANK OF THE UNITED STATES

EXPORT DEVELOPMENT CANADA

Do we need more instruments?



Currency risk

- Issue for countries with non-convertible currencies
- Volatile emerging market currencies
- Need to upscale existing solutions

Refinancing risk

- Low appetite for long term loans in developing countries
- Exposure to interest rate changes



Do we need more instruments?



Legal risk for environmental and social compliance

- Environmental impact assessments, environmental management plans and compliance can be insufficient to eliminate related legal risks during the construction and operation phases

Climate risk

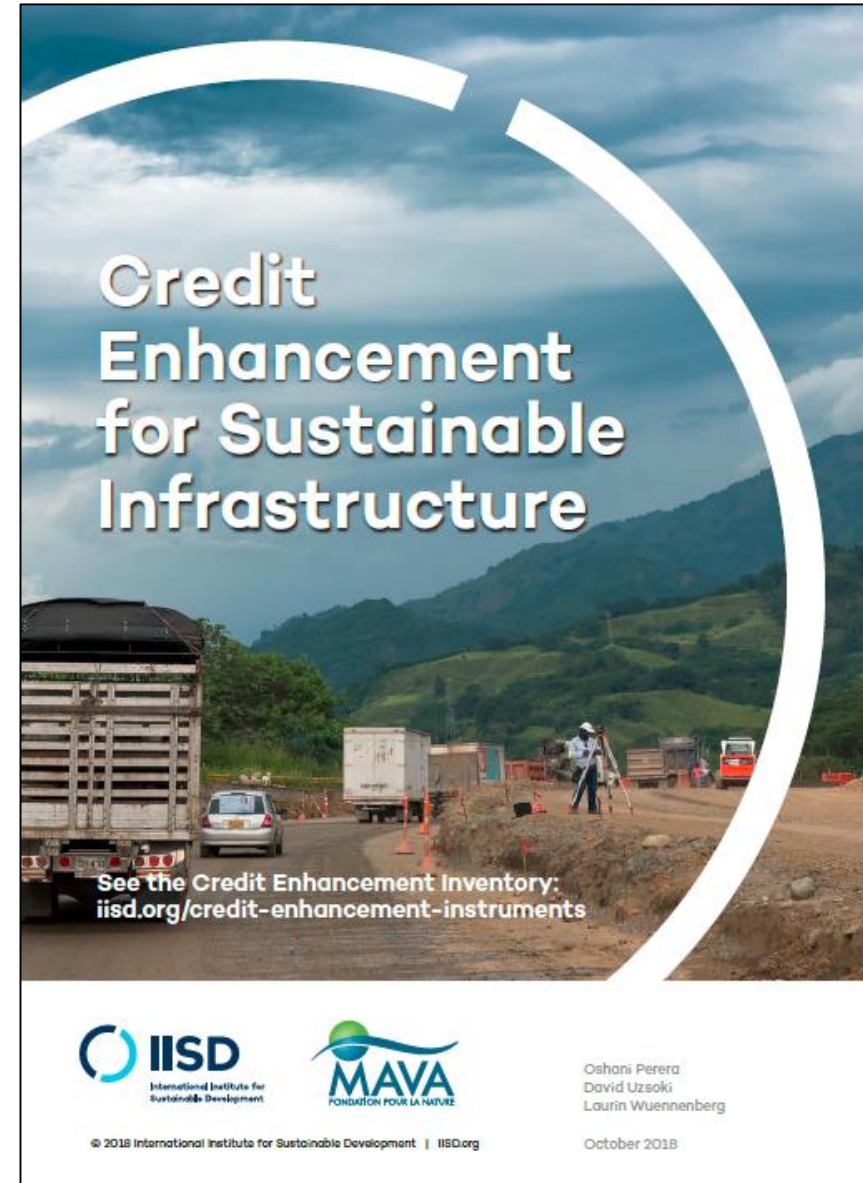
- Physical vs. transitional climate risks
- What instruments are out there? Can they scale?



Credit Enhancement for Sustainable Infrastructure



<https://www.iisd.org/library/credit-enhancement-sustainable-infrastructure>



IISD's Online Inventory on Credit Enhancement Instruments for Infrastructure



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Credit Enhancement Instruments for Infrastructure ?

This inventory lists the growing range of credit enhancement and de-risking instruments that are available to policy-makers, infrastructure planners and project sponsors to improve the financial feasibility of infrastructure projects. These instruments are particularly valuable to scale sustainable infrastructure.

Please Select Your Region ?

ASIA & PACIFIC ×

Please Select Your Country


Indonesia ×

Please select credit enhancement provider group(s) ?

- Bilateral Development Finance Institutions
- Export Credit Agencies
- International Guarantee Facilities
- Multilateral Development Banks
- National Guarantee Facilities
- Private Insurers
- Regional Guarantee Facilities

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (WORLD BANK GROUP)
MULTILATERAL INVESTMENT GUARANTEE AGENCY (WORLD BANK GROUP)
INTERNATIONAL FINANCE CORPORATION
ASIAN DEVELOPMENT BANK
ASIAN INFRASTRUCTURE INVESTMENT BANK
CREDIT GUARANTEE AND INVESTMENT FACILITY - GENERAL BOND GUARANTEE
CREDIT GUARANTEE AND INVESTMENT FACILITY - CONSTRUCTION PERIOD GUARANTEE FACILITY
COMPAGNIE FRANÇAISE D'ASSURANCE POUR LE COMMERCE EXTÉRIEUR
ZURICH INSURANCE GROUP
ALLIANZ GLOBAL CORPORATE & SPECIALTY
AMERICAN INTERNATIONAL GROUP
XL CATLIN



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Asian Development Bank

[Instrument Definitions](#) ?

PARTIAL CREDIT GUARANTEE
POLITICAL RISK GUARANTEE ▶
ELIGIBLE COUNTRIES

Political Risk Guarantee

» INSTRUMENT DESCRIPTION

The political risk guarantee instrument of the Asian Development Bank (ADB) is available for sovereign and non-sovereign operations, given that the ADB has participated in the project or sector. Political risks that may cause a payment default are covered by the guarantee, such as:

- Transfer restriction and currency inconvertibility
- Expropriation: Nationalization, confiscation, deprivation
- Political violence: Physical damage to the asset, interruption of business activity due to war, revolution, terrorism
- Contract disputes: Denial of justice, arbitration award default

🔗 ELIGIBLE PROJECTS AND TRANSACTIONS

The following infrastructure sectors are eligible: energy, transportation, water supply, wastewater treatment and telecommunication.

The guarantee can be provided to lenders of most forms of debt: bank loans, loans made by shareholders, loans guaranteed by shareholders or third parties, capital market debt instruments, bonds, financial leases, letters of credit, promissory notes and bills of exchange. The debt instrument can be issued by private and public sector projects, public-private partnerships, corporates, and (sub-) sovereign entities.

🌐 ELIGIBLE REGIONS

Any developing member country of the ADB.

☆ KEY FEATURES

- **Size of coverage:**

Counter-indemnity available: No upper guarantee limits.

Credit Enhancement Instrument Types



- **Political Risk Guarantee**
- **Credit Guarantee**
- **Construction Risk Guarantee**
- **Currency Risk Hedging**
- **Local Currency Lending**
- **Liquidity Facility**
- **Subordinated Debt Instruments**
- **Grants**

Provider Groups of Credit Enhancement



- **Multilateral Development Banks**
- **Bilateral Development Finance Institutions**
- **International Guarantee Facilities**
- **Regional Guarantee Facilities**
- **National Guarantee Facilities**
- **Export Credit Agencies**
- **Private insurers**

Multilateral Development Banks



- **Multilateral Investment Guarantee Agency (MIGA), World Bank Group**
- **International Bank for Reconstruction and Development, World Bank Group**
- **International Finance Corporation**
- **European Investment Bank**
- **Asian Development Bank**
- **Asian Infrastructure Investment Bank**
- **African Development Bank**
- **European Bank for Reconstruction and Development**
- **CAF -- Development Bank of Latin America**
- **Inter-American Development Bank**

Bilateral Development Finance Institutions



- **KfW Development Bank**
- **Overseas Private Investment Corporation (OPIC)**

International Guarantee Facilities

- **GuarantCo**
- **Green Climate Fund**
- **Private Infrastructure Development Group (PIDG)**
- **The Currency Exchange Fund (TCX)**

Regional Guarantee Facilities



- **The Arab Investment & Export Credit Guarantee Corporation (Dhahran)**
- **Credit Guarantee & Investment Facility (CGIF)**

National Guarantee Facilities

- **Danajamin, Malaysian Financial Guarantee Insurer**
- **InfraCredit, Nigerian Infrastructure Credit Enhancement Facility**
- **Department of Economic Affairs, India**
- **Indian Renewable Energy Development Agency**
- **Indonesia Infrastructure Guarantee Fund**

Export Credit Agencies



- **African Trade Insurance Agency (ATI)**
- **The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)**
- **EXIM Bank of the United States**
- **Export Development Canada**
- **Korean Eximbank**
- **Chinese Export Import Bank**
- **China Export Credit Insurance Corporation, Sinosure**
- **Japan Bank for International Cooperation**
- **Credendo, Belgian Export Credit Agency**
- **UK Export Finance**
- **Bpifrance Assurance Export, France**
- **Servizi Assicurativi del Commercio Estero, Italy**
- **Altradius, Netherlands**
- **Euler Hermes, Germany**
- **Swiss Export Risk Insurance (SERV)**

Export Credit Agencies



- **Compagnie Française d'Assurance pour le Commerce Extérieur (Coface)**
- **Zurich Insurance Group**
- **Allianz Global Corporate & Specialty**
- **American International Group, Inc. (AIG)**
- **XL Catlin, XL Group**
- **Sovereign Risk Insurance Ltd.**
- **Aspen Insurance**
- **Ascot Group**
- **Lloyd's of London**

IISD's Online Inventory



<https://iisd.org/credit-enhancement-instruments/>



Thank You!

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