LAO PDR: NAM THEUN 2 HYDROPOWER IPP

THE CHALLENGE

- Largest private financing for export in the region at the time ($1.45 Billion)
- Limited Funding Availability
- Non-availability of US$ and THB debt (about 500m) without cover
- Non availability of long-term fixed-rate debt
- Funding for Government of Laos Equity (about US$ 90m);
- Cross Border Risk (selling power to Electricity Generating Authority of Thailand)
- High political and contractual risks in the host country, Lao PDR
- Lack of adequate financing plan and financing phase management

THE SOLUTION

- IDA Enclave Guarantee mobilized private capital by:
  - Cover limited political risks in the host country
  - Ensuring timely issuance and renewal of permits for construction and operation
  - Mitigated the risk of change in legal and regulatory regime applicable to the project (laws, taxes, duties)
  - Covered other specific government of Laos obligations of a sovereign nature
IDA GUARANTEE: NAM THEUN 2 HYDRO

Bank’s Guarantee of USD 45 million on a 16.5 years debt tranche leveraged USD 1.5 billion in limited recourse financing (ratio of 1: 28)
Funding structure matches the cost and revenue profiles (½ Thai Bhat (THB) - ½ USD)
27 financial institutions supporting the project

Guarantee covered Lao PDR political Risks, and Government of Laos contractual obligations

- Project was the largest cross border project financing in East Asia
- Ground breaking for harmonizing IFI safeguards for a project
- IDA project based Guarantee helped establish a track record for Lao PDR’s performance for future private projects