



**Supporting
your projects with
the Public Payment
Guarantee**



The AFD Group supports the development of inclusive and resilient infrastructure in the countries where it operates. Such infrastructure ensures access for populations to essential goods and services such as energy, transportation, healthcare, water and sanitation.

Long-term partnerships between the public and private sectors are needed to meet these goals. But their implementation can be compromised by the private sector's reluctance to invest alongside public entities.

To support our public partners, AFD offers a **Public Payment Guarantee** solution.

This guarantee mechanism covering payment defaults by public entities (governments, state-owned companies or local authorities) aims at mobilizing private investments in development projects.

This guarantee is offered in sectors and geographical areas where the AFD group operates.



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As a State or a public entity, you want to:

- encourage access to all essential goods and services
- mobilize expertise and attract private investments in strategic sectors
- forge long-term partnerships with private investors.

The Public Payment Guarantee mobilizes expertise and private investments in your infrastructure projects.



As an investor, you are seeking to:

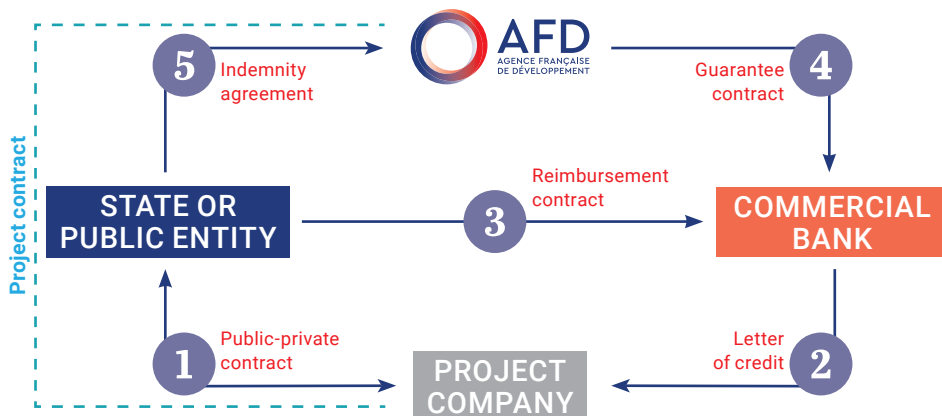
- invest with more serenity in new markets and sustainable infrastructure
- improve your financing conditions
- integrate a development finance institution into the financing scheme.



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AFD's Public Payment Guarantee acts as a facilitator for your project. Your project will benefit from AFD's long-term partnerships with governments and public contractors, and from AFD's credit rating.

Structure of the Public Payment Guarantee



- 1 Public-private contract** The commercial contract, concession contract or public-private partnership includes the conditions of the operation of an infrastructure project. It is a long term agreement between a government, state-owned company or local authority, and a private project company.
- 2 Letter of credit** This revolving cash facility is issued to the benefit of the project company by a public or private commercial bank, upon request from the public partner. The amount of the letter of credit (LC) is sized to cover a certain number of contract instalments. It can be drawn in the case of a payment default by the public entity, upon presentation of undisputed invoices.
- 3 Reimbursement contract** It is signed between the commercial bank and the public partner, it provides for the repayment by the public partner of the amounts drawn on the LC by the project company (including incurred interests).
- 4 Guarantee contract** This guarantee, issued by AFD for the benefit of the commercial bank, covers the entire LC in case of default on repayment by the public partner under the reimbursement contract. The cost of the Public Payment Guarantee is at the project company's expense.
- 5 Indemnity contract** It is signed between AFD and the public partner to formalize AFD's recourse to the public partner following a call under the AFD Guarantee contract.

Project contract It is signed between AFD and the project company. It defines the project company's undertakings, notably in terms of compliance matters and respect of environmental and social standards.

THE PUBLIC PAYMENT GUARANTEE CAN BE IMPLEMENTED WITH OR WITHOUT RECOURSE TO THE STATE SHAREHOLDER.



In partnership with the European Union, AFD has developed a programme of guarantees to encourage the development of renewable energies in Africa (EGRE NS*), without recourse to the State shareholder.



Eligible projects

Renewable energies
– solar, wind,
hydroelectricity, biomass –
in Sub-Saharan Africa.



Risks covered

Non-payment of amounts due under a power purchase agreement (PPA),
12 months maximum.

* EGRE NS : European Guarantee for Renewable Energy Non-Sovereign



Agence Française de Développement (AFD) implements France's development and international solidarity policies. With its financing activities for the public sector and NGOs, its research publications (Éditions AFD), training in sustainable development (Campus AFD) and awareness-raising in France, it finances, supports and accelerates the transition toward a fairer, more resilient world. With our partners, we are building shared solutions with and for populations in developing and emerging countries. Our teams are at work on more than 4,000 projects in the field, in the French Overseas Departments and Territories, in 115 countries and in regions in crisis.

We strive to protect global public goods – promoting a stable climate, biodiversity and peace, as well as gender equality, education and healthcare. In this way, we contribute to the commitment of France and the French people to achieve the Sustainable Development Goals (SDGs). Towards a world in common.



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