



CASE STUDY 24: PHILIPPINES – LEYTE GEOTHERMAL PARTIAL CREDIT GUARANTEE

Barriers	Lack of long term financing
Instrument	Partial credit guarantee
Application	n/a
Amount	US\$30 million

PROJECT BACKGROUND AND OBJECTIVES

The Leyte-Luzon geothermal power plant project was implemented by the National Power Corporation (NPC), the Philippine National Oil Company (PNOC), and the Electricity Development Corporation. The World Bank provided a grant (from GEF), which reduced the cost of the project and made it more financial attractive to investors to use geothermal energy instead of coal.

INSTRUMENTS USED

The grant was used as partial credit guarantee, which was aimed to help the government access long term financing on the international capital market and to expand loan tenor.

INSTITUTIONAL ARRANGEMENTS

The NPC raised around US\$1,300 million in project finance through a 15 years' bond issue on the international capital market. The World Bank provided a partial credit guarantee to the bond issue structured as a put option for principal repayment at maturity. It

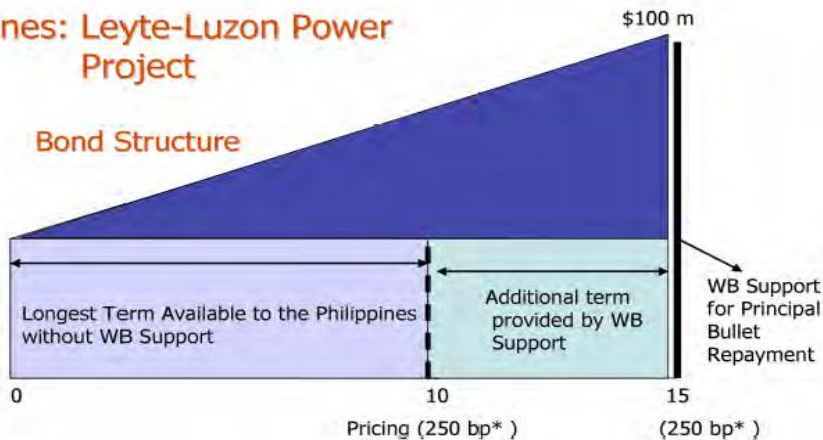
allowed bondholders to present or “put” their bonds to the World Bank at maturity for payment of principal.

OUTCOMES

With the support of the guarantee program, NPC was able to get a bond with a 15 year maturity, which was greater than the longest maturity previously attained by an issue from Philippine sovereign entity (10 years). The 15 year maturity was obtained at the favourable pricing of 2.5% over the yield of US treasury of the same maturity.

Further reading
 GEF, Philippines – Leyte-Luzon Geothermal Project, 1994 – click [here](#)

Philippines: Leyte-Luzon Power Project



* Above US Treasuries