

MITIGATION  
BLENDED

PROJECT NAME	Mezz Tower Guarantees <sup>1</sup>
COUNTRY/REGION	Djibouti
SECTOR	Infrastructure; Green Buildings
PROJECT/INVESTMENT AMOUNT	USD 9.98 million (equity); up to USD 17.02 million (shareholder loan); <sup>2</sup> <b>MIGA political risk guarantee to Horafia: [USD 27 million total; USD 24.3 million for MIGA exposure]<sup>3</sup></b>
DEVELOPMENT PARTNER(S)/STAKEHOLDERS	Multilateral Investment Guarantee Agency (MIGA) <sup>4</sup>
COUNTERPARTY MINISTRY/ INSTITUTION	N/A
INVESTOR(S) AND FUNDERS	Horafia S.A. of Switzerland (Horafia); MIGA <sup>5</sup>
GUIDEBOOK TAXONOMY FINANCIAL SYSTEM ACTOR	Export Credit Agency Corporate Expenditure
PROJECT OVERALL GOAL	The overall goal of the Project was the use of MIGA guarantees to facilitate the financing and development of high-standing office facilities and integrated business services for a 17-story office tower (Djibouti International Business Center) in downtown Djibouti City. <sup>6</sup> The office tower includes an energy efficient design.
PROJECT OUTCOMES	Financing and development of the Djibouti International Business Center in downtown Djibouti City; inclusive of energy efficiency measures. <sup>7</sup>
ALIGNMENT WITH COUNTRY IDENTIFIED CLIMATE STRATEGIES, NDCs, ETC. (IF APPLICABLE)	Aligned with energy efficiency goals for buildings as outlined in Djibouti's first NDC. <sup>8</sup>
CONTRIBUTION OF THE PROJECT TO THE UN SDGs	<ul style="list-style-type: none"> <li>● SDG 11 - <i>Sustainable Cities and Communities</i>;</li> <li>● SDG 13 - <i>Climate Action</i><sup>9</sup></li> </ul>
SOCIOECONOMIC IMPACT	Prior to the development of the Project, the Project site did not have any occupancy/economic activity or formal use. Project development allows for increased and much needed office space in Djibouti City and likely increases the commercial real estate value of the surrounding area. Additionally, tenants of the office space (including multinational companies) are expected to facilitate increased investments into the local economy.
ENVIRONMENTAL IMPACT (ON CLIMATE MITIGATION AND/OR ADAPTATION)	The Project's architecture, materials, and operating equipment will contribute to its energy efficiency, and these factors are <u>expected to save approximately 270 tons of carbon dioxide emissions per year</u> . Energy efficiency measures include: <ul style="list-style-type: none"> <li>● external shading devices;</li> <li>● sensible heat recovery from exhaust air; and</li> </ul>

<sup>1</sup> This case was provided by Climate Finance Advisors (CFA) as a contribution to the Sharm El-Sheikh Guidebook for Just Financing

<sup>2</sup> Both equity and shareholder loan owned by Horafia.

<sup>3</sup> Ibid

<sup>4</sup> MIGA. Proposed Guarantees to Horafia S.A. of Switzerland for Equity and Quasi-Equity Investments in Mezz Afrique S.A.S. June 2017.

<sup>5</sup> Ibid

<sup>6</sup> Ibid

<sup>7</sup> Ibid

<sup>8</sup> République de Djibouti - Ministère de l'Habitat, de l'Urbanisme et de l'Environnement. [Contribution Prévues Déterminées au Niveau National de la République de Djibouti](#). Août 2015.

<sup>9</sup> UN Department of Economic and Social Affairs. [The 17 Goals](#).

	<ul style="list-style-type: none"> <li>higher thermal performance glass, among other measures.<sup>10</sup></li> </ul> <p>The building additionally includes water reduction measures such as a black water treatment and recycling system and low-flow faucets.</p>
ENABLING ENVIRONMENT (SUPPORTING POLICIES)	Articles 12 and 13 of the <a href="#">MIGA Convention</a> .
TECHNICAL ASSISTANCE (IF PROVIDED)	Project financial analysis (including estimates of the Project's projected income derived from leasing office space, and the Project's financial resilience) was provided by MIGA. <sup>11</sup>
FINANCING MODEL/APPROACH (EX: BLENDED FINANCE)	Blended Finance
RATIONALE FOR FINANCING MODEL/APPROACH	The MIGA guarantees are designed to provide coverage against various risks, including expropriation, transfer restriction, and war and civil disturbance. <sup>12</sup>
FINANCIAL INSTRUMENT(S) (LOANS (COMMERCIAL/ CONCESSIONAL), EQUITY, GUARANTEE)	MIGA provided guarantees (for up to USD 24.3 million) for Horafia to cover its equity and quasi-equity investments. <sup>13</sup>

DIAGRAM OF THE FINANCING STRUCTURE

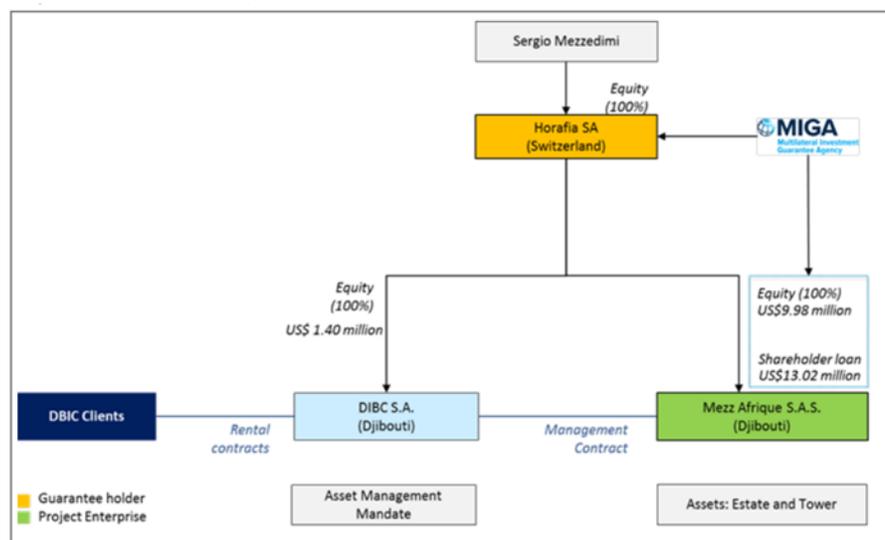


Figure 1 - Mezz Tower Project Structure<sup>14</sup>

**Executive Summary:** The Project is the use of MIGA guarantees to facilitate the financing and development of high-standing office facilities and integrated business services for a 17-story office tower (Djibouti International Business Center) in downtown Djibouti City, in partnership with Horafia (a private holding company based in Geneva Switzerland). The Project's architecture, materials, and operating equipment will contribute to its energy efficiency, and these factors are expected to save approximately 270 tons of carbon dioxide emissions per year. Energy efficiency measures include external shading devices, sensible heat recovery from exhaust air, and higher thermal performance glass, among other measures. The building additionally includes water reduction measures such as a black water treatment and recycling system and low-flow faucets.

The guarantees provided by MIGA (for up to USD 24.3 million) are designed to provide coverage against various project risks associated with its equity and quasi-equity investments. The Project provides much needed office space to the nation's capital (Djibouti City) and is expected to attract additional multinational companies and investors.

## Analysis

<sup>10</sup> World Bank Group. EDGE Certificate for Mezz Tower. April 2019.

<sup>11</sup> MIGA. Proposed Guarantees to Horafia S.A. of Switzerland for Equity and Quasi-Equity Investments in Mezz Afrique S.A.S. June 2017.

<sup>12</sup> Ibid

<sup>13</sup> Ibid

<sup>14</sup> Ibid

<p><b>WHAT MADE THIS PROJECT SUCCESSFUL?</b></p>	<p>Addressing climate mitigation goals: The Project is expected to save approximately 270 tons of carbon dioxide emissions per year through building energy efficiency measures, in alignment with the Country's NDC goals.<sup>15</sup></p> <p>Addressing barriers to investment: The MIGA guarantee provided coverage for the Project against a variety of risks, including expropriation, transfer restriction and war and civil disturbance.</p> <p>Financial returns: The Project is expected to generate rental/leasing income of USD 1.5 million per year (assuming a 95% average occupancy rate), as well as additional income from elective services.</p>
<p><b>TO WHAT EXTENT IS THIS MODEL SCALABLE?</b></p>	<p>The Project/project type is likely moderately to highly scalable, with the assumption that additional private partners would be interested in similar projects in similar risk contexts.</p>
<p><b>WHAT ARE THE NECESSARY CONDITIONS TO MAKE IT REPLICABLE IN OTHER COUNTRIES/REGIONS?</b></p>	<p>Like Horafia in Djibouti, additional private partners would need to meet the MIGA Convention requirements.</p>
<p><b>CONSTRAINTS/DRAWBACKS OF FINANCING MODEL</b></p>	<p>The MIGA guarantees do not necessarily target climate related projects specifically; the energy efficiency measures included in the Mezz Tower project were not the primary Project focus. Therefore, it may be difficult to utilize this guarantee platform to finance more 'climate-focused' projects that may not attract as much interest from private investors.</p>
<p><b>LESSONS LEARNT</b></p>	<ul style="list-style-type: none"> <li>● Project partners need to meet minimum MIGA Convention requirements to receive guarantees</li> <li>● Guarantees can reduce key risks for projects in developing contexts, such as conflict and transfer restrictions</li> <li>● More 'climate-focused' projects may have issues in finding private investors even if a guarantee is included in the financing structure</li> </ul>

<sup>15</sup> Ibid