

The Sida guarantee, a sovereign financial instrument backed by the Swedish government, enables mobilisation of capital for development purposes and encourages the private sector to engage in our mission of global poverty reduction.

Our mission is to create opportunities for people living in poverty and under oppression to improve their living conditions. In addition to grant funding, Sida issues guarantees to share risk with public and private entities in order to mobilise capital and attract new partners to reach development impact targets.

The purpose of Sida's guarantee instrument is to promote sustainable development, inclusive economic growth and poverty reduction by unlocking existing financial resources and facilitating access to credit.

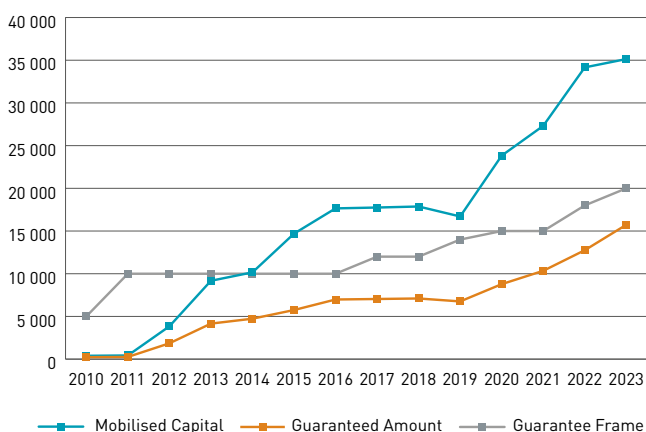
Guarantees may be used in all sectors and within the scope of any Swedish development cooperation strategy as a strategic and cost-effective instrument.

Our guarantee portfolio is well diversified geographically and covers sectors such as infrastructure, environment, market development, agriculture, health and democracy and human rights.



Manoj, a micro entrepreneur, WLB5-borrower and mother of two daughters living in India. Manoj owns a catering business in her neighbourhood. Source: IIX WLB5 Portfolio Company, India.

Chart 1: Portfolio Progression (MSEK)



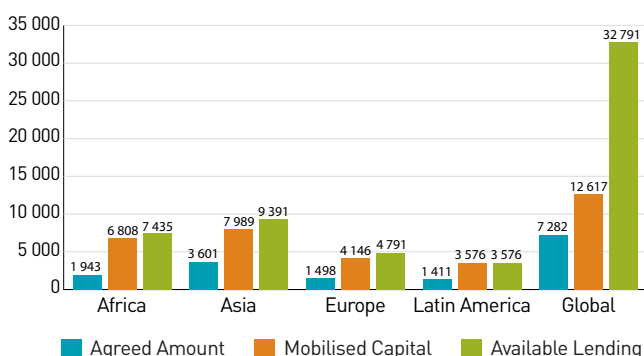
In bilateral development cooperation, guarantees are mainly used to enhance lending to certain target groups which have limited access to finance and to promote business activities of smallholders and entrepreneurs. Moreover, guarantees enable investments in clean and renewable energy, reduced emissions and other environmental investments.

In a regional and global context, guarantees are generally used to address global challenges and to promote a wider impact for Swedish thematic priorities, namely economically, socially and environmentally sustainable and climate friendly development, as well as human rights and democratisation. This way, guarantees support and contribute to generate additional resources as part of Sweden's national commitments, as it relates to the Addis Abeba Action Agenda for development financing and the implementation of the 2030 Agenda with the Global Goals for Sustainable Development (SDGs) and the Paris Climate Agreement.

The Guarantee Portfolio 2023

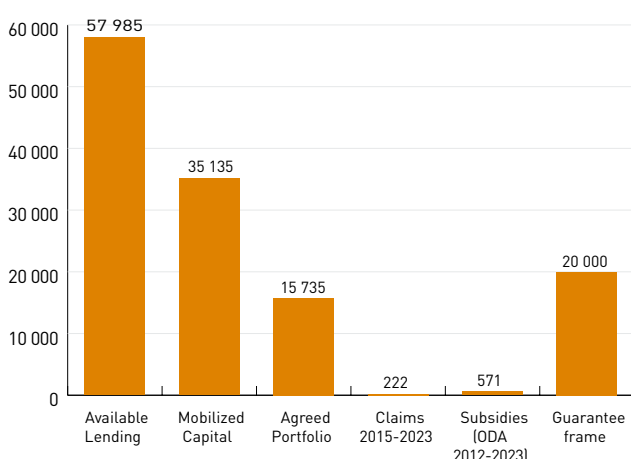
The portfolio has a wide reach across Africa, Europe, Asia, Latin America and Global projects (chart 2).

Chart 2: Sida Guarantee Portfolio. Mobilised Capital, Agreed Amount and Available Lending by Region, MSEK



By the end of 2023, the total guaranteed amount in Sida's guarantee portfolio amounted to SEK 15.7 billion, mobilising SEK 35.1 billion.¹ Since 2015, defaulted loans paid out as claims amounted to SEK 223 million, representing around 1.4 percent compared to the current total guaranteed volume. Chart 3 displays the total agreed guarantee volume at a cost of about SEK 571 million of ODA for subsidies of fees and administrative costs. Moreover, Sida has contributed to raise approximately SEK 58 billion in available lending.²

Chart 3: Guaranteed Amount in 2023, MSEK



¹ Mobilised capital refers to funding that is unlocked from other financial sources for lending to development purposes as a result of a guarantee agreement. According to the OECD/DAC's guidelines, mobilised capital is furthermore defined as the guarantor's share of the total value of a loan facility under a guarantee arrangement. For exchange to USD, please use the currency exchange rate of 10,04163 USD/SEK (rate of 31 December 2023 used for the closing of Sida's annual financial books).

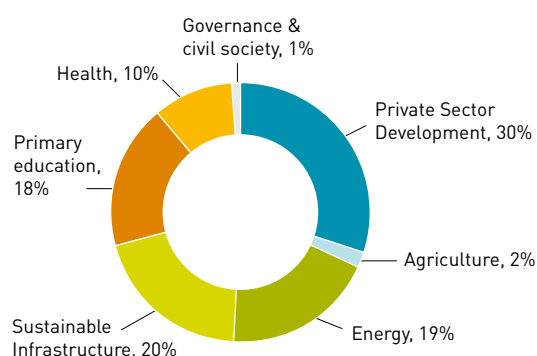
² Available lending refers to the total amount of possible lending generated by a guarantee arrangement. As opposed to mobilised capital, available lending includes the entire lending volume stemming from all guarantors' commitments.

Types of Guarantees

At present, the portfolio contains five different types of guarantees:

- Loan Portfolio Guarantees cover several loans or investments in a financial institution's portfolio on an individual and ongoing basis.
- Project Finance Guarantees cover a single loan between an identified lender and an identified borrower.
- Balance Sheet Guarantees utilize Sweden's AAA sovereign rating to release headroom in the balance sheet of the lender, which enables the financier to increase its lending using capital that was previously locked by capital requirements. The underlying asset can be, for instance, a loan or project portfolio.
- Fund Structure Guarantees cover a fund that is set up to attract capital for a certain purpose in line with Sida objectives, for example, improved public health. Typically, the guarantee covers potential net losses of the investment in its entirety at the final stage of the fund's closure.
- Volume Guarantees aim to insure manufacturers against low demand by guaranteeing sales of a certain volume. This has the potential of enabling economies of scale in the manufacturing stage, lowering the price for the consumer. This has proven to be effective in the health sector for the distribution of vaccines.

Chart 4: Agreed Guarantee Amount per Type of Guarantee, %



How does it work?

A Sida guarantee is a sovereign guarantee backed by the Swedish government and covers different types of risk, such as credit or political risk. By issuing a guarantee, Sida bears part of the underlying risk to enable financing and investments to serve development purposes. This way, the guarantee instrument provides similar loss protection mechanisms as an insurance policy. The risk is defined as Expected Loss, and based on this definition Sida charges a fee to the guaranteed party which is deposited into a service account. The funds collected are used to cover cost of claims in case of loan defaults.



Coffee farmer who has benefited from the credit guarantee facility, Oikocredit. Source: Magdalena Vogt, photographer.

AGRICULTURE

2017 Private Agricultural Sector Support (PASS)

PASS was founded by Denmark together with the Government of Tanzania to stimulate investments and boost growth in the agricultural sector. PASS provides financial services for smallholder farmers, as well as SMEs in the agricultural sector in Tanzania. A USD 20 million guarantee enables SMEs in the agricultural sector to receive loans from 15 commercial banks and financial institutions. So far, the guarantee, which on average covers 1/3 of the outstanding exposure, has contributed to PASS reaching more than 720 000 beneficiaries in total, 65 % of whom are women. Productivity has increased and income levels have gone up for firms in the agricultural sector in Tanzania, a sector that employs most of the country's population and a large proportion of those living in poverty.

WOMEN'S ECONOMIC EMPOWERMENT

2022, 2023 Impact Investment Exchange

Impact Investment Exchange (IIX) is an impact fund which issues the Women's Livelihood Bond Series (WLB) as listed on the Singapore Stock Exchange (SGX). These bonds, referred to as Orange Bonds, have been set up to advance gender equality by increasing access to finance for women and girls. Doing so by collectively empowering women to achieve sustainable livelihoods and build their resilience to socio-economic and environmental shocks and stresses. The WLB5 portfolio has reached some 45 000 women helping them to sustain their livelihoods and better combat gender-based discrimination, advancing gender equality through financial inclusion. WLB6 has the potential to empower more than 880 000 women and girls across Asia and Africa.

MARKET DEVELOPMENT – MULTISECTOR

2014, 2021 Palestine Guarantee Facilities to MEII

In 2014, Sida issued a USD 20 million revolving loan portfolio guarantee to Middle East Investment Initiative (MEII) in Palestine. MEII, in turn issue guarantees to local Palestinian banks lending to MSMEs in Area C, East Jerusalem, Hebron and Gaza. In 2017, the guarantee was amended and increased to USD 28.5 million, and in 2021, as the old guarantee lending window closed, a new guarantee was issued for USD 29 million. This includes new banks and MFIs and a window for lending to female borrowers as well as renewable energy and energy efficiency projects in Areas A and B. Over 10 500 jobs are estimated to have been created or sustained during the guarantees, of which approximately 16 % to women.

2024 Co-guarantee Proparco in DRC

The Democratic Republic of the Congo has one of the world's richest supply of natural resources, including over 1100 minerals and metals. Despite this, the DRC displays one of the highest levels of poverty in the world, with more than 70 % of its population considered to be living below the international poverty line. The co-guarantee with Proparco aims to mobilise private capital towards High Development Impact MSME, agriculture and rural development. The main focal points are e.g. green activity, women owned-business, health and education. The guarantee mobilises almost USD 8 million.

ENERGY – ENVIRONMENT

2022 Sunfunder Gigaton Fund

SunFunder Gigaton is an impact fund acting within the decentralized sector for renewable energy in sub-Saharan Africa and Asia. This guarantee mobilises up to 400 million USD in capital towards renewable energy, reduced carbon emission, climate adaptation, increased employment and sustainable economic development.

2024 IDB Amazonas

The purpose of the Amazon guarantee, issued to the Inter-American Development Bank (IDB), is to unlock IDB financing towards projects promoting the protection and sustainable development of the Amazon biome. The guarantee enables investments that may not be prioritized by the countries under their ordinary lending envelope. The guarantee, with a tenor of 22 years, expands the IDB's lending scope by approximately USD 460 million in the areas of sustainable and resilient landscapes, sustainable forestry and conservation, and bioeconomy in the Amazon region.