Guarantee instrument

Indicative terms and conditions - 2025

Disclaimer:

These Indicative Terms and Conditions are provided for informational purposes only and do not constitute a legally binding commitment by Sida or the Kingdom of Sweden. This document outlines standard terms and conditions for the product described herein; however, it is non-exhaustive and subject to change. The final terms of any guarantee will be determined through a formal agreement between Sida and the Guaranteed Party.

Indicative Terms and Conditions of the Guarantee

Type of guarantee	The instrument is a AAA-rated unfunded sovereign guarantee, backed by the Kingdom of Sweden. All guarantees issued by Sida must fulfill the requirements set out in the two Swedish Government ordinances: "*2011:211 Ordinance on loans and guarantees*", and "*2018:2098 Ordinance on Guarantees for Development Cooperation*".
Guarantee purpose	The purpose of the guarantee is to contribute to the overall objective of helping people living in poverty and oppression improve their living conditions, by improving access to capital and facilitating investments that help reduce poverty.
Target geographies and development impact	The guarantee must contribute to the achievement of development impact and be aligned with one of the Kingdom of Sweden's development cooperation strategies, contributing to the achievement of at least one of the development objectives under a strategy. More information on current strategies can be found here. The guarantee shall be for the benefit of recipients in countries on the DAC List of ODA Recipients, as updated from time to time.
Guaranteed party	The recipient of the guarantee must be a registered legal entity duly incorporated and validly existing under the laws of its jurisdiction of incorporation. Examples of former guaranteed parties include: commercial banks, multilateral development banks and investment funds. All guaranteed parties will undergo a due diligence process to assess their capacity. Neither the Guaranteed Party, nor its borrowers, can be on the lists of persons, groups or entities which are subject to United Nations or European Union financial sanction lists as determined by any of these entities from time to time.
Domicile	The guarantee cannot be channelled through, or directed to, international intermediaries domiciled in any of the countries listed on the Common EU list of third country jurisdictions for tax purposes, or countries not approved in in phase 1 or rated as Non-Compliant/Partially Compliant in phase 2 on the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes list, as updated from time to time.
Additionality	The guarantee must demonstrate developmental as well as financial additionality, i.e. the guarantee shall contribute to enabling the deployment of financing and development outcomes that would not occur without the guarantee.

Guarantee structure	The structure of the guarantee is assessed on a case-by-case basis. The following are examples of guarantee structures previously provided: <u>Loan portfolio guarantee:</u> Pari-passu risk-sharing with the guaranteed party to cover multiple loans within a portfolio. <u>Fund loss tranche guarantee:</u> Supports funds designed to attract private capital by providing a de-risking mechanism. The guarantee is structured as a tranche within the fund, covering potential net losses upon on fund closure or pre-set date. <u>Balance sheet optimization guarantee:</u> Leverages the Kingdom of Sweden's AAA rating to release headroom in a lender's balance sheet, allowing for increased lending. This structure is primarily used by Multilateral Development Banks. <u>Counter-guarantee:</u> Provides partial reimbursement to the issuer of a primary guarantee in case of a guaranteed party's default. This structure enhances risk coverage for other guarantors supporting projects and/or local financial institutions. <u>Volume guarantee:</u> Protects manufacturers against low demand by guaranteeing sales of a specified volume, e.g. vaccines. <u>Project finance guarantee:</u> Shares risk with the guaranteed party on a single loan transaction between a specific lender and borrower.
Guarantee amount	There is no pre-determined limit on the guarantee amount. The amount is determined based on what is deemed to be suitable risk-sharing, the underlying need of the portfolio, and the size of the envisaged transactions.
Guarantee tenor	The guarantee includes an availability period, during which loans can be included under the guarantee, and a coverage period, during which the guaranteed party may submit claims. The overall tenor is primarily guided by the needs of the underlying transactions.
Eligibility criteria	The guarantee is always subject to eligibility criteria for underlying borrowers and transactions. The guaranteed party is responsible for ensuring all transactions within the guaranteed portfolio comply with these criteria. Sida assesses eligibility only upon receiving a claim request from the guaranteed party.
Type of risk	The guarantee instrument primarily covers credit risk and applies only to new transactions – i.e. transactions occurring after the guarantee is effective. While guarantees may also cover other risk factors, Sida must be able to quantify the ex-ante cumulative expected loss of the guarantee.
Risk sharing	Sida ensures that risk is shared with the counterpart in the guarantee structure and does not provide full guarantees with 100% risk coverage. For portfolio guarantees, the standard risk coverage is 50%, with pari-passu risk-sharing on losses within the guaranteed portfolio. However, the final risk-sharing level is determined on a case-by-case basis, considering additionality and risk of market distortion.
Currency	The guarantee is issued in hard currency, such as EUR or USD, but is always denominated in SEK. However, underlying transactions within the guaranteed portfolio may be issued in other currencies, including local currencies. The applicable currencies for the transactions are determined on a case-by-case basis.

Guarantee costs and guarantee fee	A risk-based guarantee fee is charged, calculated based on the ex-ante cumulative expected loss and administrative costs associated with origination and monitoring.
Ex-ante cumulative expected loss	The expected loss component of the risk-based guarantee fee is calculated by the Swedish National Debt Office using an exposure forecast provided by the guaranteed party. This forecast typically including information on expected maturities, amortisation types, borrower types, portfolio concentration, and default and recovery assumptions.
Trigger event	Defines the conditions under which the guaranteed party may submit a claim for eligible transactions covered by the guarantee. In general, a trigger event may only be declared once a payment default has occurred, the guaranteed party has recognized a loan loss provision and all reasonable collection efforts have been diligently pursued to recover outstanding amounts.
Claim process	Sida has an established process for filing claim requests. In general, Sida requires two months from receipt of a complete claim request to review, approve and disburse the claim amount.
Post-claim recovery process	Following a trigger event, the guaranteed party shall continue to diligently pursue all reasonable collection efforts for as long as commercially reasonable, in accordance with its standard collection procedures. Any subsequent recoveries must be remitted pro-rata to the Guarantor, up to the total claim amount paid.
Reporting requirements	Sida must be granted access to all relevant financial reports, such as annual reports and audit statements. Additionally, all guaranteed parties must report on measurable development results based on agreed development indicators.
Audit rights	Sida reserves the right to conduct site visits and to require audits by external auditors appointed by Sida or the Swedish National Audit Office (Sw. *Riksrevisionen*).
Transparency requirements	Under the Swedish constitution and Swedish law, all documents received or sent by a government agency, including Sida, are generally public. Before disclosure, an assessment is made to determine whether any information is classified and exempt from public access. Read more here.
Governing law and arbitration	The guarantee agreement shall be governed by the substantive laws of the Kingdom of Sweden, excluding its conflict of law rules. Any dispute, controversy or claim arising out of or in connection to the guarantee agreement that cannot be settled amicably shall be finally settled by arbitration in accordance with the Arbitration Rules of the Arbitration Institute of the Stockholm Chamber of Commerce.
Termination of guarantee	Sida reserves the right to terminate the guarantee under specific circumstances, including misconduct, material non-compliance with the agreement, or non-payment of the guarantee fee.