Sida

EXAMPLES

Innovative Financing

Collaboration with the private & public sector

Global Health Investments

(Guarantees)

Malaria and diarrhea pose severe health risks to people in poor countries. To support world-wide private investment in a Health Fund and accelerate research for vaccines, Sida in alliance with Bill and Melinda Gates Foundation (BMGF), decided to issue guarantees.

The decision is part of Sida's ambition to stimulate investment in health programs benefitting people in poor countries and an aim to strengthen global work to prevent and mitigate diseases. To facilitate for private investors to engage, Sida and BMGF asked the international bank JP Morgan to organize a novel and catalytic transaction, for the purpose to borrow from global capital markets.

Support to Private Investments in Micro Finance

(Guarantees)

Another project is to scale-up a private fund created and managed by Deutsche Bank Americas, for the purpose to lend money to Micro Finance Institutions for on-lending to target people in poor countries for a business purpose, Sida issued a guarantee. This arrangement uses a guarantee in an innovative and catalytic way and enhances the transaction while convincing private investors to participate.

The fund, Global Commercial Microfinance Consortium II B.V. (Consortium II), is a closed-end fund seeking commitments from qualified private sector investors. The investors comprise mainly of private sector, including insurance companies and banks. Some philanthropists contribute with smaller amounts.

Consortium II's goal is to facilitate a renewed focus on client service and product innovation in micro finance, while continuing to develop the field of social investing. The fund provides senior and subordinated loans to microfinance institutions (MFIs) globally for up to seven years, and offers MFIs a range of maturities, amortization schedules and local currency funding, where possible.

The fund helps people in developing countries to borrow money from a bank which puts consumer protection and social aspects first. The guarantee plays a catalytic roll sharing a first loss portion together with Deutsche Bank to convince global private investors to lend money to the Fund.

Solar Home Systems – Bangladesh
(Environmental loan)

Not even half of the 150 million people in Bangladesh have access to grid electricity, and even less in rural areas. A solution that has proven more effective in providing millions of people in rural Bangladesh with electricity is off-grid electrification based on renewable energy, in the form of so-called "Solar Home Systems (SHS)".

THE PROGRAMME
The programme is constructed to build a commercially viable system, but subsidies targeted at the poorest aim at making the initial investment possible both for the companies and the customers. Producers offer a range of solar panels, from 10 to 135 watt, allowing customers to choose one they can afford. The customer has to make an initial down payment, but can then pay the installation off in instalments, and the total cost of providing the solar panel is subsidised at a set rate.

PARTNERS AND FINANCING
The SHS programme in Bangladesh has been operated by the World Bank since 2003. It is financed by several partners, for example local micro finance organisations, and implemented by local companies in partnerships with local NGO:s and partner organisations. Sida contributes 65 million SEK to the programme, through the Global Partnership on Output-based Aid.

RESULTS
- 1,2 million SHS installed 2011, far surpassing the original goal of 50,000.
- Current installations at the rate of 500,000 SHS/year, far more than the number of new connections to grid-based electricity.
- Improved quality of life for rural inhabitants.
- Improved productivity and profitability of local businesses.

CONTACT
For more information on Sida's Innovative Financing Programme, please contact a Swedish embassy through www.swedenabroad.com, or the Loans and Guarantees Unit at L&G@sida.se

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