

The mission of the Swedish International Development Cooperation Agency (Sida) is “to help create conditions that will enable poor people to improve their lives”. In addition to grant funding, Sida offers a guarantee instrument designed to absorb risks in order to unlock capital and promote development in the countries where Sida participates in development cooperation. This is a flexible and effective instrument that addresses the constraints related to access to finance.

Guarantees may be used in all countries, regions and globally where Sida implements a strategy, as decided by the Swedish Government. These strategies often include objectives related to sectors such as health, environment and climate, sustainable infrastructure, education, democracy and human rights, and market development.

Characteristics of Sida's guarantee instrument

- A guarantee represents Sida's commitment to insure an obligation of the beneficiary of the guarantee, based on previously agreed upon terms that satisfy both Sida's development objectives and the guarantee holder's requirements in order to finance the contribution.
- A guarantee by Sida is a sovereign guarantee, backed by the Swedish government.
- Sida is able to guarantee a variety of risks, such as credit risks and political risks, as well as more innovative structures where risk is absorbed by the guarantee (e.g. an advanced market commitment).
- Sida requires that the risk is shared with a partner, most often with a bank, a microfinance provider or other financial institution in order to avoid moral hazard. Sida will usually act as a co-guarantor together with a donor, development bank, or development finance institution.
- Sida will charge the guarantee beneficiary a fee that reflects the risk of future claims, as well as covers administration costs. However, under certain circumstances, Sida may subsidize part of the fee if the costs are not deemed reasonable for the beneficiary.
- Although there is no minimum amount involved when it comes to guarantees, it is often neither feasible nor economical to share risks with respect to small guarantees.
- Sida guarantees can support longer credit tenors and local currency.

- Sida will assess the risk of negative market distortion and unfair competition within the financial sector or the sector(s) that the guarantee will target.
- Sida will also assess the added value of the guarantee. The purpose of Sida's guarantees is to fill a financing gap that the market is unwilling to cover without risk sharing.



A growing farm thanks to growing credit. Sida and USAID have provided a USD 20 million guarantee facility in Kenya since 2012.



Types of guarantees

The following are the two most common types of guarantees:

- **A Portfolio Guarantee** is a guarantee that covers several investments or loans.
- **A Loan Guarantee** is a guarantee on a single loan between an identified lender and an identified borrower.

Sida may also choose to establish innovative structures, such as a **Portable Guarantee**, which is a letter of commitment that enables a borrower to “shop” for financing, subject to agreed conditions. Separate Loan Guarantees in favour of one or several lenders may be issued under such a Portable Guarantee. Another type of structure is

the Volume Guarantee, which guarantees part of the underlying market risk faced by a company seeking to raise capital or make investments; it can be linked to price and/or volume to elicit the investment and/or financing. Apart from these more basic types of guarantees, Sida can tailor guarantee structures on a case-by-case basis.

Sida's guarantee portfolio 2015

The portfolio contains of 29 projects, with an aggregate guaranteed volume of 3,500 MSEK. See below chart 1 and chart 2. This portfolio covers many of Sida's focus areas, such as health, environment, infrastructure, market development, and agriculture. The portfolio has a global reach, including African, European, Asian and Global projects.

Chart 1: Portfolio 2015 divided by result area/sector
(total volume of SEK 3.5 billion)

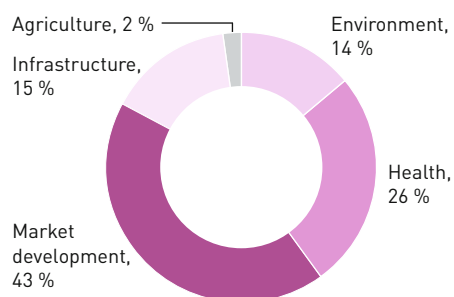
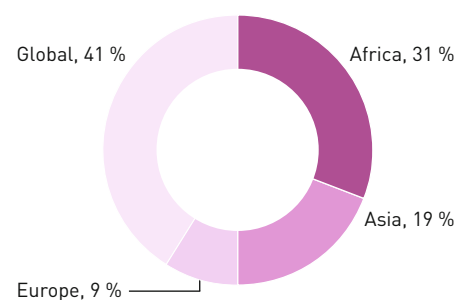


Chart 2: Portfolio 2015 divided by region
(total volume of SEK 3.5 billion)



For more information about Sida please visit www.sida.se

For more information about guarantees, please contact us at L&G@sida.se