Sida

Sida's Guarantee Portfolio

2015

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 wherever Sida implements a strategy, as decided by the Swedish Government.

The 2015 portfolio contains 29 projects, with an aggregate guaranteed volume of 3,500 MSEK. The portfolio covers many of Sida's result areas, such as health, environment, infrastructure, market development, and agriculture. See below chart 1 and chart 2. The instrument has a leverage of approximately 4.5 times the guaranteed volume.

Lending to smallholder farmers in Kenya

Sida and USAID have provided a common guarantee in order to increase lending to the agricultural sector in Kenya through private financial institutions since 2012. Together Sida and USAID guarantee the bank loans so that the bank is ready to lend money to farmers who do not have any of the usual collateral. The goal is to commercialise small-holder activities.

Kenyan dairy farmer Henry Mungai (pictured) is one of the farmers who have benefitted from the guarantee. He and his family have taken several loans through one of the partner institutions - the SMEP Microfinance Bank Limited - and been able to invest in their farm.

- "We aim to have 20 cows. But when we do we won't be able to sell unpasteurised milk any more, we would need to get our own pasteurisation facility or sell the milk to a dairy. We can ask SMEP for advice about that," says Henry.

Henry Mungai on his farm. Sida and USAID initiated the USD 20 million guarantee facility in 2012.

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

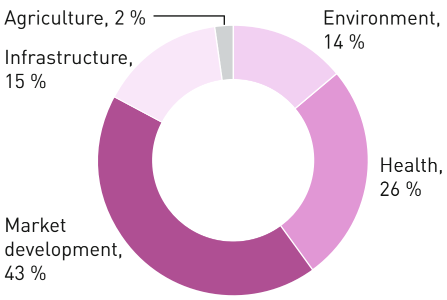
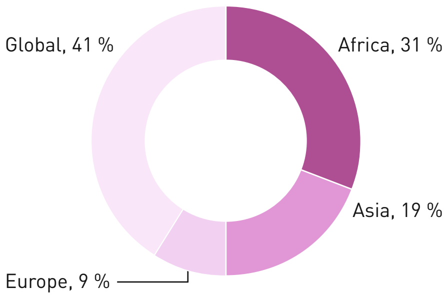


Chart 2: Portfolio 2015 divided by region
(total volume of SEK 3.5 billion)



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.

Bioenergy Zambia

Part of the Results strategy for Sweden’s international development cooperation in Zambia 2013 – 2017, Sida supports Madison Finance with a guarantee of 25 MSEK (2015-2021). The purpose of the program is to increase lending to SME’s in the bioenergy sector and in agriculture. Intended results are increased employment opportunities in rural and peri-urban areas, and to promote opportunities to start and run productive businesses.

SME financing Africa Region

As part of the Cooperation Strategy for Regional Development Cooperation with Sub-Saharan Africa 2010-2015, Sida supports the African Guarantee Fund with a guarantee of 50 MUSD, 2015-2023. The purpose of the program is to increase bank lending to the SME sector. The guarantee will contribute to economic growth and employment opportunities. During 2015, 25 banks have accessed the guarantee, which has resulted in lending to 185 SMEs in 13 different countries.

Independent Media

Within the Cooperation Strategy for special initiatives for democratization and freedom of expression, 2012–2014, Sida supports the Media Development Investment Fund, with a guarantee of 25 MSEK, 2015-2025. The fund will lend to independent media companies that promote freedom of expression in countries where these rights are threatened, and that qualify for development cooperation funding.

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

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