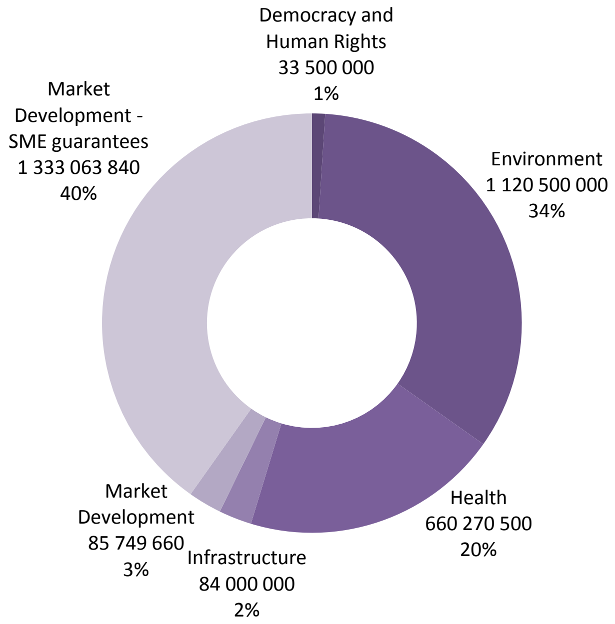
Sida's Guarantee Portfolio

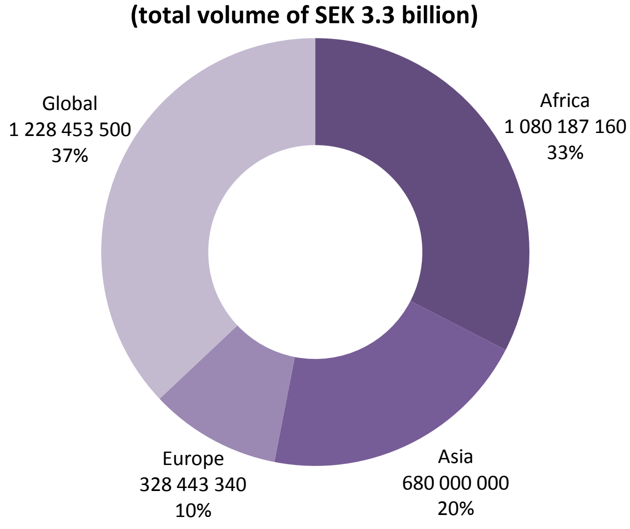
2016

Sida's guarantee instrument enables mobilisation of capital for development through innovative financial instruments and encourages corporate contributions to global poverty reduction. The guarantee instrument complements the grant portfolio and enables additional funding from the private sector, and new ways of creating impact. The guarantee instrument contributes to the goals of the Swedish Result Strategies on a bilateral, regional and global level. Sida's total guarantee portfolio contains 29 projects with a total guarantee value of SEK 3.3 billion. The portfolio covers many of Sida's result areas, with a main focus on health, environment, sustainable infrastructure and market development (chart 1). The portfolio has a global spread divided into Africa, Europe, Asia and Global projects (chart 2). *(Data source: LIS Contribution Portfolio 2016, April 28 2016)*

The portfolio 2016 divided by result area/sector (total volume of SEK 3.3 billion)



The portfolio 2016 divided by continent (total volume of SEK 3.3 billion)



Result area	Partner	Region/ Country	Period
Health			
The Implant Access Program	Gates Foundation	Global	2013-2019
Global Health Investment Fund	Gates Foundation	Global	2013-2024
Health Guarantee	CRDB, Ecobank (Uganda) and USAID	Uganda	2013-2020
Market Development			
Essential Capital Consortium	Deutsche Bank	Global	2014-2020
Commercial Microfinance Consortium 2	Deutsche Bank	Global	2012-2020
African Guarantee Fund	African Guarantee Fund	Africa	2014-2023
Conflict Affected and Fragile Economies Facility	Multilateral Investment Guarantee Agency (MIGA)	Global	2013-2033
Market Development – SME Guarantees			
Loan Portfolio Guarantees for Economic Growth and Agriculture	Raiffeisen Bank, Sberbank and USAID	Bosnia and Herzegovina	2010-2020
Loan Portfolio Guarantees for SMEs	ProCredit, Nova Banka, Sparkasse and USAID	Bosnia and Herzegovina	2015-2025
Agriculture Guarantee in Kenya	USAID	Kenya	2012-2019
Agriculture Guarantee in Mali	BICIM and USAID	Mali	2014-2021
Agriculture/Tourism Guarantee in Mozambique	USAID	Mozambique	2011-2019
Socremo Guarantee	Socremo Mozambique and USAID	Mozambique	2014-2020
Agriculture Guarantee in Zambia	USAID	Zambia	2012-2018
Loan Portfolio Guarantees for MSMEs	Barclays and USAID	Zimbabwe	2015-2022

Environment			
Global Guarantee Facility for Renewable Household Technologies	Misc. and USAID	Global	2014-2022
Loan Portfolio Guarantee for Energy Efficiency	Prime Capital and USAID	Moldova	2014-2029
Wind Power in Pakistan	Asian Development Bank	Pakistan	2012-2025
Nordic Environment Finance Corporation Portfolio Guarantee	NEFCO	Ukraine	2015-2027
Loan Portfolio Guarantees for Renewable Energy and Agriculture	Madison Finance Company and USAID	Zambia	2015-2022
Sustainable Infrastructure			
Angola Telecom Guarantee	Angola Telecom and Nordea	Angola	2007-2018
Housing Guarantee Facility	Middle East Infrastructure Initiative (MEII)	Palestine	2014-2034
Democracy and Human Rights			
MDIF Media Guarantee Facility	MDIF	Global	2015-2027

HEALTH

The Implant Access Program - a Volume Guarantee in Collaboration with Bill and Melinda Gates Foundation

Health of women and children, with a special focus on sexual and reproductive health and rights (SRHR), is a priority area within Sida's health cooperation. Along with other guarantors within this field, Sida issued a total guarantee of SEK 450 million to Bayer AG and to Merck Sharp & Dohme B.V.

This initiative resulted in a production of 40 million contraceptive implants to promote more modern family planning and save women and children lives in developing countries. Sida’s co-guarantee was a breakthrough in negotiations with the pharmaceutical companies and the price per implant was reduced by more than 50%. The program has improved global market dynamics for contraceptive implants through increasing the supply, access and capacity and thus prevented unwanted pregnancies and maternal mortality.

Global Health Investment Fund (GHIF)

GHIF is a $108 million social impact investment fund designed to improve the quality of people’s lives in low-income countries through the eradication of preventable diseases. The fund provides companies with investments structured to accelerate the development of products to address global health challenges and has supported research in tuberculosis, cholera and river blindness. Another area is maternal and infant health, where the fund is supporting a diagnostic tool for gestational diabetes mellitus.

The Gates Foundation has together with Sida substantially reduced the risk for investors making direct commitments to the fund by committing to provide a first loss guarantee. The transaction is approximately SEK 700 million and Sida’s guarantee is SEK 75 million.

By providing a guarantee and agreeing to share further losses with the fund’s direct investors, the Gates Foundation and Sida have been able to leverage investment which otherwise would not have been invested in the fund.

Health Guarantee in Uganda with Centenary Bank and Ecobank

The health program is a $10 million program designed to encourage the local banks in Uganda to extend additional credit to borrowers within the private healthcare value-chain in Uganda. Borrowers are identified as pharmaceutical wholesalers, retail dispensaries, service delivery franchisers and private clinics and hospitals, as well as service providers in their official capacity.

The first guarantee was issued in 2012 to the Centenary Bank with a total amount of $3 million. The guarantee was jointly underwritten by Sida and USAID. Each guarantor guarantees 30% of the principal loan with a ceiling of $3 million. In 2013 the guarantee was extended to the EcoBank enabling a total guarantee of $7 million. Sida and USAID guarantee 25% each of the portfolio risk. To ensure equitable geographic distribution of the guarantee’s benefits, 50% of the guarantee portfolio will be restricted to lending outside of the Central region, where the need for health services is most urgent. It will also have an increased focus on female entrepreneurship as Sida and USAID want the bank to aim for a certain percentage of borrowers in that group.

MARKET DEVELOPMENT

Essential Capital Consortium (ECC)

ECC is an innovative $50 million global venture debt impact fund established by Deutsche Bank's Global Social Finance. ECC focus on viable social businesses operating globally within energy, healthcare and BoP financial services that focus on underserved communities and have a strong commitment to bringing measurable and sustainable economic opportunities. Sida has provided a guarantee of $9.5 million, i.e. 19.2% of the senior fund capital, during 2014-2020.

Commercial Microfinance Consortium 2 (CMC)

The CMC is an innovative $100 million global impact fund established by Deutsche Bank for the purpose to lend money to microfinance institutions for on-lending to people in developing countries. The fund is targeting microfinance institutions that demonstrate and pursue excellence in customer service through transparency, responsible pricing and product innovation.

The guarantee, whereof Sida has provided $2 million, plays a catalytic roll sharing a first loss position together with Deutsche Bank to encourage global private investors to lend money to the fund. By putting Sida in first loss position Sida takes more risk than other capital borrowers need to do, which attracts more private capital to the fund. Up to date the fund has invested in 31 microfinance institutions and three social enterprises.

African Guarantee Fund (AGF)

The re-guaranteed portfolio is designed to support the AGFs ability to issue guarantees in support of Partner Lending Institutions' (PLI) incremental financing of African small- and medium-sized enterprises (SMEs). The overall purpose is to catalyse private sector capital for sustainable economic development in Africa. Sida will provide risk coverage of 50% with a ceiling of $50 million.

Conflict Affected and Fragile Economies Facility (CAFEF)

The impact of armed conflict on economic performance in a country is often very crucial for the future development. The initiative by CAFEF aims to increase resources in form of private investment to provide support to countries in conflict-affected and fragile economies. The fund will use donor partner contributions together with MIGA's guarantees to assume higher risk and insure more investment projects in these countries. It will target high development impact projects that support economic growth and poverty reduction through job creation, infrastructure services and access to financial markets.

Sida's contribution is a total amount of $10 million in donor funds and $30 million in guarantees. The fund's total size is expected to be $400 million.

Micro-, Small- and Medium-sized Enterprise Guarantees

Loan Guarantee for Economic Growth and Agriculture in Bosnia and Herzegovina

In 2010, one of Sida's three focus areas for the development collaboration with Bosnia and Herzegovina was market development with a focus on economic growth through better competitiveness of SMEs. Sida together with USAID issued two guarantees to Raiffeisen Bank and Sberbank to support economic growth and agriculture. The guarantees cover 50% of the credit risk of the banks' respective portfolios of SME and agricultural loans. These were the first two guarantees that Sida created in co-operation with USAID. To date, the two guarantees have resulted in more than 40 new loans, with a total value of $17 million creating 375 new jobs and sustaining some 1 200 jobs.

Sida and USAID have now decided to provide three new guarantees to support further lending to SMEs in Bosnia and Herzegovina, this time to the banks ProCredit, Sparkasse and Nova Banka, guaranteeing amounts of $7.5 million, $2.5 million and $5 million respectively. Sida and USAID will share the risk of the guarantees equally with 25% each, with the respective banks covering the rest.

Agriculture Guarantee in Kenya

In collaboration with USAID, Sida has issued a seven-year multiparty loan portfolio guarantee with three selected microfinance institutions (Kenya Women Finance Trust, SMEP Deposit Taking Microfinance and Micro Africa) in Kenya. This guarantee is intended to increase the microfinance institutions ability to offer loans to promote commercialization of the agricultural sector, leading to better food security, economic growth and more productive jobs in rural areas.

The three institutions have signed into one multiparty agreement worth $13 million. Sida is providing risk coverage of 30% and USAID 20% of the principal loan. The remaining risk is covered by the respective microfinance institutions.

Agriculture Guarantee in Cooperation with Kenya Commercial Bank (KCB)

This $15 million guarantee is provided to KCB to increase their ability to offer loans to promote private sector participation in the agricultural sector, assumingly leading to better food security, more productive jobs in rural areas and economic growth.

Borrowers are identified along the broad private agriculture value chains, including inputs and production, capital investment, aggregation, storage, processing, handling and transportation. Sida is providing risk coverage of 30% and USAID 20% of the total $15 million loan portfolio. The remaining risk is covered by KCB. To ensure equitable geographic distribution of the guarantee's benefits, at least 40% of all qualifying loans should be for projects in the Coast, Eastern, Nyanza, Rift Valley and Western Regions of Kenya.

Loan Guarantee for Agriculture and Women Entrepreneurs in Mali

The guarantee provided by Sida and USAID is intended to increase Bank of Africa's and BICIM's lending to the agricultural sector and to women entrepreneurs in all sectors in Mali. The total guarantee will provide the banks a loan facility of $13.75 million to promote micro-, small-, and medium-sized enterprises (MSMEs) in the agricultural sector. The banks will cover 50% of the risk, while Sida's and USAID's share of the guarantee covers 25% each with a ceiling of $3.4 million.

This initiative will encourage private banks to invest in microfinance institutions and MSMEs in the agricultural sector and women-owned businesses by sharing the risk with the banks through the use of a guarantee. This type of financing will help to commercialize the sector and thereby ultimately create direct increase in economic, employment and income opportunities through the growth of MSMEs.

The guarantee will be complemented by a technical assistance which will support borrowers in financial and business expertise as well as in product development.

Agriculture Development and Tourism in Mozambique

In 2011, a loan portfolio guarantee of $9 million proposed over a seven year period was established to the local bank Banco Terra in Mozambique to extend credit to the agriculture and tourism sector. Banco Terra covers 50% of the risk, while the remaining risk is distributed equally among the guarantors Sida and USAID. Through collateral substitution, the loan portfolio guarantee reduces the risk perception associated with lending to these sectors and stimulates the expansion of retail lending to medium-sized agribusiness and tourism enterprises. By today the total allowed loan from Banco Terra have been utilized.

Socremo Guarantee for SMES and Women-Owned Business

A loan portfolio guarantee was established between Socremo, Sida and USAID in order to increase lending to Mozambican privately owned micro and small enterprises operating in informal and formal sectors located in rural and urban areas focusing in women-owned businesses. The expected outcome is that after the end of the guarantee Socremo continues to lend to SMEs and women-owned enterprises. Sida is providing risk coverage of 45% with a guarantee framework with a maximum of $4.5 million. Socremo and USAID cover 50% and 5% respectively.

Agriculture Guarantee with Zanaco Bank in Zambia

The guaranteed loan is intended to increase lending to the agriculture sector in Zambia through a partnership with Zanaco Bank. The overall development target in terms of outcome is to increase lending with $91 million to small- and medium-sized self-governing enterprises in agriculture based value chains. At least 20% of the guaranteed loans will be made to women or women-owned enterprises. The total guarantee amount is $9 million and is jointly underwritten by Sida and USAID, who will provide a risk coverage of 30% respectively 20%.

Loan Portfolio Guarantees for MSMEs in Zimbabwe

Access to finance is one of the strongest obstacles for MSMEs to grow and expand in Zimbabwe, and only 14% of MSME owners today have access to financial services from the formal financial institutions. Considering that the national MSME sector employs 5.7 million people - with almost half of them being the owners of their own businesses – Sida has, together with USAID, decided to provide a $40 million loan portfolio guarantee to the bank Barclays, the fifth largest bank in Zimbabwe.

The target group for the loans is MSMEs in the agriculture sector and microfinance institutions. The loan portfolio will primarily target women-owned enterprises, youth-owned enterprises (aged 18-35), and enterprises for which the majority of their workforce is youth aged. At least 60% of the loan portfolio under the guarantee will target this group.

Half the risk will be covered by Sida and USAID with 35% and 15% respectively, and the rest will be covered by Barclays.

ENVIRONMENT

Global Guarantee Facility for Renewable Household Technologies

The proposed eight year, $100 million loan portfolio guarantee is intended to support the growth of social enterprises throughout the household technologies value chain. The overall development target is to increase access to financial services for SMEs in order to manufacture and distribute renewable household products. Through this, the negative environmental impact will reduce and improve the living conditions of the most vulnerable in the least developed countries in Asia, South America and Sub-Saharan Africa. The financial risk is shared between Sida, USAID and impact funds.

Loan Portfolio Guarantee for Energy Efficiency in Moldova

The overall objective of the intervention is to, together with the financial institution Prime Capital, promote investments that result in a rational and efficient use of energy in small scale industries, residential homes and commercial buildings located in both urban and rural areas. The purpose of providing the loan portfolio guarantee is to encourage the Moldovan financial market to extend additional credit to MSMEs and individuals who intend to undertake energy efficiency measures or investments in renewable energy.

Sida’s share of the guarantee covers 25% the maximum authorized portfolio amount of $3.5 million, USAID also covers 25% and Prime Capital themselves the remaining 50%. The guarantee will reduce the collateral requirements and thereby widen the customer base for energy efficiency loans.

Wind Power in Pakistan

The Swedish global strategy for environmental interventions outlines energy efficiencies and renewable energy as primary focus areas. Sida’s development partner, the Asian Development Bank (ADB) identified an opportunity to finance a project of two new wind turbines with an effect of 50 MW each, which would reduce the energy deficit by 100 MW (or 2%) and fitted well with the Swedish objectives. This project would also increase the possibilities for economic growth.

The direct outcome from this project is to generate just over 285GWh electricity per year, competitively priced and with low levels of carbon emissions. It is estimated to be 30-40% cheaper than using imported oil, diesel and coal for energy production. The project is estimated to decrease carbon emissions by 140 000 tons per year.

Sida's support to the project increased the supply of green energy for households, businesses and industry who suffer of a large energy deficit and increased costs of imported fuels. Jointly with ADB, Sida provided a guarantee of $96 million, i.e. Sida’s part of the guarantee amounts to a maximum of $48 million. In addition to this the project created job opportunities from start, with the construction of the turbines and towers, and for operations and maintenance. Completion was achieved in 2015.

Portfolio Guarantee to Nordic Environment Finance Corporation (NEFCO), in Ukraine

NEFCO's main focus is to generate positive environmental effects of interest to the Nordic region. To enable NEFCO to continue financing of municipal infrastructure investments in Ukraine, Sida has approved to guarantee 50% of NEFCO’s lending in the country, both in respect to safe-guarding existing projects and continued operation, with a ceiling of MSEK 175.

Loan Portfolio Guarantees for Renewable Energy and Agriculture in Zambia

This $8 million, 7-year loan portfolio guarantee with Madison Finance Company in Zambia is intended to support loans to individuals and businesses, especially those operating along the agriculture value chain, including small scale farmers and farmers' cooperatives, for the purchase of renewable energy and/or companies requiring capital to produce renewable energy products. The guarantee will be structured in such a way that a minimum of 50% will cover loans for renewable energy products and a maximum of 50% will cover agricultural loans. This intervention will contribute to the Embassy of Sweden's broader push for off-grid renewable energy solutions and to the Power Africa initiative. The guarantee is facilitated by the Dutch development organisation SNV's project aimed at installing 3 375 biodigesters over a three years period (grant financed by Sweden) as well as a USAID supported ASNAPP (Agribusiness in Sustainable Natural African Plant Products) programme aimed to enhance growth in the African indigenous plant products and horticultural industries.

Madison Finance will cover 50% of the risk and Sida and USAID will cover 25% respectively.

SUSTAINABLE INFRASTRUCTURE

Angola Telecom Guarantee

The guarantee comprises instalment of a fiber optic cable along Angola's coast to be undertaken by the state-owned company Angola Telecom. Angola Telecom is a telecommunications and Internet service owned by the Angola state which provides the society with telecommunications services for the social and economic development and the welfare of the Angolan people. In 2008 Sida provided a guarantee to Nordea AB forming part of the bank syndicate financing Angola Telecom's purchase and installation of the fiber optic cable along Angola's coast. Sida's guarantee paved the way for continued investment appetite and reduced the high guarantee premiums previously charged due to the assumed, but not market based, risk associated with Angola.

Housing Guarantee Facility in Palestine

The contribution is a guarantee facility of $20 million which was signed in 2014 to promote lending from Palestinian banks to SMEs in East Jerusalem, Gaza and in area C in the West Bank where the availability of credit is limited. The guarantee also promotes housing financing in East Jerusalem and in Gaza. The guarantee is provided to the Middle East Investment initiative (MEII), which in turn guarantees Palestinian banks. The guarantee is valid for 20 years.

DEMOCRACY AND HUMAN RIGHTS

The Media Development Investment Fund (MDIF) Media Guarantee Facility

Media plays an essential role in the functioning of a democracy. Free press should inform the public of how effectively its representatives have performed and also help to hold them to account, provide information which helps the public to make informed decisions, and promote the economy by bringing together buyers and sellers through advertising. However, more than 86% of the world's population has a limited access to independent media since they live in countries where media is state-owned or controlled by private individuals with special interests.

MDIF therefore aims at improving the financial viability and audience reach of independent news businesses (in developing countries) so they are able to expose corruption, hold governments accountable and provide relevant information to more people. Sida has cooperated with MDIF a number of times since the year 1998, and has recently decided to provide a guarantee of $2.7 million to help the fund reach their goal of $9 million in their loan fund, invested by external investors (e.g. social investors). The fund will provide both emerging and existing independent media actors in OECD-DAC countries with capital through loans and grants, as well as with technical assistance to improve the effectiveness of the actors involved.

Contact

For more information on Sida's Guarantee Portfolio, please contact the Loans and Guarantees Unit at L&G@sida.se

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