

## Sida's guarantee instrument enables mobilisation of capital for development purposes and encourages private sector to engage in Sida's mission of global poverty reduction.

Sida's mission is to create opportunities for people living in poverty and under oppression to improve their living conditions. In addition to grant funding, Sida offers a guarantee instrument designed to share risk with public and private actors in order to mobilize additional capital and bring in new partners to reach development impact.

The purpose of Sida's guarantee instrument is to promote sustainable development, inclusive economic growth and poverty reduction by unlocking existing financial resources and facilitating access to credit. Guarantees may be used in all sectors as a strategic and cost-effective instrument within the scope of any Swedish Development Cooperation Strategy.

The portfolio has a wide geographical spread and covers many of Sida's results areas, such as infrastructure, environment, market development, agriculture, health and democracy and human rights (chart 1).

In bilateral development cooperation, guarantees are mainly used with the purpose to enhance lending

to certain target groups with limited access to credits and promote business activities of smallholders and entrepreneurs. Guarantees are also used for investments in clean and more efficient energy production, reduced emissions and environmental improvements.

In regional and global contributions, guarantees are used to meet global challenges and reach a wider impact for Sweden's thematic priorities, namely economically, socially and environmentally sustainable and climate friendly development as well as human rights and democratisation. In this perspective, the guarantee instrument can contribute ambitiously to generate additional resources as part of Sweden's commitments in relation to the Addis Abeba Action Agenda for development financing and the implementation of the 2030 Agenda with the Global Goals for Sustainable Development (SDGs) and the Paris Climate Agreement.



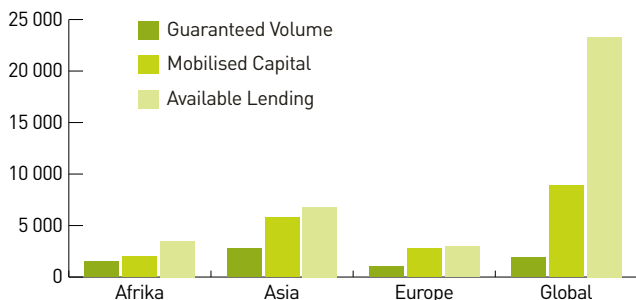
Photo: Elena Sahlin/Sida

BALEO BASHAMUKO, garment shop owner in Goma, who have accessed financing because of Sida&USAID guarantee in DR Congo. t.l E Kumba, bank credit manager Goma branch Finca.

## The Guarantee Portfolio 2017

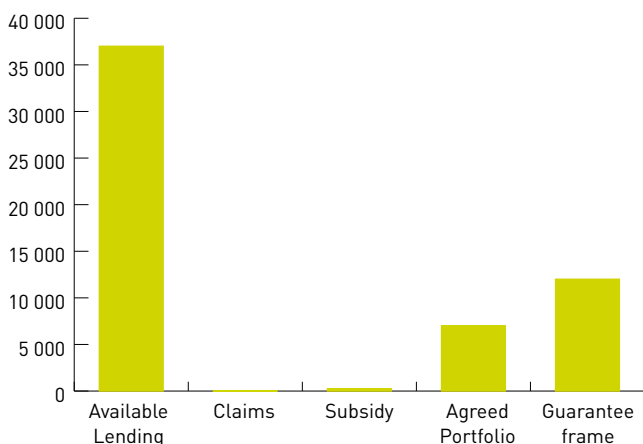
The portfolio has a global spread divided into Africa, Europe, Asia and Global projects (chart 1).

**Chart 1: Sida Guarantee Portfolio Mobilised capital, agreed amount and available lending in different regions, MSEK**



By the end of 2017, Sida's has guaranteed nearly SEK 7 billion, having generated almost SEK 19 billion in mobilized capital<sup>1</sup> and made close to SEK 37 billion available for lending<sup>2</sup>. Since 2015, the unrepaid loans claimed to Sida have amounted to SEK 5 million, i.e below 1% percent compared to the guaranteed volume. (Chart 2).

**Chart 2: Guaranteed amount in 2017, MSEK**



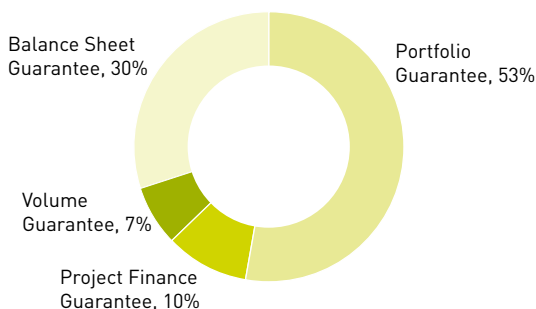
(Data source: L&G Portfolio Analysis 2017)

## Types of Guarantees

- A Portfolio Guarantee – a guarantee that covers several investment or loans. The type of loans or target groups covered are pre-defined in the guarantee agreement between Sida and the guaranteed financial entity.
- A Project Finance Guarantee – guarantee on a single loan between an identified lender and an identified borrower.

- A Volume Guarantee – guarantees a part of the underlying market risk linked to price and/or volume, for example in the form of an agreement between buyers and suppliers with regards to purchasing a minimum volume of a product or service.
- A Balance Sheet Guarantee – a guarantee in which Sweden's high credit-rating is used to release headroom in the balance sheet of the lender, which will enable the financier to increase its lending. The underlying asset can be, for instance, a loan or project portfolio.

**Chart 3: Types of Sida guarantees, portfolio of 2017. Divided by guaranteed volume, in %**



## How does it work?

A guarantee by Sida is a sovereign guarantee, backed by the Swedish government. A Sida guarantee can cover different types of risk, such as credit or political risks. The point with guarantees is that the entire guaranteed amount is never meant to be paid out. Risk is shared with others to unlock the existing financing and investments to serve for the development purposes.

An external risk assessment of the political and commercial risks is made by the National Debt Office. The risk is estimated in an amount, called expected loss. Based on the expected loss, Sida charges a guarantee fee to the bank or organisation receiving the guarantee. When necessary, a part of the guarantee fee can be subsidized by Sida grants. The expected loss amount including subsidy is paid to the state guarantee service account. The funds from the service account are used for the payments in case of defaults. No other Sida resources for grants are used for the repayment of defaults.

<sup>1</sup> Mobilized capital refers to funding that is unlocked from other financial sources for lending for development purposes as a result of a guarantee agreement. According to the OECD/DAC's guidelines, mobilized capital is furthermore defined as the guarantor's share of the total value of a loan facility under a guarantee arrangement

<sup>2</sup> Available lending refers to the total amount of possible lending generated by a guarantee arrangement. As opposed to mobilized capital, available lending includes the entire lending volume stemming from all guarantors' commitments.

| Sector                                                                   | Partner                                            | Country/Region            | Period    |
|--------------------------------------------------------------------------|----------------------------------------------------|---------------------------|-----------|
| <b>AGRICULTURE</b>                                                       |                                                    |                           |           |
| Banco Terra Agriculture and Toursim LPG                                  | USAID & Banco Terra                                | Mozambique                | 2011–2019 |
| KCB Agriculture LPG                                                      | USAID & Kenya Commercial Bank                      | Kenya                     | 2012–2019 |
| Agriculture Multi Party LPG                                              | USAID & KWFT, SMEP and Micro Africa Ltd            | Kenya                     | 2012–2019 |
| Zanaco Agriculture LPG                                                   | USAID & Zambia National Commercial Bank            | Zambia                    | 2012–2018 |
| Mali Agriculture and Women entrepreneurs LPG                             | USAID & Bank of Africa (BoA)                       | Mali                      | 2014–2021 |
| Private Agriculture Sector Support (PASS) Loan Portfolio Guarantee (LPG) | Private Agriculture Sector Support Trust           | Tanzania                  | 2017–2024 |
| <b>SUSTAINABLE INFRASTRUCTURE</b>                                        |                                                    |                           |           |
| IFC LPG                                                                  | International Finance Corporation/World Bank Group | Global                    | 2017–2042 |
| <b>ENERGY – ENVIRONMENT</b>                                              |                                                    |                           |           |
| Pakistan Guar Windpower Project Finance Guarantee                        | Asian Development Bank                             | Pakistan                  | 2012–2025 |
| Moldova Sustainable Energy LPG                                           | USAID & Prime Capital                              | Moldova                   | 2014–2029 |
| NEFCO LPG                                                                | Nordic Environment Finance Corporation, NEFCO      | Ukraine                   | 2015–2027 |
| Zambia Bioenergy LPG                                                     | USAID & Madison Finance                            | Zambia                    | 2015–2022 |
| NEFCO Energy Efficiency Ukraine Education                                | NEFCO                                              | Ukraine                   | 2017–2022 |
| TRINE Crowdfunding Renewable Energy LPG                                  | TRINE AB                                           | Regional Africa           | 2018–2023 |
| Renewable Energy Rwanda LPG                                              | Development Bank of Rwanda (BRD)                   | Rwanda                    | 2018–2026 |
| <b>DEMOCRACY &amp; HUMAN RIGHTS</b>                                      |                                                    |                           |           |
| Media Guarantee Facility, MDIF                                           | Media Development Investment Fund                  | Global                    | 2015–2027 |
| <b>HEALTH</b>                                                            |                                                    |                           |           |
| Uganda Health LPG                                                        | USAID & CRDB                                       | Global                    | 2013–2020 |
| Global Health Investment Fund LPG                                        | Bill & Melinda Gates Foundation                    | Global                    | 2013–2024 |
| Implants Volume Guarantees                                               | Gates Foundation & Bayer, Merck                    | Global                    | 2013–2019 |
| <b>MARKET DEVELOPMENT – MULTISECTOR</b>                                  |                                                    |                           |           |
| BiH Raiffeisen Bank LPG                                                  | USAID & Raiffeisen Bank                            | Bosnia and Herzegovina    | 2010–2020 |
| BiH Sberbank LPG                                                         | USAID & Sberbank (formerly Volksbank)              | Bosnia and Herzegovina    | 2010–2020 |
| Commercial Microfinance Consortium II LPG                                | Deutsche Bank                                      | Global                    | 2012–2020 |
| Conflict-Affected and Fragile Economies Facility, CAFEF, LPG             | Multilateral Investment Guarantee Agency, MIGA     | Global                    | 2013–2033 |
| Essential Capital Consortium LPG                                         | Deutsche Bank                                      | Global                    | 2014–2020 |
| Global Guarantee Facility Household Technologies LPG                     | USAID & Calvert, Social Alpha                      | Global                    | 2014–2022 |
| Socremo LPG                                                              | USAID & Socremo                                    | Mozambique                | 2014–2020 |
| Palestine LPG Facility/ MEII                                             | Middle East Infrastructure Initiative, MEII        | Palestine                 | 2014–2034 |
| African Guarantee Fund, AGF, LPG                                         | African Guarantee Fund                             | Regional Africa           | 2014–2023 |
| Zimbabwe MSME LPG                                                        | USAID & Barclays Bank                              | Zimbabwe                  | 2015–2022 |
| BiH ProCredit LPG                                                        | USAID & ProCredit                                  | Bosnia and Herzegovina    | 2015–2025 |
| BiH Sparkasse LPG                                                        | USAID & Sparkasse                                  | Bosnia and Herzegovina    | 2015–2025 |
| BiH Nova Banka LPG                                                       | USAID & Nova Banka                                 | Bosnia and Herzegovina    | 2015–2025 |
| DRC FINCA/ProCredit LPG                                                  | USAID & Finca, ProCredit                           | Democratic Republic Congo | 2016–2023 |
| Ethiopia Enat Bank LPG                                                   | USAID & Enat Bank                                  | Ethiopia                  | 2016–2023 |
| Asian Development Bank LPG/Balance sheet guarantee                       | Asian Development Bank                             | Regional Asia             | 2016–2026 |
| Kosovo Credit Guarantee Fund LPG                                         | Kosovo Credit Guarantee Fund, KCGF                 | Kosovo                    | 2017–2024 |
| Somalia Credit Guarantee Scheme (SCGS)                                   | One Earth Future Foundation                        | Somalia                   | 2018–2023 |

## AGRICULTURE

### 2011 Mozambique Banco Terra Agriculture Development and Tourism

In 2011, a loan portfolio guarantee of USD 9 million 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.

### 2012 Kenya Commercial Bank (KCB) Agriculture Guarantee in Cooperation

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

Sida is providing risk coverage of 30% and USAID 20% of the 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.

### 2012 Kenya Agriculture Multi Party LPG

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 USD13 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.

### 2012 Zambia Agriculture Guarantee with Zanaco Bank

The guarantee is intended to increase lending to the agriculture sector in Zambia through a partnership with Zanaco Bank. The overall target is to increase lending with USD 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 USD 9 million and is jointly underwritten by Sida and USAID, who will provide a risk coverage of 30% respectively 20%.

### 2014 Mali Agriculture and Women Entrepreneurs LPG

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 USD 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 USD3.4 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. The guarantee is complemented by a technical assistance which will support borrowers in financial and business expertise as well as in product development.

### 2017 Private Agricultural Sector Support (PASS)

PASS was founded by Denmark together with the Government of Tanzania to stimulate investments and boost growth in the agricultural sector. PASS provides financial services for small farmers, as well as SMEs in the agricultural sector in Tanzania. A USD 20 million guarantee will enable SMEs in the agricultural sector to receive loans from 15 commercial banks and financial institutions. The cooperation is expected to lead to more jobs, increased productivity and higher income in the agricultural sector in Tanzania, a sector that employs most of the country's population and a large proportion of those living in poverty.

## SUSTAINABLE INFRASTRUCTURE

### 2017 International Finance Cooperation (IFC)

IFC is part of the World Bank Group and promotes sustainable economic growth through investment and advisory services in the private sector in developing countries. Sida and IFC have jointly developed a model where institutional capital is invested alongside IFC's in sustainable infrastructure projects. Insurance companies have set up a USD 1 billion fund, to be used for lending to new IFC projects. Sida's guarantee enables IFC to make more sustainable investments in low-income countries and to further invest in renewable energy.

IFC covers risks in the two funds through a first loss tranche of 10% and Sida counter-guarantees IFC. The guarantee is expected to cover 20-25 individual projects with a maximum coverage of USD 57 million. Loans covered by Sida's guarantee will be committed over the next five years and are expected to cover loans with a maturity of up to 20 years.

## ENERGY – ENVIRONMENT

### 2012 Pakistan Wind Power

The Swedish global strategy for environmental interventions outlines energy efficiencies and renewable energy as primary focus areas. Asian Development Bank (ADB) guarantee enables finance to a project of two new

wind turbines with an effect of 50 MW each, which will reduce the energy deficit in Pakistan by 100 MW (or 2%). The direct outcome from this project is to generate just over 285 GWh 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. Jointly with ADB, Sida provided a guarantee of USD 96 million, i.e. Sida's part of the guarantee amounts to a maximum of USD 48 million.

#### **2014 Moldova Sustainable Energy**

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 USD 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.

#### **2015 Ukraine Nordic Environment Finance Corporation (NEFCO)**

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, in 2014 Sida has approved a guarantee to NEFCO's lending in the country, both in respect to safeguarding existing projects and continued operation. After a successful start, Sida and NEFCO has decided to prolong the agreement in 2017, resulting in a EUR 25 million guarantee covering 50% of the risk. The guarantee will allow NEFCO to provide 50 MEUR of lending to 11–13 projects.

#### **2015 Zambia Renewable Energy and Agriculture**

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

#### **2017 Ukraine NEFCO Energy Efficiency Higher Education**

NEFCO Energy Efficiency Higher Education guarantee was finalised in 2017. The EUR 27 million Sida guarantee will make available EUR 30 million for NEFCOs lending to finance energy efficiency investments in Ukrainian universities. NEFCO is financing this project together with the European Investment Bank (EIB). EIB is lending EUR 120 million to the project. Financing is provided to energy efficiency improvement of 14 university buildings in Ukraine. The improvements include insulation, ventilation, air conditioning systems and electrical installations, heating systems with wiring, sub-stations and boilers. In addition to energy efficiency, up to 15% of investments will go to new training equipment.

#### **2018 Crowdfunding Renewable Energy**

Trine is a crowdfunding platform in Sweden that arranges grassroot finance for renewable energy solutions and loans to Energy Service Providers (ESP) in sub-Saharan Africa. The ESP's demand for debt finance is large but the supply from local banks is restricted. Today, potential investments are limited due to high perceived risks, and, therefore, the guarantee is expected to have a catalytic effect and generate a positive track record that will engage even more investors and increase the mobilization of capital. Trine facilitates investors to finance the ESPs through its online platform.

Sida has issued a EUR 60 million guarantee, sharing 60% of the loans given by Trine to the ESPs. The contribution is expected to improve access to renewable energy sources for people living in poverty, and increase production of renewable energy as people with limited financial means in this area have poor access to expensive grid connections. The ESP's financial models offers access to solar energy solutions through installment and repayment through a mobile phone, making it accessible. In total, Trine is expected to mobilize SEK 100 million in private capital, provide around 550 thousand people access to renewable energy, increase installed effect by 1 MW based on renewable energy sources and avoid 200 million kg CO<sub>2</sub> emissions annually.

#### **2018 Rwanda Renewable Energy**

The financial institutions in Rwanda traditionally are cautious with lending to energy investments due to the perceived high risk. SMEs operating in the energy sector are considered pivotal for achieving the country's target to substantially increase energy supply and, at the same time, increasing access to electrification to 100% of households. Sida and the Development Bank of Rwanda (BRD) have agreed on a USD 20 million portfolio guarantee facility over eight years energy loans. The Sida guarantee is 50%, however, for female borrowers Sida is covering 70% of potential losses. The intervention expects to support the development of, and access to, affordable and clean energy solutions in areas not covered by Rwanda's national Energy Access Roll-Out Programme (EARP) for grid expansion.

## DEMOCRACY AND HUMAN RIGHTS

### 2015 The Media Development Investment Fund (MDIF)

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 decided to provide a guarantee of USD 5.4 million to help MDIF reach their goal of USD 12 million in their loan funds, invested by external investors (e.g. social investors). The intervention is complemented by a technical assistance support.

## HEALTH

### 2013 Ugand Health Guarantee with Centenary Bank

The health guarantee to Centenary Bank of USD 3 million is designed to extend 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 guarantee was jointly underwritten by Sida and USAID. Each guarantor guarantees 30 % of the principal loan with a ceiling of USD3 million.

### 2013 Global Health Investment Fund (GHIF)

GHIF is a USD 108 million social impact investment fund designed to improve the quality of people's lives in lowincome 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 USD 70 million and Sida's guarantee is USD 7.5 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.

### 2013 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 USD 45 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.

## MARKET DEVELOPMENT – MULTISECTOR

### 2010 Bosnia and Herzegovina Economic Growth and Agriculture

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 cooperation with USAID.

In 2015 Sida and USAID 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 USD 7.5 million, USD 2.5 million and USD 5 million respectively. Sida and USAID will share the risk of the guarantees equally with 25 % each, with the respective banks covering the rest.

### 2012 Commercial Microfinance Consortium 2 (CMC)

The CMC is an innovative USD 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 USD 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.

### **2013 Conflict Affected and Fragile Economies Facility (CAFEF)**

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 USD 10 million in donor funds and USD 30 million in guarantees. The fund's total size is expected to be USD 400 million.

### **2014 Essential Capital Consortium (ECC)**

ECC is an innovative USD 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 USD 9.5 million, i.e. 19.2% of the senior fund capital.

### **2014 Global Guarantee Facility for Renewable Household Technologies**

The loan portfolio guarantee of USD 100 million 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.

### **2014 Mozambique 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 USD 4.5 million. Socremo and USAID cover 50% and 5% respectively.

### **2014 Palestine Housing Guarantee Facility**

The contribution is a guarantee facility of USD 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.

### **2014 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 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 USD 50 million.

### **2015 Zimbabwe Loan Portfolio Guarantees for MSMEs**

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. Sida has, together with USAID, decided to provide a USD 40 million loan portfolio guarantee to the Barclays Bank. 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. Half the risk will be covered by Sida and USAID with 35% and 15% respectively, and the rest will be covered by The bank.

### **2016 RD Congo Finca and Procredit**

Lack of finance for agriculture and sustainable energy investments remains an important constraint to sustainable growth in the Democratic Republic of Congo. Many banks in the country earn a large share of their income through fees and through investments in relatively low risk government bonds. This is negative for financial inclusion and means less finance available for MSMEs. The agricultural sector is particularly disadvantaged. In order to spur lending to SMEs in the agriculture and renewable energy sectors, Sida and USAID have provided a USD 8,9 million guarantee facility to Procredit Bank Congo and Finca RD Congo. Beneficiaries are MSMEs in the North and South Kivu provinces.

### **2016 Ethiopia ENAT**

Low access to credit is a major development challenge in Ethiopia. Just like in many other African economies, banks typically focus on large corporate- and government clients in order to manage risk. Women owned SMEs are particularly disadvantaged. In order to increase lending to women owned/managed SMEs, Sida and USAID have set up a USD 10 million portfolio guarantee to Enat bank. Enat is a niche bank focusing on lending to women owned/managed SMEs in Ethiopia. It was founded in 2013 by women – for women – and is still majority-owned by women. The bank's decision to focus on women is entirely business driven i.e. based on portfolio data. Enat gives women higher credit ratings than men. If Enat Bank succeeds in making its niche profitable, other financial institutions on the Ethiopian banking market may follow suit.

## 2016 ADB

The Asian Development Bank is an important regional development partner for Sweden. Sweden's main cooperation with ADB is in clean energy, environment and climate, sustainable urban infrastructure, agriculture and inclusive business.

The Government of Sweden, through Sida, has issued a balance sheet guarantee for a part of loans given by ADB to development projects in Asia. The guarantee stretches over 10 years, totaling USD 155 million, with a possibility for ADB to increase its lending up to USD 500 million. The main features of the guarantee are to use Sweden's high credit-rating to release headroom in the balance sheet of ADB, which will enable ADB to increase its lending. The chosen asset (project portfolio) to be guaranteed has a low risk profile, which increases the leverage created by the guarantee. The released lending headroom contributes to new lending by ADB.

## 2017 Kosovo Credit Guarantee Funds (KCGF)

To address the problems faced by MSMEs in Kosovo, the Ministry of Trade and Industry (MTI) and USAID in 2012 jointly unveiled plans to establish the Kosovo Credit Guarantee Fund (KCGF). Sida's contribution to KCGF is a re-guarantee which will off-load risk on Sida and increase the capital base of the fund. The re-guarantee facility amounts to EUR 10 million. Sida covers 50% of KCGF's possible losses and KCGF, in turn, covers 50% of the banks' eventual losses. The Sida re-guarantee should serve to encourage the Central Bank of Kosovo to generally view its risk weighting of KCGF's products more favorably and potentially the banks could be encouraged to allocate more lending under the guarantee program. Overall Sida's support via a re-guarantee is perceived very positively by KCGF and the Central Bank of Kosovo, as it is likely that it will (directly and indirectly) enable KCGF to generate a greater volume of guarantees and thereby revenues, which are needed to cover the costs of the facility and improving its sustainability.

## 2018 SOMALIA Credit Guarantee Scheme (SCGS) – Shuraako

The financial sector in Somalia is underdeveloped and financial institutions practice an exclusive approach towards lending that only benefit the few who can provide collateral. The cost of credit is high and allows only for short-term financing. The majority of the population, especially women and young people, are excluded from the financial sector due to lack of collateral and perceived risk level. This situation has a major negative impact on the development of MSMEs and the conditions for employment. At the same time, MSMEs are widely recognized as key drivers of new job creation and overall economic growth. Sida has issued a guarantee to One Earth Future Foundation (OEF), an American NGO with activities in Somalia under a project called Shuraako, which works to facilitate investments in promising Somali-based businesses. The guarantee volume is USD 5 million and Sida covers up to 70% of potential losses under the qualifying loans, while the concerned bank covers the remaining 30%.