# Guarantee Schemes

## Executive Summary

**There are a number of guarantee instruments including MIGA, OPIC, SIDA, and IFC that help accelerate growth in developing countries** by mobilizing private financing for infrastructure development and other projects of national importance. By covering government performance risks that the market is not able to absorb or mitigate, these guarantees mobilize new sources of financing at reduced financing costs and extended maturities, thereby enabling commercial/private lenders to invest in projects in developing countries.

**MIGA offers a variety of services in order to encourage foreign direct investment, including:** (1) risk insurance against foreign exchange restrictions, (2) outbreak of conflicts or wars, (3) imposed spending limits, and (4) related restrictions on company assets.

**OPIC-supported funds help emerging market economies to access long-term growth capital, management skills, and financial expertise,** all of which are key factors in expanding economic development for people in developing nations. It can meet the long-term capital investment financing needs of any size business in a wide variety of industries such as information technology, health care, education, infrastructure, telecommunications, financial services, housing, and agribusiness.

**SIDA guarantee is a sovereign guarantee, backed by the Swedish government. It guarantees a variety of risks such as credit risk and political risk.** In addition SIDA has four types of common guarantees for achieving development impact: (1) loan guarantee, (2) portable guarantee, (3) volume guarantee, and (4) loan portfolio guarantee. 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.

**The International Finance Corporation (IFC) is an international financial institution that offers investment, advisory, and asset management** services to encourage private sector development in developing countries. It provides both immediate and long-term financing, and combine it with advice that helps companies grow quickly and sustainably – by innovating, raising standards, mitigating risk, strengthening the investment climate, and sharing expertise across industries and regions.

## Multilateral Investment Guarantee Agency (MIGA)

**MIGA is an organization established in 1988 by the World Bank and based in Washington, D.C. The goal of Multilateral Investment Guarantee Agency (MIGA)** is to promote investment in developing countries. MIGA help investors and lenders deal with these risks by insuring eligible projects against losses relating to: (1) currency inconvertibility & transfer restriction, (2) expropriation, (3) war, terrorism, and civil disturbance, (4) breach of contract, and (5) non-honoring of financial obligations.

**In addition to providing political risk insurance to corporations that want to invest in developing countries, MIGA offers advisory services** to developing country governments. The organization advises on the policies and procedures these governments should follow and the best ways these countries can attract foreign investment. Other services by the MIGA include licensing arrangements, franchising and technology support. MIGA insurance also benefits investors and lenders by:

| MIGA Offerings | Description |
|---|---|
| **Deterring harmful actions** | MIGA's status as a member of the World Bank Group and its relationship with shareholder governments provides additional leverage in protecting investments |
| **Resolving disputes** | MIGA intervenes at the first sign of trouble to resolve potential investment disputes before they reach claim status, helping to maintain investments and keep revenues flowing. If MIGA is unable to prevent a claim, their strong balance sheet allows them to make prompt payments. |
| **Accessing funding** | Help investors obtain project finance from banks and equity partners |
| **Lowering borrowing costs** | MIGA-guaranteed loans may help reduce risk-capital ratings of projects. |
| **Increasing tenors** | Provide insurance coverage for up to 15 years (in some cases 20), which may increase the tenor of loans available to investors. Providing extensive country knowledge - MIGA applies decades of experience, global reach, and knowledge of developing countries to each transaction. |
| **Providing environmental & social expertise** | MIGA helps investors and lenders ensure that projects comply with what are considered to be the world's best social and environmental safeguards. |

## Overseas Private Investment Corporation (OPIC)

**The Overseas Private Investment Corporation (OPIC) is the United States government's development finance institution.** It provides financing, political risk insurance and support for private equity investment funds. It mobilizes private capital to help solve critical development challenges. In addition, OPIC provides support for the creation of privately-owned and managed investments funds. These funds make direct equity and equity-related investments in new, expanding or privatizing emerging market companies.

**OPIC provides financing either through direct loans, which are reserved for projects sponsored by or substantially involving** U.S. small and medium enterprises (SMEs), or through loan guaranties, which are typically used for larger projects. OPIC can offer loans as small as $350,000, and can normally guaranty or lend up to $250 million per project. All loans or guaranties over $50 million must be approved by the OPIC Board of Directors. The Board meets four times a year

**OPIC Green Guaranties are U.S. government guaranties which adhere to the Green Bond Principles of 2014,** developed in collaboration with leading capital markets issuers, investors, underwriters and environmental groups. The placing of these Green Guaranties aligns OPIC with the private sector in offering an asset class that is rapidly becoming an attractive investment for generating both social and financial returns.

**OPIC Green Guarantees**

- Renewable energy
- Energy efficiency (including efficient buildings)
- Sustainable waste management
- Sustainable land use (including sustainable forestry and agriculture)
- Biodiversity conservation
- Clean transportation
- Clean water and/or drinking water

## Swedish International Development Cooperation Agency (SIDA)

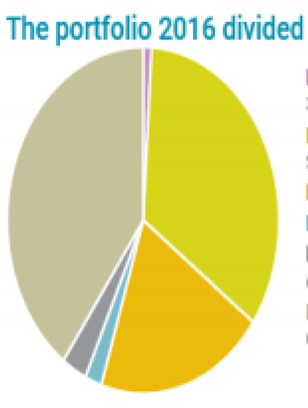
**SIDA is a government agency working on behalf of the Swedish parliament and government, with the mission to reduce poverty in the world**. It offers a guarantee instrument designed to absorb risks in order to unlock capital and promote development in the countries where SIDA participate in development cooperation.

**The guarantees allow SIDA to fund programs in the field of health, small business, sustainable infrastructure, and environment and climate.** The overall purpose of using guarantees is to reduce the risks which banks take when they lend money, allowing these projects to be launched. The risk that SIDA takes can be likened to the risks that insurance companies take. For instance, SIDA issues payment guarantees in which we guarantee the repayment of a loan to improve the borrower's status.

**SIDA issues other types of guarantees as well to reduce market risks such as price and demands fluctuations.** The following are the four types of common guarantees for achieving development impact:

| Guarantees | Descriptions |
|---|---|
| **Loan guarantee** | Involves guaranteeing a loan between identified lenders and identified borrowers. |
| **Portable guarantee** | Is a letter of commitment which enables a borrower to approach a financial institute and to negotiate more favorable terms. |
| **Volume guarantee** | Is an agreement that buyers make with suppliers in regards to purchasing a minimum volume of products or services. This is often combined with a low supply contract that determines the prices of future deliveries. |
| **Loan portfolio guarantee** | Is a guarantee that collects several investments or loans in one portfolio. |

The portfolio 2016 divided by result area/sector




## International Financial Corporation (IFC)

**The International Finance Corporation (IFC) is an international financial institution that offers investment, advisory, and asset management** services to encourage private sector development in developing countries. It was established in 1956 and ended that year with 56 member countries. The IFC is a member of the World Bank Group and is headquartered in Washington, D.C., United States.

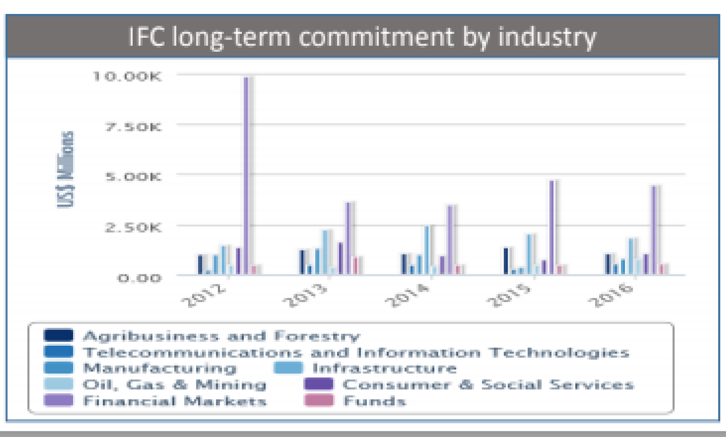
**IFC's three businesses including: (1) Investment Services, (2) Advisory Services, and (3) IFC Asset Management are mutually** reinforcing, delivering global expertise to clients in more than a 100 developing countries. IFC provides both immediate and long-term financing, and combine it with advice that helps companies grow quickly and sustainably – by innovating, raising standards, mitigating risk, strengthening the investment climate, and sharing expertise across industries and regions.

**IFC finances projects and companies through loans from their own account, typically for 7 to 12 years**. They also make loans to intermediary banks, leasing companies, and other financial institutions for on-lending. It pursues its development mandate by:

**IFC pursues its development mandate by:**

- Making long-term & medium-term loans
- Purchasing clients' debt instruments
- Making equity investments, both directly and through investment funds
- Mobilizing funds from other lenders and investors through cofinancings, syndications, underwritings, and guarantees
- Providing a variety of financial and technical advisory services

IFC long-term commitment by industry




International Finance Corporation WORLD BANK GROUP

MIGA Multilateral Investment Guarantee Agency

Sida

OPIC