

A decorative network diagram is located in the top left corner of the slide. It features a complex web of interconnected nodes and lines. The nodes are represented by circles of varying sizes and colors, including light gray, dark gray, and blue. Some nodes are highlighted with a blue outline. The lines connecting the nodes are thin and light gray.

# Credit Guarantee Institutions (CGIs)

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# Credit Guarantee Institutions

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# Credit Guarantee Institutions

- ❖ Credit Guarantee Institutions (CGIs) are financial institutions which facilitate lending by providing credit guarantees against the risk of default of issuers. They offer mutualistic guarantees aimed at alleviating financial constraints on their small or medium-sized (SMEs) shareholding or syndicated enterprises.
- ❖ Globally, most CGIs have made concerted efforts over the years for innovation & growth by keeping up with latest financial trends & paradigm shifts in the economy, society and concerning Govt. policies to maintain reputation.
- ❖ CGIs are largely owned and funded by the government of the respective country or by the multilateral institutions. Given their developmental role, CGIs generally carry high credit risk against their portfolio. These are usually reliant on their owners equity and/or grants to run their operations.

# Multilateral Investment Guarantee Agency (MIGA)

- ❖ MIGA was established in 1948, with the objective to promote foreign direct investment into developing countries - member of the World Bank Group, & is owned and governed by its 181 member states.
- ❖ Over the last six years, MIGA has doubled its portfolio, resulting in approximately 50mln people gaining access to power, and USD 3.9bln in annual taxes and fees paid to host governments through MIGA supported projects.
- ❖ In FY19, MIGA supported USD 9.3bln in financing while extending USD 5.5bln in new guarantees - A third of political risk insurance gross exposure was held in IDA countries or fragile settings, enabled by a doubling of outstanding guarantees to USD 23.3bln from six years ago.

Source: [miga.org](http://miga.org)

	FY19	FY18	FY17	FY16	FY15
<b>Outstanding Guarantees</b>	23,300	21,216	17,778	14,200	12,538
<b>Guarantees Issued (Gross Issuance in FS)</b>	5,500	5,251	4,842	4,258	2,828
<b>Equity</b>	1,320	1,261	1,213	989	971
<b>Outstanding Guarantees / Equity (X)</b>	17.7	16.8	14.7	14.4	12.9
<b>Net Guarantee Income</b>	115	104	93	86	79
<b>Investment Income</b>	0	8	5	23	24
<b>Expenses</b>	(58)	(51)	(51)	(48)	(45)
<b>Operating Income / (Loss)</b>	57	53	42	38	34
<b>Expense / Guarantee Income</b>	50%	49%	55%	56%	57%

# Small and Medium Business Credit Guarantee Fund of Taiwan (Taiwan SMEG)

- ❖ Taiwan SMEG, a non profit organization incorporated in 1974, provides credit guarantees to Small and Medium Enterprises (SMEs) operating in Taiwan.
- ❖ In FY18, total of 334,789 cases were approved for credit guarantees, and the amount guaranteed reached NT\$ 1,007bln. Meanwhile, nearly 113,000 enterprises obtained financing and some 1.35mln job opportunities were maintained.

Source: smeg.org.tw

	<b>FY18</b>	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
<b>Outstanding Guarantees</b>	32,211	31,034	29,912	31,643	36,090
<b>Equity</b>	2,164	2,065	1,906	1,832	1,823
<b>Investments</b>	405	342	273	157	152
<b>Outstanding Guarantees / Equity (X)</b>	14.9	15.0	15.7	17.3	19.8
<b>Investments / Outstanding Guarantees</b>	1.3%	1.1%	0.9%	0.5%	0.4%
<b>Investments / Equity</b>	18.7%	16.5%	14.3%	8.6%	8.3%
<b>Guarantee Income</b>	117	112	110	113	117
<b>Investment Income</b>	30	30	30	33	31
<b>Expenses</b>	(262)	(259)	(280)	(290)	(257)
<b>Net Income / (Loss)</b>	(23)	(20)	(6)	2	(47)
<b>Expense / Guarantee Income</b>	224.7%	232.1%	254.9%	256.6%	219.6%

# Credit Guarantee Corporation of Tokyo (CGCT)

- ❖ CGCT was established in 1937 by Tokyo Prefectural Government & Tokyo City Government (together, now the Tokyo Metropolitan Government). CGCT helps the Small and Medium Enterprises (SMEs) operating in Japan in fund-raising.
- ❖ CGCT is engaged in providing services and special credit guarantee programs includes Management Support Initiatives, Guarantee System, Entrepreneur Support, International Co-operations.
- ❖ CGCT provides medium term guarantees in form of individual and revolving guarantees with ceiling of JPY 280mln and for up to 10 years.

Source: [cgc-tokyo.or.jp](http://cgc-tokyo.or.jp)

	FY18	FY17	FY16	FY15	FY14
<b>Outstanding Guarantees</b>	27,322	27,322	29,105	31,515	37,769
<b>Guarantees Issued</b>	9,203	9,203	10,070	9,672	10,351
<b>Equity</b>	2,636	2,636	2,564	2,478	2,608
<b>Investments</b>	3,735	3,735	3,659	3,631	3,882
<b>Outstanding Guarantees / Equity (X)</b>	10.4	10.4	11.4	12.7	14.5
<b>Investments / Outstanding Guarantees</b>	13.7%	13.7%	12.6%	11.5%	10.3%
<b>Investments / Equity</b>	141.7%	141.7%	142.7%	146.5%	148.8%
<b>Default rate</b>	1.9%	1.9%	1.9%	1.9%	2.0%
<b>Expense / Guarantee Income</b>	93.7%	93.7%	88.8%	83.8%	80.1%

# Korea Credit Guarantee Fund (KODIT)

- ❖ Korea Credit Guarantee Fund (KODIT), founded in June 1976, is a public financial institution. Its objective is to enhance enterprise’s financial accessibility & simulating credit based transactions through effective management of credit information.
- ❖ KODIT is engaged in multiple operations including Infrastructure Credit Guarantee, Management Consulting, Credit Insurance, Credit Guarantee, Industry Startup, Equity aligned Guarantees.
- ❖ Over five years time span, KODIT Capital fund for Guarantees stood at USD 4.6bln & Avg. Total Guarantee Supply was recorded as USD 45.1bln.

Source: kodit.co.kr

	2018	2017	2016	2015	2014
<b>Outstanding Guarantees</b>	<b>45,194</b>	<b>46,222</b>	<b>41,083</b>	<b>41,950</b>	<b>41,200</b>
<b>Guarantees Issued</b>	<b>10,100</b>	<b>8,155</b>	<b>9,895</b>	<b>9,200</b>	<b>9,900</b>
<b>Equity</b>	<b>4,600</b>	<b>4,800</b>	<b>4,200</b>	<b>4,600</b>	<b>5,200</b>
<b>Investments</b>	<b>3,550</b>	<b>3,782</b>	<b>3,338</b>	<b>3,969</b>	<b>4,107</b>
<b>Outstanding Guarantees / Equity (X)</b>	<b>9.8</b>	<b>9.6</b>	<b>9.8</b>	<b>9.1</b>	<b>7.9</b>
<b>Investments / Outstanding Guarantees</b>	<b>7.9%</b>	<b>8.2%</b>	<b>8.1%</b>	<b>9.5%</b>	<b>10.0%</b>
<b>Investments / Equity</b>	<b>77.2%</b>	<b>78.8%</b>	<b>79.5%</b>	<b>86.3%</b>	<b>79.0%</b>
<b>Default rate</b>	<b>3.6%</b>	<b>3.5%</b>	<b>3.9%</b>	<b>4.0%</b>	<b>4.0%</b>

# GuarantCo Limited (GCL)

❖ GuarantCo incorporated in 2005 aims to i) support infrastructure projects in low income countries via guarantee provisions which in turn, enable the said projects to raise debt financing and, ii) development of local financial debt markets.

❖ The ultimate ownership of GuarantCo lies with five governments United Kingdom, Netherlands, Sweden, Switzerland, and Australia. With the exception of the Netherlands Development Finance Company (FMO), which contributes 11% of GuarantCo's total paid-in capital, the agencies act jointly under the umbrella of the Private Infrastructure Development Group (PIDG). However during CY19, FMO also contributed small amount through PIDG.

Source: [guarantco.com](http://guarantco.com)

	2019	2018	2017	2016	2015
<b>Outstanding Guarantees</b>	226	265	285	254	226
<b>Equity</b>	273	270	273	256	238
<b>Investments</b>	120.19	213	223	213	213
<b>Outstanding Guarantees / Equity (X)</b>	0.8	1.0	1.0	1.0	0.9
<b>Investments / Outstanding Guarantees</b>	53.2%	80.4%	78.2%	83.9%	94.2%
<b>Investments / Equity</b>	44.0%	78.9%	81.7%	83.2%	89.5%
<b>Default Rate</b>	28.8%	17.2%	17.2%	17.2%	13.1%
<b>Guarantee Income</b>	16	12	12	7	7
<b>Investment Income</b>	6	4	3	7	7
<b>Expenses</b>	(15)	(14)	(10)	(8)	(8)
<b>Net Income / (Loss)</b>	2	(5)	3	(6)	(6)
<b>Expense / Guarantee Income</b>	93.8%	82.9%	116.0%	113.6%	113.6%



## GuarantCo Limited – Peer Comparison

- ❖ GuarantCo is the youngest amongst the peers; Operations started in 2005. GuarantCo has current exposure in nineteen countries with major proportion of exposure lies within South Asia region and second largest exposure is in Africa.
- ❖ The company has been aiming to expand the guarantee portfolio to USD 1bln in CY20 which poses significant concerns while keeping stagnant equity base, resulting in increased leveraging of 2.24x during CY19, however remains within the cap of 3x approved by PIDG. Furthermore, it is also learnt that company intends to enhance its callable capital.
- ❖ As of CY19, Asset Quality has declined where majority portfolio rated down to ‘Single B’ category from ‘Triple B’ which requires vigilance to be observed on the portfolio. Covid-19 has posed challenges to almost all segments of the economy; worldwide and domestically ratings are getting negatively impacted. The ramifications would continue to unfold, warranting vigilance and timely actions where needed. GuarantCo mainly operates in low income, below investment grade countries as per its mandate where asset quality remains major concern as pressures are building up in key markets due to COVID-19 pandemic.
- ❖ Low outstanding guarantee to equity base ratio when compared to peers.

# Sector Conclusion

- ❖ Credit Guarantee Institutions usually have high rated sponsors and/or sovereign ownership
- ❖ Mandated exposure in Fragile & Conflicted States which may pose risks to asset quality
- ❖ Sound capitalization and liquidity indicators
- ❖ Guarantee exposures aligned with equity base of the institutions
- ❖ Increased credit risk of the institutions attributable to pressure building up in key markets due to COVID-19 pandemic

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