



Credit Guarantee Institutions

June 2019

Credit Guarantee Institutions

- ❖ Credit Guarantee Institutions (CGIs) are financial institutions which facilitate lending by providing credit guarantees against the risk of default of issuers. These guarantees help these entities in raising debt from financial institutions. Thus, CGIs are vital source of financial assistance to these entities.
- ❖ Globally, most CGIs are mandated to promote business, financial markets and infrastructure development activities in their respective target markets – mainly less developed segments. Many institutions particularly focus on development of Small and Medium Enterprises (SMEs).
- ❖ 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.
- ❖ MIGA, a member of the World Bank Group, is owned and governed by its 181 member states.
- ❖ A Council of Governors and a Board of Directors representing member countries guide the programs and activities of MIGA.
- ❖ An Independent Evaluation Group (IEG) assesses MIGA's strategies, policies, and projects to improve the Agency's development results.

	FY18	FY17	FY16	FY15	FY14
Outstanding Guarantees	21,216	17,778	14,200	12,538	12,409
Guarantees Issued (Gross Issuance in FS)	5,251	4,842	4,258	2,828	3,155
Equity	1,261	1,213	989	971	971
Outstanding Guarantees / Equity (X)	16.8	14.7	14.4	12.9	12.8
Net Guarantee Income	104.1	93.2	86	79	73
Investment Income	7.8	5	23	24	53
Expenses	-51	-51	(48)	(45)	(46)
Operating Income / (Loss)	53	42	38	34	27
Expense / Guarantee Income	49%	55%	56%	57%	63%



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.
- ❖ Paid-in capital of the Taiwan SMEG comes totally from donations made by the central government, local governments, contracted financial institutions and other agencies.

	FY18	FY17	FY16	FY15	FY14
Outstanding Guarantees	32,211	31,034	29,912	31,643	36,090
Equity	2,164	2,065	1,906	1,832	1,823
Investments	405	342	273	157	152
Outstanding Guarantees / Equity (X)	14.9	15.0	15.7	17.3	19.8
Investments / Outstanding Guarantees	1.3%	1.1%	0.9%	0.5%	0.4%
Investments / Equity	18.7%	16.5%	14.3%	8.6%	8.3%
Guarantee Income	117	112	110	113	117
Investment Income	30	30	30	33	31
Expenses	(262)	(259)	(280)	(290)	(257)
Net Income / (Loss)	(23)	(20)	(6)	2	(47)
Expense / Guarantee Income	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 and the Tokyo City Government (together, now the Tokyo Metropolitan Government). CGCT helps the Small and Medium Enterprises (SMEs) operating in Japan in fund-raising

	FY17	FY16	FY15	FY14	FY13
Outstanding Guarantees	27,322	29,105	31,515	37,769	45,697
Guarantees Issued	9,203	10,070	9,672	10,351	12,167
Equity	2,636	2,564	2,478	2,608	2,720
Investments	3,735	3,659	3,631	3,882	4,164
Outstanding Guarantees / Equity (X)	10.4	11.4	12.7	14.5	16.8
Investments / Outstanding Guarantees	13.7%	12.6%	11.5%	10.3%	9.1%
Investments / Equity	141.7%	142.7%	146.5%	148.8%	153.1%
Default rate	1.9%	1.9%	1.9%	2.0%	2.2%
Guarantee Income	267	292	322	385	470
Investment Income	42	46	50	60	67
Expenses	(250)	(259)	(270)	(309)	(349)
Net Income / (Loss)	594	635	682	185	245
Expense / Guarantee Income	93.7%	88.8%	83.8%	80.1%	74.2%

**FY18 unavailable*



Korea Credit Guarantee Fund (KODIT)

❖ Korea Credit Guarantee Fund (KODIT), founded in June 1976, is a public financial institution. Its objective is to contribute in the development of Financial Industry and expansion in the Small and Medium Enterprises (SMEs).

	FY17	FY16	FY15	FY14
Outstanding Guarantees	46,222	41,083	41,950	41,200
Guarantees Issued	8,155	9,895	9,200	9,900
Equity	4,800	4,200	4,600	5,200
Investments	3,782	3,338	3,969	4,107
Outstanding Guarantees / Equity (X)	9.6	9.8	9.1	7.9
Investments / Outstanding Guarantees	8.2%	8.1%	9.5%	10.0%
Investments / Equity	78.8%	79.5%	86.3%	79.0%
Default rate	3.5%	3.9%	4.0%	4.0%

**FY18 unavailable*



GuarantCo Limited (GuarantCo)

- ❖ 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 –four of which (United Kingdom, Sweden, Switzerland, and Australia) own through PIDG, and the Netherlands maintains its stake through FMO.

	FY18	FY17	FY16	FY15	FY14
Outstanding Guarantees	265	285	254	226	214
Equity	270	273	256	238	241
Investments	213	223	213	213	198
Outstanding Guarantees / Equity (X)	1.0	1.0	1.0	0.9	0.9
Investments / Outstanding Guarantees	80.4%	78.2%	83.9%	94.2%	92.5%
Investments / Equity	78.9%	81.7%	83.2%	89.5%	82.0%
Default Rate	17.2%	17.2%	17.2%	13.1%	5.8%
Guarantee Income	12	12	7	7	5
Investment Income	4	3	7	7	5
Expenses	(14)	(10)	(8)	(8)	(6)
Net Income / (Loss)	(5)	3	(6)	(6)	(9)
Expense / Guarantee Income	82.9%	116.0%	113.6%	113.6%	138.9%



GuarantCo Limited | Peer Comparison

- ❖ GuarantCo is the youngest amongst the peers; Operations started in 2005. Credit Guarantee Corporation of Tokyo is the oldest amongst peers (formed in 1937).
- ❖ Total portfolio size is a fraction of peers. The company aims to increase portfolio size gradually while maintaining sound capitalization level.
- ❖ GuarantCo's leveraging is on the conservative side as compared to peers (outstanding guarantees/equity).
- ❖ Default rate of the portfolio is high as compared to peers. However, recent numbers indicate that the infection is on decline (CY18: 4.7%, CY17: 5.5%).



Credit Guarantee Institutions

Strengths

- ❖ **Strong sponsors**
- ❖ **Sound capitalization**
- ❖ **Healthy liquidity**

Challenges

- ❖ **High credit risk exposure**
- ❖ **Lack of self sustainability**



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