

Credit Guarantee Institutions

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.

USD mln

	FY16	FY15	FY14	FY13	FY12
Outstanding Guarantees*	14,200	12,538	12,409	10,758	10,346
Guarantees Issued**	4,258	2,828	3,155	2,781	2,657
Equity	989	971	971	911	905
Outstanding Guarantees / Equity (X)	14.4	12.9	12.8	11.8	11.4
Net Guarantee Income	86	79	73	66	62
Investment Income	23	24	53	34	37
Expenses	(48)	(45)	(46)	(47)	(44)
Operating Income / (Loss)	38	34	27	19	18
Expense / Guarantee Income	56%	57%	63%	71%	71%

*Outstanding guarantees = amount of guarantees outstanding at that date

**Guarantees issued = amount of guarantees issued during that year

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.

USD mln

	CY15	CY14	CY13	CY12	CY11
Outstanding Guarantees	31,643	36,090	35,336	31,363	26,703
Equity	1,832	1,823	1,739	1,781	1,497
Investments	157	152	167	130	106
Outstanding Guarantees / Equity (X)	17.3	19.8	20.3	17.6	17.8
Investments / Outstanding Guarantees	0.5%	0.4%	0.5%	0.4%	0.4%
Investments / Equity	8.6%	8.3%	9.6%	7.3%	7.1%
Guarantee Income	113	117	117	105	96
Investment Income	33	31	29	28	23
Expenses	(290)	(257)	(311)	(232)	(151)
Net Income / (Loss)	2	(47)	(101)	(38)	30
Expense / Guarantee Income	256.6%	219.6%	266.1%	220.1%	157.5%

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

	USD mln				
	FY15	FY14	FY13	FY12	FY11
Outstanding Guarantees	31,530	37,769	45,697	57,847	68,316
Guarantees Issued	10,326	10,351	12,167	15,350	22,085
Equity	2,479	2,608	2,720	2,935	2,993
Investments	3,633	3,882	4,164	4,631	4,861
Outstanding Guarantees / Equity (X)	12.7	14.5	16.8	19.7	22.8
Investments / Outstanding Guarantees	11.5%	10.3%	9.1%	8.0%	7.1%
Investments / Equity	146.5%	148.8%	153.1%	157.8%	162.4%
Default rate	1.9%	2.0%	2.2%	2.5%	2.6%
Guarantee Income	322	385	470	596	684
Investment Income	50	60	67	76	80
Expenses	(270)	(309)	(349)	(415)	(421)
Net Income / (Loss)	682	185	245	328	437
Expense / Guarantee Income	83.8%	80.1%	74.2%	69.7%	61.6%

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).

	USD mln				
	CY15	CY14	CY13	CY12	CY11
Outstanding Guarantees	41,950	41,200	40,700	38,600	39,500
Guarantees Issued	9,200	9,900	10,300	9,000	8,400
Equity	4,600	5,200	5,400	5,800	6,000
Investments	3,969	4,107	3,510	3,622	3,541
Outstanding Guarantees / Equity (X)	9.1	7.9	7.5	6.7	6.6
Investments / Outstanding Guarantees	9.5%	10.0%	8.6%	9.4%	9.0%
Investments / Equity	86.3%	79.0%	65.0%	62.4%	59.0%
Default rate	4.0%	4.0%	4.2%	4.8%	4.9%

Note : Data relates to Credit Guarantee Fund only

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.

	USD mln				
	CY15	CY14	CY13	CY12	CY11
Outstanding Guarantees	226	214	159	132	132
Guarantees Issued	108	115	60	29	18
Equity	238	241	181	130	95
Investments	213	198	48	50	-00
Outstanding Guarantees / Equity (X)	0.9	0.9	0.9	1.0	1.4
Investments / Outstanding Guarantees	94.2%	92.5%	30.2%	38.1%	0.0%
Investments / Equity	89.5%	82.0%	26.6%	38.6%	0.0%
Default Rate	13.1%	5.8%	7.7%	9.7%	8.7%
Guarantee Income	7	5	4	4	3
Investment Income	7	5	1	1	0
Expenses	(8)	(6)	(6)	(4)	(4)
Net Income / (Loss)	(6)	(9)	(7)	(2)	(16)
Expense / Guarantee Income	113.6%	138.9%	163.2%	102.6%	148.4%

Credit Guarantee Institutions

Strengths

- ◆ Strong sponsors
- ◆ Sound capitalization
- ◆ Healthy liquidity

Challenges

- ◆ High credit risk exposure
- ◆ Higher dependence on sponsor owing to lower profitability

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