



Credit Guarantee Institutions

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Credit Guarantee Institutions

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Credit Guarantee Institutions

Introduction

- **Credit Guarantee Institutions (CGIs)** are Non-Bank Financial Institutions (NBFIs) whose main objective involves increasing the access to finance through the provision of credit guarantees that mitigate credit risk. These guarantee schemes are licensed and supervised by central banks or other financial sector regulators and are subject to minimum capital requirements. Some of the areas of focus for CGIs are small and medium-sized enterprises (SMEs), sustainable and social finance, infrastructure financing and other segments with limited to no access to formal lending.
- Penetration of the underserved segments and SMEs in credit markets remains low. CGIs were introduced to support these organizations and help them avail the benefits of financial leverage by giving guarantees for underserved segments in the financial industry. CGIs typically provide third-party credit risk protection to the lenders by absorbing a portion of lenders loss, in case of default, on loans given to SMEs and other organizations, in return for a nominal fee.
- They are largely owned and funded by the government of the respective country or by multilateral institutions. Given their developmental role, CGIs generally carry high credit risk against their portfolio. These are usually reliant on the shareholders' equity and/or grants to run their operations. Governments commonly use Public Credit Guarantee Schemes (PCGSs) to unlock finances for underserved segments, with more than half of all countries having some sort of CGI in place, particularly for SMEs. However, ~41.3% of formal SMEs in developing countries are underserved or unserved by financial institutions, resulting in a credit gap of USD~5.7trn.



Credit Guarantee Institutions

Services Offered by Credit Guarantee Institutions

Credit Guarantees

- This is the core function of the Credit Guarantee Institutions.

Credit Assessment

- If the CGI does credit risk assessment, there are numerous benefits such as the development of a credit risk repository, better risk assessment and greater lender comfort.

Credit Insurance services:

- Trade credit insurance: provides SMEs protection against default risk of business counterparts.
- Loan portfolio (re-) insurance: CGI can include insurance for the institutions providing credit guarantee services.

Credit infrastructure services:

- Credit database: The unique position of CGIs in the financial ecosystem enables them to possess rich information on SMEs.
- Factoring: A service that helps alleviate cash flow issues for SMEs by enabling the realization of receivables sooner and help them be on better credit terms.

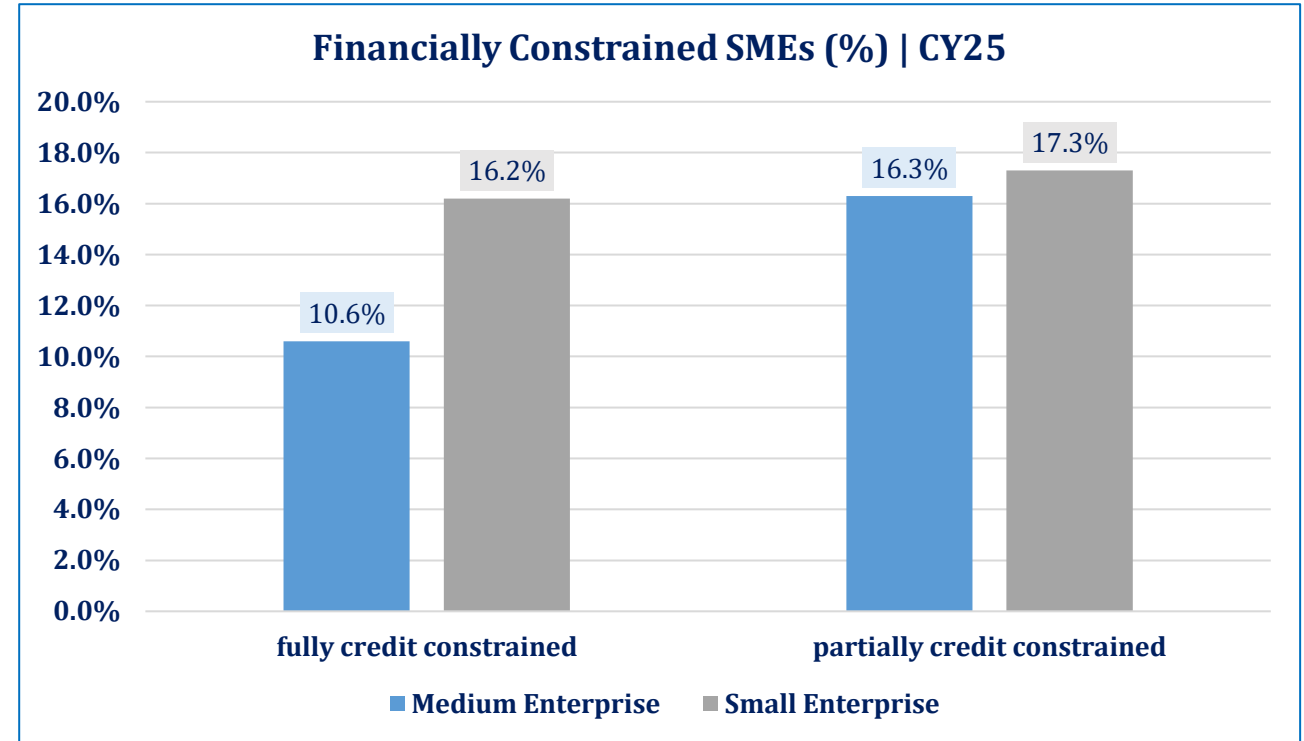
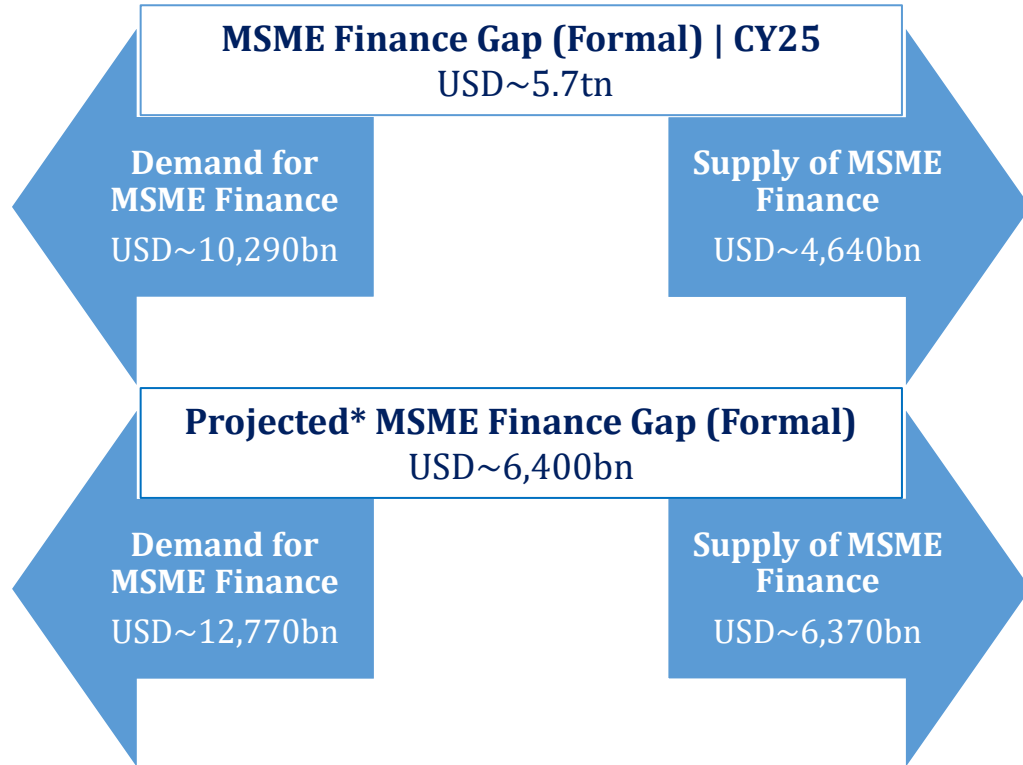
Credit Guarantee Institutions

Setting Up and Operationalizing the CGI

Type of CGIs	Advantages	Disadvantages			
Public	High trust factor, synergy with other government departments	Potential political influence	First Step: Initial Assessment	Identification of Purpose: Define the CGS's exact economic role or underlying need	Analyze access to finance issues: higher interest rates, rejection rates, demand for collateral and others
					Analyze underlying causes: Outcome of the above should be analyzed to identify core underlying issues
					Analyze overlap of functions: Assess whether existing institutions have addressed the core issues effectively or ineffectively.
					Analyze institutional market failure issues: This involves looking at market failure requiring intervention. CGS should only target those issue for which it can offer sustainable long-term solutions.
Private	Better risk assessment	Regulatory disadvantages, chances of fraud	Organizational Setup		Organizational structure for a CGI can be: <ul style="list-style-type: none"> Public Private (mutual fund guarantee schemes) Public-private partnerships International organizations
Public-Private	Diverse sources of fund, better governance	Rent-seeking activities may take place			
International	International expertise and good corporate governance practices	limited penetration in various developing markets.	Second Step: Recommendations for Operationalizing a CGS	Principles for Sustainable and Efficient CGI Functioning	<p>Legal and regulatory setup</p> <p>Capital contribution</p> <p>Ongoing capital contributions</p> <p>Leverage ratio</p>

Credit Guarantee Institutions

Global | MSME Financing Gap



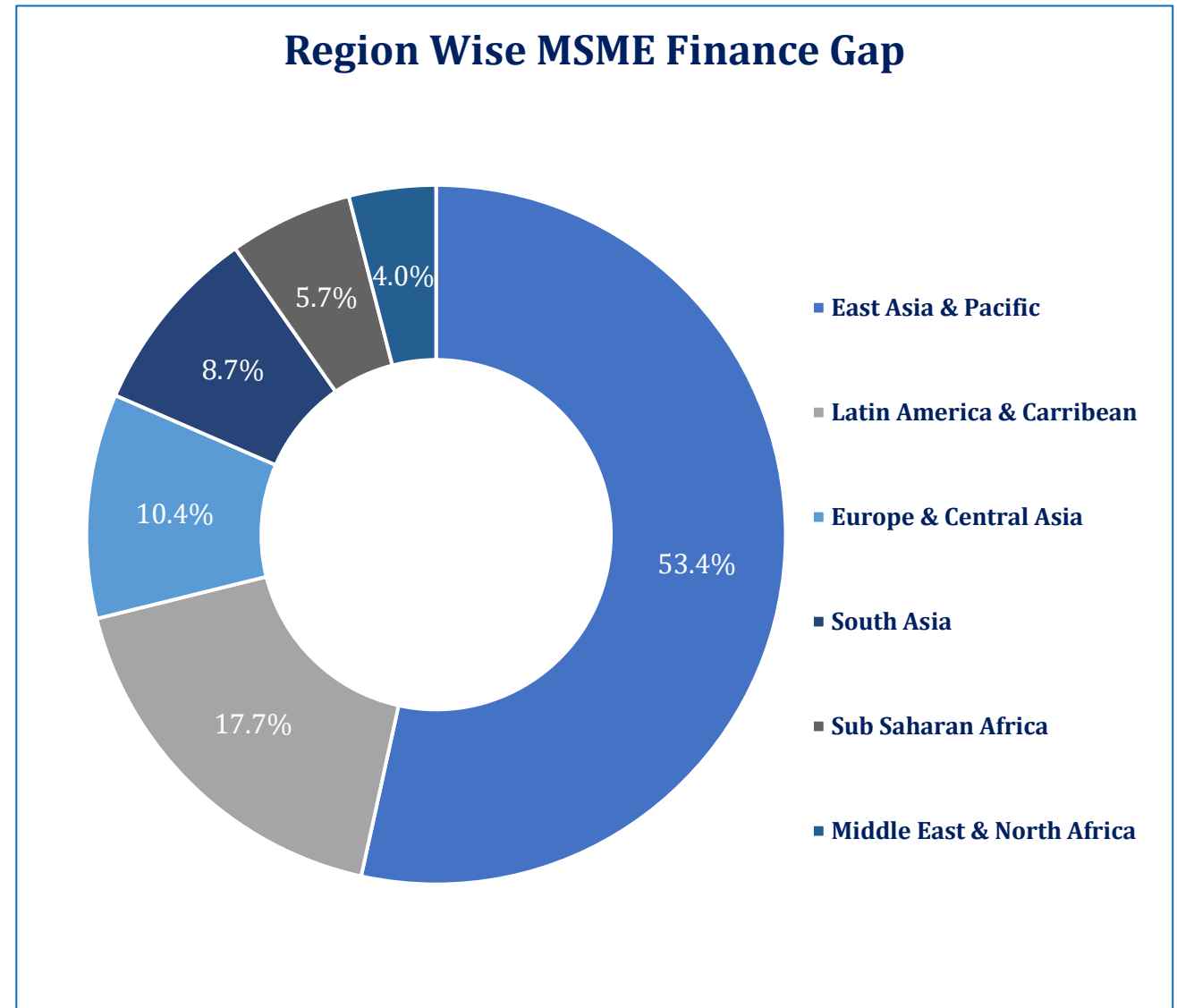
- The current demand for MSME finance in the developing world outweighs supply by USD~5,700 bn, representing ~19% of global GDP and ~20% of total private sector credit. The developing world here is classified as lower, lower-middle income and upper-middle income economies (for FY26, these include countries with a GNI per capita of less than USD~13,935). This financing gap is estimated to increase to USD~6,400bn by CY30.
- Partially-constrained SMEs have limited access to finance but cannot meet their full funding needs, while fully-constrained SMEs have no access to formal finance at all. Currently, ~10.6% of medium enterprises and ~16.2% of small enterprises are fully-constrained.

*Note: The Finance Gap shows formal financing gap, Financially-constrained MSMEs are defined by WB as enterprises that have no access to external financing to cover operational costs and meet their financial obligations. *CY30. This database accompanies the MSME Finance Gap Report CY25.*

Credit Guarantee Institutions

Global | MSME Finance Gap

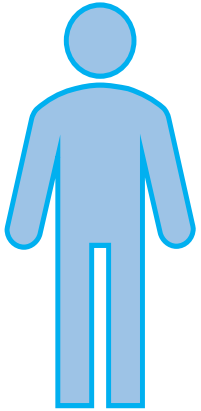
- Regionally, as of CY19*, East Asia & Pacific has the highest finance gap (USD~3,019 bn), followed by Latin America & Caribbean at USD~1,000 bn and Europe and Central Asia at USD~587 bn and
- In percentage terms, East Asia & Pacific represented ~53.4% of the total finance gap. Meanwhile, Latin America & Caribbean's and Europe & Central Asia's and finance gap made up ~17.7% and ~10.4% of the total finance gap during the period under review.
- China alone, a part of the East Asia and Pacific region, had a finance gap of USD ~2,546bn, making up ~45.1% of the total finance gap of USD~5,649 bn.
- In South Asia, India had the highest finance gap at USD~333.8 bn, while Pakistan's gap stood at USD~57.8 bn.



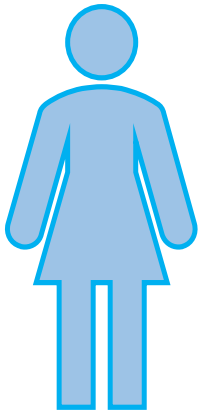
*This database accompanies the MSME Finance Gap Report CY25.

Credit Guarantee Institutions

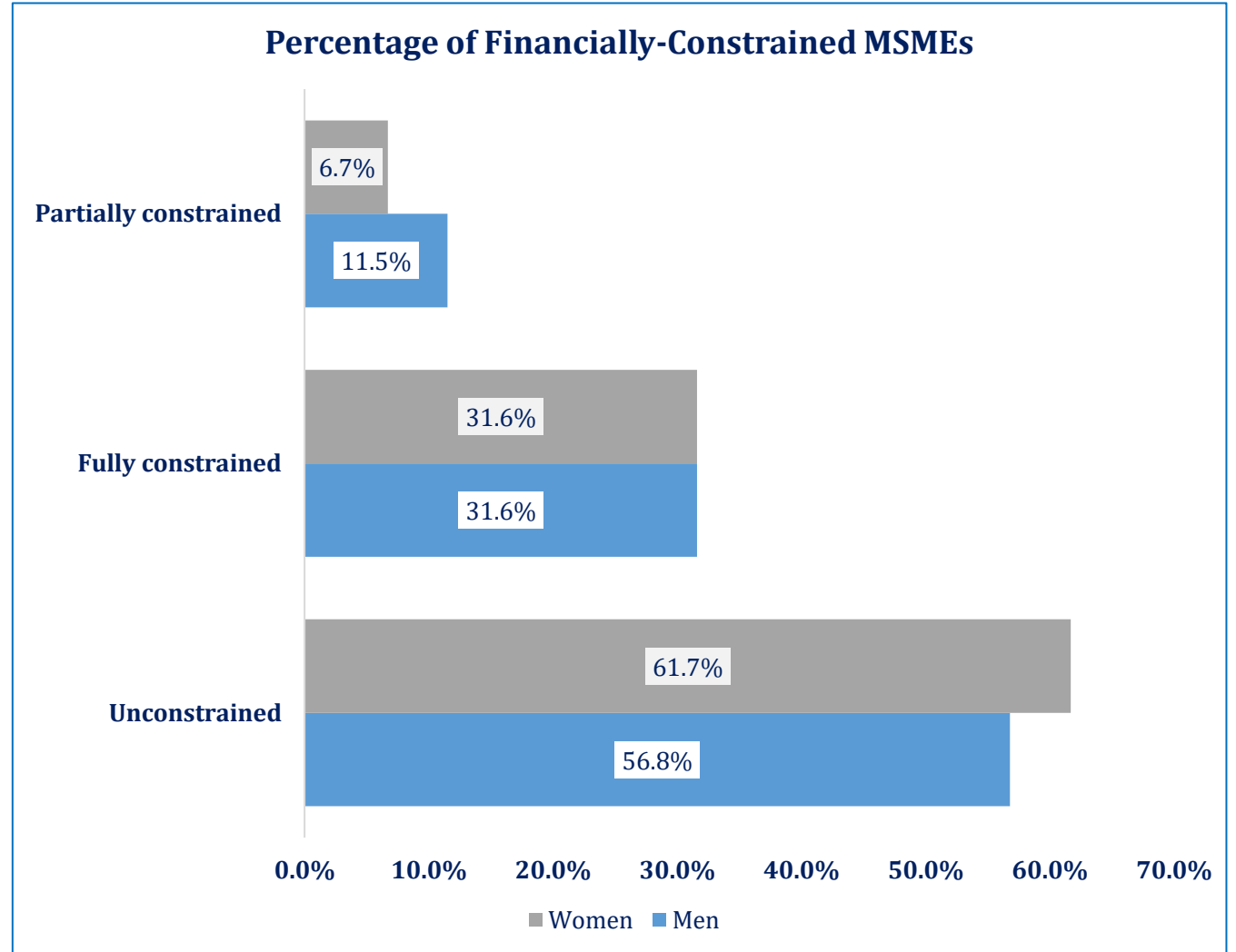
Global | MSMEs and SMEs



Male-led SMEs*: 63.8%
Male-led SMEs Volume*: USD~2,960bn
Male-led SMEs Gap : USD~3,704bn



Female-led SMEs*: 36.2%
Female-led SMEs Volume*: USD~1,680bn
Female-led SMEs Gap : USD~1,946bn



*Percentage of total; Fully and partially constrained, This database accompanies the MSME Finance Gap Report CY25.

Credit Guarantee Institutions

Multilateral Investment Guarantee Agency (MIGA)

- MIGA is part of the World Bank group and is governed by its member states. It was established in 1988 to promote foreign direct investment in developing countries.
- In FY25, MIGA issued new guarantees worth nearly USD~9.5bn (SPLY: USD~8.2bn).
- Regionally, in FY25, MIGA issued guarantees totaling USD~2.9bn in Europe & Central Asia, USD~2.7bn in Sub-Saharan Africa, USD~1.9bn in Latin America & the Caribbean and USD~449.0mn in South Asia.
- Outstanding Guarantee/Equity (also referred to as guarantee leverage ratio) is a risk indicator that measures the proportion of guarantees supported by the company's equity base. A higher ratio implies elevated financial risk, with a relatively smaller equity base backing a larger volume of outstanding guarantees.
- In FY25, guarantee leverage ratio increased to ~17.5x (SPLY: ~16.6x), on the back of ~16.8% YoY increase in outstanding guarantees, while equity grew by ~11.1% YoY.

<i>Figures in USD mn</i>	FY21	FY22	FY23	FY24	FY25
Outstanding Guarantees	23,000	24,400	27,900	31,500	36,800
Guarantees Issued (Gross Issuance in FS)	5,199	4,935	6,446	8,204	9,463
Equity	1,474	1,539	1,706	1,892	2,102
Outstanding Guarantees / Equity (times)	15.6	15.9	16.4	16.6	17.5
Net Guarantee Income	121	116	124	131	146
Expenses	(46)	(81)	(55)	(76)	(89)
Operating Income / (Loss)	63	51	54	57	60
Expense / Guarantee Income	38%	70%	44%	58%	61%

Credit Guarantee Institutions

Small & Medium Enterprise Credit Guarantee Fund of Taiwan (SMEG)

- SMEG was established in Taiwan in 1974 following the early 1970s oil crisis in which a large number of SMEs suffered due to recession and high inflation.
- Primary objective of the fund is to provide credit guarantees to SMEs running in normal operations but are short of collateral for external financing.
- Funds for SMEG primarily come from central government, local governments, and contracted FIs. As of End-Dec'23, SMEG's net worth stood at USD~2,809mn (SPLY: USD~3,003mn).
- CY25 outstanding guarantee/equity increased to ~15.7x (CY24: ~14.8x), on the back of a ~0.7% increase in outstanding guarantees, while equity fell by ~4.8% YoY.

<i>Figures in USD mn</i>	CY21	CY22	CY23	CY24	CY25
Outstanding Guarantees	49,448	45,470	50,738	46,429	46,733
Equity	3,005	3,003	2,809	3,136	2,985
Investments	897	720	1,120	1,372	1,333
Outstanding Guarantees / Equity (times)	16.5	15.1	18.1	14.8	15.7
Investments / Outstanding Guarantees	1.8%	1.6%	2.2%	3.0%	2.9%
Investments/Equity	29.8%	24.0%	39.9%	43.7%	44.6%
Guarantee Income	122	107	117	118	113
Investment Income	26	29	13	9	11
Expenses	-156	-162	-303	-321	-461
Net Income / (Loss)	155	136	8	16	-113
Expense/ Guarantee Income	128.1%	151.3%	258.9%	271.8%	409.4%

Note: At Dec. 31, CY21: 1 TWD = USD 0.03608 | At Dec. 31, CY22: 1 TWD = USD 0.03358 | At Dec. 31, CY23: 1 TWD = USD 0.0304 | **At Dec.31, CY24: 1 TWD=** | At Dec.31,CY25 1 TWD=0.03145. The entity reports provision for losses as expense. For net income, other revenue sources include donation revenue and recovery of bad debts, such as in CY21, 22.

Credit Guarantee Institutions

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 SMEs operating in Japan in fundraising.
- CGCT is engaged in providing services and special credit guarantee programs, including Management Support Initiatives, Guarantee System, Entrepreneur Support, and International Co-operations. CGCT provides medium-term guarantees in the form of individual and revolving guarantees with a ceiling of JPY~280.0mn and for up to 10 years.
- Outstanding guarantees of CGCT as of FY24 were recorded at USD~32.2bn (SPLY: USD~38.2bn).
- In FY24, net income stood at USD~147mn, down ~9.3% from FY23, on the back of lower guarantee income of USD~314mn, down by ~15.8%.
- In FY24, outstanding guarantee/equity decreased to ~13.8x (FY23: ~15.8x), on the back of ~15.7% decrease in outstanding guarantees, while equity fell by ~3.2%. YoY.

<i>Figures in USD mn</i>	FY21	FY22	FY23	FY24*
Outstanding Guarantees	61,056	48,983	38,210	32,209
Guarantees Issued	11,189	8,873	8,119	6,977
Equity	2,911	2,589	2,411	2,333
Investments	4,303	3,686	3,259	3,159
Outstanding Guarantees / Equity (times)	21.0	18.9	15.8	13.8
Investments / Outstanding Guarantees	7.1%	7.5%	8.6%	9.8%
Investments / Equity	147.8%	142.4%	135.2%	135.4%
Guarantee Income	548	449	373	314
Investment Income	31	26	23	23
Expenses	-371	-298	-256	-221
Net Income / (Loss)	265	207	162	147
Expense / Guarantee Income	67.7%	66.3%	68.6%	70.4%

Credit Guarantee Institutions

Korea Credit Guarantee Fund (KODIT)

- KODIT was founded in June 1976 and is a public financial institution. Its objective is to enhance an enterprise's financial accessibility and stimulate credit-based transactions through effective management of credit information for promising SMEs that lack tangible collateral.
- It is engaged in multiple operations including infrastructure credit guarantee, management consulting, credit insurance, industry start-up, industry start up and equity-aligned guarantees.
- In CY24, KODIT's outstanding guarantees stood at USD~53.6bn (CY23: USD~63.3bn), while KODIT provided new guarantees worth USD~8.6bn in CY24 (CY23: USD~9.5bn).
- In CY24, outstanding guarantee/equity decreased to ~6.5x (CY23: ~7.0x), on the back of a significant ~15.4% decrease in outstanding guarantees, while equity saw a decrease of ~9.7% YoY.

<i>Figures in USD mn</i>	CY21	CY22	CY23	CY24*
Outstanding Guarantees	61,000	64,658	63,303	53,551
Guarantees Issued	11,500	9,700	9,497	8,600
Equity	7,500	8,192	9,104	8,219
Investments	5,021	4,088	5,252	5,962
Outstanding Guarantees / Equity (times)	8.1	7.9	7.0	6.5
Investments / Outstanding Guarantees	8.2%	6.3%	8.3%	11.1%
Investments / Equity	66.9%	49.9%	57.7%	72.5%
Default rate	2.0%	2.0%	3.3%	3.6%

Credit Guarantee Institutions

Local | Background

- The State Bank of Pakistan (SBP) introduced credit guarantee schemes in CY10, particularly targeted towards small and rural enterprises, in collaboration with the UK's Department for International Development (DFID). The schemes were launched to help micro and small enterprises access bank credit, based on funds provided by DFID and the Government of Pakistan (GoP). Participating financial institutions, including commercial banks, development financial institutions, microfinance banks, leasing companies, and co-operative banks, were provided risk coverage against their lending exposure to micro, small and rural enterprises.
- In CY21, the SBP launched the SME Asaan Finance Scheme (SAAF), providing collateral-free loans up to PKR~10mln for a three-year tenure, with GoP risk coverage of ~40.0-60.0% and a markup of up to ~9.0% p.a., with SBP refinancing banks at ~1.0% p.a. However, w.e.f September 18, 2023, GoP revised risk coverage to ~30.0-50.0%, while the markup remains up to ~9.0% p.a. and SBP's refinancing rate increased to ~3.0% p.a. (previously ~1.0%), offering a spread of up to ~6.0% p.a. (previously ~8.0%).
- In CY19, SBP established the Pakistan Credit Guarantee Company (PCGC) as a Partial Risk Sharing Facility to incentivize FIs to lend to collateral-deficient SMEs and the agriculture sector. PCGC was initially capitalised by UK DFID and GoP. Subsequently, on January 12, 2024, the Ministry of Finance and Karandaaz Pakistan jointly launched the National Credit Guarantee Company Limited (NCGCL). NCGCL is a standalone public-private entity (Ministry of Finance: 44%; Karandaaz: 56%), with an initial capitalisation of PKR~6.0bln provided by the UK Government under its Financial Inclusion Program.
- Private Infrastructure Development Group (PIDG) promotes climate action alongside sustainable development as the central goal of its initiatives in infrastructure financing and capital market development. GuarantCo Ltd., as a member of PIDG, works throughout the project life cycle and across the capital structure to assist infrastructure projects in addressing financial, technical, and environmental hurdles. GuarantCo Ltd. mainly operates in low income, below investment grade countries as per its mandate, including Pakistan.
- InfraZamin Pakistan Limited (IZP) is a more recent initiative of PIDG with the core objective of encouraging enhanced financial participation in long-term local currency financings of infrastructure assets in Pakistan.

Credit Guarantee Institutions

GuarantCo Ltd.

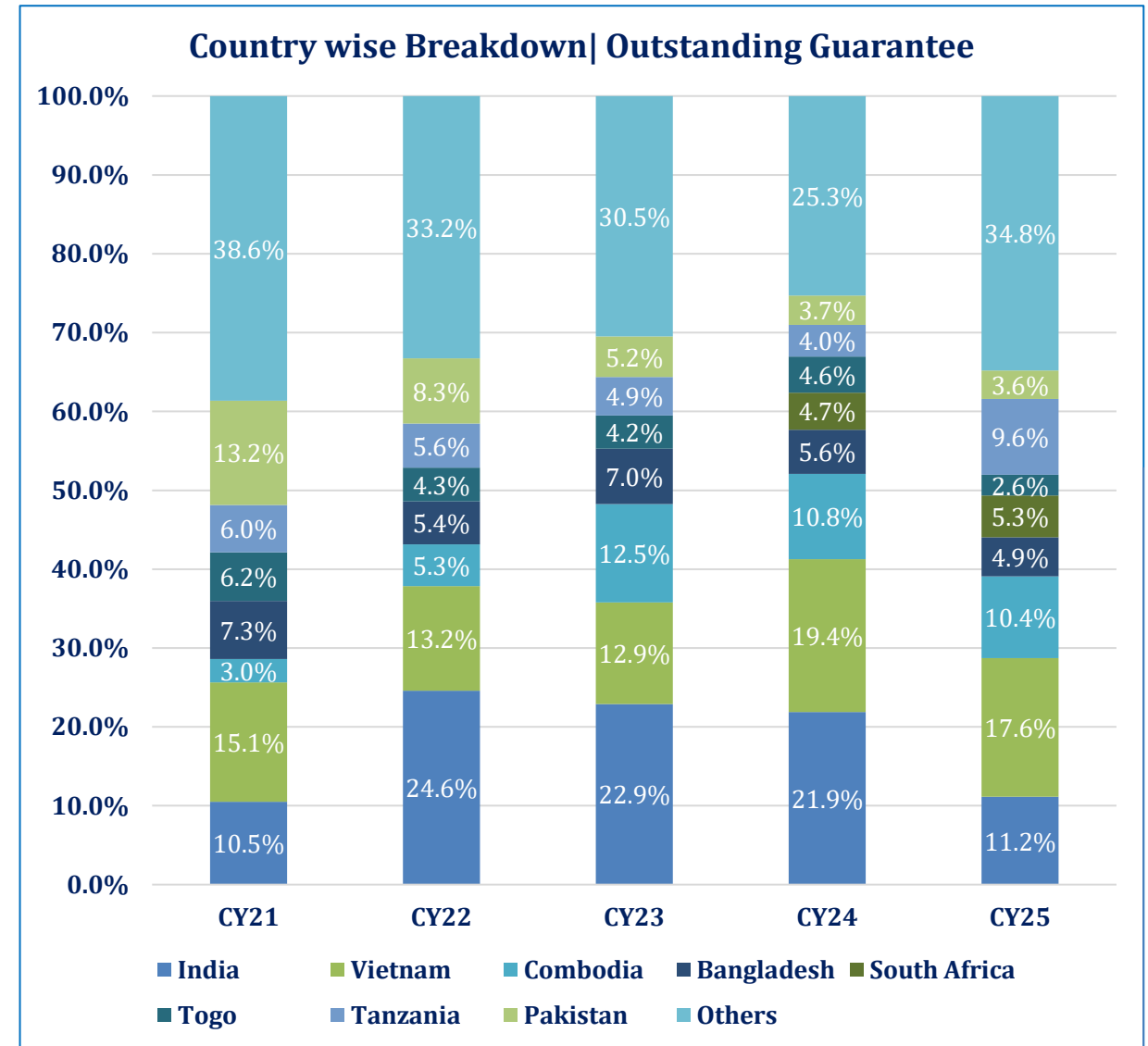
- GuarantCo Ltd. was incorporated in 2005 with the aim to i) support infrastructure projects in low-income countries via guarantee provisions which in turn, enable the said projects to raise debt financing and, ii) develop local financial debt markets.
- In Pakistan, the company has taken a major exposure in infrastructure projects in renewable energy, healthcare, transport, and digital communications in Pakistan.
- In CY25, outstanding guarantee/equity increased to ~4.2x (SPLY: ~3.8x), on the back of ~11.2% increase in outstanding guarantees, while equity increased by ~0.7%. "GuarantCo's leverage ratio, at 4.2x, remains significantly below other CGIs in this report (MIGA: 17.5x; CGCT: 13.8x), reflecting a more conservative risk profile relative to its equity base.

<i>Figures in USD mn</i>	CY21	CY22	CY23	CY24	CY25
Outstanding Guarantees	836	893	945	1,024	1,139
Equity	230	225	244	272	274
Investments	125	119	123	183	266
Total Earning Assets	310	251	281	316	330
Outstanding Guarantees / Equity (times)	3.6	4.0	3.9	3.8	4.2
Investments / Outstanding Guarantees	15.0%	13.4%	13.0%	17.3%	23.3%
Investments / Equity	54.3%	53.1%	50.5%	67.3%	97.0%
Guarantee Income	12.5	12.5	15.1	15.3	22.9
Investment Income	3.1	3.7	6.9	11.4	12.7
Expenses	-18.4	-20.9	-20.8	-24.1	-29.7
Net Income / (Loss)	-55.1	-26.8	4.1	5.3	0.9

Credit Guarantee Institutions

GuarantCo Ltd | Country-wise Guarantee

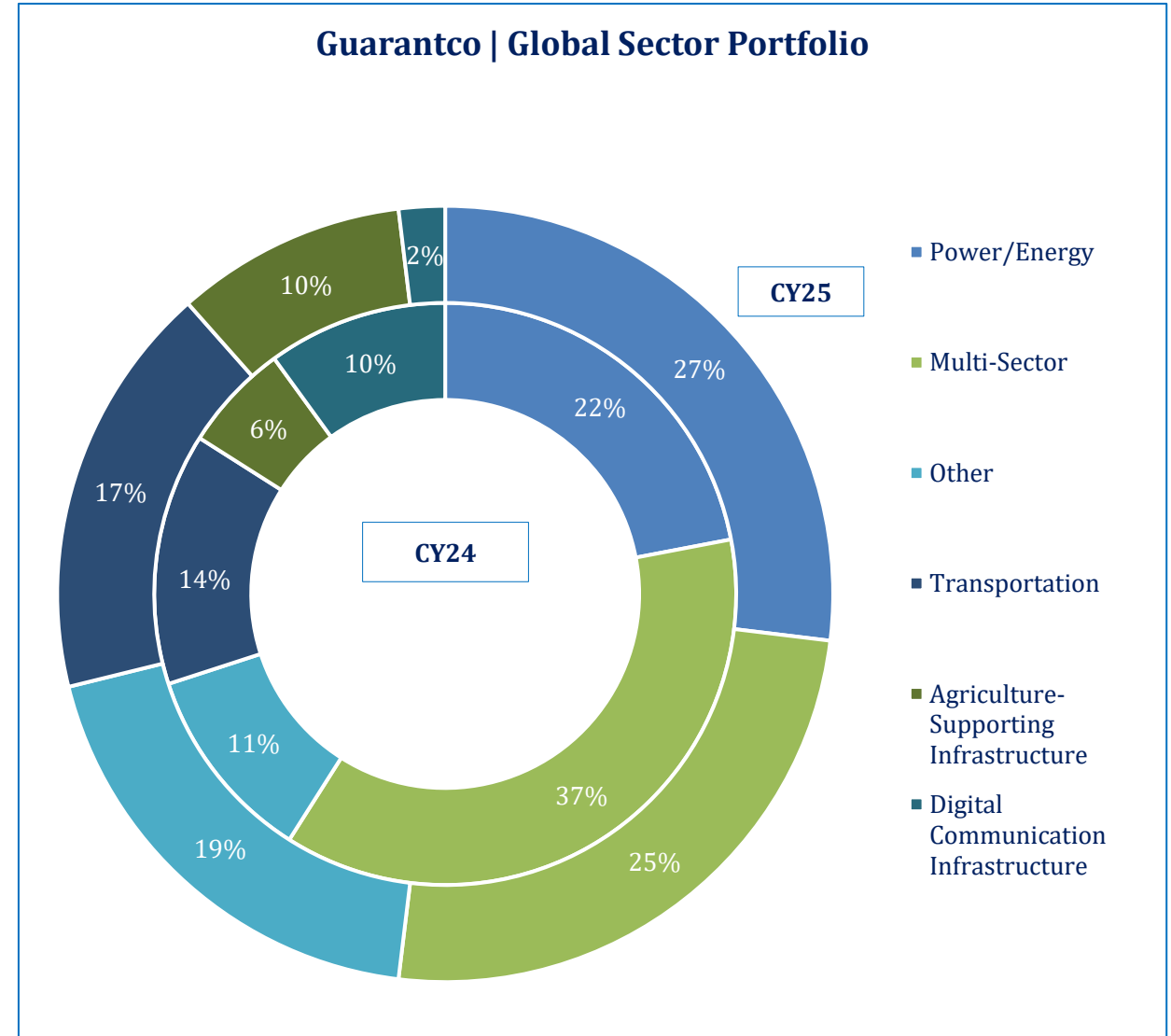
- In CY25, total outstanding guarantees stood at USD~1,139mn (CY24: USD~1,024mn, of which Asia held a ~51.0% share (USD~530.3mn) (CY24: USD~663.9mn, ~64.8%), followed by Africa at USD ~348.0mn or ~33.5% share (CY24: USD~204.8mn, ~20.0%), while the rest, classified under the head of Multi-Country, stood at USD~160.7mn or ~15.5% (CY24: USD~155.5mn, ~15.2%).
- Vietnam held the highest share in outstanding guarantees as of CY25, with a share of 17.6% (USD~182.6mn), replacing India whose share declined from being the highest at ~21.9% in CY24 (USD~224.2mn) to ~11.2% (USD~115.9mn) in CY25.
- Within Africa, Tanzania held the highest share of outstanding guarantees at USD~100.1mn, ~9.6% of total guarantees in CY25. It was followed by South Africa and Togo at USD~48.1mn or ~5.3% and USD~47.0mn ~4.9%, respectively.
- Pakistan held a share of USD~37.5mn in CY25, down from USD~38.0mn in SPLY.



Credit Guarantee Institutions

GuarantCo Ltd | Sectoral Guarantees

- GuarantCo Ltd. provides credit guarantees across Africa and Asia across multiple sectors. In CY25, the Power/Energy sector was provided the highest credit guarantees at ~27.0% (SPLY: ~22.0%), while Multi-Sector had a share of ~25.0% (SPLY: ~37.9%) followed by transportation at ~17.0% (SPLY: ~14.0%).
- GuarantCo Ltd’s portfolio in Pakistan is mainly concentrated in energy and infrastructure with the following transactions as of End-Dec’25:
 - **InfraZamin:** Contingent capital facility of USD~50mn.
 - **Shams Power-I:** Credit Guarantee worth USD~9mn.
 - **Shams Power-II:** Credit Guarantee worth USD~3.9mn.

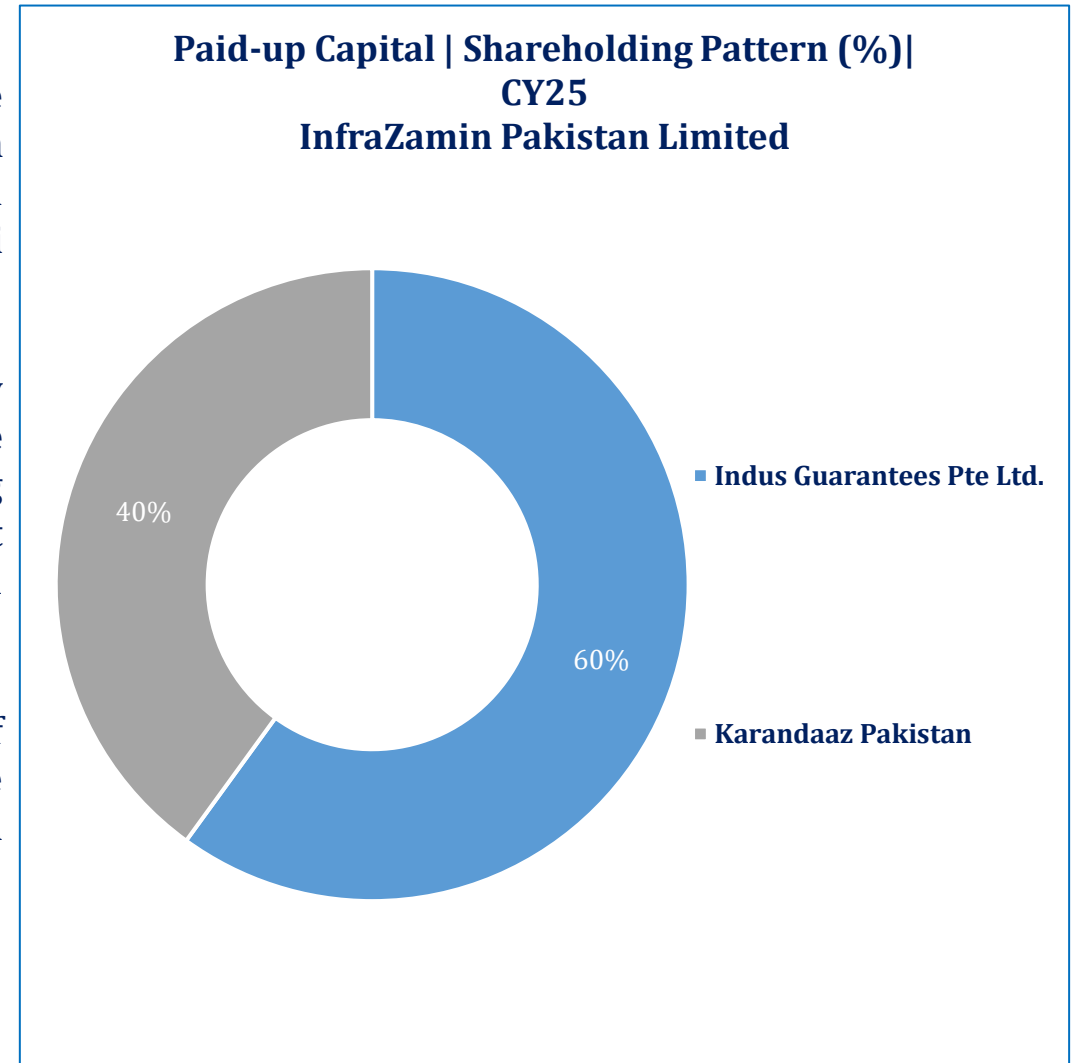


Note: Data pertains to GuarantCo Ltd., Multi-sector refers to exposure to multiple sectors, including those listed or others.

Credit Guarantee Institutions

InfraZamin Pakistan

- InfraZamin Pakistan Limited (IZP) is a recent for-profit initiative of Private Infrastructure Development Group (PIDG). The Company was formed as a collaboration between Indus Guarantee Ptd. Ltd., and Karandaaz. The main aim of the Company is to catalyze pockets of underused liquidity in Pakistani financial markets to fund infrastructure projects.
- IZP is funded with PKR~4.5bn equity capital and a contingent capital facility of PKR~8.3bn with a tenure of 23 years from GuarantCo Ltd. During CY25, the Company signed and received Board approval for new mandates, including Infraelectric Private Limited, Air Link Communication Limited, and Select Technologies Private Limited. Furthermore, as of 3MCY26, additional mandates are in the pipeline at different approval stages.
- IZP is expected to unlock and facilitate the local credit market by way of providing guarantees to reduce the implied credit risk. This will enable greater flow of capital to sectors like renewable energy, digital communication, waste water treatment, social infrastructure and more.



Credit Guarantee Institutions

InfraZamin Pakistan

- In CY25, IZP earned total revenue of PKR~760.2mn (SPLY: PKR~808.1mn). Investment income represented ~45.9% (SPLY: ~67.7% share in total revenue), while its net profit stood at PKR~26.2mn (SPLY: PKR~233mn), resulting in an ROE of ~0.6%. The sharp decline in net profit was a result of low investment income due to lower interest rates compared to CY24, as well as higher expenses.
- In CY25, expenses were significantly impacted (YoY increase of ~60.9%) by a PKR~164 mn ECL provision on a PKR~2 bn guarantee issued against an agri-infrastructure sukuk, following the guaranteed customer's financial deterioration.
- Standing at PKR~4.5bn (CY24: PKR~4.4bn), IZP's total investment portfolio is highly liquid, with ~46.7% allocation in PIBs and remaining ~53.3% investments in short-term government securities (T-Bills) and Mutual Funds. IZP keeps credit risk in check via its Approved Credit Risk Mitigant Facility, where it uses reinsurers for risk transfers to minimize impact.
- In CY25, outstanding guarantee/equity went down to~0.9x (SPLY: ~1.0x), on the back of ~8.9% decrease in outstanding guarantees. The outstanding guarantee/equity ratio remains low for the company as it is a relatively new entrant in the market. This is expected to go up as the company increases its exposure and accumulates higher outstanding guarantees.

<i>Figures in PKR mn</i>	CY21	CY22	CY23	CY24	CY25
Outstanding Guarantees	-	540	3,552	4,517	4,116
Equity	3,866	3,998	4,228	4,461	4,488
Short-term Investments	3,657	2,661	3,583	2,369	3,441
Total Earning Assets	3,673	2,674	3,615	2,391	2,644
Outstanding Guarantees / Equity (times)	-	0.1	0.8	1.0	0.9
Investments / Outstanding Guarantees	-	493.2%	100.9%	52.5%	83.6%
Investments / Equity	94.6%	66.6%	84.8%	53.1%	76.7%
Guarantee Income	0	17	26	75	128
Investment Income	115	459	645	546	350
Expenses	-125	-241	-313	-369	-594
Net Income/(Loss)	158	129	230	233	26

Credit Guarantee Institutions

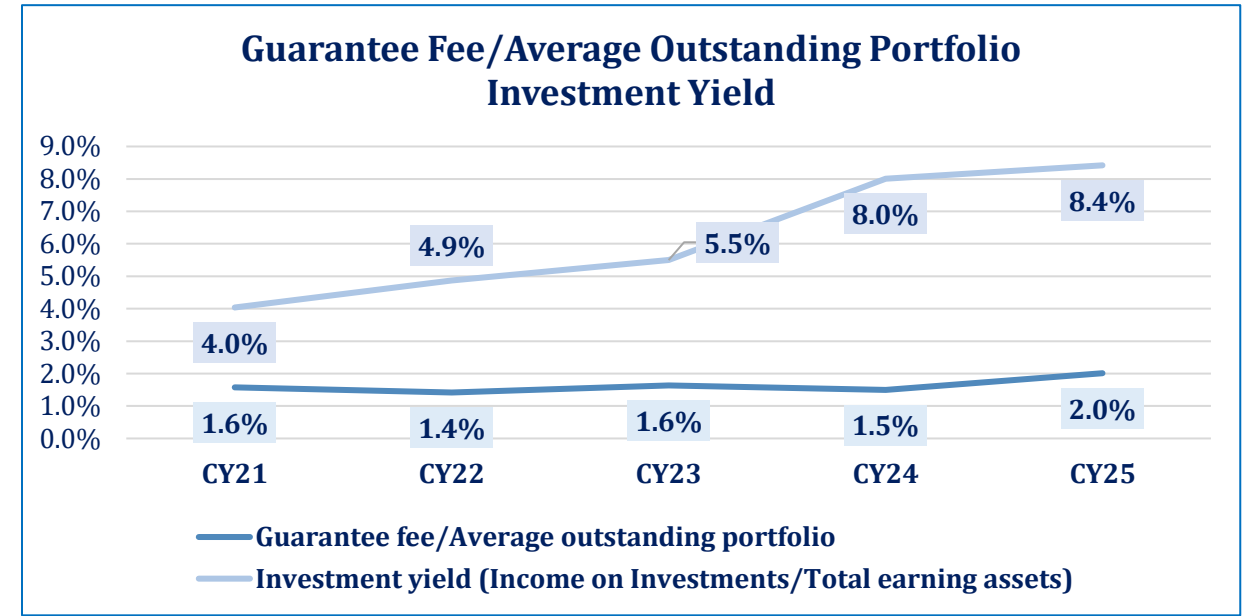
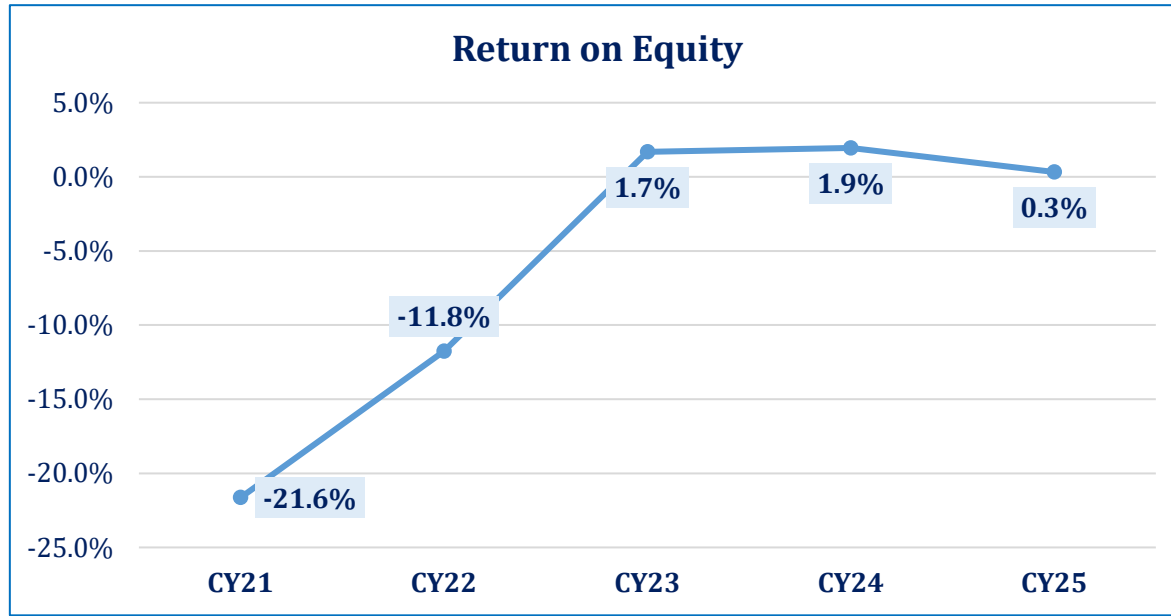
National Credit Guarantee Company Limited (NCGL)

- National Credit Guarantee Company Limited (NCGL) was incorporated in Pakistan on March 18, 2022.
- NCGL received its certificate to commence business on December 24, 2024. Its operations will focus on facilitating access to credit for underserved and unserved entities that generate economic activity.
- This will be achieved by mitigating lender risks and encouraging financial institutions to provide financing to high-impact yet underserved segments Karandaaz Pakistan is the Parent Company with 56% of shareholding.
- NCGL does not have any outstanding guarantees currently, but there is an active pipeline of PKR 5bln of guarantees in the process of approval from relevant authorities.
- Net Income of NCGL stood at PKR~375mln for the period ended Jun 2025. The majority of this income was generated mainly from interest earned on its savings accounts and gains from the revaluation of its investments.

<i>Figures in PKR mn</i>	CY24	2QCY25
Equity	7,543	7,748
Investments (long-term & short-term)	754	1,556
Total Earning Assets	7,549	7,813
Investments / Equity	10.0%	20.08%
Guarantee Income	-	-
Investment Income	308	702
Expenses	29	98
Net Income/(Loss)	195	375

Credit Guarantee Institutions

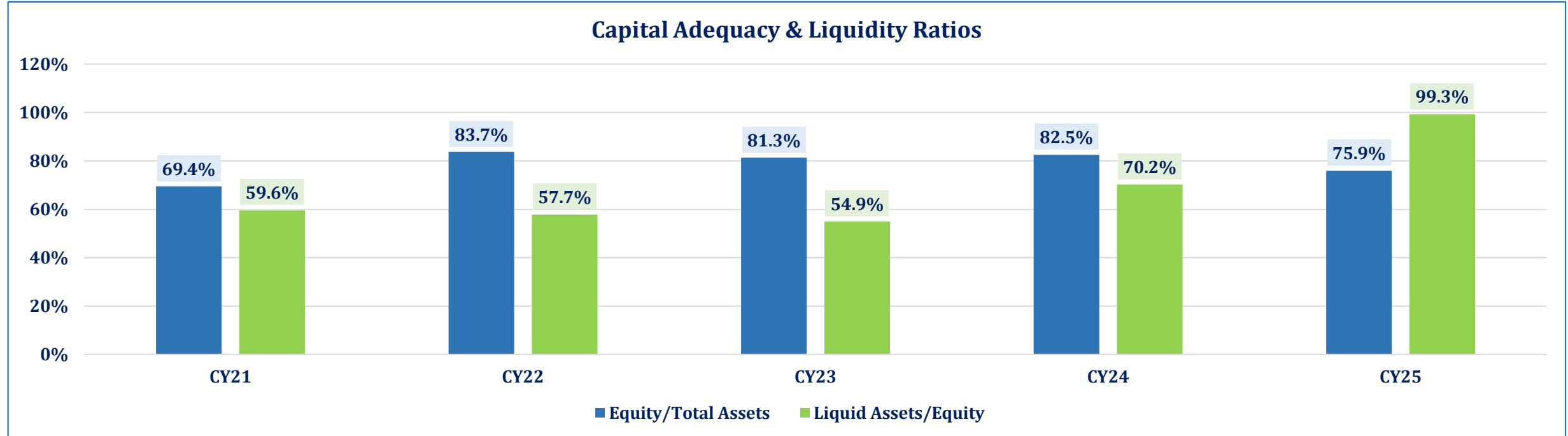
Performance Ratios



- The sector's Return on Equity (ROE) declined to ~0.3% in CY25 (CY24: ~1.9%), as overall sector profitability came under pressure. InfraZamin Pakistan Limited's profit after tax compressed significantly to PKR~26.2mn (CY24: PKR~232.8mn), primarily due to a large credit loss provision recognized against a guaranteed exposure that faced financial stress. GuarantCo Limited's profitability remained constrained as operating expenses continued to exceed guarantee income, keeping net margins thin despite gradual portfolio growth.
- The sector's investment yield improved to ~8.4% in CY25 (CY24: ~8.0%). The guarantee fee-to-average outstanding portfolio ratio improved to ~2.0% in CY25 (CY24: ~1.5%), driven by meaningful growth in guarantee fee income on the back of new mandate signings during CY25, reflecting gradual business scaling across the sector.

Credit Guarantee Institutions

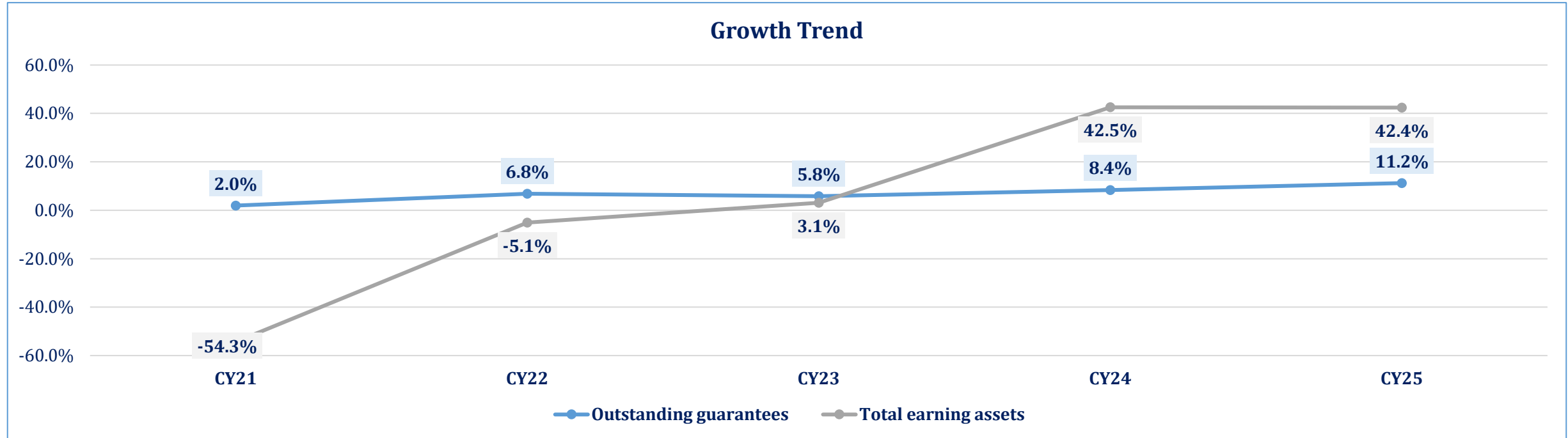
Capital Adequacy and Liquidity Ratios



- The sector's equity-to-total assets ratio moderated to ~75.9% in CY25 (CY24: ~82.5%), primarily reflecting a slowdown in equity accretion for InfraZamin Pakistan Limited, where significantly compressed profitability during CY25 limited retained earnings growth while total assets continued to expand. GuarantCo Limited's equity-to-total assets ratio also moderated, as total assets expanded by ~9.4% while equity grew only marginally, further contributing to the sector-wide decline in this ratio.
- The sector's liquid assets-to-equity ratio improved markedly to ~99.3% in CY25 (CY24: ~70.2%), driven by expansion in liquid asset bases across both sector players. InfraZamin Pakistan Limited's liquid investment portfolio expanded, primarily driven by growth in its mutual funds holdings, which reached PKR~2,501mn within the short-term investments category. At the same time, GuarantCo Limited's investment portfolio also saw a sharp upward trajectory, with capital increasingly deployed into liquid financial instruments, thereby strengthening the sector's overall liquidity position.

Credit Guarantee Institutions

Growth Trend

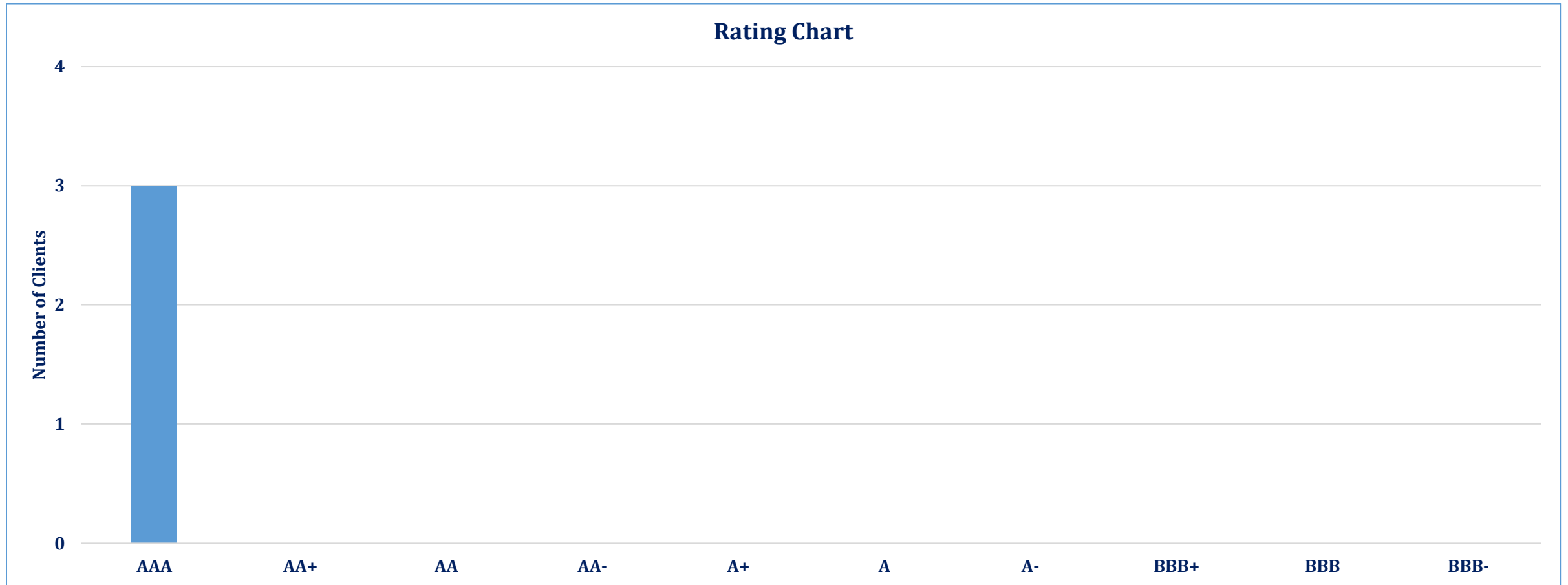


- The sector's outstanding guarantee portfolio continued its growth trajectory, increasing by ~11.2% in CY25 (CY24: ~8.4%), reflecting GuarantCo Limited's continued portfolio expansion as it reached financial close on new transactions during the period, while InfraZamin Pakistan Limited's outstanding guarantee portfolio moderated to PKR~4,116mn in CY25, as portfolio runoffs partially offset new guarantee issuances during the period.
- The sector's total earning assets maintained strong growth of ~42.4% in CY25 (CY24: ~42.5%), predominantly driven by a significant expansion in GuarantCo Limited's investment portfolio during the period, while InfraZamin Pakistan Limited also recorded modest growth in its earning asset base.

Credit Guarantee Institutions

Rating Curve

- PACRA rates 3 sector players, GuarantCo Ltd, InfraZamin and National Credit Guarantee Company Limited. CGIs have very high ratings owing to the underlying sponsor strength and sovereign ownership.



Credit Guarantee Institutions

SWOT Analysis

- Strong regulatory/supervisory role of the State Bank of Pakistan (SBP).
- High level of credit worthiness due to strong financial position of sponsors and government involvement as well.
- Ability to raise large amounts of funds in international capital markets.



- Conflict of interest between private sponsors and host country's government.
- Tendency to focus on lower risk projects rather than projects that have a more positive effect on development.
- Very slow progress or risk aversion

- High policy rates in times of inflationary pressures.
- Difficult economic and monetary conditions may lead to subdued demand for credit.

- Increase in investment opportunities in multiple sectors.
- Development of SEZs and CPEC project.

Credit Guarantee Institutions

Outlook: Stable

- In FY25, Pakistan's GDP (nominal) stood at PKR~113.8tn (FY24: PKR~105.2tn) and grew, in real terms, by ~3.1% (FY24: ~2.6% growth). The Country's real GDP during FY26 is forecasted to grow by ~3.5% YoY, as per the IMF, depicting improved economic activity. During 3QFY26, the economy expanded by 3.9% YoY (3QFY25: ~2.6% YoY).
- Services sector account for the majority (~53.8%) of outstanding SME credit by FY25, followed by manufacturing (~37%), highlighting the concentration of formal SME financing in relatively lower-risk sectors. The CGI sector's risks remain tied to its exposures across various industries. Commensurate with the earlier easing cycle, credit to the private sector began picking up through FY25 and into FY26, indicating a recovering credit appetite. Outstanding SME finance rose sharply by ~41% in FY25 to an estimated PKR~674 billion*, reflecting improving credit conditions on the back of monetary easing, though this still falls short of SBP's Vision 2028 target of PKR~1,100 billion.
- InfraZamin Pakistan has been increasingly focused on mobilising domestic capital markets to finance climate-resilient infrastructure. Recent landmark transactions include an Agri-Infrastructure Sukuk with Unity Foods as well as the launch of South Asia's first gender bond. InfraZamin has also signed an 11.5-year Distributed Solar Financing Facility with Acumen Energy Limited, reflecting its growing focus on renewable energy infrastructure. Both InfraZamin and its parent PIDG have been actively collaborating with SECP and SBP to develop green financing via debt capital markets, with credit enhancement being used as a tool to de-risk bonds and make them attractive to long-term institutional investors such as asset managers and insurance companies.
- GuarantCo Ltd has significant exposure in Pakistan's energy sector, which continues to face structural challenges, including circular debt and currency risk, although the pace of circular debt accumulation has slowed following government interventions.

**Estimate derived by applying the ~41% year-on-year growth rate reported in the SBP Governor's Annual Report FY25 to the last published absolute figure of PKR~478 billion as of September 2024 mentioned in SMEDA's SME Financing Portfolio Report.*

Credit Guarantee Institutions

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