**UNDP-supported Guarantees**

**A. GENERAL OVERVIEW AND DEFINITION OF GUARANTEES**

1. A guarantee is a finance tool used in a development project that enables a borrower to access finance in order to achieve a development objective. It does so by de-risking lending to the borrower, enabling them to access finance that would otherwise be out of reach.
2. A guarantee is an obligation undertaken by a guarantor to satisfy the payment of a debt or the fulfilment of a contractual obligation on behalf of a debtor toward a beneficiary when the debtor fails to pay or comply with the terms of the contract. In other words, a guarantee could be considered as “insurance” that protects the investor or lender in the event a debtor fails to settle a debt or meet a contractual liability whereby the guarantee will cover the financial obligation (partially or in full), lowering the financial risk for the investor/lender and borrower.
3. Guarantees are important credit enhancement and risk mitigation instruments that can:
   1. Benefit lenders concerned about a borrower’s credit risk by transferring some or all of the risks (whether real or perceived) to creditworthy third parties (guarantors and insurers) that have a better capacity to assess and/or accept such risks, thereby enabling the underlying transaction to move forward.
   2. Help borrowers obtain financing at better terms, although not necessarily cheaper (e.g., longer tenors, reduced collateral requirements, etc.), than would be possible without the guarantee.
   3. Have an important catalytic effect in reducing barriers to lending within new markets, or lending to different sectors within a market, spurring greater investment for the SDGs.

**Key Objectives**

1. Key objectives for the provision of UNDP-supported guarantees include:
   1. Attracting lenders through minimizing the risk of extraordinary or excessive losses, and mitigating informational asymmetries in lenders that adversely impact new sectors or small and medium-sized enterprises
   2. Stimulating growth in economies where resources are not fully employed (e.g. banks may be over-liquid, yet do not put their funds to full use because of the perceived high risk of potential borrowers)
   3. Sharing risk in commercially viable lending schemes to encourage sound lending decisions to new sectors and/or markets, including countries where development assistance funding is scarce. In the case of UNDP, as seen below, UNDP’s financial risk when issuing guarantees will be fully covered by funds provided expressly by funding partners (non-core programme) to cover this risk.
   4. Lowering barriers to accessing finance for borrowers, particularly vis-à-vis credit guarantees that can assist certain borrowers as a partial substitute for collateral
   5. In the case of a UNDP supported guarantee, the presence of such a guarantee would help to mobilize financing that would not otherwise be forthcoming, particularly private sector financing and especially local market capital, as local lenders would gain additional assurance as a result of a UNDP guarantee
   6. Creating a demonstration effect, particularly to local financial institutions, of a sustainable market/sector for lending
   7. Maximising impact per dollar invested as new capital is leveraged
   8. Facilitating public/private partnerships and blended finance
   9. Diversifying financing sources by attracting participation beyond existing development financing
   10. Promoting visibility, accountability, and transparency for investments for the SDGs through de-risking instruments that maximize results and impact

**B. GUARANTEES AS PART OF UNDP PROJECTS**

1. For UNDP, UNDP-supported guarantees will support sustainable development by being one component within an overall project of activities that provide financing, related technical assistance and operational support to promote broad-based economic growth, contribute to social and environmental sustainability, enhance the effectiveness of the public or private sectors, or otherwise contribute to the overall development of member states.

**Key Principles in Designing Guarantees as Part of UNDP Projects**

1. UNDP may support guarantees only as part of broader development projects to achieve the desired development outcomes, and **not as stand-alone interventions**. **UNDP may not support the issuance of such guarantee when the guarantee is the sole development intervention/instrument being deployed.** The guarantee must be supported by other development interventions within the project, which may include other de-risking instruments, technical assistance, performance-based payments, grants, etc. The relevant project team must establish appropriate linkages between the guarantee and other development interventions, including cross-effectiveness, to ensure the intended results are achieved.
2. UNDP will only offer fully funded development guarantees, where funding partner(s) have provided funds to cover the full liability of the guarantee. This is consistent with the funding of other UNDP non-core programming. These funds must be received in advance of UNDP engaging the banking partner (or UNCDF) [see paragraph 12, below] to issue the guarantee instrument. In such a funded guarantee scheme, the full cost of the liability is set aside by UNDP in a bank account (escrow account) for the sole purpose of funding any guarantees that may be called upon. The funding partner must be fully informed that the funds will be made available for meeting the guarantee requirements, and the funds may thus be drawn upon to settle risks incurred within the lending activities.
3. In the event of default by the borrower and subject to pre-agreed conditions (see paragraph 40), funds held in the escrow account will be called upon by UNDP’s banking partner (or UNCDF) that issued the guarantee, on the demand of the lender (or the vendor in case of procurement guarantee) to pay out approved claims. While UNDP does not incur a financial loss in such an event (see paragraph 4c) as the guarantee security is fully funded by the funding partner(s), reputational risks remain, which must be mitigated through robust project design, upfront communication and expectation setting with funding partner(s), monitoring, and governance and oversight mechanisms as provided for in this policy and in the UNDP Guarantees Operational Manual.
4. UNDP-supported Guarantees may be offered where they generate “additionality”, either “financial additionality” and/or “economic additionality” and/or “development additionality” and/or “value additionality”, to deliver impact efficiently. Financial additionality occurs if the entity receiving the guarantee would not have been able to access finance without a guarantee. Economic additionality refers to whether entities that receive guaranteed loans improve their performance (in terms of growth, investment, employment, among other indicators) upon receipt of the guarantee. Development additionality occurs if use of the instrument achieves a development impact that would not have occurred without the use of the instrument. Value additionality occurs if use of the instrument results in the provision of market information that was previously unavailable for an underserved market segment. “Additionality” is a key design requirement.
5. It is important to make sure that UNDP-supported guarantees target specific risks or barriers inherent in projects that the lenders are unable to assess or reluctant to bear. Guarantees may only be offered when UNDP is in a position to better assess the risks (e.g., due to its sectoral expertise or local knowledge) and suggest mitigation strategies, than the lenders in the market, or in situations where lenders have correctly assessed risk but still won’t enter the market because of conditions that UNDP may be able to help mitigate. In all cases the underlying lending decisions need to be commercially viable, i.e., the borrowers must be able to repay the loans at commercial rates which would enable the lender to earn profit.
6. In doing so, UNDP-supported guarantees will seek to target underserved sectors. They may also help create markets by providing liquidity for lending activities in sectors or populations not presently well supported by the financial sector. Sectoral diversification may reduce portfolio risk through diversification and have an impact on most sectors of the economy.
7. UNDP does not have a credit rating and will not issue guarantees to the lender itself. Rather, it will engage reputable financial institutions and development banks or UNCDF to perform the role of “Guarantee Issuers” (see paragraphs 33 – 39 for more details). Thus, instead of issuing guarantees directly to the lender, UNDP will engage a Guarantee Issuer (such as commercial or development banks, UNCDF, EIF, etc) to provide a guarantee to the lender, which will be supported by UNDP’s funding received from funding partner(s).



1. UNDP-supported guarantees will ideally cover a portfolio of investments (e.g., a bank’s credit facility for SMEs or youth entrepreneurs) as this would impact more beneficiaries compared to guaranteeing individual loans.
2. While guarantees can incentivise lenders to take on high risk projects, sufficient care must go into designing guarantees that appropriately balance risk taking and prevent moral hazard (i.e., taking on too much risk as the guarantee will fund any losses incurred). Risk must always be shared with the lender.
3. Under certain circumstances, UNDP may leverage UNCDF’s experience with issuing and managing guarantees, for the design, structuring, issuance and management of UNDP guarantees (see paragraphs 35 – 39). In addition, UNCDF may also issue guarantees under a joint programme with UNDP, especially when the intervention requiring the guarantee is not consistent with UNDP’s FRRs, e.g., when the guarantee is not funded or only partially funded by funding partner(s). In these cases, as with other joint programmes, UNCDF’s regulations, rules and policies will apply. Such cases are not covered under this policy.

**Types of UNDP-Supported Guarantees in UNDP Programming**

1. UNDP can offer, through Guarantee Issuers,
   1. Partial credit or loan guarantees with risk shared with co-guarantors (if any), lenders and borrowers (see paragraphs 14 and 26), designed to target underserved sectors in country or across regions and specific root-cause barriers. Credit or loan guarantees are used for specific credit enhancement purposes and cover losses in the event of a default on debt; and
   2. Procurement guarantees, where UNDP and/or funding partners may wish to underwrite various parts of the procurement supply chain (see paragraphs 29 – 32)
2. For clarity, the policies described in this document are limited to the aforementioned credit guarantees and procurement guarantees.

**Programming Modality**

1. UNDP-supported guarantees will only be offered to projects under Direct Implementation Modality (DIM) and full Country Office Support to National Implementation Modality (NIM). As specified in paragraph 6, UNDP-supported guarantees must be part of a project and supported by other development interventions (which may include other de-risking instruments, technical assistance, performance-based payments, grants, etc.) and may not be the sole activity under/for the project.

**Key Policies and Guidance in Structuring, Issuing and Managing Guarantees**

1. A Concept Note must be submitted by the country office to the regional bureau, Finance Sector Hub, Guarantees Project Team and Global Policy Network (GPN) after it originates an opportunity, which must include:
   1. Description and purpose of project
   2. Structure of project
   3. Funding source and amount available for UNDP-supported guarantee
   4. Preliminary impact assessment (e.g., according to the Impact Management Project methodology)
   5. Management responsibility
   6. Proposed technical assistance to support the project, including the guarantee
   7. Estimated time frame for project implementation
2. An initial diagnostic must be conducted by the UNDP project team at country level on all guarantee transactions to ensure effectiveness and efficiency of guarantees. Upon approval of this policy, a diagnostic tool will be developed to support this process. It must assess the role of guarantees in the overall design of holistic development interventions, political, economic and business environments (e.g., local financial regulations and markets conditions, doing business data) and the type of risk that needs to be mitigated and the adequacy of the recommended guarantee variant (vs. other potential development interventions) in mitigating the risk.
3. For credit guarantees, the design of the lending programme and related guarantee will seek to target specific sectors/markets/beneficiaries in order to achieve the development objective. Key to the successful design of a guarantee program is the identification of the risk that lenders are most concerned about, and where UNDP’s knowledge can be used to mitigate that risk with a cost-effective guarantee product. In addition to the assessment of risks, cost benefit analysis of guarantees must be conducted.
4. In line with the exit strategy for the project, a clear exit strategy is required for the guarantee to ensure that UNDP’s support to guarantees leads to the necessary changes in the marketplace so that the guarantee facility may no longer be required. When planned and implemented correctly, exit strategies have the impact of empowering both lenders and borrowers to be able to continue their operations without the use of the UNDP guarantee. UNDP-supported guarantee extensions (if any) must be supported by a new risk and cost-benefit analysis.
5. For credit guarantees, UNDP’s target leverage ratio must range from 3.5:1 upwards, depending upon the targeted beneficiaries, as described further in this paragraph. This means that, at a minimum, every dollar provided by UNDP as part of a guarantee must mobilize at least $3.5 additional capital from the lender. As a general guide, for loan portfolios to SMEs, a minimum leverage ratio of 5:1 or higher is recommended. Where necessary, a minimum target ratio of 3.5:1 may be considered for loan portfolios in LDCs that target new types of individual beneficiaries, such as individual farmers, households, youth and women to encourage entrepreneurship.
6. UNDP may support medium-sized guarantees ranging from $1 million to $10 million per guarantee to a given lender. This range is above the level where a guarantee is typically not cost effective to utilize, and below the level of larger development guarantees typically offered by multilateral development banks and other guarantors.
7. UNDP-supported guarantees must not have a tenor exceeding the UNDP project period. The guarantee tenor must not exceed 10 years and will ideally be the same as the tenor of the underlying loans. However, in some situations depending on the specific risk to be mitigated, the maturity of UNDP-supported guarantees can be shorter than the tenor of the covered instrument or transaction. In cases where the proposed tenor of a guarantee transaction exceeds 10 years, the transaction will need to be reviewed and approved by the Credit Risk Committee[[1]](#footnote-2).
8. For credit guarantees, UNDP may only support guarantees on a pari passu basis (i.e., equal footing basis) with the lender, with respect to the rights and obligations arising from a default situation. In the event of a default, UNDP guarantees will cover up to a maximum of 50% of the potential losses, with the coverage ratio being determined for each transaction based on its specific impact/risk assessment. In all scenarios, including those involving co-guarantors, the guaranteed party (i.e., lender) must retain at least 25% of the remaining risk of potential losses. If a default materializes, losses will be funded in the same ratio. Any proposed exceptions to the sharing of risk on a pari passu basis must be fully justified and brought to the Chief Finance Officer for consideration.
9. When issuing loans guaranteed by UNDP, the lender must do so in the local currency to avoid market distortion. UNDP-supported guarantees will be issued in the currency of the underlying loans, as currency mismatches for the lender must be avoided. UNDP’s currency risk must be considered carefully, especially for longer term guarantees and larger size guarantees. Any proposed exceptions to issuing guarantees in the currency of the underlying loan/transaction must be fully justified and brought to the Chief Finance Officer for consideration.
10. Funds to cover potential guarantee pay-outs will be deposited by BMS/OFM Treasury into an escrow account held by the Guarantee Issuer, using funds provided by the funding partner(s) and denominated in US dollars. Escrow accounts ensure that money will be available for claim payments if/when the guarantee is called. Escrow accounts must be interest bearing accounts, to ensure investment income is earned on unused funds for the benefit of UNDP.

**Procurement Guarantees**

1. There may be instances where UNDP itself and/or funding partners would wish to utilize procurement guarantees to underwrite various parts of the procurement supply chain in a variety of ways, which may include:
   1. Option 1 – Funding partners can guarantee the procurement activities of countries through a pooled central procurement facility (bridge fund facility) established by UNDP that allows pre-delivery financing for member countries wishing to procure supplies or commodities through UNDP.
   2. Option 2 – UNDP and/or funding partners directly guarantee the procurement activities of individual countries or implementing partners (*outside of a pooled procurement facility described in Option 1*).
   3. Option 3 – UNDP can facilitate guarantees to suppliers on sales volume and price of essential commodities.
2. The pooled procurement facility will pre-finance the countries commitment for procurement needs and allow countries to make payments for the supplies upon delivery at expectedly lower prices due to longer term purchase commitment, which became possible through procurement guarantees.
3. As with other forms of UNDP-supported guarantees, a full guarantee from funding partners would be required to establish such a facility, such as a counter-guarantee offered by a third party (e.g., foundation, international financial institutions, etc.), against firm procurement commitments of partners across a portfolio of projects.
4. Without a guarantee facility provided by funding partners, UNDP will be exposed to the risk of non-payment (default) and in some instances may be exposed to foreign exchange risks as commitments made in local currency may lose value due to fluctuations in the market compared to the currency of the procurement. Therefore, the pooled procurement facility should be supported by guarantees issued by funding partners who can cover the risk of default or risk of loss in value of the facilities’ resources. This reduces the financial risk to UNDP - in the event that the goods are received, UNDP will be able to draw upon the guarantee. However, reputational risks with the funding partner may emerge, should the beneficiary government not be in a position to meet its financial obligations on the delivery of the procured items.

**Partnering with and/or Engaging Financial Institutions for the Issuance and Management of UNDP-Supported Guarantees**

1. UNDP will engage qualified financial institutions and development banks to issue and administer guarantees required as part of a UNDP project, on the basis of this policy and in accordance with the procedure provided for in the UNDP Guarantees Operational Manual and guidance from the BMS/OFM Treasury unit. The agreements with the financial institutions must specify the design elements from the programme, including specific sectors/beneficiaries being targeted, the risks being mitigated by the guarantee, and the basis for risk sharing and subsequent claims.
2. The Guarantee Issuer issues the guarantee in its name, upon UNDP’s request, and takes on the obligation to guarantee the payment of specific amounts in the event of default. Whilst UNDP will still be responsible for providing technical expertise in the design phase of guarantees, all UNDP-supported guarantees will be issued, managed and monitored by the Guarantee Issuer(s). UNDP will not be involved in actual lending decisions beyond identifying target beneficiaries as part of the project document and the Guarantee Issuer Agreement, nor will the guarantee be issued in its name.
3. UNDP may also leverage UNCDF for the design, structuring, issuance and management of UNDP-supported guarantees. This may be done in various ways – as a responsible party or as a technical service provider to UNDP – as set forth in the Executive Group (EG) approved “[*UNDP-UNCDF Collaboration Framework on Loans, Guarantees and Low-Value Grants*](https://undp-my.sharepoint.com/personal/madhurima_barman_undp_org/Documents/UNDP/Innovative%20Financial%20Instruments/UNCDF/Collaboration%20Framework/UNDP-UNCDF%20Collaboration%20on%20Loans,%20Guarantees%20&%20Grants_Final.pdf)*”* (Nov 2018). In cases where UNCDF is engaged as a responsible party by UNDP, a UN-to-UN Agency Contribution Agreement must be signed with UNCDF, and UNCDF’s regulations, rules and policies will apply to the extent that they do not contravene the principles of UNDP’s Financial Regulations and Rules.
4. Additionally, if after review by the Credit Risk Committee, UNDP determines not to move forward with a guarantee due to exceptional case or material risks identified, UNDP shall consult with UNCDF to explore whether UNCDF may be able to support the guarantee.
5. A “Guarantee Issuer Agreement” is signed between UNDP and the selected Guarantee Issuer (or the UN-to-UN Agency Contribution Agreement in cases where UNCDF is the Guarantee Issuer) that lays out the roles, responsibilities, terms and conditions for each UNDP guarantee issued. These are subject to the approval of the BMS/OFM Treasury unit.
6. The following are key elements that must be included in Guarantee Issuer Agreements between UNDP and the Guarantee Issuer, including in the UN-to-UN Agency Contribution Agreement when the Guarantee Issuer is UNCDF:

* Procedures for fund management and reporting to UNDP
* Liability limits of the different parties
* Procedures governing disbursement of funds by UNDP
* Procedures governing selection of lenders and disbursement of funds to lenders by guarantee issuer
* Expected guarantee leverage ratio
* Seniority of UNDP funds vs. other guarantors and debtors
* Operating costs (guarantee fees, origination, management and technical assistance costs, interest to be paid on guarantee fund)
* Services and cost-sharing to be provided by guarantee issuer (e.g., staff, office space and equipment, co-financing, etc.)
* Accounting and financial reporting requirements
* Profitability/financial criteria and benchmarks for the entire loan guarantee portfolio (e.g., overall payback time, IRR etc., of the portfolio of projects)
* What constitutes breach of agreement, covenants regarding return of funds
* Covenants regarding the Guarantee Issuer must include requirements to:
  + Maintain its books and records, and prepare its reporting in accordance with applicable standards
  + Periodically monitor the lending activities of the Lender and ensure compliance to UNDP criteria and eligibility requirements
  + Retain all material information relating to the guaranteed loan(s)
  + Periodic progress reporting to UNDP and promptly furnishing UNDP with any information UNDP may reasonably request
* Mechanisms to resolve and arbitrate conflicts among the parties
* Profiles and qualifications of individuals responsible for operating the guarantee fund
* The non-waiver of UNDP’s Privileges and Immunities
* Indemnification if the Guarantee Issuer agrees to changes in terms without obtaining UNDP approval, or pays on an unjustified call by the Lender/Borrower or otherwise breaches the terms of the Guarantee Issuer Agreement

1. The payment terms and conditions under the Guarantee Issuer Agreement must align with the actual Guarantee Agreement (signed by the Guarantee Issuer and lending bank), and must specify the following guarantee terms and conditions:

* Eligible transactions (sector, technology, project type, etc.)
* End Borrowers (size, eligibility criteria)
* Financing terms (guarantee percentage or risk or loan to be guaranteed, tenor, $ size range of individual guarantee (if applicable))
* Representations, warranties and covenants of the Lender, which must include requirements to:
  + Maintain its books and records, and prepare its reporting in accordance with applicable standards
  + Periodically monitor the usage of funds by the Borrower and ensure compliance to criteria and eligibility requirements laid out in the Guarantee Agreement
  + Retain all material information relating to the guaranteed loan(s)
  + Periodic progress reporting to the Guarantee Issuer and promptly furnishing the Guarantee Issuer with any information it may reasonably request
* Claim requirements
* Payment terms if the guarantee has to be paid in case the borrower defaults
* Guarantee pricing (Full cost recovery basis, including the percentage of guarantee fees etc.)
* Process and distribution of recovered monies (settlement of disputes and legal mechanisms, seniority in recovery). Needless to say, since UNDP will not be a party to the guarantee that is issued, the Guarantee Issuer may insist on using non-UN dispute settlement terms in this bilateral relationship between it and the lender
* Prohibitions set forth in paragraph 2.7 (b) (“Eligible Borrowers”) of the UNDP Guarantees Operational Manual.

1. The only time that the UNDP-supported guarantee may be paid out is when appropriately called in accordance with (i) the terms of the guarantee issued by the Guarantee Issuer, and (ii) the terms of the Guarantee Issuer Agreement or, in the case of UNCDF, the UN-to-UN Agency Contribution Agreement. The funding partner will be informed when a UNDP-supported guarantee is paid out.

**Cost Recovery**

1. Guarantees may only be offered through a UNDP project on the basis of full cost recovery. The budget for the overall project will be subject to GMS on expenses, per UNDP’s cost recovery policy. To ensure full cost recovery, costs related to the design, issuance and management of guarantees will be recovered through the following means:

* 1. i) Charging guarantee fees to funding partner(s) to cover UNDP’s administrative costs, set at the rate of 2% of the outstanding guaranteed amount; or[[2]](#footnote-3)

ii) Recovery of bank fees within the lending scheme; and

* 1. Recovery of costs though project budgets; and
  2. Normal method of GMS charged on project costs though project budgets.

**Financial and Programmatic/Impact Reporting and Monitoring**

1. UNDP will provide regular reporting to its funding partners on the guarantee performance as set out in the respective Financing Agreements. Following normal materiality considerations, UNDP-supported guarantees shall also be disclosed in the notes to the financial statements.
2. The UNDP-supported guarantee scheme must include reporting mechanisms to generate data to allow potential problems to be identified and corrected before the guarantee is triggered. This reduces the probability of paying out the guarantee.

**Refunds After Lapse of Guarantee Coverage Period**

1. When a guarantee coverage period lapses, the undisbursed guarantee funds must be handled in accordance with the terms of the Financing Agreement(s) with the funding partner(s). If the Financing Agreement(s) permits, undisbursed balances may be retained by UNDP within a centrally managed UNDP Guarantee Reserve, where the funds will be commingled for re-use for other guarantee interventions or to pay for the costs related to UNDP’s guarantee program.
2. Alternatively, funding partners may require that undisbursed guarantee funds are refunded back to them, or transferred to the host government, or to an implementing partner. Undisbursed funds must not be transferred to the lending bank.

**Governance and Oversight**

1. Risk management is an indispensable component of guarantees. Risk assessments will be performed on lenders, the structure of guarantees and all aspects of credit activities, to identify the probability of adverse outcomes, such as default. Risks will be examined by country offices through their initial diagnostics. Per the procedures below, the Guarantees Project Team, GPN, Finance Sector Hub and BMS/OFM Treasury will also independently assess various risks in the guarantee approval process, based on their individual responsibilities as set out in the procedures. Process steps and approvals required as part of regular UNDP programming and risk management policies and standards (e.g. Bureau review and endorsement) continue to apply.
2. Any exceptional cases or material risks identified must be brought to the attention of the Credit Risk Committee (see paragraph 48 – 49) for review and escalation (as necessary) to the Enterprise Risk Management (ERM) Committee. Exceptional guarantee proposals will need to be endorsed by the Credit Risk Committee before the guarantee is approved.
3. The Credit Risk Committee will consist of representatives from BMS/OFM Treasury, Guarantees Project Team, GPN and members of other Regional Bureaux (the Regional Bureau which submits the UNDP-supported guarantee proposal can be an observing member of the Credit Risk Committee). The Credit Risk Committee will be convened by any responsible division/office/bureau that identified the risks. The Credit Risk Committee will be advised and supported by the Guarantees Project Team, a dedicated project team established to support the initial phases of roll out of this policy.
4. Exceptional cases or material risks identified that must be submitted to the Credit Risk Committee may include, but are not limited to:

* Risk coverage greater than 50 percent
* Excessive currency risk of funds held in the escrow accounts
* Large guarantee sizes exceeding USD 10 million
* Guarantee tenor exceeding 10 years
* Countries with very few banking partners where a fairly risky banking partner is selected
* Lending banks requiring full deposits to be made with them (instead of being held with a Guarantee issuer)
* Any significant changes likely to occur or foreseen to happen (i.e. rapid changes in credit risks of banks or macroeconomic environment) during the approval process or implementation phase

1. The Credit Risk Committee will oversee the entire UNDP-supported guarantee portfolio, and the ERM Committee will manage overall enterprise risk including escalated risks.
2. More information on UNDP-supported guarantees can be found in the UNDP-supported Guarantees Operational Manual.

1. Terms of reference will be developed for the Credit Risk Committee. [↑](#footnote-ref-2)
2. To avoid making the guarantee costly either a i) or ii) can be charged. Fees are charged either to the (i) funding partner or (ii) to the lender who can pass the fee on to the borrower, if it is commercially viable to do so. [↑](#footnote-ref-3)