



Declaration of Foundation and Principles

GNGI - Global Network of Guarantee Institutions

After revision of the founding document (signed in Porto on the 24th June 2016) in Madrid, the 1st of June 2017

I) Considering:

1. That access to adequate and timely credit financing is one of the main pillars of SME's development:

Globally, SMEs face very similar problems with regard to credit scarcity. At company level, lack of sufficient collateral can often be an obstacle to realizing a business project that is sound and makes commercial sense. This is particularly true to young entrepreneurs and start-up companies. Financial opacity and limited capacity to present a bankable proposition are additional factors limiting access to finance for SMEs.

At local or regional levels this can have considerable effects in terms of lack of opportunities, economic development and unemployment.

Guarantees, through their risk sharing aspect, their capital relief effect as well as through their high leverage factor, may represent a cost-efficient and very effective tool to address credit scarcity.

2. That Credit Guarantee Schemes can make an important contribution to the creation of SMEs and more generally to economic development:

In general, Guarantee Schemes (including Counterguarantee Schemes), funds or programs can bring strong additionality to financial products available for SME in the financial markets.

Indeed, they allow market participants who otherwise would not have access to credit finance to obtain loans, while the credit institutions can realize additional business.

Credit Guarantee Schemes, both private and public, add value to the credit assessment process through their specific knowledge of the industries, characterized by the deep analysis and the thorough knowledge of their local customers. Higher volumes of credit to SMEs are offered by the banking sector as a result of the risk mitigation effects induced by the guarantees.

Through this remarkable additionality and their multiplier effect, and thanks to the participation of other private sector entities, namely the banks and SME



Associations, Credit Guarantee Schemes are able to leverage public SME policy in a very effective way.

This was recognized by organizations such as the European Commission and the World Bank Group, which recently launched the Principles for the Design, Implementation and Evaluation of Public Credit Guarantee Schemes for SMEs.

Also, the OECD pays a very strong and growing attention to Credit Guarantee Schemes and to their impact on access to finance for the SME sector, particularly to small and very small economic units, as well as to individual entrepreneurs.

Recently the G20 and in particular the SME Finance Forum started to examine Credit Guarantee Schemes as an effective tool of public policy aimed at leveraging the state capacity to bring economic development.

3. That an alliance among the SMEs, the Banking sector and the State for the existence and development of Credit Guarantee Schemes is of utmost importance:

It is also recognized today the importance of a real ALLIANCE between the different stakeholders in the process (the SMEs representatives, the lenders and the government) for a guarantee support policy to be effective.

Credit Guarantee Schemes exist in the most developed regions of the world in different types and structures, from individual guarantee companies/entities, to guarantee funds or guarantee arms of development or promotional banks. They are progressing in the other parts of the world yet there are still regions where the guarantee tool is not yet sufficiently known, used or even present.

Also, there is a great diversity of Credit Guarantee Schemes, each featuring different levels of security, relevance, quality and impact, which requires systematic study and benchmark at global level. Credit Guarantee Schemes also vary in terms of their distribution methods, ranging from individual guarantees to portfolio ones. Public support to the schemes can assume different forms, from equity to counterguarantees or even third level guarantee mechanisms.

4. That Credit Guarantee Schemes are an important item on the global agenda of policy makers:

Credit Guarantee Schemes should coordinate their efforts in order to make their activities more visible to policy makers at both regional, national and/or multilateral levels. The same applies for the exchange of experiences and knowledge on the use of this powerful development instrument around the world.



II) On the 24th of June 2016, in Porto, Portugal, some of the most relevant Credit Guarantee Schemes and Credit Guarantee Schemes Representatives (associations, networks) from different continents agreed on the creation of a Global Network of Guarantee Organizations (GLONG).

III) Considering the inputs from many members and colleagues around the world, the Founders decided to update the initial foundation document as follows:

- 1. GLONG is renamed to Global Network of Guarantee Institutions (GNGI).**
- 2. GNGI's mission is to help the Credit Guarantee Schemes that are members of the network to promote the guarantee instruments worldwide as well as to promote the exchange of experiences and best practices among its members.**

Thus, GNGI shall work especially at multilateral level with institutions such as the World Bank Group, the IFC/SME Finance Forum, the OECD, the IMF and/or the UN, namely through the permanent participation at SME and Entrepreneurship Financing Forums, Working Groups, Task Forces and/or other forms of presence allowed by these organizations and accepted by members of the network.

It is also under the GNGI scope to promote the exchange of best practices through benchmark between the players.

3. GNGI is a digitally-based Network

GNGI will operate without any fixed structure and without any formal obligation to its members apart from the ones set in this Revised Foundation Document.

4. GNGI has one or two Coordinator(s) agreed among its members

The Coordinator(s) is (are) the official representative(s) of the network.

S/he (they) will be in charge of preparing the Agenda for the Annual Summits and the topics under discussion inside the network and the circulation of information among the members, alongside with the remaining obligations defined.



S/he (they) is (are) appointed for a 2 year mandate, not remunerated.

The Coordinator(s) shall be appointed by the majority of GNGI members on a rotation principle taking into consideration the knowledge of the industry as well as the existence of different geographical partners.

5. GNGI will have a website at www.gngi-globalguarantees.com

The working language will be English and the website will be managed by the Coordinator(s) and potentially by other members defined on a voluntary basis at the Annual Summits.

6. GNGI will held an Annual Summit of its leaders

The Annual Summit will occur at the occasion of the annual event of one of GNGI members (for example ACSIC, AECM, REGAR, MENA, ...), which will be hosting the meeting and sponsoring it by providing the venue and remaining amenities agreed, assuring no costs will arise to the network or its other members.

The Coordinator(s) and the hosting member will deal with the setting up of the Agenda for the Annual Summit and all the logistics. GNGI will not be responsible for any travelling and other expenses for the Summit so members will cover their own costs unless the hosting member decides any special offer policy to do it.

7. GNGI will promote exchange of information and good practices

The Coordinator(s) will propose Webinars and other forms of exchange of best practices among GNGI members and other relevant stakeholders.

These will be focused on the use of digital tools and similar “non-costly” supports.

8. GNGI does not imply any financial contribution from its members

The principle of GNGI is the non-charging of membership fee.

On a voluntary basis and/or for specific projects or requests, if previously agreed unanimously between all GNGI members, special contributions can be decided.

A specific small fee for the maintenance of the website and the organizations of the Webinars can be agreed upon.