

## The African Guarantee Fund Receives Very Strong 'AA-' Fitch Rating Owing to Strong Business Model and Operational Strategy

The African Guarantee Fund for Small and Medium-Sized Enterprises (AGF) is very pleased to announce that it has received an Insurance Financial Strength (IFS) rating of 'AA-' (very strong) by globally renowned Fitch Ratings.

"Since our establishment six years ago, AGF's strategy has been built on implementing a proven business model, leveraging high quality technical expertise and putting in place a strong governance framework. The positive results of this approach speak for themselves, with the most recent example being the 'AA-' rating," said Mr. Felix Bikpo, Chief Executive Officer of AGF.

In an official statement, the highly regarded agency said: "The rating reflects AGF's financially strong owners, very strong capital position, proven business model as provider of local currency guarantees for small and medium sized enterprises (SMEs) in Africa and low investment risk. These strengths are partly offset by the company's small size. AGF is backed by public institutions, but it is run on a commercial basis, allowing European countries to support the financing of SMEs in Africa without directly committing their own funds."

Mr. Bikpo stated, "This is the first time a guarantee fund in Africa has been assigned this status and the second Africa-based Financial Institution – after the AAA of African Development Bank – to be recognized in this way."

The assignment of a high Fitch rating further acknowledges AGF's position as a strong Financial Institution. By harnessing public funds for private sector development of SMEs, AGF has also been successful in demonstrating profitability as an institution. "As AGF's primary objective is to reduce the funding gap for African SMEs, profitability is not the main performance metric. However, the company was profitable in 2015 and 2016 - just four years after its incorporation in 2011 - and has therefore proven its business model. AGF has a long-term return on capital target of 2.5%-5%, which Fitch views as an achievable target," reads the statement from Fitch Ratings.

In December 2015 the African Guarantee Fund for Small and Medium Enterprises (AGF) completed its first external growth operation with a USD 35 million acquisition of Guarantee Fund for Private Investments in Africa (GARI Fund). This strategic acquisition was made in order to accelerate AGF's presence across the continent, strengthening its already robust pipeline, resulting in a real Pan-African guarantee fund. Furthermore, AGF acknowledges the high importance of the Economic Community of West African States (ECOWAS). In 2016, AGF launched a green guarantee facility aimed at unlocking finance for SMEs investing in low carbon, green growth and climate resilient development.

### About the African Guarantee Fund

Officially launched on June 1, 2012, the African Guarantee Fund is a Pan-African non-bank financial institution created in 2011 by the African Development Bank (AfDB), the Danish International Development Agency (DANIDA) and the Spanish Agency for International Development Cooperation (AECID). It was recently joined by the French Development Agency

(AFD) and the Nordic Development Fund (NDF). AGF's primary mandate is to assist financial institutions in Africa to scale up their SME financing through the provision of partial loan guarantees and capacity development assistance. It seeks to bridge the gap – currently estimated at USD 150 billion – between Financial Institutions and SMEs. Since its establishment, AGF has signed close to USD650 million of guarantee agreements with over 80 Partner Financial Institutions in 40 African countries. Approximately 6,000 SMEs – of which 70% are owned or led by youths – have been able to access loans through AGF's guarantees.

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For additional details and to access the Press Release issued by Fitch Ratings, please click [here](#)

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