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SME FINANCE IN AFRICA: WHAT'S NEW?

Support to SMEs
Regulatory framework
Finance gap
Digital innovations
Mentoring
Formal and informal sectors

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SUMMARY

04 THE CONTRIBUTORS

06 OVERVIEW
Understanding SMEs in developing countries to meet their needs more effectively
By Bertrand Savoye

12 SPOTLIGHT
Realising Africa's Potential: SME Finance and Skills
By Jonathan Lange

16 STUDY
What are the main reasons for micro-business and SME loan default in Sub-Saharan Africa?
By Nicolas Picchiottino

20 OPINION
Digitisation in Africa: Channelling Funding to SMEs
By Matthew Gamser

24 ANALYSIS
SME finance as seen by regulators: Focus on Sub-Saharan Africa
By AFI Network

28 KEY FIGURES

32 SPOTLIGHT
Cameroon: 90% of the labor force trapped in the informal sector
By Vincent Kouete

36 OPINION
Mentoring and support: A key element in the sustainability of SMEs
By Parminder Vir OBE

40 ANALYSIS
Are digital technologies set to revolutionise SME financing in Africa?
By Aiaze Mitha

44 JOINT INTERVIEW
Equity investment to bring SMEs to scale: An interview with two African fund managers
With Lucas Franck and J-P Fourie

48 JOINT INTERVIEW
Equity investment to bring to scale: An interview with two financed SMEs
With Jean-Philippe Bigot and Habib Hassim

50 QUESTIONS-ANSWERS
How to finance SMEs in Africa? The experience of five financial institutions

52 QUESTIONS-ANSWERS
SME finance and new technologies: An interview with three specialised institutions

54 LESSONS LEARNED FROM THIS ISSUE
By Romain De Oliveira

Djalal Khimdjee

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Job creation is unquestionably one of the major challenges facing Africa in the coming years. A few figures are enough to realise this. For example, by 2050, some 450 million young Africans will be joining the labor market, a real challenge for the continent. Africa has a number of assets to address this situation, including being the continent with the highest proportion of entrepreneurs, who account for some 20% of the working population.
The continent can also rely on the significant development of small and medium-sized enterprises (SMEs), a crucial issue for job creation and economic growth. SMEs account for no less than 90% of companies and create some 60% of jobs in the formal sector in Africa. In terms of wealth creation, they generate an average of 40% of the Gross Domestic Product (GDP) of countries.

Despite the dynamism of this sector, African SMEs continue to face certain obstacles which constrain or even eliminate their development potential. One of the main difficulties lies in access to appropriate sources of financing: indeed, only 20% of micro, small and medium-sized enterprises (MSMEs) benefit from bank financing and an even smaller proportion have access to investors. In the Sub-Saharan Africa region, the current lack of financing is estimated at USD 330bn.[1]
African small and medium-sized enterprises also suffer from obstacles directly related to their nature, their economic environment or their activity: they are perceived as being more risky, with sometimes deficient governance, or do not have sufficient equity or guarantees to attract investors.

But solutions are emerging in the field. For example, digital technologies are spreading massively and rapidly. Fintechs take advantage of them to develop new tools to speed up and disseminate access to financing.
Similarly, local authorities are increasingly mobilising to gradually eliminate the barriers and address the weaknesses which some Sub-Saharan African countries still suffer from.
Finally, faced with growing competition in the large corporates segment, an increasing number of financial institutions regard SMEs as a strong growth driver and are organising themselves to meet their needs, through financing of course, but also through assistance to strengthen these companies and by setting up dedicated teams and monitoring systems.

France launched the "Choose Africa" initiative in 2019 to contribute to this major challenge for Africa. This initiative aims to deploy some EUR 2.5bn of financing for African start-ups and SMEs, mainly via AFD Group, through a continuum of financing solutions.[2]

The development of SMEs in Africa and the increase in access to financing are a structural and long-term development concern for African economies. The very first issue of *Private Sector & Development* was already devoted to this subject. Ten years on, what's new?

1 ‣ MSME Finance Gap database (updated in October 2018).
2 ‣ To find out more, visit https://choose-africa.com/en/

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The Alliance for Financial Inclusion (AFI)

The Alliance for Financial Inclusion (AFI) is a leading organisation on financial inclusion policy and regulation. More than 100 member institutions make up the AFI network, including central banks, ministries of finance and other financial regulators from over 90 developing and emerging countries. AFI works on empowering policymakers to increase access and usage of quality financial services for the underserved, through formulation, implementation and global advocacy of sustainable and inclusive policies.

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Understanding SMEs in developing countries to meet their needs more effectively

Bertrand Savoye, *Senior Research Officer, AFD*

There is now universal agreement on the crucial role of SMEs – which comprise the bulk of businesses in developing countries – particularly in creating jobs. Nevertheless, there are many different – sometimes erroneous – interpretations concerning their financing requirements. The goals of SMEs are not the same as those of big corporations and it is only by understanding these goals more effectively that we can deploy the instruments and processes that will help SMEs to access the funds they need more easily.

FOCUS AFD

AFD is an inclusive public financial institution and the main actor in France's development policy. It makes commitments to projects that genuinely improve the everyday lives of people, in developing and emerging countries and in the French overseas territories. AFD works in many sectors – energy, health, biodiversity, water, digital technologies, training – and supports the transition to a safer, more equitable and more sustainable world: a world in common. Its action is fully in line with the Sustainable Development Goals (SDGs). Through its network of 85 agencies, AFD operates in 115 countries and is currently supporting over 4,000 development projects. In 2018, it earmarked EUR 11.4bn to finance these projects.

Dynamic, flexible, innovative and more human in scale… Small and medium-sized businesses (SMEs) are now credited with every virtue. While economists and decision-makers do not always agree on how exactly to define them, notably in developing economies, they are unanimous in recognizing the role they play together with their qualities. So the question is no longer one of how to promote them but how to do this as effectively as possible.

WHEN THE SHORTCOMINGS OF SMEs BECOME ADVANTAGES

Financial backers have a perfect right to wonder what they can realistically expect from this population of diverse businesses which are generally fairly small in size. For industries in developing and emerging countries alike, economies of scale and capital intensity increase with size. The same goes for apparent labor productivity and average wages for people with similar qualifications. So big business seems to have everything going for it.

In fact, the contributions of SMEs and large corporations cannot be treated in isolation: the strengths of one become the weaknesses of another. So SMEs are more flexible – but working conditions are often precarious and wages lower. They are innovative but their innovations are generally of a peripheral nature and – given the amount of R&D required – radical innovation generally remains the preserve of large corporations. On the plus side, while working conditions

are often more difficult in SMEs, their local presence helps to forge valuable social ties that are only appreciated when small shops are forced out of urban centers for example. And above all, while they are in effect less productive than big companies, their extensive growth pattern helps create much more jobs. In general, the bigger the company, the less jobs they create on average. Indeed, beginning in the 1980s, very large corporations even began suffering from negative employment elasticity and productivity gains were accompanied by job cuts as part of intensive growth strategies.

Within any production system, SMEs and large companies play largely complementary roles and we have even observed increasing financial concentration and a decrease in average business size linked partly to decisions by big business to reorganize around smaller structures. The popularity currently enjoyed by SMEs can partly be attributed to the rise in unemployment being driven by fluctuating oil prices, increasing awareness of the major contribution of SMEs to employment and the boom in market services. Because economies of scale and capital intensity play a far smaller role in most service activities, size is less of a barrier to entry and a medium-sized business may be optimal in terms of combining competitiveness and flexibility. This is the reason why large corporations predominate in industry and over three-quarters of SMEs are present in trade and services. →

“In fact, the contributions of SMEs and large corporations cannot be treated in isolation: the strengths of one become the weaknesses of another.”

FROM THE “MISSING MIDDLE” TO THE “MISSING LARGE”?

In industrialized countries, interest in SMEs dates from the early 1970s with the publication of Small is Beautiful as part the backlash against the preoccupation with economic productivism. In Africa, the interest is more recent and came in the wake of the focus on the informal sector in the 1970s and 80s. SME’s first became a topic of interest as part of efforts to understand why there were so few of them, summarized by the notion of the “missing middle”. This notion has since been challenged: the bulk of SMEs are in the service sector where they escape statistical detection in studies that often focus on only one industrial sector.

This remark on statistical data raises the tricky question of estimating the number of SMEs and their weight in African economies. It also highlights the need to use precise definitions of size and thresholds (upper and lower limits) and what the notion of a business actually refers to[1], otherwise variances between estimates can be quite considerable (in the order of 1 to 100 in Senegal, for example). Ideally, there should also be a standard official definition between African countries – just like there is in the EU – instead of different national definitions: SMEs are defined as companies with less than 100 employees in Cameroon, less than 200 in Morocco and Côte d’Ivoire, less than 300 in Tunisia, with turnover of less than two billion CFA francs in Senegal, etc.

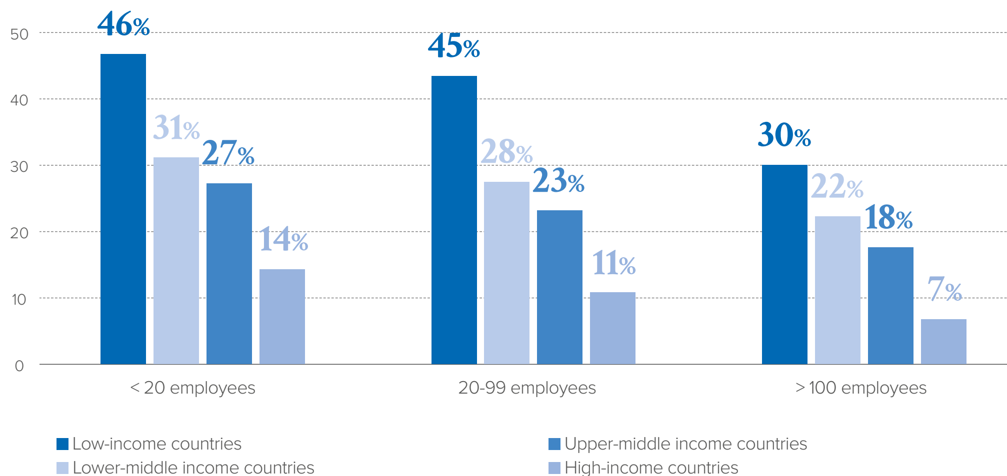
In the absence of accurate statistics, we may advance figures that are more or less comparable with those found in other parts of the world. In most developed countries, companies without employees – when they are actually included in statistics – generally account for a little over half of companies while microbusinesses with less than 10 employees account for nine-tenths of all businesses. The less developed the economy, the higher this figure tends to be. In Africa, enumeration difficulties are accentuated by the notion of the informal sector which can lead to the exclusion of units that would be considered microbusinesses in other regions due to their numerous similarities with this type of business. The proportion of microbusinesses exceeds 95% and microbusinesses and SMEs taken together account for virtually all businesses in existence.

“In most developed countries, companies without employees – when they are actually included in statistics – generally account for a little over half of companies while microbusinesses with less than 10 employees account for nine-tenths of all businesses.”

1 This question arises in developed countries (should we include contractors and self-employed people, companies without employees, etc.?) and to an increasing extent in developing countries in relation to informal production structures (that do not keep accounting records).

SME access to external financing

Average % of SMEs who consider access/cost of financing to be a major constraint on their business activities.



Source: Dalberg, 2011.

OBJECTIVES, STRATEGIES AND CONSTRAINTS ON SMES

SMEs come in all shapes and sizes (self-employed contractors, small- and medium-sized businesses, microbusinesses, etc.) but they also differ in terms of their objectives and the strategies they deploy in pursuit of these. While large businesses have little alternative other than to increase their profitability or win new market share, the aims of SMEs are extremely varied and are often indissociable from those of the head of the business or the family that owns it. Consequently, most SMEs are focused more on perpetuating the business than on accumulation or growth strategies. Many are reluctant to hire people and expand – even though their business is experiencing considerable growth – because the owners prioritize non-economic objectives, prize their independence or quite simply because they just want to do a job instead of growing a business. These objectives illustrate why certain public policies are inadequate or much too ambitious. For example, you cannot automatically assume that job support measures will create more jobs.

They also color the perception of the difficulties encountered by SMEs. When developing country businesses are questioned about their problems, the most frequently cited worries relate to the business environment, the effects of corruption and different forms of unfair competition. Next comes instability and unclear taxation guidelines, poor security for production facilities and land, insufficient and volatile demand, poorly trained labor and of course tight credit and high interest rates charged together with the collateral required and the term of the guarantee. →

MAJOR FINANCING DIFFICULTIES BUT NEEDS ARE PROBABLY OVERESTIMATED

Unlike other concerns, financing difficulties are considerable and the smaller the size of the business the greater they are (see diagram). In the World Bank's 2010 *World Business Environment Survey*, these problems were ranked second in order of importance by SMEs but only in fourth place by larger businesses.

While companies the world over generally find banks to be extremely cautious, the banks themselves insist that "bankable" investment projects will always find a financial backer. The truth probably lies somewhere in between. In the first special report of this magazine – written on the same topic 10 years ago – Paul Collier sensibly pointed out that the financing of African SMEs combines two difficulties: lending to the African private sector is riskier than in the rest of the world and financing a small business is riskier than financing a larger one. However, in the same edition, Paul Derreumaux, who was CEO of BOA at the time, recognized that banks had not earmarked the resources needed to meet the financing requirements of these customers. This reluctance was due in large part to the yields on government bonds.

"While companies the world over generally find banks to be extremely cautious, the banks themselves insist that "bankable" investment projects will always find a financial backer. The truth probably lies somewhere in between."

Just like estimates of the number of SMEs and their contribution to employment or value added, the amount of financing requirements not met by the financial system[2] should be treated with extreme caution. These are taken from macroeconomic estimates of potential financing demand that are underpinned by many assumptions. If we adopt a macroeconomic perspective, a number of questions need to be addressed, notably concerning the whole area of investment credit. The first apparently trivial question is whether the company actually feels a need to invest. While a large company will always have an annual investment programme that needs to be funded, this is by no means the case for an SME. Once the initial investment has been made, very few entrepreneurs actually reinvest because the way the business is run – we're usually talking about small retail operations, building or personal services or handcraft production – does not require this and the business owner is not necessarily focused on accumulation or growth. And, supposing the business does wish to invest, does it need an external source or can it self-finance? Because interest rates are high – especially for micro loans for microbusinesses – and the activities in question are often highly profitable, owners are frequently able to self-finance their investment.

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2 The IFC estimates these at USD 330 billion.

If this is the case, they prefer this solution. Next, if the business feels it needs outside finance in the form of a bank loan, it needs to apply for this and to submit a valid loan application. If the application is accepted, the project must be "bankable" in terms of its quality and the financial strength of the business. Applying these different filters ultimately produces financing estimates that are lower than those generated using macroeconomic methods[3].

In conclusion, SMEs make an invaluable contribution to employment which is without doubt the key challenge facing Africa's economies. While access to funding represents one of their key difficulties, their expectations and the estimates of their financing requirements are often disproportionate and this is where it becomes useful to define policies and instruments that reflect realistic objectives.

It remains to be seen whether technical and financial partners[4] can come up with financial instruments (concessional loans, risk sharing mechanisms, venture capital, etc.) that will have a real positive impact on access to financing and the performances and health of businesses. Most studies focusing on the links between finance and growth have found a positive correlation between financial development and growth precisely due to the lessening of constraints on the external financing of businesses. However, as scientific impact assessments are more difficult to carry out in meso-finance than in microfinance for a number of methodological reasons, knowledge of policies that seek to improve SME access to bank funding is still fairly sketchy and further study is required to ensure that these supports are not limited to windfall effects for financial institutions. ■

"knowledge of policies that seek to improve SME access to bank funding is still fairly sketchy and further study is required."

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3 ▸ According to an AFD study on the industrial sector in Madagascar, 40% of sole-trader businesses and 55% of companies said they needed a loan; 13% and 25%, respectively had applied for a loan, and 3% and 14% respectively, were actually granted the loan. Of those businesses who were refused, one-third were in a loss-making situation. If we consider that all profitable businesses should have been granted a loan, the percentage rises from 3% to 7% of sole-trader businesses and from 14% to 17% of companies, i.e., disparities that correspond to a relatively low level of solvent financing requirements not being met by the banking system (see http://bit.ly/2JbSn65)

4 ▸ Such as the French Choose Africa initiative which will invest €2.5 billion to help 10,000 businesses grow between now and 2022.

Realising Africa's Potential: SME Finance and Skills

Jonathan Lange, *Senior Consultant, African Development Bank (AfDB)*

African SMEs have the potential to provide jobs for their working-age youth. Yet there are key impediments – access, risk, regulation and acumen – to them receiving financing. Addressing the perceived high risk of lending to SMEs has evoked considerable interest. Two potential solutions are cash flow-based lending and portfolio guarantees. Beyond this, offering opportunities – especially by developing skills – to the millions caught in poverty will require engagement.

FOCUS
AFDB
The African Development Bank (AfDB) has 80 member countries – 54 African and 26 non-African countries. The AfDB is the leading development finance institution in Africa. By providing policy advice and technical assistance, it promotes investment on the continent to encourage sustainable economic development and social progress.

Supporting small and medium enterprises (SMEs) has become a hot topic in the international development community. The reason is that they produce much of developing countries' GDPs and have the potential to provide employment for their working-age youth. For example, SMEs account for 95% of African businesses, 80% of employment, and 33% of GDP. Yet there are challenges for SME financing in emerging markets. Most SMEs have trouble accessing the finance they need to grow, despite governments' and international development organizations' awareness of their key role in economic growth, and these bodies' efforts to meet the challenges.

LIMITING ACCESS TO "HAVES"

For most in developed countries, access to finance is a given. Africa is a different story – for most, access to finance is very limited. Where long-term loans exist, they are often reserved for banks' top customers, have high interest rates, and may be made in hard currency to avoid local currency-risk. Thus SMEs looking to finance property or equipment are rarely able to secure a loan to match the estimated life of the capital expenditure concerned, and must instead rely on short-term financing, with much higher – and often unaffordable – monthly repayments, causing cash flow problems. African banks limit long-term financing because they must carefully manage the term structure of their assets and liabilities. Without active local bond markets and long-term interbank lending, they have to rely on

> "Most SMEs have trouble accessing the finance they need to grow, despite governments' and international development organizations' awareness of their key role in economic growth."

customer deposits for financing. To remedy this, many DFIs are actively lending to the financial sector at long tenors, frequently stipulating that the funds be on-lent to SMEs. However, for risk reasons, DFIs still want to lend in hard currency.

Another obstacle for SMEs in obtaining finance is their perceived riskiness. For example, one bank in Guinea reports requiring 80% collateral to lend to SMEs. This limits the pool of would-be entrepreneurs able to get credit and does not help solve poverty. The perceived high risk of SMEs is more acute for women and young people. To resolve this, DFIs deploy technical assistance to FIs, to help them gauge risk and offer risk-reduction schemes targeted at encouraging SME lending.

“Another obstacle for SMEs in obtaining finance is their perceived riskiness. For example, one bank in Guinea reports requiring 80% collateral to lend to SMEs. This limits the pool of would-be entrepreneurs able to get credit.”

REFORMING REGULATIONS AND ENABLING SKILLS

Another factor limiting finance to SMEs is regulation. Governments, central banks, and regional monetary authorities are tasked with establishing and implementing the rules to ensure a healthy financial system. In doing so, they must strike a balance in the supply of credit. Some African countries have restrictive rules that inhibit banks from lending to SMEs; for example, a bank in Mauritania reports that borrowers are normally required to have a 120% guarantee in real estate to back up a loan. In these countries, the restrictive regulations are harmful, and reform is needed to spur SME growth.

Another problem in developing countries is a lack of business acumen among small business owners and employees. A lack of understanding of basic accounting methods is common across Africa, hence problems with financial management, including presenting financial statements and business plans to potential lenders. DFIs and NGOs offer support, but demand far outstrips supply. This problem, a skills gap, would be best addressed by coordinated national education policies that make basic business skills a part of the school curriculum and encourage an entrepreneurial mindset.

Of the four areas of challenge – access, risk, regulation and acumen – for SME financing in developing countries, addressing the perceived high risk of lending to SMEs has evoked the most interest. Two potential solutions are cash flow-based lending and portfolio guarantees. →

ENGAGED LENDING LIMITS LIABILITY

With traditional lending, the loan is based on collateral; the implication of default is repossession of the pledged asset. Yet this method does not encourage economic growth, because of the limited number of aspiring business owners who have the assets to pledge. An alternative is to base lending on predicted cash flow. This necessitates loan officers taking a hands-on approach with entrepreneurs to understand their businesses and to prepare financial statements that indicate estimated future cash flows[1]. In the process, lenders develop a clearer idea of borrowers' ability to repay, as well as their true needs for financing. It also results in a closer relationship between the two parties. Furthermore, loan officers are privy to the early warning signs of payment problems, and they can then offer remedies. While some collateral will still be required, the clearer picture of risk allows banks to demand less than with the traditional collateral-focused method. Because most defaults are due to inability – rather than unwillingness – to repay, taking less collateral does not necessarily encourage default. And the relationship that is formed by engaging with entrepreneurs usually reduces any unwillingness to pay.

Another tool for addressing risk is partial portfolio guarantees for SME loans, usually by DFIs. Under these guarantees, the DFI offers to absorb a certain amount (commonly 50%) of any eventual losses by financial institutions for loans to SMEs. The FI pays a guarantee fee, like an insurance premium, but it is usually subsidized, to encourage using the guarantee to attain development goals. Proparco currently offers the ARIZ guarantee and the European Commission has launched an extensive EFSD guarantee program, which provides risk mitigation products through a number of DFIs, including the AfDB's Africa SME Program.

ENVISIONING AFRICA'S GROWTH: A MULTIPARTY PARTNERSHIP

Portfolio guarantees take the form of either first-loss or second-loss coverage. With a first-loss guarantee, the DFI absorbs a portion of SME loan defaults as soon as they occur, usually with a cap. With the latter, the bank that made the SME loans absorbs the defaults up to a specified amount, at which point the DFI steps in to reimburse further losses. Both mechanisms are useful, but are for different purposes.

> "With traditional lending, the loan is based on collateral; the implication of default is repossession of the pledged asset. Yet this method does not encourage economic growth."

Every lender expects not to be repaid on some portion of the loans it makes. This is referred to as the expected loss; it varies by country, economic environment, types of borrowers, etc. Many banks are reluctant to lend to SMEs because they predict that SMEs are riskier and will increase their expected loss. So, for example, where a bank's loss may increase from 6% to 8%

1 ▸ This is an approach espoused by Frankfurt School of Finance & Management, which has provided a wealth of training to emerging market financial institutions, including under the Africa SME Program.

of the amount it lends out because of expanding its SME lending or lending to higher credit-risk groups, a DFI could provide a first-loss guarantee to cover the additional 2%, leaving the lending bank's expected loss at 6%. This is a good tool for encouraging additional SME lending, which otherwise would not happen.

A second-loss guarantee is more akin to disaster risk insurance. The guarantee fee is usually less expensive, and the DFI is less likely to have to pay anything out. Using the example above, the guarantee would kick in when losses reach, say 10% – an *unexpected loss*. The lending bank still increases its expected loss to 8%, but it will get some relief if its risk calculations were wrong or if something disastrous happens, forcing losses over 10%. This sort of guarantee could be useful in situations where there is potential political risk, severe natural disaster risk, overexposure of an economy to a particular commodity's price, etc., but it is unlikely to encourage lending institutions to increase their overall SME financing activities.

"Financing SMEs is key to developing poor countries' economies and creating jobs for their expanding youth populations. Yet the challenges involved in getting the required financing to SMEs in a practical and sustainable way are significant."

SME FINANCING AND SKILLS: KEYS TO GROWTH

Financing SMEs is key to developing poor countries' economies and creating jobs for their expanding youth populations. Yet the challenges involved in getting the required financing to SMEs in a practical and sustainable way are significant. However, there are several tools that can help overcome the obstacles. A well-thought-out approach providing liquidity, risk mitigation, regulatory reform, and support for education and skills-building would help address the challenges involved in building the private sector in developing countries, thus offering opportunities for millions caught in poverty.

What are the main reasons for micro-business and SME loan default in Sub-Saharan Africa?

Nicolas Picchiottino, *Senior Investment Officer, Proparco*

Micro- and small- and medium-sized businesses (micro-businesses and SMEs) are a vital part of Sub-Saharan Africa's economic fabric but frequently suffer from poor access to funding and this represents one of the main obstacles to their development. To gain a better understanding of why African micro-businesses and SMEs default, Agence Française de Développement (AFD) carried out a study in 2019. The following article sets out its key findings.

In Sub-Saharan Africa – just like in the rest of the world – domestic economies are generally reliant on huge numbers of micro- and small- and medium-sized businesses (micro-businesses and SMEs) for the bulk of their employment.

However, the faster economic growth witnessed by many Sub-Saharan African countries over the past decade has not resulted in a proportionate increase in jobs or in a more equal distribution of wealth. Consequently, African governments are currently rethinking the best way of stimulating inclusive economic growth and meeting the needs of communities experiencing rapid urbanisation and an increasing proportion of young people within the population as a whole. Creating and developing SMEs is a key focus of this strategy given their fundamental importance to the economic fabric, however this approach is being severely hampered in particular by poor access to funding.

> “The faster economic growth witnessed by many Sub-Saharan African countries over the past decade has not resulted in a proportionate increase in jobs or in a more equal distribution of wealth.”

REMOVING THE OBSTACLE OF POOR ACCESS TO FUNDING

Indeed, poor access to financing is the No. 1 impediment to the development of small businesses in Sub-Saharan Africa, ahead of poor governance, insufficient infrastructure or abusive taxation practices. SMEs are often faced with restricted access to the capital that they need to grow and develop. The supply of such capital – in the form of debt or equity – is inadequate and SMEs are perceived in a negative manner by financial backers. However, it is the risk that SMEs represent and not their legal form that constitutes an obstacle for banks. For many businesses, their ability to access funding is closely tied to movements in interest rates.

For the past 15 years, Agence Française de Développement (AFD) has been working in developing countries to improve access to funding for SMEs through a guarantee mechanism known as ARIZ. With diverse data on nearly 7,400 lines of guaranteed credit in the regions in which it does business, AFD aimed to produce a pioneering analysis of the causes of SME loan default in Sub-Saharan Africa. The study was completed in 2019 and highlighted a number of findings.

ONE STUDY, SEVERAL FINDINGS

The most important finding reveals that in 50% of all cases, default is due to a single cause while it is due to multiple combined factors (between two and ten factors cited) in the other 50% of cases. The 10 most frequently cited causes of loan default — i.e., applicable in at least 10% of cases — are as follows:

1. Problems with the business's suppliers, sub-contractors or customers (36% of cases);
2. Poor managerial choices that have a negative impact on the business's management, organisation, efficiency or profits (29% of cases);
3. Changes in market fundamentals in the course of a project – change in potential market outlets: competition, consumers, shocks to demand, drop in sales, etc. (23% of cases);
4. Financial choices and financing systems (18% of cases);
5. The financial environment;
6. Insufficient expertise of the business manager;
7. Problems related to the local infrastructure or difficulties experienced with the local ecosystem;
8. Awareness by the end beneficiary of the existence of a guarantee mechanism;
9. The bank's risk appetite;
10. The political and social environment. →

“For the past 15 years, Agence Française de Développement (AFD) has been working in developing countries to improve access to funding for SMEs through a guarantee mechanism known as ARIZ.”

First and foremost, SMEs are vulnerable to problems arising from late payment by customers (which include the government) and they suffer from structural shortcomings and a lack of managerial skills, leading to poor management choices (excessive diversification for example) or poor financial decision-making (excessively large loans or cost of debt).

They are also sensitive to problems related to local infrastructure (especially roads and energy grids that may be periodically or chronically deficient) as well as to political crises. Environmental crises were not cited very often in the study.

Policies to support SMEs (from fast-track procedures for incorporating companies to setting up registries of guarantees) are key to the smooth day-to-day running of a business but they are sorely lacking in most of the countries covered by the study. Similarly, government communication with SMEs concerning support initiatives undertaken is frequently insufficient.

For loans taken as a whole, the first payment incident for defaulting companies takes place when 40% of the total loan term has expired. Neither the percentage of the loan guaranteed nor the ratio of collateral/loan amount is a key factor. "Small" loans (i.e., less than €300,000) and larger loans (greater than €300,000) are affected in a very distinct manner. The largest loans are more sensitive to changes in market conditions.

The risk that the guarantee will have to be enforced is very high among businesses that are not already customers of the bank – as high as 64% – however, it is substantially lower when the loan term is between 12 and 24 months. When a business is already a customer of the lender bank, company size has a major bearing on the risk that a guarantee will have to be enforced: companies with less than five employees (9% of the overall sample) have a higher default rate (27%) than those with more than five employees (88% of the overall sample with a default rate of 5%).

To a lesser extent, knowledge by the client of the ARIZ guarantee mechanism and the bank's risk appetite are two recurring factors in default.

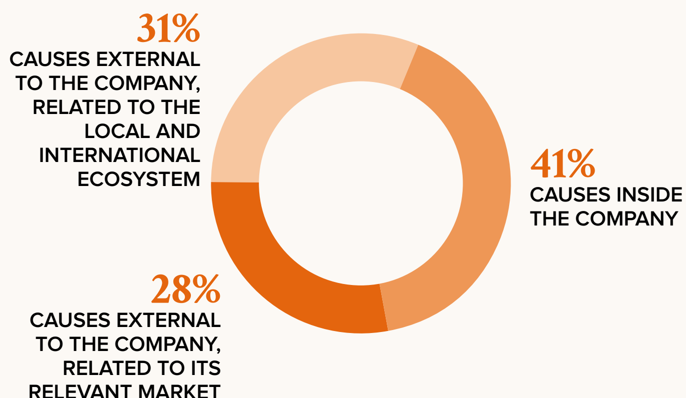
Lastly, a certain number of factors have no impact on a business's default risk, namely, the loan amount in euros, nature of the loan, type of interest rate, percentage of loan guaranteed, type of investment, age of the company or the amount of its turnover.

It is also worth noting that a disparity was recorded between what our interviewees actually said and the results of the statistical study: if we take the total population of the businesses covered by the ARIZ guarantee, statistically speaking, there was no greater risk of default in any particular sector across the four countries studied.

This study provided AFD Group with a better understanding of the causes of SME default in Sub-Saharan Africa, thus enabling it to continually adapt its product offering to boost access to funding for small- and medium-sized businesses. ■

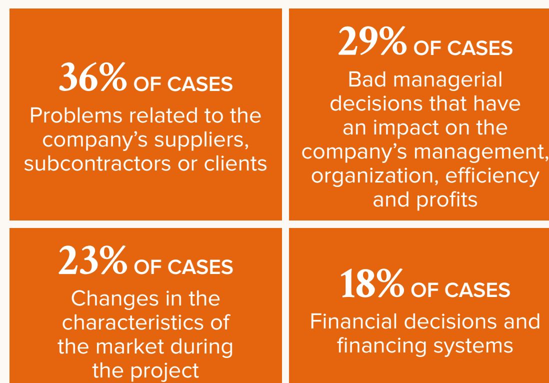
"Policies to support SMEs (from fast-track procedures for incorporating companies to setting up registries of guarantees) are key to the smooth day-to-day running of a business but they are sorely lacking in most of the countries covered by the study."

Main categories of causes mentioned

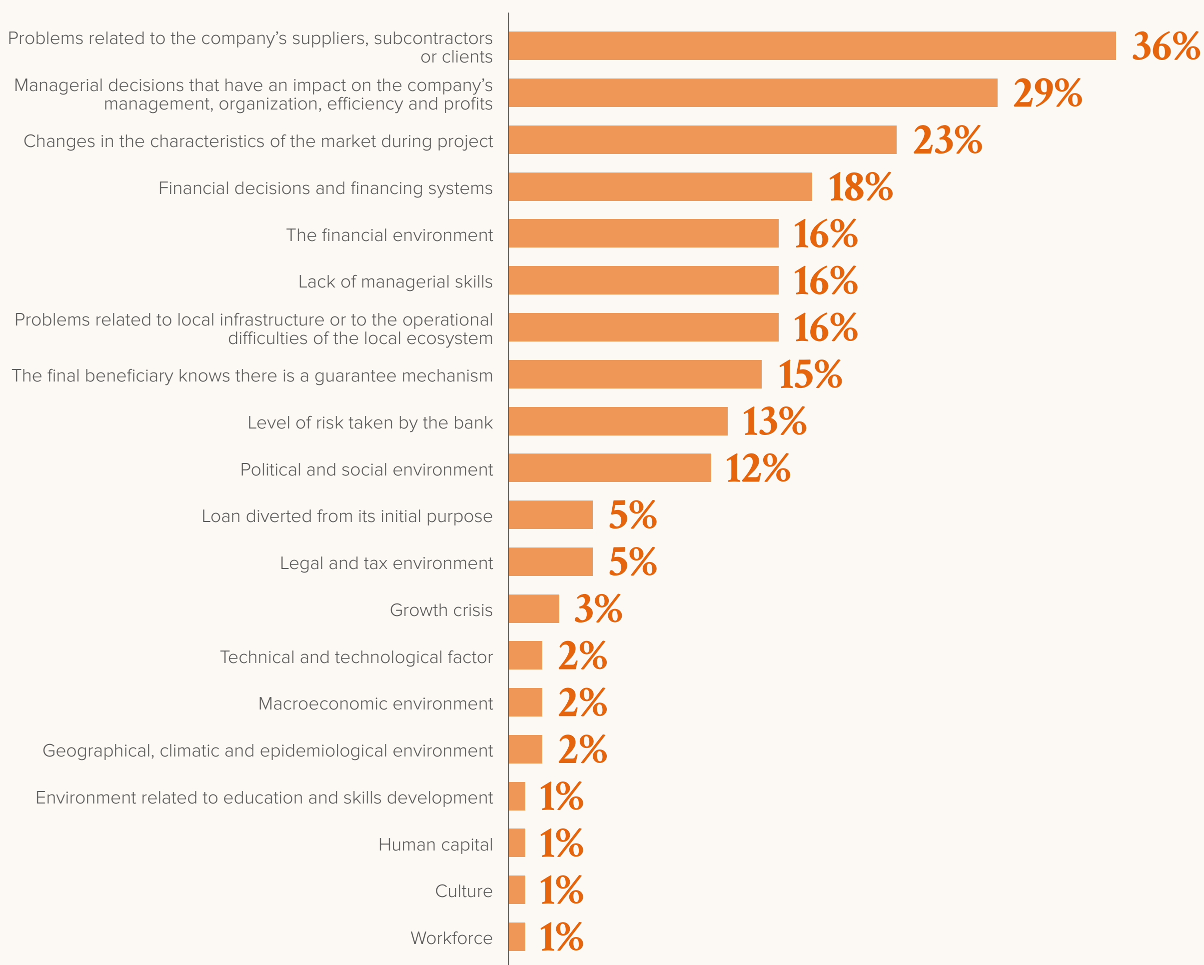


Main causes of loan defaults

In half of the cases, there is a single cause for the default and in the other half, there are many combined factors (between 2 and 10 factors mentioned). The most frequently mentioned loan default factors are:



Causes mentioned for defaults



Digitisation in Africa: Channelling Funding to SMEs

Matthew Gamser, *CEO, SME Finance Forum (IFC)*

Could innovation emerge from near destruction? Would the digitisation that led to the global financial crisis preclude SMEs from obtaining the finance they needed to continue playing the crucial role that they play on the African continent and elsewhere? Matthew Gamser recalls the launch of Private Sector & Development magazine over ten years ago and recounts the route leading up to the digital information superhighways that are connecting SMEs in Africa to worldwide solutions, especially for funding.

FOCUS
SME FINANCE FORUM

The SME Finance Forum works to expand access to finance for small and medium businesses. The Forum operates a global membership network that brings together financial institutions, technology companies, and development finance institutions to share knowledge, spur innovation, and promote the growth of SMEs. The SME Finance Forum is managed by the International Finance Corporation (IFC), the private sector arm of the World Bank Group. The SME Finance Forum has over 150 banks, fintech companies and development banks from more than 66 countries as its members and industry partners.

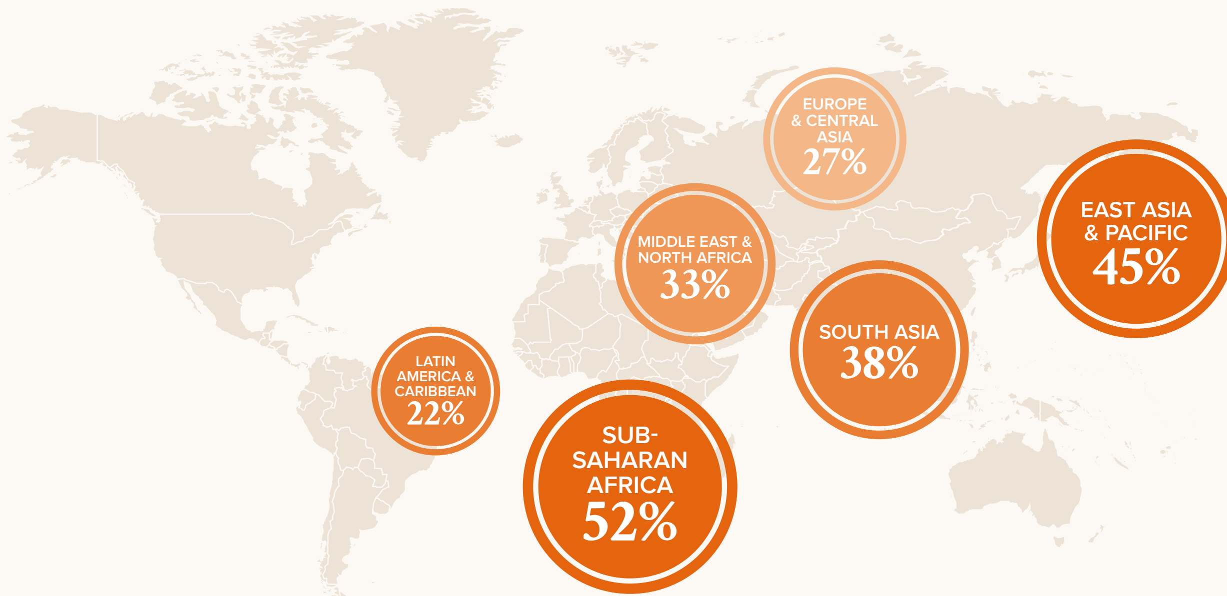
It was fascinating reading again the first edition of Proparco's magazine *Private Sector & Development*, published just over 10 years ago. It kicked off with Paul Collier noting that *"African banks had just started to show interest in SMEs when the global crisis reversed the tide"*. The risk was that SMEs might be prevented from accessing much-needed long-term financing. The situation would improve, he said, only if there was better dissemination of information on Sub-Saharan Africa's markets, which would make it easier for investors to identify high-quality SMEs. He concluded that the *"appropriate use of new information technologies should provide the solution"*.

Paul's words were prescient. We had watched digitalisation transform sub-prime housing loans in the US into toxic securities, nearly collapsing the global financial system. We had no idea that the same digitalisation could be a game changer for Africa's SMEs. Today we are starting to see the potential for digitalisation in Africa: in other markets, particularly China, we have seen how rapidly this can close financing gaps.

The importance of SMEs to economic growth on the continent was well known. But there was disagreement about why SMEs weren't being financed. Julien Lefilleur, then an investment officer with Proparco, recommended that securitisations and loan guarantees could do much to compensate for information asymmetries and to expand bank financing for SMEs. Paul Derreumaux of Bank of Africa seconded this, additionally advocating specialised SME departments, alternative products such as leasing, and even group mutual guarantee loans to firms. Patrice Hoppenot of IPD urged greater attention to equity and technical assistance, to complement long-term finance.

Only Collier talked about IT, though. The others focused on human measures – specialisation and product innovations – reflecting the thinking at the time of the institutions pushing to close the SME financing gap in emerging markets.

Figure 1 – Share of financially constrained MSMEs in total MSMEs by region



Source: MSME Finance Gap database (updated in October 2018)

PEDDLING NEW PRODUCTS

We believed that if we could change the way bankers worked – getting them into markets to personally check out firms, providing performance-based incentives, and removing fears through guarantees and securitisations – that SMEs would become the darlings of the banks.

In some cases in Africa, this worked – often without guarantees or securitisations. A number of banks and microfinance institutions scaled up their small business lending profitably. In other cases, largely due to a lack of buy-in from top management to the changes required, results were less impressive. Overall, though, we started to realise that this approach was not going to close the financing gap.

The latest World Bank Enterprise Survey data shows that over 50% of African formal microenterprises and SMEs report being credit constrained[1]. Sub-Saharan Africa has the highest proportion of under-financed MSMEs in the world (52%), followed by East Asia and the Pacific at 45% (Figure 1 above). The total financing gap for formal micro, small and medium enterprises in Sub-Saharan Africa exceeds $328 billion (Figure 2 p. 23), with formal women-owned enterprises making up 15% of this; 52% of women-owned MSMEs are credit constrained, again the highest share among the world's emerging market regions[2]. Adding the considerable informal sector to these totals would significantly increase them, and the gender gap. →

1 ▸ These and other data come from the databases which can be found at www.smefinanceforum.org, in this case from the MSME Finance Gap database (Updated Oct. 2018).
2 ▸ MSME Finance Gap Database (Updated Oct. 2018).

OBSERVATION AND SYNTHESIS EQUAL INNOVATION

We development bankers were so engaged in the technical assistance necessary for transformation that it took our African clients to show us that a different course should be taken. It was the bold and visionary leaders of these banks – the Equity Banks, CBAs and KCBs, in the East, and the Ecobanks, Diamond Banks and Afrilands, in the West – who decided to disrupt their own models, by focusing on an IT- and data-centered course to achieve and sustain growth. They did this after observing the mobile phone companies in their own markets and the alternative financiers in Europe, North America and, in particular, China.

> "They need us less to train up their people than to ensure that they're connected to the best and the brightest ideas – and not just from Africa."

They watched many of their specialised staff being poached with attractive offers. They saw the mobile phone industry in their countries growing, and network operators venturing ever deeper into their space. They also saw non-bank operators – such as vendors of decentralised solar power systems and large buyers of agricultural products – introducing financing through cellphones.

They responded – and rapid change is underway. Human-centric processes are being replaced by digital ones, and human delivery channels are being replaced by mobile phone-based channels. Several new brands, such as Jumo, Zoona, Kopo Kopo, Pula, Copia, Branch, and Tala have entered the market, starting with a digital approach and growing at a rate never witnessed before.

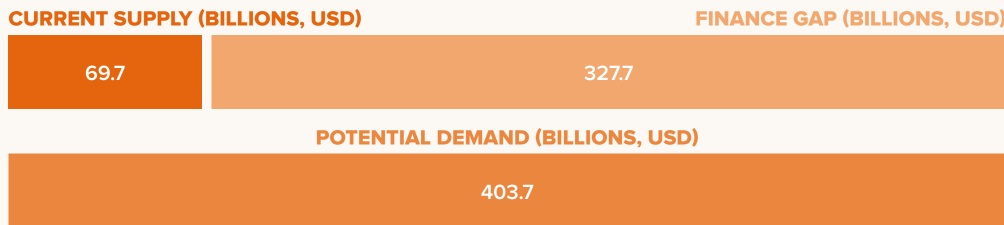
NEW NEEDS NECESSITATE NEW SOLUTIONS

They demand different things from development bankers too. They need us less to train up their people than to ensure that they're connected to the best and the brightest ideas – and not just from Africa. They need support in building an open API and a flexible core structure so that they can interact with new technologies and partnerships, enabling them to keep on top not only of SME banking, but also of all types of retail services.

The globalisation of capital markets and investing, and improvements in the business environments in Africa are giving our clients more and more options for financing. Our funding may no longer be the number one priority for these institutions: it will remain attractive only as long as it's "smart financing", coupled with other ways of bringing value.

Our clients' stronger data infrastructure and approach may also finally enable instruments like guarantees and securitisations to realise their potential in the region. Just as they are finding it easier and cheaper to assess and manage their SME customers at scale through digital

Figure 2 – MSME finance gap in Sub-Saharan Africa



Source: MSME Finance Gap Database (Updated Oct. 2018)

data connections and analytics, so we can more easily assess their digital portfolios and thus efficiently manage these structured-finance and risk-sharing operations. This may mean that we can start making significant reductions in the financing gap, just as millions of Africans have been given access to formal financial services in just a few years through new digital payment services. This represents hope for Africa's SMEs – provided policymakers don't counter this with (often well-meaning) measures such as interest rate caps, overly rigid interpretations of the Basel capital requirements, and restrictions on partnerships and agency relationships.

"Ten years on, SMEs are the backbone of Africa's private sector, providing employment and essential goods and services – yet they remain a challenge for Africa's financial sector."

Ten years on, SMEs are the backbone of Africa's private sector, providing employment and essential goods and services – yet they remain a challenge for Africa's financial sector. Could the digitalisation that nearly broke the world's financial system ironically facilitate the provision of retail services, including SME financing, so that the majority of SMEs in Africa can report that they are receiving the financing they need, when they need it, at affordable rates. ■

SME finance as seen by regulators: focus on Sub-Saharan Africa

This article is a collective work of several authors and reflects the perspective of AFI member institutions.

Access to finance for African SMEs is a key challenge. Through this article, the Alliance for Financial Inclusion (AFI) aims to share the experiences and practices of member countries that have implemented various policy initiatives to increase access to financing for MSMEs. This article is based on an AFI Guideline Note[1] developed by the AFI SME Finance Working Group (SMEFWG).

FOCUS
THE ALLIANCE FOR FINANCIAL INCLUSION (AFI)

The Alliance for Financial Inclusion (AFI) is a leading organisation on financial inclusion policy and regulation. More than 100 member institutions make up the AFI network, including central banks, ministries of finance and other financial regulators from over 90 developing and emerging countries. AFI works on empowering policymakers to increase access and usage of quality financial services for the underserved, through formulation, implementation and global advocacy of sustainable and inclusive policies.

A sound, progressive MSME sector is critical to balanced, inclusive economic growth. According to the International Labour Organization (ILO), MSMEs create 67% of global employment, yet MSMEs have the potential to assume an even greater role in economies.

Access to financing is crucial for MSMEs to attain their potential. With sufficient funds, they can expand and impact economies by paying more tax and providing more employment. The unanimous adoption of the Maputo Accord by AFI members at the 2015 Global Policy Forum reinforced the importance of access to finance for MSMEs "in driving employment, economic development and innovation."

THE ROLE OF FINANCIAL REGULATORS IN SME FINANCE

The role of financial regulators is to ensure the stability of the financial sector. To accomplish this, policymakers need to ensure that smart policies and supervision are in place, including rules and frameworks for intermediation.

In 2016, the AFI SMEFWG (SME Finance Working Group) conducted a survey among member countries, five[2] of which were in Sub-Saharan Africa. While government funding for subsidised loans to MSMEs was regarded by members as being insufficient, responses indicated that governments have established various measures, programs and schemes aimed at providing MSMEs with better access to financing.

These measures and interventions include direct monetary intervention, legal and regulatory frameworks for MSMEs, and policy and market development initiatives.

1 AFI Guideline Note No.23 "The Role or Financial Regulators in Promoting Access to Financing for MSMEs – Lessons from the AFI Network", August 2016.
2 Eswatini, Kenya, Tanzania, Burundi and Madagascar.

DIRECT MONETARY INTERVENTION

> "The role of financial regulators is to ensure the stability of the financial sector. To accomplish this, policymakers need to ensure that smart policies and supervision are in place."

Direct monetary intervention (DMI) entails subsidized credit and refinancing programs that provide lending at below market rates to targeted MSMEs. It allows micro, small and medium enterprises to lower their cost of doing business. For governments, it offers a strategy for spurring entrepreneurship, reducing poverty, lowering income inequality and stimulating economic growth. The SMEFWG survey found that while DMI is a trend in South Asia, in Sub-Saharan Africa only Eswatini and Kenya had subsidized credit or refinancing schemes implemented by financial regulators. In eSwatini this comprised a loan guarantee scheme, a regional development fund, a youth enterprise fund, and a community poverty reduction fund. In Kenya, SACCOS (Savings and Credit Cooperative Societies) received credit from commercial banks, governments and donors for onward lending to its members.

LEGAL AND REGULATORY FRAMEWORKS FOR MSMES

Legal and regulatory frameworks for MSMEs are aimed at promoting their growth and development. The survey found that in sub-Saharan Africa only Eswatini and Kenya had legislation specific to MSMEs.

Classifying MSMEs as micro, small and medium enterprises (MSMEs) enables policy makers to target specific sectors, facilitate technical assistance and channel financial benefits and other policy incentives. It also facilitates the collection of data on MSMEs.

Financial regulators may enact prudential regulations and lending guidelines to directly or indirectly encourage banks and financial institutions to lend to MSMEs. SMEFWG survey respondents reported that the two most common prudential regulations implemented were lower risk weights and liquidity requirements for MSME loans. Other types of regulation used to spur lending to MSMEs included improving credit processes and imposing a quota/lending requirement on financial institutions, specifying a percentage of their total lending for MSMEs. In Sub-Saharan Africa, only Eswatini had a prudential regulation, in the form of its Money-Lending and Credit Financing Act 1991, designed to protect MSME borrowers.

Many MSMEs do not possess valuable fixed assets to pledge as security for loans. Often, though, they do have 'movable' collateral, such as equipment and machinery, livestock, accounts receivables and inventories. Having a secured transactions framework that provides adequate protection to lenders allows MSMEs to leverage these types of assets and secure loans. Such frameworks are less common in Africa than they are in East Asia and Southeast Asia, Latin America and the Caribbean countries. →

POLICY AND MARKET DEVELOPMENT INITIATIVES

The banking sector plays an important role in providing information to MSMEs, and capacity building and training are important aspects of enabling this. The SMEFWG survey found that only Eswatini, Tanzania and Kenya provided regular workshops, seminars and training to enhance the sector's capacity. In Kenya, SACCOS advise members on the best options for deposits. They also conduct surveys on financing satisfaction and ICT challenges. In Eswatini, the Micro Finance Unit collaborates with several stakeholders in building capacity and providing training for MSMEs.

Public financial education and awareness programmes enhance access to finance for MSMEs. The SMEFWG survey found that regulators in Eswatini, Tanzania, and Madagascar provided public financial education on the various services and schemes available.

> "The banking sector plays an important role in providing information to MSMEs, and capacity building and training are important aspects of enabling this."

Countries in East, South and Southeast Asia have long been expanding their financial education and awareness outreach, and over the past decade, this has become evident in Sub-Saharan Africa as well. Eswatini provides mentoring and coaching, a financial services guide, a radio program, and a toll-free number for MSMEs. Madagascar organises partnerships with donor agencies and other partners, such as the Microfinance Association Network, to raise awareness and educate.

Readily available credit information helps lenders to evaluate applicants' creditworthiness. Yet, often with MSMEs, a great deal of information is either not readily available or is opaque. A credit information mechanism facilitates access to finance, by providing information on MSMEs. The SMEFWG survey found that Madagascar, Kenya, Tanzania and Eswatini had dedicated credit bureaus, providing MSME-specific information.

Credit rating and scoring is a value-adding extension of the services of credit bureaus that provide information on MSMEs. Many countries, however, have not introduced credit scoring guidelines or regulations for credit-rating MSMEs. While credit rating is not common in Africa, in Kenya MSMEs are assigned a rating by a private credit reference bureau.

Traditionally, banks conduct their own credit analyses, making it unviable to assess many individuals and MSMEs. Instead, they use collateral, which is often not available in Sub-Saharan Africa. Consequently, credit bureaus have emerged: by aggregating credit data, they have reduced costs. And the disintermediation continues: providers of the most accurate, detailed and extensive information on customers are best positioned to analyse that information and price credit (and other financial services)[3]. Examples of this type of entity are operating in all countries with a high level of tech penetration, including Kenya (Safaricom/M-Pesa).

By sharing the risks with lenders, credit guarantee schemes provide access to financing for MSMEs with insufficient collateral or credit track records. They are provided by institutions established by the government/financial regulator or directly by the government. Different mechanisms are used to set up guarantee schemes. The Principles for Public Credit Guarantee Schemes (CGSs) for MSMEs, published by the World Bank, are available to countries for reference and implementation.

“For start-ups without access to capital markets or formal banking, venture capital is an essential source of financial assistance.”

For start-ups without access to capital markets or formal banking, venture capital is an essential source of financial assistance. The SMEFWG survey found that Kenya and Madagascar had venture capital funds. Although they have been developed in Asia and Eastern Europe, they are not widely available in Sub-Saharan Africa.

MSMEs may at some point have difficulty repaying their loans for a variety of reasons. In the countries surveyed by SMEFWG, there was an absence of debt resolution mechanisms; instead, debt resolution was market-driven and involved rescheduling or restructuring loans.

The majority of countries surveyed had consumer protection mechanisms. The financial regulators in many of these countries had a dedicated consumer protection division, while others had dedicated entities or an ombudsman. ■

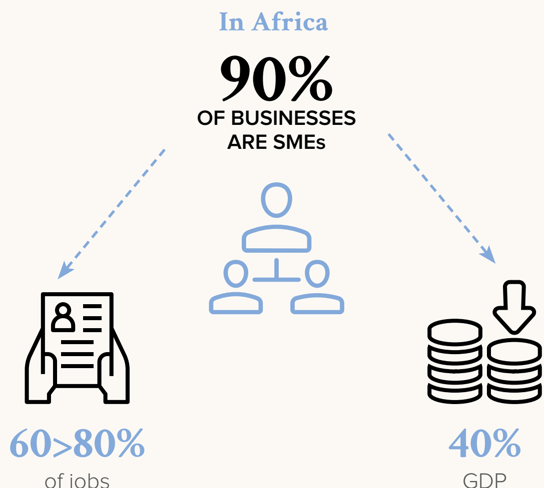
3 AFI Special Report, ‘Fintech for Financial Inclusion, A framework for digital financial transformation’ September 2018.

Financing African SMEs

SMEs – a vital component of Africa's economic fabric

SMEs are crucial in creating jobs and driving economic development In Africa, SMEs represent approximately 90% of all businesses. They create between 60% and 80% of jobs and contribute 40% of GDP. By way of comparison, SMEs in the US and Europe account for, 53% and 65%, respectively, of all businesses.

Source: LSEG Africa Advisory Group, *"The challenges and opportunities of SME financing in Africa"*, 2018.



In the United States

SMEs

53%
OF BUSINESSES

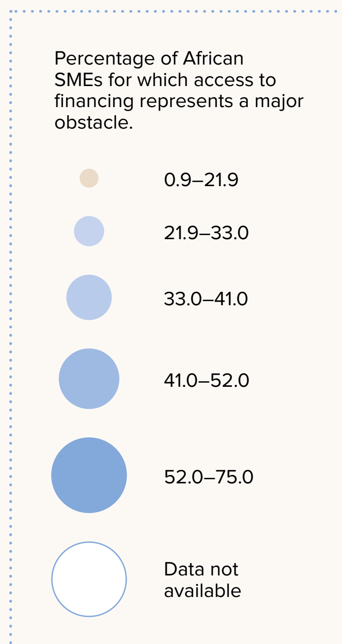
In Europe

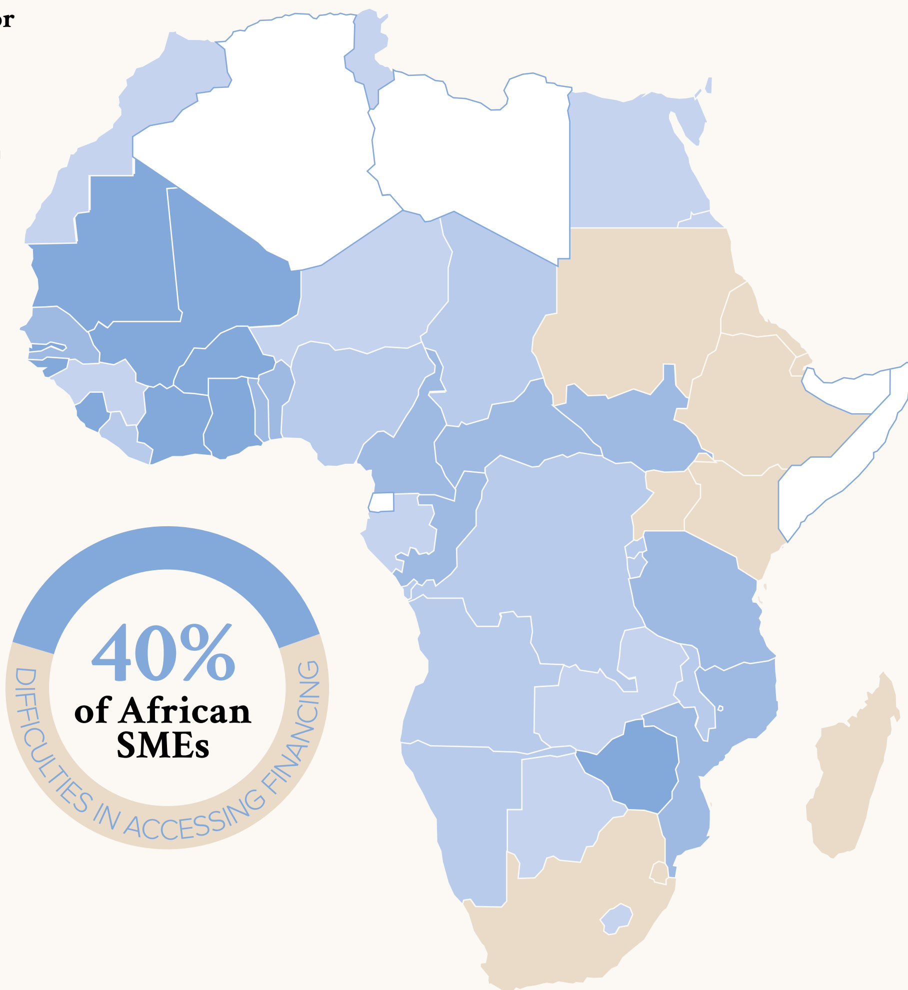
SMEs

65%
OF BUSINESSES

Access to financing, one of the major constraints for African SMEs

According to a study commissioned by Investisseurs & Partenaires, nearly 40% of African SMEs mention financing as placing a "major constraint on their growth".

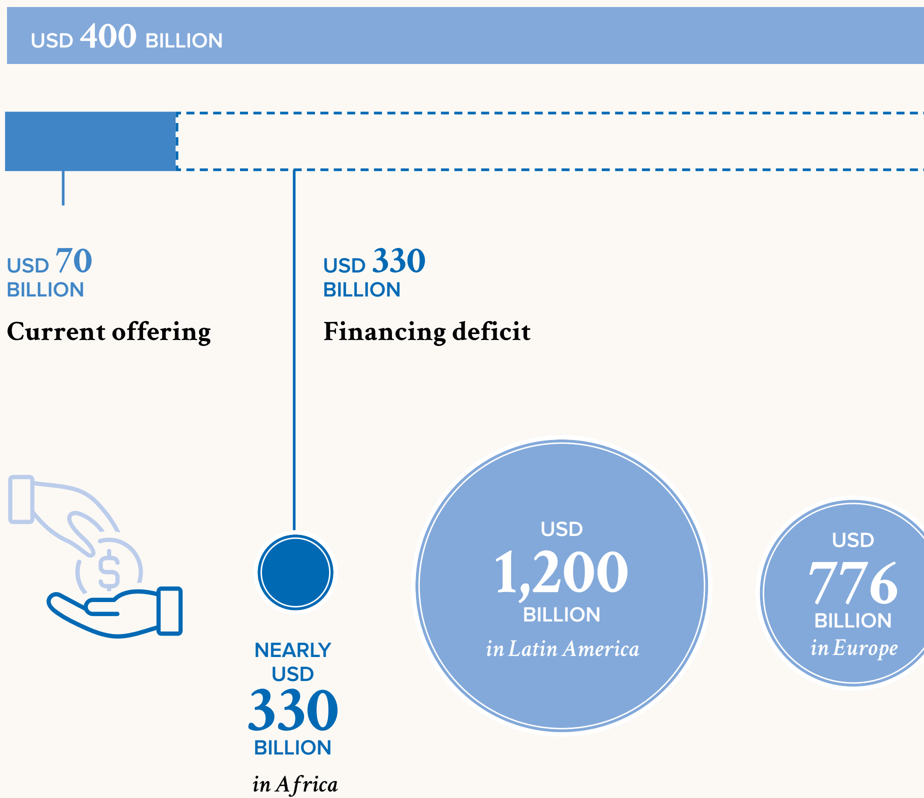


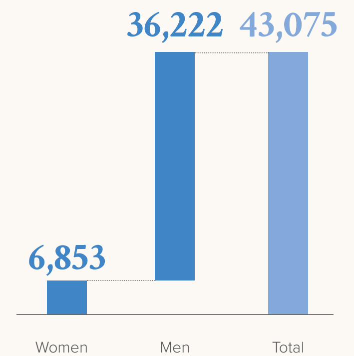


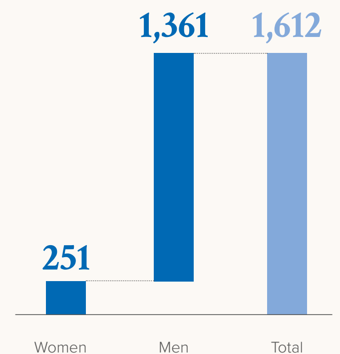
Sources: World Bank; Investisseurs & Partenaires (I&P), "Investing in small- and medium-sized businesses in Africa, an introduction to private equity in Africa", 2015.

A (major) financing deficit for SMEs in Sub-Saharan Africa...

According to estimates by Société Financière International (SFI), every year small and medium-sized Sub-Saharan African businesses have to contend with a financing deficit of almost USD 330 billion. By way of comparison, the deficit is USD 1,200 billion in Latin America and USD 776 billion in Europe.







Source: SME Finance Forum, *"MSME Finance Gap Database"*, 2018

... Notably, for SMEs run by women

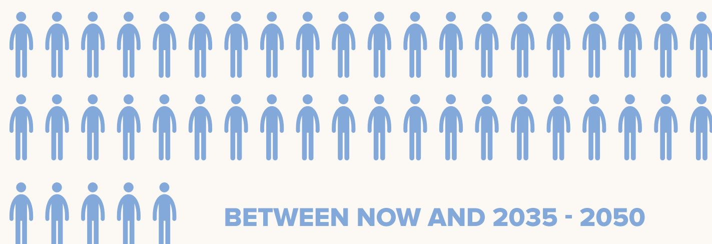
Again, according to International Finance Corporation (IFC), SMEs run by women in Sub-Saharan Africa suffer from a financing deficit in the order of USD 42 billion.

Source: IFC, *"MSME finance gap: Assessment of the shortfalls and opportunities in financing micro, small and medium enterprises in emerging markets"*, 2017.

USD 42 Billion
FINANCING DEFICIT

Mass arrival of young Africans on the local labour market

Between now and 2035 to 2050, the World Bank estimates that nearly 450 million young Africans will come onto the labour market.

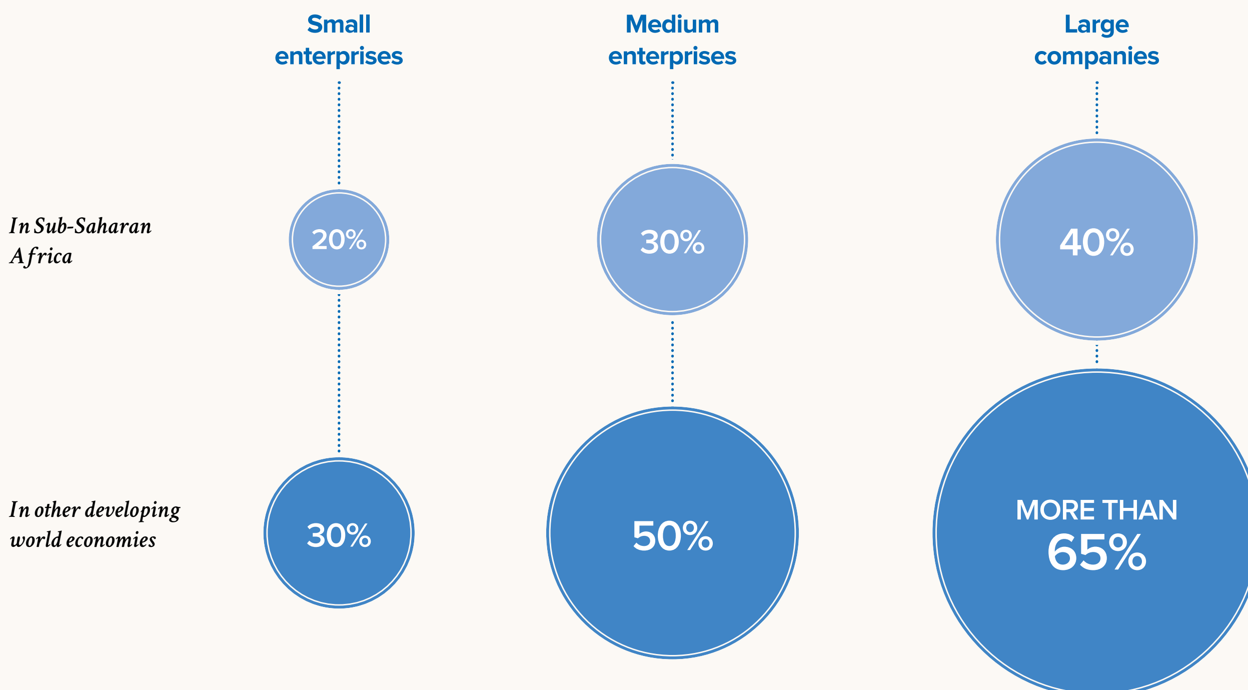


+450 million
YOUNG AFRICANS
WILL ARRIVE ON THE LABOUR MARKET

Source: World Bank. http://bit.ly/2lacxPU

What is access to bank loans like in Africa?

20% of small businesses (less than 20 employees), approximately 30% of medium-sized businesses (between 20 and 99 employees), and 40% of large businesses with over 100 employees have access to bank loans, compared to 30%, 50% and over 65%, respectively, in other developing world economies.



Source: Agence Française de Développement (AFD), *Study of the causes of SME default in Sub-Saharan Africa: the example of ARIZ*, 2018.

What funding model for African SMEs?

Typical investment size (US$ 1,000)

5,000
3,000
1,000
200
250
100
50
10
5

PRIVATE EQUITY
LATE STAGE VENTURE CAPITAL
DEVELOPMENT FINANCE INSTITUTIONS
EARLY STAGE VENTURE CAPITAL
IMPACT INVESTOR
MEZZANINE TAILORED FINANCIAL INSTRUMENT
COMMERCIAL BANKS
ANGEL INVESTORS
MISSING MIDDLE FINANCE GAP
BUSINESS SUPPORT SERVICE
FAMILY AND FRIENDS
MICROFINANCE INSTITUTIONS

MICROENTERPRISES
SMALL ENTERPRISES
MEDIUM ENTERPRISES
STAGE OF ENTERPRISE LIFECYCLE

Source : LSEG Africa Advisory Group, *"The challenges and opportunities of SME financing in Africa"*, 2018.

Obstacles to development for SMEs in Africa

ACCESS TO LONG-TERM FINANCE

ACCESS TO SKILLS

FRAGILE CORPORATE GOVERNANCE

Source: Investisseurs & Partenaires (I&P), *Investing in SMEs in Africa, an introduction to private equity in Africa*, 2015.

Cameroon: 90% of the labor force trapped in the informal sector

Vincent Kouete, *Deputy Executive Secretary, Gicam*

The informal sector occupies a disproportionate position in Cameroon. While it ensures the survival of many workers, it prevents the country's development by maintaining low incomes and reducing its tax revenues. It therefore needs to be brought down to an acceptable proportion. There are many initiatives to promote the transition of SMEs from the informal to the formal sector. To be more effective, they need to be scaled up and pursued simultaneously.

The term "informal sector" historically made its first public appearance in the report of a general employment mission conducted by the International Labour Organization (ILO) in 1972, in Kenya. Today, a consensus seems to be emerging over its main characteristics: no administrative registration; little or no regulation of the activity; the relatively small scale of activities and capital mobilized; no fixed business premises; development outside organized circuits (markets, etc.); family labor mainly used and, finally, no security and social protection system.

In Cameroon, the National Institute of Statistics[1] assesses the informal sector using three criteria: the independence of the promoter (owner working on his own account), no administrative registration (no tax identification number) and no formal accounting. On this basis, estimates show that the informal sector occupies a predominant position in Cameroon's economy, with some 50% of GDP in 2005. In 2010, 89.1% of the working population was part of it, *i.e.* some 9.2 million people, mainly in agricultural and craft trades.

> "Estimates show that the informal sector occupies a predominant position in Cameroon's economy, with some 50% of GDP in 2005. In 2010, 89.1% of the working population was part of it, i.e. some 9.2 million people."

1 Three editions of the Surveys of Employment and the Informal Sector (SEIS) have already been conducted: in 2005, in 2010 and 2018; the results of this last operation are still awaited.

Only 5% of promoters had received higher education, while 46% had a primary level and 49% a secondary level of studies. The average annual turnover of non-agricultural informal production units (IPU) was assessed at CFAF 3,801,600 (about EUR 5,780),[2] the average added value at CFAF 1,150,800 (about EUR 1,750) and average productivity per capita stood at some CFAF 887,520 (about EUR 1,350).

“With no effective industrial sector, the economy tends to specialize in “end of sector” activities: firstly, extraction (mining and oil) and subsistence farming and, secondly, trade and services.”

THE DETERMINANTS OF THE INFORMAL SECTOR

The overdevelopment of the informal sector in Cameroon is mainly due to the lack of productivity and deficiencies in terms of economic governance.

Hourly labor productivity in the informal sector stands at CFAF 463 (about EUR 0.70). It reaches a maximum level of CFAF 1,037 (about EUR 1.60) for IPU (informal production units) with three people and declines beyond that. The problem of the level of education and the level of information explains to some extent the scale of the informal sector: interviewed in 2010, 27.4% of IPU promoters said that they did not know that an administrative registration was necessary and 45% thought it was not mandatory.

With no effective industrial sector, the economy tends to specialize in “end of sector” activities: firstly, extraction (mining and oil) and subsistence farming and, secondly, trade and services. Due to a poor integration into the now globalized international economy, Cameroon suffers tremendously from its structural inability to build value chains.

While low productivity is the major barrier for the formalization of companies, the fact remains that the excessive development of this sector also stems from deficiencies related to economic governance. Indeed, the economic regulation system still carries the stigma of its colonial origins, where it was designed to regulate the subsidiaries of international groups. The indigenous economy, a refuge sector, which existed at the time outside regulations, gradually developed towards the current informal sector. Unfortunately, it is still not taken into account when designing regulation policies, whose requirements continue to be designed with reference to large companies.

The informal sector, regarded as a refuge sector for many people finding it hard to integrate the formal fabric, benefits from an “administrative tolerance”. In addition, the laxity, lack of transparency and deficiencies of the public service foster the maintenance of a significant segment of production units in the informal sector. →

FOCUS
GICAM

The Cameroon Inter-Employer Group (Gicam) was set up in 1957 and is an organization that represents the private sector *vis-à-vis* public authorities on certain economic subjects (business environment, business competitiveness, vocational training, youth employment, etc.). Gicam brings together professional groups and individual companies. It has over 1,000 members.

2 ▸ The CFAF-EUR conversions indicated in this article correspond to the rate in June 2019.

SOCIAL AND ECONOMIC CONSEQUENCES

Due to its importance, the informal sector has a number of social and economic repercussions. It is, admittedly, often regarded as a "social buffer" insofar as it provides an income to many citizens. It also generally offers goods and services at prices adapted to the low purchasing power of citizens. In this respect, it often provides a "bottom end" response to the shortcomings of public services.

But the informal sector has real and numerous negative effects. Socially, it sustains poverty due to the very low wage levels of the jobs on offer which, in addition, are very precarious. Non-compliance with standards and hygiene rules results in high health risks, due to the dubious quality and origin of products (food products and drugs, in particular). Economically, for the State, the informal sector represents a shortfall in taxes. Many parts of the economy are tax-free, reducing the tax base and obliging the State to constantly increase levies on the structured and visible sector. The tax injustice resulting from the low level of taxation of the informal sector discourages the formal investors already in place and drives them to concealment and sometimes to tax evasion. The informal sector sows the seeds of illicit trade practices (smuggling, counterfeiting, fraud).

> "Generally speaking, the informal sector maintains the overall lack of competitiveness of the economy."

Generally speaking, the informal sector maintains the overall lack of competitiveness of the economy. For example, the presence of informal players in the external trade chain contributes to extending the time required for the passage through ports due to their approximate command of procedures (which are, moreover, complex) and their lack of financial strength to handle the logistical obligations. The port is thereby transformed into a storage place instead of being a transit area. This results in recurrent problems of congestion and a saturation of logistical capacities.

TRANSITION TOWARDS THE FORMAL SECTOR

The formalization process comes up against a number of administrative barriers: cumbersome and multiple administrative procedures, slowness in processing files, inaccessibility of public services and bureaucratic obstruction. Cameroon's business environment, which ranks as the 165th economy in the "Doing Business" ranking, hampers formalization initiatives. The particularly cumbersome and costly administrative procedures sow the seeds of the informal sector, where the entry is free and with no cost.

There are, fortunately, a number of government initiatives to promote the migration of informal units towards the formal sector. They range from facilitation measures to coercive mechanisms. Support programs mainly focus on information, awareness-raising, training and capacity building for promoters and workers. They sometimes also provide financial support or facilitate access to markets or financing.

The State of Cameroon has in particular adopted a law on the promotion of SMEs which has several advantages that are potentially accessible to registered companies. In addition, Business Formalities Centers (CFCE) have been set up to act as "one-stop shops", bringing together all the administrations involved in business start-up procedures. Approved Management Centers (CGA) have also been deployed to assist small businesses in fulfilling their tax obligations. Membership of a CGA comes with advantages in terms of reductions or temporary exemptions for certain taxes.

Restrictive measures have also been introduced to discourage operators from remaining in the informal sector. For example, the tax administration applies high withholding rates for operators in the informal sector. Companies in the formal sector are called on to contribute: they are legally liable for certain taxes concerning their suppliers and they must obtain their tax file before settling any invoice, otherwise it will not be accepted as an ordinary operating expense.

Despite this system, it has to be said that the informal sector is continuing to grow. The strategies implemented, without lacking relevance, clearly seem insufficient. While a part of economic activity is undoubtedly destined to remain in the informal sector, it is essential to limit it.

To do so, the responses require a holistic approach. It is firstly necessary to expand capacity-building programs, for example, by more effectively teaching the culture of standards and the quality approach, human resources management, and marketing techniques. Furthermore, IPUs need to be given better access to financing: this is one of the the main constraints on their activities. Sectors also need to be structured better, so that SMEs can integrate value chains, for example, by using public procurement as a driver. Finally, the business environment also needs to be generally improved, by making the market regulation system more effective and by reducing shortcomings in terms of administrative and legal governance (administrative delays, corruption, tax harassment, protection of the economic territory, security of goods and persons, settlement of trade disputes, etc.) –, which are specific obstacles to the formalization of companies.

Taxation: A major obstacle to formalization?

Taxation would appear to be the main factor in the administrative constraints regarded as an obstacle to the formalization of companies in Cameroon. With a narrow tax base, complex procedures and an ineffective administration, taxation is perceived as being particularly oppressive and time-consuming for companies – for example, they spend 630 hours a year on making 44 payments. Tax levies amount to 57.7% of business profits, one of the highest rates in Africa. In addition, SMEs criticize several tax provisions which are specifically unfavorable to them: withholding of VAT at source, higher withholding tax rate, derogation arrangements reserved for large companies, etc.

Mentoring and support: A key element in the sustainability of SMEs

Parminder Vir Obe, *Former CEO at the Tony Elumelu Foundation*

While there is a need for more research in the area of entrepreneur mentoring in Africa, the existing research shows a return on mentoring investment (ROMI) in the form of economic growth through revenue generation and job creation. This confirms that mentoring is an effective way of achieving development on the continent. Many credible mentoring programmes, in existence for several years, are supporting thousands of young African entrepreneurs, many of whom cite mentoring as a key contributor to their success.

In today's world, the concept of business mentoring has been widely embraced by the private and public sectors. Companies and organisations have implemented in-house mentoring schemes to support women and people from socially and economically disadvantaged backgrounds. Additionally, many successful entrepreneurs attribute their achievements to the support and guidance they received from a mentor.

Mentoring is not a new concept. In Homer's *Odyssey*, Odysseus leaves his son and his entire estate – before going to fight in the Trojan war – in the care of his friend, Mentor. Mentoring is fundamental to the personal and professional growth of individuals in every society.

Many successful people attribute at least part of their success to a mentor. Tony O. Elumelu attributes his success to his mentor, Chief Banigo, who recognised his potential and guided him as he learned his trade as a banker; Google's Larry Page and Sergey Brin were mentored by Eric Schmidt; Mark Zuckerberg was mentored by Steve Jobs; and Steve Jobs was mentored by Mike Markkula, an early investor and executive at Apple; while Richard Branson cites Sir Freddy Laker as being one of the key drivers behind his success within the airline industry.

> "Literature reviews on mentoring in Africa provide evidence that mentoring programmes have benefits."

MENTORING IN THE AFRICAN ECOSYSTEM

Literature reviews on mentoring in Africa provide evidence that mentoring programmes have benefits – economic growth, job creation, and sustainable business and personal growth. Yet in-depth evidence-based research is still needed.

In 2012, EPS-PEAKS produced *Literature Review on Enterprise Mentoring*, with a focus on the Middle East and North Africa (MENA) region. It cites evidence of business mentoring having benefits for entrepreneurs and highlights key factors to be considered in designing mentoring programmes. These include balancing formal and informal approaches and appropriately matching mentors and mentees. The report lists programmes such as Mowgli, Techwadi, Oasis 500 and Badar Young Entrepreneurs Programme as examples of mentoring. Most of these have been established for several years and have a well-thought-out mentoring framework, with clear processes and stages. Mowgli is noted as having developed a series of case studies. Interestingly, Egypt is the country with the most developed entrepreneurship ecosystem. The report emphasises that more in-depth research on impact, success rates and factors and lessons learnt from the region were not available. It is difficult to evaluate mentoring projects because often they are not standalone projects, but form part of more complex support programmes.

Ayodele Ibrahim Shittu's *Promoting Youth Entrepreneurship: The Role of Mentoring*[1] examined entrepreneurship mentoring for young people. It shows that there has been a surge in entrepreneurship programmes. Shittu concludes that "*... lack of clarity is a major constraint to policy and programmes promoting youth entrepreneurship*".

The Bank of Industry endorses mentoring as a way of promoting aspiring, nascent young entrepreneurs (*Punch Newspaper* 2016), and the Central Bank of Nigeria (CBN) has stated that mentoring can strategically help the nation to harness its youthful resources for its economic development agenda. The Lagos Chamber of Commerce and Industry (LCCI) has also argued that mentoring is a means of investing in the future of Nigerian youths. →

"Mentoring projects are rarely standalone projects, but form part of more complex support programmes."

1 › Read the full article on the Institute of Development Studies (IDS) website: https://bulletin.ids.ac.uk/idsbo/article/view/2875/ONLINE%20ARTICLE

THE MENTORING EFFECT ON ECONOMIC GROWTH

The Mowgli Foundation is one of the few organisations which has monitored its mentoring programmes since 2008. Set up in 2008 by Tony Bury, it is a not-for-profit mentoring organisation operating in the Middle East and Africa, founded on the premise that mentoring is a highly effective way to improve personal growth and leadership. Tony Bury credits his business success to the mentors who encouraged his development, and he wanted others to benefit in the same way through the Foundation. He believes that developing leaders and supporting entrepreneurship ecosystems could be a solution to the region's economic challenges, such as youth unemployment.

"Mentoring needs to be the cornerstone of any entrepreneur-serving ecosystem or support initiative."

Mowgli has trained over 900 mentors and matched them with over 780 entrepreneurs. It has a network of 1680 alumni members spanning 14 countries, 13 of which are in the Middle East and North Africa. Over the past decade, they have collected data on three key impact areas: 1. economic growth, job creation and safeguarding; 2. business growth, sustainability, and success; 3. personal growth and strengthening leadership.

With this data, they have been able to show the return on mentoring investment (ROMI) in the form of economic growth through job creation. The results[2] confirm that mentoring is an effective way to encourage growth and advancement.

The findings support Mowgli's holistic mentoring programme, confirming that it is key to ensuring ROMI from other support initiatives such as skills training and financial training. Thus, mentoring needs to be the cornerstone of any entrepreneur-serving ecosystem or support initiative.

2 ▸ https://www.mowgli.org.uk/our-impact

BENEFITS OF MENTORING

There are numerous benefits to working with the right business mentor. Yet many African SMEs need to develop an understanding of what entrepreneur mentoring involves. Entrepreneurial mentors perform several functions. They provide the much-needed role models for those embarking on an entrepreneurial journey; they provide guidance, counselling, motivation, exposure, and visibility to their networks. They help you see the big picture, develop a road map, set goals, and follow-up on their attainment. They hold you accountable, offer ideas, push you and challenge you. They act as a sounding board, ask difficult questions and guide you in finding the answers. And they teach the value of networks and networking.

Mentoring is a critical tool for developing entrepreneurship across Africa. Many entrepreneurs nowadays acknowledge the role of mentorship in their journey, often citing it is as a key success factor. This is backed up by research - albeit limited - which has been carried out on this topic in Africa. Many established programmes, comprising clear processes and stages, are providing effective mentoring in Africa and the Middle East. ■

> “Many entrepreneurs nowadays acknowledge the role of mentorship in their journey, often citing it is as a key success factor. This is backed up by research - albeit limited - which has been carried out on this topic in Africa.”

Tony Elumelu Foundation Entrepreneurship Programme

The goal of the TEF Entrepreneurship Programme was to enable entrepreneurs to create one million jobs and contribute $10 billion in revenue to the African economy. Parminder Vir joined the Foundation in April 2014 at the invitation of the founder to design the TEF Entrepreneurship Programme.

Parminder Vir placed entrepreneurial mentorship at the heart of the Programme, building it into the Seven Pillars framework, which comprises holistic technical and financial support. The Seven Pillars are business skills training, mentoring, seed capital funding, a resource library, online and offline networking, an entrepreneurship forum and membership of an alumni network.

Since its launch in 2015, over 3000 mentors worldwide have participated in the programme. They have provided guidance to over 4000 entrepreneurs. The model provides a technology-enabled platform for access to world-class mentors from all over the world.

The annual TEF Entrepreneurship Forum takes place in Lagos, Nigeria, and every year, the 1000 start-ups selected from across Africa are invited to attend as part of the 7 Pillars of the Programme.

Are digital technologies set to revolutionise SME financing in Africa?

Aiaze Mitha, *Digital entrepreneur, Ambassador to UNCDF*

According to Aiaze Mitha, an entrepreneur and Fintech expert, the many digital innovations that are emerging and already exist could transform each stage of the financing value chain, opening a new era and new prospects for SMEs.

With a financing need estimated at some USD 700bn,[1] access to credit is a vital issue for African SMEs as well as for the communities which host them. Indeed, with agriculture, SMEs are the main engine of economic and social development in many countries.

The financing needs of SMEs vary considerably depending on the segments considered and their level of formalization. While medium-sized SMEs generally target growth, or conquering new markets, most microenterprises are one-person operations with the main objective of generating an additional income for the household. Formal SMEs are therefore a vital component of the economic base: they account for up to 60% of the payroll and 40% of the gross national product (GNP) of developing countries and provide 4 formal jobs in 5.[2]

One of the main barriers to credit lies in the lack of access to the traditional banking system. Difficulties persist at several levels. Given the location of SMEs, it is often difficult and costly for traditional financial institutions to reach and serve them via their network of branches. Furthermore, the lack of documentation and reliable data in SMEs, combined with the fact that there are no accounting experts to confidently predict the future financial flows, makes the risk analysis more complex. Finally, it is difficult for financial institutions to ensure that the credit allocated is effectively used for productive purposes and the collection is often tedious. As a result, a significant proportion of the financing needs of SMEs are met by the informal sector, with interest rates that can be up to double the commercial rates.

1 ‣ According to the World Bank.
2 ‣ BlueOrchard (2017). SMEs and SDGs: Supporting small and medium enterprises to achieve the sustainable development goals.

EMERGENCE OF NEW TOOLS FOR SMES

However, new models are emerging, driven by the digital revolution that has been sweeping across Africa for a few years now, spearheaded by mobile money and fintechs. These models based on digital innovation have revolutionised the ecosystem of payments in Africa, allowing the development of innovative and inclusive financial services. A question naturally arises: Can this wave of digital innovation resolve the problem of access to financing for SMEs?

In addition to the barriers already mentioned, the needs of SMEs are often too high for traditional microfinance institutions and too low or risky for banks. Digital innovations, for their part, through the innovative business models they allow, provide breakthrough solutions to these problems.

> “While medium-sized SMEs generally target growth or conquering new markets, the main objective of most microenterprises is generating additional income for the household.”

COST OF CREDIT FINANCING AND CLIENT ACQUISITION COST

The cost of capital is often a major barrier for institutions wishing to finance SMEs, as public savings are primarily redirected towards less risky clients. A high capital cost on the capital markets will result in making the cost of credit inaccessible to SMEs. New crowdfunding or peer-to-peer lending platforms, such as Kiva.org, which is already active in over 80 countries, mobilize private and institutional capital more effectively, offering SMEs viable financing solutions.

Client acquisition costs are traditionally high due to the relative lack of sophistication of SME clients and the need for a guided personal interview at each credit application. Here again, digital solutions increase efficiency. The digitization tools of sales forces already allow financial institutions to increase the output of their credit officers by automating the collection of information in the field using forms operated with tablets, which reduces the client acquisition cost. This digitization of the collection of client information simplifies data collection, avoids duplication, reduces the risk of error caused by manual entries and allows a more efficient and faster treatment of credit applications. →

> “The cost of capital is often a major barrier for institutions wishing to finance SMEs, as public savings are primarily redirected towards less risky clients.”

> “Other innovative actors also rely on digital solutions to acquire their clients in a more cost-effective manner.”

For example, the use of such solutions by Musoni in Kenya has increased the productivity of credit officers by almost 68%. Furthermore, the platforms also make new forms of partnership possible, allowing financial institutions to gain or serve new clients. This is the case with M-Shwari, the digital loan platform launched by the mobile payment provider M-Pesa in partnership with the bank CBA, thereby allowing the latter to allocate instant loans to M-Pesa clients with very low acquisition costs. According to estimates by Amarante Consulting, nearly 40% of M-Shwari's loans are allocated to microenterprises, which could make this type of platform particularly effective for financing VSEs. Finally, other innovative actors also rely on digital solutions to acquire their clients in a more cost-effective manner – Kopo Kopo, via tools used by its staff in the field, and Tala, via its mobile application, which is promoted on social networks and other digital channels.

CREDIT ANALYSIS

The data required for credit analysis are usually collected manually in paper form. This collection is often based on the personal relationship between the SME and the credit officer, as well as on the availability of this information, and is particularly costly. New innovative solutions now make it possible to collect "alternative" data to enter scoring algorithms digitally. Some fintech companies, such as Tiaxa or Jumo, which are specialized in credit scoring using alternative data, collect thousands of data points relating to the mobile payments made by SMEs, their use of social networks,and their profile using mobile services to feed into their algorithms, thereby making the credit analysis possible without traditional information. In the same spirit, the increasing digitization of agricultural value chains (cocoa in Côte d'Ivoire, coffee in Uganda or cotton in Zambia) or FMCG chains (consumer products) makes transactional data visible, allowing an estimate of the financial flows of outlets.

Furthermore, the availability of more complex data sources with the progress of satellite imagery or by drones, or the use of meteorological data, allow companies such as FarmDrive to automate the credit analysis for smallholders, while fintechs such as Lenddo use data from social networks, Facebook in particular, to feed into their decision engine. 4G capital, for its part, uses psychometric questions to assess SMEs in East Africa.

Finally, the development of e-commerce also provides valuable information for the credit decision. For example, Jumia, one of the leaders in e-commerce in Africa, has a range of credit targeting SMEs which have sold more than 25 products online over a period of six months, for a total amount above NGN 100,000 (EUR 290). Lidya, which is based in Nigeria, firstly provides SMEs with digital tools, including an invoice management tool, and subsequently uses this information to take its credit decisions then collect the repayments directly from buyers. Some 120,000 SMEs now use its invoice management solution and will therefore potentially have access to financing from Lydia.

DISBURSEMENT AND REPAYMENT

Disbursement often poses problems in the case of SMEs located in areas poorly served by financial institutions. Here again, technologies such as mobile money (over 132 deployments throughout Africa and some 400 million accounts registered)[3] add a touch of efficiency by allowing the credits to be directly disbursed onto an electronic account operated using a mobile phone. Certain innovations, in collaboration with suppliers, also make it possible to directly disburse the credit to the supplier in exchange for the products delivered to the SME.

SMEs are increasingly using electronic means of payment – electronic accounts, POS terminals and mobile money. A number of innovations also use these electronic means of payment for automatic collection. For example, DPO group, a payment service provider in Africa, relies on its internal data to provide credit to SMEs in Tanzania and Uganda, and uses automatic debit as the first means to leverage collection. Others, such as Instamojo and Kopo Kopo, also use automatic debit to collect repayments, while Tala relies on voluntary repayment.

At all levels of the SME financing value chain, companies or innovative technologies provide responses that reduce costs, increase efficiency and make it possible to scale up. While the issue of access to financing for SMEs has not yet been completely resolved, it is undoubtedly experiencing a new era of opportunities. ■

"At all levels of the SME financing value chain, companies or innovative technologies provide responses that reduce costs, increase efficiency and make it possible to scale up."

3 ‣ https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2019/02/2018-State-of-the-Industry-Report-on-Mobile-Money.pdf

Equity investment to bring SMEs to scale: An interview with two African fund managers

J-P Fourie, *Director and Head of Investor Relations, Metier*
Lucas Kranck, *Founding Partner, Ascent*

SMEs in Africa remain heavily reliant on internal resources and traditional bank debt. A lack of appropriate forms of finance – especially of the equity type – limits market entry, long-term investment, expansion and innovation. Ascent Capital and Metier are two successful fund managers who have managed to overcome the usual obstacles to providing equity to SMEs in Africa. For this issue, they discuss how equity capital can be used to bring SMEs to scale and describe the practicalities involved.

FOCUS

ASCENT

Ascent is a private equity firm investing in businesses across East Africa including Kenya, Ethiopia, and Uganda. It manages the Ascent Rift Valley Fund, a USD 80 million growth equity fund established in 2014.

METIER

Founded in 2004, Metier is a leading fund manager in Southern Africa, with a focus on expansion capital for mid-market businesses and clean energy and infrastructure. Metier has raised three funds to date for a total of over USD 600 million.

PROPARCO: PLEASE COULD YOU DESCRIBE THE MARKET OPPORTUNITY, AS YOU SAW IT, FOR AN SME STRATEGY IN YOUR RESPECTIVE SUB-REGIONS?

Lucas Kranck: We operate in economies that have relatively infant companies with limited or no track record insofar as corporate governance and investor-ready metrics are concerned. One actually has to build these companies; de-risking them, thereby giving them gradual value uplift.

SMEs are usually family-owned enterprises where decision making is centralised and informal. Most institutional investors shy away from the risk of bringing such firms to formalisation and professionalism. It is this gap that has allowed us to develop our strategy which derives much of its value from developing systems and processes that allow for more fluid and dynamic decision making, as well as greater transparency.

J-P Fourie: The typical investment drivers in Sub-Saharan hold true: population growth and urbanisation; a rising middle class driving consumer growth; a growing workforce and improving social conditions; rising investment in infrastructure; demand for the skills and expertise increasingly required; under-serviced markets needing essential goods and services.

In addition to the lack of formalisation, other impediments that SMEs face can be viewed as opportunities. For instance, inadequate infrastructure is a major obstacle to SME competitiveness in Africa. Therefore, Metier has pursued opportunities in alternative resource-efficient energy, downstream transport and logistics, cold storage, etc.

From a geographic standpoint, we see South Africa as a gateway to regional growth, as it plays a leading role in intra-regional trade and investment.

WHAT MAKES YOUR STRATEGY STAND OUT COMPARED TO OTHER FIRMS OPERATING IN THE SAME SPACE?

JPF: Metier's investment style is characterised by an active approach to value creation. We implement transformative investment theses that address regional themes. Our goal as a fund is to create market leaders or at least niche leaders. This can be achieved by enhancing distribution networks, corporatising businesses (making them ready for scale), enhancing supply chain management, carrying out vertical integration, optimising capacity, developing own brands, etc. If necessary, we enlist the support of experienced outside managers, advisers or specialists.

Platform building is a particularly effective strategy. It involves consolidating businesses within an industry to increase the companies' combined value. The goal is to foster further, organic growth and scale benefits (such as volume rates on business services and raw materials, pooling working capital resources and sharing distribution channels). A good example is Metier's investment as early as 2005 in Libstar, a prepared foods company. Libstar subsequently acquired controlling stakes in more than 20 South African FMCG manufacturing and distribution businesses, prior to Metier's exit in 2014.

Metier saw the potential in South Africa, as a growing middle class and changing spending habits were fuelling an increase in consumption, while increasing urbanisation was driving more out-of-home eating, for example, as well as greater interest in health and wellness brands. Meanwhile, brand owners with a core competency in marketing were outsourcing their manufacturing activities to contracted producers. The private-label market for its part showed potential for rapid growth as consumers looked to value alternatives to national brands.

LK: We have offices in all our focus countries with local staff who have strong ties to the community. This enables us to see unique opportunities before other firms and instil confidence in the entrepreneurs that we understand the markets in which they operate.

Most of our team members have themselves been entrepreneurs and have successfully started and run organisations. They have a first-hand understanding of the challenges that sponsors face, so a true connection is established in most cases. The sponsor can discuss business with Ascent's staff, not just from a technical perspective but from an operational one too. Local offices give easy access to the team should they require support (which SMEs frequently do).

EQUITY TICKET SIZES IN AFRICA ARE OFTEN TOO LARGE FOR SMES, SHUTTING THEM OUT OF THE MARKET. IS OPERATING UNDER THE RADAR – BELOW A CERTAIN TICKET THRESHOLD – AN OPPORTUNITY FOR FUNDS WHO ARE WILLING TO TACKLE THE SME SPACE? OR IS A LACK OF INVESTABLE COMPANIES A CHALLENGE?

LK: Interestingly, investment opportunities in the missing middle are plentiful. Over the past five years we have screened at least 960 deals (this does not include deals that were too small to be recorded) across the three focus countries (Kenya, Uganda, Ethiopia).

Private equity capital is available in Africa, but it rarely reaches the SME segment. This means that investments can still be made at reasonable multiples especially if one is willing to look in countries such as Ethiopia and Uganda – or in Kenya outside of Nairobi. →

SMES CONSISTENTLY RATE ACCESS TO FINANCE AS THE TOP BARRIER TO GROWTH. DO YOU AGREE?

LK: A lack of funding is probably the main barrier to SME growth. In Ethiopia, this is especially the case when it comes to funding in foreign currency required to procure machines and raw materials. It is true even in Kenya, the most developed country in East Africa, where the interest rate cap has severely limited the banks' willingness to lend to SMEs. In Uganda financing is available, but interest rates (greater than 20%) are too high for entrepreneurs.

> "Regulations do tend to make it costly to be an SME – unlike small companies who generally ignore regulatory hurdles."

JPF: Fundability is a major underlying cause. All too often we see the need for introspection by entrepreneurs on their business model, team, market, strategy, etc. before they can access finance.

OTHER REASONS ARE OFFERED TO EXPLAIN A LACK OF FORMAL SMES: DEMAND FOR DIFFERENT, LESS PROFITABLE KINDS OF GOODS,[1] COSTLY BUSINESS ENVIRONMENTS WITH HIGH TAXES AND RESTRICTIVE REGULATIONS, ETC. HOW DO THESE EXPLANATIONS HOLD UP IN PRACTICE?

LK: It is true that regulations do tend to make it costly to be an SME – unlike small companies who generally ignore regulatory hurdles by staying informal and large companies who have the necessary economies of scale to bear the additional cost.

SMEs do not necessarily face a lack of demand for their goods and services, but rather increased competition from local players, as well as from imported goods (often imported with no duty paid). It is particularly hard for local businesses to compete with cheap import, sometimes after establishing the local demand and market themselves.

WHAT ARE THE MAIN BARRIERS TO INVESTING IN SMES IN YOUR OPINION? HUMAN CAPITAL, FOR INSTANCE, IS OFTEN CITED AS A MAJOR CONCERN.

LK: Human capital is an issue especially outside of Kenya. For example, hiring experienced CFOs in Ethiopia is a time consuming and expensive exercise. Also, many countries (like Tanzania) limit the opportunity to bring talent in from abroad. But in our opinion, the main barrier to investing in SMEs is a lack of reliable information, be it the financial records of the business or market/industry data.

The cost of institutionalising the business is another key barrier. SMEs tend to have nimble

1 › Engel effects skew the demand mix towards simpler products with low start-up costs, e.g. baked foods, footwear, apparel and metal products.

operations that suit their level of revenue thereby letting them earn some profit. However, when a private equity fund comes in, more often than not operational costs go up, but the business remains on the same revenue base – at least for the first year or two. This can put off both the promoter and the fund manager as the company no longer looks as attractive as before. Furthermore, the time to return to profitability often takes longer than planned.

JPF: The challenge is to bring a company to a sufficient size, in order to offset the cost of institutionalisation and to reap the rewards, such as facilitating acquisitions or the exit of the investment.

THE PRIVATE EQUITY INDUSTRY IN AFRICA HAS MATURED OVER THE PAST DECADE, WITH THE NUMBER OF FIRST-TIME TEAMS DECREASING AND THE NUMBER OF SUCCESSOR FUNDS INCREASING. LARGER FUNDS MEAN BIGGER TICKET SIZES, POTENTIALLY WORSENING CAPITAL SCARCITY FOR SMES. HOW CAN FUND MANAGERS GROW WITHOUT FORSAKING THEIR SME APPROACH?

LK: This is a difficult balancing act that we feel does not have a straightforward solution. One way for fund managers to achieve growth and maintain an SME focus is to have sector-specific funds. This allows for consolidation and bolt-on acquisitions that ordinarily do not require individual large ticket sizes. Another way set aside a portion of the fund for these VC-type deals. The idea would be to have one or two assets of that nature rather than an entire portfolio.

JPF: Metier has now started to raise sector-specic funds in renewable energy and clean infrastructure. We agree that platform investments allow for entry into markets where it is otherwise not possible or appropriate to deploy large sums of capital in a single investment – a challenge often encountered outside the larger African economies.

LASTLY, THE THEORY BEHIND SUPPORTING SMES IS THAT SMALL, INNOVATIVE COMPANIES ('GAZELLES') HAVE A DISPROPORTIONATE EFFECT ON JOB CREATION. ARE THE COMPANIES YOU TARGET PARTICULARLY EFFECTIVE IN TERMS OF NET JOB CREATION?

JPF: Yes, they are. Metiers's SME investments have created 2,657 jobs since 2015 to the end of 2018. The workforce totals 6800 people, of which 47% are women.

LK: Ascent's eight portfolio companies created 359 additional direct jobs in 2018. This was in addition to 1,364 direct employees at the end of 2017. The number does not include temporary employees or jobs created by suppliers. ■

"The challenge is to bring a company to a sufficient size, in order to offset the cost of institutionalisation and reap the rewards."

Equity investment to bring to scale: An interview with two financed SMEs

Jean-Philippe Bigot, *Director, Groupe Bigot Fleurs*
Habib Hassim, *CEO, Groupe Hassim*

As we have repeated on a number of occasions in this issue – and the different articles have borne this out – access to funding is one of the key challenges and obstacles to the development of SMEs in Africa. In order to highlight this issue, we interviewed two business people to get the view from the field and get a better idea of the problems – as well as any successes – they have had in their quest for funds.

FOCUS

BIGOT FLEURS

Bigot Fleurs is a family-owned producer of cut flowers that opened its first production unit in Le Mans, France, in 1958. In 1981, a tulip production unit was opened in France and is currently the national market leader. In 2002, Groupe Bigot Fleurs moved into the international market. It created a subsidiary, Bigot Flowers Kenya, specialised in growing roses and located in Naivasha in the Rift Valley.

FOOD & BEVERAGE MADAGASCAR

Food & Beverage Madagascar was created in 2009 and is one of the Island's biggest agri-food producers and distributors. The Group controlled by the Hassim family has nearly 700 employees working in three main sectors of activity: producing bottles made from polyethylene terephthalate (PET) via Technopet, the production and distribution of dairy goods and drinks via Food & Beverage, and data services for artificial intelligence on the US market via SmartOne.

PROPARCO: THE VARIOUS PHASES IN THE DEVELOPMENT OF YOUR BUSINESS REQUIRED FUNDING. WHAT DIFFICULTIES HAVE YOU ENCOUNTERED AND WHAT HELP HAVE YOU RECEIVED ALONG THE WAY?

Habib Hassim: Technopet and Food & Beverage have required the most external financing as they need to fund very high levels of working capital. They were launched amidst political and economic turmoil in Madagascar at a time when banks were extremely risk averse. It was impos-sible to obtain any external financing, especially for greenfield projects. Our seed capital, work-ing capital and various expansion projects over the first four years were therefore financed by the shareholders themselves.

Once the crisis was over, we entered into discussions with local commercial banks with a view to financing our development. It didn't take us long to understand that their approach was asset-based rather than cash-flow-based. In other words, they took no account of our economic pro-spects but simply wished to protect themselves by over-collateralizing assets which is also a very costly way of doing business. When faced with this obstacle, we turned to several locally-available solutions: opening up our capital for a limited period and organizing a shareholder loan from Fiaro[1] and obtaining an external guarantee via Solidis[2]. These solutions partially met our needs because the barriers remained fairly low while the total cost of financing was too high to be sustainable over the long term.

Beginning in 2016, our financing needs really took off. Because we had established technical and organisational control over each of our businesses, we wished to upscale both in terms of size and geographical reach. This required significant investment as well as a major structural reorgan-isation. In 2017, we began a long and complicated process of raising debt across different juris-dictions – between Madagascar and Mauritius. This was a steep learning curve both for ourselves and the bank involved as it was a new experience for both parties. The whole thing took two years but we demonstrated our ability to put together highly-detailed application files under-pinned by a large measure of financial and legal engineering. In late 2018, in a bid to consolidate our market and set our governance structure in stone, we decided to open up

1 A local institutional investment fund.
2 Provision of a bank guarantee backed by AFD Group via the ARIZ guarantee mechanism.

Technopet's capital to a private equity fund and this operation has just closed. This investment is intended to en-hance our capacity to support the ISO and BRC/FDA certification processes and boost our pro-file in the Indian Ocean.

Inside Capital Partners, based in Mauritius, has placed its trust in us and is helping our business to grow. The arrival of a strategic shareholder strengthens the commitment of all stakehol-ders to the project, be they banks, institutional investors or key suppliers and customers.

Jean-Philippe Bigot: The creation of our Kenyan subsidiary in 2002 did not merely enable us to consolidate and grow our positions in France, it also allowed us to set up a big production unit in Kenya and break into other high-potential markets – in the UK, Germany and Switzer-land, for example. Before we created the subsidiary, we employed less than 50 people in France. The Group now has 150 employees in France and nearly 1,100 in Kenya.

Between 2002 and 2008, because Bigot Flowers Kenya did not actually own any land, it was unable to raise funds in Kenya and had to finance its development using its own resources. In 2008, we were put in touch with Agence Française de Développement (AFD) and Proparco and we were able to obtain a loan of nearly €1.7 million in 2010 via Fisea[3]. We used it to acquire the land we needed in Kenya to build new, more modern greenhouses. At the same time, Fisea ac-quired a 10% stake in Holding Bigot Finances.

In late 2013, we were presented with an exter-nal growth opportunity – the acquisition of a neighbouring farm – and we again turned to Proparco for funding. At the same time, we bought back Fisea's stake in Holding Bigot Finances.

IN HINDSIGHT, WOULD YOU DO THINGS DIFFERENTLY?

Jean-Philippe Bigot: Getting access to the diffe-rent Proparco loans was an extraordinary piece of luck. Without Proparco, we wouldn't have been able to structure our foreign business assets or consolidate our position in the production and distribution of cut flowers in both the French and European markets.

Being a stakeholder in the development of rural areas – both in our historic fiefdom of the Sarthe department in France and in Kenya – is a big responsibility but it's also a very satisfying one. As such, our involvement in equatorial trade takes on all of its meaning and constitutes a major driver in our commitment to work alongside the Kenyan population.

Habib Hassim: In emerging countries, there is often a tendency to put compliance in the back-ground and focus on maximising profita-bility, especially of family-owned firms. A lot of Mada-gascar businesses use a wily combination of fraud and corruption to achieve abnormally high growth rates and margins. This is neither sustainable nor ethical. Our guiding principle has always been 100% transparency and complete tax compliance (i.e., VAT, customs duties, income tax and payroll), but we have suffered from the setbacks inherent in this business model: ethical firms do not grow as fast.

In hindsight, we should probably have trumpeted this ethical aspect a bit more. We now realise that this is what underpins our integrity, credi-bility and legitimacy in the eyes of our partners. Ever since we have been able to report clearly to our partners about our financial situation, the dialogue is much more fruitful and they have begun to see us as long-term partners. It was a long hard road that required a change in paradigm but we now feel not only relief but pride as well.

3 › Investment fund to support African businesses.

How to finance SMEs in Africa? The experience of five financial institutions

This article is a joint interview between representatives of Advans International (Advans), Baobab Mali, Société Générale, SONIBANK and Uganda Development Bank (UDB).

In recent years, there has been a general trend to set up specialized departments in banks. Indeed, SMEs are a growth driver for banks. A team dedicated entirely to SMEs is generally set up and assessment criteria specifically adapted to the case of SMEs is defined for applications for financing and its monitoring. PROPARCO wished to give a voice, in the form of two "mirror" interviews, to financial institutions and innovative players on the new technologies market* who work to promote access to financing for SMEs.

FOCUS

ADVANS INTERNATIONAL

Advans International is an international network of microfinance institutions offering financial products and services to microenterprises and small and medium-sized enterprises.

BAOBAB MALI

Baobab Mali, formerly called Microcred Mali, was founded in Bamako in 2013 and is a microfinance institution that supports micro and small entrepreneurs throughout Mali.

SOCIÉTÉ GÉNÉRALE

Société Générale, a renowned international bank, is also very committed to supporting local economies in Africa, especially the continent's SMEs.

SONIBANK

Société Nigérienne de Banque (SONIBANK) was founded in 1990 and is the country's leading commercial bank in terms of jobs and resources.

UGANDA DEVELOPMENT BANK

Uganda Development Bank (UDB) is a development finance institution that supports SMEs and large-scale development projects in various key sectors (agriculture, education, health, etc.).

PROPARCO: HOW LONG HAS THE SME SEGMENT BEEN CONSIDERED AS STRATEGIC FOR YOUR INSTITUTION?

Société Générale: Companies as a whole - regardless of their size - are a major focus for development for Société Générale Group in Africa, and this has always been the case. The specific focus on the SME market is, however, more recent, even if we have been supporting them for many years in all our countries.

SONIBANK: Since 2003, we have made SME/SMI financing central to our strategy, given the importance of this sector in the country's economic fabric. Indeed, it is considered as the engine for private sector development and generates added value.

MANY BANKING INSTITUTIONS HAVE NOW IMPLEMENTED AN "SME STRATEGY". WHAT IS YOUR INSTITUTION'S APPROACH?

Advans: We have developed a credit analysis approach more suited to the business model of an SME than of a microentrepreneur. This is to take better account of the complexity and diversity of supply chains, as well as sometimes rapidly-growing activities. This SME methodology is shared by all the Group's subsidiaries, with a flexibility given to everyone to adapt it and make the credit analysis process even more effective. The objective is to protect our clients from the risk of overindebtedness or default, whatever the complexity of their activity.

We have also developed an additional range of short-term loans which provide a relevant response to the diversity of SME financing needs: advances on invoices, purchase order financing, discounts. We support the growth of entrepreneurs by allowing them to be responsive on their markets. For example, in Cameroon, we have developed a supplementary range of loans which allow entrepreneurs to release additional funds to their outstanding productive credit, so that they can respond quickly to an increase in activity or seize a commercial opportunity.

* The answers were obtained through a questionnaire sent to each of the banking institutions. Their answers were subsequently consulted then edited.

More generally, we have adapted the entire client path. For example, in Nigeria, we have developed a "VIP mobile collection" service organized so that our SME clients no longer need to come to the branch to pay their monthly instalment and can focus on their activity. We have also launched an application[1] that allows clients to carry out all their transactions remotely.

Baobab Mali: For our part, several strategies have been implemented: an SME path allowing a swift and personalized response depending on the client's real needs; the creation of an intermediate tranche of SMEs to adapt to Mali's socioeconomic situation; the reduction of interest rates compared to the prevailing rates for microenterprises; more flexibility in disbursement conditions; and the creation of a flexible guarantee.

SONIBANK: As SME financing is central to SONIBANK's strategy, its organization and procedures are entirely structured to meet the needs of this client segment. The financing of SME/SMI investments requires stable resources to meet their needs more effectively. We have negotiated and obtained refinancing lines from regional and international financial institutions to offset the lack of long-term resources which can affect our mandate to support Niger's private sector.

A mechanism has also been set up *via* a partnership with a financial institution responsible for assisting SME/SMI promoters with studies, the preparation of the application, and for providing support, including monitoring investments and how they are used during the loan repayment period.

HAS THIS STRATEGY ALLOWED YOU TO MEET SME FINANCING NEEDS THAT WERE NOT MET UP UNTIL NOW?

Baobab Mali: Yes it has! Our mandate is to make our services accessible to people excluded from the traditional financial system. Consequently, in a difficult context for financing in Mali, the adjustments made have allowed us to meet the needs of SMEs in Bamako and out in the regions more effectively.

UDB: Uganda Development Bank has been able to meet the needs of SMEs to a significant extent especially in terms of tenor, structuring and interest rates. We customize our intervention depending on the client's needs as we do not adopt a one-size-fits-all approach common with commercial banks.

Regarding loan tenor, it stretches up to 15 years depending on the nature of the project and the estimated implementation completion time and related cash flows. Loan repayments are structured in line with the project implementation schedule, cashflow pattern and other unique project circumstances that may apply. A grace period of up to 36 months may be given. Agro-based enterprises appropriately structured either as limited companies or registered co-operative societies benefit from either group or apex lending models that are particularly useful for supporting primary agriculture and securing sources of supply for processors. Our interest rates are very friendly. While commercial banks offer interest rates at 22% and above, UDB's UGX interest rate per annum for long-term loans ranges from 12% - 15%. The Bank funds both existing enterprises and greenfield investments. Thus, these measures have seen the loan book grow by 79% over the last three years, from UGX 169 billion in 2016 to UGX 302 billion in 2018.

1 ▸ Advans Mobile.

SME finance and new technologies: An interview with three specialised institutions

This article consists of a joint interview between representatives of Lidya Global Limited (Lidya), SA Taxi Holdings Proprietary Limited (SA Taxi) and Tunisie Leasing and Factoring (Tunisie Leasing).

The diversification of financing solutions available to small and medium-sized businesses (SMEs) appears a possibility well worth exploring in the quest to improve relations between banks and SMEs. For example, financial inclusion of SMEs through digital solutions is developing rapidly. Fintechs are also generating digital ecosystems that make it possible to map, develop and monetize customer needs. Nevertheless, the dissemination of these products is being hampered by the fact that they are frequently alien to both the culture of SMEs and to regulatory provisions which are not at all conducive to such specialised instruments. Using two "mirror" interviews, Proparco wanted to get the views of financial institutions and innovative tech players* who are trying to provide SMEs with better access to funding.

FOCUS

LIDYA

Lidya is a financial services platform launched in 2016 that seeks to improve access to credit and funding in emerging markets, starting with Nigeria.

TUNISIE LEASING

Tunisie Leasing was Tunisia's first leasing company when it was created in 1984. It offers both real estate and moveable property leasing solutions. Tunisie Leasing works mainly with SMEs and micro-businesses in the trade, services and industry sectors.

SA TAXI

SA Taxi is a taxi platform that leverages specialised IT expertise and Big Data to provide financing and various other services to public taxi businesses to enable them to grow. The aim is to generate joint value creation opportunities that will ensure the long-term future of public taxi services.

PROPARCO: WHEN DID YOU FIRST START FOCUSING ON SMALL AND MEDIUM-SIZED BUSINESSES (SMES)?

SA Taxi: Since SA Taxi's inception in 2006, we have been focused on achieving the mission which is to provide finance, insurance and other services to entrepreneurs that ensure the sustainability of the minibus taxi community. Financial Inclusion, SME empowerment, sustainable job creation, public transport infrastructure and environmental sustainability are five key drivers of this mission.

Lidya: SMEs have always been at the core of our business. Lidya's proprietary fintech platform has enabled SMEs in Nigeria to access credit, often for the first time - helping to bridge the country's US$92 billion SME credit gap in Nigeria. Globally, it is estimated that only 15% of SMEs can access the credit they need to grow, despite contributing as much as 52% to GDP and creating 88% of all jobs. Yet, in emerging markets, traditional lenders are unable to provide credit to SMEs at scale due to the limited reach and high cost-to-serve, which leaves many SMEs underserved.

Tunisie Leasing: When it was first set up, Tunisie Leasing prospected for business among corporate customers due to the lower risk involved, but because the Tunisian economy is dominated by SMEs, growth in the leasing sector is also tied to the growth of SMEs. This is why we had to review our business structure in the early years to be prepared to handle a large demand with a higher risk profile than corporate customers.

* Responses were first obtained via a questionnaire sent to each of the businesses and then collated and formatted.

WERE YOU SIMPLY DOING THE SAME AS THE COMPETITION OR DID YOUR APPROACH ACTUALLY HELP YOU TO STAND OUT FROM THE COMPETITION?

Tunisie Leasing: We have pioneered the concept of leasing in Tunisia. We have always worked hard to stay ahead of the competition by keeping up with best practices in our industry and seeking out solutions that enhance our approach both from a business and a risk management perspective.

Lidya was a trendsetter in implementing a digital lending model that reaches across Nigeria to scale and ease access to finance for SMEs in Nigeria.

For SMEs who are served by traditional lenders, there is limited customer experience. The loan application can take up to six weeks to process, it can require up to 130% of collateral, and loan sizes under 50,000 USD (18 million nairas) are rarely approved. Lidya approves loans within 24 hours, does not require collateral, and approves loans starting at 150 USD (50,000 nairas).

The high percentage of non-performing loans (NPLs) in Nigeria further penalizes SMEs in getting access to finance. NPLs average 10% amongst traditional lenders and 45% amongst alternative lenders, whereas Lidya's NPL rate is only 0.6%.

SA Taxi: The minibus taxi financing landscape is a niche market with very few participants opting to enter due to the perceived risk of its client base. Micro-lenders are unlikely to finance minibus taxi operators as in South Africa these lenders are typically unable to advance loans of this size or duration. These micro-lenders also require their clients to be formally employed and their loans are priced much higher, further rendering them unlikely to enter the minibus taxi market.

HAS YOUR APPROACH AND THE SOLUTIONS YOU HAVE DEPLOYED HELPED YOU TO MEET THE FINANCING NEEDS OF SMES?

Tunisie Leasing: Since the Company's foundation, we have helped out businesses that were "non-bankable" due to their size, the lack of visibility over their business or because of their inability to provide guarantees. The close ties between our marketing teams and customers, the development of risk assessment methods tailored to all sizes of business and all business sectors, and the use of credit scoring and effective bad debt recovery techniques, have helped us cater effectively to the needs of businesses that are not being served by banks while controlling the risks involved.

SA Taxi Yes! SA Taxi fills a critical funding gap, providing credit to entrepreneurs who would otherwise be excluded from the formal economy given their credit profiles. With approximately 12 million South Africans classified as outside the banking system, this large portion of the population depends on a very limited number of channels in which to access capital from.

Through financing an income producing asset and ensuring that the profits generated by the asset are substantial enough to pay off the loan as well as to yield a living for the owner, we believe that we create a positive impact on both financial inclusion and the building of the clients' net wealth.

Lidya: Indeed! Lidya's service is in high demand from small business owners in a variety of sectors across Nigeria. Lidya has dispersed more than 6,500 loans to 1,500 businesses. In 2017, almost US$2 million of loans were dispersed, growing to about US$10 million in 2018. In 2019, we are poised to disperse nearly US$30 million and become the largest digital SME lender in Nigeria. ■

By Romain De Oliveira, *Deputy Editor of Private Sector & Development*

The *Private Sector & Development* review was launched exactly ten years ago. The subject of its very first issue was *SME Financing in Sub-Saharan Africa*, with a focus on the lack of access to financing for African SMEs, one of the bottlenecks to the continent's growth.

The subject was of major importance to Proparco a decade ago and is still and more than ever before relevant today. At the time, the scheduling of the launch of this first issue coincided with a context of economic crisis which directly threatened the availability of financing for companies, and especially for African SMEs. Ten years on, while the crisis would appear to have receded, the still very high level of debt[1] in the Sub-Saharan region continues to pose a risk for the economic activity of nations.

These two publications, a decade apart, thereby allow us to take a look back at the development of SME financing in Africa, and if one observation has not changed in ten years, it is the difficulty of gaining access to financing. As Matthew Gamser, Director of the SME Finance Forum, recalls in his article (pages 20 to 23): *"Sub-Saharan Africa has the highest proportion of under-financed MSMEs in the world (52%), followed by East Asia and the Pacific at 45%"*.

There are various reasons to account for these constraints: the still significant share of the informal sector in the African economy; a certain reluctance on the part of "traditional" investors to invest in the continent's SMEs; equity that is often insufficient; or clients posing major risks in terms of governance, guarantees or the economic environments in which they operate.

However, to use the expression of the economist Bertrand Savoye *(pages 6 to 11)*, the current shortcomings of SMEs can also become advantages. We should remember that these companies are the real economic lifeblood of Sub-Saharan Africa: 90% of companies are SMEs. This weight means that they make a major contribution to employment – they create between 60 and 80% of jobs – but that they are also vehicles for social ties at the community level. This importance takes on its full meaning in view of the fact that we know that 450 million young Africans should be joining the labour market by 2050[2].

Ten years apart, it is also interesting to note the change in mentalities and the new approaches and new tools that have emerged. The rapid development of digital technologies in Africa is a good example in this respect. In his article *(pages 40 to 43)*, Aiaze Mitha, an entrepreneur, thinks that the digital revolution and the emergence of fintechs will unquestionably provide *"breakthrough solutions"* to promote the development of SMEs and resolve problems of access to financing.

Similarly, while at the time most investors mainly focused on the financial aspects in their approach to supporting African SMEs, today we can see that the share of non-financial aspects has considerably gained in importance, to the

1 ‣ International Monetary Fund (IMF), *Sub-Saharan Africa: Firming Up the Economic Recovery*, May 2018. Available on Internet: https://www.imf.org/en/News/Articles/2018/05/11/na051118-sub-saharan-africa-firming-up-the-economic-recovery
2 ‣ According to the estimates of the International Finance Corporation (IFC).

extent that they are one of the key and intrinsic aspects of it. The deployment of technical assistance programs is a strong marker of this. It is also shown by the establishment by States of specific legal and regulatory arsenals to facilitate the development of financing and access to it, and by the creation of mentorship programs for entrepreneurs, which is echoed by Parminder Vir in this review *(pages 36 to 39)*.

The interest in the SME sector is not new, whether in Africa or elsewhere the world. It was true 10 years ago, it is true today and will probably still be so in a decade. So to devote yet another issue to it? Save the date for the 20th anniversary of the review to find out!

PS&D

Since 2009, PROPARCO has coordinated the *Private Sector & Development* (PS&D) initiative, examining the role of the private sector in southern countries.

Issued as a quarterly themed magazine and specialist blog, the PS&D initiative presents the ideas and experiences of researchers and actors in the private sector who are bringing true added value to the development of the countries.

The last five issues of the review

Issue 31
Scaling up the development impact of agro-industry

Issue 30
Corporate governance: a driver for growth

Special issue
The hotel and tourism industries in Africa: a booming market

Issue 29
Financing start-ups to build tomorrow's African economies

Issue 28
Improving the quality and accessibility of African medicine

Recent blog articles

Agriculture: Nigeria's job creation engine – Kola Masha, **Managing Director,** *Babban Gona*

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Using the Theory of Change to optimize the investment impact – Janske van Eijck, *Senior Manager, Palladium*

Under what conditions do labels support development? The example of coffee – Sylvain Ly, *Co-founder, Basic*

Good governance: a framework for sustainable performance – Ryaadh Hanslo, *Regulatory Specialist, Jumo*

Video

Chiaka Sidibé hotel school in Mali - Interview

BLOG.PRIVATE-SECTOR-AND-DEVELOPMENT.COM

Private Sector & Development

Private Sector & Development (PS&D) is a quarterly publication that provides analyses of the mechanisms through which the private sector can support the development of southern countries. Each issue compares the views of experts in different fields, from academia to the private sector, development institutions and civil society. An extension of the magazine, the PS&D blog offers a wider forum for discussion on private sector and development issues.

blog.private-sector-and-development.com

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