

**Financial Instruments to Support Financial  
Intermediaries**

**The need for an integrated approach**



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**Characteristics of the Supply & the Demand**



■ ON SUPPLY SIDE

- Market Liquid
- Resources available for Short-term
- Nominal interest rate relatively high
- Conservatism and Limited knowledge of SMEs Growth-Oriented Compliance with Basle I & II Prudential rules

■ DEMAND SIDE:

- Limited Experience and past exposure to FIs
- Limited Equity
- Limited Working Capital
- Limited Market Knowledge
- Limited Management Capacity



## Conditions to access to financial resources

- Strict and dissuasive for SMEs and the smallest ones
- Requested guarantee much higher than the risk that FI bear
- Resources mainly available for a short-term period & at a high interest rate

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## Paradox of the Market: The Vicious Circle

- Potential Demand is high
  - Potential Supply is high
  - Solvable demand to meet market conditions LOW
  - Market conditions very TIGHT

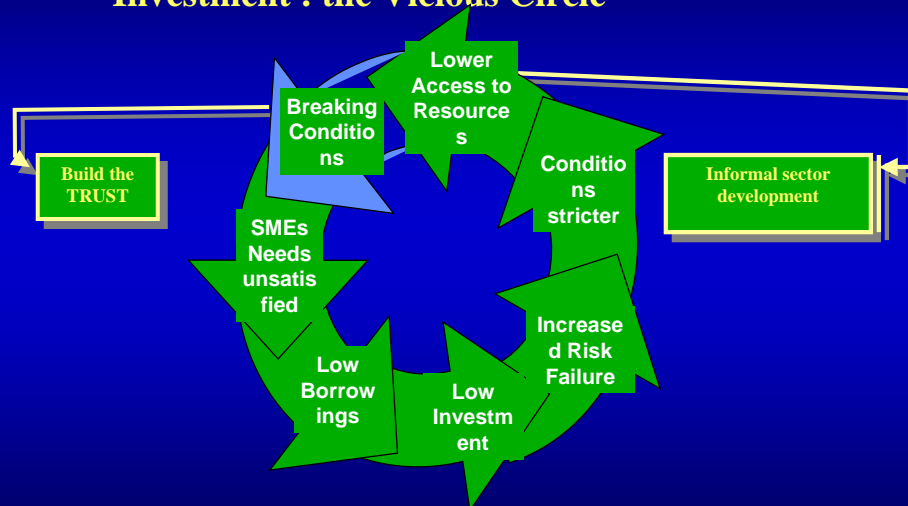
“More SME needs, less it can secure from the market, less it can invest to start business in a viable conditions or takes the risk of investment for growth with a limited potential rate of failure”

*Vicious Circle of Investment and Growth*

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## Investment : the Vicious Circle



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## The Two Responses

Business as usual: Informal financial market, tax evasion, corruption, lack of good corporate governance practices ==> Higher failure rates, negative impact on economic growth and social stability

### Build the TRUST

#### How?

Create conditions for Mutual Trust Through two integrated mechanisms

- Better Knowledge ==> Training and Institutional Capacity Building
- Risk Mitigation: Financial – Operational – Environment - Market

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## WHO?

Need for neutral honest Broker to build the Trust: DFIs

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## HOW?

### Non financial instruments

to reduce the risk from start at the level of the Enterprise and the other stakeholders in the market  
(Government and Local Administration; Commercial partners of the Enterprise...)

### Financial instruments to limit the risk

Partial Guarantee – Counter Guarantee of Mutual Guarantee Mechanisms

- Agency Line with Enhanced Equity Funds
- LoC and Equity Participation in Factoring and Leasing Company

Two Examples from the Bank's side

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## Franchising: The Approach of the Financing Programme

- Facilitate access to finance by potential franchisees through:

- Risk sharing
- and
- Risk mitigation

Franchisee:  
Own Equity Contribution

Financial Institutions:  
Debt Financing

ADB: Extended Finance  
Facility

Franchisors:  
Management / Financial  
Commitment

Other players: Guarantee

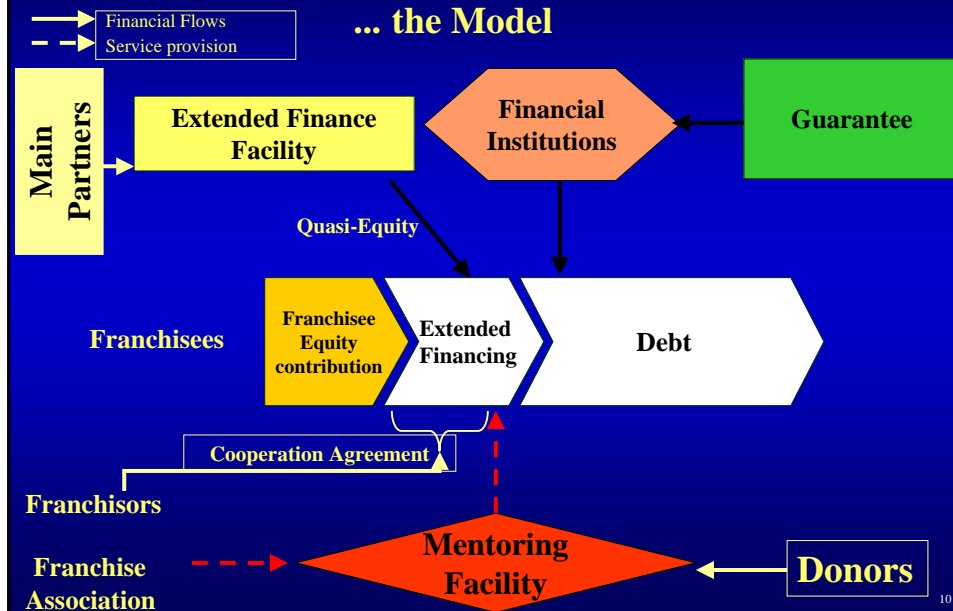
Enhance  
Franchisors'  
handholding  
capacity

Provide  
technical  
assistance to  
Franchisees

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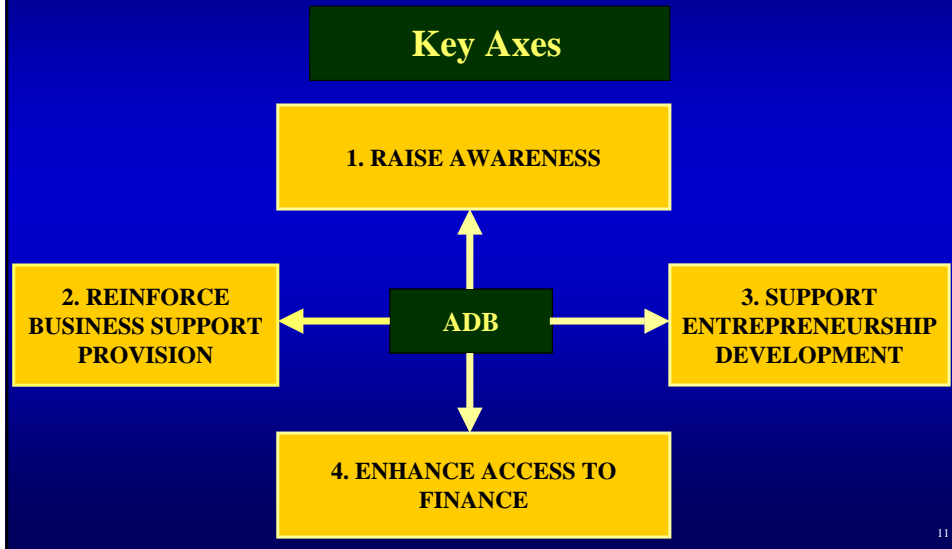
## ... the Model



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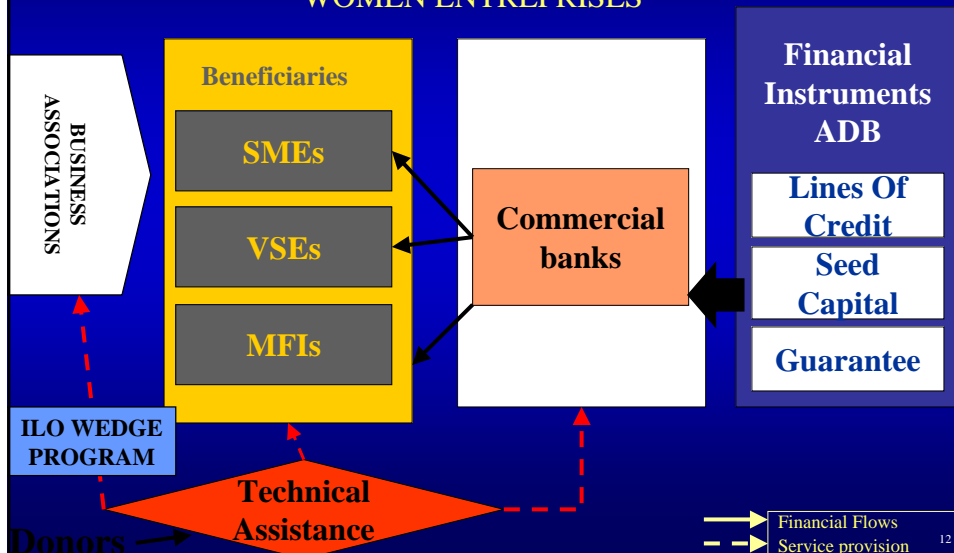
## The Women In Business Initiative:



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## FINANCING PROGRAM ADAPTED TO THE NEEDS OF WOMEN ENTREPRISES



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**Program to Enhance Access to Financing for Growth Oriented Women Entreprises' Development (GOWE) in Cameroon and Kenya**

**Emphasis on growth oriented women-owned enterprises**

Different instruments/tools for Micro & Very Small vs. Small and Medium

**Partial guarantee FIs**

**Loan facility**

**TA to key partners**

Women Entrepreneurs Associations

Commercial banks

Women entrepreneurs

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