



Amplifying Africa's Entrepreneurial Spirit

Over the past decade, Africa has made significant progress in financial inclusion and access to credit across the board. Advances have been made for households, micro, small and medium-sized enterprises (MSMEs) and corporates, and in a range of financial services, from payments to credit. However, the region still lags other emerging markets. The rapid increase in financial access has been driven by a combination of the growth and expansion of regional banking groups and the adoption of technology and mobile financial services not only by banks, but also telecommunications operators and fintech companies. Overall, banking penetration improved from 29 percent in 2014 to 40 percent in 2021, though disparities remain across subregions and countries. The biggest jump came from the adoption of digital financial services that drove mobile money penetration from 34 percent to 55 percent over the period. Yet, growth of credit to the private sector by banks has been slow, only rising from 31.5% of GDP in 2014 to 34.1% in 2020. The level is much lower in Sub-Saharan Africa (26.8% of GDP) compared to North Africa (41.4% of GDP) in 2020. Overall domestic credit to the private sector as a share of GDP has been on a declining path, even prior to the pandemic since the global financial crisis. The impact of successive crises has been magnified by Africa's structural, institutional, and firm level vulnerabilities, and risk reversing decades of progress.

Closing the gap in access to finance is critical to addressing Africa's most pressing development needs in food security, job creation, housing, and climate finance, all IFC priorities, and to support the jobs and economic transformation agenda. IFC works with traditional and new financial actors across the continent to increase access to financial services and finance for smaller scale businesses and previously excluded individuals.

About IFC in Africa

IFC has established a leading position promoting private sector investment in Africa. Over six decades, IFC has invested more than \$60 billion in long-term finance in African businesses and financial institutions, of which more than \$40 billion is from IFC's own account. We are a leading provider of advice to promote a sustainable private sector and mobilize capital from other investors who invest alongside IFC in critical sectors for Africa's future. IFC's work is increasing access to finance for small businesses, supporting innovative startups, bridging the power gap, enabling sustainable manufacturing, bolstering resilient health systems and expanding regional trade. We are also deploying fast-track funding and advisory support to help African businesses recover from the COVID-19 pandemic.

Overview of IFC's work in financial inclusion

IFC supports the advance of financial inclusion in Africa through investments in banks, microfinance institutions, leasing companies, insurers, mobile money services providers, and fintechs, and through advisory services to support such actors as well as stakeholders in financial infrastructure. Our funds and technical expertise assist FIs to better reach and serve MSMEs, women entrepreneurs, farmers and small-scale, agri-businesses across value chains, as well as smaller-scale actors in the supply chains of a range of industries. Most solutions leverage digital technology and data analytics. On the financial infrastructure side, we work together with our colleagues in the World Bank to assist regulatory authorities in Africa to put in place the necessary institutional framework to support greater financial inclusion for small-scale actors in the economy. As of December 2021, IFC's committed MSME finance portfolio through financial institutions in Africa was over US\$2.5 billion.

Examples of IFC's work in financial inclusion

Through dedicated investments and advisory programs, IFC builds strong partnerships with leading financial industry actors in Africa to increase financial inclusion and access to finance.

- **Small Loan Guarantee Program:** IFC provided joint advisory and investment services through risk sharing facilities to help banks de-risk their SME lending and improve access to finance. As of May 2022, the program had onboarded 12 banks, supported US\$275 million in lending to MSMEs, and trained more than 260 bank staff in Africa.
- **Crisis Response:** In March 2020, IFC launched an US\$8 billion Fast Track COVID-19 Financing Facility to swiftly provide liquidity to existing clients to help sustain economies and preserve jobs during the crisis. In February 2021, IFC extended this facility and launched the Base of the Pyramid Program which provides up to US\$400 million to microfinance institutions, non-bank financial institutions, and banks that are focused on MSMEs. In addition, on the advisory side, IFC partnered with 30 FIs and strategic partners to provide educational webinars on key business management topics, in 18 African countries, supporting over 12,000 participants from MSMEs to navigate the COVID 19 crisis.
- **Digital Financial Services:** IFC has partnered with a large number of mobile money operators to build the digital financial services ecosystem in Africa. From leading telecom firms Vodafone M-Pesa and Airtel Money to smaller microfinance institutions, FINCA DRC and Baobab Senegal, IFC has provided investment and advisory services to bring about 1.2 million new bank agents and extend mobile financial services to more than 52 million people on the continent.
- **Gender:** IFC's gender business areas help FIs achieve growth and profitability targets by delivering multiple services to women customers, including IFC's well-established Women's SME Finance Business.
- **Supply Chain Finance:** IFC has developed a supply chain strategy with leading FIs and corporations to strengthen access to finance for SMEs within the supply chain by increasing efficiency through digitization of processes, improving working capital, and reducing costs related to transactions between suppliers and buyers in a value chain, creating a win-win situation for all parties involved.
- **Non-Financial Services Program:** IFC has developed a program to support the capacity building of MSME clients of financial institutions. The program supports MSMEs in several ways including through the provision of IFC skills development solutions on financial management and other key business management topics. The program is currently being deployed in five countries in the Sahel region: Mali, Burkina Faso, Mauritania, Niger, and Chad.
- **Agri-finance:** Africa is facing its worst inflation and food crisis and could see decades of poverty reduction reversed due to the succession of recent crises. IFC's objective is to help put the continent on an accelerated and sustainable path to food security by: (i) leveraging traditional channels through banks for the financing of primary; and (ii) an ecosystem approach, leveraging contract farming and digitalization of smallholder farming operations combined with access to insurance and credit. Progress in agritech (agricultural technology), agricultural equipment (human size and cost efficient), agri-insurance, and contract farming, create opportunities to digitize small-holder farming with the support of advisory services.

IFC's Portfolio in MSME finance

Equity Bank, Kenya

Since 2019, IFC has provided a package of US\$200 million of senior and subordinated loans to Equity Bank Kenya to help the bank grow SME and climate finance lending in Kenya as well as to channel working capital and trade-related lending to the bank's SME clients, especially those facing COVID-19 related challenges. IFC's advisory services to the bank focus on sharpening the MSME finance value proposition, strengthening SME-related credit processes, improving operational efficiencies through digitization, and achieving best practice environmental and social standards.

I&M Bank, Rwanda

Since 2018, IFC has provided investments and advisory services to assist the bank in boosting its MSME lending business with a renewed focus on smaller businesses. US\$20 million in subordinated and senior loans was disbursed to the bank to support smaller businesses operating in Rwanda's tourism, agriculture, and trade and commerce sectors and to help MSMEs face the challenges of the COVID-19 crisis. The advisory engagement included the development of a comprehensive SME strategy based on the specific needs of MSME customers and included product development, credit management, sales through traditional and digital channels, and customer relations.

FINCA, DRC

IFC pioneered agent banking in the Democratic Republic of Congo together with leading microfinance institution, FINCA. The project supported FINCA in launching a branchless channel and covered business model design, product development and the agent banking network. By the end of the engagement in 2019, FINCA DRC had over half a million agent banking customers.

Banque Atlantique, Côte d'Ivoire

IFC supports BACI in developing digital finance products and solutions for smallholder farmers in the agricultural value chains, specifically the cocoa value chain, in Cote d'Ivoire, Burkina Faso and Mali. In Côte d'Ivoire, the agricultural sector receives only about five percent of bank financing despite representing nearly a quarter of GDP.

Airtel, Uganda

IFC assisted Airtel Uganda in building sustainable and profitable mobile money operations. IFC's support included developing a five-year business plan, developing an agent management structure, designing and implementing a customer acquisition strategy, and product development. At the end of the project, active users had increased five-fold.

Tunisia Digital Ecosystem, Tunisia

IFC supported the Central Bank of Tunisia in developing a national strategy for a digital payment ecosystem. IFC's support included digital social payments, the national digital payments strategy and market-level interventions to increase technical capacity of stakeholders and create consumer awareness.

Vodafone M-Pesa, Mozambique

This ongoing project aims to increase financial inclusion in Mozambique by scaling up the Vodafone M-Pesa mobile money platform. IFC advisory support covers business model design, go-to market strategies, agent network management, risk management and partnerships.

Vodafone M-Pesa, Tanzania

IFC supported the Vodacom M-Pesa mobile money platform in their project which sought to increase merchants' payments acceptance and expand the network of merchants across Tanzania contributing to increased access and usage of quality digital payment services. IFC advisory support included data analytics, merchant recruitment and activation, customer acquisition and the development of a digital marketplace.

KCB and TWIGA, Kenya

In 2020, IFC launched an innovative partnership with Twiga to boost food safety in Kenya. The partnership includes collaboration with Tier 1 banks in the country in the form of unfunded, risk-sharing facilities to enhance access to finance to medium-scale farmers, mainly MSMEs with limited banking or operating track records and/or lower levels of collateral. Twiga and IFC's advisory services will provide technical and organizational support services to medium-scale farms. In 2021, a first risk-sharing facility was signed with KCB Bank Kenya for the equivalent of up to US\$7.5 million in local currency to build a US\$15 million equivalent portfolio of lending to support the development of up to 100 medium-scale contract farmers who are part of Twiga's supply chain.

Enda Tamweel, Tunisia

IFC has provided investment and advisory services to help the leading microfinance institution in Tunisia cope with the COVID-19 crisis, improve its risk management, continue its digitization process, and strengthen its product offering to continue to serve Tunisia's MSMEs and increase financial inclusion in the country.

Equity Banque Commerciale du Congo, DRC

IFC provided a US\$50 million senior loan to BCDC in the Democratic Republic of the Congo in FY21. This first Local Currency Facility (LCF) granted in the country's financial sector, seeks to expand the availability of local currency to SMEs and reduce the dollarization of the local economy. LCF support in the amount of US\$50 million bridged the pricing gap between the market available funding and hedging solutions, and BCDC's ability to pay, while ensuring that its lending rate to MSMEs was affordable.

Holmarcom Insurance Activities, Morocco and sub-Saharan Africa

In 2021, during the COVID-19 crisis, IFC invested the equivalent of US\$50 million in local currency to acquire a minority equity stake in HIA. The investment aims to boost access to insurance products in Morocco and select countries in Sub-Saharan Africa, a region where insurance penetration is among the lowest in the world. The partnership will broaden access to both non-life and life insurance products, helping protect against economic, environmental, and social shocks.

Mayfair Insurance, Zambia

IFC provided advisory services to Mayfair for the expansion of its agricultural index insurance business line to support small-scale farmers respond to extreme weather shocks. Since the project demonstrated the value of index insurance, such insurance has been embedded in the government's input subsidy program and reaches about one million farmers per year.

Cargill, Côte d'Ivoire

IFC, partnered with Cargill on a project to formalize Cargill, Côte d'Ivoire's cocoa sector and provide digital payments and a payment platform to over 30,000 farmers. IFC support included building coop and farmer capacity to adopt and use digital payment tools, developing a digital payments function, and building a conducive regulatory and policy environment for digital payments to farmers.

agCelerant Bank of Africa, Senegal

IFC together with agCelerant, an Agri-platform in Senegal, has partnered with Bank of Africa (BoA) to scale up financing to farmers. IFC's support will cover preparation for partnership with BoA, the acquisition of new farmers and agri-profiling of their crops (rice), deployment and management of the network of agri-agents, strengthening the business model, risk management and development of a scoring model. This project serves as proof of concept for investment solutions, a Risk-Sharing Facility of up to US\$ 8 million.

Co-operative Bank, Kenya

IFC is supporting Co-operative Bank to become a digitally enabled bank. IFC support covers a completed digital transformation diagnostic, and ongoing technical assistance in change management, capacity building in agile methodologies, and implementing an omni-channel platform, open banking platform, and capability and requirements review for a new core banking system.

Orange Bank Africa, Côte d'Ivoire

IFC partnered in an Upstream Advisory project with Orange Bank Africa (OBA) to launch its MSME financing strategy. The Project is focused on developing, targeting, and testing its MSME lending products and capabilities, to grow OBA's lending portfolio reaching MSMEs, accepting mobile money in Côte d'Ivoire (Target Borrowers).

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