Academic & institutional vision on present trends to support, improve and evaluate guarantee actors

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01. AFD GROUP OVERVIEW

2,500 staff

3,600 projects supported

85 agencies
(including 13 regional office for PROPARCO)

109 countries of operation

	2011	2015	2016	2017	
Commitments (Bn EUR)	6.8	8.3	9.4	10.4	X 1,5
Including for PROPARCO	0.8	1.1	1.3	1.4	X 1,75

02. AFD GROUP'S STRATEGY
BUILDING A WORLD IN COMMON

AFD Group will assist 6 transitions

Demographic and social
AFD Group will finance basic social services, such as education and healthcare, while bolstering social cohesion.

Energy
AFD Group will work to ensure universal access to reliable, sustainable, affordable, and decarbonized energy to keep global warming 1.5° to 2° Celsius below pre-industrial levels.

Territorial and ecological
AFD Group will promote sustainable development of urban and rural territories, addressing ecological and social challenges.

Digital and technological
AFD Group will leverage digital technologies, knowledge transfers, and joint innovations to accelerate development pathways towards attaining the SDGs.

Political and civic
AFD Group will help reinvent governance models to increase inclusiveness and citizen participation.

Economic and financial
AFD Group will promote diversified economic models and financial systems, orienting resources toward sustainable development.

And focus on 2 priorities

1 100% Paris Agreement
The Paris Agreement now stands at the heart of the AFD Group mandate. The Agency will draw on public and private resources to fund capital investments that protect the Earth from climate change and biodiversity loss: all project funding will finance resilient low-carbon development in keeping with the Paris Agreement.

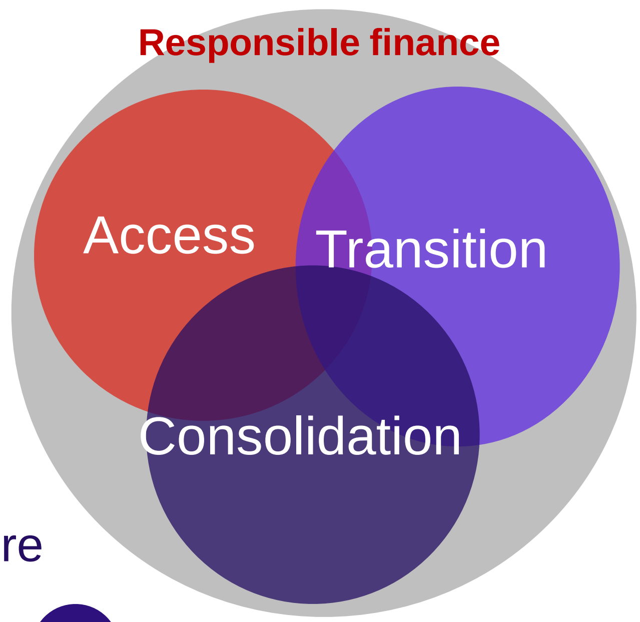
2 100% social link
AFD Group will base its actions on their capacity to reinforce social cohesion within populations and between territories, reducing inequalities — particularly gender inequality — and increasing access to education.

02. AFD GROUP'S STRATEGY
FINANCIAL SYSTEMS

Transforming financial systems to transform development pathways

Access

Promote access to an adapted and diversified financial offer



Transition

Support transformation in financial actors' practices to promote a sustainable finance model

Consolidation

Strengthen the architecture of the financial system to ensure its stability

3 priority objectives

02.

7 operational objectives

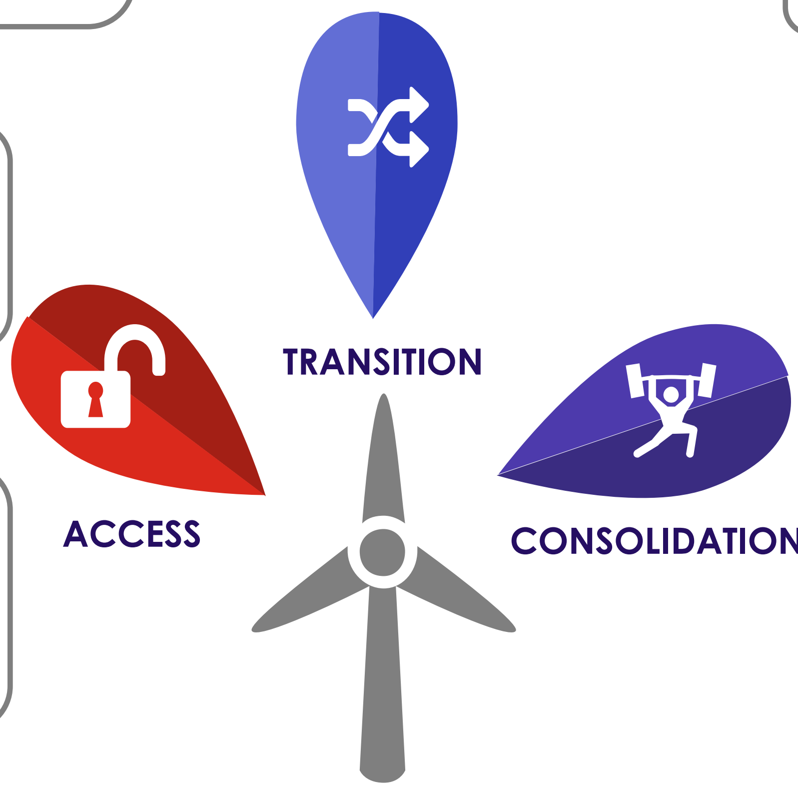
Change financing practices by combining financial support and technical assistance (new markets, risk analysis, communication)

Build strategic partnerships with public development banks

Provide financial actors with appropriate funding

Support MSMEs financing by diversifying the AFD Group’s range of instruments

Strengthen regulation of financial systems

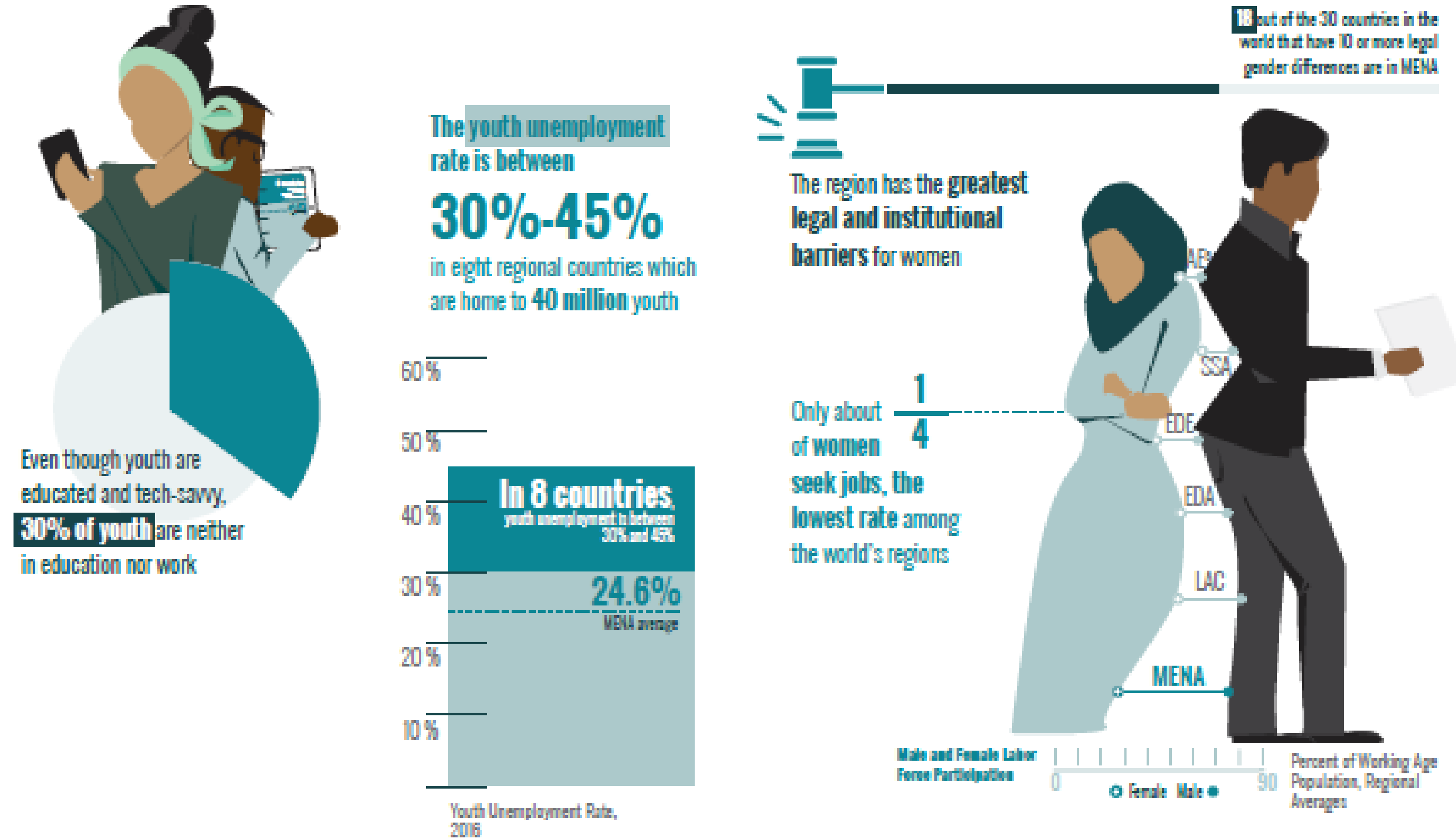


Serve populations excluded from financial systems (rural areas, women, young people)

Support innovative financing models (digital finance, thematic bonds, crowdfunding)

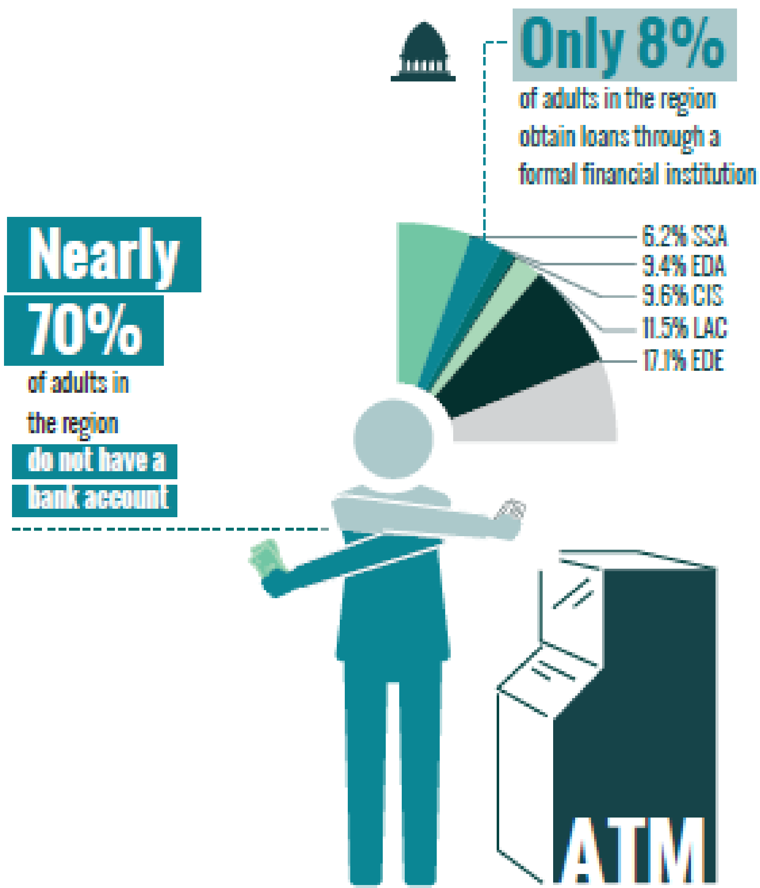
Our strategy in the MENA region

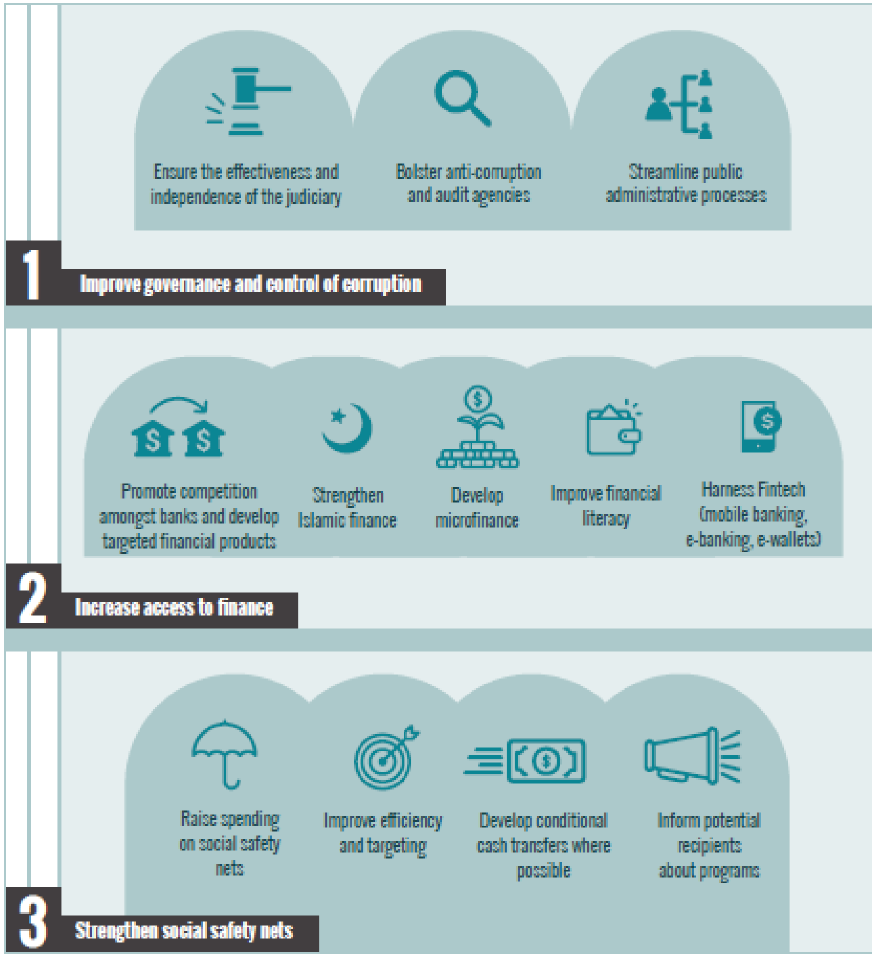
02. AFD GROUP'S STRATEGY
REGIONAL SPECIFICITIES



Data compiled by Gallup, ILO, IMF, United Nations High Commissioner for Refugees, and World Bank

02. AFD GROUP'S STRATEGY
REGIONAL CHALLENGES IN ACCESS TO FINANCE





02. AFD GROUP'S STRATEGY
REGIONAL FOCUS

Improve access to financial services for SMEs

Support the development of a modern and competitive private sector

Reduce regional inequalities

Promote formalization of the SME sector

Improve living conditions, respond to basic needs

Sound job creation and employability of young people

Increase access to credit in rural areas

Reinforce the public banking system

03. HIGHLIGHTED PROJECTS
EGYPT

SASME – RSM with the Egyptian CGC (10M$ EU Delegated)

- An integrated EU backed approach to support agricultural SMEs : establishment of an **agricultural credit guarantee scheme** to facilitate access to finance for underserved borrowers in the agricultural sector
- **Cash reserve to be used as collateral** to extend guarantees to the benefit of eligible lenders (up to 80% of the loan for FIs ;100% for NGOs)
  - **531 projects** guaranteed
  - **396 MEGP/23M$** outstanding guarantee portfolio
  - **650 MEGP/37M$** outstanding credit
  - Current leverage of **2.1**
  - Current default rate **0**
  - **9** eligible FIs & **1** NGO
  - **18%** female end beneficiaries
  - Benefiting mainly to **individuals** (90% no ; 68% amount)
  - Mostly **short-term** loans (59% no ; 73% volume)

03. HIGHLIGHTED PROJECTS
TUNISIA

Fonds de garantie jeunes primo créateurs - SOTUGAR(1,12M$)

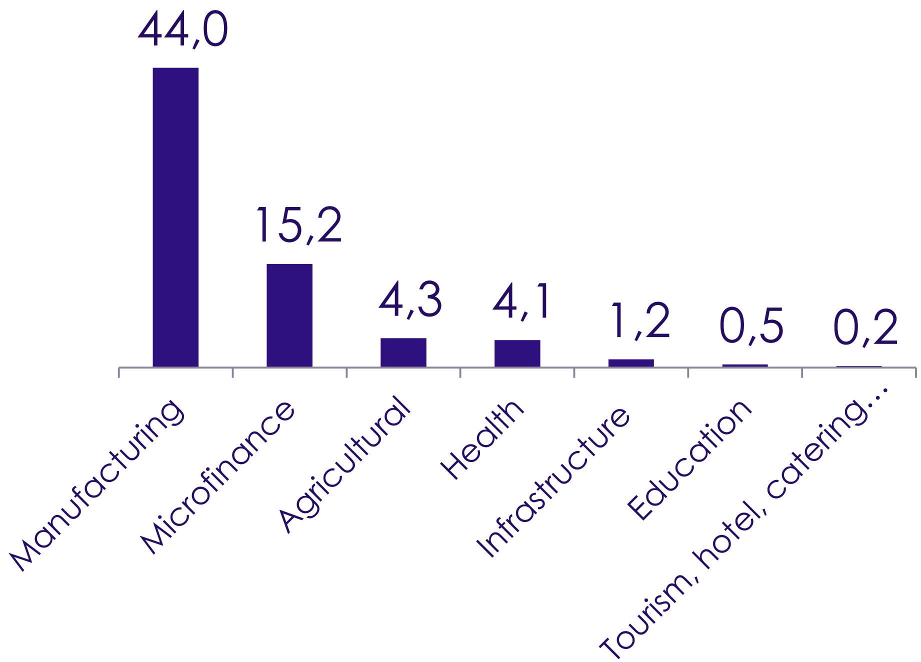
- Following an initial phase carried out since 2010 to design and capitalize the fund as well as structurally reinforce SOTUGAR
- Encourage access to finance (microcredit, seed funding, "prêt d'honneur" etc.) for **young and new business-starters** through a **dedicated guarantee scheme** covering up to 75% of the loan amount
  - Implementation 2014 - 2017
  - **43 projects** guaranteed
  - investments of up to **500,000 TND** (<170k$)
  - Leverage of **2**
  - **3 MTND/990k$** amount guaranteed
  - **6** partner FIs, mostly implemented with BFPME
  - Strongly deployed outside Tunis including underserved regions
  - Mostly medium term loans
  - **2 claims** since the creation of the fund(agribusiness and IT services)

03. HIGHLIGHTED PROJECTS
ARIZ PANORAMA

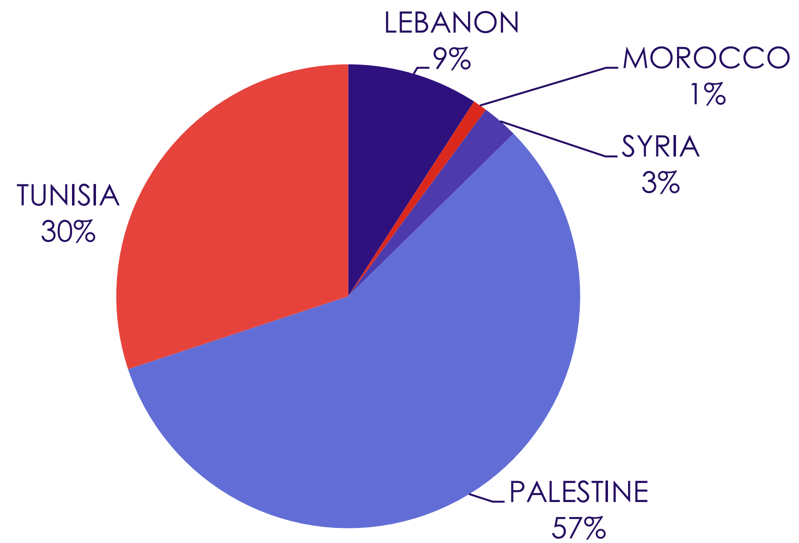
ARIZ
PARTNERING FOR THE FUTURE

Since 2010 : **125 guarantees granted** (including 8 portfolio guarantees), amounting to more than **€ 70 million**

Granted guarantees sector-wise (2010-2018)



Guarantee granted country-wise (2010-2018)



Focus on the MENA Facility

04. THE MENA FACILITY

IN A NUTSHELL

- Multi-donor approach, led by AFD Group (AFD + Proparco) in partnership with IFC and backed by the European Commission
- Initially established in 2013 to respond to market failures in MENA countries, restructured in 2018 to best meet market needs
- 7 targeted countries in the MENA region : Morocco, Tunisia, Egypt, Lebanon, Jordan, Palestine, Algeria
- For private financing institutions : private sector financial institution: bank, guarantee fund, leasing company, microfinance institution
- A strong focus on SMEs, especially underserved segments in high-impact sectors

The MENA Facility

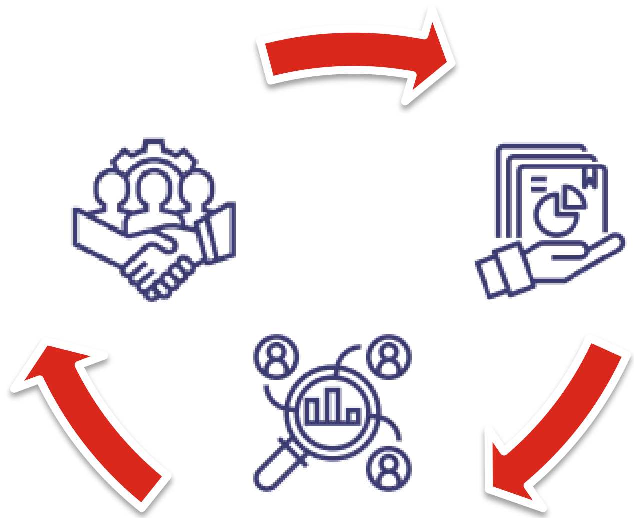
Risk-sharing mechanisms and credit lines in local currency, in order to increase SMEs' access to funding

Why ?

- SMEs lack productivity and growth
- Credit rationing : Demand side, supply side and Institution side causes

What ?

- In the short and medium term, provide adapted financial services



How ?

Portfolio guarantee

- Up to 50% of the oustanding capital
- For loans from 1 to 7 years
- + Technical Assistance

Credit line

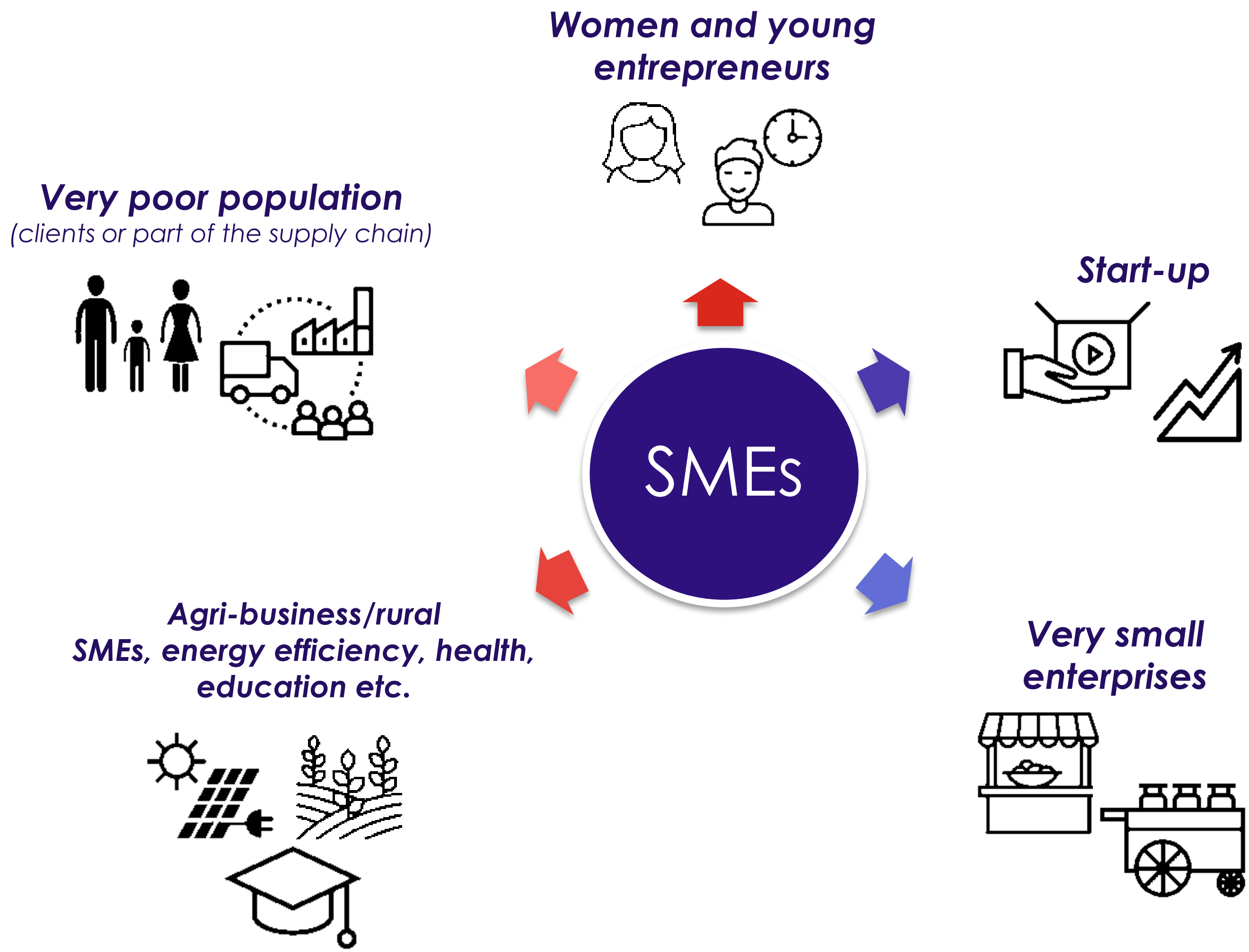
- in local or foreign currency
- With a maturity up to 7 years

Both instruments associated with performance incentives

- Based on impact objectives reached by Financial Institutions

04. THE MENA FACILITY

All sectors but with a strong focus on under-served segments



Reflecting on our interventions

05. REFLECTING ON OUR INTERVENTIONS

KEY TAKEWAYS FROM CGS EVALUATION

1. **Be transformational by** ensuring a alignment in interests between the bank and the guarantor
2. **Be clear (and realistic) about the desired outcomes**
3. **Understand tradeoffs in guarantee design** : between access to finance and the cost of finance
4. **Aim for higher impacts :** beyond the SME segment, target other underserved segments, for instance by offering appropriate incentive mechanisms
5. **Do not overlook short term needs** such as working capital
6. **Consider the complementary role of capacity building :** both for at SME and at Financial institution level
7. **Regulation remains overlooked** and should be addressed to ensure sustainability

THANK YOU FOR YOUR ATTENTION

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