



SMEFF INNOVATION HUB

SME AGRIFINANCE HUB

Solutions Clinic: Best Practices -
Credit Guarantee schemes for SME
Agri-businesses and farmers

February 25th, 2025
8.00 am – 9.30 am EDT

SMEFF innovation hubs



Women's Entrepreneurship Finance

Share knowledge and best practices, tools and innovative products to facilitate increased services to W-SMEs.

Supply Chain Finance

Develops a supportive and innovative community of SME finance professionals dedicated to expanding access to financing for SMEs through Supply Chain Financing solutions.

Digital & Embedded Finance

Support Innovations across Digital Banks, Fintech collaboration, Embedded Finance, Alternate Data while allowing industry to embrace new and emerging trends



Non-Financial Services

A group that brings together industry stakeholders to enhance access to capacity building initiatives for SMEs and financial services professionals to enhance SME business performance and financial services to serve SMEs better

Sustainable SME Finance

Focuses on the challenges and opportunities of extending green finance to the SME sector. It covers all aspects of environmentally sustainable SME finance, including green finance, blue finance, and finance for climate change resilience.

AgriFinance

Discuss and document recent innovations in the sector. It promotes learning and sharing of good practice examples that help improve services to agri-SMEs. It will cover: Alternative data, Platforms connecting farmers to inputs and markets, Long term finance, Insurance solutions, Cooperatives, among others.

ACTIVITIES



Solutions Clinics



Members Engagement



Product Innovation



Best Practice Transfer



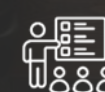
Convene Industry Experts



Engage Industry Affiliates



Tools Transfers



Trainings

December 17th – solutions clinic team



Host



Qamar Saleem
Global Head
SME Finance Forum

Remarks



Panos Varangis
FIG Global, IFC

Speakers:



Naglaa Bahr
Exec. Board Member
CGC Egypt



Mauricio Rincon
MD, Capital Solutions,
Opportunity International



Onur Terzi
Senior Manager, Agri and
Biz Dvt, TEB Bank



Miguel Fernandez
CEO, BanhCafe,
Honduras

Organizer



Hourn Thy
SME Finance Forum

Moderator



MaryPat McVay
Sr. Manager, Research &
knowledge, Opportunity

Speakers:



James Hammersley
Credit guarantee expert



Olivia
Senior Investment
Officer, IFC



Emmanuel Negombo
Head, Agribusiness,
Standbic Bank



Syed Abdul Momen
DMD, BRAC Bank

Agenda

- Opening
- Panel discussion
 - Elements of a good guarantee scheme
 - Administration
 - Value-Add, guarantee new clients/loans
 - Moral hazard
 - Client risk reduction
 - Graduation
 - Sustainability
- Small Loan Guarantee Program
- Closing



Context is essential



Financial institutions refrain from lending to agriculture due mainly to the perceived riskiness of the sector

- Main reasons:
 - The unavailability of historic transaction and financial data to assess borrower risks, and agroclimatic, price and market risks that can compromise the capacity of borrowers (farmers and MSME agribusinesses) to repay loans
 - Financial institutions ration lending to very good clients with high collateral coverage
 - New data, generated through digital applications and use of digital tools, enable the generation of reliable data that financial institutions can use to assess credit and other risks for lending to agriculture.
- Attempts by governments to lower interest rates, mandatory lending programs, have very limited impact in mobilizing credit to agriculture because they do not address the main cause of limiting supply of credit: risks
- On the other hand, guarantees and risk sharing facilities, give a level of comfort to financial institutions to lend to agriculture
- In addition, agricultural insurance provides coverage for unexpected losses due to agroclimatic events

The main purpose for this solution clinic session:

- Best Practices and Avoiding Pitfalls in Credit Guarantees Schemes for SME Agri-businesses and farmers

Discussion questions:

- **Elements of a good guarantee scheme:** What makes a good credit guarantee facility?
- **Administration:** How should a guarantee be administered, in terms of registering and acceptance of the guarantee, etc.?
- **Value-add, guarantee new clients/loans:** How do you make sure that the guarantee is value-added – that it guarantees new types of borrowers and/or loan purposes or types?
- **Moral hazard:** How you make sure clients will repay, if they know their loan is guaranteed?
- **Client risk reduction:** How can a guarantee scheme ensure that clients – not just financial institutions - get the benefits of the guarantee, for example through lower collateral rates?
- **Graduation:** How do you promote graduation from the guarantee scheme?
- **Sustainability:** How do you ensure that this type of credit to farmers and agribusinesses continues after the guarantee ends?



SMALL LOAN GUARANTEE PROGRAM (SLGP)

*A mechanism to enhance financing for MSMEs and agriculture
sector*



Creating Markets, Creating Opportunities

What is the Small Loan Guarantee Program (SLGP)?



The Small Loan Guarantee Program (SLGP), **aims to make a meaningful contribution to financial inclusion, job creation and bridging the SME finance gap** by supporting the financing needs of SMEs in vulnerable macroeconomic environments, where small and medium enterprises (SMEs) and banks are beset by highly uncertain and volatile market conditions, high cost of doing business and a lack of infrastructure.

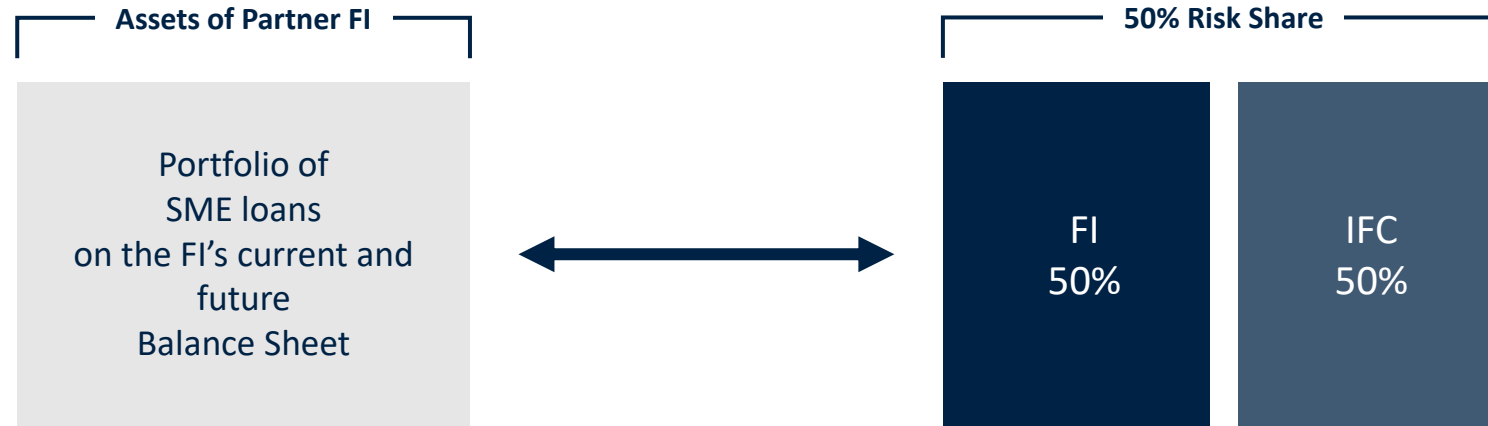
- It particularly aims to help expand lending to SMEs in those markets that are not well served by the financial sector, including, for example, very small enterprises (VSEs), women-owned SMEs (WSMEs), early-stage SMEs, SMEs involved in climate activities, agricultural SMEs and high-growth SMEs. This includes SMEs that either do not have access to finance and/or lack adequate financing in terms of tenor and structure, to support their operations in a sustainable manner.
- SLGP offers risk mitigation solutions to financial institutions in emerging markets with the aim to support the financing needs of SMEs and bridge the SME funding gap, estimated to be US\$5.7 trillion, and contribute to financial inclusion and job creation.
- IFCs risk sharing product is an important tool to help reduce the severe access to finance obstacles SMEs face in emerging markets, as they address two main challenges: (i) local currency funding and (ii) perceived higher credit risk of SMEs. This is very important in markets with high or unpredictable structural risks, or with segments that are new (such as WSMEs, climate finance) and therefore the risk/return calculus is uncertain.
- The objective is to scale up access to finance to SMEs in challenging markets and increase lending to underserved SME segments.

SLGP Overview

PROGRAM OBJECTIVES	<p>IFC and Partner financial institutions (FIs) aim to achieve the following: (1) increase access to finance for SMEs; (2) demonstrate the commercial viability of SMEs as credible financing segment; (3) understand SME risks in challenging markets; and (4) test new products, services and risk criteria to serve new SME market segments</p>
INSTRUMENT	<p>Unfunded Risk-sharing Facilities (RSFs)</p>
INVESTMENT PARAMETERS	<ul style="list-style-type: none"> • Target Clients: Banks and non-bank financial institutions • Target Countries: Please see Annex for the full list of eligible countries • Target Beneficiaries: <ul style="list-style-type: none"> • Very small, small and medium enterprises as per IFC’s definition* and individual operating in Target Countries with a loan size between US\$5,000 and US\$1,000,000 equivalent • Emphasis will be to expand reach to underserved segments such as women-owned, agriculture, climate, creative industries, health and education • RSF Amount: The size and structure of each RSF will depend on the lending capacity of the Partner FI, the SME pipeline, the availability of local currency within the banking sector and the absorption capacity of the economy • RSF Tenor: The underlying RSFs have an up to 3-year ramp up period and maximum tenor of 5-8 years
ADVISORY SERVICES	<p>Each RSF can, on an as-needed basis, incorporate operational and technical support to help the Partner FI scale origination in the targeted SME segment.</p> <p>Options include: (i) reporting training to equip the FI to meet the quarterly and annual reporting requirements, (ii) operational implementation support to assist the Partner FI to integrate the risk mitigation product into its systems and procedures for immediate execution, (iii) pipeline development support to ensure full utilization and that the prospective pipeline integrates seamlessly with the eligibility criteria, and (iv) capacity building advisory to ensure that the Partner FI’s SME Business model, product capabilities and lending growth strategy and aligns with the local credit market demand.</p>

* IFC’s SME definition: An enterprise meeting two out of three criteria – (i) annual revenues of not more than US\$15 million equivalent, (ii) employees fewer than 300 people, and (iii) total assets of less than US\$15 million equivalent

Risk Sharing Overview



Bilateral agreement between IFC and partner FI

- IFC shares 50% of the credit risk of the loan portfolio up to an agreed size.
- the FI's assets remain on the balance sheet of the FI

Origination and servicing by partner FI

- Pre-agreed eligibility criteria of SME loans
- All eligible loans originated during Ramp-Up Period will be automatically included
- Credit origination fully "delegated" to the FI

Reporting, fee payments, risk sharing payments streamlined on quarterly basis

- IFC will pay 50% of credit losses to the FI. After an IFC payout, the FI will share with IFC 50% of recoveries (after legal expenses)
- Reporting on a quarterly basis using the pre-agreed Excel template

Benefits to Partner Financial Institutions



Risk Mitigation

Risk management mechanism with downside protection enables business expansion into new segments. Allow FIs to share losses and receive a partial cash payout against their non-performing loan (NPL) portfolios.



Financial

Improved risk profile of portfolio and profitability on a risk adjusted basis. The RSF allow the Partner FI to deploy its liquidity to finance SMEs and achieve greater diversification and earning spreads whilst mitigating downside risks.



Cash Flow Efficient

The RSF gives the Partner FI a timely recovery of cash as the RSF will pay out within 30 days after receiving a complete payment demand. The recovery process can continue in parallel.



Efficient Capital Allocation

Credit risks covered by IFC AAA credit risk guarantees can be accorded a preferential risk weighting by the bank regulators (it varies from country to country). This gives a capital uplift to the partner FI in respect of SME loans and there is also corresponding positive impact on the P&L in terms of a reduction in NPL provisioning.



Market Position

Supports expanding market share and reach, enlarging existing relationships and engaging with new clients in the SME space, including establishing lending and deposit relationships with SMEs, thereby allowing more cross-selling opportunities. New borrowers are also provided with an opportunity to build a credit profile and access longer-tenure loans.



Innovation

Reduces risks involved in developing new business lines and relationships, helping the Partner FI to benefit from:

- Product Innovation / First mover advantage (Higher margins/less competition)
- Introducing tailored, customized or targeted products for specific types of small businesses



Strengthened Capacity

Strengthened Capacity to finance SMEs through IFC's advisory services

Eligibility Criteria: SME

- ✓ is a private sector institution registered and operating in the country of incorporation of the Bank;
- ✓ meets at least two of the following three criteria:
 - has annual revenues of not more than USD15 million;
 - employs fewer than 300 people;
 - has total assets of less than USD15 million;

provided, however, that as a proxy for the foregoing elements, the Borrower may be a private sector enterprise to which the Banks's total on and off-balance sheet approved exposure exceeds USD5,000, but does not exceed USD1 million or equivalent (excluding consumer and mortgage housing loans)
- ✓ Very small enterprises (VSEs) are also eligible under the Program
- ✓ may not be an Affiliate of the Bank;
- ✓ must conduct its business and operations primarily in the Country;
- ✓ may not be primarily engaged in any of the activities on the Exclusion List;
- ✓ has maintained a bank account with a bank in the country of incorporation of the Beneficiary for at least [6] months;
- ✓ has been subject to KYC screening in accordance with the AML/CFT procedures and controls of the Beneficiary and any red flag thereby raised has been satisfactorily resolved;
- ✓ is not a person or entity:
 - named on lists promulgated from time to time by the United Nations Security Council or its committees pursuant to any resolution issued under Chapter VII of the United Nations Charter;
 - named on the World Beneficiary Listing of Ineligible Firms (see www.worldbank.org/debarr or any successor website or location); or
 - convicted, or subjected to any similar criminal sanction, by any court or governmental body of competent jurisdiction, for engaging in money laundering or financing of terrorism or any Sanctionable Practice, or or in each case, a successor in interest or ultimate beneficial owner thereof.

Eligibility Criteria: SME Facilities and Portfolio Criteria



The SME Facility

- The purpose of the Facility is for working capital purposes or equipment / building improvement purchases (proposed asset financing) and is structured either as a Term Loan, Guarantee or Overdraft Facility;
- The Loan is denominated in local currency or USD;
- The Loan has a maximum maturity of not more than [5] years;
- If the SME Facility is a term loan, it has an amortizing principal payment schedule;
- If the SME Facility is an overdraft facility in default, no disbursements were applied to pay the Borrower's obligations owing under any loan or credit facility with the Beneficiary that was not in the Portfolio.
- The SME Facility is a senior obligation which ranks at least pari passu with all other senior obligations of the Borrower;
- Grand fathered facilities can be included up to maximum of [3] months prior to the Effective Date;
- The Borrower is not in default in respect to such SME Facility or any other loan or credit facility with the Bank;
- The SME Facility does not involve any Category A Activity;
- The Bank has not received nor was aware of: (i) any existing or threatened complaint, order, directive, claim, citation or notice from any Authority; or (ii) any material written communication from any Person concerning the failure by the Borrower to undertake its operations and activities in accordance with the E&S Requirements.



Minimum Credit Acceptance Criteria

- The SME Facility has a risk rating of [X] or better as per the Bank's rating scale at the time of approval; and
- The size of SME Facility shall be between US\$5,000 and US\$1,000,000 or its equivalent in local currency, subject to single borrower exposure limit.
- The SME Facility has been originated and at all times been priced, signed, documented, underwritten, monitored and serviced according to the Bank's Credit Guidelines shared with IFC;
- The SME Facility is not in the process of being downgraded, whether due to adverse information known to the Bank or otherwise.



Portfolio Criteria

- Single Borrower Exposure Limit
- Start-up Exposure Limit

Eligible Countries

AFRICA

Benin
 Burkina Faso
 Burundi
 Cameroon
 Central African Republic
 Chad
 Comoros
 Congo, Dem. Rep.
 Congo, Rep.
 Ethiopia
 Gambia, The
 Guinea
 Guinea-Bissau
 Kenya*
 Liberia
 Madagascar
 Malawi
 Mali
 Mauritania**
 Mozambique
 Niger
 Nigeria
 Rwanda
 Sao Tome and Principe
 Senegal**
 Sierra Leone
 Somalia
 South Sudan
 Sudan
 Tanzania
 Togo
 Uganda
 Zambia

ECA (Europe & Central Asia)

Kosovo
 Kyrgyz Republic
 Tajikistan

MENA (Middle East & North Africa)

Afghanistan
 Yemen, Rep.

EAP (East Asia & Pacific)

Cambodia
 Kiribati
 Marshall Islands
 Micronesia, Fed. Sts.
 Myanmar
 Papua New Guinea
 Samoa
 Solomon Islands
 Timor-Leste
 Tonga
 Tuvalu
 Vanuatu

SA (South Asia)

Lao PDR**
 Maldives
 Nepal
 Pakistan*

LAC (Latin America & Caribbean)

Haiti

* Only conflict-affected regions of these countries will be eligible, subject to review by the PSW Oversight Committee.

- Kenya: Turkana, West Pokot, Marsabit, Samburu, Isiolo, Mandera, Wajir, Garissa, Tana River, and Lamu
- Pakistan: Khyber Pakhtunkhwa, Federally Administered Tribal Areas (FATA), Balochistan

** Lao PDR, Mauritania, Senegal are eligible until June 2025

Disclaimer

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For additional information concerning IFC, please refer to IFC's current "Information Statement", financial statements and other relevant information available at www.ifc.org/investors.



The screenshot shows a LinkedIn group page. At the top is a banner image of a field with a tractor, featuring the SME Finance Forum logo and the text 'SME FINANCE FORUM'. Below the banner is the group's profile picture, a red lightbulb icon with the text 'SME AGRIFINANCE HUB'. To the right of the profile picture are icons for information, share, notifications, edit, and more options. The group name is 'SME Agrifinance Innovation Hub from the SME Finance Forum'. Below the name, it says 'Private Listed' with a lock icon. At the bottom, there is a link to 'Earn an Active Group badge'.

<https://www.linkedin.com/groups/14471151/>










**Thank you for listening!
Do you have any Questions?**

SME Finance Forum Events



Our event calendar | Innovation . Collaboration . Impact



MEMBERS-ONLY ACTIVITIES		PUBLIC ACTIVITIES	
<p>INNOVATION HUBS</p> <p>Our SME Finance Innovation Hubs are designed exclusively for our members and partners as best practice transfer platforms. They are groups of practitioners who meet to share good practices and seek solutions to challenges that they face in their institutions while working on SME financing.</p> <p>November 20, February 19 & April 8: Supply Chain Finance</p> <p>December 4 & May 7: Non-Financial Services</p> <p>December 17, February 25 & June 11: Agrifinance</p> <p>February 18 & June 25: Digital and Embedded Finance</p> <p>February 27 & August: Sustainable Finance</p> <p>March 18 & August: Women's Entrepreneurship Finance</p> 	<p>MARKETPLACE</p> <p>The SME Finance Virtual Marketplace is an online match-making platform that fosters collaboration between financial institutions, fintech companies, development finance institutions and investors.</p> <p>January 22: Non-Financial Services Platform</p> <p>March 12: Women's Entrepreneurship Finance</p> <p>May 21: Sustainable Finance</p> <p>July 9: Agrifinance</p> <p>September 24: Digital finance</p> <p>October 8: Supply chain finance</p> 	<p>AWARDS</p> <p>The Global SME Finance Awards capture the effective and successful practices of financiers, honoring the innovative products and services for SME clients that have achieved impressive results in expanding finance and services to SMEs and the institutions that undertake those efforts.</p> <p>March: Launch of the Global SME Finance Award</p> <p>September: Global SME Finance Award Ceremony</p> 	<p>AWARDS</p> <p>The Global SME Finance Forum is the annual flagship event of the SME Finance Forum, where senior executives from hundreds of banks, NBFIs, development finance institutions, and fintech companies participate from around the world.</p> <p>September 8-10: South Africa - Johannesburg</p> 
<p>TRAINING</p> <p>Our trainings aim to enhance the expertise and professionalism of finance providers, enabling them to better understand and meet the financing needs of SMEs, contribute to their growth and support economic development. They focus on digital disruption, sustainable finance, supply chain finance, credit assessment and customer relationship management.</p> <p>April: NFS Training for service finance providers</p> <p>September: SME Finance Training</p> 	<p>IMMERSION VISIT</p> <p>The SME Finance Forum's Immersion Programs are aimed at providing our members with 1-2-day exposure visits to high performing regional or global financial institutions or fintechs to gather in depth knowledge about an innovative aspect of their operations.</p> <p>March 12-14: Immersion visit to AKBank</p> <p>May: Immersion visit to SBI/CICI</p> 	<p>GSMEFF25</p> <p>The Global SME Finance Forum is the annual flagship event of the SME Finance Forum, where senior executives from hundreds of banks, NBFIs, development finance institutions, and fintech companies participate from around the world.</p>	<p>PUBLIC WEBINAR</p> <p>The SME Finance Forum organizes regular webinars open to non-members. Those are designed to be interactive, and we encourage attendees to ask questions and engage with the speakers.</p> <p>November 25: Beyond the SME / Bank Disconnect: New IBM Study</p> <p>December 5: Increasing SME Access to Working Capital: e-invoicing & digital credit infrastructure</p> <p>December 16: RT: Innovations in SME Finance: A Leadership Perspective</p> <p>February 26: Creative industries</p> <p>March 19: Financing & Insurance for SMEs</p> <p>April: GPFI workplan</p> <p>April 16: Credit Guarantee</p> <p>May 14: MSME Finance Gap</p> <p>June 18: Debt and equity funds</p> 

Note: The activities listed above are subject to change. Please check our [online calendar](#) for the latest updates.

Accelerating finance for business



<https://www.smefinanceforum.org/>



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