



Plataforma Multi-Stakeholder

NA REGIÃO NORTE DE MOÇAMBIQUE

SME Financing Working Group Meeting

13 July 2020



Overview of progress and group scope in light of COVID



Overview of working group progress

- **Sectoral interviews** with Bernardo Aparicio (Absa), Rui Amaral (GAPI)
- **Published data** on the effect of COVID on Northern-region SMEs
- Began data collection of SME financing options with **commercial banking credit lines**

Group scope and focus of today's session

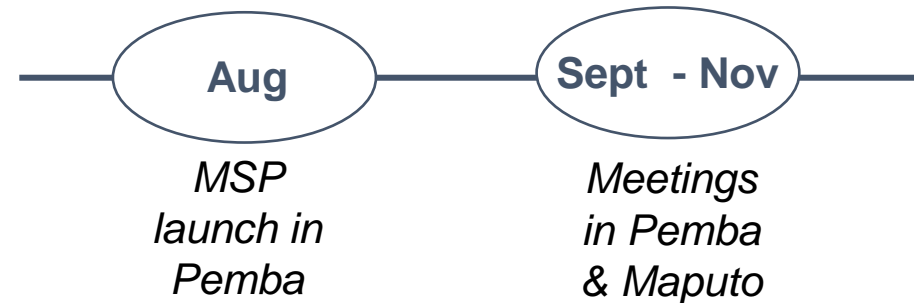
- SME facing tool for **mapping finance options**
- Potential concept note for a **COVID relief guarantee mechanism**
- Effectively using the monthly sessions for **value-adding content**

Update on MSP & Pemba-based working groups going forward

MSP governance being expanded to include key GoM and CSO stakeholders

- **ADIN:** one of the primary strategic pillars of ADIN's mandate will be coordination of development efforts in Northern Mozambique, including leveraging the MSP as a platform for engagement
- **Government of Cabo Delgado:** members of the governor's cabinet have been named as central points of contact for working groups with Dario Passo (Director Provincial do Economia e Finanças) as the coordinator
- **PPDS-CD:** currently negotiating collaboration between the MSP's strategic working groups and the 10 community-based working groups of the PPDS that focus on natural resource management

Pemba based sessions to be launched in August with focus on SMEs and CSOs



- To consolidate Maputo working groups:
 - SME financing / Local Content Capacity Building
 - Pemba-Lichinga Corridor / Palma Planning
- Robust membership of businesses and community leaders with CEP-CD partnering for private sector engagement
- CSO and community leaders engaged through PPDS

SME finance matching: working towards a potential commercial credit tool that stems from a “Financing Mozambique” style directory

High-level potential tool

A tool where CD SMEs can be matched to financing options based on their selected criteria—similar to “Lender Match” in the US

Illustrative

Province/city

Interest rate range

Sector

Technology

Agriculture

Tourism

Type of instrument

Regular loan

Equipment sale & leaseback

Technical assistance

Number of employees

Repayment terms

1 year or less

2-5 years

5+ years

Annual turnover

Existing TA?

Purpose for financing

Others

Primary discussion questions

- Is there value in this tool and is there overlap with an ongoing initiative?
- Who would be the primary audience and how to disseminate?
- What could the potential platform for the tool be (website, infographics for distribution on social media, etc.)?
- What aspects of financial literacy could be included?
- How can the monthly sessions as a working group be used to iterate on the tool?
- How can partner organizations support its build? What interest is there amongst members to align product teams to sharing information?

SME guarantee facility: International benchmarks for guarantee mechanisms



Business Bounce Back Loans

- 6-month scheme focused on SMEs impacted by COVID
- 100% state-backed, unsecured loan
- Between £2,000 and £50,000- capped at 25% of business total turnover
- No interest or repayment in first year, fixed 2.5% annual interest charged thereafter for 5 years
- Can be used to repay existing finance
- Scheme is implemented through a accredited lenders/banks
- As of June: ~£24bn dispersed to ~780k firms



Mutual Guarantee System

- Support SMEs with access to finance by providing guarantees in exchange for shares at a minimum of 2% of guarantee value
- SPGM as a holding institution, composed of:
 - Mutual guarantee societies (MGS), mostly private credit institutions that provide guarantees without a need for collateral
 - Counter guarantee fund (FCGM) that uses public funds to cover MGS risk by providing counter guarantees between 50-80%



- Favorable short-term COVID solutions are being offered: 100% counter guarantees, no need for share purchases, lax repayment terms

SME guarantee facility: Working towards a potential white paper outlining a guarantee mechanism as a SME COVID relief solution



Concept: Create a mechanism by which the government/donors provides complete or partial guarantees to facilitate bank lending to SMEs

- Objective is to inject capital into the economy through **loans to COVID-impacted SMEs**
- Banks could provide unsecured loans to SMEs using **government guarantees** as collateral, without increasing loan risk
- Government can **leverage existing capital** to provide initial momentum
- Additional support can be provided by **donors and other institutions**
- Short-term solution to COVID that could extend into a **local content facility over time**



This working group could create a concept note outline the need, benchmarks, and high-level design for “road show” to GoM and donor community

Next steps



- Align on the workplan for deliverables that are worth workshopping in upcoming sessions
- Introductions of MSP secretariat to product teams and Cabo Delgado representatives
- Initial work to be conducted by MSP and working group champions on agreed deliverables
- Set timeline and agendas for upcoming sessions to workshop projects

