Assessment of Available Blended Finance Options for Co-Funding and De-Risking Mechanisms for Green SMEs Survey Findings

Presented by:
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Objective and Presentation Outline

- Presentation of Survey Findings:
  - Identification of financial institutions that provide traditional and innovative blended financing options to SMEs* in the green economy in Ghana
  - Description of the blended financing products, services and options provided by the identified financial institutions
  - Gender dimensions and issues associated with these financing options, services and products identified
  - Risk factors limiting or constraining green SMEs* from accessing these identified financing options
  - Recommend de-risking mechanisms or strategies to de-risk green SMEs
  - Recommendations for how the GrEEEn Project can improve access to finance for beneficiary green SMEs* (youth/women/migrants) in the green economy

* with operations in the Ashanti and Western Regions
Types of institutions represented
Boosting Green Employment and Enterprise Opportunities in Ghana

Sustainable and climate resilient local economies, green jobs and development

Result 1: Local economies are stimulated and short-term job opportunities for youth, women and returnees are created through green and climate resilient investments.

Result 2: Employability and entrepreneurship capabilities of youth, women and returnees are improved in sectors of economic opportunities, for the benefit of green and climate resilient local economies.

Result 3: Increased access and usage of financial services, leveraging remittances, adapted to the needs of (i) youth, women and returnees benefiting from cash for work schemes and (ii) local communities and MSMEs.

Result 4: SMEs, offering decent and sustainable jobs to youth, women and returnees, are incubated and/or accelerated and contribute to green and climate resilient local economies.

Project duration: 11/2019 – 11/2023
Target regions: Ashanti & Western
Target sectors: Agriculture, Energy, Infrastructure, Water
## Introduction

### Background

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<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>SMEs make up about 90 percent</strong> of registered businesses</td>
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<td><strong>Engage over 71.4 percent</strong> of the total workforce</td>
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<td><strong>Lack of access to finance</strong> is still a major hurdle</td>
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<td>Blended finance presents an option to mitigate risks in green SME financing</td>
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<tr>
<td>This research identifies available blended finance support and discusses prevalent risks as well as de-risking mechanisms to mitigate them</td>
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Profile of respondents – SMEs

Region

- Ashanti Region: 53%
- Greater Accra: 31%
- Western Region: 16%

Sector

- Agriculture: 67%
- Renewable Energy: 9%
- Water, Sanitation & Hygiene: 24%

Total respondents: 96
Profile of respondents – SMEs (cont’d)

Gender ratio of founders

Legal Structure

- Female: 1,1%
- Male: 23,24%
- Prefer not to say: 72.75%

Legal Structure:
- Not yet registered: 1
- Partnership: 8
- Sole proprietorship: 60
- Limited Liability Company: 27
Profile of respondents – Financial Institutions & Intermediary Organizations

Banks vs. Non-Banks Financial Institutions

- 75% Banks
- 25% Non-Banks FIs

Intermediary Organizations

- Development organization: 18%
- Investment platform: 9%
- Business Accelerator: 9%
- Business Incubator: 9%
- Training & Consultancy: 9%
- NGO/Awareness Creation: 18%

Total respondents: 8
Total respondents: 9
# Institutions Identified and Support Provided

<table>
<thead>
<tr>
<th>Name of Institution</th>
<th>Type of institution</th>
<th>Forms of blended finance support provided</th>
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<tbody>
<tr>
<td>Wangara Green Venture</td>
<td>Impact Fund</td>
<td>Technical Assistance, Equity, Debt, and Quasi-Equity</td>
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<td>Grofin Ghana</td>
<td>Impact Investment</td>
<td>Debt</td>
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<tr>
<td>Kosmos Innovation Center (KIC)</td>
<td>Business Incubation/Acceleration</td>
<td>Technical Assistance, Equity and Grants</td>
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<td>Solidaridad West Africa</td>
<td>International Development Agency</td>
<td>Technical Assistance and Grants</td>
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<tr>
<td>Meltwater Entrepreneurial School of Technology (MEST)</td>
<td>Business Incubation/Acceleration</td>
<td>Technical Assistance and Equity</td>
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<tr>
<td>Campaign for Female Education (CAMFED) Ghana</td>
<td>NGO</td>
<td>Technical Assistance and Grants</td>
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<td>Trine</td>
<td>Crowd funding Impact investment platform</td>
<td>Debt</td>
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<tr>
<td>Ghana Climate Innovation Centre (GCIC)</td>
<td>Business Incubation/ Acceleration</td>
<td>Technical Assistance and Grants</td>
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<tr>
<td>Ghana Innovation Hub</td>
<td>Business Incubation/ Acceleration</td>
<td>Technical Assistance and Grants</td>
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<tr>
<td>DEG - Up Scaling Program</td>
<td>International Development finance institution</td>
<td>Repayable Grant</td>
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<tr>
<td>Accra Angels Network</td>
<td>Impact Investment platform/fund</td>
<td>Equity and Debt</td>
</tr>
<tr>
<td>Stanbic Bank (SBIncubator)</td>
<td>Bank</td>
<td>Technical Assistance and Debt</td>
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<td>Ecobank Ghana</td>
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<td>Technical Assistance and Debt</td>
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<tr>
<td>Standard Chartered Bank Ghana</td>
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<td>Technical Assistance and Debt</td>
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<td>ABSA Ghana</td>
<td>Bank</td>
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<tr>
<td>CAL Bank</td>
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<td>Technical Assistance and Debt</td>
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<tr>
<td>SG Ghana</td>
<td>Bank</td>
<td>Technical Assistance and Debt</td>
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</tbody>
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Provision of Blended Finance Support to SMEs

Identified Institutions

- Business Incubator/Accelerator: 6
- Banks: 6
- Impact funds: 4
- IDA: 9

Support Provided

- Business development & capacity building support: 31%
- Quasi Equity: 4%
- Grants: 23%
- Equity: 12%
- Debt: 31%
SMEs’ Perspective on Blended Finance

Difficulty Accessing Blended Finance

- Easy: 1%
- Moderately Easy: 15%
- Difficult: 59%
- Very Difficult: 25%

- Female
  - Moderately Easy: 22%
  - Difficult: 39%
  - Very Difficult: 39%
  - Easy: 1%

- Male
  - Moderately Easy: 13%
  - Difficult: 66%
  - Very Difficult: 20%
SMEs’ Perspective on Blended Finance (cont’d)

Status of Application for Blended Finance

- Never been applied for: 45%
- Applied but not granted once: 17%
- Applied but granted only a portion of total amount requested: 7%
- Applied and not granted more than once: 10%
- Applied and granted once: 17%
- Applied and granted more than once: 4%
SMEs’ Perspective on Blended Finance (cont’d)

Male-led vs. Female-led SMEs

- Never been applied for: Male 40%, Female 61%
- Applied but not granted once: Male 18%
- Applied but granted only a portion of total amount requested: Male 10%
- Applied and not granted more than once: Male 11%
- Applied and granted once: Male 15%
- Applied and granted more than once: Male 6%

Female:
- Never been applied for: 9%
- Applied but not granted once: 9%
- Applied and not granted more than once: 9%
- Applied and granted once: 22%
Reasons for not Applying for Blended Finance Support

- Not aware of such support (23 percent)
- Application procedures were complex (16 percent)
- Did not think it would be approved (7 percent)
Gender Dynamics - Insights

Females in Management Positions - Female-led SMEs
- 22% females in management positions
- 35% 2 females in management positions
- 43% Others

Females in Management Positions - Male-led SMEs
- 40% 1 female in management position
- 25% 2 females in management positions
- 35% Others
Gender Dynamics – Insights (cont’d)

Reasons SMEs Require Funding - Female-led SMEs

- Working capital support: 41%
- Acquisition of fixed assets: 53%
- Other: 6%

Reasons SMEs Require Funding - Male-led SMEs

- Working capital support: 45%
- Acquisition of fixed assets: 52%
- Other: 3%
Gender Dynamics – Insights (cont’d)

Limiting Factors to Raising Funding - Female-led SMEs

- Insufficient documentation: 26%
- High interest rates: 35%
- Insufficient collateral: 4%
- Others: 35%

Limiting Factors to Raising Funding - Male-led SMEs

- Insufficient documentation: 35%
- High interest rates: 25%
- Insufficient collateral: 14%
- Others: 26%
Gender Dynamics – Insights (cont’d)

Risks to Operations - Female-led SMEs

- Operations Risk: 62%
- Combination of operations, market and supply chain risks: 19%

Risks to Operations - Male-led SMEs

- Operations Risk: 63%
- Combination of operations, market and supply chain risks: 13%

[SNV and GrEEEn logos]
Gender Dynamics – Insights (cont’d)

Revenue Earned - Female-led SMEs

- GHS 50,001 – GHS 100,000: 35%
- GHS 20,001 – GHS 50,000: 13%
- GHS 5,001 – GHS 15,000: 13%
- GHS 1,000 – GHS 5,000: 17%
- No revenue: 13%
- Other: 2%

Revenue Earned - Male-led SMEs

- GHS 50,001 – GHS 100,000: 38%
- GHS 20,001 – GHS 50,000: 10%
- GHS 5,001 – GHS 15,000: 15%
- GHS 1,000 – GHS 5,000: 15%
- No revenue: 15%
- Other: 4%
Gender Dynamics – Insights (cont’d)

Minimum Requirement - Female-led SMEs

Minimum Requirement - Male-led SMEs

- Business plan
- Business plan & Financial Projections
- Other

65%  22%  13%

86%  7%  7%
Risks Factors Identified by Green SMEs

- PR: Political risk
- MR: Market Risk
- RR: Regulatory risk
- OR: Operations risk
- SCR: Supply chain risk
- D: Disease outbreak/Death
- H: Use of hazardous chemicals
Critical Limiting Factors Identified by SMEs

- Duration to obtain grant funding: 1%
- Financing not available at all: 11%
- Insufficient collateral or guarantee: 21%
- Insufficient documentation: 20%
- Interest rates or price too high: 34%
- There are no obstacles: 5%
- Not sure: 7%
Risks Identified by FIs & Intermediary Organizations

- Lack of keyman insurance: 1
- Lack of traction: 2
- Non-alignment with regulatory bodies such as FDA/GRA/SSNIT: 1
- Lack of collateral: 8
- Lack of records/proper documentation: 10
- Lack of competent team: 10
- Non-alignment with funding objectives: 3
- Misuse of funds: 3
- Lack of internal controls: 6
- Weak governance structure: 6
Recommended De-Risking Mechanisms

- Hiring the right people: 5%
- Provision of networking opportunities: 5%
- Promoting reporting of SME non-financial information: 10%
- Provision of better information on credit facilities: 10%
- Provision of targeted support to SMEs by financial institutions: 10%
- Favorable policies/regulations in place for SMEs: 10%
- Aligning business objective and funding objectives: 10%
- Ensuring clear business and impact objectives: 10%
- Promoting regular reporting of SME financial information: 15%
- Ensuring formalization of business operations: 30%
- Implementation of non-financial support programs: 80%

SNV

GrEEn
Conclusion

• Create tailored support for green SMEs (sector, stage, type of leadership, etc.)

• Encourage female participation in the green economy (improve bias of 3:1 male to female ratio)

• Equip green SMEs with information on available support (various types and eligibility criteria)

• Create collaboration between stakeholders to support green SMEs (de-risking, access to finance, etc.)

• Encourage creation of solutions in the renewable energy & WASH sectors (nascent with opportunities but fewer representation)
How the GrEEn Project can improve access to finance for beneficiary SMEs

• Center key deliverables of incubation and acceleration programs on ensuring that green SMEs get investor ready:
  • Set strategic goals
  • Build competent team
  • Maintain adequate records
  • Ensure compliance with legal bodies

• Provide access to available finance to help green SMEs validate their business model

• Provide green SMEs with information on the various funding sources available

• Create link between institutions that offer blended finance and viable green SMEs
Questions for Reflection & Discussion

• One major reason why capital from pension funds is not deployed for investment in SMEs is due to the risks they present
  • What are some de-risking mechanisms that could potentially change this narrative?
  • Which of these mechanisms could we hold SMEs accountable for?

• Risk concerns by financial are centered around the credit worthiness of SMEs
  • With inadequate information on credit history, what are the various ways these concerns could be addressed?