

Small and Medium Enterprises

Stories of Impact

This series provides examples of our impact, expertise, and lessons learned working with clients and partners.



Pioneering Lending System Opens Doors to Finance for Ghana Small Enterprises

Accessing available financing remains a major challenge for millions of micro, small, and medium enterprises in Sub-Saharan Africa. One way of improving their access is well-functioning secured transactions systems that allow the use of movable assets such as accounts receivable as collateral for loans. Ghana was one of the first countries that embarked upon a series of reforms to improve its collateral framework, thereby encouraging banks to lend to small enterprises. IFC helped the Bank of Ghana set up a collateral registry and also helped amend the country's legislation to incorporate international best practices.

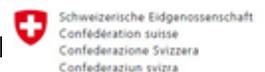
“The advice we received from IFC helped us arrive at where we are now. As the registry grows, we expect that industries and small and medium enterprises will further grow, creating jobs and increasing the GDP of the country.”

—Mike Opong-Adusah, head of the Bank of Ghana collateral registry

RESULTS & IMPACT

- The electronic collateral registry in Ghana, set up by the Central Bank of Ghana in 2010 with the support of IFC, is the first of its kind in Sub-Saharan Africa.
- More than 9,000 small and medium enterprises and almost 30,000 micro businesses had received loans totaling more than \$6 billion secured with movable property listed on the registry as of December 2012.
- About 20 percent of total loans granted were to women entrepreneurs (total of 8,760 women entrepreneurs).
- The project's success has raised interest in establishing modern collateral registries across Sub-Saharan Africa. Ghana recently hosted a peer to peer conference on the project for 14 other countries.

In partnership with



Federal Department of Economic Affairs FDEA
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The Opportunity

A 2008 study in Ghana showed that about 85 percent of the lending activities of commercial banks were biased toward state-owned enterprises and large corporate clients because of their low risk profiles. At that time there was no national identity card system, no credit information bureau, and no collateral registry, which made lending to lesser-known clients riskier.

Lenders were wary of extending credit to small and medium enterprises (SMEs) because of their lack of collateral or the risk that they would use the same collateral for multiple loans. The little existing lending was limited to borrowers that offered immovable property as collateral.

IFC's project to encourage secured lending in Ghana set an ambitious goal: to become a model for other African countries to follow, since Ghana would be the first country in Africa with an electronic collateral registry.

Ghana was not chosen at random. It was the first African country to show genuine interest in establishing a secured-transactions framework. In late 2008, Ghana's parliament passed the Borrowers and Lenders Act, which aimed to improve standards for disclosure of information by borrowers and lenders, and to promote a consistent credit-enforcement framework. The act also established the collateral registry. At that point, the Bank of Ghana requested IFC's assistance in modernizing the existing rudimentary registry.

Our Approach

Identifying the potential of Ghana's project was a World Bank Group effort. A team composed of staff from joint World Bank and IFC Investment Climate team and IFC's Access to Finance Advisory worked together to address several areas aimed at increasing access to finance for small businesses through developing a secured transactions system.

In particular, the project was designed to: 1) address shortcomings in the legal and regulatory framework of secured lending; 2) support the establishment of a web-based collateral registry; and 3) disseminate knowledge through a communication strategy and build capacity among stakeholders to change behaviors and mindsets in Ghana and so accelerate the acceptance of the reforms and sustain their implementation. Although still not a perfect legal framework, the newly passed Borrowers and Lenders Act was a good start to encourage lenders to accept diverse movable property as collateral for credit. However, more steps were needed to fully adapt the act to international best practices. With IFC's assistance, the Bank of Ghana proposed amendments to the act and designed a modern Web-based registry.

The project is not expected to reach completion until 2015 but is already considered an example of considerable impact on the ground, as measured by the number of items in the collateral registry. There are 45,755 registrations—more than five times the initial target. As of December 2012, more than 9,000 SMEs and almost 30,000 micro-businesses had received loans secured with movable property on the registry, corresponding to more than \$6 billion in financing. About 20 percent of the businesses that were able to obtain loans are owned by women.

The secured lending project has proven to be a sustainable, replicable model that combines local resources and international expertise—a pioneer for other countries to follow. Several African countries have formally expressed interest in implementing their own secured-lending reforms, inspired by Ghana's success in developing one of the world's best collateral registries. The Ghana project also sets a

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