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AfPI
African Financial
Inclusion Policy Initiative

REGIONAL POLICY FRAMEWORK FOR ENHANCING MSME FINANCING ECOSYSTEM IN AFRICA

FRAMEWORK

CONTENTS

ACKNOWLEDGMENTS

This regional Policy Framework was developed by AFI members and endorsed by its AfPI leaders as a policy guide to facilitate in-country financial inclusion policy implementation across the AFI network in Africa and beyond. Development of this regional policy framework was partially financed by AFI's Multi-Donor Financial Inclusion Policy Implementation Facility (MD-PIF), with participation of French Development Agency (AFD), the German Federal Ministry for Economic Cooperation and Development (BMZ), and the Ministry of Finance of the Grand Duchy of Luxembourg.

INTRODUCTION

In view of the constraints faced by MSMEs in accessing finance in the African region, the Expert Group on Financial Inclusion Policy for Africa and the SME Finance Working Group (SMEFWG) agreed to develop a Policy Framework for Enhancing MSME Financing Ecosystem in Africa.

The policy framework is intended to:

> Identify the best practices of MSME financing policy

> Explore pathways and enabling factors of implementable action plans

> Provide policy recommendations to financial sector regulators with regard to access to finance for MSMEs in Africa.

This Policy Framework document represents one of the major deliverables to achieve these objectives.

MSMEs are generally accepted as the most important engines of innovation, growth, job creation and social cohesion in most emerging economies. In these economies, MSMEs contribute on average more than 50 percent of employment and 40 percent of GDP and contribute significantly to poverty reduction. However, MSMEs can only reach their full potential if they operate in an environment where they have access to the finance necessary to start, sustain and grow their businesses.

Access to finance remains a key constraint to MSME development, especially in emerging economies. The MSME access to finance situation in Africa is particularly challenging. The MSME finance gap, that is, the percentage of formal MSMEs that cannot or can only partially access credit, is estimated at 51 percent for sub-Saharan Africa, the highest regional percentage in the developing world. The comparable figure for all developing economies is 39 percent. The informal MSME sector contributes an estimated 38 percent of sub-Saharan Africa GDP[1]. In this sector, access to finance is far more restricted, meaning that the overall gap in access to finance is significantly higher than 51 percent. It is worth noting that women make up the majority of the informal sector in sub-Saharan Africa[2], with the implication that women-led MSMEs are especially disadvantaged. Although figures for North Africa are not separately reported, the reported situation in the Middle East and North Africa is somewhat less challenging than in sub-Saharan Africa in terms of MSME access to finance, but there are still significant hurdles for MSME access to credit in that region, particularly for women.

Job creation is currently one of the major challenges facing Africa and this will become even more urgent in coming years.

An estimated 450 million young Africans will be joining the labour market by 2050, presenting a real challenge for the continent[3]. For Africa to accommodate these job entrants and to achieve its human capital potential, a vibrant private sector is required. MSMEs in Africa are already substantial contributors to the economy in the region. Countries can build on this by actively supporting the further development of the MSME sector to help meet the demand for employment.

1 IFC. 2018. Closing Africa's MSME Finance Gap. Available at: https://www.smefinanceforum.org/post/closing-africa%E2%80%99s-msme-finance-gap

2 WIEGO. 2014. Statistics on the Informal Economy: Definitions, Regional Estimates & Challenges. Available at: https://www.wiego.org/sites/default/files/publications/files/Vanek-Statistics-WIEGO-WP2.pdfc

3 Proparco. 2019. SME Finance in Africa - What's New. Available at: https://www.proparco.fr/en/actualites/sme-finance-africa-whats-new

This will require the enhancement of the MSME access to finance ecosystem, as this is a key enabler of MSME development. While there has been significant progress in the last decade to establish and enhance this ecosystem, much still needs to be done to support MSMEs in Africa to achieve the required economic progress.

The principles detailed in the ensuing sections form the framework that countries should consider when formulating policies to enhance their MSME access-to-finance ecosystem. Such policies are naturally country-specific, but the framework presented here details the major issues to consider and why they need to be addressed. The principles cover the policies to be formulated, the regulatory and legal frameworks, the development of the MSME sector, finance and infrastructure, dealing with informality, debt review and insolvency regimes, and sectors requiring specific focus. Each principle is supported by the elements to consider; the importance of the respective principle is also detailed. These can be used by countries to give structure to the specific way in which the principles will be incorporated in their ongoing support for the development of MSMEs.

Not all principles are the responsibility of financial regulators/central banks.

The principles refer to the authorities, meaning the mandated institution or government ministry/department that has primary responsibility for the aspect addressed in the respective principle. Various institutions and ministries/departments will be involved across the different principles and these agencies may differ from country to country. A typical mapping of the principles to responsible entities is available in the Annexure, which also shows other possible involved entities. This can be serve as a guide and adjusted to each country's reality as needed.

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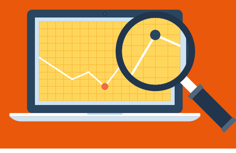

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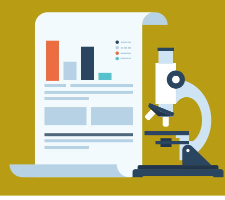

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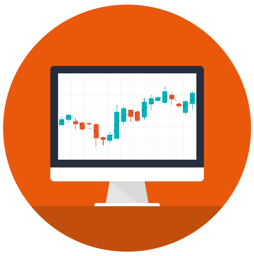
POLICY DEVELOPMENT



PRINCIPLE 1: MSME DEVELOPMENT POLICY

Authorities should develop an overarching national MSME development policy, which is assessed and updated on a regular basis to ensure the ongoing relevance of said policy

KEY ASPECTS:

> This policy must take into consideration all aspects necessary for the development of the MSME sector and should be drawn up with input from all relevant stakeholders.

> If there are different definitions of MSMEs in use in a country, this policy process should take a view of what the key, specific definition should be, and ensure the use of this definition among all stakeholders.

> High-priority sectors, e.g. women and youth-owned MSMEs, the agricultural sector and enterprises faced with climate change challenges should be identified. The definition of MSMEs involved in such sectors should be stipulated.

> A dedicated unit within the authority responsible for the overall MSME sector should act as the custodian of the policy and as coordinator for its implementation across the various areas identified in the policy. A forum of the organizations involved can be used as a platform for such coordination.

> The policy should identify specific development indicators to assess the efficacy of the policy. The data for these indicators should be collected and analyzed on a regular basis and should serve as identifiers for any adjustment to the policy.

> The policy should acknowledge the roles of the regulator and of financial service providers and define the scope of direct state participation and the role of development financial institutions (DFIs) in the MSME access to finance ecosystem. Although DFIs typically operate in the broad arena of financing infrastructure, there may well be a role for them in the MSME access to finance space, depending on the state of the finance landscape.

> The policy should define the objectives in dealing with informal MSMEs and provide guidelines to help them transition into formal entities.

> The policy should include well-defined outreach and awareness programs, aimed at informing MSMEs of the business and financial services that are available to them and the that support will be provided by the government. It is a common problem amongst MSMEs, particularly micro-enterprises that there is little awareness of tools available to improve their skills and thus, their enterprise. This program should use all practical channels to reach MSMEs, including national media, government entities, local authorities and representative bodies for MSMEs. The full scope of services should be communicated to MSMEs.

EXPLANATION

MSME development is not only dependent on access to finance, so it is essential that this development is viewed in the context of the complete MSME ecosystem and that all aspects are addressed in a single policy. The policy should therefore address:

1. Business and technical skill development
2 Access to market
3. Research, innovation and technology use
4. Physical infrastructure
5. Legal and regulatory frameworks
6. Access to financial services

This policy should be based on an assessment of the state of the MSME segment so that it can address gaps. It should also link MSME development to national priorities, such as targeting specific sectors for development, and it should provide clarity in terms of the roles and mandates of the different stakeholders involved in implementation. The role of the public sector in supporting MSMEs should also be addressed in the policy.

PRINCIPLE 2: MSME ACCESS TO FINANCE POLICY

Authorities should develop an MSME access to finance policy, as part of the national MSME development policy

KEY ASPECTS:

- The MSME access to finance policy should be developed as an element of the overarching policy. If there are multiple regulatory authorities involved in access to finance supervision, then these authorities should cooperate in the development of a single policy.
- The assessment of the current state of the MSME access to finance ecosystem should inform the formulation of this policy. Gaps identified in providing credit to, and in the uptake of credit by MSMEs, should be incorporated and addressed in the policy. The policy should also include types of credit providers active in the market, and assess and address the meeting of needs across the different types and life stages of MSMEs.
- The policy should address any required development of the credit infrastructure. This will be evident from gaps in the access to credit market and the difficulty that MSMEs have in accessing available credit providers. The needs of priority sectors, like women and youth, should be considered in this context as well.
- The policy needs to define the extent of direct public intervention in the access to finance ecosystem, setting out the objectives of targeted direct investments.
- The policy should consider alternative mechanisms (e.g. leasing and factoring) and different types of credit providers (e.g. online credit providers and crowdfunding). Areas in which such services and mechanisms may be needed should be defined, and the oversight requirements identified (i.e. whether registration is required and which regulatory authority should be involved).
- The policy should include targets and areas of focus for credit providers, in consultation with these providers. This should be aimed at closing the identified finance gaps and actively supporting high-priority MSMEs, such as those run by women and youth. A strong relationship with credit providers is necessary to ensure support and buy-in.
- The impact of the policy, and the extent to which targets are being met, should be monitored and assessed on a regular basis. This should be done in a manner that also enables assessment of the high-priority MSME sectors. The monitoring of the policy should include qualitative input, specifically from the MSME sector itself (e.g. focus groups).

EXPLANATION

Access to finance is the most important aspect holding back the development of MSMEs, with the situation in most of Africa being challenging, as mentioned in the introduction. An overall MSME access to finance policy is therefore a critical element of the national MSME development agenda and it should be informed by the overall development policy. In order to sustainably support MSMEs from an access to finance perspective, it is necessary to take into account all elements that have an influence on this aspect, including the regulatory framework for credit providers, market conduct oversight, the development of alternative credit mechanisms and providers, the credit infrastructure, the legal framework and interventions required to effectively deal with priority sectors. Specific areas that should be addressed should be identified and assigned to the responsible authorities, e.g. required developments in the legal framework allocated to the financial regulators and the ministry of justice.

PRINCIPLE 3: MONITORING AND EVALUATION (M&E) MSME ACCESS TO FINANCE

Authorities should have a comprehensive monitoring and evaluation system for MSME access to finance in place

KEY ASPECTS:

> Authorities should define the indicators that are important to assess the state of MSME access to finance. International guidelines are useful, but specific indicators that are relevant to national and sector development objectives should be included.

> Authorities should obtain data on all required indicators from all credit providers on a regular basis. Credit providers should be requested to maintain and report gender- and age disaggregated data.

> The monitoring and evaluation (M&E) system should include a demand-side view as well, with a regular demand-side survey informing this aspect. This view will inform authorities of the market issues, e.g. what challenges enterprises face when looking for finance, to what extent finance is not available and what the reasons are for not taking up finance. These surveys should also include gender and age-disaggregated data, as it is often in the market view that issues relating to these segments are evident.

> Relevant data and information from other state ministries/departments and other sources, e.g. employment data and poverty levels, should be included in the M&E system.

> It is important to augment the quantitative information with qualitative insights, from both service providers and from MSME groups, including high-priority groups. Such input will help to identify constraints and areas where support is needed, which may not be directly discernible from the qualitative assessment.

> The results of the M&E system should be made available publicly, at least in aggregated form. This will not only show transparency in data reporting by the relevant implementing agencies, but also allow other stakeholders to interrogate the data and identify gaps and opportunities within their mandate/areas of interest.

EXPLANATION

Policy development and regulatory interventions need to be based on an objective assessment of the state of the MSME access to finance ecosystem. Gaps need to be identified based on evidence. Constraints being experienced by providers and users, including constraints specific to high-priority sectors, should be taken into account when crafting policy interventions. It is equally important that the effect, impact and outcome of policy and regulatory changes are monitored, using the same framework employed in the assessment of the state of the market.

REGULATORY FRAMEWORK

PRINCIPLE 4: LEGAL AND REGULATORY FRAMEWORKS

Authorities should ensure that the legal and regulatory frameworks enable a sufficient range of credit providers to meet MSMEs' access to finance needs

KEY ASPECTS:

- Authorities should determine whether existing credit providers adequately meet the needs of MSMEs or whether different classes of service providers are required, as identified in the MSME access to finance policy.
- Some classes of credit providers are better suited to meet the needs of MSMEs than more general financial service providers (FSP). Authorities should consider enabling such credit providers (if not already enabled in the frameworks) to offer more appropriate and convenient services to MSMEs. Such institutions can be defined with a limited set of services and hence limited risk to the system. This allows for a different (lower) level of capital adequacy, thereby reducing the cost for such providers. This advantage should be passed onto the MSMEs through these institutions. More than one class of FSP could result from this approach, with possible consideration of microfinance institutions, rural banks and community banks.
- If the MSME access to finance policy indicates the need for additional credit mechanisms and types of providers, the legal and regulatory structures should be developed to accommodate such providers. This should include technology-based credit providers as well. In implementing these structures, due care should be taken so that the regulatory capabilities needed are clearly identified and addressed.
- A proportional regulatory approach should be used, informed by the risk being introduced by particular classes of credit providers. Regulatory oversight should always focus on sound financial management and responsible market conduct by all authorized credit providers.
- Authorities should also ensure that all providers of credit to MSMEs have appropriate regulations and supervisory oversight, i.e. addressing the issue of informal credit providers.

EXPLANATION

A well-regulated MSME access to credit market is crucial in the MSME ecosystem. The regulatory framework, as informed by the legal framework, ensures a well-functioning system, to the benefit of MSMEs and the financial system as a whole.

Commercial or full-service banks typically have limited capability to deal with small and micro-enterprises, primarily due to perceptions about the associated risk, capital requirements associated with such lending, and an established engagement model not geared to such enterprises, resulting in significant costs. Where regulatory authorities have not established second-tier banking institutions (e.g. microfinance institutions) these could be considered, as could alternative forms of finance (see Pillars 12 and 13). At the same time, unregulated credit providers may pose a risk to the financial system (or at least to the MSMEs utilizing their products) and should be brought into the realm of regulated and supervised providers.

PRINCIPLE 5: INSTITUTIONAL CAPACITY OF REGULATORS

Regulatory authorities should have adequate capacity to effectively regulate and supervise all institutions providing credit to MSMEs

KEY ASPECTS:

- Regulatory authorities must ensure that adequate capacity exists to effectively regulate and supervise credit providers under their jurisdiction, as per their mandate.
- This capacity should be in a position to determine additional risks in the system and should be able to effectively mitigate such risks, especially, but not limited to digital financial services.
- Authorities should ensure that the regulatory capacity for effective market conduct supervision is in place, including the capacity to determine and implement guidelines to improve market conduct when required.
- Where possible, authorities should identify technology to assist in regulation and supervision. Such technology (i.e. RegTech and SupTech) deployment will in itself require that the capacity is created to optimize utilization, but it can extend the ability to monitor and supervise financial service providers, including digital credit providers.

> The principle of proportional regulation should be applied whenever the situation warrants it. In situations where the systemic and market risks of a particular class of service providers are limited, the supervisory actions of the authority should take the level of risk into account and adjust its supervisory interventions accordingly.

EXPLANATION

Regulatory authorities are mandated to ensure the stability and efficiency of the financial system in a country. This is a prerequisite for economic growth and the protection of financial system users. It is therefore necessary that regulatory authorities have the capacity to execute this mandate, and that the capacity is developed to the extent where users of the financial system have sufficient trust in the system and feel that their interests are adequately protected.

PRINCIPLE 6: MARKET CONDUCT FRAMEWORK

Authorities should ensure that MSMEs' use of credit provider services is covered by a comprehensive and enforceable market conduct framework

KEY ASPECTS:

> Authorities should establish guidelines for treating customers fairly. These should include the requirement that product(s) being offered to the MSME credit applicant should be based on the needs of the applicant and that this, as well as the features of the product(s), should be explained to the MSME owner in the on-boarding process. All costs should be disclosed and the responsibilities of the MSME and the credit provider should be explained. The guidelines should also cover what factors should be taken into account in the credit assessment process, including any required focus on high-priority sectors.

> Credit providers should establish what the market needs are in the MSME segment and develop their products and services to meet those needs, taking into account any specific needs from high-priority sectors.

> Authorities should prescribe the facts that should be disclosed to prospective customers to allow customers to compare products and assess the suitability of the product being offered.

> The market engagement of credit providers should incorporate financial capability training, with the authorities providing guidelines on what should be included in such programs. A clear distinction between providing product information and financial literacy/capability training should be made. Product information disclosure is required in any event, with the financial literacy training being a separate responsibility.

> A dispute resolution system should be designed by authorities in conjunction with the major stakeholders. This should consist of at least two elements:
- Defined processes for MSMEs to engage the credit provider should there be a query or dispute, i.e. prescribing a process that all credit providers should have in place for MSMEs with queries
- Define and regulate an independent structure (which could be situated within the authority) that can be used to adjudicate disputes and provide binding resolutions to such disputes. An ombuds system could be considered in this regard. This structure should provide a public report on the extent of use (how many complaints handled), efficiency (how many complaints resolved and over what time period) and in whose favour (credit provider or complainant) the complaints were settled.

EXPLANATION

Authorities should strive to create a more sustainable, fair and sound financial ecosystem for consumers, including MSMEs. Authorities protect the public, including MSMEs, from unfair market practices by setting requirements and overseeing an FSP's market entry, market activities and market exit, through licensing, monitoring on-site examinations and other supervisory processes. This results in the more productive and beneficial use of the products and services by MSMEs.

DEVELOPMENT OF THE MSME SECTOR

PRINCIPLE 7: BUILDING MSME CAPABILITIES

Authorities should focus on developing the business and financial capabilities of MSMEs

KEY ASPECTS:

> This focus should be embedded in the overall MSME development policy and coordinated by the dedicated unit responsible for that policy, or to an organization tasked to do so by that unit.

> Financial literacy and capability training, developed specifically for MSMEs, should be an inherent part of this effort. Issues that are pertinent to women- and youth-led MSMEs should be specifically identified and incorporated in such programs. The realities of married women often having to balance running a household and an enterprise, sometimes in situations where husbands legally have control over household assets, are pertinent examples.

> A wide array of actors can be used to provide business development services to MSMEs, including private organizations, NGOs, universities, colleges and credit providers. Unless the organization is already an accredited place of learning, authorities should institute some form of accreditation to ensure quality output. Guidelines on what is required to obtain accreditation should be provided by the coordinator of the programs.

> Even if the regulatory authority is not the coordinator of these programs, it is important to use the input from these authorities in the guidelines for both financial capability and business development material.

> The coordinator should monitor the quality and effectiveness of such interventions. This may be achieved by using mechanisms such as focus group discussions to get structured feedback.

EXPLANATION

The potential for MSMEs to become and remain viable enterprises, capable of growth and contributing to the economic development and employment in a country, is dependent on a range of factors, with business capability being one of the most important. A concerted effort to improve the skills and knowledge required to run an enterprise is therefore a necessary investment in supporting MSMEs. These skills should include the financial capability necessary to operate an enterprise, and to select and use beneficial finance options for the enterprise. This will mitigate the information asymmetry for credit providers and decrease the incidence of non-performing loans.

PRINCIPLE 8: MSME ACCESS TO PAYMENT SYSTEMS

Authorities should ensure that digital payment systems meet the payment needs of MSMEs

KEY ASPECTS:

> The payment needs of MSMEs must be taken into account when payment systems are designed. This applies to their need to make payments to their service providers and to receive payments from their customers.

> The use of digital payments that are already well established in many African countries should therefore be tailored to the MSME sector, including the specific needs of high-priority sectors.

> Interoperable payment systems are especially important for MSMEs, as their suppliers and their customers use diverse financial service providers. The payments environment has to enable all digital payments in an inclusive manner, making payments interoperability a requirement.

> The use of payment services requires a transactional service (a store-of-value enabling payments or an account), so the on-boarding of MSMEs when acquiring such a service/account should be made as seamless as possible and be inclusive of informal MSMEs.

> The payment system should cater for small-value transactions in an efficient and affordable manner. Many MSMEs, especially micro-enterprises, deal with small-value transactions and will remain with cash payments unless such payments can be carried out and are acceptable to customers as digital transactions.

> Authorities should consider incentives for MSMEs to use digital payments. These could include reducing or not levying tax on such payments.

EXPLANATION

The use of payment services serves two main purposes for MSMEs: it increases their operational efficiency and it begins to build up a digital footprint in the financial system. The latter is important in building a digital profile, which could be used in the assessment of the creditworthiness of MSMEs and help to close the gender access to finance gap. Because increased access to finance would act as an incentive for MSMEs to make and accept digital payments, it has the added benefit of increasing digital use of payment services in general.

Remaining in the cash economy will constrain MSMEs. It will not allow MSMEs to benefit from the efficiency of digital payments, it increases the risk through loss and it makes participation in the ever-growing digital economy challenging. Fair access to digital payments is a necessary step to reduce the reliance on the cash economy and to open up business opportunities.

DEVELOPMENT OF FURTHER FINANCE OPTIONS

PRINCIPLE 9: ALTERNATIVE FINANCE MECHANISMS

Authorities should ensure that alternative finance mechanisms, particularly leasing and factoring, are enabled and included in the regulated space

KEY ASPECTS:

> Leasing and factoring are the two most commonly used alternative finance mechanisms. These products are typically offered by commercial banks (already well regulated), while non-bank financial institutions are either increasingly offering or planning to offer such products.

> A legislative framework for leasing should:

- clarify the rights and responsibilities of the parties to a lease
- remove any possible contradictions within the existing legislation
- create non-judicial repossession mechanisms
- ensure that tax rules are clear and neutral, removing any bias against leasing, e.g. the lessor should be entitled to claim depreciation on the asset and the lessee should be entitled to claim the lease payments
- clarify the rights of lessors and lessees under bankruptcy

> The laws governing contracts between parties and the assignment of receivables are the most relevant to factoring. Where these laws are clear and enforceable, factoring can develop without any specific legal or regulatory framework.

> A crucial decision that must be made in a regulatory framework is determining the criteria for the entities which will be allowed to perform factoring activities.

> Authorities should ensure that all providers of leasing and factoring make sufficient information available to gauge the scope, risk and uptake of these products.

> Market conduct oversight of service providers should be carried out for both factoring and leasing.

EXPLANATION

Factoring is an important source of working capital finance for MSMEs and leasing is an important source of investment finance for MSMEs. In countries where the credit infrastructure is still developing, credit providers face challenges in assessing credit risk. This can be mitigated to a significant extent by leasing, as the asset being leased remains the property of the credit provider and hence reduces the risk of loss-given-default.

PRINCIPLE 10: CAPITAL MARKETS

Authorities should create an environment in which capital markets can develop further to become a viable source for MSME finance

KEY ASPECTS:

> The use of capital markets[4] as an alternative source for MSME funding has some preconditions:

- The market infrastructure must be in place, specifically, credit rating agencies, bond platform(s), specialized fund managers and security intermediaries.
- The key enabling environment must be adequately developed, particularly the insolvency regime and credit information registries.
- Authorities should work to develop appropriate regulations to support these solutions. These regulations should include the definition of the services that can be rendered and the role that intermediaries should be allowed in rendering these services, the registration rules that will be adhered to for market participants and the specific market conduct regulations applicable.

> Authorities also need to review the investment regulations of institutional investors to ensure that they are able to invest in these solutions. At the same time, risk management requirements for fund managers need to be strengthened.

> Authorities need to consider enabling the use of digital platforms for direct use of capital markets through mechanisms such as crowdfunding, equity crowdfunding and peer-to-peer lending. In this case, the enabling environment needs to be in place (insolvency regime and credit information registries) along with market conduct regulations specifically designed for such online services, including protection for service providers.

> Authorities need to consider if additional interventions are needed to jumpstart some of these solutions. Such interventions could include

- credit guarantees for some of the debt instruments
- co-investments for venture capital funds as well as for newer solutions, such as lending platforms and loan originating funds
- tax incentives, mainly in relation to early (i.e. start-up) equity investment

> The development of the capital market to cater for MSME funding needs should be part of the MSME access to finance policy.

EXPLANATION

MSMEs require different types of funding at different stages of their life cycle. Some of this funding can come from internal sources, with bank financing being the traditional source of external financing for MSMEs. However, banks are constrained in their ability to meet all MSMEs finance needs, hence the interest in using the capital market to meet some of the needs. Capital markets can play a significant role in bridging the MSME financing gap, particularly as their needs evolve over the different phases of their life cycle. The successful use of capital markets for MSME financing requires that these markets have already reached a level of maturity and that the supporting ecosystem is in place, namely market advisors, market-making systems and regulatory oversight. This might not be the case in some countries. The growth in technology-based solutions and their possible advantages may well assist the MSME access to finance ecosystem and should be incorporated as a possible solution.

4 Capital market financing refers to the use of the stock market (equity investments), SME bonds, venture capital, private equity and securitization of loan portfolios.

PRINCIPLE 11:
DIRECT STATE PARTICIPATION

Authorities should include direct public sector participation in MSME access to finance when it is necessary

KEY ASPECTS:

> Public programs i.e. targeted direct interventions, should address identified gaps in the MSME access to finance landscape based on an objective assessment of the market. This should be based on reliable evidence of endemic market failure.

> Such public programs for MSME finance should ensure additionality, cost-effectiveness and usability.

> These programs should be undertaken in a manner coherent with the MSME access to finance policy (see Principle 2). All government entities involved in direct state participation in the MSME access to finance market, as well as non-government bodies dealing with MSME finance, should ensure implementation coordination for such programs.

> The target population, eligibility criteria, credit risk management and fees structure should be considered carefully and defined clearly when designing programs. The programs themselves should be structured so that they are readily umderstood by MSMEs. The target populations could include specific high-priority sectors.

> Public programs to enhance MSME finance should be monitored and evaluated. Evaluation should be performed regularly based on the defined and measurable policy objectives and intended market impact. This evaluation should be undertaken in cooperation with financial institutions, MSME representatives and other stakeholders. Evaluation findings should feed back into the process of policymaking, i.e. the MSME Access to Finance Policy.

> State banks:
- Legislation establishing state banks should specify clear mandates and objectives for such institutions
- Sound governance structures with independent boards should be constituted to oversee such banks
- The intention should be additionality or the broadening of the market, not direct competition with existing players
- State banks should be subject to regulatory and supervisory oversight with the same objectives as for non-state entities - market stability and fair market practices

> Establishment of funds with the objective to support MSME access to finance

> Wholesale funding facilities (i.e. apex funds) could also be considered to provide funding for credit providers in the MSME space. A precondition is the definition of the apex mission and clear objectives with a focus on building strong, sustainable,and responsible financial institutions and MSMEs. Such funds should utilize independent monitoring and evaluation of the market impact of the funds, including the extent to which the funds lead to market development, i.e. crowding-in other market participants.

A fund to focus on startup MSMEs could address a market need in many countries, as MSMEs are largely reliant on personal and friends-and-family funding during the first stage of their life cycles[5].

EXPLANATION

Governments can address market failures and incomplete markets that inhibit the provision of adequate financing for MSMEs by direct market participation. Government measures to promote MSMEs should be carefully focused, aiming at making markets work efficiently and at providing incentives for the private sector to assume an active role in MSME finance. The development of lending capacity for MSMEs can be expanded by setting up second-tier funding facilities. The government could play a role in this area, in both the funding and the development of the institutional capability of the fund beneficiaries.

5 World Bank Group Ghana Office. 2016. Access to Finance for SMEs. Available at: http://www.acetforafrica.org/acet/wp-content/uploads/publications/2016/03/Access-to-Finance-for-SMEs-Paper.pdf

CREDIT INFRASTRUCTURE

PRINCIPLE 12: CREDIT INFORMATION INFRASTRUCTURE

Authorities should actively pursue the establishment and development of credit reporting systems

KEY ASPECTS:

- Authorities should take the lead in specifying what information should be shared, both positive and negative.
- Authorities should make it compulsory for credit providers to share information and should actively promote the use of such information.
- Market conduct oversight of credit information providers should be part of regulatory oversight and should cover, among other issues, data privacy and fair use of said data and services.
- Authorities should ensure that the technology infrastructure is in place to make information available effectively and safely.
- Authorities should consider the inclusion of alternative data[6] in credit reporting. This will extend the number and types of MSMEs covered by the credit information system.
- Authorities could promote the use of credit rating agency services, i.e. making use of sectoral and firm-based information to provide a rating, rather than historical credit transactions.
- The establishment and use of a credit repository should be pursued, i.e. a repository containing all current finance contracts, and from which the total finance exposure of MSMEs can be obtained. The data in this repository should be such that the use of credit facilities by high-priority groups can be monitored, e.g. gender-disaggregated data should be available.

EXPLANATION

Authorities have a critical role to play in developing an efficient, safe and reliable credit reporting system that covers both identification and relevant credit information on individuals and businesses. The result is a system that can provide information on the use of credit facilities by MSMEs and thus help lenders better manage credit risk, identify appropriate pricing and extend access to credit. This infrastructure can assist in limiting gender and age bias, thus reducing the credit gap for these sectors. Effective oversight by the central bank or other relevant authorities contributes to addressing any failures in the functioning of credit reporting systems.

PRINCIPLE 13: CREDIT GUARANTEE SCHEMES

Authorities should enable the establishment of sustainable and effective credit guarantee systems (CGS)

KEY ASPECTS:

- The legal and regulatory framework for the schemes should be in place, with the CGS as an independent legal entity with effective oversight. There must be a mix of shareholders representing the main stakeholders and adequate funding.
- Corporate governance and risk management must include a clear mandate and a comprehensive enterprise risk framework.
- The operational framework should be transparent and should include clearly-defined eligibility criteria (for MSMEs and credit providers), a consistent risk-based pricing policy and a consistent claim management process. Payouts should be triggered by default events and not by the recovery process. This will ensure that credit-providers get the necessary benefit from the scheme to remain engaged. The portion of the outstanding loan not covered by the CGS should ensure that credit providers do follow the full recovery process.
- A monitoring and evaluation system of the CGS should be in place, an include monitoring of outreach and additionality. i.e. monitoring the extent to which use of the CGS leads to more MSMEs getting access to finance, as opposed to credit providers simply using the CGS to mitigate risk.

6 “Alternative data” here refers to data - other than data on the use of credit instruments - that is generated by the increasing use of digital tools and information systems and that can be used to inform credit decisions. It includes the use of all digital payment data .

- Guarantee schemes should publish full financial statements, disclosing all liabilities.
- A well-functioning CGS should allow regulators to assign a lower risk weight to exposures covered by the guarantee.

EXPLANATION

Many credit providers are cautious in their approach to MSME lending due to concerns over their exposure in the case of failure and the capital adequacy requirements associated with MSME lending. To address the issue of reducing the risk of enterprise failure, particularly (but not exclusively) start-up failure, risk-sharing through credit guarantee schemes have been introduced. In such a scheme, the risk of default is shared between the credit provider and the provider of the credit guarantee, typically, but not necessarily, the state. Credit guarantee schemes are considered one of the more market-friendly types of interventions, as they can generate fewer distortions in the credit market than state banks and other direct public interventions, and may lead to better credit allocation.

PRINCIPLE 14:
SECURED TRANSACTIONS

Authorities should enable the extension of the types of collateral that can be used by enabling a secured transaction regime

KEY ASPECTS:

- Authorities should establish a broad-based law governing the secured transaction regime, including as many categories of assets as is practical.
- In the African context the use of agricultural movable assets (livestock, crops on land, farming implements, orders, etc.) are of major importance to agricultural MSMEs and should be included in the categories of acceptable collateral.
- Establish a modern, digitally-enabled movable asset registry. The collateral registry is the key aspect of a functioning and efficient secured transactions system.
- Establishing clear priority schemes for creditors and ensuring that enforcement capability can be utilized when required.
- Creating awareness and educating stakeholders, including credit providers and MSMEs.
- Secured transactions can be beneficial to women-owned MSMEs in accessing finance, particularly in jurisdictions where they are constrained in terms of ability to provide other forms of collateral.

EXPLANATION

The lack of acceptable collateral is typically the main reason MSMEs fail to access credit from most traditional financial service providers. In most cases, MSMEs have limited immovable assets to offer as collateral, but have a wider range of movable assets. The value of movable property (equipment, vehicles, inventory, commodities, livestock, accounts receivable) generally makes up three-quarters of firms’ total asset portfolios but banks predominantly accept only land and buildings as their main form of collateral. An effective secured transactions regime facilitates lending by using the available movable assets as collateral in loan contracts. Secured transactions laws and regulations, if formulated and implemented correctly, increase the use of credit (via increased demand) by broadening the range of assets acceptable as collateral to banks and other credit providers.

REDUCING INFORMALITY IN THE MSME ECOSYSTEM

PRINCIPLE 15: INFORMAL MSME CREDIT PROVIDERS

Authorities should institute a program to improve oversight over informal MSME credit providers

KEY ASPECTS:

> Set up market monitoring processes, techniques and tools that would help a) identify risks at the sectoral level and b) the relative importance of informal credit providers.

> Assess the reason informal credit providers are used (or preferred). This information is essential to determine what role these providers play and how best to adjust the access to finance ecosystem to deal with the identified reasons.

> Assess when to extend the supervisory remit to include such providers and the type of cost-effective approaches and tools to use for such transitions to supervision. This should primarily be determined by the risk associated with such providers, both to the MSMEs using such services and to the financial system.

> Coordinate and collaborate with other government authorities, associations of financial service providers and non-governmental organizations in determining the most beneficial way to reduce informality responsibly.

> Enable the payment system to accommodate such service providers where feasible, in order to improve the ability to suitably size their operations.

> Engage with informal providers and provide information on the benefits of moving to formality.

> Ensure that the regulators have the right of closure or have direct access to legal processes to force closure, should that be required.

EXPLANATION

The existence of informal/unregulated credit providers is a common occurrence in most countries, with African nations being no exception. These providers operate outside the regulatory framework

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with no oversight of their market conduct, so the possibility of risky credit transactions and non-beneficial market conduct do exist. The objective should be to reduce these risks as far as possible. At the same time, it must be recognized that these providers are meeting some needs of the MSME market and that simply excluding them would leave a gap. The path to formailization should therefore be carefully planned and executed.

PRINCIPLE 16: INFORMAL MSMEs

Authorities should develop a clear roadmap to guide informal MSMEs to greater formality

KEY ASPECTS:

> Informal MSMEs[7] make up a sizable portion of the MSME segment and also contribute significantly to the trading volume in the sector.

> A comprehensive strategy to enable as many as possible of these informal MSMEs to move to formality should be formulated by all stakeholders, including the regulatory authority and the tax authority.

> This strategy needs to include tangible benefits for such MSMEs. These could include enabling these enterprises to use the payment system where feasible, and to use such payment data as a source of alternative data to inform creditworthiness.

> The input of the informal MSMEs, taking care to be gender-balanced, needs to be obtained to determine the hurdles such enterprises face on the path to formality and whether women-owned MSMEs face specific challenges.

> Authorities should develop ways to formalize the informal sector, which should include making basic services available to such organizations as a first step to formality. Access to payment services (particularly for small retailers and other traders) and the use of alternative data (as mentioned in Principle 13) to inform credit reporting systems are two such services that should be considered.

7 "Informal MSMEs" in this context refers to enterprises operating without a business license or registration, i.e. these enterprises are not recognized by any authority. Typically, such enterprises are also not registered for any tax purpose either, although it is possible to be a registered business without being liable for tax, e.g. micro-enterprises where there might be a tax exclusion on small turnovers.

EXPLANATION

Informal MSMEs make up a significant portion of MSMEs in most countries in Africa, as is the case in many developing countries. For many people, the establishment of a micro-enterprise presents the only viable means to provide for themselves and their families. Formalizing or registering the enterprise is usually a daunting step and best avoided from the perspective of the business owner. It is therefore essential that authorities take this reality into account. At the same time, informal enterprises will increase their access to markets and to financial services if they move closer to formality, so it is in everyone's long-term interest to pursue the path to greater formality. Moving to formality will also aid in such enterprises beginning to contribute to tax revenue.

PRINCIPLE 17:
DEBT REVIEW AND INSOLVENCY REGIMES

Authorities should establish a comprehensive and transparent debt review and insolvency regime

KEY ASPECTS:

Authorities should ensure a comprehensive debt review and insolvency regime as detailed below:

> Based on the objective of balancing the need to protect creditors' rights (e.g. through liquidation) and to maintain productive capacity and hence jobs (reorganization or restructuring an enterprise).

> Make provision for the different stages of the debt review and insolvency regime:
  - Out-of-court workouts (debt reviews)
  - Pre-insolvency proceedings
  - Specialized insolvency proceedings for MSMEs

> Be based on a legal framework and address the insolvency processes of all business entities, regardless of their legal form. The legal framework should be civil in nature, not criminal.

> Allowing either the debtor or the creditor(s) to commence the process.

> Out-of-court workouts should be based on guidelines from authorities and should comprise:
  - an enabling environment aimed at reaching consensus between the MSME and creditors. This could involve mediation.
  - a debt-standstill period, good faith negotiations and full disclosure
  - debt restructuring without judicial intervention
  - the aim enabling the MSME to recover rapidly

> Pre-insolvency proceedings
  - These should be based in law and are for the purpose of rescue, adjustment of debt, reorganization or liquidation
  - These could take three forms: a court grants a stay of enforcement proceedings for negotiations between the parties, an insolvency practitioner takes control of the assets of the MSME, or the MSME is placed under control or supervision by the court.
  - The outcome of the proceedings is subject to sanctioning by a court of law (or a mandated administrative authority).

> Specialized insolvency proceedings for MSMEs:
  - In-court insolvency proceedings allow viable businesses to be successfully preserved or efficiently closed while helping creditors achieve maximum value of their assets.
  - Access to such proceedings should be streamlined for MSMEs (compared to ordinary insolvency proceedings) by customizing procedural rules and decreasing the burden on firms.
  - The streamlined proceedings should include simplified processes and lower costs.

> Enhanced capacity for, and oversight of, insolvency administrators by the administrative authority.

> Although not strictly speaking part of the debt review process, authorities should consider either the establishment or the use (if already established) of small claims courts (commercial courts dealing with limited value cases) in handling claims by or against MSMEs. This will reduce the cost of such claims substantially.

EXPLANATION

Stronger creditor rights can improve access to finance. A major component of this is to ensure that the assets of failing enterprises are protected and realized to the advantage of creditors. At the same time, it is in the interest of the MSME owner(s), employees and creditors to maintain viable enterprises. Insolvency regimes are required to balance and manage these objectives in a transparent and equitable manner. These regimes are required to enable restructuring of firms in distress into viable entities. Should that not be possible, these regimes should regulate an efficient exit from the market and make the resolution of multiple creditors' conflicting claims more orderly. The existence of such regimes also contributes to the willingness of other credit providers, e.g. capital market participants, to enter the market.

SECTORS REQUIRING SPECIFIC FOCUS (PRIORITY SECTORS)

PRINCIPLE 18: WOMEN- AND YOUTH-LED MSMEs

Authorities should endeavour to meet the needs of women- and youth-led MSMEs in access to finance to mitigate the additional challenges that these groups face

KEY ASPECTS:

- Structure country diagnostics of demand and supply for MSME finance to uncover gender gaps, drivers of access to finance for women and the need for any tailored policy responses. Build reliable gender- and age-disaggregated data sources on women- and youth-led enterprises and access to finance.
- Women- and youth-led MSMEs are typically especially disadvantaged regarding the ability to provide collateral. To address this, the credit infrastructure should be strengthened to:
  - increase the availability of information from women- and youth-led MSMEs
  - ensure that such MSMEs have access to secured transactions and collateral registries, which will enable them to provide movable collateral
- Ensure that there is a specific focus on women-led MSMEs in the national MSME policy and the MSME access to finance policy.
- Consider incentives and specific goals for increased procurement by governments of goods and services from women- and youth-led MSMEs.
- Build the capacity of financial institutions to better serve women entrepreneurs. This should combine a more nuanced understanding of the financial needs of women and youth and the tailoring of financial capability programmes specifically for these segments. Business support services should be equally geared towards the specific needs of women- and youth-led MSMEs.

EXPLANATION

Women- and youth-led MSMEs make up a significant portion of MSMEs in Africa. They face unique challenges and have specific needs that regulatory authorities and financial service providers must ensure they are aware of. This should guide the specifics of how to mainstream these groups into access to finance and allow them to reach the full potential of their enterprises.

PRINCIPLE 19: THE AGRICULTURAL SECTOR

Authorities should develop the access to finance ecosystem for agriculture and agricultural value chains

KEY ASPECTS:

- Authorities should increase their understanding of market dynamics and the implications of climate change on agriculture and the agricultural value chain.
- Coordination across regulators and government entities to ensure consistent policy interventions is required on an ongoing basis.
- Traditional credit providers are typically not well-equipped to deal with the diverse needs of the different types of farmers, farming cooperatives and buyers of farming produce. This requires regulatory support at two levels:
  - Enable the establishment of different classes of service providers to meet the needs of the agricultural sector (refer to Principle 4)
  - Act as a catalyst to develop the capabilities of all credit providers to the agricultural sector to offer appropriate products, e.g. taking into account the revenue patterns of specific crops, and assessing the actual type and size of farming being undertaken.
  - Support business and financial capability development of farmers, taking into account different types of farmers and any gender-specific issues.
- An agricultural value chain is a key ingredient for growth and scale. Authorities (and financial service providers) should recognize the nature of the value chain and how best to use value chain financing to promote agricultural growth. Authorities should consider providing guidelines for value chain financing and, in conjunction with administrative authorities in agriculture, develop guidelines for agricultural value chain development.

- Authorities could consider the establishment of a warehouse receipt system, i.e. a factoring product aimed specifically at farmers and the agricultural ecosystem. This requires an enabling legal environment and administrative oversight of warehousing, i.e. licensing and monitoring.
- In the agricultural sector, appropriate insurance products, e.g. crop insurance and index-based insurance, is as important to enterprises as access to finance is. Financial service providers should realize this and provide such products with access to finance, either directly or in cooperation with insurance service providers. Such products should take into account any gender-specific needs. Authorities need to recognize the requirement for insurance cover and adjust oversight to take cognizance of this.
- Direct state participation and subsidies are often required to provide stimuli to the access to finance ecosystem for the agricultural sector. Development banks specifically constituted to support agriculture can play a major role, if they are well-managed and already providing efficient access to finance mechanisms. Similarly, development funds aimed at either the whole agricultural sector or at specific priority sectors, e.g. women farmers, can play a catalytic role. Authorities should ensure that such interventions are aimed at attracting other credit providers, not crowding them out.

EXPLANATION

Agriculture is a major area of activity in most African economies, with many MSMEs engaged in the agricultural value chain. The establishment of sustainable and beneficial access to finance mechanisms have been traditionally very difficult in agriculture due to the high degree of informality and the inherent uncertainty of agriculture in many cases. Additional focus, with state intervention if needed, is required to expand the access to finance ecosystem.

PRINCIPLE 20: CLIMATE CHANGE

Authorities should develop the access to finance ecosystem for the adaptation and mitigation of climate change.

KEY ASPECTS:

- Authorities should increase their understanding of market dynamics and the implications of climate change on agriculture, agricultural value chains and other sectors affected by climate change, as both a threat and as an opportunity.
- The effect of climate change cuts across various regulatory authorities and government ministries/departments. It is essential that there is cross-regulatory cooperation, joint identification of sectors to include in interventions and joint decisions on the nature of such interventions.
- Authorities should track the effects of climate change. Digital technologies can aid the efforts to identify and adjust to the effects of climate change.
- Authorities should consider the establishment of funds to aid MSMEs, both for MSMEs that have to deal with the adverse effects of climate change (restructuring funds) and MSMEs that can contribute to a more climate change-resilient economy, e.g. developing alternative energy capability (innovation funds).
- Authorities should consider refinancing schemes (making funds available at subsidized rates) aimed at climate change action by credit providers to assist MSMEs in dealing with climate change mitigation and adaptation.
- Credit guarantee schemes can be considered to do effective risk-sharing with credit providers responding to MSMEs access to finance needs in dealing with climate change.
- Authorities should consider Issuing guidelines to credit providers to take climate risk into account and to promote access to finance for sustainable sectors.
- MSMEs should be supported in adapting to the possibilities presented by climate change through concerted capacity development, e.g. for their own adoption of greener processes and for their involvement in areas like alternative energy and green technologies.

EXPLANATION

Climate change is already a reality in Africa. According to the United Nation's Intergovernmental Panel on Climate Change, Africa is among the most vulnerable continents to climate change. The risks of climate change on agricultural production, food security, water resources and ecosystem services will likely have increasingly severe consequences on lives and sustainable development prospects in Africa. It is essential that governments put measures in place to manage this risk. This requires coordinated mitigation and adaptation strategies in the management of ecosystem goods and services. Agriculture production systems in Africa, as well as other affected sectors, should be targeted in these strategies. Access to finance to effectively enable MSMEs to deal with mitigation and adaptation is a key component of the overall strategy.

PRINCIPLE 21: THE USE OF TECHNOLOGY AND DATA

Authorities should champion the appropriate use of technology and data by MSME credit providers

KEY ASPECTS:

- Authorities should engage with financial institutions and international market developers to better understand the regulatory and risk issues in the increased digitization.
- These developments are also changing the extent of, and the manner in which, service providers cooperate to offer a service to a market, often to MSMEs. Authorities should be aware of this and make sure that regulatory frameworks are adjusted, if necessary, to deal with these emerging trends. This should include recognizing direct cooperation (e.g. a bank and a mobile network operator), but also dealing with issues like open banking, i.e. allowing third parties to use data from FSPs in structuring their own service propositions.
- In some cases, the direct participation of investors using technological capabilities (crowdfunding and peer-to-peer lending) requires an extension of market conduct mechanisms for investors/service providers, as mentioned in Principle 11.
- The monitoring of activities by these types of digital service providers is in some respects more complex than for more traditional providers, but it is equally important. Authorities need to gear their capacity to oversee such market participants.
- As mentioned in Principle 13, alternative data should be considered for inclusion for credit reporting purposes. Authorities should define, in conjunction with the credit industry, the kind of data that should be used and the data standards to be adhered to. This will enable more informed credit decisions for all MSMEs, but especially for MSMEs with no history of credit use and for those sectors typically disadvantaged in access to finance, e.g. women-led MSMEs.
- The use of "big data" by FinTechs in particular, but also by traditional FSPs, present both opportunities and threats. The opportunities lie in devising new and more specific services, and the threat lies in the abuse of such data to exploit customers. Authorities need to be aware of these threats and should have the capability to monitor such use. This should be coupled with a legal framework that dictates what constitutes individuals' and legal entities' rights to privacy and data ownership.
- Authorities should focus on the use of available data and on technology innovations to support the focus on priority sectors, e.g. financing for women-led MSMEs. Such support should involve policy guidelines (from the MSME Access to Finance Policy) and compliance to ensure equitable services (from the market conduct regulatory framework).

EXPLANATION

It is well-established that the increased digitalization of financial institutions, especially banks, is the biggest trend facing the industry. This spans all activities within financial institutions, and between these institutions and the markets that they serve. The COVID-19 pandemic brought this forward as an operational need. This development, coupled with the continuing expansion of FinTechs, has the implication that many credit provider aspects are changing and will continue to change. This is further enabled by the increasing use of data, not only the data within financial institutions, but all data that is available for use. It is important that authorities recognize this trend, provide guidelines to ensure stability and beneficial market engagement, and ensure appropriate market protection for users.

ANNEXURE

The highlighted Principles are those where the central bank (CB) and/or other financial regulators probably have primary responsibility. This allocation of responsibilities is only indicative and the actual allocation will be determined by country context.

PRINCIPLE	PRIMARY RESPONSIBILITY	SECONDARY RESPONSIBILITY	OTHER MAJOR STAKEHOLDERS
POLICY DEVELOPMENT			
1. MSME Development Policy	Ministry of SME/Ministry of Trade	CB/Financial Sector Regulators; Ministry of Finance; Ministry of Agriculture	FSP representative bodies; BDS providers
2. MSME Access to Finance Policy	CB/Financial Sector Regulators	Ministry of SME/Ministry of Trade; Ministry of Finance	FSP representatives; Capital market representatives; Credit infrastructure representatives
3. Monitoring & Evaluation MSME Access to Finance	CB/Financial Sector Regulators; Statistical Office	Ministry of SME/Ministry of Trade	FSP representatives; MSME representatives
REGULATORY DEVELOPMENT			
4. Legal and Regulatory Frameworks	CB/Financial Sector Regulators	Ministry of Finance	Ministry of SME/Ministry of Trade; FSP representative bodies
5. Institutional Capacity of Regulators	CB/Financial Sector Regulators	Ministry of Finance	
6. Market Conduct Framework	CB/Financial Sector Regulators	Ministry of Finance	Civil Society (Consumer representatives)
DEVELOPMENT OF THE MSME SECTOR			
7. Building MSME capabilities	Ministry of SME/Ministry of Trade	Ministry of Agriculture; Ministry of Education	Ministry of Finance
8.MSME Access to Payment Systems	CB/Payment Systems Regulator	Ministry of Finance	Payment Systems Providers representative bodies
DEVELOPMENT OF FURTHER FINANCE OPTIONS			
9.Alternative Finance Mechanisms	CB/Financial Sector Regulators	Ministry of Finance	Ministry of SME/Ministry of Trade
10.Capital Markets	CB/Financial Sector Regulators	Ministry of Finance; Capital market representative bodies	Ministry of SME/Ministry of Trade
11.Direct State Participation	Ministry of Finance	CB/Financial Sector Regulators; Ministry of SME/Ministry of Trade	

PRINCIPLE	PRIMARY RESPONSIBILITY	SECONDARY RESPONSIBILITY	OTHER MAJOR STAKEHOLDERS
CREDIT INFRASTRUCTURE			
12. Credit Information Infrastructure	CB/Financial Sector Regulators	FSP representatives; Credit infrastructure representatives	
13. Credit Guarantee Schemes	Ministry of Finance	CB/Financial Sector Regulators	Ministry of SME/Ministry of Trade
14. Secured Transactions	Ministry of Finance	Ministry of Justice; CB/ Financial Sector Regulators	Ministry of SME/Ministry of Trade
REDUCING INFORMALITY IN THE MSME ECOSYSTEM			
15. Informal MSME Credit Providers	CB/Financial Sector Regulators	Ministry of Finance	Ministry of SME/Ministry of Trade
16. Informal MSMEs	Ministry of SME/Ministry of Trade	Revenue Authority	CB/Financial Sector Regulators
17. Debt Review and Insolvency Regimes	Ministry of SME/Ministry of Trade	Ministry of Justice	CB/Financial Sector Regulators
SECTORS REQUIRING SPECIFIC FOCUS			
18. Women- and Youth-led MSMEs	Ministry of Women and Youth; Ministry of SME/Ministry of Trade	Civil Society (Organations representing priority groups)	CB/Financial Sector Regulators
19. The Agricultural Sector	Ministry of Agriculture	Ministry of SME/Ministry of Trade	CB/Financial Sector Regulators
20. Climate Change	Ministry of Agriculture; Ministry of SME/Ministry of Trade	Statistical Office	CB/Financial Sector Regulators; Scientific community
21. The Use of Technology and Data	Ministry of SME/Ministry of Trade; Ministry of Technology	CB/Financial Sector Regulators; Ministry of Finance	FSP representative bodies

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