



DBN
Development
Bank of Nigeria

...Financing Sustainable Growth

Impact Report

Technical Assistance to Banks

October 2023

Supported by:  **THE WORLD BANK**
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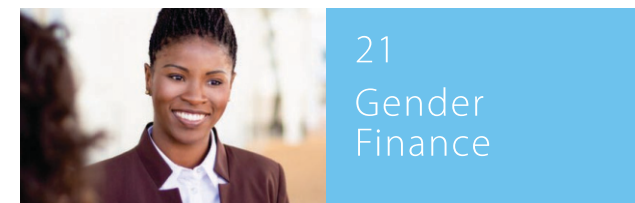




Welcome to our Impact Report on DBN's Technical Assistance (TA) Programme to Participating Financial Institutions (PFIs) in Nigeria.

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21 Gender Finance



25 Loans to Women

Additional Information

This Impact report is a holistic overview of the DBN's Technical Assistance programme to Banks between 2019 and 2023.

Impact Credit Guarantee Limited (ICGL) is a wholly owned subsidiary of DBN. It provides guarantees on loans made to eligible MSMEs and small corporates by PFIs in Nigeria.

The impact described in this report is not a complete reflection of the scale of impact across the PFIs as many interventions are still producing positive results and improvements in access to finance for small businesses.



RC. 1215724

OUR MISSION



DEVELOPMENT BANK OF NIGERIA



Financing
Sustainable
Growth

Section 1 Introduction



CEO Statement

Improving the State of MSME financing in Nigeria



TONY OKPANACHI
Managing Director/CEO

Globally, MSMEs are recognized as being significant contributors to economic development. They are unfortunately also viewed as being high risk. This limits many financial actors from providing the necessary capital for business growth and expansion. For a country like Nigeria which relies strongly on MSMEs for countless social and economic benefits, this poses a challenge, and calls for bold responses and interventions.

The purpose of the DBN Technical Assistance (TA) programme to the Bank's participating financial institutions (PFIs) is to increase the capacity of Nigerian Financial Institutions to lend to MSMEs in a sustainable manner using practical MSME financing mechanisms and leveraging best practices.

The DBN Technical Assistance to PFIs journey began in June 2020, in the midst of the Covid-19 pandemic, as a 24-month pilot programme with five PFIs. The Frankfurt School of Finance and Management (FSFM) and A2F Consulting Inc. were DBN's implementation partners on the project, which covered a total of 20 PFIs and generated considerable impact, in enabling the PFIs to significantly expand their lending operations to more MSMEs across the country.

The five PFIs which participated in the first TA programme are Access Bank, Ecobank, GT Bank, Union Bank and Wema Bank. A total of 1,485

“

For a country like Nigeria which relies strongly on MSMEs for countless social and economic benefits, this poses a challenge, and calls for bold responses and interventions.

employees were impacted and more than 760 MSME customers of these PFIs were trained.

The second phase of the Technical Assistance programme was launched in 2022 to include five additional PFIs, leveraging the experience garnered and the success achieved from the first phase of the programme. The five PFIs which featured in the second edition are First City Monument Bank (FCMB), Fidelity Bank, FSDH Merchant Bank, Providus Bank, and Stanbic IBTC.

Following the conclusion of the two phased Technical Assistance programme to DBN's PFIs, DBN embarked on the delivery of another Technical

Assistance programme. This was implemented by A2F Consulting (a German consulting firm) and impacted 10 Microfinance Banks namely AB MFB, Accion MFB, Addosser MFB, Baobab MFB, Bosak MFB, Hasal MFB, Infinity MFB, LAPO MFB, Mainstreet MFB, and NPF MFB.

The TA programme played a vital role in helping DBN understand the needs of its PFIs as it provided an avenue to assess and uncover gaps within the PFIs' processes and operations. Some areas the PFIs were supported included an exposure to green finance, data driven credit scoring models, gender finance, risk management (covering foreign exchange risk management strategies, risk pricing, statistical scoring), asset liability management (ALM), SME finance with an in-depth exploration into cashflow modelling and digital finance.

Other support areas covered during the programme include technology integration and the upgrade of some PFIs' management information systems, strengthening of their risk management practices, enhancement of their Anti-Money Laundering & Combating the Financing of Terrorism (AML/CFT) systems, and the review of their corporate governance structures.

IMPACT OF THE TA PROGRAMME

Feedback from the PFIs was positive with banks experiencing an improvement across their portfolios.

Data collected revealed that Union Bank recorded about 428% growth in their loan portfolio, Wema Bank recorded about 59% growth, and GT Bank recorded 51% growth. In terms of loan portfolio quality, three PFIs achieved NPL ratios below 3.5% during the TA period. The average number of SME accounts opened among the beneficiary PFIs also increased from 199 in 2022 to 10,192 in February 2023.

We also noted that PFIs' portfolios reflected a growth in lending to women MSMEs over the TA period.

At Ecobank, lending to women MSMEs grew 20 times between December 2020 and May 2022. Wema Bank also showed an increase in the proportion of women-MSME loans by up to 17%.

For the number of loans booked, three of the banks demonstrated remarkable growth. Union Bank's growth rate was 62% whilst Wema Bank registered an impressive growth of 220% between December 2020 and May 2022. Access Bank also demonstrated a strong growth of 128% in the number of SME loans booked between June 2021 and May 2022.

FUTURE PLANS

Supporting PFIs with technical assistance is one of the core mandates of DBN. The impact and benefits derived from the DBN technical assistance programmes to PFIs further buttresses the importance of this initiative.

Therefore, the Bank will sustain its commitment to this mandate and extend the technical assistance to more PFIs, with the expectation that these efforts will improve the state of MSME financing in Nigeria.

Sincerely,

Tony Okpanachi, PhD.

Managing Director/CEO
Development Bank of Nigeria Plc.



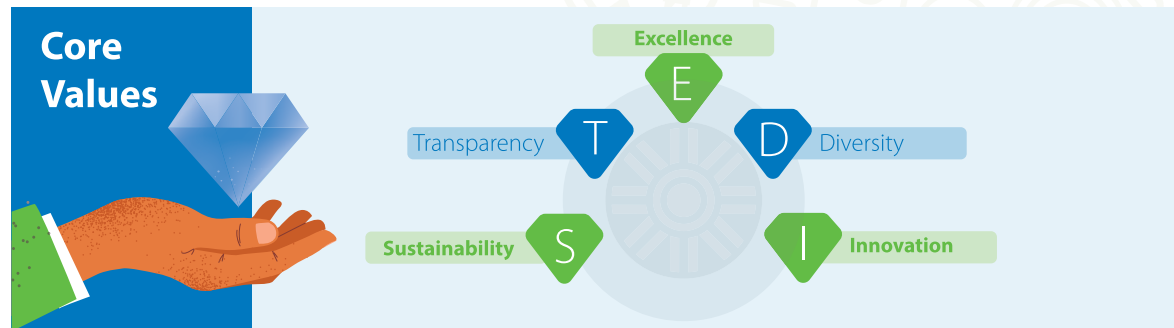
Our Corporate Philosophy



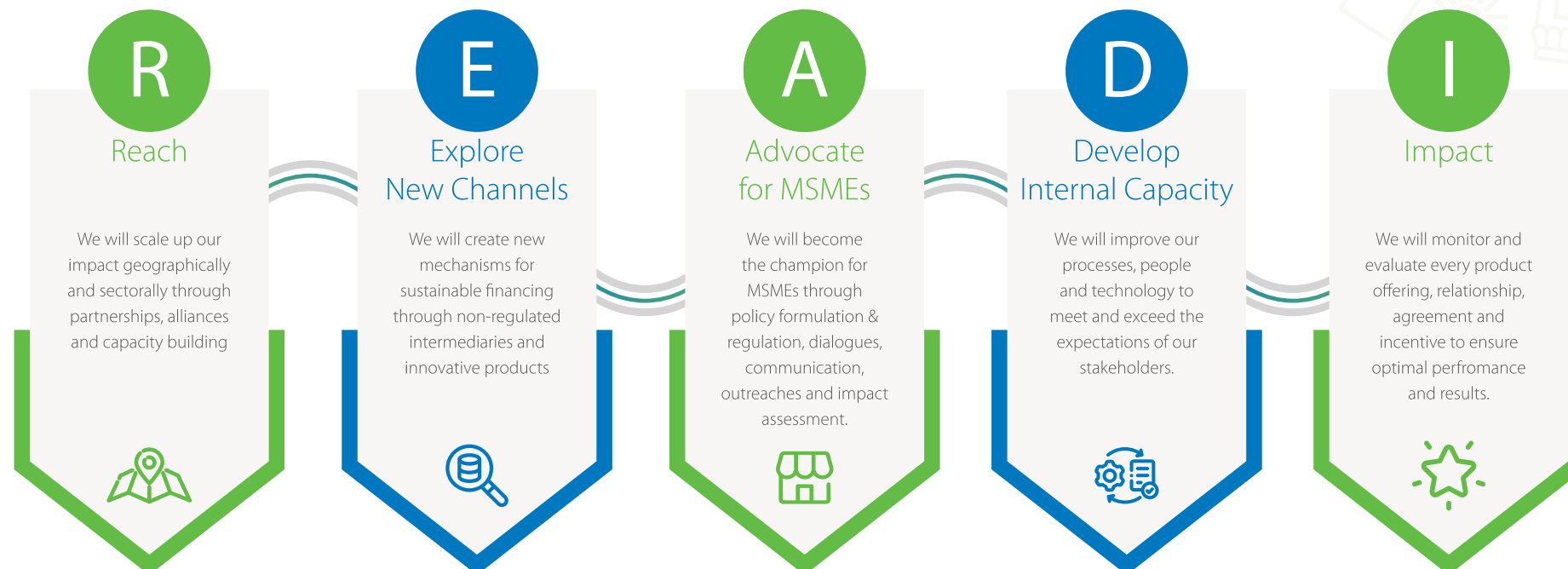
Our Vision

To be Nigeria's primary development finance institution; promoting growth and sustainability.

Core Values

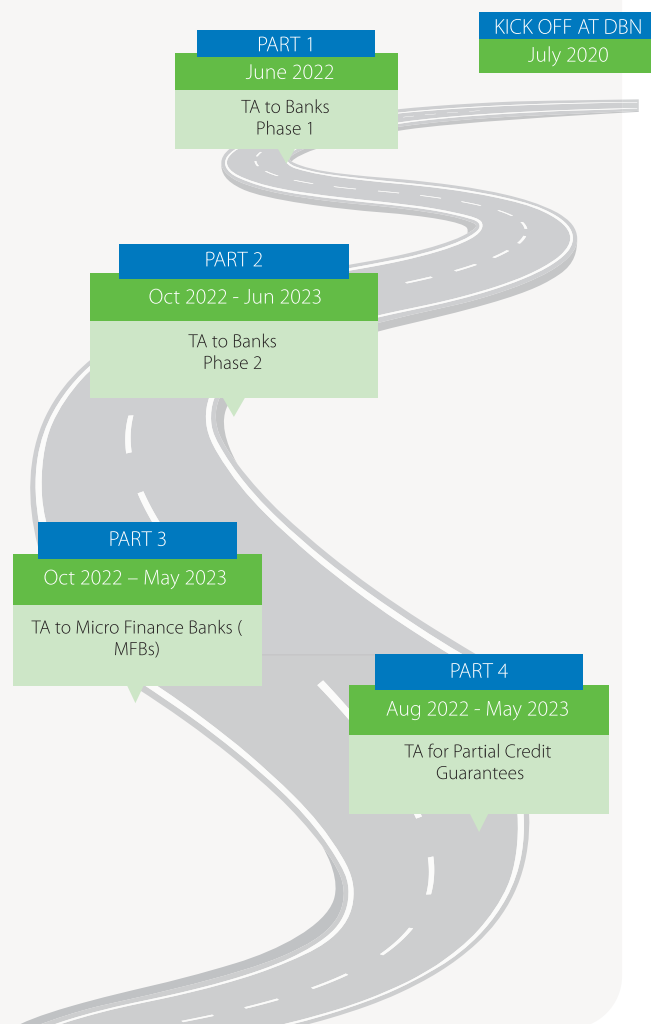


DBN five year strategic plan:



Programme Overview

The Technical Assistance programme was conducted in 4 parts.



Programme Objectives



To provide Technical Assistance (TA) to financial institutions aimed at expanding their lending to MSMEs on sustainable and commercially viable terms.

Participating Banks



Microfinance Banks



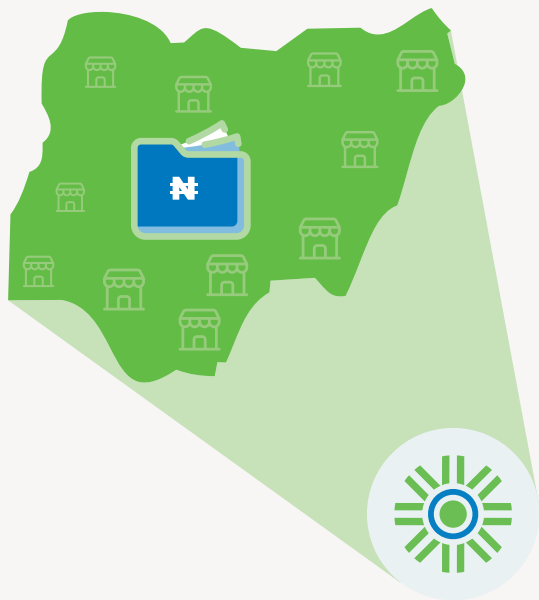
Implementation Partners



Objectives

Technical Assistance to Banks

To expand their lending to target MSMEs – Development Bank of Nigeria “(DBN)” project in Nigeria



Overall Goal



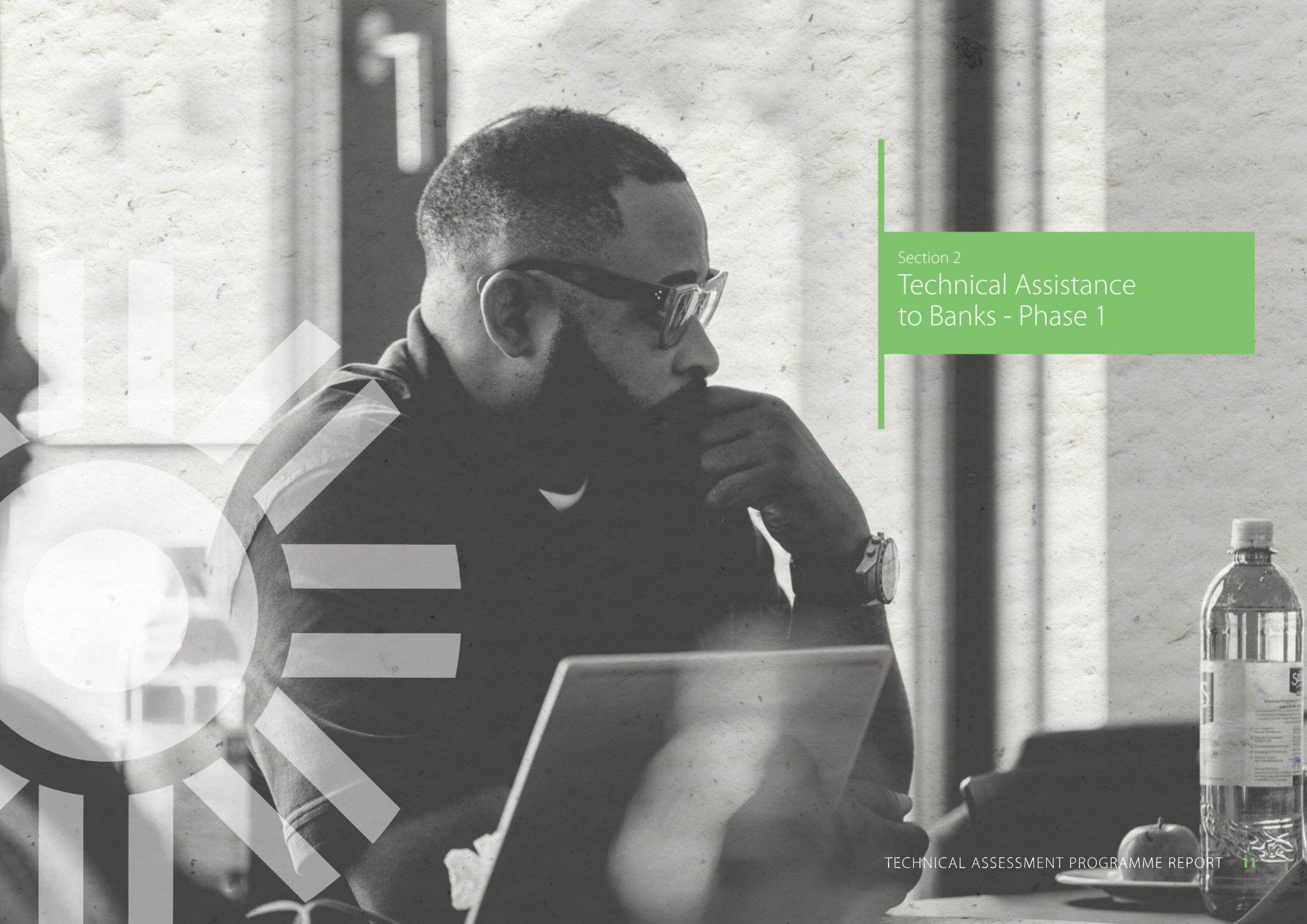
The goal of the TA is to augment the level of formal credit and other financial services made available to MSMEs by improving the capacity of financial institutions to profitably and sustainably serve this market segment.

Specific Objectives of the Programme:



To support the downscaling programmes of selected banks by enhancing their capacity to deliver products and services to MSMEs and expand their outreach to this market segment.

To determine the feasibility of micro enterprises inclusion in the technical assistance programme



Section 2
Technical Assistance
to Banks - Phase 1

Background

In line with DBN's mandate to increase access to finance for MSMEs in Nigeria, the Bank launched its first Technical Assistance Programme to 5 Participating Financial Institutions (PFIs) in July 2020: Access Bank, Ecobank, GT Bank, Union Bank and Wema Bank.

The programme was implemented by the Frankfurt School of Finance & Management (FSFM) to support the activities of the PFIs, enabling them expand their lending to MSMEs in the country.



Project start date:
July 2020



Project end date:
June 2022



Below is the summary of the activities during the 24-month period:

01



Institutional assessments
overview

03



Monitoring & Evaluation
Impact Analysis

02



TA Implementation

04



Study Tour

Institutional Assessments

Assessments were conducted on each bank to identify structural, infrastructural, product, and service delivery gaps and detailed TA work plans were developed to address them. The assessment of each PFIs' MSME financing business covered institutional set-up and readiness of the PFIs to serve the MSMEs business growth.

Background and Organisational Set-Up

- Mission and Vision
- Products and Services
- Key Performance Indicators
- Corporate Structure
- Institutional Strategy

MSME Business Operations

- Business Strategy
- Governance
- MSME Credit Cycle
- MSME Products and Portfolio

Risk Management

- Risk Management Framework
- Credit Risk/Portfolio Management
- Operational Risk
- Financial Risk
- Compliance with Regulatory Statutes

Internal Audit

- Risk Based Audit
- Internal Controls

Treasury and Financial Management

- Accounting System
- Management of Cash, Liquidity and Investments

Information Technology/Management Information Systems

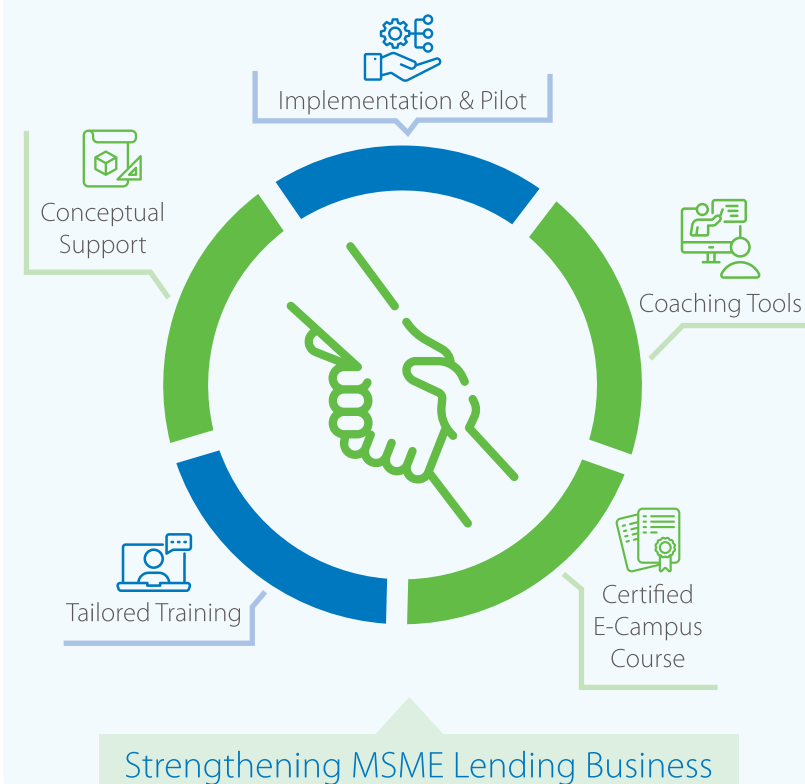
- IT/MIS Infrastructure
- Digital Financial Services Strategy
- MSME Delivery Channels

Human Resource – Training and Development of SME Staff

- Recruitment and Training of Staff involved in MSME Banking
- MSME Staff Capacity Review
- Performance Management of Staff involved in SME Banking

Technical Assistance Implementation

The TA implementation commenced following the development of the TA plans for each Institution.





Wema Bank Technical Assistance Activities

PROGRAMME HIGHLIGHTS

58.9%

Increase in outstanding
loan portfolio

44

SME clients received
training on non financial
services.

81

Participants received
certification in SME
Finance Courses.

SME LENDING (DIGITAL) STRATEGY AND SME LENDING PROCESSES

- » MSME strategy document incorporating digital strategy and a template of the products and procedures, was developed.
- » Revised lending processes in 9 phases, including traditional and digital lending processes stages with detailed workflows, were proposed to the bank.

AGRI LENDING

- » Guidelines and value chain analysis for agric finance were created.
- » Product development webinars which covered the following: understanding product strategy, go-to-market, Agri-lending appraisal and rural finance were delivered.
- » 6 participants from the bank underwent knowledge transfer and coaching on various aspects on Agri-lending.

RISK MANAGEMENT

- » Customised knowledge transfer on credit portfolio risk management was done.
- » 5 intensive training and coaching sessions on credit portfolio risk management were provided to 27 staff of the bank.
- » Follow up and coaching sessions as well as practical video-based guides on credit risk portfolio management were conducted.

FINANCIAL MANAGEMENT

- » 2 knowledge transfer sessions on Asset and Liability Management (ALM) were delivered to 22 staff focused on liquidity, foreign currency and interest rate risk management.
- » Developed a Comprehensive Asset Liability Management (CALM) Tool for the Treasury team.
- » MIS reporting specification was carried out which entailed structuring of the MSME reporting requirement and a provisioning model for the SME loan portfolio.

NON-FINANCIAL SERVICES

- » A 3 day Training of Trainers (TOT) on “Enhanced banking, customer advice services and relationship management” was provided to 3 different groups.
- » Wema Bank was supported on the establishment and curriculum development of the Wema Bank SME School.
- » 5 Training sessions on Non-financial Services were provided to 44 SME clients of the bank.

E-LEARNING COURSES

- » 12 participants undertook several e-learning courses from Frankfurt School e-campus online courses with a duration of 6 months. These comprised Agri-finance, Digital Finance, Non Performing Loan Management, SME Finance, Climate and Renewable Energy Finance.

CERTIFIED SME FINANCE COURSE

- » 7 training events were held on various SME finance topics.

SME BRANCH ROLL OUT AND IMPLEMENTATION

- » An SME pilot branch was established at Wema Bank Tinubu branch with on-the-job training and recommendations for improvement provided.

Wema Bank SME Business School

The TA provided support to Wema Bank to refine and launch their first SME business school in Lagos on the 16th of August 2021.

Customized non-financial services for SMEs were offered leading to improved business structure and management.

Training materials and the first 5 training sessions of the business school were provided leading to a total of 200 SME clients of the bank being trained on various topics including finance, marketing and sales, leadership, technology, branding, strategy, innovation and business transformation.



Launch of WEMA Bank SME Business School





Union Bank Technical Assistance Activities

PROGRAMME HIGHLIGHTS

427.5%

Increase in outstanding
loan portfolio

100

SME clients took part in
webinar sessions

50

Participants successfully
completed SME Finance
Certification courses

SME LENDING (DIGITAL) STRATEGY

- » An SME strategy document tailored to the bank's needs was developed. The strategy encompassed SME segmentation, lending process, sales strategy, credit risk management, and management information and reporting system.
- » The SME loan portfolio and lending products of the Bank were reviewed and relevant recommendations were presented in a document "Mapping of SME Lending Products & Portfolio".

MICRO/RETAIL (DIGITAL) LENDING STRATEGY

- » A strategy document of the micro business to support the redesign of this customer segment was prepared.

RISK MANAGEMENT

- » A customised training curriculum on credit portfolio risk management was developed.
- » 6 coaching and training sessions on credit portfolio risk management were provided.
- » Practical video-based guides on credit risk portfolio management was also provided.

IT/MIS

- » An MIS reporting catalogue and a work plan for the bank to enhance MSME reporting were created.

NON-FINANCIAL SERVICES (NFS)

- » 15 participants were engaged in a Training of the Trainers session on Non-Financial Services.
- » Webinar sessions were conducted for 100 SME clients of the bank on business planning, cashflow management, and tax compliance.

E-LEARNING COURSES

- » 12 staff members from various departments of the bank participated in 6-month e-learning programs on SME and Agri-finance.

HUMAN RESOURCE-CERTIFIED EXPERT IN SME FINANCE COURSE

- » An SME Finance certification course was implemented in 7 sessions for 50 participants on various SME finance topics.

SME ROLL OUT AND IMPLEMENTATION

- » Credit scoring and rating assessment as well as a customer loyalty program were designed.



Ecobank Technical Assistance Activities

PROGRAMME HIGHLIGHTS

280

Participants took part in ESMS workshops

40

Staff received Capacity Building to improve the Ecobank Female Entrepreneurs Initiative (EFEI)

DEVELOPMENT FINANCE / MICRO (DIGITAL) LENDING STRATEGY AND PROCESS

- » A finance strategy for the DF/Micro lending team including lending process, process flow documentation, marketing strategy, credit risk management and digitization was designed.
- » Recommendations were also proposed to the bank on supporting agricultural lending, credit scoring and credit rating.

SME (DIGITAL) LENDING BUSINESS STRATEGY AND PROCESS

- » An SME lending strategy document including SME lending process, HR strategy, SME marketing strategy, credit risk management and digitization of SME Lending Business was drafted.
- » The strategy led to the revision of the SME lending products and refinement of the SME lending processes.

GENDER (EFEI)

- » The bank was supported to improve the Ecobank Female Entrepreneurs Initiative (EFEI) and gender programme through capacity building activities to 40 staff.
- » The internal infrastructure for the Ecobank's WMSME Value proposition was refined.

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS)

- » 280 participants received ESMS workshops virtually on business case for managing environmental, social & gender aspects.
- » The review of the bank's environmental and social (E&S) policy and procedures manual was supported by the TA activities.

RISK MANAGEMENT

- » A credit risk management survey on different areas of training needs was conducted.
- » A credit portfolio risk management training plan tailored to the bank's needs was prepared.
- » 6 training and coaching sessions were performed virtually for 15 participants.
- » Video-based guides as sources of sustainable knowledge transfer on credit risk portfolio management were also provided.



The Pan African Bank

Ecobank

Technical Assistance Activities

PROGRAMME HIGHLIGHTS

250

Relationship managers
received credit analysis
training

HUMAN RESOURCE CERTIFIED EXPERT IN SME FINANCE COURSE

- » A credit analysis training which included SME Client investigation/Non-financial analysis, SME Credit financial analysis and loan portfolio monitoring and management was provided to 250 relationship managers.
- » A 3-day Training of the trainers session for selected relationship managers was provided.
- » 50 staff were enrolled for the FS Certified Expert SME Finance (CESF) Course in standard modules:
 - (i) Basics of SME finance,
 - (ii) Non-financial analysis,
 - (iii) Intermediate client investigation,
 - (iv) Financial statement and performance analysis, cash flow analysis and forecasting,
 - (v) Relationship management,
 - (vi) Loan portfolio monitoring, management and collection.
- » Certified e-learning courses were provided to 14 staff of the bank on various topics aligning with their job descriptions. Topics included Agri-finance, Climate & Renewable Energy Finance, Digital Finance, Financial Inclusion, Microfinance, and Risk Management.

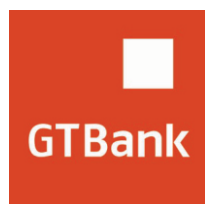
SME ROLL-OUT ACTIVITIES

- » TA activities provided support in the improvement of the MIS reporting and probation principle approach.
- » SME credit rating templates were prepared.
- » Training materials were prepared and testing of the e-learning platform was carried out.
- » Support for a survey tool to assess Agri-business loan customers was provided.

IT/ MIS

- » MSME Reporting Platform Requirements Specification document was prepared, identifying (1) the nature of the input data set, (2) the data arrangements (e.g., transformations, aggregations, ratios) and (3) specific business needs (MSME reporting structure).
- » Agri-lending coaching was carried out, covering credit risk management, assessing agricultural potential of regions, assessing farmer risk profile and value chain finance.





GTBank
Technical Assistance Activities

PROGRAMME HIGHLIGHTS

51%

Increase in outstanding loan portfolio

53

Staff enrolled for CESF Certification

Provided strategy and Implementation support for Habari and Mobile Money

SME (DIGITAL) LENDING STRATEGY

- » A comprehensive SME Strategy was developed. The strategy covered SME finance sales strategy, human resource strategy, lending process, credit risk management, SME finance digitalisation, non-financial services and management information systems.

SME (DIGITAL) LENDING PROCESS

- » The SME lending process covering customer acquisition, loan application, assessment, analysis, monitoring, admin, repayment and recovery was refined.

NON-FINANCIAL SERVICES (NFS)

- » Training of the Trainer course was provided for 16 participants.
- » 3 webinar sessions for SMEs were also conducted.

RISK MANAGEMENT

- » Training in statistical credit scoring was carried out.
- » 23 participants received training sessions on credit portfolio risk management.
- » Practical video-based guides on credit risk portfolio management were created.

INCENTIVE SYSTEM

- » Workshops held for the implementation of the performance-based incentive system.

HR - CERTIFIED EXPERT IN SME FINANCE (CESF) COURSE

- » Staff completed 6 modules including basics of SME finance, cashflow analysis and forecasting, relationship management and loan portfolio monitoring, management and collection.

HABARI & MOBILE MONEY.

- » Habari digital strategy document was prepared, in respect of the digital market platform of the bank.
- » The fundamentals of non-financial specification including the architectural and conceptual model for the development of the fundamental NFS Business Suite were also prepared.
- » A draft Habari mobile money strategy supporting loan repayment for microloans was provided to the bank.

E-LEARNING COURSE

- » 14 bank staff from different departments completed certified e-learning courses on Agri-finance, SME finance, risk management, Islamic finance, microfinance, and climate/renewable energy finance.



Access Bank
Technical Assistance Activities

PROGRAMME HIGHLIGHTS

29.1%

Increase in outstanding
loan portfolio

Developed a Greenhouse
Gases (GHG) mitigation
calculation tool

Workshops on Partnership
for Carbon Accounting
Financials (PCAF) emission
conversion factors were
delivered.

DEVELOPED A CREDIT SCORING MODEL FOR THE RETAIL LOAN PORTFOLIO

- » Credit rating workshops with topics such as Machine Learning were performed. Up to 10 training sessions were conducted for 25 participants.

SUPPORTED RENEWABLE ENERGY FINANCE

- » 2 workshops on Partnership for Carbon Accounting Financials (PCAF) emission conversion factors and how to apply them on a sub-sector level were carried out. Topics covered include GHG accounting reporting standards and implementation of PCAF.
- » A Greenhouse Gases (GHG) mitigation calculation tool tailored to the Bank's requirements was developed.
- » A training guide that explains the methodological framework used to estimate GHG mitigation impact was created.
- » Training on the utilisation of the tools was also provided.
- » The bank's Green Lending products were reviewed and recommendations to improve green lending was provided.

E-LEARNING COURSE

- » 14 of the Bank's staff were enrolled in various Certified Expert courses including Climate and Renewable Energy Finance, Digital Finance, Financial Inclusion, Risk Management, and SME Finance.

ENHANCEMENT OF THE DIGITAL MSME LENDING PROCESS WITH FOCUS ON LOAN COLLECTION & MONITORING

- » The TA activities provided support to the Emerging Business (EB) Unit to enhance the lending processes including disbursement and post-disbursement phases.

ENHANCEMENT OF CREDIT PORTFOLIO RISK MANAGEMENT

- » Credit portfolio risk management trainings were conducted, covering various topics including vintage analysis, migration analysis and default correlation analysis.

Additional TA Activities



Green Finance

Training on Renewable Energy for SMEs: Solar Power Financing.

Energy Efficiency in SMEs:

- Energy Assessment
- Green Finance Product Development
- Rural – Urban Electricity Mini-Grids
- Green Finance for rural electrification



Gender Finance

Gender sensitivity training.

Business case for building a strong Women's Customer Value Proposition (CVP).

Defining the Women's Customer Value Proposition (CVP) and developing a data strategy for enhancing the Women's CVP.

Value Added Services (VAS) in practice: Cluster coaching and speed networking event for women entrepreneurs.

Creating the right VAS to enhance Women's CVP.



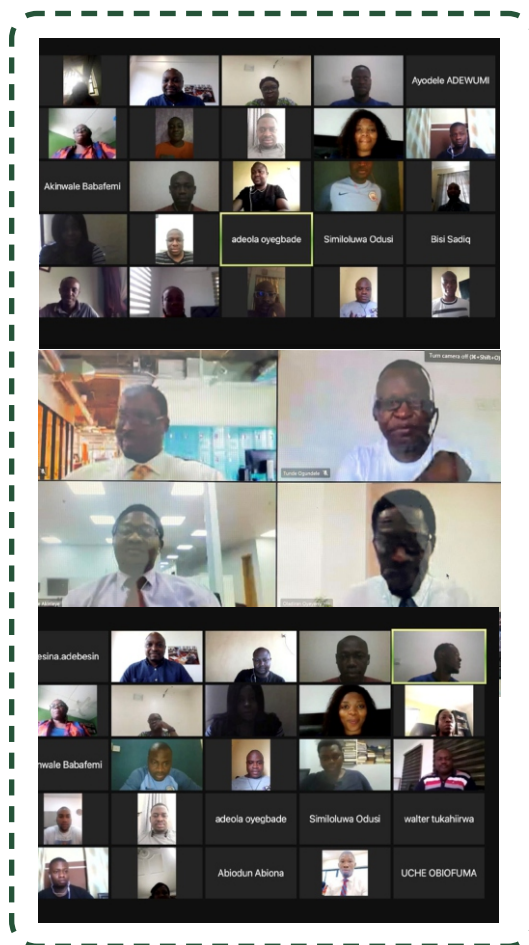
Agric Finance

Coaching in basics of agric-finance and roll-out of e-learning curricula.

Enhancing product development for agric-lending business.

PFI Staff Training

Total Staff trained over time across all the banks are detailed here.



 PFI	 Employees who participated in TA Activities	 SMEs trained in NFS Webinars
Wema Bank	174	44
Union Bank	116	269
Ecobank	926	500
GT Bank	113	450+
Access Bank	65	-
E-Campus courses	71	-
Study Tour (June)	20	-
Total (5 PFIs)	1,485	1263+

Monitoring & Evaluation Reporting

Monitoring and Evaluation was carried out along 9 main indicators to determine the impact of the TA on the respective PFIs MSME businesses.

Monitoring Indicators for new MSME Loans
Volume of Loans
Number of Loans
Average Loan Size
% of Loans to Women
NPLs (e.g., PAR 1 day, 30 days, 90 days)
Number of MSME Dedicated Loan Officers
Average Number of MSME Loans per Dedicated Loan Officer
Average time for MSME Loan Approval
Number of Branches Offering Dedicated MSME Loan Products

The impact indicators were streamlined into three categories:

Positive ✓

Neutral —

Negative ✗

Rated Impact Indicators	Wema Bank	Union Bank	Ecobank	GT Bank	Access Bank
Volume of Loans	✓	✓	✓	✓	✓
Number of Loans	✓	✓	—	✓	✓
Average Loan Size	✓	✓	✓	✓	✓
Share of SME Loans to Women	✓	✓	✓	✓	Not Applicable
SME Portfolio Quality/ PAR90	✓	✓	✓	✓	✓
Number of SME Loans per dedicated Staff	✓	✓	—	—	Not Applicable
Average time for SME Loan Approval (TAT)	✓	✗	✓	—	—
Green Finance	✓	✓	✓	—	✓
Agri-finance	✓	✓	✓	✓	Not Applicable
Non-Financial Services (NFS)	✓	✓	✓	✓	Not Applicable

Key Impact Indicators

1. Volume of Loans

The loan portfolios of 4 PFIs increased significantly over the period of the technical assistance.

 PFI	 Growth rate of outstanding MSME portfolio between 2020 and 2022
Wema Bank	158.9%
Union Bank	527.7%
Ecobank	-1.7%
GT Bank	151%
Access Bank	129%

2. Loan Portfolio Quality

This was measured in terms of Portfolio at Risk (PAR) 90 days / the Non-Performing Loans (NPL) ratio.



Three PFIs achieved an NPL ratio below 3.5% in the period under review.

3. Number of Loans

Three banks in the programme namely: Wema Bank, Union Bank and Access Bank demonstrated growth in the number of the loans booked.

Union Bank's growth rate was steady at 62% while Wema Bank registered an impressive growth of 220% between December 2020 and May 2022.

Access Bank also showed a strong growth of 128% in the number of outstanding SME loans between June 2021 and May 2022.

4. Average Number of SME Loans per Staff responsible for SME Business

The average number of SME loans per SME staff is a good indicator of efficiency.

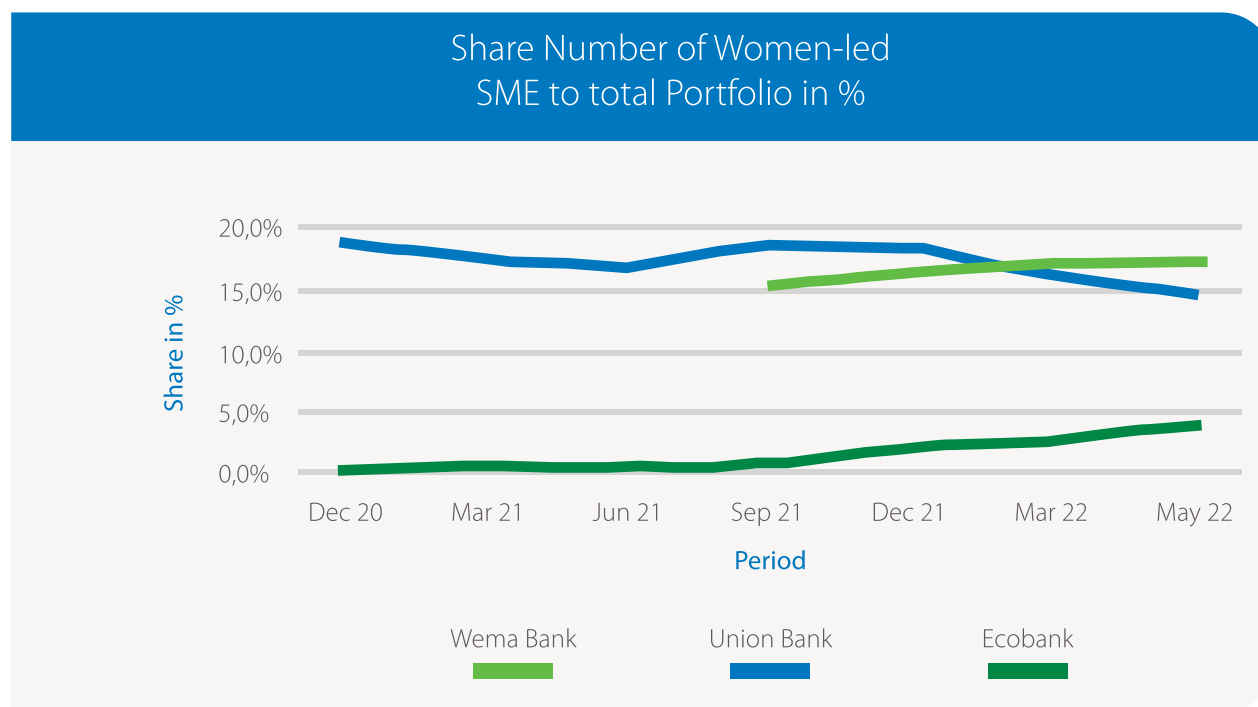
Based on evaluation, the following banks recorded an increase in average number of loans per staff after commencement of the TA Program; Wema Bank (+181%), Union Bank (+87%) and GT Bank (+65%).

This could be as a result of digital procedures improvements and more efficient lending processes introduced.

Loans to Women

MSME portfolio showed increased lending to women-led SMEs.

The TA support contributed to the increased lending to Women MSMEs at Ecobank between December 2020 and May 2022. Wema Bank showed an increase from 16% to 17% while Union Bank decreased slightly from 17% to 15%.



Growth and Expansion

All PFIs recorded considerable growth and expansion of their MSME businesses as a result of activities carried out under the TA programme.



Refined SME Lending
Strategy



Improved MSME Lending
Processes



Introduced Incentive Systems
for Customer Loyalty and
Retention



Enhanced MIS reporting on
SME lending business



Improved Technical
Knowledge on SME Lending



Specialist Frontline SME
Branches/Unit in Pilot



Model specialists, dedicated
SME service desks and frontline
staff proposed for pilot testing
and rollout.



Training and support in Non-
financial services

Study Tour

The TA Programme ended with a study tour to Germany for staff of the PFIs aimed at exposing the staff to international best practices.

The study tour also provided participation in bespoke lectures on several Development Finance topics.

Training Approach and Methodology

Classroom Trainings

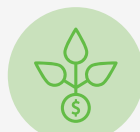
The training used a classroom-based approach and participants attended training sessions in Frankfurt am Main, Germany.

The classroom sessions took place between 13th and 18th of June 2022 with a total of 21 participants from the 5 PFIs: Wema Bank, Union Bank, Ecobank, Guaranty Trust Bank, Access Bank and First City Monument Bank (FCMB).

A foreign exchange workshop provided by Commerzbank, as well as a session with KfW was also included.

TRAINING CONTENT

Topics taught included:



Green Finance



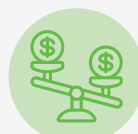
Data Driven Credit Scoring



Gender Finance



Risk Management (foreign exchange strategies, risk pricing, statistical scoring)



Asset Liability Management (ALM)



SME Finance with In-depth Discussion on Cash flow Lending



Digital Finance





Site Visits

Participants embarked on an excursion to thriving MSME businesses in Germany; Schloss Vollrads (manufacturers of German wine) and Samson AG, makers and distributors of oils and vapours.



Certifications

The study tour was concluded with the handover of certificates which took place on 18th of June 2022. All the 21 participants received certificates of participation at the end of the program.



Section 3
Technical Assistance
to Banks - Phase 2

Background

Based on the completion of the pilot phase of the Technical Assistance to banks, a second phase of the project was launched in 2022. The aim of the project was to provide Technical Assistance (TA) to 5 banks to expand their lending to MSMEs on sustainable and commercially viable terms.

The goal of the TA is to augment the level of formal credit and other financial services made available to Micro, Small and Medium Enterprises (MSMEs) by improving the capacity of financial institutions to profitably and sustainably serve this market segment.



Project starting date:

October 2022

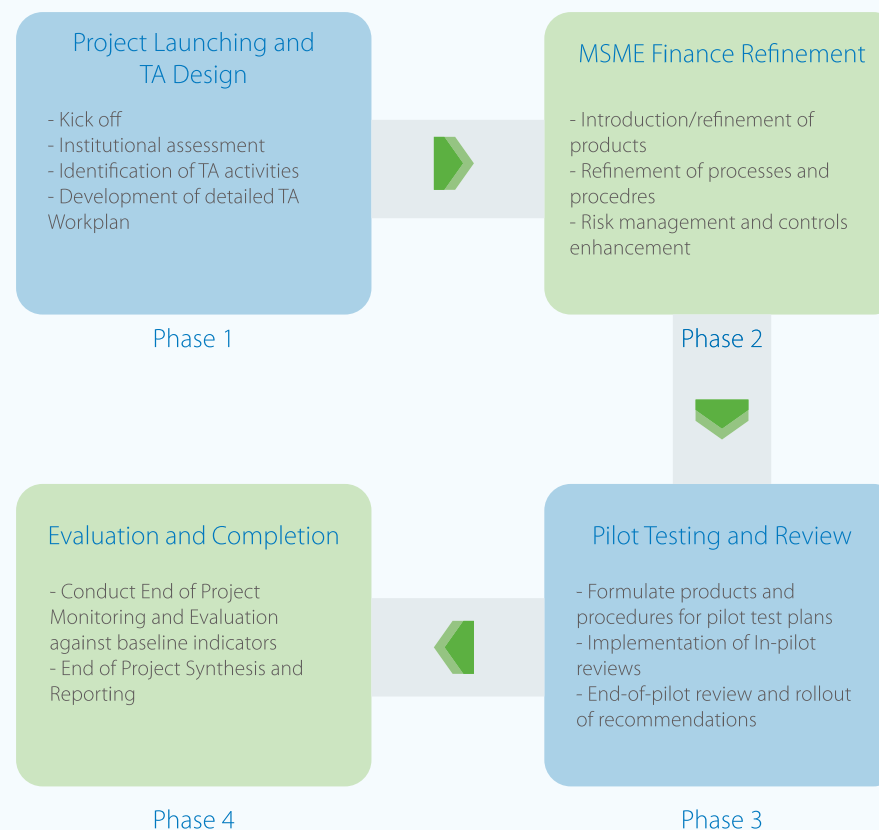


Project end date:

June 2023

Project Synopsis

The second phase of the TA to banks project was executed by the Frankfurt School of Finance and Management (FSFM) based on the successful completion and implementation of the pilot phase.



Institutional Assessment and Formulation of TA Plan

The first phase of the Technical Assistance (TA) programme consisted of institutional assessment of each Participating Financial Institution (PFI) to identify structural, organisational, product, and service delivery gaps and develop detailed TA work plans to address them.

The assessment of each PFI's MSME financing business covered institutional set-up and readiness to deliver high-quality lending services to MSMEs. The assessment process was designed to include interviews with the management, unit heads and teams, observation of operations and review of relevant documents.

The institutional assessment included the analysis of the existing strategy, structures, policies, procedures, and the existing loan portfolio related to MSME financing activities.

PFI's Areas of Assessment



These assessments identified the strengths, weaknesses, opportunities and threats (SWOT analysis) of each of the 5 PFIs. Thereafter, recommendations for TA interventions were presented to the 5 PFIs.

Technical Assistance Design and Implementation

During this phase, the following TA activities were carried out:

- » Recommendation for design and modification of policies, processes, and procedures to increase MSME lending.
- » Capacity building / Training of MSME Finance, risk management, branch, and other key staff on the recommendations for introduction of the revised products and policies.
- » Development of MIS and tools to support the MSME business and recommendations for upgrades of IT platforms and other solutions.



MSME Recommendations and Policies, Processes and Procedures

The consultants provided recommendations to design or modify policies, processes and procedures to increase MSME lending based on the banks' current and potential customer base.

In addition, 3 strategy documents were customised for Providus Bank, Fidelity Bank and FSDH Merchant Bank.

The following areas were addressed by the TA activities across the 5 PFIs with detailed programmes carried out for each PFI based on the identified TA areas.

- MSME Lending Process
- Marketing Components
- Credit Risk Management
- Human Resources Management
- Digital Finance Strategy
- SME Advisory Components



Capacity Building / Training of MSME /Risk Management

The second phase of TA activity entailed capacity building to MSME finance teams and Risk Management training

CAPACITY BUILDING AND TRAINING OF MSME

Three PFIs (FSDH, FCMB & Providus Bank) received Training of Trainers (TOT) tutoring sessions. The coaching activities were offered as a complement to the MSME advisory services offered by the programme.

The objective was to enhance staff members' capacities to incorporate non-financial services into their sales and relationship management functions, providing MSMEs with additional value.

Training:

ENHANCE BANKING CUSTOMER ADVISORY SERVICES AND RELATIONSHIP MANAGEMENT



Main topics covered:

- » Relationship Management / Sales Cycle/ NFS Cycle
- » NFS Areas of Capacity and Competence
- » SME NFS - Scoring
- » SME NFS Trainings to match NFS Needs
- » Advisory Needs Analysis
- » Return on investment (ROI) on NFS services (Bank and SME side)
- » Basic Adult Learning and Training Methodology



Exercises:

- » Sales Cycle & NFS Cycle
- » SME NFS SWOT
- » Identifying needs and matching courses/ giving advice/ referring

Risk Management

Coaching sessions were offered and credit portfolio risk management techniques were implemented as agreed with the PFIs during institutional assessments.

The table shows the TA in credit portfolio risk management provided for each Participating Financial Institution.



Technique	Fidelity	Providus Bank	FCMB	FSDH	Stanbic IBTC
Concentration Analysis	Implemented ■■■■■	Implemented ■■■■■	Implemented ■■■■■	Implemented ■■■■■	
Migration Analysis	Implemented ■■■■■	Implemented ■■■■■	Implemented ■■■■■	Implemented ■■■■■	
Vintage Analysis	Implemented ■■■■■	Coached ■■■□□	Coached ■■■□□	Coached ■■■□□	
Default Correlation Analysis	Coached ■■■□□		Coached ■■■□□		Coached ■■■□□
Statistical Credit Scoring					Coached ■■■□□

Development of MIS/IT Tools

Different MIS/IT tools were deployed for the selected PFIs.



Fidelity

Fidelity Bank

An intranet analytics portal design which provided critical information for decision-making across the MSME operations was designed. The portal covers the branch and bank performance on SME loan products, past due obligations and SME Asset Distribution dashboard.

Loan Budget Analysis

MSME loan budget analysis will enable the bank to track the budget performance and analyse the trends of loan budget achievement on a monthly basis.

Monitoring Reports

Past due monitoring reports were developed for some of the PFIs. These reports are used to determine if loans were within limits of regulatory standards for past due obligations.



FCMB

Up to 10 MSME monthly reports were automated for the business banking groups.



PROVIDUSBANK

PROVIDUS BANK

The FSFM MIS team designed and developed a custom-made MSME monitoring report to help track key parameters and determine the performance of loans in terms of amount disbursed per customer and interest income to be earned per customer.

“

The purpose of the DBN Technical Assistance programme is to increase the capacity of Nigerian institutions to lend to MSMEs in a sustainable manner.



Workshop with executive management
at Providus Bank, 7th of February 2023



Implementation at FSDH

TA Activities, Outcomes and Impact



PROGRAMME HIGHLIGHTS

8 branches

Conducted a pilot test of a new SME loan product

Revised and optimised lending process

Fidelity Bank Technical Assistance Activities

MSME LENDING STRATEGY

- » SME strategy was refined and changes included revised SME client segmentation, new variants of existing products to cater for individual clients beyond the bank's client cluster approach, revised SME growth targets for client numbers and outstanding portfolio, and women SMEs.

MSME LOAN PRODUCTS

- » New SME loan products were developed. Fidelity SME Loan which is designed to better respond to client needs is in place and under pilot test in 8 branches.
- » A Green Finance Plan was developed, with product ideas for SME green finance facilities (energy efficiency, renewable energy, environmental-friendly technologies).

MSME LENDING PROCESS

- » A revised and optimised MSME lending process was put in place, including developing, testing, and mapping the SME lending process at a Fidelity Bank Pilot Branch. Process mapping was done on the paperless loan application, credit bureau, loan approval authority delegation and revised SME loan monitoring.



Fidelity Bank SME Pilot Branch, Ikota Lagos

MSME RISK MANAGEMENT FRAMEWORK

- » Enhanced credit portfolio risk analytics, management and reporting tools and templates were put in place for tracking portfolio quality evolution over time, and portfolio concentration.
- » Enhanced E&S Risk Management policies and procedures were proposed and are under consideration for adoption in the Bank's next annual procedures review.

MSME ADVISORY

- » Return-on-investment model for the Business Support Advisory team was developed.



FCMB Technical Assistance Activities

PROGRAMME HIGHLIGHTS

SME lending strategy developed

SME prime customer incentive approach proposal implemented

Green Finance improvement proposals deployed

FCMB Analytics Portal designed

MSME LENDING STRATEGY

- » An SME prime customer incentive approach proposal was implemented where borrowers get better pricing and more favourable terms as they progress from first-time borrowers to recurring and good borrowers.

MSME LOAN PRODUCTS

- » Proposals for enhancement of the Bank's SME lending product including variants to cater for medium to long-term borrowing needs were accepted.
- » Green Finance Improvement Proposals: An enhanced strategy for green finance has been developed and is under consideration by the Bank. It includes green finance-specific customer segmentation and new green loan facilities in addition to those already in the process of being launched by the Bank.

MSME LENDING PROCESS

- » A lending process refinement proposal was also accepted by the bank.

MSME RISK MANAGEMENT FRAMEWORK

- » An enhanced portfolio credit risk analysis, management and reporting system was put in place: Tools implemented include concentration risk analysis through Lorenz curves and Gini coefficient, analysis of portfolio quality evolution over time through historical and forecasted migration analysis and vintage analysis.

MIS AND DFS FOR MSME LENDING OPERATIONS

- » FCMB Analytics Portal was designed as part of the Bank's IT implementation projects: This portal will provide critical information for decision making drawing data from CBS transaction data, credit bureau data, cost of financing, regulatory information, and other socio-economic data such as inflation, exchange rate and lending rates, as well as many unstructured data sources such as micro and macro-economic data, social media and customer lifestyle.

MSME ADVISORY

- » An Advisory Scale Up Plan was developed. This is a proposed plan for scaling up the outreach of MSME trained to over 12,000 annually. Measures to optimise the existing platform to generate more business and outreach for the MSME segment were also set up.



Providus Bank Technical Assistance Activities

PROGRAMME HIGHLIGHTS

SME loan products refined and developed

E&S policy, procedures and templates improved

Designed the Bank's Enterprise Data Office (EDO)

MSME LENDING STRATEGY AND GOVERNANCE

- » The MSME lending strategy was revised through workshops with the credit leadership team. Revisions include SMEs sub-segmentation along types of economic activities and SME maturity, creation of position of specialised SME relationship managers, revised job descriptions, revised loan approval limits and delegation, and revised KPIs focused on lending.

MSME LOAN PRODUCTS

- » SME loan products were refined, and new ones developed. New products include working capital loans for trading, SMEs Cash flow Loan, Service SMEs (SME Hospitality Loan) and a loan to finance asset acquisition (Asset Finance Loan).
- » A permanent business-driven Product Development team was constituted and coached on all aspects, including systematic SME product development, pilot testing and rollout.

MSME LENDING PROCESS

- » The SME lending process was mapped, refined and accepted by the Bank. FS supported implementation of new credit assessment templates, specialised SME relationship managers, branch-based credit approval committees, branch-based loan approval limits and quicker credit approval and disbursement turnaround time.

MSME RISK MANAGEMENT FRAMEWORK

- » Improved credit portfolio risk analysis and management techniques and metrics were developed. This covered concentration, credit quality transitions, and default probability modelling.
- » E&S policy, procedures and templates were improved, and aligned with the IFC approach.

MIS FOR MSME LENDING OPERATIONS

- » An improved Providus CLICK 1.0. Strategy and roadmap was developed. It covers MSME information for customer acquisition, credit decisioning, loan portfolio management, reporting, internal and external data sources for MSME operations, structure, and processes for data utilisation across the Bank, and machine learning/artificial intelligence (ML/AI) deployment.
- » The Bank's Enterprise Data Office (EDO) was designed and will be responsible for building a digital literacy environment across the Bank, managing data cleaning and development of ML/AI algorithms for predictive and prescriptive business insights.

MSME ADVISORY

- » The business support strategy and business support curriculum and content was enhanced.
- » Non-Financial Services Training of Trainers (TOT) was provided to the Bank's staff members.



Stanbic IBTC Technical Assistance Activities

PROGRAMME HIGHLIGHTS

Enterprise data management strategy and road map was developed

Advisory benefit report for the bank's Salesforce platform was put in place

Existing risk scoring system was reviewed and upgraded

MSME LENDING PROCESS

- » Post-disbursement processes, loan monitoring and management by frontline and credit support function were improved using technology.

MSME RISK MANAGEMENT FRAMEWORK

- » The existing scoring system was reviewed and refined.
- » Credit and risk team were trained in statistical credit scoring.

MIS FOR MSME LENDING OPERATIONS

- » Customer alerts and staff action escalation were implemented, as part of improved post-disbursement loan management.
- » An Enterprise data management strategy and road map were put in place to consolidate data across multiple sources, positioning it in compliance with data laws and ensure consistent data architecture.

MSME ADVISORY

- » Business support strategy and customer loyalty scheme was implemented with a focus on supporting informal MSMEs during the formalisation process and enabling compliance with loan requirements. The strategy also covers advisory cost recovery and third-party service offerings by the Bank's partners.
- » An advisory benefit report that tracks relationship between advisory delivered to businesses and customer patronage was implemented for the bank's salesforce platform.



FSDH Technical Assistance Activities

PROGRAMME HIGHLIGHTS

Optimised use of digital platform

Redesigned the SME BIZ loan product

Designed a Data Intranet platform and established an Enterprise Data Office (EDO)

MSME LENDING STRATEGY

- » SME Lending Strategy and SME credit policy were implemented and incorporated into the Institutional Strategy and Credit Policy. It includes SME segmentation, SME lending targets, establishment of Head Office SME team, and recruitment of SME finance-specific staff.

MSME LOAN PRODUCTS

- » The redesigned SME Biz Loan was approved by the Central Bank of Nigeria.
- » One new SME loan product design was completed and the product is under pilot test. Pilot test and rollout plan were prepared and accepted by the Bank.

MSME LENDING PROCESS

- » Revision of SME lending processes tailored to each SME product and segment was done.
- » SME lending process descriptions and guides were developed for the entire lending cycle and for each segment.

MSME RISK MANAGEMENT FRAMEWORK

- » Concentration management policies, tools, and reporting templates were enhanced, accepted, and implemented.

MIS AND DELIVERY CHANNELS FOR MSME LENDING OPERATIONS

- » The digital platform for efficient SME lending processes was optimized.
- » A data intranet platform was designed for the FSDH SME team to provide critical business information for decision-making. The SME team is now better equipped with data and insights to manage SME operations.
- » An Enterprise Data Office (EDO) was established: This unit will be responsible for managing data across the Bank. It is the single source of truth and defines processes for data utilization across the Bank.

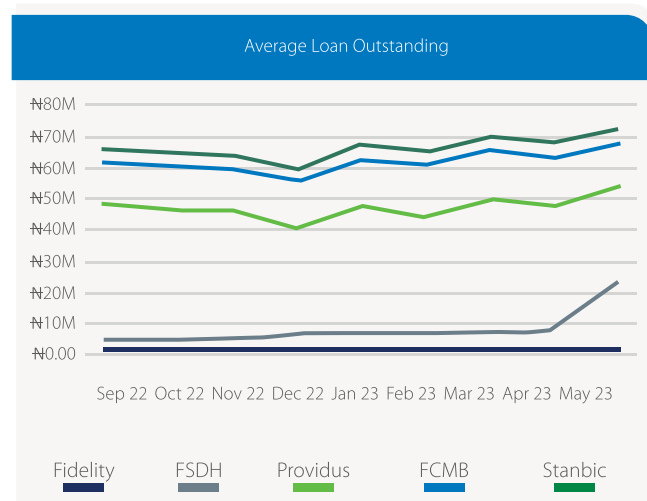
MSME ADVISORY

- » An SME advisory plan for 2023 and SME advisory curriculum were put in place.
- » Internal trainers in business advisory were deployed, after the training of trainers' sessions.

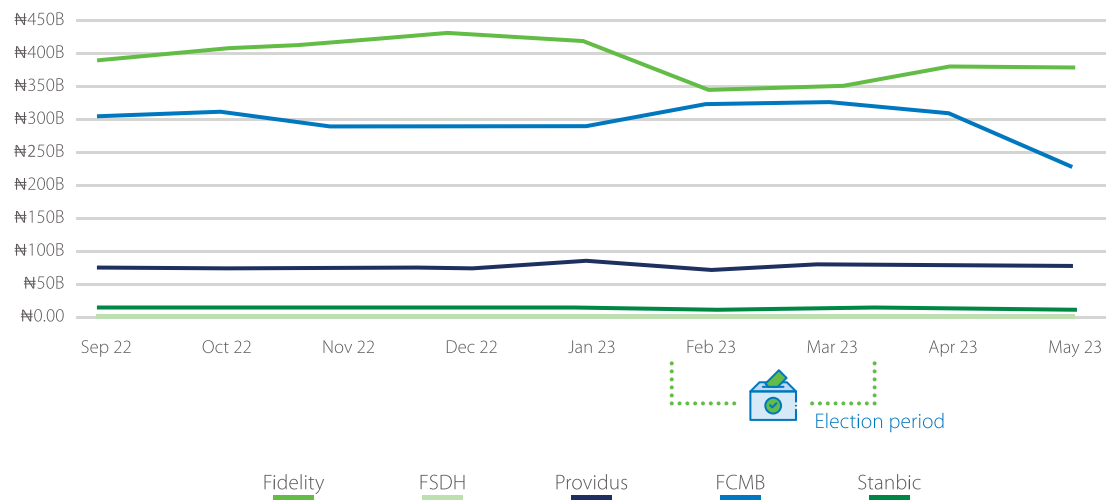
Monitoring and Evaluation Analysis

The M&E reporting indicators were defined and agreed upon by the relevant banks. An M&E template used to collect data on the MSME loan portfolio of each bank was also developed.

2. Average MSME Loan Size



1. Volume of SME Loan Outstanding



Fidelity Bank showed significant increase in the SME loan outstanding as of December 2022. There was a slight decrease of loans in February 2023 due to the elections. However, as a result of the TA implementation, the bank has showed steady increase from March 2023. FSDH, Providus and Stanbic maintained their outstanding SME loans over the 9-month period.

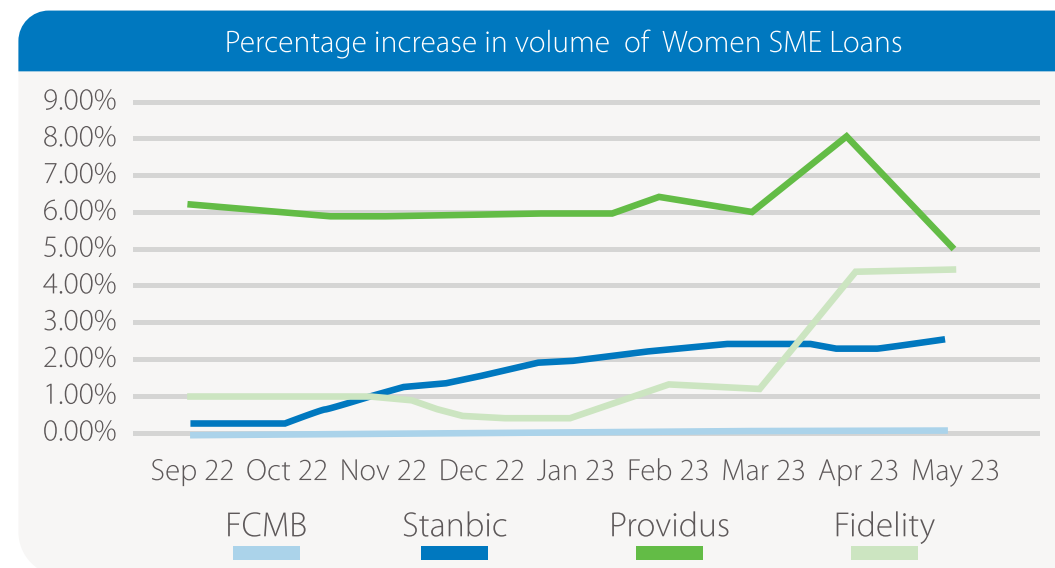
3. Volume of WSME loans

The percentage of women SME loans for both Stanbic and Fidelity Bank improved in 2023 as compared to 2022. Stanbic Bank increased from 0.34% in September 2022 to 2.7% in May 2023, while loans to women at Fidelity Bank increased from 1.1% to 4.5% in September 2022.

4. Number of Loan officers dedicated to SMEs:

The SME lending operations in the front-office/branches are performed by relationship managers or officers who, in addition to lending operations for all customer segments, are also responsible for all other types of SME business such as the collection of deposits, accounts and fee-based services.

The development of a specialised SME lending job position (SME Loan Officer) with sufficient technical capacity, resourcing and exclusive dedication to the segment was proposed to various banks and was tested in their respective pilot branches. Providus Bank recorded an increase of 54 by May 2023 and FCMB recorded an increase of 157 by March 2023.



Study Tour

In June 2023, a study tour was organized for participants from all the PFIs and DBN employees.

The programme consisted of lectures on SME finance, agrifinance, gender finance and risk management (risk pricing, statistical scoring and ALM). The programme also included meetings with development finance stakeholders such as Small and Medium Enterprises Development Organization (KOSGEB), the Union of Chambers and Commodity Exchange of Türkiye (TOBB) and Kredit Garanti Fonu (KGF) and visits to two local banks.

Objective

The Study Tour to Istanbul was the final TA activity offered to the Participating Financial Institutions (PFIs) with the aim of exposing them to international best practices, while enabling their participation in bespoke and up-to-date lectures on several Development Finance topics.

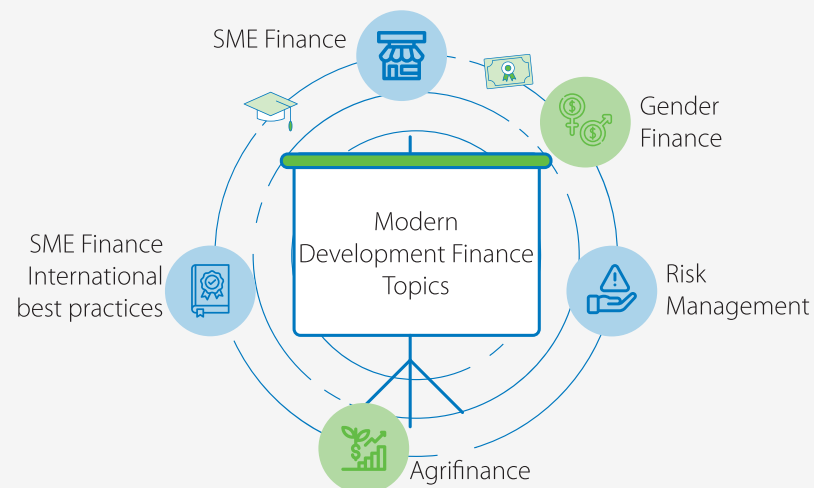
PFIs and DBN Participants

The participants were selected based on their contribution and involvement in the TA Programme. The participants comprised of project counterparts from the 5 PFIs, who ensured an optimisation of the TA impact within their financial institutions.

Training Approach and Methodology

Participants attended training sessions physically in Istanbul, Türkiye. The classroom sessions took place from 12th to 16th of June 2023, with a total of 21 participants.

TRAINING TOPICS



Key takeaways from the Study Tour

- » Partnerships and collaboration are crucial to overcoming the many challenges encountered in serving the segment.
- » Government intervention and support for MSMEs should include interest holidays and reliefs especially during pandemics and natural disasters. This will help MSMEs stay sustainable and in turn, repay their loans.
- » Government support for SME banking is pivotal.
- » The current engagement approach and bespoke solutions came across as effective in increasing PFIs MSME lending.



Participants with FSFM Regional Director for Africa-Willemien Libois



Participants at the study tour visit to Deniz Bank Turkey



Closing Workshop with DBN and FSM in Abuja, 22nd of May 2023



Section 4

Technical Assistance to Micro Finance Banks

Programme Synopsis

Development Bank of Nigeria launched a Technical Assistance (TA) Programme to support the capacity of 10 selected participating Microfinance Banks (MFBs).



Project start date:
October 2022



Project end date:
May 2023

The programme assisted these institutions to strengthen their existing MSME financing portfolios through a variety of improvements.

The Technical Assistance and capacity building included areas such as technology integration, improvements in the lending process, risk management practices, Know-Your-Customer (KYC), Anti-Money Laundering (AML) & Combating, the Financing of Terrorism (CFT), and corporate governance. The TA solution was tailored to the MFBs' organisational needs.

DBN engaged A2F Consulting (a German consulting firm) to deliver the technical assistance to the 10 selected MFBs and the programme was launched in September 2022. A2F Consulting was tasked with identifying the TA needs of the MFBs and implementing solutions to resolve these needs.

An initial diagnostic of the PFIs was carried out by combining on-site visits in November 2022, off-site virtual discussions, and desk research. The identified issues were similar across all PFIs, albeit with varying perspectives and degrees of intensity.

KEY ISSUES IDENTIFIED DURING PFI DIAGNOSTICS



Management information and reporting systems



Quality of credit analysis and portfolio monitoring



Product and sector diversification



Risk management and compliance practices.



Staff turnover

Summary of Key Issues

Inadequate management information and reporting system is a common issue identified.

There were no consolidated reporting tools in place in any of the MFBs to ensure data consistency, enhance reliability, and facilitate a more data-driven management culture approach.

The lack of technology tools make the reporting processes very labour intensive and vulnerable to human error.

Another key constraint was the inadequate technology platform for loan origination and portfolio monitoring.

Most MFBs have highly manual and paper-based lending processes. Some MFBs have developed an electronic paperless workflow, but such solutions typically lack loan risk analysis modules with automated quality checks and scoring tools.

Some MFBs have adopted automated credit scoring mainly used for existing clients (behavioral scoring). This can affect the overall process efficiency and be a bottleneck against significant growth in loan disbursements.

Quality of credit analysis and the effectiveness of the portfolio monitoring of borrowers in default can be further improved.

Many MFBs have indicated that these two areas have the potential to build capacity in conducting advanced loan analyses, e.g., by credit officers, and in improving loan recovery capability.

Product and sector diversification

All of the selected MFBs have 1-2 main products which focus on the micro or SME sector. None are equally strong in both, and most struggle to maintain the micro/SME ratio prescribed by the CBN.

Trade and commerce are the key focus sector across all MFBs.

The strategies to acquire new clients are primarily based on geographical expansion or digital outreach, rather than through new products and services, e.g., for specific sectoral demand.

There is a need to strengthen risk management and compliance practices.

The enterprise risk management framework and practices are underdeveloped and highly manual, while there is insufficient understanding of Anti-Money Laundering, and Countering the Financing of Terrorism and Proliferation (AML/CFTP).

There is a lack of proper skills and expertise to handle specific risks such as cybersecurity and IT vulnerability risks, also taking into consideration the recent CBN guidelines.

Staff turnover is a major challenge.

All MFBs are experiencing high staff turnover, especially in the IT function. The reason for this is the highly competitive Nigerian labor market and the high rate of emigration of qualified staff ("brain drain" factor).

However, in some cases, there is a general lack of structured monitoring of the issue and effective identification of fit-for-purpose mitigation.

Summary of Technical Assistance Design and Implementation Programme

The agreed design of the TA programme comprises of four components that aim to maximize impact within the duration of the project.

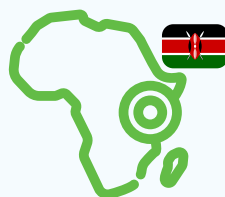
Four Components of the Technical Assistance Programme

COMPONENTS	SUB-COMPONENTS
Capacity Building in Risk Management	- Best Practices in Risk Management & Compliance - Enterprise Risk Governance & Reporting - AML/CFT - Cybersecurity 
Capacity Building in Credit Analysis & Portfolio Monitoring	- Best Practices in Credit Analysis & Portfolio Monitoring - Gender-sensitive product designs 
Selected Capacity Building for State PFIs	- Addosser: Support for the revision and upgrade of the risk management manuals and the review and upgrade the product for portfolio management - Bosak: Review and enhance the procedure for portfolio management - Infinity: Review and upgrade of ERM framework/manual and risk management manual - Hasal: Review and enhance credit operations manual - Mainstreet: Review and upgrade of the Business Continuity Plan
Management Information & Reporting System Upgrade	- Performance Reporting for new disbursements including sales targets - Risk Reporting - vintage analysis - Financial Reporting - ALCO - Compliance Reporting - CBN, DBN, Financial Intelligence Unit. - M&E reporting

Component 1: Risk Management and Compliance practices

Training participants learnt how to effectively use data analytics and reporting for risk management and decision-making purposes at different units, departments, and levels at the banks.

The training also included coaching the PFIs on the importance of having proper data governance, Anti-Money Laundering, and Countering the Financing of Terrorism and Proliferation (AML/CFTP) practices, e.g., Financial Action Task Force's (FATF) recommendations, Nigeria's legal framework, national AML/CFTP risk assessments, and understanding of the AML/CFTP regime of compliance.



Training was provided on the management of operational risks with a focus on existing and emerging operational risks (e.g., cybersecurity). The training was conducted off-site in Nairobi, Kenya, following a combined classroom training and on-site peer-visit approach. The training was led by A2F international specialists in the subject matter as well as local specialists in microfinance.

A total of 19 representatives from the MFBs participated in the training delivered in two iterations, each lasting one week. The training was organized in collaboration with the Kenyan Association of Microfinance Institutions (AMFI-K).



Risk Management and Compliance Training at the Emory Hotel in Nairobi, Kenya

Training Format

The training was structured into three main courses and a study tour.



The first covered Enterprise Risk Management from a strategic perspective, including best practices in data governance. This was mainly carried out through a case-study format and classroom training.



The second course focused on Operational Risk Management and Cybersecurity in a roundtable discussion format.



The third focused on how to build effective AML/CTFP Compliance Programme.

A special training was delivered on Digital Lending by a local subject-matter expert to reflect the context of a developing economy in digital lending. The experience was delivered using an adult-learning approach with hands-on exercises, case studies, and discussion groups.

At the end of the training week, the participants embarked on a study tour to three local MFBs.



Training on Data Governance



Training Class in Risk Management and Compliance – Participants and Trainers

Component 2 - Advanced Credit Analysis and Portfolio Monitoring

The programme aimed to strengthen the credit analysis of loans and borrowers, and the monitoring of borrowers and repayments, e.g., through improving both the portfolio monitoring and collection processes and the recovery strategy. This training also included a session on gender-sensitive product design and the effective use of credit guarantees.

The programme used an interactive approach following the best practices of adult learning techniques, with on-the-job coaching and hands-on exercises.

Key concepts and best practices are more likely to be absorbed when facilitated by a strong “learning-by-doing” and “learner-centered” environment. The emphasis was on participation and interaction among participants while leveraging the local knowledge of course participants at the same time. The application of global best practices within the Nigerian context was discussed.

The training was led by an experienced local expert alongside experienced international members of the A2F team. This component was conducted on-site at the MacTay Training Center in Lekki, Lagos.

The PFIs nominated 5 representatives each for the training. The capacity building was delivered in two iterations, each lasting one week.

During the first week, the training was attended by 19 participants from Mainstreet, Bosak, Infinity, Addosser, and DBN; the 2nd week was attended by 26 participants from Hasal, AB, Baobab, Accion, NPF, and DBN. Iteration 1 targeted the State-level MFBs, and Iteration 2 targeted the National-level MFBs and Hasal. This separation enabled the content and the delivery to be better customized for each group, since levels of sophistication within their operation differ.



The training was structured into three main courses.



The first course covered the best practices for credit analysis, mainly through a case-study format and to a lesser extent classroom training, e.g., for gender-sensitive lending.



The second course covered how best to perform portfolio monitoring, in a roundtable discussion format.



The third course focused on process design and optimisation from a technology perspective using a hands-on exercise. The training materials (e.g., case studies, presentations, etc.) was delivered to each participant at the end of their respective training weeks.

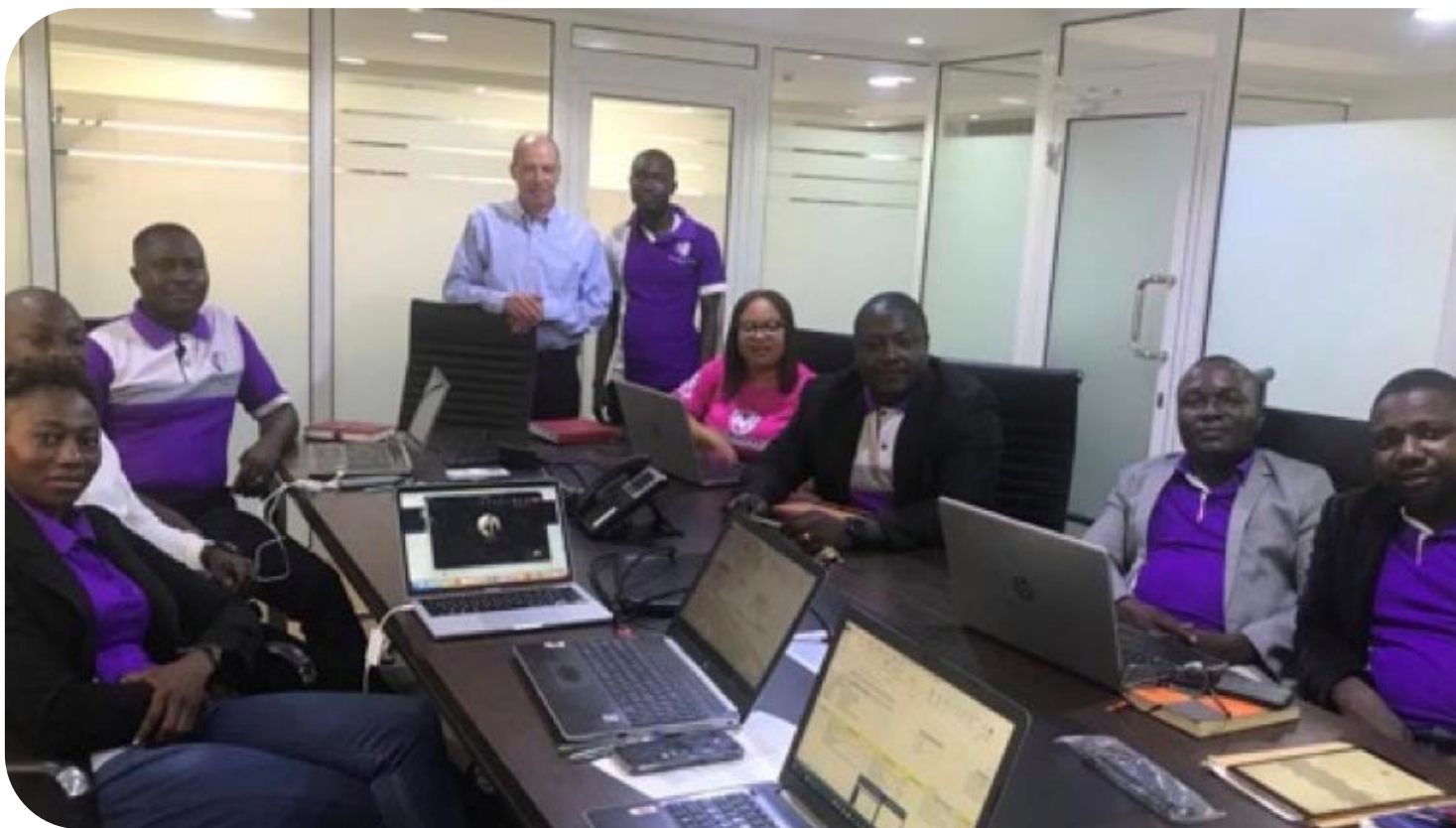
Component 3 - “Capacity Building for the Selected State-level MFBs”.

On-site capacity-building and coaching was provided to Addosser, Bosak, Infinity, Hasal, and Mainstreet between March and April 2023.

These TA activities focused on upgrading existing tools, e.g., the Credit Risk Manual, and designing new tools, e.g., an enterprise-wide Business Continuity Plan, which can be used by these MFBs to improve specific aspects of their operations.

For each institution, a specific intervention(s) was identified based on the diagnostics conducted, its feasibility to be completed in the remaining time, and its potential positive impact on the PFIs on top of the other proposed interventions.

The interventions were also discussed and agreed on with the PFIs. During the implementation of these activities, the local team engaged the PFIs on-site and off-site, including carrying out workshops with their top management on the tools’ design as well as how to effectively implement the upgraded tools.



Workshop on the Upgraded Business Continuity Plan at Mainstreet MFB

Component 4 - The Management Information & Reporting System

The TA aims to strengthen the existing IT platforms of the PFIs by significantly improving data governance and automating the production of the various reports used across the banks and for regulatory and compliance purposes.

The main areas of reporting are:

- Performance reporting,
- Risk reporting (e.g., vintage analysis),
- Financial reporting (e.g., ALCO),
- Compliance reporting (e.g., CBN, DBN, financial intelligence unit) and
- M&E reporting.

At the foundation of the reporting solution is the data reporting governance to manage the inventory of reports within the organisation, the owner of the reports and the users of the reports. This component was applicable to eight PFIs, except for Addosser and Infinity MFBs, who elected to replace it with other specific capacity-building activities.

Within the project duration, the team worked closely with the PFIs to customise and deploy the reporting tool. AB and LAPO, the two pilot institutions, completed the User Acceptance Tests. The other PFIs followed in implementation after the pilot PFIs to ensure the roll out of the tool was effective.

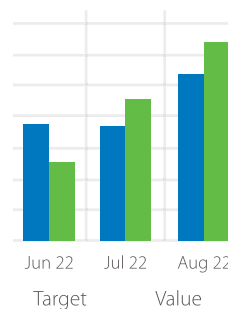
The PFIs were offered a 2-year warranty period (including cloud hosting) after the programme was concluded, at no extra cost to the PFIs.

During this period, PFIs received functional and technical support, including any system configuration change requests.

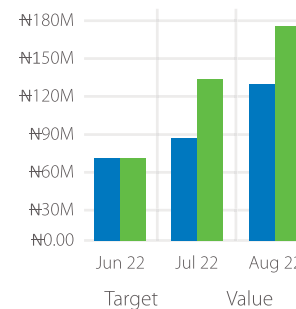
MIS Reporting Tool – Example of Institutional Dashboard Report

Credit

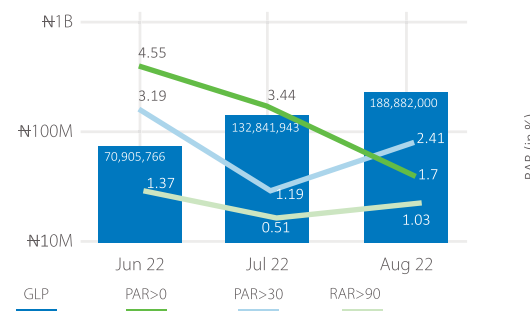
Gross Loan Portfolio



Disbursements

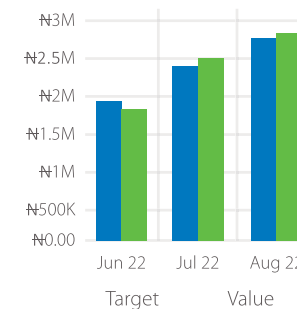


Portfolio at Risk

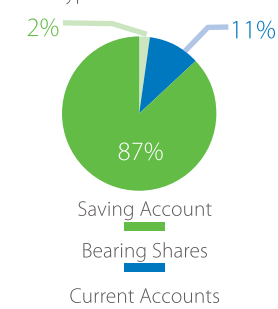


Deposits

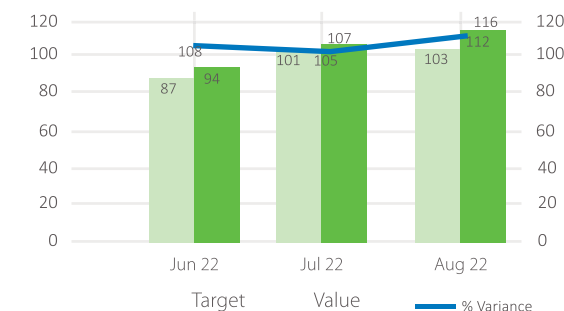
Size of Deposits



Type of Accounts



Portfolio at Risk



Key Outcomes

1. Satisfactory report from the annual due diligence exercise

The TA contributed to improving the overall institutional performance of the PFIs through improvements in critical aspects such as the quality of the loan portfolio, performance management, risk management, compliance and internal control, and financial control and forecasting.

2. Ease and speed in sharing data and performance analytics measured by PFI's turnaround time.

The capacity building and the use of the Management Information and Reporting System improved the overall institutional governance, instilled a data-driven management culture, and enhanced internal controls and risk management.

The discussion on this component with the PFIs has led to more frequent and insightful reports on growth performance and portfolio quality, e.g., vintage analysis and more frequent loan-officer-level performance monitoring.



3. Reduction in the number of exceptions recorded during loan Monitoring & Evaluation due to improved internal controls and MIS.

The improved MIS and reporting helped the PFI management teams be more informed on operational aspects, e.g., portfolio quality and exceptions, and at a more granular level.

4. The MIS implementation ensured the generation of timely and accurate monthly tracking of the growth of the loan portfolio for in-time interventions.

The improvement in information flow to management provided the necessary adjustments to the loan origination and marketing strategy to push loan portfolio growth.

5. The capacity building on the data governance and automation of the reporting led to the creation of a digital strategy.

The training on process improvement from a technology perspective and credit scoring led to the formulation of an effective digital strategy, leveraging the best practices in digital technology integration.

6. The improvement of the management information system and internal control contributed to overall institutional governance.

There was a marked improvement in the quality and timeliness of the information received by management and the Board, which in turn is expected to improve the overall decision-making process.

The System will improve overall data governance management (including data quality) and enhances overall risk management across the institutions, including the introduction of an enhanced (automated) ERM system/framework.

7. The TA also helped the PFIs to grow their lending to end-beneficiaries in a sustainable manner.

The new management information and reporting solution will support the PFIs to better track performance, quickly spot potential bottlenecks and design effective solutions in a timely manner. The new MIS also enables the PFIs to better target priority market segments (e.g., women and youth) and better track impact.

8. The TA strengthened the loan origination and underwriting skills of the PFIs, thereby allowing them to expand their current target clientele.

Training was provided on product innovation, such as digital lending and gender-sensitive lending.

9. The capacity-building component on credit analysis and portfolio management will contribute to reducing PFIs Portfolio at Risk.

The automated reporting will support better credit risk management based on more granular analytics (e.g., vintage analysis) and portfolio monitoring.

The training component on credit analysis and portfolio monitoring helped the PFIs upgrade their credit management skills, better manage credit risk, diversify their customer profile through product innovation and make better use of the new MIS & reporting system.



The upgrade of Addosser MFB's risk management manual and portfolio management procedures will help strengthen its risk management function and mitigate the shortfall in risk personnel. This will lead to a sustainable improvement of PAR levels.



The upgrade of Bosak MFB's credit operation manual portfolio management procedures will help track its portfolio quality, leading to a sustainable improvement of PAR levels.



The upgrade of Infinity's risk management and ERM framework will enhance its overall financial stability and operational performance, resulting in a sustainable improvement of PAR levels.



The upgrade of the credit operations manual at Hasal MFB has established the foundations for more sustainable growth of its lending business.

10. There was a consistent reduction in Non-Performing Loan Ratio measured by a reduction in PAR for 4 quarters.

11. The PFIs now have the capability to measure turnaround time for MSME Loans from origination to disbursement, through the loan process report.

The improved management information and reporting also allows for tracking the turnaround time in lending in a more consistent and granular manner.

12. The PFIs were provided tools to enhance their profitability (e.g. improvement in credit analysis and portfolio management, management reports and data analysis).

Having access to up-to-date financial information enables the MFBs better control costs and improve profitability.



Additional Outcomes

The study tour in Nairobi Kenya provided the PFIs with the opportunity to learn from peer MFBs on how to resolve similar issues faced by the Nigerian PFIs. 19 participants from the MFBs participated in the study tour.

During the tour, the participants visited three local MFBs in Nairobi, Cartinas MFB, Faulu MFB, and Kenya Women MFB PLC (KWFT) MFB.

Visits to these innovative MFBs also allowed the PFIs to improve their strategic perspectives with regard to gender finance and digital lending.

Maisha MFB and Caritas MFB, also made presentations on digital-focused microfinance operations.

The tour helped the participants identify alternative approaches in microfinance, including digital lending, that can be adapted to their institutional and lending contexts.



Faulu MFB is a member of Old Mutual Limited (OML), a subsidiary of The Old Mutual East Africa Group, and a leading MFB in Kenya.



KWFT MFB is owned by the Kenya Women Trust and offers a wide range of tailor-made and affordable products, services, and personalised financial solutions to women customers.



Caritas MFB has an extensive operation in mobile banking with more than 92% of all its transactions done via digital channels and merchants. Bill payments and till numbers, contribute over 50% of the total deposits via the M-Pesa.



Maisha MFB developed the first telco-backed mobile-based lending and savings solution dubbed M-Fanisi and has almost 1 million customers mainly through digital channels.



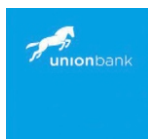


Section 5 TA for Partial Credit Guarantees

Overview

Impact Credit Guarantee Limited (ICGL) is a wholly owned subsidiary of Development Bank of Nigeria Plc and was set up in collaboration with the World Bank to provide guarantees on loans made to eligible MSMEs and small corporates by PFIs in Nigeria.

ICGL selected five PFIs for this TA project - four commercial banks and one microfinance bank.



Selection Process

These institutions were selected based on



(i) Length of business relationship with ICGL



(ii) Average volume of transactions with ICGL (less than NGN 500 million)



(iii) Potential for expansion based on the size of MSME portfolio relative to the business with ICGL



(iv) Level of difficulty experienced in engaging the PFIs.



Project Objective

The objective of this assignment was to improve the uptake of ICGL's credit guarantee products among PFIs.



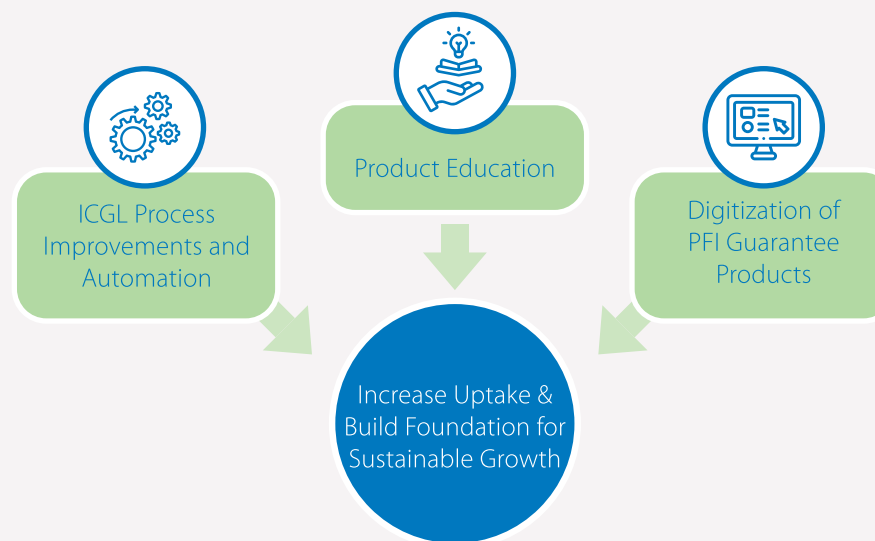
Project start date:
September 2022



Project end date:
May 2023

A Three-Pronged Strategy

A Three-Pronged strategy was used in the Technical Assistance designed to increase the uptake of guarantees by the PFIs, while simultaneously building the foundation for sustainable growth.



1. Product Education

A proactive and multilevel strategy is required to help PFIs better understand the strategic opportunities provided by the ICGL products and take advantage of them.

"PFI Clinics" are periodic events tailored to the needs of each specific PFI to give an opportunity for "product owners" within each PFI to brainstorm with ICGL specialists on key aspects affecting customer satisfaction and product uptake.

The workshops provide information on credit guarantees, key concepts, the different use cases, structural options for the guarantees, the specific design of existing ICGL products, as well as the new processes and innovations being introduced.

The events serve as an interactive forum to collect feedback on ICGL products and PFI customer experience.

Participants used the insights from the training to improve their current use of the credit guarantees provided by ICGL.

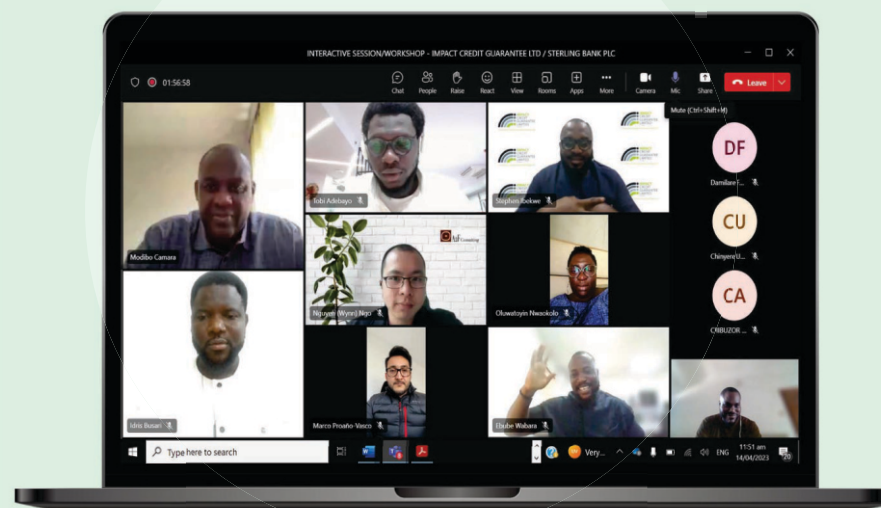
A first PFI Clinic was organised with Sterling Bank on April 14th, 2023. The event was held online. The participants were representatives from the risk management, and business units.

The experience gained from this pilot event allowed ICGL to fine-tune the design of these PFI clinics prior to full roll-out.

For this initial session with Sterling Bank, the clinic covered a discussion of Credit Guarantee best

practices, a roundtable discussion on experience with ICGL products, an overview of the new ICGL Digitised Operating Model, market survey findings and a roundtable discussion on how to increase uptake of ICGL products.

Online Participants at virtual PFI clinic with Sterling Bank



2. Digitization of PFI Guarantee Products

Focus was on improving the PFI customer experience by digitising the interface between the PFIs and ICGL across the entire life cycle of ICGL guarantees.

The submission of individual guarantee applications was digitized.

The main improvements introduced in the individual guarantee process are the following:

AUTOMATION OF THE SUBMISSION OF THE GUARANTEE APPLICATION: The PFIs can submit the individual guarantee application in a standardised and automated format, both in terms of data and documents. The method to submit the application can vary depending on the specific setup with each PFI and include Application Programme Interfaces (API), file, or input into the Credit Guarantee System's web portal.

ELIGIBILITY CRITERIA VALIDATION: The system will perform an automatic validation to check that the submitted application is in line with ICGL and PFIs agreed eligibility criteria. If the criteria do not match the submitted application, the PFI will be immediately notified for application checks and resubmissions.

COMPLETENESS CHECK: The system will perform an automatic check that all information and documents requested for an application have been submitted. The list of documents required for an application can be configured dynamically in the system. If the submitted application fails the completeness checks, the PFI will be immediately notified for application check and resubmission.

AUTOMATED CREDIT SCORING: the system will perform a credit scoring of the application based on the information received.

APPLICATION DECISION: Credit decision is automated for applications below a certain threshold based on the automated credit scoring.

PRODUCTION AND SUBMISSION OF LoG. Letters of Guarantee (LoG) are automatically processed, generated and submitted to the PFI based on the information received.

E-WORKFLOW AND DOCUMENT MANAGEMENT. An e workflow was developed to manage the guarantee processing, application and approval. Documents will be available in electronic format logically linked to the application.

An automated risk-scoring model was developed to expedite guarantee application process.

The scoring card consists of 3 groups of factors (variables).

(i) Quantitative ratios - includes the ratios, such as the current ratio, the ROE, ROA, etc., which aim to measure the performance of the business financially.

(ii) Historical factors - includes factors, such as the number of years in operation, historical lending performance, and past arrears.

(iii) Loan-related characteristics - includes collateral vs loan amount, type of collateral, and coverage.

Each variable is scored on a 5-point scale. The scores range from 1 to 5 and The score for each application allows the users at ICGL to quickly assess the guarantee application.

 Very Low Low Medium High Very High



3. Digitization of Claim Submission.

AUTOMATION OF THE SUBMISSION OF THE CLAIM

The PFIs can submit a claim in a standardised and automated way, both in terms of data and supporting documents. The method can vary depending on the specific setup with each PFI and include Application Programme Interface (API), file, or input into the Web portal of the Credit Guarantee System.

ELIGIBILITY CRITERIA VALIDATION

An automatic validation is performed to check if the submitted claim is in line with agreed ICGL and PFIs eligibility criteria. If the criteria do not match then the PFI will be immediately notified for a claim check and required to resubmit.

COMPLETENESS CHECK

An automatic check is done to ascertain whether all information and documents requested for a claim have been submitted. The list of documents required for a claim can be configured dynamically in the system.

E-WORKFLOW AND DOCUMENT MANAGEMENT

The process forwarding the claim to the users in charge of the various stages of execution was automated. Documents are available in electronic format as needed.

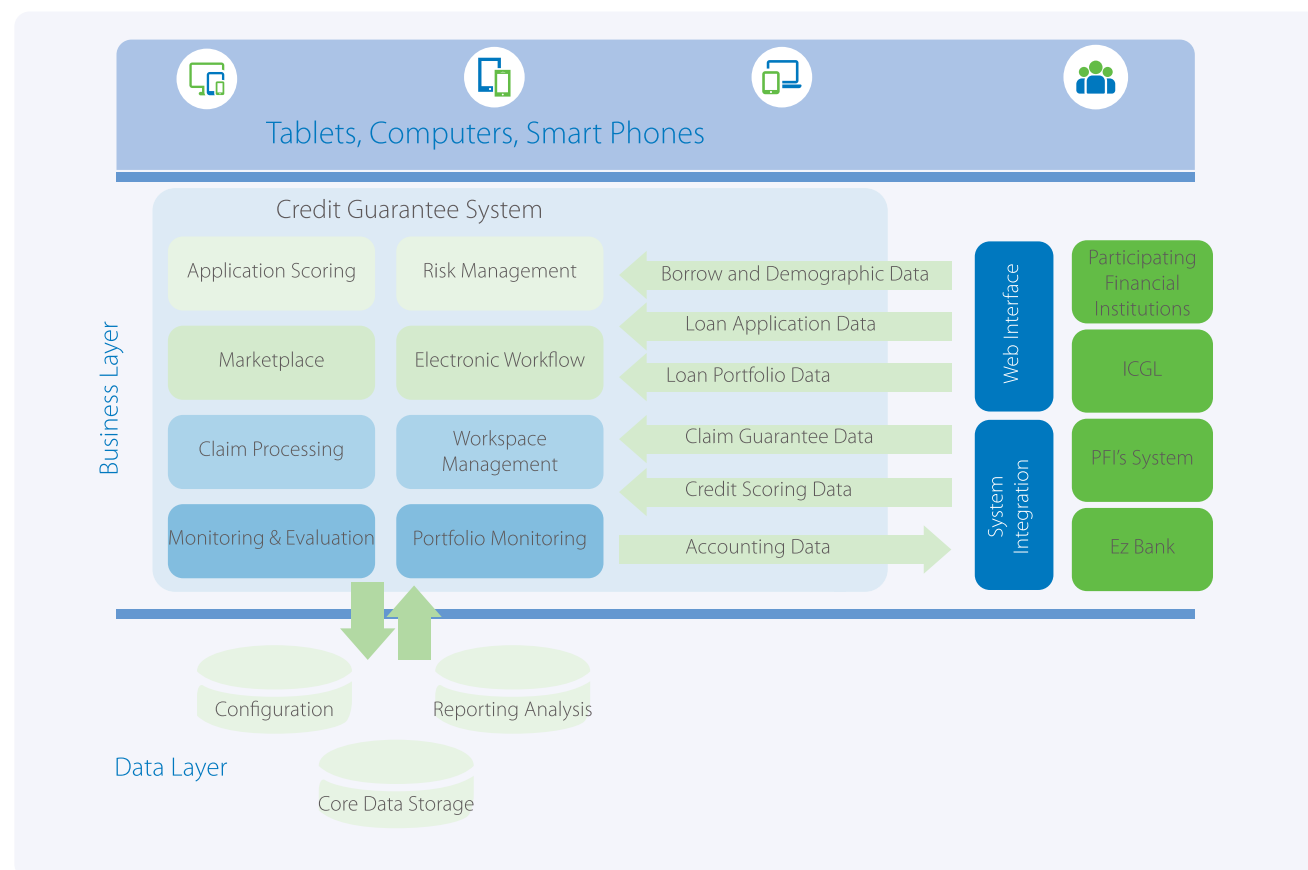


4. Process Improvement

Process improvement and automation are required to increase efficiency and productivity, and pave the way for substantial growth in the uptake of guarantees, while increasing the quality of service and value propositions, and strengthening overall risk management.

A fully integrated digital platform Credit Guarantee System (CGS) was implemented to manage credit guarantee operations. It is designed to streamline data collection requirements, optimise risk analytics, and provide a seamless engaging user experience.

The software is modular and provides ICGL with a flexible platform that supports risk analytics, reporting and information monitoring, internal controls, interoperability, and key reporting requirements.



TA Programme Outcomes

The TA programme outputs delivered were designed to address the findings from the project diagnostics and client satisfactions surveys regularly carried by ICGL.

This capacity building intervention achieved substantive outcomes and impact both at PFIs and ICGL side, addressing the key gaps and issues identified in the diagnosis phase.



IMPACT ACHIEVED AND EXPECTED IN THE LONG RUN



Enhancement of overall ICGL value proposition



Improvement of PFI customer experience through digitisation of the interface between the PFIs and ICGL across the entire life cycle of ICGL guarantees



Enhanced competitiveness of ICGL products by enabling a more strategic, risk-based approach in setting product terms, limits, terms and pricing



Significant institutional development of ICGL through enhanced risk management efficiency and effectiveness



Increase in efficiency and productivity, thereby paving the way for substantial growth in number of PFIs, volume of guarantees and number of MSMEs impacted.



Section 6
Looking Ahead

Key Learnings from the TA



INSTITUTIONAL ASSESSMENT

The institutional assessments of the respective PFIs provided the basis for the TA intervention plan. This enhanced the efficiency and effectiveness of the TA programme implementation.



EFFECTIVE MIX OF ONSITE AND OFFSITE DELIVERY

Offsite support was conducted through online meetings (via Microsoft Teams and Zoom), and exchanges of documents via email and cloud solutions ahead of onsite visits.

Frequent onsite TA implementation visits during the project was crucial for generating and sustaining the PFIs' interest and management buy-in and resolving implementation challenges.

The visits and interaction sessions also strengthened the capacity of the PFIs' staff.



TIMELINES FOR IMPLEMENTATION & M&E REVIEW

Some of the implementation activities like introduction of new credit product or fully reengineered processes required a longer implementation/M&E review period. A longer review period would be beneficial in the future as this allows for more effective impact assessment and results.



PFI SELECTION

The bigger/multi-country banking groups operate with standardised products, structures and processes across country subsidiary banks. This limited the room for changes restricted to the Nigerian subsidiaries and the speed of implementation.



STRINGENT, INFLEXIBLE COLLATERAL REQUIREMENTS HAMPER FINANCIAL ACCESS AND NEED TO BE EASED.

Stringent demand for material collateral continues to be a major constraint for access to loans by MSMEs at the PFIs, particularly for women who lack physical assets.



STRENGTHENING CLIENT ADVISORY CAPACITY ALONGSIDE SME CREDIT DELIVERY CAPACITY

Strengthening client advisory capacity represents a good opportunity for developing entrepreneurship skills of PFI staff, which in turn increases client demand for the PFIs' financial services.



FUTURE TECHNICAL ASSISTANCE TO BANKS

Additional Technical Assistance activities will be beneficial to more commercial and microfinance banks in the future as they require support in strengthening their processes and lending activities.





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Abbreviations

ALM Asset and Liability Management

AML/CFT Anti-Money Laundering / Combating the financing of Terrorism

ATM Automated Teller Machine

ALCO Asset-Liability Committee

AML Anti-Money Laundering

APEX Oracle Application Express

BSC Balanced Scorecard

CBN Central Bank of Nigeria

CFT/CFTP Combating the Financing of Terrorism/Proliferation COs Compliance Officers

CALM Comprehensive Asset Liability Management

CBS Core Banking System

CESF Certified Expert SME Finance

CVP Customer Value Proposition

DNFBPS Designated Non-Financial Businesses and Professions

DSDM Dynamic Software Delivery Method

DBN Development Bank of Nigeria Plc

DF Development Finance

E&S Environmental and Social

EB Emerging Business

ECL Expected Credit Loss

EFEI Ecobank Female Entrepreneurs Initiative

ERM Enterprise Risk Management

ESMS Environmental Social Management Systems

FS Frankfurt School of Finance and Management

FATF Financial Action Task Force

FIU Financial Intelligence Unit

FP Financing of Proliferation

FX Foreign Exchange

GT Guaranty Trust Bank

GDPR General Data Protection Regulation

KGS Kredit Garanti Fonu

KOSGEB Small and Medium Enterprises Development Organization

KPIS Key Performance Indicators

HR Human Resource

ICT Information and Communications Technology

M&E Monitoring & Evaluation

MIS Management Information System

MSME Micro, Small and Medium-Sized Enterprise

MBO Management by Objectives

MFBS Microfinance Banks

MFIS Microfinance Institutions

ML Money Laundering

MNO Mobile Network Owner

NFS Non Financial Services

NGN Naira

NPL Non-Performing Loans

NRA National Risk Assessment

ORDS Oracle REST Data Services

OS Operating System

PAR Portfolio at Risk

PCAF Partnership for Carbon Accounting Financials

PD Probability of Default

PFI Participating Financial Institution

PAR/PAR Portfolio at Risk

PEPS Politically Exposed Persons

RACI Responsible, Accountable, Consulted, Informed

RAD Rapid Application Development

RTGS Real-Time Gross Settlement

SME Small and Medium-Sized Enterprises

SWOT Strengths, Weaknesses, Opportunities and Threats

SBDC Small Business Development Center

SLA Service Level Agreement

SMTP Simple Mail Transfer Protocol

SSL Secure Sockets Layer

STR Risk Indicators

TF Terrorism Financing

TA Technical Assistance

TAT Turnaround Time

TOBB The Union of Chambers and Commodity Exchange of Türkiye

TOT Training of Trainers

USD United States Dollars

UAT User Acceptance Testing

UBO Ultimate Beneficial Owners

VAS Value Added Service

VAT Value added tax

WHT Withholding Tax



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