



تمويلكم
TAMWILCOM

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Guarantee impact assessment: case of the Morocco Guarantee & Finance Corp. (Tamwilcom)

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Presentation Content

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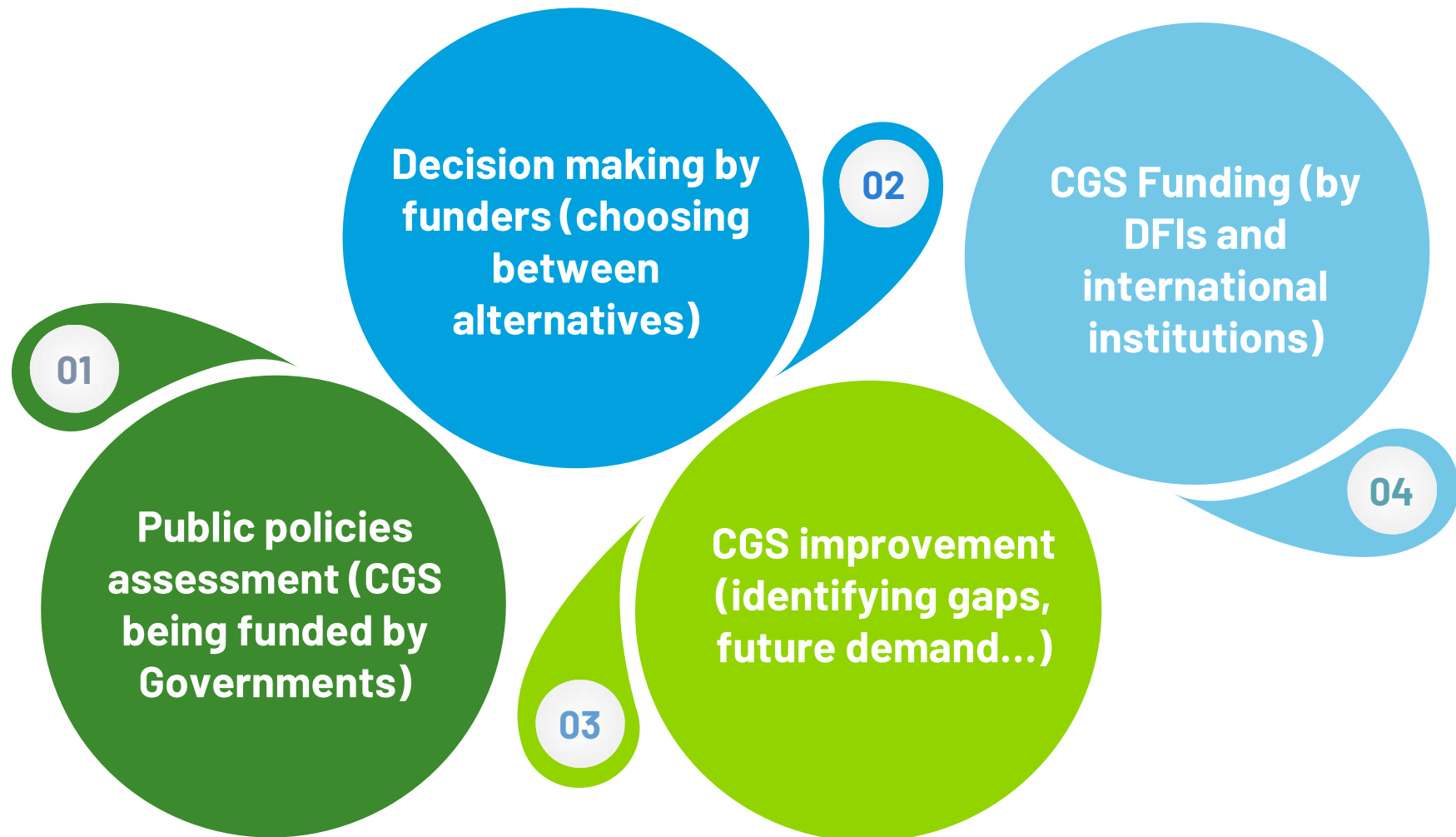
Key challenges and future projects

Why are Impact assessments carried out ?

Why are Guarantee Impact Assessments carried out ?

Guarantee impact assessment is no longer a simple “best practices” tool, as an increasing number of CGS sponsors are adopting or even requiring it

Impact assessments serve many purposes



Tamwilcom activity scope and offer

Scope, Product Offer and Operating Model

The product offer covers both individuals and enterprises but key focus is on MSME guarantees which represent the backbone of our activity

Virtually all the population of MSMEs is currently covered

Key partners	Financial institutions	<ul style="list-style-type: none"> • Conventional & Participative (Islamic) Banks • Private Equity Funds • Leasing and Finance Companies • Microfinance Institutions
	Other partners	<ul style="list-style-type: none"> • Accelerators/incubators • Soft Loans Associations
MSME needs	Investment	<ul style="list-style-type: none"> • Conventional and Islamic Loan Guarantees (CAPEX, restructuring...) • Sharia-Compliant Loans Guarantees • Leasing Guarantees • Equity Guarantees • Joint Loans/Green Economy Loans/Entrepreneur Loans
	Working capital	<ul style="list-style-type: none"> • Conventional and Islamic OPEX Bank Loans
	Innovation	<ul style="list-style-type: none"> • Grants/Advances/Soft Loans • Seed/Venture Capital
State Owned Companies	Investment & operations	<ul style="list-style-type: none"> • Bank Loans • Bond Issuance
Households needs	Housing	<ul style="list-style-type: none"> • Social Housing Loans Guarantees (conventional & Sharia-Compliant)
	Education	<ul style="list-style-type: none"> • Higher Education Loans Guarantees

Impact assessment at Tamwilcom

Impact assessment at Tamwilcom

A periodic assessment is carried out when preparing the strategic development plan that spans over 4 to 5 years

Several assessments were carried out up to date

- Tamwilcom was the first guarantee institution in the MENA region to carry out an additionality and impact assessment in 2012 within a project sponsored by the World Bank.
- Three assessments were carried out to evaluate the achievements of the strategic development plans (2009 – 2012, 2013 – 2016 and 2017 - 2021). All assessments were carried out by independent consulting firms to ensure objectivity.
- In addition to the assessments initiated by the institution, Tamwilcom, partnered with the University of Lausanne and the Moroccan Central bank for a research project having assessed the short-term finance guarantees provided by Tamwilcom and the results were published during 2023.
- Finally, Tamwilcom launched with the World Bank an assessment project dedicated to the Start-up financing programme during 2022.

Impact assessment at Tamwilcom

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An approach oriented towards additionality and cost-benefit analysis

- After having conducted a literature review covering the practices of other guarantee institutions, we have opted for an approach based on assessing the additionality and then a weighted cost/benefit analysis.
- In addition, we have added an analysis of a comparable out of guarantee portfolio sample once the information became available for purchase (credit bureaus and third-party providers).
- Finally, for the short-term guarantees, a statistical approach (Difference-in-Difference) was used by the university assessment team (within a PhD thesis project)

Tamwilcom Guarantee Impact Assessment Approach

Evaluation of the viability of SMEs at guarantee issuance

Assessment of additionality (viable SMEs with insufficient collateral)

Comparative analysis with a similar sample

Assessment of the collateral provided on guaranteed loans

Assessment of the economic (fiscal) benefits over an economic cycle

Key indicators and lessons learned

The increase in guarantee and funding activity didn't come at the expense of sustainability and mission scope as demonstrated by regular assessments

Guarantees had a positive impact on financial inclusion while ensuring efficiency

- A common finding of all the assessments was a clear demonstration of the long-term positive impact of guarantee on the beneficiary SMEs, even the short-term loans guarantees produced their effect on the medium to long term by reducing the cash ratio which makes investment easier
- The key results could be summarized as follows:

Additionality
80% of guaranteed MSMEs would not have accessed to credit without guarantees



Risk

Default rate in guaranteed portfolio didn't exceed 4% despite being dominated by small enterprises initially thought to be riskier, which proves the impact on market deepening

Cost/benefit

Each USD of guarantee resources generated discounted economic benefits of 2.5 USD over an economic cycle

Key indicators and lessons learned

The increase in guarantee and funding activity didn't come at the expense of sustainability and mission scope as demonstrated by regular assessments

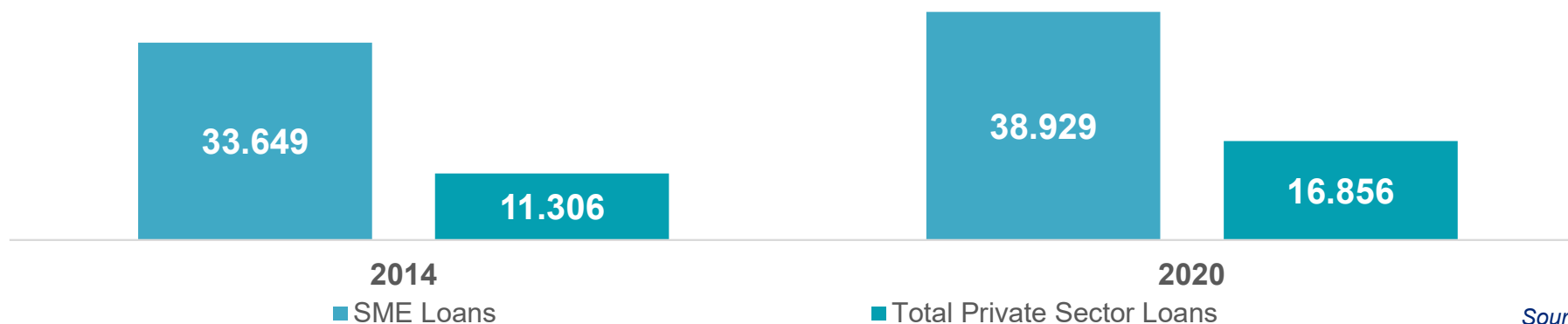
Guarantees contributed to the improvement of SME finance conditions

- The key results could be summarized as follows:

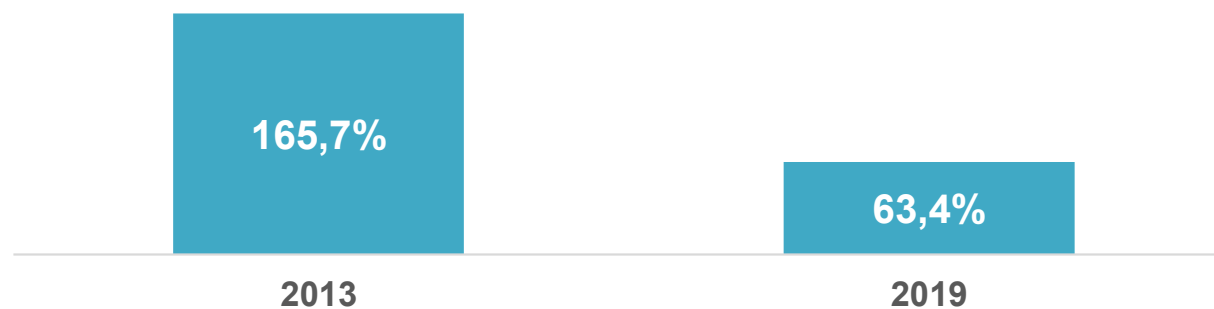
SME credit outstanding grew faster than bigger-size corporations (Million USD)

SME Loans outstanding GAGR: 6%

Global private sector loans outstanding GAGR: 2%



Required collateral has declined in Morocco

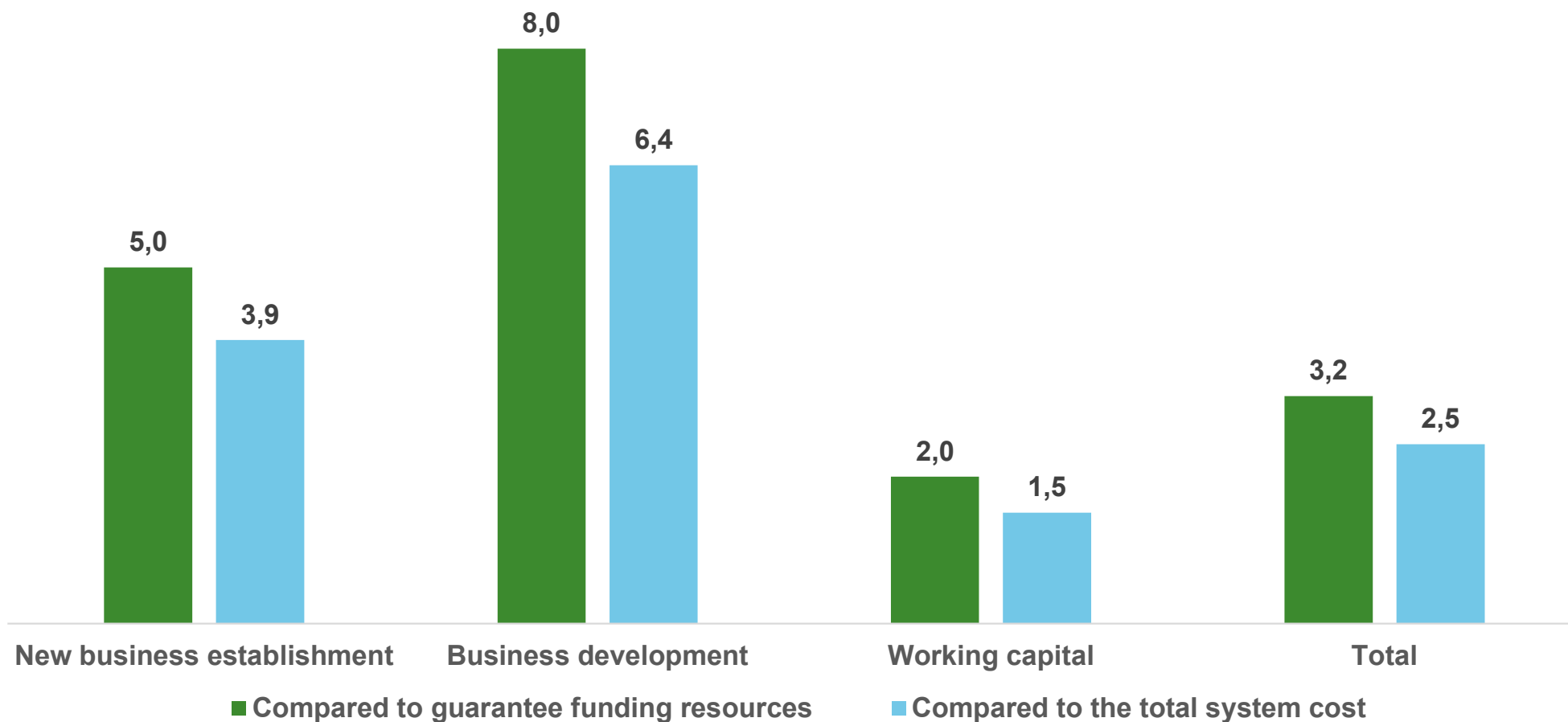


Key indicators and lessons learned

The increase in guarantee and funding activity didn't come at the expense of sustainability and mission scope as demonstrated by regular assessments

The performance was also satisfying in terms of return on investment

Benefits for each USD injected in the MSMEs guarantee program over an economic cycle (5 -7 years)



Key indicators and lessons learned

The increase in guarantee and funding activity didn't come at the expense of sustainability and mission scope as demonstrated by regular assessments

The portfolio didn't display an adverse selection effect

- An analysis with a comparable sample demonstrated that the guaranteed portfolio displayed in general a slightly better average performance
- This demonstrates that banks aren't sending just their "bad portfolio" to the guarantee system and at the same time they are selecting only the best performers to benefit from the guarantees
- In general, the progression of performance indicators over the observed period showed that guaranteed portfolio had a good performance,
- The only exception was the guarantee covering restructuring loans as the guarantee proved not to be enough for companies suffering from operational/strategic/governance deficiencies. Restructuring guarantee is in fact suitable only for SMEs suffering mainly from high debt levels while having sound business models

Indicator	New business establishment loans	Development loans	Working capital	Restructuration loans	SME portfolio
Sales	+34%	+8%	+9%	-29%	+5%
Added value	+79%	+9%	+10%	-26%	+6%
Salaries	+71%	+14%	+15%	-8%	+6%
Paid taxes	+63%	+3%	+12%	-31%	+4%

Key challenges and future projects

Key challenges and future projects

Impact assessment proved to be a challenging exercise, even with the increasing availability of data

Data is generally the most important challenge, but other considerations apply

- The first assessment, carried out before having an easier access to financial data and credit bureau information, was particularly challenging and time consuming
- Access to credit bureaus and a better availability of financial statements for purchase in Excel format made the following assessments easier, especially for the comparable samples analysis, but the problem of data time lag persists
- Qualitative data (survey responses mainly) are difficult to collect without a continuous follow-on effort and the contribution of partner financial institutions and intermediaries
- Finally, based on recent developments of Tamwilcom business environment, new challenges are emerging and will require new solutions to carry out the assessments planned for the next few years:
 - ✓ New fundings have been secured for the guarantee activity with special conditions linked to environmental considerations (support for the green economy, reduction of greenhouse gas emissions, incentives for eco-friendly activities). Assessing the impact of such guarantees will require new expertise and approaches that will be costly and difficult to acquire
 - ✓ New products are being launched and considered with some social considerations (women enterprises, employment quality, rural areas development, economic inclusion). The assessment of the impact of such products will be challenging as it expands beyond financial data and requires information not generally reported by banks

Recent publications having covered Tamwilcom guarantee impact and relevant benchmarks for MENA guarantee institutions

The Montreal Group

From Outputs to Outcomes: A Global Review of Impact Assessment Methods in Public Development Banks
([From Outputs to Outcomes: A Global Review of Impact Assessment Methods in Public Development Banks - The Montreal Group](#))

Bank Al-Maghrib (Moroccan Central Bank)

Short-term Finance, Long-term Effects: Theory and Evidence from Morocco
([BANK AL-MAGHRIB - 2023 \(bkam.ma\)](#))

Thank you!