

الشركة الوطنية للضمان وتمويل المقاولات
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Société Nationale de Garantie et du Financement de l'Entreprise

Session 4D- The Future Firmly in Sight III : Country Case Morocco

Experience of the Moroccan Guarantee & Finance Corp. in the field of product development with a focus on equity guarantees
EMGN Academy (Virtual), October 2021



Presentation Content

Morocco Guarantee & Finance Corp: a brief introduction

MSME Product offer: scope and development approach

Q&A

*Morocco Guarantee and Finance
Corp: a brief introduction*

Access to finance in Morocco and the role of credit guarantee

The Moroccan financial system is open and competitive but the funding mix is mainly dominated by the banking sector

Financial inclusion and economic impact are key drivers of the SNGFE mission

- Morocco Guarantee & Finance Corp. (French abbreviation SNGFE, Former CCG) is a State-owned financial corporation established in 1949 as a public agency and transformed into a corporation with the revised law 36-20 adopted in late 2020
- The institution is supervised by the Central Bank of Morocco in addition to the Ministry of Finance
- The CCG's offer is diversified and includes guarantees, joint loans with banks, start-up funding and equity but the activity is mainly dominated by the MSMEs credit guarantees

3 main offer categories and many distribution channels are the backbone of the CCG's activity



Guarantee



MSME Funding



Innovative Startups

Banking &
Leasing

Micro
finance,
Equity,
Soft Loans

Joint loans,
mezzanine
loans

Venture
capital

Grants, soft
loans, cash
advances

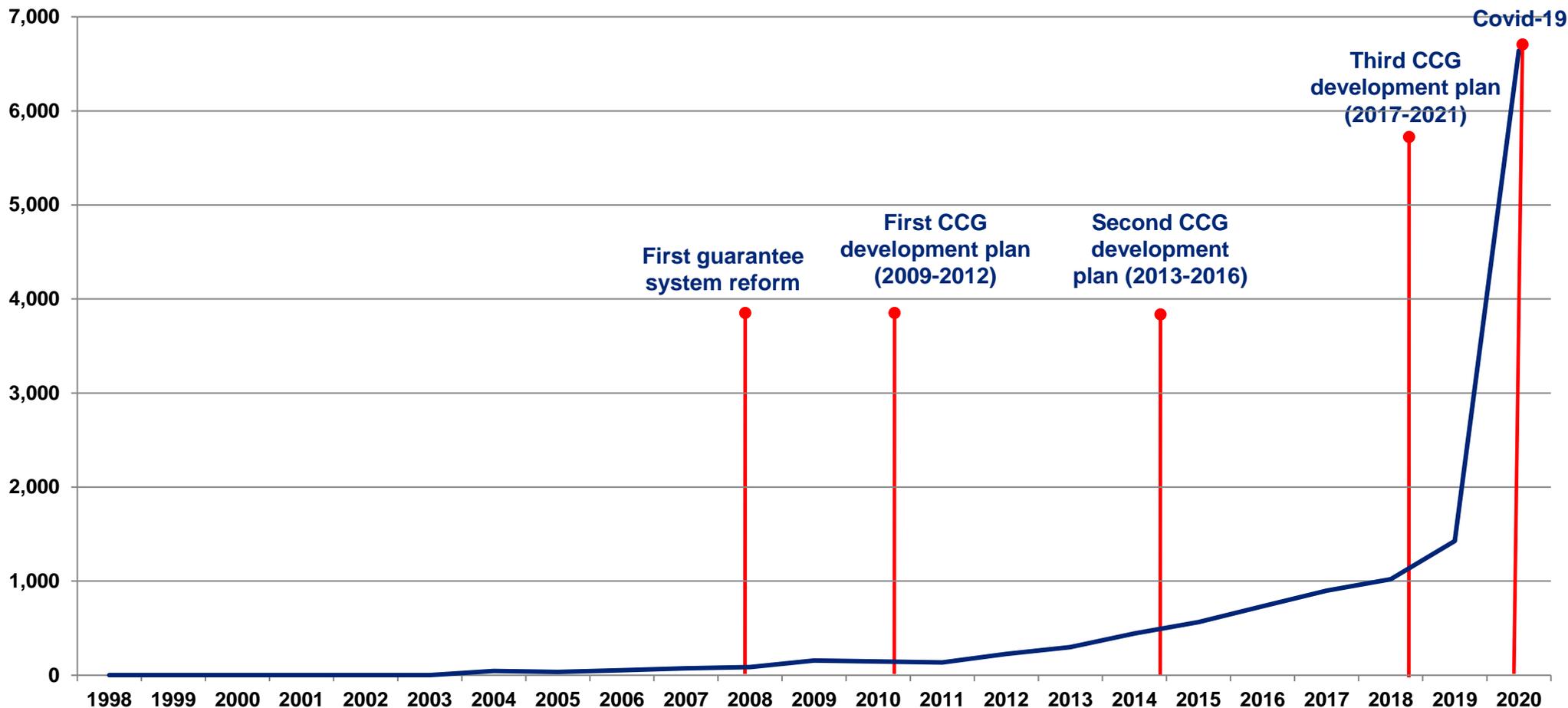
Start-up
ecosystem
support

strong performance track record in the field of MSME Guarantees

The success of the modernization process led to a tenfold increase in guarantees since the launch of the reforms

The performance has witnessed a sustainable growth over the last decade

SMEs Issued Guarantees (Million USD)

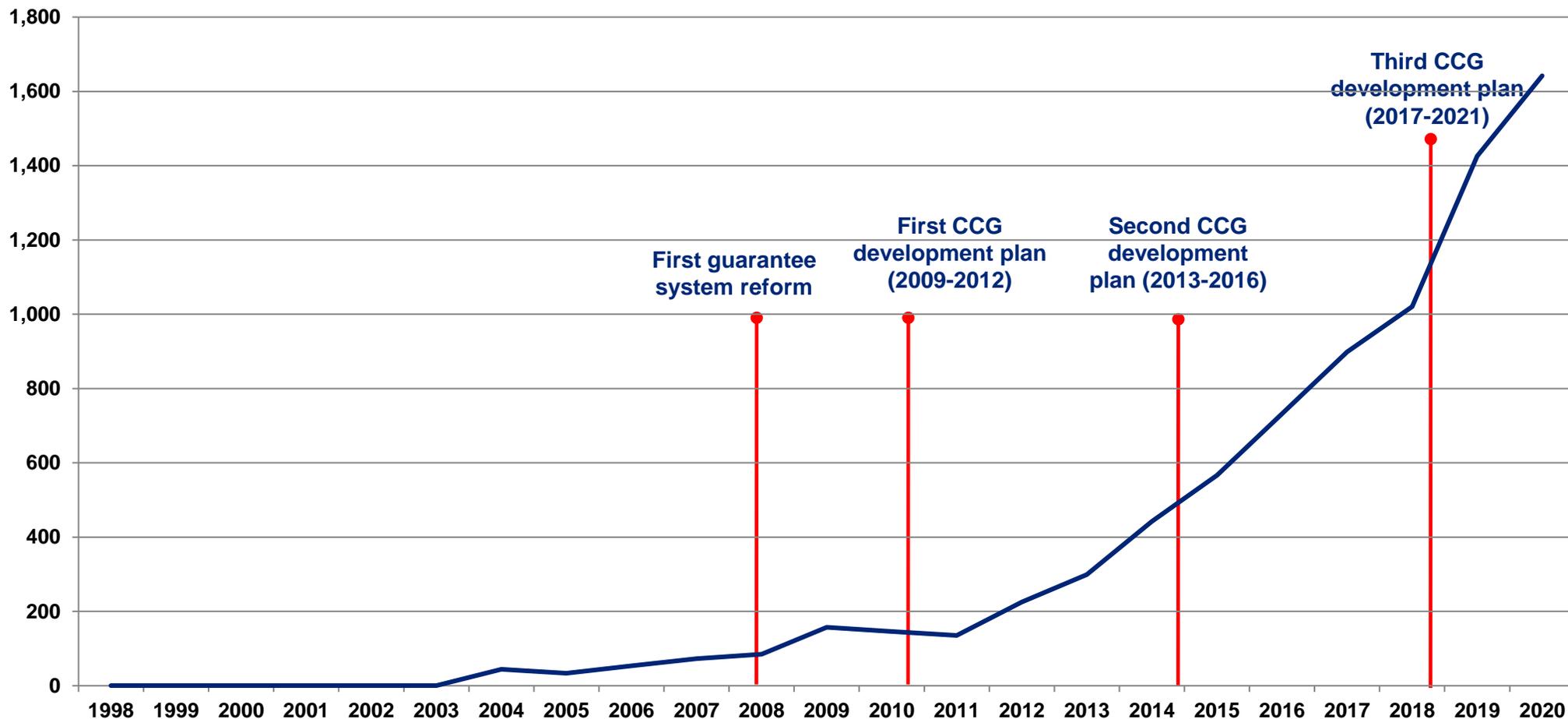


A strong performance track record in the field of MSME Guarantees

The success of the modernization process led to a tenfold increase in guarantees since the launch of the reforms

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SMEs Issued Guarantees (Million USD, without Covid-19 guarantees)



*MSME Product offer: scope and
development approach*

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

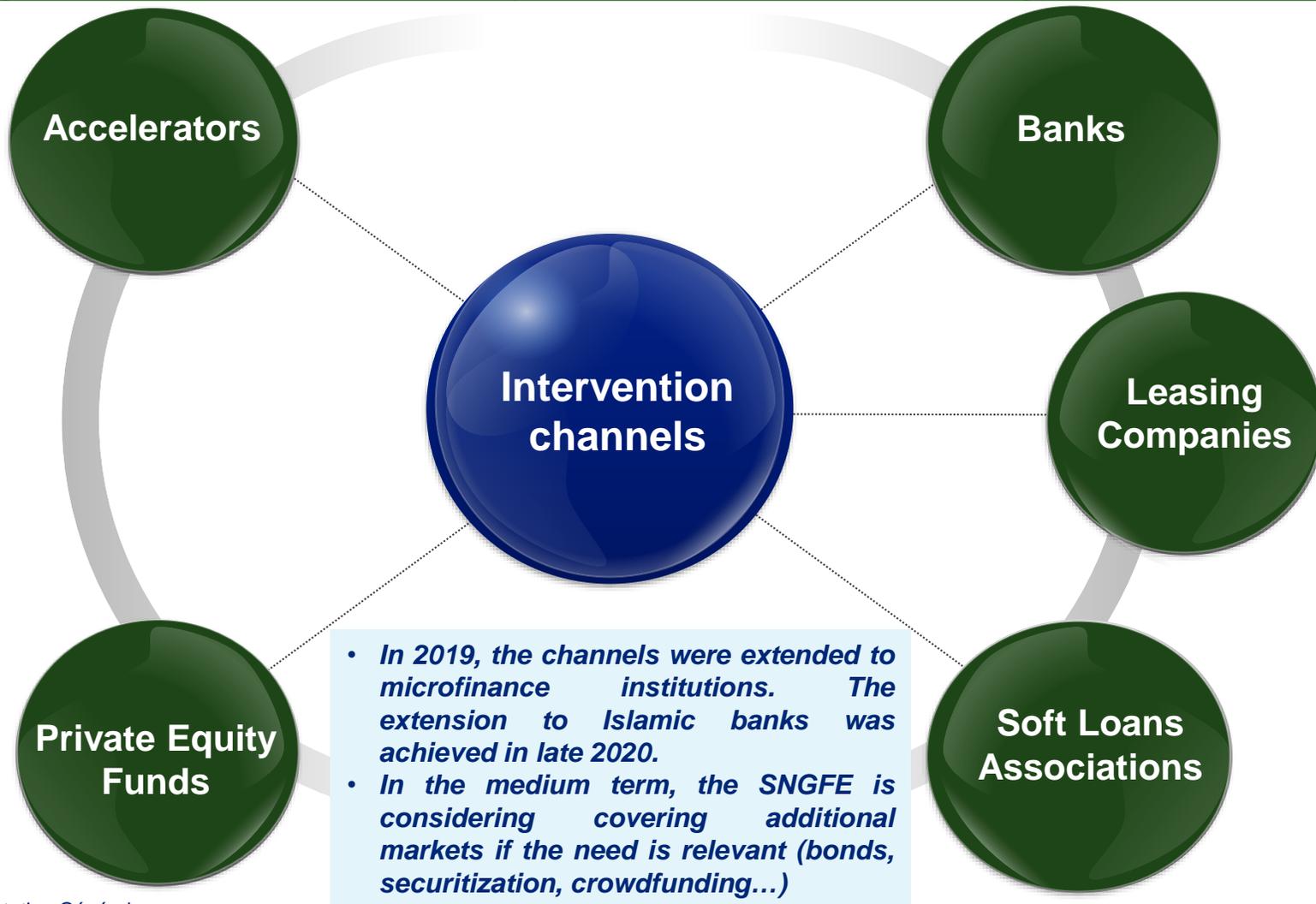
Virtually all the population of MSMEs is currently covered

Key partners	Financial institutions	<ul style="list-style-type: none"> • Conventional & Participative (Islamic) Banks • Private Equity Funds • Leasing 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 Loan Guarantees (CAPEX, transmission, restructuring) • Sharia-Compliant Loans Guarantees • Leasing Guarantees • Equity Guarantees • Joint Loans/Green Economy Loans/Entrepreneur Loans • Private Equity Funds
	Working capital	<ul style="list-style-type: none"> • Conventional OPEX Bank Loans • Sharia-Compliant WC Lines
	Innovation	<ul style="list-style-type: none"> • Grants/Advances/Soft Loans • Seed/Venture Capital
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

Support to MSMEs: Scope, Product Offer and Operating Model

The product offer encompasses the entire lifecycle from the ideation to the transmission and is expected to be developed further within the next 5 years

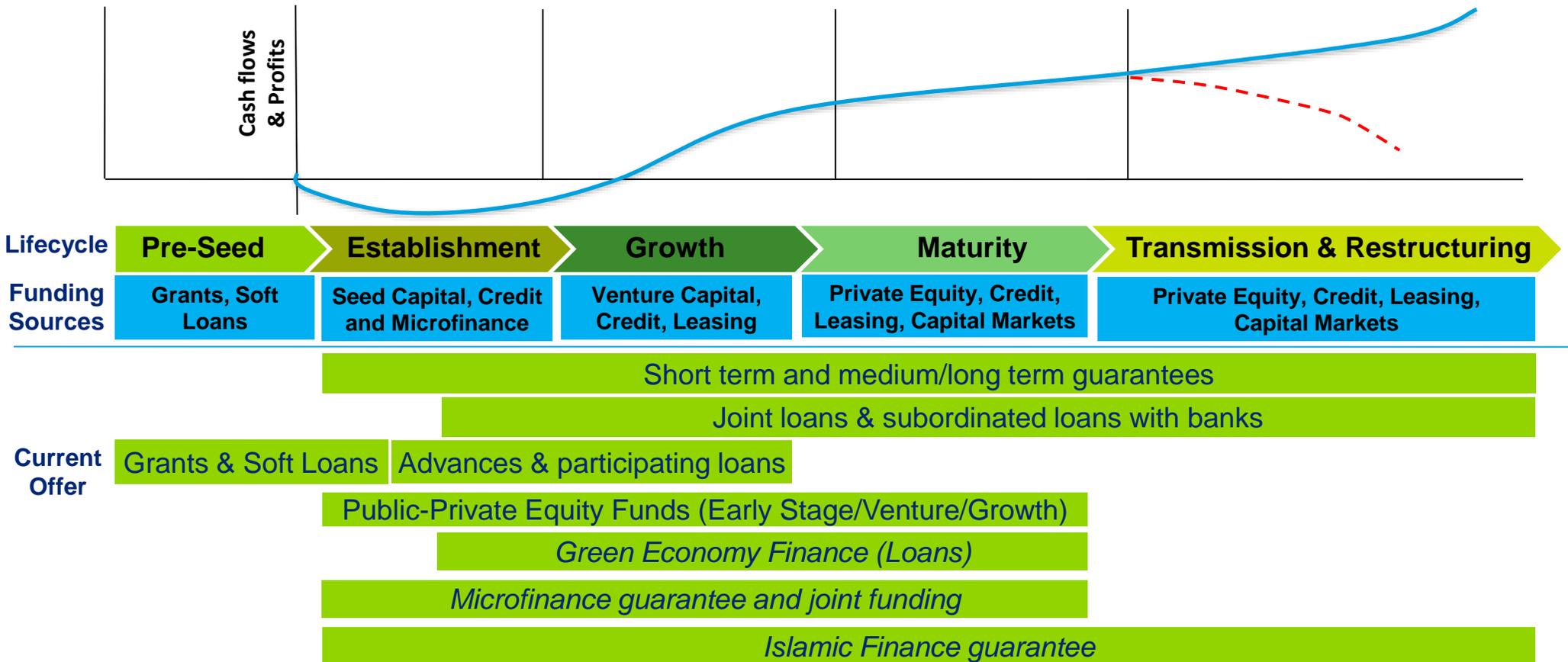
Our products are distributed by the main MSME Finance providers in Morocco



Support to MSMEs: Scope, Product Offer and Operating Model

The product offer encompasses the entire lifecycle from the ideation to the transmission and is expected to be developed further within the next 5 years

A diversified offer including guarantee, loans and private equity funds

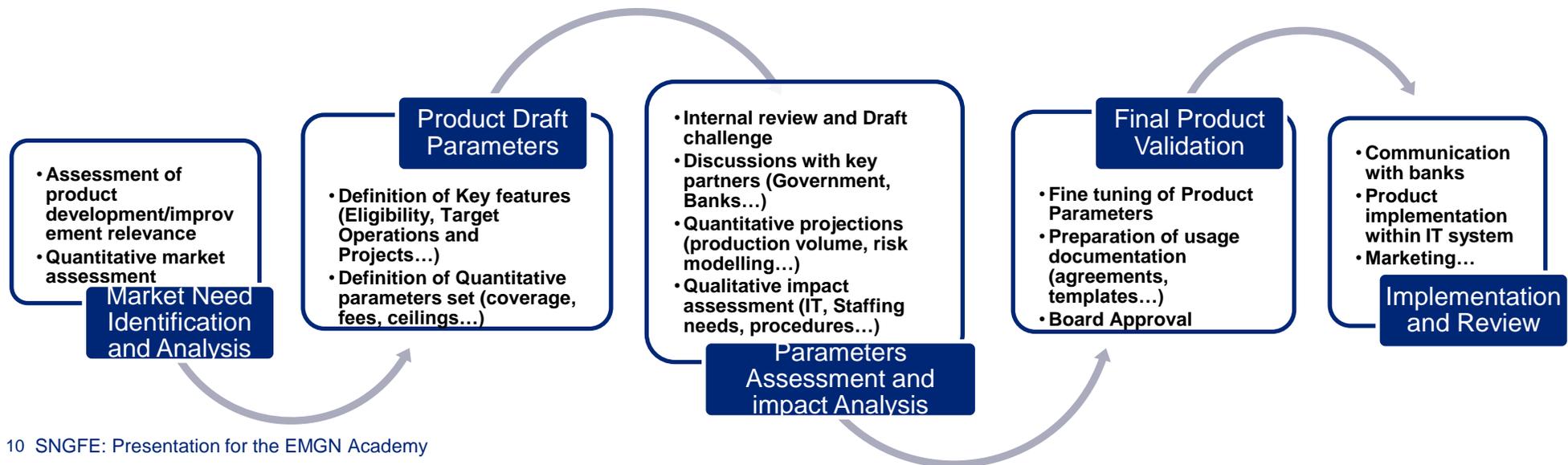


Product Development

A sound product design is a vital process for the success of any guarantee institution with a continuous improvement to be fuelled by learned lessons

Product development approach at the SNGFE

- In order to ensure strategic consistency, new product launch and existing product improvement are planned at the possible extent when preparing the Strategic Development Plan each 5 years.
- For this purpose, we carry out a thorough analysis of market needs based on Government Strategies, market studies, working sessions with existing and potential partners...
- But to ensure flexibility, products could be launched quickly to answer any unexpected, unplanned and urgent need thanks to the standardised templates and procedures and the heavy investment in strategic decision making infrastructures (risk assessment, modelling, IT, accounting mechanisms)
- Thus, the product development process could be summarized below:

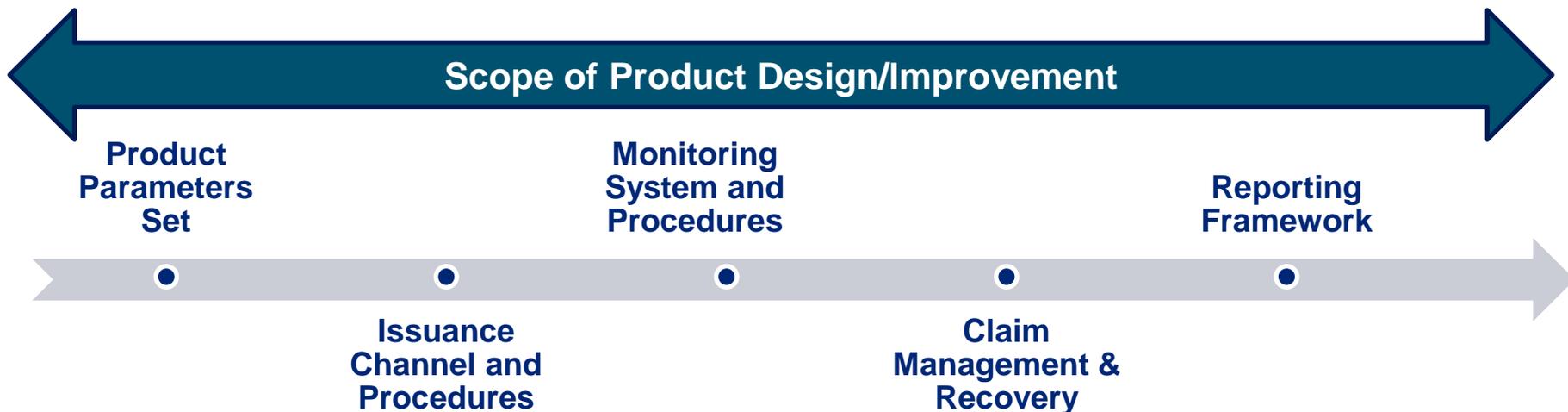


Product Development

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Product design in the SNGFE goes beyond product parameters

- We learned from the previous experience that standardization, whenever possible, is a key success factor to enable a stable product lifecycle as it allows internal and external users to become familiar with our products features and procedures. This approach allowed us to launch special Covid products very quickly and to implement new products and improvement in short delays
- Also, product design is not limited to the known parameters (guarantee coverage, fees...), but must consider consistency across the entire “value chain” to ensure that i) implementation will be easy and quick in terms of staffing, organization, IT... and ii) no unintended negative effect will occur given linkage between other products
- Thus, the design process covers the following scope:



Focus on Equity Guarantee

Equity guarantee targeting startups is a special and niche product with many parameters and considerations that differ from regular guarantees

Small volume, high risk and information asymmetry are key considerations

01 Considerations

- ✓ Low volume given the small size of the Moroccan Venture Capital Market
- ✓ High expected “default” rate given the risky nature of start-ups funding
- ✓ Special features of VC funding compared to loans
- ✓ Special considerations for each operation compared to bank working capital loans for example
- ✓ Moral hazard risk (at the VC fund and start-up levels) given the asymmetry of information (the VC firm and the start-up have more information than the guarantee team)



02 Our Answers

- ✓ Guarantee coverage taking into account the VC funding nature (our guarantee covers up to 60% of Equity, convertible bonds, investment certificates and shareholders current accounts within the same operation)
- ✓ Low guarantee ceiling (500 KUSD per operation and 2 Million USD per enterprise, all other guarantees included)
- ✓ Fee structure based on a combination of flat fee (1,5% at issuance) and exit performance fee (7 to 10% of realized gains)
- ✓ VC firms must commit to submit all their portfolio to the SNGFE to avoid the “selection effect” (sending only the most risky tickets)
- ✓ SNGFE assesses each ticket



Thank you!

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