

FInES Project Update

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Presentation outline

- About the FInES Project:

- Liquidity enhancement to MSMEs

- Scaling entrepreneurship and building firm capabilities

- Enhancing the enabling environment for supporting the financial inclusion and growth of entrepreneurs

About the FInES Project

- FInES stands for Financial Inclusion & Entrepreneurship Scaling
- It is a Malawi Government, 5 year project (2020-2025) with a budgeted cost of US\$86million
- The project is wholly financed by an IDA loan from the World Bank
- Reserve Bank of Malawi is the designated Implementing Agency for the project
- The PDO is **“to increase access to financial services, promote entrepreneurship and capabilities of MSMEs in Malawi, including addressing Covid-19 implications”**

Liquidity enhancement for MSMEs

- Aims at increasing the supply of wholesale financing to the project's participating financial intermediaries (PFIs) and scaling lending and/or investments to MSMEs
- To facilitate increased lending, at a lower than market cost, to traditional MSMEs in key development sectors including in the post-Covid-19 recovery and growth period
- Sub-lending done through commercial banks, MFIs and SACCOs
- In addition, project is providing partial credit guarantee to MSMEs, through commercial banks; and administered by MAIIC

Liquidity enhancement for MSMEs.....

- Providing equity and quasi-equity financing for innovative start-ups and SMEs through MAIIC
- TA amounting up to US\$2.0 million will be provided to the RBM and PFIs to strengthen their capacity to serve MSMEs, to adopt fintech approaches, and to reinforce the implementation of the lines of credit
- Total cost for this component is US\$65million
- To date, MK15.7 billion has been disbursed by the Project to PFIs and MAIIC for sub-lending to MSMEs

Scaling entrepreneurship and building firm capabilities

- The project is providing training to entrepreneurs and firms, using a three-stage approach.
- The training encompasses the development of psychological and technical skills, followed by measures to connect trainees with market opportunities
- Enhancing firms' capabilities will be achieved using a graduated approach, with firms that show significant improvements in terms of their level of awareness and capabilities qualifying as 'transformative' enterprises rather than 'subsistence' enterprises and moving to the subsequent stages of the program
- Concessional loans (up to US\$6.0 million) will be provided to firms through MAIC, to be selected among those who complete the entire training and graduate from the program to incentivize participation in the entire program
- Is also providing funding for SMEDI to improve its capacity to provide services to MSMEs and young entrepreneurs beyond the life of the project

Enhancing the enabling environment for supporting the financial inclusion

- Mainly improving financial infrastructure and regulatory framework to enhance financial inclusion
- Project financing activities to increase use of DFS for MSMEs; improve the effectiveness of the credit reference system, movable asset registry, and business insolvency framework and systems; and increase financial literacy and consumer protection with the aim of increasing eligibility for MSMEs to access finance and grow.
- Support on-boarding of SACCOs and MFIs on to the MFI Hub and to support the MFI Hub to integrate with other third-party systems.

Enhancing the enabling environment for supporting the financial inclusion.....

- Support the integration of 'national identities' into the financial sector through a TA to the National Registration Bureau for the credibility of information being used across financial sector platforms
- The project is supporting the development of a modern business registration system by the DRG
- Project is supporting electronic government-to-person payments system to facilitate MSMEs to do business and provide goods and services to the public service and to support implementation of deposit insurance system

Enhancing the enabling environment for supporting the financial inclusion.....

- The project is thus supporting the implementation of the e-payment gateway
- The gateway will promote online payments and facilitate efficient government transactions internally and/or with the public
- The gateway will integrate Government MDAs to online transactions processing and shall be used by online transaction acquiring banks, MNOs and other DTIs; both and non-bank financial institutions, MFIs and SACCOs to authorize payments
- Considering the diversity of stakeholders involved and to avoid duplication amongst them, a consultant has been recruited by the Project
- The overall ToRs of the consultant are to scope and plan for the integration of the activities related to the payment gateway

Enhancing the enabling environment for supporting the financial inclusion.....

- Stakeholders involved include Natswitch, National Payments Systems (RBM), Digital Malawi Project, Accountant General's Department's Government Electronic Payment Gateway (GePG) system through which customers will pay for public services via cards, internet banking and mobile money
- This assignment will guide in development of the fitting specifications as well as procurement of a supplier to develop and supply the system
- Consultancy is currently at inception report stage
- Ernest implementation of the gateway expected around April, 2023

Thank you