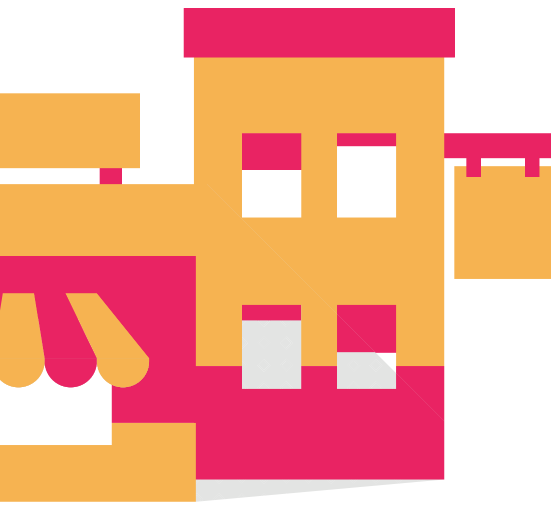
Guinea

KEY CHALLENGES FOR THE 'MISSING MIDDLE'



#ClosingTheGap

Assessment of the
entrepreneurial ecosystem
in Guinea

July 2017

Commissioned on behalf of:
Dutch Good Growth Fund (DGGF) / Investment fund local SMEs

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Disclaimer:
#ClosingTheGap Guinea has been commissioned on behalf of DGGF as part of the ClosingTheGap series of entrepreneurial ecosystem assessments. The findings and recommendations are at the discretion of the consultants -Enclude - and do not necessarily reflect the opinion of DGGF and/or its partners.

Contents

Executive Summary

This report presents the results of a study conducted on behalf of the Dutch Good Growth Fund (DGGF). The study was commissioned to get a better understanding of the 'missing middle' in francophone West Africa, of which Guinea is one of the focus countries. The report describes the main factors that hamper growth of SMEs in Guinea and limit their access to growth finance, and suggests possible actions to increase their access to funding.

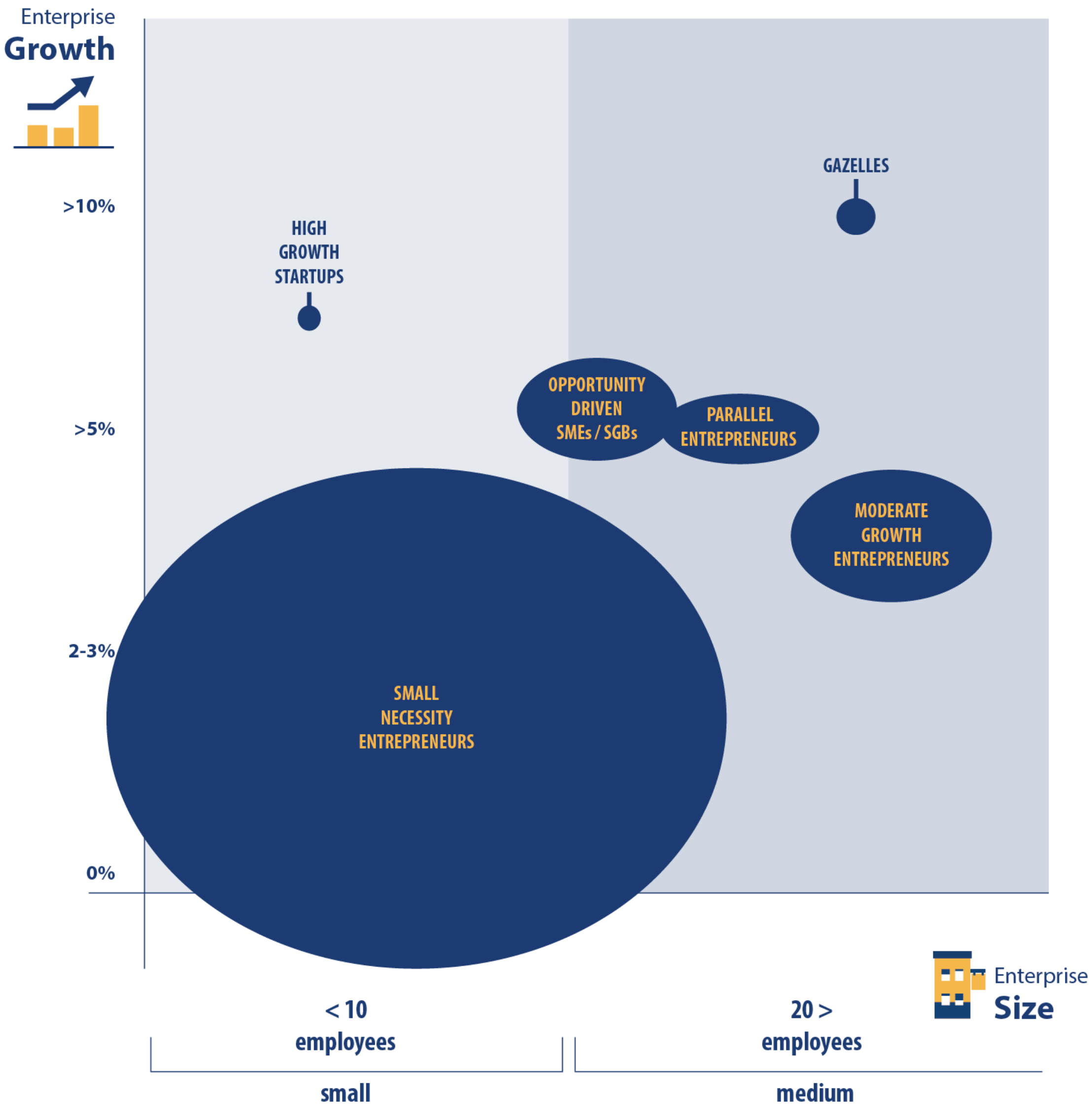
The analysis of the ecosystem is based on six domains which are: **Culture, Policy, Markets, Finance, Support, and Human Capital**. In order to map these domains and identify solutions and opportunities for improvement in Guinea, an initial desk study was undertaken. Then a field visit of one week took place in January 2017 where 28 stakeholders from various ecosystem domains were interviewed. On January 13, 2017, a workshop co-hosted by the APIP (*Agence de Promotion des Investissements Privés*) gathered 25 key stakeholders to validate findings and design possible solutions to overcome the gaps in the local entrepreneurial ecosystem.

A Challenging Environment

The Guinean entrepreneurial ecosystem appears to be relatively weak compared to other Sub-Saharan African countries. Aspects which stand out are the extremely high level of informality of SMEs, lack of entrepreneurial culture, lack of skilled professionals, a nascent Business Development Support (BDS) market, a weakly developed goods and services market, and very limited access to finance for local businesses. Guinea is a low income country, with a GDP per capita of $530 in 2015. The country suffered heavily from the Ebola crisis in 2014-15, which had a huge impact on the economy and society in general. Although slowly, the country is now recovering from that crisis. Several initiatives to support SME development are observed (e.g. by APIP, incubators, investors), indicating that some important first steps are taken towards more SME oriented development.

Most SMEs are 'survivalist' micro enterprises

Data is scant on informal enterprises, but interviews with local stakeholders suggest that few SMEs are growth-oriented formal businesses, while the vast majority are informal, moderate growth enterprises or "survivalist" micro-enterprises that are born out of necessity rather than entrepreneurial vocation ("small necessity entrepreneurs").



The Missing Middle is a Reality

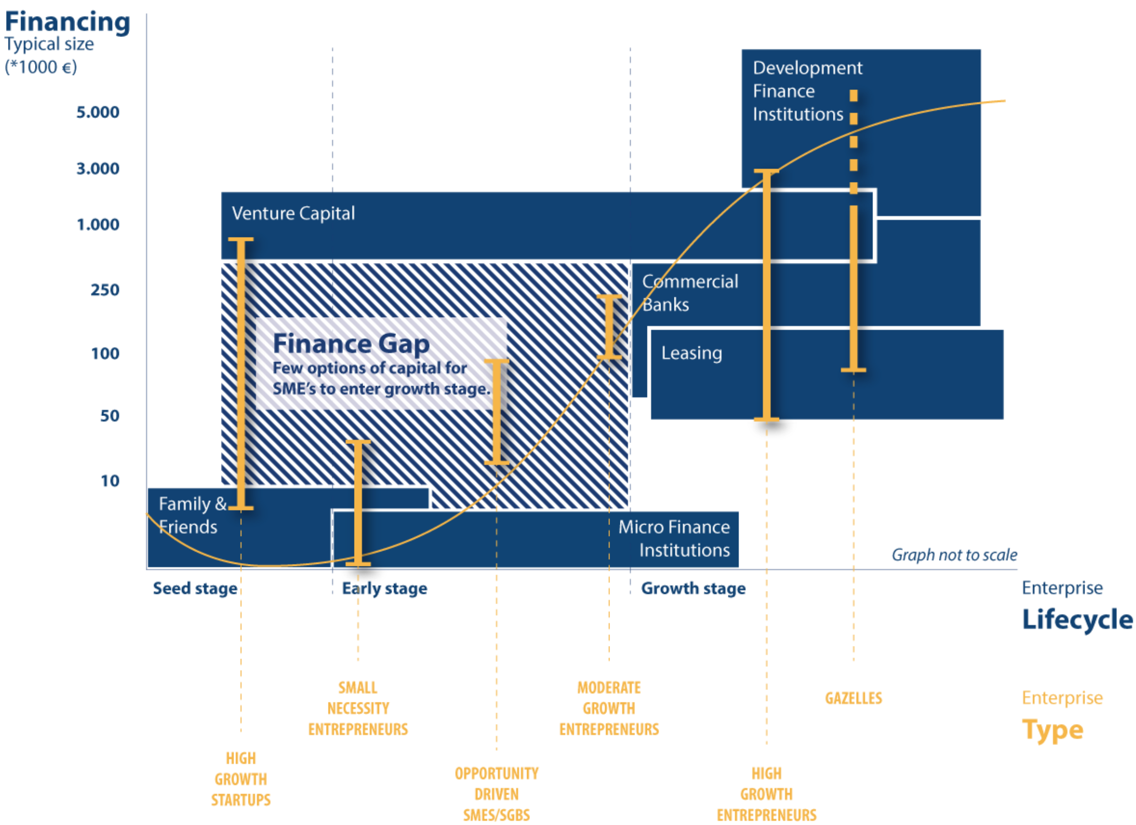
Micro finance and family & friends are the financing sources for small and newer businesses, but not beyond a certain range. High growth enterprises and gazelles have access to equity and debt, but most other types of SMEs remain underserved or unserved by the current financial landscape.

The leading factors contributing to the lack of financing for small and medium businesses are:

- **Entrepreneurship** The government of Guinea has a strong belief in market-oriented development, however private sector development and an entrepreneurial culture is developing slowly in the country.
- **Informality** The high degree of informality of most enterprises translates into lack of proper financial accounting, insufficient capital to put up as collateral, and lack of professional management skills.

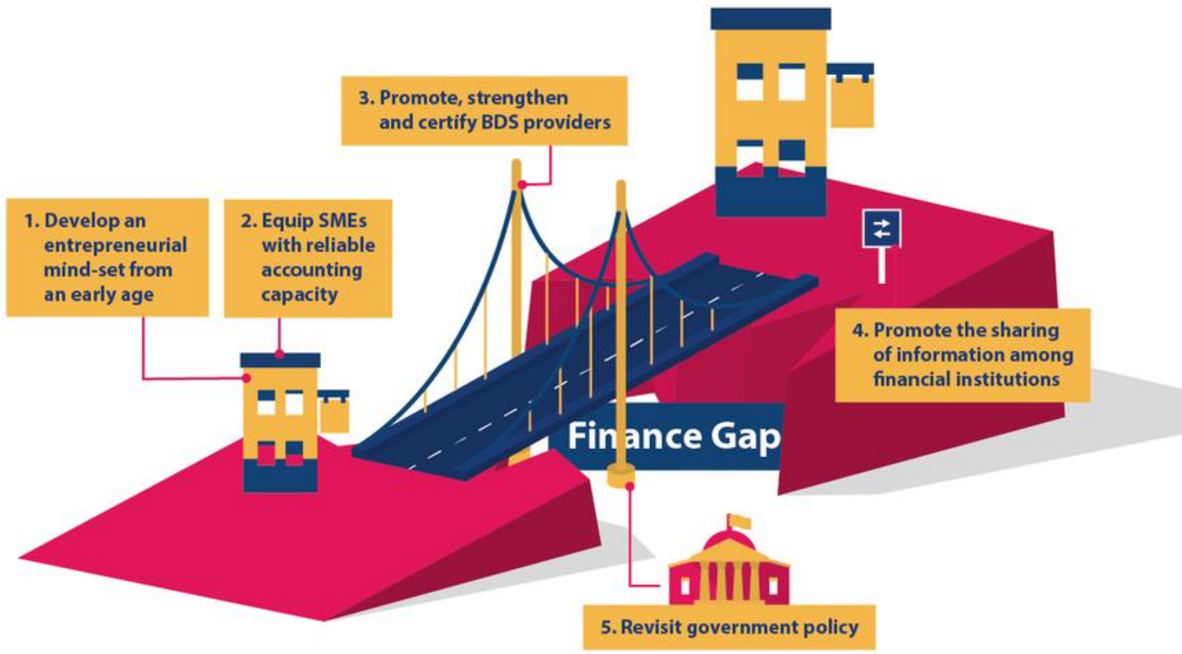
- **SME finance** The lack of incentives for banks to take any risk in lending to SMEs as they can get high returns on government lending. Banks are unaware that SME finance can be a profitable and sustainable business line, if managed well, guided by a well-developed strategy, and accompanied by capacity building of bank staff. There is a lack of legal assurances for banks that they will be able to recover their money if the entrepreneur defaults, even when they have taken collateral. As a result there are only limited financing options - essentially only short term bank loans (< 1 year).
- **Investors' appetite** Not many investors are active in Guinea because of slow economic growth, high transaction costs and limited presence of investable enterprises. However it can be considered an untapped market for impact investors, especially in sectors like mining agribusiness and tourism.

The resulting financing gap for Guinean SMEs is shown in the image below.



Looking forward, the two most promising pathways for closing the financing gap for SMEs seem to be helping missing middle enterprises transition out of informality and grow into bankable, investable businesses, while stimulating better more advanced financial service delivery to missing middle enterprises. **A number of concrete actions to close the financing gap** were suggested by local stakeholders:

- Develop an entrepreneurial mind-set from an early age
- Equip SMEs with reliable accounting
- Promote and certify BDS providers
- Promote the sharing of information among financial institutions
- Revisit Government policy



1. Introduction

1.1. *Objective of the Study*

This study has been conducted on behalf of the Dutch Good Growth Fund (DGGF), an initiative of the Dutch Ministry of Foreign Affairs. The DGGF part 'Investment Funds local SMEs' is a "fund of funds" investment initiative of the Dutch Ministry of Foreign Affairs that aims to improve access to finance for the missing middle – that is entrepreneurs who have outgrown micro-financing but do not yet have access to conventional financial services.

The Seed Capital and Business Development (SCBD) Facility was established to further the impact of the DGGF by providing technical assistance, seed capital and business support services to intermediary funds and local SMEs. In addition, the program incorporates a knowledge sharing component that supports research, tests assumptions and shares insights on financing SMEs in developing countries and emerging markets, and fosters industry-wide knowledge exchange.

Under the SCBD knowledge development and sharing component, the DGGF #ClosingTheGap series aims to improve the common understanding of key challenges faced by entrepreneurs and especially the "missing middle" in countries covered by the DGGF mandate. The #CTG series is a tool to facilitate and support local and international stakeholders' efforts to set the agenda for SME development. Working together, local stakeholders and their international partners should be better able to identify solutions to the main gaps in entrepreneurial ecosystems that hamper the growth of local enterprises.

The study was commissioned to get a better understanding of the 'missing middle' in francophone West Africa, of which Guinea is one of the focus countries. The report describes the main factors that hamper SME growth and access to finance, and suggests possible actions to increase SMEs' access to funding.

1.2. *Methodology*

The first DGGF #ClosingTheGap study piloted in 2015 in Kenya applied the Entrepreneurial Ecosystem Diagnostic Toolkit, published by the Aspen Network of Development Entrepreneurs (ANDE). Based on the lessons learned from the pilot in Kenya, we have customised the methodology for the purpose of this study. As shown in the figure, the research follows the Babson entrepreneurial ecosystem model, one of the leading models in the current entrepreneurial ecosystem thinking, which determines six different ecosystem domains. A more detailed description of the methodology can be found in Annex 6.

The six ecosystem domains studied were:

- **Culture**: is the culture supportive and enabling of entrepreneurship?
- **Finance**: can entrepreneurs gain access to debt, equity and other financial products?
- **Human capital**: are the human resources that local enterprises require available in the market?
- **Policy**: do policies enable and facilitate entrepreneurship?
- **Markets**: do entrepreneurs have sufficient business opportunities?
- **Support**: do entrepreneurs have access to enterprise development support services?

We started our evaluation of the entrepreneurial ecosystem in Guinea with a **desk study** to get an initial overview of the local entrepreneurial ecosystem. First we analysed how Guinea scores compared to other countries in Africa in each ecosystem domain, by combining multiple indicators from a number of different indexes. Index sources used for scoring the 6 domains of entrepreneurial ecosystems were the World Bank's Enterprise Surveys (ES); the World Economic Forum's Global Competitiveness Index (GCI), the Global Entrepreneurship and Development Index (GEDI) produced by George Mason University; data from the Doing Business (DB) project of the World Bank; and the Global Innovation Index, co-published by the United Nations.

Box 1: Enterprise Surveys in Guinea

An important consequence of the high degree of informality in the private sector is the lack of reliable data on the number and key characteristics of the different kinds of enterprises that operate in Guinea. This hinders to carry out a representative survey of the local SME sector. For the purpose of this report information from a wide variety of sources was used. Quite uniquely for the region, several enterprise surveys were recently undertaken, which provided most useful data for the research:

1. Survey 2015 by APIP, based on a sample of 1713 SMEs from22 different cities;
2. ES Partners-APIP 2016 Survey, based on 700 SMEs from 6 cities (70% informal);
3. WB Enterprise Survey 2016, based on 150 SMEs, all from Conakry.

For various reasons – not least the sample size and the higher degree of representativeness – the second survey has proven to be the most useful.

DGGF is partnering with the Enterprise Survey Unit of the World Bank to undertake enterprise surveys in the countries covered by the current assignment. In Guinea, a survey was undertaken in 2016. The findings from this survey are being used in this report[1], acknowledging the bias of these data towards formal, and therefore larger and more professional, firms.

After the desk study, we interviewed representatives from various ecosystem domains during a **field visit** of one week in January 2017. This group included 8 entrepreneurs (not including the BDS providers); 12 SME support structures (including semi-public and private structures) and 7 financial players (banks, MFIs, and venture capitalists).

[1] http://www.enterprisesurveys.org/~/media/GIAWB/EnterpriseSurveys/Documents/Profiles/English/guinea-2016.pdf

(For the full list of participants, see Annex 1.). These discussions enriched the information from the desk study, and uncovered the root causes explaining the existence of a 'missing middle' in Guinea. In addition, they helped to identify some of the key stakeholders, both organisations and individuals that act as frontrunners in the development of a more conducive Guinean entrepreneurial ecosystem.

These and other relevant stakeholders were gathered during a workshop co-hosted by APIP with 25 key stakeholders of the local ecosystem on January 13, 2017, to validate findings and design possible solutions. See Annex 4 and 5 for a list of workshop participants and summary of outcomes.

2. The Business Landscape in Guinea

2.1. *Guinea in a nutshell*

Box 2: Guinea key facts

Area:	245,857 km2
Population:	approx. 12 million
Capital:	Conakry
Other economic hubs:	Kindia, Labé, Kankan and N'Zérékoré
Official language:	French
Other languages:	Susu, Fula, Maninka, Kissi, Toma and Guerzé
Religion:	Muslim (85%), Christian (10%)
Currency:	Guinean franc (GNF)
GDP per capita	Approx. $530[1]

Situated on the Atlantic coast, Guinea shares borders with Guinea-Bissau, Senegal, Mali, Ivory Coast, Liberia and Sierra Leone. Guinea declared independence from France in 1958. Its first president, Sékou Touré, was a strong supporter of Pan-Africanism and led the country towards a socialist economy based on centralised economic planning and a one-party dictatorship. Unlike other former French colonies in West Africa, **Guinea did not adopt the CFA Franc** and as a result could not join the UEMOA (West African Economic and Monetary Union) when it was established in 1994. Instead it joined the WAMZ (West African Monetary Zone), established in 2000, as the only non-English-speaking country in the union which includes Gambia, Ghana, Liberia, Nigeria and Sierra Leone. There are plans to introduce a single currency in the WAMZ as well, but it is not clear when or if this will happen. The lack of a common currency with French-speaking neighbours (and Guinea Bissau) is a constraint to foreign trade.

2.2. *Guinea's Entrepreneurial Ecosystem in the Regional Context*

Guinea's ecosystem scores lower than most other West African countries[2] according to the scoring methodology, which is based on a range of indicators including the WB Doing Business ranking, WEF Global Competitiveness Index and the UN Human Development Index. **Guinea is a low-income country in terms of GDP per capita**, which is heavily dependent on its natural resources[3], mainly mining and to a lesser extent agriculture. The country suffered heavily from the Ebola crisis in 2014-15, which had a huge impact on the economy and society in general[4].

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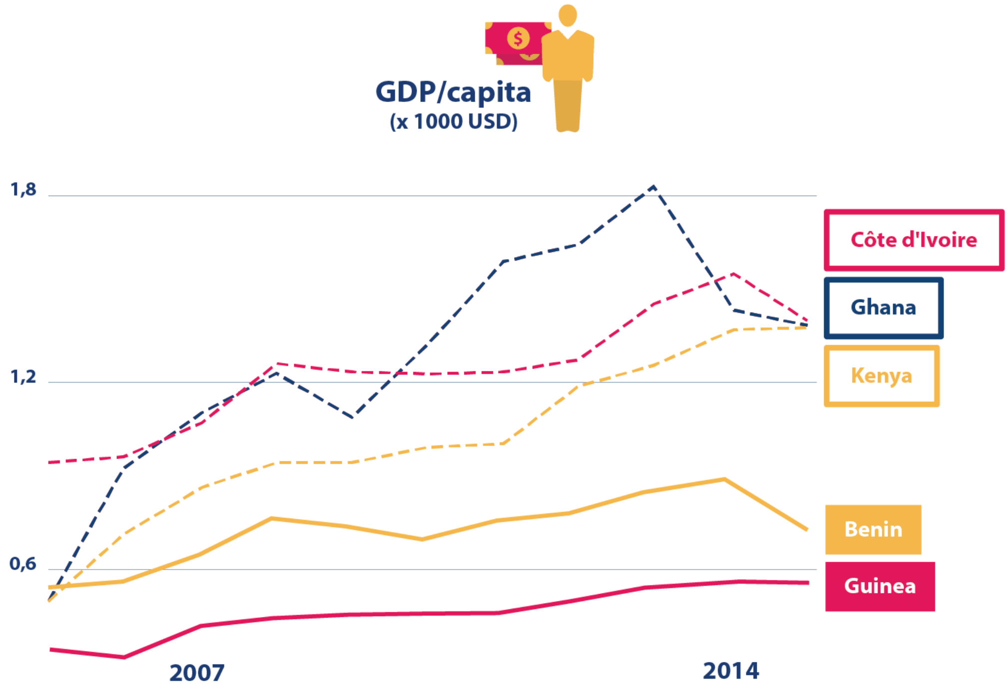
[2] See Annex 6 for details on the scoring methodology.
[3] The country has almost half the world's bauxite reserves and significant iron ore, gold and diamond reserves.
[4] The World Bank estimated the impact of the Ebola crisis at $600 million for Guinea. Real GDP growth in 2015 was negligible (only 0.1% instead of the projected 4%) but this may also have been due to lower mineral prices.

Figure 1: GDP per capita in Guinea and selected countries



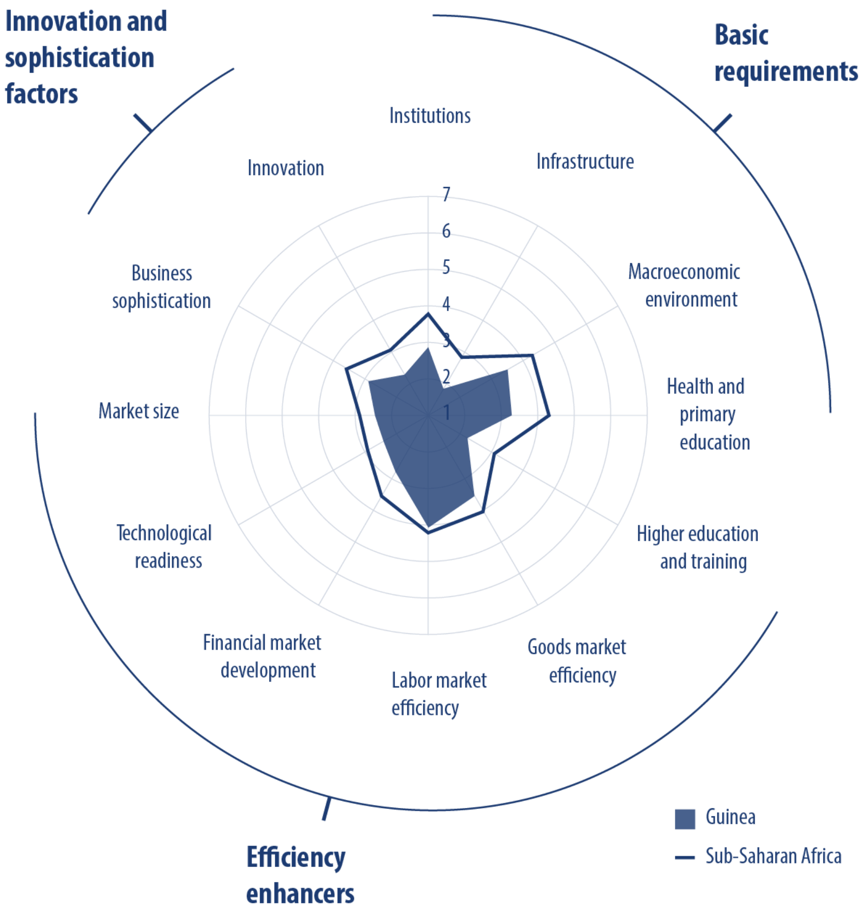
Source: World Bank

Guinea scores poorly on various international indices, even compared with its neighbours. For instance, on the **UN Human Development Index** it is ranked 182 out of 188 in 2015. In West-Africa only Burkina Faso (183) and Niger (188) score lower, but all of Guinea's direct neighbours (Senegal, 170, Côte d'Ivoire, 172, Liberia, 177, Guinea Bissau, 178 and Sierra Leone, 181) are ranked higher.

More relevant for our study are the World Economic Forum's Global Competitiveness Index and the **World Bank's Doing Business Index**, where Guinea also ranks lower than most of its neighbours. In fact, in the WEF-GCI 2015-16, Guinea is at the very bottom of the table and in the WB-DB index 2016-17 the country is ranked 163 out of 190, placing above only Guinea Bissau and Liberia in the region.

The **WEF Global Competitiveness Index** focuses on 12 pillars of competitiveness. The filled area in the spider web in Figure 2 shows the scores for Guinea, while the thin line shows the average scores for Sub-Saharan Africa. In 2014, Guinea had a low score for most pillars, in particular for institutions (140 out of 140), Infrastructure (140) and Higher Education and Training (130). Guinea scores similar to SSA countries on Labor Market Efficiency.

Figure 2: WEF Global Competitiveness Index for Guinea and Sub Saharan Africa



One measure in the World Bank's Doing Business Index is an overall "**Ease of Doing Business**" ranking, which is a weighted average of several factors, some of which are worth highlighting. On the "**Ease of Getting Credit" (A2F)** indicator, in Sub-Saharan Africa, the West African countries are ranked 22 to 36 and Guinea is ranked 29 out of 48.

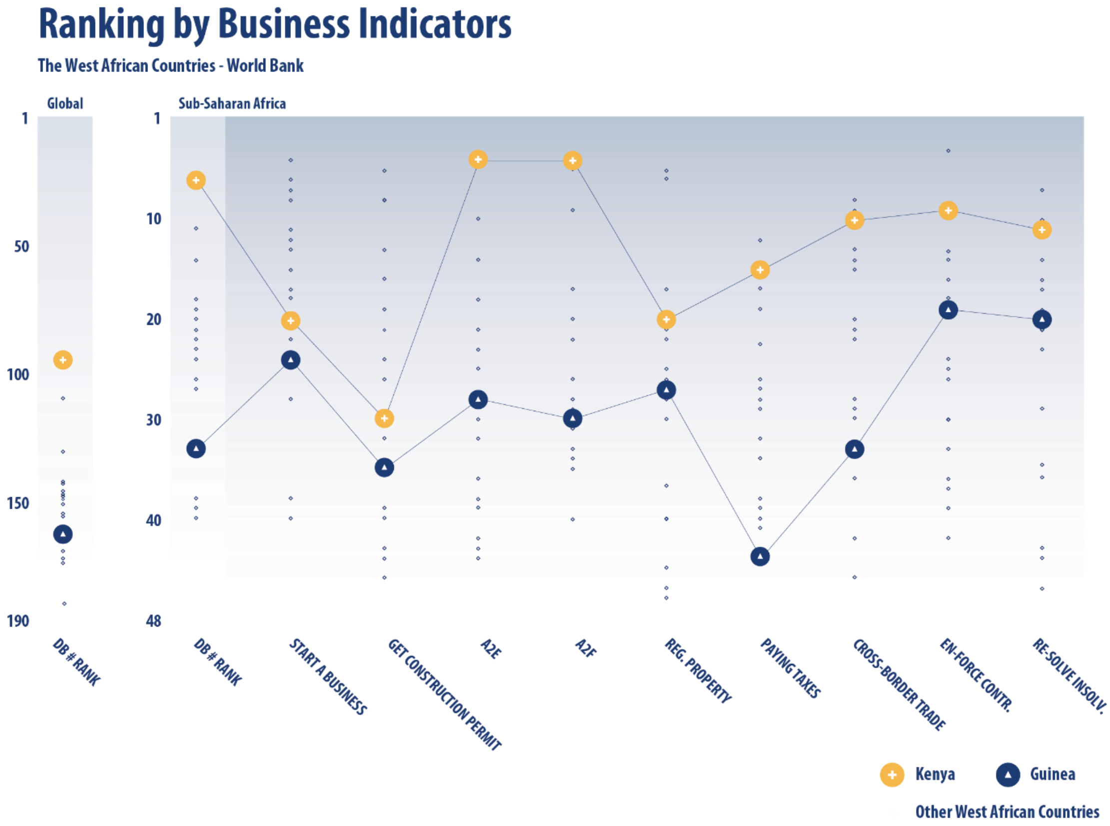
There is a lot more variation in the global ranking for "**Setting up a Business**", where Côte d'Ivoire and Benin score relatively well – they are ranked 50 and 57 respectively – whereas Guinea is ranked relatively low at 133, only above Guinea Bissau and Gambia. This suggests that setting up a business in Guinea remains challenging. The Doing Business ranking for the West African countries and Kenya is shown in Figure 3 below, highlighting the difference between the Kenya and Guinea rankings. For the full table with rankings of West African countries, see Annex 7.

2.3. *The Guinean Private Sector*

The main characteristic of the Guinean private sector is the high degree of informality, which according to some estimates is above 90%. According to a recent study commissioned by APIP, **92% of the private sector in Guinea consists of informal micro- or small enterprises in agriculture, trade or services, with low salaries (less than $50 p/m) and low literacy rates (25%).** It is estimated that 80% of the workforce is employed in this sector and that only 2.2% of the enterprises have a bank account[5].

[5] « Transformer le potentiel de la Guinée pour le peuple guinéen », ES Partners-APIP, 2016 (http://apip.gov.gn/?q=print/997)

Figure 3: World Bank Doing Business Indicators Ranking for West African Countries



For this study, the definition used for SME is firms with **5-100 employees and an annual turnover ranging from 65 to 2,000 million Guinean franc (GNF) or €6,500 – 200,000**[6]. The definitions are taken from a recent study by APIP (Agence de Promotion des Investissements Privés) and ES partners, commissioned by AfDB and UNDP[7], and are in line with common definitions by other stakeholders in Guinea. Thus, compared to Senegal for example, SMEs tend to be a lot smaller in Guinea, in particular in terms of turnover[8].

The SME Landscape

SMEs are not a homogeneous group. They differ greatly in terms of size, degree of formality, experience, market orientation and related funding needs. The SME sector can be classified based on two criteria: size and growth. The **segmentation of the Guinean SME sector results in five types of entrepreneurs**, with distinctive funding needs, that would benefit from customised support. These segments are described below.

- **Small necessity entrepreneurs.** The biggest group of entrepreneurs in Guinea are small necessity entrepreneurs, barely larger than a micro enterprise, which set up to achieve an income for the owners' family, and aimed at survival rather than growth. In some cases, access to finance would be welcome to increase their working capital, but their financial administration and business planning practices are insufficient to approach funders.

[6] At the time of the study the Euro exchange rate was GNF 10,000.
[7] « Transformer le potentiel de la Guinée pour le peuple guinéen », ES Partners-APIP, 2016.
[8] In Senegal, for instance, the annual turnover of SME is in the range of € 75,000-300,000.

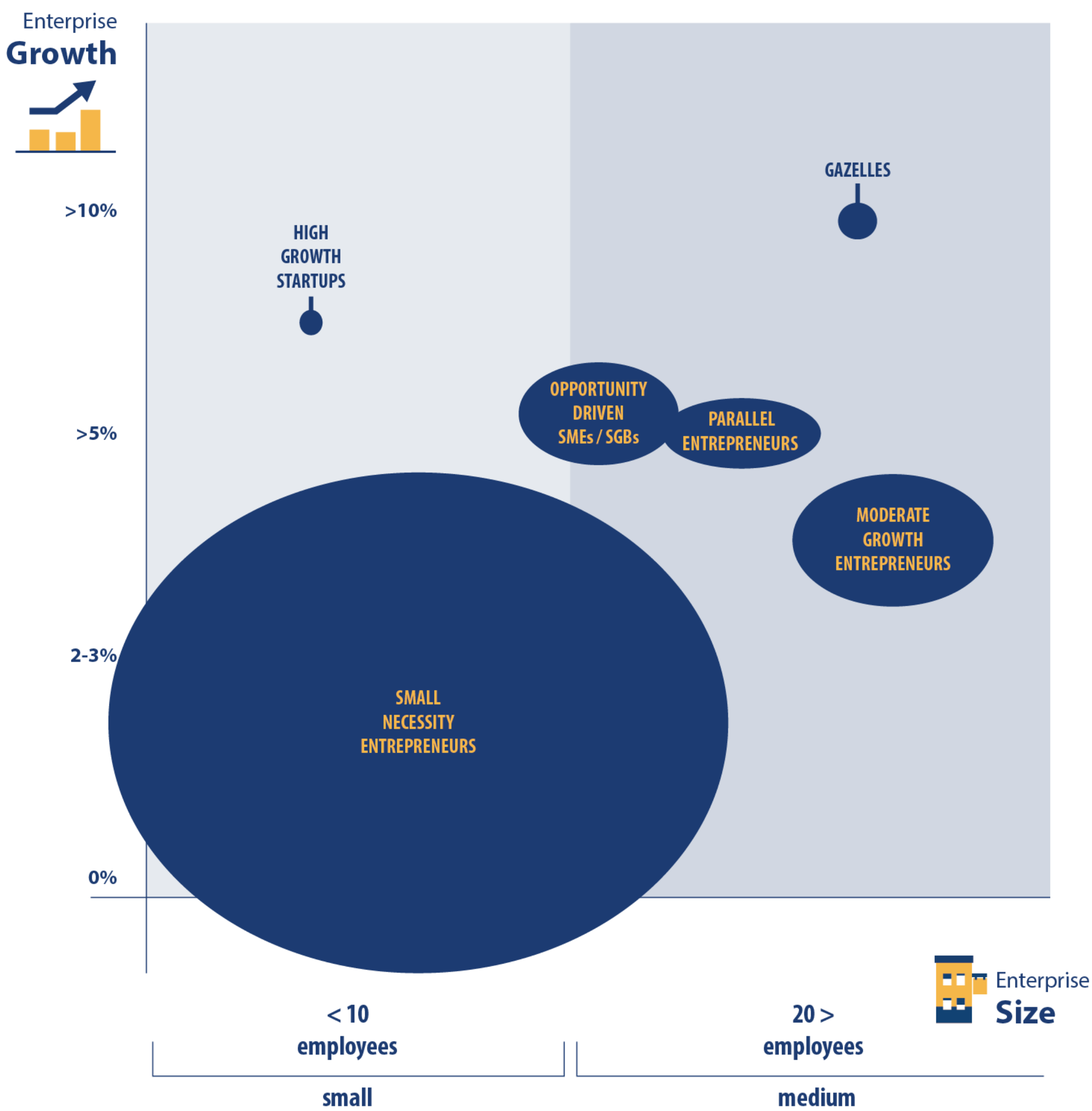
- **Moderate growth entrepreneurs.** These are traditional firms offering a product or service with a stable demand but usually not deploying innovative products or production techniques. In the Guinean context, an annual growth rate of 2-3% increases these firms' size over time in the direction of a mid-sized enterprise. They are often family businesses with a higher rate of formality (around 20%) than the small necessity entrepreneurs. They are typically on the verge of having access to bank financing.

- **High growth start-ups.** These are typically young entrepreneurs, often starting a business in the technology sector. Guinea has relatively few of these, in comparison with Senegal, for instance. These new entrepreneurs typically struggle for several years, as they learn to manage the basic challenges of doing business in Guinea, such as bootstrapping, handling authorities, and coping with unreliable infrastructure. As elsewhere, there is not much funding available for early stage start-ups.

- **Opportunity driven SME's.** These are entrepreneurs that engage in opportunistic business behaviour, copying successful business models observed elsewhere and regularly switching or adding new business activities. This group includes entrepreneurs that run several businesses at once (known as **parallel entrepreneurs**) and who will often own small businesses in a variety of sectors and industries. They tend to lack a long term business vision and have limited market knowledge and client understanding.

- **Gazelles.** In the Guinean context, successful start-ups that have made the move from small to mid-size firm in a very short time, thanks to high annual growth rates of around 10%, are called gazelles. Usually formally registered, they typically have 20-100 employees, have achieved a mature financial performance, and are headed by a strong business leader. Gazelles look for larger amounts of long-term financing for investment in assets, and usually have access to debt or other forms of financing. There are not many gazelles in Guinea.

Figure 4: Segmentation of SMEs in Guinea



Source: Adapted from Intellecap[9], 2015 and authors' research[10]

SMEs and Access to Finance

Surveys are typically biased in favour of larger, formal and Conakry-based SMEs, and include less information about smaller, more rural and informal enterprises. Even so, access to finance is considered to be the top obstacle to doing business by Guinean micro- and small enterprises, followed by Ebola and the cost of financing, according to a recent survey commissioned by APIP. For medium-sized enterprises, with turnover between €40,000 and €200,000, the main perceived obstacles were Ebola and the costs of financing, followed by corruption, inflation and in the fifth place, access to finance.

[9] ClosingTheGap Kenya, Intellicap 2015
[10] Size of sub-segments is estimated by authors based on enterprise surveys (World Bank and APIP) and field data

Being an entrepreneur in Guinea often involves looking for new short-term business opportunities to survive the next few months, rather than a consistent focus on building long-term clients and a quality-oriented enterprise. The result is copycat SMEs, with very limited market knowledge and no clear, long-term business strategy. Successful role models are rare, though they do exist. A few examples are:

- **Juliette Camara**, who set up her own printing business in 1990 – Nouvelle Imprimerie de Kaloum - and now has two separate business locations, with over 100 employees and state of the art printing equipment, for which she got a loan of €15 million from Afreximbank;

- **Sékou Cissé**, who worked as a logistics officer for various health-related NGOs for 24 years, before setting up his own logistics company – Guinea Mining Services – in 1990. He now has a whole fleet of Toyota pick-up trucks that he leases to the mining sector and other corporate companies;

- **Nabil Saad**, who set up his own private clinic in 2000 – Clinique Ambroise Paré – with a capacity of 60 beds, and who now has 200 staff and an annual turnover of€ 4-5 million.

Nouvelle Imprimerie Kaloum (NIK) & CIP Patrice Lumumba (CIPLL)

Director/owner:	Mrs Juliette Camara
Location:	Conakry
Business activity:	Printing services
Established:	1990/2002
Staff:	100+
Formal:	Yes

Financing the business

- Mrs Camara started NIK from scratch by self-financing, and grew the business through retained earnings and some advance payments from clients.
- For CIPLL, she obtained bank loans from 3 different commercial banks in 2002 (with a 50% guarantee).
- Another bank provided financing in 2015 to invest in modernization of the machinery.

Challenges

- Mrs Camara had to start the business without any external financing.
- The first years were very hard, until 1993/94 when she received a large order.
- Until 2002 she only had access to short term loans, but after that she was able to access long term financing.

Global Mining Services

Director/owner:	Sékou Cissé
Location:	Conakry
Business activity:	Logistics
Established:	2007
Staff:	70+
Formal:	Yes

Financing the business

- Mr Cissé has a fleet of Toyota pick-up trucks that he leases to the mining sector and other corporations.
- It was difficult to get the business started, given that he had to rely mostly on his own funds.
- Other financial tools he used were leasing of vehicles and requesting advance payments from clients.

Challenges

- Banks do not provide a loan size that is sufficient to start a new enterprise.
- Banks do not have the capacity to evaluate the profitability of a type of business they have not seen before.
- It is hard to find partners that are interested in investing in the company.

Fabricants de Pompes à Eau de Labé (FAPEL)

Director/owner:	Barry Aguibou
Location:	Labé
Business activity:	Water pumps
Established:	2014
Staff:	11
Formal:	Yes

Financing the business

- Start of business was funded through own funds and retained earnings
- Also took a small short loan, and pre-financing of orders
- Prize money of business competition awards, incubation services from SabouTech.

Challenges

- Since several years not successful in obtaining finance to invest in the installation of a modern pump production unit.
- Banks demand extremely high collateral
- Banks are more interested in a short loan for working capital, but not offering growth finance

2.4. *Financing Guinean Enterprises*

Different SMEs have different financial needs, depending on size, type of business, and asset base. The Guinean financial landscape, however, does not serve each segment, for various reasons.

Financial Needs of Guinean Enterprises

The main characteristics and corresponding financial needs of the SME segments mentioned in section 2.3 are shown in the table below.

Table 1: Guinean SME Segments and their Financial Needs

Sub-segment	Key characteristics	Financial needs*
Small necessity entrepreneurs 3-10 employees	Small size, low growth Many copycats, mostly informal The entrepreneur runs the enterprise € 6,500-40,000 annual turnover	Micro-finance Short-term[11] working capital, small amounts, mainly trade finance
High growth start-ups 1-10+ employees	High growth potential Usually struggle for the first 3-5 years Often young (tech-savvy) entrepreneurs € 6,500-40,000 annual turnover	Mid-term seed capital to initiate activities (operations, staff) Short-term working capital and overdrafts Smaller amounts
Opportunity driven SMEs 10-20 employees	Driven by market opportunities, copycats Lack of client and market knowledge € 40,000-120,000 annual turnover	Duration depends on type of business Mid-term asset finance Mid-sized amounts
Moderate growth entrepreneurs 20-50 employees	Steady growth, often family businesses More formalised (around 20%) € 120,000-400,000 annual turnover	Mid-sized amount working capital Long term finance to invest in assets Leasing/trade finance
High growth entrepreneurs 50-100 employees	High growth, both family and non-family, professional businesses, usually PLCs > € 400,000 annual turnover	Bank finance, private equity
Gazelles 20-100 employees	High growth rates Mature financial performance > € 400,000 annual turnover	Bank finance, venture capital, angel investors

*Financing **term**: short term < 12 months, medium term 1-3 years and long term > 3 years.
Financing **size**: small <€30 K, mid-size, €30-200K, large >200K
Source: Authors' research

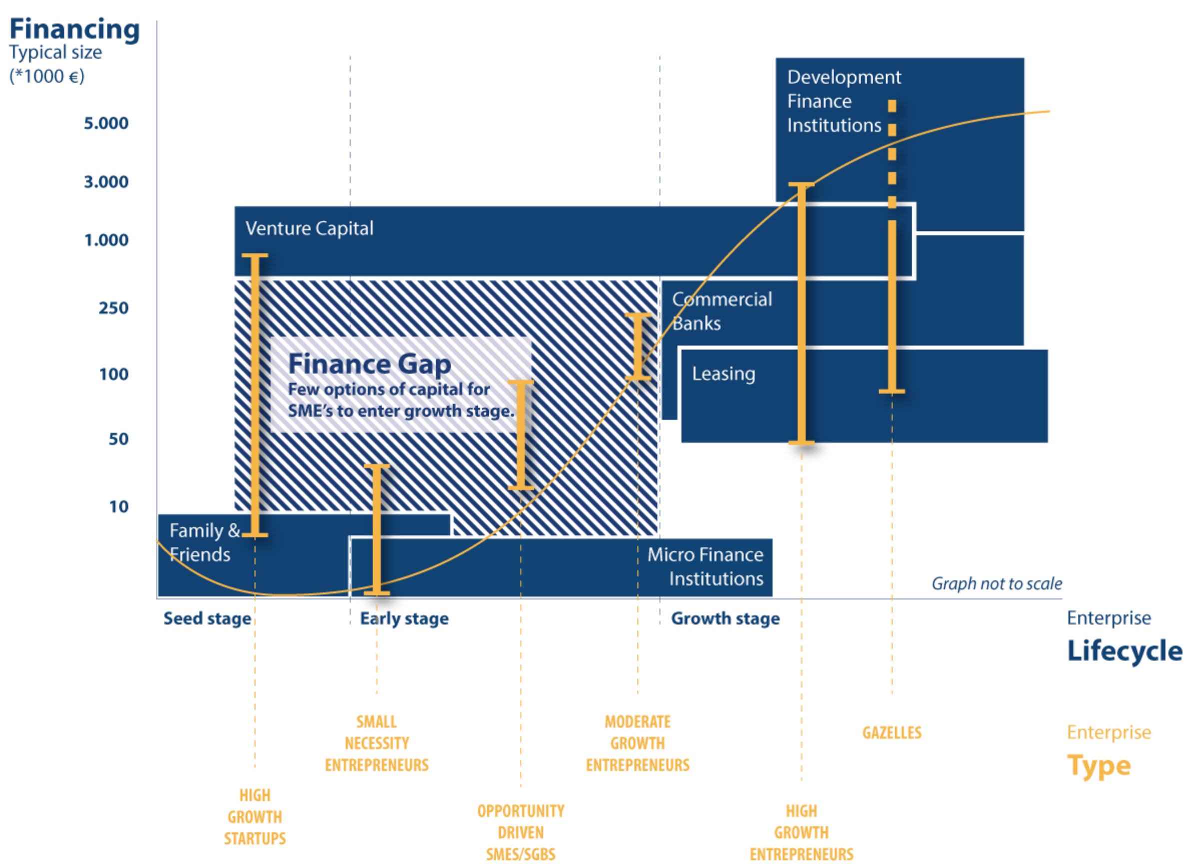
[11] For this study, short term loans are up to 12 months, medium term 1-3 years and long term loans are more than 3 years

Existing Financial Offer

Generally speaking, the breadth of the financial ecosystem in Guinea is limited, although there is a fairly large banking sector, with 15 registered commercial banks and 13 micro-finance institutions. Among them, the banks have total assets of $1.4 billion, while MFIs have assets of $750 million. In comparison, Côte d'Ivoire, with a population nearly twice the size and GDP 5-6 times that of Guinea, has 24 commercial banks with total assets of about $12 billion and 72 MFIs with assets of $250 million. However, in Guinea the three major banks (Ecobank, Bicigui and SGBG) have 60% of the total assets. Few banks operate outside the capital Conakry. As to the depth and breadth of services offered by the financial sector in Guinea:

- Banks only cover a small part of the investment needed by SMEs, and none of the major banks focus on SMEs, although all three have guarantee funds for SMEs at their disposal;
- Microfinance institutions focus on providing smaller amounts (<$5,000);
- Leasing is still in its infancy; and
- Private equity and venture capital is virtually unknown.

Figure 5: Schematic Representation of the Financing Gap for Guinean SMEs



Source: Authors' research

Schematically, this leads to the following description of the financing gap we notice in Guinea (Figure 5): Micro finance and family & friends are the financing sources for small and newer businesses, but not beyond a certain range. High growth enterprises and gazelles have access to equity and debt, but most other types of SMEs remain underserved or unserved by the current financial landscape.

Table 2: Overview of the Financial Landscape in Guinea

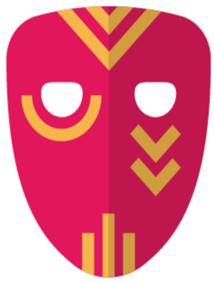
Sources of financing	Examples	Products	Amount	Costs	Targeted sub-segment
Family and friends	Nearly all SMEs in Guinea	Informal debt	N/A	Low	Start-ups, micro- and small entrepreneurs (MSE)
MFI	Crédit Rural, COFINA, 3AE, Iatropha MF	ST loans, often group lending	€ 100 -2,500, low-risk	<25%	Micro-entrepreneurs and small necessity entrepreneurs
Banks	Afriland, Bicigui, Ecobank, Orabank, SGBG and others	Mainly short-term loans and leasing (not yet active)	€ 50,000 -1 million, low to medium risk	<15%	Moderate growth entrepreneurs
Leasing	GLS (Guinea Leasing Services)	Asset finance	€ 50,000 -150,000, low-risk	<15%	Moderate growth entrepreneurs, gazelles
DFIs	AfDB, FMO, Proparco, IFC-World Bank	Private equity, grants (for BDS), credit lines	Usually at least € 1 million, medium risk	Variable	High-growth SMEs that have passed the start-up phase and have solid track record
Private and Corporate Investors	AfricInvest, E&I Partners, diaspora	Private equity and venture capital	> € 500,000, high risk (at least € 10 million for AfricInvest)	IRR: >20%	Gazelles and high-growth SMEs
Donors	AFD (Ariz), USAID, Fonds Gari, etc.	Guarantee funds, seed capital	50% guarantee, low to medium risk	<15%	Moderate growth entrepreneurs, gazelles

Source: Authors' research

3. A Deep Dive into the Guinean Entrepreneurial Ecosystem

In this chapter we present observations about each dimension of the entrepreneurial ecosystem in Guinea, highlighting the key issues affecting access to finance for local enterprises in the Guinean markets, policy & institutions, finance, business support, human capital and culture. The issues will be examined from both an **enterprise and a financier perspective**. Each section concludes with an analysis of the main issues and presents possible solutions, including a summary of the main strengths and weaknesses, and a few possible action steps.

3.1. Culture: Socialist Heritage, Few Role Models, No Celebration of Entrepreneurship



In 1958, Guinea was the first country in West Africa to declare independence from France. Its first president, Sékou Touré, wanted to make a clean break with the colonial era, so he embarked on a socialist path towards development leading to a dictatorship which lasted 26 years and practically put an end to private initiative in the country. When Touré died in 1984, the state was dominant in every sector of the economy. Hence there are almost no private enterprises in Guinea that are older than 30 years.

Since 1984 and in particular since the new president, Alpha Condé, took over in 2011, Guinea has progressively **moved away from the socialist model and embraced a free market economy**, while encouraging private investment from abroad. Despite its wealth in mineral resources (bauxite, gold, iron and diamonds), Guinea is one of the poorest countries in the world. Long periods of civil unrest and the mismanagement of the economy have led to chronic trade and budget imbalances, high inflation and devaluation of the local currency.

It is clear that Guinea still bears the scars of its socialist heritage and isolated position in francophone West Africa, but the **country is slowly but surely starting to show signs of recovery**. However, it still has a long way to go towards creating an entrepreneurial mind-set and developing a dynamic, innovative private sector. The **strong influence of the mining sector on the economy raises price levels and tends to overshadow other potential growth sectors such as agri-business**. A **positive culture around entrepreneurship is slowly emerging**, but mostly though stand-alone, and not nationally coordinated initiatives.

Enterprise Perspective

Some state enterprises survived the transformation to a market economy for many years, but most have now gone out of business. This has led to a new breed of entrepreneurs paving the way for a new private sector. In 2002, Mme Camara bought the state-owned printing company CIPPL, which used to have a monopoly position. Recently she did a complete overhaul of the machinery, converting it into one of the most modern printing facilities in West Africa.

Successful entrepreneurs like Mme Camara are laying the **foundation of a competitive and dynamic private sector, but they are few and far between.** Most entrepreneurs in Guinea are in business out of necessity rather than vocation. They do small-scale trading and practice copy-cat behaviour. Most of them are informal, and this limits their drive to innovate and grow.

Box 3: SabouTech Incubator for IT

SabouTech is the only business Incubator in Guinea for entrepreneurs in IT and mobile services, renewable energy and environmental sector, providing support on business model design and strategy, and connecting entrepreneurs with business networks. Established in 2015, it was loosely modelled on the tech business incubator CTIC in Dakar.

SabouTech offers two types of services; *incubation services* (office space, training, coaching, mentoring, tax and accounting services) and *pre-incubation support* (services to support aspiring entrepreneurs to get ready for start-up, e.g. business planning and market research.) In its first year it had 5 start-ups using incubation services, and 5 using pre-incubation resource. Total capacity of SabouTech is 8 enterprises in each category.

Examples of incubatees are: Smart (car rental), Garasoft (electronic security), Fapel (water pumps), and Coguiapres (oil extraction). Pre-incubatees include a virtual platform to trade agricultural products.

At the same time, there is a lack of attractive job opportunities with the government and the private sector, causing **increasing numbers of young urban residents to consider entrepreneurship**. The recent creation of the incubator SabouTech (see ***Box 3***) targets these young entrepreneurs, offering assistance with business planning, financial management skills and access to networks. It is too early to say whether this initiative will generate many successful start-ups, but it is a hopeful sign that private sponsors such as Orange and Rio Tinto Foundation are willing to invest money into this new development.

A number of **business associations** are active in Guinea, ranging from employers' unions, such as CNPG (Conseil National du Patronat Guinéen), which has 25 member federations (construction, transporters, mining companies, etc.) or GOHA (Groupement des Hommes des Affaires) to the CONAFEG (Confédération Nationale de Femmes Entrepreneurs de Guinée), which represents all the women's associations in Guinea[12]. Most business associations are not very active. A positive role in creating a vibrant and socially responsible private sector is played by the **Private**

[12] Other business associations are the CEG (Confédération des Entreprises de Guinée) and the Patronat de Guinée.

Investment Promotion Agency APIP[13]. Among other things, they set up a platform to develop a common agenda for private sector.

Financier Perspective

Many bankers and funders perceive most SMEs as being disorganised, lacking proper financial records, and operating at "**the low end of the market**". A new perspective that recognizes different types of entrepreneurs, among which are many well-educated, dynamic and generally more innovative players is essential to convincing financial institutions to engage in what may be a growth segment in the future. This awareness exists in other countries and helps to lift entrepreneurs in specific sectors by bridging the finance gap. However, this cultural evolution will only come about if there is a concerted effort both from policy-makers as well as the private sector to promote an entrepreneurial culture among young people in Guinea.

Analysis and Possible Solutions

A positive culture around entrepreneurship is emerging slowly, but is still far from being mainstream and thus affecting the propensity to create or even work in a business, or interest in collaborating with or investing in an SME. This lack of cultural support for entrepreneurship in turn dampens the interest and incentives for financial players to develop this segment of the market.

	Description	Actions
Strengths	• A positive culture around entrepreneurship is slowly emerging • A few interesting entrepreneurial role models have come up recently • Recent initiatives tap into this entrepreneurial potential and provide targeted support	• Promote entrepreneurial awareness at schools and through business plan competitions • Publicize success stories of entrepreneurs so that they become well-known role models • Expand the support for young entrepreneurs by setting up new incubators/accelerators
Weaknesses	• There is no strong entrepreneurial tradition • Many entrepreneurs display copy-cat behaviour • Business associations are not very active	• Appeal to pre-independence traditions, combined with a new entrepreneurial awareness • Involve business associations in the process

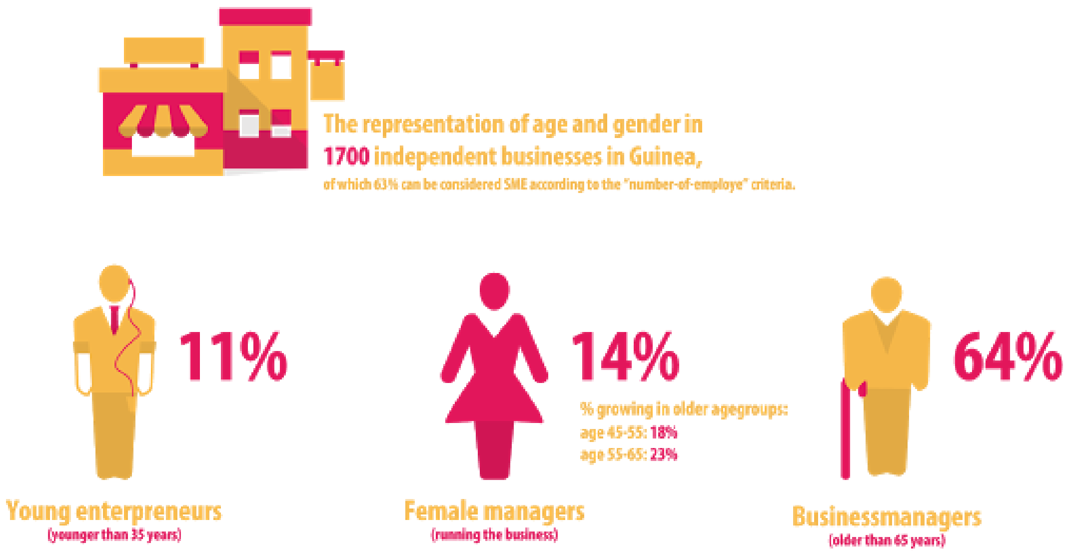
[13] Agence de Promotion des Investissements Privés.

3.2. *Human Capital: Mostly On-the-Job Training*

Guinea scores low on human capital indices compared to peers in the region. Moreover, most Guinean SMEs state that it is challenging to find well-qualified employees and focused managers with an appropriate set of business skills. On the one hand, there is **lack of skilled labour** – as illustrated by low enrolment in primary (75%) and secondary (38%) education and lack of specialized training services[14] – and on the other hand, there is a mismatch of supply and demand in the labour market.

Women are grossly under-represented as entrepreneurs in Guinea. Though exact figures are hard to come by, in the APIP survey among over 1,700 private enterprises - of which 63% could be classified as SMEs based on number of employees[15] - only 14% were run by women. This percentage was higher in the older age groups: 18% for 45-55 years and 23% for 55-65 years[16]. Quite surprisingly, the **percentage of business managers above 65 is extremely high in Guinea**, at 64%. Conversely, the percentage of young entrepreneurs in the APIP survey was very low: only 11% were younger than 35. Entrepreneurial success in Guinea comes with age and experience; young entrepreneurs are not able to acquire the necessary entrepreneurial skills and competences at school, universities or at specialised business schools.

Figure 6: Age and gender of entrepreneurs in Guinea



Source: APIP, 2015

[14] World Economic Forum "Global Competitiveness Index 2014".
[15] SMEs are defined as all those businesses with to 5 to 50 employees.
[16] APIP « Répertoire des entreprises du secteur privé guinéen » August 2015.

The private sector development strategy of the Guinean government (*Stratégie de développement du secteur privé (SDSP)*) has assigned a crucial role to women and youth in the development agenda. In the report « *Répertoire des entreprises du secteur privé guinéen* » published by APIP in August 2015, two core reasons to explain the under-representation of women are mentioned: 1) the fact that all the surveys focus on urban areas, whereas 70% of the women live and work in rural areas; and 2) because of the lower level of education of women in general.

No access to start-up capital, insecurity and cultural factors restrict young and female entrepreneurs from starting a business. A suggestion in the report for increasing the participation of women and youngsters in entrepreneurship is to set up a guarantee fund for women and youth to facilitate their access to finance. Apparently UNDP has already launched this idea and it has even been discussed with Bicigui, although it was not mentioned in the interview with them (source: APIP report 2015).

Box 4: On the job training and the Ebola crisis

Mme Camara, the entrepreneur mentioned in the previous section, took a bold initiative in response to the Ebola crisis, which forced her to close down one of her printing facilities. Before the epidemic she had 54 employees in the plant. After the Ebola crisis subsided, she had to start all over again. She kept 15 of her former employees, which she complemented with unemployed graduates from the ENAM vocational school who had completed a technical training. As there is no printing training in Guinea, she provided additional training on how to use the printing equipment. Eventually she plans to hire about 50 more from the 71 who received this training.

Enterprise Perspective

Most entrepreneurs in Guinea have not received formal training in business management or entrepreneurship, and most SMEs are informal and do not know how to maintain sound financial administration or optimize their business operations. This lack of professional business skills can limit business expansion. The country's education system is not considered practical and business-oriented. Thus, **most growth-oriented SMEs prefer to train their employees on-the-job**. In the WB Enterprise Survey (2016), 16% of the enterprises indicated to offer training, compared to the average of 27% in Sub-Saharan Africa and 28% in low income countries. There are two institutions that provide technical training in Guinea, CNPG and ENAM, but their graduates often lack practical skills that are useful and relevant to SMEs looking for skilled workers.

In the APIP study, SMEs mentioned lack of skilled human resources, marketing and financial accounting skills as major problems. Immediately after access to finance, marketing was mentioned as the second most important constraint by all SMEs with turnover up to € 200,000, while human resources and financial accounting was mentioned as the fourth and fifth most important constraint by SMEs with a turnover of € 6,500 – 40,000[17].

[17] « Transformer le potentiel de la Guinée pour le peuple guinéen », ES Partners-APIP, 2016 (page 27).

Financier Perspective

Only a few SMEs have adequate business planning and sound financial management capabilities. Banks find SMEs lacking in management and without a clear view of their financial needs. SMEs tend to become better organised as they grow larger and can afford to hire a professional manager or accountant. Many smaller SMEs operate informally, focusing almost exclusively on day-to-day needs and challenges without any long term strategy. Thus, financiers consider SMEs a **risky group and not bankable or ready to absorb capital**.

Analysis and Possible Solutions

Education levels are low in Guinea, even compared to neighbouring countries. There is insufficient business education that targets SME employees and owners, and SMEs find it difficult to attract skilled staff. This hinders the professionalization of SMEs and causes them to be run in an ad-hoc fashion. This ultimately limits their access to bank finance.

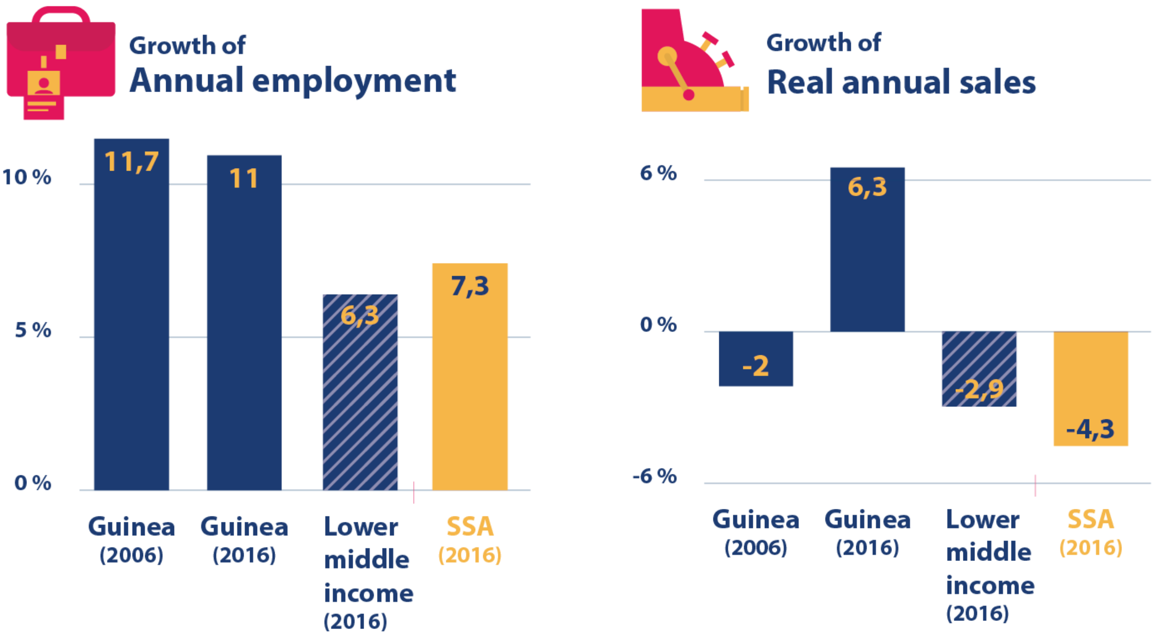
	Description	Actions
Strengths	• Very young, low-skilled population provides cheap labour force • There are a few promising initiatives to support youth employability, e.g. the AGUIPE-FONIJ project to boost the youth competencies[18] or the APIP plan to set up a business incubator for women entrepreneurs in specific sectors	• Invest in business sectors where Guinea may have a competitive advantage based on labour costs • Continue to support new initiatives targeting youth and women, such as dedicated guarantee funds, incubators • Highlight success stories of women and young entrepreneurs to set an example for others
Weaknesses	• Low education levels, both of business owners as well as employees • Entrepreneurs tend to run their businesses in an ad-hoc way, only focusing on the short-term • Women and youth are under-represented among business owners and managers	• Invest in better technical education and more practical skills training, taking into account demand from the private sector and focusing on the needs of the self-employed • Improve and expand the offer of business training for entrepreneurs, with a strong focus on women and young entrepreneurs

[18] « Booster les Compétences de l'Employabilité des Jeunes » a partnership between AGUIPE (Agence Guinéenne de Promotion de l'Emploi) and FONIJ (Fonds d'Insertion des Jeunes), which focuses on 8 priority sector (tourism, health, l'agro-industry, etc.) and includes entrepreneurship training (2016-2020).

3.3. Markets – Slow Growth & Lower Turnover due to Ebola

Guinea is a low income country, with a GDP per capita of $530 in 2015. The country suffered heavily from the Ebola crisis in 2014-15, which had a huge impact on the economy and society in general. The ensuing isolation of the country had dramatic consequences for both domestic and foreign trade, which dropped to very low levels. According to the previously mentioned APIP survey, half of the SMEs interviewed experienced a drop in annual sales of more than 30% in 2014 as compared to 2013[19]. The country is still recovering from the negative impact of the Ebola crisis. This is confirmed by the WB Enterprise survey; on average the companies in this survey have experienced 11% employment growth and 6,3% of sales growth in 2016, which is higher than countries in the region. The country is clearly on the way back, coming out of a deep crisis.

Figure 7: Annual employment and sales growth, formal SME's



Source : WB Enterprise Survey

Poor infrastructure (particularly, the road and railway network) and wide-spread informality raise the costs of doing business, while at the same time, demand is not growing rapidly. Thus, most SMEs are faced with high transaction costs which are an obstacle to growth. High or unforeseen costs for the use of roads, energy and water can disrupt continuity of production and delivery, and slow the payback period on investment. Add to that the **inflationary impact of the mining sector on wage levels and prices**, and it is clear that SMEs outside the mining sector have their work cut out for them to be competitive on an international level.

[19] « Transformer le potentiel de la Guinée pour le peuple guinéen », ES Partners-APIP, 2016 (page 25).

Enterprise Perspective

Conakry is clearly the country's economic hub, with an estimated 70% of SMEs located in its greater metropolitan area. **Guinea's infrastructure is still patchy**, making transport costly. Access to energy can be intermittent and expensive, especially outside Conakry. The openness of the UEMOA-market, which consists of eight West African markets, is an enabling factor for neighbouring countries. However, Guinea does not benefit from this as it is not a member, nor does it use the Franc CFA, which unnecessarily complicates trade with the West African francophone countries.

Financier Perspective

High transaction costs, uncertainties and information asymmetry make **SMEs a risky business for funders**. From an investor's perspective, Guinea's small economy and limited number of players is a disadvantage. In addition, its lack of easy access to other West African markets does not increase its appeal for funders. The only sector which has so far escaped the negative impact of Guinea's limited integration in the regional economy is the mining sector, although this was also disrupted during the Ebola crisis in 2014-15. A positive sign is the fact that AfricInvest has shown an interest in Guinea, but their investment threshold of € 10 million does not target the "missing middle". Presence in the country may however shift the attention of venture capitalists to other, smaller enterprise segments over time.

Analysis and Possible Solutions

The nascent stage of economic development poses disproportionate challenges to SME's and funders operating in Guinea. High value-added products and services and associated business models are difficult to realise profitably, and many small enterprises get stuck in their growth path, without enough profits to reinvest, innovate, and grow. Instead, many smaller enterprises struggle to stay in business and do not grow at all. Due to the low overall market growth, which recently slowed further due to Ebola, there are no high expectations of increased demand. Most businesses target the local market, as they are not competitive on an international level. The big exception is the mining sector, which generates some market opportunities for construction and logistical enterprises[20], but not enough to contribute significantly to new opportunities in the private sector.

[20] IFC has funded a so-called "local content" initiative aimed at capacity building of local SMEs that can offer their services as sub-contractors to mining companies, co-funded by the Rio Tinto Foundation. So far 1,400 SMEs have been trained using the IFC Business Edge methodology, including former employees of Rio Tinto who were assisted to set up their own business.

	Description	Actions
Strengths	• Strong mining sector, which offers many opportunities in the supply chain • Opportunities for agribusiness initiatives • Negative experience with socialism has led to strong belief in market-oriented development	• Build the capacity of SMEs to be able to act as subcontractors to the mining companies, along the lines of the IFC-Rio Tinto initiative • Provide incentives and technical support to new, growth-oriented agri-business SMEs
Weaknesses	• Weak economic development, with great inequality between mining and other sectors • High transaction costs due to weak infrastructure, unreliability of energy and overvalued currency • High degree of informality of SMEs	• Introduce public procurement processes which encourage or favour SMEs • Stimulate domestic production to reduce dependency on foreign imports • Promote formalisation of SMEs through information campaigns and simplification of procedures

3.4. Policy & Institutions – Positive Initiatives, but a Long Road Ahead

Guinea's current government has shown an active interest in promoting a market economy and attracting foreign investors. The recent upgrading of the Private Investment Promotion Agency, APIP, which was originally set up in 2011, is a step in the right direction. An SME-focused policy does exist, but it does not always lead to the intended results, and regulations can be stifling for both SMEs and financiers.

Transition towards a Market Economy – Lack of Political Stability

In contrast to most francophone West African countries, **the Guinean government does not have a strong influence in the economy**. Although APIP now reports directly under the Presidency, it is not a very bureaucratic organisation and it can operate without too much government meddling. The main role the government plays is in setting the exchange rate through the Central Bank of Guinea (BCRG). The government also absorbs a great deal of lending from the financial sector, crowding credit for the private sector.

Box 5: Agence de Promotion des Investissements Privés (APIP)

The Private Investment Promotion Agency APIP was set up in 2011.
In 2014 it was moved from the Ministry of Industry to the office of the Presidency and its mandate was expanded. It has 3 missions:

❶ Develop the brand of Guinea
❷ One-stop-shop for business registration and investment facilitation
❸ SME promotion by providing information on access to finance, business planning, capacity building, and trade missions.

APIP has 70 employees and branches in Kindia, Kankan, Labé and Nzerekore. They have plans to set up a **women focused business incubator** later this year (provided they secure the required support to finalize the feasibility study and implement the incubator).

Enterprise Perspective

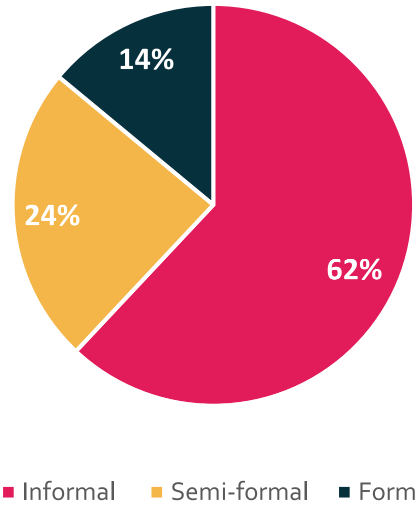
As mentioned, Guinea scores quite poorly on the World Bank Doing Business Index, ranking 163 out of 190. In West Africa, only Guinea Bissau and Liberia are ranked lower. Guinea is only ranked in the top half of Sub-Saharan countries for "Enforcing Contracts" and "Resolving Insolvency. The 'ease of starting a business' has increased thanks to the "**one-stop-shop" set up by APIP** to facilitate registration of businesses. The government is also working to streamline other processes such as obtaining building and other business permits.

Financier Perspective

The Guinean financial sector is not yet very SME-oriented, and an important reason for this is the high yields of much safer treasury bills, which crowd out the supply of financing for the private sector. Reducing public spending, which would reduce the demand for bank financing to cover the budget, could have an immediate effect on access to finance both by releasing funds that would otherwise have gone to the Treasury, and by reducing interest rates which are now around 18% p.a. excluding commissions.

Informality Hinders Access to Formal Finance

Heavy tax burden falls on a limited number of formal enterprises



Nearly **90% of Guinean SMEs are estimated to be informal or semi-formal**. According to a recent study, 57% of small businesses are informal and 29% are self-employed entrepreneurs, most of whom are not registered as businesses either[21]. Some SMEs are "partially" registered and pay some taxes, while others are not registered at all and do not pay any taxes. The same study estimates that 62% of small businesses are completely informal, meaning they are not registered and do not pay any taxes. As a result, a heavy tax burden falls on a limited number of formal enterprises. This increases their costs of doing business, which further decreases incentives for enterprise formalisation.

Enterprise Perspective

The high rate of informality no doubt creates unfair competition for SMEs that operate formally, which may actually be a disincentive for smaller SMEs to formalize. The complicated tax regime and the length and cost of procedures are considered major deterrents to formalisation of SMEs in Conakry. For SMEs in other cities, difficult access to institutions that deal with formalisation procedures is also mentioned. At the same time, some SMEs also mention lack of understanding of the advantages of formalisation, which suggests that better information may help[22].

In general, SMEs in Guinea are not well informed about the markets in which they operate, about access to finance, about government regulations and sources of support. Nearly half of SMEs (46%) believe that the government does not understand their needs, as opposed to 28% that believe it does. Likewise, 63% think the government is lagging behind in comparison with neighbouring countries. Seventy-two percent do not know what APIP is (78% outside Conakry), while 89% are not familiar with the new investment code for SMEs and 81% has never heard of the government plan to revitalise the economy, following the Ebola Crisis.

On the positive side, 91% of SMEs believe that the government has an important role to play in promoting and strengthening the capacity of SMEs. Eighty-seven percent are very optimistic about the growth prospects of their business and 47% believe that there is real political commitment to supporting SMEs[23].

[21] « Transformer le potentiel de la Guinée pour le peuple guinéen », ES Partners-APIP, 2016 (page 20). The report cites other surveys carried out by AGUIPE (2012), CNP-FOPAO (2014) and the IFC-SME Survey (2016).
[22] Idem, page 28.
[23] Idem, pp. 22-24.

Financier Perspective

Formal financial institutions cannot lend to informal SMEs, as they lack proper financial accounting systems and tend to have weak management structures. Moreover, lending to informal SMEs could lead to legal complications, in particular when the SME does not repay the loan. Many SMEs are opportunistic, with bouts of varied activities and income streams. Other SMEs practice parallel bookkeeping and prefer to be opaque in order to minimize tax payments. Under these circumstances, it is very difficult for banks to assess the riskiness and repayment capacity of SMEs.

Analysis and Possible Solutions

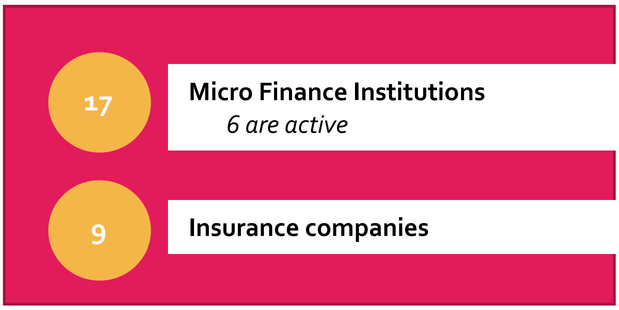
Although the policy regime is SME-friendly on paper, in practice there are still a lot of constraints. The high degree of informality does not stimulate growth of the sector given its limiting effect on access to capital. Government efforts to improve the ecosystem are not well communicated to SMEs and have yet to create a significant impact. Informality is encouraged by high taxation and regulatory pressure, which in turn reduces the potential for financial services dramatically. In many cases the banks might lend to the owner, but not to the business.

	Description	Actions
Strengths	• Negative experience with socialism has led to strong belief in market-oriented development • New private sector firms are paving the path for a national economic growth strategy	• Several policy initiatives and projects are aimed at developing the private sector, with a strong focus on supporting entrepreneurs and SMEs, e.g. PAPME, AGUIPE-FONIJ and APIP
Weaknesses	• High transaction costs due to weak infrastructure, unreliability of energy and overvalued currency • High degree of informality of SMEs	• Investment in infrastructure and power supply • Devaluation of Guinean franc • Simplification of tax policies

3.5. Finance – Not Much Incentive for Banks to Finance SMEs

Most surveys identify access to finance as the main constraint SMEs face in growing their businesses. This is mentioned by the APIP study[24] – specifically for SMEs with an annual turnover up to € 200,000 – and by the WEF Global Competitiveness Report 2015-16. In fact, the latter report mentions access to finance as the most problematic factor for doing business in general, above corruption and inadequate infrastructure. The only survey that presents a different ranking of business environment constraints is the WB Enterprise Survey 2016, which is based on a limited sample of SMEs only in Conakry. It suggests that by far the main obstacle to SME growth is political stability, followed by customs and trade regulations, tax rates, crime and transportation[25]. Access to finance trails all of these other obstacles in its limiting effect, according to SMEs surveyed in Conakry.

Reliable data on access to finance for SMEs in Guinea is hard to come by. The only study which presents quantitative data is the WB Enterprise Survey. Based on this survey, only 3% of SMEs have bank financing, as opposed to 9% for Sub-Saharan Africa as a whole and 8% for low-income countries. For small businesses, the number is even lower (only 2% have bank financing), whereas for medium-sized (20-99 employees) it was 8%.There were, however, only 30 such medium enterprises in the sample[26 27].



The non-banking financial sector is made up of 9 insurance companies (grouped under APAG) and 17 registered microfinance institutions (MFI), 6 of which are active. Microfinance institutions are not registered as banks but are regulated by the Central Bank of Guinea (BCRG). Main financial products offered by MFIs are current accounts and short-term loans. Some MFIs also deal with money transfers, either in-house or through affiliation with money transfer networks.

Microfinance institutions in Guinea are divided into 3 categories. Category 1 MFIs collect savings and issue loans only to their members. Category 2 MFIs collect savings and issue loans to members and third parties. Category 3 MFIs issue loans to third parties without collecting savings. Credit Rural de Guinée (Cat.2) is the one that stands out in terms of membership and loan portfolio, accounting for over 50% of total microfinancing available in the country. 80% of the loans of CRG are group loans[28].

With respect to access to finance for SMEs, four observations emerge which will be analysed in greater detail below.

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[24] « Transformer le potentiel de la Guinée pour le peuple guinéen », ES Partners-APIP, 2016 (page 28 and 31).
[25] World Bank Enterprise Survey 2016, Country Profile Guinea (page 10).
[26] Idem, page 7.
[27] World Bank Enterprise Survey 2006, Country Profile Guinea (page 6). These data should be treated with caution, due to the very limited size of the samples. In the 2006 survey we are talking about 223 firms and in 2016 only 150 (of which 120 were SMEs). This means that the number of firms from the samples that had a bank loan was 11 in 2006 and 5 in 2016.
[28] Luca Lodi, Financial Service Providers (preliminary assessment), July 2013 (page 9) and interview with CRG.

1. Interest rates are quite high, nominally at least 18% p.a., and effectively even higher due to additional fees.
2. Collateral demand from banks is extremely high at upwards of 200% of the mortgage value.
3. Demand and supply of credit do not match, with a severe shortage of long-term funds available.
4. Very little equity finance or risk capital is available to SMEs.

Box 6: Crédit Rural de Guinée (CRG)

CRG is by far the largest MFI in Guinée, with over 40,000 members and total loan portfolio of over USD 10 million. This is comparable to the total loans to SMEs of Ecobank, the main commercial bank in the market. CRG was set up in 1988, with support from AFD, AfDB and EU and its main shareholders are the Groupement d'Intérêt Economique (75%), SIDI (18.9%) and the Government of Guinea (6%).

It is a licensed and regulated MFI that offers current and savings accounts; short and medium term loans; and domestic and international money transfers. CRG has implemented credit facilities with IFAD, UNDP and other institutions and NGO's. Its advantage over formal banks is its huge network all across the country and the fact that it deals with informal businesses. Thus, scaling up of CRG may also be an option for improving access to finance for SMEs.

High Interest Rates

Interest rates in Guinea are perceived to be high by the SMEs interviewed, both at banks (government has set a base rate of 18% p.a.) and MFIs (>2% p.m.). The rate is higher than in some countries in the region, e.g. in Kenya a bank loan has an interest rate of 14,5% and in Mali it is capped at 15% p.a.[29].The main reason for the high interest rates of banks is the high yield on treasury bills, which sets a minimum threshold at which banks are willing to lend money to the private sector. This crowding out of financial markets is caused by excessive government spending and also explains why the commercial banks (Bicigui, SGBG and, to a lesser extent, Ecobank) are not very interested in providing loans to SMEs. Another source of upward pressure on interest rates is the Central Bank's decision to raise the reserve requirement ratio for banks from 17% to 22% a few years ago, in an attempt to halt deficit financing by money creation and thus contain inflation[30].

Enterprise Perspective

SMEs find banks very expensive and their offer not attractive. Entrepreneurs indicate that they are generally looking for long term loan products with an attractive interest rate, but this is not being offered by any bank.

There are not that many investment opportunities for SMEs that generate a return greater than 20%, and thus even when they have access to debt finance, it may not be financially feasible.

[29] https://tradingeconomics.com
[30] Luca Lodi, ibid (page 5).

Financier Perspective

As noted, the lending to the government is generally more attractive to Guinean banks, thanks to the high rates of return on treasuries. As a result, the rates they are willing to offer SMEs are prohibitively high. In addition, SMEs are perceived as high risk by most banks as their financial accounts are not always reliable, and even when they are able to provide collateral, in practice it is nearly impossible to seize and monetize the collateral when the entrepreneur defaults on the loan. As a result, most banks tend to shy away from loans to SMEs, especially those of longer tenor.

The main SME lending which is done by banks consists of small loans for short durations[31]. Especially for banks that are not specialised in small business lending, SME credit requires more handling time and involves higher risks. None of the commercial banks we spoke do actually keep track of how much they lend to SMEs. The only bank that was able to give an estimate was Ecobank, which mentioned 10% of their total loan portfolio, which would amount to €15 million.

High Collateral Requirements

While it is difficult to get exact figures on collateral requirements for bank loans to SMEs, interviews with banks and entrepreneurs indicated that these tend to be quite high. One of the banks indicated that we can assume it to be over 200% and perhaps even higher[32]. The collateral requirement may be lower when there is a guarantee from one of the guarantee funds operating in Guinea. The most important guarantee funds mentioned by the banks are presented below.

There is no efficient **credit history mechanism** in place in Guinea. There is a *Centrale des Risques* (CdR) under the central bank, but it only keeps records of blacklisted companies and is very slow and bureaucratic[33]. There are plans to set up a credit bureau that records all debts of private persons and companies. According to APIP, the tender has been concluded and the Credit Bureau should start to operate in June 2017. This would be a big improvement, although it would not be watertight as many SMEs have informal debts, which will not find their way into Credit Bureau data.

Enterprise Perspective

For most entrepreneurs, collateral requirements represent an insurmountable obstacle to obtaining long term debt. Pledged assets need to be immovable, as no register for movable assets is in operation in Guinea.

This results in a situation where only a very small number of SMEs is able to provide enough collateral to meet the requirements, and most of the collateral is probably the owners' own private assets, not the business' assets. Most SMEs are not aware of availability of guarantee funds, and banks will not suggest using a guarantee unless they already feel confident that they want to approve the loan request.

[31] According Luca Lodi (2013), 72% of total credit extended by banks in 2011 was short-term and only 1% long-term, mostly to bank staff and multi-national companies.

[32] The head of corporate banking of one of the main commercial banks mentioned that they normally do not provide a loan that is higher than 40% of the value of the collateral, and not more than 80% of the total investment. Thus they require a minimum equity of 20% and minimum collateral of 250% of the loan request.

[33] Another problem is that banks are not willing to share all their information with the BGRG which manages the CdR.

Financier Perspective

Many SMEs lack clear financial records, organized management systems or even a long-term business approach, which makes it challenging for banks to assess repayment capacity. Guinean courts lack knowledge on handling economic disputes without pledged collateral. Court cases can take more than two years to resolve, and for banks, such a lengthy dispute settlement procedure locks up scarce capital. Thus, in order to minimise the probability of default, banks aim for wealthier SME owners with as much "skin in the game" as possible. Otherwise, they do not see a business case for offering loans to SMEs. In fact, due to the slow and corruption prone court system, most banks prefer to resort to the less formal process of "*recouvrement de créances à l'amiable*[34]" through intermediaries, such as CGG. Bicigui even set up its own internal bureau for that purpose.

Box 7: Key guarantee funds in Guinea

1. **Fonds Ariz**: Set up by AFD, the Fonds Ariz was initially made available to Bicigui and SGBG, but will soon be extended to Ecobank et Finadev Guinée. This facility offers a "silent guarantee" ("Garantie silencieuse") of up to 50% or loan value, mainly on individual loans. From 2009 it also offers a portfolio guarantee. Guarantees up to €300,000 do not need approval from AFD, while those above €300,000 do. Guarantees of above €2M are vetted by Proparco. In 2016, there was €11M in guarantees outstanding, up from €6M in 2015. No defaults on loans have been reported yet.
2. **DCA (Development Credit Authority)**: The USAID program offers individual loan guarantees of up to 50%. Ecobank has had about 10 cases covered by DCA, and only 1 claim was ever made against the guarantee. DCA coverage is perceived to require a lot of extra work for the bank.
3. **Fonds GARI** (Garantie des Investissements Privés en Afrique de l'Ouest) based in Lomé (Togo). SME loans from Ecobank and SGBG are being enabled with a guarantee from this fund.
4. **SFB**: IFC offers this portfolio guarantee under an initiative with SFI, EIB and Ecobank Transnational Incorporated, the holding company which owns Ecobank. Though designed to sustain the development of credit markets for local SMEs, participation was not considered very attractive by Ecobank.

Limited Supply of Long Term Capital

The bulk of SME lending by banks consists of small loans for short durations. One study mentions that 72% of total credit extended by banks in 2011 was short-term and only 1% long-term, mostly to bank staff and multi-national companies[35]. This was confirmed in the interviews with banks. One of the main banks mentioned that they had had bad experiences with long term credit and therefore preferred to focus on working capital loans. Although perceived as an obstacle, it is not clear whether there is a significant unmet demand for long-term loans, as most SMEs also face other business and management challenges which call into question the financial feasibility of those loans.

[34] Informal debt recovery based on a personal relationship

[35] Luca Lodi, Financial Service Providers (preliminary assessment), July 2013 (page 6).

Enterprise Perspective

Smaller entrepreneurs typically do not have high expectations with regards to bank finance. They perceive the procedures to be very bureaucratic and the costs too high. Thus, most of them resort to informal credit from friends and family as well as money lenders. SME clients of banks tend to be the more established, larger firms such as the ones profiled above (see 3.1) and which all had bank funding. The main target groups for SME lenders are sub-contractors of large corporate firms, the tourism sector and agri-business (mainly in the form of trade finance).

Some SMEs are not interested in or familiar with bank debt, partly because they know little about the financial products available. The fact that informality makes SMEs ineligible for credit is not understood by most SMEs. In addition, the loan products offered by banks are considered too expensive for most SMEs, with observed interest rates of around 18%. In the view of the SMEs, banks lack sector knowledge and entrepreneurs see them more as administrators than businessmen.

Box 8: Stability Impact Fund Africa (SIFA)

SIFA is a fund set up by CordAid to provide loans and complementary business development services (BDS) to SMEs in fragile and post-conflict countries in Africa. The 3 focus countries are the Democratic Republic of Congo, Ethiopia and Sierra Leone, but other countries including Guinea are also eligible for loans and BDS. The fund is supposed to total €40 million, including a provision for BDS of up to 20%. For SMEs in Guinea, the SIFA can offer loans of €300,000-1.5 mln with BDS of 10-20% of the investment amount. The first loans are expected to be disbursed by mid-2017.

Financier Perspective

A few banks in Guinea seem to be more focused on SME lending, such as AFB, Ecobank and Orabank, although in the case of Ecobank the term SME is a bit misleading as it includes all firms with annual turnover of up to € 9 million[36]. AFB is a new entrant and we have yet to see how successful it will be. From the perspective of commercial banks, it is risky to offer long term financing to SMEs which lack solid track records or credit histories. Moreover, banks usually have enough liquidity, but their long term capital base is limited. The recent increase in the reserve requirement ratio for banks from 17% to 22% actually limits their funds available for lending even further. Thus from the bank perspective it makes perfect sense to focus on short-term credits and fee-based activities.

[36] In this study, Gazelles are defined as having a turnover of > EUR 400,000

Limited Equity for SMEs

Private equity and venture capital is practically non-existent in Guinea. There are several actors in the region, but most are not yet active in Guinea.

- **DFIs like DEG, FMO or Proparco i**nvest in both financial institutions and individual enterprises, although these tend to be large enterprises, in sectors like mining, energy or tourism;
- **AfricInvest** is an African private equity company set up by various DFIs in 1994, with HQ in Tunis and offices in 7 other countries in Africa. They currently operate in 23 countries across the continent, but not yet in Guinea, though this may change soon. Their investments tend to start at €10 million.
- **Investisseurs & Partenaires (I&P)** is French private equity company set up in 2002 which currently has six offices in Africa (including in Burkina Faso, Côte d'Ivoire and Senegal). Like DFIs, I&P invests in both financial institutions and SME funds, as well directly in companies (in the €300,000 to 3 million range). Not yet active in Guinea.
- **Private and angel investors** come from the diaspora or simply see business opportunities in West Africa. A recent initiative in this category is FIATOPE (see Box 9).

Private equity is a nascent market in Africa[37]. In 2015 there were $600 billion investments in the US, $125 billion in Asia-Pacific and $47 billion in Europe, whereas the total for Africa was $2.5 billion, mainly in the financial sector (24%), consumer goods (16%) and industry (14%). The main recipient countries are South Africa (39%), Egypt (11%), Nigeria (10%) and Kenya (10%). The total for West Africa was about $600 million, of which Nigeria had the lion's share (43%), followed by Ghana (25%) and Côte d'Ivoire (8%).

Box 9: FIATOPE

FIATOPE is a funding platform set up in France that collects funds from the African diaspora to support development projects and social entrepreneurs. Anyone can present a project, and if it meets the basic selection criteria, it is posted on the platform. People can then donate funds for the project, and once the target has been reached funds are transferred to the initiator, minus a fee of 6%. Funding amounts may range from €5,000 to 20,000.

Enterprise Perspective

Very few SMEs have experience working with formal investors, and only a small minority has a clear understanding of their financial products and structures. SMEs seem to perceive the engagement with investors as a slow process. Some SMEs fear that investors want the business to grow too quickly, with excessively high return expectations (>20% per year). Moreover, the size of the investments that private equity companies are looking for tends to be a lot bigger than what most of the SMEs need and can absorb. Last but not least, accepting external investors in the business implies being open to sharing control, which most entrepreneurs find difficult.

[37] AfricInvest & Grant Thornton, Le capital-investissement une solution de financement des entreprises, presentation at launch of AfricInvest in Conakry, January 11, 2017.

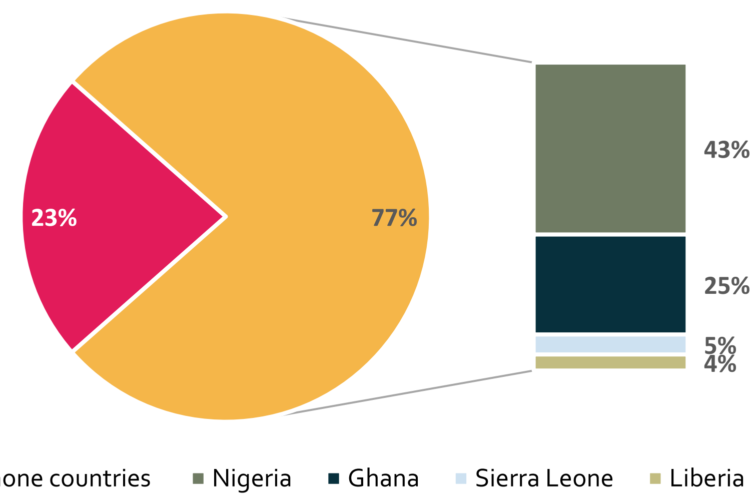
Financier Perspective
Guinea is not an easy sell for private investors, who find it challenging to build a pipeline of attractive investment options with decent returns and acceptable levels of risk. An important limitation is that the country has a small market-size, which makes it difficult for SMEs to expand. Given the risk and cost involved in investing in SMEs, normally only the high growth SMEs would be considered. Hence, even under ideal circumstances private investors would only be able to cover a small percentage of Guinean SMEs' financing needs.

Secondly, doing business in Guinea is considered to be expensive, difficult and slow. The Doing Business Indicator shows an overall rank of the country of 163 out of 190 countries. Two sub-indicators are relevant here: "Enforcing contracts" and "Protection of minority investors". Guinea ranks 115 and 145 respectively on these measures, where for example Kenya ranks 87 for both. This does not bode well for future exits from investee companies.

Furthermore, due to the lack of well-structured SMEs with proper financial accounting systems, due diligence of potential investee companies takes longer and is more costly. Investors also need to be more patient and spend more time in project development than elsewhere. Finding investment opportunities easily takes 9-12 months, and then due diligence, the disbursement process and the start of building projects can take a long time as well. The longer-than-usual build-up time also makes it difficult to create a positive cash flow during the initial start-up period. Investors therefore need to be able to do other tasks, such as consulting, as well.

Investors also need local banks to provide working capital to investees, which as we have seen is not that easy in Guinea. Investors usually only provide part of the funding needs of their investees – most often long-term capital with higher return potential. Banks need to provide working capital and trade finance. Such funding is difficult to obtain, which makes Guinea less interesting for investors. Finally, exiting from SMEs is difficult, as there are limited sales options. Investors like to plan their exit when starting their engagement, so lack of exit options makes it less attractive to invest.

Figure 8: Private equity investment in West Africa (2014/15)



Source: AfricInvest and GrantThornton, 2017

There may also be a less tangible obstacle to SME investment, namely the language barrier. Outside investors are predominantly English-speaking, globally-operating US or UK-based investment funds. Often impact investors will start their work in an "easy country" where the ecosystem is better, and language is not an issue. French-speaking West Africa is in that sense often a secondary priority. It is interesting to note that in 2014-2015, 77% of the private equity investment in West Africa was in 4 Anglophone countries (Nigeria, Ghana, Sierra Leone and Liberia)[38].

On the other hand, impact investors may see West Africa and Guinea as uncharted territory, where opportunities may be plentiful in a much less crowded space, compared to "the usual suspects" in East Africa. Both AfricInvest and I&P have a strong focus on Francophone countries.

Analysis and Possible Solutions

Funding costs are high in Guinea, resulting from high transaction costs of SME loans and high costs of capital (or, to be more precise, the high yield on treasury bills). Unless the Government of Guinea curbs its deficit spending and thus reduces the crowding out effect it has on the financial sector, it is not likely that banks will significantly increase their longer-term lending to SMEs, let alone reduce the interest rate and other transaction costs which make bank loans a costly source of financing for SMEs.

The excessive collateral requirements seem to be caused more by reluctance to provide long term loans to SMEs at all, rather than an effort to mitigate the effects of a default. In a country where contracts are hard to enforce and protecting the rights of minority investors is difficult, pledged collateral has more symbolic than real value. Moreover, the absence of a credit bureau makes it very difficult for banks to assess the credit-worthiness of potential new clients, who do not yet have a credit history with the bank.

Box 10: Afriland First Bank (AFB)

Afriland First Bank

The showcase credit program of AFB is MC² (Mutuelle de Croissance Communautaire), a kind of micro-bank for development in rural areas.
Afriland's role is to advise, help set up and accompany the mutual micro-banks, which are created by local communities following a standard procedure. The MC² are sponsored by AFB, which enables them to comply with the Central Bank regulations. This model has been quite successful in improving access to finance for micro and small enterprises in Cameroon.

A combination of actor-related and ecosystem issues create a mismatch between demand and supply of debt by banks. Innovation in financial product development for SMEs is limited, and there are only credit offerings in the market place which SMEs find attractive. If specialized SME finance banks such as AFB or Orabank are able to reach profitable numbers through customized systems and economies of scale, their success may incentivize banks too to focus more on the SME segment. The establishment of the credit bureau may also give the market a boost.

[38] AfricInvest & Grant Thornton, Le capital-investissement une solution de financement des entreprises, presentation at launch of AfricInvest in Conakry, January 11, 2017

	Description	Actions
Strengths	• Interesting business opportunities in high-growth sectors, e.g. mining, agribusiness and tourism, in particular for impact investors • Many development opportunities in building infrastructure, logistics and health services	• Develop pilot projects with credit facilities aimed at promoting specific business sectors • Ensure that local SMEs are supported and encouraged to take part in government procurement procedures
Weaknesses	• High cost of capital due to crowding out • High transaction costs due to lack of proper financial accounting of SMEs • Lack of adequate and efficient courts to deal with loan defaults and compensate FIs • Lack of credit bureau • Lack of interest from foreign private investors due to perceived and real risks	• Reduce government spending so as to reduce the cost of capital, or alternatively provide subsidies for bank loans to specific target groups • Encourage banks to provide accounting support to SMEs, funded by a mark-up on interest • Improve the efficiency of courts • Set up credit bureau

3.6. Business Support – Existing, but Nascent

In recent years there has been a substantial increase of SME support initiatives in Guinea, some of them created by the government and donor community, others by the private sector. An overview of different types of SME support in Guinea is provided in Table 3.

Incubator/accelerator programmes help start-ups or existing enterprises reach the next level of development. Several such programmes are active in Guinea, with varying degrees of intensity and types of support provided. So far, SabouTech is the only tech incubator (**Box 3**) and it only started operating in December 2015.

The only other business incubator in operation at the moment is **Be the Change Academy**, set up in 2013, which targets aspiring young entrepreneurs, mostly women. APIP is currently exploring the possibility of setting up a business incubator for women in specific sectors, and finalize the feasibility study for the implementation of such an incubator.

Although there are quite a few initiatives in this field and some of them have been around for a while, the landscape is still very fragmented and mostly focused on Conakry. Thus there is still a lot of scope for expansion, since there is a huge need for capacity development among SMEs in Guinea, in particular in financial accounting, in order for them to become bankable.

Enterprise Perspective
SMEs are often not aware of the importance of business skills and hence do not appreciate the value of capacity building. In order to get their buy-in, it is important to link business development services to the possibility of getting financing, or improving business performance in some other way.

For starters, SMEs are often not aware of the BDS options that are available to them; let alone what the added value of the different options would be. During the final workshop at APIP in January 2017, several participants highlighted the need to enhance the supply of BDS and even suggested the option of certifying the BDS providers. This way the entrepreneurs looking for a specific type of support can make an informed choice. Some suggested that the certification could be a role for APIP.

Financier Perspective
Some funders embed non-financial support in their services and help SMEs to further develop and formalise, e.g. the SIFA Fund (see Box 1). The investor community usually helps SMEs in areas such as company set-up, strategy development, financial management and market understanding. This type of assistance is clearly part of the business model of investors such as AfricInvest or I&P, but these do not really target SMEs, at least not what is understood as SME in Guinea. Some banks do provide some integrated BDS, e.g. AFB and Orabank, but most commercial banks do not. Three banks (AFB, Bicigui and Ecobank) were interested in possibly requiring certain SMEs to accept BDS to improve their financial management, the cost of which could be at least partially covered by charging a higher interest rate.

Analysis and Possible Solutions

There is a business support ecosystem in place, in the sense that all typical elements do exist, but it is still in the infancy and its actual outreach is low. The market for professional business support services is nascent, but needs to be nurtured further and expanded significantly. Market development of business support services is not at the top of the agenda of the Guinean government, but government support would be needed to expand services beyond Conakry and the relatively small number of firms that receive services now.

	Description	Actions
Strengths	• There are several projects and BDS providers that support SMEs, albeit on a limited scale • There is awareness among donors and financial institutions that SMEs need to be supported • APIP is playing a positive role by taking the lead and channelling funds to the private sector	• Develop a database of BDS providers and create a system to certify BDS providers, e.g. by APIP • Set up new business incubators and accelerators, mobilizing funds from donors and sponsors • Continue to build the capacity of APIP to play a coordination role in this process
Weaknesses	• SMEs are not aware of their needs for capacity building and technical assistance, let alone the opportunities for BDS that are open to them • There are insufficient BDS providers and funds to cover BDS provision to all the SMEs	• Set up an information campaign to inform SMEs about the importance of formalizing their firms and developing their management capacity • Set up matching grant / voucher system projects to subsidize access to BDS for SMEs

Table 3: Overview of Business Support in Guinea

Type of business support	Target group	Examples	Challenges and difficulties
Incubators and Accelerators	• High growth start-ups • Moderate growth entrepreneurs • Opportunity-driven SMEs	• SabouTech • Be the Change Academy • APIP (women-only, still at design stage)	• Relatively high costs • Small number of beneficiaries. • Not much scope for long term sustainability
Subsidized BDS	• High growth start-ups • Moderate growth MSEs • Opportunity-driven SMEs	3AE, BCA, CCG, WAC and « Osez Entreprendre » (AFEG)	Several BDS providers active in Conakry, but fragmented and not well known. As a result demand is limited.
Commercial BDS	• Large corporate enterprises • Moderate and high growth SMEs • Gazelles	Epsilone, Fiduxis, autres bureaux de conseil	Too expensive for most SMEs, except for specialized accounting /audit services.
Joint ventures (with foreign partners)	• High growth SMEs • Gazelles	Not identified	This is an option which is hardly explored by Guinean SMEs. Notable exception is Guinea Mining Services.
Business networks	• High growth start-ups • Moderate growth SMEs	APIP, Patronat, Chambre de Commerce	This kind of support is underdeveloped in Guinea and has scope for expansion
BDS combined with private investment or venture capital	• High growth SMEs • Gazelles	Not identified	So far only DFI (FMO, Proparco) Investment funds such as Acumen or Grassroots Business Fund are not active Guinea, neither are Angel investors

Source: Authors' research

4. Summary and Outlook

The data we reviewed suggests that **the Guinean entrepreneurial ecosystem for local enterprises is relatively weak compared to other Sub-Saharan African countries,** in practically all of the six ecosystem domains. In comparison with neighbouring countries, the Guinean ecosystem is lagging behind. This is evidenced by the extremely high level of informality of SMEs, lack of entrepreneurial culture, lack of skilled professionals, nascent BDS market, weakly developed goods and services market, and very limited access to finance for SMEs. Data is scarce on informal enterprises, but interviews with local stakeholders show that few of the SMEs are seen as being growth-oriented start-ups and "gazelles", while the **vast majority are informal, moderate growth enterprises, and even more are survivalist micro-enterprises.**

On the other hand, the country is gradually recovering from the huge impact of the Ebola crisis, showing **slow economic growth** and the emergence of some strong SME development supporters such as APIP and SabouTech, as well as several powerful model entrepreneurs. The SME banking rate will be adapted on the short term, and the central bank's payment system has been finalized which facilitates access to credit information. The 'ease of starting a business' has increased thanks to the **"one-stop-shop" set up by APIP** to facilitate registration of businesses. The government is also working to streamline other processes such as obtaining building and other business permits.

4.1. Key observations

The purpose of this study has been to get an in-depth understanding of **why it is difficult for SMEs to access financing for growth**. This study indicates that the main reasons for this are rooted in several interlinked ecosystem domains. We can summarize the main reasons for the lack of access to finance of SMEs in Guinea as follows:

- **Entrepreneurship** The government of Guinea has a strong belief in market-oriented development, however private sector development and an entrepreneurial culture is developing slowly in the country. Some established, successful entrepreneurs are role models, but their success stories need to be communicated to young aspiring entrepreneurs more actively. Incubator/accelerator programmes are scarce.
- **Informality** The high degree of informality of most enterprises translates into lack of proper financial accounting, insufficient capital to put up as collateral, and lack of professional management skills. BDS providers exist, but they are not always valued by entrepreneurs, and not available for all entrepreneurs because of the limited offer of high quality BDS and willingness and capability to pay for the services.
- **SME finance** the lack of incentives for banks to take any risk in lending to SMEs as they can get high returns on government lending. Banks are unaware that SME finance can be a profitable and sustainable business line, if managed well, guided by a well-developed strategy, and accompanied by capacity building of bank staff. There is a lack of legal assurances for banks that they will be able to recover their money if the entrepreneur defaults, even when they have taken collateral. As a result there are only limited financing options - essentially only short term bank loans (< 1 year).

- **Investors' appetite.** Economic growth in Guinea is slow (also due to the Ebola crisis); however the country can be considered an untapped market for impact investors, especially in sectors like mining, agribusiness and tourism. Entrepreneurs do need however support to professionalise and become investor-ready, more support than venture capitalists alone are able to offer.

4.2. Looking forward

In sum, these reasons indicate that when we regard access to finance for SMEs in Guinea, the issue is actually that there are not enough solid enterprises in the ecosystem to professionalize and develop the financial offer. As long as the root causes for this issue are not tackled, it will be very difficult to achieve significant progress no matter how many guarantee funds or credit lines are set up. Some issues are a consequence of the country's stage of development, and thus difficult to tackle on the short or medium term, other points can be dealt with in a more pro-active way. **Although access to finance is listed as the main constraint by many SMEs, the challenge ahead for the country is to support the development of solid, credit-worthy enterprises to sustain a tailored lending program for SMEs.**

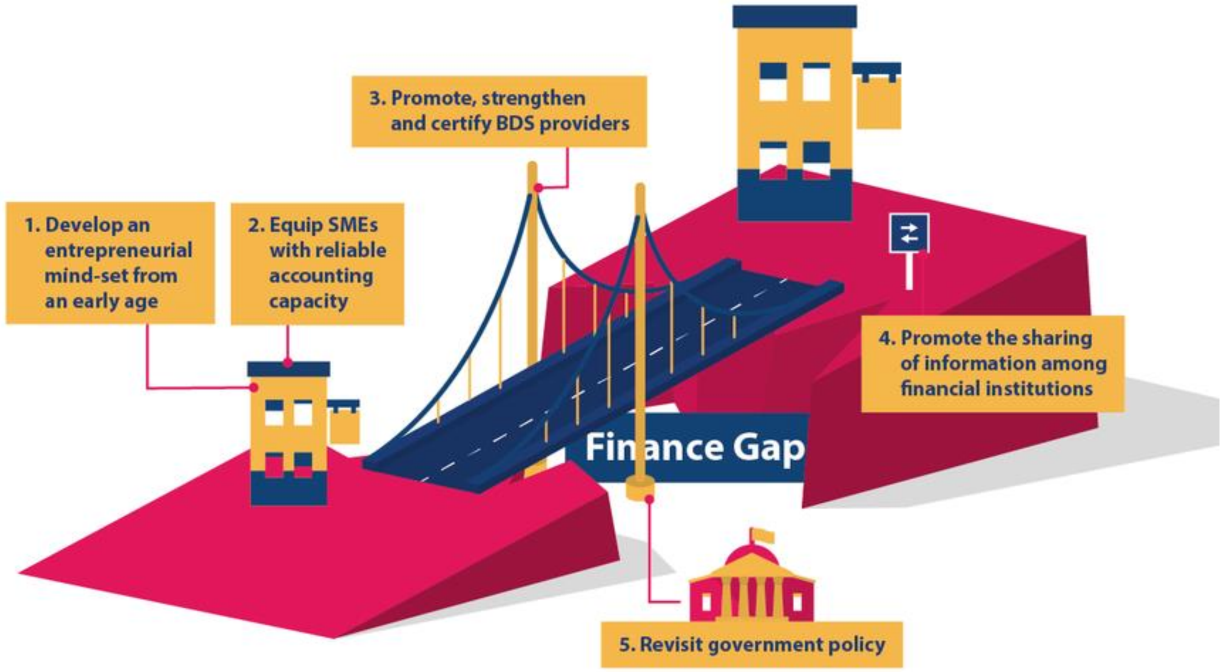
Therefore, looking forward, the two most promising pathways to close the financing gap for SMEs are on the one hand, to support entrepreneurs out of informality, helping them grow into bankable, investable businesses, and on the other to stimulate better and more advanced financial service delivery to SMEs. Each of these general approaches **requires change in more than one of the domain in the ecosystem**. As each positive change can add to improvements, at actor level (e.g. enterprises, BDS providers, schools; (usually short term) and at ecosystem level (usually long term) initiatives should be considered.

Solutions that are being recommended here, are the result of the analysis – some of them were proposed during the local stakeholder workshop held in Conakry in January 2017, as well as during the interviews that were held with participants leading up to the workshop[39] [40].

[39] On 13 January 2017 a workshop with stakeholders from the SME community, banks, investors, government officials and donor agencies was held in Conakry to discuss the findings and possible actions

[40] A full list of the conclusions from the working group discussions at the workshop can be found in Annex 5.

Figure 9: Actionable solutions to close the finance gap in Guinea



1. Develop an entrepreneurial mind-set from an early age

There are many ways to promote an entrepreneurial culture. In recent years business plan competitions have become popular all over the world, often aimed at setting up many new businesses, which may not always materialise to the level of expectations. However, as a means to stimulate an entrepreneurial mind-set, they can be very useful. More importantly, entrepreneurship education and training can be introduced in the curriculum, preferably as early as primary schools, but mainly in technical schools. After all, graduates from technical or vocational schools tend to have a hard time finding adequate jobs so it makes a lot of sense for them to acquire entrepreneurial awareness and business skills during their schooling. Such an initiative could kick-off with a pilot project targeting one or more schools, e.g. as part of the project *"Booster les Compétences de l'Employabilité des Jeunes"*, which is being managed by AGUIPE.

2. Equip SMEs with reliable accounting capacity

Accounting firms and BDS provider are eager to build the accounting capacity of local enterprises. A few ideas currently being discussed include setting up a program for vetting of financial accounting information of SMEs applying for a loan or a system by which new loan takers should reserve part of the loan that they receive to pay for the development of professional financial statements, with the assistance of local experts. This could also be financed by adding a percentage to the interest rate; when the borrower knows what he/she is paying for, it is likely they will be willing to pay. This extra cost could partially be subsidized.

3. Promote, strengthen and certify BDS providers

There has been a substantial increase in initiatives to support SMEs in Guinea, but efforts are still very fragmented and mainly focused on Conakry. The quality of BDS providers is also variable and the BDS is not always relevant for the SME. Moreover, there is no way for an SME to assess whether a certain

BDS provider can provide quality services that will actually help them. Thus, one of the suggestions in the workshop was that there should be a registry and certification system for BDS providers, perhaps managed by APIP, which would enable SMEs to make an informed choice.

4. Promote the sharing of information among financial institutions

Currently there is no efficient credit history mechanism in place in Guinea. There is a *Centrale des Risques (CdR)*, which reports under the central bank, but it only keeps records of blacklisted companies and is very slow and bureaucratic. There are plans to set up a credit bureau that records all debts of private persons and companies, which may be operational as early as June 2017. This would be a big improvement, although it would not be entirely comprehensive, as many SMEs have informal debts which would not be reported and would be hard to trace. Moreover, a functional credit bureau will require that banks share all their information, which so far has not been the case with the CdR. Thus, in order for the credit bureau to be effective, banks will need to become more transparent.

5. Revisit government policy

There is an SME-focused policy in Guinea, but it does not always produce the intended effects, and regulations can be stifling for both SMEs and financiers. Although the regulatory environment is not the main source of many challenges reported by SMEs, reforms can have positive effects across the ecosystem. Some positive changes might include:

- Developing a broad strategy to incentivise formalisation, encompassing both tax and regulatory reforms;
- Ensuring that the credit bureau currently being launched is able to function adequately;
- Improving the functioning of the courts to enable banks to recover their losses by legal means;
- Reviewing educational policies to introduce training on entrepreneurship as well as SME-specific skill demands in primary, secondary and tertiary schools, and in particular technical education;
- Mandating the government to play a more pro-active role in convening and supporting stakeholders in defining and working towards the kinds of regulatory changes that would be most helpful to SMEs.

Annex 1: List of Interviewees

A. Entrepreneurs

Name	Function	Organisation	Type of business
Juliette Camara	Owner/director	**Nouvelle Imprimerie Kaloum/CIPPL**	Large printing business, with two locations; recently refurbished with new machines from Germany, Italy and China. Mrs. Camara set up the business from scratch in 1990. She is also president of AFEG (see below).
Sékou Cissé	Owner/director	**Global Mining Services**	Logistics support to the mining industry. Mr. Cissé worked for many years in the health sector as a logistical officer before setting up own business in 1990 and 2007.
Patti Diop	Director	**Guinea Leasing Services**	GLS is a spin-off from Guinea Mining Services. It was set up in 2015 and is the first leasing company in Guinea. They have a large contract with MTN, the mobile network operator.
Amadou Oury Diallo	Director	**Batipro**	Housing and public works construction company with 250 staff and €3 million turnover annually. Takes part in IFC "local content" program, funded by Rio Tinto.
Nabil Saad	Co-owner and medical director	**Clinique Ambroise Paré**	The best equipped private clinic in Guinea, with 60 beds, 200 staff and €4-5 million annual turnover. Bank loans from Bicigui & SGBG.
Chérif Mohamed Abdallah	President	**GOHA**	Trade and agriculture
El Hadj Ibrahima Diallo	Secretary general	**GOHA**	Trade and agriculture
Aliou Mohamed Diallo	Advisor to president	**GOHA**	Trade and agriculture

B. SME Support Structures

Name	Function	Organisation	Description
El Hadj Bah Dienaba Sidibe Barry Alamako Koruma	Directeur Generale Conseiller PME Conseiller PME	3AE	Agence Autonome d'Assistance Intégré d'Entreprises, one of the first BDS providers in Guinea; local representative of ILO-SIYB.
Simon Bouteloup	Chargé de mission, Secteur privé et financier	AFD	French Development Agency, a.o. funding Ariz Guarantee Fund for SMEs, in which Bicigui, EcoBank and SGBG participate.
Mme Juliette Camara	President	AFEG	Women Entrepreneurs Association, set up by Mme. Camara in 2010. Involved in UNDP capacity building project with 3AE and Canadian mentor expert.
Sékouba Mara	Directeur Generale	AGUIPE	Agence Guinéen de Promotion de l'Emploi, among others implementing a World Bank funded project called « Booster les Compétences de l'Employabilité des Jeunes
Mme Dienaba Hann Keita	Directeur Generale Adjointe	APIP	The Private Investment Promotion Agency (APIP) has implemented studies to the SME sector in Guinea. Manages an incubator that offers a one-stop-shop for business start-ups and SME business development services.
Alpha Bacar Barry	Founder/director	Be the Change Academy	Business Incubator set up in 2013 –with financial support from Norway and UK – to support young women.
Mohamed Jacob Thiam	Managing Director	CGG	BDS provider that came out of a EU/UNDP-funded project. They provide support to SMEs in business and financial planning.
Moriba Koly Kourouma	Directeur Associé	Epsilone	Auditing firm that also operates as BDS provider, assisting SMEs in drawing up business plans and training entrepreneurs.
Alhassane Bah	Directeur et fondateur	Fiduxis	Auditing firm that also operates as BDS provider; Business Edge trainer for IFC project in the mining sector.
Saramory Kampo	Program Manager Infra-structure & Natural Resources	IFC Advisory Services	Capacity building of sub-contractors of mining companies, funded by Rio Tinto, a leading global mining corporation. The program assists SMEs with access to financing and utilization of an associated leasing facility.
Alpha Danda Diallo	Business Devt Manager	SabouTech	First tech incubator set up in Guinea (Dec 2015), with sponsorship from Orange, Rio Tinto, SGBG, among others.
Ahmédou Tall	Director	WAC	Consultancy company that works for various donors to support SMES. They are involved in the WB-funded PAPME and the IFC project in the mining sector.

C. Financial Players

Name	Function	Organisation	Key Characteristics
Bangaly Kaba Fanny Soumah	Commercial Director Deputy CEO	**Afriland First Bank**	A recent arrival to Guinea with HQ in Cameroon (2013). Mr. Kaba just joined from UBA, so could not give much detail about their loan portfolio. AFB plans to set up MF associations for women.
Souleymane Diallo	Head of Corporate Banking	**Bicigui Bank**	Commercial Bank set up by BNP with "sister banks" in other West African countries. In the 1990s they had a specialized SME department with a credit line from Caisse Française and DEG. Current loan portfolio about €25 mln (light industry, transport, hotels, agro- & food industry). About 30 guarantees were given by Ariz GF, since 2004, with not a single default.
Lamarana Sadio Diallo	Directeur Génerale	**Credit Rural**	By far the largest MFI in Guinea with total loan portfolio of about €10 mn and over 40,000 clients. Their loans range from $100 to 3,000, of which 80% are group loans. Sector focus includes agribusiness, trade and transport.
Boubacar Diallo Mamadou L. Diallo	Directeur Gen Adj Account Officer	**Ecobank**	West African bank with presence in 36 countries. HQ in Lomé, 40% of assets from Nigeria. In Guinea since 1999, with $150 mn loan portfolio, less than 10% SME (e.g. agribusiness, tourism). They also took part in guarantee funds with DCA and IFC. They recently joined AFD's Ariz GF.
Abdourahim Bah	Resp. Agence Entreprises	**SGBG**	Commercial bank with strong focus on mining sector. Total loan portfolio is €64 mn (only LT). They also give Letter of Credit e.g. for cashew exports. AFD partner for Ariz GF: 10 guarantee requests in 2016 of which 3-4 were approved.
Alpha Bacar Barry	Founder/director	**Iatropha MF**	MF set up in 2010 with support from UNDP, UNIDO and UNFPA to support young start-ups with group loans of €250-5,000. So far 600 entrepreneurs have had loans; last year 184 loans. Total loan portfolio is €240,000.
Ben Zwinkels	Founder/board member	**AfricInvest**	African private equity company set up by various DFIs in 1994; with HQ in Tunis and offices in 7 other countries in Africa. They currently operate in 23 countries across the continent, but not yet in Guinea. Their investments tend to start at €10 million.

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Annex 3: Glossary

A2E	Access to Electricity
A2F	Access to Finance
AFB	Afriland First Bank
AFD	Agence Française de Développement
AfDB	African Development Bank
AFEG	Association de Femmes Entrepreneurs de Guinée
AGUIPE	Agence Guinéen de Promotion de l'Emploi
APAG	Association Professionnelle des Assureurs de Guinée
APIP	Agence de Promotion des Investissements Privés
BCRG	Banque Centrale de la République de Guinée
BDS	Business Development Services
CdR	Centrale des Risques
CIPPL	Complexe Industrielle Polygraphique Patrice Lumumba
CNPG	Centre National de Perfectionnement à la Gestion
CONAFEG	Confédération Nationale de Femmes Entrepreneurs de Guinée
DBI	Doing Business Index
DCA	Development Credit Authority (USAID)
DFI	Development Finance Institutions, e.g. DEG, FMO or Proparco
ECOWAS	Economic Community of West African States (CEDEAO in French)
EIB	European Investment Bank
ENAM	Ecole Nationale des Arts et Métiers
ETI	Ecobank Transnational Incorporated
FCFA	656 Franc CFA = 1 EUR
GARI	Garantie des Investissements Privés en Afrique de l'Ouest
GCI	Global Competitiveness Index
GNF	10,000 Guinean Franc = 1 EUR
GoG	Government of Guinea
GOHA	Groupement des Hommes des Affaires
GLS	Guinea Leasing Services
GMS	Guinea Mining Services
HDI	Human Development Index
I&P	Investisseurs & Partenaires
MC^2	Mutuelle de Croissance Communautaire
MFI	Micro-Finance Institution
SFI	Société Financière International
SGBG	Société Générale Banque de Guinée
SME	Small and Medium sized Enterprise
SSA	Sub-Saharan Africa
UEMOA	West African Economic and Monetary Union
WAMZ	West African Monetary Zone
WB	World Bank
WEF	World Economic Forum

Annex 4: Main Conclusions of Working Groups

During the final workshop with stakeholders that was held at the premises of APIP on January 13, 2017, two working groups were created to discuss what needs to be done in Guinea to improve the ecosystem for SMEs and thus enhance their access to finance. One working group was asked to focus on drawing up a road-map for the supply side (i.e. the financial institutions), the other for the demand side (i.e. the SMEs).

The main conclusions from these working groups are listed below.

Policy Domain

- Improve the functioning of the courts to enable banks to recover their losses by legal means
- Reinforce the *Central de Risques* or create a credit bureau
- Improve access to foreign currency

Finance Domain

- Revise the interest rates for SME loans
- Create incentives for banks to share information amongst each other

Support Domain

- Entrepreneurs need to be well-structured and formalized
- Reinforce the capacity of SMEs to present reliable financial statements and business plans
- Reinforce the capacity of BDS providers to ensure they deliver professional services
- The supply of BDS needs to be enhanced and systematized (and preferably, certified as well)
- APIP is planning to launch "*la carte biométrique du promoteur*" based on the ECOWAS Charter (in principle, this would mean that the SME is bankable)

Human Capital and Culture Domains

- Introduce entrepreneurship education at a young age, in schools and vocational training centres
- Organize more Business Plan competitions

Annex 5: Workshop participants

The workshop was held at 13 January 2017, at APIP offices (Conakry)

Name	Organisme / poste	Fonction
Thiam, Mohamed Jacob	CGG	Consultant
Falilou, Diallo	BATIPRO	Directeur Stratégie
Balile, M. Dlimon	ORABANK	Responsable Commercial
Cisse, Sékou	Guinea Leasing	Directeur General
Diop, Patti	Guinea Leasing	Resp. Développement
Kamikazi, Aimée Ghyslaine	Ecobank	Stagiaire
Souleymane, BAH	Ecobank	Directeur Banque Commerciale
Dr. Ansoumane Touré	Pharmacie Lamanyi centre	Pharmacien / chercheur
Camara Bigné	ETSCAS	PDG
Moribe Kolykousoma	EPSILONE	Directeur
Banigaly Kaba	Afriland First Bank	Directeur Commercial
Alhassine BAH	Féduxis	Associé Gérant
Dienaba Keita Hanm	APIP	DGA
Mohamed Atty Coude	APIP	
Mme Toure Juliette Camara	Directrice	NIK
Alam Ako Kousauma	SA Entreprises	DGA
Touré Abdoulaye Sadio	CRG-SA	Chef Servi Suivi
Alaha Bacar Barry	JATROPHA	IATROPHA JDG
Aboubacar Biro Kouyate	SAMEC	SAMEC Sarl
Aloiu M Diallo	GOHA	Conseiller GOHA
Lamarama Sadio Diallo	Crédit Rural / APIM	PCA APIM Guinée
Brethenoux, Julia	Triple Jump	Senior Advisor SCBD program, DGGF
Diallo, Baboucar	Consultant	Consultant SME finance
Ribbink, Gerrit	Enclude	Senior consultant

Annex 6: Methodological note

#CTG francophone West Africa | Country studies

Overall methodology design

The methodology used for this study builds on existing entrepreneurial ecosystem tools notably the **Babson entrepreneurial ecosystem model** and the associated **ANDE[41] Entrepreneurial Ecosystem Diagnostic Toolkit**, published by the Aspen Network of Development Entrepreneurs (ANDE). The first study for the DGGF #ClosingTheGap series has been piloted in Kenya and has applied a contextualised version of the **ANDE Diagnostic Toolkit**. Based on the lessons learned from this pilot, and by taking into account the specific context of francophone West Africa, the methodology has been customised for the purpose of this study. The key methodological principles are as follows:

- **Intense qualitative data gathering:** The purpose of the ANDE methodology is to provide a diagnostic tool that can be applied in rapid assessment of entrepreneurial ecosystems. However, one of the biggest limitations of this research is the access to up-to-date, reliable and representative data on local enterprise performance and perception of the ecosystem. Primary research and interviews with key stakeholders or a stakeholder workshop are therefore critical to get relevant information and to complement analysis based on existing data sets such as World Bank Enterprise Survey Data[42].

- **Including financier and enterprise perspective**: The ANDE toolkit is designed to perform an overall analysis of potential bottlenecks for local entrepreneurs, and identifies key constraints which merit deeper analysis. As the focus of this research is on access to finance as one of the major bottlenecks to enterprise growth, it has been relevant to also analyse the dynamic behind the mismatch between financiers and entrepreneurs, in particular owners of SMEs. Therefore the analysis includes the perspective of both financiers and entrepreneurs on the different ecosystem domains. This enables to get an in-depth understanding on how the wider ecosystem facilitates or constrains access to finance for the different type of SMEs that operate in the ecosystem.

- **Ecosystem scoring based on multiple indicators from different indexes:** The Kenya pilot utilized the World Bank Enterprise Survey data to conduct an ecosystem analysis based on a total of 30 indicators. Given the fact that statistics for the selected West African countries are often unreliable and there is a wide difference between the various indicators used by indexes, we have used multiple indicators from different indexes (including the World Bank Enterprise Surveys) to analyse the entrepreneurial ecosystem in each target country, through a ready-made tool that uses over 200 different indicators across the ecosystem domains[43]. See also box 1. The tool could be applied to 4 out of the 6 countries that are part of this series; for Guinea and Mali the availability of data was insufficient. For those countries, we have instead considered individual selected indicators such as WB doing business and WEF GCI[44].

- **Six ecosystem domains**: For this study we have followed the Babson entrepreneurial ecosystem model, one of the leading models in the current entrepreneurial ecosystem thinking, which uses six domains). The ANDE Entrepreneurial Ecosystem Diagnostic Toolkit uses eight domains (including separate domains on infrastructure and R&D), however this was considered not to be functional for this study because of (i) Lack of detailed data for the separate domains, (ii) distinctive character of the domains (because of the regional character of this study, domains were included that can show a difference between the six countries).

[41] published by the Aspen Network of Development Entrepreneurs
[42] http://www.enterprisesurveys.org/
[43] Developed by Enclude for InfoDev
[44] World Economic Forum Global Competitiveness Index

The six ecosystem domains and key indicators are presented in the table below

Culture; *is the culture enabling entrepreneurship?*

- Entrepreneurial spirit
- Women and youth entrepreneurship
- Ethical behaviour of firms

Finance; *can the entrepreneur gain access to debt, equity and other products?*

- Availability and accessibility of debt finance for SMEs
- Availability and demand for equity for SMEs
- Availability of financial support instruments and structures (guarantee funds, credit bureau etc.)

Human capital; *are the required human resources accessible for entrepreneurs?*

- Enrolments at primary, secondary and tertiary levels, quality of education
- Extent to which entrepreneurship is included in education
- Availability of on-the-job training, workers offered formal training
- Availability of (informal) training and mentoring (e.g. business angels, role-model entrepreneurs)

Policy; *are policies enabling and facilitating entrepreneurship?*

- Political and economic stability of the country
- Regulatory framework (ease of doing business, formalisation of SMEs, bribery)
- Government interventions to support SME development

Markets; *do entrepreneurs have sufficient business opportunities*?

- Access to national, regional and international markets
- Infrastructure (electricity, transport, ICT)
- Real annual sales growth, annual employment growth

Support; *do entrepreneurs have access to SME support services?*

- Availability, accessibility and quality of incubators/ accelerator programmes
- Availability, accessibility and quality of commercial BDS providers
- Networks, platforms and associations.

Research steps

The country studies have been implemented in 3 phases:

Phase 1	Basic ecosystem scoring (desk study)
Phase 2	In-country data collection (interviews)
Phase 3	Workshop, conclusions and reporting

PHASE 1: BASIC ECOSYSTEM SCORING (DESK STUDY)

In order to map these domains and identify solutions and opportunities for improvement in the entrepreneurial ecosystem, first a **desk study** was undertaken. The desk study had different components; firstly we have analysed how the country scores compared to other countries in Africa (using the tool, or by looking into specific reliable sources notably the WB doing business indicator, WEF Global Competitiveness Index and UN Human Development Index.

In addition, secondary information was collected from research reports and publications including the WB Enterprise Survey[45] and other available enterprises surveys. Finally some pre-mission interviews were held with several key stakeholders such as donor representatives, financial service providers and entrepreneurs. This provided a good first overview of the key elements of the entrepreneurial ecosystem in the country. Intermediate findings were shared

PHASE 2: IN-COUNTRY DATA COLLECTION

After the desk study, a **field visit** of one week took place where representatives from various ecosystem domains were interviewed (included in Annex 1 of the report).

These discussions enriched the information from the desk study, and uncovered the root causes explaining the existence of a 'missing middle'. In addition, it has helped to identify some of the key important stakeholders (organisations and individuals) in the ecosystem that act as frontrunners in the development towards more conducive ecosystem.

PHASE 3: WORKSHOP, CONCLUSIONS AND REPORTING

These and other relevant stakeholders were gathered at a **workshop**, to validate the findings from the study, and come up with concrete solutions that are 'owned' by local stakeholders. An interactive format was used whereby participants work in small groups to start prototyping potential interventions and to come up with concrete intervention outlines.

The results from the research and workshop are presented in a report which is highlighting the financier and SME perspective of the six ecosystem domains, in order to reveal the reasons behind the reasons. Focus of the conclusions is on deriving possible action points to overcome certain barriers that are identified by the research team and raised during the workshops.

[45] DGGF is partnering with the Enterprise Survey Unit of the World Bank to undertake enterprise surveys in the countries covered by the current assignment. The findings from this survey are being used in this report[45], acknowledging the bias of these data towards formal, and therefore larger and more professional firms

Box 1: Ecosystem scoring grid

Rationale for developing an ecosystem scoring grid

- Entrepreneurships **ecosystem scorings** differ in their results, especially when developing countries are concerned. E.g. Uganda scores as the best entrepreneurship ecosystem according to GEM, while scoring as one of the lowest according to GEDI's list.
- **GDP/capita levels** do not necessarily reflect the extent to which a country has suitable conditions for entrepreneurship. Especially under $20,000 (=developing countries)

	FINANCE	MARKETS	SUPPORT	HUMAN CAPITAL	POLICY	CULTURE	Average 6 domains
FRANCOPHONE WEST AFRICA							
Senegal	3,59	5,00	5,35	5,49	5,67	6,16	**5,21**
Cote d'Ivoire	2,93	4,64	5,51	5,24	4,66	4,14	**4,52**
Cameroon	3,50	4,62	4,90	4,77	3,61	3,92	**4,22**
Togo	3,21	3,81	3,94	4,59	5,04	4,60	**4,20**
Benin	2,62	3,99	2,82	4,19	3,04	5,33	**3,66**
Burkina Faso	2,61	3,33	3,35	2,50	4,28	5,46	**3,59**
ANGLOPHONE WEST AFRICA							
Nigeria	3,64	5,35	2,59	4,43	4,21	4,25	**4,08**
Ghana	4,22	5,25	4,02	5,98	5,08	5,81	**5,06**
EAST AFRICA							
Rwanda	5,05	5,23	5,99	6,05	7,99	7,74	**6,34**
Kenya	5,96	6,64	6,09	6,46	4,93	5,38	**5,91**
Ethiopia	2,96	3,34	4,33	4,26	5,20	6,46	**4,43**
Uganda	3,89	4,12	4,21	4,09	4,63	5,23	**4,36**
Madagascar	2,86	3,82	3,87	3,87	4,17	6,31	**4,15**
Tanzania	3,10	4,19	4,03	3,50	4,34	4,24	**3,90**
SOUTHERN AFRICA							
South Africa	6,90	7,68	7,25	6,52	7,85	6,25	**7,08**
Botswana	6,16	4,74	5,14	5,42	7,23	6,50	**5,86**
Namibia	5,36	4,94	5,59	4,81	6,91	6,50	**5,68**
Zambia	3,31	5,24	4,84	6,23	6,05	6,31	**5,33**
Mozambique	2,57	4,10	4,81	3,78	5,17	4,59	**4,17**
Malawi	3,43	3,09	4,06	3,97	4,71	4,83	**4,02**

- **Poor numbers** problem: data collected for entrepreneurship surveys not always reliable (small sample size, biased selection), combining different datasets can level out the unreliability.

Our approach

- Using **multiple indicators** from different indexes and combining these along the lines of the 6 domains of entrepreneurial ecosystems (Babson model).
- In order to make scores comparable, they have been **normalised** them: re-calculated the scores on a 0-10 scale.
- Also, the ecosystems were scored **relative to each other** within the sample of SSA countries
- For each of the 6 domains identify a set of indicators to determine the advancement of the specific ecosystem feature. Sources used:
  - Global Competitiveness Index (GCI), World Economic Forum
  - Global Entrepreneurship and Development Index (GEDI), George Mason University
  - Enterprise Survey (ES), World Bank
  - Doing Business (DB), World Bank
  - Global Innovation Index
  - Legatum Prosperity Index

Countries

The ecosystem scoring tool could be applied to 4 out of the 6 countries that are part of the #CTG francophone West Africa country studies. The scoring was done for Senegal, Ivory Coast, Togo and Benin. Data were insufficient to do a reliable scoring for Guinea and Mali.

Annex 7: World Bank Doing Business Indicators

Ranking of West African Countries

Doing Business Indicators / West African countries	Global DB # rank	SSA DB # rank	Start a busi-ness	Get constr. permit	A2E	A2F	Reg. property	Paying taxes	Cross-border trade	En-force contr.	Re-solve insolv.
Total number	*190*	*48*	*48*	*48*	*48*	*48*	*48*	*48*	*48*	*48*	*48*
1. Ghana	108	10	17	15	9	4	5	16	29	17	35
2. Cabo Verde	129	13	14	12	17	21	4	11	13	2	46
3. Mali	141	17	16	25	22	33	24	25	7	32	13
4. Côte d'Ivoire	142	18	5	45	13	25	16	38	27	13	6
5. Gambia	145	19	37	18	24	19	20	33	12	15	22
6. Burkina Faso	146	20	7	4	42	28	25	27	8	35	18
7. Senegal	147	21	12	23	29	32	27	39	19	24	15
8. Sierra Leone	148	22	10	20	37	39	35	21	35	12	33
9. Niger	150	23	11	42	31	34	21	28	20	29	16
10. Togo	154	25	21	43	20	36	47	31	14	25	9
11. Benin	155	26	6	7	35	27	39	37	21	38	20
12. Guinea	163	32	23	34	27	29	26	43	32	18	19
13. Nigeria	169	37	27	38	41	8	46	40	41	23	28
14. Guinea Bissau	172	38	39	31	43	30	29	26	28	36	42
15. Liberia	174	39	3	39	38	16	44	18	45	41	43
Top 5 in SSA											
Mauritius	49	1	4	2	4	7	10	1	4	1	1
Rwanda	56	2	8	32	7	1	1	5	6	10	7
Botswana	71	3	32	3	11	11	3	6	3	21	4
South Africa	74	4	22	11	5	10	12	2	25	16	2
Kenya	92	5	19	29	3	3	19	14	9	8	10

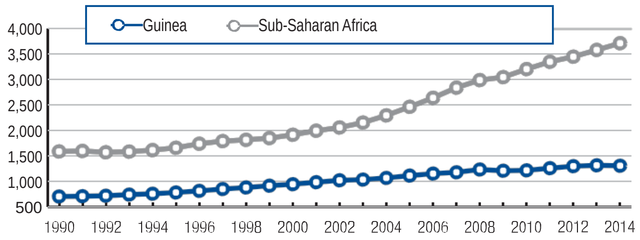
Annex 8: WEF Global Competitiveness Index

Guinea

Key indicators, 2014

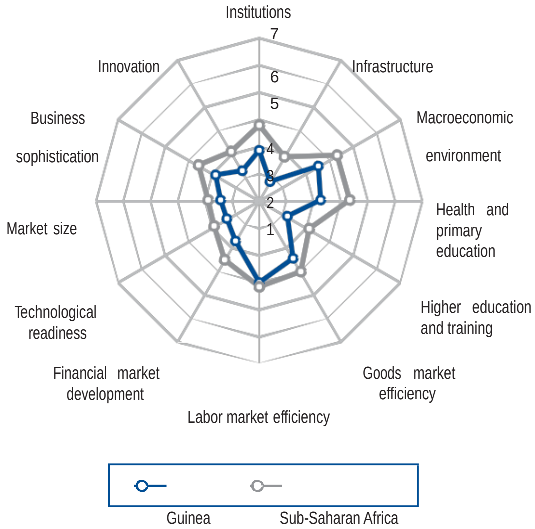
Population (millions)	11.4
GDP (US$ billions)	6.5
GDP per capita (US$)	573
GDP (PPP) as share (%) of world total	0.01

GDP (PPP) per capita (int'l $), 1990–2014



Global Competitiveness Index

	Rank (out of 140)	Score (1–7)
GCI 2015–2016	**140**	**2.8**
GCI 2014–2015 (out of 144)	144	2.8
GCI 2013–2014 (out of 148)	147	2.9
GCI 2012–2013 (out of 144)	141	2.9
Basic requirements (60.0%)	**140**	**2.8**
1st pillar: Institutions	136	2.8
2nd pillar: Infrastructure	139	1.8
3rd pillar: Macroeconomic environment	129	3.5
4th pillar: Health and primary education	138	3.3
Efficiency enhancers (35.0%)	**137**	**2.9**
5th pillar: Higher education and training	137	2.2
6th pillar: Goods market efficiency	135	3.5
7th pillar: Labor market efficiency	91	4.0
8th pillar: Financial market development	137	2.7
9th pillar: Technological readiness	134	2.4
10th pillar: Market size	128	2.4
Innovation and sophistication factors (5.0%)	**138**	**2.6**
11th pillar: Business sophistication	137	2.9
12th pillar: Innovation	139	2.2



The most problematic factors for doing business

Score*	
Access to financing	20.9
Corruption	19.4
Inadequate supply of infrastructure	14.7
Policy instability	8.7
Inadequately educated workforce	7.4
Inefficient government bureaucracy	6.8
Crime and theft	5.2
Foreign currency regulations	3.2
Poor work ethic in labor force	3.0

#ClosingTheGap

Guinea

KEY CHALLENGES FOR THE 'MISSING MIDDLE'

Assessment of the entrepreneurial ecosystem in Guinea

Market Finance Culture Human Capital Support Policy