

## SPARK ACCESS TO FINANCE SOLUTIONS

Over the years, SPARK designed and implemented a number of access to finance instruments in fragile and conflict affected states (FCAS). Acquiring essential financing needs for growth and scaling for SMEs are proven solutions for local economic growth and bringing people out of poverty. But sadly, such solutions simply do not exist for many SMEs in the countries where they are needed the most.

These financing instruments are designed to complement SPARK's on the ground technical assistance programmes for local Small and Medium-sized Enterprises (SMEs). All these instruments have focused on SMEs that are too large to benefit from micro-finance, whilst too small to be able to secure regular commercial loans in the banking sector.

Although there has been a concerted effort to bridge the financing gaps especially with the spread of the micro financing instruments, large financing gaps still persist for SMEs in fragile and conflict affected states, were this financing gap is even more severe. Their funding needs are typically much larger than what typical MFI solutions can provide. SMEs in these regions also lack the types of collaterals required by the banks and therefore are shut out of the local financing system.

Real difficulties lie in the challenges in credit appraisal, high transaction cost, relative high cost of capital for the local financing institutions and lack of risk mitigation instruments for external investors to overcome perceived risks, inherently present in fragile and conflict affected states.

To overcome these challenges, we have designed and deployed the following instruments.

Valbona Thaqi  
Bajcinca - Brillantet Kindergarten  
Kosovo



**Loan Guarantee Fund:** SPAR has designed and deployed over 21 partial risk guarantee instruments in Africa, Middle East and South Eastern Europe. Such instruments have been able to reduce the collateral risk for the local banks, consequently facilitating lending to SMEs. Our complementary technical assistance programme provides additional risk mitigation strategy for the local banks. These instruments has been used to provide loans of up to Euro 10K to over 250 businesses around the world, with over Euro 2 million loans facilitated. These instruments have also been used to facilitate Sharia compliant instrument such as Murabaha investments into SMEs in the Middle East. SPARK financing solution team can provide these solutions:

- Partial risks guarantee instrument design and deployment.
- Design to mitigate operational risks and macro market risks based on comprehensive risk assessments.
- Robust financial modelling and sensitivity analysis to identify key trigger points for defensive actions to protect the end clients and structural integrity of the fund.
- Governance system and accountability procedures.
- Management support to execute the programme.

**Direct Loan Fund:** Spark has designed and deployed direct lending instrument in Afghanistan, Liberia and South Sudan. Some fragile and conflict affected states are in constant state of crisis. Such situations do not provide a conducive environment for financing activities. In certain circumstances, there are simply no other financing options available, as during the Ebola crisis in Liberia and during the civil conflict in South Sudan. In such circumstances, SPARK's financing solution team designs a direct financing instrument to provide a financing solution during the time of crisis, with special emphasis on continued sustainability of the project after the period of crisis. SPARK's financing solution team can create:

- Step by step field tested investment procedures;
- Credit assessment tools and appraisal procedures;
- Executable risk mitigation strategy on the ground, especially designed for fragile and conflict affected states;
- Governance and transparency procedures;
- Management support to execute the programme.

**Private Equity Fund:** Over the years, SPARK has identified a number of promising businesses who require funding in excess of Euro 20-50K but these businesses lack the types of collateral required by the local banks. Moreover, local banks lack capability for credit appraisals based on cash flow and strength of the management team. In order to overcome such challenges, SPARK started a private equity impact investment fund, the "Ignite fund". The Ignite fund has a Euro 25M target, closed ended structured investment instrument

Rosalita Rogers





Sinisa Milentijevic  
Strawberry Farm - Kosovo

domiciled in Amsterdam, the Netherlands, designed to invest in SMEs which require between Euro 50K to Euro 750K in growth capital investments. The fund is designed to utilize innovative equity investment tools to mitigate difficulties typically faced in valuations and investment exits for SMEs in frontier markets. The Ignite fund is designed to tap into SPARK's local technical assistance infrastructure, to support each portfolio clients to be operationally and financially successful. By marrying our innovative deal structuring with the tailored technical assistance the Ignite Fund can deliver financial and social impact returns to our investors.

### Access to Finance supporting inclusiveness of women and youth

SPARK and its partners have supported **over 220<sup>1</sup>** business entrepreneurs through various access to finance instruments. Of those businesses, **163 businesses (74%) are owned by youth and or women**. Many of these businesses have of course used their loans to strengthen and grow their businesses but more importantly, they have used these funds to hire other youth and women. Of all the female owned business (73) who received loans, **over 85% has staff comprised of more than 50% women**. Similarly of all the youth owned businesses (90) who received loans, **over 78% has staff comprised of more than 50% youth**.

This demonstrates the importance of not only supporting youth and women owned businesses through our capacity building efforts (e.g. business skills training, etc.) but also through SME finance. As our data suggest the overwhelming tendency for women and youth owned business is to hire from the peers most similar to them. Groups they know, who also happen to be two of the most excluded groups in the regions in which SPARK works.

One example of our loan programme being put into use to achieve our core goals is the story of Rosalita Rogers, a young nurse and entrepreneur in Liberia. In 2012 Ms. Rogers used her business start up loan, received as a result of participating in a Business Plan Competition to establish the Gabriel F. Doe Clinic in Paynesville, Liberia. Since its creation, the clinic has helped to create 14 jobs.

Another example is Valbona Thaqi Bajqinca, in Kosovo, who in 2010 used her loan to start one of the first private kindergartens in Kosovo. Ms. Bajqinca's business now employs 8 staff of which six are women and two are youth.

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1 Data taken from our Salesforce SME data base

## DONORS:

Throughout the years SPARK has been able to deliver results thanks to a number of donors. The following are just a few of our donors that greatly contributed to SPARK's achievements:

Chevron, Dutch Ministry of Foreign Affairs, European Commission, King Baudouin Foundation, Ministry of Foreign Affairs Denmark, Swedish International Development Cooperation Agency (SIDA), Swiss Agency for Development and Cooperation (SDC), United Nations Development Programme (UNDP), The United States Agency for International Development (USAID), UK Department for International Development (DFID), World Bank Group.

## OUR CERTIFICATES:

SPARK is committed to meet the highest standards of organisational practice and ethics. We are proud to hold the following certifications:

- International Organization for Standardization (ISO) 9001. is an international quality control standard-setting body composed of representatives from various national standards organisations.
- Algemeen Nut Beogende Instellingen (ANBI), are recognised charitable not-for-profit organisations by The Dutch Tax and Customs Administration. Donations to these are tax deductible.
- Centraal Bureau Fondsenwerving (CBF) is an independent foundation that monitors fundraising by charities and certifies them with the goal to promote trustworthy fundraising and expenditure.
- International Aid Transparency Initiative (IATI) is a multi-stakeholder initiative that seeks to improve the transparency of aid in order to increase its effectiveness in tackling poverty. Certified organisations provide open data and information on how they spend their funds.

