

Citi, UK's BII agree \$100m risk-sharing lending deal for Africa

British International Investment (BII) and US bank Citigroup have signed a \$100m risk-sharing facility aimed at boosting lending to small businesses across Africa by up to four times that amount, BII said in a statement.



Source: Reuters.

The deal between Citi and BII, Britain's development finance institution, aims to help Citi expand its supply-chain lending on the continent, targeting small and medium enterprises (SMEs) that usually find it hard to access financing.

"The new Master Guarantee risk-sharing agreement will boost Citi's supply-chain finance volumes in Africa by up to \$400m," BII said in a statement published on Tuesday. "Under the facility, BII will act as a guarantor for supply-chain finance facilities provided by Citi, mitigating the risk involved," it said.

The two parties will share risk on a 50/50 basis, meaning that BII would cover half the losses in a scenario where a small business defaults on a loan provided by Citi.

The partnership is aimed at providing capital in local currencies to markets where lending to SMEs is risky because of an uncertain business environment and currency fluctuations. The aim was to target women-owned and broad-based Black Economic Empowerment businesses, promoting productivity and economic inclusion on the continent, BII said.

It added that the programme would seek to support SME suppliers who trade with other buyers and want to shorten the wait time for receiving their payment.

"For example, with SME suppliers who are part of Citi's supply-chain finance, they can discount their receivables on the day of delivery as opposed to on the invoice due date," a spokesperson said. "This helps to accelerate the working capital to the SME suppliers without the need to wait or borrow additional funding."

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