

# Confident Evolutions in Africa



**Kanayo Awani, FCI Africa Chapter Chair, Managing Director, Intra-African Trade Initiative, African Export-Import Bank**

In 2017, Factoring volumes in Africa grew by 9% (EUR 22.3 billion) outperforming the global average growth of 4%. Africa's share, however, remained very low, representing 1% of global figures. Morocco (+25%) and South Africa (+9%) accounted for Africa's factoring growth in the face of declining volumes elsewhere. Other countries which featured in the official statistics and consistent with prior years were Egypt, Tunisia, Kenya and Mauritius.

## Developments in the Regions

The factoring environment in Africa witnessed new and diverse developments during the year.

**West Africa** - Factoring gained strong momentum in **Nigeria**. Crucially, the Nigerian Factoring Working Group (NFWG) worked actively on advocacy especially the enactment of a factoring law. For example, in November 2017, Afreximbank, NEXIM and FCI held sensitization sessions with the Banking Committees of the Senate and House of Representatives as well as the Central Bank of Nigeria in pursuit of facilitative legal and regulatory environment in Nigeria. Furthermore, a new factoring company (Factoring and Supply Chain Finance Limited) obtained regulatory approvals, commenced factoring and joined FCI in 2017. Two others are currently under establishment. In **Senegal**, five companies carried out factoring activities and two of them were subsidiaries of French banks. The others which were largely involved in invoice discounting, were independent factoring companies. Domestic factoring (with recourse) accounted for the lion's share of all the factoring transactions recorded in 2017 (estimated to be about 50 Million Euros).

In **Central Africa**, **Cameroon** saw new independent companies emerge as well as subsidiaries of banking groups including Ecobank and BGFI. A Government owned financial institution focused on SMEs, commenced factoring in Congo.

**East Africa** – **Kenya** witnessed a slow-down in factoring activities in 2017 as macro – economic activities slowed due to the general elections. Mauritius also experienced a 19% decline in 2017 reflecting the persisting excess liquidity in the country. Domestic factoring accounted for 97% of total factoring shared equally between recourse and non-recourse transactions. SBM Factors started factoring activities in November 2017 becoming the fourth Factor in the country. There are indications that one new factor will join in 2018.

In **North Africa**, a new factoring and leasing law was launched in Egypt in 2017 although yet to be ratified in Parliament and this development had been influenced and supported by active awareness campaigns by the Egyptian Factoring Association (EFA), Afreximbank and FCI Africa Chapter. Eight institutions were engaged in factoring activities as of December 2017. Factoring volumes showed a decline but only due to exchange rate/devaluation of local currency. Notably, 88% of factoring in 2017 was domestic. Four banks are considering introducing factoring products in 2018. For Tunisia, domestic factoring also represented 95% of overall volumes. The main industries served were: food and beverages, telecom, agriculture, home appliances and white goods. There were no new entrants and five companies offered factoring products in the country. Morocco was also dominated by domestic factoring however Moroccan banking groups are expanding factoring through their subsidiaries in West and Central Africa as they look to take advantage of increasing intra-African trade between Morocco and the rest of Africa.

**Southern Africa** - **South Africa** remained dominant and accounted for 80% of Africa's factoring turnover most of which was also domestic. In **Botswana**, factoring companies continued to focus on domestic business, largely around the government's local content procurement initiatives.

**In conclusion**, Afreximbank working with FCI, continued to lead factoring development in Africa especially activities aimed at raising awareness, education, capacity building as well as advocacy and financing. There is still ample work ahead especially considering emerging opportunities in intra-African trade but we remain committed.

## References:

### Factoring Companies:

- Unifactor (Tunisia),
- QNB Al Ahli Factoring,
- Export Credit Guarantee of Egypt (Egypt),
- MCB Factors (Mauritius),
- Umati Capital (Kenya)).