



**FIRST**  
initiative

**ANNUAL REPORT 2008**

**Financial Sector Reform  
and Strengthening Initiative**

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finance minister, the governor and deputy governors of the CBN, the director general of the Securities and Exchange Commission, the insurance and pensions commissioners, as well as key private sector actors. The CBN governor ensured that FSS 2020 was assembled in careful consultation with representatives of all affected regulators, industry participants, academics, and other donors. From the outset, focus groups were organized for various subsectors. These met regularly, and their findings were reported and discussed at a series of meetings.

After announcing FSS 2020 and its vision at an international conference in June 2007, the CBN's immediate priority was to come up with an action plan. CBN also emphasized the need for further diagnostic work to set the baseline and lay the foundation for implementation of FSS 2020.

FIRST was asked to support the second phase of FSS 2020, which includes extensive diagnostic work on the Nigerian financial system. In 2008, diagnostic work was undertaken on capital markets, insurance, pensions, housing finance and social housing,



access to finance by small and medium enterprises, microfinance, creditor rights and corporate insolvency, and the banking sector.

To keep the focus on results, FIRST is helping the CBN to build a monitoring and evaluation framework for FSS 2020 and to plan the transition of the current project implementation unit into a permanent implementation office reporting to the FSS 2020 steering committee and appointed by the president of Nigeria. Crucial to the success of FSS 2020, so far, is that the strategy and process have been owned and managed by the Nigerian authorities.

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## **FINANCIAL MECHANISMS FOR SMALL AND MEDIUM ENTERPRISES IN DJIBOUTI**

Djibouti's economy depends on port receipts and other revenues generated by the presence of foreign military bases. To broaden the base for economic growth, the government has considered measures to promote private activity, with special emphasis on small and medium enterprises (SMEs). With that in mind, the Ministry of Trade and Industry sought support from FIRST to draw up a plan to develop new financial mechanisms for SMEs.

FIRST's consultants undertook a financial sector review and conducted an enterprise survey to achieve a deeper understanding of existing constraints on SME financing. The assessment confirmed that despite some positive recent developments, local enterprises still face serious difficulties, especially in accessing medium- and long-term loans. Microfinance institutions were found to be burdened by inadequate institutional arrangements, excessive fragmentation, and weak operational capabilities.

FIRST's consultants identified four measures to fill the existing financing gap. Those measures were (a) the introduction of partial credit guarantees to alleviate problems related to collateral; (b) the introduction of leasing, an instrument particularly well adapted to SME financing needs; (c) the upgrading of project preparation and appraisal capabilities to facilitate interactions between small operators and financial institutions; and (d) the strengthening of microfinance institutions through the rationalization of their existing network, the merging of smaller organizations, and a dedicated capacity building program.

The proposed measures were presented for discussion to government representatives, financial institutions, and private operators at a workshop hosted by Djibouti's chamber of commerce. Related to the project, FIRST's consultants provided operational support to the Banque Centrale de Djibouti in the formulation of a comprehensive regulatory framework for microfinance operations.

**FINANCIAL SECTOR REFORM  
AND STRENGTHENING INITIATIVE**  
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