



SUCCESS STORY

Encouraging Ghana's Private Sector

A loan from Ecobank supported by a USAID credit guarantee helps Safebond become one of Ghana's most successful businesses



PHOTO: KOUJOU/ECOBANK

One of the six forklifts purchased by Safebond with money borrowed from Ecobank. The \$600,000 loan was guaranteed by USAID, mitigating the risk to Ecobank and enabling it to extend a loan to a young business that it otherwise would have deemed too risky. Since its founding five years ago, employment at Safebond has increased from 36 to 800.

***“From a business point of view, we wanted to support this company, but without the guarantee, we would not have been able to give Safebond adequate capital.”
Abdulai Abdul-Rahman, Head of SME Enterprise, Ecobank***

In 2005, Safebond Company Limited, a two-year old shore-handling and off-loading company, won a contract to provide services for the Ghana Ports and Harbours Authority. The government of Ghana would maintain ownership of the port, while Safebond would be responsible for all the loading, offloading, storage, and management of freight cargo. Despite this victory for such a young company, one challenge remained: Safebond needed \$600,000 in financing to purchase six forklifts to fulfill its contract. According to Safebond's Director of Finance, Isaac Kudong, “As a start-up, it was difficult to get the loan we needed. We didn't have the financials to support our loan application unless we could find a company to guarantee our application.”

Ultimately, Safebond approached Ecobank Ghana Limited, a bank which had signed a Development Credit Authority guarantee with USAID. USAID/Ghana developed this credit guarantee as a way to complement the mission's Trade and Investment Reform Program (TIRP), which supports private sector growth and expansion throughout Ghana. The credit guarantee, which shares default risk with partner institutions to encourage local lending, facilitated Ecobank's lending to Safebond without the financial statements that it would normally require.

USAID's ability to issue partial credit guarantees is an important tool that, together with complementary technical assistance, encourages partner financial institutions to use existing local resources for private sector development. Credit guarantees are an effective way to introduce partner banks to new or underserved sectors because they mitigate the risk of issuing loans by up to fifty percent. Once the guarantee expires, banks are familiar with new borrower sectors, and these borrowers in turn have proven their creditworthiness to the banks. The result of these guarantees, therefore, is increased lending that does not rely on external donor funding.

With the help of this and subsequent loans from Ecobank, Safebond has been able to establish a credit history and obtain subsequent financing without a USAID guarantee. The company has grown from a small start-up into a multimillion dollar company, with operations in Ghana's other port in Takoradi, and in Liberia, with plans to expand to Kenya and Angola. Employment has grown from 36 to 800 permanent employees. Without the financing from Ecobank, says Mr. Kudong, “I don't know what would have happened.”