

Insight

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The role of securitisation in developing capital markets in Africa

Practical thinking on investing for development

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Foreword

Deep and well-functioning capital markets are essential to economic development. They provide the finance that businesses need to grow. Recent research by the IFC highlights the transformative impact of deepening capital markets in low- and middle-income countries – contributing \$4 trillion in capital. Yet across sub-Saharan Africa, capital markets in many countries remain shallow, limiting the ability of financial institutions to extend credit and support growth.

Securitisation – the process of transforming illiquid assets into tradable securities such as bonds – offers a powerful tool to address these constraints. It enables lenders to recycle capital, manage risk, and unlock new sources of funding. Globally, securitisation has played a key role in expanding access to finance. Yet in much of Africa, its potential remains untapped.

Recognising this gap, British International Investment (BII) and FSD Africa have jointly commissioned this report to explore how securitisation can contribute to the development of capital markets across the continent. The report provides a detailed assessment of current market conditions, barriers to scale, and practical opportunities for growth.

The market is nascent, but it is one that we are keen to explore and understand. A limited number of transactions across the continent has constrained investor confidence and slowed the pace of market development. For BII and FSD Africa, securitisation can support our strategic objective of mobilising capital for sustainable development and priority sectors particularly the MSME sector. Development finance institutions and multilateral banks have a catalytic role to play in de-risking early transactions and crowding in private capital.

We are pleased to share this report and invite all stakeholders – from policymakers and regulators to investors and financial institutions – to engage with its findings and take forward its recommendations.



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This publication was developed and guided by interviews with members of financial institutions, regulators, transaction advisors, and other market stakeholders who generously contributed their time and expertise, adding to the value of this report. The team would like to thank all these participants for their contributions.

Executive summary

Securitisation is the process of raising capital by issuing securities with payments linked to a pool of illiquid assets. In a traditional securitisation, cash-generating assets are sold and the credit risk is transferred to investors. Common examples include mortgaged-backed securities (MBS) and asset-backed securities (ABS). Over time, both the range of asset classes and structures have widened, so the term is now used more broadly. Securitisation is a valuable capital markets tool, providing funding beyond bank lending. When properly regulated, it can expand finance for the private sector, support financial inclusion and contribute to economic development.

This study, commissioned by BII and FSD Africa, explores the role of securitisation in developing Africa's capital markets. It focuses on four areas:

1. The potential benefits of securitisation
2. The current size and status of the market with examples of successful transactions
3. Challenges and opportunities for investors and originators
4. Market-enabling activities and recommendations for policymakers, investors, and other stakeholders..

South Africa remains the continent's dominant market, underpinned by a mature banking sector and deep capital markets, while activity elsewhere has been limited. Some securitisations have taken place in the West African Economic and Monetary Union (WAEMU) region, where a common regulatory framework was introduced 15 years ago. Outside of South Africa, assets securitised include trade, lease and solar receivables, consumer and SME loans, remittances and government levies. Most were led by non-financial originators, reflecting the need for funding and willingness to innovate. By contrast, financial institutions have issued relatively few securitisations.

This study examines why financial institutions outside of South Africa have been slow to adopt securitisation and what can encourage wider use. It also considers how markets and institutions can be supported to grow, with a focus on Sub-Saharan Africa (excluding South Africa).

The study asks whether a basic regulatory framework is sufficient, concluding that a more holistic approach is needed to address wider legal issues in many markets. Regulatory requirements for securitisation need to be addressed to remove barriers. Key challenges include capacity gaps, limited data, scalability issues, high transaction costs, restricted information access and regulatory limits on institutional investors. Although many African countries have taken steps to introduce securitisation regulations, this alone has not led to market activation.

Despite current challenges, there is sufficient supply of securitisable assets on which to build a sizeable market. The study identifies clear opportunities for securitisation through financial institutions, microfinance, digital lenders, and in financing sustainable projects and infrastructure. The study sets out recommended actions to help financial institutions unlock these opportunities. These include the following broad recommendations:

1. Regulators and policymakers to review legal, tax and regulatory frameworks; remove inconsistencies and reflect evolving capital market practice.
2. Policymakers and transaction advisors to promote the delivery of best practice securitisation guidance for regulators, policymakers, issuers and market participants, while fostering a credit culture, performance transparency and stronger due diligence.
3. Investors to strengthen market participation by acting as anchor investors in individual transactions or in securitisation platforms to build track record and achieve scale.
4. Development Finance Institutions (DFIs) and Multilateral Development Banks (MDBs) to provide technical assistance to support early-stage costs and other capacity building.
5. Originators and arrangers to support enhanced transparency through standardised documentation and reporting templates, regular publication of performance data, access to credit information, and the inclusion of securitisation data in recognised databases.

To shape recommendations, the study assessed markets by regulatory framework, capital market development, policymaker support, issuance experience, macro conditions and credit ratings. It highlighted Kenya, Ghana, Rwanda, Tanzania, Nigeria and WAEMU as priority markets for intervention, building on existing strengths.

The study concludes that the securitisation market in Africa is nascent. MDBs and DFIs have played an important role as 'champions'; however greater mobilisation of private capital and involvement of the private sector are essential to develop the market.

What is securitisation?

1.1 Definition of securitisation

Securitisation is the process of raising capital by issuing securities backed by pools of illiquid assets, transferring credit risk to investors. Examples include MBS and ABS. The scope of assets and structures has widened over time, with most issuances internationally rated. Evolving techniques, regulatory requirements and issuer objectives have created several distinct structures, three of which are particularly relevant in sub-Saharan Africa.

Type 1	<p>Traditional or 'true sale' securitisation involves the sale of assets to a Special Purpose Vehicle (SPV) and the transfer of risk to investors.</p> <ul style="list-style-type: none"> – Originator (seller), such as a bank or financial institution, sells a pool of assets, such as loans to the SPV. – The seller receives payment for the assets, fully relinquishes ownership, control, and economic interest, and the 'bankruptcy remote' and 'ringfenced' SPV becomes the legal owner and collects payments. – The SPV finances the purchase by issuing securities, such as bonds or notes, to investors. – These securities are backed by the cash flows from the asset pool, without recourse to the seller. – Investors are entitled to payments from the assets and any other collateral built into the structure. <p>This is the most common securitisation structure in sub-Saharan Africa. For financial institutions, it is generally used to achieve capital relief (depending on jurisdictional rules) and to reduce concentration risk in a loan portfolio.</p>
Type 2	<p>On-balance sheet securitisation involves issuing debt securities backed by payments from assets that remain on the issuer's balance sheet, usually within a designated portfolio. This structure is mainly used by banks. Unlike a true sale securitisation, it does not transfer risk and may take the form of secured debt known as a 'covered bond'. In this case, investors are secured creditors of the issuer and, depending on the structure and prudential regulation, may rank ahead of depositors. On-balance sheet securitisation is primarily a funding tool and does not result in capital relief.</p>
Type 3	<p>Synthetic securitisation transfers credit risk without transferring the underlying assets. The asset owner typically uses credit derivatives, such as credit default swaps (CDS), to pass the risk to investors. Although more complex, this structure offers greater flexibility, provided there is a robust legal and insolvency framework. For example, the European Investment Bank (EIB) frequently uses CDS-based synthetic securitisations to help banks free up capital for lending to SMEs. Depending on jurisdiction and regulation, synthetic structures can be used to achieve capital relief, free up balance sheet lending capacity, and recycle capital.</p> <p>Some MDBs, including the African Development Bank (AfDB) and the West African Development Bank/Banque Ouest Africaine de Développement (BOAD) have used variations of this structure as well as on-balance sheet securitisation. Instead of a CDS, they isolate a defined pool of assets and issue securities against it. This transfers risk to investors without moving the assets, creating capital efficiency without derivatives. In some markets, securities law does not explicitly cover synthetic securitisations.¹ While MDBs are generally exempt from such limitations, investors in MDB transactions may still need to comply with domestic regulations.</p>

The assets backing the payments in securitisation transactions generally fall into one of three categories:

- Financial, such as mortgages, corporate loans or government securities.
- Non-financial, such as equipment leases, hire-purchase agreements, trade receivables, or instalment purchase contracts.
- Future-flow income, such as utility payments for future power sales, levies or ticket sale revenue.

This study focuses on traditional true sale securitisations and on balance sheet securitisations.

¹ The Nigerian SEC Securitisation Rules (2015) provide a framework for true sale securitisation, while the Central Bank of Nigeria's Guideline Notes on the Calculation of Capital Requirement for Credit Risk make provision for synthetic securitisation by banks.

1.2 Tranching, ratings and credit enhancement

Securities (notes) may be issued to investors as a single class, in which all investors rank equally with the same priority for payments. Most securitisations, however, require some form of credit enhancement, with tranching a common method. Outside of South Africa, many African securitised transactions have so far been single class transactions, reflecting the early stage of the market, although more recent issues have involved multiple classes.

Tranching involves securities being structured to reflect different risk levels and priority of payments under the 'payment waterfall'. Different classes are placed with different types of investors, depending on their risk appetite and return expectations. Transactions often involve three classes, for example: Class A 1 (senior notes), Class B 2 (mezzanine notes), and Class C (often referred to as junior notes).² An additional usually unrated class, may be issued to the seller as an 'equity piece'.

Tranching can provide the sole or an additional form of credit enhancement or credit support for higher-ranking securities.³ Legal documentation must accurately reflect the cash flow modelling. Figure 1 illustrates a traditional true sale securitisation structure that incorporates tranching.

For securitisation, and particularly for tranchised issues, ratings are vital for investors to assess and price risk. However, rating usage in Africa is still limited. For the securitisation market to develop, greater reliance on ratings will be essential.

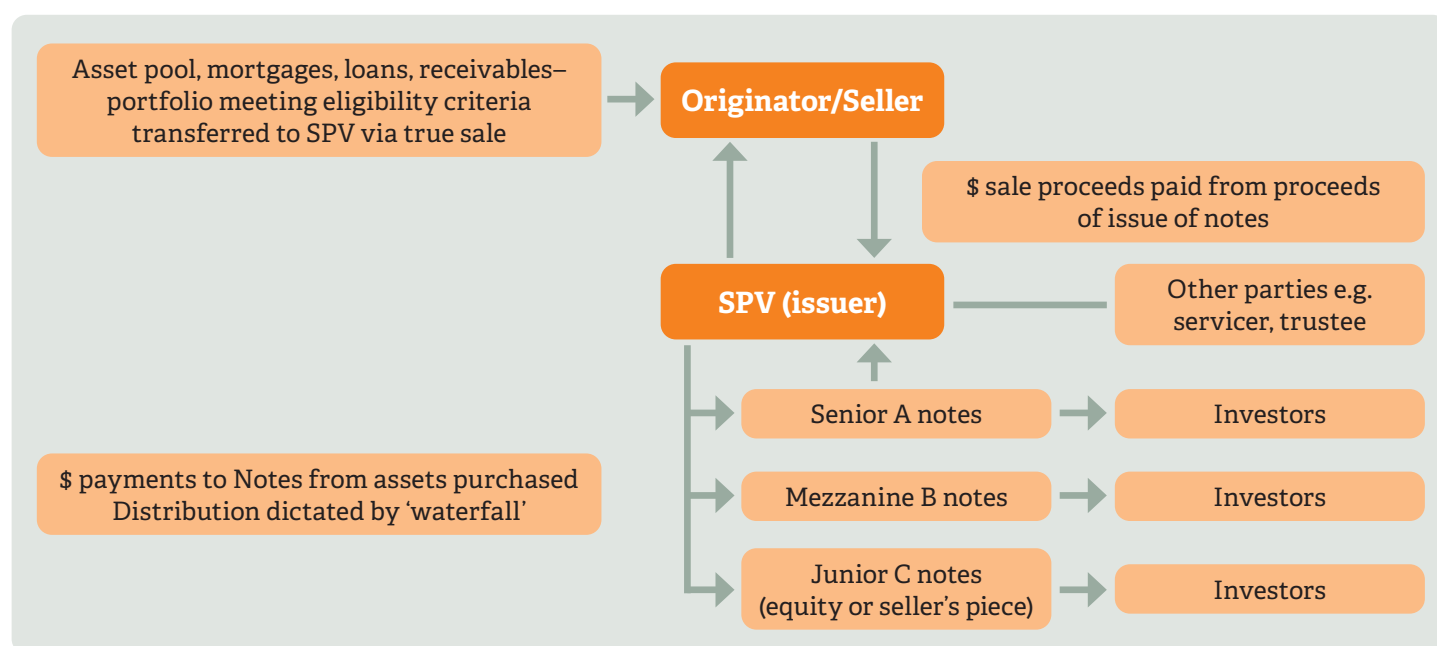


Figure 1: Illustration of true sale securitisation with tranching securities (notes)

A core element of any true sale securitisation is the transfer of assets from the seller to the SPV through sale, assignment, or another form of legal transfer. Full legal ownership must pass to the SPV so that the assets remain beyond the reach of the seller's creditors, shareholders or other claimants, even in the event of winding-up or liquidation. This protection is often referred to as a 'bulletproof structure'.

Achieving a robust transfer can present both legal and practical challenges in new markets. The process may be complicated by unclear laws and tax treatment, legal systems and courts unfamiliar with securitisation concepts, or high transaction costs, any of which can render an otherwise feasible transaction commercially unviable. These issues create difficulties for arrangers and legal advisers operating in jurisdictions without established securitisation frameworks.

The absence of a ratings culture, and the lack of requirements for rated issuances, further complicate investment. Without ratings, risk assessment and pricing become more time-consuming and resource-intensive for investors.

² In some markets, mezzanine securities may rank ahead of the junior securities. It is therefore important to understand market convention and the specific use of terminology in each transaction.

³ Credit support or overcollateralisation can be provided through one or more mechanisms, including sales at a discount, credit guarantees or insurance, and the creation of build-up of reserve accounts. In addition, timely payment to investors may be supported by liquidity facilities. These do not form credit support and rank ahead of investors in the final distribution of funds.

Securitisation benefits – Global and African context

2.1 Benefits of securitisation

When well regulated, securitisation can expand private sector funding, support financial inclusion and drive economic growth. It also strengthens capital markets, improves banking sector stability and channels pension and other investment funds into the real economy.

For financial and non-bank institutions, securitisation is both a balance sheet tool and a funding source, supporting new products, wider reach and greater competitiveness. For other issuers, it offers flexible finance beyond traditional lending. These benefits are summarised in Table 1 and explored later in the study.

Policymakers and regulators	Originators (FIs & NBFIs)	Other issuers	Investors
<p>For capital market regulators:</p> <ul style="list-style-type: none"> – Expands and diversifies markets with new, transparent asset classes and products. – Attracts global investment and increases supply of local currency securities. – Boosts exchange activity and income. – Strengthens skills and builds a stronger credit culture. <p>For banking regulator:</p> <ul style="list-style-type: none"> – A mechanism for banks to manage concentration risk, recycle assets to boost private credit, and improve transparency on non-performing loans (NPLs). <p>For government:</p> <ul style="list-style-type: none"> – Offers non-borrowing finance for public bodies and infrastructure, while expanding private credit to the real economy and supporting productivity. <p>For pension and insurance regulators:</p> <ul style="list-style-type: none"> – Increases diversification beyond traditional assets and strengthens risk assessment capacity. 	<ul style="list-style-type: none"> – Expands capacity to provide private credit by recycling assets without adding risk or reducing bond income. – Enables portfolio diversification, larger financings and longer-term lending. – Improves efficiency and risk management through standardised processes and independent reporting. – Enhances transparency on non-performing loans and strengthens underwriting discipline. – Creates fee-based income streams, supports sustainability and may lower costs. – Can provide off-balance sheet treatment and stronger capital ratios depending on the structure. <p>For microfinance and others:</p> <ul style="list-style-type: none"> – Diversifies funding sources and reduces reliance on MDB or donor support. 	<ul style="list-style-type: none"> – Offers an alternative to bank borrowing or equity, providing flexibility, liquidity and potentially lower costs. – Links funding cost to asset quality, hence not dependent on Originator's credit quality. – Enables new entrants to scale by monetising assets, while Asset-Backed Commercial Paper (ABCP) structures support cyclical funding needs and greater efficiency. 	<p>For pension funds and insurance companies:</p> <ul style="list-style-type: none"> – Provides a transparent, risk-managed alternative to corporate bonds with liquidity benefits. – Enhances diversification and creates opportunities to invest directly in the real economy. <p>For Collective Investment Schemes (CIS):</p> <ul style="list-style-type: none"> – Offers transparent investments with a distinct risk profile, providing an alternative to government securities and corporate bonds. – Enables managers to earn fees, build scale and reduce costs. <p>For MDBs, DFIs and impact investors:</p> <ul style="list-style-type: none"> – Enables targeted participation at chosen risk levels, with added liquidity and the ability to recycle assets. <p>For other investors:</p> <ul style="list-style-type: none"> – Attracts specialist funds and retail investors.

Table 1: Summary of benefits of securitisation

Interviews with market participants and regulators suggest financial institutions in Africa have not yet fully recognised the benefits of using securitisation as a funding and risk management tool.

2.2 Lessons from the global financial crisis

Before the 2008 global financial crisis (GFC), securitised assets often outperformed similarly rated investment grade corporate securities and were seen as a way to expand credit, financial inclusion and capital market growth. The subprime crisis, however, led to a collapse in the US market with spillovers to Europe, driven by weak credit standards, rating agency failures, overly complex structures and inadequate regulation and transparency.

In response to the GFC, regulators introduced stricter rules, greater transparency, limits on re-securitisation and simplified standards such as Europe's 'Simple, Transparent and Standardised' (STS) framework, alongside tougher capital relief criteria, investor due diligence, retention requirements and stronger rating agency oversight. Since then, securitisation markets have rebounded, and their benefits have been reappraised.⁴

2.3 Evolution in the African context

The subprime crisis coincided with African markets introducing securitisation laws, creating hesitancy among arrangers and reducing support from governments and regulators. This contributed to the market's limited development, except in South Africa, which remains by far the largest and most advanced.

South Africa's first securitisation was a ZAR250 million mortgage deal by United Building Society in 1989, followed by transactions from Sasfin, Retail Apparel Group and Unibank through the 1990s. In 2000, the IFC supported the Kiwane Fund, creating a ZAR2 billion collateralised loan obligation (CLO) programme.

These early transactions were quickly followed by securitisations of credit cards, high-yield corporate bonds through a collateralised debt obligation (CDOs) issue, and ZAR1.25 billion of home loans by SA Home Loans.⁵ The 2001 Thekwini transaction demonstrated how a non-bank issuer could use securitisation to challenge the dominance of traditional mortgage lenders. Between 1989 and 2003, the South African securitisation market grew rapidly, with total issuance exceeding ZAR 26 billion.⁶

The development of the South African market was not smooth sailing, and it offers valuable lessons for the rest of Africa, as many of the early challenges it faced are reflected in the current conditions across other African countries.

African markets have developed over the past decade with the introduction of basic securitisation regulatory frameworks. In 2010, the WAEMU region adopted a common framework for issuance and removed key impediments, paving the way for WAMEU to take a leadership role in new issuances. However, most asset originators have not been financial institutions.

Multilateral institutions such as the AfDB have also issued securitisations to free up their own lending capacity and raise awareness and support market development. Since the mid-2000s, several African countries have introduced domestic securitisation frameworks, but few have succeeded in developing active markets. Others still lack the necessary regulatory foundations.

Although securitisation activity is growing in Africa, progress has been slow and most issuance has not come from financial institutions. Mapping the current market conditions, and exploring the opportunities and challenges in developing financial assets in Africa, may help explain this by addressing key questions: why has the pace been so slow, why have financial institutions not embraced securitisation, and what impediments must be removed to support issuers, intermediaries, investors, policymakers and regulators?

This work will also help identify practical steps to encourage increased participation by financial institutions.

4 Fitch Ratings, Rating Performance (2025) illustrates the increase in ratings transitions for corporate bond issues (1990-2024), and for structured finance issues, including ABS, RMBS, CDO, CMBS, etc, (1994-2024). The rise in transition rates is skewed by the high levels of credit impairment and default rates during 2007-2010. See <https://www.fitchratings.com/rating-performance>. Over the full period 1990-2024, the average impairment rate for all ABS issues was 0.05 per cent. See <https://www.fitchratings.com/research/structured-finance/structured-finance-2024-transition-default-study-24-06-2025>

5 Repeat issuance by a single originator, or multiple transactions by different originators with a variety of issuers, helps market development. It makes it worthwhile for investors and market intermediaries to commit the time and other resources to building internal capacity and understanding, as well as that of boards, investment committees, regulators and professional advisors.

6 The Awakening of Securitisation in South Africa (2004) See <https://sasf.co.za/aboutsecuritisation/The%20awakening%20of%20securitisation%20in%20South%20Africa.pdf>



3

Current sub-Saharan market

3.1 International and African securitisation market size by issuances

A key objective of this study is to map the current securitisation market in sub-Saharan Africa, with a key focus on the financial institution sector. One of the central findings is that no single reliable source of information exists on securitisation activity in the region. This lack of reliable data contrasts with more developed securitisation markets, where comprehensive data is readily available. The absence of reliable information impedes market development.

Collecting and publishing accurate data, alongside common standards for publicly available performance reporting, would help raise awareness, improve transparency, enable investors to assess and price investment risks more effectively, and assist capacity building. Expanding access to transaction data is therefore a key recommendation of this study.

Figure 2 provides, based on best available information, an estimate of the relative size of the African securitisation market compared with other international markets.

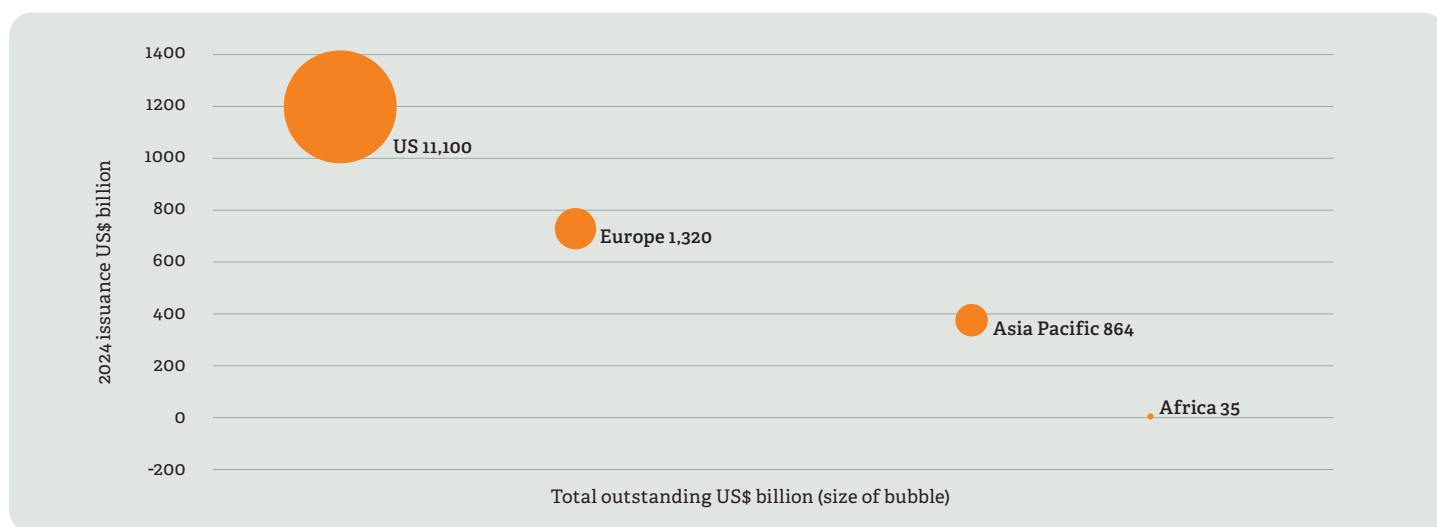


Figure 2: Schematic illustration of the relative sizes of securitisation markets⁷

⁷ Author's calculations based on a wide range of sources including, rating agency reports, industry data, and reports from individual country capital and financial markets regulators. There is no definitive source of information, and verification is difficult due to the use of differing metrics, such as annual issuance versus outstanding volumes. Challenges also arise from the lack of consistency in what is classified as 'securitisation'.

The existing market size gives an indication of current interest in securitisation and, when considered alongside other requirements for market development, helps identify target markets for further growth. Figure 3 sets out schematic estimates of the current size of selected African country markets, highlighting both the challenges and the potential for securitisation to reduce the private credit gap. These estimates are indicative only, reflecting both the lack of a common definition of securitisation and the limited availability of reliable data.

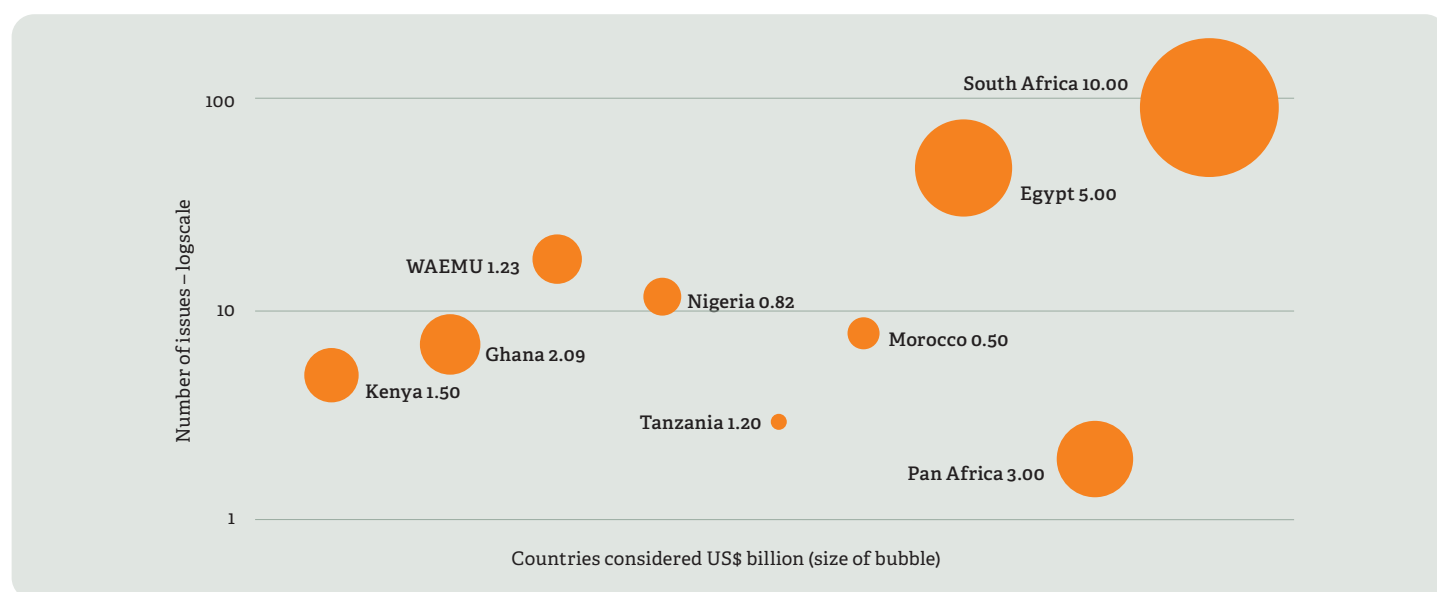


Figure 3: Schematic illustration of relative sizes of a selection of sub-Saharan securitisation markets⁸

⁸ The data has been compiled from a range of publicly available sources, including rating agency reports, regulatory reports, releases from issuers and connected parties, MDB statements, industry publications, data providers, press releases and direct interviews. Where possible, the data has been verified using more than one source. Several difficulties arise in interpreting the data. These include classification inconsistencies, as some sources measure outstanding volumes while others record total issuance, and some include only senior tranches while others include all tranches, including the seller's retained equity (first-loss) tranche. This study concludes that securitisation market development would benefit from inclusion in official datasets, and from being incorporated into the Global Emerging Markets Risk Database (GEMs) to which a consortium of 26 MDBs and DFIs contribute. GEMs provides insights into defaults and recovery patterns for loans to emerging market firms over the past three decades based on MDB and DFI data alongside other investors. Loan performance data from GEMs is compared with benchmarks such as Moody's B3-rated global corporate loans and S&P Global's B-rated corporate loans.

3.2 Securitised assets across sub-Saharan Africa

Table 2 illustrates the wide array of assets that have been securitised in sub-Saharan Africa. However, in some cases, transactions described as ‘securitisations’ would be more accurately classified as structured finance, covered bonds, secured lending, or project or corporate bonds. Some deals shown were private placements or issued offshore for sale to overseas investors.

As a result, certain countries may appear to have securitisation activity despite lacking a domestic market. For example, some securitisations of solar instalment payments backed by Kenyan assets were placed offshore and did not appear to fall under Kenyan regulation or the supervision of the Kenyan Capital Markets Authority.⁹ In many cases, structuring the transaction as an offshore issue reflects the absence of a suitable domestic regulatory framework. In others, it arises from the lack of tax neutrality. Kenya has been an example of both situations.

Assets securitised ¹⁰	Countries and investors ¹¹	Types of originator
Synthetic securitisation of loans to large corporates, project finance, and financial institutions (AfDB) 2018; 2024 announced proposed new issuance with DBSA USD2bn evergreen diversified reference portfolio. Letter of intent signed with Academy Securities, Africa 50 & Newmarket.	Pan-Africa Investors: IFC, Africa 50, Mariner Investment Group, Mizuho International plc, European Fund for Sustainable Development	MDB (AfDB) assets (2018) Announced 2024 proposed multi originator issue.
Energy asset instalment payment contracts and Pay-as-Go solar receivables Examples: Sun King Financing Ltd (various private issuances including 2023 & 2025), Brighter Life 5 issuances latest 2024, NEEOT Off-Grid (2020), Electricity for All (PEPT) (2023)	Cote d'Ivoire, Kenya, Tanzania, and other East African nations Investors include: Local and international, IFC, Oikocredit, ABSA, BII, Citi, FMO, DFC, Citi, KCB Bank Kenya, The Co-operative Bank of Kenya, Norfund, Standard Bank Kenya, Trade & Development Bank, Asset Managers, pension funds & insurance companies, EAIF (Ninety One), international, some retail, etc.	Off grid solar provider, utilities
Future Flow – Tax levies of Ghana Educational Trust Fund and Future Flow – Fuel Levy Education Trust Fund – DAAKYE program (2020) Fuel Levy – ELSA PLC Securitisation (2017)	Ghana Investors: Local asset managers, domestic banks, pensions funds, insurance companies and retail. Listed securities	Government programmes
Future Flow – Telecom receivables Sonatel (2024)	Senegal, Cote d'Ivoire Investors: IFC, EAIF, banks, individuals, insurance companies, trusts and pension funds, some international	Telecom
Future Flow Bus ticket receivables Primero BRT Securitisation SPV plc (2019, 2022)	Nigeria Oversubscribed – local banks & institutions	Transport
Future flow – utility receivables, visa payments and remittances Examples: Visa – Combined Expatriate Resident Permit and Alien Card transaction (2017, 2021)	Cote d'Ivoire, Nigeria Morocco, South Africa	Utilities, diversified financials
Loans to property developers, refurbishment and affordable housing	South Africa Banks, Institutions, CIS	Real estate, property developers

⁹ A recently proposed IABS was approved by the Kenyan Capital Markets Authority in June 2025, according to press reports.

¹⁰ As noted some issues have been publically referred to as “securitiations” but would not qualify as true sale securitisations

¹¹ Allocation between countries is difficult as often the issue is made in one country but originators may be in others

Agricultural SMEs – warehouse receipts – asset-backed commercial paper AFEX Commodities Exchange Limited Program (2021)	Nigeria Core investors: US private equity investor Constance Investment Managers, 50 Ventures, Berggruwe Holdings (US)	Commodities, agriculture
Government bonds and ‘Ways and Means’ N22.7 trillion proposed with 40-year tenor at 9% with 3-year principal payment moratorium. Unclear if progressing as major opposition & legal issues. Most recently proposed 2023	Nigeria Banks, pension funds, insurance e companies with regulatory incentives provided term and interest rates not attractive & regulatory risk	Government programmes
Sovereign loans by BOAD (2023)	West Africa Local and regional institutions and banks Foreign Funds, impact investors, BOAD reinvests in senior tranche	MDB (BOAD)
Infrastructure, stadium receivables (2025) Kenya Linz Infrastructure Asset Backed for stadium; Rating agency has challenged compliance & likely approved as a project bond & not a securitisation.	Kenya, Nigeria Kenya – Listed Retail, Fund Managers some institutions	Infrastructure
Islamic residential lease-based securities – affordable housing Kenya Linzi Sukuk affordable housing (2024)	Kenya Listed on Unquoted Securities Platform NSE, anchor investor CPF Financial Services, Islamic Funds and Institutions	Diversified financials
SME & MSME business loans Examples: NSIA Banque (2020, 2025), COFINA (2018)	Benin, Togo, Senegal, WAEMU, South Africa, In some IFC, BII, or BOAD as anchor investor; local banks, institutions & fund managers, some retail	FIs e.g. NSIA Banque
Micro business loans and microfinance loans Examples: Jumo e-money loans (2024) Tanzania, Reefy Egypt	South Africa, Ghana, Egypt Egypt listed but 100% institutions and 80% Egyptian, 18% Arab & balance foreign Jumo undeclared in amount, structure of investors if proceeding	FIs
Payroll and personal loans	Ghana, South Africa Banks, institutions	FI, digital lenders
Credit cards	South Africa, WAEMU	Some FIs but other credit card issuers are not FI related e.g. American Express and store cards
Trade receivables	South Africa	FIs, Manufacturers, Service Companies or Exporters
Real estate receivables, property debt and development loans FCTC Teyliom IMMO 2021-2028	Buildings in Cote d’Ivoire Senegal, Mali Investors: Mainly WAEMU located banks, Fund managers, institutions with some retail	FIs, property developers
RMBS Examples: CRRH-UEMOA (2023 & 2024) West Africa, (2015) Nigeria National Mortgage Refinance Company	South Africa (multiple issuances), Tanzania, Nigeria, etc.	FIs, Government, digital lenders, MDBs

Lease receivables, equipment, auto, motorcycle Examples: CFAO Motors**, Bellore Transport & Logistics**, SME and Bank Loan Securitisations ** although classified & reported on as securitisations in some sources it is unclear if this is a correct classification	Kenya, Uganda, WAEMU, South Africa Investors Banks, Fund managers, institutions, some involve DFIs or MDBs	FIs, manufacturer
Medium- & long-term loans Examples: NSIA Banque, Orabank (2020, 2021, 2025)	WAEMU: Cote d'Ivoire and regional, South Africa Investors: IFC, local banks, insurance companies and asset managers with some retail	FIs, DFIs or MDBs, Insurance Companies
Commercial loans AfDB (2016), BOAD own assets DOLI-P 2024-25 bank commercial loans FCTC Orabank 2021	Cote d'Ivoire, South Africa	FIs, MDBs

Table 2: Types of transactions in the African market¹²

Other key highlights from the issuances identified, and the study's consideration of private credit gaps include:

- A wide range of non-financial institutions have used securitisation, reflecting the diversity of asset types and demonstrating both the potential for issuance under the right conditions and the willingness of investors to consider different asset classes.
- Some issuers have shown strong commitment, despite the market's early stage, high transaction costs, and the challenges of being first movers, underlining the critical need for funding from alternative non-bank sources.
- Very few African financial institutions have securitised their assets.
- A substantial private credit gap remains unmet by banks, demonstrating the clear need for alternative funding channels beyond traditional credit or equity sources.

¹² The data has been compiled from a wide range of sources including, from interviews, rating agency data, information from regulators, issuers and arranger press releases, offering documents, MDB releases and annual reports, industry association information and data collection services, numerous academic and business journals and research reports and reports and publications from bodies, such as IMF, IOSCO, Milken Institute, McKinsey and Africa Securitization Alliance. There is often difficulty in gaining disclosure on investors whose identity is often closely guarded. As noted, comparative, reliable and access on a timely basis to data on securitisation is difficult to obtain as nomenclature, classifications and metrics are not consistently used and reporting is lacking as is transparency. Recommendations are made in this study and the problem was commented on by the OECD in 2009



4

Requirements for developing a robust securitisation market

The US, UK, Europe, Australia and Japan adopted securitisation over decades after developing deep bond and capital markets. South Africa also benefited from a strong banking sector, established markets, a solid legal system and sufficient scale. By contrast, other African countries are trying to build securitisation markets without the advantage of having mature domestic capital markets or a gradual introduction of new asset classes. Market size can be supportive factor; however, evidence shows it is not necessarily a key driver of securitisation development.¹³

At the outset of this study, the underlying assumption was that establishing a securitisation regulatory framework¹⁴ would be the key ingredient for developing local securitisation markets. This has often been the focus of research studies without consideration of broader essentials. Our conclusion is that while a regulatory framework is important, it is neither sufficient on its own, nor necessarily the starting point, for encouraging market development or attracting financial institutions to issue. A broader set of required components is required. As illustrated in Figure 4, these should include:

1. A securitisation regulatory framework supported by a predictable, **holistic system of regulation and enforcement**, including **tax-neutral treatment**.
2. An adequate **supply** of 'securitisable' assets, meaning assets that meet the necessary credit and structural criteria, as well as **sellers willing to supply them**.
3. Investors both able and willing to invest, creating **demand for securitised assets**.
4. **A supportive ecosystem** of capable participants, including transaction advisers, trustees, administrators, lawyers, issuers and servicers, alongside regulators with adequate resources to approve, monitor and enforce transparency and accountability.
5. **Macroeconomic stability**, and in the initial stages ideally the **presence of a 'champion', 'disrupter' or 'crisis'** strong enough to break the status quo, and drive the necessary changes.

¹³ For example, Cote d'Ivoire, with a GDP of \$94.48 billion has recently recorded more securitisation issues than Nigeria (GDP \$188.27 billion) and Kenya (GDP \$131.67 billion) as at April 2025. This underlines size is not the only determinant. See <https://www.imf.org/external/datamapper/NGDPD@WEO/AFQ>

¹⁴ A distinction is made between the 'securitisation regulatory framework' and the broader regulatory framework required to support securitisation. The former refers to capital markets laws and regulations governing the issuance of securities arising from a securitisation. These largely relate to disclosure and reporting requirements and may include provisions on SPV structure, minimum standards, roles and qualifications of parties, and sanctions. The broader regulatory framework consists of the rules needed to make securitisation workable in practice. These include laws enabling the transfer of assets, privacy laws, banking regulations, prudential guidelines, and tax-neutral treatment for the transaction, the SPV, and investors. Together, these two elements are referred to as the 'holistic' regulatory requirements. Further detail is in Annex 2.

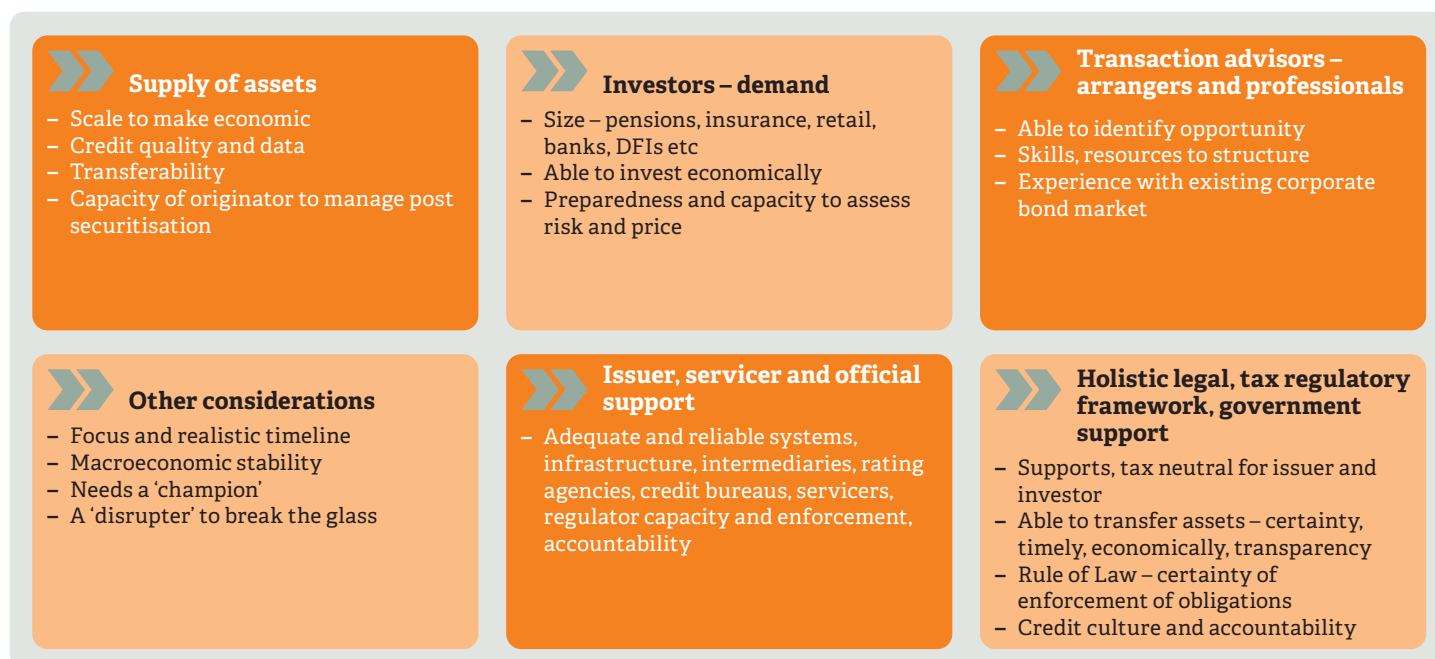


Figure 4: Essential components for the development of a securitisation market



5

Adequacy of securitisation regulatory framework

5.1 Classification of stage of development

Several African countries have introduced securitisation regulatory frameworks, but this has not translated into the development of active securitisation markets.¹⁵ Table 3 summarises the status of adoption across different jurisdictions. Some countries, such as Namibia and Botswana, have enacted tailored laws specifically to support securitisation, yet without apparent success in encouraging issuance.

The existence of a securitisation regulatory framework does not appear to be the only factor holding back market development. Even where a reasonable framework is in place, issuance may still prove unfeasible or uneconomic.

It is not within the scope of this study to comprehensively review existing laws and regulations in each country, although they have been considered at a high level. As illustrated by specific country examples, the laws fall into three broad categories:

- Provide the basics but lack integration with other laws, meaning there is no holistic approach.
- Complex and ineffective, for example by mixing common law and civil law principles or showing limited understanding of securitisation structures and operations.
- Functional, but capable of improvement, as in the case of WAEMU.

Classification	Characteristics	Example Countries
1 >>>	Established – robust markets – with regular issuance, level of standardisation and demonstrated performance over several economic cycles.	– South Africa – Egypt
2 >>>	Countries or organisations that have made a number of securitisation issues – basic regulatory framework is in place, no major impediments, limited inroads with financial institutions or based on size of economy do not appear to have achieved potential.	– WAEMU region (includes Cote d'Ivoire, Senegal) – Morocco, Nigeria
3 >>>	Countries which appear to have in place basic regulatory framework, but securitisation market has not developed as expected – includes countries with some issues.	– Kenya, Tanzania, Ghana, Uganda, Rwanda – Botswana, Namibia
4 >>>	Countries that do not appear to have basic regulatory framework in place or there are major impediments or capital market not sufficiently developed to support.	– Ethiopia
5 >>>	Countries where capital market is not sufficiently developed, legal, regulatory structure is inadequate, there are other significant impediments, supply is inadequate to economically support a transaction, or political or macroeconomic considerations.	– Others

Table 3: Market mapping – classifications based on stage of issuance and existing securitisation regulatory framework

¹⁵ As previously noted, access to issuance data is far from complete, and does not usually record private placements.

5.2 Need for a holistic regulatory environment

Securitisation requires legal underpinning at multiple levels. The scope of laws, and the need for a holistic review, is illustrated in Figure 5.

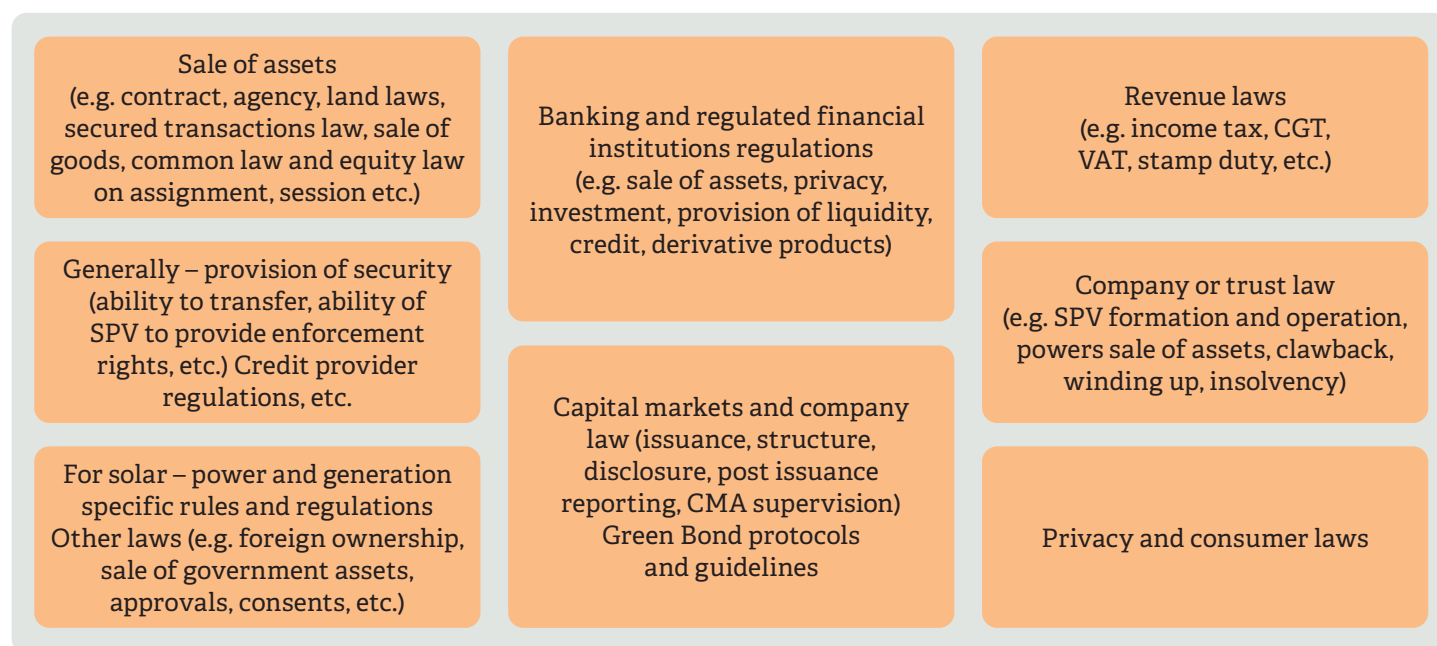


Figure 5: Schematic illustration of the need for a holistic approach

Failing to holistically address securitisation requirements creates barriers to the development of domestic markets. Alternatively, it can lead to transactions that are economically sub-optimal or expose investors to significant additional risks. While a small number of issuances may still take place, the market will fall short of its potential. Annex 2 sets out in detail the specific areas of law and issues that should be included in any holistic review.

Addressing the issues requires coordination among policymakers and regulators to amend existing laws, recognise the distinct characteristics of securitisation, implement appropriate policies, such as banking capital and prudential guidelines, adopt suitable registration and transfer mechanisms for various classes of assets, and introduce appropriate prudential regulations for both regulated sellers and investors. A ‘champion’¹⁶ able to coordinate, facilitate and act as ‘change-maker’ can play a significant role in advancing market development.

Conducting a holistic review on a country-specific basis should be the starting point for any future efforts to promote securitisation.¹⁷

5.3 Requirements for tax neutrality

Securitisation requires the transfer of the assets to a SPV that serves only as a vehicle for the collection and passing payments from the seller and obligor to the investor. The SPV carries on no other business and does not make a profit. A fundamental requirement is that the securitisation transaction, when viewed in its entirety, achieves tax neutrality (that is, fiscally revenue neutral), with clear and certain tax treatment that is not discretionary. Investors and rating agencies expect assurances of certainty of taxation, as the SPV has no capacity to pay unexpected taxes.

¹⁶ The Bangladesh case study in Annex 4 shows how a champion can clear the path for issues.

¹⁷ The following are country-specific examples of barriers currently impeding market development: Ghana does not have tax neutrality; Kenya has faced uncertainty around tax neutrality and frequent policy changes; Rwanda lacks tax neutrality and has no practical, cost effective mechanism for transferring mortgages; In Ghana, and most other countries, there is no process or prudential guidelines in place for regulated financial institutions to understand the requirements of banking regulators for securitising their assets, investing in securitised products, or determining the roles they can undertake. For insurance companies and pension funds, there is a lack of clarity on eligible investments, limits and approval processes. Many of these are the same issues that historically held back the development of the South African securitisation market (see S. Saayman and P. Styger, *Securitisation in South Africa: Historic Deficiencies and Future Outlook*, SAFMS NS 6 (2003) No 4, p.754).

A 'look-though' tax neutral treatment is required, where investors are taxed on income they receive, and the SPV is ignored for taxation purposes. This approach ensures a neutral fiscal position, unless specific special incentives are provided. However, achieving tax neutrality remains a major challenge in many countries. Examples of tax and impost issues include:

- Stamp duty, VAT or other charges on the transfer of assets to the SPV
- Potential recharacterisation of cash flows when transferred to the SPV
- Questions around entitlement to depreciation or capital allowances, as with equipment lease payments
- Whether the SPV is subject to turnover tax, capital gains tax or other levies in addition to income tax
- The SPV's entitlement to deduct expenses and the timing of those deductions
- The tax treatment of payments to different investors, including the application of withholding tax.

5.4 Potential impact of Basel regulation

For financial institutions, Basel II and Basel III affect the off-balance sheet treatment and capital adequacy treatment of securitisation. For other issuers, the treatment is determined by accounting standards. Most regulators in sub-Saharan Africa have not yet adopted Basel III, which imposes the tightest restrictions. In addition, each country's banking regulator issues prudential guidelines that govern securitisation requirements.¹⁸ These apply alongside traditional true sale tests and accounting standard tests,¹⁹ placing additional obligations on financial institutions.

Clear rules from the banking regulator – accompanied by a transparent approval process and defined timelines – are essential to provide financial institutions with the certainty required to evaluate securitisation against other funding options. Timing and certainty was also a significant issue in several markets, as highlighted by stakeholders interviewed for this study.

Interviewees also noted that many financial institutions do not fully understand securitisation, its potential benefits, or its impact on a bank's capital adequacy ratio (CAR) and profitability. This lack of understanding is a key factor impeding its use. Many banks remain focused on asset size and market position and are therefore unprepared to sell assets through securitisation. Others see securitisation as a threat to their competitive position.

Table 4 provides a simple illustration of the potential CAR and profitability benefits to a financial institution from securitising part of its mortgage portfolio. This example assumes that (1) the bank securitises a mortgage portfolio of \$100,000, (2) it receives cash for 80 per cent of the portfolio, and (3) it reinvests 20 per cent in mezzanine notes. As a result, the capital supporting the 80 per cent is released, while the bank continues to earn a servicer fee on the full portfolio and interest on the notes. In this simplified example, the return on risk capital increases from 25 per cent to 50 per cent. In practice, the actual capital required for investment in the notes and mortgages will depend on the banking regulator's prudential guidelines, the level of Basel adoption, and the credit risk and structure of the specific transaction.

Asset type	Asset	Mortgage or note interest	Capital requirement assumed	Risk weighting	Risk capital (on \$100,000 exposure)	Net interest margin	Servicer fee	Total net return	Return on risk capital
Residential mortgages (assuming \$100,000 exposure)	On-balance sheet loans	6.0%	8.0%	50.0%	4,000	1.0%		1,000	25%
	Securitised (AAA tranche) 80% - held by third party	5.0%	0% Seller has no credit risk	0% Not relevant as seller has no credit risk	0	Not relevant for seller	0.50% Assume seller is servicer	400	50%
	Securitised (mezzanine) 20% - notes retained by seller	7.5%	20%	100%	4,000	Seller receives interest on note not margin	0.50%	1,600	

Table 4: Simplified illustration of the CAR benefits of securitisation vs mortgage lending by financial institutions

¹⁸ In Europe, additional rules introduced after the GFC may, depending on the structure of the transaction, require a minimum retention.

¹⁹ The true sale test is based on whether there has been a legal transfer of ownership of the asset. The accounting standard test is dependent on the economic impact and substance over form, meaning whether risk has transferred. The banking regulator's prudential guidelines or specific rules add further elements aimed at managing systemic risk and ensuring the sustainability of financial institutions.



6

Supply of assets

6.1 Overview of private sector financing

The potential supply of securitisable assets by financial institutions depends largely on the composition, maturity, and quality of their asset portfolio, as well as their experience of non-performing loans across economic cycles. Market disruptions, inflation, high interest rates and volatility have led many African banks to favour investment in lower-risk sovereign securities, which carry lower capital requirements and are easier to manage than private credit. In some countries, preferential tax treatment of sovereign debt has further encouraged financial institutions and other investors to prioritise these assets over private sector lending. The result, as illustrated below, is the crowding out of private sector financing and the emergence of a clear funding gap across African markets.

Examining the current composition of financial institution assets (Figures 6 and 7 below) highlights this financing gap. While investment in sovereign securities supports bank profitability, it also crowds out private sector credit. Combined with banks' reliance on short-term deposits, this approach may also expose them to liquidity and interest rate mismatches and related risks.

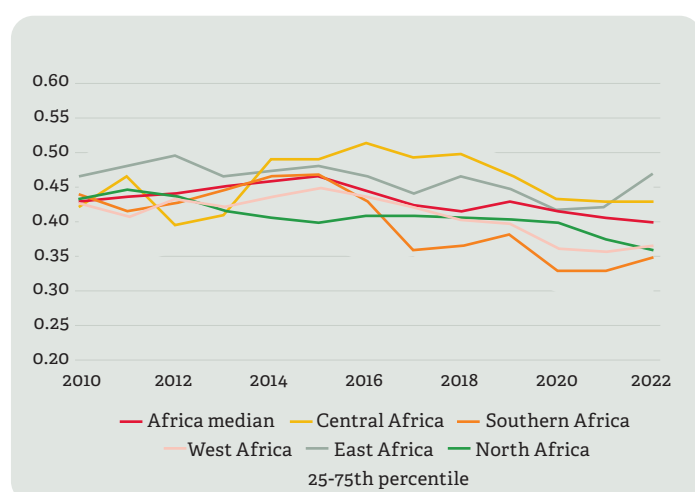


Figure 6: African banks' private sector lending (percentage of assets)²⁰

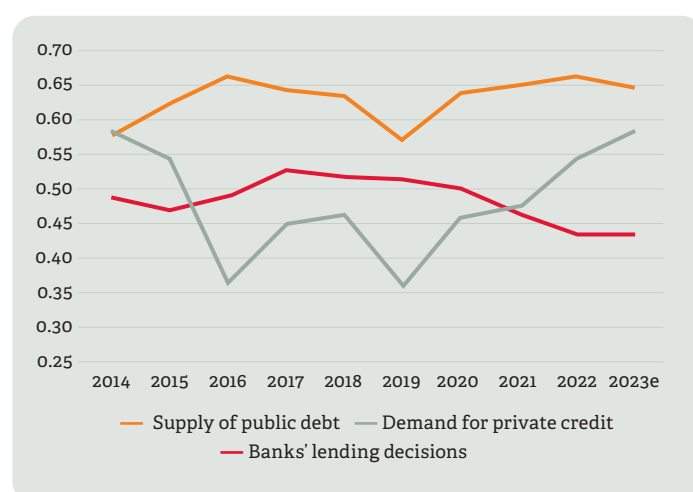


Figure 7: Trend analysis – African supply of public debt, demand for private credit and bank lending decisions²¹

²⁰ Finance in Africa, Uncertain times, resilient banks: African finance at a crossroads, EIB (2023) https://www.eib.org/attachments/lucalli/20230088_finance_in_africa_en.pdf, pg. 22.

²¹ Based on sub-indices, 'o' indicates low severity and 'i' high severity. Finance in Africa, Uncertain times, resilient banks: African finance at a crossroads, EIB, (2023) https://www.eib.org/attachments/lucalli/20230088_finance_in_africa_en.pdf, pg. 26.

This study focuses primarily on the potential for financial institutions to supply securitisable assets and provides an estimate of that capacity. However, as discussed below, the growth of financial institution participation in securitisation is also likely to be influenced by competition from non-bank issuers and new entrants. These largely unregulated entities face fewer impediments and provide alternative sources of finance. Recent studies suggest that the crowding out of private credit by sovereign issues is strongest in East Africa and weakest in North Africa.²²

Crowding out has direct implications for securitisation development in Africa:

- **As a negative:** The availability of high yield, low risk sovereign debt discourages investors from allocating capital to more complex and higher-risk securities, while also reducing the pool of private credit assets on bank balance sheets available for securitisation.
- **As a positive:** Securitisation offers financial institutions a means of expanding private sector credit by recycling assets, without reducing their sovereign debt holdings or requiring additional balance sheet capacity. It also helps manage risk and can improve return on equity, return on assets and capital adequacy ratios.

High levels of public debt can have adverse consequences. In 2022, Ghana's decision to restructure its local currency and external debt resulted in significant losses for two of its largest banks, as well as for Nigerian banks exposed to Ghanaian sovereign debt.²³ For securitisation, however, such situations can be a positive. Restoring balance sheets while continuing to service customers can act as the catalyst for exploring securitisation as an alternative mechanism for providing credit.²⁴

6.2 Banking sector assets

While banks are not the only providers of private sector finance, they are, usually, the largest and best resourced in most African markets. This leaves them well positioned to support the development of innovative sources of credit and finance. Key factors to consider in assessing the potential banking sector supply of assets for securitisation include:

- Size of private sector financing, which determines the potential pool of securitisable assets.
- Number and size of banks, which affects the likelihood of having sufficient asset volumes, systems, and resources to support a transaction.
- Profitability and financial sustainability, to ensure banks can meet their responsibilities as originators and servicers, and maintain a pipeline of assets.
- Competitive pressures and regulatory capital requirements, which may drive interest in alternative funding models.
- Quality of loan portfolios, with non-performing loans a key constraint.
- Regulatory barriers that restrict the use of securitisation.

Figure 6, using regional data from the EIB covering 48 African countries, compares private sector lending as a percentage of total bank assets relative to bank investments in public debt. While African banks increased the supply of private sector credit in 2022-2023 by between 4 per cent and 29.6 per cent, over the same period, private credit financing by banks declined as a percentage of total bank assets. Lending was broadly diversified across large corporates, SMEs, and retail borrowers.

Figure 7 highlights the significant gap in demand for bank credit and the supply provided. This gap presents an opportunity for securitisation, provided banks are willing to securitise their assets. Greater adoption will depend on improving the understanding of securitisation and its benefits, as well as removing regulatory and other legal impediments such as the ability to transfer assets economically.

The development of a securitisation market depends on both the quality of originators and the assets they provide. The financial sustainability of the originator is particularly important, since they are typically appointed as the servicer responsible for managing the portfolio after securitisation.

²² *Finance in Africa, Uncertain times, resilient banks: African finance at a crossroads*, European Investment Bank, 2023, https://www.eib.org/attachments/lucalli/20230088_finance_in_africa_en.pdf

²³ Zambia, Ghana and Ethiopia defaulted on international sovereign bonds (2020-2022), imposing significant losses on banks with regional spill overs for pan-African banks, e.g. Nigerian, World Bank, Finance and Prosperity Report (2024), <https://openknowledge.worldbank.org/server/api/core/bitstreams/06f02e01-b4d1-4bb5-8a6c-0199d51cf84c/content>

²⁴ This was the case in the US in early 1990s, where banks needed to release capital due to South American losses, for example, Citi Bank in the 1990s, and South Korea, Japan, Malaysia, Thailand, and other Asian countries whose banks needed to address non-performing loan exposures and raise capital following the 1998 Asian Financial Crisis.

The risk factors of private credit lending by African banks varies widely. Table 5 sets out some key risk indicators. High non-performing loan (NPL) levels are a major barrier to the supply of assets suitable for securitisation. Despite high NPLs, African banks generally report higher returns on equity (ROE) than global averages. This is driven by significant holdings of high yield public debt. While these assets increase bank resilience and support high ROEs, they also reduce incentives to pursue securitisation. Limited competition and lack of understanding of the benefits of securitisation among boards and senior management further discourage securitisation adoption.

Region	No of banks	Banking concentration (% - top 3)	Credit to private sector (% of GDP)	Annual credit growth (%)	Loan to deposit ratio (%)	NPLs (% total loans) Averages (PAR90)	Credit to risk-weighted assets (%)	Return on equity (%)	Capital to risk weighted assets (CAR) % ²⁵	EIB risk rating
Southern Africa	208	59.84	62.51 ²⁶	24.98	80.33	5.88	22.10	18.70	22.1	22.8
West Africa	211	48.25	14.24	17.68	63.87	10.12	14.21	16.80	14.21	
East Africa	142	46.05	18.48	9.96	82.38	9.56	18.91	23.80	18.91	
Central Africa	48	69.15	10.84	14.20	71.44	15.22	13.46	18.18	13.46	
Sub-Saharan Africa	610	55.82	37.60	16.71	74.51	10.19	17.17	19.37		
Sub-Saharan Africa, less Southern Africa			14.52							

Table 5: Key banking sector performance and risk indicators, 2023²⁷

NPL levels vary widely across Africa and regional data provides only indicative estimates. Africa's average NPL ratio is 10.12 per cent, but this ranges from around 4 per cent in Nigeria to 9 per cent in Cote d'Ivoire, 15 per cent in Ghana (2022) and 16-20 per cent in Kenya (2024). South Africa stands out with NPL levels consistently below 5 per cent.

Capital adequacy guidelines influence a bank's ability to consider securitisation as a funding mechanism. Only those meeting minimum CAR requirements and demonstrating a sustainable business model are likely to qualify as credible originators of assets suitable for securitisation.

Figure 8²⁸ combines the factors outlined above to estimate the potential total supply of private credit assets available for securitisation. Relative to African total bank assets of around \$436 billion,²⁹ the potential supply of bank private credit assets in sub-Saharan Africa is approximately \$63.3 billion reflecting the high level of bank assets invested in government securities. This estimate, however, also overstates the volume of securitisable assets, as it does not account for other factors determining asset suitability, including NPLs. After adjusting for NPLs, the potential supply is reduced to \$57 billion before further reductions for other eligibility factors such as performance data, systems, and underwriting standards.

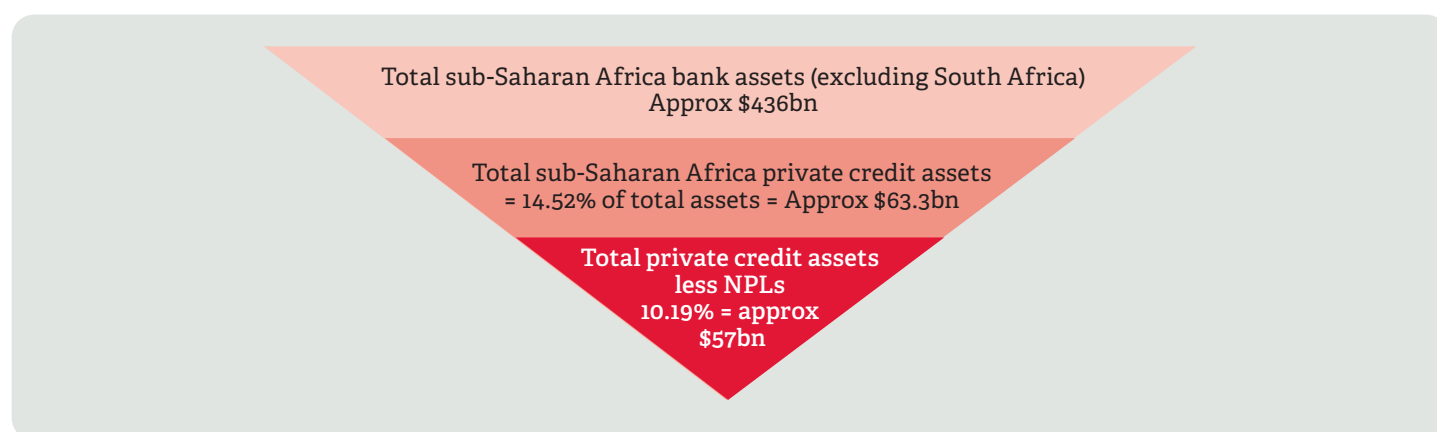


Figure 8: Schematic illustration of the potential supply of bank assets

²⁵ World Bank Data Bank and IMF Soundness Indicators.

²⁶ South Africa 111 per cent of GDP.

²⁷ Data compiled from EIB, Finance in Africa, 2023, IMF Soundness Indicators, World Bank Data, Moody's Analytics Bank Focus. GDP – weighted averages. Data includes only banks and excludes e.g. microfinance, mortgage banks, finance banks and non-banking credit institutions.

²⁸ Moody's Analytics Bank Focus, Data is based on available data for varying periods with the majority being for 2022.

²⁹ Data reliability is limited by data lags in reporting by some regulators. In addition, intra-group consolidations for pan-African banks operating in several regions may result in some double counting. The data is also sensitive to the timing of exchange to US dollars.

6.3 Non-bank credit providers and microfinance

While banks are the primary potential source of assets for securitisation, other originators can include microfinance institutions (MFIs), cooperatives and credit unions, insurance companies, specialist banks, factoring companies and mortgage lenders. MFIs are particularly important in Africa as a source of funding for SMEs and entrepreneurs, especially in rural and low-income areas, and for women. The sector is highly diverse, ranging from informal micro-providers to well-established institutions. Many operate with limited capital and weak systems and controls. Profitability and performance vary widely, as do NPL levels, which places a limit on the pool of eligible assets.

Despite the challenges, there are examples of successful microfinance asset backed securitisations. The first transaction undertaken by Grameen Bank (BRAC, 2006) has been replicated across several markets over the past 25 years. India has seen a significant number of microfinance securitisation transactions and there have been several South American, Eastern European and Asian transactions.³⁰ In Egypt, Reefy Microfinance Enterprise Services securitised assets in 2023 and 2024 as part of a \$62 million programme.³¹ Given the size of many institutions, and the need for critical mass and diversification of risk, transactions are often structured around pooled assets from several institutions rather than a single originator.

MDBs and DFIs have played significant roles as advisers and core investors.³² The microfinance sector should not be overlooked as a supplier of securitisable assets, with focus initially placed on larger institutions likely to have the resources to support transactions. Many new market issues have been structured through Luxembourg, capitalising on its legal and taxation frameworks and local expertise. Although some markets, such as Bangladesh, have not seen follow-on issuance, they have still provided an important demonstration effect. India offers a strong example: since 2009, microfinance securitisations in the country grew to comprise 16 per cent of India's ABS \$23 billion market, by March 2024.³³

The microfinance sector's need for capital, liquidity and longer-term funding creates strong incentives to explore securitisation. Historically, many institutions have relied on MDB and donor funding, but as the availability of these sources decline, the appeal of an alternative funding source becomes stronger. MFIs with existing relationships with MDBs, DFIs or specialist investment funds are the most likely candidates, as these partners can provide technical support, act as anchor investors, and offer credit or liquidity enhancements that make transactions more viable.

Obtaining accurate data on the overall size of sub-Saharan microfinance loan assets is challenging. This is compounded by the diversity of microfinance business models, making it hard to separate credit assets from total assets. Table 6 provides an indication based on a sample of regulated MFIs, showing total assets in the range of \$8-11 billion, before adjusting for NPLs.

Country/region	Regulated MFIs included	Total 2024 Assets (\$)	NPLs past due 30 days (%)	Large MFI total assets (\$)	Average Portfolio at Risk past due 30 days (PAR30) %
WAEMU	537	4.1bn	8.9		
Nigeria	906	2.8bn	12.7	LAPO 150m	7.8
Kenya	14	0.43bn	20.4	KWFT 270m	19
Uganda	4	0.12bn	5.2	Pride 100m	8.9
Ethiopia	30	0.9bn			Not available
Ghana	132	0.2bn ³⁴	2-7 -& 24-25 ³⁵	ASA S&L 57.4m, 3 largest 70%	Not available
Total assets		8.37bn		520m	

Alternative regional data: December 2024

	Regulated MFIs	Total assets (\$bn)	CARG 2021-2024 (%)	PAR30 (%)
West Africa (including Nigeria)	830	6.9	+18	9-13
East Africa	290	3.1	+11	14-22
Southern Africa	55	0.6	+9	7-10
Central Africa	140	0.5	+6	7-11
Total assets		11.1bn		Midpoint simple average: 12.6

Table 6: Sample of total microfinance institution assets and non-performing loans³⁶

30 Examples include Peru, which has the largest securitisation market in South America, with issuances by Mibanco and Caja Arequipa; Brazil, where fintech Mercado Libre has issued; and Egypt, where Reefy completed a microfinance bond issue for EGP 884 million (\$17.96 million) in 2024.

31 See: <https://www.zawya.com/en/capital-markets/bonds/egypt-ci-capital-wraps-up-24067mln-securitized-bond-issuance-for-reefy-microfinance-enterprise-services-xcb9x1z4>

32 The IFC has been particularly active in this area, providing technical advice, warehouse facilities and investment in mezzanine and lower-tier securities. In 2006, the AfDB, EIB and IFC subscribed as anchor investors in the €106 million Blue Orchard Global Microfinance Bond issued in Luxembourg, which pooled the assets of 22 MFIs across Eastern Europe, Africa and Asia.

33 See *Innovative Deals in Development Finance: Originate to Demonstrate (O2D)*, Risk Control – Mobilist, Number: 24-66a, Report, pg.18.

34 Ghana Association of Microfinance Companies AGM, 5 December 2024.

35 Ghana suffered a banking and microfinance crisis in 2016, which led to significant consolidation, the cancellation of 347 microfinance licences, and the need for widespread recapitalisation. The sector is regulated through a four-tier system, with substantial differences in NPL levels: larger institutions report ratios of 2-7 per cent, compared with 24-25 per cent for smaller ones.

36 Sources include reports from regulators, industry associations, microfinance institutions and the IMF Financial Access Survey 2024 dataset. The data is not conclusive and, in some instances, excludes small NGO and SACCO entities due to the lack of reliable, timely and comparable data.

There is also potential for securitisation to draw on assets from other non-bank credit providers, such as leasing companies, factoring firms and export credit agencies, as well as from non-credit assets such as insurance premiums.

6.4 Digital lenders and new entrants

The rapid growth of digital lenders in Africa's fintech has the potential to be a significant disrupter and additional source of securitisable assets. Revenues outside South Africa are projected to grow at 10 per cent per annum, rising from \$4-6 billion in 2020 to more than \$150 billion by 2025.³⁷ To sustain this growth, and meet emerging regulatory standards, participants will need access to substantial additional funding. Securitisation offers a mechanism to recycle capital, monetise lending and finance receivables, and support future expansion. Digital lenders and other fintechs have an advantage in their use of sophisticated data tracking and technology, including data analytics and credit scoring, which strengthens securitisation transaction reporting. They also operate low-cost delivery systems and are not tied to traditional distribution channels or products. The 11 key African growth markets for fintech lending are Nigeria, Egypt, South Africa, Morocco, Ghana, Kenya, Tanzania, Uganda, Cote d'Ivoire, Cameroon, and Senegal.³⁸ Many of these overlap with the focus markets for securitisation proposed by this study.

These businesses have already demonstrated their ability to increase access to banking and other funding products in Africa, with new platforms addressing the finance gap by more than \$400 million.³⁹ It is clear that digital lending and fintech sectors could add significantly to the supply of securitisable assets. A practical example is the 2024 issue by JUMO in Uganda, supported by Standard Bank.⁴⁰ Assessing the full potential of securitisable assets requires detailed analysis of individual companies, including their business mix and financial stability, given the nascent stage of the sector and its largely unregulated nature.

6.5 Infrastructure, green and blue bonds, and the SDGs

Africa faces massive infrastructure funding needs to meet Sustainable Development Goals (SDGs), including requiring \$170 billion per year to address shortfalls in energy, water and transport infrastructure.⁴¹ The financing gap for infrastructure alone is estimated to be between \$68 billion to \$107 billion. Traditional bank financing is often unsuitable for such projects due to their size and the tenor required, making infrastructure bonds that use securitisation structures a more flexible option. South Africa is the largest green bond issuer, with \$900 million issued in 2023. Other African countries, including Kenya, Nigeria and Zambia, have successfully issued infrastructure-related and green bonds, while the Seychelles and Gabon both issued blue bonds in 2023.⁴² Most of these transactions would not qualify as securitisations, but as sovereign-related bonds with restricted or targeted uses. Securitisation, however, offers financial institutions a mechanism to fund infrastructure by acting as arrangers, advisers, underwriters and investors.

Collectively, these bonds have the potential to add significantly to securitisation supply and help close the funding gap. However, their complexity means they are likely to require DFI or MDB support to mobilise private participation and maximise their demonstration effect.⁴³

6.6 Mortgage refinance corporations

Several countries have established, or are in the process of establishing, mortgage refinance corporations. The Kenya Mortgage Refinance Company (KMRC) is one example. KMRC provides low-cost subsidised affordable housing loans as well as market-based loans to banks, and offers a mortgage refinance facility to participating banks that act as primary mortgage lenders. If a refinanced loan becomes non-performing, the bank must replace it with a performing loan. Another example is Caisse Regional de Refinancement Hypothecaire (CRRH), which was established to provide securitisation solutions for WAEMU banks.

While these structures provide banks with additional liquidity, they do not involve risk transfer and therefore do not qualify as true-sale securitisations. To date, KMRC has financed its activities through equity and debt, including the issuance of medium-term notes listed on the Nairobi Securities Exchange. As experience with the performance of the underlying mortgages grows, there is potential to introduce non-recourse mortgage products and for KMRC to raise funds via securitisation, adding to market supply. In the meantime, mortgage refinance companies are helping to advance securitisation by improving standardisation of documentation and underwriting, strengthening data collection and performance reporting, and familiarising investors with mortgage risks and performance.

37 See McKinsey's *Fintech in Africa: The end of the beginning* (2022), available here: <https://www.mckinsey.com/-/media/mckinsey/industries/financial%20services/our%20insights/fintech%20in%20africa%20the%20end%20of%20the%20beginning/fintech-in-africa-the-end-of-the-beginning.pdf>

38 See McKinsey's *Fintech in Africa: The end of the beginning* (2022).

39 See MSME Finance Gap: *Assessment of the shortfalls and opportunities in financial micro, small and medium enterprises in emerging markets* (2017), available here: <https://documents1.worldbank.org/curated/en/653831510568517947/pdf/121264-WP-PUBLIC-MSMEReportFINAL.pdf>

40 Standard Bank and fintech JUMO have partnered to support entrepreneurs in Uganda. However, no details have been disclosed on the size of the issue or the investors involved, and the transaction appears to have been a private placement. See: <https://jumo.world/press-release/standard-bank-and-fintech-jumo-join-forces-to-empower-entrepreneurs-in-uganda/>

41 ECA: *Africa's multi-trillion-dollar SDG funding gap demands urgent financial reforms* (2024), available here <https://www.uneca.org/stories/africa%27s-multi-trillion-dollar-sdg-funding-gap-demands-urgent-financial-reforms>

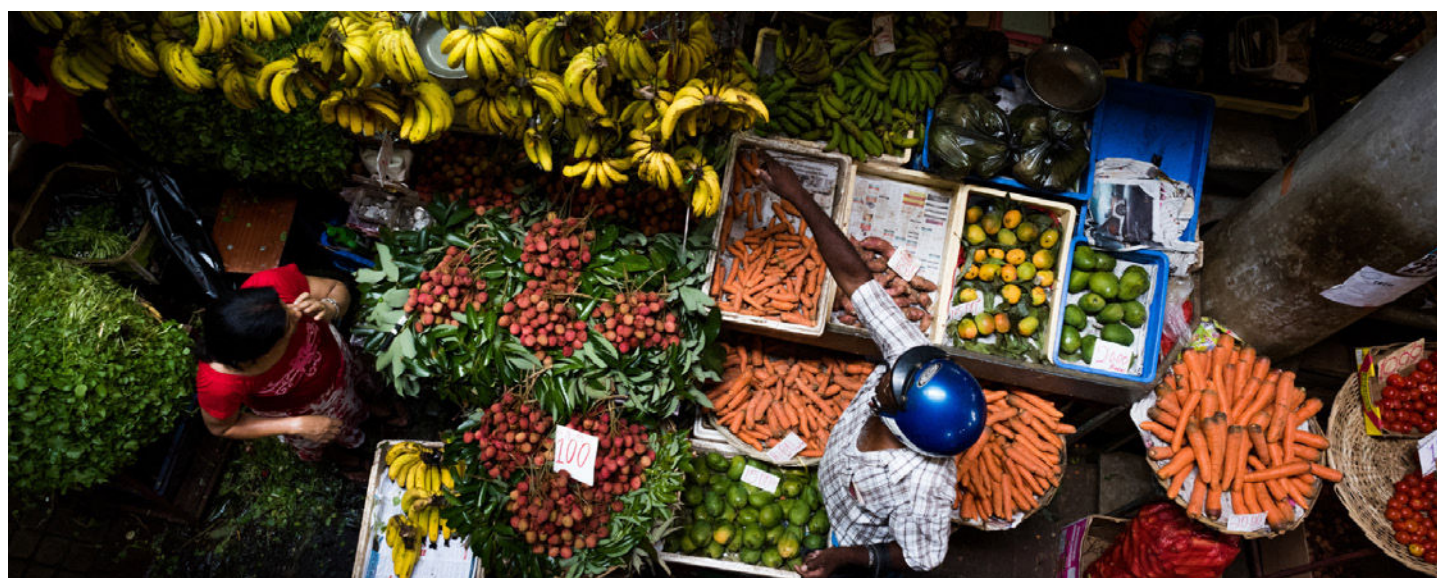
42 For all 2023 issues and discussion, see the IFC-Amundi Joint Report: *Emerging Market Green Bonds*, available here: <https://documents1.worldbank.org/curated/en/099734005282477873/pdf/IDU1f7d580db1e4541458918c591cb45dd4f3eb9.pdf>

43 For fuller discussion see *Innovative Deals in Development Finance: Originate to Demonstrate (O2D) Risk Control* – Mobilist, Number: 24-66a

6.7 MDB assets

MDBs play an important role in the development of securitisation markets. Recent transactions by the AfDB and BOAD⁴⁴ have shown how securitisation can both free up capital for additional lending and act as a demonstration, building skills and awareness. The role played by MDBs could become more significant as reductions in donor funding, driven by government fiscal constraints, increase the need for alternative funding sources. Beyond their own transactions, MDBs and DFIs can also support market development by acting as technical advisers and investors in securitisations by financial institutions and other issuers. These examples can have an important demonstration affect for the wider market, raising awareness and adding to supply.

⁴⁴ Examples include AfDB securitised, in 2018, via its first Room2Run \$1 billion of assets and with DBSA \$2 billion in 2024. In 2023, BOAD securitised CFA 150 billion of assets, followed by \$246 million in 2023 and \$270 million in August 2025. See <https://afdb.africa-newsroom.com/press/africa-investment-forum-market-days-2024-the-african-development-bank-afdb-development-bank-of-southern-africa-dbsa-and-institutional-investors-sign-agreement-for-new-african-multioriginator-synthetic-securitization-platform?lang=en> and <https://www.cygnumcapital.com/news/alcb-fund-invests-xof-6-billion-in-banque-ouest-africaine-de-developpement-board>



7

Investor demand

A second key component for the development of a securitisation market is investor demand. To estimate this at a high level, various domestic investor categories were reviewed. Retail investor potential was not explored, as they represent only a small part of the securitisation investor base worldwide, even in markets where listing is required. Offshore demand was also excluded, since current sovereign ratings make significant investment in local issuances less likely at this stage, other than from MBDs, impact investors and specialised funds.

Outside of South Africa, the investor market for securitisation assets is limited. Even within South Africa, the number of investors declines significantly for more complex transactions.⁴⁵ Most investors require ratings before committing capital. Single-investor risk limits further constrain both transaction size and the scope for more complex securitisation structures. In looking at domestic investors, this study focused on the largest sources for investment. While Table 2 showed examples of investor participation in African transactions to date, Table 7 illustrates global experience of who invests in securitisation, and suggests the likely African investor base.

Investor category	Typical (%) allocation of issue and tranche	Comment
Domestic banks and financial institutions	40-60 Senior, some junior, little mezzanine	Often retain junior or mezzanine piece in addition to other tranches usually held on book as tradeable securities.
Pension funds and insurers	10-20 Senior high rated	Predominantly highest-rated senior tranches. Local regulations may limit participation.
DFIs and MDBs	Varies	May take subordinated positions to act as catalyst for transaction, anchor investors
International institutional investors, mutual funds and CIS	10-25 Senior	European and North American asset managers, limited by credit rating, usually MSCI, limited participation outside South Africa.
Specialist structured finance funds	5-15 Senior	Niche funds focused on frontier and emerging markets, seeking additional yield.
Originators, sponsors, some higher-risk investors, impact investors, DFIs and MBDs	Varies by structure, credit risk, mezzanine, junior and equity piece	Risk retention to provide credit support for transaction. Often act as anchor investors, important to attract other investors.
Retail investors	Senior, negligible in most countries even when listed	Although may be listed, securitisation generally not a retail product, in most markets few retail investors. Retail investors usually invest via CIS.

Table 7: Illustration of emerging market securitisation investors⁴⁶

⁴⁵ Interviews with key arrangers in South Africa.

⁴⁶ IFC, Emerging Markets Investors Report, 2023; Moody's Investors Service, African Securitisation Outlook, 2023; African Development Bank, African Capital Markets Review, various press releases, articles and interviews.

7.1 Institutional investors overview

Pension funds and insurance companies have experienced rapid growth in assets under management (AUM) over the past two decades. However, outside of South Africa, AUM as a share of GDP remains relatively small.⁴⁷ In most countries, pension funds are dominated by government defined benefit schemes, with private and defined contribution schemes only emerging more recently. The insurance sector, both life and general (non-life), is still developing. Collective Investment Schemes (CIS) are growing at approximately 5 per cent annually. Key CIS markets outside South Africa are concentrated in East Africa, led by Kenya,⁴⁸ and in West Africa, where Nigeria dominates. Some markets, however, have experienced losses or freezing of CIS assets which have undermined investor confidence, as seen in Ghana, where compulsory restructures and liquidations have taken place.

Table 8 illustrates the size of funds and their allocations to various asset classes. Securitisation products are usually considered by regulators as ‘alternative assets’.

Overview	Africa total (\$) ⁴⁹	Largest single market (\$)	Largest single market (% share) Africa total	Non-single market (ex-South Africa) assets (\$)
Listed equities	1.3trn	South Africa (1.08trn)	83	0.22trn
Domestic issued local currency bonds (public and private)	550bn	South Africa (264bn)	48	284bn
Pension funds (AUM) ⁵⁰	285bn	South Africa (181bn)	64	104bn ⁵¹
Collective Investment Schemes (AUM) money market, fixed income and bond funds	360bn	South Africa (350bn)	99	10bn
Insurance premiums (2023 life)	42.9bn	South Africa (34.8bn)	81	8.1bn
Insurance premiums (2023 non-life)	20.6bn	South Africa (8.5bn)	41	12.1bn
Private capital (PE/VC/Infra) funds raised 2024	4bn	Pan-African funds (approx. 250m closes)	N/A	N/A

Table 8: Key investment asset classes and investor groups

7.2 Collective Investment Schemes

When considering the potential for CIS investment, it is important to recognise the restrictions on eligible assets. Securities issued through securitisations may not qualify, meaning that new funds, amendments to offer documents, or ratings may be required before investment is possible.

In most countries, bond, fixed income and money market funds account for 35-60 per cent of CIS AUM. These funds are subject to ratings limits and exclusions on certain types of debt securities, which constrains investment in securitisations. Such securities are often classified as ‘alternatives’, further limiting appetite. Where CIS do invest, it is likely to be in smaller amounts and restricted to senior tranches of high-quality issuances. Improved transparency and reliable ratings could help attract CIS investors, but fund managers and regulators also need greater awareness and education on securitisation as a product.⁵²

7.3 Pension funds and insurance companies

Asset allocation by pension funds and insurance companies is shaped by both regulation and internal allocation and risk limits. Securitisation securities are often classified as alternatives, an asset that has attracted pension fund investment in recent years, with Botswana, Namibia and Nigeria among the largest investors. In some markets, regulators have amended rules to permit investment in securitisation products, either as a specific asset class, or as a sub-category of debt securities. Limits are often applied at the transaction, issuer or asset class level, and are often linked to ratings.

⁴⁷ Namibia and Botswana are exceptions.

⁴⁸ As at June 2024, CIS AUM were \$1.966 billion in Kenya, \$945 billion in Uganda, and \$875 billion in Tanzania (Capital Markets Authority, Kenya, Quarterly Bulletin, Q3 2024, pg.28).

⁴⁹ Based on most recent disclosure from 30 markets where data is available.

⁵⁰ Calculating and comparing pension fund assets is difficult due to inconsistent reporting and differences in timing. A further complication arises from varying approaches to measuring funded and unfunded pension schemes, where governments or companies do not fully fund the scheme but still carry the liability.

⁵¹ South Africa, Botswana, Namibia and Kenya represent >90 per cent of pension fund assets.

⁵² In Kenya, an additional constrain on fund manager investment potential comes from the use of simple return benchmarking and the ease of switching between managers. These practices discourage diversification, as interviews suggest managers tend to track the benchmark closely and allocate heavily to government securities.

In most African markets, government securities may represent 40-60 per cent of AUM. Figure 9 illustrates asset allocation of AUM for Botswana, Kenya, Namibia, Nigeria, WAEMU as at the end of 2016. These AUMs have grown substantially since 2016, but asset allocation has not changed materially.⁵³ Moving away from focus on government securities is therefore essential for the development of securitisation markets.

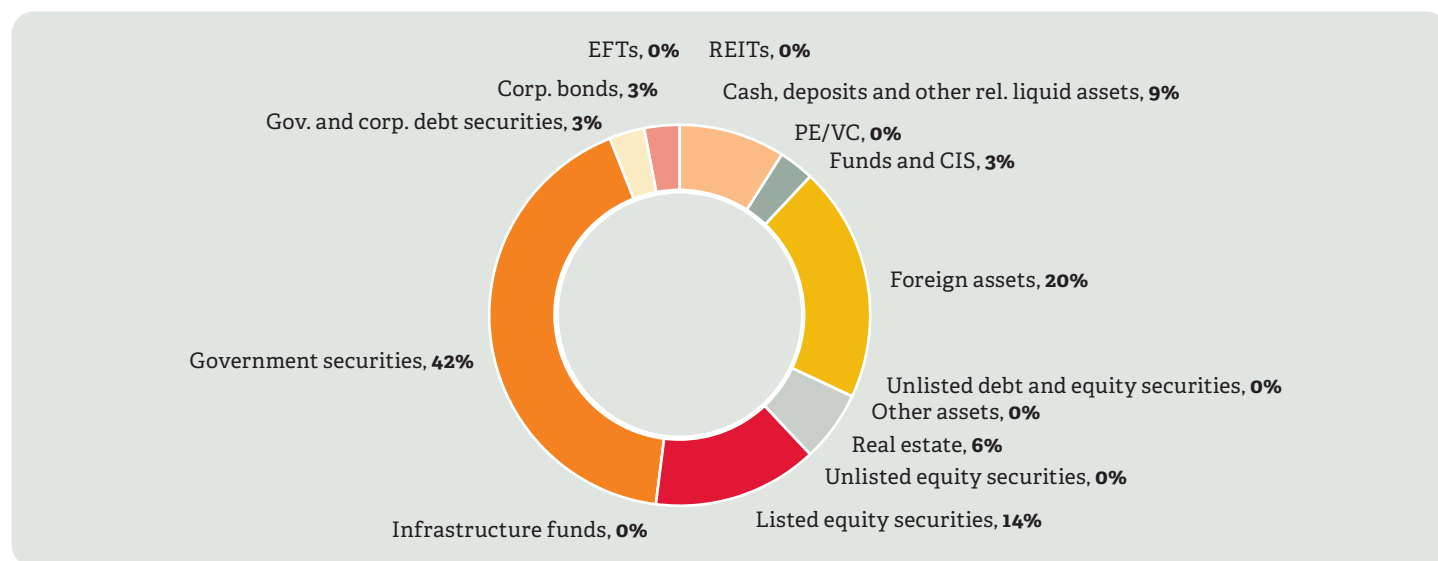


Figure 9: Total pension fund AUM for Botswana, Namibia, Ghana, Nigeria and Kenya, at the end of 2016⁵⁴

Predicted growth and current asset allocation suggest that pension funds and insurance companies have the potential to be significant investors in securitisation. For these investors, ratings are a key requirement. However, their high allocations to government securities and limited investment in alternatives, or private debt securities generally, remain a concern. It reflects both the lack of regular supply and investor reluctance to enter private debt markets. Interviews highlighted that this reluctance stems largely from the absence of issuer accountability and difficulties in pricing the risk premium relative to government securities. For pension funds and insurance companies to participate meaningfully in securitisation, both regulators and issuers will need to invest in training demonstrate performance and transparency, and build the capacity to assess risk.

⁵³ Accessing consistent reliable data at a sufficiently granular level has proved difficult. In many instances, data is published in aggregated classes, definitions vary, and some regulators are delayed in reporting. This problem was highlighted in the 2022 report *Gauging Appetite of African Institutional Investors for New Asset Classes* by the AfDB, IFC and Making Finance Work for Africa. Other researchers have experienced similar issues. Given these constraints, and with the intention of proving illustrative rather than definitive data, this study relies on the end-2016 information from the *Gauging Appetite* report. More recent asset allocations do not appear to have changed materially, a conclusion verified by reviewing the latest reports from regulators in several countries. The dates of these most recent reports vary from country to country.

⁵⁴ For our rationale for using 2016 data, see above.



8

Market mapping and focus countries

8.1 Approach to mapping

As part of its market mapping, the study reviewed both recent issuance trends and the types of assets that have been securitised in different markets. The stage of capital market development and the existence of a domestic bond market were additional considerations. A functioning bond market is important, as it provides basic infrastructure, experienced market participants to support transactions, and a broader regulatory framework for issuing and trading debt securities. Without such a foundation, it is difficult for a securitisation market to emerge. Other factors considered included the country's credit rating,⁵⁵ the potential supply of assets, and the level of investor demand. These factors were assessed against the benchmark of whether the country has a securitisation regulatory framework (refer to Section 5.1).⁵⁶ The purpose of classifying markets was to create an initial tool to guide the selection of focus markets and shape recommendations for intervention. Countries falling into classifications 2 and 3 were identified as potential focus countries for further analysis, following the key principle of 'building on strengths'.

⁵⁵ For example, GRC Country Risk Scores, updated 8 May 2025.

⁵⁶ In undertaking the assessment, a distinction is made between the 'securitisation regulatory framework' and laws and regulations that provide holistic support for securitisation. The securitisation regulatory framework refers to specific securities or capital markets regulations relating to the issue, structure, etc, and regulation of the securities from the perspective of capital market regulation.

8.2 Focus markets for interventions in sub-Saharan Africa

The countries selected for further analysis are presented in Table 9. A key part of this assessment was to identify market attributes as well as impediments faced by potential issuers.

Attributes	Kenya	Nigeria
Basic capital markets legal framework	Need to incorporate notes in regulations.	Regulatory gaps.
Potential issuers	Established financial sector and demonstrated interest recent issuances.	Size and diversity of economy, export orientation and financial sector suggests strong potential.
Local Investors	Low depth, pension fund growth, CIS and corporate bond market,	Low depth, pension fund growth, CIS, size of economy supports.
Capacity-structurer, trustee, professionals	Demonstrated professional depth and developing corporate bond market.	Demonstrated professional depth and developing corporate bond market.
Prior securitisation issues	Yes, offshore but recent	Yes
Country rating	Sovereign Rating Moody's June 2025: Caa1 Positive: GCR Risk Score ⁵⁷ : 4.00	Sovereign Rating Moody's June 2025: B3 stable GCR Risk Score: 3.50
Challenges		
	Taxation, VAT laws have lacked clarity and consistency. Unclear and uncoordinated support from government, lack of support from the central bank limits use by financial institutions.	Macroeconomic considerations including stability in banking sector limits investor confidence and increased challenges.
	Need to conduct holistic review and amend securitisation regulations to reflect capital markets law revisions.	Limited asset classes do not reflect size of potential market.
	Potential issuers deterred by lack of certainty of execution, timing, pricing and pipeline.	Lack of regulatory supervision and transparency; reporting deters investors.
	Sovereign debt crowds out. Fund managers 'hug' index. Little incentive to invest in securitisation. Investors deterred by historic defaults, lack of accountability by corporate bond issuers, and prior fund manager defaults limit investor confidence.	Enforcement risk on mortgages and other assess-long process limits application to only top-quality assets.
Attributes	WAEMU	Ghana
Basic capital markets legal framework	Clearly demonstrated by prior issuances, common regional regulation.	Needs consolidation and regulatory gaps, new SEC law may assist.
Potential issuers	Financial Institutions need to develop capacity, build on prior issuances	Need to build understanding but potential, especially in NBFIs and export.
Local investors	Depth could be improved but growing some retail investors for public issuances.	Low depth, pension fund growth should support, funds active.
Capacity-structurer, trustee, professionals	Demonstrated by prior issuances.	Developing.
Prior securitisation issues	Yes, including issues by financial institutions.	Yes several, but question if true sale securitisations.
Country rating	Sovereign Rating Moody's June 2025: Senegal B3 negative, Core d'Ivoire Ba2, Togo B3 stable GCR Risk Score: Cote d'Ivoire:4.50, Senegal 3.00, Togo 1.75	Sovereign Rating S&P June 2025: CCC+ GCR Risk Score: 2.00

⁵⁷Country risk score on a scale on Max (top rating score) of 15.00 and Min of 0.00 issued by GCR ratings 22 August 2025, <https://gcratings.com/wp-content/uploads/2025/08/20250822-Country-Risk-Publication.pdf>

Challenges		
	Common regulation assists and provides a model for others. Still room for improvements to achieve common taxation treatment to allow wider cross country and regional investment.	Holistic review required, update regulations and conform with new Companies Law and new SEC Act. Taxation treatment is uncertain. Central bank guidelines and process for timely approvals lacking.
	Need to build issuer understanding. Benefits not widely understood by banks. Problem with access to quality assets and data, banks can address capital needs by other means.	For investors historic defaults, lack of accountability by corporate bond issuers, and prior fund manager defaults limit investor confidence. Lack of supervision, monitoring and certainty of court outcomes.
	Still reliance by non-financial institutions issuers on banking funding products.	Limits on access to information performance data and ability to undertake due diligence.
Attributes	Tanzania	Rwanda
Basic capital markets legal framework	Basic securitisation regulatory framework in place.	Regulatory gaps, mixed concepts and lack of clarity, requires revision. Very supportive policy and regulatory regime prepared to implement changes to develop markets
Potential issuers	Limited but recent issue provides support and need in housing	Small number of quality issuers, larger financial institutions have securitisable assets and other assets available
Local investors	Limited but CIS growing and interest in new products, pension funds consolidated this provides possible scale. Have invested in mortgages and REITS.	Small but growing pension funds, CIS in early development stages but provision for range of funds.
Capacity-structurer, trustee, professionals	Limited-need to develop but some exposure via recent issue and several are interested in expanding asset classes.	Beginning to develop-early corporate bond market and listed project bond issued.
Prior securitisation issues	Yes	No, but several promoters active in solar PAYG space, recent feasibility study supports ability of leading bank issue RMBS if mortgages transferable and project bond Energicotel listed issues 2021 and 2025.
Country rating	Sovereign Rating Moody's June 2025: B1 GCR Risk Score: 3.75	Sovereign Rating Moody's June 2025: B2 stable GCR Risk Score: 3.50
Challenges		
	Strong coordinated support to develop capital markets. Need to extend understanding of benefits and requirements beyond capital markets regulator.	Regulator has limited capacity and resources, Basic law confused, inability to transfer mortgages in practical cost-effective manner. Taxation neutral regime needs to be clarified.
	Need to clarify taxation treatment.	Need to harness support to develop capital markets and coordinate with banking regulator.
	Holistic review of laws required to support securitisation by financial institutions.	Must harmonise with new trust and other laws including new law regulating capital markets.
	Need clear central bank guidelines and process.	Potential bank issuers do not understand benefits & do not want to sell assets or decrease asset base.

Table 9: Possible focus markets, positives and improvements available



9

Challenges for FIs in executing securitisations in Africa

To identify on-the-ground challenges, a series of interviews were conducted alongside a workshop at the AfDB annual meeting. Feedback was gathered from arrangers, potential issuers, investors, professional advisers and regulators via interviews. Targeted questions highlighted several key issues. This work was supplemented by extensive prior research carried out in Africa over the past decade, as well as studies and workshops led by parties including the Milken Institute and Mobilist⁵⁸ on mobilisation of private sector investment. The challenges identified are in addition to the regulatory and legal issues detailed in Annex 2.

For all potential issuers, securitisation is perceived as complex and costly to implement, especially given uncertainty around execution or the timing of access to funds. For non-financial issuers although bank financing is difficult to secure, it remains a simpler and more predictable option, reinforcing the continued dominance of bank-centric financing. Across all interviewed groups, a universal concern was the lack of capacity, both within institutions and among market intermediaries, to analyse risk, structure transactions, and manage deals post-issuance, making capacity building a critical need.⁵⁹

There is also limited awareness and understanding among financial institutions of the broader applications of securitisation. Many remain content with existing funding models and show little motivation to explore alternatives. In several cases, banks viewed securitisation only as a tool to dispose of non-performing assets.

The benefits of securitisation are often not recognised, particular at board and senior management level. In some countries, there is a lack of clarity around the banking regulator's prudential guidelines for capital relief, and this discourages exploration of securitisation. The absence of processes aligned with capital market issuance timelines, and the lack of clear rules, further deters resource allocation.

Some banks actively resist securitisation, perceiving it as a competitive threat, a feature also observed in other markets.⁶⁰ Many banks have yet to develop the skills and systems required to transition from traditional lending models. For other issuers, while lack of understanding persists, a key deterrent is the high cost of execution. Scale is another a challenge, with many potential transactions too small to be economically viable for the parties involved.

⁵⁸ For example, Milken Institute, *Framing the Issues: Building Securitization Markets in Africa to Advance the SDGs*, <https://milkeninstitute.org/sites/default/files/reports-pdf/Framing%20the%20Issues.pdf>, Risk Control, Mobilist report, *Innovative Deals in development Finance: Originate to Demonstrate (O2D)*, 19.08.2024, Number 24-66a.

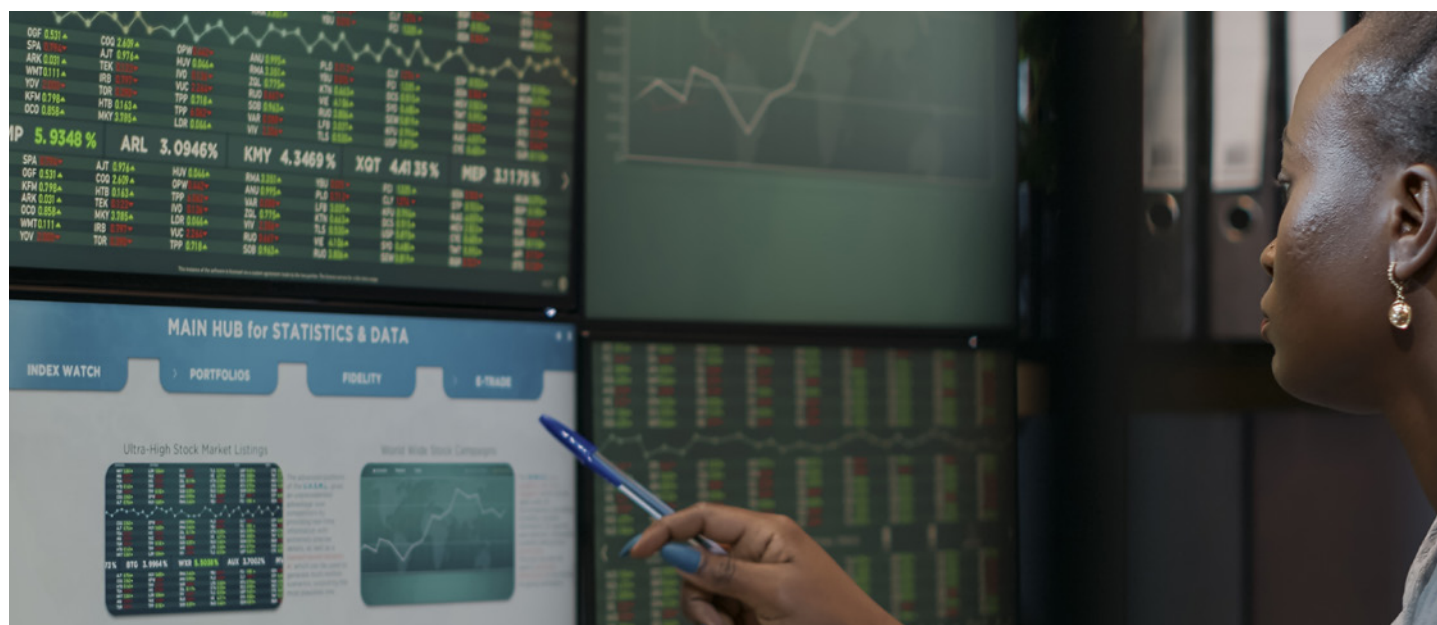
⁵⁹ Capacity to structure and manage securitised transactions is often limited in many markets, including among trustees, auditors and legal advisers, as well as in understanding the concepts and risks involved. The lack of expertise increases risk and restricts the number of originators able to act as servicers. Market development could be supported by pooling assets from several originators through a master trust, establishing specialist independent servicer, or using asset-backed commercial paper (ABCP) conduits.

⁶⁰ Many financial institutions in the early stages of securitisation view it as a competitor to traditional lending, since it provides borrowers with an alternative source of funding outside the banking sector. An originate-to-securitise approach, or transactions arranged by non-bank intermediaries, introduces new entrants into the market, which some banks perceive as eroding their customer base. This perspective overlooks the opportunities for banks to benefit from securitisation by acting as arrangers, underwriters, or investors, earning fees and expanding funding options for clients. In practice, a lack of understanding of these benefits has often led banks to lobby regulators and policymakers against supporting securitisation.

A key challenge for arrangers and potential investors is the lack of scalability and reliable asset-level data in a form that can be used to build reference portfolios and to assess the eligibility of assets for securitisation. This challenge is exacerbated by inconsistent or incomplete reporting, for example, on loan performance. Many financial institutions lack such data altogether, or are reluctant to share it at a granular level. In addition, banking secrecy regulations and privacy restrictions of credit bureaus often limit access by non-members and other financial institutions.

Regulators are often aware of deficiencies in existing rules and the need for harmonisation but may lack the resources or authority to drive policy changes. This is particularly true for taxation, where amendments to law or regulation are usually required. Even when revenue collection authorities recognise the need for reform, they may struggle to convey the importance to policymakers and government. Some regulators interviewed expressed a ‘fear’ of securitisation. In cases where a change in law has been enacted, difficulties have still arisen in how the law is interpreted and applied.

Finally, investor appetite remains very limited. Investors in Africa tend to favour sovereign securities and bank deposits, which are viewed as low risk and high return. Most investors are unable to assess or price securitisation risk, and many are restricted by internal asset allocation rules or regulatory limits. In South Africa, warehouse structures have been used to build familiarity with the asset class and, in some cases, to convert warehouse investors into participants in securitisation issues.



10

The role of DFIs, MDBs, and research institutes in enabling markets

DFIs and MDBs have historically played critical roles in the development of securitisation markets. Their contributions include market assessments, technical advice to governments, support for public and private sector issuers, capacity-building initiatives, and participation as underwriters, anchor investors and guarantors. Crucially, MDB and DFI involvement provides visibility and credibility, helping to attract private investment and mobilise co-investment by crowding-in capital through blended finance. In many cases, MDBs and DFIs have supported breakthrough ‘first of breed’ transactions. Institutions such as the AfDB, IFC, and BOAD (through its securitisation arm, BOAD Titrisation) have played leading roles in advancing the asset class. Mobilist, in its 2024 report, stressed the importance of this demonstration effect and the need for MDBs and DFIs to capitalise on their involvement to raise awareness and encourage ‘follow-on transactions that would otherwise not have happened’.⁶¹

BII has participated in several securitisation transactions. In 2023, it was involved in an offshore securitisation of off-grid solar receivables through the Sun King Programme, raising KES 130 million. This transaction also included DFIs such as FMO and Norfund, alongside Kenyan and South African private sector investors.⁶²

In 2025, BII acted as an anchor investor, together with the IFC and BOAD, in the NSIA Banque Benin securitisation. The bond, issued by Keur Samba, BOAD’s securitisation SPV raised XOF 52 billion, with proceeds supporting the expansion of NSIA Banque Benin’s MSME loan portfolio across Benin, Senegal, and Togo. FSD Africa has also supported transactions and sponsored capacity building initiatives, scoping exercises and feasibility studies.

Other important roles have been played by researchers, think-tanks, independent funds, impact funds, specialist funds and DFI-related funds. The Milken Institute has contributed significantly in Africa through securitisation research, workshops, webinars, published reports and its Global Scholars Programme, which have all helped build capacity and facilitate information exchange.⁶³

Others important contributors include the McKinsey Global Institute, Mobilist, and the Rockefeller Foundation, whose research and initiatives have supported awareness and market development.

⁶¹ Risk Control, Mobilist report, *Innovative Deals in development Finance: Originate to Demonstrate (O2D)*, 19.08.2024, Number 24-66a, pg. 2.

⁶² See the Sun King blog: <https://sunking.com/solar-news/sun-king-and-citi-close-first-130-million-securitisation-to-broaden-access-to-finance-for-off-grid-solar-in-kenya/>

⁶³ Examples include <https://milkeninstitute.org/sites/default/files/reports-pdf/Accelerating%20Securitization%20in%20Africa.pdf>, <https://milkeninstitute.org/content-hub/webinars/accelerating-securitization-africa-benefits-investing-securitization-transactions>, <https://milkeninstitute.org/content-hub/research-and-reports/reports/ghanas-daakye-bond-program-african-securitization-case-study>



11

Opportunities to increase use of securitisation

Previous sections have detailed significant challenges to developing a robust securitisation market, but opportunities for development are numerous and include:

- **Bridging the private credit gap.** Banks and other financial institutions, such as microfinance lenders already hold significant private credit assets on their balance sheets. **Securitisation offers a mechanism to rebalance portfolios dominated by sovereign securities while increasing private credit provision.**
- **Supporting microfinance lenders.** Many of the MFIs require additional equity. Securitisation provides an alternative to donor, DFI and MDB funding.
- **Generating fee income.** Financial institutions can earn fees as arrangers, underwriters, or service providers without incurring credit or liquidity risks.
- **Encouraging new entrants and products.** Removing impediments, raising awareness, and building capacity can attract new entrants and new products, stimulating competition and closing the private credit gap. The rapid growth of digital lenders and fintech sectors shows how new entrants can transform credit supply.
- **Improving scalability.** New structures such as ABCP conduits, warehouse structures, and master trusts (see Annex 3) can reduce costs and increase efficiency. For example, IFC's Warehouse Line of Credit Facility⁶⁴ enables smaller originators to access securitisation economically.
- **Expanding MDB involvement.** MDB securitisations can release and recycle capital, provide demonstration effects, and leverage preferred creditor status can attract new investors.
- **Financing climate and sustainability initiatives.** Securitisation has the potential to build significant issuance volumes from both private sponsored and MDB projects to fill finance gaps.⁶⁵ It can be adapted for 'green', 'blue' or other sustainable issuances, attracting impact and theme-focused investors, and mobilising private capital for longer tenors.

⁶⁴ IFC Warehouse Line of Credit, promoting Access to Affordable Housing in emerging Markets. See <https://documents1.worldbank.org/curated/en/099741308122425686/pdf/IDU-ae58ebd-3fc3-45c9-9a54-6e8cc6203529.pdf>

⁶⁵ <https://ppp.worldbank.org/public-private-partnership/infrastructure-asset-backed-securitization-iabs>

- **Building Pay-As-Go solar models.** Successful securitisations in the solar sector show that even with structural difficulties and regulatory barriers, the securitisation market can fund transactions and create replicable models for other instalment-based assets, adding to supply and promoting securitisation.
- **Developing infrastructure ABS.** Infrastructure-based securitisations can mobilise significant and open new roles for financial institutions. Bayfront Management in Singapore has demonstrated the potential,⁶⁶ while Kenya recently issued an AA(KE)(IR) rated KSh 44.7 billion IABS for the Talanta Sports Stadium via private placement.⁶⁷
- **Adapting to Islamic finance.** Securitisation has been shown to work within Sukuk frameworks, helping to meet the growing demand for Shariah-compliant products.⁶⁸ Malaysia's 20-year experienced demonstrates the scale that can be achieved.

While not all these opportunities directly involve financial institutions' own assets, their value comes from building capacity, strengthening regulatory frameworks, and raising awareness, creating the foundation for broader market growth.

⁶⁶ Singapore-based platform, Bayfront Management Pte. Ltd, supported by its 30 per cent shareholder, the Asian Infrastructure Investment Bank, has demonstrated how securitisation can raise significant funds for infrastructure debt. Bayfront has completed four successful issuances, the most recent, Bayfront Capital V, raise \$508.3 million for investment in Asia, the Middle East, and Latin America. In total, Bayfront Infrastructure Capital has issued around \$2.7 billion of infrastructure asset-backed securities.

⁶⁷ Although the Talanta Sports Stadium fundraising has been described as a securitisation, it is unclear whether the transaction qualifies as a true sale securitisation. There is often significant overlap between securitisations, project bonds, other forms of structured finance, and targeted sovereign or municipal revenue bonds. An early example of an infrastructure asset-backed security in an emerging market was the 2017 securitisation of the Jakarta–Bogor–Ciawi toll road in Indonesia. For more, see: <https://bondoffer.e-offer.app/> and <https://www.businessdailyafrica.com/bd/markets/capital-markets/cma-okays-sh47bn-fundraising-for-talanta-sports-stadium-5051370>.

⁶⁸ Securitisation can build on recent efforts to promote Islamic bonds, such as the issuance by CRDB in Tanzania in August 2025, in which BII acted as an anchor investor. See <https://www.bii.co.uk/en/news-insight/news/british-international-investment-anchors-crdb-banks-landmark-islamic-bond-to-promote-financial-inclusion-in-tanzania/?fl=true>.



12

Conclusions and recommendations

Securitisation has the potential to play a transformative role in deepening capital markets across sub-Saharan Africa. While many countries have introduced regulatory frameworks, market development remains limited. Fragmented legal and tax systems, low investor awareness, and a banking culture that does not support securitisation continues to constrain progress.

Yet there are also promising signs of market development. There is a sufficient supply of securitisable assets as well as growing investor capital. Unlocking this potential will require a coordinated and holistic approach, aligning supply, demand, regulation, and infrastructure.

There are four key areas which require action to advance securitisation markets in sub-Saharan Africa, as shown in Figure 10: increasing supply of securitisable assets; increasing investor demand; taking a holistic approach to regulatory framework; and building capacity.

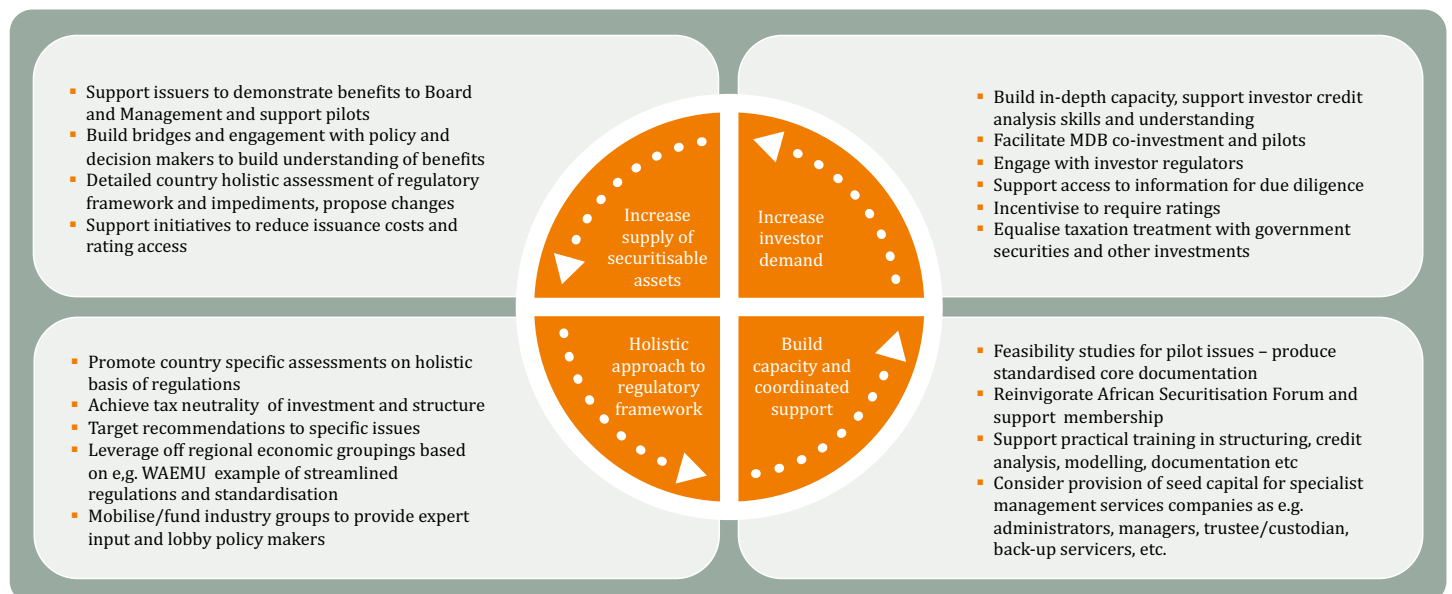


Figure 10: Illustration of positive actions to support market development

Although challenges remain, it is important not to lose sight of the opportunities in sub-Saharan Africa and the significant benefits securitisation can deliver, by extending access to private credit through both financial institutions and other issuers.

With the right enabling environment, securitisation can become a cornerstone of Africa's capital market development

Annex 5 outlines recommendations and actions for stakeholders, including MDBs and donors, regulators, financial institutions, and market bodies. Each has a distinct role, from providing technical advice and seed funding to updating frameworks, adopting reporting standards and promoting best practice.

The involvement of MDBs and DFIs is critical to catalysing the development of this very nascent asset class. Some markets, such as WAEMU, have already demonstrated what is possible. Building on these examples can help demonstrate that securitisation structures can be viable in Africa, and can deliver benefits for financial institutions and economic development.

MDBs and DFIs have played an important role as 'champions', but greater mobilisation of private domestic and regional capital, alongside involvement of the private sector, is essential. For the market to scale, financial institutions must play a central role as originators, arrangers, and investors, increasing the flow of private credit.

Annex 1: Glossary

Term	Description
ABS	Asset-backed securities: bonds, notes or other capital market instruments where the payments are backed principally from cash flows generated by a discrete pool of assets.
ABCP	Asset-backed commercial paper: ABS where the securities issued are commercial paper.
AfDB	African Development Bank.
ADB	Asian Development Bank.
AFEX	African Commodities Exchange.
AMF-UMOA	West African Regulatory Authority – Autorite des Marche's Financiers de l'Union Monetaire Ouest Africaine formerly CREPMG.
Arranger	Entity that organises or arranges the securitisation transaction, but does not sell, transfer or originate the assets to the SPV or Issuing Entity. May also structure the transaction and/or act as an underwriter of the transaction.
ASEAN	Association of East Asian Nations.
AUM	Assets Under Management.
Basel	The Basel framework is the set of standards of the Basel Committee on Banking Supervision (BCBS) which is the primary global standard setter for the prudential regulation of banks. Basel I, Basel II and Basel III refer to the various versions of the framework.
BII	British International Investments: the UK's Development Finance Institution.
BOAD	Banque Ouest Africaine de Développement, or West African Development Bank.
BRVM	Bourse Régionale des Valeurs Mobilières is the regional stock market for all the eight Member States in the West African Economic and Monetary Union (WAEMU).
CAR	Capital Adequacy Ratio as determined by central bank or banking regulator's Prudential Guidelines.
CBO	Collateralised Bond Obligation: a securitisation where the underlying assets are a pool of bonds.
CDO	Collateralised Debt Obligation: an ABS in which the underlying assets are a pool of debt obligations.
CFA	Common currency unit of the 14 African countries belonging to the Franc Zone.
CLO	Collateralised Loan Obligation: an ABS in which the underlying assets are a pool of loan obligations.
COSUMAF	Supervisory Commission of the Financial Markets of Central Africa.
Conduit	An entity that purchases assets in some cases from multiple sellers or originators, amalgamates or repackages the assets to create a pool of obligations to support the sale of securities, such as ABS or ABCP.
Consumer ABS	Includes securitisations where the pool of assets features consumer-related debt, such as credit card receivables, auto or motorcycle loans, hire-purchase arrangements, personal loans, or PAYG receivables.
Collateral	Assets transferred to SPV may include other support for the transaction, such as reserve deposits.
CRA	Credit Rating Agency.
CRR	For European securitisations, Capital Requirements Regulation, replaced in 2019 by Securitisation Prudential Regulation or SPR and simple, transparent and standardised transactions (STS) rules.
Credit Enhancement	Commitments, rights, obligations or assets designed to support timely payment to investors in ABS. These may be external, such as guarantees, insurance, swaps, hedging arrangements or landing facilities. They can also be internal, such as subordination of specific classes of ABS securities to provide priority of payment to more senior classes issued, overcollateralisation, reserve accounts, cash collateral accounts, acquisition at a discount, or equity contributions to the structure.
DFI	Development Finance Institution.
EAC	East African Community.
EAIF	Emerging Africa Infrastructure Fund (Managed by Ninety-One).
EIB	European Investment Bank.
FCDO	United Kingdom Foreign and Commonwealth Development Office
FCTC	Fonds-Common de Titrisation de Creances Electricite Pour Tous – or Common Fund for Securitisation Receivables (FCTC) the structure required for the securitisation SPV in the WAEMU region.
FSDA	Financial Sector Deepening, Africa.

GDP	Gross Domestic Product.
GEMs	Global Emerging Markets Risk Database established by World Bank with partners in 2009 to pool credit information between multilateral development banks and development finance institutions to provide aggregate risk statistics and is maintained by the IFC.
GRC	GRC Ratings was established in 1996 and has been a wholly owned affiliate of Moody's since 2024. It is licensed as CRA in various African countries.
KES or Ksh	Kenyan Shilling.
IABS	Infrastructure asset-backed securities.
ICMA	International Capital Markets Association.
IFC	International Finance Corporation: a member of World Bank Group focused on private sector in emerging markets.
IFRS	International Financial Reporting Standards.
Issuing entity or Issuer	The issuer of the ABS securities (also see definition of SPV). In some jurisdictions, the issuing entity is a limited liability company, a trust or partnership. Structure depends on underlying legal structure, the regulatory framework (including taxation laws), custom and usage and insolvency laws, etc. requirements of investors.
KMRC	Kenya Mortgage Refinance Company.
MBS	Mortgaged-backed securities, bonds or notes whose payments are backed principally by principal and interest payments secured by mortgages over real estate, generally residential housing. RMBS has same meaning.
MCSI Index	Indices developed by Morgan Stanley Capital International. The MCSI Emerging Markets index is the benchmark for performance of equity markets used by investors.
MDB	Multilateral Development Bank.
MFI	Microfinance institution: a body (may be licensed or unlicensed depending on jurisdiction) that makes short-term loans or other finance to small borrowers, which may include SME loans.
Moody's	Moody's Investor Services, a credit rating organisation.
NBFI	Non-Bank Financial Institution: usually a regulated financial institution not licensed as a bank, often not authorised as a deposit taker. This may include leasing, microfinance, hire purchase, factoring, etc.
Obligor	Any person directly or indirectly committed by contract or other arrangements to make payments on all or part of the payment obligations of a pool of assets that support the issue of ABS.
PAYGO or Pay-Go	Pay As You Go: a contractual payment arrangement based on payments made on a contracted basis that may reflect usage (e.g. power), are fixed payments made over a specified period, or may be adjusted to income.
PPCT or PCS Preferred Creditor	Preferred creditor treatment or Preferred creditor status. Phenomenon that when sovereigns default on claims to private institutions they commonly continue to service loans to official creditors including MBDs. Obligations to MDBs are considered senior to private debt even if payments may be deferred and do not result in write-offs. Rating agencies adjust for PCT when considering ratings of MDB issuances.
PAR	Portfolio At Risk: for NPLs, this is a ratio that usually indicates the percentage of the portfolio at risk. It may be specified using measures such as PAR30, which indicates the loans are 30 days past due. For PAR90, loans are more than 90 days past due.
PRI	Principles for Responsible Investment.
RMBS	Residential mortgage-backed securities: same meaning as MBS.
Servicer	Entity responsible for the administration or operational management post-issuance of securities. The role may include the collection of payments for the pool of assets, making allocations or distributions to investors and enforcement. A servicer is often affiliated with the sponsor, although in some jurisdictions the role must be carried out by an independent entity.
Simplicity	In relation to a securitisation transaction, simplicity refers to the homogeneity of the underlying assets, meaning they share common characteristics such as term, interest rate, documentation and contract terms or collateral). It also implies a transaction structure that is straightforward, transparent, and easily understood. Under Basel guidelines, simple structures can qualify for greater capital relief.

Sponsor	The entity that organises or arranges a securitisation transaction. Its role may include structuring, selling, transferring or originating assets of the SPV or issuing entity. Regulations may determine who is classified as sponsor and the requirements they must meet.
SPV or SPE	A Special Purpose Vehicle (SPV): A passive entity usually company, trust or other structure entity created solely to receive and hold a securitisation transaction's assets. The SPV has limited assets and liabilities, is prohibited from undertaking any other activities, is structured to achieve 'bankruptcy remoteness', and guard against SPV insolvency.
STS	Securitisation transactions eligible as 'simple, transparent and standardised' under new European regulations effective, 1 January 2019 (Regulation (EU) 2017/2402, the Securitisation Regulation and Regulation (EU) 2017/2401, the Securitisation Prudential Regulation). Some categories of investors receive preferential prudential treatment, such as capital relief.
Trigger event	Specified events that may require early repayment, reduced payments, funds held back for a reserve, or new receivables cannot be purchased etc. May be related to a performance metric or the financial condition of the originator.
Transparency	The ability of investors, regulators, and market commentators to access reliable and sufficient information, both at the outset and on an ongoing basis. This includes details of the underlying assets, transaction structure, roles and obligations of parties, risks, and the performance of the assets and transaction over time.
Trustee and Security Trustee	The entity that holds the securitized assets on behalf of investors and carries out the functions specified in the transaction documents or are imposed by law. These functions may be administrative or, in some jurisdictions, involve wider management responsibilities. In some structures, a separate 'Security Trustee' may also be appointed to hold charges or other security over the assets for the benefit of the investors. This provides additional protection in the event of insolvency.
VAT	Value Added Tax.
WAEMU	West African Economic and Monetary Union.
ZAR	South African Rand.

Annex 2: Examples of issues to consider in holistic review to support securitisation

Examples of issues	Examples of possible issues, laws or policies to consider
Offering and trading in securities	<ul style="list-style-type: none"> – In most countries, specific rules will be established under the capital markets regulatory framework to facilitate securitisation. – Securitisation, as it involves the issue of securities, may also fall under a range of other regulations that need to be harmonised e.g. issue of securities, disclosure, private placement, offers to the public, listing, reporting, bonds, other debt securities, and trading. These may require modification, especially as regards any compulsory reporting.
Establishing an SPV	<ul style="list-style-type: none"> – Does the law of the country permit the establishment of a recognised legal entity able to undertake the functions of an SPV in an appropriate manner without incurring additional risks? – A variety of entity types may be available for consideration, e.g. company, trust, partnership, securitisation specific entity. – Laws in Civil law countries generally do not support the use of trusts in the context of a commercial securitisation transaction and special laws may be required. – A company SPV may give rise to additional risks, e.g. insolvency provisions override the no-petition or subordination provisions.
Ability to transfer assets to SPV (so that the assets are isolated from the Seller/Originator and free from claims of shareholders, creditors or other external claimants)	<ul style="list-style-type: none"> – The underlying law of contracts needs to be considered and specific laws for different assets or obligors. – Is there a legally enforceable obligation that has been created? – The type of asset will determine, e.g. receivable, future receivable, immovable property, movable (including loans), chose in action, right, levy, etc. – A clear understanding of the legal classification of the specific assets to be transferred is fundamental. This is often overlooked in the securitisation regulatory framework which may limit the ability to transfer specific assets. – Common law recognises equitable and legal assignments of rights in several types of assets, but Civil law does not. There needs to be a mechanism to transfer these assets. – Common law and the laws of many countries do not permit the sale of 'future receivables' and this needs to be addressed, if possible, to remove the risk. Some countries have specifically addressed this. However, in others the investor assumes the risk that is minimised by structuring. – Some countries have in place laws providing for the transfer of movable assets, such as trade receivables, equipment leases, or loans, for example. These record the change in ownership but require registration individually or for renewal of registration. They are often cumbersome and result in impracticable and uneconomic requirements. – Individual written consent may be required under contract law for the transfer of a payment obligation and may not permit advance consent, such as the lease of instalment payment contract. Obtaining written consent, monthly for several thousand payments is neither practical nor economic. – Transfer of assets involving movable property, for example, mortgages or land leases may not be permitted or practical, as there is no simple mechanism to record a transfer of a mortgage. Individual consent and entering a new mortgage may be required. – Specific assets may require: <ul style="list-style-type: none"> • Regulatory or ministerial consent. • May not be able to be transferred to an SPV with foreign investors. • May require special legislation to be passed (infrastructure or other sensitive assets). • Approval of chiefs or other traditional custodians.
Financial Institution sale of assets and participation	<ul style="list-style-type: none"> – Sale of assets by a regulated financial institution often for prudential and supervision reasons requires consent of the banking regulator. <ul style="list-style-type: none"> • Clear rules and processes need to be in place that allow an arranger and issuer to have a clear understanding of the requirements and the process. • Clarity as to the ability to sell the asset is essential. • The process for approval needs to have clear timelines for approval or rejection that recognise the nature of the capital markets and of investors. – Balance sheet treatment for securitisation transactions and capital adequacy. Arrangers and issuers need to have clarity before they consider a transaction on the impact and treatment of the same on their balance sheet and capital adequacy treatment. The rules and procedures need to be clear and sufficient to allow the issue to assess the benefits of the transaction. Clarity is essential and rules that rely significantly on the use of discretions or one-off approvals increase uncertainty and costs and do not support the development of the market. – Banking secrecy provisions can impede or stop the transfer of the assets as either the required information is not available to permit due-diligence or the actual transfer of the asset. Appropriate restrictions need to be included that recognise the practicalities of a securitisation transaction in ongoing operation. – Banks and other regulated financial institutions need clarity as to the roles that they, or related entities can play (e.g. trustee, custodian), in relation to a transaction involving the bank's assets or where the bank is acting in relation to a transaction and these implications.

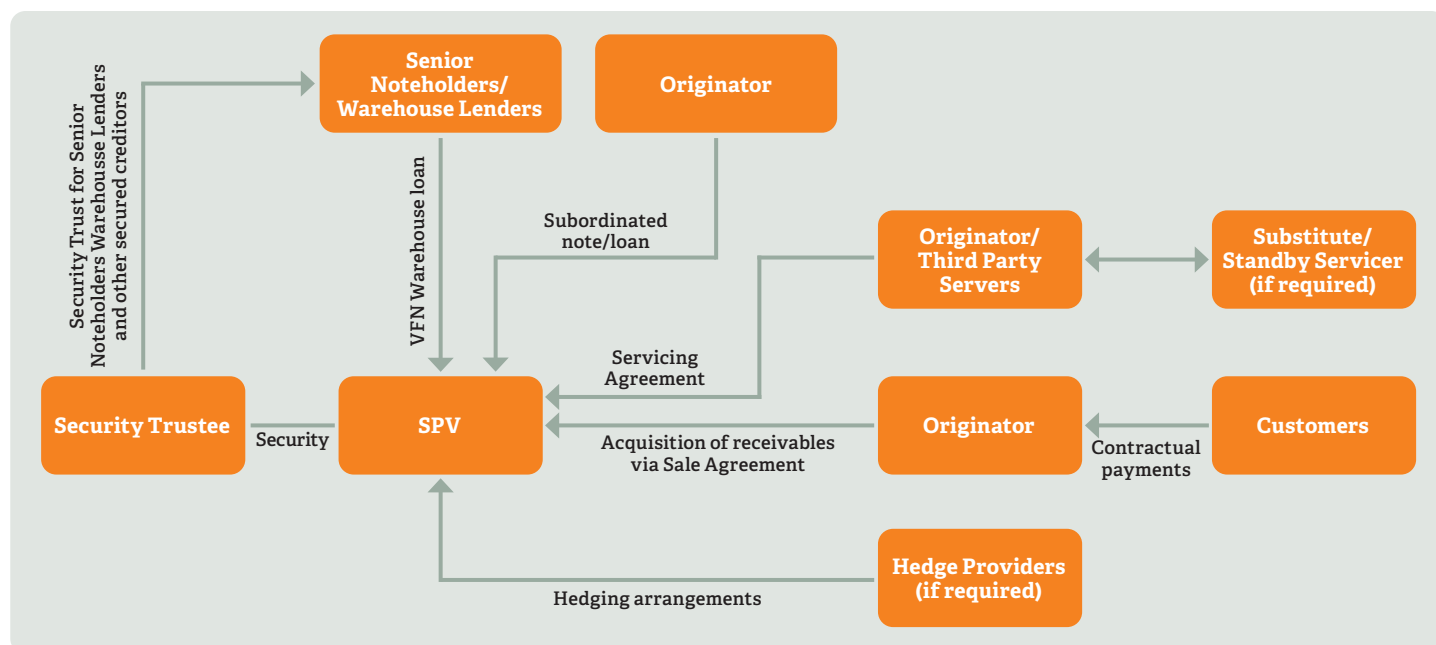
Restrictions on SPVs and asset originations	<ul style="list-style-type: none"> – Banking laws often impose limits on who may engage in lending or in the provision of credit, etc to licenced financial institutions. These laws are usually drafted to be suitable for a financial institution that accepts deposits from the public and require e.g. minimum capital and shareholding structures. – These laws in some instances are applicable to the SPV upon acquiring the asset. If SPV's are to be licensed, then the strict banking rules may be inappropriate and make securitisation uneconomic. – Similar restrictions may also prevent the use of securitisation some structures which are developed to reduce costs, improve efficiencies or permit the securitisation of a particular category of assets. Examples are - <ul style="list-style-type: none"> • Use of warehouse structures for aggregation of assets and in particular facilitating use of securitisation by smaller institutions. • Direct origination where the bank originates or sources the mortgage from a customer as an agent for the SPV. This avoids the need for a transfer of the asset which is created in the SPV as the actual lender. • For infrastructure securitisations.
Privacy laws and Credit Reference and Information Bureau	<ul style="list-style-type: none"> – Privacy laws may need to be modified to permit the arrangers and other responsible parties to a securitisation transaction to obtain information and conduct due diligence in relation to the performance of obligors and credit history, addresses, etc. <ul style="list-style-type: none"> • Provision for access and controls need to be considered. – Credit Reference and Information Bureaus have been established in several countries; these can play an important role in developing a credit culture and increasing the scope of private credit lending. For securitisation access to the data, initially and ongoing, is very valuable in building the risk profile of a portfolio and eligibility criteria. <ul style="list-style-type: none"> • Laws often only permit membership and access to this information to banks and other regulated financial institutions. • Provision of information is often only obtained from these parties. • Access to membership and information should be extended to arrangers, trustees and auditors appointed for a securitisation transaction for specified purposes (e.g. due diligence, checking obligors' details). • The securitisation parties should be subject to the same obligations on confidentiality and reporting as other members. • The performance of obligors and assets the subject of securitisation should continue of be reported on the same basis as other Bureau members report so that the performance is not lost out of the system on the sale to the SPV. The additional data from this reporting increases the ability of regulators to have a more comprehensive view and increases transparency.
Insolvency laws	<ul style="list-style-type: none"> – Need to examine to consider application in the context of the SPV, for example, the structure, transfer of assets, consents required, 'claw-back', recognition of subordination and no-petition clauses. – The rights of external creditors to intervene need to be considered and the application of any statutory priority of payments that may override the waterfall provisions in the transaction documentation. – Requirements for independence, etc, may impact on the right to -set off and for 'claw-back'.
Regulation of investors	<ul style="list-style-type: none"> – Pension and insurance regulators impose restrictions on investments by regulated entities. – Restrictions may: <ul style="list-style-type: none"> • Limit specific assets or preclude investment, • Require that the investment be in a particular form, such as equity or debt. • Limit for debt securities the term of the security or impose specific limits, reserving or capital allocation based on term. • Impose rating requirements. • Limit sector or single risk limits. – The application of these to the securitisation security proposed to be issued needs to be considered to determine if an investor can invest or it is economic for it to do so.

Annex 3: Alternative structures to unlock additional issuances

- A simple warehouse structure, assists aggregation, scalability and costs.
- A modified warehouse structure, that transfers directly into SPV that issues the securities and assists in reducing complexity and cost of transfer of assets and increases scalability.

A warehouse facility is a short-term financing facility used to accumulate and hold the underlying assets until they can be securitised through issuing securities. The warehouse facility is typically provided by a bank or other financial institution. The bank lends the issuer the money to purchase the underlying assets, and the issuer uses the proceeds of the securitisation to repay the loan. Without a warehouse facility, the originator must fund the acquisition of the assets then wait until the total pool of assets is originated, transferred and securitised before the originator receives the proceeds from the securitisation.

- **To provide the originator/arranger liquidity prior to the securitisation process.**
- **To reduce the cost of securitisation.**
- **To improve the credit rating of assets via the securitisation:** by providing a buffer between the originator and the underlying assets. If the originator is insolvent, the underlying assets in the SPV will still be available to repay the securitisation.
- **Lets potential investors 'look at the securitisation' without making a long-term commitment.** Banks and others have been shown to be interested in lending to the warehouse as this involved a traditional loan credit assessment with which they were comfortable. Many investors are, however, less comfortable with investing in the asset backed securities issued by the SPV due to a lack of familiarity with securitisation and how to assess and price the risk, especially when the securitisation issue involves multiple tranches. Being a lender to warehouses allows banks to build familiarity with the assets and the securitisation structure. Experience in South Africa is that some warehouse lender banks subsequently are prepared to invest in the securitisation.⁶⁹



Modified warehouse structure with single SPV

69 Based on interviews with South African banks, investors and arrangers and direct experience of consultants in other markets.



Case study: Cote D'Ivoire

Securitisation to increase access to finance for SMEs – NSIA Banque 7% (2022-2025)

- IFC \$30 million anchor investor as part of a five-year \$67.67 million ABS issue.
- Other DFI/MBD support from Global SME Finance Facility partnership of IFC, UK and Netherlands.
- Assets securitised were 89 per cent consumer loans originated by NSIA Banque, a commercial bank which seeks to be the “preferred partner of retail and SME customers”.
- Major motivation was to achieve additional liquidity.

Investors: IFC (43.75 per cent), local pension fund (4.72 per cent), insurance companies (9.67 per cent) and domestic fund managers (13.74 per cent). The issue was listed.

- Structure was a single AAA rated tranche with 35 per cent overcollateralisation, 25 per cent reserve portfolio and a liquidity facility. The rating has been stable since issue.
- Time from inception to close: five years.
- Management company and arranger: Africa Link Capital Titrisation.
- Major issues faced: Implementation of securitisation module within the bank's information system to accommodate information and financial flows. Significant time to implement which is a common problem



Case study: Keur Samba Programme

Compartment NSIA Banque Benin (2025-2033)

- First securitisation with a bank in Benin, refinancing retail and SME loans; proceeds to be redeployed for SME lending in Benin, Senegal, and Togo.
- Sponsor: BOAD, IFC and BII.
- Management company and arranger: BOAD Titrisation
- 2 tranches with an additional junior retained by the seller
 - Senior: FCFA 34 billion (7% fixed LCY; AAA rated)
 - DFIs: IFC, BII, BOAD (87.06 per cent)
 - Insurance and pension funds (8.62 per cent), discretionary mandates via arrangers (2.56 per cent)
 - Asset management companies (1.47 per cent), investment and brokerage firm (0.29 per cent)
 - Retail clients (private sector employees) (0.002 per cent).
 - Mezzanine – FCFA 10 billion (9% fixed LCY)
 - Insurance and pension funds (46.27 per cent)
 - Asset management companies (40.59 per cent)
 - Banks (8 per cent)
 - Discretionary mandates (via arrangers) (4.34 per cent)
 - Retail clients (0.80 per cent)



Case study: Bangladesh

Example of a successful approach adopted to break through issues in a very difficult market

- Five true sale securitisations of equipment lease receivables completed within six months.
- Driven by clear economic need and strong Central Bank support, despite no formal regulatory framework.
- Transactions structured through trusts and private placements, with complex features to manage uncertain tax treatment.
- High-quality issuers and obligors with strong performance records and clear incentives.
- Investors included multinationals' treasuries, local insurers and banks.
- Issuers shared one law firm for documentation and due diligence, reducing costs.
- MDB consultants worked with the Central Bank and issuers to design structures, prepare models, guide legal documentation and engage regulators and investors.
- Five deals cut leasing companies' funding costs by around 7% per year, supporting essential equipment purchases for the clothing industry.
- Market stalled later due to tax changes and political disruption, but the case shows how a strong economic imperative, central bank leadership and targeted technical support can overcome barriers.

Annex 5: Summary of recommendations for actions or interventions

Recommended intervention	Recommended roles and actions
1. Build capacity and skills	<ul style="list-style-type: none"> – MDBs, donors and advocacy experts should provide technical assistance, fund programmes, and share global experience. – Regulators and policymakers should actively participate in training and promote capacity building across their institutions. – Financial institutions and NBFIs should engage at board and management level, and contribute to a training levy or licensing requirements. – Market bodies, pension funds and insurers should host workshops, promote best practice and encourage active staff participation.
2. Clarify and modernise securitisation frameworks	<ul style="list-style-type: none"> – MDBs, donors and advocacy experts should provide technical advice and support to review and update laws. – Regulators and policymakers should conduct holistic reviews of capital markets, tax, pension and mortgage rules, ensuring cross-government coordination. – Financial institutions and NBFIs should provide input, feedback and actively promote changes. – Market bodies, pension funds and insurers should contribute input and advocate reforms through associations and industry groups.
3. Foster a stronger credit culture	<ul style="list-style-type: none"> – MDBs, donors and advocacy experts should ensure connected issues are rated, support regulatory changes and help cover initial rating costs. – Regulators and policymakers should roll out mandatory ratings (starting with banks), require ratings to be public, and update credit bureau laws for broader data access. – Financial institutions and NBFIs should adopt a policy of rating issues and provide regular, standardised performance reporting. – Market bodies, pension funds, insurers and exchanges should promote ratings and common data reporting, highlighting benefits for issuers, investors and regulators.
4. Reduce early issuance costs and support new service providers	<ul style="list-style-type: none"> – MDBs, donors and advocacy experts should consider funding to cover ratings/early issuance and seed capital for specialist providers. – Regulators and policymakers should amend tax laws to allow sponsors and sellers to write off up-front transaction costs. – Financial institutions and NBFIs should promote the use of ratings for larger borrowers and support initiatives that lower issuance costs. – Market bodies, pension funds and insurers should back initiatives that expand service provision and reduce barriers to entry.
5. Strengthen MDB and DFI participation and Pan-African platforms	<ul style="list-style-type: none"> – MDBs, donors and advocacy experts should act as advisors, structurers, promoters and anchor investors, and share tools and sample documentation. – Regulators and policymakers should ensure disclosure of offer documentation and performance reports (including private placements) on accessible platforms. – Financial institutions and NBFIs should participate in demonstration projects and adopt practices that enhance transparency. – Market bodies, pension funds and insurers should join workshops, raise awareness and disseminate information through associations.
6. Enhance transparency and data credibility	<ul style="list-style-type: none"> – MDBs, donors and advocacy experts should promote inclusion of securitisation data in global databases such as IFC's GEMS. – Regulators and policymakers should require standardised reporting of loan performance and mandate public availability. – Financial institutions and NBFIs should provide consistent reporting and share data with credit bureaus and regulators. – Market bodies, pension funds and insurers should support and promote common-basis reporting to strengthen market confidence.
7. Expand market infrastructure	<ul style="list-style-type: none"> – MDBs, donors and advocacy experts should support warehouse facilities, pooled structures and ABCP programmes, and back revival of the African Securitisation Forum. – Regulators and policymakers should enable infrastructure growth through supportive regulation and oversight. – Financial institutions and NBFIs should explore participation in warehouse and pooled structures to broaden funding capacity. – Market bodies, pension funds and insurers should support the African Securitisation Forum, participate in pooled arrangements and promote scalable structures.

Annex 6: List of stakeholders consulted

Organisation	Name
ABSA	Martin Kariuki, Rael Narotzky, Narisa Balgobind
Access Bank	Ernst Snyman
Africa Link Capital Securitization	Olivier Gui
BOAD Titrisation	Adjí Sokhna M'Baye, Jean Philippe Aithnard
Bowmans Lawyers Kenya	Cynthia Amutete
Cygnus Capital	Clemens Calice
Ecobank Togo	Richard Momberume, David Kioko, Asie Arkhurst
Fitch Ratings	Eberhard Hackel, Adrian Pfaff-Seiler, Andrew Parkinson
GCR Ratings	Yohan Assous
Itrust Tanzania	Brian Kanga
Nedbank	Andrew Kok
Chapel Hill Denham	Williams Olowojoba
The Paladium Group	Nana Baidoo
SA Home Loans	Abdul Khaliq Ismail
Sanlam Alternative Investments	Wayne Viljoen, Odette Balkisson
S&P Global Ratings	Trisha Chinnappen
S&P Global	Ralston Muller, Dana Cherkeshcheva
Securities Exchange Commission of Ghana	
Capital Markets Authority of Ghana	
Capital Markets Authority of Kenya	
Capital Markets Authority of Uganda	
Capital Markets Authority of Rwanda	
Capital Markets and Securities Authority of Tanzania	
Ethiopian Capital Markets Authority	
Central Banks of Ghana, Kenya and Rwanda	
Revenue Authorities of the various countries	

For further information:

► **British International Investment**

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