

**ACTB SIERRA LEONE:**  
Five lessons from a growing  
MSME lender in a fragile  
environment

ACTB is one of the largest regulated microfinance institutions (MFIs) in Sierra Leone, with more than 22,000 clients.<sup>1</sup> In recent years, ACTB has operated successfully in an environment affected by Ebola and COVID-19, even as the country is still recovering from the civil war that ended in 2002. ACTB presents a learning opportunity for other, particularly younger, MFIs, given ACTB's experience working through crises, diversifying pro-poor services, and scaling up from microlending to SME lending while continuing to improve lives through enterprise. This paper focuses on ACTB's key success factors and how financial institutions in other countries or regions could replicate these.



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## ACTB AT A GLANCE

Sierra Leone, which remains one of the world's poorest countries, faces many development challenges, including access to financial services. Currently, 80% of Sierra Leone's population of 7 million have no access to formal financial services. Commercial banks in Sierra Leone currently provide financing to less than 5% of MSMEs in the country. As identified by the World Bank in their most recent Sierra Leone Economic Update,<sup>2</sup> limited business skills among entrepreneurs make it challenging for micro, small, and medium-sized enterprises (MSMEs) to become creditworthy or investment-ready. ACTB aims to serve these underserved individuals and businesses.

ACTB Savings and Loans Limited was founded in 2008 as a joint undertaking of A Call to Business,<sup>3</sup> a London-based charity, and TruStone Impact Investment Management, a leading London-based innovator in the social impact investment market. ACTB was the first credit-only microfinance institution in Sierra Leone and transitioned into savings and loans in 2017. The lender currently offers the broadest range of financial products among all MFIs in Sierra Leone—microloans, SME loans, and savings deposit accounts—often in

ACTB key figures	
Total loan book	USD 6.1m
Percentage SME loan book	49%
Percentage MFI loan book	51%
Total clients	22,068
Percentage female clients	72%
Percentage rural clients	15%
Average individual borrower loan size	USD 281
Average SME loan size	USD 7,400

conjunction with non-financial business advice and assistance. Recently, ACTB has added greater numbers of MSMEs to its client portfolio and is steadily increasing its focus on women-led businesses and rural areas as part of a focus on financial inclusion for low-income families and communities in Sierra Leone.

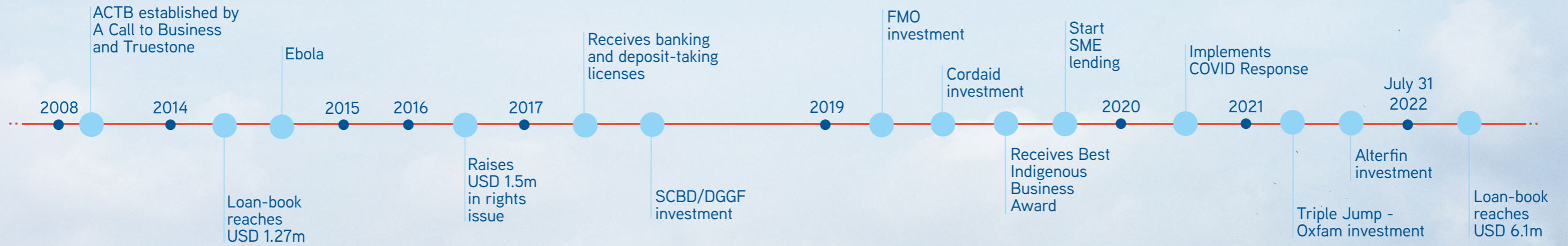
In 2017, ACTB became the very first credit-only MFI to receive a deposit-taking license, allowing the company to introduce savings products to its large customer base. ACTB has steadily grown its loan portfolio since its founding, despite the 2014–2015 Ebola epidemic, the 2019–2022 COVID-19 pandemic, and a heavily depreciating currency in recent years.

<sup>1</sup> All figures describing ACTB's operations and performance are as of July 31, 2022.

<sup>2</sup> Kemoh Mansaray, Smriti Seth, Sheirin Iravantchi, and Arpita Sarkar, "Sierra Leone Economic Update 2022: Leveraging SME Financing and Digitization for Inclusive Growth," Washington, DC, World Bank Group, June 2022.

<sup>3</sup> ACTB is an abbreviation for "A Call to Business."

# ACTB TIMELINE



## TRANSITIONING TO A LOCAL CURRENCY BASE

Initially, ACTB received over 90% of its financing in hard currency, either USD or GBP. To reduce its vulnerability to exchange rate risks, ACTB shifted towards borrowing in local currency in 2018. This strategic move was initiated with an initial approval for a EUR 1m loan (later increased to EUR 2m) by DGGF’s Seed Capital and Business Development facility, disbursed in local currency and hedged through an FX equalization component.<sup>4</sup> Locking in this

initial investment gave other international investors and DFIs sufficient reassurance to invest in ACTB as well, and subsequent local currency investments were made by FMO, Cordaid, ADA, and, later, Alterfin. It is also noteworthy to mention that SCBD manager Triple Jump was able to facilitate further growth at ACTB with subsequent investment through other facilities, such as the Triple Jump-Oxfam loan.

**Table 1: Overview of ACTB debt investors**

Investor Name	Investment Date	Amount SLL	Repaid (Yes/No)	Repayment date
DGGF	03-10-18	4,000,000,000	Yes	09-06-21
DGGF	31-12-18	3,300,000,000	Yes	04-01-22
DGGF	18-10-19	5,600,000,000	Yes	12-07-22
CORDAID	19-10-18	1,900,000,000	Yes	29-06-21
FMO LOAN	08-11-19	9,600,000,000	Yes	09-09-22
LMDF	14-12-18	5,100,000,000	No	10-10-24
LMDF	09-08-21	5,900,000,000	No	10-10-24
TRIPLE JUMP-OXFAM	02-12-21	6,700,000,000	No	02-06-24
TRIPLE JUMP-OXFAM	23-05-22	3,700,000,000	No	22-11-25
ALTERFIN	01-06-21	7,700,000,000	No	28-05-24
GLOBAL PARTNERSHIPS	01-05-22	12,700,000,000	No	20-09-24
ALTERFIN	21-11-22	7,200,000,000	No	21-11-25

## SCALING UP MSME LENDING

ACTB historically focused on microfinance, offering both individual and group lending products. Of 22,000 borrowers, 72% are women, which is typical for MFIs. ACTB has a current loan portfolio of USD 6.1 m.

In 2018, ACTB moved into larger-ticket MSME lending as a natural progression of its existing product offerings and attracted by the

prospect of more efficiently deploying capital. To scale up MSME lending, ACTB created a separate MSME division, with dedicated and experienced staff, and implemented a separate loan approval process in line with best practices for lending to MSMEs.

ACTB’s clientele comprises mostly female borrowers, many of whom are entrepreneurs,



primarily in the informal segment. After the civil war that ravaged Sierra Leone, many women became heads of household and primary breadwinners for their families.

While ACTB does not have specific loan products targeting women, they also avoid policies that institutionalize gender biases, such as a requirement to have a male guarantor co-sign a loan application. Due to the perception that women have a superior repayment profile, ACTB has a notable preference for female clients, as evidenced by the 70% quantitative target it sets for the percentage of female clients.

ACTB considers any informal enterprise with a permanent location that pays local council tax and employs at least one staff member

to be an MSME. ACTB currently operates mainly in the microenterprise segment, with an average outstanding balance of MSME loans of USD 3,600. By contrast to most commercial banks, ACTB accepts movable collateral for loans up to USD 15,000,<sup>5</sup> a policy that particularly benefits MSMEs and women-led enterprises, which often cannot put up immovable collateral for a loan.

ACTB’s loan portfolio is roughly equally distributed among microfinance and SME loans. Microfinance loan products have a maximum size of USD 3,000, a typical tenor between 6 and 12 months, and an average loan size of USD 280. ACTB also meets the working and growth capital needs of small and growing businesses by providing partially collateralized loans between USD 4,000 and 50,000 with tenors up to 18 months.

To work with MSMEs that have relatively underdeveloped market skills, ACTB has adopted an approach centered around a close, high-trust customer relationship and loan products closely tailored to customers’ needs. ACTB credit officers are in regular contact with their clients and provide hands-on, as-needed non-financial support to entrepreneurs. Various services offered include formalizing a business, record keeping, negotiating sales contracts, and meeting import or export requirements. Keeping in close proximity to its clients, ACTB operates a network of branches across Sierra Leone in both urban and rural areas. In addition to formal branches, ACTB also operates so-called branchless containers close to busy markets. These converted shipping containers serve as banking outlets and provide easy access points for services delivered by ACTB.

<sup>4</sup> This was done by including a yearly interest repricing mechanism within the loan agreement.

<sup>5</sup> Kemoh Mansaray, Smriti Seth, Sheirin Iravantchi, and Arpita Sarkar, “Sierra Leone Economic Update 2022: Leveraging SME Financing and Digitization for Inclusive Growth,” Washington, DC, World Bank Group, June 2022.



## REACTING TO THE EBOLA CRISIS

Still recovering from the civil war (1991–2002), in 2014 Sierra Leone was hit by an Ebola outbreak, which significantly impacted the microfinance sector. According to a study by Cordaid,<sup>6</sup> 77% of microfinance clients reported a negative impact on business income, and 69% reported a decline in business expenditures. More than half of the interviewed businesses suffered declines of income and business expenditures greater than 35%. As a result, MFIs participating in the study, including ACTB, experienced a 36% year-over-year decline in loan disbursements during the peak crisis period of July to December 2014.

According to David Kamara, the CEO of ACTB, ACTB's business fell "almost to a halt with regard to disbursements and repayments due to the dangerous nature of these activities" during the outbreak. For ACTB, over a two-month period, the portfolio at risk of default (PAR 30) deteriorated significantly from 5% to 26%.

ACTB's portfolio was quite concentrated around import-reliant businesses, which proved very vulnerable to the Ebola crisis. Yet, by contrast to many other MFI lenders, ACTB was able to continue its operations throughout. Many other MFIs had to cease

operations because their mostly foreign leadership was repatriated. As a locally owned and managed company, ACTB continued operating while putting in place policies and procedures to ensure the safety of its staff.

As the crisis evolved, ACTB identified several market opportunities that would allow it to expand its loan operations. To capitalize on this opportunity, ACTB conducted a successful equity fundraising round with the assistance of TruStone's private investor network.

While ACTB managed to cope with the Ebola crisis and eventually even significantly improved its portfolio performance, the organization acknowledges that it initially was not active enough in identifying lending opportunities in essential businesses such as food, health, and hygiene products where demand for credit grew through the crisis. Only after the end of the Ebola outbreak did ACTB begin to expand rapidly into these areas, which helped ACTB to recover from the negative effects of the crisis and improve its portfolio quality and performance.

<sup>6</sup> Cordaid, *Sierra Leone: The Impact of the Ebola Crisis on the Microfinance Sector* (Sierra Leone Association of Microfinance Institutions and Ayani Inclusive Financial Sector Consultants, March 2015).



© Isata Kamara a client and David Koroma Relationship Officer at ACTB

## ACTB'S PROACTIVE COVID-19 RESPONSE



The lessons learned from the Ebola epidemic proved crucial during the COVID-19 pandemic. Less than five years following the end of the Ebola outbreak, the first global strains of COVID-19 struck Sierra Leone. During the worst months of COVID-19 in 2020 and 2021, the microfinance industry in Sierra Leone proved particularly important for both crisis management and economic recovery. Rapidly establishing and implementing a business continuity plan, ACTB adopted key lessons learned from the Ebola crisis. These included the importance of increasing focus

on essential businesses and never disrupting lending operations. As a result, ACTB maintained a much healthier loan portfolio during the COVID-19 pandemic than during the Ebola crisis.

ACTB's proactive crisis response approach to the beginning of the COVID-19 crisis involved early identification of essential and non-essential businesses and sectors. ACTB swiftly installed a moratorium on lending to non-essential businesses to limit its exposure to businesses that would be

negatively impacted by the crisis. ACTB adopted a strategy of targeting existing clients (primarily MSME clients and microfinance customers who were mature in their loan cycle) operating in agriculture and in essential, high-demand sectors with strong cash flows, such as food wholesalers and providers of personal protective equipment.

According to ACTB CEO David Kamara, DGGF's Seed Capital and Business Development (SCBD) played a major role in engaging and coordinating with other

investors to defer their loans towards SME lending. Upon the initiative of SCDB and with strong input from the ACTB team and support from Truestone to facilitate due diligence, other lenders were given sufficient comfort regarding ACTB's continued solvency to agree to a deferral of funds in order to expand ACTB's SME lending portfolio with resources that were originally ringfenced for microfinance loans, such as loans for school fees. This coordinated response by investors averted a potential liquidity crisis at ACTB.



A key aspect of ACTB’s approach during the COVID-19 crisis was to work alongside its clientele to actively help them endure the economic headwinds. Instead of restructuring its loans to micro-enterprise and SME clients, ACTB provided proactive, hands-on support so non-essential businesses could pivot to alternative income-generating activities. For example, Ms. Nanah Wurie, a clothing retailer in Freetown identified a large demand for cleaning materials with coaching from ACTB credit officers. She therefore started importing and selling plastic bowls and buckets from Türkiye. ACTB staff also helped her identify a reputable clearing agent.

Another example is ACTB’s work with rice seller associations. Across Sierra Leone, supply chain disruptions created shortages and rapid price increases for essential goods, with more pronounced impacts in the provinces. In Freetown, a bag of rice cost USD 16; at the same time, 200 km away in rural Makeni, the same bag was USD 20. ACTB began providing wholesale loans of USD 10,000–20,000 to rice seller associations, each of which comprised 100 producers or more. Providing capital to these associations helped to mitigate shortages and stem inflation of rice prices across the country, especially in more remote areas.

ACTB also implemented an in-house health awareness campaign to inform its customer base and their communities about the impact of COVID-19. Through a cheap, effective, and wide-reaching communication campaign via SMS and digital platforms, ACTB estimates it reached 700,000 people and further boosted ACTB’s reputation as a trusted business partner among their base of clients. Access to quality sources of information is limited in Sierra Leone, especially in hard-to-reach peri-urban and rural areas. As business owners and community pillars, the opinions of ACTB clients are taken seriously. In this case, their influence was used to disseminate positive health information and

best hygiene and healthcare practices to peri-urban and rural settings. In combining health advice with targeted financial services, ACTB offered microentrepreneurs economic empowerment and a set of preventative actions and guidelines to pass to their communities.

As a result of the health information campaign and social engagement of ACTB, the organization cultivated a positive dialogue with regulators, specifically the Central Bank of Sierra Leone. Subsequently, ACTB has taken a leading role in advocating for effective norms and regulations for MFIs and other lenders serving the poor in Sierra Leone.

## CONCLUSION: FIVE KEY LESSONS

Despite operating in a difficult environment, ACTB's case provides a compelling and inspiring example of a successful and scalable financing model for the underserved at the bottom of the pyramid. Five key lessons can be extracted from this case study that could be replicated by MFIs in other countries or regions. At the core of all five lessons stand the high-trust, cooperative relationships that ACTB has established with clients, investors and regulators.

- 1 During crises, when foreign managers are often repatriated, MFIs with strong local management teams have an advantage over MFIs relying on foreign management.
- 2 Pro-actively and swiftly identifying and targeting business opportunities in essential sectors helps make a loan portfolio more resilient to external shocks.

- 3 Supporting non-essential businesses with advisory and coaching to diversify their income streams will help them better adapt to a crisis.
- 4 During a crisis, MFIs can position themselves as a trusted partner providing reliable (health) information that supports their clients, helping them to adapt to the crisis and keep their communities safe.
- 5 First-mover investors play a vital role in unlocking access to institutional funding and organizing a coordinated investor response in times of crisis.





# ACTB SIERRA LEONE:

## Five lessons from a growing MSME lender in a fragile environment

### **Commissioned on behalf of:**

The Dutch Good Growth Fund, part Investment funds for local Small and Medium Enterprises (SMEs), a “fund of funds” investment initiative from the Dutch Ministry of Foreign Affairs. The initiative aims to improve financing for the “missing middle” – i.e. entrepreneurs who have outgrown microfinance but do not yet have access to regular financial services. The Seed Capital and Business Development (SC&BD) program was established to increase the impact of the DGGF by providing technical assistance, seed capital and business support services to intermediary investment funds and local SMEs. The program incorporates a knowledge development and sharing component that supports research, tests assumptions and shares insights into financing SMEs in developing countries and emerging markets - fostering industry-wide knowledge exchange.

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