

CONFERENCE REPORT

AfDB-EMRC SME Forum : Bridging the Missing Middle Gap in Africa

> 6-7 June 2011 // Lisbon





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AfDB-EMRC SME Forum :

Bridging the Missing Middle Gap
in Africa





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ACKNOWLEDGEMENTS

This publication is the report of the AfDB-EMRC SME Forum 2011, which was held in Lisbon, Portugal, on 6-7 June 2011, prior to the AfDB Annual Meetings (9-10 June 2011). AfDB and EMRC would like to thank the Government of Portugal and particularly the Ministry of Finance and Public Administration for hosting the event. We also extend our thanks to the Europa Institutet for their support of the “one-on-one” business meetings.

AfDB and EMRC are grateful to our partner organisations: the Bank of Industry (BOI) Nigeria, Caixa Geral de Depositos, Millenium Bank, Banco Espirito Santo, Banco de Fomento Angola and SOFID for their highly appreciated contribution. We would also like to thank our official carrier, Brussels Airlines, and all our media partners.

It was a great pleasure to work with the speakers, who participated actively in this fascinating debate and shared their knowledge and expertise on the subject. Finally, we would like to thank all the candidates who applied to the Project Incubator Award and to congratulate both the finalists and the winner for their impressive work.





ABOUT EMRC

EMRC is an international association whose mission is to promote sustainable economic development in Africa through business partnerships, knowledge sharing and investment. EMRC believes that the success of Africa depends on the success of its private sector; to this end, EMRC organises annual business meetings and subject-specific forums, where a few hundred decision makers, financiers, SMEs, researchers and officials from around the world share best practices and entrepreneurs discuss projects with investors. EMRC also organises agriculture and trade missions in Africa, Europe and Asia, in partnership with international organizations, multinationals and African governments, thus attracting investments and contributing to the implementation of local, national and regional projects in Africa. Established in Brussels in 1992, EMRC members include entrepreneurs, financiers, corporate managers and officials from across the world. In the last 3 years alone, EMRC has gathered over 3000 professionals who share a common goal for Africa and helped realize dozens of projects to establish sustainable partnerships for the economic growth and development of the continent.

ABOUT THE AfDB

The African Development Bank (**AfDB**) Group's mission is to help reduce poverty, improve living conditions for Africans and mobilise resources for the continent's economic and social development. With this objective in mind, the institution aims to assist African countries – individually and collectively - in their efforts to achieve sustainable economic development and social progress. Combating poverty is at the heart of the continent's efforts to attain sustainable economic growth. To this end, the Bank seeks to stimulate and mobilise internal and external resources to promote investments through co-financing with bilateral and other multilateral development agencies as well as from the financial markets. It provides its regional member countries with technical and financial assistance. It promotes government and private investment in Africa through policy reforms and dialogue, and provides the technical assistance needed in Africa for the selection, study and preparation of development projects. The Bank has built and will maintain a strong balance sheet and credit rating. It will more fully use the comparative advantages of its integrated structure, bringing together sovereign, non-sovereign, and concessional resources to meet the particular needs of individual regional member countries.





INTRODUCTION

The African Development Bank (AfDB) and EMRC worked together to organise a high-level forum on “Bridging the ‘Missing Middle’ Gap in Africa”. The two-day event took place from 6th to 7th June 2011 prior to the AfDB’s Annual Meetings held from 9th to 10th June 2011 in Lisbon, Portugal.

Despite the recognized importance of the SME sector as set out in the SME Finance Task Group Work Plan for 2011 (included as part of the G20 Principals for Innovative Financial Inclusion), studies show that SMEs, particularly those in the “Missing Middle” in developing low and middle-income countries, have historically lacked access to financial products and services critical to their growth. A concerted effort of the global community is taking place to address the financial and non-financial needs of this target group. The AfDB-EMRC SME Forum was built on these efforts and identified the implications and opportunities in an African context.

The AfDB-EMRC SME Forum attracted more than 300 delegates from 41 countries spread over 4 continents, especially from Africa. Participants included entrepreneurs interested in securing finance for projects and seeking project partnerships, policy makers, financiers, technical assistance organizations, international financial institutions and bankers. The presentations highlighted the financial and non financial barriers that SMEs face and focused on the most innovative financial tools and the role that commercial banks and other financial groups are playing in providing loans, equity and technical assistance. A distinctive feature of this forum was the organisation of business-to-business (B2B) meetings, where participants discussed practical business and partnership proposals. The highlight of the event was the presentation of the Project Incubator finalists and the announcement of the finalist at the Gala Evening.





PROGRAMME AfDB - EMRC SME FORUM

5th June 2011, Sunday

15h00

REGISTRATION

Registration closes at 18h00 (continues on the 6th June before Official Opening)

Day 1

6th June 2011, Monday

09h00

OFFICIAL OPENING OF THE "AfDB – EMRC SME FORUM"

- **Carlos Costa Pina**, Secretary of State for Treasury and Finance, Portugal
- **Bobby Pittman**, Vice President, African Development Bank, Tunisia
- **Idit Miller**, Executive Director, EMRC, Belgium

09h30

PLENARY SESSION 1: SITUATION ANALYSIS OF THE "MISSING MIDDLE" IN AFRICA

> **Moderator:** Tim Turner, Director Private Sector Development, African Development Bank, Tunisia

• **SME "Missing Middle" in Africa, keynote address:**

Thorsten Beck, Professor, European Centre for Economic Research, Tilburg University, the Netherlands

10h00

Coffee & Tea Break

10h30

PLENARY SESSION 2: THE ROLE OF COMMERCIAL BANKS IN ADDRESSING THE SME FINANCING GAP

> **Moderator:** Peer Stein, International Finance Corporation (IFC), World Bank Group, USA

- **Evelyn N. Oputo**, Managing Director & CEO, Bank of Industry, Nigeria
- **Fabian Kasi**, Managing Director, Centenary Bank, Uganda
- **Tony Okpanachi**, Managing Director, Cluster Head EAC, Ecobank, Kenya
- **James Mwangi**, CEO and Managing Director, Equity Bank, Kenya

11h45

PLENARY SESSION 3: INNOVATIVE SOLUTIONS TO ADDRESS THE FINANCIAL NEEDS OF SMEs

> **Moderator:** Chris West, Director, Shell Foundation, UK

- **Dennis DiDonna**, Co-Founder, Entrepreneurial Finance Labs, USA
- **Paul Lamontagne**, CEO, Enablis Entrepreneurial Network, RSA / Canada
- **Navin Kumar Maini**, Deputy Managing Director, Small Industry Development Bank of India (SIDBI), India
- **Jurie Willemse**, Managing Director, GroFin, Mauritius
- **Jan-Albert Valk**, CEO, Alios Finance, Tunisia

13h00

Networking Lunch





14h00	<p>PLENARY SESSION 4: PROJECT INCUBATOR AWARD FINALISTS</p> <p>> Moderator: Arthur Levi, Consultant EMRC, Belgium</p> <ul style="list-style-type: none"> • SOPHAVET, Burkina Faso, Susanne Marie Belemtougri, General Director • SET Sarl, Cameroon, Mr. Tchendjou, Director • TRANSCOR, Cape Verde, Luis Gonzaga Fortes, General Director • PROSEMA, Mali, Soumaïla Coulibali, General Administrator • LA DECOUVERTE Ltd, Rwanda, Eleanie Mukantabana, Managing Director • DOONYA TECHNOLOGIES, France, Amadou Sonde, President Founder
15h15	Coffee & Tea Break
15h45	<p>PLENARY SESSION 5: THE ROLE AND ACTIVITIES OF THE AfDB AND ITS PARTNERS IN SUPPORTING THE "MISSING MIDDLE"</p> <p>> Moderator: Leila Mokaddem, Director, West Africa, African Development Bank, Tunisia</p> <ul style="list-style-type: none"> • Robert Zegers, Principal SME Financing, Private Sector Department, AfDB, Tunisia • Pietro Calice, Task Manager, Africa Guarantee Fund (AGF), AfDB, Tunisia • Torben Lindqvist, AGF Focal Point, Government of Denmark, Denmark

17h00	Pre-arranged B2B Meetings
19h30	<p>Gala Evening: hosted by the Government of Portugal & the African Development Bank.</p> <p>Announcement of the winner of the Project Incubator Award 2011, in the presence of government officials, ambassadors, media and the business community</p>

Day 2	7th June 2011, Tuesday
9h00	<p>PLENARY SESSION 6: NON-FINANCIAL SUPPORT SERVICES TO BANKS AND SMES</p> <p>> Moderator: Robert Zegers, Principal SME Financing, Private Sector Department, AfDB, Tunisia</p> <ul style="list-style-type: none"> • Support to banks and SMEs: Angela Strachan, Chief, Business Environment, Division of Business and Institutional Support, International Trade Centre, Switzerland • Success stories on business incubators: Oltac Unsal, Manager, InfoDev, USA • Incubation, mentoring and financial support: Allon Raiz, Director Raizcorp, South Africa • Direct support to private sector businesses: Paul Malherbe, CEO, AMSCO, South Africa • Technical support to "Missing Middle" SMEs and linkages to banks: Jealous Chirove, Senior Technical Adviser, International Labour Organization, Zambia
10h30	Coffee & Tea Break





11h00	<p>PLENARY SESSION 7: BUSINESS ENABLING ENVIRONMENT</p> <p>> Moderator: Yaw Kuffour, Financial Intermediation Div., Private Sector dep., AfDB, Tunisia</p> <ul style="list-style-type: none"> • Credit bureau successes: Steven Kamau, Director, CRB Africa, Kenya • Collateral registries: Alejandro Alvarez de la Campa, Global Product Leader, Secured Transactions and Collateral registries, IFC, USA • Credit reporting for SMEs: Oscar Madeddu, Principal Financial Specialist, IFC, USA • The process of improving the ease of doing business in Rwanda: Kampeta Sayinzoga, Permanent Secretary and Secretary to the Treasury, Ministry of Finance and Economic Planning, Rwanda
12h15	Networking Lunch
13h30	<p>PLENARY SESSION 8: PROMOTING INVESTMENTS IN AFRICAN SMEs</p> <p>> Moderator: Line Picard, Principal Investment Officer, Private Sector dep., AfDB, Tunisia</p> <ul style="list-style-type: none"> • Diogo Araujo, CEO, SOFID (Sociedade para o Financiamento do Desenvolvimento), Portugal • Promoting local SME investments: Agualdo Jaime, President, ANIP (Private Sector Investment Agency), Angola • Paul van Aalst, Director Europe & Africa, E+CO, the Netherlands • Jérémy Hajdenberg, Investment Officer, Investisseur & Partenaire pour le Développement, France • Ariz guarantee program for SMEs: Nicholas Hertkorn, Investment Officer, Guarantee Scheme Unit, French Development Agency (AFD), France
15h00	<p>PLENARY SESSION 9: CONTINENTAL AND INTERCONTINENTAL SME PARTNERSHIPS</p> <p>> Moderator : Arthur Levi, Consultant, EMRC, Belgium</p> <ul style="list-style-type: none"> • European Enterprise Network: Massimo Baldinato, Cabinet Commissioner for Industry & Entrepreneurship, European Commission, Belgium • Cheikh Diarra, Chairman, Middle East & Africa, Microsoft Corporation, South Africa • Moussa Sidibé, Head of Programme, Campus France, France • Women entrepreneurship promotion: Nomsa Daniels, Executive Director, New Faces New Voices, South Africa
16h15	<p>Summary and conclusions of proceedings by the AfDB and EMRC</p> <p>Closing remarks by Mr. Mthuli Ncube, Chief Economist and Vice-President, AfDB, Tunisia</p>
17h00 > 19h00	Pre-arranged B2B Meetings
19h00	Final remarks: Idit Miller, VP & Managing Director, EMRC, Belgium





MONDAY 6 JUNE 2011

Official Opening of the AfDB-EMRC SME Forum

The AfDB-EMRC SME Forum was officially opened by **Carlos Costa Pina**, the Portuguese Secretary of State for Treasury and Finance. He emphasised the fact that cooperation development for Africa had virtually doubled over the course of the last five years. Amongst other countries, two Portuguese-speaking countries had benefited from Portuguese investment in particular, namely Angola and Mozambique. The latter has attracted Portuguese investors to the tune of \$124 million. The majority of this amount has been allocated to development through the provision of guarantees. He also stressed that Portuguese exports to Africa had doubled over the last decade. In this way, Africa is becoming an increasingly important partner for the conference host country. Indeed, it was in this context that, in 2007, Portugal put its name forward as a candidate to host the Annual General Meeting of the African Development Bank, in order to strengthen its relations and bilateral cooperation with the African continent.

Mr Costa Pina went on to say that SMEs represent 80% of employment in Portugal and more than two thirds of the gross added value. Two thirds of the jobs are provided by companies that employ less than 50 workers. SMEs are essential for the economy, for employment and for stability, as well as for social cohesion. However, as well as all of these advantages, it is also very clear that the “Missing Middle” is essential in order to eradicate poverty.

Bobby Pittman, Vice-President of the African Development Bank, stated that support for SMEs had been a trigger mechanism, since SMEs also play key role in the OECD countries, given they are at the origin of at least 50% of job creation each year. SMEs are faced with two major challenges, namely the lack of infrastructure and the deficit they have in terms of access to financing. In order to help them meet with these challenges, the AfDB has focused its attention on microfinance, a mechanism that can help to tip the balance in favour of SMEs (by providing small loans to provide equipment, for example). The aim of the AfDB is to bring together groups of people in order to create a stable environment, to exchange knowledge and know-how, to identify challenges and, above all, to discover how to take up these challenges. There are three essential points: a favourable environment, infrastructure and energy. Mr. Pittman expressed the view that access to energy is a higher priority than access to financing. The AfDB has invested great deal in this sector. Furthermore, the Bank is currently working on the creation of an African guarantee fund in order to facilitate the start-up of small companies. Finally, he highlighted the fact that a special group had been set up on the occasion of this meeting in Lisbon in order to formulate specific ideas with a view to supporting the growth of SMEs.





Idit Miller, Executive Director of EMRC warmly thanked the Portuguese Government and the African Development Bank for their invitation. She said that she shared the same hope as the AfDB for the swift and sustainable development of Africa through the development of small and medium-sized enterprises. She also expressed her hope that the partnership between the AfDB and the EMRC can help bring about the future development of the African continent. Ms. Miller underlined the fact that SMEs are indispensable for the stability of Africa and that they open up new opportunities and aspire to new projects. She has a clear vision of a long-term partnership between the emerging economies that are seeking finance and the planet's powerful economies.

Plenary Session I: **Situation analysis of the “Missing Middle” in Africa**

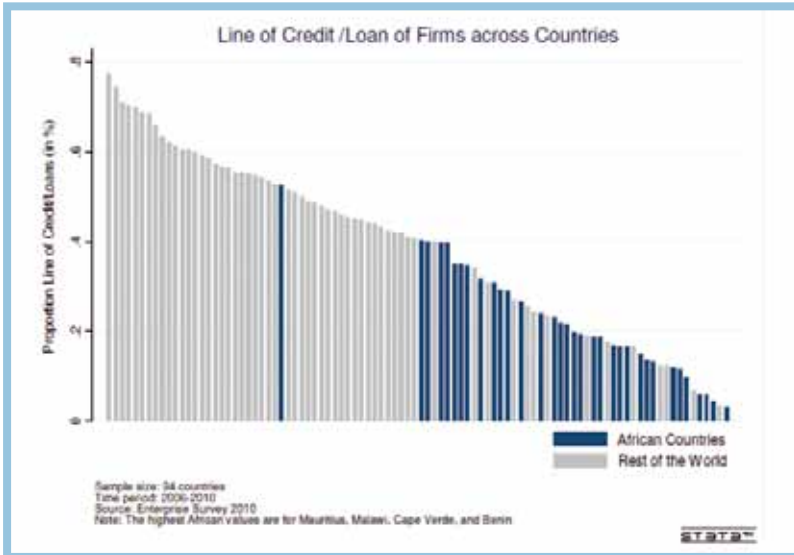
Thorsten Beck, Professor at the European Centre for Economic Research at the University of Tilburg in the Netherlands began his paper by emphasising the importance of SMEs for economic development. In his view, successful economies have a large number of SMEs, although this does not necessarily mean that the presence of a very large number of SMEs is a guarantee of a booming economy.

The success of an SME is determined, in particular, by its characteristics and the presence of a good business environment.

Mr Thorsten then explained why SMEs are at a disadvantage compared to large enterprises. This is mainly due to transaction costs: the limited provision of credit impedes outreach to smaller clients and the financial institutions are not capable of exploiting scale economies.

The main problems are as follows: first of all, SMEs are often subject to an asymmetrical provision of information (they do not receive a sufficient amount of information). Furthermore, high risk borrowers are those most likely to look for external finance, which in turn raises the risk premium. Finally, there is the moral hazard: the agent (lender) has incentives that are not compatible with the main interests of the borrower, since agents may divert resources to activities that represent a higher degree of risk.

Statistics show that the majority of African companies do not benefit from a loan (77.56%), from which a similar percentage of Africans have never even applied for a loan. The main reasons why a loan application has not been made are as follows: 40% said that they have no need for a loan and only 18% said that the application procedures are too complex.



SME finance gap. Percentage of firms per country with line of credit or loans from financial institutions. IFC.

Low access to and low usage of loans in Africa reflect both the low access of companies to credit and a fall in the number of applications. Furthermore, an important role is played by supply-side constraints (the macro-economic environment, contractual framework and the application procedures).

So how is it possible to close the financing gap of the “Missing Middle”? First of all through competition, which is the key for financial innovation. Next, there is a need to focus upon the necessary services and to look beyond the existing services. Finally, it is necessary to examine demand and to look beyond supply constraints.

The government's role is also highly important. A range of active policies is required in order to promote competition, to facilitate the shift from a wholesale to a retail role, to look beyond institutions and, finally, to nurture innovation.

In conclusion, although SMEs do not bring about economic development, they are a crucial part of the private sector and are more vulnerable to market and institutional failures. In order to understand the problems surrounding access to finance, there is need to take into account the constraints and the resulting policies.



Plenary Session II: The Role of Commercial Banks in Addressing the SME Financing Gap

Evelyn Oputo, Managing Director and CEO, Bank of Industry of Nigeria, pointed to the absence of the middle class in Africa as the major cause of the problems faced by SMEs.

Although SMEs are the main source of job creation, unfortunately they do not have sufficient access to bank loans. Some of the main constraints relate to the issues of guarantees and management.

The governors in Nigeria are involved in the efforts being undertaken to build the capacities of the entrepreneurs and, as part of these efforts, training is being provided to 10,000 entrepreneurs in order to implement a specific plan. The governors have provided funds for the SMEs from commercial banks and the banks have been approached in order to facilitate the establishment of a long-term loan system. Since 2010, the government has also begun to express more interest in the provision of loans to SMEs.

Fabian Kasi, Managing Director, Centenary Bank, Uganda, provided a definition of different types of companies in terms of their turnover. Micro-enterprises, which employ a maximum of four persons, have an annual turnover of no more than \$5,000. Next, there are small enterprises, with a maximum of 50 employees, which record a turnover in the region of \$100,000 to \$150,000 per year. Finally, there are medium-sized enterprises, which have a greater number of employees and are able to generate a higher turnover.

The Centenary Bank was created in 1983 and it currently has 40 agencies and one million clients, 80% of which are SMEs. Loans have been granted to 120,000 SMEs for a total of \$200 million, 60% of which has been allocated to SMEs that are not able to benefit from conventional loans. Twenty four commercial agencies have been established in order to enable SMEs to have access to financial services. The bank has simplified its guarantee requirements in order to make it easier to grant loans. For example, livestock may be used as a guarantee against a loan, as well as land title deeds. When someone applies for a loan, then the conditions are explained carefully and if this person is illiterate then instruction is given so that the person knows exactly what to expect. Rural populations require a whole range of different services in order to make an SME profitable.

Why place the focus on SMEs? Because, for the most part, they are located in rural areas and therefore they can contribute to the efforts made to help the most needy and they are often based in the agricultural sector. Therefore, if the financial institutions wish to work with SMEs, then they must turn their attention to the rural populations. The main difficulty is the high degree of illiteracy and this means that there is a pressing need to educate people so they know how to manage their business.



James Mwangi, CEO & Managing Director, Equity Bank, Kenya, reflected upon the supply and demand of the services provided by the bank.

With regard to loans to micro-enterprises, the real challenge is to increase the available cash flow and to find loan guarantees. As far as the largest structures are concerned, whilst cash flow is not an issue, the main problem is the structure of the loan (short/long term, equity). The first thing to do, therefore, is to undertake an evaluation of both the enterprise and the market.

If one considers the products, then many SMEs have one-year loans, whilst at Equity Bank the term of a loan may vary from three to seven years. Micro-enterprises grow through savings and that is why there is a need to provide long-term loans. Equity Bank is investing in literacy programmes for one million small entrepreneurs. These programmes take the form of the provision of financial education for the entrepreneurs in order to familiarise them with the basics of the world of finance. The best 10,000 will then be supported by a coach who will also provide further courses and will support and assist them for three years.

The difficulties encountered by these entrepreneurs are not always of a financial nature. Micro-enterprises often turn to ordinary tradesmen rather than to the banks and therefore the bank helps these tradesmen so that they can get to know the micro-entrepreneurs better in order to provide them with better assistance.

Tony Okpanachi, Managing Director, Cluster Head EAC, Ecobank, Kenya, which is present in 30 African countries, described the SME sector as one that has an abundance of opportunities.

Subsidiaries that specialise in microfinance have been set up in both Cameroon and Nigeria so as to build capacity in these countries, notably with regard to staff training and the provision of suitable solutions. There is a need to work on a complementary basis with the banks in order to extend these activities to the 30 countries in which the Ecobank is present, so as to provide long-term financing.

He highlighted the importance of “adjustable products” as one of the factors of success for SMEs. Training, which is indispensable for the growth of SMEs, enables the branches to grow and to have a better view of the long-term. He added that four key challenges have been identified:

- Capacity building: in order to achieve this there is a need to consider African entrepreneurs in their own context. SMEs must seize export opportunities.
- The necessary financial means must be granted to SMEs and, from this point of view, the political sphere has a crucial role to play, notably in terms of infrastructures.
- Governments must realise that this sector is a vector for the creation of employment and must therefore accord it priority.
- The implementation of an enabling environment, as well as the creation of a reference bureau (notably to ensure the traceability of SMEs).





Plenary Session III: **Innovative solutions to address the financial needs of SMEs**

Dennis DiDonna, Co-Founder, Entrepreneurial Finance Labs (EFL), presented a tool that is designed to identify the best entrepreneurs by evaluating the risks related to the granting of a loan.

This tool was created 4 years ago at the end of a lengthy period of research carried out at Harvard University. It has been considered by the G-20 as one of the most innovative solutions for the financing of SMEs throughout the world. The aim of EFL is very simple: to expand the market, whilst at the same time reducing the risks and the costs.

The tool takes the form of an automated 30 to 40 minute test that has been designed to establish the psychometric characteristics of the entrepreneur. In Mr DiDonna's view, there are four essential points to be taken into consideration: the psychological profile, honesty, intelligence and entrepreneurial aptitude.

The test then analyses the applicant's managerial skills and psychological profile. The results have led to a 25-40% reduction in the number of non-repayments. In conclusion, EFL evaluates the jockey rather than the horse!

Paul Lamontagne, CEO, Enablis Entrepreneurial Network, Canada, which has been established in South Africa since 2004, discussed the expansion of his network in other African countries (Kenya and Mozambique in 2007, Tanzania in 2008, Ghana in 2009 and Rwanda in 2010).

The aim of this network of entrepreneurs is to develop the African fabric of SMEs through the provision of technical assistance. Today, Enablis is a network of more than 2,000 entrepreneurs.

First and foremost, Enablis is a platform of learning and financing. This company provides loan guarantees (\$9.5 millions in approved loans). The average loan is \$100,000 to an SME with less than \$200,000 in turn-over. This structure is at the origin of the creation of 1,000 direct jobs and 29,000 indirect jobs. One of Enablis' achievements is the financing of an industrial juice factory in Johannesburg.

There is great potential to scale micro-finance to the enterprise level, as long as the loans made to SMEs are profitable. Enablis uses the same micro-finance principles in its SME lending model. Investment is required to create a deal flow and sustainable SMEs (\$1.50 for every \$1 made available). Financing is required for only 10-20% of our entrepreneurs and SMEs have fantastic job creation capabilities.



Jury Willemse, Managing Director, GroFin, which has its head office in Mauritius, said that his company targets those who do not have access to the conventional banking system, namely SMEs in the formal sector in all sectors of the economy, as well as those who are looking for a loan for a period of 4 to 7 years, varying in size from \$100,000 to \$1.5 million. Close to 70% of SMEs are not successful in their applications and they fail before a loan is granted to their business.

Grofin provides financial support as well as risk capital, since the two are complementary. The company focuses upon viability and risk management. It provides both technical and financial support for each transaction.

The investment decision is based upon the viability of the entrepreneur and his business. Work is carried out together with the entrepreneur in order to improve his business plan and to establish financing on an annual basis.

There are three fundamental points to be taken into consideration: the viability of the entrepreneur and his business, risk management (forecasting) and a positive cash flow. The provision of support to the entrepreneur is indispensable and success is dependent upon the business plan. On average, 27% of all entrepreneurs are crowned with success. The impact of these investments is considered to be a significant driver of investment and a central element in the actions undertaken by Grofin. Mr Willemse concluded by saying that finance and expertise are the keys to success.

Navin Kumar Maini, Deputy Managing Director at the Indian Development Bank (SIDBI), focused his presentation on the various objectives of this financial institution: to contribute to economic growth, poverty reduction and employment creation.

SIDBI was created by an act of Parliament in India in April 1990. Its objective is the promotion, financing and development of SMEs and the coordination of institutions in this sector. The bank provides financial support of \$45 billion to 32 million micro-enterprises and SMEs. Technical support is provided for all new projects, along with other services that are designed to strengthen the SME sector so that it can remain competitive. The loans made available to the “Missing Middle” range from \$1,100 to \$22,000. Generally speaking, there is a lack of information about this type of company and they are considered to be risky, small in size and to represent high transaction costs.

SIDBI has been a pioneer of microfinance in India. A code of conduct has been established and this is now followed by all of the institutions.

The main objectives of SIDBI are to encourage the development of responsible microfinance institutions, to promote transparency and to reduce interest rates. To this end, a “Lenders’ Forum” has been created in order to promote cooperation between the lenders and the institutions. A code of conduct is used by all of the institutions and a credit bureau has been set up to avoid multiple lending. A further aim is to encourage information sharing among the MFIs.





Of the total bank loan, only 25% are for loans up to \$22,000. This means that there is a huge deficit in terms of credit availability. It is for this very reason that the SIDBI is now concentrating its efforts on the “Missing Middle” segment (from \$1,100 to \$22,000).

Jan-Albert Valk, CEO, Alios Finance, based in Tunisia, presented his group, which has been operating for more than 50 years and is present in a large number of African countries (Mali, Senegal, Côte d'Ivoire, Burkina Faso, Cameroon, Gabon, Kenya, Tanzania, Zambia, etc.). The main characteristics of Alios are as follows:

Alios targets enterprises that are not able to access the financial services made available by conventional banks. It provides specific services such as leasing and its focus is upon speed, proximity, flexibility and the delivery of high quality services.

Leasing is one of its specialities. For the lessee, this means that they are able to use an asset without being the owner. Financial leasing works in the following way: during the leasing period, the lessor continues to be the owner of the equipment and at the end of the lease period the lessee has the option of purchasing the equipment at a predetermined price (residual value). This should not be confused with operational leasing: in this case, the owner does not transfer anything to the lessee at the termination of the lease. At the end of the lease, the lessor can negotiate a second lease or can sell the asset. This type of operation is often combined with other complementary services such as maintenance and insurance.

Mr. Valk pointed out that it is difficult to develop a leasing market in Africa since the legal environment is inadequate and there is no protection of ownership rights. The large number of delays, bureaucracy and corruption are also factors that are slowing down the development and growth of operations of this kind.

This means that certain challenges must be taken up: there is a need to create specialised, in-house recovery teams, to promote a hands-on and pragmatic approach and finally, to ensure that rigorous rules are respected by all parties. However, better use must also be made of company balance sheets and funding should be coordinated centrally in order to avoid a situation in which long-term funding becomes scarce, particularly in local currency.

Due to the inadequate level of control exercised by the central banks, Alios has chosen not to work in certain African countries (Ghana, Chad, Equatorial Guinea, Congo). In these countries, the tax legislation is not conducive to leasing operations. In order to overcome these problems, there is a need to adapt products to the local market.

In conclusion, Mr Valk called for greater proximity to suppliers and for efforts to be made to encourage a proactive culture that is driven by sales in order to make them more flexible and quicker. Finally, there is a need to develop a system that gives greater consideration to the risks associated with SMEs and to make use of a good IT system that is specific for leasing.



Plenary Session IV: Project incubator award finalists

A total of 38 projects have been submitted to the EMRC. Six finalists have been chosen: Sophavet, Burkina Faso – guinea-fowl farming; Set Sarl, Cameroon – recycling of used oils; Transcorps, Cape Verde – urban transport; Prosema, Mali – sesame seed processing; La Découverte Ltd., Rwanda – cosmetics; and Doonya Technologies, France and Burkina Faso – telephony and modern unified communication systems.

All of the finalists have enterprises that have already proved their worth and have been able to obtain loans from the local banks. All of the presented projects were extensions of activities that were already underway.

Unfortunately, Set Sarl from Cameroon was not able to present its project, since the managing director had encountered last minute problems related to his visa.

SOPHAVET was declared the winner and received a prize of \$15,000.

Transcorps and Doonya Technologies were joint runner-ups. They will be able to take part, free of charge, in EMRC's next AgriBusiness Forum 2011, which is due to take place in Johannesburg from 16 to 19 October 2011.

All of the finalists presented their business with a great deal of enthusiasm and they were all warmly received and applauded by the audience.

Guinea fowls from Sophavet Sarl, Burkina Faso





Plenary Session V: The Role & Activities of the AfDB and its Partners in Supporting the “Missing Middle”

Robert Zegers, Principal SME Financing, Private Sector Department at the African Development Bank in Tunisia, began his presentation by recalling the role played by the AfDB with regard to financing and technical assistance in Africa. He highlighted the paradoxical situation of the absence of financing for SMEs, even though these enterprises play a considerable role in promoting growth in the different African countries. He acknowledged that it is not simple to be an African entrepreneur since there is a whole range of problems, particularly with regard to the political environment. He reminded the audience that the AfDB bases much of its work on partnerships with intermediaries and ensures that good collaboration exists between them.

The AfDB carries out its activities to reinforce the private sector in three main areas:

- To identify the obstacles to investment and competition
- To improve the business environment
- To demonstrate the African investment potential

He highlighted the two fundamental approaches that have been identified by the AfDB in order to achieve these objectives. First of all, the provision of consultancy services through several offices located in different Africa countries, and secondly the role played by banks and financial intermediaries, which not only lend money, but also provide technical assistance that is linked to the financing. From this point of view, the AfDB works with all sorts of institutions, including banks and private equity funds, so that it is able to provide lines of credit or guarantees through long-term loans to financial institutions. Last year, several projects were established for a total of \$470 million.



With regard to the financial institutions, the West African Development Bank (WADB, Togo) has been set up in order to provide a better response to the needs of the SMEs. It is the Bank's intention to provide SMEs with funds at an affordable interest rate so that the SMEs are then able to pay back the loan. This financing must go hand in hand with technical assistance, otherwise there will be a high rate of failure and defaulted loans. Traditional banks and financial institutions are often not equipped to service this segment of the market and therefore their lending and risk assessment criteria need to be reviewed.

Mr Zegers gave numerous examples of partnerships between financial institutions and the AfDB regarding the support provided to specialised agencies in favour of specific sectors, notably in the case of the leasing programme in Mauritania (Mauritania Leasing - ML).

In Mr Zegers' opinion, four conditions are necessary in order to enable entrepreneurs to benefit from a favourable environment:

- An enhanced access to finance
- A reinforced business support provision
- The provision of support for entrepreneurship development
- The promotion of an enabling environment

To summarise, the AfDB provides considerable support to the development of the SME sector through a network of financial intermediaries. Global approaches can improve the business environment and large scale projects represent not only good business opportunities, but also a step forward for the sustainable development of SMEs in Africa.





Pietro Calice, Task Manager, Africa Guarantee Fund for Small and Medium-sized Enterprises (AGF) at the African Development Bank, described this fund, which is a joint venture of the three founding shareholders: the African Development Bank, the Danish Government and the Spanish Government. In his view, the main obstacles faced by SMEs are access to finance and a better usage of financing.

The aim of the Fund is not only to promote economic growth and employment creation in Africa through improving the access of small and medium-sized enterprises to financing, but also to provide financial guarantees to African financial institutions that wish to increase and improve their SME lending. Finally, the aim of the AGF is to co-finance the operational costs incurred by the financial institutions in developing the capacities of the SMEs to which loans are made.

The AGF works as follows: the financial operations must meet with the market conditions, notably with regard to the design and pricing of products. An investment committee composed of independent members must be set up. A guarantee fund, which is managed by the AGF, has been created to support capacity development and the capacity development activities are carried out by existing external organisations. The AGF is based in Nairobi and it operates in nine countries: Senegal, Mali, Ghana, Cameroon, Kenya, Tanzania, Uganda, Mozambique and Zambia. The aim is to gradually extend coverage to the whole of Africa.

The initial guarantee capital is \$50 million, the medium term growth is \$300 million dollars and the longer term perspective (through the gradual involvement of private sector investors) is \$500 million.

Mr Calice highlighted the fact that the donors' guarantee programmes need to be harmonised, rationalised and professionalised. The clients are commercial banks, leasing companies and other financial institutions. The target groups for the loans are SMEs in all sectors, with a particular focus being placed on the creation of employment for women and young people.





TUESDAY 7 JUNE 2011

Plenary Session VI: Non-financial support services to banks and SMEs

Angela Strachan, Chief, Business Environment Section, in the Business & Institutional Support Division at the International Trade Centre (ITC) in Switzerland, spoke about non-financial support services for banks and SMEs.

However, before doing so, she described the ITC: created in 1964 it is a joint cooperation agency of the UN and the WTO and is financed by these two organisations, as well as by other donors. Priority is accorded to emerging countries and those in transition, whilst the priority markets are exporting and export ready SMEs. The priority sectors are agriculture, women and the strengthening of regional trade. There are many projects already underway in a variety of African countries such as Benin, Zambia, DRC, Uganda and Senegal.

The ITC carries out its activities designed to improve the financing of SMEs in four different areas:

- Strengthening the overall management capacities of SME managers, in particular in financial management.
- Enhancing financial institutions' understanding of SME needs and risks.
- Building better links between international and regional financial institutions (e.g. AfDB) and commercial banks.
- Broadening the range of financial services targeting SMEs.

In terms of building the managerial capacities of SMEs, the ITC analyses and maps the most promising sectors and the respective financial needs of the actors concerned. It also provides training and support to SMEs, cooperatives and associations before, during and after the loan. The ITC also assists in the formulation of bankable business plans.

With regard to the aid provided to the financial institutions in order to facilitate the access of SMEs to financial services, the ITC identifies the financial institutions that are the most interested in developing financial services for SMEs. In this way it is able to provide risk reduction methods according to the specificities of the financial institutions. It negotiates lines of credit or guarantee funds with donors (the AfDB, for example) and finally, it facilitates a better degree of coordination between trade support organisations and financial institutions in order to improve the understanding of the financial needs of SMEs.





The aims pursued by the ITC in this area are to promote a better access to financing for SMEs, to develop better quality business plans to be submitted to banks, to build the capacities of all of the actors of the value chain in the specific sectors, to create stronger trade support institutions delivering better coaching services to their members and finally, to reduce the knowledge and communication gap between the SMEs and the banks.

Oltac Unsal, Manager at InfoDev, based in the USA as part of the World Bank, described his group as being mainly focused upon technology, entrepreneurship and innovation. It concentrates its efforts on enterprises that use technology in order to deliver innovative solutions or to increase their competitiveness on the market.

Their main sphere of action is the creation of business incubators. One successful example of these incubators is the “Climate Innovation Centre” in Kenya, which has five objectives that are designed to assist SMEs: improve access to financing, provide business advice services, improve international synergies, the regulatory environment and the visibility of the centre, improve access to information regarding the market and appropriate technologies and finally, to provide access to laboratories and ICT facilities.

EGG-Energy in Tanzania is another project that provides electricity to low-income African households, thanks to the use of portable batteries that can be recharged by the existing grid. Each battery is sufficient to power lights, recharge a mobile phone and to listen to the radio. At the end of their useful life, the batteries are recycled. The target market is the Tanzanian rural populations, which is composed of some 5 million households.

Mr Unsal also presented Chahbani Technologies in Tunisia, which is engaged in the mobilization, usage and conservation of rain water and ground water. In 2009, this company began the production and commercialisation of buried diffusers, which received the UNESCO Water Prize in the same year.

Allon Raiz, Director of Raizcorp, based in South Africa, gave a firsthand account of the development of his career. At the age of 26 he attempted to set up his first enterprise with the help of his mentor, but these efforts ended in failure. However, in 2000 he created Raizcorp out of the ashes from this failure. Raizcorp is an enterprise incubator that enables SMEs to start up and to develop. From the very outset, he made it very clear that Raizcorp has been set up in order to make a profit and that in order to achieve this aim, the SMEs that give 20% of their capital to Raizcorp have to be profitable. The goal is to provide an enabling environment and development services to a group of entrepreneurs who are pre-selected, to provide them with the highest level of training in entrepreneurship and finally, to surround them with a full time team of highly experienced coaches. Some 86% of the companies that have benefitted from support provided by Raizcorp have recorded a 20% growth at the end of the first year.

A group of entrepreneurs is chosen according to the desire and determination of each individual and



although their level of education is important, a more decisive factor is their ability to bounce back. Raizcorp considers trust and encouragement to be two essential elements and Allon Raiz has benefitted from both in the past and is aware that they are both indispensable if an SME is to be successful.

Here are the different criteria that can be used to identify the best entrepreneurs: first of all, efforts are made to assess their degree of interest, they are then invited to attend an interview, which is followed by a test composed of three audits. A second interview then takes place and finally, if they have passed all these tests, they are invited to sign a contract. Mr Raiz explained that only 20% of the entrepreneurs who embark upon this process get through to the end of it.

In terms of assistance, Raizcorp is able to provide modern office facilities, training and, above all, strategic guidance. Five main mentors have been trained and they focus their efforts on strategy, coaching, sales, marketing and finance. Co-financing continues to be the principle and indispensable element of entrepreneurial success. Raizcorp does not finance the SMEs directly, rather it provides the basic requirements needed to obtain financing. Raizcorp's areas of specialisation are entrepreneurship and training.

Paul Malherbe, CEO of AMSCO in South Africa, set out the aims of his enterprise, which are to develop African enterprises for profitability, sustainability and global competitiveness and to leave them with a local expertise.

AMSCO has 202 client companies, 79% of which are SMEs and 21% large companies. There are 304 AMSCO managers. AMSCO has 22 years of experience as a catalyst for skills development in Africa. It encourages the use of African, national and international expertise in order to push local businesses to growth and profits.

The UNDP's ATMS (Africa Training & Management Services) project has been entrusted to two parts of AMSCO: the first recruits managers and ensures the management of staff, whilst the second is the ATMS Foundation, which provides subsidies to support the training activities of certain SMEs and to support the salaries of the seconded managers.





They have a range of different clients, from small (less than \$3 million), medium-sized (\$3 to \$15 million) and large companies (more than \$15 million in assets and revenue). Their services are aimed at for-profit companies from the private sector that do not carry out any form of harmful or illegal activity and which are serious about their growth and sustainability.

AMSCO is present in 23 sub-Saharan countries and has 6 offices on the continent. It is involved in the financing of the healthcare, agriculture, retail and distribution sectors. AMSCO is financed by various donors, including the World Bank International Finance Corporation and the African Development Bank.

The KCMB microfinance institution in Nigeria was presented by Mr Malherbe as an example of a success story. This had been a loss-making bank up until it was coached in 2009 by AMSCO in the areas of risk management, savings collections and customer sales/relations. The results were impressive: the customer base grew four-fold, the bank moved from a loss to a profit situation in 12 months and revenues grew by 350%.

AMSCO provides an expanded service offering to build the future and is clearly committed to developing the African private sector.

Jealous Chirove, Senior Technical Adviser at the International Labor Organisation (ILO) in Zambia, gave an insight into non-financial support services for banks and SMEs.

The aim of the ILO is to act as a mediator so as to mobilise a range of actors (associations, Chambers of Commerce, NGOs, etc) in order to develop coordination and marketing in a market oriented manner and to establish links between financial bodies and entrepreneurs.

The impact evaluations of the SMEs' programmes have made it possible to identify the existence of a target group that is capable of a greater number of decent jobs per enterprise. Even the smallest enterprises are able to contribute to economic growth and to development. The target group is defined by the number of employees in the enterprise (between 5 and 100). Projects have already been launched for this type of enterprise in Zimbabwe, Zambia and in Uganda and they are now being implemented in South Africa, Mozambique, Nigeria and Kenya. The aim of the projects is to create employment and to contribute to economic development. These companies must be growing businesses with basic business systems in place and have an explicit intention to expand. These types of companies have a strong potential for job creation and growth.



This is what the entrepreneurs receive:

Medium-term (up to 5 years) financing of between \$40,000 and \$300,000, assistance to formulate a business plan to access finance, assistance in developing a clear growth strategy plan in order to strengthen their core areas of activity, business counselling and finally, a unique platform to network and to do business with other Growth Oriented Enterprises (GOEs).

In conclusion, the provision of technical assistance to financial institutions is essential in order to successfully engage with the SME market. Capacity building is very important for SMEs so as to facilitate the flow of information and their relationship with the banks. The role of the business associations and the linkages with the banks and the SMEs are also useful factors. Finally, the programme partners (the banks, ITC, ILO) need to know and to share information regarding the activities.

Plenary Session VII: **Business enabling environment**

Steven Kamau, Director, CRB Africa, Kenya, began his presentation by underling the importance of credit information sharing.

CRB Africa is a credit referencing bureau in sub-Saharan Africa, which was set up 13 years ago in Kenya. This bureau works in a range of sub-Saharan countries in order to promote credit information sharing and, to this end, several credit bureaux have been established in certain African countries (Kenya, Rwanda, Zambia, Malawi and Botswana).

CRB provides local expertise and knowledge in software development and project implementation. Mr Kamau said that credit bureaux are important for a number of reasons: to ensure a broader and fairer access to credit, to promote better performing loans, to prevent over indebtedness, to reduce service costs, to lower the cost of borrowing and finally, to improve systemic risk monitoring.

Mr Kamau then discussed the many challenges encountered in developing credit bureaux in sub-Saharan Africa. First of all, there is a restrictive legal environment for the development of these operations and the quality of the information is not uniform and is only rarely made available in electronic form. Secondly, the relative size of the credit market and the market's low level of awareness of credit are also an issue.

Mr Kamau then presented a case study of the financial sector in Kenya. There are 40 banks in Kenya and in 2009 they had a loan portfolio of \$10 billion. The central banks play a very important role within this system. The capital market represents an overall figure of more than \$15 billion. There are also credit and savings cooperatives, as well as microfinance institutions on the market.





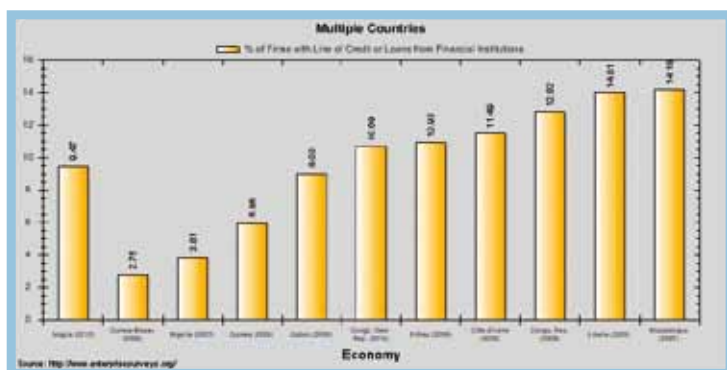
Credit information sharing is recent. Efforts to discuss it as a private sector initiative began in 1998. An amendment to the Banking Act in 2002 allowed for the registration of credit bureaux, but it was only in 2010 that the first agency really began to operate.

The credit bureaux project is an initiative of a group of bankers' associations that has been developed to cover more than 40 financial institutions. The study concluded that in order to establish an enabling legal environment, then there is a need to envisage complete reporting (positive and negative aspects), to authorise cross-sector information sharing and to mandate information sharing. By making use of credit bureaux and by carrying out horizontal studies, then it is possible to establish a risk classification of loans and to optimise repayment rates.

Alejandro Alvarez de la Campa, Global Product Leader, Secured Transactions & Collateral Registries – IFC, USA, spoke about secured transactions and the collateral registries programme, which is designed to facilitate the business environment and consumer loans.

Secured transactions represent a legal and institutional framework to facilitate the use of movable property as collateral for both business and consumer loans. Movable property includes all types of movable assets, such as, for example, vehicles, industrial and agricultural equipment, agricultural products (crops, livestock) and consumer goods (computers, etc.).

These secured transactions are important for Africa since they make it easier for banks to make a loan. SME finance gap in Africa amounts to 140-170 billion dollars.



The financial gap of SMEs. Percentage of enterprises per country with credit line or loans from financial institutions. IFC.



At the moment, there are many obstacles, such as the absence of an adequate legal framework, the lack of registry of security interests in movables, the lack of know-how regarding movable asset lending and the lack of interest.

The aim is to increase access to sustainable credit for companies, particularly for SMEs. There is a wide range of different potential clients (central banks, Ministry of Finance/Justice/Trade). The assistance takes the form of advisory services and technical assistance. The beneficiaries are financial institutions (banks and non-banks), enterprises (mostly SMEs), households and consumers. The result is an increase access to credit for SMEs.

There are a number of projects currently underway in Africa, notably in Malawi (the "New Personal Property Security Act"), the OHADA regional initiative (new uniform secured transactions act), southern Sudan and Liberia (new secured transactions law).

In conclusion, Mr Alvarez de la Campa reviewed the impact of secured transactions reform in Latin America and Asia. In Mexico, for example, the number of loans secured with movables has multiplied by 4 in 6 months and now represents a total figure of \$50 billion. In China, this reform has led to the granting of loans for a value of \$1.5 trillion, mostly in favour of SMEs

Oscar Madeddu, Principal Financial Specialist, IFC, presented this organisation as being the private sector of the World Bank. The IFC provides technical assistance to regulators, governments, and lenders.

The GCBP (Global Credit Bureau Program) is an IFC programme that was launched in 2004 and is designed to establish credit reporting in developing countries and to provide technical assistance to more than 60 countries, notably through the setting up of credit bureaux. Mr Madeddu commented that the countries that do not have credit bureaux are the very same countries in which access to credit is the most difficult.

It all began in 1994 in Ecuador, which was being hit by a severe financial crisis. There were no credit bureaux at that moment in time. Seven years after the establishment of these bureaux, there has been a ten-fold increase in the volume of credit!

One of the most essential points is to convince microfinance institutions to share data. A study was carried out to highlight the multiplicity of loans accorded by the microfinance institutions. The study also showed that many clients had loans with other lenders and that these lines of credit were higher than the loans offered by the microfinance institutions. It was only possible to detect the existence of this situation because all of the lenders shared information with the same credit bureau.





These institutions therefore need to share their data with the same credit bureau, rather than set up their own bureau. By following this type of process, the results achieved are highly encouraging (cf. Ecuador, for example).

Mr Madeddu then discussed the importance of non-traditional data to measure the solvency of clients who are outside the formal circuit. He presented a project that has been carried out in Italy on the basis of data referring to payment of water bills. A total of 154,000 clients were analysed to establish whether they had paid their water bill regularly and punctually and it transpired that this data does allow for a reliable credit risk assessment. For example, amongst those without a credit history, 83% would be eligible for a loan.

Kampeta Sayinzoga, Permanent Secretary & Secretary to the Treasury, Ministry of Finance & Economic Planning, Rwanda, emphasised the importance of good governance for a business enabling environment. The President's aim is to achieve this by 2020 in order to allow the private sector to fulfil its role as a driver for growth. From this point of view, dialogue between the public and private sector must be stepped up in order to achieve ambitious reforms with the support of the Parliament and the Judiciary.

Several reforms have already been successfully introduced. Until recently, it was necessary to undertake nine different procedures in order to create an enterprise, whereas today there is only one procedure and this serves not only to accelerate the process, but also to limit corruption. In keeping with this approach, the registration costs for the creation of an enterprise have been reduced from \$400 to \$25 and the 6% property transfer fees have been reduced to a low flat rate of \$4. The property registration procedure has also been streamlined from 5 to 2 steps. A one-stop shop has been established for construction permits, which includes agencies for the environment, water, electricity and local government. The number of procedures has also been cut from 14 to 6 and this process now takes 98, rather than 200, days.

Whilst recognising the fact that this was still not sufficient, Ms. Sayinzoga stressed that the country is moving in the right direction. As a result of these reforms, an average of 6,000 enterprises is being registered each year, compared to an annual figure of only 1,200 in the past. The reforms have also brought about reduced costs of compliance, which is also to the benefit of the SMEs.

Furthermore, companies may now be registered free of charge on line and the electronic registration of property has also been introduced.



Other measures have also been taken with a view to improving the business environment, such as new labour law to facilitate the employment of workers, an insolvency law to facilitate the closure of a company, the streamlining of procedures regarding cross-border trade (with Uganda) and the introduction of commercial courts to speed up the resolution of disputes.

In conclusion, Ms. Sayinzoga said that a great deal of support is essential in order to introduce bold reforms that have to be implemented in a pragmatic and patient way. It is necessary to both streamline and to automate, for example, through the creation of a one-stop centre for company registration. A strong and ambitious vision is indispensable, as well as the creation of a partnership between the public and private sector.

Plenary Session VIII: **Promoting investments in African SMEs**

Jérémy Hajdenberg, Investment Officer at Investisseur et Partenaire pour le Développement (I&P), based in France, presented his group, created in 2002. I&P's aim is the development of the private sector, the economic fabric and entrepreneurship values in Africa in order to promote local economic and social development.

There is a need to free up the potential of SMEs and of the financial sector and to promote a spirit of socially and environmentally responsible enterprise. In order to achieve this, I&P is currently envisaging the creation and development of high potential SMEs and accords priority to strong governance.

I&P provides investments of between €151,000 and €1.5 million and places a strong focus on entrepreneurs and their know-how and expertise. These investment funds provide not only capital but also, and above all, development guidance.

I&P is able to offer strong potential for value creation for companies that are looking for coaching and advice in a wide range of sectors (health, food processing, agriculture, building materials, retail, services, microfinance...).

Mr Hajdenberg moved on to provide an example of an SME that has benefited from assistance provided by I&P: an eye surgery clinic in Dakar, which has a team of skilled surgeons. As a result of the compilation of a 30-page business plan, I&P managed to convince a bank to provide a loan on the basis of the quality of the plan. The clinic is now profitable and has almost completed the repayment of its loan. I&P also provided pre-investment support, helping to reshape financial projections, review market studies, to obtain support from the AFD (French Development Agency) through its ARIZ guarantee scheme and the local bank.

I&P's post-investment support focuses upon administrative and financial management, accounting systems, legal status, treasury management/accounts receivable, organisational audit, communication with the local





bank, technical diagnostic of specific maintenance problems and finally, moral support.

Nicolas Hertkorn, Investment Officer, Guarantee Scheme Unit, French Development Agency (AFD), based in France, explained the aim of his Unit, which is to promote the access of SMEs to credit. Focus is placed on the technical aspects and the need for good governance.

The AFD provides support for local initiatives that are designed to strengthen SMEs, technical and financial assistance, as well as a risk-sharing tool for commercial banks (the ARIZ guarantee scheme). The Agency also provides guarantees for specific needs (post-conflict and post-economic crisis situations) and partial credit guarantees as a tool for policy-makers (government, donors) to support lending activities with a specific target: agriculture, renewable energies.

The approach adopted by the AFD is based upon statistics in order to manage costs without having to make use of subsidies. An important aspect of this programme is to disperse risk. The banks require an appropriate environment and this can be achieved through global governance (justice, financial statements and auditors), adapted banking regulation (risks weighted according to the assets), the resolution of fiscal issues and a guarantee system.

The guarantee scheme must therefore have a simple but effective design, must provide for partial risk sharing, should ensure the profitability of a bank's loan portfolio and be sustainable.

Aguinaldo Jaime, President of the Private Sector Investment Agency (ANIP) in Angola, began his presentation by stating that the growth rate in Angola had been amongst the highest in the world in recent years and that it had been one of the five leading countries in terms of attracting investment (the majority, or 75%, of which, are African). Angola's strategy is to integrate the informal economy. ANIP is the organisation of reference for private investors. Once an approach has been made, a feasibility study is asked for and ANIP helps the investors to manage their business.





Despite the political and economic upheaval of the past, the Angolan government has improved the country's image as a good destination for investment, notably through education and telecommunications, as well as basic infrastructures (road and rail systems), so as to attract companies and to promote partnerships. ANIP is therefore the entry point for all entrepreneurs who wish to invest in Angola.

ANIP has two major roles to play: to diversify the economy and to generate employment. It pursues these aims, in part, to consolidate national reconciliation. Mr Jaime concluded by saying that Angola is very fond of economic stability!

Diogo Araujo, CEO of SOFID (Finance and Development Company), based in Portugal, presented his financial institution as an innovative solution that is unlike traditional banks.

The state owns 60% of SOFID's capital, whilst the remainder is held by private funds. It is regulated by Portugal's Central Bank. SOFID supports Portuguese companies and business partners investing in emerging and developing countries. Its aim is to promote sustainable private sector development in these countries. As part of these efforts, SOFID contributes to the transfer of technology and knowledge, as well as wealth distribution. It is both flexible and independent in the sense that it is able to adjust or adapt to its clients' needs in order to provide tailor made products.

In order to be eligible for SOFID's support, an enterprise must be economically and financially viable and must have environmental concerns. Finally, SOFID prefers to work in partnership with local banks. SOFID is also able to offer tailor made financial products (loans, guarantees, equity) and financial services (advice and resource mobilisation).

With regard to loans and guarantees, these are provided under commercial conditions for a grace period of up to 3 years and a maturity term of 10 years. They are provided in a hard currency and a local bank provides the local currency.

Mr Araujo then presented a successful case study of a poultry industry in Mozambique, which sells chicks and feed to local farmers, buys back the chickens and supplies frozen chickens and a network of "container shops".

To conclude, he quoted a well-know African saying: "if you want to go fast, run like the gazelle, but if you want to go far, run together like the buffalo."





Paul Van Aalst, Director for Europe & Africa, at E+Co, based in the Netherlands, began his presentation by saying that his enterprise invests in companies that provide access to energy. E+CO finances both capital and services and may invest as much as \$1 million, notably in hydro-power and biogas projects (Kenya and Tanzania). Mr Van Aalst then went on to speak about the different contributions that his enterprise is able to provide.

First of all, active support to sponsor at an early stage, including capacity building for the entrepreneur and small initial investments to sponsor for early stage costs, as well as support in obtaining licences and concessions.

It then provides support for financial engineering in order to make investments affordable, notably through one-off subsidies for initial costs in order to make the project bankable, as well as the clustering of small projects into a holding company for investors.

Finally, it is possible to use E+CO's global network in order to find project partners with an active exchange of best practices of E+CO investments in other regions, as well as to arrange co-financing from the global network.

A further particularity of this organisation is the provision of support for the entrepreneur through the preparation of a finance plan.

Mr Van Aalst also emphasised the importance of integrating investments and business development services. This serves to mitigate the risk for the investor. For the entrepreneur, this helps to ensure that his/her project is both sustainable and profitable and that it will create jobs. Finally, the financial sector in general will also benefit from a stronger private sector that has a greater amount of capital and provides a growing number of investment opportunities.

Mr Van Aalst then gave an example of an enterprise that has benefitted from aid provided by E+CO: Lambark Gas is a gas and oil company that has specialised in the distribution of liquefied petroleum gas (LPG) for the last 12 years. This company operates 4 LPG filling plants with a total storage capacity of 100 metric tons, 2 bulk LPG haulage trucks and 15 delivery motor cycles. It has acquired a licence to acquire LPG directly from the Tema oil refinery and to supply retail clients and household customers directly. This license eliminates third party operators in the LPG supply chain, expands customer base, and improves profit margins to 21.5%



Plenary Session IX: **Continental and intercontinental SME partnerships**

Moussa Sidibé, Head of Programme, Campus France, presented his organisation's support programme for SMEs and SMLs, which contributes to the emergence of SMEs and a support programme for technological SME and SMLs in Africa.

Campus France contributes to the emergence of technological SMEs and SMLs in Africa through collaboration between African entrepreneurs and French schools of engineering (the "n+i network").

The objectives are to favour the emergence of technological SMEs and SMLs and to contribute to the promotion of the entrepreneurial spirit and enterprise creation in Africa, as well as the insertion into employment in Africa of graduates of higher education, so as to promote activities that create both wealth and employment.

Campus France provides a range of services, including support for market and feasibility studies, technical and scientific assistance provided by the French schools of engineering, financial expertise, financial support and support for a business once it has been set up.

A point of particular interest is the support for financing which is provided through an instrument called the "prêt d'honneur", which includes a financial valuation of the project, the strengthening of the entrepreneur's equity and, above all, mediation with the banks.

Doonya Technologies is a fine example of a project in Burkina Faso that has benefitted from this type of support. Starting with a budget of \$150,000, the aim of the project is to install a new telecommunications system. Campus France has been able to provide specific responses to an entrepreneur who had clear and precise questions and, above all, was able to convince the banks to grant him the loan he required.

In conclusion, Mr Sidibé said that the key issue for Campus France is the provision of technical and scientific assistance.





Nomsa Daniels, Executive Director, New Faces New Voices in South Africa, gave a presentation on African women's access to finance.

New Faces New Voices is a pan-African network mobilized to promote change for women in the financial sector and to build their capacities. Its aim is to increase women's inclusiveness in the financial sector to fundamentally shift the business and financial landscape across Africa, whilst at the same time having a positive socio-economic impact. A further aim is to create more effective partnerships by identifying the strategic partners, improving the existing programmes and amplifying the voice of African women.

New Faces New Voices has three main goals: to increase women's access to finance, to promote the involvement of women in the financial sector and, above all, to build the capacity and skills of African women.

New Faces New Voices is supported in its efforts to achieve these goals by two partners: the African Development Bank and the International Labour Organisation.

The following figures are highly revealing: women own 43% of all SMEs in Tanzania, 39% in Uganda and 35% in South Africa and there are somewhere between 16 to 24.5 million women-owned formal and informal micro and small businesses. Finally, women borrowers are considered to be a lower risk than men.

Unfortunately, women are faced by a large number of constraints. First of all there is a lack of access to finance (in Tanzania only 8% of women-owned enterprises have received bank finance compared to 30% of male-owned enterprises), as well as a lack of banking services offered to women. There are also examples of discriminating legislation (in Swaziland women cannot be party to a contract) and finally, there is a lack of education, particularly with regard to business skills.

Ms. Daniels concluded her presentation by highlighting a number of areas that must be improved. There is a real need to strengthen relationships between public and private sector institutions and organisations through better programme coordination. It is necessary to assist partners to improve their penetration of their existing markets whilst gaining access to unexplored markets and increasing their profitability, whilst at the same time developing research and best practices that address the needs of women entrepreneurs. Finally, it is important to identify a talent-pool of women who can serve in senior management positions, leading to the greater representation of women in the financial sector in Africa.



CONCLUSIONS

Numerous aspects of the “Missing Middle” were discussed throughout the Forum. Although there are many pieces of the puzzle that need to be considered by the countries that wish to encourage the growth and the prosperity of the “Missing Middle”, Kampeta Sayinzoga, Permanent Secretary and Secretary to the Treasury, Ministry of Finance & Economic Planning, Rwanda, highlighted the most important aspect: Rwanda has clearly shown that by simplifying the environment in which SMEs operate, by streamlining procedures and by reducing the cost of creating a new business, they have enabled 6,000 entrepreneurs to create their own enterprise during 2010, compared to only 1,200 enterprises created on an annual basis in previous years. Whilst one should not overlook the importance of activities designed to increase the availability of finance, the improvement of the environment so that it is conducive to the creation of enterprises, is of fundamental importance.

Amongst the other important aspects raised, particular mention should be made of the following:

- The capacity to provide entrepreneurs with appropriate technical and financial support.
- The creation and support of institutions that promote the growth of the SME sector, namely credit bureaux at the national level which share their information, leasing companies (which require favourable legislation in order to flourish) and the streamlining of the selection procedures for beneficiaries.
- Commercial banks which focus part of their activities on the development of SMEs.



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