

# New SME Financial Access Initiatives: Private Foundations' Path to Donor Partnerships

**Benjamin Leo**

## Abstract

In recent years, a number of private foundations and organizations have launched ambitious initiatives to support promising entrepreneurs in developing countries, on both a for-profit and not-for-profit basis. Many of these programs have focused exclusively on building business capacity. While these tailored programs play an important role in supporting small- and medium-sized enterprise (SME) development, their overall effectiveness remains hamstrung in part by continuing constraints on entrepreneurs' access to expansion and operating capital. Simultaneously, the U.S. government, other bilateral donors, and international financial institutions (IFIs) have launched a series of initiatives that provide both financial and technical assistance to SMEs in developing countries. Surprisingly, collaboration or formalized partnerships between private foundations and donor agencies has been somewhat limited—particularly on a strategic or globalized basis. This paper is targeted for these private foundations, especially those focused on women entrepreneurship. First, it provides a brief literature review of the rationale for and against SME initiatives. Second, it presents an overview of existing targeted USG and IFI programs. Lastly, it offers several new, incremental options for private foundations to establish focused partnerships with donor agencies in support of their ongoing organizational goals.

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Private Foundations' Path to Donor Partnerships**

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## **I. OVERVIEW**

In recent years, a number of private foundations and organizations have launched ambitious initiatives to support promising entrepreneurs in developing countries – on both a for-profit and not-for-profit basis. Many of these programs have focused exclusively on business capacity building efforts. While these tailored programs play an important role in supporting small- and medium-sized enterprise (SME) development, their overall effectiveness remains hamstrung in part by continuing constraints on entrepreneurs' access to expansion and operating capital. Simultaneously, the U.S. government, other bilateral donors, and international financial institutions (IFIs) have launched a series of initiatives that provide both financial and technical assistance to SMEs in developing countries. Surprisingly, collaboration or formalized partnerships between private foundations and donor agencies has been somewhat limited – particularly on a strategic or globalized basis. This paper is targeted for these private foundations – especially those focused on women entrepreneurship. First, it provides a brief literature review of the rationale for and against SME initiatives. Second, it presents an overview of existing targeted USG and IFI programs. Lastly, it offers several new, incremental options for private foundations to establish focused partnerships with donor agencies in support of their ongoing organizational goals.

Against this backdrop, there is growing momentum among both the U.S. Government and other leading economies for an even greater focus on private sector-led development initiatives. In April 2010, the Obama Administration hosted a Summit on Entrepreneurship to deepen ties between the United States and Muslim governments, communities, businesses, and foundations to support entrepreneurship, job creation, and economic growth. The Group of 20 (G-20) has launched a number of financial access initiatives during its last two summits in Pittsburg and Seoul. Moreover, there is an opportunity to build agricultural SME finance and capacity building programs into the Obama Administration's \$3.5 billion *Feed the Future* initiative. Collectively, these initiatives and ongoing efforts provide an opportunity for private foundations to collaborate with donor governments in support of entrepreneurs in developing countries.

## **II. SME GROWTH POLICIES: RATIONALE AND CONSTRAINTS**

### **A. Rationale**

A growing body of empirical research has attempted to demonstrate the contribution of SMEs on job creation, improved livelihoods, and overall economic growth. To summarize, these

studies generally rely upon on three core arguments.<sup>1</sup> First, SMEs often are labor-intensive; and therefore, SME growth leads to job creation. Second, higher numbers of SMEs in a given marketplace produce greater competition among firms, increased output, and improved consumer outcomes. Finally, SMEs have the potential to be more productive than large firms, but are constrained by market and institutional failures.<sup>2</sup>

While economists generally recognize a correlation between SMEs and increased economic growth and job creation, several recent cross-country studies have failed to identify a causal linkage.<sup>3</sup> For example, Beck et al (2003) finds a robust, positive correlation between SME development and economic growth.<sup>4</sup> However, the authors do not find robust support for a causal relationship after controlling for simultaneity bias. In other words, the authors do not find that SME growth *a priori* leads to economic growth and/or a reduction in poverty levels (as illustrated by the percentage of population living below the poverty line).

Overall, several methodological limitations may necessitate caution in interpreting empirical results. First, there are significant gaps in SME performance data.<sup>5</sup> This is most notable in non-manufacturing sectors (e.g., agriculture and services), which account for the overwhelming majority of employment in many developing countries.<sup>6</sup> Second, national governments utilize different operational thresholds for defining SMEs (see table 1 below).<sup>7</sup> Strikingly, countries with similar income per capita levels have dramatically different thresholds. For example, Vietnam and Ghana both have an income per capita of roughly \$1000, yet have different SME

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<sup>1</sup> For a more complete literature review of arguments for and against SME-targeted policies, see Thorsten Beck, Asli Demirguc-Kunt, and Ross Levine, "Small and Medium Enterprises, Growth, and Poverty: Cross-Country Evidence," *World Bank Policy Research Working Paper 3178*(2003).

<sup>2</sup> For more information on pro-SME arguments, see:

World Bank Group, "Can Intervention Work? The Role of Government in Sme Success,"(1994). and

World Bank Group, "Sme. World Bank Group Review of Small Business Activities,"(2002, 2004).

<sup>3</sup> Thorsten Beck et al., "Finance, Firm Size, and Growth," *Journal of Money, Credit and Banking* 40, no. 7 (2008) and Beck, Demirguc-Kunt, and Levine, "Small and Medium Enterprises, Growth, and Poverty: Cross-Country Evidence."

<sup>4</sup> Beck et al (2003) surveys over 70 countries in six different continents. Subsequent updates to their analysis (Beck et al, 2005 and 2008) use smaller samples but reach the same conclusions.

<sup>5</sup> Ibid

<sup>6</sup> International Labour Organisation, *Global Employment Trends 2011: The Challenge of a Jobs Recovery*. (2011).

<sup>7</sup> Tom Gibson and H.J. van der Vaart, "Defining SMEs. A Less Imperfect Way of Defining Small and Medium Enterprises in Developing Countries," (2008).

employment thresholds (300 versus 100). Alternatively, countries with vastly different income levels – such as Switzerland and Moldova – utilize the same SME thresholds (250 employees).

**Table 1 – Official National Definitions of SMEs, Select Countries**

<b>Country</b>	<b>GNI Per Capita</b>	<b>Maximum Employees</b>	<b>Country</b>	<b>GNI Per Capita</b>	<b>Maximum Employees</b>
Vietnam	1,113	300	Belarus	5,075	100
Switzerland	63,629	250	Nicaragua	1,069	100
Thailand	3,893	250	Bangladesh	551	100
Moldova	1,516	250	Ghana	1,098	100
Brazil	8,230	200	Egypt	2,270	50
Peru	4,469	200	Pakistan	955	50
Morocco	2,811	200	Malawi	310	50
Norway	79,089	100	Tanzania	503	20

*Source: Gibson and van der Vaart (2008)*

In light of these differences in national definitions, multilateral development banks (MDBs) have utilized harmonized SME thresholds based upon the number of employees and total assets.<sup>8</sup> At the same time, these harmonized definitions often do not include a lower-bound SME size threshold – such as a minimum number of employees or yearly revenue. The result is that one-person microenterprises can be lumped together with larger firms that employ hundreds of workers and generate millions of dollars in revenue. While these common metrics enable cross-country empirical analysis, they may not adequately control for national differences in income per capita levels (as highlighted above), purchasing power, and sector breakdowns.

Ultimately, this paper does not attempt to bolster or refute the literature examining linkages between SMEs and increased economic growth, improved livelihoods, and job creation. Instead, it simply recognizes that this academic debate will continue for the foreseeable future while donors simultaneously continue to target funding for SME initiatives. In this context, my central aim is to improve the efficacy and alignment of existing efforts – particularly of private foundations – to support SME entrepreneurs in developing countries.

## **B. SME Growth Constraints**

In general terms, SMEs in developing countries face many common interlocking challenges that prevent them from expanding operations and contributing more substantially to economic growth. Several examples include:

<sup>8</sup> For example, the World Bank defines SMEs as having a maximum of 300 employees or \$15 million in total assets.

- Lack of access to financing instruments designed for their particular needs.
- Poor business environments dramatically increase the cost of doing business (ex – excessive taxation, licensing, and registration burdens).
- Low management and administrative capacity (finance, accounting, human resources, and marketing).
- Poor access to the infrastructure necessary to transport their products and services to market.
- Few organized supply chain linkages with large businesses.

A number of survey-level studies have found that SMEs perceive greater obstacles than large firms both in terms of accessing finance and the underlying cost of credit.<sup>9</sup> Moreover, SMEs find that these issues have a significant negative effect on their business performance. Put simply, larger, older, and foreign firms have a much easier time accessing expansion and development capital than SMEs.<sup>10</sup> There are several reasons for this. First, developing country financial institutions often have extremely conservative lending practices. They often prefer to invest in high-yielding government treasuries or in large corporations that they view as low-risk. As such, potential SME borrowers often are unable to qualify for a loan. If they are able to qualify, they are often unable to meet collateral requirements that can be as high as 100 to 200 percent of the underlying loan value.

Several of the aforementioned SME constraints also further restrict access to capital. Poor organizational capacity can impact SMEs' ability to conclusively convince banks that their businesses are well managed, highly profitable, and sustainable. Lack of formalized supply linkages with large, well-established companies can also cast doubt on the sustainability of some SMEs' business models. Lastly, poor business climates have a disproportionate impact on SMEs

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<sup>9</sup> Schiffer, M. and Weder, B. (2001), "Firm Size and the Business Environment: Worldwide Survey Results," International Finance Corporation Discussion Paper 43.

Beck, T., Demirgüç-Kunt, A., and Maksimovic, V. (2005), "Financial and Legal Constraints to Firm Growth: Does Firm Size Matter?" *Journal of Finance* 60, pp137-177.

Inter-American Development Bank (2004), *Unlocking Credit: The Quest for Deep and Stable Lending*, The Johns Hopkins University Press.

<sup>10</sup> Thorsten Beck, Asli Demirgüç-Kunt, Luc Laeven, and Vojislav Maksimovic (2004), "The Determinant of Financing Obstacles", World Bank Policy Research Working Paper 3204.

– largely due to their lower organizational resources (human and financial capital) to both navigate and overcome regulatory burdens.

### **III. KEY DONOR PLAYERS AND PROGRAMS**

Nearly every large donor organization has launched SME support programs over the last few decades. While individual programs may have different emphases, each donor organization is focusing their interventions in three key areas: (1) improving business environments; (2) addressing weak business management and operational capacity; and (3) improving access to start-up, expansion, and development capital through direct and indirect financing facilities. This section provides a brief summary of existing U.S. government and key international financial institution (IFI) programs. While not an exhaustive list, it does provide a good snapshot of the largest donor-driven programs in developing countries. While some donor organizations have taken concerted steps in recent years to improve coordination, most programs and institutions remain fragmented. Often, different programs within a given institution remain siloed – thereby reducing available synergies and effectiveness.

#### **A. United States Government Programs**

Several U.S. development agencies have active programs that provide credit for promising SMEs. The Overseas Private Investment Corporation (OPIC) and USAID play the most important financing role; although other agencies (ex – State Department and Department of Agriculture) have several smaller programs as well. In addition, the U.S. has played a leading role in mobilizing additional IFI technical and financing resources for SMEs (see IFI program details below).

**USAID Development Credit Authority:** The Development Credit Authority (DCA) provides partial credit guarantees to encourage financial institutions in developing countries to lend to creditworthy but underserved borrowers. DCA guarantees cover up to 50 percent of loan default losses – after which the partner financial institution takes remaining losses. Targeted sectors include: SMEs, microfinance, agriculture, health, education, water, housing, and infrastructure. The DCA is founded upon the premise that credit guarantees contribute to private-sector led development by: (1) unlocking local sources of sustainable finance without relying on donor funding; (2) inducing competition and crowding-in through demonstrating that underserved borrowers are creditworthy and profitable; and (3) sharing credit risk and reducing moral hazard concerns.

USAID’s partial credit guarantees are backed by the full faith of the U.S. Treasury. There are four standard guarantee products, including:

- *Loan Portfolio Guarantee (LPG)*: A loan portfolio guarantee involves one lending institution and multiple borrowers that are part of a borrower group specified by USAID. They are designed to encourage lenders to extend credit to areas that are underserved by financial institutions.
- *Loan Guarantee (LG)*: Loan guarantees involve one transaction between an identified lender and borrower. The lender is unwilling to extend the loan without the risk-sharing guarantee. USAID supports the borrower on the basis of creditworthiness and developmental impact.
- *Bond Guarantee (BG)*: Bond guarantees ensure investors in corporate and/or sub-sovereign bonds of both recovery and repayment. The guarantee often enables the issuer to obtain a higher credit rating, and by extension, access less expensive and longer term financing.
- *Portable Guarantee (PG)*: A portable guarantee is similar to a loan guarantee except the lender is not identified. USAID provides a commitment letter to the borrower, which allows the borrower to shop around for the best loan terms. Once the lender is identified and agrees to the terms of the guarantee, the letter becomes a loan guarantee.

Since its establishment in 1999, DCA has provided more than 267 partial credit loans and bond guarantees – thereby supporting the provision of roughly \$2.3 billion in private capital in more than 60 countries.<sup>11</sup> The USAID budgetary cost has been only \$82 million – leading to a leveraging factor of nearly 30:1.<sup>12</sup> Moreover, non-performing loans have averaged approximately 1 percent, which has helped to buttress the argument that financing underserved borrowers is both worthwhile and profitable. In 2010, the DCA signed 46 new guarantees and strategic partnerships with leading international financial institutions, such as the African Development Bank and Standard Chartered Bank (see appendix I for details). Loan portfolio guarantees accounted for roughly 80 percent of total DCA activities by transaction value.

**USAID Africa Entrepreneurs Facility:** Launched in November 2007, the African Entrepreneurs Facility (AEF) was designed to provide technical assistance, equity investment, and debt financing to African enterprises. As an initial step, USAID concluded a formal agreement with the African Development Bank (AfDB) to issue joint credit guarantees for SMEs operating in a variety of sectors. While the AEF has been very slow to get off the ground, it supposedly is starting to execute financing and advisory activities. Over time, it is unclear whether the AEF

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<sup>11</sup> Source: [http://www.usaid.gov/our\\_work/economic\\_growth\\_and\\_trade/development\\_credit/](http://www.usaid.gov/our_work/economic_growth_and_trade/development_credit/)

<sup>12</sup> Ibid.

will function as an amalgamation of distinct program and financing activities or as a fully integrated SME support initiative (as designed).

**OPIC Project Finance:** OPIC financing operations provide medium- to long-term funding through direct loans as well as loan guaranties for eligible investment projects in developing countries. Of its available loan products, the commercial bank on-lending facility is the most relevant for developing country SMEs. Under this product line, OPIC partially guaranties U.S. commercial banks' medium- and long-term loans to correspondent banks and financial houses, which in turn provide loans to local enterprises.

In 2009, OPIC completed 22 commercial bank on-lending transactions that specifically focused on increasing the correspondent financial institution's SME lending portfolio (see appendix II for details). These transactions totaled \$503 million and covered 18 developing countries (Armenia, Azerbaijan, Costa Rica, El Salvador, Georgia, Honduras, Iraq, Lebanon, Paraguay, Russia, Romania, West Bank and Gaza, Moldova, Mexico, Nicaragua, Panama, South Africa, Tanzania, and Turkey).

**OPIC Investment Funds:** OPIC also actively supports the creation of privately-owned and managed investment funds focusing on developing countries.<sup>13</sup> These funds make direct equity and equity-related investments in new, expanding, or privatizing companies. These OPIC-supported funds improve access to long-term growth capital, management skills, and financial expertise – all of which are key factors in expanding economic development. OPIC is one of the largest providers of private equity capital to developing countries. As of FY 2009, funding commitments totaled over \$3.6 billion to more than 50 private equity funds since 1987.<sup>14</sup> These funds had invested \$4.6 billion in over 470 companies – with the vast majority being SMEs – located across 53 developing countries.

Currently, OPIC is supporting five investment funds with a dedicated focus on SMEs in Sub-Saharan Africa, North Africa, and the Middle East (see appendix III for details). Collectively, these funds have or expect to have over \$1.1 billion in deployable capital.<sup>15</sup> While many other OPIC-supported investment funds do not stipulate SME finance as a priority investment focus, they undoubtedly provide substantial financing to SMEs as well.

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<sup>13</sup> OPIC typically supports the establishment of investment funds through debt financing and prefers to account for one-third or less of total contributions.

<sup>14</sup> Source: <http://www.opic.gov/investment-funds>.

<sup>15</sup> Several of these OPIC-supported investment funds are still in the fundraising stage. Therefore, I have included each funds target size for the referenced calculation.

## B. International Financial Institution Programs

**International Finance Corporation (IFC):** The IFC is one of the leading global providers of investment, technical assistance, and advisory support for SMEs – including women entrepreneurs. Over the last decade, the IFC largely has shifted from a retail-oriented SME investing approach to an almost entirely wholesale approach of supporting banks and equity funds that implement company-specific investments. While most of its related activities are demand-driven on a client-by-client basis, it has a number of facilities designed to address specific SME market needs on a global or regional basis. Several examples include:

- *Gender Entrepreneurship Markets Program:* Targets growth-oriented, women-owned SMEs in the Middle East, North Africa, and Sub-Saharan Africa with solutions that facilitate and promote fast track growth.<sup>16</sup> The program also helps to address gender barriers in the business environment, providing advisory services to financial intermediaries, and delivering training for women entrepreneurs.
- *SME Ventures Program:* Provides risk capital of up to \$500,000 and advisory services to small businesses in eight countries (Sierra Leone, Liberia, Democratic Republic of Congo, Central African Republic, Yemen, Bangladesh, Nepal and Bhutan).
- *SME Linkage Program:* Focuses on: (1) improving local SMEs' technical and business skills; (2) facilitating access to finance for local suppliers; and (3) strengthening local supply and distribution networks.<sup>17</sup> The program typically targets larger companies in global frontier markets that receive direct or indirect IFC lending support.<sup>18</sup>
- *Africa MSME Finance Program:* Focuses on deepening and broadening the financial sector and raise the standard of financial services provided to micro-, small- and medium-sized enterprises.
- *IDA-IFC MSME Initiative for Africa:* Launched in December 2003, the program provided a comprehensive package of MSME-related interventions related to: access to finance; business development services; and business environment reforms. Target countries included: Burkina Faso, Ghana, Kenya, Madagascar, Mali, Mozambique, Nigeria, Rwanda, Tanzania, and Uganda. However, implementation was hampered due to poor organizational integration of IDA and IFC staff, operational delays due to IDA's internal

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<sup>16</sup> Specifics program activities are implemented separately under the PEP MENA and PEP Africa offices.

<sup>17</sup> See [http://www.ifc.org/ifcext/sme.nsf/Content/Linking\\_SMEs\\_to\\_Investments](http://www.ifc.org/ifcext/sme.nsf/Content/Linking_SMEs_to_Investments) for additional details.

<sup>18</sup> The IFC SME Linkage Program currently has active projects in Azerbaijan, Brazil, Chad, El Salvador, Georgia, Kazakhstan, Mozambique, Nigeria, Peru, Turkey, and Zambia.

governance procedures, and lack of recipient government commitment to specific projects.<sup>19</sup>

- *Africa SME Entrepreneurship Development Initiative*: Assists African entrepreneurs in developing bankable business plans and raising finance for new project investments, expansions, and modernizations.<sup>20</sup>
- *IFC Private Enterprise Partnership (PEP Africa)*: Provides lending and advisory services to improve the investment climate, mobilize private sector investment, and enhance the competitiveness of private enterprises in Africa. Currently, PEP Africa manages more than 85 programs in 24 countries across Sub-Saharan Africa.<sup>21</sup>

Like other large multilateral and bilateral donor organizations, the IFC also supports the creation of investment funds targeting specific regions, sectors, and market segments, such as SMEs. It has committed \$1 billion for roughly 100 equity and debt investment funds and has financial stakes in approximately 25 fund management companies (see appendix IV for list of IFC investment funds supported since 2000). Information on the number of and contact information for the investment funds focusing solely on SMEs is not publicly available.

Through its Gender Program, the IFC provides financing for on-lending to female entrepreneurs and disseminates best practices from the Global Banking Alliance for Women covering local women's market analysis, financial products and collateral options advice, and training for clients' employees and female borrowers.<sup>22</sup> The IFC's Gender Program also has a number of country-specific financial access and entrepreneur training support programs (see appendix V).

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<sup>19</sup> See IDA (2006), *A Review of the Joint IDA-IFC Micro, Small and Medium Enterprise Pilot Program for Africa*.

<sup>20</sup> This is a joint initiative with Denmark, Japan, Netherlands, Norway, and the IFC.

<sup>21</sup> PEP Africa is a partnership between the IFC, African Development Bank, Belgium, Canada, Cape Verde, Capespan International, Case Foundation, Denmark, France, Germany, Iceland, Ireland, Japan, Lonmin Plc., Mozambique, Netherlands, Nigeria, Norway, Rwanda, South Africa, Spain, Sweden, Switzerland, United Kingdom, United States, Visa International, and Zambia.

See [http://www.ifc.org/ifcext/africa.nsf/Content/Advisory\\_PEP\\_Africa](http://www.ifc.org/ifcext/africa.nsf/Content/Advisory_PEP_Africa) for additional details.

<sup>22</sup> See [www.ifc.org/gem](http://www.ifc.org/gem) for background information. Global Banking Alliance for Women members include: Access Bank (Nigeria), Bank of America, Bank of Ireland, Bank of Scotland, Commercial International Bank (Egypt), DFCU Financial (U.S.), U.S. Export-Import Bank, First National Bank (South Africa), Federation of Woman Entrepreneurs Associations of Nepal, Intesa SanPaolo (Italy), NBS Bank (Malawi), Nordea Bank (Denmark), Opportunity International, Royal Bank of Canada, Standard Chartered,

**African Development Bank (AfDB):** The AfDB is active in three main SME support channels: (1) business environment reforms; (2) technical assistance for entrepreneurs; and (3) direct and indirect financing. Within that context, the AfDB has placed a greater prioritization than other IFIs on addressing hard infrastructure constraints on SME operations and profitability – namely power, transportation, and information and communication technology. With respect to direct financing, the AfDB looks to create catalytic and demonstration effects by assisting entrepreneurs with specific transactions in infrastructure, financial services, tourism, and agriculture. In addition, the AfDB has several regional private sector development initiatives that include a heavy SME component, such as:

- *African Women in Business Initiative:* The African Women in Business Initiative (AWIB) supports the establishment of more equitable business environments for women entrepreneurs and the development of customized AfDB financing instruments to help grow women-owned SMEs. The AWIB action plan also includes significant technical assistance and educational components, such as: (1) strengthening national businesswomen association capacity; (2) improving access to national, regional and international business networks, and (3) establishing business education partnerships – such as business incubators attached to African universities and expanding entrepreneurship course into university curricula.
- *Fund for African Private Sector Assistance:* The Fund for African Private Sector Assistance (FAPA) is a \$42 million fund that provides grants for technical assistance and capacity building for the AfDB’s private and public sector clients.<sup>23</sup> In 2009, the FAPA approved ten grants – leaving roughly \$20 million available for future projects.
- *African Guarantee Facility:* The AfDB is working with the Africa Commission to further develop a proposal for an African Guarantee Facility (AGF). As currently envisioned, the AGF would be a stand-alone investment-grade entity that provides partial portfolio and portable institutional guarantees (similar to USAID’s Development Credit Authority) to mobilize roughly \$3 billion in local and regional financial institution lending to SMEs.<sup>24</sup>

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Trapezia (UK), UPS, WDB Group (UK), Westpac, Women’s World Banking. See [www.gbaforwomen.org](http://www.gbaforwomen.org) for details.

<sup>23</sup> In 2006, Japan provided \$20 million to launch the Fund for African Private Sector Assistance as a bilateral trust fund housed at the AfDB. Japan has since increased its contribution to \$32 million. The AfDB has contributed roughly \$10 million out of net income proceeds – thereby bringing total available resources to approximately \$42 million.

<sup>24</sup> The AGF would have guarantee capital of \$500 million with a targeted leverage of three times, and risk sharing coverage of 50 percent. This would mobilize roughly \$3 billion of loans and \$20 billion of SME investment. Source: Africa Commission (2009), *Realizing the Potential of Africa’s Youth*.

The AfDB also has integrated several gender-specific performance targets into their operational programs – calling for women entrepreneurs to account for: (1) 60 percent of microfinance program recipients; (2) 70 percent of farmer rural finance program recipients; and (3) at least 50 percent of overall private sector operations in five African countries.<sup>25</sup> Moreover, the AfDB Group provides an annual prize for innovative African female entrepreneurs.

**Asian Development Bank (AsDB):** Similar to other IFIs, AsDB assistance for SMEs focuses primarily on business environment reforms, direct and indirect financing, and technical assistance (i.e., business education). However, nearly all of the AsDB’s support is channeled through project-level activities – instead of broader, coordinated regional programs or initiatives. The nature of these interventions largely depends on the maturity of each country’s underlying financial sector. For example, AsDB support for Afghanistan is largely focused on improving capacity at related government institutions and a very limited number of direct financing projects for private enterprises (see Afghanistan project examples below). In contrast, the AsDB has supported a number of sizable investment funds in regional emerging markets (ex – India, China, and Southeast Asian nations) focusing either partly or solely on SMEs (see appendix VI) as well as a large number of direct equity investments in regional companies.

- *Afghanistan International Bank Equity Investment:* The AsDB provided early financial backing to help establish one of Afghanistan’s first private financial institutions. Among other things, the Afghanistan International Bank now provides substantial lending to local SMEs.
- *Afghanistan Rural Business Support Project:* This \$18 million project aims to support rural business activity for both male and female clients and connect farmers and processors/traders through business support centers in Balkh, Bamyan, Kandahar, and Nangarhar provinces.

**Inter-American Development Bank (IDB):** Like other IFIs, the IDB Group has very active programs targeting SMEs – including a dedicated organization for them (Inter-American Investment Corporation<sup>26</sup>, or IIC). In 2008, the IDB Group provided \$3.5 billion in loans and grants in support of private sector operations – representing a doubling of programmatic levels

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<sup>25</sup> Source: <http://www.afdb.org/en/topics-sectors/sectors/gender/afdb-commitments/>

<sup>26</sup> The IIC’s mission is to promote and support the development of the private sector and the capital markets in member countries by investing, lending, innovating, and leveraging resources as the institution charged with fostering the development of small and medium-size enterprises to further sustainable economic development.

in 2006.<sup>27</sup> The IIC provided \$300 million in new loan commitments in 2009.<sup>28</sup> Like the AsDB, the majority of the IIC's support is channeled through firm-specific financing transactions and on-lending projects with local financial institutions (see appendix VII for full list of IIC on-lending transactions in 2009-10) – instead of broader, coordinated regional programs or initiatives. It also manages several trust funds that provide technical assistance for SMEs – largely to facilitate IIC financial support down the road.<sup>29</sup> However, some IIC-managed trust funds also support business environment reforms. A few on-lending transaction examples include:

- *Banco Industrial e Comercial (Brazil)*: This \$86 million loan will support SME on-lending for working capital or fixed asset acquisition - mainly for companies in the northeast, north and central west regions.
- *Banco Daycoval S.A. (Brazil)*: This \$15 million project will support general corporate purposes such as working capital and revolving credit facilities for SMEs with less than \$20 million in assets or annual revenue.
- *Banco Bolivariano C.A. (Ecuador)*: IIC lending will provide financing to SMEs for trade activities such as exporting and importing, as well as for working capital related to trade operations.

#### **IV. NEW PROPOSALS FOR SME ENTREPRENEURS**

As noted above, nearly every large donor organization is focused on addressing three interlocking SME-related challenges: (1) poor business environment; (2) business skill capacity constraints; and (3) lack of access to capital. Given the breadth of existing SME finance initiatives, it is unnecessary for private foundations to develop entirely new strategic approaches to meeting entrepreneurs' challenges in developing countries. Interested groups instead should strive to leverage existing best practices and program resources (ex – U.S. and IFI programs) to the greatest extent possible to support their broader program objectives or specific entrepreneur stakeholders. In addition, strong consideration should be given to launching new partnerships that build off of these existing programs. This paper outlines three incremental approaches (minimalist, medium, and heavy) for consideration – with each building off the preceding approach. It also explores several potential hooks for engaging the Obama Administration.

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<sup>27</sup> IDB Press Release, "IDB hosts First Inter-American Forum on SMEs," March 26, 2009.

<sup>28</sup> IIC, 2009 Annual Report.

<sup>29</sup> To date, Austria, Denmark, Italy, Korea, Switzerland, and the United States have partnered with the IIC to establish technical assistance trust funds. See <http://www.iic.int/TechAssistance/> for additional details.

### **Minimalist Approach (Coordinator/Facilitator Role):**

- Connect entrepreneurs with preexisting donor SME financing and technical assistance programs.<sup>30</sup> The information included in this paper would provide an initial basis for this effort. Both virtual and physical connections could be considered, such as: (1) establishing an online SME financial player database with contact information; and (2) hosting one or several SME investment forums to physically connect the relevant stakeholders.
- Expand preexisting business curricula to provide training on capital fundraising strategies as appropriate. Additional local or regional organizations could be leveraged to provide scale as relevant and appropriate.
- Launch a coordinating mechanism (ex – informal matchmaking service) for related technical assistance and business training programs. This could include a Web-based portal for targeted entrepreneurs that provides information on relevant financing organizations, how to access them, and contact information for local or remote advisory support. Consideration should be given to utilizing an existing consortium or organization to avoid duplication of efforts, accelerate implementation timing, and reduce project costs.

**Medium Approach (Finance Facility):** In addition to the components included in the minimalist approach, consideration could be given to:

- Launching a formal partnership with USAID, OPIC, and relevant IFIs to execute targeted on-lending or risk guarantee programs for specific entrepreneur populations. Careful consideration should be given to the partner banking institution to ensure consistency with program objectives.<sup>31</sup> Appropriate on-lending arrangements may already exist in certain markets. However, new arrangements likely would be required in other focus countries.

**Heavy Approach (New SME Fund):** In addition to the components included in the minimalist and medium approaches, an even more intensive and comprehensive approach could include:

- Launching new dedicated debt and equity fund(s) – in partnership with OPIC and relevant IFIs – targeting SMEs in developing countries. Depending on foundations’

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<sup>30</sup> This could include new and/or entrepreneurs already participating in preexisting SME capacity building programs sponsored by private foundations or organizations.

<sup>31</sup> Possible financial institutions could include: Small Enterprise Assistance Funds (SEAF), Business Partners International, and Shorebank.

geographic scope, this may require several regionally-focused investment funds that could be operated by one or several management firms. Depending on the fund(s) ultimate size, this could entail a capital commitment anywhere between \$5-\$50 million and concerted fundraising support mobilizing other institutional investors. This approach would take at least a year before the proposed investment funds begin soliciting proposals for financial support consideration. Moreover, this would require careful consideration of targeted rate of returns, cost of capital, and other investment related issues. See appendix VIII for information on the Shell Foundation's investment fund approach, which may be appropriate for replication.<sup>32</sup>

**Potential Hooks:** Depending on the ultimate course of action, it may become important to package the proposed initiative into a format consistent with ongoing USG and multilateral efforts. In this context, there are several large-scale initiatives currently in development that could present opportune hooks, such as:

*U.S. Entrepreneurship Initiative for Muslim Countries:* In April 2010, President Obama hosted a Summit on Entrepreneurship focused on deepening ties between the United States and Muslim governments, communities, businesses, and foundations to support entrepreneurship, job creation, and economic growth. It included delegates from over 50 countries. During the summit, the U.S. government announced a number of entrepreneur education exchange, technical assistance, and financing programs.<sup>33</sup> Relatedly, in June 2010, OPIC approved \$455 million in support for five new investment funds focusing on the Middle East and North Africa.<sup>34</sup> Obama Administration support is expected to accelerate following the popular democratic uprisings through the region this year.

*G-20 Financial Inclusion Initiatives:* During the 2009 Pittsburgh Summit, the G-20 committed to support new models of financial services delivery for poor and underserved borrowers.<sup>35</sup> This effort was further advanced and expanded during the Seoul Summit in November 2010 with the launch of a Financial Inclusion Action Plan, the Global Partnership for Financial Inclusion, and a SME Finance Framework.<sup>36</sup> For the latter, Canada, South Korea, the United States, and the IDB

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<sup>32</sup> See Business Partners International (<http://www.businesspartners.co.za>) for another example of a hybrid advisory/financing firm focusing specifically on the SME market. Business Partners began operations in South Africa, but recently expanded operations to other African countries.

<sup>33</sup> See <http://www.whitehouse.gov/the-press-office/a-new-beginning-presidential-summit-entrepreneurship>.

<sup>34</sup> See <http://www.opic.gov/news/press-releases/2009/pr062410>.

<sup>35</sup> See [www.pittsburghsummit.gov/mediacenter/129639.htm](http://www.pittsburghsummit.gov/mediacenter/129639.htm) for the complete G-20 Pittsburgh Summit Communiqué.

<sup>36</sup> See [http://www.g20.org/pub\\_communiques.aspx](http://www.g20.org/pub_communiques.aspx).

committed nearly \$530 million in grant and co-financing resources to scale up innovative private SME finance models (so-called SME Finance Challenge).

*U.S. Feed the Future Initiative:* In July 2009, President Obama committed to provide at least \$3.5 billion over three years to support agricultural development and food security initiative.<sup>37</sup> Among other things, Feed the Future will focus both on the role of women in agricultural production and improving farmers' access to capital. To date, 20 developing countries in Sub-Saharan Africa, Asia, and Latin America have completed initiative implementation plans – which include a focus on ways of improving access to financial services across the entire supply chain (from small-scale farmers through food processing operations). Given the prominent role of women entrepreneurs in agriculture, this may be another interesting linkage worth exploring.

## **V. CONCLUSION**

In recent years, donor governments have increasingly focused on supporting private sector-led development initiatives. The large number of existing donor programs targeting SMEs can be an immediate resource for private foundations to address binding constraints on entrepreneurs' access to expansion or operating capital. In addition, this paper outlines several concrete options for private foundations to launch new initiatives, in collaboration with donor governments, to meet their organizational objectives. Against the backdrop of ongoing Obama Administration and G-20 initiatives, private foundations have an opportunity to harness this growing international momentum to establish robust partnerships to deepen support for promising entrepreneurs worldwide.

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<sup>37</sup> For details, see [www.feedthefuture.gov](http://www.feedthefuture.gov).

## USAID Development Credit Authority – Guarantees by Country, Sector, and Size in 2010

<b>Country</b>	<b>Type</b>	<b>Sector</b>	<b>Amount</b>	<b>Cost to</b>
Azerbaiian	Agriculture	LPG	1,000,000	44,600
Azerbaiian	Agriculture	LPG	1,000,000	44,600
Azerbaiian	Agriculture	LPG	1,300,000	57,980
Bosnia	SME	LPG	20,000,000	728,000
Bosnia	SME	LPG	20,000,000	688,000
Colombia	Microfinance	LPG	25,900,000	207,200
Dominican	SME	LPG	1,690,000	57,500
Dominican	SME	LPG	1,690,000	57,500
Georgia	Microfinance	PG	5,000,000	209,000
Georgia	SME	LPG	9,000,000	367,200
Georgia	Health	LG	8,000,000	515,200
Georgia	Health	LPG	20,000,000	1,306,000
Ghana	Agriculture	LPG	9,304,000	454,966
Global	Microfinance	LPG	100,000,000	5,880,000
Global	Agriculture	LPG	22,170,000	964,395
Haiti	SME	LPG	15,000,000	2,301,000
Haiti	SME	LPG	5,000,000	828,500
Indonesia	Microfinance	LPG	13,000,000	605,800
Indonesia	SME	LPG	19,175,000	899,308
Indonesia	Microfinance	PG	8,000,000	308,800
Kenya	Agriculture	PG	4,280,000	128,828
Kenya	SME	LPG	5,750,000	276,575
Liberia	SME	LPG	6,868,000	1,199,840
Mongolia	SME	LPG	5,000,000	199,500
Mongolia	SME	LPG	14,000,000	558,600
Mongolia	SME	LPG	6,000,000	239,400
Mozambique	Microfinance	LPG	2,000,000	81,200
Mozambique	Agriculture	LPG	4,540,000	226,546
Nigeria	Health	LPG	400,000	19,880
Nigeria	Health	LPG	8,300,000	331,170
Peru	Agriculture	LPG	3,000,000	73,200
Peru	Agriculture	LPG	3,000,000	73,200
Peru	Agriculture	LPG	2,000,000	48,800
Peru	Agriculture	LPG	3,000,000	73,200
Peru	Agriculture	LPG	1,000,000	24,400
Peru	Agriculture	LPG	3,000,000	73,200
Rwanda	Agriculture	LPG	1,575,000	101,115
Senegal	Agriculture	LPG	8,000,000	312,000
Senegal	Agriculture	LPG	2,000,000	80,800
South Africa	SME	PG	20,000,000	54,000
South Africa	SME	PG	25,000,000	75,000
South Africa	SME	PG	20,000,000	114,000
Tanzania	Microfinance	BG	10,000,000	858,000
Uganda	Agriculture	LPG	6,000,000	208,200
Uganda	Agriculture	LPG	6,000,000	216,600
Uganda	Agriculture	LPG	3,000,000	116,700
<b>Total</b>	-	-	<b>479,942,000</b>	<b>22,289,503</b>

Source: USAID, *Credit Guarantees: Promoting Private Investment in Development, 2010 Year in Review*

## OPIC Project Finance: SME Lending Expansion Activities, 2009

Country	US Sponsor / Insured Investor	Project Name	Project Size	Project Description
All OPIC Countries	E+Co. Inc.	E+Co. Inc.	\$10,000,000	Loans to SMEs for Small Clean Energy Projects
Armenia	Bankworld Inc.	WBC-Ardshin Investment Bank	\$9,750,000	Expansion of SME lending
Azerbaijan	Financial Services Volunteer Corps	WBC-Turanbank OJSC	\$7,312,500	Expansion of SME lending
Costa Rica	General Electric Company	Banco BAC San Jose S.A.	\$10,000,000	Expansion of SME loan portfolio
Costa Rica	The Alta Group, LLC	WBC Improsa Servicios Internacionales S.A.	\$9,750,000	Finance expansion of SME portfolio
El Salvador	General Electric Company	Banco de America Central S.A.	\$12,500,000	Expansion of SME loan portfolio
Georgia	Citibank N.A.	Chouse-Joint Stock Company TBC Bank	\$40,000,000	Fund Low-Middle income mortgages, SMEs
Honduras	General Electric Company	Banco de America Central Honduras	\$17,500,000	Expansion of SME loan portfolio
Iraq	Iraq Middle Market Development Foundation	Iraq Middle Market Development Foundation	\$19,000,000	Expansion of SME loan portfolio
Lebanon	Citibank N.A.	Audi Sal-Audi Saradar Group	\$55,000,000	Loans to SMEs/Low & Middle Income mortgages
Lebanon	Citibank N.A.	Byblos Bank SAL	\$34,000,000	Loans to SMEs/Low & Middle Income mortgages
Mexico	The Alta Group, LLC	WBC Docuformas S.A.P.I. de C.V.	\$7,800,000	Expansion of SME leasing portfolio
Mexico	Cambridge Liquidity Partners	Vehiculos Liquidos Financieros SAPI de C.V.	\$25,000,000	Liquidity to non-bank institutions for SMEs
Moldova	Western NIS Enterprise Fund	Banca de Finante si Comert S.A.	\$6,000,000	Expansion of SME lending program
Nicaragua	General Electric Company	Banco de America Central S.A.	\$2,500,000	Expansion of SME loan portfolio
Panama	General Electric Company	BAC International Bank Inc.	\$2,500,000	Expansion of SME loan portfolio
Romania	Romanian American Enterprise Fund	Capa Finance S.A.	\$25,000,000	Expand loan portfolio to Microenterprise and SMEs
Romania	Cooperative Housing Foundation	Express Finance Institute	\$10,000,000	Expansion of Micro and SME lending
South Africa	AIG Global Emerging Markets Fund II LP	Blue Financial Services Limited	\$70,000,000	Expansion of SME loan portfolio

Tanzania	ShoreBank International Ltd.	BRAC Africa Microfinance	\$28,000,000	Lending to BRAC-owned Microfinance Institutions
Turkey	General Electric Company	Turkiye Garanti Bankasi A.S.	\$100,000,000	Expansion of SME loan portfolio
West Bank and Gaza	Middle East Investment Initiative	Bank of Palestine	\$1,375,000	Expansion of loan portfolio to local SMEs
<b>Total</b>	-	-	<b>\$502,987,500</b>	

*Source: OPIC*

## OPIC Investment Funds – Specific SME Focus

Fund Name	Contact Information	Fund Size	Region	Status	Primary Investment
Africa Catalyst Fund	Richard Akwei The Rohatvn Group 280 Park Avenue, 27th Floor New York, NY 10017 Tel: 212 984 2926 richard.akwei@rohatvngroup.c	\$300 million	Pan-Africa	Fundraising	Investing in a portfolio of mezzanine finance, public and private equity, public debt,
Africa Healthcare Fund	Tom Haslett Seven Seas Capital 26 Baker Bridge Road Lincoln, MA 01773 tom@sevenseascap.com 617-943-8301	\$100 million	Sub-Saharan Africa	Fundraising	Equity, debt or hybrid investments in SMEs focusing on private healthcare delivery
Foursan Capital Partners I	Nashat Masri Partner Foursan Group Holdings Inc. P.O. Box 14354 Amman, 11814 Jordan 962-6-562-4562 nashat@4san.com www.4san.com	\$150 million	Jordan	Fundraising	Growth equity investment strategy focusing on small- and medium-sized businesses in Jordan.
Riyada Enterprise Development Growth Capital Fund	Tom Speechlev Managing Director Abraai Capital/Riyada Dubai International Financial Gate Village 8, 3rd Floor POB 504905 Dubai, UAE +971 4 506 4400 tomspeechlev@abraai.com www.abraai.com	\$500 million	MENA	Investing	Growth stage, non control investments in small and medium enterprises (SMEs) across the Middle East and North Africa (MENA) region
Siraj Palestine Fund I	Bashar Masri Managing Partner Sirai Fund Management 7 Al Khawthar Street Rawalla, Palestine +972 2 240 9595 hmasri@massar.com info@siraifund.com	\$80 million	Palestinian Territories	Fundraising	Investment in start-up projects, small and medium enterprises (SMEs), and selectively, in larger companies in the

Source: OPIC

IFC Investment Funds – Commitments Since 2000<sup>38</sup>

IFC Region	Geographic Focus	Fund Name	IFC Commitment Date
Sub-Saharan Africa	Kenya	Business Partners International Kenya SME Fund	1-Aug-06
	Kenya	Aureos East Africa Fund, LLC	30-Jun-03
	Madagascar	Business Partners International Madagascar Investment Fund	13-Feb-06
	Nigeria	Capital Alliance Private Equity II, Limited	10-Apr-06
	Nigeria	Capital Alliance Private Equity (Mauritius), Ltd.	25-Jan-00
	South Africa	Horizon Equity Fund III	28-Jun-07
	South Africa	Brait Capital Partners Limited	26-Oct-06
	South Africa	Sphere Private Equity Fund I	7-Apr-06
	South Africa	Ethos Private Equity Fund V	9-Dec-05
	South Africa	The Biotech Venture Partners Fund	1-Mar-02
	South Africa	Africa Microfinance Ltd.	5-Oct-01
	Southern Africa	Aureos Southern Africa Fund, LLC	26-Jun-03
	Sub-Saharan Africa	Pan African Investment Partners Ltd.	29-Oct-03
	Sub-Saharan Africa	Africa International Financial Holdings, LLC	28-Apr-03
Western Africa	Helios Investors LP	11-Apr-07	
East Asia & Pacific	China	CDH Venture Partners, L.P.	29-Jun-06
	China	Capital Today China Growth Fund, L.P.	26-May-06
	China	SBCVC Fund II, L.P.	16-Mar-06
	China	CDH China Capital Growth Fund II, L.P.	27-May-05
	China	BioVeda China Fund L.P.	10-May-05
	China	Yangtze Special Situations Fund, L.P.	21-Apr-04
	China	CDH China Fund, L.P.	21-Jun-02
	China	SEAF Sichuan SME Investment Fund LLC	15-Dec-00
	East Asia & Pacific	SEAVI Venture Management (Bermuda) Limited	29-May-03
	East Asia & Pacific	DAC China Special Opportunity and Situation Fund, L.P.	13-Apr-07
	East Asia & Pacific	Lombard Asia III, L.P.	20-Dec-06
	East Asia & Pacific	Avenue Asia Special Situations Fund IV, LP	29-Jun-06
	East Asia & Pacific	Asian Lion Fund Limited	28-Jun-06
	East Asia & Pacific	Avenue Asia Special Situations Fund III, L.P.	7-Apr-04
	India	iLabs Fund II, LLC	28-Jun-06
India	APIDC Biotechnology Venture Fund	21-Apr-05	
Samoa	Samoa Venture Capital Fund	17-Dec-04	
Thailand	Lombard Thailand Intermediate Fund, LLC.	29-Oct-01	
Vietnam	Vietnam Enterprise Investment Limited	3-Dec-01	
Europe and Central Asia	Central Asia	Central Asia Small Enterprise Fund LLC	1-Jul-02
	Central Europe	Emerging Europe Convergence Fund II, L.P.	28-Jul-05
	Central Europe	NIS Restructuring Facility, L. P.	16-Mar-00
	Eastern Europe	Marbleton Property Fund LP	14-Jun-06
	Eastern Europe	Advent Central and Eastern Europe III L.P.	25-Jun-04
	Russia	Norum Russia Fund III LP	26-Jun-07
	Russia	Baring Vostok Private Equity Fund III	7-Mar-05
	Russia	Quadriga Capital Russia Fund	28-Jan-05
	Russia	Russia Partners II, LP	16-Aug-04
	Russia	Sector Investment Holding Company Limited	29-Oct-01
	Russia	Baring Vostok Private Equity Fund II, L.P.	31-Jan-01
	Serbia	Poteza Adriatic Fund B.V.	16-Jun-04
	Southern Europe	7L Capital Partners Emerging Europe L.P.	9-Nov-06
	Southern Europe	GED Eastern Fund II	9-Nov-06
	Southern Europe	Bancroft II, L.P.	27-Nov-02
	Southern Europe	SEAF Trans-Balkan Fund LLC	25-Oct-00
	Southern Europe	SEAF Central and Eastern Europe Growth Fund LLC	7-Aug-00
Turkey	Turkish Private Equity Fund II L.P.	21-May-07	
Turkey	Turkish Private Equity Fund I L.P.	7-Mar-02	
Ukraine	Euroventures Ukraine Fund II	30-Jun-05	
Latin America and Caribbean	Brazil	GP Capital Partners III, L.P.	8-Jun-05
	Brazil	Dynamo Puma II International	31-Aug-04
	Brazil	New GP Capital Partner B L.P.	6-Feb-02
	Costa Rica	Aureos Central America Fund, L.L.C.	10-Jul-02
	Latin America	DLJ South American Partners LP	28-Jun-07
	Latin America	Paladin Realty Latin America Investors II, L.P.	3-Oct-05
	Latin America	Advent Latin American Private Equity Fund III-E Limited	8-Jul-05
	Latin America	Proa II Fondo de Inversion	17-Nov-04
	Latin America	Darby-BBVA Latin America Private Equity Fund, L.P.	17-Jan-03
	Latin America	Advent Latin American Private Equity Fund II B Limited	28-Jun-02
	Latin America	TCW Latin America Offshore Private Equity Partners I, L.P.	7-Feb-00
Mexico	Nexus Capital Private Equity Fund III LP	10-Jan-07	
Mexico	Carlyle Mexico Partners, L.P.	17-Nov-05	
Mexico	ZN Mexico II, LP	25-Jan-02	
Middle East and North Africa	Middle East & North Africa	Maghreb Private Equity Fund II	27-Jun-06
	Morocco	Maghreb Private Equity Fund Limited	11-May-00
	Pakistan	Jahangir Siddiqui Private Equity Fund I	22-Aug-06
	Pakistan	UTP - Large Cap. Fund	20-Sep-04

Source: International Finance Corporation

<sup>38</sup> For additional information contact Haydee Celaya (Director, Private Equity and Investment Funds) at [hcelaya@ifc.org](mailto:hcelaya@ifc.org) or Peter Tropper (Principal Investment Office for SME Funds) at [ptropper@ifc.org](mailto:ptropper@ifc.org).

**IFC Gender Program – Country Program Examples**

**Bahrain, Jordan, Lebanon, Tunisia, and UAE:** The Gender Program (with the IFC's PEP MENA) has partnered with The Center for Arab Women Training and Research to help women's business associations understand how to better meet the needs of women business owners and promote their participation in policy dialogue. With accompanying capacity building to equip research centers with up-to-date tools and networks, the project enabled the collection of previously unavailable data on businesswomen's characteristics, needs and challenges.

**Tunisia:** In coordination with the IBRD, the IFC launched a pilot project in Tunisia to identify ways to deliver export support services that better reach women entrepreneurs – including trade facilitation and market support services.

**Yemen:** The Gender Program launched the *Women Get the Business Edge* program, which provides business skills training to enhance the management performance of women-owned and managed SMEs in the Middle East and North Africa. In Yemen, the initiative aimed to build capacity for Business Edge partners to diversify their products and reach potentially lucrative women's enterprise training.

**Malawi:** In September 2008, the Gender Program – in collaboration with NBS Bank Malawi – initiated training workshops for women entrepreneurs in Malawi to help them to grow their businesses and improve their financial management techniques. This program is part of the IFC's advisory services to NBS Bank Malawi designed to expand the bank's female SME loan portfolio and build the capacity of the female clientele.

**Nigeria:** The Gender Program is providing technical assistance to: (1) increase Access Bank Nigeria's ability to service women customers: and (2) improve women entrepreneurs' business skills. This program is being implemented in conjunction with a \$15 million IFC line of credit to Access Bank for on-lending to women entrepreneurs.

**Senegal:** The GEM/PEP Africa program is focused on helping Senegalese financial institutions to better serve growth-oriented women entrepreneurs by increasing their access to finance and upgrading business skills.

**Uganda:** In coordination with a \$6 million investment in DFCU Uganda, the IFC is providing technical assistance to establish access to finance and financial literacy programs for women entrepreneurs.

**Afghanistan:** The Gender Program completed a feasibility assessment and recommendations to the First Microfinance Bank of Afghanistan (FMBA) for increasing outreach to women. Following this, FMBA introduced group lending as a new product that aims to expand access to finance to women entrepreneurs, particularly in Afghanistan's urban areas.

## AsDB Investment Funds – SME Relevant Focus

Fund Name	Contact Information	Fund Size	AfDB Support	Country/Region	Primary Investment Focus
Actis China Fund II	712 China World Tower 2 No 1 Jianguomenwai Street Chaoyang District Beijing 100004, People's Republic of China Telephone: +86 10 6535 4800 Fax: +86 10 6505 8111 <a href="mailto:info@act.is">info@act.is</a>	N/A	\$45 million	China	Expansion capital for companies, including SMEs, with a sustainable long-term growth track record
ASEAN-China Investment Fund	80 Raffles Place #30-20 UOB Plaza 2 Singapore 048624 Telephone: +65 6539 3044 Fax: +65 6538 2569 <a href="mailto:info@uobvm.com.sg">info@uobvm.com.sg</a>	\$125 million	\$15 million	Regional	Investments in SMEs that stand to benefit from the ASEAN-China free trade area
Aureos South Asia Fund	A-707 Carlton Towers Airport Road Bangalore 560008, India Telephone: +91 80 4115 1260 Fax: +91 80 4115 1261	\$118 million	\$18 million	India, Bangladesh, Sri Lanka	Expansion capital for SMEs across multiple sectors
Aureos Southeast Asia Fund	Chase Plaza 2nd Floor Podium Jl. Jend Sudirman Kav 21 Jakarta 12920, Indonesia Telephone: +62 21 520 8380 Fax: +62 21 520 8318	\$91 million	\$18 million	Indonesia, Philippines, Thailand, Vietnam	Expansion capital for SMEs across multiple sectors
Baring India Private Equity Fund II	Baring Private Equity Partners India Private Ltd 9th Floor, Infinity Tower A, DLF Phase II, Gurgaon - 122002 Telephone: +91-124-4321100/11/22/33/44 Fax: +91-124-4321155	\$1 billion	\$20 million	India	Expansion and financial restructuring capital for firms in IT, life sciences, banking, financial services & insurance, energy & infrastructure, and consumer goods sectors
Blue River Capital I	Blue River Capital India Advisory Services Pvt. Ltd. 97, 3rd North Avenue, Maker Maxity, Bandra-Kurla Complex, Bandra (E), Mumbai 400 051, India. Telephone: +91 22 4019 4800 Fax: +91 22 4019 4832 <a href="mailto:indiainfo@bluerivercapital.com">indiainfo@bluerivercapital.com</a>	\$140 million	\$20 million	India	Equity and equity-related investments of \$5-15 million in companies and will seek to provide expansion/growth capital funding to companies in a variety of industries and sectors.
BTS India Private Equity Fund	K. Srinivas, Vice Chairman & Managing Partner 704/705, "Balarama" , Bandra (East) Mumbai 400 021, India Telephone: 91- 22 - 6697 8292 Fax: 91- 22 - 6697 8299 <a href="mailto:srinivas@btsadvisors.com">srinivas@btsadvisors.com</a>	N/A	\$15 million	India	Expansion capital for SMEs across multiple sectors
Darby Asia Mezzanine Fund II	Darby Asia Investor (India) Private Limited Wockhardt Tower (East Wing), Level 4 C-2, G-Block, Bandra Kurla Complex Bandra (East) Mumbai 400 051, India Telephone: 91-22-6751-9100 Fax: 91-22-6649-0622	N/A	\$20 million	China, India, Indonesia, Malaysia, Philippines, South Korea, Thailand.	Mezzanine financing for mid-market companies
IDFC Private Equity Fund II	IDFC Private Equity 201, Naman Chambers, C-32, G-Block, Bandra Kurla Complex, Bandra East, Mumbai 400 051, India Telephone: + 91 22 2652 1440 Fax: + 91 22 2652 3803 <a href="mailto:fund@idfcpe.com">fund@idfcpe.com</a>	\$1.3 billion	\$45 million	India	Equity, equity-linked or mezzanine capital to companies involved in infrastructure facilities and services
JS Private Equity Fund I	7/F The Forum Block 9, Clifton Karachi 75600, Pakistan Telephone: +92 (021) 35839977 Fax: +92 (021) 35361721	\$200 million	\$20 million	Pakistan	Expansion capital for mid-market companies that currently lack access to capital from private equity sources
Lombard Investments III	10/F, CRC Tower (All Seasons Place) 87/2 Wireless Road Lumpini, Phatumwan Bangkok 10330, Thailand Telephone: +662 685 3599 Fax: +662 685 3588	N/A	\$30 million	Regional	Equity and equity-linked investments in mid-size companies
Mekong Enterprise Fund	Capital Place, 8th Floor 6 Thai Van Lung St., District 1 Ho Chi Minh City Viet Nam Telephone: +84 8 3827 3161 Fax: +84 8 3827 3162 <a href="mailto:info@mekongcapital.com">info@mekongcapital.com</a>	\$50 million	\$10 million	Vietnam, Cambodia, Laos	Expansion capital for SMEs across multiple sectors
South Asian Regional Apex Fund	Plot C22, G Block Bandra Kurla Complex Bandra East Mumbai 400 051 Telephone: + 9122 2653 3333 / 3232 Fax: + 9122 2653 3038 <a href="mailto:info@ilsindia.com">info@ilsindia.com</a>	\$23 million	\$5 million	India	Venture capital for firms with limited access to institutional sources of risk capital, particularly SMEs, largely in the IT and retail sectors

Source: Asian Development Bank

## Inter-American Investment Corporation: On-Lending and Investment Fund Transactions in 2009-2010

Country	Recipient	City	Project Size	Sector	Objective
Brazil	Banco Daycoval S.A.	São Paulo	\$15 million	Financial Services	Provide financing to eligible SMEs in Brazil for general corporate purposes (working capital, revolving credit facilities)
Brazil	Banco Industrial e Comercial S.A.	São Paulo	A Loan: \$13 million, B Loan \$73 million	Financial Services	Provide financing to eligible SMEs in northeast, north, and central west regions, short-term loans for working capital or revolving credit facilities
Brazil	Itaú Unibanco S.A.	São Paulo	N/A		
Brazil	Banco Pine S.A.	São Paulo	N/A	Financial Services	Support enterprises whose annual sales do not exceed \$50 million
Argentina	AGCO Capital Argentina S.A.	Buenos Aires	N/A	Financial Services	Grant loans (secured by pledges) to fund SMEs, providing financing to buyers of agricultural equipment
Mexico	Wamex Private Equity Management L.L.P	N/A	\$3 million	Investment Funds	Support family businesses in the industrial and services sectors (education, entertainment, logistics, health, and tourism)
Mexico	Grupo Finterra S.A. de C.V.	N/A	N/A	Financial Services	Disburses medium-term local currency loans to support small and medium-size agricultural enterprises
Haiti	Haiti Social Investment Fund	N/A	€1 million	Investment Funds	Increase loan availability and lower cost of credit for SMEs. Complement and promote activities of local financial institutions by providing concessional loans
Guatemala	Banco Internacional S.A.	N/A	\$3 million	Financial Services	Support the bank's lending activities and partially fund the growth of its SME portfolio (namely,

El Salvador	Compañía Azucarera Salvadoreña	N/A	N/A	Agriculture and Agribusiness	expanding its medium-term financing) Short-term financing, renewable yearly, for the company's permanent working capital requirements
Ecuador	Banco de Guayaquil S.A.	N/A	\$5 million	Financial Services	Seven-year bullet subordinated loan to be used as Tier II capital to strengthen the bank's capital base and support financing to SMEs
Ecuador	Banco Bolivariano C.A.	Guayaquil	\$7 million	Financial Services	Provide financing to SMEs for trade activities (exporting and importing, working capital for import-export operations)
Costa Rica	Financiera Desyfin, S.A.	N/A	\$1 million	Financial Services	Strengthen the bank's equity position, enabling Desyfin to expand its SME loan portfolio
Costa Rica	Banco HSBC Costa Rica	San José	N/A	Financial Services	Provide the bank with financing to support SMEs through medium- and long-term loans for modernization and/or expansion, or through short-term working capital loans
Mexico	Almacenadora Mercader S.A.	N/A	N/A	Agriculture and Agribusiness	Renewing financing for storing and/or purchasing white corn from small grain farmers. IIC loan will also provide financing to small producers
Panama	Multibank	N/A	\$6 million	Financial Services	Financing Panamanian SMEs and/or residential housing for low-income individuals
Panama	Banco Aliado, S.A.	Panama City	\$10 million	Financial Services	Three-year loan for providing financing to SMEs (for purchase of fixed assets and machinery)
Panama	Banco Bilbao Vizcaya Argentaria Panamá	Panama City	\$20 million	Financial Services	Provide financing to SMEs for general corporate purposes, working capital, and revolving credit facilities
Panama	Banco Internacional de Costa Rica S.A.	N/A	\$15 million	Financial Services	Partially fund the growth of the bank's SME portfolio (medium-term funding)
Peru	Microfinance Institutions in Peru	N/A	\$15 million	Financial Services	Institutions will channel funds to micro- and small-enterprises for expansions and working capital

Peru	Fondo Larrain Vial	N/A	N/A (not yet started)	Investment Funds	Create a Commercial Receivables Investment Fund to manage each company's portfolio (mainly consisting of SME suppliers)
Peru	Banco Santander Peru S.A.	N/A	N/A	Financial Services	Finance eligible SMEs to meet working capital needs
Peru	Amerika Financiera S.A.	N/A	\$3.5 million	Financial Services	Tier II capital to strengthen Borrower's capital base and support its growth by providing financing for SMEs
Peru	Banco Interamericano de Finanzas, S.A.	N/A	\$6 million	Financial Services	Tier II capital to strengthen Borrower's capital base and support its growth by providing financing for SMEs
Peru	Grupo Progreso	Lima	\$1.5 million	Financial Services	Fund portfolio growth of a leasing company which finances SMEs, help the company further diversify sources of medium-term funding and match loan term with leasing agreement terms

*Source: Inter-American Investment Corporation ([www.iic.int/projects](http://www.iic.int/projects))*

### **Example of Foundation-Driven Investment Model – GroFin**

Organization Overview: GroFin is an international SME finance and development company offering a combination of risk capital and business development assistance to viable enterprises. Shell Foundation has played a critical role in guiding, capitalizing, and promoting GroFin investment funds. Relatedly, GroFin investment funds target several countries with major Shell operations, such as: Nigeria and Oman. Besides customized financial support, GroFin empowers entrepreneurs through sharing skills and transferring business knowledge. This combination of capital and mentoring is designed to maximize entrepreneurs' profitability, sustainability, and success. GroFin supports SMEs through all stages of business development – from start-up to expansion.

Shell Foundation Involvement: According to GroFin, the Shell Foundation provides much more than financial assistance. Their partnership activities also target:

- Developing the growth finance sector
- International marketing of the GroFin model
- Raising of investment capital
- Support with the business model commercialization
- Leveraging value-added support as appropriate from local Shell companies.

Developmental Impact: GroFin regularly measures and reports on the social and developmental impact of its investment activities.<sup>39</sup> As such, it has a “double bottom-line” including both financial and development returns.

Investment Fund Portfolio: GroFin currently manages six investment funds focusing largely in Sub-Saharan Africa. There also is a dedicated fund for Oman. Of the GroFin funds, three remain in the investing stage.

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<sup>39</sup> See May 2010 report at <http://www.grofin.com/home.asp?pid=284>.

<b>Fund Name</b>	<b>Fund Size</b>	<b>Geographic Focus</b>	<b>Date Established</b>	<b>Investment Status</b>	<b>Investor Partners</b>
GroFin Africa Fund	\$170 million	Nigeria, Ghana, Rwanda, Kenya, Tanzania, Uganda, South Africa	Aug-08	Investing	AfDB, CDC, IFC, FMO, Norfund, EIB, FISEA, Shell Foundation, GroFin Investment Holdings Diamond Bank, Shell, GroFin Investment Holdings
Aspire Nigeria Fund	\$31 million	Nigeria	4/1/2007	Investing	Shell
Intilaqaah Enterprise Fund	\$10 million	Oman	2/1/2007	Investing	CDC, FMO, TREFD, BIO, Shell Foundation, GroFin Investment Holdings, Skoll Foundation, Syngenta Foundation, Deutsche Bank, Finfund, Sifem
GroFin East Africa Fund	\$25 million	Kenya, Tanzania, Rwanda, Uganda	Jan-06	Fully invested	CBA Bank, Bank of Africa, BCR, DFCU Bank
Bank Co-Investment East Africa	\$18 million	Kenya, Tanzania, Rwanda, Uganda	Jan-06	Fully invested	ABSA, IDC, Shell Foundation, GroFin
Empowerment Through Energy Fund	\$7 million	South Africa	Jan-04	Fully invested	

Source: GroFin ([www.grofin.com](http://www.grofin.com))