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ITC's Access to Finance and Investment for SMEs

International Symposium on the Role of Micro-, Small- and Medium- Enterprises (MSMEs) in the achievement of the Sustainable Development Goals (SDGs)

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By: Marco Aletti



A vast, underserved market



- Formal SMEs account for **up to 60 percent of employment** worldwide and up to 40 percent of national GDP in emerging countries.



- The unmet financing needs for formal SMEs is estimated to be between **\$1.2 trillion (IFC, 2013)**.



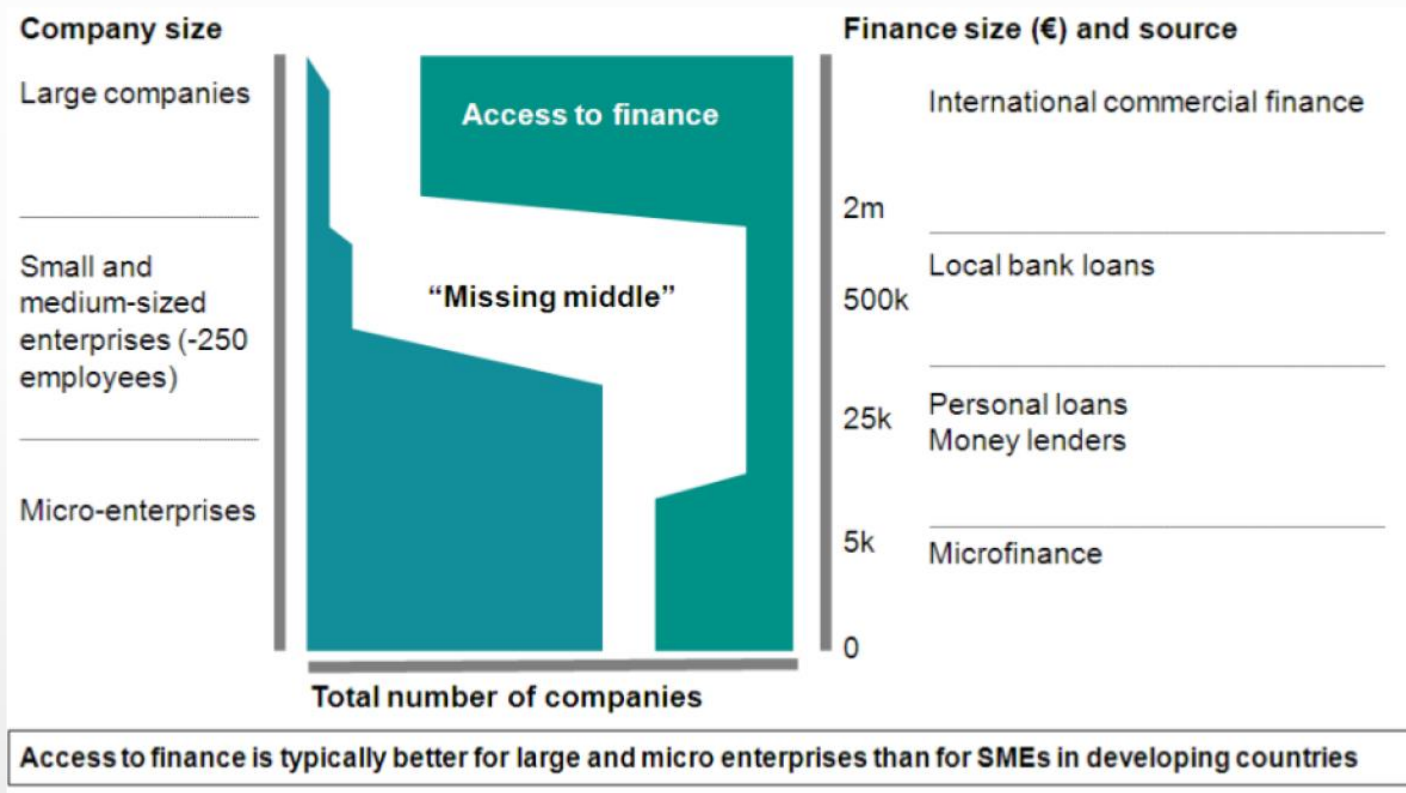
- **High administrative costs** and **collateral requirements** as well as lack of experience within financial service providers are among the main reasons that prevent SMEs raising funds from the formal financial sector.



- No clear understanding of **banking lending requirements**, weak **business and management skills**, and opacity in **financial statements** make SMEs risky and thus less attractive to investors.

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There is a mismatch between supply and demand of capital



Source: Dalberg, 2009

MSMEs have different needs/issues



Start-ups/ micro

- Unproven **operations**
- Lack of highly **skilled talent**
- **Informal financial and corporate records**
- **Limited financing** (small equity stakes, grants, and debt)



Small enterprises

- Lack of highly **skilled talent** (particularly in finance)
- **Lack of realistic** forward looking **projections**
- Unclear **strategy to scale**
- Limited financing (**equity, quasi-equity**, grants, and **debt**)



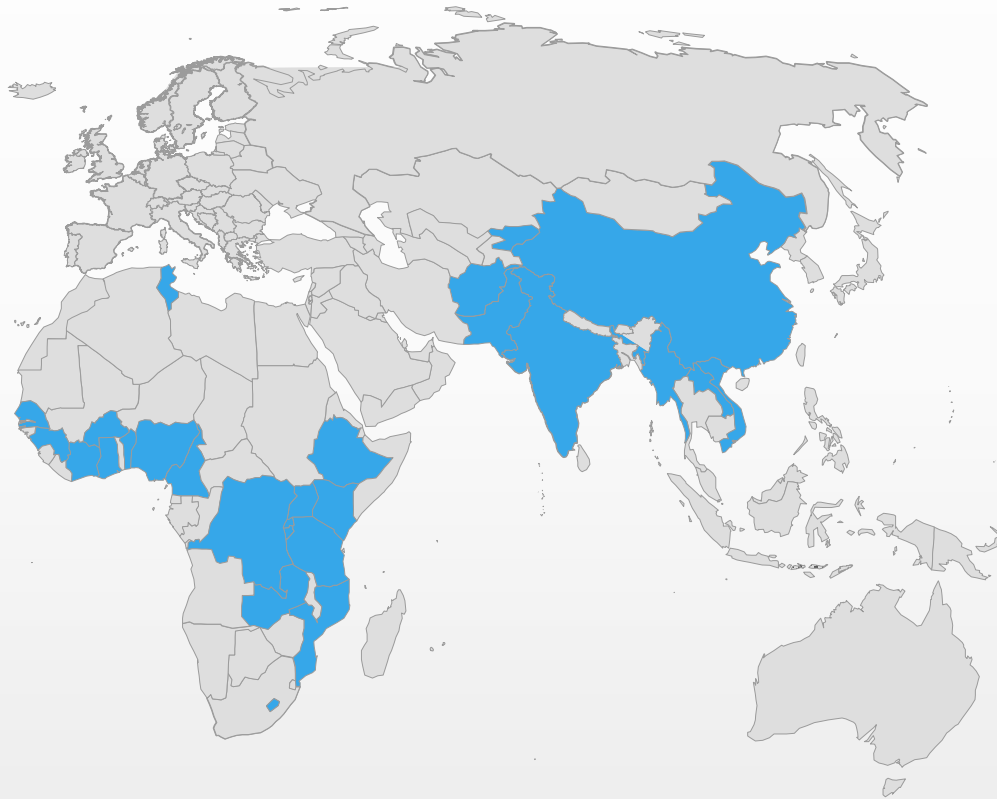
Medium enterprises

- Access to proper funding opportunities (**equity, debt, guarantees, joint ventures, trade finance**)
- Access to markets



ITC's experience in access to finance

Projects in 24 countries across Africa, Asia, and the Pacific



>500
Companies
coached



>100
Financial
advisors
trained



>150
Small
Financial
service
providers
trained



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ITC projects

Sample



1. Micro/Small enterprises and start-ups

Empowering Youth in the Gambia (2017-2020)



ITC is working in partnership with local financial institutions to **unlock access to affordable credit and grants for micro entrepreneurs in the Gambia**. ITC is attracting private investors to invest into high growth start-ups by setting up **the first angel investors network** in the Country.



SECTORS

Tourism, agribusiness, and services

TARGET MINI-GRANTS

250

TARGET MINI-LOANS

580

ANGEL INVESTORS NETWORKS CREATED

1

MAIN PARTNERS

**European Union,
Private investors,
Impact Investors**

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2. Small enterprises

Project in East Africa (2018 – 2022)



ITC aims to increase value addition of SMEs in five East African countries (**Burundi, Kenya, Rwanda, Tanzania, Uganda**) and to connect them to the regional and EU markets. ITC will work with 400 small enterprises active in the few agriculture value chains.



TARGET AFFORDABLE FINANCIAL ADVISORS TRAINED

50

TARGET NUMBER FINANCIAL INSTITUTIONS PARTNERS

5

TARGET ENTERPRISES COACHED

> 400

COUNTRIES

Burundi, Kenya, Rwanda, Tanzania, Uganda

MAIN PARTNER

European Union

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3. Medium enterprises

Partnership for Investment and Growth in Africa (2017-2021)



ITC works to increase access to capital and knowledge from Chinese investors to companies in agro-processing and light manufacturing sectors, in **Ethiopia, Kenya, Mozambique and Zambia**. This is a component of Invest Africa, a large DFID programme linking private sector investors, buyers, financiers and governments to boost manufacturing and create jobs.



SECTORS

Agro-processing
Light manufacturing

ENTERPRISES TRAINED

220 across 4 countries

BUSINESS/INVESTMENT LEADS

FACILITATED

USD 75m

MAIN PARTNERS

Ukaid

China Council for the Promotion of
International Trade

China-Africa Development Fund

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Key takeaways

- 1** MSMEs represent an engine for **employment generation, economic growth** and **poverty reduction**. Policy solutions need to take into consideration **the difference needs within the MSME segment**.
- 2** MSMEs need more access to finance, particularly for the “**missing middle**”. This should go together with **capacity building** on financial and strategic management. **De-risking mechanisms** provided by the public sector, such as guarantees, can be helpful in unlocking capital.
- 3** **MSMEs need a strong ecosystem to grow**. There is a need to strengthen the different actors that support enterprises. This includes business advisory service providers, incubators, accelerators, financial service providers, etc..



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Thank you!

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