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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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.
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
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
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
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
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.
Thank you!

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