



AfDB Private Sector Department Support to SMEs in Africa

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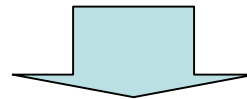
Micro-finance and SME Dev. Division :

Why MSMEs?

- There is growing recognition of the role of MSMEs in sustained global and regional economic growth: In Africa, the SME sector accounts for over 90% of all enterprises of which between 70-80% are micro and very small enterprises while medium enterprises account for between 5-15%. They provide the main source of jobs and income for Africans.
- SME Growth firms can form the base for more dynamic and competitive economies and employ millions of African people; but more collaboration, networking and support is required to achieve economies of scale and global competitiveness

Constraints to MSMEs growth

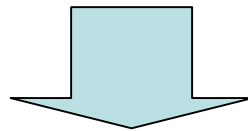
- MSMEs face major challenges inhibiting their income earning potential:
 - Lack of access to finance
 - Lack of technical support
 - Institutional weaknesses
 - Infrastructural constraints
 - Licensing and bureaucratic constraints.
- Financial Institutions support mainly focuses on the medium to corporate sector i.e. through large investments as opposed to MSMEs because of:
 - High level of risk they present
 - High costs of application review and loan monitoring
 - Lack of collateral



Given their importance, DFIs like ADB need to deepen financial support to this sector as well as enhance the business environment in which they operate

Micro-finance and SME Dev. Division : *Target population*

- Growth oriented SMEs follow different strategies and face dissimilar problems from subsistence MSEs; they differ in their growth dynamics and market orientation.
- Therefore, tailored solutions and mechanisms must be designed to support the growth of SME sector and build the financial and non financial market



A differentiated mandate addressing MSEs enterprise and SME needs from various angles is necessary

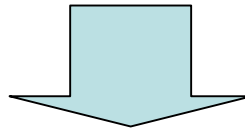
Role of Microfinance & SME Dev. Division; OPSM.4

- promote entrepreneurship and mainstream sustainable, quality services of financial intermediation for SMEs in Regional Member Countries
- promote development and growth of MSMEs, enhance Financial Systems serving growth oriented SMEs, Building a Microfinance Industry through financial sector development

Micro finance and SME Dev. Division :

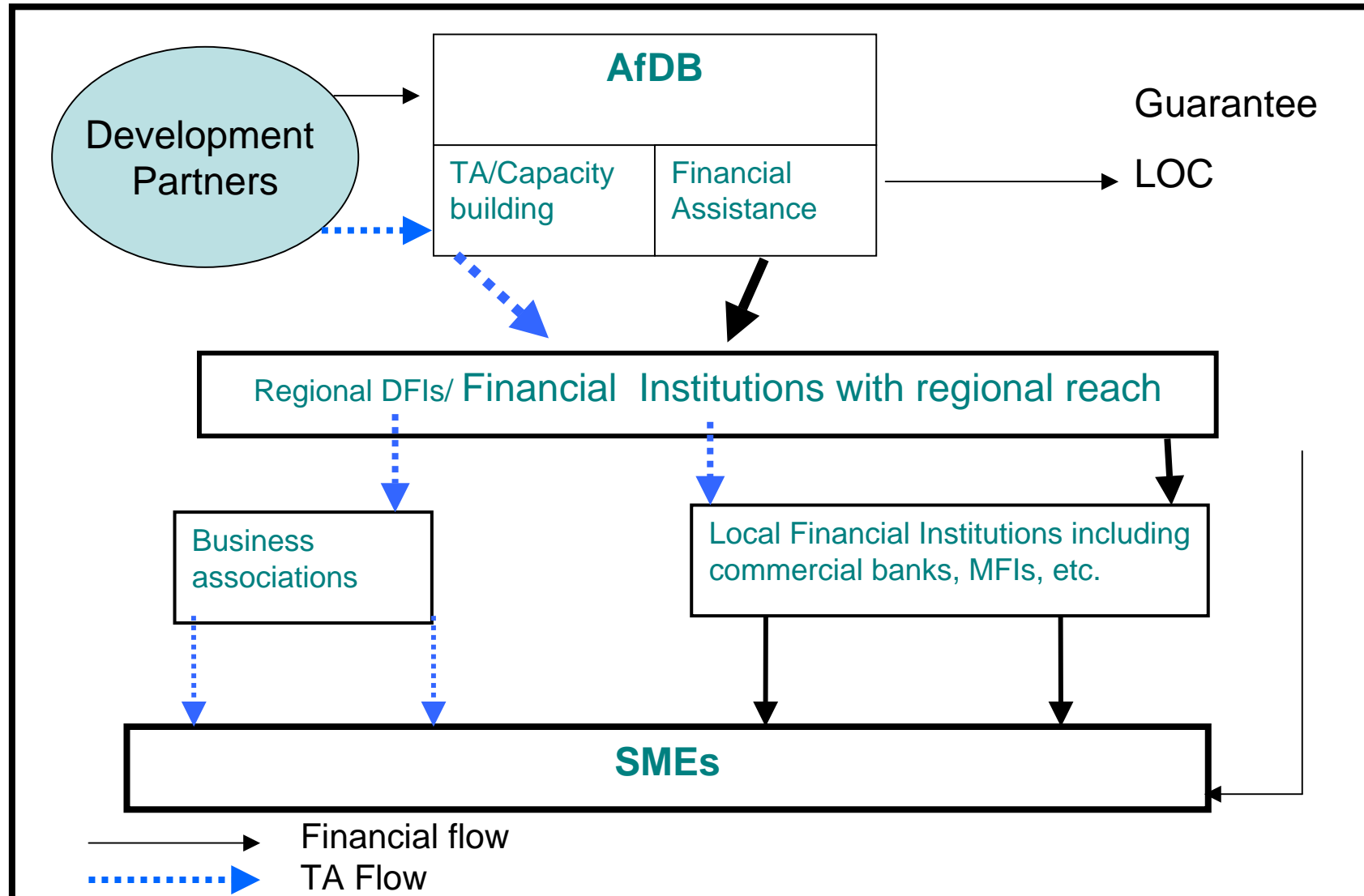
Key Pillars

The key pillars for OPSP 4 division is to deepen development and economic growth through:

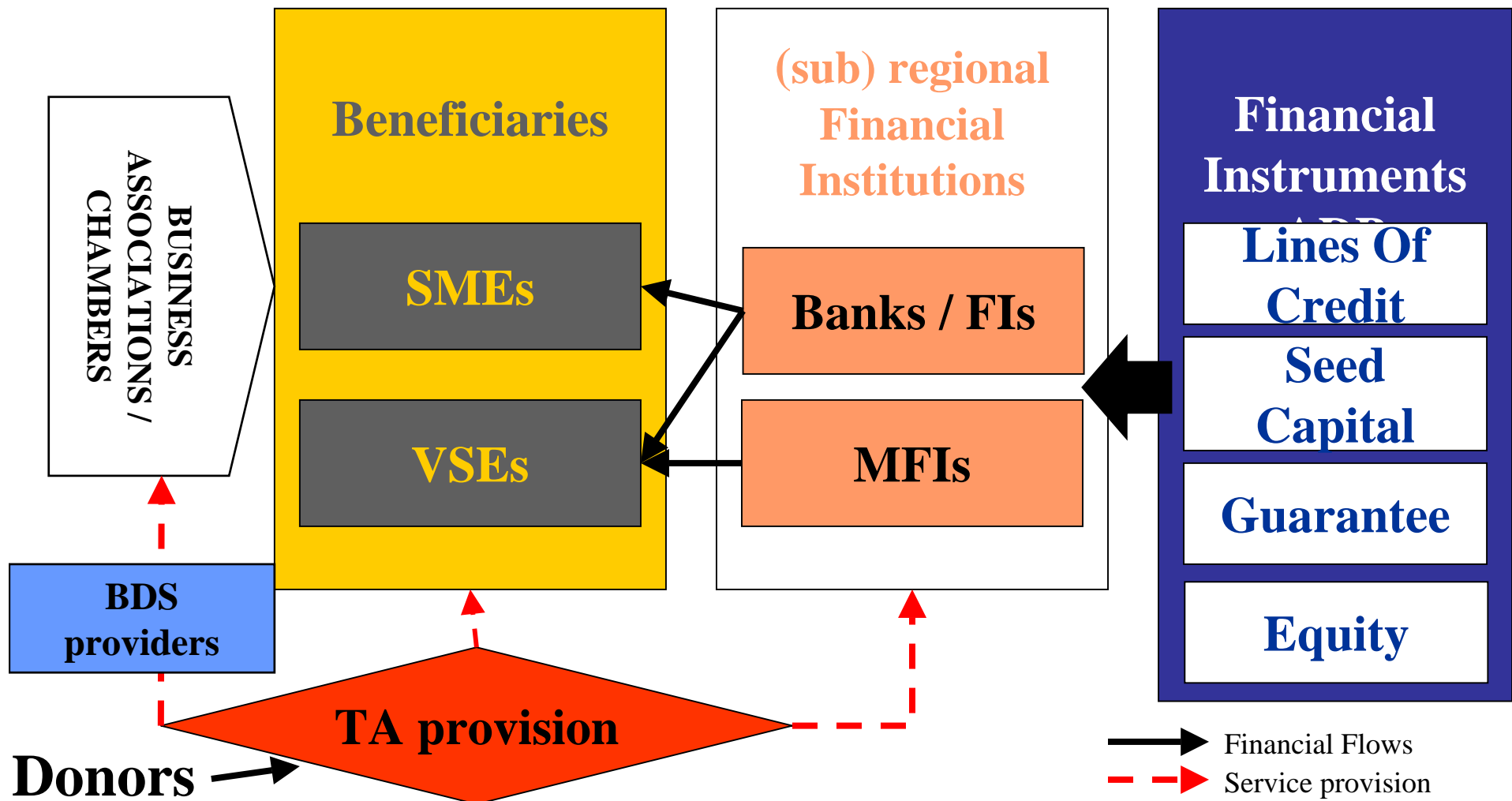


1. Enhanced Financial Systems serving growth oriented SMEs
2. Building Microfinance Industry and support MSEs development
3. Institutional strengthening and SME competitiveness support:
A key component of investment programs
4. Building Strategic Partnerships

Implementation Strategy



INTEGRATED FINANCING & TA PROGRAMS



Technical Assistance

Reinforce the SME banking technical capacities of the partner **Financial Institutions**

Reinforce the technical & institutional capacity of **bus. Associations and chambers of commerce**

Provide management skills & training to **SMEs** and monitor MSEs' performance through **BDS provider** capacity building

Mitigate the risk for the
FMs & GM

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