



International
Labour
Organization

Enhancing Zambian SME's Competitiveness and access to finance.

Growth orientated SMEs are an important development agent. Their establishment and expansion largely depend on access to quality financial services. According to a business survey conducted in Zambia in 2010, small and medium enterprises (SMEs) made limited use of formal financial products. Only 10 per cent of SMEs utilized formal banking - 49 per cent of SMEs even saw access to finance as an obstacle to business operations.

The same survey also found that the majority of SMEs did not belong to formal business associations or networks and relied on informal connections for business information. In fact, 85 per cent of respondents cited talking to friends and family as their most common source of business information.

Financial institutions also stressed that many SME owners had limited capacity to prepare bankable business proposals and that this was a key constraint to accessing finance.

FACTS AND FIGURES

Partners:

African Management Services
Company.

Beneficiary Countries:

Zambia

Timeframe:

August 2010 – September 2012

Budget:

USD 257,025

THE RESPONSE

Between 2010 and 2012 The African Development Bank (AfDB) supported a national programme that provided loans to selected SMEs through a number of commercial banks in the country. Crucial to this overall programme was the provision of technical assistance to commercial banks and business development service providers to help them better meet the needs of SMEs, particularly women owned and managed SMEs.

The African Management Services Company (AMSCO) assists 'African companies to become globally competitive, profitable and sustainable' – it provides selected private companies and commercially operated public enterprises with professional management and related services.

The main objective of the collaboration between ILO and AMSCO was to facilitate access to AfDB resources by a larger group of SMEs. The collaboration sought to reduce the gap between the supply of finance from commercial banks linked to the AfDB programme, and the demand for finance by SMEs with growth potential.

The strategy chosen to achieve these objectives consisted of working both on the demand and supply sides. On the demand side, the project built the capacity of SMEs to develop and articulate bankable business plans and growth strategies and, as a sustainability mechanism, it also developed a group of business development service providers who would continue offering training mentorship and counseling support to SMEs. Indeed, the project increased the capacity of business associations to provide lobbying and advocacy support and to encourage and facilitate networking as a way of increasing market access. On the supply side commercial banks were supported to better meet the particular needs of SMEs – in particular for women entrepreneurs.

Partnerships and Field Support Department (PARDEV)

International Labour Organization
4, Route des Morillons
CH-1211 Geneva-22 – Switzerland

Tel: +41 22 799 7309

Fax: +41 22 799 6668

E-mail: ppp@ilo.org

www.ilo.org/ppp



RESULTS

As a first step, 14 business development service providers were trained and became certified by the ILO to deliver services to growth oriented SMEs. This included their ability to assist SMEs to articulate capital requirements, develop a viable business plan, and develop and implement a business growth strategy. Additionally, 12 business associations underwent capacity building allowing them to better support SMEs with advocacy and to encourage networking to enhance access to markets. As a result, SMEs can access relevant support and mentoring beyond the projects close.

Within the project time frame, 105 growth-orientated SMEs were trained by business development service providers with support from the International Trade Centre. SMEs received classroom training and individual follow-up counseling support to better manage their businesses. All SMEs trained were able to develop growth strategies. Of the SMEs who received support:

- 40 per cent were female owned or managed;
- 100 per cent had increased sales;
- 60 per cent had invested in new technology;
- 60 per cent had hired more staff;
- 50 per cent were able to access formal finance, while a further 10 per cent saw how they could finance initiatives through retained earnings;

Two commercial banks received capacity building and training to support them to better meet the specific needs of SMEs: there was a particular focus on meeting the needs of women business owners.

A database of 30 business development service providers was compiled and given to commercial banks and business associations as a reference tool for their clients, thus ensuring a continued relationship between commercial banks and business development service providers.



"The African Development Bank is particularly happy with the relationship that has been established between commercial banks and organizations like the ILO. It is such collaborations that can help bring about synergy and greater multiplier effects in the economic development work"

Mr. Christopher Banda – AfDB
Senior Private Sector Officer



Partnerships and Field Support Department (PARDEV)

International Labour Organization
4, Route des Morillons
CH-1211 Geneva-22 – Switzerland

Tel: +41 22 799 7309

Fax: +41 22 799 6668

E-mail: ppp@ilo.org

www.ilo.org/ppp

BENEFITS OF PARTNERING

(i) SMEs benefit from support in numerous ways to expand their business; (ii) Business Development Service providers are helped to undertake their activities to a higher standard with technical support and the receipt of tools; they also benefit from SME referrals from the commercial banks and business associations as a result of the reference tool; (iii) Business Associations benefit from technical support, along with an increased SME network in terms of size and capacity; (iv) Commercial banks benefit from an increased clientele base with viable business plans, growth strategies and access to business support services and advice; they are also aided to better understand and serve their target market; (v) The AfDB Programme benefitted from increased capacity on both the demand and supply side of finance; (vi) AMSCO partnered because they wanted to leverage the technical capacity of ILO in enterprise development and in gender main streaming; and, (vii) The project contributed to priorities outlined in Zambia's Fifth National Development Plan through facilitating the creation of employment among growth orientated SMEs.