



ENHANCING ZAMBIAN SMEs' COMPETITIVENESS AND ACCESS TO FINANCE

Growth-oriented small and medium enterprises (SMEs) are an important development agent. Their establishment and expansion largely depend on well-articulated business growth strategies and access to relevant financial services. According to a business survey conducted in Zambia in 2010, SMEs considered limited access to finance as a serious constraint to their operations. This concern was particularly high among microenterprises and farm owners. The report also indicated that access to financial services, including bank credit, was a serious obstacle to the performance of micro small and medium enterprises (MSMEs) in Zambia.

The survey 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
(AMSCO)

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 those owned and managed by women.

The African Management Services Company (AMSCO) helps '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 those of women entrepreneurs.



RESULTS



“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

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. In addition, 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 were able to access relevant support and mentoring after the project ended.

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

- 40 per cent were owned or managed by women;
- 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 established that they could finance business growth through retained earnings;

Two commercial banks received capacity building and training to help them 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 shared with 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.



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BENEFITS OF PARTNERING

- SMEs benefit from support in numerous ways to expand their business;
- business development service providers receive assistance in bringing their activities up to a higher standard, thanks to technical support and tools; they also benefit from SME referrals from the commercial banks and business associations as a result of the reference tools;
- business associations benefit from technical support, along with an increased SME network in terms of size and capacity;
- 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 helped to better understand and serve their target market;
- the AfDB Programme benefited from increased capacity on both the demand and supply side of finance;
- the AMSCO entered into the partnership because they wanted to take advantage of the ILO's technical capacity in enterprise development and gender mainstreaming; and,
- the project contributed to priorities outlined in Zambia's Fifth National Development Plan through facilitating the creation of employment among growth-oriented SMEs.