

Towards Sustainable Development and Financing
of Small & Medium-sized companies in Africa

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1.0 Introduction

1.1. Africa's Sustainable environment

❖ Quite a lot of us living in developed economies are familiar with this new order in the name of "Sustainable Development". This new environmental thinking is by far weaving a new robe of many colours and it's dictating the pace in the corporate world.

❖ This presentation is to embrace the ongoing campaign on several subjects currently focused on sustainable development in Africa. There is of course, a new chapter in Africa's enterprise environment which we are proud to be a part of and has been the main driver of our vision. We call it « African Thinking ».

❖ African Thinking is an innovative enterprise development, forward thinking and value creating processes

1.2 Why support Sustainable Development

- So that we can live better
- So that we can protect the environment So that the environment can protect us by not destroying its values 25% literacy level in Africa

1.3 African Situation

❖ Little or no Value for the environment- this is as a result of high level of poverty rate and illiteracy

❖ Poor state of infrastructure and dynamic political environment

❖ Multinationals low response to sustainable development in Africa- The case of Shell in Nigeria

❖ Africa being used as a dumping ground for toxic wastes and materials

❖ African governments drive to address this issue

1.4 Public Governance

* An emerging Democracy

* Sustainable Democratic system of government

* NEPAD Governance

2.0 The Financing Issue...?

How it affects Africa's SME's and what next 2.1 The

Economy

* An emerging economy

* Newly liberalized and transiting to market economy,

2.2 Economic policy indicators include:

❖ Economic policy indicators in Africa include:

- Deregulated foreign exchange market

- Privatization and commercialization programme

- Deregulation of the interest rate regime

- Deregulation and internationalization of the capital market, Fresh investment capital inflows have increased with democratization, signifying the identification of growth and investment opportunities some African countries.

❖ However, economy is constrained by huge total external debt. For instance there is an over-dependence of the economy of Nigeria on the oil sector and this causes a spate of imbalance in economic activities, eliciting a programme of economic diversification.

2.3 Africa's SME's

- ❖ Provides for 90% of Africa's labor force in both informal and organized sector
- ❖ The engine of economic growth in Africa
- ❖ Unattended to by African governments due to unfavorable policies and regulations- Just of recent NEPAD initiated its SME's projects.
- ❖ Low access to capital to maintain growth and drive revenue. Banks in Africa are outweighed by the needs of its players. Overwhelmed by this, they require urgent attention
- ❖ They need foreign support in terms of manpower development, access to venture capitalists and investors, funds and support for policy formulation
- ❖ A strong association required to help move case to government

2.4 Problem Africa's SME's are facing with Financing?

- ❖ Little or no access to capital resources. Today's SME's are faced with this problems and has affected the growth of small businesses.
- ❖ Restrictive corporate and securities laws have made it impossible to attract capital through securities offerings
- ❖ No access to Venture capital funding which most developed economies have access to.
- ❖ Local banks in Africa who provides credit facilities to SME's have problems of funding and have
- ❖ No collateral by SME's to meet the requirements of most banks for credits
- ❖ Governments insensitive to the plight of the SME's
- ❖ High costs of research and development, marketing expenses, and capital outlays which often times suffocate early revenues
- ❖ Lower margins to meet interests payments and other obligations
- ❖ Environmental risks coupled with unstable policies of African governments. This affects foreign investors willing to invest in the region

2.4 What Solution ?

- ❖ Governments should formulate policies that are aimed at promoting sustainable development of the SME's
- ❖ African financial institutions should grant credit or loan facilities to SME's without strict regulation at a reasonable or low interest rates
- ❖ Corporate Africa should be strengthened and empowered through favourable policies that is aimed at supporting entrepreneurs who form bulk of the SME's
- ❖ Investments in infrastructure by both government and multinationals towards sustainable development
- ❖ Improved tax and other financial incentives
- ❖ Cooperatives should be encouraged and developed to meet the needs of the SME's
- ❖ Global support and provision of financial aids to stimulate healthy and competitive environment

2.5 How can Africa's SME's be assisted by foreign investors ?

- ❖ Establish a bridge between foreign investors and the organized private sector in Africa
- ❖ Invest in research and development in Africa
- ❖ Work through established institutions that promotes sustainable development Africa
- ❖ Encourage Multinational corporations in Africa to employ the services of SME's in Africa to execute local projects-This will help promote Africa's ingenuity
- ❖ Establish an African Sustainable Development Funds- We have an ongoing project called SIGAM

(Sustainable Investment Generation and Management)

- ❖ Provide educational programs for SME's to develop their respective skills and expertise
- ❖ Global support and provision of financial aids to stimulate healthy and competitive environment

2.6 Accelerating the transition-towards sustainable development and Financing of Africa's SME's?

- ❖ African governments to provide stable policies and regulations
- ❖ Complete restructuring of the corporate and securities laws
- ❖ Provide for stable political environment that will attract foreign investors
- ❖ Contribute to a well-being society of the African people
- ❖ Support a global campaign for change in unstable consumption and production pattern
- ❖ To be part of a bridge builders between developed and developing economies
- ❖ Education program for SME's in Africa

3.0 Sustainable Development in Africa... Its Drivers and African vanguard

2.0 Drivers of Sustainable Development in Africa

- ❖ Sound economic policies
- ❖ Stable political environment
- ❖ Enabling and business friendly environment
- ❖ Market economy

3.1 What future do we have?

- ❖ A re-orientation of the society to value mankind and environment
- ❖ Collaborative effort between developed and developing (Africa) should be encouraged
- ❖ Support global initiatives that points towards sustainable development of Africa's SME's
- ❖ Stable political environment, policies and rule of law
- ❖ A business friendly environment
- ❖ Strong Market economy
- ❖ A new socio-economic order is being promoted with the NEPAD agenda
- ❖ Africa is witnessing a wind of change in its socio-political as well as economic environment of which SME's is the active ingredient
- ❖ A new generation of African enterprises is emerging and its taking the centre stage in terms of how
- ❖ Support global initiatives that points towards sustainable development of Africa's SME's
- ❖ The continent has abundance of resources- oil and gas, gold, diamonds, and other mineral and non mineral resources

3.4 How to sustain Africa's socio-economic values ?

- ❖ Corporations should play an active role in sustainable development. Sustainability of the socio-economic values of the African people should not be government initiatives alone, but also from corporate environment
- ❖ There should be a transformational process put in place by all stakeholders to ensure growth and well-being of the African people

- ❖ Encouraging the informal sector of the African economy to meet global challenges

3.5 African Thinking...

- ❖ Africans should invest in themselves and should not rely only on foreign donors- NEPAD should be inward not outward.
- ❖ There is a need for knowledge empowerment or simply, we should develop a knowledge economy
- ❖ There should be a transformational process put in place by all stakeholders to ensure growth and being of the African people
- ❖ Africans should fight corruption and corrupt leaders

3.6 Africa to Embrace Change

- ❖ Developing a right attitude to work and the environment
- ❖ Seeking knowledge whole heartedly and encouraging Africa's ingenuity
- ❖ Encouraging SME's to thrive through incentives to small businesses to have access to funds
- ❖ Strengthening co-operatives to function within the law