OUR SUPPORT TO THE DEVELOPMENT OF SMALL AND MEDIUM SIZED BUSINESSES IN WAEMU
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BACKGROUND

In Africa, particularly in West Africa, the private sector is largely dominated by small and medium-sized enterprises (SMEs). Along with micro-enterprises, SMEs form more than 90% of the economic fabric, excluding agriculture, and in many countries contribute more than 30% of the gross domestic product (GDP). If we include those operating in the informal sector, GDP contribution can equate to / or exceed 50% in some countries. Mostly individual or family-run businesses remain the leading providers of employment and services, operating in retail, small-scale processing and household services.

Consequently, micro, small, and medium enterprises (MSMEs) are strategic in two respects; their socio-economic role and their potential, the development of which is a prerequisite for laying the foundations for inclusive growth. However, despite their strategic role and potential, MSMEs have not been provided with the technical and financial support they deserve and require to flourish.

FINANCING FOR SMES: CONSTRAINTS, LIMITS AND DIVERSIFICATION OF SUPPLY

Various studies have shown that small businesses finance their operations and investments mainly from their own capital. Loans primarily benefit medium-sized businesses, which are relatively well-established on the market, and generally provide sufficient guarantees for the financing of their activities.

To loosen the stranglehold, the trend that is still dominant among the development partners consists of extending lines of credit (tied or not, depending on the case) to the commercial banks in order for them to lend to MSMEs, often at subsidised rates. However, it is obvious that, in general, these loans benefit only a small portion of companies, the larger ones – in other words, those who already have access to financial resources and can afford business support services offered at market rates or those taking part in business development programmes funded by these same partners.

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1 Priority is given to companies offering quick returns and high profitability on the loans awarded. In addition, precedence is always given to trade and services, in particular to imports and to a lesser degree to exports, to the detriment of production.
Lines of credit have exhibited their limits in terms of revitalising small businesses, which do not have means of recourse to non-financial support services capable of having a positive impact on their evaluation and therefore their access to finance. Aware of their limits, the development partners are now seeking to foster the diversification of financial products and services available by boosting the activities of the non-banking financial institutions, in particular the emergence of leasing and factoring companies, or even the development of venture capital. So many useful instruments but whose scope remains limited, firstly because they have been introduced only recently, and secondly because they presume the existence of upstream non-financial business development services.

THE MFW4A INITIATIVE IN FAVOUR OF SMES IN AFRICA

MFW4A Secretariat’s efforts in this area are aligned to the overall approach of the G20. Through its action, the Secretariat wishes to contribute to reinforcing the platforms for exchange and the sharing of experience in support of SMEs.

With the help of the Senegalese Agency for the Development and Support of Small and Medium Enterprises (ADEPME), the Secretariat took the initiative of organising a meeting with the main institutions involved in providing support to SMEs within the West African Economic and Monetary Union (WAEMU), on 29 and 30 March 2012 in Dakar. The meeting acknowledged the need to establish a network for coordination, exchange and dialogue, open to all SME support agencies in the sub-region.

The diversity in experiences reflects the variety of institutional forms, spanning across public, private and even public-private organisations, some collaborating with development partners and others exclusively of commercial nature. The multiplicity of tools and methodologies developed compels such a network, to share knowledge throughout the region.

For example, ADEPME has designed an SME assessment grid in consultation with SMEs and financial institutions in the region. ADEPME is making use of this tool to

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2 The Global Partnership for Financial Inclusion (GPFI) of the G20 comprises a subgroup entirely devoted to SME financing issues. The G20 SME Finance Policy Framework emphasises that in the least developed countries, the difficulties SMEs face in accessing financing are compounded by an unfavourable business environment and an inadequate supply of commercial services for businesses. The document underscores the role of the non-banking finance institutions in promoting SMEs, particularly the leasing and factoring companies. It further stresses the importance that should be given to the issue of financial infrastructure in terms of securing transactions and dealing with insolvency and other critical aspects such as credit information systems, accounting and company audits. Reflecting on these issues and on others, such as SMEs managed or owned by women and access to financing, the implementation of the Basel II regulations, the G20 subgroup has produced a series of recommendations which can be used to guide national and regional policies.
implement a programme to certify small businesses. The Maison de l’Entreprise in Burkina Faso has also acquired solid experience in terms of coaching and enhancing management functions for companies, mainly for small and very small enterprises. In Benin, the Centre for the Promotion and Supervision of Small and Medium-sized Enterprises, a private sector operator, has acquired expertise in identifying market niches and accompanying enterprises in exploiting this type of opportunity. In parallel, the active involvement of banking and non-banking finance institutions such as Ecobank, Société générale des banques du Senegal, Oikocrédit or Africa Leasing Facility makes it possible to leverage the experiences of these institutions with SMEs, by arranging loans and other financial products such as lease agreements.

The establishment of a consultation framework is also important, as, nearly ten years ago, the WAEMU Commission launched an action Programme for the promotion and financing of SMEs, aiming inter alia at creating a coherent support mechanism adapted to their specific needs. This approach is also echoed in the efforts of the Central Bank of West African States (BCEAO) to boost financial infrastructure in the sub-region, with for example the setting-up of a credit registry for the banks and a payment incidents database. It further plans to create a balance sheet data centre and a credit registry for microfinance institutions.

**THE DAKAR STATEMENT**

On conclusion of the Dakar meeting, the participants adopted the “Dakar Statement”, through which SME development support agencies and promotional entities agreed to establish a “formal regional network of SME support entities in the WAEMU area”. The network’s goals include support for coordination and exchanges around the tools for enhancing the performance of SMEs, promoting knowledge sharing on SMEs in WAEMU and harmonising support operations with a view of facilitating access to banking and non-banking financing for the target companies. Participants further requested MFW4A to support the establishment of this network, to be temporarily run jointly with ADEPME - Senegal.

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3 This initiative is essential as certain micro-finance institutions are increasingly positioning themselves to service segment of enterprises that are too small to interest banks, but with greater needs than could not be satisfied through traditional microcredit options. These companies are the “missing link” in enterprise financing.
FUTURE ACTION

MFW4A aims to support the network’s ambitions through:

- The development of communication channels between members including a virtual platform for dialogue and sharing information on the most effective tools;

- Capacity building among the members in order to pool knowledge and innovations;

- The promotion of members’ programmes and projects, in particular assistance in mobilising technical and financial resources from development partners; and

- Support for institutional dialogue with the financial sector to improve the efficiency of the tools developed, and with the national and regional public authorities to increase visibility and recognition of SME support entities in WAEMU.

CONCLUSION

The establishment of this network reaffirms MFW4A’s commitment towards African stakeholders and undoubtedly constitutes the first step in an approach aimed at boosting the recognition of SMEs on the continent, and increasing the supply of non-financial services in order to facilitate SME access to financing.

Moreover, this network is undeniably a practical contribution to the implementation of the recommendations of the G20 SME Finance subgroup.
STATEMENT OF INTENT TO ESTABLISH A REGIONAL NETWORK OF SME SUPPORT FACILITIES IN WAEMU KNOWN AS THE “DAKAR STATEMENT”

Considering the high priority given by the West African Economic and Monetary Union (WAEMU) Member States to promoting the development of SMEs, due to their strategic role in creating jobs and distributing income;

Considering the desire to pool the wealth of diversity to create a harmonious platform to meet needs in terms information, technical support and, in particular, SME financing;

Considering the necessity to boost and encourage synergy in the provision of the financial and non-financial services required for the development of SMEs in WAEMU;

Recognising the necessity to capitalise on the tools, skills, and experience in business development and facilitate access to credit in WAEMU;

Eager to improve SMEs eligibility to bank credit by strengthening enterprise’s management and monitoring;

We, as the agencies and public and private SME support entities in the WAEMU namely:

- The ANPME (National Agency for Small and Medium-Sized Businesses); the Maison de l’Entreprise and the CePEPE (Centre for the Promotion and Support of Small and Medium-Sized Businesses), Republic of Benin;

- Maison de l’Entreprise, Republic of Burkina Faso;

- CSP (Centre for the Private Sector), Republic of Mali;

- Department of SMEs and the Promotion of Entrepreneurship, Ministry of Trade and the Promotion of the Private Sector, Republic of Niger;

- ADEPME (Agency for the Development and Support of Small and Medium-Sized Businesses), Republic of Senegal; and

- ANPGF (National Agency for Promoting and Guaranteeing Financing for SMEs) and the Maison de l’Entreprise, Republic of Togo
Brought together on 29 - 30 March 2012 in Dakar, in a regional consultation for the establishment of a working group of entities supporting small and medium-sized businesses, organised under the aegis of the Making Finance Work For Africa (MFW4A) Partnership hosted by the African Development Bank (AfDB), in collaboration with ADEPME:

PROCLAIM

Our intention to create a sub-regional exchange and dialogue network to boost synergies among SME support entities in WAEMU for the purpose of fostering the development of SMEs entitled “**Formal regional network of SME support entities in WAEMU**”.

This network is open to new members whose missions are in the spirit of this approach and whose actions will add to the work accomplished on a national scale by the existing members.

The network has therefore set itself the following goals:

- To support coordination, discussions and exchanges on specific topics;
- To conduct advocacy to guide decision-makers at national and international levels;
- To promote the circulation of information on the SME sector within WAEMU;
- To exchange information on solutions/provide support entities with tools for improving the services available to businesses;
- To pool resources for intervention;
- To capitalise on/exchange experience;
- To harmonise support to SMEs for formalisation and access to financing; and
- To rationalise support strategies.

To achieve these goals, the network shall be steered by a Secretariat whose missions shall be defined in the Mutual Commitment Charter. During the kick-off and structuring phase of the network, the Secretariat shall be managed by Senegal’s ADEPME (Agency for the Development and Support of Small and Medium Enterprises) with the support of MFW4A.

Honorary members have been appointed from amongst the leading players in the SME sector in the region. The founding members of the network have therefore appointed Mr Djato-Kolani and Mr Lancina KI from the WAEMU Commission as honorary representatives of the network.
Likewise, the network actively seeks the support of Governments, the financial sector, Sub-regional and African Institutions (BCEAO, BOAD, WAEMU Commission and AfDB) and the international partners to accompany their initiatives.

Dakar, 30 March 2012

Members

### Current members

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<th>Benin</th>
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### Interested

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