



Promoting SME financing in East Africa

Start-up date: **2009**

Financing: **\$10M participation**

Partner: **FANISI**

Impacts

The fund will have a **\$3M technical assistance facility** that aims to meet the needs of the businesses in the portfolio by building their organizational, operational, managerial and financial capacities.

This institutional support will be additional to the capital provided by the fund.

Roughly a dozen small and medium-sized enterprises in the region will eventually benefit from this support.

Context

In Sub-Saharan Africa, the SME segment represents over 90% of businesses, among which 70 to 80% are micro or very small enterprises. They are the first source of employment for Africans after subsistence farming and are essential for boosting economic development. In most cases, these businesses have limited access to equity and it is difficult for them to access credit as a result of the low level of banking intermediation in the region.

In December 2009, the Investment and Support Fund for Businesses in Africa (FISEA), which is held by AFD and managed by PROPARGO, invested \$10M in the first closing of the FANISI Venture Capital Fund, alongside the development institutions Norfund and Finnfund.

Project objectives

The project aims to promote SME financing in East Africa by supporting financial intermediation.

FANISI Venture capital Fund aims to invest in roughly a dozen small and medium-sized enterprises in Kenya and the sub-region countries: Rwanda, Uganda and Tanzania.

Project description

FANISI Venture capital Fund will reach a size of \$50M. The fund has already identified a number of opportunities in East Africa in a wide range of sectors including the agribusiness, publishing, distribution, tourism and new technologies sectors. Businesses that have been identified as having high development potential at the local or regional level will not only benefit from financial support in capital, they will also receive institutional support via a technical assistance package.

In May 2009, an initial operation, led by Norfund until the launch of the fund, was conducted to support CraftSilicon, a company based in Nairobi that produces financial software for the banking and microfinance sectors. It has roughly a hundred clients in over 38 countries.



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By **Ayisi Makatiani**,
Fanisi Capital Manager

“The most commonly cited barrier to successful SME growth in East Africa is insufficient access to appropriate capital to finance expansion. Unlike microenterprises, which have tested a successful financing model, and large companies and multinationals that have large balance sheets with which to secure any new capital infusion, SMEs largely interact with financial

institutions and investors who have not typically developed the skills needed to appropriately and profitably serve and engage with them. Further, SME owners and manager lack formal business knowledge and understanding of markets. Fanisi is the catalyst that will combine appropriate financing with targeted management support to transform East Africa’s SMEs into competitive

players in the region. In May 2009, Fanisi made its first investment, a \$2.5 million equity stake in a Kenyan software company. This investment will help the company with its expansion plans, as well as help it address key internal capacity challenges that could hinder these plans, including strengthening management systems”.