



Mozambique SME Initiative Presentation

Strategy

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1. Mozambican Context

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- Frontier Market

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- Underdeveloped financial sector, lack of private capital for SME's

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- No integrated SME financing and support available from micro-finance institutions or commercial banks

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- Potential local partners over-extended

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2. MSI Background

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- Post Mozal Investment, Mozambique Government requested an IFC SME investment program

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- GMS (General Manufacturing & Services Department) developed MSI as a pilot program incorporating lessons from AEF (Africa Enterprise Fund) & other IFC experiences investing in SME`s

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- Approved by IFC Board of Directors in June 2004

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3. MSI Objective

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To develop

a new frontier market investment and technical assistance (TA) mechanism

as the basis for a standalone and sustainable financial intermediary

4. MSI Overview

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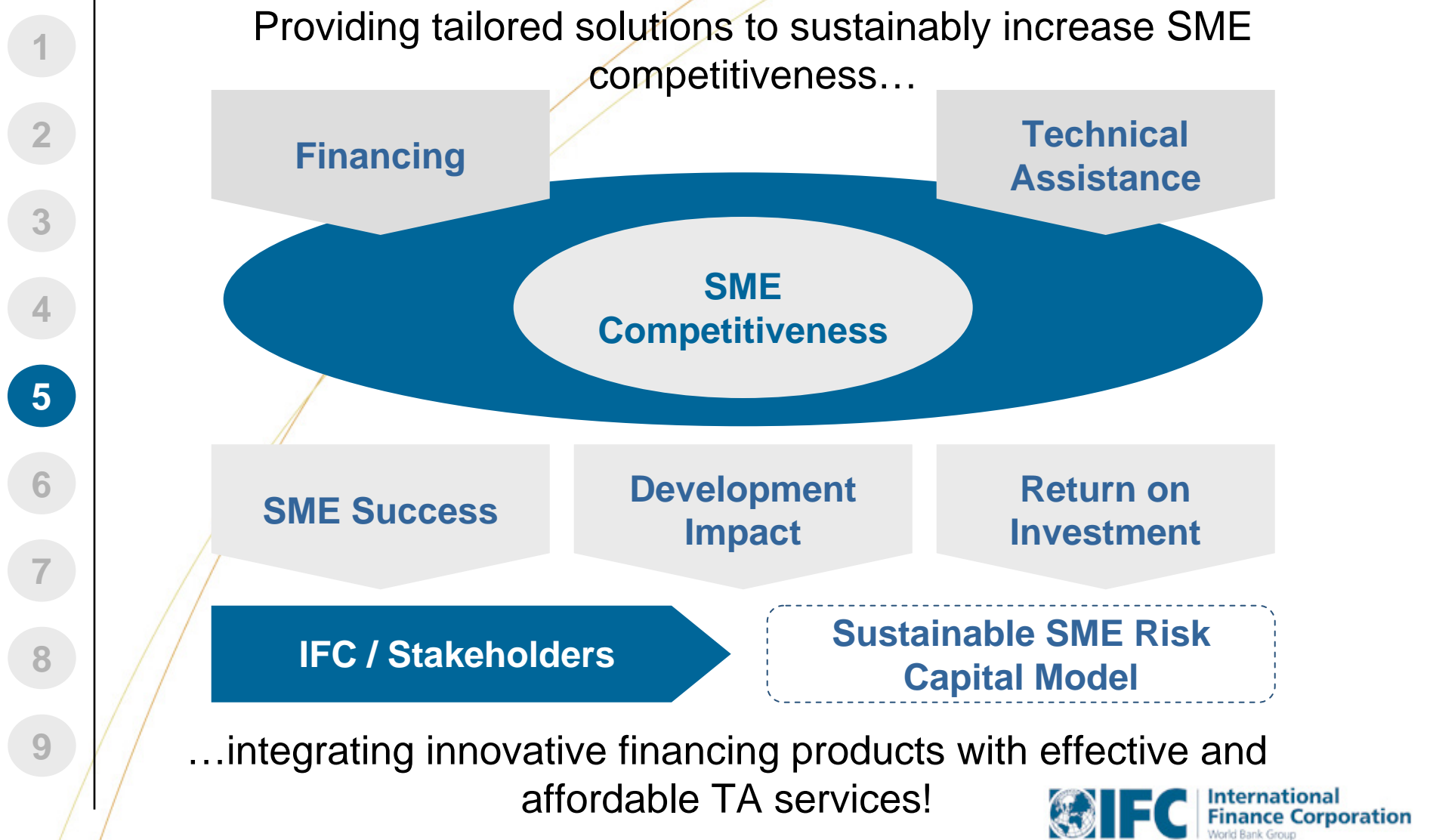
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- **Co-mingled trust fund structure funding** by IFC, SECO and the Government of Finland
- **5-year pilot** program, **integrated** finance and TA projects
- Investment program of **US\$8 million**
- Technical assistance program of **US\$4 million**

5. MSI Concept



6. MSI Investment Products

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Business Upside Potential

Equity-Royalty Investment

Equity Royalty Investment	
Description	Participation in the equity of the investee, coupled with a low-interest shareholder loan with rights to a small percentage of the gross sales of the investee (a "royalty")
SME Profile	Generally smaller companies where there is high upside potential and a clear exit strategy
Invest. Size	\$100,000 to \$700,000

Our Main Product

Royalty Loan

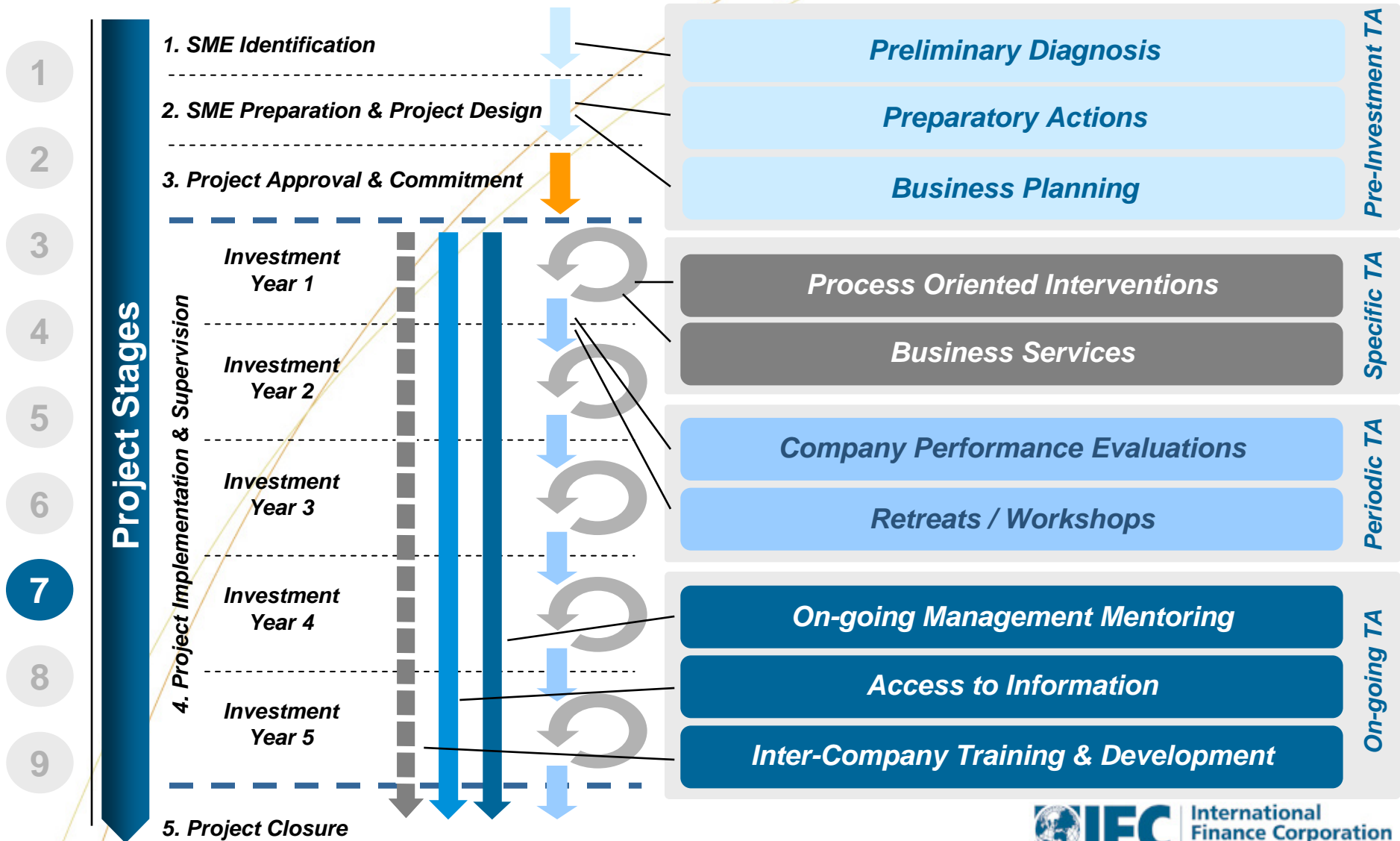
Royalty Loan	
Description	Low-interest loan with additional royalty rights but no equity investment by the Initiative
SME Profile	A company with upside but with no exit
Invest. Size	\$100,000 to \$1000,000

Straight Loan

Straight Loan	
Description	Loan with market-based interest rate without additional royalty rights
SME Profile	A solid company with limited growth potential and a need for TA
Invest. Size	\$100,000 to \$250,000

Risk

7. MSI Technical Assistance Services



8. MSI Strategic Goals

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Strategic Goals

By 2009...

1. At least, US\$ 9 million in financing provided
2. At least, 20 SME projects implemented
3. MSI transferred to a new SME financial institution



Thank you