

# Small and Medium Enterprises

## Stories of Impact

*This series provides examples of our impact, expertise and lessons learned working with clients and partners.*



## Creating Private Equity Funds to Promote Small Business Enterprises in Southern Africa

### RESULTS & IMPACT

- IFC has invested \$10.3 million in private equity funds in BPI in three southern African countries and is in the process of creating a fourth, \$40 million fund that will operate in four additional southern African countries.
- The funds were piloted in Kenya and Madagascar and replicated in Rwanda; the fourth fund will operate in Namibia, Malawi, Zimbabwe, and Zambia.
- The Kenya fund on average increased small business employment by 25 percent and net profits by 79 percent in the businesses invested in.
- More than one million web users have accessed SME Toolkit South Africa since 2007; 2,500 people have received face-to-face Business Edge training.
- More than 7,000 entrepreneurs have registered on the Toolkit website and more than 500 businesses have built websites using the Toolkit's web building tool.

IFC worked with Business Partners Limited (BPL), a South Africa-based specialty risk finance firm, to create Business Partners International (BPI) in 2004. The firm operates private equity funds in central and southern African countries. Small business owners who have attended IFC's Business Edge management workshops have accessed financing through these funds.

Additionally, BPL manages IFC's SME Toolkit, a website dedicated to providing online tools and business advice that are tailored to fit the business environment of southern and central Africa. The funds help small businesses access finance and contribute to economic growth.

*“Entrepreneurship is the engine room of our economy and creating a nurturing environment for these businesses to start and flourish is what will create jobs in the long term.”*

— Nazeem Martin, Managing Director at Business Partners International, a specialty risk finance firm that oversees IFC-funded private equity firms in Africa.

## The Opportunity

When IFC began working with BPL in 2004, Africa's economy was growing fast. The continent's GDP rose by nearly 5 percent per annum between 2000 and 2008, according to a McKinsey and Co. report. While Africa is known for its commodities, the recent growth has been driven by a wide range of factors, including lower public debt and increased political freedom, less conflict, and increased openness to trade.

Yet many small- and medium- sized business owners in Africa still suffer from a lack of access to finance, little high-quality technical support, and a lack of suitable office or shop space to do business. IFC sought to rectify this situation by joining forces with BPL to create Business Partners International (BPI), a subsidiary that would provide financing for small businesses through private equity funds operating in three African countries. The funds offer foreign direct investors an opportunity to realize returns by contributing to the sustainable socio-economic development of southern Africa. A fourth, \$40 million fund is underway. Since the creation of these funds, dozens of small business owners have taken Business Edge workshops or used SME Toolkit to create sound business plans that can qualify for private equity financing.



## Our Approach

IFC partnered with BPL to create BPI because the specialty risk finance firm had a strong reputation for providing financing to small and medium businesses in South Africa. Today, BPL invests about \$150 million annually in 350 to 700 small and medium businesses in southern Africa, and maintains about 2,200 active investments. The average amount of funds provided to a small business is about \$250,000. Dozens of small business applicants for private equity funding have taken Business Edge workshops to learn how to prepare solid business plans to obtain financing.

IFC is committed to working with clients such as BPL to strengthen the ability of small and medium enterprises to obtain financing. By providing SME owners and employees with the business skills needed to operate efficient businesses and access the funds that help them grow, IFC helps to ensure that these businesses remain profitable and able to contribute to economic growth—a key IFC development goal. Like other developing countries, small and medium enterprises in southern Africa help fuel the economy. The partnership with BPL showcases IFC's ability to work with key clients in developing countries to provide the tools small businesspeople need to help their businesses thrive.

Since 2002, IFC has used Business Edge management training workshops to help more than 170,000 individuals, including farmers, entrepreneurs, SME owners and staff strengthen management skills, grow their businesses, and stay competitive in more than 30 developing countries. Offered in 18 languages, the workshops cover five management topics: marketing, human resources, quality and operations management, finance and accounting, and personal productivity skills.

SME Toolkit is IFC's free online resource for SMEs, offering advice on business trends, local laws, and marketing strategies, and networking via social media forums, as well as an extensive array of online business training and a global small business directory. Available in 17 languages, SME Toolkit is used annually by more than 5 million visitors in more than 40 developing countries and has reached nearly 20 million people since its inception in 2002.

*IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries.*

REGION: SUB-SAHARAN AFRICA | STRATEGIC PRIORITY: SMES | THEME: FRAGILE AND CONFLICT AFFECTED AREAS | BUSINESS LINE: SUSTAINABLE BUSINESS ADVISORY | CLIENT: BUSINESS PARTNERS LIMITED

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June 2013



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