

DÜNYA, 8 April 2009

Interview with Jean-Michel Severino, CEO, Agence Française de Développement

1- How would you define the mission of AFD in a rapidly changing global economic environment?

In this period of economic turmoil, AFD aims at bringing concrete solutions to its developing and emerging partners so that they could tackle the challenges affecting them. As the French international development bank and as the main operator for the French development assistance system, we can use a comprehensive range of tools to support them in this direction. In a nutshell, we are able to play the countercyclical role the French government wishes us to take on to offset the effects of the crisis. And we will play this role in a way that contributes to a global recovery that is both green and shared by all. To this end, AFD is strengthening its activity in sectors that protect the most vulnerable from the immediate effects of the crisis (such as agriculture, health or microfinance) and fostering its contribution to the environment agenda, particularly in emerging countries.

Bilateral and multilateral financing institutions can build on the considerable strength of their balance sheet and mobilize their powerful capital base and targeted tools to reach the final beneficiaries that will contribute to revive growth in their country. That is why we are convinced that our cooperation with governments must go hand-in-hand with working with the private sector, which is the engine of economic growth.

In addition to its financial activity, AFD also aims at building partnerships with a wide range of actors. We are in a unique position to facilitate dialogue between governments, local authorities, businesses, research institutes and other partners. These intellectual exchanges are essential for building common strategies and concrete solutions to face the increasingly complex and interconnected global challenges.

2- What are your major areas of interest in countries like Turkey?

AFD has a special mandate in emerging economies, such as Turkey, China, India, or more recently Brazil, which is to preserve and produce “Global Public Goods” of benefit to all humanity. AFD supports its partners in their efforts to prevent emerging diseases to spread out (avian flu, SARS, AIDS), preserve biodiversity (forestry and fisheries resources) and combat climate change (promoting energy efficiency, renewable energies and projects with greenhouse gas reduction impacts).

But an involvement in Turkey is very special. Of course, we are specifically committed in this last area through ongoing discussions with local banks for financial facilities linked to climate change facilities. We support sustainable development in order to mitigate the environmental footprint of Turkey’s vigorous economic growth. We also support Corporate Social Responsibility investments made by the private sector. Since 2004, we have contributed to raise CSR awareness for 4400 companies in Turkey. But we are also interested in helping boosting the economy, which is so important for the Mediterranean world, and we are interested in all ways that strengthen links with France and within our Mediterranean community.

To underwrite its activities in Turkey AFD operates with loans to the public sector, to municipalities, to public companies but also to the private sector (banks and businesses). Priority is given to the capacity of owners to implement innovative projects that foster socially and environmentally responsible practices or improve the living conditions of populations in terms of public services.

3- What would be your comments on the global economic crisis and its effects on SMEs?

This crisis has now spread out all over the world. Everywhere it raises equal challenges for the economic actors that are first and foremost impacted. Depending on their integration into their local economic environment, SMEs can be more or less vulnerable to this crisis. Indeed SME's market openness can be a source of greater sensitivity to demand decrease.

The access to capital and financial services is generally one of the main impediments SMEs face, especially for the smallest of them. In the current economic circumstances, we can fear that this problem will only get worse. Innovative development strategies might prove more difficult to finance; new investments might be inhibited.

This is an important source of concern for businesses themselves, for governments but also for development actors. Indeed having a strong private sector is essential in order to trigger economic dynamism, enhance productivity and reduce poverty in developing and emerging economies. SMEs are a powerful engine for the economy: they create jobs, help maintain social stability and favour innovation and entrepreneurial spirit.

4- What should be the policies in order to reach sustainable growth for SMEs especially in times of crisis?

Policies tailored to the specific needs of the private sector are needed in order to help SMEs adapt to a shifting economic environment.

First, entrepreneurs in emerging markets need better access to financing. Development institutions can provide it through loan guarantees in local currency, support to microfinance initiatives, etc. There are two different ways to favour SMEs access to credit: a direct support to provide them with long-term financing or an indirect support to strengthen their capacity - allowing them to get better access to credit- through capacity-building programmes.

Second, SMEs must be more and more competitive within the framework of an integrated global economy. Political action is needed in order to create a business environment enabling SMEs to prosper, reduce the cost of doing business, create infrastructure, and allow access to professional training and new technology. Those are ways to reduce barriers to SMEs' participation in global markets. Finally, competitive advantage can also be found for SMEs by building through more responsible social and environmental policies. Increasing incentives for businesses is a means to foster responsible corporate policies, for instance by proposing them long-term financing or by underwriting part of the costs inherent in innovative strategies. By improving their standards of quality and by investing in the green economy, SMEs would reconcile local quality of life and global competitiveness, and find their way towards an innovation-led sustainable growth.

5- What will be the positive impacts of the SME conference organised by AFD, Dünya and Halbank?

We designed the conference so as to be oriented towards the Turkish business community and to focus on best practices, funding opportunities and development innovations. It will provide a unique discussion platform and enable sharing of experience with the Turkish and international business communities, public authorities and experts. Participants will benefit from the view of different actors and institutions that have set the benchmark for successful financial and non financial services to SMEs.

In those times of economic uncertainty, I am convinced that facilitating discussions about worldwide experiences and lessons learned is part of the answer. More specifically, we must identify solutions for businesses caught in difficult economic situations and develop knowledge on how to strengthen the SME sector with a sustainable development perspective. Through this important conference, AFD - together with Dünya and Halbank- hopes to play a

“coalition builder” role. It is only by building common strategies and language that we will find the efficient answers to the new challenges of our time.