

FISEA: PROJECT EXAMPLES

PROJECT EXAMPLE: PARTICIPATING IN THE DEVELOPMENT OF CONGOLESE MUTUAL SAVINGS AND CREDIT BANK (MUCODEC) ACTIVITIES

Support - alongside the Crédit Mutuel bank – for the development of the MUCODEC mutual savings and credit banks in order to finance Congo’s private sector by promoting the creation of an ad hoc institution for the development of this activity.

FISEA’s operation will support the development of Congo’s banking sector and promote the development of the SME fabric and the financial establishments of the Economic and Monetary Community of Central Africa (CEMAC zone), which have little access to deposits.



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PATRICE HOPPENOT, CHAIRMAN AND FOUNDER OF I&P DÉVELOPPEMENT, MEMBER OF FISEA’S INVESTMENT COMMITTEE

“Africa’s businesses should be capable of boosting economic development in Sub-Saharan Africa. Unfortunately, many African countries suffer from the underdevelopment of their SMEs. Financing difficulties are clearly a constraint to the development of an SME fabric, but this constraint cannot unfortunately be overcome simply by increasing financing volumes. It is necessary to take a holistic approach to the issue of SME financing by taking into account these businesses’ need for technical assistance. Indeed, the aim is to allow SMEs to upgrade to the standards that are required to gain access to bank credit and equity investments by professional investors.”



PROJECT EXAMPLE: CONSOLIDATING AND BOOSTING FINANCIAL INSTITUTIONS

Equity investment in an investment fund specialized in the financial sector - Africinvest Financial Sector - which specifically targets banks and financial service companies (leasing, consumer credit, microfinance, home loans, insurance or health insurance).

FISEA’s support will help efforts to rebuild and consolidate fledgling or fragilized financial sectors in Africa’s post-conflict and least developed countries.

The €10M investment will be completed by a technical assistance component financed by FISEA via a €150 000 grant. This envelope will help upgrade the capacities of asset management companies in different areas (risk management, computer systems...).

The fund management company - Africinvest Capital Partners - enjoys extensive experience in both private equity investment in African markets and in the financial sector, and also manages the Africinvest I and II funds. It is a member of the Tuninvest Finance Group, a pioneer in private equity investment in the Maghreb.

PROJECT EXAMPLE: PROVIDING AN INNOVATIVE FINANCIAL SOLUTION TO ENCOURAGE THE SMALL AND MEDIUM ENTERPRISE SECTOR IN AFRICA

FISEA will invest 10MUSD in the GroFin Africa Fund (GAF), which is dedicated to the financing of small and medium enterprises in Africa, often with a risk profile that is too high for traditional commercial banks.

GroFin targets a segment of the market between microfinance institutions and classic investment funds which is not supported by traditional financing. GroFin provides an innovative combination of risk capital and business development assistance to viable enterprises in order to enhance their probability of success. Beyond capital funding, FISEA will assist in the long-term evolution of GroFin into a financial institution specialising in financing small and medium firms in Africa.



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AFD stands for the **Agence Française de Développement**. AFD is a public development-finance institution that has been working for more than 60 years to fight poverty and to support economic growth in developing countries and the French Overseas Communities. AFD implements the French government development aid policies.

With agencies in more than 50 countries, AFD finances and supports projects that improve people's living conditions, promote economic growth and protect the planet. AFD-funded projects provide schooling for children, support farmers and small businesses, supply drinking water, preserve tropical forests and fight climate change, among other things.

AFD committed nearly €4.5 billion in 2008 to financing aid activities in developing countries and the French Overseas Communities. The funds should help 7 million children get access to school, give 4.4 million people access to drinking water and create or save jobs for 370,000 workers engaged in private enterprises. Funding for energy efficiency projects in 2008 will also contribute to save 3.3 million tons of carbon dioxide emissions per year.

REGIONAL AGENCIES AND OFFICES FOR FISEA:

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West Africa - Abidjan: afdabidjan@groupe-afd.org

AFD/PROPARCO AGENCIES AND OFFICES IN COUNTRIES ELIGIBLE FOR FISEA:

Abidjan (Côte d'Ivoire, Liberia), **Abuja** (Nigeria), **Accra** (Ghana), **Addis-Abeba** (Ethiopia, Eritrea, Sudan, Somalia), **Antananarivo** (Madagascar), **Bamako** (Mali), **Bangui** (Central African Republic), **Brazzaville** (Republic of Congo), **Bujumbura** (Burundi), **Conakry** (Guinea, Sierra Leone), **Cotonou** (Benin), **Dakar** (Senegal, Cape Verde, Gambia, Guinea-Bissau), **Dar Es Salaam** (Tanzania), **Djibouti** (Republic of Djibouti), **Johannesburg** (South Africa, Botswana, Lesotho, Malawi, Namibia, Swaziland, Zambia, Zimbabwe), **Libreville** (Gabon, Sao Tomé et Principe), **Lome** (Togo), **Luanda** (Angola), **Maputo** (Mozambique), **Moroni** (Comoros), **N'Djamena** (Chad), **Nairobi** (Kenya, Burundi, Uganda, Tanzania), **Niamey** (Niger), **Nouakchott** (Mauritania), **Ouagadougou** (Burkina Faso), **Port-Louis** (Mauritius), **Yaoundé** (Cameroon, Central African Republic, Equatorial Guinea).

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PROPARCO is a Development Finance Institution jointly held by Agence Française de Développement (AFD) and by private shareholders from the North and the South. Its mission is to catalyze private investment in emerging and developing countries in favor of growth, sustainable development and reaching the Millennium Development Goals (MDGs). PROPARCO was created thirty years ago with the conviction that the private sector has a crucial role to play in development. Its capital was tripled in 2008. PROPARCO finances operations that are economically viable, socially equitable, environmentally sustainable and financially profitable. The Company invests in a geographical area ranging from major emerging countries to the poorest countries. Africa accounts for 55% of its activity. PROPARCO provides a wide range of financial products tailored to the specific needs of private investors in developing countries. In 2008, PROPARCO allocated €800M for more than sixty projects in over thirty countries. www.proparco.fr



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FISEA: INVESTMENT AND SUPPORT FUND FOR BUSINESSES IN AFRICA

Getting involved and investing
in African businesses

© Paul Kabré



PROMOTING GROWTH AND EMPLOYMENT IN AFRICA

FISEA is an investment fund that makes equity investments in businesses, banks, microfinance institutions and investment funds operating in Sub-Saharan Africa. FISEA aims to be a lever for economic growth in this region.

FISEA: A MECHANISM FOR GROWTH AND EMPLOYMENT

FISEA is one of the main mechanisms and tools of the French initiative to promote growth and employment in Africa launched by the President of the French Republic on 29 February 2008 in Cape Town, South Africa. This initiative aims to support economic growth and job creating start-ups.

FISEA, a public limited company set up in Paris on 20 April 2009, is held by the Agence Française de Développement (AFD). PROPARCO, AFD's private sector arm dedicated to investing in developing and emerging countries, is in charge of appraising and managing FISEA operations. The fund has an annual investment target of €50M and is expected to finance roughly sixty projects over the next five years and create over 100 000 jobs in Africa.

FISEA aims to promote growth in businesses and financial institutions in Sub-Saharan Africa by giving them access to equity and helping them manage their investments.

CHARACTERISTICS OF FISEA

- Operating methods: minority equity investments, either indirect (in other investment funds) or direct (in banks, microfinance institutions, businesses, infrastructure projects), with the possibility of technical assistance.

- Financial instruments: equity investments, subscriptions to bond issues, shareholder current accounts; possibility of technical assistance for a limited amount indexed to the investment.
- Eligible geographical area: Sub-Saharan Africa.
- Investment period: 5 years, from 20 April 2009.
- Unit investment amount: from €1M to €10M.
- Maximum shareholding period: from 7 to 10 years.



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FISEA RECIPIENTS

FISEA targets:

- Investment fund managers mainly investing in Sub-Saharan Africa and businesses with little access to traditional financing.
- Entrepreneurs and promoters operating in Sub-Saharan Africa who need financial assistance in order to develop their activity.
- Banks and microfinance institutions seeking equity and support for their medium-term operations.

MICHEL JACQUIER, Associate Director General of AFD, Chairman of FISEA

"FISEA aims to be an additional tool to traditional private funds. It will be earmarked for operations that are riskier than those investors spontaneously accept to finance. Indeed, it will target more unstable or post-crisis regions, smaller investments, and sectors that are traditionally neglected such as agriculture, microfinance, new energies, as well as health and education. But like all funds, projects must be financially profitable – this is what guarantees their sustainability and their positive impact on the local economic fabric and the development of the country. In addition to this original positioning, an envelope will be earmarked for assistance measures. Five of the 250 million euros will be used to finance technical assistance for management, governance... This money is well invested as it helps guarantee better profitability."



HOW TO BENEFIT FROM FISEA

TO BENEFIT FROM FISEA

Investment fund

Target:

To support skilled management teams by making minority equity investments in investment funds that take positions in segments neglected by traditional financing in Sub-Saharan Africa.

Investment criteria:

- The bulk of the final investment must be made in Sub-Saharan Africa.
- The investment fund must be managed by a skilled and experienced team.
- The projects financed must be financially profitable in the medium term.
- The investment fund must have the capacity to support the development of businesses that benefit from its financing.
- The investment fund must comply with international environmental, social and anti-money laundering standards.
- The investment fund must have the capacity to catalyze other investors in order to optimize project impacts.

Direct investments: businesses, infrastructure projects, financial institutions

Target:

To support the development of businesses or financial institutions by making minority equity investments in projects with sustainable future development prospects and a sizeable developmental impact.

Financing criteria:

- The activity financed must be mainly located in Sub-Saharan Africa.



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- The recipient entity must be managed by a skilled and experienced team.
- The financed project must be sustainable.
- The project must have a convincing business plan and be profitable in the medium term.
- The recipient entity must comply with international environmental, social and anti-money laundering standards.
- FISEA's financial exit is conceivable in the long term.

APPRAISAL OF APPLICATIONS FOR FISEA FINANCING

The application must be submitted to a PROPARCO or AFD local office or to PROPARCO's headquarters. The project is put before the Identification Committee of PROPARCO.

Once the Committee has granted approval, the person in charge of the appraisal analyzes the application with the project promoters to ensure it complies with various criteria (financial, technical, legal, environmental and social, anti-money laundering), then puts the project before a Project Committee. The allocation decision is made by FISEA's Chairman after he has obtained advisory opinions from FISEA's Investment Committee, which is mainly made up of independent members and AFD members. The duration of the entire appraisal process varies depending on the complexity and maturity of the project (between 2 and 6 months).

Independent members of FISEA's Consultative Investment Committee:

- **A. Abdelkefi** (Chairman and founder of Tuninvest)
- **A. Arnold** (Former CEO of FMO), also a member of FISEA's Board of Directors
- **P. Hoppenot** (Chairman and founder of I&P Développement)
- **P. Séchaud** (Bank Administrator in Africa), also a member of FISEA's Board of Directors
- **A. Tadesse** (Vice-President of DBSA), also a member of FISEA's Board of Directors
- **J.-L. Vinciguerra** (Financial Advisor to the Aga Khan Fund for Economic Development)

Other independent members of the Board of Directors:

- **A. Bio-Tchane** (President of BOAD)
- **T. Ahoua** (BCEOA representative at the WAEMU Commission)

FISEA: AN EQUITY FINANCING SOLUTION COMBINED WITH TECHNICAL ASSISTANCE

FINANCING SOLUTIONS PROVIDED BY AFD GROUP

The private sector plays a key role in reducing poverty and supporting economic growth by helping to create sustainable employment and increase revenues.

Very small enterprises and SMEs account for the bulk of employment in developing countries. To meet the challenge of financing SMEs, it is necessary to encourage financial institutions to better serve this client base, improve the business climate and the reliability of financial information, and build business competitiveness. In order to promote private sector investment, AFD and PROPARCO have created a subsidiary dedicated to the private sector and have developed a wide range of financial products that can be tailored to the needs of businesses, whatever their size: equity, long-term loans, lines of credit, guarantee tools, private equity investment.

AFD Group has been meeting the needs of South businesses for financing, training and technological evolution for many years by implementing an upgrading program that provides a comprehensive range of services. This program helps entrepreneurs face international competition and find their place within globalization. Support for the private sector is one of the cornerstones of AFD Group activities.

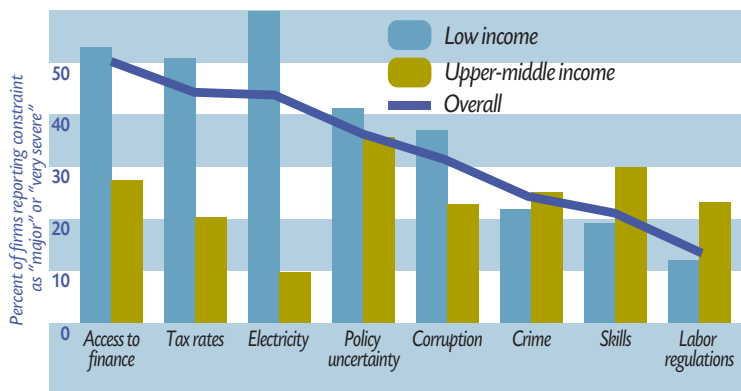
ADMASSU TADESSE,

**Vice-President of DBSA
(Development Bank of Southern Africa),
member of FISEA's Board of Directors
and Investment Committee**

"African SMEs perceive the difficulties they face in gaining access to financing as one of the main constraints to their development. Sub-Saharan Africa is one of the only regions in the world neglected by venture capital funds and other investment funds dedicated to SMEs. Institutional weaknesses observed in a number of African countries can also cut the appetite for risk, which is essential for investing in SMEs. Most of Africa's SMEs are informal and family-owned and this is a further constraint. Many potential investors are reluctant to invest due to the lack of transparency and professionalism in SMEs.

It is extremely important for a Development Finance Institution to identify the right intermediaries, i.e. partners that are sufficiently committed and have access to SMEs. It is then necessary to provide assistance to SMEs in addition to the financing. This non-financial support must be well-targeted: relevant advice adapted to the business activity sector, financial management tools and commercial services at affordable prices, development of distribution networks (particularly business networking with major companies or export markets), training in the field etc. This additional support is essential for strengthening the management capacities of businesses, as well as their access to markets."

Access to financing: one of the main stumbling blocks to Africa's development



Source: Africa Competitiveness Report 2007 – African Development Bank

