

MASDAR'S EXPERIENCE IN SME DEVELOPMENT

1.0 INTRODUCTION

Small and Medium Enterprises (SME's) are of considerable importance throughout the developing world. They comprise over 90% of African business operations and contribute over 50% of African employment and GDP. They are widely recognised as a prime engine of growth and development and donors are putting increasing emphasis on supporting them. For example, in 2005:

- The UK Commission for African advocated the creation of an **African Enterprise Challenge** Fund backed by \$100 million of investment, designed to support private sector initiatives targeted at SME development.
- This was taken up for consideration by the UK's Department for International Development (DfID) as a successor to the existing **Business Linkages** and **Financial Deepening Challenge Funds**.
- The African Development Bank launched a **Small and Medium Enterprises Facility in African** (SMEF-Africa) to complement its existing **Franchising to support SMEs Development Programme**.
- The International Finance Corporation publicised the work of its **Africa Project Development Facility** (APDF) to support SMEs and, in collaboration with other donors, established the **Private Enterprise Partnership for Africa** (PEP-Africa) to build on the work of the APDF in establishing a strong private sector in Africa.
- UNIDO established a Cluster/Network Development Programme to provide access to training, information and advice on business management for SME's. This association enabled SMEs to identify potential areas of synergy, achieve economies of scale and lobby collectively for a more SME-friendly business environment.

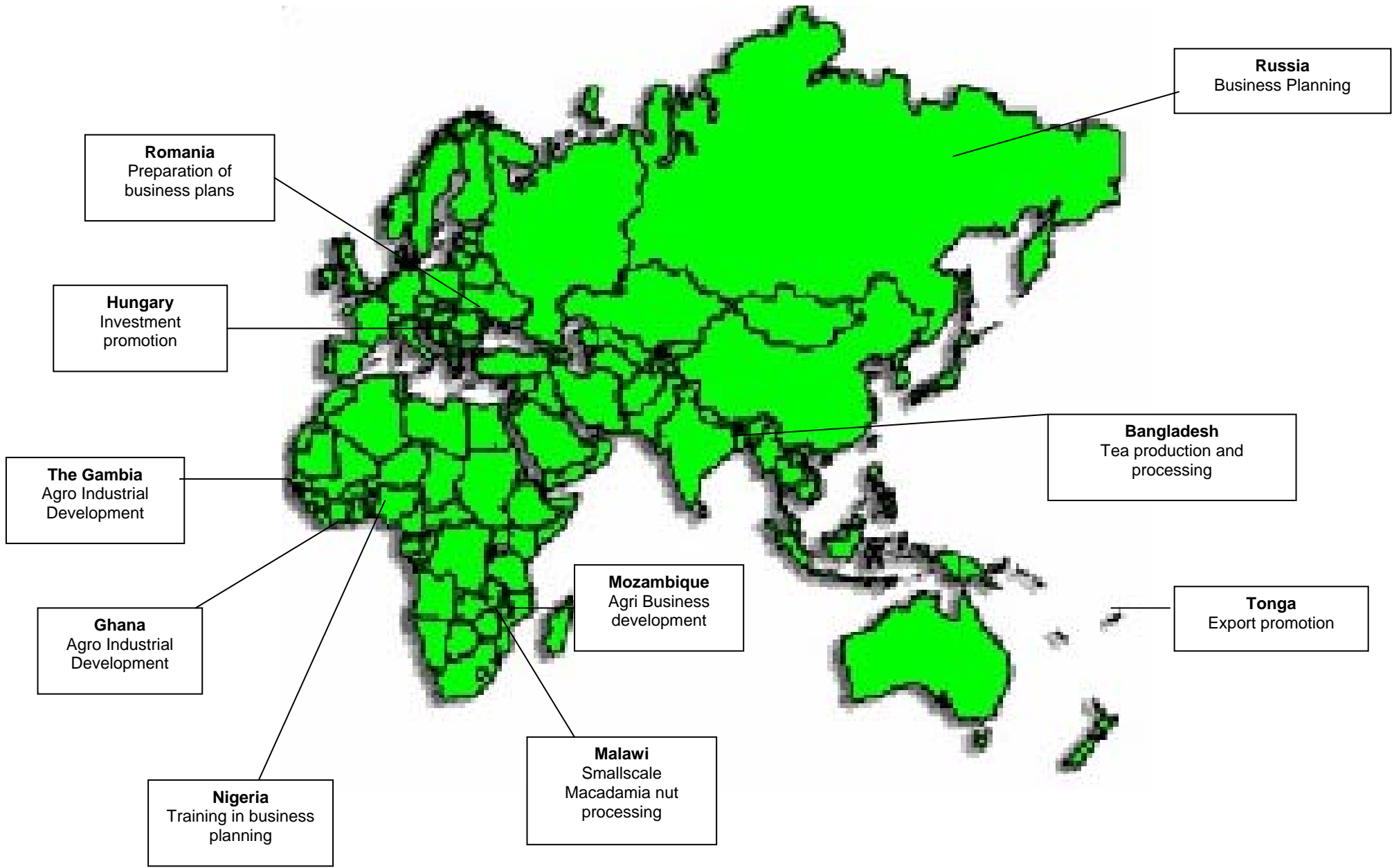
The main constraints to SME development include difficulties in accessing finance and technology, lack of experience and skills in business practice, unnecessarily high start-up and operating costs as a result of administrative hindrances, unsupportive regulation and red tape and inadequate physical infrastructure.

2.0 MASDAR CAPABILITY

MASDAR has over 25 years experience in supporting SMEs and in providing training and technical advice to smallscale entrepreneurs throughout the developing world (see figure 1).

Figure 1:

EXAMPLES OF MASDAR'S EXPERIENCE WITH SME DEVELOPMENT



The largest project we have undertaken to support SMEs was the **Agro Industrial Development scheme** (subsequently named the Rural Agro Industrial Development Scheme) in Nigeria. Funded by the World Bank this scheme encouraged and supported small-scale investment in the agro-industrial sector through the identification of potential projects, the production of feasibility studies and financial appraisals and the provision of training and technical advice. MASDAR managed this nation-wide scheme for 5 years with offices in Ibadan, Enugu, Jos and Kaduna. We managed a large team of business and financial advisers with the aim of:-

- Researching and developing appropriate, small scale food processing techniques which could be reproduced throughout the country and which relied on locally manufactured equipment.
- Providing free business consultancy advice to prospective entrepreneurs including helping with feasibility studies, subsequent bank negotiations, through to project planning and implementation.
- Providing training in all aspects of small business management including project appraisal, stock control, accounting, budgeting, management and marketing.
- Promoting an awareness of the needs of small scale businesses both amongst the public and with politicians and decision makers.

As a result of MASDAR's inputs, over 900 small scale businesses were established in Nigeria. Standardised systems for bank loan applications, credit management and MIS were developed suitable for emergent entrepreneurs, and training packages and materials were developed in all aspects of business planning and management.



Chaff Cutter



Cassava Processing

More recently, in Ghana, MASDAR undertook a feasibility study for the **Development of the Agro Industrial Sector** funded by the World Bank. Although not exclusively aimed at the SME sector the study reviewed the agro industrial activities for all major food and industrial crops in the country. By the end of the study 5 private sector projects, 2 public sector programmes and 2 other detailed investigations had been prepared ranging from tomato

paste processing to tilapia cage culture on the Volta lake.

At the end of the study MASDAR consultants presented their findings to a seminar organised at the Trade Fair by the British High Commission. The audience were mainly private investors and potential entrepreneurs.

This study has stimulated considerable interest and latterly it has resulted in the AfDB and Ghanaian government agreeing to a major new project entitled the **Export Market and Quality Awareness Programme**.



In Malawi, on the **Smallholder Macadamia Nut Project**, a team of MASDAR technical assistants helped establish this high value nut on smallholder farms. Macadamia is already a very important large-scale export crop in Malawi and this project sought to ensure that smallholders can also benefit from high value horticultural crops. Training was given in production, management and marketing with considerable emphasis on the business implications of growing a long-term, perennial crop for export.

Woman processing nuts

Increasingly it is being recognised that even small scale farming must be treated as a business and farmers need business skills (management, book keeping, marketing etc) just as much as they need skills in agronomy and livestock management. This emphasis on 'farming as a business' is at the forefront of the IFAD funded **Smallholder Enterprise and Marketing Programme (SHEMP)** in Zambia. MASDAR is supplying the entire management team to this project for 7 years and the overall objective is to improve smallholder incomes by improving their access to inputs and services from the private sector and to create markets for their outputs.

The major activities of SHEMP are:-

- To facilitate a cost effective and competitive network of agribusiness and trading enterprise
- To improve access to inputs and markets for produce by improved market linkages
- To facilitate formation and strengthening of farmer enterprise groups
- To improve the policy/legislative framework for market linkages
- To promote diversification in production and marketing

The Agribusiness development component of SHEMP has included training and mentoring in:

- (i) Basic financial and stock management including profit and loss and cash flow
- (ii) Learning about buying, selling and managing credit
- (iii) Understanding cash credit limits
- (iv) Negotiation skills
- (v) Dealing with conflicts in managing a business
- (vi) Inter-personal skills development

Business development skills have also been taught by MASDAR Consultants on the **Integrated Rural Development Project** in The Gambia (for meat, hides and skin processing), the **Agricultural Marketing Project** in Tanzania and the **Peri Urban Smallholder Development Project** in The Gambia. They formed a major component of the **Green Zones Womens Development Project** in Mozambique where MASDAR consultants built capacity within the General Union of Cooperatives (UGC). The overall objective of the project was to increase the management skills and capacity within UGC so that they could improve the management of their various business activities including poultry production, meat processing and livestock feed production.



GARDP Women Sewing

MASDAR's experience with promoting small and medium enterprises has not been restricted to Africa. In Nepal on the **Gulmi Arghakhanchi Rural Development** project rural people were assisted in setting-up small business enterprises not only in the farming sector (e.g. vegetables, livestock and honey) but also with Artisanal skills such as blacksmiths, cobblers and tailors.

Particular emphasis was placed on encouraging women to launch and sustain viable small businesses such as clothes-making, goat raising and vegetable production.

In Russia, on the **Fresh Produce and Animal Feed Stuff Distribution and Marketing Study** the whole marketing chain from production through to retailing of the Food Sector in Ekaterinburg was studied. Detailed technical and

managerial inventories of over 56 companies in the food chain were undertaken, including some in the SME sector. Demonstration units of best practice were set up and assistance was given in the preparation of bankable business plans. Similarly, on the **Agribusiness Consultancy Service** contract in Romania 5 offices were set up to give business assistance to both existing companies and to budding entrepreneurs. 90 business case studies were prepared and 45 detailed business plans were prepared. Moreover, training was given to 17 local consultants so that they could set up their own business management consultancies.

On the **Investment Preparation and Promotion project** in Hungary a team of MASDAR investment analysts provided advice and information to improve business decision making and to assist in the preparation of prefeasibility and feasibility studies. Assistance was given in the preparation of 145 business plans and an investment manual for prospective entrepreneurs was prepared.

3.0 INDICATIVE STAFF

MASDAR maintains a database of over 3000 consultants many of whom have considerable experience in assisting SMEs and in giving business advice. Some key examples are:-

Desmond Craig - SME Adviser: Des Craig has over 26 years of international work experience including a considerable amount in the area of developing small and medium scale community-based business enterprises and in organising grower representative groups. Most recently he has been team leader for the Forestry Enterprise Development Project in South Africa which developed small scale forestry enterprises at rural community level and managed a \$1.4 million fund for the creation and development of SMEs.

James Siggs - Business Development Adviser: James has over 20 years international experience in business analysis, investment appraisal, valuation and training. He has undertaken major assignments in the UK, Indonesia, Saudi Arabia, Singapore, Romania, Cote d'Ivoire, Malaysia, Papua New Guinea, Thailand and Ghana.

Mike Mann – Finance Specialist: Mike Mann has worked on over 100 business development assignments in emerging markets. He has extensive experience in business appraisal and valuation and has worked in many developing countries including Kenya, Syria, Egypt, Romania, Hungary, Poland and Lithuania.

Freer Spreckley - SME Trainer: Freer is a trainer and designer of training material with a substantial track record in preparing training manuals targeted at SME development. For example he produced a "Course Manual for manufacturing social enterprises" which was for a 15 day practical training course for small scale manufacturing enterprises which has been used in training trainers and establishing a business advice and training centre in Uganda.

Other manuals include:-

“Setting up Community Enterprises”
 “Setting up and Managing Industrial Cooperatives”
 “Community Cooperatives : A Guide to setting up”

He has also produced management software packages and undertaken a substantial amount of training.

Barry Senior – Trainer: Barry has over 30 years experience in human resource development including organising management training for managers in the SME sector. He has worked in many developing countries including Cameroon, Egypt, Ghana, Kenya, India, Nigeria, Uganda, South Africa, Zambia and Zimbabwe.

Peter Reddish – SME Business Adviser: Peter was one of MASDAR’s business advisers on the Rural Agro Industrial Development project described earlier. He has subsequently worked on many enterprise development projects and has significant experience in business management.

4.0 SUMMARY

The importance of SMEs to developing economies cannot be underestimated and an increasing amount of donor support is now targeted at this sector. MASDAR has substantial, relevant experience in this sector as summarised below.

EXAMPLES OF MASDAR’S EXPERIENCE IN SME DEVELOPMENT

Country	Project Title	Client	Funding Agency
Egypt	Promotion of Agribusiness Investment by the private sector	Agricultural Investment Office	FAO
The Gambia	IRDP	Department of Livestock Services	Islamic Development Bank
The Gambia	Peri-Urban Smallholder Improvement Project	Department of State for Agriculture	AfDB
Ghana	Feasibility Study for the Development of the Agro Industries Sub sector	Ministry of Food and Agriculture	AfDB
Ghana	Business Development Seminar	British High Commission Accra	BHC
Hungary	Investment Preparation and Promotion Project	Ministry of Agriculture	EU
Kosovo	Support to the Kosovo Trust Agency	Kosovo Trust Agency	EU
Malawi	Smallholder Macadamia Nut	Ministry of Agriculture and	AfDB

Country	Project Title	Client	Funding Agency
	Development	Irrigation	
Moldova	Creation of a National Federation of Rural Based Farmers Associations	Tacis	EU
Mozambique	Green Zones Womens Development Project	General Union of Cooperatives	AfDB
Nepal	Gulmi and Arghakhanchi Rural Development Project	Ministry of Local Development	EU
Nigeria	Rural Agro-Industrial Development Scheme	Federal Department of Rural Development	World Bank
Nigeria	Micro Projects Programme in 6 States of the Niger Delta	NAO of the EDF	EU
Romania	Agribusiness Consultancy Service	Ministry of Agriculture and Food Industry	EU
Russia	Fresh Produce and Animal Feedstuff Distribution and Marketing Study, Ekaterinburg	Tacis	EU
Tanzania	Agricultural Marketing Project	Prime Ministers Office	IFAD
Tonga	Establishment of Tonga Trade	Ministry of Labour, Commerce and Industries	Asian Development Bank
Windward Islands	Restructuring of the Banana Industry	Windward Islands Banana Development & Export Company	EU
Zambia	Smallholder Enterprise and Marketing Programme	Ministry of Agriculture	IFAD



House construction using burnt bricks



Cassava Processing



Appropriate Technology



Chicken Farmer

