

ATDF TEAMS UP WITH UNCTAD, WTI AND ETH-SOUTH CENTRE TO PROMOTE WOMEN ENTREPRENEURSHIP

14 August, 2008, ETH-Zurich



Dr. Thomke: On cost of finance on start-up firms

The workshop was convened by the African Technology Development Forum (ATDF), the United Nations Conference on Trade and Development (UNCTAD), The World Trade Institute (WTI) of the University of Bern and the North-South Centre of ETH Zurich and financially supported by ATDF, UNCTAD, WTI as well as the Foundation 'Walter Hochstrasser' based at ETH Zurich.

The overall objective of the meeting was to establish a network of businesses and investors that could support the attending award-winning women entrepreneurs from Africa and Jordan in their efforts to further develop and expand their respective businesses in areas such as business and product development, marketing and sales advice as well as access to technology, loans and investment.

Summary report of the workshop

In his opening remarks Professor Wolfgang Kinzelbach, president of the North-South Centre of ETH Zurich, noted that women entrepreneurs in Africa tend to be more reliable and successful, hence the need to recognise their efforts and support them in order to fully enhance local entrepreneurship in Africa. He noted that women demonstrate the ability to do business in an environment that is not always conducive to their efforts to become more empowered and independent.

Constantine Bartel of ATDF provided an overview of the services and products that ATDF offers to young entrepreneurs in Africa and its network of institutional partners in Africa and abroad. Ms Fiorina Mugione of

UNCTAD introduced the audience to UNCTAD EMPRETEC programmes and highlighted that about 30% of the more than 120,000 entrepreneurs trained are women. The invited entrepreneurs were an example of the impact of the programme on entrepreneurship. Prof. Thomas Bernauer and Dr. Philipp Aerni subsequently moderated the ensuing two panel discussions.

Finally, Dr. Ernst Thomke, a Swiss entrepreneur and inventor of the Swatch concept, argued that entrepreneurs in developing countries lack access to knowledge and entrepreneurship training. He said that converting an idea into a product that competes in the market place is challenge even for simple ones like brick making and crude sunflower oil production. The high cost of credit could strangle inexperienced entrepreneurs in an early stage of development or limit their expansion. Professional coaching, provision of low cost finance, improving the business cultures and facilitating cooperation with academia and development cooperation could facilitate entrepreneurship.

Swiss and African business experiences

Zuhail Ayoub (owner of a fashion accessory business), Sana Zaal Burgan (owner of a health services business), and Sapphira Nyabunwa (owner of a cleaning business), emphasized their strong desire to pursue a personal dream, the need for excelling in what one really believed in, and the need to have a source of livelihood.

The main challenges that all three African entrepreneurs faced when setting up their businesses included: the lack of access to affordable credit and relevant knowledge, lack of a potential customer base, institutional uncertainty as well as inadequate support by foreign institutions. Gender-related institutional obstacles were also a problem for some women entrepreneurs especially those coming from countries where women were still not believed to have the capacity to run sustainable business ventures.

Jeannine Brutschin of Novartis Foundation emphasized the importance of creating functioning health services systems in Africa and gave some examples how Novartis foundation is involved in these efforts. However, she admitted that these activities are not linked to the promotion of local entrepreneurship.

Matthias Heé, CEO of the Swiss textile firm Okutex, explained that his company operates in the global market with significant market in Africa. The company faces in-

creasing challenges in the form of Asian competition (fabrication of their products by Asian firms at cheaper prices) and domestic regulation (complex tax procedures that often consume a lot of time). He further argued that continued access to affordable credit is not just a problem in African countries.

Katharina Zaugg, the CEO of the Swiss business 'Putzen Mitenand' emphasized the importance of doing business in an unconventional and innovative way by establishing a niche market. In her case, the business does not just offer cleaning services but also gives courses on ergonomic cleaning.

Financing opportunities for African SME

The second panel chaired by Philipp Aerni consisted of representatives of SIFEM (Swiss Investment Fund for Emerging Markets), Credit Suisse, Millennium Challenge Corporation, Swissaid and ETH Zurich. Philipp Aerni argued that African entrepreneurs must be considered as an integral part of sustainable development because they facilitate homegrown development, generate income and employment in the formal sector and influential agents of change.

Ms. Andrea Heinzer said SIFEM is a specialized investment advisor providing long-term finance to emerging markets through private equity funds and financial institutions that invest in small and medium-sized enterprises (SMEs). SIFEM manages over USD 450 million of which USD 300 million is committed to 40 private equity funds spread over 30 countries. The largest share of investment is in Asia, followed by Africa and Eastern Europe. However, SIFEM does not invest directly in entrepreneurs in Africa.

The representative from Credit Suisse, Ms. Erna Karrer-Rüedi highlighted the activities of her company with regard to its micro-finance programme. She accepted that the relatively high interest rates (over 24%) in micro-finance reflected the risk, administrative costs and insurance. She however noted that the micro-finance sector was performing very well with high return and low default rates. She noted that micro credit is designed for innovative formal businesses but rather for informal enterprises.

Entrepreneurship and government investment in people

Ms. Magda Ismail of the Millennium Challenge Corporation (MCC) gave an overview of MCC activities. She stated that the organization is run by the US government and mostly partners with governments in developing countries that meet certain political and economic crite-



From left: Sana Zaal Burgan, Zuhail Ayoub, Sapphira Nyabunwa, Prof. Thomas Bernauer, Katharina Zaugg, Jeannine Brutschin and Matthias Heé

ria set by MCC. Governments that meet the criteria and MCC enter into an agreement to access millennium development funds in the form of grants to reduce global poverty through the promotion of sustainable economic growth.

Ms. Caroline Morel, executive director of Swissaid, gave an overview of Swissaid activities in developing countries. The institution has 60 years experience in fighting poverty, mostly targeting women, as well as the poorest and marginalised people. It promotes organic agriculture, local knowledge development as well as capacity building. She acknowledged the important role of women entrepreneurship but also emphasized that Swissaid has a focus on the very poor that face very difficult conditions that hardly have access to functioning markets.

Finally Bernard Lehmann, professor of agricultural economics at ETH Zurich highlighted the need to move from a merely self-sufficient to a more market-based approach in African agriculture. He noted that the limiting factors to development could be analyzed from the institutional level considering that political instability is often hindering rural development because of war, corruption, and lack of funds for land reform.

Follow-up of the meeting

ATDF will help Ms. Nyabunwa identify key stages of development, assist in negotiations with partners and structure it's financing in her next business undertaking. ATDF will also assist Safi Cleaning Services to review and elaborate the business plan and examine financial support schemes for the new activities.