Donor Support to the Private Sector Can Work, says Kenyan Entrepreneur

Fri, 17/12/2010 - 12:43

A thriving private sector is essential to long-term sustainable development, but entrepreneurs in developing countries face numerous obstacles, not least accessing the finances to help them realise their business dreams. One successful entrepreneur from Kenya, Africa, states her case.

Grace Nyaa is a successful business woman, and like many start up entrepreneurs in developing countries she’s operating in the agricultural sector. She’s founded her own business, Kyome Fresh, which grows and exports fresh fruit and vegetables from her native Kenya.

But it hasn’t been easy. Mrs Nyaa’s initial investment in her business was restricted to personal savings of just over 2,000 euros. Her family thought she was mad to sink all her cash into such a risky venture. But after seven years of hard work her company has an average annual sales turnover of 1.6 million euros and her family are very proud of her.

“There are a lot of Graces in Africa, but the problem is they cannot find finances,” said Ms Nyaa. “It’s a major constraint.”

Ms Nyaa received help from an EU-funded project called PIP, which helps producers in the African, Caribbean and Pacific Region access Europe’s high-value markets. But what she, and many more like her also need, is help accessing the kind of finances that business people in the developed world take for granted like bank loans and credit.

To hear more from Ms Nyaa, click on the video icon below.

A recent event at the European Development Days brought together some varied experiences of working in and supporting small and medium sized businesses in developing countries, including Ms Nyaa. They shared many stories, but one message was universal: accessing funds to start up and develop a business is especially hard in the developing world.

“Private sector development is critical to reducing poverty in the world,” said Anthony Smith, Director of Europe and Development Relations at the UK’s Department for International Development. “But SMEs are typically hindered by a lack of access to finance.”

Some 2.7 billion people in the world are without access to finance, he said, a fact that needs to be addressed if the private sector is to flourish in developing countries.

The EU has recognised the importance of supporting the private sector as part of its development policy. Attracting the private sector for development and bolstering the agricultural sector in particular are prominent themes in a recent EU Green Paper: “EU development policy in support of inclusive growth and sustainable development”.

If Africa and other developing regions are to have more success stories like Grace’s, donors would be advised to cooperate more closely with the private sector and financial institutions to offer more loans to entrepreneurs, on better rates and better terms, said experts.
“We offer financial resources over the long term as we found that too often funding is too short-term and too limited,” said Jerome Bertrand-Hardy, Deputy Chief Investment Officer at PROPARCO. “We try to do what others don’t, usually because it’s too risky.”

The Investment and Promotions Company for Economic Cooperation, PROPARCO, was set up by the French Development Agency (AFD) and private investors. PROPARCO’s mission is to be a catalyst for private investment in developing countries targeting growth, sustainable development and reaching the Millennium Development Goals (MDGs).

Grace Nyaa, Anthony Smith and Jerome Bertrand-Hardy were all speakers at the ‘Small and Medium Enterprises - Motor of Development’ event at the EU Development Days 2010. Also speaking at that event were: Dr Thomas Duve, Director, Africa Department KfW Entwicklungsbank; Jan ten Bloemendal, Head of Business, Trade and Regional Integration, EuropeAid Cooperation Office and Aziz Mebarek, Group Co-founder, Executive Director, Tuninvest/Africinvest. The event was chaired by former journalist, Amobe Mevegue.

For a related capacity4dev.eu article on the PIP programme, click here.  