Madame La Ministre, Excellencies, Distinguished guests

Thank you for providing me the opportunity to give a few brief remarks about the challenges preventing an adequate flow of financing to Africa's private sector. It remains the backbone of most economies and plays an indisputable role in development. While there have been hopeful progress in many areas of African finance in the last two decades, as illustrated by the development of Microfinance, an active Banking sector, and an engaged private equity industry, I would like to highlight some of the areas where more collective work is required to unlock Africa's immense potential.

To sharpen my remarks, I will focus on SMEs. These businesses contribute to over 80% of employment across the continent, provide access to affordable goods and services and drive sustainable development. And yet they remain perpetually underfinanced. Without reliable sources of finance, particularly for working capital, SMEs are increasingly unable to begin new operations and make investments needed for growth.

I would like to highlight several transversal reasons which can explain this concerning lack of SME financing:

First, the macro-economic context, which differs from one country to another, poses a range of challenges. Growing sovereign debt burdens are bringing with them a lack of liquidity to finance the private sector. They lead to higher interest rates, exchange rate weakness, and fiscal and inflation pressures. This leaves financial intermediaries struggling to satisfy even the most basic financing needs of the private sector.

Moreover, the highly regulated and restrictive business environment in many of our countries makes it difficult for companies to grow. Excessive authorizations are required, regional trade is limited, infrastructure is underdeveloped, land for industrial development is unattainable, and distribution channels are often broken.

More importantly, education systems and vocational training have to be further reinforced to meet the needs and trends. An appropriate ecosystem to promote entrepreneurship and innovation is also lacking, and this is even worse for female-led businesses. All of these obstacles impede the scaling of growing businesses and limit their ability to attract financing.

In addition to macro-level challenges, African SMEs face obstacles at the micro level, too. Many lack the capacity to formalize brilliant ideas into bankable and sustainable projects. A lack of access to reliable data limits their ability to adapt strategies to new market trends and limits the quality of information they can provide to financial institutions, making it harder to unlock funding.

Many SMEs cannot attract appropriate, experienced talent for key positions, and this is worsening with the ongoing brain drain. Institutional governance is still lacking, inhibiting some from seizing opportunities, minimizing the risks, and protecting themelves from decisions based purely on intuition. Covid-19 of course didn't help, causing many African businesses to lose at least two years of growth.

Market access represents a further financing challenge for SMEs, particularly for initial transactions to create the necessary track record to put them on a positive financing path. New environmental and climate regulartory standards, while necessary, impose costly upgrade actions for companies exporting to the OECD. This has to be factored into the financing needs and risk appraisals.

Relatedly, there is a real lack of available and appropriately structured financing to meet the specific needs of SMEs, whether in equity, mezz, or debt. Banks often propose asset-based financing which is difficult for small businesses to access, or they offer straight-line amortizing loans that do not meet their needs for flexibility or match anticipated cash flows. Investment funds that could provide equity struggle with the current targeted five-year holding period, given limited exit options in such a short timeline for SME development.

Yet while the obstacles to private sector finance in Africa are significant, I do not believe they are insurmountable. Together we must look for solutions capitalizing on our vibrant youth, and on innovation and technology.

As we face these challenges, it is natural to turn to the MDBs and DFIs which have all been playing crucially important roles in supporting the emergence of key sectors in our countries. I believe they still have an essential role to play through innovative products and structures which would allow them to take additional risks including on FX, onboard private money, mobilize local savings, and deploy reinforced Technical assistance. The Alliance can contribute to it and can help to scale.

I am honored that Africinvest has been invited to join the Alliance as an associate member. It is without hesitation and a clear “YES” that we commit to contributing, with our partners and colleagues, to the important work that is still to be done.

This dynamic is certainly an opportunity not only for Africa to accelerate its development and bring hope and optimism for a better future. It is an opportunity for the world, which will benefit from the accelerated development of our dear continent.

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