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## **MEDIA RELEASE**

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### **USAID and Swaziland Banks Support Small Business Opportunities**

*Mbabane, Swaziland:* The United States Agency for International Development (USAID), in partnership with TechnoServe, NedBank Swaziland and Standard Bank, has announced a \$25 million loan guarantee facility to support small- and medium-sized enterprises (SMEs) in Swaziland over the next seven years.

USAID's Development Credit Authority (DCA) is a proven and effective tool that enables USAID to issue partial loan guarantees to private lenders to promote economic development activities. DCA partial guarantees help mobilize local capital and put it to work in creditworthy, but underserved, markets.

The program is part of the broader USAID-funded Swaziland Enterprise and Entrepreneurship Program (SWEEP), managed by TechnoServe, to identify, develop and grow Swazi SMEs. The agreements were signed by USAID's Southern Africa Mission Director, Dr. Carleene Dei, and Managing Directors Ambrose Dlamaini of NedBank and Tineyi Mawocha of Standard Bank.

According to Dr. Dei, "The DCA is one of USAID's most innovative and effective programs to assist previously unreachable groups. The DCA's capacity to support SMEs is particularly important because we know that healthy SMEs are primary generators of employment and key contributors to economic growth."

The guarantee scheme comes at a crucial time. Subsistence agriculture occupies more than 80 percent of the population, but 400,000 people needed emergency food aid in 2007 because of drought. Nearly two-fifths of the adult populace has been infected by HIV/AIDS\*. Swaziland's GDP growth has slowed to less than two percent, while unemployment continues to rise. Many Swazis are unable to support themselves or their families. Swaziland's fiscal dependency on South Africa leaves it vulnerable to external economic shocks.

The Swaziland Government recognizes the importance of SMEs to stimulate the country's economy and has developed a comprehensive SME strategy to spur growth. Entrepreneurs who learn to start and run small businesses can potentially succeed in the marketplace. Access to finance, however, hinders even the most bankable SMEs—particularly start-up companies and those in high-risk sectors such as agribusiness.

Swazi entrepreneurs will have new opportunities to start small and medium commercial businesses through USAID's guarantee for credit that mitigates the lending risk for banks. NedBank and Standard Bank can now lend to sectors that historically have been less desirable as clients because of elevated risk profiles. The borrower will be required to submit all necessary documents to secure a loan, including a viable business plan and realistic financial forecasts.

"All potential borrowers will go through the typical credit screening and loan application process," says Managing Director of Swaziland Standard Bank, Tineyi Mawocha. "What sets this program apart, though, is that now we will be able to seriously consider businesses we usually identify as high-risk, and therefore not eligible for funding."



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Both implementing banks have increased efforts to market to the SME industry. "This program allows us to target a sector that is vital to developing Swaziland's economy," says Nedbank Swaziland's Managing Director, Ambrose Dlamini.

*\*SOURCE: CIA – The World Factbook – Swaziland*

Key to the program's success is the role of TechnoServe, an international business development organization that aims to build local capacity to solve rural poverty with business solutions.

"Through the USAID-funded Swaziland Enterprise and Entrepreneurship Program, we provide the hands-on support that Swazi entrepreneurs need so they can become 'bankable,'" says TechnoServe Swaziland's Director, Leslie Johnston. "USAID's DCA loan guarantee decreases the risk of SME financing for both Standard Bank and NedBank, and then we train the borrowers to operate successful businesses that can grow. TechnoServe provides this support through our successful *Believe Begin Become* competitions."

*Believe Begin Become* is Swaziland's national business plan contest, led by TechnoServe, that identifies promising entrepreneurs. Finalists are coached through a rigorous training process and learn, among other things, how to write business plans and secure funding. Winners receive ongoing business advice and seed capital (money used for the initial investment in a project or startup company).

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**About TechnoServe:** TechnoServe helps entrepreneurial men and women in the developing world to build businesses that provide jobs, income and economic opportunity. Since its founding in 1968, the U.S.-based nonprofit organization has helped to create or improve more than 2,000 businesses, benefiting millions of people in more than 30 countries. TechnoServe has been recognized as one of the world's "Outstanding Social Entrepreneurs" by the Schwab Foundation for Social Entrepreneurship. In 2007, Charity Navigator also once again awarded its highest Four Star ranking to TechnoServe.

**About USAID:** The American people, through USAID (U.S. Agency for International Development), have provided economic and humanitarian assistance worldwide for nearly 50 years. In many developing countries, people cannot realize their dreams, not because they lack aspiration or tenacity, but because they lack an access to vital resources. USAID's Development Credit Authority enables people, businesses, and local governments to access one of the most important resources: capital. Through USAID's partial credit guarantees, financial institutions worldwide are beginning to invest in their own country and support the determination of their people to succeed.

**About NedBank Swaziland:**

Economic research has shown that developing countries can increase economic activity by empowering their SMEs. NedBank, Swaziland SME Banking is a business segment within the Retail Function that was established in 2006, following the restructuring of the business section, which then rendered the SME banking segment independent of the Corporate function. In the Year of 2008, NedBank aims to assist SMEs to advance in every way possible by offering increasingly specialized services.

**About Standard Bank:**

In order to assist the SMEs, Standard Bank is co-sponsor of the 'Inhlanyelo' fund that is a seed capital funding vehicle set up to assist start up operations for budding entrepreneurs in rural communities. To date, more than 15 million emalangeni have been given to all the communities, which encompass all Tinkhundla centers. The Bank recognizes that our economic growth depends on how well the SME sector is supported and to this end Standard

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*Bank ensures that the infrastructure in all our points of representation have specifically designed areas and resources to provide unmitigated support to all budding business entrepreneurs.*