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Remarks by Henrietta H. Fore Administrator, USAID and Director of U.S. Foreign Assistance

Partnership To Support Entrepreneurs in Africa

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Signing Ceremony With Donald Kaberuka, President of the African Development Bank Washington, DC April 15, 2008

(Remarks as prepared for delivery)

Thank you Kate, for the kind introduction. Mr. Kaberuka, I look forward to working with you in this new partnership. Under your leadership, the African Development Bank is doing valuable work in poverty reduction and improving living conditions across Africa. I am delighted that two great forces--USAID and the African Development Bank--are joining together in Africa to support entrepreneurs.

We are here today to sign a Memorandum of Understanding to launch an important partnership that will finance investments in African small and medium enterprises. Small and medium enterprises, as we know, create employment and are a critical component of economic growth.



The challenge facing small and medium enterprises, which are too small for commercial lenders, but too big for microfinance institutions, is that they remain underserved by the financial sector.

This collaboration between the African Development Bank and USAID will help such enterprises throughout Africa to access needed credit, and will also provide them with technical assistance to improve their business development skills. Most importantly, we will work with a range of private banks using sound business practices to increase commercial lending to African entrepreneurs.

The Partnership

A key component of the collaboration is the issuance of joint credit guarantees by both USAID and the AfDB. There are two benefits to having joint guarantees.

The first is that joint guarantees will enable private local and multinational banks to lend to borrowers otherwise perceived as risky or lacking the collateral that banks expect in order to access commercial credit. By demonstrating to the market that small and medium enterprises are viable and profitable borrowers, private financial institutions will gain the experience necessary to continue lending without additional USAID-African Development Bank support.

The second benefit to joint guarantees is that USAID and the African Development Bank will leverage each others' comparative advantage and enhance donor effectiveness on-the-ground. We believe that this activity is a good example of our efforts at a regional level to fulfill the Paris Declaration.

African Entrepreneurs Facility

The USAID-AfDB partnership is an integral component of the African Entrepreneur Facility (AEF), which is a groundbreaking public-private sector initiative to support the growth of African small and medium enterprises.

The AEF will assist African entrepreneurs in accessing the capital necessary to invest in their businesses, allowing them to expand. In turn, this expansion will spur job creation and will lead to sustainable economic growth. Access to this capital will be through joint loan guarantees. USAID will also contribute technical assistance to help African entrepreneurs develop bankable projects and obtain financing. Additional capital will be mobilized through equity funds managed by the Overseas Private Investment Corporation.

The AEF is an important means for the USG and our partners, including the African Development Bank, to develop a vibrant private sector in Africa.

West Africa Regional Guarantee

In preparation for the signing of the MOU, USAID and the AfDB have almost completed the design of a West Africa regional guarantee.

USAID and the AfDB will partner with Ecobank, a large African-owned regional bank, to launch the West Africa regional credit guarantee to increase lending to African entrepreneurs. This will be the first concrete part of the new African Entrepreneurs Facility.

The West African regional guarantee will mobilize \$60 million dollars in small and medium size enterprise investment in Nigeria, Mali, Cameroon, and the Ivory Coast. The regional guarantee is expected to increase the availability of financing for approximately 12,600 businesses, with women-owned businesses receiving at least 25 percent of these funds. The regional guarantee will support African entrepreneurs, working in the manufacturing, hospitality, and telecommunications sectors, as well as those that are export-ready.

This collaboration with the African Development Bank and the broader AEF answer the call of the Paris Declaration for donors to work more effectively with one another. This partnership is a prime example of how development organizations can build upon and reinforce one another's strengths. The result is a much-needed expansion of financial services for African entrepreneurs.

I am honored to have signed this Memorandum of Understanding, which formalized a mutually rewarding relationship between USAID and the African Development Bank. As many of you know, Dr. Kaberuka took the helm of the African Development Bank in September of 2005 and has guided the bank with steadfast leadership and grace. His extensive experience in the private sector, as a leader in the banking industry, trade finance, and international commodity business, as well as his dedication to service in government has proved to be such an important asset to the African Development Bank and its beneficiaries. Thank you, Dr. Kaberuka for your service and for coming here today, and I'd like to now invite you to say a few words. Thank you.

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