



# DEVELOPMENT CO-OPERATION TIPS TOOLS INSIGHTS PRACTICES

## In practice

# AN INDEPENDENT INVESTMENT FACILITY ENABLES FRANCE TO MOBILISE IMPACT FINANCING FOR AFRICAN MSMEs

### Key messages

An independent investment facility allows [Proparco](#) to take more risks in its financing of the private sector in Africa. Without affecting its balance sheet, the agency can invest in riskier sectors, geographical areas and products, in order to achieve greater impact. A long-term strategy, technical support for clients and adequate concessional resources are key factors in achieving a balance between risk and return.

### Keywords

[Institutional arrangement](#) | [Private sector](#) | [Risk management](#) | [Crises, fragility and humanitarian assistance](#)

### Key partner

[France](#)

### Challenge

Development finance institutions have profitability objectives and risk management frameworks that can hold back their financing in challenging markets and sectors. To address this constraint, AFD created the [African Investment and Business Support Facility \(FISEA\)](#) in 2009.

### Approach

FISEA is an independent company 100% owned by AFD, whose investments are managed by [Proparco](#). As it is off Proparco's balance sheet, it does not affect the debt/capital ratio and is not subject to the same risk management framework.

FISEA's initial capital, provided by AFD, was EUR 250 million. A new phase, FISEA+, was launched in 2021 and the capital increased to EUR 360 million in 2023.

FISEA focuses on direct equity investments in investment funds and companies with higher risk (over a longer life or venture capital type) but with greater impact.

[FISEA+](#) investments primarily target micro, small and medium enterprises (MSME), with indicative targets also for digital innovation, social entrepreneurship and fragile countries.

A technical assistance facility supports direct client and, via a delegation, their respective customers. It aims to strengthen their skills on sustainable development in their operations and in the management of environmental and social risks.

## Results

In 2019, an evaluation of the first phase of FISEA found generally convincing results:

- investments have contributed to job creation
- technical assistance has improved client performance, for example in operational processes and environmental and social plans
- FISEA has been able to support sectors that have traditionally had less access to finance, such as agriculture, microfinance, education and health.

However, at-risk geographical areas have not been the focus of investments, with only 32% benefiting low-income countries and 14% fragile states.

The balance between risk appetite and return remains a major challenge.

## Lessons learnt

Lessons learnt from the first phase contributed to adjustments under FISEA+:

- **Preserving complementarity with Proparco is essential:** FISEA must continue to target geographical areas, sectors and products with greater risk and impact.
- **Maintaining flexibility to adjust the approach,** by adapting to changes in the private equity market and incorporating lessons learnt from financial and non-financial results.
- **Defining a long-term strategy is essential:** the impact of a fund like FISEA cannot be visible in a few years. To guide investments and avoid the pressure on short-term results, it is essential that decision-makers and managers adhere to long-term objectives.
- **Investing in capacity building, including technical support, is an essential complement to investments in difficult markets.** For instance, the technical support has increased from 2% of investments in the first phase to 10% in the second. A network and cross-functional support promote exchanges between FISEA clients and an ecosystem of risk financiers.
- **Mobilising adequate concessional resources is essential:** support from the Ministry for Europe and Foreign Affairs and from the European Union has made it possible to increase technical assistance and take more risks to attract other investors.

## Additional Information

Proparco, FISEA+ High-Impact Investment Facility for MSMES in Africa, <https://choose-africa.com/download/363/investment-fund/3865/fisea-english-version.pdf>.

Proparco (2021), Supporting SMEs in Africa – 10 Years of Impact by FISEA, <https://www.proparco.fr/en/ressources/investing-and-supporting-smes-africa-10-years-impact-fisea>.

Océane Ronal (2021), "Les pratiques publiques de capital-investissement en faveur du développement" (Public-private equity practices in favour of Development), *Revue de la régulation*, 30, <https://doi.org/10.4000/regulation.19065>.

### **OECD Resources**

OECD (2024), *OECD Reviews of Development Co-operation: France 2024*, Peer Reviews of OECD Development Co-operation, OECD Publishing, Paris (forthcoming).

OECD/UNCDF (2020), *Blended Finance in the Least Developed Countries 2020: Supporting a Resilient COVID-19 Recovery*, <https://doi.org/10.1787/57620d04-en>.

OECD, *Blended Finance*, <https://www.oecd.org/development/financing-sustainable-development/blended-finance-principles/>.

### **For more information on France's development cooperation, see:**

OECD, "France", in *Development Co-operation Profiles*, <https://doi.org/10.1787/2dcf1367-en>.

See more *In Practice* from France here: <https://www.oecd.org/development-cooperation-learning?tag-key+partner=france#search>.

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