

The New Liberia - “Open for Business”: Financing SME Development in Liberia

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Experience in SME Financing

- 42 years experience in “ the best of times and the worst of times” - Share of failures and successes
- Last 10 years lower lending but reduced NPLs
- Review Credit Risk Management process - 2006
 - Restructuring of credit function in progress
 - Appraisal quality and focus, coordination/responsibility, oversight and monitoring
 - Results
 - Lower NPL from around 20% to less than 15% in 2006
 - Target NPL <10% in 2007, and <5% by 2010

Why is the SME Sector Important to LBDI?

- Loan portfolio expansion key to LBDI growth in 5 year strategic plan – target from around US\$8M today to US\$60M by 2010 KI1
 - Increasing competition Non-interest income: WU/remittances, fee based income
 - Strong core competence in credit
 - Market needs, opportunities and stability
 - Projected growth in GDP: 8%+
 - Target key sectors based on reconstruction, development, and basic human needs: agriculture, housing, SOEs/Private-Public Partnerships, etc.

FAD1 **LBDI corporate mandate**
Francis A. Dennis, 2/13/2007

KI1 **Business case**
Kinko's, Inc., 2/14/2007

Why is the SME Sector Important to LBDI?

- The successful execution LBDI's strategic plan shall achieve the following results by 2010:
 - Loan portfolio: 50% total assets vs. 15% today
 - Interest income: 70% gross income vs. 34% today
- SME a major market segment cutting across all sectors and target credit groups

FAD3 **LBDI corporate mandate**
Francis A. Dennis, 2/13/2007

KI2 **Business case**
Kinko's, Inc., 2/14/2007

Lessons Learnt

- What Lessons have been learnt to ensure a successful portfolio growth?
 - Successful business models: market share/import substitution model, joint venture/ partnership export model, plantation/ small holder export model, integration/linkage model
 - Young Entrepreneur Program (YEP) key success factors: experienced business persons, positive reinforcement vs. negative loan covenants, group leadership and guarantees
 - Internal lessons – getting the basics right: product-market/ sound business plan, quality service, reliability

FAD2

2 Main Groups + a few stronger individuals

1. YEP

2. COLIMBO

Francis A. Dennis, 2/13/2007

What are LBDI Next Steps?

- Build/expand on existing success
 - Expand YEP membership and product offerings
 - Extend reach through branch network
- Lobby institutional support to strengthen the framework/ environment for SME
 - Infrastructure: physical, financial reach/access
 - End-to-End partnerships: raw material production and markets finished products
 - Linkages between SME and concessions

What are LBDI Next Steps?

- Seek partnerships/alliances to fill gaps in LT financing and target sectors
 - Fresh equity
 - Targeting to raise minimum US\$6M in fresh capital in 2007
 - Alliances/ SPV
 - Home mortgage financing: Ghana Home Loans (Ghana), Broad Cove Partners Inc. (USA)
 - LT Credit lines and Guarantee facilities
 - IFC – Global Trade Financing Program, US\$2M
 - IFC - Technical Assistance Enterprise Risk Management – holistic approach covering operating risk management, credit risk, and ICT system

Thanks

Invitation extended to all of you to join LBDI at this challenging moment in the history of Liberia to rebuild a Nation “broken but not unbowed”; a People that gave so much when it had to others, so that they may be free to live in peace, and prosper; a Country with bountiful resources and prospects **READY FOR BUSINESS**