

domestic pool of investment capital limits the ability of Canadian business to pursue the range of frontier and privatization opportunities offered by contemporary Africa. Canadian companies need help to locate and mobilize appropriate sources of finance and investment to remain active in Africa, and this is especially true for SMEs.

Africa presents some unique challenges in this regard, as its private and public sectors do not always have the internal financial resources without IFI or development institution involvement.

Africa, like other parts of the developing world, frequently suffers from a shortage of investment capital, since its relative remoteness from major financial markets, and perceived greater riskiness, make African projects inherently less attractive than projects in the developed world. Moreover, while most African projects are very profitable, projects which are highly developmental frequently can offer only a low real rate of return. Funding for such "below market" investments is not available from normal commercial lending institutions, such as commercial banks. Lending and equity capital for such projects comes mainly from IFIs and development financial institutions. Since there is no Canadian development financial institution at present, Canadian exporters must rely on foreign-based institutions.

In Sub-Saharan Africa, the Trade Commissioner Service can help:

- ◆ By supporting Canadian business efforts to expand and deepen market presence through investments in Sub-Saharan Africa, especially via joint ventures with partners that can access alternative sources of financing;
- ◆ By developing and delivering tailored mechanisms to address the financing needs of Canadian SMEs, thus encouraging greater penetration of Sub-Saharan Africa by smaller and more specialized firms that are ready for these markets (a list of private sector financing options can be found in Appendix A, including comments on the suitability of each for SMEs);
- ◆ By monitoring, maximizing, and leveraging the economic benefits of activities in other areas, including those of multilateral development banks (especially the African Development Bank and IFI hubs like London, Paris, and Washington, D.C.), Canadian bilateral development assistance projects, or provincial and municipal government linkages.
- ◆ By developing ways to transfer knowledge about the African marketplace to new-to-market firms. An example might be through seminars, such as African Development Bank and World Bank seminars, where successful firms could share successful practices with would-be bidders. This approach might be particularly suited to SMEs and trading houses.
- ◆ By advising Canadian exporters on available sources of capital.

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