



Crimson SME Finance Funds

*Creating Jobs & Building Competitiveness Through
Innovative Finance*

May 18, 2011



Objectives of Crimson SME Funds

- Innovatively finance SMEs by filling gaps in the market
- Increase sales, profitability, exports, own equity
- Create new employment, maintain employment and increase incomes – especially rural and high value jobs
- Support farmers and other small suppliers, women, minorities and entrepreneurs/innovators
- Increase local production and manufacturing, thereby improving the trade balance
- Support all sectors including agriculture and all regions of the country
- Improve quality, competitiveness and sustainability of products, services and value chains

Macedonia - CDF

- Crimson founded the SME Finance Fund (Crimson Development Foundation - CDF) in 2003 to finance underserved SMEs in Macedonia. USAID and Crimson Capital provided the original operational and lending capital (initially \$1.5 million in lending capital).
- The Fund is structured as a Macedonian foundation.
- In 2006 Norfund provided a long term loan to CDF for on-lending (\$1.2 million).
- Based on continuous creation of jobs, exports, profits and improved competitiveness, USAID permanently granted lending capital to CDF.
- The Fund is fully self-sustaining from interest and fee income.
- The Fund is a very large generator of new employment per development dollar and on absolute basis.
- Norfund providing additional loan capital of \$1.2 million in June 2011.
- CDF creating Innovation Fund to support startups/entrepreneurs.

Macedonia – CDF: Results

Targets	Total Results to April 30, 2011
Loan Volume	\$19.4 million *
New Exports	\$76.7 million
Jobs	2,224
Jobs to Women/Minorities	1,388 (62%)
Loans to Women/Minorities	100 (38%)
Startups	7
Leverage	> 50 x

** With only \$1.5 million in original lending capital from 2003 – 2007, then \$2.6 million from 2007 – present. \$1.2 million in new loan capital in June 2011 (for total of \$3.8 million).*

In addition, CFF loans have helped its clients support over 9,575 farmers, 7,537 buyers, 202 collection/storage centers and 3,704 SME suppliers.

Leverage equals ratio of results in loan volume, new sales and new employment to amount of loan funding (which never gets spent). Leverage will continue to grow. This shows that over \$50 in development benefit has already been achieved for each \$1 dollar in lending capital.

Kosovo - CFF

- Crimson Finance Fund LLC (CFF) founded in 2008 to finance underserved SMEs in Kosovo.
- The Norwegian Ministry of Foreign Affairs and Crimson provided startup and initial operational support. Norfund and USAID provided lending capital (\$1.2 million and \$700,000 respectively).
- Non-bank Financial Institution (NBFI), registered, licensed and supervised by the Central Bank of Kosovo (BQK) with IFRS audit requirement.
- Member of Credit Registry (24 hr reporting) & Pledge Registry.
- CFF is fully self-sustaining on interest and fee income from its lending operations.
- USAID provided additional \$1.5 million in loan capital in November 2010 for agriculture and food processing.
- Norfund providing additional \$1.2 million in loan capital in June 2011.

Kosovo – CFF: Results

Targets	Total Results to April 30, 2011
Loan Volume	\$6.3 million *
New Sales	\$60.8 million
New Jobs	388
New Jobs to Women/Minorities	99
Loans to Women/Minority Owned Firms	23 loans
Leverage	> 38 x

** In only 28 months of lending with only \$1.8 million in initial lending capital (now increased).*

In addition, CFF loans have helped its clients support 1,537 farmers, 76 collection/storage centers and 1,740 SME suppliers.

Leverage equals ratio of results in loan volume, sales and salaries to amount of loan funding (which never gets spent). Leverage will continue to grow. This shows that over \$38 in development benefit has already been achieved in just 28 months of lending for each \$1 dollar in lending capital.

Financial Instruments/Programs

- Purchase Order/Contract Finance
- Receivables Finance
- Inventory Finance
- Lines of Credit
- Term Loans
- Equipment Leasing, especially for agriculture
- Convertible Debt
- Innovation/Startup Finance
 - Innovation Fund Macedonia (financing window in CDF)
 - Innovation Fund Kosovo (financing window in CFF)
- Baby Steps Credit Program

Value Chains

- Agriculture and Food Processing
 - Dairy (milk, cheese, yogurt)
 - Meat & Fish
 - Fruit & Vegetables
 - Grains, Oilseeds and Feed
 - Herbs and Berries
- Information & Communications Technology (ICT)
- Building/Construction Materials & Services
- Renewable/Alternative Energy & Energy Efficiency
- Manufacturing
- Retail
- Trade and Logistics

Rural Development/Agriculture Finance

- Wild Mushrooms and Berries in Demir Hisar, Macedonia
 - Unemployment over 45%
 - Higher education less than 3%
 - CDF loans to Angromarketing supporting over 1,000 local harvesters and in 2010 over 30 tons of mushrooms and over 128 tons of berries mostly to the EU and Serbia
- Milk, Cheese and Yogurt in Gracanica, Kosovo
 - Serbian enclave, high unemployment, low income, rural area
 - Public Private Partnership between CFF, farmers, Bylmeti Dairy Processor and Municipality of Gracanica to increase rural jobs and incomes for farmers, increase local production and supply of quality milk, increase financial literacy and bankability of farmers, make farmers official, taxpaying businesses, and increase competitiveness and sustainability of dairy value chain in Kosovo.
 - Providing high quality Simmental dairy cows, lactofreezers and milking machines to farmers.
 - Processor collecting milk from farmers, buying milk at fair prices
 - Technical assistance and training to farmers in financial literacy, credit, animal hygiene and feeding, manure and waste management, organic farming.
 - CFF financing small dairy farmers and Bylmeti Dairy Processor.

Development Impacts

- CDF and CFF, through lending and technical assistance, are:
 - Developing local production (value added), import substitution & exports
 - Fostering value chain competitiveness and increased quality
 - Increasing sales and profits (and equity through retained earnings)
 - Creating jobs and increasing incomes including to underserved populations
 - Improving financial literacy, credit awareness and bankability
 - Supporting the development of agriculture (including small farmers), food processing, ICT, building materials, renewable energy and other key sectors
 - Increasing the number of officially registered businesses, thereby increasing the tax base and pension contributions
 - Creating sustainable innovations in the financial sector for all participants to utilize and benefit from
 - CDF/CFF creating very high development impact and benefits per unit cost, thereby maximally leveraging donor and lender funds, on a sustainable and replicable basis (lending funds are never spent, but lent, repaid and relent over and over)