



## How to choose the right fund

*With the business case for Enterprise and Supplier Development increasingly finding its way into the boardroom, a question commonly asked is whether to go with an ESD fund or set up a programme?*

**T**he answer always comes back to strategy and may even be a combination of both. Below are the questions you should be asking when deciding how best to spend your time and money:

Firstly, your requirements may be limited by your sector. For some, it is mandatory to contribute grant capital – in which case both fund and programme solutions can be compelling. Others may choose to invest in a fund which, if well managed, promises not only strategic impact but also the possibility of a future return to top it off.

Key to this decision is the amount of resources available to you in terms of capital and time. Well-managed programmes can achieve excellent strategic impact on both the supply and distribution ends of the value chain. However, they take significant effort (and come at a price), whereas fund solutions are attractive where resources are scarce and the goal is to create a powerful impact for a portfolio of SMEs promising a return at the end of the day to boot.

Another common question is whether to set up a custom fund. Again the correct question is, “Does this align to our strategy?” Unless you have extensive resources, an existing fund with a strong track record may be your best bet. Since many funds are now offering fenced investments,

it's worth checking what options are available before committing to the legal, financial and operational structures required to effectively manage your own fund.

Finally, one cannot stress enough the real value of impact available to the SME. Whereas programmes may reach a larger number of SMEs, they are by nature confined to a limited duration and, more often than not, exclude access to finance. On the other hand, a well-designed fund will offer ongoing mentorship and financial support for up to seven years. Truly innovative funds may even offer the best of both worlds by combining supply chain development and investments into a single package – a great example being the ASISA Enterprise Development Fund. ■

**By Richard Chapman ...**

