

**Report of the Workshop  
on the theme “Enhancing the  
Competitiveness of Africa  
SMEs in Regional and Global trade:  
The Role of Support Services.”**



Economic Commission for Africa



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*Organised by ECA in collaboration with Small and Medium Industries Development  
Organisation of Mauritius, Radisson Beach Hotel, 27 November to 1 December 2000.*



# I. Introduction and background

Developing as well as developed countries acknowledge the role and importance of SMEs in generating employment, stimulating growth and creating social cohesion. Moreover, interest in SMEs also seems to have been further revived in the face of globalisation, which is increasingly becoming an influential force in world trade. Because of their flexibility and quick adaptability to change, SMEs are viewed as instruments capable of responding to globalisation.

While it is true that globalisation creates opportunities for SMEs to be effectively involved in global markets, it also poses numerous challenges and problems. While their flexibility and adaptability promise their success in global trade, SMEs can achieve that if only they are competitive in terms of price, quality of goods and are able to meet delivery requirements.

However there is doubt if African SMEs can take advantage of the potential opportunities globalisation affords and successfully compete in such a global environment, given the numerous problems they are beset with. In many African countries, SMEs operate under an unfriendly policy and regulatory environment, have difficulties in accessing credit, lack sufficient markets for their products, use outdated technology, lack adequate working place and have no sufficient training facilities that design their programmes in response to their specific needs etc. If these SMEs are to play any meaningful role in regional and global markets, they have to be put on a footing similar to their competitors. Yet to put them on such a footing requires nurturing them and providing support in strategic areas. It is the recognition of the challenges posed by developments in the global environment that has led ECA to organise a sub-Regional workshop on the theme "Enhancing the competitiveness of African SMEs in Regional and Global markets: The role of support services."

The workshop was held at the Radisson Plaza Beach Hotel, Mauritius from 27 November to 1 December 2000. 35 participants drawn from nine African countries in the COMESA and SADC regions participated in the workshop. The workshop also had resource persons from the ILO Eastern Africa Multi-disciplinary Advisory Team, MIGA-Promote Africa office in Namibia, the IDS-University of Sussex, U.K and Strabus Software Solutions Pvt. Ltd of India. A list of participants is provided in appendix 1.

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## II. Objectives of the Workshop

The objectives of the workshop were to review ways and means for enhancing the competitiveness of African SMEs in regional and global markets, while remaining active competitor in the domestic market. Specifically it aimed to:

- Review the implications of globalisation for SMEs competitiveness;
- Examine the strategic approach for designing and providing support services to enhance the competitiveness of African SMEs in regional and global markets;
- Examine how African SMEs can benefit from Information and Communication Technology (ICT) in enhancing their competitiveness;
- Expose entrepreneurs to regional financial facilities that they can access to improve their financial standing;
- Examine how the skills of women entrepreneurs can be enhanced to facilitate their effective participation in regional and international markets.
- Finally, explore the prospect and feasibility of forming regional networks among SMEs for advocacy and partnership purposes.

### III. Opening of the workshop

Ms. Rose Gakuba, Resident Representative of UNDP and Co-ordinator of UN system in Mauritius opened the workshop.

In her opening remarks Ms Rose Gokuba emphasised that changes in the global economy were compelling governments to redefine the role of SMEs in the national economies so as to derive the maximum possible growth from the changing global environment. She observed that SMEs operating within a proper framework had the capacity to contribute towards the building of a sound and competitive economy, wealth creation, employment generation and combat poverty and exclusion effectively. However, she indicated that there were challenges to be met. She identified the following challenges:

- (i) many African countries were heavily dependent on the export of a few commodities which, in the face of globalisation and competition from other countries, were experiencing declining prices;
- (ii) weaknesses in the structure of many economies made it difficult to attract FDI, which in turn had prevented these countries from diversify their economies;
- (iii) growth of SMEs was stifled by the absence of support services and the absence of financial institutions that catered for the credit requirements of such enterprises. In this respect, she referred to UNDP's recent initiative, the Enterprise Africa Programme, which it launched to assist the entrepreneurial development of SMEs in several African countries, including Mauritius. She noted that this support was addressing very pertinent issues of capacity building and access to credit which would allow SMEs to respond effectively to changes in incentives induced by policy reforms and to grow over time;
- (iv) She also observed that SME development had been hindered by distorted and over-regulated markets, or by ineffective government programmes.

To assist SMEs and enhance their level of competitiveness, Ms Gakuba advocated the following measures:

- (i) enhance access of SMEs to markets, finance and technical know-how;
- (ii) develop the capacity of SMEs to plan, implement, manage and monitor the new economic order;
- (iii) implement well-designed Government programmes to facilitate access of SMEs to affordable credit;
- (iv) establish well-regulated coordinating institutions and selective controls to protect small firms;
- (v) promote business linkages and partnerships, which are important to catalyse economic expansion at national, regional and international levels (Linkages and other forms of partnerships between small and large businesses help to foster growth of the SME sector as subcontractors or suppliers);
- (i) increase SME networking and alliances to enable them to be more competitive, as globalisation of the world economy continues to intensify

- (support of Government was essential, in particular for cross-border linkages and in building such networks and alliances for regional co-operation);
- (ii) Adopt information technology - The internet was rapidly becoming a full-fledged business tool, which could be used to implement business contracts. Home page in the World Wide Web was fairly popular for corporate image advertising ;
  - (iii) Adopt electronic commerce, which was becoming the fast way of doing business, although it presents problems of data security, lack of capacity to keep pace with increasing traffic on the communication line, and risk of ignorance and over-supply of information.

According to Ms Gakuba, policies and measures to enhance the competitiveness of SMEs should encompass the following:

- economy-wide policies to eliminate distortions in prices and incentive structures;
- industry-wide policies to reduce inter-firm variance and to raise productivity of the best local firms closer to international best practices;
- policies relating to task-level efficiency need to be improved; and
- firm level policies should be introduced to encourage the learning process in existing firms and to enhance incentives for innovation and imitation.

In concluding, Ms Gakuba noted that the increasing role of women in regional and global markets and the promotion of gender equality and the rights of women were among the mandates of the UNDP. She expressed hope that the special panel on "Enhancing the Role of Women in Regional and Global markets" would encourage the entrepreneurial spirit of women, and address the constraints hindering a greater participation of women in the business world.

Following Ms Rose's remarks a statement by Mr. James Nxumalo, Director, Development Management Division (DMD, the Economic Commission for Africa (ECA), was read by Mr. Asmelash Beyene, Regional Advisor, DMD. Mr Nxumalo sent his apologies to the participants for not being able to join them due to other pressing commitments that required his presence in Addis Ababa.

In his statement, Mr. Nxumalo welcomed the participants on behalf of Mr. K.Y.Amoako, Executive Secretary of the ECA and on his own behalf to the workshop on the theme "Enhancing the competitiveness of SMEs in regional and global markets". He expressed ECA's gratitude to the Government of Mauritius and SMIDO, in particular, for kindly agreeing to co-host the workshop.

He observed that unlike the era of command economy, when the private sector was viewed with a great deal of mistrust and suspicion, there was now a growing consensus that the acceleration of economic growth will, to a great extent, depend on how successfully African countries were able to co-opt the private sector as an active partner in the development process. As a result government have started to view the private sector as engine of growth. However, as the private sector was not an active partner in development for a long period, he remarked that it still has a long way to go

before it could rise up to the challenges ahead. He noted that the private sector was still fragile, weak and foreign dominated. Its strength and impact varied from one country to another, but viewed generally, the state of its development and contribution is not as one would like it to be. He argued that because of past neglect, it would be necessary to institute deliberate measures to stimulate it and to enable it to become a worthy partner in the development drive.

He underscored that the stimulation, development and promotion of the private sector and indigenous entrepreneurship in Africa would require the implementation of systematic, consistent and coherent policies within the framework of which an enabling environment and support measures and incentives could be extended to SMEs.

He further observed that while SMEs flexibility and adaptability promise their success in global trade, they can achieve that if only they are competitive and offer quality goods. Yet, when African SMEs are viewed against this background, their ability to compete does not appear very promising. African SMEs are beset with numerous problems. If these SMEs are to play any meaningful role in regional and global markets, they have to be put on a footing similar to their competitors. Yet to put them on such a footing requires nurturing them and providing support in strategic areas.

He underscored the fact that given the enormity of the problems that the SMEs face, there is need for a fresh thinking on how the resources and experiences of the public and private sectors could be harnessed in a spirit of partnership to tackle the problems and help SMEs out of the vicious circle they are engulfed in.

He also argued that with liberalisation and globalisation, national markets are no longer protected from outside competition. If the SMEs are not adequately prepared to face the competition, their fate is not hard to predict. On the other hand by enhancing their competitiveness, African SMEs could play a significant role in regional and global markets.

He indicated that the theme of this workshop differed from previous initiatives in its focus on the enhancement of SMEs competitiveness in regional and global markets. Critical support services are needed to ensure the competitiveness of SMEs. He informed the participants that the main purpose of the workshop was to benefit from their collective wisdom in articulating a set of strategic policy framework for the design and support of SMEs so that their participation in regional and global markets could be sufficiently enhanced. He hoped that such measures could ensure that SMEs survive and thrive in the face of the competition that globalisation exposes them to.

He also expressed hope that in view of the importance of networking among the SMEs themselves domestically, sub-regionally, regionally and internationally for purposes of exchange of experience as well as business linkages, the occasion would be used to lay down the foundation for the establishment of an African SMEs network.

The Chairman of the SMIDO, Mr Michel Coquet, who himself is an entrepreneur in the printing sector employing some 70 people, underscored that the success of any country or a region depended essentially on entrepreneurship development. He believed in the

success of SMEs and recounted that there were many small enterprises in the Mauritian context, which have grown, from a modest and limited base in terms of size and eventually started to export to Europe. He recognised, however, that SMEs faced numerous problems and their experiences varied with their stage of development. In the case of Mauritius, SMEs have obtained help from various institutions from both the public and private sectors.

Mr Coquet advocated the concept of regional cooperation, especially with Egypt and South Africa, which he reckoned would help SMEs to develop technologically, thereby contributing to the creation of employment opportunities domestically and in enhancing the competitiveness of SMEs.

He wished the participants success in their deliberations and requested them to enjoy their stay in Mauritius.

## **IV. Proceedings of the Workshop**

### **Sub-theme I: Enhancing SMEs Competitiveness in Global and Regional Markets: The Role of Support Services**

#### **A. Presentation: Helping African SMEs to compete in regional and global markets: a strategic framework by Manuel Albaladejo and Huber Schmitz, IDS, University of Sussex, Brighton, UK**

The strategic framework paper, "On helping SMEs to Compete in Global and Regional Markets: The Role of Support Services" was prepared for the Development Management Division of ECA by the Institute of Development Studies of the University of Sussex, Brighton, UK and presented by Mr Manuel Albaladej, the Co-author of the document.

The presenter reported that the document provided a first step towards the design of ECA's strategic framework to enhance the competitiveness of African SMEs in regional and global markets. At this early stage, its main objective is the identification of policies for SMEs support in four areas (infrastructure, regulatory environment, access to finance, and non-financial services); the prioritisation of such interventions to make the process more focused and cost-effective; and the connectivity issue to link African SMEs to regional and global markets.

According to the presenter, an overview of Africa's industrial development and capabilities reveals its relative poor performance in exports. Apart from a few exceptions, Africa is almost absent from the manufactured export scene. The region lacks a base for technical skill formation and its enterprise financed R&D in the productive sector is the lowest in the world. Moreover, political instability, macro-economic turbulence, and deficient infrastructure seem to have prevented the region from attracting foreign investment limiting its ability to participate in the global economy. These factors have definitely weighted against enhanced industrial development and investment in Africa. However, exceptions within the region have been noted. Countries such as South Africa, Mauritius, Tunisia, and Morocco have shown promising signs in their industrial strategies, exhibiting human resources and technological capabilities comparable to those of East Asian economies or even OECD countries.

In order to provide realistic policy recommendations for helping SMEs to compete in regional and global markets, Mr Albaladejo emphasized the need to understand internal processes and external factors leading to technological and marketing capability building in SMEs. Although it is widely acknowledged that companies' own efforts (e.g. investment in human development, information technology, etc) are required for improved performance, this is often an uncertain, risky and costly process especially for those SMEs with limited resources.

International lessons on SME development show that external factors such as inter-firm co-operation and institutional support can play a key role in helping SMEs to build up the internal capabilities needed to compete in regional and global markets. As far as institutional support is concerned, the analytical framework distinguishes between policies towards improving the regulatory and policy environment and policies to provide financial and non-financial assistance to SMEs. Support services in the area of technology and marketing have been the main focus of this report.

Although empirical evidence from the ECA mission reports suggests that policy intervention is required at all levels to help African SMEs, he argued that prioritising such interventions appear to be the first step towards designing a feasible strategic framework to support SMEs in Africa. Put is simply: which is a logical sequence of basic, less controversial and cost-effective policy interventions to help African SMEs? A first assumption is that same policy lessons cannot be drawn for the region as a whole since the development level of SME support structures in Africa differ widely. With this in mind, the paper points out three basic levels in the state of SME support structures where African countries would fall. This distinction would help policy makers in identifying priorities for countries in the three clusters. The levels of sophistication of the support structures are as follows:

- Level I: Countries with severe deficiencies in the basics for industrial activity (i.e. infrastructure and the regulatory environment), which also lack supporting institutions in finance and non-financial services;
- Level II: Countries with less severe deficiencies in the basics that have availability of financial and non-financial institutions, but which have proved to be highly inefficient.
- Level III: Countries that have good basics and an efficient SME support structure (for African standards), but still require policy recommendations for further improvement.

He reported that findings from the mission reports suggest that the basic requirements for industrial development in Africa appear to be very weak. The lack of functional, high quality basic physical and IT infrastructure has indeed weighted against the economic performance and competitiveness of African SMEs. Apart from a few exceptions, the overall picture is that little progress has been achieved in improving infrastructure facilities in the region. Improving it, especially at level I, becomes a must if SME development is to be fostered. The importance of investing in infrastructure development is widely acknowledged and commonly accepted. Policy interventions in this area are less controversial and therefore more effective in design and implementation. It is here where donors could play a significant role instead of increasingly getting involved in more complicated and less effective ways of SME support. A partnership between the government, the private sector and donors appears to be highly desirable for cost sharing purposes.

The regulatory and policy environment in Africa shows to be another obstacle for SMEs. Laws and regulations are often complex, increasing the transaction costs of SMEs, and the lack of transparency in implementation diverts the benefits from the ultimate beneficiaries. However, and unlike the case of infrastructure development, a substantial number of African countries have seen major improvements in their

regulatory systems over the last years. The mission reports show that countries have adopted different policy strategies to provide a friendlier environment for SMEs. While some African countries have tried to simplify legal and accounting procedures to reduce transaction costs in SMEs, the more pro-active countries have also provided fiscal incentives to stimulate growth in SMEs. If policy support for infrastructure development seem to unify public opinion, policies to improve the regulatory environment are often more contentious and controversial. It is not just a matter of what is to be done but also how to achieve policy harmonisation and gradual implementation of such initiatives.

It is clear that increasing trade liberalisation measures in African represent a new challenge for SMEs. On the one hand, the opening up of national economies to global markets have increased SMEs' prospects and opportunities for expansion, but on the other, it also has increased international pressure to upgrade and become more efficient to compete with larger national and foreign companies. It is here where a supply response to liberalisation is mostly needed. However, evidence from the mission reports suggests that the experience in Africa is that supply responses to increased challenges due to trade liberalisation have been low. Only the institutional support systems in South Africa, Mauritius and Tunisia (clearly at level III) seem to have actively responded to new competitive pressures.

Identifying existing deficiencies in the support systems and attributing them to the lack of either general economic policies or SME-specific policies is an important step towards prioritising interventions. This helps to distinguish between requirements relevant for all enterprises (regardless size) and those which are particular to SMEs. General policies are concerned with the basics for industrial activity (i.e. infrastructure and the regulatory and policy environment) while SME-specific policies refer to the direct interventions geared towards improving companies' accessibility to financial and non-financial services. This is key to know where policy should be put to work first. The following five points were considered that they could help policy makers in identifying policy priorities for SME development in Africa.

A first point is that it is quite clear that the effectiveness of any support system is highly dependent on the existence and quality of the so-called basics for industrial activity. This does not mean that countries should just focus on investing in infrastructure. It rather claims that there is the need of identifying countries' key bottlenecks for industrial development to help policy-makers in prioritising interventions.

Second, the existence of supporting institutions does not guarantee the effectiveness of the whole support system. Indeed, evidence from the mission reports shows that availability of financial and non-financial services in Africa does not always go hand in hand with accessibility by SMEs. However, it is reasonable to think that it is better to have a deficient support system than not having it at all.

Third, an effective SME support system greatly benefits from a functional infrastructure and a conducive regulatory environment, but it also requires the adoption of widely acknowledged best practice policies for SME development. International lessons on best practice highlight that effective service providers should:

- be located close to the industry they serve in order to reduce transaction costs in SMEs;
- be run on a business-like manner to guarantee cost recovery;
- react to the needs of their customers, but also acting as “industry leaders” encouraging “best practices”;
- adopt a collective and participatory approach focussing on the needs of groups of enterprises rather than individual firms;
- foster vertical and horizontal inter-firm co-operation and strengthen existing networks especially with global players; and
- interact with other institutions providing services for SMEs to co-ordinate support efforts

Given the focus of this report, service providers supplying services for technology and marketing capability building should:

- foster the innovation and production capabilities of local firms making a rational use of external sources;
- provide services designed on the basis of the existing indigenous capabilities through a process of inter-enterprise learning;
- put science on the shop floor and encourage in-firm R&D activities to move towards more innovative and higher value-added products;
- provide marketing information and encourage marketing research in SMEs;
- provide financial and technical assistance for groups of firms to share a stall in international trade fairs; and
- facilitate partnership arrangements between large firms and small suppliers

Four, bearing in mind the assumptions on priorities described earlier, a strategic framework to support SMEs in Africa should consider the different intervention levels.

- For countries lacking the basics for industrial activity, emphasis should be put on general economic policies required for industrial development;
- For countries having the basics but lacking a SME support structure, emphasis should be put on designing specific SME support policies to create the institutional framework; and
- For countries having such an institutional framework, emphasis should be put on identifying gaps and improving the existing support system using international best practices

He concluded that even if gradual liberalisation has been accompanied by purposive institutional intervention, it might not be enough. There is also the need to get inserted in international value chains to spread the gains from globalisation. The questions here are: what sectors do African SMEs have a comparative advantage in order to tap into value chains at regional and international level? What are the specific bottlenecks that prevent Africa to access them? What can be done to solve these problems? It is here where we feel ECA should do a more in-depth exploration to be able to link African SMEs with regional and global.

## **B. Discussion from the floor**

Participants raised questions on how and when the country surveys were conducted, what is meant when the report in the summary tables talks of improvements and also raised reservations about the accuracy of some of the statements shown in the document. It was pointed out by the organisers of the workshop that one of the aims of session was to identify statements that do not accurately reflect the reality on the ground. It was also pointed out that given the five days within which the surveys were undertaken and relying in most instances on information provided by the persons interviewed, it was possible that there could be errors here and there. Hence the purpose of the session was among other things to correct such errors.

It was emphasised that whatever comes out from this meeting should be strong enough to sensitise government and big business to the problems and needs of SMEs.

There was also an appeal for undertaking a similar survey on support needs of women entrepreneurs as they face problems that are different from what men encounter. While the point made on the proposal was acknowledged as important, it was also noted that it would be difficult to address all concerns in a document of this nature. It was suggested that at this stage the focus should be on strategic policies and the efforts should concentrate on how to take the document further.

It was also observed that while the document advocates regional integration, it is extremely difficult to find basic data on imports and exports. Moreover, concentrating on analysis of bad and good practices in Africa alone may not provide meaningful lessons. For the document to be meaningful, it should try to document the lessons from other continents. The presenter of the paper indicated that in the critical areas of marketing and technology efforts have been made to draw on international experience.

A participant from Mauritius informed the workshop participants how the Industrial Vocational and Training Board was financed through a training levy of 1 per cent of the wage bill applicable to all enterprises in the private as well as the public sector. He also mentioned the grant that was provided to enterprises to upgrade skill of staff members but mentioned that unfortunately it had a limitation in that the scheme tended to favour the big businesses and technology intensive companies. To mitigate the biases against SMEs the Mauritius government introduced training vouchers which the SMEs could use to procure training services that they need from private and public sectors.

The participants felt that given the length of the document and that it reached them in the morning, they had had no time to digest the arguments presented and requested that they adjourn for the balance of the afternoon and take the time to read the document and take up a more elaborate discussion in break away sessions. As a result the meeting was adjourned. In the breakaway session that followed, the participants of the workshop identified a number of errors that needed to be corrected in the document. The proposed corrections are listed below.

- 1.1 Page 4 Change the first line to read: “ The analysis should have included - not neglected Exports to regional market.”
- 1.2 Page 10: Update Political Turmoil Tables - instead of (90-95) figures use (95-

2000), if available. This may affect the inputs or conclusions.

- 1.3 4.1 International lessons can be improved by not only stating problems but also by not mixing international and African issues. Clear examples could be used to illustrate lessons from international regulatory and policy environment.
- 1.4 4.2 Table 5 : Current state is fine but the columns relating to changes do not specify the time-span during which the improvement took place, or remained the same or deteriorated.
- 1.5 4.2 What basis have been used to compare countries under paragraph 62? These facts are not consistent with table 5 e.g Morocco is mentioned as a country where SMEs have benefited from the improved conditions but in table 5, it is listed under changes as the same.
- 1.6 4.3 Paragraph 65: Three cases are mentioned instead of the four mentioned in the document.
- 1.7 The International lessons mentioned in paragraphs 74 and 75 are not clear.
- 1.8 5.2 Table 6 - Same comment made with regards to Table 5 in 1.4 above applies .
- 1.9 5.3 Not GOOD/BAD practices – It is suggested that strengths and weaknesses be used as they are caused more as a result of lack of resources. Moreover, the comparison is not uniform.
- 1.10 6. Access to Finance
  - 6.1 These are just statements and do not indicate examples of best international practices.
  - 6.2 Observations on Ethiopia and Namibian NGOs need to be verified.
  - 6.3 (96) There is a mixture of bad and good practices - We see them as: Limitations and strengths and threats and opportunities. Paragraph 1 Page 27 on Ethiopia needs to be verified.
  - 7.1 International best practices are mixed up with suggestions.
  - 7.2 There seems to be a mismatch between 104 and Table 8. Cameroon's report in Table 8 needs to be checked against the facts stated under 104.

With regards to levels of sophistication/effectiveness of SME support infrastructure. It was remarked that : The three levels of sophistication and/or effectiveness of SME support structures in Africa simply implies that, if the countries are categorised as level one - the countries have severe deficiencies in all the 5 industrial activities and needs to start from scratch and create what we are recommending here. The countries at level 2 - need to put in place regulatory framework and co-ordination to strengthen the industrial activities which are in place but are poorly implemented. The countries at level 3 - have to improve the existing industrial activities and adapt them to market demands so as to

benefit the SME even more.

The participants also made the following observations and recommendations on various aspects of support services in order to enhance the competitiveness of SMEs in regional and global markets.

## **Sub-theme II: Globalisation and Implications for African SMEs**

### **A. Presentation: Globalisation and African SMEs: Promises and pitfalls**

The paper presented by Ms S.Chuma - Mkandawire, examined the situation of African SMEs in a globalised economy, what African SMEs hoped for in a globalised world economy and what they have actually gained; in short whether African SMEs have really benefited from globalisation.

According to Ms. Chuma, African economies embraced globalisation because they could do nothing about it, and it promised to bring about untold gains to many economies. For Africa, globalisation meant that there would be no barriers to export; access to technology and access to financial resources for the production of goods would be easier.

However, through cross-border trade and investment, consumers of African economies were buying more foreign goods and most African nations have found themselves selling goods from other countries. Their local markets have been invaded with second-hand and cheaper products, especially textiles and clothing from South East Asia. Small scale enterprises have been even more vulnerable than larger enterprises from the effects of liberalisation and globalisation. When globalisation came, developing countries found themselves starting at much less disadvantaged levels than the developed countries.

Globalisation had therefore had a direct negative impact on the growth of national African industries/enterprises and services. African enterprises could not catch up with technological changes, have faced stiff competition from inflows of foreign goods and the financial services of African countries did not adequately meet the needs of local SME enterprises.

African SMEs still operate within unstable, unregulated, unintegrated, and uncompetitive environments. Most African countries do not have the supply of skilled labour force; education and training policies have no relevance to the needs of the labour market; R&D facilities and capacities are inexistent and infrastructural support is very poor. It has been widely recognised that, unless SMEs in Africa are provided with the right environment for productive and competitive operations within their countries, their access and integration into global markets would remain a myth.

As a way of enabling African SMEs to move forward, she suggested the following:

- (i) African governments should put into place policies and regulatory frameworks that would enhance the competitiveness of industries both at home and abroad.

- (ii) African governments need to put into place interventions that promote a conducive business environment, raise awareness among young people, introduce business career options in technical institutions, review education and training systems by motivating young people for self-employment and introduce information technology at all levels of the education system.
- (iii) Establish mechanisms for linkages between the private and public sectors; this would enable the private sector to influence national policies to promote private sector development.
- (iv) African governments should introduce programmes to enhance assistance, both financial and technological, to potential SME operators.
- (v) African governments should introduce policies and programmes for national economic development that should focus on issues such as:
  - Access to income-earning opportunities
  - Ability to respond flexibly to external and internal shocks;
  - Economic participation of disadvantaged and marginalised groups in the society, increased domestic savings and investment.
  - Training and development of human resources;
  - Balanced regional and local government development; provision of goods and services suitable and adapted to local markets needs;
  - Access to improved quality of working conditions (introduction of improvement of working conditions in SMEs through programmes such as the Work Improvements in Small Enterprises (WISE), and
  - Introduction of Occupational Safety and Health guidelines in SMEs), thereby improving on the quality of life of the people;
  - Stimulation of economic development through innovation, entrepreneurship, technology development and research;
  - Access to domestic and international markets and promotion of good relations between employers and workers thereby increasing the productivity of enterprises and organisations through a shared vision.
  - Formulation of enterprise development programmes and financing schemes targeted at women entrepreneurs.

## **B. Discussion from the floor**

Following the presentation of the paper, the floor was opened for discussions. Participants noted that SMEs were not prepared to take advantage of opportunities offered by globalisation, since African products and SMEs, except for Mauritius and South Africa, were not competitive in many respects, namely in terms of quality, costs and quick delivery and response times. African economies needed new practical and concrete mechanisms to withstand the challenges posed by globalisation.

The participants identified the following threats that hindered the growth of African SMEs:

- (a) absence of air and sea connections amongst most African countries, contrary to air and sea connections to the main European cities;
- (b) remoteness of markets for both raw materials and finished products
- (c) absence of technology;

- (d) non-compliance of African SMEs with regulations imposed by developed markets;

In the face of the foregoing problems, participants underscored the importance of sub-regional and regional integration as a major stepping stone for the growth and development of African SMEs. Participants recognised that the regional economic groupings such as SADC and COMESA had been instituted, amongst other objectives, to facilitate cooperation among the business community. The importance of establishing linkages between the textiles institutions of Mauritius and African textile companies, which could facilitate the flow of technology to SMEs at less advanced stages, was underlined by the participants.

However, despite initiatives of regional groupings, African SMEs had not been able to take full advantage of whatever institutions African Governments had put in place, given the crucial absence of information flow to the business community, especially as regards the specifics of bilateral trade agreements. One example was the rules of origin contents.

It was pointed out that, although African Governments facilitated and were ready to provide the financial resources required for SME development, they did not have the required technical personnel to manage these resources. In addition, civil servants did not have the proper business flair to orient resources to projects that were most financially viable. Misuse of funding and inability to recover loans because of political interferences in various SIDO organisations led to their collapse and diminishing importance.

African economies also faced the problem of absence of proper institutions that would enable easy dialogue amongst SMEs, the private sector and Governmental institutions. Participants were of the view that it was high time for African economies to identify the mechanisms that would enable public and private sector interfaces. This would require the institution of the right policy environments, in the first instance.

Drawing on the experience of Mauritius which had identified the Information Technology sector as the focus for growth and development of the Mauritian economy in this third millenium, participants also proposed that African Government should identify a strategic sector of national economies. Indeed, the identification of strategic sectors for growth on the basis of comparative advantage could provide guidance for the development of SMEs.

It was also that trading risks do in fact present many impediments for the proper development of trade among African countries themselves, especially in terms of foreign exchange risks, risks of non-payment and quality levels of products. It was suggested that African countries should identify and establish a set of measures and regulations to counter trading risks in their respective countries. Such step could encourage SMEs to participate in global markets. The use of Export Guarantee Fund by Mauritius and South Africa to promote regional trade was cited as example worth emulating by other African Governments.

### **Sub-theme III. The Role of ICT in Enhancing the Competitiveness of SMEs in Regional and global Markets**

#### **A. Presentation**

##### ***1: The Role of ICTs in enhancing the competitiveness of SMEs in Regional and Global Markets : Experience from India and Lessons for Africa***

The presenter of the paper , Mr. Kumar Balousa, of Strabus Software Solutions Pvt Ltd of India stated that the application of IT in SMEs can be identified according to the life cycle of the business: survival, stability, growth and visibility. He then elaborated on the various areas where IT solutions are applicable.

In the Survival stage, because of teething problem, SMEs do not generally have recourse to IT. But once the survival stage is overcome and that the SMEs are set to grow, IT can find a number of applications.

As the business grows, there is expansion in the volume of business, new products are added to the process, and new customers are attracted. As such, the manual processes are inadequate and the organisation structure becomes heavy and therefore requires delegation of power to middle management. There is need for well defined documented procedures.

In respect of each of these functions within a firm, IT solutions can be applied as follows:

- Computer Aided Design or Computer Aided Manufacturing (CAD/CAM).
- Data flow for tracking customers and maintaining records.
- Automation of the various processes.
- Improved communications through E-mail, Auto Reporting and Built-in-Intelligence into automation to help in decision making processes.
- Building the defined procedures into automation.

A particular application of automated defined procedures is that used by marketing agents of Insurance companies where there are set of predefined parameters and ranges within which premium can be calculated to suit individual customer needs and meeting at the same time the overall objectives of the company.

However, a common IT approach adopted by most enterprises is computerising each department in isolation which results in an island of computations, duplication of inputs and therefore increased costs to the organisation.

Instead of having IT solutions in isolation for each department the ideal solution is to have **Enterprise Resources Planning (ERP)** which is just a complete business solution integrated across the entire value chains (e.g Marketing, Sales, Accounting up to Maintenance) and create an **information infrastructure** for effective planning decision making and execution.

Another interesting feature of the ERP is the Business Process Re-Engineering where the various process (say placing of orders, procurement and payments) are streamlined so that the suppliers supply directly to the users who inspect and accept the materials. This process eliminates many unnecessary procedures, the responsible procurement divisions having pre-identified the suppliers and agreed on rates. Once purchases are made the records are automatically updated so that the users are aware of supplier rates, delivery schedules etc.

For a successful implementation of IT the proposed roadmap includes the following stages:

- Re-engineering of process or implementation of ISO 9000 services.
- Pilot/Big Bang Approach.
- Top Management Commitment.
- Involvement of users and training needs after analysing their requirements.
- Support of an IT partner.

The processing and reporting system of an IT solution falls under 3 categories:

- (i) Transaction Processing System (TPS) is at the bottom line but it is also the most important as it is a system where data are used as input for generation of all kinds of reports.
- (ii) Management Information System (MIS) is a built-in reporting system derived out of the TPS and used particularly for management purposes
- (iii) Executive Information System (EIS) is at the top and receives specific reports for decision making.

At times even when the steps are followed in a systematic way the IT solution can fail either because of improper change management or local requirements are not met, turnover of key personnel, or mismatch of objectives.

Mr. Balusa mentioned the internet as an important provider of access to the World market with low resources. It also enables to track customers, assess their preferences through data warehousing and provide customised solutions. The requirements are Web Site, E-Commerce site participation in market places, scan requirements and delivery mechanism.

To be able to take full advantages of the internet facilities, it is important that the following issues be addressed:

- On the domestic front, the levels of IT infrastructure has to be improved. It is also vital that the problems of faceless transactions and absence of trust as opposed to traditional transactions be resolved.
- For export market, the delivery and payment mechanism are two key issues.
- Equally for effective data warehouse, the databases must have the capacity to handle large amount of data and data available from the ERP system.

Other IT application in marketing is the SCM which assist at the level of lean production i.e. a material is requisitioned through a system on the basis of production schedule avoiding capital being tied up in stock and easing cash flow problems. This order is automatically registered in the supplier's register so that user knows the exact delivery data. The system can be linked via internet through E-mail, XML, VPN.

Another equally efficient marketing system is the CRM which allows for direct marketing efforts, provides access to customer for placing of orders and to register customer complaints.

In brief, IT can be used as a strategic differentiation for cost effective operations, for tracking technology for new opportunities provided the infrastructure requirements are satisfied.

### ***Presentation 2: E-Commerce in Africa: Promises and Pitfalls***

Mr Lishan Adam, from UN-ECA, highlighted the benefits of E-commerce among which the most important one is bringing down the transaction costs by eliminating the role of middle men.

He elaborated on the various activities in E-commerce which can be classified in three categories :

- Business conducted by means of electronic network e.g multimedia transmission electronic transmission, digital content delivery and electronic bills of lading
- Supply chain, which includes marketing sales, delivery and contract.
- Vertical way - Government infrastructure, tools, rules, application etc.

According to the presenter, Africa is at a cross road. There is need for a new paradigm for knowledge-based economy as opposed to the muscle type production process in manufacturing. To be able to take advantage of the vast opportunities, some key requirements will have to be met, among which are :

- Substantial refunds
- Support distributed rather than centralised.
- Multiple skills
- Self sufficiency
- Sustainability not subsidy and interactive ICTs.

He then depicted the African situation through a SWOT analysis. Among Africa's strength is its cheap labour. Lack of awareness of different opportunities and facilities available and support services are among the weaknesses impairing the development of SME's. The leapfrogging opportunities are many as a result of globalisation and trade liberalisation. Most importantly, the E-commerce policy at government level must be a well defined philosophy in the same way as poverty alleviation or social justice etc.

According to Mr Lishan, Africa has no choice but to take the plunge. Activities are expected to grow. It is a big market economy worth over US \$ 1.3 trillion. Business to

business is expected to grow from US \$ 1.3 billion to 6.4 trillion US. Business to consumer is estimated at US \$ 90 billion.

An analysis of the data show that in comparison to other blocks such as Latin America and East Asia, Africa's output in terms of E-commerce has been growing yet its share has been declining over the years. Africa is not keeping pace with development in the other regions. From 1995 to 2000 its share has decreased significantly, while other countries are growing faster.

He reported that there is causal relationship between telephone network and the E-commerce. A salient feature of IT network is that they are all connected to regions outside Africa. There is no connection between African countries except for fibre optic cable which has been installed connecting South Africa, Mauritius and other part of the North Africa. This situation could seriously impair development of E-commerce at regional level.

A study of SMEs in Botswana revealed the following:

- Most SME's are not using IT at all.
- Some basic users have standard user friendly packages for wages, accounting etc
- IT users - There are quite few IT users using network etc.
- Intensive CCT - The few sophisticated SMEs are using intensive ICT.

The need for information has been revealed as a major constraint. Another salient feature of the study is under utilisation of installed IT capacity. Three major users are:

- (i) CAD/CAM for design and manufacture of products.
- (ii) E-Commerce modes
- (iii) EPR.

Tunisia and Morocco have a network used in telemarketing and for transactions processing.

The interesting thing about E-commerce is that there are many opportunities for SMEs. Some of the interesting features are:

- (i) The market for E-commerce is expanding.
- (ii) It provides quick access to knowledge.
- (iii) It enables identification of good suppliers.
- (iv) It helps in design, in reducing production costs, increased value chain, and improving resources management.

Mr Lishan proposed the following road map for a phased introduction of E-commerce :

- Internet presence via trade promotion centres.
- Posting to virtual exhibition centres.
- Private organisation and matter.
- Hosting with local internet service providers.

Mr Lishan also elaborated on the challenges facing the sector. Among the most important ones are accessibility owing:

- Poor level of telecommunication networks.
- Low level of networking of institutions
- High cost of services
- Low access to support services

The second challenge is about trust. It is difficult to secure confidence just as in traditional purchasing activities, security about personal information and finance and to ensure against fraud. Inadequate knowledge and the limited technical skills is also a serious impediment.

Therefore, it is proposed that government should take a leading role in improving access to E-commerce by formulating appropriate strategies. In this respect Government should :

- (i) Commit and develop strategies to encourage SMEs to participate in E-commerce.
- (ii) Enact appropriate laws to create the enabling environment providing security and protection to consumers.
- (iii) Participate actively in on-going development process of intellectual property rights and other mechanisms at international level.

In terms of development aid, technical assistance should be sought for supporting specific projects at national, provincial and municipal governments levels in the country.

He proposed that the UN-ECA could play a key role as catalyst and facilitator at the level of research and in formulating appropriate policy interventions.

## **B.1 Discussion on the role of ICT and e-commerce**

Participants, fully conscious of the constraint of SMEs with respect to finance and skill, doubted about the capacity of SMEs to make effective uses of IT and to operate efficiently an IT system in their respective organisations. Based on the Indian experience, it was found that once SMEs were able to identify the skills available in the organisation, it would be possible to overcome the skill barrier, by implementing IT systems with the existing skills within the organisation, since software has become so user-friendly. The finance barrier, and to some extent the skill barrier, could be overcome by having recourse to outsourcing of IT. For example in India, an array of on line training institutions is provided by training centres example: <http://www.niit.com>

Entrepreneurs in African economies face crucial lack of information on possibilities for market development. Indian entrepreneurs access information on markets, the management of operations and on various applications software from the various Applications (ASP) and Internet Service Providers (ISP). Given that SMEs are not technically capable of submitting accounts as per legal requirements, ASP and ISP

have assisted Indian SMEs by selling challenging software packages adapted to their needs.

To promote the use of IT among SMEs, the Indian Government has liberalised the IT sector since its initial phase. Customs and import duties on imports of software have been waived. Hence IT companies have benefited from competition, in terms of access to latest technology of the developed countries at very early stages. In addition, the Indian Government has provided tax rebates to companies ranging from 25 to 60% of the value of IT equipment. India is now the 16<sup>th</sup> country in the world which has instituted the legal framework for the proper operation and regulation of e-commerce. India is also a signatory to the TRIPS convention of the World Trade Organisation which has helped the Indian economy to compete on a global scale in the IT sector.

The central government of Bangalore, in the Southern part of India, has provided the conducive environment to promote healthy competition between the IT companies. Bangalore, being presently the focal centre of excellence for IT in India, with a distinguished brand name, reflects the initiatives taken by the Central Government to promote the IT culture. This driving force is also helping startups to enter the IT and e-commerce business.

Participants were also apprised of the need for high calibre human resources and the employment generation multiplier in the software sector, although capital investments/outlays may be low. The availability of human capital, however, is dependent on the provision of IT education, and related infrastructure, at very early stages of the educational curriculum.

One example of effective application of IT in SMEs in India and which has enabled resources to be used to the optimal extent is the Just-In-Time concept (JIT) and lean production system. JIT's adoption has released much needed capital and lighten the burden of SMEs of the need to keep inventory levels. Stock Exchange is another example of the success story in the IT field in India.

It was also stressed that, to enable SMEs to embark on e-commerce and carry out transactions over the internet, respective African Governments will have to put in place the appropriate "cyber-laws". Such regulations encompass contractual agreements amongst banks, businesses and customers with foreign jurisdictions, for the guarantee of delivery, payment and arbitration in matters of litigation.

It should be noted that the Indian economic environment is not without constraints in the IT field. Financial institutions in India do not provide loans to Indian software companies for software development, because of lack of adequate collateral requirements in common to SMEs operating in other sectors. IT software companies also face problems of software marketing given that the latter is a service and therefore intangible. Software development and marketing are mainly done on a trust relationship basis with customers and relies to a large extent on the human skill-base. Because of the time lag between development of software and actual cash receipts, cash flow is also a common problem.

To promote IT culture, the Mauritian and Namibian governments have taken the initiative to offer IT infrastructure at the primary, secondary and tertiary levels and in social welfare centres for adults. Access to internet is also provided.

### ***Presentation 3: On launching Small IT Business: Experience from India***

The following constituted the core of the presentation made by Mr. A. Kumar on the launching of Small IT businesses from the experience of India:

He identified Software development and Hardware, computers, peripherals, networking equipment as the major pre-occupations of IT businesses. Like in the case of other SMEs, those involved in the IT business are also at different phases of development. These involve: Survival, stability, growth and visibility.

He summarised Indian Success Story in the IT business as follows: IT industry in 1999-2000 was 5.7 billion USD; 1.7 billion USD was domestic; 4.0 billion USD was derived from exports: 65 per cent of the exports was to North America and 23.5 per cent to Europe. 185 of top Fortune companies outsource from India. The services include financial Services/banking, manufacturing and insurance. Indian Share is 1.6 per cent of Global IT Market and 4.9 per cent of outsourcing market.

The Possible factors for Indian Success Story include:

- Low/No Government Interference;
- zero per cent import duty on software;
- low import duty on Hardware;
- setting up of the export processing zone;
- world class training and education;
- migration of Indian engineers to the US;
- growing domestic market;
- ability to spend on training;
- cyber laws enactment;
- healthy competition among several Indian States to promote IT;
- e-governance concept of State Government;
- IT Parks (Hi Tec City);
- Ministry of IT dedicated to promoting the sector;
- liberalisation of the communication sector; and
- new policies for IT which have created an enabling environment.

## **B.2. Discussion from the floor**

Participants were made aware of the high status and recognition given to Indian software companies, which were ISO certified. Indian software companies have reached very advanced stages and many have obtained the ISO 9000 1-3 certification. To be able to do business successfully in the US and European markets, Indian companies will only succeed if they are ISO certified.

The participants recognised that Indian IT companies have benefited a lot in terms of IT, as a result of many US companies setting up subsidiary companies in India, namely

Alcatel and Texas Instrument. These subsidiary companies have also helped the setting up of IT Development Centres where a large number of Indian companies have been developed.

Cheap labour has also contributed to the Indian success story: however, labour rates are now rising and many Indian IT professionals were moving to the US. It was also highlighted that although the Indian Government has provided many incentives to foreigners investing the country, there were still foreign exchange constraints hampering the further development of the IT sector.

It was emphasised that if African countries wish to encourage local companies to enter the IT business sector, They should make sure that their respective governments encourage the IT companies to pursue international quality standards and certification. To promote development of the IT sector, African Governments should improve their role as facilitators and provide an array of infrastructural and institutional support, including regulatory incentive frameworks, good communication and telephone network and skilled human capital, among others.

Development of the IT sector requires as prerequisites education and training. School curriculum should be designed with emphasis on science- and- information technology-based subjects, especially Computer Science. It was also proposed that training institutions of African countries link up with major Indian training institutions already offering on-line services on IT training.

It was evident from the presentation of the Indian experience that ICT can enhance the efficiency of SMEs, even though the demand for ICT services may vary with the stage of development of SMEs. Participants underscored that those planning to operate in export markets need skills in ICT. The participants also noted that Mauritius' initiative in introducing facilities for ICT training is worth emulating by other countries. While they acknowledge that acquiring ICT skills by SMEs will take time, they nevertheless emphasised the need to urgently plan for early introduction of ICT facility and training. They also acknowledged the numerous constraints such as: lack of proper orientation on ICT use even by those who can afford to have it; tendency not to give IT priority as SMEs have more pressing problem to attend to: dearth of technical skills and problem of infrastructure in many countries making the immediate use of ICT difficult.

## **Sub-theme IV: Cross–border trade and intra-firm co-operation among SMEs in the Region**

### **A. Presentation: Empowering SMEs for inter-firm and cross border business in the COMESA region**

The paper by Dr. Ken Kwaka of MIGA-Promote Africa, presented on his behalf by Mr. Asmelash Beyene of ECA, addressed principally the challenges facing SMEs in the COMESA region. He observed that the last two years have seen a number of significant initiatives by African regional economic groupings and authorities to fast-forward the integration process towards a Free/trade Area and cited SADC and COMESA as the most advanced in this area. Among these initiatives is a greater attention to investment promotion to complement progress made in areas of freer regional trade and the implementation of a common external tariff.

While acknowledging the importance of the decelerations made by COMESA and SADC, he nevertheless urges a closer look at those actual situations that are required for the private sector to be able to generate the wealth that would underwrite sustainable development in the region. He identified SMEs as vital generators of wealth and employment. However, he argued that a number of specific challenges face the SME sector today in the COMESA region. The challenges include:

- A lack of coherent government policy for SMEs resulting in wasteful public support programmes;
- Inherent policy biases/discrimination;
- Lack of access to finance, technology and information;
- A weak entrepreneurial culture and knowledge capacity.

He underscored the need for a clear coherent government policy aimed at SME development and proposed that such a policy should include, among others, four main components: A working definition of SMEs; development Objectives; and a package of incentives. He called for an institutional arrangement for implementation, follow-up and monitoring/evaluating policy; and urged the removal of barriers that prevent SMEs from accessing credit. He called for levelling the playing field and elimination all policy biases against SMEs. He also underscored the need for simplification of legal and administrative procedures; need for decentralised governance and finally the need to standardise business practices in the area of small business as we move in the direction of regional integration.

He recommended such measures as the setting up of credit and credit guarantee facilities, dedicated venture capital funds for equity participation in SMEs; interest rates that do not weaken SMES' competitive position; business linkages; an establishment of a regional institution which can fill the serious financing gap of the missing middle; and support from Donor agencies and regional organisations.

He remarked that products of most SMEs in the COMESA region are of poor quality and costly to produce due to lack of access to technology and other know-how. This often makes them uncompetitive even with low standard international imports.

He underscored the need for inter-firm co-operation through networking and clustering as a means for promoting SMEs. A successful example is Business Opportunity Centre (BOC) of Johannesburg, which links emerging SMEs to business opportunities in the mainstream economy through the provision of a "no stop" development and support services facility.

The wealth of SME and business expertise is unevenly spread in the region and the information is not readily accessible. While effective networks exist in such countries as Kenya, Egypt, Mauritius, sector associations remain fragmented everywhere else. He thus argued that there was an urgent need to develop SME business networks for the exchange of information. The initiative for such networks must of necessity originate from within the sector operators. But he mentioned that MIGA in partnership with Chambers of Commerce of Barcelona, Milan, Morocco, the International Chambers of Commerce, Crown Agents and other members of the World Bank Group are launching an initiative called "SMExchange: A Collaboration for capacity building."

He reviewed existing support programmes for SMEs nationally and internationally. He identified the following donor agencies and regional organisations as having financial facilities for SMEs. They include the African Development Bank, The Eastern and Southern Africa Trade and Development Bank, The Africa Export-Import Bank in Cairo, The African Enterprise Fund, the African Project Development Facility and the Southern African Enterprise Development Fund. However, he wondered if these institutions were effective in providing relevant support to SMEs, if the SMEs themselves are aware of the existence of such services, how the eternal problem of collateral is handled and how the issue of the missing middle is dealt with.

He proposed that the focus in SME development should be:

- Creating modern and export-oriented SMEs;
- Promoting active competition of SMEs on international markets through exports and strategic alliances with foreign partners;
- Consolidating existing SMEs and promoting high value added SMEs, which can penetrate new markets';
- Building networking with both local and overseas organisations and institutions providing technical/managerial backup for SME development;
- Facilitating SMEs access to databases on technology (including the internet), production processes, quality standards, fashion trends and innovation; and
- Creating linkages among SMEs through a mix of channels to introduce potential partners at the national level and joint ventures through networking and business partnering at the international level.

As starting point in SME development, Dr. Kwaka felt that there was need to empower those in the sector to enable them to become sustainable wealth creators. Empowerment comprised the acquisition of those relevant skills and capacities that would enable each SME to function effectively as entrepreneur.

He recalled that in recent years, **MIGA: Promote Africa** has been training business executives (many of whom are SME operators) in several countries in the COMESA region, specifically in Kenya, Tanzania, Uganda, Namibia, Zimbabwe and Mauritius on the subject of **Doing Business with Foreign Partners**". SMEs are confronted with a low level of competencies in such areas as basic accounting, marketing, business management (e.g. price determination, inventory control, etc.) basic communication skills (writing, interviewing, making business presentations, etc.) and basic legal concepts.

He observed that in several countries in the region, little effort is being made by the business associations or governments to empower individual members of the business community to acquire these skills or to "buy" the expertise from professions. Indeed several SMEs, some of whom are actually engaged in cross-border business, are not appreciative of the contributions such professions as corporate legal, financial/accounting general management experts can make to their operations. This capacity deficiency needs to be urgently addressed if SMEs are to engage in such value-adding businesses likely to attract DFI as agribusinesses, industrial mineral processing and informal communication technology (TCT).

Kwaku remarks that the review of recent COMESA Secretariat's Work Programme documents reveals several intentions to assist "Business Support Services" and organise investment fora and trade fairs. However, he found that little attention has been paid to capacity enhancements of entrepreneurs precedent to these events. He proposed that working closely with its development partners such as MIGA and the ECA, the COMESA Secretariat as well as national organisations could upgrade their activities relating to capacity building in the future. It has been observed that these business skills accounted to a great extent for the global success of SMEs in such countries as Korea, Singapore, Taiwan, India and Malaysia. There is much that can be learnt from the experiences of these countries.

Dr. Kwaka emphasised that business success in today's liberalised global environment is based not on old-fashioned comparative advantages of locations and natural resource endowments but on competitive advantage derived from knowledge and skills. He thus concluded by quering: Are African SMEs ready in this respect so that they can become equipped to contribute to the region's growth and development?

## **B. Discussion from the floor**

A suitable working definition of SMEs, and the sectors that are covered under the definition, was deemed essential.

Information on the various regional institutions providing financial assistance to SMEs needs to be more widely dissemination to the SME community and need to be made more users friendly.

The line of credit available for SMEs from the African Development bank has existed since the 1990s and up to now has known a usage rate of only 2 per cent. This has been mainly due to severe conditions attached to these lines of credits and the complexities of African Governments pursuing regional politics instead of really helping SMEs. In addition, the structure of the financial packages have been designed without due

consideration for the constraints of small entrepreneurs. Further, lines of credit of most agencies are channelled through commercial banks, which always impose stringent conditions for collateral and terms of repayment, making credit further inaccessible to SMEs.

It was observed that recipient governments of grants from donor agencies targeted at the development of SMEs, do not always properly negotiate the conditions of the grant agreement. This often results in low usage rates of funds. It was also recommended that henceforth, a large part of grants should be devoted to technical training.

Participants have recommended that a high level meeting be convened with donor institutions, Ministers of Finance and SME entrepreneurs, to reflect on the inadequacies encountered in credit schemes over the years and bring amendments to loans conditionalities. It was proposed that such initiative could be taken by the ECA. On the other hand, Member States should start implementing sub-regional projects to benefit from the credit lines of the ADB.

Participants learnt that the Namibian Special Bank Credit Guarantee Scheme has faced strong opposition from many financial institutions when it was being introduced, but was nevertheless implemented taking into account the difficult local conditions.

Participants also agreed that in order to ease the financing problems of SMEs, a new structure should be set up at the national Development Banks of African countries, which would regroup all credit lines from donor agencies, and lend on conditions acceptable to SMEs.

## **V. Special Panel Discussion on Enhancing the Role of Women in Regional and Global Markets**

The special panel was organised to highlight the unique problems women entrepreneurs face in Africa. The panel was composed of Mrs V. Nababsing, University of Mauritius, Ms S. Gill, Ministry of Women, Welfare and Child Development, Ms. Phides Mazhawidze, Women Business Association of Zimbabwe, Ms Malleck, the Association of Women Entrepreneurs of Mauritius, Ms. Anna Gebhardt, V. President, Chamber of Commerce and Industry and Chairperson, The Joint Consultative Committee for SMEs in Namibia.

Mrs V. Nababsing, Senior Lecturer, University of Mauritius, made a brief exposé on the factors that have inhibited the spirit of entrepreneurship development among Mauritian women. The following constraints were identified:

- (i) Legacy of the slave bureaucracy, where the immediate objectives of indentured labourers were to provide a decent education to their offsprings to enable them to secure employment in the public sector; this legacy has not encouraged the development of entrepreneurship spirit.
- (ii) Narrow and academic educational system that kills entrepreneurship spirit and that does not generate much initiatives for risk taking.
- (iii) Socialisation process and the traditional role that women occupy in the household, which does not permit dual career families.
- (iv) Absence of encouragement of women on the part of men to enter the business network.
- (v) Emotional nature of women, which does not enable women to negotiate in the business environment on equal grounds as men.
- (vi) Women are marginalised and harassed in the business environment, where they are not accepted at the centre of decision making.

There were however, among Mauritian women many factors to favour an entrepreneurship culture. These are: Flexibility, linked to ability of women to perform multiple tasks, from the very nature of women's occupational structure in the home, where the latter are not tied to hierarchy and status; and ease of adjustment of women to the different stages of the business cycle.

Ms S.Gill of the Mauritius Ministry of Women, Family Welfare and Child Development, elaborated on the various projects of the National Women Entrepreneurship Council of the Ministry dedicated to improving the cause of Women entrepreneurs.

- (i) The Grameem Project, on the model of Bangladesh, which advances credit on a small scale, and without collateral, to women entrepreneurs.
- (ii) Reformulation of the National Gender Action Plan, particularly the section on "Women and the Economy" and "Women and Economic Empowerment"

- (iii) Sensitisation campaigns and other activities to shift the focus of entrepreneurship development among women away from traditional, home-based activities to more meso and macro level activities.
- (iv) ICT training to encourage women to enhance the way of carrying out business with IT tools.
- (v) Other ongoing programmes, including educational re-training, for the implementation of recommendations of the Beijing Conference, to integrate women fully in the development process.

Ms Phides Mazhawidza, Coordinator, Women Business Association in Zimbabwe (WIBZ), made a brief exposé on the problems facing women entrepreneurs in the SADC region.

She reported that the issue of integrating women on the economic agenda has been raised since 1985, following the Nairobi Decade for Women, to support and facilitate the development of women into business.

She recognised that many women institutions of the SADC region have been set up with the support of donor agencies and were thus not recognised as part of government policy. These institutions were therefore not given enough support and recognition by respective governments on the domestic front.

She raised the issues of lack of access of women to business information and lack of access to finance. Although these impact on both men and women in African countries, she observed that the general economic environment does not give women the confidence to approach financial institutions. These factors largely restrain the ability of women to effectively explore domestic markets, let alone regional and global markets.

Moreover, the lack of exposure to, and capacity to afford information technology equipment have further discouraged women to participate effectively in regional and global markets.

Ms Malleck of the Association of Women Entrepreneurs of Mauritius reinforced the notion that women entrepreneurs of Mauritius were willing and capable of pursuing their career in the businesses they have chosen to set up, and often by employing male labour. She recognised that women in general have the capability to manage finance, although women are marginalised in the male-dominated world of business.

She acknowledged some of the major constraints facing other Women Entrepreneurs in going towards global markets: Complex management and administration of foreign exchange mechanisms which impact significantly overall level of profitability of the business; and difficulties in understanding the customs procedures & formalities in export markets.

Mrs Anne Gebhardt, Vice President of the Chamber and Industry of Namibia and Chairperson of the Joint Consultative Committee for SMEs in Namibia, and an entrepreneur herself in the real estate business in Namibia, emphasised that it was important to involve women entrepreneurs at even the grassroots level in discussions

pertaining to the signature of bilateral and other trade agreements negotiated by government and high level players of the private sector.

She stressed that, for women entrepreneurs (WE) to succeed in their business the following measures should be implemented:

- (i) Training programmes and seminars should be designed specifically for women entrepreneurs; besides seminars targeted for both men and women.
- (ii) Women should be part of the executive arms of national bodies such as the Chambers of Commerce and Industry.
- (iii) Women should be given special training to encourage them to participate actively in trade fairs and forums, where women should seize these opportunities to sell their businesses instead of selling products.

Mr A.Kumar, an expert in IT from Hyderabad, India, shared with the participants the schemes put in place by the State Government in Hyderabad, India, to boost entrepreneurship development of women. He enumerated the following:

- (i) The Micro- Credit Scheme for women in rural areas, known as "Development for Women Co-operatives in Rural Areas (DWCRA)" , consists of credit given to small co-operative societies for on lending to Women Entrepreneurs of these co-operative societies at low rates of interest.
- (ii) The State Government in India also ensures that market outlets or open land spaces in major cities are made available to co-operatives societies, at no cost and at regular intervals.
- (iii) State Governments grant funds to co-operative societies for rural development. The co-operative societies decide on the priority areas that need to be developed for the village. This facility is also available on matching grant schemes, where the State Government tops up the additional funds for priority development projects identified by co-operative societies .
- (iv) Women Entrepreneurs use the facilities provided by the internet to keep track of prices of goods in cities, to reap maximum income from their production.

### **Discussion from the floor**

Although information to women entrepreneurs was available, women entrepreneurs face a lot of problems in rightly selecting and working through the bureaucratic red tape. The One Stop Shop facilities of Tunisia to help women entrepreneurs was cited as a best practice. Participants recommended that facilities should be given to encourage SME Associations to network across the regional scale. Such networking should enable the creation of links among high level and low level players of the business environment. Cheap video conferencing facilities and the National Chambers of Commerce and Industry were suggested as means by which regional organisations can network effectively.

Literacy training among women was considered important since latest technological developments are incorporated in the most basic equipment used in production

Participants also advocated the establishment of training programmes focusing on international trade which would address such complex issues like functions and mechanisms of trade protocols, trading regulations and formalities as applicable in foreign countries, certification, regulations, norms and standards etc.

To conclude, participants acknowledged that it was time for people to change the way they look at women entrepreneurs, especially in the case of the Mauritius, where laid off women workers in the EPZ sector should be encouraged to start businesses of their own.

## **VI. Conclusions and Recommendations**

Following the presentation of various papers, discussions on the papers and deliberations at break-away sessions, the participants of the workshop reached the following conclusions and made recommendations. Below is provided the summary of the observations, conclusions and the recommendations.

### **A. On the Regulatory and Policy Environment**

In the course of their deliberations , participants observed that in spite of some improvements that the policy and regulatory environment in many countries have still some way to go before they could be considered enabling and supporting to SMEs. Yet without a conducive policy environment, SMEs' survival, let alone their competitive status at regional and global markets, could be guaranteed. So the participants of the workshop:

- Recommend that governments undertake a thorough review of their policy and regulatory environment with the objective to determine their weaknesses, learn from best practices within and outside Africa and revamp their laws, regulations and procedures in a manner that will stimulate the growth of SMEs.
- Governments should regularly review policies to determine their effectiveness;
- Government should make constant effort to harmonise laws, regulations and procedures at national and regional levels;
- Governments should facilitate the participation of SMEs in government procurement by simplify tendering procedures.
- Encouragement and support should also be extended to SMEs in the traditional Sectors.
- The formation of SME sectoral and apex associations, where they do not exist and strengthening them where they exist should be pursued as a matter of priority as they could play an important advocacy role and provide services to their members.

### **B. On Finance**

The participants observed that access to finance poses a serious impediment to the effective operation of SMEs. In many African countries, the problem is not so much about availability of credit but rather one of accessibility as they are regarded risky businesses. Even in the rare event that banks are favourably disposed towards them, SMEs are often unable to tap the good will because of their inability to present a credible business plan. SMEs in the export sector are likely to have a larger need for resource to finance their working capital needs as well as to expand their business and modernise or acquire new technology. Yet in many cases, there are no institutions catering for such needs. The participants therefore recommend the following to alleviate the financial predicament of the SME operators:

- Provide SME operators training in appropriate skills such as preparation of business plan;
- Explore through dialogue with financial institutions ways and means for obtaining loans for the missing middle.
- Providing appropriate training for preparing convincing business proposals, efforts must be made to disseminate information on available national, regional and donor sponsored funding schemes by financial institutions.
- Financial institutions dedicated to serving SMEs should be set up and government should subsidize some of the loans to support SMEs with potential for growth. The funds could be mobilized from domestic as well as international NGOs, governments and possibly some banks.
- Efforts should be made to set up a stock market for SMEs provided the macro-economic conditions permit..
- Government should assist in strengthening institutions engaged in credit delivery.
- Possibilities for linking formal and informal financing institutions should be explored in order to enlarge the resource base which SMEs can access. Likewise the feasibility of tapping to long term deposits such as pension funds, social security, insurance funds etc... as a way of augmenting the resources that SMEs can access should be explored.
- Guarantee facilities should be put in place to encourage banks to lend money to SMEs. Particularly such guarantee can facilitate the smooth involvement of SMEs involved in export trade by removing trade risks.
- Government should encourage the private sector to be involved in the creation of venture capital for use by SMEs.
- Strengthen the judiciary' capacity to enforce commercial contracts expeditiously.

### **C. On Infrastructure**

The participants of the workshop underscored the importance of good infrastructure to foster the economic performance and competitiveness of SMEs. An optimal physical and IT infrastructure comprising, among other things , of a good and maintained network, airport and port, a stable power supply, adequate water supply and an extensive telecommunication network are vital for the effective functioning of enterprises. The participants of the workshop urge governments to give priority to infrastructure development. The following measures are proposed to address the problems of infrastructure:

- Governments should have infrastructure development policies. Roads are needed to move products from farms to their processing locations or destinations speedily. Therefore, priority should be given to upgrading roads in the rural areas. The opportunity can also be used to generate employment by resorting to labour intensive methods to upgrade feeder roads. It could also be used to develop SMEs in the construction sector .
- Telecommunications services should be expanded throughout the country. Options that facilitate rapid expansion of services that are affordable should be seriously considered.

- The quality and un-reliability of transportation in many African countries leaves much to be desired. Certain sensitive products that require timely delivery are left to rot for lack of air and ground transport resulting in the enterprises being driven out of the market due to unreliable air transport services. Hence there is need for governments to explore measures for improving the sector.
- Urban land policies that adversely hamper the smooth operation of SMEs need to be looked into.
- Power is not widely available and is in most cases unreliable. Rural SMEs are severely constrained by lack of power. Power shortages handicap SMEs and drastically increase their transaction costs. It is thus recommended that governments invest either their own or in partnership with the private sector to expand services in the sector. The use of solar energy in rural areas should be seriously explored. .
- The lack of working space is a major constraint that SMEs face. Governments should invest in the construction of affordable work spaces where SMEs can be housed . The establishment of common facilities to be used on cost sharing basis should also be encouraged.
- Water – Governments should formulate policies that ensure access to adequate water facilities.
- While the major responsibility for infrastructure development rests with government, given the heavy investment requirements of the sector, the involvement of the private sector as a partner should be vigorously sought and encouraged.

#### **D. On Human Resources**

Having noted the difficulty of competing and surviving in the current globalised environment without skilled human resources , the participants recommend that:

- i) Vocational and technical training for SMEs should be fully supported and recognised by government.
- ii) Training in management and business skills should be given and school curriculum be made to incorporate entrepreneurship and business training at the different levels of the school system. Mentorship should also be used as a way of enhancing the management capacity of SMEs.
- iii) Support institutions should be encouraged to provide business advisory & counselling services.
- iv) Programme for the networking of entrepreneurs at sectoral levels should be launched.

## **E. On Support Service Institutions**

The existence of effective support services is vital for the success of SMEs'. In the face of global competition, SMEs stand little chance of success unless they are assisted and supported to improve the quality of their products and market them effectively. However, participants noted that the track record of such support services in the past leaves much to be desired. They were characterized by duplication of efforts and waste of resources because the provision of support to SMEs were done in uncoordinated manner. In many cases there is no information of who is doing what. It is therefore recommended that:

- Studies be undertaken to identify available support services and the nature of the services they provide and the information on such services widely disseminated.
- Action should be taken to streamline activities undertaken by support institutions and ensure co-ordination.
- Databases should be set up to track successful SMEs.
- Encourage establishment of sector associations where they do not exist and strengthen where they are available to enable them assist SMEs in product improvement, co-ordination , information generation and playing advocacy roles,.
- Institutions should be set up to co-ordinate all the players providing support services
- Governments should provide sector-based definitions of SMEs
- Government should play a catalytic role in providing support services by undertaking its own initiatives as well as seeking the participation of the private sector should be encouraged.
- Support service should be focused and provide specialized services.
- Support institutions should be strengthened at all levels and their capacities enhanced to enable them to deliver to SMEs.
- Governments should lighten the financial burden of SMEs by subsidizing feasibility studies and business plans in those countries where resources can permit it.
- Training should be provided in IT for SMEs and access to IT facilitated.
- Support institutions operating in different sectors should be linked up through networking arrangements..

Effective service providers should:

- be located close to the industry they serve in order to reduce transaction costs in SMEs;
- be run on a business-like manner to guarantee at least partial cost recovery;
- react to the needs of their customers, but also acting as "industry leaders" encouraging "best practices";
- adopt a collective and participatory approach focussing on the needs of groups of enterprises rather than individual firms;
- foster vertical and horizontal inter-firm co-operation and strengthen existing networks especially with global players;

- interact with other institutions providing services for SMEs to co-ordinate support efforts.

## **G. On Technology**

Most SMEs in Africa use outdated or rudimentary technology which severely affects their performance and competitiveness in regional and global markets. Likewise, most countries lack an institutional network providing technology-related support services to SMEs. If SMEs are to play a more significant role in the market, it is important that deficiencies in the area of technology be addressed. The participants thus recommend that:

- Governments should attract foreign investments that can help access and absorb new technology and adapt it to local conditions.
- The development of incubation centres should be encouraged to develop technology.
- Institutions should be set up to harness available technologies which SMEs can adopt and use.
- Centres of excellence should be set up to link private sector and institutions of higher learning to facilitate technology diffusion.
- The establishment of common technical centres could address one of the serious constraints SMEs face. So governments are encouraged to launch such centres to service SMEs.
- foster the innovation and production capabilities of local firms making a rational use of external sources;
- provide services designed on the basis of the existing indigenous capabilities through a process of inter-enterprise learning;
- put science on the shop floor and encourage in-firm R&D activities to move towards more innovative and higher value-added products;

## **H. On Trade and Marketing**

In many countries the tax systems discriminates against SMEs seriously affecting their competitiveness. Even when the products they produce stand a good chance of penetrating regional and global markets, they lack visibility in such fora where they could have successfully marketed their products. They lack market intelligence and are unable to keep track of trends with changing taste and preferences of customers. Not all countries provide facilities for testing standards and quality. All of the foregoing pose serious obstacles to the competitiveness of SMEs. It is therefore recommended that:

- incentive such as reduced import duties should be provided to stimulate the SME sector.
- marketing institutions should be established to facilitate effective representation and participation of SMEs in international trade fairs.
- governments should establish mechanisms to gather and disseminate market information as well as monitor markets trends and tastes globally.
- given the fact that responsibility for SME development tend to be shared by many government institutions, it is important that a mechanism be put in

place to effectively co-ordinate efforts and avoid wastage of resources and acting at cross- purposes.

- as SMEs become increasingly involved in regional and global markets , it is imperative that they maintain competitive quality standards. It is thus essential that national bureaus of standards be strengthened and the African Regional Standards Bureau be further strengthened to enable it assume more effectively its quality certification responsibility.
- training programmes aimed at providing skills in identifying and accessing markets, packaging, and doing businesses in international market should be organised on regular basis for SMEs involved in regional and global markets.
- Establish focal trade marketing points.

Providers of services for strengthening marketing capability should:

- provide marketing information and encourage marketing research in SMEs;
- provide financial and technical assistance for groups of firms to share a stall in international trade fairs;
- facilitate partnership arrangements between large firms and small suppliers.

#### **I. On Enhancing the role of women entrepreneurs in regional and global markets**

All SME operators are constrained by many problems. But women entrepreneurs, in spite of the fact that they constitute the majority of small entrepreneurs in many African countries, had not enjoyed much support. In addition to sharing the plethora of problems which their male counterparts face, they also have special problems that need to be addressed if they are to be made effective players in the export market.

Participants of the workshop strongly recommend that:

- Laws and cultural practices that impede women's effective involvement in business be removed.
- Custom made training programmes be organised for them in such areas as business planning, marketing, financial management, IT, assertiveness and awareness training etc.
- Women role models should be identified and be used in the training programmes.
- Particularly given the multiplicity of roles women have, it is important to organise training programmes that can provide them with the skills to manage their diverse roles in an effective manner.
- As participation of women at the different policy and decision making structures can enable them to influence policy, government should make extra effort to bring more women into the decision making structures. Quotas should be established to achieve the desired targets. It is also recommended that studies be undertaken to monitor the progress made by women in accessing decision making positions.

- Access to business related information is one serious constraint women entrepreneurs face. Facilitating that access can go far in ensuring the success of their businesses.
- Study on women participation in decision making (governance) should be undertaken.

## **J. Role of ICT**

It was evident from the presentation of the Indian experience that ICT can enhance the efficiency of SMEs, even though the demand for ICT services may vary with the stage of development of SMEs. Participants underscored that those planning to operate in export markets need skills in ICT.

The participants also noted that initiatives in introducing facilities for ICT training is worth emulating by African countries. While they acknowledge that acquiring ICT skills by SMEs will take time, they nevertheless emphasized the need to urgently plan for early introduction of ICT facility and training. They also acknowledged the numerous constraints such as: lack of proper orientation on ICT use even by those who can afford to have it; tendency not to give IT priority as SMEs have more pressing problem to attend to; dearth of technical skills and problem of infrastructure in many countries making the immediate use of ICT difficult.

## **K. On the Role of ECA**

Participants noted that ECA should play a more effective role in the promotion and development of SMEs. As a matter of fact there are many agencies within the UN family system that cater to the need of SMEs. Given the potential of the sector in stimulating growth and development and generating employment, thereby contributing to the alleviation of poverty, this various institutions should be more vigorously involved in the promotion and support of SMEs. The participants therefore call on ECA and other UN organisations to:

- Assist with the setting up of national information centres for gathering and disseminating information on all aspects of SMEs activities.
- Play a more active role in championing SMEs cause among donor agencies.
- Assist in capacity building of service providers and create partnership with national service providers.
- Work in close collaboration with service providers in building ICT capacity of SMEs.
- Organise a high level forum of financial institutions which have financial facilities for SMEs to discuss how effectively they can cater to the needs of the SMEs.
- ECA should also improve its visibility in member states and market its services better than it does now.
- Explore with regional economic groupings such as ECOWAS, COMESA, SADC etc with the means for addressing the special developmental needs and concerns of SMEs and how they can be mainstreamed to the activities of the regional economic blocks.

- Assist African Government agencies and business associations by mapping the global and regional value chains which are most relevant to the pursuit of the objective of promoting connectivity among them.

The participants recommended that:

- Governments should provide incentives for importation of computers. The zero
- custom tariff of India was cited as practice worth emulating by African Government.
- Emphasis should be given to training and education in ICT at all levels in the public and the private sectors. Moreover, Governments should introduce IT training at different levels of the school system as soon as possible.
- Government should also encourage vocational and technical training and involve private investors in their area.
- Measures should be undertaken to encourage local production of ICT software, hardware and gadgets whenever cost consideration justifies it.
- Efforts should be made to utilise national and regional capacities to promote ICT in Africa.
- Finally, SME can access ICT services in a cost effective way if they were to pull resources together and locate the facilities in their apex organisations for collective access.