



## The African Development Forum 2000 (ADF) on AIDS: The greatest leadership challenge

Organized by the Economic Commission for Africa (ECA) in conjunction with UNAIDS and its seven co-sponsors, UNDP, UNICEF, the World Bank and other partners, ADF 2000 was designed to serve as a launching pad for renewed commitment to more concerted action against HIV/AIDS in Africa.

This year's ADF theme, "*AIDS: The Greatest Leadership Challenge*" is unique because it offers an opportunity to conduct critical appraisal of current strategies and approaches and to discuss how to secure the commitment of African leaders to take action now to implement prevention and care programmes.

The HIV/AIDS epidemic is taking a devastating toll in terms of human suffering; it is jeopardizing economic growth, development prospects and political stability, especial-

ly in sub-Saharan Africa (SSA). Given the degree to which HIV/AIDS is undermining progress in development, it is no longer merely a health problem, but poses a major development crisis on the continent. While SSA accounts for only one-tenth of the global population, it bears the burnt of the disease, with more than 80% of AIDS-related deaths worldwide.

### Objectives of the forum

The Forum's objectives were to:

- Analyse the impact of HIV/AIDS on Africa's development prospects;
- Take stock of progress made to date in prevention, treatment and support structures;
- Highlight positive regional, national and local best practices;
- Examine the resource

implications of improved prevention campaigns, treatment programmes and facilities for counseling and support of victims and their families;

- Review decisions from major HIV/AIDS conferences and actions taken at national and regional levels;
- Articulate concrete, time-framed, follow-up actions and activities by different actors; and
- Ensure that adequate resources are put into prevention and care programmes by African governments and their domestic and external partners; and seek consensus on arrangements and mechanisms for follow-up.

[to page 11](#)

### In this issue

- 1 The African Development Forum 2000 (ADF) on AIDS: The greatest leadership challenge
- 2 Editorial
- 3 Diffusion and use of e-commerce by SMEs in the global economy
- 5 Local Partnership, clusters and SME globalization
- 6 Cooperation exemplaire d'industriels prives africains
- 7 Highlights of the meetings organized by DMD

# Editorial

## STATE CAPTURE AND ADMINISTRATIVE CORRUPTION

In recent years, a consensus has emerged across the globe on the high cost of corruption for economic, political, and social development. There has also been broad agreement on an approach to combating corruption that focuses on limiting the discretionary powers of State officials to intervene in the economy. As a result, the fight against corruption in the transition and developing countries has been incorporated into a wider reform agenda combining liberalization and privatization to roll back the State and governance reforms to promote greater transparency and accountability in the State's legal and regulatory framework.

Efforts to reform basic State institutions have generally had limited impact. Anti-corruption campaigns have been hijacked for narrow political advantage. Governance reforms have frequently been blocked by powerful vested interests. The political will to implement and sustain structural reforms has often been lacking. This experience suggests that, although we may know a great deal about the causes and consequences of corruption, we know much less about the factors underlining the persistence of corruption.

Part of the problem comes from unrealistic expectations about the time necessary to address the fundamental roots of corruption, even in the fast-paced environment of the transition. But an important part of the problem also lies in the tendency to focus exclusively on the State and, in so doing, to limit our anti-corruption strategy to standardized technical solutions. This has led to an incomplete and overly uniform approach to combating corruption that does not take into account important differences among countries. These differences encompass the capacity of the State, the power and the concentration of economic interests, and the channels of accountability between the State and civil society, all of which are crucial determinants of the pattern and persistence of corruption across countries.

In a study undertaken by the World Bank, a typology of corruption was developed to distinguish among different patterns of the problem across the transition countries. Specific policy recommendations were tailored to these distinct patterns, drawing from a common set of institutional and policy reforms, and with emphasis on how to target anti-corruption efforts, how to sequence reforms, and how to calibrate realistic expectations in different contexts. The typology is based on the distinction between two types of corruption: State capture and administrative corruption.

State capture refers to the actions of individuals, groups, or firms in both the public and private sectors to influence the formation of laws, regulations, decrees, and other government policies to their own advantage by means of the illicit and non-transparent provision of private benefits to public officials. For example, an influential "oligarch" at the head of a powerful financial industrial group could buy off legislators to erect barriers to entry in a particular sector. Alternatively, the State can be captured to serve the private interests of a political leader who shapes the framework of reforms to ensure his own private control over key resources.

There are many different forms of State capture. Distinctions can be drawn between the types of institutions that are captured: the legislature, the executive, the judiciary or regulatory agencies. Further distinctions can be made on the basis of who does the capturing: private firms, political leaders, or narrow interest groups. One could even distinguish between the nature of the benefits provided to public officials in exchange for capture: direct bribes, illicit equity stakes, informal control rights.

Yet, all forms of State capture are directed towards extracting rents from the State for a narrow range of individuals, firms, or sectors through distorting the basic legal and regulatory framework, with potentially enormous losses for the society at large. They thrive where economic power is highly concentrated, countervailing social interests are weak, and the formal channels of political influence and interest intermediation are underdeveloped.

While State capture encodes advantages for particular individuals or groups in the basic legal or regulatory framework, administrative corruption refers to the intentional imposition of distortions in the prescribed implementation of existing laws, rules and regulations. Such distortions provide advantages to either State or non-State actors as a result of the illicit and non-transparent provision of private gains to public officials. The classic example of administrative corruption is that of a hapless shop owner forced to pay bribes to a seemingly endless stream of official inspectors to overlook minor (or possible major) infractions of existing regulations.

Beyond such forms of extortion, administrative corruption includes such familiar examples of "grease payments" as bribes to gain licenses, to smooth customs procedures, to win public procurement contracts, or to be given priority in the provision of a variety of other government services. Finally, State officials can simply misdirect public funds under their control for their own or their family's direct financial benefit. At the root of this form of corruption is discretion on the part of public officials to grant selective exemptions, to prioritize the delivery of public services, or to dis-

to page 12

## Diffusion and use of e-commerce by SMEs in the global economy

The Internet provides opportunities for companies of all sizes to innovate, increase efficiencies and gain access to new markets at home and abroad. In many ways, small business enterprises (SMEs) stand to benefit most from the Information Society. Unlike large enterprises, many of which already operate in global markets through well-established networks of affiliates, the international potential of SMEs has been constrained because of their small size, lack of resources and limited ability to identify and work with new customers and suppliers across borders.

The Internet eliminates these disadvantages by opening up global markets to any company with an effective strategy for conducting business on line. Despite these opportunities, SMEs most often lag behind in the exploitation of electronic commerce (e-commerce) and this raises important questions for policy makers.

### What are the benefits of e-commerce for SMEs?

The most obvious opportunity for SMEs arising from new information technologies is the vast potential for marketing products and services to customers throughout the world. All estimates show that Internet access and utilization is growing rapidly, with over 300 million estimated users in March 2000<sup>1</sup>, and several studies suggest that customer online purchases may reach \$US400 billion by 2002<sup>2</sup>.

Entrepreneurs can use the Internet to research this vast new market, gain a better understanding of customer tastes and preferences, and reach out to large targeted audiences. Such opportunities are only the beginning. The Information Society has the potential to revolutionize all aspects of business activities, from innovation and product development, procurement and

production, to logistics and information coordination and dissemination.

Today, more than ever before, a small enterprise can use new technologies to respond quickly to changing consumer patterns, customize goods and services to meet local demand, manage supply processes and inventories, and monitor production costs and quality control. There are also considerable benefits for distribution.

One study suggests that the average cost of generating a purchase order will drop by as much as 90% as a result of adopting e-commerce. SMEs can use new technologies to reduce the time dramatically between order and delivery, often engaging other SMEs identified over the Internet as local business partners in their production and distribution networks. For those companies that can deliver their products digitally over the Internet, the production and distribution benefits of e-commerce are potentially huge.

### Why have some SMEs been slow to take advantage of e-commerce?

Given the tremendous potential offered by this new way of conducting business, why have some SMEs been slow to introduce e-commerce strategies, preferring instead to rely upon traditional practices? The Organization of Economic Cooperation and Development (OECD) survey carried out among business representatives points to a number of reasons for its slow adoption by SMEs.

One of the main reasons is that their principal customers and suppliers have not yet adopted e-commerce as a means of conducting business. For many firms, their interest in electronic business has been affected by the predominance of English on the World Wide Web, which limits the Internet's usefulness for reaching potential customers in non-English-speaking markets. The high cost of Internet access is a

further impediment for both consumers and SMEs in some countries.

In every country, the growth of e-commerce is constrained by the concerns of many potential consumers about the security of online transactions involving transmission of credit card data. In Africa, people do not even trust bank cheques let alone credit cards. In addition, basic infrastructure such as electricity and telecommunications are not operating properly in many developing countries.

The survey highlighted a further major reason for slow uptake. Many SMEs simply lack the basic knowledge and technical skills to implement e-commerce strategies. They are often too busy employing scarce human and financial resources to make their initial business plans succeed and are reluctant to allocate resources to implementing a new e-commerce strategy without a clearer understanding of the benefits and risks.

Even among those SMEs that recognize the potential offered by e-commerce, many are held back by uncertainty about the legal, regulatory and tax environment. Consensus about overlapping or conflicting regulatory requirements and possible new taxes affect investment decisions by firms of all sizes, but SMEs are particularly vulnerable to such uncertainty. As the debate continues on issues such as standards, taxation, consumer protection and liability, many firms are waiting until the legal framework governing e-commerce becomes clearer.

### What can governments do to promote the use of e-commerce by SMEs?

A number of common policy remedies to deal with the most pressing obstacles to SMEs adopting e-commerce were suggested by the respondents to the OECD survey, although proposals varied according

to page 4

**From page 3**

to the specific problems in individual country. Foremost among these were recommendations for governments to promote greater awareness of the Internet and the opportunities provided by e-commerce, both for the general public, and more specifically for SMEs.

There were a number of specific proposals, including suggestions that government move more quickly to put public services online and integrate new information technologies into publicly supported education and training programmes. A number of governments already provide information clearing houses related to e-commerce, and private, public and joint initiatives exist for supplying specialized training and support to both SMEs and the general public. Expanded use of such programmes would encourage adoption of e-commerce by local firms and provide a wider range of international business opportunities for SMEs.

The answer to the high cost of Internet access and inadequate telecommunication infrastructure problems lies in greater liberalization of local telecommunications markets. Efficient, competitive telecommunications systems will not only make it easier for SMEs to engage in e-

commerce, but will also reduce risk and potentially open up new markets by enabling greater access to the Internet by prospective customers. Some survey respondents suggested that governments could help reduce the cost of Internet access and investment in the necessary hardware by providing financial support, such as tax incentives.

The survey indicated that regulation is a key issue for SMEs. The Internet enables firms to interact easily with customers and other companies across national borders. If individual governments enact different rules pertaining to online transactions in their jurisdictions, the benefits of e-commerce would effectively be lost, especially for SMEs, because many would simply be unable to comply with a plethora of national regulations. To the extent that intervention is warranted, governments should cooperate closely to avoid imposing conflicting or duplicative requirements on firms.

Taxation and customs duties are further important issues for SMEs. The World Trade Organization (WTO) May 1998 Moratorium on Customs Duties on Electronic Transmissions was a significant step forward in promoting the Internet as a medium for international

trade. If the moratorium were to end and/or if governments were to decide to impose new forms of taxation on e-commerce transactions, SMEs would be particularly affected by the higher costs and compliance burdens. Governments should thus consider extending indefinitely the policy of not imposing customs duties on electronic transmissions and should ensure that any taxation of e-commerce is neutral with respect to other business transactions and consistent with internationally accepted principles. For SMEs in the European Union, these comments were supplemented in the survey by pleas for full application of the European Union (EU) value-added tax (VAT) reform and country of origin principle.

The above provides just a sample of the many policy issues that can affect e-commerce. While large companies may be able to cope with some of the challenges, the added burdens and costs to SMEs can be especially difficult to absorb, effectively reducing the benefits of e-commerce as a business strategy. Governments should thus remain particularly attuned to the impact of their policy initiatives on the viability of e-commerce as a means for SMEs to engage in global markets.

### Principle impediments to the use of e-commerce by SMEs and suggestions for Policy action

Impediments	Suggested policy actions
Low use of e-commerce by customers and suppliers	Disseminating information on the advantages of e-commerce. Creating conditions for its development: fiscal incentives, awareness programmes, technical assistance. Introducing training and education programmes. Developing legal frameworks conducive to the development of e-commerce.
Lack of knowledge and technical skills among SME personnel	Promoting training and education (e.g. tax incentives for training).
Language problems	Promoting language and qualification courses, developing skills for business contacts. Promoting more international education programmes.
Limited awareness among entrepreneurs about the opportunities and risks of e-commerce	Professional institutions should provide more information about the opportunities and risks of e-commerce. Financing or co-financing training of entrepreneurs. Increased information dissemination.
Relatively high cost of access to the Internet and inadequacy of telecommunications infrastructure	Cheap or free access to the Internet for SMEs (e.g. through telecommunications liberalization, tax incentives for investment).
Payments with credit cards are not secure	Introducing legislation to regulate credit card payments. Encouraging further improvement of the banking system. Providing more information about the safety of credit card payments.

# Local partnership, clusters and SME globalization

It is a widely observed phenomenon that SMEs belonging to clusters and networks are often more competitive and innovative than are those operating in isolation. Business networks take different forms and serve different objectives. Some are structured and formal, while others are informal. Some aim at general information sharing, while others address more specific objectives. Networks can allow accelerated learning among firms.

Furthermore, to innovate, entrepreneurs often need to reconfigure relationships with suppliers, which networks can facilitate. Networks can also allow exploitation of the specific scale economies present in collective action. Over time, networks have come to encompass agreements with research bodies, education and training institutions and public authorities. Examples of the diversity of clusters and networks include:

- Regional clusters, e.g. firms in related lines of business choose to locate and operate in close physical proximity. Nearly all countries have examples of regional clusters;
- The Nanyang societies amongst ethnic Chinese in Asia. These are based on extended families and serve to bring together expertise and finance. The firms often operate in close physical proximity, but can also be located at a distance;
- The use of co-operatives, in agriculture and emerging industrial firms in developing countries to provide greater cohesion and market power to small firms;
- Retailers, restaurants and specialists tend to cluster both physically and in terms of product offerings;
- Business angel networks. These networks aim to match

informal investors (co-called “business angels”) with ventures seeking small amounts of equity finance, although some networks also give advice to entrepreneurs and investors.

The common theme in connection with such organization of firms seems to be that small firms can work alone but can also form part of a larger grouping. When working together, SMEs can often increase their focus through speculation in functions that are complementary within their networks. They can also exercise greater influence on the policy and general business environment created by governments and development agencies. The networks that permit a larger grouping can be geographically dispersed, and can even be virtual, although physical proximity is often an important source of competitive advantage. The benefits of being in close proximity stem, for example, from:

- Greater access to information;
- The presence of concentrated and often specialized labour markets, proximity to suppliers and customers;
- The increased practical opportunities for mutual gains from joint marketing, technology sharing, and credit guarantee programmes; and
- Various other forms of inter-firm collaboration.

## Key issues in improving networking and cluster initiatives

There are a number of issues of relevance to business, some of which have been raised in the informal survey of business associations. For example, in the field of design and implementation of networking programmes, issues related to the extent to which networking objectives

are explicit, targeted and match the aspirations of firms. It also appears that a key to the success of network initiatives is the neutrality, business experience and professional competence of network brokers. It was indicated that in instances where objectives are not clear, and where problems in negotiation arise, larger firms tend to exercise unfair bargaining power.

In connection with enterprise clusters, problems in finding suitable cluster partners, or reluctance on the part of universities or government organizations to participate actively in networking and clustering were mentioned. These problems combine with lack of policy coordination between different levels of public authorities in the same country or across countries. An additional important issue that spans both the networks and clusters themes is whether the emergence of e-commerce and the web will change the incentives that firms currently have to co-locate. Such co-location could possibly lead to new patterns in the geographic distribution of economic activity. Furthermore, the Internet provides opportunities for network initiatives that are yet barely exploited.

The establishment of partnerships to help develop clusters can be facilitated by involving private actors, non-governmental organizations (NGOs) and different levels and sectors of public administration, leading to mutual agreements or individual responsibilities in local cluster and networking development strategies. Nevertheless, while activities inclusive of all relevant actors are essential, the private sector must lead cluster-development initiatives, with the public sector playing the catalytic role. However, firms are sometimes reluctant to enter into collaborative arrange-

to page 12

# Coopération exemplaire d'industriels privés africains

L'état ivoirien a fondé en 1969 les Industries Métallurgiques de Côte d'Ivoire (IMCI) qui, de 1970 à 1981 ont eu le monopole de la fabrication de fer à béton en Côte d'Ivoire. La récession de l'économie ivoirienne, la mauvaise gestion des sociétés d'état et le problème d'approvisionnement en pièces détachées et en matières premières des unités industrielles africaines ont accéléré la liquidation des IMCI en 1985. La société ivoirienne de sidérurgie (SIS) a racheté en 1988 les IMCI pour les transformer et produire du fer à béton et des profilés à partir de rails et des tôles de bateaux usagés. L'usine transformée n'a pu être rentable et cessa de fonctionner en 1992.

A la même époque au Ghana des industriels Taiwanais s'étaient lancés dans la construction d'une mini-acierie. Les conditions de réalisation et de rentabilisation de cette unité étaient favorables au Ghana qui disposait de stocks de ferrailles, de l'électricité et d'une main-d'œuvre à des prix très compétitifs. La mini-acierie WAHOME a une capacité de production de 50.000 tonnes de billettes et son besoin pour ses deux laminoirs ne dépassent pas 35.000 tonnes. WAHOME a alors envisagé la commercialisation de l'excès de sa production à la SIS qui cherchait à faire tourner son usine.

Pour contourner les obstacles de l'exploitation de la SIS, la Société WASTEEL a été constituée en février 1995. Le capital de cette société est réparti entre la Famille AMICHIA, actionnaire majoritaire de la SIS et WAHOME STEEL LTD. Un contrat de bail a été signé en 1995 et après 6 mois de réhabilitation, l'unité industrielle WASTEEL est entrée dans sa phase d'exploitation en janvier 1996.

WASTEEL est l'unique producteur de fer à béton de gros di-

amètre (supérieur à 12mm) dans les pays de l'Union Economique et Monétaire de l'Afrique de l'Ouest (UEMOA), WASTEEL qui compte comme principaux clients le Burkina Faso, la Guinée, le Mali, et le Niger et a réalisé en 1995-1996 un chiffre d'affaire d'un milliard cinq cent millions francs CFA et en 1996-1997 deux milliards cinq cent millions francs CFA.

Pour mieux rentabiliser sa production, WASTEEL a lancé l'idée d'un projet intitulé Artisans ferronniers qui s'exécute dans l'enceinte de son unité industrielle. Ce projet est piloté par trois entreprises industrielles (WASTEEL, SIVOA filiale du groupe Air Liquide et JAL AFRIQUE) et des organismes publics en coopération avec le Ministère de l'Enseignement technique, de la formation professionnelle et de l'Artisanat. Le projet forme des jeunes diplômés de l'enseignement technique au métier de la ferronnerie et envisage former et donner l'emploi à 200 jeunes au cours des années 1999 à 2000.

Le programme de formation qui comprend trois phases prend en compte dans la première phase, les aspects techniques de la ferronnerie, soudage, traçage et formage. Cette formation est complétée par l'intervention d'un Institut de gestion qui encadre les unités stratégiques pour les initier à la gestion, à la comptabilité et aux techniques de ventes. La deuxième phase de trois à six mois regroupe en coopérative dans l'enceinte de WASTEEL, 4 à 6 personnes placées en situation de sous-traitant pour satisfaire d'une manière indépendante des commandes qui seront confiées au groupe. Au cours de cette phase, la coopérative doit prouver ses qualités de gestion, d'approvisionnement, de fabrication et commercialisation.

Dans la troisième phase qui est l'installation, la coopérative

s'affirmera dans la fabrication de grilles, portails, antivols, meubles en fer forgé, dans la vente des produits des trois usines qui unissent leurs compétences pour soutenir la formation au métier de ferronnier. Pour WASTEEL la coopérative vendra du fer à béton, fer carré et des profilés. SIVOA s'appuiera sur la coopérative pour écouler du gaz industriel et du matériel de soudage pendant que JAL Afrique confiera à la coopérative des peintures, des vernis et des diluants à vendre.

WASTEEL continuera à assister les artisans ferronniers dans les domaines d'approvisionnement en produits, marchandises consommables et dans les ventes. Cette entreprise assurera également la continuité dans le domaine de la formation technique, de la gestion et du contrôle de la gestion des stocks. Enfin WASTEEL s'assurera que ces artisans ont tissé une relation harmonieuse avec l'administration ivoirienne dans le domaine des impôts et la sécurité sociale. Les relations entre WASTEEL et les artisans peuvent se prolonger indéfiniment en tout cas au moins, jusqu'à la fin du remboursement du financement consenti.

Grâce à l'initiative de ces trois unités industrielles 200 jeunes diplômés de l'enseignement technique vont éviter de grossir le chômage en Côte d'Ivoire. Ce projet qui illustre une coopération fructueuse dans laquelle toutes les parties impliquées sont gagnantes devrait servir d'exemple à d'autres unités industrielles afin de multiplier d'autres rencontres de groupes de filières complémentaires. Ces rencontres peuvent déboucher sur des projets similaires, viables, capables d'optimiser l'exploitation des unités installées, d'agrandir les opportunités d'emploi pour les jeunes diplômés qui se déversent à la fin

# Highlights of the meetings organized by DMD

## Subregional Training Workshop on Developing CSO Capacity for Conflict Prevention and Resolution

Eighteen representatives of various CSOs from Lesotho, Mozambique, Zambia and Zimbabwe participated in the pilot workshop on Developing CSO Capacity for intra-State Conflict Prevention and Resolution, which took place in Lusaka, Zambia from 5 to 7 June 2000. Jointly organized by ECA and the Centre for Conflict Resolution, the training workshop was intended to meet the specific needs of CSO leaders in constructive prevention, management and resolution of intra-State conflict. It was also an opportunity for participants to:

- Share their experience;
- Understand the theory of conflict and its resolution;
- Learn and apply analytical tools for managing, transforming and resolving conflict; and
- Acquire and utilize practical skills for the constructive resolution of conflict.

The workshop was facilitated by three international training partners who assisted the training team in designing a highly interactive course for participants to acquire new skills and theories for the analysis of and intervention in internal conflict. The programme's agenda included therefore:

- Causes and functions of conflict;
- Negotiation theory and skills;
- Effective communication skills for addressing conflict;
- A model for mediating disputes;
- A framework for analysing conflict; and
- The type of role intervenors can play.

Following are some of the conclusions and recommendations made by the meeting after a long and fruitful debate on each of the above agenda items:

- The solution has to come from the parties. It is not the task of the intervenors to solve the conflict;
- The intervenors can create an atmosphere wherein parties can meet to have dialogue;
- A thorough analysis of the conflict situation is needed for effective intervention;
- The intervenor must be prepared to listen patiently, often for significant periods of time, as parties explain their understanding of the conflict;
- It is important to be aware of the power relations and to assist the weaker party (that does not mean one has to side with them);
- It is crucial to stay with the party which brings the problem, to take parties seriously and make sure they own the problem and the solution;
- It is also important to involve all the relevant parties;
- Good relationships do not happen automatically; it takes lots of efforts to build trust and to consult. Make sure you contact the right people in power and nurture the relationships;
- Trust, credibility and tact are keys to finding appropriate and effective methods for persuading leaders of parties or intervening nations to react quickly to an emerging conflict or to change policies which are exacerbating a conflict; and
- NGOs are currently filling some of the gaps, in areas where

governments are unable to reach. They are working complementarily, but are seldom given the space. NGOs can create their own space through operating proactively and nurturing their contacts with people in power.

All in all, the evaluation of the workshop by trainees themselves resulted in a highly satisfactory rate, against criteria of:

- A deeper understanding of how they view and respond to conflict;
- A clear understanding of the importance of strategic and sustainable peace building;
- An increased understanding of their role and capacity in peace building; and
- Commitment to a plan of action, to take the outcomes of the workshop forward and for their respective organizations to pursue positive action.

While international, regional and subregional bodies focus on resolving a number of seemingly intractable conflicts that have emerged throughout the African continent, less destructive conflicts exist in all regions of Africa around trade, refugees, borders, water, defense and other issues. Conflicts of this nature are an inevitable feature of international relations.

The primary question is not how to eliminate these conflicts but how to address them effectively. Conflict can be managed negatively, through avoidance at one extreme and the use or threat of force at the other. These approaches, however, can damage domestic relations, produce unsatisfactory solutions and decrease internal stability. Alternatively, conflict can be managed positively, through negotiation, joint problem solving and consensus

building. In addition to resolving the substance of the conflict, these options contribute to building and sustaining constructive interaction.

### **Workshop on “Enhancing the Competitiveness of African SMEs in Regional and Global Trade: The Role of Support Services”**

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

However, there is doubt if African SMEs can take advantage of the potential opportunities globalization affords and successfully compete in such a global environment, given the numerous problems with which they are beset. In many African countries, SMEs operate under an unfriendly policy and regulatory environment, have difficulties in accessing credit, lack sufficient markets for their products, and use outdated equipment and technologies.

Following the presentation of various papers, discussions on the papers and deliberations at break-away sessions, the participants of the workshop made valuable conclusions and recommendations geared towards enhancing the competitiveness of Africa SMEs in regional and global trade. These recommendations are summarized below:

#### **(a) On the regulatory and policy environment**

- Governments should undertake a thorough review of their policy and regulatory environment with the objective of determining their weaknesses, learning from best practices within and outside Africa and revamping their laws, regulations and procedures in a manner that

will stimulate the growth and development of SMEs;

- Government should make constant effort to harmonize laws, regulations and procedures at national and regional levels; and
- Governments should facilitate the participation of SMEs in government procurement by simplifying the tendering procedures.

#### **(b) On finance**

- Provide SME operators with training in appropriate skills such as preparation of business plans. Efforts should 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.

- Possibilities for linking formal and informal financing institutions should be explored in order to enlarge the resource base that SMEs can access. Likewise, the feasibility of tapping into long-term deposits such as pension, social security, and insurance funds 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 guarantees can facilitate the smooth involvement of SMEs in export trade by removing the trade risks.

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#### **(c) On infrastructure**

- An optimal physical and IT infrastructure comprising, among other things, 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.

- Governments should have infrastructure development policies and strategies. 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;

Telecommunications services should be expanded throughout the country. Options that facilitate rapid expansion of affordable services should be seriously considered;

- 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. Governments should invest either on their own or in partnership with the private sector to expand services in the sector;

Lack of working space is a major constraint that SMEs face. Governments should invest in the construction of affordable workspaces where SMEs can be housed. The establishment of common facilities to be used on a cost-sharing basis should also be encouraged; and

- Governments should formulate policies that ensure access to adequate water facilities.

#### **(d) On human resources**

- Training in management and business skills should be given;

Vocational and technical training for SMEs should be fully integrated into school curricula, and this should 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;
- Support institutions should be encouraged to provide business, advisory and counseling services.
- (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;
  - Studies should be undertaken to identify the available support services, and the nature of the services they provide and the information on such services should be widely disseminated;
  - Sector associations should be encouraged where they do not exist and strengthened where they do exist, to enable them to assist SMEs in product improvement, co-ordination, information generation and advocacy; and
  - Government should play a catalytic role in providing support services by undertaking its own initiatives as well as seeking and encouraging the participation of the private sector.
- (f) On technology**
- Most SMEs in Africa need to replace the outdated or rudimentary technology that severely affects their performance and competitiveness in regional and global markets;
  - Likewise, most countries need an institutional network providing technology-related support services to SMEs;
- Governments should attract foreign investments that can help access and absorb new technology and adapt it to local conditions;
  - Centres of excellence should be set up to link the private sector and institutions of higher learning to facilitate technology diffusion; and
  - Governments are encouraged to establish and launch common technical centres to address the serious constraints that SMEs face.
- (g) On trade and marketing**
- Tax systems discriminate against SMEs and seriously affect their competitiveness. Even when the products they produce stand a good chance of penetrating regional and global markets, they lack visibility in the markets where they have successfully introduced their products. They also lack market intelligence and are unable to keep track of trends with changing taste and preferences of customers.
- Incentives 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;
  - As SMEs become increasingly involved in regional and global markets, it is imperative that they maintain competitive quality standards. It is thus essential that the national bureau of standards be strengthened and the African Regional Standards Bureau be further strengthened to enable it assume more effectively its quality certification responsibility; and
- Establish focal trade marketing points.
- (h) On enhancing the role of women entrepreneurs in regional and global markets**
- Women entrepreneurs, in spite of the fact that they constitute the majority of small entrepreneurs in many African countries, have not enjoyed much support. In addition to sharing the plethora of problems that 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.
- Laws and cultural practices that impede women's effective involvement in business should be removed;
  - Custom-made training programmes should be organized for them in such areas as business planning, marketing, financial management, IT, and assertiveness- and awareness-training, etc; and
  - Facilitating access to business-related information can go far in ensuring the success of their businesses and this lack is one serious constraint women entrepreneurs face.

### National Forum: Country experience in participatory development

The Development Management Division held National Forums in four countries between October and November 2000, to assess country experience in participatory development. The countries were Egypt, Cameroon, Namibia, and Senegal. The forums brought together representatives of the civil society community, government representatives, private sector and academia. The discussions, in all four countries, were very exciting and engaging and have offered insight into the level at which the concept of popu-

lar participation has been integrated in the overall thinking of African communities and governments.

The assessment from the four countries as well as reports from other workshops and seminars on the subject will be synthesized into one document. The document will review the nature and the scope of participation, the conditions within which participation takes place, the value and comparative advantages of civic engagement involving all development actors, relations between government and other actors and emerging practices/ approaches/ mechanisms used in promoting participation in development and governance.

In addition, the forum facilitated dialogue and built national consensus on approaches to deepen participation. It also established country networks of actors with similar approaches to development. The result of this exercise will help guide the Division's future activities in the area of strengthening the concept of popular participation in development.

### **Consultative meeting for a proposed forum for appointed and elected parliamentarians and corporate officials on their role in development management**

A consultative meeting on the proposed forum for appointed and elected parliamentarians and corporate officials was held at the United Nations International Conference Centre, Addis Ababa, between 27 and 29 November, 2000. The meeting brought together participants from parliaments, senior officials of regional and international parliamentary associations, representatives of corporate bodies, and NGOs.

Thus, besides high-powered delegations of legislatures from some African countries, the meeting was attended by representatives of the Inter-Parliamentary Union (IPU), the Commonwealth Parliamentary Association (CPA), the

African Parliamentary Union (APU), the Federation of African Women's Peace Network (FAWPN), Association of African Electoral Authorities, L'Assemblée Parlementaire de la Francophonie (APF), the Christian Relief and Development Association (CRDA), the South African Chamber of Business (SACOB), and the Uganda National Chamber of Commerce and Industry. OAU and UNDP were also represented at the meeting.

The purpose of the meeting was to assist in developing a programme and an action plan to be implemented when the Forum was inaugurated. The meeting also offered an opportunity to draw on the collective wisdom of various stakeholders in determining the orientation of the Forum as well as the structure, content, and timing of its future activities. Based on the discussions held, and the suggestions proffered at plenary and group sessions, the meeting advised ECA on the desirability of structuring the Forum's activities along thematic lines in contrast to open-ended or project-based formats.

The meeting undertook a critical review of the role of parliament and corporate officials in anticipating and meeting the challenges. It identified the constraints facing parliaments as they seek to discharge their responsibilities and proposed practical measures to eliminate/reduce those constraints.

- One of the measures needed to improve the public image of parliaments, training in parliamentary reporting (targeted at the mass media) should be integrated into the capacity-building programmes to be organized under the auspices of the proposed Forum;
- The Forum should play an active role in propagating "best practices" in legislative work, enhancing standards of legislative performance within and across African countries,

forging close links between the legislature and its partners in development management, and undertaking activities that enhance the image, capacity, and overall impact of legislative assemblies in Africa;

- The Forum should also collaborate with African Parliaments in reviewing their operational procedures and practices, and relating them to the needs and concerns of their principals in the various constituencies;
- The Forum should identify certain key development issues that African Parliamentarians need to discuss with the business community and other actors in civil society to enhance economic growth and development in Africa. Such issues include regional integration, human resources development, decentralization and civil society participation in local governance, civil service reform, and public service ethics and values. This should be with a view to harmonizing legislation across African countries, e.g., legislation on free movement of labour and capital in pursuit of regional integration objectives.

The meeting agreed to set up a Steering Committee which will hold its first meeting in June 2001 to prepare for the Forum, which is to be held in Addis Ababa following the meeting of the Steering Committee.

The following institutions should be approached for assistance or cooperation in the venture: World Bank, EU, UNDP, ADB, UNICEF, AWEPA, USAID, the Federation of African Women in Business, and Transparency International.

### **Asia-Africa Business Associations Summit**

The Asia-Africa Business Associations Summit took place in

Kuala Lumpur, Malaysia on 6 and 7 November 2000. It was co-organized by MIGA – Promote Africa Programme of the World Bank Group and the Malaysia South-South Corporation and was co-sponsored by UNDP's Special Unit for Technical Cooperation among Developing countries (SU/TCDC), ECA and members of private sector entities, including Kludjeson International of Ghana DCDC, Mauritius, Anglo-American Corporation (RSA), LTA of South Africa, ECOBANK Lomé, Togo and Bina Puri Holdings Berhard, Malaysia and the Singapore Indian Chamber of Commerce.

The Summit brought together representatives of business associations, and member companies located in Côte d'Ivoire, Ethiopia, Ghana, Kenya, Mauritius, Namibia, Nigeria, South Africa, Togo, Uganda, Zimbabwe as well as in China, Korea, Malaysia, India, Philippines and Singapore. They discussed key issues of mutual interest with regard to trade and investment promotion between Africa and Asia.

More specifically, participants focused their deliberations on the following issues:

- How to enhance the voice of the private sector on business issues (active advocacy roles) at three levels i.e. national, regional and international;
- How to deal with issues relating to the availability of finance in supporting Africa-Asia business linkages, e.g. venture capital, trade finance and the feasibility of establishing an Asia-Africa Investment Fund;
- How to use modern technology to more rapidly disseminate business opportunities, and;
- How to encourage institutionalized networks among business communities of both regions i.e. review the feasibility of establishing an Asia-Africa Chamber of Commerce and Industry.

Following discussions on the above issues, the meeting made pertinent recommendations, which are summarized below:

- Training of skilled professional staff for research and interaction with government representatives should be promoted, as well as setting up research and communications infrastructures;
- Training programmes need to be designed in favour of managerial and research staff;
- African and Asian Business Associations should recognize the need for mutual collaboration;
- Development of relationships between National Business Associations in order to share information, resources and experiences;
- Creation and promotion of an African-Asia Venture Fund focusing on appropriate investments;
- Creation of regional focal points to form a network for onwards posting on the "National" focal or trade points;
- Data exchange and directory listings should be reciprocally accessible between African

virtual trade points and the Malaysian-Asian counterparts;

- Malaysians-Asians investors in the IT industries must be prepared to execute their corporate responsibilities towards moral and social obligations and endeavor to assist the African market in getting cheaper IT hardware and peripherals alternatives in the form of "recycled" versions or clones;
- Establishment of a mechanism for networking in the form of a web site. The Members of established Business Organizations, Associations and Chambers at the national and regional levels in the two continents should maintain a website; and
- Two focal points, one from each continent should be identified and appointed in order to set up an African-Asian business network site and assimilate organizations' membership information for the purpose of inclusion on this site.

<sup>1</sup> NUA Internet surveys at: <http://www.nua.ie>.

<sup>2</sup> ITTA, International Data Corporation.

## from page 1 Participation

ADF 2000 took place in Addis Ababa, Ethiopia from 3 to 7 December 2000. It was attended by some 1,500 African leaders and policymakers, civil society organizations, young people, private sector and development partner representatives. Participants from all horizons and across-society took active part in discussions and contributed to reaching a consensus and formulating an Action Plan to overcome HIV/AIDS in Africa and all over the world.

## The African Consensus and Plan of Action: Leadership to overcome HIV/AIDS

The Forum adopted the African Consensus and Plan of Action to overcome HIV/AIDS. The document calls upon every African leader, wife, husband, parent, child, youth, adult, worker or employer to be ready to speak openly about sexual relations and the unequal power relations within sexual relationships. Actions should be taken at community, national, regional and international levels, to struggle to overcome HIV/AIDS in the world.

**from page 5**

ments with potential competitors. The reduction of barriers to collaboration is important, and may yield benefits for all involved. How the public sector can best create the required trust and act as the catalyst in collaborative understandings is a question of widespread interest.

Existing or embryonic clusters can be strengthened through public policy by:

- Facilitating access to accommodation for start-ups and small firms;
- Fostering local specialization and adaptation in university-industry linkages;
- Disseminating appropriate information;
- Promoting the establishment of suppliers' associations, learning circles and other forms of collaborative undertakings;
- Ensuring effective technical support services; and
- Ensuring access to efficient communications and transport infrastructures.

Public programmes in a range of countries have, at different times, addressed all of the abovementioned issues. Assessments of best practice in such programmes, from a private sector perspective, might help the formulation and implementation of future policy.

**from page 2**

criminate in the application of rules and regulations.

Both State capture and administrative corruption can cut across different levels of government. Both can be initiated by State officials, private businessmen or other non-State actors. The key difference is not who extracts the rents or how important is the official who receives the bribe, but rather the nature of the political relationship underlining each form of corruption. In capturing the State, actors prejudice the rules of their own narrow advantage, which subsequently constrains the action of others in the economy.

Through administrative corruption, actors obtain individualized exceptions, or favourable applications of those rules. The difference lies in how deep the corrupt transaction reaches into the operations and functions of the State and the extent to which the advantages of the corrupt transaction are institutionalized into the basic rules of the game. Though there will be many specific cases where the borderline dividing these two forms of corruption might be difficult to draw with a high degree of certainty, the distinction, nevertheless, has important analytical and practical implications for the potential effectiveness of different anti-corruption strategies.

**In what areas is international cooperation required to improve the business environment?**

With a view to facilitating investment and maximizing location advantage, local, regional and national developmental authorities should be encouraged to disseminate information on existing and emerging clusters throughout the international business community. International cooperation could also be pursued to develop cross-border clusters or "triangles" actively, (such as the Mekong Development Region) where there are advantages to be gained from so doing.

**from page 6**

de chaque année scolaire sur le marché du travail et permettre ainsi au secteur privé africain de jouer un rôle de croissance économique et de réduction de la pauvreté des populations africaines.

Ce projet justifie également l'établissement de passerelles entre l'école et l'entreprise afin de favoriser la prise en compte des besoins de l'entreprise dans les programmes d'enseignement national. Cette collaboration entre les entreprises d'une part, et entre les entreprises et les agences de formation d'autre part peut contribuer à minimiser considérablement le chômage des jeunes diplômés.

**Development Management Newsletter:**

**As an annual publication, it is a forum for dialogue on the activities of the Division in the area of development management in Africa, as well as a beacon for best practices, comparisons of national efforts, information on the availability of African experts and professionals in strategic areas and pertinent continent-wide events. It is also a think piece on contemporary issues in development management in Africa. The publication focuses on issues in Public Sector Management, Private Sector Development and Civil Society Participation in Development and Governance.**

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