



United Nations Economic Commission for Africa

Workshop on the theme: “Promotion of SMEs: SME Networks and Business Linkages in Africa”

17-18 November 2011

**United Nations Conference Centre (UNCC)
Addis Ababa, Ethiopia**

AIDE MEMOIRE

I. BACKGROUND

1. According to the United Nations Industrial Development Organization (UNIDO), small and medium enterprises (SMEs) provide livelihood for 60% of citizens worldwide and account for 90% of all businesses¹. It is generally accepted that SMEs have a key role to play in fostering sustainable and equitable economic growth, employment and wealth creation, and poverty reduction. Partly as a result of these economic benefits, SMEs contribute to long-term social peace by creating sustainable livelihoods for a significant number of people. Also, these enterprises provide services to larger firms leading to local economic development and encourage foreign direct investment.
2. Despite such critical roles, the challenges that these enterprises and their entrepreneurs face are numerous and they consequently fail to adequately fulfil their potential. Individually, the scale of production of SMEs is too small to enable them to reap the benefits of economies of scale in production, purchasing, management, financing and marketing. This limitation raises the operating costs of SMEs and may threaten the viability of SMEs, especially those operating in industries facing competition from larger domestic and foreign firms.
3. Operating to a large extent in the informal sector, SMEs in African countries are isolated and are not linked with existing value chains, and lack access to property rights to assets that can serve as collateral for finance, legal documentation, technology, and affordable infrastructure services such as energy and water. They have limited access to markets, reliable business partners, information about business opportunities, business skills, and legal advice.
4. SMEs thus find it difficult to overcome these challenges, grow and become competitive not only in the global market, but also in the domestic market, where imported goods are more competitive, both in terms of price and quality.
5. Through the use of SME networks, individual SMEs can overcome the challenges associated with size and improve their chances of survival and development. Formal SME networks can be the result of cooperation between SMEs operating at the same stage in the value chains (horizontal networks), between other SMEs and larger enterprises at different stages in the value chain (vertical networks), and between SMEs, providers of business development services and policy makers. Horizontal networks allow individual SMEs achieve economies of scale to service larger orders than would have been possible on their own. Through vertical networks, individual SMEs can specialise in the activities in which they have comparative advantage, and also benefit through mutual learning, technology adoption, training, and quality enhancement of their products. Linking with providers of business development services and policy makers, SMEs derive the benefits of horizontal and vertical networks, contribute to local economic development and help achieve economic and social policy objectives.

¹ *Corporate Social Responsibility: The Implications for Small and Medium Enterprises in Developing Countries in Developing Countries*. United Nations Industrial Development Organization, July 2002.

6. Against this background, the 2010-2011 Work Programme of the Governance and Public Administration Division (GPAD) of the United Economic Commission for Africa (ECA) includes, as output, a non-recurrent publication entitled “*Promotion of SMEs: SME Networks and Business Linkages in Africa*”. In addition, GPAD has to organize a workshop with the same title. These two tasks form part of a broader mandate of the ECA to promote private sector and enterprise development in Africa.

II. OUTPUT: THE WORKSHOP

7. The Governance and Public Administration Division (GPAD) of the United Nations Economic Commission for Africa (ECA) is organising a workshop on the theme “Promotion of SMEs: SME Networks and Business Linkages in Africa”. The workshop will take place from the 17th to the 18th November 2011 at the United Nations Conference Centre in Addis Ababa, Ethiopia.

A. Objective and Scope

8. The overall objective of the workshop is to discuss the key issues involved in the development and implementation of networks of SMEs aimed at alleviating some of the challenges faced by SMEs in Africa. More specifically, the objectives of the workshop are:
 - a) To discuss and finalise the background paper “*Promotion of SMEs: SME Networks and Business Linkages in Africa*” prepared by the ECA Secretariat for the workshop;
 - b) To highlight best practices and share experience in the development and implementation of networks of SMEs in Africa and elsewhere; and
 - c) To discuss how SMEs can benefit from existing SME networks.

B. Expected Outcomes and Outputs

9. The expected outcomes of the workshop are to provide:
 - a) Clear recommendations to guide the ECA Secretariat in the revision and finalization of the background paper; and
 - b) Clear recommendations to guide the ECA and its partner organizations in concluding a plan of action to guide its future work on SME networks.
10. Two major outputs will emanate from the workshop:
 - a) A report of the workshop; and
 - b) A plan of action to guide the future work of the ECA Secretariat on SME networks, including partnerships and source of funds.

C. Format and Working Language

11. The workshop will be organized in plenary and will be conducted in English.

D. Participants

12. The workshop will bring together between 30-35 participants as follows:

- a) ECA Consultant specialising in SME networks;
- b) Experts and practitioners on SME networks from selected SADC and EAC countries, and Ethiopia;
- c) Representatives of SADC and EAC Secretariats, AfDB, UNDP, UNCTAD, IFC/World Bank, and UNIDO;
- d) Representatives from bilateral partners like Finland, UK, South Korea and India;
- e) Selected SMEs and large companies from participating countries; and
- f) Relevant staff members from the ECA Secretariat, including from sub-regional offices.

E. Contact Person in ECA

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