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## Draft Outcome Statement

of the Ad hoc Expert Group Meeting (AEGM) on

**“The Role of Small and Medium Enterprises (SMEs) in the  
Industrialization Process in Southern Africa”**

**Pointe aux Piments, Mauritius**

## Preamble

1. An Ad Hoc Expert Group Meeting (AEGM) was co-organised by the United Nations Economic Commission for Africa's Sub-regional Office for Southern Africa (ECA SRO-SA) and the Southern African Development Community (SADC) Secretariat in Pointe aux Piments, Mauritius on 20 September 2018 under the theme "*The Role of Small and Medium Enterprises (SMEs) in the Industrialization Process in Southern Africa*". The objective of the AEGM was to (i) review the status of the SME sector in Southern African economies, with a focus on developing SMEs' capabilities and capacities, (ii) examine ways to remove the key impediments to SME growth and sustainability, and (iii) to consider three tools to assist SADC in its plans to improve SMEs' capacities and capabilities, namely (a) a template that will assist Member States in developing capacities and capabilities of SMEs to participate in industrialization and value chains; (b) Regional Framework for Supplier Development with a special focus on building capacities and capabilities of SMEs to participate in the implementation of the Industrialization Strategy and regional value chains; and (c) a regional SME support programmes and instruments covering, among others, institutional strengthening and access to finance and long term sustainability.

2. The Minister of Business, Enterprise, and Cooperatives, Hon. Sunil Bholah, Government of Mauritius, officially opened the meeting following remarks by Mr. Said Adejumbi, the Director of ECA SRO-SA, and Dr. Mubita Luwabelwa, Director Policy, Planning and Resource Mobilization, SADC Secretariat.

3. Organizations represented at the meeting included: AU-SARO, African Development Bank, Regional Office for Southern Africa, Bankers Association of Zimbabwe, Business Mauritius, Elekhom Global, Common Market for Eastern and Southern Africa (COMESA), Development Bank of Mauritius, Mauritius Africa Fund, Mauritius Ports Authority, Mpulungu Harbour Corporation Limited, Port Management Association for Eastern and Southern Africa (PMAESA), Seychelles Port Harbour, South African Marine Research Forum, Southern Africa Trust, Southern African Development Community (SADC), Swazi Railway, Swaziland Industrial Development Company, SME Mauritius Limited, Temo ya Tlhabane Holdings, TransNamib Holdings Limited, TPN Training and Recruitment, University of Dar es Salaam, University of Mauritius, University of Seychelles, and University of Stellenbosch. Media organisations represented were the Chronicle, L'express, Mozambique Express, New African Magazine, South African Broadcasting Corporation and Zambia Daily Mail. Experts and independent consultants on the blue economy, industrialization, small and medium scale enterprises and regional integration also participated in the meeting.

## Programme of Work

4. The experts elected Namibia as Chairperson of the AEGM, Tanzania as Vice Chairperson and Malawi as Rapporteur.
5. The AEGM adopted the Agenda below:
  - i. Registration
  - ii. Opening Session and Election of the Bureau
  - iii. Presentation of a report on: The Role of Small and Medium Enterprises (SMEs) in the Industrialization Process in Southern Africa
  - iv. Discussants
  - v. Open discussions
  - vi. Closure of AEGM

## Key observations

6. After presentation of the main report by the consultant, the experts:
  - i. Welcomed the consultant's report; they commended the report for useful detailed recommendations on the how SMEs can be promoted to support the region's industrialization agenda;
  - ii. Noted the lack of country level data on SMEs for some member States, as well as translated version of the draft report;
  - iii. Bemoaned the data limitation on SMEs in Southern Africa, which makes policy making challenging. This limitation is compounded by varied definitions of SMEs across the region, based on the sector, number of employees, the amount of turnover, legal status, amount of investment, or use other criteria or combinations as well as lack of data on SME from some member States;
  - iv. Noted the immense contribution of the SME sector to employment and livelihoods;
  - v. Noted the lack of formal frameworks for SME collaboration across national borders;
  - vi. Enumerated the vast challenges countenance by SMEs, including to access to finance, market access, lack of information on local and cross border trade opportunities, skills shortage and absence of training opportunities, access to

appropriate ICT, logistical constraints (e.g. currency exchange and border facilities), different rules for cross border trade;

- vii. Expressed satisfaction that some SMEs are willing to graduate to the formal sector category despite cumbersome and expensive registration procedures, and undifferentiated and punitive tax regime;
- viii. Regretted the tendency of some regional governments to give preferential treatment to foreign investors over local entrepreneurs (e.g. in the contexts of economic zones and PPPs), which undermines local SMEs;
- ix. Noted that most FDI's would rather link with home SME they know well rather than local or regional SMEs, thus failing to create forward and backward linkages locally;
- x. Observed that governments can also support SMEs through the public procurement, by making a condition to large enterprises that partnering with SME is a condition for government tender. Furthermore, the procurement tool can be used as an instrument to incentivize SMEs to enter the formal sector;
- xi. Appreciated that SADC has designated the private sector, including the SMEs, as pivotal to regional industrialization. However, regretted that SME representation in regional protocols and framework formulations was not accorded the commensurate status; and
- xii. Bemoaned the lack of SME-specific policy, legal and regulatory frameworks at both regional and continental levels to guide member States.

## **Recommendations**

Based on the above observations, the experts proffered the following regarding promoting SMEs and enhancing their contribution to industrialization in Southern Africa:

- i. The consultant should reach out to all member States for updated data on SMEs, as well as any other relevant information;
- ii. The SADC Secretariat should translate the draft report and circulate to relevant member States;

- iii. Member States should harmonize definitions of SMEs to facilitate regional comparisons and development of appropriate support mechanisms;
- iv. SME umbrella bodies should agree on a unified approach to government to advance their interests; moreover, umbrella bodies should take stock of membership as proof of economic and social impact, thus reducing anecdotal evidence and improving their influence in the policy-making space;
- v. Member States should incentivize FDI to embark on forward and backward linkages with local SMEs, supported by fair competition policies among other SME support instruments;
- vi. RECs and member States should tailor financial services (loans, insurance, cross-border trade) to the needs of the SMEs;
- vii. Governments should introduce policies that facilitate the participation of SMEs in both public and private procurement as a tool to support SMEs to both grow and to register as formal entities;
- viii. RECs should take the lead in developing detailed strategy for SMEs in the region in support of regional industrialization agenda;
- ix. RECs should involve SMEs in regional policy-making and setting minimum requirements for participation in government procurement systems; and
- x. SMEs should be encouraged to form regional networks to collectively influence government and regional policies.

## Way forward

The report will be recast based on the substantive comments made by member States and captured by the consultant. The roadmap for the completion of the study would be as set out below:

<b>Task</b>	<b>Period</b>	<b>Responsibility</b>
Translation of current draft	28 September 2018	SADC Secretariat
Submit comments on the draft paper	10 October 2018	Member States
Resubmission of revised paper	19 October 2018	Consultant/SADC Secretariat
Further comments to the paper	26 October 2018	Member States
Industrial Development Forum (IDF)	7 November 2018	SADC/member States

**Done in Pointe aux Piments, Mauritius  
September 21<sup>st</sup>, 2018**