African Union

African Union MSME STRATEGY

AU STRATEGY FOR SME/I DEVELOPMENT IN AFRICA

AFRICAN UNION

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Acronyms and Abbreviations

AIDA	-	Accelerating Industrial Development for Africa
AMV	-	African Mining Vision
BIAT	-	Boosting Intra-African Trade
CAADP	-	Comprehensive Africa Agricultural Development Programme
CEN-SAD	-	Community of Sahel-Saharan States
CFTA	-	Continental Free Trade Area
COMESA	-	Common Market for Eastern and Southern Africa

EAC	-	East African Community
ECCAS	-	Economic Community of Central African States
ECOWAS	-	Economic Community for West African States
EPZ	-	Export Processing Zone
FDI	-	Foreign Direct Investment
GDP	-	Gross Domestic Product
GVC	-	Global Value Chain
ICTs	-	Information and Communications Technologies
MSME	-	Micro, Small and Medium Enterprise
PIDA	-	Programme for Infrastructure Development
PPP	-	Public-Private Partnership
R & D		Research and Development
RVC	-	Regional Value Chain
SADC	-	Southern African Development Community
SEZ	-	Special Economic Zone
SMEs	-	Small and Medium-Sized Enterprises
SMIs	-	Small and Medium-Sized Industries
SSA	-	Sub-Saharan Africa
STISA	-	Science, Technology and Innovation Strategy for Africa
STI	-	Science, Technology and Innovation
TFTA	-	Tripartite Free Trade Area
UAM	-	Arab Maghreb Union

Executive Summary

High commodity prices, increased domestic demand and improved economic governance, diversified trade and growing foreign direct investment are among the important factors that contributed to Africa's robust economic growth that averaged 5 per cent, in the past decade. However, notwithstanding this positive economic performance in many countries across the Continent, high unemployment and poverty remain rampant in the Continent even with the number of people living in absolute poverty in the region increasing.

The strategy for addressing Africa's socio-economic challenges mainly hinges on creating the enabling environment and revolutionizing entrepreneurship with the objective of transforming Africa's economies to industrialization. Small and medium enterprises (SMEs) can play a critical role and contribute to this ambitious endeavour through their critical potential contributions by creating the condition for industrialization.

Even at the present moment, small and medium-sized enterprises/industries (SMEs/I) are the main source of employment and basis for the economies across Africa. Notwithstanding their potential to contribute to Africa's economic growth and transformation, SMEs have yet to be fully integrated into the regional and global value chains and trading system. Their great potential to perform much better remained underutilized. This is partly due to their performance and productive capacities having not been adequately developed with enough support to from the national, regional and continental levels. The underutilized but potentially vibrant SME/Is have not yet fully contributed to inclusive and transformative economic growth that the Continent has been striving to achieve. SMEs and entrepreneurs could have helped address the rising unemployment resulting among other things into increasing youth displacement and migration within and out of the continent, poverty and social exclusion through commodity based industrialization, and intra-regional and intra-African trade, and making much greater use of the regional and global value chains.

Recognizing the importance of private sector-led growth in contributing to Africa's economic development, the 20th Ordinary Session of the African Union (AU) Conference of African Ministers of Industry (CAMI 20) on the theme:– *Accelerating Industrialization for Africa within the Post-2015 Development Agenda*, identified industrialization as the basis for development, with the private sector playing a critical role in supporting sustainable industrialization. In order to harness the potential for industrialization to contribute to Africa's economic development, CAMI directed Member States to:

- Create an enabling environment for the creation and operation of Small and Medium-Sized Enterprises (SMEs) and Small and Medium-Sized Industries (SMIs);
- Place SMEs and SMIs at the centre of private sector-led development;
- Develop policy instruments and measures to facilitate the registration and operation of SMEs and SMIs and their access to finance and export readiness;
- Scale up interventions aimed at the development of value chains and production clusters on the continent;
- Explore measures to assist SMEs and SMIs in the informal and formal sectors;
- Develop policies aimed at empowering women and youth to effectively participate in industrialization, and
- Promote clusters and consortia for exports to facilitate the integration of SMEs and SMIs.

As part of the efforts to inspire economic growth and transformation on the continent, the AU has developed this SME Strategy for Africa. The vision of the AU SME Strategy is to "develop competitive, diversified and sustainable economies underpinned by dynamic, entrepreneurial and industrial sectors that generate employment, reduce poverty and foster social inclusion".

Taking into account the AU's comparative advantage in engaging RECs and Member States and recognizing that Africa's private sector has not been an important source of competitive, diversified and sustainable job growth, the Strategy identifies how the AU can leverage its convening power to engage RECs as well as Member States in re-examining how to strengthen and reinvigorate the private sector engagement in SMEs in order to achieve the set goal.

For the purpose of making significant stride towards the realization of AU vision, the Strategy hinges on seven Pillars that are presented below.

- Create an enabling business environment and ensure energy access and infrastructure
- Facilitate innovation and technology and promote startups, knowledge-based sectors and growth enterprises
- Promote access to innovative financing
- Ensure access to markets, export competitiveness and regional integration
- Promote business development services and institutional capacity building
- Promote learning practices and knowledge management
- Promote inclusive entrepreneurship (youth, women) and livelihood development

The following summary indicates the major priority actions that are elaborated in the Strategy document.

- **Improve the business environment** by harmonizing national and regional policies and regulatory and institutional frameworks on entrepreneurship, industrialization and science, technology and innovation (STI) in order to enhance the business environment for and encourage SME/Is, MSMEs and entrepreneurs to engage in business activity;
- **Develop SMEs Charters in the respective regions** that will serve as basis for the development of **an Africa wide SME Charter** that should incorporate **a standard definition of an SME for Africa** to respond to the present nonexistent harmonized definition.
- **Prioritize the formalization of startups and informal businesses** (including registering informal enterprises as providers of apprenticeship training) in order to increase business formation, boost informal businesses' growth and raise their productivity, and facilitate the transition of Africa's informal enterprises to formal SMEs.
- **Prioritize social protections for the informal sector**, including MSMEs and women entrepreneurs in order to raise their productivity, promote decent work as well as alleviate poverty;

- **Prioritize SME/Is, MSMEs and entrepreneurs' participation in regional and global value chains,** in so doing, boost enterprises and entrepreneurs' productivity through skills upgrade while enhancing their competitiveness;
- **Provide market intelligence instruments for easy use by SMEs for their competitive market access;**

- **Promote SMEs in the informal sector to graduate to the formal sector by providing them incentive;**
- **Prioritize growth of high productivity sectors as well as growth firms** (including growth-oriented informal enterprises) which contribute disproportionately to economies through sustainable employment and significant revenue generation;
- **Prioritize industrial and technological cluster development** (including in rural areas), with a view to boosting enterprises as well as entrepreneurs' productivity and competitiveness through innovation;
- **Promote innovative financing** and ensure greater access to finance for enterprises and entrepreneurs, including those in underserved regions as well as among the unbanked;
- **Prioritize energy diversification** with a view to facilitating the development of emerging sectors and to increase business formation, while stimulating employment creation,
- **Support SMEs involved in Eco-friendly initiatives;** and
- **Prioritize diversification** by promoting the development of the services sector and by supporting emerging sectors such as social and green entrepreneurship in order to create jobs and sustain growth.

This continental strategy is expected to be adopted and used as a framework to develop specific country and regional flagship programmes for implementation taking into consideration the respective regional and country situation.

The AU as the continental body that embraces the Member States and RECs under a common umbrella will have a leading role in encouraging and promoting the application of the SME strategy. To facilitate its implementation, the Strategy is accompanied with various frameworks, which include results framework, monitoring and evaluation, reporting, partnership building, resource mobilization and communications and outreach. Each of the above are contained within the programme delivery framework of the SME Strategy and Master Plan for 2019 -2023.

Chapter 1

Introduction

Africa's robust economic growth in the past decade, which averaged 5 per cent was largely fueled by a number of factors. These include high commodity prices, increased domestic demand and improved economic governance, management,[1] diversified trade and growing foreign direct investment.[2]

Despite the robust growth, and compounded by the deceleration in manufacturing in many countries across the continent, inclusive growth has been elusive. High unemployment remains a significant challenge across the continent. Recent data show that unemployment in SSA grew slightly to 7.4 per cent in 2015, up from 7.3 per cent in 2014, with unemployment rates for women rising during this period when compared with men.[3] At the same time, while the decline in the proportion of people living in extreme poverty in developing regions halved from 47% in 1990 to 22% in 2010, poverty remains widespread in SSA, with the number of people living in absolute poverty in the region increasing.[4]

Entrepreneurship and industrialization can play an important role in addressing Africa's socio-economic challenges. As key drivers of job creation and engines of innovation, small and medium enterprises (SMEs), which contribute immensely to countries' economies, along with small medium industries (SMIs), which have the potential to utilize domestic industrial inputs and raw materials, and provide the basis for early-stage industrialization through industrial processing and manufacturing, particularly in food and beverages (agro-processing), textiles and garments, with tremendous prospects for job creation and productivity in these areas,[5] including among women and youth.

Beyond their economic benefits, entrepreneurship and industrialization can contribute to Africa's social development by catalyzing the development of productive capacities and fostering the creation of decent jobs, ensuring greater inclusion of women and youth in economic and social development.

Promoting entrepreneurship and industrialization is at the centre of the AU's development agenda and the key to promoting economic and social development on the continent. Against this backdrop, this AU SME/I and MSME Strategy is designed to unleash the potential of SME, entrepreneurship and industrialization to contribute to Africa's growth and development.

SMEs, which are the backbone of almost all African economies, account for almost 90 per cent of some African countries' economies and are the largest sources of employment. They have the potential to drive structural transformation on the continent. SMIs, a subset of SMEs

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[1] UNECA 2014. Dynamic Industrial Policy in Africa.
[2] UNECA 2015. Industrializing through Trade
[3] ILO. World Employment and Social Outlook, 2016
[4] United Nations 2013. The Millennium Development Report 2013.
[5] United Nations

specializing in high-value industries such as manufacturing[6] and mining, have the potential to contribute to economic growth through intra-regional and intra-African trade, and in creating employment.

As part of its overall objective to accelerate Africa's economic growth and development, the African Union (AU) has adopted frameworks aimed at promoting structural transformation through entrepreneurship and industrialization in recent years. With Agenda 2063, AU's vision for inclusive growth and sustainable development providing the overarching framework, the AU's Strategy on SME/Is and MSMEs, which aims to foster the emergence of competitive, diversified and sustainable economies, with entrepreneurship and industrialization as drivers, is underpinned by other supportive frameworks that are designed to promote Africa's economic development.

The Action Plan for Accelerating Industrial Development in Africa (AIDA), along with Boosting Intra-African Trade (BIAT), the African Mining Vision (AMV), the Programme for Infrastructure Development (PIDA), Science, Technology and Innovation Strategy for Africa (STISA -2024), the Comprehensive Africa Agricultural Development Programme (CAADP) as well as the Continental Free Trade Area (CFTA) are designed to catalyze structural transformation through trade and industrialization and contribute to the AU Agenda 2063's vision by addressing the continent's most pressing development challenges – unemployment, poverty and inequality.

This AU Strategy document on SME/Is and MSMEs is organized as follows. Chapter 2 provides an overview of SME/Is and MSMEs in Africa, highlighting their key challenges and barriers as well as opportunities to promote entrepreneurship and industrialization. Chapter 3, provides an overview of existing continental, regional and national frameworks, and initiatives on entrepreneurship and industrialization. Chapter 4 presents the AU Strategy for SMES development.

[6] In Africa, high value manufacturing is concentrated in textiles and apparel, wood and forestry products and food and beverages.

Chapter 2

SMEs in Africa: Key Challenges and Opportunities

Overview

Africa's SME/Is and MSMEs are not homogenous. While there is no universally agreed-upon definition of the term SME, it is used to refer to a broad range of small and medium-sized enterprises defined generally by the number of employees, revenues generated and capital investment. While small enterprises employ 10-100 people; medium-sized firms employ 100-250 people.[7] In addition to the term SME, micro-enterprise, which refers to firms that employ less than 10 people and are largely informal businesses, is also used widely.

Across the continent, the definition of these firms varies widely across countries, regions, RECs as well as among business associations. SMEs are generally formal or registered enterprises, while micro enterprises are widely informal, unregistered enterprises. The definitions of SME and MSME vary considerably across countries. While MSMEs are generally distinguished by the number of employees, capital investment and revenue generation, there is no common criteria of these entities across countries or RECs. To the extent that MSMEs and SMEs not only differ in size, but also have unique needs and constraints, for instance, for micro enterprises transitioning from survival to growth is the key challenge, while for SMEs it is competition from informal enterprises. The distinction is an important one which for the purpose of the Strategy will be maintained.

Industry in Africa is dominated by micro and small scale enterprises, and a few medium and large-sized companies. According to recent estimates, Africa's manufacturing sector, which has been in decline, accounts for only 13% of Africa's GDP. The manufacturing sector varies considerably across countries. For example, Nigeria, which accounts for a third of Africa's GDP, manufacturing accounts for only 10 per cent of the country's GDP.

Small and medium industries (SMIs) in Africa are predominantly survival businesses that are to a large degree in-house operations that rely on local or self-sourced funds and lack the financing needed to develop the capacity to engage in technological innovations.[8] In Africa, small manufacturing firms employ 47 people on average and are characterized by weak technological capabilities, and are embedded in fragmented learning and innovation systems,

[7] ILO, 2015.
[8] UNCTAD, 2015. Technology and Innovation Report 2015. Fostering Innovation Policies for Industrial Development

in large part because Africa's trade-based commodity economies are often users rather than developers of new technologies.

SMIs can enhance their productivity and become competitive by providing inputs through linkages and by sub-contracting with larger firms. In addition, they can contribute to export diversification and raise their productivity and competitiveness by engaging in trade through value chains. In order to unleash their potential to contribute to development, SMIs need an enabling environment, effective business development support services, strong policy frameworks and strategies to support productive capacities and trade as well as to stimulate local innovations and technologies, access to technology as well as access to reliable power supplies.

The key challenges of SMEs and entrepreneurs in Africa at the global, continental, regional and national levels are presented below.

Challenges

Global Level

Africa's SME/Is face challenges at the global level. With the majority of Africa's SME/Is being largely informal firms that are characterized by low productivity and participate marginally in trade, their capacity to create employment and compete at the global level is severely limited. Moreover, owing to their limited production capacity, they are unable to reap the benefits of economies of scale in production, purchasing, management, financing and marketing, with this limitation raising SME/Is' operating costs. As a consequence, these firms face competition from larger domestic and foreign firms, which dominate and control distribution channels, resulting in limited market access and potentially threatening SME/Is' viability and survival.

With regard to industrial development, Africa has performed poorly in recent years. As the least developed manufacturing region in the world, Africa has in recent years experienced a decline in industrialization in many countries across the continent, with the average share of manufacturing in GDP in Africa stagnating at 10 per cent in 2013 - unchanged since the 1970s,[9] with its contribution to Africa's economy declining from 12 per cent in 1980 to 11 per cent in 2013, resulting in the continent having the smallest share of manufacturing in any developing region.[10]

Moreover, while manufacturing's share of output has fallen during the last 25 years in many African countries, with manufacturing accounting for only 6 per cent of all jobs, while in other developing regions such as Asia, manufacturing's share of output has grown from 11 to 16 per cent over the same period.[11] As a consequence, Africa's industry generated US$ 700 GDP per capita, less than a third of Latin America's and less than a fifth of East Asia's.[12] The continent's low share in manufacturing and deceleration of industrialization can be attributed to extraction

[9] The Economist. November 7, 2015. More a Marathon than a Sprint.
[10] UNECA 2015, Industrializing through Trade
[11] Ibid.
[12] African Development Bank

of resources without value addition, coupled with lack of access to technology and lack of management capabilities as well as lack of inter-industry linkages, resulting in low industrial productivity and lack of competitiveness, contributing poor performance by industries. Recognizing its limited contribution to Africa's economic development, the African Development Bank has made industrialization one of its high five priorities, with an aim of raising industrial GDP to 130 per cent by 2025.

In the area of trade, Africa remains an insignificant player, with the continent's global exports accounting for only 3 per cent of global exports. Moreover, Africa's contribution to trade in technology has not fared any better. Despite a slight increase in exports in primary products from 9.1 per cent in 2000 to 9.8 in 2014, and in medium technology manufactures from 4.8 per cent in 2000 to 5.1 per cent in 2014, trade in resource-based manufactures declined from 7 per cent to 6.6 per cent, with low-technology manufactures declining from 5.1 per cent to 3 per cent, and high-technology manufactures declining from 4 per cent to 3.2 per cent in 2000 and 2014.[13]

While it is recognized that increased participation in value chains contributes to better GDP per capita growth for countries that participate in value chains than for those that do not.[14] Africa contributes marginally in value added when compared with other regions. Although African countries increasingly engaging in GVCs, their participation in these chains at lower rungs largely due to technical constraints as well as control of the production chain by the lead firm.[15] Moreover, while GVCs have spurred international trade in intermediate goods, accounting for almost a half of global trade, with access to imported intermediate products for manufacturing growing, trade has failed to reverse Africa's deindustrialization.[16] In addition, lack of market linkages as well as trade barriers, including tariff and non-tariff measures in international markets, also pose barriers to African SME/Is accessing international markets.

Continental Level

Despite the adoption of policy frameworks such as the AU's AIDA, BIAT, AMV and the CFTA at the macro level to support entrepreneurship and industrial development as well as trade, these frameworks have not been fully implemented. For instance, the African Growth and Opportunity Act (AGOA), which offers preferential market access to the U.S. market to eligible countries in SSA, is poorly utilized as only a few countries take advantage of its preferences, pointing to a need for a continental and/or regional strategy to ensure effective utilization of these preferences. Intra-African trade remains fairly low at 10-13 per cent of total exports.[17] Trade barriers, notably tariff and non-tariff measures in international markets hinder African SME/Is, MSMEs as well as entrepreneurs from accessing international markets.

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[13] UNCTAD, 2015. Technology and Innovation Report 2015. Fostering Innovation Policies for Industrial Development

[14] UNCTAD, 2013. Global Value Chains and Development: Investment and value added trade in the global economy; a preliminary analysis.

[15] UNECA, 2015. Industrializing for Trade.

[16] Ibid

[17] African Union, 2012. Boosting Intra-African Trade.

At the meso level, the African Development Bank has implemented programmes to support SME/Is and MSMEs' development, including ensuing access to finance through its Fund for African Private Sector Assistance (FAPA) and the Africa Guarantee Fund, and is supporting infrastructure development, agro-industry, leasing, insurance and warehousing initiatives.

At the micro-level, the African Development Bank is implementing programmes to support women entrepreneurs, including providing them with business support services through its African Women in Business Initiative, and has established a grant under FAPA to support young entrepreneurs in Cote D'Ivoire.

Regional Level

SMEs contribute immensely to regional economies. In COMESA region, for example, SMEs' contribution to national economies is estimated at 50-70 per cent of GDP, and 50 to 60 per cent in employment.[18] This trend is reflected across other RECs on the continent, with SMEs' contributing significantly to national economies as well as in employment creation across countries.

Although regional trade is recognized and encouraged as a means of fostering economic development, it remains fairly low, with Africa's RECs' contribution to global trade being relatively small when compared with other developing regions in the world. While intra-African trade is estimated at 10-12 per cent of total exports, it is more diversified than Africa's trade with the rest of the world.[19] Manufactured goods accounted for 40 per cent of intra-African goods traded in 2010-2012, but only 13 per cent with the rest of the world. Moreover, there is considerable variation in intra-regional trade. For example, SADC has the highest intra-regional trade when compared with other RECs (19.9 per cent for exports and 33.1 per cent for imports). Its trade, however, at the continental level is very low, accounting for 2.3 per cent for exports and 2.6 per cent for imports, while at the global level it remains insignificant.

Despite intra-regional trade holds promise for promoting SME/Is' growth, its potential to contribute to Africa's SME/Is' growth is hindered by trade barriers. Unfavorable customs and excise duty systems pose barriers to intra-regional trade and serve as disincentives that result in many African countries trading with the EU than their neighbours. Similarly, non-tariff barriers such as rules of origin applicable in regions, quotas and protectionist schemes as well as random border checkpoints and weak transport infrastructure, not only hinder free movement of goods and increase costs for SME/Is and MSMEs, but also restrict these enterprises and entrepreneurs from accessing intra-regional markets, further stifling their competitiveness. Moreover, countries' overlapping memberships in different blocs, many of which have diverging trading rules, poses challenges to enterprises and entrepreneurs. In the

[18] COMESA MSME Policy Strategy 2013
[19] UNECA 2015.

EAC region, manufacturing enterprises targeting different trade blocs often face challenges that constrain market expansion for manufactures.[20]

Trade capacity constraints linked to quantity, quality, visibility and cost-competitiveness as well as poor trade facilitation and limited infrastructure to facilitate trade pose challenges to SME/Is and MSMEs. In the case of SMIs, low productivity and low quality products, coupled with lack of access to technology and lack of management capabilities as well as lack of inter-industry linkages contribute to their marginal participation in trade, hampering their potential for growth.

Energy and infrastructure are critical to SME/Is and MSMEs' development. According to the World Bank, Africa's energy generation capacity is 3 per cent, and is largely concentrated in a few countries across the continent, and is characterized by a decline in consumption per person. In Africa , SME/Is and MSMEs account for 40 per cent of the total commercial energy demand. Aging power plants and inefficient operation of energy facilities contributes to low power generation and grid bottlenecks, resulting in blackouts and load shedding – a contributing factor to limited industrial production across the continent that also increases business costs to SME/Is and MSMEs across regions. Weak policy and regulatory frameworks to support energy development, notably, unclear regulatory frameworks for public-private partnerships (PPPs) and lack of power purchase agreements (PPAs) hinder investment in energy. At the same, inadequate policy and regulatory frameworks as well as management constraints pose additional challenges on corridors' performance.

In terms of infrastructure development, poor transport networks, including poor roads, antiquated railways and inadequate ports and airlines across regions, with insufficient capacity to cope with connectivity result in high transport costs for imports and exports.

The quality of the business environment varies widely within and across regions. In the EAC region, for instance, while Rwanda has made significant progress in enhancing its business environment, for other EAC members, progress in improving the business environment has been modest.

These challenges are particularly acute for women-owned SMEs which are constrained by numerous barriers in the business environment and offer limited employment opportunities. Owing to institutional and regulatory issues, lack of access to finance, relatively low rates of business education or work experience, risk aversion, confinement of women's businesses to slower growth sectors, and the burden of household management responsibilities, women-owned enterprises grow slowly when compared with enterprises that are owned by men.

At the macro level, lack of a common policies and Regional SMEs Charters at the regional level to guide member states in supporting SME/Is and MSMEs is a barrier that constrains enterprises' capacity to develop and grow. While RECs are increasingly adopting policies to support industrialization, evidence suggests that policies adopted by EAC, SADC and

[20] EAC. The East African Community Industrialisation Policy 2012-2032. Structural Transformation of the Manufacturing Sector through High-Value Addition and Product Diversification based on Comparative and Competitive Advantages of the Region.

ECOWAS aimed at catalyzing industrial development in their regions have contributed minimally to boosting production, productivity or manufacturing.[21] RECs' frameworks on industrialization, for instance, have not addressed barriers that constrain SMIs' competitiveness, notably, market failures, accessibility, quality, affordability and competition, limiting these entities' potential for growth. In COMESA region, for instance, lack of funding, and inadequate infrastructure have hindered the implementation of industrialization and value addition strategies.[22] Similarly, varying value added tax (VAT) rates on imported and exported goods to countries within RECs contribute to unequal sharing of benefits, limiting intra-regional trade.

At the meso level, measures to support the implementation of entrepreneurship policies are rarely implemented, further constraining enterprises' growth. In the EAC region, for instance, although MSME procurement quotas in regional procurement have been adopted, the measures have been implemented and are rarely enforced. Also, industrial policy frameworks adopted by RECs to support SMIs are rarely complemented by or linked to concrete actions, resulting in their limited contribution in boosting production, productivity or manufacturing.[23]

Limited access to technology across regions as well as limited technical and managerial skills limits SME/Is and MSMEs' capacity to innovate and become competitive, and is further compounded by limited investment in technology as well as in research and development (R&D) at the firm level, resulting in lack of exports in high-value technology products.[24] Moreover, lack of high capacity technology networks capable of handling modern communications' traffic, high costs of connectivity and limited availability of information and communications technologies (ICTs) as well as professional associations, and networks' limited capacity to provide adequate business support and services to SME/Is and MSMEs and advocate for their needs at the regional level constrain enterprises capacity to grow. Also, weak industrial production linkages between large firms and MSMEs across regions contribute to low productivity and competitiveness.

Country Level

Barriers in the regulatory environment, including burdensome administrative and registration processes, high business registration costs and unfavourable and complex tax systems pose challenges to SME/Is, MSMEs and entrepreneurs in starting, operating and growing their businesses. These contribute to informality - a characteristic of African SME/Is and MSMEs that contributes in significant losses in tax revenues for national governments and limits their access to social protections.

Inadequately defined and poorly protected property rights, coupled with time consuming and costly property registration processes serve as disincentives for SME/Is and MSMEs to register their businesses. Also, lack of transparency in regulatory systems, often characterized by

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[21] UNECA, 2015. Industrializing through Trade
[22] COMESA, 2015. Consolidated Progress Report on COMESA Programmes
[23] UNECA, 2015. Industrializing through Trade
[24] Ibid.

unclear rules on compliance and insolvency, and lack of effective mechanisms for resolving disputes erode entrepreneurs' confidence in the regulatory environment, discouraging many from engaging in economic activities.

Access to finance has been identified as one of three binding constraints for SME/Is and MSMEs' development.[25] On the demand side, financial institutions' collateral requirements, compounded by SMEs and MSMEs' lack access to property rights and assets that can serve as collateral as well as banks' high interest rates and fees, and lack of financial literacy and lack of business plans, are often barriers for SME/Is, MSMEs and entrepreneurs seeking financing. For SMIs whose financing needs differ from other SMEs, and generally require long-term financing to support their capital intensive operational needs, owing to the perception by financial institutions that they are high risk and costly to serve, financial institutions generally lack adequate products to meet SMIs' financing needs.

Access to international markets remains a challenge for SME/Is, MSMEs and entrepreneurs. Enterprises and entrepreneurs in Africa generally lack information about international markets, suppliers as well as access to market linkages and distribution channels due to dominance and control by larger firms. This results in limited trade opportunities for SMEs and entrepreneurs.

Lack of access to technology is a barrier for SME/Is, MSMEs and women and young entrepreneurs in Africa. This condition hinders their ability to innovate and become competitive. In the case of SMIs, lack of affordable and appropriate technology and infrastructure as well as limited access to technology and technical skills, and education has not only hampered their capacity to enhance their productivity, but has also hindered their capacity for innovation.[26]

Inadequate business development services and supports for SME/Is is a key constraint to their growth. These include lack of business incubation services to provide start-up and other support to SME/Is, MSMEs and entrepreneurs as well as inadequate business coaching and mentoring programmes, coupled with weak business and financial management services, including inadequate business planning, business plan development and lack of financial literacy programmes as well as supports targeted to women and young entrepreneurs are barriers to enterprises and entrepreneurs' growth.

Access to energy has been identified as one of the three most binding constraints to SME/Is and MSMEs' growth.[27] Inadequate energy supplies are a significant constraint for SME/Is and MSMEs across countries. Owing to erratic and/or inadequate electricity supplies, enterprises and entrepreneurs rely on costly, diesel-fueled generators, resulting in energy contributing to significant business overhead costs, but also hampering these firms' productivity and competitiveness.

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[25] ILO. 2015. Small and medium-sized enterprises and decent and productive employment creation.

[26] UNCTAD, 2015. Technology and Innovation Report 2015. Fostering Innovation Policies for Industrial Development

[27] ILO. 2015. Small and medium-sized enterprises and decent and productive employment creation.

At the same time, inadequately developed infrastructure, characterized by poor road networks as well as costly and often inadequate air, cargo and sea transport, particularly for landlocked countries, and lack of access to other production inputs, including lack of access to ICTs as well as manufacturing facilities and storage warehouses hinder enterprises' productivity and capacity to grow.

At the macro level, although African countries have adopted national policy frameworks to support entrepreneurship development, in some cases, policies are not integrated into or aligned with broader economic development frameworks and sector strategies, with lack of coordination of entrepreneurship policies constraining entrepreneurship in the long-term.

While countries have adopted industrial policies, along with innovation policies and other frameworks to catalyze industrialization, overlaps in the policy instruments and incentives used in technological learning and competence building, leads to duplication of scare resources and often unsatisfactory outcomes.[28]

Furthermore, failures to institutionalize industrial policies in some countries - a challenge that is further compounded by limited private sector involvement in policy formulation as well as weak institutions that are incapable of stimulating industrialization stifle SMIs' growth.[29] In addition, lack of policy coherence in elements of industrial and STI policy in several countries serve as a disincentive to manufacture and innovate locally, thwarting SMIs' capacity to grow and develop.[30] In Nigeria, for example, industrial development and innovation capacity, which are part of the country's industrial development strategy and the STI policy, are considered as contrasting goals,[31] with the competing views rendering the implementation of these policies ineffective.

At the meso level, incentives, programmes and agency mandates designed to ensure the implementation of policies that ultimately will contribute to SMIs' performance are rarely undertaken, and at times, may be at odds with other policies. In other instances, policy tools designed to spur industrialization may be ineffective in promoting industrialization. Evidence suggests that in some instances, tax credits, export subsidies and export processing zones (EPZs) have been largely ineffective in spurring industrialization across the continent.[32] In Nigeria, for instance, efforts to promote industrialization failed due to lack of focus on technological learning at the plant, sectoral and industry level.[33] While programmes to support entrepreneurship such as business development services are available in countries, they are not widely available to SME/Is, MSMEs and entrepreneurs, particularly those in rural areas. For instance, business development services available through incubators, which are widely used

[28] UNCTAD, 2015. Fostering Innovation for Industrial Development
[29] UNECA 2015, Industrializing through Trade.
[30] UNCTAD, 2015. Technology and Innovation Report, 2015: Fostering Innovation Policies for Industrial Development
[31] Ibid
[32] UNECA, 2015. Industrializing through Trade.
[33] UNCTAD, 2015. Technology and Innovation Report, 2015: Fostering Innovation Policies for Industrial Development

by ICT SMEs in several African countries are largely concentrated in urban areas.[34] Also, existing skills development programmes within countries vary widely in their quality, rendering them ineffective in supporting SME/Is, MSMEs and entrepreneurs. In addition, in most countries, financial or non-financial services are often stand-alone programmes. Evidence suggests that programmes that offer financial assistance in combination with non-financial support are more effective than stand-alone programmes.[35]

Key Opportunities

Despite the above challenges there is opportunity to support entrepreneurship and industrialization by enhancing the business environment for SME and entrepreneurs at the regional and national levels through the development of conducive policies that support productive capacities, decent job creation and entrepreneurship in order to ensure young people as well as women have relevant skills to engage in self-employment and entrepreneurship. Given that women manage 48% of African SMEs, they contribute substantially to the continent's growth. Moreover, with enterprises owned by women being efficient, productive and competitive and as integrated as those operated by their male counterparts, if properly harnessed, women have the potential to contribute to the continent's growth and development.

Implementing policies and programmes that increase value to raw materials is critical for industrialization and in boosting SME/Is and MSMEs' productivity. In addition, upgrading SME/Is and MSMEs' skills and improving their technological skills through technological transfer as well as by upgrading enterprise operations and through sub-contracting, business linkages and by ensuring access to value chains is vital in enhancing SME/Is and MSMEs' productivity and in improving their competitiveness.

There is an opportunity to boost productivity in existing sectors such as agricultural and manufacturing while harnessing the potential of emerging sectors such as green, renewable energy and social enterprise as well as the creative sector and in supporting the services sector.

In order to foster the development of entrepreneurship and industrialization, adequate resource mobilization to catalyze and unleash the potential for structural transformation is needed. Innovative financing arrangements as well as boosting the capacity of traditional financing entities to better meet the SME/Is, MSMEs and young and women entrepreneurs' needs can go a long way in ensuring adequate resources to support entrepreneurship and industrialization.

With efforts to deepen integration at the continental and regional levels gaining momentum, there is an opportunity to boost intra-regional and intra-African trade and foster the development of regional and global value chains.

[34] InfoDev, 2014. Transforming the East African ICT Sector by Creating a Business Engine for SMEs
[35] ILO, 2015.

Chapter 3

Existing Continental Regional and National Frameworks and Initiatives on SMEs, Entrepreneurship and Industrialization

Africa's SME and entrepreneurs have significant potential to play critical roles in countries' economies and help address the challenges of rising unemployment, poverty reduction and social exclusion through job creation and intra-regional and intra-African trade. However, SME/Is, MSMEs and entrepreneurs' potential has remained unrealized, partly because of their inadequately harnessed productive capacities and absence from integration into the regional and global value chains.

Continental Initiatives to Promote Entrepreneurship and Industrialization

Several initiatives and efforts have been underway at the continental level to catalyze Africa's economic growth and transformation. AU's continental policy frameworks outlined below are among the most significant ones.

Action Plan for Accelerating Industrial Development in Africa (AIDA) – adopted in 2008, AIDA aims to promote industrial development, including by supporting SMIs to integrate in regional and global value chains.

Agenda 2063 – AU's Vision for economic growth places value addition and industrialization at the centre, setting a target for Africa to generate 10 per cent of global manufacturing by 2050.

African Mining Vision (AMV) – adopted in 2009, the AMV is a developmental approach that aims to support transparent, equitable and optimal exploitation of Africa's mineral resources to underpin broad-based sustainable growth and socio-economic development.

Boosting Intra-African Trade (BIAT) - aims to increase intra-African trade to 20 per cent by 2025. The framework identifies programmes that can boost intra-African trade.

Comprehensive Africa Agricultural Development Programme (CAADP) - aims to promote agricultural development through trade.

Continental Free Trade Area (CFTA) – aims to fast-track the consolidation of regional free trade areas and promote market integration, infrastructure and industrial development.

Programme for Infrastructure Development (PIDA) provides a continental framework for infrastructure development.

Science, Technology and Innovation Strategy for Africa (STISA -2024) – adopted in 2014, the Strategy provides a continental framework for accelerating Africa's transition to an innovation-led, knowledge-based economy.

Declaration on the 2015 Theme "Year of Women Empowerment and Development Towards Africa's Agenda 2063 – affirmed the women's contribution to development and the AU's commitment to women's economic empowerment, including through entrepreneurship.

Taken together, the the above outlined frameworks, which align with and are reinforced by the broader global Sustainable Development Goals (SDGs), in particular, SDGs 4, 8 and 9, which place entrepreneurship and industrialization at the centre of sustainable development (See Annex 1), are designed to promote Africa's economic development by harnessing productive capacities, with entrepreneurship and industrialization driving growth.

Regional Initiatives to Promote SMEs, Entrepreneurship and Industrialization

At the regional level, regional economic communities (RECs) have taken actions to support SMEs, entrepreneurship and industrialization (See Annex 2). Several RECs have developed policy frameworks to address constraints that hinder SME/Is, MSMEs and entrepreneurs' growth, including trade barriers and low productivity.

The Common Market for Eastern and Southern Africa (COMESA)'s micro small and medium-sized enterprises (MSME) Policy (2013), the East African Community (EAC) Charter on SMEs, and the Economic Community for West African States (ECOWAS)'s SME Charter (2015) are examples of this. RECs have also developed frameworks to support industrial development in Member States and within their regions.

The EAC's Industrial Strategy (2012-2032), along with its Industrialization Policy (2032), the Southern Africa Development Community (SADC)'s Industrial Development Policy Framework (2013-2018), and ECOWAS's West African Common Industrial Policy (2010) are designed to support industrial development in their respective regions. Moreover, several RECs, including COMESA, EAC, ECOWAS and SADC, have adopted STI frameworks aimed at catalyzing technological development and innovation within their regions.

At the same time, the proposed Tripartite Free Trade Area (TFTA), whose goal is to create a single market comprising of 26 COMESA, EAC and SADC member countries, with a GDP of US$ 624 billion in order to boost intra-regional trade, aims to contribute to the AU's broader objectives to accelerate and achieve sustainable economic development on the continent through the removal of trade barriers and by fostering seamless trade across borders.

National Initiatives to Promote Entrepreneurship and Industrialization

Across Africa, countries have adopted national policy frameworks to support SMEs, enterprise development, industrialization and STI. While several countries, including Ethiopia Liberia, Malawi, Tanzania and Nigeria, among others have policy frameworks to support SME or MSME development, and in some cases, have institutional frameworks to support entrepreneurship development, a few countries lack policies on entrepreneurship or institutional frameworks to support entrepreneurship development. Moreover, while a few countries have ministries of industry and/or trade, only a few countries in Africa, notably

Algeria[36], Cameroon[37], Kenya[38] and South Africa[39], have fully-fledged ministries dedicated to entrepreneurship development.

In the areas of industrial development, several countries, including Djibouti, Egypt, Eritrea, Ethiopia, Gabon, Kenya, Lesotho, Liberia, Mauritius, Nigeria, Rwanda, Tanzania, Uganda and Zimbabwe have adopted policy frameworks or strategies to support industrialization. At the same time, countries throughout sub-Saharan Africa (SSA) have adopted STI policies in order to promote technological development and innovation in order to support the development of knowledge-oriented economies.

Chapter 4

Details of the AU SME Strategy and Its Pillars

Rationale for the Strategy

As part of the AU's overall strategy to facilitate an integration agenda, the AU Strategy provides a framework to operationalize strategies aimed at unleashing the potential of SME/Is and MSMEs to be driver Africa's economic growth and structural transformation through creating employment and promoting intra-regional and intra-African trade; and integration into the regional and global value chains.

The AU's rationale for supporting SME/Is, MSMEs and entrepreneurs is based on the recognition that growth of enterprises hinges on a supportive environment that nurtures their development. Removing barriers and creating a favourable business environment is critical for that constrain SMEs'growth SMEs The AU SME Strategy is designed to support policymakers at the continental, regional and national levels to undertake activities that will unleash the potential of SMEs and entrepreneurship to provide the foundation for structural transformation through productive capacities, job creation and trade.

Recognizing that Africa's private sector has not been an important source of competitive, diversified and sustainable job growth and taking into account the AU's comparative advantage in engaging RECs and Member States, the Strategy identifies how the AU can leverage its convening power to advocate among RECs as well as Member States the need to re-examine how the private sector can be reinvigorated in order to achieve these goals. The Strategy outlines activities that can be undertaken at the continental level, and identifies the partnerships that the AU should leverage partnerships across the international, continental, regional and national levels.

The vision of the AU SME Strategy is to "develop competitive, diversified and sustainable economies underpinned by dynamic, entrepreneurial and industrial sectors that generate

[36] Ministry of Industry, SME and Investment Promotion
[37] Ministry of SME, Social Economy and Handicrafts
[38] Ministry of Industrialization and Enterprise Development
[39] Ministry of Small Business Development

employment, reduce poverty and foster social inclusion". For the purpose of making significant stride towards the realization of this vision, the Strategy hinges on seven Pillars, presented below. For each of the Strategy's seven Pillars identified below, areas of focus as well as activities for the AU to undertake and recommended partners are suggested. Case studies of best practices from countries as well as regions, which offer further guidance on effective strategies as well as key messages identified from the case studies are provided.

1) Create an enabling business environment and ensure energy access and infrastructure
2) Facilitate innovation and technology and promote startups, knowledge-based sectors and growth enterprises
3) Promote access to innovative financing
4) Ensure access to markets, export competitiveness and regional integration
5) Promote business development services and institutional capacity building
6) Promote learning practices and knowledge management
7) Promote inclusive entrepreneurship (youth, women) and livelihood development (refugees and internal displace persons).

Pillar 1: Create an Enabling Business Environment and Ensure Energy Access and Infrastructure

While SMEs, entrepreneurship and industrialization play an important role in stimulating economic development through job creation, innovation and competitiveness, their potential remains untapped in many African countries. By creating an enabling business environment and coordinating public and private sector actions at the continental, regional and national levels, entrepreneurship and industrialization have the potential to effectively support existing SMEs and entrepreneurs, but also encourage new ones to emerge and engage in contributing to economic performance.

For creating enabling environment, infrastructure and energy are also essential. Well-developed roads, railways and ports and reliable air transport, along with reliable and sufficient power supplies can enhance the business environment. Access to information, communications and technology (ICTs) as well as telecommunications infrastructure can ensure SME/Is, MSMEs and entrepreneurs have inputs to enhance their productivity. In addition, trade-related infrastructure such as warehouses and storage facilities as well as adequate manufacturing space can reduce operational and start-up costs for SME/Is, MSMEs as well as entrepreneurs.

With due consideration to the above and, as part of creating an enabling business environment for SME/Is, MSMEs and entrepreneurs, the first pillar of the Strategy will focus on the following four broad areas:

- Supportive policy frameworks for entrepreneurship and industrial development

- Effective regulatory measures to support SMEs, entrepreneurship and industrialization
- Support the development of infrastructure
- Ensure the available energy supplies

Supportive Policy Frameworks for SMEs, Entrepreneurship and Industrial development

To boost entrepreneurship and industrialization, policy frameworks on entrepreneurship and industrial development need to articulate goals and objectives that effectively promote SME/Is MSMEs and entrepreneurs' development.

At the meso level, policy coherence and coordination is essential in ensuring that entrepreneurship and industrial policies are not "stand alone" frameworks, but rather are aligned with and embedded into broader development strategies, including in national development plans. For instance, for industrial policy to effectively promote industrialization and SMIs' development, it needs to align with other development frameworks such as STI policies. RECs are undertaking efforts to develop frameworks that will provide the basis for structural transformation. As part of its efforts to support industrialization, for instance the EAC plans to harmonize entrepreneurship and industrialization policies to ensure that they promote economic growth (a priority for the EAC) and formulate a regional charter and policy on MSME development.

The AUC will advocate, RECs to consolidate Regional SMEs Charters that will be basis for the development of a continent wide, African SME Charter. The latter should include a standard definition of an SME for the continent, and this will be necessary in view of the present absence of a standard definition, as mentioned much earlier in this strategy document.

Laying out and strengthening institutional frameworks to support SMEs, entrepreneurship and industrial development is essential. Ensuring adequate institutional capabilities to support and facilitate the promotion of SMEs, entrepreneurship and industrialization, including designated entities to coordinate activities related to the promotion of SMEs, entrepreneurship and industrialization, makes a good part of the institutional framework. This will help define the objectives and targets of the policy frameworks, and to mobilize resources that will result in effective implementation, and facilitate in the integration of entrepreneurship and industrial development into all policy-making, planning and programme delivery mechanisms. For instance, Rwanda's Development Board, which was established to bring together all government agencies responsible for promoting private sector growth, including entities that facilitate business registration, investment promotion, environmental clearances, privatization and specialist agencies for ICT and tourism sectors, is noteworthy.

> Rwanda has strengthened its social protection system in recent years and expanded safety net coverage of the poor and vulnerable. Central to the Vision Umurenge Programme's poverty reduction goals is ensuring social protections that are gender-sensitive.
>
> **Source: World Bank**

Moreover, strengthening the public sector's capacity to address and implement SME, industrial and entrepreneurship policies and strategies, including ensuring their capacity to design, implement and coordinate policies, strategies and programmes, and providing incentives for capability improvements is important.

Effective Regulatory Measures to Support SMEs, Entrepreneurship and Industrialization

Addressing barriers in the regulatory environment that constrain SME/Is, MSMEs and entrepreneurs' ability to start, operate and grow their businesses is critical. Facilitating formalization - an essential component in establishing an enterprise can create conditions for a conducive environment to support SME and entrepreneurs' development. Formalization can improve low productivity and precarious working conditions prevailing in the informal economy through social protection measures such as insurance. Moreover, formalization is integral to facilitating the transition of an economy from an informal to a formal one. Consequently, supporting the formalization of informal MSMEs to formal enterprises can go a long way in ensuring this.[40] In order to effectively support formalization, a differentiated policy response that focuses on growth-oriented informal enterprises that may benefit from formalization as well as start-ups which are easier to formalize than informal enterprises, is needed.[41] In this regard, member states should continue to push and ensure that SMEs in the formal sector are given attractive incentives for them to successfully transfer to the formal sector.

Social protections for the informal sector can help to raise productivity, promote decent work as well as alleviate poverty. Increasingly, initiatives aimed at extending social protections to informal workers are being undertaken across countries and regions. At the regional level, RECs' Technical Committees on Labour, Employment and Social Security are addressing social protection issues. At the national level, in Zimbabwe, the National Social Security Authority has established an SME Fund to facilitate the transition of informal workers to the formal sector and support decent work. In Tanzania, the UMASIDA Health Insurance Scheme provides insurance programmes for informal workers and SMEs. Similarly, PAMECAS in Senegal extends health insurance to its microloan programmes' beneficiaries.

Reducing and/or eliminating burdensome business registration procedures such as reducing the number of days it takes to register a business and reducing costs associated with the registration process such as administrative and legal fees, can enhance the business environment for SMEs and entrepreneurs. According to the World Bank's *Doing Business 2016,* countries in SSA have made significant improvements in the regulatory environment, with 24 reforms reducing the complexity and cost of regulatory processes, and 5 reforms strengthening legal institutions.[42]

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[40] ILO, 2015
[41] Ibid.
[42] World Bank: Doing Business 2016: Measuring Regulatory Quality and Efficiency

Technology is increasingly being harnessed to facilitate formalization processes. In countries with electronic registration, formalizing a business not only involves fewer procedures, but is also less time-consuming, and less costly. Uganda, for example, has made it easier to start a business by introducing an online system for obtaining a trading license.[43]

Eliminating the minimum capital requirement to start a business can also enhance the regulatory environment for MSMEs and SME/Is, many of which lack access to start-up capital. While Mauritania eliminated start-up capital requirements, making it easier to start a business and Senegal eased requirements for businesses by reducing the start-up capital requirements, Benin made it easier to start a business by reducing the fees for filing company documents at the one-stop shop.[44] Also, fast-track mechanisms such as one-stop shops, which have been established in Benin and Mauritania, can facilitate the formalization for SME/Is and MSMEs.

Regulatory frameworks can catalyze the development of new business sectors by adopting measures that will support enterprises' development. Several countries have enacted laws to spur social entrepreneurship. For instance, South Korea enacted the *Social Enterprise Promotion Act* in 2007 and the Basic Law on Cooperatives in 2012, contributing to an increase in social enterprises' registration. Similarly, in 2015, Thailand approved its draft *Social Enterprise Promotion Act,* which not only institutionalizes social enterprises and recognizes them as legal entities, but also provides them with a favourable tax structure. Tax incentives and favourable tax regimes such as tax credits and tax relief can play a role in boosting existing sectors, in the process, promoting economic development in rural areas and in supporting the development of emerging sectors.

Ensuring transparency in the regulatory system, with clear rules on compliance and insolvency, and effective mechanisms for resolving disputes can build entrepreneurs' confidence in the regulatory environment and encourage participation in economic activities. Inadequately defined and poor protection of property rights as well as unclear property registration processes and poor enforcement of copyright, patent and trademark regulations – a challenge for countries across the continent, pose barriers to enterprises and entrepreneurs.

Restrictions on women's right to own property, establish creditworthiness or laws that restrict women from opening a bank account or require their husband's permission to engage in a business, which exist in some countries on the continent, not only constrain women's participation in business activities, but also contribute to gender inequality.

Support the development of infrastructure

Access to energy supplies is critical in Africa. More than half of the continent's population (53 per cent) lack access to electricity. With the demand for electricity outstripping supply across the continent, SMEs, MSMEs and entrepreneurs lack critical inputs that stifle their productivity and lower their competitiveness. Ensuring access to adequate, affordable and reliable energy is crucial in unleashing the potential for entrepreneurship and industrialization.

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[43] Ibid

[44] Ibid

Efforts are being made to support infrastructure development. At the continental level, Programme for Infrastructure Development (PIDA) is supporting the development of priority regional and continental infrastructure in transport, energy, trans-boundary water and ICTs. Regional initiatives such as the Ruzizi III Hydropower Plant Project, a public-private partnership (PPP) initiated under PIDA that is supporting the development of a power plant in order to ensure access to reliable and affordable electricity in Burundi, Rwanda and the Democratic Republic of Congo are noteworthy.

Continent-wide, steps have been taken to address regulatory issues in energy generation and create an enabling environment for energy development that will in turn, enhance the business environment. Across RECs, regulatory measures have been adopted to ensure access to energy supplies. The Eastern Africa Power Pool (EAPP) has developed policy instruments, notably, the East African Coordination Centre and Independent Power Regulatory Board (IPRB), to support the development of regional power projects. Similarly, as is highlighted in Box 3, the West Africa Power Pool (WAPP) has undertaken cost reduction initiatives to address WAPP utility tariffs - the highest on the continent. At the same time, COMESA has adopted guidelines to ensure off-grid electrification and greater electricity supplies in the region.

RECs and Member States have taken steps to improve power connectivity, upgrade power plants and develop power transmission lines in order to boost power supplies. In the COMESA region, for example, energy infrastructure is being developed in order to reduce the cost of doing business and enhance competitiveness. The implementation of interconnector and regional transmission projects aim to ensure regional connectivity and relieve congestion on the regional grid, and facilitate electricity trading. In order to enhance energy interconnectivity, several projects are being implemented, including the Zambia-Tanzania-Kenya Power Interconnector and the Inga, Eritrea-Sudan, Batoga George and Ruzizi power generation projects.

Modernization of transport infrastructure to support business activity and industrialization along economic growth corridors (EGCs) is critical. Improving roads, upgrading railways and ports can go a long way in enhancing the environment for enterprises and entrepreneurs. Ongoing initiatives to improve transport infrastructure, notably, the construction of the railway from Djibouti to Addis Ababa and the upgrade of the Nairobi-Mombasa railway are noteworthy.

There is a need to improve infrastructure along transport corridors across regions such as East Africa's Northern Corridor that is anchored by the port of Mombasa and the Central Corridor that anchored by the port of Dar-es-Salaam, both of which are underutilized because of poor infrastructure, resulting in high freight costs that exceed global averages by more than 50 per cent.[45] Upgrading the port facilities and developing logistical infrastructure such as warehouses and storage facilities can go a long way in enhancing the capacity of trade-related infrastructure to facilitate entrepreneurship and industrialization.

[45] EAC 2012.

Investments are needed in order to ensure adequate infrastructure. The African Development Bank estimates that US $93 billion is needed annually to close the infrastructure gap, of which US$45 billion has been mobilized, leaving a gap of almost US$50 billion. Mobilizing resources for infrastructure development is critical. PPP investment in infrastructure could play a role in closing the resource gap for infrastructure development, and could have a multiplier effort on the economy, with investment in power supplies, transportation and ICTs boosting productivity and ensuring competitiveness.

Hence, the need to develop quality infrastructure and standards to help enhance Africa's SMEs competitiveness is critical.

Ensure the availability of energy supplies

As the demand for energy on the continent grows, it is important to ensure access to and availability of energy supplies from other sources. In this regard, alternative sources of energy are very important. Renewable energy sources such as wind, solar and biofuels have the potential to meet the growing demand for energy, while mitigating the environmental risks associated with the fossil fuels. Moreover, renewable energy not only represents an area for growth, but also for providing opportunities for innovation and new sources of modern energy services, including electricity and clean cooking facilities. Harnessing renewable energy is critical in order to close the gap in energy demand, which is unlikely to be met from through other sources.

Renewable energy also offers employment and business opportunities for enterprises as well as for women and youth. As is illustrated in Box 4 below, social businesses such as Solar Sisters in Uganda, which employ women in rural areas to sell solar-powered LED lamps for use in homes, not only help the women to raise their living standards by earning an income, but also address environmental concerns, including pollution and inefficiency as well as safety issues associated with the use of kerosene lamps, while promoting social inclusion and alleviating poverty for millions living in rural areas.

At the meso level, policies have been developed to support energy development. At the continental level, the AU's Bioenergy Framework and Policy coordination guidelines are designed to provide guidance to Member States and RECs in developing bioenergy policies and regulations. Across RECs, regulatory regimes that are designed to facilitate renewable energy development such as COMESA Guidelines on Feed-in-Tariff (FiT) are being developed. ECCAS has developed a Green Economy Strategy and established a Green Fund to support the development of the green economy in the region.

Initiatives are being undertaken to ensure access to energy supplies. The UN Sustainable Energy for All (SE4All) endeavors to ensure universal access by 2030 through modern energy services by improving agricultural productivity and creating business and employment opportunities, including for women; by doubling the rate of improvement in energy efficiency services by using fossil fuels more efficiently, reducing consumers' costs and ensuring more reliable electricity systems, and by doubling the share of renewable energy through ensuring affordable energy where the grid is beyond the reach of individuals, decreasing variability in energy costs and promoting business opportunities for MSMEs.

Similarly, IRENA's African Clear Energy Corridor (ACEC) is supporting countries in diversifying their energy sources by implementing initiatives in wind, solar, geothermal and biomass and is encouraging cross-border trade in renewable power in a continuous network from North to South Africa. At the regional level, programmes such as ECOWAS' Regional Centre for Energy Sufficiency (ECREEE) are improving access to modern, reliable and affordable energy of services and accelerating the uptake of renewable energy efficiencies.

At the national level, programmes such as South Africa's Renewable Energy Independent Producers' Programme aim to ensure the availability of renewable energy. At the same time, financing schemes such as the Sustainable Energy Fund for Africa (SEFA), launched in 2012 by the African Development Bank are playing an important role in ensuring energy access by investing in renewable energy projects and in ensuring access to finance for renewable energy. SEFA provided a grant to support solar hybrid mini-grids in rural areas, which increased energy access to rural households and created opportunities for small business formation in Tanzania.

In order to ensure adequate energy supplies, there is a need for significant investment in renewable energy infrastructure and services. Globally, investments in renewable energy have increased, from $60 billion in 2009 to $211 billion in 2010. Providing energy access to 1.3 billion people without access to electricity and 2.7 billion without cooking facilities, many of whom are in SSA, suggests there is enormous potential for new markets for fuel, electricity services as well as products.

To achieve universal access to energy, innovative mechanisms are needed to mobilize the projected $40-70 billion in domestic and international capital needed. Development partners, including the World Bank and the International Finance Corporation can support energy access through concessionary funding windows. As part of its New Deal on Energy for Africa whose goal is to achieve universal access by 2025, the African Development Bank is developing a platform for innovative funding in Africa's energy sector – Transforming Partnership Energy for Africa.

Private equity can play an important role in catalyzing the green sector. Increasingly, venture capital funds are being used to spur entrepreneurship in the renewable energy sector. In order to catalyze this sector, policies, regulatory and institutional frameworks are needed. Policies to promote renewable energy markets, in particular, measures for local content requirements that specify minimum sourcing and/or environmental requirements of a product or service, which can play an important role in stimulating job creation and supporting industrialization (in particular infant industries) are also needed. In addition, ensuring that SME/Is and MSMEs can meet international standards in order to allow enterprises to access lucrative international markets is vital. In addition, appropriate legal and regulatory frameworks for infrastructure services that encourage investment and improve efficiency in the sector are needed.

At the continental level, the AU can play a role in supporting RECs and Member States to formulate and/or strengthen entrepreneurship and industrial policies as well as develop institutions that are capable of and have the capacity to support entrepreneurship and industrial transformation.

The AU can also play a role in strengthening RECs' and Member States' capacity to harmonize their entrepreneurship and industrial policies in order to effectively address barriers that constrain SME/Is, MSMEs and entrepreneurs. EAC has identified the harmonization of Member States' entrepreneurship and industrial policies to ensure they can contribute to growth and development as a priority.

Beyond harmonizing their policies, the AU can support RECs and Member States in enhancing national and regional institutions' technical and management capacities to design, implement and monitor entrepreneurship and industrial policies.

The AU can also advocate among Member States the adoption of policy measures that will enhance the regulatory environment for enterprises and entrepreneurs. In addition to reducing the number of procedures for starting a business or eliminating business registration costs and for the provision of tax incentives and simplification of tax regimes as well as social protections for informal enterprises in order to encourage them to formalize their activities through business registration, ultimately enabling them to grow.

The AU can also advocate for regulatory measures that will improve the business environment for women such as simplifying tax payment systems by reducing payments and establishing standardized rates as well as in addressing discriminatory practices that hinder women from engaging in business activities.

In order to unleash the potential for SME/Is, MSMEs and entrepreneurs to contribute to employment and growth, there is a need to improve infrastructure and strengthen energy supply - key elements for industrial growth.

At the continental level, the AU can play a role in supporting Member States to develop industrial energy efficient policies and standards as well as frameworks for promoting investment in renewable energy. In addition, the AU can mobilize resources to increase investment on renewable energy.

In order to develop the renewable energy sector, the AU can encourage Member States to invest in human resources capacity building as well as support small- scale manufacturing and production through the development of effective local content requirements and incentives in green and renewable energy policies in countries and regions, and in prioritizing local production of renewable energy equipment and technologies in order to promote the sector's development. Member states have a critical role to play to support SMEs involved in Eco-friendly initiatives.

The AU can also support RECs in developing comprehensive regional frameworks to support the development of infrastructure programmes that facilitate industrialization along economic growth corridors, with a view to fostering productive integration.
The AU can also support RECs in undertaking a mapping of potential areas for growth across regions where industrial corridor programmes can be established in order to stimulate industrialization based on existing resource endowments and spatial linkages (a priority area for the EAC).

The AU can also advocate for subsidies aimed at addressing power shortages, a key challenge on the continent as well as the development of energy parks for SMEs. In addition, the AU should focus on addressing competition laws which hinder the development of the energy sector in Africa.

Box 2. Chile: Best Practices in Enhancing the Regulatory Environment for Entrepreneurship

As part of its Strategy to revitalize its economy, the Chilean government has in recent years taken steps to promote entrepreneurship. In 2010, the Chilean government established *Startup Chile,* an innovation programme implemented by InnovaChile that promotes innovation by attracting early-stage high-potential entrepreneurs to launch their enterprises on a global platform. With a goal to positioning Chile as the innovation and entrepreneurship hub of South America, *Startup Chile*, which operates an accelerator that provides a co-working space for startups as well as follow-up support, provides equity-free financing, helping to catalyze innovation. (http://startupchile.org/)

In 2013, prior to developing its *Green Growth Strategy*, Chile adopted policy measures to enhance the regulatory environment for entrepreneurship by reducing the procedures related to starting a business to one day and at no cost, and amended its bankruptcy law to allow for easy transfer of assets from failed companies to new businesses, thereby facilitating re-starts. Developed by the Ministries of Finance and the Environment, Chile's *Green Growth Strategy* (2014-2020) aims to promote economic growth and development within the context of sustainable development, and is designed to encourage the creation of environmental goods and services, promote eco-innovation and entrepreneurship as well as green employment and training, thereby reducing the impact on the environment.

Chile's low corporate taxes, highly supportive business climate, a simplified tax regime that facilitates start-ups, and adequate provision of social services for female entrepreneurs, make it an ideal and conducive environment, including for women entrepreneurs.

Box 3 - West Africa Power Pool (WAPP) is a specialized institution of ECOWAS whose aim is to promote and ensure power supply in the Western Africa Sub-Region. It comprises of 26 public and private electricity generation, transmission and distribution companies in West Africa. Its goals are to:

- Integrate national power system operators into a unified regional electricity market

- Assure citizens of ECOWAS Member States of stable, reliable electricity supply at affordable costs

- Develop clear and measureable standards to harmonize electricity and operations of pooled electric systems in Member Countries

- Increase the level of power supply through the implementation of priority generation and transmission projects.

WAPP has undertaken cost reduction initiatives to address WAPP utility tariff, which are the highest on the continent, WAPP has prioritized the development of a reliable transmission network to share resources in the region. In an effort to diversify its energy mix and reduce its dependency in fossil fuels, particularly in areas that have few hydroelectric or gas resources, WAP has initiated plans to develop renewable energy sources.

Source: WAPP

Box 4 – Women's Energy Entrepreneurship

Solar Sisters
Established in 2008 in Uganda, Solar Sisters provides economic opportunity to women entrepreneurs who sell clean energy technologies, including clean cooking stoves and fuels as well as lamps, bringing affordable, energy technology in remote, rural areas of sub-Saharan Africa that are off the grid.

A direct sales network of women entrepreneurs, Solar Sisters, which operates in Uganda, Tanzania and Nigeria, employs over 2,000 women. Over 300,000 people have benefitted from Solar Sisters. In addition to investing in their families, women entrepreneurs have raised their standards of living by earning an income. Moreover, users of the clean energy technologies no longer use inefficient and unsafe fuel sources such as firewood and kerosene lamps.

https://www.solarsister.org/

Pillar 2: Facilitate Innovation and Technology and Promote Start-Ups, Knowledge-Based Sectors and Growth Enterprises

Unprecedented developments in technology and innovation, in particular, the rapid growth of information and communications technologies (ICTs) and their capabilities have created new opportunities for SME/Is, MSMEs and entrepreneurs. ICTs, used here to refer to digital technology including computers, mobile phones as well as broadband technologies, play an important role in supporting the development of knowledge economy creating the condition for promoting start-ups, SMEs.and entrepreneurship in general. .

Growth enterprises[46] are critical to economic development. These firms are powerful engines of innovation and growth. They make a disproportionate contribution to the economy through significant job creation and revenue generation. Growth-oriented firms, those having scope to expand in terms of size or business in short period are characterized by productivity and competitiveness. These are prerequisites for SME/Is' structural transformation towards opportunity-driven job creation and revenue generation.

While MSMEs - the dominant firms in Africa are unlikely to transition to growth-oriented firms and have limited potential to drive Africa's structural transformation, owing to their low productivity, there is scope, however to promote growth-oriented firms, which have the potential to stimulate growth through employment and revenue growth and provide the impetus for structural transformation on the continent. In order to unleash their potential to contribute to Africa'seconomic growth and transformation, the strategy will focus on enhancing institutions' capacity to serve growth-oriented enterprises and supporting growth-oriented firms.

- In order to unleash the potential of innovation and technology to contribute to SME/Is, MSMEs and entrepreneurs' growth and competitiveness, the strategy will focus on the following six areas under pillar
- Promote research and development (R&D) and technology transfer
- Building and strengthening institutional frameworks
- Promote access to increased application of ICTs
- Support digital infrastructure development
- Strengthening institutions' capacity to serve growth-oriented enterprises
- Support growth-oriented firms

Promote research and development (R&D) and technology transfer:
Technological innovation is an essential element in enabling entrepreneurship and promoting SMEs and industrialization. Sectoral innovation opportunities, ease of access to finance, availability of a skilled workforce and the regulation of intellectual property rights (IPR) are

[46] Common definitions of growth firms are based on a number of criteria, including employment growth (turnover) and/or revenue over a given time period, and have been categorized as follows. Strong growth firms (with fewer than 50 employees that increased the payroll by at least 50 percent); high-growth or gazelles, which outperform other businesses in terms growth in sales and/or employment and have an annual growth rate of 20 per cent or more in employment and/or revenues over a three-year period, while gazelles, a subset of high-growth firms, are less than five years old, and hyper growth firms (with fewer than 50 employees that increased their payroll by more than 100 per cent over a period of time).

important factors that determine innovation. at the firm-level.

Encouraging R&D and technology transfer as well as an environment that supports the commercialization of science and technology is essential for knowledge and skill development benefiting the growth of SMEs and industries. Academia plays an important role in providing technology transfer and promoting the commercialization of its research, including the development of spin-off enterprises, while the private sector invests in the commercialization of science and technology, and in bringing the ideas to the marketplace. Consequently, for innovation to be effective, government, academia and the private sector, each of which provide crucial support in the development of an entrepreneurial and industrial ecosystem, need to work collaboratively to achieve mutual goals.

Attempts to promote R&D across regions have had limited success. In the EAC region, for instance, lack of scale, insufficient relevance to business needs and inadequate funds for scaling initiatives has contributed to limited promotion of R&D.[47] Also, lack of coordination between public and private sectors as well as limited synergies between R&D Centres, universities and industries, contributes to low commercialization of research and limited dissemination of results.[48]

Policies to support innovation, technology transfer and industrial development are important in ensuring the environment for R&D. For innovation and industrial policies to have a positive impact on firm-level performance, there is a need to identify how much research and other support is needed to boost private sector development.[49] In addition, in order to provide the appropriate incentives, there is a need to identify the kinds of activities as well as the types of firms that need to be supported, their areas of focus, and the targeted beneficiaries.[50] Moreover, coordination efforts by research centres targeting industrial research priorities would yield better results and ensure optimal utilization of limited research funding and existing facilities.

Funds can be instrumental in spurring technological innovation. For example, in South Korea, R&D subsidies have spurred SMEs' growth, these firms accounting for 50.8 per cent of value added surpassing large enterprises, which accounted for 49.2 per cent. Increasingly, Innovation Funds such as South Africa's Innovation Fund, Partners in Industrial Innovation (PII) Fund and Lead Programme in Innovation are catalyzing innovation. Funding to catalyze innovation from non-traditional sources such as private equity (angel financing and venture capital) has grown in popularity. Venture capital is increasingly being used to support innovation in the area of technology. E-Ventures Africa, for example, has invested in ICT SMEs in East Africa. Similarly, VC4Africa, the largest online resource linking investors to the most promising entrepreneurs, has partnerships with more than 600 angel and early-stage venture capital investors across 159 countries.

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[47] EAC, 2012
[48] Ibid.
[49] UNCTAD, 2015. Technology and Innovation Report, 2015: Fostering Innovation Policies for Industrial Development
[50] Ibid

What are then AU's strategy to promote R & D and technology transfer? (regional policy framework, knowledge repository an transfer)

Support institutional strengthening and/or development

Institutional frameworks are necessary to facilitate technological development and innovation. Recognizing that green growth can contribute to economic development, many countries have developed frameworks to support green entrepreneurship in order to promote the uptake of new technologies and encourage the diversification to more efficient green processes, practices as well as products and services, providing the impetus for the sector's growth.

At the international level, the OECD′s green growth framework illustrates how countries can achieve economic growth, while preventing costly environmental degradation, climate change and inefficient use of natural resources. At the same time, many countries, including Chile, China, Germany, South Korea, Mozambique and Rwanda, among others, have developed strategies aimed at promoting green growth. In 2013, Chile developed its green growth strategy that is designed to encourage the creation of environmental goods and services and promote eco-innovation and entrepreneurship as well as green employment and training.

Increasingly, incubators are being developed to support start-ups in emerging sectors. South Africa's Reconstructed Living Lab (RLabs), an innovation incubator which supports social businesses that aim to empower local communities through innovation, and the Tunisian Centre for Social Entrepreneurship, a social incubator that promotes social entrepreneurship in Tunisia by providing education, financing and networks as well as incubation for social enterprises, and Icecairo, a green innovation hub in Egypt that is equipping young entrepreneurs with green skills as well as business support to enable them to pursue green entrepreneurship, are examples of this.

Clusters can help encourage and foster innovation within a concentrated area by supporting a large number of businesses that can then build on each other's innovations. Collaboration with firms involved in the cluster can help SME/Is and MSMEs in meeting compliance requirements, thus raising their productivity and competitiveness. Clusters can also lower costs by sharing inputs and equipment and through bulk purchase of raw materials, allowing for greater market access through joint marketing.

Clusters contribute to higher productivity as firms operate at higher efficiency, drawing on more specialized assets and suppliers. Moreover, clusters tend to have higher business formation, with start-ups and external suppliers emerging. Clusters also contribute to learning and innovation, with knowledge spillovers and close interactions with customers and other firms, as well as knowledge-intensive service providers allowing for the development of new ideas.

Technology clusters help to spread technology and innovation through facilitating knowledge exchange, product promotion and the commercialization of research. Generally located in close proximity to academic institutions, technology clusters benefit from the highly-skilled labour that these institutions provide, which, in turn, helps employees in firms within the sector as well as those in academic institutions to build their skills through employment.

Technology incubators and accelerators are entrepreneurship enablers. The structures, which provide a range of business development services, support entrepreneurship development and are critical to and essential in stimulating start-ups and entrepreneurs, and in providing a conducive environment that nurtures innovation.

While they are associated with developed countries, technology incubators are growing in popularity in developing countries, including in SSA. Incubators in ICT and digital entrepreneurship enablers such as Cameroon's Activspaces and mLabs in Kenya and South Africa as well as mHubs - networking organizations that are designed to meet the needs of entrepreneurs at various stages of growth have been established in Tanzania and Uganda.

Similarly, business accelerators, which are time-bound, intense programmes that support digital start-ups by turning ideas into new, scalable digital businesses, are promoting innovation. Nigeria's Information Technology Developers Entrepreneurship Accelerator (iDEA), which provides workspace, training, mentoring and access to capital to entrepreneurs and has been behind the success of start-ups in Nigeria's ICT sector, is an example of this. Taken together, the potential for incubators, hubs and accelerators to address development challenges is promising.

Besides incubators and accelerators, science, technology and innovation (STI) parks, which ensure quality standards for innovative businesses and offer R&D, while providing higher value in services, are playing an important role in promoting innovation. STI Parks facilitate knowledge and technology transfer, foster start-up firms in the park and provide incubation support to these businesses. Increasingly, STI Parks are emerging in developing countries. For example, Business Park of Mauritius has spawned Ebene Cyberctiy, Rose Business Park and Solitude Business Park. Examples of other parks include Technopole of Sousse in Tunisia and Technopole of Casablanca in Morocco as is shown in Box 7.

Financing is crucial for the development of start-ups. Angel investors have played a crucial role in spurring enterprise development by raising capital to support promising start-ups, with much of this funding being directed at technology start-ups. India's Start-Up Village Angel Fund provides financing to promising start-up companies, including youth-led businesses participating in Start-Up Village business incubator.

Clusters have been instrumental in promoting SME/Is' growth and development by enhancing SME/Is' employees' skills as well as by promoting innovation (process and product), and enabling spin-off companies to develop. Clusters have the potential to support the development of medium enterprises – the missing middle between MSMEs and large, formal enterprises, with promising prospects for countries' growth.

Industrial clusters can promote growth through entrepreneurship and boost industrial development particularly for firms that lack capital, technological know-how and access to markets. Increasingly, industrial clusters are being developed to catalyze economic growth in some African countries. Special Economic Zones (SEZs) have been established in several countries in Africa, including Egypt, Ethiopia, Nigeria, Sierra Leone and Zambia to boost trade, create employment and promote industrial development. While SEZs' performance in Africa has been mixed, in some countries such as Ethiopia, SEZs have delivered on their intended objectives.

As part of its Growth and Transformation Plan, Ethiopia has established several SEZs to support industrial development and create employment (See Box 3). A supportive investment climate as well as supportive policy, regulatory and institutional frameworks and incentives to encourage investment in SEZs have been critical to these structures' development. In addition, well-developed physical infrastructure, in particular, road and rail networks as well as links to ports have played a crucial role in facilitating SEZs' development.

Public-private partnerships can help to spread technology and innovation. A partnership between Silicon Valley entrepreneurs and Tanzania's Commission on Science and Technology (COSTECH) technology incubator, for example, is spreading technology and innovation by building the capacity of young Tanzanian software developers to create businesses that have strong growth potential.

Programmes such UNIDO's *Industrial Upgrading and Enterprise Competitiveness Initiative* which seek to enhance the contribution of private sector manufacturing enterprises through training in productivity, technology and innovation by linking government and academia as well as industries to South-South initiatives such as UNIDO's *International Technology Centres* which facilitate technology transfer and training, are noteworthy. In addition, UNIDO's *Productive Work for Youth Initiative* is assisting young people involved in the Tanzania's cashewnut value chain to improve their earnings by providing community-level enterprises with appropriate technical equipment for pre-processing plants and in upgrading technology in end processing plants, thereby spreading technology and innovation.

Similarly, the World Bank's *InfoDev Climate Technology* is catalyzing technology and innovation as well as the emergence of new sectors. Through its network of locally-owned and operated Climate Innovation Centres (CICs) in Ethiopia, Ghana, Kenya, Morocco and South Africa, the World Bank is accelerating the development and transfer of locally-relevant climate and clean technologies.

Promote Access to Increased Uses of ICTs

ICTs are essential in learning new skills for the digital economy as well as for the development of new products, services and processes or to improve existing ones. Increased engagement of the youth in the use of ICTs helps them to gain skills that will allow them to take part in and contribute to the digital economy, in so doing, also reduce inequality and foster social inclusion.

Young people are increasingly harnessing the Internet to create economic opportunities, with the platform enabling entrepreneurs, regardless of their geographical location, to establish online businesses as well as access larger and geographically-diverse markets.

Access to affordable and appropriate technology (software and hardware), access to training as well as availability of infrastructure including reliable and affordable internet, are essential. These would create the condition for the youth to take full advantage of these technologies. Across countries, governments are playing a role in ensuring that young people gain access to ICTs. Rwanda, for instance, has distributed over 250,000 laptops to students in more than 900 primary school as part of the One Laptop Per Child initiative.

ICTs have enabled people from socially-disadvantaged backgrounds to participate in the digital economy. Individuals with basic ICT literacy are increasingly participating in emerging areas such as outsourcing, crowdsourcing, and microwork, including in some African countries. Samasource enables young people at the margins of society to develop skills in technology that enable them to increase their earning power and lift themselves out of poverty. Programmes such as South Africa's Vulindlel eJozi are providing digital literacy.

ICTs are critical for e-commerce, an area that holds tremendous potential for business, particularly for SME/Is, MSMEs as well as entrepreneurs by overcoming transportation barriers and in reducing costs, while reaching new markets in far-flung places. E-commerce is increasingly being harnessed for business by SME/Is, MSMEs and entrepreneurs, including in Africa. For example, BITO Market, an online directory developed by a young entrepreneur in Tanzania, links farmers to buyers. Similarly, Souq, an e-Commerce platform in Egypt, allows buyers and traders to purchase and sell products on online.

Efforts are being made to ensure that young people obtain the skills and competencies needed to engage in a global economy. Global companies such as Cisco, Microsoft, Google, Facebook, Intel, IBM, Hewlett Packard and Apple are providing opportunities to young people with advanced ICT skills with the necessary resources and supports to ensure that they acquire needed skills to develop relevant solutions for their customers and improve their businesses. Programmes such as Microsoft's *YouthSpark* which provide training in ICTs as well as entrepreneurship opportunities to young people in developing countries, allows them to acquire skills that will prepare them to compete in the technology field and in the 21st Century workplace.

In addition to raising awareness of entrepreneurship opportunities, networks are also playing an important role in shifting mind-sets. *Girls in Tech,* a global social enterprise that offers girls and women the tools and resources to enhance their professional careers and aspirations in the area of technology and entrepreneurship, is encouraging them to pursue careers in non-traditional fields, in so doing, changing mind-sets about gender involvement in the technology field.

Competitions through bootcamps can promote innovation. Tony Elumelu Foundation hosts bootcamps that lead to startups in different areas. In 2015, the Foundation hosted a 2-day bootcamp for 1,000 aspiring entrepreneurs with ideas to launch businesses. Similarly, Liberia's E Plus Programme hosts a business plan competition that provides funding to support entrepreneurs in launching their businesses.

Support infrastructure development

Technology-based platforms - online and mobile-based are increasingly being harnessed to foster innovation. Mobile technology, for instance, has been harnessed to develop digital businesses that were non-existent a few years ago. For instance, M-KOPA, a pay-as-you-go solar business in Kenya was launched in the aftermath of the digital money transfer service, M-PESA.

While the potential for the internet as a trading space is promising, it remains largely underutilized in much of sub-Saharan Africa partly because the infrastructure for ICTs in these countries is underdeveloped.

At the regional level, initiatives such as SADC's Regional Information Infrastructure (SRII) – an optical fibre-based telecommunications backbone network facilitates linkages globally through NEPAD Broadband Infrastructure Network and the Eastern Africa Submarine System (EASSY) are improving access to high-speed broadband as well as the business environment.

Enhance institutions' capacity to serve growth-oriented enterprises

Growth firms possess certain attributes. They tend to be small in size, less than 100 employees, are young – less than five years old, and are generally innovative - defined here as the ability to develop new products, processes or services which may not be novel, but are new within the firm or in the local context. Innovation is an essential element in ensuring firms' competitiveness and growth, and is a driver of economic growth. Innovation is also associated with R&D investment, with growth firms typically allocating 20 per cent or more of their expenditures to R&D.

An analysis of high-growth firms in eleven countries in Africa, identified these entities as possessing the following characteristics: engaging in product innovation, having their own transport systems and being connected to the internet through their own websites.[51] Beyond ICT and a few manufacturing growth-oriented firms in Africa, little is known about these firms, their characteristics and distribution on the continent.

Support Growth-Oriented Firms

Growth-oriented firms face different challenges and constraints in the business environment. These include access to capital finance, lack of professional management competencies – a challenge for many enterprises in Africa, and access to networks. Moreover, for growth-oriented firms, which tend to be outward-looking with these firms being more likely to export as well as being sources of new markets, export assistance and market development supports are essential. In order to support the development of growth-oriented firms and to facilitate the transition of SME/Is with an intent to grow, there is a need to better understand their needs.

Evidence suggests that dynamic, informal enterprises with the ability and potential to grow as well as necessity-driven enterprises whose owners would probably prefer to be waged and salaried workers have the potential to transition to growth-oriented firms.[52] These include some 'top performer' informal enterprises, which based on a survey undertaken in West Africa, tend

[51] Goedhuys and Sleuwagen (2010). High-growth entrepreneurial firms in Africa
[52] ILO, 2015

to have business skills, exhibit entrepreneurial behaviour, and have high marginal returns to capital.[53] With the majority of Africa's firms concentrated in the informal sector, there may be an opportunity to support 'upper tier' informal firms that possess 'top performer' characteristics, which have the potential to make significant contributions to the economy.

Policies to promote innovation are essential in creating an enabling environment for growth-oriented firms. Establishing national innovation systems - a set of policies and incentives to stimulate R&D and technological development as well as skills development, and encouraging university-industry linkages - essential elements in providing the impetus for innovation, is critical.

Investment to foster the development of high-growth firms is crucial. Recognizing the importance of innovation in stimulating growth-oriented firms, in many countries, private equity funds are increasingly being used to support these firms. In Africa, private equity funds such as Kukua Fund, Dobb Foundation, Fanisi Capital and Mara Launch Uganda Fund have emerged to support growth or growth-oriented firms.

Incubators are essential in nurturing growth-oriented firms. The structures provide technology facilities and information as well as other support that is essential in developing business ideas, fostering partnership and joint ventures. SMEs in Kenya's ICT sector have benefitted from the support of incubators such as iHub, which in turn has spawned other technology spaces such as Startup Garage, Nailab, Growth Hub, The Nest, Pawa 254, Swahili Box, Lake Hub, to name a few.[54]

Technology can create opportunities for growth-oriented firms to emerge. ICTs have played an important role in driving growth in Africa. International technology firms such as Google, Microsoft, Oracle, among others, have provided the impetus for the development of technology businesses on the continent. More recently, value-added and locally relevant content has contributed to the growth of emerging and vibrant software and mobile application businesses. With the potential for continued growth in the sector, there may be opportunities for SMEs, which have been fundamental to ICT sector growth in other developing regions (i.e. India), to contribute to the long-term sustainability of the ICT sector in East Africa,[55] while boosting their productivity and becoming competitive.

For growth-oriented firms to take hold, they require technical and managerial capacities as well as information on international markets, early-stage financing and specialized business support such as coaching and mentoring. Access to business support services that provide technical and managerial training, export readiness, market development and market intelligence as well as benchmarking tools are essential for these firms.

Potential areas for growth in the ICT sector include in design and user interface development, software development, content generation and rural service delivery. Ensuring access to finance as well as business skills can go a long way in ensuring that growth-oriented SMEs

[53] Ibid
[54] Transforming East African ICT Firms by Creating a Business Engine for SMEs.
[55] Ibid.

build and grow their businesses. In addition, mentorship from established firms can play an important role in fostering the emergence of growth-oriented firms in the sector.

The pharmaceutical industry in Africa is a promising area for growth and according to the African Development Bank, is the fastest growing sector. With African accounting for only 2 per cent of the global pharmaceutical market,[56] it is, however an area whose potential has largely been unrealized. The industry, which comprises of small, privately owned companies that serve national markets, is characterized by weak and limited local production, with local manufacturers producing 25 to 30% of pharmaceuticals and less than 10% of medical supplies that are on the African market.[57]

While supportive policy frameworks that promote the development of a viable pharmaceutical manufacturing sector, including the SADC's Pharmaceutical Business Plan and the EAC's Pharmaceutical Manufacturing Plan at the regional level, and the Pharmaceutical Manufacturing Plan for Africa at the continental level, and despite the availability of immense raw materials to support the sector, African SME/Is play a limited role in pharmaceutical innovations.

As a consequence, very few SME/Is engage in drug development in Africa. In order to realize their potential, a comprehensive approach is needed to address constraints that these firms face. Access to finance (early-stage in particular), which is critical for pharmaceutical firms that need capital for R&D, and access to knowledge networks, and links with international pharmaceutical industry to promote innovation are essential in supporting the development of the sector. Inter-African pharmaceutical networks can play an important role in fostering growth of the sector by ensuring firms establish links with the broader international biopharmaceutical industry, providing them to access to skills and markets for their products.

Given their potential to drive structural transformation through productivity, competitiveness and innovation, it is important to consider how to nurture the development of growth-oriented firms. At the continental level, the AU can play a role in supporting the development of growth-oriented firms. Nurturing young, small and dynamic ICT enterprises on the continent, which have the potential to create stable, opportunity-driven jobs, to grow into large firms is crucial. Specific measures that should be targeted to these firms such as ensuring access to business and technical skills as well as access to global and regional markets, and to early stage-financing. and a conducive business environment, can play an important role in this regard.

The AU can play a role in mobilizing resources to support the development of a vibrant biopharmaceutical sector that can contribute to the development of a skilled labourforce and support the development of allied industries. Supporting the fast-tracking of the Pharmaceutical Manufacturing Plan for Africa that is designed to ensure less dependence on imports and contribute to the emergence of a vibrant domestic industrial pharmaceutical sector is important in this regard.

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[56] African Development Bank

[57] Ibid.

Beyond growth-oriented firms in the ICT and commodity sectors, much needs to be understood about growth-oriented firms different sectors in Africa as well as the needs of SME/Is with an intent to grow in order to better support them. Also, the AU can support the development of an enabling regulatory environment that can allow for the development of growth-oriented firms.

The AU can use its convening power to create a policy space to foster dialogue on and better understand the needs and demands of growth enterprises (SME/Is and MSMEs).

At the continental level, with an agenda to support industrialization and innovation, the implementation of the Africa Technology and Innovation Initiative (ATII) can play a role in unlocking the continent's potential for innovation.

The AU can play a role in encouraging Member States to develop national and regional innovation systems which are non-existent as well as establish funds to catalyze the technological innovation, including among underserved SME/Is and MSMEs. The AU can also encourage RECs to establish regional industrial innovation funds to support technology and innovation, while promoting collaborative R&D across regions.

The AU can support Member States to foster R&D and technology transfer through university-industry partnerships as well as to develop an environment that supports the commercialization of science and technology through regulatory measures that encourage investment in R&D as well as through PPPs that invest in the commercialization of science and technology. At the regional level, supporting the establishment of mechanisms and infrastructure to facilitate collaborative R&D can go a long way in providing the impetus for commercialization. To this end, the AU can support the EAC in establishing its proposed Industrial Research and Technical Institute.

The AU can play a role in supporting the establishment of and/or in strengthening existing institutions in order to support innovation, industrial development and technology. The AU can encourage RECs and Member States to develop industrial parks and clusters, including in emerging sectors, in order to promote innovation and help to unlock the potential for SMIs to raise their productivity and competitiveness, and contribute to sustainable employment. The AU can also encourage Member States to adopt regulatory measures that will promote investment in industrial clusters such as providing tax rebates, subsidies and tax exemptions.

The AU can play a role in supporting Member States to develop appropriate regulatory frameworks that will allow for private sector investment in the development of business incubators and accelerators as well as public sector investment in the appropriate infrastructure needed to catalyze their development of these structures. In addition, the AU can encourage Member States to support investment in the development of ICT Parks, which have the potential to contribute substantially to national GDP and create employment.

The AU can also play a role in supporting member states to ensure access to technology. Investment in ICTs as well as in connectivity (internet) and in encouraging the increased adoption of ICT use and the provision of ICT skills among SME/Is, MSMEs and women and young entrepreneurs is essential in supporting enterprises and entrepreneurs' to increase their productivity as well as to take advantage of new business opportunities through e-commerce. Supporting Member States to engage in e-commerce readiness through national assessments is important in this regard. Also creating demand for digital employment opportunities such as microwork from government and large corporations as well as ensuring well-developed technical skills and the development of adequate standards, can play a role in support digital employment.

In addition, the development of digital infrastructure can support high-speed broadband and enhance connectivity across regions, while catalyzing innovation and supporting technological development. Similarly, skills development in scientific and technological research capacities can also support technological development, while improving productivity and competitiveness. The AU can advocate for skills development in scientific and technological research capacities and encourage Member States and RECs to invest in digital infrastructure.

The AU can use its convening power to create a policy space to foster dialogue on and better understand the needs and demands of enterprises (SME/Is and MSMEs) as they relate to technology, innovation and industrialization.

The AU can support the development of cluster co-operation platforms and cluster-to-cluster matching events in order to facilitate knowledge sharing on innovation.

Box 5. Industrial Special Economic Zones (SEZ) – Ethiopia

As part of its Growth and Transformational Plan, Ethiopia identified industrialization as a means of promoting economic growth. In order to achieve this goal, the Ethiopian government is supporting the development of Industrial Special Economic Zones (SEZs).

Using both public and foreign investment to catalyze their development, the Ethiopian government has adopted policy frameworks to support SEZs' development, including the Investment Proclamation, which has provisions on SEZs' establishment and administration. In addition, institutional frameworks, notably, the Ethiopian Industrial Zones Development Corporation, which can access credit as well as foreign aid, have been established to support SEZs' growth, including the two discussed below.

Eastern Industrial Zone and Bole Lemi Industrial Zones
As part of the Eastern Industrial Zone, Dukem and Bole Lemi Industrial Zone were established to support medium and large-scale manufacturing firms in textiles, leather and leather products, sugar, cement, pharmaceuticals, among others.

Bole Lemi Industrial Zone is a government-owned SEZ that comprises of 12 shoe, textile and garment production firms. Established in 2012 with significant investment from the Ethiopian government and the World Bank, the SEZ has attracted international investors from China, India, Sri Lanka and South Korea. Located in the outskirts of Addis Ababa, the SEZ, which has direct access to Addis Ababa International Airport and the Addis Ababa-Djibouti Port, the country's import-export corridor, has created employment for 1,500 Ethiopians.

Eastern Industrial Zone is a Chinese-owned SEZ. Located in Dukem, it is situated on the Addis Ababa-Djibouti Highway and has access to the Addis Ababa-Djibouti Port. The SEZ, which has firms in cement, shoes, packaging, garments and auto assembly and has created 4,500 jobs is owned by a Chinese firm, Jiansu Qiyuan Group.

Box 6. STI Parks in Africa – Technopole de Sousse, Tunisia and Technopole de Brazzaville and Pointe-Noire in Congo

Technopole de Sousse in Tunisia focuses on mechanics, electronics and IT (applied computing). Established as part of Tunisia's strategy to develop linkages between education, research and production and promote incubation as well as the creation of innovative enterprises, the Park, which is located in close proximity to industrial zones, offers startups business support and incubation services and comprises of a training and scientific research training centre, the National Engineering School and the Research Centre on Nanotechnology and a business incubator to support innovation. http://www.technopole-sousse.rnrt.tn/en/index.php?lang=en

Technopole de Brazzaville and Pointe-Noire in Congo are designed to provide services to support innovation in entrepreneurship as part of Congo's efforts to diversify the economy. The STI Park in Brazzaville is designed to catalyze the digital economy, while the Park in Pointe Noire is oriented toward service delivery and quality control, industrial maintenance and research. Launched in 2013, the goal of these technology parks is to contribute to business innovation by supporting innovation and through the development of university-industry partnerships in order to diversify Congo's economy.

Box 7 - Mavid Pharmaceuticals Ltd., Uganda

Mavid Pharmaceuticals Ltd is a locally-owned, growth-oriented enterprise that specializes in manufacturing oral and topical preparations. Based in Kampala, the enterprise, which has 52 employees, 6 of whom are technical and 38 are non-technical, and 8 part-time staff, has a turnover of Uganda Shs. 2,600,000 in 2009.

While the business has the potential to export to neighboring countries, it faces competition from firms in the East African region following the EAC integration. Areas of further support for Mavid Pharmaceuticals include access to low-cost loans for capital investment, skills and knowledge transfer, technology transfer and coordination of collaboration with local universities for skills development as well as R&D.

Source: UNIDO: Pharmaceutical Sector Profile – Uganda
http://www.unido.org/fileadmin/user_media/Services/PSD/BEP/Uganda%20Pharma%20Sector%20Profile_f

Pillar 3: Ensure Access to Finance

Ensuring access to finance is critical in enhancing the entrepreneurial environment for unleashing the potential of enterprises and entrepreneurs. In order to ensure access to finance, the strategy will focus on the following three areas under pillar 3.

- Promote innovative financing
- Establish new funding mechanisms
- Support institutional capacity to serve SME/Is, MSMEs and entrepreneurs

Promote Innovative financing
According to the World Economic Forum, the funding gap for small businesses in emerging countries (including Africa) is estimated at US$ 2 trillion. Innovative financing arrangements can play an important role in meeting enterprises and entrepreneurs' needs.

Innovative financing options such as private equity can help to boost investment and be a catalyst for growth. While it is a promising source of funding for SME/Is and MSMEs, and despite its sharp growth in Africa, private equity remains underutilized.

Venture capital is increasingly being harnessed to catalyze entrepreneurship development, including in Africa. Ghana's *Venture Capital Trust Fund* (VCTF), a public-private partnership that is partly financed by Ghana's Ministry of Finance and Economic Planning, has leveraged funding to provide low-cost financing to businesses, including SMEs as well as social enterprises that address pressing social issues such as unemployment, access to health and education. Similarly, Ghana's Export Trade, Agricultural and Industrial Development Fund has established an equity fund that is targeting investment to support SMEs that engage in agro-processing, export trade and industrial development. There is scope for private equity investment from Southern partners, notably, China and India. In order to support private equity investment in Africa, appropriate legal and regulatory frameworks are needed.

Marketplace lending platforms such as crowdfunding and online crowdfunding and peer-to-peer have emerged in recent years. Crowdfunding, which allows individuals or businesses to raise funds in small amounts from other individuals or businesses online, and increasingly, using mobile technology and on social media, can ensure access to financing for SMEs, including those operated by underserved entrepreneurs. Similarly, online peer-to-peer lending platforms that match borrowers seeking a loan directly with lenders such as Kiva are helping entrepreneurs as well as SMEs to raise funds to support their businesses. While Kiva is the most well-known online lending platform, other crowdfunding platforms such as Indiegogo, which help entrepreneurs and SMEs to raise funds, are bridging the financing gap.

Marketplace lending can be enhanced by a supportive environment, including regulatory frameworks that recognize these platforms and create rules to support digital payments as well as the infrastructure to support online lending platforms. Also, the presence of risk-taking investors as well as educated borrowers can enable these platforms to become viable financing options.

Harnessing the potential of marketplace lending platforms to meet Africa's entrepreneurs' and SME/I and MSMEs' needs is hampered by lack of regulatory frameworks particularly where online platforms are undefined, and where infrastructure to support online- and mobile-based platforms is lacking or underdeveloped. Similarly, while crowdfunding is a viable option for SMEs and MSMEs seeking financing for their start-ups, its potential in Africa is yet to be realized, in large part, because the infrastructure to support online lending platforms is underdeveloped in many countries across the continent.

Digital financing has become an important source of financing for SME/Is, MSMEs and entrepreneurs. Branchless banking, which provides financial services through digital channels, primarily through mobile phones, offers convenient, low-cost services when compared with traditional banking. It holds tremendous promise in fostering financial inclusion among the world's poor who are unbanked, including underserved SME/Is, MSMEs and entrepreneurs in remote, rural areas in Africa. For instance, digital financial services are playing an important role in unlocking the potential for smallholder farmers. Zoona, a digital financial service provider in SSA, enables farmers in Nigeria to receive fertilizer vouchers that can be redeemed by mobile phone. Similarly, SimbaPay – a London-based money transfer service allows people in the diaspora to send remittances to families in East Africa and Nigeria, is also noteworthy.

Despite the tremendous growth of mobile money services which have expanded significantly, with SSA having the largest share of live mobile services, and East Africa leading the way with 93 million mobile money accounts in 2014,[58] lack of regulatory frameworks to enable the provision of mobile money constrains the development of mobile financial services and hinders its potential to meet SME/Is and MSMEs' needs. Also, lack of and/or inadequate infrastructure to support mobile-based platforms is a barrier to the provision of digital financing and cross-border financial services. Appropriate regulatory frameworks are needed to ensure that mobile money services can effectively deliver safe financial services to SMEs, MSMEs, entrepreneurs and marginalized groups. Reforms undertaken in Kenya and Liberia in 2014 that allow banks and non-bank providers to provide services in a sustainable way have enhanced the regulatory environment for digital financing.[59]

Establish new funding mechanisms

Expanding and creating new funding mechanisms that use public or private resources to catalyze the mobilization of private sector resources is essential. Increasingly, challenge funds that are capitalized by multilateral development agencies have become important sources of financing for private sector development, including for SMEs. For example, the G-20 SME Finance Challenge was established to address challenges related to access to finance for the

[58] GSMA Mobile Money for the Unbanked. 2014 State of the Industry Report
[59] Ibid.

'missing middle' tier of SMEs that are often too small to benefit from commercial banks or investor interest, or too large to benefit from microfinance products.[60]

Impact investment – investment in initiatives that address a pressing social problem, is also growing in popularity. Impact investment can promote financial inclusion by supporting MSMEs, which often have limited access to capital. In order to catalyze the development of impact investment, incentives such as favourable tax regimes as well as tax incentives to stimulate investment and support sectors such as agriculture as well as social enterprises are needed. In an effort to mobilize resources for enterprise development, UNDP is supporting the development of the impact investment sector in Africa that can spur the development of inclusive businesses.

Blended finance – the use of public or charitable funds in the form of grants and non-grant financing from private and/or public sources is a promising avenue for access to finance. Blended finance can be effective mechanisms for generating financial returns on investment that would yield less tangible benefits, making them a viable option for closing the resource gap.

Other innovative funding approaches that support entrepreneurs, including women as well as young entrepreneurs in rural areas are particularly important. Initiatives that seek to ensure access to market for women entrepreneurs in the area of agribusiness can help to boost their productivity and contribute to their businesses' growth. Matching Grant Facilities (MGF) for MSMEs that provide both capital and non-capital support to farmers improve the competitiveness and productivity through these inputs are good examples of this.

Support institutional development

While innovative financing holds tremendous promise for enterprises and entrepreneurs, there is scope for traditional sources of financing to meet SME/Is, MSMEs as well as women and young entrepreneurs' financing needs.

Although loans can meet enterprises and entrepreneurs' needs, it is well-documented African SMEs, the majority of which have a formal bank account, are often unable to obtain loans from banks, with only 22 per cent of small enterprises acquiring a loan despite 86 per cent of these firms having a bank account.[61]

Ensuring access to loans is critical for SME/Is, MSMEs and entrepreneurs. Throughout sub-Saharan Africa, financial institutions are increasingly developing loans and other financial products tailored to SME/Is, MSMEs and entrepreneurs' needs. Several banks in Tanzania, including Akiba Commercial, Azania BanCorp, CRDB, NMB and Bank of Tanzania Credit Guarantee Scheme exclusively serve MSMEs or have a significant SME Program. Similarly,

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60 **http://www.changemakers.com/SME-Finance**

61 UNCTAD, 2015. Economic Development in Africa Report 2015: Unlocking the Potential of Africa's Services Trade for Growth and Development.

AfriLand First Bank has established over 100 rural development banks throughout Central Africa, ensuring access to finance to underserved regions.

Recognizing that collateral is a binding constraint for enterprises and entrepreneurs, as well as for sectors such as agriculture, which owing to weak property rights for land and capital equipment are unable to obtain collateral for loans, financial institutions are increasingly offering collateral-free products.

Alternatives to collateral requirements such as psychometric tests are being used to screen prospective loan applicants and assess their risk and likelihood of repaying the loan. Prior to launching its unsecured *SME Quick Loan* facility, Standard Chartered Bank initially piloted psychometric tests to prospective borrowers in Ghana, Kenya, Tanzania and Nigeria and subsequently extended the loan programme to Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Uganda, Zambia and Zimbabwe.

Micro-finance loans are another option for MSMEs as well as for women and young entrepreneurs seeking financing for their businesses. Throughout SSA, numerous micro-finance institutions that provide affordable financial services to MSMEs as well as previously unbanked and underserved people, including women and young people have emerged. Moreover, the integration of microfinance institutions with SACCOs can ensure greater financial inclusion for the unbanked and underserved. Rwanda's R-Switch, the country's national payment system, which is facilitating the integration of microfinance institutions with SACCOs is an example of this.

United Nations Capital Development Fund (UNCDF), the UN’s capital investment agency for the world’s 48 least developed countries in Africa and Asia, in partnership with the MasterCard Foundation, is assisting micro-finance institutions (MFIs) to design and deliver high-quality financial services, including financial education to young people below the age of 18 from low-income areas through its YouthStart initiative. In addition, UNCDF and the MasterCard Foundation are ensuring access to digital financial finance in least developed countries through the Mobile Money for the Poor initiative as well as formal financial services to the unbanked in rural areas through its MicroLead Expansion initiative.

At the continental level, the AU can play a role in supporting Member States to develop appropriate policies and regulatory frameworks to support the development of digital financing and online- and mobile-based platforms. In addition, to further facilitate digital financing, the AU can encourage RECs and Member States to develop appropriate policies and regulatory frameworks to allow mobile operators to provide cross-border digital financing services.

The AU can play an important role in supporting RECs to provide technical assistance to Member States to enable them to develop appropriate legal and regulatory frameworks to support venture capital investment. The AU can also play a role in encouraging governments to co-invest in venture capital as a way to encourage the investment in venture capital and ensure availability of financing.

To address the lack of financial information on individuals and enterprises that hinders financial institutions from extending credit to enterprises and entrepreneurs, the AU can support the development of Credit Bureaux in order to reduce information asymmetry.

The AU can promote the establishment of a Finance Challenge to meet SME/Is and MSMEs' needs and support RECs in establishing Regional Investment Funds for SMIs to ensure access to financing for these entities. Also, the consolidation of the African Industrial Development Fund (RIDF) could ensure financing for industrial and capacity-building projects.

In order to improve access to finance for enterprises and entrepreneurs particularly in underserved regions, and with Africa having the lowest number of commercial banks, government can play a role in ensuring access to finance by establishing State-owned development financial institutions. To this end, the AU can encourage Member States to establish State-owned development finance institutions particularly in rural areas as well as to support banks and other financial institutions to overcome regulatory hurdles that constrain them from serving enterprises and entrepreneurs.

Box 8 – Private Equity for SMEs

Ghana Venture Capital Trust Fund (VCTF)

Ghana's Venture Capital Trust Fund (VCTF) is a public-private partnership that is partly financed by Ghana's Ministry of Finance and Economic Planning. Enacted in 2004, Ghana's Venture Capital Trust Fund Act, provides the framework for supporting low-cost financing to businesses, including SMEs as well as social enterprises. Financing is provided to SMEs through Venture Capital Financing Companies.

In addition to providing financing, venture capital firms also provide technical and managerial expertise to small businesses in which they propose to invest. More recently, venture capital firms supported by the Trust Fund are engaging in impact investment and supporting SMEs that are addressing pressing social problems and improving the quality of life in their communities.

http://venturecapitalghana.com.gh/index.php

Box 9 – Digital Financing

M-KOPA

M-KOPA Solar provides affordable loans for the purchase of home solar systems, which powers multiple lines, charges phones and a radio. With an initial deposit of $35 and a minimal daily payment, M-KOPA's pay-as-you-go plan, offers mobile instalment payments for solar energy, ensuring access to safe and affordable energy to millions living off the grid, and allowing customers to own the product once the loan is fully paid.

Currently serving over 330,000 homes in Kenya, Uganda and Tanzania, the Kenya-based M-KOPA sells solar energy directly to customers through a network of over 100 service centres across the three countries and employs over 700 full-time staff and over 1,200 commission-based field agents.

A winner of numerous awards, including the 2016 Best Mobile Innovation for Emerging Markets, Fortune Magazine's Top 50 Companies Changing the World, 2013 FT/IFC Excellence in Sustainable Finance and Zayed Energy Future Prize, M-KOPA has been described as Africa's most innovative mobile technology firm.
http://www.m-kopa.com/

Pillar 4: Access to Markets

Trade has an important role to play in contributing to countries' and regions' economic growth and their GDP through the efficient use of resources and cost-effective production of goods and services, while importing others. Moreover, trade has the potential to improve livelihoods by increasing the incomes of enterprises and entrepreneurs, and by enhancing the prospects for formal employment for individuals.

Ensuring access to markets for SME/Is, MSMEs and well as entrepreneurs can enable enterprises and entrepreneurs to leverage the benefits that trade offers. Consequently, removing obstacles that hinder SME/Is, MSMEs and entrepreneurs' access to markets, including eliminating trade barriers as well as addressing barriers related to lack of information on international markets and suppliers, and lack of market linkages and limited trade opportunities is critical. In order to ensure access to markets for SME/Is, MSMEs and entrepreneurs, the Strategy will focus on the following 3 areas:

- Promote intra-regional and global trade
- Ensure SME/Is, MSMEs and entrepreneurs' integration in global and regional value chains
- Strengthen RECs' and Member States' mechanisms and institutional capacities to serve SME/Is, MSMEs and well as entrepreneurs

Promote intra-regional and global trade
Regional integration can be an important vehicle for trade development. The diversified nature of intra-regional trade suggests that deeper regional integration is likely to result in greater market access opportunities, boosting intra-regional trade. Efforts to deepen integration at the continental and regional levels bode well for and could boost trade, with trade facilitation and the development of global and regional value chains playing important roles.

At the global level, the WTO Trade Facilitation Agreement, which offers assistance to developing countries to help them lower trade costs, has the potential to address constraints faced by SME/Is, MSMEs and entrepreneurs in poor countries by linking them to markets. In order to ensure SME/Is and countries can better understand opportunities available through the WTO Trade Facilitation Agreement, ITC is providing assistance to SME/Is, MSMEs and Member States on the agreement through its Business Guide to WTO Trade Facilitation Agreement.

As noted in the preceding section, non-tariff barriers are a challenge to free movement of goods and services. In the EAC region, rules of origin applicable in the region are often restrict and hinder high value addition and intra-regional trade prospects. Overlapping membership in different trading blocs poses challenges to manufacturing enterprises which target different blocs, constraining market expansion. At the same time, competition from cheaper imports from China and India, which make local products uncompetitive.[62]

[62] EAC, 2012.

Trade facilitation measures, particularly the reduction in tariff and non-tariff barriers through both the CFTA and the proposed Tripartite Free Trade Area (TFTA) have the potential to stimulate intra-African and intra-regional trade, respectively. The harmonization of trade policies among Member States and the development of common trade policies in RECs, along with the harmonization of technical regulations and standards can play an important role in fostering intra-regional trade.

Strengthening the capacity of trade services providers in border countries to provide up-to-date market information and border crossing requirements in order to facilitate cross-border trade can go a long way in supporting SME/Is, MSMEs and entrepreneurs to access markets. Improving the capacity of trade services providers to provide advisory services to enterprises and entrepreneurs in border countries is crucial. ITC's Trade Advisors Programme, which supports the advisory capacity of trade services providers in border countries to ensure they can meet the needs of SME/Is, MSMEs and entrepreneurs is noteworthy.

Ensuring access to trade-related infrastructure is critical for SME/Is, MSMEs' and entrepreneurs' growth. Across RECs, measures to address barriers to trade that have an impact on SME/Is, MSMEs and entrepreneurs are being undertaken. For example, COMESA, which has aligned its MSME policy to its Medium-Term Strategic Plan, has taken steps aimed at enhancing customs management, including transport facilitation measures in order to ensure greater access to markets. Measures such as the implementation of the One-Stop Border Posts (OSBP) have reduced border-crossing times. Similarly, initiatives such as COMESA's Virtual Trade Facilitation System (CVTFS) allow for online tracking of cargo and transport equipment along designated corridors in the region for vehicles and containers fitted with signal transmitting gadgets.

Addressing supply-side constraints related to infrastructure has been a priority for RECs. In order to reduce the cost of doing business and enhance competitiveness, COMESA is addressing infrastructure-related constraints through physical regional connectivity and infrastructure integration. As part of its efforts to support infrastructure development, COMESA has taken steps to harmonize policy and regulatory frameworks, developed regional physical infrastructure in transport, ICTs and energy as well as adopted trade facilitation measures.

Regional markets have the potential to promote structural transformation. With trade-integrated regions such as NAFTA and the European Union (EU), and the EAC and Southern Africa being more attractive to lead firms in global value chains (GVCs), regional integration can be an important vehicle for promoting the development of value chains. As such, integration efforts at the regional level can provide the impetus for greater intra-regional trade and supporting industrialization, while promoting the development of regional value chains (RVCs). Trade facilitation reforms through the CFTA and TFTA can foster the development of value chains, creating business opportunities for SME/Is, MSMEs and entrepreneurs.

There is scope for the emergence of RVCs in manufacturing, which is largely untapped due to structural and policy constraints. With Africa sourcing 88 per cent of its imported inputs from outside the continent,[63] there is potential to develop RVCs that can supply inputs to other industries on the continent, thereby boosting intra-regional trade. Moreover, RVCs have the potential to strengthen the capabilities of other sectors such as services, which contribute to manufacturing sector's competitiveness and add value to the sector.[64] In order to optimize the potential for RVCs in manufacturing, products need to meet international quality standards. Ensuring that national quality institutions have the capacity to deliver product quality and international standards attainment is essential.

Business linkages, which link SME/Is, MSMEs and entrepreneurs to larger businesses, in the process allowing enterprises and entrepreneurs to upgrade their skills and technology as well as access much-needed financing, technology and other specialized knowledge to increase their productivity and improve their competitiveness, can ensure access to markets. UNCTAD's Business Linkages Programme, which links SMEs and MSMEs in developing countries to larger firms and enhance their productivity and competitiveness, is an example of this.

Sub-contracting can contribute to greater access to markets for SME/Is, MSMEs as well as entrepreneurs who are often constrained by lack of access to distribution channels which are generally controlled by the lead firm. Sub-contracting, which allows SME/Is and MSMEs to complement large firms' requirements by providing services to large firms, holds promise for building SME/Is and MSMEs' skills, and in enabling them to access markets. Sub-Contracting & Partnership Centres (SPX) facilitate link SMEs to supply chains that are dominated by large firms.

The potential for sub-contracting in Africa remains underutilized due to SME/I and MSMEs' constraints. In the EAC region, unreliability of MSME services, lack of funds to finance sub-contracting arrangements, weak linkages between SME/Is and MSMEs with large firms, and lack of technological capacity and capability to produce and provide services to contractors are barriers that hinder the potential for sub-contracting in the region.

Public procurement can ensure access to markets by stimulating the demand and supply of products. Increasingly, countries are harnessing the potential of public procurement to contribute to development by adopting regulatory measures to support the inclusion of disadvantaged groups. South Africa implemented the *Preferential Procurement Act*, which provides preferential allocation of contracts to previously disadvantaged communities (PDCs). Similarly, Kenya amended its procurement regulations in 2013 to require 30% of its tenders be allocated women, youth and persons with disabilities, providing an opportunity for SMEs from previously disadvantaged groups to benefit from the economy. At the international level, initiatives such as the International Trade Centre's *Global Platform for Action on Sourcing from Women Vendors*, which aims to increase the share of corporate, institutional and

[63] UNECA 2015
[64] Ibid

government procurement secured by women vendors by linking them to international networks, are noteworthy.

Technology-based platforms - online and mobile-based are increasingly being harnessed to promote e-commerce in many countries, including for many people at the bottom of the economic pyramid in the developing world, with mobile phones playing ensuring SMEs' efficiency and productivity. Mobile technology has not only become increasingly popular in facilitating business transactions, but is increasingly relied upon by MSMEs and SMEs in hard-to-reach areas, particularly in sub-Saharan Africa to obtain market information and prices, for their produce over long distances and across market locations. For example, Esoko in Ghana and Manobi in francophone West Africa provide farmers with agricultural market information and advisory services on various digital platforms.

In order to facilitate trade, there is a need to ensure free movement of traders and entrepreneurs. Across the continent, efforts have been undertaken to relax visa requirements to facilitate freedom of movement. Launched in 2014, the East Africa Single Tourist Visa allows for free movement of nationals from the region. With only two of the eight RECs having fully ratified the REC Protocol on Free Movement, other RECs need to ratify the protocol in order to facilitate ease of movement within regions as well as support intra-regional trade.

Ensure SME/Is, MSMEs and entrepreneurs' integration in global and regional value chains

Value chains offer opportunities to generate income and promote growth through trade. GVCs have been an important driver of developing countries' participation in the global economy, with the fragmentation of production through these structures enabling countries engaged in GVCs to lower their trade costs. GVCs represent a promising avenue for SME/Is, MSMEs and entrepreneurs' growth, allowing enterprises and individuals to access much-needed technology and technical know-how, and technical and management capabilities from the lead firm, in the process upgrading their skills and fostering their productivity.

Establishing export processing zones (EPZ) - a form of special economic zone (SEZ) that supports industrial development can enable SME/Is, MSMEs and entrepreneurs to gain entry into GVCs, promoting growth and creating long-term employment. As the experience of China's EPZs shows, these zones' growth is closely linked to investment in infrastructure, coupled with export-oriented manufacturing and adapting of foreign ideas and technology to the local context, and knowledge spillovers from university-based research institutes and think tanks.[65] While the performance of EPZs has had mixed results in spurring industrialization on the continent,[66] the performance of EZPs in Ethiopia suggests that with appropriate legal and institutional frameworks, along with infrastructure development, these structures can be effective in promoting entrepreneurship and industrialization, ultimately contributing to economic development.

[65] UNECA, 2014. Dynamic Industrial Policy in Africa.
[66] UNECA, 2015. Industrializing through Trade.

GVCs require skilled labourforce. Building entrepreneurs' technical competencies, in particular, among women and young entrepreneurs who tend to be concentrated at lower levels of the value chain. In order to effectively engage in and take advantage of the benefits that value chains offer, it is important to ensure SME/Is and MSMEs' operators as well as women and young people have the requisite skills and training to allow them to engage in more productive segments of value chains. Access to skills development tailored to the needs of the value chain through vocational training programmes can enable SME/Is and MSMEs' operators and entrepreneurs to upgrade their skills and participate upstream on the value chain. Similarly, smart subsidization can allow entrepreneurs gain skills that would enable them to move from production to other productive segments of the value chain.

Several sectors are promising areas for value chain development. With agriculture being the mainstay of most African economies, there is scope for the development of agricultural value chains, which have the potential to create jobs through specialization and diversification.

Agro-processing is a viable area for value chain development. Across Africa, value chains have been developed in agro-processing with farmers and SMEs supplying products to multi-national corporations (MNCs) such as Coca Cola, Nestle and Unilever. At the same time, efforts are being made to strengthen the capacity of enterprises to engage in value chains. ECOWAS' Export Promotion and Enterprise Competitiveness for Trade (EXPECT), which supports SMEs in value chains through capacity and skills building, partners with organizations in promoting high export value chains in cashewnuts, shea butter and mangoes is an example of this.

In order to realize the potential for agro-processing, barriers related to access to technology as well as logistical issues that hinder small farmers from accessing markets need to be addressed. In addition, ensuring small producers can access inputs as well as storage and warehouse facilities can go a long way in facilitating their access into lucrative segments of value chains.

Services, an important growth area which contributes almost half of the continent's output and accounts for more than 60 per cent of some countries' workforce, and plays a significant role in Africa's trade,[67] is a promising area for value chain development. The services sector has the potential to contribute to growth, trade and employment in logistics and distribution and can benefit agribusiness and manufacturing.[68] Regional integration can provide the impetus for services to grow through projects that improve transport and logistics. For the sector to contribute to employment, informality – a defining feature of the sector, which ranges from 50-80 per cent of GDP and 60 – 80 per cent of employment needs to be addressed.[69]

Investment is needed to support value chain development. Engaging Southern partners in supporting value addition through investments in SEZs can foster the emergence of regional

[67] UNCTAD, 2015. Economic Development in Africa. Unlocking the Potential for Africa's Services Trade for Growth and Development. Report 2015.
[68] Ibid.
[69] Ibid

value chains. Similarly, supporting business linkages between large firms and SME/Is in RECs can promote the development of RVCs across regions.

Promoting targeted industrial value chains to catalyze the development of industries in strategic areas can deliver the benefits to regions and enable partner states to develop convergence in identified areas. EAC has identified potential areas in the region include agro-processing, mining, biofuel and petrochemicals and gas processing and pharmaceuticals.[70] Intra-firm GVCs can open opportunities for light manufacturing which require fewer managerial and technical skills, allowing a broader range of entrepreneurs to engage in and benefit from these structures.

Strengthen RECs' and Member States' mechanisms and institutional capacities to serve SME/Is, MSMEs and entrepreneurs

In order to better meet the needs of SME/Is, MSMEs and entrepreneurs, there is a need to establish information sharing systems on industrial and trade-related issues. Innovative e-matching platforms, which aim to combine mobile and web applications, are increasingly being used to link producers with entrepreneurs. ITC's e-business matching platform, which links rural producers to entrepreneurs and exporters in the agricultural sector, is an example of this. Increased use of market intelligence instruments and their easy use by SMEs are important to facilitate attainment of market information, and SMEs access to markets.

Similarly, trade facilitation portals can increase the transparency of trade procedures, while facilitating in the sharing of crucial trade-related information. UNCTAD and TradeMark East Africa have established a trade portal in the EAC region that is designed to increase the transparency of foreign procedures.

Developing regional information systems on available raw materials, industrial outputs, intermediate products and capital goods can play an important role in developing SMIs' capacity, ultimately boosting their productivity and competitiveness.

Beyond addressing non-tariff barriers, which hinder SME/Is, MSMEs and entrepreneurs from accessing markets, there is a need to address misperceptions about African products. Establishing regional and national brands can go a long way in easing market access and encouraging consumer product preference and consumption. Supporting RECs as well as Member States to establish regional and national brands is critical in promoting consumption and utilization of locally manufactured products. Adopting laws on branding and geographical indication can assist certain geographical regions to promote local products and enter value chains can be important in this regard.

At the same time, there is a need to support the development of creative and cultural industries. With s diverse cultures and traditions, there is tremendous potential for the emergence of a vibrant creative and cultural economy throughout Africa. Strengthening measures to ensure the

[70] EAC 2012.

protection of intellectual property of authentic African products and cultural traditions are needed.

At the continental level, the AU can play a role in ensuring access to markets through its trade facilitation efforts undertaken by the CFTA. The AU can support RECs in developing common trade policies (EAC has identified this as a priority). The AU can also support RECs and Member States in harmonizing their trade policies by addressing barriers to GVC integration, in particular, infrastructure and custom barriers that hinder SME/Is, MSMEs' and entrepreneurs' participation in these structures.

The AU can also support RECs and Member States in developing and/or strengthening SME/Is, MSMEs' and entrepreneurs' participation in regional value chains through policies to facilitate the insertion of African services suppliers into GVCs and RVCs in both goods and services and through the harmonization of entrepreneurship and industrial policies that relate to intra-regional trade. Elements for consideration include investment requirements for lead firms and barriers to entry i.e. taxation and market access, and raising awareness among SMEs, MSMEs and entrepreneurs about technical regulations and development of standards, and quality certification systems at the regional level.

The AU can support RECs and Member States in adopting and/or strengthening their investments and export promotion policies in order to support specific industries' participation and upgrading in specific segments of value chains.

The AU can mobilize investment through development as well as Southern partners to support the development of strategic value chains in targeted sectors such as agriculture and leather. The AU can also support the establishment of transport facilitation programmes (i.e. COMESA's proposed fund to develop infrastructure programme) in order to facilitate trade.

Other areas where the AU can support include in the development of programmes that facilitate SME/Is' and MSMEs' participation in business linkages and sub-contracting as well as in linking enterprises and entrepreneurs to Sub-Contracting and Partnership Centres (SPXs) in order to increase their productivity.

In addition, the AU can encourage Member States to adopt public procurement measures that will ensure SME/Is, MSMEs and entrepreneurs can access to markets by stimulating the demand and supply of products from enterprises and entrepreneurs. Strategies to enhance intra-regional and global trade such as the establishment of export consortia to support SME/Is, MSMEs and entrepreneurs and supporting the establishment of regional and national brands should also be promoted.

The AU can also advocate among RECs and Member States for the abolishment of visa requirements and the ratification of the REC Protocol on Free Movement in order to facilitate free movement of people within and across regions. In addition, in order to support the development of the services sector, the AU can support the development of standards to harmonize existing policies or support mutual recognition of qualifications to facilitate practice of professions across regions and countries.

Box 10. COMESA's Agricultural Marketing Promotion and Regional Integration Programme

Agriculture plays an important role in COMESA, accounting for more than 32 per cent of the region's gross domestic product (GDP), and providing a livelihood for approximately 80 per cent of the region's labourforce, and earning 65 per cent of the region's foreign exchange earnings, while contributing 50 per cent of raw materials to the industrial sector.

As part of its efforts to support the agricultural sector, COMESA's Agricultural Marketing Promotion and Regional Integration Programme, an initiative of the African Development Bank whose goals align with other regional frameworks on agriculture, including CAADP, aims to promote agricultural trade by removing trade barriers in order to ensure regional food security, and to harmonize policies, systems, regulations and procedures in order to create a transparent environment for conducting agricultural trade, with forward and backward linkages from farmer to market, ensuring COMESA is a reliable supplier of globally competitive primary and agricultural goods to global markets. In addition to the programme, as part of COMESA's agricultural marketing and regional initiatives, the region has implemented the Food and Agricultural Marketing System (FAMIS), an electronic platform that provides information on tradeable commodities in the COMESA region and aims to improve agricultural marketing through the dissemination of market information and policy changes.

Source: COMESA
http://programmes.comesa.int/index.php?option=com_content&view=article&id=94&Itemid=111

Pillar 5: Promote Business Development Services

Ensuring access to well-developed and varied business development supports and services that targeted to the needs of SME/Is, MSMEs and women and young entrepreneurs are critical in enhancing the entrepreneurial environment for these enterprises and entrepreneurs. In addition, integrated entrepreneur support, product development networks as well as distribution and logistics support (i.e. storage and warehouse, customs clearance, among others) are essential for enterprises and entrepreneurs. In order to promote business development services, the Strategy will focus on the following 2 areas:

- Provide business support services
- Institutional capacity building

Provide business support services

Business development services play an important role in supporting enterprises and entrepreneurs by providing invaluable business support and information and the requisite skills needed to start, operate and grow a business. At the global level, initiatives such as ILO's *Start and Improve Your Business*, which provide management training to trainers in developing countries and countries in transition in order to support MSMEs and boost their performance, are playing an important role in ensuring enterprises and entrepreneurs have the knowledge needed to support their businesses.

Access to well-developed business and financial management services that include business plan development as well as financial literacy programmes targeted at women and youth are essential in ensuring SME/Is, MSMEs and women and young entrepreneurs acquire the requisite technical and business skills and/or build on their existing knowledge. Well-developed business development programmes also provide information and advice on markets, market assistance, technology development and transfer as well as specialized support such as information on value chain standards, among others. Enterprise Centre Agriculture Supply Chain Programme builds the capacity of local agricultural suppliers' capacity to supply produce to oil exploration operators in Uganda's Lake Albert region.

Effective business development services also play an important role in educating SME/Is, MSMEs and women and young entrepreneurs about business integrity and their role in the business environment as well as in instilling in them the importance of paying taxes and their contribution to the economy.

Business networks play an important role in providing SME/Is, MSMEs as well as entrepreneurs with information and guidance to manage their businesses. Chambers of Commerce are vital in linking enterprises and entrepreneurs with business advisors who provide guidance on how to run a business. Networks also drive business performance by raising awareness of entrepreneurship opportunities such as trade fairs. For instance, COMESA Business Partnerships Forum and Linkages Fair provides an opportunity for SME/Is and MSMEs in the region to showcase their products. Similarly, Enablis Entrepreneurial Network, which partners with government, private sector and civil society across countries in Africa and Latin America, provides entrepreneurs with networking, mentoring, skills acquisition and financing.

Networks can also help to raise visibility of entrepreneurship, while advocating for SME/Is, MSMEs and entrepreneurs' needs. Increasingly, women's entrepreneurship networks are advocating for their business needs and have been instrumental in enhancing the business environment for women entrepreneurs. Uganda's Gender and Growth Coalition, a network of women's groups, advocated for improvements in Uganda's complex business regulations, which discourage women from formalizing their businesses.

Institutional capacity-building

Increasingly, business development programmes that offer specialized support such as information on product design, technology transfer and value chain development, among others aimed at addressing specific constraints that hinder SME/Is and MSMEs from effectively engaging in business have been developed. Established by the USAID, the Kenya Business Development Services Programme provides market development services aimed at addressing constraints related to value chains in order to enhance growth-oriented SME/Is' competitiveness.

Empretec, a capacity-building programme of the United Nations Conference on Trade and Development (UNCTAD), which provides entrepreneurial skills and training, facilitates a positive, productive and sustainable experience among entrepreneurs and their mentors is an example of this. Started in 1988, the programme operates in 36 countries across the world, including 13 in SSA, has assisted over 340,000 entrepreneurs to acquire business skills.

Similarly, UNIDO's Business Information Centres which provide support to SMIs and offer demand-driven services to entities in rural areas in Africa, including in providing tailored entrepreneurial advisory services, ICT training and reliable internet connection and ensuring rural entrepreneurs have access to relevant information on markets, customers and technology, are playing a critical role in improving entrepreneurs' efficiency and business performance.

At the continental level, the AU can play a role in supporting RECs and Member States in strengthening the capacity of existing business development services to meet the needs of SME/Is, MSMEs and entrepreneurs, including by providing specialized business support i.e. value chain and technical and managerial training for growth-oriented firms as well as their capacity to support SMEs to develop business management, product development, market intelligence as well as financial management skills. In addition, the AU can play a role in advocating for the development of quality infrastructure, which remains underdeveloped and is a barrier to enterprise development in countries. The AU can also develop a guide on quality infrastructure that can be used to raise awareness on quality issues at the national level.

The AU should encourage governments to support business development services as well as advocate for their accreditation in order to ensure the capacity to these services to serve the private sector and provide quality services.

Box 11 - COMESA Business Council

As the 'Voice of the Private Sector' in the region, the COMESA Business Council has been instrumental in enhancing the business environment for SME/Is, MSMEs and entrepreneurs across East, Central and Southern Africa. With an aim to upscale enterprises, in particular, SMEs to enable them to compete effectively at regional and global levels, the Council, which advocates among policy makers to establish a conducive environment for business, provides the following services:
COMESA Business Council facilitates business linkages. The Council linked Turkish Business Community to several Zambian businesses, leading to business opportunities both Turkish and Zambian businesses. In addition, the Council facilitated meetings with the Alliance Forum Foundation that worked with Japanese corporations to explore investment opportunities in Zambia.
COMESA Business Council facilitates business support services and hosts a Business directory with over 3,000 companies, associations and SMEs businesses in the COMESA region.
COMESA Business Council hosts international trade fairs aimed at enabling SME/Is to link to business opportunities. The Council held a multi-sectoral exhibition focusing on the promoting investment, joint ventures and joint contractual agreements in the manufacturing and services industries titled "Sustainable and Inclusive Industrialization" that attracted regional and International businesses and visitors from more than 56 countries, with an interest in promoting buyer seller engagements in the African region.
Source: COMESA http://www.comesabusinesscouncil.org/comesabusinesscouncil/?q=aboutus

Pillar 6: Learning Practices and Knowledge Management

Effective learning practices and knowledge management can ensure that enterprises and entrepreneurs have access to skills as well as invaluable information and supports needed to start, operate and grow their businesses. In order to promote learning practices and knowledge management, the Strategy will focus on the following 3 areas:

- Support mechanisms for knowledge sharing and learning
- Recognize entrepreneurship
- Promote entrepreneurship education

Support mechanisms for knowledge-sharing and learning
Mechanisms to facilitate knowledge sharing and learning are essential. Technology can be harnessed to facilitate knowledge sharing and learning. Information portals on trade and business opportunities can play an important role in ensuring access to valuable information for enterprises and entrepreneurs. Platforms such as ITC's SheTrades, which connects women enterprises to buyers across the globe, allowing them to share information about their businesses, raise their visibility, expand their networks and internationalize, while helping corporations to include more women in their supply chains and connect to markets, are crucial in supporting women entrepreneurs.

Developing mechanisms to ensure RECs can collect, process, store and disseminate information on industry can facilitate in conducting analysis and in making informed policy choices – a challenge across regions that hampers their decision-making capacity on industrial development.

Promoting networks to facilitate entrepreneurship and industrialization is essential. Entrepreneurship networks, business associations as well as stakeholders in the business sector play an important role in raising awareness of entrepreneurship and business opportunities. At the regional level, networks have emerged as important drivers of business performance. COMESA Business Council, for examples, links SME/Is and MSMEs with other enterprises through its business directory, promoting business performance.

Private sector-led initiatives have been instrumental in ensuring enterprises and entrepreneurs can access markets. Chambers of Commerce and Regional Economic Development organizations play an important role in linking SME/Is, MSMEs and women and young entrepreneurs with established entrepreneurs in foreign markets, enabling them to gain knowledge and expertise that can help them expand their businesses. COMESA Business Partnerships Forum and Linkages Fair hosts fairs that enable SME/Is to showcase their products and identify business opportunities.

Diaspora networks can also be an invaluable source for entrepreneurs, MSMEs and SME/Is in countries of origin. In addition to providing information on business opportunities, such networks can help to link entrepreneurs, MSMEs and SME/Is in their native countries to international markets as well as business contacts. With a sizeable proportion of Africa's population residing in the diaspora, there is an opportunity to leverage its expertise in business and to provide support to enterprises and entrepreneurs in their native countries.

Communication tools are indispensable in highlighting the importance of entrepreneurship. Positive media attention of entrepreneurs can help to change attitudes and perceptions towards entrepreneurship by showcasing positive role models and highlighting the importance of entrepreneurship in economic development. Online business networks and virtual meetings can facilitate information exchange between entrepreneurs and their established counterparts. The Nigeria-based Tony Elumelu Foundation, for example, offers a 12-week online training programme to prospective start-up entrepreneurs across Africa. Similarly, virtual platforms can be leveraged to provide business information and link SME/Is, MSMEs as well as women and young entrepreneurs to opportunities.

Recognize entrepreneurship

In order to shift mind-sets about entrepreneurship on a societal level and dispel cultural biases, in particular, the negative perceptions about entrepreneurship as a career choice, it is crucial to highlight the value of entrepreneurship and its contribution to promoting economic development. Successful entrepreneurs such as Tony Elumelu and Aliko Dangote, among others, can serve as role models for aspiring entrepreneurs.

Recognition can create visibility and attractiveness of entrepreneurship as well as aspiring entrepreneurs to embark on entrepreneurship, and investors and policy makers to recognise and support entrepreneurs. The *Anzisha Prize*, Africa's premier award for young entrepreneurs raises awareness of innovative young African entrepreneurs. Launched in 2011, Anzisha Prize recognizes young people that have developed innovative solutions that address pressing problems in their communities.

Business Plan Competitions encourage SME/Is, MSMEs and entrepreneurs to showcase their business ideas and innovations, and help to raise awareness of entrepreneurship. *The ILO Business Plan Competitions*, which are held annually in various countries around the world, showcase outstanding businesses or ideas through business plans.

Forums can help to raise awareness of entrepreneurship opportunities. Events such as the Global Forum on Innovation and Entrepreneurship help to raise awareness about and build support for entrepreneurship in the area of technology. Similarly, the Global Entrepreneurship Week raises awareness of entrepreneurship at national, regional and international levels.

Promote entrepreneurship education

Entrepreneurship education programmes can play an important role in ensuring SME/Is, MSMEs and entrepreneurs have the skills to start, operate and grow their businesses. The Tony Elumelu Entrepreneurship Programme, which plans to support 10,000 entrepreneurs by 2025 is an example of this. At the international level, programmes such as ILO's *Gender and Entrepreneurship Together for Women in Enterprises (GET Ahead)* provides skills training to women entrepreneurs and ensures that they have the skills needed to engage in business. Similarly, ILO's *Know Your Business* is an entrepreneurship education programme that is widely used in schools' and other institutions' curricula.

Cross-border exchange programmes can provide opportunities for aspiring entrepreneurs to learn from experienced entrepreneurs in other countries. *Erasmus for Young Entrepreneurs,* a cross-border exchange programme in Europe that provides aspiring entrepreneurs with opportunities to learn from experienced entrepreneurs running small businesses in other participating countries prior to launching their business, allows the visiting entrepreneur to acquire the skills needed to run a small firm, and an opportunity to learn about new markets.

At the continental level, the AU can take several actions to promote learning practices and knowledge management. The AU can encourage Member States and RECs to appoint SME Envoys from their respective countries and regions to serve as an interface between the business community, national policymakers and the AU. In addition to raising the visibility of the business community, the SME Envoy, who serves as a representative of SME interests at national level, could play an important role in advocating for SMEs' business interests as well as in raising their concerns at the continental level, helping to make the AU, regional and national policy more business-friendly. Related to this, the AU can appoint a well-known African entrepreneur such as Tony Elumelu or Aliko Dangote to serve as a Special Envoy and raise awareness of and build support for entrepreneurship and industrialization in Africa at the national, regional, continental and global levels.

The AU can also play a role in supporting RECs and Member States in developing mechanisms to collect, process and store industrial and technical information on industrial production by establishing regional and national industrial observatories. In addition, the AU can support the development of electronic resources to serve as repositories for information on manufacturing and industry at the national and regional levels.

Box 12 - SME Envoy in the European Union

The European Union has established the position of SME Envoy to advocate for SME interests at the continental level. SME Envoys in the EU play the following roles:
Acts a 'watchdog' – monitoring policies and actions affecting SMEs;
Develop methodologies to improve the business environment for SMEs;
Organize 'SME Networks' and by promoting SME issues, including their interests at community and national levels
Identify and communicate best practices in entrepreneurship policies and practices
Serve as liaisons to other organizations at national, continental and regional levels
Inform SMEs and their representatives about legislative initiatives
Serve as focal points for SME complaints
Source: EU - http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/sme-envoys/index_en.htm

Pillar 7: Promote Inclusive Entrepreneurship

Inclusive entrepreneurship, used here to refer to youth and women's entrepreneurship can foster inclusive growth by ensuring women and youth participation in economic activities. Ensuring young people and women have the relevant skills to engage in self-employment and entrepreneurship is critical in enhancing the entrepreneurial environment for these entrepreneurs. In order to promote inclusive entrepreneurship, the Strategy will focus on the following 2 areas:

- Integrate women and youth entrepreneurship in national strategies
- Ensure access to supports for women and young entrepreneurs

Youth entrepreneurship can be a viable tool for creating employment opportunities and in contributing to the welfare of young people, who in some countries, comprise the majority of the population and has the potential to stimulate economic growth through job creation and by fostering innovation and competitiveness among young entrepreneurs who are likely to create jobs for themselves. Beyond its economic advantages, youth entrepreneurship can also contribute to social development by increasing young people's household incomes and raising their living standards, thereby reducing poverty and building sustainable livelihoods.

Women's entrepreneurship can play a role in promoting gender equality and in enhancing women's economic empowerment, while contributing to economic growth, and is a viable approach for addressing sustainable development objectives, in particular, in reducing inequality and in fostering social inclusion. Women's entrepreneurship has the potential to yield significant economic benefits, with higher female entrepreneurship participation adding as much as 1 to 2 percentage points to annual GDP growth in many countries.

Beyond contributing to economic development through job creation and their economic empowerment by increasing their incomes, women's entrepreneurship can contribute to social development by promoting gender equality, and as a tool for empowerment, it can help women to reduce their dependence and break the cycle of poverty.

Women's involvement in micro and small-scale enterprises (MSEs), has been identified as an effective way of advancing women's economic empowerment while reducing poverty and gender inequality[71] Moreover, women's entrepreneurship can also contribute to other aspects of social development as women are more likely to reinvest in their communities as well as in their families' well-being.[72]

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[71] Empowering Women Entrepreneurs through Information and Communications Technologies. A Practical Guide, UNCTAD, 2014

[72] The Gender Gap Report 2014. World Economic Forum, 2014 and Women, Technology and Innovation, UNCTAD, 2014

Integrate women and youth entrepreneurship in national strategies

For entrepreneurship to contribute to economic development, entrepreneurship strategies, including youth and women entrepreneurship frameworks, should align with and be integrated into national economic and entrepreneurship strategies in order to effectively address challenges related to creating economic opportunities for women and young entrepreneurs. While many countries in Africa have policies on entrepreneurship, they are not integrated into or aligned with broader economic frameworks, and in some instances, institutional capacity to support the implementation of these frameworks is often lacking.

Efforts are also being made to promote inclusive entrepreneurship with strategies that ensure the inclusion of socially disadvantaged groups being adopted. Recognizing that women entrepreneurs face constraints that hinder their economic potential, including barriers in the regulatory environment, lack of access to financing, inadequate education and skills training as well as lack of access to markets, measures to promote women's entrepreneurship, which aim to promote greater gender equality and more equitable distribution of economic resources as well as ensure increased livelihood opportunities, thereby reducing poverty and inequality are being integrated in national entrepreneurship frameworks.

At the international level, the ILO launched its *Women's Entrepreneurship Development Strategy* whose goal is to unleash the potential of women entrepreneurs. The Strategy ensures gender mainstreaming at micro, meso, macro and meta levels. At the national level, several countries have developed national plans of action designed to promote women's entrepreneurship.

There is growing realization among many governments that an effective youth entrepreneurship strategy can be an indispensable tool for responding to the challenges related to creating economic opportunities for young people. With youth unemployment in Africa currently at unprecedented levels, coupled with the absence of comprehensive national youth entrepreneurship frameworks to address the challenges in providing employment and economic opportunities for young people, countries are increasingly developing entrepreneurship strategies that will help them to address the challenges that young people are facing. South Africa's *Youth Enterprise Development Strategy*, which identified promoting youth entrepreneurship and accelerating the growth of youth-owned and operated enterprises capable of increasing self-employment among young people as objectives, is designed to address the high unemployment among young people in the country. At the global level, international organizations are supporting governments' efforts to create economic opportunities for young people, in particular, those related to youth entrepreneurship. UNCTAD, in collaboration with the Commonwealth, has developed a *Policy Guide on Youth Entrepreneurship* (forthcoming) which aims to support policymakers in designing effective youth entrepreneurship strategies that address the challenges faced by aspiring young entrepreneurs.

Ensure access to supports for women and young entrepreneurs

Access to finance remains a critical barrier for entrepreneurs, in particular, those from disadvantaged groups. Lack of collateral and the need for documentation are constraints for women and young people seeking financing from financial institutions. While eliminating collateral requirements and reducing banking fees as well as using alternative credit risk assessment approaches can enhance the financial ecosystem for disadvantaged groups, alternative sources of financing can complement traditional sources of financing and help to bridge the financing gap for entrepreneurs while ensuring financial inclusion.

Crowdfunding, which allows individuals or businesses to raise funds in small amounts from other individuals or businesses online, and increasingly, using mobile technology and on social media, can ensure access to financing particularly among disadvantaged groups. In addition to online lending platform Kiva that is widely used by underserved groups to raise funds, other crowdfunding platforms such as Indiegogo, which helps entrepreneurs and SMEs to raise funds, are bridging the financing gap. While crowdfunding is a viable option for disadvantaged groups seeking financing for their start-ups and holds promise for many developing countries, its potential has yet to realized, in large part, because the infrastructure to support online platforms is underdeveloped in many countries.

Peer-to-peer lending, which in its current forms includes online platforms that match borrowers seeking a loan directly with lenders, is increasingly being used by entrepreneurs and SMEs to raise funds to support their businesses. Kiva Zip, a direct, peer-to-peer lending online platform, provides small no-interest loans to small businesses and underserved entrepreneurs. While peer-to-peer approaches are important for SMEs and entrepreneurs that need capital to start or grow their businesses, harnessing their potential to meet entrepreneurs' and SMEs' needs is hampered by lack of regulatory frameworks particularly where online platforms are undefined, and where infrastructure to support online- and mobile-based platforms is lacking or underdeveloped.

Business incubators and accelerators are promoting inclusive entrepreneurship by providing a conducive environment that nurtures innovation particularly among young people and by preparing them to take advantage of the economic opportunities that the digital economy offers. Incubators in ICT and digital entrepreneurship enablers such as mLabs have been established in various developing countries, including Kenya and South Africa while mHubs - networking organizations that are designed to meet the needs of entrepreneurs at various stages of growth have been established in Tanzania and Uganda. Tech-based incubators are relaxing their criteria to accommodate non-tech-based enterprises. For example, Hub Accra in Ghana supports start-ups regardless of their sector as does iSpace, a co-working tech hub that also runs social programs such as Hack for Good events.

The potential for incubators, hubs and accelerators in addressing development challenges is promising. Government can play a role in supporting the development of these structures by providing financial support to catalyze their development. In addition, government can provide the appropriate regulatory framework that will enable other investment to support the development of these structures.

Public procurement can stimulate demand and supply of products and services including among socially disadvantaged groups. At the international level, initiatives such as the International Trade Centre's *Global Platform for Action on Sourcing from Women Vendors*, which aims to increase the share of corporate, institutional and government procurement secured by women vendors by linking them to international networks, are engendering greater inclusion and promoting gender equality. At the national level, several countries have implemented procurement policy measures that target disadvantaged groups. As part of its strategy to integrate previously disadvantaged groups (PDCs), South Africa's *Preferential Procurement Act* provides preferential allocation of contracts to blacks, women and persons with disabilities. Similarly, in 2013, Kenya amended its procurement regulations, which now require 30% of its tenders be allocated women, youth and persons with disabilities, thereby providing an opportunity for SMEs from previously disadvantaged groups to benefit from the mainstream economy.

Mentoring can play a role in helping entrepreneurs to overcome barriers that hinder them from engaging in business activities by providing them with information, advice, coaching and other invaluable business support to navigate the business environment and become successful business people. For women entrepreneurs who generally lack confidence to pursue entrepreneurship, mentoring can help them to gain the skills needed to pursue entrepreneurship.

Similarly, for young entrepreneurs who are unlikely to have work or self-employment experience, with adequate information and coaching from mentors, they can gain the skills and confidence needed to engage in business activity or to enter into self-employment. The private sector can provide mentors to support women and young entrepreneurs in establishing their business, understanding and navigating regulations and other challenges in the business environment, and in managing growth.

Entrepreneurship education programmes can play an important role in ensuring entrepreneurs have the skills to start, operate and grow their businesses. The Tony Elumelu Entrepreneurship Programme, which plans to support 10,000 entrepreneurs by 2025 is an example of this. At the international level, programmes such as ILO's *Gender and Entrepreneurship Together for Women in Enterprises (GET Ahead)* provides skills training to women entrepreneurs and ensures that they have the skills needed to engage in business. Similarly, ILO's *Know Your Business* is an entrepreneurship education programme that is widely used in schools' and other institutions' curricula.

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Box 13. Floriculture Cluster (Flower Business Park) – Kenya

Flowers are Kenya's third foreign exchange earner. A cluster of flower farms in the Lake Naivasha region account for 70 per cent of Kenya's flower exports. The flower businesses, which include Oserian Flowers, Panda Farms, Naivasha Flower Farm, Finlay Farms and Groove Farms, among others, employ over 90,000 people, the majority of whom are women, with 500,000 people benefitting indirectly from the floriculture industry.

Well-connected roads, which link the floriculture cluster to Nairobi, are essential in ensuring the flowers can be easily be transported to the country's international airport in Nairobi, which has daily connections to Europe, U.S, as well as Japan and United Arab Emirates, the key flower export destinations. Availability of electricity as well as access to logistics such as packaging and fair trade certification, have been instrumental to the cluster's growth and development.

Annex 1

Sustainable Development Goals (SDGs 4, 8 & 9)

SDG 4 - *ensure inclusive and equitable quality education and promote lifelong learning opportunities for all* and in the achievement of Target 4.4, which states *by 2030, increase by X the number of youth and adults who have relevant skills, including technical and vocational skills for employment, decent jobs and entrepreneurship.*

SDG 8 - *promote inclusive and sustained economic growth, full and productive employment and decent work for all* and in the achievement of Target 8.3, which calls for the *promotion of development-oriented policies that support productive capacities, decent job creation, entrepreneurship, creativity and innovation and encourage the formalization and growth of micro- and small- and medium-sized enterprises (SMEs) through access to services*.

SDG 9 - ***build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation*** and in the achievement of the following Targets, which call for:
Developing quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.
Promoting inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.
Increasing access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.
Enhancing scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.
Facilitating sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support to African countries, least developed countries, landlocked developing countries and small island developing States and
Supporting domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities

Annex 2

REGIONAL ECONOMIC COMMUNITIES ENTREPRENEURSHIP, INDUSTRIAL AND SCIENCE, TECHNOLOGY AND INNOVATION (STI) FRAMEWORKS

REC	SME/MSME FRAMEWORK	INDUSTRIAL FRAMEWORK	STI FRAMEWORK
CEN-SAD			
COMESA	COMESA's MSME Policy (2013) defines MSMEs as follows: - micro enterprises employ 2-9 people - small enterprises employ 10-50 people - medium enterprises employ 51-150 people COMESA has approximately 5 million MSMEs in the region, which contribute 50 – 70 per cent of the region's GDP.	COMESA's Common Industrial Policy aims to promote manufacturing among member states.	Launched in 2013, COMESA Innovation Council provides advice to Member States on knowledge and innovation. COMESA STI supports the establishment of science and technology parks, ICTs and Skills Development Funds and Common Curricula for ICTs
EAC	EAC's MSME Policy is under development	EAC's Industrial Policy (2012-2032) aims to promote manufacturing through high-value addition and product diversification based on the region's comparative and competitive advantages.	EAC's 2011/12-2015/16 Development Strategy aims to strengthen efforts to develop regional industrial R&D, technology and innovation systems. The Strategy seeks to invest in higher education and training, technological development and innovation.

REC	SME/MSME FRAMEWORK	INDUSTRIAL FRAMEWORK	STI FRAMEWORK
ECOWAS	ECOWAS's SME Charter (2015) – The Regional Strategic Framework for Private Sector Development aims to promote sustainable and innovative entrepreneurship by leveraging indigenous knowledge, resources and technologies with a focus on inclusion and wealth creation	Adopted in 2010, the West African Common Industrial Policy (WACIP) aims to exploit the comparative advantages and promote industrial development. Its objectives are to: - diversify and broaden the region's industrial production by raising the processing of export products by 30 per cent by 2030 - increase manufacturing industry's contribution to regional GDP to an average of 20 per cent by 2030 from its current average of 6 to 7 per cent - improve intra-regional trade from 13 per cent to 40 per cent by 2030 - expand the volume of manufactured exports from West Africa to the global market from 0.1 to 1 per cent by 2030	ECOWAS adopted its S&T (ECOPOST) and Action Plan in 2012. It plans to create a Directorate for STI whose goal will be to promote socioeconomic development
ECCAS			
IGAD			
SADC		Launched in 2009, SADC's Industrial Development Framework (2013-2018) aims to promote industrial upgrading and modernization among its Member States.	In 2014, SADC developed its STI Strategic Plan (2015-2020) which aims to promote STI in the region through coordination, institutional development, policy harmonization and resource mobilization. The policy seems to promote technology transfer and mastery in the region.
UAM			