

**Report of the African Regional Preparatory Meeting
2012 Annual Ministerial Review of the Economic and Social Council**

in energy, transport, and information and communications technologies – need to be addressed in order to open up markets and release constraints to SME development.

- Although financing for SMEs has improved in recent years, entrepreneurs and SMEs need better access to credit, which continues to be limited by the high risk of default among SMEs and inadequate financial facilities. Direct provision of credit by public financial institutions, provision of guarantees for certain kinds of credit and joint public-private sources of financing are possible measures.
- Education systems should become more comprehensive and better linked to

I. Introduction

In July 2012, the United Nations Economic and Social Council will hold its sixth Annual Ministerial Review at UN headquarters

technology, they are likely to face a private sector lacking in innovation and entrepreneurship.

Mr. Thomas Stelzer, Assistant Secretary-General for Policy Coordination and Inter-Agency Affairs at the United Nations Department of Economic and Social Affairs, noted the region's improved economic performance over the past decade. Labour productivity grew by nearly 3 per cent annually. Trade and foreign direct investment increased dramatically. Inflation was much better controlled than in the past, and foreign debt and budget deficits fell. Despite progress, African countries have several challenges to meet. First, they continue to fare poorly in terms of "ease of doing business". Second, the quality of education and shortage of skilled workers continue to be key concerns for entrepreneurs and investors. Third, the region's demographic dividend is not guaranteed, and will require more strategic investments in education, food security and rural development. Finally, foreign investors need to be encouraged to do their part in promoting better governance by signing up to accountability and transparency measures, such as the Extractive Industries Transparency Initiative.

In his keynote address, **H.E. Mr. Ato Ahmed Shide, State Minister of Finance and Economic Development, Ethiopia,**

initiatives to improve documentation and data on the movement of goods and services with projects in place in Burkina(i)o(1)39i i

education and skills training, state-sponsored youth entrepreneurship competitions (i.e., Nigeria's "You WIN!" programme), tax holidays for young entrepreneurs and innovative financial products with improved guarantee mechanisms for start-ups. Another priority area highlighted by several participants was the impact of labour migration on SME development. Those who migrate to advanced economies are important sources of investment, networking and knowledge and technology transfer in their home countries and can contribute to SME development and job creation. However, participants encouraged Governments to improve school-to-work transitions at home and better align skills gained in formal education to the needs of local labour markets in order to retain the next generation of entrepreneurs in their home countries and ensure growth and job opportunities in local contexts. Many participants agreed that the lack of management skills and business training are bigger impediments to SME development than limited finance.

C. Second panel discussion: Promoting productive, job-rich small and medium enterprise (SME) development in a context of inclusive, sustainable and equitable growth

This session was chaired by H.E. Mr. Abdelaziz.

Dr. Talaat Abdel-Malek, Economic Adviser to the Minister of Planning and International Cooperation of Egypt and Chair of the OECD Working Party on Aid Effectiveness, identified jobless growth as a key policy challenge that could not be solved alone by either labour policies or SME development. Rather, different strategies for economic growth need to be pursued. Not all economic sectors are growth-oriented or job-rich, and therefore those sectors which (i) have natural advantages, (ii) are sustainable and (iii) more employment intensive in each country should be identified and promoted (e.g., tourism and agribusiness in many African countries). Youth and women should take centre stage in any such strategy. SMEs can help to address the employment challenge, but major bottlenecks remain. A simplification of registration procedures for new businesses through the use of "one-stop" centres is one practical idea applicable in most countries. The regulatory and legal environments are often outdated and not conducive to enterprise development; similarly access to finance and tax rules could be made friendlier to entrepreneurs.

Mr. Mario Pezzini, Director, Development Centre, OECD, emphasized the importance of policy dialog

way of incorporating women and young people into productive activities. SMEs also play an important role in expanding and diversifying the productive knowledge and capabilities of a country, which in turn determine its level of competitiveness and growth. Numerous small firms, if concentrated in the same or complementary industrial sectors can increase the likelihood of specialization among firms. These clusters allow for a more focused use of resources, and are also more likely to attract investment. Although any attempt at developing this cluster model will need to build upon the particular characteristics of the local context, Governments can play an important role in facilitating cluster creation through sound policy intervention and infrastructure meant to address firms' needs. Together with UNIDO, Italy is supporting a "bottom-up" approach along these lines in Ethiopia's leather sector, which aims to build on pre-existing strengths in the sector while increasing efficiency and productivity of clusters of entrepreneurs. Italy also supports

nexus between SMEs and rural

panels. First, policymakers have not adequately responded to the need for improved movement of people and goods across borders the region. This continues to be a major

- **Africa's solid growth has not been sufficiently inclusive to meet the employment needs of a fast-growing population. The future growth potential of the region is enormous, but will require a coherent set of policies to enhance different growth patterns.**
- **Countries in the region could benefit from learning about each other's experiences, yet opportunities are limited for knowledge sharing and exchange of good practices.**
- **The vast gaps in infrastructure throughout much of the region – particularly in energy, transport, and information and communications technologies – need to be addressed in order to open up markets and reduce constraints to SME development.**
- **Entrepreneurs and SMEs need better access to credit. Direct provision of credit by public financial institutions, provision of guarantees for certain kinds of credit and joint public-private sources of financing are possible measures.**
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