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Statement

by

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at Session 1 on the theme "Strengthening the enabling environment for successful SME development"

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It is encouraging that African countries are fully committed to promote sound SME policies, in particular in the industry sector. A number of countries in the region have already adopted policies to build a modern, competitive, and dynamic industrial sector. The commitment of African countries to industrialization is also manifested at the regional level. The New Partnership for Africa's Development (NEPAD) identified economic transformation through industrialization as a critical vehicle for growth and poverty reduction in the region. Moreover African Heads of State adopted a Plan of Action for the Accelerated Industrial Development of Africa (AIDA) in 2008. Implementation strategies for the Plan were subsequently endorsed by African Ministers at the 2008 Conference of African Ministers of Indus

It is worth mentioning that 33 of the African countries are LDCs. The Istanbul Programme of Action for LDCs adopted last year emphasized the need for promoting an enabling environment for private sector development including for small and medium-sized enterprises through a transparent and rule-based regulatory framework. Development partners have committed to support initiatives to strengthen the institutional and managerial capacities and the productivity of SMEs in least developed countries to improve their competitiveness.

LDC Governments on their part committed to simplify business procedures to make them cheaper, simpler and speedier. Governments also can provide tax incentives for SMEs and subsidies similar to those available to large companies or micro entrepreneurs, and can make provisions for start-up funds for them.

Mr. Chairman,

We believe that the following few policy measures, if taken and implemented in an efficient manner, can create an enabling environment for SMEs:

1) It is important to ensure the voice and participation of the business people in the decision making processes related to SMEs. In several countries, such as Mali and Mozambique, private businesses now

participate in identifying the most needed reforms. This may be emulated in other countries.

2) . Development partners should adopt an investment preference regime to encourage their corporations to invest in SMEs in African countries. These incentives could take various forms including tax exemptions for firms that invest in priority sectors in Africa and investment guarantees and credit risk guarantees.

3) The accumulation of technological knowledge and capabilities is critical to inducing structural transformation and gaining competitive advantage in export markets. African countries should receive more support for technology and innovation. This could take the form of stimulating domestic production of technological knowledge. Additionally, development partners can facilitate Africa to get easy access to existing technology through FDI, licensing and purchasing capital equipment.

4) Government, development partners and large MNCs can help African SMEs comply with international standards such as ISO 9001 and 14,001. Such compliances can enable SMEs to compete in international markets while at the same time improving overall quality of their products.

5) It is unlikely that environmental concerns figure high on the business agenda of SMEs. Though individually the environmental impacts of SMEs are insignificant, collectively this might be significant. Access to environmentally sound technologies and capacity building for compliance with various standards particularly with environmental standards can meaningfully integrate sustainable development thinking into their production processes and operations. Thus, the Rio+20 Conference is vitally important to recognize SMEs as part of the agents in promoting green economy for sustainable development.

6) The most pressing challenge for SMEs is getting access to financial services and investment capital. Traditionally big companies can easily secure necessary bank loans and private investments. At the same time, microfinance tends to benefit individual entrepreneurs. Though SMEs are in need of more funding; paradoxically, most of the financial institutions are unwilling to fund them, due to perceived risks and high transaction costs. Even when they are able to obtain loans, it is associated with high interest rates and shorter pay-back times. Financial institutions and products need to be developed in a targeted manner to ensure easy access to finance by SMEs. Governments and donor countries can facilitate this

by providing necessary

In conclusion, industrial development is crucial for sustained growth and poverty eradication in Africa. A new industrial policy is needed to induce structural transformation and engender development in African economies