



Integrated Programme Delivery Module

Implementation of the AU SME Strategy

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List of Abbreviations

AfDB		African Development Bank
AIDA	-	Accelerating Industrial Development for Africa
AMV	-	African Mining Vision
ASMED		Africa Small and Medium Enterprise Development
ASMED PP		Africa Small and Medium Enterprise Development Partnership Platform
ASMER		Africa Small and Medium Enterprise Report
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
DTI		Department of Trade and Industry
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
MCs		Member Countries
MSME		Micro, Small and Medium Enterprise
MSs		Member States
PDF		Programme Delivery Framework
PIDA	-	Programme for Infrastructure Development
PPP	-	Public-Private Partnership
R & D		Research and Development
RF		Results Framework
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

Chapter 1

Situation Analysis

1.1 Africa's Economies and SMEs

Despite the recent robust growth in Africa high unemployment remains a significant challenge across the continent. Recent data show that unemployment in Sub-Saharan Africa grew slightly to 7.4 per cent in 2015, up from 7.3 per cent in 2014 (ILO, 2016). 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 remained widespread, with the number of people living in absolute poverty in the region increasing (UN, 2013).

Small and medium enterprises and industries (SME/Is) and entrepreneurship can play an important role in addressing Africa's socio-economic challenges. They have the potential to serve as the most significant sector for job creation and engines of innovation, poverty reduction; and contribute to Africa's economic growth. SME/Is have also 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.

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 SSA's GDP. The manufacturing sector varies considerably across countries. 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 (UNCTAD, 2015). 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, 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.

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

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 African 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.

1.2 Challenges of SMEs in Africa

The key challenges of small and medium enterprises and industries in Africa at the global, continental, regional and national levels are presented below.

1.2.1. Global Level

The challenges of Africa's SME/Is at the global level are several. Due to their limited production capacity, SMEs in Africa are unable to reap the benefits of economies of scale in production, purchasing, management, financing and marketing. These limitations resulting in the raising of SME/Is' operating costs have placed the global competitiveness of SMEs at a low position. As a consequence, these firms face stiff 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.

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 SSA stagnating at 10 per cent in 2013 - unchanged since the 1970s (Economist, 2015), 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 (UNECA, 2015).

Moreover, while manufacturing's share of output has fallen during the last 25 years in much of sub-Saharan Africa, with manufacturing accounting for only 6 per cent of all jobs, in other developing regions such as Asia, manufacturing's share of output has

grown from 11 to 16 per cent over the same period (Ibid). 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 (AfDB). The continent's low share in manufacturing and deceleration of industrialization can be attributed to extraction 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.

Africa remains not a significant player in the international trading system, 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 (UNCTAD, 2015).

SME/Is in Africa contribute little in value added products. 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 (UNECA, 2015). 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 (Ibid).

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.

1.2.2, 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 (AU, 2012). Trade barriers, notably tariff and non-tariff measures in international markets hinder African SME/Is, as well as entrepreneurs from accessing international markets.

SME/Is' potential has remained unrealized, partly because of their inadequately harnessed productive capacities and absence from integration into the regional and global value chains.

1.2.3. Regional Level

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 (UNECEA). 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 neighbors. 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, 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 EAC region, manufacturing enterprises targeting different trade blocs often face challenges that constrain market expansion for manufactures (ECA, 2012).

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. 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 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 SSA, SME/Is 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 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. 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.

Lack of a common policies at the regional level to guide member states in supporting SME/Is 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 ECOWAS aimed at catalyzing industrial development in their regions have contributed minimally to boosting production, productivity or manufacturing (UNECA, 2015). 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. For instance in COMESA region, lack of funding has hindered the implementation of industrialization and value addition strategies (COMESA, 2015). 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.

Measures to support the implementation of entrepreneurship policies are rarely implemented, further constraining enterprises' growth. In the EAC region, for instance, although SME 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 (UNECA, 2015).

Limited access to technology across regions as well as limited technical and managerial skills limits SME/Is' 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 (Ibid). 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 advocate for their needs at the regional level constrain enterprises capacity to grow. Also, weak industrial production linkages between large firms and SMEs across regions contribute to low productivity and competitiveness.

1.2.4. Country Level

Barriers in the regulatory environment, including burdensome administrative and registration processes, high business registration costs and unfavorable and complex tax systems pose challenges to SME/Is and entrepreneurs in starting, operating and growing their businesses. These contribute to informality - a characteristic of African SME/Is 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 to register their businesses. Also, lack of transparency in regulatory systems, often characterized by 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' development (ILO, 2015). On the demand side, financial institutions' collateral requirements, compounded by SMEs' 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 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 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 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 (UNCTAD, 2015).

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 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' growth (ILO, 2015). 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.

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.

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 scarce resources and often unsatisfactory outcomes (UNCTAD, 2015).

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 (UNECA, 2015). 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 (UNCTAD, 2015). 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, (Ibid) with the competing views rendering the implementation of these policies ineffective.

Incentives, programmes and agency mandates designed to ensure the implementation of policies that ultimately will contribute to SMEs' 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 (UNECA, 2015). In Nigeria, for instance, efforts to promote industrialization failed due to lack of focus on technological learning at the plant, sectoral and industry level (UNCTAD, 2015). While programmes to support entrepreneurship such as business development services are available in countries, they are not widely available to SMEs and entrepreneurs. For instance, business development services available through incubators, which are widely used by ICT SMEs in several African countries are largely concentrated in urban areas (InfoDev, 2014). Also, existing skills development programmes within countries vary widely in their quality, rendering them ineffective in supporting SMEs, 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 (ILO, 2015).

1.3 Opportunities for SMEs in Africa

Despite the above challenges there are a number of opportunities for SMEs in Africa to be major economic players at the regional and global marketing systems, and bring the desired change of boosting employment through job creation, poverty reduction and minimizing social exclusion, and be a significant contributor to the growth of Africa's economies.

This calls for appropriate and effective support for enhancing entrepreneurship and industrialization through creating conducive business environment for SME and entrepreneurs at the regional and national levels by putting in place 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.

Also, great opportunities exist for SMEs in Africa to increasingly engage in contributing to substantial value addition along the regional and global value chains to raw products. In addition, upgrading SMEs' 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 SMEs' productivity and in improving their competitiveness.

It is also necessary to tap on the opportunity for SME/Is in existing sectors such as agro-processing 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 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.

1.4 Other Development Frameworks and Initiatives

In the preparation of this programme delivery framework for implementing the AU SME Strategy, due attention was given to the linkages that will arise with the existing continental initiatives including those listed below.

- a) The Action Plan for Accelerating Industrial Development in Africa (AIDA)
- b) AU Agenda 2063
- c) African Mining Vision (AMV)
- d) Boosting Intra-African Trade
- e) Comprehensive Africa Agricultural Development Programme (CAADP)
- f) Continental Free Trade Area (CFTA)
- g) Programme for Infrastructure Development (PIDA)
- h) Science, Technology and Innovation Strategy for Africa (STISA -2024)
- i) Declaration on the 2015 Theme "Year of Women Empowerment and Development Towards Africa's Agenda 2063"

Taken together, 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.

1.5. 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. Several RECs have developed policy frameworks to address constraints that hinder SME/Is 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.

1.6. 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 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 Algeria¹, Cameroon², Kenya³ and South Africa⁴, 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.

¹ Ministry of Industry, SME and Investment Promotion

² Ministry of SME, Social Economy and Handicrafts

³ Ministry of Industrialization and Enterprise Development

⁴ Ministry of Small Business Development

Chapter 2

Methodology and Overall Content of the Programme Delivery Framework (PDF)

2.1. Methodology

As part of the AU's overall strategy to facilitate the continental integration agenda, and consistent with the mandate of AUC's Department of Industry and Trade (DTI) to boost industrialization and intra-African trade the AU SME Strategy has been put forward for policy action and implementation. This Programme Delivery Framework presents the strategic initiatives and the conduct of implementing them during the next five years, 2017 – 2021 to promote SME/Is in Africa in generating jobs, reducing poverty and stimulating inclusiveness.

In the preparation of this delivery framework the methodology applied for collecting information in order to substantiate the exercise, include the following.

- a. Detailed reviews and analysis of the AU SME strategy document, and policy and strategy documents on SMEs, industrialization and entrepreneurships of certain regional economic communities (RECs) and other relevant literatures.
- b. Enhancing the consultative process through organizing and undertaking the participation of stakeholders that included representatives of RECs, member countries, AUC, NEPAD, the private sector, expert groups, UN agencies, financial institutions, etc. The consultative meetings for the above purpose used a set of forums. These are the meetings within the AUC, in Nairobi/Kenya for Eastern and Southern Africa regions from 17 to 20 February 2017, and Abidjan/Côte d'Ivoire from 22 – 25 Feb 2017 for Western, Central and Northern regions. The validation workshop that took place in Jonesburg/South Africa from 27-29 April 2017 also provided useful feedbacks that are addressed in this PDF document.

2.2. Overall Content of the PDF

This PDF document is organized systematically with elaboration of the major topics in various Chapters for the purpose of easy follow-up and step by step execution of the PDF into use. Following the situation analysis that is elaborated above under Chapter 1, the overall content of the PDF is presented under this current chapter. The results framework is presented under Chapter 3; then follows the Chapters on Monitoring and Evaluation System, Reporting Mechanism, Resource Mobilization and Partnership Module and Communication and Outreach Module. The master operation plan, 2017 -2021 is well laid out and presented in the Annex of this PDF document.

2.3. Major Strategic Areas

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, this PDF document provides guidance on how to implement the AU Strategy in terms of leveraging AU's convening power to engage RECs as well as Member States in re-examining how to strengthen and reinvigorate the private sector engagement in SME/Is.

For the purpose of making significant stride towards the realization of AU vision, the PDF as per the AU SME Strategy hinges on seven pillars that are to:

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

In the context of the above listed strategic pillars, the major actions to be implemented in the context of the PDR include the following:

- Improving 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;
- Promoting 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 African economies to formal economies;
- Supporting the enhancement of SME/Is and entrepreneurs' participation in regional and global value chains, in so doing, boost enterprises and entrepreneurs' productivity through skills upgrade while enhancing their competitiveness;
- Prioritizing 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;
- Enhancing industrial and technological cluster development (including in rural areas), with a view to boosting enterprises as well as entrepreneurs' productivity and competitiveness through innovation;

- Promoting innovative financing and ensure greater access to finance for enterprises and entrepreneurs, including those in underserved regions as well as among the unbanked;

In order to achieve these goals, activities identified in the Programme Delivery Framework seek to address constraints identified in the Strategy simultaneously, with a view to ensuring that SME/Is, and entrepreneurs can contribute to Africa's structural transformation. The successful implementation of the PDF will be contingent on the strength of institutional support, human resources and robust monitoring and evaluation. Moreover, the PDF will foster partnerships between the AUC, RECs, Member States, Development Partners, development financial institutions, the Private Sector, UN Agencies. The AUC's Trade and Industry Department (DTI) as per its mandate will facilitate and catalyze the implementation of the AU SME Strategy.

2.3.1 Enabling Business Environment and Energy Access and Infrastructure

Supportive policies, regulatory and institutional frameworks are crucial in creating an enabling environment for economic activity and industrial development that could lead to the formation of new businesses and industries, enhance productivity and create sustainable jobs. Also, ensuring adequate infrastructure as well as access to energy supplies is essential for adding to the creation of the enabling environment for SMEs' development and unlocking the potential of entrepreneurship and industrialization to provide the impetus for economic growth and structural transformation in Africa.

In view of the above and available capacity for implementation within the time framework of flagship programme that is 2017 – 2021, the PDF will focus on the following overall intervention areas.

- Streamlining regional policies, and frameworks for the promotion of innovation, SMEs, industrialization & entrepreneurship with a continental framework, charters and strategies;
- Supporting RECs to establish and develop Regional SME Coordination Offices and Observatories to monitor and coordinate SME programmatic interventions in the regions, and serve as liaisons between national and continental setups for SME development;
- Creating the enabling condition for SME and domestic enterprise development through infrastructure project;
- Enhancing SME and domestic enterprise development through agribusiness initiatives.

2.3.2. Technology and Innovation and Start-Ups, Growth- Oriented Firms and Knowledge Based Sectors

For promoting the growth and competitiveness of small and medium enterprises and industries, advanced and better technologies and innovations are critically required. Particularly, start-ups anchored on knowledge-based means and skills have great

potential to grow and significantly contribute to job creation and poverty reduction across the continent.

Growth-oriented enterprises, which are characterized by productivity and competitiveness, prerequisites for structural transformation, have the capacity to create stable employment and generate revenue. With SMEs - the dominant firms in Africa having limited potential to drive structural transformation, supporting the development of growth-oriented enterprises in Africa that are capable of driving structural transformation is crucial.

The key intervention areas outlined below are helpful to contribute to the unleashing of the potential of technology and innovation and for startups, growth-oriented firms and knowledge-based sectors to contribute to SME development and employment.

- Developing policy and regulatory and institutional frameworks to support innovation and technology clusters, incubators and accelerator benefiting SMEs;
- Promoting Public – Private Partnership (PPP) to support innovation and technology facilitating value addition; and
- Promoting growth oriented enterprises.

2.3.3 Innovative Financing

Ensuring access to innovative financing that can meet the needs of enterprises, industries and entrepreneurs are critical in effectively supporting entrepreneurship and industrial development on the continent.

Under the Results Framework in the following Chapter key activities and expected outputs and outcomes regarding the promotion of innovative financing for SME/Is are presented.

2.3.4. Access to markets, export competitiveness and linkages to regional and global value chains

Ensuring access to markets, promoting export competitiveness and regional integration can increase enterprises and industries as well as entrepreneurs' productivity, while promoting their growth and competitiveness.

In order to ensure that enterprises, industries and entrepreneurs can access regional and international markets, while raising their productivity, the following priority actions will need to be undertaken.

- Promotion of the participation of SME/SMI in Regional Value Chains and Global Value chains;
- Promotion of pro-SME measures with Industrial Parks Development Framework;
- Developing and/or strengthening capacity of regional and national quality infrastructure (i.e. Bureaus of Standards); and
- Supporting RECs in developing trade facilitation portals.

2.3.5. Promote Business Development Services

Establishment of well-developed and accessible business development services those are necessary for enhancing the development and increased economic performance SMEs in Africa at large. Such an arrangement plays an important role in ensuring enterprises, industries and entrepreneurs to have the requisite technical and business skills to start and grow their businesses.

The intervention areas under this strategic pillar to be addressed by this PDF include the following.

- Supporting RECs to promote Business Development Services (BDS)
- Establishing continental information portal to provide information on business development

2.3.6. Learning Practices and Knowledge Management

Access to information and education and skills development can play an important role in supporting enterprises and entrepreneurs to start, operate and grow their businesses. Equally important, access to information on enterprises and industries can ensure policymakers have the appropriate information to inform their decisions on entrepreneurship and industrialization, ultimately enhancing the business environment for SME/Is, MSMEs and entrepreneurs.

To enhance the contribution of learning practices and knowledge management in the innovation, productivity and competitiveness of SME/Is, the following are intervention areas to be handling and detailed in the PDF.

- Establishment of a continental portal on knowledge management on SMEs, entrepreneurship and industrial development in Africa
- Establishment of the office for the SME Envoy

2.3.7. Inclusive Entrepreneurship and Livelihoods Development

Entrepreneurship and industrialization can foster inclusive growth by ensuring the participation of socially disadvantaged groups including women, youth, refugees and displaced persons in economic opportunities. Enhancing the business environment for socially disadvantaged groups and providing the requisite supports can play an important role in supporting these groups to start, operate and grow their businesses.

In order to ensure inclusive entrepreneurship and livelihoods development to effectively support, socially disadvantaged groups to engage in entrepreneurship and industrial activities, the following actions will be undertaken.

- Enhance entrepreneurship and business skills of women and youth by including in the curricula of schools, training institutes and universities the teaching and learning of entrepreneurship as standalone subjects.

- Promote human security (for refugees, displaced persons) through stimulating entrepreneurship and SME development.

In view of the above broad areas of interventions, 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 implementation of the AU SME strategy in line with the contents of this PDF presented in the following Chapters. These include the programme results framework, implementation arrangement, monitoring and evaluation, reporting mechanism, resource mobilization and partnership building, communication outreach and operation plan.

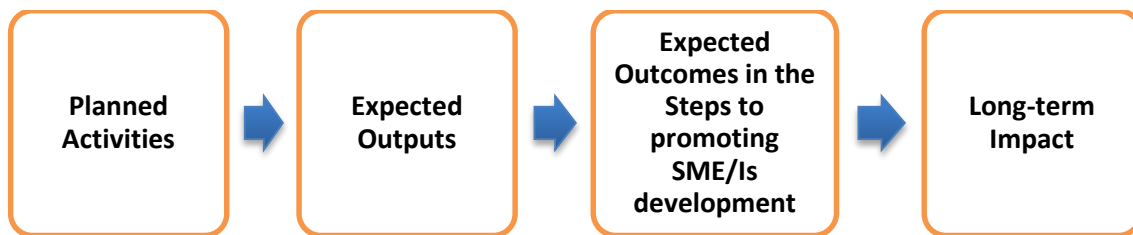
Chapter 3

The Programme Results Framework (PRF)

A well laid out results framework is critical for carrying out an effective results based management (RBM), and translating the implementation of the AU SME Strategy into measurable results.

The Programme Results Framework (PRF) detailed under this Chapter contains key planned activities, intended outputs and intended outcomes, measurable indicators and means of verification. These parameters will help track and measure the programme results that will emanate from the programme implementation.

The chain of boxes below indicates the sequence of the planned activities in implementing the flagship SME programme and expected results that are contextualized in the subsequent results framework.



Expected Long-term Impact

Competitive small and medium enterprises and industries that make significant contribution to economic growth and transformation, generate employment, reduce poverty and foster social inclusion in Africa are created and promoted.

Taking into consideration the available capacity and limited timeline to implement the flagship SME development programme that is based on the AU SME strategy, key intervention areas and activities are selected under each strategic pillars and mapped out in the results log frame below.

Results Framework

Pillar 1: Create an Enabling Business Environment

Objective: To create an enabling environment that fosters SME/Is' creativity and development Expected Outcome : An enabling business environment for SME/Is' easy operations			
Key Activities	Expected Results/ Outputs	Verifiable Indicators	Data Source/Mean of Verification
Develop and promote a continental model charter for enhancing SMEs' development	A continental model charter produced and promoted	Endorsement of the continental model charter	AUC/DTI and RECs assessment reports
Undertake a study on Tax Scheme to promote SME/I development	Completed study report on Tax Scheme	Quality of the study report	Feedbacks from AUC/DTI , RECs, Member States, private sector and other partners
Carryout an assessment of existing regional observatories to facilitate the establishment of a continental observatory	Knowledge on operational successes and challenges of regional observatories established	Quality of the assessment report	Feedbacks from AUC/DTI , RECs, Member States, private sector and other partners
Organize continental training workshop for enhancing knowledge and capacity of regional observatories	An effective workshop carried out	Success of workshop in terms of quality and turnout of participants	Post workshop survey of workshop participants feedback
Create a platform of collaboration between AUC's Department of Trade and Industry and PIDA's Governance Institution on SMEs' and domestic enterprises' access to infrastructure	A productive and effective collaborative platform created	Number of consultative meetings and extent of collaboration	DTI and PIDA's Governance Institution
Undertake a policy brief study on SME and domestic enterprise development in agro-industrial business in collaboration between DTI and CAADP's Governance Institution	A policy brief study produced in collaboration	Quality of policy brief study	Joint review report of DTI and CAADP Governance Institution
Create a platform of collaboration between AUC's Department of Trade and Industry and CAADP's Governance Institution on SME agribusiness	A productive and effective collaborative platform created	Number of consultative meetings and extent of collaboration	DTI and CAADP Governance Institution

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

Objective: To facilitate technology and innovation and promote start-up and ICT development in order to catalyse the development of competitive, knowledge-based SMES and industries

Expected Outcome: Increased use of technology and innovations for the development of competitive, knowledge –based SME/Is and growth oriented enterprises.

Key Activities	Expected Results/Outputs	Verifiable Indicators	Data Source/Means of Verification
Identify and support Centres of Excellence to undertake policy research on SMEs development and industrialisation	Centres of Excellence identified and supported to undertake policy research	Number of Centres of Excellence supported	AUC/DTI
Support the organization of a periodic Continental Fair including exhibition, business competition, and continental award based on a well elaborated concept paper on the organization and conduct of the Fair to also incorporate Africa Industrial day/week.	Successful periodic Continental Fair and Africa Industrial day/week	Number of turnout of participants and visitors Extent of communication and outreach on the Fair, awards and Africa Industrial day	Report and post survey
Undertake a policy study (including a policy brief for decision makers) on the promotion of growth oriented enterprises	A continental policy study (including a policy brief) report produced	Quality and endorsement of the study report	A review report

Pillar 3: Promote Innovative Financing

Objective: To promote innovative finance for SME/Is and entrepreneurship development. Expected Outcome: Innovative financing mechanism for enhancing the development of SME/Is and entrepreneurship promoted.			
Key Activities	Expected Results/Outputs	Verifiable Indicators	Data Source/Mean of Verification
Organize in partnership with the private sector, capacity building activities for financial institutions to increase their engagement in financing SMEs	Capacity of financial institutions strengthened to Increasingly engage in financing SMEs	Increment of financial institutions engagement in financing SMEs	A quick assessment reports by RECS
Commission a continental study on best practices in the establishment and operation of Credit Bureaus and enhancement of their capacity to provide efficient services to SMEs	A continental study report on best practices and ways of strengthening of Credit Bureaus produced	Quality of the study report including quality of recommendations	A joint review report by the AUC/DTI and partners
Undertake a policy study (including policy brief) at the Continental level on expanding or initiating innovative financing for Africa's SMEs	A policy study report on promoting innovative financing for Africa's SMEs	Quality of study report	Joint review meeting of AUC/DTI, RECS, Member States, and other partners
Support RECs in the promotion of digital and mobile financing through enhancing learning and knowledge acquisition	Learning and knowledge on digital and mobile financing enhanced	Number of RECs having undertaken knowledge transfer on digital and mobile financing through training workshops for SME/Is.	Learning and knowledge platform outcome report

Pillar 4: Ensure access to markets, export competitiveness and linkages to regional and global value chains

Objective: To promote SMEs’ access to markets and export competitiveness through enhanced integration into the regional and global value chains			
Expected Outcome: Enhanced SMEs’ integration into the regional and global value chains promoting their access to market and export competitiveness			
Key Activities	Expected Results/Outputs	Verifiable Indicators	Data Source/Mean of Verification
Organize training of trainers workshops to in turn train and capacitate SMEs to engage and integrate into RVC and GVC	Well attended and successful training of trainers workshops	Number of participants and quality of training	Workshop reports and post workshop feedback surveys
Organize training on trade facilitation focusing on Regional Value Chain (RVC)	Trade facilitation training carried out	Number of participants and quality of training	Workshop reports and post workshop feedback surveys
Undertake a policy brief study on pro-SME measures and linkages with industrial parks development for necessary policy action by decision makers	A policy brief on pro-SME measures and linkages with industrial parks development	Quality and extent of buy-in by policymakers	Review report on the policy brief document
Organize a knowledge exchange conference on regional and national quality infrastructure (Bureaus of Standards) for SME development	Productive knowledge exchange conference	Effectiveness of the conference in knowledge exchange	Post conference survey
Support RECs through a study to establish trade facilitation portals that provide up-to-date trade information and facilitation requirements for SMEs’ increased engagement in export.	A study report on establishing trade facilitation portal produced	Quality of study report	Review of the study report

Pillar 5: Promote business development services and institutional capacity building

Objective: To promote business development services that can effectively support SMEs			
Expected Outcome: Strengthened capacity of business development services and networks			
Key Activities	Expected Results/Outputs	Verifiable Indicators	Source of Data/Mean of Verification
Develop capacities of RECs to establish and/or strengthen BDS networks	RECs' strengthened capacity for establishing BDS networks	Number of BDS networks established	RECs' Annual report
Undertake a feasibility study on establishing a continental information portal dealing with business development services	Completed feasibility study report	Quality of the study report	Review of the study document

Pillar 6: Promote learning practices and knowledge management

Objective: To promote learning practices and ensure knowledge management in order to effectively support SME/industrial development			
Expected Outcome:			
Key Activities	Expected Results/Outputs	Verifiable Indicators	Data Source/Mean of Verification
Undertake a feasibility study including taking stock of existing initiatives on knowledge management portals on SMEs, entrepreneurship and industrial development at the regional level.	Effective strategy made available for RECs to establish regional knowledge management portals on SMEs, entrepreneurship and industrial development	Completed substantive study report	AUC/DTI's and RECs' review report

Support RECs through strategic study on the establishment of Centers of Excellence (to serve in R & D and capacity building) for enhancing SME, entrepreneurship development	Strategic study document to support RECs to establish Centre of Excellence	Quality of the study report	M & E reports
Produce Annual Africa SME and Industrial Development Report covering a selected prime and topical thematic area that will be different for each annual publication to enhance knowledge and feasibility.	Annual Africa SME and Industrial Development Report to enhance knowledge and feasibility	Availability of report	AUC/DTI
Undertake a study on the establishment of office for the SME Envoy	Well substantiated and effective mechanism for the establishment of office for the SME Envoy	Quality of the study outcome	AUC/DTI

Pillar 7: Promote inclusive entrepreneurship and livelihood development

Objective: To promote inclusive entrepreneurship and livelihoods development			
Expected Outcome: Inclusive entrepreneurship and livelihoods development focusing on women and youth promoted			
Planned Activities	Outputs	Indicators	Means of Verification
Undertake regional case studies including a policy brief on best practices on the provision of entrepreneurship training in educational centres to support RECs in the promoting such practice across the respective regions	Effective policy recommendations to promote entrepreneurship culture and skills in the regions	Effectiveness of the policy recommendation	Review report
Support RECs to address human security (refugees, displaced youth and women) through entrepreneurship development project including significant capacity building component that will result into employment opportunities in business enterprises.	Bankable human security project based on entrepreneurship development for funding	Bankability of the project	Project review report

Chapter 4

Monitoring and Evaluation Module

4.1. Overview

Monitoring and evaluation are essential components of the programme delivery framework of the AU SME strategy. An effective approach to Management for Results (MfR) should be anchored on a well-designed and effective monitoring and evaluation system, thereby facilitating the tracking and assessment of the progress made and results achieved from translating the Continental SME Strategy into action. A systematic monitoring and evaluation will also enhance continuous learning and making policy, strategy and operational adjustments, as necessary, in the context of the “RBM life-cycle approach”.

The fact that the implementation of the SME Strategy is expected to involve a number of partners/stakeholders (AU, RECs, Member States, agencies/institutions, private sector, etc.) calls for a monitoring and evaluation arrangement that is broad in scope and coverage. The monitoring will also benefit from the use of participatory monitoring mechanism to ensure commitment, ownership, follow-up and feedback on performance. The African Union (AU), Regional Economic Communities (RECs) and Member States, which are the main parties, are all expected to actively engage in the M & E exercise. It is necessary to clearly delineate the division of responsibilities among the partners in order to have an effective M & E arrangement.

In order to have an effective monitoring in place, it is important to have clarity on the roles and responsibilities of each of the main partners. These are presented below.

4.2. Monitoring

The monitoring will be guided by the planned activities/interventions, objectives, expected outputs, indicators and expected outcomes that are mapped out under the programme results matrix of the programme delivery framework. This exercise that will take place at the continental, regional and national levels calls for systematic and continuous data collection and analysis and regular reporting. This will help to inform the AU, RECs, Member States, key development partners and stakeholders at large about the progress and achievement against the goals and objectives of the SME Strategy.

4.2.1. The Role of African Union (AUC's Department of Trade and Industry)

The AU being the umbrella institutional set up for the Continent, it will coordinate the overall monitoring of the implementation of the SME strategy at the continental level. For the AU to discharge this responsibility it however requires capacity strengthening. Given that this Small and Medium Enterprise and Industries Strategy is driven by the AUC's Department of Trade and Industries (DTI), a proposal is to get the capacity of this Department enhanced by establishing an SME Development

Coordination Unit that will discharge the responsibility of pursuing the overall coordination of programme implementation including M & E of SME/I Strategy. It is important that such a Coordination Unit is head by a programme manager with an additional programme officer and assistant staffs as necessary – depending on the availability funding to come from resource mobilization to finance the above positions. This SME Development Coordination Unit among other responsibilities will collect and compile regular monitoring data and information through the respective RECs that will in turn collect and compile them from the Member States.

4.2.2. The Role of Regional Economic Communities (RECs)

The RECs serving as bridges between the AU and Member States will have a major role to play in the monitoring of the implementation of the SME strategy and reporting on their respective regions' combined performance. Depending the existing respective structures and capacity circumstances within each RECs - the respective Secretariats will take a lead role in monitoring the implementation of the provisions of the SME Strategy in their respective regions. The Secretariats will carry out periodic monitoring exercises to assess the level of application of the SME Strategy by Member States; and track whether the strategic activities laid out under the Results Framework of the Strategy are contributing towards the achievement of the intended development results.

Given the important role of the RECs in the monitoring exercise, it is necessary to as well get their capacities strengthened. Some RECs already have committees on various development thematic areas for example Committees on industrial development (e.g. EAC, COMESA, SADC, etc) but not as such committees on SME and entrepreneurship development. Here, it is proposed that a committee or working desk on SMEs development be established depending the appropriateness of situation in the respective RECs.

The suitability of the above indicated capacity building and/or strengthening will depend on a good review of existing capacity, structure and mandate of each of the eight Regional Economic Communities (RECs) listed below - given that these regional groupings of African States have differing roles and structures.

- Arab Maghreb Union (UMA)
- Common Market for Eastern and Southern Africa (COMESA)
- Community of Sahel–Saharan States (CEN–SAD)
- East African Community (EAC)
- Economic Community of Central African States (ECCAS)
- Economic Community of West African States (ECOWAS)
- Intergovernmental Authority on Development (IGAD)
- Southern African Development Community (SADC).

The fact that the RECs are closely integrated with the AU's work and serve as its building blocks help establish appropriate institutional arrangement for the continental PDF in terms of its management and implementation including M & E.

The common Continental SME Strategy when implemented across the various regions will contribute to promoting Africa's integration.

4.2.3. Member States

The respective RECs will liaise with the respective Member States to ensure an effective M & E undertaking to track progress and change emanating from the Continental SME strategy.

It is suggested that Member States may consider as appropriate including SME development programme in their respective med-term national programmes and action plans. This arrangement apart from enhancing commitment for the SME strategy in a way will provide a workable arrangement for monitoring and evaluation. Moreover, such an arrangement among other things will create the condition for synergy in the effort towards the promotion of Africa's SME, and as mentioned above, thus facilitating the process of integration across the continent.

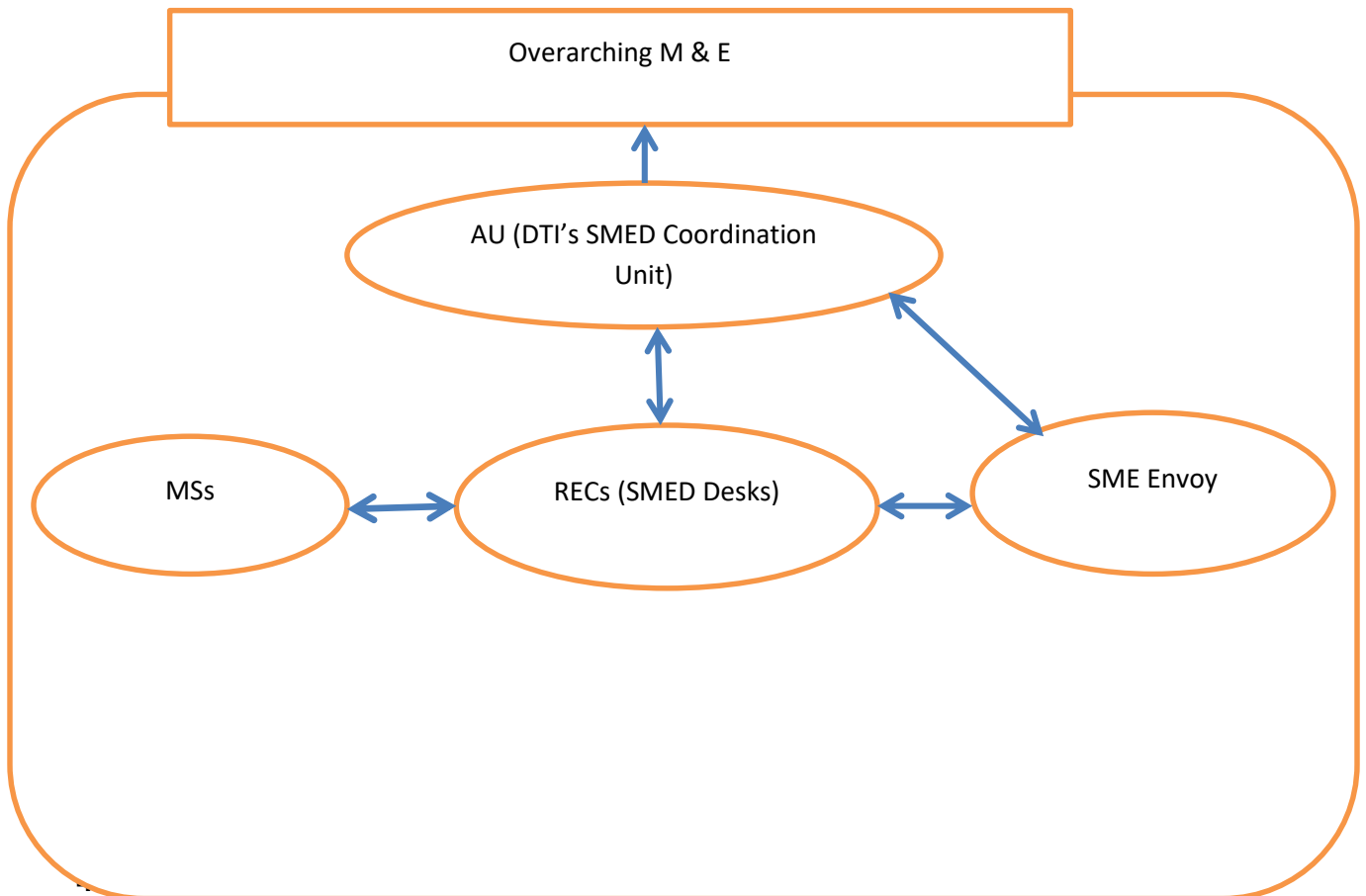
The proposal on capacity strengthening extends to the level of the Member States as well - with focus on the relevant ministries and departments expected to directly deal with national issues in respect of SMEs' development. While a few countries have ministries of industry and/or trade, only a few countries in Africa notably have fully-fledged ministries dedicated to SME and entrepreneurship development. The latter are for example in Ethiopia the Ministry of Industry and also a separate Federal MSE development agency (FeMSDA), in Algeria the Ministry of Industry, SME and Investment promotion, in Cameroon the Ministry of SME, Social Economy and Handicrafts, in Kenya the Ministry of Industrialization and Enterprise Development and in South Africa the Ministry of Small Business Development. Such arrangements will facilitate monitoring and evaluation of the implementation the AU SME Strategy in the Member States.

4.2.4. SME Envoy

It is proposed that SME Envoys of high caliber and having extensive policy and leadership experiences are appointed. The SME Envoy will serve as an interlocutor between the SMEs, AU, RECs and Member States; and have an advocacy role on issues pertaining to the creation of enabling environment for SMEs. The Envoys representing SMEs will also involve in monitoring the progress of the implementation of the SME Strategy in terms of its effects on improving SMEs' performance and competitiveness. Refer to the Box under the Chapter on reporting for the roles of the SME Envoys in the European Union that can be adopted and used by the SME Envoys in Africa, as well.

Note for translators: Please use the diagram below instead to show overarching M & E !

Figure 1: Partners' Collaboration in M & E



Guided by the objectives, activities, outputs, outcomes, indicators under the Programme Results Framework (PRF), the data and information to look for during the M& E include inter alia the following.

- Progress of implementing the activities under each of the strategic pillars of the SME strategy;
- Progress towards and/or achieved intended results (outputs and outcome);
- Status of translating the Continental SME Strategy into local conditions and its integration with any existing national and regional SME strategy, national development programmes and action plans;
- Policy actions taken at the national and regional levels to improve the enabling business environment for the promotion of SME/Is;
- The challenges in making progress and the reasons;
- The lessons learnt;
- Policy and strategic recommendations to address the main challenges.

Sources of Data/Information: The following are examples of source of data/information for use in the M & E: i) Annual reports on national, regional and continental levels; ii) Regular record of activities; iii) Annual review meetings, workshops with programme partners and sample target audience; iv) Surveys; v) Observations, etc.

4.4. Evaluation

The evaluation of the programme implementation will involve planned and periodic assessment of results in key areas e.g. effectiveness, efficiency, impact and sustainability of the implementation of the AU Strategy. The evaluation will build on the monitoring process; and objectively identify the achieved outcomes and impacts; the intended and unintended effects of these achievements; and approaches that worked well and those that did not work well; identifying the reasons for success or failure and learning from both.

The AU and RECs as appropriate will organize continental and regional annual reviews respectively as deemed necessary to keep up partners with the state of progress and results from implementing the Strategy. The SME Development Partnership Platform will serve as an important body to facilitate and execute the review. The outcomes from such participatory review forums will feed into the actual evaluations to follow.

Overall two main assessments will be carried out in the course of implementing the AU SME Strategy. The first will be a midterm review that will take place at the end the third year of implementing the Strategy. This will help assess the conduct of the implementation process and answers to arising questions that include for example the following.

- How effective is the implementation process in terms of engaging partners and stakeholders in general, coordination, and timeliness?
- What are the main challenges encountered, how are these overcome or to be overcome?
- What are the lessons learnt?
- What are the results obtained in reference to the programme results framework and the M & E plan; and are these in line with the intended plan?
- What are the correction areas that should be addressed in the remaining years for implementation of the SME development programme?
- Etc.

The terminal evaluation of the continental SME/I development programme will be at the end of the fifth year, end of the first phase implementation of the Strategy. Even

though the evaluations will be participatory in nature with the engagement of all relevant stakeholders and partners, it will as well be independent, transparent, ethical, impartial and of high quality – thus providing the necessary policy recommendations for practical follow-up actions.

Chapter 5

Reporting Mechanism

5.1. Overview

Reporting mechanism is an integral part of the programme delivery framework (PDF) that is anchored on effective results based management (RBM), and an essential medium for communicating on the progress of implementation and the results achieved. The reporting system to effectively serve its purpose, it will take into consideration the existing institutional structures dealing with small and medium enterprises and industries and entrepreneurship development at the national, regional and continental levels.

Rather than creating a parallel reporting arrangement, it will be more effective when the reporting system on the AU Strategy is harmonized and coordinated with the exiting continental, regional and national reporting systems. A well-established and simplified reporting framework will serve all stakeholders, namely the AU, RECs and Member States, development partners, private sector and all other stakeholders, at large.

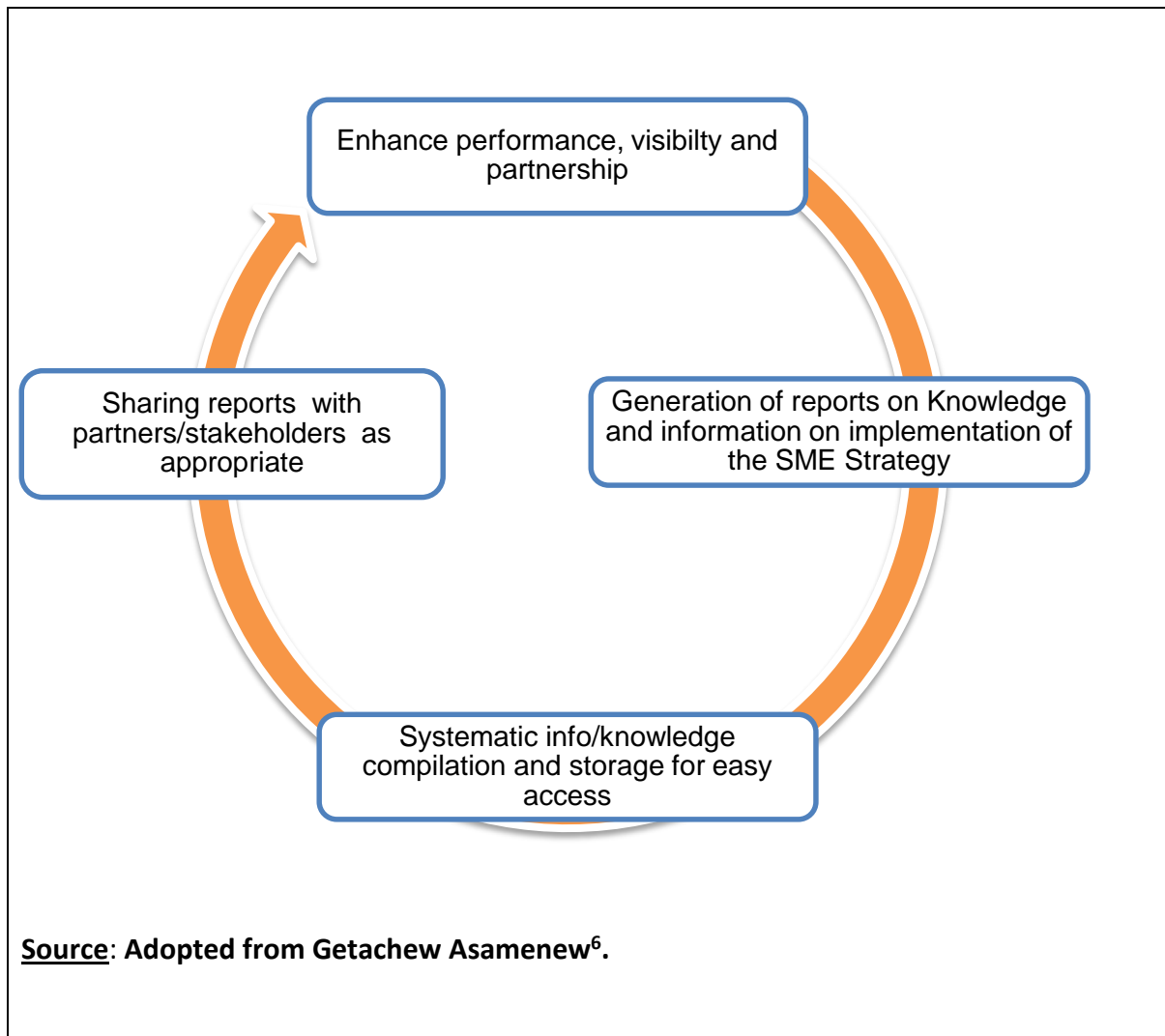
It is also important to take into consideration the available reporting capacity. The existing capacities do vary across the various RECs⁵. In cases where it is inadequate it calls for building and strengthening it.

The report will be source for knowledge and information on the implementation status of the AU SME Strategy continent wide. The reporting module will have a continuous cyclic actions (refer to diagram below) like the ones listed below

- Generation of knowledge and information on the implementation of the Strategy;
- Systematic info/knowledge compilation and storage for easy access;
- Sharing the reports with partners/stakeholders as appropriate; and
- Using the reports for enhancing performance, visibility and partnership building and keeping abreast policymakers and the leadership the implementation of the SME Strategy.

⁵ UMA, COMESA, CEN-SAD, EAC, ECCAS, ECOWAS, IGAD, SADC

Figure 2: The Reporting Cycle



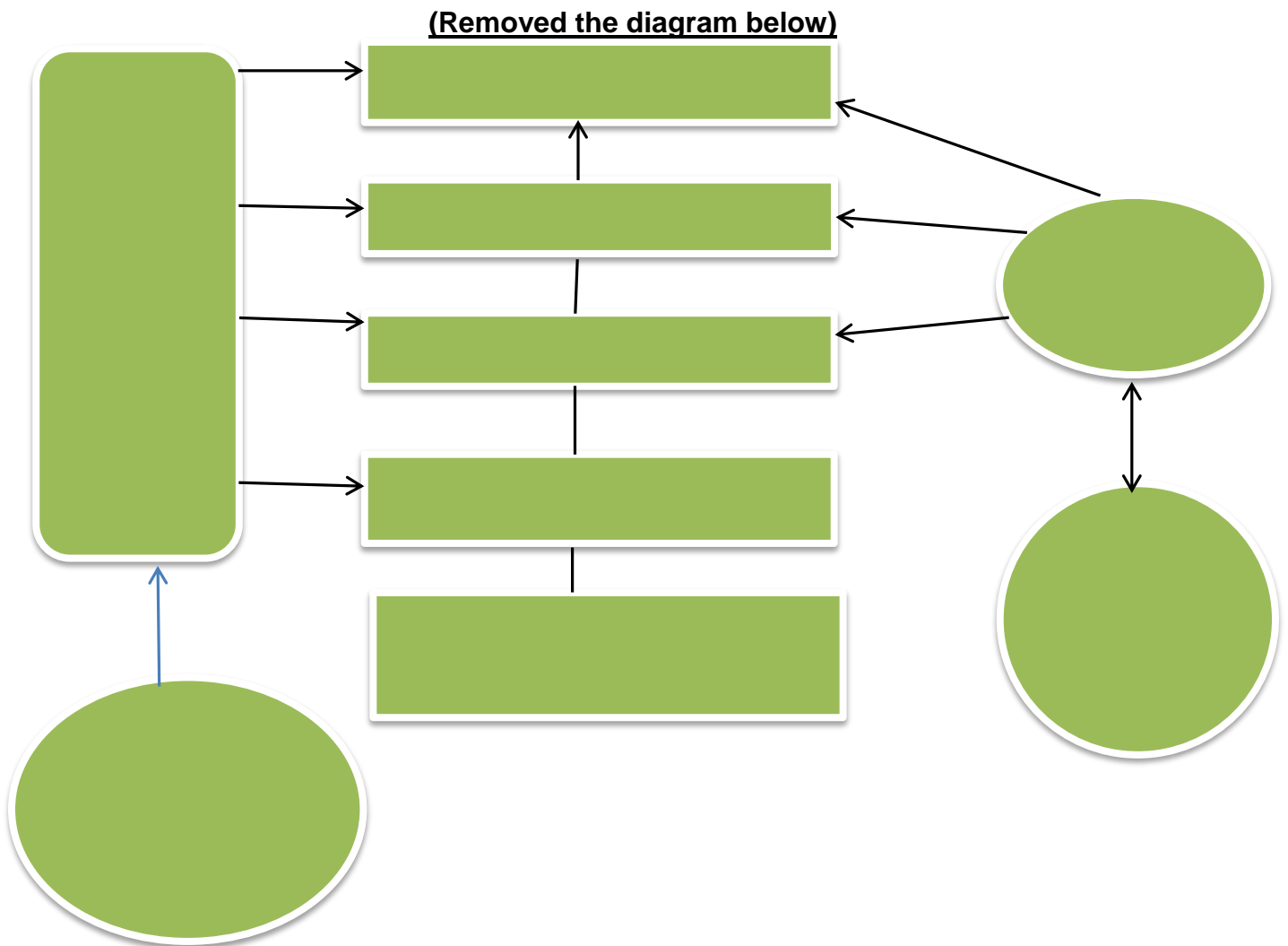
5.2. Reporting Institutional Arrangement

The fact that the RECs are closely integrated with the AU's work and serve as its building blocks will facilitate smooth reporting on a regular basis.

In reference to what has been proposed in the Chapter on the "M & E mechanism", it is essential to get the existing inadequate institutional capacity in the various RECs addressed by establishing "Management Desks" with adequate capacity that will be charged with the responsibilities of monitoring and evaluation, follow-up and reporting at the national, regional and continental levels. These proposed respective desks will fit in and work closely with any already existing sectoral committees in the RECs (e.g. COMESA, EAC, SADC, ECOWAS, etc.), the AUC's Department of Trade and Industry

⁶ *Paper on Knowledge Management for Entrepreneurship Development (2013)*

(DTI). This will be a good option for strengthening the reporting capacity along the chain involving the AU, RECs and Member States.



The REC Secretariats, through the working group on SME promotion (referred to above as the “Management Desk” will track the progress of the implementation of the SME Strategy across the respective region based on the individual reports to come from the regional Member States; and produce regional consolidated reports. The REC Secretariats will present these reports for reviews and discussions at the regional ministerial meetings and then at regional council. This reporting mechanism will create the condition for learning and knowledge sharing on best practices among the respective regional Member States thus promoting integration.

The reports on the progress of implementing the AU SME Strategy will be presented and discussed at the respective RECs Ministerial Councils and RECs Summits. The reports capturing the views and recommendations of the various RECs Summits will be discussed at the AU Council of Ministers and consolidated capturing the major

continental policy issues regarding the implementation of the SME strategy, and thereafter presented to the AU Summit going up the organizational chain.

5.3. SME Envoy

As proposed in the previous Chapter, it will be helpful to appoint SME Envoy of high caliber, and known in having experience in development policy. This has been a practical practice in the European Union (EU) to widely promote the voice of SMEs and help create the enabling business environment the implementation of EU's Small Business Act. Hence, in the context of this PDF as well, the Office of the SME Envoy will serve as interlocutors between the SMEs' associations/communities and the AU, RECs and Member States as necessary; and widely promotes the "Think Small Principle". The main objective of this function among other things will be to contribute towards enhancing the reporting mechanism.

It is proposed that the SME Envoy will attend the various summits and meetings indicated in Figure 2 above; and as appropriate will voice the concerns and/or appreciation of the SME associations and private sector, particularly on the policy and strategic actions underway and/or results regarding the conditions of the enabling business environment.

The elaborated expected roles of the SME Envoy are presented under the Chapter on "Communication and Outreach Module".

5.4. Content of the Report

The report will provide information on policy and strategic actions undertaken during the implementation of the SME Strategy taking into consideration the prevailing national and regional conditions. The contents of the report will target the various audiences. For example the content of the report to be presented to the AU Summit and RECs summit will focus on policy matters for discussion and provide guidance for future strengthened endeavor in the implementation of the SME Strategy.

The AU will lead the preparation of the reporting templates. The focal point or desk on SME, proposed to be established and located under the AUC's Department of Trade and Industry (DTI) will have follow-up duties on the report to come to the AU.

The report will include information on the following.

- Significant results attained.
- Status of translating the Continental SME Strategy Framework to local conditions and its integration with national and regional SME strategy, national development programmes and action plans.
- Policy actions taken at the national and regional levels to improve the enabling business environment for the promotion of SME/Is.

- Status of implementing activities under each of the strategic pillars of the SME strategy.
- The challenges in making progress and the reasons.
- The lessons learnt.
- Policy and strategic recommendations to address the main challenges.

Chapter 6

Resource Mobilization and Partnership Module

6.1. Overview

Adequate finance is essential for the smooth implementation of the continental SME strategy and achievement of the set programme objectives. This calls for effective resource mobilization and partnership building. These days, resource mobilization has become an extremely competitive and challenging task, and thus calls for a systematic approach that works well and translates into concrete results.

Albeit Africa's recent significant economic growth, the continent's domestic savings for financing development has remained inadequate. Official Development Assistance (ODA) which has become insufficient to fully meet Africa's development need is even on a continuous decline. Given the above indicated prevailing financing condition, it is necessary to take a systematic approach in mobilizing resource to support the implementation the AU SME Strategy.

There is a strong economic case for scaling up funding support for SMEs' development in Africa as discussed in the Chapter of this PDF. This sector's huge potential if effectively tapped will serve as one of the most strategic mechanisms to address the challenges faced by the continent in regards to the rise in unemployment, and pervasive poverty and social exclusion. The latter are also key areas targeted for addressing under the Sustainable Development Goals (SDGs) of Agenda 2030.

Given the potential of SMEs to significantly contribute to Africa's economic growth and transformation a number of donors supported SME programmes have been under implementation. However, these programmes remain fragmented, with several donors and development finance institutions (DFIs) running a number of SME programmes that are uncoordinated and linked to each other. Pooling of resources is essential for avoiding duplications, enhancing efficiency and translating SME development initiatives into concrete results. A continental SME flagship programme that will serve as an umbrella mechanism is necessary for mobilizing resources, catalyzing development and enhancing regional integration. The AU SME flagship programme is potentially such a framework.

Under this Chapter the resource mobilization targets both external and domestic resources for financing the implementation of the SME programme at the continental and regional levels. The required partnerships to be also mobilized in order to support the enhancement of the SME programme implementation are as well presented.

6.2. Mobilization of Funding from Donor Partners

Funding from development partners is a potential source for supporting the implementation of the AU SME Strategy. As mentioned above, the AU flagship programme creates a good platform for coordinating resource mobilization from bilateral and multi-lateral donors. It is important to take into consideration while mobilizing these resources, the existing frameworks including the Paris Declaration on Aid Effectiveness and Accra Plan of Action. AU's brokerage and advocacy role in catalyzing the process will be helpful.

In the process of resource mobilization from development partners for financing the implementation of the AU SME development programme the following action will be necessary to undertake.

- a) It will be necessary to broaden the base of resource partners with a mapping of the potential donors. This exercise will also call for understanding the policies, priorities and procedures of each potential funding partners and agencies.
- b) Sharing and discussing a well-rounded and presented concept note on the extent of robustness of the SME flagship programme to bring about change in the development of SME/Is and entrepreneurship in Africa will create an ideal case to attract donors to rally around supporting the programme. A well-organized resource mobilization forum including potential bilateral and multilateral donors, development financial institutions, and non-traditional private sector donors, the AUC and RECs will be facilitative to promote the Continental SME flagship programme. This process will also foster a shared vision and commitments and pledges to come from the broadest possible range of resource partners. As indicated above, AU's catalytic and advocacy role will be critical in leveraging the above process.

- c) Establishing a coordination team (including AUC and RECs) for the resource mobilization exercise that will be chaired by the AUC/DTI is also an important arrangement to consider.
- d) In addition to approaching the potential traditional development partners, it will be important to also forge partnership for innovative financing from the private sector and emerging market economies. Thus having a diversified resource base can help expand options and buffer the risk of loss of any single financing source.
- e) It is important to get the resource mobilization at the continental level be led by the AUC whereas at the regional level the RECs in liaison with Member States as appropriate will drive the process but still with a strong advocacy and brokerage support to come from the AU.
- f) Formation of a basket funding in a form of an Africa SME Development Multi-donors Trust Fund (MDTF) can be a mechanism for managing the funding to come from the various potential bilateral and multilateral donors. This may be sub-divided into “child funds” as deemed necessary.
- g) As the implementation of the Africa SME flagship programme proceeds still the resource mobilization shall continue for more support from additional partners. This aspect of the resource mobilization endeavor calls for a good regular reporting on the progress of implementing the SME strategy based on the set development objectives and results as per the results framework and operational plan, 2017 - 2021. This will need complementing with an effective communication and outreach actions in order to enhance visibility and increased buy-in for the SME programme.

6.3. Promoting Loan Guarantee Fund

A loan guarantee fund will be a good source of financing the development of SMEs in Africa. Such a funding facility provides guarantee to financial institutions and serves as a credit enhancement mechanism to support the financing of SME/Is development in Africa. Hence, expanding and enhancing the utilization of this funding mechanism will be a good option. In this endeavor, creating partnership forum for the purpose of drawing partners including bilateral and multilateral donors, the private funding agencies/institutions to consolidate and expand available resource for the loan guarantee funding will be helpful.

The AU's continental advocacy and brokerage role will be facilitative in promoting such a funding arrangement for Africa's SMEs. The on-going African Guarantee Fund (AGF) for SMES funded by the AfDB together with two funding countries, namely Spain and Denmark can be a good venue for AU to forge partnership and draw other funding partners in order to expand this funding mechanism. This loan guarantee fund, which is a public-private partnership initiative, can be made to grow by the facilitative role of the AU together with the AfDB to engage RECs, more bilateral and multi-lateral development partners, regional and continental development financial institutions and private investors. For enhancing this, it is proposed that an effective strategic framework be worked out and endorsed to promote the partnership between the AUC, AfDB and funding partners.

This loan guarantee fund will provide partial guarantees for financial institutions in African countries to incentivize them to increase debt and equity investments into SMEs. Based on an assessment of the needs of financial institutions and SMEs in the region, AGF will offer three types of guarantees with different fee structures: i) portfolio and individual loan guarantee ,ii) bank fund raising guarantees; and iii) equity guarantees.⁷

The AGF is expected to mobilize substantial financial resources for African SMEs. It will provide countercyclical support to financial institutions through easing access to liquidity and strengthening their capacity to create credit. The present share capital of AGF is USD 50 million. Over the next 3 to 5 years, this is scheduled to increase to USD 500 million.⁸

6.4. Continental and Regional Development Financial Institutions (DFIs)

The development finance institutions (DFIs) at the regional and continental levels in Africa are also potential sources for financing SMEs and industrialization after having the above mentioned guarantee fund are well established and functioning. These financial institutions include:

- i. **Development of Bank of Southern Africa:** The support covering South Africa and SADC region.

⁷ African Guarantee Fund website, www.africanguaranteefund

⁸ Ibid

- ii) **Trade and Development Bank of Eastern and Southern Africa - The Preferential Trade Area Bank (PTA):** The PTA Bank with 18 member states is the financial arm of COMESA. China is the first non-regional member to join the PTA Bank; AfDB is the sole institutional shareholder.
- iii) **ECOWAS Bank for Investment and Development (EBID):** The main objective is to contribute towards the economic development of West Africa through the financing of ECOWAS project and programmes. The bank operates as a holding company with two subsidiaries: The ECOWAS Regional Development Fund (ERDF) and ECOWAS Regional Investment Bank (ERBID).
- iv) **African Export-Import Bank (AFREXIBANK):** The Bank work mainly focuses on supporting the facilitation of trade within the African continent and trade between Africa and other continents. Also, the bank is motivated to extend support to interventions in the area of industrialization that can be extended to support the development of SME in Africa.

6.5. Public–Private Partnerships (PPPs)

Public-private partnerships, a contractual arrangement between public organizations and private sector entities to share skills and assets is a good mechanism for mobilizing resources for particularly financing infrastructure facilities that contribute to creating enabling environment for SMEs' improved operations and development, as well.

Uses of PPPs for infrastructure development for enhancing the establishment and/or operations of industrial parks can benefit SMEs at the regional and national levels through well constituted backward and forward linkages.

AU with its continental advocacy role shall support RECs to enhance PPPs in their respective regions as a way to resource mobilization including SME/I development in Africa.

6.6. Promoting Regional Development Fund

Another avenue for resource mobilization is considering the establishment and/or enhancement of regional development funds that will have a good focus on making available funding to regional SME development given that this development sector has a huge potential for job creation, poverty reduction and driving the agenda of economic growth and transformation, and regional integration. This proposed regional fund to be established by resource contributions of Member States, development partners, development finance institutions and the private sector can be a good pathway for regional integration by ways of promoting SMEs' role in the regional economic activities thus contributing to enhancing regional trade and integration.

An example of such an initiative is the partnership underway to establish SADC Development fund. The SADC Summit mandated the SADC Ministers responsible for Finance and Investment to work towards the establishment of the Regional Development Fund through mobilizing resources from SADC Member States, cooperating partners, and the private sector to promote regional development and the trade integration agenda.⁹

The AU is well positioned to encourage and facilitate the establishment of such fund across the RECs. Establishing a Regional Development Fund opens new avenues to facilitate attraction of external resources like grants from International Cooperating Partners, concessional funds from multilateral institutions such the World Bank (WB) and the African Development Bank, and private sector. The Fund will serve as intermediary between international financing institutions and REC institutions and/or Member States.

6.7. Alternative Sources of Financing the African Union

Overall, the African Union is exerting concerted efforts to reduce aid dependency by promoting the *Alternative Sources of Financing the Union* which seeks to address the challenge of inadequate funding of AU development programmes and projects,

⁹ SADC 2012.

whereby about 90% of funds for continental projects come from external development partners.¹⁰

The proposal of the high Level Panel, assigned by the African Union to look for alternative sources for financing the African Union is a significant example of resource mobilization of financial resource from within. The High Level Panel that presented its final draft report in May 2013 proposed to the African Union five options of mobilizing the funds. These are summarized and presented below.¹¹

- **Private sector and other contributions:** A certain percentage of the revenue derived from activities carried out by the private sector and non-governmental organizations under the guidance of the African Union could be allocated for financing specific projects.
- **Levy on insurance premium:** Impose a minimum levy of 0.2% on any insurance policy taken by an African citizen or enterprise operating in Africa, which is to be collected by insurance companies on behalf of the African Union
- **Levy on imports:** Impose a 0.2% tax on consumable goods imported from outside the continent, excluding donations and exempted goods. The accruing amounts will be collected by Member States Customs Services on behalf of the African Union. The volume of Africa's imports have more than doubled since 2005, reaching US \$600 billion in 2012, up from US \$250 billion in 2005. This is expected to continue rising¹².
- **Levy on international travel** – Impose a tax US \$ 5 per ticket on flights to and from Africa.
- **Tourism and hospitality:** Collect US\$ 1 each stay by tourists in an African hotel.

With AU's continental advocacy role and RECs' and Member States' follow up, it is proposed here that the above good alternative financing sources be pursued and tapped to serve as available financial resource for Africa's development. Then some of the funding from the above mentioned domestic financing can be directed to supplement funding the implementation of the AU SME/I development programme in the context of the PDF.

¹⁰ NEPAD and UNECA, 2014.

¹¹NEPAD and UNECA, 2014

¹² Ibid

6.8. Promoting FDI Inflow

The AU can support in advocating the promotion of pro-SME policy measures by the RECs and member countries in order to enhance FDI inflow to Africa, which is another potential source for SME/Is' financing, knowledge transfer and stimulating market through regional and global value chains with large investment firms that will be attracted to the continent.

Although FDI flow to Africa is on the increase, the amount of flow is the least as compared to the other continents where for example Africa's share in 2011 was only 2.8% and grew to 3.9% in 2013. The table below gives a comparative picture of the global FDI flows.

FDI flows by Regions 2011 – 2013 (Billion US \$)

	2011	2012	2013
EU	880	517	566
North America	263	204	250
Africa	48	55	57
Asia	431	415	426
Latin America and Caribbean			

Source: UNCTAD.2014

To enhance FDI inflow it is important for African countries to substantially improve the prevailing business environment, thus making the investment environment more attractive for foreign investors. Moreover, it is important that incentive packages that an African country provides to encourage foreign investment considers the best means to link the local economy development with the FDI. This should include among other things enhancing forward and backward linkages between ventures of foreign investors and domestic investors particularly in respect to SME development.

The movement towards establishing Industrial Parks/Special Economic Zones to contribute to Africa's effort to transform to industrial economies is noteworthy. This strategy has been increasingly attracting FDI inflows to African countries.

For Africa's local SMEs, potential gains relate to increased local market opportunities, upgraded management skills, benefiting from new technology, facilitating their access to capital and increased possibility of internationalizing their

business. For the member States and regions as a whole, linkages can stimulate economic activity through substituting local inputs for imported ones. Thus the promotion of SME development through the linkage presented above, can in turn lead to spillovers to the rest of the host economy. This will have an indirect resource mobilization effect.

6.9 Partnership Building

Partnership building is an essential factor for success in resource mobilization, and effective implementation of the AU SME development programme.

The Continental SME development initiative will create a suitable ground for enhanced collaboration between the various AU's departments including the Department of Trade and Industry (DTI), Programme for Infrastructure Development in Africa (PIDA), Innovation and Technology, Gender and Youth, CAADP and NPCA and Africa Mining Vision (AMV). Such a partnership arrangement can help pull together AU's development organs and promote the "Delivering as One" principle that will further enhance team work to extend into the implementation of the programme initiative for SME development in Africa.

There are a number of stakeholders whose enhanced partnership will facilitate the implementation of the AU SME flagship programme. It is necessary that the AU in particular with the designation of the AUC's Department of Trade and Industry to continue to leverage these partnerships including with the regional economic communities (RECs), Member Countries, the African Development Bank (AfDB), development finance institutions, the private sector, the UN agencies in particular the United Nations Industrial Development Organisation (UNIDO), the United Economic Commission for Africa (UNECA) UNCTAD, UNDP, and ITC, etc. With

For the purpose of enhancing partnership and value addition of the implementation of the AU SME flagship programme, it will be necessary to carry out a systematic mapping of all existing main SME programmes and initiatives in the respective regions. Outcome of such exercise will facilitate to identify critical collaboration areas between the AUC and partners/stakeholders listed above for implementation at the regional and continental levels.

Coming back to the implementation of the AU SME programme, it will be necessary to make it complementary to existing work of the RECs that are the linchpins between the AU and member states thus enhancing partnership.

6.10. African SME Development Partnership Platform (ASMED PP)

Formation of a well setup partnership platform that is inclusive and effective will enhance the collaborative engagement of partners in terms of commitment for support. Such a platform is also critical for exchange of knowledge and lesson learning between the SME programme partners. The ASMED PP is expected to include AU, RECs, Member Countries, bilateral and multilateral development partners, (AfDB), DFIs, the private sector, UN agencies (UNIDO, UNECA, UNCTAD, UNDP, ITC, etc.).

It is proposed that the ASMED PP take place twice a year with substantive agenda, and substantive expected outcomes to emerge from these meetings. Refer to the Terms of Reference of the ASMED PP under Annex I.

Chapter 7

Communication and Outreach Module

7.1. Overview

Communication and outreach practices are important for promoting visibility, smooth and successful implementation of the AU SME Strategy at the national, regional and continental levels. A good communication and outreach mechanism creates the condition for commitment and participation of stakeholders by way of keeping them informed about the status of the continental SME/I flagship programme. It is also essential for the regular updating of policymakers and the leadership on the progress and success of the implementation of the AU SME programme based on monitoring and evaluation thus promoting buy-in.

The communication and outreach mechanism for the implementation of the AU SME Strategy will define and systematically layout the communication priorities, objectives, the key internal and external audiences and stakeholders, and the key messages and necessary outreach vehicles.

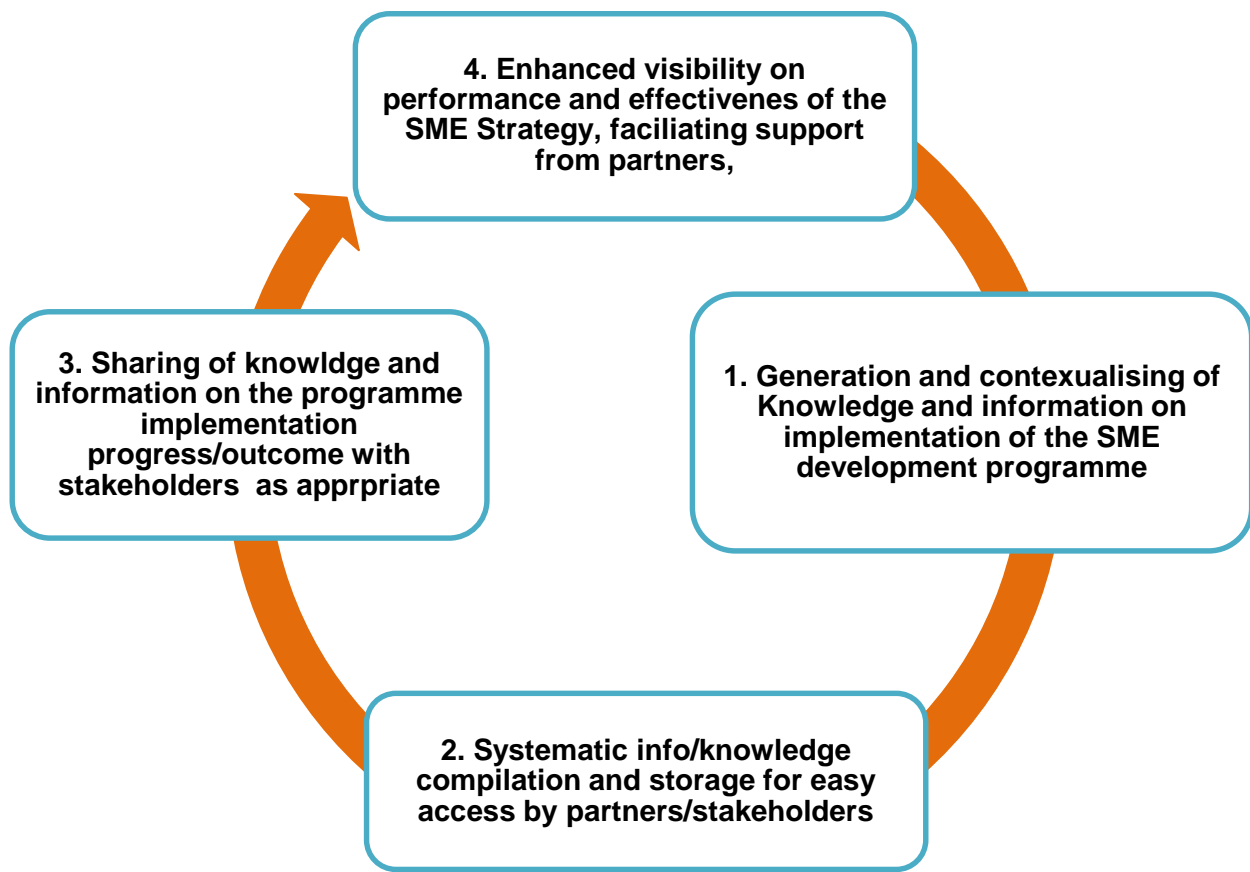
The following preparatory actions will be helpful for laying out an effective communication and outreach mechanism.

- A review of existing communication and outreach institutional setups for other initiatives in the AU, RECs and Members States for the purpose of lesson learning, harmonizing and enhancing the approach for the SME flagship programme.
- Creating a comprehensive communications and outreach plan.
- Specifying the individual and collaborative roles of the AU, RECs and Member States in undertaking communication and outreach.
- Laying out an effective communication and outreach format.
- Identifying the audience and targeting through segmenting messages; and
- Selection and use of effective communication and outreach channel.

7.2. The Communication and Outreach Cycle

An important starting point in communication and outreach is the generation and contextualization of knowledge and information based on outcomes of regular monitoring and evaluation of the implementation of the SME development

programme. It is then necessary to systematically manage the compiled information including storing it out for easy access by stakeholders. Sharing of the compiled knowledge and information with partners is important for enhancing visibility, support to come from partners, performance and effectiveness of the translation of the SME Strategy into action.



Source: Adapted from Getachew Asamenew. 2013. Paper on Knowledge Management and Entrepreneurship Development

A well laid out communication and outreach system will facilitate continuous flow of information between stakeholders including the AUC, RECs, member states, development partners, UN agencies, financial development institutions, the private sectors, SME representatives/associations and the public at large. It also serves as a means for feedback on implementation issues pertaining to the SME development in Africa; and create the medium for advocating for the continental SME development programme through advocating for policy reforms.

7.3. The Communication and Outreach Tools

The variety of targets and diversity of messages and approaches envisaged in the application of the AU SME flagship programme have implications for the mechanisms and tools required. The tools outlined below can be considered to disseminate information on the implementation status of the SME Strategy.

7.3.1 Website

Having a well-established “African SME Development Website” at the AUC with menus for the status of SMEs’ development under each of the RECs will facilitate compiled knowledge and information availability and easing of the sharing of such resources with partners. It is proposed that the SME Development Coordination Unit (SMEDCU) to be setup in the Department of Trade and Industry (DTI) will led the process and ensures that such a website is well maintained and timely updated as necessary. In order to enhance outreach it will be also important to establish network with other related websites across the globe.

Key to effective advocacy through awareness-raising and education are the timely and expeditious delivery of information and communication materials. Interactive, integrative and rapid web-based electronic media provide facilities to meet these needs in a cost-effective manner. Moreover, such a layout once well established and start to broadly accessed by partners and stakeholders it will enhance visibility of the initiatives of the AU and RECs on small medium enterprises, industries and entrepreneurship in Africa. Once this website is well established, creating within it a knowledge exchange space for example to promote blogging and experience sharing between stakeholders including Centre of Excellence, the SME Envoy Office, think tanks on issues of SME, industries and entrepreneurship development in Africa will be facilitative to consider having.

7.3.2. Africa SME/Is Portal

It is proposed to establish an Africa SME/I portal on SME/Is at the AUC particularly the Department of Trade and Industry (DTI). Such a portal can be systematically arranged such that it stores data and information on the progress and results emerging form the implementation of SME/I initiatives for example on each Strategic

Pillars of the AU SME Strategy, with a categorization of the implementation status at the continental, Regional Economic Communities (RECs) and country levels.

This setup will serve as a significant knowledge repository in one place on small medium enterprises and industries and entrepreneurship development in Africa. It will be home for relevant publications (various studies, research papers, policy and strategy documents) on the above mentioned topical and development areas for Africa. Such a portal to be systematically established and running will be a vital source of information in one place, for policymakers, Centre of Excellence, Universities, researchers, etc

Building and/or strengthening databases on SME development at the continental and regional levels as an integral part of establishing appropriate distribution channels with partners will provide a network of networks-type structure. Provided the portal is well maintained it will serve as an effective means for communication and outreach.

7.3.3. Africa SME Report

An Africa SME Report (ASMER) can serve as an effective conduit for communication and outreach. Hence, it is proposed that ASMER with focus on different thematic areas that hinge on the pillars of the AU SME strategy (e.g. creating enabling business environment for SMEs, technology and innovations, and so on) is constituted and made available regularly. The ASMER may be published every yearly or once into years depending the capacity and resource availability.

This report will contain cutting edge economic analysis and findings “digested and packed” for wide dissemination to the public at large. Such a well-established regular report when properly disseminated will serve as a strong communication and outreach tool to reach audiences across Africa and globally in order to promotes visibility and partners’ support beyond just information sharing.

7.3.4. Mass Media and Press Releases

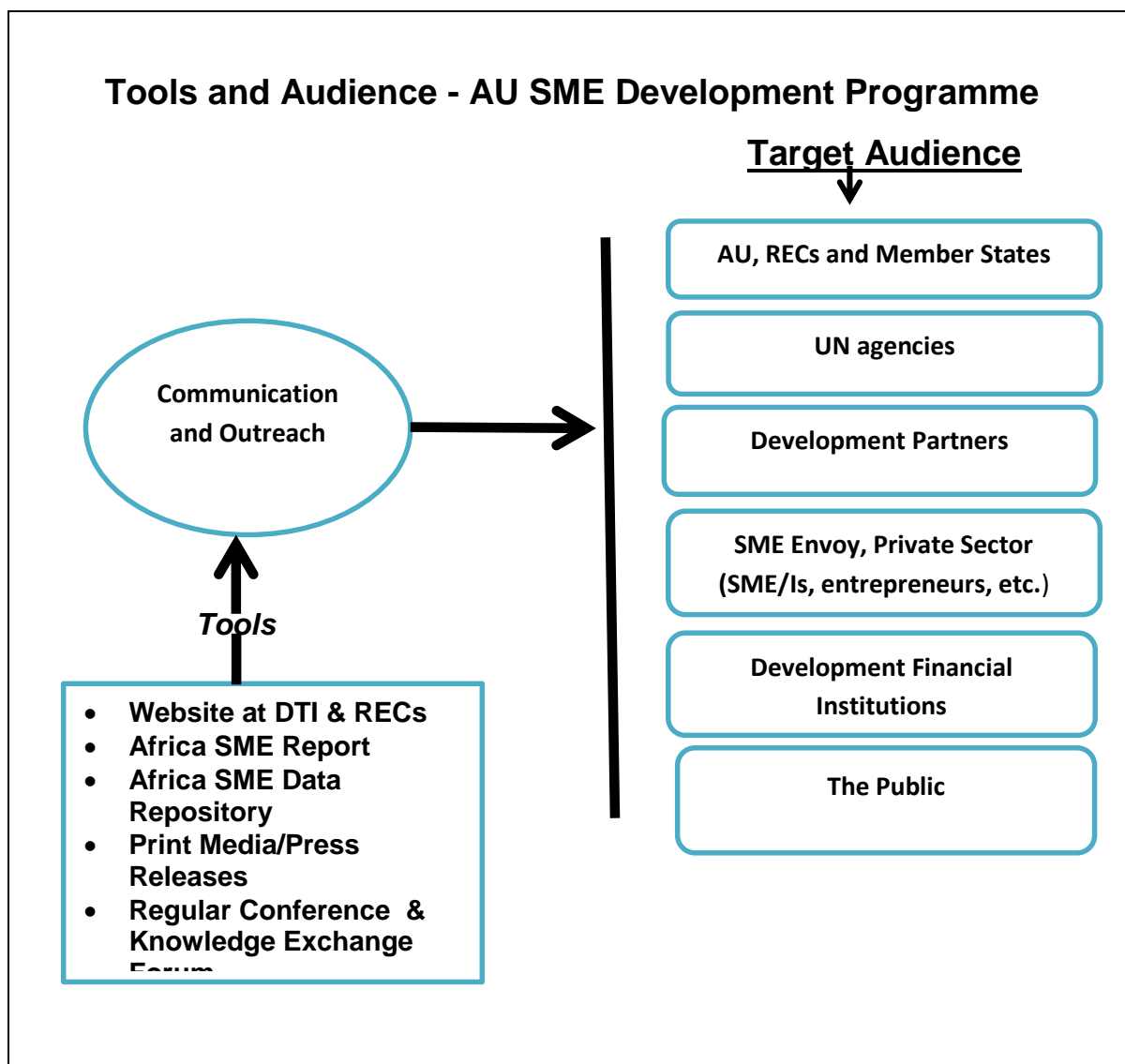
Mass media and press releases as well are helpful mechanisms for promoting communication and outreach on the AU SME development programme, when they are used for well contextualize messages those are attractive to catch the attention of the target audience at large.

However, there is recognition that supporting a bottom-up approach when implementing printed materials having significance to those SME associations and communities who do not have easy access to electronic means, especially when these materials are translated into local languages, as necessary.

7.3.5. Regular Conferences/Knowledge Exchange Forums

Regular Conferences and knowledge exchange forums on status of SME development resulting from the implementation of the SME Strategy will take place at the regional and continental levels. Such forums will serve as important tool for enhancing communication.

The Africa SME Development Programme Partnership Platform, (ASMEDP PP) to be established to facilitate the implementation of the upcoming SME development initiative in Africa will as well serve as an effective medium for facilitating communication and outreach. Refer to the Terms of Reference of ASMEDP PP in Annex I of the Chapter on Resource Mobilization and Partnership Building.



7.4. Communication and Outreach Plan

Having a well prepared plan for communication and outreach of pertinent information on the status and achievement of the SME Strategy implementation is essential. Such a plan will indicate the target group, the key messages to be communicated, the means of communication, the responsible person, regularity of the report, etc.

An important consideration is the distribution strategy so that the information is effectively targeted, has a broad reach, is accessible to different target groups and mobilizes actors. The information needs to be properly packaged and translated into messages, which each target group can accumulate as knowledge that is transformed into a driving force for change. To this end, partnerships approached through a “network of networks” will be an important communication strategy that

maximizes information dissemination. Thus, as mentioned above, the creation of a database on this distribution network is an important component of AUC's expected undertaking.

7.5. Communication and Outreach Roles

The communication and outreach task will be led by the SME Development Coordination Unit (SMEDCU) that was proposed under the Chapter on reporting mechanism to be established in the AUC's Department of Trade and Industry. The SMEDCU will be in liaison with RECs that will also engage in communication and outreach activities in their respective regions as appropriate. SME Development Desks under the respective RECs' Secretariats to be established as management focal points and for liaising with the respective Member States and between RECs. In addition to the other programme duties, these desks will as well serve in facilitating and managing communication and outreach tasks.

The SME Envoy to be designated will liaise with the SME Development Coordination Unit in the promotion of the communication and outreach undertaking. The SME Envoy will serve an active interface between the SME business community and policy makers and managers concerning the communities' specific needs that will help facilitate their growth and competitiveness. Refer to the Terms of Reference of the **SME Envoy** under Annex I.

The actions outlined below are helpful in facilitating the implementation and raising the effectiveness of communication and outreach mechanism.

- Targeting specific movers (influential people and institutions) and decision-makers with direct fine-tuned communication, involving them in special events and brainstorming sessions, and piggy-backing on events centered on related issues and, where appropriate,
- Enhancing the brokerage role of the SME Envoy (influential person) between policymakers/leadership, partners at large and the SME communities/associations
- Harnessing the outreach capacity of the African Union by building strategic alliances and involving AUC, NEPAD and RECs to boost dialogue at the national level and assist in translating the SME Strategy into action.

- Improving in-house information circulation by harnessing internal exchanges and building a strong outreach communication capacity.

Best practices will be documented by the above mentioned SMEDCU and RECs as appropriate from monitoring and evaluation reports of member states and this will be compiled to capture the continental scope and shared through meetings, website presentation, e-network or publications. The best practices at the continental level will be available to the RECs to propagate within their member states

Annex I

Operational Master Plan 2017 – 2021

Pillar 1: Create an enabling Business Environment

Objective: To create an enabling business environment to support SME, entrepreneurship and industrial development.								
Focus Area	Areas of interventions	Activities	Timeframe					Implementation Partners
			2017	2018	2019	2020	2021	
Supportive policy framework for the promotion of SMEs and entrepreneurs	Streamline regional policies, and frameworks for the promotion of innovation, SMEs, industrialization & entrepreneurship with a continental framework, charters and strategies.	Develop and promote a continental model charter for enhancing SMEs' promotion	■					AUC/DTI RECs Member States UNECA
		Undertake a study and harmonize VAT cross regions to allow equitable sharing of tax benefits from SME/I trading		■				
	Support RECs to establish and develop Regional SME Coordination Offices and Observatories to monitor and coordinate SME programmatic interventions in the regions, and serve as liaisons between national and continental setups for SME development	Carryout an assessment of existing regional observatories	■					AUC/DTI and RECs
		Organize continental training workshop for enhancing knowledge and capacity of regional observatories		■				
SMEs' access to infrastructure	Create the enabling condition for SME and domestic enterprise	Create and promote a platform of collaboration between AUC's Department of Trade and Industry and	■	■	■	■	■	AUC's DTI & PIDA

	development through infrastructure project	PIDA's Governance Institution on SMEs' and domestic enterprises' access to infrastructure							Governance Institution)
Agro-industrial business	Support SME and domestic enterprise development through agribusiness project	Undertake a policy brief study in collaboration with CAADP's Governance Institution on SME and domestic enterprise development through agro-industrial enterprises							AUC's DTI and CAADP Governance Institution
		Create and promote a platform of collaboration between AUC's Department of Trade and Industry and CAADEP's Governance Institution on SME agribusiness							

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

Objective: To facilitate technology and innovation and promote start-up and ICT development in order to catalyse the development of competitive, knowledge-based SMEs and industries

Focus Area	Areas of interventions	Activities	Timeframe					Implementation Partners
			2017	2018	2019	2020	2021	
Institutional linkage to innovation and technology	Develop policy and regulatory and institutional frameworks to support innovation and technology clusters, incubators and accelerator benefiting SMEs	Identify and support Centres of Excellence to undertake policy research on SMEs development and industrialisation						AU/DTI, RECs, Centre of Excellence (to be identified) Member States
	Promote Public – Private Partnership (PPP) to support	Support the organization of a periodic Continental Fair including exhibition,						

	innovation and technology facilitating value addition	business competition, and continental award based on a well elaborated concept paper on the organization and conduct of the Fair and to also incorporate Africa Industrial week.						The private sector (SMEs, business enterprises, associations), UNIDO, UNECA, AfDB, Funding Agencies, etc.
Growth oriented enterprises	Promote growth oriented enterprises	Undertake a policy study (including a policy brief) on the promotion of growth oriented enterprises in Africa						AUC/DTI, RECs, Member States

Pillar 3: Promote Innovative Financing

<u>Objective: To promote innovative finance for SME, entrepreneurship and industrial development</u>								
Focus Area	Areas of interventions	Activities	Timeframe					Implementation Partners
			2017	2018	2019	2020	2021	
Capacity strengthening of financial institutions	Promote and publicize best practices on access to traditional and non-traditional financing services for SME/Is and start-ups	Organize in partnership with the Private sector capacity building activities for financial institutions to increase their engagement in financing SMEs						AUC/DTI, RECs Private sector Financial institutions
		Commission a continental study on best practices in the establishment and operation of Credit Bureaus and enhancement of their capacity to provide efficient services to SMEs						AUC/DTI, RECs, Member States

		Undertake a policy study (including policy brief) at the Continental level on expanding or initiating innovative financing for Africa's SMEs						AUC (DTI & NPCA), RECs , UNECA, The Private Sector AfDB
		Support RECs in the promotion of digital and mobile financing through enhancing learning and knowledge management						AUC/DTI, RECs, Private sector, AfDB


Pillar 4: Ensure access to markets, promote export competitiveness and linkages to Regional and Global Value Chains

Objective: To promote SMEs' access to markets and export competitiveness through enhanced linkages to the regional and global value chains								
Focus Area	Areas of interventions	Activities	Timeframe					Implementation Partners
			2017	2018	2019	2020	2021	
Promotion of SMEs' integration in RCV and GVC	Promote the participation of SME/SMI in Regional Value Chains and Global Value chains	Organize training of trainers on selected business thematic areas dealing with enhancement of SMEs' integration to RVC and GVC						AUC/DTI RECs Private Sector
		Organize training on trade facilitation focusing on Regional Value Chain (RVC)						
	Promote pro-SME measures with Industrial Parks Development	Undertake a policy brief study on pro-SME measures and linkages with industrial parks development						AUC/DTI RECs and Member States






	Framework								UNIDO
	Develop and/or strengthen capacity of regional and national quality infrastructure (i.e. Bureaus of Standards)	Organize a knowledge exchange conference on regional and national quality infrastructure (Bureaus of Standards) for SME development			■				AUC, RECs
Mechanism for information sharing on promotion of trade	Support RECs in developing trade facilitation portals	Support RECs through a study to establish trade facilitation portals that provide up-to-date trade information and facilitation requirements for SMEs' increased engagement in export					■		

Pillar 5: Promote Capacity of Business Development Services

Objective: To promote business development services that can effectively support SMEs and industrial development								
Focus Area	Areas of interventions	Activities	Timeframe					Implementation partnership
			2017	2018	2019	2020	2021	
Enhancement of BDS for SMEs	Support RECs to promote Business Development Services (BDS)	Develop capacities of RECS to establish and/or strengthen BDS network			■	■		AUC/DTI , RECS, Member States

	Establish continental information portal to provide information on business development	Undertake a feasibility study on establishing a continental information portal dealing with business development services							AUC/DTI, RECs, Member States
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Pillar 6: Promote Learning Practices and Knowledge Management

Objective: To promote learning and knowledge management in order to effectively support SME, entrepreneurship and industrial development									
Focus Area	Areas of interventions	Activities	Timeframe					Implementation Partners	
			2017	2018	2019	2020	2021		
Mechanisms for knowledge sharing and learning	Establishment of a continental portal on knowledge management on SMEs, entrepreneurship and industrial development in Africa	Undertake a feasibility study including taking stock of existing initiatives on knowledge management portals on SMEs, entrepreneurship and industrial development at the regional level.						AUC/DTI RECs Member States	
		Support RECs through strategic study on the establishment of Centers of Excellence (to serve in R & D and capacity building) for enhancing SME, entrepreneurship development						AUC/DTI RECs	
		Produce Annual Africa SME and Industrial Development Report covering a selected prime and topical						AUC/DTI RECs UNIDO	

		thematic area that will be different every upcoming publication						AfDB, UNECA UNDP
	Establishment of the Office for the SME Envoy	Undertake a study on the establishment of office for the SME Envoy						AUC/DTI RECs

Pillar 7: Promote Inclusive Entrepreneurship

Objective: To promote inclusive entrepreneurship with focus on women, youth, refugees and displaced persons

Focus Area	Areas of interventions	Activities	Timeframe					Implementation Partners
			2017	2018	2019	2020	2021	
Inclusion of women and youth	Enhance entrepreneurship and business skills of women and youth by including in the curricula of schools, training institutes and universities the teaching and learning of entrepreneurship as standalone subjects	Undertake regional case studies including a policy brief on best practices on the provision of entrepreneurship training in educational centres; and thereafter present the policy recommendations in a workshop						AUC (DTI and Women and Youth Department) RECs and Member States)
	Promote human security (for refugees, displaced persons) through stimulating entrepreneurship and SME development	Support RECs to address human security (refugees, displaced youth and women) through entrepreneurship development project (including containing capacity building component) that will result into employment						AU, RECs and Member States Development partners

		opportunities in business enterprises.						
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Annex II

Africa SME Development Programme Partnership Platform

Terms of Reference¹³

Introduction

The implementation of the AU SME Development Programme in the context of this Programme Delivery Framework calls for a participatory approach through including a collective multi-stakeholder mechanism with a continent-wide perspective to coordinate collective and mutual responsibilities. Therefore, constituting an effectively functioning Partnership Platform on SME Development in Africa will be essential in joining forces in the implementation of the flagship continental SME/I development programme.

Status of the ASMEDP PP

The Africa SME Development PP, a voluntary forum will be open to all interested partners and stakeholders. Its thrust and undertaking will be driven by mutual and collective responsibility and commitment. Outcomes and recommendations reached through consensus are voluntary without being legally binding. However, members will abide to the consensus reached including policy, technical, and financial issues.

The Purpose

The overall purpose of the ASMED PP is to foster mutual and collective responsibility, alignment and harmonisation of efforts in supporting implementation of the ASMEDP. The ASMEDP PP will also serve to facilitate and support adherence to the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.

The Partnership Platform will be anchored on (a) joint review of progress, performance and challenges in the implementation of the ASMEDP, (b) discussion on implementation and related capacity and policy issues, and (c) sharing and learning between partners on experiences and lessons on SMEDP in Africa.

The specific objectives of the Africa SME Development Programme Partnership Platform are the following:

- To create forum for constructive consultation, dialogue and exchange of views among senior level representatives of AU, RECs, Member, development partners, UN agencies, the private sector, SME Envoy, SME associations, professional associations on the implementation of the AU SME development programme, as well as on the broader strategic issues of SME/Is in Africa;
- To review challenges, lessons and good practices as well as in the implementation of the ASMEDP as a framework to support the identification,

¹³ Adapted from the TOR of CAADP PP.

design, and implementation of national and regional SME/I policies and programmes

- To promote advocacy and building of a common understanding for increased buy-in and rallying effective ASMEDP -based partnerships in support of African SME/Is;
- To facilitate and support alignment and harmonisation of development partners' actions, options and commitments that are undertaken to support priority ASMED efforts and investments;
- To take stock of the types of assistance provided and ASMED accomplishments achieved through donors' funding and related support mechanisms;
- To provide a forum for mutual-review of progress with ASMEP implementation based on the overall ASMEP M&E indicators.

ASMEDP PP Meetings

At the end of each ASMED PP meeting a draft Communiqué will be presented to the platform for assessment and endorsement. The Communiqué will contain the key issues including decisions and action points agreed by the Meeting. The ASMEDP PP communiqué will serve as an advocacy tool to keep partners informed on key issues and lessons learnt.

Organisation and Management

The AUC's Department of Trade and Industry (DTI) with the proposed Africa SME/I Unit to be established will oversee the planning and organisation of PP meetings, including a broad and timely consultation on the agenda and decision points as well as following up on such decisions.

The overall responsibility of chairing the ASMED PP meetings rests with the AUC's Department of Trade and Industry (DTI). As found appropriate the DTI in close consultation with partners will allocate session chairmanship as appropriate.

The Secretariat of ASMEDP PP will be charged with the following tasks: (a) serving as first contact point for inquiries and be responsible for advising the respective partners/stakeholders on preparations for the meeting; (b) maintaining and updating list of participants; (c) developing draft agenda; (d) coordinating compilation and distribution of relevant documents and other inputs to the meeting as well as follow-up on the PP decisions and action points; (e) leading the drafting of the communiqués and action plans; (f) maintains a web portal that contains the PP agenda and relevant background documents for the PP; and (g) in consultation with the Chair/AUC's DTI, issues invitations to meeting participants.

Organisation of PP Meetings

The Africa SME Development Programme Partnership will be held every six months – with actual dates to be decided upon later on by the AUC not to overlap on other significant scheduled meetings that take place on a regular basis. The ASMEDP PP meetings will normally spread over a period of three (3) consecutive days. One day referred to as the ‘Business Session Day’ is dedicated to review of the issues and decisions related to the core business of coordinating and managing the SME Programme implementation. This is followed by a two-day ‘Lessons Learning’ session where participants are given the opportunity to learn from and reflect on both success stories and challenges faced in the planning and implementation of ASMEDP-aligned processes and programmes.

Hosting of the ASMEDP PP Meetings

While one meeting per year is hosted at the offices of the AUC, the second meeting is hosted on a rotating basis by a REC in a REC region.

Participants

Participation in the ASMEDP PP is by invitation only, although, in principle, it is open to all stakeholders in the ASMEDP process that share the same goal of jointly advancing the ASMEDP agenda. Participants shall include, but not be limited to, AUC, RECs, development partners, private sector organisations, UN Agencies, SME Envoy, SME representatives, research and academic institutions, think tanks and representatives of donor countries that have plan to engage with the ASMEDP agenda.

Annex III

SME Envoy Office

Terms of Reference

Introduction

An arrangement of SME Envoy has been in use and common within the European Union (EU) and its member states. Replicating and using this system in Africa as well is a helpful action to consider.¹⁴

SMEs are potentially a driving force of innovation, job creation and economic prosperity in Africa. There is great need to promote entrepreneurship, to improve SMEs' access to key markets, to strengthen dialogue with SME stakeholders, to improve SMEs' growth potential, and to reduce the regulatory burden on SMEs. The **'Think Small First' principle** cut across this programme of measures and was intended to ensure that SME specific issues and concerns were mainstreamed into policies and strategies.

In view of the above in order to promote the effort of creating the enabling business environment for SME/Is and entrepreneurship to flourish at the continental, regional and country levels establishment of SME Envoy Office will be helpful. The SME Envoy will serve an active interface between the SME business community and policy makers and managers concerning the communities' specific needs that will help facilitate their growth and competitiveness. The main objective of the SME Envoy Office's function includes establishing a close and direct link between the AU and SMEs' association.

SME interests and needs can be better identified at an early stage ensuring that their concerns are taken into consideration and that adequate and efficient measures are implemented such that the policies at the continental , regional and national levels are more SME-friendly.

¹⁴ EU SME Envoy

The purpose of the SME Envoy is to ensure that government bodies at all levels integrate the Small Business Act principle into policy making, regulatory proposals and funding programmes.

The role of the SME Envoy

The SME Envoy roles include inter alia the following.

- Undertakes a “watchdog function” to monitor policies and actions affecting SME/Is originating in services throughout the administration and ensuring potential impacts on SMEs are properly assessed;
- Establishes methodologies on how to reduce over-proportional administrative and regulatory burdens on SMEs;
 - Forms and manages an "SME network" inside the Public Administration, composed of the SME contact points with relevant policies in order to increase awareness about SME issues; regularly discuss their on-going SME-initiatives; specifically promote and provide guidance on the application of the "**Think Small First principle**" in all Community and national initiatives;
- Engages in communication and outreach to disseminate application of the many identified good practices in entrepreneurship and SME Policy through the funding programs in various policy domains, specifically the cohesion and education policies;
- Identifies contacts between SME organisations and other public services whose action can either benefit or have an impact on SMEs. The SME Envoy will also, where appropriate, provide guidance to SMEs about the right department to contact;
- conducts direct dialogue through meetings and visits with SME organisations, at the continental, regional and national levels;
- Informs SME/Is associations about initiatives on new legislative and programs currently being developed, which have a potential impact on SMEs' performance;
- Collects feedback from the SME business community on issues of interest to them, especially on legislation and access to support programmes;
- Facilitates access of SMEs to information on programs and initiatives.

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