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Annual Micro, Small & Medium-sized Enterprises

MSME FORUM

Fostering Financial Empowerment and Educational Innovation for African startups & SMEs.

WINDHOEK COUNTRY CLUB, WINDHOEK, NAMIBIA

9TH - 13TH SEPTEMBER 2024

FORUM COMMUNIQUÉ

AU MSME Forum 2024 Communiqué

Design Thinking Workshop on Consolidating Best Practices Across Africa

10 September - Windhoek, Namibia

The AU MSME Forum took place on the 9th to 13th September 2024 in Windhoek, Namibia. The forum was jointly hosted in partnership with the Namibian Investment Promotion and Development Board (NIPDB), and the United Nations Development Program (UNDP). The AU MSME Forum has played a key role in spearheading programs that reflect the current state of MSME development on the continent. Micro, Small and medium-sized enterprises are the growth engines that the global and domestic economies need to recover from the ongoing recession. Unfortunately, access to funding remains a persistent challenge for this important economic segment.

The forum utilised a design thinking workshop to ascertain some of the numerous challenges most MSMEs face, particularly in their plight to access funding. Participants were divided into working groups to brainstorm, identify key issues and propose recommendations. They identified several challenges such as gender bias, color bias, collateral requirements, lack of infrastructure, inequality, product mismatch, capacity building criteria, lack of Information, skills gap, risk factors, compliance issues, bank delays, banks not being the optimal solution for MSMEs, and inadequate mechanisms.

This declaration reaffirms our commitment to empowering MSMEs by addressing these challenges, fostering an inclusive financial environment, and enabling these enterprises to contribute more effectively to economic development.

Declaration:

1. Purchase Order Financing

This financing model allows businesses to obtain funds based on purchase orders they have received, rather than relying solely on their credit history or collateral. It is currently practiced in some regions and should be more widely explored across African countries. By adopting purchase order financing, African MSMEs can access much-needed capital to fulfill orders, boosting their operational capacity and growth potential.

2. Expanding the Use of Products as Collateral

In the mining sector, large project financing often utilizes the products being mined as collateral. This model could be extended to other sectors, allowing businesses to use their inventory or future production as security for loans. This innovative financing

method should be explored to unlock greater funding opportunities for MSMEs involved in various industries.

3. Formation of Cooperatives

MSMEs can form cooperatives to pool their resources, increase their collective bargaining power, and qualify for larger financing opportunities. By banding together, these enterprises can share risks, reduce costs, and present a more substantial business case to potential financiers, making them more attractive for large-scale investments.

4. Preferential Treatment for MSMEs in Procurement

MSMEs should be given preferential treatment in procurement processes to level the playing field against larger, more established companies. This could include set-asides or quotas in government contracts, ensuring that a certain percentage of procurement opportunities are reserved specifically for MSMEs, ensuring fair competition and supporting their growth and development.

5. Legal Infrastructure for Procurement

We urge African countries to establish legal frameworks tailored to address the specific procurement challenges faced by local businesses. It is vital to move away from reliance on international laws that may not reflect the realities of African MSMEs and instead develop legislation that supports local procurement.

A centralized procurement system should also be established across African countries to streamline the procurement process for businesses. Such a system will provide MSMEs with better access to procurement opportunities, reducing complexities and ensuring greater transparency.

6. Mentorship by African Unicorns

Successful African businesses, particularly those that have reached unicorn status, should mentor MSMEs to help them gain valuable experience. This mentorship could involve sharing best practices, providing insights into successful bidding strategies, and offering guidance on navigating the procurement landscape. Such support would empower MSMEs to compete more effectively, develop business strategies and guidance, helping them to scale up and achieve sustainable growth.

7. Financial Literacy Programs

We emphasize the importance of widespread financial literacy programs to empower MSMEs. These programs should equip business owners with the necessary skills to manage their finances effectively, navigate complex financial systems, and make informed decisions that support business growth.

By adopting these declarations, African countries and stakeholders can unlock the full potential of MSMEs, fostering innovation, economic resilience, and sustainable development across the continent. We commit to supporting these initiatives and working collaboratively to create an enabling environment for MSMEs to thrive.