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**STATEMENT BY**

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**AT THE**

**SME Finance Forum  
A Special Session on Africa**

***Sharing Good Practices in Access to Finance for SMEs and  
Creating a Bridge between EU and African Businesses***

**Brussels, Belgium**

**23 November 2011**

**Mr. Antonio Tajani, Vice-President and Commissioner for Enterprise and Industry, European Commission**

**Excellencies**

**Public and Private Sector Representatives**

**Distinguished Guests**

**Ladies and Gentlemen**

On behalf of the Chairperson of the African Union Commission, H.E. Dr. Jean Ping, and on my own behalf, I wish to express sincere appreciation to the European Commission, and indeed Mr. Tajani, European Commission Vice President and Commissioner for Enterprise and Industry, for having invited me to this very important SME Finance Forum, with a special focus on Africa. I feel greatly honoured to have been given the opportunity to address the Forum on the very important subject: *“Sharing good practices in access to finance for SMEs and creating a bridge between EU and African businesses”*.

**Distinguished Guests**

**Ladies and Gentlemen**

According to UNIDO, SMEs provide livelihood for 60 percent of citizens worldwide and account for 90 percent of all businesses. This is particularly important in the African context where efforts continue to be pursued at national, regional and continental levels to address the scourge of underdevelopment and poverty. It is clear that the success of any poverty alleviation efforts, including the attainment of the Millennium Development Goals (MDGs) by the target date of 2015, will depend on the extent to which the continent is able to attain high rates of economic growth on a sustainable basis. The promotion and development of SME's contributes to propelling economic growth, creating jobs, and expanding economic opportunities. This in turn impacts positively on poverty alleviation and the achievement of the MDGs.

In Africa, one cannot talk about economic growth without addressing the plight of the SME sector. Many SMEs struggle to be viable. They face high operating costs and find it difficult to compete effectively, especially in the current context of globalization where the world has become a global village. Many SMEs remain in the informal sector and have little or no links to production value chains. They have limited access to markets, reliable business information, skills, technology, and infrastructure services, such as energy. In addition, the problem of lack of access to finance stands out as the single most significant challenge.

SMEs require financing both for start-ups and business expansion. Access to medium and long-term credit, in particular, is a major constraint for start-ups and those SMEs wishing to expand their operations and activities. This is due to the fact that they are perceived as a high risk borrowers to the traditional lender owing to insufficient collateral, low capitalization, inadequate financial records and high transaction costs associated with SME lending. These factors make it difficult for lenders to conduct reliable assessment of the credit worthiness of SME borrowers.

Addressing the problem of SMEs' access to finance will require a comprehensive approach. The problem of financing must be addressed within a comprehensive strategy for SME development. It is pleasing to note that many African Governments have recognized this need and have taken steps to formulate and put in place National SME Policies and Strategies with full Government structures to implement them.

One major lesson from the recent economic and financial crisis is the necessity of interventionist approach by governments: The market can no longer be totally relied upon to efficiently and effectively allocate resources towards the attainment of our socio-economic development aspirations. Governments should do more to facilitate access of SMEs to finance through measures such as the provision of guarantees, creating incentives to Development Finance Institutions (DFIs) to give special focus to SME lending, and creating the enabling environment for

Microfinance Institutions (MFIs) to perform. All these must be pursued within the framework of comprehensive strategies for financial sector deepening and SME promotion and development.

Further, SME strategies should encompass the facilitation of SME networks to address the problems associated with size. Horizontal networks, comprising SMEs at the same stage in the value chain, can help attain economies of scale. On the other hand, vertical networks, comprising linkages between SMEs and larger firms at different stages in the value chain, can help bring about specialization and all its attendant benefits, including innovation and improved market access and product quality.

### **Distinguished Guests**

#### **Ladies and Gentlemen**

At the level of the African Union, we will continue to engage Member States with a view to encouraging them to adopt and implement policies geared towards attaining sustainable development and the alleviation of poverty. A key element of such strategies is SME development. In addition, we will continue to play our advocacy role by bringing important issues such as SME development to the attention of Member States, the Regional Economic Communities, and partners. We will also work with the Member States and various stakeholders to ensure timely and effective implementation of the African Union Private Sector Development Strategy and Action Plan, as well as the African Union Micro-Finance Framework and Action Plan. And using fora such as the African Union Private Sector Forum, we shall continue to engage SMEs, African policy makers, financial institutions, and others with the objective of addressing the key challenges facing SMEs, including those to do with access to finance.

Within the framework of the implementation of the Joint Africa-EU Strategy (JAES) adopted in December 2007 in Lisbon, Portugal, and the second Action Plan, adopted at the Africa-EU Summit held in Tripoli, Libya, in November 2010, there is immense scope for cooperation between Africa and the EU in the area of

private sector development in general and SME development in particular. One of the activities earmarked within Priority axis 4 of the Partnership on Trade, Regional Integration and Infrastructure is *“to discuss a policy framework on an enabling environment for the promotion of industrial SMEs and explore possible avenues for cooperation”*. Such engagement has already commenced and I look forward to the attainment of concrete results in this respect.

The signing, today, of the Memorandum of Understanding (MoU) on SME Policy Dialogue between Vice President Tajani and I is one case in point. Of course, the signing of the MoU is not sufficient: It will need to be effectively implemented. It is my sincere hope that the African Union Commission and the European Commission can count on, among others, all of you present here today to ensure that the MoU is indeed implemented for the mutual benefit of our peoples.

To conclude, I wish to reiterate the importance that the African Union attaches to SME development, in view of its potential positive impact on economic growth, alleviation of poverty, and achievement of the MDGs. I see this Forum as a great potential for the sharing of experiences and look forward to the discussions.

I thank you all for your kind attention and wish you successful deliberations.