



COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA

COMESA SECRETARIAT

FINAL

**REGIONAL MICRO, SMALL AND MEDIUM ENTERPRISE (MSME) POLICY
FOR COMESA MEMBER STATES**

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ACRONYMS

BDS	-	Business Development Services
COMESA	-	Common Market for Eastern and Southern Africa
ECOWAS	-	Economic Community of West African States
EU	-	European Union
FDI	-	Foreign Direct Investment
FEMCOM	-	Federation of Associations of Women in Business in COMESA Region.
FTA	-	Free Trade Area
HRD	-	Human Resource Development
ICT	-	Information and Communication Technology
LDCs	-	Least Developed Countries
MDG	-	Millennium Development Goals
MS	-	Member States
MSME	-	Medium Small and Micro Enterprises
MTSP	-	Mid Term Strategic Plan
NGO	-	Non-Governmental Organization
PTA	-	Preferential Trade Area
SADC	-	Southern Africa Development Community
UNDP	-	United Nations Development Programme
USAID	-	United States Agency for International Development

EXECUTIVE SUMMARY

Structural and operational constraints associated with the low level of economic development in the COMESA Region, trade barriers and management capacity restrict the growth and expansion of Micro, Small and Medium Enterprises (MSMEs) in the Region. Key amongst the constraints being difficulty in accessing markets and market information, low productivity and inadequate access to technology, inadequate and often inappropriate business development services, inadequate access to inclusive financial services and to a significant extent constraining policy, legal and regulatory environments for MSME development and competitiveness.

The Vision of the COMESA MSME Policy is a developed, vibrant inclusive MSME sector which, through increased competitiveness and value-added output, has vastly increased intra COMESA trade and Africa's share in global trade to at least 8% by 2030.

The goal is to stimulate economic development, accelerate job-creation, create wealth and rapidly reduce poverty in the COMESA Region.

The policy objectives are to create and maintain an enabling environment for sustainable growth of MSMEs in the COMESA Region, through building competitive productive capacities to expand the supply of value added goods and services to regional and global markets.

The specific policy focus areas therefore include:

- 1) Access to markets, regional and international
- 2) Productivity and access to technology
- 3) Access to business development services
- 4) Access to financial services
- 5) Conducive policy, legal and regulatory environment

The guiding principles for policy implementation include:

- 1) Inclusivity: ensuring gender equity, attention to youth, the disabled and addressing geographical, historical and structural disadvantage and marginalization.
- 2) Competitiveness: adopting the acceleration and expansion of value addition as the central strategy for regional and global market penetration and wealth creation

- 3) Sustainability: embracing approaches that enhance African self-reliance and environmental soundness of MSME-led growth.

Using the Number of Employees as the defining criteria, MSMEs are categorized as follows for purposes of the COMESA MSME Policy:

Type of Enterprise	No. of Employees
Micro	2-9
Small	10-50
Medium	51-150

Based on this definition, there are approximately 3.5 to 5 million MSMEs engaged in various sectors in the Region, contributing between 50% and 70% of COMESA's GDP.

The COMESA MSME Policy outlines strategies and measures for increasing intra-regional and global trade in the Region, particularly through increased value addition and addressing constraints hindering MSME development associated with access to markets, low productivity and inadequate access to technology, adequate and often inappropriate business development services, inadequate access to inclusive financial services and to a significant extent constraining policy, legal and regulatory environments.

The COMESA MSME institutional framework will strive to achieve the following:

- Ensure co-ordination and harmonization of the different national MSME development policies and programs to enhance intra-regional and global trade;
- Provide a regional institutional support mechanism to facilitate MSME development at national and regional level relevant to enhancing intra-regional and global trade;
- Develop guidelines on priorities and appropriate allocation of resources for MSME development in the Region;
- Assign tasks, responsibilities and accountability for implementation of regional MSME development programmes and activities.

For effective implementation, there will be a need for a clear definition of the roles of the various stakeholders particularly the COMESA Secretariat, national governments, the private sector, MSMEs and other actors.

The COMESA Secretariat will ensure MSME development support in the Region by intervening at macro level to address constraints hindering MSME development. COMESA will focus on interventions that can directly be linked to facilitating enhanced intra-regional or global trade. When acting at micro and sectorial level within Member

States, COMESA will dovetail and leverage national programmes and initiatives with a view to accelerating, enhancing or scaling up aspects of those programmes that directly support increasing intra-regional and global trade.

National institutions will take the lead in developing Member State-specific programmes and setting national priorities for MSME development. They will leverage COMESA to enhance intra-regional and global trade aspects of their programmes.

National programmes and initiatives will clearly see the complementary role of COMESA in enhancing their intra-regional and global trade capacities within the context of MSME development.

In this regard, the COMESA Secretariat will facilitate:

1. Harmonization of national MSME policies in the context of enhancing intraregional and global trade
2. Support the development of pro regional and global trade national MSME policies in Member States
3. Integrating and intra-regional and global strategies and activities in national MSME development programmes and activities.

The COMESA Secretariat will be responsible for monitoring and evaluating of the implementation of the MSME Policy.

The COMESA Secretariat will conduct periodic monitoring exercises to assess the level of application by Member States of the provisions of the Policy and determine whether interventions and activities are contributing towards achievement of the policy goal and identified development objectives by taking into account national development goals that may differ from one country to another.

A fully-fledged Performance Monitoring Plan (PMP) will be developed prior to implementation of the MSME Policy. This will include developing the performance indicators, targets and means of verification for ensuring results-oriented management of policy implementation. The exact performance thresholds for each indicator will be validated by stakeholders at the outset of policy Implementation.

The COMESA Secretariat, through the Coordinating Office, will produce annual work plans to guide implementation and annual reports to document progress on implementation. The monitoring process will include performance reviews and field visits as appropriate.

Annual reviews will be conducted by the COMESA Secretariat while the mid-term evaluation and final evaluation will be undertaken by independent consultants. The M&E system will be aligned to the COMESA monitoring and evaluation framework.

CHAPTER I

INTRODUCTION

1.0 Overview

The Vision of COMESA is to have a fully integrated internationally competitive regional economic community within which there is economic prosperity and peace as evidenced by political and social stability and high standards of living for its people.

COMESA's Mission is to achieve sustainable economic and social progress in all Member States through increased co-operation and integration in all fields of development particularly in trade, customs and monetary affairs, transport, communication and information, technology, industry and energy, gender, agriculture, environment and natural resources.

COMESA is a regional economic community made up of 19 Member States with a population of 450 million people. The main focus of COMESA is outward-oriented with the vision of promoting regional integration through trade development, investment promotion and sustainable utilization of natural resources for the mutual benefit of all the citizens of the Region. COMESA has made considerable progress towards beneficial economic integration. To this effect, , COMESA has registered significant progress in areas of customs management, transport facilitation, trade and project finance, institutional development, technical co-operation and capacity building and many others .

2.0 Background

The COMESA MSME Policy is formulated in line with Article 100 (b) of Chapter Twelve of the COMESA TREATY. The TREATY outlines the need for Member States to formulate and implement an industrial strategy focused on facilitating the development of MSMEs including supply chain linkages between larger firms and MSMEs to enhance competitiveness and leverage economies of scale. In line with this commitment, the COMESA Secretariat has developed an MSME Policy to support the development and growth of MSMEs in the Region.

The COMESA MSME Policy is aligned to the COMESA Medium Term Strategic Plan (MTSP) which includes six Strategic Priority Areas as key drivers for regional integration, namely: 1) Removing Barriers to Trade; 2) Building Productive Capacity for Global Competitiveness; 3) Addressing Supply-side Constraints related to Infrastructure; 4) Peace and Security; 5) Crosscutting Issues (Gender and Social Affairs, Climate Change, Statistical Development, Knowledge Based Society and Human Capital, Cooperation and Partnerships); 6) Institutional Development.

Recognizing that private sector is the main driver of economic growth, COMESA is committed to implementing programs for building productive capacities and technological capabilities in order to enhance the industrial and trade competitiveness particularly of MSMEs in Member States. In order to achieve impact, COMESA is focusing its effort on building regionally diversified and competitive production capacity

anchored on agriculture, industry and service sectors with emphasis on value addition, innovation and common regional standards.

3.0 Situational Analysis

Since its establishment, COMESA has made considerable progress towards regional economic integration, particularly in areas of trade liberalization, customs management, infrastructure facilitation, trade and project finance, institutional development, technical support and capacity building. Progress has also been made in policy coordination and cooperation in productive sectors. The net result has been tangible growth in intra trade and increased cross boarder investment. With an estimated population of over 450 million people and a combined GDP of over USD 446.9 billion, (World Bank 2012) the COMESA Region is one of the largest markets on the continent.

In addition, over a five year period from 2007 to 2011, total trade grew by 103.1% from US\$ 9.1 billion to US\$ 18.4 billion. Exports grew by 124.2% from US\$ 4.5 billion to US\$10.1 billion in 2011, whilst imports increased by 82% to US\$8.3 billion. (COMESA stat 2012).

Furthermore, COMESA global trade reached US\$ 237.04 billion in 2011 (though a contraction of 7.6% from the previous year's performance) exports dropped by 18% to US\$94.3 billion in 2011, while imports marginally increased by 0.8% to US\$142.7 in 2011. COMESA's global trade deficit widened by US\$11.36 billion (30.7%), compared to 2010 registering US\$ 48.37 billion in 2011, making the COMESA Region a net importer. (Comstat, 2012).

4.0 Definition of MSME

The definition of MSMEs varies from country to country as it should reflect the existing socio-economic conditions and the appropriate parameters and priorities for promoting MSMEs in each country. MSMEs are often defined by the number of workers, turn over, capitalization and fixed assets. Arguably, technology, sector characteristics, economic parameters such as Purchasing Power Parity and others make turnover, fixed assets and capitalization fairly complicated bases for standardizing the definition of MSMEs across countries in the Region. Number of workers on the other hand, though not without its own issues, offers a much simpler, more easily quantifiable and to that extent perhaps more objective basis. Therefore, using Number of Employees as the defining criteria, MSMEs are categorized as follows for purposes of the COMESA MSME Policy:

Type of Enterprise	No. of Employees
Micro	2-9
Small	10-50
Medium	51-150

5.0 MSME Contribution to the Economy

The MSME sector is the major player in national economies of the COMESA Region, contributing an estimated 50% to 70% of the GDP and an estimated 50% to 60% of employment in the Region. The MSMEs sector's contribution to economic growth, employment and agriculture is significantly contributing to the attainment of Millennium Development Goals (MDGs) in the Region, particularly poverty reduction and food security. The MSME sector has in the last two decades been a prominent source of livelihood through the absorption of disadvantaged groups such as youth, women, and the those with different disabilities. Development of MSMEs is therefore crucial to the achievement of broader development objectives.

Although the MSME Sector is playing a significant role in the economic growth and socio-economic development of the Region as earlier noted, Africa's contribution to global trade (of less than 4% by 2012) and less so that of the COMESA Region, underscores the need for the COMESA Region to ascend to double-digit growth for a concerted period of time as China was able to achieve for close to 30 years.

For such growth to have a broad-based socio-economic impact on the nationals of the COMESA Region, it will be critical that it be driven by the Region's MSME Sector given its impact on poverty reduction and food security. To achieve the necessary levels of growth the COMESA MSME Sector will have to increase its competitiveness within the context of the highly globalized world economy where companies must be competitive against imports within their own domestic economies, but also against export competition in regional and global trade.

In this context and for that purpose, it is necessary to formulate and implement a COMESA MSME Policy that will help increase the competitiveness of MSMEs in the Region with particular emphasis on increasing access to markets for MSMEs, increasing their productivity and access to technology, providing adequate business development services, increasing access to inclusive financial services and promoting a policy, and regulatory environment conducive to MSME development.

CHAPTER 2

MSME DEVELOPMENT CHALLENGES AND CONSTRAINTS

Structural and operational constraints associated with the low level of economic development in the Region, trade barriers and management capacity restricts the growth and expansion of MSMEs in the Region. Key amongst the constraints being access to markets, low productivity and inadequate access to technology, inadequate and often inappropriate business development services, inadequate access to inclusive financial services and to a significant extent constraining policy, legal and regulatory environments for MSME development and competitiveness.

1.0 Access to Markets and Market Information

Market access for MSMEs in the Region is inhibited by tariff and non-tariff barriers to trade between Member States. Although considerable advances in reducing these barriers have been through international, regional and national initiatives, much remains to be done to create a more trade enabling environment. Besides addressing intra-regional issues of unfavorable customs and excise duty systems, there are issues of implementation capacity of better systems that have been agreed to. Global trade practices, particularly in the area of non-tariff barriers associated with quotas systems, protection schemes, mandatory and private standards, misperceptions about African products, etc., continue to take a toll on the ability of COMESA MSMEs to access intraregional and global markets.

On the supply side, COMESA MSMEs face considerable trade capacity constraints linked to quantity, quality, visibility and cost-competitiveness of their products. Quality is often afflicted by low productivity driven by lagging technology and weak business management capacity. Insufficient market information and international trade savvy are also often been areas of weakness.

On account of their size, MSMEs face marketing constraints in both domestic and international markets. Access to public contracts and subcontracts is limited on account of the cumbersome bidding procedures and/or lack of information inhibiting participation of MSMEs in these markets. Insufficient distribution channels and their control mostly by larger firms pose important limitations to market access for MSMEs.

In international markets, MSMEs are faced with greater external competition on account of economic liberalization. Limited marketing experience; poor quality assurance and product standardization impede MSME expansion into international markets. Lack of market linkages as well as trade policies of foreign markets (both tariff and non-tariff) create difficulties for MSMEs to access international markets.

2.0 Productivity and Access to Technology

MSMEs often experience difficulties in accessing appropriate technology, information and skills, thus limiting their ability to be innovative and competitive. Constraints associated with capital, labor and uncertainty surrounding new technologies also restrict their incentive for innovation. Availability of production inputs such as raw materials also pose a challenge in the sense that, often, better quality material is generally exported or available to large firms, making it difficult and expensive for MSMEs to produce good quality products from these inputs. Inadequate infrastructure and weak provision of basic services such as transportation, energy and production sites represent particular impediments to MSMEs.

Limited management know-how constrains MSMEs to engage in production and contain international competition. Even in situations where they are able to hire skilled labor, lack

of management skills has a magnified impact. Lack of and cost of business support services hamper the ability of MSMEs to improve their business management.

These challenges are compounded by the lack of a common policy to guide Member States in supporting MSMEs.

3.0 Access to Business Development Services

A number of Member States have scored remarkable successes in facilitating business registration and advisory services. These nevertheless remain areas of progress needed for a significant number of Member States. There is a general absence of business incubation support services, while business coaching and mentoring programmes remain few and far between. Business plan development and implementation support services are often viewed from the perspective of business planning to help access finance rather than a tool for business management. Business turnaround services, merger and acquisition advisory and other enhancement services are virtually unheard of in the context of MSMEs in most Member States.

MSME business associations are prevalent in all Member States though they often lack sustainability strategies, are excessively donor-dependent and suffer weak operational capacity. They nevertheless represent very important vehicles for MSME development in the Region. Some sector associations, such as manufacturer associations, tourism associations, farmers associations, etc., tend to be particularly strong in many countries. Though they are markedly evident in the area of lobbying governments for more conducive business environments for their members, it is less evident to what extent they adequately facilitate business development services for them.

4.0 Access to Financial Services

The general sustained growth of African economies, against the background of troubled western economies has to some extent had a positive impact on African capital and financial markets. There is greater interest and inflows of international capital into Africa. The financial markets are deepening and diversifying very quickly in almost all countries. Appetite for lending and innovation in the financial sector has improved and increased remarkably. Diversification into inclusive financial products, particularly mobile enabled products such as money transfers, payments and lending over mobile phone are redefining financial services in Africa.

There is also greater activity in non-lending financial services, such as leasing, insurance, warehouse receipting, etc.

Risk aversion of financial institutions towards MSMEs is reducing in many countries, not least due to increased competition in the financial sector, though there is still room for improvement.

Low financial innovation restricts the responsiveness of many financial institutions to the requirements of MSMEs. Lack of access to vital facilities such as communication, working premises, cost and availability of raw materials, and limited choice of appropriate technology impede the ability of MSMEs to develop a capital base. This in turn implies that they have difficulty meeting conditions set by financial institutions such as collateral, etc.

5.0 Policy, Legal and Regulatory Environment

Constraints imposed by the environment in which MSMEs have to operate relate to issues such as taxation, tariffs and inefficient tax codes which are amenable to large firms may be detrimental to MSMEs. High startup costs, including licensing and registration requirements impose excessive and unnecessary burdens on MSMEs. In the labor market, inflexible labor codes and policies, such as minimum wage in some Member States, and indirect costs bear heavily on MSMEs, raising the cost of doing business and depriving them of the flexibility to adjust.

Environmental protection requirements on issues such as pollution and waste management also add to the cost of doing business for MSMEs.

Some Member States lack a formal institutional framework for MSME development. While even in those that have institutional frameworks, policy inconsistency in the enabling environment may pose constraints to MSME development. Many Member States are developing and implementing economic empowerment programmes, not without challenges, that increasing market access for MSMEs through measures such as preferential public procurement, reservation schemes, etc.

CHAPTER 3

STATEMENT OF POLICY OBJECTIVES

1.0 Policy Vision and Objectives

The Vision of the COMESA MSME Policy is a developed, vibrant inclusive MSME sector which, through increased competitiveness and value-added output, has vastly increased intra COMESA trade and Africa's share in global trade to at least 8% by 2030.

The goal is to stimulate economic development, accelerate job-creation, create wealth and rapidly reduce poverty in the COMESA Region.

The policy objectives are to create and maintain an enabling environment for long term growth of MSMEs in the COMESA Region, through building competitive productive capacities to expand the supply of value added goods and services to regional global markets.

2.0 Policy Focus Areas

The specific policy focus areas therefore include:

- 1) Access to markets and market information, regional and international
- 2) Productivity and access to technology
- 3) Access to business development services
- 4) Access to financial services
- 5) Conducive policy, legal and regulatory environment

3.0 Guiding Principles

The guiding principles for policy implementation include:

- 1) Inclusivity: ensuring gender equity, attention to youth, those with disabilities and addressing geographical, historical and structural disadvantage and marginalization
- 2) Competitiveness: adopting the acceleration and expansion of value addition as the central strategy for regional and global market penetration and wealth creation
- 3) Sustainability: embracing approaches that enhance African self-reliance and environmental soundness of MSME-led growth.

CHAPTER 4

STRATEGIES AND MEASURES

The principal strategies and measures for COMESA MSME Policy implementation will include the following:

1.0 Access to Markets and Market Information

Increase access to regional and global markets for targeted MSMEs through continued enabling environment work that eliminates or reduces tariff and non-tariff barriers. This will include addressing intra-regional issues of unfavorable customs and excise duty regimes, but also more effective implementation of trade agreements and protocols. Continue to address non-tariff barriers associated with quotas systems, protection schemes, mandatory and private standards, misperceptions about African products, etc., through networking, policy advocacy, information, education, sensitization and, where appropriate, erecting safeguard measures.

Undertake capacity building of MSMEs to improve the quantity, quality, visibility and cost-competitiveness of their products and services. This will include activities that increase the productivity of MSMEs, improve their business management capacities and access to competitive technologies and knowhow. Facilitating better MSME access to market

information and sharpening their understanding of international trade through, training activities, participation in tradeshows, study tours, etc., will be undertaken.

Of importance will also be market development activities, particularly value chain development, market linkages, etc.

2.0 Productivity and Access to Technology

Facilitate access to competitive technology and knowhow through international technical cooperation, promoting joint ventures between MSMEs and foreign direct investment, etc. Linking MSMEs to centres of excellence and innovation in win-win R&D and technology dissemination partnerships will be key to promoting home-grown solutions and domestication of industrial development, as will be the creation of national and regional MSME technology centres with R&D –reverse engineering capability.

3.0 Access to Business Development Services

MSMEs access to adequate Business Development Services (BDS) will be increased through activities such as facilitating business incubation support services, business coaching and mentoring programmes, business plan development and implementation support services, business turnaround services, merger and acquisition advisory and other enhancement services.

Programmes that develop and strengthen MSME business associations in and across Member States will enhance their ability to facilitate more adequate BDS to affiliate MSMEs.

Provision of public good infrastructure is an important category of BDS. Development of infrastructure, particularly by national governments and bi-lateral initiatives will be important in this respect. Investments such as those in transport, telecommunications, energy, water and sanitation, will serve to enhance MSME sector activity and ability to invest and access local, regional and global markets.

The development of infrastructure will also include investments such as dedicated information kiosks, in-transit goods storage facilities and trade points at ports of entry and exit to manage goods, trade data and provide information on language, currency, information packs, etc. Critical will also be the provision of trade zones such as Industrial parks, sheds, trading houses, incubators, high-speed internet, market hubs, provision of facilities for special needs groups such as women and those with disabilities, etc.

Of importance for Regional MSMEs will be capacity building in business management training, mentorship and entrepreneurship training. The adoption of capacity building tools such as the MSME Toolkit, AMSCO Tools, and others will form part of the implementation strategy.

4.0 Access to Financial Services

Increased access to financial services for MSMEs will be promoted, particularly through innovation that expands service diversification into inclusive products, such as money transfers, payments and lending over mobile platforms , leasing, insurance, warehouse receipting, etc.

Reduction of risk aversion among financial institutions towards MSMEs will be addressed through increased sensitization, promotion of inclusive financial products, etc. Specific attention will go toward promoting capital market participation for MSMEs, particularly through innovative programmes for national stock exchanges. There will also be increased promotion of pro MSME equity and quasi equity funds from both within COMESA as well as the international capital market.

Other measures will include creation of non-bank financial institutions to promote inclusive access to finance; creation of regional Credit Guarantee schemes and dedicated MSME Funds, including a COMESA MSME Fund; credit referencing and rating at both national and regional levels; etc.

Member States should also take advantage of existing initiatives at the continental level in supporting SMEs. These include among others the Decision of the African Union Ministers of Industry on SMEs and SMEs Africa Trust.

5.0 Policy, Legal and Regulatory Environment

Enabling environment work aimed at addressing tariff and non-tariff barriers will continue to be undertaken. Areas such as high startup costs, constraining licensing and registration requirements, unfavorable labor codes and policies, high factor costs, etc., will be addressed through processes and activities that embrace comprehensive private sector consultation and participation. Simplification of and less costly taxation, customs, licensing, registration, financial, judicial, and other governance systems and procedures will be a continuous process.

Due attention will be paid to promoting environmental protection and developing sustainable institutional frameworks for MSME development and consistency in policy implementation.

Affirmative MSME development programmes (such as economic empowerment programmes, preferential procurement, reservation schemes, etc.) will be prompted, particularly in partnership with national governments and regional development initiatives to leverage scale and enhance customer buy-in while avoiding undue duplication of effort and re-invention of wheels.

Enactment of MSME development legislation in Member States accompanied by establishment of dedicated MSME development authorities will be key to sustainability of the institutional framework for MSME development in the COMESA Region. The

establishment of a dedicated Regional MSME Coordination Office within the COMESA Secretariat would be key to sustaining interface, synergy and leverage between national MSME development initiatives and regional ones.

The Coordination Office will collaborate and coordinate closely with all stakeholders of the COMESA MSME Policy on a regular basis to ensure implementation success. Programme work plans and progress reports will be developed in a consultative and collaborative manner so that overall activities are well coordinated among the stakeholders to maintain programme focus on intended results and beneficiaries.

The Coordination Office will supervise and coordinate both short and long term technical assistance needs of MSME Policy implementation and periodic review.

6.0 Value Chain Cluster Development

A value chain cluster involves the full range of business or economic activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), and commercialization including delivery to final customers, and final product disposal after use. The main distinguishing factors between industrial clusters and value chain based clusters will be in the scale of investment as well as anchor industries.

With the sectorial and geographical concentration of enterprises in a cluster, the enterprises can better improve their production and competitiveness. This is due to the presence of specialized suppliers of raw materials, parts and components, machinery, skills and technology as well as other supporting services. Also, competitive or cooperative interactions and linkages among the players tend to result in collective learning and innovation. When properly implemented, clusters can also provide a competitive advantage for geographic regions.

Measures will include encouraging and increasing consumer awareness on supporting regional products; creating a regional and national database of key regional and national products and services for value chain development; and promoting business networking platforms including COMESA FAMIS, COMESA Virtual Trade Freight Management System (CVTFS) and others.

7.0 Crosscutting Issues

The technical approach will ensure the mainstreaming of gender, youth, and those with disabilities while addressing geographical, historical and structural disadvantage and marginalization and climate issues in all initiatives relating to MSME development in the Region. The Policy will facilitate development and implementation of a plan of action to address these crosscutting issues.

CHAPTER 5

INSTITUTIONAL FRAMEWORK

8.0 Purpose

The COMESA MSME institutional framework will strive to achieve the following:

- Ensure co-ordination and harmonization of the different national MSME development policies and programs to enhance intra-regional and global trade;
- Provide a regional institutional support mechanism to facilitate MSME development at national and regional level relevant to enhancing intra-regional and global trade;
- Develop guidelines on priorities, and appropriate allocation of resources for MSME development in the Region;
- Assign tasks, responsibilities and accountability for implementation of regional MSME development programmes and activities.

9.0 Stakeholder Roles in Policy Implementation

For effective implementation, there will be a need for a clear definition of the roles of the various stakeholders particularly the COMESA Secretariat, national governments, the private sector, MSMEs and other actors.

The COMESA Secretariat

The COMESA Secretariat will ensure MSME development support in the Region, by intervening at macro level to address constraints hindering MSME development. COMESA will focus on interventions that can directly be linked to facilitating enhanced intra-regional and/or global trade. When acting at micro and sectorial level within Member States, COMESA will dovetail and leverage national programmes and initiatives with a view to accelerating, enhancing or scaling up aspects of those programmes that directly support increasing intra-regional and global trade.

National institutions will take the lead in developing member state specific programmes and setting national priorities for MSME development. They will leverage COMESA to enhance intra-regional and global trade aspects of their programmes.

This approach to the delineation of responsibilities will avoid duplication of effort and support COMESA engage MSME development in alignment with the priorities of Member States, while leveraging their MSME development resources and platforms.

National programmes and initiatives will in turn clearly see the complementary role of COMESA in enhancing their intra-regional and global trade capacities within the context of MSME development.

In this regard, the COMESA Secretariat will facilitate:

1. Harmonization of national MSME policies in the context of enhancing intraregional and global trade
2. Support to development of pro regional and global trade national MSME policies of Member States

3. Integrating and intra-regional and global strategies and activities in national MSME development programmes and activities.

Governments

The Governments will play a crucial role in ensuring that the COMESA MSME Policy is relevant and beneficial to the intra-regional and global trade agenda of their MSME development policies, strategies, programmes and activities.

Governments will:

- Develop, enact and implement national MSME policies
- Develop and resource programmes and initiatives that address MSME access to markets, productivity and access to technology, access to business development services, access to financial services, as well as creating a conducive policy, legal and regulatory environment
- Ensure the mainstreaming of gender, youth, and those with disabilities while addressing geographical, historical and structural disadvantage and marginalization and climate issues in all initiatives relating to MSME development in the Region.
- Monitor and evaluate the implementation and performance of national MSME policy implementation, including COMESA contribution..

MSMEs

MSMEs need to mobilize joint policy advocacy and actions for effective implementation of the Policy through their membership organizations. Most significantly, MSMEs should implement sound business practices and continuously invest in good internal management systems in accounting, planning, finance, operations and human resource management. MSMEs should play a pivotal role in ensuring that they adopt appropriate technology for value addition and achieve minimum standards so that they are competitive in both the Region and globally.

Private Sector

The private sector's roles and responsibilities are to be part of MSME policy implementation through developing supply chain linkages to support increased market access for MSMEs, supply and deliver competitive technologies and effect transfers of technology and knowhow. Provide sustainable business development services provide innovative inclusive financial services to MSMEs, and organize effective business associations to canvas, lobby and advocate on their behalf as well as facilitate MSME development.

Other Stakeholders

For effective implementation of the Policy, active participation of other stakeholders such as CSO (Civil Society Organizations), academic and research institutions will be important. Their role will absently be to advocate, disseminate and share information.

CHAPTER 6 IMPLEMENTATION ARRANGEMENTS

The smooth implementation of the Regional MSME Policy will depend on the clarity of the roles and responsibilities of the main actors. While MSME development activities cut across institutional mandates of various government ministries, agencies, local authorities, NGOs and development partners, there is need for a clear demarcation of responsibilities and accountabilities.

Implementation at macro level refers to stakeholders with a mandate for defining and coordinating conducive policy and regulatory framework for 'doing business' within the set system boundaries. This includes relevant government ministries, statutory bodies and national umbrella bodies; At meso level where there is the national institutional environment, and stakeholders with a mandate to facilitate or physically deliver development support services to MSMEs; at micro (the market place) level are stakeholders directly involved in the production and exchange of goods and services. Stakeholders at this level include individual MSMEs and their associations.

The implementation framework of the COMESA MSME Policy will be based on the following assumptions:

- The main role of Government is to create a conducive political and legal environment and provide public goods that stimulate vibrant environment for MSME business development. In particular, Government defines the rules of engagement between market stakeholders, monitor and where applicable enforces compliance.
- The private sector, in turn, plays a much larger role in the facilitation and physical provision of a wide range of support services to MSMEs; private sector providers are thought to be often more demand-oriented and cost-efficient in the service delivery since their economic survival depends on attracting paying customers in acutely price-sensitive markets. Public sector providers also have a role to play in service provision, particularly where most vulnerable target groups are concerned and market mechanisms fail; however Government should create a level playfield for competition between public and private sector providers, by removing preferential access of public service providers to service transaction subsidies and by facilitating non-discriminate access to technical program support for all parties.
- Generally, the "user pays" principle should always apply, namely that supported beneficiaries at all system levels should pay for services or at least contribute reasonably towards the cost of service provision. This is in recognition of the fact that when the buying decision is put in the hands of the beneficiaries, service providers are forced to offer cost-efficient and demand-oriented services.

CHAPTER 7

MONITORING AND EVALUATION

The COMESA Secretariat will be responsible for monitoring and evaluating the implementation of the MSME Policy.

The COMESA Secretariat will conduct periodic monitoring exercises to assess the level of application by Member States of the provisions of the Policy and to determine whether interventions activities are contributing towards achievement of the policy goal and identified development objectives.

A fully-fledged Performance Monitoring Plan (PMP) will be developed prior to implementation of the MSME Policy.. This will include developing the performance indicators, targets and means of verification for ensuring results-oriented management and self-monitoring of policy implementation interventions. The exact performance thresholds for each indicator will be validated by stakeholders at the outset of policy Implementation.

The COMESA Secretariat, through the Coordinating Office, will produce annual work plans to guide implementation and annual reports to document progress on implementation. The monitoring process will include performance reviews and field visits as appropriate.

Annual reviews will be conducted by the COMESA Secretariat while the mid-term evaluation and final evaluation will be undertaken by independent consultants. The M&E system will be aligned to the COMESA monitoring and evaluation framework.

The monitoring and evaluation efforts will assess among others the following three key areas:-

- **Technical performance** to assess quality, effectiveness, and relevancy of policy interventions in achieving set objectives;
- **Time performance** to ensure that programmes and projects are implemented on schedule and that they are being implemented within stipulated time frames; and
- **Cost performance** to review the relationship between projected cost of interventions, actual expenditure, and the resulting outputs.

RESULTS FRAMEWORK





