

TECHNICAL REPORT

PROJECT: Strengthening of the Competitive Capacities Of Micro, Small And Medium-Size Enterprises as an Employment-Generating Factor, Using the Technical and Economic Cooperation Mechanism between Latin America and the Caribbean and Africa¹

The following Technical Report is accumulative one and it presents a summarized information about all activities included in the Preparatory and I and II stages.

Only activities related with the last stage of the project will be held for October 2002 in South Africa.

PROJECT ACTIVITIES:

❖ PREPARATORY STAGE:

A preparatory mission was organized to identify counterpart organizations, and carried out field visits to selected African countries.

The first mission was accomplished in May 1999 visiting South Africa, Zimbabwe, Kenya and Ethiopia. A lot of appointments were made including international organizations, government officials of the industry and technical cooperation sectors, chambers of industry and commerce and NGO's.

In the case of Ethiopia visits were made to to UNDP- Ethiopia. To the Organization of African Unity (OAU) looking for its agreement to support the project as regional counterpart.

In Addis Ababa a visit also was paid to the Economic Commission for Africa (ECA) where we were informed during the interview about a co-operation project between the Economic Commission for Pacific-Asia (ESCAP) and the ECA on "The development of the African private sector within the framework of South-South Co-operation", which was inspired by the SELA proposal for Africa-LAC co-operation regarding SME's.

The objectives of the aforementioned ESCAP-ECA project are:

- Improving the business environment in Africa so as to promote the development of the private sector and partnership and collaboration between the private and public sectors.

¹ This project is financed by the OPEC Fund contribution and the Perez Guerrero Trust Fund

- Boosting the capacity of private enterprise in Africa so that it can establish synergetic alliances and networks to develop and improve its competitiveness in the global market.
- Identifying and developing regional and inter-regional institutional mechanisms that promote direct investment and facilitate trade between African and Asian countries.
- Developing appropriate technological information in order to expose African and Asian businesspeople to the economic and technological realities of today.

The ECA representatives were very interested in becoming involved in the SELA project and suggested bringing in the Economic Commission for Latin America and the Caribbean (ECLAC) as well so that an institutional bridge could be set up between the two projects, given that their objectives are similar, which would generate sufficient synergy to guarantee the projection of the results within a broad framework of South-South Co-operation: Asia-Africa-Latin America and the Caribbean.

An additional object of this first mission was to check the best place to held the first workshop. According to our analysis we determined that Kenya offered the necessary conditions due to the strong involvement of the Kenya's Government and the support offered by the UNDP's representative.

The second mission to the western countries of Africa involved in the project: Cameroon, Ivory Coast and Nigeria, was accomplished in June 2000. This visit allowed also to determine the most suitable place to held the second workshop. Cameroon was decided as the next African country to held the meeting based in political stability and the strong support offered by both, government and international organizations, particularly UNDP, ILO and ONUDI.

❖ STAGE 1

Activity 1: Feasibility study

A feasibility study was made including a proposal for the creation of a bi-regional co-operation mechanism for the exchange of experiences of Africa/Latin America and Caribbean regarding small and medium-size enterprises for the development and strengthening of that sector .

The underlying principle in the promotion of co-operation activities is that there must be a two-way flow, and for this reason participants were selected according to their potential to offer an accumulated experience of the development and use of micro and SME support instruments. This decision ensures that during the project's initial phases, the co-operation opportunities will become quickly apparent and can be quickly implemented which will give the project a dynamism that has a multiplying effect in the short and medium term.

In our opinion there are several elements in both regions that make the proposed creation of a permanent bi-regional co-operation mechanism that contributes to the

expansion and strengthening of South-South and Africa/Latin America and the Caribbean Co-operation and is specifically oriented towards the exchange of experiences regarding SME support instruments seem feasible. Some of the arguments that we can put forward to support this proposal are as follows:

1. The economic and social situations of the countries participating in the project from both regions reveal similar problems which thus makes the experiences accumulated more readily adoptable and adaptable and makes their exchange occur on a more real plane.
2. There are various institutions with all kinds of accumulated experiences regarding support mechanisms and instruments for micro, small and medium enterprises in both regions.
3. There is a set of sub-regional economic integration mechanisms in both regions that could facilitate the dialogue and the handling of common problems on that scale and through geographical aggregation, make progress in the establishment of region-region co-operation mechanisms.
4. The official support given by the Latin American and Caribbean countries for the project to be approved by donor entities create a favourable framework for starting the activities contemplated in the project and establishing more permanent ties.
5. The willingness and interest of the officials of the Organisation of African Unity and ECLAC would represent a complementary co-operation effort among three regions.
6. As far as the general feelings of those interviewed about the project are concerned, most were interested and there were general offers to make arrangements for the activities contemplated in Africa

We suggest that in order to make the co-operation mechanism proposed in this document work, the following suggestions be taken into account:

1. Identify the focal point in each country participating in the project so that there is a permanent exchange of ideas and information regarding how it should be developed.
2. Create a Co-ordination Committee for the project in which each country is represented by people from the industrial and technical co-operation areas of the public sector and the business sector.
3. Establish a Home Page for the project in several languages which enables users to identify the institutions, officials, entrepreneurs and experts involved so that links can be made between them.
4. Consider the full incorporation of sub regional economic integration mechanisms into the project.

5. Link ECLAC to the SELA/OAU Project so that an institutional bridge is set up through the United Nations with the ESCAP/ECA project.

Activity 2 : Sector studies

Four groups of countries were analysed by consultants. They were:

Group A: Argentina, Brazil, Chile, Peru and Uruguay. It is important to mention that Argentina, Brazil and Uruguay were not initially included but we considered that is not possible to understand the Latin-American economy without studying those countries.

Group B: Colombia, Costa Rica, Jamaica, México, Trinidad & Tobago and Venezuela

Group C: Kenya, South Africa and Zimbabwe

Group D: Cameroon, Ivory Coast and Nigeria

The first three studies were included in the first report. The study about the last group of countries (Cameroon, Ivory Coast and Nigeria) is included as annex in this report.

An expert was contracted to coordinate the consultants to perform sector studies. This coordinator elaborated the contents of the training workshops including the identification and participants. Additionally, the expert prepared an executive summary of the sector studies made by consultants.

It is important to mention that this activity was paid by funds coming from OPEC Fund.

❖ STAGE II

Activity 3 : Business Training Workshop (3 Seminar-Workshop)

All activities programmed in the STAGE II have been done in a very successful way. More than 250 people from both regions have participated representing 8 Latin American countries and 6 African countries. In addition representatives of international organizations or consultants from other countries have been participating.

The **first** workshop was held in **Nairobi, Kenya, from 12 to 14 June 2000**. 20 Latin-American and 10 Africans representatives of governments and private sector including experts attended the meeting. Additionally more than 100 representatives from Kenya (hostess country) participated.

The Work Program included mixed panels discussing in the first 2 days several matters regarding to Micro and SME's. The last day was devoted to consider e identifying co-operation opportunities between both regions.

Travel tickets and allowance expenses to participants in the Nairobi's workshop were partially paid with funds allocated by the Perez Guerrero Trust Fund . It is important to mention that the rest of the expenses related with this first workshop were supported by funds coming from the OPEC Fund.

The **second** workshop was held in **Douala, Cameroon, from 27 to 29 November 2000**. Around 20 Latin American and Caribbean representatives from government and private sector attended the meeting. Additionally 90 people from African countries were participating mostly from Cameroon ,and others from Kenya and Nigeria.

The organizational arrangement for the workshop was in the same way than the Nairobi's meeting. Most of travel tickets and allowance expenses for participants were paid with remaining funds from OPEC Fund . Due to the high cost of travel tickets some of them were paid by Perez Guerrero Trust Fund.

In the closing ceremony of the second seminar –workshop held in Douala, Cameroon was offering by the government's representative of Chile to held the third and last seminar-workshop in his country for 2001 year. Finally, due to the several problems, the Chilean's government resigned to that responsibility and the Chamber of Small and Medium-Size Enterprises of Chile (CONUPIA) accepted that responsibility to organize the seminar-workshop but for March 2002.

The **third** seminar-workshop was held in **Uruguay and Chile from 11 to 20 March 2002**. The organizational arrangement for this workshop was changed and it was held in two stages: the first stage was developed in Uruguay from 11 to 13 march 2002, to attend the XV Meeting of Directors of International Cooperation where a session devoted to South – South Cooperation was included in the programme. African's representatives had the opportunity to present a overview about theirs countries including cooperation needs and offerings related with SME's.

The second stage was developed in Chile from 14 to 20 march 2002. In this case the activities were arranged in order to spend just the first day for speeches by high representatives of governmental institutions related with SME's and the rest of the days to pay visits to both governmental institutions and SME's. In the final session was promoted a interesting discussion and opportunities for cooperation were identified.

This third seminar-workshop was organized in a practical way trying to introduce businessmen and officials of both regions in a business environment. They spent 10 days looking for themselves opportunities for business.

The following report was prepared as concluding remarks of the Seminar-Workshop Uruguay-Chile:

**RAPPORTEUR'S REPORT OF THE III SEMINAR-WORKSHOP
ON THE DEVELOPMENT OF SMALL- AND MEDIUM-SIZED ENTERPRISES
IN AFRICA AND LATIN AMERICA AND THE CARIBBEAN**

(Uruguay and Chile. 11 to 20 June 2002)

Background

The project on cooperation among small- and medium-sized enterprises (SMEs) of Africa and Latin America and the Caribbean has been developed through three meetings aimed at achieving mutual understanding and raising awareness of the realities of both regions.

The first two meetings took place in Nairobi (Kenya) and Douala (Cameroon) and were attended by Latin American and Caribbean officials and businessmen.

The third meeting was held in two stages. The Stage I was held in Montevideo, Uruguay from 11 to 13 March 2002, simultaneously with the XV Meeting of Directors of International Cooperation, organized by SELA where a session to South-South Cooperation was devoted with the participation of African representatives. The Stage II was held in Santiago, Chile, from 14 to 21 April 2002 and both, representatives of the private and public sectors of five African countries participated in the event. This stage was arranged in a such way to pay some visits to institutions and to small and medium –sized enterprises of Chile.

Conclusions and Recommendations

- Substantial progress has been made after these three meetings. Indeed, the third meeting allowed for an opportunity for African participants to become aware of the Latin American reality, as illustrated by the Chilean experience. They were able to look at how SME business associations conduct their activities and how support institutions work.
- It has been demonstrated that there is a wide range of cooperation possibilities between the two regions, both at an institutional level between governments or business associations and at the level of the very SMEs. At present, trade between these two regions remains very low. In addition, there was little mutual knowledge, but this has been changing thanks to the various meetings that the Latin American Economic System (SELA) has been conducting.
- To improve this situation it is necessary to show political will, on the one hand, and there is no doubt that it exists. On the other hand, each country needs to establish a public-private infrastructure which makes it possible to identify supply and demand possibilities in each country, not only from the viewpoint of trade itself but also from the perspective of institutional and technical cooperation.
- It is in the interest of African countries to gain the necessary experience about how to manage institutions in order to strengthen structures to support SMEs by changing, if need be, existing structures so as to achieve greater transparency.
- Since both regions have many interests in common, it would also be possible to create broad technological cooperation mechanisms, particularly in the agricultural

sector – where Latin American countries have established important research centers – and the food industry.

- Another factor that was considered to be very important was the reception of assistance for modernizing the agricultural sector and improving the marketing of agricultural products, for broadening market access, fostering rural development, conducting reforestation programmes and establishing trade fairs and industrial parks.
- African countries have learned from their own experience that cooperation with highly developed countries, such as those in Europe and the United States, has not delivered the expected results because their reality is quite different and the criteria applied are not the appropriate ones. Cooperation with Latin America, however, could bring more benefits because both regions have similarities and common interests.
- As regards inter-entrepreneurial relations and trade opportunities, there were clear indications that there exist real trade opportunities, despite the fact that the two regions have similar but not complementary economies. An example of this was the interest showed by a Chilean businessman working in the wood industry – which is crucial for the country's economy – in importing African hard woods that are not found in the Latin American region
- It was noted that if there is no information available or if personal contacts have not been established, there cannot be trade between the two regions. The meetings conducted within the framework of the project have contributed to improve personal contacts, but the only way to overcome the lack of information is by creating an *ad-hoc* system, which should be flexible and easy to access. Obviously, in the present circumstances, governments could hardly allocate resources for that purpose, but they should pave the way to undertake the first steps in that direction with the collaboration of the private sector.
- There are several trade and technological information systems in Latin America which could also be useful in this connection. It would be advisable to make arrangements with organizations or donor countries so as to establish technical cooperation funds in order to finance institutional advisory work to help state-run agencies and business associations and to materialize the creation of the *ad-hoc* Information System. In this regard, a recommendation was made for countries to prepare formal memorandums of agreement and to set up joint committees with SELA as a way to support the task of raising such funds and reaching cooperation agreements.
- As we pay attention to all these institutional and trade-related aspects we should not overlook other aspects that are equally important, such as those related to cooperation aimed at addressing social issues and fostering the cultural exchanges that are vital for a better understanding among peoples.

- Another important issue that was underscored during the meeting was the lack of communication among the governmental counterparts involved in the project, resulting from the governmental changes. A recommendation was made to keep a close contact with business associations so that they help to keep communication channels open after new governments come into power.
- Finally, it is worthwhile mentioning that a proposal to speed up the project to prop up national and subregional focal points in order to make them serve as information nodes to promote exchanges.

Activity 4: Conferences

Technical conferences were included in the three workshops. Also press conferences were given, in Kenya, Cameroon and Chile by SELA' representatives and officials from the hostess countries, in order to diffuse the objectives and activities of the project. Additionally, in the case of Chile, African's representatives were asked by the press to give their thinking about the importance of visiting Chile.

❖ STAGE III ²

In order to organize the last activities of the project including in the Stage III a visit was spent to South Africa. We have a lot of appointments with governmental institutions, chambers of commerce and industry, and international organizations.

In this list were included: Department of Trade and Industry (DTI); NTSIKA, which is a organization devote to non - financial services to SME's ; Chamber of Commerce and Industry of Johannesburg; UNDP Representative Resident; and, Latin American Embassies.

In the opportunity of our visit we proposed to joint this activity to the South African Business Week planned to be held from 30 August to 2 September 2002 but according to the DTI is impossible to do that because their activity is one of the activities included in the World Summit for Sustainable Development and at that time there are a shortage for hotel accommodations, therefore DTI suggested to move dates for the last week of September. We made a new proposal to held meeting for the second week of October 2002.

It is important to mention that in the first week of October a large group of Chilean businessmen will be attending the Nairobi Trade and Industry Fair trying to identify business opportunities. After that visit Chilean businessmen will joint to the rest of participants in Johannesburg.

² It is important to mention that Stage III is supposed to be financed with resources assigned by OPEC Fund and UNDP.

PROJECT CONSIDERATIONS

All activities financed with resources from Perez Guerrero Trust Fund have been accomplished included that ones planned in the Preparatory, I and II Stages of the project. The last activities (Stage III) supported by other donors agencies are planned to be held in a simultaneous way in the third week of September 2003 in South Africa or Kenya.

The support given by Perez Guerrero Trust Fund have been invaluable. Thanks to that support we can say that at the present time we have achieved the right information what allow us to be in better conditions to establish the bridge to identify cooperation and business opportunities between both regions. Today we have a better knowledge about culture, thinking and potentiality in Africa and LAC. We are no any more far regions. We can become in a strong alliance from the economic point of view.