Japan International Cooperation Agency (JICA)

The Needs Assessment Study on Policy and Institutional Reforms for SME Development in African Region (SME Business Environment Survey)

Final Report （Summary）

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UFJ Institute Ltd.

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Preface

1 Background of the study

After a decade of disinterest towards Africa caused by aid fatigue and aggravating debt problems, the international community such as the United Nations, OECD and the G8 reaffirmed the necessity to develop African countries and started discussions on debt reduction, poverty reduction and prevention of conflicts. The Tokyo International Conference on African Development (TICAD) hosted by Japan in 1993 was one of the precedents to spur such assistance. African countries also took initiative in the "Revitalization of Africa" and established a New Partnership for Africa's Development (NEPAD). This has become a turning point to African development.

On the other hand, the establishment of World Trade Organization (WTO) enabled us to recognize developing countries including African countries as important players in the world market. African countries have drawn attention as the last emerging market and as a key supplier in the natural resource markets. However, a sharp division of opinions between the developed and developing countries remain on various issues discussed at the Doha Round meetings. A key discussion in the multilateral trade talks has become the issue of how to mitigate growth constraints of developing countries. Today, bilateral trade talks between African countries and USA, EU and China are also closely linked to development aid policy.

The TICAD's basic principles are ownership (self-help efforts) and partnership with developed countries, and it aims at poverty reduction through economic development. It is noteworthy that this TICAD process led by Japan closely follows and complements these international movements and further appeals the importance of assistance to Africa along with this approach.

2 Objectives and scope of the study

2.1 Objectives

The objectives of the study is to come up with a recommendation of the relevant African countries in a manner that will spur the promotion of the SMEs, based on the information regarding the environment and the trends that surrounds SMEs in these six members except Mozambique among seven members of Technonet Africa, such as South Africa, Tanzania, Ghana, Nigeria, Cameroon and Mozambique. In addition, the study also clarifies the ways in which Japan should form partnerships with these six African countries, by examining closely the present situations of SMEs and SME promotion policies. The study also examines the current trade and investment climate, which affects a country's SME development greatly. It covers all areas of the country. However, the study in rural regions is limited to collection of secondary data and information. The results of the study might be helpful for the member countries of the Technonet Africa.

2.2 Project team members

It is requested to complete all works starting from basic surveys of multiple countries to the wrap up meeting of the study within a very limited time. To achieve this, it is vital to form a TA consultant team, which consists of SMEs policies and institutions specialists, SME management specialists and a trade and investment specialist. In addition, the consultants must have an understanding of the current climate for SMEs in the African countries concerned.

In these regards, the consultant team composes of best eight members. They are grouped by four teams based on tasks and countries.

Team	Task and experts in charge*	Countries to survey
Group No.1	**- Team Leader:** Mr. Nori IAI **- Trade and Investment Expert:** Mr. Tetsuya FUKUNAGA**	IAI and FUKUNAGA: Cameroon and South Africa IAI: Nigeria and Ghana FUKUNAGA: Tanzania and Uganda
Group No.2	**- SME Promotion Policy Expert:** Mr. Kensuke SHIMURA **- SME Management Expert:** Mr. Yoichi HARA	South Africa and Ghana
Group No.3	**- SME Promotion Policy Expert:** Ms. Mikiko IMAI **- SME Management Expert:** Mr. Yoshiyuki OBA	Uganda and Tanzania
Group No.4	**- SME Promotion Policy Expert:** Ms. Hisatsugu FURUKAWA **- SME Management Expert:** Mr. Toru SUETAKE	Nigeria and Cameroon

*: Schedule to conduct in each country is attached later.
**: Vice Team Leader

2.3 Scope of the study

2.3.1 Countries to be surveyed

The study covers the following six countries except Mozambique, which are members of Technonet Africa.

(1) Republic of South Africa
(2) Republic of Tanzania
(3) Republic of Uganda
(4) Republic of Ghana
(5) Federal Republic of Nigeria
(6) Republic of Cameroon

2.3.2 Establishment of close cooperative relationship with UNDP and with TECHNONET Africa

The TOR by JICA of this study includes the intent for JICA and UNDP to cooperate with each other in the study on the six of the member countries of Technonet Africa. Therefore, under the instruction of JICA, the study performed with close cooperative relationship with UNDP offices and member institutions of each member country as well as Technonet Africa's main office and offices in each country.

3 Organization of "mini-seminars" and a "wrap-up meeting"

During the study, a "mini-seminar" was organized in 3 countries （Tanzania, Nigeria and Cameroon） upon request of each country's responsible agency.

A wrap up meeting was held during March 7 to March 11, 2005 in Pretoria in South Africa to discuss issues and obstacles, which the African countries concerned are faced with, to share information regarding issues that African countries are facing concerning MSE promotion among persons responsible from UNDP, local consultants of 6 countries and the project team members, and to make

Recommendations on inter or intra-regional bases as well as a country-by-country basis, keeping in mind regional and industrial variance among countries.

4 Basic methodologies of the study

Methodologies of following three elements of the study are referred individually in the related chapter.

(1) Survey of SME promotion policies
(2) Survey of SMEs (SMEs diagnosis and management)
(3) Trade and investment

I. SME Policies

1 Introduction

The survey of SME promotions policies was conducted as follows:

(a) To research the vision and/or medium-long term plans (or substitute) concerning SMEs promotion (if any). This includes researching the level at which this vision/plan was agreed at (parliament, presidential order or ministerial ordinance), which will allow one to gauge the importance and the likely effectiveness of the implementation of the vision/plan.
(b) To study the actual implementation of the vision/plan as follows:
  * Is the vision/plan broken down into realistic individual policies (legal, financial, human resources)?
  * Is the medium-long term plan broken down into the annual plan, and is it backed by budget and the organisation of necessary implementing forces (institutions and human resources)?
(c) To recognize the priority and the relative importance of SME promotion policies among other government policies; to understand how they interact with other government policies aimed for example at poverty reduction, rural area development, conservation of environment and trade promotion; to measure the extent to which domestic policies and measures take into account the compliance with the global economy such as standardization, mutual recognition and so on.
(d) To understand in detail the availability of major financial assistance (short and medium term). For example, comprehensive structures of financial assistance, ceiling of total loan outstanding, lending record, situation of collection, loan condition (such as loan amount, interest rate, lending period, repayment schedule, collateral and guarantor) credit analysis, loan application procedure and so on.
(e) To understand the division of roles between the central and local governments, and among the different agencies, especially in the development of indigenous industries. This includes distribution of budget, and dealings with donors and beneficiaries.

2 Survey Results by Country

2.1 South Africa

2.1.1 Policy, Regulation and Strategy

Although SME sector was totally neglected prior to 1994 in South Africa, the *post-apartheid* Government of South Africa has put focus on, and made it a key pillar of government policy to support for small, medium, and micro enterprises (SMMEs). ***The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa*** (1995) provides the framework for South Africa's SMME policy. ***The National Small Business Act (No. 102)*** was enacted in 1996 to translate the policy objectives set out in the Strategy into practice by providing for the establishment of the institutional framework to support small business development. As other policies and strategies related to SMMEs, there are ***Microeconomic Reform Strategy***, t***he Integrated Manufacturing Strategy***, and ***the Broad-Based Black Economic Empowerment (BEE) Strategy***.

2.1.2 Financial Assistance System

The government support for SMMEs in South Africa is broadly divided into financial support and non-financial support, and financial support is provided by three government agencies, namely **Khula Enterprise Finance**, **National Empowerment Fund** and **Industrial Development Corporation (IDC)**, as well as the Department of Trade and Industry (DTI). These agencies provide not only financial assistance, but also consultancy or mentorship service to the entrepreneurs. In addition to these existing financial institutions, DTI has just set up the '**APEX Fund**' to provide micro finance. There is also a private financial institution provides SME finance, called **Business Partners**.

Notwithstanding the above financial assistance system, the recognition that SMMEs in South Africa lack access to finance and that this is one of the most serious problems faced by them, are widely accepted..

2.1.3 Status and Major Issues of SME Promotion Organizations

Government Organizations
According to the National Small Business Amendment Act No. 29 of 2004, two major implementing agencies under DTI, Ntsika and NAMAC Trust were incorporated into the newly established **Small Enterprise Development Agency (SEDA)**. SEDA needs to “deliver integrated service for small enterprises by providing coordinated government services from a single point”. This reflects the fact that, under the former system, SMME supporting programs and services were delivered by various organizations without coordination, thus brought about duplications and inefficiency in execution.

Private Organizations
Although there are numbers of Chambers and industrial/professional associations in South Africa, organizations actively involved to SMME promotion are limited. **The Chamber of Commerce and Industry South Africa (CHAMSA)** and **Business Unity South Africa (BUSA)** are committed to progressively assist in policy making, advocacy and other activities to support SMMEs. Although those business organizations have close relations with the government and some of them receive financial support from it, their function as BDS providers or intermediaries seem not to be sufficiently fulfilled.

There are a number of mentors, consultants (individual and organizational), NGOs and NPOs which provide BDS to SMMEs. While the whole picture is not clear on this sector, situations of BDS providers supposed to be quite various. While some organizations conducting quite unique activities, receiving financial support from international donors, others are facing with problems such as limited or no access to online information, shortage of staff, funding and staff training.

2.1.4 Standardization and Mutual Certification Policy

There are three government agencies, which are all under the DTI, to cover the issues of standardization and certification. **South African National Accreditation System (SANAS)** provides laboratory, personnel and certification body accreditation in South Africa as well as mutual recognition agreements with international accreditation organizations. **The South African Quality Institute (SAQI)** is accepted and used as the national quality coordinating and promotional body, with special focus on SMMEs. **The South African Bureau of Standards (SABS)** provides a training program called “Missing Link Training Program”, which fully subsidizes SMMEs to participate in training on technical and managerial skills. Another service called “Tender Board Service” is the support for SMMEs to apply for the procurement business with the national and local governments.

2.1.5 Local Business Promotion Policy

Based on the South African constitution, nine provinces have legislative and executive powers concurrently with the national sphere over many areas including SMME promotion. Provinces have their own SMME policies, which are guided by economic development strategies of each province, with funds for small enterprises and Local Business Service Centers of the provinces. The provincial strategies do not necessarily have consistencies with the national strategy, therefore many provincial programs overlaps with the national ones. Presently, national government tries to reconstruct the cooperative relation with provinces, through utilization of the “Provincial Coordination Committee”.

2.2 Tanzania

2.2.1 Policy, Regulation and Strategy

Tanzania has recently formulated a SME policy, the ***Small and Medium Enterprise Development Policy 2003*** (hereafter "the SME Policy") published by the Ministry of Industry and Trade (MIT). Despite a very well established framework, the implementation of it has not started. This is primarily because of the importance Tanzania places on the ***Poverty Reduction Strategy Paper (PRSP)*** and the effect this has on the national budget allocation and the assistance. The first PRSP (2000-05) does not include SME or private sector development as one of its seven priority areas of interventions, but focused on social development issue. However, a new PRSP, the ***National Strategy for Growth and Reduction of Poverty (NSGRP)*** has just been formulated, which states that the "achievement of a sustainable broad based and equitable growth" is one of the three major clusters. This naturally leads to an emphasis on SME development, which is clearly stated in the NSGRP. The implementation of the SME Policy is greatly facilitated as the NSGRP attracts national budget and international assistance. Other relevant policies for SME promotion include ***Tanzania Development Vision 2025***, which is the national long-term strategy, ***Sustainable Industrial Policy 1996-2020 (SIDP)***, Tanzania's industrial policy and the ***Business Environment Strengthening for Tanzania (BEST) Programme 2002***.

2.2.2 Financial Assistance System

Tanzania's financial sector is relatively well developed following monetary and financial structural reforms which began in 1990. There are 20 commercial banks and 11 non-bank financial institutions operating in the country, however, there is clear market segmentation according to the size of lending and size of the enterprises. Small enterprises typically borrow from National Microfinance Bank (NMB), a public bank who is currently being privatized, but its loan size is very small. There are limited private capital funds available for SMEs in the form of equity. These include *FEDHA Fund Ltd* and *Tanzania Venture Capital Fund Ltd (TVCF)*, both managed by *First Capital Partner Ltd.* (subsidiary of Common Development Corporation (CDC)).

In addition, the government supports a number of special schemes funded by the budget. For example, *National Entrepreneurship Development Fund (NEDF)* is managed by MIT/SIDO to provide small sized funding. Others include *Youth Development Fund* and *Women Development Fund*, as well as government/donor joint programmes, such as *Small Entrepreneurs Loan Facility (SELF)* and *Community Development Trust Fund (CDTF).*

2.2.3 Status and Major Issues of SME Promotion Organizations

Government Organizations

The main ministry responsible for the SME development is the MIT. It is assigned responsibility for coordinating the implementation of the SME Policy. Under the MIT, the **Small Industries Development Organisation (SIDO)** was established in 1973 "to plan, coordinate, promoted and offer every form of service to small industries". SIDO primarily provides assistance to small enterprises. Due to this, even though it is modestly successful in achieving its aim, it has been criticized that the overall impact on the economy is small. The **Vocational Education Training Authority (VETA)** is the government arm providing the framework for vocational training system in Tanzania. In addition to operating a number of its own centers, VETA registers and supervises private centers to run training courses nationwide (630 centers in 8 zones). The lack of correspondence between the courses offered and the labour market demands has been pointed out as VETA's institutional problem.

Private Organizations

There are a number of private associations in Tanzania. In terms of SME development, the three main ones are **Tanzania Private Sector Foundation (TPSF)**, **Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA)** and **Confederation of Tanzania Industries (CTI)**. TCCIA, whose members are mostly traders (export/import) and CTI, whose members are mostly industries have both benefited from donor assistance, namely SIDA and DANIDA, respectively. On the other hand, TPSF, the umbrella association for all associations in Tanzania lack adequate funding and thus the organizational power is small.

2.2.4 Standardization and Mutual Certification Policy

Tanzania Bureau of Standards (TBS) is responsible for the standard and quality assurance. General interest towards quality assurance is increasing due to increased general awareness and also due to increased necessity for exporters to comply with internationally set standards. However, many SMEs lack capacity or resources to comply with these standards.

2.2.5 Local Business Promotion Policy

It is stated in the SME Policy that the "local government authorities will allocate and develop areas for use of SMEs" and that the Regional Administration and Local Government (RALG) will be responsible in the implementation of some areas of SME Policy such as market access and access to finance.

2.3 Uganda

2.3.1 Policy, Regulation and Strategy

Uganda does not have an explicit SME policy. There are however several policies that directly relate to SME development. The long-term national strategy, ***Uganda Vision 2025*** was drafted in 2000 and the under this framework, the ***Medium-Term Competitive Strategy for the Private Sector (2000-2005) (MTC)***, but the main focus of this was in privatization. As the privatization process enters its final stage in Uganda, the government has begun discussions of SME development. Due to Uganda's economic structure, which is polarized into a small number of larger medium-sized enterprises and a vast number of microenterprises, assistance to improve the general level of microenterprises is warranted to mitigate impediments to industrial development. In addition, the international community is increasingly emphasizing the role of SMEs for job creation and poverty reduction. Thus, a policy framework to foster a vibrant SME sector is considered as the country's next development stage.

2.3.2 Financial Assistance System

Since the post-1992 reforms in the financial sector, progress has been made in strengthening and deepening the financial system. Despite the efforts, Uganda's financial system and the banking sector are not very well developed, with a strong urban bias and a general reluctance for SMEs lending. Microfinance institutions with some 550,000 clients in more than 500 branches of different institutions nationwide have gone some way in reducing this problem. The government has supported the microfinance institutions by the ***Microfinance Outreach Plan (2001)***. In addition, the Bank of Uganda operates a number of credit schemes, which provide loans to SMEs through licensed banks. These include ***Apex Private Sector Loan Scheme (APEX)*** and ***Development Finance Fund (DFF)***.

2.3.3 Status and Major Issues of SME Promotion Organizations

Government Organizations
Two ministries are relevant for the purpose of SME development. These are, namely, the **Ministry of Finance, Planning and Economic Development** (hereafter "MFPED") and the **Ministry of Tourism, Trade and Investment** (hereafter "MTTI"). MTTI is conducting two research studies, one with the assistance of UNIDO, to determine the current situation and problems of SMEs. These are due to form the basis of policy formation for SME development.

There are a number of public or parastatal institutions involved with providing BDS. **Uganda Industrial Research Institute (UIRI)**, established through grants from the Republic of China hosts laboratories and equipments to promote R&D activities by enterprises. Many individual projects that involve UIRI are assisted by donors. However, there has not been adequate funding towards provision facilities. **Management Training and Training and Advisory Centre (MTAC)** and **Makerere University of Business School (MUBS)** run training courses for SMEs entrepreneurs (including potential entrepreneurs). **Nakawa Vocational Training Institute (NTVI)** on the other hand provides technical assistance as one of the three vocational training institutes in the country.

Private Organizations
In addition to private or non-profit BDS providers such as **Enterprise Uganda**, there are a number of associations for SME entrepreneurs. These include **Uganda National Chamber of Commerce and Industry (UNNCI)**, **Uganda Private Sector Foundation (PSFU)** and **Uganda Small Scale Industries Associations (USSIA)**.

2.3.4 Standardization and Mutual Certification Policy

Uganda National Bureau of Standards (UNBS) is responsible for setting and monitoring standards. Despite a well-defined framework for standardization, its operations have not been very effective. Lack of adequate funding has resulted in a number of programmes being unimplemented. Moreover, UNBS only made partial payment towards the International Standards Organisation (ISO) annual subscription fee and was made a non-member.

2.3.5 Local Business Promotion Policy

Due to the strong emphasis on the decentralization regime since 1992, some 30% of the national budget is executed at the sub-national level. However, these are mostly in the form of grants to be channeled in key Poverty Eradication Action Plan (PEAP) sector priorities including health, education, roads, water and agriculture. Thus the local government has mostly concentrated on providing basic infrastructure rather than on issues directly relating to SME development. Most effort in the area of SME development is conducted at the national level rather than at the sub-national or regional level.

2.4 Ghana

2.4.1 Policy, Regulation and Strategy

SME promotion or development policy in Ghana has a relatively long history. In 1981, ***the National Board for Small-Scale Enterprise Act 1981*** was enacted to establish an apex body for the development of small-scale industry in Ghana, under the umbrella of the Department of Trade and Industry (MOTI). This act has provided the new agency (National Board for Small-scale Industry: NBSSI) with the function to establish the criteria that constitute a small-scale enterprise. Present SME policies and strategies are included in ***the Private Sector Development Strategy***, which aims to alleviate constraints for all level of the private sector, on the condition that most firms are micro or small enterprises (MSEs). MSEs will also benefit from ***the President's Special Initiative (PSI),*** the program to promote four particular sectors: cassava, oil palm, salt, textile and apparel.

2.4.2 Financial Assistance System

As MSEs are regarded as riskynnnnnn ventures, loans to MSEs tend to be short-term, requiring stringently collateral and high interest rates. In this condition, government financial scheme and donor facilities are indispensable. The government facilities, such as PAMSCAD, Revolving Fund are provided by NBSSI. Moreover, international financial institutions and donor countries are contributing to various financial facilities through local financial institutions. However, these financial assistances are not supposed to fundamentally relief severe financial constraints for MSEs, and there are opinions asserting to set up a new and independent financial institution focusing MSEs.

2.4.3 Status and Major Issues of SME Promotion Organizations

Public mechanism (government organization)
NBSSI provides financial and non-financial support to all MSEs (excluding farmers) through regional and district offices. The district offices include Business Advisory Centers (BACs), which provide BDS as training, advisory and consulting, mainly utilizing professional consultants and BDS providers. **Ghana Export Promotion Council (GEPC)** is the export promotion agency of the MOTI, and is conducting Export Development Program（Export school）in major cities, and Export Promotion Village Scheme, which is a kind of group marketing promotion for rural firms.

Quasi-public mechanism
EMPRETEC began in Ghana as a project of the UNDP, then transformed into a Foundation mainly consists of the Government fund. The initial focus of building skills of entrepreneurs by providing training has been developed further to include financial services along with a comprehensive range of consultancy and other advisory services. **The Ghana Regional Appropriate Technology Industrial Service (GRATIS)** was set up to provide much technical support to MSEs, including development and transfer of appropriate technology, demonstration of new marketable products and processes, etc.

Private consultancy (private organizations)
The Association of Ghana Industry (AGI), **Ghana National Chamber of Commerce and Industry (GNCCI)**, **Private Enterprise Foundation (PEF)** and the **Association of Small Scale Industries (ASSI)** are major private organizations provide various service to MSEs. They are independent from the government in financial terms, and receive financial and technical support from international donors like USAID, DANIDA, UNDP and German NGOs.

Donor coordinating mechanism
As they recognized the importance of SMEs in the achievement of broader development objectives, numbers of donors and international organizations has rushed into this sector to conduct various programs through the government and private organizations. Their activities are coordinated within a framework of the **Africa Project Development Facility (APDF)**.

2.4.4 Standardization and Mutual Certification Policy

Most standards in Ghana are based on international equivalents and so are consistent with obligations at WTO. However, there are problems over duplication of functions of the enforcing bodies, Ghana Standards Board (GSB) and Food and Drugs Board (FDB), due to inconsistency in laws. Concerning the application of standards, local producers are subjected to more rigorous inspection than importers, and exporters are increasingly facing SPS and standards in their international markets. However, GSB is unable to apply the appropriate tests regarding compliance due to lack of equipment and resources, Furthermore, there is an urgent need for private laboratories to gain international accreditation.

2.4.5 Local Business Promotion Policy

MOTI is carrying out the Rural Enterprise Development Programme (REDP) to promote indigenous products by selecting three potential products from each District, in collaborating with the Districts Assemblies. Thus, there supposed to be a consideration on, or coordination with, the MSE promoting programs to some extent.

2.5 Nigeria

2.5.1 Policy, Regulation and Strategy

Nigerian Government considers that SME promotion is to be one of the core policies for increase employment for young generation and emphasizes it in the “National Economic Empowerment and Development Strategy (NEEDS)”. NEEDS set the policy target year of 2015 to promote SME to activate long stagnant economy and fight against poverty in Nigeria.

To enhance governments' support to SME, the **Small and Medium Enterprise Development Agency (SMEDAN)** was separated in June 2003 from the Ministry of Industry and given the status as the national focal point for policy making for SME promotion. New organizations such as the Presidency (Informal sector), and Federal Ministry of Intergovernmental Affaires, were created to focus more on enhancing supports for smaller industrial sectors and young people. While SMEDAN is discussing to create job information centers, MOI and NASENI already set incubation centers in 7 states where job information dissemination activity is included as a part of its functions, while MOI and SMEDAN has implemented industrial park. As for job creation center, FMIA and the Presidency also have the same kind of idea. Researches and trainings have been done by many organizations such as **NASENI, NOTAP, MOI, MOELP, EPC** and industrial associations, but all of these efforts are not necessarily coordinated well. Under such circumstances, it is important to avoid overlaps and duplications in policy making and monitoring. Introduction of efficient coordination mechanisms and allocation of resources into strategically prioritized issues is an urgent need for Nigeria. Preparing a reliable database of registered companies, conducting company surveys from time to time with wider coverage will be an efficient means to deepen the understanding of government policy makers in current business situation of SME.

2.5.2 Financial Assistance System

NEEDS discussed the needs to increase access to credit by strengthening the **Bank of Industry** and other special-purpose finance institutions such as the **Nigerian Export Import Bank**, the **Nigerian Agricultural, Rural, and Cooperative Bank** to provide concessional loans and credit guarantee scheme. **CBN** introduced the **Small and Medium Industries Equity Investment Scheme (SMIEIS)** in 2001 and has been supporting strengthening of the financial structure of SME. However actual equity participation ratio as of end of 2004 was only 36% of the total fund amount. Several reasons can be identified. For example, there are needs to comply with prudential regulations to avoid a surge of new non-performing loan and difficulties to let SMI be listed after three year-term (three year is too short for SMI to become a listed company in stock exchange.

Bank of Industry is in charge of extending financial assistances to the economy with lower interest rate but in fact majority of the financed projects are fairly big and percentage of loans to SME is rather small. Major constraints of BI lie in getting reliable information on bankable and viable companies. The capacity of staff is limited and BI is in need of wider range of support by eligible BDS providers for checking business plans, application forms and business conditions of applicants. Industrial associations such as **Nigerian Association of Small Scale Industrialists (NASSI)** and **National Association of Cottage Industry of Nigeria (NACIN)** are considering starting **mutual finance** scheme to support their members, because bank capacity to extend support to SME is very limited.

2.5.3 Status and Major Issues of SME Promotion

Government organization
The Presidency who is in charge of Informal Sector was established by the president's instruction in July 2004. It established a committee for policy planning, inviting representatives from the Ministry of Industry, Ministry of Science and Technology, Ministry of Finance and Ministry of Agriculture, together with representatives from the private sector and international donors such as UNDP, UNIDO, and the World Bank. Main target of the **Ministry of Inter Governmental Affaires (FMIGA)** is to increase employment for young people. For this purpose, FMIGA has been organizing training seminars for training trainers. It has a plan to establish Youth Resource Centers in several states as the skill-acquiring centers and give training to young people in fishery, poultry, piggery etc. and find them employment. Some activities by FMIGA should be more closely cooperated with other ministries, such as **Ministry of Employment, Labor, and Productivity, The presidency, SMEDAN, Ministry of Industry, Ministry of Commerce**, etc. Major concerns are the lack of funding and how efficiently make coordination among relevant ministries.

Private organization

National Agency for Science and Engineering Infrastructure (NASENI) has set up seven centers in the country to develop technology and skill in strategically important sectors. The centers give training courses for university graduates and serve as the incubation centers for entrepreneurs (for three years) before starting new companies. **Nigeria Association of Small Scale Industrialists (NASSI)** is an NPO and has been supporting its members through organizing training courses, advising wrapping technology, marketing and management, etc with the assistances from UNIDO, UNDP, ILO and some other foundations in Europe. **National Association of Cottage Industry of Nigeria (NACIN)** has started a challenging project by establishing a joint venture company, the Cluster Development & Services Industry Ltd. that will develop industrial zones with a set of infrastructure, electricity and water supply, road, warehouses, training center, etc. with just the size for member companies. NACIN is considering establishing a micro-finance company for members, putting importance for the scheme of mutual support in technological aspects rather than financial support. **Lagos Chamber of Commerce and Industry (LCCI)** started supporting BDS from 1996 by establishing a BDS Unit in the organization and prepare training course with the help of GTZ.

2.5.4 Standardization and Mutual Certification Policy

The **Standard Organization of Nigeria (SON)** has been contributed to quality assurance, safety assurance, waste management and cost reduction of Nigerian producers. SON is also working for harmonizing Nigerian standard with that of US and European standards. SON carries out registration of both local and imported products and provides data and inventory of products and their quality parameter. SON carries Export Expansion Scheme cooperating with NEPC, Nigerian Customs Service and CBN through which importers may claim repayment of import duty paid for materials used in the production of good exported. **Nigerian Office for Technological Acquisition & Promotion** is in charge of registration and protection of trademark and patent of goods from abroad. Ministry of Commerce is in charge of registration of local patent. But the coverage of registration is still limited and it is necessary for authorities to enlarge the coverage and improve timeliness of registration operation and information dissemination using ICT.

2.5.5 Local Business Promotion Policy

To realize the policies stated in NEEDS, the government emphasizes the importance of coordination among the federal government (NEEDS), the states (SEEDS) and local government level (LEEDS) for achieving the national development goal.

2.6 Cameroon

2.6.1 Policy, Regulation and Strategy

Being rich in natural resources but with a small domestic market, Cameroon government started export-oriented development strategy. However, no specific law that focuses on SME promotion has been enacted except the Investment Chart, which was revised two years ago. The Investment Chart is a law to promote investment from abroad as well as domestic investment. It gives higher emphasis on strengthening competitiveness of enterprises in Cameroon. It mentioned a plan to set up an inter-ministerial council, including some participants from private sector but the council is not yet established. There are many areas that are in need of renovation and arrangement but supports from donors are still limited and not coherent. Absence of strong leadership of the government and lack of governance invites wider range of corruptions and hampered the efficiency of support from donor community. Human resource development and capacity building in policymaking is the most urgent area to be supported. Concerted action by donors will be highly desirable.

2.6.2 Financial Assistance System

The central bank, the BEAC Cameroon, does not prepare any specific financial support that focuses on SME promotion. Instead, BEAC is supporting banking sector restructuring through bank mergers. Financial sector have been supporting Cameroon economy fairly well and played an important role to sustain industrial activities in Cameroon although its funding capacity is still limited. Considering such circumstances, Ministere des Finance (MOF) started to require operating NGO in micro financing to be registered by the end of year 2005.

National Investment Corporation of Cameroon (SNI) extends loans and financial services on commercial basis but should be audited by the government. Special supportive measures have been prepared by the government such as (i) CAPME (Centre d'Assistance pour PMF), (ii) Banque Camerounais pour le Development supports small and medium industry (SMI), (iii) Fond Guarantie pour SME (FOGAPE), and (iv) Project finance by SNI. It already received assistances from UNIDO, Canadian Centre de Creation d'Entreprise, etc. to enhance its capacity to be an incubator for export promotion from Cameroon. **Afriland First Bank (AFB)** already set up a BDS team inside the bank, allocated eight personnel and starts to assist borrowers by helping them make feasibility study and business plan, strengthen managing capacity through supplying information and giving advices in marketing. Three **Venture Capital Funds** are operating now in addition to the venture fund type funding scheme supplied by SNI: CENAINVEST (invests maximum 150 million FCFA for one company), PRO-SME (invests maximum 200million FCFA), and Central African Growth Fund (invests 500thousnad Euro plus loan up to 100thousand Euro). The placement term is generally up to 7 years and the company will be required to buy back the shares at the end of the investment term.

2.6.3 Status and Major Issues of SME Promotion

Government organizations
Ministere de Petites et Moyennes Entreprises de l'Economie Sociale, et de l'Artisanat (MPMEESA) is paying much attention to elaborate policies for preparing a good environment for developing economic activities in the country and to support artisans and SME. It has financial supportive measures. First policy target of MPMEESA is to be a one-stop-window for companies by supplying information on technology, marketing, training and finance. It is now studying the most applicable definition for SME. **Ministere du Commerce (MC)** is in charge of developing legal infrastructure for export promotion, information dissemination to domestic enterprises as well as enterprises in abroad. It is also planning to establish l'Agence de Promotion d'Export to promote export and waiting for approval from the Cabinet. **Ministere de l'Industrie, des Mines et du Development Technologiques (MIMDT)** is drafting the new Charte des Investissements, by revising the current Code des Investissements. Many SME entrepreneurs suggested that government officials have very limited understanding about current business situation of SME and mentioned the necessity to deepen their knowledge about business and current situation of SME. International donors are emphasizing the importance of eliminating corruptions and establishing good governance as the prerequisite conditions for economic development of the country and start to consider governance issues as a condition for giving assistances to Cameroon.

Private organizations
There are seven major associations supporting SME, among which **Groupement Inter-Patrona du Cameroun (GICAM)** is considered to be the most powerful and active associations. Government pays high attention to Textile industry, Agro-business industry and New Technology industry, which could be an engine of Cameroon economy.

GICAM already established the Business Advisory Service group to support member companies and starts to help applicants for bank loans. **Federation Nationale de PME (FNPME)** was established in 1988 and has 29 sub-associations and 500 membership companies. Among 29 sub-associations, AGROCOM, FEPEC and ACIM are the biggest associations. **AGROCOM** is a NPO established in 1994 succeeding a part of functions of National Center of Promotion of Export operated under the supervision of the Ministry of Commerce (Decret 95/134). Main constraint of AGROCOM is timely information sharing with members. **Entreprises Cameroun (EC)** was established in July 2004 under the initiative of the regional office of UNDP for implementing the Programme Entreprise Afrique. Specific missions of **Chambre de Commerce, Industries, Mines et l'Artisanat (CCIMA)** are the consultation with the government and information dissemination.

2.6.4 Standardization and Mutual Certification Policy

MIMDT is in charge of standardization in Cameroon with putting importance in the following three requirements: (i) comply sanitary needs, (ii) increase international competitiveness, and (iii) increase exports with improved quality. MIMDT defined 233 standards based on the European standard, 161 of which is food and beverage. It is planning to introduce ISO 9001 and anticipate Cameroon enterprises to comply with the standard, as only 12 industrial products are currently comply with the standard. MIMDT thinks it necessary to try to adapt to the new standard of Euro Environmental Programme & Good Agricultural Practices in line with the European countries that are going to apply the new standard by 2008. MIMDT received about two weeks training in 2003 from the French Association for Standard and is requesting further training and supports to UNIDO, FAO and WTO.

2.6.5 Local Business Promotion Policy

Government mentioned a plan to set up an inter-ministerial council, including some participants from private sector, as there are many areas that are in need of renovation and arrangement. But any specific SME promotion measures have been prepared yet because of absence of strong leadership of the government.

3 Major Findings

3.1 Policy and Regulatory Framework

South Africa
The government is preparing for "Integrated Small Enterprise Development Strategy"（Vision 2014）, which is to replace the existing Strategy. This should be more "integrated" to include all the relevant Strategies and policies, and clearly stipulate the framework and structure of SME development policies and regulations.

Tanzania
The policy frameworks for SME development are relatively well established in Tanzania. The country has formulated a SME Policy together with a plan of action for the implementation of the Policy, and has recently formulated a new PRSP, which puts economic growth back in the development agenda for Tanzania. Thus, assistance towards Tanzania should be focused and directed at specific areas of SME development that is consistent with the strategies of both the SME Policy and the NSGRP.

Uganda
Uganda does not have an explicit SME Policy. In terms of SME development, two policies namely MTC and PEAP are relevant. There is recognition that these two policy frameworks are insufficient and that an explicit SME Policy formulation is required for private sector development in Uganda. The government, together with some donors has started work in this area.

Ghana
Ghana does not have particular SME policy, in spite of its relatively long history of SME development. Only one Act (NBSSE Act, 1981) has substantially controlled SME supporting system. Present SME (or MSE) policies and strategies are included in the Private Sector Development Strategy.Pprivate sector in Ghana is mostly composed of SMEs, thus, consistency between those policy and strategy is supposed to be maintained, in particular, from the viewpoint of the poverty reduction.

Nigeria

Legal framework and institutional supports are relatively adequate although capacity building and strengthening infrastructure development is still needed. Some overlapping and duplications can be seen among relevant ministries because they all wish to have a set of policies and organizations under each responsibility. More efficient coordination is required among related ministries/agencies..

Cameroon

Cameroon has just started to intensify its efforts for trade expansion and investment promotion. In this regard, institution building and planning policy measures is the first policy target of the government. The government should focus more on planning and implementing supportive measures, especially for infrastructure development, and on revising and enacting promptly laws and regulations to secure fair competition in the market.

3.2 Implementation

South Africa

Complexities and inefficiency of SME policy implementation stem from overlapping and mal-coordinated programs conducted various agencies have been a serious problem. Establishment of SEDA is expected to improve this situation. However, SEDA has to tackle with more fundamental problem of improving the quality of technical support.

Tanzania

Aid harmonization is very advanced in Tanzania, and the overriding needs identified for donor assistance is in financial assistance. Nevertheless, technical assistance is warranted in some areas. For example, there were some demand and supply mismatch in the labor market for young adults, as discovered in VETA. Assistance towards SIDO to scale up its operations is also recommended.

Uganda

With the absence of explicit policies for SME development, SMEs are promoted in an ad-hoc manner through the many BDS providers both at the private and the public domain. Thus, foremost importantly, human capacity development for central government officials in order to endow them with the necessary skills and knowledge to formulate a SME Policy for Uganda is required. Strengthening of public and private BDS providers, including the Makerere Univresity (MUBS)'s Enterprise Development Center, MTAC and Nakawa are warranted.

Ghana

NBSSI, EMPRETEC and GRATIS are the main pubic and quasi-public players, and they are supposed to be providing good assistance, with each covering different target. Technological support for those public and private BDS providers is supposed to be viable. At the same time, information and know how to access market in Japan and Asian countries would be useful instruments for BDS providers to diversify exporting markets.

Nigeria

Mismatches of conditions of loan, term of investment, and size and cost of land are observed between the policy measures by the government and the needs of SME in such measures as SMIEIS (supportive financial scheme by the CBN), capital participation by BOI, and industrial park projects are identified.

Cameroon

There are not a few enterprises that have characteristic products and technological advantage in Cameroon. But no special financial scheme for export and SME promotion exists. Tax incentives, which is the VAT refund system for exported goods, exists. But there are many companies who are obliged to wait for long for VAT refunding for exported goods because of lack of discipline of government officials.

3.3 Financial Assistance System

South Africa and Ghana

South Africa has relatively well-developed SME financial institutions and systems, on the contrary, Ghana does not have even one dedicated SME financial institution, although there are numbers of donor contributed facilities. In the both countries, lack of access to finance is recognized as critical problem for SMEs. Commercial banks' attitude toward SMEs are similar, as well as the financial conditions for SMEs. In order to change this situation, enhancing providing and monitoring capacity of financial institutions would be a indispensable approach. In Ghana, feasibility of setting up a special financial institution for MSEs may be considered.

Tanzania and Uganda

Although limited, financial support systems by the government for SMEs are in place for both countries and there are banks that provide loans for the SME sector. However, SMEs still face problems because government funds scheme are often very small and do not provide adequate finance for SMEs, and banks are unwilling to lend due to the associated risks of lending to SMEs.

Nigeria

Financial scheme is not necessarily fit for the needs of SME in terms of speed of decision-making, evaluation and pricing of collateral, evaluation of feasibility of the project and financial situation and profitability of companies. Developing and enhancing capacity of BDS providers will be the answer that could fill the gap between borrowers and banks. Capital participation scheme, too, needs to be reviewed.

Cameroon

Banking system is rather vulnerable as there is no legal framework applicable for bankruptcy or bank liquidation. Many micro finance groups are operating but their actual situation is not clear. Under these circumstances, authority should consider preparation of a practical safety net and enhancing its bank supervision capacity. To extend financial support to small and micro industry, supporting micro finance activities seems to be the most feasible strategy. In addition to it, supports for venture capital may be also efficient, because fairly good numbers of entrepreneurs have been exist and are ready to accept joint venture or make an alliance with other companies to expand its production capacity.

3.3 Coordination with Private Organizations and Local Governments

South Africa and Ghana

The relation between the government and private organizations are good in both South Africa and Ghana. However, attitudes of the private organizations, or Chambers, toward government are different. In South Africa, Chambers seem to be more pro-government than Ghana, where Chambers have attitude to cooperate with foreign donor agencies. Thus, private organizations in South Africa seem to have much potentiality to cooperate with foreign donors, and to provide good examples of success in supporting SMEs. From this point of view, survey of the private BDS providers, NGOs and NPOs in South Africa would be quite informative for donors. As for the local governments' role in SME support, South African local governments have substantial power. Coordination with local governments' SME policies is thus the important task for SEDA.

Tanzania

In the private sector, CTI is creating an own database of its own member enterprises in the aim to connect SMEs to the larger enterprises. On the other hand, the Government (MIT) will establish a data bank to function as research and information clearing house. By collaborating the two sources of data and forming a partnership between CTI and MIT, a more comprehensive data bank will be created. This study advocates technical assistance in this area.

Nigeria

Demarcation of responsibilities between the central and local government in such issues as developing industrial zones and training centers for export promotion needs to be discussed more in detail. To enhance dialogue between the government and the private sector, establishment of regular dialogue, including Public Private Partnership (PPP) initiative, will give an efficient vehicle to Nigerian government.

Cameroon

Because the managing capacity of government has been limited, some donors extend assistances directly to associations/organizations in private sector. Government is receiving many requests for support from private sector but available resources are limited in terms of human resources as well as budget. Dialogue among donors already exists but systematic discussions for enhancing coordination and cooperation is not yet realized. Establishment of clear strategy and prioritization of things to be done through regular and systematic dialogue between donors and the government seems to be an urgent need in Cameroon.

II. SME Management

1 Survey Objectives and Methodology

1.1 Background

Because there has been little work deeply analyzing internal factors of SME management in African countries, the actual status of African SMEs' management and its factors of success and failure have not been clarified so far.

In this context, it is necessary to have a deeper understanding of SME management practices and create a model abstracting the characteristics of SMEs' management of African countries and its factors of success and failure. This will help form the basis for future governmental assistance for the SME sector in African countries.

1.2 Objectives

This study has the following main objectives:

- To grasp and deeply analyze the actual practices of African SMEs' management and the potential needs for SME management support;
- To make policy recommendations based on the analysis of potential needs for SME assistance; and
- To identify some promising indigenous industries in each focused African countries.

1.3 Methodology

For the purpose of identifying the current condition and assistance needs of SMEs at the micro level, the methodology was based on the following two interviews: 1) Interview with relevant organizations such as government authorities, UNDP, Technonet Africa, and the Chamber of Commerce to overall grasp the status of SME sector, and 2) Face-to-face interview with a total of 92 SME managers.

The SME interview survey does not intend to cover a large enough sample to make a statistically significant representation. However, the methodology of the face-to-face interview with SME managers offers an advantage. The methodology is based on factual and practical information on SME management. This has direct relevance for the recommendations on SME policy-making and reform, and will later enable policy makers to understand better how SME managers are doing business and having difficulties in each country.

2 Survey Results by Country

2.1 South Africa

2.1.1 Overview of Business Environment for SMEs

South Africa has population of 45.3 million with Gross National Income (GNI) of US$ 125.9 billion and GNI per capita of US$ 2,780 in 2003. The GNI per capita of US$2,780 is 5.7 times larger than that of average of Sub-Saharan Africa, which is US$ 490.

As for overview of economic structure, in terms of percentage of GDP, South Africa is predominantly a nation of service-related industry compared with other African countries

Regarding the condition of basic infrastructure which may affect business activities, due to its political and historical background, South Africa has the best infrastructure condition among six countries surveyed in this study. However, problems still remain in the poverty areas in providing electricity and also with respect to sanitary situation.

For SMEs in South Africa, finding out good financial resources has been one of the major management issues.

On the part of the governmental organizations which are supposed to assist SMEs, last year, the government restructured the existing organizations and created SEDA (Small Enterprise Development Agency). However, the details of its organization, strategy, policies, activities and priorities are not yet established, since the agency is still new.

Another important factor in South Africa when considering business environment is Black Economic Empowerment (BEE).

It is also noted that in South Africa non-governmental institutions including NPO, such as BUSA (Business Unity South Africa) and FABCOS (The Foundation for African Business and Consumer Services) are actively supporting entrepreneurs.

2.1.2 Business Profiles of Interviewed SMEs

In South Africa, the study team visited 22 SMEs in Johannesburg, Pretoria and Durban area. The major business category includes grocery store, trading, food processing, cosmetics, textile, garments, plastic products, audio, tourism and accommodations, computer and auto repair.

2.1.3 Challenges of SME Management

One of the biggest managerial challenges faced by South African entrepreneurs is financial management, especially, in securing financial resources for their start-up costs, working capital and fixed asset needs.

Regarding market condition, in garments and textile industry, there is growing and fierce competition with Chinese products which are low priced.

As one of the management issues particular to South Africa, a manager pointed out that fulfillment of black economic empowerment (BEE) requirement sometimes gives additional burden to management.

2.1.4 Factors of Success

There are some common factors observed for SMEs to be successful. Some SMEs are successful by pursuing; (i) product quality and its control, (ii) strong and constant commitment to improve customer services by trying to grasp their needs.

2.1.5 Good Practices

In the interview survey, corporate data were gathered from 22 SMEs in South Africa. The following two companies are examples of good practices: MJITA TRADING COMPANY, KHOI LINEN AND TEXTILE CC.

2.1.6 Supporting Needs for SMEs and SME Promotion Policies

SMEs in South Africa need assistance mostly in finance. Also they need assistance in variety of fields such as marketing, production, human resource training and business administration in general. There are factories which need improvement of environmental management.

2.1.7 Policy Recommendations

The following recommendations should be made in the area of SME management. Since SEDA is new and needs enhancement of its function to support SMEs, it is effective to dispatch experts in SME policy and financing to SEDA. It is also recommended to implement human resource development programmes in South Africa and Japan for those engaged in SME related policies in ministries, the government or non-government institutions.

2.2 Tanzania

2.2.1 Overview of Business Environment for SMEs

Tanzania has achieved a continuous political stability since the end of socialist economic system in 1967-1985. Under such a situation, Tanzania's economy has shown strong growth in recent years.

The domestic market scale has been still limited due to the limited national population of 34.5 million and limited GDP per capita of US$ 378 (in 2003).

After a decade of macroeconomic stability, foreign investments are gradually rising in various sectors of the Tanzania economy. Therefore, the government is currently pursuing a program of free-market reforms, and continues to make efforts to establish a regulatory environment conductive for privately managed utility services. However, the business infrastructure is still poor, which causes higher distribution costs for SMEs.

2.2.2 Business Profiles of Interviewed SMEs

In Tanzania, the study team visited 15 SMEs whose business types are various. They are 12 manufacturers and three service businesses. The products of the manufacturer are as follows: household goods in stainless/aluminum, rosella wine, candle products, construction machines, bricks for construction, bread, feed of chicken, feed, batik products, furniture, arts and crafts, and cotton fabrics. Other three service businesses are doing business in the field of automobile maintenance services, tourism-related services and retailing of traditional craft arts.

2.2.3 Challenges of SME Management

It was found from the interview survey that the problems of SME management existed in the all management fields such as human resource development, manufacturing process/ facility for services, marketing, financial management, etc.

In addition, it was found from the interview survey that there were various business risks and obstacles surrounding SMEs in Tanzania. They include the followings: small domestic market, weak purchasing power, frequent job-hopping, high costs for electricity and transportation, high administrative costs, heavy burden of bank loans' interest rates, difficult collection of account receivable, difficult to get bank loans, etc.

2.2.4 Factors of Success

In spite of the above-mentioned various business obstacles, the interviewed SMEs have survived and recently achieved good performances.

The common success factor are recognized as the followings: good concept of top management, corporate culture of "customer first", managing directors' technical expertise, being in a growing or stable market, valid business idea, some OJT-training for employees, etc.

2.2.5 Good Practices

In the interview survey, corporate data were gathered from 15 SMEs in Tanzania. The following three companies are examples of good practices: SIMON ENGINEERING WORKS Ltd., LAJO TRAILS Ltd., MARVEROUS BATIK

2.2.6 Supporting Needs for SMEs and SME Promotion Policies

In response to the supporting needs of growing SME sector, there are some relevant organizations that have made efforts to provide vocational training and advisory for micro and small businesses. However, because there are huge potential needs of such small businesses in all over the country, the existing organizations have realized the limitations of budgets and manpower.

Under the above-mentioned situation over SME and SME support, the international donors have facilitated a lot of projects.

2.2.7 Policy Recommendations

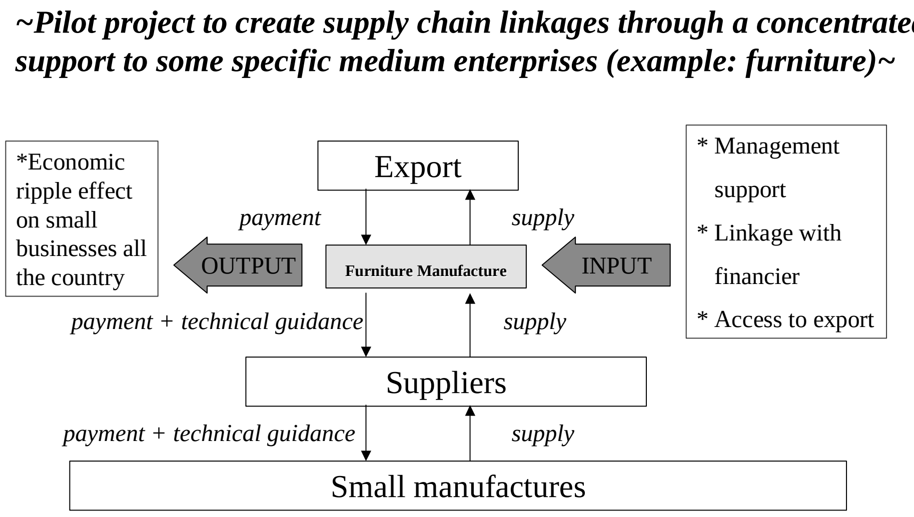
Despite the above-mentioned efforts by the government and international donors, there are two remaining issues for SME sector development. First, the necessity and effectiveness of upgrading SIDO have been overlooked by the international donors.

Secondly, newly growing medium-sized enterprises with the potential to grow are not fully assisted by the existing public SME supporters including SIDO and VETA.

From what has been mentioned above, it seems reasonable to conclude that there are two recommended projects.

- Project for Improvement of SIDO to expand the BDS function of SIDO and upgrade its services by improving the efficiency of SIDO's activities/ operations.
- Pilot Project for Creating Supply Chain Linkages. Establishing supply chain linkages will give economic ripple effects to a wide range of supporting industries including micro to small enterprises, and eventually to the whole industry the targeted companies belong to. Based on the SME interview survey, the study team has found that there are some promising industries such as agricultural products, furniture, textile, tourism services, and construction.

FIGURE II-1: Image of Pilot Project to Create Supply Chain Linkages in Tanzania



Source: JICA Study Team, Feb 2005

2.3 Uganda

2.3.1 Overview of Business Environment for SMEs

Uganda has achieved good performances of approximately 5-6% economic growth and controlled inflation in the recent years, and has been recognized as a success story in the Sub-Saharan Africa. However, the domestic market scale has been generally limited because the national population is only 24.6 million and GDP per capita is US$ 320 (in 2003).

The interview survey suggests that the monthly average wage in Uganda is approximately US$ 60-100, which could reduce the rate of labor cost to the sales for enterprise sector. On the other hand, the business infrastructure has been still poor and costly.

Uganda appears to be a country where the people need to become an entrepreneur to survive. It must be also noted that a large part of those entrepreneurs are classified as an “informal sector”.

2.3.2 Business Profiles of Interviewed SMEs

The study team visited 11 SMEs in Uganda. They are seven manufacturers, three service businesses, and one agricultural business. The manufactures are doing business in the various sectors such as printing, furniture, uniform, seeds, instant coffee, machine processing, and bricks. Those three service businesses are office cleaning service, hotel and hospital. The company in agricultural sector produces coffee.

2.3.3 Challenges of SME Management

The interview survey suggested that the problems of SME management existed in the fields of all management resources such as human resources (management team, labor), manufacturing process/ facility for service, financial resources, etc.

In addition, it was found from the interview survey that there were various business risks surrounding

SMEs in Uganda. They included the followings: small domestic market, weak purchasing power, frequent job-hopping, high costs for electricity and transportation, high administrative costs, heavy burden of bank loans' interest rates, long-term collection period, difficult to get bank loans, etc.

2.3.4 Factors of Success

The common success factor is to have obtained good customers by the following strengths: good concept of top management, corporate culture of "customer first", managing directors' technical expertise, being in a growing or stable market, existence of "main bank", valid business idea, some training for employees, etc.

2.3.5 Good Practices

In the interview survey, corporate data were gathered from 11 SMEs in Uganda. The following three companies are examples of good practices: KWERA Ltd., Nina Interior Ltd., Afro-Kai Ltd.

2.3.6 Supporting Needs for SMEs and SME Promotion Policies

Given the situation that the SME policies have just started in Uganda, support for SMEs has not been fully conducted by the government. Indeed, as for technical assistances and vocational training, there are a lot of relevant public organizations such as Management Training and Advisory Center (MTAC), Nakawa Vocational Training Institute (NVTI), Uganda Industrial Research Institute (UIRI), etc. However, those efforts have not fully answered to the growing needs of SMEs all over the country.

Under the present situation, private BDS providers have been developed in Uganda, especially in Kampala where approximately 70% of SMEs are located.

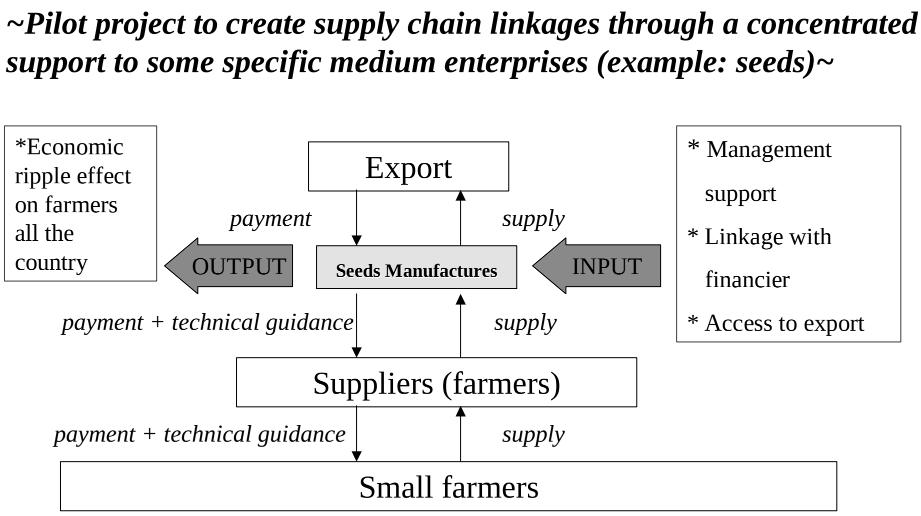
2.3.7 Policy Recommendations

A lot of public and private SME support institutions have made great efforts to assist for entrepreneurs and micro to small enterprises in Uganda. However, there are remaining issues. First, the existing supporting activities have not met the potential needs of newly growing SME sector. Secondly, because there is not a governmental policy-coordinating organization in Uganda, some of SME supports have been overlapped among SME support institutions. Thirdly, SMEs are reluctant to spend much on BDS or cannot afford training due to their limited financial resources. Finally, in response to the emerging needs of medium-sized enterprises with the potential to grow, any special BDS except UEPB and UNBS have not been found in Uganda.

Based on the above observation, the following two policy measures are recommended.

1. The establishment of a governmental organization in charge of BDS providing and coordinating BDS for SMEs.
2. Pilot Project for Creating Supply Chain Linkages. Establishing supply chain linkages will give economic ripple effects to a wide range of supporting industries including micro to small enterprises, and eventually to the industry the targeted companies belong to. Based on the interview survey, the study team has found some promising industries such as seeds, coffee, furniture, textile, and hotel.

FIGURE II-2: Image of Pilot Project to Create Supply Chain Linkages in Uganda



Source: JICA Study Team, Feb 2005

2.4 Ghana

2.4.1 Overview of Business Environment for SMEs

Ghana achieved its national independence in 1957. It has population of 20.4 million with GNI per capita of US$320 in 2003.

With respect to structure of economy, in terms of percentage of GDP, 'Services' industry occupies 40.1%, while 'Agriculture' 35.2%, and 'Industry' 24.8%.

Regarding the condition of basic infrastructure which may affect business activities, Ghana overall does not have sufficient level of infrastructure such as water supply, well-paved road network for distribution, sanitary environment, etc.

As for financial conditions for business, SMEs feel that the lending rates of commercial banks are very high, this is around 30-40%. In addition, medium to long-term funds are not available despite they are needed for working capital equipment purchases.

Some of the government institutions are providing training to managers and employees of SMEs. However, generally speaking, SME policies formulated by government are not very well recognized by the private sector. It seems that SMEs are not expecting much from government as to assistance and policy-based lending.

2.4.2 Business Profiles of Interviewed SMEs

In this survey, the study team visited 13 SMEs in Accra and Tema area including manufacturing and services. The major business sector includes food processing, cosmetics, textile and garments, furniture and pharmaceuticals.

2.4.3 Challenges of SME Management

In garments and textile industry, there is growing and fierce competition with low priced Chinese products. Smuggled and copied goods are also serious concern among SMEs, which are affecting turnover of SMEs.

Financial management, especially funds procurement and maintaining sustainable cash flow is the biggest and common challenge for SMEs.

Demands for fixed assets are high to replace aged machinery and equipment, but SMEs lacks in means of financial resources. Medium to long-term funds with reasonable interest rates are badly needed. There is also demand for working capital.

2.4.4 Factors of Success

Some SMEs are successful by pursuing; (i) good quality control of products, (ii) improvement of customer services by trying to meet their needs, and (iii) development of overseas market.

2.4.5 Good Practices

In the interview survey, corporate data were gathered from 13 SMEs in Ghana. The followings are examples of good practiced companies: NKULENU INDUSTRIES Ltd., YOOFI'S PHARMACY LIMITED.

2.4.6 Supporting Needs for SMEs and SME Promotion Policies

Generally speaking, SMEs in Ghana needs assistance in various fields of management including finance, marketing, production, human resource training and business administration.

Among various fields of possible assistance, one of the most important areas is fulfillment of SMEs financing needs. Secondly, another important area is management advice on production and factory operations.

2.4.7 Policy Recommendations

The following recommendations should be made in the area of SME management.

First, to contribute to better access to finance in order to meet demands for working capital and fixed asset needs of SMEs. The possible terms of reference would be as follows;
(1) Study current situation of SME lending in detail, identify key players, major policies, institutions, hindrances to promote SME lending.
(2) Formulate possible solution options including new policy-based lending scheme, including possibility of establishing specialized SME lending institution.
(3) Develop human resource development program to deal with SME lending.

Second, especially for Japanese government, it should be considered to dispatch experts such as senior volunteer, long-term or short-term experts in the area of SME policy, SME financing, production management or factory operations to relevant government agency such as NBSSI. Also, human resource development and training programs in Ghana and Japan for those engaged in SME related policies in ministries, government or non-government institutions should be conducted.

2.5 Nigeria

2.5.1 Overview of Business Environment for SMEs

Nigeria has the largest population in Africa (130 million) and this huge population makes a very attractive domestic market. Also, geographically, Nigeria is located in the center of West Africa and is well positioned for importing and exporting.

However, due to a poor infrastructure including unstable electricity and water supply, and low pavement ratio of roads, there is a serious problem for small and medium scale manufactures.

2.5.2 Business Profiles of Interviewed SMEs

In this survey, the study team visited 19 SMEs in Lagos, Nigeria including nine food processing companies, three cosmetic and skin care manufacturers, electric machines manufacture, automobile parts manufacturer, construction material manufacturer, furniture manufacture, insecticide manufactures, PVC pipe and pipe fitting manufacture and ink manufacture.

2.5.3 Challenges of SME Management

The most serious problem facing Nigerian SMEs is the unstable electrical supply. The second challenging issue is the unstable supply of raw materials. In addition, cheap products imported from China and the Middle East creates difficulty in the marketplace.

2.5.4 Factors of Success

Basically, the most important key factor to success for SMEs is to find a good niche market. The second key factor to success is to avoid straight competition with cheap products affordably sold in domestic market imported from China and the Middle East. The third important key factor for success is to maintain quality along with a high standard of package design. A leading key factor to success is the step-by-step efforts patiently executed by management.

2.5.5 Good Practices

There is an example of good practiced company: Bennett Industries Ltd.

2.5.6 Supporting Needs for SMEs and SME Promotion Policies

The most serious issue for SME is the instability of electricity, as many manufacturing companies need electricity to produce goods. Therefore, advisory support for stabilizing supply of electricity is significantly needed. Secondly, financing is another serious issue for SMEs in Nigeria. Thirdly, project type investment for building modern and self-organized industrial estate may also be useful.

2.5.7 Policy Recommendations

In conclusion, the following two policy measures are recommended.

3. Advisory support for stabilizing supply of electricity.
4. Providing training programmes for the management consultants of the Chamber of Commerce and Industry (CCI), Manufacturing Association of Nigeria (MAN), Nigerian Association of Small Scale Industries (NASSI), in the field of strengthening the capacity of SMEs to get bank loans.

2.6 Cameroon

2.6.1 Overview of Business Environment for SMEs

Cameroon has a rather small population of 16 million and this small population has a limited market size.

Cameroon, which is located in Central Africa, has an excellent geographical location for exporting goods to other Central African countries, particularly other former French colonial countries.

2.6.2 Business Profiles of Interviewed SMEs

In this survey, the study team visited 12 SMEs in Yaunde and Douala, including three textile companies, three trading companies of steel materials, two metal companies, insecticide manufacture, plastic goods manufacture, food processing company and paper products manufacturer.

2.6.3 Challenges of SME Management

The most serious challenge for SMEs in Cameroon is how to survive in a limited market. Many companies rush into small markets in Cameroon where there are a lot of low price products imported from China and the Middle East.

2.6.4 Factors of Success

Since the market itself is limited, it is difficult to find a niche market. Therefore, establishing and maintaining good package design and quality is the most important key success factor.

Secondly, efficient and effective establishment of related company is the next important success factor.

2.6.5 Good Practices

There is an example of good practiced company: Group Yvy.

2.6.6 Supporting Needs for SMEs and SME Promotion Policies

The most serious challenge for SMEs in Cameroon is how to survive and compete with the imported forged products from China and the Middle East. Therefore, to assist in strengthening capacity of law enforcement on protection of intellectual property right is the most urgent needs for assistance. Second supporting need remains in providing the transfer of maintenance technology to the plant and facility oriented industry. The third supporting need exists in the assistance for local manufacturing companies who try to produce unique products for exporting.

2.6.7 Policy Recommendations

The following three policies are recommended.

- To assist in strengthening capacity of law enforcement on protection of intellectual property right and provide necessary training for the staffs of relevant organizations.
- To transfer maintenance technology to the plant and facility oriented industries.
- To make export marketing assistances for the SMEs which have the intention to export their products for growth. In Cameroon, food processing should be given the priority when selecting target industries for this export marketing assistance.

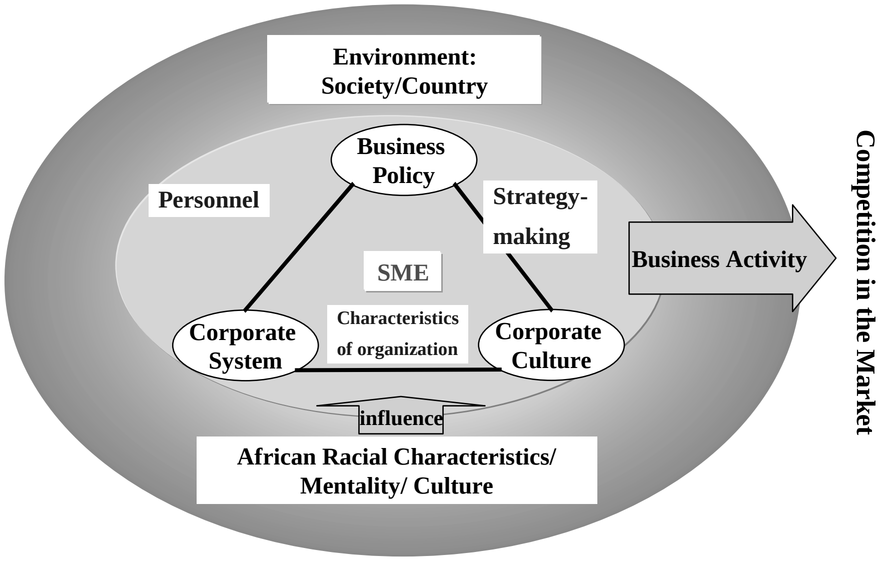
3 Major Findings of the Survey

3.1 Characteristics of African SME Management/ SME Managers

The special characteristics unique to African SME management were not found clearly in the interview survey, although African SME management has appeared to be influenced by African racial characteristics, mentality and culture.

The survey result helps explain that the African SMEs show their uniqueness generated from being a "SME". Under the relatively tough business environment in African countries, all the interviewed SMEs are surviving successfully for some reasons. The reasons are likely to include good business concept, being in a growing market, highly-motivated manager, manager's technical expertise, flexible and quick management, etc. This observation is quite similar to what is observed in other countries including Japan and Asian countries.

FIGURE II-3: SME Management in African Countries



Source: JICA Study Team, March 2005

3.2 SME Sector's Most Serious Difficulty

3.2.1 Hard Business Environment

In Tanzania, Uganda and Nigeria, the common difficulty remains in the poor infrastructure including roads, ports, electricity, and water supply. This has imposed heavy burden on SMEs' cost structure.

Under the situation that BDS market is not well developed and corporate culture of mutual-aid is not well created generally in African countries, it is not easy for entrepreneurs and SME managers to get technical and management support to improve their businesses.

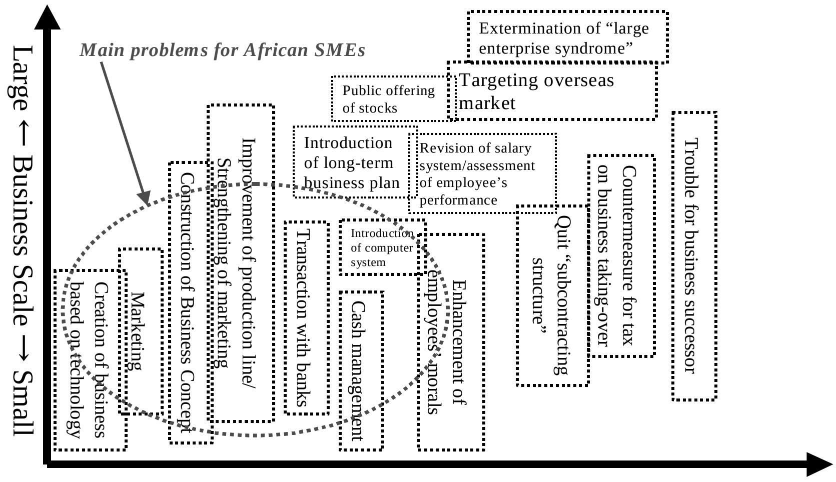
The interview survey also suggests that one of the most serious barriers for SME growth remains in financing in every focused country.

The interview survey also shows that the situations over SME finance are different in each focused country. It seems that Tanzania and Uganda have more serious situations in terms of SME finance, compared with other focused countries.

3.2.2 Continuous Challenges for SME Management

The survey result clearly shows that SMEs have continuous problems in accordance with its growth stage, and implies that the main challenges for most African SMEs remain in the followings: business creation based on technology, construction of business concept, improvement of production line, marketing, access to bank, etc. This is a logical result because most SMEs have started to emerge and have not well developed generally in African countries.

FIGURE II-4: Continuous Challenges for SME Management



Source: JICA Study Team, March 2005

3.3 Insufficient Government Support for the Growth of SME Sector

What was found from the interview survey is this: In each African country, there is a significant gap between SMEs' practical needs for assistance and what SME promotion policies/ SME supporting organizations were doing.

Entrepreneurs and SME managers have potentially great expectations to the government in terms of business support, firstly because BDS market is not well developed, and secondly because most SME managers cannot afford to attend training courses due to the limit of budget and time.

3.4 Policy Recommendations from the Micro-level Viewpoint of SME Management

Based on the above-mentioned analysis on business environment and challenges of SME management, the following table summarizes the evaluation on items related to business environment for SME sector by country. Considering about laboriousness of the business environment in each country, Tanzania, Uganda and Cameroon should be given priority. At the same time, difficulty in financial access has been the most serious obstacle for SMEs of every country.

	South Africa	Tanzania	Uganda	Ghana	Nigeria	Cameroon
SME Policies	B	B	D	B	B	C
BDS (private)	A	C	B	B	B	B
BDS (public)	B	C	D	C	C	B
Financial Access	C	C	C	D	C	B
Business Infrastructure	A	C	C	B	D	B
Legal protection against flooded forged products in the domestic market	A	B	B	C	C	D

Note: The laboriousness for each item is rated between A and D though the interview survey. The rate means how interviewed SME managers satisfy with. A (satisfy), B (fairly), C (not satisfy), D (bad)

III. Trade and Investment

1 Methodology

African countries have started to take their own initiatives to shift their focus from economic development via aid to trade and investment aimed at integration with the global economy. This is evident when one looks at the NEPAD, which prioritise trade and investment, and various regional agreements in Africa such as the Southern African Development Community (SADC), Common market for Eastern and Southern Africa (COMESA), East African Community (EAC), the Economic Community of West African States (ECOWAS) and the establishment of African Union (AU) in July 2002.

In response to these movements of African countries, developed countries have expanded debt reduction which was adopted in the G8's Africa Action Plan at the Kananaskis Summit meeting and reviewed at the Evian summit. In terms of bilateral discussions, the USA and the EU are actively pursuing FTA negotiations, backed by the African Growth and Opportunity Act (AGOA) and the Cotonou Agreement, respectively. Asian countries such as China, Korea and Malaysia are also developing economic policies and systems focusing on African countries. Despite these efforts, however, there has been little advance. With the exception of South Africa, most African countries with a sizable export volume are in fact heavily reliant on mineral resources. Countries which lack mineral resources to export rely on primary agro-forestry products and thus cannot add-value in their products.

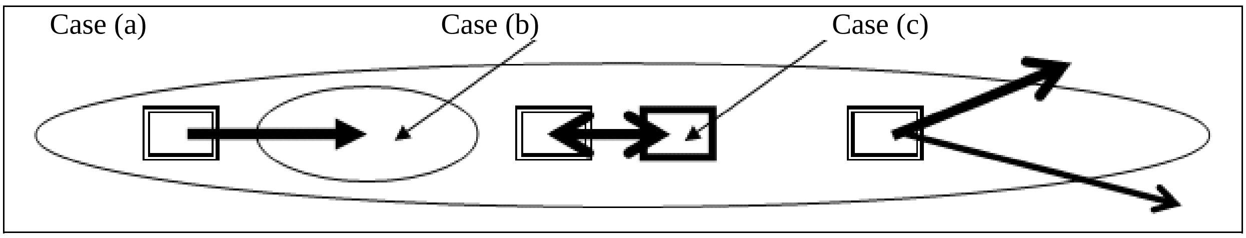
Therefore, the correlations between SMEs and trade and investment are considered as follows:

(a) Import substitution: to encourage the substitution of products presently relying mainly on import by domestically produced ones and to consequently increase shares of domestically produced goods. This will also help improve current account deficits, which is especially problematic in most African countries.

(b) To transfer technologies related to production and quality, by increasing inward direct investment; to expect especially for SMEs to increase their know-how of management, quality control and marketing through interaction of foreign parts suppliers or through increased engagements in the domestic markets; and to enable to be accustomed with international business customs.

(c) To design ways to maximize profits by adding value to primary export commodities; and to diversify its trade partners.

These concepts are shown in the following charts. In the case (a), SMEs compete their products with exporting products and increase the substituting shares in the domestic market. The case (b) shows that the SMEs provide their products and/or services to the foreign-affiliated entities. The final case (c) is that SMEs conduct exporting by themselves and diversify the international market.



2 Survey Results by Country

2.1 South Africa

2.1.1 Trade

(1) Policies, Institutions and Strategies

South Africa is defined as a middle-income country and as emerging market with enough stock of natural resources, matured financial and legislative system, information and communication network, energy and transportation industries. And the modern infrastructure promotes an efficient distribution of goods and services to major urban cities throughout the region. However, the country faces high unemployment rate for the long time and this situation has not changed from the era of apartheid. It caused poverty and prevented from accomplishing the sustainable economic development especially for the disadvantaged people. High crime rate and HIV/AIDS infection can be also said as negative aspects of economic growth. Furthermore, the country's economic and financial policies can be characterized as conservative and pragmatic to pursue targeting inflation and liberalizing trade as means to increase job growth and household income. This causes such bilateral characteristics as creation of employment and increase of household income and exposes distortion of large fluctuation of "Rand".

In these situations, Trade and Investment South Africa (TISA) were established on April, 1996 to promotion of trade and investment, especially through information provision for attraction of investment.

(2) Outline of Trade Industry

The trade industry faces some serious aspects to promote exports. First of all, fluctuation of Rand leads to uncertainty to establish mid- and long-term business strategy. Secondly, rigidity of labor system and relatively high wages are also negative aspects for trade and investment promotion. Thirdly, local procurement is difficult to promote although there are many foreign-affiliated manufacturing entities. As a result, procurement of raw and processed materials is heavily dependent upon imports. Fourthly, even the country's SMEs have some difficulties to respond foreign customers' "lots" to be required. Finally, major industries are highly concentrated on some specific ones and industrial diversification should be promoted.

(3) Trends of Export and Import

The trade structure can be obtained from the following:

Trade Structure (South Africa)

		1960s	1970s	1980s	1990s	1998	1999	2000	2001	2002
Exports of goods and services (% of GDP)		26.6	28.7	27.2	24.0	25.7	25.7	28.6	30.6	34.0
Exports of goods and services (annual % growth)		4.5	0.9	1.6	4.9	2.5	1.4	8.4	2.5	-1.4
% of merchandise exports:	Food	-	19.8	7.8	9.2	12.1	10.2	8.5	8.4	10.6
	Agricultural raw materials	-	6.4	3.4	3.5	3.8	3.2	3.4	2.4	3.1
	Ores and metals	-	14.7	7.9	10.3	9.6	21.3	10.8	9.3	11.3
	Fuel	-	3.5	6.5	8.1	7.7	9.7	10.1	8.2	12.3
	Manufactures	-	31.6	18.5	48.2	53.7	55.0	54.3	59.4	62.6
Imports of goods and services (% of GDP)		23.7	25.9	22.7	21.5	24.6	23.1	25.8	27.1	30.5
Imports of goods and services (annual % growth)		7.8	1.9	0.3	6.4	1.5	-7.4	7.1	0.3	3.1
% of merchandise imports:	Food	-	4.9	5.5	6.1	5.2	5.4	4.7	4.6	5.0
	Agricultural raw materials	-	3.5	2.3	1.9	1.5	1.5	1.5	1.4	1.5
	Ores and metals	-	2.6	1.9	1.5	1.5	1.7	1.5	1.1	1.7
	Fuel	-	0.4	0.4	7.1	8.4	10.2	14.4	15.5	12.5
	Manufactures	-	83.5	69.4	74.1	70.0	73.0	69.7	68.4	70.4

Merchandise exports and imports are defined by the World Development Indicators of the World Bank[1]. This definition is introduced in the following tables as same title.
(Source) The World Bank. 2004. World Development Indicators: 2004.

Major Export Products (2002) (SITC Rev. 3) (Million US $) (South Africa)

321 – Coal Non-agglomerated	1,839.0
781 – Passenger Cars Etc.	1,614.7
667 – Pearls/ Precious Stones	1,550.9
671 – Pig Iron Etc. Ferro Alloy	1,109.8
743 – Fans/ Filters/ Gas Pumps	980.5
684 – Aluminum	887.8
334 – Heavy Petrol/ Bitum Oils	873.2
057 – Fruits/ Nuts, Fresh/ Dried	581.9
287 – Base Metal Ore/ Conc Nes	573.9
522 – Elements/ Oxides/ Hal Salt	452.3

(Source) United Nations. 2002. COMTRADE Database

The major exports partners are as follows: UK 12.6%, US 12.4%, Japan 9.2%, Germany 8.1%, China 4.7%, Italy 4.4% (2003). On the other hand, the major imports commodities are machinery and equipment, chemicals, petroleum products, scientific instruments, foodstuffs (2000 est.) from Germany 16.6%, UK 8.5%, US 8.2%, Japan 5.9%, China 5.9%, Saudi Arabia 5.2%, France 5% (2003).

2.1.2 Foreign Direct Investment

The government defined acceptance of foreign direct investment as one of the most important policy in the economic policy. The TISA plays the central role to attract foreign direct investment. In concrete terms, comprehensive and wide-range of incentives are given and 100% of foreign-affiliated are permitted except some exemption by the TISA. Especially, the automotive industry development program is set (prolong to 2012) and accept tariff exemption based on accordance of the amount of exports. In addition, there are some financial incentives provided by the Industrial development Corporation (IDC). According to the World Bank, percentage of GDP to gross foreign direct investment was between 1% and 2% after 1990s. In 2001, the rate was 11.1%.

Investment Structure (South Africa)

		1960s	1970s	1980s	1990s	1998	1999	2000	2001	2002
Gross foreign direct investment (% of GDP)		0.0	0.0	0.3	1.7	1.6	2.4	1.2	11.1	1.4
Foreign direct investment:	Net inflows (BoP, current million US$)	-	-	-	1,324.6	550.3	1,503.3	968.8	7,270.3	738.9
	Net inflows (% of gross capital formation)	-	-	-	5.6	2.5	7.2	4.9	42.2	4.5

(Source) The World Bank. 2004. World Development Indicators: 2004.

Investment Structure

	1999	2000	2001	2002	2003
FDI inflows (Million of US$)	1,502	888	6,789	757	762
FDI inward stock (Million of US$)	51,777	43,462	50,246	29,611	30,373
Inward FDI flows of gross fixed capital formation (%)	7.5	4.7	40.9	4.8	3.0

(Source) UNCTAD. 2004. World Investment Report: 2004.

[1] Food comprises the commodities in SITC sections 0 (food and live animals), 1 (beverages and tobacco), and 4 (animal and vegetable oils and fats) and SITC division 22 (oil seeds, oil nuts, and oil kernels). Agricultural raw materials comprise SITC section 2 (crude materials except fuels) excluding divisions 22, 27 (crude fertilizers and minerals excluding coal, petroleum, and precious stones), and 28 (metalliferous ores and scrap). Ores and metals comprise the commodities in SITC sections 27 (crude fertilizer, minerals nes); 28 (metalliferous ores, scrap); and 68 (non-ferrous metals). Fuels comprise SITC section 3 (mineral fuels). Manufactures comprise commodities in SITC sections 5 (chemicals), 6 (basic manufactures), 7 (machinery and transport equipment), and 8 (miscellaneous manufactured goods), excluding division 68 (non-ferrous metals).

2.2 Tanzania

2.2.1 Trade

(1) Policies, Institutions and Strategies

The main share of the economy is created by the agricultural sector and it is said that approximately 80% of the work force are employed in the sector in spite of highly limited cultivatable land. At the same time, the industry is traditionally concentrated on the processing of agricultural products and light consumer goods. From the past, international and bilateral donors have made abundant support to the country to grade up economic and industrial infrastructure to prevent from poverty and promote sustainable economic growth. However, the industrial structure has not changed for the long time. As the results, production of minerals, especially led by gold, is still the major part of trade.

Recently, exploration of oil and gas is to be explored. Within these situations, present banking reforms have a possibility to lead right directions of economic growth of the country.

Development of promotion policy and institution by targeting strategic sector and commodity should be pursued for trade. Receipt of attention as potential locations of investment by openness toward foreign capitals in comparison with neighboring countries and provision of framework to provide same incentives as domestic new investment helps promotion of trade mainly from enterprises of the US, Europe and South Africa. Furthermore, rapid promotion of privatization in aiming particular to breakaway from old regime has a possibility of economic and industrial development in near future.

(2) Outline of Trade Industry

Concerning major characteristics of trade industry, there is no diversification for the long time. This means that trade industry is heavy dependent upon gold productions. However, increase of export in freshwater fish is the only exemption. Expansion of attracting foreign direct investment in the area of mining and service sectors including tourism sector has the huge potentials of trade promotion. In addition, increased expectations can be found as functions of "hub-port" by promotion of port management and activities as well as privatization. Furthermore, for promotion of export from the rural areas, infrastructure development should be prioritized.

3) Trends of Export and Import

The trade structure can be obtained from the following:

Trade Structure (Tanzania)

		1960s	1970s	1980s	1990s	1998	1999	2000	2001	2002
Exports of goods and services (% of GDP)		-	-	12.6	15.8	13.6	13.8	14.4	15.3	16.7
Exports of goods and services (annual % growth)		-	-	-	10.9	9.8	18.6	18.4	3.7	4.6
% of merchandise exports:	Food	-	62.6	62.0	66.6	64.8	70.1	66.2	61.1	-
	Agricultural raw materials	-	19.8	20.4	15.3	11.4	13.2	13.4	13.2	-
	Ores and metals	-	1.6	2.9	0.7	0.9	0.8	0.5	8.8	-
	Fuel	-	3.6	1.5	0.6	1.6	0.3	0.1	0.2	-
	Manufactures	-	12.3	12.9	16.6	21.0	15.5	19.6	16.6	-
Imports of goods and services (% of GDP)		-	-	37.5	33.7	28.3	26.0	22.7	23.9	23.6
Imports of goods and services (annual % growth)		-	-	-	3.3	40.9	8.7	0.1	25.2	2.3
% of merchandise imports:	Food	-	9.7	6.5	15.5	19.9	16.2	14.6	15.2	-
	Agricultural raw materials	-	1.2	1.2	2.3	2.2	2.2	2.5	2.2	-
	Ores and metals	-	1.9	1.9	1.6	1.1	1.1	1.2	1.1	-
	Fuel	-	15.6	22.1	9.5	8.9	8.0	18.5	12.9	-
	Manufactures	-	71.6	68.3	71.0	67.8	72.4	63.1	68.5	-

(Source) The World Bank. 2004. World Development Indicators: 2004.

Major Export Products (2001) (SITC Rev. 3) (Million US $) (Tanzania)

971 – Gold Non-monetary Ex Ore	206.1
034 – Fish, Live/ Fresh/ Child/ Froz	84.5
057 – Fruit/ Nuts, Fresh/ Dried	57.4
071 – Coffee/ Coffee Substitute	55.9
667 – Pearls/ Precious Stones	46.0
289 – Precious Metal Ore/ Conc.	45.5
121 – Tobacco, Raw and Wastes	35.4
263 – Cotton	35.1
074 – Tea and Mate	28.2
054 – Vegetables, Fresh/ Child/ froz	18.3

(Source) United Nations. 2002. COMTRADE Database

The major exports partners are as follows: Japan 9.5%, India 8.6%, Netherlands 8.2%, Germany 5.3%, UK 5.3%, Kenya 4.8% (2003). On the other hand, the major imports commodities are consumer goods, machinery and transportation equipment, industrial raw materials, crude oil from South Africa 10.1%, China 9.3%, Zambia 6.4%, India 5.8%, UAE 5.4%, Kenya 5.1%, UK 4.5%, Germany 4% (2003).

2.2.2 Foreign Direct Investment

It is widely evaluated that Tanzania's government accepts foreign direct investment in a proactive manner. In 1997, the Investment Promotion Center (IPC) was reformed to Tanzania Investment Center (TIC) by 1997 Trade Act The openness was one of the foremost among sub-Sahara Africa and, along with a series of privatization, the country is defined as one of the potential investment locations for foreign companies. Especially, investment toward mining and service sector is now expanding. In fact, from mid-1990s, these sectors (including tourism) have been recognized as one of the most potential ones. On the other hand, development of rural areas are not yet developed and arrangement of infrastructure is to be prioritized.

Investment Structure (Tanzania)

		1960s	1970s	1980s	1990s	1998	1999	2000	2001	2002
Gross foreign direct investment (% of GDP)		-	-	0.0	2.2	2.1	6.0	5.1	3.5	2.6
Foreign direct investment:	Net inflows (BoP, current million US$)	3.1	4.4	4.5	166.3	172.3	516.7	463.4	327.2	240.4
	Net inflows (% of gross capital formation)	-	-	0.0	12.9	14.8	38.5	29.0	20.6	15.3

(Source) The World Bank. 2004. World Development Indicators: 2004.

Investment Structure

	1999	2000	2001	2002	2003
FDI inflows (Million of US$)	542	282	467	240	248
FDI inward stock (Million of US$)	987	1,627	2,111	2,335	2,583
Inward FDI flows of gross fixed capital formation (%)	40.8	17.8	29.8	14.9	15.6

(Source) UNCTAD. 2004. World Investment Report: 2004.

2.3 Uganda

2.3.1 Trade

(1) Policies, Institutions and Strategies

Since 1986, the government has been promoting stabilization of inflation and currency and promoting exports as the major parts of economic and industrial structural change by accepting international and bilateral donors. The challenge has promoted right signs of trade diversification. This leads to the fact that freshwater fish, vanilla, tea, sesame, tobacco, distilled liquor and cutting flower are listed as major exporting commodities for last ten years.

Theses trends have been accomplished by the government by setting up strategic exporting products and involving the private entities in the process of establishment of policies and institutions. However, the export promotion organization has been facing serious shortage of budgets as well as human resources. In addition, the diversification is concentrated on the agricultural sector. Furthermore, the country is inland country and this made handicapped to promote exports. Although establishment of infrastructure has been called for urgent attention, it can not be accomplished for the long time.

Within these situations, identification of strategic industrial sector and commodity and deployment of policy and institution in both trade and investment is to be additionally required. Additional initiatives of private sector in the process of establishment of policy and institution are still required. In addition, escalation of shortage of human resources in quantity and quality perspectives should be promoted although there are well-matured strategies and plans in trade and investment institutions. Pursuing expansion and efficiency in the process of implementation is to be required. Furthermore, infrastructure development should be urgently promoted.

(2) Outline of Trade Industry

Although rapid development of diversification in both trade commodities and partners is recoded, expansion is still concentrated on agricultural and fish products in spite of large changes of trade structure. Infrastructure deployment is urgently required especially for international price competitiveness, exteriorization of negative aspects as landlocked country and/or emergence of pressure by made-in-China products in domestic market. In addition, lack of human resources in practical senses should be solved although there are distinguished higher educational institutions among region. Furthermore, unchanged in investment trends in spite of temporary increase of investment in textile industry to respond AGOA can not promote exports

(3) Trends of Export and Import

The trade structure can be obtained from the following:

Trade Structure (Uganda)

		1960s	1970s	1980s	1990s	1998	1999	2000	2001	2002
Exports of goods and services (% of GDP)		25.2	15.2	10.3	10.2	9.7	12.3	11.3	12.0	12.0
Exports of goods and services (annual % growth)		-	-	2.0	15.1	-14.9	38.1	5.3	14.2	11.4
% of merchandise exports:	Food	-	89.9	-	81.0	86.6	78.0	67.3	68.7	73.0
	Agricultural raw materials	-	6.8	-	8.9	4.1	17.6	14.1	15.2	10.7
	Ores and metals	-	2.2	-	1.2	1.9	0.8	4.6	3.4	1.9
	Fuel	-	0.8	-	1.5	2.4	0.2	8.0	5.7	6.5
	Manufactures	-	0.4	-	7.4	5.0	3.4	6.0	6.9	7.8
Imports of goods and services (% of GDP)		22.7	16.0	17.1	22.0	20.6	24.4	23.2	24.4	27.4
Imports of goods and services (annual % growth)		-	-	3.6	7.8	3.1	11.2	-8.6	1.4	20.2
% of merchandise imports:	Food	-	7.9	-	16.1	17.4	14.0	14.1	12.2	14.0
	Agricultural raw materials	-	0.6	-	2.6	2.3	2.5	2.2	2.5	2.6
	Ores and metals	-	1.3	-	2.1	2.5	1.9	1.5	1.6	1.4
	Fuel	-	29.6	-	8.5	10.4	12.3	17.5	16.2	16.3
	Manufactures	-	60.5	-	70.7	67.4	69.2	64.7	67.4	65.7

(Source) The World Bank. 2004. World Development Indicators: 2004.

Major Export Products (2002) (SITC Rev. 3) (Million US $) (Uganda)

071 – Coffee/ Coffee Substitute	96.6
034 - Fish, Live/ Fresh/ Child/ Froz	85.4
971 - Gold Non-monetary Ex Ore	60.7
121 - Tobacco, Raw and Wastes	44.1
074 - Tea and Mate	31.3

292 – Crude Veg Materials Nes	18.8
351 – Electric Current	15.6
334 - Heavy Petrol/ Bitum Oils	10.7
263 - Cotton	10.5
211 – Hide/ Skin (Ex Fur) Raw	9.4

(Source) United Nations. 2002. COMTRADE Database

The major exports partners are as follows: Kenya 14.7%, Switzerland 13.7%, Netherlands 9.2%, UK 6.4%, South Africa 5.6% (2003). On the other hand, the major imports commodities are capital equipment, vehicles, petroleum, medical supplies; cereals from Kenya 26%, India 7.4%, South Africa 7.2%, Japan 6.6%, UK 6.3%, UAE 5.8%, US 5.7%, China 5.1% (2003).

2.3.2 Foreign Direct Investment

In Uganda, Uganda Investment Authority (UIA) was established in 1991 based on the Investment Code and functioned as One-Stop-Service. However, enough human and financial resources are qualitatively and quantitatively required, since the foreign direct investment with 100% of foreign capitals is permitted and the government has also tried to promote private investment. Although there are some universities, there are few trained people who can work just after graduation. If the country is defined as investment environments, there might be negaive image that required human resources are short in the labor market.

Investment Structure (Uganda)

		1960s	1970s	1980s	1990s	1998	1999	2000	2001	2002
Gross foreign direct investment (% of GDP)		-	0.0	0.0	1.9	3.2	2.4	2.7	2.5	2.6
Foreign direct investment:	Net inflows (BoP, current million US$)	4.2	0.1	0.1	107.5	210.0	140.2	160.7	144.7	149.9
	Net inflows (% of gross capital formation)	2.4	0.1	0.0	11.5	19.8	12.1	13.8	12.7	11.9

(Source) The World Bank. 2004. World Development Indicators: 2004.

Investment Structure

	1999	2000	2001	2002	2003
FDI inflows (Million of US$)	222	275	229	249	283
FDI inward stock (Million of US$)	1,000	1,281	1,484	1,759	2,042
Inward FDI flows of gross fixed capital formation (%)	18.7	25.5	20.2	20.2	40.9

(Source) UNCTAD. 2004. World Investment Report: 2004.

2.4 Ghana

2.4.1 Trade

(1) Policies, Institutions and Strategies

The country is traditionally famous for productions of gold, timber and cocoa. Especially, gold is the main exporting goods of this country. In addition to the mining products, agriculture is the main ones and approximately 60% of employment has come from the sector. The majority of the farmers are small landholders. The country accepted debt relief under the Heavily Indebted Poor Country (HIPC) program in 2002 and the priority of the economic policy are tightening of monetary and public finance, promoting privatization and reforming social welfare services.

Within these situations, the government promotes comprehensive trade policies and institutions and decides such strategic commodities as traditional ones. However, the trading industries have been politically facing defectiveness of frameworks, improperness of taxation and/or lack of incentives. In addition, these industries have problems of vulnerability of supply base, high costs of production, difficulty of financial access and/or lack of exporting minds. These aspects can not lead to the promotion of exports.

(2) Outline of Trade Industry

Diversification of export products (manufacturing, agro and crafts products) are steadily progressing. However, it is of great concern that export has not still been increasing due to various problems such as fragile supplying base, high production cost, insufficient access to market and finance, lack of export mind (seriousness to qualitative and quantitative control). In addition, due to pressure to domestic market by products made in China (especially smuggled textile products), complaints from domestic producers are increasing.

(3) Trends of Export and Import

The trade structure can be obtained from the following:

Trade Structure (Ghana)

		1960s	1970s	1980s	1990s	1998	1999	2000	2001	2002
Exports of goods and services (% of GDP)		20.2	15.0	12.0	28.3	33.9	32.1	48.8	45.2	42.6
Exports of goods and services (annual % growth)		3.2	-5.4	3.8	9.7	9.5	12.6	0.8	0.0	-1.7
% of merchandise exports:	Food	72.6	74.0	66.4	55.4	63.1	55.4	48.4	44.9	-
	Agricultural raw materials	11.9	9.9	3.7	12.2	10.6	10.9	10.2	-	-
	Ores and metals	14.1	13.3	17.3	13.0	7.7	8.4	18.8	16.5	-
	Fuel	0.6	1.3	11.7	5.8	3.6	4.8	7.7	11.2	-
	Manufactures	0.8	1.4	0.7	13.6	15.0	20.4	14.7	16.3	-
Imports of goods and services (% of GDP)		24.6	15.0	15.9	41.7	46.7	49.6	67.2	64.8	54.9
Imports of goods and services (annual % growth)		0.0	-1.3	-0.5	9.2	1.5	11.1	-18.0	7.7	-4.4
% of merchandise imports:	Food	18.0	14.6	10.6	9.9	10.2	11.7	12.8	18.2	20.1
	Agricultural raw materials	0.9	2.2	1.6	1.9	3.0	2.7	2.4	1.9	1.8
	Ores and metals	1.7	2.1	0.8	0.7	1.3	0.9	0.8	0.8	1.8
	Fuel	5.7	15.2	27.7	17.3	18.4	17.7	21.4	22.7	8.6
	Manufactures	72.6	62.9	53.4	67.3	65.7	66.2	61.6	56.3	67.6

(Source) The World Bank. 2004. World Development Indicators: 2004.

Major Export Products (2001) (SITC Rev. 3) (Million US $) (Ghana)

971 - Gold Non-monetary Ex Ore	615.8
072 - Cocoa	314.1
684 - Aluminum	121.2
334 - Heavy Petrol/ Bitum Oils	104.4
248 – Wood simply worked	103.2
037 – Fish/ Shell Fish, Prep/ Pres	63.6
634 – Veneer/ Plywood/ Etc	59.4
287 – Base Metal Ore/ Conc Nes	27.5
057 – Fruit/ Nuts, Fresh/ Dried	25.4
122 – Tobacco, Manufactured	25.2

(Source) United Nations. 2002. COMTRADE Database

The major exports partners are as follows: Netherlands 11.2%, UK 10.7%, France 7.7%, Germany 6.2%, Japan 5.2%, Italy 4.6%, Turkey 4.4%, US 4.3% (2003). On the other hand, the major imports commodities are capital equipment, petroleum, foodstuffs from Nigeria 13.2%, China 9.3%, UK 7.2%, US 6.1%, Germany 4.8%, France 4.5%, South Africa 4% (2003).

2.4.2 Foreign Direct Investment

Policies and institutions of foreign direct investment in Ghana were defined by the Ghana Investment Promotion Center Act of 1994. These have established framework that Ghana Investment Promotion

Center (GIPC) provides some kinds of incentives to attract foreign direct investment. In addition, the act was revised in 1999 and the new one has been offering additional incentives. The country is in compliance with the World Trade Organization's Trade-Related Investment Measures (TRIM). However, the GIPC faces constraints of capacity, especially in terms of shortage of human resources as well as budgets.

Investment Structure (Ghana)

		1960s	1970s	1980s	1990s	1998	1999	2000	2001	2002
Gross foreign direct investment (% of GDP)		-	1.0	0.2	2.0	2.2	3.2	3.3	1.7	0.8
Foreign direct investment:	Net inflows (BoP, current million US$)	67.8	16.1	8.6	128.7	167.4	243.7	165.9	89.3	50.0
	Net inflows (% of gross capital formation)	21.6	5.4	3.0	9.2	9.7	15.1	13.9	6.3	4.1

(Source) The World Bank. 2004. World Development Indicators: 2004.

Investment Structure

	1999	2000	2001	2002	2003
FDI inflows (Million of US$)	267	115	89	59	137
FDI inward stock (Million of US$)	1,143	1,462	1,551	1,610	1,746
Inward FDI flows of gross fixed capital formation (%)	16.1	9.6	7.1	4.3	10.7

(Source) UNCTAD. 2004. World Investment Report: 2004.

2.5 Nigeria

2.5.1 Trade

(1) Policies, Institutions and Strategies

Having been facing political instability, corruption, inadequate infrastructure, fragile macro economy for the long time, Nigeria has tries to embark on several kinds of economic and industrial reforms after shifting to civilian rule. The previous regime has been backward of industrial diversification and depended excessively to the oil production. The structure is still now on. Although trade promotion organization was established in 1995, the results can not be emerged at moment. In addition, it is said that sense of quality toward products for Nigerian people is low and without demur. This leads to the fact that the people can not produce their products with competitiveness in the international market. Therefore, improving awareness toward quality of products is to be required together with industrial diversification for economic reform.

In these situations, after establishing national development plan (NEEDS), the government adopted multi-faced policy of import substitution and export promotion in order to reduce poverty and to enhance youth employment, engaged in improvement of productivity in agriculture and in promotion of investment. In addition, establishment of specialized institutions for promoting export and investment means that systems in terms of organization was already set up. Furthermore, efforts such as "One-Stop-Window and export promotion system are forward-looking.

(2) Outline of Trade Industry

Market is characterized as "Tomb of products" due to its big possibility to absorb any kind of goods. Facing in-flow of cheap but bad quality products including products made-in-China, importance of paying attention to product quality has been recognized. In addition, it is recognized that products such as agro-products, mineral resource, textile based on AGOA scheme have high possibility of export as well as domestic demand and increase of import. Therefore, private sector is very active in developing or inaugurating business. Furthermore, manpower in related institutions is roughly adequate, however, coordination among institutions is relatively weak.

(3) Trends of Export and Import

The trade structure can be obtained from the following:

Trade Structure (Nigeria)

		1960s	1970s	1980s	1990s	1998	1999	2000	2001	2002
Exports of goods and services (% of GDP)		9.8	19.8	22.8	42.8	33.5	35.1	53.3	44.4	37.7
Exports of goods and services (annual % growth)		13.1	8.9	-1.6	3.7	5.4	-12.4	2.8	-1.8	-17.6
% of merchandise exports:	Food	53.0	8.4	3.2	0.7	0.4	0.3	0.1	-	-
	Agricultural raw materials	11.3	1.1	0.2	0.4	0.1	0.1	0.0	-	-
	Ores and metals	5.5	0.7	0.1	0.0	0.0	0.0	0.0	-	-
	Fuel	27.1	88.9	95.3	97.3	97.0	98.9	99.6	-	-
	Manufactures	1.6	0.3	0.1	1.4	2.5	0.6	0.2	-	-
Imports of goods and services (% of GDP)		14.9	18.7	21.3	38.5	38.1	39.2	37.5	39.9	43.6
Imports of goods and services (annual % growth)		6.3	19.1	-8.0	5.5	-3.3	14.9	9.7	11.3	8.6
% of merchandise imports:	Food	10.2	11.5	17.5	18.2	19.6	27.0	20.2	-	-
	Agricultural raw materials	0.7	0.8	1.3	1.0	0.9	1.5	0.9	-	-
	Ores and metals	2.4	2.0	2.9	2.5	2.4	2.6	2.4	-	-
	Fuel	5.7	2.0	0.8	1.2	2.2	1.8	0.5	-	-
	Manufactures	79.0	83.2	77.3	72.7	74.6	66.6	75.9	-	-

(Source) The World Bank. 2004. World Development Indicators: 2004.

Major Export Products (2000) (SITC Rev. 3) (Million US $) (Nigeria)

333 – Petrol/ Bitum Oils, Crude	26,956.1
223 – Oil Seeds – Not Soft Oil	17.8
793 – Ships/ Boats/ Etc.	17.6
222 – Oil Seeds Etc – Soft Oil	10.0
653 – Man-made Woven Fabrics	6.9
723 – Civil Engineering Plant	4.6
661 – Lime/ Cement/ Constr Mat'l	3.5
697 – Base Metal Household Equipm	2.6
691 – Iron/ Stl/ Alum Structure	2.3
072 – Cocoa	2.1

(Source) United Nations. 2002. COMTRADE Database

The major exports partners are as follows: US 38.3%, India 9.9%, Brazil 6.8%, Spain 6.2%, France 5.6%, Japan 4% (2003). On the other hand, the major imports commodities are machinery, chemicals, transport equipment, manufactured goods, food and live animals from US 15.6%, UK 9.6%, Germany 7.3%, China 7.2%, Italy 4.3% (2003).

2.5.2 Foreign Direct Investment

Nigeria's government promulgates the Nigerian Investment Promotion Commission (NIPC) Decree in 1995 by revising of the Enterprises Promotion Act and has been trying to promote accepting foreign direct investment by upgrading of predecessor of NIPC, called "Nigerian Industrial Development Coordination Commission". This means that foreign direct investment is defined as one of the strategic industrial policies and institutions. Based on the new decree, the NIPC provides some kinds of incentives and establish "one-stop-windows" for increase in the level of convenience in potential investors. Observing trends of foreign direct investment for five years, net inflow to gross capital formation has been from 12% to 13% for the recent years.

Investment Structure (Nigeria)

		1960s	1970s	1980s	1990s	1998	1999	2000	2001	2002
Gross foreign direct investment (% of GDP)		-	0.9	2.0	4.3	3.3	2.8	..	..	..
Foreign direct investment:	Net inflows (BoP, current million US$)	205.0	220.0	566.7	1,211.2	1,051.3	1,004.8	930.4	1,104.4	1,281.1
	Net inflows (% of gross capital formation)	11.0	5.8	13.2	21.1	13.6	12.4	12.5	12.9	12.6

(Source) The World Bank. 2004. World Development Indicators: 2004.

Investment Structure

	1999	2000	2001	2002	2003
FDI inflows (Million of US$)	1,005	930	1,104	1,281	1,200
FDI inward stock (Million of US$)	19,254	20,184	21,289	22,570	23,770
Inward FDI flows of gross fixed capital formation (%)	52.1	49.4	31.3	37.8	36.0

(Source) UNCTAD. 2004. World Investment Report: 2004.

2.6 Cameroon

2.6.1 Trade

(1) Policies, Institutions and Strategies

Based on the previous regime, it can be said that trade structure can not be easily changed, since the share of public authority is top-heavily large. However, by using debt relief by the HIPCs Initiatives, the government is promoting reforms of central government mechanism and it leads to responding economic and industrial requirements. And, the Ministry of Small and Medium Enterprises, Social Economy and Handcraft are established on December 2004. However, trade and investment promotion organization are not still established. Chamber of Commerce and Industry still substitutes to the functions. The trade structure did not change for last several years and major products, such as oil and cacao, are reflecting easily to the commodity prices in the international market.
Cameroon is in the favorable location in the western Africa geographically and the merits can be used by pursuing trade. In fact, there are some examples of exporting products like alpine vegetable. In order to do so, expansion of production and promotion of value-added are highly required. The human resource, especially of the public entities, should also be strengthened to promote governance.

(2) Outline of Trade Industry

The trade structure is unchanged in recent years. Main exporting products such as crude oil and agricultural products are easily influenced by price fluctuation in the international market. Future expansion and value-addition of the products are expected. In addition, attracting foreign capitals, which is unchanged in recent years, is not promoted. Furthermore, destruction of traditional market by invasion of Made-in-China products are emerged. Too small number of human resources who can take the lead to practical businesses are also problem.

(3) Trends of Export and Import

The trade structure can be obtained from the following:

Trade Structure (Cameroon)

		1960s	1970s	1980s	1990s	1998	1999	2000	2001	2002
Exports of goods and services (% of GDP)		22.8	23.3	25.6	23.4	26.5	23.8	30.7	31.8	27.2
Exports of goods and services (annual % growth)		1.6	9.0	8.1	2.7	11.1	12.9	-5.0	1.9	1.6
% of merchandise exports:	Food	63.4	63.9	36.3	22.2	-	-	14.9	16.8	21.3
	Agricultural raw materials	16.2	16.7	14.5	26.1	-	-	21.0	21.3	20.0
	Ores and metals	15.2	5.9	7.4	6.5	-	-	5.6	5.4	4.5
	Fuel	0.0	5.9	28.5	38.2	-	-	54.2	51.9	47.4
	Manufactures	4.9	7.6	13.2	7.1	-	-	4.3	4.7	6.8
Imports of goods and services (% of GDP)		23.8	26.5	25.1	20.8	24.8	24.1	26.8	29.2	28.0
Imports of goods and services (annual % growth)		2.3	5.8	6.3	5.2	13.2	2.9	16.1	11.7	3.4
% of merchandise imports:	Food	13.7	11.4	14.9	16.6	15.4	18.9	18.2	15.5	18.5
	Agricultural raw materials	0.8	0.4	0.4	2.1	2.1	2.1	1.6	1.1	1.2
	Ores and metals	1.8	1.1	1.4	1.4	1.4	1.4	1.1	1.1	1.5
	Fuel	5.9	8.6	1.9	13.9	12.2	15.8	23.2	18.4	12.8
	Manufactures	76.9	78.2	80.8	65.9	68.9	61.4	55.9	63.9	66.0

(Source) The World Bank. 2004. World Development Indicators: 2004.

Major Export Products (2002) (SITC Rev. 3) (Million US $) (Cameroon)

333 - Petrol/ Bitum Oils, Crude	824.6
072 – Cocoa	235.2
248 – Wood Simply Worked	203.6
263 – Cotton	93.9
684 – Aluminum	76.9
334 – Heavy Petrol/ Bitum Oils	61.6
071 – Coffee/ Coffee Substitute	53.4
057 – Fruit/ Nuts, Fresh/Dried	46.3
634 – Veneer/ Plywood/ Etc	40.8
247 – Wood in Rough/ Squared	26.8

(Source) United Nations. 2002. COMTRADE Database

The major exports partners are as follows: Spain 21.9%, Italy 13.4%, France 10.8%, Netherlands 10.6%, US 7.5%, China 4.4% (2003). On the other hand, the major imports commodities are machinery, electrical equipment, transport equipment, fuel, food from France 21.9%, Nigeria 9.5%, Japan 6.8%, US 5.7%, China 4.9%, Germany 4.3% (2003).

2.6.2 Foreign Direct Investment

Cameroon's government established the new chapter for attracting foreign direct investment entitled "the Law No. 2002/004 on April 19, 2004 based on the previous law of 1990/001 on January 29, 1990 and the Law No. 1990/007 on November 8, 1990 including free investment zone. However, the contents are not opened to the public until now. Text of application of this law have not yet been rendered public. In addition, there is no investment promotion organization and the Chamber of Commerce and Industry substitutes the functions. As the present trends, net inflow in the amount terms as well as the share terms to the gross capital formation is increasing steadily for recent years.

Table III-2.6.3. Investment Structure (Cameroon)

		1960s	1970s	1980s	1990s	1998	1999	2000	2001	2002
Gross foreign direct investment (% of GDP)		-	1.2	1.9	0.3	..	..	..	..	..
Foreign direct investment:	Net inflows (BoP, current million US$)	16.0	31.4	71.4	22.0	50.0	40.0	31.4	67.3	86.2
	Net inflows (% of gross capital formation)	8.6	3.3	3.4	1.5	3.3	2.3	2.1	4.4	5.1

(Source) The World Bank. 2004. World Development Indicators: 2004.

Table III- 2.6.4. Investment Structure

	1999	2000	2001	2002	2003
FDI inflows (Million of US$)	40	31	75	176	215
FDI inward stock (Million of US$)	1,232	1,263	1,331	1,515	1,730
Inward FDI flows of gross fixed capital formation (%)	2.3	2.1	4.9	10.5	13.8

(Source) UNCTAD. 2004. World Investment Report: 2004.

VI. Conclusion

The following are conclusions which mainly refer to actions to be taken as multilateral or bilateral assistance. These are derived from fact findings and analysis explained at chapter I to III and are mentioned by country.

1. South Africa

One of the crucial problems in South Africa is that there are many SMEs promotion policies but they are not always well-known to entrepreneurs. It implies that quality of the policies provided by the government is not high enough to appeal benefits to entrepreneurs. Therefore it is necessary to supplement policies with improvement of services level by enhancing capacity of public or private organizations which give technology support to SMEs. It could alternatively be achieved by foreign donors.

Concerning SEDA, its capacity building and training of relevant government or NPO officers who are in charge of SME promotion are also considered effective. This is because SEDA is expected to enhance their functions as comprehensive SME promotion agency in spite of their newly set-up organization.

As implementation of SME promotion policies is substantially conducted by private BDS provider and / or NGOs or NPOs, it is also necessary to conduct a study aimed at clarification of status quo of activities of SME promotion performed by private organization in order to effectively assist them. Strengthening of the SME financial system, which is still not able to provide enough funds for SMEs, by capacity building of public and private financial institutions should also be considered.

In the meantime, enhancement of SMEs finance is strongly requested by SMEs. They need early creation of finance scheme suited for their needs, by financial institutions regardless of whether it is public or private. In addition, improvement of capability to formulate policies in deliberate consideration of situation and surroundings of enterprises could need assistance from a donor, because some entrepreneurs find difficulty to clear legal requirement of BEE or labor law.

2. Tanzania

The government mostly prefers financial assistance, specifically finance to implement the SME Development Policy (2003/4) and additionally finance to enhance functions of Tanzania Private Sector Foundation (TPSF). It could be discussed to support improvement of coordination among private associations, by means of opening regular seminars.

One of the main targets of the development policy is transformation of industry and trade structure with industry diversification and promoting international trade. Thus, assistance related to promotion of trade and investment, development of market and products will be appreciated.

In the meantime, although they appreciate activities done by the government and international institutions, entrepreneurs point out 2 main concerns. First, international institutions have overlooked the necessity and efficiency of innovation of Small Industry Development Organization (SIDO). Second, existing implementing organizations including SIDO and Vocational Education and Training Agency (VETA) are not capable enough to support enterprises which are especially expected further development among newly emerging small and medium companies.

As already mentioned in chapter II, two recommendations will derive from above concerns;

(1) Support for project to strengthen SIDO aiming at expansion of their functions and improving their

services with efficiency.
(2) Support for pilot project aimed at setting up supply-chain linkages
Setting up supply-chain linkages is expected to extend economic spillover effect to supporting industries including micro and small industries, further, give trickle-down effect to all relevant industries to which targeted companies belong to. According to the interview survey, industries such as agro-processing, furniture, textile, tourism and construction are candidates of growth potentiality and supply-chain linkages.

3. Uganda

In Uganda, clear SME promotion policy does not exist yet, and support to draft a master plan and road map related to establishing the policy will be requested. Considering the situation that many BDS provider operate without any effective coordination between them, assistance to create public SME supporting organizations which cover the whole country and organizations in charge of coordination of BDS should be discussed. Other support such as strengthening the function of UNMS, in terms of finance, facilities and technology is also worthy of discussion.

When paying more attention to international trade as a means of national development, continuous improvement of infrastructure and diversification of export products is vital. Assistance for improvement of infrastructure, including reduction of disparity between urban areas and local ones, and for product development with improvement of quality should also be considered.

In the meantime, despite various assistances for entrepreneurs provided by many public and private implementing organizations, micro and small industries entrepreneurs are still facing problems. Among the problems, firstly, they are not always able to appropriately respond to potential needs of SMEs which are newly emerging. Secondly, support from public organizations is often overlapping. Third one is that due to financial constraint, many SMEs are not able or clearly reluctant to bear heavy charges against services of BDS. Lastly, specific BDS which are able to respond to the needs of midsized or small industries do not exist, except UEPB (Uganda Export Promotion Unit) or UNBS (Uganda national Bureau of Standard)

From above problems, the following recommendation, though already referred in chapter II can be considered as well as the recommendations on BDS.

(1) Support for pilot project aimed at setting up supply-chain linkages
Setting up supply-chain linkages is expected to extend economic spillover effect to supporting industries including micro and small industries, further, give trickle-down effect to all relevant industry to which targeted companies belong. According to the interview survey, industries such as seeds, coffee, furniture, textile and hotel are candidates of growth potentiality and supply-chain linkages.

4. Ghana

As supports for Ghana, financial, technological and IT assistances for government implementing agencies and private organizations are easily listed up. However, it is quite important to deliberately select targets and to draw up strategies, and to carefully and proactively coordinate with other donors, because many and various support programmes and/or funding by many bilateral or multilateral donors are on going.
Creation of a specialized SME finance institution is under consideration in a relevant ministry, assistances for feasibility study on creation of specialized SME finance institution, for capacity building of financial institution are timely and effective in order to strengthen SME finance system.

From the point of trade and investment, support to strengthen institutions in charge of export or investment promotion and to improve relevant policies and system will be highly appreciated.

In the meantime, from the view point of entrepreneur management, support for improving access to finance is firstly requested. This is because many SMEs are facing difficulties to secure working or investment capital. Following methodology of assistance can be considered.

- Comprehensive study on SME finance, such as present situation of finance, identification of key players, main policies, relevant organizations and obstacles against promoting SME finance.
- Establishment of strategies of policy finance, including innovated finance scheme and FS of creation of a special SME finance institution.
- Preparation of HR development programme for persons in charge of SME finance

Secondly, sending experts of SME policy, SME finance, production management and factory operation to governmental agencies such as NBSSI is worthy to consider. In addition, training of staff in charge of SME policies implementation in relevant government organizations and Non government will be also effective.

5. Nigeria

Considering present situation of the country, it is urgent required to provide assistance such as assistance for improvement of software infrastructure, including legal framework, as well as hardware infrastructure, and to grade up administrative capacities in order to solve problems derive from fragile governance. Nigeria is requested the transparency and efficiency of policy making process, and establishment of appropriate SME policy and implementation. Therefore level-up training to strengthen governance and to encourage coordination among relevant authorities is needed.

In addition, in order to improve capability of collecting information and to draw more effective SME policies, it is worthy to assist and give advice on developing database about companies, regular implementation of companies census and household census.
Training related to development and enhancement of function of R&D center, their HR development, provision of know-how extracted from best practice and preparing vocational training curriculum should also be useful for the country.

Concerning development of SME finance, assistance to review present system, including review of investment period, exit policy and credit guarantee system, to grad up BDS function in order to strengthen financial intermediary function, to improve information sharing system and to develop financial market such as improvement of inter-bank transaction and micro finance could be discussed. Also, in order to activate informal sector, transferring know-how of movement for the improvement of living conditions and of encouraging saving is advisable.

From the view point of trade and investment, support to encourage product development, including agro-products which are internationally marketable, to improve products quality and to cultivate market will be appreciated.

In the meantime, for entrepreneurs, assistances which are urgently needed are sending advisers to stabilize power supply, and training consultants in business associations in order to facilitate SMEs funding from banks.

6. Cameroon

Regarding assistance based on the fact findings, assistance for improvement of governance, enhancement of legal effectiveness related to intellectual property and capacity building of person in charge in relevant organizations are crucial.

Improvement of maintenance know-how of factory, and machinery and equipment is also necessary as the government is planning to develop the country with international trade. Donors are also expected to support in these fields.

Concerning trade and investment, support to develop international market for SMEs which are strategically initiating international trade will be effective. In selecting targeted industry for such developing international market, agro-processing industry might be prioritized as it is a promising industry in the country.

Cameroon is expecting transfer of know-how of financial scheme to support SMEs and provision of funds. Establishment of credit line for local banks such as SNI and Afribank, support for improvement of cooperative finance, micro-credit and related facilities, including leasing to SMEs, long term lending, transfer of know-how to create working capital finance scheme for small industries, and to smoothly facilitate long term lending scheme, including setting up specialized SME finance institutions and credit guarantee scheme, are also considered.

In the meantime, from the view point of entrepreneurs, training advice for persons in charge of preparing SME supporting scheme is urgently requested. Followings are some examples.

- Appropriate advice and capacity building of the government.
  Encouraging them to clearly recognize and firmly understand government roles and private initiative, and training persons to draw suitable policies through HR development and preparation of realistic education curriculum.
- Advice to establish information center of market and technology information, including advice to improve quality of agro-processing products and woodworks.
- Advice to create best practice in industries such as textile, woodworks, charcoal, food processing in order to promote trade and assistance for development of industrial standard and systems to improve products quality, including development of testing machines.
- Advice and transfer of know-how to create best practice concerning coordination among public and private organizations, including know how of South-South Cooperation in Thailand and Malaysia, support by UNDP to Enterprise Cameroun and establishment of information center.