



MSME and Trade Integration Mechanisms: *The Case of Zimbabwe*

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Introduction

- ▶ Trade integration involves reducing barriers like tariffs and quotas to enable a free flow of goods and services across borders. This enhances economic cooperation, allows for greater specialization, and promotes growth by expanding markets and boosting trade. For Micro, Small, and Medium Enterprises (MSMEs), integration opens access to international markets, fostering productivity and innovation as they encounter competition, new expertise, and technology.
- ▶ In Zimbabwe, trade integration aligns with the Sustainable Development Goals (SDGs), particularly:
 - **SDG 8:** Decent work and economic growth
 - **SDG 9:** Industry, innovation, and infrastructure
- ▶ Through integration, Zimbabwean MSMEs can expand their role in economic growth and sustainable development.



Trade Integration Mechanisms Available for Zimbabwean MSMEs

1. COMESA Free Trade Area (FTA)

- The COMESA FTA, initiated in 2000, facilitates trade across the Common Market for Eastern and Southern Africa.
- Simplified Trade Regime (STR), introduced in 2010, formalizes small-scale cross-border trade with simplified customs for goods under \$2,000, reducing tariffs and paperwork for MSMEs.

2. African Continental Free Trade Area (AfCFTA)

- Launched in 2019, AfCFTA is the largest free trade area by population, aiming to unify trade across Africa.
- It provides Zimbabwean MSMEs with a larger market and reduced tariffs, although challenges in competition and compliance remain.

3. Southern African Development Community (SADC) FTA

- Established in 2008, SADC aims to increase regional trade by removing tariffs on 85% of products, promoting economic cooperation and investment.
- For Zimbabwean MSMEs, SADC offers access to a larger market and opportunities to integrate into regional value chains.

4. EU-ESA Interim Economic Partnership Agreement (iEPA)

- Signed in 2009, the iEPA with the EU grants duty-free, quota-free access for ESA countries. Flexible rules support MSMEs by reducing stringent barriers, opening access to the EU market and fostering regional economic integration.



Benefits of Free Trade Agreements for Zimbabwean MSMEs

- **Market Expansion:** AfCFTA, with its vast African market, can boost trade and attract investment, driving MSME growth.
- **Regional Integration:** COMESA's large market of over 640 million people offers significant opportunities for Zimbabwean MSMEs to expand and create jobs, contributing to SDG 1 (No Poverty) and SDG 8 (Economic Growth).
- **Export Potential:** iEPA opens EU markets to Zimbabwean MSMEs, supporting sectors like agriculture, manufacturing, and technology.
- ▶ However, only 1% of MSMEs currently access these markets due to challenges in financing and regulatory barriers. Overcoming these limitations will allow MSMEs to participate more fully in regional trade.



Challenges in Trade Integration for Zimbabwean MSMEs

- ▶ Despite benefits, MSMEs face barriers:
 - **Non-Tariff Barriers and Regulations:** Complex regulations and non-tariff barriers impede trade despite reduced tariffs.
 - **Access to Finance:** Limited financing options prevent many MSMEs from fully leveraging FTA benefits.
 - **Capacity Gaps:** MSMEs often lack the skills and technology to meet international standards, as seen with challenges in meeting EU export standards.
- ▶ Addressing these issues through targeted support in skills training, regulatory reform, and financing will empower MSMEs to effectively engage in trade integration.



Government Initiatives to Support MSMEs in Trade Integration

- ▶ The Zimbabwean government supports MSMEs through various initiatives:
- ▶ **1. Market Access and Trade Expos:** The Ministry of Women Affairs, Community, Small and Medium Enterprises Development (MWACSMED) promotes MSME **participation in regional and international trade fairs, fostering growth and exposure.**
- ▶ **2. National MSME Policy:** The National MSME Policy 2020–2024 guides MSME access to FTA benefits, offering training on export documentation, standards, and quality production while simplifying import-export processes to enhance MSME competitiveness.
- ▶ These initiatives align with SDG 8 by creating pathways for MSMEs to enter regional and international markets, promoting economic growth and sustainable business practices.



ZimTrade and MSME Competitiveness

- ▶ ZimTrade, Zimbabwe's trade development organization, was established in 1991 to support MSMEs in global markets. In collaboration with MWACSMED, ZimTrade offers:
 - **Export Readiness Programs:** Training in market analysis and understanding international trade regulations.
 - **Partnerships with Banks:** ZimTrade collaborates with banks like the Commercial Bank of Zimbabwe to improve access to finance for MSMEs.
- ▶ These programs help MSMEs develop competitive skills, enhancing their ability to succeed in international markets.



Formalization and MSME Trade Integration

- ▶ Formalizing MSMEs allows them to become recognized entities capable of entering formal contracts and participating in trade agreements. The benefits include:
 - **Increased Credibility:** Formalization makes MSMEs more credible and competitive in the market.
 - **Policy Support:** MWACSMED provides guidance and financial support for MSME formalization, enabling greater access to finance and business opportunities.
- ▶ Through formalization, MSMEs can improve tracking of their performance and expand their capacity to meet the demands of international trade, aligning with SDG 8's goal for economic growth.



Quality Standards and MSME Clusters

- ▶ MWACSMED collaborates with the Standards Association of Zimbabwe (SAZ) to help MSMEs meet international quality standards:
 - **Training and Certification:** SAZ provides training in standardization and quality certification, improving MSME product quality for global markets.
 - **Cluster Development:** MSME clusters in sectors like leather and clothing have received machinery support, helping them produce high-quality goods that meet international standards.
- ▶ These efforts align with **SDG 9** on industry and innovation and **SDG 12** on responsible consumption and production by promoting quality and sustainability in MSME products.



Conclusion

- ▶ Zimbabwe's approach to MSME trade integration demonstrates a commitment to sustainable development. Through free trade agreements and supportive policies, Zimbabwe aims to create a resilient MSME sector that can harness international trade opportunities. Key priorities moving forward include:
 - **Continued Capacity-Building:** Skills training and export readiness programs to increase MSME competitiveness.
 - **Infrastructure Development:** Improved infrastructure for easier market access.
 - **Financial Support:** Expanded financing options for MSMEs to overcome trade barriers.
- ▶ These steps will empower Zimbabwe's MSMEs to thrive in the international market, contributing to a robust, inclusive economy and sustainable growth in line with SDG goals.

