

***MSMEs in Regional  
Integration Mechanisms:  
What are the policy  
implications to enhance  
MSME resilience***

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## Background

- MSMEs are crucial for driving economic growth. They play a vital role in job creation, employment, tax revenue, and contributing to Gross Domestic Product (GDP).
- Comprising more than 90 percent of all businesses, they account for over two-thirds of employment in many least-developed countries (LDCs).
- In Africa, they contribute over 50% of GDP and, on average, provide 60% of employment.

MSMEs are companies of relatively limited size, as measured by their revenues and number of employees , or both

## Regulatory constraints MSMEs may encounter under AfCFTA

- Regulatory Constraints: Getting the licenses and permits needed which label different business activities, such as manufacturing, trading or service provision.
- Bureaucratic: many institutions involved to get export or import certificate
- Compliance Burden: Compliance with standards, packaging and branding
- Documentation Requirements

## Other constraints

- Lack of long-term financing: Banks and other financial institutions may be reluctant to provide long-term loans at affordable rates.
- Limited information: SMEs may have difficulty finding and analyzing markets and business partners.
- Inadequate ICT infrastructure: SMEs may not have adequate ICT infrastructure
- Inadequate protection of IPR

## Policy recommendations

- **Standards and Regulations Accommodations:** By establishing flexible standards and regulations tailored to MSMEs.
- **Capacity Building:** on general business skills and/ or sector-specific training, depending on the specific needs of the targeted MSMEs.
- **Simplified Economic/Fiscal Regimes:** Simplifying tax and regulatory frameworks helps MSMEs navigate bureaucratic challenges.
- **Fiscal Incentives:** Offering tax breaks, accelerated depreciation, and capital expenditure deductions can encourage MSMEs to invest in growth and development.



## **MSMEs and Regional Economic Integration**

### **Regional integration can significantly benefit MSMEs.**

**Access to a Larger Market:** Integration allows SMEs to access a larger market, thus increasing their sales potential and competitiveness.

**Access to new technologies:** MSMEs can gain access to new technologies through partnerships and collaborations within integrated markets. This enhances their productivity and innovation capabilities, allowing them to compete effectively.

**Improve access to resources:** MSMEs often improve their access to resources by leveraging local materials and networks. Local sourcing for SMEs, can enhance their operational efficiency and reduce costs.

**Reduced trade barriers:** Regional integration reduces trade barriers, allowing MSMEs to compete more effectively. Lower tariffs and streamlined regulations enable easier entry into new markets, facilitating trade and commerce.

**Increase economic opportunities:** MSMEs are significant contributors to job creation. By creating employment opportunities, they stimulate local economies and contribute to regional economic development.

**Improved supply chain efficiency:** The integration of markets leads to improved supply chain efficiency for MSMEs. Better infrastructure and reduced barriers enhance logistics and distribution channels, allowing for quicker and more cost-effective supply chain operations.

## UNCTAD's interventions to support SMEs :

**“Empretec” helps to train small businesses, to help them scale up, and enter the digital economy**

UNCTAD supports MSMEs to integrate regional and global value chains: Global value chains make up 84 % of the international production networks of multinational enterprises (MNEs). UNCTAD's interventions include:

- Linkages development
- Science and technology support and an effective intellectual property rights (IP rights) framework
- Business development services
- Entrepreneurship promotion
- Access to finance for SMEs
- Digital access

# Thank you

