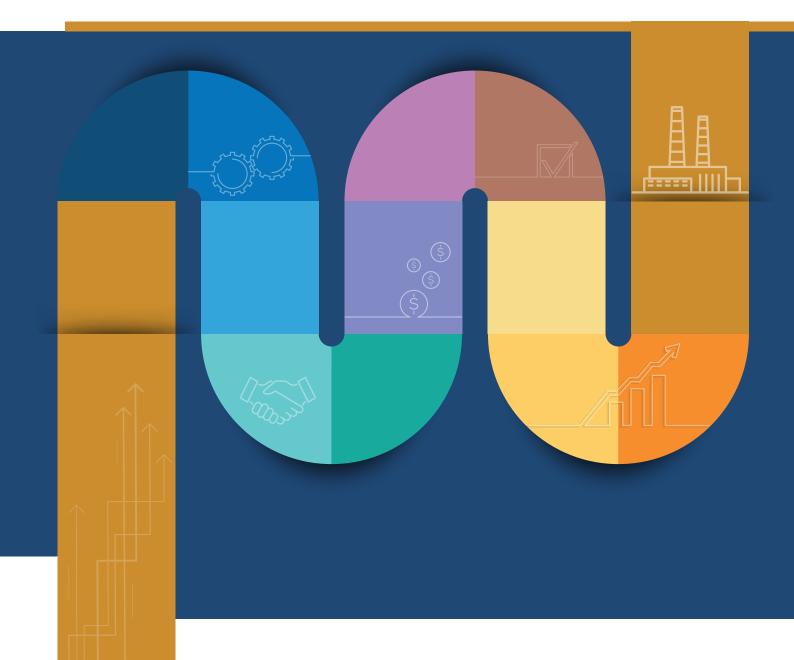
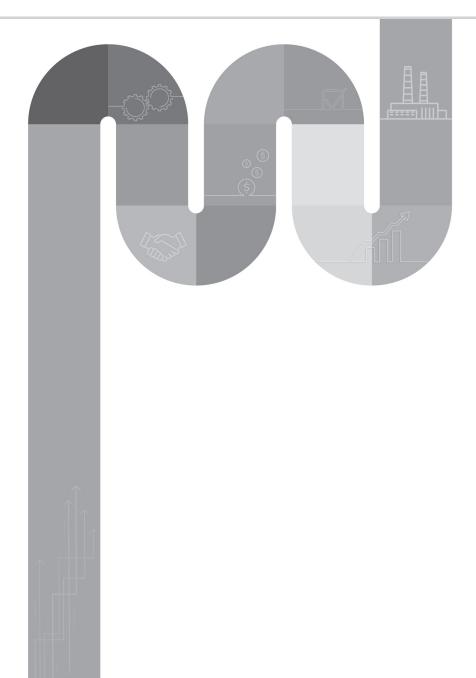


## Strategies and policies for the integration of micro, small and medium-sized enterprises into the industrialization process in Southern Africa





## Strategies and policies for the integration of micro, small and medium-sized enterprises into the industrialization process in Southern Africa



To order copies of Strategies and policies for the integration of micro, small and medium-sized enterprises into the industrialization process in Southern Africa, please contact:

Publications Section Economic Commission for Africa P.O. Box 3001 Addis Ababa, Ethiopia Tel: +251 11 544-9900

Fax: +251 11 544-9900 Fax: +251 11 551-4416 E-mail: ecainfo@uneca.org Web: www.uneca.org

© 2020 Economic Commission for Africa Addis Ababa, Ethiopia

All rights reserved First printing September 2020

Material in this publication may be freely quoted or reprinted. Acknowledgement is requested, together with a copy of the publication.

The designations employed in this report and the material presented in it do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Economic Commission for Africa or the African Union concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Designed and printed in Addis Ababa, Ethiopia by the ECA Printing and Publishing Unit. ISO 14001:2015 certified. Printed on chlorine free paper.

## **Contents**

Abbrev	iations	V
Acknow	vledgements	vi
Chapter	1: Background	1
	Introduction	
1.2.		
1.3.		
1.4.	Limitations	
	Definitions	
	2: Micro, small and	
	n-sized enterprises and industrialization in the Southern African pment Community	5
	Southern African Development Community Industrialization Strategy and	
	micro, small and medium-sized enterprises	5
2.2.	Proposed interventions in the Action Plan for strengthening of micro,	
	small and medium-sized enterprises	6
2.3.	Definitions, profile and operating context of micro, small and	
	medium-sized enterprises in Southern Africa	
	2.3.1 Definition of micro, small and medium-sized enterprises in Southern Africa	6
	2.3.2. Characteristics of micro, small and medium-sized enterprises in Southern Africa	10
	2.3.3. Profile of micro, small and medium-sized enterprises in Southern Africa: size	
	and contribution to gross domestic product	
	2.3.4. Key constraints or challenges faced by micro, small and medium-sized	
	enterprises development in the Southern African Development Community	12
2.4.	Improving government regulation of and services to micro, small and	
	medium-sized enterprises	14
	2.4.1. Formalization of enterprises	
	2.4.2. Improving tax regulation	
	2.4.3. Offering quality business development services	
	2.4.4. Coherence and consistency of government policies across departments	
	3: Agroprocessing and micro, small and medium-sized enterprises in	
	rn Africa	
	Overview of the agricultural sector in Southern Africa	21
3.2.	Agroprocessing and the Southern African Development Community	
	Industrialization Strategy	
3.3.	Understanding regional and global value chains	
	3.3.1. Nature of global value chains	
	3.3.2. Nature of global agriculture value chains	
	3.3.3. Nature of agriculture value chains in Southern Africa	25

3.4.	Opportunities for micro, small and medium-sized enterprises	26
3.5.	Domestic, regional and global strategies and policies for integrating micro,	
	small and medium-sized enterprises into industrialization	28
	3.5.1. Eswatini case study	28
	3.5.2 Challenges faced by surveyed micro, small and medium-sized enterprises	
	in agroprocessing in the United Republic of Tanzania and Zimbabwe	31
3.6.	Interventions for micro, small and medium-sized enterprises	
	in the agroprocessing sector	33
	3.6.1. Developed infrastructure and conducive business environment	33
	3.6.2. Regional integration and openness to trade	36
	3.6.3. Capacity to be responsive to opportunities offered by value chains	38
	3.6.4. Partnerships between government and the private sector	41
	3.6.5. Environment	45
Obamban	4 October African Development October in the leadership limited	
_	4. Southern African Development Community Industrialization	40
_	y on Mineral Value Chains and Mineral Beneficiation	46
4.1.	Integrating micro, small and medium-sized enterprises in mineral value chains:	47
4.0	artisanal and small-scale miners	4/
4.2.	Linking mining micro, small and medium-sized enterprises and large mining firms	<b>54</b>
	through local content requirements and enterprise development programmes	
	4.2.1. Local content requirements	
4.2	4.2.2. Supplier development programmes	
	Lateral linkages and micro, small and medium-sized enterprises	
4.4.	Technology, mechanization and skills development	53
	4.4.1. Mechanization as an opportunity for micro, small and	F2
	medium-sized enterprises	
	4.4.3. Bringing innovation hubs closer to industrial parks	
	4.4.4. Adopting a bilateral and regional approach for industrial parks	
	4.4.4. Adopting a bilateral and regional approach for industrial parks	
Recom	mendations	59
Anney I	Interviewed stakeholders in Eswatini	63
AIIIGA II	interviewed stakeriolders in Eswatini	
<b>Annex I</b>	Incentives offered by Southern African Development	
Comm	unity Governments	64
Poforo	nces	95
UGIGIGI	ICCS	05

Table		
Table 1:	Common definition using number of employees in developing countries	7
Table 2:	Sample of the 1996 schedule for agriculture, mining and quarrying,	
	manufacturing (South Africa)	8
Table 3:	Sample of the 2004 Schedule for Agriculture, Mining and Quarrying,	
	Manufacturing (South Africa)	9
Table 4:	Definition of micro, small and medium-sized enterprises in Eswatini, Lesotho,	
	Mauritius, South Africa and Zambia by number of employees	9
Table 5:	Definition of micro, small and medium-sized enterprises in Eswatini, Lesotho,	
	Mauritius, South Africa and Zambia by turnover	10
Table 6:	Eswatini definition by value of assets	10
Table 7:	General characteristics of micro, small and medium-sized enterprises	11
Table 8:	Micro, small and medium-sized enterprises contribution to gross domestic	
	product and percentage of total enterprises in Southern Africa	13
Table 9:	Top 5 sectors for micro, small and medium-sized enterprises	
	participation in Southern African Development Community	13
Table 10:	Southern African Development Community member State responses	
	on constraints to the development of micro, small and medium-sized enterprises	15
Table 11:	Countries implementing a presumptive tax in the Southern African	
	Development Community	16
Table 12:	Tax dispensation for traders in the United Republic of Tanzania	
Table 13:	Horizontal inequity in the presumptive tax of Zimbabwe	
Table 14:	Vertical inequity in the presumptive tax of Zimbabwe	
Table 15:	Contribution of Agriculture to gross domestic product in Southern African	
Table 13.	Development Community, % of gross domestic product (2014–2017)	21
Table 16:	Contribution of agriculture to gross domestic product in Southern African	
	Development Community, millions of US dollars at constant 2010 prices (2014–2017)	22
Table 17:	Southern African Development Community priority agroprocessing value chains	
Table 19:	Agricultural value chain finance instruments	
Table 20:	Products and sectors in Southern African Development Community	
.00.00	with potential for value chain enhancement	46
Table 21:	Commodities mined by large-scale miners and artisanal and small-scale miners	
Table 22:	Technology innovation hubs in Southern African Development Community	
10010 22.	recimology importation ridge in southern / integrible veroprient community	
Figures		
Figure 1:	Common variables used to define micro, small and medium-sized enterprises	7
Figure 2:	The typical agricultural value chain	
Figure 3:	Assessment of barriers that affect the expansion of operations of agroprocessing enterprises	
rigare 5.	United Republic of Tanzania	
Figure 4:	Subcontracting and partnership exchange service offerings	
Figure 5:	Generic mining value chain	
riguic 5.	Generic Hilling value Chair	
Boxes		
Box 1:	Effect of transport costs on the competitiveness of Zambian soy	
Βολ 1.	exports to South Africa	34
Box 2:	Examples of public-private partnerships for agroprocessing through	
50/. Z.	Village Infrastructure Angels	36
Box 3:	Warehousing of nomadic farmers' honey in northern India	
Box 4:	Action List for artisanal and small-scale miners, and large-scale miners' mutual interests	
Box 5:	Optimizing linkages – The case of Mozambique	
Box 6:	Tubatse Platinum Special Economic Zone value chain opportunities	
	The state of the s	

## **Abbreviations**

ADB Asian Development Bank

COMESA Common Market for Eastern and Southern Africa

ECA Economic Commission for Africa

FAO Food and Agriculture Organization of the United Nations

GDP Gross domestic product

ICT Information and communications technology

MSME Micro, small and medium-sized enterprises

OECD Organization for Economic Cooperation and Development

SADC Southern African Development Community

UNCTAD United Nations Conference on Trade and Development

UNDP United Nations Development Programme

UNIDO United Nations Industrial Development OrganizationUSAID United States Agency for International Development

VAT Value-added tax

WTO World Trade Organization







