



21 November 2011

SME FINANCE FORUM AFRICA-EU ROUND TABLE: “BUILDING BRIDGES BETWEEN EU AND AFRICAN BUSINESSES” 23 NOVEMBER 2011

ADDRESS BY PHILIPPE DE BUCK

Dear Chairman, Ladies and Gentlemen,

It is an honour and pleasure to be invited in this year's edition of the SME Finance Forum dedicated in Africa-EU relations.

In the current difficult economic context that we face in Europe, it is important that opportunities for market expansion, growth and development are not neglected. The internationalization of European SMEs presents such an example, mutually benefiting all actors involved. In the case of Africa especially, benefits can be further accelerated because of two factors:

1. Many African countries are experiencing dynamic growth rates. Over the past ten years six of the world's fastest-growing economies were in Sub-Saharan Africa. Among those, Angola experienced 11,1% annual average GDP growth, while Nigeria 8,9% and Ethiopia 8,4% growth.
2. Trade relations between the European Union and Africa are strong. In 2009 for example, trade between the EU and countries in Sub-Saharan Africa accounted for €120bn, around 5% of total EU external trade. This may be an excellent base for strengthening the presence and development of SMEs in Africa.

Creating business networks to foster cooperation for the benefit of European and African SMEs is a key element in this process. This can work in different levels.

- At the European level, the European Commission should take the leading role in close cooperation with authorities in Member States and third countries. This should include information on market conditions, the legal and tax environment, access to finance and other resources.
- For example, European Delegations in African countries could provide more information to business on market opportunities. This could in turn result in making European Policy for the internationalization of SMEs more efficient and cost-effective.



In addition, more synergies should be created between the European Development Policy and other policies and instruments of the EU.

- For instance, given that often the problems which European businesses face in African countries are linked to political risk, coordination between the European Commission, European Investment Bank and European External Action Service should be reinforced.
- Political risk insurances and successfully dealing with reputational risk are issues of vital importance for European companies and constitute serious obstacles for investment.

At the level of many African countries now, it is true that the macro-economic stability has substantially improved in the past years. However, the challenges of good governance on the one hand and the persistence of administrative barriers for businesses on the other remain to be addressed. Official dialogue between national authorities and the business community should be promoted and established. This would unveil the practical problems that companies and especially SMEs face and may become the first step towards the adoption of more business-friendly rules, the involvement of more actors and the promotion of entrepreneurial spirit.

Given that SMEs constitute an essential part of the industrial tissue of both European and African countries, their sustainability, development and expansion could lead to job creation. This would be a strong answer to the employment problems caused by the current economic and financial crisis. In this framework, capacity building should be number one priority for the African countries. We can share our experience in Europe and help our counterparts overcome institutional and administrative burdens.

At this point, I would like to underline the role that Industrial and Employers' Federations, like BUSINESSEUROPE, can play in supporting the development and cooperation of European and African SMEs. This could be achieved through the creation of networks between SMEs in European and African countries, consortia between SMEs and larger companies, training schemes, seminars and information sessions for SMEs that want to go international.

Acknowledging that certain characteristics of SMEs, such as the size of the company or the lack of staff and expertise, may present serious impediments in their path towards internationalisation, BUSINESSEUROPE supports that cooperation with big companies can be an effective way to support and work with SMEs in Africa.

To offer some concrete examples

- BASF has developed a fortification project for staple foods in Tanzania. They assist local industry – including SMEs – develop their technical capacity through the organisation of training workshops. The purpose is to help local SMEs diversify their products, and therefore to become more competitive and improve their position in the market.



- Unilever has also started a pilot programme for sustainable tea production with many small farmers and entrepreneurs in Kenya. Focusing on improving productivity, environmental management, energy and habitat conservation the project tries to address the growing pressure on natural resources. This initiative raised farmer revenue and fostered employment.
- Cooperation with local suppliers constitutes an important part of the value chain for General Electric as well. The company makes contracts with specific requirements and offers training programmes for local SMEs and entrepreneurs in many African countries – especially those working in the energy sector which is a vital growth sector for many countries on the continent.

Moreover, close cooperation between European and African Business Federations may also constitute a way to promote the internationalisation and development of SMEs.

- Many European Federations are active in this field and maintain close relations with relevant organisations in African countries, such as the Confederation of Danish Industry (DI), the Confederation of Netherlands Industry and Employers (VNO-NCW), as well as the Confederation of Norwegian Enterprise (NHO). Our member federations are heavily involved in technical cooperation to strengthen industry federations in places like Kenya and Tanzania.
- In future, BUSINESSEUROPE could play a similar role to help African business federations develop regional business organisations – as the regional integration process evolves in Africa.

BUSINESSEUROPE believes that the benefits that the internationalization of European SMEs and their close cooperation with local African SMEs are significant. Therefore, we will continue to support European Commission activities in this area and every effort to build bridges with the African business community.
