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**Upgrading to compete in a globalised world:
What opportunities and challenges for SMEs in agriculture in ACP countries?**

Wednesday 23rd September 2009 – 8h30 – 13h00

SMEs Competitiveness and Upgrading: current issues and challenges

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Executive Summary

In an increasingly vulnerable and unpredictable economic climate, hit by various crises (food, financial, climate, health, real estate, etc.) which have affected numerous sectors and countries, the agricultural and food-processing industry is undergoing far-reaching structural changes due to the globalisation of markets and changes in demand, and marked in particular by technological development and changes in production processes.

Despite the efforts made in recent years with a view to helping developing countries and above all the least developed countries – in particular the ACP countries – to build a more competitive industry capable of establishing itself on international markets, the gap between the level of competitiveness of the sector in these countries, composed mainly of SMEs, and that of the developed countries is constantly growing.

Apart from commercial infrastructures which are often weak and unsuitable, a great many SMEs lack the required capacities to produce competitive goods which comply with the increasingly stringent requirements and specific demands of purchasers and importing countries, in particular as regards product quality, food safety, the environment and working conditions. As a consequence of the opening up of these markets, these SMEs are starting to suffer from the effects of competition law, even on local and regional markets, imposed by imported products, which are generally more competitive.

Restructuring and upgrading the industry in the ACP countries is, therefore, an indispensable pre-requisite for ensuring their integration in the global trading system. Thus, SMEs in the ACP countries must overcome constraints linked to productive and supply capacities and reinforce their bargaining capacities in order to improve trade relations and comply with the various standards in force.

In order to support the sector in ACP countries in this endeavour, the UNIDO is implementing a strategy – known as the 3Cs approach – which focuses on enhancing the productive capacities of companies (C), the conformity (C) of their products with standards and market requirements and the connectivity (C) of these companies to markets.

As regards support to help SMEs boost their competitiveness, the approach adopted is based on ensuring the development of upgrading policies at national level by adapting institutional and regulatory mechanisms, strengthening the capacities of support structures, creating national expertise in upgrading and developing pilot projects to support companies.

These programmes are developed by the UNIDO, either at national level, such as the national programmes put in place in Senegal (2004) and Cameroon (2008), or at regional level, such as the programme to restructure and upgrade the industry in the WAEMU countries (2007). SMEs in these countries have been able to benefit from strategic analyses which have enabled them to identify their strengths and weaknesses and define an action plan to be put in place to improve their competitiveness. These companies also enjoy technical assistance and ongoing supervision for the implementation of these action plans.

The implementation of the upgrading plan, which is generally composed of capital and intangible investments, therefore helps to boost the capacities of the beneficiary companies. This plan should include, by way of capital investment, activities relating to the modernisation of production facilities, the acquisition of laboratory equipment, improving the IT system, improving conditions for the storage and transportation of products, etc. As regards intangible investments, the companies benefit from various technical assistance actions focusing on different functions, improving information systems, improving hygiene and working conditions, putting in place a quality and food safety management system, etc.