

Promoting SME competitiveness in Francophone Africa

Standards open doors to trade



In partnership with:

SMEs are the key to inclusive growth

SMEs make up the bulk of the African economy

Small and medium-sized enterprises (SMEs) form the backbone of the African economy, representing more than 90% of businesses and employing approximately 60% of workers, many of whom are women and youth.¹ Helping more SMEs connect to international markets would ensure that the gains from trade are more evenly distributed across the workforce. Furthermore, because SMEs create the majority of new jobs in most economies, they will play a critical role in absorbing the 900 million Africans expected to join the labour force by 2050.²

African SMEs, like their counterparts in other countries, are less productive than larger companies and often struggle to survive and grow. Future growth depends on greater SME productivity.

1. Fjose, Grunfeld and Green (2010). SMEs and Growth in Sub-Saharan Africa: Identifying SME Roles and Obstacles to SME Growth.

2. World Economic Forum, World Bank, African Development Bank and OECD (2015). The African Competitiveness Report. Geneva.

Certification: A door to international markets

Companies must comply with international standards to access foreign markets and become part of global value chains. Certified firms are typically more productive and supply better-quality products. They also enjoy other benefits such as access to new markets, new investors and greater buyer satisfaction. Certification is often connected to modernized production, which improves SME competitiveness and signals higher quality – both of which are essential for cross-border trade and foreign direct investment.

The accessibility, efficiency and costs in becoming certified often determine how easy it is for SMEs to obtain the certificates they need to trade internationally. Slow, inefficient or expensive quality infrastructure makes it difficult for SMEs to prove quality, and in turn hampers potential flows of foreign direct investment.

Geographic distribution of surveyed firms



Source: CPCCAF and ITC SME Competitiveness Survey (2018).

Joining forces to collect data in Africa

In 2018, ITC and the Permanent Conference of African and Francophone Consular Chambers (CPCCAF) joined forces to collect data in 16 countries in French-speaking Africa. ITC SME Competitiveness Survey questions on certification and quality infrastructure were added to CPCCAF's annual Business Barometer Survey. The survey focused on micro, small and medium-sized enterprises (MSMEs), although large firms were also interviewed.

More than 9,000 in-depth surveys

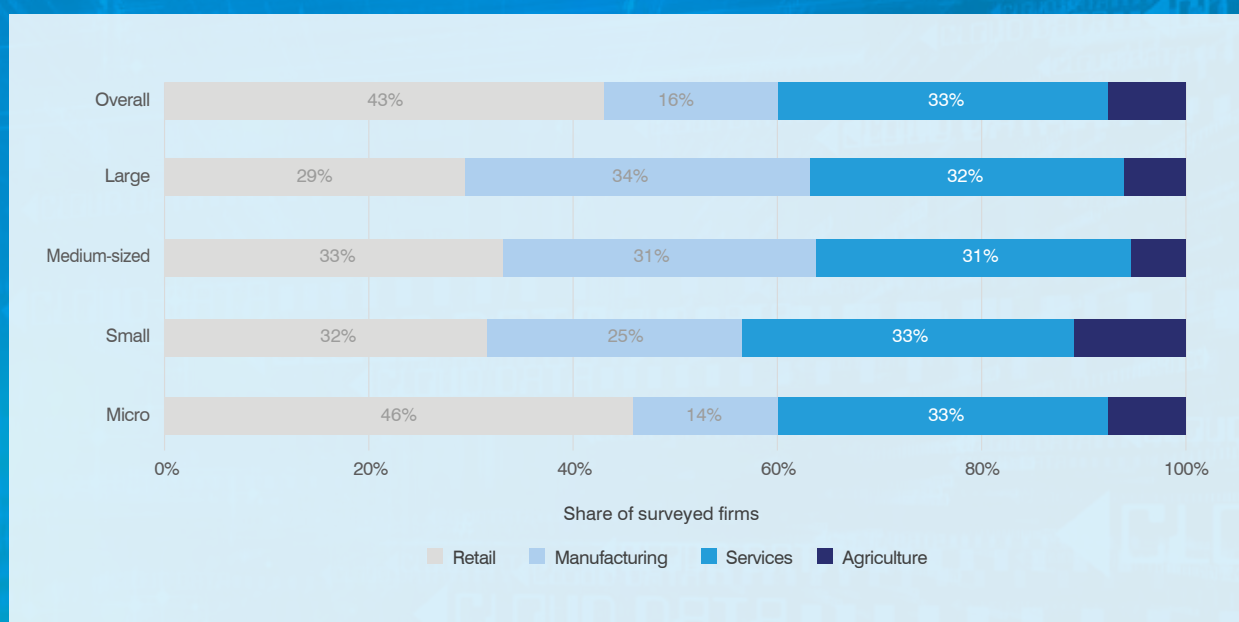
In total, 9,396 enterprises were surveyed in Benin, Burkina Faso, Cameroon, the Central African Republic, the Republic of the Congo, Côte d'Ivoire, the Democratic Republic of Congo, Gabon, Madagascar, Mauritania, Morocco, Niger, Senegal, Togo, and Tunisia. The survey captured information on a wide variety of firms. Seventy-nine percent are micro firms, defined here as having 1–9 employees, 16% are small

firms (10–49 employees), 4% are medium-sized (50–249 employees) and 1% are large (250+ employees). Regarding sectors, 43% of the enterprises surveyed are active in the retail sector, 33% in services, 16% in manufacturing and 8% in agriculture.

The larger the firm, the more likely it is to export

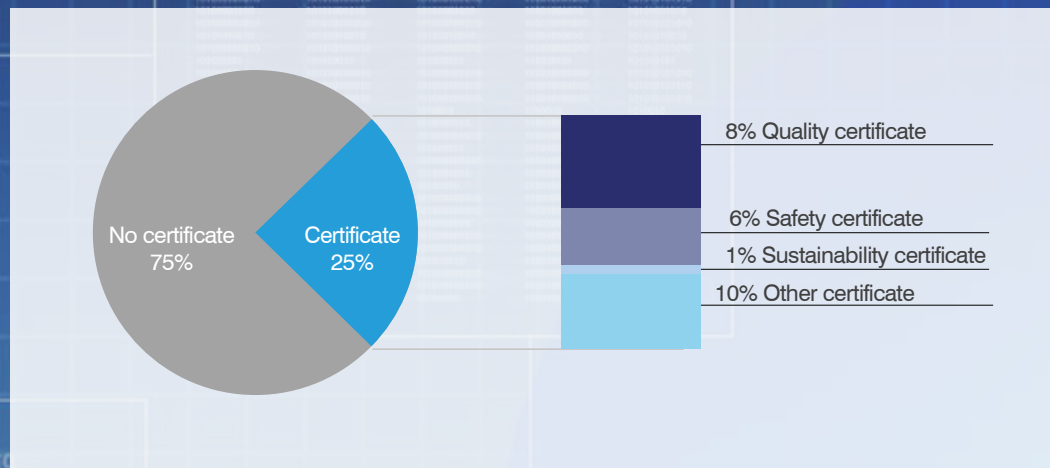
Micro enterprises are primarily involved in the retail sector (46%), selling goods such as food and drinks, clothing, furniture, pharmaceutical products and electronics. Small enterprises are mostly active in the services sector (33%) and medium-sized and large firms tend to be engaged in manufacturing (31% and 34%, respectively). Unsurprisingly, the larger and the more industrial the company, the more likely it is to export: only 9% of micro enterprises sell their product/service abroad, compared with 25% for small firms, 35% for medium-sized and 47% for large firms.

Micro enterprises are primarily involved in the retail sector



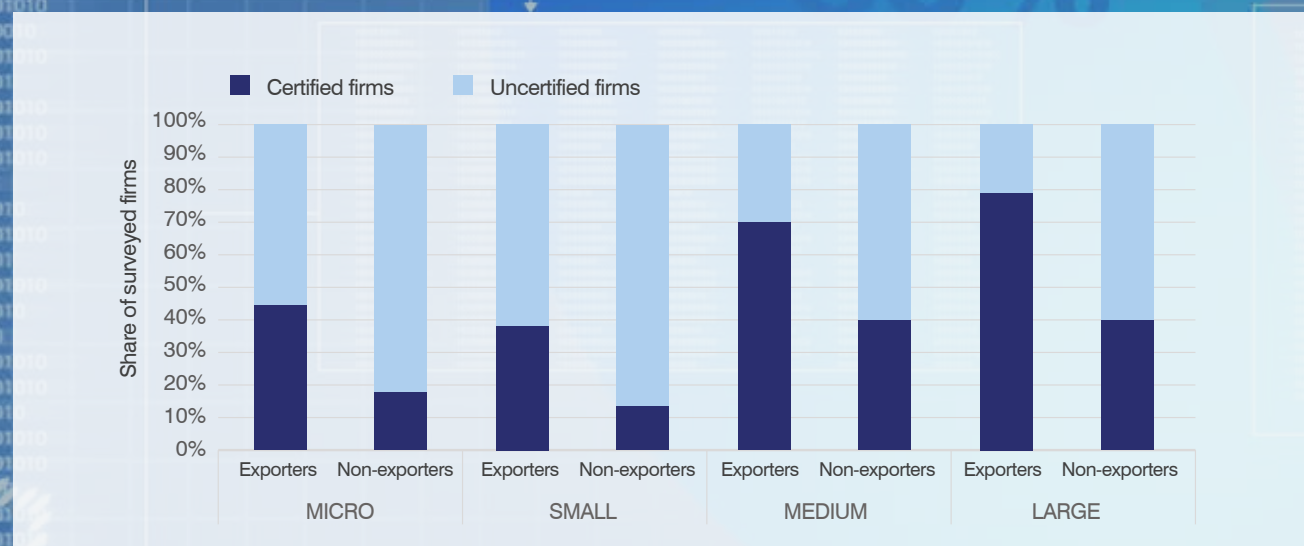
Source: CPCCAF and ITC SME Competitiveness Survey (2018).

One-quarter of surveyed firms hold internationally recognized certificates



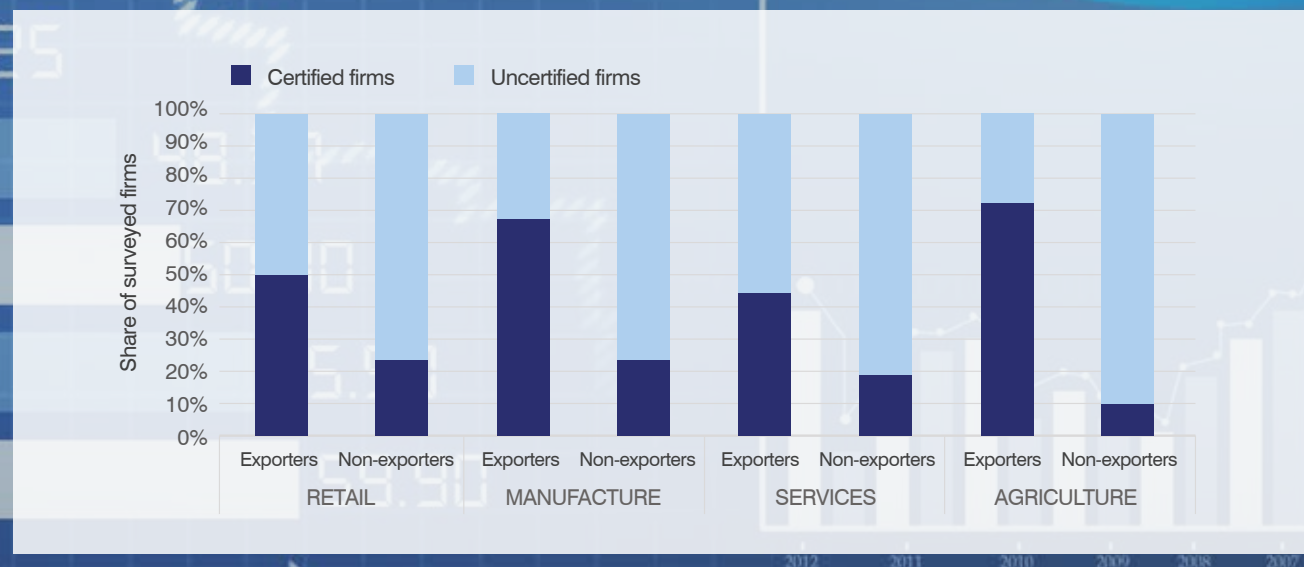
Source: CPCCAF and ITC SME Competitiveness Survey (2018).

Exporters are more likely to hold an international certificate



Source: CPCCAF and ITC SME Competitiveness Survey (2018).

Exporters in agriculture and manufacturing are more likely to be certified



Source: CPCCAF and ITC SME Competitiveness Survey (2018).



Certification rates in Francophone Africa

A quarter of the firms surveyed hold an internationally recognized certificate. Of these enterprises, about a third hold a quality certificate and another third a safety certificate. However, very few have sustainability certificates.

Larger firms are more likely to hold international certificates

The bigger the company, the more likely it is to have an internationally recognized quality certificate and to export. According to survey results, about 60% of large businesses had either a safety, quality or sustainability certificate, compared with 51% of medium-sized firms, 37% of small businesses and 21% of micro firms.

Smaller firms tend to find it harder to bear the financial, administrative or other costs associated with obtaining and maintaining certification. An ITC survey focusing on non-tariffs measures (NTM) in the Comoros, for instance, highlights the difficulties that technical regulations (relating to product standards) and conformity assessments (relating to gaining certification) present to smaller businesses.

All firms find these standards burdensome, but smaller enterprises appear to be more severely affected. Firms cite processing delays and related fees and costs, as well as limited, and sometimes inadequate, testing facilities for their goods.³

Empirical evidence on developing countries shows that burdensome technical regulations can affect the number of exporters and the value of exports. These regulatory burdens hit small firms hardest: a 10% increase in regulatory burden is associated with a decrease in export of 3.2% for small enterprises, compared to 1.6% for large companies.⁴

Certification and export status are deeply intertwined

Only 13% of surveyed firms export to foreign markets. As being certified and exporting often go hand-in hand, it is unsurprising that 55% of exporters hold international certification (mostly a safety or quality certificate), while just 21% of non-exporters do. Research suggests that being certified increases a firm's export values and the geographic diversity of exports.⁵ In our sample, being certified is associated with a greater chance of being an exporter in all sectors, but particularly in services and agriculture.

Few agriculture firms export, but those that do are certified

Only 7% of enterprises in the agriculture sector are exporters. However, more than 70% of those that do hold a certificate. Compliance with sanitary standards is often compulsory to export agricultural goods. Combined with the important constraint that certification represents for firms in this sector, enterprises that begin the certification process may actually target export rather than the standard per se.

Why are so few African agriculture firms certified? A variety of reasons are probably behind such a trend. An ITC NTM survey in Mali, for instance, finds that farmers face tougher technical and quality burdens than other producers and that their exports often require additional official authorizations. Firms cited these standards and certification requirements as a major constraint for their exporting activities.⁶ This is similar to ITC NTM survey findings from Egypt and other countries.⁷

3. International Trade Centre (2018). Les Comores: Perspectives des entreprises. Série de l'ITC sur les mesures non tarifaires.

4. Rollo (2016). Technical Regulations Affect Exporters' Performance: Firm Level Evidence from Developing Countries.

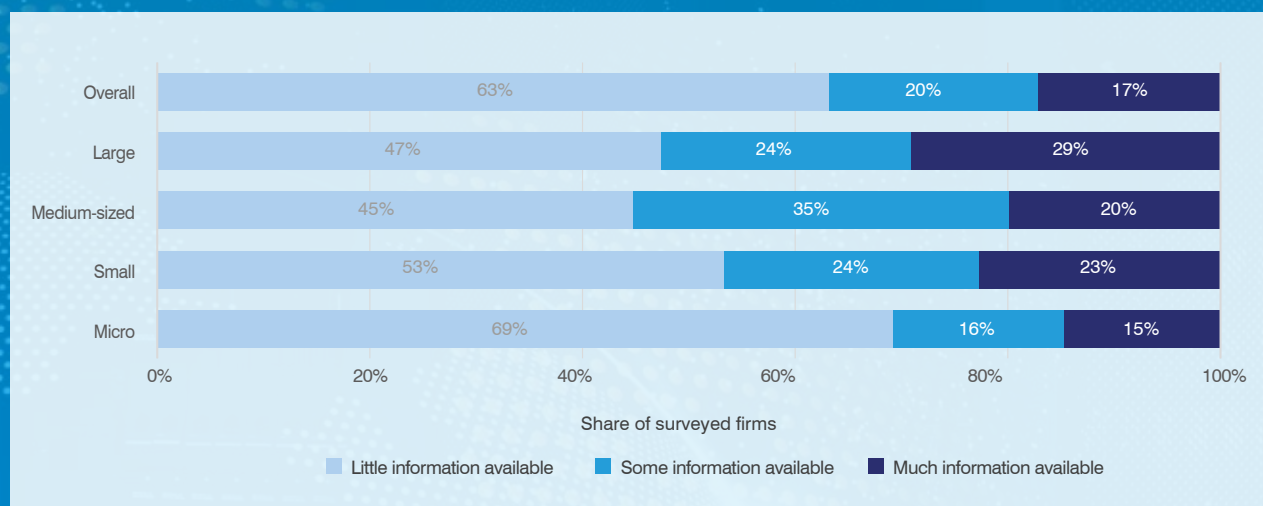
5. Volpe Martincus, Castresana and Castagnino (2010). ISO Standards: A Certificate to Expand Exports? Firm-Level Evidence from Argentina.

6. International Trade Centre (2017). Mali: Perspectives Des Entreprises. Série de l'ITC Sur Les Mesures Non Tarifaires.

7. International Trade Centre (2016). Egypt: Company Perspectives. An ITC Series on Non-Tariff Measures.

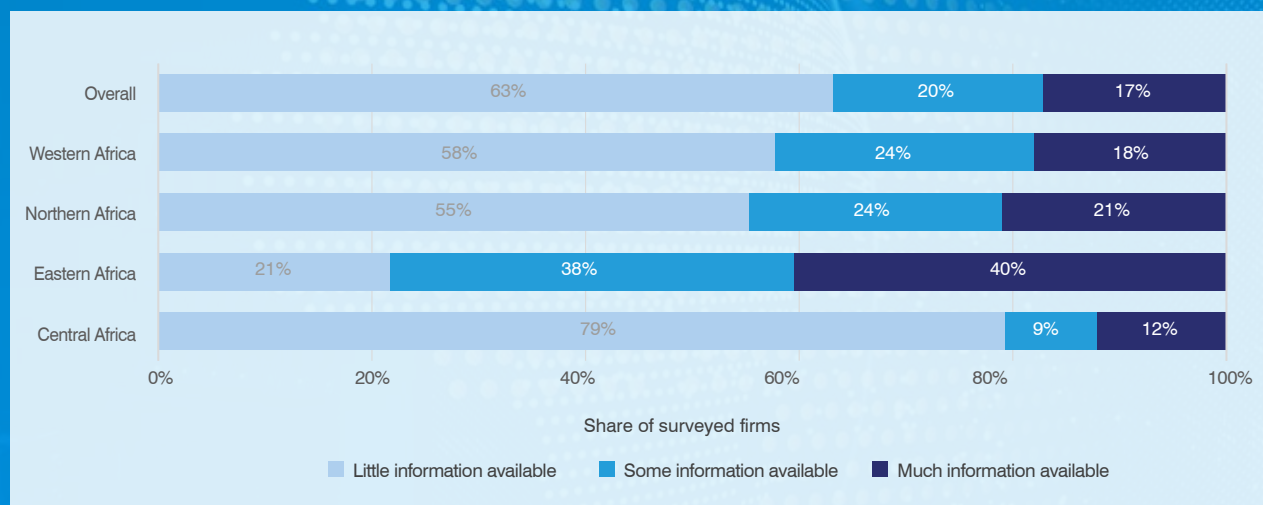


Firms of all sizes report limited access to information



Source: CPCCAF and ITC SME Competitiveness Survey (2018).

Availability of information for firms differs by region



Source: CPCCAF and ITC SME Competitiveness Survey (2018).



Access to information on standards

The availability of information on standards is particularly important to SMEs, which often have limited resources to pay for the sometimes-lengthy certification process. Certification often involves the participation of several institutions, and the collection of all the necessary documentation can be time-consuming.

Information on standards and certification processes is limited

Respondents report that information about standards and certification processes is not readily available, with almost two-thirds saying availability is low or very low. However, about two-thirds of those surveyed were not able to report on the availability of information and selected 'do not know' as an answer. This indicates that their understanding of standards may be very limited.

Although firms of all sizes report limited access to information, micro and small enterprises tend to complain more than large companies. Indeed, 69% of micro firms and 53% of small firms report information availability as low or very low. This compares with 45% of medium-sized enterprises and 47% of large businesses. One explanation is that large firms have more resources to dedicate to the gathering of information.

Agriculture firms report poor access to information on standards

The lack of information is particularly salient for the agricultural sector, where 70% of firms report poor access to information, and which has the fewest certified companies. On the other hand, access to information is less of a problem in the manufacturing sector, which has a high percentage of certified enterprises. This underscores the crucial link between access to information on standards and the certification rate.

An ITC survey examining non-tariff measures in Benin found that businesses in both the agricultural and the manufacturing sectors perceive the technical requirements for their products as complex and confusing. They cited a lack of transparency about the necessary documents and the roles of agencies, such as ministries, regional authorities and chambers of commerce, in obtaining these standards and certifications to export.

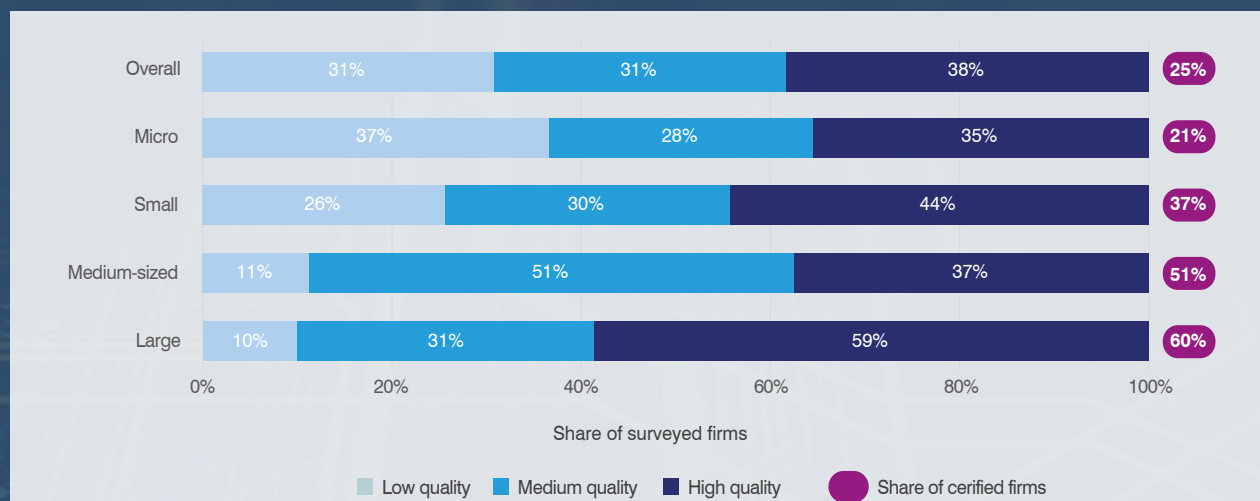
Perceived availability of information is related to the certification rate

The survey data suggest that the perceived availability of information is related to the certification rate – that is, certification is more common in countries where information is seen as more readily available. Firms in Tunisia, which has the highest share of certified companies in the survey, are the most satisfied with information availability, while businesses in West and Central Africa, which have fewer certifications, report that information is unavailable.

Trade and investment support institutions can improve information availability

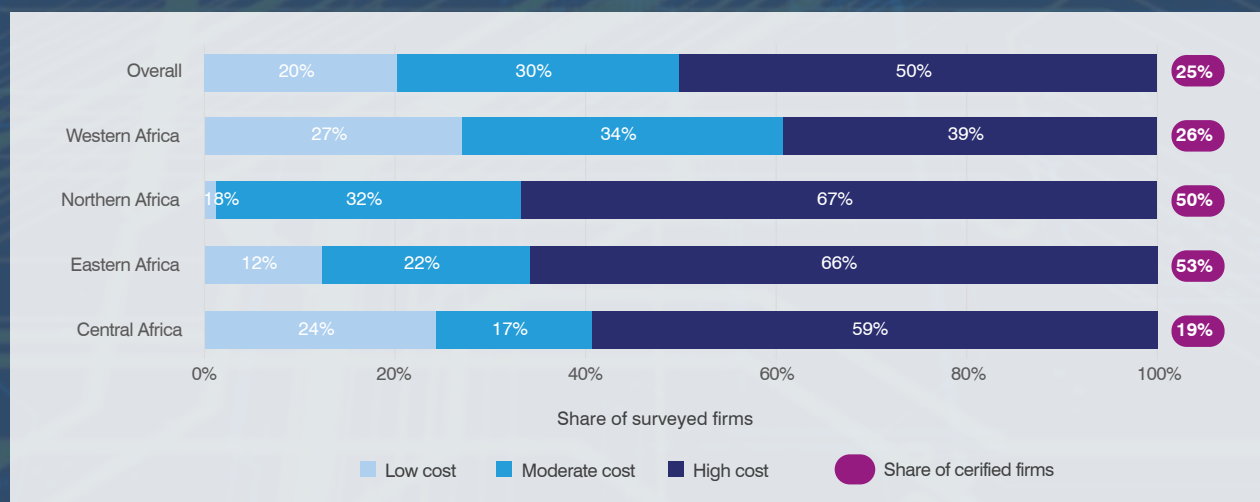
Trade and investment support institutions can ensure that standards promote 'better' trade and do not become hidden NTMs. They can do this by disseminating high-quality information, guides and advice to help firms obtain internationally recognized certificates. Standards portals or other websites that act like one-stop shops for enterprises to find information or updates on relevant standards can help ease the burden on enterprises, particularly SMEs.

Perceived quality of certification bodies differs by firm size



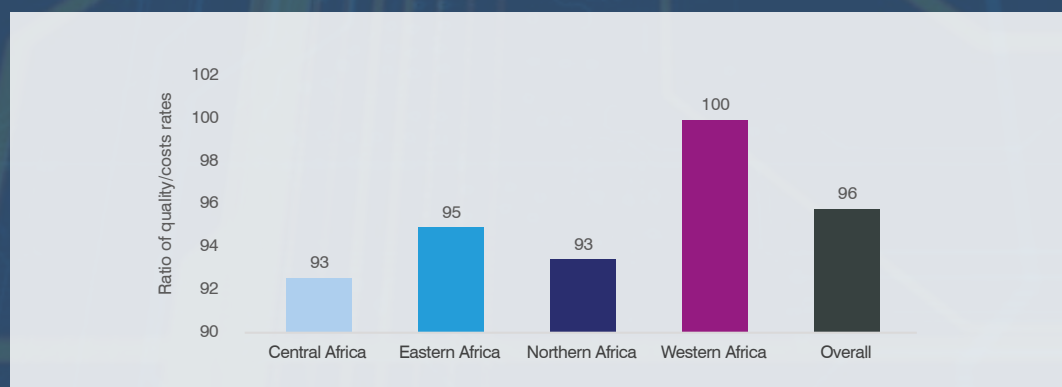
Source: CPCCAF and ITC SME Competitiveness Survey (2018).

Half of surveyed firms consider certification expensive



Source: CPCCAF and ITC SME Competitiveness Survey (2018).

Efficiency of certification bodies differ by region



Note: The efficiency score corresponds to the ratio of the quality ratings (*Please rate the quality of certification bodies' services*) divided by ratings on costs (*Please rate the cost of certification bodies' services*). For easier comparison, the scores are normalized, so that the most efficient region's score equals 100.

Source: CPCCAF and ITC SME Competitiveness Survey (2018).

Quality infrastructure

Quality infrastructure is the set of bodies that create, maintain and implement standards. These include national standards agencies, conformity assessment bodies and metrology and accreditation bodies. Surveyed firms in French-speaking Africa signaled that the quality of their certification infrastructure was generally good.

Half of the surveyed firms had direct contact with certification bodies. Among them, 38% rate the quality of their service as good or very good. Certification bodies scored particularly well in North Africa, where 50% of firms rate their quality as good or very good. These findings are consistent with another SME competitiveness survey conducted in Morocco by ITC in 2017⁸, showing a high certification prevalence, notably in the agri-food and high-tech industries.

Large firms rate quality infrastructure more highly than SMEs

Large companies tend to be more satisfied than smaller firms with the quality of certification bodies: nearly 60% of large enterprises rated their country's quality infrastructure as high, versus 35% of micro-sized firms. There may be many reasons for this. Larger companies are able to devote more human and financial resources to the certification process. As a result, it is the larger companies that tend to get certified. Therefore, certification bodies may be naturally tailoring their services to meet the needs of large enterprises, and may be unaware of procedures that discourage SMEs from gaining certifications.

An NTM survey in Guinea⁹ revealed a high prevalence of informal payments to expedite certification processes. As large firms usually have more reputational influence and greater financial capacity, it comes as no surprise that large businesses in the French-speaking Africa sample report greater service quality.

Certification costs perceived as high

Surveyed firms generally consider certification to be expensive, regardless of their size. Companies in Central Africa, which are the least likely to be certified, are very likely to perceive the costs of certification as high. Although half of the respondents in North and East Africa are certified, two-thirds of surveyed firms in these regions still perceive certification costs as high.

The time and costs associated with certification appear to be important factors inhibiting the acquisition of new certificates. ITC NTM surveys show that certification costs affect businesses in different ways. Tunisian exporters, for example, cite very high certification costs resulting from formal and informal fees, and lengthy procedures that cause delays and opportunity costs. Delays are not only administrative, but are related to what firms view as inadequate laboratories and accrediting agencies – meaning the technical infrastructure itself. This is especially the case for agricultural and fishery exports.¹⁰ Findings in Rwanda¹¹ and other countries are similar.

Higher quality accompanies higher costs

Costs and quality seem to be linked. Good-quality certification bodies are usually perceived as more expensive than those of lower quality, as testified by the ratings provided by surveyed firms. The costs are the highest in North Africa, where quality is rated the highest, whereas in West Africa, costs and quality are rated the lowest.

However, West African certification bodies perform the best in terms of efficiency (i.e. the quality-to-cost ratio). West African countries have been working together since 2001 to harmonize their standards.¹² This enables SMEs to cut costs, as compliance with domestic standards offers automatic compliance with harmonized foreign standards. Certification bodies also benefit, as experience, equipment and testing facilities may be shared.

8. International Trade Centre. SMECS Morocco (2018).

9. International Trade Centre (2015). Guinea: Company Perspectives. An ITC series on non-tariff measures.

10. International Trade Centre (2014a). Tunisie: Perspectives Des Entreprises. Série de l'ITC Sur Les Mesures Non Tarifaires.

11. International Trade Centre (2014b). Rwanda: Company Perspectives. An ITC Series on Non-Tariff Measures.

12. Available from: www.waqsp.org/en/content/context



Key findings

SMEs form the backbone of the African economy. Helping more of these enterprises connect to global markets would ensure that the gains from trade are more evenly distributed, and generate the employment needed to absorb a rapidly expanding workforce. Getting more firms to comply with international standards can play a key role in fulfilling these goals.

Certification rates

- Certification is often a prerequisite to entering foreign markets. Only a quarter of the companies surveyed hold an internationally recognized certificate. Most enterprises hold either a quality or safety certificate.
- The smaller the firm, the less likely it is to have an internationally recognized certificate. Smaller firms often struggle to bear the financial, administrative or other costs associated with obtaining and maintaining certification.
- Only 7% of enterprises in the agriculture sector export, but 70% of those that do hold an international certificate. Getting more agriculture firms certified could boost the number of exporters.

Access to information on standards

- Information on standards and certification processes is not readily available. Smaller businesses report experiencing more trouble accessing this information, which may be contributing to their lower certification rate.

- Agriculture firms report having particularly poor access to information on standards. Low levels of rural connectivity in many parts of Africa may be inhibiting the dissemination of this type of information.
- In countries with more certified companies, firms also report having better access to information. Trade and investment support institutions can help disseminate high-quality standards-related information by setting up one-stop portals for SMEs.

Quality and cost of certification infrastructure

- The quality of the services provided by certification bodies is rated as 'good'. However, the ratings of SMEs are lower than those of larger firms. This suggests that larger businesses are better positioned to take advantage of the services on offer or that these services are better tailored to larger firms.
- Certification costs are perceived to be high regardless of enterprises' size. Central African firms report particularly high costs, which may explain their low certification rates, compared with other regions.
- Better quality infrastructure come at a higher cost. West Africa appears to offer the highest value for money when it comes to certification.

The Permanent Conference of African and Francophone Consular Chambers

The Permanent Conference of African and Francophone Consular Chambers (CPCCAF) is an economic cooperation network for the private sector development and trade in French-speaking Africa. It aims to foster bilateral and multilateral cooperation between chambers of commerce, crafts, agriculture and other trade promotion organizations in any field of entrepreneurial development. Thanks to its half-century of activity, CPCCAF has a network spanning 31 economies, including 26 French-speaking African countries.

The International Trade Centre

Established in 1964, the International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations. ITC is the only United Nations development agency that is fully dedicated to supporting the internationalization of SMEs. Through its market access tools and technical assistance programmes, ITC enables SMEs in developing and transition economies to exploit new market opportunities, thus raising incomes and creating job opportunities, especially for women, young people and poor communities.

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