

AID-FOR-TRADE CASE STORY

CANADA

PROGRAM FOR BUILDING AFRICAN CAPACITY FOR TRADE

Co-sponsored by the Government of Canada, Trade Facilitation Office Canada (TFOC), and International Trade Centre (ITC), Geneva

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Region: Sub-Saharan Africa

Country: Ethiopia, Ghana, Mali, Mozambique, Senegal, South Africa, and Tanzania

Type: Program for Building African Capacity for Trade (PACT) - \$8 Million, 2003-2007

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EXECUTIVE SUMMARY

The Program for Building African Capacity to Trade (PACT) was implemented jointly by the International Trade Centre, (ITC), the Trade Facilitation Office Canada (TFOC) and African partner organizations. An \$8 Million dollar contribution was provided by the Canadian International Development Agency (CIDA). This contribution was part of Canada's \$500 Million fund for Africa that was announced in 2002 at the Kananaskis G8 Summit. The Fund was designed to support the made-in-Africa New Partnership for Africa's Development (NEPAD).

The main objective of PACT was to expand and diversify exports in recipient African countries (Ethiopia, Ghana, Mali, Mozambique, Senegal, South Africa and Tanzania) in an attempt to improve economic and social development, and benefit disadvantaged groups. PACT was distinct from other trade-related assistance projects in that it provided in an integrated way: (1) training in export readiness; (2) training in information and communications technology (ICT) based delivery of market information; (3) expert advice on market readiness, including mentoring; and (4) market access missions.

The PACT project achieved results that directly benefited African businesses. For example, six hundred small farmers in Ghana exported 210 tonnes of fresh fruit and vegetables a week to customers in Europe. Two South African cosmetics companies (Ikhala and Molo) exported their products to Canada. The *Design Africa* brand, developed with the South African Textile Industries Export Council (SATIEC) was successfully introduced in the area of home furnishing products and *Design Africa* events facilitated significant export commitments to the EU, US, and Canadian markets. African and Canadian business-women strengthened networks of mutual support. The URL for the *Design Africa* website is at <http://www.designafrica.ca>

Access! African Businesswomen in International Trade was a sub-program that provided export training and business counselling for African women entrepreneurs. This program won the Canadian Award for International Cooperation in Gender Equality in 2006. The award was in recognition of the program's achievements in supporting sustainable economic growth among female-owned businesses in developing countries.

Countries conducted ongoing self-evaluations and the PACT program as a whole was independently evaluated in 2006. Many of the beneficiaries concluded that PACT was useful and relevant in addressing countries' trade development priorities, and that the program had filled a gap in trade-related capacity

building for small and medium sized enterprises (SMEs) and trade development institutions in the targeted countries.

ISSUES ADDRESSED

The PACT program addressed some of the main export capacity building needs of existing and potential SME exporters as well as the needs of selected trade support institutions in recipient countries in Sub-Saharan Africa. It focused on: (1) training in export readiness; (2) training in information and communications technology (ICT) based delivery of market information; (3) expert advice on market readiness, including mentoring; and (4) market access missions. PACT also addressed supply side challenges faced by African countries.

The constraints faced by women entrepreneurs attempting to export were also addressed. These included access to export business training, access to business mentorship/coaching, and access to business support services and business networks including web-portal facilities.

OBJECTIVES PURSUED

The main objective of PACT was to build SME export capacity, and help countries expand and diversify exports. The long-term objective was to promote the economic and social development of the countries concerned, including disadvantaged groups within these countries.

The PACT program helped develop export supply chains, and improved competitiveness. Capacity building was done through practical and action-oriented technical assistance in three broad areas:

- Strengthening institutional infrastructure;
- Enhancement of enterprise competitiveness;
- Promotion of tangible business opportunities.

DESIGN AND IMPLEMENTATION

PACT was structured in two phases, and implemented over a period of four years. Phase I focused on four countries: Ghana, Senegal, South Africa and Tanzania. During that phase of less than a year, early deliverables included needs assessments and project design development. Phase II, the full-scale program implemented a variety of activities in the first four countries and also designed and implemented core PACT activities in Ethiopia, Mali, Mozambique. In addition to country programs, a regional initiative in support of women entrepreneurs was included in the PACT program in 2004, *ACCESS! African Businesswomen in International Trade*.

PROBLEMS ENCOUNTERED

Three challenges were encountered during the program's implementation. The initial time horizon for implementation and results was too short. The funds allocated to each country program to achieve the goals and objectives were insufficient. The expected results, particularly some outcomes and impacts outlined in the individual country PACT Logical Framework Analyses (revised March 2005), might have been too ambitious. These problems were taken into consideration in the follow up project, PACT II.

FACTORS FOR SUCCESS

The PACT evaluation singled out two best practices that maximized the benefits of the PACT training and mentoring. These were:

- Group marketing, used to advantage in the Ghana horticulture sector. Firms in the sector realized, following participation in a trade fair in Germany, that they could not meet demand, due mainly to the large size of the orders. Consequently, a group marketing scheme (a farmers' cooperative) was established through which small farmers pooled their products destined for the export market in Europe. As a result, the benefits of exporting accrued to a larger number of farmers and at the same

time, they were able to meet the needs of importers, and;

- Networking among participants in PACT and *ACCESS!* via post training seminars was important. Many participants organized monthly meetings to exchange views about problems that they experienced in putting into practice lessons learned from the formal training sessions.

The success of *ACCESS!* was due largely to a comprehensive training methodology that was designed jointly, blending the very best technical assets of both the ITC and TFOC. The training package was very practical and available in four languages. It was fully Africanised and genderized. Its success was due to the dedication of local counterparts, trainers, and mentors and, perhaps foremost, to the keen desire of women entrepreneurs to succeed in export markets.

RESULTS ACHIEVED

At least 100 entrepreneurs successfully completed two years of export preparedness training seminars in the four Phase 1 countries. They were selected to participate in marketing missions and/or attend trade fairs. Of those, the evaluation estimated that 50-60% established business linkages with a distributor in the importing country and about 20% actually received supply orders, or were on the way to securing such orders.

The PACT evaluation found that those who had participated in PACT training activities, were better positioned and equipped to export to international markets. In addition to developing an awareness of the many challenges that exporting presents, entrepreneurs indicated that they had gained practical knowledge of what needs to be done to develop competitive products for export. This knowledge included proper costing of products, proper packaging and labeling and all other aspects of supply chain management.

PACT achieved diversified results that directly benefited African businesses. For example, six hundred small farmers in Ghana exported 210 tonnes of fresh fruit and vegetables a week to customers in Europe. African and Canadian businesswomen strengthened their networks and provided crucial mutual support. Two South African cosmetics companies (Ikhala and Molo) exported their products to Canada and the *Design Africa* brand was successfully introduced in the area of home furnishing products.

Access! won the Canadian Award for International Cooperation in the Gender Equality in 2006, in recognition of the program's achievements in supporting sustainable economic growth amongst primarily female-owned businesses in developing countries.

Success Stories:

- Molo – This South African firm was identified as a potential exporter by a Canadian counterpart, PACT trainers provided training in supply chain management and some follow-up, post classroom training, expert advice on improving Molo's range of natural beauty products, information on the Canadian market, and on the selection of a distributor in Canada. This led to an increase in revenues, employment creation of about 60 jobs, and helped alleviate poverty amongst participating women farmers, many of whom were AIDS widows.
- *Design Africa* - A positive brand image for made-in-Africa products was established; export-readiness and competitiveness of African SMEs was achieved, and market linkages were created. The thirteen companies that participated in Design Africa events expected to earn export sales to Canada of approximately \$500,000 during 2006-07 as a result of the business contacts they established. During the last EU trade show (Maison et Objet in January 2010), the seven companies that participated generated over \$100,000 in orders. Twelve companies participating in *Design Africa* support activities experienced an increase of \$200,000 in export sales and 400 new jobs were created from 2007 to 2009.

Design Africa has "touched" 450 companies in eight countries, mostly through seminars and one-on-one meetings with market and product development specialists. Thirty "supported" companies" received market access training and in-depth marketing and product development support, over five years.

- Muya Ethiopia - Muya's success in creating employment was directly correlated with its ability to expand international sales. It produced hand-woven cotton fabrics used in home furnishing applications and employed over 100 weavers who made use of traditional skills passed down

from their ancestors. As a result of employment with Muya, these women and men earned a several-fold increase in their household income.

LESSONS LEARNED

Training and short-term post-training mentoring were not generally sufficient for exporters to succeed. Training in export preparedness should be followed by the provision of extensive expert advice (mentoring), and market exposure missions. Trainers and entrepreneurs who received PACT and *ACCESS!* training in export preparedness identified the need to follow up classroom training with advice on a range of issues such as product costing, packaging and labelling, sources of working and equity capital at reasonable cost, marketing approaches, etc. In addition;

- Preparatory and follow-up activities funded by the program (e.g. pre-mission preparation and post-mission follow-up) were essential for the coherence and sustainability of the program.
- A thorough assessment of local counterpart capacity and interest was important and needed to be done before committing to projects. It was important to partner with an organization that already had a mandate to conduct activities that were in-line with the specific program of assistance.
- Sufficient time and resources should be factored into the planning phase for start-up activities.
- It was advisable to limit the number of program activities offered to ensure both orderly implementation and better results.

CONCLUSION

It takes time to be successful in developing export markets. The PACT program accomplished a lot by creating a knowledge base and building capacity amongst potential exporters.

The program served to enhance the capacity of many SMEs to develop export supply chains and improve competitiveness in world export markets through a number of timely and well-designed activities. The program also strengthened the institutional infrastructure that supported export-led development by involving local counterparts, trade associations and resource persons in training for management of an export-led regime.

Lessons learned in PACT 1 were incorporated into the design of the current project, PACT II. PACT II addresses the needs of regional economic commissions and aims to strengthen their capacity to lead and implement a sustainable trade and development architecture in their regions. The regional economic community secretariats – the Common Market for East and Southern African (COMESA), the Economic Community of Central African States (ECCAS) and the Economic Community of West African States (ECOWAS) - have been instrumental in scaling up PACT I into a regional PACT II program and consolidating some of the sectoral assistance delivered in PACT 1 projects. In COMESA, the PACT II program is not only strengthening the COMESA Business Council, but is also strengthening the leather sector supply/value chains for regional and international markets. In the case of ECCAS and ECOWAS, assistance is targeted at coffee and mango production and relevant support institutions. Under PACT II, the *ACCESS!* program has expanded to 19 countries, with updated and sector specific training modules, using a cost efficient training by training approach that evolved from the lessons learned under the earlier program.

ANNEXES / REFERENCES

Design Africa Website

<http://www.designafrica.ca>

CIDA

<http://www.acdi-cida.gc.ca>

International Trade Centre

<http://www.intracen.org/>

Trade Facilitation Office Canada

<http://www.tfocanada.ca/>

