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South African SMEs face export hurdles

Yesterday - By Lyse Comins

Experts say stronger logistics, financing and policy alignment are key to unlocking the full potential of SEZs and trade across Africa. Source: Magnific

Unlocking the potential of Special Economic Zones (SEZs) across South Africa and the broader continent will require an aligned ecosystem of structured capital, clear policy frameworks and streamlined cross-border logistics.

That was the key message from panel discussions and fireside chats at the Second International Special Economic Zones Conference held at the Durban ICC.

Addressing the challenges facing small and medium-sized enterprises (SMEs), DHL Express Sub-Saharan Africa Express Logistics Programmes Manager Vusi Madi said international trade remained daunting for many smaller businesses.

"You would find that a lot of SMEs view the international market space as something that is complex. They look at it and are faced with a number of challenges. The first is understanding the international customer," Madi said.

He said maintaining quality standards and navigating customs requirements were critical to building an international presence.

"You need to know exactly what is required locally to take your product out of the country. What are the regulations? What is required to move your product out of Africa or into any other market?"

To help overcome volume constraints, DHL is developing aggregated logistics solutions.

"We take 10 SMEs and arrange for a warehouse to house most of their products, and from there we are able to distribute them to different markets," Madi said.

He added that South African SMEs were slower than their counterparts elsewhere on the continent to take advantage of regional trade opportunities.

"We are sitting at 20% in terms of trade from South Africa compared with what other markets in Africa are sending to South Africa. The uptake is quite slow, and I think that's where we are missing an opportunity."

While logistics infrastructure is key to accessing regional markets, panellists also highlighted the importance of access to finance and insurance.

Head of Political, Economic, Analysis and Research at ECIC, Nyiko Mabunda, said emerging exporters often struggled to secure pre- and post-shipment finance because of onerous collateral requirements.

"We appreciate that these businesses face real finance-related challenges, particularly linked to pre-shipping and post-shipping capital. There are collateral-heavy bond requirements when utilising these trade agreements across the continent."

He said the ECIC offered working capital cover, bank risk participation for bonds and trade credit insurance to help businesses expand into African markets.

Absa Global Head of Infrastructure Zen Dlamini said funding was available for viable projects.

"There really is no shortage of capital. As banks, we crowd in capital. The biggest issue is making sure that we've got the right projects," she said.

SADC Development Finance Resource Centre chief executive Lilibati Sakula said investors required regulatory certainty and bankable projects before committing funding.

"Finance always follows confidence, and the only way you can actually get that right is if you have all of these things sorted," Sakula said.

He added that development finance institutions played an important role in de-risking projects before commercial lenders stepped in, citing the Lobito Corridor as an example of successful collaboration between development financiers and commercial banks.