

SMEPoL's Newsletter

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Reforming the Business Environment: From Assessing Problems to Measuring Results

The Donor Committee for Enterprise Development, established in 1979 with the World Bank being the Secretariat of its Steering Committee, comprises representatives of donor agencies engaged in SME development assistance programs in developing countries. The Committee aims to promote small enterprises in developing countries by exchanging information on the programs of participating agencies, sharing experiences and lessons learned in the implementation of projects and coordinating efforts and establishing common guidelines in these fields.

The Committee's Business Environment Working Group organized a conference in Cairo entitled "Reforming the Business Environment: From Assessing Problems to Measuring Results" from November 29 to December 1, 2005. Objectives of the conference were to:

- Exchange of information on practices in reforming the business environment, particularly the frameworks, tools and interventions used to assess, reform and measure changes of the business environment.
- Identify key challenges for donor agencies working to reform the business environment for SMEs and priorities for research and development by the Committee.
- Identify practical measures, by governments, donors and private sector that accelerate the implementation of business environment programmes.

Among the papers presented from different countries, 2 papers related to Egypt. One of them was about SMEPoL Project's evaluation undertaken by the independent consultants; ODI (The Overseas Development Institute) which gave an introduction about SMEPoL and its context and focused more on lesson learned. Some lessons have to do with the context SMEPoL operate within, like the existence of the "Need" to develop a policy framework, the context of reform where demand and ownership were clear from the counterpart, having the authority to carry out activities is sometimes more effective than having the mandate, and the existence of champions helps get the work done. Other lessons have to do with the project, like having an explicit policy focus, proximity to the powerful partner, risk management and having risk strategies, and strategic opportunism which enabled the project to be flexible enough to seize opportunities.

The other presentation was about Donors' Involvement in Business Environment Reform in Egypt and how donors can work together. The paper was presented by the M/SME Donors' sub-group and was basically about how donors perceive the situation of their work together in Egypt and initiatives they embark on, an example of which was the development of the Microfinance Strategy. The key findings of this paper laid emphasis on the significance of the political will, changing mindsets, as well as effective representation and participation of M/SMEs.

Holding the conference in Egypt was a very good opportunity to present the Egyptian experience in the field of Business Environment Reform to around 300 participants from different countries and also to get acquainted with other countries' experiences including Tanzania, Vietnam, USA, Switzerland, etc.

For more information about the conference and papers presented, please visit: www.sedonors.org/cairo

CIDA's Sixth Annual Workshop Institutional Capacity Strengthening

The Canadian International Development Agency (CIDA) held its 6th Annual workshop in Ismailia from the 11th to the 14th of December 2005. The workshop was inaugurated by the Canadian Ambassador, the Governor of Ismailia, and the Country Program Director with the theme of "Institutional Capacity Strengthening", which emphasizes the importance of the process of building the capacity of CIDA's partners and/or target groups.

Six SMEPoL staff members attended the workshop. The workshop included presentations on the Canadian International Policy Statement, the Institutional Capacity Strengthening Strategy that is being developed by CIDA, the Human Rights Approach to Development, CIDA's SME Program Review, and case studies by 6 CIDA projects on their experiences in strengthening the capacity of their partners or their target groups. The workshop also included presentations by guest speakers who presented their perspective and gave participants thoughts about Capacity Development outside CIDA's context.

One of the case studies presented was SMEPoL Project's experience in building the capacity of its staff members and staff members of its partner ministry. The presentation explained how the project started with assessing the capacity of the partner ministry, providing them with training courses as well as having other activities, other than just training, that proved to work better; like conducting local and international study tours and regional workshops, on-the-job training and working in teams. Then the project developed a Standard Operating Procedures Manual and has also shared the process it adopted to SME stakeholders.

The workshop was a perfect networking opportunity for all projects and participants. Attendees got to know more about the scope of other projects' work and shared experiences and lessons learned regarding the capacity development initiatives with the diverse range of projects' partners. By the end of the last day of the workshop, there were 31 lessons learned identified throughout the 4 days, that were then prioritized by participants to 5 lessons, namely;



1. Operating in a participatory manner means having stakeholders identify and work towards addressing their own needs, focusing on both the process and the results, and doing interventions that follow the flow of actual work processes rather than "off-the-shelf" pre-made tools.
2. Ownership of the capacity development process from within organizations is a key principle for successful results. Participation is a fundamental principle to build the ownership necessary to achieve Capacity Development results.

3. Capacity building requires a combination of different types of activities that include, but are not limited to, strategic planning, coaching and mentoring, “How-To” manuals, training in facilitation techniques and learning by doing.
4. Networking is a critical factor; amongst SMEs, partners and decision-makers
5. Provide organizations with tools that support self-initiative as tools, systems, and methods are part of the identity of an organization.

Human Rights in Programming

CIDA's first training workshop about Human Rights in Programming took place from the 12th to the 15th of March 2005. CIDA chose Egypt to pilot adopting the Human Rights Approach to Development and assess the impact of adopting such an approach and how results might change accordingly.

The workshop introduced Human Rights as an integral aspect of everybody's life throughout history. By ratifying international conventions, countries have to comply with such conventions. Thus, development programs cannot be aiming for people's welfare without promoting their human rights.

And since rights are interrelated, interdependent and indivisible, a six step methodology helps understand how HRAD can be applied. The six steps are as follows;

1. Problem definition
2. Problem definition through a human rights lens
3. Stakeholders analysis
4. Capacity analysis
5. Identification of results & indicators
6. Identification of entry points.

These steps are basically about adding a human rights perspective to the activities carried out by projects which might lead to identifying gaps between stakeholders' interests and influence and addressing these gaps accordingly. In this context, CIDA has adopted 4 principles that show how activities undertaken by projects can be analyzed in Human Rights terms. The 4 principles are:

- Participation / inclusion
- Equality / non-discrimination
- Accountability / transparency
- Indivisibility / interdependence.

SMEPoL is adopting the Human Rights Approach to Development by more inclusion of stakeholders' input to policy development and including representatives of the unemployed. The project will work on allowing for more and better representation as well as participation of SME unions/organizations and potential entrepreneurs in pertinent project activities.

Towards Creating an Enabling Environment for Equity Finance in Egypt

The Ministry of Finance, supported by SMEPol Project, has taken the initiative to establish a committee for discussing and monitoring the steps required to establish a fund/company for Venture Capital. The committee was established by a decree from the Minister of Finance and includes representatives from the Ministry of Finance, Ministry of Investment, Central Bank of Egypt, Capital Market Authority, National Investment Bank, Social Fund for Development, Cairo and Alexandria Stock Exchange, Misr Iran Bank & a representative from a private sector VC company.

The committee convened four times since its establishment. In its first meeting members of the committee recommended & agreed to broaden the scope of the fund to go beyond VC for SMEs by covering 3 main broad areas which are Private Equity Fund, Turnaround Fund and Venture Capital Fund. The fund/s are to support the private sector as a whole, including but not limited to SMEs. Representation of key stakeholders in the committee will enable streamlining any regulations impeding the creation of such fund/s.

A feasibility study on the establishment of the fund is expected to be completed in October 2006 and then the committee will take the actions of establishing the fund. The establishment will be facilitated through the committee, but the management of the fund will be through a private company. The committee will act as a catalyst between decision makers & equity finance companies, by having a set of roundtables to discuss the current problems & constraints hindering development of the equity finance industry in the market.

Building Financial Systems for the Poor: How Donors can Make a Difference

In an attempt to gain experience in the field of micro-finance, three SMEPol Project staff members attended the training course entitled ‘Building Financial Systems for the Poor: How Donors can Make a Difference’ in Bangkok, Thailand, from 30 January – 3 February, 2006. The training course was jointly organized by the Consultative Group to Assist the Poor (CGAP) and the United Nations Capital Development Fund (UNCDF).

A diverse group of participants attended the course, with representation from government agencies, donor agencies and microfinance practitioners from different developing countries.

The course tackled the three levels of intervention in microfinance; macro (legislation, regulation and supervision), meso (support services and infrastructure) and micro (financial service providers), and recommendations revolved around the “New Vision of Microfinance” which promotes:

1. Diverse Financial Services for a Broad Range of Clients
2. Institutional Diversity
3. Information Quality and Availability
4. A Sound Policy and Legal Environment

In terms of the lessons learned, the conclusions that can be made are that Government’s most critical contribution is to maintain macroeconomic stability. Interest rate ceilings restrict access to financial services, thus there has to be a consideration to such an effect. Government-run credit programs generally distort markets, so the tendency should be towards private sector/ civil society interventions. Work at the policy level in general requires specialized technical capacity and operational experience that has to be present to direct the market for micro-finance. Thus, policy makers need to focus on; supporting interest rate liberalization, building on existing policy frameworks and dialogue, not supporting direct provision of financial services by the government, and adjusting the regulatory and supervisory framework.



An Independent Evaluation for SMEPoL Project

The International Development Research Center (IDRC) commissioned the Overseas Development Institute (ODI) to conduct an evaluation for SMEPoL Project. ODI is an independent British think-tank on international development and humanitarian issues that inspires and informs policy and practice which lead to poverty reduction and achieving sustainable livelihoods in developing countries.

ODI used many tools that included, but were not limited to, reviewing the project documents and interviewing and seeking views of the Project's staff, other Egyptian stakeholders and independent experts. The evaluation report was completed in March 2006 and covers 4 issues; an assessment of SMEPoL project, lessons for replicability, recommendations for Canadian stakeholders for working on SME policy development in Egypt and options for replicating similar projects in other Middle East countries.

Among the findings related to the assessment of SMEPoL Project, was that "SMEPoL has made a valuable contribution to M/SME policy development in Egypt" and has helped put M/SME issues much higher on the policy agenda, generate a range of policy-relevant research, enhance capacity in key ministries, improve policy development processes and develop a cohesive Competitiveness Strategy for Egypt. The report also noted the challenge of implementing the "Competitiveness" strategy which needs much coordination among government entities.

Some of the key elements that led to achieving such contributions were the existence of the need, champions and the authority to develop policy, in addition to adopting a consultative approach, risk management, strategic opportunism & flexibility.

Leasing Roundtable Event

On November 13, 2005, SMEPol in partnership with Financial Services Volunteer Corps (FSVC – a US based non-profit organization) organized a roundtable event entitled "Enhancing Opportunities for SME Leasing". The event was held under the auspices of the General Authority for Investment (GAFI), which regulates the leasing industry in Egypt.

As a financial tool, leasing has proven to be greatly successful as a better alternative to finance assets for SMEs, as compared with other sources as supplier credit, informal financing and internal cash generation. This is due to its ability to overcome the difficult requirements of traditional channels of finance, specifically bank loans, and their systems of assuring credit histories, sufficient collaterals and solid capital base, which are usually not met by SMEs. In light of the importance of SMEs and the expected growth of the leasing business in Egypt, SMEPol enlisted the support of Finance & Banking Consultants International (FINBI) to develop a study in 2004 examining the application of leasing within the SME sector.

As a complementing activity of the aforementioned study, the two parties (SMEPol and FinBi) in collaboration with FSVC agreed to arrange a Leasing Roundtable event discussing the findings and recommendations of the study with all involved parties and in the presence of two expert leasing volunteers facilitated by FSVC. The event took place on November 13, 2005 with the attendance of all involved parties; leasing companies, government bodies represented by GAFI, Ministry of Finance, Social Fund for Development, International Institutions represented by USAID, IFC and Industrial Modernization Program (IMP). The study findings were highlighted and thoroughly discussed by all participants. GAFI presented their latest efforts and achievements with regard to leasing business. The leasing specialists assisted the participants in pinpointing the main constraints, with recommendations on how to overcome those problems based on their international experience and best practices.

Subsequent to the roundtable event, the FSVC international leasing expert volunteers held one-to-one meetings with all of the leasing companies present in order to discuss individual challenges for these companies operating in the industry. A final report has been developed by FinBi encompassing all of the issues raised during the roundtable and recommendations for addressing these issues. The report is available on the SMEPol website

www.sme.gov.eg

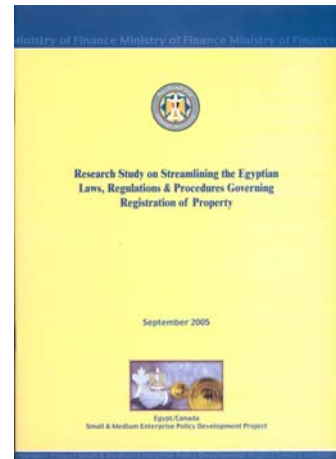


Streamlining Property Registration

The Small & Medium Enterprise Policy Development Project, under the Ministry of Finance has initiated a comprehensive study on “Streamlining the Egyptian Laws, Regulations and Procedures Governing Registration of Property”. The study serves as an extension to the report recently published by SMEPol entitled "Streamlining the Egyptian Laws, Regulations and Procedures Governing SMEs Establishment, Growth, Export and Exit".

Legal and regulatory barriers have been predominant amongst obstacles facing small and medium enterprise development both internationally and in Egypt also. This study specifically looks at the challenges of property registration in Egypt with the view that the lack of a modern property administration system limits SME financing whereby assets are held by the poor but cannot be used for collateral. In this respect, the study builds on previous efforts conducted by the Instituto Libertad y Democracia (ILD) led by Hernando de Soto and the Egyptian Center for Economic Studies (ECES) in partnership with the Ministry of Finance.

The study, commissioned by MOF/SMEPol to Megacom Consulting Firm, compares the current property registration system in Egypt to that in various other countries and draws heavily on international experiences and best practices to develop a complete set of recommendations to streamline the existing legal and regulatory framework governing property registration. An action plan has been developed to encompass the recommendations proposed setting roles, responsibilities and the timeframe for the implementation of the recommendations. The full report is available online on www.sme.gov.eg



Small and Medium Enterprise Policy Development Project (SMEPoL)

The Small & Medium Enterprise Policy Development Project commenced as a four year project in June 2000 and has been extended to July 2006. It is a partnership between the Egyptian Ministry of Finance, the Canadian International Development Agency (CIDA) and The International Development Research Center (IDRC). The project's purpose is to support the Ministry of Finance in the development of policies, legislation and regulations supporting M/SME development.

Impact:

An improved policy environment resulting in reduced financial and non-financial constraints and increased opportunities for M/SME development.

Outcomes:

1. MoF has provided a strategic vision and has developed specific policies, legislation and regulations that facilitate M/SME development.
2. The human and institutional capabilities of MoF to develop M/SME policies, legislation and regulations have been strengthened.
3. The knowledge and information base available to MoF on M/SME development issues have been improved.
4. Collaborative relationships between MoF and other stakeholders have been enhanced to support M/SME policy development and implementation.

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