

“Enhancing Competitiveness for SMEs in Egypt” Document Finalized

The “Enhancing Competitiveness for SMEs in Egypt. General Framework and Action Plan” policy framework document was initiated as part of the policy component in the SMEPoL Project, as an update for the “Draft National Policy on Small and Medium Enterprise Development in Egypt” document that was released by the Ministry of Economy in June 1998. Three drafts were submitted, reviewed, updated, and refined during a period of almost two years (First Draft submitted in November 2002) before finalizing the final draft.

An action plan for the policy framework was developed through a consultative process, involving 180 organizations working in the field of SME development in Egypt (a 4 day workshop was held in March 2003 to develop the action plan and another 2 day workshop was held for updating it after the cabinet shuffle.) The final document and action plan were endorsed by the former Prime Minister Dr. Atef Ebeid, and the current Prime Minister Dr. Ahmad Nazif, and will be launched early 2005 in a National Conference involving all stakeholders.

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INSME Conference on “Enabling Growth and Innovation in SMEs”

The International Network for Small and Medium Sized Enterprises (INSME) is a non-profit association open to international membership. Its mission is to stimulate transnational cooperation and public and private partnership in the field of innovation and technology transfer to SMEs. This is justified by the challenges posed by globalization that force SMEs to strive to be more competitive through accessing innovation and technology. Policy makers and intermediaries play a crucial role in assisting SMEs in this respect:

- Policy Makers provide support through the creation of innovation policies and by orienting public funding towards SMEs that need innovation services;
- Intermediaries provide more ‘hands-on’ support, working directly with SMEs to resolve their problems.

Given this scenario, INSME’s role is to create a link between these entities so as to enhance the level of support provided. In doing so, INSME acts as a hub, multiplier and disseminator of knowledge, a facilitator for alliances, a promoter of networking and a catalyst to encourage North-South and South-South international cooperation and political dialogue.

The INSME meeting which was held in Sweden from the 25th to the 27th of February, 2004, had the theme of “Enabling Growth and Innovation in SMEs”. Around 80 delegates consisting of private and public sector representatives mainly Members of the INSME Network attended this event co-hosted by the International Organization for Knowledge Economy and Enterprise Development (IKED). Speakers from governmental bodies, international organizations, NGOs, intermediaries and networks specializing in the field of innovation and technology transfer gave presentations in the different sessions of this 3 days event. The meeting was the first occasion for presentation of the INSME Association, after its formal set-up, and the INSME Board. The Association's organization as well as its ongoing and future activities was illustrated in detail and many suggestions and proposals were produced by the discussion among participants, paving the way for the creation of new and concrete operational activities.

The event was a good opportunity for the members of the Ministry who attended to get acquainted with some of the international experiences in the field of venture capital for small innovative businesses, policies intended for the development of technological businesses, networking, and clusters.

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49th ICSB World Conference, Johannesburg, South Africa

The International Council for Small Business (ICSB) integrates activities of diverse organizations and professionals who deal directly with SMEs, creates new information on small business management and entrepreneurial development and provides it to the small business community. One way to exchange information and network is to hold international conferences. Four staff members attended the 49th ICSB World Conference held in Johannesburg, South Africa from the 20th to the 23rd of June 2004. The main theme of the conference was *“Globalization and Its Impact on Entrepreneurship and Small Business Development in the Developing World”*. Academic papers were presented introducing international best practices and tackling issues pertaining to finance, globalization and SMEs, trade, innovation and technology for SMEs, entrepreneurship and gender equality. To access the conference presentations, please visit the website: <http://www.icsb2004.com/call.html>

Constraints hindering SME development in South Africa are quite similar to those experienced in Egypt. Thus, the Egyptian delegation held meetings with several organizations concerned with SME development in Johannesburg and Pretoria in order to grasp the South African experience in resolving such constraints. These were organizations responsible for supporting SMEs both financially, and non-financially. A brief overview of some of these organizations is mentioned below:

- The National Manufacturing Advisory Center (**NAMAC**) implements SME support programs on behalf of the Department of Trade and Industry (dti) and promotes and coordinates national and international linkages and value-adding activities in line with international best practices.
- **NTSIKA** Enterprise Promotion Agency provides business development services (BDS) to SMEs. Its scope of services includes encouraging entrepreneurship, promoting market access & business linkages and providing information & research. NAMAC is to merge with NTSIKA to form the Small Enterprise Development Agency (**SEDA**) by January 2005.
- South African Women in Construction (**SAWIC**) is one of the programs of the Development Bank of South Africa (**DBSA**) that empower women and support their construction enterprises.
- **Khula** Enterprise Finance Limited falls under the auspices of the dti. It facilitates provision of capital to SMEs through Retail Financial Intermediaries by offering a wide range of financial resources and information to the public. Khula’s operations include provision of loans and credit guarantees.
- Trade and Investment South Africa (**TISA**) serves as a One-Stop-Shop for investors and exporters at a national level. It encourages investment into South Africa, promotes South African exports, develops Black Economic Empowerment (BEE) & small exporters, and develops priority economic sectors.

Conducting such study tours comes as part of the “Capacity Building” component of SMEPoL Project. During this study tour, participants were able to learn more about international best practices, to network and to exchange expertise with South African

counterparts. Participants gained information on the importance of *engaging all relevant stakeholders* including SME owners &/or managers in the process of developing SME-specific policies, finding *practical resolutions* to financial and non-financial constraints facing SMEs, regular *follow-up, evaluation and revision* of implemented programs and addressing *gender-related aspects*.

Members of the Egyptian delegation with Mr. Cassim Nakkooda, TISA



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31st International Small Business Congress, Poland

Six staff members attended the 31st International Small Business Congress (ISBC) held in Warsaw, Poland from the 26th to the 29th of September 2004. The conference was held under the honorary patronage of the President of the Republic of Poland – Mr. Aleksander Kwasniewski. This is the second ISBC to be held in Poland, the first one was held in 1992, which was a decisive period not only for the Polish economy but also for the economies of many countries on every continent.

Representatives of governments, parliaments and business organizations from almost 50 countries attended the conference with the objective of exchanging experiences in the field of creation of the most favorable conditions for the development of SMEs.

The theme of the conference was “SMEs on the Integrating World Market.” where presentations given during plenary sessions were on several topics, namely;

- SMEs’ place in national and regional strategy.
- Science for the benefit of SME development.
- Financing as a factor of SME economic development.
- Entrepreneurs’ organization and territorial self –government functions.

Egypt participated with a fruitful presentation given by Mr. Nabil Rashdan, Advisor to the Minister of Finance for M/SME Affairs, in which he highlighted the main features of the Egyptian economy and the previous, current and future orientations. He also laid emphasis on the increasing importance of the SME sector and its role in job creation and export promotion.

And at the end of each plenary session, parallel sessions were held. Such parallel sessions tackled the following issues:

- Young entrepreneurs and entrepreneurship education.
- Financing sources – the role of banks in enterprise development.
- The role of governmental institutions and NGOs in the development of SMEs.
- The role of education in SME development and E-business as a challenge of the 21st century.
- The role of business organization in supporting SMEs.

By the end of the conference, participants were able to recognize some key issues:

- SME issues vary from one country to another.
- There is weak collaboration among SMEs.
- There should be much more coordination between large enterprises and SMEs.
- The relationship between the public and private sector is weak and unreliable.
- Keywords for today's SME environment are: collaboration, flexibly and think globally & act locally.

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Mr. Nabil Rashdan, Advisor to the Minister of Finance for SME Affairs, giving the presentation at the ISBC.



Increasing Access to Finance for Small and Medium Enterprises

Since its commencement, SMEPoL has sought to achieve an improved M/SME policy environment that is enabling for M/SME growth. A number of policy areas have been identified as priorities for our policy agenda, one of which is increasing accessibility of M/SMEs to finance.

Based on various consultations with M/SMEs & other stakeholders and the “Enhancing Competitiveness for SMEs in Egypt. General Framework and Action Plan” document, a number of research studies were commissioned for by SMEPoL in order to give those concerned with SME development, a more concrete perspective on specific traditional and non-traditional financial tools. A brief overview of each of the 3 studies that have been completed is given below.

“Credit & Credit Guarantees for SMEs”

Credit, as the traditional financial tool, was the focus of this document, that examined M/SMEs’ access to credit in Egypt and assessed the requirements of financial institutions for guarantees. The assignment was carried out by Environmental Quality International (EQI) on behalf of the project.

EQI, with its vast and long experience in SME finance, followed a rigorous research methodology which included a review of existing literature on SME finance, international experiences, the Egyptian context for M/SME credit and an in-depth assessment of regulatory support to M/SMEs. The research incorporated interviews with financial institutions and a survey of 200 M/SMEs in several governorates. Based on research findings, the report makes explicit practical recommendations that grasp some of the opportunities in the Egyptian market, while also addressing the constraints.

“The Application of Leasing within the Small & Medium Enterprise Sector”

Finance & Banking Consultants International (FINBI) were chosen to deliver this report on leasing for M/SMEs, for their experience and reputation in the financial field in Egypt. The study explained the definition of leasing and its various types and reviewed international experiences. Then it moved onto the local context taking into consideration the status of the financial market and the leasing industry, identifying areas of strengths and weaknesses that should allow for the development of a workable action plan for the leasing model.

The report identified a good potential for the development of the leasing market in Egypt and utilizing it as a tool for SME finance. It laid out an action plan based on developing the SME sector & the leasing market, as well as developing the SME/leasing business environment.

“The Application of Venture Capital within the Small and Medium Enterprises Sector”

The objective of this study is to examine the existing constraints on Venture Capital (VC) as a means of increasing finance for M/SMEs in Egypt and its utilization to

better serve M/SMEs' real needs. The study, also conducted by FINBI, assessed the VC market in Egypt and examined the main requirements of creating a VC environment. International experiences in establishing VC models that incorporate and respond to SME needs were extensively examined.

The study presented an implementation plan that is mainly based on initiating a pilot phase that should attract private sector and other investors. In order to achieve that goal, an action plan with the specific activities and time frame was developed in the study.

Our plan for these studies is to bring them to specialized audience from the different financial institutions in order to solicit endorsement and commitment for implementation of recommendations and action plans. For this purpose, a conference will be scheduled in April to put together a plan for action, to be endorsed by relevant GoE parties with the ultimate objective of increasing accessibility of M/SMEs to adequate and appropriate financial services

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Workshop on Gender Equality in Practice March 8-11, 2004 Alexandria

The first Gender Equality (GE) training for CIDA's program in Egypt "Gender Equality in Practice" was held in Alexandria from the 8th to the 11th of March 2004. There were 30 Egyptian and Canadian participants including CIDA staff members, CIDA's projects' managers, staff and a representative of Jordan Program Support Unit. The purpose of the workshop was to promote a common understanding of Gender Equality challenges in Egypt and to enhance the capacity of CIDA's partners to effectively address them in the context of CIDA's program in Egypt.

This training workshop has been brought up in line with CIDA's corporate gender equality course conducted regularly in Canada. A team of Egyptians and Canadians adapted the content and methodology of the course to the Egyptian context and CIDA's priorities as stipulated in the 2001-2011 Country Development Programming Framework (CDPF). The training team comprised three Egyptian and Canadian experts in gender equality and rights-based approach.

The workshop's core objectives were to:

- Promote a common understanding amongst CIDA and its partners of the link between gender equality, sustainable development and poverty reduction within a rights-based framework.
- Capacity building with the purpose of integrating this knowledge into Egypt's program.

The main topics discussed during the four days were concept and tools, planning and results, resistance and resources and coaching clinic: taking the knowledge home. During the workshop participants got a theoretical background on GE including the global and the local picture and the links of GE to international development and human rights. Participants gained a better understanding of Egypt's GE strategy and its application to Egypt's program and explored together some forms of resistance to GE and ways to encounter them. They also applied knowledge and skills acquired from each project's team to their actual projects as a practical exercise.

Overall, discussions in plenary sessions and during working groups were very dynamic and interactive. Participants showed a high level of interest in the topic and in the workshop methodology which was reflected in their commitment and interaction. It also helped clarify concepts of empowerment and the rights-based approach which is fairly new to the CIDA projects in Egypt. The culmination of the workshop in the coaching clinic was very successful and was highly appreciated by participants. Being a pilot workshop, evaluation was positive and reassuring.

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Specialized Training Courses

One of the most important outcomes of SMEPoL project is capacity building of staff members in order to enable them to develop policies that create an enabling environment for SMEs in Egypt. To acquire the necessary knowledge, skills and attitudes, members of the General Department for M/SME Affairs (GDMA) attend comprehensive training courses with the 3rd phase of such courses comprising 6 modules on various issues, namely; basic research, policy research, micro-finance, business development services, advanced management and training of trainers. These courses were conducted at the Foreign Trade Training Center (FTTC) that adopted a participatory approach where trainees were actively involved in the process, brainstorm, raise discussions and exchange ideas and information.

During the *basic research* module, emphasis was laid on having a logical framework for a research, data collection techniques, data quality and analysis, narrowing down research findings and report writing.

Then, the *policy research* module tackled the policy-making process and the importance of linking policy to research to have an evidence-based process. Participants learned how to identify the nature and characteristics of a policy problem, structure the problem, map stakeholders, determine policy alternatives and finally recommend policy actions.

And to better understand problems facing SMEs, a *microfinance* course was conducted covering international experiences in that field, financial constraints facing SMEs in Egypt, the role of different stakeholders in provision of microfinance, in addition to export finance. Besides, participants could recognize the practical part of the course during their field visits to the Credit Guarantee Company for Small and Medium Scale Enterprises (CGC) and the Export Credit Guarantee Company of Egypt (ECGE).

Non-financial services were discussed in another course for Business Development Services (*BDS*). This course helped participants identify the different types of BDS, the role of facilitators and providers, best practices for BDS' operation & sustainability and performance measurement.

In a course on *advanced management*, participants got acquainted with the decision making process, types of managerial decisions, individual & group decision making, decision making creativity, the problem-solving process & techniques, characteristics & functions of team work, effective communication and successful meetings.

And to give the opportunity for any GDMA member to grasp information provided during a course that he/she did not attend, a training of trainers (*TOT*) course was conducted. Participants learned how to organize a training program & handle all the logistics, were aware of the main steps of a training cycle, different types of training delivery & methodology and characteristics of an effective trainer.

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International Program for Development Evaluation Training 2004: Building Skills to Evaluate Development Interventions, Ottawa, Canada

Members of the SME Development Unit had the opportunity to take part in the 4th Annual International Program for Development Evaluation Training (IPDET), held in Ottawa, Canada from June 14th to July 9th 2004. IPDET is co-organized by The World Bank's Evaluation Department (OED) and the Faculty of Public Affairs and Management at Carleton University in Ottawa.

IPDET is a comprehensive international program that helps a range of development practitioners conduct substantial evaluations of development interventions. Based on modules developed by the World Bank, the course provides special focus on monitoring and evaluating the implementation of poverty reduction strategies and emphasizes results-based management and stakeholder participation.

IPDET is a four week program that features an initial two-week core course covering an introduction to development evaluation, its models & new approaches as well as building performance-based monitoring and evaluation systems. The third and fourth weeks offered workshops on specialized topics including case study methods, designing and building a monitoring & evaluation system, policy cycle evaluation and qualitative & quantitative evaluation methods.

The methodology used throughout the course focused on applied, hands-on learning and small group discussions. Participants from the SME unit were able to work within a group to develop an evaluability assessment for the poverty reduction strategy for the Government of Lao. This model is currently being developed, through the UNDP officer stationed in Lao, in order to make practical use of the group work.

One of the main advantages of the course is the opportunity it provides participants to meet people engaged in development evaluation from all over the world and develop networks or contacts for future collaboration. Participants from the SME unit were also able to benefit from the valuable learning skills and are currently putting their knowledge to use in developing performance indicators for the remaining period of the SMEPol project.

For more information about IPDET and how to apply, please visit www.carleton.ca/ipdet

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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 December 2005 with Canadian partners being the Canadian International Development Agency (CIDA) and The International Development Research Center (IDRC). The project's purpose is to support the Government of Egypt to create an enabling environment for SME development.

Originally, the Ministry of Foreign Trade was the Egyptian partner, then in July 2004, the cabinet was shuffled, and upon assuming his role as Minister of Foreign Trade & Industry, H.E. Rachid Mohamed Rachid approved the move of SMEPoL from the Ministry of Foreign Trade and Industry to the Ministry of Finance, after having a request from H.E. Dr. Youssef Boutros Ghali. H.E. Mr. De Salaberry, Ambassador of Canada, in turn expressed Canada's commitment to working with the Government of Egypt on creating an enabling environment for SMEs while promoting cross-government collaboration.

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