

SMALL AND MEDIUM ENTERPRISES “SMES” EGYPT’S NATIONAL PROJECT

Eng. Mohamed Samy Abdel-Hady

AGENDA

- * Overview
- * Comprehensive Vision
- * Case Study
- * Summary and Conclusion
- * Open Discussion

INTRODUCTION

- * Egypt is fighting to overcome the economic crisis issue by decreasing unemployment rates and increasing growth and development rates.
- * Small & Medium-sized Enterprises “SMEs” provide 80% of the job opportunities in a country.
- * Small projects create economic movement, because of the positive growth rate and social stability they encourage.
- * SMEs are responsible for driving innovation and competition in many economic sectors.

DEFINITIONS

- * Small & Medium-sized Enterprises "SMEs" are “Businesses whose personnel numbers fall below certain limits.
- * The abbreviation "SMEs" is used in the European Union and by international organizations such as the World Bank, the United Nations, and the World Trade Organization (WTO).
- * Most of Egypt's businesses are small-sized, with 97 percent employing less than 10 workers, according to census data released by CAPMAS.
- * Medium-sized enterprises with 10 to 50 employees account for around 2.7 percent of total businesses. However, big businesses with over 50 employees account for 0.3 percent of all enterprises nationwide.

FEATURES OF SMES IN EGYPT

- * Egypt is greatly lacking in medium-sized businesses.
- * Predominant low capitalization levels.
- * Low Contribution to Exports.
- * High Geographical Concentration.

CONSTRAINTS FACING SMES

* With increased economic liberalization, it was expected that SMEs were be unable to stand the competition against the imported products in the local market.

- * Constraints that affect Egyptian SMEs performance negatively into:
 - External factors that are outside of the enterprise’s control.
 - Internal factors that are highly subject to the enterprise control.

EXTERNAL FACTORS

- * Globalization & Free Trade.
- * Macroeconomic Environment
 - Scattered, uncoordinated efforts of SMEs.
 - Government policies, regulations, and administrative systems.
 - Marketing.
 - Finance.
 - Taxes & Inefficient Tax Administration.
 - Weak linkage between large enterprises and SMEs:
 - Un-competitively priced inputs.

INTERNAL FACTORS

- * Lack of skilled labor
- * Lack of market information
- * Lack of modern equipment and technology
- * Substandard Quality
- * Lack of awareness; SMEs are not aware of the specification and/or modifications needed in the product to be marketed internationally.
- * Many of SMEs are not familiar with regional trade programs and the organizations that provide export services.

EXPORTING CONSTRAINTS

- * Penetration of foreign markets, included difficulties in accessing markets, keeping track of consumer trends, achieving the needed high standards for products and packaging and identifying business opportunities abroad.
- * Regulatory framework, identified problems related to administration of the duty drawback system, sales tax refund system, costs of freight insurance and insurance services in general, customs procedures investigating the sanitary measures of exports and finally the non tariff barriers affecting the importing of inputs.
- * Services that exporter heavily depend on as transportation, port and marine services.

EXPERIENCE FROM OTHER COUNTRIES

- * There is no blue print that is adopted in all countries.
- * No common methodologies, policies, and regulations among countries had great success in SMEs.
- * Some countries believed firmly in providing direct support for SMEs where other had general institutions which benefited SMEs indirectly.
- * Some countries adopted non distortionary free market policies to enhance SMEs while others intentionally adopted distortionary policies as subsidized loans and interest rates.
- * In most of the cases there was no special ministry devoted for SMEs; however the coordination of efforts was in all the cases led by a department that followed one of the ministries.
- * Comprehensive vision and appropriate methodology is essential.

COMPREHENSIVE VISION

- * The coordination between the government and the community participants and non governmental organizations to enhance the role of SMEs.
- * Decentralization efforts to handle the response-

bility of enhancing SMEs to non-governmental organizations and community.

- * Success of SMEs is a result of a mixture of Policies, Programs, and Regulations.
- * Promoted Official Environment and Incentive Structures.
- * Special efforts for Provision of Financing.
- * Establishment of Development Company for each field of SMEs.

OFFICIAL ENVIRONMENT AND INCENTIVE STRUCTURES

- * The need of tax deductions that is proportionate to the increases in exports proceeds/ value.
 - * The provision of more detailed information of the international market's needs on the different goods.
 - * Lowering the customs tariff rates on imported production imports.
 - * Lowering the loan's interest rates to SMEs.
 - * Offering specialized export credit guarantees.
 - * Simplification of export procedures.
 - * Providing access to high quality raw materials and intermediate products.
 - * Easier access to industrial land in new cities.
 - * Commercial banks have to be motivated to become more involved in SMEs lending.
 - * Loans should be offered with encouraging terms of lending.
 - * Linking SMEs with research institutions, in a way that helps improve the product's quality.
 - * Technical progress in the Egyptian manufacturing sector in general could have positive influence on SMEs, as more technically advanced machinery will be offered in the market at low costs.
- ### **PROVISION OF FINANCE**
- * SMEs fund is still limited and needs more effort.
 - * Get funding is the biggest challenge for small industries because of their informal work.
 - * Banks and financial institutions have to support entrepreneurs financially and technically in order that they will be ready to receive bank funds.
 - * The lack of information on the SMEs sector in

banks is one of the biggest challenges to gain funding and help achieve growth.

* Major changes for the subsidy of SMEs growth and facilitating their fund is essential.

* Establishment of small bank branches in Upper Egypt to implement financial inclusion through offering all financial services.

DEVELOPMENT COMPANY

* Company Scope

- Project Engineering & Management Activities.

- Developed & Operate Infrastructure

- Provide Services; Marketing, Financing, Training, R&D, Storage.....

- Project Promotions

- All Management Activities

* Company stakeholders

- Related Experienced Bodies.

- National banks, Financing Entities.

- International / Strategic Developers

- Specialized Investors.

* Role of Project Specialized Developer

- Feasibility studies

- Site Selection

- Project Development & Execution

- Shareholding Structure

- Financing Structure

- Company Organization

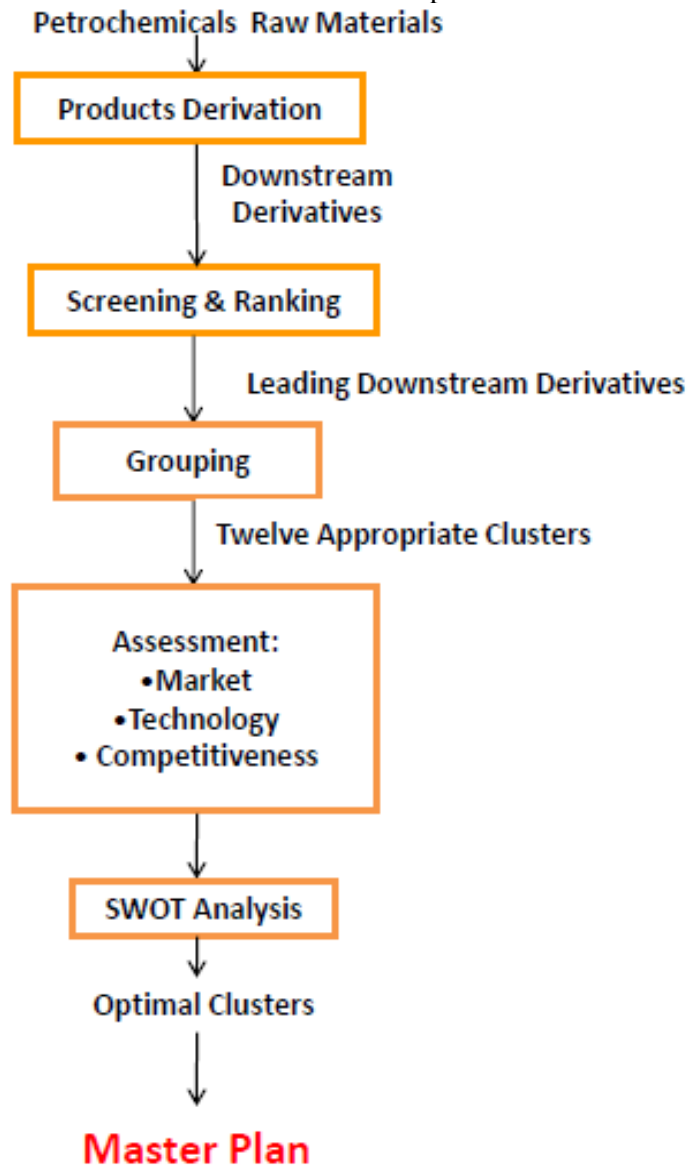
CASE STUDY

* Creation of Master Plan for Petrochemical Down Stream Clusters in Egypt:

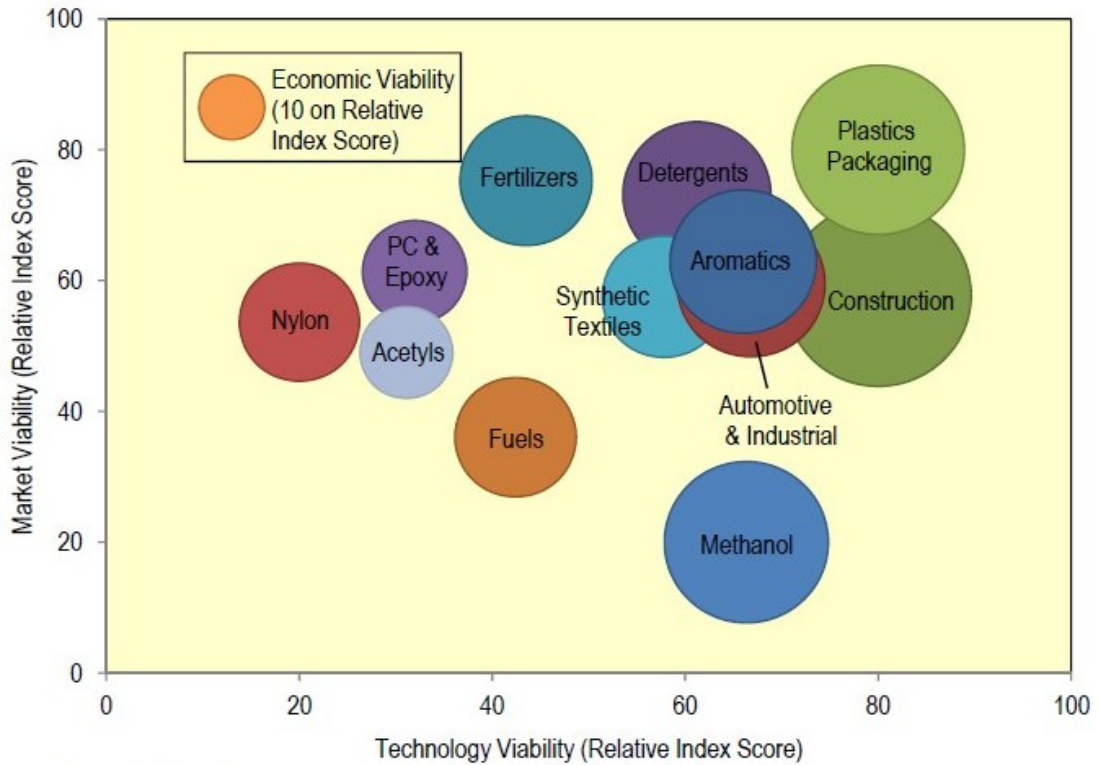
- Methodology.

- Optimal Clusters.

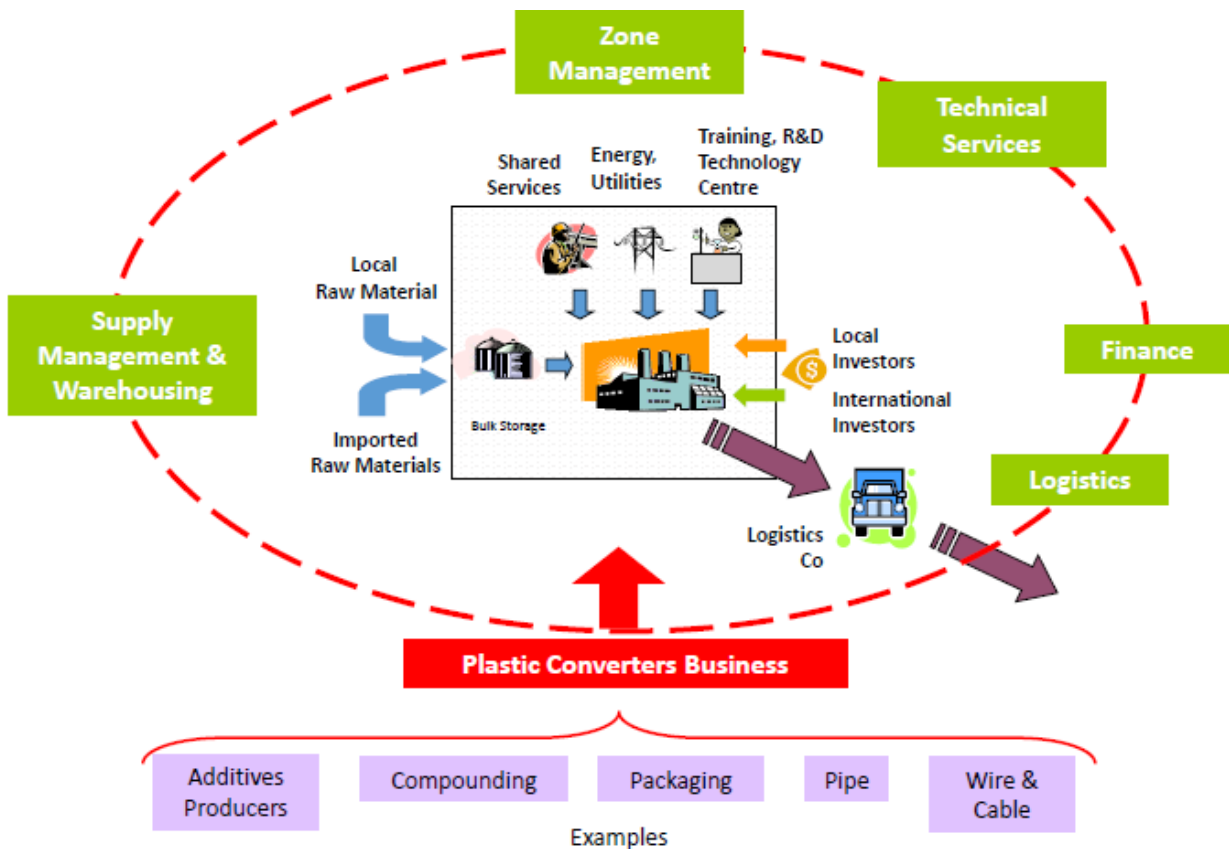
METHODOLOGY



OVERALL VIABILITY EVALUTATION SCORE



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SUMMARY AND CONCLUSION

* To succeed in the new world economic changes, there are commitments and collective efforts that need to be addressed by the different stakeholders in the society to revive the role of SMEs and increase their ability to success.

* There are several supports required for the success of SMEs.

* Despite the obstacles and difficulties the SMEs have to deal with on a daily basis, there is great potential for improvement.

* The Arab and African markets are the main targeted export markets.

*Statistical analysis also revealed that the SME becomes more competent in the exports markets when it has a Quality Control department, Marketing Department and when they receive real and substantial business services.

*The government has started recently to pay increased attention to the important role played by SMEs in the economy, however comprehensive vision needs to be announced.

*There is apparent potential in certain industries such as furniture and food industries