



Draft Conclusions

MENA-OECD Working Group 2 on SME Policy, Entrepreneurship and Human Capital Development

22-23 February 2011¹

The 5th meeting of the MENA-OECD Working Group on SME Policy, Entrepreneurship and Human Capital Development was held on 22 and 23 February in Casablanca, Morocco. Hosted by the Ministry of General and Economic Affairs and in partnership with Banque Populaire, the meeting was opened by Mr. Nizar Baraka, Minister Delegate to the Prime Minister in charge of General and Economic Affairs and attended by government representatives from MENA and OECD economies, international organisations, and representatives from the private sector. The meeting was chaired by Ms. Ludovica Agro (Director General, Ministry of Economic Development) representing the Italian co-chairmanship, supported by Mr. Sergio Arzeni (Director, OECD Centre for SMEs, Entrepreneurship and Local Development) in the absence of the Tunisian chair (represented by the Ministry of Development and International Cooperation). The objective of the Working Group meeting was to identify remaining obstacles to the growth of SMEs with a view to address the issue of employment in the MENA region.

The two-day meeting consisted of a regional conference and closed working group session. The regional conference on 22 February covered the theme "Growing Micro and Small Enterprises: Tackling Financing Obstacles in the MENA Region" which developed action-oriented recommendations on supply and demand-side financing. The closed session on 23 February consisted of an update on recent SME and entrepreneurship policy developments in the MENA region, and discussed progress with and proposals for existing and future outputs.

1. 22 February 2011 – Regional Conference of the Working Group

The Working Group:

- Welcomed the opening statement by Minister Baraka and the Chair who recalled achievements of the MENA-OECD Investment Programme and the mandate given by [the 2009 Ministerial Declaration](#) issued at the [MENA-OECD Ministerial Conference](#) (Marrakesh, November 2009);
- Recalled that in the context of current political evolution in the region, regional dialogue and the exchange of good practices is particularly important; emphasised the importance of placing the private sector, and SMEs specifically at the center of the economy, as a motor for growth and job creation;
- Considered challenges faced by firms to move beyond micro finance to institutional bank financing; both the supply and demand side challenges were examined:

¹ Documentation from the meeting has been posted on the event page:

http://www.oecd.org/document/16/0,3746,en_34645207_34645726_46885200_1_1_1_1,00.html

- Supply side challenges included: alternative financing, such as risk capital, is not well developed and is often run and operated like bank financing; unadequate competition in the banking sector; lack of culture of bank managers to lend to SMEs;
- Demand side challenges included: an uneven playing field which is a disincentive for growing small businesses to compete with established (and sometimes state-owned) businesses; formalizing informal business activities; developing better accounting standards; lack of transparency or use of performance indicators; lack of viable business plans;
- Recommended both supply and demand side measures to meet financing obstacles faced by growing MSMEs including:
 - Supply side recommendations included: downscaling of banks, and upgrading of microfinance institutions (requiring a revision of the current laws and/or regulations); examining new financing models and mechanisms, such as financial/credit mediation (see examples in Morocco Italy, Belgium and France); funds which serve firms medium and long-term financing needs; digitalising loan applications and creating systems of ratings which can empower banks to engage in proper risk management; improving business law to better protect lenders and borrowers; promoting better working relationships between banks and credit guarantee institutions, including encouraging public-private consultation; incentivizing banks to lend to SMEs (e.g. through tax incentives, lowered reserve requirements); improving legislative and regulatory frameworks, and their enforcement, including legislation on insolvency and bankruptcy; improving availability of credit information through credit bureaus and collateral registries, including for moveable assets;
 - Demand side recommendations included: MSMEs should be better prepared to meet their financing demands by: developing networks (i.e. Italian model) to build credibility and confidence with financiers; improving financial literacy; improving transparency to abate information asymmetries;
- Welcomed input from [The OECD-MENA Women's Business Forum](#) on activities related to women's entrepreneurship including the Draft Issues Paper on *Women's Access to Finance in the Middle East and North Africa (MENA) Region* with a view to continue mainstream these issues into the Working Group; recommended that specific challenges concerning women's access to finance be addressed including encouraging more gender-balanced legislation and developing specific instruments serving this group based on models of good practice (i.e. Canada);
- Received a presentation on the outcome of the 2010 [MENA 100 Business Plan Competition](#) and encouraged further developing partnerships in the region (i.e. through mentorships);
- Noted the rich dataset emerging from the [2009 Global Entrepreneurship Monitor](#) (GEM) for the MENA region;
- Welcomed the invitation for MENA economies to participate in the OECD SME Scoreboard and to strengthen links between this Working Group and the OECD Working Party on SMEs and Entrepreneurship (WPSMEE); and



- Received suggestions for future orientations of the Working Group in the context of current events in the region, including policies to support the development and competitiveness of SMEs, strengthening linkages between foreign investment and local enterprises with a view to boosting skills and employment, the further integration of women in the economy, and measures to formalize the informal economy.

2. 23 February 2011 – Closed Session among Delegates to the Working Group

The Working Group:

- Reiterated the importance of taking proactive, innovative and targeted measures to improve both supply and demand side financing, and promoting growing SMEs by taking into account the lifecycle of the enterprise, its sector of activity, and size.
- Recalled that there is still a lack of information on the MSME segment of enterprises; recalled that access to finance is not the only factor influencing the growth of SMEs and that there are a full range of issues covered by the [OECD Business Climate Development Strategy](#) which must be considered;
- Welcomed presentations by associated International Development Research Centre (IDRC) and academic experts on the scope and breadth of the OECD-IDRC project on young enterprises in the MENA region, including the assessment of GEM data and the recently published *Private Sector and Enterprise Development* review of MENA economies (Lois Stevenson, IDRC, 2010);
- Discussed the content of the publication which aims to provide: an overview of current early stage SME policy initiatives in five economies (Egypt, Jordan, Morocco, Tunisia and the United Arab Emirates); a comparative analysis based on GEM data on business creation rates in the region compared with other world regions; company case studies covering four types of businesses less than five years old and covering different stages of development (i.e. ranging from the “typical” firm to exceptional early stage businesses registered on the stock exchange); and policy recommendations which aim to orient policy priorities and actions;
- Called for the project to develop continued involvement and dialogue with the relevant policy community and to integrate, to the extent possible, information available from multiple data sources;
- Recalled that some of the critical issues concerning MSME development in the region should be addressed by the report, including informality, MSME definitions, structural weaknesses, data gaps, etc. and reiterated the need to include policy recommendations that are timely, and relevant in the current political context, and which highlight good practices;
- Welcomed presentations from the governments of Dubai, Jordan, Morocco, the Palestinian Authority and Yemen on recent SME and entrepreneurship policy developments and encouraged further cooperation with the IDRC-OECD research team to further develop case studies; and,

- Welcomed the invitation by Dubai SME to host an event in the Gulf region.

3. Conclusions and Actions:

Through the coordination of the OECD Secretariat the Working Group will:

- Produce a regional report on how to further promote the development of early stage (young) enterprises in partnership with the International Research Development Centre (IDRC);
- Launch a web platform to exchange OECD and MENA good practices on SME policy;
- Launch a pilot project that brings together a group of volunteer banks and SME representatives in order to assess the current levels of lending to SMEs and identify concrete measures close the gap between demand and supply (based on micro level data gathered by the banks);
- Follow-up on the invitation for MENA economies to participate in the OECD SME Scoreboard and to strengthen links between this Working Group and the OECD Working Party on SMEs and Entrepreneurship (WPSMEE). As a first step, results of the Casablanca meeting will be presented at the next WPSMEE to be held in Paris on 18-20 April.

Working Group delegates are invited to provide their comments on the conclusions; and comments on the actions going forward **by 1 April 2011**.

The next annual meeting of the Working Group will take place in early 2012; participants will be notified as soon as a date and location have been identified.