



SME Policy Index

IMPLEMENTATION OF THE “SMALL BUSINESS ACT FOR EUROPE” IN THE MEDITERRANEAN MIDDLE EAST AND NORTH AFRICA 2014

Overview of the results

Brussels, 22 January 2014



Agenda

- 1. Key messages and findings**
- 2. Regulatory environment and business support services**
(dimensions 3, 4 and 5)
- 3. Bankruptcy, second chance and access to finance** (dimensions 2 and 6)
- 4. Access to markets, innovation policy and green growth** (dimensions 7, 8.2, 9 and 10)

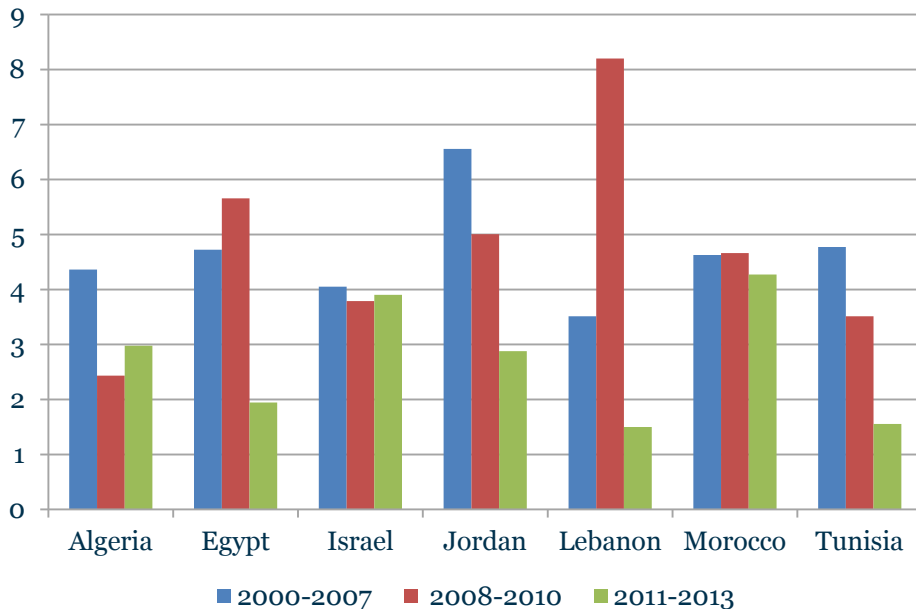


Key messages and findings

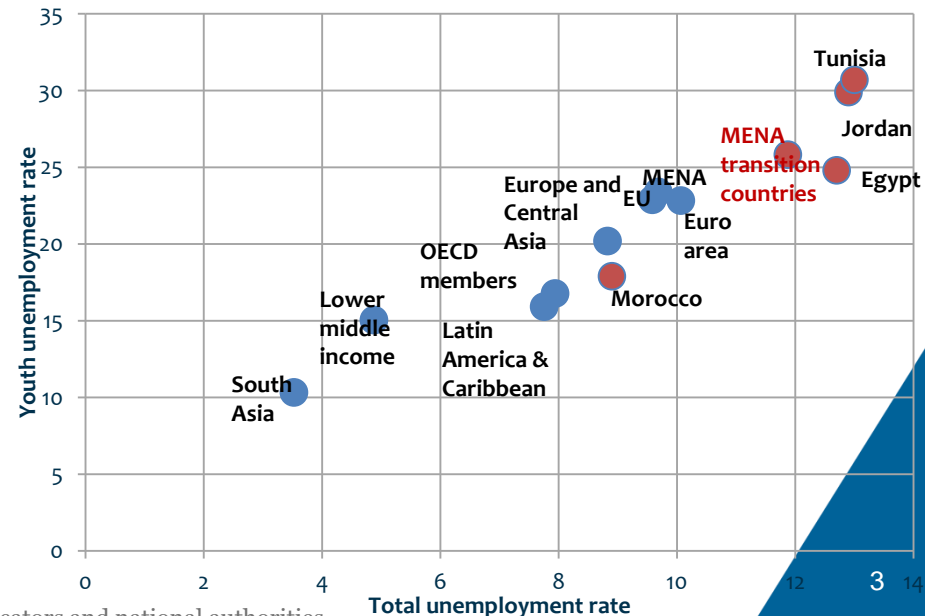
MED economies are faced with significant challenges

- Dynamic economic growth in the last decade did not translate into jobs: high unemployment levels are persistent
- Economic slowdown since 2011 and deteriorating public finances
- Expanding and increasingly educated workforce

GDP constant prices, % change



Unemployment rates for different regions (percent, latest available data)





Key messages and findings

SME development continues to be a priority for MED economies...

- There has been incremental progress in SME policy, in spite of the sequence of political and economic shocks
 - **Improving business environments:** Morocco, Lebanon
 - **Enhanced policy coherence and coordination:** Algeria, Israel, Jordan, Morocco
 - **Better targeted support:** Egypt, Tunisia



Key messages and findings

... But policy progress since 2008 is uneven and incremental

- Progress has been overall limited and insufficient to address the key factors that constraint small enterprise development
- In most economies SMEs still face a poor business and regulatory environment
- Apart of institutional development, political and economic stability have played a role in policy developments and reforms



Priority actions

- Continue and increase efforts to improve the **business climate**
- Adopt **coherent and comprehensive approaches** to SME policy
- Ensure follow up of implementation, **monitoring and evaluation** of policy results and impact
- Continue and enhance consultation and **coordination with the private sector**
- Improve the **quality and availability of data** on SMEs, entrepreneurship and private sector development

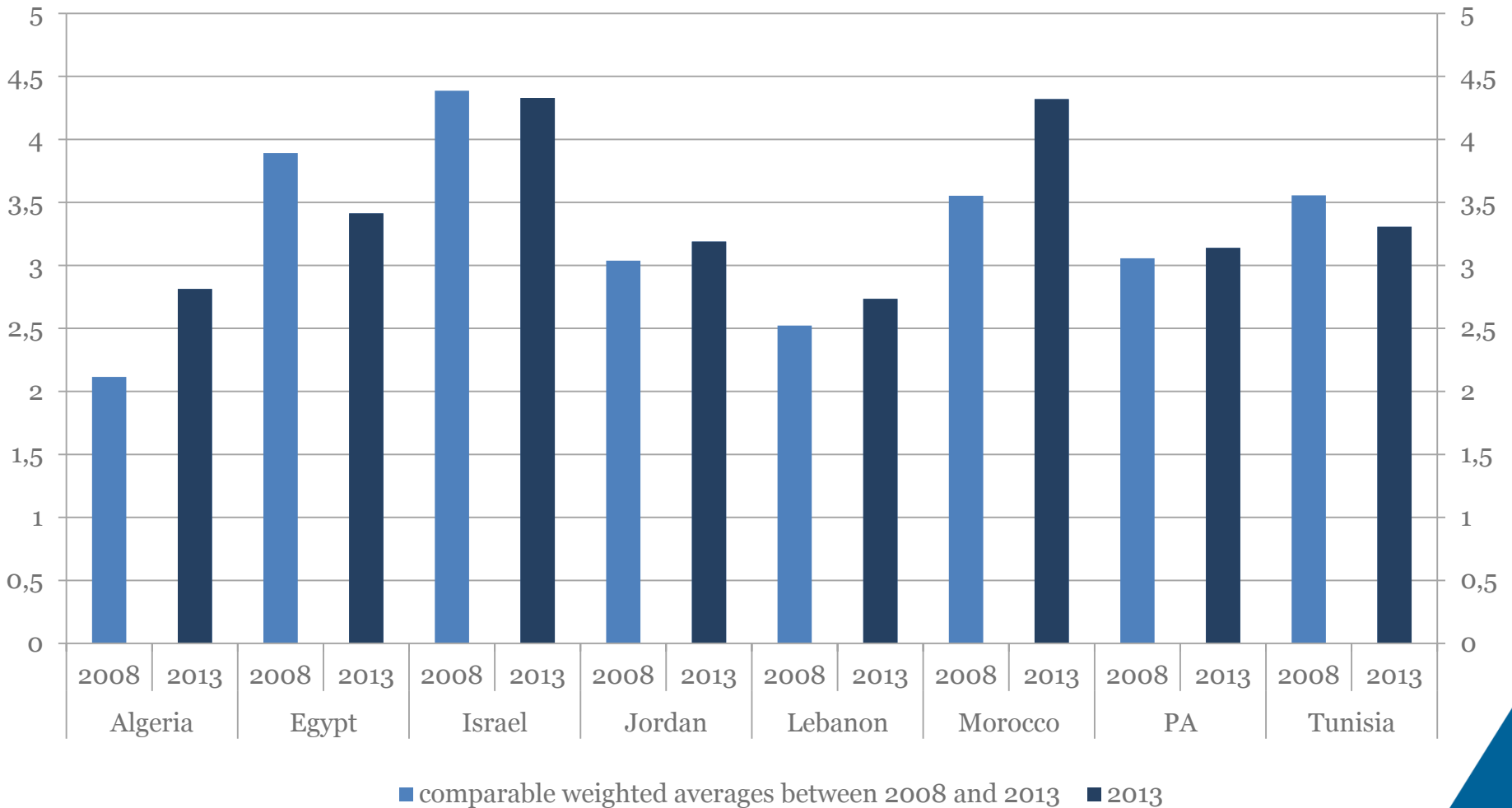


PRINCIPLE 3 "THINK SMALL FIRST" PRINCIPLE



Scores for Principle 3

Design rules according to the “Think small first principle”





Principle 3: Conclusions

- The institutional framework is fundamental. Level and progress in the s.d. 3.1 score sets general performance and pulls up most other scores;
- Only IS and MO have put in place all building blocks for a comprehensive and coordinated SME policy (delegation, strategy, coordination, implementation agency);
- Jordan is getting closer. AL, EG, LE and PA do not have yet a well defined strategy, but AL has made progress towards a more articulated SME policy;



Principle 3: Conclusions

- Modest progress on regulatory reform; this is an area where stability and persistence pays over the medium term, i.e. MO versus EG;
- Economies with the lowest performance are also those lagging behind in regulatory reform policy;
- No significant change in PP. Policy dialogue process more open but disrupted in the transition economies, i.e. TU;



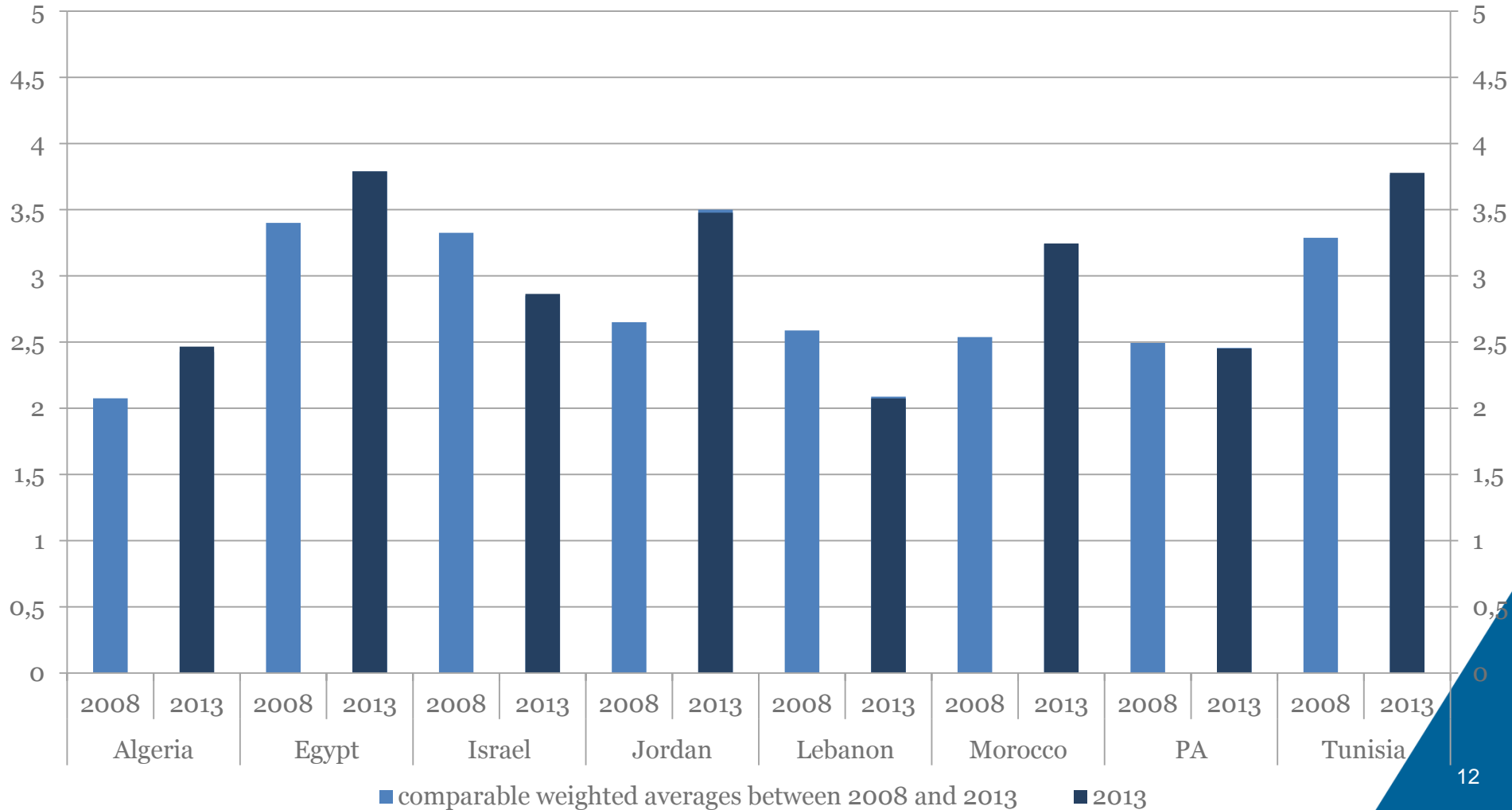
PRINCIPLE 4 RESPONSIVE PUBLIC ADMINISTRATION



Scores for Principle 4

Make public administration responsive to SMEs

4. MAKE PUBLIC ADMINISTRATION RESPONSIVE TO SMES





Principle 4: Conclusions

- EG and TU lead the way;
- EG GAFI system in line with good practices;
- JO and MO have fairly efficient systems. In IS cost is high and notification (tax registration) long;
- AL made progress (OSS), but no. of steps still too long, so PA in DB 2014; LE 2007/8 reform failed;
- Notification and compliance scores in many often significant lower than those of s.d. 4.1, issue of company registration certificate.



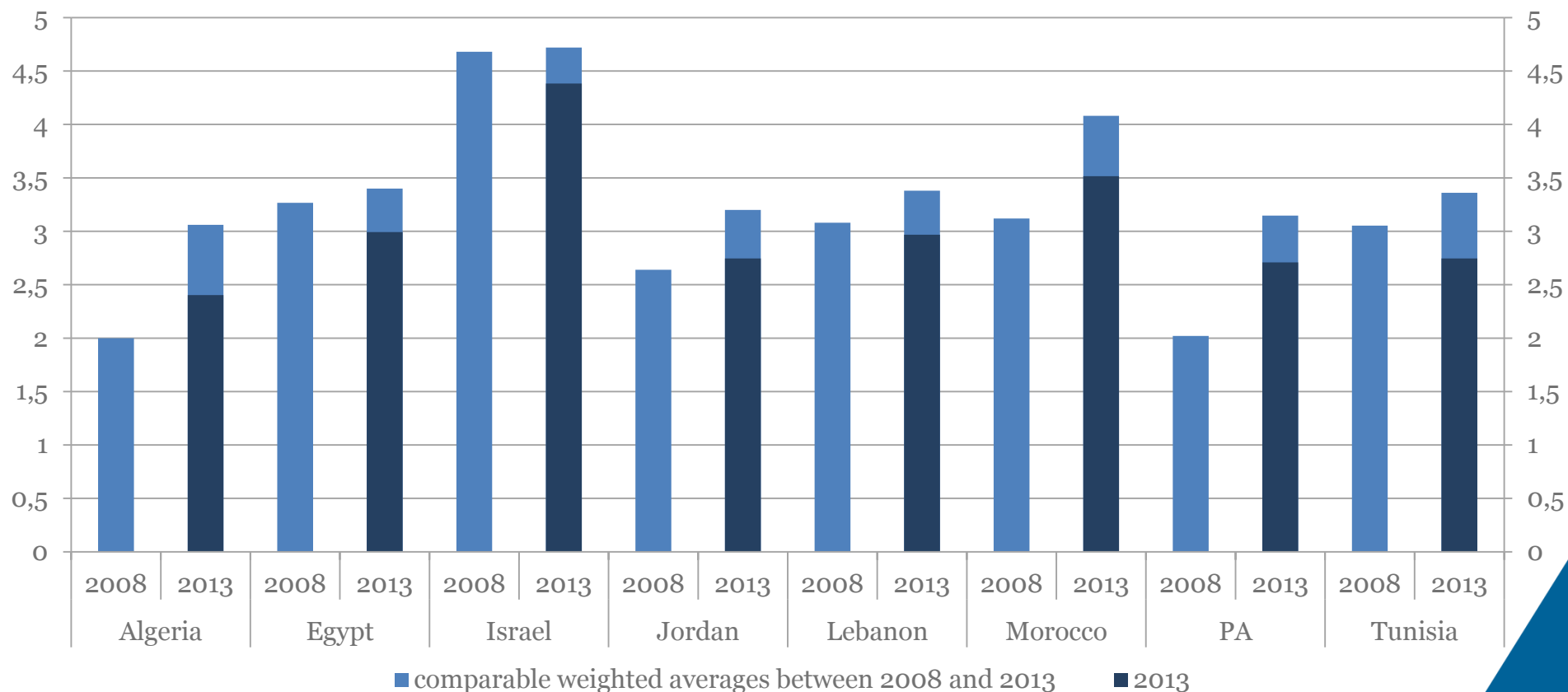
PRINCIPLE 6 ACCESS TO FINANCE



Access to finance

Facilitate SME access to finance

6. FACILITATE SME ACCESS TO FINANCE



Note: for comparability between 2008 and 2013, the average score for dimension 6 does not include the scores of the indicators 6.1.2 , 6.2.5, and 6.3.1.



Principle 6: Conclusions

- Incremental progress, but not even across the region;
- Good progress on credit information services and regulations for micro-finance (JO, PA and LE, MO applies highest standards);
- Strong and independent central bank and financial regulators make a difference;
- Modest progress on registries (cadastre and movable assets)
- All economies, excluding IS, perform badly on creditor rights;



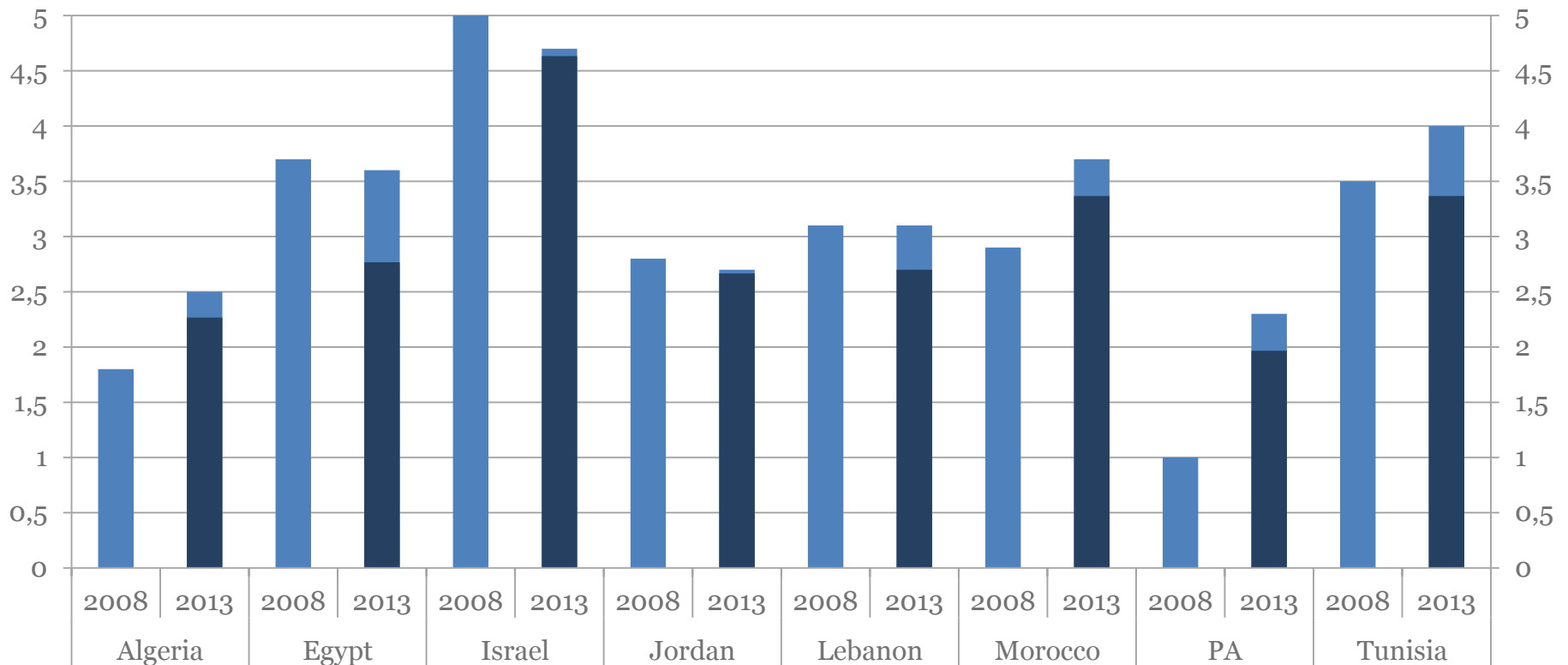
PRINCIPLE 8.2 INNOVATION



Scores for sub-Principle 8.2

Promote the upgrading of skills and all forms of innovation Innovation - Policy framework for SME innovation

8.2 Innovation - Policy framework for SME innovation



■ comparable weighted averages between 2008 and 2013

■ 2013



Principle 8: Conclusions

- IS performs very well, also among the top OECD performers;
- Overall good progress in MO (new strategy, new incentives and support schemes);
- Good performance of TU, but no change since 2008;
- EG strong on technical centers, but relatively weak on institutional framework and on other supporting programmes;



Principle 8 - Conclusions

- The Mis-a- Niveau/Industrial Modernization programmes play an important role, but in most economies innovation programmes are not designed for SMEs, information is dispersed;
- Active innovation centers are emerging;
- I.e. LE has very good incubators and financial support schemes, PA incubators and linkages with university laboratories;
- Need to strengthen regional and Euro-Med networks involving innovative SMEs;
- Progress towards elaborating innovation strategies covering the SME sector;



Principle 8 - Conclusions

- For all economies, excluding IS, the level of public funded R&D very low and public financial support to innovative SMEs very limited, aggravated by lack of private investors (ref. indicators on business angels and availability of risk capital);
- But there few indications that innovative start-ups in the region are attracting attention and support (i.e. PA);
- Way forward, more selective and pro-market approach to innovation.

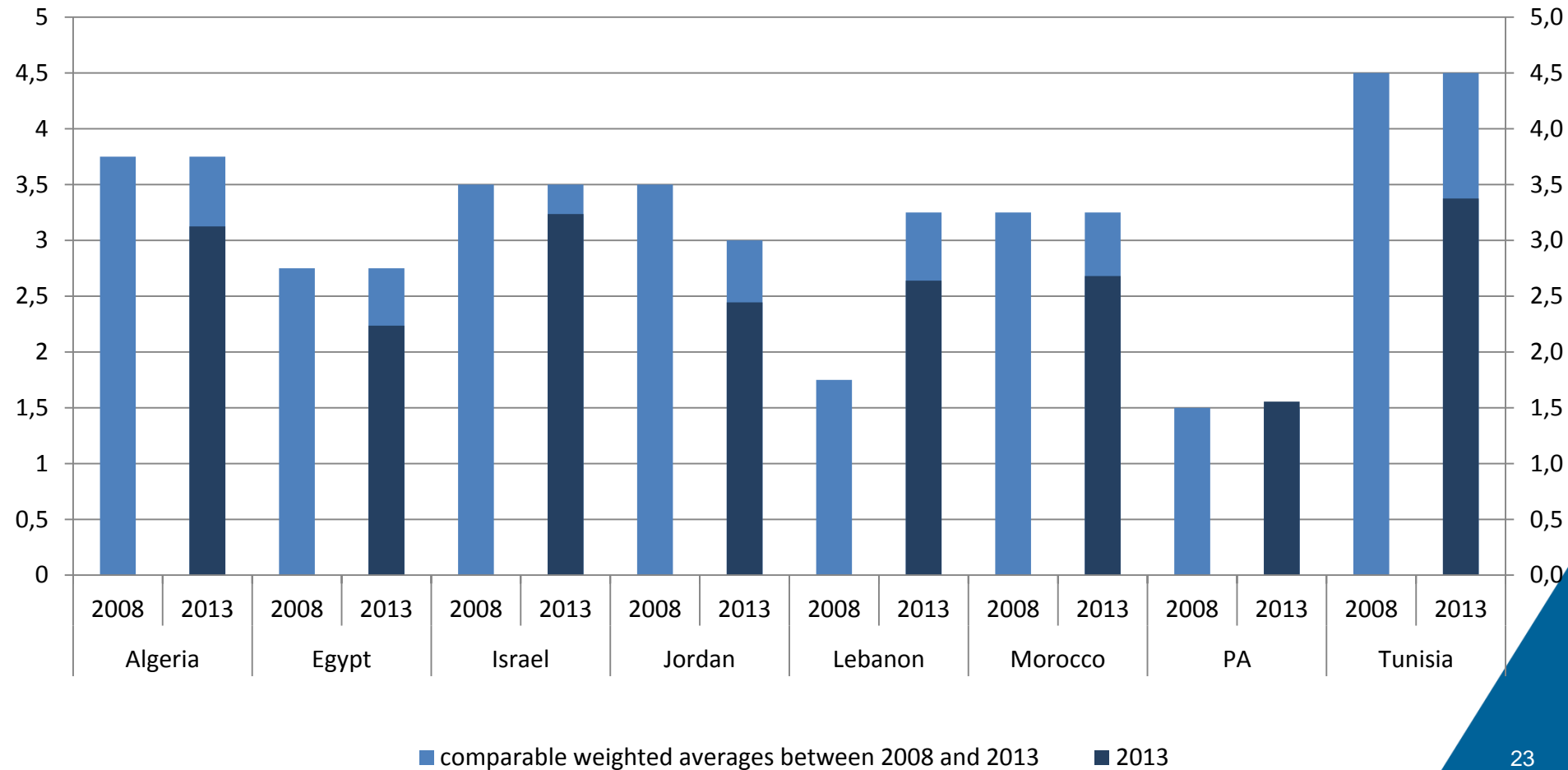


PRINCIPLE 2 BANKRUPTCY AND SECOND CHANCE



Scores for Principle 2

Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance





Principle 2: Conclusions

- All countries have bankruptcy laws and procedures, but with different levels of implementation and effectiveness
- “Second chance” programmes are absent in all economies
- Access to credit for entrepreneurs starting afresh is limited in all economies
- There is no (official) discrimination against re-starters to access support programmes



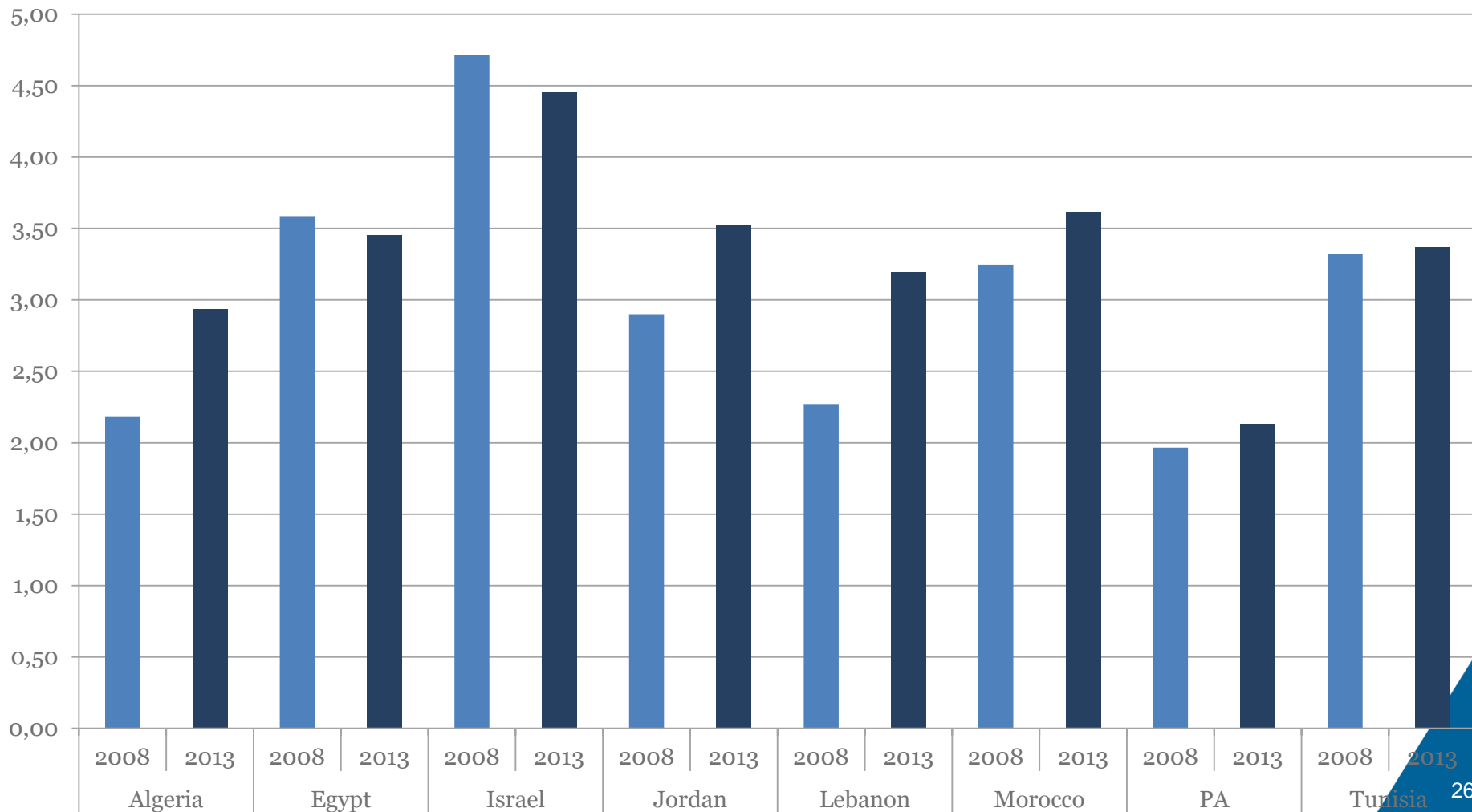
PRINCIPLE 5 ADAPT PUBLIC POLICY TOOLS



Scores for Principle 5

Adapt public policy tools to SME needs

5. ADAPT PUBLIC POLICY TOOLS TO SME NEEDS





Principle 5: Conclusions

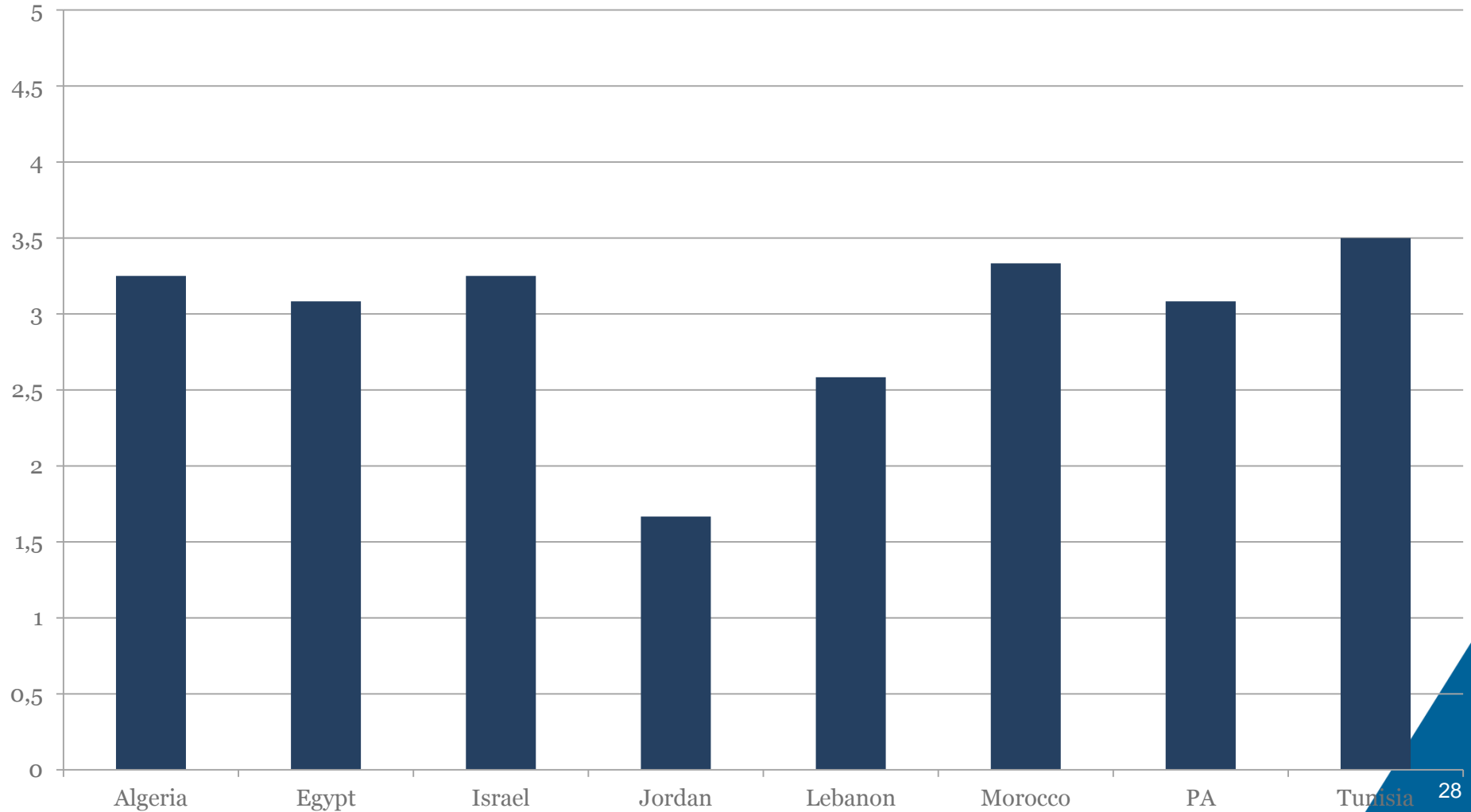
- Slight overall progress since 2008 in the overall region
- Good progress in AL, LE, JO and MO:
- There is still progress to be made in “collection and dissemination of information for enterprises” → i.e. information is generally scattered
- Start-up support and incubators are now present in all economies



Scores for Principle 5

Public procurement

5.3 Public procurement





Principle 5: Conclusions

- Almost all economies cut tenders into lots to facilitate SME access to public procurement
- AL, EG, MO and TU have minimum quotas in public procurement for SMEs
- TU has recently established an electronic platform to handle public procurement
- Almost all economies have rules on late payments, but application remains patchy



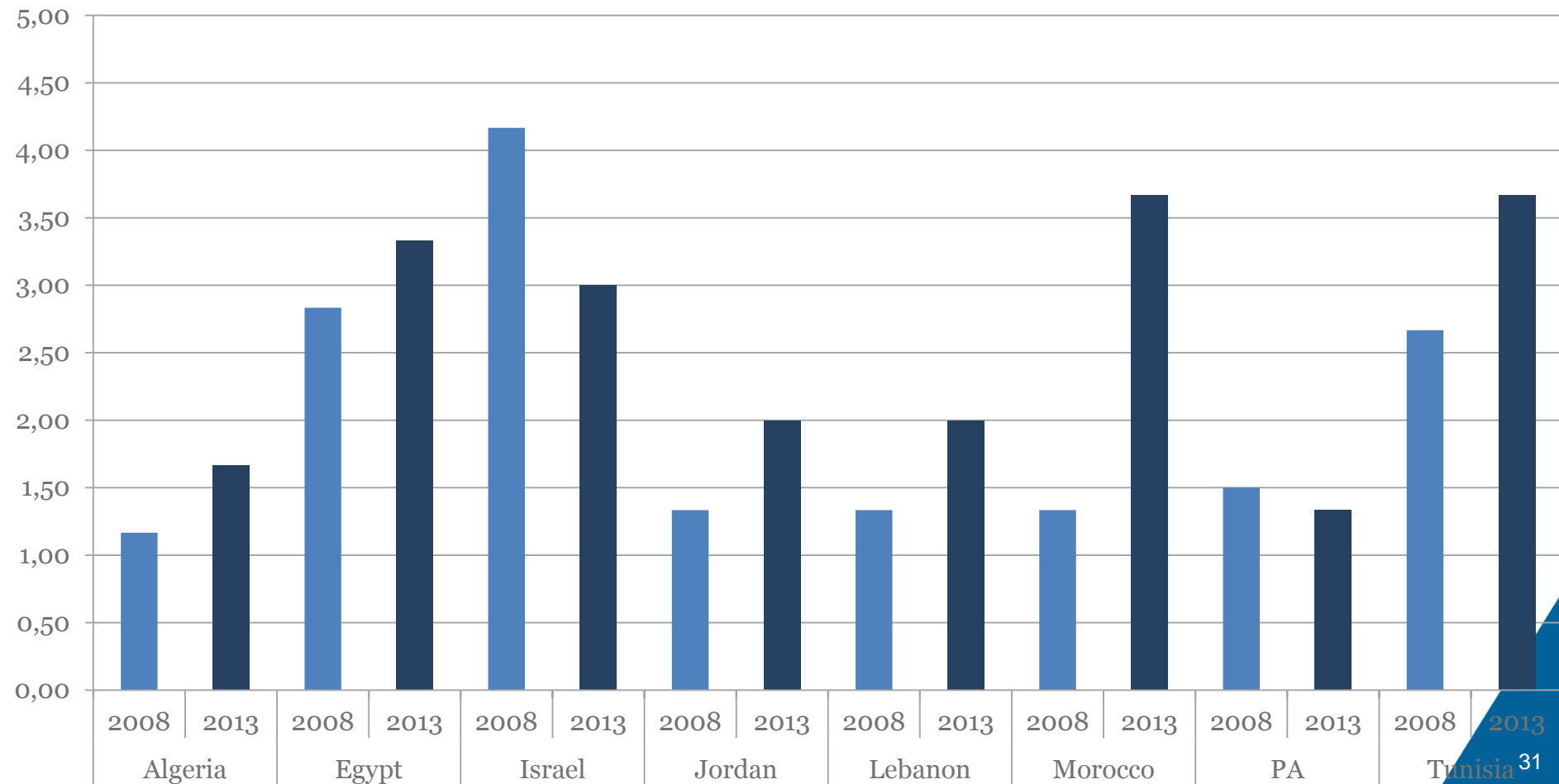
PRINCIPLE 7 EURO-MED PARTNERSHIPS AND NETWORKS



Scores for Principle 7

Help SMEs to benefit more from the opportunities offered by the single market

7. HELP SME TO BENEFIT MORE FROM THE OPPORTUNITIES OFFERED BY THE SINGLE MARKET





Principle 7: Conclusions

- As in 2008, results are mixed, with important differences in performance among countries
- MO and TU have achieved important progress since 2008
- Most measures are focused on EU networks and partnerships, with a limited number of initiatives on intra-MED networks and partnerships. This indicates that there is scope for further “south-south” co-operation.
- All information on measures is rather descriptive of objectives and tasks, but there is almost no evidence on effectiveness. Monitoring and evaluation of initiatives in this areas, and all other areas should be highlighted



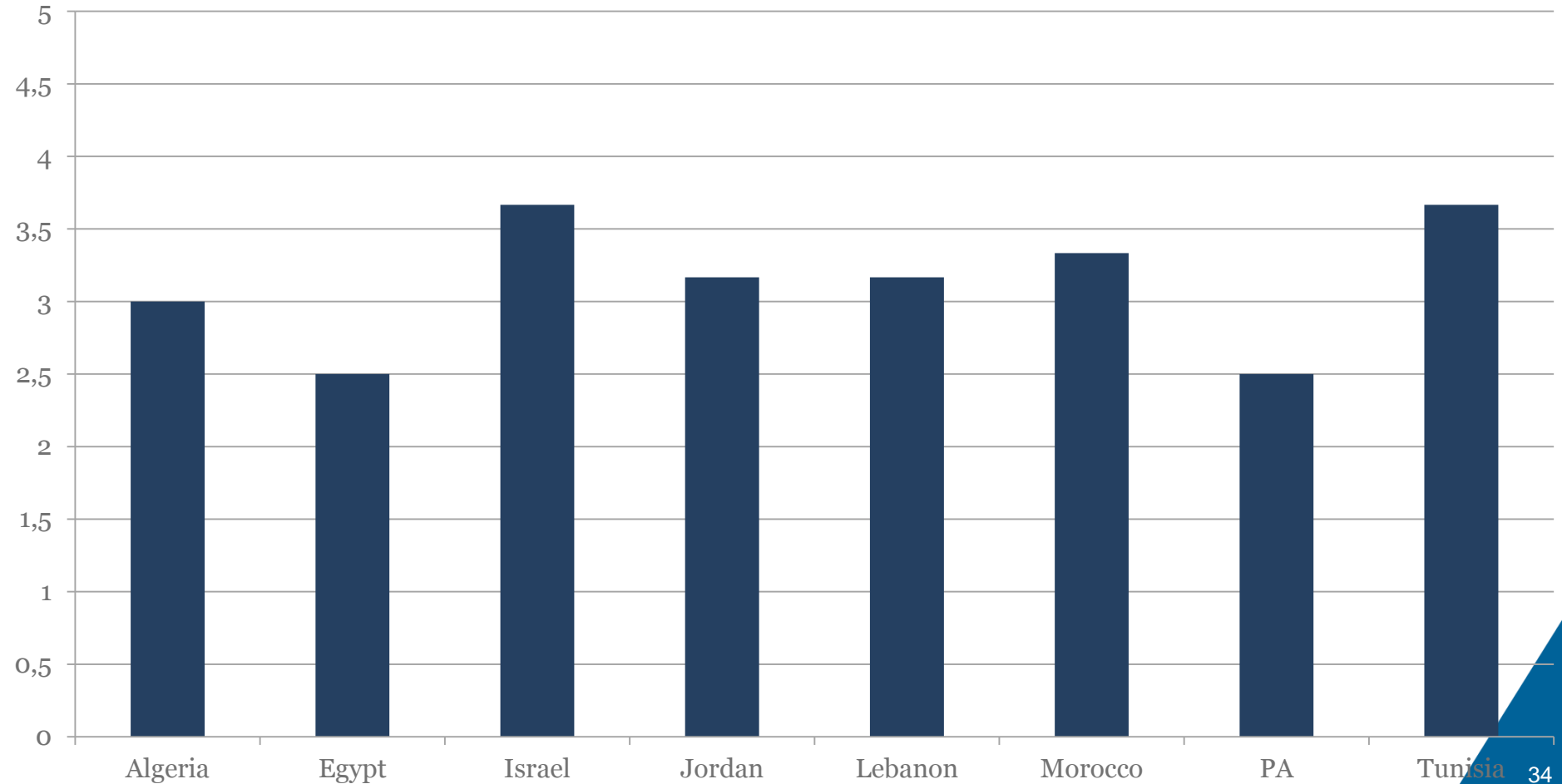
PRINCIPLE 9 ENVIRONMENTAL CHALLENGES



Scores for Principle 9

Enable SMEs to turn environmental challenges into opportunities

9. ENABLE SMES TO TURN ENVIRONMENTAL CHALLENGES INTO OPPORTUNITIES





Principle 9: Conclusions

- All MED economies have strategic documents or laws to promote sustainable development and green growth
- But the degree to which they refer to SMEs, to eco-efficiency and eco-innovation varies across economies
- More clarity is needed in terms of specific measures and action plans for greening SMEs



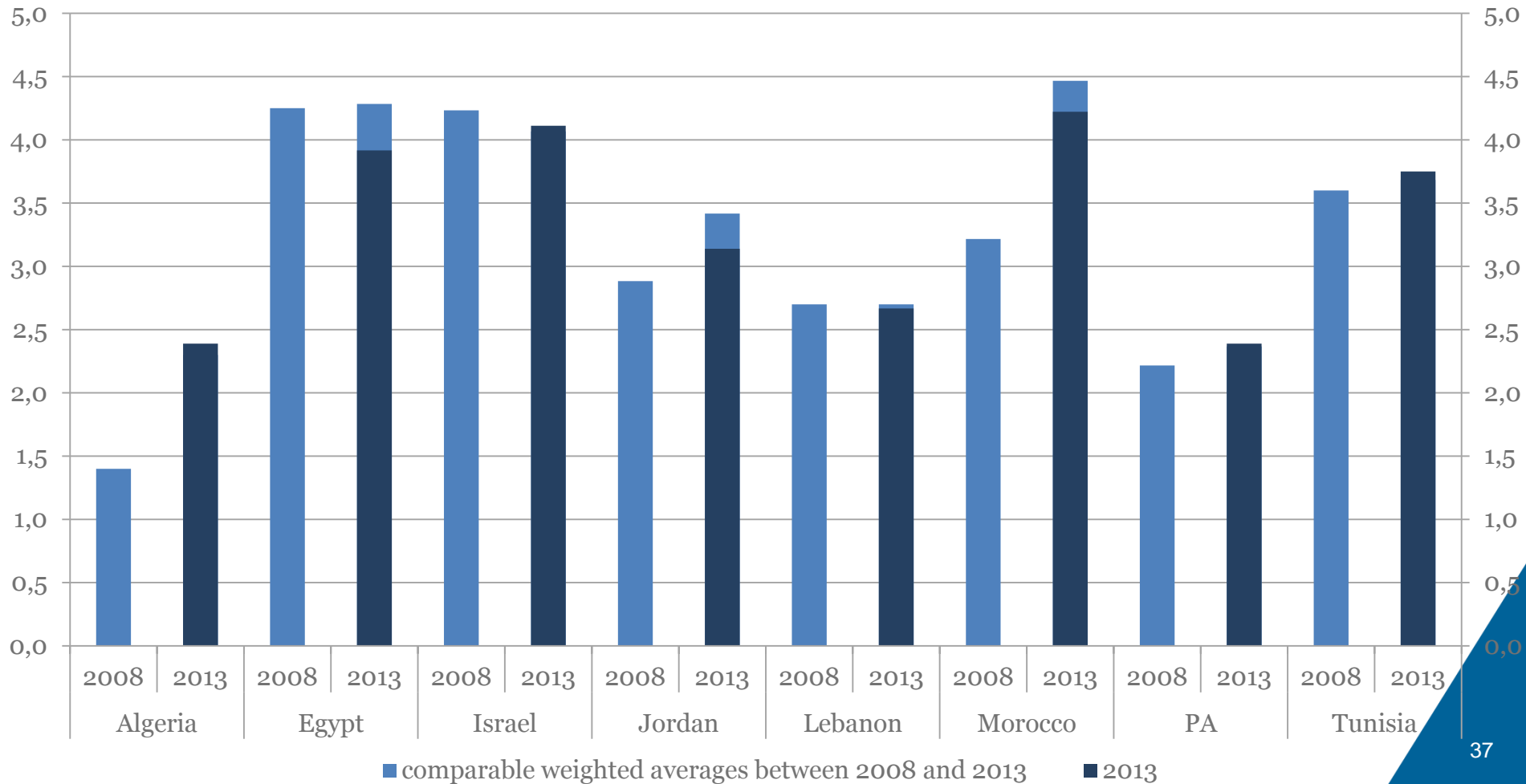
PRINCIPLE 10 ACCESS TO FOREIGN MARKETS



Scores for Principle 10

Encourage and support SMEs to benefit from the growth markets

10. ENCOURAGE AND SUPPORT SMES TO BENEFIT FROM THE GROWTH OF MARKETS





Principle 10: Conclusions

- Important efforts and progress have been achieved since 2008, for instance:
 - MO has now the Pacte National d'émergence industrielle and Maroc Export Plus
 - AL has new economic co-operation agreements with TU, JO and PA
 - TU established the “Intelligence and Economic Surveillance Network”, a multi-agency body to collect and disseminate market information
 - EG, IS, MO and TU promote the simplification of trade procedures by electronic means