



*3rd meeting of the MENA-OECD Working Group on SME Policy, Entrepreneurship and Human Capital Development  
26th October 2009-OECD Headquarter- Paris-France*

## **Introduction:**

In July 2008, HE the Prime Minister signaled a new direction in government support to the SME sector in Qatar. He announced the creation of an institutional anchor to support SME development in Qatar and the development of entrepreneurship capabilities, especially among the young.

H.E. The Prime Minister has created a steering committee chaired by H.E. the Minister of Business & Trade and been given a mandate for the creation of a new, independent authority, whose goals will be to foster diversification of the Qatari economy through SME development and the creation of a new breed of young entrepreneurs.

To this end the Government is developing a comprehensive small and medium enterprises (SME) program that will:

- Create a favorable business environment by simplifying and streamlining business licensing and procedures, strengthening the legal system to facilitate SME's access to finance from commercial sources and accelerate upgrading of the educational system
- Develop business opportunities by outsourcing Government services as well as activities of Government owned companies to SMEs
- Fund business services, training and support services to existing and potential Qatari entrepreneurs. In the process it will also promote the development of a business services industry in



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Qatar. It will target the youth as well as mid career men and women. Some of these services will be provided by incubators.

- Enable commercial banks to lend to SME at preferential rates and encourage them to lend by guarantying partially their loans to SMEs.
- Provide seed capital and co-finance the creation of venture capital and equity funds to provide equity financing to viable projects.

## **Strategic Approach:**

Working within the framework of the Prime Minister's mandate, the MBT project team has now prepared a framework for a new authority to support SME development and entrepreneurship in Qatar. The proposed framework incorporates three key strategic principles:

- ⇒ **Partnership:** the new entity is in essence a public-private partnership in which public sector capital and support is married with the financial resources and expertise of the private sector, with the public and private sectors sharing costs and risks. The new SME entity is to catalyze resources and provide coordination, but will remain at arms' length from direct financial and non-financial support to SMEs.
- ⇒ **Public purpose:** the new entity will have a strategic focus that supports the ambitions of the State of Qatar, and particularly those of Vision 2030.



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“Training and support for entrepreneurs is a basic precondition for enabling the private sector [...] besides providing financial and non-financial support mechanisms that will help incubate and grow small and medium scale enterprises” QNV pp24-25



Qatar National Vision 2030

- ➔ **Performance and value:** commercial reality and a strong business ethos will guide the operations of the new entity, internally and in its relationship with partners.

## Stakeholder Consultations:

Stakeholder engagement and buy-in is essential to the success of this initiative. Consultations with government, the public and private sectors have already started inside and outside Qatar.

In the process of the fact finding and consultations, the project team has undertaken a review of existing initiatives in Qatar to support SMEs with the objective of understanding how the Prime Minister’s initiative can best support, accelerate and connect them.

- ➔ The Qatar Development Bank (QDB) is a public-sector “SME bank”, which was restructured in 2008. The primary business of



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QDB is to provide loans at subsidized interest rates to small businesses.

- The Ministry of Energy and Industry supports SMEs access to serviced land and premises.
- Commercial banks offer tailored services to the small and medium sized business sector.
- The private sector has a variety of initiatives to support the development of entrepreneurship in Qatar.
  
- Educational institutions are involved in helping to develop business and entrepreneurial skills among young.
  
- New initiatives are also taking shape:
  - Silatech, a Qatar Foundation organization, has the goal of connecting Arab youth to jobs and career opportunities and in this role has a vital interest in the role that SMEs in Qatar can play in creating jobs.
  - ICT Qatar has identified gaps in the ability of small businesses to use communications and informational systems and tools to their commercial advantage and is moving to fill this gap, as well as to provide incubator services.
  - A team from Carnegie Mellon University and the Qatar Financial Center (Rhouda Foundation) has developed a concept that aims to provide business incubator services specially tailored to the needs of Qatari women.



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## **Services:**

The new entity will stimulate provision of a variety of financial and non-financial services to meet the needs of SMEs. A phased approach to the roll out of services will be followed .

**Debt and Guarantees:** In terms of debt capital, the entity will work with QDB and commercial banks, leasing agencies and others to provide affordable working and long-term debt capital to SMEs. Partial credit guarantees on portfolios of qualifying loans will be one mechanism to open up financing channels and to make risky transactions more secure. Guarantees on leases on export credits may follow. Subsidies on qualifying bank's interest charges might also be provided to compensate for the elevated transactions costs that banks face in dealing with SMEs.

**Seed Capital:** To support new promising business ideas, grants will be made available to support "proof of concept" and "proof of value" processes.

**Equity Funds:** Working through joint ventures with private investors, the entity will support financing using newly established or existing equity funds in which it would be a minority investor.

**Venture Capital:** For "high potential" SMEs, particularly in the technology sectors, the entity will look to venture capital possibilities in partnership with private sector investors.



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**Enterprise and Business Improvement Support Services:** The new entity will help finance delivery of an array of non-financial services using vouchers and other means that will make them affordable to SMEs. Such services might (eventually) cover:

- ↳ business mentoring and coaching
- ↳ executive training
- ↳ support for business networks
- ↳ marketing, accounting and management advisory services
- ↳ ICT and technology audits, upgrading plans and training
- ↳ productivity improvement initiatives through ICT, R&D and other means
- ↳ access to serviced premises, and through incubator services
- ↳ process and product upgrading through accreditation (ISO and others)
- ↳ market intelligence

Vouchers that underwrite the costs of such services (in part or full) would be eligible for redemption only through services providers who met acceptable performance standards.

**Information, Knowledge and Advocacy:** The new entity will provide access to resources and toolkits for SMEs, underwriting their cost.

**Entrepreneurial Development:** The entity will promote educational initiatives to encourage a larger pool of young Qatari's to consider business as an alternative to government employment.



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In terms of policy and advisory support services, the new entity will work closely with the Ministry of Business and Trade in formulating an action agenda for legal and regulatory changes that will aim to improve the environment for secure transactions. The new entity will also work with the Ministry of Industry and Energy and other agencies to address widely acknowledge constraints that SMEs face in terms of their access to serviced land. Market studies that identify viable business opportunities for SMEs in Qatar would be commissioned.

The roll out of other services and products will be assessed based on initial operating experiences of the new entity, but preparatory work would commence on equity funds, and programs to support and develop entrepreneurship capabilities across the educational system.

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