The Role of Government in Supporting Entrepreneurship & SME Development

Mohammed Bin Rashid Establishment
For SME Development

DUBAI SME 2011
Support for Entrepreneurship ... Why?

Seed pipeline of future enterprises, create a risk-taking culture, long-term economic development, employment creation...

Support for SME Development .... Why?

Economic pay-off to support growing SMEs to be global enterprises of tomorrow.
National SME Network

An Agency of the Department of Economic Development – Government of Dubai
DUBAI SME – A government SME Development Agency
Expanding Entrepreneur Development Role to SME Development Role

Facilitate, Enable, Support and Develop

Programs focused on sectors – policy development and advocacy (remove barriers), training & capability development (sector productivity & competitiveness), incubation, access to finance and market access

Entrepreneurs
- Knowledge & Skills
- Funding
- Resources
- Markets

SMEs
- Strategy & Policy
- Industry/sector focus
- Advocacy
- Management
- Funding
- Markets
- Know-how
- Innovative SMEs (SME 500)

Focus on Intellectual Property (IP)
Creation, Attraction, Ownership, Protection, Commercial exploitation

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MBRE’s Vision, Mission & Roles

**Vision**
Dubai as a Global Center for Innovative SMEs

**Mission**
Foster the development of a flourishing entrepreneurial culture and a competitive SMEs sector to support Dubai’s economic development goals

**Roles**

- **Entrepreneurship Development**
  - Focus on Policy Advocacy, Intellectual Property, Innovation, Technology & Design-oriented businesses

- **SMEs Development**
  - (Groom Dubai’s Top SMEs)
Moving Forward: a different economic development path
From “Bigger” to “Better”

- Decreasing returns for each additional unit of labor and capital
- Increasing macroeconomic challenges (demographics, environment, infrastructure)
  → Rising cost of growth

- More path → More labor and capital
- New path → Innovation
- Better path → Productivity

Dubai’s current situation in key sectors, e.g.:
- Real estate

Moving Forward - The New Economic Imperative
### The Dubai SME Definition

<table>
<thead>
<tr>
<th>Category</th>
<th>Trading</th>
<th>Manufacturing</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>$\leq 9$ &amp; $\leq \text{AED } 9 \text{ mn}$</td>
<td>$\leq 20$ &amp; $\leq \text{AED } 10 \text{ mn}$</td>
<td>$\leq 20$ &amp; $\leq \text{AED } 3 \text{ mn}$</td>
</tr>
<tr>
<td>Small</td>
<td>$\leq 35$ &amp; $\leq \text{AED } 50 \text{ mn}$</td>
<td>$\leq 100$ &amp; $\leq \text{AED } 100 \text{ mn}$</td>
<td>$\leq 100$ &amp; $\leq \text{AED } 25 \text{ mn}$</td>
</tr>
<tr>
<td>Medium</td>
<td>$\leq 75$ &amp; $\leq \text{AED } 250 \text{ mn}$</td>
<td>$\leq 250$ &amp; $\leq \text{AED } 250 \text{ mn}$</td>
<td>$\leq 250$ &amp; $\leq \text{AED } 150 \text{ mn}$</td>
</tr>
</tbody>
</table>

According to DSC Database:

- SMEs count for **95%** of the total enterprise population in Dubai
- SMEs employ around **42%** of Dubai’s workforce
- SMEs contribute **40%** of Dubai’s value add
SME Definition as the Basis for SME Development

SME Definition acts as a first-level filter

Total Enterprise Population

SME Definition

SMEs Population (Statistics, Analysis)

SME Development Policies, Programs and Packages

Qualified SMEs based on Policy Criteria (including independence)

Policies, Programs & Packages can be Sector or size focused .. etc
Phases of Development for Mandate

2002-2009
- Licenses & Entrepreneur Relations
- Business Incubation Center
- Fund Program
- Training
- Market opportunities (GPP)
- Awards

Past & Current Activities

Baseline Setting & Capacity Building

2009-2010

- SME Definition
- Key SME Statistics
- SME Dev’t Needs
- Dubai SME 100
- SME Industry studies
- BV Community
  - SME Development Council
  - Entrepass Scheme
- Dubai SME 5-Year Plan

Current MBRE Activities

Self Sustaining Steady State

2011-2015 (and beyond)

- SME Secondary Market
- IP and Innovation Plan
- Innovative SME financing options, including VC capabilities and Credit Guarantee Scheme
- SME capability development programs
- Account Management System for Dubai SME 100 by Key Industry Sectors

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Summary of Key Initiatives

- SME Development Needs Survey
- SME Industry Studies
- Company Reporting Standards
- SME Friendliness Index
- SME ICT Package
- SME Insurance Package
- Entrepass Scheme
- Idea Lab
- Seed Fund
- VC Fund
- Dubai SME 100
- SME Industry Studies
- SME Secondary Market
- Credit Guarantee Scheme
- Asset Register
- SME ICT Package
- SME Insurance Package
- SME Secondary Market
- Credit Guarantee Scheme
- Asset Register
- SME ICT Package
- SME Insurance Package
- SME Secondary Market
- Credit Guarantee Scheme
- Asset Register

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Services & Functions

**Capability Development**
- Material Focused on entrepreneurship
- Subject Matter Experts
- Conveniently offered in the evenings
- Offered for UAE nationals and Expatriates
- Business plan competition

**Business Incubation**
- Idea Lab
- Pre incubation
- Incubation

**Entrepreneur Relations**
- Start up advisory
- Trade License subsidy
- Labor guarantee support
- 3 years Membership with DCCI
- Implement all MoUs with supporting entities

**Funding**
- Provides access to capital through banks at preferential terms

**Market Access (GPP)**
- All sectors
- Standards and criteria
- Quality management visits

**Outreach & Marketing**
- YBL
- YEC
Services & Functions

- Policy Advocacy
- Capability Development
- Business Incubation
- Entrepreneur Relations
- Funding
- Market Access (GPP)

Development Advisory

Outreach & Marketing

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Policy Advocacy Role

Dubai SME plays a crucial role in advocating the government to create an environment conducive to entrepreneurship and SME Development

**UAE Federal Government:**

- **New Companies Law**  
  (Minimum capital requirements were abolished for company establishment) → Lower Start up cost

- **New Bankruptcy Law** (in-progress) → Promote Entrepreneurship and reduce “fear of failure”

- **SME Development Law** (in-progress) → Coordinated support policies, Unified Definition, and Improved statistics
Strategy & Policy

The role of the Strategy & Policy Division is to lead and facilitate the expansion of the establishment’s mandate towards a full fledged SME Development Agency.

It has taken the responsibility of the implementation of the following crucial initiatives:

- SME Definition
- SME Policy Needs
- IP and Innovation Plan
- SME Sector studies
- SME Development Council
- Dubai SME 5-Year Plan
- Foreign IP Attraction Program (Entrepass Scheme)
- Academic – Business Linkages
- SME capability development programs
- Dubai SME 100
Business Incubation

<table>
<thead>
<tr>
<th>Pre incubation</th>
<th>Incubation Process</th>
<th>Graduation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year or less</td>
<td>1- 3 years</td>
<td>3rd year</td>
</tr>
<tr>
<td>Idea to plan</td>
<td>Early stage</td>
<td>Classic incubation</td>
</tr>
</tbody>
</table>

**Services Include:** (Idea Lab, Research, Support, Counseling, Training & Development, Business Plan preparation, Network, Marketing, Accounting … )

* The business incubation centre also provides virtual offices

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Entrepreneur Relations

The ER unit of MBRE is one of the imperative components of the Establishment since it provides the following:

- One Stop Shop concept.
- Trade License subsidy based on criteria (for 3 years)
- Exemption of other government registration fees
- Free 3 years Membership with DCCI
- Implement all MoUs with government and semi-gov. entities
- Guide the Entrepreneurs for the process of the opening the business
- Reduce the cost and time for the start up (1 Day Process)
Government Procurement Program (GPP)

Decree by H.H. Sheikh Mohammed Bin Rashid to allocate 5% of all government and semi-gov. departments’ procurement budget to businesses registered with the Establishment

In the past 8 years, GPP managed to facilitate the following amount of contracts:

<table>
<thead>
<tr>
<th>Year</th>
<th>Contracts Amount</th>
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<tbody>
<tr>
<td>2003</td>
<td>64,000,000.00</td>
</tr>
<tr>
<td>2004</td>
<td>68,000,000.00</td>
</tr>
<tr>
<td>2005</td>
<td>80,000,000.00</td>
</tr>
<tr>
<td>2006</td>
<td>100,000,000.00</td>
</tr>
<tr>
<td>2007</td>
<td>150,000,000.00</td>
</tr>
<tr>
<td>2008</td>
<td>266,000,000.00</td>
</tr>
<tr>
<td>2009</td>
<td>135,000,000.00</td>
</tr>
<tr>
<td>2010</td>
<td>155,000,000.00</td>
</tr>
<tr>
<td>Total</td>
<td><strong>1,018,000,000.00</strong></td>
</tr>
</tbody>
</table>
Funding

Financing mechanisms:
- Credit Guarantee Scheme (since 2003)
- Seed Capital (2010)
- Venture Capital (2011)

Strategic Initiatives:
- SME Friendliness Index (For Financial Institutions) (2011)
- SME Financial Reporting Requirements (2011)
- SME Development Bank (Study)
- SME credit rating bureau (Study)
- Asset Register (Study)
Composite Business Score

Entrepreneur

Behavioral Traits, Technical Expertise
Knowledge, Understanding of the business
Professional experience, Reputation & Credit History

Industry

Industry Characteristics, Barriers to Entry & Competitive Positioning, Macro-economic factors

Project

Business Model, Marketing Capabilities
Organizational & Operational Capabilities
Project Exit barriers, Country Risk

Financials

Financial performance & viability, Project efficiency & returns, Business Sensitivity Analysis
Capability Development

- Short practical courses (Cash-flow Management, How to bid and Prepare tender documents, Export Preparation)

- Market and Export – With Export Development Corporation (EDC) to inform of new markets & regulatory issues of imports and New Exporters’ Programme

- Intellectual Property Management Training for SMEs

- Corporate Governance for SMEs (in the pipeline)
Marketing & Outreach

Mohammed Bin Rashid Awards for Young Business Leaders
An event organized to award exceptional entrepreneurs. It is aimed at creating a competitive environment amongst the young entrepreneurs of the UAE and the Arab countries.
www.smeawards.ae

Young Entrepreneur Competition (YEC)
A 3-5 day activity where students from different private and public high schools set up their stands and sell their products in a competitive environment located in Dubai.

Franchise Middle East Exhibition
An exhibition that will feature international and local franchise opportunities

• Around 11,000 entrepreneurs assisted through Development Advisory Services
• More than 1100 SMEs facilitated to obtain licensing and registration services
• AED 1 billion worth of Government Contracts facilitated through GPP.
• 300 Start-Ups Incubated
• 61 Projects funded through network of 8 Banks
• 51 Service Providers co-opted into our Service Providers Network
• 4,000 students with 1200 projects organized over 6 cycles of “Young Entrepreneur Competition”
• 66 Arab entrepreneurs awarded the YBL Award in the last 5 years
Success Stories

Mohammed Saeed Harib
Lammtara Pictures
Freej – 3D animation

Dr. Lamees Al Shamsi
Shiffa Cosmetics
Manufacture

Fathiya Ahmed Osman
Heritage for Henna
(Retailer, Franchiser, Exporter)