



Beyond the crisis: SME and Entrepreneurship outlook in the MENA region

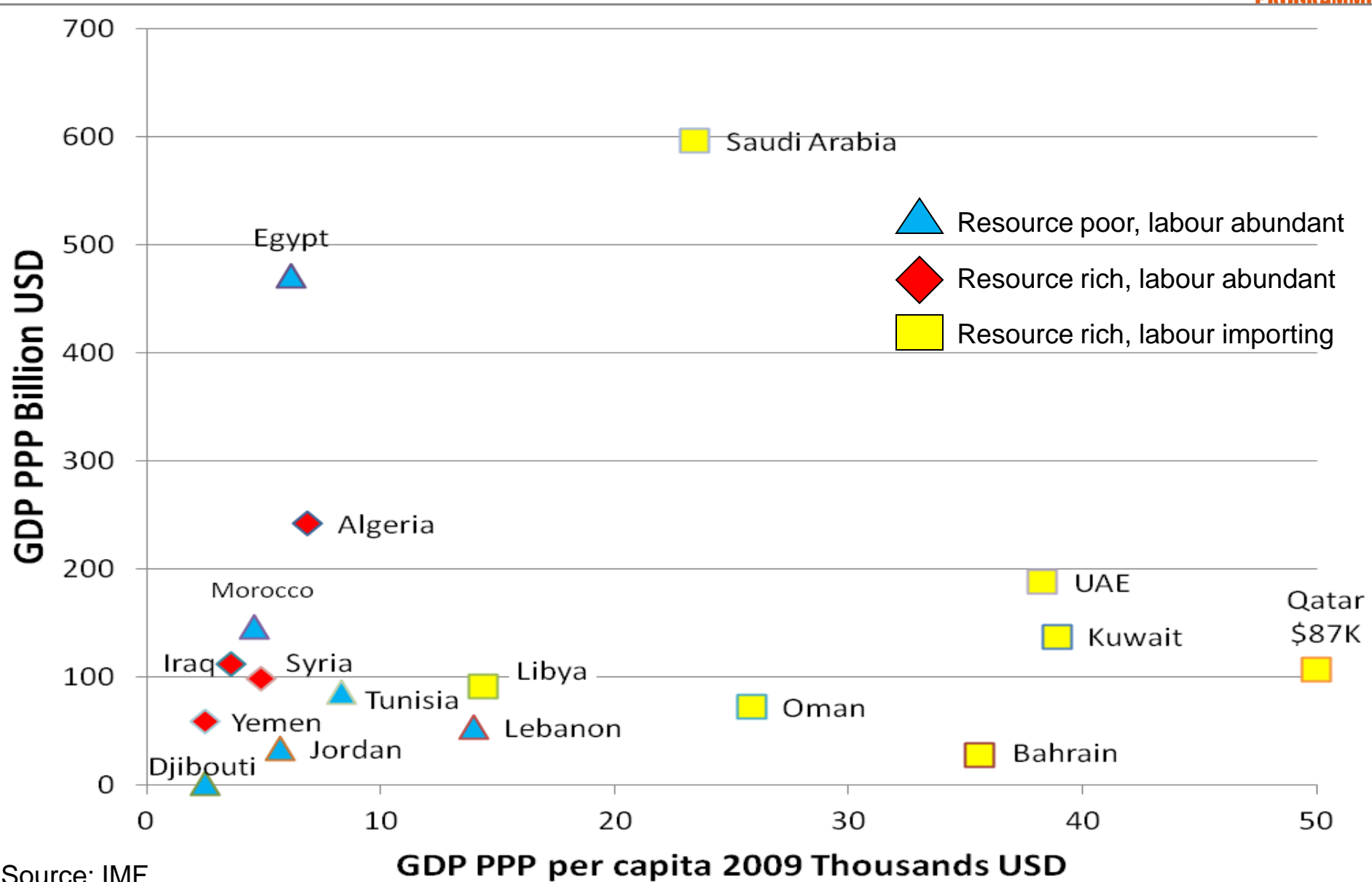
**MENA-OECD Working Group on SME
Policy, Entrepreneurship and Human
Capital Development**

Tunis, 29 March 2010

MACROECONOMIC OVERVIEW

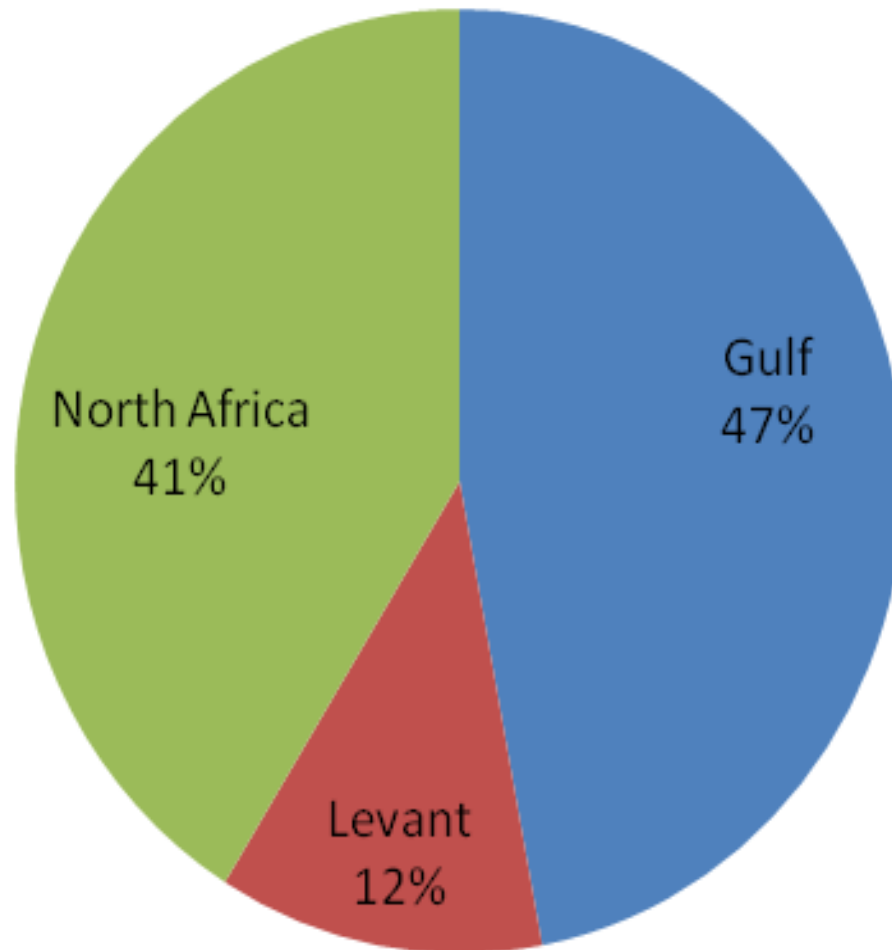
A structurally diverse region

GDP in the MENA countries, 2009



Source: IMF

GDP PPP in MENA sub-regions, 2009



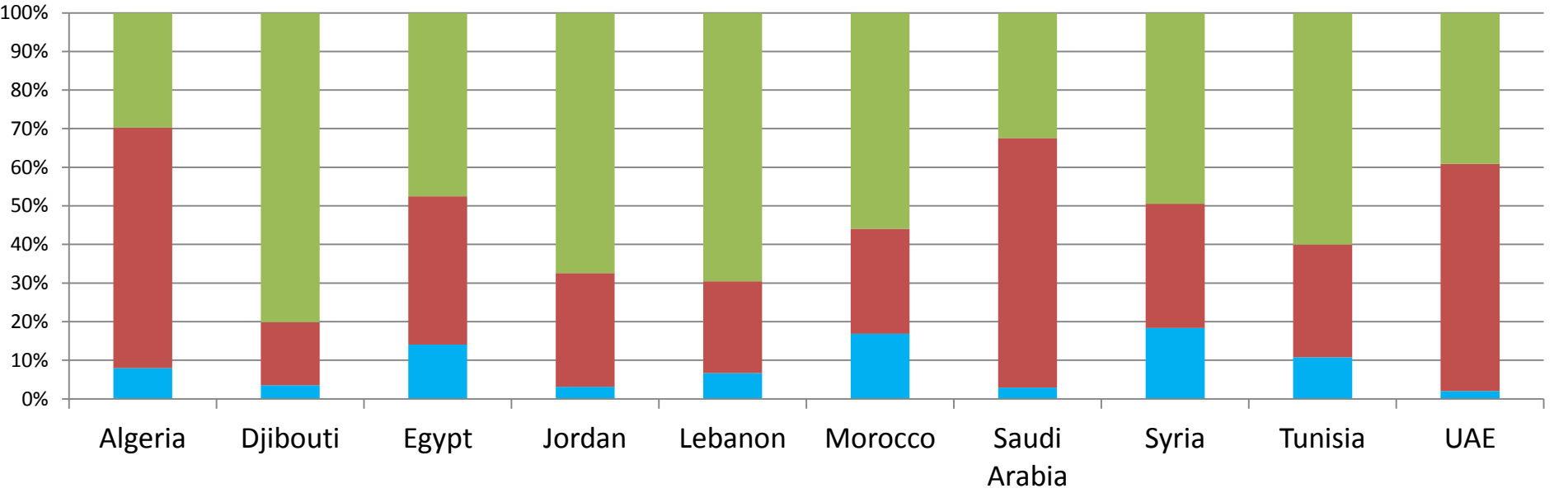
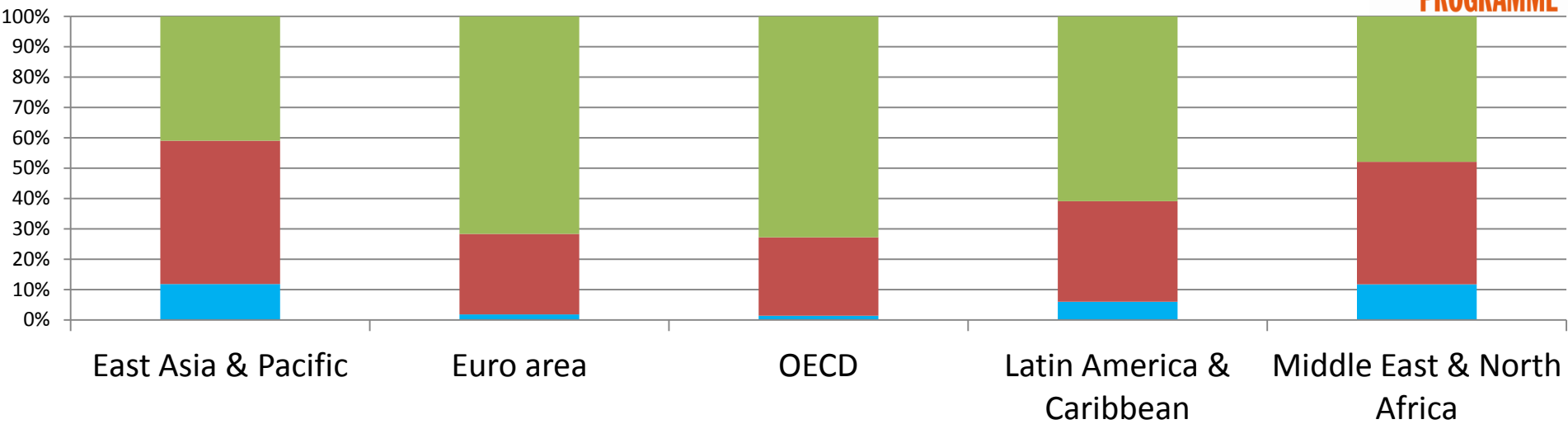
Total MENA
GDP: 2.5
trillion

Value added by economic sector

% of GDP, 2008



MENA-OECD
INVESTMENT
PROGRAMME

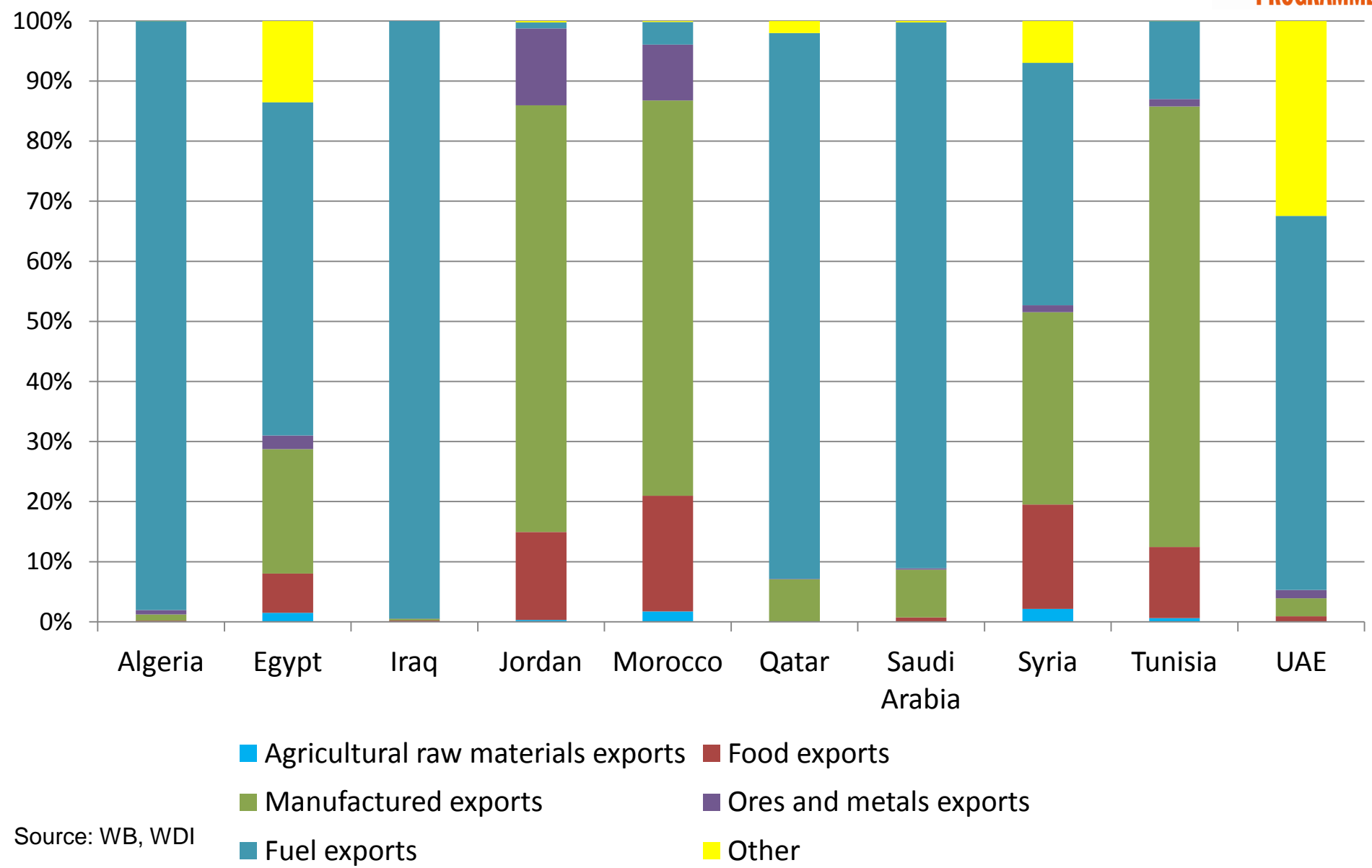


Source: WB, WDI

■ Agriculture
 ■ Mining, oil & manufacturing
 ■ Services

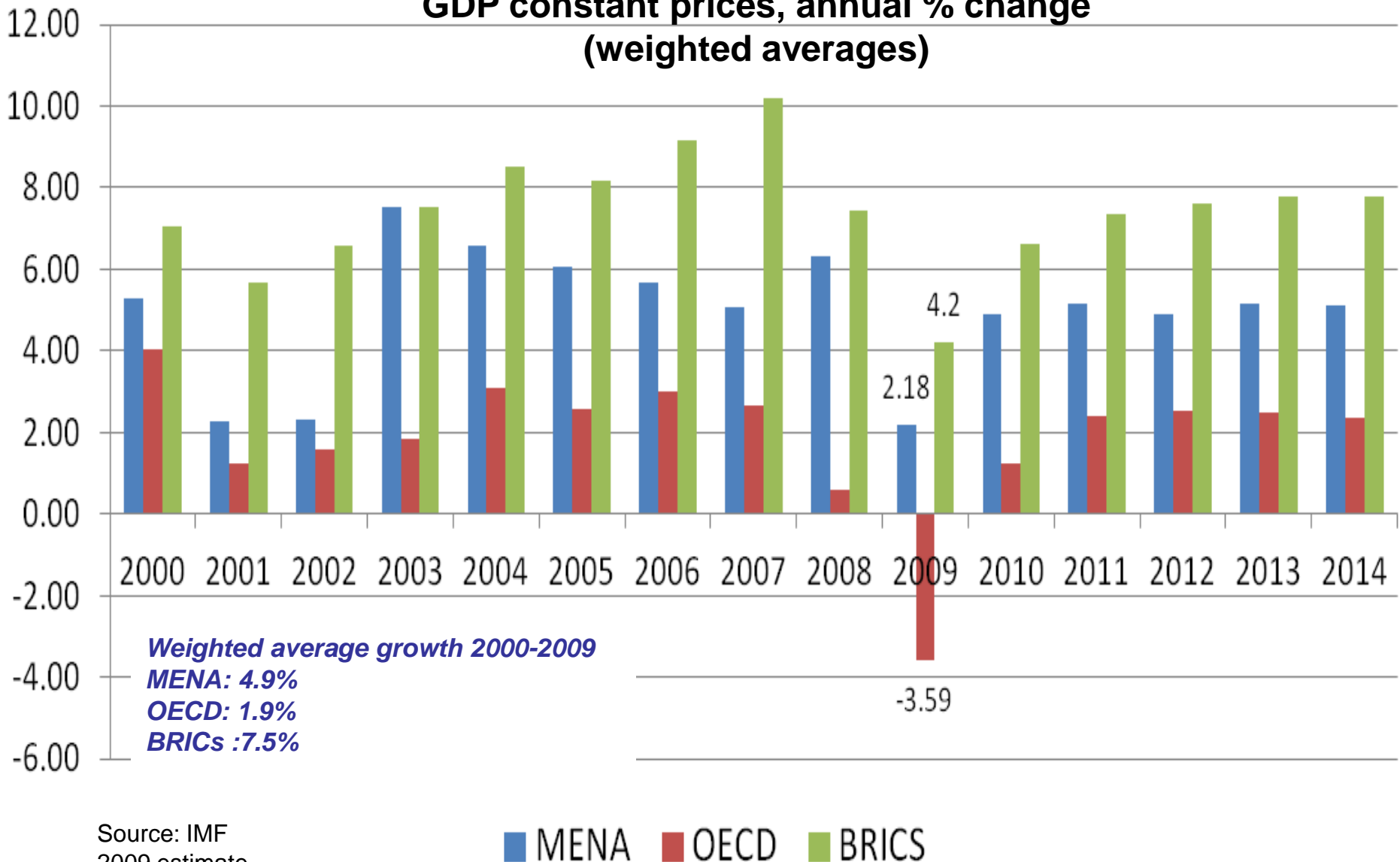


Merchandise exports in the MENA region (% of total merchandise exports), 2006



Source: WB, WDI

GDP constant prices, annual % change (weighted averages)

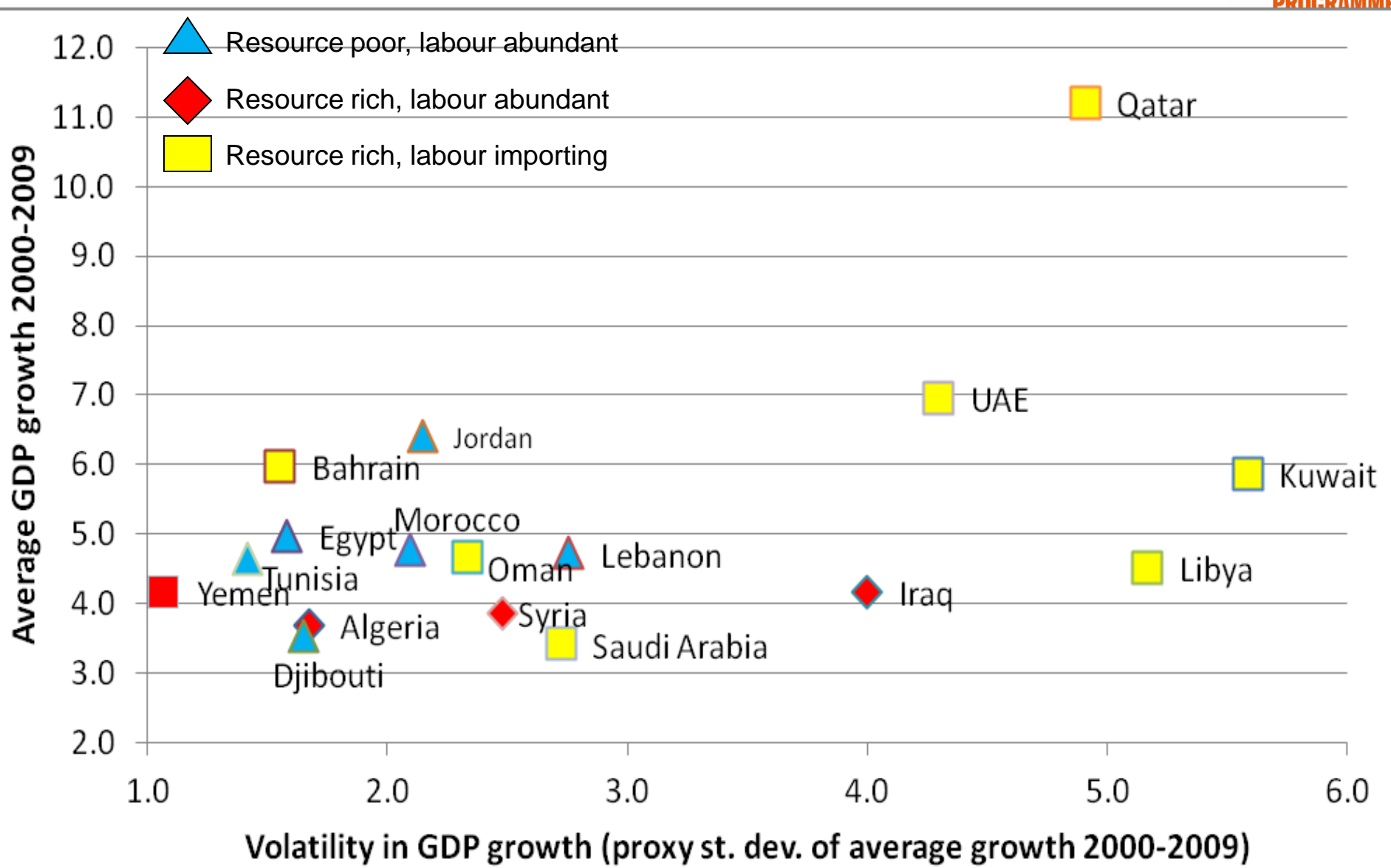


Source: IMF
 2009 estimate
 2010-2014 IMF forecast

■ MENA ■ OECD ■ BRICS

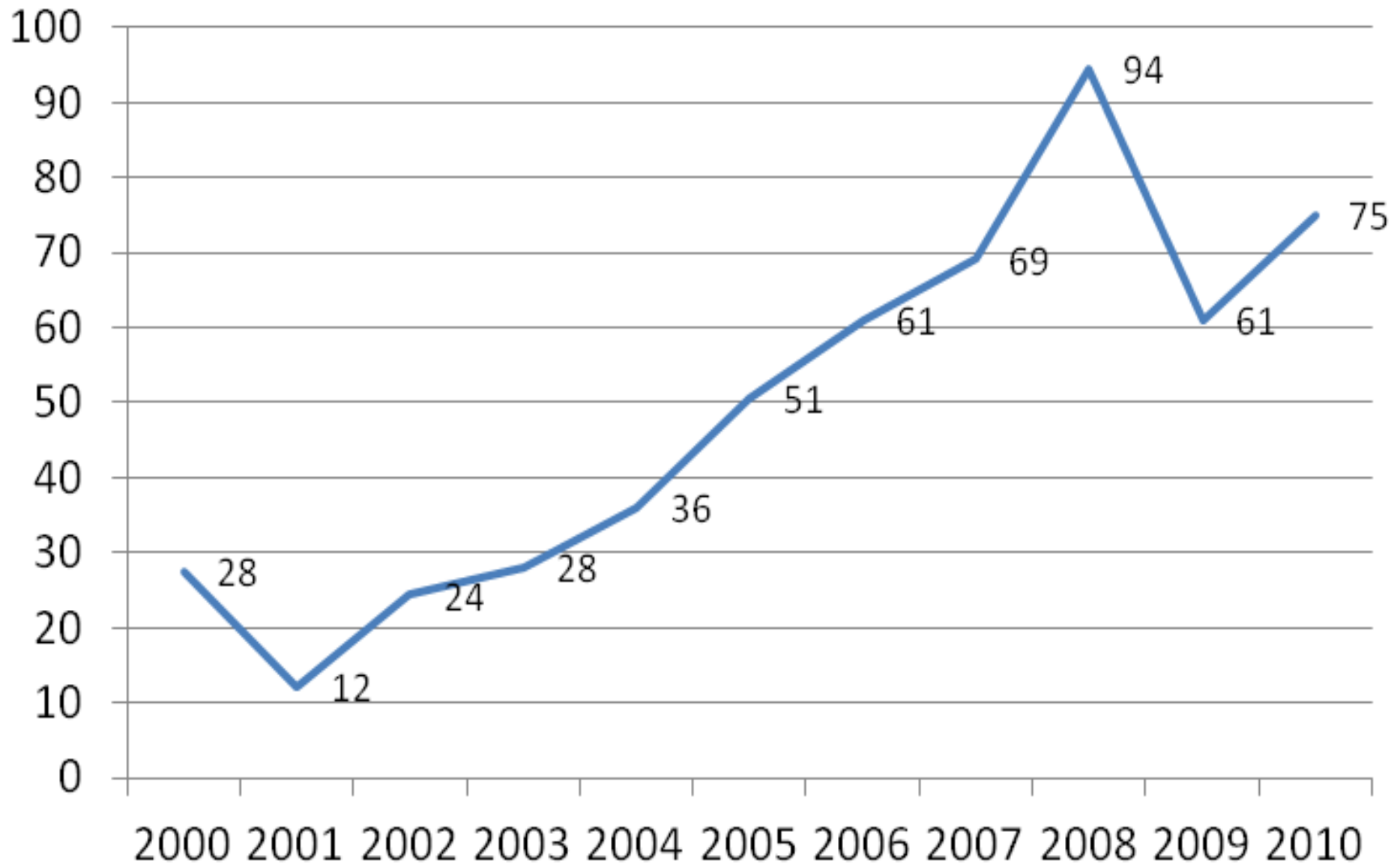
Economic Performance in the MENA region

Oil sector and commodity trends fuel volatility

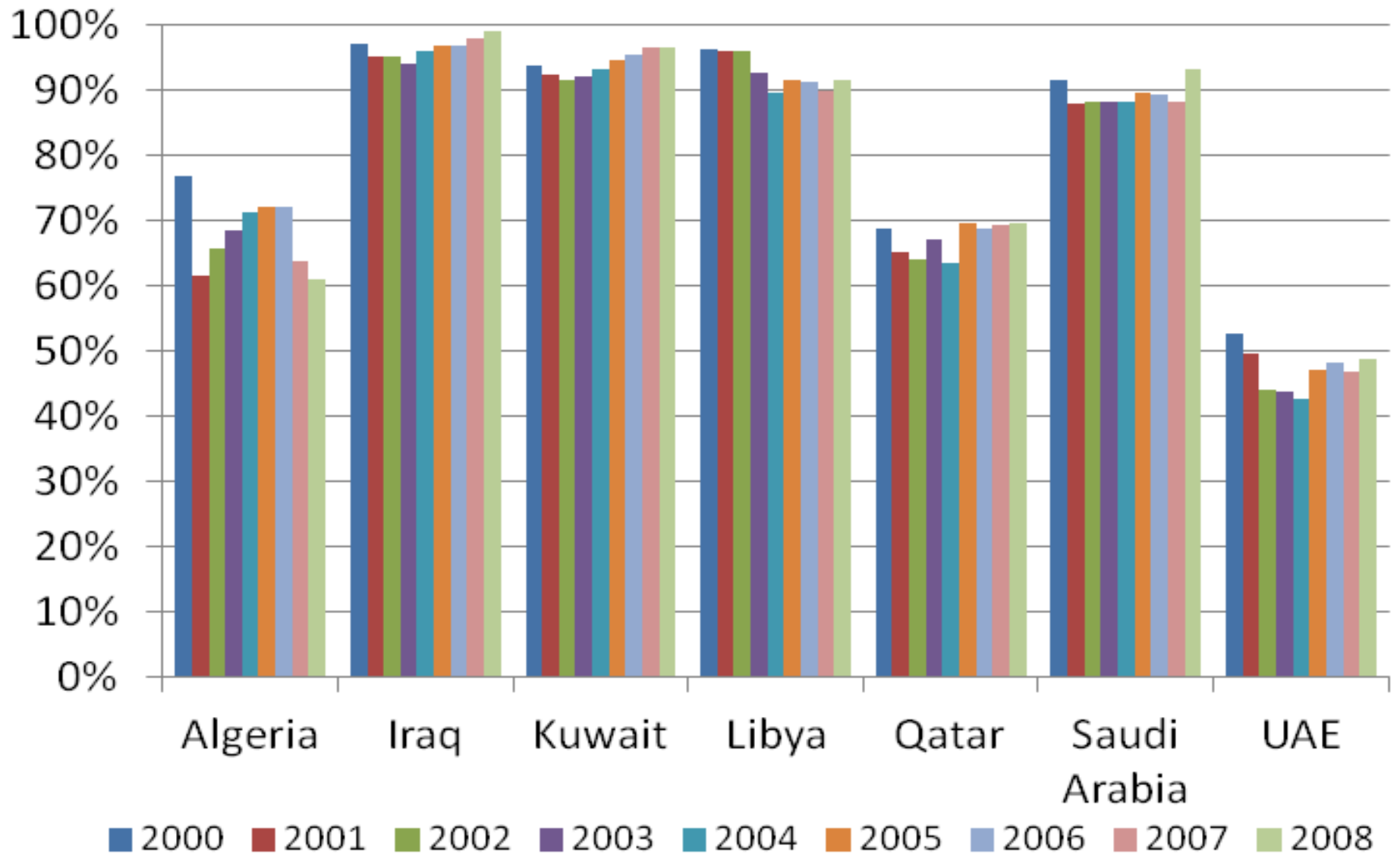


Source: IMF

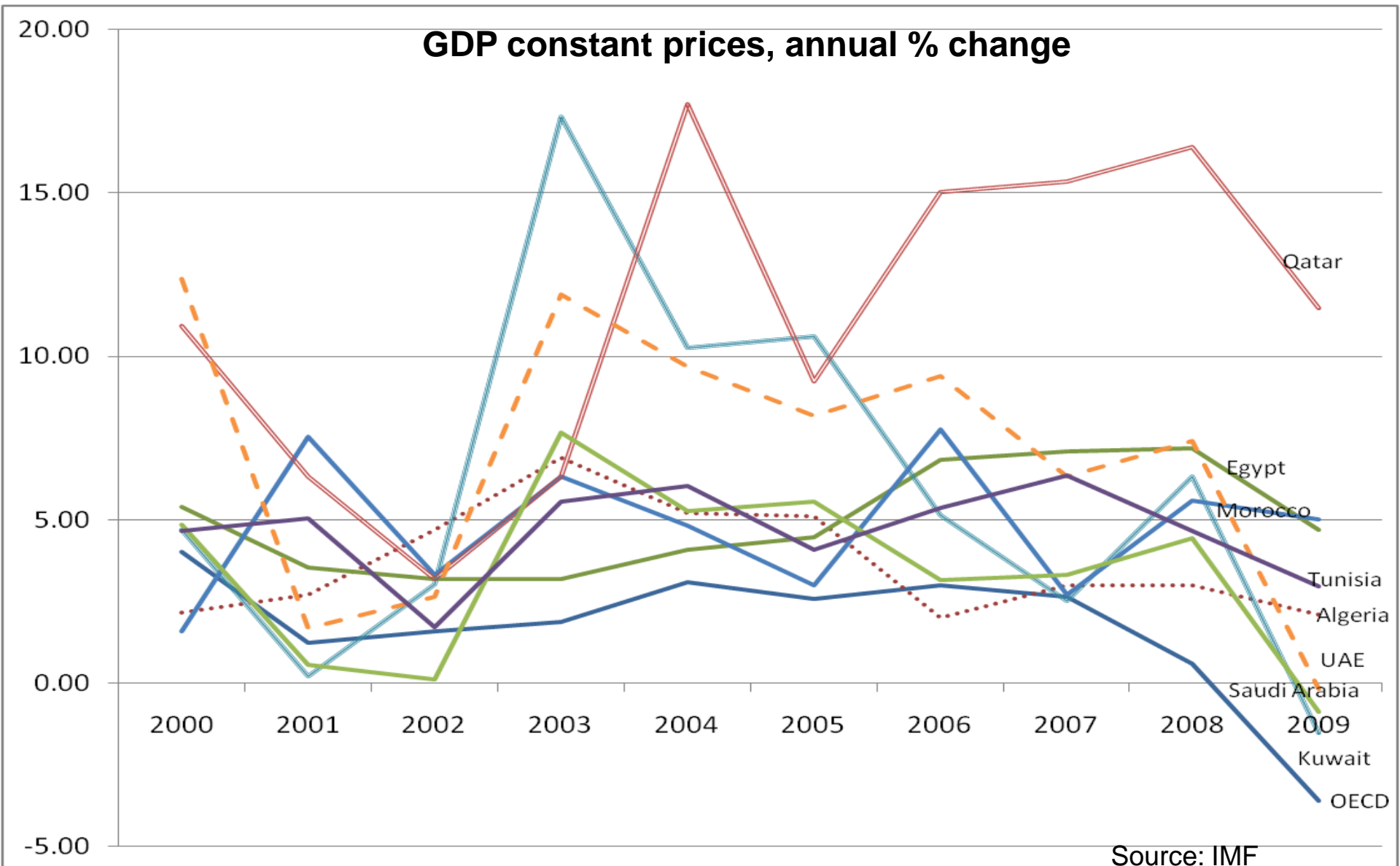
Oil prices (yearly basket price) US\$ / b



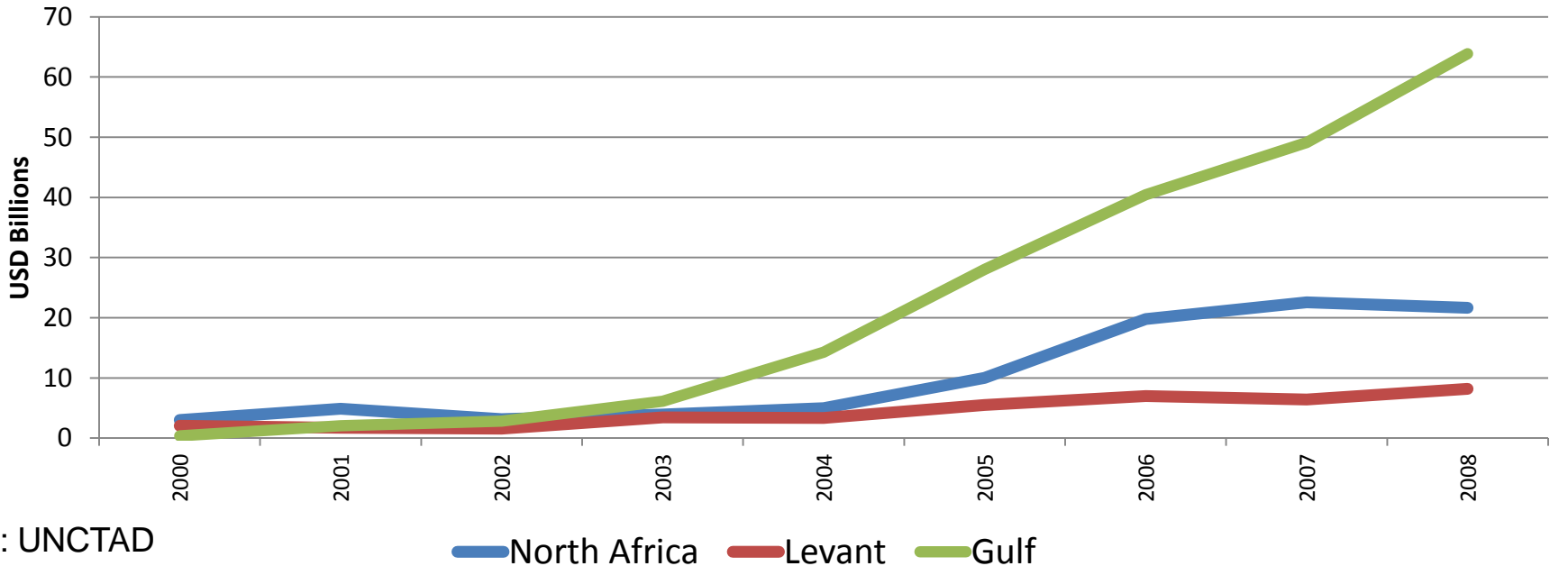
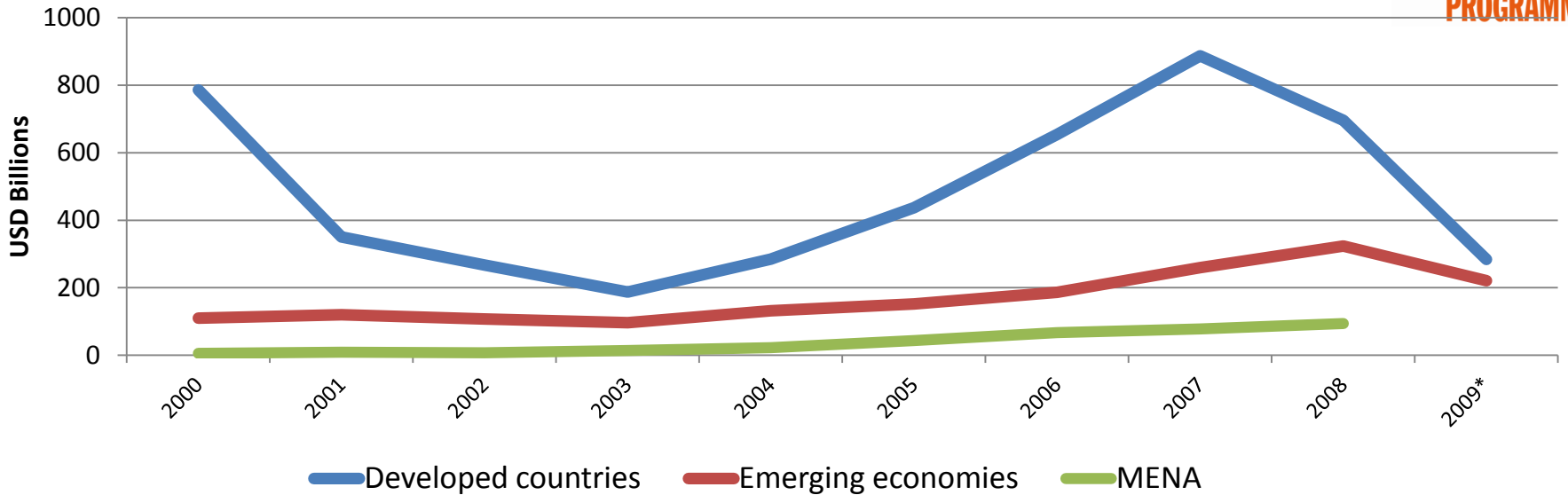
Source: OPEC



Source: OPEC



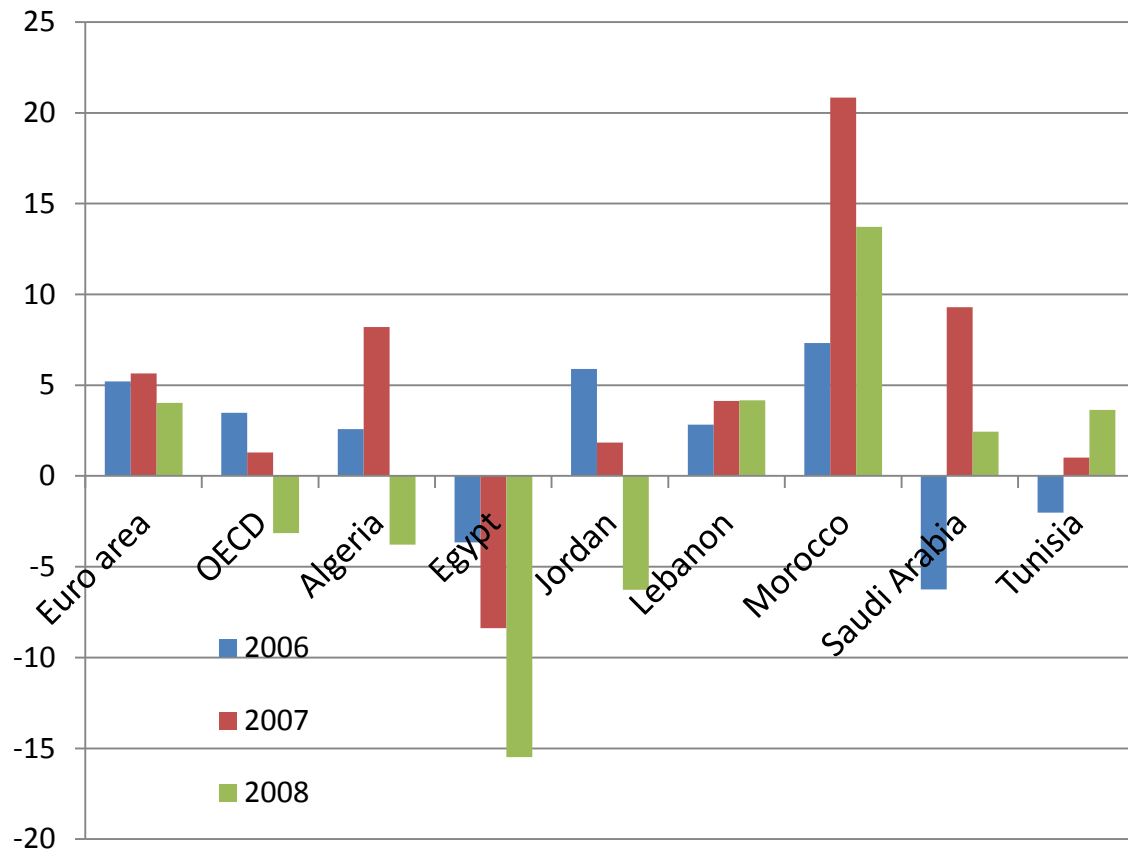
Foreign Direct Investment inflows 1990-2009



Source: UNCTAD

| Credit to the private sector (%GDP) 2008 | |
|---|-----|
| Euro area | 126 |
| OECD | 160 |
| MENA (2007) | 42 |
| Algeria | 13 |
| Egypt | 43 |
| Jordan | 89 |
| Lebanon | 77 |
| Morocco | 80 |
| Saudi Arabia | 56 |
| Tunisia | 67 |
| Romania | 39 |
| Turkey | 32 |

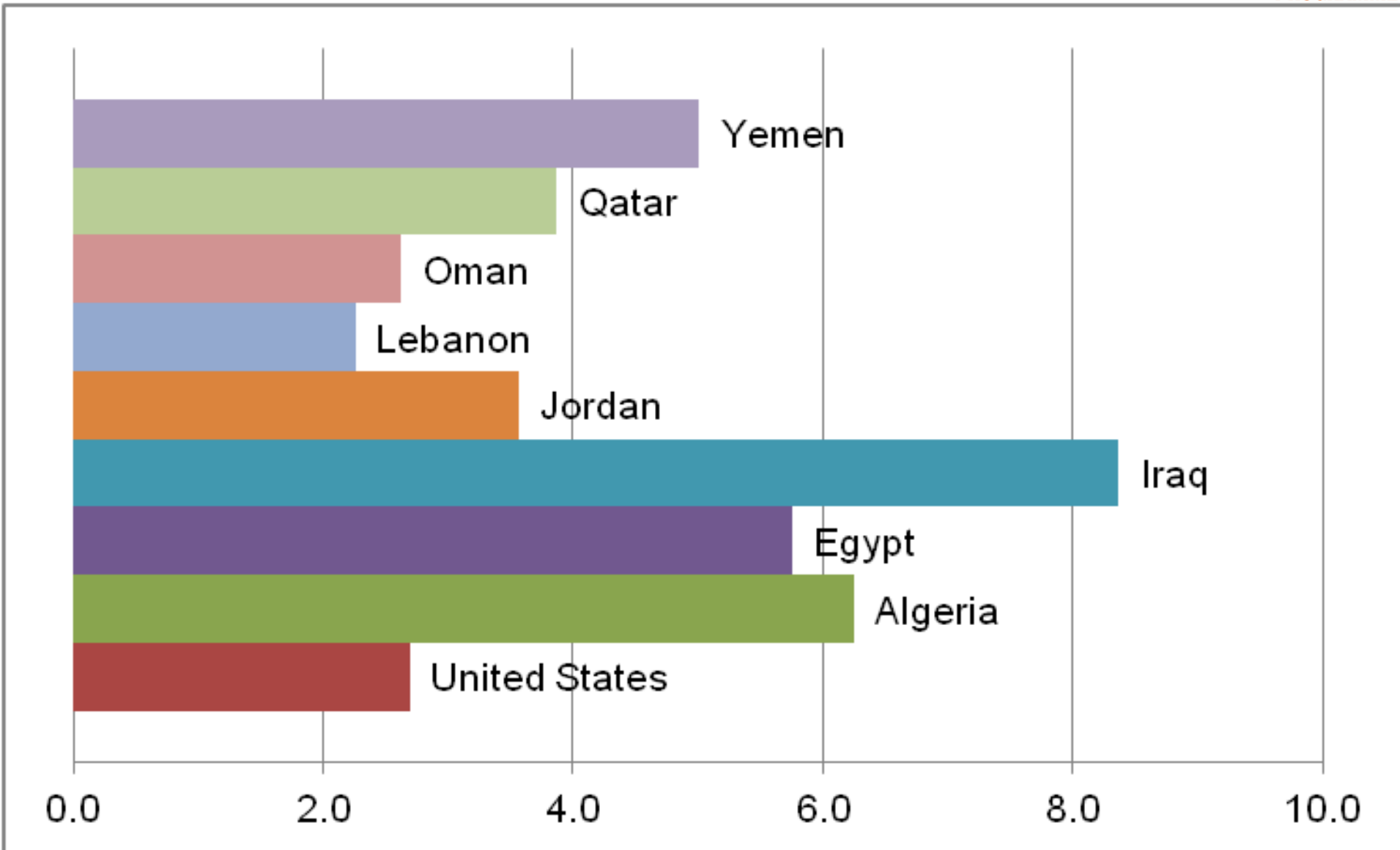
Domestic credit to private sector, annual % change



- **Low ratios of credit to GDP**

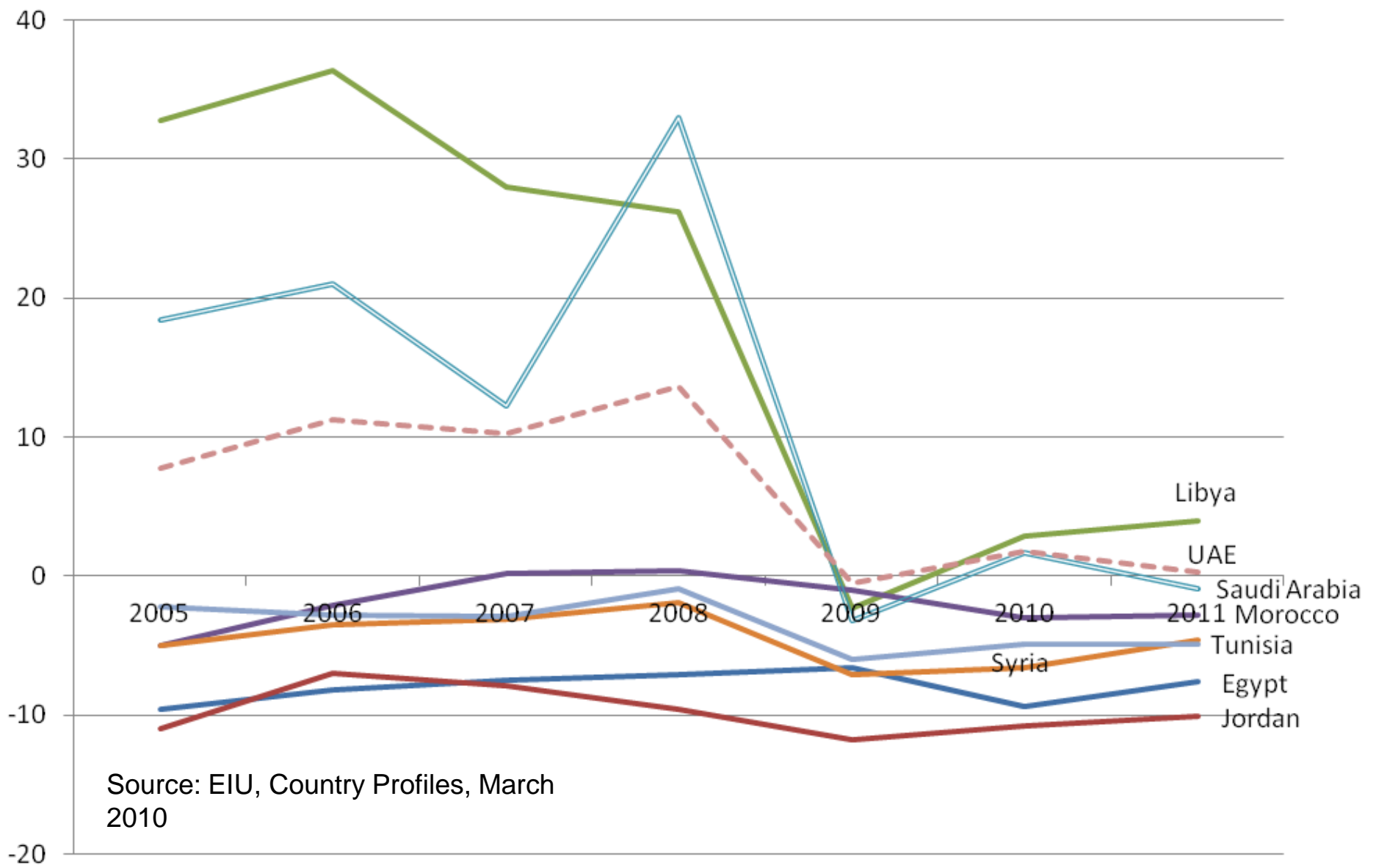
- **Contraction of credit to the private sector in some countries**

Lending-deposit interest rates spread 2009 or latest available year



Sources: IMF, IFS and EIU

Government balance (% of GDP)



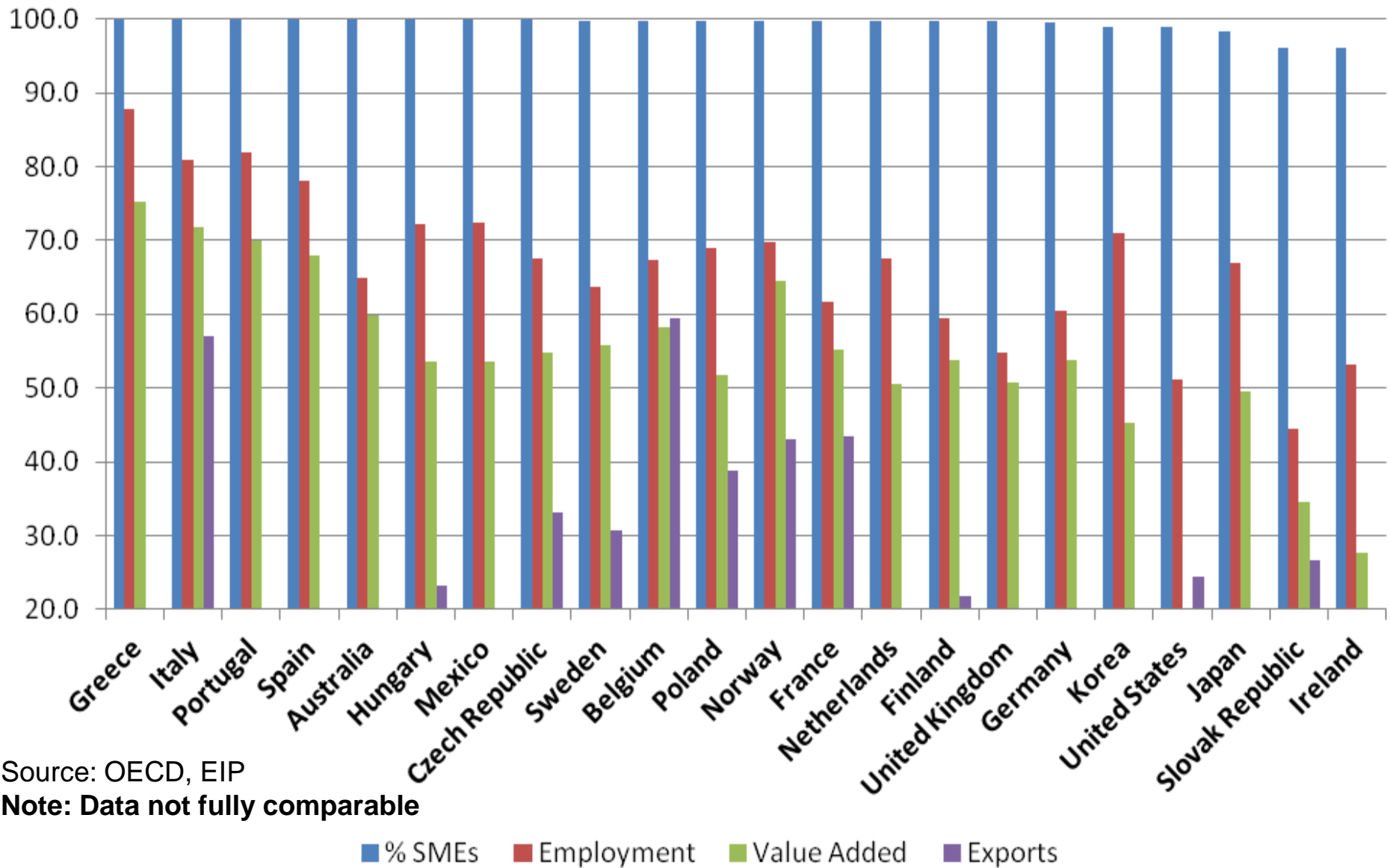
Source: EIU, Country Profiles, March 2010

- Growth has resumed, albeit at a lower rate than in the expansion phase previous to the crisis.
- The shape of recovery in OECD countries is not clear; but persistent weak demand in the OECD countries may reduce growth in the MENA countries with large manufacturing exporting sectors.
- This will have an impact on employment as the number of entrants in the labour market is expected to continue to expand.
- Fiscal constraints do not allow for further expansion of the public sector. Most of new jobs should come from the private sector.

SMEs, ENTREPRENEURSHIP AND YOUNG FIRMS

The importance of SMEs in OECD countries

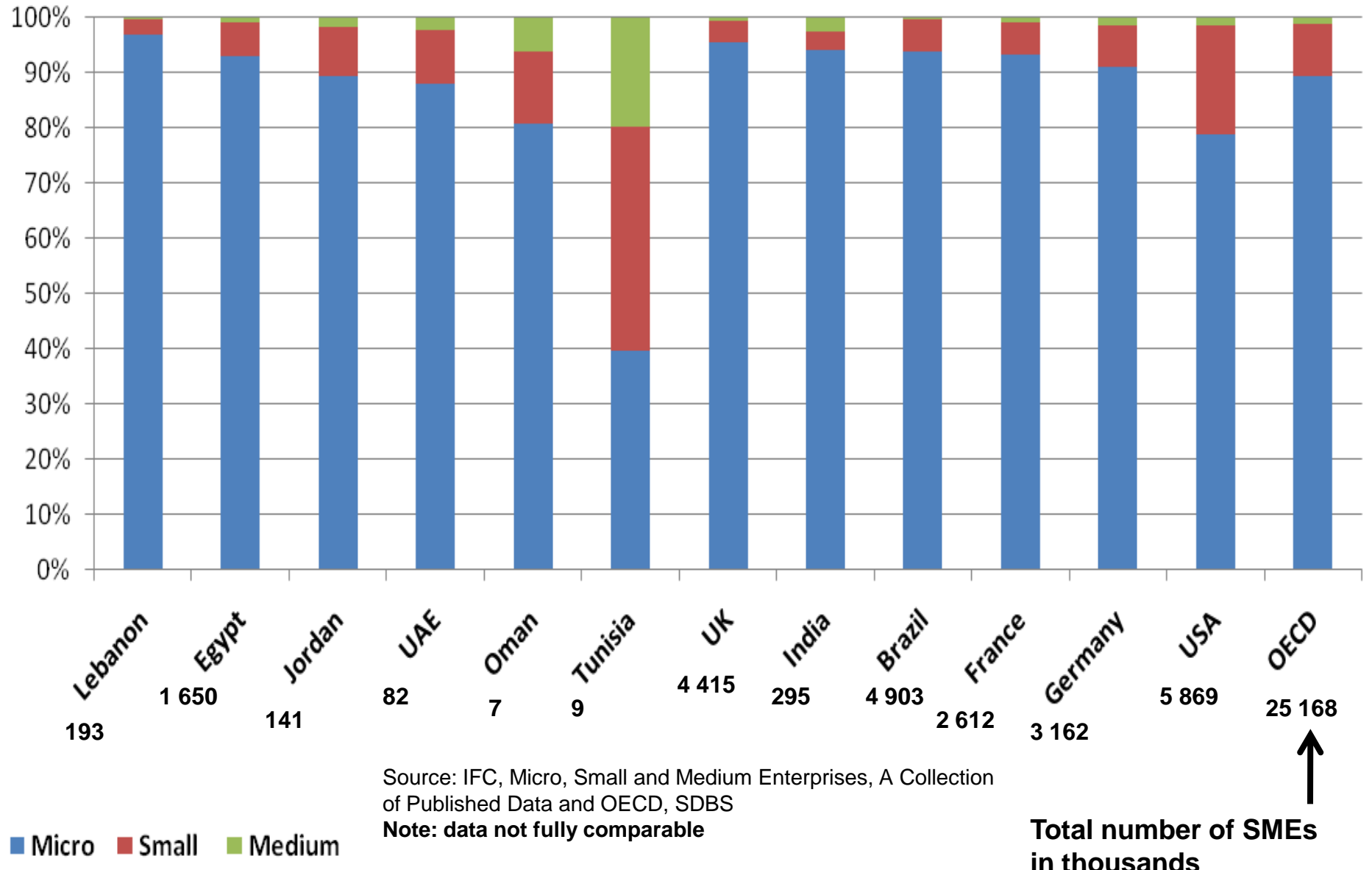
% of total



Source: OECD, EIP
Note: Data not fully comparable

The importance of SMEs in selected countries

SMEs by size class, % of total SMEs



| | SME density (No. of SMEs per 1000 people) | SME employment |
|----------------|---|-----------------------|
| Algeria | 18.8 | n.a. |
| Egypt | 26.8 | 73.5 |
| Jordan | 26.8 | 50.0 |
| Lebanon | 47.2 | n.a. |
| Morocco | 15.2 | n.a. |
| Oman | 2.9 | n.a. |
| UAE | 34.2 | 86.0 |
| Brazil | 27.4 | 67.0 |
| China | 6.3 | 78.0 |
| France | 43.3 | n.a. |
| Germany | 38.3 | n.a. |
| UK | 73.8 | 39.6 |
| USA | 20.0 | 50.9 |
| OECD | 21.8 | 63 .3 |

Source: IFC, Micro, Small and Medium Enterprises, A Collection of Published Data and OECD, SDBS. **Data not fully comparable**

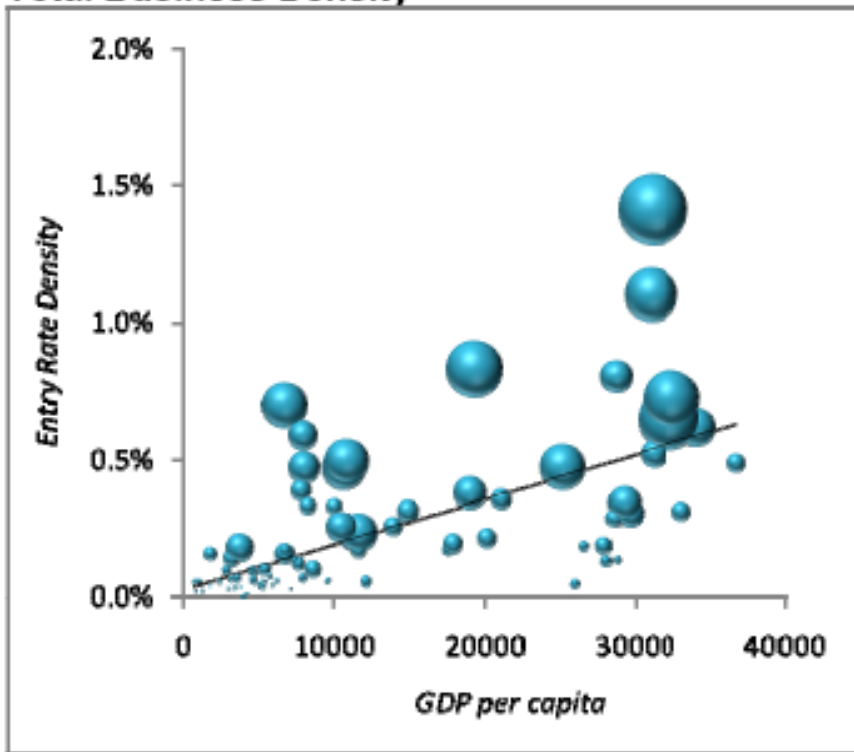
- Business start-ups are important for job creation
 - In the US, from 1980 to 2000 ***nearly all job creation occurred in young firms*** (enterprises less than five years old).
 - 2007 US Census data shows that young firms ***account for two thirds of job creation.***
 - In many countries, large firms account for a sizeable proportion of employment, but if we analyse employment in terms of firm size, it tells us little about job creation. ***It would be more accurate and revealing discuss employment in terms of firm age.***

Source: Kauffman Foundation, *Where will the jobs come from?*

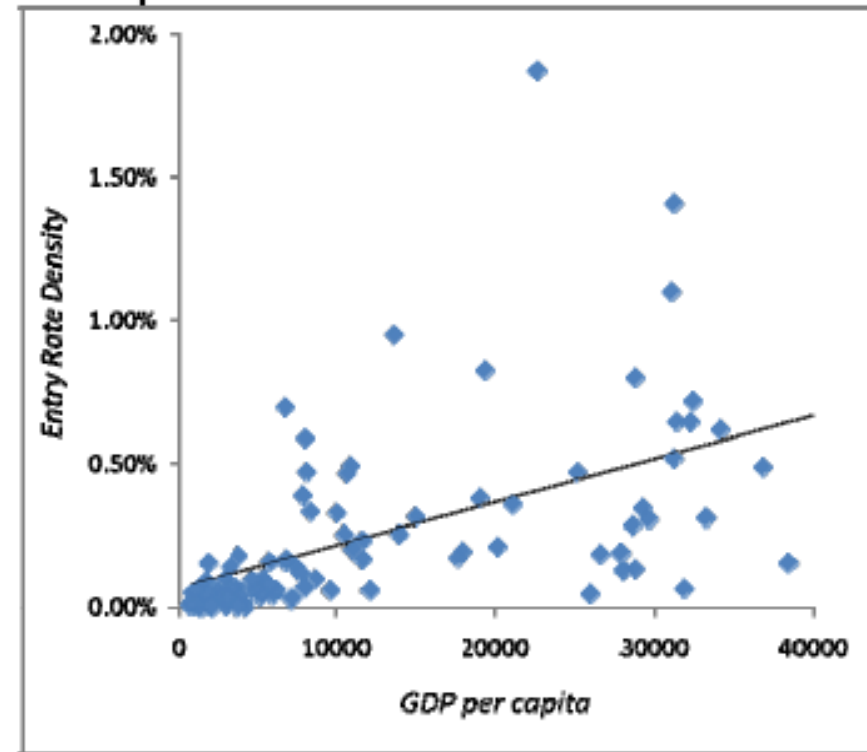
The importance of entrepreneurship and young firms

Research shows that there is a strong and significant relation between firm entry density (i.e. density of new registered companies per 1000 population), business density and GDP per capita.

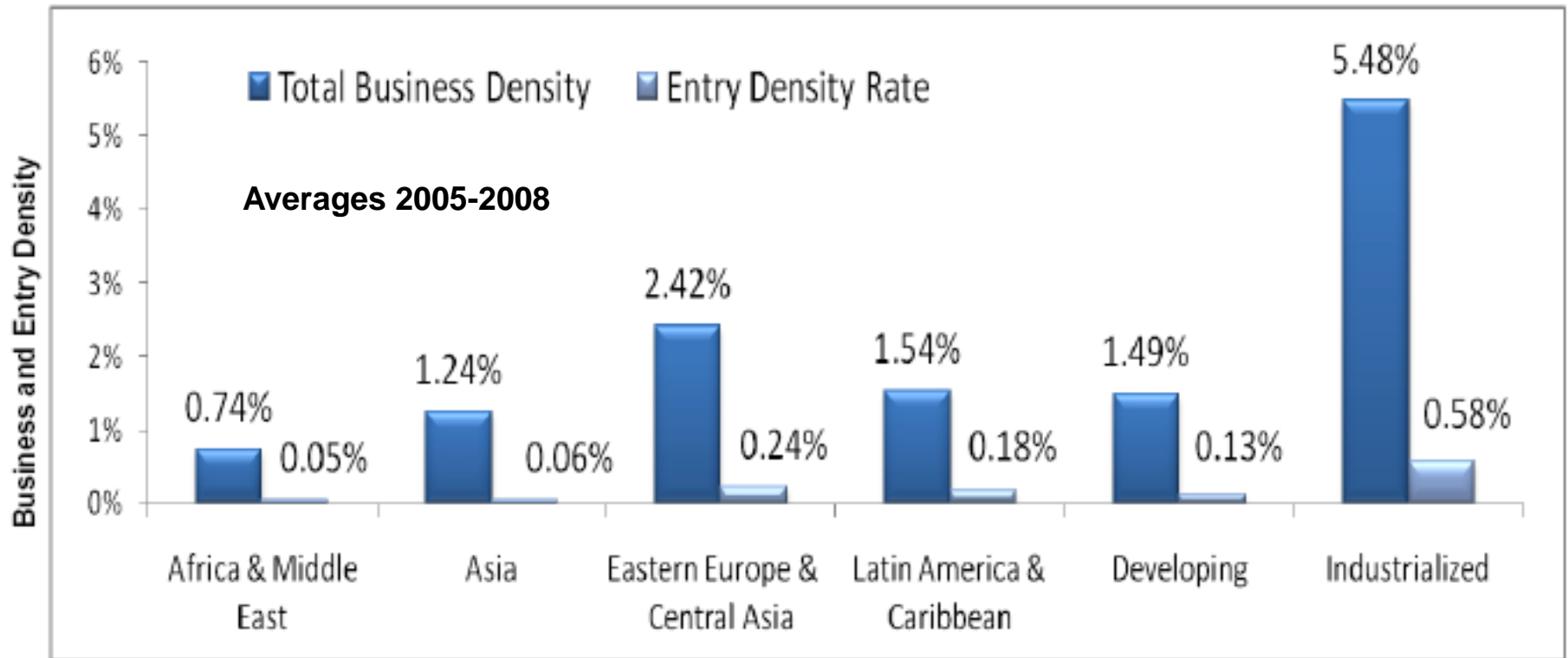
Entry Rate Density, GDP per Capita, and Total Business Density



Entry Rate Density and GDP Per Capita



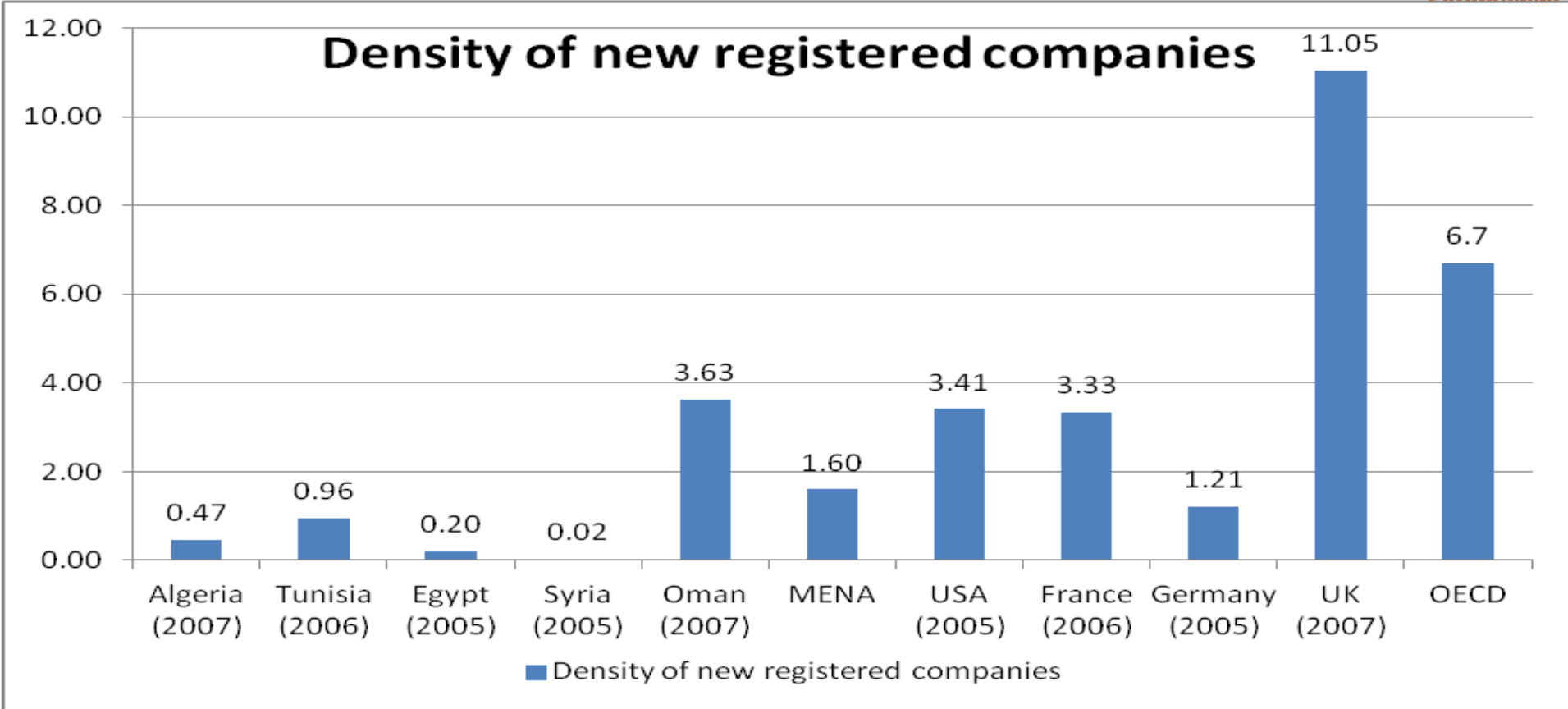
Source: World Bank, Entrepreneurship and Economic Development, An overview of the 2008 World Bank Entrepreneurship Survey



Total business density is the number of total registered corporations divided by total working age population.

Entry density rate is the number of newly registered corporations divided by the number of total registered corporations.

Source: World Bank, Entrepreneurship and Economic Development, An overview of the 2008 World Bank Entrepreneurship Survey



Density of new registered companies is the number of newly registered corporations divided by total working age population.

Source: World Bank Group Entrepreneurship Survey

For labour abundant countries:

- **Job creation:** Labour force is growing at an average of 3.4% per year, and just to maintain 2003 levels of employment, an additional 100 million jobs need to be created by 2020.

For resource dependent countries:

- **Economic diversification:** The recent crisis has highlighted the need to implement structural reforms to reduce MENA countries' vulnerability and improve their flexibility to respond to future shocks. This requires diversification away from reliance on oil resources and public works.

Promoting entrepreneurship and SME development are key in this regard.