

Working Group on SME Policy, Entrepreneurship and Human Capital Development

7th regional meeting
23-24 September 2014
OECD Conference Centre
Paris, France

SME Policies for job creation in the MENA region

Meeting Summary

Meeting objectives

Over 70 policy makers, experts, representatives from multilateral organisations and other stakeholders from 14 MENA and 9 OECD economies¹ took part in the 7th meeting of the [MENA-OECD Working Group on SME Policy, Entrepreneurship and Human Capital Development](#) on 23-24 September 2014 in Paris. The meeting featured policy dialogue of issues of key relevance for job creation, economic growth and productivity through the promotion of entrepreneurship and SME development in the Middle East and North Africa, in particular:

- The challenging socio-political and economic context for private sector development and SME policymaking in the MENA region;
- Fostering SME growth and entrepreneurship to address youth unemployment and promoting a greater participation of women in the economy, including through the promotion of women's entrepreneurship;
- Enhancing the capacity for monitoring and evaluating SME policies and programmes in order to assess policy effectiveness;

The meeting also featured the presentation of a comprehensive SME policy assessment undertaken by the OECD, the European Commission and the European Training Foundation: The [SME Policy Index: the Mediterranean Middle East and North Africa 2014: Implementation of the Small Business Act for Europe](#). The participants also discussed and

¹ The following MENA economies were represented: Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Palestinian Authority, Saudi Arabia, Tunisia, United Arab Emirates and Yemen. The meeting also registered participation from public and private sector representatives from the following OECD countries: France, Germany, Italy, the Netherlands, Spain, Sweden, Turkey, United Kingdom, and United States. Multilateral organisations represented were the European Commission, the European Training Foundation (ETF), the Union for the Mediterranean (UfM) and UN Women.

provided inputs for the identification of priority areas of work for the Working Group for the period 2015-2016.

Opening remarks

Ms Nicola Ehlermann-Cache, Head of the MENA-OECD Investment Programme, Mr Sadok Bejja, General Director of SME promotion, Ministry of Energy, Industry and Mines in Tunisia and Ms Maria Ludovica Agro, General Director of Industrial Policy, Competitiveness and SMEs, Ministry of Economic Development in Italy welcomed the participants to the meeting. The event took place at a crucial moment in the MENA region as countries undergo a political transition phase increasing difficulties in a complex economic and political context.

Ms Nicola Ehlermann-Cache highlighted the importance of private sector-led growth to foster job creation as the region is confronted with high unemployment rates, particularly among youth. She invited participants in the Working Group on SME Policy, Entrepreneurship and Human Capital Development to strengthen this important network and support its activities, which aim to engage partners in regional dialogue and peer-review on issues specifically pertaining to SME growth and development and entrepreneurship promotion. She also noted that the conclusions of this meeting will be brought to the attention of the MENA-OECD Steering Group, the governing body of the [MENA-OECD Initiative on Governance and Investment for Development](#), which is planning to meet on 5th February 2015.²

Mr Sadok Bejja drew attention to the crucial role SMEs play in the Tunisian economy as well as in the wider MENA region and stressed the importance of discussing policies to promote SMEs in regional and international policy dialogue forums. He informed participants that Tunisia as well as other countries in the region have taken important measures to improve the competitiveness of SMEs and highlighted that a regional forum like the MENA-OECD Working Group on SMEs is helpful to share experiences and identify optimal policies.

Ms Maria Ludovica Agro pointed to the common challenge in Europe and the MENA region to ensure that economic growth translates into job creation, as these two regions have the highest unemployment rates in the world. She acknowledged that the MENA-OECD Working Group on SMEs is an important forum for policy dialogue and experience sharing in the MENA region, as it addresses the main issues that SME policies in the region need to tackle, such as creating more jobs in the private sector.

Meeting outcomes

The following points summarise main messages and interventions made by participants in each one of the meeting's sessions.

² The [last Steering Group meeting](#) of the MENA-OECD Investment Programme took place on 3 December 2013 in Rabat, Morocco.

Session 1: Recent economic developments in the MENA region and implications for enterprise policy

This session outlined the key challenges for SME policymaking in the MENA region and the main issues that were examined over the course of the meeting.

Participants:

- Noted that a faltering world economy since the global crisis and the increasing socio-economic instability in several countries in the MENA region have produced negative effects in the business and investment climate and have added greater complexity to addressing employment and development challenges.
- Noted that although the current socio-economic circumstances in several MENA economies represent a testing scenario for policy development and implementation, reforms need to be continued and stepped up and SME and entrepreneurship promotion should be put at the centre of the economic agenda.
- Observed that comprehensive and far-reaching reforms are especially needed given the limited contribution of the private sector to the creation of more and better jobs and given the existence of a number of structural challenges. Those challenges are reflected in large informal sectors, bloated and market-distorting public sectors, lack of competition, and rent seeking behaviour. This has resulted in low levels of entrepreneurial activity and high unemployment levels, especially among youth and graduates, and low levels of participation of women in the labour force.
- Agreed that SME and entrepreneurship promotion require addressing specific barriers to enterprise creation and growth such as burdensome labour market regulations, red tape, corruption and a weak rule of law, lack of access finance, skills mismatches, etc.
- Highlighted the importance of regional dialogue and regional efforts to address structural challenges and promote SME creation and growth, and expressed their commitment to support policies to foster job creation, economic growth and productivity enhancement.

Session 2: Presentation of the SME Policy Index for the Mediterranean Middle East and North Africa 2014: Implementation of the Small Business Act for Europe

This session analysed the results of an assessment of SME policies in the Mediterranean Middle East and North Africa undertaken by the OECD, the European Commission and the European Training Foundation, in consultation with the European Investment Bank. The assessment was based on the framework of the Small Business Act for Europe (SBA), a comprehensive instrument adopted by the European Union to guide SME policymaking and implementation. The discussions focused on key areas for enterprise creation and growth, particularly improving business environments and fostering SME competitiveness.

Participants:

- Welcomed the publication *SME Policy Index for the Mediterranean Middle East and North Africa 2014: Implementation of the Small Business Act for Europe – an [assessment of SME policies](#)* undertaken by the OECD, the European Commission and the European Training Foundation, in co-operation with the European Investment Bank.
- Noted that the MENA region has made progress – though incremental – in key policy dimensions since the last assessment of SME policies in 2008 by improving business environments, enhancing policy coherence and coordination, improving access to finance and enhancing enterprise support services.
- Agreed that several MENA countries could improve their national SME policies by strengthening their institutional capacity and coordination. Key measures could include the following:
 - Stepping up efforts to improve the business climate, by undertaking business climate assessments and by conducting regulatory impact analyses;
 - Adopting strategic and comprehensive approaches to SME policy, by identifying SME policy objectives, targets, milestones, responsible agencies; establishing coordination mechanisms and consulting with the private sector; and by putting SME policy into the wider economic policy context;
 - Strengthening monitoring and evaluation to assess policy effectiveness.
- Highlighted the relevance of continued efforts to assess SME policies in the region with the objective to track policy performance, analyse common and country-specific challenges and identify appropriate policy responses; suggested that assessments are undertaken on a more regular basis, noting that capacities are limited.

Session 3: Monitoring and evaluation of SME policies as an essential policymaking element in the MENA region

One of the main messages emerging from the SME Policy Index presented in session 2 is that MENA countries need to increase significantly their efforts to strengthen SME policy monitoring and evaluation. The development of solid monitoring and evaluation procedures for both existing and future programmes is crucial in ensuring accountability and knowledge capitalisation. In this session participants discussed examples of SME-relevant data collection and policy monitoring and evaluation practices in OECD and MENA countries.

Participants:

- Emphasised that MENA countries need to develop mechanisms for monitoring and evaluating policies for SMEs and have more detailed and internationally comparable data.
- Welcomed tools presented by the OECD that can guide MENA countries in improving their statistics such as: the collection of harmonised [structural and demographic business statistics \(SDBS\)](#), ([Entrepreneurship at a Glance 2014](#)), and the [Eurostat – OECD Manual on Business Demography Statistics](#).
- Welcomed the invitation by the OECD to join the [scoreboard on Financing SMEs and Entrepreneurs](#), which establishes a comprehensive international framework for monitoring SMEs’ and entrepreneurs’ access to finance over time and creates an effective platform to discuss emerging trends and good policy practices. Joining the scoreboard would involve the nomination of a country expert in coordination with the OECD Secretariat. This expert should be a specialist in SME finance statistics, and have access to data for the preparation of a country’s profile. Participation in the scoreboard involves no financial commitment or cost.
- Pointed out that practices in MENA countries (such as the newly established Observatory to monitor SMEs in Morocco and the New Economic Imperative in the United Arab Emirates) and in OECD member countries (the monitoring and evaluation of SME policies in the framework of the “Small Business Act” in Italy) could also serve as guidance to improve policies and programmes for SMEs in other countries of the region.

Session 4: Fostering women’s entrepreneurship in the MENA region

Allowing women entrepreneurs to prosper requires that policymakers recognise and account for their needs by gender mainstreaming SME policies. In this session participants discussed the barriers facing women entrepreneurs in the MENA region and the ways in which SME policy can be mainstreamed to take account of them.

Participants:

- Stressed the importance of the findings of the OECD *Women in Business 2014* publication, which presents the OECD’s work on women’s economic integration in the MENA region from three viewpoints: education, employment and entrepreneurship.³ This research found that improvements in levels of education among women in the region are not reflected in higher employment or

³ OECD (forthcoming), “*Women in Business 2014: Accelerating entrepreneurship in the Middle East and North Africa region*”. For more information on this topic, visit the Women in Business 2012 web page.

entrepreneurship rates. In order to spur women's entrepreneurship, access to Business Development Services (BDS), finance and employment could be improved. Women's labour force participation is highest in the public sector and academia.

- Pointed to the barriers women face in the workplace, such as lower wages, discrimination in hiring, and provision of family leave and emphasised that increased integration of women into the workplace in MENA economies would lead to better business performance and higher rates of GDP growth.
- Addressed the need for more value to be placed on female entrepreneurship. Increasing public-private cooperation in removing barriers to female entrepreneurship and supporting women in balancing work and family life are important measures to achieve this.
- Discussed possible policy measures to foster women's entrepreneurship. Suggested measures such as financial incentives and a scheme awarding private sector jobs to high-achieving female students, in order to attract women away from the public sector and into jobs in the private sector. There is also a need for training which is tailored to women's needs, which differ from those of men.

Session 5: Enterprise Development and Job Creation in MENA: Reducing youth unemployment

This session discussed the relationship between enterprise development and job creation, and its implications for reducing youth unemployment in the MENA region.

Participants:

- Agreed that reducing the level of youth unemployment, as well as the duration of periods of unemployment that young people experience, is a pressing challenge for the region, as it is also for OECD economies. The [OECD Action Plan for Youth](#) was mentioned as a well-suited tool to link job creation with SME development through boosting demand for workers, improving transition from school to work, and offering more and better-designed apprenticeships.
- Acknowledged that the challenge of youth employment cannot be achieved without the development of a vibrant private sector that is able to translate the higher level of educational attainment into more productive and better jobs.
- Stressed that this challenge is directly linked to the necessity to foster structural transformation towards an increased role of higher value added industries and services. Participants agreed that boosting the services sector is an essential factor to accelerate this transformation and emphasised the important role of Information and Communication Technologies (ICT) sector towards this end.

- Noted that there is a need to develop national youth employment strategies, which is a multifaceted challenge that requires many different actions.
- Stressed that co-ordination among governments, the private sector and the education system is essential to reduce the skills mismatch in the region. Learning and soft skills should be developed according to private sector needs.
- Mentioned that high-growth enterprises can boost private sector job creation. As a consequence, targeted support to promising start-ups and SMEs should be included in any SME strategy.
- Were invited to send responses to the questions contained in the background paper, *Tackling Youth Unemployment in the MENA Region*, to Mr. Fares Al-Hussami, Policy Analyst, Global Relations Secretariat, OECD (Fares.Alhussami@oecd.org).

Session 6: Proposed areas of work for 2015-2016 and conclusions of the meeting

In this session the OECD Secretariat presented a number of areas of work proposed for the Working Group for the period 2015-2016, as well as immediate follow-up activities after the meeting such as strengthening the communication among participants in this network and holding its regional meetings semi-annually.

Participants:

- Noted and commented on the presentations of the OECD Secretariat, which focused on:
 - A proposal to continue working on policies for the promotion of high potential and high growth enterprises as engines for jobs, productivity and innovation in the MENA region. Past activities of the working group in this area have noted the potential development of high growth enterprises in the region (see OECD-IDRC (2013) *New Entrepreneurs and High Performance Enterprises in the Middle East and North Africa*).
 - The OECD Secretariat put forward two approaches to undertake the proposed work: a cross-country analysis of economic sectors or activities with high potential for enterprise growth; or a cross-country analysis focused on economic activities related to information and communications technologies (ICT), which is considered as a sector with high employment potential for young and educated people.
 - The OECD Secretariat also proposed to undertake a module on access to finance for high potential/high growth enterprises in parallel to the main study on high growth enterprises. It also proposed to work on strengthening the monitoring and evaluation of SME policies and programmes and

improving the availability of SME statistics, in particular by producing policy guidance handbooks aimed at achieving those objectives.

- Remarked that a cross-sector approach to SME development could be particularly interesting and could compensate for a lack of data on the overall economy. Carefully selecting the sectors in question would be important to ensure that the targeted sectors have a high job creating potential.
- Considered the need to address linkages and supply chains further, and map the informal sector. It was suggested that adopting a partly sociological approach in the area of informality, rather than a purely economic one, could prove fruitful.
- Stressed the need to improve credit risk assessments to reduce collateral requirements and enhance access to finance for SMEs. This could involve the creation of a region-wide guarantee fund and the application by SMEs of corporate governance standards.
- Highlighted the importance of monitoring and evaluation and stakeholder coordination in the successful implementation of government policies to promote SMEs and entrepreneurship.
- Noted the importance of identifying crucial concepts relevant for SME policy which could be debated by the working group so that participants develop a common understanding of them. For example, the different criteria used for SME definitions (number of employees, turnover, independent management/ownership, etc.) could be the subject of a comparative overview and analysis to identify commonalities, differences and opportunities for harmonisation.
- Stressed the relevance to continue and step up efforts for mainstreaming women's economic empowerment in the region.
- Noted with interest that the MENA-OECD Investment Programme offers trainings at the IMF Centre for Economics and Finance in Kuwait on Improving Policies and Access to Finance for Small and Medium-Sized Enterprises in MENA (next date: 15-18 December 2014).
- Noted with interest the possibility of further co-operation between the Working Group and the European Training Foundation (ETF) in the area of human capital development, especially concerning women. The ETF has already carried out research on women's transition from education to the workplace in key sectors such as ICT and suggested sharing their results, which was welcomed by participants.
- Welcomed the invitation of the United Arab Emirates delegation to hold the next meeting of the Working Group in Dubai.

As follow up to the meeting, the OECD Secretariat will circulate detailed proposals for the programme of work of the MENA Working Group on SME Policy for 2015-2016 and will send more details about the next meeting of the network, which could take place in Dubai.

Meeting of MENA OECD Working Group on SME Policy

Réunion du Groupe de Travail sur la politique des Petites et Moyennes Entreprises dans les pays MENA

List of Participants

Liste des Participants

23-24 September 2014

Room CC12, OECD Headquarters



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