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3-2-1—Export SME Export Project Design

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3-2-1—Export SME Export Project Design

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1. Introduction

Small and medium enterprises, as defined by Egypt's Ministry for Foreign Trade and Investment (MFTI), represent 75 percent of the country's nonagricultural private sector employment and 80 percent of its manufacturing value-added yet are under-represented in Egypt's balance of payments (e.g., no more than 5 percent of GDP value, which is low even by regional standards).

In this report we propose a project design for supporting Egyptian SMEs in their efforts to export. We take into account the economic circumstances of SMEs and the practical needs of project implementation, drawing on information sources in Egypt. When possible we draw on information provided by SMEs, but depend largely on information gleaned from stakeholders and proxies (e.g., business associations, technical assistance projects, banks, business service institutes and organizations, CoCs, NGOs, universities, SME clients, etc.). We also draw heavily on the lessons of other projects in Egypt and Arab countries (sidebar), most of which were successful and had SME support as a primary or secondary objective. Some are still running after more than a decade. A number appeared to have suffered from initial difficulties in concept or context, but then adapted well.

Any project developed on the basis of this proposed design should meet SMEs' needs, be scalable, meet the requirements of USAID's Statement of Work, and support the SME development strategy of the MFTI. In 2011, the MFTI decided to begin improving the enabling environment for Egypt's SMEs and will soon establish an SME Authority. Coordinating the activities of a multitude of stakeholders, the new agency will focus on three areas: (1) business establishment, entrepreneurship, and start-ups; (2) operations and production; and (3) market access (marketing, sales, distribution, export). It will be an official channel for improving the environment for SMEs at the firm, cluster, or sector level.

In section 2 we summarize the potential of Egypt's SMEs and constraints on their export performance; in section 3 we summarize the recommended scope and approach for a pilot project to make SMEs fully ready to export; in section 4 we present tasks for supporting selected SMEs; and in section 5 we recommend criteria for selecting SMEs and integrating criteria with project operation.

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- IMP/IMC (EU, Egypt)
 - SOUTHBIC (USAID, Lebanon)
 - FP7 (EU, Lebanon, Syria, Palestine)
 - NSC (EU, Syria)
 - BSI/BSO Audit and Analysis (EU, Syria)
 - EJADA (EU, Jordan)
 - ELCIM (UNIDO, Lebanon)
 - Social Fund for Development (World Bank, Yemen)
 - SME Access to Consultancy and Training (USAID, World Bank, Madagascar)
 - FIAP (World Bank, Tunisia)
-

2. SME Export Potential and Constraints

Egypt's export to GDP ratio of 21 percent is low when compared to countries at a similar stage of economic liberalization (Syria 35 percent, Morocco 33 percent). This ratio need not be viewed as signaling a structural weakness because it does not evaluate the trade balance, terms of trade, or value-added of exports (Lebanon's ratio is also only 21 percent). Overall, Egypt's situation is average.

What is not average is the size of its SME sector and the potential of that sector for exporting. Even a small increase in SME export activity could have significant macroeconomic impact and improve the creation and distribution of wealth—and even more so when domestic demand is weak, as it is now given Egypt's political turmoil, declining FDI and local savings investment, as well as monetary creation by banks.

Egypt's major exports, however, are frequently of low marginal value, competitiveness, or value-added such as commodities or unprocessed goods. Such goods present little to no opportunity for technology transfer. Tourism is an exception, but is very vulnerable to political unrest and weak profit margins due to the industry's global organization. In addition, Egypt's exports do little to integrate the economy into the global or even the regional economy. In this era of rapidly changing trade patterns, laws, and regulations, Egypt's businesses are losing competitiveness and resilience.

This situation is worrisome. The country's rate of population growth and its rising standards of education means that it needs permanent growth to accommodate the aspirations of its people. But that growth cannot come from more volume; it must come from higher value. Economic policies since the end of the Nasser Era have recognized this situation, but change has been slow and traditional sectors and products, large corporations, and entrenched trade patterns have been relied on too much.

In February 2010, the MFTI acted on this awareness, setting a goal to double exports by 2013 by raising capacity in the informal economy and unleashing the potential of SMEs' collective export capacity : the economic impact of \$1,000 in processed goods is not the same as the impact of \$1,000 in hydrocarbon or even tourism. In short, Egypt's macroeconomic stability—and perhaps social and political stability—lies in the untapped potential of its small businesses. What is holding these businesses back?

The causes underlying the low volume of SMEs' exports are numerous and interwoven; those listed in Exhibit 2-1 affect all SMEs to varying degrees. Overall, they prevent the development of the "corporate middle class" necessary for SMEs to improve their products, management, and export capacity. In 2004, the Government of Egypt passed Law No 141/2004 to improve SMEs' market access and spur demand-led growth. In its objectives it was and remains successful, but difficulties and deficits at the enterprise level (microeconomic or supply side) also hold back SMEs (Exhibit 2-1).

Exhibit 2-1. Macroeconomic and Microeconomic Constraints on SME Exporting

MACROECONOMIC

- Favoring of large public and private enterprises
- Concentration of land, capital, and wealth
- Rigid social barriers
- Unreliable rule of law
- Significant and numerous barriers to market entry
- Influence of social ties in investment, subcontracting, and trade
- Very high transaction costs in local, regional and overseas markets
- Very high costs for hiring outside the family
- Industry and sector reliance on government assistance
- No incentive for innovation
- Little to no legal protection for intellectual property
- Poor risk-analysis by banks leading to prohibitive cost of capital for small loans
- Banking system neglect of start-up and SME investment
- Little government encouragement of entrepreneurship (at times, active discouragement)
- Uncertain logistics and legal constraints counter to just-in-time supply chains
- Business education constraints on family businesses (even second and third generation)
- Imposed discretion for small businesses limiting ambitions for official-channel exports

MICROECONOMIC

- Owners' age, education, language, and management skill
- Rigid family structure of management
- No collateral or resistance to using it to finance production or export deals
- Risk aversion, especially regarding capital and expansion
- Inability to cope with legitimate administrative and legal requirements
- Poor resistance to bad governance
- Ignorance of business opportunities; business data; supply chains, products, markets, marketing modes
- Enterprise value fragmented and poorly transmitted across generations
- Lack of "limited liability" status leading to excessive risk in exporting
- Limited ability to join international value-chains (sub-contracting or other)
- Economic facts unclear to management : CoGs, operating costs, margins, profitability
- Traditional measure of wealth is capital and turnover, not margin or wealth creation
- Cash flow management and liquidity not geared to long-term projects like exporting
- Subcontracting or clustering on asymmetrical power basis
- Low reserve capital to speculate on market fluctuations
- Inability to collaborate to achieve economies of scale

- Desire to “stay small” to “stay out of trouble” and avoid tax (legal or otherwise)
- Problems with internal accounting, leading to poor fiscal discipline and skills
- Meager or absent computer, internet, web-usage skills
- No effort to manage for improved productivity of capital or labor
- Lack of key component of subcontracting relation such as traceability or process control
- Little understanding of product or process norms
- Inability to produce documents for clients (e.g., systems, manuals, logbooks)
- Ad-hoc procurement leading to unstable supply, prices, and quality
- Little analysis of production process to cut costs or raise quality
- Frequent cross-subsidization of different parts of the business or different business
- Lack of incentive or interest in new products or markets
- No habit of international logistics, order processing, packaging, transport or follow-up
- Inability to operate under international licensing agreements
- No access to legal expertise for contract analysis, negotiation, and review
- Family firms’ expansion limited to sons
- Highly sensitive to macroeconomic cycles, agricultural prices, or sector downturns
- Uncertain political situation

3. Pilot Project Scope and Approach

In contemplating a design for the pilot project, we assumed the following:

- A 2-year calendar with a likely 1-year extension
- A budget of about \$2 to \$3 million
- Strong linkage with TFP and with its partners
- Strong support and interaction from MFTI and SME stakeholders in general.

Given the limits of time, money, and manpower, the pilot project must have a clear scope and process for selecting participants. These aspects of project design are complicated by the fact barriers to exports do not correlate clearly with any one SME characteristic, and probably vary nearly as much between firms in an industry as between industries. For example, a pasta maker and an auto parts manufacturer might have more in common than two shoemakers do. At the same time, barriers in the agro-industry will be different from those in software or tourism, so there is no one size fits all solution.

Defining services for near-export-ready SMEs requires more than combining sector analysis or even just compiling lists of “priorities.” To concretely help SMEs export requires assuming a venture capital attitude and, operationally, a “Pareto optimum” approach that allows a significant number of SMEs to deal with a significant portion of the barriers they face in preparing to export while generating diversity in business environments and enough successes to offset the inevitable losses.

The purpose of the pilot project is to lower the export-barrier threshold so that a category of SMEs, defined as “80 percent export-ready” can start exporting. Consequently, and particularly in the light of the MFTI’s SME initiative, the project should offer a narrow set of services to a broad range of SMEs. This will ensure that the services can be scaled to the resources and seamlessly integrated with any other initiative, ministerial, donor-based, or private.

Overall, the project should be demand-led and take a brokering approach, operate in short cycles, encourage clustering among beneficiaries, minimizing SME segregation and offering unspecialized services. How participants are selected should be in keeping with the envisioned nature and rhythm of operations, but the principle of selection should be *business maturity related strictly to export capacity*. Though not yet able to export, participants should have

- Acceptable managerial ability,

- Adequate working capital,
- Products of near-export quality,
- A basic understanding of international markets, and
- Motivation.

A two-year project of limited financial resources must be complemented by each SME working hard to reach export ready status.

This maturity attribute is distinct from other choices affecting project scope and is concerned only with SME selection as an aspect of project operation and management. It does not pertain to such “hard” variables as sector, product mix, absolute size, turnover volume, or potential market destination. Any targeting beyond the core mission should be on the basis of three impact criteria, in decreasing order of importance:

- Employment (sociopolitical welfare and stability are urgent)
- Value-addition (the bigger the local value-added the better for the economic impact)
- Improvement in terms of trade for Egypt’s overall trade balance.

Section 5 describes selection criteria and processes in detail.

4. Tasks for Supporting SMEs

NATURE OF SUPPORT

The training and technical assistance envisaged for the pilot project are traditional, drawing on standard development tools that address the microeconomic causes of weak export activity on a case by case basis and taking the one-stop-shop approach favored by similar projects. The project will act as a “service broker,” ensuring that SMEs get the best possible information and training at the best possible price from the many existing suppliers in Egypt, acting as a supplier of last resort when services are not available on the market. This will avoid duplicative effort and costly “reinvention” and/or fragmentation of existing services, while permitting economies of scale as SMEs tap into the services of business service organizations.

SMEs will be targeted for assistance on the basis of their business cycle maturity and known gaps in capacity that a short project cycle can address—no costly company audits will be required. Like Jordan’s EJADA project in its later phases, SMEs will themselves be the engine of a demand-led project rather than passive objects of project attention.

NATURE OF IMPLEMENTATION

Technical Management

Project managers must be skilled in supporting SMEs and in matching enterprises with business support service providers. To ensure that SMEs get practical services quickly, managers should understand Egypt’s networks, have a large base of contacts, and be able to foster goodwill—creating, in effect, a “business club” environment. This managerial approach may in fact be the major positive attribute of small and well-run projects, like the World Bank’s Access to Consultancy program in Madagascar. Likewise, the FP7 project was able to channel all types of expertise from a variety of sources to serve SMEs, even though project success was dampened by administrative-heavy management. (This aspect of SME support deserves further study.)

Financial Services

The provision of financial services should take a strategic perspective because financial and technical services can be difficult to mix to good effect, like oil and water. Here, poor coordination will cause serious problems for the project and its beneficiaries.

One approach is to simply avoid SMEs’ needs for short-term working capital, export credit, LCs and factoring, but this would limit project impact. Another, taken by the ELCIM project in Lebanon, is to segregate technical and financial in subcomponents. That is delicate but can work.

A third approach is to ensure that technical and financial services are sequenced to avoid conflating them. This, however, might endanger the project’s short-cycle operating mode. At this point, the issue can be left for further study but the brokering approach is essential.

In all matters, financial and otherwise, the project should not distort markets by sponsoring “free competition” among service providers or by propping up SMEs in a financially unsustainable manner. USAID’s funds should be used to facilitate, mutualize, and organize a modest number of 80 percent ready SMEs and provide them the means to break the export barrier—whether in the form of market information, management and production capacity, or coaching during the pursuit and consummation of export transactions. As many other similar projects have shown (e.g., in Lebanon and in Jordan), a first export experience—even if unprofitable—encourages SMEs to persist in their trade ambitions.

SHORT-CYCLE TECHNICAL ASSISTANCE

We propose a simple, three-step cycle for target SMEs, dubbed *3–2–1–EXPORT*. Each cycle will apply to one export project per SME to build the ability, motivation, and confidence necessary to sustain an export strategy. Each cycle will be about six to nine months, a period consistent with the business maturity of the targets and selection criteria. In fact, the ability to select beneficiaries will be critical (see Section 5, below). By focusing on 80 percent export-ready companies, the short-cycle provides assistance that can fill the 20 percent gap in capacity in order to achieve a specific export objective. Over a three-year period, this will amount to four to seven full cycles, depending on cycle duration and overlap. This should allow for a period of evaluation of project concept and impact.

Should this design concept prove effective, the pilot project can be scaled up in volume, in sector coverage, or in company definition. It should not, however, deviate much from the short-cycle mode. The short-cycle mode affects project organization, flexibility, and timeliness and makes possible the concentrated responsiveness required to meet SMEs’ day to day needs during a period of transformation.

TFP’s calendar and other constraints also limit the type of support provided. For instance, an SME cannot achieve HACCP or ISO certification, conduct deep marketing research in unexplored areas, or execute complex product design—and end its cycle with a concrete export experience—in a short period.

Three Steps to Exporting

We provisionally label the steps to exporting in the pilot program as follows: *E-3, Last Mile to Export*, during which SMEs identify export markets; *E-2, Straight line to Export*, during which SMEs acquire and mutualize export tools; and *E-1, First Step in Export*, during which new exporters receive technical assistance that culminates in an international business transaction. This countdown sequence marks the passage from 80 percent ready to export to exporting, but some SMEs may be concerned with only part of the support delivered during these steps.

E-3, Last Mile to Export

An oft-cited reason for Egyptian SMEs' poor export performance is their ignorance of export markets. Lebanese products, many of which are comparable to Egyptian ones, are present throughout the world because members of the Lebanese Diaspora share their knowledge of markets with producers in Lebanon. Egyptians do not benefit from a similar network; products are not adapted to other markets, sales preparation is weak, sales outlets are rare, and business to business trust and commercial control are weak. These disadvantages heighten export risk.

Reducing that risk requires (1) educating SMEs about the regulatory, logistical, and commercial characteristics of promising markets; and (2) exposing SMEs directly to the market's environment, business circles, and possible partners. Here, USAID can provide timely, effective, and cost-efficient support by spreading its resources over a "cluster" of Egyptian enterprises with similar targets (possibly even with different products). This type of support allows SMEs to decide their degree of commitment and investment. Below we present sample activities under this step in the project cycle.

- **Objective:** Exposure to export markets
- **Instrument:** Concrete information about opportunities, market needs and export requirements
- **Target:** Inexperienced but export-capable companies (80% ready)

Last Mile to Export for Potential Exporters of Processed Food

The project sponsors the attendance of seven producers of ready-to-eat children's meals at a one-day presentation on selling processed food to the US market (simultaneous translation is provided as well). Focused explorations of potential markets are then organized on the basis producers' expressed interest. An expert from KRAFT is invited to describe that firm's value-chain for bio-quality baby foods at a seminar for three of the producers.

At the request of eight other processors, the project co-finances a computer course in Mohandeseen to train a dozen sales managers to develop contacts through B2B websites. They are surprised to find serious interest in their goods in several countries of Central European with Egyptian and Syrian populations. Prices and product characteristics must be considered carefully, and the project can assist with that in step E-2. A commercial relations expert from the US Embassy is invited to meet with the directors of three enterprises and advise them on Halal F&B contracts for US oil companies and DoD overseas operations.

Some of these companies, and a few others who have since joined them, are prepared to attend the food trade show in Chicago by several experts from a Danish NGO (no cost), a private training firm in Cairo (\$600/day), and a professor from AUC (\$250). The companies pool resources for travel and lodging, sample shipments, and an interpreter. The project covers some of the expense and, in exchange, requires that the managers share their experience in a seminar with SMEs that were unable to attend the trade show. Several managers are busy setting up deals and are asking the Ministry, the Food Chamber, and IMC for assistance to set up an Egyptian exhibit at the Bangkok Food Festival.

E-2, Straight Line to Export

In addition to lacking working capital, Egyptian SMEs lack capacity, a weakness compounded by their isolation and helplessness in tapping into expertise, information-networks, and service institutions. Alone, SMEs can't afford to hire experts but by pooling resources and mutualizing needs they can. This step in the project cycle provides affordable access to practical instruction on marketing, negotiating, contracting, planning, organizing, implementing, and following up on an international business deal. Task-oriented management training will be provided along with group access to good quality export services. The World Bank developed this model of affordable access and has had good results.

- **Objective:** Provide SMEs with affordable training, TA, and management support
- **Instrument:** Common tools and shared resources: training and mutualized export-oriented capacity
- **Target:** Export-ready companies with suitable products, working capital and identified markets

Straight Line to Export for Potential Exporters of Furniture Items

In step E-3, 12 furniture companies, 5 manufacturers of furniture hardware, 2 leather suppliers, and 4 upholstery producers—each with export-grade products—identified the BeNeLux market as promising. They have decided to pool their resources to eliminate from their respective manufacturing processes any H&S or environmental issues that could hinder export.

Some discover that if they undergo an inexpensive and “collective” factory inspection by an NGO they can get a “green” production label that will facilitate sales to certain store chains. Others learn about color schemes that are fashionable this year; and still others learn about simple negotiating tactics that can reduce the cost of their veneer and wood imported inputs. Many have received pro-forma contracts and conditions of purchase from potential buyers, but are unable to make sense of the jargon. The commercial attaché of the Netherlands Embassy offers help in the form of basic advice from a legal expert.

The project starts to direct some of the SMEs who have consolidated their deals for economies of scale and who lack working capital towards the EDBE. They may be able to help by factoring. Even if not, they have good contacts....

E-1, First Step in Export

This step will prove to be the most practical and beneficial for all SMEs in the project. Once they have identified and understood markets (E-3) and developed managerial skill (E-2), they will be able to get on with a transaction with only a small amount of assistance. This last step will consist of business mentoring to ensure that the transaction is well prepared, formal, contracted, undertaken, and paid for.

- **Objective:** Encourage, facilitate and assist SMEs in their first export endeavor
- **Instrument:** Hands-on mentoring and coaching for the duration of the deal
- **Target:** Companies with an ongoing export deal

First Step in Export for Guava Producer

A producer of fresh guavas has identified Washington DC supermarkets as a potential market because of large Hispanic populations but weak supply channels (E-3). The SME, however, has only mediocre capacity to handle and pack fresh fruit and very little knowledge of logistics, customs, transit administration, and USDA requirements. Weak management and negotiating skills also limit access to Cairo airport. In only a few months, though, these problems are solved: a local Italian NGO trains pickers and packers; FAO information on agronomic and fruit conservation is shared along with advice on pesticide selection, use, and residue limitation from a Ministry-sponsored Green Production Center; access to cold-storage facilities near the airport is secured through a profit-sharing deal with an agro-export firm in Cairo; and subsidized plastic sheeting and packaging materials are acquired from the Ministry of Agriculture. A portion of the guava crop can now be packed properly in containers with fresh produce from two floriculture exporters from the same governorate and exported and sold at premium prices. Over time, the producer identifies new markets, increases fruit supply from nearby growers, and considers buying a juice extractor to make efficient use substandard fruit.

PROPOSING AND SUPPLYING SERVICES AND TECHNICAL ASSISTANCE

For beneficiaries, the project's main value will be in answering questions about and leading research into markets; provision of managerial competence in export activities; and day to day facilitation of a first export experience. The project will not have a large pool of experts; its staff should be limited to a handful of high-level industry and trade generalists. Efficiently sourcing and securing input for SMEs will be the core skill of project administration.

The project will act as a broker and adviser to SMEs, who will be expected to bear a financial cost, perhaps defined as "man day consultancy fee" and representing a portion of average project resource costs.¹ This cost guarantees the involvement and gauges the motivation of SMEs and their understanding that participation is an investment for which a return is expected within 6 to 9 months. This last point must be stressed to all participants to ensure commitment and business interest.

The economic details of SME or cluster financial investment in the project could follow those of similar projects in Jordan, Yemen, or Mauritius. In addition to a fixed rate man day cost some systems could include risk-sharing compatible with cultural habits (e.g., predetermined flat fee at the payment of the export deal, a volume-related contribution based on agreed fixed-margin profit, or even a percentage commission). In all cases, the cost to the SME client must be small enough to remain marginal to the economic value of the deal, but significant enough to be felt as an investment.

¹ To be determined, but probably between 10 percent and 25 percent.

ENABLING ACCESS TO EXISTING SUPPORT

Data, information, and support are abundant in Egypt but few SMEs are capable of absorbing and applying it to commercial advantage. In only a few days our team was able to identify hundreds of possible sources of support. From the outset, the pilot project should develop a roster of people and institutions that are key players and stakeholders in SMEs' business and export capacity.

A great deal of support, much of it available at no cost, can be had through ministries, embassies, chambers, federations, associations, government institutions, business support organizations, BSIs, bilateral and multilateral aid projects, private aid projects, CSR activities, NGOs, and charities. Training and consultancy are also available through private business and commercial channels in Egypt and elsewhere. And a mass of marketing and market information, of varying quality, is available from thousands of internet sources, B2B fora, open-access databases, business networks, supply-chain linkages, matchmaking firms and benevolent operations, Chambers of Commerce rosters, international trade organization sites etc. Many of these are in Arabic.

Perhaps most important are the informal networks, the relationship-building and the business linkages that are the basis of productive transactions anywhere in the world.

The cost of assistance, training, support, advice, databases, and research in Egypt varies widely—from free to affordable to prohibitive—but access, not cost, seems to be the main impediment. The project therefore will facilitate access without undue consideration of cost. This aspect of the project, which we do not delve into here, will influence opinions about the project and define the relationships among the project, SMEs, and stakeholders.

SMEs' contribution to operating costs will allow for some valuation of services and technical assistance. Clients may need to make hard choices and decline one service or another for lack of ability to pay. This should be considered a management decision, and the project should encourage self-financing or the seeking of other sources of support. It must not encourage dependence on the project's resources. Having a way to gauge self-financing capacity will indicate whether the project can be sustained and then based on a business model.

5. Selecting SMEs for the Pilot Project

ONE MANDATORY CRITERION

Is the company willing and able to become an exporter within the time frame, budget and level of effort provided by the project? Beneficiaries should not be selected primarily on the basis of their product, destination market, size, geography, or sector, but by their business cycle maturity, by whether they are 80 percent ready to export. Why this strict criterion? Other companies may not be less “deserving” but the project must take a small number of enterprises through a process that transforms them from “non-exporter” to “exporter.” This new status is cost-effective *only* if the company is not already exporting and if the level of effort expended is proportional to the economic gain to the SME itself and the economy as a whole.

PRIMARY CRITERIA

Potential project beneficiaries must also demonstrate that they

- Are commercially operating in Egypt
- Are registered legally and fiscally
- Have no pending or likely dispute about patents, licenses, or intellectual property
- Are not in business jeopardy, in the course of serious litigation, tax redress etc.
- Have products/services envisaged for export that are legal in the importing market
- Are able and willing to devote management time and effort to the project.

SECONDARY CRITERIA

Secondary criteria amount to “fine-tuning” to be determined later on the basis of worthwhile but relatively marginal matters. They might help focus the projects on the MFTI strategy, for example, or Egypt’s trade with a certain partner or regional organization. And they might be influenced by any number of strategic choices about priority sectors, geographic areas, target markets, macroeconomic trade volume, employment, economic value-added, etc. But those choices must themselves be justified on the basis of impact, on

- Employment (socio-political stability is imperative)
- Value-added scale (the bigger the local value-added the better)
- Improvement in Egypt’s overall trade balance.

Deciding on priority sectors and beneficiaries is beyond our scope here; however, a number of sectors could meet these secondary criteria, such as

- Agro-industry –for its impact on employment and economic distribution

- Furniture and leather—for all the reasons above
- Electrical and electronics—for value addition and technology transfer
- Processed stone products—for the value-adding transformation's low cost and high yield.

A scorecard approach could be used later in deciding on “optimum” sectors. Sectors unlikely to be focal points include pharmaceuticals—where exports are concentrated and not constrained by skill deficits—and tourism, whose current structure limits the involvement of SMEs.

We recommend against making a potential beneficiary's integration into export supply chains a criterion because it would not serve the main purpose of the project: the creation of exporting SMEs. Making it criterion could end up benefiting larger enterprises, not SMEs, and even be detrimental to newly exporting SMEs.²

SELECTION PROCESS

The system for selecting and cycling SMEs through the 3-2-1-EXPORT approach will shape the pilot project. Factors to consider include the number of companies in each cycle, the variability of activities and resources within cycles, the cost of activities for the project and SMEs, cycle speed, the cohesiveness of assistance and training, etc. Because this will be a pilot project, the *selection process for each cycle* and *cycle cohesion* are the most interesting variables from a management perspective.

It is too early in the design process to evoke practical procedures and systems for selecting SMEs, but not too early to note that managerial flexibility and responsiveness will be crucial in having the project meet the true needs of SMEs. We therefore strongly recommend that the project manager have full authority to decide before or even during the project on sector, market, geographic, or other selection criteria, under the supervision of TFP and with USAID's approval.

It may also be best to plan for criteria to evolve on a cycle-by-cycle basis. For example, the project manager could, according to circumstances or to opportunity, choose to concentrate a cycle on Upper Egypt firms, or upholstery and leather goods, or Far East markets. This would make it possible to have larger, more focused, and more coherent groups of SMEs in a cycle, ensuring economies of scale for inputs and processes (administration, market research, support activities, procurement of common management capacity assets, travel, negotiation power etc.). A cycle-by-cycle selection process would also make it possible to dedicate larger amounts of money to common needs. Overall it is also likely to facilitate the development of SME clusters, which would be a big advance in Egypt.

Fundamentally, the selection process must be fair and offer equal opportunity to all potential beneficiaries; be based on a simple combination of objective and concrete factors; and be practical and robust, to adapt the criteria in real time according to experience.

² It may be decided to include a secondary orientation in the population of selected SMEs to allow for positive discrimination (women-owned companies, ex-informal sector SMEs, companies employing veterans or handicapped people etc...)

6. Recommendations and Next Steps

Given TFP's budget and schedule, a program of SME development should have a narrow scope of geographic areas covered, sectors targeted, and type of assistance provided. This requires defining partners and assistance suppliers, supporting tasks, and a beneficiary selection process.

STEP 1. DEFINE PARTNERS, STAKEHOLDERS, AND SUPPLIERS

The "3-2-1" Export project will be initiated under the auspices of USAID's TFP program and overseen by the MFTI, but managed with four types of Egyptian partners, all selected with care.

Implementation Partners. The following organizations could be key project implementation partners:

- The Social Fund
- Alexandria Business Association
- Egyptian Junior Business Association
- The Chamber of Food Industries.
- Other sector or geographical organizations.

To ensure sustainability, at least one or two of these or other groups should be deeply involved in the project. TFP must also decide how involved it will be in day to day management—will its own staff be involved or will one or more partners handle operations on a contractual basis? In any case, implementation partners must be selected on the basis of criteria consistent with the project's strategy (geographic coverage, sector targeting, and /or type of activity). The project could focus on any number of sectors, but we recommend focusing on two or three, possibly starting the project with a focus on one sector with good export potential as a pilot.

Strategic Partners. The initial, main stakeholder is the Ministry of Foreign Trade and Industry. The Ministry should be kept informed of project work and progress and will be able to offer strategic guidance and facilitate public relations and networking.

Service, TA, and Project Activity Partners. Secondary stakeholders, those with an indirect role in implementation and management, may be able to provide some training and technical assistance. Prominent among them are the IFC, the IMC, training institutes and universities, embassies of potential export destinations, and export and international trade institutions. Similarly, other USAID and bilateral/multilateral donor projects that could affect the project's objectives must be kept informed of activities to create synergies and networking opportunity.

Networking Partners. A number of organizations may be in a position to identify and contact potential project beneficiaries defined as “80% export-ready.” These could include the Export Development Bank of Egypt, CIDA, the American Chamber of Commerce in Egypt, and other organizations with strong SME or regional presence.

Recommendation. Dedicate four man-weeks to confirming the interest and suitability of the various categories of partners and stakeholders proposed above and defining the type of work relation that would be amenable to all in pursuit of projects objectives. Such work can be carried out by TFP/CID resources (2 people, 2 weeks).

STEP 2. DEFINE MENU OF SUPPORT TASKS

As partners and stakeholders are being identified, one must also define the support to be provided. The needs of Egyptian SMEs are numerous and varied. One commonly voiced need is for working capital, but providing or improving access is beyond the design constraints of this project and counter to best practices, which require not dispersing resources into a plethora of training, technical assistance, and financial support. If the project is seeking beneficiaries who are “80% export-ready” the 20% gap should not be “working capital” but assistance that endows beneficiaries with the following types of knowledge and abilities (by project phase) :

- Export—3 Phase
 - Understanding of target export markets
 - Identifying competition for export markets in reference to products
 - Making contacts in target markets (e.g., desk study, B2B needs analysis, trade fairs)
- Export—2 Phase
 - Basic knowledge of export-grade production requirements (e.g., quality, traceability)
 - Modification of production for export (e.g., design adaptation, packaging, labeling)
 - Modification of production process (e.g., quality assurance and control, HACCP)
- Export—1 Phase
 - Marketing and sales (e.g., business contacts, product specification, negotiation, logistics)
 - Assistance with realization of sale contract (e.g., contracting, customs, insurance, shipping, LCs)

Recommendation: Working with implementation partners, dedicate two man-weeks to (1) defining a needs profile of the 80% export-ready SME by sector or geographical area; (2) creating a support “menu” that covers the needs of a majority of the 80% ready companies so that the beneficiaries can be export-ready in 6 to 9 months; and (3) identifying the suppliers of assistance or training services and associated costs per man-day. The creation of the menu will take into account what services and support the project partners can provide or procure as well. Such work can be carried out by TFP/CID resources (2 people, one week).

STEP 3. DEFINE BENEFICIARIES AND SELECTION PROCESSES

A profile of potential client SMEs and a client selection process must be defined. Legal definitions must be applied to avoid abuse and risk of illegitimate activities, and the selection process must be fair and transparent, giving equal chances to all SMEs who fit the project's definition of possible beneficiaries. At this point, beyond exclusions caused by sector and/or geographic limits, the only important selection criterion is the likelihood that *the SME can turned into an exporter in 6 to 9 months*. The 80% export-ready definition, which will have been studied with the project partners, will ensure that other selection criteria are

- Easy to identify for a given SME,
- Adapted to the sector/geographic area selected,
- Fairly objective and quantifiable to a degree,
- Representative of the SME's real ability and willingness to undertake the "3-2-1 Export" process

At the same time, project managers and partners must be able to exercise a good deal of autonomy and flexibility. The objective is to create Egyptian exporters and any other considerations are secondary. Therefore, the design must ensure that inflexibility and over-bearing regulations do not prevent valid candidates from participating. Here we note that the "SME" label is not a legal, regulatory, or administrative strait jacket and that the myriad definitions of the label are of no interest whatsoever to the success of the project. No company should be excluded for size or for any other "SME definition" criteria.

Recommendation. Dedicate two man-weeks to defining beneficiaries and designing a client selection process. The main criterion is 80 percent export readiness, as defined with the implementation partners; secondary criteria may include sector, geographic area, or business characteristics. This work can be carried out by TFP/CID resources (2 people, one week).

STEP 4. FINALIZE PROJECT CONCEPTION, DESIGN AND ORGANIZATION

Clear operating modes, processes, and procedures must be documented in a project manual that will guide the management team, whether that team is from TFP or another organization. The manual must define the following:

- Overseeing body and strategic management instruments.
- Degree of TFP direct management on a day to day basis.
- Objectives and deadlines.
- Staffing and budgets.
- Fixed or variable levels of SME financial participation.
- Nature of contractual relations with partners and beneficiaries.
- Procedures and administrative documents for all activities.
- How the project management and technical team will operate, where it will be based, the equipment and support services it will require, its reporting and control systems.

The manual should also provide an end-of-project scenario for sustainability.

Recommendation. Dedicate six man-weeks to finalizing and formalizing operating modes and administrative processes to provide a project implementation plan for the team entrusted with setting up and starting activities. Such work can be carried out by TFP/CID resources (2 people, 2 weeks) and one non-local expert (2 weeks).

PROJECT IMPLEMENTATION

Even for well designed and planned projects, start up is a management-intensive period, subject to adjustments and modifications that must be assumed. The GANTT chart in the next section includes a two-month period of preparatory work (yellow) and another two-month period (light grey) for settling administrative matters before the first round of SME selection and the start of activities. Implementation of the “3-2-1 Export” Project is therefore no more than four months away, provided that the recommendations are acted on without delay.

7. Conclusion

As many sustainability features as possible have been built into the recommended operating mode and economic logic of the pilot project. The GANTT chart below is a preliminary schedule, not an indicator of the rate of work or proportionality of project advancement.

As the chart shows, the project operates by successively processing groups of 5 to 12 SMEs. Groups will be formed on the basis of needs amenable to the clustering approach. Some SMEs might already be in natural clusters (e.g., a network of large agro-food 80 percent ready SMEs) while others can form during the selection process. For example, IT companies that don't know each other but which can compete and collaborate at the same time for a given export client may function well in a cluster. Clusters may or may not be from the same sector. What unites them may be that they all want to reach a given market, or that they are all interested in HACCP certification, or that they are all based in one region.

Successive processing will enable a quick grasp of the project's strengths and weakness. At the end of the first cycle, we propose a period of adjustment to ensure that lessons are applied to good effect. Any structural or quantitative changes arising from this adjustment period would be reported to USAID for approval. The proposed cycles would alternate between 9-month and 6-month cluster groups staggered over the project's life to allow optimum use of project resources. (This is not a formal duration, but an indication of longer or shorter input needs.) This flexible structure will make it possible to respond quickly to SMEs' needs rather than moving slowly to meet administrative requirements.

Another advantage of successive processing is project coherence: managers will be able to use the selection process to create efficient batches, sometimes formed around a sector and sometimes around a target market, or type of SME, nature of assistance, geography—or even some combination. Managers will be expected to combine all manner of SMEs in clusters enlivened by a strong feeling of collective and mutually beneficial interests.

Appendix A. Data on SMEs in Egypt

Institution	Category	Headcount	Annual Sales	Paid Capital (or Total Assets)
Small Enterprise Development Law 141/2004	micro	up to 10HC	n/a	less than LE50K
	small	less than 50HC	n/a	LE50K-LE1M
	medium	n/a	n/a	n/a
Central Bank of Egypt	micro	n/a		n/a
	small	n/a		n/a
	medium	n/a	less than LE20M	n/a
Ministry of Finance-SMEpol unit	micro		n/a	
	small		n/a	
	medium	50-100HC (Industry), 10-19HC (Trade & service)	n/a	up to LE10M (Industry), LE0.5M-2M (Trade & Service)
IMC/IDA	micro	up to 10HC	n/a	less than LE1M (or 0.5M-IDA)
	small	up to 50HC	n/a	up to LE5M (total investment)
	medium	up to 150HC	n/a	up to LE15M
Banks-HSBC	micro	n/a	less than LE1M	n/a
	small	n/a	less than LE10M	n/a
	medium	n/a	less than LE25M	n/a
Bank- Export Development Bank	micro	n/a		n/a
	small	n/a		n/a
	medium	n/a	less than LE40M	n/a
Bank-CIB	micro	n/a	less than LE1M	n/a
	small	n/a	up to LE12M	n/a
	medium	n/a	up to LE80M	n/a
European Commission	micro	less than 10HC	up to euro 2M	up to euro 2M
	small	less than 50HC	up to euro 10M	up to euro 10M
	medium	less than 250HC	up to euro 50M	up to euro 43M

Institution	Category	Headcount	Annual Sales	Paid Capital (or Total Assets)
International Finance Corporation (IFC) & Multi-lateral Investment Guarantee Agency (MIGA)	micro			
	small	less than 50HC	less than \$3M	less than \$3M
	medium	less than 300HC	less than \$15M	less than \$15M
Canada	micro			
	small			
	medium	up to 500HC	less than \$50M	
Jordan	micro	less than 10HC		less than \$42.3K
	small	less than 50HC		more than \$42.3K
	medium	less than 100HC		more than \$42.3K up to 1MJ
UAE (Booz Allen)	micro			
	small	less than 50HC	less than AED10M	less than AED5M
	medium	less than 100HC	less than AED30M	
Malaysia	micro			
	small	less than 50HC	less than RM10M	
	medium	less than 150HC	less than RM25M	
Recommended Definition (mainly based on the Sales criteria. Prior to operations and during the first 3 years either the total assets base or the sales are used as the main criteria)	micro	less than 10HC	less than LE1M	less than LE0.5M
	small	less than 50HC	less than LE5M	less than LE5M
	medium	less than 150HC	less than LE20M	less than LE10M

SOURCE : Ministry of Trade and Industry- Egypt Master Plan Outline 2009-2010.

Appendix B. Contacts

SME STAKEHOLDERS CONTACTED

Contact list (Met)

Category	Entity name	Contact person	Title	Office Number	Cellphone	Address	Email
USAID Project	ECP	Dan Berksher	Financial Sector Results Lead	2750 8230/1/2	012 0275 2017	44, Street no. 18/81, Ground Floor, Maadi	dberkshire@ecpegypt.com
Association	Alexandria Businessmen Association (ABA)	Mohamed Hanno	Representative of the ABA	(03) 484 8978 or (03) 484 8979	012 2216 0366	52, El Horreya Avenue, Alexandria	mhanno@arabcomputer.com
Private Sector Company	Medlevant Company&	Eng. Marwan El Sammak	General Manager	(03) 488 5600 or (03) 4885606	NA	9, Hussein Hassab St., from El Soultan Hussein, AlZaher Building 2, Alexandria	sammak.mgmt@medlevant.com
Association	Alexandria Businessmen Association (ABA)	Eng. Marwan El Sammak	To be updated	(03) 484 8978 or (03) 484 8979	NA	52, El Horreya Avenue, Alexandria	aba@aba.org.eg
Association	Alexandria Businessmen Association (ABA)	Dalia Nayer	Senior Foreign Affairs Coordinator	(03) 484 8978 or (03) 484 8979	010 6662 3955	52, El Horreya Avenue, Alexandria	foreignaffairs@aba.org.eg
SME Expert/ Drafted Law 141/2004	Previous Social Fund Management Advisor	Dr. Ahmed Nassar	Ex- Advisor to the Social Fund	NA	012 2326 9889	NA	NA
Association	Egyptian Junior Businessmen Association	Amr Hashem	CIT Committee Head	2528 4094	010 343 2555/666	Al Salam Tower beside al Salam international Hospital, 8th floor, cornich el nil, Maadi	amr@nile-ventures.com
Private Sector	Nile Ventures	Amr Hashem	Managing Director	2403 3999	010 343 2555/666	269 Ramsis St., Nasr City	amr@nile-ventures.com
Association	ExpoLink	Amr Abdellatif	Executive Director	25271010 or 25271015	012 2210 9336	Expocentre bldg., 90 Road 105 - Maadi	NA
Association	Expolink	Dina Abdel Aziz	Deputy Executive Director	25271010 or 2527 1015	010 0400 0200	Expocentre bldg., 90 Road 105 - Maadi	
Government organisation	GOEIC	Eng. Ossama Mohamed Abdel-Moneam	Undersecretary	2266 9407	012 346 3548	GOEIC Office	osamasalem33@yahoo.com
Association	Amcham	Hisham Fahmy	Chief Executive Officer	3338 1050 ext.0702	NA	33, Soliman Abaza St., Dokki	hfahmy@amcham.org.eg
Banks	NBD	Amr Hegazi	Head of Microfinance Business	2798 3667	010 345 6300	29, Andaluz St., Heliopolis	a.hegazi@adib.ae
Chamber	Chamber of Food Industries	Youssny El Tinewy	Executive Director	2574 8627	012 782 5232/3	1195, Cornich El Nil St. Beaulac	ytinawy@egyfcfi.org.eg
Chamber	Chamber of Food Industries	Shahat Selim	Deputy General Manager for Technical Affairs	2574 8627	NA	1195, Cornich El Nil St. Beaulac	selim_sh2002@egyfcfi.org.eg
Chamber	Chamber of Food Industries	Mostafa Hashem	Member of the Chamber & CEO of Mediterranean Garden Company	2263 0545	012 2325 6907	10, Obour Buildings, Apt. 45, Salah Salem St., Heliopolis	mostafa@mga-eg.com
Government organisation	Ministry of Trade & Industry	Mohamed Mostafa	Undersecretary of State - SME's Export Development Policies Sector	2342 0884	010 0154 4721	Towers of Ministry of Finance, Towner no. 5,6; 4th floor, Ramsis St. extension, Nasr City	mamoustafa_5@hotmail.com; Mohamed.muostafa@mti.gov.eg
Government organisation	Ministry of Trade & Industry and Food Export Council	Dina Salem	Business Development & Public Relations Manager	235 98919 or 2358 2174	0100 0055 736	Food Export Council: 4, 75 St. Rahebat Square, Maadi	dinasalem@feceg.com
NGO	Egypt National Cleaner Production Centre - ENPC	Ali Abo Sena	Deputy Director, Senior Chemicals Management Expert - QSP SAICM Project Manager	239 16154 or 2392 5984	010 0290 7727	26 A Sherif St., Downtown	abosena@encpc.org; abosena@yahoo.com
NGO	Egypt National Cleaner Production Centre - ENPC	Ahmed Tawfik	Economist	2391 6154 or 2392 5984	010 0270 0650	26 A Sherif St., Downtown	amtawfik1@gmail.com
Donor	International Finance Corporation (IFC)	Amal El Malla	Operations Officer, Investment Climate, Advisory Services, MENA	2461 4260 or 2461 9140/45/50 ext.	010 2298 8092	Nile City Towers, North Tower, 24th Floor, 2005 C, Corniche El Nil, Ramlet Boulac	aelmalla@ifc.org
Donor	International Finance Corporation (IFC)	Hazem Hanbal	Projects Officer, Industry Development Program, Advisory	2461 4368 or 2461 9140/45/50; ext.	NA	Nile City Towers, North Tower, 24th Floor, 2005 C, Corniche El Nil, Ramlet Boulac	hhanbal@ifc.org
Banks	Export Development Bank of Egypt (EDBE)	Mr. Khaled El Ammary	Director Head Of SME Lending Division	33 38 7085 or 3761 9006	NA	EDBE Office - 108 Mohy El Din Abu El Ezz St., Mohandessin	khaled.elammary@edbebank.com
Private Sector	AEA Pharmaceuticals Export Company	Adham Shacker	NA	NA	010 0722 9427	Alexandria	adham_shacker@yahoo.com
Donor	Canadian International Development Agency (CIDA)	Eman Omran	SME Program Team Leader	2791-8700 EXT. 3453 or 2791-8793	019 888 3888 or 010 0041 2088	26 Kamel El Shenawy, Garden City	eman.omran@international.gc.ca

CONTACTS TO BE INITIATED OR FOLLOWED UP ON

Other available contacts

Category	Entity name	Contact person	Title	Office Number	Cellphone	Address	Email
Banks	National Bank of Egypt (NBE)	Ms. Soha Soliman	Head of SMEs	259 45 000	010 1797801	1187 Cornich El Nil, Cairo Plaza Tower, Cairo	soha.soliman@nbe.com.eg
Banks	National Bank of Egypt (NBE)	Mr. Mohamed Shawky	Products Development and Credit Lines, SME Division	259 45 000	012 478 6126	1187 Cornich El Nil, Cairo Plaza Tower, Cairo	m_shawky@nbe.com.eg
Banks	Alex Bank	Ismail Tharwat	Head of SME Banking Group	2399 2000	019 888 5109	49 Kasr El Nile St., Cairo	lsarwat@alexbank.com
Banks	Industrial Development and Workers Bank of Egypt	Hamdy Azzam	Board Member	2578 8969	012 205 05038 or 010 902 88848	10 Talaat Harb St., Evergreen Building, Down Town	h.azzam@idbe.com.eg
Banks	Banque Misr	Maha Alla	General Manager; SME Banking & Micro Finance	2397 8915	NA	151 Mohamed Farid St., Cairo	mahaie@banquemisr.com
Government Organisation	Social Fund	Ghada Waly	Director	33364842 - 33364873 - 33364371	012 232 50006	120 Mohy Abd El Aziz, Dokki	ghada.waly@sfdegypt.org
Government organisation	IMC	Hesham Wagdy	Executive Director	25222228	012 223 80366	1195 Cornich El Nil, Building of the Federation of Egyptian Industries, 2nd Floor	NA
Government organisation	IMC	Sherine El Shorbagi	Sector Head	25222228	012 221 88408	1195 Cornich El Nil, Building of the Federation of Egyptian Industries, 2nd Floor	sshorbagi@imc-egypt.org
EU	EU TEP Project	Akram El Hussein	NA	NA	010 066 70806	NA	NA
Consultancy Firm	MegaCom	Tarek Thabet	CEO	NA	010 011 34267	NA	NA
Consultancy Firm	MegaCom	Mona El Gamal	Export Development	NA	012 232 66673	NA	NA
Ex Director	Expo Link	Nagy El Fayoumi	Was Senior Advisor on Export Development	NA	010 0255 59972	NA	NA
NGO	El Mobadra	Ayman Mahmoud	Head of Mobadra	NA	01281409988	NA	NA
CIDA Project	EEDP	Adham El Sherbini	Project Manager	NA	0100 170 7014	NA	NA
Donor	ILO	Amal Mowafi	Project Manager	27369290 or 27355176	to be updated	9, Dr. Taha Hussein St., Zamalek	NA
CIDA Project	CIDA Project with ILO	Periham Tawfik	Project Manager		to be updated		
Int'l Development Organisation	UNIDO	Rania Ghoneim	NA	NA	NA	NA	r.ghoneim@unido.org

Appendix C. Discussion Points with Stakeholders

What defines Egyptian SMEs with good export potential who don't export?

What type of SME "typology" would be most ready and able to use some support to help them export?

What are 5 to 10 worst obstacles for SMEs ambitions on export markets?

What are sectors that could export as a cluster or supply-chain, but just don't get organized to do so?

What are major causes of failure in SME's attempts to export goods/ services?

What types of competitive advantages would be of highest value to SMEs trying to sell (overseas or region)

Why are regional markets so underserved? (Libya/ Sudan/ Gulf)

Appendix D. Regional Examples of Best Practices in SME Development

Program	Donor	Country	Program Focus	Strengths	Weaknesses
IMP / IMC	EU	Egypt	<p>Across-the-board Industrial support, ranging from TA and training to access to finance and working capital.</p> <p>Good collaboration with National Social Fund and several other Egyptian institutions (like Industrial Association, Egyptian Business Association etc.).</p> <p>Four components with massive funding capacity did not operate in conjunction and much opportunity was lost.</p>	<p>Very strong government support and EU commitment.</p> <p>Huge ambitions for Egypt's industry.</p> <p>The program was passed on to the Egyptian Government, and was modified under new management and is now believed to be much more field-oriented, realistic, and adapted to real needs of the economy.</p>	<p>Excessive size budget, staffing, geographical coverage etc.) and incapacity to disburse funds at a rate consistent with plan.</p> <p>Politicized management, leading to prestige project of dubious value.</p> <p>Too-broad scope that included micro-enterprises in the desert and huge state cotton mill and conglomerates diluted program work.</p> <p>Created network of industrial development bureaus in every governorate, including those void of industrial activity, leading to inefficiencies and poor governance. Training branch closed due to inefficiency and mediocre governance.</p>
SOUTHBIC	USAID	Lebanon	<p>South Lebanon Business incubator and BSI for SMEs with focus on start ups and new companies.</p> <p>Targeting agro-industrial industries (a certified organoleptic laboratory was established) but open to all enterprises compatible with this kind of environment (pharmaceutical, packaging, paper, plastics etc..).</p>	<p>Very well designed building in the appropriate geographical situation (Saida), excellent location in terms of transport and labor markets.</p> <p>Outstanding management under close control of local Chamber of Commerce.</p>	<p>Political difficulty with long-term management because of an informal spoil system, meaning that Chamber's management was subject to changes as local elections changed majorities.</p>
FP7	EU	Palestine, Lebanon,	<p>Scientific and industrial collaboration along a</p>	<p>Colossal funding and well-known operating</p>	<p>EU administrative requirements too heavy</p>

Program	Donor	Country	Program Focus	Strengths	Weaknesses
		Syria	spectrum of possible partners (SMEs, large companies, universities, laboratories, institutions, capital ventures, civil society or social organisations etc.). Purpose is to create value for all by pooling resources using EU funds to facilitate and pay for the logistics of collaboration.	and administrative systems. Huge political encouragement from Brussels. History of past success and very good synergies.	(even after many simplifications), and unrelated to size of grant requested, leading projects to converge in the range of 1-2 million € Small, isolated and less organized partners are unable to deal with enormous administrative effort and develop a dossier that meets stringent requirements.
National Competitive Strategy	EU	Syria	Long-term study of factors affecting competitiveness of Syrian industry and services and analysis of Syrian economy's integration into global trade. Focus on macroeconomic analysis and the "grey economy."		
BSI / BSO Audit and analysis	EU	Syria	Identify and then make more effective SME support institutions and organizations (private, public, donor-funded) so SMEs can tap into better services.		
EJADA	EU	Jordan	Precursor to IMC project in Egypt, but more carefully prepared and designed. It has grown slowly over two decades and is now a major partner in the activities of Jordanian enterprises. Has a fairly wide scope of activities, but clearly separated for the institution and the client and do not interfere or crossover.	Excellent Government and Royal support, strong commitment from the EU and many new donors. Has benefited from a series of low-profile and high-level managers, attentive to the needs of enterprises. Field oriented. Modest offices, with real work happening at the enterprises.	No major design flaws because of small start and organic growth based on companies' real needs. Quite a success and a model for several other SME support programs.
ELCIM	EU / UNIDO	Lebanon	Originally a fairly simple SME-support tool based on the World-Bank "access to TA" model, then changed to include an access to finance and credit branch. This has modified scope, but the two activities remain separate, without confusion or overlap.	Design was robust and practical, based on private sector practice: pay-as-you-go TA following needs analysis and variable share of cost paid by the beneficiary. Companies select from a menu of expertise, imported and local, and rank needs based on own strategies.	Over the years, the project became large and institutionalized, and took on a political perspective leading to poor technical management. Many SMEs were overlooked and assistance became more expensive (mostly imported), crowding out smaller or less well connected enterprises.
Social Fund for Development	World Bank	Yemen	Used as a "carrier" for a development program targeting SMEs, very	The program is very close to the needs of the people, on a scale	None. No major design flaws. Quite successful at every level. Should become

Program	Donor	Country	Program Focus	Strengths	Weaknesses
			small enterprises, and rural self-development projects (e.g., small dams, roads and local infrastructure, storage areas for crops, schools).	<p>consistent with disbursement capacity and ability to manage activities.</p> <p>It adaptable and robust tools for developing economic activities, exchanging funds for labor and self-organization.</p> <p>SMEs range from start-ups to service providers, with a secondary focus on firms run by women.</p> <p>Has adapted to the needs of rural communities and added value to a large number of small enterprises.</p>	a model for other SME support programs in comparable situations.
SME Access to Consultancy	USAID & World Bank	Madagascar	Provides cost-share TA for SMEs and sometimes bigger firms in keeping with the government's desire to follow the economic path of Mauritius (value-chain integration and exports). TA allows companies to raise skills to the level required by international markets.	<p>Minimal administration and access requirements, attract low-tech firms wanting to develop their skills and product quality.</p> <p>Used to create or re-orient SMEs to value-added export products (garments, watch making and small mechanics), and even adapted to some tourism activities.</p>	None. No known problems in program operations and an inspiration for several similar projects all over the world.
FIAP	World Bank	Tunisia	Focused on youth employment and integration of low-skill workers into SMEs. Also used to develop the export-capacity of several sectors of small industry and handicraft (carpets, ceramics, small mechanics etc.). Strong bias to women-owned firms and small-town development.	<p>Highly integrated into Tunisian development programs ("mise à niveau", industrial development and social services).</p> <p>Well adapted to the needs of SMEs and designed on a scale and with an administrative capacity consistent with SME management in the country.</p>	None. No known difficulties in application or management.