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ENHANCING COMPETITIVENESS FOR SMEs IN THE ARAB COUNTRIES

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This research aims to study the developmental role of small business enterprises in the Arab countries in the light of the growing interest in it, through the identification of the concept and importance of small business enterprises for the Arab States, the most important challenges facing development, and finally the research tries to propose a number of policy recommendations to develop and activate this important sector in the Arab countries.

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Introduction :

The Small business enterprises play an important role in providing job opportunities, in addition to its significant share in total value added and they provide goods and services at affordable prices for a substantial segment of the low-income, which is seen as a useful tool to guide the small savings to invest, and is also able to play a more positive role in the development of exports in helping to develop new products, and at certain levels of productivity can work again behave like nutritious large industrial enterprises. It is also considered an important barometer of the extent to which the market is vital and movement.

This research aims to study the developmental role of small business enterprises in the Arab countries in the light of the growing interest in it, through the identification of the concept and importance of small business enterprises for the Arab States, the most important challenges facing development, and finally the research tries to propose a number of policy recommendations to develop and activate this important sector in the Arab countries.

1- Definitional Aspects of Small and Medium business enterprises M/SMEs

Small business enterprises term small-scale spread the term used recently. Currently, no single universal definition of M/SMEs. the term includes activities ranging from the self-employed or small business using a certain number of workers-not more than fifty in the Egyptian law - this term is not limited to private businesses, landlords and business owners and users, but also includes cooperatives and groups of family or household production. The gathering consensus on the growing importance of small business enterprises (SME'S) in the national economy in the country, whether developed or developing, especially in light of the increasing need for the generation of productive employment. Some statistics indicate that small and medium enterprises represent about 90% of the total companies in most world economies, as these enterprises contribute around 46% of world GDP, as it provides between 40% - 80% of total employment, and contribute significantly to the GDP of many countries, for example, contributes small and medium-about 85%, 51% of the GDP in both England and the United States respectively. The sector occupies small and medium unique place among the priorities of economic and social development in Arab countries, and these projects are expected to be the engine of economic growth in these countries over the coming decades, and contributing to provide many job opportunities for the steady increase in population, where the growing role of the sector of small and medium enterprises in creating jobs to meet the needs of Arab States develop 100 million jobs during the next twenty years, and the fight against unemployment in the Arab countries, estimated rates by 24%, rising estimates in some States 32%.

A. Criteria for Defining M/SMEs

It is apparent in the analysis that three main quantitative parameters are commonly used in the M/SMEs definitions. In addition to these

quantitative parameters, a few countries have added qualitative criteria into their definitions of the M/SME sector. It is important to cover both the quantitative aspects and the qualitative measures.

1. Quantitative Analysis

Quantitative analysis of M/SMEs primarily consists of the following criteria:

1) Number of employees: This is the most widely used criterion to define M/SMEs. Normally, micro-enterprises are defined as those entities that employ between one to nine workers; small enterprises employ from five, ten or 15 up to 49 workers; and medium enterprises usually employ from 50 up to 250 workers in some countries. It is obvious that the literature contains different definitions for micro, small and medium enterprises, and this difference depends primarily on the degree of development of the countries in question.

2) Value of fixed assets: This criterion is also used by a number of countries. However, it is not used as commonly due to the difficulty for some enterprises to determine a precise value of their fixed assets and hesitance of some enterprise owners to reveal this type of information to the outside world. Classifying enterprises by this criterion differs not only from one country to another (according to its stage of development), but also from one sector to another.

3) Turnover per enterprise: This criterion may also be referred to as the value of sales, gross receipts or output per establishment.

2. Qualitative Criteria

Australia and the United States include qualitative criteria in their official definitions of a small business. The qualitative measures tend to focus on particular characteristics of M/SMEs that are inherent in their nature. Some of the M/SMEs qualitative

criteria, including: (a) management and ownership are rarely separate; (b) control over business operations and decisions reside with one or two persons who are usually family members; (c) project's equity is not publicly traded; (d) personal security of the owners is required to secure debt acquisition and repayment; (e) the level and number of formal contractual relations are kept at a minimum level; and (f) personal objectives of the owners guide and influence business decisions directly.

The US Committee for Economic Development defines a small business as having at least two of the following features: (a) independence in management since the manager usually owns the business; (b) the supply of capital and ownership is controlled by an individual or a few individuals; (c) the area of operation is primarily local, although the market is not necessarily domestic; and (d) the presence of a business is seen as being small when compared to larger competitors in the industry. Qualitative measures cannot be used aloof of quantitative measures.

B-criteria used to define small and medium enterprises in the Arab countries

should be noted that using more than one criterion in the definition OF small and medium enterprises in the Arab countries, it must be emphasized :-

First : there are many countries that rely different criteria for the definition of small and medium enterprises SUCH AS employment and sales or investments and therefore different sources of statistics on small and medium enterprises, depending on the criteria used.

Secondly : even the definition used for small projects to a certain standard is not uniform in the States, for example, states known SME`S that have less than 50 workers, while others defined as those enterprises that have less than 20 workers.

Third : also there was no agreement on the definition of small and medium enterprises of international organizations, World Bank depends definition of small enterprises, as it operates up to 50 workers and total assets, sales and even three million dollars, micro-business up to 10 workers and annual gross sales to 100 thousand dollars, and total assets up 10 thousand dollars, while medium enterprises even 300 workers and total assets, sales at 10 million. While According to the United Nations Conference on Trade and Development, is the definition of small business as those employing from 20-100, and medium those works of 101 to 500, also the classification of small and medium enterprises to the category of small companies which operates less than 100 workers and medium companies that category works of 100 workers and less than 1000 workers.

2-The importance of small and medium enterprises in the Arab countries

stems need attention in support and upgrade SME`S in the Arab countries of several facts are as follows :

- A. SME`S constitute about 99% of the total economic institutions in the private non-agricultural in Egypt, and contributes around 80% of the total added value produced by the private sector and employ nearly two thirds of the labor force and three quarters workers in jobs outside the private sector

for agricultural. As in Kuwait this sector constitutes about 90% of private institutions are working, including immigrant labor totaling about 45% of the labor force, employment and the national rate of less than 1%, and in Lebanon, they form more than 95% of the total enterprises, contribute roughly 90% of the jobs. In the United Arab Emirates formed the SMEs about 94.3% the economic in the state, and employs about 62% of the labor force and contributes about 75% of the GDP of the State.

B. SME`S provide employment opportunities for a broad base of the Arab labor force is estimated at about one third of the workforce or more.

C. SME`S involved in the addendum to the national economy where this contribution was estimated at about 96% of GDP in Yemen in 2005, and about 77%, 59% ,25% in each of Algeria, Palestine, Saudi Arabia, respectively during the same year, while its contribution ranging between 25% - 40% of the gross Egyptian GDP.

D. SME`S represent a successful way to mobilize small savings and re-injected in the form of investments.

E. SMES`S are effective mechanisms in providing goods and services at low cost and price for segments of a special citizens with low incomes.

F. SME`E represent the basic foundation by which the private sector in the Arab States and therefore support these projects is to support and strengthen the role of the private sector in economic activity.

G. attract foreign investment : report praised the release of the UNCTAD's leadership role small and medium enterprises from the reality of a field survey and study certain situations was after the Asian financial crisis in seven Asian countries, the possibility that these institutions raise the share of Asian foreign direct investment to more than 10%, and that it could attract as much as non - few foreign investments and enter into joint ventures with foreign partners, which could contribute to the transfer of modern technology and expansion of the productive base and improve product quality and enhance export capacity, especially in the productive sectors emerging in the country.

In short, lies the importance of small businesses and medium in its ability to contribute to the achievement of development goals, economic and social following :

1. Support for economic growth, prosperity and economic revitalization of the wheel.
2. Providing job opportunities.
3. Doubling the value added to the GDP of the economy.
4. Promote policies to combat unemployment and poverty reduction.
5. The composition of forward and backward linkages in the national economy through supply networks, distribution, maintenance and other terms are mutually complementary and provide large enterprises in services.

6. To encourage the spirit of innovation, creativity and inventions.

7. Attracting foreign investment and the exploitation of local resources available and market expansion.

8. The development and human capacity development and technical assistance.

9. Enhancing the competitiveness of the country.

10. The ability to create groupings competitive production (Clusters), which works to deepen the capital formation through the lines and reciprocal link networks, which seek to deepen the added value generated by these industries. at category works of 100 workers and less than 1000 workers.

3-obstacles that limit the contribution of SME`S in operation and generating employment opportunities in the Arab countries.

small and medium enterprises that have so far been unable to provide enough jobs, or improving working conditions, or increase productivity, or achieve a high level of income for workers in many Arab countries, for many reasons, including :

A. The failure of the market, is still access to financial services difficult because of the requirements that must be met to obtain the loans.

B. Institutional barriers, given the complexity of regulations governing the establishment and operation of small and

medium enterprises, most prefer to work outside the formal sector, and serves as an added obstacle to the active participation of these enterprises and limit the possibilities of establishing linkages with larger enterprises.

C. Technical obstacles, despite the fact that there is unanimity on the need to provide technical assistance to improve the efficiency of small business, but offered technical assistance in this area is very small.

D. Educational barriers, there are increasing numbers of graduates from universities and secondary schools who tend to work in small business, although the high level of education will improve knowledge and provide opportunities for business owners, the education and curricula do not provide business owners promising managerial and technical skills required, which calls for the need to develop this curriculum, and linking scientific expertise, and introduce training based on orientation to the market so as to enhance growth.

E. Cultural barriers, cultural perceptions still prevailing in Arab societies perception governmental function as a resort ideal in terms of safety and social respect, which is an obstacle to small business owners, especially women, knowing that there are activities that can exploit the skills that are unique to females (such as manual dexterity, computer work and secretarial skills). could through national awareness campaign in addition to proper education and proper training and support pension systems acquisition of a small sector and enjoys working in these business respect enjoyed by

government officials, paying increasing numbers of females to own small business or micro-employed.

F. The high cost and lack of available land for small business, given the lack of suitable land for the establishment of small business that are close to large markets, it often convinces small business owners to establish their headquarters in residential areas, where they speed supply to the market and the workers. There are many businesses not officially registered, because buildings used for residence and business are also registered.

4-Activating the role of the business sector in small and medium-sized Arab Countries

The success of small businesses needs to create a positive environment for the establishment and operation of these businesses. So the paper proposes the following :

First : a long-term national plan for the development of small and medium enterprises in Arab countries to achieve integration and interconnection between these businesses and major businesses either at the country level or at the national level, where the international successful experiences of small business should be a clear and specific target for the development of small business. Place development policies of small business in the broader sector economic policies of the State. In this regard, there are some basic requirements, particularly in relation to building an institutional framework for the development of policies, include :-

A. Deployment of a realistic understanding of the economic potential of SME'S, and the

involvement of all stakeholders, as it can be to political pressures lead to disastrous results for the policies development of small installations. Thus, the separation between illusion and reality with regard to the various topics relating to these enterprises so that its role in creating jobs and employment of young people and newly graduated and also its role in the fight against poverty, is a prerequisite for formulating policies and putting them properly. can public awareness campaigns planned and executed hobby could play a positive role in this regard.

B. maintaining close integration between policies development and programs of small business and the general direction of economic policy, as it on the lack of such integration is a risk that the final outcome of a disjointed policy does not provide the desired results for the sector in particular and the whole service economy generally, and therefore must be some sort of amendment to the economic development strategies to accommodate the development of small and various services and policies required for the development of SME`S.

C. increasing the stability and transparency of the institutional structure and the possibility of predictable, as it must be emphasized that once increase the effectiveness of the institutional structure and revitalization to allow them to represent SME`S effectively and inclusion are fears in the decision-making process. it should give some time to this mechanism to operate without hindrance, to shape and therefore in the form of root system, will give in contrast greater credibility in the eyes of the public and various users. It

must also depend on the number of foundations as :- creation of industrial clusters to target, , the creation of industrial clusters involving large groups of them, especially those with links to the production of horizontal or vertical. The locations of these clusters the most appropriate place for the reception and dissemination of new technologies, training and marketing methods, as well as that the new policies will have a greater chance of success in these clusters, because of specialization in specific productive activity, which facilitates the spread of knowledge and skills throughout the society. The results of the quantitative analysis that small enterprises that operate in these clusters to be more productive and successful because of the ease of broadcast quality production methods. In addition, the gatherings constitute an environment conducive to promoting competition, innovation and growth among SME`S because they help achieve a strong push, and access to resources, and find partners in businesses, and access to strategic information. Furthermore, to take advantage of the interventions by government and civil society organizations for the benefit of these gatherings, which raised busy, in fact, to the regions industrial, commercial and service areas surrounding gatherings.

- A. Targeting promising sub-sectors, to ensure access to positive results for the business services programs should use databases to identify promising economic sectors Subcommittee and the development of tools to support these sectors. The potential can be measured in different sectors according to certain criteria, such as : the high growth potential of the operation, the ability to produce export-oriented commodities, work

again behave like nutritious and successful development of traditional crafts and the introduction of services or new industries.

- B. The ongoing research work to evaluate the emerging export industries sectors according to three key criteria :-have business service centers for small clusters, faltering growth potential of small projects because of low quality and low environmental standards and poor access to finance and access to wider markets for their goods, and can increase productivity through these centers provide financial and non-financial. Second : creating a kind of cohesion and communication between the organizations and bodies responsible for the development of small and medium enterprises in the Arab countries (such as the Social Fund for Development in Egypt, the development of small projects in Saudi Arabia .. Etc.) in order to develop and modernize work methods to achieve better economic returns and exchange of experiences between the members in the areas of small business development, among others. Third : the establishment of a joint Arab Bank for SME`S or institution financing for the Arab action to mobilize resources and funding regulates flows to the owners of small and medium projects as a certain priorities. Fourth : to activate the role of Arab Union for small businesses through activating the exercise of his functions and competence, experience and supporting institutions, associations and trade unions operating in the field of small and developing and coordinating the work of its members in the development and the development of small Arab and maximize their competitiveness and closer ties and contribute to the achievement of economic integration between Arab countries, through the establishment of a number of

organizations affiliated to the European Union such as : Arab body of a standards benefit owners of small and medium BUSINESS to be funded by imposing a fee on exports and imports. 1- Fund for the development of exports of small and medium projects at the level of Arab States is financed by the Union of Arab Banks. 2- Arab organization for the training of owners of small and medium projects to provide Arab skilled manpower required to service these projects. 3- Arab company to guarantee exports of small and medium projects at the level of Arab States, and activate the role of insurance companies and reinsurance Arab to serve small and medium projects, the establishment of Arab institutions to protect the small investor. 4- Arab company would be responsible for marketing the products of small and medium projects both at home and abroad, and providing the necessary expertise to do so. Fifth : study the possibility of establishing Stock Exchange for small and medium sized projects in the framework of the establishment of the Arab unified stock exchange and the need to examine international experience and best practices in similar areas to identify potential application in the Arab countries and then issuing new legislation to provide such services for small businesses and to provide technical assistance and capacity-building, these exchanges are around 36 markets worldwide with a market capital of the companies registered more than four trillion dollars return on investment exceeds 50% in some markets. Those who may wish to provide capital through participation in the liquidation of property investments to reinvest in a new set of small expendable growth, "At this stage, likely to become a small public companies mature earlier by renouncing their as private, and can be done through putting

stock in the Stock Exchange or through the initial offering of shares to the public. has many countries design exchanges especially for small projects, in order to avoid the obstacles which might deter small installations for enrollment in the stock market, such as the high costs to comply with the requirements of registration in the market. The exchanges of small-system regulations simpler - requires the lifting of a fewer reports - which reduces the cost of compliance. The availability of these bourses design a way to break through the initial offering of shares to the public for private investors.

Curriculum vitae

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I was born in 1969. I've been working as a manager in the ministry of economy which became the ministry of trade and industry from 2005 to date. I worked as an economic researcher from 1992 to 2004. I have obtained the degree of bachelor of commerce in economics with grade very good in 1992 from Zagazig university and I have awarded the Master's degree in economics in year 2002 from the same university .I have been granted the Diploma of national planning on development and planning from institute of National Planning with an overall grade very good in year 2000.

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Economic Researcher

Place: Ministry of Economy, economic research and information sector, department of fiscal and monetary polices

Period August 21,1996 to October 18,1998

Economic Researcher

Ministry of foreign trade, investment polices and securities sector, General Department for SMEs Affairs

October 19,1998 to October 2005

Education:

-Master's degree

studies the role of the Egyptian securities market on saving development

Zagazig university, faculty of commerce, department of economy,2002

-Development and planning diploma,Institute of national planning (Cairo),Very Good ,2000

-B.S.C. of Commerce

Zagazig university, faculty of commerce, department of economy,Very Good ,1992

Training:

-Special Diploma in e. Business Communications and Management Skills Program

Electronic Business Institute , Egyptian cabinet Information and Design Support Center. The Council of Ministers

March 9 to June 30,2003

-Short Course in Sampling and Statistical Methods
U.S. Census Bureau (U.S.A)

August 6-31,2001

-English Courses

American university in Cairo(A.U.C)

2001-2003

-Computer Courses (Word2000-Ecxel2000-Access2000-
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IBM

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June 17 - July 31,2001

-Special Diploma in Financial Administration
Arab planning Institute (Kuwait)

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-Technical report writing course

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I have many published research such as:
An analytical study of the securities markets in
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,The Egyptian Society for Political Economy,
Statistics and Legislation, Cairo, Egypt, January
2006.

Foreign Direct Investment Development Policies in the Arab Countries, the IBK Papers, Series NO.83, The Industrial Bank of Kuwait, Kuwait, December 2005.

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Analysis of The Performance of Arab Stock Market during (1994-2003), With Special Study on The Egyptian Stock Market, , the IBK Papers, Series NO.79, The Industrial Bank of Kuwait, Kuwait, December 2004.

Review of the Unified Arab Economic Report 2003, The Arab Future, NO.306, Center for Arab Unity Studies, Beirut, Lebanon, August 2004.

Also, the Researcher has many presented paper at many conferences and work shops, such as:

Small and Medium Enterprises (SMEs) Supporting Policies in Egypt To Maximize The Benefits of The Qualified Industrial Zone (QIZ) Agreement, Paper Presented at The Seventh Conference on Small and Medium Industries, Small and Medium Industrial Support Center, Mansora University, 3-4 May 2006.

Inward Foreign Direct Investment (FDI) To Egypt during (1992-2004) and It's Developing Policies Under The Financial Globalization, Paper

Presented at The 25th Conference of The Egyptian Society for Political Economy, Statistics and Legislation, Cairo, Egypt, 5-6 April 2006.

Investment Effects On Enjoying Economic human rights in Egypt, Paper Presented at a work shop on :The Relation Between Enjoying Human Rights, Development And Investment, Sponsored by The National Council For Human Rights, Egypt, November 2005.

Monetary policy performance in Egypt during (1997-2004), Paper Presented at The 24th Conference of The Egyptian Society for Political Economy, Statistics and Legislation, Cairo, Egypt, 6-7 May 2005.