

## DOCUMENT RESUME

ED 458 434

CE 082 621

TITLE Overview of Management Development Support for SME Growth in the Mediterranean Region: The Egyptian, Jordanian and Lebanese Cases. Report.

INSTITUTION European Training Foundation, Turin (Italy).

PUB DATE 2001-00-00

NOTE 173p.; Study was carried out by Simon Shaw, Ghada Amin, Nader Mrayyan, and Ms. Kawthar.

AVAILABLE FROM For full text:  
[http://www.etf.eu.int/etfweb.nsf/pages/vetdown1/\\$file/MEDA\\_Management\\_Training\\_Rep-en.pdf](http://www.etf.eu.int/etfweb.nsf/pages/vetdown1/$file/MEDA_Management_Training_Rep-en.pdf). Also available in French:  
[http://www.etf.eu.int/etfweb.nsf/pages/vetdown1/\\$file/MEDA-Management-Training-rep-FR.pdf](http://www.etf.eu.int/etfweb.nsf/pages/vetdown1/$file/MEDA-Management-Training-rep-FR.pdf).

PUB TYPE Reports - Research (143)

EDRS PRICE MF01/PC07 Plus Postage.

DESCRIPTORS Adult Education; Business Administration Education; Case Studies; Comparative Analysis; Developing Nations; Donors; Economic Development; Educational Trends; \*Entrepreneurship; Foreign Countries; \*International Cooperation; Intervention; \*Management Development; Postsecondary Education; Secondary Education; \*Small Businesses; Socioeconomic Influences; \*Training Methods; Training Objectives

IDENTIFIERS Egypt; Jordan; Lebanon; \*Mediterranean Region

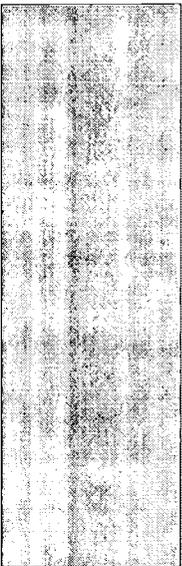
## ABSTRACT

This study identifies opportunities in three Mediterranean countries Egypt, Lebanon, and Jordan, for improving the support available for management and entrepreneurial development to stimulate growth of small and medium-sized enterprises (SMEs). After an executive summary, Part 1 provides an analysis of the situation across the three countries, identifying common trends in management development support for SMEs in the countries that could form a basis for actions to be taken at a multi-country level. Part 2 provides an analysis of the situation in each country. The analysis includes an overview of the socioeconomic context; summary of the situation in regard to SMEs, the environment in which they operate and their potential for growth; a critical overview of the training and support currently available to managers and entrepreneurs in SMEs; and an overview of the support and impact created by donors' interventions. Recommendations on how to improve the training and support are given at the end of the analysis. (YLB)

# REPORT

## Overview of management development support for small and medium sized enterprise growth in the Mediterranean region:

### The Egyptian, Jordanian and Lebanese cases



European Training Foundation

U.S. DEPARTMENT OF EDUCATION  
Office of Educational Research and Improvement  
EDUCATIONAL RESOURCES INFORMATION  
CENTER (ERIC)

This document has been reproduced as received from the person or organization originating it.

Minor changes have been made to improve reproduction quality.

Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

PERMISSION TO REPRODUCE AND  
DISSEMINATE THIS MATERIAL HAS  
BEEN GRANTED BY

*J. Austery*

TO THE EDUCATIONAL RESOURCES  
INFORMATION CENTER (ERIC)

1

CE 082 621



## European Training Foundation

*Villa Gualino, Viale Settimio Severo, 65, I-10133 Torino*  
*Tel: (39) 011 630 22 22 / Fax: (39) 011 630 22 00 / email: info@etf.eu.int*  
*Web: <http://www.etf.eu.int>*

The European Training Foundation is an agency of the European Union which works in the field of vocational education and training in Central and Eastern Europe, the New Independent States, Mongolia and the Mediterranean partner countries and territories. The Foundation also provides technical assistance to the European Commission for the Tempus Programme.

**Overview of management development  
support for SME growth in the  
Mediterranean region:  
*the Egyptian, the Jordanian and  
the Lebanese cases***



European Training Foundation

# Contents

<b>Executive summary</b> .....	<b>v</b>
<b>Introduction to the study</b> .....	<b>xv</b>
Background .....	xv
Aims of the study .....	xv
Clarification of terminology .....	xvi
Structure of the report .....	xix
Methodology .....	xx
Acknowledgements .....	xxi
<b>Section 1: Cross-country analysis</b> .....	<b>1</b>
1. Market analysis .....	1
1.1 Demand .....	1
1.2 Supply .....	4
1.3 Intermediaries .....	6
1.4 Regional dimension .....	9
2. Policy making .....	11
2.1 Targeted support .....	11
2.2 Sustainability .....	14
3. Conclusions .....	14
3.1 Supply and demand .....	14
3.2 Building the market .....	15
4. Issues .....	16
4.1 Common issues .....	16
4.2 Issues for regional action .....	18
<b>Section 2: Country analysis</b> .....	<b>21</b>
<i>Egypt</i> .....	21
1. Socio-economic context .....	22
2. Present situation of SMEs .....	25
3. Management development support .....	31
4. The impact of donors .....	42

*Overview of management development support for SME growth in the Mediterranean region*

5. Conclusions.....	44
6. Recommendations.....	47
Annex 1: Summary of main donor projects .....	51
Annex 2: List of contacts .....	53
Annex 3: Summary of support institutions .....	54
<b>Jordan .....</b>	<b>59</b>
1. Socio-economic context .....	60
2. Present situation of SMEs .....	64
3. Management development support.....	70
4. The impact of donors.....	83
5. Conclusions.....	85
6. Recommendations.....	87
Annex 1: Summary of main donor projects .....	90
Annex 2: List of contacts .....	91
Annex 3: List of training providers .....	93
Annex 4: List of intermediaries .....	96
<b>Lebanon.....</b>	<b>101</b>
1. Socio-economic context.....	102
2. Present situation of SMEs .....	107
3. Management development support.....	113
4. The impact of donors.....	125
5. Conclusions.....	126
6. Recommendations.....	129
Annex 1: Summary of main donor projects .....	133
Annex 2: List of contacts .....	135
Annex 3: List of training providers contacted for the research .....	137
Annex 4: Intermediary institutions and Governmental bodies working with the industrial sector and SMEs.....	138

# Executive summary

The present study aims to identify opportunities within three Mediterranean countries, Egypt, Lebanon and Jordan, for improving the support available for management and entrepreneurial development in order to stimulate the growth of small and medium sized enterprises (SMEs) and thereby help to prepare these countries for the establishment of a free trade area between the EU and Mediterranean partners. The focus of the study is on the supply side, i.e. the providers of management development support. However, it also considers the demand for management development support from SMEs and the role of intermediaries in helping companies to access this support.

The scope of the study includes individual entrepreneurs, micro enterprises and SMEs. Micro enterprises are defined as small economic units employing up to 4 people. SMEs are defined as businesses employing between 5 and 49 people (see below "Introduction to the study-clarification of terminology"). Management development support is defined as any form of intervention which aims to help SMEs survive and grow. The term encompasses all forms of management and entrepreneurial training as well as other forms of support such as information, advice and guidance.

## *Part 1. Cross country analysis*

### *Market analysis*

#### *Demand for management development support from SMEs*

There are three features that limit the demand for training: size of enterprises; the extent of the informal economy and family ownership. These three features are common to the three countries concerned by the study.

1. The number of SMEs and micro enterprises in all three countries is large. However, most of them are micro enterprises with little demand for management development support and this is due to several reasons: often they are unaware of the benefits available and secondly they are more concerned by immediate survival than long term benefits. Furthermore, since the promotion possibilities are limited in a small company and the danger of trained staff to "brain drain" to bigger companies offering better salaries, the chances of an SME manager investing in training for their staff are rather limited.

2. Many SMEs exist in the informal economy and do not have access to business support agencies. The chances that these businesses will remain in the informal economy are high and this is mainly because the costs associated with becoming a registered company are very high.
3. The majority of SMEs are family based without a tradition of seeking advice or support from outside. Knowledge is applied and gained "by doing", i.e. through running a business rather than through formal training. Decision making tends to lie with one person. The concerns for development are more concentrated on technical and punctual skills rather than on management and development skills. Therefore, it is more likely that they will invest in management to support the scale of activity rather than to develop their overall management skills.

To conclude, the demand for management support is, therefore, more potential than actual.

### ***Supply of training and other forms of support***

Management development support providers in the three countries can be divided into two very distinctive groups: entrepreneurship training provider (for the self-employed and micro-enterprises) and providers of management development support, mostly training, for SMEs and large companies.

Entrepreneurship training is mainly delivered by NGOs and agencies set up by government and international institutions and donors. Their frame of reference is mostly developmental, i.e. to cater for the economically disadvantaged and to develop human capital in communities. Support is mostly provided in the form of micro-credit. Through previous experiences it is highly recommended that micro finance support is accompanied by non financial support, including development of management skills to increase the chances of sustainability. This is, unfortunately, not often the case in the three country studies;

Management development support to SMEs is delivered by a wide range of suppliers, including private and public organisations and free-lance trainers. The most common form of support provided is training; advice, counselling and consultancy services are less developed in the market. Training is often generic and not aimed specifically at SMEs. Trainers tend to have an academic background. There is little or no segmentation or differentiation of the market either by sector or size of company.

### ***Role of intermediaries***

Intermediaries are an important potential force in the market for business and management development. They can help to raise awareness of the benefits and link demand to supply by signposting and other measures. They can also be a force for improving the quality of support available and to promote innovation in the approaches to support. In practice, intermediaries in all three countries need to develop their mission and range of services to realise their potential in relation to supporting SME growth.

## ***Regional dimension***

The development of a regional market for management development support depends on the extent of economic dynamism in the region. There are important differences in the situation of SMEs between the three countries, at macro- and micro-economic levels (different economic growth rates, different base of large companies, different size and weight of public sector, etc.). But there are also shared points of identity and common needs which could encourage a more regional approach to supporting the development of managers in SMEs than exists at the moment. Common needs could be better identified if certain sectors of the economy are looked at, such as IT or packaging industries, for example. A number of common problems, such as lack of information on training opportunities, lack of quality support, could be addressed at regional level.

## ***Policy making***

### ***Targeted support***

Currently, government policies are not directly targeted to support SME growth. Although there are, in some countries, policies addressing industrial development, SMEs are not considered as a specific target group. Policies should target SMEs and different categories of SME with appropriate management development support. Three factors should be taken into consideration to determine what is most appropriate: the purpose of support, the type of support provided and the source of support in each case.

### ***Sustainability***

There are some factors that may undermine the sustainability of the supply side. On the supply side, these factors include a weak provider base and a lack of competition (high subsidy rates should be considered here). On the demand side, the lack of clear sign-posting on where to buy a service, the low awareness of needs and benefits and the lack of quality control mechanisms, lead to a dissatisfaction and ultimately to a discontinuation of the demand.

All the issues on both the demand and the supply sides need to be addressed if sustainability is to be developed, i.e. if providers are independently to offer and maintain an appropriate level of service over time.

## ***Conclusions***

### ***Supply and demand***

The market would benefit from more structure. Greater awareness of the importance of effective management and the need for continuous improvement would lead to more effective

demand. On the supply side, greater corporate solidity and identity would lead to improvements in quality, cost-effectiveness and coherence.

### ***Building the market***

The small size of the market in Jordan and Lebanon restricts the development of a fully-fledged supply side. A regional approach would overcome some of the problems of market size. In all three countries, government and donor policies should aim to raise demand and strengthen supply. Over time this should translate into long-term capacity and sustainability.

### ***Issues***

***Issues common to all three countries:*** these are defined as issues common to all the countries but that could be better addressed by national policies:

- Capacity building at three levels: to develop institutional providers (organisations rather than individuals); to encourage these organisations to develop support matches the requirements of SMEs (as opposed to managers in general); capacity to enhance the skills of trainers and consultants to improve the content and methods of training.
- Encourage training providers to develop innovative approaches to training content and methods.
- Raise awareness levels among SMEs of the benefits of management development.
- Provide financial support for training, without distorting the market too much.
- Promote an integrated approach by linking other forms of support for businesses to management development.

***Issues for regional action:*** these are defined as issues where a truly regional approach is possible and where actions at regional level could be engineered.

- Networking among training providers to build cooperation and spread good practice.
- Development of quality standards for management and management training.
- Analysis of the impact of national policies on the growth of a regional market.

## ***Part 2. Comparative country analysis***

### ***Present situation of SMEs***

#### ***Structure of enterprises***

In Egypt, micro enterprises account for just over half of all employment. SMEs account for just over 20%. SMEs are concentrated in manufacturing, wholesale and retail. New sectors are emerging in IT and tourism. There is a large but uncompetitive informal sector. In Jordan, SMEs are concentrated in service sectors. Micro enterprises are widely spread throughout the country, in rural as well as urban areas. However, the absence of official statistics means that there is limited understanding both of the actual contribution of SMEs to the economy and of the potential contribution they can make to growth and innovation. The Lebanese economy is dominated by micro enterprises, to a large extent as a result of the fragmentation caused by civil war. Few companies employ more than 10 people. The informal sector accounts for over a third of the working population.

#### ***Policy and regulatory framework***

Responsibility for policy towards SMEs in Egypt is shared between several government ministries and agencies. Policy initiatives are split into two main areas: developing entrepreneurship and supporting the growth of private sector businesses. The regulatory framework is becoming more friendly to business but constraints still inhibit growth, especially among SMEs. The overall direction of policy in Jordan is favourable to economic development and growth, but there is a lack of coherence in relation to industrial strategy. No coherent policy exists to support the growth of SMEs. In Lebanon, the government's policy aims to boost competitiveness through administrative reform, fiscal measures, export promotion and legislation to encourage competition. The country has a relatively business-friendly environment although investment and business support policies are less effective.

#### ***Future growth***

Economic growth in Egypt is high and is likely to continue at a similar rate as the past few years. Emerging sectors such as IT, electronics and telecommunications have high growth potential. Constraints inhibiting the growth of SMEs include poor access to finance, skills shortages, low technological base, poor access to markets and a general lack of awareness on strategies and requirements to compete in a free market economy (e.g. compliance with quality standards, patent and trade mark rights, etc.). In Jordan, growth sectors which provide opportunities for SMEs include chemicals, tourism, software and information technology. Sectoral approaches to supporting growth may help SMEs make the most of opportunities in these industries. SMEs are seen as a key to growth in Lebanon, but the attitudes of owners in

family-run businesses are not always conducive to this. Sectors expecting growth include printing and packaging, food processing, tourism, garment manufacture, light industry and business services (including IT). Export-led growth is likely in the emerging IT and telecommunications industries. The “supply chain” growth model can also be an alternative in countries like Jordan where the Qualified Industrial Zones offer high potential for SME growth.

## ***Management development support***

### ***The market***

The market for management development support in Egypt is large. However, demand is potential rather than actual. SME owners and managers do not readily see the need to invest time and resources in management development. The market is predominantly supply-led. There is little effective demand for training from SMEs in Jordan. Most owner-managers do not see the need for such investment or appreciate the value they might gain from it. Training providers are generally fragmented and disorganised. As yet the supply side exerts little influence on demand. Demand for management development support in Lebanon is also fairly weak, reflecting the attitudes of many SME owners and the business culture of the country. There is low awareness of the importance of good management. The supply side is fragmented and unstructured.

### ***The supply of training***

In Egypt, management development support is offered by foreign donor programmes, NGOs and business associations, private training providers and government agencies. Universities are gradually increasing their range of services beyond undergraduate studies. Many university colleges are strengthening their ties with SMEs. The private sector is fairly well established, although support for SMEs is heavily dependent on donor funds. Some companies have invested in the resources needed to provide high quality support. Most rely greatly on freelance trainers. The same categories of training provider exist in Jordan. None of them specialises in supporting SMEs. Management training is mostly provided by freelance trainers and is generic rather than targeted at the needs of SMEs. In Lebanon there are very few training provider companies. Most training is delivered by freelance trainers. A small number offer specialist management training in a particular sector.

### ***Training content and methods***

The situation is broadly similar in all three countries. Training providers generally see the need to structure training so it is accessible to managers in SMEs. The training offered is mainly generic although there are isolated examples of courses designed for SME managers in particular. Any modification of generic courses to make them more suitable for SMEs is

usually superficial. Some good practice exists in designing courses, but both design and delivery are still not sufficiently adapted to SMEs. Most of the training is still too theoretical and not related closely enough to the needs of SME owners and managers. Managers from SMEs account for a small proportion of participants on most training courses. Training is sometimes linked to longer term consultancy. Little attention is paid to quality assurance or improvement.

### ***The role of intermediaries***

The capacity of intermediaries in Egypt to provide support to SMEs is limited although programmes have been developed to enhance the quality and availability of support. Some intermediaries are successfully encouraging collaboration between SMEs in marketing and export development. In Jordan, a new type of business association is emerging which actively supports SMEs and provides services on their behalf. These associations are being encouraged by donors to extend the range of support they offer to owners and managers of SMEs. In Lebanon, the potential role of intermediaries in supporting management development is constrained by cultural attitudes. Historically, business and sectoral associations have not been involved in providing management support. However, their role in sign-posting SMEs to service providers is potentially fruitful.

### ***Support to micro enterprises***

In all three countries, support for micro enterprises aims to tackle poverty and unemployment and develop social capital in communities. The provision of micro-finance is a key service. Access to micro-credit has grown along with the number of NGOs offering this service. There are examples of micro-finance institutions which are genuinely sustainable and offer models of good practice. However, few of the micro-finance institutions in Lebanon have yet demonstrated sustainability. Non-financial support, including management development, is becoming more widely available. In all the countries, the role played by donors in this field is key to the sustainability of this type of support.

### ***Support to SMEs***

Support for SMEs in Egypt is limited and patchy. Some support exists to help SMEs invest in and gain benefit from technology. In Jordan, management development support for SMEs is mostly targeted at growth-oriented firms with over 25 employees. Donor programmes aim to improve both supply and demand of training for enterprises in this class. There is little support for smaller businesses. There is very little management development support dedicated to SMEs in Lebanon owing to lack of awareness and cultural barriers on the demand side which constrain services based on networking and other forms of association.

## ***The impact of donors***

Donor activity in Egypt is high but not sufficiently well coordinated. High levels of subsidy for management development have tended to distort both demand and supply. Approaches which combine coherence and capacity building are likely to be more successful in future. In Jordan, donor programmes aim to support the broad agenda of economic reform. Intervention by donors is mostly sensitive and appropriate. Until now insufficient attention has been paid to measures supporting policy development for SME growth. The main impact of donors on management development support in Lebanon is to subsidise training. Few donor programmes have developed a coherent approach to supporting growth in SMEs through management development.

## ***Conclusions***

### ***Egypt***

There are opportunities for SMEs in Egypt to grow on the back of the country's economic performance, although these are limited by the generally low level of production quality and management awareness. On the supply side, the training market is fairly well-developed with some well-established providers who have invested in the resources needed for high quality training. However, the actual demand for management development support among SMEs is low. Little of the training available effectively targets owners and managers in SMEs. The absence of quality standards for management training is causing problems. The level of donor support is high but it is not well coordinated. Many donor programmes do not address the issue of sustainability.

### ***Jordan***

The attitude to business development in Jordan is favourable and there is a well-developed support structure for entrepreneurs and micro enterprises. However, policies to support SMEs are lacking and many SMEs lack the motivation to grow. Although the number of training providers is small, some are starting to develop coherent courses for management development. These are mainly aimed at larger companies. Most of the training available is still not well adapted to the specific needs of small business managers. Donor interventions are generally supportive and helpful. However, donors have not yet assisted the government to produce a clear and coherent set of policies to support SME growth.

### ***Lebanon***

Lebanon has a liberal economy, a history of trading relations with other countries (especially Europe) and a rich stock of well-qualified, entrepreneurial people. However the country's economy has suffered badly from recession in recent years and the government's

macro-economic policies have not encouraged productive investment. The SME sector is dominant in the economy but it is fragmented and disorganised. Demand for management development support is low and cultural barriers inhibit its growth. The supply side is equally fragmented, with most training being provided by individual freelance trainers. Little of the support they provide is targeted at the real needs of SME owners and managers. Training is subsidised by foreign donors, but they are wary of extending their support until the market for management development has stabilised.

## ***Recommendations***

### ***Policies supporting the growth of SMEs***

Governments in all three countries should formulate a clear strategic vision for supporting and promoting the growth of SMEs. Specific policies should be developed which encourage SMEs to invest in management development in order to maximise their growth potential. A coherent set of measures to support SME growth should be developed in both financial and non-financial services. These measures could be targeted at SMEs in known growth sectors. The legal and regulatory frameworks for starting and running a business should be simplified and barriers to entrepreneurship and growth removed. Statistical information relating to SMEs should be produced.

### ***Capacity building for training providers***

Training providers should be encouraged to develop long-term relationships with SMEs where possible, in which training is only part of a package of support for management development. Training should be matched more closely to the needs of owners and managers in SMEs. More sophisticated ways of defining the need of SMEs for management development support and segmenting the market should be developed and applied. Support should be provided for the development of associations of training providers (or similar bodies) able to coordinate networking activities among members.

### ***Strengthening the role of intermediaries***

Management development support should be promoted more vigorously by intermediaries. Business associations should position themselves at the centre of existing and emerging networks of businesses from where they can help SMEs to access appropriate services. Ways of signposting owners and managers in SMEs to appropriate sources of support should be made more effective. Industry-based and sectoral groups should examine the significance of SMEs to their industries or sectors and take steps which encourage SME growth. Intermediaries should build the capacities of their personnel by exposing them to best practice in providing support services to SMEs across the region and in Europe.

### ***Developing quality standards***

The growth of corporate status among suppliers of training should be accelerated as a way of developing higher standards of service to SMEs. Occupational standards for owners and managers of SMEs should be developed and used to assess the quality of management development programmes. A quality system for certification of both training providers and individual trainers should be established, using clear quality criteria. A structured forum should be set up in which agencies providing support to micro enterprises and SMEs can disseminate the experience gained and share any lessons learned.

# Introduction to the study

## *Background*

One of the core objectives of the European Union (EU) Euro-Mediterranean policy is the establishment of a free trade area between the EU and the Meda partners by the year 2010<sup>1</sup>. To this end, most Meda partners have already embarked on far reaching reforms of their fiscal, banking and legislative sectors in order to ensure a favourable environment for private investment and economic development.

The weight of small and medium-sized enterprises (SMEs) in the economies of Meda countries is very significant. In some countries SMEs represent up to 96% of the total number of enterprises. Although there are few accurate statistics, the contribution of SMEs to the national economy and employment can be estimated at somewhere between 30% and 40%. The role SMEs will play in future in the transition process towards more competitive economies is fundamental.

Within this context the development of entrepreneurial and managerial skills is an important factor in the survival and adaptation of SMEs. The present study focuses on support for management and entrepreneurial development, considered as one factor – but not the only one – which contributes to the growth of SMEs, or at least improves its chances of survival.

## *Aims of the study*

The present study aims to identify opportunities within three Meda countries, Egypt, Lebanon and Jordan, for improving the support available for management and entrepreneurial development in order to stimulate the growth of SMEs and thereby help to prepare these countries for the establishment of a free trade area between the EU and Meda partners.

These three countries were chosen for several reasons. First, it was felt important to work with countries situated in the same sub-region (Magreb/Mashreq), both for linguistic reasons and to ensure greater comparability in the results. Within the Mashreq region, it was considered that these three countries are similar enough to allow reasonable comparison: they share a large SME sector and a well developed and ever increasing management development

---

1 The Meda countries include: Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Palestinian Territories, Syria, Tunisia and Turkey.

support sector. At the same time they represent a varied sample in terms of size, type of economy and education systems.

The study focuses on the supply side, i.e. the providers of management development support. Representatives on the demand side, i.e. SMEs and intermediaries, were also approached to complete the picture but the study did not attempt to classify the nature or extent of demand for management development support from SMEs.

The recommendations are organised under the principal themes which emerged from the study. They aim to have practical effects in a number of dimensions:

- Policy in relation to support for SMEs and the 'mission' of all those organisations involved in management development support.
- Capacity of providers to design effective management development support programmes. The aim, in line with best practice in SME development, is to help engineer a greater responsiveness on the part of providers to meeting the immediate needs of SMEs through training, and ultimately to encourage providers and SMEs to form long-lasting and productive partnerships.
- Delivery of such programmes, including the capability of organisations and trainers, the content of courses and the training methods used.
- Strengthening the role of intermediaries - organisations which mediate in some way between training providers and SMEs - in helping to improve the quality of support.

## *Clarification of terminology*

### *SMEs*

This study defines micro, small and medium-sized enterprises in five categories, according to the number of people employed in them:

1. Individuals starting out in self-employment.
2. Micro businesses - those with between 2 and 4 employees in addition to the owner-manager.
3. Small businesses - those with between 5 and 14 employees in addition to the owner-manager.
4. Small to medium-sized businesses - those with between 15 and 24 employees in addition to the owner-manager; some of these businesses may have a potential for further growth.

5. Medium-sized businesses – those with between 25 and 49 employees in addition to the owner-manager; most of these businesses are likely to have a management team and some of them may have potential for further growth.

There are many other possible definitions. These particular definitions were chosen for this study for three main reasons. First, similar definitions to these are used in statistics produced by all three countries covered in the study. They are not the only ones to be used in official statistics, but they are likely to be familiar to anyone concerned with supporting entrepreneurs and SMEs. Second, they enable a reasonable differentiation between SMEs at different stages in their development. In reality, a small to medium software development business is very different from a business employing the same number of people in food production or metal work. The distinction is never absolute, but it is sometimes useful: a software business with 30 employees is likely to need more sophisticated management than one employing half that number. Third, the number of employees is not the only criterion for classifying growth stages but it has the merit of being constant over time, unlike financial indicators such as turnover or capital employed.

It is especially useful in the context of the Meda countries to use a definition which distinguishes several layers of small and medium-sized businesses. This is for two reasons. The first is because in these countries there are relatively few companies which employ 50 people or more. The great majority of businesses are small, by European norms<sup>2</sup>. It is important to have a stratification which makes it possible to see the management development support available to enterprises of different sizes. The second reason why the definition is useful is that the support given to the first two classes – individuals and micro businesses – is very different in character and purpose from the support given to businesses in the other three classes. Support for the first two classes has a primarily social function: the main aim is to help disadvantaged people and communities escape from poverty and improve their living standards. Support for the other classes has a more economic function: the aim is to help small enterprises survive and grow.

### *Intermediaries*

This study defines intermediaries as any organisation whose remit includes supporting the development of micro, small and medium-sized enterprises. For the most part, the study focuses on organisations which either represent businesses or offer them services directly. They include industry associations, chambers of commerce, professional bodies and trade organisations. All of them are member organisations. Some rely wholly on subscriptions from members and income from services to members. Others also have a degree of external support from governments and/or foreign donor agencies.

---

2 The upper limit for SMEs in Europe is usually defined as enterprises employing up to 249 people, with a turnover of up to 40 million euro and a balance sheet of up to 27 million euro. In the Meda countries, this definition would encompass all but the very largest companies.

A broader definition of intermediaries would also take into account two other categories of organisation: government departments (ministries) and agencies (because of their role in coordinating funds from foreign donors) and agencies set up by foreign donors. Egypt, Jordan and Lebanon are all multi-agency countries in which both these categories are active. Although the study does not classify these organisations under the category of intermediaries it does take into account both their role and their impact on the provision of management development support.

### ***Market***

In this study, the market is defined as the structure within which the mechanisms of supply and demand operate. On the supply side are included all organisations which support the development of management and entrepreneurial capability. They may be private sector training or consultancy companies, individual freelancers, universities, government agencies, non-governmental organisations (NGOs) or agencies and programmes set up to implement foreign donor aid programmes. The demand side includes all actual and potential recipients of management development support. Although the focus of this study is on SMEs, larger companies are also included in the definition of the market.

A market is said to have structure when products are properly differentiated, buyers know where to go for a particular product, standards are regulated, there is real choice in terms of price and quality and purchasing decisions are made on the basis of knowledge rather than guesswork. Markets may develop these positive, beneficial features on their own purely through the interaction of buyers and sellers. Intermediaries may also play a helpful role in developing a market structure.

### ***Management development support***

Management is defined as all those activities which are to do with planning and controlling any aspect of a business. It thus covers functional areas such as finance, marketing and human resources; areas of responsibility such as managing people, information and production; supervisory, middle and strategic management roles; and managerial skills or attributes such as communication, decision-making, team building and problem-solving.

For the purpose of this study, management development support is defined as any form of intervention which aims to help SMEs survive and grow. The term encompasses all forms of management and entrepreneurial training (see the two paragraphs below). It also encompasses other forms of support such as information, advice and guidance on all aspects of setting up and running a business. In all three countries covered by the study, the infrastructure for providing these forms of support is at a relatively early stage of development.

Management training refers to the support provided by training providers which aims to develop the skills, knowledge and attributes of owners and managers in relation to their management activities. It does not include the development of other professional, technical,

vocational or craft skills. Training focused on other aspects of continuing development, including vocational training, is excluded from the scope of the study. 'Training' should also be taken to mean 'continuing training', i.e. training oriented to those already holding a working position. This excludes students in full-time higher education and other types of university studies.

Entrepreneurship training is defined as any training which aims to develop the skills, knowledge and attributes needed to start up and survive in business as a self-employed individual or a micro enterprise. There is apparently an overlap here with management training. In practice, the content of entrepreneurship training courses is differentiated from management training by its relative simplicity.

### ***Growth***

Growth is defined as the ability of businesses to improve their performance in terms of turnover, profit and employment in a sustainable way over time. However, the study team recognised the complexities of defining growth, particularly in relation to the interaction of the economic environment in a particular area at a particular time and the situation of individual firms. Growth is often a combination of favourable external conditions and a positive managerial approach which enables a firm to take advantage of opportunities and move on to the next phase of development.

In the study, the issue of growth has been approached mainly through three factors. First, the economic situation of each country, summarised in the opening section of the report on each country. Second, the identification of key sectors of industry which offer possibilities for SMEs in each of the three countries concerned. Third, the support available to managers and entrepreneurs which helps them identify their development needs and the opportunities open to them in their market places.

## ***Structure of the report***

The report is divided in two parts. Part 1 provides an analysis of the situation across the three countries. This section attempts to identify some common trends in management development support for SMEs in Jordan, Lebanon, and Egypt. These trends could form a basis for actions to be taken at a multi-country level.

Part 2 provides an analysis of the situation in each country. The analysis includes an overview of the socio-economic context; a summary of the situation in regard to SMEs, the environment they operate in and their potential for growth; a critical overview of the training and support currently available to managers and entrepreneurs in SMEs and an overview of the support and the impact created by donors' interventions. Recommendations on how to improve the training and support are given in the last section.

Whenever relevant, case studies have been included in a box format to give concrete examples on how a given concept has been put into practice.

Summary boxes have been included to underline the main idea put forward in a given section.

## ***Methodology***

The study was carried out by a team composed of staff from the European Training Foundation, Mr. Simon Shaw, and experts from the countries concerned: Ms. Ghada Amin from Egypt, Mr. Nader Mrayyan from Jordan and Ms. Kawthar from Lebanon.

The first phase of the study consisted of an analysis of existing studies on SMEs and management development support in the three countries. The team was confronted with a lack of information about the current situation of SMEs, statistical data relating to their economic contribution and their impact on economic growth. There was also very little information on management development support in general and virtually none on management development support for SMEs. There are very few background studies or evaluations on the impact of training on growth. This situation was found in the three countries. For this reason, the report is largely based on information provided by the informants to the study (see the relevant annex for each country).

Desk research was carried out using questionnaires sent both to training providers (as the main suppliers of management development support in the countries concerned) and intermediaries. The purpose of the questionnaires was to get some basic information and to help in the selection of places and identification of topics and themes to discuss in more detail during the field visits. Organisations completing the questionnaires included private and public institutions, non-governmental organisations (NGOs), commercially oriented organisations and a wide range of intermediaries including chambers and sectoral organisations. Wherever relevant questionnaires were also sent to foreign donor agencies either as intermediaries or training providers.

The main phase of the research consisted of field visits to training providers, intermediaries, policy makers, SMEs and donor agencies. The purpose of the field visits was to gather data about opportunities for improving the training and support given to managers and entrepreneurs in SMEs and to compile perceptions about management development support from those involved. The visits also enabled the team to countercheck information gained through the questionnaires. Visits were undertaken during October and November 2000.

## ***Acknowledgements***

The European Training Foundation would like to thank the European Commission, in particular the local delegations, for the information and advice provided to the team before and during the visits; and the many interlocutors met during the visits in each country, who provided valuable information and important insights at many different levels.

# Section 1: Cross-country analysis

## 1. *Market analysis*

### 1.1 *Demand*

Potentially, the demand for management development support among SMEs in these three countries is huge. Micro, small and medium-sized enterprises make up 99.7% of non-agricultural private economic units in Egypt and 96% of all enterprises in Lebanon. There are no accurate statistics for SMEs in Jordan but the proportion of micro, small and medium-sized enterprises is likely to be similar. In reality, the actual demand from SMEs for management development support is much lower than these numbers might suggest.

There are several constraints which limit demand. Most of them operate in all three countries, though to differing degrees. The three main constraints are: size; the extent of the informal economy; and family ownership.

#### *Size*

Examining the figures about SMEs in more depth shows an interesting and significant decomposition of the market for management development support. Although the proportion of SMEs in the economy of all three countries is very high, the great majority of them are micro businesses employing less than four people. In Egypt, micro businesses make up 92.7% of all enterprises. They employ 52% of all workers. In Jordan, the great majority of the 62,000 unregistered businesses are likely to be in the micro category. In Lebanon, 90% of all businesses are micro.

By their nature micro businesses are unlikely to have much interest in management support. In important respects, companies of this size "do not have to be managed". Most of them are unregistered, so the owners do not need the skills to interface with the regulatory authorities. They do not have outside capital so there is no need to deal with banks or other financial institutions. Most of them use locally-produced materials and sell in local markets so they have no need for sophisticated distribution methods. There is little investment in technology and therefore little corresponding need to upgrade skills. In a business this size it is perfectly feasible and efficient for one person to make all the decisions.

Larger companies are very much more likely to buy in management support than SMEs. Even when SMEs show an interest in external support their conception of need is narrow and focused on finance (access to loans). In general terms, there are two main reasons why SMEs are less likely to provide training for managers than larger firms<sup>3</sup>. The first is that they are unaware of the benefits. The second is a cluster of factors related to the nature of small firms: owner-managers are more concerned with survival than long-term benefits; they fear that good managers will be 'poached' by competitors; and the prospects for promotion are limited. Both reasons apply in the countries studied here.

The situation is very different when it comes to entrepreneurial support. Over the last ten to fifteen years, the governments of all three countries have put in place far-reaching structural changes to their economies. These changes have been seen as necessary and ultimately beneficial but in the short term they have led to increases in poverty and unemployment. In response, governments have developed policies to try and alleviate some of these adverse social effects. Stimulating small-scale productive economic activity is one of the policies all three countries share. Entrepreneurial training and the provision of micro credit are the two most important instruments used to stimulate self-employment and small-scale activity in micro businesses. The latent demand for entrepreneurship training among this disadvantaged sector of society is high, although outreach work is needed to convert it into actual demand.

### *The informal economy*

All three countries have a large informal economy. There are no accurate figures, since unregistered companies are normally excluded from surveys. An estimate made in Egypt in the mid-1990s puts the number of informal enterprises at 2.8 million, representing nearly 40% of the country's economic base. In Jordan, the total number of SMEs (including micro enterprises) was estimated to be around 70,000; only 7,000 of these are registered. In Lebanon, a 1997 survey suggested that the informal sector accounted for more than 460,000 workers in 1997, around 37% of the total working population.

Most of the enterprises in the informal economy are micro businesses and thus have little or no demand for management support. They also tend to be in low-skill areas of the economy. In Lebanon, it is estimated that unskilled workers account for just over half of all workers in the informal sector. Much of the activity is based on craft and artisan skills, many of them traditional. Relatively little emphasis is placed on marketing, which is one reason why growth prospects for these enterprises are so poor.

In the regulatory environments prevailing in Egypt, Jordan and Lebanon there are sensible reasons why micro businesses should stay in the informal sector and not 'graduate' to formal business status. The high costs associated with being a registered company are a real disincentive. However, there is some evidence from a project in Alexandria that entrepreneurs can be encouraged to take gradual steps into the formal economy by increasing the size of

3 Westhead, P. and Storey, D. (1997). *Training Provision and the Development of SMEs*. Department for Education and Employment Research Report No. 26.

loans available to them if they pass certain thresholds. A survey carried out in 1998 found that 20% of the project's clients had converted their businesses from informal to legal operations. This is potentially significant in terms of the demand for support. When enterprises are informal they are to all intents and purposes 'off the radar' of support agencies. If, on the other hand, entrepreneurs can be given incentives to register it becomes much easier for agencies to contact them and offer support. The offer is more likely to be accepted if the entrepreneurs are already recipients of support in the form of micro credit.

### *Family ownership*

One constraint shared more or less equally in all three countries, and which limits the demand for management support, is the number of SMEs which are owned and run by families. Many of these family businesses, especially those in the category of small businesses, do not employ managers outside the family. Although they may be registered as companies, they have little or no identity as corporate units other than complying with regulations. Their existence depends on the family members who run and work in them. Most do not aspire to grow beyond a size which is easily manageable by a single person. They are not used to getting investment or business advice from outside the family or their immediate circle. Their knowledge is applied and practical, gained for the most part out of the experience of running the business rather than through any formal management or vocational training. For enterprises of this kind, support for management development is almost irrelevant.

Even when family businesses grow to medium size, they are often still reluctant to delegate management outside the family. Although the companies may employ professional managers, effective decision making tends to be invested in a single individual or a small family group. The owner-managers may not recognise that they would benefit from developing their own management skills. As for their employees, they are more likely to be worried about skill shortages in vocational skills than in management or supervisory skills. Enterprises in this class may be more likely to need management training to support the scale of activity but most of the owner-managers are not yet sufficiently aware of the benefits to make the investment in time and money to train themselves and their managers.

*The number of SMEs in all three countries is large. However, most of them are micro business with little demand for management development support. Some of the reasons for this are the lack of awareness on the benefits that training can bring and greater concern with immediate survival rather than long term development.*

*Many SMEs and micro enterprises exist in the informal economy and do not have access to business support agencies.*

*The majority of SMEs are family based without a tradition of seeking advice or support from outside.*

## **1.2 Supply**

Management development providers in Egypt, Jordan and Lebanon fall into two categories: those who deliver entrepreneurship training to self-employed individuals and micro enterprises, and those who deliver management development support to SMEs and larger companies. They occupy quite distinct sections of the market. There is very little overlap between them.

### ***Entrepreneurship training***

Entrepreneurship training is delivered principally by NGOs and agencies set up by government, international institutions such as the UN or foreign donors. The frame of reference of these providers is developmental. Their primary aims are to help individuals escape from economic disadvantage and improve their standard of living, create opportunities for employment and growth, and build social capital within communities. Their instruments are micro credit and non-financial support, including training. It is important that these two services are linked. A study of 32 micro-credit schemes carried out for USAID in 1996 found that 'minimalist credit' programmes, i.e. those in which credit was provided without any other support, had made gains but also carried risks<sup>4</sup>. The gains had an immediate impact on the ability of entrepreneurs to carry out productive activities. The risks were that the benefits were neither deep in impact nor sustainable over time because the provision of credit alone failed to upgrade the productive capacity of the enterprises. A 'credit plus' approach is more likely to avoid these risks. One example of how such an approach might be developed is the attempt by a UNIFEM project in Lebanon to create a coalition of micro-finance institutions and entrepreneurship training providers.

These providers may themselves obtain training and support for their own staff under the umbrella of institutional capacity-building. Examples are the Operational Unit for Development Assistance (OUDA) in Egypt which supports development programmes through staff recruitment and training, and the micro-finance component of the USAID funded Amir programme in Jordan which aims to strengthen the capacity of micro-finance institutions.

### ***Management development support for SMEs***

Management development support is delivered by a wide range of private and public sector suppliers. They include individual trainers and consultants, private training and consultancy companies, universities<sup>5</sup>, government agencies or units, agencies or programmes set up by foreign donors, and organisations linked to business associations. Many of the training companies and government or donor agencies act as training brokers, matching clients with trainers. In this role, some of them also design courses, train the trainers and monitor the quality of the training. Donor programmes may bring in trainers from outside the region.

---

4 Sebstad, J. and Chen, G. (1996) *Overview of Studies on the Impact of Micro-enterprise Credit*. AIMS Brief No. 1.

5 It is important to recognise that university business studies or management departments in these countries cater primarily for undergraduates. **The concept of a university-based business school aimed at practising managers is not yet well-developed.**

Most of the management development support provided by these institutions is in the form of training. The training they provide is generic, i.e. it is not designed for a particular group of managers. Courses cover a wide range of general management topics. Some are divided into courses for senior or middle managers. There is very little training at the supervisory level of management. Training is delivered in groups. The timing of courses may be varied to fit in with the demands on managers, otherwise the training is fairly inflexible. Trainers use several interactive methods including group discussions, individual exercises, case studies and simulations. To some extent they all rely on traditional input from the front. A high proportion of trainers have an academic background and orientation. Many of them teach at universities. Some are recruited from companies where they are practising managers. Training providers claim to provide trainer training courses for the trainers they employ. However, there are few signs that the skills and knowledge of training as a profession are systematically developed, or that practising trainers upgrade their skills as a continuous process of professional development.

### ***Differentiation***

Training providers have a broad view of their target audiences for management development support. Many providers – probably the majority – make no real distinction between managers from SMEs and those from larger companies. Most admit that managers from SMEs form a relatively small proportion of their clients. They are more likely to target larger companies, public sector organisations and banks or other financial institutions. Apart from the NGOs and other agencies dealing with micro credit and support to entrepreneurs in deprived communities, none of the providers target micro or small enterprises. A small minority of specialist providers serve managers working in a specific industry, e.g. construction.

Providers often claim to tailor or customise their courses to particular groups of participants. In reality, the extent of differentiation is rather shallow. In some cases the changes are purely cosmetic. In others, some aspects of a generic course are modified. A commonly cited example was that case studies are changed to make them more appropriate to a group. In the main, providers rely on the skills and experience of their trainers to adjust courses to suit different groups. There is little real evidence that they think about how training SME owners and managers might be different in fairly fundamental ways from training managers in larger companies or public sector organisations. In fact, it is clear from the experience of training small firm managers in Europe and other parts of the world that a different approach is needed<sup>6</sup>.

---

6 For a review of the best approaches to training managers in SMEs and the competences required of trainers, see: Gibb, A. (1990). 'Training the trainers for small business', *Journal of European Industrial Training*, 14.1. A recent summary of management development support in the developing countries of Europe can be found in: European Training Foundation (2000). *Entrepreneurial training for the growth of small and medium-sized enterprises: Lessons from Central and Eastern Europe*.

## Segmentation

There is little sign that providers are trying to segment the market in more sophisticated ways, for example by targeting training at companies which have recently introduced technological innovations or encouraging training along supply chains. This is more surprising in Egypt, which has a big enough industrial base to allow this type of segmentation. It is less surprising in Jordan and Lebanon with their small domestic markets. For training providers in these two countries, segmentation of this kind would need to be developed alongside a regional strategy.

The absence of segmentation reflects an approach to supply which is generally opportunistic rather than strategic. Providers go where the business is. Much of the time they are led by the activities of donor-funded programmes which sometimes create an artificially temperate climate for training through high levels of subsidy. Some providers have a longer term perspective. They aim to cultivate clients of a particular type so they have somewhere to go when donor funds withdraw and they are "hit by the cold air of reality". But it is rare even in these providers to find a rationale for training based on labour market and economic factors. Most simply do not have a clear view of skill shortages and they do not base their decisions on this kind of information.

*Support for entrepreneurship development is mainly delivered by NGOs and agencies set up by government and international institutions. The frame of reference of these providers is mostly developmental. Very often, support takes the form of micro-finance. However, micro-credit should be accompanied by non-financial support, including the development of management skills at a basic level.*

*Management development support is delivered by a wide range of suppliers, including private and public organisations and free-lancers. Most of the management development support currently being provided takes the form of training.*

*Training is often generic and not aimed at SMEs. Trainers tend to have an academic background. There is little or no segmentation or differentiation of the market either by sector or size of company. Supply is opportunistic rather than generic. It is difficult to find a rationale for supply based on labour market or economic factors.*

## 1.3 Intermediaries

The broad interests of companies are represented in theory by business associations. There are two main types: sectoral associations which represent specific branches of industry or commerce, and chambers of industry or commerce which represent a particular geographical area. All three countries have a wide range of associations of both types. Many of them have a limited role in management development. The active ones see their main role quite properly as

lobbying their government for changes in the regulatory framework to improve the business environment. They generally pay little attention to management development support interventions, in particular training. However, a few associations see themselves as a central point for development activities. For example, one of the regional chambers of industry in Jordan has developed its role as a centre of information and development for its members. Services, including training, are closely linked to the chamber's understanding of the labour market needs of the area.

A recent UN report suggests that organisations providing business development services in the region are 'not yet able to contribute effectively to solving major problems faced by small enterprises as the support services provided are still limited'<sup>7</sup>. But intermediaries have proved that they are, in other parts of the world, an essential part of a successful market for business and management development. A series of surveys carried out in the UK during the late 1990s show that SMEs do use intermediary services if they know about them and do gain important benefits from them<sup>8</sup>. It is clear that the use of external advice is strongly linked to successful business growth.

Intermediaries may intervene positively in the market in several ways: by raising awareness of the fact that there is a market and what the market contains; linking demand to supply; providing quality assurance mechanisms; and stimulating quality and innovation.

### ***Awareness-raising***

In all three countries in this study the market for management development support is immature. A major reason for this is that companies, especially SMEs, are not aware of the need for support and the benefits it brings. One of the most important roles for intermediaries in this situation is to raise awareness of the need to develop entrepreneurial and managerial skills and demonstrate the benefits which should follow. One informant to this study, based in a university management department, suggested that the best thing the government could do would be to launch a high profile marketing campaign to raise awareness of training among owner-managers. In his view, all other measures to improve the market depend on potential customers being better aware of both needs and benefits. At the moment, neither governments nor intermediaries see this as a priority.

### ***Linking demand and supply***

Intermediaries are in a position to improve the supply side as well as stimulate demand. They can do this immediately by putting pressure on training providers and other organisations

---

7 United Nations Economic and Social Commission for Western Asia (1999). *Small and Medium Enterprises: Strategies, Policies and Support Institutions*. Many of the findings of this study support those of the ESCWA report, which relates directly to countries in the Meda region.

8 The surveys are reported in a series of working papers by Robert Bennett, Paul Robson and others, published between 1998 and 2000 by the ESRC Centre for Business Research at the University of Cambridge. The numbers of the relevant papers are: 123, 124, 142, 143, 167, 181 and 182.

providing support to better target their activities to the needs of the SME sector. In the longer term, intermediaries themselves could evolve into a source of support for their members and the sector as a whole. In any case, to become sustainable once funding runs out they will need to develop their range of services to members. Management development support could be one of the services they offer.

Some of the activities already carried out by intermediaries could be extended. The sectoral strategic marketing groups set up in Egypt by the EU funded private sector development programme are one example. Their primary goal is to encourage companies to become more export-oriented. The groups' activities focus on marketing and export techniques and include training managers in marketing skills, export development skills, project management, quality control and effective presentations. These groups are in a good position to extend their own activities to include training in other management topics, and/or signpost members to other training providers. Given that the group members are all committed to improving the performance of their business, they are more likely than most to see the benefits. Because they already display an interest in vocational training and training around specific topics such as quality standards and production techniques, they could be encouraged to 'migrate' towards a more systematic approach to management training.

Programmes funded by donor agencies often include an element of linking demand to supply. The European Management Centre of the EU funded private sector development project in Egypt and the EU Business Service Team in Jordan both provide a facilitation service linking companies (including SMEs) to business consultants and/or training providers. However, the emphasis is more on vocationally-related skills than management. Some US funded projects work in a similar way. Some rely more on importing consultants and trainers from the donor country and achieve relatively little by way of building local capacity on the supply side.

### *Quality and innovation*

The market for management development support on the supply side is easy to enter and exit. Entry thresholds are virtually non-existent. As one informant to the study put it: 'Any number of graduates falling off the back of a lorry can set themselves up as trainers'. Trainers and training providers do not have to meet quality standards or benchmarks, nor do they have to register with a competent authority. Most courses are not accredited by an external body. Those courses which have external accreditation are not usually subjected to critical testing. There is little or no self-regulation.

At the moment, intermediaries do not concern themselves with these matters. They leave it entirely up to the market. At this stage too much regulation would risk stifling the growth of the market. But an entirely unregulated market is not necessarily the most effective. At some stage it will be important to consider what form of quality assurance is required and which intermediaries can play a role in developing and implementing it.

Innovation is just as important as high standards. Here there is a more immediate role for intermediaries. They can encourage innovations in support provision directly, for example by developing the concept of centres of excellence. Several intermediaries involved in this study said they were keen to try out this idea. Another way for intermediaries to encourage innovation is to link support to the take-up of new technology, e.g. through technology support centres where the links between technology and management can be explored. A third possibility is for intermediaries to encourage support for industry clusters and networks. This might include training along supply chains or at different points on the value chain. Approaches built on the cluster concept may help to reduce the isolation which is a significant limiting factor on the growth of SMEs. A series of case studies from the mid-1990s shows how various interventions based on clusters of SMEs in sub-sectors allowed intermediaries to deliver business services more effectively than would have been possible to isolated companies<sup>9</sup>.

*Intermediaries are an important potential force in the market for business and management development. They can help to raise awareness of the benefits and link demand to supply by sign-posting and other measures such as awareness raising. They can also be a force for improving the quality of support available and to promote innovative approaches.*

*In practice, business associations in all three countries need to develop their mission and range of services to realise their potential in relation to supporting SME growth.*

## **1.4 Regional dimension**

At the moment it is unclear to what extent a regional market in management development support for SMEs exists in the Mashreq countries, or whether it can develop further. There are obvious political constraints to regional expansion. However, there are unifying forces at work across the Arab region which should promote closer links at the economic as well as political and cultural levels. As the whole region moves closer to conformity with global economic structures, similarities in their economic aims may counterbalance some of the differences in the economic direction of individual countries.

Ultimately the opportunity for management development providers to operate across regional borders depends on how much economic dynamism there is in the region. There are important differences between the situation of SMEs in the three countries, but there are also strong points of shared identity.

---

<sup>9</sup> Dawson, J. and Jeans, A. (1997). *Looking Beyond Credit: Business development services and the promotion of innovation among small producers*. Intermediate Technology Working Papers, No. 1.

## ***Differences***

Differences between the three countries are apparent in their macro-economic situation, the structure of their economies, their different patterns of trade and the attitude to management and entrepreneurship. Over the past few years, economic growth in Egypt has continued at a high rate whereas the economies of Jordan and Lebanon have suffered from a slow-down in growth. This has put pressure on many SMEs and reduced investments at a time when increased competition in global markets requires a continual upgrading of technology and skills. In both these countries, structural factors have also adversely affected the prospects of growth for SMEs. Neither country has a significant or diverse base of large companies which may to some extent cushion the effect of recession on smaller businesses. By contrast, Egypt has a base of large companies. Although many of them still belong in effect to the public sector they have the potential to support the activities of a large number of smaller enterprises acting as suppliers or service providers.

Historically, patterns of trade favour Lebanon over Egypt and Jordan. Its status as an entrepôt for trade between Europe and the East may have largely disappeared, but Lebanese business people are still trade-oriented and the resumption of full economic activity after the war has seen an attempt to reshape the country more towards trade and exports. Lebanon also has the most liberal economy of the three countries and the most positive attitude to entrepreneurship.

A feature which all three countries share is a positive attitude to human resource development. This is probably most pronounced in Jordan, where both the government and private sector bodies such as the 'Jordan Vision 2020' campaign have highlighted the need to broaden the skills of people entering the labour market. The vision in Jordan includes the development of entrepreneurial attitudes in young people at school as well as encouragement to university graduates to view management as a potentially high-value and high-status career.

## ***Shared identity***

In terms of shared identity, the countries of the Mashreq share a common language and culture. Companies in these countries, especially SMEs, also share common needs. For example, the need for companies in the emerging IT industry to develop their export potential is common to all, as are the underlying factors which give the region a potential comparative advantage in software development. Similarly, the need to develop higher quality in packaging and more consistent standards in production are common to sectors as diverse as food production and pharmaceuticals across the region. These common needs could be met partly by a common approach to support and training. Linkages between programmes funded by the same donor (e.g. the EU) in the different countries could help to develop such a common approach. Good practice developed in one country could quite easily be transferred to others.

At the moment, a small number of private sector training providers moves between different countries. More say that they have plans to develop regional links or would like to do so. Some of the larger companies look to other countries for training if they can not find what they need in their own. Although they might look to internationally recognised organisations, many of them are also keen to use local suppliers because of the cost advantages and the benefits of training in Arabic.

Just as there are common opportunities for training, there are also common problems. Companies point to the lack of information about what training is available, the lack of quality assurance mechanisms and the poor quality of the training received as three reasons why they hesitate to buy from local suppliers. Some of these problems might also be addressed at a regional level. For example, it would make a great deal of sense for there to be a single quality assurance mechanism, based on standards which would be acceptable and transparent across the region. A sign that such a mechanism may be emerging is the recent foundation (in Egypt) of a professional body for trainers and consultants, which aims to attract members from all the Arab countries. As yet, however, there is little cooperation at an institutional level. No similar body exists to the European Foundation for Management Development or the Central and East European Management Development Association (CEEMAN).

*The development of a regional market for management training depends on the extent of economic dynamism in the region. There are important differences in the situation of SMEs between the three countries, at macro- and micro-economic levels. But there are also shared points of identity and common needs which could encourage a more regional approach to management development support than exists at the moment.*

## 2. *Policy making*

### 2.1 *Targeted support*

For management development support to be effective in these three countries, it must be targeted reasonably precisely at the different categories of enterprises listed in the definition of SMEs in the introduction to this report. There are three main reasons why this is important. Policy makers need to be aware of these reasons in order to formulate intelligent policies for addressing their requirements. These reasons are summarised in the text below and in table 2.1.

First, **the purpose of providing support** differs from one category to another. There is a world of difference between helping an individual or a group of friends start a small-scale economic activity and helping an established SMEs put in place effective management structures. To some extent there is a graduated scale between these two examples. It can be useful to think of

thresholds over which businesses need to step in order to grow effectively. The purpose of support should be similarly graded. In one case, the support provided may aim to make it possible for an individual to take the first steps in starting out on self-employment. In another, the purpose may be to take an established SME over the threshold which makes it feasible for the company to export products rather than restrict supply to the domestic market.

Second, enterprises in each category may require a different **type of support**. In particular, individuals starting out in self-employment and micro enterprises in these countries have clearly identified needs which set them apart from owners and managers of SMEs. They are likely to require a basic understanding of business and finance, covering the fundamental aspects of starting up and running a small-scale economic unit. Management is not an issue. By contrast, SMEs which have grown to the point where business processes are more complex and decisions cannot all be taken by one person are likely to require training in each of the main functional areas of management: finance, marketing, production, human resources etc. At this stage, companies may also start to need more in-depth support in specific areas such as export marketing or introducing new technology.

The third reason why it is important for policy makers to see the need for targeted support is that **the best providers of support may be different in each case**. Support for individuals and micro businesses is best provided by organisations with a clear developmental agenda. International experience can be of great value in this. Support for SMEs in a rapid growth phase, when they are trying to pass over certain thresholds, is best provided by trainers and consultants who have been through similar experiences themselves. Longer-term support aimed at consolidating management expertise may best be provided by business schools or management institutes.

*It is important to target different categories of SME with appropriate management development support. Three factors determine what is appropriate: the purpose of support, the type of support provided and the source of support in each case.*

Table 2.1 Sources of support for SMEs

Size of business	Individuals (self-employment)	Micro (2-4 employees)	Small (5-9 employees)	Small/Medium (10-24 employees)	Medium (25-49 employees)
<b>Types of support</b>	<ul style="list-style-type: none"> <li>■ Micro-finance</li> <li>■ Start your business training</li> <li>■ Incubators</li> </ul>	<ul style="list-style-type: none"> <li>■ Expand/improve your business training</li> </ul>		<ul style="list-style-type: none"> <li>■ Management training and consultancy focused on finance, systems and marketing</li> <li>■ Business advice</li> <li>■ Market intelligence</li> <li>■ Networking</li> </ul>	<ul style="list-style-type: none"> <li>■ Management training and consultancy focused on management capability and export marketing</li> </ul>
<b>Sources of support</b>	<ul style="list-style-type: none"> <li>■ NGOs</li> </ul>			<ul style="list-style-type: none"> <li>■ Aid agencies</li> <li>■ Training providers</li> <li>■ Business associations</li> </ul>	
<b>Purpose of support</b>	<ul style="list-style-type: none"> <li>■ Help individuals make a living through self-employment</li> </ul>	<ul style="list-style-type: none"> <li>■ Help individuals start a business which employs other people</li> </ul>	<ul style="list-style-type: none"> <li>■ Help small businesses survive</li> <li>■ Identify businesses with growth potential</li> <li>■ Help these businesses grow</li> </ul>		<ul style="list-style-type: none"> <li>■ Establish management teams</li> <li>■ Develop supply chains</li> </ul>
<b>Donor role</b>	<ul style="list-style-type: none"> <li>■ Loan capital</li> <li>■ Institutional strengthening (micro-finance institutions)</li> <li>■ Development of training programmes</li> <li>■ Trainer training</li> </ul>			<ul style="list-style-type: none"> <li>■ Access to credit</li> <li>■ Broker (with providers of training and consultancy)</li> <li>■ Support to business associations</li> <li>■ Policy support</li> </ul>	

## **2.2 Sustainability**

Sustainability is the ability to independently provide and maintain an appropriate level of service over time. It is one of the goals of most forms of development, including economic and community development. Governments, foreign donors and international agencies working in Egypt, Jordan and Lebanon cite it as a key aim of their work. In terms of management development support, it is possible to identify some critical factors which promote sustainability and others which undermine it. Policy makers should be aware of these factors, since they are likely to affect the success or otherwise of the policies they promote.

Positive factors on the supply side are the ability of training providers to supply an appropriate service, and incentives for them to provide it competitively. These are precisely counterbalanced by two negative factors: a weak provider base which cannot provide service at the quality required, and disincentives to providing it competitively. These disincentives might include a lack of competition or a high level of subsidies.

On the demand side, the critical factors promoting sustainability are the desire of customers to buy the service; and their ability to do so easily, with satisfactory results. Counterbalancing negatives are: low awareness of needs and benefits; and poor access to products, along with an inadequate basis for selection and evaluation of results. Both these factors quickly lead to dissatisfaction with the market.

## **3. Conclusions**

### **3.1 Supply and demand**

Providing management development support, whether through training or other services, is basically a business. Most of the people and organisations involved in it on the supply side are self-employed or micro businesses. There are relatively few small and medium-sized training companies in these three countries and only one or two larger ones. The sector thus shares some of the characteristics of any industry dominated by small units, including opportunism, general short-termism and vulnerability to changes in the external environment.

There is little doubt that greater corporate solidity and identity among suppliers would help the market to develop more quickly and more strongly (some examples are provided in the country chapters that clearly illustrate this statement). This is not to say that individuals and small units do not have a place: they certainly do, and many of the innovations in training and support methods may be down to the initiative and flair of individuals. But the industry as a whole would gain significantly from more structure. Potential benefits include: greater presence and visibility in the market; synergy in course design and delivery, resulting from a

concentration of skills and trainers working closely together in teams; less duplication and overlap in the offer; more likelihood of regulation and the growth of training as a profession; increases in cost-effectiveness due to economies of scale; better chance of coordination and linkages between implementation agencies.

On the demand side, the issue is almost the opposite. Entrepreneurs and small company managers respond best when the service offered meets their individual needs. Rather than seeing supply as monolithic, they need to see it as heterogeneous. Training and support for small businesses works best when it is flexible and adaptable to their particular requirements. The challenge for the supply side is to develop products that are genuinely flexible and appropriate to the needs of SMEs and to target the offer intelligently to small groups of companies. Experience in supporting SMEs elsewhere in the world suggests that a degree of specialisation to match the demands of specific target groups is important<sup>10</sup>. This is especially true where the continuum of demand is as broad as it is here, encompassing individuals starting out in self-employment and SMEs on the threshold of significant growth. Suppliers will do better where they segment their market and differentiate the needs. It is better for them to see demand as growing in small, variegated pockets (for example by sectors), rather than on a grand scale. In a growing market, a culture of varieties is more productive than a monoculture. This is also the conclusion of a study of business service providers in the UK, which suggested that intermediaries as well as training providers do best when they become 'more specialist, more segmented and probably higher value'<sup>11</sup>.

### **3.2 Building the market**

Ultimately, whether a more solid and viable structure will emerge or not depends largely on the state of the economy in each of the three countries and the region as a whole. Providing support and training is a culturally sensitive business. It is hard to import methods successfully from one culture to another. That is why the regional dimension is so important. Certainly in Jordan and Lebanon the small size of the economies makes it unlikely that the training and support industry could develop solidity without becoming monolithic. Egypt is big enough to sustain such development, but only in certain sectors. In some of the most important growth sectors such as IT and telecommunications, the business perspective is global and the perspective on training and support should be regional.

Policies of governments and donor agencies towards economic development and industrial modernisation have an effect on how the industry develops. At the moment, these policies are helping to support a community of individual trainers, small providers and NGOs. This is important and valuable. The community of support providers plays a crucial role in enabling a

---

10 Committee of Donor Agencies for Small Enterprise Development (1998). *Business Development Services for SMEs: Preliminary Guidelines for Donor-Funded Interventions*. Quoted in United Nations Economic and Social Commission for Western Asia (1999). *Small and Medium Enterprises: Strategies, Policies and Support Institutions*.

11 ESRC Centre for Business Research at the University of Cambridge (1998). Working Paper No. 123.

limited number of individuals and small companies to access management and entrepreneurial support. But the policies and programmes of governments and donors are not yet coherent enough to constitute a supportive framework within which the supply side will strengthen itself over time.

There are a few isolated signs that investment in management development support is building long-term capacity and sustainability. However, there is also a very real risk that the returns from the investment currently being made in entrepreneurship development and SME growth will only be short term. In a good business model current investments build the capacity for future growth. In a good development model, these business terms translate into sustainability.

## **4. Issues**

This section identifies two sets of issues in relation to management development support: common issues and issues for regional action.

### **4.1 Common issues**

These are issues which all three countries in the study have in common. They identify some shared concerns, but any actions taken to address them should be made at the country level. This is because the specific conditions in each country vary considerably, and the actions relate more properly to national policies than to the regional dimension. These issues are listed below. The country chapters provide concrete recommendations on how to tackle them at national level.

#### ***Capacity building***

This is needed at three levels:

- First, to encourage the development of organisations which support management development rather than a proliferation of individual trainers or consultants. Organisations have inherently greater capacity than individuals and are more sustainable in the medium to long term.
- Second, to encourage these organisations to develop a distinct vision and strategy for training entrepreneurs and SME managers in particular, as opposed to managers in general. Organisations currently providing entrepreneurship training for individuals and micro enterprises should build their capacity so that they are able to train owners and managers of small and small-to-medium sized businesses. The level of support for these businesses at the moment is generally low despite the number of enterprises of this size in all three

countries. Although they face different challenges from business start-ups, some of the important skills they need to survive and grow could be developed using similar techniques and approaches to training as those used to train entrepreneurs.

- ➔ Third, train the trainers to extend the range of training and support methods used and enhance the skills of trainers and consultants in working with SMEs. Providers should also clearly differentiate the content, timing and methods of support they provide to owners and managers of SMEs. They should develop an approach to training which guarantees that courses are relevant to particular target groups and that the lessons learned are of immediate practical benefit to participants. Training should be participatory and interactive. Trainers should draw on real-life experience of supporting businesses through various growth stages. The development of advisor or consulting capabilities should also be strengthened in order to provide an integrated support to SMEs that goes beyond training to coaching and establishment of long term partnership between the supplier and the company.

National policies and programmes together with the activities of donor agencies in each country define the most appropriate level at which pressure can be brought to bear on providers to build their capacity.

### ***Innovation***

This is a critical component of quality in the provision of support just as it is in most other business sectors. Training and support providers should be encouraged to innovate in their approach to supporting managers in the various different target groups identified throughout this report. Traditional methods do not necessarily work well for these groups. New solutions have to be found. Small firms are often seen as the seed-bed of innovation. For this reason, measures to encourage providers to innovate are probably best made at a local level, e.g. by donor programmes.

### ***Awareness raising***

Entrepreneurs and SME managers have to be made more aware of the need for management development, the benefits it brings to their growth strategies and the risks of not doing it. A sustainable market for management development support will not develop without customers being aware of its existence or valuing its products. This study suggests that intermediaries, including government agencies and business associations, may be in the best position to carry out awareness raising activities.

Business associations should aim to develop a culture of investment in human resources, especially among the large number of businesses which are family owned and run. They should also put pressure on training providers to offer courses which are more relevant to their members' needs. Some associations should seriously consider providing support and training themselves.

### ***Financial support***

Financial support for management development is a crucial incentive. Evidence from many countries suggests that SMEs are far more likely to take advantage of such support if the cost is partially subsidised. Subsidies may take the form of subsidised prices, tax breaks, free access to information and advice and effective signposting. Subsidies may well be necessary to stimulate demand but the level should be calibrated to avoid perverse effects on the market. Subsidies for different programmes should be set at similar levels to avoid competition between providers purely on the grounds of price. All of these measures are most appropriately taken at the national level, although foreign donors should develop common approaches in their programmes across the region.

### ***Linkages***

Implementation agencies should take every opportunity to link the goals of their programmes and projects with the training and support of entrepreneurs and managers. For example, a programme which seeks to reduce the burden of regulation on business should look specifically at how this burden falls on small businesses and what steps can be taken to address these companies specifically. This is especially important if one of the aims of government policy is to encourage micro and small businesses out of the informal economy and into the zone of regulation. A 'joined-up' approach to implementation is especially important in multi-agency environments.

## ***4.2 Issues for regional action***

These are issues which have a genuinely regional dimension. It may be more appropriate that actions to address them should be taken across the region rather than separately in each country. This is because the issues themselves can best be resolved regionally, or because the actions themselves require a level of agreement and coordination across the region.

### ***Networking***

The development of appropriate regional structures would encourage support providers and intermediaries to network more effectively than they do at the moment. These structures could facilitate the exchange of best practice and allow a better dissemination of information at regional level. They could also become a forum for cross-country marketing and collaboration, e.g. in the form of regional seminars for business associations or joint training events for providers; and a 'gateway' for closer links with similar regional structures elsewhere.

Opportunities to operate across regional boundaries should be exploited. Training providers should identify common needs of SMEs and market courses to owners and managers from different countries, especially in industries such as IT and telecommunications with a regional or global perspective. The possibility of forming strategic alliances and networks of training providers should be explored.

### ***Quality standards***

This is an area where regional cooperation makes sense both in terms of the purpose – to raise the standard of training and support – and cost-effectiveness. Potential buyers must have some assurance that the product they are being encouraged to buy is of an appropriate quality to meet their needs. This means having a robust quality assurance system based on clear standards and benchmarks. There is a great deal to be gained from having a single approach to quality standards across the region. It would enhance cross-country collaboration and increase the pressure on providers to improve the quality of their provision. A common approach would also be less costly to develop than separate approaches in each country. The basics required for a common approach to quality include: the development of clear standards; a transparent system of accreditation for support providers and/or training courses; and the development of a regulatory system for the training profession built on self-assessment and external verification. The process of developing a regional system around these basics would also facilitate mobility and transparency.

### ***Analysis***

Some analysis should take place on how the policies of all three countries towards support for SMEs impact on the development of a regional market for management development support. The results should provide a framework for developing cross-regional policies in the two areas listed above (networking and quality standards). They should also be a good basis for exchanging experience and learning from each other.

# Section 2: Country analysis

## *Egypt*

<b>1. Socio-economic context.....</b>	<b>22</b>
1.1 Political environment.....	22
1.2 Demographic trends.....	23
1.3 Macro-economic conditions.....	23
1.4 Employment, education and social conditions.....	24
<b>2. Present situation of SMEs.....</b>	<b>25</b>
2.1 Structure of enterprises.....	25
2.2 Policy and regulatory framework.....	28
2.3 Future growth.....	30
<b>3. Management development support.....</b>	<b>31</b>
3.1 The market.....	31
3.2 The supply of training.....	33
3.3 Examples of support to enterprises.....	40
<b>4. The impact of donors.....</b>	<b>42</b>
<b>5. Conclusions.....</b>	<b>44</b>
5.1 Socio-economic context and present situation of SMEs.....	44
5.2 Management development support.....	45
5.3 Impact of donors.....	46
<b>6. Recommendations.....</b>	<b>47</b>
6.1 Policies supporting the growth of SMEs.....	47
6.2 Capacity building for training providers.....	48
6.3 Strengthening the role of intermediaries.....	49
6.4 Developing quality standards.....	50
<b>Annex 1: Summary of main donor projects.....</b>	<b>51</b>
<b>Annex 2: List of contacts.....</b>	<b>53</b>
<b>Annex 3: Summary of support institutions.....</b>	<b>54</b>

## **1. Socio-economic context**

### **1.1 Political environment**

Egypt is an Arab republic whose president is nominated by the People's Assembly and confirmed by popular referendum. The current president, Hosni Mubarak, was re-elected for a fourth six-year term in 1999. The People's Assembly exercises legislative power and has 444 directly elected members plus 10 additional members nominated by the president. Ministers, including the Prime Minister, are appointed by the president, who heads the Council of Ministers as well. Presidential decrees have the power of law. Elections to the Assembly were last held in autumn 2000. The ruling National Democratic Party retained the large majority which they have held since multi-party elections were introduced in 1976.

Egypt is politically stable and socially conservative. The rising power of Islamic militancy, the main challenge for the regime which threatened stability in the early 1990s seems to have receded in recent years following Government's action against violent acts. The fact that the country is formally under a sort of "emergency law" since President Sadat's assassination shows only in the enlarged capacity of action of the security forces. In general, the political elite is technocratic rather than populist. Leading politicians tend not to have independent power bases. Economic reformers have a powerful voice in government but they are working against well-established interests. Bureaucracy is strong, with over 5 million people working in the state apparatus. There is a sense that stability may have been achieved at the expense of political change and regeneration.

The role of Egypt as a mediator in the Middle East Peace Process has guaranteed its regional prominence and President Mubarak has succeeded in retaining the confidence of the west while rebuilding ties with the Arab World. In the current tensions undergone by the Peace Process, the role of Egypt as a leading force striving to keep a balance between action and moderation among its Arab neighbours continues to be pivotal. Due to its strategic geographical position, Egypt has also important trade links with the countries of the Gulf. Relations with the US are close but not uncritical. In 1999, Egypt was the second-largest recipient of US military and economic aid in the world after Israel, receiving \$800 million of economic support.

Co-operation between the European Union and Egypt is founded on a solid basis, which takes into account the role of Egypt at the crossroads between Europe, the Arab world and Africa. Europe is Egypt's major trading partner and an increasingly important partner in the country's programme of economic and social modernisation. This co-operation has materialised in the drafting of a new Association Agreement between the EU and the Arab Republic of Egypt, whose text was initialled by negotiators on 26 January 2001 prior to ratification. This agreement is part of a series with countries of the region aiming at the creation of an Euro-Mediterranean Free Trade Area by 2010. It goes beyond trade and

economics towards an intensified political dialogue and co-operation in a wide range of fields, including education and culture.

## 1.2 Demographic trends

Egypt has a population of 64.5 million. Almost all of them (97%) live along the Nile or the Delta region. There is a strong concentration of people in urban areas: some 80% of the population live in towns and cities with over 100,000 inhabitants. Just over 2 million Egyptians live abroad. Nearly 40% of the population is under the age of 15.

In the last ten years, the population growth rate has fallen from 2.8% to just over 2% per year. The population of working age is now growing faster than the population as a whole. There are over half a million new entrants to the job market every year.

## 1.3 Macro-economic conditions

Since the early 1990s the direction of the Egyptian economy has been driven by serious attempts at structural reform. The budget deficit has been systematically reduced from 17% of GDP in 1990 to around 1% in 1998. Inflation has fallen to below 5% and real GDP growth has averaged over 5% since 1995. Officially, the private sector's share of GDP has grown from 60% to 70%, although independent commentators suggest this figure should be reduced to around 63%<sup>12</sup>. However, export performance has been poor, leading to a chronic trade deficit. The state's budget share of GNP has been reduced from 32% in 1994 to 25% in 1998.

Table 1.1 shows the key macroeconomic indicators from 1995 to 1998.

Table 1.1 Key economic indicators

	1995	1996	1997	1998
GDP (US\$ bn)	60.18	67.67	75.59	82.5
GDP growth (%)	4.7	5.0	5.5	5.6
Inflation (%)	9.4	7.3	6.2	4.5
Current account balance (US\$ bn)	-0.25	-0.19	-0.71	-2.57
Trade balance (US\$ bn)	-7.60	-8.39	-8.63	-10.22

Sources: Economist Intelligence Unit (May 2000)

American Chamber of Commerce in Egypt (2000). *Egypt 2000: The Stable Emerging Market*.

12 EFG-Hermes (2000). *Egypt: Country Report*.

Indebtedness has also been reduced. The total public debt, including foreign debt, fell from 141% of GDP in 1990 to 91% in 1998. Total foreign debt in 1999 was \$28 billion (32% of GDP), with the cost of servicing the debt a low 1.6% of GDP. Domestic savings grew from 14.6% to 15.9% of GDP between 1996 and 1998. Investment also grew in the same period, from 19.2% to 23.6% of GDP. Foreign direct investment in Egypt is relatively high. In 1997 and 1998, foreign investment totalled some \$6 billion.

Services account for nearly half of national output. Trade, finance and insurance account for 21.6% of GDP. Manufacturing industry (including mining) accounts for 18.5%. Industrial output grew by 7.4% in 1997-98. Major industrial sectors include food processing, engineering, textiles and garment manufacture, chemicals and pharmaceuticals. However, export performance is weak, accounting for only 10% of production compared to an average 25% in developing countries as a whole. This is partly a result of a protectionist tariff system which, despite measures taken in the last ten years to open up trade, still creates an anti-export bias. Currently the average statutory tariff is 28% compared to an average 20% in developing countries.

Agriculture accounts for 17.3% of GDP and employs 29% of the workforce. The informal economy is large, with estimates ranging from 30 – 40% of total economic activity.

## **1.4 *Employment, education and social conditions***

The total Egyptian workforce is 22 million and is growing by just over 3% a year. The official unemployment rate is between 8 and 10%. Unofficial sources put it at nearer 15%<sup>13</sup>. Under-employment is also high in the public sector. A quarter of the workforce are state employees.

Poverty is widespread. At least 25% of the population is poor by any standard, living below a poverty line of \$2 a day in expenditure per person. Many other families live on the margins of poverty. Inequalities in wealth have sharpened considerably in the past decade. Between 1991 and 1995, the share of GDP of the poorest one-fifth of Egyptians fell from 3.9% to 1.7%, while the share of the richest grew from 41% to 46%. Only 15% of families own a car.

Illiteracy is high at around 40%. The illiteracy rate for women is particularly high at 66%, compared to 35% for men. State education is generally poor quality. Many families pay for private tuition for their children. The curriculum and teaching system are outdated and poorly matched to labour market needs. The government has an education enhancement programme to improve basic education but no equivalent programmes for secondary or technical and vocational education and training. University graduates make up only 4.4% of the population.

Life expectancy is just below the world average, having jumped from 52 years in 1970 to 65 in 1996. Public healthcare is available and there have been significant improvements in public

---

13 EU(2000). *Euro-Mediterranean Partnership Country Strategy Papers: Egypt*.

health over the last 20 years. However, facilities are generally crowded and poorly equipped. Many people opt instead for expensive private healthcare.

## **2. Present situation of SMEs**

### **2.1 Structure of enterprises**

Micro, small and medium-sized enterprises play a significant role in the economic and social development of Egypt. (Micro enterprise are those employing 1 to 4 workers, small enterprises are those employing 5 to 14 workers and medium enterprises are those employing 15 to 49 workers. Accordingly, small and medium-sized enterprises, or SMEs, are those companies employing 5 to 49 workers.) Together, micro enterprises and SMEs constitute 99.7% of non-agricultural private economic units, provide almost three-quarters of all jobs in the private sector and contribute the major portion of the country's private value added (estimated by the World Bank in 1994 at 80%). Ninety percent of them take the form of a partnership and are run on a family business rather than a corporate basis.

The great majority of enterprises in Egypt, in terms of their number, are micro enterprises. The number of SMEs is much smaller, although their contribution to employment is relatively high. The most recent available information on the distribution of small and medium-sized enterprises (i.e. excluding micro enterprises) in Egypt is the 1996 census conducted by the Central Organisation for Mobilisation and Statistics (CAPMAS). Their figures, summarised in tables 2.1 and 2.2, show the distribution of SMEs and employment in private, non-agricultural economic activities.

**Table 2.1 Type of enterprise, by number of employees**

<b>Type of enterprise</b>	<b>% of total no. of enterprise in 1996</b>	<b>No of companies in 1996</b>
Micro-enterprise (1-4 workers)	92.67	1,533,489
Small enterprise (5-14 workers)	6.12	101,289
Medium-sized enterprise (15-49 workers)	0.91	15,016
Large enterprise (over 49 workers)	0.30	4,940
<b>Total</b>	<b>100</b>	<b>1,654,734</b>

Source: CAPMAS 1996 establishment census

**Table 2.2** *Distribution of employment, by type of enterprise*

Type of enterprise	% of total employment in 1996	Employment
Micro enterprise (1-4 workers)	52.07	2,566,959
Small enterprise (5-14 workers)	14.07	693,767
Medium-sized enterprise (15-49 workers)	7.38	363,830
Large enterprise (over 49 workers)	26.48	1,305,186
<b>Total</b>	<b>100</b>	<b>4,929,742</b>

Source: CAPMAS 1996 establishment census

These two tables show the preponderance in numerical terms of micro enterprises in the Egyptian economy. They also show that the contribution to employment of small and medium-sized enterprises should not be under-stated. Although SMEs account for only 7% of economic units, they employ 21% of all workers in private, non-agricultural economic activities.

At the same time, Egypt is undergoing a process of privatisation of the existing large state-owned companies. This process is linked as well with the drive from a protected and largely centrally planned economy towards a more modern market oriented model. As the privatisation programme continues, the number and economic significance of SMEs is likely to grow still further.

Table 2.3 analyses SMEs in more detail to show the number of units in each sector and their share of employment.

**Table 2.3** *Distribution of SMEs and employment, by sector (%)*

Sector	Units	Employment
Manufacture	38.01	37.87
Wholesale and retail trade, and vehicle maintenance	31.81	27.90
Hotels and restaurants	6.697	6.07
Transportation, storage and communication	3.996	4.48
Health and social work	4.099	4.27
Real estate, renting and business services	3.861	3.72
Community, social and personal service	3.309	3.22
Financial intermediaries	2.690	4.48
Construction	2.574	3.25

Sector	Units	Employment
Education	1.775	2.92
Electricity, gas and water	0.486	0.83
Petroleum, mining and quarrying	0.353	0.51
Regional and international organizations and embassies	0.239	0.34
Unspecified	0.064	0.08
Fishing	0.037	0.05
<b>Total</b>	<b>100</b>	<b>100</b>

Source: CAPMAS 1996 establishment census

This analysis highlights that the two most dominant sectors are the manufacturing and the wholesale and retail sector, together making up 69.82% of enterprises in the SME sector and 65.77% of employment in SMEs.

Industrial sectors in Egypt, as elsewhere in the region, can be broadly divided into two groups: traditional industries and newly emerging industries. Traditional industries such as construction, mining and chemicals are conservative in their management. They look for growth in domestic rather than export markets. On the other hand, new and emerging industries such as tourism and IT have more open and innovative management, are less tied by family interests and look to regional or global markets for growth as well as internal markets. They are more likely to see the value of developing modern management and technical skills.

### *The informal sector*

The informal sector in Egypt is huge. There are no accurate figures but an estimate by the Alexandria Business Association (ABA) in 1996 put the number of informal enterprises at 2.8 million, representing nearly 40% of the country's economic base. The sector is characterised by low productivity and uncompetitive products. It is vulnerable to imports of cheap goods from Asia.

Formality - or, in other words, compliance with the legal regulatory environment - is both size and sector sensitive. An entrepreneur's decision to remain informal is to a great extent a result of the trade-off between the costs of abiding by regulations and the benefits associated with formality and economies of scale. Some programmes (see for instance the ABA's programme of support to micro-enterprises) have shown that it is possible to foster the "formalisation" of micro-companies by means of well structured incentives.

*Micro enterprises account for just over half of all employment in Egypt. SMEs account for just over 20%. SMEs are concentrated in manufacturing, wholesale and retail. New sectors are emerging in IT and tourism. There is a large but uncompetitive informal sector.*

## 2.2 Policy and regulatory framework

### Policy

The framework of government in Egypt is complex. Several different ministries might justifiably lay claim to involvement in policy regarding management and entrepreneurial development, including the Ministry of Industry, the Ministry of Economy and Foreign Trade, the Ministry of Social Affairs and the Ministry of Planning. The Social Fund for Development, one of the main government agencies in the field of development, also plays an important role. There is little co-ordination between the different ministries. In this context, it is not surprising that a clear strategic view on policies regarding SMEs in general or management and entrepreneurship training for SMEs in particular have not been formulated.

To some extent there is also an unresolved tension over social and economic priorities. Entrepreneurship is viewed mainly as a way for individuals to escape unemployment and for communities to alleviate poverty. In theory, the 'social capital' generated should help companies to grow. In practice this does not always happen. One of the risks of supporting the development of micro enterprises on a large scale is that it leads to a multiplicity of small units with little or no incorporation and few economies of scale. This model of development appears dominant in Egypt today. Less attention is given to supporting existing SMEs with the potential to grow and form 'clusters' for the development of an industrial sector or sub-sector as a whole.

Two recent government initiatives may go some way to establishing a firmer policy base for both social and economic priorities than has existed until now. The first is a presidential decree of 1999 setting up a new institution to mobilise and coordinate policies and resources in relation to the development of small enterprises. This institution is to be placed under the supervision of the Social Fund for Development (SFD). Its priority is likely to be the social model of entrepreneurship.

The second is an initiative by the technical office at the Ministry of Economy to develop policies to counter some of the problems faced by SMEs. The focus of this initiative may be an economic model, but this is not yet clear. The overall aim of the initiative is to provide a strategic vision for the development of micro, small and medium-sized businesses in Egypt and to develop specific policies, legislation and regulations that facilitate their development. Such policies would encompass changes to the legal and regulatory environment, financing, training, technical and management assistance and help for SMEs to penetrate domestic and

foreign markets. However, policies on management development or training do not appear to be present in the preliminary outlines of this initiative.

Businesses themselves recognise that the policy environment in which they operate, even if designed to promote their interests, is not as helpful as it could be. They want government policies to be more attuned to their needs and less restrictive on opportunities. There is still a degree of mistrust of government policies among entrepreneurs and managers which threatens the concept of a public-private partnership.

### ***Regulatory framework***

Regulatory constraints are common to all private businesses in Egypt. A legal framework is gradually being put in place which is more favourable to private sector development than in the past. This includes simplifying company registration, customs procedures and approval processes as well as new legislation to facilitate business operations. However, the administrative infrastructure is not yet able to deliver services swiftly and efficiently. A recent study of commercial policies in the region ranks Egypt as having the fewest policies conducive to private sector development<sup>14</sup>. The burden put on business start-ups and the country's tax regime were highlighted as areas where particular improvement is needed.

A survey of Egyptian businesses in 1998, 70% of them SMEs, suggested that institutional constraints are still leading to high transaction costs and a lack of competitiveness<sup>15</sup>. The survey also shows that regulatory problems weigh significantly more heavily against SMEs than large firms. This is primarily due to their inability to tap the legal and consulting services that large firms employ. SMEs in Egypt face numerous problems with regard to establishing and licensing a business, operation, taxes, registration, export and import permits and compliance with directives of various government entities. The complexity of the regulatory system is further exacerbated by overlapping jurisdiction across the institutions of government and lack of co-ordination between them.

When setting up a business, entrepreneurs go through several layers of licensing and approval, including incorporation, registration, location registration, establishment and operation licensing and tax holiday application. In order to get the required licenses and approvals, they have to prove compliance with at least eleven laws. A recent experiment with a 'one-stop shop' has reduced the time normally taken for registration from 363 days to 21 days.

Once they are in operation, SMEs continue to suffer from regulatory constraints. Local regulations prescribe in great detail the procedures, operational standards and administrative set-ups that businesses must adhere to. Changes in production techniques or the introduction of new products require re-approval of licenses. A large body of inspectors monitors adherence to standards and identifies violations.

---

14 Lebanese American University (1999). *Industry Growth Partnerships: Achieving Lebanon's True Economic Potential*.

15 Egyptian Centre for Economic Studies (1998). *The Business Environment in Egypt*.

Growing SMEs are particularly affected by over-regulation, which therefore acts as a disincentive to growth. Although they are difficult to pinpoint, regulatory barriers to growth are rooted in the laws and regulations governing private sector operations in Egypt. As SMEs try to expand, they are faced with regulatory requirements that they manage to avoid while remaining small. Graduation into larger size entities can be relatively expensive undertaking in Egypt.

*Responsibility for policy towards SMEs is shared between several government ministries and agencies, often with insufficient co-ordination. Policy initiatives are split in two main areas: developing entrepreneurship and supporting the growth of private sector businesses. The regulatory framework is slowly becoming more friendly to business but constraints still inhibit growth, especially among SMEs.*

### **2.3 Future growth**

The economy as a whole is set to continue the growth trends established in recent years although the government's target of 7% annual growth may not be met. Growth is expected in large companies, especially those which introduce new technologies and develop their export markets. In traditional industries, much of the growth is expected to come in manufacturing industry. Food processing is one area where growth may be significant. Textiles and pharmaceuticals are two other industrial sectors with potential to grow quickly. Tourism is also a growth sector, rising by 10% in 1999.

Among emerging industries, electronics and IT have been identified as key sectors. Egypt is the fastest growing market in the region for personal computers. Internet access is increasing fast. The government has set strategic targets for IT development, including training 5,000 IT specialists a year over a five-year period. Major foreign firms have started to invest in the software industry, including investment in training to upgrade the technical and managerial skills of local software developers. This is a sector in which small firms can play a major part because of their flexibility. Telecommunications is another emerging industry with high growth potential. Prospects for growth are good in mobile phone services, as companies exploit a rapidly growing domestic base of subscribers. In all of these emerging sectors, SMEs should benefit greatly from developing and trading within supply and added value chains, providing products and services to larger companies.

A study carried out by the technical office of the Minister of Economy in 1998 highlighted some of the constraints which inhibit the potential of SMEs in Egypt to expand and increase their investments<sup>16</sup>. They include difficulties in accessing financial services and in obtaining adequate inputs as well as in successfully establishing new markets for their products and services.

---

16 Ministry of Economy (1998). *A Draft National Policy on Small and Medium Enterprise Development in Egypt*.

There is no ready access for SMEs to capital and financial services that are able to meet their working and fixed capital needs on a sustainable basis. The formal financial structure is generally alien to entrepreneurs. Banks and capital markets lack the motivation and the institutional capacity to address the SME sector. Currently SMEs receive 6% of all the finance made available by banks. Small and micro enterprises are excluded from the credit system. Most SMEs rely on profits and investment from family and friends to finance their businesses.

SMEs also find it hard to obtain adequate inputs. There is a shortage of trained technicians and workers with adequate vocational training, as a consequence of the gap existing between the vocational education and training provision and the labour market needs. The technological base of SMEs is low and companies do not readily absorb new technologies. High quality production inputs are not easily available. The location of SMEs in new and relatively under-served industrial cities detach them from their markets and raises the costs of buying inputs as well as selling products.

Marketing is one of the most strategic issues facing SME development in Egypt. Marketing channels for small businesses are limited: most SMEs are confined to markets within their immediate geographical location. Nearly two-thirds of entrepreneurs consider lack of market information as a severe constraint. Linkages between small and large enterprises are underdeveloped. Only 25% of large firms subcontract to other firms. Although small enterprises are eager to subcontract, they cite their poor managerial and technological capabilities as the major bottleneck. SMEs have limited access to public contracts and subcontracts, often because of cumbersome bidding procedures and/or lack of information. Procurement laws in Egypt do not generally accord SMEs any preferential treatment.

*Growth is likely to continue at similar rates to the past few years. Emerging sectors such as IT, electronics and telecommunications have high growth potential. Constraints inhibiting the growth of SMEs include poor access to finance, skills shortages, low technological base and poor access to markets.*

### **3. Management development support**

#### **3.1 The market**

Support for management development for SMEs in Egypt is supply-led. The demand side – SMEs themselves – has relatively little influence. Training providers are fragmented and often work with SMEs in an ad-hoc rather than a planned way. They define their market by size of business, sector and geographical location. As yet they have not started to segment the market in other ways, e.g. by targeting firms which have introduced technological or other

innovations or by working with supply chains. In general the supply is much more oriented towards the training needs of large companies.

One of the informants to this study characterised the potential demand for technical and managerial training in Egypt as 'endless', a view echoed by several others. Partly this is a consequence of the size of the country and the need to accelerate economic reform in order to mobilise its resources. It is also partly a recognition that the lack of high-quality human resources in Egypt at the moment is a major impediment to growth. Private investors rank the lack of qualified managerial staff as one of the most significant constraints to the growth of their businesses.

Although the market is huge, demand is still potential rather than effective. The great majority of companies are making little or no demand for management development support. Ministry of Economy estimates for 1998 suggest that all the support activity undertaken to that date had only reached 5% of SMEs<sup>17</sup>. However, it is important to recognise that in the context of a developing market for management development, as much attention needs to be paid to the qualitative aspects of support – including the sustainability of support agencies – as to the 'numbers game'. During a period when donor activity is high, it is more beneficial to invest in effective capacity building of training providers at the local level than to use funds principally to raise the number of beneficiaries.

There are two main barriers preventing managers and entrepreneurs in SMEs from getting appropriate support. The first, and most significant, is that most companies do not easily see the tangible benefits arising from management development, which makes them reluctant to invest in it. There is a general lack of recognition by individual managers that they – as well as their companies – would benefit from self-development. There is a similar lack of recognition by employers of the need for employee development. SME owner-managers are more likely to view employees (including managers) as inputs who can be substituted rather than assets which require continuous re-investment. Second, managers of SMEs are too involved in the day to day operation, which does not allow them to spend time developing their skills and knowledge.

*The market for management development support in Egypt is large. However, demand is potential rather than actual. SME owners and managers do not readily see the need to invest time and resources in management development. The market is predominantly supply-led and mostly oriented towards the needs of larger companies.*

---

17 Ministry of Economy (1998). *A Draft National Policy on Small and Medium Enterprise Development in Egypt*.

## 3.2 The supply of training

### *Training providers*

Management development support for SMEs in Egypt is offered by four types of provider: foreign donor programmes, intermediaries such as NGOs and business associations, private training providers and government agencies. University teachers may be involved in delivering training on behalf of these providers, but they do not generally offer support independently to SMEs. There are exceptions to this, such as the specialised business studies programme run by the continuing education centre at the Alexandria Institute of Technology.

Foreign donors are one of the main suppliers of management development support. Their programmes often include subsidised courses for private and/or public sector clients, delivered by subcontracted organisations such as private training providers or individual trainers. Some of these programmes have provided an opportunity to develop supply and demand at the same time.

### **Case study – developing supply and demand**

The European Management Centre was set up in 1996 as part of the European Union Private Sector Development Programme (PSDP). The centre has two parallel aims. One aim is to provide high quality management training which incidentally meets the needs of SMEs. Courses are offered in three blocks: courses for top managers, courses for middle managers and courses in operational management (marketing, human resources, quality etc.). The content of the courses is built out of the experience of working closely with companies on business upgrading support activities. Courses are modified after each event to bring them closer to companies' needs.

The second aim of the centre is to build the capacity of individual trainers and private sector training companies. Since the centre opened, the proportion of training delivered by local trainers has grown to reach around 85% of the total training delivered by the centre. Many of them are freelancers, some are practising managers who have attended trainer-training courses, while others are trainers with an academic background. The centre sets the overall structure of courses but trainers develop the detailed content. Trainers are required to deliver practical training in an interactive, participatory style.

NGOs and business associations also offer management development support, including training, either to their members or specific target groups. Some of these organisations rely partly on funds provided by donors.

### **Case study - training to companies**

FORMAT is the trading name of the Forum for Management and Training established in 1989 by the German-Arab Chamber of Commerce and the Egyptian European Association for Economic and Social Development. Until now, the training offered by FORMAT has been subsidised by funds from these two organisations. The organisation aims to become fully independent and self-financing by the beginning of 2001.

Most of the training is provided in short courses. Courses are grouped under three headings: general management, marketing and sales, finance and accounting. Specific topics within each group are identified through a needs analysis process consisting of a questionnaire and focus groups. The content of each topic is developed by freelance trainers, who also deliver the courses. In the current year, 40 courses will be run over one to five days each. Courses attract an average of 25 participants each. At the moment there is no external accreditation but certificate and diploma courses are about to start with certification from an established German management institute. In future, FORMAT would like to provide more follow-up to track the progress participants are making in their own businesses and to provide them with continuous support.

The two training directors of FORMAT are aware that working with SMEs requires a different approach from working with managers in larger companies. The content of courses should be simplified and re-structured. Training should be delivered in Arabic. They also recognise that the trainers they use should have experience in running small businesses themselves, although there is a shortage of trainers with the appropriate background.

The private sector supply side in the market for management development support is fairly well-established, although the market as a whole suffers from structural deficiencies which inhibit the growth of a mature supply side. Private training providers in Egypt are of two types: companies and individuals. A small number of training companies exists with genuinely corporate status. Although these organisations have invested in premises, equipment and human capital, they all rely heavily on freelance trainers to give them training capacity. Some of them have developed systems for developing and assessing skills and competencies, links with accreditation bodies, training methodologies, professional design capabilities and quality assurance systems.

### Case study - training for the future

A recent entrant on the training provider scene is the International Marketing and Management Institute (IMI). Set up in 1999 as a private sector company by its founder and main shareholder, IMI also counts three of the biggest holding companies in Egypt as shareholders. Its target is the 'new breed' of companies in Egypt - sensitive to the market, aware of the impact of changing conditions for trade and keen to invest in human resources. IMI's mission statement emphasises these values, using words and phrases like 'competitive edge', 'solutions', 'performance' and 'shared commitment'. The company has four divisions: training and development, consultancy, marketing and executive research.

The focus of training is learning and application rather than theory. Text-book solutions are not seen as particularly helpful. Courses are specific rather than generic. The current IMI brochure contains almost 50 courses on separate topics. Courses are designed by trainers and consultants working together and piloted before being included in the brochure. They are delivered to small groups - 15 participants is the upper limit. Training methods emphasise case studies, role plays, simulation and discussions. Trainers are practising managers with a strong track-record. Participants are entitled to free consultancy in the form of training needs analysis.

At the moment, IMI mainly targets large companies. SMEs are seen as a more difficult market, for two reasons. First, managers in SMEs are less likely to have an existing base of knowledge about management. They need a basic level of training which IMI does not provide. Second, SMEs lack the financial resources to invest in training. IMI's business strategy does not include subsidised courses. However, the company recognises that SMEs in emerging sectors such as IT and telecommunications may have sophisticated managers with the resources and the desire to invest in management development.

In addition to these companies, there is a pool of individual freelance trainers. They operate in one or more of three ways: independently; in loose, informal networks; as subcontractors to public or private sector training organisations.

The fourth type of training providers are organisations set up by the government, originally to assist privatisation by providing management training to public sector employees. Some of these governmental training institutions, such as the Management Development Centre, are starting to offer training to the private sector.

*Management development support is offered by foreign donor programmes, NGOs and business associations, private training providers and government agencies. The private sector is fairly well established, although support for SMEs is heavily dependent on donor funds. Some companies have invested in the resources needed to provide high quality support. Most rely greatly on freelance trainers.*

### ***Training content and methods***

Training providers in Egypt are generally aware that training for practising managers should be practical and participatory. Interactive workshops, round table discussions and brainstorming sessions are among the forms of training listed by providers in their responses to the questionnaire. The problem identified by intermediaries was that much of the training actually offered was primarily theoretical and unrelated to working operations. Intermediaries recommended that trainers should have a business background in line management, preferably in a small or medium-sized business. However, a considerable number of the trainers in the 'pool' are academics with limited experience of running a small or medium-sized business, although they may have experience of working in large companies. They are also more likely to have skills in teaching rather than coaching.

Training providers are generally sensitive to the pressure on SME managers' time. A great deal of the training offered takes place outside working hours, during afternoon sessions or off season. Most providers think that training should be delivered off working premises but close to them.

There are some examples of training providers thinking in an integrated way about their programmes. The training manager of the European Management Centre described the process of training and development as climbing up a ladder from discovery to results.

Results	Success and sustainability
Use and practice	Performance and quality
Skills and behaviour	Competence and confidence
Knowledge and attitudes	Foundation
Discovery	Ownership

Training courses are pitched at the appropriate rung on the ladder.

Some of the well established training providers have developed systematic processes for designing courses.

Training providers themselves recognise the need to improve their skills in design and delivery of management development support, especially to SMEs. The head of a university management centre commented that the concept of training SMEs in management is new in Egypt. To develop a sound base of supply it is necessary to train the trainers first, by bringing in content and methods used in other countries and adapting them to the local market.

### Case study - systematic design process

Middle East Advisory Group (MEAG) started in 1976 as a private consultancy company. The company started to offer management training and human resource services in 1982. It currently offers a range of complementary services including executive search and recruitment, salary surveys, IT services and publishing. The company has around 50 permanent staff and 100 associate trainers. It operates in Egypt and throughout the Middle East.

MEAG has a systematic approach to course design. The first stage is a training needs analysis which results in a course analysis document outlining the aims and objectives of the course, target audience, content and timing. A training team is set up for each course, made up of subject specialists, trainers and specialists in course material design. The team then produces course documentation for trainers and a manual for participants.

Courses are either competency-based, i.e. they develop and assess competence in specific skills; or performance-based, i.e. they are related to individuals' job descriptions and career plans. They include interactive components such as simulations, group exercises and discussions, case studies and behaviour modelling exercises.

*Training providers generally see the need to structure training so it is accessible to managers in SMEs. The training offered is still too theoretical and not related closely enough to the needs of SME owners and managers. Some good practice exists in designing courses, but both design and delivery are still not sufficiently adapted to SMEs.*

### *The role of intermediaries*

Annex 3 contains a list of intermediaries operating in Egypt and summarises the types of support they provide.

A survey of 154 businesses carried out in 1998 suggested that the high cost and poor quality of business support services in Egypt were impeding growth<sup>18</sup>. The survey pointed in particular to a lack of information about suppliers and marketing, shortage of skills in marketing and quality management and poor training.

One of the key SME support agencies in Egypt, the Social Fund for Development (SFD), sees a continuing need to build capacity in the intermediary organisations which deliver services to SMEs. SFD itself uses a wide range of service deliverers, including well-established organisations and new, small NGOs. All SFD projects include a training programme for project managers. In addition, SFD recognises that some service delivery organisations share the same need as start-ups (and some existing SMEs) for basic training in key areas of management such as finance.

---

18 Egyptian Centre for Economic Studies (1998). *The Business Environment in Egypt*

### **Case study - support to projects**

In 1992, an Operational Unit for Development Assistance (OUDA) was set up jointly by the Egyptian government and the United Nations Development Programme (UNDP) to support agencies which implement projects funded by foreign donors. It does this by helping to administer and monitor the projects. It also provides technical expertise in the design and operation of projects throughout their life cycles.

An important part of the unit's remit is to develop the capacity of agencies to implement projects effectively. To achieve this, OUDA has developed two services: recruitment and training. The recruitment service aims to maintain a 'pool' of experienced people by recycling staff from one project to another and by helping agencies recruit suitable candidates themselves. The training service aims to upgrade the skills and knowledge of all staff involved in development activities. Recently, OUDA has extended its range of clients to include private sector businesses, mainly SMEs.

OUDA offers three types of training: customised training for agencies; postgraduate training leading to a management diploma or MBA; and short courses. In 1999 the unit opened a new centre for professional education to provide training in information technology, particularly software applications and networking. The centre is an accredited trainer for Oracle and Microsoft.

Short courses cover topics such as strategic management, export marketing, quality management, customer service and communication skills. Courses are designed by OUDA staff and delivered by freelance trainers. Some have been designed for specific industrial sectors, including pharmaceuticals, telecommunications and textiles.

Postgraduate management training is delivered by the Advanced Management Institute of the Arab Academy. Courses are only open to practising managers with at least three year's experience of managing. There is an academic curriculum but the training uses the experience of participants and trainers to make it relevant and practical. From April 2001 the Institute will also offer the International Labour Organisation (ILO) diploma in SME development to staff from agencies which support SMEs.

Donors also recognise that building the capacity of intermediary organisations is a crucial step to developing a mature market for SME management development support.

Business associations in Egypt in general represent large companies rather than SMEs. There is little tradition of SMEs working together, especially if they are family-run businesses. Trust is seen by intermediaries (and also by the SMEs themselves) as a big issue. Many of them spoke of the time needed to develop a working relationship with companies. To some extent, this has been a constraint on intermediaries developing some of the services which they might be expected to offer, such as supply chain networks or clustering. However, these constraints can be overcome. Companies can be encouraged to collaborate as well as compete.

### Case study - support to business associations

Friedrich-Ebert-Stiftung is a German NGO which has been cooperating with Egyptian partners for over 20 years. Its aims are both economic and social development. One of its current projects is to build the capacity of SME business associations. From a social perspective, working with representative organisations such as these associations helps to strengthen civil society in Egypt. From an economic perspective, the project allows the foundation to strengthen its own contact with businesses.

Ten associations currently benefit directly from the project. They get support to strengthen their own management, develop services to members, cooperate with other associations in Egypt and make links with associations abroad. These ten, together with another five associations which do not get direct help from the project, have formed a union of business associations at national level. The aim of the union is to present a more powerful lobby to government and agencies on behalf of SMEs.

The foundation has a clear-sighted view about what it can hope to achieve and how long it might take. The project has already been operating for almost five years. During this time the associations have started to work together effectively. It is likely to take another five years for the union to develop a national profile.

*The capacity of intermediaries to provide support to SMEs is limited. Capacity-building programmes have been developed to enhance the quality and availability of support. Some intermediaries are successfully encouraging collaboration between SMEs in marketing and export development.*

### *Intermediary and consumer viewpoints*

Some intermediaries are concerned at the lack of accreditation and quality control in the market for management development support. There are no benchmarks by which customers can differentiate services or evaluate quality. Part of the difficulty is the absence of clear standards in Egypt for what managers should be able to do and how training providers should perform. One of the attempts to set up a mechanism for developing standards for training is constituted by the National Skills Standards Project run by the Human Resources Development Programme (one of the Social Fund for Development programmes). This project is defining standards in several vocational areas and it is also meant to cover to a certain extent areas linked to management training. The project also envisages the creation of a centralised qualification authority to oversee standards in these areas.

Private firms rate the inadequacy of training provision as one of the obstacles to growth. Some are critical of the types of training offered, particularly the emphasis on short courses, and of the purely academic background of many trainers. They also feel sceptical about some of the claims made for the positive effects of training on the business.

### Case study – growth through collaboration

One of the initiatives of the EU Private Sector Development Programme in Egypt is the creation of strategic marketing groups in key industry sectors. The aim of these groups is to help companies build their marketing and export capabilities and facilitate export opportunities. Each group recruits a limited number of members, around 30 or 40 companies, and carries out an intensive set of activities. To join, companies must either have a track record in export marketing or the capacity (and desire) to export. Group activities include business match-making with foreign companies, participation in exhibitions and trade fairs at home or abroad and training in topics such as export development skills, project management and quality control.

One of the groups benefiting from this programme is the IT group, consisting of around 30 companies. All of them employ less than 120 people; 20 are SMEs according to the definition used in this study (i.e. they employ less than 50 people). To exploit the growth potential of Egypt's IT industry, companies like these need to expand their horizons and take a global view of their markets.

The manager of the IT group is himself a consultant to IT firms, helping them identify marketing and export opportunities. He aims to expose group members to the thinking and working habits of IT companies elsewhere. For example, a recent meeting between IT firms and venture capitalists in Ireland showed companies the need to sharpen their presentation skills. Group members are also being encouraged to see the value of co-operation in joint business to business ventures, such as developing 'virtual offices' for Egyptian IT firms in European countries. Training networks are being developed to provide high quality training in specialised areas. Future collaborative developments include links with universities and global IT companies.

*Intermediaries and SMEs are concerned at the absence of clear quality standards by which to assess the providers of management development support. Despite the existence of some initiatives to tackle the issue of standards in training, quality remains one of the main challenges in the delivery of management training for SMEs.*

## 3.3 Examples of support to enterprises

### *Support for micro enterprises*

Support is given to micro enterprises as a way of increasing the social capital of communities. The primary aim is to tackle poverty and unemployment by encouraging productive activity in families and small units.

There are several examples in Egypt of micro-finance institutions which have successfully built sustainability into their operating procedures.

### Case study - beyond training?

Systems Research is a software development company which started in 1983. The company specialises in large projects, developing and integrating software systems for big companies and public authorities. In February 2000 the company became partially owned by an Egyptian bank. With a new injection of capital, employment has risen from 22 in February to 45 in November and is expected to double again in the next year.

The company's founder and managing director is acutely aware of the need to develop both the technical and managerial skills of his staff. But he is unhappy with the quality of training available. Coming from the standpoint of an industry where standards are critical, he is particularly concerned at the absence of regulation in the training market as a whole and the lack of reliable quality assurance or kitemarking systems to underpin and guarantee the performance of individual training providers. His view is that the gains promised by providers may prove to be an illusion.

*Support for micro enterprises aims to tackle poverty and unemployment and develop social capital in communities. The provision of micro-finance is a key service. There are examples of micro-finance institutions which are genuinely sustainable and offer models of good practice.*

### Support for SMEs

There is little targeted support for businesses in the small to medium-sized category, especially those with 15 to 25 employees. Training providers do not target this group. Companies which 'graduate' from schemes like the small and micro enterprise project in Alexandria have no ready access to support services.

Some continuing support does exist for companies which have received assistance from the Social Fund for Development, provided by the Technology Support Centre.

The centre's main aim is to provide support services to SMEs funded by the SFD. Its services are designed to encourage SMEs in sectors where technology advantages are critical, such as IT, electronics and petrochemicals, to support the use of IT technology by all SMEs, e.g. by encouraging them to exploit e-commerce, and to encourage innovative ways of improving productivity.

To date the centre has carried out technical audits of over 800 projects put forward by SMEs and supported 120 of them. It has also run awareness-raising seminars on quality and technology implementation. It acts as the technical co-ordinator for the new business and technology link centres and provides intensive technical support to technological incubators, developed in collaboration with Egyptian universities.

### Case study - supporting entrepreneurship for social aims

The Small Enterprise Development Organisation (SEDO) is the largest programme run by the Social Fund for Development. It aims to become the 'apex' institution in Egypt supporting the development of micro enterprises for job creation purposes. Its mandate is to provide job opportunities for four target groups: people living in low-income communities; the unemployed, especially new graduates; women; and workers made redundant as a result of privatisation.

SEDO supports micro and small businesses in two ways. First, by giving entrepreneurs access to credit through on-lending funds to banks, which then provide and manage loans to clients. Second, by providing technical assistance, advice and training, which would make them eligible for the loan.

SEDO itself recognises that there are risks inherent in this strategy. It has identified three particular risks. First, the lack of interest shown by banks in micro-credit schemes and their lack of capacity to administer them. This means that although funds may be disbursed to banks they are not always passed on to the intended beneficiaries. Second, the lack of demand among entrepreneurs for training and business support. Third, an economic and regulatory environment unfavourable to business start-ups.

Ultimately these risks threaten the sustainability of the programme, which aims to reduce its dependence on loans from donors and become financially independent.

Among the sources of support that will soon be operational in Egypt it is necessary to mention the European Union Industrial Modernisation Programme (IMP) approved at the end of 2000 that with its 250 million Euro is meant to have an important impact in SMEs as well as larger companies.

*Support for SMEs is limited and patchy. Some support exists to help SMEs invest in and gain benefit from technology.*

## 4. The impact of donors

Egypt has a highly active base of large donors whose programmes often involve SMEs. However, donor activities are often not closely co-ordinated. Donors themselves try to avoid major overlapping in the services they provide but admit there is no real co-operation. They are more likely to talk about competing for clients in an overcrowded market. Agencies which rely on donor funds also use this type of language. One of the biggest and most powerful agencies in the country talks of being 'capable of dealing with competition from intermediaries, similar agencies and commercial operations'<sup>19</sup>. At the same time, donors

19 Social Fund for Development (1999). *Annual Report for 1999*.

### **Case study – sustainable support**

The small and micro enterprise project run by the Alexandria Business Association has succeeded in becoming self-sufficient while at the same time remaining true to its original vision. The project was started in 1990 with funds from USAID. It had three aims: to create employment and generate income in the communities served by the project; to help micro and small enterprises expand; and to promote transformation from the informal to the formal economy. The main instrument to achieve these aims is loan provision, although the project also provides training. It became fully sustainable in 1994. In 1998 it was appointed by the United Nations Development Programme (UNDP) as an international technical services provider to other micro-finance institutions and has since carried out capacity building projects in Bahrain and Yemen.

The project currently has 12 branch offices, 10 in Alexandria and two in a neighbouring governorate. Three quarters of loans are made to micro enterprises (employing less than 5 people), the remaining quarter to small businesses (employing less than 15 people). Sixty-five percent of the enterprises are in manufacturing, 24% in trade and 11% in services. The project has a low cost ratio: 8% of the loan value goes on running costs. Loans are processed quickly. There is very little bad debt. Enterprises are encouraged to move from the informal to the formal economy through a graduated system of loans in which progressive value thresholds can only be passed when companies register with social security and tax authorities and obtain the necessary licenses to operate their businesses officially. Training is given to clients in book-keeping, tax issues, complying with regulations and marketing. Training is delivered by in-house staff and field officers.

To date, the project has made 162,000 loans to 57,000 clients. The average loan value is LE 2,800. There are currently LE 50 million worth of loans outstanding. On average, 2,500 loans are agreed every month, to an approximate value of LE 6.5 million. Five critical success factors have been identified: the policy of 'stepped' lending; loans used for working capital rather than fixed assets; quick credit procedures; appropriate products for the target group; and efficient, decentralised management.

managing large programmes following each other in time face the challenge of how to articulate the necessary mechanisms for not "reinventing the wheel" every time and to use successfully the achievements of previous programmes.

Normal market mechanisms have been distorted by the high level of subsidy. On the demand side, there have been two main effects. First, the sheer amount of subsidised training available means that companies see little need to finance training from their own budgets. They are not getting into the habit of investing in human capacity. Second, the main market mechanism is price rather than quality. Companies choose courses on the basis of which is least costly, rather than which is likely to be most beneficial.

In the long term the current level of subsidies is untenable. Donor agencies are aware of this and uneasy about the effect. Some are trying to get companies to take on a bigger share of the costs, but finding an acceptable level of 'pain' is difficult when a cheaper – not necessarily better – option is generally on offer elsewhere. While donor activity remains high it is

counter-productive to raise cost thresholds too quickly. One donor agency which offered a training course in marketing with a higher than usual cost element failed to attract a single registration.

A similar distortion has happened on the supply side. Again, there are two main effects. First, trainers are used to getting relatively large fees without having to expend the energy or build the expertise to develop and market a convincing product. Second, with so many donors in the market drawing on the same pool of trainers, there is little incentive for providers to invest time and resources to improve their offer or introduce innovations in their training methods and content.

One donor representative suggested that a 'bottom-up' approach would be more productive than the normal 'top-down' approach donors use to develop their programmes. In a bottom-up approach, donor agencies would set broad objectives for their programmes and agree them with the relevant ministries, without going into too much detail. They then start with a small pilot project (or a number of such projects), which aim to achieve three things. First, an increase in knowledge about the area of the project, both for the donor and the host country. Second, some capacity building within the host community. Third, some success stories which can be used as a launchpad for a bigger project if this is needed or justified.

*Donor activity is high but insufficiently coordinated. Sustainability and internal consistency in their action are not always fully achieved. High levels of subsidy for management development have tended to distort both demand and supply. Approaches which combine coherence and capacity building are likely to be more successful in future.*

## **5. Conclusions**

Conclusions are given in the form of the main opportunities and constraints in relation to the present situation of SMEs in Egypt, the management development support available to them and the impact of donors on the provision of such support. References to relevant recommendations in Section 6 are given in brackets.

### **5.1 Socio-economic context and present situation of SMEs**

#### ***Opportunities***

The country's size, strategic location and political importance gives it a strong position in the region. There is a chance for Egypt to take a leading role in economic development across the Middle East (6.1.3).

Egypt's economic situation has been transformed in the last ten years. Growth rates have been high and the trend looks set to continue in future. Some industrial sectors such as IT, tourism and telecommunications have the potential to grow very quickly both in the domestic and export markets. The nature of these emerging industries should make it possible for SMEs to seize opportunities to innovate, both technologically and in marketing (6.3.2).

The rate of activity in the development field has been high during the last decade. There are now many institutions in Egypt with the capacity to support further development, including activity focused on SMEs. The country's stock of people with skills and experience in development is growing. Co-operation with international donors provides many opportunities to continue upgrading the quality of human resources in this field (6.1.1).

The role of government in supporting SMEs is becoming clearer. Current initiatives should help to coordinate policies supporting private sector businesses in general and SMEs in particular. There is a chance to bring these policies and programmes together in a coherent 'package' targeted at improving the environment for SMEs to grow (6.1.1; 6.1.2).

### ***Constraints***

The fruits of economic success are concentrated in relatively few hands. Inequalities in wealth are large and growing. There is widespread poverty. Educational standards are low and illiteracy rates are high, especially among women. These factors constitute a lack of opportunity for many people in Egypt which limits the potential for economic growth (6.1.1).

The structure and organisational behaviour of traditional, family-run businesses makes it hard for them to change and re-focus their priorities. Most businesses serve the local or domestic market. Few are oriented towards exports. The quality of production is often below international standards. Investment in technology and human resources, including management, is low. Management responsibility is often restricted to too few individuals, leading to poor decision-making (6.1.2, 6.1.3).

There is no strategic vision for the role of SMEs in Egypt. Policies and programmes are poorly coordinated. The regulatory framework is burdensome and inhibits growth. There are too many disincentives for entrepreneurs to join the formal economy. Access to financial services and other inputs (skilled labour, technology, information about markets etc.) is poor (6.1.1; 6.1.2; 6.1.4).

## ***5.2 Management development support***

### ***Opportunities***

The supply side of the management development support market in Egypt is fairly well developed. A variety of organisations provide training to different target groups. The capacity of NGOs and government-funded institutions to deliver training to entrepreneurs is growing.

There are several well-established private sector training companies. Some have developed effective systems for designing and delivering management training. They may also have effective quality assurance systems. At the programme level, there are some examples of integrated thinking, e.g. where training is combined with continuing support through consultancy (6.2.1; 6.2.2).

Trainers are aware of the need to make training for SME managers interactive and participatory. (In practice, however, much of the training offered remains too theoretical and academically-based). They are sensitive to the needs of managers, e.g. in the scheduling of courses. Many trainers are keen to upgrade their skills (6.2.3).

There are several success stories. Some of the support given to entrepreneurs by micro-finance institutions is effectively targeted and managed, with good results. The quality of some of the training courses for managers is high, although these courses do not often successfully target managers in SMEs (6.2.1).

### ***Constraints***

Demand for management development support among SMEs is weak, although the potential for demand is great. There is a widespread lack of awareness among SME managers of the need to upgrade management skills and techniques. A tradition of investing in human resources and employee development is lacking in most SMEs. The concept of buying in expert advice and support is not generally accepted. Companies are sometimes critical of the poor quality of training and say that it does not meet their needs (6.2.3; 6.3.1; 6.4.1).

Training providers and business support services often fail to target SMEs effectively. In particular, the level of services aimed at small to medium-sized companies is very low. In general, these companies do not get the support which would help them to grow (6.2.3; 6.3.3; 6.4.1).

The lack of standards for management training and the absence of quality benchmarks for training providers are slowing down the growth of a competitive market. There is a general lack of awareness among providers and intermediaries of what constitutes a high quality product. This is not helped by the fragmentation of the supply side and the reliance of training providers on freelance trainers (6.4.2).

## ***5.3 Impact of donors***

### ***Opportunities***

Donor activity is high. There is a large number of programmes which include support for private sector business development, including the development of SMEs, in their terms of reference (6.1.1).

## **Constraints**

The level of co-operation among donor agencies is not sufficiently high to provide a genuinely coherent agenda or a clear programme for supporting the growth of SMEs through management development. The climate is often that of competition rather than of collaboration. Donors face as well the challenge of how to bring the necessary continuity and coherence between programmes through different periods of time (6.1.2; 6.1.3).

The amount of activity by foreign donors has had perverse (as well as beneficial) effects on the development of the training market in Egypt. High levels of subsidy do not encourage companies to see training as an investment. Purchasing decisions are made on the basis of price not quality or relevance. There is little incentive for training providers to innovate or raise the quality of their offer. Quality standards remain as a potential area for further action (6.4.1).

## **6. Recommendations**

These recommendations build on the conclusions presented in section 5 above. Since one recommendation can be an action point for different stakeholders, they are presented in themes.

*N.B. All the recommendations listed below could be taken into account for the design of donor programmes.*

### **6.1 Policies supporting the growth of SMEs**

6.1.1 A clear strategic vision for supporting and promoting the growth of SMEs should be formulated in a coordinated way by the various government ministries with a direct stake in the economic development of the country. The vision should differentiate clearly between these two forms of support:

- Support provided to individual entrepreneurs and micro enterprises, which aims to build social capital within communities;
- Support provided to owners and managers of SMEs to help them improve performance and stimulate growth.

6.1.2 Specific policies should be developed which encourage owners and managers of growing SMEs, or those with the capacity for growth, to invest in management development in order to maximise their growth potential. These policies might include:

- Demand-side measures such as financial incentives, e.g. tax breaks and partial subsidies to cover a proportion of the costs of training;
  - Supply-side measures such as assistance to training providers encouraging them to design and deliver appropriate training for SMEs.
- 6.1.3 A coherent set of instruments to support SME growth should be developed in both financial and non-financial services. These instruments should be genuinely sustainable. They include:
- Making access to credit for capital and cashflow purposes more widely and easily available to SMEs through the country's banking system;
  - Making access to support in business development and marketing available in a form which matches the needs of SMEs in different stages of growth;
  - Encouraging SMEs to take advantage of the opportunities to do business with other countries in the region, as well as globally.
- 6.1.4 The legal and regulatory framework for starting and running a business should be simplified and barriers to entrepreneurship and growth removed. The growth of a service culture within the administrative infrastructure at national, regional and local levels should be strongly encouraged so that the efforts of entrepreneurs and managers are supported rather than constrained by government.

## **6.2 *Capacity building for training providers***

- 6.2.1 More sophisticated ways of defining the need of SMEs for management development support and segmenting the market should be developed and applied. Training providers should attempt to do some or all of the following:
- Identify groups of SMEs along supply chains and in value added clusters, identify areas in which they can productively work together and provide training to facilitate appropriate forms of cooperation;
  - Target firms which might potentially invest in particular technologies and provide training in how to manage the process of technological upgrading;
  - Support the development of innovation in individual enterprises and clusters, especially in emerging industries;
  - Target firms at similar stages in their growth cycles, in order to provide more focused training.

- 6.2.2 Training providers should be encouraged to develop long-term relationships with SMEs where possible, in which training is only part of a package of support for management development. Other aspects of support in addition to training should be offered. They include:
- Development of a coherent approach to human resources, including recruitment and development;
  - Training needs analysis;
  - Consultancy focused on key business areas such as marketing, exports, production management and project management;
  - Assistance with improving technological capabilities.
- 6.2.3 Training should be matched more closely to the needs of owners and managers in SMEs. This means:
- Designing courses which are more practical than theoretical and which relate closely to the immediate business issues facing managers;
  - Using trainers whose practical experience of business is based on an understanding of managing small and medium-sized firms;
  - Upgrading the skills of trainers to emphasise coaching, facilitation, consultancy and the ability to use a range of interactive, participatory techniques with groups.

### **6.3 *Strengthening the role of intermediaries***

- 6.3.1 Management development support should be promoted more vigorously by intermediaries. Intermediaries should develop active strategies for the following:
- Promoting management development support as an integral part of a firm's human resource development strategy;
  - Encouraging owner-managers to see training as an investment rather than a cost to the business;
  - Highlighting both the benefits of training and the risks of not training.
- 6.3.2 Industry-based and sectoral groups should examine the significance of SMEs to their industries or sectors and take steps which encourage SME growth. Possible steps include:
- Establishing linkages between SMEs and large companies along supply chains;
  - Developing clusters of SMEs in added value areas such as joint marketing, increases in technological capacity or innovation;

- Supporting export initiatives;
  - Promoting foreign investment.
- 6.3.3 Ways of signposting owners and managers in SMEs to appropriate sources of support should be made more effective. Intermediaries should aim to deliver at least some of the following services:
- Identifying training which is of particular value to individual firms and managers;
  - Providing unbiased information about the training available in their area and/or sector;
  - Establishing what quality assurance procedures already operate or could be applied;
  - Helping firms make the most of their investment in training, e.g. by participating in the design of programmes.

## **6.4 *Developing quality standards***

- 6.4.1 The growth of corporate status among suppliers of training should be accelerated as a way of developing higher standards of service to SMEs. Possible ways of doing this include:
- Encouraging individual freelance trainers to form stronger, more formal networks;
  - Supporting the development of professional norms, standards and bodies in management development;
  - Establishing thresholds for some contracts in terms of institutional capability. Providing focused business advice and support for training companies in order to strengthen their growth capacity;
  - Giving financial aid to training companies for premises, equipment, recruitment and training of trainers.
- 6.4.2 Occupational standards for owners and managers of SMEs should be developed. These standards should form the basis for developing and accrediting management development programmes and for assessing the quality of such programmes.

## Annex 1: Summary of main donor projects

Donors		Training Support	Other Support
1	Agriculture-Led Export Businesses - ALEB	x	x
2	Canadian International Development Agency - SME Support Project	x	x
3	Canadian International Development Agency - Women's Initiative Fund	x	x
4	CARE International - Growth in Small and Micro Enterprise Project		x
5	CARE International - International Community Initiated Project		x
6	Danish International Development Assistance - PSD	x	x
7	Danish International Development Assistance - SMIE	x	x
8	DANIDA-Small and Micro Industrial Enterprises Development in Aswan		x
9	Dutch Development Assistance	x	x
10	Egyptian Swiss Development Fund	x	x
11	European Union - The Business Support Programme - PSDP	x	x
12	Finish Department for Development Cooperation		x
13	Friedrich Ebert Stiftung (support for SMEs)		x
14	FES-Project for Developing Handicraft and Small Scale Industries		x
15	German Arab Chamber of Commerce		x
16	German Technical Cooperation, GTZ (Mubarak - Kohl Project)	x	x
17	German Technical Cooperation, GTZ (Small Farms Mechanization Program)	x	x
18	German Technical Cooperation, GTZ (TOMO HAR)	x	x
19	German Financial Cooperation, Kfw		x
20	International Executive Service Corp., IESC	x	x
21	Italian Commodity Aid Programme		x
22	Italian Investment Promotion Unit, IIPU	x	x
23	Japan External Trade Organization, JETRO		x
24	Japan International Cooperation Agency, JICA		x
25	Konrad-Adenauer-Stiftung	x	x

*Overview of management development support for SME growth in the Mediterranean region*

<b>Donors</b>		<b>Training Support</b>	<b>Other Support</b>
26	Netherlands Managers Cooperation Programme	x	x
27	NSCE - North Sinai Women Income Generation Project	x	x
28	SAVE The Children/USA Egypt Field Office		x
29	Sinai Wild Life Projects		x
30	Small and Medium Business Support Project	x	x
31	Social Fund for Development - Enterprise Development Programme		x
32	Support to Education Enhancement Programme	x	x
33	Swedish International Development Cooperation	x	x
34	UNICEF		x
35	United Kingdom Department for International Development	x	x
36	USAID - Private Sector Commodity Import Programme		x
37	USAID - Small Enterprise Credit Programme		x
38	USAID - Small and micro Enterprise Development		x
39	MDI - Management Development Initiative	1	

## Annex 2: List of contacts

EC Delegation	<i>Ms. Karin Fredrikzon</i>
MEDA Team	<i>Mr. Manfred Ziewers</i> <i>Mr. Bill Winning</i>
Private Sector Development Programme (PSDP)- European Management Centre	<i>Mr. Henrik Henschel</i> <i>Mr. Ahmed El Ashmawy</i>
PSDP – Business Upgrading	<i>Mr. Rodney Osborn</i>
OUDA – WORLD TRADE CENTRE - Annex	<i>Dr Alaa Bakr</i>
American University in Cairo - Training Centre	<i>Dr Ibrahim Hegazy</i>
Forum for Management and Training	<i>Mr Hassan Abdallah</i> <i>Ms Marwa Mansour</i> <i>Ms Rasha</i>
Small Medium Business Centre - Helwan University	<i>Dr Naglaa Mortagy</i>
Systems Research Egypt, (SME-IT)	<i>Mr Sherif Hosni</i>
MegaCom, General Manager	<i>Tarek Thabet</i>
Alexandria Business Association - Small and Micro Enterprise Project	<i>Mr Nabil El Shami</i>
Alexandria Institute of Technology	<i>Dr Ayman Sawki</i>
Social Fund for Development	<i>Dr Hussein El Gammal</i> <i>Dr. Mohamed Bakry</i> <i>Dr. Mohammed El Fateh</i>
Ministry of Economy	<i>Mr. Amr Abou Esh</i>
Fredrich Ebert Stiftung	<i>Mr. Ahmed El Geneidy</i>
INP-Institute of National Planning	<i>Dr Hossam Mandour</i>
MEAG ( Training Provider)	<i>Ms Soheir El Sherif</i>
MDCI ( Training Provider)	<i>Dr Ahmed Sabri Lasheen</i>
IMI ( Training Provider)	<i>Mr. Amr Kais</i>
Federation of Egyptian Industry	<i>Dr Abdel Basset El Sebai</i>
Marketing and Export Development – PSDP	<i>Mr. Steven Lee</i>
Team Misr ( Training Provider)	<i>M. Ismail Youssef</i> <i>Ms Rola El Emmary</i>

### Annex 3: Summary of support institutions

In 1999 a directory was published of 104 agencies providing various types of support to SMEs in Egypt. The directory was updated in 2000<sup>20</sup>. The directory contains information about all the organisations known to be assisting SMEs, either directly or indirectly. It identifies three major sources of support. The first consists of foreign donor projects targeting SMEs. The second includes local organisations or governmental small business promotion programmes. The third is made up of governmental and non-governmental organisations which do not specifically target SMEs but which provide some services relevant to them. A full list of the agencies is provided at the end of this annex.

Table 3.1 analyses the type of support services provided by the agencies listed in the directory.

**Table 3.1** *Types of support provided*

Type of support	% of total number of organisations	Number of organisations
Start-up (help to entrepreneurs starting a business)	53	55
Business training	48	50
Access to new technologies and know how	37	38
Export promotion	34	35
Business partners (match-making)	31	32
Women and small enterprises	17	18
Facilitating access to finance	17	18
Environmental	14	15
Assistance to informal sector	13	13
Rural development	7	7

The two most frequent types of support offered are help to entrepreneurs starting their business, and business training to SMEs already in existence. Table 3.2 analyses in more detail the type of support offered to start-ups. Table 3.3 analyses in more detail the training offered to existing SMEs.

20 Friedrich Ebert Stiftung (2000, 2<sup>nd</sup> edition). *Directory for Governmental and Non-Governmental Agencies Supporting Small and Medium Scale Enterprises in Egypt.*

**Table 3.2 Support offered to start-ups**

Type of support	% of total number of organisations	Number of organisations
Business ideas and opportunities; market information and market research	42	23
Business partners and contacts; linkages; supply chains; business to business	38	21
Financial assistance including loans and guarantees	38	21
Training for business start-ups; entrepreneurship development; feasibility studies	36	20
Information on legal procedures and registration regulations; legal approvals	24	13
Monitoring and following up the start-up phase	18	10

**Table 3.3 Training offered to existing SMEs**

Type of training	% of total number of organisations	Number of organisations
Vocational training; specialised technical training	56	28
Technical assistance to individual enterprises; extension services	44	22
Management	42	21
Marketing and sales (domestic and export)	42	21
Accounting; pricing; financial management	36	18
Quality control; standards; ISO 9000	18	9
Environmental; environmental standards; ISO 14000	14	7
Local scholarships for advanced training and apprenticeships; international exchange programmes	8	4

See intermediaries list below

Overview of management development support for SME growth in the Mediterranean region

Intermediaries Supporting SMEs		Training Support	Other Support
1	Agricultural Cooperative Development International	x	x
2	AIESEC Egypt	x	x
3	Ain Shams University: Centre of Small Scale Industrial Development	x	x
4	American Chamber of Commerce in Egypt		x
5	Alexandria Business Associations-Small Micro Enterprise Project	x	x
6	Arab Foundation for Enterprise Development	x	x
7	Association for Small Industrialists and Small Scale Industries in the New Cities		x
8	Association of Enterprises for Environment Conversation		x
9	Association of Upper Egypt		x
10	Assuit Childhood and Developemnt Association	x	x
11	Borg El Arab Investors' Association		
12	Bureau de Rapprochement d'Entreprises-Business Cooperation Centre		x
13	Businessmen Association of Assuit - Project for Developing Small Enterprises	x	x
14	Businessmen Association of 6th of October City (Investors Union)		x
15	Businessmen Development Association in Aswan Governorate	x	x
16	Business Technology Development Center		x
17	Cairo House - Green Business Incubator	x	x
18	Cairo University -Tribology and Spare Part Centre	x	x
19	Caritas Egypt	x	x
20	Catholic Relief Services	x	x
21	Centre for Development Services	x	x
22	Centre for Economic and Social Rights		x
23	Centre for Quality Assurance		x
24	Central Department for Financial and Managerial Affairs	x	x
25	Central Productive Cooperative Union	x	x

Overview of management development support for SME growth in the Mediterranean region

Intermediaries Supporting SMEs		Training Support	Other Support
26	Cooperative Assistance Release Everywhere - GSME	x	
27	Credit Guarantee Company		x
28	Egyptian Association for Development and Human Resources	x	x
29	Egyptian Association for Industry and Environment	x	x
30	Egyptian Businessmen's Association		x
31	Egyptian Centre for Economic studies		x
32	Egyptian European Association for Economic and Social Development	x	x
33	Egyptian Export Promotion Centre		x
34	Egyptian Junior Businessmen	x	x
35	Egyptian Organisation for Standardization and Quality Control - EOS	x	x
36	Egyptian Small and Micro Enterprise Association		x
37	Egyptian Small Enterprise Development Association	x	x
38	El Salam Social Affairs administration - department of productive families		x
39	European Union - Private Sector Development Programme, PSDP	x	x
40	Export Development Bank of Egypt		x
41	Export Guarantee Company of Egypt		x
42	Federation of Egyptian Chambers of Commerce (Union of Trade Chambers)		x
43	Federation of Egyptian Industries, FEI	x	x
44	FES-Project for Developing Handicraft and Small Scale Industries		x
45	German Arab Chamber of Commerce		x
46	High Committee for Export Development		x
47	Industrial Design Development Centre - IDDC	x	x
48	INP - Development of Small Scale Industries in Egypt Project		x
49	Institute of Cultural Affairs - Middle East and North Africa	x	x
50	Italian Arab Chamber of Commerce		x

Overview of management development support for SME growth in the Mediterranean region

Intermediaries Supporting SMEs		Training Support	Other Support
51	Japan External Trade Association		x
52	Manufacturing Technology Centres	x	x
53	Ministry of Agriculture - Mubarak's National Project for New Graduates	x	x
54	Ministry of Economy and Foreign Trade		x
55	Ministry of Economy and Foreign Trade - General Authority for Investment		x
56	Ministry of Economy and Foreign Trade - International Trade Point		x
57	Ministry of Economy and Foreign Trade-Commercial Representation Offices		x
58	Ministry of Industry - General Organization for Industrialisation		x
59	Ministry of Industry - Training Centre for Automation Engineering	x	x
60	Ministry of Industry - Productivity and Vocational Training Department	x	x
61	Ministry of Local Administration - HIPCO		x
62	National Research Centre		x
63	Operation Unit for Development Assistance	x	x
64	Sadat City Investor's Association		
65	Sixth of October Investor's Association		
66	Small-Medium Business Centre - Helwan University	x	x
67	Social Fund for Development - Enterprise Development Program		x
68	Street Food Vendor' Organization	x	x
69	Tenth of Ramadan Investors Association		x
70	Trade Development Center	x	x
71	Trade Point (Cabinet Information Decision Support Center)		x

# Jordan

<b>1. Socio-economic context.....</b>	<b>60</b>
1.1 Political environment.....	60
1.2 Demographic trends.....	60
1.3 Macro-economic conditions.....	61
1.4 Employment, education and social conditions.....	63
<b>2. Present situation of SMEs.....</b>	<b>64</b>
2.1 Structure of enterprises.....	64
2.2 Policy and regulatory framework.....	66
2.3 Future growth.....	68
<b>3. Management development support.....</b>	<b>70</b>
3.1 The market.....	70
3.2 The supply of training.....	71
3.3 Examples of support.....	77
<b>4. The impact of donors.....</b>	<b>83</b>
<b>5. Conclusions.....</b>	<b>85</b>
5.1 Socio economic environment.....	85
5.2 Present situation of SMEs.....	85
5.3 Management development support.....	86
5.4 Impact of donors.....	87
<b>6. Recommendations.....</b>	<b>87</b>
6.1 Policies supporting the growth of SMEs.....	87
6.2 Capacity building for training providers.....	88
6.3 Strengthening the role of intermediaries.....	89
6.4 Developing quality standards.....	89
<b>Annex 1: Summary of main donor projects.....</b>	<b>90</b>
<b>Annex 2: List of contacts.....</b>	<b>91</b>
<b>Annex 3: List of training providers.....</b>	<b>93</b>
<b>Annex 4: List of intermediaries.....</b>	<b>96</b>

## **1. Socio-economic context**

### **1.1 Political environment**

The Hashemite Kingdom of Jordan is a constitutional monarchy whose head of state is King Abdullah ibn Hussein. The national assembly has two chambers: a directly elected chamber of deputies with 80 members and a senate of 40 members appointed by the king from among prominent public and political figures. The Prime Minister is appointed by the King and heads a Council of Ministers. Ministers are also appointed by the King on the advice of the Prime Minister. They are responsible to the chamber of deputies. Elections were last held in November 1997 and are next due by November 2001. The current Council of Ministers was appointed in June 2000.

King Abdullah succeeded to the throne in February 1999. He has brought with him a clear vision of Jordan's future and a sense of renewed energy to the social and economic environment. The entering into force of the Euro-Mediterranean Association Agreement (expected during 2001 pending ratification from a number of Member States) and Jordan's 2000 membership of the World Trade Organisation, bring important challenges to the country that justify the high priority given to economic liberalisation in the domestic agenda. Modernisation of the public administration, and legislative reform are also important internal priorities.

King Abdullah has successfully invested in strengthening Jordanian relationships with its close neighbours in the region and the Gulf. The evolution of the peace process implies, however, a high political risk, especially considering its historical strategic significance for the Kingdom.

### **1.2 Demographic trends**

Jordan has a population of around 4.8 million. Around a third of the population, just over 1.5 million people, are refugees from Palestine. This represents 43% of all Palestinian refugees in the region. Many of the early refugees after the 1948 conflict, were given full nationality and were successfully integrated into the Jordanian society. UNRWA (United Nations Relief and Works Agency) provides education, health and social services to Palestinian refugees living in refugee camps to the west and north of Amman.

More than 70% of the population live in urban areas, 38% in Greater Amman.

The population growth rate in Jordan is among the highest in the world (see Table 1.1). However, rates have slowed down since the 1970s and the country continues its long-term transition towards smaller families.

**Table 1.1**      **Population and population growth in Jordan**

	1995	1996	1997	1998
Population (m)	4.29	4.44	4.6	4.77
Growth rate (%)	3.7	3.6	3.5	3.6

Source: Export & Finance Bank: *The Jordanian Economy* (March 1999)

An estimated 43% of the population is under the age of 15. Jordan's domestic labour force will be around 40% bigger in ten year's time. These facts pose a serious challenge. In order to support a rapidly expanding labour force and to provide employment for the 50,000 young people entering the labour market each year, the economy must grow at a considerably higher rate than that of the last few years.

Despite growth rates in GNP of 3.9% per year from 1965 to 1997, the per capita rate actually shrunk in the same period by 0.4%. In the next 20 years, annual growth rates of at least 2.6% will be needed just to keep pace with the increase in population.

### **1.3**      **Macro-economic conditions**

Since the late 1980s, the direction of economic policy in Jordan has been geared towards structural reform and market liberalisation. The reform process has released significant amounts in loans and grants from the IMF, the World Bank and the EU as well as bilateral programmes from the US and EU Member States. In 1999, Jordan ratified the EU association agreement and was accepted for memberships of the World Trade Organisation.

Economic reform has resulted in a degree of stability, represented by real-term growth of over 4.6% per year on average, a low inflation rate, a stable currency pegged against the dollar and a growth in foreign reserves. However, growth rates have slowed considerably in the last three years, averaging 1.4% from 1996 to 1998. To add to this, the country has maintained a large budget deficit, despite the measures already taken to reduce government subsidies, and a total debt which stood at \$8 billion (103% of GDP) in 1998. The trade balance is consistently negative. Domestic savings are rather low and there is a high dependence on foreign borrowing and aid schemes. Interest rates are high. The proportion of revenues from taxation is growing. Some privatisation of large state industries has taken place, but the pace of development of the private sector is generally slow. A legal and regulatory framework for business and investment exists, but implementation is patchy. Investors and those wanting to start a new business still face bureaucratic obstacles.

Table 1.2 shows the key macroeconomic indicators from 1995 to 1998.

**Table 1.2 Key economic indicators**

	1995	1996	1997	1998	1999
GDP (US\$ bn)	6.5	6.6	7.0	7.4	7.5 (est.)
Real GDP growth (%)	5.5	0.6	1.3	1.7	1.6
Inflation (%)	2.4	6.5	3.0	4.5	2.7
Current account balance (US\$ m)	-258.5	-221.9	29.3	14.0	0.4 (US\$bn)
Trade balance (US\$ m)	-1,518.2	-2,001.2	-1,813.0	-1,601.6	-1,519.8
Exports of goods fob (US\$m)	1,769.6	1,816.9	1,835.5	1,802.4	1,782.4
Export commodities	Phosphates Potash Fertilisers Pharmaceuticals Manufacturers Vegetables				
Export - partners	India Iraq Saudi Arabia UAE Lebanon Kuwait				
Imports of goods fob (US\$m)	-3,287.8	-3,818.1	-3,648.5	-3,404.0	-3,302.2
Import commodities	Electrical and non electrical machinery Transport equipment and spare parts Crude oil Iron and steel Medical and pharmaceuticals Textiles and fabrics				
Import- partners	Germany US Iraq Japan UK Italy				
<b>Total external debt (US\$ bn)</b>	<b>8.1</b>	<b>8.1</b>	<b>8.2</b>	<b>8.5</b>	<b>8.1 (est.)</b>

Source: Economist Intelligence Unit (June and November 2000)

Service industries in Jordan account for 66% of GDP, with the public sector accounting for 20%. Manufacturing, mining and quarrying account for 17% of GDP, while agriculture accounts for only 3%.

World Bank country assistance strategy (CAS) loans include actions specifically aimed at the restructuring of SMEs as well as actions aimed generally at enhancing economic reform. Qualifying industrial zones (QIZ)<sup>21</sup> have stimulated partnerships with foreign companies and the 'clustering' of businesses in certain areas of the country.

## ***1.4 Employment, education and social conditions***

In 1999, the total labour force in Jordan was 1,129,000 representing 23% of the total population. The official unemployment rate is 13.2%, but unofficial sources estimate it to be around 27%. Around three quarters of the unemployed are under the age of 27. It is estimated that around one third of Jordan's workforce consists of foreign workers, mostly employed in unskilled, low-wage manual work in the service sector, agriculture and construction. A large number of Jordanians (in 1999 the estimated figure was 350,000) work abroad, mostly in relatively high-value occupations. Historically, remittances from these workers have contributed significantly to the disposable income of Jordanian families.

Access to education in Jordan is good and Jordanians place a high value on education and qualifications. The overall literacy rate is quite high, 86%. The female illiteracy rate still remains 3 times higher than the male rate (currently 7%). Great importance is placed on secondary education exams since these determine young people's educational future and to a great extent the choice of careers open to them. A university degree is seen as critical, even though the unemployment rate among graduates is high.

An estimated 17% of the labour force have received some form of higher education. In 1997, 114,000 students enrolled at university and a further 24,000 enrolled on short-cycle courses at the country's network of community colleges. Almost 1,800 Jordanians were studying for postgraduate degrees in the country. Additionally, 22,300 Jordanian students were completing their higher education abroad.

There are still gender disparities in Jordan. Although the situation has considerably improved, still less than 14% of women are classified as economically active. The proportion of female workers in the labour market as a whole is 23% and this reduces to 10% in the private sector.

Life expectancy in Jordan is high. Access to health facilities are generally good. However, at least 20% of the population live below the national poverty line. The Social Productivity Programme aims to reduce poverty through restructuring the National Aid Fund and developing employment opportunities.

---

21 Qualifying Industrial Zones were established with assistance from US. Enterprises located in the zones have privileged access to the US market.

## 2. Present situation of SMEs

### 2.1 Structure of enterprises

The categories used in the study to define SMEs correspond to those used by the Department of Statistics in Jordan. Official figures, however, do not differentiate between small/medium-sized businesses and medium-sized businesses.

There are no accurate statistics for SMEs in Jordan. Self-employed individuals and micro enterprises (those with fewer than five employees) do not feature in official statistics. This aspect of economic activity is seen as primarily a social function rather than an economic priority. Hence there are no reliable figures for the number of self-employed or business start-ups in Jordan.

Most economic surveys focus on the economic contribution of large companies in the industrial and service sectors, many of which are partly owned by the government: mining, construction, pharmaceuticals, tourism and financial services. Official figures from the Department of Statistics state that in 1998 there were 7,720 SMEs employing a total of over 72,000 workers (see Tables 2.1 and 2.2). Officially, SMEs account for around 7% of the labour force, but this figure underestimates the real capacity of the SME sector to absorb and utilise labour productively. Anecdotal evidence suggests there may be as many as 70,000 SMEs including micro enterprises, operating either formally or informally<sup>22</sup>.

SMEs in Jordan are concentrated in services, especially retail, hospitality, business services, residential repair, automotive repair and personal services. Micro enterprises are likely to be more widely spread geographically than SMEs, in rural as well as urban areas. They include handicrafts, artisan and other traditional activities which are under-represented in official statistics because of the small size of the productive units.

**Table 2.1** *Distribution of SMEs by sector*

Item	Employment		Enterprises	
	5 - 9	10 - 49	5 - 9	10 - 49
Mining and quarrying	671	501	99	40
Manufacturing	15,078	17,614	2,445	832
Electricity, gas and water supply	0	0	0	0
Construction	1,057	4,782	172	199
Trading and vehicle repair	8,349	2,599	1,410	362
Hotels and restaurants	2,091	960	338	121
Transportation, storage and communication	1,178	2,058	189	99

22 EU (1999). *Industry Modernisation: Identification and Feasibility Report*.

Item	Employment		Enterprises	
	5 - 9	10 - 49	5 - 9	10 - 49
Financial intermediaries	239	507	38	25
Real estate	1,676	1,589	273	84
Education	2,357	5,793	361	297
Health and social work	579	1,274	93	56
Other community, social, and personal services	801	924	137	50
<b>Total</b>	<b>34,076</b>	<b>38,601</b>	<b>5,555</b>	<b>2,165</b>

Source: Department of Statistics (1998)

**Table 2.2** Distribution of SMEs by legal structure

Item	Employment		Enterprises	
	5 - 9	10 - 49	5 - 9	10 - 49
Public Share Holding Company	67	1,300	12	53
General Partnership	12,557	15,484	2,014	771
Limited Partnership	242	2,548	35	113
Limited Liability Co.	1,835	11,001	257	469
Limited Partnership in Shares Co.	0	0	0	0
Sole Proprietors	18,382	9,508	3,082	547
Cooperatives	100	39	15	2
Charitable	618	2,584	99	132
Foreign	78	375	10	15
Others	197	1,302	30	61
<b>Total</b>	<b>34,076</b>	<b>44,141</b>	<b>5,554</b>	<b>2,163</b>

Source: Department of Statistics (1998)

*Self-employment and micro enterprises are often seen as having a primarily social function rather than an economic one. None of them feature in official statistics.*

*The absence of official statistics on SMEs means that there is limited understanding both of their actual contribution to the economy and of the potential contribution SMEs can make to growth and innovation.*

*SMEs are concentrated in services while micro enterprises are found in handicrafts and traditional activities and tend to be more geographically spread than SMEs.*

## ***2.2 Policy and regulatory framework***

### ***Policy***

Policy for industrial development in Jordan is shared among several different government ministries and agencies.

- ➔ The Ministry of Industry and Trade is responsible for company registration, licensing and industrial modernisation.
- ➔ The Ministry of Planning is responsible for the coordination of foreign aid programmes.
- ➔ The Jordan Investment Board (formerly the Investment Promotions Corporation) is responsible for promoting and facilitating local and foreign investment, including the qualifying industrial zones (QIZ), and for extending the range of sectors eligible for investment incentives.

Policy for continuing training is also shared between ministries and agencies.

- ➔ The Ministry of Labour is responsible for labour market development.
- ➔ Responsibility for welfare programmes, including the social productivity programme, is shared among various ministries.
- ➔ The National Centre for Human Resource Development (NCHRD) coordinates international funds for the education system on behalf of the government.
- ➔ The Vocational Training Corporation is responsible for apprenticeship and other vocational training courses.

**Donors** have also supported policy development. USAID and EU structural adjustment funds support the government's macro-economic reform efforts. The USAID Amir programme includes a policy reform component aimed at encouraging a pro-business environment including implementation of World Trade Organisation (WTO) requirements and customs reform. The EU industrial modernisation programme (IMP), due to start in 2001, anticipates a policy development component aimed at encouraging a greater degree of integration among government ministries and agencies in relation to industrial modernisation. Japanese cooperation is funding an industrial development strategy bringing together different actors and functions.

Overall, the direction of policy in Jordan is favourable to economic development and growth. There is a growing realisation that the private sector must take a lead in the process. Although there is still a gap of understanding between the public and private sectors there is not a gulf. Private-sector led initiatives are encouraged.

Several informants to this study commented on the lack of coherence in relation to industrial strategy. This may be partly a consequence of the multi-agency environment in which policy

in Jordan is developed and implemented. It is sometimes difficult to locate the responsibility for policy-making in a particular branch of executive government such as a ministry or agency. However, some linkages exist between policy-making bodies. One example of such a linking structure is the Higher National Council for Science and Technology which acts as an advisory group for much of the policy development and implementation in Jordan around industrial strategy and human resource development.

At the level of support for SME growth, however, it is clear that no coherent policy exists. The contribution of SMEs to the economy is not well understood. Neither is their potential to stimulate innovation and employment. Whereas a great deal has been done in Jordan to attract foreign investment, notably through incentives such as the QIZ, very little has been done to help SMEs exploit the potential of the business activity generated through investment, e.g. by building supply chain capacity or identifying spin-off opportunities.

At the level of vision, for example as articulated by the progressive group of companies and business associations centred on the *Jordan Vision 2020 campaign*, there is a clear recognition that economic growth will be driven by the private sector adopting modern managerial methods. But there is no corresponding recognition of the vital part that SMEs must play if such a transformation is to be attained. While the campaign emphasises the importance of knowledge, innovation, agility and focus as the hallmarks of a successful economy, it does not locate these characteristics in a vibrant, dynamic SME community. The action plan contained in *Jordan Vision 2020* does not include any recommendations to encourage and promote the growth of SMEs. Although one of the strategies to build the country's skilled human resources is to develop entrepreneurship skills, this is seen as a long-term priority.

There may be deep-seated cultural reasons for the notable absence of a proactive SME culture in Jordan. The Jordan Vision 2020 campaign identifies the lack of 'an entrepreneurial spirit and skills' in the population as one of the weaknesses hindering the country's growth. Traditionally, businesses are family-owned. Owner-managers lack the motivation to grow their businesses once they are able to sustain a livelihood for the family members. There may be a lack of investment and/or a reluctance on the part of owner-managers to improve their own skills. The educated elite of the country have traditionally entered the professions, public administration or large state-owned companies.

### ***The regulatory framework***

The framework for business in Jordan is broadly conducive to economic development. In a recent benchmark survey of commercial policies in the region, Jordan emerged as second to Lebanon in having business-friendly policies<sup>23</sup>. In particular the survey singled out Jordan's tax and investment arrangements and the relative lack of import restrictions. However, export policies and the lack of support for business start-ups were seen as less helpful.

---

23 Lebanese American University (1999). *Industry Growth Partnerships: Achieving Lebanon's True Economic Potential*.

Private sector companies are registered according to a new companies law designed to cut red tape which became effective in 1997 although the time taken to register may still be delayed by institutional inefficiency. Licenses for firms to operate are required from different authorities. Profits are subject to corporation tax at 15%. However, the tax assessment process is widely viewed as unfair and the appeals process is lengthy and complicated. Dividends from shares are taxed, unlike bank interest, which is a disincentive to invest in business. Labour costs are not excessive.

*The overall direction of policy in Jordan is favourable to economic development and growth, but there is a lack of coherence in relation to industrial strategy. This may be a consequence of the multiplicity of actors involved in policy setting.*

*No policy exists to support the growth of SMEs. Although there is clear recognition that economic development will be boosted by the private sector, the contribution of SMEs to employment creation and innovation is not understood. SMEs have not been the specific target of Government industrial development or investment policies. This may also be due to cultural factors such as the lack of an entrepreneurial spirit in the population.*

*The regulatory environment is broadly supportive of business development. Public administration inefficiencies are said to be at the root of lengthy procedures.*

## 2.3 Future growth

As mentioned above, policies to support growth are focused on inward investment stimulated by the government's macro-economic policies, infrastructure developments and the establishment of qualifying industrial zones (QIZ) and the special economic zone at Aqaba. Little attention is given to the role of SMEs as a seed-bed for growth and innovation. Even in the emerging IT sector, the focus is on the regulatory framework, infrastructure and capital requirements. To date, relatively little attention has been paid to the potential of small companies to take advantage of business opportunities in such areas as software development or versioning, the provision of business systems and services or the establishment of a dynamic regional market for retail and servicing.

The success of SMEs is an important indicator of a country's overall growth. However, there are no economic forecasts for Jordan today which clearly state the growth targets for SMEs or indicate the sectors in which growth is most likely.

In this respect, donor sponsored programmes such as the EU-sponsored industrial modernisation programme (IMP), due to start in early 2001, aiming to strengthen the SME sector in Jordan, are highly welcome. The EC IMP feasibility report carried out in 1999 identifies the following sectors in which there is a high level of activity, and thus the potential for growth.

**Table 2.3 Sectors with a high level of activity**

Sector	Requirements for growth
Dead Sea cosmetics	Research and development for high quality products Better quality of packaging
Apparel and garments	Growth of higher value-added segments of the market Strategic partnerships with investment in technology, retail outlets and brand names
Pharmaceutical	Strategic response to WTO requirements
Food and drink	Upgrading of quality control, packaging and labelling
Software and IT	Development of specialised products for the Arabic market Development of electronics assembly for export-oriented products
Tourism	Development of specialist and high value products Development of services in catering and leisure

Source: EC Industry Modernisation Identification and Feasibility Report (June 1999)

Some of the informants whose views helped to inform this study suggested similar potential areas of growth for SMEs, including the following.

- ⇒ Chemicals, especially fertilisers and generic pharmaceuticals, based on Jordan's natural resources and a market-sensitive reapplication of existing capacity.
- ⇒ Tourism, especially in small-scale, high-value special interest markets such as cultural or geological tourism.
- ⇒ Education and training, based on the emergence of a distance learning market in the Arab region and the country's stock of well-qualified graduates.
- ⇒ Information Technology

Evidence that a sectoral approach to supporting SMEs might work comes from an initiative of the Jordan US business partnership programme, which brought together a number of firms (including some SMEs) from the Dead Sea area. The aim was to form a strategy for these firms to work together collectively in order to improve their marketing, quality standards and image. Based on a detailed market survey which showed that the opportunities for collaboration concerned far outweighed the threats of competition, the project established a strategy and working method and recently instigated a trade mission to Sweden which resulted in genuine openings for doing business, including some firm orders.

The concept of supply chains was also mentioned, particularly in relation to areas where business activity is concentrated, such as special economic zones. Although large rather than small businesses are the primary beneficiary of these zones, they may act as magnets for secondary activities such as business and other services or the supply of parts. They may also generate spin-off enterprises.

*Growth sectors which provide opportunities for SMEs include chemicals, tourism, software and information technology. Sectoral approaches to supporting growth may help SMEs make the most of opportunities in these industries.*

### **3. Management development support**

#### **3.1 The market**

A mature market for SME training in Jordan is not yet fully formed. At the moment, the market for management development support for SMEs in Jordan – as distinct from support for start-ups and larger companies – is under-developed both on the supply and the demand side.

On the demand side, there is little effective demand. Effective demand occurs when two conditions are satisfied. The first is that customers know enough about what they want to exercise rational choices and exert pressure on the supply side to provide appropriate products. The second is that there are enough suppliers to provide a choice and that at least some of these suppliers are sufficiently flexible to respond to customer pressure. Neither condition is wholly true in Jordan today.

In general, supply does not yet match demand. Courses offered by semi-public institutions are not attractive to SMEs. Their content is often too specialised or theoretical and the delivery model tends to be rather inflexible. Although courses are in theory open to all, usually little attempt is made to differentiate the training ‘offer’ for managers and entrepreneurs in SMEs. Furthermore, there is no incentive for these institutions to re-design their training to make it more accessible and relevant to managers in SMEs because the level of demand from their established market more or less matches the level of supply. To secure their markets, institutional providers have built long-term relationships with customers in large companies and the public sector. But they show few signs of wanting to do the same with SMEs.

*There is little effective demand for training from SMEs. Most owner-managers do not see the need for such investment or appreciate the value they might gain from it.*

*Training supply is generally fragmented and disorganised. As yet the supply side exerts little influence on demand.*

## 3.2 The supply of training

### Training providers

Annex 3 provides a table of the main institutional training providers in Jordan.

There are five main types of indigenous training providers in Jordan which provide management development support.

- ➔ NGOs mainly target the entry level sector of the market, i.e. individuals starting out on self-employment, start-ups and micro enterprises.
- ➔ Semi-public institutions mainly target managers in large companies and the public sector.
- ➔ Universities as above, mainly target managers in large companies and the public sector.
- ➔ Private sector training and/or consultancy firms mainly target medium-sized and large companies but they may also be involved with small businesses as subcontractors to donor projects.
- ➔ Freelance trainers and/or consultants are mainly involved with the entry level sector through association with NGOs and with SMEs through association with donor projects.

As yet there is no mechanism for regulating the quality of any training providers offering management development support or of assessing their courses.

The activities of donor agencies with their suppliers are gradually stimulating a new approach to training for SMEs. It is possible that the approaches to training these suppliers are developing will be more able to match the needs of SMEs. In fact their survival may depend on them doing so. It is too early to say whether the Improve/Expand Your Business programmes developed by the UNDP/ILO project will match the needs of growing SMEs, but there is at least a chance that to some extent they will. However, it will be important that the trainers and consultants offering these programmes have practical experience of helping businesses through the growth cycle. If they do not have this experience they will lack credibility with their potential markets. For this reason, the fledgling capacity of trainers and consultants operating in firms and/or networks under the umbrella of foreign donor programmes such as the EU and US projects described in section 3.3 may result in an offer targeted more to the needs and aspirations of growing SMEs.

*Management development support is offered by five types of training provider. None of them specialise in supporting SMEs.*

*As yet, there are no mechanisms or institutional set up that caters for the quality of the training provision.*

*New approaches developed in collaboration with donors for new forms of management development support may prove to be more suitable for SMEs.*

### ***Training content and methods***

Many training providers offer courses introducing managers and entrepreneurs to basic management ideas and techniques. Courses relating to functional areas such as marketing, financial and strategic management are also well covered. Subjects which are less well-covered relate to quality, supply chain management, product diversification and entrepreneurship. Training for specific sectors is limited to telecommunications, IT and tourism.

The length of training varies between one day and 10 weeks. Few institutions offer training lasting more than 10 weeks.

The main target group for the training is existing managers and staff in large and medium-sized organisations. The proportion of participants from micro enterprises and small businesses is low (between zero and 30%). The proportion of participants from medium-sized businesses is generally higher (between 40% and 75%). Most providers target their courses at practising managers rather than students or graduates not yet employed. The facilities and equipment available for training, including IT, are generally good.

Training to SMEs is not differentiated significantly from other types of training. There may be a limited amount of tailoring to the needs of individual companies, including a greater use of case studies. Training may also be spread over a longer period than usual to allow for practice and application at work. The approach to training is sometimes linked to the provision of longer-term consultancy services designed to improve the performance of enterprises.

*The content of management training is mainly generic and not aimed specifically at SMEs. Subjects related to quality, product diversification, entrepreneurship and supply chain management are not at the core of most training programmes.*

*Managers from SMEs account for a small proportion of participants on most training courses.*

*Training is sometimes linked to longer term consultancy.*

### ***The role of intermediaries***

The intermediary set up in Jordan corresponds to a very high extent to the general definition provided on page 17, i.e. intermediaries are mostly composed of Chambers of Commerce and Industry, sectoral organisations and business associations. In Jordan there are also many NGO type institutions that provide financial support (and in some cases training and advice) to micro-enterprises. A list is provided in Annex 4.

The level of activity of these intermediaries varies greatly. Some have a representative role, such as the chambers of commerce or industry which represent businesses in a geographical area or industry sector. A new phenomenon is the emergence of associations whose main role

is to change the mindset of business people and to put pressure on politicians for an improvement of the environment in relation to small businesses. This is the case of the *Young Entrepreneurs Association (YEA)*, set up in November 1998 by a small group of young business people with the support of the Friedrich Naumann Foundation. The association currently has 165 individual members under the age of 50. Most of them work in SMEs, mainly in the service sector (consultancy, design, tourism, finance, trade); 30% of them are women. YEA was one of the main instigators of the Jordan Vision 2020 campaign, which aims to build a progressive, private sector led economic strategy for the country. It has also organised conferences and training on modern management thinking and techniques, published a manual entitled *Establish Your Own Venture* and enabled members to take part in study visits to Europe and the US. YEA itself has joined a network of SMEs in the Euro-Mediterranean region and is actively exploring opportunities to collaborate with regional and European business networks.

A similarly active profile can be found in the *Business and Professional Women's Club*. It is the first of its kind in responding to the personal and professional needs of working women. The Club has established four units to assist with various aspects. A Legal Counselling Centre with offices in Amman and Zarqa provides legal advice. A Training Unit organizes and conducts various courses related to women's issues and business start-up. The Training Unit trains over 100 women annually. A Small Business Counselling Center offers regular counseling for women entrepreneurs during the first few years of business. A business advisor is available to help with small business management skills such as taxation, marketing, and accounting. It counsels between 20 to 30 individuals monthly. Finally the Women's Enterprise Centre offers a nurturing environment in which women can start and grow their businesses. The facility provides office space, computers, fax and internet access as well as other office equipment needed for business purposes. Women are guided in preparing business plans and are trained in small business management.

*The Zarqa Chamber of Commerce* is also an example worth mentioning. Zarqa is an industrial city to the east of Amman. The governorate of Zarqa represents 50% of Jordan's industrial capacity. There is also a new IT village associated with the university. Ninety-six percent of the chamber's members are SMEs (there are approximately 2500 enterprises employing more than five employees). The Chamber sees support to SME growth as a major concern. The Chamber identifies four factors as key to the growth of its members: the potential of each sector, investment and use of technology, commitment to quality and high standards and capabilities of management. Although there is still some way to go, the Chamber is well on the way to providing a coherent integrated strategy for SME support with a combination of training, advice and market intelligence. Its main role is to act as a bridge between companies and the expertise they need to grow. It also acts as an advocate in the dealings with local authorities and other regulatory bodies.

These organisations have an integrated approach to SME support that is worth considering. Management and entrepreneurship training, although key for the companies' growth and survival, is not the only service provided. Training is accompanied by advice, counselling and coaching measures.

Some **donors** are encouraging associations to increase their membership, improve levels of service and – ultimately – fulfil an important 'go-between' and advocacy role for the private sector in its relations with government.

The **USAID-funded Amir programme** includes a component aimed at strengthening business associations in Jordan. It does this in two ways. First, by capacity building: training the staff of associations, buying new equipment, improving access to the internet and helping to develop web sites. Second, by improving the level of services offered by associations to their members, in particular their role in influencing public policy. A proactive approach was taken in this respect. Each of the six associations finally selected to participate in the programme was asked to choose a theme and develop a position paper around it that was then to be presented to relevant national authorities. It is within this context that The Young Entrepreneurs Association organised the Jordan Vision 2020 campaign. The Association has also presented a paper to the Minister of Education on how to include management skills in education. Another example is the Business and Professional Women's Club that chose the revision of social security law as "their theme" and are carrying out a campaign to change the law.

The programme produced also a report on the training provided by the associations. The report had two main conclusions. The first was that training was not always considered a normal part of the activity of the association. Where training was provided, it was not systematic. The second conclusion was that the associations lacked the capacity to carry out training themselves.

The **EU sponsored private sector development programme** also has a component supporting business associations to extend the range and impact of their services to members, including SMEs. This included carrying out quantitative and qualitative (type of services provided, etc.) surveys on the existing associations, IT support for development of information systems and web pages.

*Although most intermediary institutions currently operating in Jordan play predominantly a representative role, a new type of business associations is emerging which actively supports SMEs and provides services on their behalf.*

*Donors play an important role in encouraging intermediaries to extend the range of support they offer to owners and managers of SMEs.*

### ***Intermediary and consumer viewpoints***

**Intermediaries** list several factors which they think would *make training suitable* for managers and entrepreneurs in SMEs:

- delivering the training away from the work environment to minimise distractions;
- spreading it over time to avoid over-commitment;
- grouping of participants by background and experience;
- the use of interactive training styles including workshops, group discussions, case studies and practical assignments related to individual businesses.

The main barriers to participation are felt to be the cost of training, lack of time to attend and the inconvenient timing of courses. Some of the training is felt to be impractical or inapplicable to practising managers. There is a shortage of appropriately qualified and experienced trainers. Among SMEs there is also a general lack of awareness of the benefits training can bring to the business.

On that basis, intermediaries consider that the *incentives to encourage participation* by the target group should be, in priority order:

- the availability of subsidised training;
- the use of practical, problem solving based training to meet individual needs;
- the focus on skills improvement and enterprise promotion;
- the recognition of training outcomes, e.g. through certification.

Intermediaries suggest also several *changes in the external environment* which would improve the training:

- a clear policy for the development of micro enterprises and SMEs;
- a simpler, clearer legislative and regulatory framework;
- the establishment of a national training fund as a way of bringing greater coherence and promoting a culture of training;
- improve communication and coordination between training providers to make their training more relevant to market needs.

This study did not attempt to canvas systematically the **views of managers and entrepreneurs in micro enterprises and SMEs**. However, a small number were asked for their views and these are summarised here.

- ➔ The most important factor in determining whether or not a small business invests in management training is timing. In the early stages, when the business is being established, owner-managers may have little time and energy to spare.

- ➔ They may also lack a clear point of reference for what support is available and how it might help them.
- ➔ Once a manager or entrepreneur sees the need to invest, for example when the business is starting down the growth path, the critical factor is whether the training addresses their particular needs. Demand at this stage is still fragile and first experiences are formative. If the training and support provided helps managers to solve immediate, practical problems and to take advantage of business opportunities, it is likely they will come back for more. If the training is over-theoretical and not geared to their needs, they may be reluctant to try again.

Consumers may run ahead of supply. In some sectors, especially the knowledge-based industries in IT and bio-technology, the need for sophisticated management and marketing models may be in advance of what the training provider market can currently supply. The example below illustrates the case of an IT company and how it has approached its human resources development, something that goes beyond the traditional training schemes.

### Case study – training for the knowledge economy

The overall market for IT products and services in Jordan in 1999 was estimated at \$60 million. IT is seen as one of the sectors with the highest growth potential, especially if Jordanian companies can exploit the demand for skilled outsourcing. The REACH initiative, launched in 1999 to strengthen the sector, has developed a comprehensive strategy for the industry. An IT village is currently being built in Zarqa in collaboration with the university and foreign investment from the US.

MEC is one of the small companies which Jordan needs to take advantage of the potential of the IT sector. Based in Amman with a staff of around 28 employees, the company is a data service provider to international network operators such as Swift and Visa, telecommunications companies and corporate businesses. Its products include networks, applications and software solutions. The company has ambitious growth plans, with a target to double in size each year for the next three years. To achieve this, the business strategy is to go regional, focus on developing the market, get the structure of the business right and emphasise the value of skills, knowledge and good management.

The company has a management team of five including the owner-manager. Recently, the team has examined various models of training and development in order to find an approach which allows them to look beneath the skills required by managers to the systems which they support. They have identified several promising models and are putting together a hybrid which consists of an enquiry-based learning approach to business development with the concept of a centre of excellence. No single training provider is expected to supply all the knowledge and expertise the company requires in its search for growth. Instead, MEC looks to its suppliers – which include global operators such as Cisco and Microsoft – to provide technical expertise, universities and research institutes to provide in-depth knowledge and private sector consultants to provide insight into innovative management techniques.

In cases like this one, help is needed from management trainers and consultants with a global perspective.

*Intermediaries and consumers view the following factors as making management development support more appropriate for SMEs: timing and location of training, cost subsidies, adaptation of contents to SMEs' needs, the recognition of the training outcomes through certification, and the use of problem solving methods. Consumers (enterprises) also view the lack of a point of reference to provide information on what support is available as a constraint.*

*Intermediaries also mention a number of changes in the external environment that could encourage the development of management support services, namely a coherent policy for SME development, a conducive regulatory framework, the establishment of a national training fund to promote a culture of training and improvement in the coordination between training providers which would increase coherence in the current supply.*

### **3.3 Examples of support**

#### ***Support for micro enterprises***

Responsibility for encouraging self-employment and micro businesses is given to social programmes within the government and to agencies mainly concerned with alleviating poverty and softening the impact of the structural adjustment programmes undertaken by Jordan during the past 12 years. For example, the Development and Employment Fund (DEF) states that its primary purpose is to target 'poor people, unemployed individuals, families and groups . . . so as to ensure their self independence, sustainable jobs and appropriate income instead of waiting for charities or paid jobs'. In this formulation, social development is a form of welfare. The small and micro enterprise development programme (part of the Ministry of Planning's social productivity programme) specifically targets the poor and unemployed for income generation and employment creation. Social development institutions are, in general, involved in providing financial and non-financial services for micro enterprises. Annex 4 lists the institutions which currently provide these services in Jordan.

Support for the development of start-ups and micro enterprises is, therefore, closely linked to micro-finance. Access to capital in Jordan is traditionally limited. Only those with land and/or property as collateral can normally borrow money although some small-scale loans are available without property guarantees. Many of the activities of donor agencies in the past few years have been aimed at improving access to loan funds through the establishment of a sustainable micro-finance sector. Under the influence of the sustainable micro-finance component of the USAID Amir programme (see case study below), which includes training and institutional strengthening for lending organisations, the strategy of micro-finance institutions is to lend at commercial rates and concentrate on maintaining a low level of

defaults. Social welfare may still be a central part of the mission, but its future is conditional on the long-term viability of lenders and, behind that, the economic viability of self-employed individuals and micro businesses.

**Case study - USAID Amir programme:  
capacity building in micro-finance**

The USAID Amir programme includes a sustainable micro-finance component which aims to strengthen the micro-finance industry in Jordan. Amir works with four Jordanian micro-finance institutions (MFI). As well as providing grants for loan capital and operational costs, the programme provides technical assistance and training to MFI management and staff.

Training is delivered in collaboration with the Institute of Banking Studies. The purpose is to enhance the skills of MFI staff so that they operate in line with international best practice. There are two training programmes, basic and advanced. The basic programme aims to give staff the skills and knowledge to operate a loan business effectively. It covers market analysis, product design, lending to individuals and groups, collecting repayments and working with customers. The advanced programme aims to give MFI managers a basis for building their business. It covers sustainability, profitability, managing risk, managing staff, forecasting and budgeting and management information.

Ultimately the aim of the assistance is to ensure that the MFI in Jordan continues to provide a service to individuals, start-ups and small businesses.

Non-financial services such as training and management development are seen to be the responsibility of other organisations, primarily NGOs and business associations. However, micro-finance institutions and those delivering non-financial support are conscious of the links between training, business performance and the timely repayment of loans. As a result, non-financial support is becoming more widely available in Jordan. Most of the important micro-finance institutions are developing partnerships with training providers, as shown in the case studies below.

### **Case study - The UNDP micro and small enterprises project**

One of the most significant developments in training and support for self-employed individuals and micro enterprises in Jordan is the support to business training for micro and small enterprises project, part of the Ministry of Planning's social productivity programme. The project is managed by the UNDP and executed by the International Labour Organisation (ILO). It started in November 1999 and is due to end two years later in November 2001. Links have been established with two partner institutions (the Jordan River Foundation and the Small Business Development Centre of the Jordan Hashemite human resource development fund) and four training institutions, as well as a pool of freelance trainers and business counsellors.

The project has designed a modular training system based on three sets of training manuals: Start Your Business, Improve Your Business and Expand Your Business. These manuals are available in Arabic and English. They are versions of materials which have been used by the ILO in other parts of the world and have now been specially adapted to suit the Jordanian context. The manuals are used within a framework of support designed to support individual entrepreneurs and small business managers through a growth cycle, as follows:

- Analysis of an individual owner-manager's training needs
- Design of training path for each individual
- Follow-up to evaluate the extent to which the knowledge contained in the manuals has been internalised and the changes to business practices which have happened as a result
- Menu of further support including business counselling, consultancy, group training and in-business projects
- Further follow-up to evaluate changes in skills and business performance

The project is currently putting in place its exit strategy for November 2001. The strategy consists of three complementary measures. First, a focal point institution is being identified to take over the executive functions by coordinating and supporting the work of the training institutions and freelancers. Second, a user network is being created to stimulate and refine demand for the training. Third, a 'cadre' of master trainers is being created to provide leadership and support.

Funding for the training is provided by the partner institutions. They are responsible for providing subsidies to clients and are being encouraged to lower the level of subsidy over time in order to create a stronger market. As a further part of its exit strategy, the project is discussing with the Ministry of Planning the possibility of creating an entrepreneurial training fund to maintain a certain level of subsidy in the future.

### **Case study – The Jordan River Foundation: micro enterprise development**

The Jordan River Foundation (JRF) was set up as an NGO in 1995 to alleviate poverty, reduce unemployment and preserve the cultural identity of Jordan. As well as various socio-economic programmes, mainly aimed at women, JRF has recently established a project to provide business development services to individual entrepreneurs and micro enterprises. The project is a collaboration with one of the main micro-finance institutions in Jordan, the Cooperative Housing Foundation. The aim is to provide non-financial business training and follow-up counselling to self-employed individuals and owner-managers of micro enterprises.

The project is due to go live in late 2000. To prepare for the launch, the project managers have piloted several modules of the Start Your Business training programme developed by the UNDP/ILO, including a simplified version of the programme suitable for clients with relatively low levels of literacy and numeracy. Trainers have been recruited and trained in a participative style of training and counselling.

Although it is too soon to evaluate its success, the project has established a need within its client group for the kind of training offered and has geared the support closely to meeting those needs. In line with the mission and ethos of the JRF, the model of the project is developmental – providing resources to assist people with initiative – but it is clearly aimed at having an economic impact. One of the main success criteria will be the extent to which the project succeeds in moving individuals out of the informal sector and into the formal sector of the economy, where they may become 'visible' targets for growth-oriented support.

### ***Support for SMEs***

In Jordan, support for SMEs is mainly targeted at businesses which employ more than 25 people and have already demonstrated their growth potential. There is very little support for smaller businesses in the early stages of growth. The average size of companies which received assistance through the EU business service team was 50 employees. Although business counsellors in the team recognise that entrepreneurs and managers in smaller companies needed help, they acknowledged that their programme did not provide it. A similar service provided by the Jordan US Business Partnership attracted a similarly low level of participation among smaller companies. Attendance by managers from the private sector at training courses run by the Jordan Institute of Management, a branch of the Industrial Development Bank, has dropped off markedly in recent years and most of the managers who do attend are from large companies. Private sector management training and consultancy companies work almost exclusively with medium-sized and large companies who are able to pay their fees. Courses offered by the University of Jordan's outreach and consultation unit are nominally open to all but in practice are almost entirely filled by managers from large companies and the public sector.

The dominant model for business support in Jordan today is provided by the EU and US funded programmes mentioned above. Both programmes target support on a relatively small number of growth-oriented companies.

### **Case study - The EU private sector development programme**

The EU's first private sector development programme in Jordan, which started in 1997 and ends in March 2001, aims to promote economic growth of the market economy in Jordan through assistance to private businesses. The project is operated by the Euro-Jordanian business service team (BST) based in Amman.

The project has five components, four of which concentrate on support to Jordanian companies. The fifth one supports business associations.

The main component for company support is the Business Support Service. It consists of the provision of consultancy support services tailored to the needs of companies. Essentially, the BST acts as a broker between companies and providers of consultancy services. Companies are recruited through marketing campaigns. The eligibility criteria specify that companies must be privately owned, have a majority Jordanian ownership, have more than 10 employees and less than 200 (start ups are therefore excluded) and proved sustained activity over time. Some sectors (like franchising, insurance, military supplies, mineral and mining extraction, tobacco, etc.) are excluded from this type of support. The support takes place in three steps. Once a company has registered its interest, the BST carries out a diagnostic or business review to identify the company's development needs. This phase is fully covered by the programme funds. If appropriate and as a result of the review a focused business plan is generated by Jordanian and European consultants. Companies may then have access to further specialised consultancy support in specific areas such as IT, marketing or quality management. Most of the cost is borne by the programme. Companies are required to make a nominal contribution for the business plan and the specialised support, averaging around 15%. The first diagnosis is fully covered by the programme.

Up to October 2000, around 130 companies had been reviewed and 60 had obtained further consultancy support. The average size of the companies that obtained support is 50-60 employees. Most of the support is delivered in-house and aims to meet the company's specific needs. One of the main outcomes of the support provided has been to develop companies' management teams.

The other three programme components for support to companies are oriented to enhance commercial and export opportunities. The components include marketing and export development (workshops to improve export performance, visits of European buyers); business collaboration and investment (facilitation of local and international partnerships), and information and data promotion service (improve availability of information of local and foreign markets).

### Case study – The Jordan-US business partnership programme

The Jordan-US business partnership programme (JUSBP) was set up with funds from US AID to encourage Jordanian firms to produce high quality products and services and export them to non-traditional markets. The programme deals with issues at three levels: individual firms (the core service of the programme), sectors and industrial policy. At the level of firms, support is available to manufacturing companies employing between 5 and 250 people and service companies employing between 5 and 500 people. The programme aims to target 350 firms. Up to October 2000, 150 firms had benefited from support.

Three criteria are applied to firms which seek assistance. They must:

- Either generate or conserve foreign exchange.
- Generate substantial employment on their own account, i.e. without using subcontractors.
- Show commitment and potential to develop themselves.

The model is similar to that of the EU business service team. After initial screening of applicants to determine eligibility, a diagnostic exercise is carried out leading to an action plan. The diagnostic process aims to distinguish wants from needs and focus on whatever is critical for the development of the firm. Support is provided by US volunteer counsellors, who work with firms over a period of time, and by Jordanian consultants. Firms are expected to contribute by 30% of the costs.

The programme sees itself as a catalyst rather than a broker, bringing appropriate technical assistance to bear on issues affecting a company's growth.

Both cases address sustainability by aiming to improve both the supply and demand side of the market for management training and consultancy. Potential improvements on the supply side include leaving behind a group of trainers and consultants who are better able to meet the needs of companies, stronger business associations and networks and a replicable model for business development. On the demand side, both projects assert that the good practice exemplified in the support provided to companies will stimulate demand from these and other companies in future.

The models adopted by the EU business service team and the JUSBP undoubtedly benefit the companies which have obtained support from them. **A few small changes would allow them to correspond more closely to the situation in Jordan today.** First, it may be more productive for companies themselves to diagnose their business needs rather than to ask outsiders to carry out such a review. Second, the role of broker could be reviewed to reduce the time taken to find suitable consultants and to include quality control mechanisms to minimise the risk that their services do not match the company's requirements. Third, a slightly less intensive form of support would allow a larger number of companies to benefit from the service. Fourth, a more extensive use of local consultant firms (and less freelancers) would help to support the creation of a sustainable and mature supply.

*The function of providing support to micro enterprises is primarily one of enabling them to meet social goals. Support is mainly in the form of micro-credit. However, non-financial support including management development is becoming more widely available. Support is mostly provided via NGO type organisations.*

*Management development support for SMEs is mostly targeted at growth-oriented firms with over 25 employees. Donor programmes aim to improve both supply (by leaving behind a group of trainers and consultants, strengthening business associations, etc.) and demand of training for enterprises in this class (by providing good practice examples). There is little support for smaller businesses.*

*The dominant model for business support has been provided by the EU private sector development programme and the US business partnership programme.*

## 4. *The impact of donors*

Annex 1 provides a summary of all the donor programmes mentioned in this report to allow a comprehensive view.

The study examined the activities of three of the major donors in Jordan in particular, the EU, the US and the UNDP, in relation to SMEs and management development. All three are instrumental to some extent in setting the broad agenda of economic reform and acceptance of globalisation which characterise the prevailing attitude in Jordan today. They are thus sensitive to the crucial vectors of change operating throughout the country's institutions, its civic and business life. These are:

- The transformation of an aid culture to one of self-reliance and autonomy.
- The promotion of an entrepreneurial culture, i.e. a culture which values opportunity and innovation, seeks out growth, recognises and takes risks, rewards success, does not penalise failure and promotes flexibility.
- The establishment of a sound infrastructure for industrial development and international trade.
- The transfer of leadership and assets from the public to the private sector.
- The encouragement of a broad, participatory democracy.

In some way, all the donor programmes described in earlier sections aim to accelerate the country's institutions and businesses along these vectors. There may be some perverse effects, such as the possibility that the preference of agencies for encouraging networks of freelance trainers rather than strengthening companies may inhibit the rapid development of the supply side. But by and large, donor efforts are supportive.

So far they have also avoided the error of trying to impose too much coherence on the situation. In any case, it is often better in a multi-agency environment to look for linkages and exploit them rather than to seek a structural solution. Donor intervention at the policy level in Jordan has on the whole been sensitively done and limited to specific areas. An area where donors have expressed concern is at the apparent lack of coherence in industrial strategy. The feasibility study for the EU industry modernisation programme characterises this as a problem of integration rather than substance. Assistance is thus likely to be given in the form of specific expertise to aid communication and the dissemination of information.

Until now donors, like the Jordanians themselves, have not given much emphasis to the need for a stronger set of policies to support SME growth, although the new generation programmes, like the EU Industrial Modernisation Programme, seems to go in this direction. It is hoped that this study will show that such a need exists. SMEs are one of the engines of economic growth. Their potential contribution to Jordan is great. The climate is broadly favourable: business activity is growing, foreign investment is starting to flow, international markets are opening. Companies, including SMEs, are poised to take advantage of these conditions. But there is no real strategic sense of how small, growing businesses can be encouraged and helped to make the most of the opportunities; or of how taking these opportunities might lead to a breakthrough in the scale and significance of the SME sector.

*Donor programmes aim to support the broad agenda of economic reform in Jordan. Intervention by donors is mostly sensitive and appropriate.*

*Until now sufficient attention has not been paid to the support of policies geared to the growth of SMEs although the new programmes would seem to go in this direction.*

*Special attention should be paid to the sustainability and institutionalisation of results via, for example, the use of local consultancy companies instead of freelancers and the encouragement of quality control mechanisms for the provision of management support services at national level.*

## **5. Conclusions**

Conclusions are given in the form of the main opportunities and constraints in relation to the socio economic environment , the present situation of SMEs in Jordan, the management development support available to them and the role played by donors. References to relevant recommendations in Section 6 are given in brackets.

### **5.1 Socio economic environment**

#### ***Opportunities***

Jordan gives high priority to its human capital. Investments in education and training are important. People are well-educated and a high proportion hold university degrees. A significant number participate in university education abroad. Access to general education is good, although the standard is not always high enough. Literacy rates are high. The quality of human resources in Jordan is potentially a source of competitive advantage, if people's skills can be effectively deployed in economically productive activities.

#### ***Constraints***

The Jordanian economy is still in the grip of a recession which has already lasted over two years. High population growth rates will increase pressure on the need to keep high growth rates to maintain the current population status. Unemployment is relatively high, especially among young people (including graduates). The participation rate of women in the workforce is still low.

### **5.2 Present situation of SMEs**

#### ***Opportunities***

The attitude to business development in Jordan is favourable. The private sector is seen as the engine for future growth in the economy. On the whole, government policies are friendly to business. The regulatory framework is improving and businesses now face relatively few constraints during the start-up stage and when they are operational (6.1.1; 6.1.2).

The support structure for entrepreneurs is well-developed. A majority of the institutions involved have staff with the skills and expertise to provide effective services. Micro-finance institutions are focusing on being sustainable in the long term. The quality of non-financial support, including training, is improving (6.1.1; 6.1.2).

### ***Constraints***

The structure of many businesses and their organisational behaviour are constraints to growth. Many of them are family-owned and run. They lack motivation to grow beyond a certain point. There is little incentive for university graduates to take up management responsibilities in these companies (6.3.2).

The government's industrial strategy lacks coherence. There is no clear vision for SME development. Policies to support SMEs are lacking. Statistics are inadequate. In particular, there is not enough information about SMEs to provide a sound basis for policy-making (6.1.2; 6.1.3; 6.4.2).

## ***5.3 Management development support***

### ***Opportunities***

The community of business support service providers in Jordan is small but it is starting to develop greater capacity and weight. The provision of financial support for entrepreneurs is becoming well-established. Methodologies are soundly based on sustainable principles. Some institutions are developing links with training providers in order to extend the range of their services to clients. Some of the training programmes on offer develop business skills through follow-up and consultancy as well as training (6.2.1; 6.2.2).

The 'pool' of Jordanian trainers and consultants includes some with practical, hands-on experience of running a small business. Trainers are keen to develop their skills and use new training methods. Trainer training is seen as a key area for future development (6.2.3; 6.4.1).

### ***Constraints***

In terms of management development support for SMEs, supply is not well matched to demand. Courses are seen by SME managers as too theoretical. Delivery models are inflexible. Few providers have developed any form of differentiated offer for SME owners and managers (6.2.2; 6.3.1).

There is little support available for small to medium-sized companies. Providers have concentrated on building relationships with larger companies. Until now they have not viewed SMEs as a priority (6.2.1; 6.3.2).

There are no quality mechanism nor institutions to regulate the supply (6.4.1 and 6.4.2).

Intermediaries play in most cases a representative role. There is a need to reinforce the range of services they provide to SMEs (6.3.1. and 6.3.2.).

## **5.4 Impact of donors**

### ***Opportunities***

Donor programmes have played an important role in supporting overall economic reforms. They support efforts to establish the private sector as the driving force for business development and economic success.

Intervention by donors is mostly sensitive and appropriate, reinforcing key vectors of change in the country, such as the promotion of an entrepreneurial culture, development of infrastructure for industrial development and encouragement of a civil society.

### ***Constraints***

Until now, donors have not assisted the government in establishing a clear and coherent policy for supporting the growth of SMEs as part of its economic reform and private sector development strategy (6.1.1, 6.1.2, 6.1.3).

The use of networks of freelancers for programme implementation could decrease the long term effects of programmes. The use of local consultancy companies, instead of freelancers and the encouragement of quality control mechanisms for the provision of management support services at national level could be considered (6.2.1.).

## **6. Recommendations**

These recommendations build on the conclusions presented in section 5 above. Since one recommendation can be an action point for different stakeholders, they are presented in themes.

*N.B. All the recommendations listed below could be taken into account for the design of donor programmes.*

### **6.1 Policies supporting the growth of SMEs**

6.1.1 Support should be given to the development of stronger policies within the government to support SME growth. A starting point could be the establishment of a number of underlying set of principles informing the government's policies to support SME growth across the various ministries and agencies involved. These principles should:

- Follow the direction of the government's overall strategy for economic development led by the private sector;
  - Aim to build greater coherence into the work of individual ministries and agencies.
- 6.1.2 Support policies for SMEs should identify sectors of the economy and clusters of business activity where the growth potential of SMEs is high and support SMEs in these sectors or clusters. Examples of clusters include spin-offs from special economic zones, supply chains, provision of business services, sectors such as IT, tourism and chemicals.
- 6.1.3 In relation to the above and as a pre-condition, the development of information systems for the compilation and analysis of statistical information on SMEs should be put in place. Wherever possible and given their weight in the country's economy, micro enterprises (those employing fewer than five people) should be included in the statistical base. The analysis of information should show, among other things, the contribution made by SMEs to the economy and their role as a seed-bed for growth and innovation. Growth targets should be stated for SMEs in the whole economy and in selected sectors where the potential for growth is particularly significant.

## **6.2 *Capacity building for training providers***

- 6.2.1 Capacity building measures for training providers should be developed to increase the relevance and accessibility of management development support to entrepreneurs and managers in SMEs. These measures should be aimed principally at private support service providers since they are the ones likely to have the most interest in and affinity with SMEs. However, the measures might also include public or semi-public organisations which target SMEs, including business associations and other intermediaries which have direct contact with owners and managers of SMEs.
- 6.2.2 Capacity-building measures should encourage training providers to:
- Review the content of courses to make them more practical and less theoretical and to include subjects more relevant to the needs and priorities of SMEs, including how to establish business relationships (networking, clustering, supply chains etc.);
  - Cluster the audience so as to group managers with similar levels of knowledge and/or those facing similar issues in growing their business;
  - Increase the flexibility of delivery models, e.g. in the timing and location of courses;
  - Develop new training methods, especially ones which are highly interactive;
  - Develop the capacities of training providers to build long-term relationships with SMEs, as they do with larger companies. This should include the development of consultancy and business support services as well as management training.

- 6.2.3 Support should be provided for the development of an association of training providers (or similar body) able to coordinate networking activities among members. These activities would facilitate the exchange of best practice, improve coordination and allow training providers to identify their particular niche in the market.

### **6.3 *Strengthening the role of intermediaries***

- 6.3.1 The role of intermediaries should be strengthened by increasing the capacities of their personnel and exposing them to best practice across the region and in Europe. The following areas of the work of intermediaries should be targeted:

- Improving the capacity of training providers to analyse the needs of entrepreneurs and managers in SMEs;
- Developing skills in specialised areas such as managing incubator units;
- Making training providers more aware of modern business practices and of issues which are of particular concern to certain sectors.

- 6.3.2 The role and capacity of business associations should be developed, enabling them to:

- Raise the awareness of their members and the business community at large in relation to the impact of good management to successful growth;
- Signpost managers to appropriate opportunities for management development support, where they do not provide these services themselves.

### **6.4 *Developing quality standards***

- 6.4.1 A quality system for certification of both training providers and individual trainers should be established. This should include establishing quality standards to be met by:

- Individual trainers (real-life, preferably recent, experience of helping small firms to grow; ability to use practical, problem-solving training methods; skills and expertise; ability to identify the current concerns of participants and respond to their immediate needs);
- Training institutions (facilities, quality of trainers, etc.).

- 6.4.2 A certifying authority should be set up to take on board the assessment, evaluation and certification of training providers.

## Annex 1: Summary of main donor projects

Programme	Objective	Activities/Components
UNDP business training for micro and small enterprises	Increase viability of small-scale enterprises through the application of sound management principles	Design of a modular training system: <ul style="list-style-type: none"> <li>■ Start your business</li> <li>■ Improve your business</li> <li>■ Expand your business</li> </ul> Development of training materials in English and Arabic Train the trainers Provision of management support to individuals and small companies through training delivery and follow-up actions.
EU private sector development programme	To promote economic growth of market economy in Jordan through assistance to private businesses  The project operates through the Euro Jordanian Business Service Team	Five programme components: <ol style="list-style-type: none"> <li>1. Business Support Service: consultancy support to companies</li> <li>2. Marketing and export development: assistance to Jordanian companies interested in developing export activities</li> <li>3. Business Collaboration and Investment Promotion: local and international partnership facilitation</li> <li>4. Information and data services</li> <li>5. Development of business associations</li> </ol>
US Amir Programme	Promote economic growth and prosperity through the development of a more favourable environment for business	Three programme components <ol style="list-style-type: none"> <li>1. Business Association Initiative: to improve business associations capabilities in providing services to members</li> <li>2. Sustainable Micro Finance Initiative: strengthening of the micro finance industry in Jordan via the provision of grants, training and technical assistance to a selected number of micro finance institutions; support to the creation of a policy and legal framework for a sustainable micro-finance industry</li> <li>3. Policy Reform Initiative: component to support WTO accession, strengthening of Investment Promotion Corporation and Customs Department</li> </ol>
US Business Partnership Programme	Enhance business productivity and competitiveness	Technical assistance, training and consultancy services for small and medium size companies

## Annex 2: List of contacts

EC Delegation	<i>Ms. Martine Lévêque, Economic councillor</i>
EU Business Service Team	<i>Mr. Poul Gadegaard, Business Counsellor</i>
UNDP, Support to Business training for Micro and Small Enterprises	<i>Mr. Arvind Nandé, Chief Technical Adviser</i> <i>Mr. Samih Jaber, Business and Technical Training Specialist</i>
USAID	<i>Mr. Jonathan Addleton, Program Officer</i> <i>Mr. Kenana B. Amin, Program Development Assistant</i>
Jordan US Business Partnership	<i>Bassam M. Khatib, Vice President</i>
Amir Programme	<i>Mr. James Whitaker, Microfinance Component Leader</i> <i>Ms. Terri Kristalsky, Microfinance Deputy Component Leader</i> <i>Mr. Zaki Ayoubi, Business Associations Component Leader</i>
Ministry of Industry, Department of Industrial Development	<i>Mr. Hindawi<sup>24</sup></i>
National Centre for Human Resources Development	<i>Mr. Tayseer Al-Nhar, Vice-President</i> <i>Mr. Munther S. Kayyali, Project manager</i>
Higher Council for Science and Technology	<i>Mr. Munther Masri, President</i>
Development and Employment Fund	<i>Ms. Djenara Murad</i> <i>Mr. Samed Al-Qudah</i> <i>Mr. Salah Al-Qudah</i> Training Department

---

24 A meeting with the Ministry of Industry was to be scheduled but it was impossible due to heavy work load. Mr. Hindawi, Director of Industrial development department, kindly agreed to reply to a number of questions sent to him separately

*Overview of management development support for SME growth in the Mediterranean region*

Jordan River Foundation	<i>Ms. Malak El-Nasser, Director General</i> <i>Ms. Deena Kalimat Tugoz, Business Development Services Project Manager</i>
Zarqa Chamber of Industry	<i>Dr. Mohammed K. Tell, Chairman Board of Directors</i> <i>Mr. Mohammed Arsalan, Acting General Manager</i> <i>Mr. Remon B. Halteh, Member</i>
Business and Professional Women's Club	<i>Ms. Buthaina Jardaneh, Director General</i>
Young Entrepreneurs Association	<i>Ms. Alul, Director</i>
Middle East Communications Corporation, IT SME	<i>Mr. Rifad El-Farhan, Director</i> <i>Mr. Samir Kawar, Special Project Director</i> <i>Mr. Khaled Zada, Finance Director</i>
Jordan Institute of Management	<i>Mr. Munir Zaghloul, Director</i> <i>Mr. Kamal Ismail, Division Chief</i>
Jordan University, Department of Consultation for Community Service	<i>Prof. Samih Qaqish, Director</i>
Institute of Banking Studies	<i>Mr. Mohammed Mouaget, Assistant General Director</i>
Jordan University, School of Management	Cancelled
MMIS Management Consultant	<i>Ms. Salwa Bamieh, Director</i>

---

*Annex 3: List of training providers*

Name of Institution	Location	Courses Offered	Accredited or Non-accredited	General Information
MMIS Management Consultant	Amman	Customer Service, Team Banking and Leadership Skills, Essential Selling Skills, Essentials of Effective Marketing Planning, Preparing for ISO9001 2000, Sales Force Management, Feasibility Study Preparation, Human Resource Development, Successful Marketing Techniques, Management of Change, Effective Sales Negotiation and Closing Techniques, Stress Relief for Managers, Successful Presentation Techniques, Incentive Schemes Development, as well as tailored courses upon request.	Non-accredited	3 full time trainers, Other trainers are sub-contracted on part-time basis, bring in foreign trainers as well.  No. of courses offered per year is approximately 12.
Global Centre for Studies & Scientific Consultations	Amman	Workers Performance Evaluation, Development of Supervision Skills, Strategic Management.	Non-accredited	
Institute of Public Administration	Amman	Orientation for New Employees, Public Relations, Human Resource Development, Management courses for the Public Sector in all levels: Upper, Executive, Supervisory and Basic Levels.	Non-accredited	10 full time trainers, Other trainers are sub-contracted on part-time basis.  Trainers are not necessarily Ph.D. holders, depending on the level of course.
Arab Consultants	Amman	Negotiation Skills and Strategies, Cost Accounting, Quality Control Management, Strategic Planning of the Product, Financial Management, Advanced Financial Analysis, Developing Communication Skills,	Accredited from the Ministry of Industry and Trade	From 30 to 50 sub-contracted trainers on part-time basis. Foreign trainers are also brought in.

210

210

Overview of management development support for SME growth in the Mediterranean region

Name of Institution		Courses Offered	Accredited or Non-accredited	General Information
		Commerce and International Marketing, Building Work Team and Team Leadership, Human Resource Development, Warehouse Management, Internal Auditing, as well as tailored courses upon request.		95% of trainers are Ph.D. holders with practical as well as academic experience. Course is conducted by more than one trainer.
Institute of Banking Studies (IBS)	Amman	Principles of Sustainable Microfinance.	Jordan Council of Higher Education	
Everest Computer and Management Centre	Amman	Total Quality Administration, Re-Structuring of Information Technology, Art of Dealing with People, Building a Work Team, Skill of Creative Thinking, Identification, Analysis and Evaluation of Training Needs, Human Resource Management, Human Resource Development.	Non-accredited	Management courses are conducted upon request from companies only. Trainers for management courses are sub-contracted when needed.
Cross Horizon Cultural Centre	Amman	Public Relations, Management.	Accredited from the Ministry of Education	Management courses are conducted upon request only. Trainers are sub-contracted when needed.
Sokaynah Cultural Centre	Amman	Basic Accounting, Office Management.	Accredited from the Ministry of Education	Trainers are sub-contracted on part-time basis. About 10 courses are conducted per year, benefiting 40-50 trainees.
Sky Institute of Technology	Amman	Certified Financial Manager, Advanced Certificate in Sales Management, Advanced Certificate in Marketing Sales, Marketing, Certified Public Accountant, Advanced Certified Manager.	Accredited from American and British Institutes	Have 5 full time trainers, and about 15 part time trainers.

Name of Institution		Courses Offered	Accredited or Non-accredited	General Information
Al-Sadeq Cultural Centre	Amman	Management Courses.		
Blue Yamama Cultural Centre	Amman	Accounting (basic and advanced) Management.		
Department of Continuous Education and Community Service	Amman / Al-Isra University	Managers and Future Challenges, Quality Control Management.		
Consultation Centre for Community Service	Irbid / Yarmouk University	Quality Control Management, Management and Finance of Small Individual Businesses, Productivity: Its Measure and Ways for Improvement, Strategic Planning, Human Resource Management and Development, Leadership, Preparing Trainers, Marketing Management.		
Department of Consultation, Technical Services and Studies (DCTSS)	Amman / Jordan University	Cost Benefit Analysis of Projects, Investment Management, Financial Analysis: A Tool of Prediction, Feasibility Studies of Touristic Projects, Cost Accounting, Cost Control, Modern Procedures in Financial Planning, Administrative Supervision, Preparing Trainers, Decision Making and Problem Solving, Sales Management, Development of Marketing Strategies, Planning for Exporting Marketing.	Non-Accredited	1000 university professors have been sub-contracted on part-time basis. The Centre also prepares studies in areas such as technical, social and financial fields Courses are aimed at private and public sectors.
Jordan Institute of Management	Amman			

## ***Annex 4: List of intermediaries***

***Chambers of Commerce (geographical representation)***

***Industrial associations (sectoral representation)***

***Young Entrepreneurs Association***

***Business and Professional Women's Club***

*The table below provides a brief description of the following intermediaries not described in detailed in the report:*

<b>DEF</b>	Development and Employment Fund
<b>NAF</b>	National Aid Fund
<b>IDB</b>	Industrial and Development Bank
<b>ACC</b>	Agricultural Credit Corporation
<b>HUDC</b>	Housing and Urban Development Corporation
<b>OFMDF</b>	Orphan Fund Management and Development Foundation
<b>SC</b>	Save The Children
<b>CD</b>	Cooperative for Development
<b>NEF</b>	Near East Foundation
<b>CHC</b>	Cooperative Housing Corporation
<b>JHFHD</b>	Jordan Hashemite Fund for Human Development
<b>NHF</b>	Noor Al-Hussein Foundation
<b>GUVS</b>	General Union of Voluntary Societies
<b>JWDS</b>	Jordanian Women Development Society
<b>JMCC</b>	Jordanian Micro-Credit Company
<b>JRF</b>	Jordan River Foundation (see also page 110)

Overview of management development support for SME growth in the Mediterranean region

Name of Agency	Date Established	Type of Activity	Target Group	Annual Interest on Loan	Amount of Loan JD	Funding Sources	Projects Supported	Credit Duration	Grace Period	Conditions for Eligibility	Types of Guarantees
ACC	1959	Credit, training	Workers in the fields of agriculture and animal production, food production	6% - 8.5%	Not available	Gov't of Jordan, local and international donations	Small individual projects, group projects, cooperative communities projects	15 years	60 months	Jordanian, owner of or has a lease to an agricultural land, non beneficiary of other loan programs, feasibility of project, more than 18 years of age	Property as collateral, salaries of 2 guarantors
HUDC	1964	Housing projects, credit	Unemployed, skilled craftsmen, VTC graduates, owners of small projects in need of development	7%	1,500	Gov't of Jordan, local and int'l donations	Small individual projects,	3 years	3 months	Beneficiary from the housing corporation projects, project to be economically feasible and sustainable, offer the required guarantees	Sponsor's salary, bank notes in amounts of loan
OFMDF	1972	Credit, investment	Unemployed, skilled craftsmen, Individuals, credit for special services	8.5% Flat Rate	10,000	Deposits of orphans' funds and corp. savings	Small individual projects, various services, charitable organizations and for the poor	7 years	1 year	Jordanian, beneficiary's salary covers monthly payments, more than 18 years of age	Salaries of 2 guarantors, bank notes in amount of loan and profit
IDB	1975	Credit	Skilled craftsmen and owners of small industries and handicrafts	9%	10,000	Gov't, IDB	Small individual projects	7 years	6 months	Experience in the field of business, project to be economically feasible and sustainable, provide necessary official documents	Property as collateral, salaries of 2 guarantors, bank notes in the amounts of loan and profits
NAF	1986	Credit, training and employment, Monthly Aid (hand outs)	Unemployed poor, partially handicapped, one member from a family with an elderly father, a family with a convicted member, widows and orphans	None	4,000 40,000	Gov't of Jordan, local and international donations	Micro individual projects, small group projects, educational loans	10 years	4 months	Family income should not exceed JD200, available to work in the project	Property as collateral, salaries of 2 guarantors

303  
A. 8. 8. 1

303  
A. 8. 8. 1

Overview of management development support for SME growth in the Mediterranean region

Name of Agency	Date Established	Type of Activity	Target Group	Annual Interest on Loan	Amount of Loan JD	Funding Sources	Projects Supported	Credit Duration	Grace Period	Conditions for Eligibility	Types of Guarantees
DEF	1989	Direct and indirect loans, technical assistance	Unemployed, skilled craftsmen, women, retired, rural residents	9% 9%	10,000 10,000	Gov't of Jordan, GTZ and EU	Small individual project, through intermediaries	6 Years	1 Year	Jordanian unemployed or poor, Skilled or holds a degree, Available to work in the project, does not benefit from other loan programmes	Bank cheques, Salary, property as collateral, bank guarantee
NEF	1939	Credit, training, consultation, development projects	Local development agencies, poor and unemployed	12%	1,500	Int'l donations	Micro individual projects	3 years	2 months	Local agency seeking development of its credit programmes and able to run the project, beneficiary to be of low income	Selected agency's guarantee
UNRWA	1949	Credit, training, health and social services, relief	Unemployed Palestinian refugees	12%	7,000	Gov'ts donations, and int'l donors	Small individual projects	4 years	3 months	Unemployed Palestinian refugee, skilled craftsman or holds a degree in the line of business required, project to be economically feasible	Salaries of 2 guarantors from UNRWA or others who are willing to commit their salaries to the bank
SC	1985	Credit, health care and education	Women	24% Flat rate	300	Int'l donors	Micro individual and group projects	4 months	2 weeks	Women more than 18 years of age, to form with other women beneficiaries a collective group guarantee, skilled in the line of business required	Group guarantee
CD	1992	Credit, training	Skilled craftsmen, unemployed	9%	5,000	EC, and British ODA	Small individual projects	4 years	3 months	Unemployed, economically feasible, inability to get a bank loan	Salaries of 2 guarantors, bank cheques
CARE Int'l	1993	Credit, training, consultation	Unemployed, women, refugees	10%	1,000	Int'l donors and Int'l governments	Micro individual projects	2 years	2 months	Skilled craftsman or holds a degree in the line of business, economically feasible	Sponsorship and bank notes

Overview of management development support for SME growth in the Mediterranean region

Name of Agency	Date Established	Type of Activity	Target Group	Annual Interest on Loan	Amount of Loan JD	Funding Sources	Projects Supported	Credit Duration	Grace Period	Conditions for Eligibility	Types of Guarantees
CHC **	1998	Credit, training	Unemployed, poor, women, those unable to get a bank loan	16% 22.8% Flat Rate	14,000 150 per person	USAID	Medium individual projects, small projects run by a consolidated group	3 years for individual projects, 6 months for group projects	-	For individual projects: Existing project, economically feasible, beneficiary to be from the South. For group projects: No less than 5 group members, project to be established after credit is granted, beneficiaries to be from the south.	Bank cheques plus: For individual projects: Guarantor's salary, guarantee with financial analysis of beneficiary's ability, put project as collateral. For group projects: Group guarantee
GUVS	1959	Training, consultation	Unemployed, women, poor	7.5% Flat Rate 7.5% Flat Rate None	1,000 30,000 2,000	Local, investments, donations and grants	Micro individual projects, loans and grants to charitable organizations	For individual projects: 2 months To charitable org.: 7 years	For individual projects: Need, ability to run the project, ability to provide guarantees. For charitable org.: Submission of an application by the org. administrative board, feasibility study, application to go through union branches in governorates	Group guarantees	
JHFD	1977	Credit, training, consultation	Craftsmen, unemployed, owners of small projects	7.5%	6,000	Local and Int'l donors, generated income	Small individual projects	6 years	6 months	Unemployed Jordanian, age to be between 18 and 55.	Salary of 1 or 2 guarantors bank note, legal guarantee, property as collateral
NHF	1985	Credit, training, consultation	Craftsmen, unemployed, poor, women	5% Flat Rate	1,000 3,000	Int'l and local donors	Micro individual projects, group projects	3 years	6 months	Jordanian, unemployed, resident in a village, age to be between 18 and 55, available for work in the project	Sponsor's salary, bank cheques, legal guarantee

Overview of management development support for SME growth in the Mediterranean region

Name of Agency	Date Established	Type of Activity	Target Group	Annual Interest on Loan	Amount of Loan JD	Funding Sources	Projects Supported	Credit Duration	Grace Period	Conditions for Eligibility	Types of Guarantees
JRF	1995	Income generating projects for local communities	Less fortunate women, the poor, and children	Does not give out loans		Int'l and local donors	Income generating projects in handicrafts, charitable projects	-	-	None	
JWDS	1996	Credit, services	Women	24% Flat Rate	450 per person	USAID, SC, UNICEF, investments	Micro individual projects with a group guarantee for collateral	18 weeks	2 weeks	Women of more than 18 years of age, 80% of beneficiaries in the group should have existing businesses, family monthly income should not exceed JD150, group to be abide by the Foundation's regulations	Group guarantee
JMCC	1999	Credit for existing projects	Craftsmen and existing small size projects	21.6%	650	USAID, Loans from local institutions	Micro individual projects	5 months	2 weeks	Age to be between 18 and 60, owner of the business with less than 10 employees, at least 1 year experience in same field, provide names of 3 references	Guarantor's salary or beneficiary's and project's guarantee

# Lebanon

<b>1. Socio-economic context.....</b>	<b>102</b>
1.1 Political environment .....	102
1.2 Demographic trends.....	103
1.3 Macro-economic conditions .....	104
1.4 Employment, education and social conditions .....	106
<b>2. Present situation of SMEs .....</b>	<b>107</b>
2.1 Structure of enterprises.....	107
2.2 Policy and regulatory framework .....	110
2.3 Future growth .....	112
<b>3. Management development support .....</b>	<b>113</b>
3.1 The market.....	113
3.2 The supply of training.....	114
3.3 Examples of support .....	123
<b>4. The impact of donors .....</b>	<b>125</b>
<b>5. Conclusions.....</b>	<b>126</b>
5.1 Socio economic context and present situation of SMEs .....	127
5.2 Management development support.....	128
5.3 Impact of donors.....	129
<b>6. Recommendations .....</b>	<b>129</b>
6.1 Policies supporting the growth of SMEs .....	129
6.2 Capacity building for training providers.....	130
6.3 Strengthening the role of intermediaries.....	130
6.4 Developing quality standards.....	131
<b>Annex 1: Summary of main donor projects.....</b>	<b>133</b>
<b>Annex 2: List of contacts .....</b>	<b>135</b>
<b>Annex 3: List of training providers contacted for the research.....</b>	<b>137</b>
<b>Annex 4: Intermediary institutions and Governmental bodies working with the industrial sector and SMEs.....</b>	<b>138</b>

## **1. Socio-economic context**

### **1.1 Political environment**

Lebanon is a parliamentary republic founded on a division of power between the different religious communities which make up the country. Under an unwritten agreement, the president of the republic must be a Maronite Christian and the Prime Minister a Sunni Muslim. The national assembly has 128 seats, equally divided between Christians and Muslims. The Prime Minister is chosen by the President after discussions with parliamentary deputies. The government is chosen jointly by the President and Prime Minister. Government ministers need not be deputies but they are responsible to parliament. The latest elections were held in October 2000.

From 1975 to 1990, Lebanon was in the grip of a civil war which fragmented the country and destroyed much of its physical and economic infrastructure. After the end of the war, central and local government re-emerged with the daunting task of re-establishing political and social institutions and rebuilding the shattered economy. From 1992 to 1996, a twin programme of reconstruction and macro-economic reform produced impressive results. A new five-year plan was put in place in 1998 but this coincided with a sustained period of recession. The failure to move ahead economically in the last few years has put pressure on the government but there has been no serious threat to the political stability of the country.

During the period in which this study was carried out (late 2000), the dominant political concerns internally were the outcome of the elections and the formation of a new government. Overshadowing this was the breakdown in the Middle East peace process. The potential effects of this breakdown on Lebanon are great, especially since the withdrawal by Israel from southern Lebanon in May 2000 promised a new era of stability in this part of the country. The possibility of a resurgence of violence in the south, in the context of serious instability in the wider region, is sobering.

The division of Lebanese society by religion also affects the prospects for potentially beneficial forms of association between firms, from networking to cooperation in buying, marketing and other business activities.

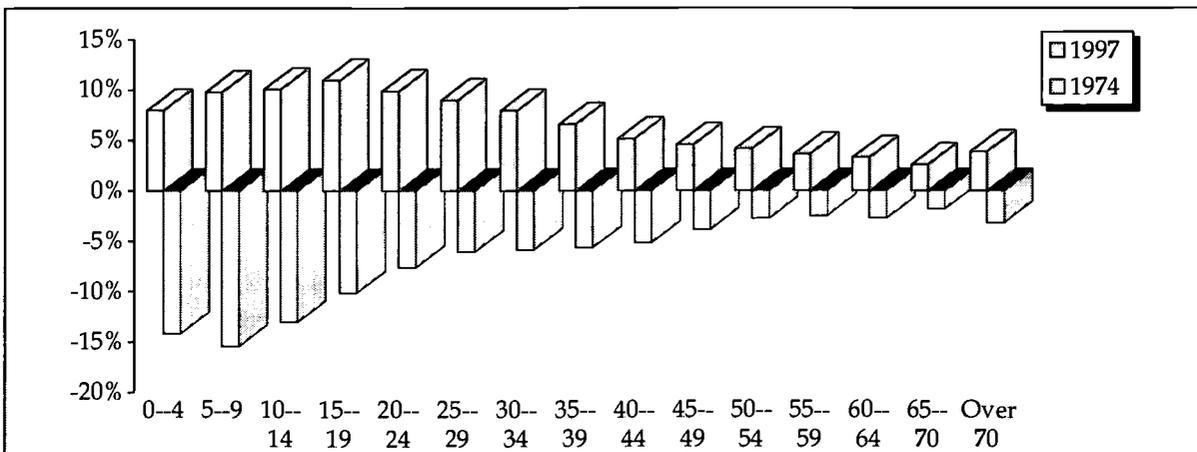
Lebanese trade relations with the European Union have been governed by the Cooperation agreement signed in 1977 and subsequent protocols. The EU accounts for approx. 30% of Lebanese exports. Approx. 45% of Lebanese imports come from the European Union. There is a strong political will in Lebanon to conclude negotiations for the Association Agreement during the course of 2001. Agriculture, customs duties and rules of origin have been in the past the main issues of divergence.

## 1.2 Demographic trends

Recent official figures put the resident population of Lebanon at approximately 4 million<sup>25</sup>. Numbers have grown significantly during the last three decades, with an annual growth rate of around 2.4 percent. The age structure of the population has also changed markedly during this period (see table 1.1). In 1970, the under-14 age group constituted around 43% of the total population, while this percentage dropped to around 28% in 1997. By contrast, the 20-39 age group represented 34 % of the population in 1997 compared to only 25 % in 1970.

This change in the age structure has resulted in higher unemployment rates. For example, the unemployment rate among the 20-24 age group in Lebanon in 1997 was 17.8% compared to the global national rate of 8.5%. It has also produced a structural problem in the imbalance between supply and demand in the labour market. This dis-equilibrium mostly affects the younger generation, especially university graduates, who face inadequate job opportunities and resort to migration instead.

**Table 1.1** Age structure of the population in Lebanon, 1970 and 1997



Sources: 1997: *Living Conditions of Lebanese Households in 1997*

1970: *Active Population in Lebanon in 1970, 1972*

As a result of civil war, Lebanon has witnessed a phenomenon of massive migration. Official and non-official sources estimate approximately 800,000 migrants between 1975 and 1990. The characteristics of migrants varied according to the period during which the migration occurred. For example, during the 1970s whole households migrated, mainly to the Gulf, some African countries, France, Canada and Australia. During the years of war, most migrants were political refugees, mainly young people escaping war conditions. Even in the current post-war period, migration continues at a phenomenal rate. During the period 1992- 1999, a net outflow of more than 900,000 departing passengers was recorded. The annual trend is increasing, with

25 Central Administration of Statistics (1998). *Living conditions of Lebanese Households in 1997*.

an average of 50,000 in 1992 against 100,000 in 1995, 150,000 in 1998 and 270,000 in 1999. Internal migration, accentuated in the war period, has continued its trend in the post war period, with significant numbers of people moving from rural areas to the suburbs of Beirut.

Migration on this scale has created a distortion in the structure of the Lebanese population. It also means that the country loses a significant share of its potential output. A recent spot survey of new university graduates found that 90% of them either have plans to leave the country or intend to do so in search of better employment opportunities. Lebanon is investing in human resources then losing them to foreign countries, while the return – through transfers – may not be considered as a fair compensation for this loss.

The labour market in Lebanon is burdened by a continuous inflow of foreign labour. According to the UNDP, inflows have occurred at the rate of 6.5 percent annually since 1992<sup>26</sup>. Foreign labour poses serious threats to the demand for local labour, especially since it is mostly unskilled and much cheaper both in terms of salaries and social security benefits. The large supply of low-cost foreign labour also places a downward pressure on domestic wage levels, particularly on the minimum wage rate and on lower wage brackets.

### **1.3 *Macro-economic conditions***

In the early 1990s Lebanon emerged from seventeen years of civil war. The legacy of the war is still apparent in physical infrastructure, politics, civic society and the structure of the economy. The complicated macro-economic conditions now operating in Lebanon resulted from factors that prevailed at the end of the war and which aggravated to some extent the social tensions created by the disastrous effects of the war. In particular, the government's dual strategy of reconstruction and monetary stabilisation has not been able to achieve sufficient economic growth. As a result, social conditions have tended to deteriorate, especially during the sharp slowdown recorded in 1998-1999.

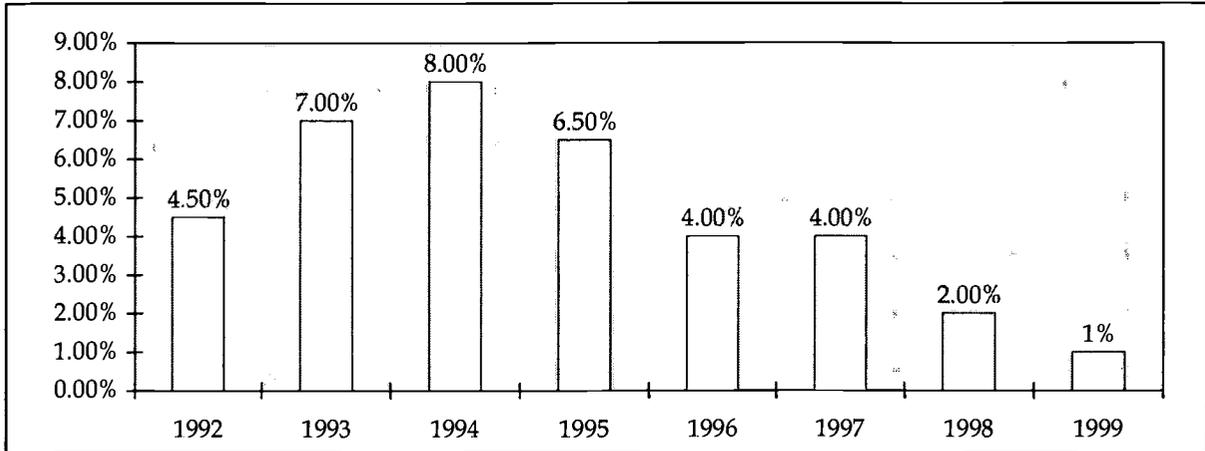
The dilemma facing successive post-war governments in Lebanon has been how to orient investment towards productive sectors and thereby create genuine, sustainable jobs. The biggest obstacle to achieving this has been the amount of financial resource captured by the public sector to finance unproductive expenditure, including wages and debt service, while private investments are deprived of resources. In the short term, the results have been higher unemployment, migration of skilled labour force and the possible collapse of some businesses.

In recent years, Lebanon has suffered from a sharp slowdown in economic growth and a huge increase in public indebtedness (see tables 1.2 and 1.3).

---

26 Maroun Ibrahim (2000). 'La question des classes moyennes au Liban'. Paper to UNDP conference, 'Linking economic growth and social development in Lebanon'.

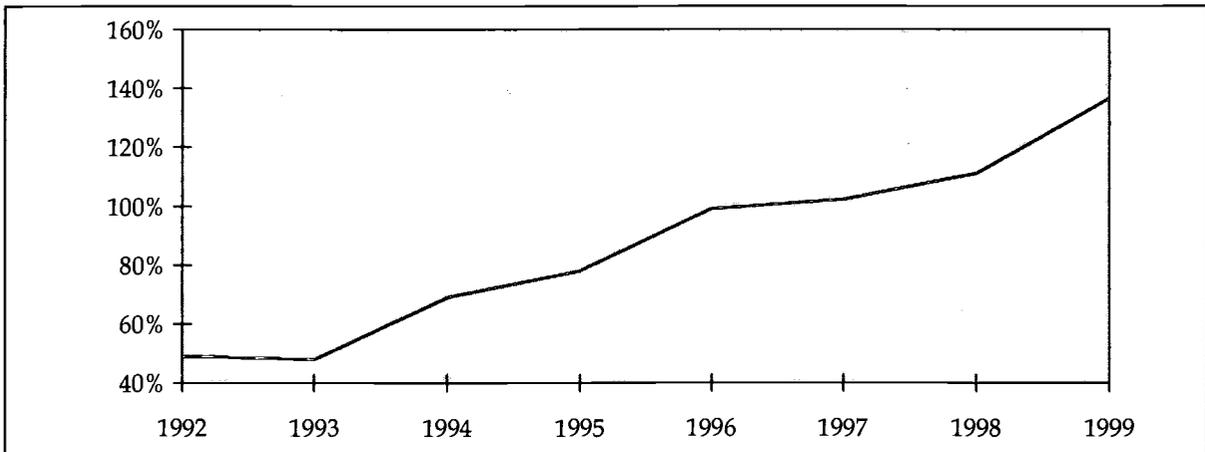
**Table 1.2 Real economic growth, 1992 to 1999**



Several factors have contributed to the slowdown in growth rates. They include the small size of the domestic market, tariff structures and the availability of alternatives to productive investment. Perhaps the most important factor is high domestic production costs, which have hindered the development of private investment and related improvements in economic and employment activity. These high costs of production are manifested in the costs of real estate, energy and interest rates; and in the tariffs of public utilities such as electricity, telecommunications and transport.

As well as a slowdown in the rate of economic growth, the 1990s saw substantial changes in the share of three major income components: interest, wages and profits. The share of the total interest component in the Lebanese economy grew from 10.8% of GDP in 1992 to around 23% in 1998, reaching much higher levels than most middle and high-income economies. This striking growth occurred at the expense of the other components of GDP - wages and profits - which have a more productive effect on employment and job creation.

**Table 1.3 Debt to GDP ratio, 1992 to 1999**



Net public debt has witnessed rapid rates of growth, rising by more than 6 times (from LL 4,650 billion at the end of 1992 to LL 29,873 billion at the end of 1999) and representing around 137% of GDP in 1999. This alarming level of debt needs urgent and effective solutions. The previous government attempted to reduce the cost of the debt by lowering domestic interest rates and shifting a proportion of its debt to lower interest bearing foreign currency borrowing. However, increases in US interest rates hindered this approach and undermined the government's capacity to meet its fiscal targets.

Post-war Lebanese governments have pursued monetary stabilisation policies aimed at curbing inflation rates and regaining confidence in the national currency. These policies, which employed a mechanism of high interest rates and money supply control, were successful in providing the required monetary stability. They resulted in a decline in inflation rates from around 100% in 1992 to less than 1% in 1999. An improvement was also recorded in the annual average exchange rate of the Lebanese pound vs. the \$US, which appreciated by around 40% in the same period.

However, the continuous appreciation of the Lebanese pound against the dollar since 1992 has widened the gap between foreign and domestic costs, favouring imports at the expense of exports. Lebanon's comparative advantage has deteriorated as a result, thus aggravating the economic slowdown and worsening employment conditions. Surging levels of public debt have put an upward pressure on domestic interest rates. This has further discouraged private borrowings for productive investment and has led to the channelling of most domestic savings and foreign capital into high-return government treasury bills.

## ***1.4 Employment, education and social conditions***

The economically active population in Lebanon is estimated at around 1.36 million. In 1997, 53% of males were classed as economically active compared to 15% of females. The female active population represents 22% of the total. However, these figures do not include women employed in the informal sector of the economy. Women are concentrated in education, domestic service, health and social assistance whereas men are concentrated in commercial activities, industry and construction. Women are poorly represented in managerial positions.

The official unemployment rate stands at around 8.5%, although unofficial figures put it at nearer 14%. Half of the unemployed are first-time job seekers. The annual inflow to the labour market is estimated at around 48,000, of whom 20,000 are graduates from university or vocational and technical colleges. The labour market is unable to absorb this rate of new entries. This is especially true in sectors where demand is not matched to supply. For example, the unemployment rate among engineers is currently estimated at around 30% as a result of recession in the construction sector.

Rates of educational achievement have improved considerably over the last three decades. In 1997, 92% of the workforce was classed as literate compared to 70% in 1970. 16% hold a university degree, compared to the 1970 figure of 4%. A higher value is placed on general secondary education leading to university degrees than on vocational and/or professional qualifications. There is a significant private sector in education at all levels: families are prepared to invest a considerable proportion of their income to secure a path for their children through primary and secondary school and on to university.

## **2. *Present situation of SMEs***

### **2.1 *Structure of enterprises***

The Lebanese economy is dominated by micro enterprises and SMEs. This is partly a legacy of the war years, which witnessed fragmentation in social and economic units and an explosion in the number of businesses: there are approximately three times as many enterprises today as compared to thirty years ago, even though in real terms GDP is roughly the same.

The latest statistics reveal the existence of 198,436 enterprises in Lebanon. Almost half of them are located in Beirut and Mount Lebanon. The great majority (96.1%) are classified as micro, small and medium enterprises, i.e., having less than 50 workers. Almost 90% are micro enterprises, i.e. employing less than 5 workers. Micro enterprises account for 88% of employment in Lebanon, SMEs (5 to 49 employees) for 8% and large companies for 4%.

Table 2.1 Geographic distribution of enterprises by size (1996-1997)

Number of workers	Less than 5		5-9		10-19		20-49		50-99		100 and more		N/D		Total	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Beirut	19,979	81.02	2,078	8.43	921	3.73	450	1.82	149	0.60	122	0.49	961	3.90	24,660	100
Suburbs of Beirut	39,713	84.56	3,209	6.83	1,169	2.49	635	1.35	152	0.32	117	0.25	1,969	4.19	46,964	100
Mount Lebanon	62,804	85.81	4,575	6.25	1,672	2.28	868	1.19	228	0.31	193	0.26	2,852	3.90	73,192	100
North Lebanon	40,359	91.12	1,691	3.82	473	1.07	225	0.51	58	0.13	37	0.08	1,451	3.28	44,294	100
Bekaa	24,986	93.21	895	3.34	289	1.08	164	0.61	33	0.12	30	0.11	409	1.53	26,806	100
South Lebanon	17,174	89.40	785	4.09	231	1.20	129	0.67	34	0.18	26	0.14	831	4.33	19,210	100
Nabatieh	9,470	92.17	329	3.20	98	0.95	39	0.38	15	0.15	13	0.13	310	3.02	10,274	100
Lebanon	174,772	88.07	10,353	5.22	3,684	1.86	1,875	0.94	517	0.26	421	0.21	6,814	3.43	198,436	100

Source: Central Administration of Statistics, 1996

Commercial activities account for 24% of GDP, with manufacturing industry accounting for 17%, agriculture 7% and construction 7%. The public sector accounts for 14% of GDP. By far the most rapid growth in the number of enterprises since 1970 has been in the commercial sector, which in 1997 accounted for 54% of all enterprises. The great majority (99%) employ less than 10 workers.

A recent survey suggests there are 22,025 enterprises in the manufacturing sector<sup>27</sup>. 96% of them employ less than 10 workers.

**Table 2.2** *Distribution of enterprises in the industrial sector*

Sector	% of enterprises
Food and beverages	21
Metal products	16
Furniture	11
Non-metallic products	11
Wood products	10
Clothing	10
Leather and tanning	6
Textiles	4
Other	11

Source: Ministry of Industry, *A report on Industry in Lebanon 1998-1999*

### ***Business start-ups and the informal sector***

Information regarding business start-ups in Lebanon is based on two main sources: the commerce register and the General Directorate of Industry. During the year 1999, the commerce register reported the opening of around 4,179 enterprises, a drop of 16% compared to 1998. This drop was a result of the general slowdown in economic growth reported during the same period. Retail was the major area for start-ups, attracting around 21% of newly opened enterprises. Manufacturing enterprises constituted around 12% of start-up businesses, mostly in the food and beverage sector and metal products. The total number of jobs created by start-ups in 1999 was 21,700, a drop of 9% as compared to 1998.

The informal sector in Lebanon accounted for more than 460,000 workers in 1997, around 37% of the total working population. Unskilled workers account for just over half of all workers in the informal sector. A further 25% are found in the commercial sector, 9% in construction and 8% in manufacturing, of which a considerable proportion work in the textile and garments industry. Self-employed professionals, including engineers and health professionals, make up the rest.

---

27 Ministry of Industry (2000). *A Report on Industry in Lebanon, 1998-1999*.

*The Lebanese economy is dominated by micro enterprises, in large measure a result of the fragmentation caused by civil war. It is estimated that as many as 90% of the total number of enterprises are micro-enterprises (1 to 5 employees). They account for 88% of employment in the country.*

*The informal sector accounts for over a third of the working population.*

## 2.2 Policy and regulatory framework

### Policy

Policy for industrial development in Lebanon is the responsibility of the Ministry of Industry. The Ministry of Industry has prepared an action plan for the development of a well-organised and highly competitive industrial sector, through providing the appropriate environment and framework (legal, infrastructure, technology, foreign trade). The implementation of the industrial programme has already started with a close co-ordination between the Ministry of Industry and the private sector.

The Minister for Economy and Trade identified four areas in which the government has developed specific policies to boost the competitiveness of the economy<sup>28</sup>. They are:

- Administrative reform - to improve the transparency, accountability and efficiency of government services in relation to business.
- Fiscal policy - to promote private sector activity by reducing the budget deficit and the burden of debt, continuing the policy of reconstruction throughout the country and accelerating the process of privatisation.
- International trade - to increase exports by making trade agreements with the EU and other Arab countries, adopting international standards and norms and reducing tariff and other barriers to trade.
- Competition - to improve competition in the market by developing anti-trust laws and laws for consumer protection.

The Council for Reconstruction and Development (CDR), set up in 1992 to act as a think tank for the post-war government, plays a major role as coordinator of loans and grants from abroad. The current role of the CDR is to develop a five-year plan, implement and facilitate specific projects on behalf of various ministries and coordinate donor aid.

Concerning SME development, the government has taken some punctual initiatives to support SME access to loans. However, there is no comprehensive policy for SME development. The recently started EU funded Industrial Modernisation Programme is an attempt to support policy development for SME growth.

---

28 Lebanese American University (1999). *Industry Growth Partnerships: Conference Proceedings*.

## ***Regulatory framework***

Political leaders in Lebanon recognise the need for an economic policy environment which enhances productivity and competitiveness. A cross-country comparison published in early 1999 rates the Lebanese environment as overall the most 'market-friendly' in the Middle East. Policies on imports, exports and tax are seen as the most effective in the region. However, policies on internal and foreign investment and business start-ups are among the least effective<sup>29</sup>. A recent survey of Lebanese industrial companies suggests that they are still suffering from inefficiencies in legal and administrative procedures, the high rate of customs duties, labour and social security costs and the cost of essential services<sup>30</sup>. The Association of Lebanese Industries, which represents industrialists from all over the country, views outdated regulations as a major factor increasing the cost of production. Furthermore, it suggests that until these problems are overcome business managers are unlikely to face up to the challenge of growth in a global marketplace.

In Lebanon, private sector companies are registered according to the provisions of the Code of Commerce which details the formation, management, functioning, dissolution and liquidation of companies. They pay a variety of taxes. Profits are subject to corporation tax whose rate varies according to the nature of the company. It is assessed either as a flat or a percentage of profits. Capital gains tax is imposed on the increase in asset value that could result from reassessing the company's fixed assets. A flat rate of 10% is imposed on all income generated from movable capital assets generated in Lebanon. Examples include income received from distributing dividends, profits made in stocks, interest on bonds, treasury bonds, loans and deposits.

Companies are also required to pay social security contributions. Employers should cover the employee's medical allowance and end-of-service indemnities at a contribution rates of 12%, 15% and 8.5% respectively. Employees pay an additional 3% for medical indemnity.

Labour in Lebanon is regulated by law to protect the rights of both the employer and the employee. Hiring is seen as a process between the employer and the employee. Work contracts can be drafted in any way that best suits both parties, provided that their conditions abide by the mandatory legal framework. Either of the two parties can break the work contract any time upon agreement. Unjustified termination of the contract entitles the employee to compensation. The minimum wage is currently set at LL 300,000 per month for 48 working hours per week. The law includes special regulations for hiring and firing women. It also specifies a maximum of 48 working hours per week, except for agricultural activities. Workers are entitled to regular breaks, holidays and sick leave.

---

29 Lebanese American University (1999). *Industry Growth Partnerships: Achieving Lebanon's True Potential*.

30 Ministry of Industry (2000). *A Report on Industry in Lebanon, 1998-1999*.

*The government's policy aims to boost competitiveness through administrative reform, fiscal measures, export promotion and legislation encouraging competition. However, there are no comprehensive policies to support SM growth.*

*Lebanon is a relatively business-friendly environment although investment and business support policies are less effective.*

## 2.3 Future growth

SMEs are seen as the main engine of growth in the economy. Because of their dominance, the responsibility for generating new jobs, income, foreign exchange and tax revenues will fall to an unusual extent on these enterprises. However, the multiplication of businesses and the lack of a substantial presence of large companies in the economy makes this harder to achieve.

The structure of businesses in Lebanon also inhibits growth. Many SMEs are family-owned and provide employment to family members. Few have managers from outside. SME owner-managers tend to have a high level of general education but relatively weak management skills. There is a strong 'trading mentality' among business people and entrepreneurs which favours short-term deals over longer term investments, including investment in human capital. As one informant to this study put it, the attitude to business is: 'You basically open a shop and start selling whatever you can in it'. The idea of looking for assistance at a management level is new or non-existent. This re-enforces the need for sound management practices and skills among business people.

In addition, the very individual nature of these entrepreneurs results in few partnerships and little exchange within or between sectors, thus limiting opportunities for growth through shared costs of research in technology, marketing etc.

Several sectors in Lebanon have been identified as having growth and export potential. The 1999 report for the EU funded Industrial Modernisation Programme includes printing and packaging, food processing, tourism, garment manufacture and light industry<sup>31</sup>. A recent report has also identified the business services cluster as a potential growth area, especially in the region<sup>32</sup>. The cluster includes financial services; business services such as advertising, publishing and human resource development; medical services; and IT, including software and telecommunications.

Prospects for export-led growth are best in the 'new' industries based on IT and telecommunications, including satellite TV companies, internet service providers and mobile telephone operators. Companies in these sectors tend to be started and managed by younger entrepreneurs, often those who studied and worked abroad and have now returned to

31 EU (1999). *Industrial Modernisation Programme in Lebanon*.

32 Lebanese American University (1999). *Industry Growth Partnerships: Achieving Lebanon's True Economic Potential*.

Lebanon. The nature of the industries requires greater flexibility than traditional sectors, and the owner-managers are less bound by traditional attitudes to management. Growth prospects in traditional industries are relatively low, for two reasons. First, the high cost of labour and services make it difficult for them to compete. Second, many of the companies in these sectors are family-owned and do not have growth as a priority.

*SMEs are a key to growth, but constraints in the facilitating environment and the attitudes of owners in family-run businesses are not always conducive. Sectors expecting growth include printing and packaging, food processing, tourism, garment manufacture, light industry and business services (including IT). Export-led growth is likely in the emerging IT and telecommunications industries.*

### **3. Management development support**

#### **3.1 The market**

In Lebanon, the demand for management support among SMEs is weak and the base of companies prepared to invest in training too slender to support a fully-fledged supply side. Awareness of the importance of good management is generally low among SMEs. Successful well-established companies value it and often look abroad for high quality development opportunities for their managers. In general, however, small business owner-managers tend to learn from their own successes and failures and from each other and their suppliers, rather than look for external opportunities to develop their management capabilities. There is little experience of analysing needs. Expectations of what support can achieve are sometimes unrealistic: companies often expect training to provide a 'quick fix'. The concept that business advice should be sought from outside and paid for is not widely accepted.

The demand for management development support for SMEs reflects the cultural environment in which they operate. If demand is low, this partly due to the way business is generally done in Lebanon. Entrepreneurs and owner-managers are more inclined to take the future into their own hands as individuals or families than to look for collective ways of organising in order to achieve economic goals. As one frustrated training provider put it: 'In Lebanon, we need to develop people's taste for management and limit their taste for entrepreneurship'. Low demand also reflects one of the pervasive effects of civil war, which was to delay the development of modern business and management practice for years. As a result there is a general sense of uncertainty about the best routes for developing current practice so that it is able to meet the challenges of a modern economy. There appears to be no established market for managers as professionals, reflected by an interviewee comment "we have a problem in knowing where to recruit managers- from universities, newspapers, by word of mouth or from other organisations".

The supply side is strongly characterised by its lack of structure. Training providers tend to be either individuals operating on their own or micro organisations acting as training 'brokers'. The pool of trainers is small: many of them offer training both on their own and through one or more of the broker companies. Some provide management consultancy as well as training.

Two of the providers who acted as informants to this study described their market as a 'jungle'. One of them described himself as a 'wanderer'. The self-image of trainers operating on their own, without the fixed address and corporate status of a company or institution and with few allegiances other than to themselves, was common. Individual trainers may be loosely connected together in informal networks, but they also see themselves as competing for business. There are no coordinating institutions for trainers. A representative of a leading business association suggested that it was wrong to talk about a training market. He described it instead as a 'free-for-all', going beyond laissez-faire in its lack of rules or regulations.

One trainer commented on the lack of a focal point for developing the market and rather hopefully suggested that the role might best be filled by a semi-independent agency operating at a distance from the government but backed by it. Most other trainers denied that the government had any valid role at all.

*Demand for management development support is fairly weak, reflecting the attitudes of many SME owners and the business culture of the country. While there is a strong culture of entrepreneurship, there is low awareness of the importance of good management.*

*The supply side is fragmented and unstructured. Training providers are often individuals or micro organisations that act as brokers.*

### 3.2 The supply of training

#### *Training providers*

Annex 3 provides a list of the training providers consulted for the research.

*Management development support in Lebanon is a nascent industry, prevented from maturing quickly by the cultural and business environment. Most of the training is delivered by individuals working on their own or on behalf of training brokers. There are very few well-established training companies. In one case, a group of trainers who have worked together since the early 1990s has recently incorporated itself as a partnership in order to gain better access to the market and to offer a product with some guarantees of quality and consistency. Universities provide some management training, but mainly to larger companies.*

Few training providers target their training specifically to SMEs. Fewer still are specialists in a specific sector. Most providers target practising managers for short courses. Some also provide longer courses, often leading to a diploma or other qualification, for new graduates. Several provide training in the regional market, including Jordan, Kuwait and Saudi, a strategy to overcome the limits of the local market.

### **Case study - generic management training**

Sidani & Co. is a long-established firm of accountants and business consultants in Beirut. The company has a sister training centre which provides vocational training to 200 or so young people under the age of 25 each year in secretarial education, book-keeping, languages, computers and ticketing. In 1993 the company started running management training courses, mainly for its clients (financial institutions and airlines) but also for managers from SMEs.

Management training courses are supervised by the centre's coordinator of training, who also acts as a freelance trainer for two other training companies in Beirut. Courses introduce managers to generic management skills, although they also attempt to tackle some of the immediate problems delegates face in managing their own businesses. They include a blend of theory and practice: case studies, workshops and discussions provide two-thirds of the input, with the remaining third consisting of traditional lectures. There is no external accreditation of the courses or of delegates' work.

The director originally planned to open a small dedicated management training centre in 2001 with three or four part-time staff. He believes that managers from SMEs will be attracted by 'the right package at the right price' - which in effect means subsidised training. Because of insufficient local demand, clients for the new centre were to be sought from other countries in the region as well as from Lebanese companies. Because of the prevailing situation in Lebanon, the plan had to be put on hold for the coming future.

However, there are some providers with a genuine specialism. These providers are able to target their product to a particular market niche by deploying professionals with a track record in the relevant industry as trainers. They also tend to offer a complementary mix of training and consultancy, which can give them both a competitive edge and greater sustainability in times of recession.

Training providers are not always willing or able to provide management training in Arabic. They prefer to train in English or French. There are two reasons for this. First, some providers say it is hard to find trainers able to translate modern management concepts into Arabic. Second, there is still a tendency among businesses to value training more highly if it is linked with foreign trainers or institutions.

### Case study - single sector training

BECCO is a small business offering training and consultancy in project management to the construction industry in Lebanon. The company was started in 1995 by the current managing director, a qualified and experienced engineer, to improve the quality of project management in the industry. There are five full-time staff.

Most of the training is delivered in-house to staff of construction companies and subcontractors. It consists of a series of short, three-hour training sessions on specific topics. The sessions are delivered by practising engineers, who have at least eight years' experience in their discipline. Classes are restricted to a maximum of ten or twelve participants. The training style is participatory and interactive, with most of the content based on projects and simulations. After the training sessions, participants are entitled to a free follow-up service to help them complete their assignments.

Training is seen as complementary to consultancy, and said to be sought usually as a 'growth consultation' for larger contracts. Some of the trainers also work as consultants, helping the construction companies to develop the management systems they need to handle large projects successfully. Since 1998, when construction activity started to decline in Lebanon, training has gradually become more important and now generates 30 - 40% of the company's revenues. Developments now in the pipeline include a move to web-based products and services, exploiting the existing archive of training materials; and a planned expansion into the regional market.

BECCO's managing director sees the company as primarily a provider of expertise rather than training. Training, in his view, is just one way of organising output - the application of skills and experience to project management. He sees the success of the company as based on three main factors: being close to their customers, adopting active marketing, and providing high levels of quality in both products and services.

*Management training is mostly provided by freelance trainers and is generic rather than targeted at the needs of SMEs. There are very few training provider companies. Universities provide mostly courses for large companies. It can still be considered as a nascent industry. Culture and business environment prevent it from maturing.*

*A small number offer specialist management training in a particular sector. The formula of training combined with coaching or consultancy appears to increase possibilities of success. The option of exporting training to other countries in the regions is taken by some training providers to overcome the limitations of the local market.*

## ***Training content and methods***

The content of management training in Lebanon mostly falls into one of four categories.

- ➔ The first category is generic management, typically offered in scheduled training courses open to individuals and companies willing to pay for them. A subset of this category is similar generic courses offered in-house to a single company.
- ➔ A second category is highly specialised training, e.g. in project management for construction engineers or production management for factory managers in the agro-food industry.
- ➔ A third category, usually donor funded, is training related to quality management systems such as the ISO 9000 series, environmental issues such as waste management, or food control regulations.
- ➔ A fourth category is closer to awareness-raising than training, introducing mainly US-inspired management techniques and 'solutions'. This is usually delivered in seminars or short, three-hour training sessions.

In general, trainers in Lebanon are aware of the importance of training skills. The skills specifically mentioned by informants to this study ranged from course design and development of course materials to facilitation and consultancy skills. Trainers themselves rated qualities such as charisma and communication skills as highly as training skills. Training of trainers was mentioned several times as an area for further development.

Most trainers were aware that management training should be practical and based largely on exposure to real or simulated situations. One training manager spoke of the need to build interaction between training and business realities into the structure of the course in order to help managers interpret and understand their own experiences. Another trainer, who had experience of working across the region and internationally, has developed an approach to training based on competence and personal/attitude development. One newly-established training partnership described their offer as a continuum, ranging from off-the-shelf courses at one end to continuous task-related business support – likened to an escort service – at the other. Courses were often scheduled in the late afternoon and evening to cater for managers after work.

Despite their awareness of the necessary links between training and business issues, few training providers differentiated between the needs of small, medium-sized and micro enterprises. One training provider commented that there is no such thing as a tailored training programme for SME managers in Lebanon. At the most, courses may include a small amount of cultural and/or linguistic modification to make them more attractive to SMEs. Only one of the providers which completed the questionnaire said that they carried out market surveys to assess the requirements of firms and tailor their support accordingly. A few providers try to group managers within training sessions depending on the topic of the session or the potential need of the organisation.

Training providers pay little attention to quality assurance. Feedback may be obtained from participants but this is rarely used in a critical fashion to identify areas for improvement. The great majority of training courses are not accredited by external bodies. Certificates of attendance may be awarded by the training provider.

*Trainers are aware of the need to address the immediate concerns of SME managers. However, modification of generic courses to make them more suitable for SMEs is usually superficial. Little attention is paid to quality assurance or improvement.*

### ***The role of intermediaries***

Annex 4 includes a list of intermediary institutions in Lebanon.

In general, SMEs in Lebanon are not oriented towards management development. Intermediaries have an important potential role in creating awareness of the importance of good management and the need for businesses to develop their managerial capabilities.

Several informants to this study pointed to cultural and historical characteristics which may constrain intermediaries from carrying out this role effectively. The individualistic nature of the people is one example of a cultural characteristic strengthened by the effect of civil war. Lebanese business people today tend to be entrepreneurial as individuals rather than in partnership with their employees or each other. Association is seen as valuable for what an individual entrepreneur or company gets out of it rather than as a means of cooperating for the common good. A keynote speaker at a recent conference on achieving Lebanon's true economic potential noted that Lebanese people today descend from 'a long line of ancestors who were daring, innovative and inventive'. But he also made the point that people need to be retrained 'in the principle that the common good supersedes the individual good'. One of the trainers interviewed for this study commented on the individualistic nature and lack of team spirit commonly displayed by Lebanese entrepreneurs. He also suggested that it made them less likely to see the importance of patterns such as globalisation which require greater not less cooperation. In his experience, institutions are a great deal less relevant than individuals.

Most of the business associations in Lebanon are more like clubs than true associations and are not product or service oriented. They are not publicly subsidised and rely largely on subscriptions for their income. By and large they have few resources. Companies join for political reasons rather than because they expect a range of business services. Few associations are active in training or other member services, although they may see the need for management development and may even provide elements of the infrastructure required.

Intermediaries in Lebanon - business associations, NGOs and other agencies - receive little support from the government or donor programmes to help them develop their support for managers in SMEs. In general, capacity building measures to develop sound organisational frameworks and a human resource base in intermediary organisations are rare.

The Lebanese Chambers are semi-public bodies and are in a similar position to the associations, having few resources to dedicate to management development services. They rely on voluntary membership income for revenue, and unlike some neighbouring countries have until now not received donor support for capacity building. The Chambers demonstrate an interest to participate in donor funded projects. An example is the *recent project in the framework of the EUMEDIS programme, MedBusNet for SMEs*, for which the Beirut Chamber, IFA, recently signed an agreement with several EU and 10 Med country Chambers for research to study the role of training and partnerships. However, the different structure of the Lebanese Chamber in relation to Chambers in the EU and most other Med region countries and lack of funds to attend meetings are hindering participation.

### Case study – business association supporting training

The Institut de Formation par Alternance Franco-Libanais (IFA) was founded in 1995 as a partnership between the Chamber of Commerce in Beirut and the Chambre de Commerce et d'Industrie de Versailles in France. IFA currently has 3 full time members of staff and offers two services: a two-year training programme to diploma level for individuals and a series of short training courses for managers in companies. These short courses consist of 12 sessions of three hours each. They are offered in five 'blocks' of modules: sales and marketing, strategic management, general management, human resources and financial management. In order to respect quality criteria the centre uses foreign trainers, thus income from courses merely ensures cost coverage, which is not perceived to be sustainable in the long term. Lack of public funding and limited revenue from voluntary membership does not allow for subsidised courses to be offered.

Although IFA was created originally on the French model, it soon became clear that the business culture in Lebanon was significantly different from that of France. These cultural factors have an important impact on the market for management training. Most Lebanese companies are family-owned and do not have a tradition of training. Owner-managers are generally well-educated but tend not to have specific vocational or management skills. As a result, many SME owner-managers do not view the training offered by IFA as relevant to their needs: currently only 20% of participants on short courses are managers in SMEs.

IFA's response is a three-year plan to orient their services more towards business development than training. Services planned for introduction include a documentation and information base, company promotion services and training in the use of technology tools such as electronic data interchange. New training courses on business planning and feasibility studies are being developed for entrepreneurs and SME managers. IFA intends to establish partnerships with universities, consulting companies and syndicates for relevant research and training and to create a training group with other Chambers across Lebanon, in order to respond to different needs but with a uniform pedagogical approach.

Few of the *sectoral associations* currently provides any training for their members, although some provide seminars. Some of the more active sectoral associations, such as the Food Industry Association, are energetic lobbyists with government to reform the regulatory framework and improve the quality and relevance of vocational training.

### Case study – a route to training

The Food Industry Association is one of the more active associations in Lebanon, with two permanent, full-time members of staff. The association offers three main services to members: lobbying, responding to specific queries and promoting the industry through exhibitions and trade fairs. Funding from the UN and USAID has enabled the association to investigate the competitiveness of the Lebanese food industry and look strategically at its prospects, however limited resources prevent further expansion of services. In recent months, the association has been working closely with the ministry of education to set up a specialised technical school.

Autumn 2000 sees the launch of a new training programme to improve high level technical and managerial skills. The programme is a cooperative venture between three Lebanese universities and the Institut National Agronomique in France. Open to a small number of practising professionals, the course leads to a diploma in quality assurance in food production. Three months of theoretical instruction are complemented by a six-month process of work-related research carried out in Lebanon and/or abroad. In addition to a broad range of technical topics, the course also covers production management techniques.

Sectoral associations in industries such as pharmaceuticals or packaging have little or no concept of providing benchmarks enabling them to measure their performance in relation to their competitors in other countries. Attempts by USAID to establish a regional business services strategy have not yet been fruitful.

One training provider, with experience internationally as well as in the region, suggested that business associations should not be encouraged to take on the role of business advisors in their own right. Instead, they should try to position themselves at the centre of various networks of businesses. These networks could include sectoral groups or groupings of like-minded individuals. From this position at the centre they could provide information, lobby the government and facilitate the supply of business to business services (including training) by the private sector.

### Case study – lobbying and business promotion

The **Association of Lebanese Industrialists (ALI)** gathers together business leaders from all the regions of the country. Its main aim is to help the development of an environment favourable to investment and growth. The Association has 14 specialist committees providing advice on different aspects of industrial policy. It also has two councils representing regional industrial assemblies and sectoral syndicates; and a specialised export promotion council.

As a lobbying organisation, ALI claims some success in changing the regulatory framework. But it admits there is still a lot to do, notably in pressing the government to cut the amount of red tape, reduce the cost of fuel and electricity, cut customs duties and provide better long-term financing for SMEs.

As a provider of services to members, the Association encourages members to adopt modern management methods through conferences and seminars, dealing with topics such as quality and new product development. It is now focusing on export promotion. A new centre providing advisory and business services, including training, is soon to open in the port area of Beirut. The centre will promote joint ventures and exchanges between Lebanese and foreign companies, e.g. through sub-contracting. Some of the staff at the centre will be professional trainers.

*The potential role of intermediaries in supporting management development is constrained by cultural attitudes and a lack of resources (most of them have voluntary membership). Historically, business and sectoral associations have not been involved in providing management support. . However, their role in signposting SMEs to service providers is potentially fruitful. Intermediaries are given little assistance to develop their capacity to support management development in SMEs.*

### *Intermediary and consumer viewpoints*

Intermediary organisations shared the view that there is no control of the training market in Lebanon and there tends to be a certain degree of improvisation by providers. Although Intermediaries recognise their potential role in transmitting information to, or signposting, SME members, they experience the lack of quality criteria or minimum standards for trainers and managers as a barrier to developing such services. One recipient observed that 'there is a lack of sophisticated training for up to date businessmen'.

One micro-finance institution commented that they were unable to find local capacity for designing or delivering management training programmes to their own staff, particularly in Arabic, although they were aware that training and support were available to institutions in other countries in the region through donor programmes.

It was suggested that Lebanese context does not promote management development, as it is not obligatory to provide continuing training for employees and no legal basis exists to

encourage such a policy. One organisation mentioned that when member companies were asked if they were willing to train staff, a negative response was given based on several factors: the greater risk of staff leaving once trained; the company itself not having great opportunity for development, and the preference for short term vision in the post-war context.

This study did not attempt to canvas systematically the views of owners and managers in SMEs. However, several recipients - and potential recipients - of management development support were interviewed. Most of them shared the views expressed by intermediaries that it was not easy to find training of a sufficiently high quality.

### Case study - a growth business

The IT sector in Lebanon is widely seen as having real potential for growth, both in the domestic market and internationally. Logos is one of the companies which bears out this assumption. It started ten years ago as a distributor for Oracle products in Lebanon and the region employing five people. The company had 23 employees at the start of the year 2000, 31 by the end and expects to employ 45 before the end of 2001. The company grew through working capital in the first two years, now having a bank credit facility, and did not experience lack of money or access to credit as inhibitory problems to growth. There are two main activities: licensing products and providing back-up training and support, and software development.

Last year, the company was restructured to support growth. To help with the restructuring, the managing director employed a management consultant to provide expertise in strategic planning and map the company's growth path as an IT service provider. Five divisions were introduced, with a manager in each. The five managers, who have a substantial amount of delegated authority, are all highly qualified graduates with appropriate technical qualifications and experience. One also has a masters in business administration (MBA).

Until now, none of the management team has received any management training. The MD now sees this as a priority, especially in project management and sales management. The difficulty is in finding training of a sufficient quality. Proposals made so far by local training providers have been too generic and theoretical and specific enough to the software industry for them to be valuable. For a company which has recruited human capital and is prepared to invest in its human resources, the lack of appropriate management training is a potential limiting factor to its growth prospects.

*Both intermediaries and SMEs themselves share a concern about the lack of availability of high quality management training opportunities. The lack of sophisticated training tailored to specific sectors, in particular for dynamic companies wishing to invest in management development, is a potential limiting factor to growth. Main obstacles for training are the perceived risk of losing staff once they are better trained and the short term view.*

### Case study - sustainable support ?

In 1996, the United Nations Development Fund for Women (UNIFEM) set up a project to strengthen the contribution of women to the Lebanese economy and society. The main aim of the project was to integrate entrepreneurship development within the activities of existing women's groups. Business units were formed in twelve areas, hosted by community development centres funded by the Ministry of Social Affairs. The units provide training courses, one to one business counselling and links to credit providers. They are also a forum for women to share their experiences. To date, 1,700 women have received training in how to start their own businesses.

Now that funding for the project is coming to an end, the project workers are looking closely at what the lessons of the project are. Four main lessons have emerged. First, there are still not enough skilled and experienced trainers to support start-up businesses. The job is labour intensive and there is a high 'burn-out' rate among trainers. Second, the ratio of entrepreneurs to trainers should be increased to at least 30:1. This would enable a more cost-effective service to be provided. Third, the courses themselves should be made shorter and less trainer-dependent. Fourth, training materials should be designed together with participants, to ensure the right level of understanding and complexity, and should give greater importance to building self-confidence through practical 'learning-by-doing'.

Workers are also looking at how the achievements of the project can be built on in future. One way of building on what the project has already achieved is to form a 'credit coalition', encouraging micro-credit providers and business counselling units to work more closely together. At the moment, UNIFEM is the 'glue' between them, providing joint training and awareness-raising sessions. It is still not clear what will happen to the idea of a coalition when the project ends. Another idea which the project workers are looking at is to introduce different models for supporting family businesses through management development.

## 3.3 Examples of support

### *Support for micro enterprises*

Support to entrepreneurs is focused on the provision of credit. Historically, micro, small and medium-sized enterprises in Lebanon have had limited access to credit facilities. Just over 1% of micro enterprises and SMEs have access to short-term loans, while just under 1% have access to long-term sources of funds. By contrast, around 21% of large industrial establishments have access to short-term loans and 22% can access long-term credits.

With the growing realisation of the role of the micro-sector in the economy, financial services for this sector are expanding. Micro-finance providers can be grouped into two main sectors: formal and semi-formal. The formal sector includes commercial banks, non-bank financial institutions and public development banks. The government has recently started a new guarantee scheme to help SMEs access loans up to \$66,000. In the semi-formal sector, non-governmental organisations (NGOs) are the main creditors to micro and small businesses. According to NGOs, micro-lending is the key to improving living standards and

reducing poverty. Their programmes target either self-employed individuals or micro enterprises, usually employing family members.

There are currently around 20 NGOs engaged in micro-credit programmes in Lebanon. With some exceptions, they have few resources and are structurally weak. Many suffer from a lack of institutional stability manifested in the frequent changes of directors. Sustainability is an issue for providers of non-financial services, including training. Most of these providers think it is impossible to provide such support without continuing subsidies. They also point to the added value which comes from projects experimenting with innovative approaches to the provision of support. If a lack of funding means it is not possible to institutionalise some of the more successful approaches, there should at least be a structured forum for projects to disseminate the experience gained.

Most of the micro-credit providers still have to prove their sustainability: currently only one of the six main providers in Lebanon is near break-even.

### **Case study - micro finance for micro and small enterprises**

Al-Majmoua is an NGO which specialises in lending to micro and small enterprises. It began in 1998 out of a pilot project with Save the Children. Today the organisation has 40 staff and operates in urban areas across the country. It currently has 3,000 clients and there are ambitious plans to expand this number to 10,000 by opening new branches and offering a wider range of products. The business covered 80% of its costs in the last financial year and aims to be fully sustainable in the near future.

In the past, the main focus has been on lending to micro enterprises run by women. Now it is lending more to small businesses. The reason for this change in focus is purely demand-driven. Small businesses need finance to help them survive and grow and the organisation's ideological principles do not constrain them from lending to this group. But they do see risks. Currently default and delinquency rates are very low. Lending to larger business units - though most of them will still employ less than 10 people - is likely to bring problems of low profitability and poor management which may in turn affect repayment rates.

Training in business skills is seen as essential. But at the moment, Al-Majmoua has no close links with training providers and does not refer its clients on to them. Part of the reason for this reticence is anxiety about the quality of training available locally. In fact, the organisation itself has recently recruited a training provider from another country in the region to meet its own management training needs.

A minority of private training providers offers places on courses for entrepreneurs planning to start their own business. However, these courses are primarily aimed at managers in existing businesses. Most providers specifically excluded start-ups from their target group. Many providers claimed to have trainers with experience of running a business. Very few claimed that their trainers had direct personal expertise in business start-ups.

*Support to individual entrepreneurs and micro enterprises is focused on credit or business start-up centre services. Access to micro-credit has grown along with the number of NGOs offering this service. Until now, few micro-finance institutions or business start-up centres have demonstrated sustainability.*

### **Support for SMEs**

There is very little dedicated support for SME managers in Lebanon. In theory, many of the courses run by training providers include SMEs in their target group. In practice, relatively few SME managers attend these courses.

One informant to this study suggested that the market for management development support should be developed by going 'beyond training' to a broader concept of business services. Three possible areas for development of this broader concept were suggested. The first was to encourage networking by entrepreneurs: building bridges which allowed entrepreneurs to exchange experiences was seen as a culturally viable way of helping them to help themselves.

The second suggestion for development was to bring in sector expertise, providing specific targeted assistance to groups of companies in the same sector, e.g. in marketing or management techniques. The third was to bring together managers from SMEs in cross-sector groups to investigate ways of promoting growth, e.g. through the use of e-commerce.

As mentioned before, the EU Industrial Modernisation Programme is targeted to support the SME sector at different levels: support for SME policy development, support for capacity building for business support service institutions and support for development of SME growth companies in specific sectors and industrial clusters.

*There is very little management development support dedicated to SMEs. To overcome lack of awareness and cultural barriers, training providers should offer services based on networking and other forms of association.*

## **4. The impact of donors**

Most foreign donor activity in Lebanon is directed towards providing support to entrepreneurs and micro enterprises. The main impact of donor programmes on management development support to SMEs is to prop up the supply side through subsidies. Management training is expensive in relation to the purchasing power of individuals and SMEs. The cost of courses ranges from \$100 to \$400 per day depending on the amount of subsidy. Training providers and intermediaries both agree that the current level of supply in Lebanon would be

unsustainable without continuing subsidies from donors. However, there are a few examples of training which is genuinely sustainable because it has developed a specific market niche.

A coherent approach to sustainable industrial development is apparent in the work of some donors. For example, the United Nations Industrial Development Organisation (UNIDO) has recently launched an integrated programme to enhance the competitiveness of Lebanese industry in the global market. The programme includes support for policy implementation in consumer protection and improvements in industrial statistics; sectoral benchmarking; and the introduction of modern business practices and entrepreneurship development, especially for women.

Other donor organisations are wary of trying to go too far, too fast. An indication of the cumulative impact of the market characteristics described in section 3.1 is the decision by a major donor not to go ahead with a planned project to develop an integrated business service model. The plan envisaged a blend of project work with companies, consultancy and coaching. Although work on methods and staffing was going well, a decision was made to pull the plug on the project on the grounds that the market was judged to be unready for such an initiative.

Cases of donor intervention in the past have positively influenced current skills in specific sectors and related training/development provision. The construction sector was mentioned as one such case, where EU support enabled foreign project management experts to help organise government contracts during the 10 year construction boom and was considered to have been instrumental in the knowledge upgrade, by introducing and implementing modern techniques.

*The main impact of donors on management development support is to subsidise training. Few donor programmes have developed a coherent approach to supporting growth in SMEs through management development.*

*UNIDO and EU programmes are, among others, supporting policy development for SMEs.*

## **5. Conclusions**

Conclusions are given in the form of the main opportunities and constraints in relation to the present situation of SMEs in Lebanon, the management development support available to them and the impact of donors on the provision of such support. References to relevant recommendations in Section 6 are given in brackets.

## **5.1 Socio economic context and present situation of SMEs**

### ***Opportunities***

Lebanon enjoys a liberal economy that provides, in general, a good environment for the private sector to operate and compete. Some sectors of industry have the potential to expand their exports. Successive governments in the post-war period have shown an interest in developing SMEs through various programmes (6.1.1; 6.1.3; 6.3.2).

The country has a rich store of qualified human resources. Although there is a mismatch between supply and demand, Lebanon is in a good position to maximise the benefits from the relatively high proportion of the population with a high level of education. Many Lebanese people have strong entrepreneurial instincts. Lebanese working abroad provide a potentially rich source of business contacts (6.2.2; 6.3.1).

The banking system in Lebanon is flourishing and could assist SMEs by enabling more investment in the productive sector. The government has taken some practical steps motivating the banking system to enlarge its lending schemes. Banks are currently introducing schemes targeting mainly small businesses (6.1.2).

### ***Constraints***

Macro-economic conditions in Lebanon do not encourage SMEs to flourish and contribute efficiently to the economy. The government's monetary and fiscal policies hinder the fruitful use of resources in productive investment. Interventionist policies such as import protection have failed to produce a competitive SME sector. SMEs also face the constraints of obsolete regulations and administrative inefficiency which make starting and running a business more difficult than it should be. However, a more favourable policy environment and a less restrictive regulatory framework may help SMEs in the long run to compete more effectively (6.1.1).

The SME sector is fragmented. Individual companies do not have the resources to develop new products and open up new markets. There is little opportunity for them to absorb know-how from larger firms due to the absence of supply chains and sectoral networks. They also lack access to new technologies and improved management techniques. The quality of production does not reach international standards and many firms are unable to compete in export markets. The domestic market is too small to support competitive activities in some industries (6.3.2).

Along with larger companies, SMEs face shortages in skilled labour in some occupations. This shortage is made worse by the growing migration of skilled labour and university graduates (6.3.1).

Access to finance and credit services is poor. Many SMEs do not satisfy the criteria of informal lending schemes or the formal banking sector. Infrastructure is inadequate in some areas outside Beirut and its suburbs. Prices of essential services such as electricity and telecommunications are too high (6.1.2).

## **5.2 Management development support**

### ***Opportunities***

The number of trainers in Lebanon may be small but they are generally resourceful and resilient. Trainers are aware of the importance of training skills and recognise the value of improving their skills through trainer training and exposure to new training methods and technologies. They understand that training for SME managers should be practical and immediately relevant to their businesses (6.2.1; 6.2.2).

In the longer term, the 'pool' of trainers in Lebanon could provide a basis for the development of a stronger training community willing to raise the standards of training and able to operate throughout the region (6.4.1; 6.4.3).

### ***Constraints***

Demand for management development support among SMEs is weak. Awareness of the benefits to the company's performance is low. Only a small proportion of companies is prepared to invest in training or other forms of support. Business associations do not actively promote training to their members (6.3.1; 6.3.2; 6.3.3; 6.3.4).

The supply side lacks organisation. Trainers work mainly as individuals although some have formed loose networks. There are very few well-established training companies. Most of them are brokers. They have not developed distinctive or systematic approaches to training (6.2.3; 6.4.2).

Management training is not targeted to SMEs. Most of the training courses in the market are generic although there is some specialised training, e.g. in project management for the construction industry. Training providers rarely assess the training needs of SMEs separately from the needs of larger companies. There is little differentiation in the type of training offered to managers in SMEs (6.2.2).

## 5.3 *Impact of donors*

### *Opportunities*

Donors actively support the development of an effective management culture in Lebanon. Support is mainly provided through subsidised training (6.2.1; 6.2.3). More recently donors start supporting policy development for SMEs.

### *Constraints*

Donors are wary of extending their support until the market for management development in SMEs is more stable. This will require greater awareness of the need for development on the demand side and a more coherent approach to training and business support on the supply side (6.3.1; 6.3.2; 6.4.2).

## 6. *Recommendations*

These recommendations build on the conclusions presented in section 5 above. Since one recommendation can be an action point for different stakeholders, they are presented in themes.

*N.B. The recommendations listed below could be taken into account for the design of donor programmes.*

### 6.1 *Policies supporting the growth of SMEs*

6.1.1 Conditions which continue to have an adverse impact on the start-up and growth of SMEs should be identified and addressed by specific policies and implementation plans. Possible areas where such policies and plans may be needed are:

- Outdated regulations;
- Legal and administrative procedures;
- Costs of essential services;
- Tariffs and other trade barriers.

6.1.2 Access for SMEs to financial and non-financial services should be improved. Measures which could be taken include:

- Improving the facilities for SMEs to access short- and long-term credit;

- Providing owners and managers in SMEs with a clearer focal point for business advice and support;
  - Giving SMEs financial incentives such as tax breaks, to encourage them to train their managers.
- 6.1.3 Statistics should be produced making it possible to measure the success rates of SMEs in different industry sectors.

## **6.2 *Capacity building for training providers***

- 6.2.1 Training providers should improve their capability in some or all of the following areas, so they are better able to support growing SMEs:
- Identifying the current needs of individual companies and managers;
  - Involving owners and managers of SMEs in the design of courses;
  - Combining training, coaching and consultancy in a single package.
- 6.2.2 The design and delivery of training should be targeted more carefully at entrepreneurs and managers in SMEs. Providers should:
- Group participants more sensitively according to their level of knowledge and experience and the stages of growth of their companies;
  - Tailor generic programmes more systematically to the needs of individual firms or coherent groupings;
  - Provide specialised courses for sectors or sub-sectors, e.g. on production standards and uses of technology;
  - Develop courses aimed at family-run businesses, focusing on key issues of growth such as decision-making, delegation and team-building.
- 6.2.3 Training providers which currently focus on training for specific occupations or sectors should be encouraged to identify opportunities to provide training to owners and managers of SMEs, or to set up partnerships with other providers able to offer such a service.

## **6.3 *Strengthening the role of intermediaries***

- 6.3.1 The benefits of good management should be promoted more vigorously. Intermediaries should:

- Audit their current services to identify opportunities for promoting good management to owners and managers in SMEs and making them more aware of the benefits of management development;
  - Consider how to improve and extend their 'visibility' to SMEs and the relevance of the services they offer to SMEs;
  - Encourage university graduates to view management as a fruitful career path.
- 6.3.2 Rather than providing management development support themselves, business associations should position themselves at the centre of existing and emerging networks of businesses from where they can help SMEs to access appropriate services. Examples of such potential networks include:
- Sectoral groupings, e.g. IT, tourism, printing and packaging, business services;
  - Groups of like-minded individuals such as those with an interest in exploiting the marketing potential of e-commerce, collaborating on market research and identifying new markets;
  - Companies with strong export potential;
  - Supply chains, especially those where quality standards are essential to value-added products.
- 6.3.3 Intermediaries should enable their staff to offer an effective advice and guidance service to SME managers, by building their skills and knowledge in areas such as:
- Training needs analysis;
  - Human resource development practices, including employee relations and labour law;
  - Identifying appropriate management development opportunities from a range of suppliers.
- 6.3.4 Cross-sector training programmes should be developed to exploit the potential of innovation to stimulate growth in SMEs, e.g. through the introduction of IT in business systems and the use of e-commerce.

## **6.4 *Developing quality standards***

- 6.4.1 Effective quality assurance mechanisms should be developed to allow training providers, intermediaries and consumers to identify effective training courses and identify areas for improvement. These mechanisms should be based on clear standards and quality criteria for training.

6.4.2 SME support programmes should aim to encourage greater coherence and sustainability on the supply side. Possible ways of doing this include:

- Encouraging individual freelance trainers to develop joint programmes;
- Offering incentives to training companies or partnerships which invest in developing new approaches to training entrepreneurs and managers in SMEs;
- Developing a professional approach to management training, e.g. through the establishment of a professional body.

6.4.3 A structured forum should be set up in which agencies providing support to micro enterprises and SMEs can disseminate the experience gained and share any lessons learned. This could form a basis for cooperative actions to meet the needs of SMEs at various stages in their growth.

## ***Annex 1: Summary of main donor projects***

### ***EU - Industrial Modernisation Programme (IMP)***

The Industrial Modernisation Programme will create a hands-on business advisory service and will provide technical assistance to companies in the target sectors and in other areas of the manufacturing industry. A core team of resident experts, based at the European Centre for Industrial Modernisation (to be set up at the start of the programme) will act as the PMU (Programme Management Unit). The programme will further provide an arena where the public sector and the private sector can develop experience in working together on initiatives designed to promote the strengthening of Lebanese manufacturing enterprises. Moreover, IMP will reinforce the capacity of SME support institutions and assist in the design of a coherent and effective SME policy in Lebanon.

The specific objectives of the project are:

1. To improve the performance of manufacturing companies, particularly in the target sectors, through network building and access to advanced technology, through improving the quality of products and management techniques, and through better knowledge of markets and information;
2. To open new domestic and export niches;
3. To facilitate access to long term financing and capital investment;
4. To develop partnerships with EU companies;
5. To develop the skills of specialised business support services and business support organisations, including industrial zones;
6. To improve the business environment and enterprise policy.

### ***UNIFEM (see also page 21 of the report)***

In 1996, the United Nations Development Fund for Women (UNIFEM) set up a project to strengthen the contribution of women to the Lebanese economy and society. The main aim of the project was to integrate entrepreneurship development within the activities of existing women's groups. Business units were formed in twelve areas, hosted by community development centres funded by the Ministry of Social Affairs. The units provide training courses, one to one business counselling and links to credit providers. They are also a forum for women to share their experiences. To date, 1,700 women have received training in how to start their own businesses.

## ***EIB Industrial Loan (30 Million Euro)***

The EIB loan amounting to 30 million Euro is aiming at promoting investment in small and medium industrial enterprises. The loan duration is 10 years with 2-year grace period and average interest rate of 4-6% (on Euro). The Central Bank is managing the loan and credits are channelled via Lebanese commercial banks. The loan consists of financing 50% of the industrial projects, with a floor of 50,000 Euro, and ceiling of 2 million Euro. The use of the loan could be establishing a new enterprise, expanding and rehabilitation of existing enterprises and acquiring new equipment and assets.

## Annex 2: List of contacts

Organization	Contact person
European Commission Delegation	<i>Mr. Ficarelli, First Secretary</i>
Ministry of Economy/ Ministry of Industry	<i>Dr. Nasser Elsaidi, Minister Ms. Hala Yared, Assistant to Minister</i>
Council of Development and Reconstruction, Programmes Division	<i>Ms. Jihan Haidar Ms. Samia De clerck</i>
Investment Development Authority of Lebanon	<i>Mr. Kamal Hayek, Chairman and General Director</i>
UNIDO	<i>Giuseppe Pappulli</i>
UNIFEM	<i>Ms. Randa El Husseini, Programme Manager Mr. Eduardo Canela, Trainer</i>
UN- ESCWA (Economic and Social Commission for Western Asia)	<i>Dr. Antoine Mansour, Chief Trade and Finance Section, responsible for SME programmes</i>
NBTS (training provider)	<i>Dr. Naji Bejjani, Management consultant and trainer</i>
The Lebanese American University - The Center for Sponsored Research and Development	<i>Dr. Georges Nicolas, Executive Director</i>
Young Urban Professionals (Training provider)	<i>Mr. Marc Asmar, Managing partner</i>
Pigier (Training provider)	<i>Mr. Toufic Tasso, General Manager</i>
Becco (Training provider)	<i>Mr. Mazen Bezri, General Manager</i>
Sidani & Co, Public Accountants and Business Consultants	<i>Dr. Yusuf Sidani, Management Consultant</i>
El-Majmouaa, Credit provider	<i>Mr. Rida Meamari, Executive Director</i>
Institut de Formation , par Alternance franco-libanais, CCI	<i>Dr. Daisy Baddoura, Director</i>
Association of Lebanese Industrialists	<i>Mr. Saad Oueinin, General Manager Mr. Raja Haber, Assistant General Manager</i>

*Overview of management development support for SME growth in the Mediterranean region*

<b>Organization</b>	<b>Contact person</b>
Syndicate of Lebanese Food industrialists	<i>Mr. Ara Baghdassarian</i>
Private expert	<i>Dr. Sati' Arnaout</i>
LOGOS, IT company	<i>Mr. Wadiah Jureidini, Managing partner</i> <i>Ms. Paulette Assaf, Sales and marketing manager</i>
Timezero Interactive Technologies, IT e-commerce company	<i>Dr. Antoine Feghali, Director</i>

### *Annex 3: List of training providers contacted for the research*

<b>Name of Centre</b>	<b>Contact</b>
Centre Libanaise Superieur de Formation d'experts & de reviseurs	<i>Dr. Jahn Abdalah</i>
Centre Libanaise Superieur de preparation à l'expertise comptable-SUPEC	<i>M. Hani Issa</i>
I.F.A. Franco-Libanais (Institut de Formation par Alternance Franco-Libanais)	<i>Dr. Badoura</i>
Alleid Engineering group	<i>M. Mouhamed Sadek</i>
Sidani Training Centre	<i>Dr. Youssef Sidani</i>
BECCo, Construction Management Consultants	<i>M. Mazen Bizri</i>
Lebanese Management Association (LMA)	<i>Ms. May Rubeiz</i>
NBTS -Dr. Naji Bejjani's Training System	<i>Ms. Jocelyne Diab/ Zeina Bejjani</i>
Team International	<i>Victor Khoury</i>
Young Urban Professionals (YUP)	<i>M. Marc E. Asmar</i>

## ***Annex 4: Intermediary institutions and Governmental bodies working with the industrial sector and SMEs***

### ***Ministry of Economy & Trade***

Deals mainly with issues related to domestic and international trade, imports/exports regulations, custom duties, registration of commercial companies (commerce register), relations with the chambers of commerce, traders associates, control of market and prices.

### ***Ministry of Industry***

Deals with issues related to manufacturing, mainly in terms of strategies, setting up the legal and organisational framework, norms and standards. Two main agencies operate under the supervision of the Ministry: LIBNOR (Lebanese Standards Institution) and IRI (Industrial Research Institute).

The LIBNOR, established in 1962, is the sole authority to prepare national standards and to give the right to use the Lebanese Conformity Mark. National standards cover all products including agro-foods, chemicals, electrical, electronics, information technology, & communication, as well as metrology, symbols, technical dictionary, methods of testing, codes of practice, & structural rules for buildings.

The IRI, established in 1953, is a Lebanese, not-for-profit institution, for development of industrial studies and research and scientific material testing and analysis.

### ***Council for Development and Reconstruction (CDR)***

The CDR is a public authority established in early 1977 partially in replacement of the Ministry of Planning as the unit responsible of reconstruction and development.

The main tasks can be summarized as follows:

- ➔ Preparing general plan for the country, investment and implementation programs for reconstruction and development projects.
- ➔ Mobilising external financing for priority projects within the investment plans.
- ➔ Implementing projects by appointment from the Council for Ministers.
- ➔ Taking action in rehabilitating the public administration and reconstruction of the infrastructure and negotiating foreign financing agreements.

## ***Investment Development Authority of Lebanon (IDAL)***

IDAL was established in 1994 and became fully operational in 1995. Its main role is attract private capital investment, to identify and promote investment opportunities, and to facilitate the implementation of projects in Lebanon. IDAL provides investor with information on investment climate, information related to economy trade and industry. It also facilitates and speed up permits and licenses for Lebanese, Arab and foreign investors.

## ***Professional Syndicates***

### ***Industrial Syndicates***

Syndicate of Paper and Packaging President Mr. Fadi El-Jemayel Tel.: 04-985048/9; 04-981006; 01-510179/80 Fax: 01-510178; 04-985049	Syndicate of Paper Products Factories President Mr. Fadi El-Jemayel Tel.: 01-631552/4/5/6; 01-585520; 01-443106 Fax: 01-631553
Syndicate of Lebanese Food Industries - Beirut President Mr. Atef Idriss Tel.: 01-358542; 01-340479; 08-540211 Fax: 01-602093; 08-540211 E-mail: cmc@dm.net.lb	Syndicate of Food Industries - Bekaa President Mr. Atef Idriss Tel.: 08-542450; 01-354333 Fax: 01-602093
Syndicate of Alcoholic Beverages Manufacturers - Bekaa President Dr. Carlos Adem Tel.: 09-635111/222; 09-913186 Fax: 09-832743 E-mail: fakra@fakra-ti.com.lb	Syndicate of Importers of Foodstuff President Mr. Khaled El-Khatib Tel.: 01-202208
Syndicate of Lebanese Ready Made Garments President Mr. Fouad Hodroj Tel.: 01-558222/333; 03-236999 Fax: 01-558444	Syndicate of Lebanese Owners of Spinning & Textile Plants President Mr. Sleiman Khattar Tel.: 05-450077; 05-450279 Fax: 01-453408; 01-558444 E-mail: info@lebatex.com URL: www.lebatex.com
Syndicate of Lebanese Tanners President Mr. Georges Darwiche Tel.: 09-210774; 09-211033; 09-211027 Fax: 09-210818 E-mail: stip@cyberia.net.lb	Syndicate of Lebanese Shoe Production President Mr. Mohammad Hijazi Tel.: 03-644720 Fax: 01-603371
Syndicate of Socks Production President Mr. Nicolas Abi Nasr Tel.: 09-921123; 09-906135; 09-906019 Fax: 09-920542 E-mail: pan@cyberia.net.lb	Syndicate of Lebanese Plastic Producers President Mr. Jean Abou Naoum Tel.: 05-343126; 01-280404 Fax: 01-280404 E-mail: metalp02@metalloplastica.com.lb

*Overview of management development support for SME growth in the Mediterranean region*

Syndicate of Lebanese Chemical Industries  
President Mr. Gaby Tamer  
Tel.: 01-499846; 01-499847; 01-497462  
Fax: 01-490892; 01-510233; 01-510234

Syndicate of Wood Furniture Production  
President Mr. Youssef Hanna Al-Rif  
Tel.: 01-241724/7/8/9  
Fax: 01-241724

Federation of Craftsmen  
President Mr. Abdo Saad  
Tel.: 01-895626 ; 01-252663  
Fax: 09-640729  
E-mail: saad@cyberia.net.lb

Syndicate of Jewelry Traders  
President Mr. Antoine Mghanni  
Tel.: 03-583295

Syndicate of Lebanese Publishers  
President Mr. Ahmad El-Fakih  
Tel.: 01-786233; 01-882286; 01-882317  
Fax: 01-786230; 01-882447

Syndicate of Electrical Equipment Manufacturers  
President Mr. Ghassan Belbol  
Tel.: 01-350040/1  
Fax: 01-350042

Syndicate of Lebanese Production of Cement & Marble  
President Mr. Nadim Najem  
Tel.: 01-702149/50; 01-867045; 03-609300  
Fax: 01-702150; 01-702149

Syndicate of Lebanese Manufacturers of Pharmaceutical Products  
President Dr. Claude Litfi  
Tel.: 05-769600/1/2  
Fax: 05-769606

Syndicate of Lebanese Graphic Arts  
President Mr. Mitri Nasrallah  
Tel.: 01-443535; 01-447711; 01-445188

Syndicate of Paint Manufacturers  
President Mr. Wajih Bizri  
Tel.: 01-862625/6/7  
Fax: 01-813822

Syndicate of Lebanese Printing Industries  
President Mr. Mitri Nasrallah  
Tel.: 01-500165; 01-497192; 01-511177/8  
Fax: 01-497195; 01-510177

## ***Industrial Associations***

Association of Lebanese Industrialists - Beirut  
President Mr. Jacques Sarraf  
Tel.: 01-888307/9; 01-350280; 01-350281  
Fax: 01-351167; 350282  
E-mail: ali@ali.org.lb  
URL: www.ali.org.lb

Association of Industrialists - Choueifat  
President Mr. Adib Abbas  
Tel.: 05-433405; 03-278061  
Fax: 05-433406  
E-mail: sedaf@sedaf.com.lb

Association of Traders, Artisans and Industrialists - Industrial City  
President Mr. Wajih Abdel-Nour  
Tel.: 01-874087; 01-883520; 01-893889  
Fax: 01-883520; 01-497453; 01-893889

Association of Industrialists - Beirut  
President Mr. Mohamed Sinno  
Tel.: 01-315693; 01-318242; 01-309083  
Fax: 01-318242; 01-317219  
E-mail: actuel@cyberia.net.lb

Association of Industrialists - Borj Hammoud  
President Mr. Georges Khayat  
Tel.: 01-581086; 01-582053  
Fax: 01-581086

Association of Industrialists - Haret el Naaima  
President Mr. Faysal Hamdan  
Tel.: 03-380920

*Overview of management development support for SME growth in the Mediterranean region*

Association of Traders and Industrialists -  
Mkalles  
President Mr. Fouad Abi Ramia  
Tel.: 01-683432; 01-423614; 01-685381  
Fax: 01-683432; 01-685381

Association of Industrialists - Kfarshima  
President Mr. Imad Kassab  
Tel.: 05-433665  
Fax: 05-433520

Association of Industrialists - Zalka  
President Mr. Hani Abou Jaoudeh  
Tel.: 01-893721; 03-605713  
Fax: 01-890285  
E-mail: fml@inco.com.lb

Association of Industrialists - Byblos  
President Mr. Antoine Fram  
Tel.: 09-540427; 09-440701/2; 09-444001/051  
Fax: 09-953503; 09-914922

Association of Industrialists - Kesrwan  
President Mr. Nicolas Abi Nasr  
Tel.: 09-906135; 09-921123; 09-906019  
Fax: 09-920542

Association of Industrialists - South Metn  
President Mr. Raja Dagher  
Tel.: 03-260360; 05-430521  
Fax: 05-436770  
E-mail: mdagher@inco.com.lb

Association of Industrialists - North  
President Mr. Abdullah Ghandour  
Tel.: 06-440427/8; 06-432797; 06-440083  
Fax: 06-440428  
E-mail: ghan@cyberia.net.lb

Association of Industrialists - Zghorta  
President Mr. Edmond Dahdah  
Tel.: 06-661581; 03-708678; 01-686979  
Fax: 06-663025

Beirut Merchants Association  
President Mr. Nadim Assi  
Tel.: 01-347997; 01-345735; 01-747886  
Fax: 01-747887  
E-mail: commerca@inco.com.lb

Association of Traders - Mount Lebanon  
President Sheikh Ridan Shmeit  
Tel.: 05-555978  
Fax: 05-557557

Association of Industrialists - Jabal Amel  
President Mr. Abdul-Raouf Ezzeddin  
Tel.: 07-343860; 07-343861; 07-742790  
Fax: 07-343861  
E-mail: smdc@dm.net.lb

Association of Industrialists - Southern Suburb  
President Mr. Oussama Halbawi  
Tel.: 01-558889; 01-558888; 01-558890  
Fax: 01-555559

Association of Traders & Industrialists - Bekaa  
President Mr. Salim Araji  
Tel.: 08-806771; 08-806077

Association of Industrialists - Aley  
President Mr. Riad Fakih  
Tel.: 05-550715  
Fax: 05-558963  
E-mail: aait@aait.org.lb

Association of Industrialists - Chouf  
President Mr. Said Khalil Hamadeh  
Tel.: 05-501153; 05-301153  
Fax: 05-301250

Association of Industrialists - North Metn  
President Mr. Fadi Abboud  
Tel.: 04-912300; 04-921301; 03-666120  
Fax: 04-912300; 04-921301; 04-926543  
E-mail: gpi@inco.com.lb

Association of Industrialists - Koura  
President Mr. Raymond Mfarrej  
Tel.: 03-341212; 01-500944; 01-495968; 06-432189

Association of Industrialists - South  
President Mr. Mohamad Saleh  
Tel.: 07-721935; 07-721593; 03-243888  
Fax: 07-221111, 07-723794  
E-mail: mhsaleh@inco.com.lb

Association of Traders (Arab)  
President  
Tel.: 01-806840; 01-862841

Association of Lebanese Businessmen (RDCL)  
President  
Tel.: 01-333797; 01-332277

Lebanese Bankers Association  
President Mr. Farid Raphael  
Tel.: 01-240601/2/3/4  
Fax: 01-240601/2/3/4

Bourj Hammoud Merchants Association  
President Mr. Sarkis Ayanian

Association of Lebanese Artists  
President  
Tel.: 01-995764

---

### ***Chambers of Commerce***

Beirut Chamber of Commerce and Industry:  
President: Mr. Adnan Kassar  
General Director: Walid Naja  
Tel.: 01-353390/1/2/3  
Fax: 01-865802; 01-602050; 01-602374

Chamber of Commerce and Industry - Saida:  
President: Mr. Mohamed El-Zaatari  
General Director:  
Tel.: 07-728534/5  
Fax: 07-722986  
E-mail: chamber@ccias.org.lb  
URL: www.ccias.org.lb

Chamber of Commerce and Industry - Zahle:  
President: Mr. Edmond Jreissati  
General Director: Antoine Haddad  
Tel.: 08- 802077/602  
Fax: 08-800050  
E-mail: cciaz@sodetel.net.lb  
URL: www.cciaz.org.lb

Chamber of Commerce and Industry - Tripoli:  
President: Mr. Abdallah Ghandour  
General Director: Ghassan Alameddine  
Tel.: 06-442774/5/6; 06-627162  
Fax: 06-442042  
E-mail: cicat@inco-tr.com.lb/comindag@dm.net.lb  
URL: www.cciat.org.lb

International Chamber of Commerce:  
President: Mr. Adnan Kassar  
Secretary General : Dr. Louis Hobeika  
Vice President : Assaad Sawaya  
Tel.: 01-200437/8  
Fax: 01-321220  
E-mail: iccleb@sodetel.net.lb

---

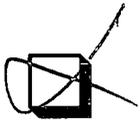


*U.S. Department of Education  
Office of Educational Research and Improvement (OERI)  
National Library of Education (NLE)  
Educational Resources Information Center (ERIC)*



## **NOTICE**

### **Reproduction Basis**



This document is covered by a signed "Reproduction Release (Blanket)" form (on file within the ERIC system), encompassing all or classes of documents from its source organization and, therefore, does not require a "Specific Document" Release form.



This document is Federally-funded, or carries its own permission to reproduce, or is otherwise in the public domain and, therefore, may be reproduced by ERIC without a signed Reproduction Release form (either "Specific Document" or "Blanket").

EFF-089 (3/2000)