

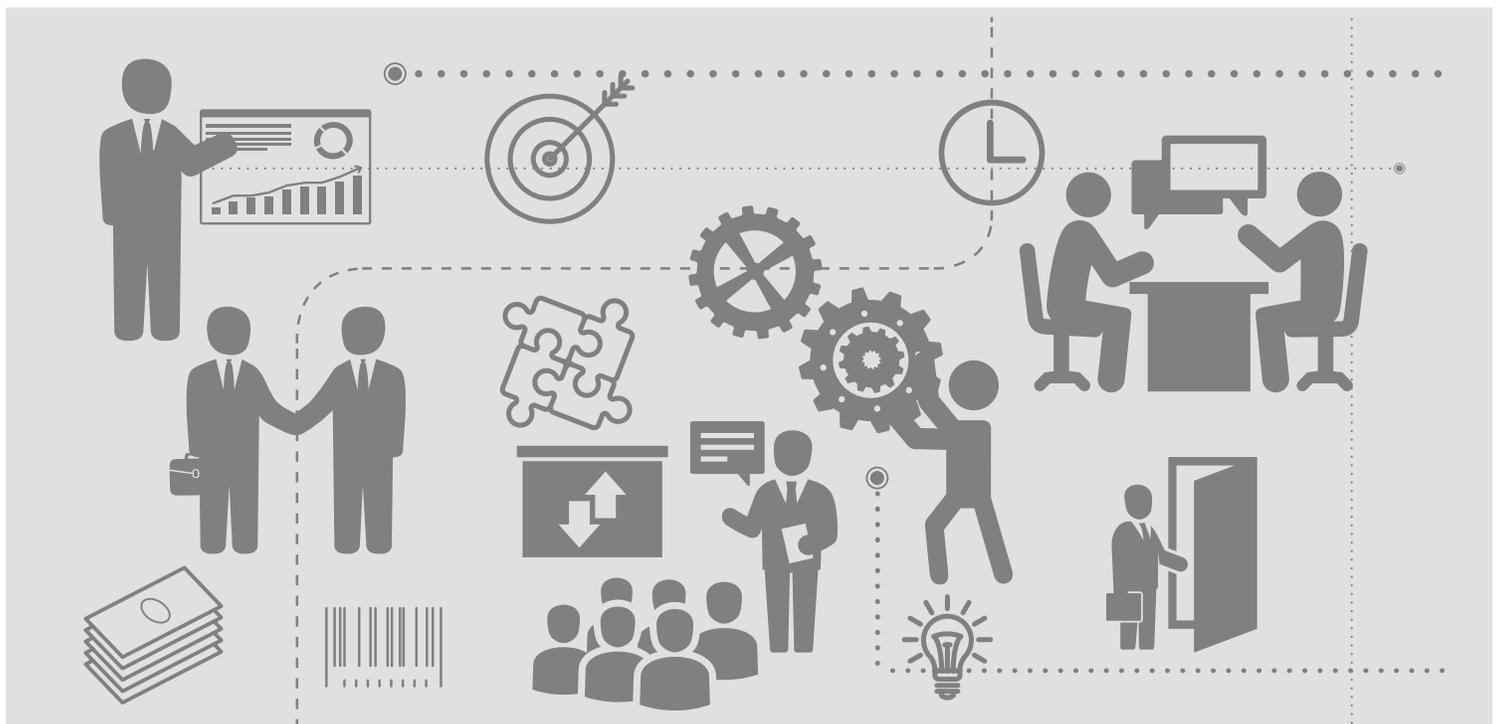


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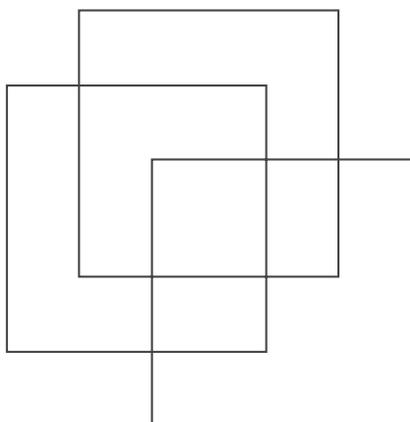
POLICY BRIEF:

ACCESS - MSME POLICY FORUM

Global Entrepreneurship Week Egypt 2017 (GEW)



2018



**Global
Entrepreneurship
Week**
Egypt 2017



**NORWEGIAN MINISTRY
OF FOREIGN AFFAIRS**



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Youth
Employment



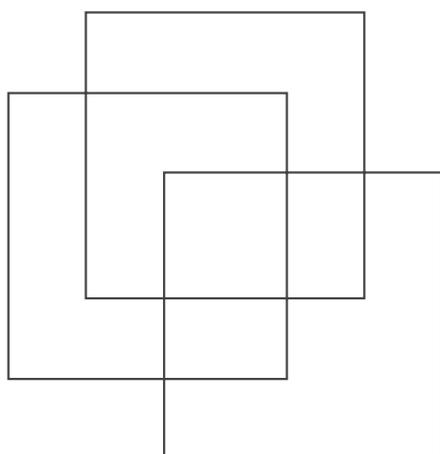
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FOREWORD

The promotion of small and medium-sized enterprises (SMEs) as key drivers for any given economy and as a main engine of job creation constitutes a major line of work for the International Labour Organization (ILO). Acknowledging their growing socio-economic impact, especially in developing countries, the ILO's International Labour Conference (ILC) adopted the ILO's Job Creation in Small and Medium-Sized Enterprises Recommendation (No. 189) in 1998, to provide guidance for member States and constituents in the design and implementation of national policies and strategies addressing SMEs. The ILC's 1998 Recommendation was, later on, complemented by subsequent ILC Conclusions and Resolutions in 2007 and 2015 respectively, which further elaborated the ILO approach in empowering SMEs to realize their potentials in contributing to economic growth and sustainable development.

For the ILO, SMEs promotion works as a cross-cutting subject that aligns to several of ILO's priorities. Undeniably, SMEs promotion involves fostering more, better and inclusive employment opportunities, supporting sustainable enterprises, and stimulating the transition from the informal to the formal economy.

Efforts to promote an enabling environment for SMEs, including those interventions undertaken by the ILO, have been, largely, directed towards addressing four main challenges that are, at large, associated with SMEs accessibility to necessary financial and non-financial services. The four challenges are:

- 1) access to domestic and international markets
- 2) access to knowledge on effective business management skills and to quality market information
- 3) access to capital, including SME-friendly financing schemes through capacitated financial intermediaries, and
- 4) access to a highly-skilled workforce and to innovative business and IT solutions.

In Egypt, we are witnessing a growing momentum for enhancing the role SMEs play in generating employment opportunities and driving economic growth. The establishment of the Micro, Small and Medium Enterprises Development Agency (MSMEDA) represents a major milestone showing the determination of Egypt's government to secure a conducive environment to support the growth and sustainability of SMEs. The ILO Office in Cairo has contributed to the SME promotion efforts in Egypt on the one hand by providing technical support to the Ministry of Trade and Industry (MTI) in the development of the National Strategy for Micro, Small and Medium enterprises. On the other, and in response to a request by the Egyptian government to support the establishment of the newly-launched MSMEDA, the ILO developed policy recommendations and provided organizational development consultancies.

The ACCESS-MSME policy forum organized by the ILO and the International Council for Small Business (ICSB), at the outset of the Global Entrepreneurship Week-November 2017, is another step towards addressing the four main challenges facing SMEs in Egypt. We were pleased to see various stakeholders, including experts and policy-makers participating in the forum discuss possible approaches and actions required to promote an enabling environment not only for SMEs but also for micro-businesses and future entrepreneurs. To ensure that the recommendations and the outcomes of the policy forum are shared and disseminated beyond the forum's participants, this policy brief has been developed to include actionable policy statements to serve as a reference document to contribute to the broader discourse on SMEs in Egypt.

In this context, I would like to express my gratitude to all participants, from government officials, to policy-makers, development practitioners, experts and private sector representatives who have enriched, with their valuable inputs, the discussions in the ACCESS- MSME policy forum, and who have ensured that the forum concludes with actionable interventions towards a more conducive environment for SMEs in Egypt.

Peter Van Rooij

Director

ILO Decent Work Team for North Africa/ Cairo

INTRODUCTION

The Government of Egypt (GOE) has introduced, since 2016, several economic reform measures to rebalance the economy and create an enabling environment for private sector investments. With a young and growing population, Egypt faces enormous pressures to accommodate around 700,000 new entrants a year to the labor force. In response to this, Egypt's current economic policy agenda seeks to create employment through stimulating investment and promoting private sector and entrepreneurial participation in the economy. However, entrepreneurship cannot uncritically be taken as the answer to the quest for economic growth and employment generation. Literature suggests that this could only take place provided the presence of a conducive institutional, political and business environment that could direct private sector activities toward innovative, formal and productive entrepreneurship. Though there are signs of an expanding entrepreneurial ecosystem, either as a result of market dynamics or direct government interventions, 'accessibility' remains an issue for entrepreneurs.

Access to services (financial and non-financial) was the theme for a one-day policy forum that was organized on the occasion of the Launch of the Entrepreneurship Week that was jointly organized by the International Labour Organization (ILO), the International Council for Small Business (ICSB) and Global Entrepreneurship Network (GEN) Egypt. The event was attended by experts, service providers, and policy/decision makers, and discussions were organized in a form of groups under four main focus areas; access to markets, access to knowledge and information, access to capital, and access to talent and innovation. This Policy forum was attended by the Minister of Trade and Industry. The results of the discussions was presented and discussed among the participants. This policy brief captures the recommendations that came out of discussions following the policy direction.

SUMMARY

SMEs' access to local and international markets is limited. Entrepreneurs do not always have sufficient information about market demand and cannot easily create linkages with large businesses due to many reasons including lack of trust in quality and timely delivery. Exporting requirements and procedures and unfamiliarity with export opportunities are hurdles that hinder SMEs' export potential.

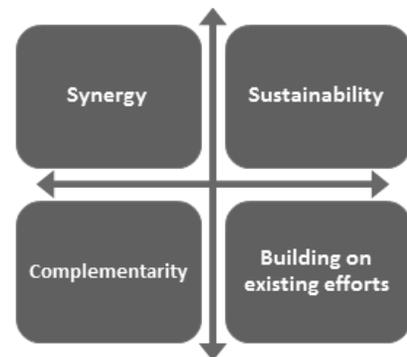
Information on relevant domestic and international markets, legal and regulatory procedures, existing service providers, available entrepreneurship training programs, among others, are all deemed important for entrepreneurs to explore opportunities and grow. On the other side, the business development services arena is unfortunately mostly immature and supply-driven.

Another area where developments are taking place is access to capital, where the Central Bank of Egypt supports an SME initiative aimed at increasing the SMEs' share of total banks' lending portfolio to 20%. Non-banking financial institutions, including venture capital funds, leasing, insurance and factoring companies are also expanding their services and outreach to entrepreneurs. However, entrepreneurs are often unaware of existing financial services and still lack the financial literacy required to manage their businesses and access/raise funds.

Finally, the availability of talented labor constrains small businesses from thriving. Enhanced access to technology and innovation coupled with well-trained skilled labor increase SMEs' opportunity for growth, contributing to higher rewards for the business and a higher contribution to the national economy.

POLICY IMPLICATIONS

An overview and a snapshot on the current situation of each of the accessibility areas is presented below followed by the detailed recommended actions that were discussed during the Policy Forum. It is worth noting that the following four key principles were highlighted during the discussion of all four areas of focus, namely; synergy, sustainability, complementarity and building on existing efforts.



The table below summarizes generic recommendations, for which actions are laid out under each pertinent section.

Access to Markets	Access to Knowledge and Information
<ul style="list-style-type: none"> ▪ Facilitating access to export finance. ▪ Raising awareness on export promotion services. ▪ Capacity building for MSMEs targeting quality and standardization. ▪ Export procedures automation. 	<ul style="list-style-type: none"> ▪ Availing information on services provided by various stakeholders. ▪ Raising awareness on changes in the regulatory environment. ▪ Promoting entrepreneurship education. ▪ Enhancing demand-driven business development services.
Access to Capital	Access to Talent and Innovation
<ul style="list-style-type: none"> ▪ Provision of financial literacy programs and BDS to MSMEs. ▪ Capacity building for financial institutions on MSME-specific issues. ▪ Speedy processing of MSME financing requests. ▪ Introduction of SME rating services. ▪ Raising MSME awareness on banking and non-banking financial services and opportunities. ▪ FRA to echo CBE’s financial inclusion initiative. ▪ Promotion of FinTech. 	<ul style="list-style-type: none"> ▪ Incentivizing large businesses to provide TVET to MSMEs. ▪ Enhancement of TVET programs quality. ▪ Matching education and capacity building programs to industry needs. ▪ Incentivizing MSMEs to invest in and use ICT and providing them with technical support. ▪ Raising MSME awareness on the benefits of ICT and support organizations.

DISCUSSION

1. ACCESS TO MARKETS

1.1. Overview

For entrepreneurs to seize the opportunity of having a large consumer market in Egypt and the easy access to international markets (given the location of Egypt) being competitive becomes imperative. In the 2017-2018 Global Competitiveness Report, Egypt ranked 100th out of 137 countries, showing slight improvement compared to the previous five years. Analysis of indicators shows that those directly linked to market access are showing mostly negative signs. Despite ranking 25th in terms of market size, Egypt ranks 90th in goods market efficiency due to various reasons including, but not limited to, ineffective anti-monopoly policies and reliance on imports. Besides, the labor market is inefficient and shows low productivity levels and hence contributing to weakening the competitive position of businesses. The number and quality of suppliers are relatively low, impeding access to inputs and affecting the product value for money. Moreover, inflation rates are high and show increasing trends, impacting the price of business inputs as well as products, with very recent positive signs in the past couple of months though. Business access to markets in a low competitive environment is thus hindered and the problem is exacerbated for small businesses that suffer from weak capacity and limited access.

1.2. Current Situation

MSMEs in Egypt face difficulties in accessing markets either local or international ones for many reasons. On the business level, MSMEs are unlikely to invest in conducting market research, hiring marketing professionals, or joining distribution networks. Developing linkages with large firms necessitates that MSMEs prove trustworthy, committed and up to the standard required by larger firms, which in turn require receiving quality information and business development services. SME associations provide some information services, but the capacity and reach of these associations are limited.

On the international front, MSMEs are generally underperforming when it comes to exporting. Inaccessibility of exports channels, lack of awareness, high input prices, and scarcity and difficulty of accessing affordable finance, are among the reasons. The floatation of the Egyptian Pound has increased exporters' earnings and improved their competitive position, but devaluation alone will not result in opening markets for the majority of businesses unless accompanied by other measures that enable entrepreneurs to access markets. Accordingly, assisting MSMEs to access export markets, either directly or indirectly through supply chain linkages with large enterprises will contribute to their growth.

One effective method is to integrate MSMEs into existing value chains, which includes formally linking them to firms in the growing chain as well as providing services (e.g., marketing and information) to the value chains as a whole. This approach was recently adopted by MTI, by forming sectorial committees (that include representatives from the private sector) to identify constraints and solutions in the value-chains of the prioritized sectors. The Government of Egypt has also established the Exports Development Agency (EDA) in 2017 to serve as the unified government entity concerned with exports promotion and oversight of the Export Promotion Strategy, comprising entities such as Commercial Representation Offices, the Egyptian International Trade Points (EITP) and the Foreign Trade Training Center (FTTC), and thus integrating efforts and avoiding redundancies.

Entrepreneurs need to be aware of necessary information on market needs and trends, service providers as well as the overarching regulatory environment, indicating the inter-relation and inter-dependence between the various policy areas and highlights the importance of adopting a holistic approach to development.

1.3. Policy Implications

Policies and programs targeting enhancing SMEs' access to markets need to work on different areas. The first is qualifying SMEs by raising their awareness and building their capacity to enable producing quality standardized goods and services. Governmental and non-governmental actors in the field of standardization and quality management should specify programs targeting SMEs in order to qualify them to work with large businesses, in terms of quality, consistency and speedy delivery. Certification or accreditation should help large businesses identify and trust MSMEs that they can create linkages with. BDS and technical and vocational education would also help with scalability of small businesses with high growth potential.

Export readiness would be the next level, covering information on procedures and regulations as well as international market demand, developments, trends, etc. Another critical factor that should be focused on is export finance and that is often disregarded when access to finance is discussed. Entrepreneurs need to understand the various requirements and options available for finance. On the other hand, financial intermediaries (such as banks and insurance companies) need to develop products that match MSMEs capabilities. Generally, export promotion initiatives should target developed sectors with high value-added and those with high demand on foreign markets.

Furthermore, promotion of clusters is expected to increase MSMEs' access to both local and foreign markets, to enhance knowledge spillover among small businesses, and to accelerate and facilitate BDS providers outreach and utilization.

Government interventions should focus heavily on streamlining export procedures and documentation by increasing reliance on automation, removing redundancies and training and monitoring of employees. Incentives, not necessarily financial, should also be designed to encourage large businesses to sub-contract MSMEs and integrate them in their supply chains, coupled with mapping activities that are supposed to facilitate the next step of matchmaking.

Box 1 below summarizes the key actions, ordered according to implementation timeframe:

Box 1: Access to Markets

- Include a minimum quota for export finance as part of the CBE's initiative for SME financial inclusion.
- Include an export module in entrepreneurship education/training courses covering procedures, service providers and information on electronic matchmaking portals.
- Capacity building for MSMEs targeting quality and standardization:
 - Map MSMEs with export potential.
 - Conduct technical training and advisory services for mapped MSMEs on product standardization.
- Automate export procedures and documents.

2. ACCESS TO KNOWLEDGE AND INFORMATION

2.1. Overview

Despite the typical preference among the majority of Egyptians for waged employment, the trend is changing. It has become increasingly common to meet people who want to start their own business but nevertheless do not know how to start and sometimes even in which business sector to start. It is thus crucial to provide information and support to these potential entrepreneurs. Entrepreneurship is perceived as a good career choice by 83 per cent of Egyptians. They are characterized by low levels of fear of failure but also low levels of confidence in their capabilities, skills and knowledge to start a business.

Information on entrepreneurship is the first step; what it takes to be an entrepreneur, how to choose the kind of business, conducting feasibility studies, developing business plans, financial literacy, key managerial and business administration skills, planning for expansion and growth, etc. Technical knowledge is also essential; an entrepreneur needs to fully understand the technicalities of his or her business, to know which organizations provide technical and/or vocational training and most importantly how to access such services. Another form of information required by business owners relate to the environment in which they operate, such as business regulations, who the suppliers are, competitors, market developments, and labor market conditions; with continuous access to accurate and updated information.

2.2. Current Situation

Entrepreneurs in Egypt generally have limited access to various kinds of information. Business Development Services (BDS) suffer from several setbacks, including low rates of cost-effectiveness and cost-recovery, little impact on, and relevance to SMEs, weak capacities of providers, shortage of qualified staff, weak follow-up and monitoring measures, poor coordination, and prevalence of supply-driven approaches. In terms of workers' access to knowledge and skills enhancement, the current educational and vocational training systems fall short of satisfying their needs.

Nevertheless, there are efforts made in this regard and that need to be capitalized upon and directed towards filling existing gaps. Various entrepreneurship programs have been put in place during the last decade including those targeting students in general schools, vocational schools and universities such as those done by Injaz Egypt.

Business incubators and accelerators have also provided BDS to incubated projects, although useful, yet the model cannot be generalized as the means to access knowledge since there are capacity limitations and selection criteria and accordingly, more efforts need to be done in order to grant all entrepreneurs the right to access knowledge and information. BDS is provided by few governmental and more non-governmental organizations. Awareness on BDS providers maximizes their utilization, and also increases the need for more service providers in the market and creates a multiplier effect in entrepreneurial activities.

As for information on the environment in which small businesses operate, the last two years witnessed passing of several legislations and regulations, in the form of either new laws or amendments to existing ones. Some of these legislative and regulatory changes were coupled with awareness campaigns explaining what they entail and highlighting opportunities they provide to the business community. Furthermore, in an effort to avail more information, the Ministry of Trade and Industry launched the industrial investment map in October 2017 which presents GIS maps displaying information on service providers, sectorial business information, industrial zones in each governorate, etc. Moreover, the newly established MSME Development Agency (MSMEDA) is developing an online platform that will be more comprehensive, featuring information on initiatives implemented by all stakeholders.

2.3. Policy Implications

A lot more needs to be done in the field of entrepreneurship education at all levels, which is evident from the Egypt National Global Entrepreneurship Monitor (GEM) Report 2016-2017 which shows that Egypt in this field ranks last among 66 economies. Despite all the progress made, directing the majority of non-entrepreneurs towards starting a business in the coming three years, the high rate of business discontinuation infers the untapped opportunity. One intervention is to develop a free online entrepreneurship course that would achieve the objectives of reaching out to as many entrepreneurs as possible, at the same time and with standardized content and quality. Moreover, discussions with the Ministry of Education need to start to include entrepreneurship modules in curricula at different educational stages to influence young people's culture early on. Similarly, universities are urged to introduce entrepreneurship-related courses, not only in business schools, as is the case, but also to the technical and applied science schools where innovative ideas are generated and need to be commercialized.

Integration of mapping initiatives is key. The platform that is being developed by the MSMEDA will be crucial but a regular update mechanism must be put in place in order to guarantee the platform's sustainability, in addition to integration with the industrial investment map.

BDS needs to be demand-driven and to adopt commercially viable models. Mapping is important but up scaling is also critical. Targeted services should also be aligned with nationally prioritized sectors, geographical locations (e.g. Upper Egypt and Sinai) and population groups (women and youth).

Box 2 below summarizes the key actions, ordered according to implementation timeframe:

Box 2: Access to Knowledge & Information

- Develop a printed guide comprising information on financial and non-financial services available and disseminate it to entrepreneurs who prefer printed information to using the online platform.
- Launch public awareness campaign(s) covering all regulatory changes that have recently been introduced (e.g. movable collateral law).
- Continuous update of the MSME Platform to be launched by MSMEDA.
- Entrepreneurship education:
 - Develop entrepreneurship curricula for different educational levels; for the basic education stage focusing on building the culture, for secondary and technical schools focusing on how to start and manage a business.
 - Train teachers on the developed curricula.
 - Introduce the curricula to schools in cooperation with the Ministry of Education.
 - Avail the entrepreneurship course online for free on the MSME platform that the MSMEDA is developing.
 - Encourage the establishment of enterprising universities, colleges and schools.
- Enhance BDS services:
 - Conduct a BDS needs assessment for MSMEs covering the type of services needed and an estimate of the cost entrepreneurs are willing to pay.
 - Assess the supply side responsiveness to identified needs
 - Design new services that complement the existing scheme and fill the gap between demand and supply.
 - Encourage the participation in global entrepreneurship surveys and rankings.

3. ACCESS TO CAPITAL

3.1. Overview

Access to finance is considered an obstacle facing MSMEs worldwide and Egypt is no exception. Businesses need to finance their start-up, operations and expansion and each stage has its more suitable means of finance. The majority of entrepreneurs use own equity to finance their business, followed by bank loans. Other non-conventional means such as venture capital, leasing and factoring are less common among MSMEs.

It is noteworthy that inaccessibility of small businesses to finance is partially due to other non-financial reasons. For example, MSMEs requesting bank loans have to satisfy certain requirements that prove the business is viable, such as a business plan and a feasibility study, which need to be well presented. MSMEs usually lack the skills to prepare such documents, coupled with a high business discontinuation rate in Egypt makes it more difficult for start-ups.

The financial market in Egypt is developing and is well regulated by the Central Bank of Egypt (CBE) and the Financial Regulatory Authority (FRA). However, financial services are considered more available than affordable, especially with the increasing interest rates during the last three years.

3.2. Current Situation

The majority of SMEs have limited access to bank finance. This is mainly due to their lack of financial literacy, inability to keep books, inadequate capacity to issue audited financial statements and lack of sufficient collateral. On the banks' side, reluctance was mainly due to the high risk and costs associated with MSMEs. As a result, the Central Bank of Egypt led an initiative aiming at availing EGP 200 billion of bank credit over four years with competitive rates to finance 350,000 SMEs with a reduced interest rate of 5% and urging banks to have 20% of their portfolio as MSMEs. As of March 2018, around 67 billion EGP have been disbursed with a 1.3% non-performing loans rate, which is very low and should encourage more banks to actively take part in the initiative.

As for microfinance, Egypt has been a leading market, where programs are heavily sponsored by government and donors, in addition to NGO's and companies. Although the government's intent in the long run is to consolidate the market in terms of capacities and regulation, the microfinance law causes fragmentation in the short run but it should gradually disappear with NGO's transforming their status to fall under FRA; a step that is foreseen to have many small non-specialized NGO's disappearing from the market or integrating with existing ones.

Improvements have also been made in the equity market. Efforts in that regard, through GAFI, have been directed towards supporting the establishment of private equity funds for SMEs (Bedaya Fund), with new VC companies still in their infancy stage. Supporting all initiatives aiming to develop non-traditional financial products and services, in addition to financial training and coaching and other accompanying measures, is essential for MSME growth in Egypt. Leasing, insurance and factoring companies have also started to grow their business and provide a door for MSME financing.

3.3. Policy Implications

On the demand side, financial literacy and associated business development services are needed. Entrepreneurs need to learn how to put their knowledge into a format that is satisfactory to financial institutions. More programs should be put in place and tracked to measure its results in raising MSMEs ability to access finance. Furthermore, awareness raising programs should target MSMEs to inform them of all the financial institutions they can resort to, with specific focus on the under-utilized non-banking financial services and how to access them.

The supply side is where more efforts should be exerted. Lending should be coupled with business development services that support MSMEs to operate successfully and hence be able to pay back their loans, in addition to speedy processing of loan requests. Banks and other micro-finance institutions (MFI's) staff should also participate in training programs in order to understand MSME-specific needs. The generally high repayment rate of MSMEs needs to be communicated to facilitate credit decisions. For further assistance to risk and credit officers and better monitoring of the CBE initiative, an SME rating service is currently being developed by the Egyptian credit bureau (i-score). Details are not yet announced but it should be compulsory for all banks to use the system and most importantly to feed in their data. Moreover, utilization and outreach of credit guarantee schemes should be enhanced and be part of the CBE's financial inclusion initiative.

As for non-banking financial services, FRA should play a role in financial inclusion parallel to what the CBE has done in the banking sector. Non-banking financial institutions (NBFI's) should cater more for the unsatisfied demand of early stage business and start-ups and should consider micro-insurance and micro-leasing activities. Insurance funds are urged to direct part of their investments to venture capital.

With the development of FinTech and promotion of a cashless economy, usage of mobile banking and other electronic platforms and solutions should be encouraged within both MSMEs and financial institutions as outreach mechanisms. The CBE and FRA are to streamline regulation and licensing of such services.

Box 3 below summarizes the key actions, ordered according to implementation timeframe:

Box 3: Access to Capital

- Develop training courses for MSMEs on financial literacy in cooperation between the Egyptian Banking Institute to be included in packages delivered by the MSMEDA and other BDS providers.
- Create SME advisory service units in banks to provide non-financial business advice to entrepreneurs requesting finance.
- Conduct compulsory SME training for banks' SME Divisions staff.
- Monitor and accelerate the average response time by financial service providers to MSMEs' requests to access finance.
- Accelerate the establishment of the SME rating system at i-score and make it compulsory for banks to feed their data into it.
- Launch special credit guarantee schemes for MSMEs.
- Launch an MSME initiative at FRA that requires a minimum progressive quota for non-banking financial institutions to serve MSMEs.
- Enhance MSME utilization of available financial services:
 - Survey entrepreneurs on the reasons for not applying to access financial services (banking and non-banking).
 - Assess MSMEs' capacity to access finance (literacy and worthiness).
 - Tailor training and advisory services to correspond to the identified gap.
 - Address entrepreneurs' concerns and fears by providing evidence (e.g. fear of getting imprisoned or of shari'a incompliances).
- Develop a strategy for developing the FinTech industry in Egypt.
- Encourage the establishment of venture capital funds & research commercialization funds.
- Establish guidelines for crowdfunding.

4. ACCESS TO TALENT AND INNOVATION

4.1. Overview

Whether labor intensive or not, all businesses need qualified labor for successful operations. Their qualifications could be in the form of technical and vocational knowledge and skills, being talented, creative or intellectual. According to the Global Competitiveness Report (2017-2018), the inadequately educated workforce is one of the five most problematic factors for doing business in Egypt. This is mainly due to the low quality of education, lack of specialized training, weak employer-labor relations, in addition to the inability to attract and retain skilled labor, let alone the low level of women participation in the labor market indicating the weak utilization of the human capital.

In terms of innovation, public and private spending on Research and Development is very weak, with low capacity to innovate and weak linkages between industrial and educational institutions.

If highly skilled and innovative labor were available in some instances, they would rather prefer to work for a well-established large business that could attract them much more easily than a riskier small business.

4.2. Current Situation

MSMEs have very limited access to talented, knowledgeable and well-educated human resources. Several technical and vocational education and training (TVET) programs are in place but the gap is too wide to bridge in the short term, over and above the content quality, selection process and evaluation process that are not serving to achieve the purpose successfully. This has contributed to the inclination of MSMEs to work in low value-added activities that match their limited resources.

MSMEs also lack the use of innovative business models and of advanced technology. Recently, the MSME Development Agency has been established under the Ministry of Trade and Industry, which supervises the entire sector, in an attempt to consolidate efforts targeting its development. The new Agency comprises the former Social Fund for Development (SFD), the Industrial Modernization Center, the Industrial Training Council and the Technology and Innovation Centers. This is expected to link the technology related service providers to the wide SFD network of MSMEDA across Egypt and increase accessibility to their services.

In an effort to encourage ICT-based innovations and entrepreneurship, the Technology Innovation and Entrepreneurship Center (TIEC) was established as a governmental organization focusing on promotion of innovation and entrepreneurship in the ICT sector through incubation for start-ups, training, awareness raising activities on intellectual property rights (IPR) and commercialization techniques, in addition to technology management which provides the platform for innovation and knowledge sharing and most importantly, reaching out to students at universities and schools.

4.3. Policy Implications

Enhancement of TVET programs is critical, not merely by increasing the number of programs, but also improving their quality, matching their contents to industry needs and evaluation of their results. The link between market needs on the one hand and the educational, scientific and research institutions on the other hand needs to be strengthened.

Initiatives could make use of the newly launched industrial investment map in order to match their objectives with identified opportunities and targeted sectors and geographical locations. The MSME Development Agency should lead the coordination efforts through its wide network on offices of the former SFD and oversight training and capacity building programs including ICT-based ones.

Higher investment in and utilization of ICT among MSMEs is called for, where promotion of the concept would be based on raising their awareness on ICT benefits and support organizations in the field as well incentivizing MSMEs that invest in innovation and technology. Other awareness raising activities should highlight intellectual property rights from both sides to MSMEs; as developers of innovations that should be protected, and as users that might unintentionally infringe already registered patents and rights. Moreover, innovation promotion programs should focus on commercialization of ideas especially among university students and in research centers, and should also provide technical support to MSMEs that are willing to invest in ICT but lack the information and technical capabilities needed to make the decision.

Box 4 below summarizes the key actions, ordered according to implementation timeframe:

Box 4: Access to Talent and Innovation

- Incentivize existing enterprises that organize on-the-job training for technical schools students and MSMEs labor by deducting the cost as a tax deductible CSR expense.
- Enhancing TVET programs:
 - Survey large businesses in the manufacturing sector on the kind of technical and vocational skills needed.
 - Design TVET programs corresponding to industry needs.
 - Include on-the-job modules
- Avail online free technical material for sectors with high growth potential and economic contribution.
- Encourage MSMEs to rely on ICT and innovation:
 - Map sectors with high innovation potential.
 - Tailor capacity building and advisory services to MSMEs operating in high potential sectors.
- Establish clear legal framework and policies for incubators, accelerators and co-working spaces.

