

“Promoting SMEs in North Africa : Opportunities for a Win-Win Partnership with Japanese Companies ”

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	Area (km ²)	Population (million)	GDP (billion US dollar)
North Africa	6,783,301	172.77 (16% of Africa)	682.3

Name of country	Japanese
People’s Democratic Republic of Algeria	アルジェリア民主共和国
Arab Republic of Egypt	エジプト・アラブ共和国
State of Libya	リビア国
Islamic Republic of Mauritania	モーリタニア・イスラム共和国
Kingdom of Morocco	モロッコ王国
Republic of Tunisia	チュニジア共和国

General Information of North African, Six countries

Name of Country	Un-Employment rate	Trade items Upper: export Lower: import	Currency	Resident people •Living in Japan •Japanese lives in (from MOFA)
Algeria	9.8% (IMF 2013)	Hydrocarbon Machines	Algeria dinar 1DZD=1.28yen	201 in Japan 270 in Algeria
Egypt	12.6%	Crude oil Primary material	Egyptian pound 1EGP=14.2yen	1382 in Japan 1100 in Egypt
Libya	26.7%	Tuna Automobile	Libyan dinar 1LYD=83.3yen	40 in Japan 26 in Libya
Mauritania	10.3%	Iron ore stone Fisheries products Machinery	Ouguiya 1 Ouguiya=0.33yen	14 in Japan 15 in Mauritania
Morocco	9.0% Direction de la statistique	Phosphate Energy	Dirham 1MAD=12.3yen	381 in Japan 384 in Morocco
Tunisia	15.7% (NIS 2012)	Machines Machines	Dinar 1TND=62.4yen	336 in Japan 195 in Tunisia

Alphabetical orders

Importance of developing SMEs in North Africa

- Small and medium sized enterprises occupy a strategic position in the development process. They constitute the crux of the economic fabric, providing a non-negligible share of jobs and participating in the creation of value added.
- The dynamic and easily adaptable natures of SMEs contribute to improving competitiveness and supporting the restructuring of the economies of North African countries. They are important especially as they are often the principal suppliers to large public and private enterprises and benefit from significant valuable assets in terms of flexibility, access to knowledge and local markets.
- SMEs are considered to be key players in sustainable development as they contribute to all its aspects. They contribute to job creation, and thereby to combating poverty and inequality; and better integration of women into entrepreneurship and paid work. Their flexibility and capacity for innovation contribute to the creation of new sources for the competitiveness of the region's countries.
- In the North Africa region, the contribution by SMEs to growth and employment varies according to the country.

Algeria

Overview of SMEs in Algeria

Definition of SMEs: An SME is defined as an enterprise employing one to 250 people with a turnover not exceeding 2 billion Dinars (2.56 billion Yen) or with a total annual balance sheet not exceeding 500 million Dinars (640 million Yen), and which respects the criteria of Independence.

- Number of SMEs: 642.913 (2011).
- Contribution of SMEs to GDP is estimated at 57 %.
- Contribution to job creation: 1.625 millions jobs (2010).

Egypt

Small and Medium Enterprises (SMEs) have been one of the pillars of the Egyptian Economy.

- They comprise around 90% of the operating private non-agricultural companies.
- Micro, small and medium enterprises contribute around 80% of total value added to the Country's GDP and attract 47% of total investments.
- Employment opportunities created by SMEs also account for over 65% of the entire Egyptian workforce.
- Moreover, their input to the country's exports reached around 20%.

Libya

- Classification of SMEs in Libya based on two standards of employment and capital.
- In terms of employment, the number of employees should not exceed 25 people in small enterprises, while the maximum stands at 50 employees for medium business.
- As for capital, decree No. 109 of year 2006 of the Libyan Lending Fund stated that Microenterprises are those projects with opening capital does not exceed 10,000 Libyan dinar (833,000 Yen), while defined small enterprises with capital of 2.5 million Libyan dinar (208 million Yen) and clarifies that founder's capital of medium enterprises should not exceed 5 million Libyan dinar (416.5 million Yen).

Morocco

1. Definition of SMEs:

- According to the charter of the SMEs, the SME is an enterprise whose permanent workforce does not exceed 200 persons, with an annual turnover not exceeding 75 Million Dirhams (922.5 million Yen) (excluding taxes) or an annual balance sheet total not exceeding 50 Million Dirhams (615 Million Yen).
- SMEs are present in all sectors of the Moroccan economy: industry, crafts, construction, retail and services that include tourism, communications, transportation, financial services ...
- Moroccan SMEs provide 20% of the added value, 30% of exports, 40% of production and 50% of total investment;

2. Importance of SMEs in Morocco:

- More than 90% of the industrial sector;
- More than 40% of the turnover of the industrial sector;
- Employs over 50% of the labor workforce;

Tunisia

- Constitute likely the most important operator in the economy;
- Reduce unemployment;
- Generate new employment opportunities;
- An important source of growth;
- Exhibit a greater capacity to adjust and to react to market changes.

2. Challenges

SMEs in North Africa evolve in a complex business environment characterized by globalization:

- ✓ The internationalization of markets,
- ✓ The need for greater efficiency and competitiveness based on innovation,
- ✓ An increasing pressure upon the management of these SMEs in order to compete globally,
- ✓ Access to capital and loan market. Without it, SMEs cannot innovate, and cannot be competitive,

2. Challenges

- The low level of regional integration in North Africa also hinders the development of SMEs and limits their potential contribution to sustainable development.
→ Enhanced regional integration would most certainly offer greater opportunities for SME expansion.
- SMEs are fragile economic operators, lacking the capacity to cope with major economic shocks.
- In increasingly globalized economies, SMEs are easy targets of economic upheavals. Without accompanying measures, such changes could put into question the existence of these enterprises and negatively affect growth and employment of countries.

3. Measures and Programs supporting SMEs

Aware of these challenges, governments in North Africa have set up institutions specially dedicated to SMEs, and are developing policies to upgrade these enterprises. Non-governmental organizations (NGOs), bilateral and multilateral cooperation agencies and United Nations organizations all support the process.

Algeria

Policies and reforms

- The government is determined to strengthen the global and integrated character of policies pursuant to SMEs through the reinforcement of commercial, technological and industrial policies, as well as the regulation on competition.
- Several fiscal incentives are available to foster business start-ups.

3. Measures and Programs supporting SMEs

Algeria

Facilitating access to finance:

- Establishing a national investment fund of more than US\$14 billion and a US\$1 billion investment fund in each of the 48 wilayas (provinces), with the aim to contribute to the capital stock of new SMEs;
- Increasing the state guarantee to young investors through the guarantee fund for loans to SMEs from DZD 50 million to DZD 250 million (64 million Yen to 320 million Yen);
- Setting up the National Agency for Support to Youth Employment to facilitate access to finance for young entrepreneurs.

3. Measures and Programs supporting SMEs

Algeria

Enhancing creation of SMEs in rural areas:

- Assisting farmers financially and with equipments in order to develop the agricultural sector**
- Involvement of women and enable them to take full advantage of rural development programs**

3. Measures and Programs supporting SMEs

Egypt

- The Social Fund for Development (SFD) was created by the Government of Egypt in 1991 as a social safety net mechanism aiming at mitigating the adverse effects of the Economic Reform and Structural Adjustment Program (ERSAP) launched in the early 90s. SFD mobilizes national and international resources to invest in social development through SMEs with a priority for job creation and improvement of the quality of life for low-income groups.
- Bedaya Centre for Entrepreneurship and SMEs Development aims to support and develop SMEs in line with the National strategy toward raising the economic development indicators.
- In addition to the Government, both NGOs and private sector institutions are lending their weight to the challenge. For example, the Egyptian Incubator Association and the Middle East Council for Small Business & Entrepreneurship also assist in developing new Egyptian enterprises.

3. Measures and Programs supporting SMEs

Libya

The Libyan national program of SMEs was established in 2008 in order to develop supportive frameworks to SMEs.

Objectives

- Establishing and promoting business incubators, creating the suitable environment to operate, attract, train and qualify national elites and pioneers, as well as to provide technical consulting on economy and prepare necessary studies to promote their projects.
- Assisting entrepreneurs in finding necessary funds, overseeing projects, and other overall duties of the program such as setting investment map of the country, strategic planning of SMEs future and contributing to transforming business from public to private sector.
- Developing a diverse system to finance SMEs, facilitating the utilization of such projects through supportive and effective legislations by all relevant authorities.
- Supporting patent and encouraging inventors.

3. Measures and Programs supporting SMEs

Libya

Targets of SMEs programs

- Graduates of universities and higher institutes.
- Residents of remote areas, especially around oil fields and near resources of raw material.
- Women are targeted by those programs in order to encourage them to play a significant role in advancing the society.
- Entrepreneurs, idea originators, innovators and inventors.

3. Measures and Programs supporting SMEs

Morocco

Measures

- Easing of taxation and legal framework ;
- Simplification and administrative facilitation: Regional Investment Centres ... ;
- Adoption of sectoral strategies that are considered as roadmaps for companies in different sectors (Emergence, Halieutis, Morocco Numéric, MAESEN ...) ;
- Reform and modernization of the financial sector that can ensure better mobilization of savings and a more efficient allocation of financial resources;
- Adoption of the National Charter of SMEs: creation of the National Agency for the Promotion of SMEs that manages, supports and helps in the creation of SMEs ;
- Supports the financing issues of SMEs.

3. Measures and Programs supporting SMEs

Morocco

Programs

- The National Pact of Industrial Emergence provides appropriate responses to the needs of SMEs through various programs aiming at supporting SMEs;
- The Emergence Pact aims also to develop a network of Moroccan competitive SMEs, through supporting companies with high growth potential in achieving their investment projects while improving the productivity of all stakeholders;
- Morocco has recently initiated new programs aiming at backing SMEs in their process of modernization and improvement of their competitiveness:

3. Measures and Programs supporting SMEs

Tunisia

The government has strengthened legal framework in this area, created public financing systems, facilitated the development of financial markets and helped to expand the supply of financial products, especially those geared at SMEs.

Objectives

- Raise existing Tunisian companies at international level by providing them the means to become more competitive.
- Provide Tunisia with a new generation of innovative SMEs in promising new high value-added niches and having a higher technological component.
- Further boost the pace of enterprise creation mainly in new and innovative activities.

3. Measures and Programs supporting SMEs

- **The financing strategy**

- Strengthening own funds (FOPRODI...)
- Improving the role of the banking system (the creation of banks dedicated to SMEs and micro-credit)
- Establishment of a new guarantee system.
- Financial incentives (bonuses of investment ...)
Financing innovative SMEs

❖ International funding

European Investment Bank (European Union).

International Finance Corporation IFC (World Bank Group)

AFD (France)

This is in addition to the funding provided in the framework of international cooperation.

4. Cooperation and Investment Opportunities

- In the North Africa region, strong potential for enterprise creation exists in numerous sectors or segments. This potential is closely linked to the development strategies of each country, the dynamic of demographic, social and urban growth, the rekindled interest in the rural world, integration of a knowledge-based economy, insertion into the world and regional economies.
- Sectoral priorities are explicitly defined by public authorities to highlight natural resources, geographical positions or the know-how of the country in a particular field while seeking job creation and high export potential activities.

4. Cooperation and Investment Opportunities

Algeria

- The agricultural sector, extensive investment is possible for arboriculture, olive growing, viticulture, market gardening and animal breeding. Fishing sector also offers genuine potential.
- Another promising market segment is constituted by the pharmaceutical industry.
- Renewable energy

Egypt

- Business opportunities exist in promising sectors, namely transportation, new information and communications technologies, urban infrastructures, education, tourism, agriculture and Industry.

In all these sectors extensive investment opportunities exist for SMEs that could either give rise to individual or joint projects or be placed in the framework of investment projects of large size national and international enterprises by offering intermediate goods or services.

Libya

- Extensive potential exists in the areas of infrastructures, building and public works, the renovation of oil and gas deposits, tourism and fishing.

Mauritania

- Animal breeding, fishing and mines.

4. Cooperation and Investment Opportunities

Morocco

- The Emergence Pact focuses on eight areas of activity considered the most promising. They are part of traditional sectors such as textile, food processing and handicraft, as well as industries of the future such as off-shoring, automotive equipment, electronics and aerospace subcontracting. Another identified priority area is the tourism sector (Plan Azur);
- Other targeted sectors lie in the area of renewable energies and the agri-business

Tunisia

- Tunisia seeks increasingly to develop advanced technological fields such as aerospace, nanotechnology and biotechnology, which can create very profitable business opportunities that also employ high-level skills and can enhance growth and sustainable economic and technological development. SMEs in these areas have significant assets to highlight.
- Electrical and mechanical components as well as renewable energy are another promising niches. Activities in those fields provide many investment opportunities for the creation of new SMEs or developing existing ones.

What North Africa Region expect from Japan?

- To benefit from Japan's long experience in establishing an umbrella entity "The Organization for Small & Medium Enterprises and Regional Innovation (SMRJ)" for supporting SMEs.
- To take advantage from Japan's expertise in developing "SMEs Universities" and "SMEs Connector Hubs".
- Organizing additional training for specialists in the field of SMEs.
- Increasing financial resources allocated by Japanese financial Institutions.
- Encouraging cooperation programmes with Japanese Institutions to support SMEs marketing activities to access the Japanese Market.
- Opportunities for investment and partnership
 - Cooperation between SMEs in both sides, such as in the fields of capacity building and management.
 - Participation of Japanese companies in the events about SMEs sector organized in North Africa region.
 - Increase Japanese SMEs investment in North Africa.