

**Deauville Partnership for Arab Countries in Transition**  
**Governance Pillar**  
**Action Plan on Development of Small- and Medium-Sized Enterprises**

G8 members, regional partner countries, and transition countries will review legal, regulatory, and administrative systems and practices and identify positive policy environments for the growth of small- and medium-sized enterprises (SMEs) as SMEs are the key drivers to create jobs and generate local revenue and taxes. Governments can improve the business climate for SMEs by advancing rule of law, reducing corruption, improving banking services such as micro-credits, improving the tax environment, promoting cross-border trade, enhancing access to public procurement, and promoting vocational training and human capital development. Reforms will contribute to higher economic growth, more jobs, and a more vibrant civil society and stem the rising tide of youth unemployment in the region. They also will enable SMEs to take a leading role in driving economic development.

**Specific actions:**

- The Partnership will establish a network of contacts across the G8, transition countries, and regional partner countries who will serve as experts on development and expansion of small and medium-sized enterprises.
- G8 members will encourage business associations in their respective countries to establish partnerships with counterparts in transition countries and to assist with capacity building activities to enhance product development and export potential.
- All partner countries will agree to support and send representatives to the High-Level Conference on “Reviving Private Investment in the Deauville Partnership Countries: Investment Policies for Job Creation” to be held on May 7-8 in Cairo and organized jointly by the League of Arab States, the Organization for Economic Co-operation and Development (OECD), the Union for the Mediterranean (UfM), and the United Nations Development Program (UNDP) under the auspices of the Egyptian Ministry of Foreign Affairs.
- The United States and Tunisia will co-host a regional workshop in the early fall to engage governments, civil society, the private sector, and international organizations to examine best practices for policy and regulatory environments for SMEs as part of the preparation for the annual Forum for Future to be held in Tunis in December.
- Tunisia and Italy are co-chairing the Working Group on SME Policy, Entrepreneurship and Human Capital Development within the framework of

the OECD-MENA Initiative, to promote high growth enterprises, access to finance, and fostering entrepreneurship. This mechanism will promote a common platform to improve the regulatory environment for SMEs. As part of this process, regional partner countries, by September 1, will share experiences in fostering best practices in:

- SME development and creating a conducive environment for entrepreneurs and businesses; and
  - promoting education, vocational training, and apprenticeships, including the benefits of community/vocational colleges and small business development centers.
- The Partnership's SME points of contact will develop and distribute consolidated calendars of MENA events related to (1) investment; and (2) trade.
  - Regional partners will consider opportunities to leverage the \$2 billion regional SME fund, administered by the Arab Fund for Economic and Social Development (AFSED), for the benefit of SME growth in the transition countries.
  - Turkey will share experience with Deauville partners on its Better Regulation Group within the Office of the Prime Minister, which ensures coordination among government agencies in relation to changes to the regulatory environment and effects on businesses.
  - In coordination with international institutions, such as the IMF and multilateral development banks, G8 member countries will review areas for offering assistance to transition countries in the field of SME development. For example:
    - In the United States, the Commercial Law Development Program (CLDP) of the U.S. Department of Commerce could offer training to improve the legal environment for businesses. CLDP already has programs in the region to support transparency and legal development through technical assistance and training. Also, the U.S Treasury's Office of Technical Assistance (OTA) provides advice and training to ministers of finance, central bank governors, and other government officials to strengthen domestic financial sectors and public financial management. OTA's areas of expertise include revenue policy and administration; budget policy and accountability; banking and financial services; government debt issuance and management; and financial crimes.

- Italy's Euro-Mediterranean Centre for the Development of Micro-, Small and Medium Enterprises (EMDC) will be supportive of the "one-stop shop" concept and enhance the capacity of local SMEs to interconnect with global value chains. The Italian Cooperation supports SMEs governance programs in Tunisia and Egypt and will continue to provide assistance to improve the enabling environment for SMEs, through concessional credit lines, capacity building and training programs. Italy is supporting the creation of a public-private "Mediterranean Partnership Fund to expand financing options for entrepreneurs.
- The European Union will continue to support private sector development in the region and to coordinate and support Euro-Mediterranean industrial cooperation. Since this process started in 1995, the EU and Mediterranean partner countries have been sharing knowledge and good practices in spurring entrepreneurship and improving the business climate across the Euro-Mediterranean area. The process is steered by Ministers of Industry of the Union for the Mediterranean (UfM) who meet every two years and agree on 2-year work programs. When they met in 2004, they adopted the Euro-Mediterranean Charter for Enterprise. This policy document provides guidelines for conducting reforms and helping SMEs to start, grow, export and compete in the global economy. Action is implemented and monitored in cooperation with UfM countries and a number of partner organizations including EIB, OECD, UNIDO, and ILO.
- France will continue supporting SME development in the Mediterranean zone through a range of dedicated instruments with direct financial services such as guarantees, loans, equities and support to financial services development (micro-finance especially), in Tunisia, Morocco, Egypt, Jordan. As examples, the ARIZ MED mechanism, gives guarantees to credit institutions which fund SMEs or grants direct assistance towards young SMEs; the PROPARCO development finance institution (AFD Agency); the FARO, a seed capital and development fund dedicated to MENA countries, subsidizes innovative projects; . France also provides technical and institutional cooperation, for instance through OSEO, a public-sector institution, which supports SMEs and VSEs in the most decisive phases of their life cycle. France also supports SMEs with non financial supports, through business development services improvement or through SME commercial capacity building (cluster, reinforcement of commercial capacity and competitiveness in Tunisia, Morocco). France will also continue directly or through its AFD

- agency, to allocate significant resources to the improvement of the business environment for SMEs and VSEs in transition countries (France has just undertaken a cooperation with Libya on vocational training and human capital development and youth employment).
- Canada's [contribution to the International Labour Organization's \(ILO's\) Decent Employment for Youth project](#) supports Egypt's National Action Plan for Youth Employment and its Enterprise Development Project will provide [business development](#) non-financial services to SMEs. In Jordan and Morocco, Canada will continue to support education reform, including vocational training and skills for young entrepreneurs.
  - Russia will host a special conference in the framework of the St. Petersburg International Economic Forum (June 21-23, 2012) for officials and businessmen of Arab countries in transition to promote mutual knowledge of trade and investment opportunities, especially SMEs.
  - The UK's Arab Partnership Economic Facility has the capacity to support project work focusing on the development of SMEs and enabling environments for them. This can include areas such as investment climate reform, competition policy, enterprise development, business services and extending access to finance.
  - Germany, in cooperation with the European Union, supports SME funding in the MENA region through the SANAD fund. It is shaped by three imperatives: (1) maintain and create employment, especially for the youth, primarily through support to SMEs; (2) reduce poverty by facilitating self-employment primarily through micro-finance; and (3) build inclusive financial systems by cooperating with banks, micro-finance institutions, and other institutions to facilitate access to financial services. Within its transformation partnerships with Egypt and Tunisia, Germany supports "employment compacts" with the aim of improving vocational training and boosting job creation by linking companies, training colleges and chambers of commerce. In Egypt, three employment centers will be set up for the automotive, construction and furniture industries. In addition, qualification measures for the tourism sector are supported. In cooperation with the International Institute for Family Enterprises Germany matches international investors with promising young entrepreneurs of the MENA region. In Tunisia, companies and chambers will jointly improve the qualification of young job seekers and facilitate their placement into newly created jobs. Another project promotes the use of renewable energy.

- Japan and the League of Arab States have co-hosted two meetings of the Japan-Arab Economic Forum, where business and government gather to discuss various areas, including SME development, and transition countries are invited to participate in the Third Conference to be held in 2012 in Japan.

## **Reporting**

All Partner countries will keep the Presidency and one another well informed on their progress in implementing the specific actions agreed to above and will plan to take stock of the progress of the Deauville partnership coordinated by the Presidency by September 1, 2012.

## **Background:**

Going forward, G8 members will provide assistance to transition countries in the field of micro-, small-, and medium-sized enterprise development, and work together to coordinate efforts. This should include support for institutional, legal, regulatory, and broader business environment reform, as well as increasing access to finance, promoting innovation, addressing capacity and skills constraints, and improving SMEs commercial competitiveness.

Several important steps already have been taken. The UNDP's Istanbul International Centre for Private Sector in Development, hosted and funded by Turkey, already has provided a central platform on private sector development policies, particularly with respect to SMEs. The Centre has published practical guidelines for policy makers on how best to review the process of policy development and establish plans for micro, small, and medium enterprise development. Similarly, the OECD Multilateral Tax Center in Ankara conducts seminars and other training opportunities on the topics of tax and customs administration, auditing and transparency, with significant support of the Government of Turkey. The Tax Center would contribute to the Deauville Partner principles, in part by advancing improvements in the enabling environment for smaller businesses.

Since 1995, the European Union has coordinated Euro-Mediterranean industrial cooperation to share knowledge and good practice in spurring entrepreneurship and improving the business climate across the Euro-Mediterranean area. Industry Ministers of the Union for the Mediterranean (UfM) meet every two years and adopt 2-year work programs. Action is implemented and monitored in cooperation with UfM countries and a number of partner organizations including EIB, OECD, UNIDO, and ILO. Japan, besides supporting preferential loan programs for SMEs

in Egypt and other MENA countries, has initiated Borj Cedria Science and Technology Park in Tunisia and Egypt-Japan University for Science and Technology in Egypt. Also, Japan has implemented KAIZEN (Quality/Productivity Improvement) projects for SMEs in Egypt, Jordan and Tunisia.

The OECD has created a Working Group on SME Policy, Entrepreneurship and Human Capital Development, co-chaired by Tunisia and Italy, to promote enterprise creation and development including high growth enterprises, access to finance and fostering entrepreneurship. Through the IFI PSD partnership, the African Development Bank (AfDB), OECD, EBRD, EIB, IsDB and WB are preparing an assessment report on SME policies, including mapping of donor initiatives, identification of binding constraints for SMEs, and considering what more the international community could do.

G8 members note the importance of respecting human rights (including gender equity) in the SME sector as a means of promoting equitable and inclusive economic growth, and recognize that business development services can play an important role in addressing gaps in business management knowledge. The OECD-MENA Women's Business Forum is collecting good practices on women entrepreneurship, including on support services for the development of women-led businesses. This fall the network of Women's Business Forum task forces will host its inaugural virtual meeting. To empower women, the meeting will facilitate the exchange of business information, best practices, strategies for accessing finance and business support services, know-how, and experiential anecdotes among women entrepreneurs in the MENA region. G8 members will urge their private sectors to participate. We anticipate quarterly virtual meetings of the task force network; continued G8 private sector engagement is encouraged.

Building on this and other existing processes, advanced economies, along with the OECD, should continue analyzing the legal, regulatory and administrative environment, offering advice and promoting reforms, such as simplification of procedures, better law making, assuring transparent consultations with business stakeholders, improving access to finance and markets for SMEs. A high-level conference on investment in the region, organized by the Arab League, OECD, UNDP and Union for the Mediterranean, will take place in early May. Likewise, the U.S. Overseas Private Investment Corporation has SME loan and guarantee facilities in the region and is considering increases.

On 16-17 April, 2012, Germany conducted a conference "SME Policy" in Cairo with more than 250 participants. The conference was targeted government officials and business associations and discussed best practices for improving the SME policy environment.

The European Union supports SMEs, investment and economic development both at country and regional level through the Neighborhood Investment Facility (blending facility) and the multi-country SPRING umbrella program. A working group has also been created on investment security in the Mediterranean Region (ISMED).

Regional partner countries could support assistance programs, including training conducted by the Institute for Liberty and Democracy (ILD) and others, and perhaps providing seed money for micro-finance and other lending options. Turkey, in particular, and Gulf countries as well, could share their experience in fostering good business practices and creating a receptive environment for entrepreneurs. Turkey, for example, hosted the Global Entrepreneurial Summit in December. To support such efforts in the region, Arab finance ministers have launched a \$2 billion development fund for SMEs. Saudi Arabia and Kuwait already have pledged \$500 million each, and the Kuwait-based Arab Fund for Economic and Social Development, which will run the fund, pledged \$100 million. Regional partners will consider how this fund could be leveraged to assist transition economies.