



دعوة لحضور ورشة عمل المشاريع الصغيرة و المتوسطة

السلام عليكم ورحمة الله وبركاته

نشكركم علي جهودكم المتواصلة لدعم المشاريع الصغيرة و المتوسطة و نفيديكم علما بهذه المناسبة بأن دائرة البحوث و الاحصاء بالمصرف المركزي سوف تنظم ورشة عمل لمناقشة هذا الموضوع الهام و إنشاء مجموعة عمل للمتابعة في هذا الشأن.

لذلك نود ترشيح مسؤول من المختصين لديكم عن تطوير المشروعات الصغيرة و المتوسطة للمشاركة في ورشة العمل و تقديم اقتراحات حول الدور الذي سوف تقوم به مؤسساتكم الموقرة لبلوغ هذا الهدف، و عضوية مجموعة العمل بصفة دائمة بعد ذلك

تاريخ ورشة العمل: يوم الاحد 14 يونيو 2015

الوقت: 11 صباحا - الساعة الثانية بعد الظهر

المكان: المقر الرئيسي للمصرف المركزي، البطين - ابو ظبي

شاكرين حسن تعاونكم ،،

وتفضلوا بقبول فائق الاحترام والتقدير،،،

د. محمد البشري

اقتصادي رئيسي

دائرة البحوث و الاحصاء

Discussion Meeting on Developing Small & Medium Enterprises in the UAE

The workshop was held on Sunday, June the 14th 2015, at the Central Bank's Head Office, Abu Dhabi.

Introduction:

Small & Medium Enterprises comprise about 90% of the total companies, and they contribute with approximately 50% of the total GDP in the emerging economies. However, SME's share of the banking credit does not exceed 18% in emerging economies, and 8% in the Middle East, while it does not exceed 4% in the UAE.

The meeting's Objective is to exchange ideas about the following:

1. Entrepreneurship development in the UAE
2. How to securing financing for SMEs?
3. Identifying sources of equipment, raw materials, and semi-processed products necessary for establishing and operating the newly created= SME.
4. Adopting the accounting rules and the required terms of transparency by banks
5. Identifying market needs and adopting a successful marketing plan

The meeting's agenda:

WELCOMING:

H.E. the Executive Director of the Research and Statistics Department, Mr. Rashed Al Fandy, welcomed all attendees and stressed the importance of SME's in enriching the national economy. He also stressed the importance

of continuous communication between the concerned partners on both local and federal levels, as well as other entities supporting SMEs.

Introduction:

Dr. Magda Kandil, Chief Economic Advisor and Director of Research at the Central Bank, presented a summary of the financing programs available at present for this vital sector. She affirmed that the problem is not confined to financing. More importantly, SMEs are not in a position that encourages banks to lend to them. This is why we need to develop an institutional framework that would help contain the risk factor, and hence encourage banks to provide lending for this sector. Dr. Magda also underscored the importance of activating Law No. 2 of 2014 to promote this sector.

Accomplishments:

- **Ministry of Economy:**

The representative of the Ministry stressed that the Federal Law No. 2 of 2014 will come into action soon after the executive regulations are completed and the “SMEs Council” is established. However, a definition of SMEs should be decided by the Cabinet, based on a recommendation of the said Council and categorized by sector: Trade, Industry, and Services. Other achievements of the Ministry include:

- Development of a full database (SME-ID).
- Contribution to a definition of SMEs in the UAE, taking into consideration the following factors: number of staff, turnover, capital, and total of assets.
- The Ministry will ensure that those establishments get 10% of the total annual purchases and services of the government entities, as per the Cabinet’s resolution in this regard.

- **Ruwad Establishment in Sharjah:**
 - The establishment trains new entrepreneurs on governance and transparency standards, and help them later in marketing efforts.
- **Muhammad Bin Rashid Establishment – SME Dubai:**
 - The establishment provides financing services for new and existing enterprises through Muhammad Bin Rashid Fund for supporting young enterprises. These services include:
 - a. Establishment loan, with a maximum limit of AED 500,000, which is interest-free.
 - b. Loan guarantee program, with a maximum limit of AED 5,000,000 at low interest rates, guaranteeing 80% of the loan as a maximum.
 - c. Two-year grace period (deferred payment) before starting to pay the loan on five years.
 - d. The establishment provides licensing services, where members are exempt from governmental fees for three years.
 - e. 5% of governmental purchases are allocated for these enterprises.
 - f. Since its launch, the program has supported approximately 3,000 enterprises/projects.
- **RAK Chamber of Commerce & Industry:**
 - Assist in preparing feasibility studies and help obtain a land plot in the Industrial Area (RAKIA).
 - Provide business incubators.
 - Provide financial support for beginners.

Obstacles:

- Poor performance of some owners who are not fully devoted to work on their enterprises.
- Some federal incentives have not been activated yet.
- Lack of sufficient support for the post-establishment phases (management, marketing, sales, export).
- Poor communication among “business clusters”.
- Lack of transparency and absence of data requested by banks, which increases risks as well as costs of banks’ loans.
- Illegitimate competition from counterfeit goods imported from outside.

Recommendations:

- Encourage specialized and renowned financing companies to establish branches inside the UAE.
- Create business incubators and help companies adopt accounting rules and prepare financial statements as per the international standards, which encourages bank lending.
- Educate SMEs owners about important Islamic Banking products and tools.
- The “sleeping partner” phenomenon should be tackled to ensure that the UAE citizens are fully devoted to the enterprise and that they get sufficient training and support to make it a success.
- Find solutions for the legislative obstacles, such as the “Registry for Movable Assets” which allows for pledging available machinery to help industrial companies get bank loans.
- Create a federal system for securing loans, since the financial security provided by Khalifa Fund and some other local entities is not sufficient for the time being.
- Create partnership between the Ministry of Economy and Chambers of Commerce and Departments of Economic Development.

CENTRAL BANK OF THE UAE

- Request foreign companies operating in the UAE to maintain a minimum purchase from SMEs.
- Improve Emirates Authority for Standardization and Metrology's help to SME's to ensure production quality as per the international standards.
- Help SMEs' participation in fairs held by the Chambers of Commerce & Industry.
- Find solutions for unlicensed and illegal merchants, as well as the counterfeit goods.
- Establish a federal entity for export promotion and insurance.
- Train unemployed persons and fresh graduates to help them enter into business fields.

Final Recommendation:

Form a working group and prepare a study by the Central Bank on the possibility of establishing an integrated federal program for financing SMEs, in cooperation with the participating entities.

| Attendants: |
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| Central Bank of the UAE |
| Chambers of Commerce & Industry Association |
| RAK Department of Economic Development. |
| Muhammad Bin Rashid Establishment for SME Development. |
| Emirati Entrepreneurs Association. |
| Ministry of Economy. |
| Ruwad Establishment, Sharjah. |
| Khalifa Fund |
| Department of Economic Development, Sharjah. |
| Fujairah Chamber of Commerce & Industry. |
| Abu Dhabi Chamber of Commerce |
| RAK Chamber of Commerce |
| Department of Economic Development, Ajman. |

Department of Economic Development, Abu Dhabi.