

**Pioneering Businesses along the Nile:
The Experience of the Small Enterprise Development in Upper Egypt Project
Foundation for International Training
2003**

The goal of the Small Enterprise Development in Upper Egypt (SMEDUP) Project is to improve the economic conditions for marginalized population groups in three governorates in Upper Egypt through small enterprise development. The project, which became operational in 1996, is co-funded by the Canadian International Development Agency (CIDA) and the Government of Egypt's Social Fund for Development. CIDA's contribution, which is managed by the Foundation for International Training, supports the institutional development, training, technical assistance and management costs of the project, and the Social Fund for Development provides credit lines dedicated to small enterprises through the National Bank of Egypt.

Two core features of the project at that time focussed on the notion of supporting **business start-ups** and **creating new institutions** able to provide business advisory services on a long-term market basis. Furthermore, the project's mandate was to develop a more mature industrial economy within the governorates in which it operated. Thus, the challenge was not only to promote and assist the start-up of new businesses within the governorates, but also to support new business types that were previously absent within the regions. The project recognized that this required a comprehensive approach that included both credit and business development services.

The Business Development Services provided by SMEDUP are divided into four stages:

Stage One: Client Selection and Motivation — At this stage, the objective is to determine whether a client can succeed as a small business owner/manager through the following activities:

- Program Promotion Meetings
- Client Motivation
- Entrepreneurial Characteristics Assessment
- Achievement Test
- Baseline Survey Data
- Business Site Visit

Stage Two: Business Planning Training — Once a client is selected, the next step is to develop a business plan to assess whether the business idea is viable and provide the necessary training and counseling for the entrepreneur.

Stage Three: Business Implementation — If a viable business plan is developed, the Regional Enterprise Development Centre (REDEC) assists the client in actually starting up the business through brokering access to bank credit, facilitation of licensing and registration requirements, advice on the purchase and installation of machinery and equipment, business site preparation and guidance on negotiating and managing the first

batch of working capital. This stage also includes the provision of technical and managerial training as required by the client.

Stage Four: On-going Business Monitoring, Advisory and Referral Services — At this stage, regular field assessments looking at business and labour status are conducted, and troubleshooting advice is provided to businesses for emerging problems in areas such as liquidity, production and marketing.

The project has succeeded in establishing over 1300 new businesses that employ more than 5000 employees in a variety of sectors – many of them new to the areas of operations. Some of the key types of businesses include metal, construction materials, woodworking workshops, food-processing and plastics. Some of the businesses created that are new to their regions are internet service providers, computer training centers, computer maintenance centers, as well as larger scale cosmetics and laundry factories. In addition, the project has been able to channel upwards of 35,000,000 LE (equivalent to 10 million US \$) in bank loans to SMEs. 30% of all businesses created are in the manufacturing sector, while 45% of enterprises established are owned by female entrepreneurs and a third of all jobs created are held by female workers.

SMEDUP adopts a market development paradigm as its core philosophy. However, when the project began in the mid-90s, the market for business development services was largely under-developed and therefore the project was faced with the challenge of stimulating both demand (through supporting **business start-ups**) and supply (through **establishing new regional enterprise development centers**). As a reflection of the maturing market and the diverse needs of clients, the project is moving toward the market-based facilitator/provider model. This is being achieved through the creation of a national SME support organization, El Mobadara, which works to build the capacity of local organizations such as Regional Enterprise Development Centres, who then work with the clients on a commercial basis.

The interesting lesson is that while SMEs appear quite willing to pay for business advisory services when it is tied to loans, this willingness greatly diminishes when services are offered on a stand-alone basis. Thus there is need to stimulate the demand for BDS by promoting awareness among the target SMEs of the **need** for these services to improve business competitiveness and the **value** that these services bring. On the supply side, the Regional Enterprise Development Centres now have to be able to provide an offer which is both **affordable** to SMEs and **profitable** for the centres. There is also a requirement to strengthen the capabilities of the staff so that more dynamic and responsive teams can emerge. The services that were once being offered as a full package is now being re-configured and customized to achieve a more **focussed and targeted** approach. New services are being introduced on a pilot basis, such as promoting cross-firm linkages and technology transfer.

Public subsidies and donor programs will still be needed as the centres pursue related themes such as protecting worker safety and rights, promoting affordable and

environmentally friendly work processes and technologies, and reaching large numbers of women.

The overarching and most enduring achievement of this project has been the creation of indigenous institutions that have emerged as pioneers in their governorates by providing high quality training and technical assistance for business start-ups. Through a mix of market fees, donor support, and public subsidies, it is expected that this network of institutions will continue to create income and employment opportunities throughout Egypt over the long-term. This is closely aligned with the Government of Egypt's 2017 Development Vision which relies on the small enterprise sector to generate two-thirds of the jobs opportunities needed to keep unemployment in check and develop a more vibrant private sector.