Report on the implementation of the **Euro-Mediterranean** Charter for Enterprise

2008 enterprise policy assessment

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Report on the implementation of the Euro-Mediterranean Charter for Enterprise

2008 enterprise policy assessment

Written by:
European Commission (Directorate-General for Enterprise and Industry)
Organisation for Economic Cooperation and Development (Private Sector Development Division)
European Training Foundation

In consultation with:
European Investment Bank

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Organisation profiles

European Commission, Directorate-General for Enterprise and Industry

The Enterprise and Industry DG supports European businesses' efforts to be competitive in the global economy and generate sustainable growth and jobs for the benefit of all European Union (EU) citizens. It encourages innovation and entrepreneurship across the EU, with a focus on small and medium-sized enterprises (SMEs). The Enterprise and Industry DG designs and monitors EU legislation to create the right conditions for European businesses to thrive.

Organisation for Economic Cooperation and Development, Private Sector Development Division

The OECD Private Sector Development Division brings together under one umbrella horizontal regional programmes aimed at enhancing sustainable growth and employment through better policy to improve the business climate.

The division assists regions in developing and implementing effective policy reforms to enhance investment, competitiveness and private sector development in several regions. Its programmes include the Investment Compact for South East Europe, the Middle East and North Africa Investment Programme, and the Eurasia Competitiveness Programme.

The division was created to respond to the growing demand for private sector development policy advice in non-OECD economies, which increasingly requires a horizontal, cross-issue approach.

European Training Foundation

Based in Turin (Italy), the European Training Foundation (ETF) is the EU's specialist agency supporting education, training and wider human capital development across 30 partner countries. These include prospective EU members, the southern and eastern Mediterranean region, eastern Europe and central Asia. Central to ETF's work in its partner regions is the promotion of quality human resources to enhance economic competitiveness and social inclusion.

European Investment Bank

The European Investment Bank (EIB) was created by the Treaty of Rome in 1958 as the long-term lending bank of the European Union. Its mission is to further the objectives of the European Union; within this framework, the EIB continuously adapts its activity to developments in EU policies.

In the Mediterranean region, the EIB operates through its Facility for Euro-Mediterranean Investment and Partnership (FEMIP). Its two main priorities are support for the private sector and the creation of an investment-friendly environment by means of efficient infrastructure and appropriate financial systems.

European Commission, EuropeAid Co-operation Office

The EuropeAid Co-operation Office manages EU external aid programmes and ensures that development assistance is delivered worldwide. EuropeAid's main mission is to implement the Commission's external aid instruments, both those funded by the Union's budget and the European Development Fund. To ensure coherence, complementarity and coordination in implementing external assistance programmes worldwide, EuropeAid works in close collaboration with its various partners. The overall aim is to make external aid more effective.

Foreword
by European Commission Vice-President Günter Verheugen

The European Commission is keen to strengthen relations with our Mediterranean partners. We wish to fully exploit the potential of the European neighbourhood policy. This could ultimately lead to the creation of a large single market, which would create a lasting win-win situation for all partners involved.

Some important steps have already been taken to enhance business opportunities and profit from exchange and mutual learning. The Euro-Mediterranean Charter for Enterprise is clearly a good example in this respect and I am very pleased that nine Mediterranean partners have subscribed to it.

Adopted by industry ministers in 2004, the Charter is based on the model of the European Charter for Small Enterprises. An improved business environment and the promotion of entrepreneurship and small and medium-sized enterprises are not only challenges for the EU but also for our partners in the neighbourhood. It was appropriate then to share our recipes for prosperity and job creation and it is time now to look into the results achieved so far.

For eight months, hundreds of organisations and people in our partner countries from the Commission and from its partner organisations have worked together to assess the progress achieved under the Charter. As a result of this remarkable cooperation the present report shows that EU enterprise policies have been a valuable source of inspiration for our Mediterranean neighbours. It proves that our Mediterranean partners are developing a strong entrepreneurial culture, which is a valuable asset for them and a precondition for successful growth and job creation. The report also underlines the importance of further close cooperation in this area. Therefore I would like to use the occasion of the presentation of this report to invite our partners to profit from the Commission's recently tabled proposals on how to best promote SMEs and entrepreneurship (the Small Business Act for Europe).

Peace, stability and prosperity are objectives which the EU and its Mediterranean partners share. Vibrant enterprises, led by down-to-earth but ambitious entrepreneurs, are, in my view, a vital element in achieving these common goals.

Günter Verheugen

Introduction

This report on the implementation of the Euro-Mediterranean Charter for Enterprise (MED Charter) provides a comprehensive picture of the development of policies that support and promote entrepreneurship and enterprise development conducted by the governments of the Mediterranean partner (MED) countries: Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian Authority, Syria and Tunisia.

It presents the results of an eight-month-long policy review and monitoring process, conducted as a pilot project, led and coordinated by the European Commission, the Organisation for Economic Cooperation and Development, the European Training Foundation and the European Investment Bank, and conducted in partnership with the MED Charter stakeholders. The pilot project involved extensive consultations with a large number of policymakers, representatives of governmental agencies and institutions, representatives of private sector organisations, members of the banking and financial community, economists, enterprise policy experts and bilateral and multilateral development organisations. In fact, one of the key achievements of the pilot project has been the enhancement of dialogue between governmental institutions and private sector organisations. Another is the exchange of information and experiences at the country and MED regional level.

Today, private enterprises are the main engine of growth in the MED countries, progressively replacing government-sponsored investment programmes and state-owned companies. Over the last three years, the MED region has experienced strong economic growth and has embarked on programmes of structural economic reform aimed at improving the business environment and facilitating enterprise development.

However, the MED region still faces a number of challenges. The most pressing challenges are: generating a sufficient number of jobs to absorb the fast-growing number of young and increasingly better educated entrants into the labour market; promoting entrepreneurship, in particular among women and youth; and reducing overall unemployment. At the same time, MED enterprises need to innovate and grow to withstand the increasing level of competition arising from the process of economic integration at global, Euro-Mediterranean and regional levels.

Addressing these challenges will require action on several fronts, through well-structured and targeted policy initiatives. This report provides a contribution to policy development and cooperation with the final aim of supporting enterprise development in the MED region and addressing the challenges listed above.

The pilot project signals an important step forward in enhancing Euro-Mediterranean industrial cooperation within the framework of the Barcelona process: Union for the Mediterranean and it has further developed the intra-regional policy dialogue fostered by the MENA-OECD Investment Programme. We look forward to a further deepening of this fruitful cooperation.

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European Commission

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The work was led by Marie Corman (Enterprise and Industry DG), Antonio Fanelli (OECD PSD) and Anthony Gribben (ETF), in cooperation with Sabina Pogorelec (EIB), Efka Heder (ETF), Abdelaziz Jouani (ETF), Jakob Fexer (OECD PSD) and Sara Sultan (OECD PSD).

In the MED countries, the following national Charter coordinators (see Annex III) coordinated their country's participation in all stages of the pilot project: Mohamed Kirat (Algeria), Hany Barakat (Egypt), Zvia Dori (Israel), Muna Tarawneh (Jordan), Rola Bacharouch (Lebanon), Latifa Echihabi (Morocco), Jafar Hdaib (Palestinian Authority), Reem Hilali (Syria) and Raja Mnif (Tunisia). In particular, the Charter coordinators, with their teams, led the country's self-assessment and coordinated the contributions of different government institutions and national stakeholders.

The independent assessments were conducted with the support of a team of consultants led by: Abdelghani Bendriouch (Contrôle de Gestion, Etudes, Formation et Organisation pour les Sociétés (COGEFOS)) for Algeria, Morocco and Tunisia with inputs from Amira Amirouche (Algeria), Mohamed Bahloul (Algeria), Karim Benkalah (Tunisia) and Salah Hatem (Tunisia); Nihal El-Megharbel (The Egyptian Centre for Economic Studies) for Egypt with inputs from Reem Abdel Haliem; Miri Lerner (The School of Management and Economics, The Academic College of Tel-Aviv Jaffa) for Israel with inputs from Eli Gimmon (Tel-Hai Academic College, Department of Economics and Management); and Yusuf Mansur (Envision Consulting Group) for Lebanon, Jordan, the Palestinian Authority and Syria with inputs from Hisham Awartani (Palestinian Authority), Roger Melki (Lebanon) and Nabil Sukkar (Syria).

The principal authors of the report are: Antonio Fanelli, Jakob Fexer and Sara Sultan from the OECD PSD; Marie Corman from the Enterprise and Industry DG; and Anthony Gribben with inputs from Efka Heder and Abdelaziz Jouani from the ETF. In addition, the sections on 'Access to finance' were written by Sabina Pogorelec from the Development Economics Advisory Service of the EIB; the sections on 'Agreement on conformity and acceptance of industrial products' by Evelyne Hania from the Enterprise and Industry DG; the sections on 'Investment-friendly taxation' by Steven Clark and Ana Cebreiro from the OECD Centre for Tax Policy and Administration; and the sections on 'Innovative firms' by Alistair Nolan from the OECD PSD. Research assistance was provided by Said Kechida from the OECD PSD. Further inputs were provided by Rainer Geiger and Anthony O'Sullivan from the OECD.

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Contents

Figures

Boxes

Tables

Scope of the report, methodology and key findings

SCOPE AND PURPOSE OF THE REPORT

This report is based on a pilot project assessing the status of implementation of the Euro-Mediterranean Charter for Enterprise ('the Charter')[1] in Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian Authority, Syria and Tunisia (hereinafter, 'the MED countries'). It provides a comprehensive overview of enterprise policy in the MED countries.

The Charter was adopted by industry ministers in 2004. Since then it has been a key document guiding MED governments' policy towards the private enterprise sector. At the same time it is also a platform for Euro-Mediterranean (Euro-Med) cooperation, as the Charter has been generated within the process of Euro-Mediterranean industrial cooperation conducted within the framework of the Barcelona process[2]. The Charter is structured in 10 policy dimensions and incorporates several features of the European Charter for Small Enterprises.

The report is a joint publication of the European Commission, the Organisation for Economic Cooperation and Development (OECD) and the European Training Foundation (ETF), in consultation with the European Investment Bank (EIB) (hereinafter, 'the partner organisations'). The report summarises the results of an eight-month assessment process started in September 2007 and completed in mid-April 2008. The report focuses on the evaluation of policies towards the enterprise sector elaborated and implemented by central government institutions. Whilst MED countries have been fully involved in all the stages of the exercise, the contents of the report reflect the final decisions made by the partner organisations.

METHODOLOGY

The assessment was instigated by the MED countries, when they requested assistance from the Commission in order to improve the Charter monitoring. The Commission responded to this request by launching a pilot project that was conducted with the direct participation of MED countries in both the elaboration of the policy indicators used for the assessment as well as in the assessment phase.

The methodology applied was originally developed by the OECD under the Investment Compact Programme for South East Europe. (This methodology was also used for the assessment of the implementation of the European Charter for Small Enterprises in the western Balkans in 2006–07.) Building on this experience, MED countries and partner organisations elaborated analytic indicators for each of the 10 dimensions of the Charter, capturing key policy features. In total, 77 policy indicators were used, forming the MED assessment grid. Five levels of policy development were defined for each policy indicator, outlining a policy development path that ranges from level 1 (no structured policy intervention in place) to level 5 (policy incorporates key elements of internationally recognised good practice). According to the level of complexity, dimensions were divided in subdimensions. Assessment results are aggregated at dimension and subdimension level. Indicators are weighted according to their relative importance (see Annex I).

The final assessment and the assignment of scores for each policy indicator are based on the synthesis of two distinct, albeit parallel, assessment processes that are based on the common MED assessment grid (see Annex I). Each country conducted a self-assessment led by a national Charter coordinator, using inputs from relevant government institutions and key stakeholders. The partner organisations completed a parallel and independent assessment, based on inputs collected by a team of local experts and supported by interviews with experts and private sector representatives. This independent assessment also combined data and information from international organisations, bilateral donors and other published sources.

For the purpose of this report, 'enterprise policy' is defined as a set of policies and measures aimed at improving the business environment and operational conditions for enterprises. The 10 Charter dimensions cover the typical sequences in the life cycle of an enterprise, including establishment, expansion, maturity and closure, as well as a wide spectrum of issues relevant for enterprise development, ranging from administrative simplification to the tax regime to human capital development.

Enterprise policy is consistent with a horizontal approach to policymaking, seeking to improve conditions for the largest possible number of enterprises. It is therefore substantially different from vertical policies (particularly traditional industrial policies), which tend to target interventions on a limited number of priority sectors or sometimes even enterprises, selected as national champions. Enterprise policy relies

(1) http://ec.europa.eu/enterprise/enterprise_policy/ind_coop_programmes/med/doc/f1949_en.pdf

(2) Among the principal aims of the Barcelona process, launched in November 1995, are the enhancement of economic and financial cooperation and the creation of a Euro-Mediterranean area of shared prosperity through sustainable and balanced socioeconomic development.

mostly on market mechanisms to reach its objectives, limiting direct government intervention to cases of market failure. It does not exclude measures aimed at promoting development in priority sectors, provided they are not market distorting. Traditional vertical industrial policies rely instead on direct government intervention, using measures such as concessionary financing, state ownership and external protection, using high customs duty and non-tariff barriers.

The Charter assessment gives a good indication of the extent to which the MED countries are implementing a market-based horizontal policy approach. However, a number of dimensions critical for a country's overall socioeconomic development (such as labour market policy, corporate governance, competition and anti-corruption policy) are not covered by the Charter and therefore fall outside the scope of this report.

The distinction between horizontal and vertical enterprise policies is highly relevant to the MED region. Most of the MED countries conducted active vertical industrial policies for decades — in several cases up to the 1990s — before moving to a horizontal policy. Egypt, Algeria and Syria followed vertical industrial policies. Jordan, Morocco, Israel and Tunisia retained only limited elements of a traditional industrial policy and were among the first to move away from this approach. Lebanon and the Palestinian Authority, for a number of reasons, never introduced traditional industrial policy measures.

The Charter assessment, therefore, measures how much countries apply policies that are different from traditional enterprise policies. The assessment thus shows the extent to which countries are bringing their policy approaches closer to that of the EU, setting the stage for further opening their economies in view of the establishment of the Euro-Med free trade zone targeted for 2010.

From a regional perspective, the assessment shows that most of the MED countries have been relatively successful in developing policy tools to promote enterprise creation, as in the cases of the development of the microfinance industry in Morocco, and the Social Fund for Development in Egypt. A number of good practices have developed in several MED countries that could be extended to other countries in the MED region. This is a good start, but much remains to be done to effectively promote and support entrepreneurship, in particular among women and young graduates, filling the gap in this area in relation to other fast-growing emerging economies.

The MED region has also been relatively successful in improving company registration procedures, but the MED countries are only starting to tackle administrative barriers to enterprise development.

The results are more mixed in relation to support to high-growth enterprises. Skill development is at a very early stage. Innovation policy is also only incipient in most of the countries. Even in the best performing countries in this policy area (such as Egypt and Tunisia), innovation policy is just now evolving from pilot projects into structured intervention. However, nearly all the MED countries have developed industrial modernisation processes over the years that in most cases have been quite successful, providing the basis for launching more advanced policies.

Having completed this first pilot assessment, the partner organisations and the national Charter coordinators believe that the next step is to address the policy areas where the need for improvement is urgent. Those areas have been highlighted in the 'Way forward' section of each country chapter in Part III of this report. At the level of the MED region, priorities are: human capital development (education, training and skills improvement), access to finance, access to markets, and innovation.

KEY FINDINGS AND CONCLUSIONS

The main conclusion of this report is that the process of convergence towards the policy guidelines set in the Charter is advancing in the MED region. However, convergence is moving more rapidly in some countries than others. For instance, progress has been most notable in Egypt, Jordan, Morocco and Tunisia, countries that over the last five years have increasingly adopted a horizontal policy approach and systematically improved the business climate. Lebanon and the Palestinian Authority have made less marked progress, largely due to the consequences of armed conflict and political instability. In Algeria and Syria, the transition from traditional industrial policy to a horizontal enterprise policy is at an early stage. The economies of these countries are largely dependent on the hydro-carbon sector while private enterprise remains underdeveloped. However, both countries have started to introduce elements of enterprise policy and to recognise that private enterprises — and particularly SMEs — should progressively take a leading role in driving economic development. The recent increase in oil and gas revenues may provide the resources to move faster in the policy transition; however, it may also have the opposite effect, lifting the pressure to reform.

Israel is the only MED country that has reached levels comparable to those of most OECD countries in terms of per capita income, economic structure and policy development, particularly in the areas of innovation and availability of risk capital through venture capital funds. However, the assessment has highlighted that there are still areas open to improvement, such as regulatory reform and human capital development.

KEY FINDINGS PER POLICY DIMENSION

Dimension 1: Simple procedures for enterprises

Dimension 1 is made up of three policy subdimensions: institutional framework for enterprise policy, better legislation and administrative simplification, and cheaper and faster start-ups. In most of the MED countries the building blocks of a comprehensive enterprise policy framework are now in place. However, interministerial policy coordination is still generally weak and there are outstanding issues regarding clear assignments of tasks and competencies in enterprise policy elaboration and implementation among economic ministries and government executive agencies. Finally, no country in the MED region has adopted a comprehensive enterprise development strategy — although Egypt incorporated many elements of an enterprise policy strategy in its 2005 industrial development strategy. Israel, Egypt and Morocco have made most progress in this subdimension, while the Palestinian Authority, Algeria and Syria have a relatively weak enterprise policy framework. Enterprises in the MED countries still face cumbersome laws and regulations. Across the entire region, regulatory reform is at an initial stage of development, although a number of countries have launched targeted programmes. However, only Egypt and Israel have launched comprehensive regulatory reform programmes. Regulatory impact analysis on new legislation is not practised in the MED region. Company registration procedures have generally improved across the region, with significant cuts in the cost and time required to obtain a company registration title. A number of countries (Egypt, Jordan, Morocco, Tunisia, Lebanon) have developed 'one-stop-shops', although there are variations in terms of configuration and scope. Syria, Algeria and the Palestinian Authority still have problematic company registration procedures. Israel also needs to further improve its performance on company registration and develop a one-stop system.

Dimension 2: Education and training for entrepreneurship

While education and training are increasingly recognised as key contributors to competitiveness in all MED countries, learning systems generally lack the policy thrust required to ensure strategic inputs into an entrepreneurial economy. The objective of Dimension 2 is to encourage those countries participating in the Charter to develop and promote entrepreneurial leaning, in a lifelong learning perspective, as a central pillar in the wider effort to promote competitive economies. 'Entrepreneurial learning' refers to all forms of education and training (both formal and non-formal), including work-based learning, which contribute to entrepreneurial spirit and activity, business creation and employability development.

Two lines of development should be considered for Dimension 2.

- Develop a policy partnership with strategy building involving education, employment and industry ministries, as well as employers, workers and other non-government interest groups. This would encourage the education system to promote entrepreneurial attitudes (such as creativity, autonomy and risk-taking) and entrepreneurial-specific skills (such as book-keeping and business planning). Tunisia is a frontrunner in this area and may offer good practice to be shared with other MED countries.

- Raise awareness that the entrepreneurial mind-set should be developed as a key competence particularly in all compulsory education levels. The understanding of the concept and potential of entrepreneurship as a key competence (as well as its implications for the overall system in terms of curriculum development, teacher training and school management) is required for all countries in the region.

Dimension 3: Improved skills

Workforce competencies should be regularly improved and the training market continuously developed to ensure that the manpower requirements of companies are met. Improved competencies can not only promote the establishment of new businesses and ensure their survival but can additionally promote the growth of businesses, reinforcing competitiveness and access to international markets. There is a lack of data on enterprise training, including start-ups and expanding business. In order for the participating countries to move forward on Dimension 3, systemic data developments should be considered. A regular and comprehensive survey of the enterprise community to track training needs and training take-up, as well as to determine current and future skill needs, could improve policymaking and the targeting of resources.

Another area of development is training for enterprise growth. Given well-developed practice on training for expanding enterprises (particularly in Egypt, Israel, Jordan, Morocco and Tunisia), a knowledge-sharing framework would give all countries access to information on policy tools and financing arrangements. The framework would enable a more developed impact assessment for the region, by bringing together the network of national bodies involved in the training effort, co-working through peer learning on areas of common development interest.

Dimension 4: Easier access to finance and investment-friendly taxation

The 'access to finance' component of Dimension 4 is made up of two subdimensions: credit environment and financial facilities for enterprises. Across the MED region, there has been more progress in developing financial facilities for enterprises than in improving the credit environment. Asset-backed bank lending is the main source of external financing for enterprises. However, collateral requirements are generally very high. Access to (and reliability of) information from cadastres is limited in many countries. With the exception of Israel and Tunisia, credit information services are not yet fully developed. But most of the MED countries have established credit guarantee schemes, some of which operate in partnership with commercial banks (Jordan, Morocco, Tunisia and Egypt). Microfinance facilities are also well developed in a number of MED countries, such as Morocco, Egypt, Israel and Lebanon. Access to capital markets for SMEs is still problematic and the availability of risk capital is very limited. However, Egypt, Morocco and Tunisia have made gains in this area, while Israel has a competitive venture capital industry. Syria, the Palestinian Authority and Algeria need to focus on improving access to finance, while Tunisia should increase its efforts in improving its credit environment.

The tax policy assessment has been hampered by a lack of information. Therefore, it has not been possible to assign country scores. As a general remark, governments in the region have not yet applied systematic methods of evaluating the tax regime and the tax compliance requirements imposed on small and medium-sized companies.

Dimension 5: Better market access

Dimension 5 includes three policy subdimensions: a proactive trade policy, simplification of procedures for international trade, and agreements on conformity assessment and acceptance of industrial products (ACAAs). Few countries in the MED region (Israel and Egypt) have a national export strategy. However, most have established government export agencies and export promotion programmes. The level of regional trade integration — measured by the number of intra-MED free trade agreements (FTAs) in place — has recently improved. But implementation of the main regional FTAs is at an early stage. Egypt, Jordan, Morocco and Tunisia are more advanced in terms of regional trade integration, while Algeria is the least integrated. International trade procedures are becoming simpler across all the MED countries (moving fast in Egypt, Israel and Tunisia and lagging in Algeria). In preparation for the ACAAs, significant efforts are needed in legislative alignment and strengthening of the institutional framework.

Dimension 6: Innovative firms

The assessment framework on enterprise innovation includes four indicators: development of a strategy on enterprise innovation and research and development (R & D); government action to link firms to technology and research centres, and promote inter-firm cooperation; support for innovative firms; and support for business incubation.

In all MED countries, policymakers recognise innovation as a source of long-term prosperity, and most countries have taken steps to establish components of an innovation system. These efforts have tended to concentrate on creating linkages between business and university, developing business incubators, upgrading human capital and implementing a range of enterprise-level technology upgrading (*mise à niveau*) programmes, some of which have a sector-specific focus. Most MED countries possess innovation and technology centres (Egypt and Morocco stand out in terms of institutional strength in this area) although across the region the number, sophistication and track record of these institutions vary considerably. However, with the exception of Israel, MED countries have yet to take a significant position on the global stage as sources of technological innovation. While all MED countries have launched initiatives on research and innovation, the volume of investment in R & D is limited for the region as a whole; and in some cases the development of a comprehensive innovation strategy is still incipient (including the Palestinian Authority, Lebanon and Syria).

Dimension 7:
Strong business associations

Dimension 7 is made up of two subdimensions: public–private consultations, and networks and business associations. All MED countries have introduced practices of public–private consultations. However, practices vary considerably in terms of institutional framework, frequency and degree of transparency. Israel, Palestinian Authority, Egypt, Morocco and Tunisia have adopted relatively well-developed consultation mechanisms. Public–private consultation practices in Algeria and Syria are largely formal, but the consultation mechanisms are evolving. Private sector organisations in the MED countries are gaining strength in terms of advocacy and ability to provide services to their members. The largest private sector organisations are the chambers of commerce and industry and manufacturers'/employers' organisations. However, the more established the institution, the higher the risk that it represents the insiders — well-connected, dominant companies. Private sector organisations are strong in Israel, Egypt, the Palestinian Authority, Morocco and Tunisia; they are relatively well organised in Lebanon and Jordan, but have still limited advocacy functions in Algeria and Syria. There are signs of networks of entrepreneurs operating in new and high-value sectors, of women entrepreneurs and young entrepreneurs in several MED countries.

Dimension 8:
Quality business support schemes and services

The assessment framework for Dimension 8 of the Charter includes four indicators designed to capture the various business support schemes available throughout the MED countries. It underlines the need for access to support for new entrepreneurs and start-ups (typically family-run, micro- and small enterprises in the MED region), and the provision of services to established firms with growth potential. All MED countries have programmes to help small firms overcome problems associated with market failures in the provision of services, and thus target specific populations, such as the Moroccan Moukawalati programme supporting youth entrepreneurship, the Palestinian Authority programme targeting women entrepreneurs and Israel's 28 small business development centres, which operate with local minority communities. Business establishment support centres (usually industrial parks or zones) aim to upgrade enterprises with growth potential, such as the upgrading programmes of *mise à niveau* in Tunisia, Morocco and Algeria, and industrial zones in Jordan, Israel, Egypt and Syria. There has been substantial technical and financial assistance in all MED countries to develop a full range of services for start-ups and established companies (for example, in Lebanon the Industrial Modernisation Centre helps facilitate access to finance). However, there is still an information gap as programmes are not widely advertised. Furthermore, there is a paucity of monitoring and evaluation tools to evaluate the effectiveness of programmes which are consuming sizeable resources.

Dimension 9:
Strengthening Euro-Mediterranean networks and partnerships

The assessment framework comprises three indicators. These look at networks and partnerships in place between businesses and between business service providers, and assess whether they are embedded in a broader strategy for enterprise development. They also assess their sustainability, their upscaling prospects, the range of sectors covered and the extent of Euro-Med connections.

The assessment shows that some experience has been accumulated at Euro-Mediterranean level in networking and partnerships between businesses and between business service providers, often with donor support. Yet it reveals that there is much scope for using networks and partnerships in more strategic, sustainable and ambitious ways, for better exploiting pilot projects and previous results, and for learning from successful experience across the Euro-Mediterranean area.

Dimension 10:
Clear and targeted information for enterprises

The assessment of Dimension 10 is made up of two indicators: traditional channels of information (such as government gazettes) and online information. There is a significant need across the region to improve the quality of information for enterprises and to make it more accessible by bundling sources of information, especially online. Information lacks detail, reliability, updates, accessibility and usability. Egypt, Israel, Morocco and Tunisia have made the most substantial efforts to tackle these problems, namely through interactive websites, government agencies and in some cases even Internet portals or networks of information centres.

PART I

Introduction

The objective of this report is to assess progress in implementing the Euro-Mediterranean Charter for Enterprise (hereinafter 'the Charter') [3] in the EU Mediterranean partner countries and territories (hereinafter 'MED countries').

The Charter is seen by the MED countries as a key instrument to guide reforms in enterprise policy. It provides guidelines on 10 policy dimensions [4] relevant for the development of the private enterprise sector. Its structure and contents are modelled on the European Charter for Small Enterprises, a European Union (EU) document defining policy guidelines in the area of enterprise and small and medium-sized enterprise (SME) development, adopted in the framework of the Lisbon agenda to improve cooperation on enterprise policy issues within the EU and between EU Member States.

The report covers the MED countries that have endorsed the Charter: Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian Authority, Syria and Tunisia [5]. It contains an analysis of the level of implementation for each of the Charter's 10 dimensions at regional level, and an evaluation of the performance of each country and territory in implementing the Charter's policy guidelines, based on a common set of indicators.

The report focuses on the evaluation of policies for the enterprise sector elaborated and implemented by central government institutions. It does not review policy measures taken by local administration and non-government institutions to support private enterprise development, although those institutions play an important part in policy elaboration and delivery, particularly towards the small enterprise sector.

The report is structured in three parts:

- Part I contains the introduction, background and methodology, as well as an overview of the key economic and social data for the Mediterranean partner countries.
- Part II contains an assessment of the degree of implementation of each of the 10 Charter dimensions, with an analysis of trends and key issues, and comparisons of the different countries and territories.
- Part III presents profiles of all the MED countries, highlighting strengths and areas for improvement in policy design and implementation.

(3) http://ec.europa.eu/enterprise/enterprise_policy/ind_coop_programmes/med/doc/f1949_en.pdf

(4) These dimensions are referred to as 'lines for action' in the Charter. Please refer to the section below entitled 'The Euro-Mediterranean Charter implementation assessment grid and the assessment methodology' for a list of the 10 Charter dimensions.

(5) In the tables, the following abbreviations are used for the MED countries: AG, EG, IS, JO, LE, MO, PA, SY, TU; and for the regional average: MED.

The Charter process in the Euro-Mediterranean region

One of the aims of the Barcelona process, launched in November 1995 and reinforced in 2004 by the European neighbourhood policy, is to build a Euro-Mediterranean region of shared prosperity through an economic and financial partnership and the gradual establishment of a free trade area. The Euro-Mediterranean free trade area, to be completed by 2010, will cover the EU, Turkey and the EU's nine Mediterranean partners: Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian Authority, Syria and Tunisia.

To meet the goals of the Barcelona process, the MED countries engaged in industrial cooperation with the EU. Industry ministers adopted the Euro-Mediterranean Charter for Enterprise at the Euro-Mediterranean Ministerial Conference on Industry held in Caserta, Italy, in October 2004. By endorsing the Charter, Mediterranean partners committed to use it as a tool to implement microeconomic reforms and to boost the competitiveness of their enterprises, with the aim to attract higher levels of domestic and foreign direct investment.

Following the adoption of the Charter, all MED countries established institutional structures to implement the Charter, led by a national Charter coordinator (senior governmental representative from the Ministry of Industry, national SME agency or equivalent).

In 2006, the European Commission issued a regional progress report on the implementation of the Euro-Mediterranean Charter for Enterprise on the basis of national reports produced by Mediterranean partner countries. The report described recent developments and examples of good practice. It compared strengths and weaknesses in the Euro-Mediterranean region (hereinafter 'MED region'), and formulated recommendations on next steps.

At the Sixth Euro-Mediterranean Ministerial Conference on Industry in Rhodes, Greece, in September 2006, Industry ministers decided to proceed with the Charter implementation. The national Charter coordinators sought the European Commission's help to improve the planning, monitoring and evaluation of the Charter implementation. They called for a more systematic and analytical tool to track policy developments and identify gaps in policy elaboration and implementation at the national and regional levels. When the MED national Charter coordinators met in Berlin on 6 June 2007, they agreed to launch a pilot project for an in-depth evaluation of government policies for the 10 dimensions of the Charter in the MED region.

In response to the MED countries' request for assistance, the European Commission came forth with a process and a methodology already tested for the assessment of the implementation of the European Charter for Small Enterprises in the western Balkans [6] in 2006–07. The Commission invited the Organisation for Economic Cooperation and Development (OECD), the European Training Foundation (ETF) and the European Investment Bank (EIB) (hereinafter 'the partner organisations') to participate in an assessment of the implementation of the Charter in the MED region, building on the western Balkan experience.

In September 2007, experts from MED countries, in cooperation with the partner organisations, developed a Charter implementation assessment grid to measure progress on the 10 dimensions of the Euro-Mediterranean Charter for Enterprise and composed of a common set of policy indicators. In October 2007, the assessment grid was adopted by the Working Party on Euro-Mediterranean Industrial Cooperation and the assessment was launched.

(6) The SME policy index is an assessment tool developed by the OECD Investment Compact for South East Europe, in cooperation with the Commission and with contributions from the ETF and the European Bank for Reconstruction and Development.

Box 1: Steps in the Charter assessment process

1. Definition of the Charter implementation assessment grid in cooperation with experts from MED countries, the national Charter coordinators and the apartner organisations. Workshops on indicators for Dimensions 2 and 3 were held in Turin, Italy, on 10–11 September 2007 (organised by the ETF), while workshops on all other dimensions took place in Brussels on 13–14 September 2007 (organised by the Commission).

2. Validation of the assessment grid in MED countries.

3. Endorsement of the assessment grid at the meeting of the Working Party on Euro-Mediterranean Industrial Cooperation in Brussels and launch of the self- and the external assessments (22 October 2007).

4. A team of independent consultants (brought together by the OECD) organised research visits, and conducted data collection and interviews in the MED countries. The OECD and ETF conducted research missions in the MED countries (December 2007 through February 2008).

5. Technical meetings of partner organisations (Commission, OECD, ETF, EIB) to monitor progress, devise weighting system and structure of the report. Consultation meetings with the World Bank and UNIDO (Brussels, 14 January, 14 February and 16 March 2008).

6. Regional meeting involving national Charter coordinators to review the assessment process, to present the weighting system and to determine the structure of the report (Brussels, 15 February 2008).

7. Meetings in each of the nine MED country capitals, chaired by the national Charter coordinators and the Commission, to compare the results of the self- and the external assessments and reconcile views with the participation of the members of the government self-assessment team, representatives of private sector organisations, other stakeholders and partner organisations (February through March 2008).

8. Partner organisations conducted second-level measurement (desk research) to further review discrepancies between the self- and the external assessments, incorporating data and information from other sources (April through May 2008).

9. Regional meeting to present and discuss the preliminary results of the regional assessment to national Charter coordinators and final decisions on the weighting of the indicators and the structure of the report (Brussels, 16 April 2008).

10. Finalisation and publication of the Charter report (June through October 2008).

11. Official presentation of the Charter report at the Seventh Euro-Med Ministerial Conference on Industry (Nice, France, 5–6 November 2008).

The Euro-Mediterranean Charter implementation assessment grid and the assessment methodology

The assessment grid is designed to provide the MED governments with a tool to monitor the implementation of their policy towards the enterprise sector, based on the policy guidelines presented in the Charter. The grid allows governments to assess the level of implementation within each dimension covered by the Charter and across the spectrum of the 10 Charter dimensions. The grid makes it possible to identify strong and weak points in policy elaboration and implementation, as well as inconsistencies within and across policy dimensions. Governments can use the results for policy planning, allocating resources and structuring the policy dialogue with stakeholders and donors.

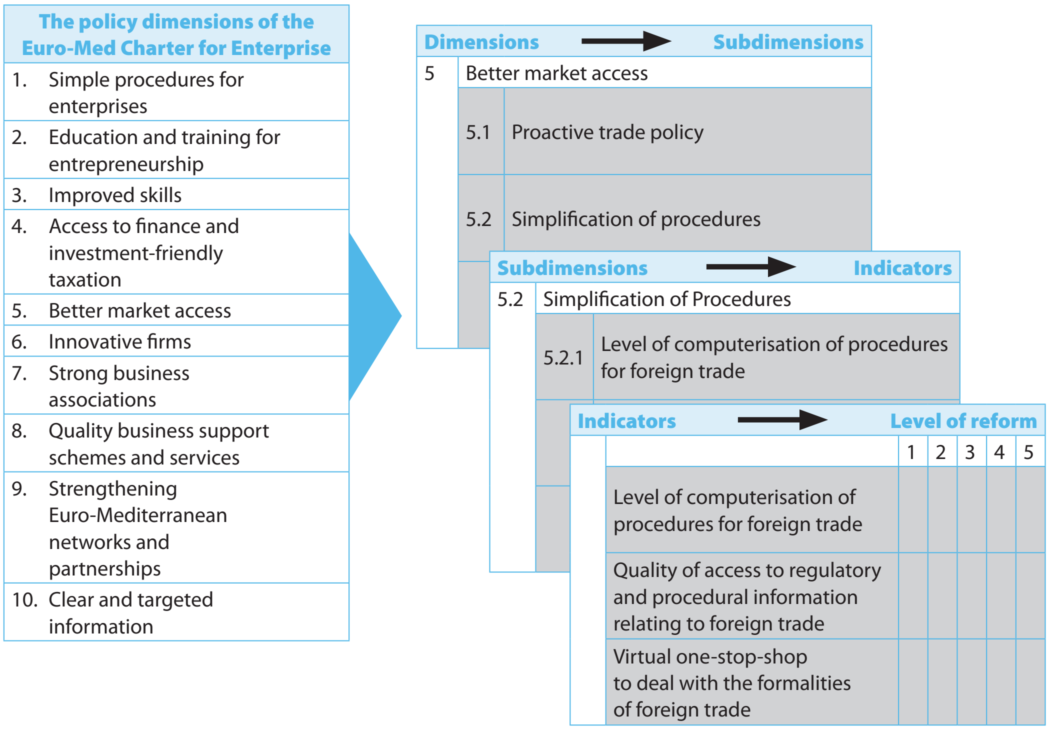
At the MED regional level, the Charter assessment could help to identify common priorities, exchange experience, learn from each other's activity and introduce elements of peer pressure. However, it must be made clear that the purpose of this pilot project at the MED regional level is not to rank countries by level of performance. The MED region covers countries with very different economic structures, institutional configurations, endowment of natural resources and economic policy approaches. A number of MED countries embarked some years ago on a reform process to improve the business environment, and developed tools, schemes and institutions to support this process. Others have launched this process much more recently, hampered by major political and budgetary constraints, armed conflict and political instability, or the legacy of a centralised and planned economy. It is therefore not prudent to compare performances across countries without taking into account those considerations.

THE ASSESSMENT GRID

The assessment grid blended the structure of the Euro-Mediterranean Charter for Enterprise with an assessment approach developed by the OECD for evaluating the European Charter for Small Enterprises in the western Balkans. The framework has been fine-tuned to reflect the conditions of policymaking in the MED countries [(7)].

The assessment grid is structured along the 10 dimensions of the Euro-Mediterranean Charter for Enterprise.

Figure 1: Breakdown of the assessment grid structure



Within the assessment grid, most policy dimensions are further divided into subdimensions that capture the critical themes of policy development. Each subdimension consists of a set of indicators, representing key and detailed policy features. For instance, Dimension 5 (better market access) includes three subdimensions: implementing a proactive trade policy, simplification of procedures for international trade, and agreements on conformity assessment and acceptance of industrial products (ACAAs). The subdimension ACAAs, for example, is then further broken down into six detailed policy indicators.

For each indicator, five levels of policy development have been defined, outlining policy development paths that range from level 1 to level 5. At level 1, there is no structured policy intervention, only limited ad hoc measures; at level 2, pilot projects have been developed, but there is not yet a consistent policy approach; at level 3, there are the basic elements for adopting a consistent policy approach (legislative framework completed, relevant institutions established), but policy implementation has not yet started; levels 4 and 5 correspond to an increasing degree of implementation/enforcement. In particular, at level 5, policy practices are largely in line with internationally recognised standards and good practices. To attain level 5, a country should show strong evidence that policies are widely implemented, monitored and independently evaluated. Where countries are clearly in transition between two levels, or where the actual situation combines elements of two levels, a half point is attributed.

THE CHARTER ASSESSMENT PROCESS

The final assessment and the assignment of scores for each policy indicator have resulted from the synthesis of two distinct but parallel assessment processes, based on the common assessment grid.

Each country conducted a self-assessment, using inputs from the relevant government institutions and key stakeholders for each policy area. This process was led by the national Charter coordinator. The partner organisations completed in parallel an independent assessment, using inputs collected by a team of local experts (and supported by interviews with public and private sector representatives) and combining data and information from international organisations, bilateral donors and other published sources. In particular, UNIDO and the Commission delegations in the MED countries provided valuable inputs and logistic support in completing the independent assessment. Other valuable inputs were provided by the OECD Middle East and North Africa Investment Programme. The OECD, in close consultation with the Commission, coordinated the independent assessment and elaborated the final synthesis between the two assessments. The ETF directly conducted assessments for Dimensions 2 and 3 (education and training for entrepreneurship, and improved skills), while the EIB participated in the assessment of the 'Access to finance' component of Dimension 4. Finally, the Commission (Enterprise and Industry DG) formulated the external assessment for the ACAAs' subdimension and for Dimension 9 on Euro-Mediterranean networks and partnerships.

(7) The assessment grid is presented in Annex I.

WEIGHTING OF THE INDICATORS

To improve the presentation of results of the assessment exercise, scores have been aggregated at the level of subdimension and dimension. In order to do so, a weight has been assigned to each indicator, according to its perceived importance in relation to enterprise policy development. The same process has been repeated for the subdimensions. The weights have been assigned through a process of consultation between the four partner organisations and the national Charter coordinators. The weighting system ranges from 3 (most important) to 1 (least important). The final score assigned to each policy dimension is therefore calculated as a weighted average of subdimensions and indicators [8].

LESSONS LEARNED FROM THE PILOT PROJECT

A strong point of the process is that it is based on a participative approach, where the methodology and each step in its application have been elaborated and completed with the direct participation of the Charter coordinators and endorsed by the main policy stakeholders in the MED countries. Due to this close consultation it has been possible to reach a consensual synthesis of the results of the two parallel assessment exercises that reflects the views of the partner organisations as well as the national Charter stakeholders in all the nine participating MED countries.

However, the partner organisations are well aware that the pilot project has yielded a number of lessons.

- The transformation of qualitative indicators into quantitative scores involves a significant degree of approximation and discretion, as policies do not always evolve in sequence and the indicator descriptions are necessarily general and incomplete, in order to fit very different country situations.

- While the collection of data and information on the legal and institutional framework for each policy dimension does not generally present significant measurement problems, the evaluation of the status of policy implementation for a number of indicators, particularly in relation to levels 4 and 5, is very difficult in the absence of independent evaluation exercises, statistical data and/or company surveys. The impact of government policies is even more difficult to evaluate: it has been impossible to conduct such surveys and extensive data collection on policy implementation within the scope of this pilot project. However, partner organisations and Charter coordinators plan to address this issue for a selected number of priority dimensions. Initial steps have been taken to cooperate with UNIDO and other organisations to complement the Charter assessment with the collection of data and information at the company level.

- There is a shortage of comparable statistical data on the structure and the sectoral specialisation of the enterprise population. In addition, the available data do not reflect the full picture of enterprise development, and particularly SME and micro-, small and medium-sized enterprise (MSME) development in the region, as in many MED countries a considerable number of enterprises operate in the informal sector of the economy.

- Finally, although the 10 dimensions of the Charter cover a good spectrum of the policy areas that affect enterprise development, a number of other highly important policy areas, such as labour market, anti-corruption, competition and trade, are not included. The Charter assessment is a *pilot* exercise that needs to be complemented by other policy assessments in order to form a fully comprehensive view of the status of private sector development in the MED countries.

(8) The assigned weights are reported in Annex I.

Key economic data for the MED region

TABLE 1: POPULATION, GDP AND UNEMPLOYMENT

	Population* in mil.	GDP in bil. EUR 2006	GDP per capita in EUR	% GDP growth (2002-06)	% GDP growth*** 2007	Unemployment rate 2006
AL	33.7	92.7	2 770	4.78	4.6	12.3
EG	71	74.9	1 068*	4.4	7.2	11.2*
IS	7.1	111.9	15 868	3.48	5.1	8.4
JO	5.6	11.3	1 873*	6.32	5.7	14
LE	3.7	17.2	3 591	3.12	0.3	7.9**
MO	30.3	52.09	1 708	4.82	2.1	9.7
PA	3.8	3.4	1 024**	0.7	na	23.6
SY	18	26.1	1 382	3.5	3.3	8.1
TU	10.3	24.6	2 459	7.44	6.3	14.2

Sources: Eurostat 2008, International Monetary Fund 2007.
(*) 2005 data.
(**) 2004 data.
(***) CIA World Factbook, est. 2007.

TABLE 2: FOREIGN DIRECT INVESTMENT (FDI)

	FDI flows in mil. EUR					FDI stocks per capita in EUR
	1990 - 2000	2003	2004	2005	2006	2006
AL	181.5	408	567.7	695.8	1 155.3	193.9
EG	543.2	152.5	1 388.4	3 460.3	6 464.4	351.4
IS	1 022.7	2 507.7	1 313	3084	9 205.1	4303.5
JO	99.7	280.6	419	986.1	2 008.9	1879.2
LE	289	1 916.2	1 282.8	1 770.7	1 798.4	3182
MO	373.3	1 563.4	688.7	1 896.2	1 865.3	632.9
PA	99.76	11.6	31.5	30.2	24.4	188.2
SY	81.7	115.8	177.01	321.8	386.2	316.2
TU	291	375.9	411.3	503.3	2 131.8	1361

Source: Unctad, World Investment Report 2007.

TABLE 3: GROSS VALUE ADDED AT BASIC PRICES, 2006 (% SHARE OF GROSS VALUE ADDED)

	Value added (% of GDP) by sector			
	Agriculture (NACE Sections A+B)	Industry (NACE Sections C to E)	Construction (NACE Section F)	Services (NACE Sections G to P)
AL	8	53.8	8.4	29.8
EG*	14.9	32.3	4	48.8
IS	1.9	17.2	4.9	76
JO**	2.5	20.8	4	72.7
LE**	5.2	11.9	7.4	75.4
MO	15.7	21.6	6.2	56.5
PA	8	12.8	2.5	76.7
SY	20.1	27.1	2.6	50.1
TU*	12.2	26.5	6.2	55.2

Source: Eurostat, 2008.

(*) 2005 data.

(**) 2004 data.

TABLE 4: TRADE BALANCE AND EXPORTS BY MAIN COMMODITY GROUP

	Current account balance in bil. EUR, 2006	Trade per capita EUR, 2004 - 2006	Exports by main commodity group		
			Agricultural products	Fuels and mining products	Manufactured goods
AL	6.3	1392	0.2	98.8	1
EG	1.7	557	15.4	54	30.4
IS	5.1	10 670	3.3	1.4	95.2
JO	-1.2	2 133	13.6	11.2	69.5
LE	-0.9	4 787	11	28.2	40.9
MO	1.2	867	20.7	12.9	64.9
PA	na	na	na	na	na
SY	-1.4	na	11.5*	55.9*	6*
TU	-0.4	1 885	12.7	15.9	71.3

Sources: World Trade Organisation, International Monetary Fund and World Bank.

(*) 2004 data.

PART II

Dimension 1: Simple procedures for enterprises

1.1. Introduction

Complex procedures and heavy regulatory compliance requirements stiffen enterprise growth by diverting resources from the creation of value-added activities to non-productive ones. The burden of complex procedures is disproportionally higher on small companies than on large ones, as administrative and managerial resources are scarcer and costs cannot be spread over a large turnover.

Over the last few years policymakers, as well as economists and management experts, have turned their attention to how to rationalise and improve the efficiency and quality of the regulatory framework. This trend is not limited to OECD and EU countries. Governments in emerging economies have also understood the importance of regulatory reform, thanks to a new stream of analytical research and benchmarking exercises.

The MED economies have been well known in the past for the complexity of the regulatory environment and for the high barriers imposed on new market entrants. The themes of enterprise policy and regulatory reform are relatively new to the MED region, but over the last few years there has been noticeable progress as presented here below.

However, regulatory reform cannot be looked at in isolation. To better understand the direction of reforms in the MED region, this assessment must begin by looking at broad policies for the development of a comprehensive enterprise policy framework.

1.2. Assessment framework

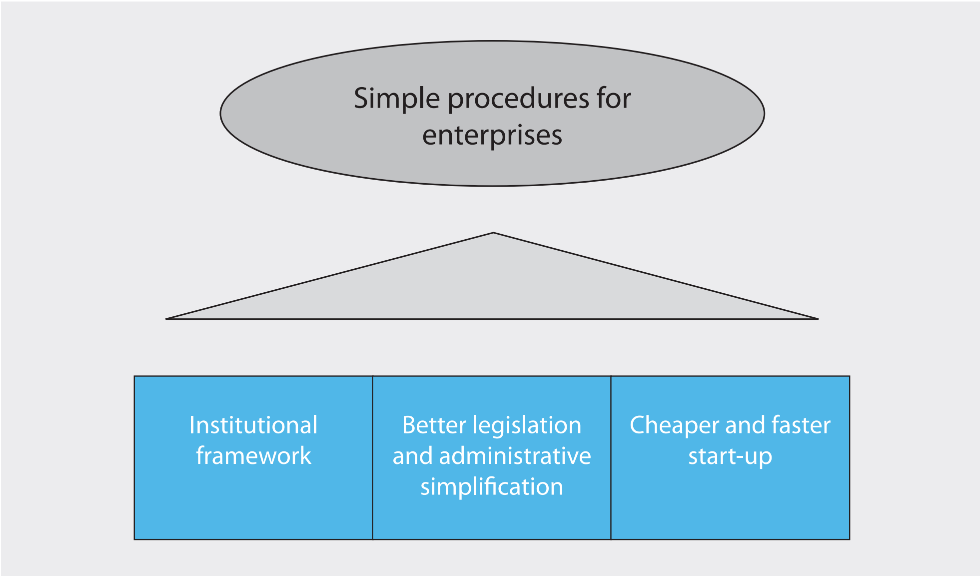
The assessment framework for Dimension 1 of the MED Charter includes three subdimensions. Each is related to a critical block within the domain of enterprise policy, moving from a broad policy perspective to the area of legal and regulatory reform and simplification, and finally focusing on specific instances of reform, such as company registration.

The first subdimension covers the main features of the country's enterprise policy framework. It provides a picture of the institutions that guide government policy towards the enterprise sector, examining their roles in policy elaboration, implementation and monitoring, while reviewing policy coordination mechanisms and looking at the setting established in strategic documents.

The second subdimension looks more specifically at government action in the broad area of regulatory reform and regulatory simplification. The analytical indicators review the role of the institutions leading the regulatory reform process and the strategic approach adopted by the MED countries. A set of three indicators captures the main policy options available to government, progressing from a simple review and rationalisation of existing laws and regulations to a more radical approach aimed at substantially reducing the number of existing laws and regulations. The last indicator looks at whether new legislation is subject to regulatory impact analyses.

The third subdimension deals specifically with measuring performance in the process of company registration, de-registration and business closure. This area has been extensively reviewed, following the work conducted by the World Bank with its annual *Doing Business* report. The subdimension combines a range of indicators constructed specifically for this exercise and a number of indicators taken from *Doing Business* [9]. The purpose is to cover in detail the three main components of the business establishment process, from incorporation-registration to notification and compliance.

Figure 2: Assessment framework Dimension 1



1.3. Analysis

ENTERPRISE POLICY FRAMEWORK

Enterprise policy encompasses a wide spectrum of policy dimensions and covers all the sequences in the company life cycle: from establishment to expansion, maturity and company closure. The population of companies in most countries is extremely differentiated in terms of business size, sector specialisation, location, legal form and ownership structure, etc. In order to be effective, enterprise policy has to be both comprehensive (operating simultaneously on a number of dimensions and reaching the widest number of enterprises) and targeted (in order to address specific issues). In other words, an effective policy should be broad enough to have an impact on macroeconomic targets (such as value-added and employment generation), but specific enough to influence company behaviour. It is up to the government and stakeholders to find the right mix between broad policy measures (such as changes in the standard corporate tax rate or the elimination of general licensing requirements) that aim to improve the operational environment for the largest number of companies, and targeted measures addressing specific market failures (such as the introduction of credit guarantee schemes for some categories of SME, schemes supporting innovation and entrepreneurship training programmes).

Therefore, clear assignment of mandates, missions and tasks to government institutions as well as an advanced level of interministerial coordination are essential for good standards in policy elaboration and implementation, and the right policy mix. A strategic document that defines medium-term targets for private sector development and the enterprise policy strategy needed to reach those targets will help ensure consistency in government policy, secure consensus around government action and send clear signals to private enterprises on the direction of policy. The enterprise policy strategy should be elaborated in close consultation with representatives of the key stakeholder groups. It should be endorsed by the government and be consistent with and complement other strategic government papers, such as industrial or innovation policy strategies. Well-developed public–private sector consultation mechanisms are vital for the quality of the overall enterprise policy. The analysis of the institutional policy framework is therefore closely connected with that conducted in Dimension 7 of the Charter.

The institutional policy framework in the MED countries is highly differentiated, due to different government and constitutional structures, and policy practices. For some of the MED countries, such as Algeria and Syria, the concept of enterprise policy is relatively new, as these countries had traditionally placed an emphasis on vertical, sector-based policies. For a number of years other countries, such as Jordan, Israel, Morocco and Tunisia, have developed horizontal policies in parallel with more traditional sector-based policies, while the Palestinian Authority and Lebanon have never placed an emphasis on traditional sector-based policies. Egypt, traditionally a bastion of vertical policy, started to change course in 2004 and adopted a comprehensive horizontal policy approach.

The scores on the institutional framework subdimension broadly reflect these dividing lines. In countries where the transition to a horizontal

(9) See: http://www.doi.gov/oia/procurement/reports/2008%20World%20Bank%20EoDB%20Rankings.pdf

enterprise policy has just started or is not yet completed, the delegation of responsibility and the assignment of tasks and mandates are not yet well defined. This creates scope for overlapping of competences and potential policy inconsistencies.

By taking this approach, the MED countries could be divided into two groups.

- The first group is made up of countries with a relatively well-developed institutional policy framework, in terms of delegation of responsibilities, policy coordination, enterprise development strategy and task assignment. This group includes Israel, Egypt, Morocco, Tunisia and Jordan.

- The second group is made up of countries with an institutional policy framework still in the initial phase of evolution, with open issues about policy coordination and assignment of tasks. This group includes Algeria, the Palestinian Authority, Lebanon and Syria.

In both groups the weakest point is interministerial policy coordination.

In Egypt, policy towards the private sector is driven by two key ministries, the Ministry of Trade and Industry and the Ministry of Investment, as well as a special purpose institution, the Social Fund for Development, which is in charge of developing and implementing policy towards micro- and small enterprises. Each institution supervises the activity of a number of executive agencies. In particular, the Ministry of Trade and Industry is responsible for sectoral policies, but also for a number of horizontal policies, such as innovation and Euro-Med cooperation, and plays a major role in steering the national competitiveness programme. There are no institutionalised mechanisms of policy coordination (besides high-level coordination conducted by the Cabinet of the Prime Minister), but there is in practice a significant level of cooperation. Across-the-board participation at the level of executive agencies ensures programme coordination. A similar situation prevails in Jordan where the Ministry of Industry and Trade is preparing an industrial policy that includes provisions for all of the specialised executive agencies. Egypt is the only country in the region which has elaborated something close to a comprehensive enterprise policy strategy (the 2005 industrial development strategy) with significant private sector inputs. Though its name emphasises its industrial orientation, the strategy covers a number of policy areas specific to enterprises, such as competitiveness, innovation, human capital development and regulatory reform.

In Morocco, the Ministry of Commerce and Industry is responsible for SME policy as well as the implementation of the new sectoral development plan. Policy coordination is ensured at high level by the Ministry of Economic and General Affairs, and by a number of interministerial committees and commissions. Tunisia has a similar governance structure, with a high-level National Commission for Investment chaired by the Head of State, in charge of setting policy guidelines and monitoring the achievement of policy targets.

Israel has traditionally adopted a pragmatic approach to enterprise policy, focusing on specific programmes, seeing government intervention as temporary and directed to addressing specific market failures. Consequently, Israel never developed a multi-year comprehensive policy strategy. However, the Ministry of Industry, Trade and Labour uses yearly work plans to set policy targets and agendas for the implementation of enterprise policy measures.

In Algeria, a country belonging to the second group, policy competencies for private sector development are split between the Ministry of Industry and Investment (responsible for the implementation of the national industrial policy and investment promotion) and the Ministry of SMEs and Handicrafts. Policy coordination is conducted at a high level but there is large scope for improvements.

The scores for Lebanon and the Palestinian Authority largely reflect the stalemate in government activity caused by armed conflict and political instability.

With regard to enterprise policy strategy, Morocco and Tunisia have gone far in setting policy guidelines, but these are reflected in a number of government-endorsed documents and not in a single strategy paper. Algeria, Syria and Tunisia operate all on the basis of five-year economic plans that include elements of a private sector reform agenda. However, the accent, in the case of Algeria and Syria, is very much on achieving quantitative targets and outlining investment plans, while in Tunisia quantitative targets are complemented by qualitative objectives.

Table 5: Scores in Subdimension 1.1: Institutional framework for enterprise policy

Indicator	W [10]	AL	EG	IS	LE	JO	MO	PA	SY	TU	MED
1.1.1. Delegation of responsibility for enterprise policy	2	1.5	4.0	4.5	2.0	3.5	3.0	2.0	2.0	3.5	
1.1.2. Coordination with other ministries, stakeholders and civil society	3	3.0	3.5	4.5	2.0	3.0	4.0	2.5	2.0	3.0	
1.1.3. Enterprise development strategies	3	2.0	4.0	3.5	2.5	2.5	3.0	1.5	3.0	3.5	
1.1.4. Clear task assignment	2	2.5	4.0	4.5	2.0	4.0	4.0	1.5	3.0	4.0	
Overall weighted average for 1.1. Institutional framework for enterprises		2.3	3.9	4.2	2.2	3.2	3.5	1.9	2.5	3.5	2.3

(10) In all the tables, 'W' stands for the weight assigned to the respective indicator or subdimension. The weight is used to calculate the weighted average for each country's respective subdimension score. Refer to Annex I for a comprehensive list of weights.

BETTER LEGISLATION AND ADMINISTRATIVE SIMPLIFICATION

There is no single model for improving legislation and administrative procedures applicable to enterprises within a country. This requires action on several fronts (legislative, institutional and organisational) over a number of years and affects a considerable number of economic sectors. Legislative and administrative simplification is the outcome of regulatory reform. Policy coordination plays a considerable role, as does political commitment. As stated in the Charter, an effective way to work towards a high-quality business regulation environment is to structure government intervention based on a medium-term strategy, reinforced by a solid institutional framework and supplemented by regulatory assessment tools.

Although still very much in its infancy, regulatory and administrative reform is gaining momentum on the regional enterprise policy map, most evident in the recent efforts made to smooth company registration procedures throughout the region [11].

Box 2: Egypt's good practice

Egypt holds the most comprehensive regulatory reform and administrative simplification strategy and has a clear institutional framework. Through the SME Unit of the Ministry of Finance and its Errada programme, the government will review, simplify and eliminate tens of thousands of regulations across several ministries before the end of 2008 using the Guillotine Review methodology. The programme will revisit all regulations and legislation related to economic activity including the issuance of the new tax law, simplified tariffs schedule and the economic courts law, which will be issued in 2008.

Using the Guillotine Review methodology, the programme will carry out two parallel reviews (a self-review by regulatory bodies and an independent review) to eliminate superfluous regulations which are not business-friendly. Once the review and consultation phase is completed, an electronic database with the remaining regulations and procedures will be established. Within the Errada programme, a pilot project called the 'Regulatory economic impact assessment development strategy' (a simplified version of a cost-benefit analysis for enterprise legislation) will be launched. The cost-benefit analysis is targeted only to new basic or organic law altering the role of the state in the regulation of the business environment.

Israel's efforts to simplify enterprise legislation and administrative procedures revolve around several targeted strategies led primarily by the Ministry of Finance in cooperation with the Ministry of Industry, Trade and Labour and the Ministry of Interior. For example, in August 2005 the government established an interministerial committee to which private sector representatives were invited. The aim was to come up with a strategy for the simplification of business licensing.

Tunisia has also made good progress within this subdimension. A number of laws and provisions have been passed and several special units have been put in place to simplify administrative procedures, overlooked by a high-level coordination body at prime ministerial level. To date, in 80 % of the cases, administrative authorisations have been replaced by general requirements.

While Morocco has no enterprise sector simplification strategy, since 1999 it has examined 750 procedures and simplified 200 which affect enterprises.

Lebanon and Jordan have a solid institutional framework in place for legislative and administrative simplification, but it is not explicitly targeted to enterprise policy. In Jordan, this gap could be filled through the enterprise strategy that is currently under way.

In Lebanon, the Ministry of Economy and Trade, the Office of the Ministry of the State of Administrative Reform and the Ministry of Finance have cooperated to simultaneously work on the review and simplification of current legislation. Redundant pieces of legislation and regulation have been identified, yet limited efforts have been made, with the exception of company registration.

In Syria, the Ministry of Local Administration is drafting a new law on the streamlining of procedures in local administrations. Furthermore, the Ministry of Industry's current five-year plan contains a chapter on revising business regulations, and the Commission is embarking on a project with the same focus. The business environment is still heavily regulated, but these projects could bring some tangible benefits.

Algeria and the Palestinian Authority do not have an institutional framework or a strategy to simplify legislation and administrative procedures for enterprises. Only ad hoc activity has taken place in this field: Algeria has a focus on company registration, while the Palestinian Authority has several donor-funded programmes.

COST-BENEFIT ANALYSIS OF NEW ENTERPRISE LEGISLATION

Systematic and consistent cost-benefit analysis should be applied when enterprise-related legal instruments are drafted, in order to optimise the efficiency and effectiveness of the instrument and ensure that it will achieve the intended objectives at minimum cost and with the fewest unintended negative consequences. This type of analysis greatly improves enterprise-related policy instruments and avoids unnecessary legislation and regulations.

Yet despite these benefits, systematic cost-benefit analysis is rarely applied to draft enterprise legislation in the region. In fact, Egypt is the only country with concrete plans to apply comprehensive cost-benefit analyses to new enterprise legislation. Within the Errada programme (see box above), a forthcoming pilot project called the 'Regulatory impact assessment development strategy' will provide a clear-cut type of cost-benefit analysis for enterprise legislation.

(11) Company registration is covered in the next section of this report.

In Israel, although there is no law in place, there is an ongoing and systematic practice of conducting cost-benefit analysis on new enterprise legislation and regulation.

Table 6: Scores in Subdimension 1.2: Better legislation and administrative simplification

Indicator	W	AL	EG	IS	LE	JO	MO	PA	SY	TU	MED
1.2.1. Delegation of responsibility for regulatory reform	3	2.0	4.0	4.0	2.0	2.5	3.0	1.0	2.0	3.0	
1.2.2. Strategy for the simplification of legislation	3	2.0	4.0	4.0	2.5	2.0	2.5	1.0	3.0	3.0	
1.2.3. Review and simplification of current legislation	2	2.0	3.5	3.5	2.5	2.0	4.0	2.0	2.0	2.5	
1.2.4. Elimination of redundant legislation and regulations	2	2.0	3.5	3.5	2.0	2.0	2.0	2.0	2.0	3.5	
1.2.5. Cost-benefit analysis of new enterprise legislation	1	1.0	2.5	3.5	1.0	1.5	1.5	2.0	1.0	1.0	
Overall weighted average for 1.2. Better legislation and administrative simplification		1.9	3.7	3.8	2.1	2.1	2.7	1.5	2.2	2.8	2.5

CHEAPER AND FASTER START-UP AND CLOSING

The simplification of company registration procedures is a specific application of legislative and regulatory reform. The formal process of establishing a business entails three main phases:

- the delivery of a company registration title, or incorporation act where the process leads to the establishment of a new legal entity, by an assigned public authority;
- the notification of the establishment of a new company to various branches of the central and local public administration (e.g. the tax administration, employment and labour agencies, customs administration, the office of statistics, etc.) and the delivery of company identification numbers;
- the compliance with national and local laws and regulations; these vary according to the nature of the business activity and compliance is certified by the delivery by the relevant public body of licences and permits.

The performance of the business establishment process is measured in terms of time, steps and costs required to complete each of the three main phases and the entire process. Good practice in this area is to minimise time, steps and costs, aiming at lowering entry barriers and allowing the entrepreneur to concentrate time and resources in the development of its business activities instead of dealing with the requirements of the public administration. In Australia, the most advanced country in this area according to *Doing Business* 2008 [12] an entrepreneur can complete the entire business establishment process in just two days, with just two steps and at a very minimum cost.

([12]) For a presentation of Doing Business 2008 methodology, see www.doingbusiness.org/MethodologySurvey.

Several actors have a role in business establishment process: some of them are public administration bodies, others are private professional operators such as notaries, lawyers, accountants, etc. Governments tend to focus on the performance of the public administrative bodies and often see the delivery of the company registration title as the end of their task. In addition, the government concentrates on improving the performance of the most common form of business legal configuration. Entrepreneurs are interested in the performance of the overall process from the preparation of the documentation to the starting of business activity. It is therefore vital that governments and business associations work together to identify and address barriers and inefficiencies in the business establishment process.

Table 7: Scores in Subdimension 1.3: Cheaper and faster start-up and closing

Indicator	W	AL	EG	IS	LE	JO	MO	PA	SY	TU	MED
1.3.1. Number of days for obtaining registration certificate	1	4.0	4.0	3.0	4.0	4.0	4.0	4.0	1.0	4.0	
1.3.2. No of steps for obtaining registration certificate	1	4.0	4.0	4.0	5.0	4.0	5.0	1.5	1.0	5.0	
1.3.3. Official costs for obtaining registration certificate	2	3.0	3.0	4.5	4.0	2.0	1.0	4.0	1.0	3.0	
1.3.4. Administrative identification numbers	1	3.0	4.0	5.0	3.0	4.0	2.0	4.0	1.0	1.0	
1.3.5. No of days for company identification number(s)	1	4.0	4.0	5.0	1.0	5.0	4.0	4.0	1.0	4.0	
1.3.6. No of days for overall registration process	1	2.0	3.0	1.0	1.0	3.0	3.0	1.0	1.0	1.0	
1.3.7. No of steps for overall registration process	1	1.0	3.0	3.0	3.0	2.0	3.0	1.0	1.0	2.0	
1.3.8. Silence is consent	2	1.0	5.0	1.0	1.0	1.0	1.0	1.0	1.0	5.0	
1.3.9. Costs of registration for limited liability companies	2	1.0	1.0	3.0	1.0	1.0	1.0	1.0	1.0	2.0	
1.3.10. Minimum capital requirements	2	1.0	3.0	5.0	1.0	1.0	1.0	4.0	1.0	2.0	
1.3.11. One-stop-shops (regional investment centres, etc.)	3	1.5	4.0	2.5	4.5	4.0	4.5	2.5	2.0	5.0	
1.3.12. Online registration	1	1.0	3.0	3.5	1.0	2.5	2.5	1.0	1.0	4.0	
1.3.13. Time required for closing a business	1	4.0	2.0	3.0	2.0	2.0	5.0	1.0	2.0	5.0	
1.3.14. Cost required for closing a business	1	5.0	2.0	1.0	2.0	4.0	2.0	1.0	4.0	5.0	
Overall weighted average for 1.3. Cheaper and faster start-ups		2.2	3.3	3.2	2.5	2.6	2.6	2.3	1.4	3.5	2.6

TIME, COSTS AND STEPS

Data provided by MED governments and local independent experts refer to the most common form of company registration in the country. According to these data the actual delivery of the registration certificate by the relevant public body is completed in a matter of one to five days, provided that the applicant presents the right documentation. The exceptions are Syria and Israel, where more than 30 days are needed to obtain a company registration certificate.

The number of formal steps is reduced to two or less in Tunisia and Lebanon, thanks to a recent reform of the company registration process. The official fee charged for obtaining a company registration certificate varies considerably in the MED region. It is low (below EUR 50) in Israel, Lebanon and the Palestinian Authority, but relatively high in Morocco and Syria.

Most of the countries in the MED region do not apply a single identification number, an indication of the difficulties that still exist in harmonising procedures and integrating the databases of different branches of public administration. However, the delivery times of the various identification numbers are relatively short, with the exception of Syria.

The indicators 1.3.6, 1.3.7, 1.3.9 and 1.3.10 are built on data provided by *Doing Business*. They refer to the time, steps, costs and minimum capital requirement (those last two expressed in terms of gross national income (GNI) per capita) related to the registration of a limited liability company [13]. The difference between this set of indicators examining time, steps and costs and the indicators in the previous paragraph is that this set includes data on procedures and fees of government agencies as well as private professional service providers.

The picture that emerges from this last set of indicators is that registration procedures for limited liability companies are rather cumbersome in most of the MED countries. In addition, if we compare the *Doing Business* analysis of the business registration process for each of the MED countries with the data collected through this assessment process, it appears that, at least in the case of a limited liability company, the bulk of the registration process costs are associated with the payment of professional fees (notaries and lawyers), and are often justified by the complexity of the documentation requirement. However, according to *Doing Business* the overall trend in the MED countries is towards a reduction of overall time and costs associated with the registration process, with countries like Egypt leading the overall reform process and Jordan improving the operation of its one-stop-shop.

Box 3: Company surveys

Company surveys are a useful tool to evaluate policy impact. Carefully designed surveys which are statistically significant can enrich the information available on the existing company population. They can highlight strengths and areas for improvement in government policies.

UNIDO has conducted company surveys in five MED countries through the local UNIDO offices, using the existing company databases at its disposal. UNIDO's surveys cover SMEs in the manufacturing sector, providing information down to the sectoral level. They measure company performance and perception in business services, investment, access to finance and innovation tools.

ONE-STOP-SHOP (OSS)

A well-experimented solution to improve the overall efficiency of the process is to establish a network of one-stop-shops through the country. The OSS is a location where an entrepreneur can complete all the phases of the establishment process, shifting the burden of certification and notification to the public administration. However, an OSS system requires a significant review and modification of the business registration process and a high level of coordination among the public administration bodies involved.

Progress in information and communications technology (ICT) has provided advanced solutions to operational issues and has significantly reduced costs associated with the establishment of an electronic business register and an OSS network. Today the process of company registration, obtaining a certificate for the simplest type of legal entity can be completed online in a matter of minutes.

The MED region presents several examples of OSS configurations. Tunisia has taken the lead, establishing its first OSS unit in 1989. Under the OSS system all the central and local government entities involved in the company registration certificate (and in most cases the operational licences for ordinary business activities) are together in one location. The entrepreneur can complete the sequence of registration, notification and compliance in a matter of a few hours and leave the OSS with all the necessary authorisations to start operations.

Similar systems are in place in Egypt, Jordan and Morocco. Egypt, besides the standard court registration procedure, offers different registration options according to company type and size. For instance, medium and large-sized companies can complete company registration procedures with the General Authority for Investment; microenterprises, on the other hand, use the registration structure of the Social Fund for Development.

Lebanon has recently revamped its company registration system, with the assistance of the International Finance Corporation (IFC). Prior to this, it was costly and time-consuming (as shown by the *Doing Business* indicators). A noticeable innovation has been the use of the network of post offices to process the business registration application — introducing at the same time a single-teller solution and avoiding the establishment of a dedicated network of company registration offices.

Algeria, Syria, and the Palestinian Authority have introduced schemes to facilitate company registration, but they have not yet established a fully-fledged OSS. In Algeria, entrepreneurs who intend to apply for government fiscal incentives to promote new investments can complete the registration and application procedure all at once at the investment development centres established by the Ministry of Industry and Investment and operated by the Algerian National Investment Promotion Agency (ANDI). A similar system exists in Syria, where special registration facilities are available only to companies established in the government-sponsored industrial zones. Israel has recently set up an interministerial group to redesign and simplify the company registration system, featuring particularly long notification procedures. The Palestinian Ministry of National Economy is planning to further simplify company registration, as part of the process of introducing a new harmonised company law that will apply equally to the West Bank and Gaza.

'Silence is consent', a system to enforce reasonable processing times to the public administration, is currently applied only in Egypt, and in some cases in Tunisia. A system of online registration is only available in Tunisia, on an experimental basis, while Egypt and Israel are currently working on system development.

1.4. Synthesis

The analysis indicates that the MED region is improving the policy and regulatory framework. However, progress has been uneven across the three subdimensions covered in Dimension 1 of the Charter and across the MED countries.

Progress has been more limited in the critical area of building a well-structured and coherent enterprise policy framework. In particular, actions are needed in several countries (Algeria, Jordan, the Palestinian Authority and Syria) to clarify the delegation of responsibilities among ministries and agencies. Coordination among ministries and government agencies, a critical element for an effective enterprise policy, remains another weak point in several MED countries and should be the target of major efforts all across the region.

However, there have been positive developments in the establishment of institutions and agencies in charge of the implementation of specific

([13]) For a presentation of Doing Business 2008 methodology, see www.doingbusiness.org/MethodologySurvey.

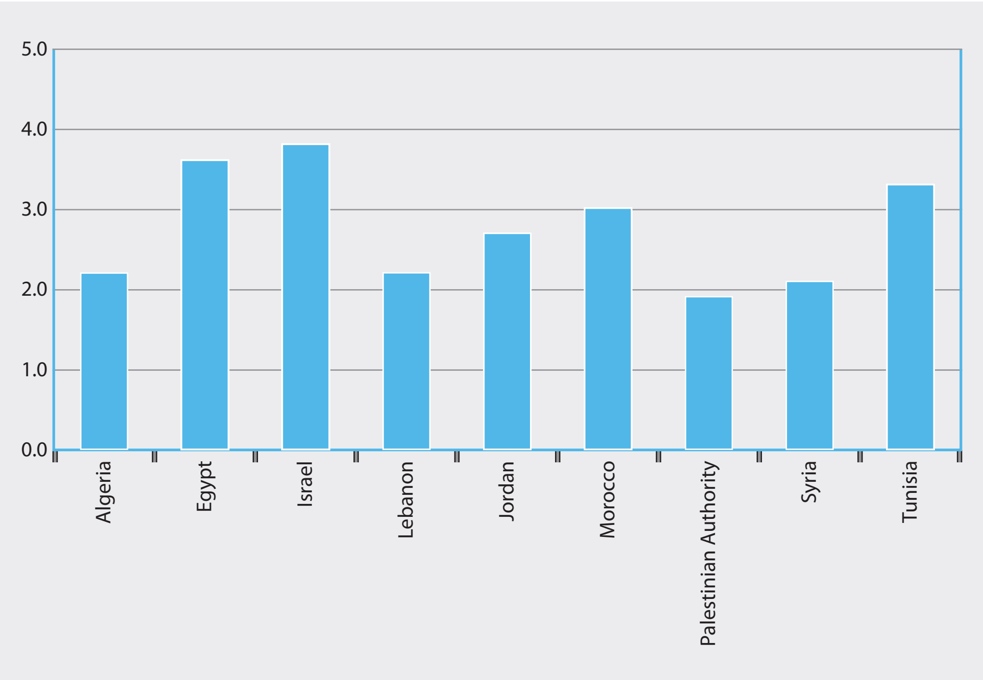
enterprise policy areas. The MED region is building a solid institutional base and moving up on the learning curve of how to structure and manage a wide range of enterprise support programmes.

Legislation and regulations for enterprises are still cumbersome in the MED region. All countries should conduct a systematic review of their business legislation and regulations, by applying tools such as the Guillotine Review. Cost-benefit analyses are another tool that can improve the regulatory environment for enterprises in the long term. Only Israel conducts cost-benefit analysis of new enterprise legislation and only Egypt has concrete plans to do so in the near future.

Looking at the average score for Subdimension 1.3 and the main findings of the analysis conducted above, it can be concluded that company registration procedures are improving across the MED region. In Tunisia, Egypt, Israel, Jordan, Lebanon and Morocco, registration is no longer a major barrier to business establishment for the most common type of business configuration. Algeria, Syria and the Palestinian Authority still have ground to catch up. As demonstrated by the cases of Egypt and Lebanon, progress may be quite fast if the government is determined to cut through the web of regulations and procedures, and if it is willing to adopt flexible and innovative solutions, in addition to being ready to invest in information technology (IT) infrastructure.

However, there are indications that procedural entry barriers remain quite high and company registration procedures for limited liability companies relatively cumbersome and costly. In particular several studies indicate that the main obstacles rely on obtaining licences and permits. This is a complex area and so far there have been very few cross-country performance surveys.

Figure 3: Dimension 1 overall scores



Dimension 2: Education and training for entrepreneurship

2.1. Introduction

With increasing interest in the contribution of education and training to the competitiveness agenda, the Euro-Mediterranean Charter for Enterprise puts considerable emphasis on the potential of education systems to more directly contribute to the competitiveness drive. The objective of Dimension 2 is to prompt policy improvements (including concrete measures) within the participating countries with the aim of contributing to more entrepreneurial young people, more enterprising workers and a more robust entrepreneurship culture. More specifically, the Charter poses a succinct question: how can education better foster entrepreneurship? It is this question which lies behind five pilot indicators formulated in September 2007 by a group of experts (educators, policymakers, representatives of enterprise) from the nine countries participating in the Charter.

In elaborating the five indicators, experts drew on proposals and recommendations from a number of EU policy areas:

- lifelong learning: entrepreneurship to be addressed at all levels of the education system, including non-formal learning (see below) [14];
- entrepreneurship key competence: the potential for the education experience to develop the mind-set, traits and attitudes of young people conducive to more entrepreneurial behaviour [15];
- policy partnership: the need for a policy framework comprising all key stakeholders (public and private sectors), supported by national strategies against which priority actions can be developed [16].

This chapter discusses the outcomes of the assessment for the five indicators. It closes with concrete recommendations which the countries could consider to bring forward developments on entrepreneurship education and training.

2.2. Assessment framework

The five indicators addressed: (a) the policy framework for entrepreneurial learning; (b) entrepreneurship promotion in lower secondary education; (c) entrepreneurship promotion in higher secondary education; (d) dissemination of good practice in entrepreneurial learning; and (e) non-formal entrepreneurial learning [17]. While each of the indicators was considered as a separate unit in the assessment, taken as a package, the five indicators had aggregate value in providing a first review of the national entrepreneurial learning effort. In particular, the indicators examined the links between policy and practice.

POLICY FRAMEWORK FOR ENTREPRENEURIAL LEARNING

The policy indicator seeks to provide a comprehensive policy framework to support lifelong entrepreneurial learning. The rationale behind the indicator is that any effort to promote an entrepreneurial society requires inputs from all levels and forms of education and training (formal and non-formal). This requires dialogue, recognition and sequencing between the various contributors involved in a country's learning system. The indicators' descriptors foresee a number of concrete steps. These allow for a phased development of a comprehensive policy environment, involving strategy building, planning, implementation, monitoring and evaluation of the entrepreneurial learning effort. Given its emphasis on both formal and non-formal learning, and its bridging of policy and practice, this indicator is critical to the Charter's multi-constituency community in each country (policymakers, education and training practitioners, enterprises). It also acts as a driver for the remaining indicators within Dimension 2.

LOWER SECONDARY EDUCATION

The rationale behind the indicator for entrepreneurship promotion in lower secondary education (ISCED 2) [18] is founded on the premise

(14) European Commission (2001), 'Making a European area of lifelong learning a reality', Brussels.

(15) European Commission (2004), 'Key competences for lifelong learning: A European reference framework', Brussels.

(16) European Commission (2007), 'The Oslo agenda. Entrepreneurship education: Fostering entrepreneurial mind-sets through education and learning', Brussels.

(17) 'Non-formal learning' refers to education, training and other forms of knowledge and skills build-up which is not subject to formal assessment or examination (e.g. a community-based youth entrepreneurship club) even though these activities may be supported and administered within the school environment.

(18) ISCED is the Unesco International Standard Classification of Education.

that 'entrepreneurship, or certain facets of it, can be taught'[19]. The indicator emphasises the promotion of entrepreneurship as a key competence. Unlike more specific entrepreneurship skills (e.g. book-keeping or business planning), the entrepreneurship key competence comprises a subset of competences and attitudes: creativity, opportunity identification, risk assessment and risk-taking, and resource management — all of which are considered important traits of an entrepreneurial character. The indicator aims to generate understanding and application of the key competence concept in compulsory level education. The important issue here is that the entrepreneurship key competence is not developed through a specific subject in the curricula or by a specific teacher. Rather, the existing curriculum (e.g. geography or mathematics) is adapted to draw out the key cognitive and behavioural elements of the entrepreneurship key competence (e.g. creative thinking, opportunity-seeking behaviour). As the challenge is considerable, the indicator foresees a phased roll-out of curriculum adjustments and teacher training across lower secondary education.

UPPER SECONDARY EDUCATION

The upper secondary education indicator (ISCED 3) foresees a continuation of the entrepreneurship key competence promotion but complemented by harder entrepreneurship knowledge, skills and experience (e.g. specific business-oriented modules or subjects, business planning, marketing). Countries generally approach this by way of compulsory or elective subjects, as well as outside-school activities, including cooperation between schools and enterprises. Again, a phased development of entrepreneurship at upper secondary level schooling is encouraged.

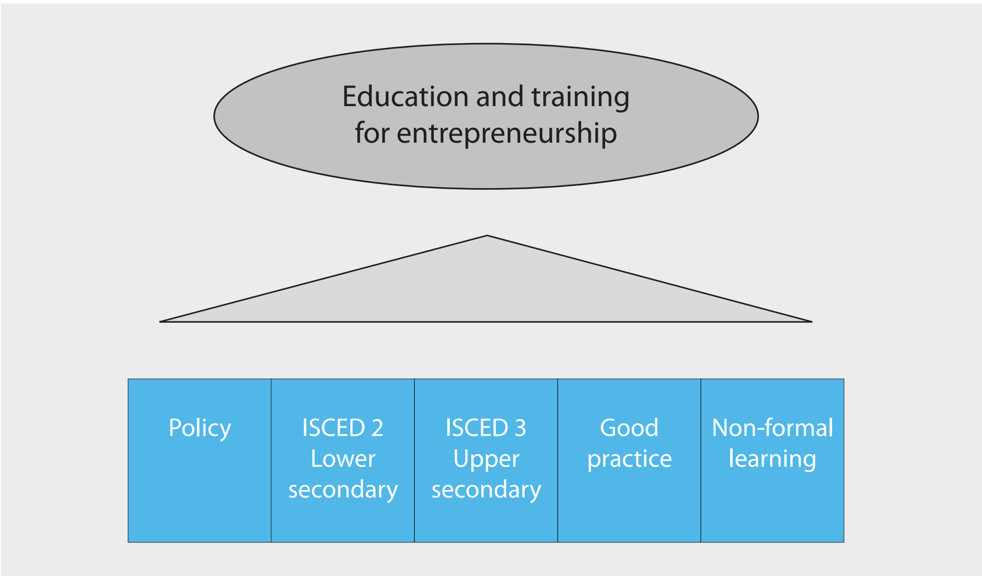
GOOD PRACTICE

The interest in introducing an entrepreneurial learning 'good practice' indicator was based on concern that entrepreneurial learning is very much an uncharted area in education. Further, it is often characterised by a myriad of activities involving a diverse range of players, with little structured information readily available. The result is that it is difficult to identify good practice in entrepreneurial learning. It is often isolated and locked inside its delivery organisations. With a more developed information exchange mechanism, the assumption is that good practice could be more easily accessed and adapted into other entrepreneurial learning environments. This would make for more enhanced quality and efficiency in the entrepreneurial learning effort. The 'good practice' indicator works towards this end. It encourages a systematic exchange of experience between entrepreneurial learning environments both in-country and internationally.

NON-FORMAL ENTREPRENEURIAL LEARNING

The rationale behind the non-formal entrepreneurial learning indicator is that significant opportunities for self-development lie outside the formal education process. In local communities and workplaces, for example, there is considerable effort in entrepreneurial learning being made by a range of different agents (including enterprise associations, non-governmental organisations and community groups), as well as within enterprises themselves. Given that non-formal entrepreneurial learning is not subject to the rigors of assessment and examination typical of the wider curriculum offered by schools and universities, it allows for greater flexibility in content and timing, thereby promoting an entrepreneurial learning culture. The indicator aims to develop awareness and engagement of all parts of society, including the press, into the promotion of entrepreneurial learning.

Figure 4: Assessment framework Dimension 2



([19]) Kuratko, D. (2005). 'The emergence of entrepreneurship education: development, trends and challenges', *Entrepreneurship Theory and Practice*, Vol. 29, No 5, pp. 577–597.

2.3. Analysis

The results of the assessment for Dimension 2 are provided in Table 8. They point to an overall weakness in the region in terms of policy and delivery of entrepreneurial learning within secondary level schooling. Two performance clusters are clearly identifiable: Israel, Tunisia and Egypt above the regional average of 1.7 and the remaining countries falling below.

A closer look at the scores of the individual indicators highlights mixed results for the better-performing countries in particular, as well as the challenges facing the weaker performers.

Table 8: Scores in Dimension 2: Education and training for entrepreneurship

Indicator	W	AL	EG	IS	LE	JO	MO	PA	SY	TU	MED
2.1. Policy	3	1.0	1.5	2.0	1.0	1.0	2.0	1.0	2.0	3.0	
2.2. Lower secondary education (ISCED 2)	2	1.0	1.0	2.5	1.0	1.0	1.5	1.0	1.5	3.0	
2.3. Upper secondary education (ISCED 3)	2	1.0	1.5	2.5	1.0	1.5	1.5	1.0	2.0	3.0	
2.4 Good practice	2	1.0	2.5	5.0	1.0	1.5	1.0	1.0	1.0	3.5	
2.5. Non-formal entre preneurial learning	2	1.0	4.0	5.0	1.0	1.0	1.5	1.0	1.5	2.5	
Overall weighted average for Dimension 2		1.0	2.0	3.3	1.0	1.2	1.5	1.0	1.6	3.0	1.7

POLICY FRAMEWORK

Apart from Tunisia, the policy framework for entrepreneurial learning is generally weak in all countries. Given that entrepreneurial learning is the concern of many different stakeholders, the problem is that it does not have one 'policy home'. Rather, policy responsibility is stretched across a range of government bodies. The challenge is to ensure the necessary connections between the key policy players to ensure an orderly and comprehensive development. Although coherence between the range of policy areas is weak, the assessment finds good examples of policy interest dotted across a range of policy areas. Egypt's youth employment strategy, for example, prepares youth for self-employment; Algeria's microcredit strategy pays attention to training; and the Palestinian Authority makes a considerable effort to promote entrepreneurship through its vocational training developments. The hallmark of Tunisia's good policy credentials is two-fold: a clear policy line within its national development plan for entrepreneurship education and training; and specific requirements for developing the entrepreneurship key competence within national legislation. Key policy documents in all MED countries should acknowledge that entrepreneurship has its place in the education and training agenda. This is a first step towards getting the various parts of the learning system to respond to the requirements of a more entrepreneurial economy. Governments should also ensure that the range of stakeholders engage in a coherent vision for entrepreneurial learning promotion. Interestingly, the Charter assessment process in Syria opened a cross-stakeholder dialogue on strategy building for entrepreneurial learning. A next step there, as with all countries, could be to establish a working group or policy partnership to bring the dialogue forward. Getting coherence, commitment and recognition for a more integrated entrepreneurial learning strategy (including any follow-up measures) can only happen through cross-ministry cooperation and in full partnership with the private sector and non-governmental interest groups.

Box 4: Entrepreneurship education and training: policy framework

Tunisia has a clearly established policy framework for entrepreneurial learning for all levels of education. In particular, a national education strategy clearly defines entrepreneurial spirit and skills as key competencies in compulsory education as well as pre-school provision [20]. Particular efforts are being made to implement this policy at secondary education level (ISCED 2 and ISCED 3) [21]. Further, a network of 135 vocational training centres gives specific emphasis to training for self-employment promotion (CFPTI) [22].

LOWER AND UPPER SECONDARY EDUCATION

Ensuring that entrepreneurship is systematically introduced into secondary schooling is the biggest challenge within the Dimension 2 indicator package. In particular, the assessment team was aware that the entrepreneurship key competence requirements (for both ISCED 2 and 3 indicators) were particularly demanding for a number of reasons. Firstly, the concept of the key competence is a relatively new phenomenon in education discourse. While the assessment team was able to identify varying degrees of familiarity with the concept, concrete evidence that the entrepreneurship key competence was being integrated into curricula and teaching practice was thin. Tunisia, nonetheless, makes a positive effort to translate its key competence policy commitment into practice. And there are clearly grounds for progress in other countries. In its national plan, for example, Syria underlines the importance of a wider batch of key competences (e.g. science, languages) to its economic development to which entrepreneurship could be added. Jordan, likewise, could build on its positive efforts on wider key competence development to include the entrepreneurship key competence.

([20]) *Loi d'orientation de l'éducation et de l'enseignement scolaire N° 2002-80*, revised February 2008.
([21]) Programme of Curricula 2002.
([22]) CFPTI: vocational training centres for self-employment.

Secondly, while policy is a primary building block, getting the schools and teachers to accommodate the changes in both curriculum and teaching practice will be a significant challenge. Demonstration schools, well-financed and monitored and with a clear policy-oriented mandate, could be considered. The objective of policy pilots should be to ensure any eventual reform objective is workable, based on tried-and-tested curriculum adjustments and teaching models to be gradually mainstreamed across the school environment. For a policy pilot initiative to succeed, it will need good political commitment and leadership. Its success would also be reinforced with an information and consultation framework to ensure that all constituents (teachers and school managers included) see the benefit of a more open, flexible and innovative learning environment which the key competence developments require.

While the upper secondary education indicator (ISCED 3) underlines the importance of continued promotion of the entrepreneurship key competence, it differs from lower secondary education in that it additionally advocates the development of harder entrepreneurship skills (e.g. book-keeping, business planning, marketing, etc.). While performance on the upper secondary education indicator was generally compromised by the weak developments on the key competence criterion, the assessment nonetheless highlighted positive efforts to promote harder entrepreneurship skills. For example, Egypt's national education strategic plan requires that all pupils follow book-keeping, while Jordan offers selective courses for its pupils in areas such as business studies, accounting and marketing. However, a general trend in the region is that entrepreneurship promotion within upper secondary education is confined to students following vocational courses. That entrepreneurship is 'vocationalised' is not surprising given that vocational courses are more geared to the labour market. However, this bias will need to be broken if the Charter's objective of 'entrepreneurship education for all' is to be achieved.

GOOD PRACTICE

Overall, efforts to disseminate good practice in entrepreneurial learning proved to be one of the better performing indicators in the assessment. However, the good performance is particularly skewed by three countries (Israel, Tunisia and Egypt) where national entrepreneurial learning providers are well networked. It is this strong network which ensures that information and know-how is disseminated. Given that most of the countries in the region have a sizable diaspora in a range of regions (North America, European Union, Gulf region), creating links with both the business and learning communities abroad could bring a double advantage: access to expertise abroad for back-home developments; and outlets for sharing good practice from the domestic environment outside the country. A key principle of the 'good practice' indicator is that information and experience is systematically made available between the range of entrepreneurial learning providers at home. This is generally poorly developed in all countries. Networking involving all parts of the formal and non-formal learning environment needs to be developed. Clearly, the advantages of information and communication technologies, in terms of website marketing of good practice and development of virtual communities of practitioners, remain to be explored.

NON-FORMAL LEARNING

A key finding from the overall assessment of the nine countries is that most effort in entrepreneurial learning lies outside the formal education system and is administered by a range of different agents. Good examples include first business skills for young people (SEBC in Syria), general business skills and start-up training (ANSEJ in Algeria and YEP in the Palestinian Authority), with the involvement of press and media providing good coverage to a range of entrepreneurial learning initiatives (ITC in Egypt and Dragon's Den in Lebanon). The contribution of the non-formal learning environment, therefore, is an important contribution to an enterprising society. This Charter indicator determines the extent to which non-formal learning interfaces with the formal education system. A first conclusion from the assessment is that there is good evidence that enterprises and enterprise associations provide inputs into school-based developments. These are for the most part ad hoc arrangements in select localities, driven by individuals from the schools and enterprises. Rarely do they feature in the policy agenda nor are they captured by a general information system. The sporadic nature of these arrangements means that the majority of schools and young people do not benefit. That said, one Lebanese initiative stands out for its contribution to more systemic education developments. InJaz, a young people's business support organisation (and part of a wider network of young people's enterprise support organisations originally set up in Jordan in 1999 and later replicated in neighbouring countries) is working directly with the education authorities to see how entrepreneurship can be better integrated into careers guidance and counselling developments. It is this type of initiative which demonstrates the added value of partnership between formal education, business and enterprise-interest organisations in the wider bid by a country to build a more entrepreneurial society.

2.4. Synthesis

In order for the participating countries to move forward on the Dimension 2 indicators, consideration could be given to two lines of development: policy partnership and entrepreneurship key competence development. Taken together, the two development lines work towards system-building and sustainable progress in a country's entrepreneurial learning development.

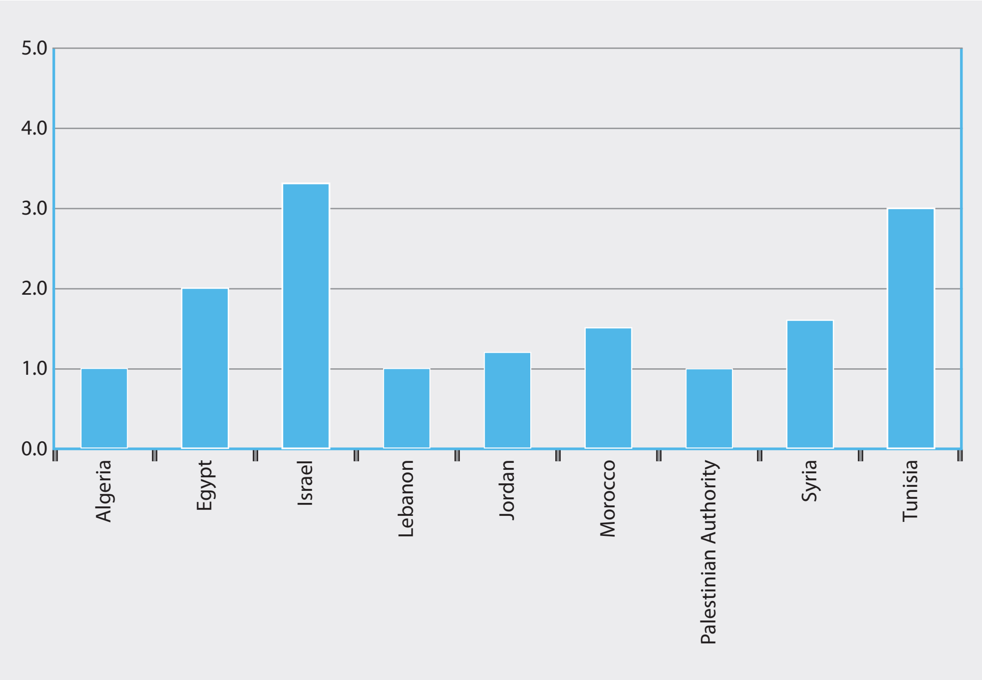
POLICY PARTNERSHIP

A more concerted effort is required between state authorities (education, economy and employment ministries, in particular) and enterprise (including its representative organisations) to strategically cooperate in the development of a more comprehensive and integrated policy framework for entrepreneurial learning. The objective should be a 'one-system' approach to lifelong entrepreneurial learning development. Leadership and institutional commitment are central to this process: they require the fullest engagement, particularly of the education authorities which will be instrumental in providing the foundations of an entrepreneurial culture. Strategic agreements should be backed up by actions plans, financed and monitored by the institutions working in partnership. Adjustments and improvements to both strategy and action plans over time will be necessary to reflect the dynamic of fast-changing economies.

ENTREPRENEURSHIP KEY COMPETENCE

Given the relatively weak understanding of the concept and potential of the entrepreneurship key competence to the longer-term development of an economy, participating countries could establish a number of strategic pilot arrangements around select schools. The outcomes of the pilots would provide the basis for curriculum adjustment, teacher training and school governance arrangements more open to enterprise cooperation. Of importance here will be policy recognition and institutional support for the pilot schools, including a consultation and consensus-building drive to ensure that whatever changes are envisaged have the support of wider society.

Figure 5: Dimension 2 overall scores



Dimension 3: Improved skills

3.1. Introduction

Continuous upgrading of skills is increasingly recognised as a direct contributor to the competitiveness of a national economy. While the Charter's Dimension 2 concentrates particularly on the development of entrepreneurial learning, Dimension 3 is concerned more with management and trade skills within enterprises. Since the Charter's primary message is that workforce competencies should be regularly reviewed and improved, policymakers and the training community are encouraged to continuously monitor human capital development to ensure training and wider human resource measures meet evolving demands. This includes training for establishment of new businesses (as well as follow-up support to ensure their survival). It additionally involves training for expanding businesses where wealth and jobs are created.

This chapter discusses the outcomes of the assessment of five pilot indicators drawn up in September 2007 by a group of enterprise policy and human resource development (HRD) experts from all nine participating countries. It concludes with a number of proposals which the countries could consider in the bid to improve enterprise manpower developments.

3.2. Assessment framework

The assessment framework comprised the following indicators: (a) availability of training, (b) start-up training, (c) general enterprise training effort, (d) enterprise growth, and (e) access to international markets. While the indicators as a whole have an inherent policy focus and are for the most part qualitative in nature, most of the indicators contain quantitative criteria. Again, as with Dimension 2, while each of the indicators is considered as a separate unit in the assessment, all five indicators have a collective value in providing a primary assessment framework for enterprise HRD in the participating countries.

AVAILABILITY OF TRAINING

The rationale behind the 'availability of training' indicator is that a well-developed training market gives enterprises access to training, which in turn enhances business performance. More specifically, the objective of the indicator is that participating countries promote quality training services in key economic sectors [23]. The indicator also prompts the countries to regularly update and evaluate data on the training offer as part of a national enterprise development plan.

START-UP TRAINING

The purpose of this indicator is to encourage the development of training for start-ups and to ensure an extension of services (e.g. coaching) for a defined period, as one factor in increasing survival rates of new ventures. Key to meeting the criteria for this indicator will be data which demonstrates where start-up training has been delivered as well as the duration of support/coaching services made available in the post-start-up period. Given a specific interest of the Charter to ensure gender equity within the policies and measures it promotes, this indicator additionally requires evidence that efforts to promote start-ups give particular consideration to supporting training of women in new venture creation.

ENTERPRISE TRAINING

The 'enterprise training' indicator is designed to determine the level of training take-up by enterprise. As such, it acts as a policy barometer to measure the HRD health of a country's enterprise community and allows for appropriate policy responses.

ENTERPRISE GROWTH

This indicator focuses on training within expanding enterprises where HRD investment in new markets, products and services create business opportunities. Central to the indicator is that national policy and support structures are available to provide HRD support to businesses ready to take the growth route; and that HRD investment in enterprise growth strategies is systematically monitored by government and enterprise partners to determine the impact of the policy framework.

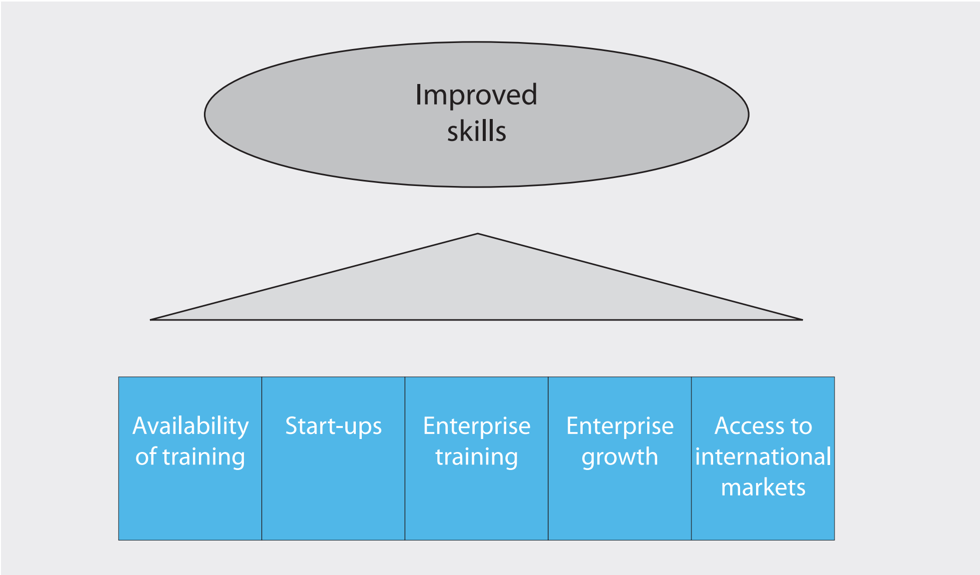
ACCESS TO INTERNATIONAL MARKETS

The objective of the 'international markets' indicator is to support a country's external trade effort, with particular reference to technical

[23] Quality issues for training involve a complex range of support and accreditation services. This indicator does not address these issues but could be reinforced by additional indicators specifically developed for quality assurance in training.

norms. If an enterprise is to break into international markets, it needs solid knowledge of technical standards and marketing. Further, if the enterprise community is to be updated on norms and changing market circumstances, it needs a support framework where the public and private sector cooperate to help enterprises maximise trade opportunities.

Figure 6: Assessment framework Dimension 3



3.3. Analysis

This section considers the findings from the assessment. With an overall average of 2.3, the results break the countries into two groups: Egypt, Israel, Jordan and Tunisia are all above average and significantly skew the overall data; the remaining countries make up a weaker performing group, although Morocco falls just short of meeting the MED average equal to 2.3.

A primary constraint to the assessment process was the lack of readily available data on enterprise training against which the bulk of the indicators could be assessed. This is seen in Table 9 where the 'enterprise training' indicator ranks lowest in the Dimension 3 package. This is the most significant finding and prompts the question as to the importance attributed to enterprise training by the countries, if reliable and available empirical data are not at hand to support the policy process.

Table 9: Scores in Dimension 3: Improved skills

Indicator	W	AL	EG	IS	LE	JO	MO	PA	SY	TU	MED
3.1. Availability of training	3	1.0	4.0	4.5	2.0	3.0	3.0	2.5	2.5	3.5	
3.2. Start-ups	2	2.0	2.0	4.5	1.5	1.5	1.5	1.5	1.5	2.0	
3.3. Enterprise training	2	1.0	3.0	3.0	1.0	1.0	1.0	1.0	1.0	1.0	
3.4. Enterprise growth	2	1.0	4.0	3.0	1.0	3.0	3.0	1.0	1.0	3.0	
3.5. Access to international markets	3	2.0	4.0	5.0	2.0	3.0	2.0	2.0	2.0	2.5	
Overall weighted average for Dimension 3		1.4	3.5	4.1	1.6	2.4	2.2	1.7	1.7	2.5	2.3

AVAILABILITY OF TRAINING

The assessment points to well-developed networks of training providers in all countries, for the most part public organisations delivering nationally and/or internationally financed training programmes. These networks generally assure good geographical coverage. In their efforts to promote access to training, Israel and Morocco, for example, ensure training provision is backed up with good websites which enable enterprises to determine viability and location of the training offer. One question raised during the assessment was the extent to which the training provision is driven primarily by a social agenda (i.e. training designed to get young people or the unemployed into jobs) or a competitiveness agenda (i.e. training geared specifically to enterprise operations and those already employed in industry). This is an important distinction. Notwithstanding that both objectives contribute to workforce improvement, any eventual follow-up to the 2008 Charter process should investigate the balance of policy motivation (social policy versus competitiveness policy objectives) and consequent delivery across the training networks. It will then be possible to determine the real extent to which publicly supported training provision is a function of a competitiveness agenda.

ENTERPRISE TRAINING AND START-UPS

Both the 'enterprise training' and 'start-up' indicators are addressed together here given their interconnectedness and the common concerns raised by the assessment. Firstly, the enterprise training indicator determines the extent to which enterprises are involved in training in each country. The assessment found only Egypt and Israel had a comprehensive data set against which the indicator could be assessed. Other countries had information systems which were generally project-based. Such micro-data sets do not capture a sufficient sample of enterprises to fulfil the demands of the indicator. The lack of comprehensive data on enterprise training suggests an undefined or poorly defined policy position on the role and contribution of human resources to a country's competitiveness drive. Further, it also implies that there is no overall tracking of enterprise training needs or priority-driven investment in enterprise training, and increases the risk of incorrect targeting of resources.

A similar conclusion applies to the start-up indicator where systematic data on training for start-ups, including follow-up support, were generally not obtainable. Again, the assessment team was able to identify project-based data. For example, 2007 data from one training provider of the Palestinian Authority (Young Entrepreneurs Palestine) highlight the value of start-up training statistics. These data highlight how 30 % of start-up trainees go on to set up an enterprise, although company registrations are markedly low. This is an important outcome of the data and (assuming other start-up training providers report similar trends) demonstrates the value of data for policy reflection.

Box 5: Improved skills: start-up support

Algeria
Job creation is a high priority for Algeria and particular attention is given to self-employment and microenterprise creation as a way to reduce unemployment. Supported mainly by public funds, a range of services on start-up training and coaching are available. These involve training on finance, marketing and management. For instance, through a network of 53 local offices, the national youth employment agency (ANSEJ) supports the creation of approximately 8 500 microenterprises annually across the country (with around 14 % established by women). In addition to training and coaching services, the ANSEJ network concentrates primarily on young people aged 19 to 35 years and also provides information services and wider awareness-raising events.

Jordan
The Jordanian Hashemite Fund for Human Development (JOHUD) has a network of 50 community centres providing training and advice to potential microentrepreneurs, especially women and youth. Particular emphasis is given to linking training with access to credit. JOHUD also runs a network of ICT centres that provide computer training courses to businesses. These centres aim to bridge the digital divide which smaller businesses often face. The centres also act as a gateway for businesses to access information and connect people.

The start-up indicator required a breakdown of training data by gender. Interestingly, despite significant efforts in all countries to raise the policy profile of women in the labour market and business, obtaining empirical data on training support for women's start-ups was difficult. Evidence gathered through the assessment fact-finding missions was generally confined to anecdotal reports or, at best, project-based data. For example, Algerian microenterprise data suggest that some 14 % of start-ups are female. However, in this instance, the statistics are only a subset of a wider data set required by the indicator. Israel makes consistent efforts to gather data on its wider start-up efforts but hard data on training for women's start-ups were not available. For the purposes of this assessment, an academic publication on women's enterprises in Israel was the primary source for concluding on the gender component of the start-up indicator. Assuming follow-up to the pilot assessment process, one-off research projects would not be sufficient to meet the requirements of the indicator. Rather, a more developed tracking and monitoring framework on developments in the entrepreneurial activity of women in the Charter area will be necessary. This recommendation has already been put forward by various high-profile European and Euro-Mediterranean advisory bodies [24].

ENTERPRISE GROWTH

This enterprise growth indicator finds Tunisia, Jordan, Lebanon Morocco, Israel and Egypt in a common grouping with above-average assessment, offering a range of services to meet the training requirements of expanding businesses. All six countries have earmarked funds to support training for enterprises with clear expansion criteria (e.g. product development, marketing and staff training). The assessment found that training for expanding enterprises invariably addresses product/service quality assurance, HRD, strategic planning, marketing, financial management, IT skills, coaching and performance management. Jordan's Enterprise Development Corporation stands out for its rigorous human resource and management analysis of enterprise business plans submitted for financial support. However, only Egypt satisfied the level 4 data demands of the indicator with research statistics available from its Industrial Modernisation Centre. The centre plays a pivotal role in the country's assistance to the enterprise sector and where HRD support stands alongside other strategic development areas such as technology transfer, R & D, quality systems and export development.

This is clearly one of the more successful areas for human resource development falling under this Charter dimension. Assuming interest and readiness to share their know-how, the experience of the six better performers could be readily culled and disseminated amongst all nine participating countries. This would allow for identification of good practice in terms of policy support, (co)-financing of training, funding criteria, monitoring and impact assessment, and allow for options to improve on training for growth enterprises across the region.

ACCESS TO INTERNATIONAL MARKETS

Training on international standards and markets is generally well developed in the region. Success on this indicator is due to a range of services provided by the general enterprise support organisations (which invariably provide export-related information and training), coupled with more developed technical advisory and training services, particularly on international standards, provided by specialist institutes, test-

([24]) For example, see 'Opinion of the European Economic and Social Committee on the promotion of women's entrepreneurship in the Euromed region', European Economic and Social Committee, REX/233, Brussels, 12 July 2007; and the conclusions of the Euro-Mediterranean Summit of Economic and Social Councils and Similar Institutions, 'Euro-Mediterranean partnership: Competitiveness and social cohesion must go hand in hand', European Economic and Social Committee, Press Release No 100/2001, 16 October 2007. For OECD-MENA, also see Declaration on Fostering Women's entrepreneurship in the Mena Region adopted on the occasion of the second Ministerial Meeting of the MENA-OECD Investment Programme on 28 November 2007.

ing centres and sector-specific associations. Egypt and Israel's efforts in training for e-business were noted in the assessment. Israel offers a sophisticated web of information, training and technical support to enterprises working (or intending to work) on international markets involving its national standards authority and a network of sector-based intermediaries and sectoral branches.

3.4. Synthesis

In order for the participating countries to move forward on Dimension 3, two areas could be considered: systemic data developments, and good practice sharing on training for expanding businesses.

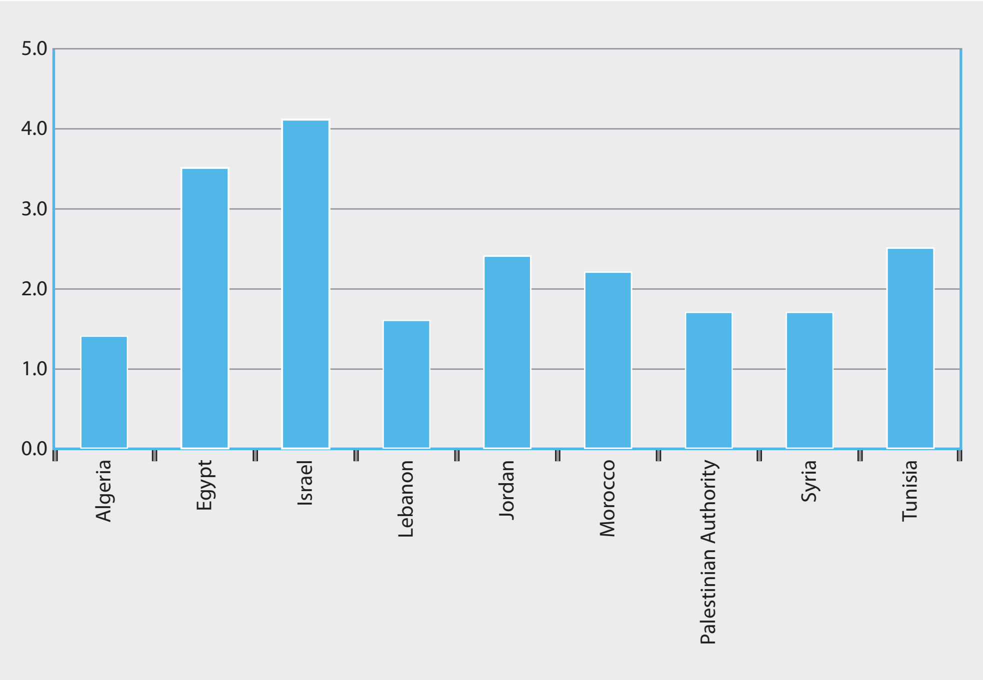
SYSTEMATIC DATA DEVELOPMENTS

There is a lack of systematic data on training across the enterprise community in all countries. This does not bode well with what is clearly a significant investment from the public purse in labour market and enterprise training, as well as financial support in the form of specific programmes, by a range of international operators in most countries, and where priority identification and more targeted resource allocation would apply. In order to move forward on Dimension 3, there is a clear need for the enterprise sector and the enterprise policy organs of the state to reflect on the data scenario in each country vis-à-vis enterprise training and wider HRD issues. The most pragmatic response to this proposal would be a regular and comprehensive survey of the enterprise community to: capture the extent of training take-up, determine skill gaps and skill weaknesses, and identify new skills and knowledge requirements evolving in the business world. All data collection should allow for gender differentiation. A good research or business support institution could easily provide the data collection service through the range of enterprise associations and industrial sector organisations. The resulting data would provide evidence and argument for priority-setting and policy adjustment and enable a more developed impact assessment. Finally, a regular and comprehensive data set on enterprise training needs would be a primary reference point for the range of education and training providers against which training programmes could be better articulated. Consequently, a more systematic tracking of enterprise training requirements would enable a closer fit between demand and supply of training.

SHARING BETTER PRACTICE IN TRAINING FOR ENTERPRISE GROWTH

Growing businesses create wealth and jobs. Notwithstanding the importance in promoting start-ups, more efforts should be considered in supporting growing businesses and in encouraging businesses to take the growth route. Given the well-developed practice in six countries on training for expanding enterprises, a knowledge-sharing framework would allow all nine countries access to information on policy tools, financing arrangements and the specifics of programmes that support expanding enterprises. A common knowledge-sharing effort could also spin out into a more developed impact assessment for the region, involving the network of national bodies involved in the training effort, co-working through peer learning on areas of common development interest.

Figure 7: Dimension 3 overall scores



Dimension 4: Easier access to finance and investment-friendly taxation

4.1. Introduction

Dimension 4 of the Euro-Med Charter for Enterprise covers two components that are vital for enterprise development: access to finance and taxation. External finance (in the form of debt, equity or other financial products) allows companies to leverage their initial capital base, better manage cash-flow fluctuations, embark on investment plans and expand turnover at a faster rate than if the company had to rely exclusively on internally generated funds.

Taxation is an equally important factor in determining enterprise development. A well-structured and transparent tax regime and a light tax compliance system promote entrepreneurship and investment, particularly among SMEs.

The components of Dimension 4 are analysed in separate sections and the assessments results are presented separately.

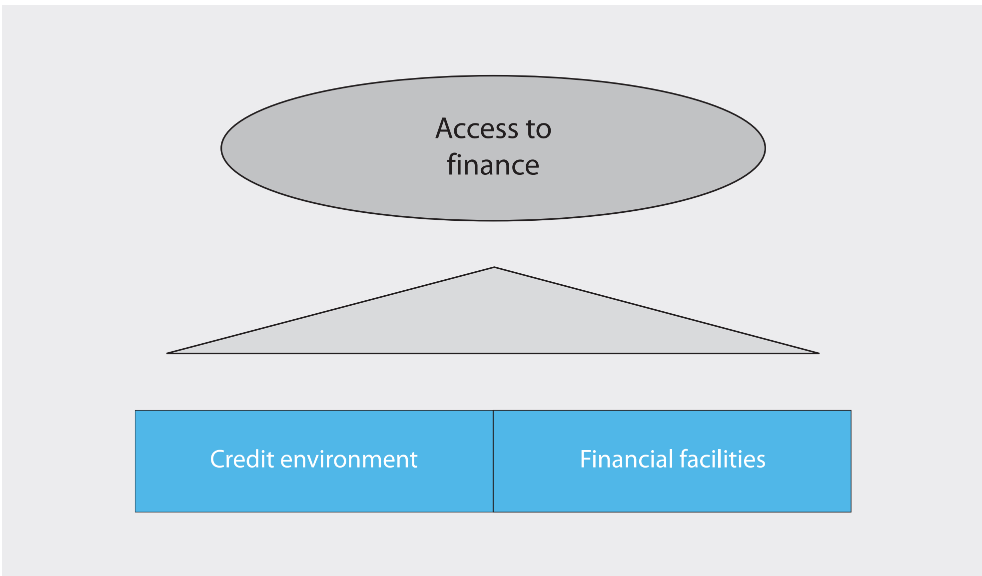
ACCESS TO FINANCE

4.2. Assessment framework

The assessment framework for access to finance in this report does not contain a complete evaluation of access to finance in the MED countries. This would require a full review of demand for each type of financial instrument by companies and their supply by financial institutions, as well as the related prices. Rather, the assessment framework is derived from the Charter and focuses on areas where government policy can promote and facilitate access to finance. In this context, the report evaluates areas where government policy can build an environment conducive to the development of markets.

The assessment framework for Dimension 4 includes two subdimensions: credit environment and financial facilities for enterprises. In looking at credit environment, the report evaluates five indicators: collateral and provisioning requirements, cadastre, law on distressed companies and bankruptcy, registration system for movable assets, and credit information services. In terms of financial facilities available to enterprises, the report covers another five indicators: credit guarantee schemes, risk capital, capital markets, microfinance, and leasing.

Figure 8: Assessment framework Subdimension 4.1



4.3. Analysis

Despite this somewhat narrow scope of the assessment framework, the research conducted for this report has confirmed that limited access to finance in the MED countries is one of the key constraints on private sector growth and development, especially for micro-, small and medium-sized enterprises (MSMEs).

The financial systems in all of the MED countries are still developing. However, there are significant differences among their levels of development in terms of financial institutions, the regulatory and supervisory framework, monetary policy, financial openness and institutional environment. Despite these differences, the financial systems in the MED countries reveal some common features. The banking sectors dominate the financial systems, and even the more developed banking sectors in the MED countries are rather conservative in extending loans to (private) enterprises, especially to MSMEs. In addition, financial markets and non-bank financial institutions are even less developed than the banking sectors.

Consequently, there is room to improve access to finance for enterprises in these countries. Better access to external finance (debt, equity and other financial instruments) would make it possible for enterprises to leverage their capital base, spread and better manage financial risks, and grow faster than by using only internally generated funds.

CREDIT ENVIRONMENT

In order to help facilitate access to finance, government policy can be especially helpful in the area of legislation which supports better access to finance. For instance, improvement in functioning of registries (land, claims on movable assets, credit records) includes enacting supporting legislation. Such registries facilitate the use of assets as collateral (cadastre, registry of claims on movable assets) or reduce asymmetric information (registry of credit records), making it easier for banks to lend.

Cadastre

A registry of land is in place in all MED countries. In four out of nine countries (Israel, Jordan, Morocco and Tunisia), property titles have been fully documented, but only in Israel cadastre ensures that land can be consistently used as collateral for bank loans. In the other MED countries, property titles are not always fully documented. In particular, the Palestinian Authority is still facing difficulties in improving property titles and establishing a properly functioning cadastre due to the constraints posed by the fact that 60 % of the territory is under Israeli jurisdiction.

Registration system of claims on movable assets

A registration system of claims on movable assets (e.g. stocks, equipment, machinery, vehicles) is only known in three out of the nine MED countries (Egypt, Israel and the Palestinian Authority). The system is most advanced in Israel, where enterprises can use movable assets as collateral. In Egypt, the registration system is in place, but not fully operational, while the Palestinian Authority is drafting legislation to establish such a registration system. The lack of such a registry prevents enterprises from using their assets and banks from accepting them as collateral.

Credit information services

MED countries vary significantly in terms of the availability of credit information services. In Syria, such services are not available, while Algeria and the Palestinian Authority restrict credit information to financial institutions. In Egypt, Lebanon, Jordan, Morocco and Tunisia credit records are available also to the public, but they are not comprehensive and regularly updated, as they are in Israel.

Laws on distressed companies and bankruptcy

Lenders may be reluctant to extend loans to enterprises in the absence of a bankruptcy law or if such law does not function properly. A review of bankruptcy legislation has confirmed that laws on distressed companies and bankruptcy are in place in all MED countries, but they are not fully implemented except in Israel, and to a lesser extent in Jordan, Morocco and Tunisia. While the Palestinian Authority and Lebanon have such laws, they are outdated and undermined by weak judicial systems.

Collateral and provisioning requirements

While the value of optimal collateral is hard to determine, it is very often the case that the perceived high collateral requirements exclude some potential borrowers from the debt market or that enterprises cannot use their (movable) assets as collateral because they are not accepted by financial institutions as collateral (often due to legal constraints). Information on collateral and provisioning requirements is not easily available in MED countries. Nevertheless, available information reveals that in most countries collateral requirements for bank loans to enterprises are relatively high, ranging from 150 to 200 % of the loan amount and in some cases even above 200 %. However, collateral requirements are less stringent in Israel: Israeli banks offer loans without collateral for amounts of up to EUR 10 000, while above that amount collateral requirements range between 50 and 100 % of the loan amount.

Table 10: Scores in Subdimension 4.1a: Credit environment

Indicator	W	AL	EG	IS	LE	JO	MO	PA	SY	TU	MED
4.1.1. Collateral and provisioning requirements	3	1.0	2.0	4.0	3.0	2.0	2.0	1.5	1.0	2.0	
4.1.2. Cadastre	2	3.0	3.0	5.0	3.0	4.0	4.0	2.0	3.5	4.0	
4.1.3. Laws on distressed companies and bankruptcy	3	3.0	3.5	5.0	1.5	4.0	3.0	2.0	3.0	4.0	
4.1.4. Registration systems for movable assets	2	1.0	3.0	5.0	1.5	1.0	1.0	2.0	1.0	1.0	
4.1.5. Credit information services	2	2.0	3.5	5.0	3.0	2.5	2.5	2.0	1.0	3.5	
Overall weighted average for Subdimension 4.1a		2.0	3.0	4.8	2.4	2.8	2.5	1.9	1.9	2.9	2.7

FINANCIAL FACILITIES FOR ENTERPRISES

This report looks at a narrow range of financial instruments for enterprises. In some MED countries, some of them are either not available or very limited. However, this does not mean that governments should provide them in order to increase their supply.

Credit guarantee schemes

Credit guarantee schemes can support access to credit by reducing collateral requirements. All the MED countries have at least one credit guarantee scheme available (except for Syria, where such a scheme is under preparation). In most of the countries, the schemes are publicly funded, but they operate in close cooperation with commercial banks. From this point of view Jordan presents an interesting example of cooperation between public institutions and commercial banks. Another interesting example is the Kafalat credit guarantee scheme in Lebanon. Nevertheless, the competition level in the guarantees market remains low. This implies that there is room for a broader range of guarantee products and more competitive prices in most of the MED countries, which would make guarantees available to more enterprises, especially smaller ones.

Risk capital

The private equity industry in MED countries remains small, while demand for risk capital appears to be unmet. A number of specific factors seem to constrain the development of this sector in MED countries. Information on markets is crucial for investors to properly assess risk. However, market data are hardly available for most of these countries. In addition, regulations for private equity funds and companies do not necessarily comply with best international practices. Moreover, Algeria, Jordan, Syria and the Palestinian Authority have no legislation related to investment funds. Nevertheless, some risk capital is available in Algeria and Jordan. Risk capital facilities are more developed in Egypt, Lebanon, Morocco and Tunisia, where they are supported by special legislation. Some of the investment funds in these countries are targeted to SME

Box 6: Jordan Loan Guarantee Corporation

In 1994, the Jordan Loan Guarantee Corporation (JLGC) was established as a public shareholding company, with the mission to enhance sustainable economic growth in Jordan by improving the credit environment available to economically viable SMEs by providing loan guarantees through its small business loan guarantee programme. In 1997, the JLGC developed an export credit guarantee programme, expanding its mission to enhance national exports by providing enterprises with credit guarantees.

Its function is to facilitate access to finance through the instruments it provides, by fully or partially covering the risks of loans granted by banks and financial institutions. The JLGC stipulates that loans should be directed towards establishing economic projects or expanding existing ones, particularly those in industrial sectors, in order to increase production capacity, marketing efficiency, job opportunities and foreign currency earnings or savings. Notably, it develops tools including the guaranteeing of credit operations in line with the doctrines of the Islamic law (sharia) and those which realise JLGC objectives.

Major JLGC shareholders include the Central Bank of Jordan (47.75 %), commercial banks (23.66 %), private companies (6.55 %), governmental and semi-governmental institutions (8.49 %), and individuals (13.55 %) (http://www.jlgc.com/index.htm).

financing. Another common constraint faced by these countries is a single exit option in the form of a direct sale. Israel stands out in terms of the risk capital industry. There are about 80 venture capital funds operating in the country, which have raised about EUR 6.5 billion and made investments in over 1 000 start-up companies. Many of these companies have gone through a successful initial public offering.

Capital markets

Algeria and the Palestinian Authority are at an early stage in developing the stock market legislative and regulatory framework. In addition, Syria does not yet have an operating stock market. The equity markets in Lebanon, Morocco and Tunisia are relatively illiquid. Stock markets in Israel, Jordan and Egypt are more liquid, but still significantly less than the most developed markets worldwide. Furthermore, most of the stock markets in MED countries exhibit a high concentration of market capitalisation within a group of a few large companies. Egypt and Morocco have launched a market for companies with smaller market capitalisation, expanding access to equity finance to a broader range of companies.

Microfinance

Morocco is a leader in microfinance in the region. The country has a legal and institutional framework for microfinance in place and a wide range of sustainable microfinance institutions. The majority of the recipients of microfinance in Morocco are women, and the recovery rate of loans is 99 %. Egypt, Israel and Lebanon follow with relatively well-developed microfinance industries, but do not have any legislation related to the sector. In the other MED countries microfinance is relatively less developed and state or donor funded.

Leasing

Legislation that supports leasing is closely related to the abovementioned legislation underpinning different registries. Except for Syria and the Palestinian Authority, MED countries have a leasing law in place. In Syria leasing law is under approval. The Palestinian Authority has prepared several drafts of a law, but none has been submitted to the legislative council.

Table 11: Scores in Subdimension 4.1b: Financial facilities for enterprises

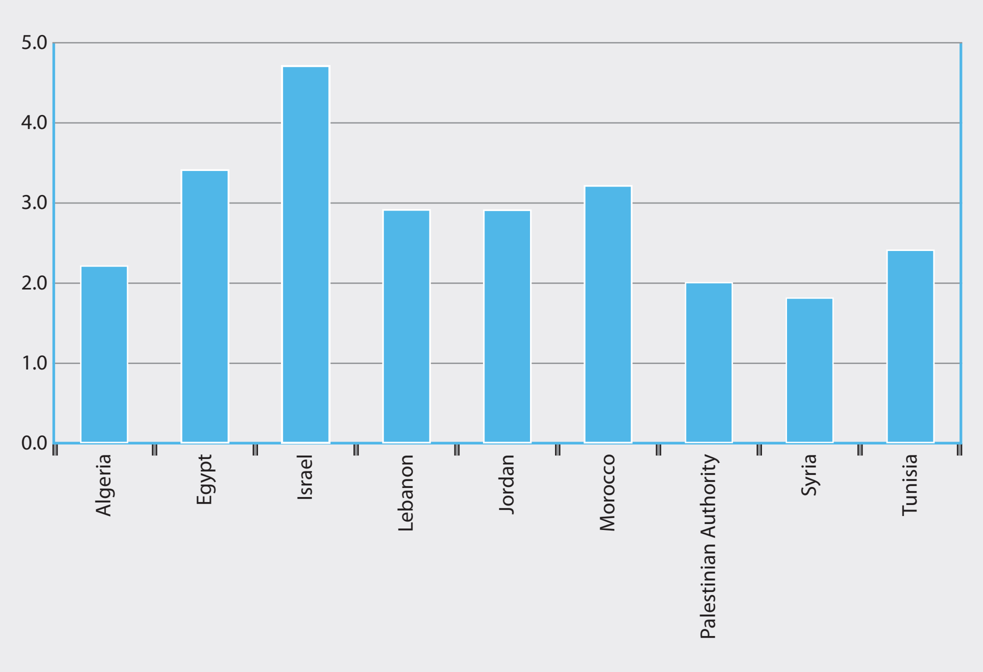
Indicator	W	AL	EG	IS	LE	JO	MO	PA	SY	TU	MED
4.1.6. Credit guarantee schemes/ facilities	2	3.0	4.0	4.5	4.0	4.5	4.0	3.5	2.0	3.5	
4.1.7. Availability of risk capital	2	2.5	4.0	5.0	3.5	1.5	4.0	1.5	1.0	4.0	
4.1.8. Access to capital markets	2	1.5	4.0	5.0	3.0	3.0	4.0	2.0	1.5	3.5	
4.1.9. Microfinance facilities	2	2.5	4.0	4.0	4.0	3.0	5.0	3.0	2.0	3.0	
4.1.10. Leasing	2	3.0	4.0	5.0	4.0	3.5	4.5	1.5	2.0	5.0	
Overall weighted average for Subdimension 4.1b		2.5	4.0	4.7	3.7	3.1	4.3	2.3	1.7	2.3	3.2

4.4. Synthesis

The analysis of selected indicators on access to finance has shown that government policies in the MED countries could improve the functioning of registries, especially the registry of claims on movable assets, which together with a better functioning cadastre would facilitate the use of assets as collateral. In addition, there is room for improvement in credit information services and with respect to laws on bankruptcy and distressed companies. Such improvements in the credit environment would make it easier for banks to lend to enterprises.

In order to help deepen and broaden the financial markets, government policies should ensure that the legal and regulatory framework is conducive to market development. In this regard, the promotion of good international practices could help develop non-bank financial institutions such as private equity funds.

Figure 9: Dimension 4a overall scores



INVESTMENT-FRIENDLY TAXATION

4.5. Introduction

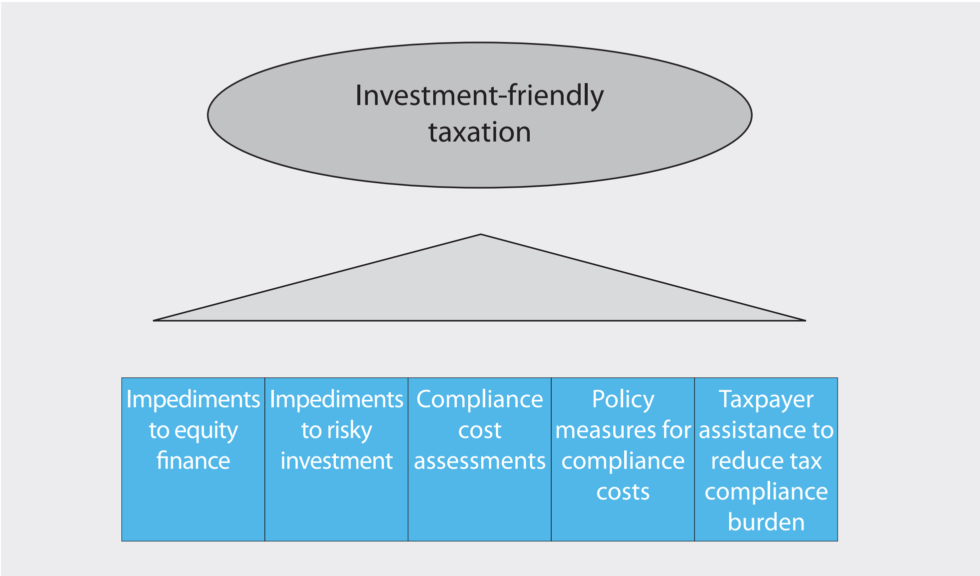
The assessment framework for investment-friendly taxation of the MED Charter aims to assess countries on their tax policy and practices in the treatment of enterprises with regard to five key areas relevant to enterprise growth and tax compliance. Given the relative complexities involved in the area of taxation, a crucial element in the development of tax policy measures is implementing, applying and drawing main results from suitable analytical frameworks to inform policy decisions. In this sense, the assessment framework for investment-friendly taxation of the MED Charter calls for assessments of enterprise tax policy with an emphasis on tax policy development.

Under the MED Charter, the assessment considers a subset of issues relevant for enterprise tax policy. In particular, certain considerations are not covered here, such as the need to measure effective (average and marginal) tax rates on enterprises, which involves the use of micro-data analysis and micro-simulation models. These issues are also relevant to assess the overall effective tax burden on enterprises and tax distortions to investment in enterprises.

4.6. Assessment framework

The assessment framework includes five indicators under two categories: basic income tax design features and compliance costs of concern to small enterprises.

Figure 10: Assessment framework: Subdimension 4.2



BASIC INCOME TAX DESIGN FEATURES FOR ENTERPRISES

The topics under this category address two basic design features of business income tax systems relevant to assessing potential tax distortions to the financing of investment in enterprises: scope for double taxation of business profits, and the treatment of risk (business losses and capital losses on enterprise shares). Certain other basic features of tax systems that may be discouraging to enterprise financing are not considered here [25].

The first indicator (4.2.1) assesses whether policymakers analyse and take into consideration possible tax distortions to enterprise financial policy and neutrality implications of alternative integration approaches/measures to avoid double taxation of equity income. In this sense, policymakers are asked whether they explore the implications of double taxation of enterprise profits in their economy and whether they measure and use effective tax rates on distributed profits and retained profits of incorporated enterprises held by resident taxpayers in such analysis [26].

The second indicator (4.2.2) assesses whether policymakers address the tax treatment of risk-taking, and the potential for taxation to discourage risk-taking (e.g. in young innovated firms) by making cross-country comparisons of business loss offset provisions, and capital loss offset provisions for enterprise shares. The treatment of losses is particularly important for investment in early-stage enterprises, where losses may be expected for one or more years following the creation of a business.

COMPLIANCE COSTS OF CONCERN TO SMALL ENTERPRISES

The total tax burden on business is determined not only by the amount of tax liability that business owners must bear (as determined by tax rules and regulations, and a firm's ability to possibly shift part of the burden onto higher prices and/or reduced wages). It is also influenced by the cost of complying with the tax system. Depending on the tax system, compliance costs may be significant, consisting of the time and resource costs involved with complying with the tax system (e.g. registering for tax purposes, ensuring that tax forms are completed and submitted, tax payments are made, tax audits are accommodated, and possibly contending with appeals procedures). Such costs, which consist largely of a fixed cost component, tend to be particularly burdensome for small enterprises (high relative to total turnover) [27].

The third indicator (4.2.3) analyses whether policymakers make assessments of tax compliance costs of enterprises linked to tax policy and

([25]) In discussing enterprise financing requirements, it may be noted that, as with decisions over establishing an unincorporated business, setting up an incorporated business may be discouraged where saving in one's own business means not investing in other assets receiving preferential tax treatment. The more abundant and the richer the set of tax preferences attracting capital to other savings vehicles (e.g. principal residence, private pensions, multinational enterprises, offshore funds), the more pronounced the tax distortions discouraging enterprise creation and financing may be. Similarly, tax advantages accompanying the placement of savings outside the domestic enterprise sector may make it more difficult (more expensive) to raise external financing from local investors.

([26]) Effective tax rates on dividends and retained profits should factor in integration relief (if provided) in respect of dividend income and capital gains.

([27]) The European Commission, for example, reports survey findings that compliance costs for corporate income tax and VAT are about 2.6 % of turnover for small businesses, versus 0.02 % for larger enterprises (see *European tax survey*, 2004, Directorate-General for Taxation and Customs Union, Working Paper No 3). Recent analysis for developing countries finds similar evidence (see, for example, *South Africa: Tax compliance burden for small businesses: A survey of tax practitioners, 2007*, Foreign Investment Advisory Service (2007), Table 7, which reports compliance costs in South Africa of roughly 4.6 % of turnover for firms with a turnover below roughly EUR 25 000 versus 0.1 % for firms with a turnover in excess of roughly EUR 500 000).

tax administration, and whether tax administration has been adjusted where compliance costs are found to be too high, to encourage enterprise compliance and business activities.

The fourth indicator (4.2.4) assesses whether policymakers consider the pros/cons of alternative tax policy measures to reduce the tax compliance burden on enterprises, to encourage enterprise tax compliance and business activities (e.g. basic income tax and basic value-added tax (VAT) systems, versus presumptive tax regime for enterprises, VAT exemption for enterprises).

Finally, the fifth indicator (4.2.5) covers whether taxpayer assistance and education service programmes are in place to reduce the tax compliance burden on enterprises.

4.7. Analysis

The countries' responses to the questionnaire have been limited. Only five countries submitted partial responses (Egypt, Israel, Lebanon, Jordan and the Palestinian Authority). Some of these countries could therefore only be scored partially (i.e. not across all the indicators) and the remaining four countries (Algeria, Morocco, Syria and Tunisia) have not been scored at all. Therefore, given the limited range of available data, it has not been possible to produce an aggregated score reflecting the performance on investment-friendly taxation for the whole MED region.

The results of the overall assessment show that only some participating countries assess tax compliance costs for enterprises and the implications of alternative tax policy regimes to apply to enterprises to address these compliance costs. However, in general most countries provide some kind of assistance and education services to reduce tax compliance costs. Egypt has taken a leadership role in the group by adopting simplified regimes for enterprises, encouraging e-filing and e-payment by granting incentives to taxpayers and providing free call centres to respond to taxpayers' questions. Additionally, Egypt and Israel have organised training sessions for taxpayers and tax professional to improve their tax knowledge and have organised awareness campaigns in newspapers and on television to educate taxpayers. The income and sales tax department in Jordan also has a call centre and an open window for taxpayers' complaints and information. Additionally, the chief executive officer (CEO) of the department has a day per week allocated to receiving taxpayers with complaints. In Lebanon, seminars, special advertising and other strategies have also been used to actively disseminate tax information to businesses.

Table 12: Scores in Subdimension 4.2: Investment-friendly taxation

Indicator	W	AL	EG	IS	LE	JO	MO	PA	SY	TU	MED
4.2.1. Analysis of tax impediments to SME equity finance	2	n.a.	5	4	n.a.	1	n.a.	1	n.a.	n.a.	
4.2.2. Analysis of tax impediments to risky investment in SMEs	1	n.a.	2	1	n.a.	1	n.a.	n.a.	n.a.	n.a.	
4.2.3. Assessment of tax compliance costs for SMEs and remedial tax administration	1	n.a.	5	2	2	1	n.a.	1	n.a.	n.a.	
4.2.4. Assessment of policy measures to lessen tax compliance costs for SMEs	1	n.a.	5	2	n.a.	1	n.a.	2	n.a.	n.a.	
4.2.5. Assessment of SME taxpayer assistance to reduce tax compliance burden	1	n.a.	5	5	4	3	n.a.	2	n.a.	n.a.	
Overall weighted average for Subdimension 4.2											

There is a wider dispersion across countries regarding the consideration of possible tax distortions to enterprise financial policy and investment. Egypt and Israel have undertaken studies on special tax incentives to increase financing of small enterprises, although only in the case of Egypt have these studies been reported to the Minister for Finance. In the remaining countries, tax officials have not undertaken studies examining implications for enterprise financing and investment of double taxation of distributed and retained profit. (However, Lebanon reported that it took the integration principle into consideration when it designed its new draft personal income tax law.)

Egypt was the only country that reported to have undertaken some studies on tax impediments to risky investment in enterprises and reported the main results to senior Ministry of Finance officials.

4.8. Synthesis

The results of the assessment may be used to help identify areas where analytics and capacity could be enhanced through technical training for host country tax officials. This will help participating countries to move forward on the indicators. In addition, main findings of assessments may feed into a follow-up exercise that will involve tax policy assessments examining specific tax policies adopted and suggestions of options for possible tax reform to improve enterprise growth and tax compliance. These suggestions will draw on findings emanating from applications of best practices and will also involve consideration of findings from assessments under other (non-tax) components of the Charter.

Dimension 5: Better market access

5.1. Introduction

Better market access is a central theme in the Euro-Mediterranean process of industrial cooperation and it is the object of a specific Charter dimension. Better market access means lower barriers to trade and investment, but also better policies to strengthen the regulatory framework, reduce transaction costs and favour the adoption of international technical standards. For several decades most MED countries had protected their domestic markets with high tariff and non-tariff barriers and imposed controls on trade and investment flows.

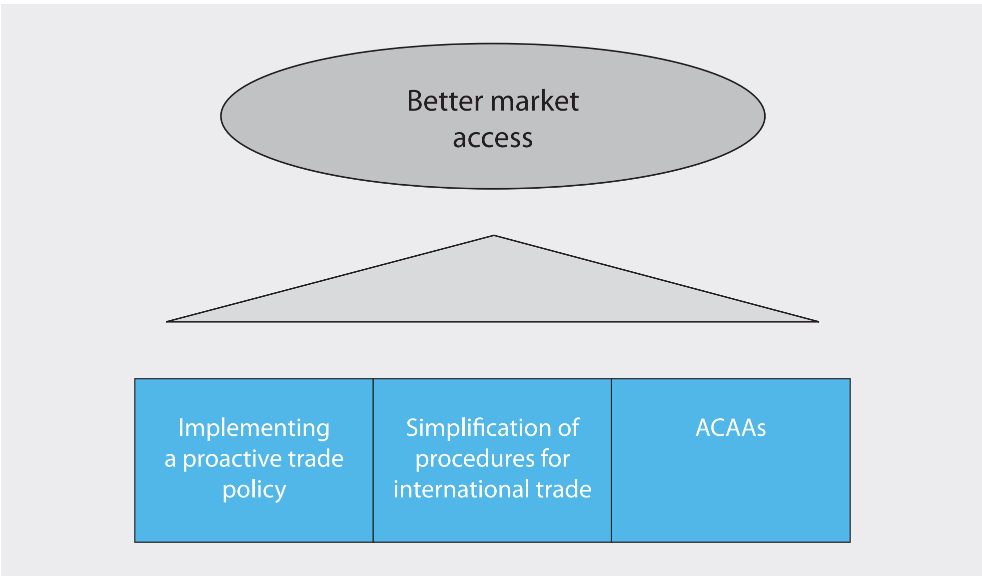
This has significantly changed over the last few years. The MED countries are opening domestic markets through a reduction of customs duties, have started to dismantle trade barriers, and have opened up to foreign direct investment. The pace of economic integration has accelerated. In fact the MED region is managing three simultaneous processes of economic integration and trade liberalisation: one with the European Union based on the association agreements and leading to the establishment of a Euro-Med free zone by 2010; the second at a regional level, with the establishment of a network of multilateral and bilateral trade agreements; and finally at a global level, in the framework of World Trade Organisation (WTO) negotiations and through the establishment of preferential trade and investment agreements with the most important trade partners.

Although this trend is visible across the whole region, the degree and speed of economic opening varies. Small economies, such as Jordan, Lebanon and Tunisia, have opened up quickly to trade and investment and display a diverse import and export structure. Other countries, such as Algeria and Syria, have a more imbalanced trade structure with a high concentration of exports on hydrocarbons and a high reliance on imports for virtually all other commodities.

5.2. Assessment framework

The assessment of this Charter dimension on market access is divided into three parts. Subdimension 5.1 deals with trade policy and its implementation as well as intra-MED trade agreements. Subdimension 5.2 covers the simplification of procedures for exporting enterprises and the quality and dissemination of information for these. It also deals with the ICT application on trade procedures and the access to online facilities for the completion of procedures. Subdimension 5.3 deals with the agreements on conformity assessment and acceptance of industrial products (ACAAs), which are an important element in the process of economic integration with the EU and account for an important component in the Euro-Med industrial cooperation programme.

Figure 11: Assessment framework Dimension 5



5.3. Analysis

EXPORT PROMOTION STRATEGY

Trade is a complex area and the presence of a well-articulated export promotion strategy, that links trade policy with the simplification of trade procedures, the reduction of transaction costs, the organisation of promotion activities and the provision of services for exports, may greatly contribute to structure government policy in this area, define priorities, build synergies among programmes and institutions, and promote dialogue and cooperation between public institutions (customs and tax administration, trade officials, export promotion agencies) and exporters.

In many countries governments have established export promotion agencies and other trade-specialised institutions (such as export credit guarantees and import–export banks) to support exporters and implement the country's export promotion strategy. In particular, the most active export promotion agencies are able to provide a wide range of services to exports, including personalised services of market intelligence, market research, and search of trade partners, and to maintain a presence in all the most important export markets though commercial offices.

Israel has both a clear export strategy and a number of government programmes and institutions supporting exporters. The Israel Export and International Cooperation Institute is the main institution in charge of export promotion in Israel. The Foreign Trade Administration in the Ministry of Industry, Trade and Labour is in charge of trade policy and international trade agreements of Israel. It also maintains an extensive network of trade offices abroad.

Egypt, Tunisia and Morocco are also relatively advanced in this area. Egypt adopted a new, comprehensive export promotion strategy in 2004 to meet the goals set out by a high-level economic reform team. Part of the strategy was to simplify cumbersome and costly procedures for international trade. Beside the General Organisation for Export and Import Control (GOEIC), a second agency, the Egyptian Export Promotion Centre (EEPC), was established by the Ministry of Trade and Industry. In terms of SME-specific programmes, the Export Development Bank of Egypt provides banking services, including upgrading and modernising those enterprises with export potential.

Tunisia has established a number of programmes to help domestic companies to enter export markets. Tunisia's export strategy is decided by a high-level council presided by the president (Conseil Supérieur de l'Exportation et de l'Investissement) [28]. An export promotion agency has been established under the Ministry of Commerce (Centre de Promotion des Exportations (CEPEX)) with a mandate to gather commercial intelligence, examine the impact of export assistance programmes and organise export promotion activities such as commercial missions, trade fairs, etc. while the high-level presidential council secures interministerial participation. CEPEX has established an initial network of commercial offices in the main export markets in Europe, North Africa and the Middle East.

In Morocco, the Ministry of External Trade is in charge of elaborating an export promotion strategy, which still lacks sectoral action plans. Linked to the ministry are a number of executive bodies and high-level steering committees whose roles range from export promotion, to regulation, to conforming to standards and to the simplification of procedures. These bodies cater to exports to Europe, which is Morocco's biggest export market, and facilitate trade with Morocco's numerous regional trading partners. In addition, the Moroccan exporters' association (ASMEX) helps simplify procedures in trade.

Jordan and Lebanon have embraced substantial efforts for export promotion, but are so far missing a comprehensive strategy and/or institutional framework. In Jordan, the Jordan Enterprise Development Corporation (JE) is currently working with several donors to develop a formal national strategy in 2008 and an export promotion programme, funded by the European Commission, will help with implementation starting in 2009.

In Lebanon, despite the importance of export to the Lebanese economy, there is currently no export promotion strategy. Although a law was drafted in 2006 for the creation of an export promotion agency, it is not yet operational. A number of efforts by both the public and private sector (and supported by donor institutions) are promoting Lebanese exports and companies in the industrial/manufacturing sector. Furthermore, there are a number of EU-funded projects such as a quality upgrading programme for exports to the EU (Qualeb) and the integrated SME support programme (in collaboration with the Chamber of Commerce, Industry and Agriculture) which have an export promotion component for SMEs. The Investment Development Authority of Lebanon is also known for other export promotion and matchmaking, although its efforts are concentrated on the agricultural sector. Trade Point, part of the global information network, was established in Lebanon in 1996. Based in the Ministry of Economy and Trade, Trade Point's objective is to facilitate trade between Lebanese and foreign partners through matchmaking, provision of statistical information, etc.

In Algeria, and Syria, most of the activities to support export promotion occur ad hoc. However, Algeria has established an export promotion agency (ALGEX) with a wide mandate to promote non-hydrocarbon exports and Syria has a national Commission to Promote and Develop (non-oil) Exports.

Table 13: Scores in Subdimension 5.1: Implementing a proactive trade policy

Indicator	W	AL	EG	IS	LE	JO	MO	PA	SY	TU	MED
5.1.1. Export promotion strategy	3	1.5	4.0	5.0	2.0	2.5	2.5	1.5	2.0	3.5	
5.1.2. Intra-MED trade agreements	2	1.0	4.0	2.0	3.0	4.0	4.0	3.0	3.0	4.0	
Overall weighted average for Subdimension 5.1		1.3	4.0	3.8	2.4	3.1	3.1	2.1	2.4	3.7	2.8

(28) The CSI has held seven sessions since its establishment in 1997 and brings together relevant ministers, trade unions and the Central Bank.

INTRA-MED TRADE AGREEMENTS

Intra-regional trade integration is relatively underdeveloped in the MED region compared with other regional blocks. The process of regional trade integration is structured around the following two main trade agreements:

- the Greater Arab Free Trade Area (GAFTA), grouping a number of Arab countries within and outside the MED region;
- the Agadir Agreement, involving four MED countries (Morocco, Tunisia, Egypt and Jordan).

In addition the MED countries have signed bilateral free trade agreements among themselves and with Turkey, a member of the Euro-Med trade cooperation.

Several countries take the lead and have free trade agreements with a significant number of other countries either through bilateral or regional agreements (see Table 14).

Table 14: Intra-regional free trade agreements

	GAFTA (1997)	Agadir Agreement (2004)	Bilateral FTA with Turkey	WTO
AL				Observer
EG	x	x	x (12.2005)	x
IS			x (05.1997)	x
JO	x	x	In negotiation	x
LE	x		In negotiation	Observer
MO	x	x	x (01.2005)	x
PA	x		x (07.2005)	
SY	x		x	
TU	x	x	x (06.2005)	x

SIMPLIFICATION OF PROCEDURES FOR INTERNATIONAL TRADE

Subdimension 5.2 examines different tools that can reduce transaction costs within international trade. Traditionally, these transaction costs have been high in the region and there is a need for simplification. The costs are related to the number of procedures for foreign trade and the efficiency of the customs administration, both of which can be improved through recently developed computerised technological developments, similar to those in company registration. The goal should therefore be a virtual one-stop-shop to deal with all formalities of foreign trade. Only Egypt and Israel are close to this best practice as they have both established pilot virtual one-stop-shops, while Morocco is in the process of creating one.

Table 15: Scores in Subdimension 5.2: Simplification of procedures for international trade

Indicator	W	AL	EG	IS	LE	JO	MO	PA	SY	TU	MED
5.2.1. Level of computerisation of procedures for foreign trade	1	1.5	4.0	4.5	4.0	3.0	4.0	3.0	3.0	4.0	
5.2.2. Quality of access to information on foreign trade	1	1.5	5.0	5.0	3.0	3.0	3.0	3.0	2.0	3.0	
5.2.3. Virtual one-stop-shop	1	1.5	4.5	4.5	2.0	2.0	3.0	1.0	1.0	3.5	
Overall weighted average for Subdimension 5.2		1.5	4.5	4.7	3.0	2.7	3.3	2.3	2.0	3.5	3.1

The level of computerisation of procedures for foreign trade is low across the region. Only the 'Automated system for customs data' (Asycuda)[29] is systematically applied in countries, with the exception of Algeria. The quality and access to information, on the other hand, has improved significantly over recent years, with ample relevant information about foreign trade procedures available online.

AGREEMENTS ON CONFORMITY ASSESSMENT AND ACCEPTANCE OF INDUSTRIAL PRODUCTS (ACAAS)

The basic requirements for an ACAA (agreement on conformity assessment and acceptance of industrial products) between the European Communities and their Member States, and a partner country, are legislative alignment and the necessary infrastructure capacity for implementation of that legislation. The ACAA concept has been designed for industrial product sectors covered by new or old approach legislation[30], i.e. those industrial sectors where legislation is harmonised at Community level. The ACAA concept is based on the experience of the PECA[31] agreements concluded with some candidate countries in the pre-accession phase.

The horizontal legislation covering standards, metrology, certification, accreditation infrastructure and market surveillance in accordance with the EU system in these areas must be transposed and implemented by the partner country. Institutionally, the separation between the regulatory, standardisation, accreditation and certification functions is necessary for proper implementation of the legislation. Ideally, public authorities should retain solely legislative and enforcement (market surveillance) functions and ensure that the system of third-party conformity assessment to regulatory requirements has sufficient technical competence and independence by means of competent and recognised accreditation.

Standards should be voluntary technical specifications. For each priority sector, all relevant harmonised European standards will need to be adopted as national standards and consequently all conflicting national standards will have to be withdrawn. The partner country standardisation body should implement EU and international standards. They should be affiliate members of the European and international organisations.

Accreditation is the means used in the designation of conformity assessment bodies. It gives formal recognition of competence to carry out specific conformity assessment tasks. The partner country should establish its own national accreditation body and should seek signatory status to the multilateral recognition agreements operated at European and international levels.

Certification by a conformity assessment body is the procedure by which a third party gives written assurance that a product, process or service conforms to the specified requirements. Conformity assessment bodies from partner countries should be assessed to determine if they are technically competent and capable of carrying out the relevant conformity assessment procedure, and can demonstrate the necessary level of independence, impartiality and integrity.

The legislative alignment and infrastructure capacity must be in place and verified before the official negotiations on the agreement can begin. The priority sectors identified will need to be in stable form (legislation aligned and implemented with the relevant infrastructure in place) with a realistic expectation to come into force before the initialling of the agreement.

The ACAA is seen as a mechanism to facilitate the free movement of goods in the internal market. The adoption of common regulatory structures could also contribute to the longer-term goal of a Mediterranean free trade area. The adoption of an ACAA will be a strategic partnership with the EU, increasing stability and prosperity with political advantage. The ACAA will also contribute towards upgrading of the quality infrastructure and technical development in the partner country.

The advantages for partner countries include:

- free movement of goods into the EU/EEA area;
- once an ACAA is concluded with other partner countries in the same sectors, the possibility of the free movement of goods into their territory also (i.e. regional area for free movement of goods in specific sectors);
- recognition of coherence with the EU system;
- upgrading of quality infrastructure;
- improved safety of products on basis of EU experience;
- reduced cost for industries of conformity assessment procedures as the tests will be done locally;
- encouragement for local enterprises to innovate.

(29) www.asycuda.org

(30) 'New approach' directives are technical specifications which define essential requirements (protection of safety, health and consumer protection) for a family of products, relevant conformity assessment procedures and the CE marking requirements to be affixed on the products by the manufacturer before placing them on the market. Detailed technical specifications in compliance with the essential requirements are developed by the European standardisation bodies. These harmonised standards remain voluntary, but if applied they give presumption of conformity to the essential requirements. 'Old approach' directives are Community technical specifications for individual products, defining very detailed common technical requirements applying to those specific products and their testing requirements. Moreover, in most of them, Member State authorities were responsible for issuing certificates of conformity before products could be placed on the EU market, in accordance with the procedures established in the directives. The 'old approach' is still used in the areas of foodstuffs, chemicals, pharmaceuticals and motor vehicles.

(31) Protocols to the Europe agreements on conformity assessment and acceptance of industrial products: http://europa.eu.int/comm/enterprise/regulation/pecas/pecas.htm

Progress is being made by all partner countries but they achieved different levels in the preparation for the agreement. They have all politically signed up to the ACAA concept and see it as a means of improving their industrial competitiveness. All partner countries have defined their priority sectors: electrical products and construction products have been chosen by six countries (Algeria, Egypt, Jordan, Lebanon, Morocco and Tunisia), pressure equipment has been chosen by six countries (Algeria, Egypt, Israel, Jordan, Lebanon and Tunisia) and machinery has been chosen by two countries (Morocco and Tunisia). Once the ACAA is concluded with many Mediterranean partner countries, there might be a possibility for free circulation of industrial products in specific sectors in the region.

Table 16: Scores in Subdimension 5.3: Agreement on conformity assessment and acceptance of industrial products

Indicator	W	AL	EG	IS	LE	JO	MO	PA	SY	TU	MED
5.3.1. Adoption of EU technical regulations	1	1.0	2.0	2.0	1.0	1.0	2.0	1.0	2.0	2.0	
5.3.2. Adoption of EU technical standards	1	2.0	3.0	2.5	2.0	3.0	2.0	1.0	2.0	2.5	
5.3.3. Accreditation	1	2.0	2.0	4.0	2.0	2.5	2.0	1.0	1.0	3.5	
5.3.4. Conformity assessment	1	1.0	1.5	4.0	2.0	2.0	1.5	1.0	1.0	2.0	
5.3.5. Metrology	1	1.0	1.5	4.0	1.5	2.0	2.0	1.0	1.0	2.5	
5.3.6. Market surveillance	1	1.0	1.5	4.0	1.0	1.0	1.5	1.0	1.0	1.0	
Overall weighted average for Subdimension 5.3		1.3	1.9	3.4	1.6	1.9	1.8	1.0	1.3	2.3	1.8

Almost all countries have started actively the preparatory work for the signature of the ACAA. Expert missions run by Commission services have been concluded in almost all partner countries in 2007 and 2008 in order to monitor the progress and help solve problems. A work programme detailing the actions to be taken to reach an ACAA has been set up in some countries, describing tasks, responsibilities and deadlines.

Most countries (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco and Tunisia) have submitted some pieces of horizontal and sectoral legislation to Commission services. Commission services have verified their compatibility with the *acquis* and have helped the countries to identify the regulatory gaps to be bridged. After full alignment, this draft legislation should go through adoption by partner countries' parliaments. Many countries are benefiting from technical assistance projects to support them in the harmonisation of their legislation.

Most countries (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco and Tunisia) have started to adopt harmonised European standards in their priority sectors and to abolish conflicting national standards. Jordan has finalised the adoption of the harmonised European standards in the toys sector and Egypt for low-voltage equipment.

Most countries (Algeria, Egypt, Jordan, Lebanon, Morocco and Tunisia) have started to upgrade and restructure their quality infrastructure, including their conformity assessment bodies. Quality infrastructure in Israel has an adequate level. Many countries (Algeria, Israel, Jordan, Lebanon and Morocco) already have internationally accredited laboratories in one or two of their priority sectors. Many countries have benefited from technical assistance projects in upgrading their infrastructure.

Egypt, Israel, Jordan and Tunisia are affiliated members of the European Committee for Standardisation (CEN); Israel and Tunisia are affiliated members of the European Committee for Electrotechnical Standardisation (Cenelec). Israel has signed bilateral agreements with European Cooperation for Accreditation (EA); Egypt and Israel are liaison members of the European Association of National Metrology Institutes (Euramet).

Most countries have technical assistance projects that support: harmonisation of technical regulations; the adoption of standards; the upgrading of conformity assessment bodies, standardisation bodies and accreditation bodies; and the setting up of an efficient market surveillance system. Twinning projects run by experts from Member States in the partner countries provide a real transfer of know-how and exchange of experience. To meet the needs of partner countries, seminars providing in-depth explanation of the EU acquis, short-term EU expert visits in the countries or partner countries' expert visits in EU Member States are regularly organised.

No partner country is ready to sign the agreement but two or three of them could be ready by 2009–10.

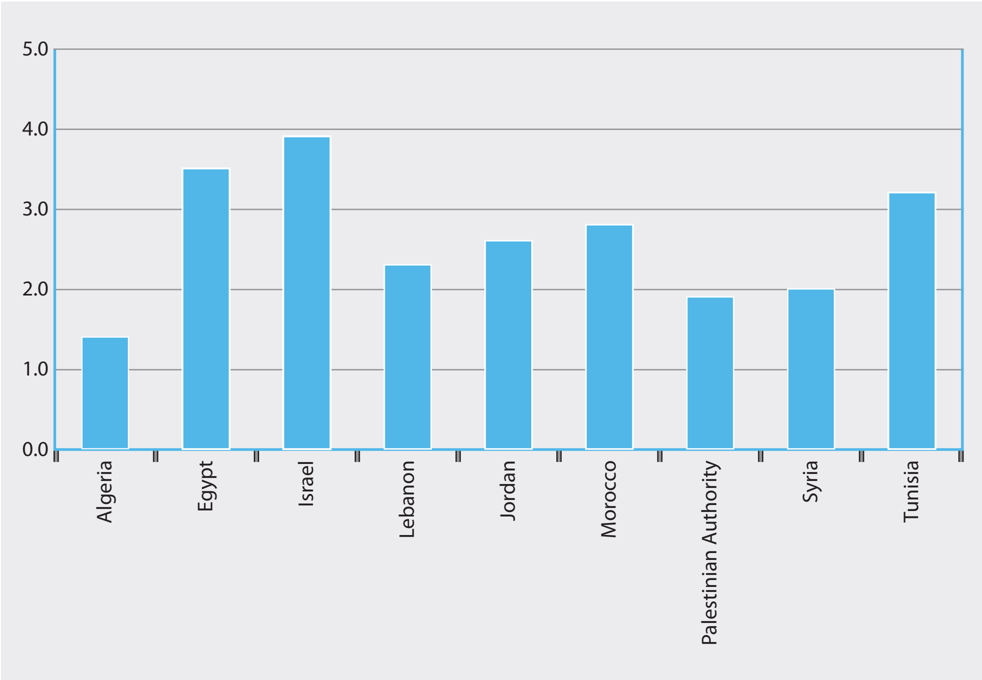
5.4. Synthesis

Of the three subdimensions analysed above the most problematic across the entire MED region is that related to the ACAAs, where significant efforts are needed to move forward in the legislative alignment and to strengthen the institutional framework.

There have been achievements in a number of MED countries (Israel, Egypt, Morocco and Tunisia) in the computerisation of trade procedures and in the dissemination of trade information. The countries that are only starting to work on the simplification and computerisation of foreign trade procedures, such as Algeria and Syria, could learn from those experiences.

The operational and institutional framework for supporting exporters is still far from complete across the MED region. Israel has a framework that compares well with that of OECD countries, while Egypt, Tunisia and to a certain extent Morocco have set the basis for a more proactive export policy. All other countries, and in particular the oil- and gas-exporting countries, have to invest in this area, starting with elaborating well-structured export promotion strategies and strengthening the institutions in charge of export promotion and the provision of services to exporters.

Figure 12: Dimension 5 overall scores



Dimension 6: Innovative firms

6.1. Introduction

In their policy statements all MED countries recognise the importance of innovation as a source of long-term prosperity. Most have taken steps to establish key components of an innovation system. These efforts have tended to concentrate on fostering linkages between business and university, developing business incubators, upgrading human capital, and implementing a range of enterprise-level technology upgrading (*mise à niveau*) programmes (some of which have a sector-specific focus). However, with the exception of Israel, MED countries have yet to take a significant position on the global stage as sources of technological innovation. While all MED countries have launched initiatives on research and innovation, the volume of investment in R & D is limited for the region as a whole and in a number of cases the development of a comprehensive innovation strategy is still incipient.

6.2. Assessment framework

In this context, the assessment framework for Dimension 6 of the Euro-Med Charter for Enterprise includes four indicators (primarily related to technological innovation):

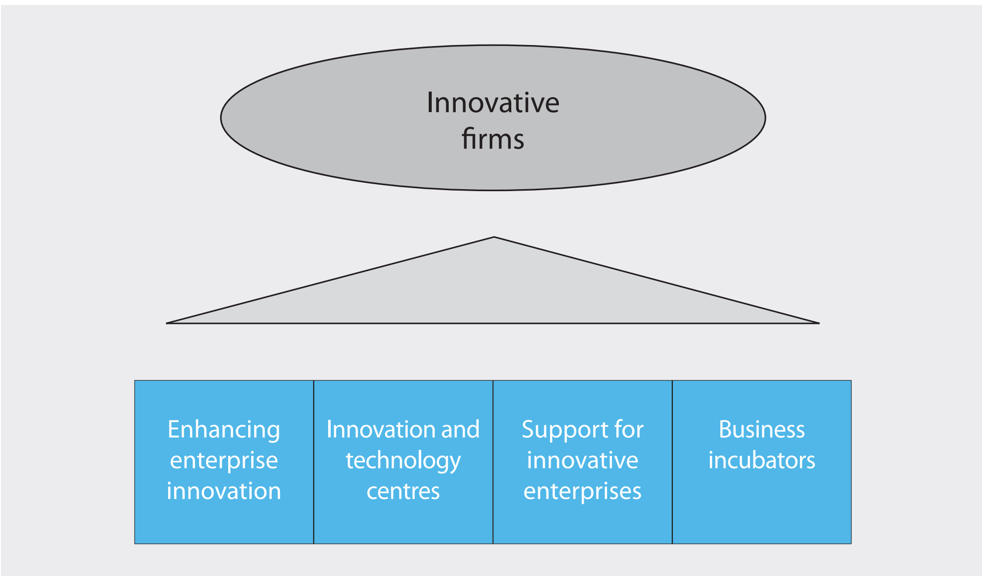
- 6.1. The first indicator looks at the extent of development of an overarching strategy on enterprise innovation and R & D. It examines the process that led to the strategy, the key features of the strategy and the commitment of resources. The emphasis is on linkages to universities and research centres as sources of 'radical innovation' (i.e. innovation that is research-based and more far-reaching than the incremental improvements in products and processes that in many firms are a feature of everyday business development).

- 6.2. The second indicator looks more specifically at government action to foster innovation networks, linking firms to technology and research centres, and promoting inter-firm cooperation.

- 6.3. The third indicator captures information on support for innovative firms, with an emphasis on financial support measures, including financial engineering to generate venture capital. This subdimension also examines the process by which support is designed.

- 6.4. The fourth indicator considers a specific instrument for developing innovative enterprises: business incubation. The indicator includes information on the presence and development of an incubation strategy, the expansion of incubation schemes and the adoption of operational standards considered best practice in the OECD context.

Figure 13: Assessment framework Dimension 6



6.3. Analysis

INNOVATION POLICY AND SUPPORT TO INNOVATIVE FIRMS

In OECD economies, policymakers concerned with accelerating innovation focus their attention on a wide range of institutional and policy settings. This breadth of focus reflects the fact that innovation is an outcome of multiple economic and institutional conditions. These conditions range from the quality of physical and virtual infrastructure to the level of available skills, degree of competition in markets, tax treatment of R & D, sophistication of markets providing services to business (including specialised forms of finance) and the broader environment enabling business growth. There is no configuration of policy settings that guarantees an optimal level of innovation. Progress must be aimed for across the board, with governments and other stakeholders finding the mix of policy measures most apt for each circumstance.

However, policy must recognise that innovation takes many forms and varies across companies of different sizes and across sectors. For instance, research shows that innovation in SMEs is project- rather than portfolio-based and tends to generate innovations of lower value than in larger firms. And radical innovation in SMEs usually arises in only a few sectors, while incremental innovation is important in SMEs in all sectors. Innovation in SMEs also depends crucially on external linkages and skills, capital and knowledge. This external dependence reflects the limited internal division of labour present in most small firms. Indeed, a lack of partners is often cited by SMEs as the most significant barrier to innovation, with finance and skills also being important [32]. Hence the appropriateness of indicator 6.2 and its concentration on networks, as well as the focus on business incubators (indicator 6.4) (which should foster information and knowledge-sharing among firms co-located on the incubator's premises).

Table 17: Scores in Dimension 6: Innovative firms

Indicator	W	AL	EG	IS	LE	JO	MO	PA	SY	TU	MED
6.1.1. Enhancing enterprise innovation	1	2.0	3.5	5.0	3.0	2.5	3.0	1.0	2.0	3.5	
6.1.2. Establishment of innovation and technology centres	1	1.5	4.0	5.0	3.0	3.0	3.0	1.0	2.0	3.5	
6.1.3. Support for innovative enterprises	1	1.5	4.0	5.0	3.5	3.5	2.5	1.0	2.0	3.5	
6.1.4. Business incubators	1	2.0	3.5	5.0	3.0	2.5	2.5	2.0	2.0	4.0	
Overall weighted average for Subdimension 6.1		1.8	3.8	5.0	3.1	2.9	2.8	1.3	2.0	3.6	2.9

The following sections summarise a number of key findings under each indicator.

ENHANCING ENTERPRISE INNOVATION

The policy framework for innovation in the MED countries is highly differentiated. A number of countries have innovation-related programmes but have not yet adopted a comprehensive innovation strategy. With some variation, these include the Palestinian Authority (which has no innovation strategy) and Lebanon and Syria (where innovation strategies are currently being formulated).

Jordan is also at the early stages of strategy formulation, but an e-transaction law has come into effect and plans are under way for promoting e-government, e-commerce and e-finance, and using information and communications technology in education. Morocco has also prepared a national e-strategy (e-Maroc 2010) to be launched under the guidance of a committee presided by the Prime Minister and comprising representatives of the public and private sectors.

Egypt and Tunisia both achieve relatively high scores on this indicator. In Egypt's case, innovation is a centrepiece of the country's industrial development strategy. Egypt is home to a significant number of innovation-related institutions, including many technology-related institutions operating in fields ranging from plastics to furniture. And Tunisia has implemented a wide-ranging set of innovation-related policies including the industrial upgrading programme (1996), a law on technopoles (2001), the industrial modernisation programme (2003) and a law on competitive clusters (2006). University–industry linkages are many, and the creation of an agency for the promotion of research and innovation is set for 2008. Furthermore, Tunisia possesses one of the most highly skilled workforces in the region, a critical factor given the central role of skills in the development and absorption of new technologies and work practices.

ESTABLISHMENT OF INNOVATION AND TECHNOLOGY CENTRES

International experience demonstrates that technology and innovation centres must be demand-oriented. This is essential in terms of financial sustainability (bringing about a degree of cost-recovery from fees for services). It is also essential in terms of relevance: willingness-to-pay is an ideal measure of usefulness, and even cash-starved small firms will often find a way to pay for services that provide benefits that exceed costs. Such centres also need to be proactive in their outreach to the SME sector because entrepreneurs in many small firms are not fully aware of all their assistance needs, and are often unable to dedicate significant time to the search for reliable partners and sources of advice.

[32] Hewitt-Dundas, N. (2006), 'Resource and capability constraints to innovation in small and large plants', *Small Business Economics*, Vol. 26, No 3, pp. 257–277.

Most of the MED countries possess innovation and technology centres, although the number, sophistication and track record of these institutions varies considerably.

Egypt stands out in terms of institutional strength in this area. A network of technology transfer and innovation centres (ETTIC) has been created within the Ministry of Trade and Industry. Each is privately managed and has a board that includes representatives from the private sector. Public funding is significant, but services are also charged for, helping to provide a demand orientation. These centres also cooperate with technology transfer organisations internationally, particularly in Europe.

In Morocco, by July 2004, 16 structures existed to facilitate university–industry linkages. In addition, 17 skills centres and nine industrial technical centres were established between 1996 and 2007, along with a variety of other projects such as the Réseau de diffusion technologique (RDT), Réseau Maroc incubation et essaimage (RIME), Réseau génie industriel (RGI), the Innov'act programme and the Eureka programme. Tunisia has a national programme of technopoles, and various public research centres in fields deemed strategic. The STREN network (Réseau d'échange des résultats scientifiques et technologiques) aims to foster cooperation between Tunisia and the EU in the field of innovation.

Jordan is establishing 50 technology transfer units in different academic institutions, private sector companies and research centres through support to the research and technological development project (SRTD) funded by the European Commission.

In other countries, such as Lebanon and Syria, the development of innovation and technology centres is more embryonic. However, mention should be made of Lebanon's Industrial Research Institute (IRI). Established in 1953, it has received accreditation from a European accreditation body. The IRI performs studies relevant to the development of new industries, as well as industrial research and scientific testing and analysis.

SUPPORT FOR INNOVATIVE ENTERPRISES

The range of potential support schemes for innovative enterprises is broad, and a number of MED countries are engaging the private sector in service provision.

A set of support initiatives is under development in Algeria, with financial support foreseen for SMEs developing innovative projects, in addition to significant fiscal exemptions for companies investing in R & D. Major resources are allocated for support programmes in Egypt. Notably, the Industrial Modernisation Centre (IMC) and the Ministry of State for Scientific Research have signed a cooperation protocol for a fund of EUR 12 million to link industry with R & D. The IMC also organises the National Awards for Excellence, which encompasses innovation. And the Ministry of Higher Education and Scientific Research recently announced a grants programme provided by the EU–Egypt Innovation Fund (EEIF), the main component of the research, development and innovation (RDI) programme. Funded by the European Commission, the RDI programme should enhance Egypt's economic growth and international competitiveness. The EEIF will support projects for applied research on a competitive basis.

Israel's outstanding position in technological development is in part due to a government policy of support for industrial R & D of the Office of the Chief Scientist at the Israeli Ministry of Industry, Trade and Labour (see Box 7).

Box 7: Israel's approach to funding start-ups

The Office of the Chief Scientist (OCS) is part of Israel's Ministry of Industry, Trade and Labour. With a budget of around USD 300 million, it runs a suite of programmes to support entrepreneurs through grants and loans: it delivers critical seed funds to selected companies engaged in R & D projects. OCS support not only provides financial assistance to the entrepreneurs, it also sends an important signal to the venture capital community through rigorous due diligence and other tests it applies prior to disbursement. Contrary to typical government practice, the OCS can earn royalties on sales if a start-up becomes a commercial success. These royalties are then used to co-fund future grants (along with public funds).

The main OCS programmes are:

- the R & D Fund, open to all Israeli firms wishing to engage in technological R & D; grants are provided as a percentage (up to 50 %) of the total approved R & D expenditures; the grants constitute a conditional loan: a commercial success pays royalties (3–5 % of the value of sales) whereas cases of non-commercialisation involve no royalty payment;
- technological incubators;
- a pre-seed fund (the TNUFA programme);
- Matimop (Israeli Industry Center for R & D);
- bi-national funds supporting technological collaborations;
- Magnet and Magneton consortia.

The OCS also runs several programmes that support basic and applied research in generic technologies.

Jordan's 'Upgrading and modernisation programme' (JUMP) was established as part of a governmental commitment to develop companies' managerial capabilities and technological capacities. JUMP works as an umbrella for all industrial upgrading activities. It is managed by a board of 12 members from the private and public sectors, and headed by the Minister for Industry and Trade. However, JUMP is financially and administratively independent. Fiscal provisions also aim to support R & D and training.

In Lebanon, business development centres have been established in four regions with financial support from the EU. The centres bring together a range of partners including universities, chambers of commerce, municipal governments and private firms all aiming to help firms become more innovative. A private company, Berytech, was awarded the business innovation centre (BIC) quality certification by the European business network, based on 18 excellence criteria. Berytech became the first centre in the Middle East to obtain this certification. Lebanon also operates a financial guarantee scheme for innovative firms.

Morocco and Tunisia provide a host of support programmes. Morocco offers tax incentives for investment in R & D and subsidies for business services supporting innovation, along with programmes aimed at introducing e-business applications in SMEs, support in project management, training, a scheme to make use of the business skills of expatriated Moroccans, and a seed capital fund for innovative start-ups.

International experience suggests that business development should take centre stage over job creation in the design and evaluation of incubation programmes. Job creation is best attained through successful business outcomes. OECD experience also indicates that the development of professional incubator associations should be encouraged in order to disseminate best practices, create benchmarks and implement training (indeed, the success of incubation programmes often turns on the quality of management). Associations can also create accreditation programmes. It is therefore encouraging to see that a national incubator association (the Egyptian Incubator Association) serves as the executive agency for Egypt's Social Fund for Development.

Broader initiatives to raise interest in entrepreneurship should complement incubation, in order to raise demand for incubation services. Incubation sponsors should aim to achieve scale (many of the incubation initiatives in the region accommodate only a small number of firms): greater scale opens possibilities for cost and risk reduction, as well as the leveraging of private finance. When it is given, public support should come at the initial stages, not through the subsidy of operational costs. Without exposure to commercial disciplines, the incubator is unlikely to provide competitive services.

Business incubators are a widely used policy instrument in the MED region. For instance, in Jordan seven incubators are in operation, all of which are donor funded. Furthermore, many academic and business institutions have established business incubators, including the Jordan Forum for Business and Professional Women and the Jordan Young Entrepreneurs Association. In Morocco, 12 incubators operate, and a need for better exit strategies has been identified. Syria has a number of incubators, including the Information Technology Incubator in Damascus and 40 incubators in rural development centres. Tunisia has a national programme, launched in 1999, to establish incubators in higher education institutions, following a framework agreement between the Ministries of Higher Education and Industry. The Palestinian Authority is also exploring a strategy on business incubators, and currently operates a small number of pilot incubators (usually funded by donor organisations), the best known being the Palestine Information and Communication Technology Incubator (PICTI).

Incubators have been established with a variety of objectives. For instance, encouraging local entrepreneurship, favouring innovative business projects and supporting entrepreneurship among university graduates are all goals of the incubation programme supported by Algeria's Ministry of Small and Medium Enterprise.

Egypt has set up technology incubators within the Ministry of Trade and Industry. One example is the Fashion and Design Centre, providing technical assistance, training, financial support and mentoring. Other incubator schemes and technology parks are under study. An Incubators Department also operates within the Social Fund for Development.

Careful evaluation of incubation programmes is essential. Experience with the incubation instrument in some OECD countries has been disappointing, and in many cases the evidence base with which to judge success is weak. It would be unfortunate if MED countries were to repeat patterns of error experienced in the OECD area. To help avoid this, it could be advantageous for incubation associations in the MED area, as well as public agencies responsible for incubation programmes, to develop links with highly experienced industry bodies such as the National Business Incubation Association (NBIA) in the United States, or the United Kingdom Business Incubation (UKBI).

6.4. Synthesis

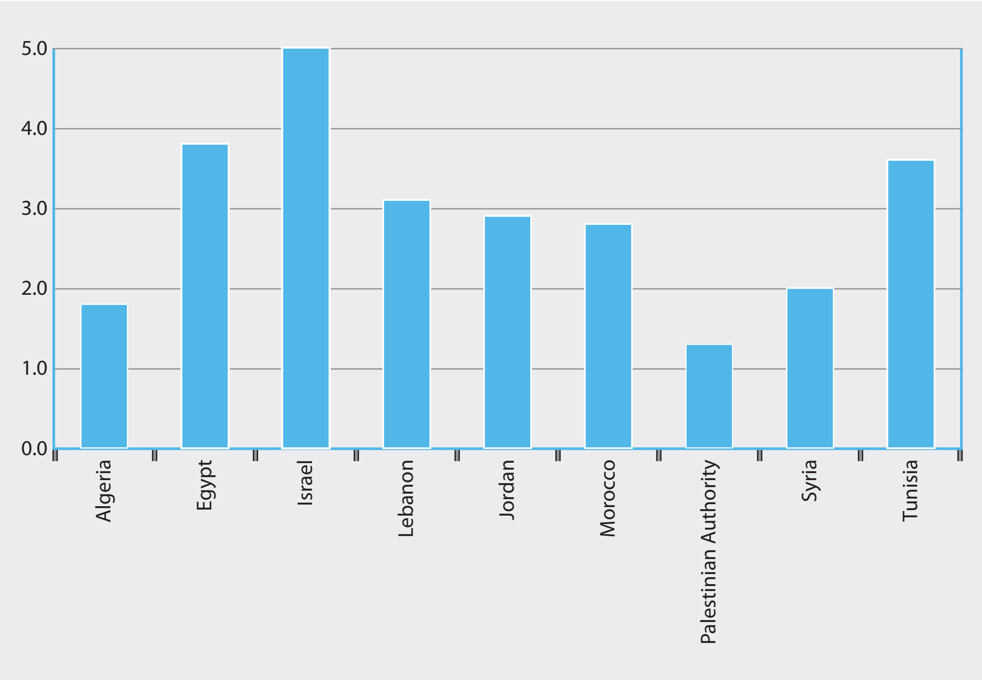
This chapter has provided an overview of the innovation support landscape for enterprises in the MED countries. Public support has tended to concentrate on creating linkages between business and centres of research, developing business incubators and providing various forms of enterprise-level technology upgrading. But in many countries the development of a comprehensive innovation strategy is still in the early stages.

MED countries generally invest relatively small shares of their national wealth in R & D. This investment share will need to rise if innovation is to expand significantly. However, in strategic terms, some developmental advantages can result from being a technology follower, rather than a technology leader. This can occur if domestic firms eventually benefit from R & D that is paid for abroad. But to absorb foreign technology and reap such a 'second-mover' advantage requires an overall policy environment that is conducive to innovation, along with many well-trained engineers and scientists, abundant access to technical information, and extensive private and public technical support, especially for SMEs.

Future work on innovation in the enterprise sector in the MED countries could give greater focus to the precise operations of different programmes. Around the globe, similar support programmes (incubators, equity guarantee schemes, training or other schemes) have provided examples of success as well as examples of failure. Success sometimes depends on subtle distinctions in programme design and implementation. For instance, business incubators often fail to generate the benefits they could because incubator managers do not encourage the sharing of information on areas of common concern to most businesses, such as cash-flow management. And governments often rush to build incubation schemes, spending public funds unnecessarily on buildings (when guarantees against rents for private providers of real estate have worked well in many OECD countries). Similarly, public policy often concentrates on the supply of funds for investment in innovative SMEs, when the evidence suggests that improving investment proposals in potential investee firms is more crucial. Further work at the programme level is needed to help share knowledge about best practice in the design and implementation of support for innovation in SMEs.

In addition, it cannot be emphasised too strongly that skills — specific technical skills, as well as foundation skills such as literacy, numeracy and problem-solving — are at the heart of any country's innovation performance. Therefore, it will be vital to assess the effectiveness and efficiency of national education and training systems. Success in this area will go beyond the obvious focus on tertiary education and adult learning, important though these are. It will require long-term investments that begin with a focus on early childhood education. This is a cost-effective way for governments to develop in young people the cognitive skills and positive attitudes to learning that will make them open to acquiring vocational and specialised technical skills.

Figure 14: Dimension 6 overall scores



Dimension 7: Strong business associations

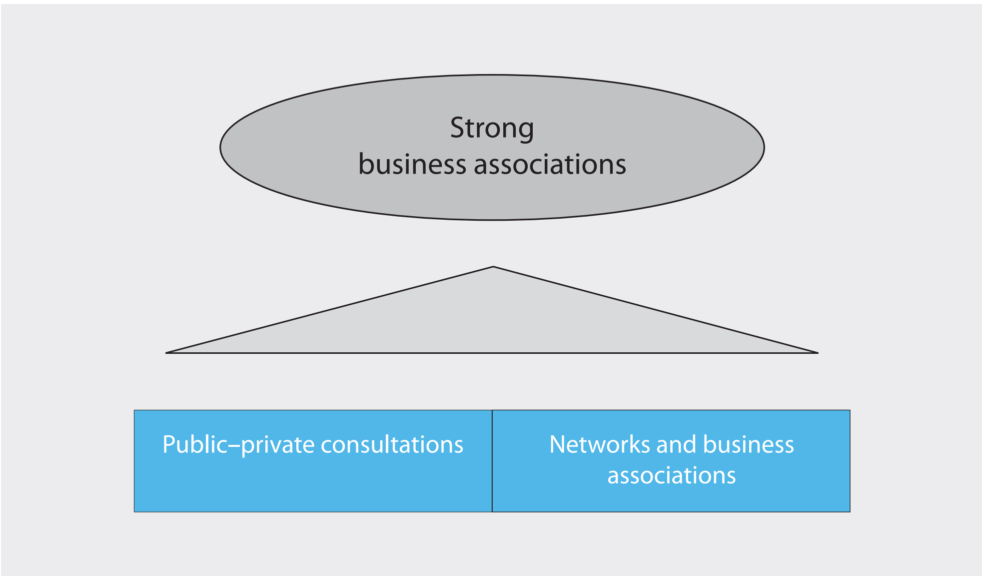
7.1. Introduction

Effective mechanisms enabling public–private consultation are essential to improve the quality of government policy towards the private enterprise sector. Consultations are critical to fill the information gap between government and the enterprise world, build consensus around key policy objectives and understand how government measures affect the private sector. Successful public–private dialogue requires an open and transparent approach by policymakers and government bodies in charge of policy elaboration and implementation. It also calls for strong business associations to represent the diverse members of the business community, engage in a multi-level dialogue (ranging from participation in working groups to high-level consultations), respond to government initiatives and propose constructive solutions to enterprise policy issues. The ultimate responsibility for the country's economic policy, the structure of the legal and regulatory environment, fiscal policy and the allocation of public funds belongs to the government and the political leadership. It is up to policymakers to find the right balance among all the different interests. Public–private sector consultations are not a substitute to political initiative, but they can help avoid costly mistakes. They enable the government and the private sector to find reasonable solutions and more optimal outcomes to policy issues, often superior to those elaborated by the public sector acting alone. However, in order to produce a positive tangible impact, consultations have to go well beyond the simple exchange of information; furthermore, the process should not be derailed by narrow interests of private sector groups, nor by the immediate political considerations of public counterparts.

7.2. Assessment framework

The assessment framework of Dimension 7 is based on two building blocks, or subdimensions. The first deals with public–private consultation practices by assessing the main features of the consultation framework, frequency of consultations and degree of openness and transparency. The second subdimension focuses on private associations and in particular on their advocacy functions, i.e. their ability to present the views of their members to policymakers and to influence government policy, their internal governance rules and their provision of services to members. Strong private sector associations are needed to channel information to private enterprises and particularly to SMEs, which can benefit from guidance in dealing with administrative and tax obligations or in applying for government support schemes.

Figure 15: Assessment framework Dimension 7



7.3. Analysis

PUBLIC–PRIVATE CONSULTATIONS

The practice of social dialogue in the MED countries is widespread, involving government, trade unions and private sector employers, dealing primarily with broad policy issues such as wage policy, tax and the content of the budget law. However, these tripartite consultations are often turned into opportunities to forge consensus around government objectives rather than to conduct specific policy discussions.

There is, instead, relatively less experience, in some of the MED countries, in establishing a constructive policy dialogue with private sector organisations around specific enterprise policy issues, such as access to finance, innovation and service provision to enterprises (both on the side of the government and the private sector). Therefore, although the MED average score for the subdimension is relatively high at 3.5, there is a significant variance in the country performances across the region.

According to EU and OECD experience, effective consultations should be organised around an agreed and well-structured framework. They have to be conducted regularly, at various levels, not only on the occasion of major policy measures or in response to critical situations. Dialogue should be taking place at multiple levels, from involving private sector experts in the technical work to conducting high-level consultations. Consultations have to be well prepared; for instance, government proposals have to be presented to private sector organisations well in advance, allowing enough time for representatives of the private sector to study the proposals and consult with their members. The government must be open to discussion with the most representative private sector organisations, avoiding discriminations based on political affiliations and economic influence. For example, governments must avoid choosing to work with the representatives of large enterprises, neglecting SME and professional associations. Governments must be ready to review policy proposals and alternative measures proposed by the private sector. The content of consultations must be made public to avoid collusion with special groups of insiders, and governments should regularly report on the implementation of measures agreed at the consultation table.

In the MED region, there are currently several models of consultation framework related to enterprise policy issues, responding to different enterprise policy legal and political traditions. However, within the MED region, it is possible to identify three groups of countries.

- The first group is made up of countries that have a relatively stable, open consultation framework and adopted a number of good practices mentioned above. This group includes Egypt, Israel and the Palestinian Authority.

- The second group consists of Jordan, Morocco and Tunisia, countries that have put in place consultation mechanisms, but do not have all the elements of the framework equally developed. Jordan and Morocco are, for instance, relatively weaker on frequency, and Tunisia on openness and transparency.

- The third group is made up of Algeria, Lebanon and Syria, countries in which the consultation mechanisms are still in a phase of development (Algeria and Syria) or are not fully operating due to political instability affecting government operations, as in the case of Lebanon.

The analysis conducted below highlights differences in consultation practices across the MED region.

In Israel, Morocco and Tunisia, there are highly institutionalised consultation systems and private sector representation is assigned to one umbrella organisation. In Israel, all major economic policy decisions are discussed in advance by the government with the Manufacturers Association of Israel (MAI), the sole body representing the private sector in high-level consultations. However, this centralised system is complemented by an intense dialogue conducted at a lower level, with the participation of experts nominated by the Federation of Israeli Chamber of Commerce and Lahav (chamber of independent organisations in Israel) in working groups and commissions. There is a longstanding practice of public–private sector cooperation, including the participation of private sector organisations in monitoring and assessing the impact of government measures.

In Morocco, the employers' association (CGEM) is often consulted in discussions of important government decisions and finance law. The revision of the work code in 2004 and the presentation of the *Livre Blanc* (an action plan which contains suggestions for the development of a vibrant economy and for SME development in Morocco) by CGEM to the government in January 2008 are examples of the inclusion of the private sector in public decision-making. Morocco sets an example for diversified and open policy dialogue in public–private consultation: for instance, THE ANPME (the national SME agency) conducts regular consultations with private sector organisations and major stakeholders on a wide range of policy issues.

In Tunisia, the law assigns to the Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat (UTICA) the role of sole institutional representative of the private sector. The government therefore has a unique counterpart in public–private consultations: UTICA is represented in all the main policymaking bodies as well as on the board of executive government agencies. Although the consultations are well organised, they do not yet systematically monitor the impact of government measures using independent evaluation systems.

In other countries, the consultation mechanisms are less structured, conducted at various tables, and involve a number of private sector organisations.

In Egypt, private sector organisations help shape government policies. For instance, the Egyptian National Competitiveness Council has emerged as a leading forum for policy analysis and debate. Since several members of the current government economic team come from the private sector, understanding has greatly improved and the government has adopted a more open attitude towards private sector proposals. The Palestinian Authority has traditionally had a policy of open and intense dialogue with numerous private sector organisations and NGOs. The Palestinian Authority has also established a National Economic Dialogue Committee. In addition, the Prime Minister meets several times a year with representatives of private sector organisations. In Jordan there is an established practice of public–private consultations and a good degree of openness and transparency; however, consultations are mostly conducted on an ad hoc but frequent basis.

Lebanon has a tradition of relatively open dialogue, but there is no structured consultation framework and the dialogue is conducted mostly on an ad hoc basis. In Syria, public–private dialogue is developing, although the consultation framework is still relatively weak. Private sector organisations, namely the Chamber of Commerce and the Federation of the Chambers of Industry, are formally consulted during the elaboration of legislative measures and the five-year economic plan.

In Algeria, the framework for public–private dialogue is still relatively weak. However, the government has established a National Consultative Council for the Promotion of SMEs and it has brought representatives of the private sector into the drafting of the country's industrial strategy.

Table 18: Scores in Subdimension 7.1: Public–private consultations

Indicator	W	AL	EG	IS	LE	JO	MO	PA	SY	TU	MED
7.1.1. Framework of the consultations	2	2.5	4.0	4.5	3.0	3.5	4.0	3.5	3.0	4.0	
7.1.2. Frequency	2	2.0	4.0	4.0	2.0	3.0	3.5	4.5	3.5	5.0	
7.1.3. Openness and transparency of the consultation process	3	2.0	4.0	5.0	2.5	3.5	4.0	5.0	2.0	3.0	
Overall weighted average for Subdimension 7.1		2.1	4.0	4.6	2.5	3.4	3.9	4.4	2.7	3.9	3.5

ENTERPRISE NETWORKS AND BUSINESS ASSOCIATIONS

As seen in the previous section, public–private consultations are relatively centralised, with a preference by governments to work with a selected number of large private sector organisations. This approach may be more efficient and manageable, as it avoids the assembly of large consultation tables and the fragmentation of public–private dialogue. On the other hand, it can question the efficiency of the advocacy functions of large and horizontal organisations, and in particular their capacity to meet the demand for representation coming from the enterprise sector and to give an equal voice to the different categories of enterprises, including MSMEs.

There is the risk that large centralised organisations tend to represent the interests of their more powerful members and special interest groups, playing upon the influence of large companies versus SMEs, and incumbents versus new entrants. It is also important that those private sector organisations apply clear and transparent internal governance rules.

In the majority of the MED countries, the two main groups of private sector organisations are the system of chambers of commerce and industry, and the employers' or manufacturers' associations. In addition, most of the countries also have active professional and sectoral associations, as well as bilateral chambers of commerce and SME associations; but they tend to play a subordinate role in relation to the major organisations and they are often either federated or associated to one of the two groups of organisations.

The chambers of commerce and industry in Algeria, Morocco and Tunisia are organisations of public interest with a status determined by law and a well-defined institutional role. Membership is compulsory, with membership fees set in relation to company size. Therefore these types of chambers have a very wide membership, with a clear prevalence of SMEs, handicrafts persons and microenterprises. The chambers of commerce and industry (particularly those with compulsory membership) act as a partner to government. Given their widespread membership base among MSMEs and their strong local roots, they are more engaged in dialogue at the national level on issues of trade, retailing, transport, construction, handicrafts, etc.

The chambers of commerce and industry in the Mashreq countries of the MED region tend to operate as non-profit organisations with voluntary membership. This gives them a strong advocacy role and reinforces their independence, but makes them representative of only a cross-section of the enterprise population, usually made up of the larger and more organised enterprises. In both models, the local chambers are organised in a national federation. As the chairmanship of the chamber federation is a position of high prestige, the nomination usually goes to a highly respected and influential business person.

The chambers have extensive local networks and provide a number of official services, such as the delivery of certificates of origins and the *carnet* ATA (a tool used to simplify customs procedures), as well as a wide range of business services for their members. The largest and better organised chambers of commerce and industry conduct training services for their members and are active on the international trade front.

The employers' or manufacturers' associations tend to represent the larger and more organised enterprises. The associations are generally structured by territorial and sectoral associations, each one with a relatively high degree of autonomy and federated at national level. In addition to the advocacy function, they provide a range of services to their members, disseminating technical and commercial information, organising training courses and helping their members in dealing with government agencies and organisations.

Taking a broad overview of the private sector organisations in the MED countries, the assessment shows that Israel, Egypt, Morocco, the Palestinian Authority and Tunisia have well-structured organisations, active in advocacy and providing services to their members. In Lebanon and Jordan, private sector organisations are strong in advocacy, but less in service provision. In Algeria and Syria private sector organisations have still relatively weak advocacy functions, but they are improving the range of services offered to their members.

In Israel, the MAI is the sole representative body of all industrial sectors. It represents more than 2 000 companies (direct members and affiliates) and its president serves as chairman of the Federation of Israeli Economic Organisations (a body that encompasses 15 organisations from all economic sectors). MAI has a well-staffed Department of Economic Research and strategy that monitors economic trends, conducts regular company surveys and elaborates policy proposals.

In Morocco, la Confederation Générale des Enterprises du Maroc (CGEM) groups 23 sectoral federations. It has transparent internal government rules, with a president and a vice-president elected by all members for a maximum of two three-year terms. Its organisations include a National Enterprise Council in charge of adopting the confederation position on policy issues and steering the public–private dialogue. Policy formulation work is conducted by a number of commissions, each one in charge of a specific policy area, including a very active SME Commission.

UTICA, in Tunisia, is a network of enterprises including all sectors of economic activity through its professional, sectoral and regional structure. UTICA has 17 professional federations, regroups 200 national syndicate chambers, and has 24 regional unions, one national chamber for women enterprise owners, one young entrepreneurs' association, and a publishing and press group. UTICA covers all of Tunisia geographically and is the official spokesperson for its members vis-à-vis the public sector. For its members, it plays an advocacy role, coordinates their activities and responds to its members' diverse needs.

In Egypt, there is extensive consultation with the Federation of Egyptian Industries (FEI) in developing Egypt–EU cooperation. There is also private sector involvement in decision-making thanks to the appointment of leading businesspersons to high-level Cabinet positions.

In Jordan there are two key private sector associations: the Chamber of Industry (uniting all the individual chambers into one organisation) and the Union of Trade Chambers (representing all trade chambers in Jordan). The Chamber of Industry hosts several service programmes for its members that include training and public seminars. The Chamber of Industry is home to the European Information Centre, a master's programme in business administration in collaboration with Durham University and a business training programme funded by the European Commission.

In Lebanon, the Chamber of Commerce, Industry and Agriculture, the Association of Lebanese Industrialists, and other private sector associations (sector-specific trade associations, professional associations, economic associations) perform advocacy functions and provide a limited range of services for their members.

The Palestinian Authority has several private sector organisations [33] and NGOs representing civil society with a traditionally central role in proposing and addressing enterprise policy issues and providing support to local enterprises, balancing the relative weakness of government institutions and providing a valuable channel for donor assistance.

In Algeria, private sector organisations are still refining their advocacy and service functions, reflecting the limited diversification of the economy. The main institutional private sector representative is the Algerian Chamber of Commerce and Industry, but in addition there are several employers' and professional organisations, such the Centre des Jeunes Dirigeants (CJD), the Confédération Générale des Entreprises Algériennes (with more than 14 000 members) and the Employers Forum.

In Syria, the Federation of the Syrian Chambers of Industry and Commerce has traditionally represented the private sector and has been the main service provider to private enterprises. Over the last few years a number of associations and organisations representing the emerging private sector (such as the Mawred Businesswomen's Association and Associations of Textiles Manufacturers) have registered as NGOs. The government, with the assistance of the Syrian-European Business Centre, is working on new legislation on professional associations, aiming at improving the legal status and defining the role of private sector organisations.

Box 8: Public–private consultation

The Palestinian Authority has traditionally had a long and deep-seated conviction in the leading and complementary role of its private sector in meeting the aims of economic development. The consultation between the government and the private sector on enterprise policy issues is particularly dynamic and transparent as a result.

Private sector organisations such as the Federation of Chambers of Commerce, Palestinian Businessmen Association, Palestinian Trade Centre (Paltrade) and Palestinian Federation of Industries play a considerable role in shaping and implementing enterprise policy measures. Coordination between these institutions is led by an explicit private sector coordinating body: the Private Sector Institutions Coordinating Council.

Several frameworks for public–private consultations are in place. More than five high-profile meetings are convened each year, usually involving the Prime Minister, Ministers for Economy and Finance, and other senior officials. Participants from the private sector and civil society organisations are invited and they are usually heavily represented. The agenda of the consultative meetings is circulated in advance and the private sector is given the opportunity to provide inputs on the agenda and call for meetings. The minutes of the meetings are often published in the form of brochures, while main conclusions and recommendations are well covered in local media. Open invitations are also advertised in local papers.

The Palestinian Authority is planning to formulate a declaration on organising public–private dialogue and partnership at the Investment Conference in Bethlehem (May 2008). This initiative underscores the fact that continuous efforts are made by the Palestinian Authority towards real national partnership and cooperation between the public and private sectors.

(33) For a map of private sector organisations in the West Bank and Gaza, see
http://www.portlandtrust.org/A%20Map%20of%20Palestinian%20Private%20Sector%20Development%20Organisations.pdf

An interesting development over the last few years is the establishment of associations representing young and women entrepreneurs in a number of MED countries. For instance, the Egyptian Junior Business Association (EJB) has over 420 members, including many from fast-growing and innovative enterprises; it is playing a pivotal role in steering the country's economic reform agenda. Similar networks of young entrepreneurs exist in Algeria (Centre des Jeunes Dirigeants), Tunisia (CJD) and Jordan (Jordan Young Entrepreneurs Association). Another important element is the growing importance of women entrepreneurs' associations such as the Jordan Forum for Business and Professional Women.

Table 19: Scores in Subdimension 7.2: Enterprise networks and business associations

Indicator	W	AL	EG	IS	LE	JO	MO	PA	SY	TU	MED
7.2.1. Advocacy function and governance rules	1	2.0	4.0	5.0	4.0	3.5	4.5	5.0	2.0	4.0	
7.2.2 Provision of services by private sector associations	1	2.0	4.0	5.0	2.5	3.0	3.0	3.0	2.5	4.0	
Overall weighted average for Subdimension 7.2		2.0	4.0	5.0	3.5	3.3	4.0	4.3	2.2	4.0	3.6

7.4. Synthesis

In relation to public–private consultation frameworks and private sector organisation development, the MED countries can be divided into three main groups.

- The first group is Morocco, Tunisia, Israel, Egypt and the Palestinian Authority, where there are structured consultation frameworks, a good practice of public–private dialogue at all levels, and strong and well-organised private sector organisations.

- The second group is made up of Jordan and Lebanon, where public–private consultations are conducted more on an ad hoc basis, but there is a good network of private sector organisations.

- The third group is composed of Algeria and Syria. In these countries public–private consultation practices are still limited, but evolving. Private sector representation is still delegated mainly to the chambers of commerce and industry structures and the ability of private sector organisations to autonomously advance policy proposals is limited.

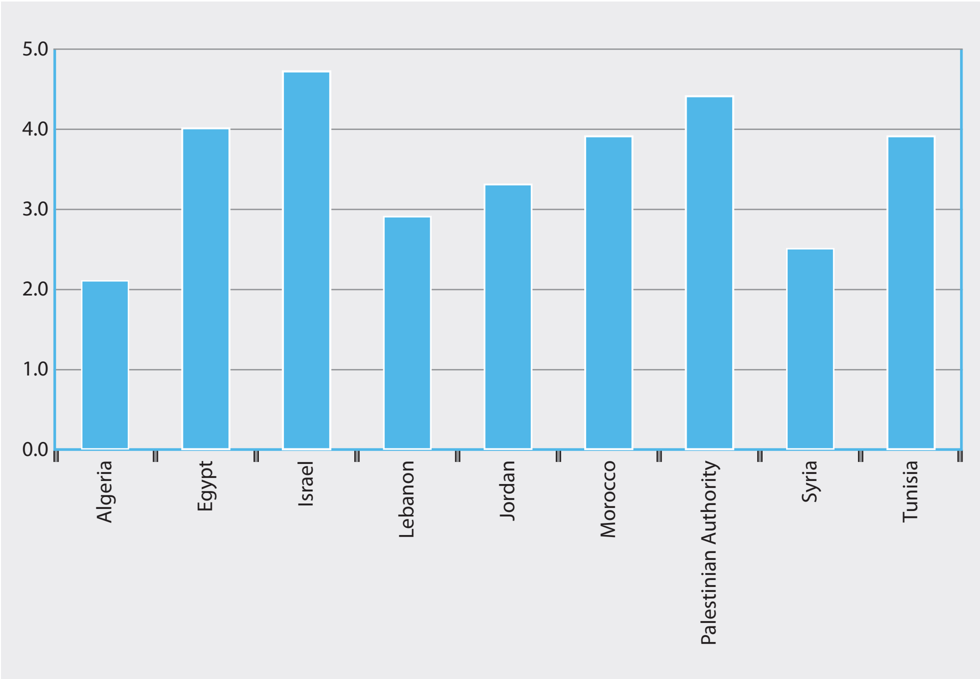
Over the medium term the countries belonging to the first group should aim to build a real public–private partnership through the entire cycle of policymaking, from elaboration to implementation and finally to evaluation and impact assessment. While consultations during the policy elaboration phase are satisfactory, there is room for improvement in the joint development of indicators and mechanisms for monitoring project implementation (although Israel and Egypt are well advanced in this area). Finally it is important that public and private sector representatives agree on the mechanisms to evaluate the costs and benefits of government policies and assess their impact on private sector development, making sure that the results of analysis are used to improve the quality of the national enterprise policy. To this end, the prompt availability of statistical data (including observations at micro-level), company surveys conducted by independent and qualified institutions, and policy reviews and programme evaluation exercises are very important tools to advance policy dialogue. These tools will ensure that the interests of all the different components of the enterprise population are taken into consideration and, ultimately, improve the quality of government policy towards the enterprise sector.

For the second group of countries the foremost priority is to consolidate the practice of public–private dialogue in a well-structured consultation framework, making consultations a regular feature of the policy cycle. This will require involving the private sector organisations from the beginning of the policy elaboration phase and not (as often happens now) asking for the views in the final approval phase. It will necessitate a regular consultation calendar and agreement on a system for the timely circulation of information. It is equally important that while fixing those rules and procedures, mechanisms are put in place to assure a good level of openness and transparency, with full disclosure of the consultation results.

Finally in the two countries of the third group, it is important that the governments send a clear signal that they believe in the value of consultations. They must go beyond the formalities of the tripartite meetings and open new channels of policy dialogue, inviting not only well-established institutions (such as the Chamber of Commerce and Industry) but all the key private sector stakeholders. The dialogue should concentrate on a few concrete cases (such as simplifying registration procedures or tax compliance requirements) in order to develop constructive consultation practices and produce first tangible results. The engagement of the private sector organisations and their ability to attract and mobilise their members is directly related to the likelihood of seeing results.

For the three groups of MED countries, it is important to secure a high degree of openness and transparency in the consultation process. The enterprise population is rapidly changing, with the development of new sectors, a new class of entrepreneurs and the opening of the economies. Governments have to make an effort to listen to the new entrepreneurs and pay attention to the needs of the different components of the enterprise world (including the micro- and small enterprises). They have to promote an open policy debate and make sure that the consultation process is not monopolised by well-connected incumbents and insiders.

Figure 16: Dimension 7 overall scores



Dimension 8: Quality business support schemes and services

8.1. Introduction

Dimension 8 of the Euro-Mediterranean Charter for Enterprise underlines the importance of business support institutions in the development of the enterprise sector. This dimension focuses on both the types and ranges of service provision (i.e. from common facilities to more technical services). It also underscores the importance of the quality of services available to meet the diverse needs of enterprises in their establishment and start-up phases. The ultimate test of the quality of services provided to enterprises is the willingness of firms to pay for these services. There are, however, a number of internationally recognised good practices in the design of business support which by default set parameters for evaluation. These good practices include but are not limited to:

- offering services throughout the territory to promote enterprise development beyond the capital and main metropolitan areas;
- engaging in public–private partnerships to ensure sustainability and buy-in from enterprises;
- personalising services to meet the unique needs of each enterprise;
- using technology to bridge the information gap and advertise the availability of services;
- monitoring and evaluating to improve existing schemes and better adapt services to enterprises' needs;
- investing in building infrastructure such as industrial parks/zones and ready-to-use premises which are at the disposal of entrepreneurs.

Business support schemes take a variety of forms and can be financed from different sources of funding. Whatever the design of a particular business support scheme, putting into practice the criteria listed above can help create an enabling environment for the enterprise sector in a given community. The right policy mix can increase the chance of survival for a local entrepreneur, and in the best of cases can serve as a launching pad for new business activities.

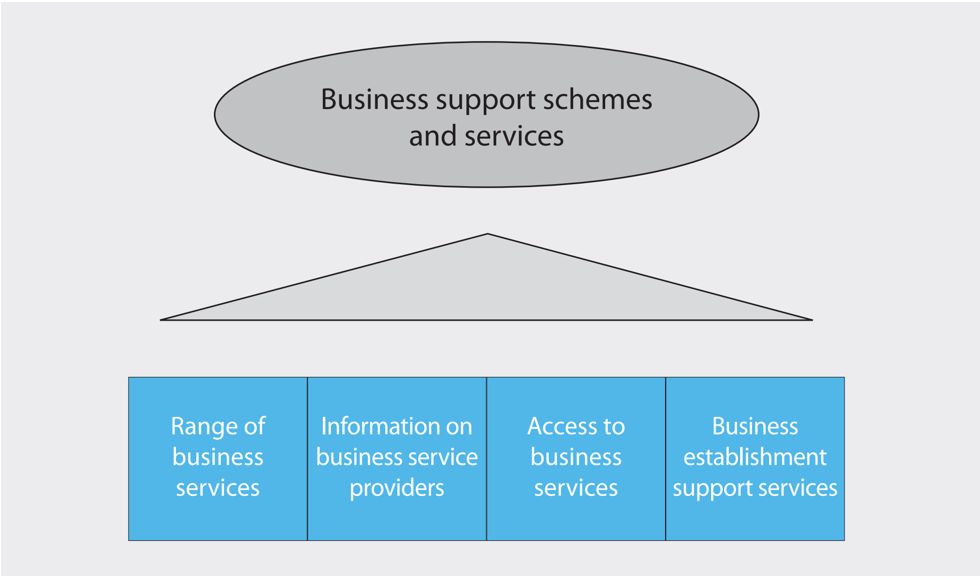
8.2. Assessment framework

The assessment framework for Dimension 8 takes into account internationally recognised good practice as outlined in the action lines of the Charter; however, it is also adapted to capture the various schemes and services which are offered in the MED region. Two types of schemes are generally available throughout the MED countries: those which seek to support new entrepreneurs and start-ups, and those which aim to provide services for established firms. The term 'start-ups' refers to newly created enterprises which have a limited operating history. These are typically observed in the MED region as family-run, micro- or small enterprises, many of them operating in low value-added service and light manufacturing industries. The second group refers to enterprises which already have a track record of operation. Within this group of established businesses there are two categories of firms: those demonstrating low growth and those demonstrating high growth.

Distinguishing between these groups of enterprises is important in the design of the indicators, as the distinction implies that government policy aimed at business service provision must take a multi-track approach: each approach must target a distinctive group of enterprises with services addressing their different needs. To this end, the assessment framework for Dimension 8 of the Charter includes four indicators:

- access to business services;
- business establishment support services;
- range of business services;
- availability of information on business services.

Figure 17: Assessment framework Dimension 8



8.3. Analysis

ACCESS TO BUSINESS SERVICES

This indicator is relevant for assessing access to basic business services for all types of enterprises but in particular those targeted to SMEs and MSMEs, start-ups, SMEs in least developed zones, or small firms headed by young and women entrepreneurs. These basic business services are usually aimed at helping small firms overcome the problems associated with market failures in the provision of services. Often, services are provided in accessing finance, in various forms of technical support and advice (such as devising a viable business plan) and in information.

The programmes are usually financed by national or local governments and can be supported through a donor programme. Ideally, in a pilot phase, publicly supported business services will be offered in a limited number of locations and their cost-effectiveness thoroughly evaluated. At a more advanced stage, and based on positive evaluation findings, service centres can be spread throughout the territory, well funded and well structured.

In the MED region, a variety of programmes are designed to increase access to business services. These services can be grouped into two categories: those supported by a special institution, such as business development centres (BDCs) (as in Israel, Morocco, Tunisia, Jordan, Lebanon and Algeria); and project-based initiatives operated by NGOs or private organisations (as in Egypt, Syria and the Palestinian Authority). MED countries may have a mix of both types of service categories.

In Israel, a well-established government-funded programme exists, targeting specific population groups such as the Haredim (ultra-orthodox Jews) and the Arab-Israeli communities. Israel has set up 28 small business development centres (MATI) that offer services in partnership with local community organisations. A number of philanthropic organisations also offer services to encourage young entrepreneurs to turn good ideas into successful businesses.

Tunisia's programme for support services is offered through the three regional business centres in both the developed northern region of the country and the less developed southern region.

Jordan's enhanced productivity centres (IRADA) can provide services to start-ups with a minimum capital averaging EUR 3 600 to a maximum of EUR 63 000 and employing at least three people. In addition, there are several support entities and projects such as the BDC that provide firm-level business development services and projects financed by the National Fund for Enterprise Support (NAFES).

In Lebanon, business services offered through the BDCs target the development of SMEs. The BDCs, like those in other MED countries, partner with NGOs and local municipalities. Several government schemes offered through the BDCs in Algeria are still in a pilot phase, and aim to promote young entrepreneurs. In both cases, the services do not have an extensive territorial spread and do not cover the least developed zones, although in Lebanon the aim is to establish a sustainable local network throughout the country.

Box 9: Good practice in business support services

The Government of Morocco established the Moukawalati programme to encourage entrepreneurship among youth. The programme aims to establish 30 000 small enterprises by 2008 by walking young entrepreneurs through three phases. Before the creation of the enterprise, the programme helps develop a robust business plan and dossier to obtain finance. During the start-up phase, the programme helps the entrepreneur to achieve the targets set in the business plan. Then the programme accompanies the entrepreneur for one year after the creation of the enterprise, identifying the strong and weak points of the business. Regional centres for enterprise creation have been established in cooperation with universities, banks, and other regional and national associations.

Based on the success of the Moroccan model, Syria has chosen to adapt the Moukawalati programme to its own context.

For start-ups in Egypt, the Social Fund for Development (SFD) offers services to firms, often on a cost-sharing basis. SFD's complementary role as a microfinance institution also makes it a type of one-stop-shop in service delivery.

In Syria, there is a mix of publicly and privately funded business service providers; however, most service projects (especially those targeting young entrepreneurs) are in a pilot phase.

Most services in the Palestinian Authority are funded and operated through international development institutions, or donor-funded publicly operated initiatives. Most notable is the EU-supported programme to the Palestinian Authority that helps women entrepreneurs during the business inception phase.

As noted in the overview of good practice described above, services must address the real needs of the entrepreneur and should be easily accessible. In order to gauge programme effectiveness, monitoring and evaluation are essential. In a majority of MED countries there is no systematic monitoring and evaluation of such programmes. The exception is Israel, where there have been several studies conducted by researchers in academic bodies and in-house evaluations supported by the respective organisations offering services.

BUSINESS ESTABLISHMENT SUPPORT SERVICES

Business establishment support centres (usually industrial parks or zones) are location-specific and targeted to established enterprises. The aim is to upgrade enterprises currently performing at low levels of growth but which have high-growth potential. These programmes can also target high-growth enterprises with innovation potential. Services should address the needs of both categories of enterprises, and be available in the full range (whether provided in-house or from public or private sources that are off-site but easily accessed). The co-location of enterprises serves a number of purposes: it not only facilitates the development of networks and information sharing among firms in areas of common concern (although such outcomes usually require deliberate actions on the part of programme managers), it can also lower the unit costs of providing services and basic infrastructure. Industrial parks or zones are also sometimes associated with other incentives for the entrepreneur to grow, such as tax incentives.

Tunisia's two business establishment support programmes, the enterprise upgrading programme (PMN) and the industrial modernisation programme (PMI), cater to low-growth and high-growth enterprises, respectively. The PMN is offered throughout the country at business centres, and has benefited nearly 4 000 enterprises through early 2008. The PMI prepares enterprises to enter the Euro-Med FTA, and therefore seeks to encourage the competitiveness of enterprises by promoting innovation. Morocco has a similar programme aimed at enterprise upgrading, financed by the EU, UNIDO and a number of bilateral donors. The programme is operated out of the SME agency and has contributed to the technological and managerial upgrading of a significant number of SMEs.

Establishment support services usually involve local authorities, and sometimes garner support from national authorities either indirectly (through financing) or directly (in managing the daily operations). This type of initiative should involve public–private partnerships, especially among the academic/research and the business communities. Tunisia's PMI is administered through public–private partnerships that ensure that the greatest number of enterprises benefit from the services.

As these programmes are resource-intensive, they are often launched in a pilot phase before investments are stepped up. In a more advanced stage, there should be a wide geographic spread. Both the PMN and PMI programmes in Tunisia are funded by EU donor assistance, as are the similar enterprise upgrading programmes in Morocco and Algeria. In Syria, six industrial zones focus on the provision of basic establishment services.

The 'Qualifying industrial zone' (QIZ) initiative supports established enterprises and intra-MED partnerships. Goods produced in approved industrial zones in Egypt, Israel and Jordan are granted duty- and quota-free access to the US market, as long as Egypt and Jordan incorporate inputs from Israel, and vice versa. This is an initiative supported by the Office of the United States Trade Representative. In Jordan the QIZ initiative is operated by the Jordanian Industrial Estates Corporation (JIEC), a public–private entity. The JIEC also offers both tax and operational incentives to develop manufacturing industry in Jordan in annexed industrial zones. The Egyptian government also has a number of industrial zones offering services similar to those in Jordan; these are operated through the government-run Industrial Development Corporation. The EU donor-supported Industrial Modernisation Centre (IMC) in Egypt offers personalised business establishment services in seven different regional business resource centres.

Table 20: Scores in Dimension 8: Quality business support schemes and services

Indicator	W	AL	EG	IS	LE	JO	MO	PA	SY	TU	MED
8.1.1. Range of business services	2	2.0	4.0	5.0	3.0	3.5	3.0	2.0	2.0	3.0	
8.1.2. Availability of information on business service providers	1	1.5	4.0	4.5	2.0	3.5	3.5	1.5	1.5	3.0	
8.1.3. Access to business services	2	2.0	3.5	4.5	2.0	3.0	3.5	2.0	2.0	4.0	
8.1.4. Business establishment support services	2	3.0	4.0	4.5	2.0	3.5	4.0	2.0	3.0	4.0	
Overall weighted average for Dimension 8		2.2	3.9	4.6	2.3	3.4	3.5	1.9	2.2	3.6	3.1

RANGE OF BUSINESS SERVICES

All businesses need external support at key moments in their development. Because of their limited internal division of labour, small businesses tend to need a broader range of services. Owners of small businesses often lack the experience to clearly specify their needs for external services, or to efficiently manage the services they pay for.

Support services can range from common facilities (photocopying, reception and telephone services) to more technical services (bookkeeping, IT support), skills development (training and coaching) and strategic assistance (advice and consulting). They can also be offered at reduced/subsidised rates, although the rationale for subsidisation requires careful consideration.

Governments can introduce a range of schemes through which to offer services, from subsidised agencies through subsidised consultancies. Often, schemes are financed by the government and supported by the contribution of international donors. Ultimately, this is an unsatisfactory situation if it discourages the search for programme models that have high levels of sustainability (it should be borne in mind, however, that full financial sustainability of support services for start-ups and vulnerable target groups is rare, even in OECD economies).

In the MED region, there are numerous business services operating under the auspices of programmes (such as those of enterprise upgrading schemes (*mise à niveau*) marked by different levels of activity and different stages of development. The funding for these programmes is usually supported by EU donor assistance. Within these programmes throughout the MED region, two categories can be identified: those government-run programmes offering a large variety of services (including technical services), targeted to enterprises with high-growth potential; and those programmes offering basic services which may be offered at an initial stage through government-supported service programmes, but which are eventually outsourced to private domestic operators (this contributes to the development of a domestic consultancy service industry).

In Israel, Egypt and Jordan, with the help of significant technical and financial assistance, the respective governments have developed a wide range of services to offer to enterprises. Morocco and a number of other MED countries are currently developing the range of services to be offered to enterprises.

The Israeli MATI provides consulting services, access to export promotion opportunities and assistance in accessing finance. The private Israeli organisations (MAI, Federation of Israeli Chambers of Commerce and Lahav) have an advocacy function in addition to providing personalised services to enterprises. These services are usually offered at a small fee to enterprises.

The Egyptian SFD's services range from assistance in the start-up phase (such as drafting a business plan) to guidance in accessing finance and developing human resources. The SFD caters to small firms, usually in low-growth activities. However, it also has a network for entrepreneurs with the potential to create innovative projects.

The Jordan Enterprise Development Corporation (JE) offers a multitude of services targeted to enterprises in different industries (e.g. electronics, agriculture, and garment and textiles).

In Morocco, the ANPME along with other institutions such as the National Employment and Competency Promotion Agency (Agence Nationale de Promotion de l'Emploi et des Compétences — Anapec) provide services to SMEs. There are centres (Centres de Gestion et de Comptabilité Agrées — CGCA) offering accounting and management services specifically to microenterprises, designed to smooth the transition from the informal to the formal sector of the economy.

In most other MED countries, the range of services offered to enterprises may be more limited and vary according to what operators (such as chambers of commerce and professional associations) provide. Often, these institutions deliver services (including training courses and information on export opportunities) to the greatest number of enterprises.

AVAILABILITY OF INFORMATION ON BUSINESS SERVICES

For entrepreneurs in the start-up or in the business establishment phase, the opportunity cost of sacrificing daily work responsibilities to seek out information on business service schemes is high. Furthermore, if there are several competing service providers, the entrepreneur must have the right information at hand to make an informed decision on the services being sought.

Information systems, networks and services that are easy to access and understand, and are relevant to business needs, are critical to bridge the information gap between entrepreneurs and business service providers.

Information systems should have databases of types of services, and providers. They should be easily accessible, and located in local information centres and online. Information must be targeted to the needs of the entrepreneur, updated and user-friendly. Chambers of commerce, business associations and other organisations with large networks catering to the enterprise community can play a central role.

In most of the MED countries, there are a number of means to disseminate information on business service providers: private sector organisations (such as business associations and chambers of commerce) channel information relevant to their members. Generally, this indicator is one of the least developed areas among those under Dimension 8, especially in Algeria, the Palestinian Authority and Syria. While in Syria a database for business services has been developed and is made available by the chambers of commerce at the Syrian Enterprise Business Centre (SEBC), the coverage of the database is not extensive.

In countries with BDCs, such as Israel, Tunisia and Lebanon, information is provided on-site; however, the effectiveness depends on the number of centres and the accessibility of such centres to entrepreneurs. In Egypt, the SFD also has locations offering information to entrepreneurs.

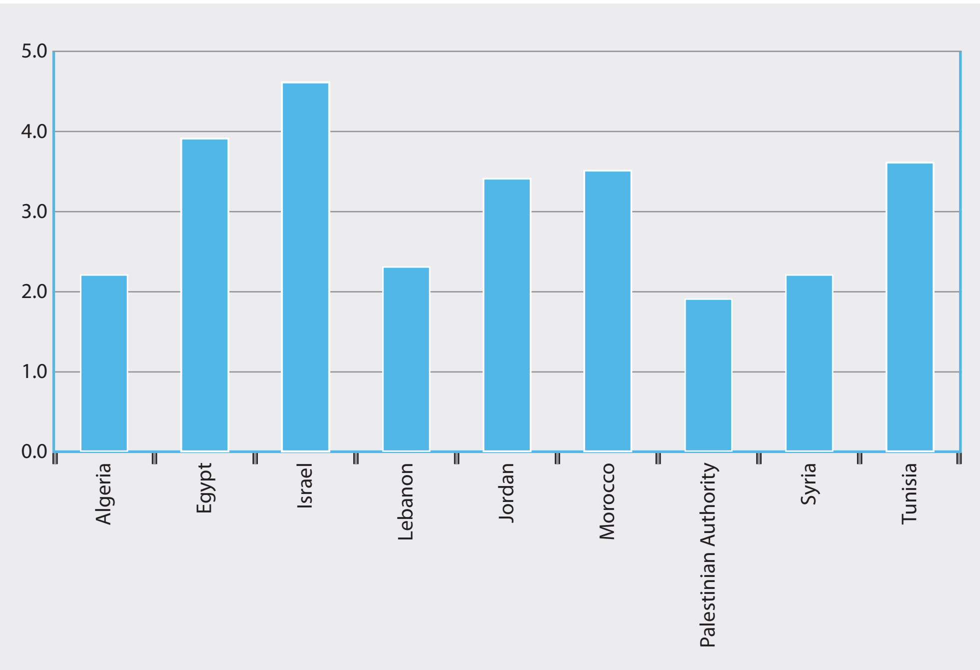
Morocco's SME Agency has recently set up 'front offices' in a number of big cities; the purpose of these offices is to promote the various business support schemes, and to inform enterprise owners of the conditions for eligibility. Morocco's novel approach has the potential to be further developed and diffused throughout the country.

In some countries, making information available on the web would also serve a large number of businesses. In Jordan, the JE (through the JUMP programme) has created a website listing registered service providers by specialisation.

8.4. Synthesis

Monitoring and evaluation (particularly of publicly funded business service programmes) calls for further development in the MED region, given that the assessment results show far too little attention being paid to this facet of policy. In all the MED countries, very sizeable resources (whether public or donor funds) are being pooled into programmes of enterprise upgrading and basic business services. Such services can be critical in addressing market failures and ensuring better opportunities for business development throughout a country's territory. However, MED countries must develop innovative monitoring tools to get feedback from the companies benefiting from programmes, helping to assess how many firms (including their type and location) obtain different forms of support. Monitoring must be complemented by evaluation of the impacts of these programmes (because simply knowing that a service has been received does not indicate that the service has resulted in an outcome better than the 'do nothing' situation, or better than some other form of publicly supported service). Proper monitoring and evaluation is in fact a relatively sophisticated undertaking, and monitoring and evaluation databases and tools may need to be established in cooperation with donor institutions.

Figure 18: Dimension 8 overall scores



Dimension 9: Strengthening Euro-Mediterranean networks and partnerships

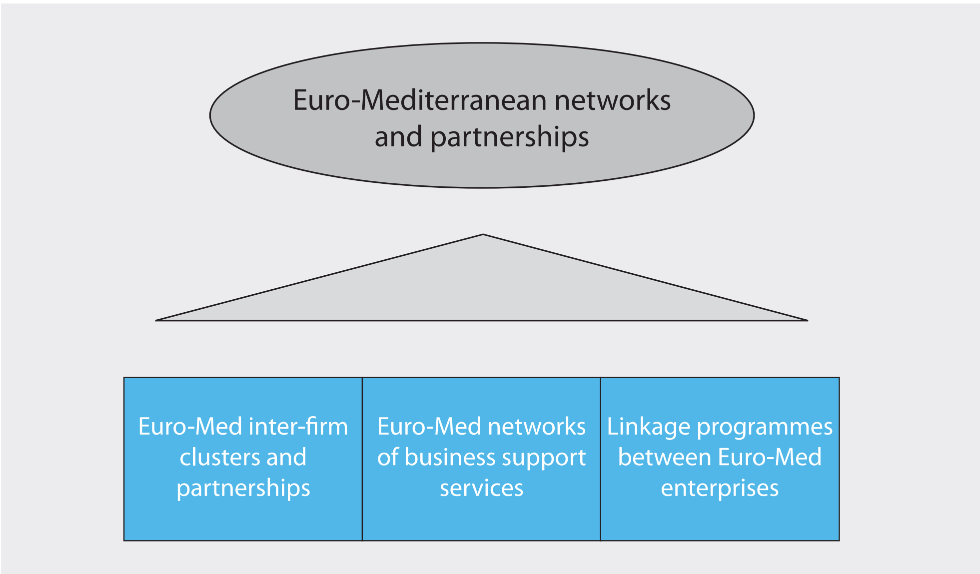
9.1. Introduction

Dimension 9 of the Charter advocates the development of Euro-Mediterranean networks and partnerships between businesses and between business service providers. Expected benefits include increases in trade flows and investments, more innovation, transfer of technology, sharing of knowledge and know-how, and better integration into the global economy.

9.2. Assessment framework

The assessment framework comprises three indicators. These look at networks and partnerships in place between businesses and between business service providers, and assess whether they are embedded in a broader strategy for enterprise development. They also assess their sustainability, their upscaling prospects based on evaluation, the range of sectors covered and the extent of Euro-Med connections.

Figure 19: Assessment framework Dimension 9



9.3. Analysis

Acknowledging the potential benefits of Euro-Mediterranean networks and partnerships, Israel, Egypt and Tunisia use a number of vehicles for strengthening innovation and internationalisation. These countries offer interesting examples of how Euro-Mediterranean business cooperation can be encouraged in a strategic, sustainable way.

In Israel, the areas of research and innovation have been identified by the country as crucial for its economic development. In 1996, ISERD was established as a non-profit organisation by a number of ministries to promote EU–Israel cooperation in the areas of research and innovation, notably under the EU framework programme for research and development.

In Egypt, the industrial development strategy encourages twinning between local technology centres and competent foreign partners. It recommends positioning these local technology centres in networks of centres for transferring state-of-the-art technology. The 25 Egyptian technology transfer and innovation centres (ETTICs) are encouraged to work on concrete projects with their counterparts in the EU.

In Tunisia, innovation and integration in the global economy are at the heart of the economic development strategy. The 10 technopoles that provide high-value services to innovative companies cooperate with international partners, including France, Germany and Italy. Agencies like API, CEPEX and FIPA that help enterprises to operate internationally are encouraged to establish lasting cooperation with corresponding agencies in the EU.

Jordan, Morocco, Lebanon and the Palestinian Authority belong to a second category of countries where cooperation initiatives tend to be conducted on an ad hoc basis.

Finally, Algeria and Syria are at an early stage in Euro-Mediterranean network development.

The role of the private sector in supporting networks and partnerships appears to be particularly strong in Israel. For instance, the Israeli Matimop Industry Centre for R & D was founded as a non-profit organisation by the three major associations of manufacturers in Israel as an intermediary between Israeli companies and their international counterparts to promote joint developments of advanced technologies. In 2004 Matimop became a governmental agency.

In Egypt, the private sector is increasingly involved in steering agencies, like the Industrial Modernisation Centre and the ETTICs that engage in networking activities. In addition, the Egyptian chambers have established bilateral associations with 13 chambers in the EU under the umbrella of CEEB, the Confederation of Egyptian-European Business Associations.

Table 21: Scores in Dimension 9: Strengthening Euro-Mediterranean networks and partnerships

Indicator	W	AL	EG	IS	LE	JO	MO	PA	SY	TU	MED
9.1. Euro-Med inter-firm clusters and partnerships	2	1.0	2.0	4.5	1.0	1.5	1.0	1.5	1.5	3.0	
9.2. Euro-Med networks of business support services	2	1.5	3.5	4.0	1.0	1.0	2.0	1.5	1.0	2.0	
9.3. Linkage programmes between Euro-Med enterprises	2	1.0	3.0	4.0	2.0	1.5	1.0	1.5	1.0	3.0	
Overall weighted average for Dimension 9		1.2	2.8	4.2	1.3	1.3	1.3	1.5	1.2	2.7	1.9

All the countries are equally targeted by associations created by the private sector at Euro-Mediterranean level such as UMCE BusinessMED, the Union of Mediterranean Confederations of Enterprises, and Ascame, the Mediterranean Association of Chambers of Commerce and Industry. These associations play a growing role in encouraging Euro-Mediterranean cooperation within the business community and with public partners. For instance, UMCE BusinessMED, Ascame and Eurochambres are part of a consortium that runs the 'Invest in MED' regional programme. This EU-funded, three-year programme was launched in 2008 and features Euro-Mediterranean business-to-business meetings to develop investments and trade.

Although networks and partnerships are widely recognised to be useful, they face a number of challenges. Sustainability is certainly one of them. As many networks and partnerships are supported by donors for a limited period of time, they must learn to survive when that period ends.

Partnerships that are embedded in a broader strategy for economic development as in Israel, Egypt and Tunisia have better sustainability prospects. The Egyptian ETTICs combine a demand-driven approach with public–private steering and services delivered on a cost-sharing basis that will help ETTICs to be sustainable and develop sustainable partnerships.

One way of encouraging sustainable networking is to help organisations to join strong networks rather than create new ones. For instance, the MEDIbtikar regional programme has helped innovation players from Syria, Egypt and Morocco to prepare an application for joining the 'Enterprise Europe network'[34]. The network offers support and advice to businesses across Europe and is made up of close to 600 partner

(34) The 'Enterprise Europe network' was launched by the European Commission in early 2008. It is made up of close to 600 partner organisations in more than 40 countries, promoting competitiveness and innovation at the local level in Europe and beyond.

Box 10: EU supports MED networking

Since the launch of the Barcelona process in 1995, the European Union has recognised the importance of building Euro-Mediterranean networks as a means to strengthen the overarching Euro-Mediterranean partnership. To progress towards economic integration, the EU has substantially supported networks of businesses and of public and private business service providers. The European Commission has provided the lion's share through its regional and bilateral cooperation programmes. EU Member States, the FEMIP, EU agencies, regions, cities and European business organisations have also contributed to these efforts. With their help and the assistance of other international donors, Euro-Mediterranean networks have developed among business creators, women entrepreneurs, innovation key players, exporting craftspeople, etc. Some networks are closely linked to trade agreements. For instance, the EU backs the implementation of the Agadir Agreement between Egypt, Jordan, Morocco and Tunisia and the business-to-business contacts organised within that framework. Business-to-business cooperation has also been supported in EU bilateral programmes with Morocco and Syria. Furthermore, business support agencies like the Egyptian GAFI and SFD, the Tunisian FIPA and regional development offices, and the Moroccan ANPME have been urged to network with counterpart organisations in the EU, as a way of building their capacity to help enterprises to engage in international cooperation.

The Barcelona process itself is monitored by Euro-Mediterranean councils, committees and working groups. The Working Party on Euro-Mediterranean Industrial Cooperation is one of these groups. Together with the informal network of Charter coordinators, it promotes Euro-Mediterranean economic integration and steers the Charter implementation.

organisations in more than 40 countries. In Israel, ISERD and Matimop help organisations to integrate into the European research area and to be part of the strong partnerships that are set up under the EU research and development framework programmes.

Box 11: ANIMA

The ANIMA Euro-Mediterranean network of investment promotion agencies offers an interesting example of how a temporary consortium set up to run a project could establish itself on a more permanent basis. ANIMA started as an EU-funded project in 2002 to reinforce the cooperation between European and Mediterranean investment promotion agencies. The partners established a balanced north–south partnership that generated co-ownership. With services tailored to MED countries' evolving needs, they managed to rally additional support for their activities. The choice of Marseilles as a working basis reinforced the Mediterranean links. These achievements helped the partners to transform the informal network into an association by law, in 2006.

The type of activities of the networks and partnerships between service providers poses another challenge. They organise numerous events (such as seminars and fairs) for the business community. While these activities succeed in bringing together key players to exchange information, there are not many examples of networks between service providers that lead to cross-fertilisation, actual cooperation and transfer of practice. An interesting exception is the EU-supported 'Education and training for employment' regional programme that is implemented by the European Training Foundation. The programme has networked organisations that help create an enterprise. Jordan and Israel have adopted some good practices developed in the UK to help young people to set up their own company. Egypt and Lebanon have adopted an approach developed in Sweden, while Syria has chosen to adapt the Moroccan Moukawalati programme to its own context (as described in Box 9 above).

The pilot project nature of many networks and partnerships also presents hurdles: there is little evidence that careful evaluation is performed, previous results fully exploited and the most successful networks scaled up. Such an approach is illustrated by a successful experience in Morocco where three clusters were piloted with the support of UNIDO (in the sectors of leather in Fez, wood in Essaouira and pottery in Safi) and in cooperation with similar structures in the Piedmont region in Italy. A project was then developed to implement clusters on a larger scale.

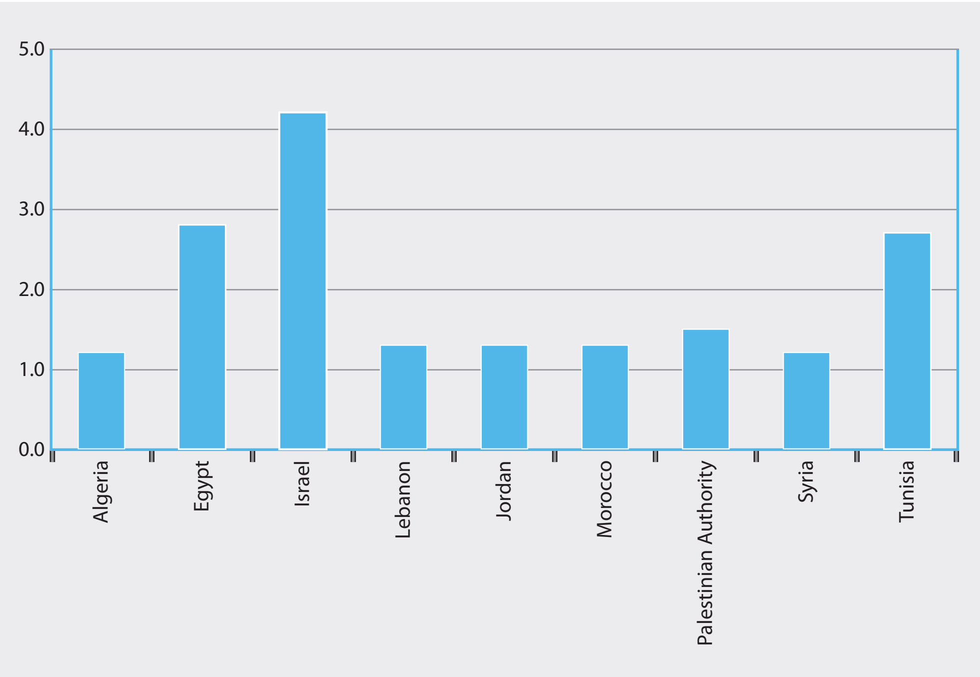
Box 12: 'Fashion to the future'

One network that has built on the results of previous cooperation is the 'Fashion to the future' project that involves 38 Euro-Mediterranean partners, including four from Morocco and Tunisia. The project builds on the results of three textiles projects to promote technological and innovation transfer in the Euro-Med region (www.fashiontofuture.eu).

9.4. Synthesis

Some experience has been accumulated in networking and partnerships at Euro-Mediterranean level, often with donor support. There is much scope for using networks and partnerships in more strategic, sustainable and ambitious ways, for better exploiting pilot projects and previous results, and for learning from successful experience across the Euro-Mediterranean area. The new 'Invest in MED' programme [35] and the 'Enterprise Europe network' offer interesting opportunities to progress in these areas.

Figure 20: Dimension 9 overall scores



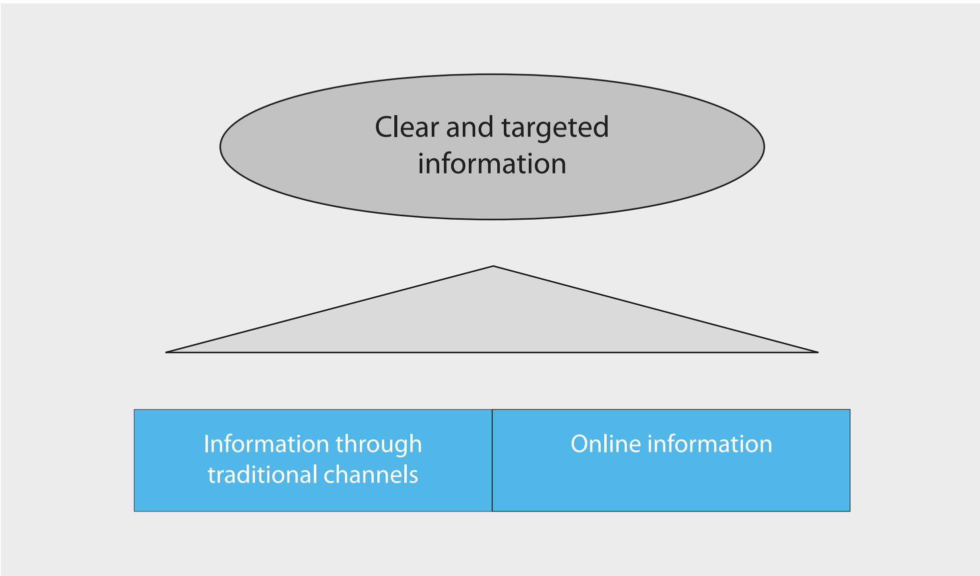
([35]) For a comprehensive list of programmes managed or supported by the European Commission to foster enterprise development in the Mediterranean region, refer to Annex II.

Dimension 10: Clear and targeted information for enterprises

10.1. Introduction

Sound national statistics on the business sector are of crucial importance for policymakers as well as enterprises. This is true for even the most basic enterprise demographic statistics. They give policymakers a broad view of the strengths and weaknesses of their enterprise sector, allowing them to steer policies in the right direction. Data on, for example, entry and exit rates, businesses' stock and related measures are necessary to understand the dynamics of the sector, as a measure of an economy's ability to shift resources to growing and more productive areas and to meet consumers' changing needs. Enterprises, on the other hand, need sound statistics to enhance their competitiveness. Enterprise data give them a view of what their competitors are up to and of market and sector trends, and can thus be used as intelligence for market strategies and ultimately innovation. Enterprises also need other types of information (such as legislative and regulative updates) to be able to adapt their activities to new legislations or regulations on time.

Figure 21: Assessment framework Dimension 10



10.2. Assessment framework

The assessment of this dimension is made up of two indicators, the first one focusing on traditional channels of information relevant to enterprises (such as gazettes or databases located in ministries or government agencies), the second focusing on the availability, quality and accessibility of online information relevant to enterprises. To secure information that is accurate and up to date, the administration needs a well-established system for data collection and updating. The information should be available across the country in centres that handle information requests on a case-by-case basis. It should also be easy to find online: all the necessary websites and databases should be linked to a single online portal for enterprises. This portal should ideally be interactive, providing the possibility of filing tax returns or requesting information, for example.

10.3. Analysis

Overall, enterprise statistics in most of the countries of the MED region have a variety of shortcomings. Most notably these include:

- weak international comparability;
- low accessibility and usability;

- inadequate level of detail and limited reliability;
- lack of updates of existing information;
- paucity of information online.

Additionally, companies throughout the countries remain insufficiently aware of the services and information available to them on issues such as tax or standards and regulations.

Most advanced nevertheless, and closest to the described best practice, is Israel. A number of public and private organisations collect, analyse and disseminate economic, legislative and regulatory information relevant to enterprises. Information is shared through traditional channels via the small business development centres located in 28 locations throughout the country. The FICC, the Ministry of Industry, Trade and Labour (including the FTA) and the Israel Institute for Export and International Cooperation all provide targeted information, especially in areas related to export. Furthermore, the information is also provided through Internet portals that allow interaction between enterprises and the administration.

Sound information for enterprises is also available in three other countries: Egypt, Morocco and Tunisia. However, these countries have not yet established dedicated and consolidated IT interlinked information centres for enterprises.

Currently, Egypt offers both online and traditional methods of information dissemination on economic, legislative and regulative information. Information is available online through numerous interactive websites, although a business portal has not yet been established. (However, only 5.4 million people are currently categorised as Internet users, according to 2006 figures from Egypt's State Information Services.)

In Tunisia, a number of government portals are dedicated to private sector interests. The API's portal is particularly tailored to entrepreneurs on key areas of interest (such as tax, labour, standards and regulations) [36]. Still, some of these portals have overlapping information, underlining the need for a consolidated format.

Box 13: Online interaction between enterprises and administration in Lebanon

In Lebanon, there have been a number of initiatives to make e-government work more effectively.

The Office of the Minister of State for Administrative Reform launched the Central Office for Administrative Information in 2002. This one-stop information shop has a phone helpline (1700) and an Internet website (www.informs.gov.lb) where a number of administrative forms, including processes related to company registration, can be easily searched and downloaded.

The Ministry of Industry, and the Ministry of Economy and Trade provide additional information on administrative procedures specifically related to enterprise operations. Both sites also offer downloadable administrative forms, with instructions on how to fill them out and where they must be filed. The Ministry of Economy and Trade provides a step-by-step roadmap walking the entrepreneur through the process of business registration. The ministry's website also allows for interaction with the public administration through e-filing (currently limited to complaints related to consumer protection).

With plans to expand the number of e-services offered, Lebanon is on the path towards improving business performance, not least through its efforts to improve access to and facilitate use of information.

Morocco has witnessed a significant improvement in the quality, range and dissemination of government information to enterprise. A large amount of information has been posted on the websites of various public institutions and agencies. Further improvements could be achieved by completing the arsenal of intelligence mechanisms, eliminating redundant or obsolete information, standardising information presentation and linking more closely the information that is available online for enterprises through the construction of a single portal for all enterprise affairs.

Table 22: Scores in Dimension 10: Clear and targeted information

Indicator	W	AL	EG	IS	LE	JO	MO	PA	SY	TU	MED
10.1. Collection, handling and dissemination of information	3	2.0	3.5	4.5	2.0	2.5	3.0	2.0	2.0	3.0	
10.2. Online information for enterprises	2	2.5	3.0	5.0	2.0	2.5	3.5	2.0	2.0	2.5	
Overall weighted average for Dimension 10		2.2	3.3	4.7	2.0	2.5	3.2	2.0	2.0	2.8	2.7

(36) www.tunisieindustrie.nat.tn

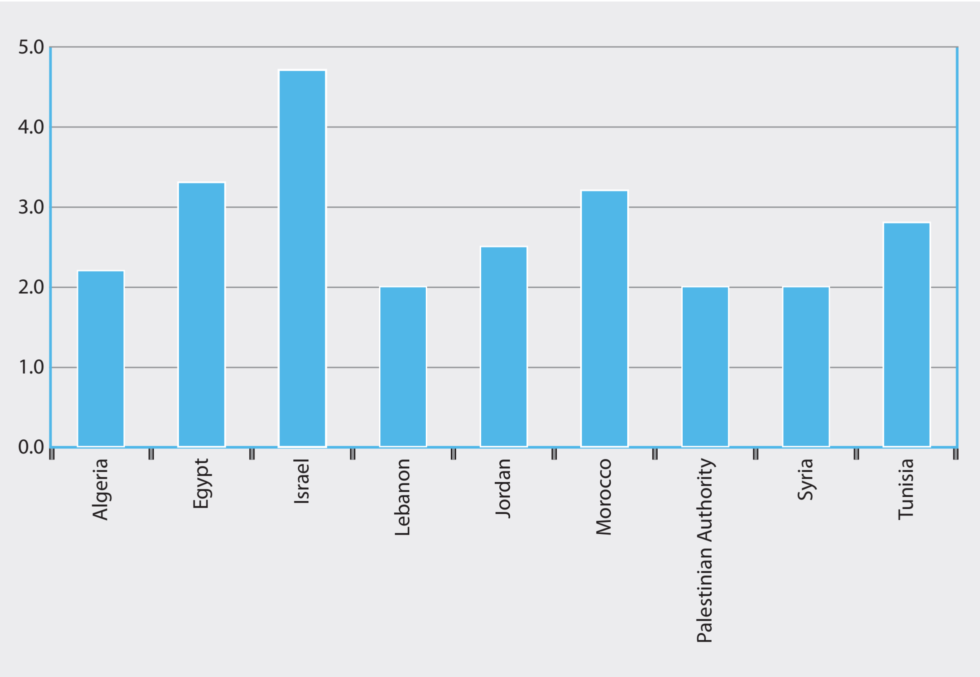
In Jordan the overall picture is mixed. Basic economic and legislative information is available and disseminated, mainly through the network of the chambers of commerce and industry. However, more sophisticated economic information (such as the database combining trade and investment data and information, developed with US support) is not yet accessible to users. Information on business and economic activity related to enterprises is widely available online, but is scattered on several websites.

In the remaining countries, online information available to enterprises is limited; information is available through traditional channels spread across different institutions. In Syria, for example, several institutions analyse and disseminate the bulk of the information available for enterprises: the Central Bureau for Statistics, relevant ministries, and the chambers of commerce and industry. The information is not systematically collected and there are inconsistencies among institutions and throughout the country.

10.4. Synthesis

There is a serious need across the region to improve the quality of information for enterprises and to make it more accessible by bundling all relevant information, especially online. Ideally, online portals should be established, linking all the relevant websites and databases for enterprises. Yet only a few MED countries have such portals. Many of the information provision projects are currently donor funded and will require government support once that ends (online services and information portals have considerable maintenance costs). Governments should establish realistic budgets for their ongoing maintenance and development. Furthermore, online information for enterprises should focus on practical information and relevant data rather than news about government activities. Israel's information portals are closest to focusing on practical information for enterprises and entrepreneurs.

Figure 22: Dimension 10 overall scores



PART III

Introduction

Part III of this report is divided into country chapters, providing additional insight on the implementation of the 10 dimensions of the Charter. Each country chapter has been divided into six sections:

1. Country overview
2. Enterprise policy and public–private consultation framework
3. Operational environment
4. Services for enterprises
5. Human capital
6. The way forward

Section 1 provides an overview of the enterprise sector in each country, tracking key reforms that have influenced the design of policy in the country. This section relies on data from government sources and international organisations.

Section 2 covers part of Dimension 1 (Subdimension 1.1 on the institutional framework for enterprise policy), Dimension 7 (strong business associations) and Dimension 10 (clear and targeted information) of the Charter. These three Charter areas are complementary and thus are grouped together to examine the comprehensiveness of the enterprise policy framework in the respective country. This includes examining the context in which enterprise policy is designed, the nature of public–private consultations in the design of enterprise policy, and whether information relevant to enterprises is presented in a clear and targeted way and is accessible to entrepreneurs and policymakers alike.

Section 3 provides an overview of the operational environment for enterprises, covering parts of Dimension 1 (Subdimension 1.2 on better legislation and administrative simplification, and Subdimension 1.3 on cheaper and faster start-up), Dimension 4 (access to finance and investment-friendly taxation) and Dimension 5 (better market access) of the Charter. These three Charter dimensions study the policy tools, facilities, legislation and regulatory framework in place which facilitate operations for an enterprise. It should be noted that the country-specific results for Subdimension 4.2 on investment-friendly taxation are still under elaboration for a number of countries and therefore have not all been included in this draft of the report.

Section 4 covers three Charter dimensions on services for enterprises: Dimension 8 (quality business support schemes and services), Dimension 6 (innovative firms) and Dimension 9 (strengthening Euro-Mediterranean networks and partnerships). As these areas of the Charter reinforce one another, they have been considered together.

Section 5 considers the human capital dimensions of the Charter by examining the following: Dimension 2 (promoting entrepreneurship education and training) and Dimension 3 (training activities in the business environment).

Finally, each country chapter concludes with a section on the way forward, examining the individual strengths and areas of improvement for each country.

Algeria

1. Country overview

The Algerian economy has traditionally been dominated by the hydrocarbon sector, which represents about half of gross domestic product (GDP), accounts for nearly all the country's exports and generates 75 % of total fiscal revenues. Large and often state-owned enterprises, operating in capital-intensive sectors (such as chemicals, steel and cement), account for the bulk of industrial production, while SMEs are largely present in the retail, construction, transport and agro-business sectors. The SME population density is low by regional standards and many of the micro- and small enterprises operate informally. SMEs in Algeria contribute only 12 % to total formal employment.

Economic growth over the last three years in Algeria has been volatile and below potential, in spite of high oil and gas prices. This is due to hydrocarbon production constraints and the lack of competitiveness in the non-hydrocarbon sector. Labour productivity has been stagnant over the last five years and non-hydrocarbon exports registered only very modest growth.

Over the medium term, the Algerian economy faces a number of critical challenges. It needs to generate a considerable number of jobs in order to absorb a fast-growing and progressively more educated labour force. At the same time it needs to modernise its hydrocarbon sector, restructure state-owned and loss-making enterprises, and upgrade the infrastructure network.

The government has set out to establish: a policy framework capable of delivering fast and sustainable growth, through progressive sector diversification; the opening of the economy to international trade and foreign investment; and the implementation of a major investment programme in infrastructure, public housing and priority sectors. This strategy, articulated in the 'Complementary programme for growth support' (2005–09) and in the industrial development strategy, calls for a significant expansion of the private enterprise sector, even if starting from a relatively limited base.

2. Enterprise policy and public–private consultation framework

THE INSTITUTIONAL POLICY FRAMEWORK

Since the 1960s, the country has pursued a vertical industrial policy, focusing on a limited number of strategic sectors, and relying on a high level of tariff protection, direct credit allocation and state capital injections. Since the mid-1990s, Algeria has adopted a more market-led approach to economic reforms, shedding some of the more traditional interventionist tools.

The transition from a vertical to a horizontal enterprise policy is still far from complete, as the institutional policy framework retains elements of the traditional approach together with new tools and institutions. Ten institutions are responsible for the elaboration of enterprise policy in Algeria [37]. The Ministry of Industry and Investment Promotion (MIPI) (resulting from the merger of the Ministry of Industry and the Ministry of Participation and Investment Promotion) and the Ministry of SMEs and Handicrafts (MPMEA) are the two institutions that play a leading role in this area. They reflect the government's two-track approach of promoting large investment projects and attracting foreign direct investment (FDI), and supporting the development of SMEs. In addition, there is a National Investment Council which plays an essential role in the design of investment policy, and in approving and overseeing the implementation of large investment and FDI projects. Coordination between the ministries and governmental institutions is assured at the highest level, through the Prime Minister's office.

This two-track approach is also reflected in the competencies assigned to the two main executive government agencies supporting enterprises. The National Investment Promotion Agency (ANDI) is in charge of investment promotion, facilitation and management of investment incentives, while the National SME Development Agency (ANDPME) provides services and support to SMEs, including the management of the national enterprise upgrading programme. The resource allocation reflects the priority given to supporting industrial development and attracting FDI over SME development. There is some degree of cooperation between the two key ministries and their executive agencies. For instance, there are regular monthly meetings on the implementation of the enterprise upgrading programme. However, there is considerable scope for streamlining the coordination between horizontal policy measures aimed at improving the operational environment for the enterprise sector and for fine-tuning the management of the enterprise/industry support programmes.

There is no medium-term enterprise strategy. In 2007, on the heels of an extended debate, the government approved the industrial development strategy. This defines a new set of priority sectors; connects industrial development and diversification with human resource development, innovation and measures to improve competitiveness; and attests to the fact that the Algerian government, specifically MIPI, is embracing measures to improve information exchange, define competencies and streamline activities among the concerned institutions.

PUBLIC–PRIVATE CONSULTATION FRAMEWORK

Since 2003 there has been an institutionalised consultative framework under the auspices of the National Consultative Council for SME Promotion, an organ which encourages tripartite dialogue among SMEs, their professional associations and the public sector, and is chaired by a representative from the private sector. Among the dozen or so professional and stakeholder associations representing the private sector, the Algerian Chamber of Commerce and Industry (CACI) is the association which has been historically consulted by the public sector and carries a privileged role in public–private sector debate. Consultations among these bodies take place at lengthy intervals, usually on an ad hoc basis, with limited disclosure of the content of policy debate. However, the

[37] Ministère de l'industrie et la promotion des investissements (MIPI); ministère de la PME et de l'artisanat (MPMEA); ministère des finances (MF); ministère du commerce (MC); ministère de l'intérieur et des collectivités locales (MICL); ministère des affaires étrangères (MAE); ministère de la formation et l'enseignement professionnels (MFEP); ministère de l'énergie et des mines; ministère du travail et de la sécurité sociale; ministère de l'aménagement du territoire, de l'eau et de l'environnement.

elaboration of the industrial development strategy opened the door for the first time to an intensive process of consultation on strategic issues with a variety of stakeholders, a practice that should be extended to other policy areas.

CLEAR AND TARGETED INFORMATION

In general, there is no comprehensive system for the collection of information related to enterprises. Apart from the customs and national statistics agencies, the Algerian public administration has not made an effort to put into place a structured system to collect, handle and disseminate economic, legislative and regulative information related to enterprises. This has been singled out as a point for improvement by the government. While online mechanisms have not been developed for this purpose, traditional information dissemination has been possible due in large part to the 14 SME facilitation centres spread throughout the territory.

3. Operational environment

ADMINISTRATIVE SIMPLIFICATION

The business operational environment in Algeria is one of the most problematic in the MED region, as highlighted by several surveys and reports, including *Doing Business*. The most critical areas for enterprises deal with rules and regulations and access to finance.

In 2001, the government commissioned a report on administrative reform, proposing a number of recommendations to reduce the layers of bureaucracy associated with enterprise policy. There is no specific institution to oversee the process of administrative simplification and regulatory reform. To date, there is neither a strategy for regulatory reform, nor a systematic review of legislation. Algeria has only begun to simplify administrative procedures for company registration.

COMPANY REGISTRATION

There is a two-track approach to company registration in Algeria depending on the type of company.

- The first track caters to companies eligible to receive investment incentives. Company registration can be completed at regional investment facilitation centres operated by ANDI. The process is similar to that of a one-stop-shop.

- The second track caters to all other companies which must follow standard registration procedures: companies must register at the commercial registry. For the most common type of enterprise, registration can be obtained in one day, upon completion of seven steps. It costs approximately EUR 50 to obtain a company identification number.

The regional spread of investment facilitation centres is limited considering the size of the country, although there are plans to set up centres in each of the country's 48 governorates and transform them over the medium term into one-stop-shops. Moreover, for limited liability companies, the number of steps, the number of days, the minimum capital requirements and the costs connected with company registration and closing a business remain burdensome, according to *Doing Business*.

ACCESS TO FINANCE

Access to finance remains one of the biggest operational handicaps according to managers of enterprises operating in Algeria. At the aggregate level this is reflected in an extremely low ratio of private sector credit to GDP which stands at around 12 %. Bank credit is channelled mainly towards large state-owned and privately owned enterprises, while SMEs rely largely on self-financing. However, the banking sector is going through the first phase of an extensive process of reform, including the partial privatisation of large state-owned banks, the abolition of credit allocation constraints, closer banking supervision and increased competition.

Elements of the legal and regulatory framework that facilitates access to finance are in place. The country has a law on distressed companies and bankruptcy. Access to cadastre and credit information is available for relatively large borrowers. However, recovering bad loans in court is difficult and therefore banks traditionally practice very conservative policies towards lending to SMEs. Bank lending is largely based on the provision by the borrower of real estate guarantees, with collateral requirements set very high, further limiting access to credit for undercapitalised SMEs.

Financial facilities such as credit guarantee schemes have been put into place to ease access to finance and limit the impact of the restrictive collateral requirements. They remain solely government funded and managed. The Investment Credit Guarantee Fund (CGCI) provides guarantees for investment credit. The SME Guarantee Fund (FGAR) caters specifically to SMEs and acts as a guarantor for the creation of an enterprise, the renovation of equipment and the expansion of the SME activities. However, the number of approved guarantees remains limited. In addition, enterprises, especially SMEs, are often unable to register immovable or movable assets, and the use of these assets as collateral is therefore limited.

Credits to microenterprises are authorised by ANGEM, a specialised government agency. In addition, there are a number of microcredit agencies operating in rural areas. However, the microcredit sector in Algeria has not reached the same level of development, in terms of territorial spread, number of institutions and product diversification as in other Maghreb countries.

Legislation passed in 2006 enabled the creation of two investment funds. The equity fund sector is still at an early stage of development. Investors remain risk-averse faced with a market that is neither dynamic nor liquid, and not open to lowly capitalised companies.

INVESTMENT-FRIENDLY TAXATION

Despite some current partial tax reforms (including VAT simplification and reduction of corporate income tax rate), the tax system in Algeria is still complex. The current budget still relies heavily on oil and gas revenues, and a reform of the tax administration is still needed.

ACCESS TO MARKETS

Currently, there is no formalised export promotion strategy for enterprises (even in the energy sector). The Ministry of Commerce, which disposes of a Special Export Promotion Fund (FSPE), and the Export Agency (ALGEX) seek to promote export and to simplify procedures for international trade. However, the fund is underused and the plans for export promotion have not yet materialised.

ACAAs

To be ready for the signature of an ACAA with the EU, the partner country should have adequate infrastructure in the fields of standardisation, accreditation, conformity assessment, metrology and market surveillance, and should have adopted the relevant parts of the *acquis*. Algeria has started upgrading the infrastructure and harmonising the horizontal legislation. The alignment of the legislation in the priority sectors chosen by Algeria (construction products, low-voltage equipment, simple pressure vessels, energy efficiency of refrigeration appliances and toys) has not yet started. The adoption of European standards in the priority sectors and the withdrawal of national conflicting standards are in progress.

4. Services for enterprises

BUSINESS SUPPORT SERVICES

Enterprises have access to a range of business services through either donor or public-funded providers. The services include technical and financial assistance, training, advice and expertise on business management and access to finance, in addition to technical standards and certification. There is an EU-funded enterprise upgrading *mise à niveau* programme dedicated to providing enterprise creation and upgrading services for Algerian SMEs and MSMEs, with five centres across the country. It is reported, however, that these services are not widely used by enterprises. This may be partly due to the fact that there is no database of business service providers available to enterprises, although the German agency GTZ is working to establish such a system in collaboration with the MPMEA.

INNOVATION POLICY

Up until recently innovation had not been identified as a policy priority for enterprises or public actors; consequently little time and resources have been devoted to developing services catering to innovative enterprises. Algeria has not yet adopted an innovation strategy. Nevertheless some ad hoc activities in this area have been conducted through the MPMEA, the MIPI and the Ministry of Higher Education and Scientific Research (MESRS). The National Agency for Research and Technological Development (ANVDRET), which operates under the MESRS, has been working since 1998 to develop linkages between universities and enterprises. It should be noted that both enterprises and academics have critiqued ANVDRET's efforts, citing that its bureaucratic structure and its rigidity in operation have left little room for creativity. The MPMEA has been tasked to set up incubators throughout the country (this has been done in collaboration with the MESRS); as a result, a number of incubators are now operational in technology parks. The incubator programme aims to have regional spread and to attract innovative activities by developing entrepreneurial skills, implementing innovative projects launched by researchers and engaging young graduates to set up businesses.

To date, there has been little coordination in efforts among the various institutional actors dealing with implementing innovation policies. In response to this, in December 2007 the government commissioned a report to take stock of current innovation and R & D activities in Algeria and to regroup the various actors working in this policy area.

EURO-MED NETWORKS

Algeria belongs to the Euro-Mediterranean ANIMA network for business incubators. The Chamber of Commerce has also partnered with a region in France to develop business incubators. Nevertheless, participation in the Euro-Mediterranean networks has been identified as an area where little has been done and which requires further development.

5. Human capital

This section considers the human capital dimensions of the Charter: Algeria's efforts to promote entrepreneurship education and training (Dimension 2) as well as training activities in the business environment (Dimension 3). The Charter underlines the importance of both areas in the drive for competitiveness.

Firstly, the assessment concentrated particularly on the policy framework for entrepreneurship education and training, looking closely at how education, training and employment policies support entrepreneurial learning. While there is a very clear effort in promoting entrepreneurial learning, particularly outside the formal education system (e.g. youth employment agency, national fund for continuing training, microcredit agency), there are no linkages between the range of national support instruments. Nor is there an overarching policy framework which would ensure synergy of effort. Further, on general education (an area where the Charter puts considerable emphasis in terms of promoting the entrepreneurship mind-set from an early age through its entrepreneurship key competence provisions), there is little in the way of policy development. The key competence provisions of the Charter on secondary education (ISCED 2 and 3) remain to be addressed. Unless a joined-up policy framework is established to promote entrepreneurial learning (which is the thrust of the Dimension 2 policy indicator), efforts to promote entrepreneurship education and training will continue to be project-oriented. Project-driven developments allow for little synergy between the range of actions. They rarely ensure a sequencing of entrepreneurship promotion across the various parts of the learning system (including the non-formal provision) which could bring better efficiency and effectiveness to the overall effort. Getting to a more coherent policy framework for lifelong entrepreneurial learning should be considered by the Algerian authorities as a response to the Charter: they should build on the dialogue and discussion that has been generated amongst the range of stakeholders through the Charter assessment process.

Turning to enterprise skills (Dimension 3), the assessment finds that training services to support the up-skilling of workers are generally well developed across the country. This includes good efforts at training for enterprise start-ups (e.g. ANSEJ). Some 14 % of new microenterprises run by women are accessing training and coaching services. These data could be supplemented with statistics on training for wider enterprise training (including training for start-ups disaggregated by gender). This will help Algeria's efforts to improve its performance on the range of Dimension 3 indicators. INPED's good efforts on training for expanding businesses, for example, were noted in the assessment. However, the enterprise growth indicator calls for concrete statistics on training in the growth enterprise bracket in order to capitalise on existing effort. This is where Algeria's competitive standing could be enhanced, with clear potential to create wealth and jobs. Finally, the assessment team had difficulty in accessing information on enterprise training for external trade (e.g. standards training, international markets). This could be facilitated by key sector associations working with the Charter coordination and ensuring availability of the information demands of the 'international markets' indicator.

6. The way forward

In Algeria, there are concrete signals that the government intends to move away from traditional policy directly supporting priority industrial sectors, and that it intends to pursue a strategy of diversification of the country's economic base, lowering reliance on the hydrocarbon sector. However, the country is at an early phase in this transition, as indicated by the low scores demonstrated by the country across all 10 dimensions of the Charter.

The top priority should be, therefore, to increase the size of the SME sector, both in terms of number of active enterprises and in terms of contribution to employment and value-added generation. This requires interventions on a number of fronts, including addressing the structure of policy framework, facilitating access to finance, improving public–private consultation and implementing effective entrepreneurship training.

On the basis of the Charter assessment, the following priorities have been identified.

- **Enterprise policy framework.** Greater coordination is necessary between the Ministry of Industry and Investment Promotion, and the Ministry of SMEs and Handicrafts. A new strategy would favour enterprise creation and leveraging horizontal measures directed at improving the business environment, instead of relying (as now) mainly on tax incentives linked to investment plans validated by government agencies.

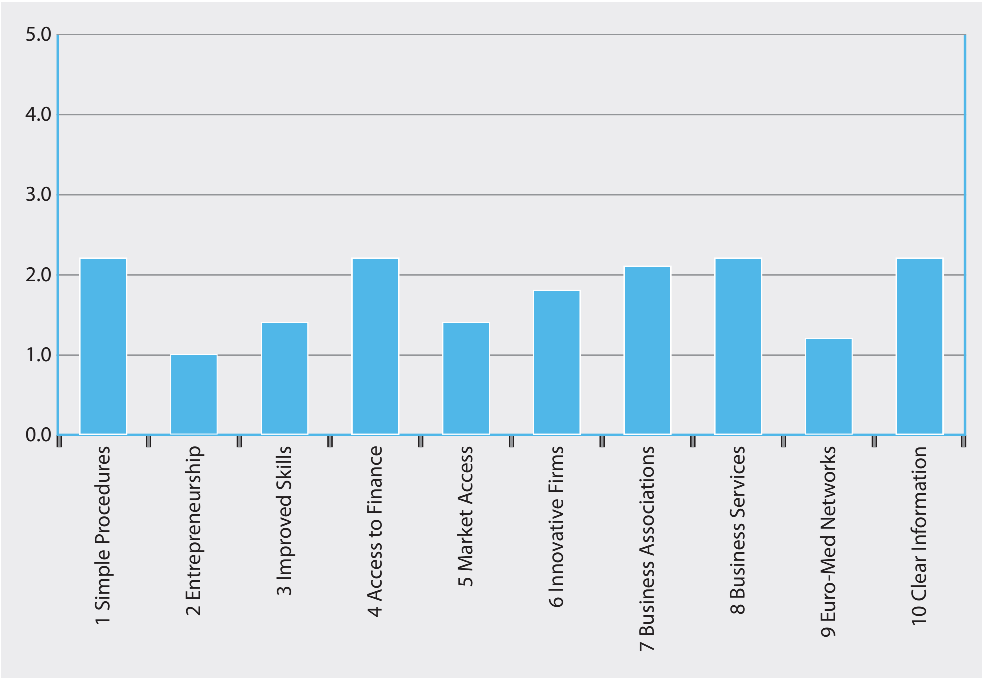
- **Company registration.** A key priority should be the further simplification of company registration procedures for all types of enterprises, not only for those with access to investment incentives. This will send a positive signal to new entrepreneurs, especially if this is linked to programmes promoting entrepreneurship, and if well-funded microfinance facilities are launched. These combinations of reforms could lead to substantial improvement in the rate of enterprise creation. The experience of Egypt, with the Social Fund for Development, or Morocco's Moukawalati programme (on entrepreneurship promotion) and its NGO-led programmes in microfinance could serve as valuable models for good practice. The latest reform on company registration launched by Lebanon's LibanPost programme that leverages the extensive network of post offices to collect and deliver company registration titles is a fine model for good practice.

- **Regulatory reform and administrative simplification.** In order to sustain SME growth the government should consider reviewing and simplifying the current regulatory framework, examining regulations that limit market access or distort competition, providing an unfair advantage to informal companies.

- **Public–private consultation.** The government should consider establishing regular consultations directed towards including the MSME sector, building on the limited experience of the Consultative Council for SMEs. Discussions should be opened with potential entrepreneurs, especially at a local level using existing forums for public–private consultation. Interventions in other areas (such as innovation, facilitating market access and implementing support schemes and services for enterprises) should be developed within the framework of a multi-year strategy for the enterprise sector, in consultation with the private sector.

• **Human capital.** Two recommendations are made here. Firstly, the education and training authorities, with the private sector, need to move from ad hoc arrangements for entrepreneurial learning to a more integrated framework which would allow for a sequenced development of entrepreneurship promotion through compulsory schooling and higher education, while interfacing with developments outside the education system. Working in partnership, the range of key stakeholders should consider the development of a lifelong entrepreneurial learning strategy, backed by actions that address the priority areas of the Charter indicators (e.g. entrepreneurship key competence). Secondly, given the statistical requirement of Dimension 3 (improved skills), a more developed data system to track enterprise human resource development (HRD) activities should be considered. Employer organisations and/or sectoral representations would be ideally placed to take this initiative but with clear government support to ensure that data feeds into policymaking and resource allocation. All data developments should be gender-sensitive.

Figure 23: Algeria: Overall scores per Charter dimension



Egypt

1. Country overview

The process of structural reforms in the Egyptian economy began in the early 1990s. At the outset, the reform process lacked continuity and only made modest progress in changing the government's approach towards private sector development and reducing the dominant role of the government in the industrial and financial sectors. The appointment of a reform-minded cabinet in 2004, including a number of ministers with a strong private sector background, signalled a major policy change and prompted a brisk acceleration in the pace of economic reform. As a first act, the government cut the weighted external tariff from 14.6 % to 9.1 %, indicating a break with the traditional practices of protectionism concerning domestic industry and a clear sign of the intention to push for the integration of Egypt into the global economy. Reforms were also implemented under a comprehensive tax reform, cutting the standard corporate tax rate, lowering personal rates and closing loopholes in the corporate rate regime. Four years after its launching, the tax reform has largely met its three main objectives of broadening the tax base, significantly increasing tax revenues and improving the transparency of the tax regime.

Simultaneously, the government has accelerated the process of privatisation, opening to FDI and actively promoting domestic private investment. The process started with state-owned banks and has been extended to state-owned industrial companies and to fast-growing sectors, such as cement and retailing. On the investment side, the government revived and expanded the role of the General Administration for Investment (GAFI), cut red tape and enhanced the establishment of free and industrial zones. Finally, the government decided to systematically tackle the issue of improving the business environment. The 2005 industrial development strategy (IDS), elaborated through a process of consultation with private sector organisations and key stakeholders, outlined an ambitious programme of reforms at the micro-level, covering a broad spectrum of enterprise policies. The strategy has already met some of its short-term targets, with aims to achieve a real growth rate in industrial production of 9 %, raise the industrial investment rate to 30 %, and increase manufacturing exports to EUR 36 billion and employment to 2 million by the year 2020.

The results of the new reform impetus have been impressive and widely recognised. The World Bank ranked Egypt the world's top business environment reformer in 2007 [38]. It also became an observer of the OECD Committee of Investment and Multinational Enterprises in 2007, a recognition of the progress made in opening up the economy to foreign direct investment and in improving the transparency of the investment climate. The pace of economic growth has accelerated from an annual average of 3.5 % from 2001/02 to 2003/04 and 6.2 % for the period 2004/05 to 2006/07, thanks to the rapid growth of industry and services, and supported by the expansion of the hydrocarbon sector, increases in the Suez canal and tourism revenues, and workers' remittances.

With an increasingly educated labour force and a low production cost base, Egypt has all the potential to become a major service and manufacturing powerhouse in the MED region. However, the potential unleashed by the progressive integration of Egypt into the global economy is still largely untapped and the challenges for Egypt remain considerable. Increasing job generation remains an absolute priority, in order to absorb the quickly expanding labour supply and to reduce youth unemployment, particularly among young college graduates. A large proportion of the manufacturing and service sectors, mostly made up of SMEs, are relying on obsolete technologies. The labour market presents a growing skills mismatch. There are marked and growing regional discrepancies, with economic expansion concentrated in lower Egypt (Great Cairo and Delta).

([38]) World Bank, *Doing Business* 2008.

2. Enterprise policy and public–private consultation

THE INSTITUTIONAL POLICY FRAMEWORK

Egypt's framework for enterprise policy is articulated, resulting from years of direct government intervention in steering the economy and from the establishment of new institutions to direct and implement the reform process. It is based on a unique combination of ministerial bodies, government executive agencies and public–private institutions with NGO status, responsible for broad policy areas.

There are four key governmental institutions responsible for different areas of policy, operating in the area of enterprise development. Each of these institutions has its own set of priorities; however, they are expected to contribute to the achievement of the overarching goals in terms of growth, investment targets, export development and employment generation set by the priorities of the national economic reform team since 2004 [39].

Table 23: Institutional set-up in Egypt

Ministry	Institution/unit	Enterprise policy priority	Strategy	Main activities
Interministerial	Social Fund for Development (SFD) established in 1991	Micro- and small enterprises (MSEs)	National strategy for MSEs' development: 2008–12 National strategy for microfinance	Provision of financial and business support services Facilitation of administrative procedures
Ministry of Trade and Industry	Industrial Development Authority (IDA) established in 2005 Industrial Modernisation Centre	Industrial companies	Industrial development strategy: 2005–25	Expanding export and upgrading quality in seven existing sectors Investing in technology and skills upgrading [40] in six areas of niche development Allocating and equipping areas for industrial activities
Ministry of Investment	GAFI	Medium and large enterprises	n.a.	Facilitating investment procedures, particularly for medium- to large-scale business enterprises, assisting investors and promoting Egyptian investment opportunities
Ministry of Finance	SME Development Unit	SMEs	Errada, comprehensive tax reform	Simplifying all legal and administrative procedures

Such a complex institutional framework creates major challenges for co-ordination. In terms of institutional coordination, a high-level economic committee, chaired by the Prime Minister, meets monthly to coordinate economic policies, and the GAFI, SFD and IDA benefit from interministerial boards. Policy coordination is largely made possible by the good level of harmony within the current team of economic ministers and by the extensive network of personal contacts and the influence of key policymakers.

PUBLIC–PRIVATE CONSULTATION FRAMEWORK

Over the last five years, the government has strived to include and/or consult the private sector in its strategic decision-making, to ensure Egypt's competitiveness. Examples that illustrate the enhanced engagement with the private sector include:

(39) A high-level economic reform team was assembled with the task of identifying key reform priorities for the government. Reforming trade policies, the banking sector and taxation were the three policy areas identified as critical to meet the following goals: achieve economic growth levels of 6 %; provide employment opportunities to the 650 000 new entrants to the job market; and double both the foreign direct investment inflows and total trade, through more integration into the world economy.

(40) Engineering machinery and equipment (renewable energy), labour-intensive consumer electronics, automotive components, life sciences, biotechnology, ethnic products.

- the involvement of the Egyptian Junior Business Association in setting up and operating the National Competitiveness Council;
- the extensive consultation of the Federation of Egyptian Industries (FEI) in developing Egypt-EU cooperation;
- the appointment of leading businesspersons to high-level cabinet positions.

During the last few years, the majority of laws and regulations, especially those related to private sector development and business activities (such laws and regulations include the income tax law, the unified housing law and the new real estate law), have also been discussed and sometimes even initiated by business associations. For instance, the Business Advisory Committee (made up of members from the private sector including chambers of commerce and business associations) has taken a major role in drawing up and delivering the strategy for regulatory reform and administrative simplification (Errada).

Nevertheless, mistrust from the private sector (especially at the level of micro- and small enterprises) towards the public sector still persists. Perhaps this is due in part to the fact that business associations and enterprise networks, advocating on behalf of the enterprise community, mainly represent big companies, and are thus unable to capture the interest of underrepresented MSEs (92.7 % of the enterprise population in Egypt).

CLEAR AND TARGETED INFORMATION

Currently, Egypt offers both online and traditional methods of information dissemination on economic, legislative and regulative information. Information is available through numerous interactive websites, although a business portal has not yet been established. Although information is available online, traditional channels still prevail. The availability of online information is anyway less acute as only 7 million people [41] are Internet users (2006 figures – Egyptian State Intelligence Service).

3. Operational environment

ADMINISTRATIVE SIMPLIFICATION

The government, through the SME Unit of the Ministry of Finance, is currently adopting a strategy for regulatory reform and administrative simplification (Errada).

In 2008, the project will review, simplify and eliminate tens of thousands of regulations across several ministries. The strategy aims to revisit all regulations and legislation related to economic activity including the issuance of the new tax law, simplified tariff schedule and the economic courts law which is about to be issued [42].

COMPANY REGISTRATION

In terms of cheaper and faster start-ups, Egypt has taken a two-track approach to improving the operational environment for enterprises: improving the business environment for investors; and improving the business environment for its domestic population of enterprises. For the first track, the GAFI caters to investors by becoming an investor business partner, and offers one-stop-shop services to carry out all licences required for the establishment and operation of projects. For the second track, the Social Fund for Development (SFD) has established one-stop-shops in most of the governorates to lessen the time and cost burden associated with company registration. While Egypt has reduced the number of days for the completion of company registration, licensing still requires 30 days to get necessary approvals from various agencies and for the assignment of the company national identification code. A network of chambers of commerce and industry offers registration services to enterprises for little additional cost, and has succeeded in substantially reducing the time burden on enterprises by acting as an intermediary in the registration process.

ACCESS TO FINANCE

Over the last five years the Egyptian government has taken a proactive role in easing constraints on access to finance for SMEs. Tangible progress has been made in restructuring, re-capitalising, merging and privatising large commercial banks, which have begun to develop a more client-oriented approach and to upgrade the range of products and services dedicated to SMEs. This progress is matched by equal improvements of the credit environment. While standard collateral requirements remain high and based largely on real estate assets, in 2006 Egypt passed new regulations facilitating the registration of real estate assets and improving access to cadastre information. In addition, since 2001, it has been possible to use immovable assets as loan collateral. The Credit Guarantee Company (CGC), with a shareholding made by nine commercial banks and one insurance company, has been in operation since 1991. It provides a range of guarantees for short-term financing, investments and start-ups, in addition to providing export credit guarantees. In 2005, the first private credit bureau, jointly owned by the SFD, and backed by the Central Bank of Egypt and IFC, opened its doors.

The low spectrum of the credit market is served by microfinance facilities provided by a number of private and public banks (which operate on a commercial basis), and by non-profit organisations (which operate under the umbrella of the SFD, and are funded by the government and donor organisations including the EU). The national strategy for microfinance, in place since 2005, provides a platform for coordinating the efforts of donors, multilateral agencies and government institutions such as the SFD. Still, microfinance institutions are struggling to match the growing demand. The product range for microfinance is also limited with many providers offering only micro-loans and no additional financial services, such as deposit-taking and insurance.

The Egyptian government is also promoting its equity fund. A venture capital committee was established by the Ministry of Finance in 2004 and the project of launching a government fund targeting SMEs is well advanced. Nine private equity funds already operate in Egypt, but less than 10 % of the funds are allocated to SME projects. The launching of a new separate stock market for small and medium-sized capitalised companies in October 2007, the Nilex, will contribute to the expansion of equity funds with an SME orientation.

([41]) *Source:* www.idsc.gov.eg
([42]) For more information on Errada refer to the box in Part II, Dimension 1, Section 1.3: Analysis

However, in spite of these achievements, access to finance for SMEs remains highly problematic. Small companies rely mainly on internally generated funds or informal lenders. Companies with funding requirements above the thresholds of microfinance institutions, but below the threshold to attract the interest of commercial banks, are facing the biggest obstacles.

INVESTMENT-FRIENDLY TAXATION

Egypt has taken a leadership role among the participating countries on their tax policy and practices in the treatment of small and medium-sized enterprises. Egypt has undertaken studies on special tax incentives to increase financing of small enterprises and on tax impediments to risky investment in SMEs, and reported main results to senior Ministry of Finance officials for discussion. Egypt is also the only participating country that has adopted simplified regimes for SMEs to reduce tax compliance. Additionally, Egypt encourages e-filing and e-payment by granting incentives to taxpayers and provides free call centres to answer taxpayers' questions. Tax seminars, workshops and round tables, with the participation of chambers of commerce, were held to explain new tax rules.

ACCESS TO MARKETS

In 2004, the Ministry of Trade and Industry (MoTI) adopted a new export promotion strategy aimed at meeting the goals set out by the high-level economic reform team. Part of the strategy aims at simplifying cumbersome and costly procedures for international trade. Reforms include automating the General Organisation for Export and Import Control (GOEIC) and setting up a one-stop-shop at the GOEIC locations. Evidence shows that these reforms have had an impact:

- customs clearance was reported to have fallen to 1 day from over 20 days in 2003;
- cargo storage time in warehouses dropped from 28 to 2 days thereby reducing costs;
- the drop in costs has translated into a 15 % decrease in import prices and a 17 % increase in export margins.

Beside the GOEIC, a second agency, the Egyptian Export Promotion Centre (EEPC), was established by the MoTI. In terms of SME-specific programmes, the Export Development Bank of Egypt provides banking services, including upgrading and modernising those enterprises with export potential.

ACAAs

To be ready for the signature of an ACAA with the EU, the partner country should have adequate infrastructure in the fields of standardisation, accreditation, conformity assessment, metrology and market surveillance, and should have adopted the relevant parts of the EU *acquis*. In Egypt the upgrading of the infrastructure has begun but the horizontal legislation has not been harmonised with the *acquis*. The alignment of the legislation in the priority sectors chosen by Egypt (construction products, electrical appliances, pressure equipment, medical devices and gas appliances) has started. The adoption of European standards in the priority sectors and the withdrawal of national conflicting ones are well advanced.

4. Services for enterprises

BUSINESS SUPPORT SERVICES

Business services range from assistance in the start-up phase, to drafting a business plan, to accessing finance, developing human resources and, finally, for the most advanced enterprises, assistance in delivering innovative projects. They are generally provided on a cost-sharing basis, for smaller firms through the SFD, and for larger ones through the Industrial Modernisation Centre (IMC).

Business services developed out of the MoTI's 1997 industrial modernisation programme (IMP), a programme that received substantial financial support from the EU and which benefited from other donor-led initiatives. After almost five years of implementation, the IMP was given a more demand-driven orientation and evolved into the IMC, a public–private institution, operating under the auspices of the MoTI and the Federation of Egyptian Industries (FEI). The IMC's personalised business services are delivered at business resource centres established in seven regions and by local and multinational firms.

In addition to helping small enterprises access finance, the SFD provides establishment services through its one-stop-shop network. The SFD also funds social and human resource development projects and is itself supported by a number of donors including the EU. Other service providers from the public sector are the IDA and GAFI whose one-stop-shop helps to set up companies. Private sector service providers include the EJBA and the domestic and international chambers of commerce.

INNOVATION POLICY

The government's innovation strategy is embedded in the IDS, which sets objectives for technological development and transfer. The strategy is at an initial stage of implementation. For the medium term, the IDS envisions that the country establishes sustainable technology transfer. In the long term, the IDS sees the possibility of shifting from policies of adaptation to policies of innovation.

Currently there are a number of projects working towards these goals. The Egyptian technology transfer and innovation centres (ETTICs) develop R & D capacities in certain strategic industries. ETTICs completed 12 new technology centres, raised the efficiency of 13 existing technology centres and initiated four programmes to enhance technological capabilities. ETTICs are limited geographically to either Greater Cairo or Alexandria. They offer training and technical assistance in sector-specific areas (such as marble and quarries, food technology, textiles and clothing, etc.) and are often linked to European or international service providers. ETTICs are steered by public–private partnerships and their operation is demand driven. Two technology parks have also been established: the Mubarak City for Scientific Research and Technology Applications, and the Egypt Smart Village.

The IMC also cooperates with the Ministry of Higher Education and Scientific Research to link industry with R & D. To this end, it has brought together research centres, private sector representatives and industrial companies to create linkages and to nurture the development of science research that can be applied to the industrial sector.

The Egyptian incubator programme was launched in 1995 by the SFD, the World Bank and the Egyptian Incubator Association (EIA), which has launched a pilot project for business and technology incubators, although its focus is more on employment generation than innovation. The EIA provides technical assistance in setting up the incubators. EIA also serves as a representative body for the incubators.

EURO-MED NETWORKS

There are examples of associations between Egyptian and European firms that generate considerable investments in sectors like textiles and transportation. Links are also developing between Egyptian technology centres and service providers, and their European counterparts. These partnerships will be further encouraged by EU-funded programmes such as the new 'Invest in MED' programme, and by the association of Egypt to the 'Enterprise Europe network'.

5. Human capital

Turning to the human capital dimensions of the Charter, the assessment focused on Egypt's efforts to promote entrepreneurship education and training (Dimension 2) as well as enterprise training activities (Dimension 3), both considered key to promotion of a more entrepreneurial and skills-effective enterprise environment.

Firstly, the assessment explored the policy context for more developed entrepreneurship education across all levels of education. While some national strategies individually contribute to entrepreneurial learning (e.g. a youth employment strategy that favours self-employment), the Charter objective of a coherent strategic framework for lifelong entrepreneurship education and training requires more discussion with key stakeholders. Of importance here will be how the contents of existing policies interface, including how the formal education system and the non-formal education environment could be more improved and synergised. More specifically, the national education strategy still misses specific acknowledgement of entrepreneurship as a key competence. This will be important for progress on the secondary education indicators (ISCED 2 and 3).

The policy position on employment and vocational training addresses occupational skills only. An entrepreneurship dimension could reinforce its objectives and potential. Further, interviews with high-ranking officials from the Ministry of Higher Education confirmed particular interest in developing 'across-campus' entrepreneurial learning to build on existing efforts to foster entrepreneurship in technology/engineering faculties. This provides a good opportunity for ensuring that the upper levels of the learning system (ISCED 5 and 6) are engaged in broader lifelong entrepreneurial learning developments. Given that the policy indicator is a driver for the remaining indicators on Dimension 2, the Egyptian authorities could consider an open discussion on how the various parts of the learning system (including enterprise) could cooperate with a view to creating a sequential or lifelong entrepreneurial learning framework. Given its nodal position, the Education, Training and Employment Observatory could lead this dialogue, but the leadership and support of both education ministries will be critical. The process would be significantly reinforced with the strategic engagement of the National Competitiveness Council (already pushing for a better contribution of the learning system to Egypt's competitiveness drive). However, the Ministry of Education is pivotal to all systemic developments in entrepreneurial learning: it must engage with and be engaged by the other key stakeholders.

Secondly, on enterprise skills, training services supporting Egyptian businesses in international trade are well established, addressing both international standards and marketing with good examples of training on export management (e.g. Japanese-Egyptian cooperation initiative) and international e-business (e.g. Egypt International Trade Point). Likewise, good efforts are being made to promote training within expanding businesses with a range of financing instruments backing businesses taking the growth route. While training on general management and trade skills is well developed across the country, a lack of data on enterprise take-up of training, including start-up support, will constrain progress on Dimension 3 indicators unless a more systematic tracking mechanism is established. Enterprise and trade associations, along with government bodies, would do well to consider a regular review of enterprise training. A training needs assessment would provide a barometer on the HRD condition of the economy and pointers as to how public investment in training could be fine-tuned to meet the evolving requirements of enterprises. Given the emphasis on gender-specific data within the start-up indicator, data collection methods should ensure disaggregation of data by gender.

6. The way forward

Egypt's performance reflects the significant progress made in developing a comprehensive enterprise policy approach across all 10 dimensions of the Charter with the exception of Dimension 2: Education and training for entrepreneurship. Egypt's strong points include policy elaboration and strategic orientation, resulting from the determination of the economic ministerial team and the participation of dynamic representatives from the private sector. Policies in most areas incorporate internationally recognised good practices.

The main challenges for Egypt lie ahead with policy implementation extending to the whole country and generating broad benefits. In a large economy such as that of Egypt, there is a need to build a critical mass of reforms, reaching the largest possible numbers of enterprises before reforms can have a significant impact on the economy and overall well-being. Egypt has a positive implementation record in several areas, from microfinance to innovation and the provision of business services, but the scale of the intervention must expand in order to satisfy the diverse needs of the enterprise sector, including SMEs.

On the basis of the Charter assessment, the following priorities have been identified.

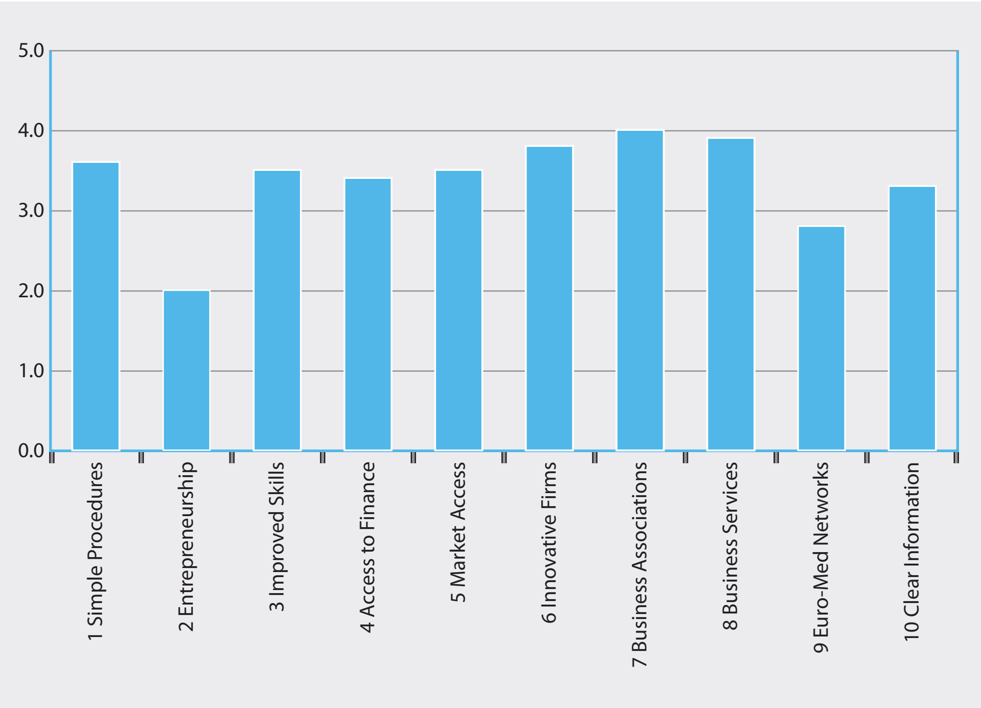
- **Regulatory reform implementation.** Egypt remains a heavily regulated economy, burdened by a bloated and often inefficient public administration, particularly at a local level. The government has given high priority to regulatory reform and has set the basis for a well-structured reform programme. However, international experience shows that resistance builds up as reforms reduce the power and influence of the various levels of bureaucracy. The potential gains generated by an extensive regulatory reform programme could be significant enough to transform the business environment, especially as it is coupled with the extensive tax reform conducted over the last few years.

- **Access to finance.** Microfinance schemes, commercial banking reforms and privatisation efforts are having a beneficial impact on access to finance for micro- and well-capitalised medium-sized enterprises. However, small enterprises continue to be excluded from access to credit. There is a need to pursue with the improvement of the credit environment, to increase technical assistance to small enterprises on finance and business plan formulation, to intensify competition in the banking sector, and to expand the credit guarantee schemes.

- **Innovation.** The government has set the basis for an innovation policy and produced encouraging results in policy implementation, with the establishment of the ETTICs. However, the needs of the economy are huge. Actions conducted by the IMC must be followed through to support basic technological upgrading over a large number of sectors, including the service sector. At the same time, there is a need to focus on the priority sectors already identified, further strengthening the links between research centres, universities, vocational training and education in general.

- **Human capital.** Recommendations are made here for Dimensions 2 and 3. Firstly, to capitalise on accomplishments in entrepreneurship education and training, the general and higher education authorities need to be directly engaged in all subsequent policy discussions and developments. This should allow for a more inclusive policy development process for lifelong entrepreneurial learning. Secondly, Egypt's progress on Dimension 3 indicators will be compromised unless a regular and reliable monitoring system on enterprise training is put in place. The authorities, with the private sector, should determine how existing data sources could be integrated as well as ensuring that data gaps (including gender-related data for start-up training) are addressed.

Figure 24: Egypt: Overall scores per Charter dimension



Israel

1. Country overview

Since the early 1990s the Israeli economy has gone through a major process of restructuring and transformation. In a relatively short period of time Israel, which had an economic base traditionally dominated by agro-business, light industry and other labour-intensive sectors, has evolved into a knowledge-based economy and built a highly competitive and advanced high-tech sector. Today Israel has one of the highest R & D intensity rates in the world and is a leader in technology development.

The turning point, from the economic point of view, can be traced to the late 1980s and early 1990s. An injection of highly qualified and strongly motivated human capital, resulting from the immigration inflows of the 1990s, led the government to embark on policies that fostered entrepreneurship, instead of relying on the expansion of social support programmes. Thanks to close public–private sector cooperation, and significant US assistance, Israel has been successful in replicating and adapting many of the critical elements that contributed to the development of the high-tech sector in the USA, such as university–industry project collaboration, cross-industry spillovers and application of innovation generated by defence R & D activities to civilian sectors, shortening of time lag between research and development to application, and the building of a dynamic venture capital industry. The shift towards a more entrepreneurial economy was supported by the introduction of an extensive tax reform, sector liberalisation and large privatisations, reducing significantly the role of the state in the economy in the early 2000s.

As a result, the country has recorded growth rates for a sustained period of time comparable to those of the Asian tigers. The phase of rapid economic development was brought to a temporary halt during the Second Intifada in 2001–03, but growth has resumed at a fast rate since then, with GDP growing at an average of 5.25 % in 2006 and 2007, bringing unemployment down from a peak of 10.8 % in 2003 to 7.5 % in 2007. The Israeli economy is highly integrated at global level, but much less at regional level. Israel is linked by longstanding FTAs with the USA and the EU (each one absorbing about 40 % Israeli exports), and with Turkey. Since the Second Intifada, the Israeli industry has significantly reduced its reliance on activities subcontracted to Palestinian enterprises and cut down the number of jobs offered to Palestinian workers in Israel.

Fast economic growth led by technological progress has transformed the country, but it has also generated deep imbalances. Productivity and salaries in the traditional service and manufacturing sectors have been lagging well behind those of the high-tech sector. Income distribution has become polarised. Over the medium term, Israel needs to consolidate its leadership in the high-tech sectors, spread productivity gains to more traditional industries and increase the rate of economic participation of minority groups.

2. Enterprise policy and public–private consultation

THE INSTITUTIONAL POLICY FRAMEWORK

The main institution directly responsible for enterprise policy in Israel is the Ministry of Industry, Trade and Labour (MoITL), although several other ministries are responsible for specific or related policy areas [43]. The MoITL focuses on policy elaboration and monitoring, and on programme management for medium-sized and large companies. SME policy elaboration and implementation is instead covered by the Israel Small and Medium Enterprises Authority (ISMEA, also known as the Small Business Authority of Israel, a non-profit association linked to the MoITL). The MoITL monitors support programmes that upgrade SMEs, like the mentoring, innovation, design and quality management programmes. ISMEA's mission is to encourage enterprise creation, help deliver SME support programmes and act as a coordination body for the harmonisation of enterprise policy. The authority, established in 1993, coordinates the network of small business development centres (MATI), works closely with SME associations and plays an important advocacy role on behalf of micro- and small businesses.

A number of relevant agencies and institutions established under the MoITL serve investment and export purposes. These institutions are responsible for different areas of enterprise policy, including the Industrial Cooperation Authority (ICA) and the Foreign Trade Administration (in cooperation with the Ministry of Agriculture), which are responsible for industrial cooperation, export and trade promotion. The Investment Promotion Centre works with foreign investors interested in direct investment and joint venture opportunities. Generally, these institutions are well staffed, fully operational, and sufficiently financed to fulfil their mandate.

Since 1993, the government has created a map for identifying responsibilities in enterprise policy for each institution, and government action is conducted and coordinated according to the agreed structure. The MoITL nurtures coordination with other ministries and stakeholders through a number of specialised committees dealing with enterprise policy areas ranging from licensing and business registration, to SME participation in government tenders.

The MoITL's approach is that government intervention should be targeting critical market failures. It should be temporary and directed to build the conditions for the entry of private operators and to deliver results by market-led mechanisms. An end in government intervention should be planned from the very beginning, identifying the exit conditions, as in the case of the Yozma programme for the venture capital sector or the business incubator programme. Policy measures are closely monitored and readjusted to meet policy targets. For example, the MoITL is going to conduct an in-depth review of all policy support programmes over the next two years.

In fact, Israel had developed over the years a pragmatic approach towards enterprise policy with priority on the implementation of targeted programmes. Hence Israel has purposely never elaborated a comprehensive enterprise policy. However, the MoITL uses yearly work plans (as the recently drafted work plan for 2008) to set policy targets and agendas for the implementation of enterprise policy.

(43) Other ministries include the Ministry of Finance, the Ministry of Tourism, the Ministry of Agriculture, the Ministry of Justice, the Ministry of Education and the Ministry of Immigrant Absorption.

PUBLIC–PRIVATE CONSULTATION FRAMEWORK

Public–private consultation has been demonstrated on a number of levels in the decision-making process. At a very strategic level, stakeholders have been involved in the design of institutional and policy frameworks, including the establishment of the ISMEA, ICA, etc. At a very practical level, stakeholders take part in committees which oversee specific policy areas linked to business operations, such as the Committee on Business Registration. Generally, the public–private consultation process is characterised by informal involvement of the private sector.

In Israel, there is no compulsory membership in private sector organisations; however, membership is encouraged through a system of financial incentives and disincentives. The Manufacturers' Association of Israel is the main body responsible for the manufacturing sector and plays a pivotal role in high-level consultations with the government. The association also plays a liaison role for a number of sectoral and professional organisations. In general, consultation occurs at all levels and on a wide range of issues. Other private sector organisations involved in public–private consultation include the Lahav (Chamber of the Independent Organisations in Israel), representations for liberal professions and the FICC.

CLEAR AND TARGETED INFORMATION

There are a number of public and private organisations that collect, analyse and disseminate economic, legislative and regulatory information relevant to enterprises. Information is shared through traditional channels via the MATI located in 28 locations throughout the country. The Lahav, the FICC, the MoITL (including the Foreign Trade Association) and the Israel Institute for Export and International Cooperation all provide targeted information, especially in areas related to export. The information is provided through portals which allow interaction between enterprises and the administration.

3. Operational environment

ADMINISTRATIVE SIMPLIFICATION

The call for a programme-based approach led the government to put fewer efforts in the implementation of broad policy initiatives. As an example, regulatory reform has started later and is moving at a slower pace than reform in other policy areas. Israel still scores below the OECD average in several of the World Bank 2008 *Doing Business* indicators that measure interaction with the public administration. In August 2005, the government established an interministerial committee; the FICC, the MAI and the Centre of the Union of Local Authorities were invited to help hammer out a strategy for the simplification of business licensing.

The Ministry of Interior shares responsibility with the MoITL for overseeing the process of administrative simplification for business licensing procedures. Key targets are being met: the simplification of business licensing and tax reform is off to a good start, with plans to review, simplify and eliminate redundant current legislation. At this stage, a system of cost-benefit analysis of new enterprise legislation has been approved but not yet implemented.

COMPANY REGISTRATION

Despite efforts to simplify procedures the company registration process in Israel remains somewhat cumbersome and has been labelled as a barrier to market entry for someone who wishes to establish a business. For a private limited company (a standardised company) the number of days and number of steps necessary for registering are relatively significant: it takes three days to obtain company registration documents certified by an attorney; the documents must be filed at the registrar for companies in the Ministry of Justice to obtain the unique company identification number, which takes one day (it should be noted that a single identification number is used to identify the company in all functions of the public administration process); then the company must register at the Ministry of Finance for income tax and VAT purposes, which takes a total of about 16 days; finally, the company must register with the National Insurance Institute, which takes approximately 14 days. According to the World Bank *Doing Business* report, these lengthy processes are extended to closing limited liability companies.

While Israel has not yet established a one-stop-shop for registration, plans to establish such a system have been approved and include an online system for company registration.

ACCESS TO FINANCE

Israel has a well-developed financial sector, operating in a sound legal and regulatory environment.

There is a fully-functioning cadastre system in place which can be easily accessed by anyone in the Land Registry (for a fee of around EUR 50) and a number of other sources[(44)]. There is a registration system for movable assets, which in turn are accepted by banks as collateral. Bankruptcy laws ensure transparency and efficiency in all the receivership and bankruptcy processes.

The banking sector is dominated by two major banks which control over 65 % of the market (Hapoalim and LEUMI), although, following the banking sector reform of 2005, insurance companies are penetrating the credit and guarantee markets. Credit allocation is generally efficient, but financing gaps still plague some segments of the enterprise sector, as the two biggest banks target services and facilities to the middle market (for clients requiring loans of EUR 600 000 to EUR 12 million or more), leaving the financing of smaller companies to smaller cooperative banks. In general, there is relatively high competition in the banking sector for business customers. Nevertheless, banks have stringent lending requirements: not only must a business demonstrate a good business model, with steady clients and good products; it must also have solid collateral. For any loan above EUR 10 000 collateral requirements can range from 50 % to 100 % of the credit. A law on credit rankings makes it possible for the banking sector to obtain information about an applicant's credit history (the services are offered via an internal scheme through two private companies).

(44) It should be noted that around 90 % of the land in Israel is in the public domain, in that it is the property of the state, the Jewish National Fund or the Development Authority. The Israeli Land Administration (ILA) is the government agency responsible for managing this land. Therefore, ownership usually means having leasing rights from the ILA for 49 to 98 years.

The microfinance sector operates thanks to the State Guarantee Fund; the fund is run by a private firm that manages the disbursements of funds designed for businesses that cannot obtain bank credit due to lack of collateral. There are also a number of other public and private funds which extend small loans. Nevertheless, government funds to high-tech SMEs or microenterprises are smaller than private funding such as equity, venture capital and initial public offerings [45].

Israel is well known for its innovative and successful venture capital financing system called 'Yozma', established in 1992 with seed government funds, which led to the establishment of a successful equity fund industry, and has been a major driver for growth of the high-tech sector in Israel. The existence of a liquid, dynamic and well-regulated Tel Aviv Stock Exchange open to lowly capitalised companies provides additional opportunities for fast-growing innovative companies to raise risk capital.

INVESTMENT-FRIENDLY TAXATION

Israel assesses the average cost to SMEs of complying with all main taxes and the implications of alternative tax policy regimes to apply to SMEs to address these compliance costs. Israel has also undertaken studies on special tax incentives to increase financing of small enterprises, although these studies have not been reported to senior Ministry of Finance officials for consideration. SME taxpayer assistance to reduce the tax compliance burden is in an advanced stage in Israel. Tax returns, tax information and supporting documentation are widely available to taxpayers; tax information is actively disseminated to businesses; a toll-free telephone service staffed by adequately trained tax specialists responds to taxpayers' questions; and regular discussions are held with national chambers of commerce and other bodies to consider how taxpayer assistance and education could be improved.

ACCESS TO MARKETS

As the domestic market is relatively limited and the regional market largely inaccessible, Israel has given high priority to secure access and develop exports to overseas markets, in particular to the USA and the EU. Therefore it has developed a strong strategy and the tools to implement it. The Foreign Trade Administration is the main institution in charge of export promotion in Israel; it is an arm of the MoITL. The FICC and the Israel Institute for Export and International Cooperation are easing access to the Israeli market and encouraging Israeli companies to export. There are a number of SMEs with technological orientation (usually funded through venture capital) interested in building projects with foreign partners. Facilities such as the ICA and the Israel Institute for Export and International Cooperation try to build mechanisms to sustain contact. To promote exports among young entrepreneurs there are a number of training programmes offered, including through the MATI as operated by ISMEA.

The Israeli government has taken steps to simplify procedures for foreign trade, including computerising procedures for foreign trade, and setting up a virtual one-stop-shop to accommodate exporters. Up-to-date information is available on the MoITL website (and its affiliates' websites) and through monthly publications.

ACAAs

To be ready for the signature of an ACAA with the EU, the partner country should have adequate infrastructure in the fields of standardisation, accreditation, conformity assessment, metrology and market surveillance, and should have adopted the relevant parts of the *acquis*. Israeli infrastructure has an adequate level. Harmonisation of the legislation in the priority sectors chosen by Israel (good manufacturing practices for medicinal products, medical devices and pressure equipment) is well advanced, but the horizontal elements of the new approach have to be integrated in the Israeli legislation on medical devices and pressure equipment. The adoption of European standards in these sectors and the withdrawal of national conflicting ones are under way.

4. Services for enterprises

BUSINESS SUPPORT SERVICES

Most business services which cater to SMEs are offered through the MATI, spread throughout the country in 28 locations. The centres provide consulting services, access to export promotion opportunities and access to finance. The MAI, the FICC and the Lahav also provide similar services in addition to advocacy functions (as elaborated in Section 2 above). One of the top priorities of ISMEA is to promote enterprise creation among members of the Haredim and the Arab-Israeli community. For this purpose it has located MATIs within the targeted communities and launched a series of targeted services, designed in association with the community representatives.

([45]) *2007 Global Entrepreneurship Monitor.*

INNOVATION POLICY

In the 1990s Israel became more aware not only of the potential of SMEs, but also of their innovation potential. With a population density of engineers of 135 per 10 000 people (compared with 18 per 10 000 people in the USA) the impetus to shift focus and to develop a large number of programmes and projects to support developing innovative and high-tech enterprises was in the country's interest. Part of the success of the high-tech industry is due to the government's policy to support and encourage industrial R & D[46].

The institution which has overseen the development of this sector is the Office of the Chief Scientist (OCS) in the MoITL, as presented in Box 7 in Part II, Dimension 6.

Table 24 summarises the types of innovation programmes that exist in Israel; it identifies their purpose, their activities/projects and their achievements. It is not an exhaustive list, but representative of the various tools used to foster innovation.

Table 24: Innovation programmes in Israel

Innovation programme	Purpose	Activities	Achievements
Tenufa	Geared for SMEs, pays for overhead costs, goal is to protect intellectual property	• Higher risk activities • EUR 190–250 million funded programme	• 20 % of projects reach next stage of financing • Self-funding mechanism through royalties earned on innovative products gone to the market
Business/technology incubators	• Extended support for technology-related start-ups • Nurtures novice entrepreneurs at earliest stage of technological innovation	• National programmes with increased funding going to local areas • Ten projects/incubator; spend around EUR 320 000, 85 % of which is supported;100 % graduation rate • Transforms ideas into exportable commercial products • Forms business ventures • Offers physical premises, financial resources, professional guidance and administrative assistance	• More than 50 % of funds go to SMEs • 24 incubators, 15 located in peripheral areas • Some privatised • Absorbs large portion of risk at early stage • Entrepreneurs emerge from incubators with businesses which are self-sustainable
Matimop	Matchmaking activity	• Israeli Industry Centre for R & D and the coordinator of industrial R & D cooperation between Israel and the international high-tech community, and the principal technology clearing house in Israel	• Database for matchmaking, used to serve the purposes of the technology incubators and technology-based companies • Identifying technology transfer needs
Nitsos (est. 1995)	Assists firms to become more creative and innovative (develop new products and new markets)	• Assists SME innovation processes, mainly in the traditional industry sectors • Provides knowledge consulting/assistance, business tutoring and quality management	• Improved sales and revenues derived from new products and new markets • 194 SMEs participated in the programme

EURO-MED NETWORKS

Israel's drive for innovation is reflected in the country's full participation in the EU framework programmes for research and development and for innovation and competitiveness, and in the pan-European Eureka programme for industrial innovation. Participation in such programmes is facilitated by the Israel–Europe R & D Directorate for the EU Framework Programme (ISERD), an NGO operated by a number of ministries, and

(46) Encouragement of industrial research and development law.

by the Israeli Centre for R & D (Matimop), a governmental agency set up by the three major associations of manufacturers. International cooperation is also spurred by bilateral agreements and by the participation of public and private entities in international organisations and networks.

5. Human capital

This section considers the human capital dimensions of the Charter: entrepreneurship education and training, and enterprise skills.

Firstly, while entrepreneurial learning promotion at different levels of the education system is well developed, it lies for the most part outside the formal learning system and is not set against a policy or strategy. It is this issue which the Charter particularly recommends to ensure coherence and efficiency of a country's overall effort on entrepreneurial learning. More specifically, a national lifelong entrepreneurial learning strategy, involving all parts of education in cooperation with the world of enterprise, would reinforce the already good effort by addressing gaps in the curriculum (e.g. entrepreneurship key competence provision). Additionally, it would prompt a sequencing of entrepreneurship education across the learning system allowing for an incremental build-up of entrepreneurial awareness, knowledge and skills. It would additionally guard against overlaps in curricula which can happen when entrepreneurship education is developed and delivered without a strategic framework.

Given the thrust of the Charter on education's contribution to the entrepreneurial mind-set, and the consequent recommendations for promoting entrepreneurship as a key competence (e.g. promotion of creative thinking, opportunity identification, risk-taking, resource management), Israel's performance on lower and upper secondary entrepreneurship education would quickly advance if the key competence recommendations were taken up, and resulting in adjustments to existing curricula and teaching practice.

In terms of dissemination of good practice, Israel's performance particularly stands out in terms of how entrepreneurial learning is promoted through Jewish communities worldwide. And here there is a range of excellent examples including entrepreneurship education for technology start-ups promoted by the Office of the Chief Scientist in cooperation with the Centre for International Cooperation (Mashav).

Regarding enterprise skills (Dimension 3), Israel demonstrates a strong training provider market supported by the national budget and backed up with databases (e.g. ISMEA, MATI) on training provision, allowing enterprises easy access to information on the training offer. Further, key sectoral organisations (tourism, agriculture, financial services, construction) assure specific services for their members. Similarly, Israel scores highly on its training for international trade with well-established services offered by a range of providers, for example ISMEA, the Israel Export and International Cooperation Institute and the Standards Institution of Israel (SII). While data on enterprise training are generally available through the training provider network, there is no single data reference point which could facilitate policymaking and better targeting of resources. This is something which could be considered. Finally, disaggregated data on training for women's start-ups were not identifiable during the assessment although data to satisfy this component of the start-up indicator were sourced from an academic paper. Academic research is generally one-off and unless regularly updated would not satisfy the data demands of the Dimension 3 indicators. In closing, a regular survey of both training providers and enterprises on training needs and training acquisition would satisfy the quantitative requirements of the Dimension 3 indicators in a future Charter assessment.

6. The way forward

The Charter assessment has shown that, over the years, Israel has had a sound and effective enterprise policy, with a good record both in policy elaboration and in implementation. In some areas, such as the availability of risk capital and innovation, Israel's performance is in line with that of the most advanced OECD countries.

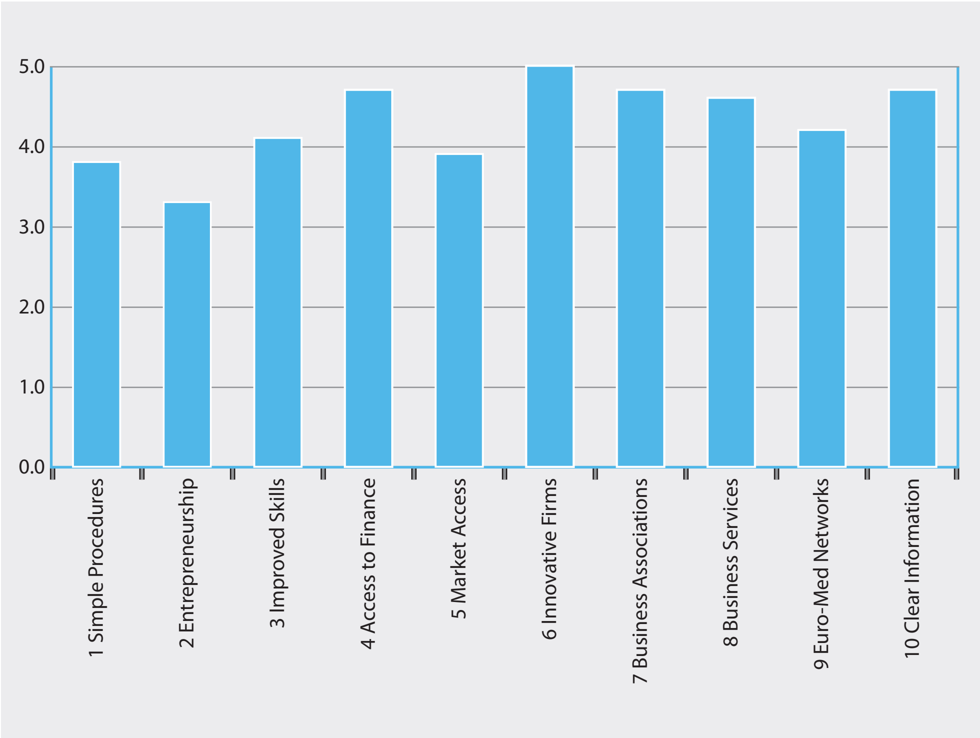
Nevertheless there are still areas for improvement.

- **Institutional framework for enterprise policy.** Israel has adopted a pragmatic approach to enterprise policy and decided not to organise its intervention around a comprehensive enterprise policy strategy. However, the risk of this approach, particularly when government tries to address market failures at a micro-level channelled through highly targeted policy actions, is that public intervention is spread over a large number of small projects, causing issues of coordination and lack of consistency in approach. The government should make sure that agencies targeting the same sector of entrepreneurs work together and favour the exchange of experience across agencies and project teams.

- **Better legislation and administrative simplification.** Progress in this area has been slower than in other dimensions, perhaps as a consequence of this targeted non-comprehensive approach. Israel should move ahead with a systematic programme of legislative review and simplification, and conduct regulatory impact assessments on new legislation and regulations.

- **Human capital.** Israel could consider a more concerted effort to promote entrepreneurship as a key competence within regular school curricula. In terms of overall efficiency and contribution of the schooling system to entrepreneurial learning, the authorities could consider the articulation of a more integrated framework for entrepreneurial learning to ensure a sequencing of effort up through the education system. More effort on promoting an entrepreneurial mind-set in lower and upper secondary education should be considered, with particular attention to the development of key competences like creative thinking, opportunity identification, risk-taking, problem-solving and resource management. Existing curricula and teaching practice should be adjusted accordingly. Promoting entrepreneurship as a key competence would also bring added value to the range of non-formal entrepreneurial learning activities already being delivered. On Dimension 3, to meet the data demands of the indicators, a regular survey of enterprise training, including knowledge/training needs, would allow for better targeting of public resources for business-related training, while ensuring training providers are more able to fine-tune training provision to demand. Gender-disaggregated data on start-up training should feature in any data development effort.

Figure 25: Israel: Overall scores per Charter dimension



Jordan

1. Country overview

Jordan has a long and largely positive track record in implementing structural economic reforms. The first cycle of reforms was sparked by the foreign debt crisis and the ensuing urgent need for targeted fiscal consolidation and macroeconomic stabilisation in 1988–89. In the late 1990s, the government conducted a number of high-profile privatisation and liberalisation processes and started to reduce barriers to trade and foreign direct investment (FDI). The latest cycle of reforms is focusing on the improvement of the business climate, the completion of the privatisation programme and the development of large public–private projects in the energy and transport sectors. At the same time the government is pushing for further opening of the economy through the establishment of a network of free trade agreements (FTAs) with strategic commercial partners. Jordan recently signed FTAs with the USA (its main export market) and Turkey. It is a member, together with Egypt, Morocco and Tunisia, of the Agadir FTA and it is moving towards the dismantling of tariff barriers on imports from the EU by 2011.

Lacking natural resources and an efficient agricultural sector, and hampered by the chronic shortage of water, the country has capitalised on its role as: a regional trade, transport and service hub; a supplier of qualified labour to the Gulf states; and an attractive tourism destination. Economic growth over the last three years has been strong, averaging over 6.7 % per year, led by a construction boom and underpinned by a growing inflow of remittances and FDI, particularly from the Gulf states.

Jordan is located at the centre of an area of high political instability and its high dependence on energy and food imports made it vulnerable to frequent external shocks. Particularly delicate is the economic interdependence between Jordan and Iraq. So far, Jordan has skilfully managed to navigate through periodic phases of regional turbulence.

The industrial sector plays a relatively marginal role in the Jordanian economy, with a contribution to GDP of around 20 %. However, beside traditional capital-intensive sectors such as phosphates, basic chemicals and cement, the country has developed a niche specialisation in pharmaceuticals and a new export-oriented garment sector. The latter emerged over the last few years as a result of the qualifying industrial zone (QIZ) arrangement with the USA[47]. The service sector has a good growth potential, particularly in ICT services, business process outsourcing, healthcare services and business consulting services for the regional market.

Jordan currently faces three challenges: high endemic unemployment and poverty rates (around 14 % each), and an inflation rate of 11 % in the first quarter of 2008. In order to increase gainful employment, reduce poverty and withstand inflation, Jordan must focus on high value-added production whether in services or industry. Furthermore, it should generate domestic employment for its rapidly growing workforce.

2. Enterprise policy and public–private consultation

THE INSTITUTIONAL POLICY FRAMEWORK

Jordan has established a number of agencies implementing enterprise policy in different areas. They include the Jordan Investment Board (JIB), the Jordan Institution of Standards and Metrology, the Jordan Industrial Estate Corporation (JIEC), the Free Zones Corporation (FZC) and the Jordan Enterprise Development Corporation (JE), which is in charge of trade, export promotion and enterprise development. The JE's role has been recently strengthened by being the sole implementation body for all the enterprise supporting programmes, including the Jordan upgrading and modernisation programme (JUMP), the largest and most developed programme for direct company support that received funding from the EU. The EU will further expand the JE's capacity by providing technical assistance and grants for upgrading enterprises in manufacturing, agriculture and services. The capacity of the executive agencies could be improved through a monitoring and evaluation system to measure the impact of the executive agencies on the business environment.

Exchange of information and programme coordination is assured by interministerial meetings, by the fact that the Minister for Industry and Trade chairs the board of each one of the executive agencies, and by a system of cross-board representation. There will be stepped-up coordination when the Jordan Agency for Economic Development (JAED) becomes fully operational, as the JAED has a mandate to improve coordination and exchange of information on enterprise policy. It will serve as a framework to group all development entities under one umbrella. The JAED is also expected to secure private sector orientation in enterprise governance.

Jordan does not have yet a comprehensive enterprise policy strategy, although a paper is being drafted with the support of USAID. The Ministry of Industry and Trade (MoIT) is drawing up industrial policy and sector-specific development strategies, but they have not been published yet. Two important elements, a comprehensive strategy and a mechanism ensuring effective policy coordination based on a shared medium- to long-term vision, have yet to be put in place in Jordan.

PUBLIC–PRIVATE CONSULTATION FRAMEWORK

Private–public consultations mostly take place on the occasion of the elaboration of new policy measures. There is no pre-set framework ensuring regular and systematic consultations. Consultations are relatively transparent and the government has shown on a number of occasions to be open to review policy proposals presented by private sector organisations, as in the case of the impact study on the FTA with Turkey.

Beside long-established institutions, such as the Businessmen Association and the chambers of industry and commerce representing private enterprise interests, new entities, such as the Young Entrepreneurs Association, are emerging; they take a more proactive role in presenting policy proposals while the voice of civil society remains weak. The elab-

(47) According to the qualifying industrial zone arrangement, goods produced in an approved industrial zone in Jordan are granted duty- and quota-free access to the US market, as long as they incorporate inputs from Israel or are produced in a Jordanian –Israeli joint venture.

oration of the industrial and sector-specific development strategies will open the door to more discussion with private sector organisations.

CLEAR AND TARGETED INFORMATION

Jordan has received external assistance for elaborating and disseminating information to the enterprise sector. Basic economic and legislative information is available and disseminated, mainly through the network of the chambers of commerce and industry. However, more sophisticated economic information, such as the database combining trade and investment data created with US support, is not yet accessible to users. Information on business and economic activity related to enterprises is widely available online, but is scattered on several websites, as there is not a single interactive portal for enterprise affairs.

3. Operational environment

ADMINISTRATIVE SIMPLIFICATION

Jordan has established a ministry mandated to: develop the public sector's performance and productivity; improve service delivery; and streamline administrative procedures. Nevertheless, there is a limited role for the Ministry of Public Sector Development (MoPSD) in improving legislation and administrative simplification of enterprise operations. Some of the executive agencies are taking initiatives on an ad hoc basis. The enterprise strategy that is being prepared with the help of USAID should provide for a full review of procedures and legislation affecting enterprises. No attempt has been made to introduce regulatory impact analysis. Nevertheless, financial cost-benefit analyses are performed on legislations dealing with tax or customs tariffs.

COMPANY REGISTRATION

Significant progress has been achieved in reducing time for company registration. A one-stop-shop was established at the Jordan Investment Board in 2004, where investors can deal with seven ministries and several governmental agencies (e.g. Greater Amman Municipality, Department of Land and Survey) in charge of the registration and licensing of projects at once. Although the one-stop-shop is fully operational, private sector representatives have complained that permits are not always granted on the spot and instead only a receipt of the application is granted.

Good progress has been made in developing a system of online registration: companies can now register through the website of the Ministry of Industry and Trade and send the application electronically. However, the law on e-signature has not yet been approved and the applicant must visit the service desk in order to sign the application form in front of the government official. Registration fees can also only be paid in person or though a designated representative who has proof of power of attorney. The Ministry of Information and Communication Technology has started an evaluation of existing administrative procedures and made detailed proposals for the introduction of online registration (currently 52 % of government organisations are represented online).

Further improvements can be introduced. For instance, the principle of 'silence is consent' is not yet applied to company registration procedures in Jordan.

ACCESS TO FINANCE

Access to finance is relatively easy in Jordan compared with other countries in the region. The credit environment is characterised by a comprehensive cadastre and an effective distressed company and bankruptcy law, with evidence of its enforcement and implementation. However, the institutional environment could be further improved by building a functioning registration system for movable assets, and by passing legislation on venture capital funds. The Jordan Loan Guarantee Corporation (JLGC) is an institution based on a joint public–private shareholding (the board is chaired by the Central Bank of Jordan and includes a majority of representatives from the main Jordanian banks): it provides a range of guarantee schemes for SMEs and exporters. Jordan has a leasing law, which assigns the MoIT as the ministry in charge of its implementation. However, there are certain implementation problems, such as the lack of a registry of movable assets or the sales tax regulations which stipulate double taxation if the lease is conducted with a leasing company instead of a bank. Microfinance facilities are mainly state or donor funded. Although a number of equity funds are operating in Jordan, the regulatory and legal framework is not yet completed. Minimum capitalisation requirements for the listing on the Amman Stock Exchange are relatively low, but few medium-sized companies are listed on the market.

INVESTMENT-FRIENDLY TAXATION

There are as yet no assessments of tax impediments to SME equity financing and to risky investment in SMEs, or assessments of compliance costs for SMEs. However, the Ministry of Finance is conducting a study of the impact of taxes on the individual. Additionally, important progress has been made regarding taxpayer assistance to reduce the tax compliance burden. The Income and Sales Tax Department has a call centre and an open window for taxpayers' complaints and information. The CEO of this department hears taxpayer complaints one day a week. Additionally, a tax information website and an e-filing system are currently available.

ACCESS TO MARKETS

Better market access is a Charter area that can be further developed in Jordan. No export promotion strategy is in place, although the JE is currently working with several donors to develop a formal national strategy in 2008 and an export promotion programme (funded by the Commission) will help to implement it starting in 2009. Computerising procedures for foreign trade have been launched. For instance, the Customs Department is using Asycuda++, a computerised customs management system, which covers most foreign trade procedures. The system handles manifests and customs declarations, accounting procedures, transit and suspense procedures.

ACAAs

To be ready for the signature of an ACAA with the EU, the partner country should have adequate infrastructure in the fields of standardisation, accreditation, conformity assessment, metrology and market surveillance, and should have adopted the relevant parts of the acquis. Jordan has started upgrading the infrastructure and is well advanced in harmonising horizontal legislation. The alignment of the legislation in the priority sectors chosen by Jordan (construction products, electrical appliances, pressure equipment, toys and gas appliances) has not yet started. The adoption of European standards in the priority sectors and the withdrawal of national conflicting standards are well advanced.

4. Services for enterprises

BUSINESS SUPPORT SERVICES

With the help of technical and financial assistance, a number of mainly public and donor-funded business service providers have developed their activities over the years. The JE provides a range of services to all types of enterprises ranging from basic training to technological training aimed at upgrading enterprises. The JUMP programme targets the upgrading of SMEs and has created a website listing registered service providers by specialisation. Similar information is also available from the professional organisations.

INNOVATION POLICY

There is a growing perception of the need for more innovation policy in Jordan, where the country is moving from a phase based on ad hoc pilot and donor-supported projects, to a more structured programme, although the country does not have a formal innovation strategy yet. The Jordan Industrial Estates Corporation has set up a network of innovation centres to promote cooperation between industry and universities. In addition, Jordan Innovation Centre (JIC) is building a network of innovation centres and incubators; currently there are seven incubators in operation with two more planned for the end of 2008. There are plans to establish an additional two in cooperation with the 'Support to research and technological development and innovation initiatives and strategies' project. Three business incubators are in operation at Irbid University and one at Jordan University. In addition there are a number of incubators (operational or planned) with a sector specialisation, such as the one located within the Amman ICT City. Different academic and business institutions have helped launch business incubators, including those established by the Jordan Forum for Business and Professional Women, and the Jordan Young Entrepreneurs Association.

On the institutional side, a Higher Council for Science and Technology brings together all the main ministries, institutions and private sector organisations, and coordinates national initiatives in the area of science and technology. In order to be fully effective, these initiatives will have to integrate into a broader policy encompassing for instance the promotion of entrepreneurship and the availability of seed capital for start-ups and risk capital for high-growth enterprises.

EURO-MED NETWORKS

Euro-Mediterranean networking activities between enterprises and between business support services are limited to a few initiatives taken by the Jordan innovation centre network and the Jordan Chamber of Industry. There is considerable scope for developing them and the new EU bilateral and regional programmes promoting export and investment will undoubtedly help Jordan to do so.

5. Human capital

This section considers the human capital dimensions of the Charter. More specifically, the assessment concentrates on entrepreneurship education and training developments (Dimension 2) as well as the support framework for developing trade and management skills for enterprises (Dimension 3).

On entrepreneurship education and training, the assessment concludes that, while there are good efforts being made to promote entrepreneurial learning, this tends to be addressed in a singular manner, without linkages and no concerted vision of where Jordan is going with entrepreneurial learning. This forms the crux of the Charter policy indicator, whose objective is to encourage a sequencing of entrepreneurship promotion across the entire learning system. Particular emphasis by the Charter is also afforded to entrepreneurship key competence development (this includes soft skills like creativity, opportunity identification and risk-taking). This remains to be addressed within the secondary school curricula, and which would be supplemented by more developed business skills in the latter parts of the education system. That said, there are clearly good foundations on which the Jordanian authorities and enterprise world could build. Firstly, the national education strategy makes clear strides towards the development of broader key competences (e.g. languages, mathematics). This could be enlarged to include the entrepreneurship key competence across compulsory education. Secondly, the vocational education and training strategy could reinforce the emphasis given to vocational skills with specific business skills. Thirdly, the national agenda provides a clear framework for university curricula reform in tune with a knowledge society. This could be supplemented with debate as to how the universities respond to the needs of an entrepreneurial society, in particular through cross-campus entrepreneurship education promotion. Progress on the Charter policy indicator could be made reasonably quickly if an established cross-stakeholder body considered the options for a comprehensive lifelong entrepreneurial learning policy framework, while ensuring that the various parts of the learning system interface to create a sequential delivery framework. The Higher Council for Human Resource Development would be well placed to bring this recommendation forward.

On enterprise skills, while there is a well-established network and financing support framework for training provision across the country, there is no systematic tracking of training take-up. Lack of data compromises Jordan's performance particularly on the indicators addressing general training activity by the enterprise community, start-up training and training for expanding businesses where good efforts in management development for growing enterprises are noted. Similarly, Jordan's promotion of training for international markets is well established, and developments in training on e-business would be a step forward in this area.

To move forward on Dimension 3, the enterprise world and public authorities would do well to establish a systematic survey of businesses. Resulting data would have a number of spin-offs. Firstly, reliable data should help policymakers to evaluate investment in enterprise-related training while allowing for better targeting of resources. Secondly, data on enterprise training should flag up training gaps, weaknesses and future skills' requirements to be shared with training providers. This would make for a more responsive training market and improved efficiency in the training effort by prompting a closer fit between demand and supply of training.

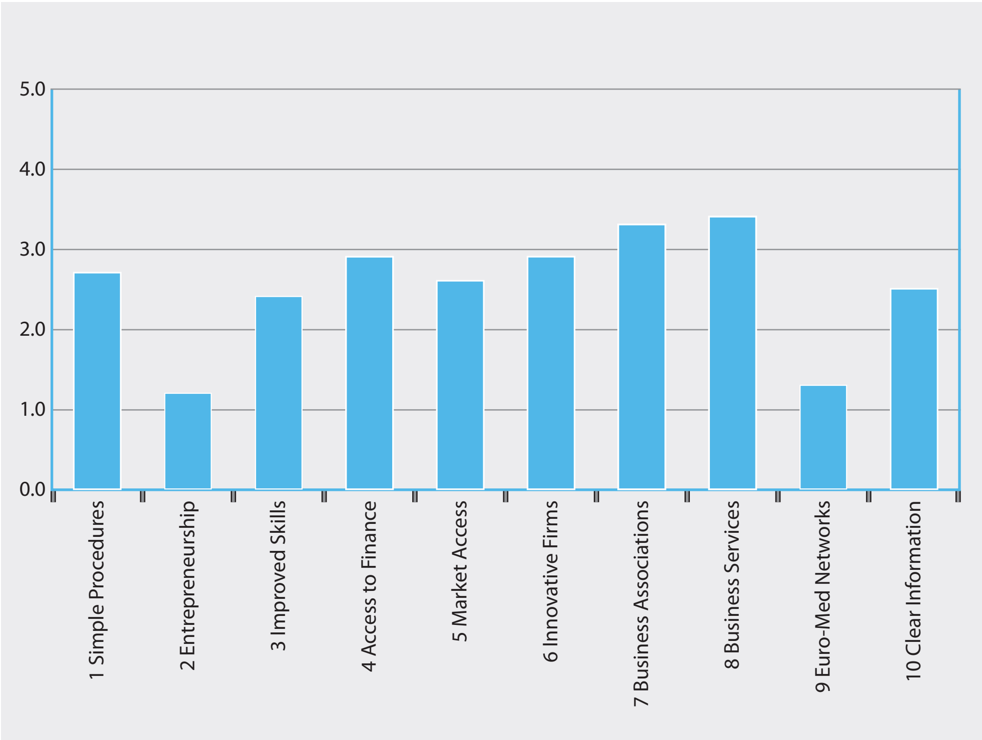
6. The way forward

Jordan's performance across the 10 dimensions of the Charter varies considerably. The country has relatively strong results in a number of areas, such as public–private consultation and provision of services for enterprises. The picture is more mixed in the areas of administrative simplification, access to finance, market access, skills development and innovation (although this policy area is at an early stage of implementation). The assessment shows that progress has been lacking in entrepreneurship learning and Euro-Mediterranean networking and partnerships.

On the basis of the Charter assessment, the following priorities have been identified.

- **Institutional framework and policy coordination.** Jordan was one of the first countries in the MED region to build an articulated institutional enterprise policy framework and to assign policy implementation to specialised government executive agencies. However, policy development has stalled recently. The policy framework needs to be completed: the Jordan Agency for Economic Development needs to act, and coordination at interministerial and inter-agency levels needs to be fine-tuned. The new enterprise strategy (now in the final stage of elaboration) is an opportunity to relaunch this government initiative.
- **Access to finance.** Jordan has a relatively well-developed banking sector, but it needs to continue upgrading its regulatory and legislative environment, for instance by introducing a credit bureau, setting up a registry for movable assets and creating a regulatory framework for equity funds.
- **Innovation policy.** The government is currently developing innovation policy, with significant donor support. At this stage it is important to link innovation support to skills development and concentrate efforts on priority sectors, creating links between local companies and FDI operations; furthermore, Jordan should aim to retain its qualified domestic staff. Progress in this area will require establishing a constructive channel of policy dialogue with the most dynamic private enterprise associations.
- **Human capital.** With respect to Dimension 2, given an already well-established dialogue framework for human resource development in the country, getting to a national lifelong entrepreneurial learning concept with contributions from the range of stakeholders could be easily achieved. Further, the curriculum development authorities should consider how the entrepreneurship key competence could be integrated into ongoing reforms. On Dimension 3, a more developed data system on enterprise training should be considered. This could be led by JEDC or an able socio-economic research body but reporting to a clearly defined public policy body. Data on start-up training should be broken down by gender.

Figure 26: Jordan: Overall scores per Charter dimension



Lebanon

1. Country overview

Over the last three decades, the Lebanese economy has shown remarkable resilience, coping since the mid-1970s with a protracted civil war (1975–90), with recurrent conflicts and invasions by Israel (1982, 1996 and 2006) and with armed conflict and prolonged political instability (2005–08).

GDP grew strongly between 1991 and 1997, thanks to a massive reconstruction programme started at the end of the civil war but growth stalled in the early 2000s, as the reconstruction costs and external debt piled up. The economy progressively accelerated from 2002 on, reaching a peak of 7.5 % in 2004. The assassination of Prime Minister Hariri in February 2005 brought in its wake a new phase of high political instability that produced a sharp deceleration of economic growth. The 2006 conflict caused widespread destruction of infrastructure and housing units. Nevertheless GDP growth rebounded in 2007, with a preliminary estimated growth rate of 4 %, supported by an extensive and largely donor-funded reconstruction programme.

The resilience of the Lebanese economy is largely based on the flexibility of its economic structure (made up almost exclusively of small and medium-sized family-run companies), the strong entrepreneurial spirit of its population, and the solidity of its financial and banking sector. Lebanon had traditionally adopted a laissez faire approach towards policymaking. The economy is widely open to trade and investment; labour and other factor markets are flexible and competitive. The economy is largely based on the service sector, which accounts for around 70 % of GDP, while the share of industry and particularly of the manufacturing sector has been steadily declining. Manufacturing activities accounted for 11.4 % of GDP in 2006.

Decades of conflicts, high political instability and major security risks have led to a significant deterioration of the business environment, once one of the most attractive in the region. They also left a heavy social legacy with large sections of the population living in deprived conditions, excluded from any form of social assistance, where basic health and education services are only provided by NGOs and religious organisations. The protracted political stalemate of the last two years, resolved with the May 2008 Doha Agreement between the various political factions, has heavily constrained the ability of the government to steer the economy, conduct a proactive enterprise policy and address private sector development issues. If Lebanon is to regain its role of a major service, transport and financial hub in the region (in addition to securing lasting political stability and reconstructing its infrastructure network), it will have also to take action to improve its business environment.

2. Enterprise policy and public–private consultation

THE INSTITUTIONAL POLICY FRAMEWORK

There are several institutions in Lebanon responsible for different areas of enterprise policy. These include the Ministry of Economy and Trade (MoET), the Ministry of Industry (MoI), the Investment Development Authority of Lebanon (IDAL), and the Economic and Social Fund for Development (ESFD). The MoI plays a role in the area of industrial policy, primarily by promoting local industry and improving business regulations. The IDAL operates as an independent investment promotion agency. The ESFD was set up to operate in microfinance and to serve as a business development service programme in south Lebanon. It oversees the disbursement of government funds in the area of microcredit.

There is room for improving ministerial coordination and the government has not yet established an overarching strategy for enterprise policy. Nevertheless, some coordination efforts are made. For example, the MoET, in partnership with the MoI and the EU (which provides funding) plays an active role in the elaboration of enterprise policy, specifically for SMEs. In 2005 an integrated SME support programme (ISSP) was established through this partnership The ISSP is based on four pillars of activity: SME support; policy, legislation and regulations; services; and finance. The programme has the potential to improve coordination but its implementation has been slow.

A high-level interministerial administrative simplification programme supported by the Prime Minister and the International Finance Cooperation (IFC) involving the Lebanese post office LibanPost has recently been established. Finally, interministerial committees on economic reforms also ensure dialogue between the various parties, although there is no specific focus on enterprise policy.

PUBLIC–PRIVATE CONSULTATION FRAMEWORK

Professional associations have traditionally been very strong and able to influence policy decisions and protect the interest of their members, sometimes at the cost of the other categories. Involvement of the private sector in Lebanon takes place on an ad hoc basis. The representatives from the private sector, such as the Chamber of Commerce, Industry and Agriculture (CCIAB) and the Association of Lebanese Industrialists (ALI), are invited to governmental meetings regarding sector-specific issues. (CCIAB keeps regular minutes of these meetings.)

In addition to advocacy functions, the CCIAB, ALI and a number of other private sector associations (trade associations which are sector specific, professional associations, economic associations) each perform advocacy functions and provide a range of services for their members. To increase their sphere of influence on the government, an agglomerate association has been formed grouping the interests of four chambers of commerce, the six largest trade associations and three business associations. Nevertheless, their capacity to influence decision-making is somewhat hampered by a lack of structure, limited resources and political differences.

A number of advisory and steering committees have been formed in the ISSP to provide strategic guidance and institutional advice to policymakers. For example, the SME-specific strategy under the ISSP project was finalised following consultation with Lebanese business representatives.

CLEAR AND TARGETED INFORMATION

Since the 1990s, Lebanon has been working towards upgrading its system of information collection and dissemination. A number of donor-funded initiatives have assisted in establishing databases such as the Euro Information Centre through the Centre for Economic Research of the CCIAB, which collects and disseminates economic information. Still, there is no harmonisation across governmental agencies and ministries to create a structure for information collection and dissemination. On the CCIAB website some specific information relevant to enterprises can be found online. In 2002, the Office of the Minister of State for Administrative Reform (OMSAR) launched a one-stop-shop for information consisting of a phone helpline and an Internet website providing access to forms. There have been some developments in improving the interaction between entrepreneurs and public administration through e-filing and e-government (see Box 13).

3. Operational environment

ADMINISTRATIVE SIMPLIFICATION

Since 2005, the government (through the MoET, the Office of the Minister of State for Administrative Reform (OMSAR) and the Ministry of Finance (MoF)) has been working on the review and simplification of current legislation. These institutions have also made some ad hoc efforts in eliminating redundant legislation and regulations, but much remains to be done. To date, there is no system of cost-benefit analysis of new enterprise legislation in Lebanon. There have been some examples of programmes that have eased the administrative burden to open and close a business.

Table 25: Administrative simplification programmes in Lebanon

Ministry	Project(s)/Programme(s)	Achievements
Ministry of Economy and Trade	• Integrated SME support programme (ISSP) (EU funded)	• Identified legal and procedural impediments • Conducted an extensive review of Lebanese legislation pertaining to SMEs • Suggested draft amendments of some articles of commercial law, stamp duty law, etc. • Formed an interministerial technical drafting committee to follow up on draft amendments and their inclusion in existing draft laws currently under discussion in the parliament
	• LibanPost one-stop-shop project (IFC funded)	• One-stop-shop in post offices to obtain company registration • Regionally spread out throughout the country • Saves entrepreneur EUR 1 300
Office of the Minister of State for Administrative Reform	• Strategy for simplification of administrative procedures	• Reduces time and cost burden on citizens • Time-bound examples include a seven working day limit for all applications submitted to various departments at MoET (Intellectual Property Protection Department, Trade Office, Consumer Protection Directorate) • Cost-reduction steps include cancellation of foreign company registration fees
Ministry of Finance	n.a.	• Simplify import–export and customs procedures

COMPANY REGISTRATION

In September 2007, a high-level interministerial administrative simplification programme supported by the Prime Minister and the IFC developed a project to reduce the overall time and costs required to open and register a business. By setting up one-stop-shops in the national post offices LibanPost, and by developing an easily accessible standard form for business registration (available in hard copy at the post office or online), the project has been able to dramatically reduce the cost, the number of steps and the time required to obtain the company registration certificate. A company can begin operations in a week's time: once documents are submitted with the necessary fees to the post office, a certificate of incorporation (registration), a tax identification number and other documents will be received within five to seven business days by mail. It is also noteworthy to mention that the IDAL operates a one-stop-shop for investment.

Despite these various efforts, a 2007 study conducted by the Foreign Investment Advisory Service found that licensing (for industrial or tourism investments), operating (labour, tax, customs, etc.) and locating procedures in Lebanon were still the cause of administrative barriers to creating a business-enabling environment.

ACCESS TO FINANCE

The credit environment in Lebanon is relatively well developed with a number of projects and laws under way to facilitate access to credit. The government is currently developing a large-scale project to upgrade its cadastre. The 'Cadastre organisation modernisation and automation project' (COMAP) is an automation project aimed at preserving property records and automating the work processes involved in real estate property registration and transactions in Lebanon (at the moment cadastres are not available in remote locations). There is no equivalent registry for movable assets. Banks have at their disposal credit information services, which are offered through the Central Bank. Finally, while there is currently a law on bankruptcy and on distressed companies, it is outdated and in practice it takes a very long time to settle commercial disputes in court.

Financial facilities in Lebanon range from secured lending to risk capital. While the Central Bank of Lebanon is enforcing more strict rules on bank lending practices (by recommending minimum levels of collateral), banks have flexibility to manage their portfolios and a majority of banks ask for high collateral for SMEs and start-ups. Although leasing is not a common practice, there is a law fully implemented in this area with three leasing companies in operation.

The credit and guarantee institution, Kafalat, cooperates with several banks and operates under the supervision of the Central Bank. To date, Kafalat has guaranteed more than 5 000 loans, with an average loan amount of EUR 65 000.

Microfinance is a relatively large industry in Lebanon, where government operators have provided credit of up to EUR 18 million (based on 2003 statistics)[48]. There are a number of institutions that facilitate access to sources of microfinance from the public sector and NGOs. Despite these positive developments, access to finance is one of the most significant barriers to enterprise creation and development.

The government Economic and Social Fund for Development (ESFD) helps entrepreneurs who are too small to obtain loans from banks. It operates in the area of microfinance, and the maximum amount of a loan is EUR 20 000. The ESFD gives credit for fixed or for working capital. The ESFD channels affordable funds through partner banks, Banque Libanaise pour le Commerce, Société Générale de Banque au Liban and Credit Libanais, who share a vision for small enterprise development. The ESFD has disbursed EUR 10 billion to entrepreneurs through an enterprise support facility in partnership with the EIB.

In terms of private equity, there are a few recently established funds operating at investment banks and other financial institutions. A new EUR 10 million fund specialised in SMEs was created in July 2007. The private company Berytech has established a seed/early-stage fund with the mandate to invest in promising technology companies. At this stage, only highly capitalised companies are listed on the Beirut Stock Exchange (BSE).

INVESTMENT-FRIENDLY TAXATION

In Lebanon, tax officials have not studied the implications for enterprise financing and investment of double taxation of distributed and retained profit. However, Lebanon reported to have taken into consideration the integration principle when designing its new draft personal income tax law. Assessments of the average cost to SMEs of complying with certain main taxes are currently taking place in Lebanon. Additionally, SME taxpayer assistance to reduce the tax compliance burden is quite advanced. Tax returns, tax information and supporting documentation are widely available to taxpayers; tax information is actively disseminated to businesses through, for example, seminars organised at local level; and a toll-free telephone service with adequately trained tax specialists is provided to respond to taxpayers' questions.

ACCESS TO MARKETS

Despite the importance of export to the Lebanese economy, there is currently no export promotion strategy. In 2006, a law was drafted for the creation of an export promotion agency; the law still awaits final ratification by the parliament. There are a number of ad hoc efforts by both the public and private sectors, and supported by donor institutions, to promote Lebanese exports and companies in the industrial/manufacturing sector. There are also a number of EU-funded projects such as Qualeb (a quality upgrading programme for exports to the EU) and the ISSP (in collaboration with the CCIAB), which have an export promotion component for SMEs. The IDAL is also known for other export promotion and matchmaking, although its efforts are geared at promoting the agricultural sector. Based in the Ministry of Economy and Trade (MoET), Trade Point facilitates trade between Lebanese and foreign partners through matchmaking, provision of statistical information, etc. The only private sector intervention is through the ALI which has created an export promotion council representing the interests of industry.

As part of its administrative simplification programme operating out of the OMSAR and in cooperation with the Ministry of Finance, Lebanon is creating an automation application, and computerisation developments have been undertaken at the level of customs.

(48) Integrated SME support programme, *Inception Report*, July 2005.

ACAAs

To be ready for the signature of an ACAA with the EU, the partner country should have adequate infrastructure in the fields of standardisation, accreditation, conformity assessment, metrology and market surveillance, and should have adopted the relevant parts of the *acquis*. Lebanon has begun upgrading the infrastructure and harmonising horizontal legislation. The alignment of the legislation in the priority sectors chosen by Lebanon (construction products, electrical appliances and pressure equipment) has not yet started. The adoption of European standards in the priority sectors and the withdrawal of national conflicting ones are under progress.

4. Services for enterprises

BUSINESS SUPPORT SERVICES

Business services for enterprises are offered through both public and private channels. The ISSP has established four business development centres (BDCs) in different regions of the country targeting the development of SMEs. These BDCs were established in cooperation with municipalities, NGOs and local enterprises in order to create a sustainable network. The BDCs provide services to innovative businesses by stimulating public–private cooperation on the creation of innovations.

The Euro-Lebanese Centre for Industrial Modernisation (ELCIM) is an EU-funded programme for industrial modernisation. It operates through the MoI to improve performance of manufacturing companies and facilitate access to long-term financing and capital investment. The programme is hosted in the Industrial Research Institute (IRI) and offers consulting, facilities of technology transfer and improving product efficiency. IRI/ELCIM supports a few clusters in sectors like food and beverages, software, packaging and media.

The business associations, such as the CCIAB and ALI, are reported to offer limited services to enterprises. Information on business services is not easily available to enterprises, except for the limited number who have access to the BDCs.

INNOVATION POLICY

While the ISSP and ELIMC programmes offer services in developing innovative enterprises in Lebanon, the policy area has not been identified as a priority. The impetus to stimulate innovation is coming from the research and university sectors. In April 2006, the science, technology and innovation plan (STIP) was established. It is the only innovation research programme with a vision for innovation development in the country. It has emerged out of a joint effort of a large number of Lebanese professionals, scientists and international experts (National Council for Scientific Research (CNRS)).

Furthermore, there are a number of programmes targeting innovative enterprises, including the Lebanese industrial research achievements programme (LIRA), which was launched in 1997 in collaboration with ALI, CNRS, MoI, universities and a number of private organisations. Its aim was to match the activities of researchers with the needs of industry. The LIRA programme is also in the first stages of establishing a technopole to train engineers and to develop new technologies. A technopole in the area of biotechnology and medicine will be added to the Berytech pioneer initiative led by St Joseph's University to supply incubator, counselling and technical support services to start-ups. Two additional technopoles are being developed by the private sector: the Edde Global Village in Jbeil (a media zone project) and the Makse Industrial Park in the Beka Valley.

EURO-MED NETWORKS

Lebanon has been connected to a number of EU networks for enterprises over the past years and is considering participating in the EU competitiveness and innovation framework programme as a way to maintain and upgrade these connections.

5. Human capital

This section addresses the human capital dimensions of the Charter, set against a growing awareness that a skilled and knowledgeable workforce is critical to competitive enterprises. The Charter also affords particular emphasis to entrepreneurship education and training, seen as key to developing awareness and readiness of young people to consider entrepreneurship as a realistic career option.

On entrepreneurship education and training, the assessment points to limited developments in terms of policy and delivery in lower and upper secondary education. While there are some excellent projects promoting entrepreneurship at selected lower secondary schools (e.g. the InJaz initiative), the Charter's recommendations go wider. The Charter recommends that all school children have access to entrepreneurial learning and particularly that entrepreneurship as a key competence be mainstreamed across the formal education system. It additionally encourages harder business skills development (e.g. business planning, book-keeping, start-up training) offered as compulsory or elective subjects from upper secondary education onwards. To ensure that such developments take place, a national dialogue, with a view to policy and strategy building for lifelong entrepreneurship education, could be considered. This would immediately ensure the progress of Lebanon on the 'policy' indicator. Dialogue could build on the national education strategy; this already gives specific attention to entrepreneurship promotion at third-level education, but the dialogue could go wider to early education and R & D developments (where there is already good recognition of the need for entrepreneurship incentives by the STIP). The objective of strategy building should be to create a comprehensive framework for entrepreneurship education bringing together all parts of the education system and interfacing with enterprise and services already offered by an active non-governmental sector. Assuming a national commitment to strategy building, the curriculum authority (CERD) would require technical and financial assistance to see through the implications for curriculum adjustment, teacher training and school management. Given the challenge of the 'across-system' developments, international support to the national authorities could be sought.

One feature of the assessment which stands out particularly in terms of policy innovation is the development of entrepreneurship as a primary pillar of careers guidance and counselling. Although still in an early phase of development, this is clearly an area for policy learning by fellow countries in the Euro-Mediterranean region and beyond. It could be considered by the education authorities as an area to be eventually brought forward for regional dissemination.

In terms of skilled manpower within the enterprise environment, Lebanon stands out for its efforts in promoting trade skills for enterprises and particularly management development for expanding businesses at four regional enterprise centres where public and private funds are dovetailed to good effect. However, if Lebanon is to make better headway on this area of the Charter, a concerted effort is required to build baseline data on enterprise training needs and training take-up. This will be important to determine effectiveness, particularly of start-up training where significant public funds are allocated, and where policy adjustments and more efficient resource allocation are needed.

6. The way forward

Lebanon has received relatively poor scores in most of the Charter dimensions, with the exclusion of access to finance and innovation policy. Particularly critical has been the assessment of entrepreneurship training and skills development. On the other hand, the analysis above shows that Lebanon has a relatively well-developed institutional framework and has the capacity to conduct innovative and effective reforms, as demonstrated by the recently introduced company registration reform. The country's relatively poor performance is due largely to internal political strife and the legislative stalemate that has affected the country since the assassination of Prime Minister Hariri, and the aftermath of the 2006 conflict, which shifted efforts to emergency reconstruction, putting economic reforms at a lower level of priority.

On the basis of the Charter assessment, the following priorities have been identified.

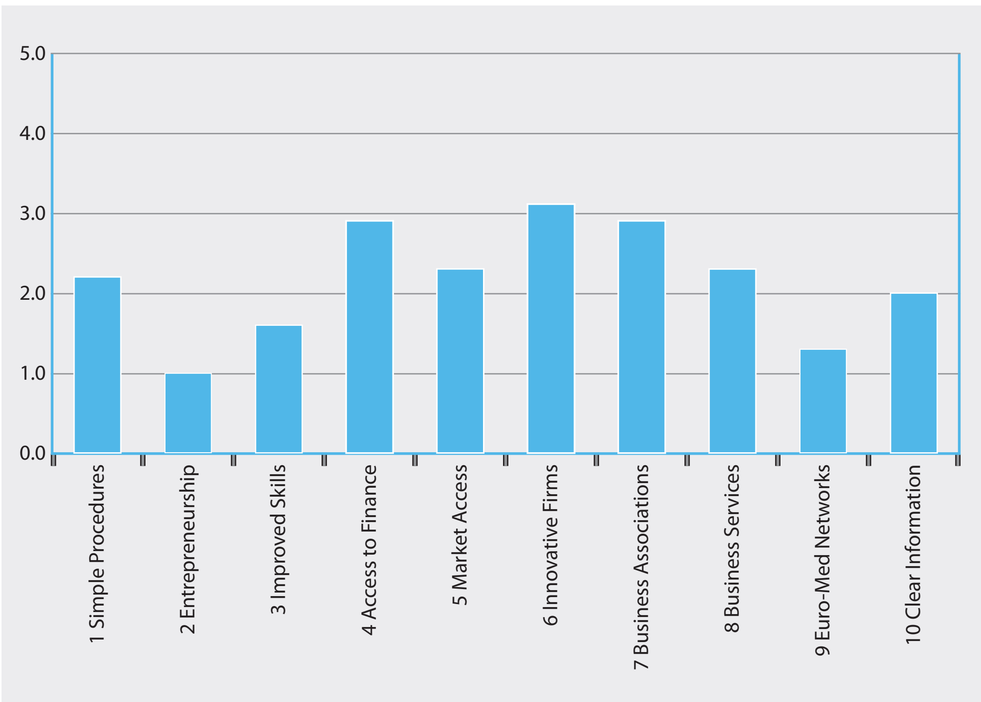
- **Institutional policy framework.** The first priority is to reactivate work on the enterprise policy agenda set in 2005, taking into consideration necessary changes and integration to fit to the new political and economic context. In particular, the country should further develop the integrated SME support programme, launched in 2005, and resume work on the four pillars of the programme. This will require relaunching consultations with the private sector in order to redefine priorities and update the work programme.

- **Regulatory reform.** The priority is to resume the work started under the framework of the strategy for simplification of administrative procedures through the MoET, the OMSAR and the Ministry of Finance, focusing on the administrative constraints imposed on small enterprises, the bulk of the Lebanese productive sector.

- **Business support schemes and services.** There is a need to expand the network of the business development centres through the country, upgrading their structure and using them as a channel to deliver government and donor-funded programmes. Morocco and Tunisia have created similar structures and their experience could be valuable to Lebanon.

- **Human capital.** With respect to Dimension 2, the education authorities should initiate a dialogue with the private sector, non-governmental interest groups and universities to determine how a more comprehensive effort to promote entrepreneurial learning could be established. Secondly, the good initiative to promote entrepreneurship through school guidance and counselling services should be brought further with an objective to share experience regionally and beyond. On Dimension 3, baseline data on enterprise training (management and occupational skills) for enterprises need to be established. Differentiation of start-up data by gender will be important for Charter monitoring purposes. This would allow for more effective policymaking and better targeting of public funds for enterprise training.

Figure 27: Lebanon: Overall scores per Charter dimension



Morocco

1. Country overview

Over the last five years the Moroccan economy has gone through major transformations resulting from an extensive process of economic reforms, a progressive opening to trade and investment, and increasing integration with the EU economy.

Economic growth between 2001 and 2007 has been strong, at an average yearly rate of 5.4 %, and significantly higher than in the previous decade. The medium-term economic outlook remains positive. Most importantly, the share of industry and services in GDP and total employment has grown significantly, partially lowering the high dependence on output from the agricultural sector, which has been subject to large fluctuations caused by frequent droughts.

The performance of the export-oriented sectors, such as electronic components, textiles and garments, has been particularly strong. However, the last two sectors suffered a temporary setback in 2005–06 following the abolition of Multi-Fibre Agreement quotas and the liberalisation of imports into the EU (the main Moroccan export market) from China and other Far East producers. The performance of the tourism sector has been particularly dynamic, growing at 10–15 % per year over the last three years and producing significant spillovers for the construction and transport sectors. At the same time, following the privatisation and liberalisation of the telecommunications sector, a new advanced service sector linked to ICT and business processing outsourcing is emerging.

According to the national company register (OMPIC), more than 95 % of Moroccan enterprises are SMEs. Those enterprises account for 50 % of total employment, 30 % of total exports and 40 % of total private investment. Thanks largely to the growth of the SME sector, total unemployment fell below the 10 % mark in 2007. Annual new company registrations more than doubled between 2000 and 2007, stabilising at around 30 000 new registrations per year, an indication of the impact of reforms engaged since the 1990s, of the reduction of entry barriers and of the multiplication of business opportunities.

However, the SME sector still presents a number of structural weaknesses such as a low value-added sector, undercapitalisation, poor productivity and limited management skills. Moroccan SMEs are struggling to develop linkages with the growing number of multinational companies establishing production facilities in the country.

The government is well aware of the need to stimulate productivity growth in the traditional export sectors (textiles, food processing, fisheries) while at the same time diversifying into higher value-added sectors such the automotive industry, electronic components and aeronautics.

The challenge for Morocco is to build on the initial success of the first phase of economic reforms, accelerating the pace of change and developing new skills, but at the same time avoiding the risk of developing a dual economy, where a fast-growing urban economy ever more integrated with the EU is offset by a backward rural economy linked to subsistence agriculture.

2. Enterprise policy and public–private consultations

THE INSTITUTIONAL POLICY FRAMEWORK

The leading institution for elaborating and coordinating enterprise policy in Morocco is the Ministry of Industry, Commerce and New Technologies. Specific policies set by the Ministry of Economy and Finance, the Ministry of Agriculture and Fisheries, the Ministry of Tourism and Handicrafts, the Ministry of Foreign Trade and the Ministry of Interior contribute to defining the operational environment for business.

In addition, the Ministry of Economic and General Affairs plays a role of overseeing the overall economic reform agenda, including areas such as corporate governance or competition.

In 2002, with the approval of the SME Charter (Law 53-00), the government set the stage for its policy towards the SME sector. The Charter clarified competencies among government institutions and established a new proactive policy to promote the development and creation of SMEs in partnership with the private sector. It also established the National Agency for SME Promotion (ANPME). As the operational public sector institution dealing with the promotion and support of SMEs, the ANPME's main mission is to pilot and implement the national competitive modernisation programme. Operating as an executive agency, it also plays an important role as an advocacy body in the government policy debate.

At the same time, the government adopted the Rawaj Vision 2020 strategy specific to the trade sectors. The approval of the *Plan Emergence* in 2006 set the strategic objectives for the country's medium-term industrial policy to 2015, identifying priority sectors and upgrading policy tools. Sector-specific strategies have been designed that relate to tourism (*Plan Azur*), ICTs (e-Maroc 2010), transport, energy, audiovisual industry and handicrafts. Even if the country does not yet have a comprehensive enterprise policy strategy, it has made efforts to set strategic targets and link medium-term strategies to executive plans. The Ministry of Industry, Commerce and New Technologies, which has been in charge of the implementation of the three key strategic documents (Charter for SMEs, the Rawaj Vision 2020 and the *Plan Emergence* 2015) is in a position to liaise among institutions and develop synergies among the different programmes.

The level of coordination among relevant government institutions is generally good and is reinforced in high-level interministerial committees focusing on competitive modernisation of enterprises, enterprise creation and corporate governance.

PUBLIC–PRIVATE CONSULTATION FRAMEWORK

Over the last 10 years, there has been significant improvement of the inclusion of private sector and other stakeholders from civil society in consultations with government. Consultations are open and transparent. They have become more regular, better embedded in institutions and broader in scope, although greater progress is possible in all these areas. Private sector associations and professional organisations have widened their membership base. They have a well-developed regional network and have been taking steps to strengthen their policy proposal capacity. The EU has supported such improvements (for example, through the PAAP programme[49]).

(49) PAAP is a support programme for professional associations.

Government institutions and private sector associations should now build effective tools to monitor the impact of policy measures, progress in meeting strategic targets and improving the business climate more broadly.

CLEAR AND TARGETED INFORMATION

There has been a significant improvement in the quality, range and dissemination of government information to enterprises. A large amount of information has been posted online and is available on the websites of various public institutions and agencies. Further improvements could be achieved by completing the arsenal of intelligence mechanisms, eliminating redundant and obsolete information, standardising information presentation and linking more closely the information that is available online for enterprises, for example through the construction of a single portal for all enterprise affairs.

3. Operational environment

ADMINISTRATIVE SIMPLIFICATION

In 1992 the Moroccan government took action to simplify administrative procedures and regulation for enterprises, including using ICTs and seeking local players' cooperation. For instance, a commission established in 1999 has examined 750 procedures, 200 of which have been simplified. The ministry responsible for modernising the public sector also took steps for the benefit of both individuals and companies. Despite these successes, a cross-sector, multiannual simplification strategy has yet to be defined. Moreover, Morocco could introduce a system of cost-benefit analysis for new enterprise legislation and regulation.

COMPANY REGISTRATION

One area where administrative simplification has made significant progress is in the reduction of the time and number of steps required for an enterprise owner to open and close a business. An enterprise can be registered in 48 hours upon presentation of a single form (requires only one step) during a visit to a one-stop-shop in the 16 regional investment centres (CRIs) throughout the country. Registration procedures for limited liability companies still remain burdensome and long, requiring more than 10 administrative steps. Registering and closing a limited liability company remains costly for enterprise owners. Morocco has not yet implemented a 'silence is consent' practice for administrative registration.

ACCESS TO FINANCE

Since the 1990s, Morocco has performed relatively well amongst its peers, with regard to improving access to finance and developing a sound and competitive banking and financial sector. The country has worked hard to improve the legislative and regulatory environment for financial institutions, strengthen the banking sector through privatisation, recapitalise local banks, open up to foreign investment and diversify the supply of financial services.

A number of developments have improved access to credit: over the last few years, Moroccan banks have started to take a keener interest in SMEs, designing specific products and services for different types of enterprises as well as centres dedicated to their SME clients. They are introducing a credit rating system complying with international standards.

Eleven credit guarantee schemes funded by the state and operated by two specialised entities (CCG) [50] and Dar Addamane) are working closely with the commercial banks whose approach in terms of collateral requirements remains conservative.

For over a decade, Morocco has been building microfinance facilities; it has become a leader in this field in the MED and greater Middle East region. Microfinance facilities can provide loans of up to EUR 4 500. They are run by a number of specialised NGOs and offer a wide range of products. Currently they boast over 1 million beneficiaries, more than 60 % women.

The availability of risk capital in Morocco has been growing due in part to the support of the EIB. The regulatory framework is set to improve, thanks to 2006 legislation that gives incentives to venture capital fund managers to invest in SMEs as defined by the SME Charter. The reform of the stock market, the development of a new listing reserved for companies with low capitalisation and the creation of fiscal incentives have opened up new options for equity funds and new opportunities for raising risk capital. The transition from a traditional banking and financial environment (dominated by asset-backed lending) to a more diversified and competitive environment is still in progress. This transition is essential for providing the resources to support the move towards the more innovative and value-added sectors outlined in the Plan Emergence.

Despite these improvements, micro- and small enterprises and new entrepreneurs regularly claim that access to finance remains a problem. This can also be said for enterprises in the middle market segment (middle-sized companies by definition do not fall under microfinance) that do not have sufficient fixed assets to back their financing needs. Problems are also rooted in enterprises themselves: in addition to the lack of financial information, many enterprise owners (who would otherwise be eligible for credit) are unaware of banking and alternative sources of financing, such as leasing and factoring.

INVESTMENT-FRIENDLY TAXATION

Morocco has been engaged in well-structured fiscal reforms for several years. The VAT system has been the subject of recent tax reform, while currently Morocco is moving forward with plans to reform its system of personal and corporate income taxation. Additionally, Morocco is spearheading fiscal transparency efforts by reporting and publishing tax expenditures from October 2005.

ACCESS TO MARKETS

Since 1992 Morocco has been revamping its export policy to put into place a number of institutions and mechanisms to better structure and facilitate exports. The Ministry of External Trade is in charge of elaborating an export promotion strategy, yet it still lacks sectoral action plans. Linked to the ministry are a number of executive bodies and high-level steering committees whose roles range from export promotion, to

([50]) CCG is a credit guarantee fund for young enterprises.

regulation, to conforming to standards and to simplifying procedures. These bodies cater to exports to Europe (Morocco's biggest export market) and facilitate trade with Morocco's numerous regional trading partners. The country has made some headway in simplifying procedures, with approval for the creation of a one-stop-shop for export. A pilot project has been launched to migrate from paper medium to the computerisation of foreign trade procedures. Regulatory and procedural information relating to foreign trade can be found on a number of governmental websites, in addition to private associations (i.e. ASMEX).

ACAAs

To be ready for the signature of an ACAA with the EU, the partner country should have adequate infrastructure in the fields of standardisation, accreditation, conformity assessment, metrology and market surveillance, and should have adopted the relevant parts of the acquis. In Morocco the upgrading of the infrastructure has started and harmonisation of the horizontal legislation is well advanced. The alignment of the legislation in the priority sectors chosen by Morocco (machinery, construction products, electrical appliances, gas appliances and toys) has started. The adoption of European standards in the priority sectors and the withdrawal of national conflicting ones are under progress.

4. Services for enterprises

BUSINESS SUPPORT SERVICES

A number of publicly funded institutions supported by donors and privately-run professional associations offer a range of services to enterprises. In order to facilitate access to such services across the country, the ANPME has put in place the *Réseau des intervenants régionaux pour la modernisation compétitive des entreprises* based on the provincial delegations of the Ministry of Industry, Commerce and New Technologies. The role of this network is to promote services to enterprises and entrepreneurs and to inform them about the conditions of access.

The provision of targeted services to enterprises through the various programmes of enterprise upgrading has been very important. These programmes have been managed by THE ANPME, with the support of the European Commission, UNIDO and a number of bilateral donors. These programmes have significantly contributed to the technological and managerial upgrading of a good number of SMEs.

Information on services to enterprises can be found on a number of online sources. One challenge is to keep this information up to date. In addition, there are still some gaps in the expertise, the regional coverage needs to be further improved and the funding remains insufficient.

In terms of enterprise creation, the government of Morocco has established the Moukawalati programme promoting entrepreneurship among youth. (For more information on this programme, refer to Box 9.)

INNOVATION POLICY

The country has made promoting high-growth and innovative enterprises a priority. Strategies have been defined for sectors such as ICTs, while programmes actively support R & D and innovation. Their design and implementation is increasingly based on wide-ranging consultation and public–private partnerships like those involving universities and research centres (and in a few cases the local branches of multinational enterprises). Funding is provided by the state and falls short of meeting the set objectives. Interestingly, innovation promotion mechanisms include fiscal incentives. Knowledge and technology transfer networks, industrial technical centres supported by the EU, innovation parks and centres, innovation awards, guarantee schemes to ease access to finance, awareness-raising and matchmaking events are catering to the supply and demand for technological services. In addition, 12 enterprise clusters have been set up since 1995. Also, six incubators networked throughout the country offer a range of services including financial assistance during the start-up phase, accompaniment and support with protecting innovations (especially in intellectual property rights). Start-ups have difficulty in exiting these incubators because of the lack of seed and risk capital and industrial land. At this stage the business incubator system is still in a pilot phase and good policy practices on service support, accreditation criteria, incubator size and orientation are slowly developing.

The country has not yet put legal instruments for coordinating the various strategies, programmes and instruments in place. Establishing monitoring programmes to gauge whether these tools are meeting targets and determining the level of their use particular by SMEs could be useful for the eventual scaling up of successful pilot projects.

EURO-MED NETWORKS

With the support of donors, in particular UNIDO, the European Commission and Italy, some limited experience has been gained in networking local or sector specific clusters, service providers and enterprises at Euro-Mediterranean level. There is considerable scope for increasing and strengthening such networks. The three-year Euro-Med 'Invest in MED' programme supported by the European Commission will help Morocco to do so, and the country can apply to participate, for example through the ANPME, in the 'Enterprise Europe network'[51] among other networks to develop the export and innovation potential of its enterprises.

5. Human capital

Turning to the human capital dimensions of the Charter, the assessment considered developments on entrepreneurship education and training (Dimension 2) and the skills context of the enterprise sector (Dimension 3).

On entrepreneurship education and training, the assessment examined existing education and training policies and how these contribute to a more entrepreneurial mind-set and behaviour, particularly of young

([51]) The 'Enterprise Europe Network' was launched by the European Commission in early 2008. It is made up of close to 600 partner organisations in more than 40 countries, promoting competitiveness and innovation at the local level in Europe and beyond.

people. Firstly, the education and training *Charte nationale* (a macro-policy framework for education, training and research) lays particular emphasis on promotion of the entrepreneurial mind-set. It also provides for more developed entrepreneurship skills within the general and vocational education environment. Secondly, the *Livre Blanc* sets the curriculum framework for entrepreneurial learning (confined to vocational education, economic streams and certain areas of higher education). Taken together, these two documents provide a sound basis for Morocco to move forward in developing a more comprehensive approach to entrepreneurship education involving all levels of the learning system. This will require that the range of interest groups (public, private, non-profit) consider how the existing policies could be adjusted and/or complemented to ensure a more lifelong entrepreneurial learning policy perspective, including monitoring of an eventual work programme to see through the priorities.

Turning to entrepreneurship promotion in secondary education (ISCED 2 and 3), the assessment found good efforts being made in developing entrepreneurship skills, including excellent examples of school–enterprise cooperation through the 'one school, one enterprise' initiative. Still missing in the curricula, however, is the promotion of entrepreneurship as a key competence, considered by the Charter as critical to developing the entrepreneurial characteristics and mind-set which would have potential spin-off later in life. The key competence agenda calls for reflection on how existing curricula and the teaching process allow young people to acquire entrepreneurial learning attitudes and traits (e.g. creativity, opportunity identification, risk assessment, resource management skills). This could be built upon with more specific entrepreneurship skills (e.g. business planning, book-keeping, start-up training) later in the formal and non-formal education and training environments.

The Charter lays considerable emphasis on good practice dissemination in the bid to ensure that other education and training environments benefit from the experience of tried-and-tested entrepreneurial learning promotion. The assessment finds that, while there are examples of Moroccan good practice being shared and adapted by other entrepreneurial learning environments outside the country (e.g. the Moukawalati initiative), there is no regular and systematic exchange of experience and know-how within the country. Given the wealth of initiatives on entrepreneurial learning, education and training providers would benefit from a systematic sharing and dissemination of activities in-country. This forms the crux of the 'good practice' indicator.

In terms of enterprise skills (Dimension 3), Morocco demonstrates a well-developed training market, including start-up training and services for expanding businesses, with web-based information allowing enterprises to easily research the training offer. However, Morocco's performance generally on Dimension 3 is compromised by a lack of systematic data on enterprise training which would allow for a better appreciation of national investment and priority-setting. To conclude, employers and national authorities could consider a regular survey of the enterprise environment which would establish a data set against which existing enterprise and training policies, including investment, could be measured and adjusted.

6. The way forward

Morocco is making steady progress in building an effective enterprise policy framework. The results of the Charter assessment show that the country is building the basis for sound policy, working on strengthening institutions, building the legal and regulatory framework and learning from good practices. The country has adopted a participative approach to policy development, putting the emphasis on consultation and on reaching a consensus shared by government institutions and key policy stakeholders, as indicated by the relatively high score achieved under Dimension 7. While a participative approach may slow down the pace of reform, it contributes to the quality of government policy. However, much remains to do in several Charter areas, particularly related to human capital development.

In general terms, government strategy appears to be well-structured and balanced. The problems lie more with regard to resources available to support government actions, and maximising resources to build synergies among the various programmes, particularly in the area of skills development and innovation.

On the basis of the Charter assessment, the following priorities have been identified.

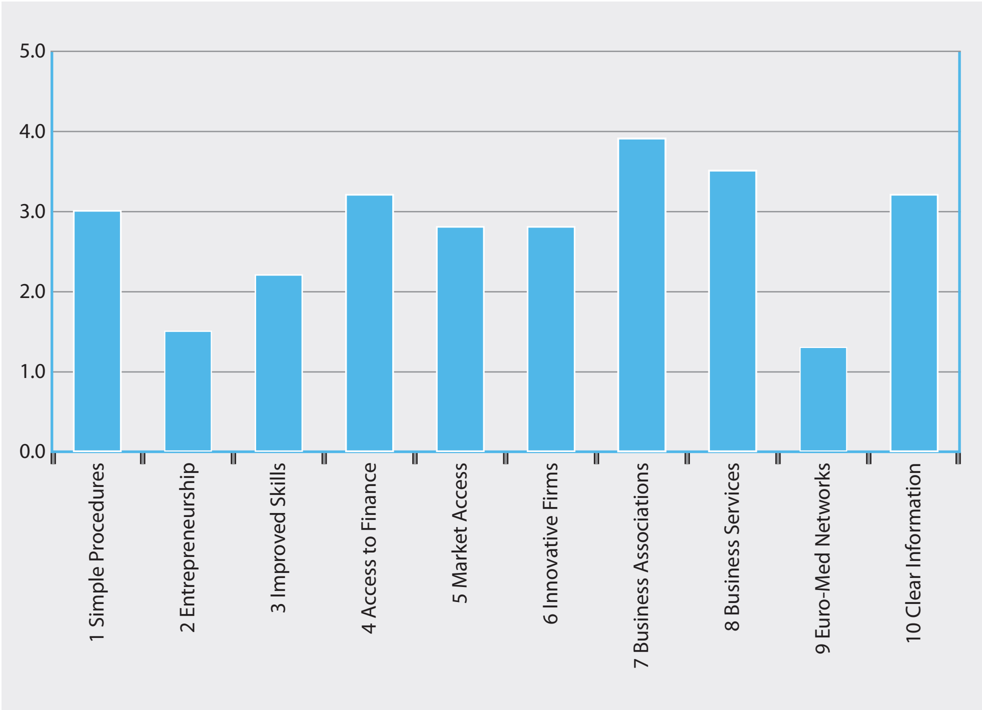
- **Regulatory reform and administrative simplification.** Morocco should ramp up its efforts in this Charter area and plan to move from a strategy that puts the emphasis on public sector reform, to a systematic review and simplification of the legislative and regulatory framework covering business activities. It should also start to build the groundwork to perform regulatory impact analyses on major new legislation and regulations affecting the business sector.

- **Access to finance.** Morocco has achieved good progress in this area, particularly in microfinance and in the development of a diverse range of financial products for SMEs. However, access to finance, even for dynamic SMEs, is still constrained by low company capitalisation and by the widespread use of non-transparent accounting practices. In order to address these challenges it is necessary to operate both on the tax front, creating incentives for entrepreneurs to declare and to reinvest profits into their company, and on the training and education of the entrepreneurs.

- **Innovation policy.** Morocco should adopt a systematic and strategic approach to review the scope of existing instruments and to create synergies among the different ad hoc programmes in operation. For instance, the network of business incubators should be extended throughout the country and should focus more on sector specialisation. There is scope to develop synergies by setting guidelines for company graduation and to create joint partnerships with entrepreneurship development programmes and with universities/higher education institutions. More emphasis should be placed on developing linkage programmes between Moroccan and foreign-owned companies, in order to extend the range of local suppliers, and increasing their technical and managerial skills.

- **Human capital.** On Dimension 2, good policy efforts could be maximised by way of an overarching framework for lifelong entrepreneurial learning to ensure that each part of the learning system contributes to an ordered sequence of entrepreneurship promotion from primary education through to tertiary level. Secondly, the curriculum authorities could consider how the entrepreneurship key competence could be developed through primary and secondary education. Pilot schools with a policy mandate would accommodate this recommendation. Thirdly, better value could be made of the range of entrepreneurial learning and enterprise HRD practice if the range of players could commit to a regular sharing of information on key developments. A web-based knowledge-sharing system could be considered to meet this proposal. On Dimension 3, the authorities should determine how existing data sources on enterprise training could be drawn on for the purposes of the statistics required of Dimension 3 indicators. Data gaps (e.g. gender-disaggregated data) should also be addressed.

Figure 28: Morocco: Overall scores per Charter dimension



Palestinian Authority

1. Country overview

The Palestinian Authority was established in 1994, as a result of the Oslo Agreement. The Palestinian Authority has jurisdiction over the West Bank and Gaza territories, occupied by Israel since 1967. In reality the Palestinian Authority's administrative powers are heavily curtailed. At the time of writing of this report, Israel controls most of the external borders of the West Bank and Gaza territories. Internal and external movement of people and goods are subject to systematic security controls and restrictions. Some 60 %(52) of the West Bank is designated as Area C, upon which Israel has full security and most of the administrative control. In addition, Israel maintains 580 security checkpoints(53). The Gaza Strip has been increasingly isolated since 2007 and only humanitarian aid and a limited quantity of fuel and basic commodity supplies are allowed in. The Palestinian Authority's trade regime is based on a customs envelope with Israel, according to the Paris Protocol, which also assigns to Israel the task of collecting import duties and VAT on imported goods. Nearly all external trade is conducted with or through Israel. Goods shipments are channelled through five crossing points between the West Bank and Israel and one crossing point between Israel and Gaza.

The territories lack significant natural resources. The economy is heavily dependent on imports of basic inputs. Its exports have traditionally been fresh agricultural products for the Israeli market, cut flowers, textiles, garments and other light industrial products produced through subcontracting arrangements with Israeli companies. Stone and marble is the West Bank's biggest export product. The economic activity in the West Bank and in the densely populated Gaza Strip is therefore heavily dependent on access to the Israeli market and to Israeli port and transport facilities. Following the Oslo Agreement, improved market access conditions and relative political stability led to a phase of rapid expansion of the Palestinian economy, with an annual average growth rate in excess of 6 %. The starting of the second Intifada in 2000, coupled with increased security measures by Israel, signalled the beginning of a sharp economic recession (2000–02), followed by a weak recovery in the West Bank and a general rise in unemployment, which at the end of 2007 was close to 23 %, up from 10 % in 2000. With a rapidly expanding labour supply, the employment outlook is very problematic. Furthermore, the economy in the Gaza Strip has continued to deteriorate, with a sharp contraction over the last year and the virtual stop of any manufacturing activity.

The downturn has wrought significant changes to the economic structure. Private sector activity has ceased to be the main force driving economic growth and job generation. There has been instead a significant expansion of public sector expenditures and public sector jobs. The Palestinian Authority's budget is very heavily dependent on external aid, and since 2006, government functions have been severely constrained by the lack of financial resources. Unless the economy is put again on a growth path and workable market access conditions are re-established, income per capita will continue to contract, and the dependence on external aid and remittances will further increase, leaving room only for low-level retail and service activities and subsistence agriculture. On the other hand, the economy has proved to be resilient to continued shocks and acute political instability, the quality of the workforce is generally good, the Palestinians are highly entrepreneurial, there is a good dialogue between the public and the private sectors, and the volume of committed donor support is considerable, ensuring the basis for a possible recovery.

2. Enterprise policy and public–private consultation

THE INSTITUTIONAL POLICY FRAMEWORK

Under the current arrangements, the Palestinian Authority has direct competence over most of the enterprise policy areas, from business regulations to access to finance, education and training. However, it has no control *de facto* over the external trade policy and little jurisdiction over the establishment of industrial and trade zones, as Israel retains the final decision powers over large real estate projects. Therefore the Palestinian Authority has powers to enact policy measures that may improve the business environment, but, alone, it has no leverage over the removal of the most important barriers to economic development, notably pertaining to trade and territorial management. Progress in those areas is directly linked to the implementation of the peace process. International donors play a determinant role in shaping the policy towards the private sector, through budgetary contributions to the Palestinian Authority and through direct project implementation for the benefit of the Palestinian Authority, or often conducted in partnership with local NGOs and civil society partners, without direct intervention by the Palestinian Authority.

Government action over the last two years has been significantly impaired by the lack of funds and by political instability. There is no formalised government strategy for promoting enterprise development. Policymaking is conducted on an ad hoc basis. There are a number of documents elaborated by international institutions, the European Commission and bilateral donors. Private sector organisations and NGOs, with donor support, have organised workshops aimed at formulating strategies for specific sectors, but the efforts have so far lacked continuity, and in most cases resulted in lengthy reports, whose recommendations have not been implemented.

The Ministry of National Economy is responsible for most of the enterprise policy areas and supervises the activity of the Palestinian Investment Promotion Agency, the government executive agency in charge of FDI and domestic investment promotion and support, as well as of other specialised bodies such as the Standards and Metrology Institute.

The actual implementation process can be identified as one of the least developed areas within enterprise policymaking. There is no clear structure in place for monitoring implementation (e.g. implementation deadlines, monitoring of goals and progress in implementation, etc.). Legislation is passed without clear indication of when and how it will be implemented. Private sector representatives have observed a particular stalling of the implementation process since the legislative elections of January 2006.

(52) At the beginning of 2008.
(53) World Bank (2008), *Implementing the Palestinian Reform and Development Agenda*, World Bank, Washington DC.

PUBLIC–PRIVATE CONSULTATION

An essential element for effective policymaking is the establishment of a close dialogue on the cooperation between the Palestinian Authority institutions, the private sector, civil society and the donor community, through all the phases of policy elaboration and implementation. Private sector organisations such as the Federation of Chambers of Commerce, the Palestinian Businessmen Association, the Palestinian Trade Centre (Paltrade) and the Palestinian Federation of Industries play a considerable role in shaping and implementing enterprise policy measures. Coordination between these institutions and the government has improved significantly since the establishment of a private sector coordinating body, the Private Sector Coordinating Council. Yet overlapping and inconsistencies persist.

Public–private dialogue has traditionally been open and sound. Several frameworks for public–private consultations have been operating since the establishment of the Palestinian Authority, most notably the National Economic Dialogue Committee. More than five high-profile meetings are convened each year, usually involving the Prime Minister, Ministers for Economy and Finance, and other senior officials. Participants from the private sector and civil society organisations are invited and they are usually heavily represented. The agenda of the consultative meetings is circulated in advance and the private sector is given the opportunity to provide inputs on the agenda and to call for meetings. The minutes of the meetings are often published in the form of brochures, and main conclusions and recommendations are well covered in local media. Open invitations are also advertised in local papers.

CLEAR AND TARGETED INFORMATION

The public sector has no clear and systematic programmes to collect, handle, analyse and disseminate economic, legislative and regulative information relevant to enterprises. Some private sector associations (e.g. chambers of commerce and specialised sectoral industrial federations) do perform some of these services sporadically. Some specific information for businesses can be found online, but on different websites. The amount of information available is usually limited, and there is little possibility for interaction.

3. Operational environment

ADMINISTRATIVE SIMPLIFICATION

Since its establishment, the Palestinian Authority has created a complex legal situation. One of the first acts was to declare Israeli military orders that have regulated economic activity in the territories since 1967 inapplicable. In order to avoid a legal vacuum the Palestinian Authority decided to revert to the pre-1967 legal framework. However, the West Bank and the Gaza Strip had very different pre-1967 legal systems and diverse legal traditions, creating a web of legal problems for private enterprises and requiring an extensive action of legal and regulatory harmonisation and modernisation. Progress in this area has been patchy, in spite of considerable donor assistance. For instance, there are still two different company laws applicable in the West Bank and in the Gaza Strip, which sometimes causes serious problems for stakeholders. Work on a new company law as well as on a new commercial code has been going on for several years, with donor support. There has been a renewed effort towards simplification and harmonisation of current business legislation recently, when an expert committee was commissioned by the Minister for Economy to formulate a new company law to be enacted in 2008. There are no plans to review current legislation or eliminate redundant legislation related to enterprise policy and there is no systematic cost-benefit analysis targeted at draft enterprise policy.

COMPANY REGISTRATION

The Palestinian Authority has relatively cumbersome and lengthy processes for starting up a company, in particular when it is administered in local offices. According to private sector organisations, it requires an average of two to three weeks to be completed. The delays and costs are due to the assembly of the documentation for registration and to obtaining permits and licences. The company registration itself, with the Ministry of National Economy, is relatively fast. Registration fees are quite low, but in addition there is a capital fee amounting to 0.1 % of the registered capital. There is only one company identification number allotted for each firm. Online registration facilities are not available.

ACCESS TO FINANCE

Access to finance for small businesses remains very problematic. On one side, the legal and regulatory framework is incomplete. Laws on bankruptcy are outdated and undermined by the weak judicial system and law enforcement institutions. A cadastre system is in place, but constrained by the fact that only 30 % of land is registered in the cadastre, and the rest is recorded through the Ministry of Finance registration (i.e. by virtue of taxation registers). This is viewed as a valid form of land title yet it is not of the same legal standing as land registered in the cadastre. Furthermore, nearly 60 % of land area is under Israel's jurisdiction, which entails very severe restrictions in its use for collateral purposes. On the other side, given the volatile political and economic situation, banks are taking a risk-averse approach, providing essentially short-term credit facilities and asking for high collateral requirements, exceeding on average 200 % of the market value.

Given the political and economic context, the banking sector is quite well structured with 22 banks in operation and the Palestinian Monetary Authority increasing banking supervision functions. In addition, it is building a database of firms according to credit-worthiness. A Loan Guarantee Facility was established in July 2007, through a joint arrangement involving the Aspen Institute, the Cooperative Housing Foundation and the Palestinian Investment Fund. The European Palestinian Guarantee Facility supported by the European Commission is also available and provides guarantees for over EUR 8 million. Two local banks have already signed on, and several others are still negotiating terms of collaboration. Microfinance facilities are available through several microfinance programmes. These are sponsored by international donors and managed by local NGOs or non-profit companies [54], with products targeted for specific groups, such as young and women entrepreneurs.

(54) Examples of institutions engaged in the microfinance field include the Palestinian Banking Corporation, Palestinian Development Fund, Palestinian Agricultural Relief Committees, Arab Centre for Agricultural Development and Palestinian Businesswomen's Association (ASALA).

INVESTMENT-FRIENDLY TAXATION

While the Palestinian Authority currently has no assessments of tax compliance costs for SMEs, the implications of alternative tax policy regimes to apply to SMEs to address these compliance costs are being assessed. Regarding assistance and education services to reduce tax compliance costs, information and documentation to assist taxpayers in complying with the main taxes imposed on business by the central government are disseminated to registered taxpayers along with tax returns. Moreover, plans are being developed by central government to improve its taxpayer service.

ACCESS TO MARKETS

Israel is by far the most important trading partner for the Palestinian Authority, accounting for around 90 % of exports and 70 % of imports. Diversifying trading partners is impeded by the restrictions imposed by Israel on the mobility of goods and persons. However, there is a fairly strong and active export promotion institution, called the Palestinian Trade Centre (Paltrade), but because of numerous obstacles this institution conducts trade initiatives (such as trade missions and trade fairs) largely on an ad hoc basis.

ACAAs

To be ready for the signature of an ACAA with the EU, the partner country should have adequate infrastructure in the fields of standardisation, accreditation, conformity assessment, metrology and market surveillance, and should have adopted the relevant parts of the *acquis*. The Palestinian Authority has not yet started the upgrading of the infrastructure and the horizontal legislation has not yet been harmonised with the EU *acquis*. The alignment of the legislation in the priority sectors chosen by the Palestinian Authority (construction products, stone and marble, and pharmaceuticals) has not started. The adoption of European standards in the priority sectors and the withdrawal of national conflicting ones have not started.

4. Services for enterprises

BUSINESS SUPPORT SERVICES

Structured business services are available mostly through collaborative public and private sector institutions. Funding for such service schemes is channelled through international donor institutions. In addition to services provided by chambers of commerce and other private sector institutions listed in Section 1, important business service providers include Development Alternatives International (which is a USAID-assisted company that provides capacity-building services in firms) and the German GTZ private sector development programme. The EU supports a number of business inception programmes targeting women entrepreneurs. There is no database of business service providers available to enterprises (neither by public nor by private sources).

INNOVATION POLICY

The Palestinian Authority's innovation policy is still very much in its infancy. No innovation strategy exists, legislation is prepared (for instance on intellectual property rights) but not enforced. However, some concrete actions have been taken to promote cooperation on innovation among enterprises and research centres in local universities, funded by international donor institutions. Prominent examples of such innovation centres include the South Korea Centre of IT and An-Najah University and the Food and Drugs Testing Laboratory — Birzeit University. A number of business incubator initiatives have been launched during the past decade, mostly on a pilot basis. Such initiatives are funded by donor institutions, they are often managed jointly with local business organisations and their purpose is more oriented towards employment generation than supporting innovative enterprises. The best-known example of an incubator focusing on innovation is the Palestine Information and Communication Technology Incubator (PICTI).

EURO-MED NETWORKS

A number of Euro-Mediterranean networks have developed between enterprises, business support services and business clusters but their scope is limited and they receive technical and financial assistance that is limited in time.

5. Human capital

This section provides an assessment of the human capital dimensions of the Charter: entrepreneurship education and training (Dimension 2) and enterprise skills (Dimension 3). The assessment is set against a highly unstable and unpredictable political environment that particularly undermines the business community and the wider education and training environment. This is reflected in the overall results of the assessment.

Firstly, entrepreneurial education and training does not feature in national education policy although there are clear efforts to promote entrepreneurship, particularly through vocational education and training projects. The Charter particularly encourages the sequencing of entrepreneurship promotion from early education through to university-level education, including training and management development, which is generally undertaken outside the formal education system. It is this factor which lies behind the Charter policy indicator: the development of a lifelong entrepreneurial learning strategy backed up with an action programme and resources to see it through. The assessment found no evidence of a discussion amongst the range of stakeholders to determine how the various parts of the learning system could contribute to a more developed entrepreneurship culture. Clearly, the Palestinian Authority's economic and political context and consequent governance arrangements remain a constraint to any effort for a concerted and integrated entrepreneurial learning strategy and delivery environment. Assuming that the range of government and private sector stakeholders from the Palestinian Authority considered an all-encompassing entrepreneurship education and training strategy were possible, progress could be achieved by way of an open dialogue on options and issues for more strategic entrepreneurship promotion. Donor finance and technical assistance could be considered for strategy building, while selected actions at the various levels of the learning system could be piloted. That said, pilot actions should be particularly linked to policy and backed up by commitment from the national authorities to ensure that successful piloting is translated into more systemic reforms within the learning environment. Strategic piloting could be integrated within the Palestine education initiative, given efforts here to introduce more student-centred learning which is central to entrepreneurship key competence developments and which remains to be addressed within compulsory education.

Secondly, on skills for enterprises, although the Palestinian Authority has a well-established network of training providers (public and private sector), backed up with both national and donor finance, until data are developed particularly on enterprise training, including statistics on training for start-ups and businesses in the expansion phase, there will be no progress on these indicators. Consequently, the Palestinian enterprise community and national authorities, supported by an able research organisation, could consider the establishment of a regular survey of enterprise HRD activity to systematically determine the extent of enterprise engagement of training services, including the identification of training needs. Regular, reliable data on enterprise human resources will additionally allow for an evaluation of the training investment as well as ensuring a better targeting of public resources against more clearly defined demand.

Finally, despite significant trade restrictions impacting on demand for export-related training, there are good examples of training for external trade promotion in select sectors provided by the Investment Promotion Agency (PIPA) and bilateral donors.

6. The way forward

The results of the Charter assessment show that the Palestinian Authority's enterprise policy is heavily constrained by curtailed administrative powers, security restrictions applied by Israel, lack of budgetary resources and persistent political instability.

In spite of these constraints, policy performance is solid in public–private consultation involving strong business associations. This good level of public–private partnership should be preserved and further strengthened, as it is the cornerstone on which to build an effective private sector development policy. Performance is much weaker in all the other Charter areas.

The issues facing the Palestinian Authority are multiple and all equally pressing. However, the Charter assessment provides some initial elements for a first list of policy priorities.

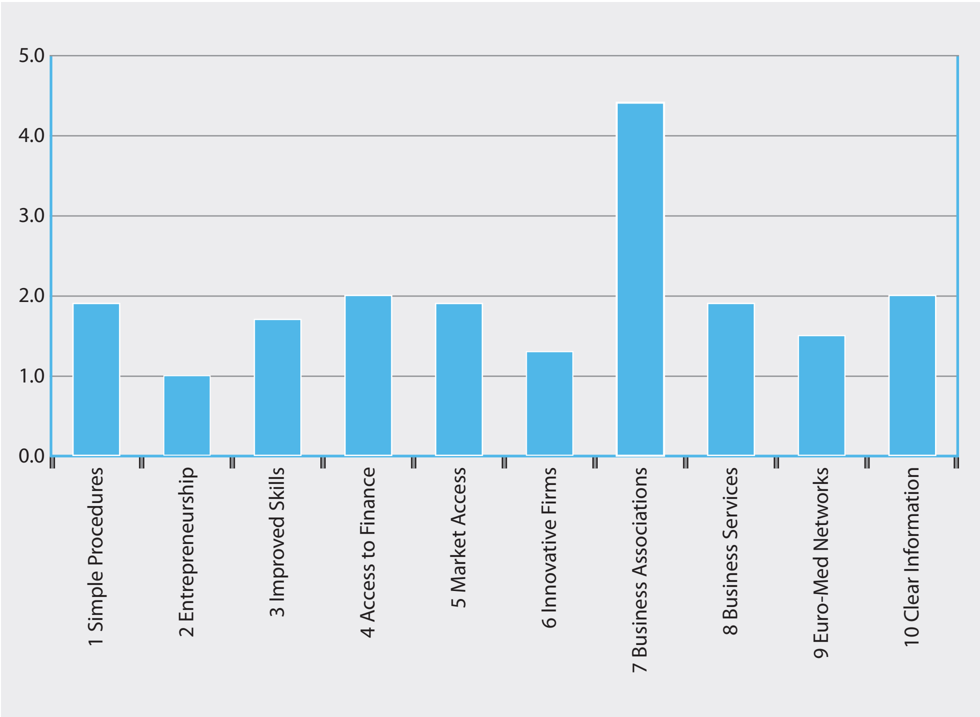
- **Enterprise policy framework.** In a context where companies have to deal daily with a highly unstable and challenging operational environment, it is important that government action support enterprises and does not further generate uncertainties and instability. It is therefore necessary that the Palestinian Authority make an effort to pursue continuity and clarity in the policy areas under its competence, such as taxation and provision of services. The Palestinian Authority must make efforts to ensure the application of its own laws and regulations across the whole territory to avoid discriminatory practices.

- **Access to finance.** It is important that the government activate, in collaboration with donors and international organisations, all finance channels, such as: credit guarantee schemes, equity funds specialised in SMEs, microfinance facilities based on cash-flow lending, and access to finance for private enterprises. The country must overcome the constraints faced by local banks, due to the difficulties in securing real estate or other forms of collaterals. Several projects have been launched in this area with the support of the donor community. Now it is time for the government to focus on implementation, removing all possible regulatory and legislative obstacles.

- **Business supporting schemes.** The first priority should be to progress in project implementation, as there are already several donor-funded initiatives targeting this Charter area; donors should create the conditions for the medium- to long-term sustainability of the funded schemes. Particularly important are programmes supporting new companies in the establishment phase, such as business incubators, industrial zones and business parks. These types of projects could act as catalysts for supporting policy elaboration and action in areas including support to innovative SMEs and skills development.

- **Human capital.** While appreciating the Palestinian Authority's difficulties of governance arrangements, government departments, with the private sector and the more able non-governmental organisations, should consider a more integrated plan for development of entrepreneurial learning across the school and university system, interfacing with the already good developments which lie outside the formal education environment. This effort could include an identification of priorities for support from both national and international finance, which could include entrepreneurship key competence promotion in primary and secondary schooling. Secondly, more systematic data on enterprise training, including training requirements, need to be established to include gender-disaggregated data for start-up training. This would help with policymaking and resource allocation. Assuming trading resumes between the Palestinian Authority and the region, particular efforts could be made in supporting businesses with training for external trade promotion.

Figure 29: Palestinian Authority: Overall scores per Charter dimension



Syria

1. Country overview

Syria has a mixed economic system based on a fast-growing private sector that dominates the service, trade and light manufacturing sectors; and a diminishing but still significant state sector, made of a number of state-owned and often underperforming companies. This state-owned and mostly unreformed corporate sector consists mainly of cement, metals, chemicals, textiles and agro-business enterprises that were built mostly in the late 1960s, 1970s and early 1980s.

Syria became a medium-sized oil producer in the 1990s, but is gradually losing this position. Until 2003 oil revenues accounted for over 14 % of GDP and nearly 50 % of total government revenues. Crude oil exports over recent years have been steadily declining, as a result of the depletion of oil fields while imports of oil products have been rising due to fast-growing domestic demand. As a result, the country became a net importer of oil as of 2007. Oil revenues still provide the bulk of the country's exchange earning, complemented by non-oil exports, tourism earnings and remittances from expatriated Syrian workers.

After a decade of weak growth, economic expansion has soared since 2004, reaching 6 % in 2007. Expansion has been supported by higher oil prices, private sector expansion and growth in non-oil exports to other Arab countries, favoured by the entry in force of the Greater Arab Free Trade Area. The influx since 2003 of an estimated 1.5 million Iraqi refugees contributed to the growth of domestic demand, but also strained the provision of public services.

The government is well aware that over the medium term it has to promote a broad diversification of the economy, expand its fiscal base (through the introduction of a VAT system) and restructure the state-owned industrial sector in order to secure long-term growth and generate jobs for its young and rapidly growing population. The 10th five-year development plan, approved in 2006, has set the agenda for a comprehensive programme of economic reforms and the expansion of key priority sectors such as industry and tourism. However, the economy is still subject to a wide range of administrative controls and characterised by a low level of domestic and external competition. Progressive economic liberalisation should therefore be a key component of the economic reform programme.

2. Enterprise policy and public–private consultation

THE INSTITUTIONAL POLICY FRAMEWORK

Syria has traditionally adopted an interventionist approach to the economy, pursuing an active vertical industrial policy and assigning to government institutions and state-owned companies the role of steering economic development. However, in recent years Syria has started to progressively open its economy to private investment and to develop elements of a horizontal policy, aimed at lifting some of the constraints imposed on private companies and improving the operational environment.

In Syria, there is not yet in place a fully-fledged enterprise policy. Responsibilities for broad private sector development issues are spread across a number of ministries. Effective coordination is thus difficult and no formal interministerial coordination mechanisms are in place to deal with specific private sector development issues. However, the Deputy Prime Minister acts as coordinator of the overall programme of economic reforms. The Ministry of Economy and Trade has made a proposal to establish and chair a national committee for SMEs composed of representatives of the relevant ministries (the adoption of this proposal is pending approval from the Prime Minister's office). The Syrian Enterprise Business Centre (SEBC), a non-governmental organisation, is assisting in the formulation of an enterprise policy, and has recently produced a draft SME policy strategy. The SEBC emerged from the EU-funded Syrian European Business Centre.

Although no explicit enterprise development strategy exists in Syria, the five-year plan, which structures industrial policy from 2006 to 2010, sets the policy guidelines towards the private sector and provides an agenda of economic reform. The targets are time-bound and implementation has started.

PUBLIC–PRIVATE CONSULTATION FRAMEWORK

Public–private consultations in Syria mostly take place during the drafting phase of major legislative reforms. This exchange is particularly developed between senior policymakers and the federations of chambers of commerce and chambers of industry. Both chambers, for instance, were consulted in the preparation of the five-year plan and are involved in monitoring its implementation. Additionally, the private sector is represented in several government committees. Nevertheless, no formal transparency requirements exist in Syria that assure full openness of the consultation process. Small companies in particular have voiced concerns about the government and federations' preferential dialogue with the largest companies. In this respect the SEBC is taking an increasing advocacy role on behalf of SMEs. A law for professional associations is under preparation.

Although the network of chambers of commerce and industry is well established and spread throughout the country, other types of private sector representation and/or professional associations are rare. Hardly any sectoral or industry-specific representations exist and the same is true for foreign chambers. A new law is currently being introduced to encourage the establishment of private sector associations.

CLEAR AND TARGETED INFORMATION

The following institutions analyse and disseminate the bulk of the information available for enterprises in Syria: the Central Bureau for Statistics, relevant ministries and the chambers of commerce and industry. The information is not systematically collected, handled and analysed and there are inconsistencies among the data produced by different institutions and throughout the country. The ministries and chambers have placed some of the information online, but it is often outdated and incomplete.

3. Operational environment

ADMINISTRATIVE SIMPLIFICATION

Regulatory simplification is starting to grow in importance on Syria's policy map. Although there is no explicit regulatory simplification strategy yet and only sporadic efforts have been undertaken by the Ministry of Economy and Trade to simplify regulations that affect enterprises (e.g. simplification of customs tariffs), the current five-year plan contains a chapter devoted to the revision of business regulations. Furthermore, the Ministry of Local Administration is currently drafting a new law on the streamlining of procedures in local administrations and the government has received a EUR 5 million grant from the European Commission to simplify business regulation. No plans, however, exist to introduce cost-benefit analyses to new enterprise legislation and regulation.

COMPANY REGISTRATION

Starting up a company in Syria is still expensive, cumbersome and time consuming. Various fees need to be paid such as a stamp fee (0.05 % of company's capital) or a fee for the tribunal court (approximately EUR 14). Several different ministries handle the registration and licensing process, which slows down the process significantly, and five different registration and identification numbers need to be obtained at five different authorities. Facilitation services exist only for companies operating in government-sponsored industrial zones and online registration facilities are not available.

The Ministry of Industry has just developed a draft law on industry, aiming at giving local administrations the mandate to deliver licences in 24 hours.

ACCESS TO FINANCE

Access to finance remains one of the key problems for enterprises operating in Syria and particularly for SMEs. The government and the Central Bank have started a process of progressive liberalisation and upgrading of the banking and financial sector, but the legal and regulatory environment remains relatively underdeveloped and the range of banking and financial services for the enterprise sector is still limited. There are no credit information services and the Central Bank is in the process of establishing a credit monitoring system for big borrowers.

Syria has a relatively well-functioning cadastre in place and property titles are documented at the General Directorate of Real Estate. Legislation on bankruptcy and distressed companies is in place and the government is acting to bring it to international standards. However, there is no registry in place for movable assets.

Since the abolition of the state monopoly in banking activities in 2001 (when the banking sector was opened up to private and foreign investors), Syria has a mixed banking system, consisting of a number of state-owned specialised banks, and a number of private banks, partially owned by banking groups from Arab countries.

A credit guarantee scheme is currently under preparation with assistance from KfW (a German development bank) and the support of the Ministry of Finance, the Central Bank of Syria and private and public banks. Few microfinance facilities exist and most of these operate as pilot projects. There is no legislation covering equity funds; indeed there are no equity funds operating in the country. The government has recently licensed a number of holding companies, in order to mobilise equity funds from private entrepreneurs.

INVESTMENT-FRIENDLY TAXATION

A number of changes to the Syrian tax system have been introduced in recent years, with reform efforts getting under way in 2003. The results have been a simpler and more transparent tax system and a more modern tax administration. However, further reforms are needed, tax evasion is still a problem and the current budget still relies heavily on oil revenues. The government is currently analysing the introduction of value-added taxation.

ACCESS TO MARKETS

The National Commission for Developing and Promoting Exports, established in 2005 and affiliated to the Ministry of Economy and Trade, is in charge of implementing export promotion programmes. A broad export promotion strategy is currently being elaborated by a high-level committee, headed by the Deputy Prime Minister. Syria is a signatory of the GAFTA and has also signed a free trade agreement with Turkey. A project to computerise customs procedures has recently been launched by the United Nations Development Programme (UNDP) and the United Nations Conference on Trade and Development (Unctad).

ACAAs

To be ready for the signature of an ACAA with the EU, the partner country should have adequate infrastructure in the fields of standardisation, accreditation, conformity assessment, metrology and market surveillance, and should have adopted the relevant parts of the *acquis*. In Syria the upgrading of the infrastructure has started but the horizontal legislation has not been harmonised with the EU *acquis*. The alignment of the legislation in the priority sector chosen by Syria (electrical appliances) has started. The adoption of European standards in the priority sectors and the withdrawal of national conflicting ones are under progress.

4. Services for enterprises

BUSINESS SUPPORT SERVICES

There is a mix of publicly funded and private business service providers in Syria. Examples of publicly funded services include the Syrian Investment Agency and the General Establishment of Free Zones. Examples of private business services include the chambers of commerce and industry and the SEBC. The chambers of commerce and industry provide a set of services to their members (such as regular publications and bulletins, export opportunities and training courses). A fragmented database of these business services is made available by the chambers and the SEBC.

Several schemes provide financial and technical support as pilot projects for young enterprises such as the Syria Trust for Development.

There are also six industrial zones spread throughout Syria, which focus on the provision of basic establishment services.

INNOVATION POLICY

Policies to foster innovation in enterprises are in their infancy in Syria, particularly at national level. The Higher Commission for Scientific Research is elaborating a framework for innovation policy along the following four pillars: elaborating a comprehensive national policy for scientific research and technological development, providing full co-ordination among the scientific research bodies, supporting scientific research organisations to achieve their goals, and strengthening the mechanisms linking scientific research organisations with public and private production and service sectors. There are several operational incubators in Syria, for instance the pilot project run by the Syrian Computer Society establishing an information technology incubator in Damascus. A technology park is being planned by the Syrian Ministry of Telecommunications and Technology and will be located in Dimas, close to Damascus. An e-village will specialise in ICT and will include an incubator.

EURO-MED NETWORKS

Through the EU-funded SME support programme, the SEBC works towards establishing some business-to-business contacts, notably by organising annual Syrian-European contact days. In addition, the country is establishing a connection to the 'Enterprise Europe network'. These developments can be seen as first steps in the development of Euro-Mediterranean networks.

5. Human capital

This section provides an appraisal of Syria's performance on the human capital dimensions of the Charter. Briefly, with increasing understanding that quality manpower is key to more competitive enterprises, the Charter puts considerable emphasis on human capital along two policy lines: entrepreneurship education and training (Dimension 2) and improved skills for businesses (Dimension 3).

Firstly, the assessment focused on the policy context for entrepreneurship education and training, including efforts being made to promote entrepreneurship particularly through secondary level schooling. On policy, while the five-year plan does well in underlining the importance of the schooling system in promoting key competences (e.g. sciences, languages), entrepreneurship as a key competence remains to be introduced into the teaching and learning process. While there are some excellent examples of entrepreneurship promotion, particularly involving enterprises (e.g. the Shabab programme) these efforts lie outside the general curriculum and are limited to a select group of schools. The Charter indicators underline the importance of entrepreneurship education being mainstreamed through compulsory education, such that all youngsters have access to courses and other activities that will cultivate the mind-set and skills of a more entrepreneurial culture. This will require a thorough reflection on the policy options by all stakeholders, including a clear identification of implications for curriculum adjustment, teacher training and school management. The assessment already identified a commitment by the education authorities, State Planning Commission and employers to strategically reflect on how lifelong entrepreneurship education and training could be more systematically developed to meet the Charter objectives. This is a good start. Assuming this interest is followed up with the elaboration of an entrepreneurial learning strategy which addresses all levels of the education system, it should translate into improved performance particularly on the Dimension 2 policy indicator. Further, given that the policy indicator additionally acts as a driver for the remaining Dimension 2 indicators, strategy building will be an important pre-condition for progress on entrepreneurship promotion in both lower and secondary education, as well as non-formal entrepreneurial learning, prompting progress on these respective areas.

Secondly, regarding skills for enterprises, the most significant finding from the assessment is that, despite a considerable training effort, there is little in the way of data on enterprise training demand or take-up of the training offer. More particularly, there is no systematic tracking of training investment in start-up or follow-up training by new ventures which could be instrumental in promoting business survival rates. Nor are there data available on training investment in expanding businesses. This suggests that both economic and, more specifically, enterprise policy does not adequately recognise the potential of human resource development as a factor in promoting competitiveness. To move forward on this area of the Charter, Syrian enterprise associations and government, acting in partnership, should consider establishing a systematic business survey to determine skill gaps and skill weaknesses as well as identifying evolving skill requirements, against which both private and publicly supported training programmes could respond. A facilitator organisation such as the SEBC could support government in developing this intelligence. Such a development would make for a better fit between the training offer and demand, while promoting more efficient use of scarce public resources in enterprise training. Any effort to develop more systematic data on enterprise training should ensure that gender-specific statistics are included. Mawred, the women's economic empowerment NGO, could support this process.

6. The way forward

Syria is still in the process of making a strategic choice between the traditional industrial policy (based on intervention by sectors and on the prominent role of state-owned companies and state-controlled institutions) and a horizontal enterprise policy. The two policy approaches coexist in a difficult compromise: policy is not yet fully structured, interventions are mostly ad hoc and institutional tasks are not clearly assigned. These difficulties are reflected in the relatively low scores recorded by the country across all the 10 dimensions of the Charter. However, there are signs that a policy debate is under way and the government is open to experiment with new solutions and new forms of dialogue with the private sector, as indicated by the relatively more positive score in Dimension 7, related to public–private dialogue and the role of private sector associations.

In this context the government should concentrate on a limited number of priorities, aiming in a first phase on building the necessary capacity, elaborating and managing policy reforms and sending clear signals to the private sector about the direction of the reform process.

- **Enterprise policy framework.** The first priority is to clarify responsibility for the elaboration and coordination of enterprise policy. It is important that competences between line ministries are clarified and implementation monitoring mechanisms are introduced in addition to the quantitative measurements set under the five-year development plan. This is necessary in order to avoid overlapping and inconsistencies between vertical and horizontal policies. However, in the initial phase of reforms it is important that the supervision and coordination of the reform agenda is retained by a higher cabinet authority in order to address resistance from vested interests.

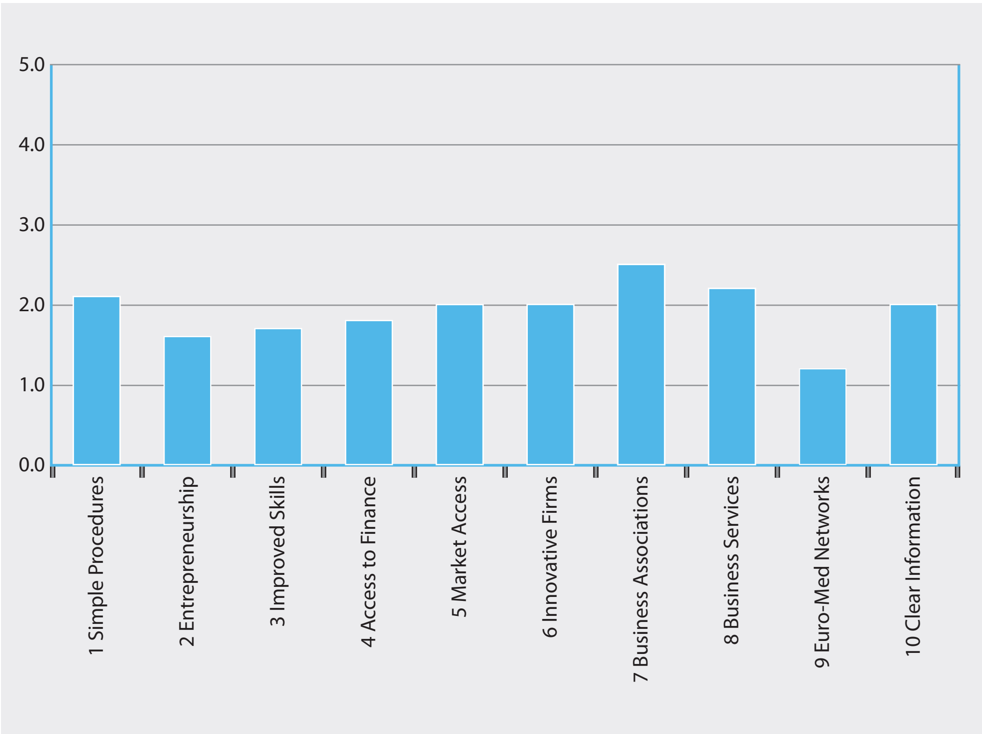
- **Company registration.** This is an area where reforms are needed and can be achieved in a relatively short period of time, as demonstrated by other countries in the MED region (Egypt and Lebanon), provided that there is good interministerial coordination. Concrete results in this area will build confidence and establish government credibility as a determined reformer.

- **Access to finance.** Government action in this area should tackle both the upgrading of the regulatory and legislative framework, and the opening and restructuring of the banking sector. A good starting point would be the establishment of a credit guarantee scheme built as a partnership between the public and the private sector, taking as reference, for instance, the experience of Jordan.

- **Public–private sector dialogue.** It is important that the government open the dialogue with a wide range of private sector representatives, often representing the most dynamic section of the private enterprise population. For this purpose, approval of the proposed law on professional associations could send a positive signal to private enterprises. At the same time, the government should consider conducting consultations on key policy issues, not only on specific measures, using as a base, for instance, the document on SME strategy elaborated by the SEBC.

- **Human capital.** The Charter assessment identified a clear commitment by the national authorities to drawing up a lifelong entrepreneurial learning strategy. Full engagement by employers into this endeavour will be critical. The strategy building should be accompanied by the development of an action plan where entrepreneurship key competence development is a priority. Secondly, a more developed intelligence system for enterprise training will be an important institutional development for the country. This could be led by a national agency or government department. Alternatively, a private or non-governmental organisation that already provides enterprise support services (e.g. the SEBC) could meet the data development demands. All data developments should be gender-sensitive.

Figure 30: Syria: Overall scores per Charter dimension



Tunisia

1. Country overview

Over the last 10 years, Tunisia has achieved economic integration with the EU and with its main MED partners: a key element of its development strategy. Economic relations with the EU have been expanding rapidly after the signing of the association agreement in 1995, which granted free access to the EU market for Tunisian industrial exports and improved access for exports of agricultural products. Today the EU is Tunisia's largest economic partner, accounting for three quarters of foreign trade flows and the source of two thirds of the total FDI inflow. Since January 2008, economic relations with the EU have entered a new phase with the arrival of the EU–Tunisia free trade agreement, the first such agreement to have been implemented with a MED country. The agreement lifts all restrictions on imports of industrial products from the EU. At regional level, Tunisia has been an active promoter of the Agadir FTA, involving Morocco, Egypt and Jordan. In 2004 it signed an FTA with Turkey. It has also developed close economic relations with the United Arab Emirates.

This strategy of international economic integration, supported by a range of policy measures among which the most important has been the establishment of an offshore regime for export-oriented and foreign-owned companies, has largely paid off. Economic growth over the last five years has been strong, showing an upwards trend, in spite of the fluctuations caused by changes in yearly agricultural output.

Over the period 2001–06, Tunisian GDP grew by 4.63 % on average, while exports have grown over the last five years at an average annual rate of nearly 10 %. The FDI stock as a percentage of GDP has doubled over the last 10 years and the ratio FDI to GDP, at over 70 %, is the highest in the MED region and is set to increase considerably given the large volume of commitments in the real estate sector made recently by investors from the Gulf.

However, in spite of these remarkable results, the Tunisian economy faces a number of critical challenges. Unemployment remains high, at around 14 % in 2007. Youth unemployment, particularly among the fast-growing number of young graduates, is around 40 %. At the same time, companies are signalling a shortage of specialised skills.

Exports and investment have been the main drivers of economic growth. However, exports are highly dependent on the performance of the textiles and garment sector that is highly exposed to competition from low-cost Far Eastern producers. With total revenues of over EUR 3 billion per year, this sector accounts for about 50 % of total exports and over 250 000 jobs. On the investment side, over the next few years many of the incentives granted under the offshore regime will have to be reviewed, as they are not compatible with WTO rules. The government will therefore be required to modify its approach to private investment promotion, decreasing its reliance on fiscal incentives and placing more emphasis on improvement of the business climate.

The government intends to respond to these challenges by diversifying the economy into new sectors such as chemicals, bio-chemicals, engineering and electrical industries, and by promoting, in the textiles sector, a move from subcontracting to joint-contracting and to public tender. A major source of new jobs is expected to come from a further expansion of the service sector, which already accounts for around 70 % of GDP, and in particular from tourism, ICT and business process outsourcing services.

2. Enterprise policy and public–private consultation

THE INSTITUTIONAL POLICY FRAMEWORK

Over the years Tunisia has developed an active and well-articulated policy of promotion and of support to private enterprise. The approach is at the same time pragmatic and dirigiste, with an emphasis on direct service provision for targeted sectors and types of enterprises. The system of policymaking and public–private dialogue is relatively centralised, although efforts are made to implement programmes across the whole country.

The High Commission for Investment and Export, chaired by the Head of State, is in charge of overall policy coordination and the definition of strategic targets. A number of interministerial committees ensure coordination in relation to specific policy areas.

The Ministry of Industry, Energy and SMEs is responsible for the elaboration and coordination of enterprise policy. The policy guidelines are set by the Directorate-General for Industrial Strategy and by the Directorate-General for SME Promotion, the latter set up as part of a new national priority to support the creation and development of SMEs. Policy implementation is assigned to a number of well-staffed and resourced executive agencies, each one with a clearly defined mission operating under the direct supervision of the ministry.

In particular, the Industrial Promotion Agency (API) plays a central role as a support structure for enterprises and entrepreneurs, being in charge of the implementation of the main industrial modernisation programmes. Further specialised executive agencies are in charge of various facets of enterprise development (e.g. development of industrial zones, FDI promotion, and investment in the agriculture and agro-business sectors).

Medium-term economic objectives and policy priorities are set by the 11th five-year economic development plan, covering the period 2007–11. The presidential programme of 2005–09 also places enterprise creation among the country's national priorities. Both documents combine the activities and instruments of the various institutions in order to meet objectives for enterprise support and creation; nevertheless, there is no single document which lays out a comprehensive strategy on enterprise policy.

PUBLIC–PRIVATE CONSULTATION

A framework for public–private consultations has been legally established in Tunisia, assigning the role of sole private sector representative to the Union Tunisienne de l'Industrie du Commerce et de l'Artisanat (UTICA), which represents 17 sector federations and boasts an extensive network throughout the country. Consultation is frequent and covers a wide range of issues at various levels of decision. UTICA is a member of a majority of the committees, councils and programmes, notably those operating under the Ministry of Industry, Energy and SMEs. It is also represented in a number of high-level national committees responsible for strategic decision-making on enterprise policy. However, while UTICA is regularly consulted about policy elaboration and implementation, there is not yet a mechanism for independent monitoring and evaluation of policy measures. Further progress could also be achieved in enhancing the transparency of the consultation process, with the private sector playing a more prominent role in making policy proposals, and with more voice given to new and innovative entrepreneurs.

CLEAR AND TARGETED INFORMATION

A number of government portals are dedicated to private sector interests with relevant information available to enterprises. The API's portal is particularly tailored to enterprise owners and entrepreneurs on key areas of interest (such as tax, labour, standards and regulations)[55]. Still, some of these portals have overlapping information which demonstrates the need for a consolidated format. Moreover, companies throughout the country remain insufficiently aware of the services available to them.

3. Operational environment

ADMINISTRATIVE SIMPLIFICATION

Tunisia has passed a number of laws and provisions, and set in place special units with the task of simplifying administrative procedures. A high-level coordination body[56] has been established at prime ministerial level to oversee simplification initiatives. To improve the operational environment for enterprises, in 80 % of the cases administrative authorisations have been replaced by general requirements imposed on companies: the idea is to speed up the administrative process, especially in the case of opening a business. The impact has not been fully evaluated yet. Further measures include one-stop-shops delivering services in a number of areas located across the country.

COMPANY REGISTRATION

In Tunisia, no registration fee is required for setting up a company that is totally export oriented. The establishment of one-stop-shops has remarkably shortened and simplified the process of opening a business. There are currently 14 one-stop-shops located in major cities throughout the country, with plans to extend such services to every governorate by 2008. The Tunisian government has also set up a system of online registration for companies that meet certain conditions. This system applies to three types of companies: private limited company, limited liability company and one-person limited liability company. It is reported that the use of the online system is still limited, even though some action has been taken by the government for its promotion. Tunisia ranks alongside OECD countries with regard to the administrative simplification of closing a business, with the time required being 1.3 years and the cost approximately 7 % of the estate (half a point less than the OECD average).

ACCESS TO FINANCE

Over the last decade, the Tunisian government has sought to facilitate access to finance for private enterprises by strengthening the legal and regulatory framework, launching publicly funded schemes and incentives, developing the capital market and expanding the supply of financial products.

The banking sector is made up of 20 universal banks (with a mixed capital of domestic, foreign and public shareholders), 10 leasing companies, two factoring companies, two investment banks and eight offshore banks. Two public banks are devoted to financing investment and providing credit to SMEs. The Banque de Financement des PME operates in the EUR 45 000 to 2.8 million loan bracket and reports a recovery rate of 96 % of the loans it disburses. The Banque Tunisienne de Solidarité is a microfinance institution providing microcredit of up to EUR 45 000. These institutions target mainly youth and entrepreneurs and have at their disposal a number of national funds and supporting schemes including Fonapram (for microenterprise), Foprodi (new entrepreneurs) and RIITI (start-ups in the ICT sector).

The Sotugar credit guarantee scheme is specially targeted to SMEs and helps to mitigate the risk-averse attitude of commercial banks. However the perception is that collateral requirements remain high and funding hard to access. Recently, cluster-based mutual funding has been tested as an innovative way for new entrepreneurs to fund their projects.

Venture capital started to develop in the country as early as 10 years ago with the support of the EU. Tunisia has substantially increased and diversified the supply of venture capital with the launching of two types of equity funds: the SICAR (providing minority equity contributions in projects financed by publicly funded schemes such as Foprodi, RIITI and Fosdap[57], and the FCPR[58]. Although the 40 operating SICARs mainly provide portage facilities, a group of experienced fund managers has been formed and a range of investment vehicles has been established. The SICARs and the FCPRs could in the future play a significant role in financing high-growth and innovative enterprise and channelling funds from international investors.

INVESTMENT-FRIENDLY TAXATION

Tunisia has been engaged in well-structured fiscal reforms for several years. In 2006 Tunisia took the initiative in the Maghreb to follow the global trend of cutting marginal tax rates in order to stimulate investment and growth. Initially highly dependent on tariff and duties revenues, Tunisia has been progressively dismantling them under the EU–Tunisian free trade agreement and has increased its direct tax collection capacity considerably. VAT has been introduced in the retail sector and measures have been put in place to discourage informal activity.

ACCESS TO MARKETS

Tunisia has become the first among the MED countries to be part of the free trade zone with the EU under the Euro-Mediterranean free trade area. This achievement reaffirms Tunisia's commitment to opening its

(55) www.tunisieindustrie.nat.tn
(56) Décret N° 87-55 du 12 juillet 1987.
(57) Fosdap is a special fund for agriculture and fisheries development.
(58) FCPR is a mutual equity fund.

market to imports. Since 2000, Tunisia has taken a number of critical steps to simplify procedures for trade by launching a programme called Tunisia Trade Net (TTN), an online network that facilitates the formalities related to foreign trade in Tunisia (TTN establishes linkages with banks, administrations, customs, etc.). TTN acts as an intermediary to ensure traceability and to reduce the goods' times of stay at the ports. TTN allows the various operators (companies, forwarding and commissioners' customs agents, carriers and shipping agents) to process electronically the various formalities of import and export. The establishment of TTN has consequently cut down the time and costs related to procedures for foreign trade.

While attracting investment has been an ambitious project for the government, efforts have also been made to develop an export market for domestic enterprises. Tunisia's export strategy is set by a high-level council presided by the president (CSI) [59]. An export promotion agency has been established under the Ministry of Commerce (CEPEX, le Centre de Promotion des Exportations) with a mandate to gather commercial intelligence, examine the impact of export assistance programmes and organise export promotion activities such as commercial missions, trade fairs, etc.

ACAAs

To be ready for the signature of an ACAA with the EU, the partner country should have adequate infrastructure in the fields of standardisation, accreditation, conformity assessment, metrology and market surveillance, and should have adopted the relevant parts of the *acquis*. Tunisia has begun upgrading the infrastructure, and harmonisation of the horizontal legislation is well advanced. The alignment of the legislation in the priority sectors chosen by Tunisia (machinery, construction products, electrical appliances, simple pressure vessels, measuring instruments) has started. The adoption of European standards in the priority sectors and the withdrawal of national conflicting ones is under way.

4. Services for enterprises

BUSINESS SUPPORT SERVICES

Many business services are at the disposal of enterprises through both public and private channels. Two key programmes run by the government offer services to enterprises to improve competitiveness. Services under the enterprise upgrading programme (PMN), established in 1996, have been made available to nearly 4 000 enterprises as of March 2008. The PMN is also highlighted as a priority in the 11th development plan. The industrial modernisation programme (PMI), established in 2003 and funded by the European Union, provides technical assistance to industrial enterprises offering services ranging from coaching to quality management and facilitating access to finance [60]. The PMI prepares enterprises for the Euro-Med FTA and stimulates innovation in enterprises. The PMI is administered through a number of public and private structures such as API, IACE, UTICA, BFPME, the Industrial Property and Patents Agency (INNORPI), and the Office for Assistance to Enterprises (BAE). Business establishment support services are available throughout the country (at the regional business centres). These support services go beyond basic establishment needs and nourish the creation of innovative enterprises. In addition, three regional development offices are in place in the north, centre and south of the country in order to strengthen development and investment efforts.

INNOVATION POLICY

Complementing the PMN and PMI programmes, Tunisia is embarking on an aggressive innovation strategy with the backing of high-level political support. Whilst R & D spending as a share of GDP is comparable with some OECD countries, the strategy aims to further increase national spending on R & D from around 1.07 % to 1.25 % of GDP by 2009.

A broad array of programmes and mechanisms is in place to promote innovation. This includes technopoles that have a sectoral specialisation and are tasked with transforming knowledge into industrial applications. These clusters are based on public–private partnerships and link publicly funded investments in R & D, education and private investment. Six technopoles are already in operation and the 11th economic development plan foresees the establishment of three more. The goal is to have at least one technopole or one business incubator in each of the country's 24 governorates by 2009.

The Ministry of Higher Education, Scientific Research and Technology has just established an innovation and research promotion agency to strengthen linkages between research and production. Since 1999, a national programme has established 25 business incubators linked to higher education establishments.

These efforts have paid off: according to government figures, already 2.23 % of the total active population (2006) is employed in medium-to high-technology firms in the manufacturing sector. Still Tunisia has some room left for improvement especially in involving the private sector more closely in innovation promotion measures, in increasing the innovation content of supported projects, and in promoting innovation in SMEs. According to statistics, only 4.75 % (2004) of Tunisian SMEs claim that they are innovating, compared with the 2006 EU-25 average of 47.2 % in the manufacturing sector [61].

EURO-MED NETWORKS

As a result of the country's drive for internationalisation, business associations and service providers actively participate in EU-supported bilateral and regional programmes. These associations and service providers network with their counterparts in the EU business-to-business meetings in the ICT sector, as well as on a bilateral basis with Germany, and within the framework of the 'Forum de Carthage sur l'investissement' (an event organised by the Tunisian agency in charge of promoting investment, which has attracted hundreds of Tunisian and foreign investors every year since 1999).

(59) The CSI has held seven sessions since its establishment in 1997 and brings together relevant ministers, trade unions and the Central Bank.
(60) For example, accessing finance through ATIC (Association of Tunisian Investors in Capital), BFPME (Bank for the Financing of SMEs) and Sotugar (Tunisian Guarantee Company) or through financial coaching of enterprises in partnership with BAE (Bureau for Assistance to Enterprises).
(61) Bureau des Etudes de la Planification et de la Programmation, Ministère des Technologies de la Communication, 'INS et Tableau de Bord Européen de l'Innovation 2006', from the MESRST website.

5. Human capital

This section considers the human capital dimensions of the Charter, in particular, the assessment focused on entrepreneurship education and training (Dimension 2) and the skills context of the enterprise sector (Dimension 3).

On policies supporting entrepreneurship education and training, Tunisia stands apart from other countries in the region for its emphasis on promotion of entrepreneurial spirit and key competences in all parts of the learning system, enshrined within the 2002 national education strategy (updated in 2008). The potential of this policy framework, already highlighted as a policy reference point above, plays out in Tunisia's performance on secondary schooling (ISCED 2 and 3) where the entrepreneurship key competence and more developed entrepreneurship skills are being addressed. For Tunisia to move forward on the secondary education indicators, statistics on the numbers of schools effectively delivering on the entrepreneurship key competence and harder entrepreneurship skills will be important. This information could be gleaned from annual school reports submitted to the national authorities.

Complementing the good efforts being made within the formal education system, the assessment points to a host of non-formal entrepreneurial learning (i.e. activities not subject to formal assessment by the state) such as the CEFE-ANETI coaching framework for microenterprise development. One initiative stands out for training provision building on know-how transfer: self-employment promotion through German–Tunisian cooperation (the FORTI initiative). Another good practice initiative, particularly in terms of women's start-ups, is a training and wider support package for rural women on microenterprise development. A high-profile national award (*Prix du Président de la République*) ensures good press coverage for this initiative. Better efforts, however, could be made to ensure that existing domestic know-how could be more systematically disseminated in-country which will be important to move forward on the 'good practice' indicator.

Turning to training for enterprises, a range of human resource development strategies are supported by funding mechanisms and national agencies (e.g. Pronafoc, ANETI) targeting business start-ups and follow-up services. Taken together, these provide a good enterprise support framework against which a number of training provider networks operate. There are also good training services (international standards, marketing) for enterprises operating or intending to break into the international trade arena. However, missing in the overall policy and delivery effort are data on enterprise training. The quantitative conditions of the Dimension 3 indicators require statistics on training take-up by enterprise, and specifically on training for start-ups and expanding businesses. Without a systematic tracking of enterprise training, public investment in human resources is difficult to monitor and evaluate, while priority-setting and resource allocation risk being compromised. To move forward on Dimension 3, Tunisian employers, in cooperation with national authorities, could consider establishing a structured system for regular gathering of data on the health of enterprise manpower with particular reference to skill gaps, weaknesses and future skills' requirements. This could help with policy adjustments and resource allocation, while prompting a closer fit between training demand and supply.

6. The way forward

In general terms, Tunisian enterprise policy is well articulated and attracts considerable government resources. Tunisia achieves good scores in complex policy areas such as innovation (Dimension 6) and in the provision of business support services (Dimension 8). On policies supporting entrepreneurship education and training, Tunisia stands apart from other countries in the region for its emphasis on promotion of entrepreneurial spirit and key competences in all parts of the learning system, enshrined within the 2002 national education strategy (updated in 2008).

Access to finance is an area where the country performs less well, and, in Dimension 1, good results in company registration are partly offset by a limited performance in the area of regulatory reform.

On the basis of the Charter assessment, Tunisia should look to introduce more stringent mechanisms of policy evaluation, relying on a variety of tools, from policy indicators, to company surveys and independent policy reviews. This will improve the targeting of policy measures and will bring Tunisia closer to widely recognised good practices.

In addition, the following priorities have been identified.

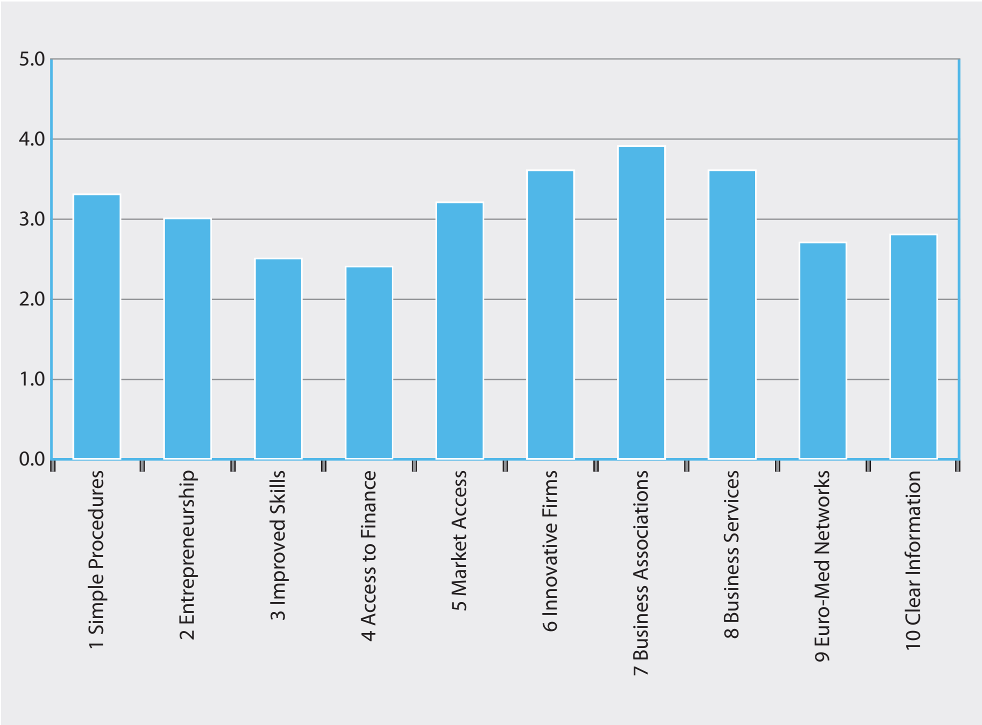
- **Regulatory reform and administrative simplification.** Some significant progress has been achieved in this area with the introduction of the general requirements (*Cahiers de charge*). However, Tunisia could benefit from the launching of a wider review of laws and regulations affecting the private sector, and particularly small enterprises, operating mainly in the domestic market. It will also be important to work on the introduction of a system of regulatory impact analysis on new legislation and regulations.

- **Access to finance.** Good progress has been achieved in the diversification of financial services for enterprises, but this is not matched by an equal improvement of the regulatory and legislative framework. It would be useful for Tunisia to work on the establishment of a public register of movable assets and on extending credit information services to allow the entry of private operators.

- **Innovation policy.** Tunisia is currently putting significant efforts into developing innovation policy. It is important to further develop synergies with skills development initiatives and to expand programmes directed at building linkages between local and foreign-owned enterprises. This will unlock the considerable potential that Tunisia has in business process outsourcing vis-à-vis the francophone and the Arabic-speaking markets.

- **Human capital.** To build on an already good performance in Dimension 2, the education authorities should determine how school-based entrepreneurial learning developments are to be registered for the purposes of the statistics requirements of the indicators. Data on enterprise training need to be improved. An employer-led initiative, in cooperation with government, to systematically gather data on enterprise human resource activity, including training needs (management and trade skills) should be considered. All data developments should be gender-sensitive.

Figure 31: Tunisia: Overall scores per Charter dimension



ANNEXES

Annex I: The Charter implementation assessment grid and the weights attributed to each indicator and subdimension

Dimension 1: Simple procedures for enterprises						
Dimension 1	**Level 1**	**Level 2**	**Level 3**	**Level 4**	**Level 5**	**Weight**
1.1. Institutional framework for enterprise policy						3
1.1.1. Delegation of responsibility for enterprise policy	Measures concerning enterprise policy are taken ad hoc by the concerned ministry.	Several institutions are simultaneously responsible for different areas of enterprise policy elaboration. No mechanisms are in place to identify overlapping and inconsistencies.	Several institutions are responsible for different areas of enterprise policy. Identification of overlapping policies and active measures to limit overlapping and to avoid major policy inconsistencies.	Several institutions are responsible for different areas of enterprise policy. Government has created a clear map identifying responsibilities in enterprise policy for each institution.	Several institutions are responsible for different areas of enterprise policy. Government action is consistently conducted according to the agreed structure. There is a sound system of information exchange on enterprise policy among the institutions. Widespread consultation with stakeholders.	2
1.1.2. Coordination with other ministries, stakeholders and civil society	There is no interministerial coordination and exchange of information on enterprise policy.	Enterprise policy coordination meetings and information exchanges occur on an ad hoc basis only on specific issues. There are plans to introduce coordination mechanisms.	Interministerial coordination mechanisms have been agreed upon and formalised but are not yet fully operational and are not administered by a coordinating body.	A coordination body is in place (e.g. steering committee, interministerial committee) and is chaired by a high political authority and supported by a well-structured secretariat, which ensures that policy exchange, coordination and consultation with stakeholders and civil society is carried out through previously agreed-upon mechanisms.	Level 4 plus existence of a long track record of policy coordination, consultation and exchange. There is also regular assessment of the coordination, consultation and exchange mechanisms.	3

1.1.3. Enterprise development strategies	No formalised enterprise development strategies, including sector strategies, exist.	Enterprise development strategies, including sector strategies, are under elaboration. Review of expired enterprise strategies under way.	Multi-year enterprise development strategies, including sector strategies for current period, are approved by the government after a wide consultation process involving in particular the private sector, civil society and the social partners. The strategies have been openly announced. They are at an initial stage of implementation. Annual budget established but entirety of funds for the whole year are not always available.	Solid evidence of implementation of the enterprise development strategies with indication of key targets achieved and assignments completed. Entirety of funds received and in process of being disbursed.	A proactive, global and coherent enterprise development strategy is put in place after a wide consultation process. The global strategy incorporates key sector strategies. There is significant evidence that all components of the global strategy have been implemented, as demonstrated by time-bound targets achieved and number of assignments completed. Enterprise strategy has a demonstrated impact and has strengthened the enterprise sector.	3
1.1.4. Clear task assignment to legislation drafting and implementation	No clear structure is in place for enterprise policy implementation. Legislation is passed without clear indication of when and how it will be implemented.	Government is in the process of establishing institutions specifically responsible for enterprise policy implementation.	Key institutions in charge of enterprise policy implementation are in place (such as a business promotion agency) but are not yet fully operational.	The institutions are fully operational and have been assigned staff and budget in line with their mandate.	The institutions are fully operational, are well staffed, and work with a budget sufficient to fulfil their mandate. They have a track record of efficient implementation of enterprise policies.	2
1.2. Better legislation and administrative simplification						2
1.2.1. Delegation of responsibility for regulatory reform and administrative simplification	No institutions are responsible for administrative simplification. Policy measures are taken ad hoc.	Several institutions are simultaneously responsible for administrative simplification.	Several institutions are responsible for administrative simplification. Identification of overlapping policies and active measures to limit overlapping and avoid major policy inconsistencies.	A policy coordination mechanism is in place and is fully operational. A system of consultation with stakeholders and in particular with the private sector and civil society, and involving the implementing agency(ies), is in place.	Level 4 plus effective mechanism of policy coordination involving key ministries, agencies and local administrations when relevant.	3

1.2.2. Strategy for the simplification of legislation and administrative procedures	No formalised strategy for the simplification of legislation and administrative procedures, including sector strategies, exists.	Strategy for the simplification of legislation and administrative procedures is under elaboration.	Multi-year strategy for the simplification of legislation and administrative procedures for current period is approved by the government, following a process of consultation with stakeholders, and in particular with the private sector and civil society. The strategy is at an initial stage of implementation.	Solid evidence of implementation of the strategy for the simplification of legislation and administrative procedures with indication of key targets achieved and assignments completed.	A proactive, comprehensive strategy for the simplification of legislation and administrative procedures is put in place after a wide consultation process. The strategy incorporates action plans covering key areas of the regulatory reform agenda. There is significant evidence that all components of the strategy have been implemented, as demonstrated by time-bound targets achieved and number of assignments completed.	3
1.2.3. Review and simplification of current legislation	There are no plans to review and simplify current primary or secondary legislation related to enterprise policy.	There has been ad hoc activity to simplify current enterprise legislation and the government has plans for a systematic review of current legislation related to enterprise policy.	A concrete plan to review and simplify legislation related to enterprise policy has been approved and institutions in charge have been identified.	Implementation of the plan to review and simplify legislation related to enterprise policy; beginning of review of key, mainly primary, legislation related to enterprise policy.	Legislative review well advanced and extended to secondary legislation.	2
1.2.4. Elimination of redundant legislation and regulations	There are no plans to carry out systematic elimination of redundant legislation and regulations.	There has been ad hoc activity to carry out elimination of redundant legislation and regulations. The government is planning to carry out this exercise.	A concrete plan to carry out systematic elimination of redundant legislation and regulations has been approved and institutions in charge have been identified.	Implementation of the plan under way, covering key areas of mainly primary legislation related to enterprise policy.	Elimination of redundant legislation and regulations' process well advanced and extended to secondary legislation.	2
1.2.5. Cost-benefit analysis of new enterprise legislation and regulation	No systematic cost-benefit analysis targeted at draft enterprise legislation and regulation exists.	Cost-benefit analysis of new enterprise legislation and regulation is being put into place. Proposal for a law on cost-benefit analysis of draft enterprise legislation and regulation. A simplified, pilot cost-benefit analysis programme is being used in certain areas of regulation.	Approval of law on cost-benefit analysis of new legislation and regulation.	Implementation of cost-benefit analysis on draft enterprise legislation and regulation in some policy areas.	Cost-benefit analysis on draft enterprise legislation and regulation is systematically implemented.	1

1.3. Cheaper and faster start-up						2
1.3.1. Number of days for obtaining company registration certificate	Registration in more than 30 days.	Registration takes more than 15 days, but less than 30 days.	Registration takes more than 5 days, but less than 15 days.	Registration takes less than 5 days, but more than 1 day.	Registration in 1 day.	1
1.3.2. Number of administrative steps for obtaining the company registration certificate	Registration requires more than 10 administrative steps.	Registration requires 8–9 administrative steps.	Registration requires 5–7 administrative steps.	Registration requires 2–4 administrative steps.	One-stop-shop.	1
1.3.3. Official costs for obtaining the company registration certificate	More than EUR 250	Less than EUR 250, more than EUR 150	Less than EUR 150, more than EUR 50.	Less than EUR 50, more than EUR 10.	Less than EUR 10.	2
1.3.4. Administrative identification numbers	Five identification numbers in dealing with different administrative authorities (statistical office, customs, labour office, tax office, etc.).	Four identification numbers in dealing with different administrative authorities.	Three identification numbers in dealing with different administrative authorities. Half of registrations merged.	Two identification numbers in dealing with different administrative authorities. Most registrations merged.	Single identification number in dealing with all standard functions of public administration. Single registration process.	1
1.3.5. Number of days for compulsory company identification number(s)	All numbers in more than 30 days.	All numbers in more than 15 days, but less than 30 days.	All numbers in more than 5 days, but less than 15 days.	All numbers in less than 5 days, but more than 1 day.	All numbers in the same day.	1
1.3.6. Number of days for completing the overall registration process, including compulsory licences for standard business activities (World Bank cost of doing business index)	Registration takes more than 30 days.	Registration takes more than 15 days, but less than 30 days.	Registration takes more than 5 days, but less than 15 days.	Registration takes less than 5 days, but more than 1 day.	Registration takes 1 day.	1

1.3.7. Number of steps for completing the overall registration process, including compulsory licences for standard business activities (World Bank cost of doing business index)	Registration requires more than 10 administrative steps.	Registration requires 8–9 administrative steps.	Registration requires 5–7 administrative steps.	Registration requires 2–4 administrative steps.	One-stop-shop.	1
1.3.8. 'Silence is consent' applied to company registration procedures	'Silence is consent' is not applied.				'Silence is consent' is systematically applied.	2
1.3.9. Costs connected with registration for limited liability companies (% of gross national income (GNI) per capita) (World Bank cost of doing business index)	Costs are more than 10 % of GNI per capita.	Costs are between 5 and 10 % of GNI per capita.	Costs are between 2.5 and 5 % of GNI per capita.	Costs are below 2.5 % of GNI per capita.	Costs are minimal (close to 0 % GNI per capita).	2
1.3.10. Minimum capital requirements for limited liability companies (% of GNI per capita) (World Bank cost of doing business index)	More than 40 % of GNI per capita.	Between 20 and 40 % of GNI per capita.	Between 10 and 20 % of GNI per capita.	Less than 10 % of GNI per capita.	No minimum capital requirement.	2
1.3.11. One-stop-shops (regional investment centres, etc.)	There are no plans to establish one-stop-shops.	Legislation is in drafting state to establish one-stop-shops and there are plans to adopt legislation.	The necessary legislation to establish one-stop-shops has been adopted.	One-stop-shops operational, but with limited geographic scope in the country.	One-stop-shops operational with proven track record and extensive geographic scope.	3

1.3.12. Online registration	The government has not taken any steps towards the introduction of online registration.	Evaluation of existing administrative procedures and detailed proposals for the introduction of online registration. Budget provisions and pilot project.	Law on online registration, action plan and budget provisions approved. Designation of competent authority.	Level 3 plus solid evidence of implementation of online registration system available only in some regions.	Level 4 plus complete implementation of online registration; system fully integrated with other services of e-government and available throughout the country. Online registration applies to all phases of the company registration process.	1
1.3.13. Time required for closing a business (World Bank doing business indicator)	The time required for closing a business is more than 5 years.	The time required for closing a business is between 4.1 and 5 years.	The time required for closing a business is between 3.1 and 4 years.	The time required for closing a business is between 2.1 and 3 years.	The time required for closing a business is 2.1 years or less.	1
1.3.14. Cost required for closing a business (World Bank doing business indicator)	The cost required for closing a business is 23 % of estate or more.	The cost required for closing a business is between 18 and 22.9 % of estate.	The cost required for closing a business is between 13 and 17.9 % of estate.	The cost required for closing a business is between 8 and 12.9 % of estate.	The cost required for closing a business is less than 7.9 % of estate.	1

Dimension 2: Education and training for entrepreneurship

Dimension 2	Level 1	Level 2	Level 3	Level 4	Level 5	Weight
2.1. Policy	Government, key stakeholders and business community do not have a nationally agreed strategy to promote lifelong entrepreneurial learning. They implement ad hoc initiatives.	Key stakeholders are engaged in a dialogue to reach consensus on national lifelong entrepreneurial learning strategy. Lifelong entrepreneurial learning strategy covers all levels and types of education [62].	A national lifelong entrepreneurial learning strategy is agreed between key stakeholders and is included within national enterprise, education, employment, R & D and regional and/or local development policies. Work programme to implement lifelong entrepreneurial learning strategy promotes inter alia training needs' analysis, career guidance, and non-formal entrepreneurial learning.	Annual work programme is approved and under implementation to meet the set objectives. Implementation of the work programme is followed by key stakeholders working in partnership.	Results from independent evaluations or peer reviews are shared with key stakeholders. Recommendations from evaluations and peer reviews feed back into further developments in entrepreneurial learning.	3
2.2. Lower secondary education (ISCED 2)	There is no systematic promotion of entrepreneurial learning at ISCED level 2 (lower secondary education). Entrepreneurship in lower secondary education is confined to ad hoc projects which are not part of mainstream education curricula.	National policy under discussion for developing entrepreneurial learning in lower secondary education. Entrepreneurial learning in lower secondary education is confined to school-based individual initiatives which are known to the education authorities. Policy includes school–enterprise cooperation.	Entrepreneurship as a key competence is an integral feature of the national curriculum. Teaching materials are in preparation and being piloted in 5 % of schools. At least 5 % of lower secondary schools have established structured partnerships with local enterprises.	Teacher training curriculum includes entrepreneurship as a key competence. Teachers and school principals have access to in-service training and other professional development opportunities for entrepreneurship as a key competence. At least 50 % of lower secondary schools have knowledge and skills for teaching entrepreneurship as a key competence. At least 50 % of lower secondary schools have adopted entrepreneurship as a key competence in their curricula. At least 10 % of lower secondary schools have established structured partnerships with local enterprises.	Entrepreneurship as a key competence is included in curriculum of all lower secondary schools. All lower secondary schools provide data on range of entrepreneurship promotion activities for national monitoring, evaluation and further policy development purposes.	2

(62) Lifelong entrepreneurial learning strategy complements the national action plan for 'Education for all' (Unesco), which particularly underlines the improvement of literacy rates and girls'/women's access to education.

2.3. Upper secondary education (ISCED 3)	There is no systematic promotion of entrepreneurial learning at ISCED level 3 (upper secondary education). Entrepreneurship in upper secondary education is confined to ad hoc projects which are not part of mainstream education curricula.	National policy under discussion for developing entrepreneurial learning in educational institutions in this level. Entrepreneurial learning in educational institutions in this level is confined to school-based individual initiatives which are known to the education authorities. Policy includes school–enterprise cooperation.	Entrepreneurship as a key competence is an integral feature of the national curriculum. Curriculum includes elements of entrepreneurship education (subject, module, course, extra-curricular activity, work placements, etc.).	Teacher training curriculum includes entrepreneurship as a key competence. Upper secondary school teachers and principals have access to in-service training and other professional development opportunities for entrepreneurship as a key competence. At least 50 % of upper secondary schools have knowledge and skills for teaching entrepreneurship key competence. At least 50 % of upper secondary schools have adopted entrepreneurship as a key competence in their curricula. At least 10 % of upper secondary schools have established structured partnerships with local enterprises.	Entrepreneurship as a key competence is included in curriculum of all upper secondary schools. All upper secondary schools provide data on range of entrepreneurship promotion activities for national monitoring, evaluation and further policy development purposes. All upper secondary schools have entrepreneurial characteristics in their organisation.	2
2.4. Good practice	There is no systematic exchange of good practice between lifelong entrepreneurial learning providers.	A national network of lifelong entrepreneurial learning providers meets on a regular basis to exchange good practice.	Examples of adapted good practice in entrepreneurial learning (domestic and/or international) are being piloted in the country.	Results of domestic good practice are being disseminated nationally (at least one annual event annually).	Within the reporting period, at least one domestic good practice has been transferred to another country.	2

2.5. Non-formal entrepreneurial learning	There is no system to inform about actions which promote non-formal entrepreneurial learning (privately and/or publicly supported).	Non-formal entrepreneurial learning is monitored as part of a national entrepreneurial learning strategy and identifies areas for improvement. Evidence of at least one quarterly high-level press coverage (national specialised newspaper or TV) of entrepreneurial learning policy or delivery.	Examples of agreements established between public authorities, enterprises and NGOs to develop entrepreneurial spirit and skills across society with particular reference to children and young people.	At least one annual, high-profile event at national level to promote awareness and information on broader entrepreneurial learning (formal and non-formal) to highlight successful projects. High-profile event includes national recognition or awards for entrepreneurial learning practice.	Transfer of know-how: principles or practice from at least two of the non-formal showcase projects from the previous year's high-profile event are integrated into other entrepreneurial learning environments nationally or internationally.	2

Dimension 3: Improved skills

Dimension 3	Level 1	Level 2	Level 3	Level 4	Level 5	Weight
3.1. Availability of training	No structured business training provision available but confined to ad hoc initiatives only.	Business training provision is developed but is limited to specific towns and regions.	Funds are available to support training providers to develop enterprise training, including online training services. Database of training providers and training programmes available on a recognised website.	Good training provider network developed across the country actively communicating information through the website's online database. Evidence of online training services being acquired by enterprises	Quality-assured training provider network developed across the country. Data on online training acquired by enterprises is regularly updated and evaluated as part of national enterprise development policy.	3
3.2. Start-ups	No training or coaching services available for start-ups.	Start-up training and coaching services available on management, basic finance and basic marketing supported by public and private funds. 20 % of newly registered start-ups (with at least 5 % addressing women's start-ups) have benefited from training and/or coaching in the reporting period.	40 % of newly registered start-ups (with at least 10 % addressing women's enterprises) have benefited from training and/or coaching in the reporting period. Business advisory services available for post start-ups up to 6 months after their activities begin.	60 % of newly registered start-ups (with at least 15 % addressing women's enterprises) have benefited from training and/or coaching in the reporting period. Business advisory services available for start-ups up to 12 months after start-up.	80 % of newly registered start-ups (with at least 20 % addressing women's enterprises) have benefited from training and/or coaching services in the reporting period. Business advisory services available for start-ups up to 24 months after activities begin.	2
3.3. Enterprise training (63)	Less than 5 % of businesses have undertaken training in the given period.	5–10 % of businesses have undertaken training in the given period.	11–30 % of businesses have undertaken training in the given period.	31–50 % of businesses have undertaken training in the given period.	More than 50 % of businesses have undertaken training in the given period.	2
3.4. Enterprise growth	No systematic approach to develop enterprise human resources (knowledge and skills) for growing businesses.	Human resource development (HRD) for enterprise growth has been agreed as a priority between business community and government and registered in national or sectoral development plans.	Funds (64) are available to support access to information, consultancy and/or HRD measures. Funding arrangements have clear criteria to allow enterprises to apply for subsidies or other support mechanisms to support training linked to enterprise growth.	20 % of growing businesses benefited from information, consultancy and/or HRD measures supported by the funds available.	More than 50 % of growing businesses benefited from information, consultancy and/or HRD measures supported by the funds available.	2

(63) Evidence for this indicator will be taken from enterprise survey-based data and reflects participation of enterprise staff in skills/knowledge upgrading in the 12 months prior to the self-assessment.

(64) Public and/or private funds.

3.5. Access to international markets	Pilot training related to some aspects of international standards and marketing available for limited sectors and regions.	More developed training offer available on international standards and marketing for a limited number of key economic sectors [65].	Training on international standards and markets provided by public and private service providers for key economic sectors.	Training on international standards and markets for all key economic sectors available online. This includes training for e-business.	Intelligence on international standards and markets for key economic sectors regularly available for use by training providers to improve training offer.	3

(65) Key economic sectors are identified within a national economic development plan or similar national strategic instrument.

Dimension 4: Access to finance and investment-friendly taxation

Dimension 4	Level 1	Level 2	Level 3	Level 4	Level 5	Weight
4.1. Access to finance						
4.1a. Credit environment						3
4.1.1. Collateral and provisioning requirements	Very high collateral requirements (more than 200 %). Restrictive collateral definition and/or rigid provisioning requirements for uncollateralised loans.	Collateral requirement ranging from 150 to 200 % of loan amount. Restrictive collateral definition and/or rigid provisioning requirements for uncollateralised loans.	Flexible collateral definition and/or flexible provisioning requirements for loans under EUR 20 000.	Flexible collateral definition and/or flexible provisioning requirements for loans under EUR 20 000 and central collateral registry in place.	Flexible collateral definition and/or flexible provisioning requirements for loans under EUR 20 000 and central collateral registry covering most bank loans.	3
4.1.2. Cadastre	No functioning cadastre system in place.	Legislation to establish a functioning cadastre system at the drafting stage.	Registration system for real estate in place, but not yet fully operational. Information not easily accessible or fully reliable.	Property titles on the real estate assets have been fully documented. Easy, low-cost access to registration and information.	Level 4 plus fully-functioning system for registration of real estate assets, allowing firms to use immovable assets as collateral in their efforts to access bank finance. Information available online.	2
4.1.3. Laws and procedures on distressed companies, receivership and bankruptcy	No specific laws and/or other procedures on distressed companies, receivership and bankruptcy.	Distressed companies', receivership and bankruptcy laws and/or procedures in drafting stage.	Distressed companies', receivership and bankruptcy laws and/or procedures formally in place. Legislation not systematic and at an early stage of implementation.	Evidence of implementation of distressed companies', receivership and bankruptcy laws and/or procedures in line with international standards and fully integrated in and consistent with commercial law and practice. Backlog of old cases has been reduced.	Distressed companies', receivership and bankruptcy laws and/or procedures effectively and systematically applied in a transparent way. Procedures take place speedily.	3
4.1.4. Registration systems for movable assets	No functioning registration systems for movable assets.	Legislation to establish a functioning registration system at the drafting stage.	Registration system of movable assets in place, but not yet fully operational. Information not easily accessible or fully reliable.	Ownership of pledges on the registered assets has been fully documented. Easy, low-cost access to registration and information. Registration system in line with international standards.	Level 4 plus fully-functioning system for registration of movable assets, allowing firms to use movable assets as collateral in their efforts to access bank finance. Information available online.	2

4.1.5. Credit information services	No credit information services available in the country.	Credit information services in place, but access limited to financial institutions.	Credit information services available to financial institutions and to the public. Both positive and negative credit information is available.	Level 3 plus data on loans of more than EUR 20 000 to legal and physical persons are collected and made available to financial institutions and the public upon request. Information is updated regularly and is comprehensive.	Level 4 plus more than two years of historical data are distributed. By law, borrowers have the right to access their data.	2
4.1b. Financial facilities for enterprises						2
4.1.6. Credit guarantee schemes/facilities	No credit guarantee schemes/ facilities in place.	Credit guarantee schemes/facilities under consideration.	Credit guarantee schemes/ facilities in place. Solely government funded and managed by the public sector. Cooperation with the banking sector in the initial stage.	Credit guarantee schemes/ facilities operating under independent management (independent of the funding sources). Banking sector committed to accept guarantees from the schemes/facilities.	Credit guarantee schemes/ facilities operating under independent management with clear governance rules. Close cooperation with the banking sector. Wide range of guarantees available.	2
4.1.7. Availability of risk capital (e.g. venture capital, private equity funds)	No venture capital/private equity/investment funds' legislation under consideration.	Venture capital/private equity/investment funds' legislation under consideration.	Venture capital/private equity/investment funds' legislation in place.	Level 3 plus several venture capital/private equity funds investing, including funds specialised on SMEs, but the only exit possibility is direct sales.	Level 4 plus range of exit options, including a functioning stock exchange. Legislation in line with best practices.	2
4.1.8. Access to capital markets	Neither legal nor institutional framework in place for capital markets.	Stock exchange in place with low capitalisation. Legal framework not in line with international standards.	Stock exchange and legislation (in line with international standards) in place, but access limited to highly capitalised companies.	Level 3 plus evidence of the enforcement of the legislation by securities exchange commission/relevant authority. Possibility for listing either in the main market or in a market reserved for companies with lower capitalisation.	Level 4 plus fully enforced securities legislation, including the information disclosure requirements. Active and well-functioning capital market for companies with lower capitalisation.	2
4.1.9. Microfinance facilities	No microcredit facilities (neither small credit lines nor microfinance sector) in the country.	Microcredit facilities (either small credit lines or microfinance) exist at the level of pilot projects with limited impact.	Microfinance sector present and operating throughout the country. Facilities mainly state or donor funded. Limited range of microfinance products.	Microfinance facilities self-sustainable. Special facilities for targeted groups such as youth and women entrepreneurs. Legal and regulatory framework for microfinance industry under preparation.	Level 4 plus wide range of microfinance products. Appropriate legal and regulatory framework in place for microfinance institutions.	2

4.1.10. Leasing	No leasing activity, no plans for leasing law.	Leasing law under preparation.	Leasing law approved and institutional responsibilities clearly assigned.	Implementation of leasing law. Regulator active in monitoring market.	Leasing law fully implemented. Regulation and supervision of the leasing sector is enacted.	2
4.2. Investment-friendly taxation						
Basic income tax design features of special concern to small enterprises						
4.2.1. Analysis of tax impediments to SME equity finance	Studies examining implications for enterprise financing and investment of double taxation of distributed and retained profit have not been undertaken by tax officials.	Studies examining implications for enterprise financing and investment of double taxation of distributed and retained profit have been undertaken by tax officials, with study findings documented and reported to senior Ministry of Finance officials for discussion and consideration.	Level 2 plus the requirement that the analysis of double taxation includes an assessment of pros and cons (advantages, disadvantages) and tax revenue implications of alternative 'integration' systems to relieve double taxation of distributed and retained profits.	Level 3 plus the requirement that findings of studies of double taxation and alternative integration systems are addressed in current tax policy or in planned tax reform over the next two years.	Level 4 plus the requirement that studies of special tax incentives in the current system, or planned for introduction over the next two years, or being proposed by business (main provisions) to increase financing of small enterprises, have been undertaken, documented and reported to senior Ministry of Finance officials. Tax revenue and efficiency implications of adjusting (possibly eliminating) these incentives have been considered alongside implications of adjusting the degree of double taxation relief in respect of distributed and retained profit.	2

4.2.2. Analysis of tax impediments to risky investment in SMEs	Possible impediments to investment in early-stage, high-risk companies of alternative loss offset rules governing limits to tax deductibility of business losses, and capital losses on shares, have not been analysed, documented and discussed amongst senior tax officials of the Ministry of Finance.	Possible impediments to investment in early-stage, high-risk companies of alternative loss offset rules governing limits to tax deductibility of business losses, and capital losses on shares, have been analysed with findings documented and reported to senior Ministry of Finance officials for discussion and consideration.	Level 2 plus the requirement that tax-planning opportunities under alternative loss offset provisions have been examined (taking into account limits to tax audit surveillance that can be carried out by the tax administration), with study findings reported to senior Ministry of Finance officials for discussion and consideration.	Level 3 plus the requirement that main findings of studies of possible impediments to risk-taking (including investment in equity shares), and possible tax-planning opportunities, under alternative loss offset provisions, are addressed in current tax policy, and/or in planned tax reform over the next two years.	Level 4 plus the requirement that, following the adoption of tax reform that expands or limits loss offset provisions, and/or broadens or contains scope for tax-planning around losses, an ex post evaluation is carried out that examines implications for risk-taking and tax-planning.	1
Compliance costs of concern to small enterprises						
4.2.3. Assessment of tax compliance costs for SMEs and remedial tax administration	The Ministry of Finance (or tax administration) has not assessed the average cost to SMEs of complying with any of the main taxes (current design) imposed by central government.	The Ministry of Finance (or tax administration) has assessed the average cost to SMEs of complying with certain main taxes (e.g. income tax, general consumption tax (VAT or sales tax), in their current design) imposed by central government.	The Ministry of Finance (or tax administration) has assessed the average cost to SMEs of complying with all main taxes (current design) imposed by central government.	Level 3 plus the requirement that studies have been prepared to determine the pros/cons of simplifying certain elements of central government tax administration (e.g. less frequent tax instalments, electronic filing). There has been some initial implementation of reforms that address the main findings of these studies.	Level 4 plus evidence that: (a) reforms have been implemented that address the main findings of studies of possible simplification of central government tax administration; and (b) meetings have been held with senior provincial/state-level tax officials to discuss SME compliance costs where studies reveal that tax compliance costs in relation to sub-central government axes (e.g. property tax) are excessively high.	1

4.2.4. Assessment of policy measures to lessen tax compliance costs for SMEs	The Ministry of Finance has not assessed the implications of alternative tax policy regimes to apply to SMEs to address tax compliance costs (e.g. under application of basic income tax and basic VAT systems, versus presumptive tax regime for SMEs, VAT exemption for SMEs).	The Ministry of Finance has assessed the implications of alternative tax policy regimes to apply to SMEs to address tax compliance costs (e.g. basic income tax and basic VAT systems, versus presumptive tax regime for SMEs, VAT exemption for SMEs).	Level 2 plus the requirement that analyses have been prepared that consider criteria and options for establishing threshold level(s) determining the application of alternative regimes (e.g. VAT exemption, versus presumptive tax regime, versus basic VAT regime), and possible distortions (e.g. to firm size) introduced by different threshold levels.	Level 3 plus the requirement that there has been some initial implementation of reforms that apply different tax regimes to SMEs, depending on their size (e.g. turnover), where analyses indicate that such reforms would be desirable and appropriate.	Level 4 plus evidence of implementation of reforms that apply different tax regimes to SMEs, depending on their size (e.g. turnover), where analyses indicate that such reforms would be desirable and appropriate.	1
4.2.5. Assessment of SME taxpayer assistance to reduce tax compliance burden	Limited taxpayer access (at regional/local tax offices) to information, supporting documentation and assistance towards understanding and complying with the main taxes imposed on business by central government. No immediate plans by central government to significantly improve taxpayer service.	Information and documentation to assist taxpayers in complying with the main taxes imposed on business by the central government is disseminated to registered taxpayers along with tax returns. Plans are being developed by central government to improve its taxpayer service.	Level 2 plus the requirement that tax returns and information and supporting documentation are widely available to taxpayers (e.g. available at non-government sites, downloaded from government websites). A toll-free telephone service, with adequately trained tax specialists, is provided to respond to taxpayers' questions.	Level 3 plus the requirement that additional services to educate business on its tax obligations, reporting and filing requirements are provided through an 'outreach programme' that includes tax seminars organised at the local level (e.g. with local chambers of commerce), special advertising, and possibly other strategies to actively disseminate tax information to business.	Level 4 plus regular discussions with national chambers of commerce and other bodies to consider how taxpayer assistance and education could be improved.	1

Dimension 5: Better market access						
Dimension 5	**Level 1**	**Level 2**	**Level 3**	**Level 4**	**Level 5**	**Weight**
5.1. Implementing a proactive trade policy						3
5.1.1. Export promotion strategy	No formalised export promotion strategy exists. Only ad hoc initiatives (trade missions, trade fairs, etc.)	Export promotion strategy, including sector action plans, at a drafting stage. Identification of market and sector priorities under way. Budget established but entirety of funds not yet received.	Export promotion strategy approved, after a wide consultation process with key stakeholders. Implementation agency(ies) identified. Budget established and entirely allocated.	Export promotion strategy is adequately funded and under implementation. Most of the following components are active: trade policy information and commercial intelligence, export promotion and marketing, product development, financial services, training, SME-specific programmes. Good institutional coordination and secured active participation of exporters.	Export promotion strategy fully integrated into a wider, comprehensive enterprise strategy. The sector/market programmes covered by the strategy are well structured and conducted in close co-operation with exporters. The countries have developed a network of commercial trade offices in all the key export markets. The export promotion programmes are regularly monitored and evaluated.	3
5.1.2. Intra-MED trade agreements (within this indicator, Turkey is also counted as a MED country)	No free trade agreements with other MED countries.	Free trade agreements with one to three other MED countries.	Free trade agreements with four to six other MED countries.	Free trade agreements with six to eight other MED countries, including a minimum of two regional trade agreements (such as GAFTA and the Agadir Agreement).	Trade agreements with nine other MED countries.	2
5.2. Simplification of procedures for international trade						2
5.2.1. Level of computerisation of procedures for foreign trade	No strategy exists aiming at computerisation of procedures for foreign trade.	A plan for the computerisation of procedures for foreign trade has been approved and the institutions concerned have been designated.	A concrete plan for the computerisation of procedures for foreign trade has been put into place. Action plans with precise objectives and a timetable have been drawn up for all concerned documents.	The computerisation of procedures for foreign trade is well under way. Several administrators and private operators exchange documents concerning foreign trade via electronic channels.	Several documents concerning foreign trade have been computerised. Movement towards elimination of the use of paper medium in the procedures of foreign trade.	1

5.2.2. Quality of access to regulatory and procedural information relating to foreign trade	No measures have been taken to facilitate access to information on procedures for and regulations on foreign trade.	Measures have been adopted to facilitate access to information on procedures for and regulations on foreign trade. Actions remain disparate.	Concrete measures have been made to make available information related to foreign trade for all relevant actors. The responsible institutions have been designated.	Level 3 plus a high-level steering committee has been established to strengthen measures aiming to facilitate access to regulatory and procedural information. The steering committee is composed of the institutional sources from which this information can be accessed.	Level 4 plus a national institution is in charge of the diffusion of regulatory and procedural information to all operators.	1
5.2.3. Virtual one-stop-shop to deal with the formalities of foreign trade	There is no plan to set up a virtual one-stop-shop to deal with the formalities of foreign trade.	A procedure is under way to set up a one-stop-shop to deal with the formalities of foreign trade. There is a plan which remains to be approved.	A plan to set up a one-stop-shop to deal with the formalities of foreign trade has been adopted.	The plan to set up a one-stop-shop to deal with the formalities of foreign trade is now operational. It has limited geographic scope throughout the country.	A one-stop-shop to deal with the formalities of foreign trade is operational with a proven track record and a wide geographical scope.	1
5.3. Agreement on conformity assessment and acceptance of industrial products (ACAA)						2
5.3.1. Adoption of EU technical regulations	No transposition of EU sectoral legislation in priority sectors.	EU sectoral legislation in the priority sectors at the state of draft.	EU sectoral legislation in place for one or two priority sectors.	EU sectoral legislation in place for all the priority sectors.	Full implementation of EU sectoral legislation in all the priority sectors and possible extension to additional sectors.	1
5.3.2. Adoption of EU technical standards	No EU standards adopted in priority sectors.	Start adoption of EU standards in priority sectors and start upgrading of standardisation body in accordance with EU requirements.	All EU standards adopted and conflicting national standards abolished, in one or two priority sectors.	All EU standards adopted and conflicting national standards abolished in all the priority sectors.	Full use of standards by producers in all the priority sectors, and country fully-fledged member of European Committee for Standardisation (CEN), European Committee for Electrotechnical Standardisation (Cenelec) and European Telecommunications Standards Institute (ETSI).	1

5.3.3. Accreditation	No legislation aligned with the EU and no accreditation body or a body not in conformity with EU requirements.	Start transposition of EU horizontal legislation and start creating/upgrading accreditation body.	EU horizontal legislation transposed and set-up of accreditation body in accordance with EU requirements.	Accreditation body recognised by European Cooperation for Accreditation (EA) or by peer organisations.	Effective operation.	1
5.3.4. Conformity assessment	No legislation aligned with the EU.	Transposition of EU horizontal legislation and start upgrading of conformity assessment bodies in priority sectors in accordance with EU requirements.	National accreditation of conformity assessment bodies in priority sectors in accordance with EU requirements.	Conformity assessment bodies in priority sectors recognised by EA or by peer organisations.	Effective operation.	1
5.3.5. Metrology	No legislation aligned with the EU.	Transposition of EU horizontal legislation.	Start upgrading of metrology body in accordance with EU requirements.	Metrology body recognised by relevant international/European organisations.	Effective operation.	1
5.3.6. Market surveillance	No legislation aligned with the EU.	Transposition of EU horizontal legislation.	Start organising a comprehensive market surveillance system in accordance with EU requirements.	Finalise the organisation of a comprehensive market surveillance system in accordance with EU requirements.	Effective operation of the whole system.	1

Dimension 6: Innovative firms

Dimension 6	Level 1	Level 2	Level 3	Level 4	Level 5	Weight
6.1. Innovation policy and support to innovative enterprises						3
6.1.1. Enhancing enterprise innovation	No programme or strategy enhancing enterprise innovation and/or R & D in place. Limited ad hoc initiatives in place.	Innovation programme/strategy under consideration/pilot programme in place.	Innovation programme/strategy approved following consultation with key stakeholders. The programme/strategy incorporates inputs and lessons learned from pilot projects. Programme includes action plan for cluster development, linkages with universities, services and funding to innovative enterprises.	Innovation programme/strategy is under implementation and adequately funded. Major components of the plan are active. Public–private partnership (PPP) projects being developed involving also universities and research centres.	Innovation programme/strategy extensively implemented. Mechanisms in place to monitor the impact of the programme on company growth and direct/indirect spillovers. Programme mostly based on PPP projects involving also universities and research centres.	2
6.1.2. Establishment of innovation and technology centres and networks fostering cooperation among universities, research centres and enterprises	No networks, centres or schemes to promote cooperation on innovation in place. Single, ad hoc initiatives in place.	Pilot projects to establish innovation networks, centres or schemes to promote cooperation on innovation have been launched.	Action taken specifically to promote the cooperation on innovation among enterprises, universities, and funded research centres. This promotion is publicly funded. Regulatory framework for PPP projects is in place.	Implementation of innovation promotion schemes. Innovation and technology centres in operation. Public–private partnership at national, regional and local level in R & D, innovation and development.	Network of high-level innovation and technology centres present in the country. Strong relationship with research institutions and private sector at domestic and international level.	2
6.1.3. Support for innovative enterprises	No support scheme for innovative enterprises is in place. Ad hoc initiatives in place.	Scheme under consideration and pilot project being launched, funded by government, donors and/or other organisations.	Legal and regulatory framework for support scheme has been adopted following wide consultation with stakeholders. Implementing institution has been identified.	Schemes are under implementation and adequately funded. Independent project evaluation system has been established. Cooperation with private equity funds is being developed.	A complete chain of funding schemes is available for innovative projects, from grants, subsidiaries, seed funding to big venture capitals and loans. Project holders are well informed and aware of the availability of the funds and a significant number of projects are funded every year.	2

6.1.4. Business incubators	No incubators and no plans to establish them.	Strategy on incubators under discussion. Pilot incubator projects in operation, publicly funded, funded by donors and/or other organisations.	Strategy on incubators approved, following wide consultations with stakeholders. The strategy incorporates inputs and lessons learned from pilot projects and include detailed proposals and budget allocations. Focus on job creation, no exit strategies.	Level 3 plus several incubators in operation, out of the experimental phase. Provision of basic services, some incubators used to foster innovation. Partial implementation of OECD guidelines on business incubators (see CNRST).	Level 4 plus network of incubators throughout the country. Focus on innovation; provision of high-quality services; existence of exit strategies. OECD guidelines widely implemented.	2

Dimension 7: Strong business associations [66]

Dimension 7	Level 1	Level 2	Level 3	Level 4	Level 5	Weight
7.1. Public–private consultations						3
7.1.1. Framework of the consultations	There is no structured (institutional, consultative) framework for conducting consultation on enterprise policy issues between the public and private spheres. There is limited dialogue and it is conducted on an ad hoc basis.	Government is consulting to establish a regular framework for public–private consultation, including private sector representatives, civil society and social partners.	A framework for public–private consultations has been established but the range of issues discussed is limited. Limited participation of senior policymakers. Meetings have a predominantly informational purpose and are held at a late stage of the policy drafting process.	Effective consultations involving key actors, including private sector representatives, civil society and social partners, take place at the early policy planning stage and cover all key issues. Presence of legal framework and measures to encourage the establishment of private sector representative and professional associations.	Level 4 plus effective consultations occur on a broad range of issues and are organised in joint expert working groups. Impact assessment of national economic policy is applied as part of the consultation process and the private sector is involved in monitoring and assessing the impact of enterprise support measures.	2
7.1.2. Frequency	No consultations take place.	Consultations occur on a very sporadic basis.	Consultations take place only on the occasion of the passing of major reform/legislation.	Consultations occur on a regular basis but with lengthy intervals (two meetings per year or less).	Consultations are conducted regularly, systematically and frequently. They are institutionalised and structured at various levels, including high-level consultations, as well as at expert level.	2
7.1.3. Openness and transparency of the consultation process	The public sector selects the participants of the consultative meetings regardless of their representation and unilaterally defines the agenda.	The public sector has preferential dialogue with few private sector counterparts (e.g. only largest companies). There are no formal transparency requirements.	The agenda is circulated well in advance. The organisations with the largest representation are all invited.	Level 3 plus private sector is given the opportunity to provide inputs on the agenda and call for a meeting.	Level 4 plus minutes of the meetings are published and the government has to formally state why it has/has not taken into consideration the recommendations emerging from the meetings.	3

(66) Business associations do not include those which defend the interests of employees.

7.2. Enterprise networks and business associations						2
7.2.1. Advocacy function and governance rules of private sector representative organisations and professional associations.	Informal grouping of enterprises at local/sector level, with limited membership base.	Industry/sector groups of enterprises representing business, with a limited membership base. No national network, limited capacity of representation.	Structured local and nationwide interest representation. Presence of active NGOs, crafts associations, professional chambers. Basic internal governance rules are applied.	Organised enterprise associations, NGOs, crafts associations, operating at national level (directly or through a network system), growing capacity to engage government in policy dialogue on key issues. A majority of representative organisations and professional associations follow good internal governance practices.	Strong, independent, nationally and locally rooted network of enterprises, representing enterprises' interest at local and national level. Capacity to conduct constructive and regular policy consultations on a wide range of issues. Representative organisations and professional associations operate in an open and transparent way.	2
7.2.2. Provision of services by private sector associations and professional organisations	Private sector associations and professional organisations do not provide services.	Private sector associations and professional organisations provide limited range of basic information services only upon request to their members.	Private sector associations and professional organisations provide a wide range of basic services to their members and publish regular bulletins on their activities and updates on legislation and government initiatives relevant to their members.	Private sector associations and professional organisations provide extensive and good quality services to their members, including individually tailored services. Services subject to fees.	Level 4 plus presence of an extensive network throughout the country and income from services and membership fees allow for auto-finance of the organisation.	1

Dimension 8: Quality business support schemes and services						
Dimension 8	**Level 1**	**Level 2**	**Level 3**	**Level 4**	**Level 5**	**Weight**
8.1. Business support services						1
8.1.1. Range of business services	Very limited range of basic business services, available mainly through donor-funded programmes.	More structured range of business services, available through a combination of publicly funded and private business providers.	Network of publicly funded business service providers. Good network of private business service providers, providing personalised services for enterprises.	Well-developed market for personalised business services, with good level of internal competition.	Level 4 plus wide range of business services available in the country, operating in line with international best practices and high professional standards. Availability of good quality services throughout the country.	2
8.1.2. Availability of information on business service providers	No database of business service providers available to enterprises, either by public or private sources.	Database(s) available to enterprises for limited sets of business services. Limited set of information on business providers reported.	Database(s) include(s) wide range of business services, with location throughout the country. Limited set of information on business providers reported.	Updated database(s) on business providers available also online.	Level 4 plus information available on interactive websites and regularly updated and checked by the information provider.	1
8.1.3. Access to business services	No government- or donor-financed schemes in place to provide financial and technical support for accessing at least basic business services for targeted group of enterprises (e.g. start-ups, enterprises located in least developed zones, etc.).	Financial and technical support schemes introduced as pilot projects in place for targeted group of enterprises (e.g. start-ups, enterprises located in least developed zones, etc.).	Government-supported schemes in place to co-finance access to business services for targeted group of enterprises (e.g. start-ups, enterprises located in least developed zones, etc.). Limited resources available and restricted range of business services covered.	Well-structured and budgeted schemes available for targeted group of enterprises. Wide range of business services available across the country.	Level 4 plus schemes easily accessible and widely used by enterprises. Impact of the scheme regularly monitored and evaluated.	2
8.1.4. Business establishment support services	No government- or donor-financed programmes in place to support companies through the establishment phase.	Establishment support programmes (such as creation of enterprise zones, industrial parks, etc.) in the pilot phase.	Establishment support programmes adopted by central government/local authorities. Limited resources available and restricted geographical spread. Programmes focus on the provision of basic establishment services.	Well-structured and budgeted establishment support programmes available throughout the country. Services provided go beyond basic establishment needs and are directed to promote the establishment of innovative enterprises.	Level 4 plus programmes regularly monitored and evaluated and structured on public–private partnership.	2

Dimension 9: Strengthening Euro-Mediterranean networks and partnerships						
Dimension 9	**Level 1**	**Level 2**	**Level 3**	**Level 4**	**Level 5**	**Weight**
9.1. Euro-Med inter-firm clusters and partnerships	Government has no strategy to promote Euro-Med initiatives on inter-firm clusters.	Proposals to develop Euro-Med inter-firm clusters and networks. Consultations with business sector. Pilot project in one key sector.	Elaboration and approval of Euro-Med action plan and designation of competent authority.	Euro-Med inter-firm clusters and networks concentrated in traditional export sector.	Wide range of Euro-Med inter-firm clusters and networks covering a wide range of sectors, including internal market, and making full use of virtual networking.	2
9.2. Euro-Med networks of business support services	Euro-Med networks of providers of business support services established at country regional or local level with no Euro-Med connection.	Euro-Med networks of providers of business support services formally exist. The few that are operational operate on an ad hoc basis, in a small number of sectors, and cover a small range of services.	Euro-Med networks of providers of business support services operate with donor or government support, for a limited period of time, in a small number of sectors, and cover a small range of services.	Euro-Med networks of providers of business support services operate with donor or government support, for a limited period of time, in all key sectors, and cover a wide range of services.	Euro-Med networks of providers of business support services operate in a sustainable way, on a self-financing basis.	2
9.3. Linkage programmes between Euro-Med enterprises	No government- or donor-financed schemes in place to promote linkages between Euro-Med enterprises.	Euro-Med linkage promotion programmes introduced as pilot projects for a limited number of enterprises.	Formalised Euro-Med linkage promotion programmes in place. Limited resources available and restricted range of sectors covered.	Well-structured and budgeted Euro-Med linkage programmes available for a wide range of sectors, including Euro-Med business-to-business dialogues and linkages with foreign-based companies. Innovative tools such as factoring and reverse factoring applied.	Level 4 plus Euro-Med schemes easily accessible. Impact of the programmes regularly monitored and evaluated.	2

Dimension 10: Clear and targeted information						
Dimension 10	**Level 1**	**Level 2**	**Level 3**	**Level 4**	**Level 5**	**Weight**
10.1. Collection, handling, analysis and dissemination of information for enterprises through traditional channels	Public sector has no guidelines to collect, handle, analyse and disseminate economic, legislative and regulative information relevant to enterprises available to the private sector.	Information is not systematically collected, handled and analysed and it is sporadically disseminated, with inconsistencies between different ministries and throughout the country.	Systems to collect, handle, analyse and disseminate economic, legislative and regulative information relevant to enterprises have been established and are operational.	A structured system to collect, handle, analyse and disseminate economic, legislative and regulative information relevant to enterprises has been established. It is operational, there is consistency among ministries and administrations, and it covers the whole country.	Level 4 plus centres give information on a case-by-case, fee-driven basis.	3
10.2. Online information for enterprises	No online information available on key areas of interest for businesses (i.e. tax, labour, standard regulations).	Some specific information for businesses can be found online, but on different portals.	Initial stage of development of business-dedicated portal; limited information available online; no possibility of interaction. Strategic market intelligence mechanisms are being elaborated progressively.	Business-dedicated portal established: a significant amount of information is available online and it is regularly updated; interaction limited to request of information. Strategic market intelligence mechanisms are operational.	Level 4 plus enterprise-specific single portal allows interaction (request of information, applications, tax returns) between enterprises and the administration. Trade, industry and investment data are accessible through the portal. Strategic market intelligence mechanisms are well coordinated.	2

Annex II: Programmes managed or supported by the European Commission to promote enterprise development in the Mediterranean region

The European Union provides financial support to its eastern neighbours and those along the southern and eastern shores of the Mediterranean through the European Neighbourhood Partnership Instrument (ENPI) launched in January 2007. This instrument, within the European neighbourhood policy, promotes enhanced cooperation and progressive economic integration between the EU and its partner countries and builds on common values. The countries covered by the ENPI are: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, Russia, Syria, Tunisia and Ukraine.

Regional cooperation

- **Getting familiar with the mechanisms of the EU internal market.** The Euro-Med market programme aims to facilitate the establishment of the Euro-Med free trade area, and to promote deeper economic cooperation among Mediterranean countries (http://www.euromedmarket.org).

- **Legislation and standards for the free movement of goods.** The Euro-Med quality programme aims at raising awareness among business circles of the importance of quality control, including standardisation, metrology, certification and accreditation (http://www.euromedquality.org).

- **Innovation.** The Euro-Med innovation and technology programme also named 'Medibtikar' aims at providing the Mediterranean partner countries with new and improved instruments that will stimulate innovation and networking across the region, between the countries of the region, and with the EU Member States (http://www.medibtikar.net).

- **Backing efforts to strengthen south–south cooperation and work towards a free trade area.** The EU project contributes to the Jordan-based Agadir Technical Unit's operating budget to support the Agadir Agreement between Egypt, Jordan, Morocco and Tunisia (http://www.agadiragreement.org).

- **Developing FDI and trade flows into the Mediterranean region.** The 'Invest in MED' programme organises business-to-business meetings and workshops for EU and Mediterranean business representative organisations to promote investment and facilitate trade (www.invest-in-med.eu).

- **Enhancing dispute resolution methods in the commercial field.** The MED-ADR programme aims at helping Mediterranean partner countries to adopt commercial dispute resolution methods that facilitate trade and investment (www.adrmeda.org).

- **Collecting reliable and coherent statistical data.** The Medstat II programme aims at strengthening the capacity of the national statistics institutes and systems to collect updated, timely and relevant statistics (http://ec.europa.eu/eurostat/medstat).

- **Reinforcing support services for self-employment and micro-enterprise creation.** One component part of the MEDA-ETE programme aims at identifying and transferring methods and tools developed in the EU and Mediterranean partner countries to help young people to become self-employed or to start a business (www.meda-ete.net).

- **Expanding opportunities for women's economic participation in the Mediterranean partner countries.** The programme aims at enhancing the role of women in economic life (www.roleofwomenineconomiclife.net).

- **Working together and providing short-term assistance for upgrading institutions.** The twinning instrument supports joint work towards institutional reorganisation as well as drafting of laws and regulations modelled after the EU *acquis.* (http://ec.europa.eu/enlargement/financial_assistance/institution_building/twinning_en.htm). The TAIEX instrument offers short-term technical assistance for institution building (http://taiex.ec.europa.eu).

- **Support for private sector ventures.** In 2002, the European Investment Bank's operations in the Mediterranean partner countries were brought together under the Facility for Euro-Mediterranean Investment and Partnership (FEMIP). The FEMIP, supported by the European Commission, gives priority to financing private sector ventures (http://www.eib.org/femip).

In addition, the European Commission and the European Investment Bank collaborate closely to maximise synergies between their private sector development actions. A number of ENPI-funded instruments are managed by the EIB on behalf of the European Commission under the FEMIP. These instruments include:

- **risk capital operations** through which financing is provided (often through local intermediaries), in particular to small and medium-sized enterprises;

- **the FEMIP Technical Assistance Support Fund,** which provides technical assistance managed by the EIB; it concerns technical assistance support that can be mobilised at all phases of the project cycle; an important objective is to reinforce the private sector focus of the FEMIP;

- **EIB** loans benefiting from a Community guarantee: these loans are made available under the external lending mandate of the EIB; the guarantee is financed through the Commission budget.

Bilateral cooperation

ALGERIA (http://www.deldza.cec.eu.int/fr/ue_algerie/cooperation.htm)	
Appui à la privatisation et à la restructuration industrielle	Private sector development
Appui aux PME II	Private sector development
Appui à la modernisation du secteur financier	Private sector development
Programme de modernisation et d'assistance aux réformes administratives	Private sector development

EGYPT (http://www.eu-delegation.org.eg/en/eu_funded_programmes/overview.htm)	
Research, development and innovation	Private sector development
Financial investment sector cooperation (FISC)	Private sector development
Trade enhancement programme A (TEP A)	Trade

JORDAN (http://ec.europa.eu/delegations/deljor/en/eu_and_jordan/cooperation.htm)	
Industrial modernisation programme (EJADA)	Private sector development
Support for regulatory reform and privatisation	Private sector development
Structural Adjustment Facility III (SAF III)	Private sector development
Institutional support to the Aquaba Special Economic Zone (ASEZA)	Private sector development
Support to the implementation of the association agreement	Trade

LEBANON (http://www.dellbn.ec.europa.eu/en/eu_and_lebanon/cooperation.htm)	
Programme de modernisation industrielle	Private sector development
Integrated SME support programme	Private sector development
Support to the implementation of the association agreement	Trade
Strengthening quality management, capabilities and infra-structure	Trade

MOROCCO (http://www.delmar.ec.europa.eu/fr/ue_maroc/cooperation.htm)	
Appui aux institutions financières de garantie aux PME (PAIGMAN)	Private sector development
Appui au Ministère de la Privatisation	Private sector development
Appui aux associations professionnelles (PAAP II)	Private sector development
Programme d'appui aux entreprises	Private sector development
Appui au programme pour la promotion de la qualité	Trade
Appui à la mise en oeuvre de l'Accord d'Association	Trade

PALESTINIAN AUTHORITY (http://www.delwbg.ec.europa.eu/en/cooperatio_development/index.htm)	
Pegase — Private sector arrears to small and medium-sized companies	Private sector development
Pegase — European-Palestinian Credit Guarantee Facility	Private sector development
Pegase — Establishment of the Palestinian Shippers' Council	Trade
Pegase — Trade corridors facilitation project	Trade
Pegase — Palestinian customs modernisation programme: Asycuda III	Trade

SYRIA (http://www.delsyr.ec.europa.eu/)	
SME support programme	Private sector development
Modernisation of the Ministry of Finance	Private sector development
Banking sector support programme II	Private sector development
Quality programme	Private sector development

TUNISIA (http://www.deltun.ec.europa.eu/)	
Appui à la privatisation et à la restructuration industrielle	Private sector development
Euro-Tunisie Entreprise	Private sector development
Appui à la promotion des investissements extérieurs	Private sector development
Amélioration de la compétitivité	Private sector development
Facilité d'ajustement structurel	Private sector development
Programme de modernisation industrielle	Private sector development
Assistance technique pour la privatisation	Private sector development
Programme d'appui à l'intégration économique	Private sector development
Appui à la mise en œuvre de l'Accord d'Association	Trade

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Annex IV: List of acronyms and abbreviations

ACAA	Agreement on conformity assessment and acceptance of industrial products
ANDI	National Investment Promotion Agency in Algeria
CCIAB	Chamber of Commerce, Industry and Agriculture
CEN	European Committee for Standardisation
Cenelec	European Committee for Electrotechnical Standardisation
CEO	Chief executive officer
CEPEX	Centre de Promotion des Exportations
CSE	Conseil Superieur de l'Exportation et de l'Investissement
DG	Directorate-General
EA	European Cooperation for Accreditation
EEPC	Egyptian Export Promotion Centre
EIB	European Investment Bank
ETF	European Training Foundation
EU	European Union
FTA	Free trade agreement
GAFTA	Greater Arab Free Trade Area
GOEIC	General Organisation for Export and Import Control
ICT	Information and communications technology
IDAL	Investment Development Authority of Lebanon
ISSP	Integrated SME support programme
IT	Information technology
JLGC	Jordan Loan Guarantee Corporation
MED countries	Mediterranean partner countries
MoPSD	Ministry of Public Sector Development
MSMEs	Micro-, small and medium-sized enterprises
OECD	Organisation for Economic Cooperation and Development
OSS	One-stop-shop
PECA	Protocols of the Europe agreements on conformity assessment and acceptance of industrial products
Qualeb	Quality upgrading programme for exports to the EU
SMEs	Small and medium-sized enterprises
UNIDO	United Nations Industrial Development Organisation
VAT	Value-added tax
WTO	World Trade Organisation

European Commission/ Organisation for Economic Cooperation and Development

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Report on the implementation of the Euro-Mediterranean Charter for Enterprise

2008 ENTERPRISE POLICY ASSESSMENT

NB-30-08-581-EN-C

The adoption in 2004 by Euro-Mediterranean Ministers for Industry of the Euro-Mediterranean Charter for Enterprise resulted in important steps to improve the business environment. The *2008 enterprise policy assessment* presents a comprehensive picture of policies that promote entrepreneurship and enterprise development in the Mediterranean partner countries: Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian Authority, Syria and Tunisia.

The assessment is based on the enterprise policy assessment grid, an analytical tool designed by the authors of the report in consultation with Euro-Mediterranean Charter stakeholders. The assessment measures and benchmarks progress in the 10 dimensions of the Charter:

- Simple procedures for enterprises
- Education and training for entrepreneurship
- Improved skills
- Access to finance and investment-friendly taxation
- Better market access
- Innovative firms
- Strong business associations
- Quality business support schemes and services
- Strengthening Euro-Mediterranean networks and partnerships
- Clear and targeted information

For further information please consult the following websites:
http://ec.europa.eu/enterprise/index_en.htm
http://ec.europa.eu/europeaid/index_en.htm
www.oecd.org/daf/psd
www.etf.europa.eu

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