Promoting youth employment through the development of entrepreneurship in the Arab countries

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I. Introduction

Private sector led "Small and Medium Enterprises" (SMEs) are receiving increasing recognition worldwide as a driving force in economic development and job creation. International organizations focusing on economic development are continuously creating tools and mechanisms to facilitate the growth and success of SMEs, especially in Middle Eastern economies where there is evident need for a sustainable private sector contribution.
towards stable growth. The advent of global policies of open market economies and reduced governmental intervention in driving the forces of economic growth have been contributing factors to the increased importance of private sector SMEs.

It is well acknowledged that the contribution of human resources to the success of an establishment is more significant in smaller organizations. The success of structures that can be described as "SMEs" is therefore highly dependent on the individual skills of its people. Of all International development organizations, the ILO in particular has always focused on the importance of the human element to a sustainable development process; Thereby recognizing the direct linkage between the development of the individual, and the development and growth of the economic, social, and cultural environments that he is part of. With that recognition the ILO has focused attention on the creation of sustainable small businesses.

As a natural extension of the support mechanism, the next logical step was to go further "upstream" to identify the facilitating (and indeed impeding) factors affecting the creation of SMEs. In well developed economies where SMEs have already taken a prominent role in economic growth this aspect would have been covered through the process of economic evolution. The situation is different in the Middle East, where economies are being transformed at a fast pace to address WTO regulations and International free trade agreements. In an effort to investigate the dominant forces causing economic change in this region, attention is geared towards entrepreneurship as the key factor in establishing new business ventures. The ILO and other International organizations have an interest in addressing issues affecting entrepreneurship in our region because of the increased dependence on it for youth employment.

The general understanding of policy makers is that entrepreneurship may be facilitated through official support channels, but is predominantly affected by a combination of social, cultural, and economic factors. The objective of this paper is to identify factors affecting entrepreneurship in three Middle Eastern countries, with the expectation that the findings will have significant similarities in other countries in the region. The paper also includes an analysis intended to provide guidelines on specific actions that can be taken on a national level to create a more positive environment for entrepreneurship in the Arab world. Specific reference to ILO recommendation no. 189 (General conditions to stimulate job creation in small and medium sized enterprises) is also provided, with indications on the applicability of its clauses.

**II Case No. 1 - Jordan**

**II.a Background**

The economy of Jordan has always held the characteristic of being "in transition"; in fact that has been its only constant identity
since the early 60's. Throughout the past 40 years two significant periods of positive developments left their marks on the structure of the economy, and especially the role of the private sector in it. The first period spanned between the mid 70's until the mid eighties, it was a period of abundance and wealth accumulation that saw Jordan place itself as a promising industrial base poised to become a major supplier to the Saudi and Gulf consumer markets. The downside was that the unprecedented boom was mostly based on external debt, the ensuing compilation of which led to the devaluation of the currency in 1988. The second boom started in 1992; it was brought on by the influx of Jordanian expatriates returning from Kuwait and Gulf states after the Iraqi invasion, as well as the initiation of the Middle East peace process. That period of growth reached a climax in 1995 when Jordan hosted the International Middle East and North Africa economic summit, then started to taper off gradually as hopes for real peace and prosperity diminish. (1)

The two growth periods described above were also the most significant in other aspects of development, as they were accompanied by changes in policy and legislation governing private sector enterprises. Most International donor support programs benefiting Jordan were also initiated during the second growth period.

Jordan's economy is again in transition in the first half of this decade, this time there is a clear direction towards privatization and private sector involvement. Jordan is currently overcrowded with donor support programs and special economic considerations in clustered zones. It is evident that all the good intentions pouring into a small geographical area with local resource limitations have led to a complex business environment. Prevailing regulations necessitate conducting extensive research before an entrepreneur can safely enter this competitive maze.

The people of Jordan present a classic case of traditional Middle Eastern culture, one that is characterized by conservatism, resistance to change, and a general tendency towards dependence rather than creativity. A traditional educational system that is still in place today further reinforces this culture. Add to all these attributes a bureaucratic government system that has traditionally formed the refuge for more than 50% of the labor force. The resulting mix comprises a major challenge against progressive thinking that aims at making entrepreneurship a key contributor in economic development. It is therefore unfortunate that developing an entrepreneurship culture is still an objective in its own merit, and one that requires detailed planning, committed national effort, and enough time for significant change to take place in the society.

The following parts are aimed at analyzing the investment environment and pointing out Jordan's approach at fostering entrepreneurship. (2)

II.b Legislation / Policy / Practice overview

Despite the status quo described above concerning entrepreneurship, significant progress has been made in the last four years to make Jordan one of the more viable investment sites in the Middle East. A recent study by the Stanford Research Institute states that, "Jordan's overall score in the commercial policy matrix is 77%, the highest in the Region, which represents an attractive and 'Business Friendly' policy environment." (3)

Jordan continues to surpass its neighbors in rankings by other international authorities as well. A recent study carried out by the Heritage Foundation, published in the Wall Street Journal, places Jordan ahead of both Egypt and Israel, in its 'Index of Economic Freedom'. (4)


While the above statements are indicative of significant and undeniable improvements, the individual investor, and most importantly here, the entrepreneur remains the best reference point to evaluate the success of the transformation of legislation and public policy. Such an assessment is obtained from independent agencies and business associations representing private sector investments. Feedback from such organizations is provided in part (II.e) of this document.

In 1995 the Jordan Investment Board was launched with a mandate aimed at investment promotion. The government empowered JIB with the ability to create a one-stop window for registration of new businesses, as well as granting tax exemptions ranging from 25% to 75% and extending to periods of 5 years. Since its establishment JIB has been instrumental in attracting foreign direct investments into Jordan, and has also contributed to a noticeable increase in local investments. Most importantly, it has an efficient organization that accelerates the process of approving projects for exemptions. (6)

On the other hand, up to this date there is no clear distinction within the mandate of JIB for "entrepreneurial" projects, or projects involving youth or focusing on women employment. Furthermore, the current structure of exemptions grants the highest tax breaks to projects located in rural or desert areas, prompting the larger industrial projects to be based in such locations, whereas most SMEs are located in or near major cities as they need to capitalize on existing services and human resource bases.

**II.c Macroeconomic policy relevance**

Ever since the economic collapse of 1988 stability of the currency and the government financial system have been Jordan's main priorities. This approach of being risk averse and conservative led
to stagnation in new business creation. High interest rates combined with the banking sector's traditional approach created barriers to entry into private business for would-be entrepreneurs. Changes in government policy towards regional trade, as free trade accords replaced bi-lateral agreements, also affected SMEs adversely. The recent move by the Central Bank of Jordan to reduce lending rates to generate momentum is still inadequate in the face of strict credit policies adopted by the banking sector. Smaller companies, especially start-ups, have difficulty meeting the stringent requirements of the banking system to qualify for financing. Such requirements include collaterals with values exceeding the required financing, and no provision of any grace periods on repayment. Company holdings do not qualify as collateral, adding to the restrictions. (7)

On the other hand the government is taking action to address the needs of SMEs and the necessity to create new businesses. By directing International donor programs towards SMEs support, and also developing local programs to carry on that task over a longer term, the government is showing commitment towards SMEs. Although some macroeconomic government directives that include providing support to entrepreneurs (such as microfinance packages legislation) can better be classified as poverty alleviation programs, they comprise part of a national vision that aims at promoting and assisting new business start-ups.

II.d Institutional and policy support

The varied models of institutional support programs in Jordan provide a fairly representative description of the policy the government is adopting to provide support to the private sector, and to entrepreneurship. The following list of objectives is comprised from active programs that are best viewed as a total package of support. It may not appear that the programs are intended to complement each other, but in reality significant work was done by the initiators of each program to assure that minimal overlap exists.

1. Culture / education development

Two public sector programs are active in parallel to address the need to develop an entrepreneurial culture among the youth. A third program is under development by a private sector business association initiative.

1.1 INJAZ
The program was established as a concept in 1999 and was launched officially in 2002. It aims at developing the awareness of youth towards entrepreneurship and professionalism. Its target community is the age group between 14 and 22, and it achieves impact through the involvement of private sector entrepreneurs who share their experiences with students through discussion sessions with a structured
content. The resources of the program are limited in comparison with the needs and size of its target community, but its beginnings are encouraging and have led to the development of curriculum material to be adapted by the schooling system. This contribution by INJAZ is especially recognized in view of the limited resources in the development process of curriculum, and the lack of necessary interaction with the private sector to bring the material to useful levels.

1.2 e-learning
This major government initiative is an example of successful cooperation between the public and private sectors to achieve a national objective. Within the program are components aimed at modifying content, enriching the learning experience, and introducing new concepts and methodologies. While it may be an achievement to create wide-band linkages between educational centers in Jordan, the real success will be in utilizing the technological advancements to create a better system of education, and that can be utilized to develop a culture of creativity an interaction. (8)

1.3 "Mentoring Program" and "Tomorrow's Entrepreneur" at YEA
The Young Entrepreneurs Association (YEA) has recently launched this program, which is not limited to a certain age or gender group, but is most definitely more suited to "young" entrepreneurs. As defined by the YEA, mentoring is the act of providing guidance, wisdom, knowledge, and support in a manner in which the recipient can benefit from it. YEA mentors are experienced businesspeople who wish to benefit society by assisting entrepreneurs to start or expand their own businesses by giving them access to his/her experience through support, counsel, friendship, reinforcement, and constructive example. This program is still in its initial stages but is already showcasing success stories. Its impact remains limited by the number of participating mentors, and the fact that they can work with a limited number of recipients simultaneously.

Tomorrow's Entrepreneurs program aims at identifying youths with entrepreneurial spirit and preparing them to become Jordan's skilled, competent, and outstanding future entrepreneurs. This is an internship program in a field relevant to the student's educational specialty, through which university students are offered the opportunity to train at a YEA Member's company or organization.

2. Entrepreneurship support

This part includes programs and components of
programs aimed at facilitating the establishment of new businesses and providing support to start-up enterprises.

2.1 HCST - ICT Incubator
The Information and Communication Technology Incubator was launched in 2003 by the Higher Council for Science and Technology. It has several objectives, one of which is to develop a model for incubating creative new business ventures, one that can be adapted for other business sectors in other geographical locations. There are other more traditional objectives, like the actual creation of business success cases in the ICT sector. To foster the growth of such businesses the incubator has established linkages and partnerships with active research institutes to utilize their advanced facilities, in addition to providing basic business support services for tenants. The incubator is also testing a new concept of "virtual" business incubation, whereby an entrepreneur may receive the supporting services of the incubator without having his business physically located at its premises. (9)

2.2 ERADA
This government initiative was designed to address several aspects of the socio-economic re-structuring program. Its activities are targeted towards changing people's perception towards work, employment, and entrepreneurship, thereby assisting in the adaptation to new economic policies and conditions. The project encompasses (21) "Enhanced Productivity Centers" spread out geographically to cover all of Jordan, and utilizing professional counselors to assist individuals in creating their own business ventures. The centers provide counseling and access to training programs, they also assist entrepreneurs in conducting pre-feasibility studies and business plans. The project directives towards recipients are generalized for the purpose of extended outreach to all segments of society, so no preference to gender or age group is specified. (10)

2.3 Technical support programs
Several active programs are developed and geared towards improving the level of competitiveness and competence at SMEs, through facilitating access to technical assistance and training. These programs offer their services to start-up entities and well established businesses alike, with no distinction or preference to a specific age group. These programs include the Jordan - US Business Partnership (JUSBP), the Euro - Jordanian Action for the Development of Enterprise (EJADA), the National Fund for Enterprise Support (NAFES), and the Technical Support Program
at the Industrial Development Bank. Besides the tangible value of their support, the existence of these programs is creating a considerable amount of encouragement for entrepreneurs to create new business ventures.

2.4 Practical Learning Programs
Training programs aimed at improving the capabilities of individuals at work are countless in Jordan, but most of them are no more than sporadic attempts at developing specialized packages as opposed to comprehensive programs. That is why very few programs are recognized nationally as value added contributors to private sector development. Two such programs stand out in terms of comprehensive approach, target recipients, and professionalism.

2.4.1 ILO - SYB / IYB
Start-Your-Business / Improve-Your-Business programs are professionally developed, comprehensive, and most importantly, easily adaptable sets of manuals designed to take an entrepreneur through all the steps needed to start a new venture and also turn it into a viable, successful business. These programs are based on bi-lingual manuals that are easily comprehensible by individuals with basic skills, and are made even more effective when delivered by professional trainers who are accredited by the ILO. Although lacking sufficient promotion to spread awareness, having been activated only since 2001, several entrepreneurial success cases credit their creation and continuity to the SYB / IYB programs.

2.4.2 Empretec
Empretec is UNCTAD's integrated capacity-building program promoting the creation of sustainable small and medium enterprise (SME) support structures to help promising entrepreneurs build innovative and internationally competitive SMEs. Since it's inception in 1988, Empretec Programs have been initiated in 26 countries, assisting more than 65,000 entrepreneurs through local market-driven business support centers. The Empretec Program is designed to develop a service structure which would avoid isolated interventions and partial remedy approaches. In order to build an SME, entrepreneurs need to be assisted with a number of training and advisory services, but they encounter difficulties in identifying appropriate assistance, choosing the right service providers, and meeting the costs of high-quality consultants. In this context the Program focuses on the establishment of an institutional framework, which mobilizes and channels critical business support services to potential banking clients.
The first step of this process is the need to enhance the entrepreneurial capacity and potential of the individual business owner in the Jordanian SME sector. Empretec meets this need by conducting training focused on developing the behavioral competencies of successful entrepreneurs, thus providing support to the creation of sustainable small and medium enterprises (SME's) that are innovative and internationally competitive.

By fulfilling its mission objective of increasing the number of successful entrepreneurs by developing entrepreneurial competencies and supporting innovation, Empretec hopes to contribute towards providing the impetus for a vigorous developmental process, which generates a dynamic business environment assuring sustainable sources of new employment opportunities and better conditions for integrating in the global market.

Gathering the experience with the best-performing Empretec Programs, it is expected that Jordan's Program will contribute by the end of the third year to launching some 30 business projects by either new ventures or existing SMEs and to creating directly or indirectly some new 200 to 300 jobs.

2.4.3 "Establish Your Own Venture" handbook from YEA
In addition to the above programs, another approach is presented here; it is whereby the entrepreneur refers to a manual, but with no assistance from an instructor or facilitator. This is claimed to be a complete guide that was created for those who want to setup SMEs, and are not acquainted with necessary tools needed to evaluate the market. The book also offers tools and guidelines to aspiring entrepreneurs to help make their ventures successful. The handbook was developed by a YEA member, and published by the Young Entrepreneurs Association in Arabic and English, in cooperation with the Friedrich Naumann Foundation, and with the support of the Higher Council for Youth in Jordan.

3. Access to Finance

The availability of funding for starting up and expanding businesses has always been a major concern for entrepreneurs, especially when their professional track record is limited. The structure of available traditional banking services in Jordan was never developed to cater to the needs of "potentially successful" SMEs, and therefore most banks did not develop risk assessment capabilities to evaluate applications for funding from smaller businesses.
Therefore, entrepreneurs still depend mainly on personal and family support to obtain funding for their ventures. The lack of a well structured financing scheme also creates a tendency for the entrepreneur to manage his financials loosely and without proper controls, thereby increasing the risk of failure.

Being aware of such concerns and risks to businesses, support programs and establishments have taken initiatives to create adjustment mechanisms and introduce alternative financing channels for SMEs. The main alternative schemes are listed below.

3.1 Microfinance programs
One of the main components of AMIR program (a USAID package aimed at re-structuring and roles modification of the public sector) was to establish microfinance as a viable support tool for micro and small business start-ups, to achieve a reduction in unemployment and improve the living standards of the lower income segment of the population. Since the initiation of the program in 1997 it has been successful at establishing several micro credit organizations, belonging to both public and private sector, with one of them specifically targeting women entrepreneurs. All of the running organizations are achieving good results in terms of the borrowers' commitment to pay back loans. Their client portfolios are also continuously growing.

Although microfinance is now acknowledged as a valid alternative for micro and small projects to obtain non-collateral based financing, the level of acceptance to such support continues to be adversely affected by cultural influences that are not in favor of structured loan programs. Reasons for such initial rejection include concerns of inability to meet obligations, religion, and the relatively high interest rates that accompany such financial tools.

3.2 Loan Guarantee programs
In order to compensate for the inability of newly established businesses to provide viable collateral for financing through traditional channels, the EJADA program has introduced a Loan Guarantee Scheme in association with the Jordan Loan Guarantee Corporation. Under this scheme up to 70% of the lending risk of banks which lend to SMEs is covered by a special fund financed by EJADA. Loans for new investment in premises, machinery, and equipment are eligible for the scheme. For SMEs to qualify, they must demonstrate a viable business plan and an ability to meet repayments.

The Jordan Loan Guarantee Corporation has a
successful track record to its services, by facilitating access to its services even in non-productive loan cases - such as housing projects. Its joint program with EJADA is worthy of expansion and focus, once its operations are streamlined and made more accessible to SMEs.

3.3 Reduced rate / extended duration financing
Besides the difficulty they face in arranging for collateral, SMEs also encounter high interest rates that characterize traditional lending schemes. This is being addressed in two ways; the first depends on intervention from support programs that are entering into arrangements with local banks to develop medium and long term loan packages for SMEs. The second is through the introduction of leasing schemes to procure assets, especially ones that depreciate over an extended period of time. Leasing programs are viewed favorably by SMEs as a form of risk sharing that is worth the premium charged by the banks.

3.4 Venture Capital Funds
Despite the importance of venture capital to a growing economy, and the foreseeable benefits to be gained by all parties involved in it, up to 2004 there are only two such funds operating in Jordan, one operated by the Industrial Development Bank and the other by the Arab Bank. Their combined presence in business community is minimal. A recently established national program "The Jordan Fund" is directed more towards large scale projects and privatization policy. The economy is currently in need for expanding this funding mechanism; many private sector entities, and start-ups specifically would welcome the availability of such funding from varied sources and with alternative contractual schemes.

3.5 Long term assets procurement schemes
The Investment Promotion Unit (IPU) at the Jordan Investment Board (JIB) is offering a financing scheme to SMEs in cooperation with UNIDO program and the Italian government. Under this arrangement an entrepreneur can obtain financing for procurement of assets with a repayment scheme that includes a grace period, an extended repayment period, and a pre-set reduced interest rate. The arrangement is highly favored by start-up businesses, except for the need to go through the local banking system. The program is therefore subject to basic requirements of collateral, which defeats the purpose of benefiting small companies and start-ups.

II.e Proposed measures and mechanisms (Jordan)
The following proposed measures define mechanisms to facilitate
the creation of new business ventures, specifically SMEs, owing to the fact that new business creation is a major factor in improving youth employment levels in particular. (11)

1. Financing

It is evident from experience of smaller companies in the private sector that the banking system in Jordan has not developed services to address their financing needs. Banking services are designed and targeted towards two main customer categories; namely asset-rich larger industrial and commercial entities that are highly capitalized, and individuals who are employees of such large entities and the public sector. Smaller companies have difficulty meeting the stringent requirements of the banking system to qualify for financing. Such requirements include collaterals with values exceeding the required financing, and no provision of any grace periods on repayment. Company holdings do not qualify as collateral, adding to the restrictions.

SMEs would welcome the establishment of financing schemes especially designed to address their needs, by providing soft loan arrangements that allow for 2-3 years grace period on repayment and 7-10 years repayment period. Qualification for financing must be based on business performance track record and valuation of the business assets, rather than the availability of collateral from outside the business. To apply such qualification criteria, banking credit facilities must be developed to implement professional risk assessment and risk management. If the banking sector is not encouraged to develop this direction, specific service programs must be established independently through support programs or under government agencies to address this issue.

Other facilitating tools that would encourage entrepreneurial individual to enter into the business world include venture capital funding and leasing options. These tools introduce a new kind of relation between the entrepreneur and the financing body, one that is based on business partnership and mutual risk. The business sector is receptive to such positive interaction, and an increase in availability and alternatives is expected to contribute positively to new venture creation.

2. Taxation

The burden of excessive taxation is a main concern of SMEs all over the world. What makes the case more of a priority in Jordan is the complexity of the tax system and the number of categories that must be addressed
by the private sector to comply with it. The complexity forces small companies to appoint additional staff to manage such requirements. There is an evident need to simplify the system by consolidating taxes and reaching a viable payment scheme that small businesses can comply to.

It is therefore recommended to provide assistance to the Government in addressing this issue, so that a more viable alternative is developed and implemented. The expectations are that a simplified system would generate even higher returns for the Government, by virtue of the increased ability of private sector entities to comply with requirements. The complexity of the system also comprises a significant barrier to entry into business for would-be entrepreneurs. In addition, the investment promotion law of 1995 provides no classification for total exemption from taxes in the initial period of operation in any region or business category.

3. International business linkages

This is a key concern that has always been considered the top priority for all businesses in Jordan, and is still an aspect of business that needs to be addressed more professionally, especially with export management. SMEs will find the levels of competition increasing continuously even in their own home market, as the FTA and WTO agreements gradually reach their foreseen objectives of open market economies.

The two main areas that need to be developed are human resources' capabilities and marketing channels (including business pairings). Direct technical assistance to SMEs that is focused on skills development and establishing marketing channels would greatly benefit companies, and would generate results with clear, tangible impact over a short period of time. Assistance must also be provided to create venues and events where business partnerships can be facilitated.

4. Incubation / Business Development Services

Business incubators are not considered an essential or highly contributing facility to encourage entrepreneurship in well developed market economies, where the growth drive is steady and offers adequate opportunity for start-ups to succeed in the open market environment. Such is not the case in developing economies, especially in the risk averse culture of the Middle East. There are clearly identified needs for incubation services in Jordan, specifically for...
the purpose of having a base for developing entrepreneurs’ skills and providing technical and managerial guidance. This justifies the establishment of sector-specific incubators with direct access to supporting services tailored for start-ups. The actual need is not for the incubation space, but for the services that must accompany it.

5. One-stop support

The variety and diversity of services and support activities and programs made available to entrepreneurs can be confusing and tedious to benefit from, even for experienced business managers. The formation of a national entity to coordinate activities and provide a focal point for entrepreneurs will regulate the support scheme and is bound to generate better utilization of available funding for support. The operating programs will also benefit by improving their outreach to SMEs in all areas of the country, especially if all promotional budget allocations within these programs are consolidated into a unified plan.

6. National awards

Recognition for achievement creates significant added value to a business, it can mean the difference between basic survival and huge success for start-ups, but for entrepreneurs it may change the path of his professional life, and that of all those around him. National awards of achievement have been instrumental in transforming valid business concepts into success stories in many countries, even in large market economies. Jordan has been developing this concept over the past 3 years with very good interaction and seriousness between the private and public sectors. A foreseeable step would be the diversification of the award to cover sectors and business categories and to include recognition for entrepreneurial activities.

III Case No. 2 - Lebanon

III.a Background

Having survived 15 years of vicious civil war and internal conflicts Lebanon sets an example of resilience and national pride that very few nations can emulate. Prior to the civil war, which started in the mid seventies, Lebanon was setting a model of the advanced Arab country. With an interactive culture and open market economy Lebanon succeeded in making its financial market one of the international hubs of currency trade in the sixties and early seventies.
Immediately after the war subsided the Lebanese people started planning for the future, to bring its economy back to its previous levels of success and International recognition. The geographical location and cultural diversification of Lebanon were key factors in its previous successes, but the new world economy required more elaborate qualifications and well developed capabilities. The current model of Lebanon's economy embodies its government's realization of these challenges and its approach at addressing them with the country's humble resource base.

The foreseen vision for the government of Lebanon is to reclaim the country's position as a regional and international hub for trade, finance, services, industry, culture and tourism. The following characteristics are instrumental for the visionary objectives to be realized:

Geographical Location
Lebanon's long stretch of sea shore at the center of the Eastern Mediterranean creates possibilities for establishing cross continent trade posts connecting the Middle East with both Europe and North Africa. Its location and natural landscape make it also attractive as a tourist attraction.

Free Market Economy and Liberal Financial Environment
Lebanon's free-market investment policies, liberal economic environment, and active and entrepreneurial private sector distinguish it from other countries in the region. Realizing the importance of having a free foreign exchange market with currency convertibility, Lebanon struggled to retain this characteristic despite the difficulties it faced with its limited resources to allow for repatriation of capital.

Investment Guarantees
A number of national and international organizations with local and international expertise protect investments against non-commercial risks. They are backed by a legal framework being developed to accommodate all international requirements covering intellectual property and copy rights.

Untapped Investment Opportunities
With so many aspects of its infrastructure and service industry still not fully recovered from the aftermath of the civil war, Lebanon offers a wide array of investment opportunities in all sectors of the economy.

Moderate Tax Rates
With a 15% corporate tax rate, Lebanon's fiscal charges are reasonable enough so they do not form a barrier to entry for almost all types of business activity. This is advantageous enough for investors despite additional government fees, even in areas not adequately covered under the Investment Promotion Law.

Qualified Human Capital
Lebanon's principal asset is the competence of its human resources. Lebanon offers a well-educated, multi-lingual and
multi-skilled workforce, with unique qualifications that are in demand increasingly as regional economies become more market oriented. It is unfortunately suffering from a brain drain as many qualified professionals migrate for better pay.

Steadily growing economy
Despite being part of a region that is still engulfed in conflict, Lebanon has managed to maintain a steady improvement in GDP per capita, although modest, as reflected in the government's official reports. Available figures for 2002 show per capita GDP at 4,150 USD, with the total population edging over 4 million. (12)

Entrepreneurship culture
One of Lebanon's strong points, in comparison with other Arab countries, is its people's mindset towards privately owned business. The historical background of the country as a trade point for the region is carried on well in the creativity and market orientation of its people.

The people's orientation towards entrepreneurship is needed to compensate for some noticeable weaknesses in the basic educational system, which is not able to regain some of the lost ground as a result of the war. University education is in a different level, carrying on with the American University of Beirut's reputation as a center of culture and excellence; many local universities followed on and capitalized on that value in developing their own recognized status.

Child labor
Working children are one of the most pressing social problems in Lebanon. A great number of working children can be found in suburban and poor rural areas. An enquiry conducted by UNICEF (1998) indicates that there are 28,786 working children in Lebanon aged 14 to 17 years. In the category of 10-13 years there are about 3,163 working children, which make up for 1.2% of the total of Lebanese children of that age group. Only 4.6% of working children manage to pursue their education parallel to work. This is one of the nagging outcomes of the war, and an indication to the need for well structured social programs and improved schooling system performance, especially since 88% of the children expressed the desire to attend vocational training sessions and literacy courses. This phenomenon is a direct result of the war, as it did not exist before 1975. The government is addressing this issue by adopting improved legislation; the law on the legal age for work has been amended in 1996 and the required age was put up from 8 to 13 years. In 1999, a decree was issued, which determined risky occupations for children below 16 years. (13)

III.b Legislation / Policy / Practice overview

The current government took office in October 2001 and put forward an economic strategy that aims to recapture investor confidence and revive economic activity. The adopted strategy is based on four basic pillars:
• Undertake structural reforms that further liberalize the economy through modernizing existing laws, minimizing restrictions and simplifying procedures. The objective is to reduce cost of production, improve productivity, and render the economy more competitive.

• Improve the public finance stance through modernizing the tax system, improving collection and reducing expenditure. The introduction of a VAT in 2002 was one step in that direction.

• Implement a privatization program to transfer to the private sector the ownership and management of utilities.

• Liberalize trade through signing the Euro-Mediterranean Association Agreement and continuing the accession process to the WTO, as well as reactivating the bilateral economic agreements. New laws are being enacted to satisfy the requirements of these agreements, including the "Competition Law", covering anti-trust activities.

Other measures include enacting laws to promote investment and export activities, the two laws affecting SMEs specifically are "Kafalat", a loan guarantee scheme aimed at increasing lending capacity to SMEs to stimulate investments, and the "Subsidized Loans Program", aimed at facilitating access to subsidies for SMEs in productive economic activity.

An important economic development arm is the Investment Development Authority of Lebanon (IDAL), established in 1994, IDAL's role was reinforced in 2001 by the enactment of the Investment Development Law 360, regulating investment promotion of domestic and foreign entities and striving to stimulate Lebanon's economic and social development as well as enhance its competitiveness. (12)

IDAL's scope of work entails the following functions:

• Identifying and promoting investment opportunities in Lebanon;

• Disseminating market intelligence about Lebanon, the business, legal and investment frameworks as well as other relevant information;

• Facilitating the registration and issuance of permits and licenses required for any investment project;

• Providing ongoing support for investment projects once established;

• Identifying potential joint venture partners and strategic allies for Lebanese businesses; and

• Advising the Lebanese government on investment policy issues

The direction of economic stability and gradual growth are encouraging signs of the soundness of adopted policy. The focus on entrepreneurial projects support, or projects involving youth or promoting women employment is limited in current policy, but is facilitated through support programs' interventions.
III.c Macroeconomic policy relevance

Lebanon has been successful at maintaining the stability of the currency through difficult and challenging times over the past few years. Despite the size of national debt the government financial system has been able to sustain and support a fairly liberal banking system.

The changes being adopted by the government towards regional trade have been instrumental in introducing support programs aimed at increasing the contribution of the private sector to economic growth, in a similar approach to the one adopted in Jordan. The government is complementing this direction with relevant legislation as listed above.

Macroeconomic indicators analyzed since 1995 that testify to the correct direction of government policies include:

- Controlled inflation rate, reduced gradually from 1995 to 2000, and held at a steady rate below 3% since then.
- Gradual increase in exports and a similar reduction in imports between 1995 and 2000, with constant levels maintained afterwards, thereby adjusting the balance of trade to a more favorable state.
- GDP has increased by more than 30% between 1995 and 2000, and was also held at a steady rate since then, with minor gradual increase.

On the other hand, overall public debt has tripled over the past 10 years, and public expenditure has increased at a similar rate, raising concerns about the long term development strategy of the country. This also signifies the need to accelerate privatization of public services and more involvement from the private sector in the economic development process.

Microfinance programs are under development in coordination between donors and relevant authorities to assist in poverty alleviation and unemployment reduction.

III.d Institutional and policy support

Despite introducing less support activities and programs to the local economy than in the case of Jordan, Lebanon is evidently on the same path towards addressing all development needs of the private sector through such activities. The following list of programs indicates similarities with Jordan's direction for private sector development, and awareness to specific needs that distinguish Lebanon's growth path. It must be noted that significant activities in the areas of employment, education, training, and poverty alleviation still depend on privately supported programs.

1. Culture / education development and entrepreneurship support
1.1 Conference and Exhibition on Lebanese Industrial Achievements (LIRA)

With the aim of addressing directly the issue of making education more relevant to the job market, the National Council for Scientific Research, the Association of Lebanese Industrialists, the Ministry of Industry, and Universities in Lebanon, with the cooperation of Friedrich Ebert Foundation and ESCWA, agreed in 1997 to initiate this yearly forum.

This event encourages technological innovation for the purpose of upgrading production processes, creating jobs that are compatible with the ambitions and capabilities of university graduates, and "incubating" new ideas that may be turned into start-up businesses. In the last few years, this event has led, on the one hand, to the upgrading of several production lines in industry, introduction of new firms, and, on the other hand, to improved university standards, particularly Engineering and Science programs and curricula. (15)

LIRA has been instrumental at creating new jobs, in addition to the design, execution and use in industry of machines, equipment and software programs.

1.2 Youth employment and development programs

Several private foundations in Lebanon are taking the lead to address this key community concern. The efforts of Rene Moawad Foundation (RMF) are noteworthy because of its established cooperation programs with international organizations including UNICEF.

Due to the current situation of impoverished communities, the focus of such programs is directed more towards the following activities:

- Creating fair employment standards for youth and developing relevant regulations to increase the minimum age of entry into the job market and prevent employment in hazardous occupations. Private foundation efforts in that regard are made in cooperation with the government
- Developing educational programs to allow working youth to continue their education without having to leave their employment
- To introduce vocational training programs developed specifically for younger age groups, as well as IT training programs to improve the prospects of deprived youth in getting better
parsing jobs in their future.

2. Entrepreneurship support

This part includes programs and components of programs aimed at facilitating the establishment of new businesses and providing support to start-up enterprises. Programs listed here are differentiated from the LIRA program by having no linkage or dependence on the universities educational system.

2.1 Berytech

Berytech is a modern concept of a high technology business incubation facility. It is taking part in the economic development of the Lebanon through reliance on Lebanese poles of excellence, identifying strategic sectors to promote, and developing synergy between the high level university environment and the companies hosted on its site. (16)

Berytech is designed to offer the services and the environment necessary to the development of the industrial activities or services in six types of products, equipment and complementary concepts.

1. The "assitance for the creation of companies" function is provided in its "incubator, accelerator, and company hosting" intended to create companies and accompany them until their maturity stage and their development on the local, regional or international markets.

2. The "hosting and development of small companies" function takes place in an environment a little larger than the previous one and consists of office rental and services.

3. The "hosting of local and international companies" function is provided by a range of services facilitating their approach and their development on the local and regional markets.

4. The "service provision" (information, council, clusters, equipment) is a function intended to the Lebanese or foreign companies not established on the technological pole and aimed to support their development (virtual incubation).

5. The "specialized training center" function provides a business center support environment.
6. The "engineering" function to assist in complex and highly specialized long term projects, such as project evaluation, organization, work coordination, relations, financings, counseling and so forth until the entrepreneurial project achieves successful sustainable operation.

2.2 UNIDO - IPU

The United Nations Industrial Development Organization (UNIDO), through its Investment and Technology Promotion Office (IPTO) - Italy, is in the process of establishing its fifth Investment Promotion Unit (IPU) in Lebanon. The IPU, which will be UNIDO's fifth unit in the Middle East and North Africa region, will be hosted by IDAL and physically located within its premises. This will create a similar scenario to the one in Jordan where the IPU is hosted by the Jordan Investment Board, a parallel organization to IDAL in Lebanon.

The IPU will be operational in 2004, it aims at providing small and medium size companies (SMEs) in Lebanon with the required technical expertise to further their development. This program includes a training component, introduced in other countries, which can be tailored to cater to young entrepreneurs.

2.3 Beirut Emerging Technology Zone - BETZ

As part of a national commitment to the growth and development of the Information and Communication Technology (ICT) industry in Lebanon, IDAL is spearheading the creation of the Beirut Emerging Technology Zone - BETZ, as a much needed facility to introduce Lebanon as a potential and sustainable hub for technological development in the MENA region.

BETZ represents the largest initiative of the Lebanese government in support of the information and new technology sectors. It will incorporate among other facilities, state-of-the-art infrastructure and an incubator facility. BETZ is earmarked to be managed by an independent vehicle company under formation between IDAL and a local municipality, which will be entrusted with the development and operations of the infrastructure and core elements of the project.

3. Access to Finance

The two government programs being implemented currently (loan guarantee scheme and subsidized loans) are aimed at facilitating access to finance specifically for SMEs and start-ups. Both programs have been effective in stimulating investments. The
developed banking system in Lebanon, in comparison with Jordan, offers financing tools to SMEs that are both flexible and developed on a partnership basis. The country would benefit well from microfinance programs that would cater to the entrepreneurial culture of the Lebanese people and address issues of poverty alleviation, gender specific unemployment, and child labor.

### III.e Proposed measures and mechanisms

**1. Financing:**
The banking sector in Lebanon is one of the better developed in the region; it is also one of the most competitive. With the positive directives of the government to develop lending schemes specifically for SMEs, there are minimal modifications needed to facilitate access to financing for new businesses.

The introduction of microfinance programs and specific application of soft loan arrangements would enhance the contribution of the financial sector to economic development, and would improve the performance of SMEs.

**2. Incubation / Business Development Services (BDS)/VT:**
The direction being taken by Lebanon to encourage entrepreneurship through incubation, award schemes, and business development services is not only logical, but is also showing signs of successful implementation. This is evident in the track record of LIRA program over the past 6 years, and the well-structured initiatives of BETZ and Berytech programs.

A viable direction for the incubation concept is to utilize it to address youth employment outside the city boundaries. Simplified incubators offering primarily enhanced vocational training and BDS, but not exclusively technology oriented, would motivate youth and encourage entrepreneurial initiatives.

Vocational Training is also in need of development to bring added value in matching skills development with business needs for labor. This development must be research based, and must enter into a cyclic repetition trend for continued development.

### IV Case No. 3 - Dubai - United Arab Emirates

**IV.a Background**

Less than twenty years ago the small Emirate of Dubai could be described as an insignificant township in the Arabian Gulf desert. Its location at the water front in the Gulf merely added humidity to its long, hot summers. Very few people could foresee the potential it had for economic prosperity.

Today most economic experts would find it challenging to describe the Dubai success case without making a blatant understatement. It is simply a case where all the success factors combined and fit well together at the right time, and converted the desert into the...
right place for prosperity.

Starting from what may now be considered a modest base; Dubai initially offered relatively modern sea freight facilities and a lucrative duty free shopping experience. Both services have now developed into globally acknowledged successes, surrounded by several other examples that combine to present a model of civilization.

Dubai is built on political stability and a forward-looking, responsive Government with a progressive, pro-business attitude and a highly developed commitment to the private sector. The business friendly regulations and highly favorable tax and customs framework have played a key role in attracting business investment from all over the world in practically every sphere of economic activity. Consistently strong economic indicators and a relatively low cost work environment have contributed to Dubai's rapid development and prosperity.

The factors of Dubai's success are obvious, but they also provide an indication of issues that need to be addressed effectively to assure continued growth and stability. The following concerns are related to the topic of this paper:

Demographic composition
Less than 250,000 of Dubai's 1.1 million people are nationals, and while most of the expatriates provide the lower income workforce that was instrumental in creating Dubai's success, a good percentage of expatriates includes highly paid experts and investors. There is urgent need to enhance the role of nationals in the management and development of the economy, beyond the domain of large investments.

Large scale development
Dubai is one of the unique cases where small businesses do not comprise the huge majority of privately led national projects. It is rather a place where large scale investment projects drive the economy and dictate the creation of SMEs, as opposed to having a large group of SMEs directing the development of large projects out of need for services. The dependence of a national economy on large projects which may slow down due to external circumstances is accompanied with high concerns over the continuity of GDP growth. (18)

Maintaining the lead
It is challenging and difficult to reach the top and set an example of success. It is harder still to remain on top once it is reached. Innovation and leadership must be nurtured to take on the responsibility of continued growth once the large scale projects are completed.

IV.b Legislation / Policy / Practice overview

The economic success of Dubai can be credited to its off-shore
type of business environment. The characteristics of the scenario for investments are detailed below:

- Sophisticated fast track business initiatives
- Well defined economic clusters including technology and internet hub, media hub, finance hub and healthcare hub
- No Corporate Tax
- No Income Tax
- 100% foreign ownership in Free Zones
- No foreign exchange controls, trade barriers or quotas
- No restrictions on capital repatriation
- Strong investor incentives and protections
- Easy access to key decision makers
- Relatively Low Cost Work Environment
- Access to low cost regional talent
- Modern telecommunications network
- Competitive energy costs
- Competitive real estate costs
- Competitive import duties (4% with many exemptions)
- One of the best hubs for transport and shipping world wide

Dubai's consistently strong economic outlook is characterized as follows:

- GDP/Capita over $20,000 among highest in the region
- 10 year GDP annual growth average of 8%
- Diversified economy - oil only contributes 10% to GDP
- Stable currency
- Controlled inflation rate (less than 2.5% from 1991 - 2000)
- Non-oil GDP growth of 9.6% per annum from 1990 - 2000
- Only 1.7% of active population unemployed
- Third most important re-export center in the world (after Hong Kong and Singapore)
- Member of WTO
- Trade makes 16.4% of GDP compared to 14.5% for Singapore
- 9.2% growth in non-oil trade between 1989 and 1999
- 11.6% of GDP invested in tourism
- Over 2.8 million tourists in the year 2000
- Cosmopolitan Work Environment with over 185 nationalities
- More than 75% of UAE population is expatriate
- Stable economy with relatively low volatility
- Continuous political stability since its inception in 1971
- Ranked 23 in 2002 Index of Economic Freedoms
One of the main motivators of investment activities in Dubai is the Dubai Development and Investment Authority (DDIA), a Government Authority entrusted with catalyzing the growth and development of Dubai's economy by attracting corporate and private investors to the UAE and by facilitating the growth of leading local businesses and encouraging local entrepreneurs.

To meet these goals DDIA is tasked with developing strategies to attract inward private sector investment into Dubai, mobilizing domestic capital resources for growth and innovation, marketing the business benefits of Dubai to leading global companies and helping leading local companies to develop additional added-value services for their businesses. (18)

The DDIA focuses on five primary areas of activity:

- **Matching Investors with investment opportunities:**
  DDIA seeks to attract investment through initiating, supporting and developing sizeable, ambitious, quality projects in Dubai. Projects benefit from risk mitigation that arises from having Government backing and a well defined Government role.

- **Multinational Corporations:**
  DDIA seeks to attract the top global multinationals to set-up in Dubai through a comprehensive value-added offering that facilitates their move to the region.

- **Single Window Government Convenience Services:**
  The DDIA provides "single window" government and convenience services to major investors and multinational corporations with the aim of facilitating the establishment of operations, easing legal clearances, and delivering professional support services.

- **Local business:**
  DDIA seeks to assist top local companies in creating higher value-added functions for their businesses by supporting them in building expertise, innovating, growing, creating new partnerships and reaching international customers.

- **Small and Medium Enterprise:**
  DDIA seeks to provide an array of services to encourage business establishment and development in Dubai.

### IV.c Macroeconomic policy relevance

Dubai has strengthened its distinguished strategic location by pursuing a free and balanced economic policy that has given it a good reputation in the international, commercial and economic communities, which encouraged national and foreign capitals to enter into successful investment ventures in different commercial, industrial and services fields.

Dubai has also boosted the importance of its strategic location and emphasized its free economic policy by setting up complete infrastructural projects along with other services and utilities. Dubai has put in operation these facilities with high efficiency which had an immediate and positive impact on growth rates in...
the economic sectors, social development and improving living standards of the individual.

In general, the economy of the Emirate of Dubai is based on two main activities which are non-oil trade and oil producing and exporting. Dubai has witnessed, during the last three decades, rapid growth of its trade and industrial activities taking advantage of its several characteristics including its strategic location overlooking the Arabian Gulf, the completion of its infrastructural projects and the running of these facilities according to the latest standards. This has enabled Dubai to become one of the most important centers for imports, exports, and re-exports in the region. During the last two decades Dubai has worked to strengthen its industrial base with the aim of diversifying the sources of income. Therefore, it has established heavy industrial projects in the Jebel Ali Free Zone, and the active private sector has contributed by setting up small and medium manufacturing industries achieving a kind of self sufficiency in some commodities.

There is currently a clear direction by the government to encourage entrepreneurship amongst nationals. The objective is to strengthen the role of SMEs in economic development through the involvement of young national entrepreneurs. This is being done in recognition of the need to gradually shift the task of continued growth to smaller sized business entities.

IV.d Institutional and policy support

1. DDIA

As the main government arm for investment promotion, the direction taken by the Dubai Development and Investment Authority (DDIA) provides a clear indication as to the type of support approach the government is adopting to facilitate the growth of leading local businesses, encouraging local entrepreneurs, and developing a good national base of human resources.

To this effect, The Mohammed Bin Rashid Establishment for Young Business Leaders was formed with a vision to nurture the domestic entrepreneurial spirit in Dubai and catalyze the development and growth of a key sector of the economy, the Small and Medium Business sector. The Establishment core mission is to encourage and facilitate the development of local businesses and entrepreneurial activity in Dubai; it offers incentive measures and coordinated programs to the local business community: (19)

1. Facilitating access to Government Procurement Activities:
An integral component of the Establishment’s initiative
is a 5% **Government procurement** program which mandates that all Government departments complete at least 5% of their procurement activities through the Establishment. This is aimed at increasing the scope of projects and opportunities available to SMEs and ensuring a sizeable section of Government projects are allotted to companies registered with the Establishment.

2. **Facilitating access to Capital:**
The Establishment helps address the challenges of the funding gap for SMEs and makes capital available to them on as-per-need basis. The Establishment’s value-added platform includes access to capital at preferential terms from AED 700 Million Fund based on Islamic banking principles in conjunction with the Dubai Islamic bank. The platform also includes provision of loans at preferential terms via a network of affiliated banks to existing SMEs.

3. **Promoting Entrepreneurship in Dubai:**
A comprehensive program aimed at favorably impacting and influencing the perception of Dubai nationals towards entrepreneurship. The Establishment’s value-added platform includes:

- Increasing social acceptability of taking the entrepreneurial path
- Raising awareness of specific entrepreneurial opportunities, and of the possibilities of starting a business
- Educating interested potential entrepreneurs on how to start-up a business and lowering the barriers to starting new enterprises
- Matching entrepreneurial demand with business opportunities relevant to the Dubai economy and investor community
- Mitigating the risk associated with a new project via concerted Government backing and support.

4. **Facilitating access to Business Services:**
The Establishment enables SMEs access to Business Services that they need to effectively manage and grow their enterprises, at a reasonable cost. The Establishment’s value-added platform includes:

- A physical center where entrepreneurs can locate new business
- Access to business Mentors
- Access to cost effective business services and advisory services
- Creation of an aggregated market for services required by the SMEs
- Forums for addressing the SME sector
2. Al Tomooh

The other available support program - Al Tomooh - provides mainly financial services, augmented by facilitating access to skills development programs, as listed below:

Al Tomooh is a financial scheme designed to support small businesses whose total required investment cost does not exceed AED2 million. Its mission is to "Provide easy access to funding for national small enterprises, so as to contribute to the creation of a strong economy based on UAE National's owned and managed enterprises"

The program objectives are:
- To offer the opportunity to creative entrepreneurs to develop their ideas
- To encourage investment in the UAE
- To enhance self employment opportunities for UAE nationals

The vision of the program is to "Enhance the opportunities for UAE nationals, both men & women to enter (and remain in) the small enterprise sector".

Finance Scheme / Financial terms:
- The total loan investment must not exceed AED 2M.
- The program will fund up to 90% of the total loan required of Maximum AED 1M.
- The program is interest free for the first 3 years
- Repayment begins in the 2nd year
- Repayment is extendable to a maximum of 8 years

Al Tomooh is showing indications of success, although they may seem marginal at first, but the indications are positive for establishing new cultural trends amongst nationals' drive towards entrepreneurial activities.

3. Riyada

Riyada is a monthly networking event that aims to promote and encourage entrepreneurship and provide a valuable educational component and networking and knowledge dissemination opportunity for local entrepreneurs. Riyada provides:

- Opportunity for entrepreneurs to network amongst each other and with service providers
- Opportunity for would-be entrepreneurs to learn
about the business world
- Opportunity for would-be entrepreneurs to present their business and receive expert feedback
- Opportunity to hear topics of relevance and interest to SMEs via seminars/workshops run by industry veterans
- Opportunity for sharing value-added information about running a small business and discussing problems common to small businesses either privately during the reception amongst each other and with Establishment consultants or via an open discussion during the Business Clinic section of the session

IV.e Proposed measures and mechanisms

The significant element of the Dubai economic structure that requires attention and development is the need to reduce dependence on expatriates at senior organizational levels, and to enable nationals to establish their own SMEs and contribute effectively to economic growth. To achieve this objective the following measures are proposed:

1. Develop a comprehensive and structured approach to provide potential entrepreneurs with the skills and motivation needed to encourage establishment of new businesses. This should include developing the educational curriculum at schools and universities, as well as advanced training programs.
2. Build on the potentially successful models of entrepreneurship support programs already in place to encompass the largest possible segment of the target community.
3. Facilitate cooperation schemes with international experts and experienced expatriates to allow local entrepreneurs to benefit from their knowledge base. This may be accomplished through mentorship programs and tailored training sessions.
4. Develop a comprehensive scheme of national awards of excellence for business leaders and business success cases, as well as training and educational programs.

V. Commonalities

V.a. Educational / Vocational / Cultural development

The analysis of each of the three country examples leads to a clear conclusion that major efforts need to be exerted to develop the educational and vocational training systems to address the issue of awareness to the importance and value of entrepreneurship. It is also evident that the social and economic cultures in most Arab countries need to be modified to develop a higher level of acceptance towards individualism,
entrepreneurship, private sector employment, and risk taking. The following avenues of improvement are deemed viable:

- involving successful business leaders in the development process of educational curricula, training programs, and awareness campaigns
- Building revised vocational training programs based on feedback from SMEs to address their needs and concerns.
- Creating national campaigns and award schemes at all levels in the development process of a business, to bring more national awareness and recognition towards entrepreneurship, commitment to work, and potential for success of small business ventures.
- Developing avenues of international exchange of information and experience with regard to SMEs success factors, entrepreneurship introduction into cultures, and vocational training development.
- Fostering and expanding dedicated programs targeting youth groups within the school system, outside the school system, and at university level, to promote the concepts of career development and entrepreneurship.

V.b. Social / youth oriented development programs

The review of cases in this paper indicates discrepancies in addressing the role of youth oriented social partners. There is significant dependence on external intervention from international organizations to develop effective programs and address issues of critical nature. The problems that continue to affect Arab countries in this respect include:

- Unfairness in youth employment in terms of age and working conditions
- Deprivation of basic education due to poverty
- Social and cultural negative attitudes towards youth
- Opportunity restrictions limiting the development of knowledge, creativity, and energy of younger generations

Youth oriented social programs need guidance and support to address the above concerns. Such programs have traditionally limited resources and therefore achieve limited impact, which deprives them from recognition and further limits their potential. Measures can be taken to utilize the positive factors in each community or country in a cost effective manner that involves voluntary work to extend the outreach of such programs:

- The involvement of community leaders, in business, culture, and even government, can result in significant impact on youth culture and increase their potential to become productive members of their communities.
- Models of incubation and national award schemes can also be developed in categories for the youth, and can even be segregated into education related activities and vocational related activities to address both ends of the income
segments of the community and all geographical locations.

V.c. Roles of ILO / UN / World Bank organizations and programs

The programs and directives listed below provide information about the direction being adopted by the ILO to enhance entrepreneurship and increase the role of SMEs in employment and economic development:

1. **SEED**

In 1998 the International Labor Conference adopted Recommendation No. 189 on "Job Creation in Small and Medium-sized Enterprises". The document shows the direction towards building a small enterprise sector that contributes significantly to economic development by being instrumental in job creation, reduction of unemployment, upgrading individual skills, and poverty alleviation.

The ILO InFocus Program on boosting employment through small enterprise development (SEED) works with governments, social partners, and communities to create new policy tools, invigorate entrepreneurship and management training and increase the involvement of small business in productive economies.

SEED strives to reinforce mechanisms for redefining the role of the small enterprise economic sector so it can better serve employment objectives. SEED achieves its objectives by utilizing support tools such as policy guidance, technical assistance, and international advocacy.

2. **YBI:**

The Youth Business International (YBI) is an international NGO created by the Prince of Wales International Business Leaders Forum. It presents a unique model developed to address special needs of young women and men who generally lack experience, capital, and networking that are necessary to start businesses. The YBI targets disadvantaged young people as they are defined in each target country, thereby being adaptable to specific country circumstances and economic and socio-cultural environments. The program is recognized by the ILO and approved as a partner program.

An example of YBI programs is "Bharatiya Yuva Shakti Trust" (BYST), a non-profit NGO launched in Delhi,
India, in 1991. BYST operates in 5 regions and has supported 570 entrepreneurs who have created over 3,000 jobs. The businesses range from handicrafts to high-tech electronics and computers. Many of them are growth oriented companies with many of the entrepreneurs becoming business leaders.

BYST enlists the assistance of experienced business people to implement a selection process of potentially successful business concepts submitted by entrepreneurs. BYST provides the following to the approved projects:

1. Start-up capital in the form of small loans
2. Periodic mentoring
3. Peer-to-peer networking

Key to the success of BYST, and the YBI programs in general, is their partnership with the private sector. Successful businesspersons provide service in the selection process and as mentors for young women and men.

3. YEN

The International Labor Office estimates that around 88.2 million young women and men are unemployed throughout the world, accounting for 47 per cent of all the 185.9 million unemployed persons globally.

Although this statistic is marginally offset by work in the informal economy, that component introduces an element of abuse, exploitation, and harsh working conditions, especially for younger men and women.

There are an estimated 59 million young people between 15 and 17 years of age who are engaged in hazardous forms of work. Young people actively seeking to participate in the world of work are two to three times more likely than older generations to lose employment and encounter difficulty in finding jobs.

The Youth Employment Network (YEN) proclaims that one of its major advantageous characteristics is to involve young people (as partners) in devising solutions to a common problem. By enlisting this type of actual involvement of the youth in policy making, the YEN strives to assure that its policy recommendations support the aspirations of young people. The YEN works on fostering representative youth groups to take central roles in the development and implementation of National Action Plans on youth employment.
New steps on policy and process were adopted by the Youth Employment Network in 2003 - involving the core institutions of the UN, the World Bank and the ILO, together with national governments, economic and social partners and youth organisations - to promote youth employment and to fight unemployment and underemployment:

1. Endorse the 2003 Policy recommendations on Employability, Equal opportunities, Entrepreneurship, and Employment creation;

"There are too few employers and hence too few job opportunities in the world. Cumbersome procedures and regulations hamper the start up of new businesses. All countries need to review, rethink and reorient the legal and institutional framework for business to make it easier to start and run a business. Governments and international organizations should make it a top priority to obtain real, reliable and relevant data on the informal economy and on the rules and procedures required to set up and operate a new business within a legal framework. Based on a better understanding of the institutional obstacles, policies should be developed to allow this part of the economic system to be integrated into the mainstream economy and raise its productivity through legal facilitation. This review should be combined with respect for labor standards, which should be seen as a basic element in achieving productivity and prosperity.

Governments at national and local level need to encourage a broad and dynamic concept of entrepreneurship to stimulate both personal initiative and initiatives in a broad variety of organizations which include, and reach beyond, the private sector: small and large enterprises, social entrepreneurs, cooperatives, the public sector, the trade union movement and youth organizations.

Countries also need to strengthen policies and programs so that small enterprises can flourish and create decent work within an enabling environment. Each country should set objectives and targets for a broad reform program, based on best practice, which process can offer more flexibility for enterprises and more security for workers.

Employability, equal opportunities, and entrepreneurship, to be most effective, require an enabling environment where employment
creation is placed at the centre of macro-economic and other public policies. Employability requires not just appropriate skills and training, but also public policies which lead to new employment opportunities where these skills can be used. Investing in youth requires not just better skilled youth, but a commitment by public and private sector partners to keep job creation as a central concern of their investment strategies. Equality should follow a high road leading to increased opportunities for both women and men; and entrepreneurship should be supported not only through structural measures, but also through growth-oriented macro-economic policies so that enterprises can sustain themselves."

2. Endorse a plan to encourage national governments to translate the 2003 recommendations into action through National Review and Action Plans on youth employment

3. Invite Workers’ and Employers' organizations together with civil society to participate in the design and implementation of these action plans in order to provide young people with access to decent and productive work

4. Invite youth organizations to advise in the design of youth employment programs, to contribute to the implementation of these programs, to help hold governments accountable on their commitments on youth employment and work with the high Level Panel in an ongoing advisory capacity

5. Endorse an initiative for "twinning" and regional cooperation in mobilizing funding for national youth employment programs

4. Recommendation: R189

"Recommendation concerning General Conditions to stimulate Job Creation in Small and Medium Sized Enterprises". The main components of the recommendation are listed below, as well as proposed actions for implementation of specific elements of the recommendation:

1. **DEFINITION, PURPOSE AND SCOPE**
   Definition of SMEs, their employment structures, roles in the economy, objectives from providing support, and perceived scopes of activity within larger economic structures.

   Proposed Actions:
   Developing Terms of Reference for a comprehensive study on issues of interest relevant to SMEs, and implementing the study
for representative locations to obtain a unified, global definition and outlook for SMEs and their development needs. Results of the study must be analyzed and presented in a manner that identifies priorities and major concerns of SMEs for the objective of re-enforcing their role in improving the employment of youth.

2. **POLICY AND LEGAL FRAMEWORK**
Comprehensive framework should address relevant issues to small business creation and sustainability, employment criteria and regulations, and success facilitation tools.

Proposed Actions:
Special classifications of SMEs and small start-up businesses must be developed for the purpose of adopting specific policies to facilitate establishment, operation, and sustainability. Policies must be developed to minimize taxation burdens and to liberalize employment structures.

3. **DEVELOPMENT OF AN ENTERPRISE CULTURE**
Creating and facilitating cultural change, adaptation and awareness to market needs, and definition of foreseeable roles of small enterprises as economic development promoters.

Proposed Actions:
Comprehensive awareness campaigns should be developed and tailored differently for every age group, covering a spectrum between the ages 14 to 26. Awareness must be developed using the educational and vocational training establishments in parallel with special events and seminars.

4. **DEVELOPMENT OF AN EFFECTIVE SERVICE INFRASTRUCTURE**
Comprehensive services facilitating establishment, development, and enhancement of small businesses. This includes legal and regulatory framework and socio-economic aspects

Proposed Actions:
Capacity building programs for service providers must be developed for service providers to help in capacity development for their SME client bases. Policies should also be put in place to facilitate the establishment and sustainability of service providers.
5. **ROLES OF ORGANIZATIONS OF EMPLOYERS AND WORKERS**
Facilitating communications between private and public sector counterparts, providing direct support to SMEs and involving them in their structures

Proposed Actions:
Plans of action must be developed for Business Association so they can perform the following for SMEs:
- Represent interests of SMEs through lobbying actions and media channels
- Patronize capacity building programs and introduce service providers and support programs to SMEs
- Act as facilitators for establishing and hosting Business-to-Business exchange for SMEs to improve outreach locally and internationally

6. **INTERNATIONAL COOPERATION**
International exchange of information and knowledge bases, and establishment of cross-correlation between international programs with similar agendas

Proposed Actions:
- Developing systems of information collection, databanks establishment, and continuous updating on information of use to SMEs
- Host international forums to exchange information and expertise between support programs in order to enrich and add value to the knowledge base of such programs, and also to establish permanent linkages for coordination.

**VI Conclusions and Recommendations**
The following set of recommendations should be viewed in conjunction with country-specific proposed measures and mechanisms listed earlier on in this document. The list below summarizes proposed actions deemed appropriate for the developing economies of Middle Eastern countries, taking into consideration the increased diversification in their cultures and the remaining dominant characteristics they still share. Special attention is given to the prevailing international economic direction, which necessitates that developing economies gear their growth dependence towards smaller private enterprises and entrepreneurial efforts:

1. **Awareness:**
   - Launch nation-wide campaigns to introduce the
concept of entrepreneurship, address the fear of failure issue, encourage women to become more active members of society, spread awareness with regards to the services offered to entrepreneurs during set-up stage, and develop such services to a level of comprehensiveness that facilitates actual investment. Targeted awareness must be initiated for all age groups ranging from 14 to 26, using educational and vocational training establishments.

It is evident from the analysis of information and feedback obtained in preparation for this paper that the current levels of awareness to entrepreneurship, its value, and facilitation tools are very low amongst populations of Middle East countries.

Contribution towards raising the awareness can be assimilated from the private sector, business associations, and international organizations. ILO contribution can take the form of holding an annual international forum on these issues and changing the location of the event annually within the region.

- Revisit the curriculum of all education institutions and introduce the concept of entrepreneurship at an early age.

Various non-aligned efforts are exerted to develop educational curricula to address key issues of concern. Development focusing on adaptation to technological advancements in education, and matching skills to job market needs are taking priority over introducing new concepts such as entrepreneurship. The realization of the importance of entrepreneurship to growth and development of national economies necessitates allocating resources to address this need.

2. **Finance:**

- Establish financing schemes especially designed to address Entrepreneurs / SMEs needs. Such schemes must be sponsored directly by governments to assure long-term commitment and relevance to national policies. Special terms of financing must include:
  - Grace period on repayment, reaching 3 years
  - Extended duration of loans to a minimum of 8 years
  - Considering the valuation of goodwill, business assets, and entrepreneurs' personal credibility.
  - Noticeably reduced interest rates.
  - Facilitate the establishment and sustainability of Venture Capital funds, Leasing, and Loan Guarantee programs
  - Introduce seed capital programs based on training qualification plan...
Develop credit rating programs
Develop Government facilities to provide incentives for banks to lend to SMEs and entrepreneurs in cooperation with active support programs, to encourage banks to shift from collateral-based finance to cash-flow based finance and evaluation of goodwill

3. **Legislation:**
   - Revise taxation schemes of SMEs and start-up businesses for the purpose of simplification through consolidation of taxes, and introduce a classification scheme to provide tax breaks to smaller businesses.
   - Implement Intellectual Property Rights (IPR) regulations and anti-trust regulations to assist developing businesses in meeting challenges of international market competition.

4. **Incubation / BDS:**
   - Develop sector-specific business incubators located to address geographical and demographic concerns, and include services provision within the basic services available to tenants.
   - Develop and implement interconnected Training programs that enter into a monitoring scheme after completion, in preparation for having the trained business enter in National Award schemes.
   - Create a business plan filtering / selection unit attached to an institution or an organization, as part of a national award scheme.
   - Develop Business-to-Business from within incubator premises, using its networking contacts and cooperation with other similar structures.

5. **Education / VT systems development:**
   - Educational and VT systems need to be developed to include curricula or courses to address Entrepreneurship culture development.
   - Programs should be developed to address market needs, use of technology as a tool, not an objective, and the development of personal skills.
   - Develop SME - VC / SME - education centers partnerships.

6. **BSOs:**
   - Invest in developing and utilizing the well acclaimed independent national knowledge base, as it adds value to the human resource base of the country.
   - Involve international experts and business leaders in developing entrepreneurship culture and to assist in generating a positive growth-oriented aspect to the national economy.
1 Historical overview of Jordan’s economy, Report issued by the Business Service Team Private Sector Development Program of Jordan, European Commission, 1998
2 Attitudes and Perceptions of Entrepreneurship in Jordan: Survey Analysis, AMIR Program, 2002
3 Comparative study on Middle East economies, Stanford Research Institute, 2002
5 Global Competitiveness Report, World Economic Forum, 1999
6 Jordan Investment Board Publications, 2002
10 Enhanced Productivity Centers Project, Socio-economic restructuring Program, Ministry of Planning and International Cooperation, 2002
12 Investment Development Authority of Lebanon (IDAL)
13 Rene Moawad Foundation (RMF)
14 Euro Lebanese Center for Industrial Modernization (ELCIM)
15 Lebanese Industrial Research Achievements (LIRA)
16 Berytech technopole
17 Lebanese Business Network (LBN)
18 Dubai Development and Investment Authority (DDIA)
19 Mohammed Bin Rashid Establishment for Young Business Leaders

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