

Government Policies and Small and Medium Enterprise (SME) Development: A Perspective from nine Countries

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المخلص:

تبحث الدراسة مختلف السياسات المنفذة في البلدان لتحقيق تنمية المشاريع الصغيرة والمتوسطة الحجم. تشير الأدبيات الى ان سياسات الاقتصاد الكلى هي اكثر فاعلية من سياسات الاقتصاد الجزئى فى تحقيق هذا الهدف. تسع حالات مختلفة من البلدان التى حققت لتحديد سياسات اكثر فاعلية ولماذا. تحليل المعلومات التى تم الحصول عليها من البيانات الثانوية، والمحفوظات، تقارير ومقابلات، تؤكد ان السياسات الكلية اكثر فعالية فى حالة البلدان النامية، فى حين ان سياسات الاقتصاد الجزئى اكثر نجاحا فى البلدان المتقدمة. الكلمات الرئيسية فى المشاريع الصغيرة والمتوسطة الحجم، (السياسات الانمائية)،



Abstract:

The study examines the different policies implemented in countries to achieve SME development. The literature suggests that macro policies are more effective than micro policies in achieving this target. Nine different cases of countries are investigated to identify which policies are more effective and why. The analysis of information obtained from secondary data, archives, reports and interviews, confirm that the macro policies are more effective in the case of developing countries, whereas micro policies are more successful in developed countries.

Keywords: SMEs, Government, Policies, Development, Cases

Introduction:

Entrepreneurship is an ingredient of wealth creation and social justice. It plays an important economic role in developing employment and in maintaining economic competitiveness. Governments play an important role in stimulating entrepreneurship and encouraging SME (Small and Medium enterprise) development, because of their economic benefits; these are: job generation, innovation, productivity and growth and the potential for entrepreneurship to increase the utility of individuals by increasing many aspects of personal interest, like satisfaction or income (Van Praag & Lopez-Acevedo, G., 2007). Governments pursue very different paths and policies for the promotion and support of entrepreneurship and SMEs.

Policies for SMEs may be categorized according to their objectives; this ranges from policies targeting creating jobs and decreasing unemployment levels, to policies aiming at achieving social and/or equity objectives, to market failure and/or efficiency arguments, to policies aiming at internationalization of SMEs, and finally to policies targeting innovative activities within SMEs. The traditional direct support needed by SMEs has been in the areas of finance, taxation and land (Nguyen, Alam, Prajogo, & Majumdar, 2009). Governments used to issue and legislate policies to support the SMEs in these major areas. More and more, public policies have devoted increasing attention to the innovation capabilities of

SMEs. This has been a governmental and an international focus for the past 20 years.

This study is examining the various government policies adopted in several countries to promote the development of SMEs in an attempt to identify if there is one model that fits all, that should be used for that purpose.

Literature

The literature on SMEs shows that government policies on development of SMEs and economic growth are positively related to each other (Storey, 2008). Governments play three major roles in this respect; a regulator, an economic agent and a strategic planner and promoter (Carter & Jones-Evans, 2006, pp. 56-57). Policies for the promotion of SME development are equally common in developed and developing countries (Storey, 2008). In the case of developing countries, policies designed to assist SMEs have been an important aspect of industrial policy and international assistance programs. For countries in transformation, diffused entrepreneurship, enterprise foundation and upgrading have a particular importance for growth and competitiveness (Dallago, 2012).

There is little evidence of the effectiveness of government policies on entrepreneurship (Storey, 2008). However, many believe that macro policies are more effective than micro policies in promoting entrepreneurship. Macro policies include demand

management, immigration policy, competition policy, tax and benefit regimes and regulation. Micro policies include: training, information, advice and management programs for SME owners or potential entrepreneurs as well as cultural change programs and entrepreneurship education, and access to finance programs. The nature and scope of the policies depend to a large extent on the specific circumstances of the countries and the policy bundles available.

As a regulator, the government is developing the legal and policy framework for businesses in and outside the country. For this purpose, governments issue laws and legislations and usually follow up on their implementation to ensure that they have the intended impact. As an economic agent, the government issues policies regarding taxation, employment, wages, and procurement rules. It also issues laws regarding services like education, training, health and transport services(Carter & Jones-Evans, 2006). Another area of such policies are social policies concerning redistribution, ‘social engineering’ and the labor market. The government is also a strategic planner and a promoter. In this regard it operates on the micro level and offers/facilitates grants, subsidies, loans, information, advice, it can also seek to improve the infrastructure and business inputs(Storey, 2008).

In general, government intervention is justified by three main arguments; the first is market failures which inhibit small



firms' development, the second is the ability of small firms to create jobs and reduce unemployment levels, and the third is that the government can achieve strategic targets on a macro level that the individual SMEs cannot (Carter & Jones-Evans, 2006). There is another component of the market failure argument, namely, that the SMEs are unaware of available information and/or incapable of providing training and staff development (Boldrini, Scheb-Biefnait, & Chene, 2011). This is where governments intervene through direct advice and providing training, or more so now, enabling the development agencies to reach these SMEs and provide them with this support. This is mostly the case in developing countries (Growth, 2013).

There are three broad approaches to Government support (Carter & Jones-Evans, 2006): cost reduction (the use of subsidies or reduced-rate loans), risk reduction (Macro policies like taxation and interest rates), and increase the flow of information (to make policies, markets, international trends known to all businesses). For this, governments use various methods ranging from finance, information, specialist advice (in trade and FDI), monitoring and regulation, to education, training and personnel development and also developing and promoting research and innovation (e.g. incubators) (Storey, 2008).

LOW DIRECT ASSISTANCE	LIMITING (Developing Countries)	COMPETING (USA)
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HIGH DIRECT ASSISTANCE	COMPENSATING (EU)	NURTURING (US Minority)
	HIGH EMDIMENTS	LOW IMPEDIMENT S

TABLE (1) TYPOLOGY OF PUBLIC POLICY TOWARD SMALL BUSINESS

Adopted from Story (2008)

Storey (2008) discussed the ease of doing business in countries, as this is a reflection of government policies and how they influence SME operation, growth and development. For example, to start up a business in Mexico requires 9 procedures and 58 days; in Canada it is 2 procedures, 3 days. This information is based on the World Bank 2006 “Ease of Doing Business Survey” (Storey, 2008). A second policy choice for governments is the extent to which the policies concentrate on providing direct assistance compared to those seeking to lower the impediments to business creation or to small business expansion.

The EU countries focus on SME policy more so than entrepreneurship, whereas the USA focuses on entrepreneurship policies. Many less developed countries lie in the left upper box (above in table 1), as they have barriers to starting a business and public assistance is low. Therefore, this is referred to as limiting. Government policies with regard to SMEs and entrepreneurship

are complex. One of the reasons for this is that there is no one typical SME form and/or kind.

In order to evaluate the effectiveness of the policies directed at SMEs, the COTE was developed. The COTE stands for what its letters stand for; C for clarity and coherence, O for objectives of the policy which are clear and specific, T refers to targets that are measurable, E refers to effective evaluations. Applying the COTE framework would mean effective and efficient SME policies and programs. Evaluations are an integral part of the process, as they emphasise the concept of accountability. The impact of a policy is measured through identifying the difference between the observed outcome with the intervention, and what would have happened without the intervention (Storey, 2008).

The first three steps are monitoring steps, whereas the last three steps are evaluation steps. Monitoring relies totally on the views of the recipients of the policy whereas the evaluation takes the views and actions of non-recipients into account to present the counter facts and be as objective as possible.

Comparing the outcome of macro and micro policies, there is agreement in the literature on the following regarding their impact on SMEs. Macro policies are effective, because in the case of interest rate control, entrepreneurship is lower when interest rates are low; in addition, self-employment rates are enhanced by stability. A policy on immigration has a direct impact, as immigrants from another country are often highly enterprising



individuals. A policy on business regulation can make it easy or difficult to start a business, thus having a direct impact on SMEs creation and development (Carter & Jones-Evans, 2006).

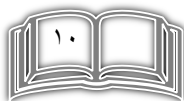
When it comes to Micro policies, there is no one size fits all approach to such policies (Storey, 2008). Policies in the area of management and employee training are difficult to evaluate or to measure their impact, as these are capacity building methods. Policies aiming at increasing Research and Development (R&D) in SMEs are a major focus in some countries, especially developed countries, can be measured. Policies for increasing Entrepreneurial capabilities are mainly targeted at training business owners. Policies to create an enterprise culture entail a long process and usually target education in schools and universities. It has been evaluated in many developed countries and shows an impact through the use of control groups. The policies aiming at improving access to Finance would be also measurable. Policies aiming to promote innovative activities can also be measured through control groups.

TABLE (2)

; MARKET IMPERFECTIONS: CAUSES AND AREAS OF
POLICY ACTIONS REQUIRED

Market Gap	Cause of Market Gap	Policy Action Needed
Supply of Entrepreneurs	Social and Economic bias in favour of	Welfare system, education and

	employment and unemployment rather than self-employment	tax system
Supply of Innovations	Inadequate R&D	Education and research policy Misallocated R&D expenditure Tax system
Lack of Capital	Distortions in Capital markets	Tax system Subsidised lending Monopoly policy Labour relations policy
Lack of premises	Imperfections in property markets	Urban redevelopment Planning regulations Infrastructure investment Tax system
Bureaucracy and compliance costs	Growth of Government	Simplification, exemption, changes to taxation



		Re-organisation of central and local Government
Purchasing	Imperfections in supplier markets	Monopoly Policy Tax system Government 'crowding out' business and small firms
Marketing	Imperfections in seller markets	Promotional activities

▪ Source: (Carter & Jones-Evans, 2006)

In general, governments should create an investment-conducive environment to encourage entrepreneurs and SMEs to play their role in boosting economic growth and reducing unemployment.

Theoretical Framework



The objectives of the study are:

1. To identify the different policies used by countries to develop SMEs.
2. To identify which policies are more effective and why.
3. To recommend a model for governments to use for effective SME development.

The study will attempt to test the following hypothesis to fill the gap in the literature:

H1: Macro policies are more effective in achieving effective SME development.

H2: Micro policies are less effective in achieving effective SME development.

Methodology:

The study uses a mix of phenomenology and grounded research methods. It attempts to understand and describe how one or more participant experience a phenomenon and it also generates and develops theory that is grounded on secondary data (Christensen, Johnson, & Turner, 2015). This is done through collecting secondary data on 9 different countries in the area of SME development. The study uses the pattern matching strategy for theoretical validity. Semi structured interview with open-ended questions are conducted with high ranking officials (the participants) working in government entities in the various developed and developing countries. These officials are directly involved in SME development as part of their scope of work. The

interviews with these 9 government officials resulted in 9 reports, from 5 – 7 pages in length. These were analysed by the researcher based on the research questions and hypothesis derived from the theoretical framework.

The questions of the interviews are:

1. Describe the current state of SMEs in your country?
2. What are the main government policies targeting SME development in your country?
3. Classify the policies into micro and macro policies?
4. Evaluate the effectiveness of each bundle of policies?
5. Is there an independent entity responsible for SME development in your country? If so, describe it and discuss its function and impact?
6. What are your recommendations for the development of SMEs in your country?

Findings:

Namibia

With 2.303 million inhabitants, there are almost 40,000 SMEs currently registered in Namibia. They contribute to the national economy in various ways: employment creation and generations, adding value to the gross domestic product of the country. They also help towards the realization of the government vision 2030 agenda, which focuses on the importance of a change in production structure, a change in export structure of SMEs. The Government of Namibia through the Ministry of Trade and

Industry adopted a National SME Policy and program in 1997 as an enabling environment in which the SME sector can be developed and promoted both by public and private sectors. The policy was developed to address challenges facing the SMEs in the areas of finance, marketing, technology, infrastructure and skills development (training).

The Namibia the SME Portal Site developed by the Ministry of Trade and Industry is a tool which enables the dissemination of SME information to Namibia, Africa and the rest of the world. The aim of the SME Portal Site is to develop the local economy through sales promotion of SMEs, facilitating the establishment of partnership among international organizations, private sectors and NGOs.

Macro policies are used to support the development of SMEs include education, employment creation, infant industry protection, and access to market (domestic and foreign market), access to finance, as well as laws and regulations (business registration, taxation, health and safety, procurement and Tendering). Micro policies include: training, information, advice and management programs for SME owners or potential entrepreneurs, as well as cultural change programs and entrepreneurship education, and access to finance programs.

There are visible positive impacts of micro policies on the Namibian SMEs and the economy. According to Geingob, as cited in (Duddy, 2012), the SME bank provides collateral-free loans from N\$6 000 to N\$50 000 to SMEs. Business training enable Namibian SMEs to run their businesses profitably. Besides, during the current financial year, about 300 SMEs attended 24 trade fairs/exhibitions through EMAP, at a cost of close to N\$ 2 million (MTI, 2014). EMAP enables Namibian SMEs to increase exports, thus increase foreign currency in Namibia and improves the country`s balance of trade. Furthermore, a number of SME modules and industrial parks have been constructed. These business premises are leased out to SMEs at affordable fees. This enables the SMEs to grow and flourish, create jobs and grow the economy (MTI, 2014).

Botswana:

In Botswana (2.038 million), the government set up the Local Enterprise Authority (LEA) which offers entrepreneurial development to small micro enterprises, in order to encourage the spirit of entrepreneurship and enterprise in the country. The LEA offers highly specialized development and support services which include but are not limited to: facilitation of business planning; providing training, mentoring and advisory services, identifying business opportunities for existing and future SMMEs (Small, Medium and Micro Enterprises); promoting domestic and

international linkages; facilitating access to markets, facilitating exploitation of government and large firms' procurement opportunities by the SMMEs; facilitating access to finance; facilitating technology adoption and diffusion; and the promotion of general entrepreneurship and SMME awareness.

In addition, there is “the Botswana Innovation Hub (BIH) which is a product of the Botswana Excellence Strategy of 2008, which proposed a three-pronged national strategic goal; being economic diversification, job creation, and moving the country towards a knowledge-based economy. BIH – which is also aligned to the National Vision 2016’s pillar of achieving a prosperous, productive and innovative nation – was incorporated as a company to develop and operate Botswana’s first Science and Technology Park in Botswana. The company is mandated to support new ventures and existing companies as well as attract companies, universities, and research and advanced training institutes to establish in the Science and Technology Park (A secure business location in the middle of the emerging African market, 2012).

The government of Botswana also set up the Citizen Entrepreneurial Development Agency (CEDA) that gives SME’s soft loans, have a venture capital fund for projects with longer gestation period up to 15 years to repay loan and also offer short

tern facilities like purchase order finance and invoice discounting. In addition to issuing loans CEDA attaches mentors well-schooled in business to give advice to their borrowers to ensure high success rate (A secure business location in the middle of the emerging African market, 2012).

South Africa:

A country with 54 million people and it has around 2.5 million SMEs. The Small Business Development Ministry has been established in 2014 and is responsible for addressing the legal and regulatory environment; improving access to markets, and availability of finance; addressing the skills deficit; enabling better access to information; and improving the effectiveness and reach of support institutions (Thulo, 2014). To support its micro policies the Department for Trade and Investment defined four categories of incentives (industry support measures), namely SME development incentives (there are four specific incentives); industrial development-related incentives; women economic empowerment incentives; and trade, export and investment incentives (BD, 2014).

The macro policies provide the broad brush strokes, whilst the micro policies provide the substance. It is importance for these policies work together in a complementary way. Although South Africa acknowledges the importance of SMEs through its macro policies, it is evident that the challenges imposed on the micro

policies are hindering rather than supporting SMEs (Olawale & Garwe, 2010).71% of SMEs find it harder to operate a business in South Africa in 2013, sighting domestic factors rather than global conditions (SBP, 2014). The top three are the lack of skills, burdensome regulations, a lack of finance (18% through bank loans and 16% through bank overdrafts) and the cost of labour (SBP, 2014).

Ghana:

Ghana has a population of 26.4 million and around 30,000 registered SMEs. However, there is a large informal sector in the economy of Ghana; especially the rural SMEs which do not register their businesses. They do not pay taxes, do not make social security or retirement contributions and have little or no formal education (Abor & Quartey, 2010). The characteristics of the Ghanaian economy and the SMEs suggest that micro policies are dominant and more effective than macro policies. The government pursues some major SME policies, as well. The inflation targeting model which the Central Bank of Ghana has adopted as its major monetary policy, has the objective of fostering economic growth through reduced inflation. Because of the relationship between inflation, exchange and interest rates, low interest rates lead to lowering the cost of borrowing which has a stabilizing effect on the exchange rate. These conditions enhance the growth of SMEs in Ghana.

There are also several micro policies that have been initiated by the government of Ghana over the years to support SMEs in the country.

The government of Ghana set up the National Board for Small Scale Industries (NBSSI) within the Ministry of Industry, Science and Technology to address the needs of small businesses. In 1987, the NBSSI presided over the coming into operation of the Ghana Appropriate Technology Industrial Service (GRATIS). It was to supervise the operations of Intermediate Technology Transfer Units (ITTUs) in the country. GRATIS aims at upgrading small scale industrial concerns by transferring appropriate technology to small scale and informal industries at the grass root level. ITTUs in the regions are intended to develop the engineering abilities of small scale manufacturing and service industries engaged in vehicle repairs and other related trades (Kayanula & Quartey, 2000). Thus, this intervention is intended to bridge the innovation gap in the SME sector of Ghana through technology transfer.

Most of the initiatives by the government of Ghana to support SMEs focus on provision of cheap source of capital and technical support, e.g. The Venture Capital Trust Fund (VCTF) was established in 2004 with the objective of providing low cost financing to the Small and Medium Enterprises and also to initiate relevant activities for the development and promotion of the venture capital industry in the country



(www.venturecapitalghana.com.gh). There is also the Micro, Small and Medium Enterprises (MSMEs) Project which is a Government of Ghana initiative to provide essential financing and technical support to enhance MSME development in Ghana (MOTI, 2006). Another initiative is the Local Enterprise and Skills Development Program (LESDEP), which was launched in 2011 with the main focus of training the unemployed to acquire viable skills that will eventually make them self-employed through a specialized hands-on training.

There is dominance of micro SME policies in the country. The Inflation Targeting model is the best recognized macro SME policy in the country. Majority of the micro SME policies in Ghana focus on provision of cheap source of funding and technical support.

The United States of America

With 318 plus million people, the US has more than 28 million SMEs. It has a long history of SME involvement since the Small Business Act of July 30, 1953. In that year Congress created the Small Business Administration, whose function was to "aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns." The charter also stipulated that SBA would ensure small businesses a "fair proportion"; of government contracts and sales of surplus property. By 1954, SBA already

was making direct business loans and guaranteeing bank loans to small businesses, as well as making loans to victims of natural disasters, working to get government procurement contracts for small businesses and helping business owners with management and technical assistance and business training (Kidalov & Snider, 2011).

The SBA helps Americans start, build and grow businesses. SBA has grown significantly in terms of total assistance provided and its array of programs have been tailored to encourage small enterprises in all areas. SBA's programs now include financial and federal contract procurement assistance, management assistance, and specialized outreach to women, minorities and armed forces veterans. SBA also provides loans to victims of natural disasters and specialized advice and assistance in international trade (Growth, 2013).

Many SME-owners continue to struggle with growth challenges, such as a lack of capital, insufficient technical skills, inadequate risk sharing and mitigation, lack of access to export markets, and underdeveloped networks. Entrepreneurs, including those outgrowing microfinance, are often unable to compete with larger enterprises for resources that would help them to grow. Thus, smaller enterprises are left behind while large firms advance, resulting in the "missing middle." American development dollars could be deployed to help fill this gap and

attract capital currently sitting on the sidelines (US Support for SMEs in less developed countries, 2013).

Currently, The Overseas Private Investment Cooperation, established in 1971, leads the United States' private-sector development efforts. It does not provide technical assistance and must have a U.S. bank involved in any deal in which it invests. The U.S. Agency for International Aid (USAID) is also working across the world in this area. But there are gaps in the different programs initiated by the government. In addition, the United States has lagged behind in supporting emerging entrepreneurs with a full array of financial tools, especially in areas critical to U.S. interests (US Support for SMEs in less developed countries, 2013).

The US is trying to play a unique role: investing in entrepreneurialism that creates jobs, bolsters the middle class, and spurs economic growth (Growth, 2013). The United States has unique expertise in the entrepreneurial sector. Investing in small and growing businesses in some of the poorest countries would provide economic, security, and diplomatic gains for the home country, and the United States (Growth, 2013).

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larger enterprises for resources that would help them to grow. Thus, smaller enterprises are left behind while large firms advance. This is something that should be re-worked (US Support for SMEs in less developed countries, 2013).

United Kingdom

With a population of around 65 million, the UK has around 5 million SMEs. In the UK Small and medium-sized businesses are the core of the UK's economy, but face specific challenges. The CBI (Confederation of British Industry) is committed to developing robust policy in areas such as access to finance, exports and regulation to ensure that small businesses can reach their growth potential and become the medium-sized businesses of tomorrow.

Small businesses, particularly micro-enterprises, have been responsible for the majority of the gross job creation in the last five years... particularly through the recession. The challenge remains to be finance and getting the right calibre of people to manage these businesses, i.e. the entrepreneurs. There is a gap in the UK about skills (*which are easily gained*), confidence and access to finance. Communities have a role to short-circuit that through, for example, loan funds in communities. Raising capital for those initiatives can however, be very difficult (Carter & Jones-Evans, 2006).

There is also an agenda for older age groups. There is [PRIME](#) which is the Prince's Initiative for Mature Enterprise. The levels of entrepreneurship in the 50+ category are lower than other age-groups but there are a lot of people who want to come forward and set up businesses. In addition, the micro-enterprise sector creates jobs. The established micro-enterprise sector creates around 1.5 million jobs each year. In terms of start-ups, the UK is getting around 1 million new jobs created every year (*excluding self-employed people*). That's fallen to around 600,000 in the recession (CBI, 2014).

The UK is successful with SMEs with an engineering base. There is a high level of strong engineering skills in manufacturing companies and in their supply chains. This is consistent with the call for the green and low-carbon economy. The major problem faced is identifying and recruiting the skilled labor to support their businesses (Kidalov & Snider, 2011).

Entrepreneurship provides a nation with employment, wealth, innovation and development. It funds culture and provides a redistribution of money into an economy to help those who need it more. Of the 4.8 million businesses in the UK, 96% employ less than 10 people (CBI, 2014). The UK is continuing to depend on these business owners to continue supporting the growth of the economy.

The role of Government has undergone many changes. The extent and form of Government policy has changed over time (Carter & Jones-Evans, 2006). Up to the early 19th century the Governments in the UK sanctioned monopolistic companies. Hence small businesses remained small as they could not compete with the large monopolies. Then the role of the bigger companies continued increasing and it was encouraged by the Government. By the 1960's 13% of GDP was produced by big nationalized industries (CBI, 2014). This limited the role and scope of SMEs in that period.

In 1962 the National Development Council (NEDC) was established. In the late 1960s and continuing in the 1970s the role of Government decreased and competition increased, also privatization took place. This new wave had a very positive impact on SMEs. In the last decade the number of SMEs increased by 150% compared to the 1960s and self-employment has doubled (CBI, 2014).

In 2000 a Small Business Council was established to transfer the voice of businesses to the Government. In addition, since 1994 the Government with the Bank of England has tried to improve its relation with SMEs and other financial institutions. Progress is very slow, as it requires a total change of culture, and with Government being part of it, this becomes even harder to achieve (CBI, 2014).

The Netherlands:

Considering its 16 million plus population, the Netherlands has a relatively large number of SMEs (more than 800,000). They are called 'eenpitters' referring to one man businesses, hiring themselves out to larger businesses who do not want or cannot (usually in the case of government departments) offer them a normal employment contract. This has had an effect on Dutch policy making, as the government now has to look at small business laws in conjunction with labor laws, as they are influencing each other (Doing Buisness, 2015).

The Dutch SME policy is aiming at 9 important sectors of the economy, in which the focus is to foster both innovation and cooperation. This is being done by the so called 'triple helix', a cooperation model between government, industry and knowledge institutes. In short it aims to bring innovations from the knowledge institutes quicker to market by working with industry, giving broad support from the government.

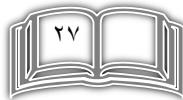
On a regional level the Netherlands currently sees a large amount of activity aimed at fostering business, especially regarding SME's by the provinces. This is due to an anomaly in the country's finances, as the regional governments have sold their stakes in the Dutch energy companies in 2007 and 2008 and retained this money. This resulted in a situation where the national

government is currently scaling back spending due to austerity and devolving responsibilities to the cities, leading to them both having very little room in their budgets.

There are numerous gatherings sponsored by the local government aimed at giving SME's better business connections, as well as government sponsored trade missions abroad. Lastly most provinces have endowed their regional development agencies with large funds that function as a venture capital fund.

With the evolution of policy making to the EU a large part of what used to be the macro economical toolkit of the Netherlands (currency policy, trade barriers and product regulations) is now out of its reach. The EU is taking care of parts of this portfolio, especially the small business act will have beneficial effects, but cannot use others (i.e. currency policy) due to institutional rules (the ECB has an inflation only mandate, which is different from the FED, which also focuses on the broader economy).

Using the COTE abbreviation of analyzing policy, the national government is unclear about what it aims to achieve with the 'topsectoren policy'. Given its broad scope (9 sectors, which could comprise some 80% of the private economy using some measurements), unclear objectives (there are no specific goals set, except that it aims to improve these sectors) and lack of evaluation, it will probably have some effect on the economy, but



this will be hard to measure. The evaluation of trade missions is already institutionalized; each is evaluated on the amount of trade gained (Holst Centre, 2015).

Lastly the influence of the ‘small business act’ on the country will be easier to measure. The ease of doing business index, as published by the World Bank (Doing Buisness, 2015), is published on a yearly basis and will be indicative of whether the policies have a beneficial or detrimental effect. It should be noted however that one part of this index is the ease of which businesses can obtain credit, which is hard to influence by the government. The high capital requirements set by the EU for large banks (the Netherlands banking sector is dominated by three large multinational banks) will probably continue to influence this index in a negative way.

Egypt:

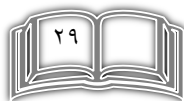
Egypt has 83 million people and has 2.5 million registered SMEs (SFD, 2015). In Egypt medium-sized, small and micro-enterprises account for over 90% of active businesses and contribute to over 80% of GDP and 75% of total employment. The Global Entrepreneurship Monitor’s 2008 report for Egypt estimated that over 13% of adults were in the process of starting a business or already owned one that was under three years old. With an average of 1.83 jobs per start-up, GEM estimated that the

job creation potential of the 1.34 million ventures created in 2008 was significant: if they succeeded, they would create some 2.5 million potential jobs (MENA-OECD, 2010).

Over the last five years (2009 to 2014) Egypt has made significant steps in developing and recognizing the importance of the SME sector and the positive effect it has on its economic growth and job creation in the Egyptian economy. The establishment of the Social Fund for Development in 1991 with a mandate to support small and micro-enterprises demonstrates the Government's approach to support the development of the private sector by encouraging socially oriented entrepreneurial activities.

However, there was no institution that addresses the needs of medium-sized, high-growth oriented SMEs that operate in the services sector and not in the industrial sector. There are targeted government policies which were introduced to actively promote SME development in cases of market failure (MENA-OECD, 2010). They support the most needing ventures, like micro-enterprises, those operating in economically disadvantaged areas, and those created by young entrepreneurs and women.

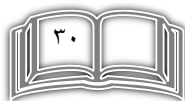
"Egypt has recognized the importance of a policy framework to support SMEs. Under the terms of a 2004 law on SMEs, it has developed a structured policy framework for micro-and small enterprises (MSEs). It is the responsibility of the Social Fund for Development (SFD), the main public player and policy



coordinator for the micro and small segment of the SME population. In parallel, the SFD has developed targeted policy tools to help MSEs establish and grow their businesses. The SFD provides a range of programs, including business support services, micro-finance activities, and a network of business incubators” (MENA-OECD, 2010).

The institutional setting of SME policy is very complex, as many actors are involved in it. This includes many ministries and Government agencies. It is not clear who does what and this results in some duplications in policy measures. There are five institutions that have a prominent role in shaping SME policy in Egypt: the SFD, the Ministry of Trade and Industry, the Ministry of Investment (MOI), the Ministry of Finance (MOF), and the Ministry of Higher Education and Research. Yet there is no dedicated inter-ministerial committee or body to coordinate policy initiatives in the SME field(MENA-OECD, 2010).

Therefore, the solution is single-window contact points (like the case of the US, which is quite successful). The contact points would identify an SME’s needs, direct it to the right institution or organization, and help entrepreneurs in completing forms. The Government Authority for Investment (GAFI) is currently planning to establish a network of SME centers across the country. They could act as single-window contact points, storing and channeling information about all the government’s SME programs(MENA-OECD, 2010).



Turkey:

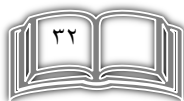
Turkey has around 75 million inhabitants with more than 2 million SMEs (kosgeb.gov.tr). Since the establishment of the Small and Medium Enterprise Development Organisation (KOSGEB) in 1990, the country has been working through this government SME policy executing organisation to develop and promote SMEs. Turkey has adopted a regulation setting out parameters to define, qualify and classify SMEs. The regulation stipulates that enterprises having less than 250 employees and a turnover of less than 25 million Turkish Liras are categorised as SMEs except where a state organisation has a 25 % control of such an enterprise's capital (KOSGEB, 2012).

It has been argued that SMEs form the backbone of the Turkish economy and according to the Turkish Statistical Institute, SMEs represent a bigger proportion of enterprises (99%), employment creation (78%), total turnover (65%) and total exports (60%) for the year ended 2010 (OECD, 2004). Given such a role in the economy, the Turkish government has put in place support measures to enhance their competitiveness and capabilities.

Tukey adopts a mix of micro and macro policies. The micro policies are designed to directly impact on the operations of SMEs usually implemented and monitored by a government institution responsible for SME development. In this regard, an

SME Strategy and Action Plan was developed to harmonise Turkish SME policies with those of the European Union. Policies including a focus on the development and support of entrepreneurship through offering training and consultancy services to potential entrepreneurs, promoting entrepreneurship competitions and awards for best performers, on the job training and incubation programs especially for beginners. Another such policy is to improve the SME capability and corporate management skills through expanding foreign markets and increasing the administrative and technical capabilities in institutions supporting SMEs. A third policy was the Business and Process Improvement of Investment Climate Observing SMEs like facilitating the processes of company registration, liquidation, bankruptcy and mergers, having single points of operations set up to access information, also SMEs were informed on public procurement and E-procurement practices. In addition, attention was given to develop policies on enhancing the capability of KOBIs in R&D and Innovation and on Facilitating access to finance for SMEs and entrepreneurs (KOSGEB, 2012).

The government through KOSGEB also devised conducive financial support programs to pay interest costs on behalf of an SME to a bank with contractual arrangements with KOSGEB. It also established the Credit Guarantee Fund in 2007, which provides security for the bank loans given to SMEs (Tunahan & Dizkirici, 2012).



When it comes to the Macro policies, several ones were introduced: A law on supporting R&D activities was approved in Feb 2003 aimed at supporting R&D activities that provide fiscal incentives for R&D and other innovative activities; Standardization and Business Service Organizations responsible for the establishment of consistent and reliable examination and certification systems based on professional standards became part of the SME quality assurance; Competition Policies, Education Policies that led to major reforms in the education system in 1997 when Turkey extended the duration of compulsory education from 5-8 years and to raise enrolment rates; and Innovation Policies. These policies led to efficient market operations in which SMEs could flourish.

Discussion

There is lacking clarity when it comes to defining SMEs in any one country. This is an important step that is needed to determine the appropriate bundle of policies. It is also crucial in identifying the monitoring and evaluation methods and tools.

It is clear that all countries discussed above use a mix of macro and micro policies, which is a confirmation of the conclusion of the literature above and which led to the framework of the study (Storey, 2008). The policies are similar in terms of their objectives. They aim at correcting a market deficiency or deal with a certain market failure. This confirms with the

literature discussed above (Van Praag & Lopez-Acevedo, G., 2007).

The policies differ in nature (micro and macro), mix and duration. However, what all countries seem to have in common is having an entity (whether governmental or non-governmental) established and being devoted to the development of SMEs.

From the evidence provided, it looks that the level of development of the country affects the nature of policies it in terms of being developed and developing. This confirms Storey's typology explained above (Storey, 2008).

The Macro policies are more effective in the developing countries, whereas the micro policies are more effective in the developed countries. This also reflects the Typology introduced by Storey. In the UK and the US the micro policies are used more extensively and are able to effectively support the development and flourishing of SMEs in these countries. Micro policies have been hindering the development of SMEs in countries like Ghana, Namibia, Botswana and to an extent Egypt and South Africa. In Turkey, it was difficult to measure their impact, though they were thought to be successful. Thus, the developing countries depend largely on macro policies and on support from donor agencies, which in turn coordinate their tasks and mission with the Governments of these countries.

There are inputs that need to be there to be able to achieve effective development of SMEs in any country. Then, there are

some that fit developing countries and others that fit developed countries.

This can be portrayed in the table below:

Table (3)

Model of SME Development in Developing and Developed Countries

Developing Countries	Developed Countries
Clear Definition of SMEs	
Entity Responsible for SME Development and Monitoring	
Macro Policies supported by Micro Policies	Micro Policies supported by Macro Policies
Applying the COTE Framework	
Effective SME Development	

Looking at the objectives of the study, they are met, as the different policies used by countries to develop SMEs are identified in the countries examined, it is clear that some policies are more effective in some countries than others, depending mainly on the level of development of each country. In addition, a simple model is recommended to be followed by countries in their attempt to develop SMEs effectively.

When it comes to the Hypothesis, Hypothesis 1 and Hypothesis 2 are accepted **ONLY** in the case of developing

countries. Both hypotheses are **not accepted** in the case of developed countries.

Limitations:

The study focuses on 9 countries only. Many cases are from Africa (5 of them). Actually the African countries have many similarities, but this is probably not continent-specific, but has to do more with the level of economic development. More examples should be drawn from other areas in the Middle East, other areas in Europe and countries in Latin America.

A holistic case of one country could also give a more in depth analysis and can give more scope for a statistical analysis.

Practical Implications:

The findings can be used in educational entities, especially in developing countries. This is the place to produce an inductive environment for SME development. Trainees and college students will need this information and detailed cases to learn from, so that they are ready to be the entrepreneurs and the policy makers of the future.

Conclusion:

There is no 'magic word' in terms of policy focus or policy design that can guarantee the success in the area of SME development in any country, that aims at having SMEs achieve their target of job creation, internationalization and FDI

promotion. The policy 'mix' for SME's and entrepreneurship is an extremely complex issue in all developed economies, it is more so in the developing world.

There should be a common definition of SMEs all over the world, and each national and international body should work together with other stakeholders to design and implement a comprehensive policy in each country. The roles should be identified and it should be clear who will implement these policies, how they will be implemented, monitored and evaluated. This would avoid overlaps and duplications of roles and responsibilities. It would save time, effort, money and lots of confusion.

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