

# Micro, small and medium sized enterprises (MSMEs) in the Mediterranean: A policy roadmap to untap the potential for job creation

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MSMEs embody the overwhelming majority of firms and are the economic backbone of Southern and Eastern Mediterranean countries (SEMCs).

## Critical Issue:

Number of obstacles hinders the growth and development of MSMEs in SEMCs, suggesting the potential for employment creation remains untapped.



Egypt, Jordan, Morocco and Tunisia are all characterised by the so-called "missing middle" - the polarisation between an overwhelming majority of poor-performing micro firms with limited prospects and a few large firms.

## Main reasons for MSME underperformance



- Political instability and institutional uncertainty.



- Sterile business environment.



- Restricted access to finance.



- Poor entrepreneurial culture, ability and ambition.



- Widespread informality with low quality jobs and no social security

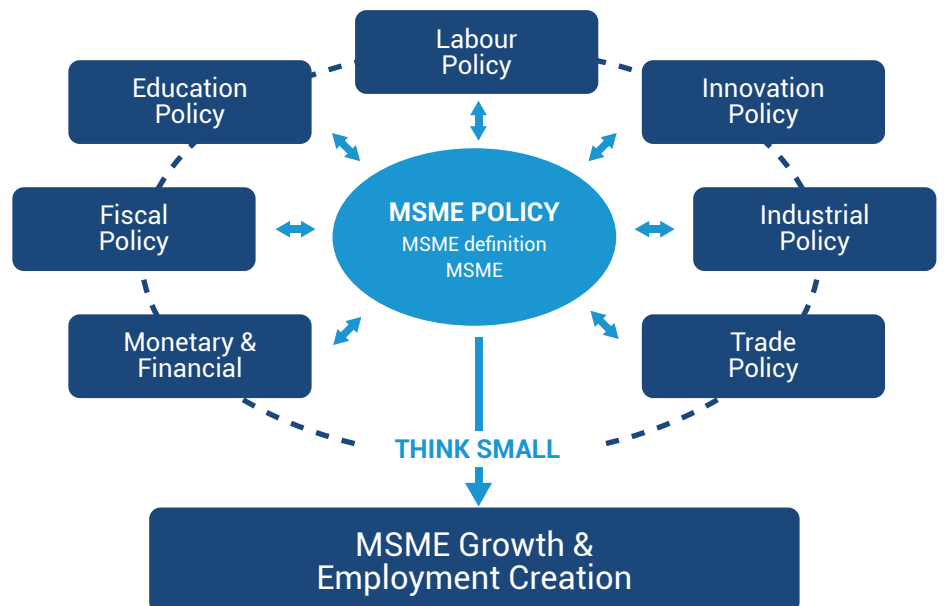


- Very limited regional MSMEs engagement in exports, internationalisation and global value chain

## Policy Proposals

Use the experience accumulated by the EU in streamlining the Think Small First Principle for SEMCs

Framework for the formulation for the policy roadmap on MSME development



## Policy Measures



- Offer incentives to enhance formalisation.



- Provide tax breaks in the early fiscal years for expanding new businesses, with particular focus on activities encouraging high added value, women and young entrepreneurs.



- Develop credit information registries and guarantee schemes, promote new funding instruments, digital financial services and investment in enhanced financial literacy.



- Promote innovative mechanisms to allow MSMEs access to public contracts via the development of e-procurement.

### Education and Labour policies



- Promote education in entrepreneurship.



- Support technical and vocational education to improve innovation.



- Improve the capabilities and skills of MSME managers by creating schools for managers.



- Incentivise firms to enrol workers into social security schemes.

### Industrial policy and Innovation



- Improve the business environment to attract FDI.



- Develop digital infrastructure.



- Reinforce links between research and business.



- Initiate an effective industrial policy for the region, facilitating the emergence of regional value chains and the re-industrialisation of SEMCs - explicitly oriented towards the inclusion of successful and dynamic MSMEs.

The creation of a Euro-Mediterranean free trade area is a priority for the region.

