

“Bahrain SMEs Day”
Organized by Bahrain Small and Medium Enterprises Society
Manama 11th November 2010

Key Note Speech by
Abdulnabi Alsho’ala

Your Excellency, Dr Hassan Abdulla Fakhro, Minister of Industry and Commerce,

Mr Abdulhasan Aldairi, President, Bahrain SMEs Society,

Representatives of Economic Development Board and Representatives of Bahrain Chamber of Commerce and Industry,

Owners of SMEs in Bahrain,

Members of Bahrain SMEs Society and Guests,

Ladies and Gentlemen,

Good morning.

It gives me great pleasure to greet all of you and to thank Bahrain SMEs Society for giving me the opportunity of joining you today and participating in this important event.

Indeed, the initiative of Bahrain SMEs Society to organize this function deserves the highest appreciation and applause as it comes amidst a growing awareness of the crucial role and sizeable contribution of SMEs in the economic and social development of all the nations.

I hope that this timely initiative will be one of a series of similar activities, conferences, dialogues and work-shops that will constantly highlight the importance of this pivotal sector.

One of the significant characteristics of a flourishing economy is a growing small and medium enterprises (SMEs) sector as it plays an important role in the development of any country. It contributes via creating employment, and by providing sustainability and innovation in the economy as a whole.

The role of SMEs in expanding economic activity and their contribution in achieving social stability and integration cannot be over emphasized.

Such role and contribution has been increasingly growing at a remarkable pace and with tangible results.

The crucial role of these enterprises in realizing all aspects of sustainable development of nations is now well established.

These enterprises have increasingly become the largest generators of job opportunities. Their share of total exports, input in industrial productivity and their contribution to the growth of Gross Domestic Products (GDP) are expanding in a remarkable manner in all the countries, whether developed or developing countries, rich or poor, across the world.

All countries, worldwide are now paying greater attention and focus on these enterprises. More nurturing measures and supportive policies are being adapted. Better facilities and enhanced funding are being allocated to ensure the well-being of this sector.

Such measures include the establishment of organizations, boards, and associations dedicated to ensuring healthy growth of these enterprises. Some countries have even established separate Ministries of SMEs in order to focus wholly on this sector.

In this context, the approval of the Government of Bahrain, ten years ago, for the establishment of Bahrain SMEs Society is to be recognized.

Furthermore, the establishment of a joint public-private sector committee for SMEs under the Ministry of Industry and Commerce in Bahrain is a positive and welcomed development.

It is also a source of inspiration and reassurance for all of us to know that our Leadership and Government are fully aware of the undisputed importance of SMEs and are committed to their growth and expansion.

HRH Prince Salman Bin Hamad Al Khalifa, the Crown Prince and Chairman of Economic Development Board, repeatedly confirmed that we in Bahrain believe that SMEs are the central power point of our progress.

The substantial socio-economic contributions of SMEs are not confined to individual countries only but such enterprises have now become the backbone of the world economy. They have also become the main hope for success of many countries in Asia, Africa and South America who are engaged in poverty eradication initiatives.

These enterprises provide balanced geographical distribution of businesses. They are versatile and flexible with growth potential. They are dynamic and have the ability to adjust to change. They act like spring boards for entrepreneurs. They are the breeding ground for the ambitions and are incubators of innovation and creativities.

Ladies and Gentlemen,

In parallel with the growing role and importance of SMEs, serious efforts have been exerted, on global level, to determine the identity and unified definition of such institutions. As a result, SMEs are now defined as those companies who have headcount or turnover or assets that come under certain limits.

These limits are, in turn determined, from place to place, on the basis of a number of factors or criteria such as, size or strength of the market, standard of living, level of technology, population and the economic system applied in that market.

Accordingly, such factors or criteria differ widely, from region to region and from one country to the other.

In Germany, which is the strongest economy in Europe, the headcount threshold of what constitute a small enterprise was 250 employees, while in Belgium the number was 100.

These substantial differences in criteria of what constitute SMEs lead the European Union, finally to standardize the concept.

Currently, in the EU the definition categorizes companies with fewer than 10 employees as "micro", those with fewer than 50 employees as "small" and those with fewer than 250 as "medium".

In the United States of America, companies employing less than 100 employees are often referred to as "small", whereas "medium" businesses are those companies with less than 500 employees.

In Canada, a small business, in goods-production sector, is one that has less than 100 employees or less than 50 if the business is service-based. A firm that employs more than 50 but less than 500 is classified as a medium-sized business.

In the European Union, SMEs collectively are the main driver of the economy and are also responsible for initiating innovation and competition. They comprise approximately 99% of all firms and employ between them about 65 million people.

In most countries, smaller enterprises are much greater in number.

In New Zealand, there are 350,000 SMEs compared to 16,000 large companies. Companies in New Zealand that employ 5 people or less are considered "micro" enterprises. Companies that employ between 6 to 49 employees are categorized as "small" and those with 50 to 99 are called "medium".

In the global context, SMEs account for 99% of business numbers and 40% to 50% of GDP.

In the emerging economies, India for example, a country which, even during the global economic slow-down, succeeded in the last couple of years, to maintain a growth rate of around 7% annually. Micro and small enterprises (MSEs) played a central role in the overall industrial economy of the country.

It is estimated that in terms of value, these enterprises account for about 39% of the manufacturing output and around 33% of the total export of India.

These enterprises in India have also a major advantage in the employment potential at low capital cost and as such employ an estimated 60 million

persons spread over 46 million enterprises, with a labour intensity that is almost four times higher than large enterprises.

Ladies and Gentlemen,

In spite of the central and effective role being played by SMEs in the economic life of nations, these enterprises pose a formidable challenge to the preparation of economic studies and market researches as well as to tax collectors in a number of countries since most of these enterprises are not registered and fall under the un-organized sector of the economy.

In Bahrain, the anticipated growth of SMEs could be hampered or slowed down at best due to lack of categorization, classification or recognized definition of SMEs in the country.

Furthermore, the absence of an independent official body responsible for the affairs and well-being of such enterprises, as well as the absence of funds allocated to support them in an appropriate manner, are additional factors that could jeopardize the growth of these enterprises.

Therefore, the time has come for the Government of Bahrain to initiate a plan of action which aims at highlighting the importance of these enterprises, stimulating their role, improving their competitiveness and uplifting their performance and participation in the socio-economic development of the country.

For this purpose, I would like to propose the establishment of an independent Council under the Chairmanship of the Minister of Industry and Commerce or the CEO of the Economic Development Board.

The objective of the proposed Council is to be wholly and fully dedicated to the affairs of such a vital sector of the economy and to expand its role and contribution to the growth of our GDP.

The task and priorities of the proposed council should among others include the following:

1. To develop criteria and standards which categorize and define Small and Medium enterprises and differentiate between them.

Given the strength and size of our market, I suggest, that a Small Enterprise should be a company that employs 10 employees or less. Companies that employ between 11 and 50 employees should be categorized as Medium Enterprises.

Other criteria such as the size of capital, turnover and assets should be considered, as well as whether or not the enterprise is owned by or part of a large company or a group.

2. Provide SMEs with a basket of facilities and incentives including a fast track line to facilitate registration procedures, set up a pool centre to provide them with access to development, packaging, marketing, promotion, exporting, auditing, counseling and other similar services at affordable cost, in addition to building centers of Small Business Incubators for start-ups.

3. Establish a fund to provide grants and other forms of financial support for the start and growth of SMEs.

Furthermore, it may be necessary for this fund, or any other relevant government department, to provide commercial banks operating in Bahrain with guaranties to cover risks attached to banking facilities provided by them to such enterprises. Limits and sealings of the proposed facilities should be fixed, with relatively reasonable costs.

4. Monitor and review progress and growth of the SMEs sector in the country. Prepare and make available to these enterprises reports, studies and researches in order for them to learn and benefit from the success of others.

5. Highlight the attractiveness and investment potentials to prospective private investors and the career development opportunities in these enterprises for job seekers with talent and skills.

6. Assist SMEs to appreciate and interact positively with Bahranization policies and Labour Market Reforms as well as benefit from the associated programs and incentives provided by the government including schemes offered by Tamkeen.

Finally, I wish you every success in your deliberations today.

Thank you.