



*Policy paper*

*Supporting Small Enterprises within COVID-19 Combating Efforts*

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*The state has exerted efforts in helping small projects to face economic impacts yielded by COVID-19 circumstances. These efforts are represented in a package of financial and non-financial aids provided by Micro, Small and Medium Enterprises Development Agency to help those entrepreneurs to face the crisis and its negative consequences. Ms. Niven Al Gamaa, the Minister of Commerce and Industry and the chief executive officer of Enterprises Development Agency, has announced a new initiative by the agency to support all small affected enterprises (especially industrial and labor-intensive enterprises) through:*

- 1- **A short-term exceptional loan** (maximum one year) to guarantee the sustainability of these enterprises and help in providing the necessary money to fund the operation and production costs until the end of this crisis. This initiative includes all small enterprises whether funded by the agency or any other sources since the maximum limit for this loan is one million EGP which will be provided for small entrepreneurs with facilitated conditions and interest and according to the nature of economic activity of each enterprise especially for recently high promoted economic activities because of widespread COVID-19 such as production of disinfectants, factories producing different kinds of detergents, activities of trading and supplying medical supplies, hygiene supplies in addition to disinfection and sterilization. A hotline (16733) has been dedicated to answer small entrepreneurs who want to benefit from this initiative or visiting branches of agency all over Egypt.*
- 2- **Extending payment period for any affected enterprise** or that faced with barriers or obstacles resulted in its closure, lack of productivity or what is similar. In case of direct loaning by small entrepreneurs of different kinds (industrial/commercial/agricultural/service), the agency agreed on delaying the installments till the stability of their economic activities and conditions. It worth mentioning that these clients cannot bear and pay the agreed upon interest with adding the cost of extending insurance documents and debit services.*
- 3- **Providing credit facilities for affected enterprises** till the end of this crisis and stability of these enterprises again. So if a client desire in paying regularly (not to delay) he/she should submit a written request to the office his/her enterprise is affiliated. The agency also stated the ability of providing an additional fund for the affected enterprises after assuring that there are not any obstacles in front of*



*operating these enterprises, negatively affect their production or the services provided to citizens.*

*Concerning the credit agreement for direct loaning clients, they are in process currently since it should be assured that they will not be affected by the current circumstances and they are no obstacles in front of implementing these direct loans and these enterprises within these circumstances of COVID-19. On the other hand, the committee stated the importance of sterilizing all the agency's branches regularly and periodically and receives clients and providing all available services.*

- 4- Funding enterprises to deal with COVID-19 crisis:** *the agency's initiative to fund small enterprises affected by COVID-19 came within a package of consecutive measures by the state in order to support all affected economic activities by COVID-19. Hence, throughout this initiative, the state aims at raising these enterprises capacities to sustain and continue with its production to not be hindered and turned out to be indebted which leads to bankruptcy of many small and medium enterprises resulting in negative impacts represented in workers layoff in these enterprises.*

### ***The Importance of Supporting Small and Medium Enterprises Sector***

*Small and medium enterprises sector is one of the sectors which provide many job opportunities especially as it is one of the employment-intensive sectors which can include a great number of untrained, inexperienced or non-rehabilitated laborers. So this initiative guarantees sustainability, operation quality and production for small and medium enterprises which the state needs currently to increase productivity.*

*Thus the initiative supports the state's orientations by fulfilling all market's needs of goods and products to deliver them to citizens with competitive prices without affecting the inflation rate in the future. In addition, by these efforts, the state tries to keep the indexes achieved during the last year 2019 such as improving growth rate, decreasing unemployment rate, a decline in debt ratio and a decrease in the total deficit during the last fiscal year 2018 – 2019.*

*So this initiative attempts to supports other measures taken by the state since the spread of COVID-19 to preserve the status of economic popularity and motivate the economic activity and not to reach economic recession suffered by all economies all over the world within expectations of great global losses estimated by 2.7 trillion \$ and a slowdown in global economic growth.*



### ***Why one million EGP as a maximum level of a loan?***

*When the state launches an initiative, it has a survey or a map to classify companies, their size and productivity and so it can estimate the fund amount or the support provided for all sectors and enterprises. Consequently, defining one million EGP to be the maximum limit comes according to accurate data the government has about all activities and the capacities of each factory and company to product according to which maximum and minimum limits are put. Also defining one million EGP to be the maximum limit depends on how much is the factory or a company able to product and so it contributes to the gross domestic product of the Egyptian economy. Micro enterprises are those with one to three workers maximum while small enterprises are those with 10 to 20 workers so they do not need large amount of money but need more support to continue their activity and production.*

### ***Micro Enterprises***

*When noting the daily activity of micro funding industry, it is recognized that it is an industry which is characterized by daily dealing with big number of clients in addition to financial transactions to complete the process of paying the fund or collecting it. It reflects the crowding inside the branches and the direct communication with great category of citizens and so the virus will spread among this big number. Thus funding bodies should start in urge and encourage beneficiaries to use more tools of cashless payment.*

*The state has paved the infrastructure to activate tools of cashless payment, since during the last year it issued law no. 19 for 2019 in regard to organize cashless payment which includes digitalizing all cash payments to cope with advanced economies and also includes all activities of official system. The agency follows these steps as it invited all specialized in digital system and organized workshops for them to link all parties and introduce them to the mechanisms and importance of digitalizing payment system. In addition, the agency issued organizing regulations for tools of cashless payment to make it easy for micro funding bodies to apply the link and replace cash systems with digital ones. Micro funding bodies should also face challenges to disseminate cashless payment among these challenges are poor financial culture of clients and their desire to use traditional ways of payment, the necessity of amending some legislations to suit with the nature of market and client and clients' lack of commitment to pay on time.*

### ***Chambers of Commerce Initiatives***



*On the other hand, many chambers of commerce have contributed to supporting small entrepreneurs since chamber of commerce are responsible for protecting its members' interests to ensure growth in the Egyptian economy and achieving balance among economic system parties at the same time especially within these hard circumstances the country passing by which necessitate supporting small traders and producers in particular who will be hindered in fulfilling their monthly commitments due to the measures taken by the state recently to face COVID-19 outbreak.*

*For example, home appliances division announced the initiative of #نتحمل بعض to call the its members of big traders of home appliances to delay asking small traders to pay their dues for two weeks in solidarity with the public status and to make it easy for the traders. According to the division's statement, this comes from social solidarity and that the main purpose of the initiative is the solidarity of same profession entrepreneurs and to bear each other for two weeks or according to measures taken by the state.*

*The division called real estate owners to decrease rents for one month to make it easy for the renters assuring at the same time that it trust its members and their response to the initiative. Moreover, the chamber of commerce of Giza all shopping centers in Giza calling them to exempt owners of service and commercial activities renters from rent for three months in accordance with the measures taken by the government to face COVID-19 outbreak assuring that these measures come under item of force majeure.*

### **Recommendations**

- *Accelerating the issuance of new law of youth enterprises that includes unprecedented incentives for youth and so a new start for entrepreneurship.*
- *Providing additional fund and facilities for enterprises which need fund to deal with the impacts of COVID-19 spread crisis.*
- *Delaying the payment of installments of loans provided for small, medium and micro entrepreneurs of youth by the Agency of Enterprises Development for six months. This measure is consistent with the measures taken by the state to face the negative economic impacts of the virus. This agency is not subject to the banking system and so is not included in the decisions of the Central Bank but it is subject to the Financial Supervision Authority and follows the cabinet directly.*
- *The insurance companies should bear the coverage of this period in regard to fines of delays in addition to settling I-Score of the Central Bank with the agency*



*to avoid inserting youth on blacklists because of delay the payment of required installments in complete coordination with risk guarantee companies.*

- *Replacing traditional services with digital ones is the best alternatives for continue economic activities in the current and future stage at the same time especially for micro funders who deal directly with great number of beneficiaries who exceed three million clients , the most of them are of simple people who are not aware of following the required precautionary measures.*