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EGP 268 billion financing one million Small and Medium Enterprises (SMEs)



As per Presidential guidance to closely follow developments in global markets, and the inflationary wave and its impact on the local market, the Central Bank of Egypt (CBE) reaffirmed its use of all monetary policy tools to confront developments related to the global inflationary wave, and the rise in prices that resulted from the increase in demand with the start of economic recovery.

The CBE pointed to the continuation of initiatives and efforts to support sectors affected by the Corona crisis, including the small and medium enterprise sector. As a result of these efforts and initiatives, the value of the increase in the loan portfolio for medium, small and micro enterprises between December 2015

and June 2021 amounted to about EGP 268 billion for more than one million projects. This comes as part of the CBE's initiative to increase the portfolio of loans and credit facilities directed to these enterprises, to reach 25%.

[Link to the News Story](#)

Our Views

- It is definitely a good step from the government to provide support for small and medium enterprises (SMEs), especially in times of crisis. However, there are some critical points and questions to address.
- First, it is important to evaluate financing during the period of 2015-2021, not only from the Central Bank of Egypt (CBE) and commercial banks side, but also in terms of the success the initiative has achieved and its impact on SMEs' owners themselves.
- For example, there are differences between problems faced by owners of small - and those of medium enterprises, and merging their challenges collectively overlooks a lot. The sectoral approach in dealing with SMEs is better than dealing with them from a general perspective.
- Small investors also suffer from financing techniques and procedures, and collateral required by banks that do not differentiate from what is required for larger enterprises. This poses a problem since owners of small enterprises do not have collateral; however countries all over the world

consider the enterprise itself as collateral for financing. One example for a successful experience that applied this principle was the National Bank of Egypt's financing initiative "Your Job Next to Your Home" project.

- It is also important to assess the extent to which type of financing meets the needs of enterprise. For example, in early stages of enterprises and/or cases of entrepreneurship startups, enterprises need angel investors and venture capital, not traditional loans.
- Also, in many cases, enterprises need working capital rather than investment in machinery and equipment, while most loans given at low interest rates are directed to purchasing machinery and equipment. So, to what extent would this achieve the needs of small enterprises? An important question to ask.
- With regard to banks' evaluation of the experience, which has already been assured by the CBE and Commercial Banks, there are important questions here as well, for example:
 - Which sectors have benefited from funding, and to what extent are these sectors consistent with the development needs of Egypt? The manufacturing sector, for example, is the most job-generating sector, and therefore it is important to identify the extent of its access to finance.

- Are the beneficiary enterprises green-field investments, expansions, or existing projects that used loans to solve previous financing problems? And what is the percentage of each?
- Finally, three points should be noticed:
 1. The urgent need for a real evaluation of the experience during 2020 and 2021 from both sides to identify the most important measures taken since SMEs started to face insolvencies with the emergence of the COVID-19 crisis, and continue until the present day due to global waves of inflation; and most importantly, the impact of these measures on SMEs' performance.
 2. The financing of small enterprises is not the only factor affecting them; they are also affected by other policies applied in further fields and stages, such as taxes, transportation, administrative procedures and others. Hence, the importance of identifying problems preventing small enterprise benefiting from available financing opportunities.
 3. The importance of evaluating the extent to which this category of investors has benefited from the Medium, Small and Micro Enterprise Development Law No. 152 of 2020.

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