

## CASE STUDY: ACCESS TO FINANCE — EC EXTERNAL COOPERATION PROGRAMME

### The Client

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The European Commission's SME Support Programme (SSP) in Syria. Implemented during the period September 2006 to February 2010, with a total EC funding of Euro 15 Millions.

The principal goal of this Programme is to boost the competitiveness of the Syrian private sector and to promote the business community by increasing the number of companies capable of rapid growth.



SSP focuses on six key objectives:

- The Efficiency and Competitiveness of SMEs are Improved
- Local Consultancy Business Development Services are Enhanced
- Access to and Choice of Medium and Long-Term Finance for SMEs Facilitated
- Access to Information on Export Market Opportunities Facilitated
- Strengthened SME Support Institutions
- Policies to Strengthen and Support the Private Sector Formulated

### The Project

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The SSP, which utilises the services of both local (Syrian) and European expertise to efficiently deliver its objectives, have requested the services of Projectize partners to assist in the delivery of the following:

**Management training:** To develop and deliver workshops targeted to the specific needs and culture of the Syrian businesses within the objectives of the SSP programme.

**Incubator Services:** To validate the suitability and viability of all businesses applying for admission to the SSP incubator (which is a sub-programme of the SSP), and to provide them with business planning support if admitted.

**Consultancy Development:** To support local consultancies in developing the approach and methodology offered to their clients in the fields of Business Planning and Project Management as to comply with European Best Practices.

**Access to Finance:** To help facilitate the availability of finance to SMEs, and to assists them in gaining access to such finance.

### The Challenge

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Although Syrian businesses have made a big leap towards modernisation and competitiveness in the past decade, the management culture remains family oriented and lack much of the methods and structures that have proven crucial to growth for small to medium and even large companies in the west.

At the same time, imposing western style management and methodologies on businesses without regards to the local culture will surely prove counter-productive in many aspects. The fact that certain methods may work well in Europe does not necessary imply that they will work “as-is” in the Middle East.

Whether in training, business planning for incubatees, support to local consultancy or aiding SMEs gain access to finance, much of the challenge lies in understanding the strengths and weaknesses of the proposed methodologies versus the existing local practices, and identifying and developing customised solutions that can best serve the growth of local businesses.

One particular challenge was “Access to Finance”. Until recently, Syria only had public banks that provided loans on the basis of a minimum 200% security provided by the applicant (private banking was legalised in 2001). No further conditions or business plans were required. As private banks opened in the country (most in joint partnership with existing banks in the Middle East), they were faced with a business culture that had no capacity to perform quality business plans and as such (to avoid high risk), resolved to providing loans on the same conditions as the public banks. This created a deadlock of old conditions with no bank wanting to be the first to take the risk of modernising the practice by providing loans on the basis of a viable business plan with a reduced security requirement.

## The Solution

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- Identify the prime weaknesses within the local business culture in the areas of business planning, business setup and project management and develop and deliver regular training courses and seminars to SMEs
- Identify suitability criteria for admission to the SSP incubator programme based on applicants’ capacity for growth. The criteria were based on the products and services as well as management capability
- Interview applicants and review their application. Upon acceptance, provide each applicant with business planning support. The outcome should be a business plan with financial analysis that complies to European standards. The business plan would also contain a project plan for the implementation of the business.
- Regularly follow up with the incubated businesses to track their progress and provide guidance and support where needed.
- Meet with local business planning and project management consultant, review their approach and methodology and provide them with advice and support to further enhance their capabilities of providing maximum benefit to their clients.
- Meet with local private banks that are willing to provide loans to SMEs and agree their acceptance criteria for loan applications.
- Highlight to the banks the role of SSP in helping SMEs in business planning and sign memorandum of understanding that applications which pass through SSP business planning support will be considered for loans at a reduced security requirement (the first “memorandum of understanding” to the effect in the country was developed and signed in this assignment with AUDI bank).
- Perform seminars at the various Chambers of Commerce and Industry in the country to inform of the availability of finance, the new lower security conditions and SSP’s role in providing support in both business planning and loan application.

## Results

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- A significant increase in applications to SSP and local consultants for business planning services and loan application assistance. This is mainly (but not only) due to the seminars held in Chambers of Commerce and Industry.
- Most major loan providers in Syria are aware of SSP's programme as a significant aid to the safer provision of their loan product. Informal agreement has been made with three bank and an MoU signed with others for collaboration. Many applicants for loans have been sent to SSP for business planning by the approached banks.
- The quality of the business plans prepared by a number of local consultants has been improved as a result of a one-to-one consulting and mentoring sessions.
- The capacity of a number of Syrian entrepreneurs in both setting up a new business and in business planning has been increased and improved as a result of the business planning workshops, the one to one consultancies as well as the business start-up workshops.
- The capacity of many local businesses of successfully completing their initiatives have been significantly improved as a result of the project management workshops provided.