



**PARLIAMENTARY ASSEMBLY OF THE  
UNION FOR THE MEDITERRANEAN**

**RECOMMENDATION**  
**of the Committee on Economic and Financial Affairs, Social  
Affairs and Education**

**on:**

**Financing of Small and Medium Sized Enterprises and Microfinance and  
its role in the Mediterranean**

The Committee on Economic and Financial Affairs, Social Affairs and Education of the Parliamentary Assembly of the Union for the Mediterranean (UfM),

1. Emphasises the importance of empowerment of SMEs and micro-enterprises for stimulating economic development, employment and inclusive growth in the Mediterranean countries: and underlines the vitality of removing various constraints such as limited access to finance, cumbersome bureaucratic procedures in setting up, operating and growing a business, poor state of infrastructure and lack of effective institutional structures, and in general of improving the business climate in the UfM Member States through, in particular, improving justice, facilitating and easing taxation, fighting corruption, improving the property situation for the benefit of SMEs, and combating property speculation; and invites the UfM Member States to develop holistic and sustainable SME development strategies as part of broader national development programs in cooperation with international and local institutions and with the Euro-Mediterranean Local and Regional Assembly (ARLEM) and the Assembly of Euro-Mediterranean Economic and Social Committees.
2. Underlines the importance of the pivotal role of the World Bank and the European Investment Bank in strengthening entrepreneurship and the productivity of SMEs, and in supporting the development of microfinance and projects concerning access to jobs and the development of urban and rural infrastructure in the Mediterranean partner countries, in particular through the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), which aims to promote sustainable economic development; emphasises the crucial nature of the investment operations of the European Bank for Reconstruction and Development (EBRD) to the east of the Mediterranean basin; notes the role of the European Central Bank in development and assisting growth in the Euro-Mediterranean basin; calls on the economic and financial institutions to increase their support, for example by providing suitable financial instruments, in order to ensure workable and sustainable economic growth, which is necessary for successful democratic transition.
3. Urges the UfM Member States to improve the administrative and regulatory environment and the definition of SMEs and micro-enterprises through ensuring unified, simplified and flexible procedures, lower tax rates and promoting an institutional framework for SME and micro-enterprise support services to enable such services to stimulate and encourage 'informal' enterprises, which are a widespread phenomenon in the region, to adapt to the rules of a formal economy through measures such as providing enhanced access to credit, health, education and pension systems.
4. Considering the low level of access to finance in the Mediterranean region calls for facilitating the access of SMEs and micro-enterprises to finance through
  - a) Developing funding programmes by the governments and international financial institutions or regional development banks aiming at supporting SMEs and micro-enterprises and improving the capability of local retail banks to enter the SME and micro-enterprise business.
  - b) Overcoming the reluctance of banks to lend to SMEs and micro-enterprises through improving the relations between banks and entrepreneurs, developing mechanisms for reducing high risks, particularly of insolvency, and the cost of lending to SMEs and micro-enterprises; encouraging banks to develop

financial products and services better adapted to the needs of SMEs and micro-enterprises,

- c) Helping entrepreneurs to better understand the banking system and the assistance available for financing SMEs and micro-enterprises;
  - d) Developing alternative sources of funding such as microfinance, leasing, equity financing and venture capital and establishing financial institutions specialised in financing SMEs and micro-enterprises, and analysing the advantages and risks which the projected Mediterranean Development Bank might bring to SMEs and micro-enterprises;
  - e) Modernising stock exchanges and increasing their ability to finance the economies of the UfM Member States.
5. Underlines the role of the EU in effectively promoting investment; recalls in this context the EU's contribution of EUR 3.5 billion for the period 2007-2013 and an extra EUR 700 million via financing programmes and the SPRING programme, which aims to support the private and public sector; calls on the EU to continue with its support and develop more initiatives in this regard.
  6. Highlights the importance of improving the management skills, capacity and competitiveness of the SMEs and micro-enterprises through providing support including management and administrative training, access to information and communication technologies, and business mentoring; encourages more networking and partnerships opportunities for SMEs and micro-enterprises such as cooperation with big enterprises and public and international companies as well as other SMEs and micro-enterprises, in order to establish networks and clusters and create business-support structures to benefit young entrepreneurs; calls on the members of the UfM to improve relations between national chambers of commerce with the aim of establishing a Mediterranean chamber of commerce;
  7. Recognizes the role of financing SMEs and of microfinance in strengthening financial inclusion, economic activity and fighting poverty in the Southern Mediterranean and in the countries along its north coast, given the disastrous consequences of the financial crisis on the economy and employment; welcomes the rise of micro-credit programs especially in Morocco, Egypt and Tunisia; calls for more assistance for countries in transition in the area of SME development (technical and financial assistance and professional training); urges the Member States to establish necessary regulatory and financial framework and improve microfinance programs by learning from the experience and best practices of the countries performing well in this area;
  8. Notes that social entrepreneurship favours economic and social growth which is sustainable and inclusive; underlines the importance of enhancing the participation of women and youth in the SME development strategies and microfinance programs with additional specific targeted initiatives aimed at improving the proportion of young people and women in the private sector ; considers it vital to run training programmes for women and young people in order to make them aware of the various financing possibilities available; in this context, welcomes the initiative of the forums for women entrepreneurs, co-organised by the Association of Organisations of Mediterranean Businesswomen (AFAEMME), in the region; encourages the development of self-employment programmes to benefit young graduates.

9. Underlines the aim of achieving the implementation of a Euro-Mediterranean cooperation and economic and social growth area and promoting economic integration between countries in the region by consolidating the institutional framework established under the Agadir Agreement signed by Egypt, Jordan, Morocco and Tunisia; calls for SMEs and micro-enterprises to be integral parts and beneficiaries of the economic and regional procedures currently being implemented.

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### **2013-2014 Activity Report**

Over the 2013 and 2014 working period, the Committee on Economic and Financial Affairs, Social Affairs and Education held two meetings: on 22 November 2013 in Istanbul (Turkey) and on 8 February 2014 in Amman.

In this period, the Committee focused on the problems of the SMEs, especially in access to finance, and microfinance programmes and their effects in the Mediterranean.