

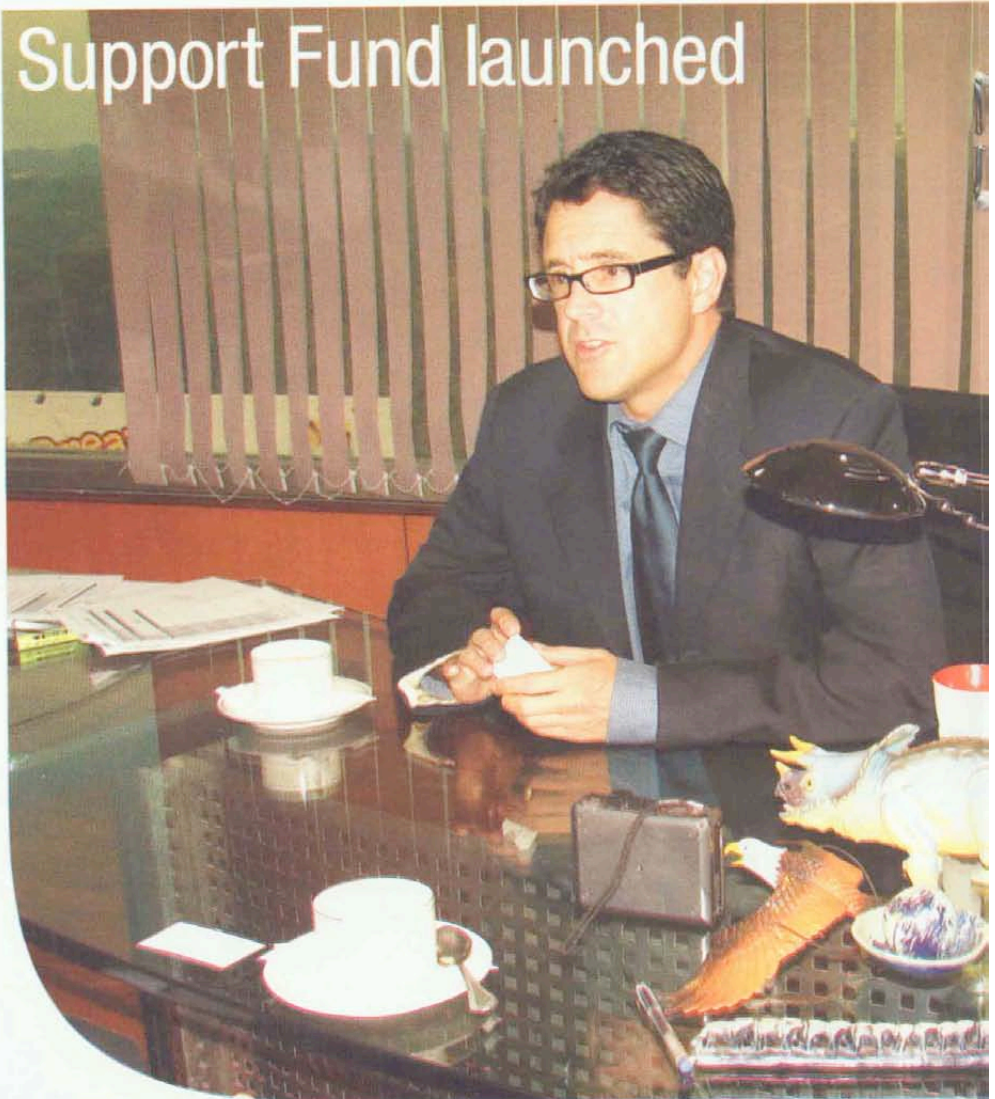
SME Business Support Fund launched

By Imran Adnan

SME Business Support Fund has recently been launched to provide grants to small and medium enterprises (SMEs) in Pakistan to acquire Business Development Services. Under the fund a maximum grant of Rs1.8 million, on a 50 percent cost-sharing basis, will be made. The main idea is to increase their competitiveness and revenue-generating and exporting capabilities. The Elite News gathered views of Mr David Monkman, Chief Executive Officer, SME Business Support Fund, on the prospects of the programme. The following are the highlights of the interview:

What is the BSF and how does the fund work?

It is a company initiated by the Ministry of Finance with the support of the Asian Development Bank (ADB). It is a financial support scheme established for SMEs to enhance their competitiveness and profitability through the use of Business Development Services (BDS). It provides matching grants to stimulate the use of business support services, including short-term consultancies for management, marketing, production, product development and adaptation, packaging, quality standards, technology transfer or upgradation, market and human resource development,



research, benchmarking, etc. The grants are provided at a 50 percent cost-sharing basis; the maximum limit is Rs1.8 million.

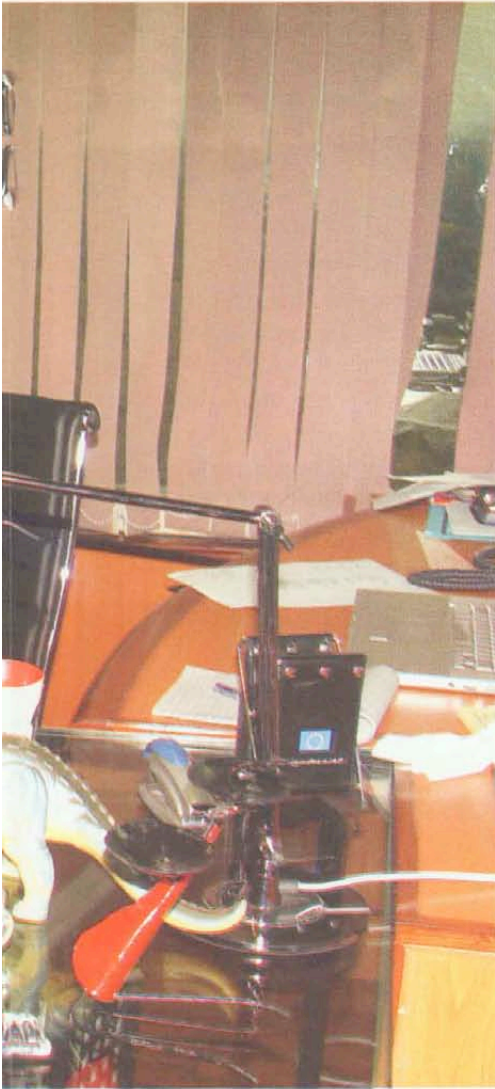
How did the idea of the Fund emerge?

BSF is the result of a thorough study (of more than a year and a half) of Pakistan's SMEs and international best experiences. It has proved of great help in building capacity of SMEs. However, Pakistan faces both demand and supply side constraints. These are lack of awareness of the needs and potential benefits of BDS,

SMEs' reluctance to invest in BDS and the services ill-matched to the needs of SMEs. BSF has been created to provide funds to SMEs to share the risk of acquiring business services and increase the financial ability of SMEs to purchase BDS.

What potential do you see in Pakistan's SME sector?

Most of the 3.2 million enterprises operating in Pakistan are SMEs, which provide 78 percent employment (in the non-agriculture sector) and contribute to the GDP over 30 percent. A significant number of



Most of the 3.2 million enterprises operating in Pakistan are SMEs, which provide 78 percent employment (in the non-agriculture sector) and contribute to the GDP over 30 percent. A significant number of these enterprises in developing countries and in Pakistan remain engaged in traditional activities, generally with low levels of productivity, poor quality products, serving small and localised markets.

these enterprises in developing countries and in Pakistan remain engaged in traditional activities, generally with low levels of productivity, poor quality products, serving small and localised markets. There is little or no technological dynamism in this group, and few 'graduate' into large size or modern technologies. In many poor countries, there is also a large underclass of (formal and informal) micro-level enterprises that ekes out bare existence. Similar patterns exist in other markets. In the EU and UK, SMEs repre-



sent 99 percent of firms, Japan 81 percent and Latin America 80-90 percent. In most of the Organisation for Economic Co-operation and Development (OECD) countries, SMEs represent over 95 percent of enterprises and generate over half of the private sector employment.

How do you define an SME?

Though there are several definitions, the BSF uses the one specified by the SME Policy, recently announced by Small and Medium Enterprise Development Authority (SMEDA) i.e. any enterprise employing up to 250 permanent employees and has a maximum turnover of Rs300 million.

As you operate out of Lahore too, how do you approach SMEs located in far flung areas and vice versa?

After an extensive planning and research phase, the programme is now entering the execution phase focused on conducting seminars and meetings in different chambers of commerce and industry and associations to disseminate information about the BSF to as many SMEs as possible. These bodies have proved quite effective in providing greater outreach for BSF. Our teams now routinely visit various regions in Pakistan and meet SMEs through as many network partners as possible. We also get referrals from state organisations like SMEDA, SME Bank and other banks.

How and who will regulate the whole programme?

As I mentioned earlier, BSF is a joint initiative of the Ministry of Finance and Asian Development Bank. We are accountable to both organisations. BSF has a complete monitoring and evaluation mechanism based on the best international practices.



Moreover, BSF is accountable to a private sector led Board of Directors. Our board regulates our day-to-day operations. It includes Mr Altaf Saleem (Chairman), who has served as former Chairman and Minister of Privatisation Commission; Mr Navid Ahsan, General Secretary Finance Division, Ministry of Finance; Mr Shahab Khawaja, former CEO SMEDA and present Secretary of Industry, Ministry of Industry and Production; Mr Mansur Khan, President of SME Bank Limited; Mr Sikander Khan, Chairman of Millat Tractors Limited; Mr Humayun Murad, Managing Director of Orix Leasing Pakistan Limited; Ms Masuma Lotia, CEO Clothesline Private Limited; Mr Wasif Khan, Professor Business Administration, Forman Christian College, Lahore; Mr Shahzad Alam, CEO Unitech Electronics.

How will you scrutinise credentials of a borrower and evaluate his project?

BSF has seasoned frontline professionals plus members from its appraisal committee (drawn from its Board of Directors) to evaluate projects presented to the Fund. Our teams are highly qualified with extensive experience in the many industries, which enable them to evaluate the project effectively. The evaluation process is very important as the money is given as grant that does not require repayment. SMEs will indicate their service requirements and nominate suitable service providers; applicants will get written approval from the BSF prior to undertaking planned activities. During this process, our team acts as an ally of the SME and remains in close contact with both the SME and the nominated service provider. Once

an SME carries out its project, it reports to the BSF and gets 50 per cent of the fees charged by the service provider reimbursed.

What are the consequences of introducing BSF on SMEs and Pakistan's economy?

I believe the BSF will make its clients more competitive by increasing their domestic and export sales through product development, market diversification, improved operations, employee training, etc. Providers of business development services will also benefit by enhancing their existing services and creating new services better suited to



local SMEs. Both types of clients will benefit by better utilisation of business development services to build their competitiveness for domestic and export markets, refining their export or service development plans and executing better designed plans. BSF will help, support and strengthen export efforts by encouraging enterprises to use export-related business development services that have the potential to improve SME's competitiveness through increased productivity, efficiency and market access. ■