BUILDING KUWAIT’S FUTURE, ONE SMALL ENTERPRISE AT A TIME

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Introduction: The number of Small-to-Medium enterprises (SMEs) in Kuwait is high, particularly in retail and non-financial services, but their overall contribution to the economy is marginal—just 3% of GDP. This paradox is especially troubling when compared to high income and emerging economies, where SMEs comprise most of the economic activity in the private sector and contribute to 50% and 40% of GDP (respectively). According to a recent survey of nearly 50,000 firms in 104 countries, SMEs provide as much as two-thirds of all employment, with small firms contributing more to employment in low-income countries than high-income countries.

SMEs in Kuwait: Kuwaiti SMEs only employ around 23% of the country’s total workforce, which is less than half of SME employment figures for both high income and emerging economies.

To understand key barriers to SME business growth in Kuwait, in 2014 the World Bank surveyed 502 SMEs there. More than 35% of respondents saw business licensing and permits as the main things blocking their growth. Answers concerning labor regulations, regulatory uncertainty, and administrative corruption also featured highly.

The lack of an adequately educated workforce was also cited by 24% of the survey’s respondents as a barrier to growth. Obtaining an operating license takes, on average, 41 days in Kuwait, they said. And dealing with other government regulations consumes anywhere from 14%-20% of a manager’s time.

Building an SME Ecosystem: Building a vibrant ecosystem for SME development is seen as critical to promoting long-term economic diversification in Kuwait. In the next 20 years or so, the private sector is expected to play a leading role in creating jobs for the next generation of Kuwaitis.

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Its success will hinge largely on whether Kuwait creates an enabling environment in the form of an ecosystem for entrepreneurship.

The National Fund for SME Development: The Government of Kuwait established a
National Fund for SME Development “National Fund” in April 2013. An independent public corporation with a total of 2 billion Kuwaiti Dinars (US$7 billion) in capital, it aims to help create productive jobs for Kuwaiti professionals, increasing private participation in the economy and the amount of income diversification.

The National Fund prides itself on being the first single entity for SMEs in the Gulf. “The equivalent of the National Fund in other countries involves four or five different government entities, one for financing, one for business support, etc.” said Mohammad Al-Zuhair, Chairman of the Fund.

**World Bank Support:** The World Bank is focusing its support on the institutional establishment of the Fund, a two-year technical assistance project. Since November 2013, the World Bank has supported three consecutive phases of the Fund’s implementation: the development of its executive regulations, the strategy and action plan, and the organizational set-up of the Fund.

The scope of Bank support continues across five main areas:

- The first is to the SME business environment, including support for the creation of a “one-stop-shop” to help clients register and acquire operating licenses.
- The second is SME business development, which includes business improvement and training, and helping businesses link-up with local and global value chains.
- The third is developing a culture of entrepreneurship, which includes an online space for interaction between entrepreneurs, and a list of community events.

The Bank is also supporting the Kuwaiti National Fund’s progress with data collection and the monitoring and evaluation of its impact.

**The National SME Forum Event:** In October 2015, the Fund organized its first national SME forum. The Bank’s Trade and Competitiveness Senior Director, Annabelle Gonzalez, addressed the forum and participated in a side event organized by Wamda, which connects aspiring youth to established entrepreneurs and industry experts.

The “Mix N’ Mentor” event was attended by 70 Kuwaiti entrepreneurs and 28 local and regional mentors. They discussed the challenges facing their start-ups, including issues related to fundraising, business development, team building, and user and client growth. The event also held workshops on building and improving entrepreneurial skills.

It was well received amongst participants. About 78% of those surveyed afterwards thought it had helped energize them as entrepreneurs. Almost 90% said they would incorporate the information they had received from mentors, and more than three quarters of respondents believed their mentors would be responsive to them.

“They were really honest about the ideas we have. They gave us positive feedback, but more importantly, they shared with us the negative side of business, which I really wanted to hear and made me want to work harder,” said a participant, a founding member from Dotz N Pixels.

The Bank Group has partnered with Wamda to support the National Fund’s activities. Wamda’s storytelling platform, **Nuwait**, celebrates stories from Kuwait as well as sharing, insights, trends, and resources. The platform serves as the virtual go-to reference for the local community of entrepreneurs.

“When entrepreneurs bring their passion to the table, they have to complement it with a lot of rigor,” the Bank’s Lead Private Sector Specialist, Parth Tewari, **told Nuwait**. He advised entrepreneurs to “work together to create a culture of collaboration, where success and failures are celebrated in certain ways.”
By sharing stories and other information, Kuwait provides the SME ecosystem people need. It also aims to encourage others to launch their own startups.

“The momentum [for SMEs] now is picking up in the economy, but changes will take time to happen,” the Bank’s Senior Private Sector Specialist and Task Team Leader, Ali Abukumail, told Kuwait, “Entrepreneurs should take this opportunity to develop their business ideas and expose themselves to global trends in business.”

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