

5 The Institutional Support System for SMEs

5.1 Introduction

This chapter aims to outline briefly the public sector institutional support system for SMEs. It covers the major providers of marketing, design, technology, finance and training services for SMEs. It focuses on SMIDO, EPZDA, MEDIA and IVTB, and, to a lesser extent, DBM.¹ The review of public SME institutions does not offer a comprehensive picture of individual agencies. This is a separate exercise which requires considerable funding, lengthy fieldwork and specialised technical manpower.² Instead, the chapter aims to synthesise and analyse small enterprise perceptions in four areas: (a) the level and awareness of SME services; (b) the degree of take-up; (c) the quality of service delivery; and (d) future service needs. Based on these findings, consultancy studies of SME institutions, annual reports of SME institutions and our interviews with individual institutions, the chapter assesses the effectiveness of the public SME system as a whole.

5.2. Background on the SME Support System

Table 5.1 provides the available background data on the five public sector institutions, which provide services to SMEs (including their objective, major services, number of staff and budget). The five institutions vary considerably in purpose, size (measured by the number of staff and financial resource base), and age:

- SMIDO deals exclusively with SMEs and offers information, training and other services. The other four assist both small and large enterprises yet each has a different entry point to service delivery. EPZDA provides consultancy and information services. MEDIA acts as a trade promotion agency and runs industrial estates. IVTB focuses on training and related services while DBM is a traditional development bank with soft loans and some business advice.
- Of the five institutions, DBM and IVTB are the largest in terms of their financial resource base and employment. SMIDO and EPZDA (similar in terms of employment and financial resources) are the smallest. MEDIA falls in between these extremes.

¹ During our fieldwork in Mauritius, time constraints prevented our examining the contribution made to SME service provision by other public agencies such as the Mauritius Bureau of Standards and the University of Mauritius. However, the agencies we selected provide the bulk of services to SMEs in the country. A handful of private sector SME providers exist (e.g. the Mauritius Employers Federation and consultancy firms) but these are beyond the scope of the study.

² Murphy and Suttle (1998) made this kind of detailed assessment on MEDIA.

Table 5.1: Overview of Institutions Supporting SMEs (most recent estimates)

Institutions	Core purpose	Major services
SMIDO	To provide support to small and medium-sized manufacturing enterprises in order to enhance their competitiveness	Entrepreneurship Development Programme
		One-Stop Shop
		Consultancy
		Awards
		Documentation Centre
		Common Facilities Centre
EPZDA	To provide support to all enterprises operating within the Export Processing Zone	Training
		Trend Forum
		Publications
		Information services
		lothing Technology Centre
		User Group
MEDIA	To promote exports To promote foreign direct investment To develop and operate industrial sites and estates	Trade Information Centre
		Buyer/seller meets
		Trade fairs
		MITEX
		Market surveys
IVTB	The promotion, development and delivery of training	Industrial estates
		Training courses
		Administration of training
		levy refund
DBM	To provide finance to small and medium enterprises	Technical advice
		Library and information services
		Loans
		Business advice
		Industrial estates

Sources: SMIDO Annual Report, 1995/96; EPZDA Annual Report, 1996/97; MEDIA Export Directory, 1998/99; MEDIA Action Plan, 1996; Study on Activities of MEDIA, Murphy and Suttle (1998); IVTB Directory, 1998; Interviews with the Government of Mauritius in mid-1998.

- In existence since the 1970s, DBM is probably the oldest of the five institutions. MEDIA, founded next, is nearly fifteen years old. SMIDO, EPZDA and IVTB are all less than eight years old.
- With the exception of the DBM, the other agencies come under the preview

Number of staff	Financial Resource Base	Date of establishment
43	Rs14.2m Government grant for 1998/99	1993
31	Rs20m Government grant for 1996/97 Revenue generated: Rs6.5m	1992
58	Rs55m Government grant or 1998/99	1985
500+	Rs100m Government grant for 1998/99	1992
250	Investment portfolio Rs2.4 billion– no grant	1970s

of the Ministry of Industry and Commerce (MOIC). These agencies have some autonomy in day-to-day matters but function under the strategic guidance of the MOIC.

5.3 Enterprise Perceptions of SME Institutions

5.3.1 SMIDO

Purpose and Target Market

The Small and Medium Industry Development Organisation (SMIDO), in its current form, was given its mandate by The Industrial Expansion Act of 1993. SMIDO is charged with providing support to indigenous enterprises that:

- are engaged in manufacturing
- use production equipment which does not exceed 10 million Mauritian Rupees (in 1993).

These enterprises may, or may not, be actively engaged in exporting. It does not support foreign-owned small firms. The broad mission of SMIDO is to enhance the competitiveness of SMEs “...with a view to creating a modern, strong, efficient and export-oriented SME sector in the country.”

The principal reason for an SME to register with SMIDO is to achieve exemption from the payment of duties or levies on the importation of production equipment. Registration with SMIDO also gives SMEs preferential access to a range of services (including training, information, marketing assistance and export support).

The current definition of SMEs excludes companies operating within the service sector and, as such, prevents them from benefiting from the services offered by SMIDO. Given that the service sector is increasingly acknowledged as an engine of both domestic and export growth, and that substantial opportunities exist for indirect exporting through inter-company linkages and the provision of services to exporters, we recommend a more inclusive definition of SMEs.

Services

SMIDO offers a range of services, the major ones being:

The Entrepreneurship Development Programme – for potential entrepreneurs, this programme consists primarily of workshops on skills required to launch and manage a small firm.

The One-Stop Shop – A service facility with the purpose of helping entrepreneurs expedite the start-up of small enterprises. It provides assistance in negotiating the formalities of registration and making applications for relevant licences.

Consultancy services – Although SMIDO provides virtually no consultancy services itself, it endeavours to source and match external consultants with SMEs.

Awards – SMIDO runs three award schemes: the Small Enterprise Project Award

given to young people for a viable project proposal; the Technology Award for the use of innovation in product or process; and the Export Award given for achievements in exports.

The Documentation Centre – This is an information resource centre for business and market knowledge. Information is mainly in the form of journals, magazines, books, and access to the Internet.

The Common Facilities Centre – This is a technical workshop with trained staff. Members of SMIDO can use this facility on an ad hoc basis or participate in a range of technical courses run in the workshop.

Training courses – Training courses on a wide range of management and technical topics are run on a regular basis.

User Perceptions of Services

Table 5.2: User Perceptions of SMIDO Services

(23 responses)	% Heard of	% Used	Useful
Entrepreneurship Development Programme	74	17	4
One Stop Shop	74	22	3.4
Consultancy services	57	9	4.5
Awards	48	0	–
Documentation Centre	61	9	3
Common Facilities Centre	61	4	5
Training courses	91	43	3.4
Overall average	67	15	3.9

In our survey, we asked respondents about whether they had “heard of” and “used” a number of SMIDO services. If the service had been used, we also asked how useful they found it. Twenty-three enterprises responded to these questions and the aggregate results are shown below. Note that the grading of “usefulness” is the arithmetic mean of responses given on a scale of 1 to 5, where 1 = not useful and 5 = very useful.

The aggregate results give a clear picture of levels of awareness and take-up, and perceptions of usefulness (see Table 5.2). Within the sample, it is textile companies that are making most use of SMIDO services, although high levels of awareness exist in both of the other sectors. 91% of respondents had heard of the training courses that SMIDO offers, and 74% of respondents were aware of both the One Stop Shop and the Entrepreneurship Development Programme. Lower levels of awareness exist of the other services, particularly the consultancy services and the Awards. However, in our sample the use of all of these services (apart from training) is especially low. None of the sample used the Awards, only 4% had used the Common Facilities Centre and 9% had taken advantage of the consultancy services and the Documentation Centre.

Perceptions of usefulness are favourable (although these may reflect perceptions rather than actual usage). There appear to be no studies assessing the impact of the SMIDO interventions in terms of the overall objectives for the provision of these services.

When our sample was asked what other services they would like to see SMIDO offer, the responses included:

- ***help in finding markets and buyers*** – this was mentioned by three respondents, who suggested that SMIDO might set up buyer/seller meets or organise trade fairs and exhibitions.
- ***sector- or function-specific courses*** – suggestions were made for courses designed for the printing industry and courses on import and export documentation.
- ***assistance in obtaining duty-free access to raw materials*** – this was cited by four companies and is obviously a concern of non-EPZ companies.
- ***availability of technicians to repair machines on a 24-hour basis*** – one respondent suggested that SMIDO might provide such a service.

It is interesting to note that, in the main, these services are outside the mandate of SMIDO and some are provided by other organisations (e.g. MEDIA for buyer/seller meets). In our view, this indicates that the SME population might be confused about which types of services are (or should be offered) by the various SME support institutions. In our view, these suggestions indicate a desire for assistance to be as specific and practical as possible. Both of these issues are addressed in our proposals contained in Chapter 6.

5.3.2 EPZDA

Purpose and Target Market

The Export Processing Zone Development Authority (EPZDA) was established in 1992 to provide a range of services to EPZ firms in order to improve their competitiveness. With its principal focus on the smaller exporter, to some extent it overlaps with the target population of SMIDO.

Because of the nature of export development in Mauritius, most of the companies registered with EPZDA are in the textile industry and, in response to their needs, EPZDA has developed a comprehensive range of support services for this industry. As a result, EPZDA is now clearly perceived in the SME marketplace as servicing the textile industry and having little relevance to other sectors.

EPZDA is currently trying to extend its reach to other sectors, in particular the IT industry, but may be hampered by a lack of credibility due to its established positioning

in textiles. Additionally, limited access to resources may inhibit its development of expertise in other sectors.

Services

The key services offered by EPZDA are:

Consultancy services – EPZDA facilitates customised consultancy on an individual firm basis, with the focus predominantly on technical or production issues, for example, pattern making, handling systems, quality control and procedures.

Trend Forum – This is an occasional event comprising seminars and workshops, exhibitions and buyer/seller meets, all revolving around the textile industry. Major inputs are provided by well-established local companies and experts from abroad.

Publications – The principal publication is “Industry Focus”, a bi-monthly magazine. This is a joint publication of the Ministry of Industry and Commerce, EPZDA, MEDIA, SMIDO and the Mauritius Standards Bureau. It covers general business topics, news and provides technical support, primarily for the textile industry.

Training courses – Most of the training courses operate as technical workshops, covering a wide range of practical issues of the textile industry.

Research and development projects – Working with foreign consultants, EPZDA runs projects tackling current issues mainly in the textile industry

Information services – These are focused on the Information and Resource Centre, which aims to provide a paper-based information centre, and the Web service, an internet-based information exchange that can be accessed by both members and non-members.

Clothing Technology Centre – A dedicated building providing a resource centre for product development and R&D in the textile industry. Members are able to rent time in order to become better acquainted with new technologies such as CAD/CAM.

The User Scheme – This is a structured framework for supporting EPZDA members, especially SMEs. Members are provided regularly with a range of meetings, seminars and open sessions.

User Perceptions of Services

As with SMIDO, we tried to evaluate the take-up and effectiveness of the services offered by EPZDA. Twenty-one enterprises responded to these questions and the aggregate results are shown in Table 5.3.

Table 5.3: User Perceptions of EPZDA Services

(21 responses)	% Heard of	% Used	Useful
Consultancy services	62	24	4.2
Trend Forum	86	19	4
Publications	76	33	3.9
Training courses	81	24	4.6
Information services	71	14	4
Clothing Technology Centre	62	24	4.8
The User Group	43	24	4.8
Overall average	69	23	4.3

The majority of SMEs using EPZDA are in the textile industry. Overall, there appears to be a slightly higher levels of awareness and usage of EPZDA's activities than those of some other organisations. Perceptions of usefulness are favourable, especially the Clothing Technology Centre and the User Group. Respondents also perceived the training courses and the consultancy services to be particularly useful.

Other services that were of interest to SMEs included:³

- *servicing the printing and publishing industry* – one respondent considered that EPZDA was doing a good job for the textile industry and that this should be extended to his own industry.
- *strategic business planning* – this was cited by one respondent.
- *assistance with international trade shows, especially the airfreighting of exhibition equipment* – this constituted a request for financial help for SMEs.

5.3.3 MEDIA

Purpose and Target Market

MEDIA is essentially an agency with the two objectives of encouraging inward investment and promoting Mauritian exports. Its third area of activity is the establishment of industrial sites primarily to facilitate inward investment, but also to supplement gaps in the activities of the commercial property development industry.

MEDIA has attained a high profile from its past successes in attracting foreign investment and in promoting the exports of a few large Mauritian companies. Although it declares that its services are appropriate to the SME sector, it generally engages in activities, such as international trade fairs, that are outside the scope of the average small business. It is biased towards the textile industry, where it overlaps with EPZDA.

³ One SME suggested that no services were of interest because "EPZDA is only available to big firms". This may be indicative of the overall perception of EPZDA amongst SMEs that it is a successful organisation but mainly helps large textile firms.

It is doubtful that MEDIA can, with its current portfolio of support services, maximise its effectiveness for both the large-scale and the small-scale business in Mauritius. This point was also made in a comprehensive assessment of MEIDA by International Development Ireland Ltd (Murphy and Suttle, 1998).

Services

The principal services offered by MEDIA are:

Trade Information Centre – a paper-based resource centre for business information, covering a wide number of industries and markets.

Buyer/seller meets and contact promotion programmes – events and activities held in Mauritius or in overseas markets, designed to bring together buyers and sellers in specific industries and to promote specific products.

Trade fairs – participation in international trade fairs organised on a group basis.

MITEX/MIATEX – The Mauritius International Textile Exhibition is held annually in Mauritius. The Mauritius International Apparel and Textile Exhibition held in Paris and London.

Market surveys – MEDIA commissions surveys on export opportunities in specific overseas markets.

Industrial estates – MEDIA builds, owns and manages 100,000 sq. metres of industrial space in Mauritius, including a special ‘intelligent’ building for the IT sector.

In addition, MEDIA has promotion offices in France, UK, India and Kenya, with more limited representation in the US, and a number of COMESA countries.

User Perceptions of Services

The aggregate results of our survey of SMEs on their perceptions of the services offered by MEDIA are shown in Table 5.4. Twenty-two enterprises responded to these questions.

Table 5.4: User Perceptions of MEDIA Services

(22 responses)	% Heard of	% Used	Useful
Trade Information Centre	68	9	4
Buyer/seller meets	73	36	3.9
Trade fairs	91	14	3.7
MITEX	73	0	–
Market surveys	64	14	2.5
Industrial estates	68	9	5
Overall average	73	14	3.8

Awareness of MEDIA’s activities is generally high, particularly of the trade fairs, which registered a 91% awareness rate. However, apart from the buyer/seller meets,

take-up is low amongst the SME sector, even though those companies that do use MEDIA's services are spread more evenly across the industry sectors than for SMIDO and EPZDA. Our discussions with companies revealed that, for many, the cost of participating in overseas trade fairs and exhibitions is prohibitively high. The buyer/seller meets are much more affordable, but the perception of their usefulness is highly dependent on the outcome. If a transaction results, then the participating firm would consider the activity to be useful. If no business was gained or if contacts were made but no sales resulted directly, then the meet might be perceived as not useful or only marginally useful.

The value of the market surveys was perceived as relatively low, but we would suggest that perception is largely a function of how well the information was used or incorporated into the small firm. It requires experience and skill to maximise the use of market information, and these capabilities are often lacking in SMEs.

Although only 9% of the sample made use of the industrial estates facility these companies recorded 100% satisfaction.

Additional comments from the survey respondents included:

- ***industrial estates appropriate to SME resources*** – this was cited by two companies who considered the existing provision to be beyond the resources of most SMEs.
- ***financial assistance for SMEs to participate in international exhibitions or trade fairs*** – was requested by one company.

Overall SMEs perceive MEDIA as an organisation which is geared to meeting the needs of larger companies. The small business entrepreneur cannot usually afford the time or money to participate in international exhibitions or fairs. Here, undoubtedly, is a role either for an industry association or a commercial export house to participate in a trade fair on behalf of a consortium of SME exporters. Although we understand that MEDIA itself has attempted to do this, we would suggest that an organisation with more of a vested interest would have the motivation to achieve better results.

5.3.4 IVTB

Purpose and Target Market

Whilst not directly mandated to provide support to the SME sector, the Industrial and Vocational Training Board (IVTB) provides a range of educational courses that complement the activities of both EPZDA and SMIDO. The training levy imposed on all companies links IVTB to the SME support infrastructure. Within this scheme, companies are required to contribute a percentage of their wage costs to a centralised fund. When a company sends an employee on an approved training course, it can claim a part refund of the course fee. This is funded by the training levy. Both IVTB and

commercial training organisations run approved courses. However, the take-up of the training levy refund is disappointingly low.

Services

IVTB is mandated with the following tasks:

- Planning, monitoring and evaluation of training programmes
- Design and development of training curricula
- Implementation of training schemes and programmes
- Financing of training of school leavers and employees through a levy/grant system.

As of 1998, 90 private training institutions were registered with the IVTB, including 10 in-house training centres. In addition, IVTB operates 18 of its own Training Centres. To help the development of appropriate training courses, Training Advisory Committees exist to service 21 industry sectors. IVTB also provides library and information services and technical advice.

User Perceptions of Services

22 SMEs responded to questions about their use of IVTB services' training courses, their use of the training levy refund, technical advice and library and information services. See Table 5.5.

Table 5.5: User Perceptions of IVTB Services

(22 responses)	% Heard of	% Used	Useful
Training courses	95	36	3.8
Training levy refund	86	32	4.1
Technical advice	50	0	–
Library and information services	27	0	–
Overall average	65	17	4.0

Once again, it is mainly the textile sector that makes use of IVTB's services. There is an exceptionally high level of awareness of IVTB as a training provider and administrator of the training levy refund, but relatively low awareness of its other activities. The use of the training courses and the training levy refund is consistent with IVTB's own research. Where companies have used IVTB's training, the overall perception of usefulness is relatively high. Though none of our sample had used IVTB's technical advice or information service.

Some respondents would like IVTB to offer more industry-specific skill-based workshops and courses that could be scheduled outside working hours. Discussions with interviewees, especially in the printing and pre-press industry, indicated that some teaching was very out-of-date and that courses failed to produce graduates with the required skills.

5.3.5 DBM

Purpose and Target Market

The Development Bank of Mauritius was established expressly to provide the small business with finance at an affordable rate of interest. Typically the interest rate set by DBM is around 10%, compared with the usual rate of 16% charged by the commercial banks.⁴

User Perceptions of Services

Two activities of the DBM – loans and business advice – are assessed in the survey, selected as being the most relevant to SMEs. The responses of 23 companies are aggregated and are shown in Table 5.6.

Table 5.6: User Perceptions of DBM Services

(23 responses)	% Heard of	% Used	Useful
Loans	100	30	4.7
Business advice	35	0	–
Overall average	68	15	4.7 (a)
Note: (a) this scoring is based on the evaluation of one service only			

Whilst all of our sample are aware of DBM's role, the uptake of its finance facilities is surprisingly low. Several of our respondents declared loans taken out from commercial banks at a much higher rate of interest. The reasons for this are not clear and should be investigated more thoroughly, but some of the comments reveal a significant level of dissatisfaction with the service provided by DBM.

Criticisms mainly revolve around the lending criteria, fairness in granting funds, the slow processing of applications and the refusal to lend against second-hand machinery. The principal criterion for lending is to secure a high ratio of assets against loans. It is interesting to note that the submission of a business plan is not a requirement for DBM lending. Although this policy reduces the exposure of the bank to risk, it opposes the stated objective of the bank: to support the SME sector and in particular to encourage entrepreneurship. Most entrepreneurs do not have sufficient assets to offer as security.

⁴ A discussion of trends in commercial bank interest rates to SMEs was given in Chapter 4.

The DBM recognises this problem. It acknowledges that a better approach is to lend primarily against a sound business plan, but admits that it does not have the necessary managerial skills to evaluate effectively a business plan. This is a major deficit that needs addressing urgently.

Since none of the other SME support organisations require the production of a business plan to make support available, it appears possible to set up a business in Mauritius with no planning at all.

The nature of financial support to SMEs should be extended to cover a range of alternative options, two examples are venture capital and the establishment of credit unions. In addition, the role of the industry associations can be enhanced through their direct involvement in funding their members. All of these opportunities need to be explored in greater depth.

5.3.6 SUMMARY OF ENTERPRISE PERCEPTIONS

Table 5.7 sets out the aggregated results for all five institutions. Although the total sample of SMEs surveyed is of an adequate size for research purposes, the level of usage is generally so low that perceptions of usefulness are expressed by often only a handful of companies. Therefore caution should be taken in using the figures for comparative purposes. Bearing this in mind, the findings are interesting.

Table 5.7: Summary of User Perceptions of SME Support Services

	% Heard of	% Used	Useful
SMIDO	67	15	3.9
EPZDA	69	23	4.3
MEDIA	73	14	3.8
IVTB	65	17	4.0
DBM	68	15	4.7(a)

Note: (a) this scoring is based on the evaluation of one service only, as in Table 5.5

It is clear that these five institutions are reasonably successful in creating awareness of their support services (between 65% and 73% of our survey responded positively). However, all are significantly less successful in persuading SMEs to participate or to make use of them. The highest percentage in this category is 23% of those companies who had heard of the services actually used them, whilst the lowest is only 14%. Where SMEs do use services, perceptions of usefulness are positive, ranging (on a scale of 1 to 5) from 3.8 at the bottom end to 4.7 at the top. The take-up response is of particular concern and we recommend further exploration of the reasons for this.

5.4 Other Support Organisations

There is a host of other organisations that offer support to the SME sector in a variety of ways. These include the Mauritius Standards Board, for advice on quality and trading standards; Subex, which aims to create subcontracting links between organisations in the engineering sector; the Technology Diffusion Service, which provides foreign consultants for technology projects; the National Computer Board, which provides some support to the IT industry; the Women Entrepreneurship Unit, which was established specifically to support women running micro-enterprises; and a number of industry associations such as the Mauritius Employers' Federation and Chambers of Commerce.

Some of these organisations, such as the MSB and the TDS, have a very clear remit, yet there is little evidence co-ordination or integration into the overall infrastructure for supporting the SME sector. It is up to the small company to discover the support offered by these organisations and to determine whether the support is appropriate.

An organisation such as the National Computer Board will lack focus if it has to switch between contributing to national policy and supporting enterprises at the micro-level. The idea of developing sub-contracting linkages which underlies SUBEX is sound. However it is currently limited to engineering activities and has a variety of other problems. These are discussed in more detail in Chapter 4.

The Women Entrepreneurship Unit concentrates on the specific issues faced by women entrepreneurs at the micro-enterprise level. Yet, many large businesses had started at the micro level. How does the overall support to SMEs in Mauritius enable a company run by one-person, say, grow into to a small, medium or large enterprise? The demarcation and separation of support based on size alone may encourage the individual supporting organisations to preserve their membership base at the expense of encouraging growth.

The trade and industry associations appear to be under-performing and are under-used in the range of support offered to SMEs. There seems to be only one association, which represents the needs of small firms in Mauritius. The Small Scale Entrepreneurs' Association of Mauritius (SSEAM) puts forward the case of small firms to policy making fora: for example, the annual pre-budgetary consultations with the private sector.⁵ However, SSEAM does not appear to provide training or other services to small firms. In part it lacks the requisite capabilities and finance. Strengthening SSEAM could bring valuable gains to small firms. Increasingly the literature indicates that the most effective support to SMEs can be provided from within their own representation.⁶ Here, vested interests are greater, motivation is higher, thus the resource investment is more effective. Rather than governmental organisations delivering direct support to the SME, the trend is to enhance the capabilities of the voluntary sector so that they can support their own members.

⁵ In 1998, for instance, they made a strong case about the administrative burden resulting from the introduction of VAT on small firms. Subsequently, this was removed for small firms with low turnovers.

⁶ Curran and Blackburn (1994); Gibson (1997); Nadvi (1998); Schmitz (1998)

5.5 An Assessment of the SME Support System

Our observations indicate that Mauritius is particularly well-endowed with institutions and organisations dedicated to supporting industry in general and SMEs in particular. In individual institutions, there is evidence of many positive initiatives. SMIDO is under new and energetic management with staff committed to fostering the cause of small business. Now it has its own building in a well-established industrial area. It has a renewed mandate to service SMEs and is backed by a major grant increase from central government. It is beginning to work more proactively with other SME agencies (e.g MEDIA and IVTB) to deliver its services. Within the textile industry, EPZDA has a good track-record of expertise and knowledge. It demonstrates an innovative approach to SME support, especially in relation to its use of the internet to create a forum for the diffusion and exchange of industry information. EPZDA has established the Clothing Technology Centre to provide SMEs with the opportunity of enhancing their technical skills. IVTB has a good reputation for the provision of training and related activities. It too is under new management and occupies a new building. Of all the SME support institutions, the Development Bank of Mauritius has been in operation the longest and has the potential to make one of the most significant financial contributions to SME development.

However, at the level of the support system as a whole we detect some significant deficiencies:

Lack of a strategic perspective – No single organisation has responsibility for, strategic issues relating to the whole SME sector. Thus, opportunities represented by the development of industry clusters, the encouragement of upstream and downstream linkages, and the role of indirect exporters remain unexploited. Similarly, there is no mechanism for co-ordinating governmental SME support provision or for activating an exchange between the public and private sector support frameworks.

Lack of co-ordination – The diversity of institutions and their relative autonomy contribute to a duplication of service. For example, training courses useful to the textile industry are provided by both EPZDA and IVTB. At the same time, gaps exist in the provision to specific sectors: for example, services, the IT industry and emerging industries.

An insufficient commercial approach – Institutions should be made more accountable for their activities to maximise their effectiveness. Among other things this requires:

- identifying clear visions, missions and objectives for each supporting organisation;
- establishing explicit performance indicators and transparent means of measuring performance;
- perceiving SMEs as clients rather than beneficiaries;
- enhancing the organisations' managerial and business skills. Currently, there

is insufficient understanding of industry and market dynamics, the influences on and processes of SME growth, the specific conditions within export markets, and the role and practice of strategic marketing in developing and expanding small businesses.

Lack of targeting – Service offers should become more demand-led, yet be proactively directed towards those enterprises that can best use them. Resources are allocated on a first-come, first-served basis to SMEs that request assistance, rather than to those exhibiting the greatest potential for growth. The World Bank estimate⁷ a cost of US\$4,250 to create one job in a small firm, through enterprise development interventions. Given limited and diminishing resources, it should be decided which companies should be supported and how this is to be achieved.

Lack of direction – There is an assumption that, as long as SMEs are offered a menu of support activities, they are able to identify the help they need. This thinking is inherently defective. Inexperienced entrepreneurs cannot know the precise nature of the most effective support: just as a sick patient is unlikely to know the best treatment for his or her disease. It is the doctor's job, or in this case an SME consultant, to advise the small business of the range of "treatments", taking into account the nature of the firm and its industrial context.

Lack of diversity in approaches to interventions – Training is properly recognised as a useful intervention, yet there is a tendency to view it as a panacea. Unfortunately many training courses are too generic and academic to provide fast-track support needed by SMEs. Alternative and innovative styles of support is not fully exploited.

Lack of engagement with the private sector – Insufficient demand is made of the private sector, particularly trade associations and private training and information providers.

5.6 Conclusions

These preliminary findings provide valuable insights into the nature and coverage of the public sector SME institutional system Mauritius. Undoubtedly, the investment in SME support is not delivering the growth required or expected at the enterprise level and this must be improved. An overhaul of the entire SME support system is required to address the deficiencies outlined above, and to create a more cohesive integrated framework. The strategies we are proposing in Chapter 6 aim to deliver a much more focused, targeted and client-driven approach to SME support.

⁷ Manu (1998)