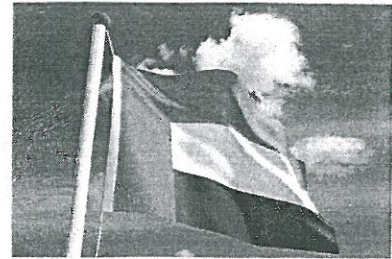


## Small and Medium Enterprises (SMEs)

Small and Medium Enterprises (SMEs) are the backbone of UAE's economy, representing 95% of all establishments in the Emirate. These SME businesses account for 42% of the workforce and contribute around 40% to the total value add generated in UAE's economy. The Government has a high focus on enhancing the contribution and performance of the SME sector to make these businesses comparable to their counterparts in other developed and high income nations. Against this backdrop, the initiatives aimed at the development of SMEs and enhancing support for them have to be formulated on detailed research on their current state and development needs.

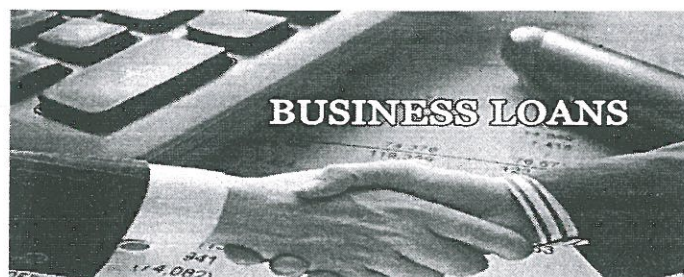


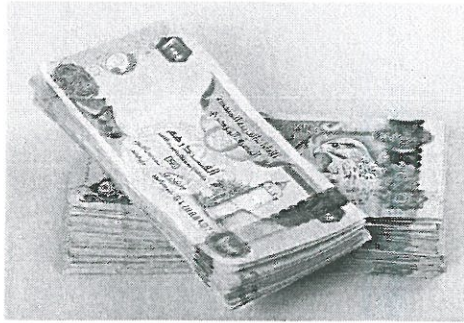
## Rationale and Purpose of the SME Definition

The SME definition serves as a 'common language' that leads to convergence of multiple stakeholders engaged in various SME development roles and activities. It enables efficient coordination and collaboration amongst these stakeholders. Additionally, it serves as a baseline and framework for implementing multiple initiatives directed towards the development of SMEs. Apart from creating a framework for determining the eligibility of establishments for various SME development programs, the definition ensures a reliable basis for monitoring the impact of these initiatives. Furthermore, the definition has become the basis of compiling relevant quantitative statistics related to the sector and is already being deployed as the framework for the UAE Statistics Center's National Income Accounting surveys.

## Benefits of the SME Definition

The SME definition serves as the base criterion for targeting as well as measuring the impact of various SME policies and programs. These programs are primarily focused on enabling market expansion, increasing exports, facilitating access to finance and providing networking opportunities to entrepreneurs. The definition provides the framework to converge the benefits of these programs and policies for UAE's SME community entailing the development of competitive advantage, growth in business sophistication, higher penetration of technology, enablement of greater access to finance and access to market opportunities. Further, these benefits translate into enhancement in international standing of Dubai's SME sector, increase in potential for attraction of foreign investment and creation of high value-add jobs within the economy. Overall, the launch of the definition was UAE SME's first step towards the development of the SME sector in line with the Emirate's and UAE's Economic Development plan.

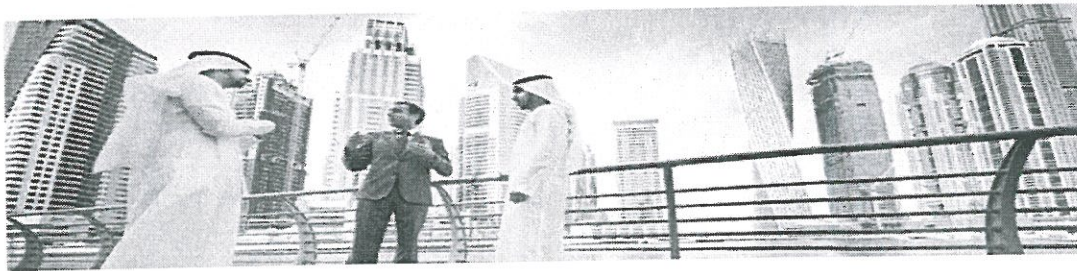




## Formulation of the SME Definition

The SME definition was systematically derived through a comprehensive process combining the following building blocks.

- Macroeconomic data on GDP, GDP contribution, employment and trade flows was evaluated to ensure that the definition is in line with the economic reality of UAE.
- An inventory of international and regional definitions was studied to determine the typical incidence of key indicators and parameters adopted for these definitions.
- An assessment of the philosophy, perspectives and application of the SME definition across key stakeholders including free zones, banks and relevant government entities was conducted.
- The thresholds for the definition were developed by assessing the typical SME landscape/ structures across various countries; this helped to determine the typical composition and structure of distribution of businesses across the SME and large enterprise category, as well as indicative breakdowns for classification into the Micro, Small and Medium categories.



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