



GUIDELINES FOR APPLICANTS OF MANUFACTURING SMALL AND MEDIUM SIZED ENTERPRISES (SMEs)



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1 HISTORICAL BACKGROUND

As Lebanon is increasingly faced with the challenges of globalization, important economic imbalances continue to be observed, some of these translate into a high cost environment for Lebanese businesses, increased competitiveness and the relative isolation of SMEs when addressing the need for large-scale modernization of management and production processes.

To sustain economic growth, Lebanon actively seeks to position itself into world markets to avoid marginalization. The Association Agreement with the European Union, signed in June 2002, was ratified by the European Parliament in January 2003. It provides Lebanon with an opportunity to engage in a wide range of reforms to better respond to increased competitive pressures on the economy.

To address these challenges, Lebanon recognizes the vital contribution of SMEs to economic growth and stability. The Government of Lebanon (GoL) therefore seeks to develop a more conducive environment where businesses can grow and develop competitive advantages. For this purpose, an EC-funded Integrated SME Support Programme (ISSP) has been initiated to pursue the overall objective of supporting Lebanon in linking policy formulation with a service-delivery infrastructure for existing SMEs and start-ups.

One of the components of the ISSP is to support the Ministry of Industry (acting as the Contracting Authority) and its technical agency, the Industrial Research Institute, in successfully hosting and adopting international best practice in managing the Euro-Lebanese Centre for Industrial Modernization – ELCIM.

ELCIM supported about 300 companies between 2001 and 2004 through technical assistance. It helped Lebanese businesses make use of the European Investment Bank's 30 million Euro facility for industrial modernization.

ELCIM will continue to apply a two-phase process, a Business Diagnosis followed by an Implementation of agreed Actions in areas identified at the Business Diagnosis stage. Beneficiary companies will consist of manufacturing industries and selected service industries. ELCIM will seek to upgrade their performance, knowledge, products and facilitate long-term finance, in order to enhance the ability of SMEs to compete in the marketplace.

We are providing, herewith, "Guidelines for Applicants" for successful application to ELCIM, enabling SMEs to benefit from our services and expertise.

2 OBJECTIVES OF THE PROVISION OF BUSINESS ADVISORY SERVICES TO SMES

ELCIM provides manufacturing SMEs with technical and financial assistance tailored to the Company's business strategy for competitiveness, growth, and export. It offers a unique opportunity to access European and Lebanese expertise. ELCIM is designed to become a professional, financially self-sustainable provider of high-quality business upgrading services, targeting manufacturing SMEs.

2.1 ELCIM's Provision of Direct Business Advisory Services to SMEs

Business advisory services revolve around two main pillars, Technical Assistance (TA) and / or Financial Assistance (FA). They include the following:

Table 1

Action Categories	Sample Actions
Strategic Business Assessment	Enhancing the capacities of management; human resources; strategic business analysis; development and adaptation of products; increase of competitiveness; enlarging sales and exports; advising in financing strategies.
Improvement in Production	Optimization of production processes; costing and cost reduction; management of resources; provide technical know-how; upgrade of maintenance operation.
Quality Management and Quality Assurance	ISO standards and HACCP methodology.
Marketing Support	Develop marketing strategy; provide market information; upgrade of product brand image.
Reorganisation of Companies	Assistance in implementation of MIS; management reorganization; human resource management and development.
Supporting Export Activities	Access to International Fair Exhibitions; initiating Strategic Partnerships for external markets.
Joint Venture Activities	Strategic Alliances between local industries and their international counterparts.
Training	In-house training; individual and/or group training.
Seminars / Workshops	On upgrading of Financial Statements, Feasibility Studies, and other specialised technical topics.
Upgrade of Financial Statement	Basic Accounting; Balance Sheet; Profit and Loss Statement and Cost Accounting.
Feasibility Study	Basic Finance; Cash Flow Analysis; elaboration of Business Plans.
Facilitate Access to Financing Sources	Mediation with loan application.
Others	Subject to individual confirmation by ELCIM

PRIORITY WILL BE GIVEN TO APPLICANTS WHO BEST SATISFY THE FOLLOWING CRITERIA:

▼ **2.2 Relevance**

- Relevance of Company's requested Action to improve competitiveness and sales
- Company's commitment to implement Action for improvement of its business
- Proposed Action is in the frame of the Company's and ELCIM's financial capacities

▼ **2.3 Methodology**

- Appropriateness of planned Action to expected results following the implementation
- Practicality of Action reflecting Company's human and managerial resources
- Extent to which the proposal contains tangible indicators of achievement

▼ **2.4 Sustainability**

- Extent to which the implemented Action is likely to have a tangible effect on the growth and development of the Company
- Extent to which the Company can capitalize on the results of the Action
- Extent to which the Company is able to design for replication of activities to improve its performance

3 CRITERIA FOR ELIGIBILITY OF THE APPLICANT

There are three sets of eligibility criteria:

- The type of firms which may apply
- The type of projects / activities
- The type of eligible cost: (project services and Company in-kind contribution*)

3.1 Eligible Firms

The eligibility criteria for manufacturing SMEs are as follows:

- Private manufacturing SMEs from all sectors
- Lebanese companies registered at the commercial register
- Minimum 2 years since establishment
- Minimum 5 registered employees
- Member of the Chambers of Commerce, Industry and Agriculture and/or Associations/Syndicates
- Valid Financial Statements

3.2 Eligible Actions

- All services mentioned in Table 1 above
- The duration may not exceed six month except for ISO and HACCP
- The Action must be completed by the end of November 2007
- The total amount for requested services per Company must not exceed 30,000 Euro on average

Important note: An Applicant may submit a proposal for more than one Action; up to three Actions are eligible within the limits specified above.

The following Actions are ineligible:

- Agricultural projects and / or Actions
- Other activities ineligible for EU funding

* In-kind contribution by Company is considered as personnel, material and operation costs related to the implementation of the Action.

3.3 Eligible and Ineligible Costs

Only eligible costs can be taken into account for the support of Actions. These costs are:

- The estimated cost agreed between ELCIM and the Company prior to any implementation, which includes the cost of man/days for short term experts, the travelling costs and the daily allowance.
- Cost of Actions implemented through seminars and workshops (e.g. organised through the Chambers of Commerce, Industry and Agriculture, Syndicates and Associations).

For information purpose only: The Company is requested to provide an estimated cost of its "in-kind contribution" (see Footnote 1 on previous page), which will be provided by the Company during the implementation phase.

The following are ineligible costs:

- Any kind of supply
- Debts and provisions for possible future losses or debts
- Interest owed
- Items already financed in other frameworks
- Purchase of land or buildings
- Currency exchange losses
- Taxes, including VAT

3.4 Cost Contribution of SMEs

The Company has to contribute 20% of the total cost of technical business services, as described in the section titled "A-Cost Applied Through ELCIM," in Annex 2 below.

4 HOW SHOULD AN APPLICATION BE MADE AND THE PROCEDURES TO BE FOLLOWED

4.1 Application Form and Supporting Documents

Application Forms are available at the Help Desk of ELCIM in the Industrial Research Institute. Application Forms can also be obtained through regional Chambers of Commerce, Industry & Agriculture, or can be downloaded from ELCIM's website: www.elcim-lb.org

The Application Forms should be completed carefully and clearly in order to facilitate their evaluation, particularly concerning the services expected from ELCIM.

The Application Forms are available in both English and Arabic.

The following supporting documents will be requested from the Company at the time of the Business Diagnosis:

- Financial Statements for the last 3 years (balance sheet, profit and loss account)
- Copy of the Commercial Register
- Copy of Authorized Signature Circular

4.2 Where and How to Send Applications

A duly filled and signed Application Form must be received in a sealed envelope by registered mail, by courier service, or by hand-delivery, to the address indicated below:

Postal address: Euro-Lebanese Centre for Industrial Modernisation – ELCIM

Mr Raja Habre, Director

P.O. Box 11-2806, Beirut, Lebanon

ELCIM - Help Desk

Tel. 05 / 46 48 67

Address for hand delivery: Euro-Lebanese Centre for Industrial Modernisation – ELCIM

Industry Research Institute at the Lebanese University Campus, Hadath, Baabda, Lebanon

ELCIM - Help Desk

Tel. 05 / 46 48 67

Applications sent by any other means (e.g. by fax or by e-mail) will be rejected. Applications must be submitted in either English or Arabic.

4.3 Deadlines

European and Lebanese expertise to be provided to companies will have to be tendered in accordance to the EuropeAid Framework Contract (FWC) facility, to be launched by the EC Delegation in Beirut. As soon as a number of Actions / Technical Specifications of SMEs are approved (see Chapter 5 and 6 of these Guidelines) the FWC tender will be launched. Incoming applications will be served on a first-come first-served basis.

For this purpose, ELCIM has set the following deadlines for applications:

15 December, 2005

04 January, 2006

20 January, 2006

10 February, 2006

24 February, 2006

17 March, 2006

10 April, 2006 is the last deadline for application through FWC facility.

Any Applicant should take into consideration the time constraint to develop an acceptable application and the limited budget available for ELCIM.

Company applications submitted after the above mentioned deadline will have to be approved separately by the Implementation Approval Committee of ELCIM.

The implementation of approved Actions can last until November 2007.

4.4 Further Information

Questions may be sent by e-mail or fax to the address below:

e-mail: info@elcim-lb.org

Fax: 05 / 46 50 78

ELCIM Help Desk

Tel. 05 / 46 48 67

Written inquiries will be responded to no later than 3-5 days after ELCIM receives them.

5 EVALUATION AND SELECTION OF APPLICATIONS

Applications will be examined and evaluated by ELCIM. Final approval is granted by the Implementation Approval Committee of ELCIM. All applications will be evaluated according to the following criteria:

5.1 Administrative Compliance

- Verification that Application Form is complete
- Verification of eligibility of the Applicant (see Section 3.1)

5.2 Business Diagnosis*

The Business Diagnosis will only take place when the administrative compliance is verified and approved. The Business Diagnosis report will be used by ELCIM to identify the Company's needs and as a basis for the final approval of the application by the Implementation Approval Committee.

The outcome of the Business Diagnosis will be:

- Diagnosis report
- Proposed Action (maximum 3 per Company)
- Technical Specification for proposed Action (separately for each Action);

This will include:

- qualification of required experts
- tentative time schedule for implementation of Action
- Indicative budget per Action and overall budget

For companies that applied to ELCIM I and have had the Business Diagnosis prepared, a review and revision of originally proposed Action, technical specifications, action plans, and budgets will be undertaken.

For new or additional Action, a new application procedure (including required documents) will be necessary.

* The Business Diagnosis is a general overview of the Company, which includes managerial, human resources, production, marketing, quality and financial aspects. The period required for a Business Diagnosis will be 2 to 3 days, depending on the size of the Company. The Business Diagnosis will remain as a reference document for ELCIM for further implementation.

▼ 5.3 Evaluation of Final Application

Once the Business Diagnosis has been completed and results confirmed by the Company, only then will the Company send the following documents to ELCIM (Final Application):

- Valid Financial Statements for the last 3 years (or since its establishment)
- Commercial Register (as submitted earlier)
- Copy of authorized signature circular (as submitted earlier)
- Final technical specification for each Action to be implemented (including required expert's qualification and time schedule for implementation)
- Confirmed budget (see Annex 2: Cost Breakdown for Implementation of the Activity)
- Signed Letter of Commitment (see Annex 3) for each Action

ELCIM will administer the process and assist the Company to improve the Final Application.

▼ 5.4 Approval of Requested Action

Once ELCIM has received the Final Application documents which have already been signed by the Company, ELCIM will submit the documents, including its recommendations, to the Implementation Approval Committee.

The Committee will represent entrepreneurial knowledge and give final agreement on the proposed applications. It may also provide some advice on the application.

The proposed Action will be evaluated according to the following criteria:

- Financial and managerial capacity of Applicant
- Relevance to business development
- Chosen methodology for the implementation of the Action
- Expected sustainability
- Budget and cost effectiveness

Once the Final Application has been approved, ELCIM will invoice the Company for an amount that is equal to 30 percent of Company's contribution. The balance will be invoiced upon completion of the Action.

6 NOTIFICATION OF ELCIM'S DECISION

The Company will be informed by ELCIM about the decision of the Implementation Approval Committee not later than three weeks after the respective application deadline (see section 4.3).

ELCIM's decision to reject an application or not to award project support will be based on the following grounds:

- The application was incomplete or otherwise non-compliant with the stated administrative conditions
- The Applicant was not eligible

The Company might be asked to improve the application and to submit it again.

ELCIM's decision to reject an application or not to award a requested Action is final. ELCIM will not provide any justification for any decision taken.

7 IMPLEMENTATION

1. The approved Action will be tendered following the Framework Contract (FWC) facility of EuropeAid.
2. Once the Contractor has been selected following the EuropeAid FWC tendering procedure, the time schedule of implementation will be confirmed with the Company.
3. Kick off briefing between ELCIM and the Expert(s) will be organised before the implementation of the Action.
4. A start-up meeting will be organised and held at the Company. An ELCIM Business Advisor will join the meeting.
5. ELCIM Business Advisor will monitor the implementation.

List of Annexes

- Annex 1:** Application Form
Annex 2: Cost Breakdown for Implementation of the Activity.
Annex 3: Letter of Commitment