

UAE의 중소기업 범위 설정 지원 및 용역과제 관련 자료 수집

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I. 개요

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II. 방문 일정 및 기관, 면담자

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- UAE 두바이 출발 -> 서울 도착

Ⅲ. 출장결과 주요 보고내용

- 주요 출장 내용

- 'UAE 중소기업 기준 설정을 위한 제안-한국의 중소기업 범위 운용경험을 바탕으로- 주제발표 : <첨부자료> 참조

- 2011년 1월 UAE 중소기업 범위 설정에 대해 추가적인 자문 희망

- 칼리파펀드의 UAE 중소기업 지원 자료 입수 : 용역보고서 작성에 활용 계획

< 별첨 > UAE의 중소기업 기준 설정을 위한 제안 - 발표자료 참조

Recommendations for Defining SMEs in the UAE

- Based on the Korean Experiences in Implementation of SME Scope-

October 19, 2010

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1. Considerations in the UAE's Establishment of SME Criteria

The purpose for the establishment of SME scope criteria is to support SMEs in their role in national industrial development and balanced growth. To facilitate this, the government establishes criteria for SMEs eligible for policy support measures and excluding large enterprises. This is the basis for the nation's SME policy initiatives.

The UAE plans to establish SME scope criteria as a tool to effectively implement the UAE SME policies. In pursuit of a unified SME scope for the federal government and the emirates, the UAE is benchmarking Korea's formula.

Over the past 45 years, Korea has revised the SME scope criteria 13 times in an effort to improve the system and to cope with changes in the industrial and economic environment. The revisions have focused on maintaining SME scope criteria suited to Korean conditions while benchmarking the strengths and weaknesses of major country systems.

- Accordingly, based on Korea's SME scope criteria and experience in actual implementation, SMBA suggests an SME scope criteria suitable for the UAE.

Moreover, this advice is the result of efforts to make optimum suggestions considering two key factors -- general principles for establishment of SME scope criteria and the unique conditions in the UAE.

1) Unique Conditions in the UAE

The following unique conditions in the UAE related to the establishment of SME scope criteria were considered:

- While Korean industry is historically manufacturing-based, the UAE has a high proportion of petroleum-related industries, trade and services. However, the UAE is engaged in an effort to enhance the proportion of its manufacturing sector.
- The UAE is seeking SME scope criteria that is conducive to common development and benefits, overcoming the diversities and differences among the emirates in terms of economic scale and industrial mix.
- In Korea, various taxation-related data are available, which serve as reliable measures for the number of employees, turnover, capital, total assets, etc. The situation is different in the UAE due to a lack of similar taxation data. Therefore, except regarding the number of employees, reliable key data such as turnover, capital and total assets are not available in the UAE.

2) General Principles Related to the Establishment of SME Scope Criteria

The following points should be considered in connection with the establishment of SME scope criteria:

- The UAE government is advised to consider the budgetary resources available to support SMEs.
- The UAE should harmonize and accommodate the different views and situations in each emirate.
- The application and implementation processes should be made as easy and simple as possible to be used by SME support entities or SMEs. In this context, the criteria should be clear and transparent, preventing the implementing institutions and related personnel from taking arbitrary decisions and actions.

- * In Korea, there are more than 300 institutions involved in implementing more than 3,000 SME support policies. It is difficult for the government to directly confirm and certify the eligibility of SMEs, etc.
- To assess and certify the eligibility of SMEs, it should be easy for related institutions to secure reliable evidentiary data.
- The optimum level of criteria should be established from the beginning, as changes usually create various bottlenecks and difficult situations.
- While it is relatively easy to expand the scope of SME criteria, any reduction in scope criteria can lead to various difficulties, including strong resistance from related business communities.
- * In the case of Korea, the need for adjustment in the criteria of the workers for manufacturing companies was recognized. However, it is not easy at present to change the formula to resistance from the related business communities. In fact, it took 15 years for Korea to introduce the affiliate company system, from introduction and deliberation to actual implementation.
- Responding to the mega-trend of globalization, the SME scope criteria should be compatible with global standards, which will increase the efficiency of SME support.

2. Advice for the UAE's Establishment of SME Criteria

- 1) Unified SME Criteria, Despite Differences in Degree of Industrial Development in Respective Emirates

If the UAE implements unified SME scope criteria, the government will be able to support SMEs consistently.

- This also coincides with the UAE Federal Government's objective of pursuing balanced development among all the emirates.

Despite different degrees of industrial development by region, most countries apply a unified SME scope criteria.

- There is the need to take into consideration the fact that the EU is, for instance, using a single criteria for the establishment of SME scope, notwithstanding differences in GDP and degree of industrial development by country.

2) Classifying Business Type Criteria Into Three Groups - Industry (manufacturing, mining, construction), Services and Trade

Applying the criteria differently by business type in terms of the three groups is seen as appropriate when considering the UAE's current and future industrial development strategies.

- * Korea classifies SMEs into six groups at present, but sees the need to simplify its business types further (refer to Table 2).
- * The single criteria in the EU does not reflect the characteristics of business types. As the United States applies different SME scope criteria for 1,163 business types, there are disadvantages in that application is complicated and maintenance of equality among the various business types is also difficult.

Subcategories of business types included in the three groups need to be clarified based on the large classification of the International Standard Industrial Classification (ISIC, Rev. 4, Draft).

- * The Korean Standard Industrial Classification (KSIC) follows the ISIC and utilizes it as benchmark data for preparation and comparison &

analysis of industrial statistics among countries.

3) 'Either-Or Condition' for SME SCriteria: 'Number of workers' or 'turnover'

The reason that the UAE should introduce the 'Either-Or Condition' in relation to establishment of its SME criteria and the advantages are as follows:

By simplifying business types into three groups, the nation can avoid problems associated with the failure to reflect special situations by business type.

- * For example, the 'Either-Or Condition' can address the various situations of business communities, such as manpower dispatch businesses, which have low turnover but require a large number of workers, and wholesale businesses, which have few workers but achieve high turnover, without exceptional regulations. However, an 'And Condition' would expand the scope of relevant business types or introduce exceptional regulations in order to accommodate the foregoing situations.

In establishing the SME scope, the 'And Condition' may require frequent adjustments to expand the criteria for turnover if the foreign exchange rate of the UAE currency drops due to price hikes, asset value increases, etc. But regardless of drops in currency value, the 'Either-Or Condition' accommodates the situation by utilizing the number of workers, which has less variability due to external factors. Therefore, the 'Either-Or Condition' can minimize the frequency of changes in SME scope criteria.

The 'Either-Or Condition' also can address the inaccuracy of statistics of turnover, total assets, etc. and make it easier to adjust opinions among stakeholders.

- Regarding whether the number of workers should be 300 or 250 will be a very important factor in the 'And Condition,' it will be difficult to adjust opinions when they are different among emirates and SME support organizations. Since the 'Either-Or Condition' is a comparatively less sensitive factor, opinion adjustment is easier.

- * As an example, assume that an enterprise has 251 workers and turnover of AED 3 million, The 'And Condition' classifies the enterprise as a large enterprise regardless of its turnover due to its workers exceeding the criteria for workers, the assumed level of 250. On the other hand, the 'Either-Or Condition' recognizes the enterprise as an SME if turnover do not exceed AED 3 million, even if the number of workers exceeds 250. Accordingly, the importance of the number of workers criteria at 250 is comparatively less important under the 'Either-Or Condition' than under the 'And Condition.'

If enterprises and organizations engaged in special business types demand expansion of the SME scope criteria, the 'And Condition' would require special clauses for the relevant business types in order to accommodate the demands, and can raise problems that make the SME scope criteria more complicated. But such demands are comparatively fewer under the 'Either-Or Condition.'

However, when introducing the 'Either-Or Condition,' it is necessary to establish the criteria for the number of workers and turnover at comparatively lower levels than in the 'And Condition.'

- * For example, assume that an enterprise has 251 workers, the 'And Condition' classifies it as a large enterprise as the number of workers exceeds 250. On the other hand, the 'Either-Or Condition' can recognize even those enterprises with more than 250 workers as an SME, and it is considered a broader criteria.

- * Expanding the SME scope is easy. To reduce the scope, however, objections from related business communities would likely be intense. Therefore, establishing the SME scope criteria lower at first will make it easier to implement changes in the scope in the future.

4) Three Categories - Micro Business, Small Business and Medium Business

In major countries, the EU, the United States and Japan, including Korea, difficulties that enterprises experience by corporate scale at the growth stage are different. Therefore, these countries implement their SME scope criteria after classification of SMEs into three categories in accordance with corporate scale.

In establishing the border line for the three SME categories, it is necessary to make clear the purpose of such classification in advance.

- The main reason that major countries classify SMEs into three categories is to establish targets if and when a special support policy is required for smaller-scale enterprises rather than for all SMEs.
- * Example of special support policy for smaller-scale enterprises: Preferential treatment in bidding for government procurement projects (example: For printing business, only micro businesses can participate in tenders for 20 million won or less and only small businesses in tenders for 50 million won or less.)
- Utilizing the three categories in deciding the government's support scale (the scale of loans, etc.) may not be appropriate.
- * For example, even a micro business, if it has sufficient technological level and development potential, should receive more support. And despite being a medium business, if its technological level and development potential are weak, it should receive less support. If the

government determines support scale in terms of the three categories, flexible support required by enterprises will become difficult.

- Therefore, the purpose of the three-category classification must be focused on determining special support targets for small and micro businesses.

The standards for the number of workers or turnover that classify enterprises into three categories need to be decided in a way that suits the UAE's situation with reference to the SME ratios in other countries, Korea, the EU, etc.

- * The key to the standards for the number of workers or turnover, which becomes the basis for classification, is securing the most reliable and trustworthy statistics possible.

Taking into account the aforementioned three business groups (industry, service and trade) and the purpose of classifying SMEs into three categories (micro, small and medium), draft suggestions for the UAE's SME scope are as follows:

- turnover standards by business type and corporate scale will have to be established after the UAE's Ministry of Economy secures and analyzes reliable statistical data in the future.
- * turnover of micro and small enterprises lack reliability, and basic data also are difficult to secure, so many difficulties may follow in reality.

① Industry Sector

Suggestions (Draft) on Establishment of SME Criteria by Industry Group

<Table: <Draft 1> Benchmarking of Korean Formula>

Unit : persons, AED\$

Category	Numberof Employees	Annual Turnover
Micro	<10	<5m
Small	<50	<20m
Medium	<250	<100m

<Table: <Draft 2> Benchmarking of the EU Formula>

Unit : persons, AED\$

Category	Numberof Employees	Annual Turnover
Micro	<10	<10m
Small	<50	<40m
Medium	<250	<200m

② Service and Trade Sector

Suggestions (Draft) on Establishment of SME Criteria in Service Group

<Table: <Draft 1> Benchmarking of Korean Formula>

Unit : persons, AED\$

Category	Number of Employees	Annual Turnover
Micro	<5	N.A.
Small	<10	N.A.
Medium	<100	<50m

<Table: <Draft 2> Benchmarking of the EU Formula>

Unit : persons, AED\$

Category	Numberof Employees	Annual Turnover
Micro	<10	<10m
Small	<50	<40m
Medium	<250	<200m

5) Ceiling System for SME Criteria When Introducing 'Either-Or Condition'

Under the 'Either-Or Condition,' if meeting either the number of workers or turnover criteria, an enterprise can be designated an SME. Therefore, a problem may arise if one of the two requirements is expanded sharply many more enterprises may qualify as SMEs.

- * For example, with application of the 'Either-Or Condition,' in the case of industry, there may occur a problem that will have to recognize an enterprise that has AED 100 m in turnover and 700 workers as an SME.
- * A holding company with turnover of AED 1,000 m, but with few employees, can also be recognized as an SME. Therefore, there is a need to address this problem through establishment of ceiling standards.
- * To resolve this problem, Korea established 1,000 workers as the ceiling at the initial stage and, through statistical analyses, introduced own capital of 50 billion won and turnover of 150 billion won, similar to the level of 1,000 workers, as additional criteria.

To respond to such problems, in the case of its industry, the UAE may study ways of recognizing those enterprises having up to 500 workers (adjustable) and turnover (example: AED 200 m adjustable), equivalent to the ceiling scale of the number of workers, as SMEs.

- If turnover standards have been reasonably established for micro businesses and small businesses, there is a need to fix turnover as a minimum requirement and define small businesses and medium businesses in accordance with changes in the number of workers.
- This is a problem that can be associated with the UAE's labor policy (issuance of entry visas for foreigners). It would be desirable to prepare ways of recognizing only those enterprises that achieve turnover exceeding the minimum requirement as small businesses and medium businesses.

6) Introducing an 'SME Grace Period System'

- If all support is suspended immediately after an SME achieves a level of growth and becomes a large enterprise under the criteria, it may experience management difficulties. Therefore, there is a need to introduce and implement an SME grace period system.
- * If the number of workers or turnover change sharply under such circumstances as a rapid change in economic conditions like the 2008~2009 financial crisis, this system would complement the problem of whether an enterprise is an SME or not changing every year.

Suggestion for the UAE formula: If an SME exceeds the SME scope for two consecutive years, it is excluded from SME eligibility. If a large enterprise falls into the category of an SME for two consecutive years, it is classified as an SME.

- * Korea is practicing a 3-year grace system. The prevailing view is that 3

years is excessively long. Therefore, a 2-year grace period may be desirable for the UAE.

7) Careful Approach When Applying 'Independence Standards'

As it is a device to address the problem of a large enterprise receiving SME recognition through its division or establishment of subsidiaries, 'Independence Standards' is considered an absolutely necessary system.

- * 'Independence Standards' are applied in Korea, the United States and the EU, but most countries, including Japan and Taiwan, do not apply such standards.
- * Korea implements three kinds of 'Independence Standards.' Regarding one of the three - the affiliate system, although the need for its introduction was recognized early on, actual application required more than 15 years. The main reason for the delay was the possibility of substantial application because it was difficult to secure accurate corporate status data (number of workers, turnover, cross-shareholding among enterprises, etc.) easily and transparently.

Under the UAE's present situation where reliable and trustworthy data related to turnover, securing of stocks, etc. is largely lacking, there may be many difficulties for the government to apply 'Independence Standards' in reality.

Nevertheless, if the UAE intends to introduce International Financial Reporting Standards (IFRS), it will be necessary to study the application of 'Independence Standards' timed with the introduction of IFRS.

- * If IFRS is introduced, enterprises having affiliated companies must prepare consolidated financial statements, so it will be easier to understand the status of their affiliates.

If the UAE intends to apply 'Independence Standards,' the EU method is suggested.

- * Korea is implementing its own unique criteria and it has been pointed out that application methods are more or less difficult.
- * The criteria for affiliates that should be included in consolidated financial statements according to IFRS is similar to the EU's 'Independence Standards,' so application is easier.
- * If an enterprise owns over 50% of the total equity share of another enterprise, the EU regards them as one enterprise and adds up the number of workers, etc. multiplied by 100%; and if it owns 25~50% of the total equity, add up the number of workers, etc. multiplied by the equity ratio and apply the SME scope criteria.

8) Latest Accounting Year Tally for Measuring workers, turnover; Separate Criteria for Start-up or Merged Enterprises

As turnover, etc. are recorded based on the corporate accounting year, the figure applied should be based on the accounting year. For standardization of application periods with other indicators, the number of workers is also applied based on the accounting year. Considering frequent changes in the number of workers, however, an annual average number (add up the number at the end of every month and divide it by 12) is applied.

- * Since accounting years vary among enterprises, if the accounting year is applied uniformly, several problems may occur, including complications in the calculation of turnover.

As whether an enterprise is an SME or not is confirmed for one year with the results of the preceding year as the basis, stable government support is possible.

* If using the current results as the basis, the government would have to calculate the number of workers, turnover, etc. anew every time that support was necessary, bringing about difficulties and the problem of whether the enterprise is an SME or not possibly changing constantly.

As for enterprises, whose business period is less than one year and cannot submit the preceding year's results, the number of workers and turnover added up to the current period since start-up are applied after conversion to a one year basis.

In the case of a merged enterprise, corporate scale will change significantly compared with before the merger. In this case, the number of workers and turnover added up to the current period from the merger date are applied after conversion to a one year basis as in the case of start-up enterprises.