

Overview of the SME sector in Lebanon and the Role of the Enterprise Team at Ministry of Economy and Trade

Training of Trainers Program on Effective Intellectual Property Asset Management by Small and Medium-Sized Enterprises (SMEs)

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“SMEs”, “Startups”, “Entrepreneurs” are the buzz words these days. What is an SME? There is no universal definition of SME; different countries follow different criteria, but all agree that they are enterprises with considerable growth potential

Definition of SMEs

	Micro	Small	Medium
 European Union	≤ 10 employees $\leq \text{€ } 2 \text{ M Turnover or}$ $\leq \text{€ } 2 \text{ M Balance Sheet}$	≤ 50 employees $\leq \text{€ } 10 \text{ M Turnover or}$ $\leq \text{€ } 10 \text{ M Balance Sheet}$	≤ 250 employees $\leq \text{€ } 50 \text{ M Turnover or}$ $\leq \text{€ } 43 \text{ M Balance Sheet}$
 United States	≤ 20 employees	≤ 100 employees	≤ 500 employees
 Egypt	≤ 5 employees	≤ 15 employees	≤ 50 employees
 South Korea	Manufacturing SME		Service SME
	≤ 300 employees		≤ 200 employees
 Singapore	SME		
	≤ 300 employees $< 100 \text{ M Turnover}$		
 Lebanon	?	?	?

SMEs contribute substantially to their economies and play a central role in enhancing economic dynamism, job creation and innovation

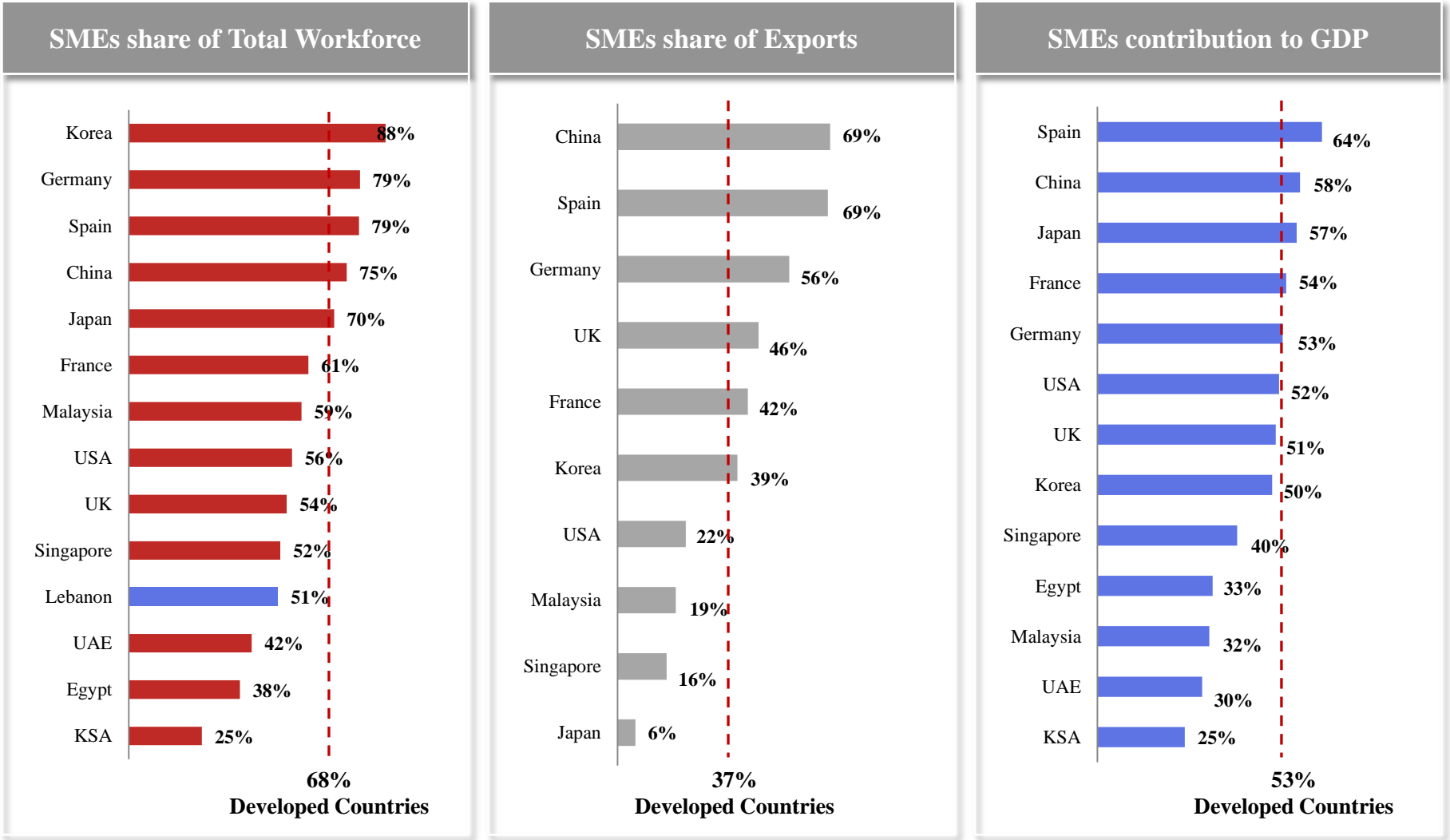
SMEs Contribution to Economies

I	Generate employment
II	Increase output with value added
III	Increase household income
IV	Increase firms and national competitiveness and productivity
V	Spur innovation
VI	Increase exports
VII	Generate fiscal revenues
VIII	Create competition
IX	Nurture entrepreneurship culture including that of women and youth



Worldwide, they represent more than 95% of enterprises, employ around 68% of developed countries working population, their share of exports amounts to 37% , and they contribute to 53% to their GDP on average

SMEs Contribution to Employment, Exports and GDP



Given their importance and potential, most countries have embedded SME development in their growth strategies, a plan the Government of Lebanon is equally adopting in its Economic and Social Reform Action Plan 2012-2015

Economic and Social Reform Action Plan Pillars



The main focus of the government action is to support SMEs by:

- **Strengthening and upgrading the business legal framework**
- **Facilitating trade and enabling competition**
- **Fostering growth and increase access to finance of SMEs**
- **Facilitating the creation of new businesses and spurring competitiveness**

This is not new for the Lebanese Government in general, and for the Ministry of Economy and Trade in particular, who have undertaken a number of policies and initiatives to support SMEs during the last decade

Policies and Initiatives Targeting the SME Sector

- **Introduced Interest rates subsidies for investments in productive sectors**
- **Established the loan guarantee agency “Kafalat”**
- **Attracted International Donor such as IFC, EIB, AFD that provide cheap and long term financing for SMEs**
- **Established an investment authority IDAL that offers export supporting services and business linkages for SMEs**
- **Created 3 business development centers that offer different support services for SMEs and entrepreneurs Berytech, BIAT, South BIC**
- **Established units and projects within Ministries to support SMEs, improve the quality of their goods through quality control and standardization, modernization of production and provision of research (SME Support Unit, Qualeb, LIBNOR, ELCIM, IRI etc...)**
- **Introduced a range of tax incentives and exemptions, most recently the reduction on profit taxes of export oriented industrial firms (waiting for parliament ratification)**
- **Provide financial support to encourage participation in fairs and exhibitions**
- **Secured a loan from the World Bank to create a fund at Kafalat in order to provide early stage equity financing and concept development grants for SMEs and entrepreneurs (waiting for parliament ratification)**
- **Introduced innovation vouchers to stimulate the development of innovative concepts**

Ongoing

- **Committing to adopt an ambitious legislative and regulatory reform to improve the business environment in Lebanon under the “Improving Business Environment Initiative IBEL” (bankruptcy law, secured lending, competition law, code of commerce etc...)**
- **Developing economic zones (Tripoli Economic Zones)**

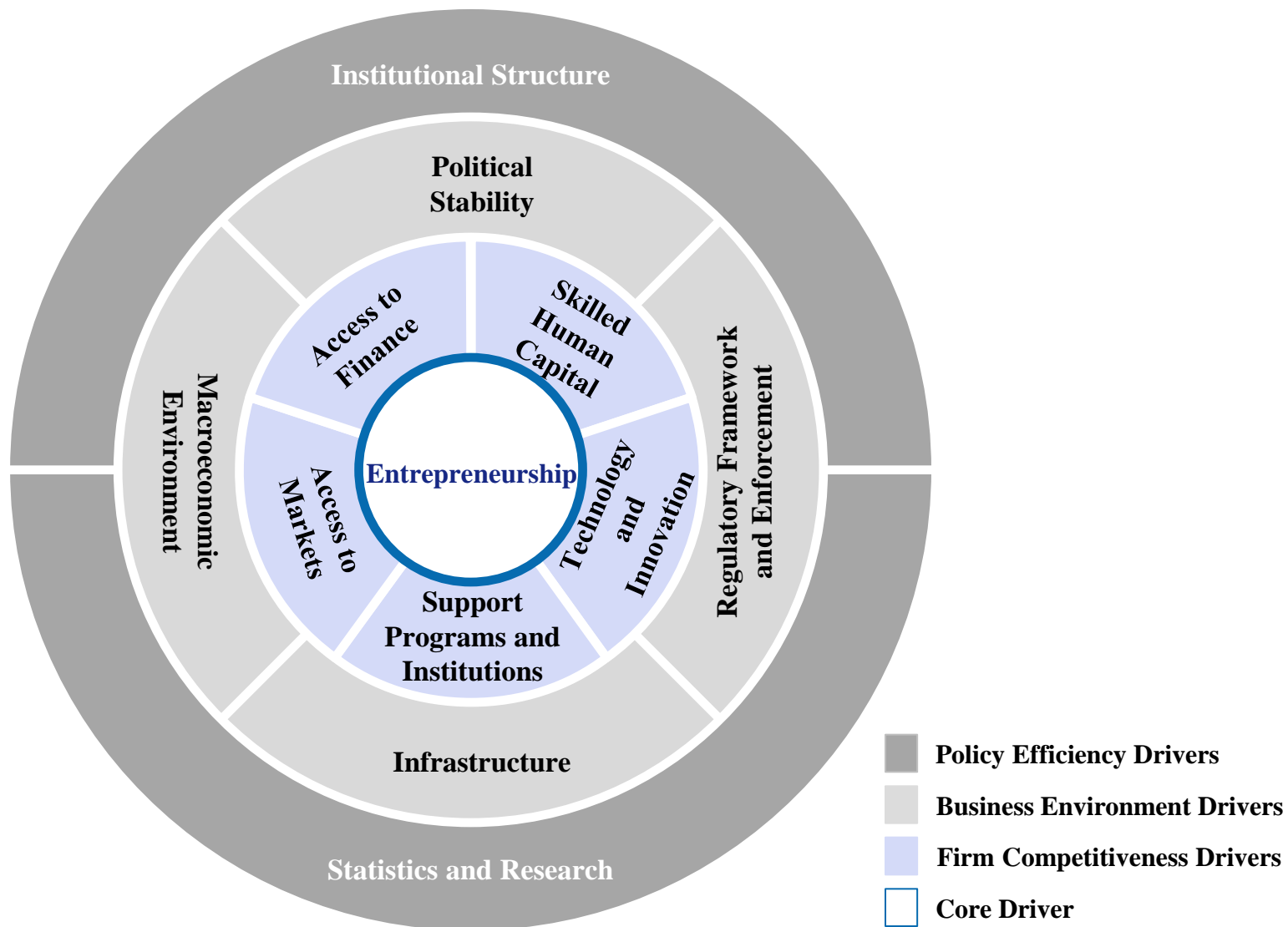
Despite the existence of a range of public initiatives and other private sector and civil society initiatives, the SME sector still faces challenges and performs below its potential

Challenges Facing the Lebanese SME Sector

- Political and security issues**
- Macroeconomic uncertainty and increasing production costs**
- Unreliable Infrastructure**
- Limited access to finance particularly equity financing and high levels of collateral**
- Limited levels of compliance with international standards, limiting access to markets**
- Weak investments in research and development**
- Legal, regulatory and administrative inefficiencies (costly, timely and cumbersome)**
- Weak rule of law and enforcement, including IPR protection**
- Persistent mismatch between the skills acquired at university and the requirements of business**
- Limited awareness of different support initiatives and minimal coordination between stakeholders**
- Large number of SMEs operating in the informal sector**
- Limited availability of evidence and statistics for the sector**

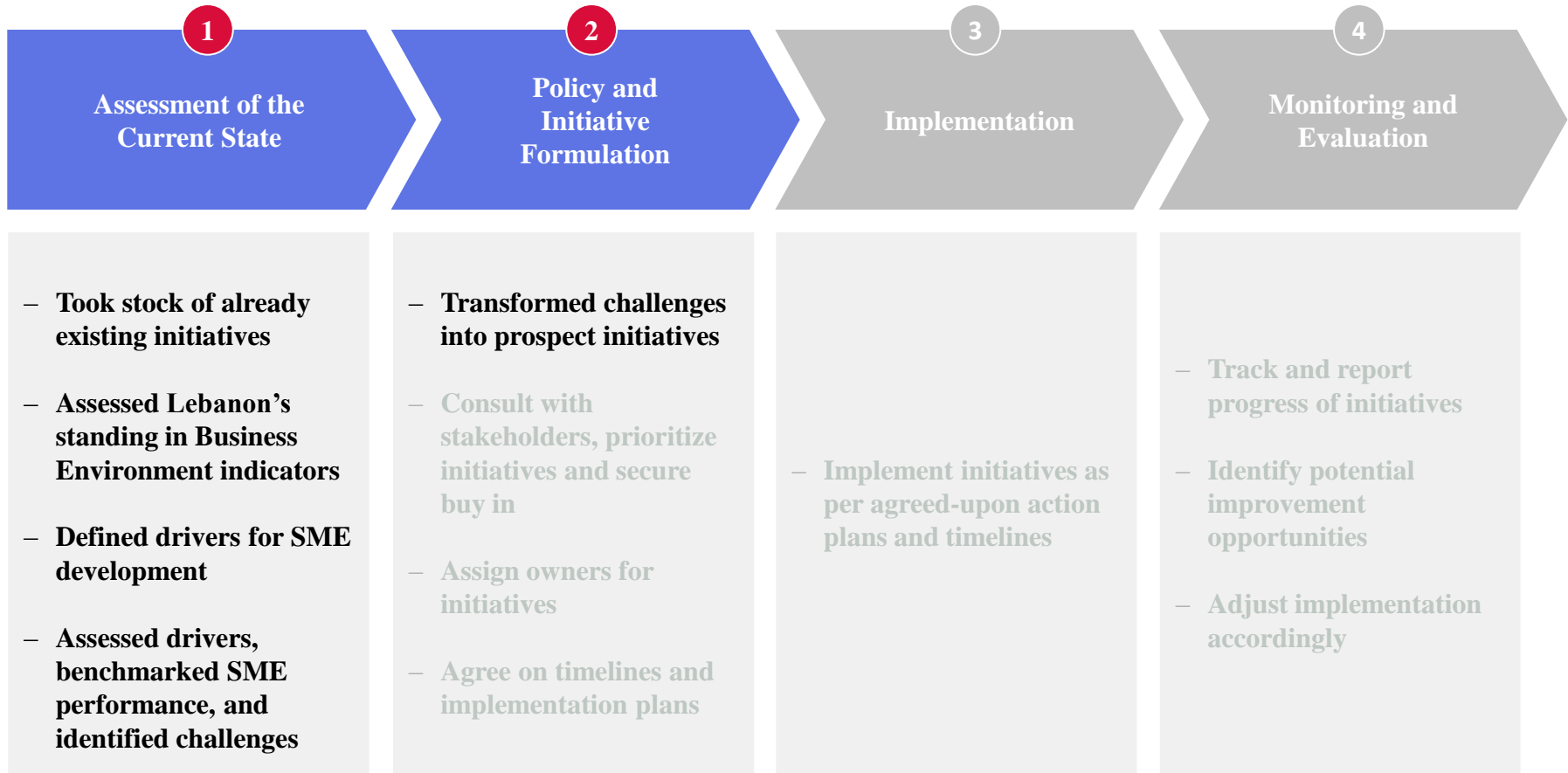
To overcome those, the Enterprise Team with related stakeholders, have embarked in formulating a **COMPREHENSIVE SME SUPPORT STRATEGY**, building on the drivers of SME development, where IPR and enforcement mechanisms are strongly present

Framework for SME Development Drivers



Where are we from completion and what have we done so far?

SME Strategy Formulation and Implementation



Last month, in cooperation with the Presidency of Council of Ministers, we organized a national workshop to discuss the challenges and possible solutions. The workshop resulted in developing a proposal on the immediate needed next steps

Next Steps Needed

- | | |
|---|---|
| 1 Establish a National SME Taskforce | – The taskforce will be responsible of prioritizing the strategy’s initiatives and developing a detailed action plan for each with measurable targets and specific deadlines |
| 2 Establish an SME Observatory | – The observatory would be in charge of collecting and disseminating data, conducting surveys and monitoring the developments of the sector |

The workshop was the first milestone in the process of building the strategy.

The Enterprise Team will continue its efforts in spearheading the formulation of the SME sector strategy!

To stay tuned on our progress and other activities, please visit our section at the Ministry's website and/or contact us.

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Thank you for your attention!