



An Overview of the State of Competitiveness of SMEs in Lebanon and their Interface with the Intellectual Property System

**The Role of Intellectual Property Rights in Enhancing
Competitiveness of Businesses and Industries**

Beirut

January 28, 2013

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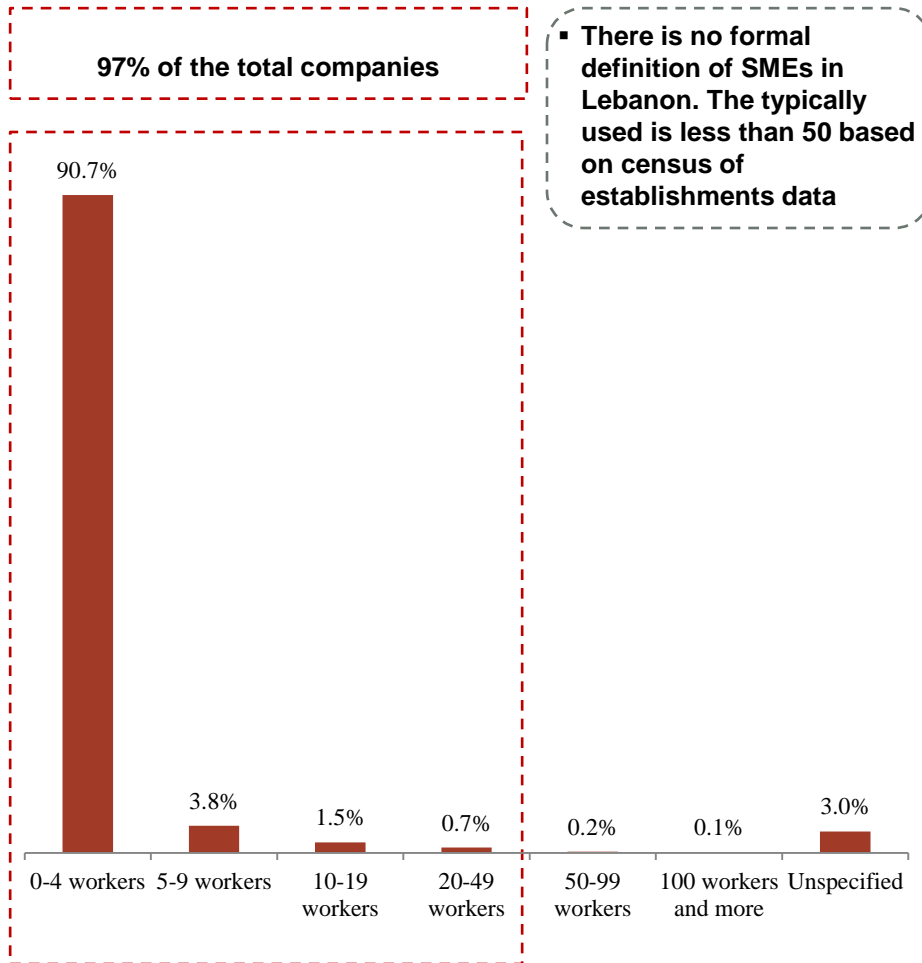
Head of Enterprise Team

Ministry of Economy and Trade

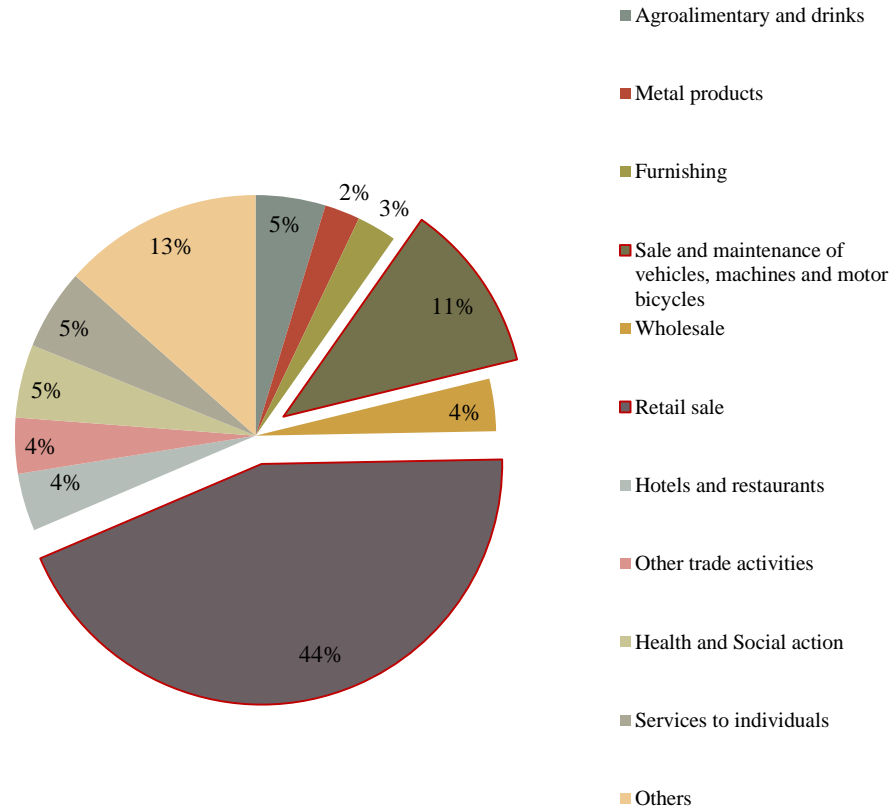
Table of Contents:

- 1 Lebanese SMEs: Situational Analysis**
 - 2 Snapshot of Key Competitiveness and Innovation Indicators**
 - 3 SMEs' interface with IPRs**
 - 4 Cost Benefit Analysis for registering IPRs**
 - 5 Conclusion**
-

SMEs are the driving force in the Lebanese economy. They account for 97 % of total enterprises in Lebanon and estimates reveal that they employ more than 51% of the working population. The retail trade sector hosts alone around 44%.



Top 3 sectors are Retail Sale 44%, Sale and maintenance of vehicles, machines and motor bicycles 11% and Services to individuals 5.5%



Others include: sectors such as textiles & leathers, paper & paper board, printing & editing, non metal products, tools & equipment, water electricity & gas and others...

Source: Census of Buildings Dwellings and Establishments 2004, CAS

The Lebanese government has been very active in the past few years in developing and implementing measures to address a wide range of economic and business issues facing SMEs. Despite these efforts, SMEs still face challenges.

Initiatives

- ▶ Introduced Interest rates subsidies
- ▶ Established the loan guarantee agency Kafalat
- ▶ Attracted International Donor such as IFC, EIB, AFD, AFSED that provide cheap and long term financing for SME
- ▶ Established a unit to improve the business environment of Lebanon “IBEL”
- ▶ Established an investment authority IDAL that not only promotes investment but also offers export supporting service
- ▶ Created 3 business development centers that offer different support services such as incubating, consulting, mentorship, hosting, business space, financial expertise, advice, network etc...Berytech, BIAT, South BIC
- ▶ Established units to support SMEs, improve the quality of their goods through quality control and standardization, and modernization of their production (SME Support Unit/Enterprise Team, Qualeb, LIBNOR, ELCIM etc...)
- ▶ Increased access to market through the signature of many trade agreements and partnerships
- ▶ Created platforms for networking among entrepreneurs

Ongoing

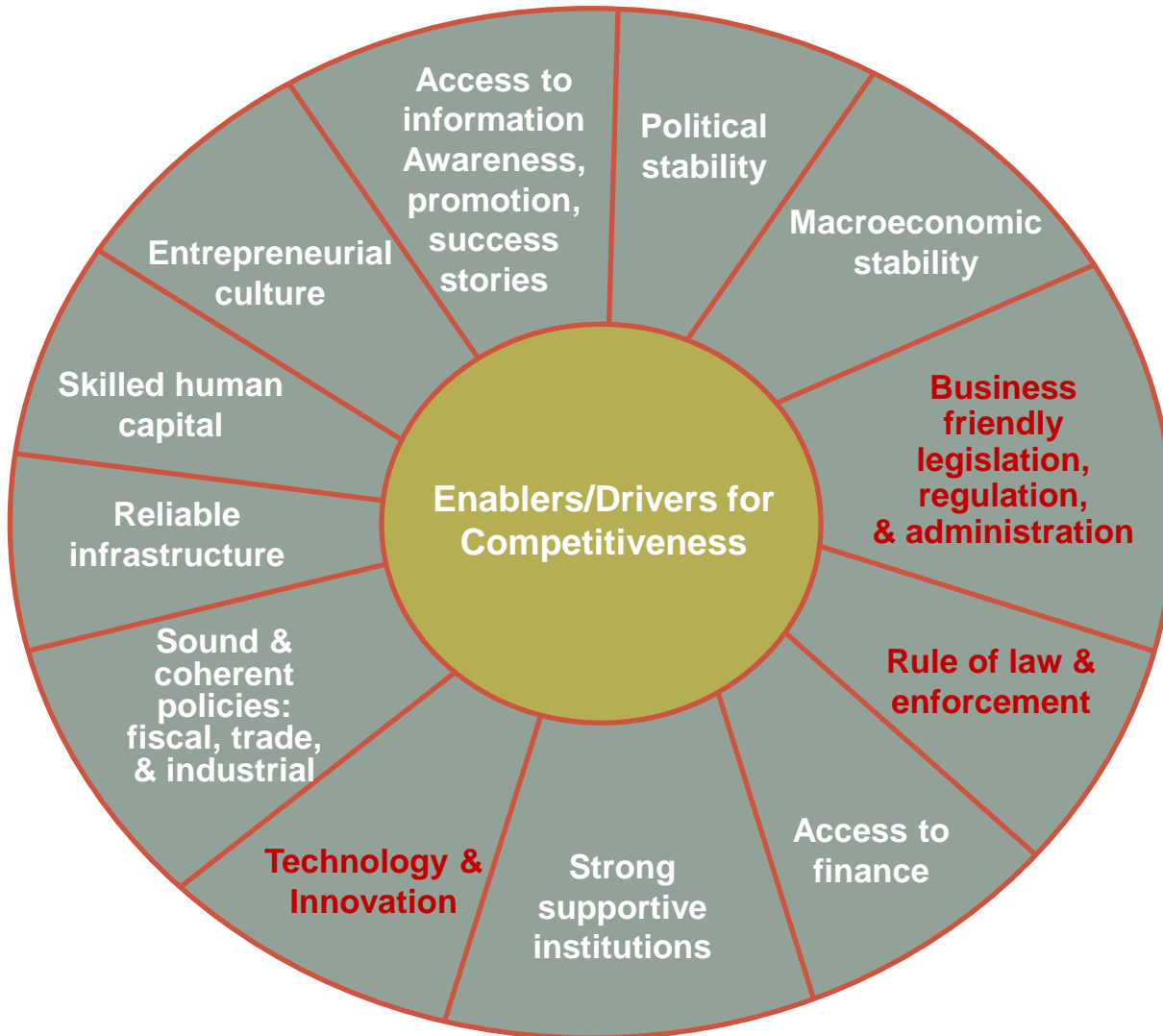
- ▶ Formulating an exhaustive support strategy for SMEs
- ▶ Committing to adopt an ambitious legislative and regulatory reform to improve the business environment in Lebanon
- ▶ Negotiating an agreement with the World Bank and Kafalat to provide early stage financing and concept development grants
- ▶ Developing economic zones

Challenges

- ▶ Political and security issues
- ▶ Macroeconomic uncertainty and increasing production costs
- ▶ Legal, regulatory and administrative inefficiencies
- ▶ Weak rule and enforcement of law
- ▶ Limited access to finance particularly equity financing and high levels of collateral
- ▶ Limited levels of compliance with international standards, limiting access to markets
- ▶ Weak research and development on the public and private levels
- ▶ Unreliable Infrastructure
- ▶ Persistent mismatch between the skills acquired at university and the requirements of business
- ▶ Limited amount of data and research

In today's globalized and knowledge driven world, it is imperative for Lebanese SMEs to be more competitive. What is competitiveness and what are the factors affecting it?

Competitiveness is the set of institutions, policies, and factors that determine the level of productivity.



Why are intellectual property rights IPRs and enforcement inseparable factors to competitiveness and innovation? In other words, how can IPR enhance competitiveness and innovation?

Factors why IPRs increase competitiveness and innovation

- 1** Protection
- 2** Increase the market value of the company
- 3** Reduce branding and marketing costs
- 4** Increase access to finance
- 5** Increase access to markets
- 6** Increase commercialization: license-franchise
- 7** Increase innovation and know technological inventions
- 8** Help identify possible competitors
- 9** Help avoiding wasteful investment in research and development (R&D) and marketing

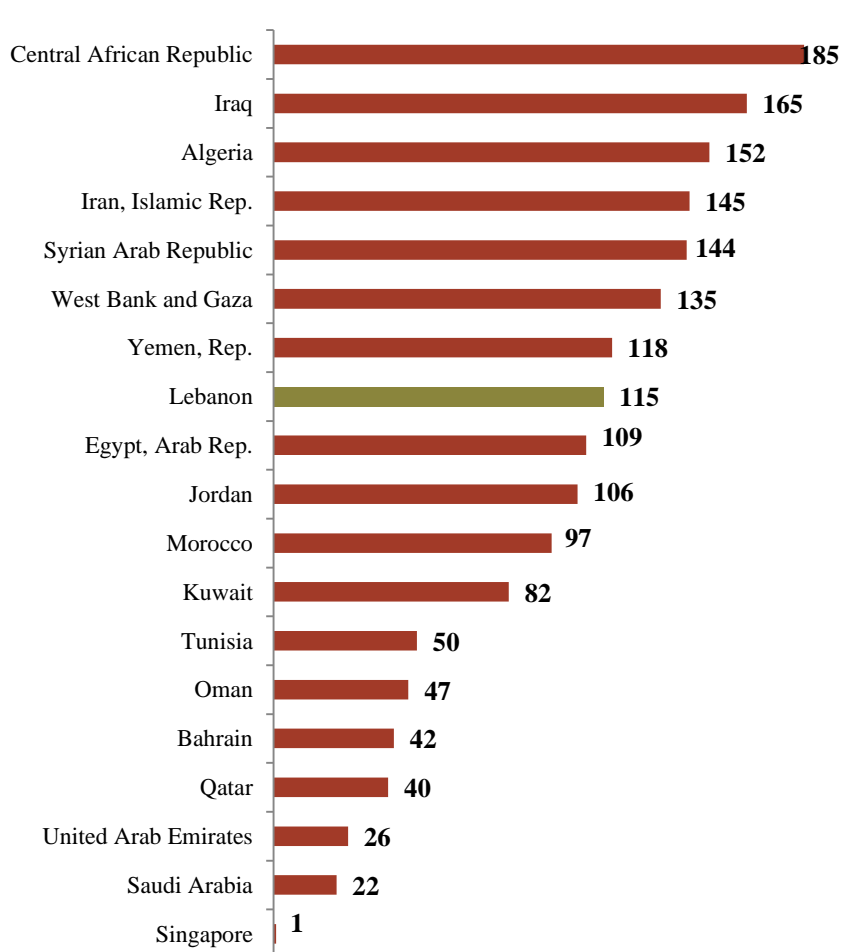
International competitiveness and innovation indices highlight our standing in this respect.

Snapshot of Key Competitiveness and Innovation Indicators

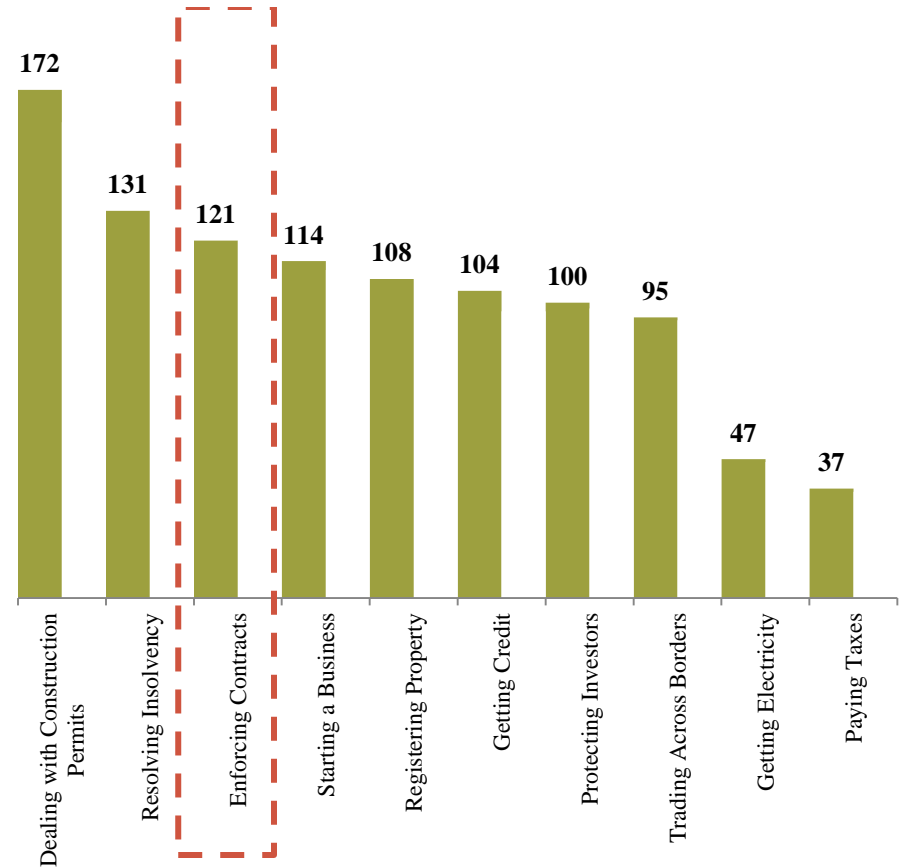
	2013	2012	2011	2010
Ease of Doing Business, International Finance Corporation (185 country)	115	112	Not Comparable	
Global Competitiveness Indicator World Economic Forum (144 country)	N/A	91	89	92
Index of Economic Freedom, Heritage Foundation (177 country)	91	90	89	89
Global Innovation Index INSEAD/World Intellectual Property Organization (141 country)	N/A	61	59	N/A

Lebanon ranks 115th globally in the Ease of Doing Business Indicator implying that business regulations are somewhat burdensome, timely and costly, limiting business development.

**Doing Business 2013, Ranking
(1-185)**



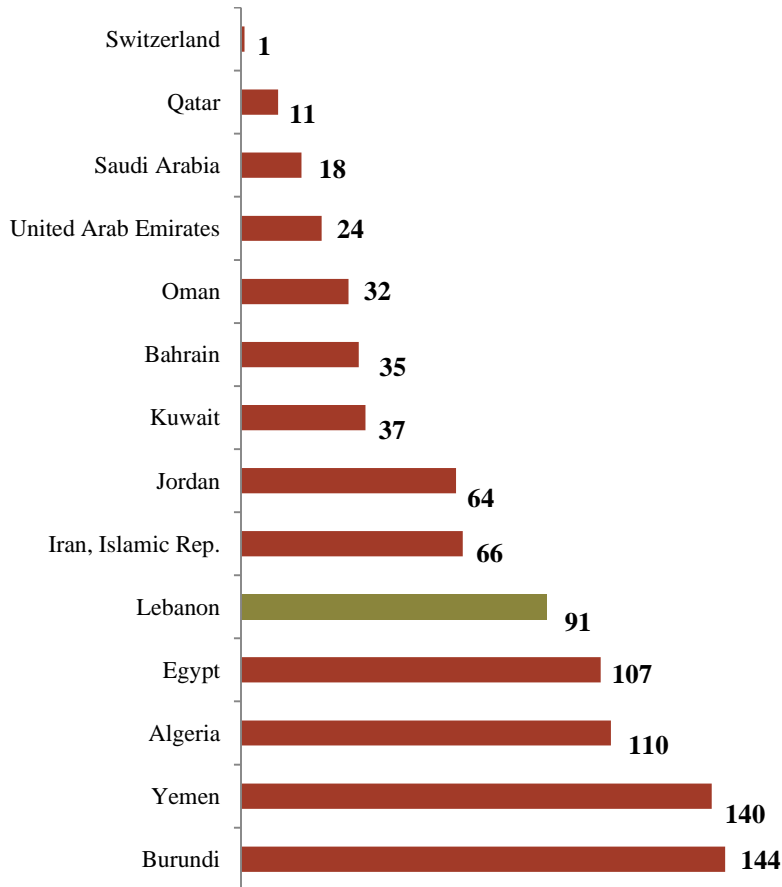
**Doing Business 2012-2013, Topics
(1-185)**



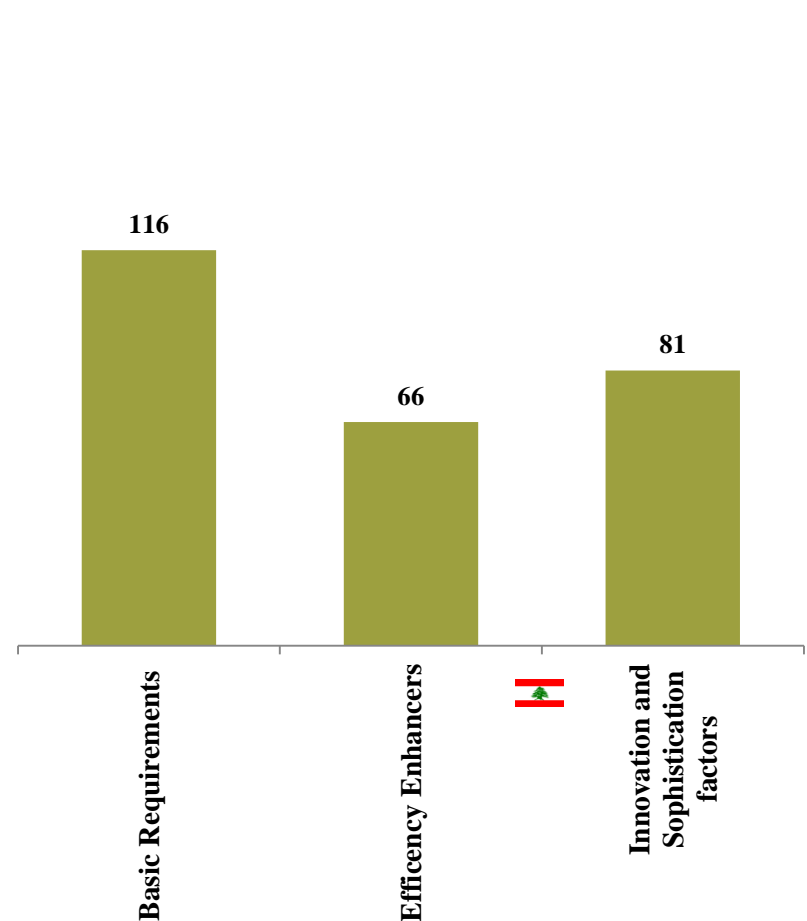
Source: *Ease of Doing Business 2013, IFC*

According to the Global Competitiveness Index, Lebanon ranks 91th among 144 countries. In terms of innovation and sophistication Lebanon ranks 81st, higher than the total score.

Global Competitiveness Index 2012, Ranking (1-144)

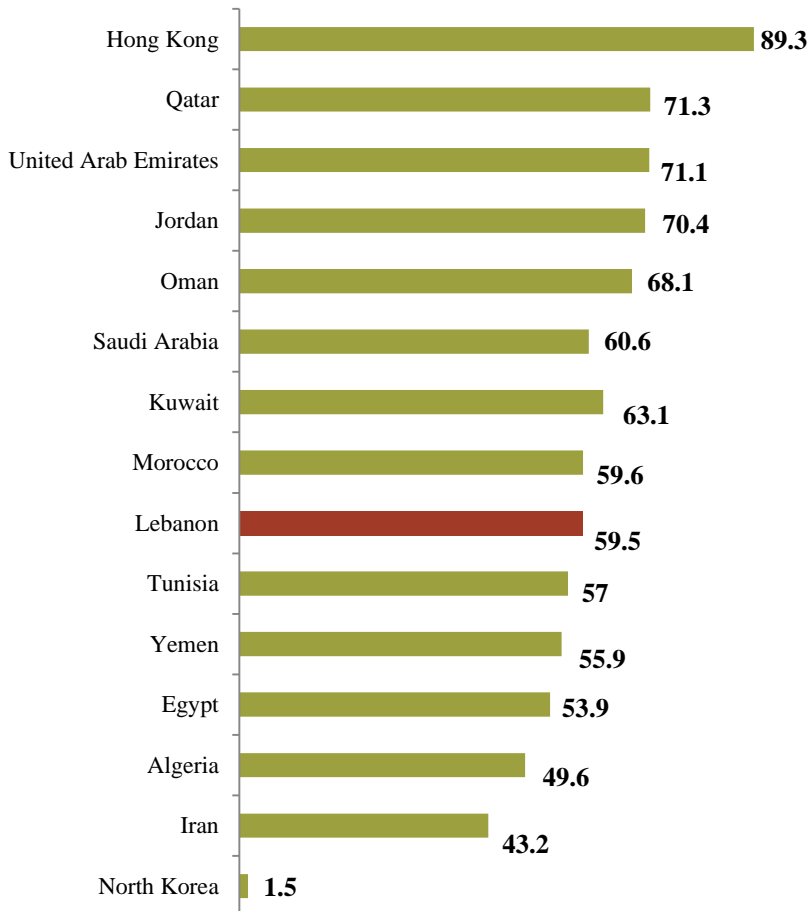


Global Competitiveness Index 2012, 3 Groups (1-144)

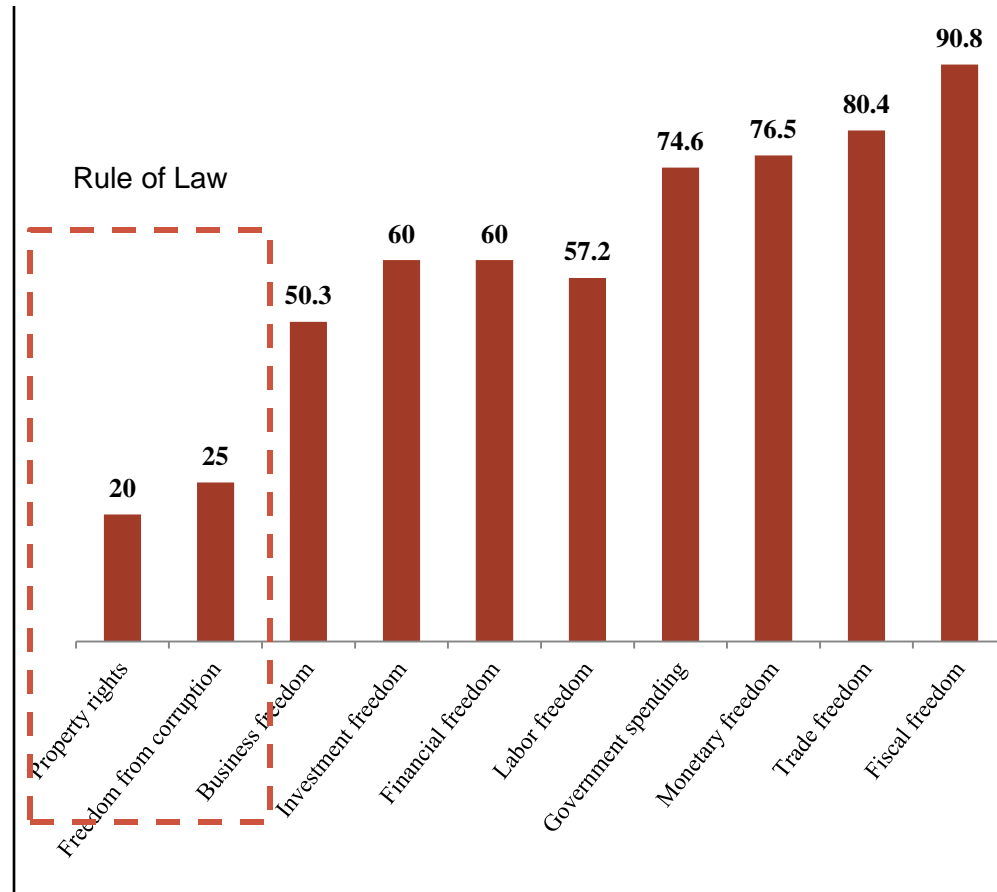


Lebanon's economy is the 91st freest globally according to the 2012 Index of Economic Freedom, with a low score attributed to the rule of law pillar.

Index of Economic Freedom 2013, Score (0-100)



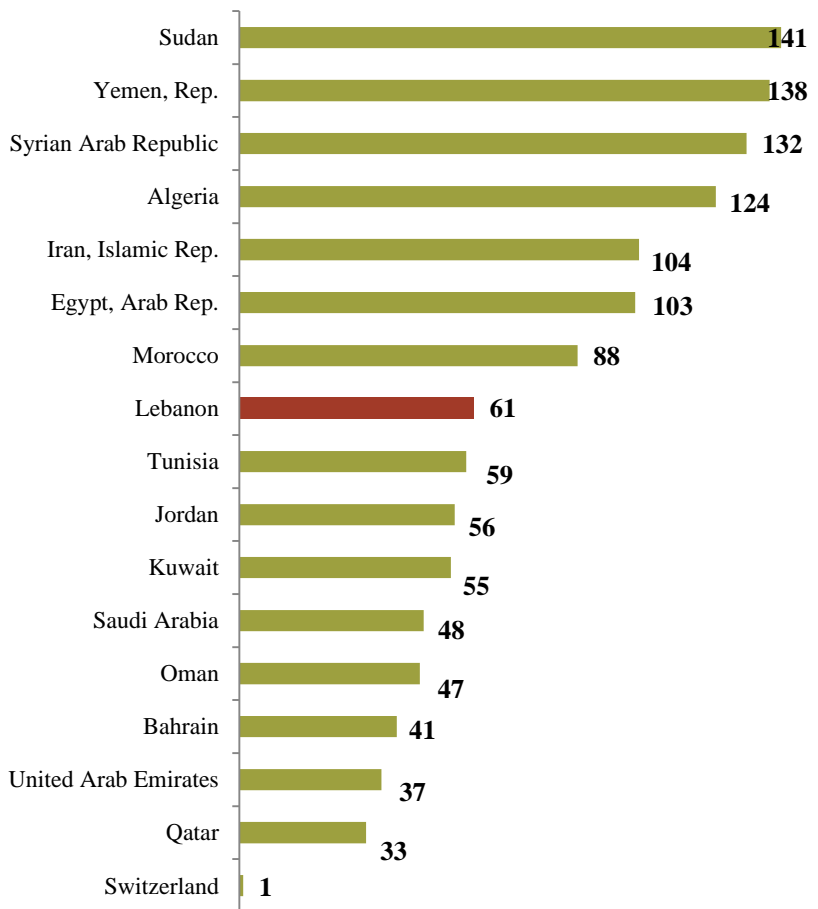
Index of Economic Freedom 2013, Freedoms' Score (0-100)



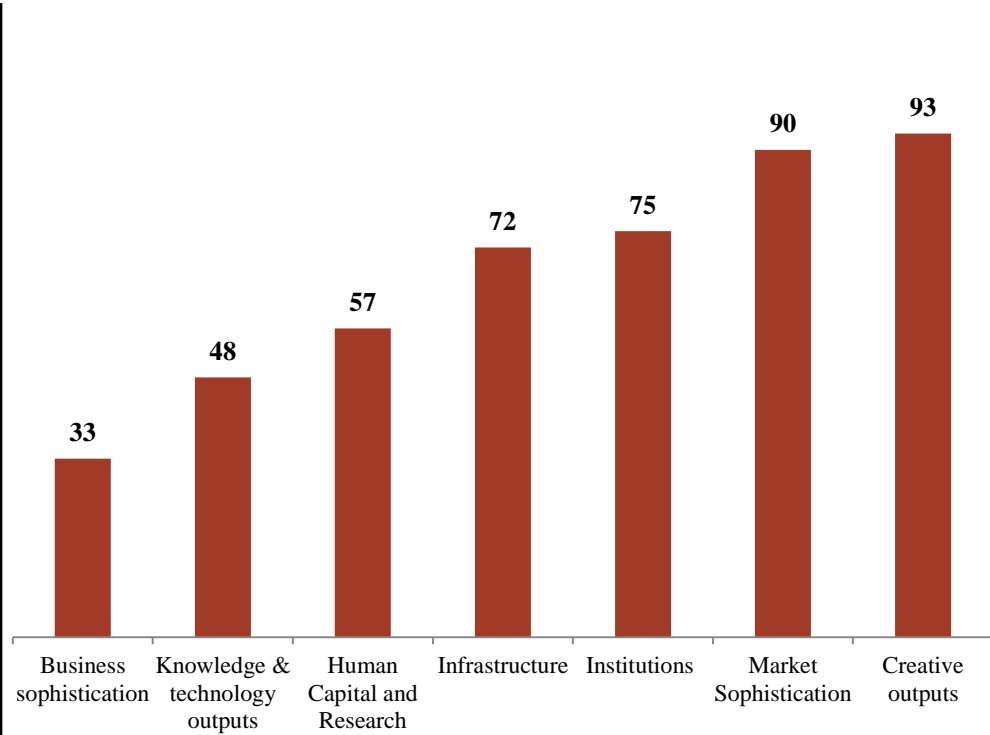
Source: Index of Economic Freedom 2013, Heritage Foundation

Looking at the comprehensive Global Innovation Index, Lebanon ranks 61st among 141 countries. Rankings show that Lebanese businesses are innovative and sophisticated enough particularly in terms of knowledge workers and innovation linkages.

Global Innovation Index 2012, Ranking (1-141)



Global Innovation Index 2012, Pillars (1-141)



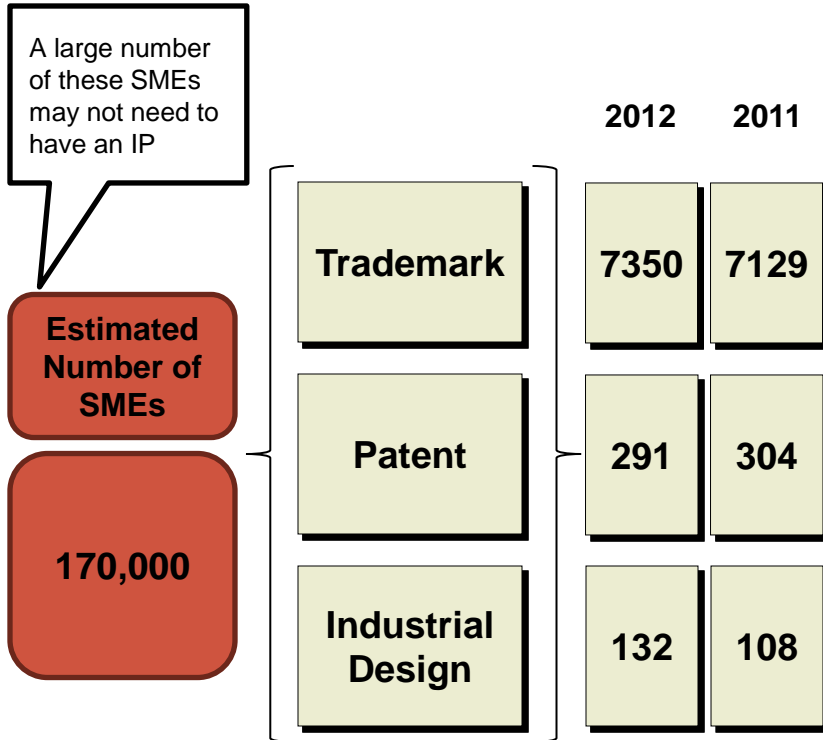
Source: Global Innovation Index 2012, INSEAD/WIPO

In short, Lebanese SMEs are innovative thus have a great potential to become more competitive. Lebanese law provides protection for intellectual property rights but the enforcement area needs to be improved. Knowing that, the government embarked on an ambitious plan to strengthen it.

Initiatives to improve the rule of law and enforcement

- **Work in progress on speeding up commercial and civil proceedings and ensure faster trials when enforcing contracts**
 - **Promulgate law for faster proceedings for small trials (less than LL15mill)**
- **Work in progress to review the fee structure and introduce improvements to reduce the costs**
- **Work in progress on improving the efficiency of judicial system through automation and upgrade, and through training and specializing the judicial capabilities**
- **Work in progress to institutionalize alternative dispute resolution practices to become an efficient alternative to courts and to enact a law on mediation**

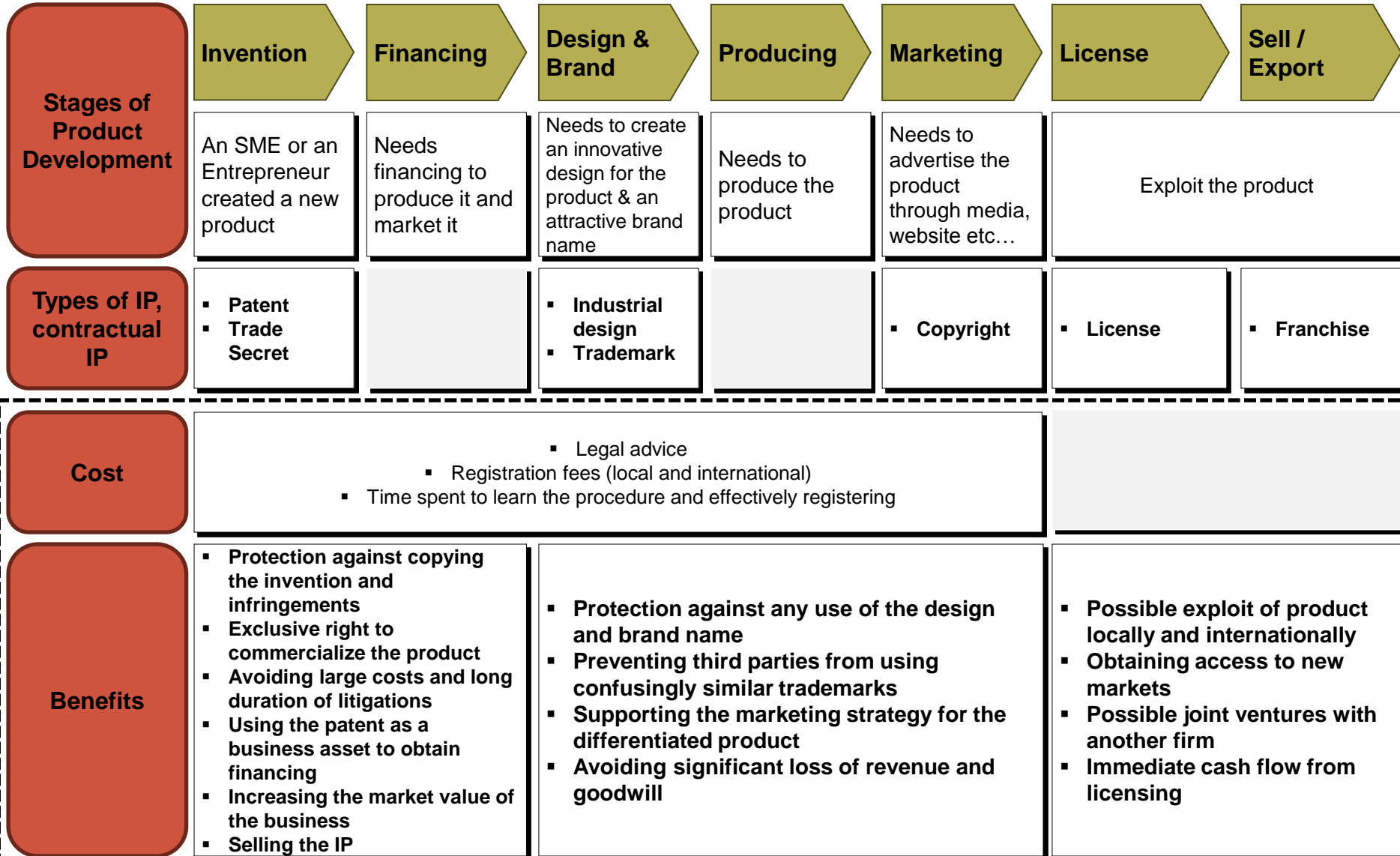
By simply comparing the number of SMEs and the number of IPRs registered each year in Lebanon, we deduce that a large number of SMEs do not apply for IP protection.



Possible Factors

- Perception that acquiring and maintaining to be too costly and burdensome
- Unawareness of the intellectual value of their ideas or products and underestimation of the benefits of registered rights
- High costs for monitoring and enforcing IP rights
- Lack of trust in the enforcement of rights and in the legal system
- Reliance on informal methods instead such as trust and limited information
- Lack of creativity in the production due to limited innovative capacity
- High levels of informal enterprises

In order to strengthen their competitiveness, SMEs need to integrate the different intellectual property rights during the stages of development of their product or service and understand the benefits vs. the costs to their business.



To conclude, Lebanese SMEs have a great potential to achieve rapid growth and expansion. Smart utilization of their IPRs is key in this path!

Conclusion

- 1 Lebanese enjoy a high entrepreneurial spirit
- 2 SMEs are innovative and have a growth potential
- 3 IPR and appropriate enforcement are enablers for competitiveness
- 4 Lebanese Law offers protection for IPRs
- 5 Lebanon is actively working and determined to improve significantly enforcement
- 6 SMEs' interface with IP is further developing and improving due to improved efficiency in the regulation and administration and due to increased formality among SMEs
- 7 SMEs should take advantage of the IP system and understand that the benefits exceed the costs



Thank you for your attention!

Enterprise Team
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