


 Support to an Enabling Business Environment
 for MSMEs Development & Financial Inclusion

Discussion paper on MSMEs Export development in EU Southern Neighborhood Countries

A regional perspective

August 2021

Project Number: EuropeAid/139517/DH/SER/Multi

Contract Number: 2018/401284

Contents

Acronyms	4
Executive Summary.....	6
Introduction	7
Section 1. Overview of SME exports in the targeted South-MED countries	9
1.1 Regional comparative analysis.....	9
The countries vary in the degree of their trade openness	9
The countries vary in their reliance on merchandise versus services exports	10
The countries also differ by the percentage of manufactured exports in total merchandise exports	10
Share of high-tech exports in manufactured exports.....	10
1.2 Top export destinations and products.....	11
The top export market destinations vary considerably by country.....	11
The targeted countries also vary considerably in terms of their primary export products and sectors	12
1.3 Exports via global value chain linkages.....	12
1.4 Trade agreements and trade facilitation mechanisms	15
Numerous trade agreements but underdeveloped benefits.....	15
Trade facilitation performance varies by country	16
1.5 Role of SMEs in exporting and internationalisation activity	20
Common weaknesses of SMEs impeding export development.....	22
1.6 Impact of COVID-19 on exports and governments' policy responses	22
Impact of the COVID-19 pandemic on GDP growth.....	22
Impact on exports	23
Governments' policy responses to COVID-19 pandemic affecting SME exporters	25
Section 2. Policies and strategies supporting export activity	27
Supporting the export activity of women entrepreneurs.....	31
Digitalisation and green growth strategies and implications for SME exports.....	33
Section 3. Common priorities and proposed actions for strengthening exports	35
3.1 Policy level priorities	35
3.2 Regulatory framework and business environment reform (conducive to trade facilitation and development)	38
3.3. Adaptation of support programmes and services for exporting SMEs.....	39
Section 4. Conclusions and the way forward.....	41
4.1 Support that could be provided by the EU on a regional basis	41
Supporting the national governments in developing their renewed export strategies, but with an expanded framework.....	41
Regional knowledge exchange on data systems for reporting on SME export statistics	41
Regional dialogue on SMEs and standards	42
Regional dialogue on compatibility with the EU Green Action Plan for SMEs	43
Regional dialogue on women-owned SMEs and international trade	44
Response to shifting value chains	45

Other potentially useful topics for regional dialogue and exchange.....	45
4.2 The role of the MED MSMEs Programme in supporting priorities on a regional level.....	45
References	47
Appendix 1: SME Internationalisation Working Groups	49
Appendix 2. Country profile summaries	50
Egypt – Country profile summary	50
Jordan – Country profile summary	53
Morocco – Country profile summary.....	56
Lebanon - Country profile summary	59
Palestine - Country profile summary	61
Tunisia – Country profile summary.....	64
Appendix 3. SBA Principle 10: Internationalisation	67

List of boxes

Box 1. The Egyptian Export Association sees the African Continental Free Trade Area Agreement (AfCFTA) as a vehicle for building intra-regional value chains	16
Box 2. “Easy Export” project, Tunisia.....	18
Box 3. PortNet National Single Window of Foreign Trade Procedures, Morocco	19
Box 4. Producing statistics on the SME share of exporting activity - Eurostat	21
Box 5. Innovative export development programmes of the Egyptian Exporters Association.....	29
Box 6. Jordan achieves success in targeting the export development of services SMEs	30
Box 7. Supporting Tunisian SMEs to Access New Export Markets in Africa	30
Box 8. “e-Commerce and Women-Led SMEs in Lebanon” project.....	32
Box 9. The Palestinian Export Council (PEC)	37
Box 10. The Small Business Standards Association – a learning model from the EU	43

Acronyms

AEO	Authorised Economic Operator
AfCFTA	African Continental Free Trade Area Agreement
AMDIE	Moroccan Agency for the Development of Investments and Exports
APII	Agency for Promotion of Industry and Innovation (Tunisia)
ASMEX	Moroccan Exporters Association
B2B	Business-to-business
CEPEX	Centre for Promotion of Exports (Tunisia)
CGEM	General Confederation of Moroccan Enterprises
COTUNACE	Tunisian Company for Foreign Trade Insurance
EBRD	European Bank for Reconstruction and Development
ECS	Egyptian Commercial Service
EDA	Export Development Authority (Egypt)
EEA	Egyptian Exporters Association
EFSD	European Fund for Sustainable Development
EIP	Export Incubator Programme (Egypt)
ESCWA	Economic and Social Commission for Western Asia (UN)
EU	European Union
FDI	Foreign direct investment
FOPRODEX	Export Promotion Fund (Tunisia)
FTA	Free trade agreement
FTTC	Foreign Trade Training Centre (Egypt)
GAFTA	Greater Arab Free Trade Area
GAP	Green Action Plan (EU)
GDP	Gross Domestic Product
GNI	Gross National Income
GVC	Global value chain
IDAL	Industrial Development Authority of Lebanon
IMF	International Monetary Fund
ICT	Information and communication technology
IT	Information technology
ITC	International Trade Centre
JEDCO	Jordan Enterprise Development Corporation
MED	Mediterranean
MENA	Middle East and North Africa
MNE	Multinational enterprise
MoDEE	Ministry of Digital Economy and Entrepreneurship (Jordan)
MSME	Micro, small and medium enterprise
MSMEDA	Micro, Small and Medium Enterprise Development Agency (Egypt)
MTI	Ministry of Trade and Industry
NQI	National Quality Institutions
OECD	Organisation for Economic Co-operation and Development
PalTrade	Palestine Trade Centre
PEC	Palestinian Export Council
PEMA	“Promotion of job-creating export activities to new African markets” project (Tunisia)
PME	Petite et moyenne entreprise (small and medium enterprise)
PPP	Public-Private Partnership
SBA	Small Business Act

SBA	Small Business Act for Europe
SMAEX	Moroccan Export Insurance Company
SME	Small and medium enterprise
SMEPI	Small and Medium Enterprise Policy Index
STEC	Services Trade by Enterprise Characteristics
TEC	Trade by Enterprise Characteristics
TFA	Trade Facilitation Agreement
TiVA	Trade in Value Added (database)
UAE	United Arab Emirates
UNCTAD	United Nations Conference on Trade and Development
UfM	Union for the Mediterranean
VMP	Virtual Marketplace
UN	United Nations
UPU	Universal Postal Union
USA	United States of America
WDI	World Development Indicators
WG	Working Group
WTO	World Trade Organization

Executive Summary

This document is developed within the framework of the comparative study of policies and instruments to support SME exports in six countries of the EU Southern Neighbourhood (Egypt, Jordan, Lebanon, Morocco, Palestine, and Tunisia). It reflects the analyses carried out at the national level and exchanges with institutional and private sector representatives participating in the SME Internationalisation Working Groups (WGs) set up in each country by the MED MSMEs Programme in 2020. The study focuses mainly on the direct exporting of products and services to other countries or via global value chain (GVC) linkages. The results of the analysis identify common areas of interest to be deepened through regional dialogue via the Union for the Mediterranean (UfM) platform.

Based on a comparative cross-country analysis of a range of quantitative indicators from secondary data sources, Section 1 reveals the heterogeneous composition of the six countries in terms of size, industrial structure, trade openness, export structure, trading partners, underdeveloped export markets, exportable products, and linkages with global markets. It summarises the common weaknesses of SMEs affecting their ability to engage in export activity, highlights challenges faced by enterprises, especially SMEs, in taking full advantage of the numerous free trade agreements in play in the different countries to expand their exports, and reveals a number of areas for improvement in country-level trade facilitation performance. The section further highlights the lack of benchmark data on SME export activity, the availability of which would greatly facilitate policy and measures directed to increasing the participation of SMEs in internationalisation activity. It also describes the impact of COVID-19 on each country's exports, and government's response to the pandemic affecting SME exporters.

Section 2 highlights the general policies, strategies, and programmes in place to promote exports and support the export activity of SMEs, including export promotion, export-readiness and capacity building, diversification of export markets, digitalisation and green growth policies. There is general consensus among governments in the six South-MED countries that the post-COVID-19 shock will require key structural and business climate reforms in support of SMEs, including collaboration between ministries to "build back better" around a "digitalised" and "green" economy.

Section 3 presents a summary of the common priorities identified by the country-level SME Internationalisation WGs for future action. These specifically include:

- Developing/updating a national export/ trade strategy
- Diversifying and expanding export markets
- Digitalisation of ecosystem actors to boost SME exports
- Green transformation to boost exports/ GVC integration
- Improved policy coordination mechanisms
- Business reforms to simplify, streamline, digitalise export-import requirements and procedures and improve trade facilitation.
- Improving quality standards of products to meet international requirements
- SME e-commerce adoption
- Assessing existing export support instruments to better target the needs of SMEs.

Section 4 presents suggested actions for EU bodies in addressing national priorities, such as supporting the national governments in renewing their export strategies; sharing knowledge on data systems for producing SME export statistics; regional dialogue on SMEs and standards; regional dialogue on the EU Green Action Plan for SMEs; regional dialogue on women-owned SMEs and international trade; and dialogue on possible responses to shifting value chains. The section also summarises the two regional interventions proposed by the MED MSMEs Programme, focused on enhancements to the digital ecosystem for SME internationalisation in the six countries, and raising awareness and knowledge on the post-COVID-19 evolution of global and regional value chains, including opportunities for SMEs created by the EU Green Deal and new Industrial Policy.

Introduction

This document is developed within the framework of the comparative study of policies and instruments to support SME exports in six countries of the EU Southern Neighbourhood (Egypt, Jordan, Lebanon, Morocco, Palestine, and Tunisia). It reflects the analyses carried out at the national level and exchanges with institutional and private sector representatives participating in the SME Internationalisation Working Groups (WGs)¹ set up in each country by the MED MSMEs Programme in 2020 (see Appendix 1 for list of organisational members).

The studies carried out at national level were brief and largely based on a review of country-level documents, recent studies and secondary data sources. The main objective of these country profiles was to inform the debate and exchange with stakeholders on topics related to the internationalisation and exports of SMEs. This MED MSMEs Programme project evolved in a changing context, due to the consequences of the COVID-19 pandemic.

The WG exchanges made it possible to identify country-level priority areas for SME export development that the MED MSMEs Programme will promote to the EU Delegations and other financing instruments, such as the European Bank for Reconstruction and Development (EBRD). The ultimate objective is to contribute to strengthening of the operating environment and competitiveness of exporting SMEs, which will contribute to improving the SME Policy Index rating (dimension 10 of the Small Business Act for Europe/SBA).² Support for the implementation of SME policies under the EU agenda for the “Renewed partnership with the Southern Neighbourhood” will be guided by reference to the SBA principles and further by “A SME Strategy for a sustainable and digital Europe”³.

The internationalisation of SMEs is a theme of particular interest, since the successful exploitation of foreign markets has proven to be an important driver of growth, as evidenced by trend analysis of EU SMEs.⁴ SMEs can expand internationally in a number of ways. This study focuses on the direct exporting of products and services to other countries, or via value chain linkages⁵. However, non-exporting SMEs can also participate indirectly in exporting activity as upstream suppliers of exporting firms. This study does not attempt to consider this aspect of “indirect exporting”, although domestic policies may be in place to encourage supply chain linkages between local SMEs and country-based exporting firms, such as through national supplier development programmes (as a potential first step to building capacity to eventually become a direct exporter).

In addition to the national Country Profile analyses, the results of which have been summarised in the SME Export Fact Sheets for each country (see Appendix 2), this comparative cross-country analysis of the SME export sector in the six target countries illuminates the similarities and differences at the regional and sub-regional level in terms of export structure, export markets, global value chain (GVC) integration, development strategies, support services and the need to strengthen SME exporters. The results of this analysis enabled the identification of areas of common interest to be deepened within the framework of the regional dialogue conducted through the Union for the Mediterranean (UfM) platform. The analysis of SME exports is complemented by the implementation of support actions of the MED MSMEs Programme in the areas of: i) SME export development strategies and ii) SME export support services. In the first area, the MED MSMEs Programme has planned to focus its support upstream on the preparation of strategies, such as

¹ There was a total of 16 meetings of the SME Internationalisation WGs, of which 6 were kick-off meetings. In 4 of the 6 countries there were 2 meetings to discuss the draft country profile document and the roadmap, while in 2 countries there was only one meeting. The level of participation and representativeness of the WGs was generally satisfactory thanks to the involvement of representatives of the ministries in charge of industry, investment and foreign trade, national SME and export promotion agencies, export financing and/or insurance bodies, business associations, and the private sector, including women entrepreneurs. Representatives of women entrepreneurs’ associations participated in the WG meetings in 4 of the 6 countries, as did representatives of the EU Delegations. Apart from two specific cases (<5 and >50 participants), the average number of participants in the WG meetings was 10 persons.

² SBA Principle 10: Internationalisation: Encouraging SMEs to benefit from the growth of global markets and supporting them in this pursuit.

³ The SME Strategy for a Sustainable and Digital Europe is based on three pillars: 1) capacity-building and support for the transition to sustainability and digitalisation; 2) reducing regulatory burden and improving market access; and 3) improving access to financing. The aim of the strategy is to considerably increase the number of SMEs employing digital technologies, and the number of SMEs engaging in sustainable business practices.

⁴ European Commission (2018), *Annual Report on European SMEs 2017/2018: SMEs going beyond borders*, p. 9.

⁵ Becoming part of a national value chain that has an international focus or part of a regional or global value chain where imported inputs from another country are used as a component of export production, or intermediate inputs are exported from one country to value chain partners in third countries for re-export production.

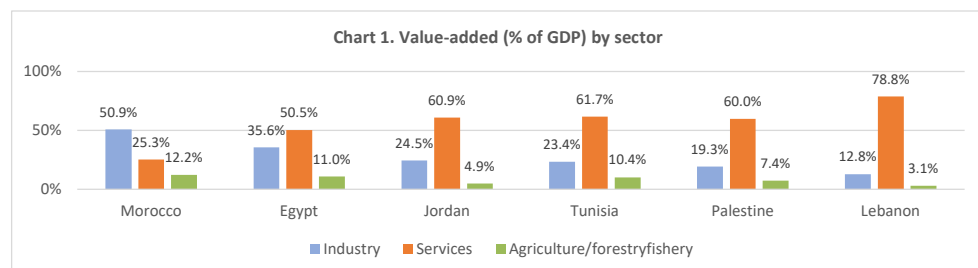
informing and raising awareness of policymakers on the evolution of value chains following the COVID-19 pandemic (e.g. reshoring), as well as on the opportunities linked to the deployment of new European policies in the fields of “green” and digital transition. The aim is to enable national decision makers and sectoral representatives to take this into account in their development policies and strategies, particularly regarding SMEs. In the second area, and in order to meet the need to strengthen export support services, the MED MSMEs Programme will look more closely at the digitalisation aspect, in particular the opportunities offered by digital technology in the field of SME exports and internationalisation, with a focus on: i) awareness-raising activities for policymakers and relevant stakeholders (national agencies and other SME and export support organisations), ii) analysing the level of development of these services in the six South-MED countries and identifying areas for strengthening, iii) setting up pilot support actions in each country, and iv) exchanging experience and good practice in digitalisation on a regional scale.

Section 1. Overview of SME exports in the targeted South-MED countries

1.1 Regional comparative analysis

The six South-MED countries in this review are a set of heterogenous countries with varying levels of industrialisation and linkages with global markets. According to the World Bank country classifications based on Gross National Income (GNI) per capita, Jordan and Lebanon are upper-middle-income countries and the remaining four: Egypt, Morocco, Palestine and Tunisia are lower-middle-income countries.⁶ They differ significantly in size, ranging from over 100 million inhabitants in Egypt to under 4.7 million in Palestine.

Sector contribution to GDP varies. For example, value-added to GDP from the industry sector is highest in Morocco and Egypt, while the services sector is a more important component of the Lebanese economy (Chart 1).

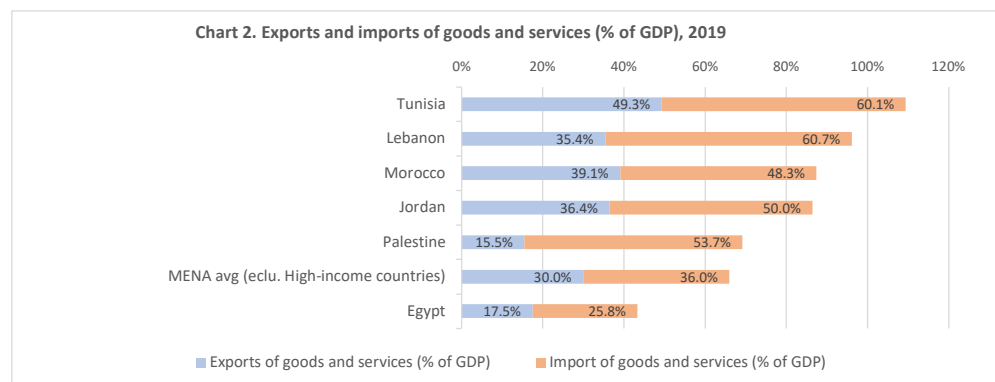


Notes: Data for 2019; 2018 for Palestine.

Source: World Development Indicators (WDI) database.

The countries vary in the degree of their trade openness

Trade openness is measured as the sum of imports and exports of goods and services as a share of GDP. The higher the share of GDP, the more the country is exposed to international trade. By this measure, Tunisia is the most trade open of countries in the South-MED region, followed by Lebanon and Morocco, with Egypt being less trade open (Chart 2). Due to its much larger large population base and domestic market size, Egypt's enterprises are less reliant on exports to achieve growth. In contrast, the small population bases in Palestine, Lebanon, Jordan and even Tunisia, make the countries and their enterprises more dependent on exports to stimulate economic growth.

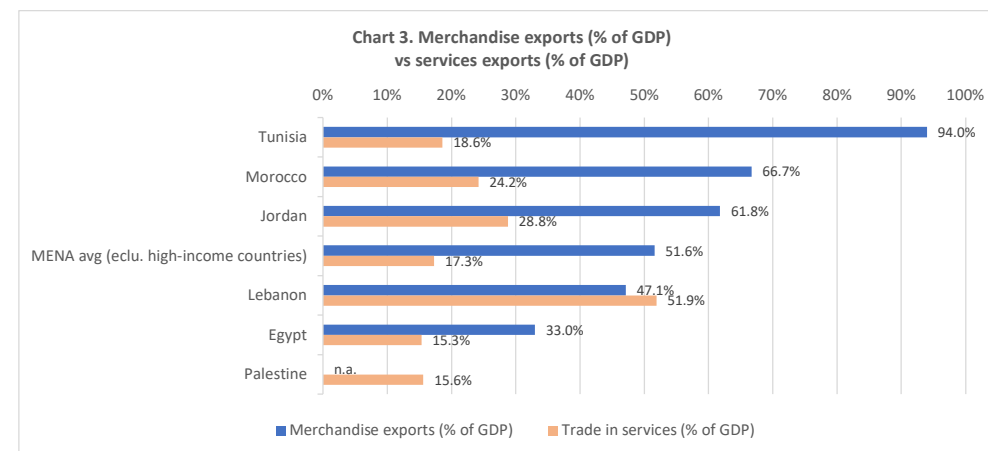


Source: WDI database.

⁶ <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups/>.

The countries vary in their reliance on merchandise versus services exports

Tunisia far exceeds the other countries in the share of merchandise exports to GDP, although Morocco and Jordan are also above the MENA average (excluding the high-income MENA countries) (Chart 3). Lebanon, being a more service-driven economy (as per Chart 1), is the most reliant on services exports (as share of GDP) that include financial services, business services, transport services, ICT services, cultural and recreational services, but largely driven by its role in financial services.

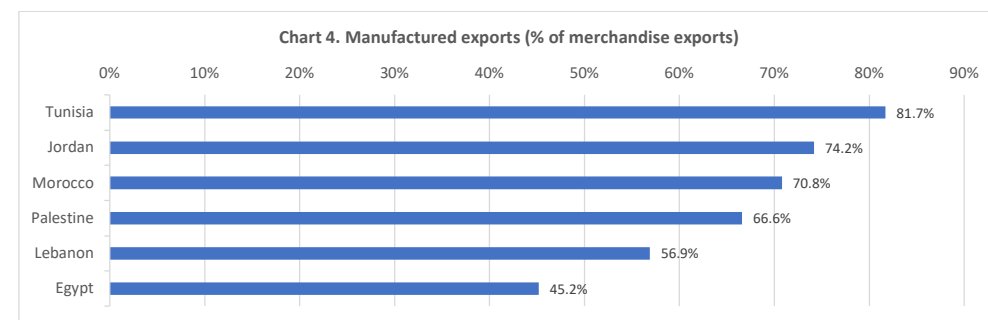


Notes: Data for 2019. No Palestine data available for merchandise exports to GDP.

Source: WDI database.

The countries also differ by the percentage of manufactured exports in total merchandise exports

Tunisia has the highest percentage of manufactured exports in total merchandise exports (81.7%), followed by Jordan and Morocco (Chart 4). Egypt shows the lowest share of manufactured exports in merchandise exports, largely explained by the higher percentage of oil exports (about one-third) in its export basket, which lowers the share of its manufactured goods in total merchandise exports.



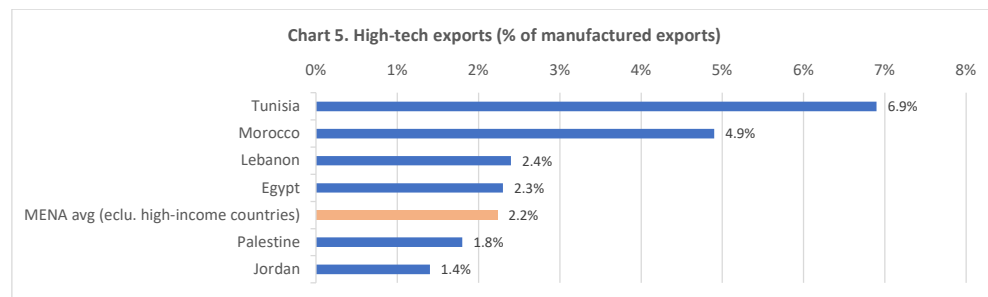
Notes: Data for 2019, except Lebanon (data for 2018). Latest data available for MENA average is 2016, so not included for comparison purposes.

Source: WDI database.

Share of high-tech exports in manufactured exports

Several of the countries have indicated the goal of shifting to higher-technology exports. Tunisia outpaces the other countries, having achieved a high-tech share in its manufactured exports of 6.9% (Chart 5). However, Morocco,

Lebanon, and Egypt perform better than the MENA average; Palestine and Jordan fall below the MENA average. A number of years ago, the Tunisian government encouraged a shift of production in favour of more technology- and skill-intensive sectors. The Moroccan government, as well, developed a strategy fostering the diversification of production into new products with stronger technology intensity – that are triggered less by accumulation of labour and more on capital and total factor productivity.



Notes: Data for 2019, excluding Lebanon (data for 2018) and MENA average (data for 2017).

Source: WDI database.

1.2 Top export destinations and products

The top export market destinations vary considerably by country

The EU is the largest trading partner for Egypt, Morocco and Tunisia, while for Jordan it is the USA and Arab countries, regional Arab markets for Lebanon, and Israel for Palestine (Table 1). All of the countries have identified underdeveloped export market destinations, although these differ depending on their traditional trade patterns. Increasing export potential in EU markets is a shared objective for Jordan, Lebanon, and Palestine, and exploiting markets in African countries is a common objective for Egypt, Morocco, and Tunisia.

Table 1. Primary export and underdeveloped market destinations

Country	Prime trading partners/export destinations	Noted underdeveloped or underexploited export destinations
Egypt	The EU is largest trading partner (export/import trade), accounting for 21.8% of Egypt's exports and 25.8% of Egypt's imports in 2020. In 2019/2020, 25.6% of exports went to Arab countries, and 9.1% to the USA. The UAE, Saudi Arabia, Turkey, the USA and Italy (accounted for 35.6% of exports in 2020). China, the USA, Germany, Italy and Russia were the most significant sources of imports (combined 41% of imports in 2020).	African countries (16% of Egypt's export value in 2019; 3% of its import sourcing), especially underdeveloped in non-Arab African countries (2.1% of Egypt's exports in 2019/2020). Egypt has a forward agenda to boost exports in Europe, Africa and the Arab world, with a priority to expand increase exports in the African continent under the African Continental Free Trade Area (AfCFTA) Agreement.
Jordan	The USA (25% of national exports in 2020), Arab countries (UAE, Saudi Arabia, Kuwait, Iraq, etc. - 40%), non-Arab Asian countries (12%).	Untapped potential in EU markets - only 3% of national exports in 2019 and 2020, and African countries - account for less than 3% total exports. Significant potential for export growth to markets in the EU and Western Europe; potential in promising markets in East and Southeast Asia and North America.
Lebanon	Regional Arab markets: UAE, Saudi Arabia, Syria, Iraq, Turkey and Egypt (41% of exports in 2019). Switzerland is the largest export market (i.e. transit of "gold" through Lebanon, no value added).	EU market – only 10.8% of exports (2019); Sub-Saharan African markets – only 11.5% of exports. Seeking new trade agreements, such as with emerging African economies. Lack of institutionalised and sophisticated marketing channels and labelling and packaging irregularities have limited access to EU markets.
Morocco	The EU is leading trade partner – accounting for 70.3% of Morocco's export value (2019) (specifically, Spain, France, Italy, and Germany). It is the EU's biggest trade	African market – only 7.8% of overall exports (2019).

Country	Prime trading partners/export destinations	Noted underdeveloped or underexploited export destinations
	partner among the Southern Neighbourhood countries (accounting for about 25% of total EU trade in goods with the region). Asian countries accounted for 12.2% of Morocco's total exports (2019).	
Palestine	Israel is top trading partner – 81.3% of goods exports, 55% of goods imports in 2019. Making up the top five export destinations: Jordan, the UAE, Saudi Arabia and the USA.	EU markets – destination of only 0.6% of Palestine's exports (in 2019); however, EU27 accounted for 12.2% of Palestine's imports, and Turkey for another 10.4%.
Tunisia	The EU is the major trading partner (78.5% of Tunisian exports, and 54.3% of its imports in 2019); with a heavy emphasis on trade relationships with France and Italy.	Largely untapped potential in Sub-Saharan African countries – only 2.58% of Tunisia's exports (2017). Underdeveloped potential in regional MENA markets – only 9.57% of Tunisia's exports (2017).

Sources: Information reported in the respective country profiles; various data sources.

The targeted countries also vary considerably in terms of their primary export products and sectors

Table 2. Primary export products/sectors by country

Country	Primary export products/ sectors
Egypt	Oil/oil products (one-third of exports); base and precious metals, agricultural products, organic and inorganic compounds, fertilizers and phosphates, electrical machinery and equipment, pharmaceuticals – collectively account for about 73% of total export value. Key sectors for export development identified in the Industry and Trade Development Strategy: chemicals, engineering, textiles, and building materials.
Jordan	Clothing and accessories, fertilizers, pharmaceuticals, crude potash, chemical products, and jewellery and precious metals – accounted for about 60% of exports in 2019 and 2020. Horticulture and agriculture are also important to exports. Jordan Vision 2025 sees growth opportunities in digital and business services, construction and engineering, transport and logistics, life sciences, etc. Also identified post-COVID-19 opportunities to build on its competitiveness in agriculture, ICTs, and medical/pharmaceutical sectors.
Lebanon	Gold is largest export product (one-quarter of total export value; minimal value-added), followed by jewellery, machinery and electrical products, plastics, cosmetics, and processed agri-food.
Morocco	The top three exports are: 1) cars and automotive parts (20% of exports of goods and services in 2019), 2) fruits/vegetables and processed foods, and 3) chemicals and paracheicals including phosphates and derivatives, fertilizers), plus clothing and textiles.
Palestine	Low value-added products in extractive and agricultural sectors. Top five export products (2018): stone & marble, scrap iron, "other furniture" (seats, mattresses), plastic lids, and pure olive oil. Other significant export products: tropical fruits and vegetables and foodstuffs, textile and leather footwear, chemical products, vehicle parts, machinery and electronics. Although nearly half of all exports are in low value-added products (e.g. limestone and agricultural products), potential for export diversification is seen through the emergence and continued growth of some high value-added sectors, such as pharmaceuticals, furniture, agribusiness, ICT services, and energy.
Tunisia	Main export products: electrical machinery (29% of total exports), textile and leather products, automotive parts and accessories, electronic devices, crude oil, and olive oil. Three-quarters of all exporters operate in three sectors, namely textiles and leather goods, food and electronics.

Sources: Information reported in the respective country profiles; various data sources.

1.3 Exports via global value chain linkages

The participation of domestic firms in GVCs is promoted as a key way to achieve higher export diversification. The "traditional" view of international trade (i.e. each country produces goods and services that are exported as final products to consumers in another country) accounts for only about 30% of all global trade in goods and services.⁷ *In the more recent "era of globalisation", the remaining 70% of international trade activity involves GVCs*, where raw materials, parts, components and services may cross borders a number of times (as imports, re-exports) during the process of producing final products. But much of this value added throughout the international supply chain is invisible in traditional trade statistics, which attribute the full value of a good or service to the last country in the chain that finalised production.

⁷ <https://www.oecd.org/trade/topics/global-value-chains-and-trade/>.

Information on the participation of South-MED enterprises in GVCs is limited. Data compiled by the OECD Trade in Value-added Indicators (TIVA) database does not include data for Lebanon and Palestine, and data for the other four countries is not necessarily up-to-date. **The extent to which SMEs participate in GVCs is further difficult to assess due to a lack of international trade data by firm size, statistical data and coverage.**

In the South-MED countries, the nature of the GVC linkages, whether as part of backward or forward participation⁸, also varies. From the data available, **Tunisia and Morocco are relatively more integrated in GVCs**, with almost half of Tunisia's gross exports and over 40% of Morocco's exports via GVC linkages, while Jordan and Egypt are comparatively less involved in GVCs⁹ (Table 3). **The forward GVC participation is generally larger than the backward participation**, particularly so in Morocco and Egypt (upstream in the GVCs) and almost equal in Tunisia. In Jordan, a higher share of its GVC participation is through backward participation (downstream in the GVCs), similar to the Southern Europe countries (France, Greece, Italy, Spain), where the backward GVC participation is far larger than the forward participation (i.e. greater dependence on imported products for the production of its exports).

In larger countries, such as Egypt, the lower share of backward participation may be due to higher local capacity for producing specific inputs in manufacturing and food supply chains (less dependency on the importing of intermediate inputs); while in Morocco and Tunisia, both countries are well embedded in global supply chains of textiles and other industries and have relatively low integration of local suppliers in their exports via GVC linkages.¹⁰ In the case of Tunisia, GVC integration is mainly through "offshore" companies, especially in textiles, mechanical engineering, electrical and electronics.¹¹ On the other hand, the participation of Tunisia's onshore (domestic) companies in GVCs remains low with few economic links with exporting companies in the offshore sector. The majority of companies in the offshore sector are medium-sized, which suggests that **most of the Tunisia-based companies participating in GVCs are also medium-sized rather than small or microenterprises**. Morocco has benefited greatly from the government's Industrial Acceleration Plans, which have been successful in diversifying the industrial economy and attracting foreign companies to establish manufacturing plants in the country that import from other country, add domestic production value and re-export from Morocco.

Table 3. Decomposition of exports in selected Mediterranean countries

	Egypt	Jordan	Morocco	Tunisia	France	Greece	Italy	Spain
Gross exports	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Traditional exports	63.18%	65.97%	58.16%	51.33%	47.38%	47.79%	53.53%	49.09%
Exports via GVCs	36.82%	34.03%	41.84%	48.67%	52.62%	52.21%	46.47%	50.91%
Of which:								
% GVC-backward	11.20%	22.47%	16.16%	25.52%	30.90%	34.19%	28.05%	32.03%
% GVC-forward	25.62%	11.56%	25.68%	23.15%	21.72%	18.02%	18.42%	18.88%

Note: Data is for 2019.

Source: EORA Global Supply Chain database, data cited in Ayadi et al. (2021), « Demand and Supply Exposure through Global Value Chains: Euro-Mediterranean Countries during COVID », EMEA Policy Paper, March, Euro-Mediterranean Economists Association (EMEA), Table 1, p. 13.

Although Lebanon and Palestine are not included in the TIVA database, an OECD analysis of the role of MNE-SME linkages in GVCs in the MED region provides some insight on the GVC participation in Lebanon's exports. This suggests that the backward participation (foreign value-added in its exports) is comparable to that in Jordan and Tunisia, but that its integration in regional and global value chains takes place primarily in financial services and the agricultural

⁸ Forward participation reflects the share of domestic exports being imported by other countries and incorporated in their export production (i.e. domestic value-added); backward participation indicates more foreign value-added as a share of exports, i.e. a country's exports are more dependent on imported products (e.g. raw materials, intermediate parts).

⁹ Ayadi, R., G. Giovannetti, E. Marvasi, G. Vannelli, and C. Zaki (2021), "Demand and Supply Exposure through Global Value Chains: Euro-Mediterranean Countries during COVID", EMEA Policy Paper, March, Euro-Mediterranean Economists Association (EMEA), Barcelona, <https://doi.org/10.1111/twec.13156/>.

¹⁰ OECD (2018), "Making global value chains more inclusive in the MED region: The role of MNE-SME linkages", Draft background note prepared for the workshop 'Business linkages in the MED region: Policies and tools', 17-18 April 2018, Beirut, <https://www.oecd.org/mena/competitiveness/BN-Making-global-value-chains-more-inclusive-Beirut-042018.pdf/>.

¹¹ ITCEQ (Institut Tunisien de la Compétitivité et des Études Quantitatives) (2019), « Positionnement des firmes tunisiennes sur les chaînes de valeur mondiales : diagnostic sectoriel », Ministère de l'Économie, des Finances, et de l'Appui à l'Investissement, Tunis, <http://www.itceq.tn/files/climat-des-affaires-competitivite/positionnement-des-firmes-tunisiennes-sur-les-chaines-de-valeur-mondiales.pdf/>.

and food processing sectors, with relatively low forward participation (due to its smaller geographical size and limited local availability of primary resources, i.e. limited importing of Lebanon's products as inputs for the export production of other countries).¹² Conversely, value chain suppliers are highly dependent on the import of their inputs, as evidenced by the fact that 50% of Lebanese SMEs source their inputs from abroad.¹³ Consequently, strenuous import procedures are a major obstacle for expanding these types of linkages.

The disruption in global supply chains resulting from the COVID-19 crisis has led many countries to diversify their supply chains and turn towards greater regionalisation of production and supply sources. For example, as European countries shift production capacity in response (e.g. away from Asia), South-MED countries with developed industrial capacity, such as Egypt, Morocco and Tunisia, stand to benefit from this phenomenon.

At this point in time, it is difficult to forecast what post-COVID-19 changes may arise in the reconfiguration of GVCs (e.g. supplier diversification) and how firms might mitigate to its impact. An important question for South-MED countries, which will require a detailed analysis, will be how to respond to a rise in nearshoring: should they consider traditional sectors (such as textiles, ready-made garments, chemicals), non-traditional ones (electronics, electrical products), or products that are vital for the current context (pharmaceuticals, medical equipment, etc.)?¹⁴ If the EU countries consider nearshoring of supply chains from Asia to the South-MED countries, as a post-COVID-19 recovery response, governments in the region must be prepared to respond. In particular, this will require further implementation of structural reforms in order to reduce non-tariff measures and improve their investment climate, which are indispensable for boosting GVCs.¹⁵

GVC integration is frequently associated with the inward foreign direct investment (FDI) activity of a country. The leveraging of FDI to enhance supply chain linkages with SMEs can be an important opportunity for a more inclusive development. Global FDI levels have been generally declining in recent years; and attracting FDI inflows has been a challenge for the South-MED countries. Global FDI dropped sharply during the COVID-19 induced economic crisis in 2020, down 42% from 2019, and expected to remain weak in 2021.¹⁶ Egypt fared better than the global average, down 38% year-on-year in 2020, and maintained its leading position among African countries.¹⁷

The system of Special Economic Zones (SEZs) and free zones are a main vehicle for attracting FDI and promoting exports in Egypt, offering firms full exemption from import tariffs, custom duties and income taxes and ensuring free flows of trade without cumbersome export regulations.¹⁸ The presence of these free zones provides an opportunity for the Ministry of Trade and Industry (MTI) to foster supply chain linkages between the foreign-invested firms and local SMEs, such as through supplier development programmes, which have proven to be a success. Morocco's Industrial Acceleration Plan, which included strategy for attracting FDI through the establishment of special economic and free zones has been extremely successful, with each of the six zones specialised in a particular area of production (e.g. automotive, aeronautics, textiles, etc.) and integrated with local suppliers via an ecosystem approach (e.g. cluster model) that aids in establishing supply relationships and linkages between SMEs and the large enterprises (bolstered by the "Made in Morocco" industrial trade policy). Tunisia has also been very successful in its FDI efforts through its "offshore company" regime, which is supported by an attractive tax and customs regime, and resulted in a large base of export-oriented industries that contribute up to 78% of merchandise exports, excluding energy.¹⁹ The exports of offshore companies are positioned in GVCs mainly in assembly activities, and particularly present in three product value chains: electronics and electrical products, clothing and textiles, and chemicals. However, weak linkages between offshore and inshore companies have limited opportunities for domestic SMEs to become suppliers to the offshore companies and to become integrated in the GVC ecosystem. Jordan also attracts industry-related FDI via its

¹² OECD (2018), "Making global value chains more inclusive in the MED region: The role of MNE-SME linkages", pp. 9-11.

¹³ OECD (2018), p. 19-20.

¹⁴ Ayadi et al. (2021), p. 22.

¹⁵ Ayadi et al. (2021), p. 21.

¹⁶ UNCTAD (2021), "Investment Trends Monitor", Issue 38, January, <https://unctad.org/webflyer/global-investment-trend-monitor-no-38/>.

¹⁷ "Egypt remains the top destination for FDI in Africa in 2020", 2 February 2021, *African Markets*, <https://www.african-markets.com/en/news/north-africa/egypt/egypt-remains-the-top-destination-for-fdi-in-africa-in-2020/>.

¹⁸ Foreign firms operating in these special zones are expected to be pure exporters; any of their products sold on the Egyptian market are subject to the payment of custom duties, which makes domestic sales unattractive.

¹⁹ 2016 data, as reported in: ITCEQ (2019), « Positionnement des firmes tunisiennes sur les chaînes de valeur mondiales : diagnostic sectoriel », février, <http://www.itceq.tn/wp-content/uploads/files/etudes/positionnement-des-firmes-tunisiennes-sur-les-chaines-de-valeur-mondiales.pdf/>.

free zones and industrial estates, but FDI investments are more concentrated in residential and commercial real estate, financial services and large tourism projects, and relatively light on manufacturing investments that would provide GVC opportunities for Jordanian SMEs. However, increasing efforts to link Jordanian SME suppliers to the foreign-owned ventures could present more opportunities for GVC integration. The Palestine Industrial Estates & Free Zones Authority (PIEFZA) is also a vehicle for attracting FDI; again, **more could be done to foster SME linkages with enterprises located in the industrial estates and free zones to make use of local SMEs as supplier of inputs and services.**

1.4 Trade agreements and trade facilitation mechanisms

Numerous trade agreements but underdeveloped benefits

The six countries are each signatory to a large number of regional and bilateral free trade agreements (FTAs)²⁰, what has been referred to as a “spaghetti bowl”²¹ of such agreements in the region, although, many of these agreements having generated fewer benefits to the South-MED countries than anticipated at their conception. The Euro-MED FTAs have fostered trade between the EU and the South-MED countries: their exports to the EU have increased, on average, by 15%, imports from the EU by 32%, and trade exchange deepened along existing comparative advantage patterns.²² However, many producers still find it challenging to diversify their export structures and compete in EU markets for more complex products. For example, while **Egypt, Lebanon, Morocco and Tunisia have all experienced increased trade with EU member states**, their **exports to the EU remain less diversified than imports from the EU, and growing at a slower rate.**²³ Some of the impediments are the result of contextual factors and policy interventions, particularly, the lack of adequate attention to non-tariff measures in the agreements (such as, certain technical standards and sanitary and phyto-sanitary measures) which can be more important for market access than tariffs; limited coverage of trade in services and FDI; and limited effectiveness in addressing arising concerns within the institutional structures and strict provisions of the FTAs.²⁴ Rules of origin have been problematic for some countries (specifically mentioned by Lebanon and Palestine in the country profiles). Other factors outside of the agreements also played a role in achieving the objectives of the EU association agreements, such as constraints in the business environment (i.e. barriers to trade-related structural adjustments at the national level), and lower levels of productivity, enterprise competitiveness, and entrepreneurship/management/technological skills in the South-MED economies relative to the EU. Furthermore, **the relatively high costs of entering the EU market due to the EU’s high standards, technical requirements, and differences in rules and regulations are limiting factors.** Given some of these higher cost factors, opportunities in non-EU markets would be seen as more attractive by some of the South-MED countries.

The evaluation of EU association agreements with the South-MED countries made a number of recommendations to maximise the gains from future trade, specifically:

- 1) reducing trade costs related to non-tariff measures (e.g. non-automatic import licences; unnotified technical regulations and making technical barriers to trade and sanitary and phytosanitary measures as conducive to trade as possible by considering simpler procedures, agreeing on internationally recognised standards and avoiding unnecessary duplication of conformity assessments or other administrative procedures);
- 2) improving the business environment to enhance competitiveness through measures to reduce bureaucracy and policies to encourage foreign and domestic investment (e.g. upgrading of skills, increasing access to finance, and improving the environment for technology transfer²⁵);
- 3) expanding the coverage of trade agreements to make them more relevant for addressing current barriers to trade, in areas such as non-tariff measures, agriculture, services and FDI;

²⁰ These include: EU Association Agreements; the Agadir Free Trade Agreement (Egypt, Jordan, Morocco, Tunisia); the Common Market for Eastern and Southern Africa (COMESA) - 19 countries; the Greater Arab Free Trade Area (GAFTA) Agreement - 17 Arab countries; the Pan Arab Free Trade Area (PAFTA); the Southern Common Market (MERCOSUR) FTA (Egypt, Lebanon, Palestine with Argentina, Brazil, Paraguay and Uruguay); the European Free Trade Association (EFTA) with Iceland, Liechtenstein, Norway and Switzerland (Egypt, Morocco, Tunisia, Jordan, Lebanon, and Palestine), and a number of bilateral country agreements with Gulf Cooperation Countries (GCCs), the USA (Jordan, Morocco), Turkey (Egypt, Jordan, Morocco, Palestine, Tunisia), Canada, China, Israel, Russia, Singapore, and the UK.

²¹ European Commission (2021), *Ex-post Evaluation of the impact of trade chapters of the Euro-Mediterranean Association Agreements with six partners: Algeria, Egypt, Jordan, Lebanon, Morocco and Tunisia*, Final Report, DG Trade, Brussels, p. 83.

²² European Commission (2021), p. 17.

²³ European Commission (2021), p. 20.

²⁴ European Commission (2021), pp. 20-21.

²⁵ The EU could support these policies by, for example, providing technical assistance and promoting further economic cooperation.

- 4) including a chapter on Trade and Sustainable Development in the FTA to enhance potential positive effects and monitor changes on sustainability dimensions; and
- 5) designing a set of flanking policies to remove the barriers faced by women in being able to take full advantage of trade liberalisation (to be done at the South-MED country level).²⁶

There are **high expectations for the African Continent Free Trade Area Agreement (AfCFTA), effective as of 1 January 2021**, which is posed as a major opportunity for Egypt, Morocco and Tunisia, in particular, to diversify their exports in underdeveloped markets on the African Continent, establish new supply chains and further integrate into global value chains (GVCs) as part of the regional intra-African market. One of the big advantages, among others, is the reduction in tariffs among member countries. Businesses currently face higher tariffs when they export within Africa (average tariffs of 6.1%) than when they export outside it. AfCFTA will progressively eliminate tariffs on intra-African trade, making it easier for African businesses to trade within the continent and benefit from the growing African market. Other advantages of the AfCFTA relate to a number of policy areas, such as trade facilitation and services (reducing red tape, simplifying customs procedures, making it easier for African businesses to integrate into GVCs), and regulatory measures, such standards and technical barriers to trade.²⁷ Box 1 illustrates how the AfCFTA is already providing an opportunity for regional value chain development in the Egyptian furniture segment.

Box 1. The Egyptian Export Association sees the African Continental Free Trade Area Agreement (AfCFTA) as a vehicle for building intra-regional value chains

Egypt is one of the main drivers of the AfCFTA. In this context, the Egyptian Exporters Association (EEA) sees one of its responsibilities to enhance intra-regional trade among the African countries. As an example, the EEA recently fostered a linkage between a cluster of 20 furniture producers in Damietta, Egypt, and a Morocco manufacturing company. The Moroccan company will import furniture from Damietta, add further value in Morocco, and re-export to West Africa, thus building a regional value chain.

The EEA is developing the same kind of partnerships with Turkish producers, who will import furniture from Egyptian manufacturers, add upholstery and ship to Asian markets. Through this value chain initiative, Egypt’s exports to Central Asia can also be enhanced.

Source: Information from the EEA representative at the Egypt SME Internationalisation Working Group meeting in March 2021.

Trade facilitation performance varies by country

The level of international trade activity in a country, either as direct exports or via GVC linkages is impacted by the degree of ease of trade facilitation. In this regard, governments in the South-MED countries have introduced a number of reforms to modernise customs administration and ease cross-border trade procedures and processes. Some of these reforms have been very recent. For example, Egypt ratified the WTO Trade Facilitation Agreement (TFA) Facility²⁸ in December 2019, formed the National Trade Facilitation Committee, incorporated many TFA reforms in the new Customs Law, such as provisions for electronic payments and expedited clearances for Authorised Economic Operators (2020), and in conformity with the TFA, issued decrees on the National Single Window (2019) and the Advanced Cargo Information System (ACIS) (2021) for facilitating exports and imports. Key foundational actions, it will take some time to implement these reforms. However, in the meantime, all steps taken by the Egyptian government to cut bureaucracy during the COVID-19 crisis need to become permanent, such as facilitating and expediting customs clearance.²⁹

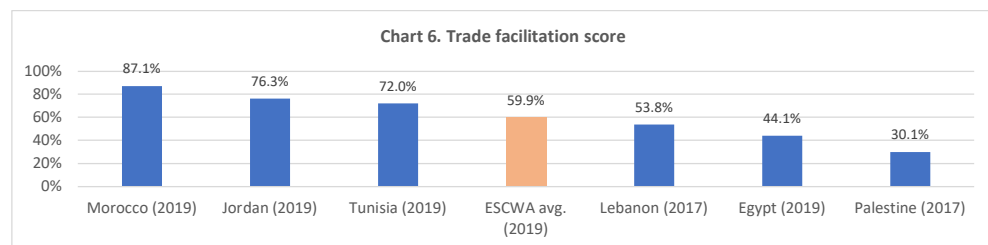
²⁶ European Commission (2021).

²⁷ See: African Trade Policy Centre, “African Continental Free Trade Area: Questions & Answers”, UN Economic Commission for Africa, https://au.int/sites/default/files/documents/36085-doc-qa_cfta_en_rev15march.pdf.

²⁸ The aim of the WTO Trade Facilitation Agreement (TFA) is to speed up the movement, release and clearance of goods at the border and to seek cooperation among customs and relevant authorities on trade facilitation and customs compliance.

²⁹ Abdel-Latif, A. (2020), “The Silver Lining of COVID-19: Institutional Reform to the Rescue of the Egyptian Economy” in Mabrouk, M. (ed.), *Rethinking Egypt’s Economy*, October, Middle East Institute, p. 45, <https://www.mei.edu/sites/default/files/2020-10/Rethinking%20Egypt%27s%20Economy.pdf>.

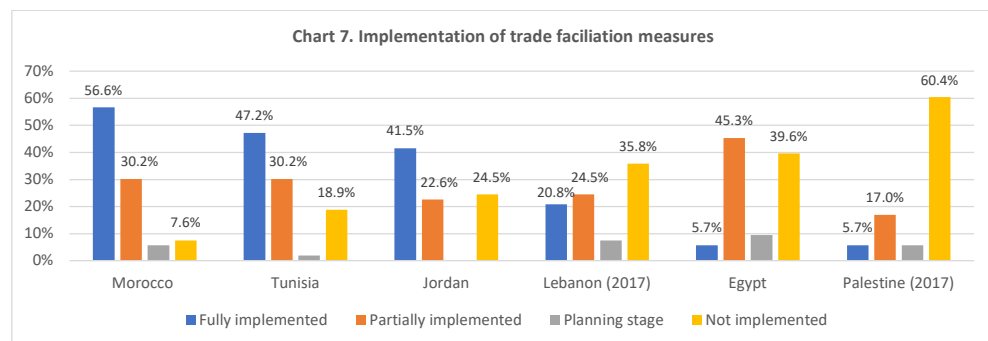
On a comparative basis, using results from the UN Global Survey on Digital and Sustainable Trade Facilitation³⁰, Morocco performs the best among the six South-MED countries on indicators for trade facilitation and paperless trade, followed by Jordan and Tunisia (the three countries also performing better than the ESCWA average) (Chart 6).



Notes: The trade facilitation score is the average of scores for five trade facilitation categories: 1) cross-border paperless trade (laws and regulations for electronic transactions and exchange of specific trade-related data and documents across borders and along the entire international supply chain), 2) paperless trade (use of ICTs in customs systems, trade-related services, e-payments, etc.), 3) institutional arrangement and cooperation (establishment of a national trade facilitation body and coordination among trade-related government agencies), 4) formalities (connected with importation and exportation), and 5) transparency (publication and administration of trade regulations, advance rulings, etc.).

Source: UN Global Survey on Digital and Sustainable Trade Facilitation, <https://untfsurvey.org/compare/>.

Morocco's higher trade facilitation score reflects its better performance in implementing the 53 measures related to the WTO's TFA and emerging regional and global initiatives on paperless or e-trade being tracked by the UN Regional Commissions. As of 2019, Morocco had either fully or partially implemented 86% of the measures, compared to 77% by Tunisia, 63% by Jordan, 51% by Egypt, with Palestine lagging most behind (Chart 7).



Notes: Lebanon and Palestine did not participate in the 2019 UN survey, so their results refer to 2017.

Source: UN Global Survey on Digital and Sustainable Trade Facilitation, <https://untfsurvey.org/compare/>.

Table 4 provides a more granular picture of how the six countries compare on implementation of the individual trade facilitation categories, which also include measures related to the targeting of SMEs, women traders, and the agricultural sector in trade facilitation activities. This again reveals Morocco's higher level of implementation performance on the majority of the measure categories.

Table 4. Level of implementation of trade facilitation measures by category

Trade facilitation indicators	Morocco (2019)	Jordan (2019)	Tunisia (2019)	ESCWA avg. (2019)	Lebanon (2017)	Egypt (2019)	Palestine (2017)
Institutional arrangement and cooperation	66.7%	100.0%	100.0%	82.7%	88.9%	55.6%	11.1%
Transparency	93.3%	86.7%	66.7%	65.9%	93.3%	46.7%	0.0%
Formalities	95.8%	87.5%	79.2%	65.7%	58.3%	66.7%	29.2%
Paperless trade	88.9%	77.8%	74.1%	56.8%	37.0%	37.0%	18.5%
Cross-border paperless trade	77.8%	38.9%	50.0%	40.1%	22.2%	16.7%	16.7%
SME-related trade facilitation*	66.7%	0.0%	46.7%	45.2%	0.0%	26.7%	0.0%
Women-related trade facilitation**	44.4%	0.0%	44.4%	43.1%	0.0%	33.3%	0.0%
Agriculture-related trade facilitation	83.3%	0.0%	75.0%	67.7%	0.0%	58.3%	0.0%

Notes: *Indicators for SME-related trade facilitation: 1) trade-related information to SMEs; 2) SMEs in Authorised Economic Operator schemes; 3) SME access to Single Window; 4) SMEs in National Trade Facilitation Committee; 5) other measures for SMEs. **Indicators for women-related trade facilitation: 1) trade facilitation policy/strategy incorporates special consideration of female traders; 2) trade facilitation measures aimed at female traders; 3) female membership in National Trade Facilitation Committee.

Source: UN Global Survey on Digital and Sustainable Trade Facilitation, <https://untfsurvey.org/compare/>.

Within the framework of the MED MSMEs Programme analysis, implementation of the "SME-related" trade facilitation measures is of particular interest. As 2019, Egypt, Morocco, and Tunisia were partially implementing trade-related information measures for SMEs; only Morocco and Tunisia had implemented measures to improve SME access to the National Single Window, and then only partially; and only Egypt had made any efforts to ensure the inclusion of SMEs in the National Trade Facilitation Committee, while Morocco was planning to do so. By 2019, Morocco and Tunisia had fully implemented the inclusion of SMEs in the Authorised Economic Operator (AEO) scheme, although it should be noted that Egypt has since implemented the AEO system and in 2020 made provisions to permit SMEs to qualify as AEOs and take advantage of the "green path" system for customs clearance and other expedited processes. Tunisia has made an additional effort to take SMEs' needs into consideration by piloting an export facilitation project through Tunisia Post (see Box 2).

Box 2. "Easy Export" project, Tunisia

Easy Export is an integrated export facilitation platform of one-stop-shops to facilitate exports of MSMEs through the postal network. It specifically supports the integration of micro and small enterprises in international trade through logistical and digital solutions that simplify export and payment procedures (e-payments and e-services) for smaller shipments.

Launched in January 2019, the project was developed under the National Easy Export Commission, a collaboration between the Ministry of Communication Technologies and Digital Economy, the Ministry of Commerce, the Ministry of Transport, the Centre for Promotion of Exports (CEPEX), Tunisia Customs, the Agency for the Promotion of Industry and Innovation (APII), Tunisia TradeNet, the National Office of Handicrafts, and Tunisia Post, in cooperation with the UN Universal Postal Union (UPU).

Easy Export is specifically targeted to small businesses, including crafts entrepreneurs, to provide a channel to export their products through the postal service, which offers local proximity to the physical, financial and electronic services of Tunisia Post, and thus greater access to international markets. The one-stop-shop for exports through the postal network integrates and simplifies the export process and formalities of foreign trade and customs clearance.

Through a memorandum of understanding with the UPU, CEPEX assists exporting SMEs by offering them 50% of the costs incurred for transport of handicrafts, agricultural and agri-food products (through the Export Promotion Fund/FOPRODEX). By halving the cost of sending parcels through the postal platform, CEPEX has been able to stimulate exports, reporting that by the end of 2019, close to 7,000 parcels, mainly handicraft products, had been exported to the USA and the EU.

The Tunisia Easy Export project replicates the Brazilian "Exporta Fácil" programme, which has enabled tens of thousands of Brazilian small businesses, which had never previously exported their products, to access international markets.

Implications for other South-MED countries

The UPU works with countries on implementing the Easy Export project. After receiving a request, the UPU collects initial information on the national players involved in export processes; the various aspects of the services offered; the characteristics of MSMEs; the participation of public and private postal operators in export processes; and the country's interest in developing

³⁰ United Nations (2019), "Digital and Sustainable Trade Facilitation: Global Report 2019", Geneva, <https://www.unescap.org/sites/default/d8files/knowledge-products/UNtfsurvey%20global%20report%202019.pdf>.

activities to increase the participation of MSMEs in international trade through a simplified export system. This information provides a picture of the environment in which the UPU Easy Export Programme for MSMEs could be piloted, and the design of tailored plans, approaches and technical assistance programmes to suit the roll-out of the programme in different country contexts. Such a project might be valuable to the other South-MED countries in complementing their initiatives to facilitate export processes for the smaller firms making use of e-commerce to exploit their export potential.

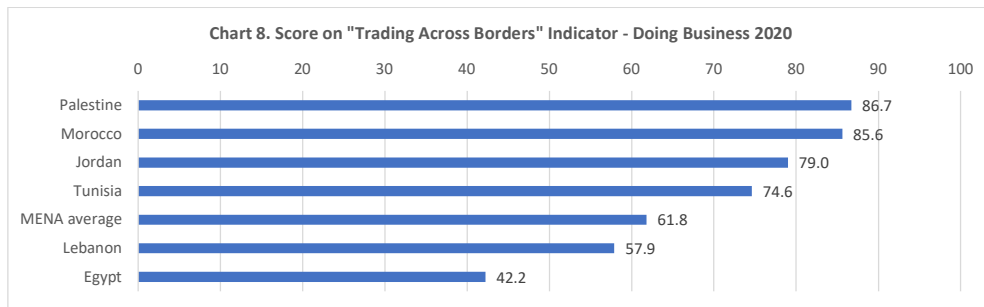
Sources : "First East-Export one-stop-shop launched in Tunisia", <https://www.upu.int/en/News/2019/1/First-Easy-Export-one-stop-shop-launched-in-Tunisia/>; « La Poste tunisienne lance le projet pilote de facilitation des exportations à travers le réseau postal », 21 janvier 2019, https://www.poste.tn/actualites_details.php?code=261/.

See: <https://www.upu.int/en/Postal-Solutions/Capacity-Building/Easy-Export/> for more information.

The South-MED countries are at an early stage of implementing trade facilitation measures specifically aiming at women exporters. Egypt, Morocco and Tunisia are partially implementing special consideration to female traders in trade facilitation policy/strategy and any measures aimed at female traders. Jordan, Lebanon and Palestine were reporting no such initiatives, and none of the countries are yet including female traders on their National Trade Facilitation Committees (not applicable in Lebanon and Palestine).

Enhanced performance on trade facilitation indicators is reflected in the scores assigned to the "Trading across borders" indicator in the World Bank Doing Business 2020, with Morocco, Jordan, Palestine and Tunisia outperforming the MENA average (Chart 8).

Since the Doing Business 2015 report, **Morocco has also seen the most progress in improving its ranking on the "trading across borders" indicators, moving up from a rank of 102 to 58 in 2020** (56 positions). Apart from other advancements in trade facilitation as noted above, development of the integrated PortNet system has likely played a role (see Box 3).



Notes: Maximum score is 100. The score reflects scores on indicators of time and costs of dealing with import-export documentation, regulations, and compliance, plus costs of shipping. The high score for Palestine relates to the fact that Israel is its major trading partner (over 80% of Palestine's exports) and shipping across the border is less costly, as well as facilitated by the control Israel has over border transactions. Export transactions to other countries is more complex and costly.

Source: World Bank (2019), *Doing Business 2020: Comparing Business Regulation in 190 Economies*.

Box 3. PortNet National Single Window of Foreign Trade Procedures, Morocco

PortNet is a unique project implemented over the last decade which consists of a national single-window platform for all of Morocco's trade actors. The project was launched in 2008 by National Ports Authority to simplify the procedures of entry and exit of vessels and goods from the Agadir and Casablanca ports. In 2012, the project evolved into the National Single Window of Facilitation of Port and Trade Procedures (PortNet) in the form of a public-private partnership (PPP), governed by a Board of Directors that brings together public authorities, freight forwarders, shipping agents and banks. The PPP reflects the will of the National Business Environment Committee, a public-private dialogue body chaired by the Head of Government, which brings together ministries, agencies, customs and the private sector. The initial investment in the project was about USD 4.4 million.

PortNet's goal is to simplify and digitalise international trade procedures across the entire international trade chain to enable more and more companies to export while enhancing the competitiveness of Moroccan foreign trade and logistics through technology and community intelligence. PortNet now covers almost all Moroccan ports, connecting them with the other

infrastructure, such as railways and airports, through digitalisation. Almost all their foreign trade procedures have been digitalised through the PortNet national single window for foreign trade.

Since 2012, PortNet has participated in the implementation of national strategies (e.g. e-Maroc, Maroc Digital 2020, logistics, port). With more than 50,000 users (up from 11,000 in 2015), including 45,000 importers and exporters, 11 ports, 20 banks and more than 43 administrations, Portnet ensures interoperability with the various agencies in the ecosystem (e.g. health, compliance) and with one-stop national single windows in other countries, permitting simplification and integration of logistics and commercial chains, covering 70% of the supply chain in the country. Members of the PortNet system include: the National Ports Agency, Moroccan Customs, the Ministry of Foreign Trade, the Moroccan Freight Forwarders Association, the Moroccan Exporters Association (ASMEX), the Federation of National Associations of Ship Brokers and Agents, the Moroccan Agency for Logistics Development, and the General Confederation of Moroccan Enterprises (CGEM). Thus, PortNet services apply to importers, exporters, freight forwarders, shipping agents, handlers, banks, shippers, and public administrations.

As particular strengths of the PortNet system:

- The PPP approach aligns the interests of the public and private sectors and facilitates collaboration and the development of services adapted to users' needs.
- Users are supported in managing the change processes required by the automation and digitisation of trade procedures through the PortNet IT Service Centre, an internal and an external system for managing partners' services, building new services offerings, and creating added value.
- Agile solutions are provided for all types of firms. For example, SMEs are offered simplified pricing and training in digital skills to help them convert to digital, paperless procedures for export.
- Contributed to improvements in Morocco's rankings on the World Bank "trading across borders" indicator and achieved success in reducing the time and cost to trade for exporters and importers. The digitalisation of PortNet procedures allows export procedures to be completed in 15-20 minutes, compared to the before PortNet 2-3 days required to collect paper documents from shippers, analyse them and submit them to the shipping lines.

During the COVID-19 pandemic, the customer relations center had to be closed; however, the digitised procedures proved to be robust to take over. As a result, little disturbance in operations was observed, while at the same time, an increase in transactions and the use of digital features was recorded. The single window proved to be an asset for the specific response to the COVID-19 pandemic and revealed its added value to a greater number of users.

The PortNet platform contributes to improving the business climate, trade, port, and logistics competitiveness of Morocco, and is a successful model of a national partnership between government and the private sector.

Implications for other South-MED countries

Based on its community governance approach, its integrated coverage of supply chain processes, and the collaborative nature of its digital services, PortNet National Single Window of Foreign Trade Procedures has become, over a short period of time, a model and international reference in the implementation of single windows for external trade and community port and logistics systems, including having won several international awards. The replicability of the initiative and feasibility of its implementation in other countries have already drawn the attention of other nations and organisations that would like to replicate the model elsewhere. It may also provide important lessons learned for other of the South-MED countries, and possible scalability at the regional level.

Sources: « PortNet : Une infrastructure clé du commerce extérieur - Procédures digitalisées : un atout pour les exportateurs Marocains confrontés aux défis du COVID-19 », MED MSMEs Programme, <https://medmsmes.eu/sites/default/files/2020-10/Maroc%20-%20Export%20-%20MEX%20-%20Portnet%20FINAL.pdf>; "Digitalising foreign trade procedures and boosting innovation in Morocco with PortNet", INSM, <https://www.insme.org/foreign-trade-customs-import-export-port-ecosystem-logistics-ecosystem/>.

1.5 Role of SMEs in exporting and internationalisation activity

Comparative regional data on SMEs and their role in South-MED economies is limited and generally not up-to-date; data on their engagement in internationalisation activities is even scarcer.³¹ Governments in the South-MED countries are not generally able to produce benchmark data on the number of exporting SMEs, share of exporters among all SMEs, the share of SME exporters among all exporting companies, and the share of SME exports in the total export value. Tunisia regularly reports the value of exports and imports of industrial sector companies and exports of

³¹ For example, Lebanon does not produce official data on SME structural statistics; Palestinian data on the MSME sector is available from the 2017 Establishment Census, but concrete information on the SME share of overall exports is lacking; the Jordan Department of Statistics produces annual statistics on the enterprise sector by employment size categories, but does not produce data on SME export activity.

services sector companies, by sector, and offshore/inshore regime, but not by size of firm.³² Morocco is currently the only of the South-MED countries with an MSME Observatory. The process of developing the Observatory was initiated in 2014 as a collaboration with several public and private partners, but it took some time for Moroccan stakeholders to negotiate the data exchange agreements that now include the Bank Al-Maghrib, the General Tax Directorate, the National Social Security Fund, and the Moroccan Industrial and Commercial Property Office, in addition to data from the High Commissioner for Planning (*Haut-Commissariat du Plan*) and the foreign trade database of the Foreign Exchange Office (*Office des Changes*). The first Observatory of MSMEs report, based on 2018 data, was published in September 2020.³³ Although the Observatory does not report data on the share of MSMEs among exporting companies, it does report that MSMEs accounted for 27% of total export turnover in 2018 (46% of which was from medium enterprises and less than 7% from microenterprises). As the Observatory expands its scope of data and coverage, it will over time more fully develop the reporting on export activity by size of firm, and be a model for other South-MED countries to replicate.

Policy and measures directed to increasing the participation of SMEs in internationalisation activity would be greatly facilitated if benchmark data were available. This could be facilitated through efforts of the national statistical agencies to develop improved mechanisms and systems for tracking export activity by size of enterprise. The example from Eurostat provides guidance on how this could be developed in the South-MED countries (see Box 4).

Box 4. Producing statistics on the SME share of exporting activity - Eurostat

The European Commission collects data on various indicators related to the participation of SMEs in international trade goods and services in two Eurostat databases: the Trade by Enterprise Characteristics (TEC) database and, to a lesser extent, the Services Trade by Enterprise Characteristics (STEC) database. These databases collect various firm-level information about enterprises engaged in foreign trade by enterprise size, sector of activity, concentration of trade, the number of trade partners, the type of ownership, etc.

The TEC and STEC data link two traditional statistical domains, business statistics and international trade in goods and services statistics, and are based on data reported to Eurostat by the EU Member States. The data can show the number of EU enterprises exporting goods outside of the EU and the value of those exports. Based on existing data, the European Commission was able to report on the role of SMEs in extra-EU exports in 2017. This revealed that out of all exporting enterprises, around 615,000 were SMEs (over 87%). The largest share – more than half – were micro enterprises (1-9 employees). About 25% were small firms (10-49 employees), and 10% were medium companies (49-250 employees). The value of SMEs' exported goods represented 28% of the total value of extra-EU exports in that year, although in some sectors, the SMEs accounted for more than 50% of the total value of the EU exports, specifically, textiles, furniture, printing and media, agricultural products and wood products. Exporting SMEs in Italy, France, Spain and Germany accounted for 60% of the total EU27 exporting SMEs in 2017 and for over half of the total value of SME exports, indicating the enhanced role of SME exporters in these economies. The Eurostat STEC database also allows assessment of SMEs' contribution to services exports. For 2017, the data indicated SMEs accounted for 41% of EU services exports, higher than the share of goods exports.

Implications for South-MED countries

Statistics on the participation of SMEs in export activity can help guide trade policy and policy in other domains, such as SME policy. A coordinated statistical data system, such as Eurostat, does not exist for the South-MED countries. Not all of the South-MED countries have developed the capacity for producing structural statistics on SMEs. However, it may be possible for governments in the South-MED countries to track the participation of SMEs in data collected by customs authorities or exporter registries. Such data would provide governments with a stronger evidence base to set targets for increasing the number of SMEs exporters and their share of total export value. This could be a beneficial topic for regional dialogue between the EU and the South-MED countries, in collaboration with the Moroccan Observatory of MSMEs.

Source: Cernat, L., M. Jakubiak, and N. Preillon (2020), "The Role of SMEs in extra-EU Exports: Key performance indicators", Chief Economist Note, DG Trade, May, European Commission.

³² APII (Agence de Promotion de l'Industrie et de l'Innovation) (2020), « Bulletin de Conjoncture », Décembre, Ministère de l'Industrie et des PME, Tunisie, <http://www.tunisieindustrie.nat.tn/fr/download/conjoncture/Decembre2020.pdf>. The Tunisian Industry Portal reports that 49.5% of the 5,149 industrial sector enterprises with more than 10 employees are "totally exporters"; and 35.7% of the 3,002 services sector enterprises, but does disaggregate further by size of firms, see: Industrial statistics and data, APII, April 2021, <http://www.tunisieindustrie.nat.tn/en/tissu.asp>; http://www.tunisieindustrie.nat.tn/en/tissu_ser.asp.

³³ OMTPE (Observatoire Marocain de la très petite et moyenne entreprise) (2020), *Rapport Annuel 2018*, Septembre, http://bofr.le360.ma/sites/default/files/assets/documents/rapport_annuel_omtpe.pdf.

Common weaknesses of SMEs impeding export development

In general, SMEs across the six South-MED countries share some common weaknesses that impede their ability to participate in international trade. The vast majority of formally registered SMEs in the South-MED region are in fact micro-enterprises³⁴, operate in lower-value-added sectors, such as retail trade, have limited ability to compete effectively in productive industries, and lack the capacity to cater to international markets. Common weaknesses of SMEs noted in the country profiles include: **lack of awareness of export and foreign market opportunities; inadequate access to market information** (e.g. information packages, online trade information portals); **lack of exporting know-how; lack of capacity** (upgrading weaknesses) **and scale to benefit from trade agreements; inadequate in-house marketing skills; limited take-up of e-commerce and digital tools** (although improving); **lack of capabilities and capacities to meet global buyer product/quality standards; difficulty in acquiring quality standards and conformity assessments; limited access to export credit and supply chain financing** (in some of the countries); and **lack of sufficient tailored support from policy instruments** (particularly noted by stakeholders in Morocco and Tunisia). While SMEs play an important role in the South-MED countries, particularly in employment creation, they face a number of obstacles which hamper their growth and productivity, limit their capacities and prevent them from fully realising their potential, in particular, transaction costs and information asymmetries that strongly depend on an enabling business environment.

SMEs face a number of challenges to integrate into GVCs in the South-MED countries. Similar to the general export hurdles they experience relative to larger firms, these include limited production capacities; lack of, and cost, of certification and compliance with international product and quality standards; inadequate capacity to meet "just-in-time manufacturing" and reliability requirements; insufficient knowledge of trade regulations and cross-border procedures; limited access to supply chain finance; insufficient support for creating business linkages; and poor ICT infrastructure, access to digital technologies, and the digital skills required to participate in, and leverage, value chain networks³⁵.

To improve the capacity of SMEs to participate in GVCs requires policy and programme measures to disseminate information on GVC opportunities (e.g. mapping, information portals, searchable databases/directories); to create linkages with foreign companies (e.g. matchmaking, supplier development programmes, sectoral cluster initiatives, SME linkages with firms in industrial and free zones); to bring products and/or production processes into conformity with the required international norms and standards (upgrading programmes, developing comprehensive quality management systems, SME-accessible national quality infrastructure); to improve access to financing (e.g. supply chain financing, e-payment capabilities); and expanding industrial and free zones.

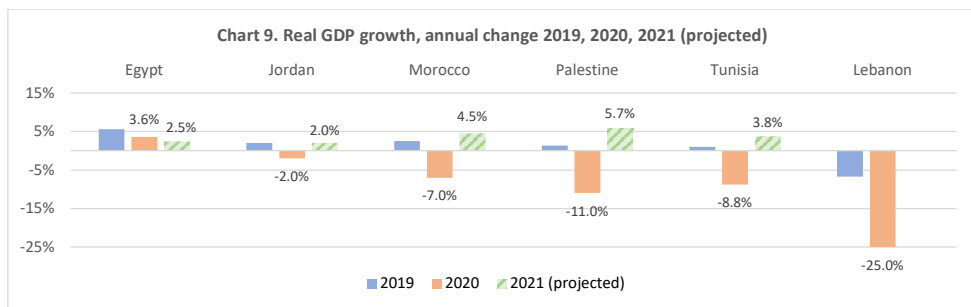
1.6 Impact of COVID-19 on exports and governments' policy responses

Impact of the COVID-19 pandemic on GDP growth

Egypt is the only country of the six that experienced positive GDP growth in 2020 despite the negative impacts of COVID-19 (Chart 9). Lebanon suffered the most but its GDP growth was already contracting due to other economic and political factors prior to heading into the COVID-19 crisis. Coming out of 2020, the International Monetary Fund (IMF) projects rebounds in GDP growth in 2021, except in Lebanon which suffers from more serious macroeconomic and political instability.

³⁴ 2019 MSME Economic Indicators Database, International Finance Corporation (IFC), <http://www.ifc.org/ifcext/sme.nsf/Content/Resources/>. This data reports the number of registered enterprises by size category, as per national statistics offices. Definitions for "microenterprise" vary by country, although in all cases do not include enterprises with more than 9 employees (in some cases fewer than 5 or 6 employees). The share of microenterprises in total enterprises averages 92.2%, but varies from 89% in Egypt and Palestine to over 97% in Morocco and Tunisia.

³⁵ Ganne, E., and K. Lundquist (2019), "The digital economy, GVCs and SMEs", in *Global Value Chain Development Report 2019: Technological innovation, supply chain trade, and workers in a globalized world*, World Trade Organization, p. 136.



Note: No 2021 projection for Lebanon.

Source: IMF (2021), *Regional Economic Outlook-Middle East and Central Asia: Arising from the Pandemic: Building Forward Better*, Table 1, Statistical Appendix.

Impact on exports

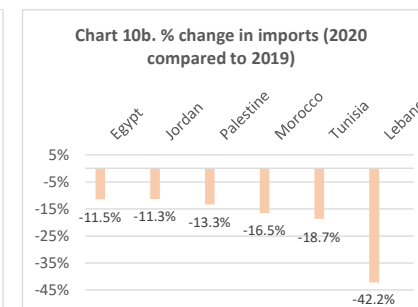
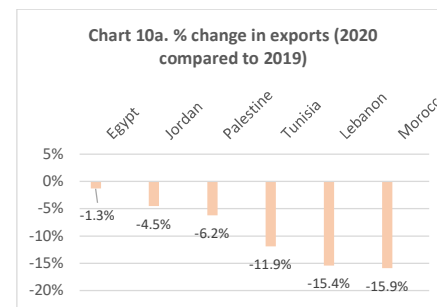
The six South-MED countries all experienced a decline in exports during 2020, relative to 2019, **as well as in the value of imported goods** (Chart 10a and Chart 10b). Lebanon and Morocco experienced the biggest decline in the value of total exports (over 15% lower in 2020 than in 2019), and Egypt survived better than the rest, with a decline in the value of goods exports of only 1.3%. (See Table 5 for more detail on the composition of the changes in exports/imports by goods versus services, or national exports versus re-exports.)

In comparison, the EU experienced a decline of **-9.38%** in extra-EU27 goods exports in 2020 (relative to 2019) and a drop of **-11.64%** in extra-EU imports.³⁶ So, in relative terms, the year-on-year decline in exports in Egypt, Jordan, and Palestine was not as severe as in the EU context, and certainly better than predicted during the beginning of the COVID-19 repercussions in March and April of 2020. The other good news is that the six South-MED countries all experienced a net contraction in their trade deficit figures due to the greater decline in imported goods in 2020 than in the value of exports.

Some exporting sectors suffered more than others in 2020. Textiles and tourism sectors were hardest hit as tourism came to a halt and global demand for textile and apparel exports fell due to COVID-19-related supply chain disruptions (affects felt deeply in Egypt, Jordan, Morocco, Tunisia). Morocco was also negatively impacted by significant drops in exports in the automotive sector, aeronautical parts, and other mineral extracts and general declines in most sectors, including the agriculture and food industries.

Other sectors were able to make export gains during 2020. In Egypt, for example, the building materials sector, food industries and medical industries were key drivers of export growth. Jordan experienced export gains in fertilizers, jewellery and precious metals, and chemical products relative to 2019 exports. Morocco saw an increase of 4% in its phosphate exports (a sector which represents 9% of Morocco's GDP).

³⁶ Eurostat data on extra-EU trade in goods, 2019 and 2020, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Extra-EU_trade_in_goods/.



Sources: Egypt: CAPMAS, Foreign Trade Data; Jordan: Department of Statistics, "National exports increase by 1% and imports decrease by 11.3% during 2020 compared with the same period of 2019", 18 March 2021; Lebanon: Foreign Trade Statistics, Customs Administration, http://www.customs.gov.lb/Trade_Statistics/Tarif_Indicators/Indicators_Trade.aspx; Morocco: "Année 2020, Les Indicateurs des Échanges Extérieurs", Office des Changes, https://www.oc.gov.ma/sites/default/files/2021-02/IEE%20D%C3%A9cembre%202020_0.pdf; Palestine: *Performance of the Palestinian Economy, 2020*, Palestinian Central Bureau of Statistics, May, p. 44, <http://www.pcbs.gov.ps/Downloads/book2565.pdf>; Tunisia: Commerce Extérieur aux prix courants, Décembre 2020, National Institute of Statistics, <http://www.ins.tn/sites/default/files/publication/pdf/Comext-12mois2020.pdf>.

Table 5. More detail on % decline in exports and imports in 2020 (over 2019)

Country	Additional detail on decline in exports	Additional detail on decline in imports
Egypt	-1.3% (total goods/commodities exports)	-11.5% (total goods/ commodities imports)
Jordan	-4.5% (national "goods" exports were up +1%; re-exports down by -34.6%)	-11.3% (goods imports)
Lebanon	-15.4% (general export trade, goods)	-42.2% (general goods imports)
Morocco	-15.9% (total goods & services); -4.8% on goods exports; -30.1% on services exports	-16.5% (total goods & services imports); -13.6% (goods imports); -29.1% (services imports)
Palestine	-6.2% (goods & services exports)	-13.3% (goods & services imports)
Tunisia	-11.9 (total goods exports)	-18.7% (total goods imports)

Sources: Same as for Charts 10a, 10b.

The South-MED countries also saw shifts in the value of exports to their key trading partners. The value of Jordan's exports to the USA and the Greater Arab Trade Zone declined by 11.7% and almost 3% respectively, while exports to EU countries and non-Arab Asian countries increased by 3% and 10.6% respectively. Morocco's exports to the EU, its largest trading partner, decreased by 7.3% in 2020³⁷; the pace of its rebound in 2021 will depend to a great extent on the scope of recovery in Europe. In Tunisia, disruptions in value chains in Europe and Asia highlighted the need to diversify its export markets and develop more regional value chains.

The COVID-19 crisis has clearly affected the functioning of regional and global value chains, mostly with respect to the interrupted flow of intermediate inputs from one location for production needs in another, in addition to disruptions in international transport networks, and more border and customs clearance controls and requirements (e.g. sanitary controls). This has led some governments and international organisations to rethink their supply chain linkages and consider options for reshoring or nearshoring some of their foreign activities.

The COVID-19 crisis also led to a boom in the use of e-commerce as many SMEs adopted e-commerce solutions and became interested in using e-commerce to their advantage. This also created demand for related activities, such as shipping and delivery companies, e-payment systems, and creation of e-commerce platforms to support the SMEs access to international markets, and online information platforms, logistics and digital systems to support their participation in GVCs. In some cases, this **accelerated government initiatives to negotiate partnerships with global e-commerce platforms**, such as Alibaba, Amazon, etc. However, taking full advantage requires access to e-commerce platforms, electronic payment systems, logistics systems, and enhanced competence in online marketing.

³⁷ European Commission (2021), "European Union, Trade in goods with Morocco", Directorate-General for Trade, https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_morocco_en.pdf/.

Governments' policy responses to COVID-19 pandemic affecting SME exporters

The primary SME-related COVID-19 economic response of governments in the South-MED countries was to **help address the liquidity challenge facing all SMEs** resulting from lockdowns and lost sales. With respect to exporters, the challenge was to develop strategies and initiatives to maintain demand for their products in foreign markets. To a greater extent in some countries than others, governments implemented targeted remedial support measures to exporters and the exporting sectors. The most common response was to **accelerate the shift to online access to information and government services**, including the **electronic completion of import-export transactions**, in addition to further **simplification of administrative and customs procedures and processes**. In lieu of in-face trade missions and business matching activities, diplomatic and commercial services, as well as export development agencies and exporter associations, moved to facilitating **virtual B2B matchmaking events**.

Most countries accelerated the establishment of electronic marketplace platforms to help SMEs find new markets and sales channels. Other small-scale programmes sought to accelerate the digital/virtual transformation of SMEs in export-related sectors (e.g. ICT and IT-enabled services sector, engineering-related sectors) (Egypt, Jordan) and their online presence in international trade portals (Jordan³⁸), while others offered subsidies to cover the freight/shipping costs of SME exports to higher-risk non-traditional markets (Jordan), the transport of perishable agricultural products (Tunisia Export Promotion Fund), or to finance export development activity and exports within African countries (Egypt³⁹). Governments in several of the countries implemented programmes to encourage exporting firms to repurpose their production lines to manufacture COVID-19 supplies and personal protection equipment in great global demand (face masks, shields, gowns, sanitizers, etc.), such as in Egypt, Jordan, Morocco, and Palestine.

During 2020, often supported by international organisations, different **export-related SME financing programmes** were also implemented, such as the EUR 150 million boost to the Egypt-EBRD “green value chain programme” for green investments in SMEs, and an additional USD 100 million to Banque Misr under the EBRD Trade Facilitation Programme⁴⁰ to help meet the demand of SMEs impacted by COVID-19 for trade finance (import-export transactions).

There is general consensus among governments in the six South-MED countries that dealing with the COVID-19 shock and longer-term socio-economic consequences will require key structural and business climate reforms in support of SMEs, as well as focused attention to digital transformation, cross-border trade facilitation, quality and standards upgrading of SMEs, and to the agriculture and tourism sectors, in addition to further improvements in the business environment to accelerate economic recovery. In the post-COVID-19 changing environment and recovery period, supporting SMEs to gain traction in export markets and GVCs will be even more critical. In all cases, efforts should be made at the national level to bring policymakers and industry sector representatives to identify priority products and promising export markets, followed by adoption of a set of integrated policies and measures to support production, exports, and job creation in these sectors.

In general, the focus of governments in the post-pandemic period, as evidenced in the policy directives of a number of the countries, should be on:

- moving forward with the needed legislative reform to enable e-commerce and logistics sectors;
- providing incentives to the most competitive exporting sectors to improve their productivity and to encourage other sectors to improve;
- enabling the ICT sector in accessing new markets; and
- renegotiating trade agreements to make them more responsive to the post-pandemic conditions.

³⁸ For example, the electronic commerce component of the JEDCO “Industrial SME Support Programme through Individual Services (Electronic Commerce or Teleworking)” COVID-19 response programme, which provided a grant of up to 70% of the JD 10,000 cost to help qualifying SMEs cover the costs of technical training and consulting for the establishment and management of up to three electronic stores (getting registered in online platforms, such as Alibaba), including e-promotion inside the store.

³⁹ The example is the protocol developed between the Egyptian Commercial Service with the Banque Misr to launch finance programmes to support Egyptian exporters (18-month protocol, effective January 2021, estimated financing of EGP 22 million), with a particular emphasis on exports within African countries (e.g. awareness sessions, training workshops for small exporters on trade documentation, qualifying new exporters, etc. (“Egypt’s Banque Misr, Commercial Service join forces to boost exports”, 22 December 2020, *Daily News Egypt*, <https://dailynewsegypt.com/2020/12/22/egypts-banque-misr-commercial-service-join-forces-to-boost-exports/>).

⁴⁰ The EBRD Trade Facilitation Programme, which provides credit facilities to banks to support export transactions, with a focus on MSMEs, is also delivered through partnered banks in Jordan, Lebanon, Morocco, Palestine and Tunisia.

The economic recovery priority should be to “build forward better”, “build greener”, and go “beyond recovery” by increasing awareness and interest in the green economy, “circular economy” initiatives, e-commerce, and innovative and technology-enabled business models as key drivers of economic recovery and further access to markets through the digital economy.

Section 2. Policies and strategies supporting export activity

Access to international markets represents an important opportunity for SMEs to expand their markets and grow. Studies by the OECD and the European Commission confirm that exporter-enterprises consistently outperform non-exporters on a number of measures, including profitability, production, employment growth, wages and sales volumes, and innovativeness.⁴¹

Governments in the six South-MED countries place a priority on internationalisation of their enterprises and have adopted strategic approaches to export promotion in the form of policy frameworks and programmes (see the comparative summary in Table 6). In all cases, there is some form of a trade development/national export strategy to promote and facilitate trade, however, all have expired and are in need of renewal and updating, which should be a priority. In each country, a number of public and private institutions and trade-supporting actors are involved in the field of SME export promotion and development, including a dedicated export promotion agency (the Export Development Agency/EDA in Egypt; Jordan Export; the Industrial Development Authority of Lebanon/IDAL; Moroccan Agency for the Development of Investments and Exports/AMDIE; Palestine Trade Centre/PalTrade in Palestine; and the Tunisia Centre for Export Promotion/CEPEX). Typically, export promotion agencies play a central role in the export support ecosystem. Sector and business-membership associations, including chambers of industry also support exporting activity of their members, and more broadly, the SME sector.

In each country, several instruments and programmes are in place to support SME exporters and SMEs seeking to integrate as suppliers in value chains. These include trade/export promotion, access to trade information, simplification and digitalisation of export and import procedures, export-readiness assessments and capacity building programmes, export training and advisory services, B2B missions and match-making activities, virtual marketplaces, cluster support, and facilitating linkages between domestic SMEs and potential buyers and suppliers in other countries.

It could be noted that in the 2014 SME Policy Index (SMEPI) assessment of the SBA principles in the Mediterranean MENA region, Morocco fared best of the six countries on the SME Internationalisation dimension⁴²; closely flanked by Tunisia and Egypt on the “proactive trade policy” sub-dimension; and by Egypt on the “simplification of procedures for international trade” sub-dimension, with Tunisia trailing in 3rd place (see Appendix 3). Since 2014, much progress has been made in the South-MED countries on addressing the recommendations in the SMEPI report and implementing important reforms to open up the economy to trade and investment.⁴³ Governments in the six countries have trade development and/or national export strategies, have set up or restructured export promotion agencies and other trade-specialised institutions (such as export credit guarantees) to support exporters and implement export promotion strategies; although gaps in some of these areas exist from one country to another.

⁴¹ As reported in OECD/European Commission/ETF (2014), *SME Policy Index: The Mediterranean Middle East and North Africa 2014: Implementation of the Small Business Act for Europe*, OECD Publishing.

⁴² The SME Internationalisation indicators assessed initiatives to promote trade, such as the implementation of trade/export promotion strategies, specific export promotion and export capacity building programmes, and the simplification and facilitation of trade procedures, including the levels of computerisation of procedures for international trade and the provision of relevant and timely information on those procedures and regulations.

⁴³ The SMEPI for MED-MENA countries made three recommendations for improvements to the SME Internationalisation dimension: 1) updating or adopting strategic approaches towards export promotion by developing or implementing clear strategies in this area; 2) increasing trade facilitation efforts through electronic procedures and virtual one-stop shops, and greater acceptance of electronic forms and procedures among users; and 3) efforts to promote and facilitate trade to yield stronger results (given the limited intra-regional trade despite the existence of a number of bilateral and regional trade and co-operation agreements (OECD/The European Commission/ETF (2014), *SME Policy Index: The Mediterranean Middle East and North Africa 2014: Implementation of the Small Business Act for Europe*, p. 41).

Table 6. Summary of policy structures and measures

	Egypt	Jordan	Lebanon	Morocco	Palestine	Tunisia
National trade/export strategy	*	*	*	*	*	-
<i>SME pillar/focus in Trade/Export Strategy</i>	*	*	-	*	*	-
National SME Development Strategy	*	*	*	*	-	-
<i>Export access pillar in SME strategy</i>	*	*	*	N/A	N/A	N/A
Official statistical data on share of SMEs in exports	-	-	-	*	-	-
National Export Promotion/ Development Agency	* EDA	* Jordan Export	* IDAL	* AMDIE	* PalTrade	* CEPEX
MSME Development Agency	* MSMEDA	* JEDCO	-	* Maroc PME	-	* APII
National digitalisation and/or e-commerce strategy	*	*	-	*	-	*
National green economy strategy	*	*	-	*	-	*
National trade facilitation committee	*	*	*	*	-	*
National e-single window for trade facilitation	In progress	Partial	-	*	-	*
Business matching initiatives, trade missions, etc.	*	*	*	*	*	*
Online portal to promote exports, provide trade information	*	*	*	*	*	*
Export-readiness programmes for SMEs	*	*	-	*	*	*
Digital/e-commerce-readiness programmes for SME exporters ⁴⁴	*	-	-	-	-	-
Export credit /guarantee agency/ programme	*	*	*	*	-	*
Export financing schemes for SMEs	*	*	*	*	-	*
E-commerce platform/virtual marketplaces for SMEs	*	*	-	*	-	*
Green trade/financing initiatives-SMEs (EBRD) ⁴⁵	*	*	*	*	-	*
Women exporter initiatives	*	*	*	*	-	-
Standards and quality infrastructure	*	*	*	*	*	*

Note: This is an indicative summary of the country situation and is not meant to be an exhaustive inventory of programmes and services. Such an inventory was beyond the scope of this MED MSMEs Programme study.⁴⁶

Egypt, Jordan and Morocco stand out for offering programmes for first-time exporters (Egypt, Jordan, Morocco), support to foster increased exports by SMEs in the industrial and services sectors (Jordan) and ICT sector (Egypt), export consortia (Morocco, also Tunisia), and other export-readiness initiatives, however, **many of these projects are small in scale or pilot projects, and often supported by international donor organisation.**

⁴⁴ Jordan is partnering with UNCTAD on the e-Trade Readiness Assessment, which overviews the e-commerce ecosystem and recommends digital transformation policy actions/measures on seven pillars of e-Trade: 1) e-commerce assessments, 2) ICT infrastructure, 3) payment solutions, 4) trade facilitation and logistics, 5) legal and regulatory frameworks, 6) skills development, and 7) access to finance, plus the challenges related gender equity and measurement of e-commerce.

⁴⁵ The EBRD Green Trade Initiatives support national export development agencies in helping SMEs meet EU market standards, integrate into export value chains, and strengthen capacity to market/export on trade information platforms.

⁴⁶ It was not the intent of the project to undertake a deep comparative analysis of the scope and impact of country initiatives. A fuller assessment of country-level policies and programmes is more within the scope of the SMEPI assessment of the implementation of the SBA in South-MED countries, the last full assessment of which was completed in 2014, with an interim assessment in 2018 that did not include an assessment of the Internationalisation dimension.

Of note are the export support services offered by the Egyptian Exporters Association (EEA), specifically the EXPOLINK Service, which provides a one-stop-shop export platform to support exporters with information, services and supports, and the Export Incubator Programme (see Box 5).

Box 5. Innovative export development programmes of the Egyptian Exporters Association

EXPOLINK Service

The Egyptian Exporters Association (EEA) was founded in 1997 with the goal of being the main enabler for Egyptian exporters to achieve substantial and sustainable economic growth. It realises its goal by improving access to market intelligence on the needs of world markets; promoting opportunities to enhance access of Egyptian manufacturers to export opportunities through effective participation in international trade fairs, trade missions and business matchmaking events; building awareness of international export standards, compliance requirements, and best practices; building the international trade capacity of new and expanding export-ready enterprises; and enhancing the competitiveness and integration of Egyptian exporters into global value chains.

Acting as a one-stop stop, export platform enabler, EXPOLINK facilitates the exporting process, minimising the cost imposed on exporters in seeking each service through separate entities, leveraging and unifying export standards, and enhancing exporters' capacities and competitiveness, including through export-readiness programmes, certifications, product and process upgrading, promotion and marketing, one-on-one export development coaching, and B2B matchmaking services.

A key success factor for EXPOLINK is the networked approach including a number of Egyptian partner organisations in the ecosystem that include: The Ministry of Trade and Industry, the Egyptian Commercial Service (ECS), the Export Development Authority (EDA), the Federation of Egyptian Industries (FEI), the Egypt Expo & Convention Authority, the Federation of Egyptian Chambers of Commerce (FEDCOC), and other key business associations.

Since 1997, EXPOLINK has organised Egyptian participation in 541 international trade fairs; conducted 65 trade missions; and hosted more than 5,000 international buyers, which led to the creation of more than 30,000 export opportunities for Egyptian exporters. With support from the EBRD, and in cooperation with the Foreign Trade Training Centre (FTTC), the EEA also started delivering training to women exporters in 2020.

In recent years, EXPOLINK is responding to current changes in the dynamics of doing business via a **comprehensive digital strategy**, which utilises a multitude of technological tools to expedite the introduction of new opportunities for Egypt, and the digitalisation of EXPOLINK programmes and services.

Export Incubator Programme

The EEA also operates the Export Incubator Programme (EIP), an innovative incubator for non-exporters and young entrepreneurs that delivers an inclusive export development programme to support the start-up entrepreneur's journey to launch a successful export business (incubation services, training, mentoring, promotion/marketing, product quality, access to finance, market linkages). Providing all knowledge/skills for starting, managing, sustaining and expanding export businesses, the programme is implemented by the EEA in cooperation with the Foreign Trade Training Centre (FTTC) and the Federation of Egyptian Industries (FEI). The EIP trained 18 exporter start-ups in 2020, with a call for a new cohort in 2021, and will support these firms for a full year in the incubator, including offering B2B platforms for the firms to do business internationally.

The EIP makes use of online learning modules through a **digital learning platform** coupled with access to a pool of highly qualified mentoring specialists to cover the fundamentals of exploiting global export opportunities and building an export business. The learning component consists of five modules over 12 days (3 sessions per week/2 hours per session) delivered to small groups of up to 20 attendees per session. A key component of the programme is understanding "E-Exporting requirements" - the practice of receiving and processing orders online from customers located in foreign countries, and its importance to target potential customers around the world, as well as in dealing with various issues related to shipping, customs, electronic contracts and transactions. Once the learning models are completed, the enterprises receive a package of services for the following 12 months, such as complimentary global market scans, market access plan and identification of export opportunities; 50% cost-sharing of participation in virtual B2B and trade missions, and assistance/consultation in digital transformation readiness.

Source: <https://www.expolink.org/our-solutions/>.

One of the options countries have for diversifying their exports is **increasing the potential for services sector exports**. UNCTAD, for example, recommends that countries place a premium on the role of trade in services as a key element of their strategies and policy mix for COVID-19 recovery.⁴⁷ Box 6 highlights recently launched programmes in Jordan to support the export development of services SMEs.

Box 6. Jordan achieves success in targeting the export development of services SMEs

The Jordan Enterprise Development Corporation (JEDCO) considers the commercial and services sector an essential feature of the national economy and underdeveloped partner in diversifying the country's export base. In the past, JEDCO's has mainly prioritised industrial SMEs and continues to support exports of their industrial products. However, in August 2019, JEDCO launched the **"Enhancing Services SMEs to Export"** programme, a new programme to diversify and expand the base of exporters, increase the rate of Jordan's export activity, and open up new export markets. The programme targeted SMEs in the engineering and architectural services sector and/or the information technology (IT) sector, demonstrating high export readiness and some export activity over the past three years. Based on promising results from the initial programme, JEDCO issued a second call for applications in 2020, this time broadening the scope of services SMEs to include those operating in the tourism and hospitality sectors, administrative, financial and legal consulting, training, and health care, in addition to engineering and architecture services and IT, with the aim of supporting 40 local SMEs and achieving export sales of JD 8 million.

In January 2021, JEDCO issued the third call for applications from service sector SMEs, this time for the new **"Supporting Service SMEs to Export for the First Time"** programme, and targeting the broader range of services SMEs. Qualifying SMEs either have not exported previously or limited previous export experience (generated not more than JD 30,000 in exports and total revenue of not more than JD 70,000 during any of the previous three years). The programme consists of an initial training component to help with developing an export plan and budget, followed by provision of a competitive 50/50 matching grant to implement the plan. The programme also includes B2B sectorial missions and networking with export support bodies so SMEs can explore new export markets.

Source: JEDCO Programmes, https://www.jedco.gov.jo/EN/ListDetails/JEDCO_Programs/50/3/.

The Ministry of Digital Economy and Entrepreneurship (MoDEE) also delivers programmes to support the expansion of digital companies and their access to markets by providing the necessary competencies for digital platforms and incentives to support their growth plans. The **"GrowJO (Market Expansion)"** project (initially launched in November 2020 as a component of the World Bank-funded Youth, Technology and Jobs 2020-2025 project) aids digital and digitally-enabled firms (e.g. IT and business process outsourcing) to secure new contracts from target markets in the Gulf countries, Europe, China, India, and the USA. The project provides matching grants of up to USD 100,000 to cover the cost of implementing their business development plans, including items related to attending conferences/trade shows to build linkages between Jordanian digital firms and potential buyers in regional/global markets, introducing marketing and sales pipeline management processes and tools, broker fees that can help companies secure new contracts, and the salaries of new business development staff.

Source: MoDEE GrowJO (Market Expansion), [https://www.grow.jo/Index_en/?https://www.grow.jo/RFA%20GrowJO%20\(Market%20Expansion\)%202.0%202104-13.pdf/](https://www.grow.jo/Index_en/?https://www.grow.jo/RFA%20GrowJO%20(Market%20Expansion)%202.0%202104-13.pdf/).

A donor-funded project to support Tunisian SMEs gain access to new export markets in Africa is also of interest, especially in light of opportunities offered by the AfCTFA. Information on the "Promotion of job-creating export activities to new African markets (PEMA)" project is profiled in Box 7.

Box 7. Supporting Tunisian SMEs to Access New Export Markets in Africa

The Tunisian Minister of Trade is committed to greater intra-African integration and identifying sub-Saharan markets as an opportunity for increasing Tunisian exports, which in 2019 represented only 2.7% of its total exports.

In 2019, GiZ, in partnership with the Tunisian Centre for Promotion of Exports (CEPEX), launched the "Promotion of job-creating export activities to new African markets (PEMA)" project to strengthen Tunisia's regional integration, dismantle trade barriers and improve the export opportunities of Tunisian enterprises, particularly SMEs. The project aims to achieve this by improving the framework for trade between Tunisia and the African target markets, improving the capacity of relevant government agencies to negotiate, implement and monitor regional trade agreements, improving the supply of public-private export promotion networks for SMEs in the manufacturing and services sectors (with little or no representation in African export

⁴⁷ Antunes, B. (2020), "Services sector vital to COVID-19 economic recovery", UNCTAD News, 6 November, <https://unctad.org/news/services-sector-vital-covid-19-economic-recovery/>.

markets) to access export opportunities in sub-Saharan African markets, and strengthening the export capacities of sectoral export groups.

CEPEX, in cooperation with chambers of commerce, business associations and specialised consulting firms, has established the “Think Africa” export network platform to profile potential market opportunities for Tunisian SMEs, especially in five African target markets, and to coordinate the information, advisory and support services for its various members. Through the export platform, members have undertaken market exploration and joint business trips, participated in information and matchmaking events to learn about market opportunities in Cameroon, Côte d’Ivoire and the Democratic Republic of Congo, and benefited from B2B meetings with African buyers organised by the platform. Over 500 Tunisian companies attended these events; over half of them reporting improved export opportunities after the first year, for example, through better access to market information. The PEMA project also trains export advisors and supports the institutionalisation of an advisory network to provide professional and specialised private advisory services that facilitate access to African markets, even for smaller enterprises.

One of the central components of the PEMA project is creation of **export consortia** that aim to strengthen cooperation between groups of SMEs to enable them to collectively reach a “critical size” that will allow them to bid on international tenders, act as a single point of contact to respond to market opportunities and offer integrated end-to-end value chain solutions to meet external demand. The project provides support to the consortia in developing export strategies and roadmaps, leading to joint actions of the consortia SMEs in the targeted markets based on the operationalisation of synergies established between consortium members. Three consortia have been established – in agri-food, construction, and health industries – with the active collaboration effort of about 40 SMEs. Additional plans are to form an information technology (IT) consortium.

Market linkages in selected African countries are facilitated by CEPEX, which has on-site representation in Cameroon, Côte d’Ivoire, the Democratic Republic of Congo, Kenya and Nigeria.

Sources: GiZ (2020), « La clé des marchés africains la promotion des exportations ouvre la voie à de nouvelles relations d'affaires pour les PME », <https://www.giz.de/en/downloads/giz2020-fr-pema.pdf>; also http://www.cepex.nat.tn/article/Focus_Afrique_subsaaharienne/.

Supporting the export activity of women entrepreneurs

The 2014 SBA assessment for MENA countries (SME Policy Index/SMEPI) for the Mediterranean MENA countries noted a very much underdeveloped policy context for women’s entrepreneurship and a lack of coordination and synergy among support structures, resulting in a limited impact of women on the enterprise environment and national economies. In terms of the role of women-owned firms in internationalisation activities, the World Bank reports majority-female-owned firms are much less active in global markets than their male counterparts. Results of the World Bank Enterprise Survey data reveals that **women-owned firms (globally) represent only 10.3% of manufacturing exporters, 12.1% of services exporters, and 9.9% of GVC participants**.⁴⁸ The report furthers projects that the rise of the services sectors (where women-owned firms are more active), the adoption of new digital technologies (such as e-commerce platforms which create more flexibility in marketing of products and services and reduce travel time and costs of searching out new markets), and the rise of GVCs offer opportunities for women to better reap the benefits of trade and the potential to narrow the gender gap in internationalisation activities. With specific reference to policy responses to the adoption of digital technologies, the World Bank/WTO recommend equipping women with digital devices (mobile phones or computers), in particular in rural areas, delivering ICT training courses to improve women’s ability to understand, use, modify, and create digital content and services, and linking women exporters to international buyers through international business platforms.⁴⁹

Increasing women’s labour force participation and economic empowerment are among the high-level policy objectives of governments in the South-MED region, as evidenced in their national development plans. As well, the EU promotes gender equality and women’s empowerment in its international partnerships, EU trade policy, and EU neighbourhood and enlargement policies.

⁴⁸ World Bank and WTO (World Trade Organization) (2020), *Women and Trade: The Role of Trade in Promoting Gender Equality*, World Bank, p. 56.

⁴⁹ World Bank and WTO (2020), pp. 167-168.

There are no official statistics on the export activity of women-owned SMEs in the South-MED region, although data from the ITC survey on non-tariff measures in 20 developing countries and territories, including Egypt, Morocco, Tunisia, and Palestine, suggest that only one in five exporting firms is led by women entrepreneurs.⁵⁰

There is limited evidence of large-scale policy and programme efforts to develop the export-readiness of women-owned SMEs in the six South-MED countries, however, there are some dedicated and innovative programmes at the country level to support women exporters. In Egypt, for example, the International Trade Centre (ITC) is partnering with the Export Development Authority (EDA) to implement the “SheTrades” initiative (operationalised in 2021) with the objectives to expand the export capacity of Egyptian women-owned enterprises by enhancing their compliance with international market requirements and connecting them with the global value chain. In addition, the Egyptian Exporters Association (EEA) has been partnering with the FTTC to deliver training to women exporters, an initiative supported by the EBRD in 2020.

Women business associations in the region play a key role in promoting export activity of their members. For example, the “Business Women of Egypt 21” Association (BWE21) recently launched an e-commerce platform for products/services of women-owned enterprises to facilitate B2B and B2C sales (www.BWE21trade.com), a project in which several government, donor, private sector and international bodies are engaged. An example of good practice is the “E-commerce and Women-led SMEs in Lebanon” project implemented by the Lebanese League for Women in Business (LLWB) with IDAL, in partnership with the World Bank, which has the goal to expand the access of women entrepreneurs to domestic and export markets through e-commerce platforms (see Box 8).

Box 8. “e-Commerce and Women-Led SMEs in Lebanon” project

In July 2019, the World Bank launched the “e-Commerce and Women-Led SMEs” project in Lebanon, with funding from its Women Entrepreneurs Finance (We-Fi) programme. The project is designed to help women entrepreneurs expand their access to domestic and export markets through e-commerce platforms by training e-commerce advisers to provide face-to-face personalised consulting services to women entrepreneurs and by improving the e-commerce related business environment and infrastructure for women entrepreneurs. The target is to train and certify up to 20 e-commerce advisers in Lebanon, create visibility for 125 women-led SMEs on e-commerce platforms, and enable the women entrepreneurs, by way of hands-on advisory support, to connect to local and international e-commerce platforms.

The project is implemented by the ITC in partnership with the Investment Development Authority of Lebanon (IDAL) and in cooperation with the Lebanese League for Women in Business (LLWB). Eligible for the project are formal women-owned (fully or partly-owned) and -managed SMEs with five or more employees (or smaller but showing a high growth potential) and producing sellable goods through e-commerce platforms.

Through its focus on empowering women-led and women-owned SMEs, the We-Fi project aligns with the women’s economic empowerment priority of Lebanon’s economic development plan, which aims to increase female labor force participation by 5 percentage points in the next five years. Given the variety of constraints faced by women entrepreneurs in Lebanon, including social norms, family care responsibilities, and transportation issues that hinder them in physically accessing markets to sell their products or participate in international trade fairs, e-commerce is a key way to overcome barriers to their market access.

Implications for the South-MED countries

The World Bank’s “E-Commerce for Women-Led SMEs” project in Lebanon is part of a regional project in seven countries in the MENA Region, already launching in Jordan and Tunisia and to include Egypt and Morocco (an EBRD diagnosis on a Morocco project is underway). It builds on lessons learned from the “Virtual Market Place” (VMP) pilot project implemented in Jordan, Morocco and Tunisia (2015-2018) to increase the volume of exports by SMEs through virtual market places and create a business-enabling environment for e-commerce. The success of the Tunisia VMP project in attracting SMEs led by women entrepreneurs (42% of the SMEs) was catalytic in the decision to pilot the regional “e-commerce for women-led SMEs” project. With the support of the e-commerce advisers, the Tunisia women entrepreneurs exported products to over 20 new destinations through e-commerce platforms, such as eBay, Alibaba, and Amazon, and generated over TND 471,500 in revenue (approximately USD 165,350). The World Bank then determined to scale lessons from the VMP pilot into the We-Fi MENA project specifically targeting women-led SMEs.

The MENA project aims to train and certify up to 75 e-commerce advisers and give 750 women-owned SMEs online visibility. Through this project, the World Bank seeks to support women-led SMEs in the MENA region in accessing global markets through e-commerce platforms and the strategies to help them access financial resources, develop capacity, and increase sales.

⁵⁰ ITC (2015), *Unlocking Markets for Women to Trade*, International Trade Centre, Geneva.

Sources: World Bank (2019), "Revolutionizing Women-Led Businesses in Lebanon Through E-Commerce", Feature Story, September 25, <https://www.worldbank.org/en/news/feature/2019/09/25/revolutionizing-women-led-businesses-in-lebanon-through-e-commerce/>. More information on the regional project: World Bank (2019), "The Virtual Market Place, Connecting Women-Owned SMEs to E-Commerce Platforms in MENA", Knowledge Brief Series Issue 9, December, <https://documents1.worldbank.org/curated/en/300431583135784038/pdf/The-Virtual-Market-Place-Connecting-Women-Owned-Small-and-Medium-Sized-Enterprises-to-E-Commerce-Platforms-in-Middle-East-and-North-Africa-Region.pdf/>.

Although there are no established policy programmes by the Jordanian government to advance the exporting of Jordan's women-owned SMEs, in 2020, the Business and Professional Women-Amman (BPW-A) partnered with the Jordan Exporters Association, with funding from the GiZ Trade4Employment Programme, to establish a Wexport Unit in the BPW-A. The unit serves as an export information and support services hub to connect women-owned/led SMEs to export development opportunities, including training and markets. One of the key products is the Wexport Export Mini Guide, which is tailored to the audience of women entrepreneurs interested in exporting their products and services.

Interest in targeting women as part of internationalisation activities is particularly high in Morocco and Tunisia. The SME Internationalisation WGs in both countries proposed establishment of an export development project for women entrepreneurs, that could be part of a regional initiative including the EU, South-MED countries, and African countries, to connect women-owned Moroccan and Tunisian exporting SMEs with women-owned SMEs from other countries in order to facilitate trade as well as exchange experiences. Canada and the United States have had such an initiative for some time, which involves women-only trade missions. The programme could be associated with the ITC SheTrades initiative. These two Working Groups also proposed in their list of national priorities establishment of a programme to integrate women-owned SMEs into supply and value chains.

Digitalisation and green growth strategies and implications for SME exports

Rise of the digital economy and its increased importance as a result of the COVID-19 crisis opens up new opportunities for SMEs to play a more active role in exports and GVCs.^{51,52} E-commerce is a vehicle for SMEs to access global markets, such as through the use of online platforms for trade in both intermediate and final products, and to scale-up their activities well beyond what was previously attainable. However, other aspects of policy are implicated to better support the digitalisation of SMEs, such as **appropriate shipping logistics, simplified customs procedures, e-payments systems, and supply chain financing, requiring a holistic and integrated policy approach and development of coherent national strategies.**⁵³ Developing the e-commerce and digital marketing capabilities of SMEs will make foreign markets more accessible to domestic producers, and is an objective of South-MED governments. Egypt's National E-Commerce Strategy (2018) and Digital Egypt Strategy; Jordan's National Digitalisation Strategy and Digital Transformation Strategy 2020; and the "Tunisie Digitale 2020" plan are examples, although not all address e-commerce as a vehicle for increasing SME exports and could be enhanced in this way. The Lebanese government developed a Digital Transformation Strategy in 2018 but it was not adopted or implemented. At the end of 2020, Lebanese policy advocates made a strong case for rebooting the national strategy, outlining the **necessary legislative and regulatory frameworks and ICT infrastructure investments to facilitate such a digital transition and giving the digitalisation of MSMEs a prominent position in the strategy.**⁵⁴

The importance of accelerating the implementation of green economy strategies has also escalated in the face of the COVID-19 pandemic, with a greater push for collaboration between ministries to "build back better" around the "green" or "circular" economy, such as advocated by the EUs new Green Deal. Egypt (2016), Jordan (2016), Morocco

⁵¹ Access to digital technology is shown to have a positive effect on SME participation in backward-linked GVCs and on total SME exports [Ganne, E., and K. Lundquist (2019), "The digital economy, GVCs and SMEs", in *Global Value Chain Development Report 2019: Technological innovation, supply chain trade, and workers in a globalized world*, World Trade Organization (WTO), p. 136].

⁵² The participation of manufacturing SMEs in global trade and value chains is facilitated when they have a website; a factor found to increase the likelihood of their use of foreign inputs for production and exporting of their output [WTO (2019), *Global Value Chain Development Report 2019: Technological innovation, supply chain trade, and workers in a globalized world*, p. 6].

⁵³ Ganne and Lundquist (2019), p. 136.

⁵⁴ Merhej, K., and M. Baroud (2020), "The digital economy as an alternative in Lebanon: Focus on micro, small, and medium enterprises", Policy Brief #5/2020, December, Issam Fares Institute for Public Policy and International Affairs, American University of Beirut (AUB), https://www.aub.edu.lb/ifi/Documents/publications/policy_briefs/2020-20/20210201_The_Digital_Economy_as_an_Alternative_in_Lebanon.pdf/.

and Tunisia have launched national green economy/growth strategies. Green policy initiatives are not new to the South-MED countries, which have for some time been reporting to the EU on "SMEs in the green economy" under Dimension 9 of the SBA (e.g. actions to promote eco-innovation and eco-efficiency among SMEs).⁵⁵ In the 2014 assessment, Tunisia had the highest overall score on this dimension, but tied with Jordan, Lebanon and Morocco on the "improving availability of expertise to SMEs on environmental issues" sub-dimension. Overall, the assessment concluded that the application of environmental and green growth documents to the SME sector remained a challenge with weak integration of actions to promote eco-innovation and eco-efficiency in SME policy frameworks. Since the 2014 SME Policy Index assessment in the MENA region, the MED MSMEs Programme study finds significant developments on the national "greening" agenda. However, it is still not clear to what extent SMEs are targeted and participating in policy programmes. **Greening policies are generally led by the ministries responsible for the environment and not necessarily well integrated in the frameworks of SME policy or export strategies, although there is evidence of SME-related programmes to support "lean production".**

As a priority in the post-COVID-19 recovery and reform agenda, it will become increasingly important for government bodies to support SMEs in meeting the **international "green" standards in order to increase SME exports and GVC integration.** This will require creating awareness of the EU and international "greening" and eco-management standards and encouraging/supporting SMEs to adapt their products and production processes to comply with these standards. This is particularly important in certain sectors. For example, stone & marble accounts for about 20% of Palestine's exports. The Union of Stone & Marble Industry in Palestine is concerned that the sector will lose its competitiveness and market share in the international marketplace if it does not make investments in environmental and green transformation, which would produce negative effects on the Palestinian economy (jobs, foreign exchange, etc.). Consequently, the Union is seeking funding support for a major industry "greening" project. Exports in the agriculture, agri-food, chemicals, and textiles sectors will also be significantly affected.

⁵⁵ OECD/The European Commission/ETF (2014), *SME Policy Index: The Mediterranean Middle East and North Africa 2014: Implementation of the Small Business Act for Europe*. The assessment of Dimension 9: Enable SMEs to turn environmental changes into opportunities covered: 9.1. The greening of current strategies in the field of SMEs, industry and innovation; 9.2. Improving availability of expertise to SMEs on environmental issues; and 9.3. Promoting the use of environmental management systems and standards. During the time of the 2014 assessment, the SBA Coordinators' reports indicated that all South-MED economies were developing strategic documents or laws to promote sustainable development, green growth and cleaner production, and that these were integrated as elements in SME policies and strategies (action plan targets for greening SMEs, incentives for acquiring environmental certifications) or applied to SMEs, although these varied considerably on the degree to which the documents and their measures specifically referred to the SME sector.

Section 3. Common priorities and proposed actions for strengthening exports

The forward-looking national priorities validated by the country-level SME Internationalisation Working Groups were varied, depending on the country context, institutional structure, and existing foundation of policy and programme supports for SME exports; however, several areas of common interest were identified (see Table 7). The national priorities can be grouped into three categories:

- 1) Policy level
- 2) Regulatory framework and business environment reform (conducive to trade facilitation and development)
- 3) Adaptation of support programmes and services for exporting SMEs.

Table 7. Identified priority initiatives

	Policy Level						#
	Egypt	Jordan	Lebanon	Morocco	Palestine	Tunisia	
Develop/update a national export/ trade strategy	*	*	-	*	*	*	5
Diversify/ expand export markets	*(Africa)	*(EU)	*(Africa, EU)	-	*(EU, Arab markets)	-	4
Digitalisation of ecosystem actors to boost SME exports	*	*	*	*	*	*	6
Green transformation to boost exports/ GVC integration	*	*	*	*	*	*	6
Improve policy coordination mechanisms	*	*	-	-	*	*	4
Assist tourism sector with COVID-19 recovery	-	-	-	-	*	-	1
Develop new SME strategy	-	-	-	-	*	-	1
Regulatory framework/business environment							
	Egypt	Jordan	Lebanon	Morocco	Palestine	Tunisia	#
Business reforms to simplify, streamline, digitalise export-import requirements & procedures/ improve trade facilitation	*	*	*	*	*	*	6
Improve quality standards of products to meet international requirements	*	*	*	*	*	*	6
Export financing	-	-	-	-	*	*	2
Revise foreign investment regulations affecting Tunisian companies abroad	-	-	-	-	-	*	1
Adaptation of support programmes and services for exporting SMEs							
	Egypt	Jordan	Lebanon	Morocco	Palestine	Tunisia	#
SME e-commerce adoption	*	*	*	*	*	*	6
Assess existing export support instruments re meeting the needs of SMEs	-	-	-	*	-	*	2

Note: The last column # refers to the number of national WGs noting the priority.

3.1 Policy level priorities

Renewing/ updating national strategies for export development. Five of the six countries included renewing/ updating of the national strategy for export development as a national priority. In fact, the WGs in Jordan, Morocco, Palestine, and Tunisia, made this the top priority. In Egypt, both the National Export Strategy and the National Industry and Trade Strategy expired in 2020 and are in need of updating, a process currently underway as part of Egypt's National Structural Reform Programme 2021-2024. Jordan's national export strategy ended in 2019. Morocco's "Maroc Export Plus" strategy ended in 2018. Tunisia does not currently have national export strategy or a SME promotion strategy that addresses export promotion, which WG members agreed was an obstacle to building export capacity. The

Palestine National Export Strategy expired in 2018, has not been updated, and the Ministry of National Economy in need of assistance in moving forward on a new strategy. The Lebanon WG did not propose development of a national export strategy as a priority. Even though it does not have one, *per se*, the Integrated Vision for the Lebanese Industrial Sector 2025 covers policy directions to increase industrial exports and better coordinate the relevant authorities, and outlines a detailed framework for support measures to support industrial exports that also calls for new agreements with potential markets, such as emerging African economies. The Lebanese SME Strategy (2014-2020) has come to an end, and along with it the strategic pillar to minimise structural market inefficiencies to improve SME competitiveness and enhance access to foreign markets, including through business linkages with top trading partners. The Lebanese Government's new Economic Plan released in September 2020 aims to transform the Lebanese economy by the upgrading of productive sectors and spurring of exports and lays out reforms to promote trade and investments, update accreditation and certification, increase participation in international trade fairs, and offer support to e-commerce businesses. However, the Lebanese WG expressed the view that in the absence of an export strategy, SMEs lack visibility in terms of products and markets that would be necessary for investments, especially given the high uncertainty under which Lebanese SMEs are currently operating.

In light of the impact of COVID-19 on trading relationships globally, including increased pressure for digitalisation of all trade transactions, the restructuring of supply chains, and need for diversification of exportable products/services and destination markets, updated national level export strategies are needed. A national export strategy is critical in establishing policy objectives, targets, thematic pillars and action plans to boost exports. The updated strategies need to reflect the changing post-COVID-19 environment and the new opportunities, such as the increased focus on further simplification of import-export procedures and digitalisation of trade practices and procedures, including trade facilitation mechanisms, enhanced use of e-commerce and e-trade platforms, the shifting of regional and global value chain relationships, and emerging demand for compliance with "green" standards, such as the EU Green Deal.

They may also require policies and programmes to increase the share of manufacturing exports and high-technology exports in total exports (e.g. increasing the value added and diversification of exportable products and services); improve the export competitiveness of SMEs (to increase the share of SME products in total export value); diversify export market destinations (e.g. Europe, African Continent); continue to improve trade facilitation procedures; take into account the opportunities and challenges of priority sector value chains (specific to the individual country); and the potential of increasing the export of services.

Developing these strategies will require extensive consultation with the public and private sector entities engaged in policy and programme support, including the ministries responsible for trade, export agencies, MSME agencies, business/exporter associations, chambers of industry, as well as other ministries related to agriculture, the environment ("greening") and information and communications technology ("digitalisation").

Improved policy coordination. The strategies should also seek to achieve greater alignment and coordination of all relevant institutions and supports/incentives (e.g. fostering horizontal coordination within the government to reach the export targets, reducing the possibilities of "scattered" initiatives and efforts, and creating more synchronisation of interventions to achieve greater reach and impact). More than ever, the national trade and export development strategies must focus on an integrated set of policies going beyond the purview of the responsible trade ministry to include the ministries responsible for information and communications technology, particularly digitalisation, for the environment as it affects "green growth", all relevant agencies related to SMEs, industrial development, standards, and export promotion, as well as cooperation of trade-supporting institutions across the public-private sector.

Mechanisms for improved policy coordination were cited as priorities by four of the WGs: Egypt, Jordan, Palestine and Tunisia. Egyptian stakeholders called for enhanced public/private sector dialogue and consultation platforms with regards to policy and programme support for export and GVC development. In Jordan, the WG placed a high priority on creating a forum for bringing together all relevant players to discuss inter-institutional and cross-sectoral trade issues and strengthening collaboration across government institutions/agencies and private sector entities in the implementation of strategic actions to enhance exports and the share of Jordanian products in external markets. In Palestine, the WG called for strengthened collaboration across government institutions/agencies and private sector entities on post-COVID-19 recovery actions to enhance exports; in the meantime, the Ministry of National Economy has taken steps to strengthen coordination by establishing a working group on foreign trade to discuss all elements of trade development, including the participation of public institutions, the private sector, and the EU Delegation. In light of the ramifications of the COVID-19 pandemic on the Palestinian economy, the WG also endorsed the launch of a

more comprehensive national dialogue process, one in which the private sector more actively participates, to provide input on policies needed to support economic development, provide a positive investment climate for the private sector, and encourage Palestinian exports of industry, agriculture and services. In Tunisia, the WG prioritised creation of a public-private coordination platform, indicating the need for strengthened coordination on strategy and policy, particularly in the area of trade facilitation reforms; export support instruments and programmes of the different institutions; and coordination and collaboration between exporting SMEs to conquer new markets (e.g. export consortia promoted by the PEMA project).

Options for enhancing the level of inter-institutional cooperation and coordination at the national level would have to be considered by each country, however, one option could be establishing a higher-level public-private sector working group on SMEs internationalisation. The example of the Palestine Export Council (PEC), authorised for establishment in 2014 to manage and monitor the implementation of Palestine's National Export Strategy, may serve as an example of such a higher-level public-private sector mechanism (Box 9). Although the PEC became somewhat inactive in recent years, in mid-2019, the Minister of National Economy re-activated the Council in order to enhance the exporting sector and raise the share of national products in external markets.

WGs in Jordan and Palestine also stressed the importance of promoting a more coordinated, integrated response of donors in the implementation of COVID-19 economic recovery plans focused on support for increasing SME exports and integration in GVCs. This may be an action that could be facilitated by the EU Delegation in these countries.

Box 9. The Palestinian Export Council (PEC)

The establishment of the Palestine Exports Council (PEC) was predicated by the National Export Strategy (NES) as a public-private platform to manage and monitor its implementation. As specified in the NES, the PEC would be comprised of 26 members represented by ministries and trade-supporting agencies, industry/sector, and business associations, and academia, and co-chaired by the Minister of National Economy and the Chairperson of PalTrade. Its mandate was to act in an advisory capacity to the public and the private sector over issues related to or affecting Palestine's Export Strategy, and in its defined functions had responsibility for monitoring the implementation of the NES, recommending policies to support its implementation, building collaboration across government institutions/agencies and private sector entities to ensure consistency in interventions to enhance exports, and elaborating and recommending revisions and enhancement to the NES to best respond to the longer term interests of the national business and export community. PalTrade was designated as the PEC Secretariat. In line with its higher-level status, the PEC was required to report at least annually to the Cabinet of Ministers.

Source: Structure and roles of the PEC, as more fully outlined in the Ministry of National Economy and PalTrade (2014), *The State of Palestine National Export Strategy 2014-2018*, Ramallah, pp. 105-108, <https://paltrade.org/national-export/en/>.

Diversification of export markets. To increase the level of export activity in general and particularly among SMEs, WGs in four of the countries identified diversification of export markets as a national priority. The Morocco and Tunisia WGs did not specifically position diversification as a separate priority, although noted the opportunities for diversification in African markets within other stated priorities. The targeted areas for diversification differ among the countries, depending on their existing traditional markets and countries/regional destinations with underdeveloped potential. For example, Jordan seeks to further penetrate EU markets and also sees some potential in Eastern Europe and African countries, suggesting that exports to these countries could be significantly increased if new trade agreements could be negotiated with these non-traditional markets, adequate support mechanisms put in place and trade barriers overcome. Palestine would like to reduce its dependency on Israel by exploring markets in the EU and other Arab States. With implementation of the AfCFTA, Egypt, Lebanon, Morocco and Tunisia see opportunities to develop trade linkages with African countries.

In the case of Lebanon, for example, the WG noted the need for market mapping studies to see what types of Lebanese products from SMEs can be sold in new markets, more diverse export-related services for Lebanese SMEs, including market intelligence, and strengthened commercial linkages between SMEs and the Lebanese diaspora through Lebanese embassies, the Lebanese chambers of commerce, and IDAL with support from the relevant line ministries.

Digitalisation of ecosystem actors to boost SME exports. All six of the WGs, either as one of the top priorities (Egypt, Jordan and Lebanon) or as a sub-component of another priority (the remaining three WGs) identified increased policy emphasis on the digital transformation of trade facilitation and export support services as being important. The Lebanon WG identified this action as the number one priority, while for WGs in Egypt and Jordan, it was the number

two priority, notwithstanding that the three countries have taken important steps, as have others, to facilitate e-commerce and build the digital capacities of SMEs to improve their export possibilities and potential opportunities for supply chain integration.

In addition to the implementation of national digitalisation strategies and actions, efforts to provide online delivery of information and services accelerated in response to the COVID-19 crisis. Making further progress on this movement will require policy attention to full implementation of digital systems for supporting exporting SMEs. This may involve the regulatory framework for e-commerce and development of digital services, including policies, rules and regulations for e-commerce platforms, e-payment solutions, further digitalisation of trade facilitation, transport and logistics services, and digital marketplaces for trade information, e-B2B matching, and other forms of virtual export promotion. On the other hand, there is a risk that SMEs, not yet ready for the electronic transformation of their operations, will be further marginalised if the ecosystem is not capable of supporting their digital transition needs. Thus, it is important to put in place policies, regulations and instruments that are aligned with international good practice and can support MSMEs to benefit from digitalisation (e.g. digital marketing, access to digital platforms, e-payment systems, e-trade facilitation services).

Taking advantage of the EU green transformation to boost integration of SMEs in EU exports and GVCs. WGs in all six countries identified this as a priority. In Egypt, the Ministry of Trade and Industry has begun discussions with the Governmental Committee on Trade and Environment on the potential implications for Egyptian exports under the EU Green Deal, with particular emphasis on meeting the environmental requirements and standards in key sectors (agriculture, food, textiles, chemicals and industrial fertilizers). In Jordan, the Green Growth Action Plan (2021-2025) takes into consideration policy adjustments to support Jordanian firms in key sectors (e.g. agri-food, textiles, "green" technologies) meet requirements under the EU Green Deal. In Palestine, the WG identified creating an enabling environment for "green" value chains as their number three priority, with an expressed need for policy measures to upgrade the production of Palestinian products to meet "green" standards, including within a legal framework for cluster initiatives. The stone and marble sector is of primary importance to Palestine as it accounts for 20% of exports and will lose competitiveness and market share in the international marketplace if it does not invest in environmental and green solutions.

3.2 Regulatory framework and business environment reform (conducive to trade facilitation and development)

Several aspects of reform in the regulatory and business environment are seen as priorities at the national level. Primary among these and most common among the six countries is **further simplification of trade facilitation and customs procedures**, with most WGs emphasising the need to accelerate further digitalisation of procedures and processes, although the specific actions varied somewhat from one country to another. In Morocco, the WG acknowledged the PortNet project, but noted further improvements were needed to support implementation of the logistics strategy and logistics facilitation for SMEs. The Tunisia WG noted the slow progress on measures to facilitate cross-border trade, and advocated for further simplification and digitisation of trade procedures via the one-stop window managed by Tunisia TradeNet in order to reduce costs and delays for exporting SMEs. As well, the Tunisia WG recommended measures be taken to improve the trade and transport facilitation performance of the Port of Rades. A priority expressed by the WG in Lebanon was revision of the EU-Lebanon Association Agreement to simplify the rules of origin (more in line with the eased rules of origin applied in Jordan), and also facilitating e-payments systems for transactions abroad.

National quality standards and harmonisation of national standards with international standards. Improving quality standards was a common priority of the six WGs. Many SMEs in these countries are not able to meet the international standards or quality certifications for exporting to foreign countries or gaining supplier access in GVCs. Specific upgrading programmes and supports could be implemented to address this need, including greater availability of market information, the creation of a B2B industrial portal where all governmental initiatives are published, implementation of financial inclusion mechanisms, as well as targeted initiatives of implementing bodies to qualify the SME exporters to meet international standards.

In Egypt, the IMC has proposed areas of cooperation with the EU with respect to Egypt's quality infrastructure within the context of the new EuroMed Industrial Cooperation Work Programme 2021 (under chapter 3: "Establishing a large pan-Euro-Mediterranean market for industrial products"). These areas of cooperation with the EU include aligning Egyptian standards with EU harmonised standards, preparing a national Quality Law based on the EU regulations, and

achieving compliance of the Egyptian National Quality Infrastructure (institutions) with the EU to meet EU requirements for Accreditation and Conformity Assessment agreements (ACAA).⁵⁶ Although not a specifically stated priority of all WGs, an action such as this, at the national level, would be beneficial to all six South-MED countries.

Harmonisation of national standards with international standards is a national priority in Jordan and Palestine (harmonisation of standards with the EU and Gulf countries). As well, Palestine stresses the need for an examination of the Certificates of Origin process. Product quality is also an issue for Lebanon. SMEs struggle to ensure conformity of their products with foreign market requirement and lack adequate access to standards and conformity assessments by accredited laboratories or certification bodies. The WG recommended revising Lebanon's national quality policy to tackle the national quality infrastructure as a whole, and also proposed the development of a Quality Seal for its export products (an initiative under discussion between the Ministry of Industry and UNIDO).

Other regulatory reforms are country-specific:

- Jordan: development of the legal and regulatory foundations and platforms to promote use of e-commerce and digital transactions across borders.
- Palestine: restructuring the financial system to provide for an export credit and guarantee facility (which Palestine does not have) and providing SMEs with access to supply chain financing; and developing a legal framework for cluster development and coordination (which would foster the further integration of SMEs into domestic and international supply chains.
- Tunisia: Revising the investment regulations for Tunisians investing abroad (e.g. customs and financing issues); strengthening the role of Tunisia's diplomatic missions abroad to support Tunisian SMEs in foreign markets; and improving access to (higher-risk) financing for SMEs targeting exports in African countries, such as export credit guarantees.

3.3. Adaptation of support programmes and services for exporting SMEs

Increasing the export potential of SMEs requires more intensive and targeted support programmes covering a broad number of areas to improve their capabilities and capacities. The most common and consistent of the proposed WG priorities in the six countries is building the digital capacities of SMEs. Although efforts are underway in the various countries to focus on digital skills, including donor interventions in the area, many SMEs lack e-commerce capability and require support for going digital, such as training in e-commerce and its application to reaching external markets, and the necessary technical and marketing consultancy support. In Jordan, for example, an ILO/UNDP survey on the impact of the COVID-19 pandemic on enterprises in Jordan found that only 18% of the surveyed enterprises were using e-commerce platforms (only 13% of microenterprises, 20% of SMEs and 26% of larger enterprises).⁵⁷ Although the COVID-19 pandemic led to an increase in e-commerce, many smaller businesses are not prepared to switch to online B2B or B2C solutions and technologies.⁵⁸ This is a concern in all six South-MED countries. WGs in Egypt, Jordan and Morocco gave it priority consideration. The Morocco WG, for example, recommended establishment of a programme to introduce SMEs to electronic commerce aimed at supporting access to virtual commercial platforms, the use of available electronic payment solutions, and digital marketing.

The Tunisia WG proposed an assessment of existing export support instruments with a view to ensuring their adaptation to the needs of SMEs (for example, the FOPRODEX and TASDIR + programmes). The WGs in Morocco and Tunisia also proposed the development and implementation of tailor-made support programmes for exporting SMEs, such as:

- establishment of a programme to sensitise SMEs on opportunities to participate in regional and global value chains as the post-COVID-19 restructuring and reorganisation of these value chains evolve.
- establishment of an eco-management program for SMEs, aimed at bringing SMEs to the level of "green" or eco-labeling standards required by buyers looking for eco-compliant sellers;

- establishment of a supplier development programme offering technical assistance to the micro and small enterprise sector to develop their internal processes in order to be able to meet production delivery, quality and sustainability requirements of global value chains and financial assistance for their upgrading projects.
- establishment of an export development project for women entrepreneurs, that could be part of a regional initiative including the EU, MED countries, and African countries, to put women-led exporting SMEs in Morocco and Tunisia in touch with SMEs from other countries in order to facilitate trade as well as the exchange of experiences (following models in Canada and the United States where such an initiative, which involves women-only trade missions, has been in place for some time).
- establishment of a programme to integrate women-owned SMEs into supply and value chains.

The Morocco WG further proposed reactivating the first-time exporter programme, particularly geared to the African market, and establishment of an "export accelerator" programme to launch exporting SMEs in new global markets (especially start-ups and early-stage export potential SMEs led by women and young people), which would include coaching for the development of an export strategy, a plan expansion, market research, access to financing and presentation to investors and / or clients.

WGs in other countries placed a priority on cluster programmes for export-oriented SMEs, export consortia for SMEs, and supplier development programmes to increase the participation of SMEs in the supply chains of export-focused firms in free zones and industrial estates. They also proposed innovation and support schemes to help SMEs upgrade their products/processes to meet international/EU sustainability and "green" standards, and better provision of market information and promotion of export opportunities to SMEs, such as through the production of Booklets, an integrated information-sharing e-Trade Portal; business linkages with value chain leaders; and business-matching opportunities between SME suppliers and EU buyers (such as through searchable databases and virtual forums); plus scaling up support to SMEs for digital (e-commerce) and export readiness skills.

⁵⁶ This would entail an analysis of the Egyptian quality infrastructure – standards, metrology, market surveillance, accreditation institutions, capacity building and modernisation of quality infrastructure.

⁵⁷ Kebede, Stave, Kattaa, and Prokop (2020), "Impact of the COVID-19 pandemic on enterprises in Jordan", ILO and UNDP, p. 34.

⁵⁸ UNDP (2020), "COVID19 Impact on Micro and Small Enterprises: Rapid assessment of the impact of COVID-19 on Micro and Small Enterprises Beneficiaries", July, Jordan Country Office, p. 15.

Section 4. Conclusions and the way forward

In conclusion, this section outlines suggestions to the EU for moving forward in support to the South-MED countries in response to the priorities identified above, including the regional interventions of the MED MSMEs programme.

4.1 Support that could be provided by the EU on a regional basis

There are a number of opportunities for the EU to consider support to the six South-MED countries in addressing the national priorities identified in this MED MSMEs Programme study. These are outlined below as potential areas for assistance from the EU.

Supporting the national governments in developing their renewed export strategies, but with an expanded framework

A foundation base of strategies and policy frameworks to promote export development and the engagement of SMEs in international activity are in place in the six countries. However, one of the urgent priorities is renewing/updating their national export strategies. At the same time, governments should increase their efforts to develop integrated horizontal strategies and collaborative approaches to building a favourable environment for SMEs to engage in internationalisation activity. Such an integrated and comprehensive approach, as proposed in Graphic 1, would encompass the range of policy and programme areas arising from the analysis in this document. This would also be consistent with the additional dimensions and sub-dimensions suggested in the expanded framework for assessment of the SME Internationalisation and SME-related SBA principles applied in the 2020 SME Policy Index for the EU Eastern Partner Countries (as highlighted in Appendix 3).

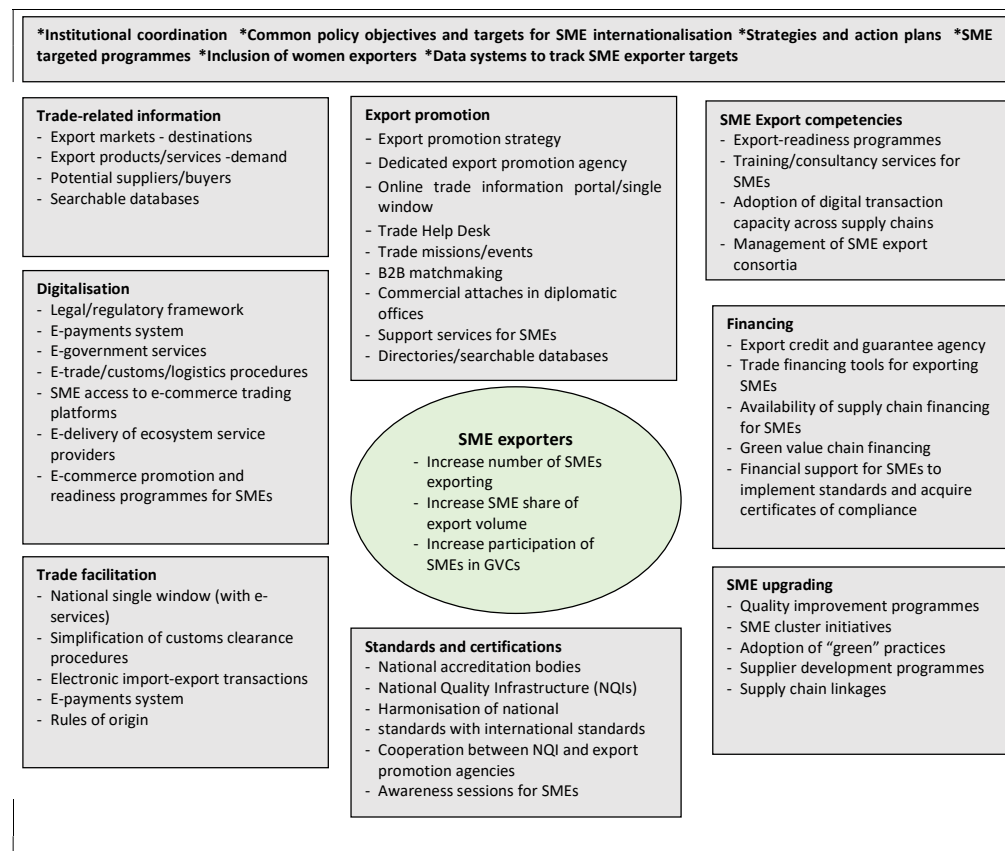
The EU could consider providing support to national governments in developing their renewed export strategies within the country framework programmes. The EU could also provide an opportunity for regional dialogue, exchange and collaboration on effective policy coordination of export development and value chain integration. The dialogue could also focus on good practice mechanism for coordinating policy and programme delivery and managing inter-institutional relationships.

Regional knowledge exchange on data systems for reporting on SME export statistics

In developing renewed export strategies, one of the objectives of national governments should be to increase SME exports, including via value chain linkages. To underpin this objective and set targets, countries have to be able to track the level of SME export activity, e.g. the number of SMEs among the exporter firms (% of SMEs among exporters) and the value of SME exports (% of the total export value). Data systems are required to capture this information. Countries using single business identification numbers (BINs) for registered enterprises and exporter registers would have the basic mechanisms in place to match exporters with size of enterprise. By tracking the value of exports by export transactions (again using the BIN) against customs transactions could provide sufficient basic data to determine the share of SMEs in exporting activity and the level of their participation over time, plus other information on product categories, and market destinations.

Generally, the six South-MED countries do not have good systems for official reporting of SME statistics. With exception of partial data on the export contributions of SMEs in the Moroccan MSME Observatory, official data on SME exports is not produced. The EU could play a beneficial role in addressing this gap by organising a regional session on how to build an effective SME data system, with specific reference to data on the export performance of SMEs. In this regard, the Eurostat example highlighted in Box 4 may be a helpful starting point.

Graphic 1. SME Internationalisation framework components



Source: Author's construction.

Regional dialogue on SMEs and standards

Making use of standards can open up new market opportunities for SMEs, reduce pollution and transaction costs, and give them a head start in adapting to market demand and new technologies, which is particularly important to a post-COVID-19 recovery in shifting value chains and greater emphasis on meeting "green standards" for integration into GVCs. Harmonisation of national standards with international standards, such as EU standards, is crucial to enable greater access to these international markets and an expressed need in the South-MED countries. Many SMEs lack awareness of the benefits and know-how of acquiring "standards", without which their export development opportunities will be limited. At the national policy level, the specific needs of SMEs in acquiring standards and conformity assessments are often not considered by the NQIs.

Governments in the South-MED countries, along with their national standards bodies, SME agencies, export promotion agencies, and business/industry associations would benefit from regional dialogue on good practice options for improving the participation of SMEs in acquiring standards to meet international requirements for export products and integration in GVCs. This also applies to acquiring the minimum standards to comply with the new EU Green Deal. In addition to regional dialogue on this issue, a good practice learning model for the South-MED region could be the

Small Business Standards (SBS) Association, which was established with support from the European Commission to promote the use of standards by European SMEs (see Box 10).

Box 10. The Small Business Standards Association – a learning model from the EU

The Small Business Standards (SBS) Association was established to represent and defend SMEs' interests in the standardisation process at European and international levels. The objective is to raise awareness of SMEs about the benefits of standards, and to further encourage them to get involved in the standardisation process. The SBS has produced a number of products to inform the various stakeholders on the broader inclusion of SMEs in standards, including:

- “Knowledge platform” that provides information on SME standards to national standards bodies, SMEs and business associations and recommendations on how business associations and standards organisations can help raise awareness among SMEs about standards, provide them with relevant information, and promote their participation in standardisation.
- the SME Compatibility Test to aid standards bodies in taking SMEs' needs into account when writing standards and providing guidance on how to improve the standards by making them more SME-compatible. The test's criteria focus on the standard itself, the way it is written, its impact on SMEs and ease of implementation and can be applied at any stage of the standards development process and to all types of standards (international, regional or national).
- the “SME Standardisation Toolkit” to provide information to national standards bodies and point to services to ensure the participation of SMEs, such as the dissemination of leaflets on SMEs and standardisation, establishing national SME “helpdesks”, and promote strengthened cooperation of national standards bodies and national SME associations to promote the benefits of acquiring and meeting standards to SMEs.
- The SME Toolbox of Solutions to initiate SMEs to standards and the standardisation-making process, providing them with a better understanding of the benefits to their business of using standards, how to identify the right standards, where to obtain relevant information, with the objective of encouraging SMEs to be engaged in standardisation activities.

Sources: Small Business Standards, <https://www.sbs-sme.eu/>.
SME Compatibility Test for Standards, <https://www.sbs-sme.eu/sme-compatibility-test-standards/>; <https://sbs-sme.symantra.eu/src1/index.html/>.
SME Standardisation Toolkit, European Committee for Standardisation (CEN), the European Committee for Electrotechnical Standardisation (CENELEC), <https://www.cencenelec.eu/sme/SMEST/Pages/default.aspx/>.
SME Toolbox of Solutions, CEN, CENELEC, <https://www.cencenelec.eu/sme/std/Pages/default.aspx/>.

There would also be merit in fostering exchange among the South-MED countries on good practices in national quality infrastructure and effective models for ensuring SMEs have the information, capacity and know-how to meet international standards. This is particularly important in terms of meeting the “green” standards being developed in the EU.

Regional dialogue on compatibility with the EU Green Action Plan for SMEs

At the same time, the South-MED countries could benefit from regional dialogue on compatibility with the EU Green Action Plan for SMEs. Consistent with the greater focus in the 2020 assessment of “green economy” dimension of the SBA principle on environmental policies, SMEs would benefit from greater information and resources about why and how they can benefit from green practices. This entails the provision of institutional and financial incentives for SME greening, such as environment-related information, expertise and funding targeted at SMEs, measured by the extent of governments' efforts to integrate greening policies in the SME policy frameworks (including innovation and export policies), promote environmental management systems and standards, as well as SME compliance with environmental regulations.

While the South-MED countries have progressed by developing national green economy strategies and/or Green Action Plans, they may not sufficiently target SMEs with programmes and actions, and “greening” inadequately integrated as a priority in national SME or export development strategies.

The EU Green Action Plan (GAP) for SMEs may be a model for the South-MED countries to more closely follow. The main objectives of the GAP for SMEs are to raise awareness of SMEs of the benefits of resource efficiency improvements (e.g. lean production) and business opportunities related to the circular economy, and to inform SMEs about greener performance support programmes. GAP actions focus on four priorities: 1) greening SMEs for competitiveness and sustainability, 2) opportunities for SMEs in greener value chains, 3) access to markets for green

SMEs, and 4) green technologies as the basis for future start-ups and internationalisation. The EU GAP for SMEs could be a good example to South-MED countries of a coordinated approach to the greening of SMEs through integration of a range of relevant government and private sector bodies covering awareness and promotion, eco-efficiency training, implementation of green practices (at individual SME and cluster levels), meeting green standards, clean technology development, and “green” financing schemes.

This might include development of a regional platform for supporting the greening of SMEs, such as the GreenEcoNet⁵⁹, an online European-based information and networking platform to support SMEs in transitioning towards a green economy.

This initiative would be very complementary to the MED MSMEs Programme proposed regional intervention on “taking advantage of the evolution and restructuring of regional and global value chains and the EU Green Deal recovery plan”.

Regional dialogue on women-owned SMEs and international trade

In their national vision or other strategic plans affecting SME and/or export development, a number of the countries highlight inclusiveness of women as a target for policy measures and programmes. Although there is limited evidence of large-scale efforts to develop the export-readiness of women-owned SMEs, there are some dedicated and innovative programmes to support women exporters, particularly as it applies to e-commerce trading platforms. Programmes to support women exporters tend to be more prevalent in EU countries. New trends in global trade, such as the rise in services, global value chains, and the digital economy, are opening up significant opportunities for women entrepreneurs and should be further exploited in the South-MED countries. A useful initiative arising from the MED MSMEs Programme analysis would be creating a platform for exchanging experience on policies and support programmes in favour of exports from women-owned SMEs.

The International Trade Centre's “She Trades” initiative provides, among other things, B2B services for women entrepreneurs with an online platform and application to connect potential buyers, investors, suppliers, and business support organisations, as well as access to e-learning materials and webinars, and opportunities to participate in trade fairs and other business events to increase their exposure to markets. The initiative also fosters collaboration between business-support organisations and private sector companies, with the aim to connect 3 million women to international markets by 2021 through actions to unlock markets for women to trade.

Given the launch on the World Bank's regional “E-commerce for Women-led SMEs” project, targeting 750 women-led SMEs in MENA (including in Egypt, Lebanon, Tunisia, Jordan and Morocco) that produce goods with marketable potential via international e-commerce platforms, and the launch of the AfCFTA (which includes inclusiveness of women in trade as one of its policy goals), there is an opportunity to mobilise more support for the export activity of women-owned SMEs in the South-MED region. Egypt, Lebanon, Morocco and Palestine are already implementing the ITC SheTrades initiative in their countries. At the AfCFTA level, GiZ is funding the “SheTrades: Empowering Women in the AfCFTA” project, which aims to provide capacity building, networking and advocacy support to enable women-owned SMEs to benefit from trade opportunities created by the AfCFTA.⁶⁰ The role of women's business associations is critical to the SheTrades project, which cooperates with more than 50 such associations across Africa to raise women's awareness on AfCFTA topics through knowledge tools and online modules, develop recommendations on the integration of women's economic empowerment priorities into the AfCFTA, provide a platform for dialogue between women's business associations and policymakers to agree on and operationalise the recommendations; and strengthen cooperation among women's business associations across the continent. The project also includes implementation of the “SheTrades Outlook”, an innovative policy tool that helps improve how a country's ecosystem supports the trade activity of women.

Through a regional dialogue platform, there is an opportunity for the EU to support greater cooperation between efforts in the six South-MED countries to foster programmes supporting women exporters.

⁵⁹ <http://greeneconet.eu/about-us/>

⁶⁰ SheTrades AfCFTA, ITC, <https://www.shetrades.com/en/projects/shetrades-afcfta/>.

Response to shifting value chains

At this point in time, it is not possible to forecast what post-COVID-19 changes may arise in the reconfiguration of GVCs, whether there will be some supplier diversification, and how firms might to mitigate its impact. The repercussions of the COVID-19 pandemic have emphasised a review of supply chain relationships with increased focus on nearshoring (shortening the supply chains), reshoring, or reorganisation (proximity issue, diversification to reduce reliance on one-two suppliers or one country for supply of intermediate inputs). The World Trade Organization (WTO) expects changes in the reorganisation of value chains in response to COVID-19 as countries seek to reduce their supply chain vulnerabilities by diversifying their sourcing of intermediate inputs to better deal with short-run interruptions in delivery (through reshoring or nearshoring) and increasingly uncertain trade policy.⁶¹ **In order for appropriate policy action, governments will need to examine any market failures in the organisation of value chains, such as lack of full information about the structure of the value chains, supply chain shifts and risks, and diversification alternatives.** In this regard, governments can help companies by providing information on the organisation of value chains and alternative suppliers, including a full mapping of potential suppliers, and examination of opportunities to develop supply chain opportunities in the provision of intermediate inputs to producers in other countries.⁶² In addition, to reshoring and nearshoring diversification options, there are calls for the reorganisation of value chains to limit pollution associated with the production and (long distance) transportation of goods across supply chains. This is reflected in the EU's new Green Deal and Circular Economy Action Plan. Digital technologies are also seen as more critical in promoting the resilience of supply chains. The provision of online business services has aided in avoiding larger disruptions in the cross-border movement of traded goods; however, some countries lag behind in enacting the necessary regulatory environment for electronic transactions, including for e-commerce, and enabling the adoption of electronic transactions across the trade-facilitating ecosystem.

Other potentially useful topics for regional dialogue and exchange

- Regional dialogue and exchanges on full implementation of the electronic national single window for foreign trade.
- Opportunities in the export of tradable services that could be exploited in EU and African market (e.g. opportunities in export of professional services, engineering, ICT, education/health services, in-bound ecotourism) often underrepresented in government's export policies and targets.

In addition, the European Fund for Sustainable Development (EFSD) programme and guarantee instruments could be applied in the South-MED countries to support national and/or regional priorities, for example, establishment of an export credit guarantee and insurance facility in Palestine.

4.2 The role of the MED MSMEs Programme in supporting priorities on a regional level

The aim of the MED MSMEs Programme is to support regional level dialogue to inspire policies and regulatory reforms more adapted to the needs of MSMEs and their support ecosystems affecting internationalisation and access to finance dimensions. It seeks to prioritise activities that can leverage the benefit of a regional approach to enhance national level impact by capitalising on existing initiatives and programmes, in particular those supported by the EU. The project roadmaps for the six South-MED countries consisted of two sets of interventions for strengthening SME exports. The first is based on the list of proposed priority interventions determined by the national SME Internationalisation WGs to be critical as part of its country (national) roadmap. The second is based on the regional roadmap priorities to be supported by the MED MSMEs Programme over the coming 18 months, which were identified as common areas of interest across the six countries and consistent with EU policy priorities in the COVID-19 economic recovery process, specifically, digitalisation, and reorganisation and greening of regional and global value chains, both priorities of the new EU Industrial Strategy, "Green Deal", and SME Strategy for a Sustainable and Digital Europe. Members of several SME Internationalisation WGs in the region have shown an interest in analysing these new opportunities and the adaptation and consequent strengthening of the national SME ecosystems. The MED MSMEs

⁶¹ Bacchetta, M., E. Bekkers, R. Piermartini, S. Rubinova, V. Stolzenburg, and A. Xu (2021), "COVID-19 and Global Value Chains: A Discussion of Arguments on Value Chain Organization and the Role of the WTO", Staff Working Paper ERSD-2021-3, 11 January, World Trade Organisation (WTO), Geneva, https://www.wto.org/english/res_e/reser_e/ersd202103_e.htm/.

⁶² Bacchetta et al. (2021).

Programme for 2021-22 will support the two areas of regional intervention to facilitate the export activity of MSMEs and their integration into global value chains, as summarised in Table 8.

The regional perspective in the development of digital trade policies is not only essential in general, but key to consistency in terms of intra-regional digital trade.⁶³ Moreover, the regional perspective is a crucial complement to the many bilateral EU and other donor initiatives and programmes currently underway in the field of e-commerce at the national level. Regional sharing of experience will promote cross-national learning.

With respect to the integration of SMEs in regional and global value chains the most promising areas for intervention appear to be: (a) analysis of opportunities created by the reorganisation/ restructuring of some value chains following the COVID-19 crisis and implementation of the EU's new Industrial Strategy, "Green Deal" and Circular Economy Action Plan, and (b) measures to ease the access of SMEs to more diversified export markets.

Table 8. The two MED MSMEs Programme regional interventions

Action	Actions 1- Better use of digital technology to seize internationalisation opportunities	Actions 2- Participation of MSMEs in the evolution of global and regional value chains
Objectives	<ul style="list-style-type: none"> i) Raise awareness of the target group on good practices of digital ecosystems accompanying the internationalisation of MSMEs; ii) Identify the policies and measures necessary to support the digital transition in the field of export and integration of MSMEs into GVCs; iii) Strengthen the digital ecosystem of MSMEs (on a country basis). 	Raise awareness of the target group on: <ul style="list-style-type: none"> i) The evolution of global/regional value chains following the effects of the COVID-19 crisis, and ii) The opportunities linked to the deployment of the Green Deal and the new EU industrial policy.
Support measures	<ul style="list-style-type: none"> a. Regional webinar on digital service platforms for export development of SMEs (<i>regional level</i>) b. Rapid analysis of the level of digitalisation of services related to the internationalisation of SMEs and identification of priority intervention area(s) and technical assistance measures/capacity building with rapid effect (<i>national level</i>) c. Implementation of targeted pilot measures to enhance the digital ecosystem for SME internationalisation (<i>national level, as appropriate</i>) d. Regional conference for the exchange of experiences in the above-mentioned areas (<i>régional</i>) 	<ul style="list-style-type: none"> a. Organisation of two regional webinars on: <ul style="list-style-type: none"> • The reorganisation of selected strategic value chains in the EU as a result of the COVID-19 crisis, and • The EU Green Deal and new EU industrial policy. b. Organisation of a study tour on circular economy projects in the EU.

To support other national-level priorities and within its scope, the MED MSMEs Programme offers to organise webinars with donors active in each of the countries to present the national action priorities and identify possible funding support mainly within the context of EU existing or future programmes.

⁶³ UNCTAD (2020), *Impact of the COVID-19 Pandemic on Trade and Development: Transitioning to a New Normal*, United Nations, Geneva, p. 83, https://unctad.org/system/files/official-document/0sg2020d1_en.pdf/.

References

- Abdel-Latif, A. (2020), "The Silver Lining of COVID-19: Institutional Reform to the Rescue of the Egyptian Economy" in Mabrouk, M. (ed.), *Rethinking Egypt's Economy*, October, Middle East Institute, <https://www.mei.edu/sites/default/files/2020-10/Rethinking%20Egypt%27s%20Economy.pdf/>.
- African Trade Policy Centre, "African Continental Free Trade Area: Questions & Answers", UN Economic Commission for Africa, https://au.int/sites/default/files/documents/36085-doc-ga_cfta_en_rev15march.pdf/.
- Antunes, B. (2020), "Services sector vital to COVID-19 economic recovery", UNCTAD News, 6 November, <https://unctad.org/news/services-sector-vital-covid-19-economic-recovery/>.
- APII (Agence de Promotion de l'Industrie et de l'Innovation) (2020), « Bulletin de Conjoncture », Décembre, Ministère de l'Industrie et des PME, Tunisie, <http://www.tunisieindustrie.nat.tn/fr/download/conjoncture/Decembre2020.pdf/>.
- Ayadi, R., G. Giovannetti, E. Marvasi, G. Vannelli, and C. Zaki (2021), "Demand and Supply Exposure through Global Value Chains: Euro-Mediterranean Countries during COVID", EMEA Policy Paper, March, Euro-Mediterranean Economists Association (EMEA), Barcelona, <https://doi.org/10.1111/twec.13156/>.
- Bacchetta, M., E. Bekkers, R. Piermartini, S. Rubinova, V. Stolzenburg, and A. Xu (2021), "COVID-19 and Global Value Chains: A Discussion of Arguments on Value Chain Organization and the Role of the WTO", Staff Working Paper ERSD-2021-3, 11 January, World Trade Organisation (WTO), Geneva, https://www.wto.org/english/res_e/reser_e/ersd202103_e.htm/.
- European Commission (2018), *Annual Report on European SMEs 2017/2018: SMEs going beyond borders*, European Union, Brussels.
- European Commission (2020), "European Union, Trade in goods with Occupied Palestinian Territory".
- European Commission (2021), *Ex-post Evaluation of the impact of trade chapters of the Euro-Mediterranean Association Agreements with six partners: Algeria, Egypt, Jordan, Lebanon, Morocco and Tunisia*, Final Report, DG Trade, European Union, Brussels.
- Ganne, E., and K. Lundquist (2019), "The digital economy, GVCs and SMEs", in *Global Value Chain Development Report 2019: Technological innovation, supply chain trade, and workers in a globalized world*, World Trade Organization.
- IRC (International Rescue Committee) (2016), "Market Overview: Small & Medium Enterprises in Beirut & Mount Lebanon", New York, NY, <http://www.databank.com.lb/docs/SMEs%20in%20Beirut%20&%20Mount%20Lebanon-IRC-2016.pdf/>.
- ITC (International Trade Centre) (2015), *Unlocking Markets for Women to Trade*, International Trade Centre, Geneva.
- ITCEQ (Institut Tunisien de la Compétitivité et des Études Quantitatives) (2019), « Positionnement des firmes tunisiennes sur les chaînes de valeur mondiales : diagnostic sectoriel », Ministère de l'Economie, des Finances, et de l'Appui à l'Investissement, Tunis, <http://www.itceq.tn/files/climat-des-affaires-competitivite/positionnement-des-firmes-tunisiennes-sur-les-chaines-de-valeur-mondiales.pdf/>.
- Joumad, I., S. Dhaoui, and H. Morgavi (2018), « Insertion de la Tunisie dans les chaînes de valeur mondiales et rôle des entreprises offshore », Documents de travail du département des affaires économiques de l'OCDE N° 1478, Paris.
- Kebede, T.A., S.E. Stave, M. Kattaa, and M. Prokop (2020), "Impact of the COVID-19 pandemic on enterprises in Jordan", ILO and UNDP, https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_749136.pdf/.
- Merhej, K., and M. Baroud (2020), "The digital economy as an alternative in Lebanon: Focus on micro, small, and medium enterprises", Policy Brief #5/2020, December, Issam Fares Institute for Public Policy and International Affairs, American University of Beirut (AUB), https://www.aub.edu.lb/ifi/Documents/publications/policy_briefs/2020-20/20210201_The_Digital_Economy_as_an_Alternative_in_Lebanon.pdf/.
- OECD (2018), "Making global value chains more inclusive in the MED region: The role of MNE-SME linkages", Draft background note prepared for the workshop 'Business linkages in the MED region: Policies and tools', 17-18 April 2018, Beirut, <https://www.oecd.org/mena/competitiveness/BN-Making-global-value-chains-more-inclusive-Beirut-042018.pdf/>.
- OECD/European Commission/ETF (2014), *SME Policy Index: The Mediterranean Middle East and North Africa 2014: Implementation of the Small Business Act for Europe*, OECD Publishing.
- OMTPME (Observatoire Marocain de la très petite et moyenne entreprise) (2020), *Rapport Annuel 2018*, Septembre, http://bofr.le360.ma/sites/default/files/assets/documents/rapport_annuel_omtpme.pdf/.
- PCBS (Palestinian Central Bureau of Statistics) (2020), *Registered Foreign Trade Statistics - Goods and Services, 2019: Main Results*, October, Ramallah.
- PCBS (2021), *Performance of the Palestinian Economy, 2020*, May, Ramallah, <http://www.pcbs.gov.ps/Downloads/book2565.pdf/>.
- Riera, O., and P. Paetzold (2020), "Global Value Chains Diagnostic – Country Deep Dive Egypt", EBRD.
- Riera, O., and P. Paetzold (2020), "Global Value Chains Diagnostic – Country Deep Dive Jordan", EBRD.
- Riera, O., and P. Paetzold (2020), "Global Value Chains Diagnostic – Country Deep Dive Tunisia", EBRD.
- UNCTAD (2020), *Impact of the COVID-19 Pandemic on Trade and Development: Transitioning to a New Normal*, United Nations, Geneva, https://unctad.org/system/files/official-document/osg2020d1_en.pdf/.
- UNCTAD (2021), "Investment Trends Monitor", Issue 38, January, <https://unctad.org/webflyer/global-investment-trend-monitor-no-38/>.
- UNIDO (2017), "Promoting the Empowerment of Women for Inclusive and Sustainable Industry Development in the Middle East and North Africa region: A study on female entrepreneurship in Egypt, Jordan, Lebanon, Morocco, Palestine and Tunisia", United Nations Industrial Development Organization, Vienna, https://www.unido.org/sites/default/files/files/2019-10/MENA_REPORT_Eng_interactive-1_0.pdf/.
- UNDP (2020), "COVID19 Impact on Micro and Small Enterprises: Rapid assessment of the impact of COVID-19 on Micro and Small Enterprises Beneficiaries", July, Jordan Country Office, United Nations Development Programme, Amman, <https://jordan.un.org/en/109973-covid19-rapid-impact-assessment-micro-and-small-enterprises-beneficiaries/>.
- United Nations (2019), "Digital and Sustainable Trade Facilitation: Global Report 2019", Geneva, <https://www.unescap.org/sites/default/d8files/knowledge-products/UNTFsurvey%20global%20report%202019.pdf/>.
- World Bank (2020), "Doing Business 2020: Economy Profile of West Bank and Gaza", Washington, DC.
- World Bank and WTO (World Trade Organization) (2020), *Women and Trade: The Role of Trade in Promoting Gender Equality*, World Bank.
- WTO (World Trade Organisation) (2019), *Global Value Chain Development Report 2019: Technological innovation, supply chain trade, and workers in a globalized world*, Geneva.

Appendix 1: SME Internationalisation Working Groups

Country	Organisation members
Egypt	Ministry of Trade and industry Micro, Small and Medium Enterprise Development Agency (MSMEDA) Industrial Modernisation Centre (IMC)
Jordan	Ministry of Industry, Trade and Supply (MoITS) Jordan Enterprise Development Corporation (JEDCO) Jordan Export Jordan Loan Guarantee Corporation (JLGC) National Fund for Enterprise Support (NAFES) Amman Chamber of Industry Jordan Exporters Association (JEA) Ministry of Entrepreneurship and Digital Economy (MoDEE)
Lebanon	Ministry of Economy and Trade (MoET) Industrial Development Authority of Lebanon (IDAL) Kafalat Berytech Lebanese League for Women in Business (LLBW)
Morocco	Ministry of Industry Moroccan Agency for the Development of Investments and Exports (AMDIE) General Confederation of Moroccan Enterprises (GCEM) Moroccan Export Insurance Company (SMAEX)
Palestine	Ministry of National Economy (MONE) Palestine Investment Promotion Agency (PIPA) Palestinian Industrial Estates and Free Zones Authority (PIEFZA) PalTrade Centre Palestinian Shippers Council (PSC) Federation of Palestinian Chambers of Commerce, Industry and Agriculture (FPCCIA) Palestinian Businesswomen Forum
Tunisia	Agency for the Promotion of Industry and Innovation (APII) Centre for Promotion of Exports (CEPEX) Tunisia Export Export Promotion Fund (FOPRODEX) Tunisian Union of Industry, Commerce and Handicrafts (UTICA) Confederation of Citizen Enterprises of Tunisia (CONNECT) Tunisian Company for Foreign Trade Insurance (COTUNACE) Tunisian Post

Appendix 2. Country profile summaries

Egypt – Country profile summary

Recent trends in exports and value chain integration

Due to a large and diverse economy, a reputable manufacturing track record, and its central location between Africa, Europe and Asia, Egypt is well positioned to serve export markets across a diverse range of products/sectors and services. Pre-COVID-19, the combined value of goods and services exports and imports amounted to 43.3% of Egypt's GDP (17.5% for exports; 25.8% for imports).⁶⁴ The total value of Egyptian exports declined by only 1% in 2020, relative to 2019, and imports fell by 12%.⁶⁵ In comparison, the EU experienced a decline of 9.38% in extra-EU27 goods exports in 2020 and a drop of 11.64% in extra-EU imports.⁶⁶ So, in relative terms, Egypt has performed reasonably well.

About half of Egypt's exports is via value chain linkages; 10% being sourced as foreign inputs in exports (backward linkages), and 40% being domestic value-added that is sold to third countries by way of value chain linkages where it is further processed in exports (forward linkages).⁶⁷ Egypt's weaker backward linkages highlight a low import intensity in export production, while its relatively strong forward linkages reflect its strength in exports of raw materials and intermediate goods that are needed for the export production of firms in other countries.

The EU is Egypt's major trading partner, accounting for an estimated 30.9% of Egypt's total export value in fiscal year 2019/20⁶⁸, although the level has stagnated over the past ten years, as trade with China, Turkey and other Arab countries has gained in importance. In 2019, only 16% of Egypt's exports (in value) went to countries in Africa⁶⁹, a market expected to become more important to Egypt's foreign trade with the 2021 operationalisation of the African Continental Free Trade Area (AfCFTA) Agreement.

About 73% of Egypt's exports in fiscal year 2019/2020 were accounted for by eight product categories, oil and oil products comprising about one-third of exports, and the remainder including base and precious metals; agricultural products; textiles and clothing; organic and inorganic compounds; phosphates and fertilizers; electrical machinery and equipment; and pharmaceuticals.⁷⁰ Egypt is seeking to diversify its exports in high value-added sectors with a higher level of technological sophistication, such as pharmaceuticals, ICT services, chemicals, and engineering. On the other hand, there are significant opportunities for Egypt to increase its agricultural exports.

Egypt is a signatory to a large number of trade agreements, and a leading proponent of the AfCFTA, which will offer advantages in promoting Egyptian exports to under-developed markets on the African Continent. The system of Special Economic Zones (SEZs) and free zones in Egypt has been a successful vehicle for attracting FDI and ensuring free flows of trade without cumbersome export regulations.

Official statistical data on the participation of Egyptian SMEs in export activity is limited. The *Industry and Trade Development Strategy 2016-2020* reported that only 17% of Egyptian MSMEs manage to export. Stakeholders in the SME Internationalisation Working Group estimated that SMEs represent about 45% of exporting firms, although only about 5% of total export value. Thus, there is significant potential to scale the export contribution of SMEs. More precise data on SMEs' exporting activity would be helpful to policymakers.

Egypt has implemented many reforms to ease export-import transactions to facilitate trade. It ratified the WTO Trade Facilitation Agreement (TFA) Facility in December 2019, formed the National Trade Facilitation Committee and identified priorities for reform. The approved National Single Window and Advanced Cargo Information System (ACIS) are key foundational actions for facilitating exports and imports. The 2020 Customs Law incorporated many TFA reforms, including provisions for the single window system, electronic payments, and expedited customs clearances for "authorised economic operators". Albeit, more attention is needed to reduce the higher transaction costs for

⁶⁴ 2019 data from World Development Indicators (WDI) database updated 16 December 2020.

⁶⁵ Ministry of Trade and Industry, "Egypt's trade deficit narrows 17 pct, exports top \$25bn bar", 19 January 2021.

⁶⁶ Eurostat data on extra-EU trade in goods, 2019 and 2020, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Extra-EU_trade_in_goods/.

⁶⁷ Riera, O., and P. Paetzold (2020), "Global Value Chains Diagnostic – Country Deep Dive Egypt", EBRD. Data is for 2018.

⁶⁸ Data from Central Bank of Egypt (CBE), Statistical Bulletin on external sector.

⁶⁹ "Egypt: 2019 intra-Africa trade and tariff profile", Trade Law Centre (Tralac), South Africa.

⁷⁰ CBE, Monthly Statistical Bulletin on external sector, Table 22, "Proceeds of Merchandise Exports by Degree of Processing", FY 2019/2020, 04/21, <https://www.cbe.org.eg/en/EconomicResearch/Publications/Pages/MonthlyStatisticalBulletin.aspx/>.

smaller enterprises in dealing with non-tariff barriers. Simplification and digitalisation of trade regimes and procedures and accelerated adoption of e-commerce will aid in reducing some of the export-related challenges faced by smaller enterprises, as well as actions already implemented by the MSMEDA and the General Authority for Investment and Free Zones (GAFI) to provide online services to SMEs. As well, efforts to ease barriers in accessing the EU market, such as standards, certification and labeling requirements and rules of origin, which are often too strict for compliance of Egyptian exporters, would enable Egypt to realise greater benefit from the Egypt-EU Free Trade Agreement.

Policy framework for SME internationalisation

A number of public and private institutions and trade-supporting actors are involved in the field of SME export promotion and development. Leading roles are played by the Ministry of Trade and Industry (MTI), the Industrial Modernization Centre (IMC), the Micro, Small and Medium Enterprise Development Agency (MSMEDA), the Export Development Authority (EDA), the Egyptian Export Development Bank (EBE), and the sector Export Councils.

Several strategies are in place to guide export and SME development. These include: the *Industry and Trade Development Strategy 2016-2020*; the *Egypt Export Development Strategy 2018-2020*, which outlines the required institutional reforms, potential sectors, target markets, export incentives, export development services, and trade facilitation to drive export growth; the 5-year *MSMEs and Entrepreneurship National Strategy* that includes “Exports and integration into value chains” as one of the five policy themes with the objective of encouraging and supporting MSMEs to benefit from the growth of international markets and expanding the capacity of MSMEs to integrate in local and global value chains, including through the development of a sectorial clusters approach; the *National E-Commerce Strategy*, launched in 2018, and the *Digital Egypt Strategy* (2019), which aim to facilitate Egypt’s transition to a digital economy and thereby create new export and GVC connection opportunities for Egyptian firms, including MSMEs; and the *National Strategy on Green Economy*, which reflects the importance of green growth as a Government priority.

A number of existing financing and export support schemes and programmes are directed to, or inclusive of SMEs, such as: the MSMEDA’s MSME Platform marketplace; the EDA online portal to promote exports, and the “Green Trade Initiative”; the Egyptian Exporters Association EXPOLINK programmes/services, export-readiness training, and Export Incubator Programme; the IMC capacity building and cluster development programmes; and support initiatives of the 13 sector-oriented Export Councils.

The Egyptian Government reacted quickly in response to the COVID-19 crisis to support SMEs and SME exporters. In addition to working with Egyptian producers to ensure the regularity of supply chains, and removing/simplifying certain administrative procedures to expedite export activity, the MTI, as well as a number of trade-supporting institutions, moved many of their services online. To boost communication between Egyptian producers/exporters and their counterparts in other countries, the Egyptian Commercial Service (ECS) and its offices abroad made more information services available via online formats, including B2B and B2C match-making between firms. However, the most significant response was accelerated payout of EGP 1 billion in arrears owed to exporting firms from the Export Development Fund, and a further 10% in cash incentives to exporters during June 2020. This measure boosted the cash flow positions of exporting firms and improved their chances of sustaining production. Specific to SME exporters, the MSMEDA shifted to online delivery of its financial and non-financial services through the electronic MSME Platform, and established an online marketplace on the Platform to help MSMEs find new markets and sales channels.

National priorities identified

At the March 2021 meeting, the Egyptian SME Internationalisation WG identified the following national priorities to boost SME exports.

1	Develop SME competencies, standards, and certifications to meet the international standards of GVCs and export markets.	Many SMEs are not able to meet the international standards or quality certifications required for exporting to foreign countries or gaining supplier access in GVCs. Specific upgrading programmes and supports could address this need, including availability of market information, the creation of a B2B industrial portal, implementation of financial inclusion mechanisms, improvements to the National Quality Infrastructure, and targeted initiatives to qualify SME exporters to meet international standards.
---	---	---

2	Strengthen the digitalisation of SMEs and the ecosystem actors to boost export possibilities.	SMEs need integrated and coordinated institutional support for going digital, which requires capacity building skills, such as training in e-commerce and its application in reaching external markets, and the necessary technical and marketing consultancy support. Likewise, the digital support capacity of the ecosystem players has to be strengthened, which may involve the regulatory framework, development of digital services, and full implementation of digital systems for supporting exporting SMEs.
3	Business reforms to further simplify, streamline, and digitalise the import-export requirements and procedures.	Effort is still required to reduce administrative and non-tariff barriers to trade with Egypt. In this regard, the work of the National Trade Facilitation Committee will be critical, such as full implementation of the National Single Window and the Advanced Cargo Information System, and upgrading the ICT connectivity among government agencies. Digitalising trade procedures and processes will produce greater efficiency of international trade activity, reduce the time and cost for SMEs, and facilitate trade transactions with international buyers.
4	Increase the participation of Egyptian SMEs as suppliers of export-focused firms in the SEZs, Free Zones and industrial estates.	Some SMEs lack the capacity to enter into supplier relationships with firms operating in the SEZs and Free Zones, yet would have the potential if supported with tailored technical assistance. This could entail implementing formal supplier development programmes to link SMEs and potential buyer firms to build the capacity of the SME suppliers to meet production, quality, and international standards requirements of the buyer firms.
5	Access more diversified, new export markets with a priority on opportunities in the African Continent.	The African market shows great underexploited trade potential for Egypt – both for direct export and for sourcing imported inputs for re-exporting, and thus for building stronger supply chain relationships. Within the context of the AfCFTA, these opportunities should be examined and strategies developed for approaching these markets with value-added products.
6	Implement the UNIDO “Roadmap for Improving PPE Production in Egypt”.	The “Roadmap for Improving PPE Production”, part of the broader UNIDO Country Programme, highlights the opportunity for Egypt to become one of the major global market players in the personal protective equipment (PPE) industry by enhancing the PPE supply chain in Egypt. By helping SMEs identify opportunities for retooling their production lines to meet foreign demand for COVID-19-related products, Egypt could diversify both its export products, its market destinations, and its supply chain relationships. Implementing the roadmap would require financing options for the SMEs (e.g. access to capital for retooling costs, building production capacity, etc.) as well as access to technical assistance or advisory services.
7	Take advantage of the EU green transformation to boost integration of Egyptian SME in EU value chains and expand exports.	The trend towards environmentally-friendly technologies and “green” production offers a market opportunity for Egyptian exporters and SME integration into EU value chains. Outreach activities will be needed to create awareness of opportunities in the EU Green Deal and the requirements for taking advantage, as well as support schemes to assist SMEs in adapting and upgrading their products/production processes to comply with sustainability and “green” standards and creating business linkages with value chain leaders.
8	Update the National Industry and Trade Development/Export Strategy to reflect the post-COVID-19 realities and respond to the need for greater collaboration of ecosystem partners in its design and implementation.	The “Industry and Trade Development Strategy” and Export Strategy are in the process of being updated as part of the National Structural Reform Programme (2021-2024). It will be important to build on lessons learned during the COVID-19 crisis, to integrate the “going forward” policy and programme responses, such as digitalisation, green economic recovery, restructuring of global and regional value chains, and greater regional trade integration. Establishing a higher-level public-private sector working group on SMEs internationalisation could enhance the level of inter-institutional cooperation and coordination of policy development and actions.

Jordan – Country profile summary

Recent trends in exports and value chain integration

Jordan is a small, trade-open country that is largely dependent on exports and foreign direct investment (FDI) for its economic growth. However, its imports outweigh its exports and the value of exports to GDP has been declining in recent years (from 41.1% of GDP in 2014 to 36.4% of GDP in 2019)⁷¹. This decline is largely the result of external shocks to the economy from security threats and conflicts in the region, and closed borders to Iraq and Syria, which have had a negative effect on Jordan's cross-border trade. Jordan's overall participation in GVCs is low compared to other countries in the Southern and Eastern Mediterranean region, with about 40% of exports via value chain linkages.⁷² Jordan's stronger backward than forward GVC linkages reflects the country's reliance on an international network of suppliers of raw materials and intermediate inputs, and its strong presence in the garment and pharmaceutical manufacturing supply chains.

The impact of the COVID-19 pandemic on export activity occurred on the back of its slow recovery from the aftermath effects of ongoing conflicts in the region and was further amplified because of the country's large linkages to the external world. The Department of Statistics (DOS) monthly trade balance reports indicate that total (goods) exports declined by 4.5% during 2020 (relative to 2019), with an increase of 1% in national exports and a 34.6% decline in the value of re-exports.⁷³

Jordan's top national exports are clothing and accessories, fertilizers, pharmaceutical products, crude potash, chemical products, and jewelry and precious metals (accounting for about 60% of exports in 2019 and 2020), although horticulture and food products are also important exports.⁷⁴ In government's efforts to increase the export of high-technology products, pharmaceuticals, IT and IT-enabled services, and the high-tech manufacturing of plastics and electronics are promising areas to develop.

On a country basis, the USA is Jordan's top export market, accounting for about 25% of its exports. About 40% of Jordan's export value goes to other Arab countries, 20% to non-Arab Asian countries, and only about 3.0% of its national exports destined to EU countries in 2019 and 2020⁷⁵ (despite the preferential access to EU markets as part of the EU-Jordan Association Agreement). Jordanian exports to African markets account for only 2.2% of its total exports.⁷⁶

Jordan is signatory to a large number of regional and bilateral free trade agreements (FTAs) to boost exports and position itself as a "strategic trade hub". While Jordan exporters are known to face challenges in complying with domestic and foreign trade rules and dealing with at-border costs and delays due to regulatory and procedural issues, Jordan has introduced a number of reforms to modernise customs administration and ease cross-border trade procedures and processes. For example, by way of the new Customs Strategy (2017-2020) Jordan Customs has streamlined customs clearance processes, improved efficiencies within its electronic National Single Window system, and improved infrastructure at the Port of Aqaba to ease the work of licensed customs brokers. Reforms such as these have contributed to improvements in Jordan's rankings in the World Bank Doing Business "trading across borders" indicators.

Policy framework for SME internationalisation

A number of policies and strategies are in place to promote export development and the participation of SMEs in international activity. A key foundation document, *Jordan Vision 2025*, lays out Jordan's ambition to improve its economic competitiveness and business climate, foster higher value-added trade and innovation and increased productivity, and enlarge its small export base, including the encouragement of SMEs. It also identifies the priority markets and high-potential clusters to drive growth. *The Jordan Economic Growth Plan 2018-2022* includes a section on SME sector development that addresses export promotion, export financing, minimising the transport cost for exporters, developing a strategic roadmap to promote e-commerce and enhance the e-commerce environment,

⁷¹ World Development Indicators database.

⁷² Riera, O., and P. Paetzold (2020), "Global Value Chains Diagnostic – Country Deep Dive Jordan", EBRD, p. 2.

⁷³ DOS (Department of Statistics) (2021), "National exports increase by 1% and imports decrease by 11.3% during 2020 compared with the same period of 2019", 18 March, Amman. In 2020, the value of re-exports was 9.5% of the total exports.

⁷⁴ DOS, 2021.

⁷⁵ IDOS, 2021.

⁷⁶ "Jordan's exports to Africa account for 2.2% of total exports: Minister", 25 April 2016, *Amman News*.

digitalising the Jordanian economy with emphasis on niche markets and GVCs, simplifying export procedures, and improving the National Committee for Trade and Transport Facilitation. The National Export Strategy (2014-2019) sought to address export value-chain constraints and opportunities (six priority sectors), access of SMEs to export skills, key aspects of the business environment to facilitate export growth, and other major export competitiveness bottlenecks in the country. The Strategy, having expired, is in need of updating and renewal, taking into account demands of a post-COVID-19 trading environment (such as digitalisation of all trade procedures, e-trading practices, evolving value chains, etc.). As well, the new Strategy should seek improved coordination of its implementation across the various governmental and non-governmental institutions and adoption of a more structured dialogue between public and private sectors.

Other relevant strategies are the National Digitalisation Strategy (REACH 2025), the Jordan Digital Transformation Strategy 2020, and the Green Growth National Action Plan 2021-2025 (which lays the foundation for a greener post-COVID-19 recovery, including green financing for SMEs). A National Policy on Entrepreneurship is currently under development with the aim of promoting and supporting digital entrepreneurship and ICT start-ups.

A number of public-private export and trade-support institutions are in place to support SME exporters and SMEs seeking to participate in GVCs. The Jordan Enterprise Development Corporation (JEDCO) and the recently-established Jordan Export Company are key players, as well as chambers of industry and business associations. Relevant support schemes are directed to, or are inclusive of SMEs, for example, JEDCO's programmes to enhance the exporting activity of industrial and services SMEs; export-readiness programmes of the Jordan Export Company; e-Trade Readiness Assessments facilitated by the Ministry of Industry, Trade and Supply (MoITS); the Export Credit Guarantee Programme of the Jordan Loan Guarantee Corporation; and the GrowJo (Market Expansion) matching-grant programme targeting regional/global opportunities for digital companies, delivered by the Ministry of Entrepreneurship and Digital Economy (MoDEE). As well, international organisations and donor-funded projects play a big role in Jordan's policy and programme development, including capacity building of exporting SMEs, value chain analysis, among others.

Jordan officials took immediate actions to respond to the COVID-19 crisis. The King of Jordan urged development of COVID response strategies to support and bolster export activity, and the Minister of Industry and Trade consulted with stakeholder organisations on actions to be taken. In order to strengthen the competitiveness of Jordanian industrial producers in the global market, the government offered an additional export rebate of 5% on the value of exports in 2020 exceeding the 2019 mark (to which a rebate of 3% applied). JEDCO launched new export support programmes targeting SMEs (although small in scale), which included: a programme to support industrial SMEs in retooling their production or scaling it up for manufacturing of COVID-19-related products for export purposes; a programme to incentivise SMEs to venture into e-commerce and sell online through virtual markets; a freight/shipping costs subsidy programme to encourage SMEs to explore non-traditional, higher-risk markets for their products; and a programme to support the export activity of services-providing SMEs. All of these programme offers met with excess demand.

National priorities identified

In meetings in September 2020 and April 2021, the Jordan SME Internationalisation WG identified the following national priorities to boost SME exports:

1	Update National Export Strategy with a focus on supporting SME export activity.	Establishing a policy framework for trade and export development is seen as a top priority. Based on consultation input with the various stakeholders, and taking into account lessons learned from adaptations to cope with the COVID-19 crisis, an updated strategy is needed to lay out the strategic directions and programme actions to support SME exporters, increase the value-added and diversification of their exportable products and services, and develop new, more diversified export destinations (e.g. issues of standards compliance, certifications, logistics and trade facilitation, export skills, supply chain and export credit financing, digitalisation and e-commerce, etc.).
2	Strengthen the digitalisation of trade-related ecosystem actors	To assist SMEs with their digital transformation and increased export possibilities, the digital support capacity of the ecosystem players will need to be strengthened. This may involve the infrastructure for e-commerce and smart logistical services, the regulatory framework, provision of digital services, and specific topics that could

	to boost export possibilities of SMEs.	include, but not be limited to: E-commerce and e-commerce platforms (policies, rules and regulations), E-payment solutions, Digital trade facilitation, including an electronic single window, Digitalisation in transport and logistics, and virtual export promotion (digital market places, etc.). Complementarity of the different donor activities currently ongoing in the e-commerce sector would need to be ensured.
3	E-commerce transformation of Jordanian MSMEs	Although Jordan has taken important steps to facilitate e-commerce, including donor interventions in the area, the challenge of building the digital and e-commerce capacities of SMEs is great. The COVID-19-related social distancing and travel restrictions have led to a major increase in e-commerce activity, but many smaller businesses are not adequately prepared to switch to online B2B or B2C solutions and technologies. This will require technical assistance and IT training courses (Arabic and English) to existing SMEs, such as training in e-commerce and its application to reaching external markets, development of their e-commerce capability, and the necessary technical and marketing consultancy support.
4	Access to more diversified, new export markets with a renewed emphasis on penetration into the EU markets.	The EU market is underexploited by Jordan and offers a large opportunity for expanding Jordanian exports and integrating SMEs into European value chains. Actions to be taken might include: i) identifying market opportunities for Jordanian products/services, ii) greater promotion of these opportunities to SMEs (e.g. making booklets available), iii) improving the quality of Jordanian products to meet EU standards, and iv) creating more opportunities for business-matching between Jordanian suppliers and EU buyers (searchable databases, virtual forums). With development of adequate support mechanisms, Jordan may also be able to significantly increase its exports to non-traditional markets in Africa.
5	Take advantage of the EU green transformation to boost integration of Jordanian SMEs in EU value chains and expand exports.	The trend towards environmentally-friendly technologies and production offers a potential opportunity for greater SME integration into EU value chains (e.g. sustainable agri-food and textiles sectors, supplying parts for renewable energy or other “green” technologies). Innovation and support schemes would be needed in order for SMEs to adapt and upgrade their products and production processes, to comply with sustainability standards and to create business linkages with value chain leaders, steps considered essential to post-COVID-19 green economy recovery and integration in green value chains.
6	Strengthen policy coordination in the area of export and value chain development, including with international and donor organisations.	A high priority is placed on policy coordination, i.e. creating a forum for bringing together all relevant public and private sector players to discuss inter-institutional and cross-sectoral trade issues, solutions and strategies. In moving forward on a post-COVID-19 plan relative to SME internationalisation, Jordan would benefit from establishing a higher-level national council/ committee/ task force to strengthen collaboration across government institutions/agencies and private sector entities to enhance exports, as well as the coordinated implementation of strategic actions. The Ministry of Planning and Cooperation (MOPIC) could play a role in promoting a coordinated, integrated response of donors active in Jordan.

Morocco – Country profile summary

Recent trends in exports and value chain integration

The Moroccan economy is characterised by a high level of openness to the outside world. Its trade openness has continued to increase since the late 1990s, with the market value of traded goods reaching 87.5% of the Kingdom's GDP in 2019⁷⁷. This trend is the result of the government's efforts to attract foreign direct investment (FDI) and establish itself as a hub for re-exportation. Thanks to the reduction of tariff and non-tariff barriers to trade, the conclusion of various trade agreements, and the upgrading of the business climate, Moroccan exports have steadily increased to reach 39% of GDP in 2019. Thus, the share of exports to GDP is now the second highest in the region after Tunisia.

During the 2000s, Morocco pursued a strategy of producing new, more technology-intensive products. The Kingdom has steadily diversified its production, expanded its export base and increased the share of manufactured exports in total merchandise exports. In particular, the automotive industry has significantly increased the level of its production for export from 20% in 2005 to about 90% in 2016.

The Moroccan e-commerce market is booming and is among the most dynamic in Africa. UNCTAD's B2C e-commerce index ranks Morocco 6th among African states and 85th in the world. However, the level of international e-commerce is hindered by a lack of legal guarantees and appropriate online payment solutions in electronic transactions.

Morocco has also successfully diversified its export markets. While the EU remains Morocco's largest trading partner, accounting for 70.3% of its exports by value, the Kingdom now also exports 12.2% of its overall exports to Asia and 7.8% to Africa. However, given Morocco's close ties and free trade agreements with African countries, the export potential to these countries is not being fully exploited.

In recent years, Morocco has steadily improved its ranking on key business climate and trade indicators, with top rankings for infrastructure and port service efficiency. In the area of logistics, however, international indicators (Logistics Performance Index) suggest slow delivery systems despite efforts to strengthen connectivity both domestically and internationally.

SMEs account for nearly 98% of Moroccan businesses but account for only 31% of the Kingdom's exports. Amongst those exporting SMEs, the share of women entrepreneurs is particularly low even by regional comparison.⁷⁸ Moroccan SMEs are more involved in global value chains (GVCs) than SMEs in other countries in the region. Linkages exist mainly with European buyers, with a particularly high level of value chain integration in the automotive industry. SME surveys highlight a number of constraints for SME export development and value chain integration: difficulty penetrating markets and obtaining financing (limited access to market information/intelligence, difficulties in identifying and approaching potential partners in target markets, inability of SMEs to formulate bankable projects and to produce the necessary information for conventional banks to assess their credit application), high transportation costs and cumbersome customs procedures, the cost of hedging against foreign exchange risk (hedging instruments are still underdeveloped), lack of national support organisations, weak R&D, lack of foreign market information, and burdensome certification requirements (mainly in the EU market).

Due to its close economic ties with Europe, the reduction in demand in the European market and the disruption of supply chains during the first phase of the COVID-19 pandemic had a significant impact on Moroccan exporting companies. Year-end 2020 reported a 7.5 % decline in the total export value compared to 2019.⁷⁹ In particular, in the automotive sector - which is highly integrated - losses in the exports of vehicle cable sets to the EU were significant. In the medium-term, Morocco could benefit from the restructuring and potential shortening of certain value chains, particularly in the automotive, renewable energy, and environmental sectors. However, the Kingdom will face strong

⁷⁷ World Development Indicators database.

⁷⁸ In a regional study conducted by UNIDO, 74% of the surveyed Moroccan women entrepreneurs reported that they do not export, compared to 69% of the Lebanese women entrepreneurs, 65% of the Palestinian women entrepreneurs, 62% of the Tunisian women entrepreneurs, 54% of the Egyptian women entrepreneurs, and 50% of the Jordanian women entrepreneurs; however the study was based on small samples of women entrepreneurs and not statistically representative of the whole population of women entrepreneurs, so results are indicative only. UNIDO (2017), “Promoting the Empowerment of Women for Inclusive and Sustainable Industry Development in the Middle East and North Africa region: A study on female entrepreneurship in Egypt, Jordan, Lebanon, Morocco, Palestine and Tunisia”, p. 27.

⁷⁹ Office des Changes (2020), Indicateurs des échanges extérieurs 2020, <https://www.oc.gov.ma/fr/publications/>.

competition from some EU countries, such as Portugal, Poland, and Romania, which have relatively low wages and established links to large European companies.

To take advantage of these opportunities and to increase local value-added, Moroccan SMEs are in need of support for upgrading through structural and individual measures to address supply chain deficiencies, modernisation along the chain, and capacity building through technology and knowledge transfer. In this vein, actions are needed to address challenges in access to market information, financing, skills development, conformity assessment/certification, and transport/logistics, which hamper the participation of SMEs in exports and GVCs.

Policy framework for SME internationalisation

Instead of focusing primarily on labor cost advantage to attract FDI, Moroccan policymakers have adopted a more systemic approach to industrial policy, focusing on fostering synergies across sectors, creating ecosystems for different parts of the value chain, and using targeted support measures to build capacity and skills in the workforce. At the same time, the country has undertaken several horizontal reforms and made large investments in ports and infrastructure in general. A large number of regional and bilateral free trade agreements (FTAs) also offers trade advantages to Moroccan enterprises, including SMEs, the African Continental Free Trade Area Agreement (AfCFTA) alone, in force as of 1 January 2021, offering Moroccan SMEs potential access to a large consumer market.

Morocco has a strong policy framework with specific sector strategies, most of which, however, expired in 2020. The Ministry of Industry recently presented the five main pillars of the next Industrial Acceleration Plan 2021-2023: (1) supporting industrial sectors and strengthening their integration to multiply job and value creation, (2) developing industrial entrepreneurship and fostering the emergence of a new generation of industrialists, (3) positioning Morocco as a strategic international partner, in the context of tightening value chains, (4) decarbonising industrial production to improve the competitiveness of the Moroccan industrial sector and strengthen its attractiveness, (5) engaging the Moroccan industrial sector in the innovation process. Digitalisation of the economy is also a priority, evidenced by elaboration of the new digital strategy (Plan Maroc Numéric 2020). There is currently no updated export strategy, the last strategy having expired in 2018.

Morocco's ecosystem includes a wide range of public and private institutions and actors involved in export promotion and development, inclusive of SMEs. Consistent with its strategy to attract FDI and exporting companies, the Moroccan government decided in 2017 to merge three structures⁸⁰ under the Ministry of Industry, Trade, Green and Digital Economy. The full integration of these three pillars into the Moroccan Agency for Investment and Export Development (AMDIE) is still underway. Other key actors include Maroc PME, the Moroccan Exporters Association (ASMEX), the Moroccan Export Insurance Company (SMAEX), and the Central Bank.

Morocco has a strong track record of public-private dialogue and partnership in the areas of economic and business environment reform. For example, the National Business Environment Committee (CNEA) has institutionalised public-private dialogue by promoting consultation with private sector representatives on business climate reform. PortNet, which manages the national trade single window, is a pioneering model of public-private partnership that aligns public and private sector interests and is one of the most profitable public companies in Morocco.

A number of financing and support schemes, and export development programmes are directed to, or inclusive of SMEs. These include: SME upgrading programmes that could lead to value chain integration; support programme for “first-exporters”; Export Synergia programme; trade missions; and B2B matchmaking sessions; however, SMEs complain about a lack of tailor-made support to improve their knowledge and access to international markets. Furthermore, access to trade finance remains a challenge for SMEs, as well as high logistics costs and delays due to a delayed implementation of the national logistics strategy.

The Moroccan government responded quickly and decisively to the impact of the COVID-19 crisis. The immediate economic and social responses focused on “keeping businesses in business” and did not specifically target exporting SMEs. However, shortly thereafter, actions were taken with a direct impact on exporting activity. Support from the Ministry of Industry enabled 300 companies to accelerate their production of protective masks to meet domestic demand, which also allowed them to start exporting masks to 11 countries, including France, Italy, Germany and Mexico. In addition, the government ramped up the digitalisation of international trade procedures through the PortNet-managed national single window for foreign trade; the Moroccan Agency for the Development of Investments

⁸⁰ Namely Maroc Export, the Moroccan Investment Development Agency (AMDI), and the Casablanca Fairs and Exhibitions Office (OFEC).

and Exports (AMDIE) organised virtual (B2B) meetings between companies to foster the creation of business linkages and access to the African market; and the Moroccan Export Insurance Company (SMAEX) made modifications in the reimbursement procedures for exporters in the context of COVID-19, after consultations with the Moroccan Exports Association (ASMEX) in the framework of their cooperation agreement.

National priorities identified

Based on discussions of the Morocco SME Internationalisation WG at meetings in October 2020 and February 2021, the following national priorities to boost SME exports were identified:

1	Development of a new export promotion strategy with a focus on SME exports	Morocco has not updated the export promotion strategy that expired in 2018. In light of the COVID pandemic as well as the new opportunities created on the EU market (EU Green Deal, new industrial strategy) and the African market (AfCFTA), a new strategy is needed to give visibility to SMEs in terms of products and markets and to coordinate efforts to support export development, including taking into account the opportunities and challenges of priority value chains (automotive, aeronautics, agribusiness, textiles, etc.).
2	Development of tailor-made support programs for exporting SMEs.	This intervention is justified on the basis that Moroccan SMEs have a much smaller (relative) share of exports than large Moroccan and international companies. Existing support services by government institutions and associations are not deemed sufficient by SMEs. A priority is thus to focus on the development of new services/programmes by government agencies and business associations that offer bespoke support to SMEs looking to export or to integrate into GVCs. New services to be developed should focus, for example, on: tailored support services for women exporters; provision of digital skills; digital service delivery via e-platforms/digitalised procedures for obtaining market information; technical assistance and consultancy support to help SMEs meet international standards, including “green” or eco-labelling standards to meet requirements of the EU and other export markets; further easing of customs and logistics procedures; and extension of export financing instruments and services that target exporting SMEs specifically, etc.
3	Support for the implementation of the logistics strategy and facilitation of logistics for Moroccan SMEs.	Morocco has made important advances in many business environment and trade indices. However, logistics performance remains one of the country's weak points, with slow delivery systems despite efforts to strengthen connectivity both domestically and internationally. By 2020, only 14% of the 2010 logistics strategy had been implemented; additional technical assistance and financial support to the Moroccan Logistics Development Agency (AMDLE) could enable them to update the strategy and implement its priorities (e.g. logistics zones).

Lebanon - Country profile summary

Recent trends in exports and value chain integration

Lebanon is traditionally an open and trade liberalised economy. Its small local market and largely consumer-based economy has been a major driver for export and import activity. However, the value of exports and imports as a share of GDP has declined gradually over the last five years. Due to a high dependence on imports, the trade deficit had become substantial, although the national foreign currency shortage in 2020 lead to a significant drop in imports and thus a reduction of the trade deficit by 50.7% from 2019 to 2020.⁸¹ The war in Syria and consequential cut-off of overland trade routes to Jordan, Iraq and the Gulf, the drop in demand from countries in the region, as well as the economic and political crisis in the country have all negatively impacted Lebanese exports relative to other countries in the region. The COVID-19 pandemic has added to an already existing economic recession. By December 2020, total exports had declined by 8.4% relative to the registered value in 2019.⁸² Rather than expanding and conquering new markets, SMEs in Lebanon are thus mostly concerned with maintaining their export or supplier activities or to just staying in business.

Lebanon exports mainly cater to regional markets. In 2019, Arab markets accounted for 41.0% of Lebanon's total exports, the EU market for 10.6%, and the sub-Saharan African market for approximately 11.5% of exports.⁸³ The main export products are jewelry, electric and electronic equipment, plastics, cosmetics, and agri-food. With regard to the export of services, Lebanon has expanded beyond traditional sectors, such as transport and tourism, into modern ones, such as financial and business services.⁸⁴ Lebanese companies participate in regional or global value chains (GVCs) mostly in financial services and the agricultural and food processing sectors. Backward participation in GVCs is relatively high in Lebanon, as a result of more developed industrial bases, a smaller geographical size and limited local availability of primary resources.⁸⁵ Value chain suppliers are highly dependent on the import of their inputs, with an estimated 50 % of Lebanese SMEs sourcing their inputs from abroad.⁸⁶

Lebanon does not provide official data on SME structural statistics and contribution of the SME sector to the economy. Information on Lebanon's integration into GVCs in general and its SMEs in particular is scarce and their role subsequently difficult to assess. Operationalisation of plans to develop an SME Observatory would enhance data availability, including on the internationalisation activity of Lebanon's SMEs.

International indicators, such as the Global Competitiveness Index, show that Lebanon is performing well in terms of business sophistication, technological readiness and innovation. Due to external and internal crises, however, the business climate has declined in recent years. Especially, the time and costs to export have increased significantly, confirming that customs procedures and inspections are main challenges for cross-border trade from and with Lebanon. Due to the obstruction of land routes through Syria, exporters have also had to incur higher costs for alternative modes of transportation, which is especially burdensome for SMEs. The tragic explosion at the Beirut port, the largest shipping and clearing point in the country, further exacerbated this situation. Various reports and studies report the following challenges for Lebanese exporters:

- Lack of economies of scale: international buyers require a large permanent stock as guarantee against shipping risks, which Lebanese exporters cannot ensure;
- Compliance with technical requirements and quality standards imposed by recipient countries, especially EU market access requirements;
- Lack of export management capacities and market intelligence at the company level;
- Limited export promotion;
- Limited payment solutions and access to export finance; difficulties in accessing bank deposits due to the financial crisis;

⁸¹ <https://ec.europa.eu/trade/policy/countries-and-regions/countries/lebanon/>, accessed on 27/10/2020.

⁸² Based on Lebanese Customs Authority data.

⁸³ Lebanese Customs Authority, Annual Trade Statistics 2019.

⁸⁴ ITC Trade Map; IRC (International Rescue Committee) (2016), "Market Overview: Small & Medium Enterprises in Beirut & Mount Lebanon", p. 9, <http://www.databank.com.lb/docs/SMEs%20in%20Beirut%20&%20Mount%20Lebanon-IRC-2016.pdf/>.

⁸⁵ OECD (2018), "Making global value chains more inclusive in the MED region", background note for the workshop on "Business Linkages in the MED Region: Policies and Tools", 17-18 April 2018, Beirut, pp. 9-10.

⁸⁶ OECD (2018), pp. 19-20.

- High financial burdens due to costs of energy, rent, customs tax on imported raw materials for industrial products, etc.;
- Access to skilled employees, *inter alia* due to the brain drain caused by the ongoing crisis;
- Lack of certification and compliance with product norms and quality standards;
- Limited support for creating business linkages.

Policy framework for SME internationalisation

The Lebanese government has pursued trade openness and market access through the negotiation of free trade agreements and the ongoing WTO accession process. However, local stakeholders question whether the economy is adequately prepared for the increasing competition and able to benefit fully from increased trade openness.

Lebanon does not have a dedicated export strategy. The Ministry of Economy and Trade's "Lebanon SME strategy roadmap to 2020" (2014-2020), which did include objectives to enhance standards of SMEs' products, strengthen relationships with new trading partners, and bridge SMEs with multinationals and diplomatic networks, has come to an end. However, the Ministry of Industry's "Integrated Vision for the Lebanese Industrial Sector 2025" sets out to increase industrial exports by cooperating with Lebanese delegations abroad, export marketing and promotion, compliance with standards, import as well as export facilitation, and enhanced coordination of relevant authorities, including the customs administration and the Ministry of Public Works and Transportation, Ministry of Economy and Trade, Ministry of Agriculture, and Ministry of Finance. Overall, the strategy provides a very detailed framework for support measures to support industrial exports. It calls for new trade agreements with potential markets, such as emerging African economies, activation of cooperation with the Association of Lebanese Industrialists, and coordination with the Ministry of Economy and Trade.

Furthermore, in response to the ongoing crisis, the COVID-19 pandemic and the blast in the Beirut port, in September 2020, the government published a new Economic Plan aiming to transform the Lebanese economy, including reforms to upgrade productive sectors, update accreditation and certification, promote trade and investments, support e-commerce businesses, and spur exports.

A number of financing and support schemes are directed to, or are inclusive of, SMEs: support schemes for the agriculture and agri-food sectors provided by the Investment Development Authority of Lebanon (IDAL); loan guarantees for SMEs provided by Kafalat; different SME programmes offered by the Berytech incubator; and several donor-financed programmes, such as the Productive Sectors Development Programme.

National priorities identified

At meetings in November 2020 and March 2021, the Lebanon SME Internationalisation WG identified the following national priorities to boost SME exports:

1	Digitalisation and exports, including facilitation of (electronic) payments abroad	Some of the challenges SMEs face in terms lengthy and costly customs and inspection procedures could be addressed by digitalising processes, and thereby making trading more efficient and transparent. Accessing export promotion and support services is another avenue that can bring service delivery of public and private actors closer to SMEs. Updating/adapting the framework for e-payments, data protection etc. is essential for creating a conducive framework for digitalisation of SMEs. At the same time, SMEs need support for going digital.
3	Accessing new markets	Lebanon has untapped potential to expand exports in the Arab markets but there is also an interest in benefiting more from opportunities in the Asian, African and Mercosur markets. Specific needs identified by the Working Group included: (1) Market mapping studies to identify what types of Lebanese products from SMEs could be sold in new markets; (2) Creation of export consortia for SMEs; and (3) Facilitating/strengthening commercial linkages between SMEs and the Lebanese diaspora through Lebanese embassies, the Lebanese Chambers of Commerce and IDAL with support from relevant lines ministries.
4	Revision of the current association agreement with the EU to introduce	Both the review of enterprise surveys and the discussion with the Working Group have raised concerns on whether the local economy is able to benefit from increased trade openness generated by the EU-Lebanon Association Agreement.

	simplified provisions on rules of origin, following the example of Jordan.	Stakeholders highlighted a need for the simplification of the rules of origin (ROO) set out in the agreement, following the example of Jordan that is profiting from simplified ROO in their trade with the EU since 2016.
5	Development of a quality seal for the Lebanese products	Working Group members suggested to develop a national quality seal to support access to foreign markets as well as strengthening the trust of consumers. A plan is envisaged in this regard with the MoI and UNIDO. A quality seal can be an opportunity for SMEs, however, they will need support for ensuring compliance. SMEs in Lebanon struggle in general to ensure conformity of their products with foreign market requirements and imposing additional standards without providing the necessary support in terms of access to standards and conformity assessment by accredited laboratories or certification bodies could be harmful. It is thus recommended to approach this topic in the broader framework of revising the national quality policy that also tackles the national quality infrastructure as a whole.

Palestine - Country profile summary

Recent trends in exports and value chain integration

Palestine is a small market economy with a limited amount of industrial and production activity. Palestinian exports are relatively low (amounting to 15.5% of its GDP in 2019⁸⁷) compared to the contribution of exports to GDP in the other Arab countries in the Southern Mediterranean region. The value of exports and imports as a share of GDP has not changed much over the 2015-2018 period, vacillating between 75%-79%, and the export share of GDP hovering at less than 20% of GDP. Palestine's trade policy is governed by the Paris Protocol. Independence remains a constraint for Palestine as Israeli-imposed restrictions on the cross-border mobility of goods and services seriously impede its trade flows. Most Palestinian imports and exports have to pass through Israeli ports and subject to security delays. The import and export business is also restricted due to the limited number of commercial crossings between the West Bank and Israel/Jordan, and Gaza and Israel.

The COVID-19 pandemic had significant negative impacts on the Palestinian economy and its trade activity. GDP growth was down 11.5% (relative to 2019); exports of goods and services declined by 6.2%, the value of goods and services imports by 13%, and the trade deficit, although narrowed, was substantial (imports exceeding exports by a factor of 3).⁸⁸

There is no available data on the share of Palestinian exports via global value chain (GVC) linkages or on the participation of Palestinian SMEs in GVCs. The lack of a free and open border reduces opportunities for developing a robust, backward supply chain. Stagnation of the Palestinian manufacturing sector over the last two decades has also limited the ability of the economy to integrate with modern production chains in regional and international markets and increase its exports.

Trade activity is not very diversified: Israel, Palestine's top trading partner, accounted for 81.3% of its goods exports in 2019 and 55.0% of its goods imports.⁸⁹ Over half of the Palestinian exports to Israel are re-exported. Including Israel, the top five export market destinations are Jordan, the United Arab Emirates, Saudi Arabia, and the USA.⁹⁰ In 2019, only 0.6% of Palestine's exports were destined to EU-27 markets (although accounted for 12.2% of Palestine's imports).

Exports tend to be low value-added products in extractive and agriculture sectors. The top five export products are: building stone, scrap iron, "other furniture" (seats, mattresses), plastic lids, and pure olive oil,⁹¹ although agricultural

⁸⁷ World Development Indicators (WDI) database.

⁸⁸ PCBS (Palestinian Central Bureau of Statistics) (2021), *Performance of the Palestinian Economy, 2020*, May, p. 44, <http://www.pcbs.gov.ps/Downloads/book2565.pdf/>.

⁸⁹ PCBS (2020), Registered Foreign Trade Statistics - Goods and Services, 2019: Main Results, October.

⁹⁰ European Commission (2020), "European Union, Trade in goods with Occupied Palestinian Territory", p. 8.

⁹¹ Observatory of Economic Complexity, 2018 data, <https://oec.world/en/profile/country/ps/>.

and other product categories are also important. Palestine has achieved global recognition in certain goods, with stone and marble, wooden furniture, and pharmaceuticals witnessing high export values or high growth rates in recent years.

Palestine has limited official data on SME structural statistics. There is no data on the percentage of SMEs among exporting companies or the SME share of total exports. However, the SME sector is dominated by micro-enterprises (enterprises with fewer than five employees), which comprise 88.6% of active private enterprises⁹², and generally understood to focus on local markets, with weak backward and forward linkages with other sectors and large exporting firms. Only 1.4% of enterprises have more than 20 workers. Thus, the SME sector has not been able to contribute significantly to GDP and exports, although remains a critical employer and component of the local, private sector economy.

Despite the high level of market access accorded by various trade agreements, Palestinian companies have not been able to capitalise on export market opportunities due to impediments imposed by Israel on the movement of goods, the lack of capacity of local producers, processors and exporters, and complicated rules of origin (lack of recognition of Palestinian Certificates of Origin). Palestine performs better than the regional MENA average on the World Bank Doing Business "trading across borders" indicator; however, the time required for "documentary compliance", particularly in dealing with exports, is a major deterring issue.⁹³

Policy framework for SME internationalisation

A number of public and private institutions and trade-supporting actors are involved in the field of SME export promotion and development. Key roles are played by the Ministry of National Economy (MONE), PalTrade, the Palestinian Shippers' Council (PSC), the Federation of Palestinian Chambers of Commerce, Industry & Agriculture (FPCCIA), and the Palestinian Federation of Industries. At the policy level, the National Policy Agenda 2017-2022 addresses international trade and exports as one of the national priorities, aiming to: rebuild Palestine's productive sectors; attract domestic and foreign direct investment, focusing on construction, tourism, agriculture, and ICT sectors; and expand international trade and exports. The Agenda also underscores the importance of export readiness as a key policy component.

The National Export Strategy (NES) 2014-2018 (now expired) set out the specific policy framework for boosting the export potential of the country and diversifying export destinations. The MONE is in the very early stages of taking stock of the implementation of the 2014-2018 strategy to identify gaps and outstanding actions (e.g. issue of harmonising Palestine's national standards with the international standards of the EU and Arab States). Both the stock-taking and impact evaluation would be necessary inputs to an updated and post-COVID-19 NES, the development of which is seen by stakeholders as a priority for Palestine. Palestine has not had a national SME development strategy since 2017; however, several of the actions in the NES detailed Action Plan were specifically aimed at MSMEs. The MONE has stressed the beneficial importance of formulating a new SME development strategy, with a pillar on access to export markets.

There are several instruments and programmes to support SME exporters. These include export readiness assessments; export training and advisory services; B2B missions and match-making activities; and cluster support. Due to the State of Palestine's limited budget, international and donor organisations play a major role in funding many of the support programmes, e.g. the World Bank (market access service, digital presence gateway), UNDP (agri-tech support), and UKAID (improving trade facilitation and customs, market development programme). Business associations also support exporting activity of their members, often reaching out to the SME sector. Palestine does not have specialised financial products and services for exporting firms, such as export credit and insurance schemes, instruments badly needed for Palestinian MSMEs to support and expand their exporting efforts beyond Israel. Options to remedy the lack of export credit guarantee funds need to be explored.

The government is working on a COVID-19 economic recovery plan in concert with ministries, the private sector and civil society organisations. In 2020, although SME exporters were not the policy target of specific response actions, the MONE and Palestinian Investment Promotion Agency (PIPA), for example, responded to COVID-19-imposed restrictions by developing online-only procedures to interact with and service their clients, and to ensure fulfillment of export-import operations. Such online procedures and services should be further enhanced on an on-going basis.

⁹² PCBS, latest Establishment Census, 2017.

⁹³ World Bank (2020), "Doing Business 2020: Economy Profile of West Bank and Gaza", p. 45.

Also, with encouragement from the MONE, some Palestinian manufacturing companies pivoted their production lines to produce COVID-19 personal protective equipment and sanitizers, catering predominantly, but not exclusively, to demand in Israel. Many enterprises adopted or increased usage of digital solutions to facilitate marketing activity, sales, and administrative functions as a response to the COVID-19 outbreak.⁹⁴ The MONE has been providing technical support and training to businesses on the requirements of shifting to online services. Accelerating the digitalisation of local firms, including SMEs, is key to enabling transactional relationships with trade and GVC partners and becoming more globally competitive. Building up the ICT sector is also seen as a vehicle to developing knowledge-intensive exportable business services.

National priorities identified

During meetings of the SME Internationalisation WG in December 2020 and April 2021, the following national priorities were identified:

1	Update the National Export Strategy 2014-2018.	Updating of the National Export Strategy is accorded high priority. The new strategy will need to take into consideration actions to propel a post-COVID-19 economic recovery (e.g. digitalisation of export/trade services and exporters), as well as engage the EU and other donors in its preparation and implementation support. In light of the COVID pandemic as well as the new opportunities created in the EU market (EU Green Deal, new industrial strategy), an updated strategy will address issues of increasing export and value chain integration activity, diversifying export market destinations, and diversifying exportable products and services, with a renewed focus on SMEs in terms of products and markets.
2	Access to more diversified, new export markets with a renewed emphasis on penetration into the EU markets.	Palestine has a large untapped opportunity for expanding Palestinian exports within the EU, including integration of SMEs in EU value chains. Strategies are needed for approaching these markets with value-added products and services meeting international standards. Actions might include: i) identifying market opportunities for products/services from Palestine, ii) greater promotion of these opportunities to SMEs, iii) improving product quality to meet EU standards, and iv) creating more opportunities for business-matching between Palestinian suppliers and EU buyers. Greater access to Arab markets could also be examined.
3	Create an enabling environment for “green” value chains.	Upgrading the production of exportable Palestinian products to meet “green” standards is seen as a priority. This could entail an eco-management programme for SMEs to bring their products to the level of “green” or eco-labeling standards required by buyers, including compliance information, and company-level coaching. Strengthening sustainable cluster initiatives, such as in the stone & marble sectors, could also improve export and GVC integration opportunities.
4	Strengthen policy coordination in the area of export development and effectiveness of the Local Area Coordination Secretariat in coordinating donor projects.	Policy coordination is one of the top priorities in Palestine. Options for strengthening this need to be explored and activated. For example, in its advisory capacity function, the Palestine Exports Council could be an instrument to strengthen collaboration across public and private sector entities on post-COVID-19 economic recovery actions to raise the share of national products in external markets.
5	Assist the tourism sector with COVID-19 economic recovery.	Inbound tourism is considered one of the most important Palestinian exports and has been severely impacted by the COVID-19 crisis. The Working Group stressed the importance of including this in the list of national priorities. In responding, the public-private sector tourism-related ecosystem stakeholders, in conjunction with the international donors active in Palestine, could be mobilised to develop an economic recovery strategy and action plan for the tourism sector.

⁹⁴ PCBS, <http://pcbs.gov.ps/site/512/default.aspx?lang=en&ItemID=3852/>.

6	Establish an export credit, guarantee and insurance facility.	Establishing an export credit facility in Palestine would provide SMEs with access to finance for foreign trade and be a vital component to support their ability to cater to new and higher-risk export markets. The EU’s EFSD programme instruments could be helpful to Palestine in establishing such as facility.
---	---	---

Tunisia – Country profile summary

Recent trends in exports and value chain integration

Tunisia’s economy displays a high level of trade openness that has continued to increase over the past five years, demonstrating the country’s ongoing commitment to an export-led growth strategy and foreign direct investment (FDI). Having succeeded in attracting significant FDI in textile production, automotive assembly, information technology, food processing, customer service, and aeronautics, Tunisia has become an important outsourcing hub in the MENA region. As a consequence, Tunisian companies display a high level of integration into global value chains (GVCs) in many industrial activities (textiles, clothing and leather, chemical industry, agri-food industry, and more particularly the mechanical-electrical and electronic industries) and services (business services). Links to GVCs accounted for about 17% of GDP and about 45% of exports.⁹⁵ However, there is a huge difference in GVC integration between offshore and onshore companies, with linkages with the offshore sector⁹⁶ and overall participation of onshore firms in GVCs remaining weak.⁹⁷

Thanks to Tunisian efforts to reduce tariff and nontariff barriers to trade, conclude trade agreements, and establish the “offshore” regime that stimulates FDI, exports have increased significantly (to 49.3% of GDP in 2019⁹⁸), well above the level of most other countries in the region. This was mainly driven by the manufacturing sector, which constituted 81% of total exports in 2017, a higher rate than in all other countries in the South-MED region, with the exception of Israel, and a shift to more technology- and skill-intensive sectors.⁹⁹ In regional comparison, Tunisia has a broad base of export-oriented industries, which have been supported by an attractive tax regime.

Small and medium-sized enterprises (SMEs) account for 92% of the country’s exporting companies (predominately medium-sized enterprises).¹⁰⁰ The European Union is Tunisia’s most important trade partner: in 2019, 78.5% of Tunisian exports were destined for the EU market, and 54.3% of Tunisian imports came from the EU.¹⁰¹ This reflects a high degree of assembly and processing networks with some EU countries. In contrast, the potential of regional markets and the growing sub-Saharan African market remains largely untapped: 9.57 % of exports went to regional markets in the Middle East and North Africa and only 2.58% to sub-Saharan African markets (2017 data¹⁰²).

Due to its close links with the EU market, the reduction in demand and the disruption of supply chains during the COVID-19 pandemic had a significant impact on Tunisian exports. Year-end 2020 reported a 11.7 % decline in the total export value compared to 2019.¹⁰³ During the Covid-19 crisis, many Tunisian companies adopted e-commerce solutions, an opportunity previously under-exploited in Tunisia. Tunisian SMEs are increasingly interested in using e-commerce to their advantage, not only on the internal market but also for exports, but require support for online marketing, access to e-commerce platforms and electronic payment solutions.

Although the political transition in 2011 (Arab Spring) caused some major economic indicators to fall, Tunisia has, in recent years, taken important steps to restore a conducive business climate for trade and investment. The government

⁹⁵ Riera, O., and P. Paertzold (2020), “Global Value Chains Diagnostic – Country Deep Dive Tunisia”, EBRD.

⁹⁶ The offshore regime is a key element of the Tunisian policy framework for exports. Stemming from the code of investment incentives, Tunisian firms are separated into two legal forms - onshore firms (serve only the domestic market, or at least to a very large extent), and offshore firms (fully export-oriented). The latter benefit from certain tax exemptions, duty-free access to inputs and equipment, and simplified customs procedures. This dual system initially helped the country attract FDI and foreign exchange, but ultimately led to significant distortions in the Tunisian economy, and created barriers to trade and supplier relationships between the onshore and offshore sectors to the detriment of SMEs.

⁹⁷ Joumad, I., S. Dhaoui, and H. Morgavi (2018), « Insertion de la Tunisie dans les chaînes de valeur mondiales et rôle des entreprises offshore », Documents de travail du département des affaires économiques de l’OCDE N° 1478, Paris, p. 19.

⁹⁸ World Development Indicators (WDI) database, Exports of goods and services (% of GDP).

⁹⁹ WDI database, Manufactured exports % of merchandise exports.

¹⁰⁰ « Les entraves à l’export des PME tunisiennes », *L’Economiste maghrébin*, 31 Mai 2018.

¹⁰¹ European Commission, <https://ec.europa.eu/trade/policy/countries-and-regions/countries/tunisia/>.

¹⁰² World Integrated Trade Solutions (WITS) database: “Tunisia exports, imports and trade balance By Region 2017”, <https://wits.worldbank.org/CountryProfile/en/Country/TUN/Year/2017/TradeFlow/EXPIMP/Partner/by-region/>.

¹⁰³ Data from the Tunisian National Institute of Statistics (INS), Evolution des valeurs d’exportations.

has led efforts to improve access to information, consultation with the private sector, administrative simplification and cooperation of authorities, although the OECD continues to recommend improvements in logistics and trade facilitation as a priority for the country's economic growth.¹⁰⁴

Tunisian SMEs report a need of support for access to new markets, access to market information, access to trade finance, compliance with international standards and management as well as modernisation of their production processes. Furthermore, trade and logistics facilitation are among the highest priorities to reduce costs and delays, hindering their integration into GVCs dominated by the principle of just-in-time production (automotive, aeronautics). A review of the offshore regime is also among the priorities, as it currently hinders commercial links between foreign companies (offshore) and Tunisian SMEs (onshore).

Policy framework for SME internationalisation

Tunisia's economic ecosystem includes a wide range of public and private institutions and actors involved in the export development of SMEs. Until the end of 2020, the main strategic reference guiding the promotion of SME exports and their integration into GVCs was the 2016-2020 Development Plan. Its export-related objectives were to increase the value-added of export sectors from 15% to 20% by 2020 and the ratio of exports to GDP to 40%. The new five-year plan 2021-2025 is currently under preparation. There is currently no national export strategy or SME promotion strategy that addresses export promotion. A 2018 study of the obstacles preventing Tunisian SMEs from export activity highlighted the lack of a clear national strategy for export development/support, the lack of strategic vision in the support agencies, the overlap and lack of coordination between the support agencies, and the prime focus on export promotion rather than real individual assistance to exporting companies.¹⁰⁵ The study recommended the key points to be included in an export strategy and the reforms to improve the export performance of the Tunisian SMEs.

A number of financing and support schemes are directed to, or are inclusive of, SMEs. These include: the Export Promotion Fund (FOPRODEX); the Fund of Development and Diversification of Exports ("TASDIR+"); export credit insurance offered by the Tunisian Foreign Trade Insurance Company (COTUNACE); and export promotion activities by the Export Promotion Center (CEPEX). However, SMEs report delays in receiving financial support from these schemes (perhaps indicating coordination failures) as well as the lack of tailor-made assistance to improve their knowledge and access to international markets.

As in all countries, the initial economic and fiscal responses to the fallout of the COVID-19 pandemic in Tunisia focused on keeping firms in business. However, specific measures for exporters included increasing the subsidies for the transport of perishable agricultural products through FOPRODEX and support for export promotion activities, such as virtual B2B meetings between Tunisian and foreign companies organised by CEPEX.

National priorities identified

At meetings of the Tunisia SME Internationalisation WG in November 2020 and January 2021, stakeholders validated the following national priorities to boost SME exports:

1	Development of a national export strategy taking into account the needs of SMEs	In light of the COVID pandemic as well as the new opportunities created on the EU market (EU Green Deal, new industrial strategy) and the African market (African Continental Free Trade Area/AfCFTA), a national export strategy should give the private sector and SMEs the necessary visibility in terms of products and markets, and coordinate and further develop the instruments and programmes available through institutions that support exporting SMEs (Industry and Innovation Promotion Agency/APII, CEPEX, etc.). This recommendation is corroborated by private sector representatives who stressed the lack of such a strategy was a major obstacle to SME export development.
2	Evaluation of existing export support instruments to adapt them to the needs of SMEs	Although support instruments exist, SMEs have reported the procedures for obtaining support are often long and cumbersome and requested a review and further adaptation of existing instruments (FOPRODEX, TASDIR+) to better meet their needs and to be implemented more quickly.

3	Strengthening internationalisation skills in both government and businesses	Existing support services by government agencies and associations are not deemed sufficient by SMEs. A priority is thus to develop new services/programmes by government agencies and business associations to offer bespoke support to SMEs looking to export or to integrate into GVCs. New services to be developed should focus, e.g., on: tailored support services for women exporters; provision of digital skills; digital service delivery via e-platforms/digitalised procedures for obtaining market information; technical assistance and consultancy to help SMEs meet international standards, including "green" or eco-labelling standards to meet EU and other export market requirements.
4	The revision of the regulation of investments of Tunisian companies abroad	Current regulations impose strict limits on Tunisian investments abroad, preventing companies from venturing into other markets. A revision of the current regulation should aim to reduce these hurdles for investment abroad.
5	Strengthening of Tunisian economic diplomacy, especially in some African countries	SMEs indicate they need more support to access new markets in Africa, including market information, matchmaking, and personalised support through the diplomatic missions.
6	Improving access to financing for SMEs, particularly for financing exports to Africa	In addition to the general problems of access to the African market, access to finance is a problem in general and for the African market in particular that prevents SMEs from venturing to these markets. Export financing instruments and services, such as the availability of export funds and export credit guarantees, need to be specifically extended to exporting SMEs.
7	Simplification of customs procedures and formalities	For the past years, Tunisia is working on restoring its former good performance in trade facilitation. As signatory to the WTO Trade Facilitation Agreement, the country is required to implement a series of measures to facilitate cross-border trade. Yet, SMEs complain that these reforms are moving slowly. Simplification/digitalisation of trade procedures (via the single window managed by Tunisia TradeNet/TTN) would reduce costs and delays for exporting SMEs.
8	Facilitation of trade through improved performance of the Port of Rades	The logistics and port infrastructure of the Port of Rades is one of the main logistical obstacles for all types of exporting companies, and one of the main challenges for SMEs in terms of transport facilitation.
9	Development of a public-private platform to coordinate export support policies and instruments	MSMEs, associations, and donors alike have emphasised the lack of coordination when it comes to SME export development. This is closely related to the lack of a strategy. Coordination needs to be strengthened at several levels: Strategy and policy; Support programmes of different institutions; and Coordination and collaboration among exporting SMEs to capture new markets (for example, export consortia promoted by the PEMA project targeting new sub-Saharan African markets).

¹⁰⁴ OECD (2019), "Trade Facilitation Indicators – Tunisia".

¹⁰⁵ Survey of SMEs conducted by PRODATA for CONECT International and CEPEX as part of the PEMA project.

Appendix 3. SBA Principle 10: Internationalisation

Dimensions of SME internationalisation

Principle 10 of the SBA recommends that Member States should encourage SMEs to benefit from the growth of global markets and support them in this pursuit. The internationalisation of SMEs can cover a number of dimensions, which are not mutually exclusive. SMEs may:¹⁰⁶

- explore the opportunities offered by foreign markets and familiarise themselves with the requirements that need to be met to enter foreign markets or may seek foreign suppliers
- engage in exports or imports of goods and services, through e-commerce or more traditional means
- be the recipients of foreign direct investment (inward FDI) or may invest abroad (outward FDI)
- be part of either a national value chain which has an international focus or be part of a global value chain, whilst not directly engaged in cross-border activities
- be engaged in cross-border R&D and innovation collaboration
- licence or franchise their products or services.

The assessment of the SBA principles is conducted within the context of the SME Policy Index (SMEPI) exercise. The scoring matrix for the SMEPI indicators is based on an assessment of where countries are according to 5 "levels" of policy development. Level 1 is the weakest level and level 5 the strongest. The policy indicators for the Internationalisation dimension and descriptions for each assessment level are presented below.

Results of 2014 SME Policy Index dimensions for Internationalisation of SMEs

10.1: Implementing a proactive trade policy						
	Egypt	Jordan	Lebanon	Morocco	Palestine	Tunisia
10.1.1. Export promotion strategy	4	2.5	2	5	2	3.5
10.1.2. Intra-MED trade agreements	5	5	3	4	3	4
10.1.3. Providing advice and high value information of the international market	3	2	2	3	3	4
10.1.4. Export capacity building programmes	2.5	2.5	2.5	4	2	4
Overall weighted average	3.7	2.9	2.3	4.1	2.4	3.8
10.2: Simplification of procedures for international trade						
	Egypt	Jordan	Lebanon	Morocco	Palestine	Tunisia
10.2.1. Level of computerisation of procedures for foreign trade	4	4	4	4	3	4
10.2.2. Quality of access to regulatory and procedural information relating to foreign trade	0	0	0	2	0	0
10.2.3. Virtual one-stop shop to deal with the formalities of foreign trade	3.5	3	2	4	1	4
Overall weighted average	4.2	3.3	3	4.3	2.3	3.7

Source: OECD/The European Commission/ETF (2014), *SME Policy Index: The Mediterranean Middle East and North Africa 2014: Implementation of the Small Business Act for Europe*, pp. 180, 183.

New sub-dimensions in 2020

Expanded sub-dimensions in the SME Internationalisation framework

The SBA assessment in the **2020 SME Policy Index exercise in the European Eastern Partner countries**¹⁰⁷ takes into account new dimensions that go well beyond the two dimensions ("proactive trade policy" and "simplification of procedures for international trade" and their sub-dimensions) in the 2014 assessment framework. These include the addition of "use of e-commerce" and "integration into GVCs" in the SME Internationalisation Framework, as well as more detailed assessment of trade facilitation indicators.

2020 SME Internationalisation framework components

Export Promotion	Integration into GVCs	Trade facilitation	Use of e-commerce
<ul style="list-style-type: none"> • SME export promotion programme • Export promotion agency • Support services for SMEs • Financial support for export promotion activities 	<ul style="list-style-type: none"> • Government programmes to support SME integration in GVCs • Budget mobilisation • Provision of information about GVC opportunities • Awareness programmes 	<ul style="list-style-type: none"> • Information availability • Involvement of trade community • Advance Rulings • Appeal Procedures • Fees and charges • Formalities – documents; automation, procedures • Internal cooperation (border agencies) • External cooperation (cross border agencies) • Governance and impartiality 	<ul style="list-style-type: none"> • E-commerce promotion programme • Legal framework • Responsible government body • Budget mobilisation • Provision of information • Availability of statistical data

Source: SME Policy Index assessment framework for SME Internationalisation, OECD/ETF/European Commission/EBRD (2020), *Eastern Partner Countries 2020: Assessing the Implementation of the Small Business Act for Europe*, OECD Publishing, p. 252.

Inclusion of "digital government for SMEs" under the "Operational environment" dimension

Assessment of the SBA principles in 2020 includes "digital government for SMEs" as an assessment area under the Operational environment sub-dimension of the "Responsive Government" pillar (added to the previous assessment related to "Business licensing, Company registration, and Tax compliance procedures for SMEs). This includes assessment of the following:

- e-government and m-government¹⁰⁸ strategy
- coordination body for implementation (e.g. public agency in charge of directing and coordinating the digitalisation process for SMEs; single entry portal for all e-government services)
- digital services provide to SMEs
- availability of statistical data.

The sub-dimension covers indicators related to: government strategy towards the provision of e-services, the range of services provided, the level of inter-operability among the different data banks run by the public administration, and the actions taken to implement an open-data approach.

Broader coverage of "standardisation" issues

The 2020 SBA assessment framework also includes broader coverage of "standardisation" issues, which in 2014 focused on compliance with environmental legislation through cleaner production approaches. The 2020 framework incorporates the EU's new approach to reflect the potential of standards and conformity assessment to drive industrial upgrading, innovation and exports. The new "access to standardisation" sub-dimensions assess countries on:

1. Awareness-raising and information (such as user-friendly websites to reduce search costs for SMEs and increase their interest in compliance issues)
2. SME participation in developing standards
3. Availability and scope of financial support programmes to enhance the implementation of standards in the SME population (reduce costs of acquiring standards and certifications, such as co-financing the purchase of conformity assessment services or standards).

Country scores are assessed against "approximation with EU *Acquis*" on the following particulars:

- Technical regulations
- Standardisation
- Accreditation
- Conformity assessment
- Metrology

¹⁰⁶ European Commission (2018), *Annual Report on European SMEs 2017/2018: SMEs going beyond borders*, European Union, p. 78.

¹⁰⁷ See: OECD/ETF/European Commission/EBRD, 2020.

¹⁰⁸ m-government refers to provision of mobile government services through the use of a mobile device to sign electronic forms or documents.

- Market surveillance

Increased focus on SMEs in “Environmental policies” pillar

The inclusiveness of environmental policies in government strategies is fundamental – the extent to which these environmental policies targeting SMEs are integrated across other government strategies, with action plans, targets, timeframes and expected impact. For example, are there sector specific environment-related policies targeting SMEs and effective coordination with stakeholders (e.g. private sector, sector associations). Key questions are whether there is an operational government agency assisting SMEs with greener practices, regulatory and financial incentives and instruments available to SMEs, and guidance provided to SMEs on environmental compliance and implementation of environmental management systems.