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

Lebanon MSME Export Country Profile

Discussion Paper - February 2021

Project Number: EuropeAid/139517/DH/SER/Multi
Contract Number: 2018/401284

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Introduction

The MED MSMEs Programme aims to support the Southern Neighbourhood countries of the EU in the implementation of the Small Business Act (SBA) for Europe, which constitutes the reference framework for the formulation of SME development policies and the establishment of the appropriate legislative and regulatory frameworks. In particular, the Programme intervenes in the areas of access to finance (principle 6 of the SBA) and the internationalisation of SMEs (principle 10 of the SBA).

Within this framework, the MED MSMEs Programme has carried out a comparative study of the policies and instruments supporting SME exports in the region with a view to identifying and promoting to policy makers the areas of improvement likely to enable SMEs to develop internationally. The aim was to enhance the level of information on international market developments available, discuss the adaptation of support policies and instruments and consolidate dialogue and coordination.

The study carried out on Lebanon focused on: i) a review of policies, support programmes and relevant actors, ii) the analysis of recent studies in the field of exports and iii) the analysis of the structure and trend of exports, particularly those of SMEs. All these elements have been integrated into the following country brief.

The results of the analysis and the related proposals for improvement were discussed at the meeting of the "SME internationalisation" working group that took place on 18 November 2020. On the basis of the conclusions of this meeting, the present document brings together the country brief, the priority areas for SME internationalization for Lebanon identified by the members of the working group on SME interationalisation as well as the roadmap of activities that the MED SMEs Programme will implement in 2021 in the area of SME internationalisation.

Section 1: The State of export trade

1.1 Assessment of export trends

Lebanon is **traditionally an open and trade liberalized economy**. Its relatively small local market and largely consumer-based economy has been a major driver for export and import activity.[i] With its direct access to the Mediterranean Sea and its proximity to the Gulf and EU markets, the country is geographically well positioned for export activities. A Revealed Comparative Advantage (RCA) analysis published in September 2020 identified 64 Lebanese products with export potential and untapped potential, along with potential overseas markets to enter (agro-food and chemical products were identified as products with the highest untapped export growth potential).[ii]

Still, **the value of exports and imports as a share of GDP has declined gradually** over the last five years (see annex 1). Due to a high dependence on imports, the trade deficit had become substantial before 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. External as well as internal factors are responsible for this development. 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 (see annex 2).[iii]

Lebanon is mainly catering to the **regional markets** (Arab markets receive 41,01 % of total exports[iv]). After Switzerland (see reasons below), the main export destinations are the United Arab Emirates (UAE), Saudi Arabia, Syria, Iraq, Turkey and Egypt.[v] The EU market account for 10,6 %.[vi] The sub-Saharan African market accounts for approximately 11,48 % of exports.[vii]

Gold is the largest exported product, constituting one quarter of Lebanese exports. Although Lebanon does not mine the precious metal, it acts as a point of transit (mostly to Switzerland which subsequently is the country's biggest export market[viii]), with very little value-added or actual contribution to its economy.[ix] Other export products, specifically, jewelry, electric and electronic equipment, plastics, cosmetics, and agri-food are next in line.[x] With regard to services exports, Lebanon has expanded beyond traditional sectors as transport and tourism into modern ones such as financial and business services.[xi]

Lebanon does not provide official data on SME structural statistics and information about their contribution to the economy.[xii] Information on the SME share in overall exports is also lacking. On a gender basis, only 4,4 % of Lebanese companies are owned and led by women, 69 % reporting they are not exporting at all.[xiii] It might be assumed, therefore, that almost a third of female led-companies may be involved in some sort of exporting activity (although unclear what share of female-led companies are "SMEs").

International indicators show that Lebanon is performing better than average in terms of **business sophistication, technological readiness and innovation**.[xiv] Lebanon ranks as the 45th (out of 133) in the Economic Complexity Index ranking[1] and assessed as having a higher number and complexity of export products than expected for its income level.[xv] The Lebanese e-commerce market is growing moderately. The UNCTAD B2C E-Commerce Index 2017 ranked Lebanon 7th on **e-commerce readiness** in the Middle East (and 64th worldwide).[xvi]

Due to external and internal crises, however, the **business climate has declined** in recent years, as evidenced by a drop in the World Bank's Doing Business ranking between 2010 (108th) and 2020 (143th). With a global ranking of 153th (of 190 countries) on the "trading across borders" indicator, Lebanon especially lacks behind the region in "time and costs to export", mainly attributed to customs

[1] The Harvard Growth Lab's country ranking assesses the current state of a country's productive knowledge through the Economic Complexity Index (ECI). Countries improve their ECI by increasing the number and complexity of products they successfully export.

procedures and inspections. The same holds true for "time and cost to import",[xvii] confirming that customs procedures and inspections are main challenges for cross-border trade from and with Lebanon.[2] In terms of trade facilitation, the OECD has found that Lebanon's performance has improved between 2017 and 2019 in the areas of appeal procedures, fees and charges, automation of border processes and streamlining of procedures. Performance in the other areas remains stable with the exception of involvement of trade community, where some ground was lost.[xviii]

International trading remains thus a lengthy and costly process – a fact that is especially felt by SMEs that do not have the capacity to handle this complexity as compared to larger firms. Due to the obstruction of land routes through Syria, exporters have also to incur higher costs for alternative modes of transportation[xix] which is especially burdensome for SMEs. The recent tragic explosion at the Beirut port which is the largest shipping and clearing point in the country (processing approximately 70 % of incoming and outgoing trade) is likely to further exacerbate this situation, temporarily eliminating another transport route.

Besides transport and logistics, Lebanese exporters report the following **challenges**:

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

Participants at the 2017 Lebanese SME forum formulated a series of **recommendations on promoting trade and exports by SMEs**[xxv], including:

- Leveraging the countries diaspora for export promotion and economic diplomacy
- Facilitating import and export procedures, especially customs procedures
- Facilitating market access to Arab countries, Africa and Iran as well as Mercosur countries
- Increasing export promotion through participation in foreign trade fairs and the creation of a portal for SMEs to link buyers and sellers
- Developing an electronic trading platform
- Expand services to women business owners and develop tailored products that meet their needs.

2.2 Assessment of trends in global value chain development

Information on Lebanon's integration into global value chains (GVCs) in general and its SMEs in particular is scarce.[3] The exact roles and contributions of Lebanese SMEs in GVCs is thus difficult to assess.

Lebanese companies contribute to regional or global value chains mostly in **financial services** as well as the **agricultural and food processing sectors**. **Backward participation**, referring to theforeign value-added (FVA) embedded in gross exports of a country, in GVCs is relatively high in Lebanon, as a result of more developed industrial bases, smaller geographical size and limited local availability of

[2] This is confirmed also by the World Economic Forum's Enabling Trade Index that ranked Lebanon 90th out of 136 countries.
[3] Lebanon is e.g. not included in the OECD TiVA database.

primary resources.[xxvi] Value chain suppliers are thus highly dependent on the import of their inputs, as evidenced by the fact that 50 % of Lebanese SMEs source their inputs from abroad.[xxvii] Consequently, strenuous import procedures are a major obstacle for expanding these types of linkages.

The share of **forward participation**, meaning the domestic value-added, in total gross export is low in Lebanon in comparison with countries like Morocco and Tunisia.[xxviii] However, multinational enterprises based in Lebanon source more than half of their intermediary inputs from locally producing firms (both domestic and foreign-owned).[xxix] Like in Tunisia and Egypt, Lebanese SMEs account for up to 40% of all inputs supplied to these multinational affiliates, while in Jordan and Morocco this share is considerably lower.[xxx]

Challenges of SMEs to integrate GVCs are similar to general export hurdles: limited production capacities, lack of certification and compliance with product norms and quality standards, limited access to finance, limited support for creating business linkages, etc.

1.3 Impact of the COVID-19 pandemic

In Lebanon, the COVID-19 pandemic is adding to an already existing economic recession. Rather than expanding and conquering new markets, SMEs in Lebanon are thus mostly concerned with maintaining their export or supplier activities or even basic company survival. By July 2020, **total exports declined by 5.2 %** from the value registered in the same period last year. Imports declined by 50 %, leading to a significant drop of the country's trade deficit.[xxxi]

Still, due to its closeness to the European market, Lebanon could eventually profit from a nearshoring of European supply chains that could also benefit SMEs. This would however require substantial business climate reforms and coordinated efforts to shift the perception of investors. The devaluation of the lira and the cheapening of the labor force are two outcomes of the crisis that could be leveraged to enhance market competitiveness.

Section 2: Policies and Strategies supporting the export development and internationalization of MSMEs

2.1 Political framework and existing support programs

Lebanon's economic ecosystem includes public and private institutions and actors involved in the field of SME export promotion and development. A detailed list of ecosystem bodies is presented in Annex 3.

Lebanese governments have pursued trade openness and market access through the negotiation of **free trade agreements**[xxxii] and the ongoing **accession process to the WTO**. Local stakeholders question however whether the local economy is adequately prepared for the increasing competition and can actually benefit from increased trade openness. They highlight the need for unilateral preferences and especially for the simplification of the rules of origin set out in the EU-Lebanon Association Agreements, following the example of Jordan that is profiting from simplified ROO in their trade with the EU since 2016.

The Ministry of Economy and Trade "**Lebanon SME strategy" (2014-2020)**[xxxiii]**,** developed with UNDP support, is coming to an end. It includes a strategic pillar aiming at minimizing structural market inefficiencies to improve SME competitiveness, enhancing access to foreign markets and, in particular to fast-growing economies and ones where Lebanon has an edge. Suggested intervention areas included supporting business linkages, leveraging the global Lebanese economic and diplomatic network abroad, improving market competitiveness, enhancing standards of SME products and services and strengthening relationships with new top trading partners, and activating the Lebanese Export Promotion Agency (LEBEX) (although this idea has been apparently abandoned).

Lebanon does not have a dedicated export strategy, 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 Ministry of Public Work and Transportation, Ministry of Economy and Trade, Ministry of Agriculture, and Ministry of Finance. The strategy also calls for new agreements with potential markets, such as emerging African economies, activation of cooperation with the Association of Lebanese Industrialists (ALI) and coordination with the Ministry of Economy and Trade. The strategy thus provides a very detailed framework for support measures to support industrial exports.

The Lebanese Government has furthermore published a new **Economic Plan** in September 2020, in response to the ongoing crisis, the COVID-19 pandemic and the blast in Beirut port. The Economic Plan aims to transform the Lebanese economy from a rentier to a productive one including the upgrade of productive sectors and spurring of exports. It sets out to define, promote and implement reforms and policies in order to i) create a business-friendly environment, ii) create economic value and productive jobs, and iii) reduce the budget and balance of payments deficit. The reforms in the Economic Plan aimed at promoting trade and investments include the update of accreditation and certification (Reform 10.1), the participation in international trade fairs (Reform 10.2) and an e-commerce support program that offers support to e-ecommerce businesses, including fiscal incentive (Reform 10.3). Women's empowerment in the workforce is also part of the reform agenda (Reform 5.1).

In addition, Lebanon has a **National Strategy for Women** (2011-2021) that seeks to promote the empowerment of women through the development of their business skills, however, makes no reference to targeting the export capacity and potential of their businesses.

There are several **instruments and programs to support SMEs that export or seek to export or to integrate GVCs**, which are provided by the Lebanese state and/or international donors, including:

- Matchmaking services, a local supplier database as well as capacity building support to local firms offered by the **Investment Development Authority of Lebanon (IDAL)**. IDAL supports exporters' participation in international fairs and exhibitions, organizes trade missions to potential target markets in cooperation with Lebanese embassies abroad and provides access to studies on regional and global markets of interest to exporters and technical assistance and training on international requirements. Specific support programs are in place for the agriculture and agrofood sector:
  - The Agri-Plus Program, providing subsidies and support to exporters of agricultural products,
  - The Agro Map Program, facilitating the participation of agrofood companies in foreign fairs.
- The **Lebanese customs** provides trade statistics and tariff information. Also, the **Trade Information Center** at the Ministry of Economy and Trade Trade provides data, including company search and outsourcing opportunities are provided by upon request.
- The financial company **Kafalat** provides loan guarantees to SMEs to support their access to bank financing, however, does not offer a special export credit guarantee product.
- The privately-owned **Lebanese Credit Insurer (LCI)** offers *Tajer*, a credit insurance policy for SMEs operating across the MENA region, providing cover for their trade receivables.
- The **Euro-Lebanese Centre for Industrial Modernisation (ELCIM)** offers technical and financial assistance to manufacturing SMEs to support export growth. Support measures include strategy support, assistance in enhancement of production, packaging, storing, marketing, conformity assessment and joint ventures. Joint activities organized for SMEs include international fairs and sales missions.
- The incubator **Berytech** offers different programs for SMEs, including support for international activities. The accelerator **Speed@BDD** supports Start-ups particularly in the ITC sector.
- The establishment of an **SME observatory** was supported by the IFC but the operationalization is still ongoing.
- The **Lebanese League for Women in Business (LLBW)** is working with different programs to support women entrepreneurs in the digitalization of their business and starting to trade via e-e-commerce platforms.
- The **European Bank for Reconstruction and Development (EBRD)** is supporting the Lebanese private sector by providing a financial package of USD 100 million to Société Générale de Banque au Liban (SGBL), a leading bank in Lebanon, for on-lending to SMEs and to support export and import activity.
- The **Productive Sectors Development Programme (PSDP)** jointly implemented by UNIDO, UNDP, FAO, ILO, UNWOMEN & UNICEF, in partnership with the MoI and the MoA, aims to support gender-responsive job creation and economic opportunities in the agriculture and agro-food sectors in Lebanon, prioritizing women and female youth in disadvantaged areas. The programme will harness the collective expertise of implementing agencies to implement initiatives on the macro level through policy reforms, on the meso level through promoting export and improving access to markets for women and men-led MSMEs in productive sectors and on the micro level through different technical supports to the value chains that have highest job generation potential for women. On the other hand, Libanpack, a Lebanese packaging center created in 2008 through joint support from UNIDO, the Association of the Lebanese Industrialists and the Syndicate of Packaging Industries in Lebanon contributes to export promotion of industrial products through improved packaging and labelling.
- The World Bank-financed "**e-Commerce and Women-Led SMEs in Lebanon**" project supports women entrepreneurs to expand their access to domestic and export markets through e-commerce platforms.

2.2 COVID-19 responses to support exporting SMEs

While the Lebanese government and donors took measures to bolster the already difficult socio-economic situation in the country, no specific policy measures to support exporting SMEs have been deployed.

One specific measure by IDAL was the development of a **COVID-19 investment and export guide**, detailing the technical requirements and procedures for the production and the export of COVID-19 related medical and sanitary products (see annex 4 – COVID-19 response action sheet).

2.3 Analysis of strengths, weaknesses, opportunities and threats (SWOT) of existing policies and programs

In order to formulate recommendations for the country roadmap (section 3), a SWOT analysis of the existing policy framework and SME export support programs is presented in the following table:

Strengths	Weaknesses
• Existing instruments for export promotion and donor support programs on export development • Existing free trade agreements • Existing sector strategies: SME Strategy (2015-2020), *Integrated Vision for the Lebanese Industrial Sector 2025,* Economic Plan (2020) • Experience with public-private dialogue as exemplified by the multipartite platform Improving the Business Environment in Lebanon (IBEL, unfortunately no longer operational)[xxxiv] and existing mechanisms of dialogue • Adequate level of e-commerce readiness and existing regulatory framework (2018 law on e-transactions and data protection, governing e-commerce).	• Lack of reliable data on SME's export share and level of integration in GVCs • Limited connections between the public sector, including research and education institutions, and the private sector • Export-related services are available but mostly limited to export promotion and subsidies[xxxv] • No national export development strategy • Difficulties for SMEs to acquire quality standards, as well as capacity issues for assessing the conformity of their products, services and processes to national or international standards (lack of calibration, testing and certification services) • High costs and time for border compliance pointing to inefficiency in customs and inspection procedures • Limited access to export credit and supply chain financing for SMEs • Trade agreements not favorable to Lebanese exports, at least at industry level • High operational costs especially at the energy level and high cost of land
Opportunities	**Threats**
• Pursuing trade agreements and export opportunities to African and Mercosur markets, including Côte d'Ivoire (which hosts a large Lebanese community), Ghana etc. (provision of market intelligence, (virtual) trade missions and B2B meetings, etc.) • Operationalization of the SME Observatory to enhance the data availability and ability for monitoring on SME policies, including	• Ongoing economic and financial crisis as well as political or economic instability in Lebanon and its regional markets (e.g. due to oil price fluctuations) leading to lack of demand and increased prices for transportation • Continued disruption of international demand and supply chains due to the COVID-19 pandemic

internationalization activity of SMEs (exporting, engagement in GVCs) and adoption of the SME definition law • The MoET is establishing a LEBTRADE platform that aims to make all information relating to potential markets and requirements readily available, starting with four specific value chains. • Nearshoring of production networks of European companies due to COVID-19 pandemic • General interest for cross-border e-commerce trade[xxxvi] • Taking advantage of large diaspora networks • Taking advantage of the devaluation of the Lebanese lira to boost exports, leading potentially to an improvement of the account deficit	• Increased loss of skilled workforce (brain drain) due to the economic/financial/political situation in the country, a fact that may negatively affect the quality of SMES products and thus their export potential in the future

Section 3: Country roadmap: recommendations for support initiatives to address the challenges and opportunities to strengthen exports of MSMEs

The draft roadmap for Lebanon will consist of two sets of intervention for strengthening SME exports:

- the first is based on the list of possible priority interventions determined by the Working Group on SME Internationalisation to be critical to Lebanon as part of its country roadmap.
- the second is based on the regional roadmap priorities to be supported by the MED MSMEs Programme over the coming 18 months (see Section 4).

The MED MSMEs Programme does not have a specific budget to support the further analysis of or implementation of the projects to address the national priorities. However, the Programme will organise a webinar with donors active in Lebanon (date not yet confirmed) to present the national action priorities and identify possibilities for providing funding support for these priorities within the context of existing or future programmes.

Within the context of the MED MSMEs Programme for 2021, the regional roadmap will consist of two areas of intervention to facilitate the export activity of MSMEs and their integration into global value chains (see Sections 4.1-4.3), both areas responding to some of the priorities raised by the Lebanese Working Group on SME internationalization. These focus areas have been agreed to by the EU to be supported in the MED MSMEs Programme 2021 workplan.

3.1 Priority country initiatives

On the basis of the analysis presented above, the following tentative priority areas were identified for the national roadmap to strengthen export-driven activity of Lebanese SMEs (see table below) or were identified by the members of the SME internationalisation working group.

N°	Priority areas	Justification
1	Digitalisation and exports, including facilitation of (electronic) payments abroad	The COVID-19 pandemic has only reinforced what has been already a global trend, namely the digitalisation of trading and trade procedures. If the necessary ecosystem as well as company-level skills are in place, digitalisation offers to SMEs unique opportunities to find international buyers and to make trade processes less time- and cost-consuming. As the analysis has shown, Lebanon shows potential in ICT technology, has taken important steps to facilitate e-commerce and there is a general interest in e-commerce as well as ongoing donor interventions in the area. Also, the challenges SMEs face in terms lengthy and costly of customs and inspection procedures could potentially be addressed by digitalising processes, and thereby making trading more efficient and transparent. Updating/adapting the framework for e-commerce, e-payments, data protection etc. is essential for creating a conducive framework for digitalisation of SMEs and their venture into e-commerce. At the same time, SMEs need support for going digital, as otherwise this global trend will only increase their marginalisation.

		Specific topics under the broad intervention area of digitalisation could be but are not limited to: • E-commerce and e-commerce platforms (policies, rules and regulations) • E-payment solutions: The members of the working group on SME internationalisation specifically mentioned constraints to making payments abroad as a restriction for purchasing necessary inputs for their export products. While restrictions on transfers are due to the financial and economic crisis, the TA should review how restrictions can be relaxed for SMEs who depend on international inputs for their exports. • Digital trade facilitation, including digitalisation of customs, technical control and other trade-related procedures based on international or regional best practices (e.g. electronic single window) • Digitalisation in transport and logistics • SME export service platforms • Virtual export promotion (e-B2B, virtual showcasing of products through digital market places etc.) Complementarity would need to be ensures with the many different donor activities currently ongoing in the e-commerce sector.
2	Taking advantage of the EU green transformation to boost SME integration in this sector	This suggested intervention area is less grounded in the analysis of the Lebanese context than of analysis of the opportunities and trends on the EU market. The EU's Green Deal, Industrial Strategy and SME Strategy calls on all economic sectors to take action, including: • investing in environmentally-friendly technologies • supporting industry to innovate • rolling out cleaner, cheaper and healthier forms of private and public transport • decarbonising the energy sector • ensuring buildings are more energy efficient • working with international partners to improve global environmental standards The trend towards environmentally-friendly technologies, production, living potentially offers an opportunity for SME integration into value chains, be it with regards to biological and sustainable production in the agrofood industry or 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.
3	Accessing new markets	Lebanon has untapped potential to expand exports in the Arab markets but there is an interest to also benefit from

		opportunities on the Asian, African and Mercosur market. Also, Lebanon is currently not profiting significantly from its Association agreement with the EU. From a regional perspective, especially the North African MED countries are interested to work on access to the African market within the framework of the MED MSME programme. Given the significant Lebanese diaspora in Africa (but also in Mercosur), this intervention area could however also be of interest for Lebanese SMEs, as the upcoming African Continental Free Trade Area (AfCTA) will cover a market of more than 1.2 billion people and up to 3 USD trillion in combined GDP. The exact topics to be covered under this intervention area remains to be determined (this will be done by comparing country profiles and developing a regional roadmap for the MED MSME program) but could range from export promotion and business linkages to logistics and risk coverage. Specific needs that were identified by the working group included: • Market mapping studies to see what types of Lebanese products from SMEs can be sold in new markets: Export-related services for Lebanese SMEs focus mainly on export promotion, there is a lack of available and easily accessible market information/intelligence. As there is also no 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. • Creation of export consortia for SMEs: SME surveys in Lebanon cite the lack of economies of scale as a major challenge for SMEs: international buyers require a large permanent stock as guarantee against shipping risks, which Lebanese exporters cannot ensure.[xxxvii] Export consortia are alliances between two or more companies with the objective of addressing and developing a joint strategy to access foreign markets. They particularly facilitate the bundling of resources that allow the consortium to fulfill larger orders, reduce risks and combine their experience. SMEs that join an export consortium gain initial export access so as to increase their exports and strengthen their supply and commercial image. The assistance needed to the creation of export consortia in Lebanon includes the creation of export consortia in different sectors, institutional capacity building and policy advice on the regulatory and incentive framework.

		• Facilitate/strengthen commercial linkages between SMEs and the Lebanese diaspora through Lebanese embassies and the Lebanese chambers of Commerce and IDAL with support from relevant lines ministries (Ministry of Foreign Affairs, Ministry of Industry, Ministry of Agriculture, Ministry of Economy and Trade): Leveraging the countries diaspora for export promotion and economic diplomacy has long been identified as an element for boasting Lebanese exports. The intervention requires concertation of involved ministries and stakeholders of the ecosystem and a match making programme to be developed and implemented as public-private partnership (Ministries, embassies, IDAL, chambers of commerce).
4	Revision of the current association agreement with the EU to introduce simplified provisions on rules of origin, following the example of Jordan.	Both the review of enterprise surveys and the discussion with the working group have brought up concerns on whether the local economy is adequately prepared for the increasing competition and can actually benefit from increased trade openness generated by the association agreement. Stakeholders highlighted the need for unilateral preferences and especially for the simplification of the rules of origin (ROO) set out in the EU-Lebanon Association Agreements, 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	The development of a national quality seal was suggested by the working group members to support access to foreign markets as well as strengthening the trust of consumers in the local market. A plan is envisaged in this regard with MoI and UNIDO. A quality seal can be an opportunity for SMEs to enhance the visibility of their products and communicate to consumers about its quality and origin. The feasibility and impact on SMEs has however to be assessed as SMEs in Lebanon struggle 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. The recommendation is thus to approach this topic in the broader framework of revising the national quality policy of Lebanon that tackles also the national quality infrastructure as a whole.

Section 4: Regional Roadmap Activities

Two regional project priorities have been determined for support by the MED MSMEs Programme as part of the regional roadmap to strengthen the instruments and services supporting SME exports in a post-COVID-19 environment:

A. Capturing new trade opportunities through the digital internationalisation of SMEs and the ecosystem.
B. Taking advantage of the evolution and restructuring of regional and global value chains and the EU Green Deal recovery plan.

Members of several working groups on the internationalisation of SMEs in the region have shown an interest in analysing these new opportunities and the adaptation and consequent strengthening of the national SME ecosystems.

The two regional projects were determined on the basis of five criteria:

(1) Focus on MSMEs
(2) Contribution to the post-COVID-19 recovery
(3) Added value of a regional perspective; the team mainly tried to take up interventions that were not only mentioned in one country but also in working groups in different countries and during the regional stocktacking seminar of the Programme on 3 December 2020.
(4) Duration of impact (max. 18 months, which is the remaining duration of the MED MSME Programme)
(5) Complementarity with EU bilateral initiatives; attention has also been paid to ensure that the activities proposed in the roadmap are complementary to other donors' initiatives and programs already underway, or even positively support their impact through regional interventions.

The detailed reasoning behind the choice of these two regional priority areas is presented in the following.

4.1 The digital ecosystem for SME internationalisation

Digitalisation and the rise of the platform economy are rapidly changing the way companies do business. This trend is reflected in the EU's new Industrial Strategy, the SME Strategy for a Sustainable and Digital Europe as well as in Lebanon’s Economic Plan (2020) that puts specific emphasis on digital payments. This megatrend has only become more pronounced with the COVID-19 pandemic, which has led to a rapid increase in the digitisation of procedures, service provision and the way of doing business. This trend concerns e-commerce, which now enables SMEs, even from remote locations, to find buyers via B2B or B2C platforms and thus to export or integrate into global value chains. But it also concerns the way in which conventional trade is facilitated by digital access to services and the digitisation of business procedures, which generally reduce the time and cost of acquiring information and carrying out the necessary procedures. This reduction in cost and time is particularly important for SMEs that do not have the resources to manage the associated processes, from the identification of buyers to paper-based customs procedures and the necessary travel involved. On the other hand, there is a risk that SMEs that are not electronically ready and that exist in an ecosystem that is not capable of supporting their businesses will be further marginalised. This is why it is important to put in place policies, regulations and instruments that are aligned with international good practice and that help SMEs to benefit from digitisation rather than being left behind. This ecosystem is particularly important for SMEs, as small businesses tend to have less control over their business environment (**focus on MSMEs**).

In the current COVID-19 crisis, adapting to digital means and exploiting new opportunities created by e-commerce are essential for the survival of SMEs. In the post-Covid-19 environment too, there will be no alternative to going digital. Around the world, the pandemic has seen people increasingly turning to e-commerce platforms for services or to order goods. This trend towards e-commerce has therefore been exacerbated by the crisis, both for domestic and cross-border trade. A recent UNCTAD survey of digital entrepreneurs and e-commerce platforms highlighted several major obstacles that developing countries faced during the COVID-19 crisis. In addition to the general disruptions in supply chains and trade logistics, respondents expressed the need to improve e-commerce policies in response to the pandemic and challenges regarding the availability and reliability of electronic payment solutions (**contribution to the post-COVID-19 recovery**).

The regional perspective can offer the advantage of mutual learning and inspiration, but in the case of e-commerce, it goes even further: The regional perspective is in fact imperative because coherence in policy making on digital trade, as called for by, for example, UNCTAD is not only essential in general, but also essential to encourage intra-regional digital trade. Where regulations are contradictory and mutually accepted payment systems are lacking, e-commerce within the region is hampered. This activity can therefore benefit enormously from a regional perspective (**added value of the regional perspective**). Moreover, the regional perspective is a crucial complement to the many national donor initiatives currently underway in the field of e-commerce. In Lebanon, many different initiatives are currently ongoing or about to be launched, supported by international donors and multinational tech companies. As an example, the Lebanese League for Women in Business (LLBW) is working with different programs to support women entrepreneurs in the digitalisation of their business and starting to trade via e-e-commerce platforms. Also, the World Bank-financed “e-Commerce and Women-Led SMEs in Lebanon” project supports women entrepreneurs to expand their access to domestic and export markets through e-commerce platforms (**complementarity with EU and bilateral donor initiatives and programmes**). These experiences and approaches can be shared at the regional level so that other countries can benefit from the Lebanese experience and Lebanese partners can in turn learn from initiatives underway in other countries.

On the basis of the political orientation of the MED MSME Programme and its scope, the following topics, which were raised during the working group discussions, seem to be the most promising for regional exchange and support at national level: The topics to be addressed in the framework of this activity may concern, but are not limited to: (a) Women’s economic empowerment through e-commerce and (b) regulatory issues related to e-commerce and e-payment. The latter topic also presents an opportunity for synergies with the activities proposed under the "access to finance" strand.

More details on the proposed activity are presented in paragraph 4.

4.2 Developments in global and regional value chains

Two aspects were discussed with the working group concerning the integration of Lebanese SMEs into value chains and access to emerging markets: (a) the analysis of the opportunities created by the reorganisation of certain value chains following the COVID-19 crisis and the implementation of new EU industrial policies and green deal and (b) measures facilitating the access of Lebanese SMEs to emerging markets (Africa, Mercosur).

Concerning the first aspect (a), in view of the resources programmed by the EU over the next 7 years (2021-2027) to support the green and digital transition, it is expected that European public and private sector actors will be called upon to:

- o invest in environmentally friendly technologies
- o support the industry to innovate
- o deploy cleaner, cheaper and healthier forms of private and public transport
- o decarbonise the energy sector
- o ensure that buildings are more energy efficient
- o work with international partners to improve global environmental standards.

The use of environmentally friendly technologies and production in the EU market offers a potential opportunity for the integration of Lebanese SMEs in these value chains, whether in organic and sustainable production in the agro-food industry or in the supply of components / services for the renewable energy sector or other "green" technologies. As a result, innovation and support programmes would be needed to enable SMEs to adapt and improve their products and production processes, comply with sustainability standards and create business linkages with value chain leaders.

Also, following the COVID-19 crisis, European businesses are confronted with the need to review their value chains (e.g. health products, logistics/transport) through reshoring and nearshoring activities. Due to its proximity to the EU market, the Southern Mediterranean region could therefore benefit from this trend, for which perspective analyses could prove useful to accompany the decision-making process in terms of SME development strategy.

The members of several working groups on SME internationalisation in the region have shown an interest in analysing these new opportunities, adapting and consequently strengthening the national ecosystems of MSMEs.

4.3 Regional support actions

In 2021, the MED MSMEs Programme plans to support regional implementation of the following two actions, in which Lebanon may participate. (*These relate to proposed national priorities Nos. 1 and 2 listed in section 3.1 above.*)

Action 1 Title	**Better use of digital technology to seize internationalisation opportunities**
Overall Objective	Strengthen the digital ecosystem in order to enable Lebanese SMEs to seize opportunities on international markets.
Specific Objective	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 Lebanese MSMEs into GVCs; iii) Strengthen the digital ecosystem of MSMEs in Lebanon.
Expected results	- The target group is made aware of the policies and best practices of digital platforms for business internationalisation services. - The national dialogue on the strengthening of policies and digital services to support the internationalisation of Lebanese MSMEs is supported by the Programme. - Support aimed at strengthening the skills, organisation and/or the legislative and regulatory framework of the digital ecosystem of Lebanese SMEs is provided by the Programme.
Partners (national and regional)	Staff of the Ministry of Industry, Ministry of Economy and Trade, IDAL, Chambers of Commerce, ALI, LLWB, Berytech, etc.
Indicative actions	a. Organisation of a regional webinar on digital service platforms for export development. Case studies will be developed in order to highlight the key success factors of these new digital services in terms of infrastructure and equipment, organisation, skills, regulatory aspects, etc. b. Rapid analysis of the degree of digitisation of services related to the internationalisation of SMEs in Lebanon. Identification of priority area(s) of intervention and quick impact technical assistance/capacity building actions. Ideally, these support actions will consolidate national initiatives in the field of the digital economy. c. Implementation of targeted support aimed at improving the digital ecosystem for the internationalisation of SMEs (e.g. capacity building actions at national / regional level, technical assistance for the updating of regulations relating to e-commerce, electronic payment, for the development of new digital services, the creation or strengthening of digital platforms, training of executives of government agencies and heads of business associations/federations in different areas of the digital transition of the economy and SMEs). d. Organisation of a regional conference aimed at exchanging experiences in the above-mentioned areas
Description	The national SBA coordinator will play a central role in mobilising the members of the working group and other organisations involved in the digital services value chain for business internationalisation. Given the interconnection between infrastructural, regulatory, productive, financial and commercial aspects, it will be necessary for the success of this activity to ensure as much cross-cutting participation as possible. As well as coordination with the other national and international instruments supporting the digital ecosystem of companies in Lebanon.

	To do this, the MED MSMEs Programme will: - Mobilise ad-hoc expertise to support the SBA Coordinator in the implementation of the above-mentioned support actions. - Mobilise specific expertise for: i) the elaboration of case studies and the facilitation of a regional webinar; ii) the elaboration of a questionnaire and for conducting a rapid analysis of the digital ecosystem for the internationalisation of enterprises, including the identification and formulation of the support necessary for its consolidation; iii) for the implementation of some support (at regional and/or national level) and iv) for the facilitation of the regional conference on the exchange of experiences. In Lebanon, specific interest was expressed in the topic of electronic payment solutions and the programme could highlight the many initiatives for e-commerce and particularly women traders that are currently being implemented with the support of donors and multinational tech companies.
Time frame	- Support action (a): March/April 2021 - Support action (b): May/August 2021 - Support action (c): September/November 2021 - Support action (d): December 2021
Outputs	- Case studies and webinar on digital platforms for export development (at least 15 participants from the target group) - A survey on the digitisation of the international activities of SMEs - At least 1 meeting of the working group aiming to enrich the national dialogue on the digitalisation of services to SMEs. - At least 1 support action for capacity building/organizational strengthening of the digital ecosystem for SME internationalization carried out at national or regional level. - Lebanon's contribution to the regional conference on the exchange of experiences on digital services for the internationalisation of SMEs

Action 2 Title	Participation of Lebanese MSMEs in the evolution of global and regional value chains
Overall Objective	Improve the rate of integration of Lebanese MSMEs into global and regional VCs through targeted policies
Specific Objective	Raise awareness of the target group on : i) The evolution of global/regional value chains following the effects of the COVID crisis 19 and

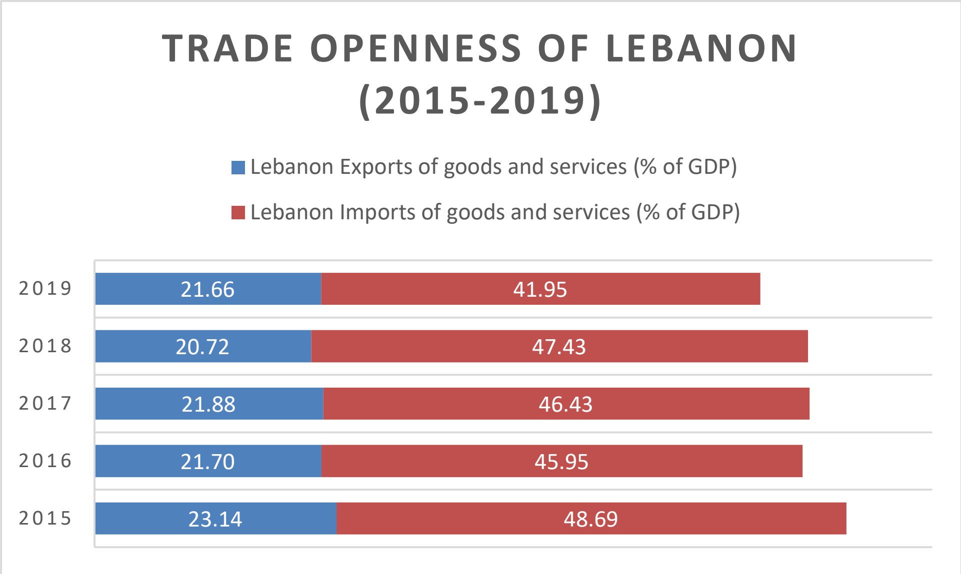
	(ii) The opportunities linked to the deployment of the Green Deal and the new EU industrial policy.
Expected results	- The current developments and prospects of global and regional VCs arising from the COVID-19 crisis and new EU policies were discussed in depth with the target group, with a view to identifying opportunities for Lebanese MSMEs. - The target group is familiar with the purpose, modalities of operation and spin-offs of the circular economy projects.
Partners (national and regional)	Staff of the Ministry of Industry, Ministry of Economy and Trade, IDAL, Chambers of Commerce, ALI, LLWB, etc.
Indicative actions	a. Organisation of two regional webinars on : - The reorganisation of certain strategic EU value chains following the COVID-19 crisis. The objective of the first webinar is to illustrate trends in the reorganisation of certain value chains, to present the strategies of certain EU Member States in this area (e.g. France's recovery plan) and to discuss the potential impact on the region's productive sector. - The Green Deal and the new EU industrial policy. The objective of this webinar is to identify the products/services of Lebanese SMEs likely to contribute to the implementation of these policies, on the one hand, and to set up measures for a sustainable development of Lebanese SMEs, on the other hand. b. Organisation of a study visit on circular economy projects in the EU.
Description	The SBA coordinator will play a central role in mobilising the target group for participation in the webinars and organising the working group meetings aimed at fuelling dialogue around the opportunities for Lebanese MSMEs arising from developments in the global and regional VCs. The SBA coordinator will also contribute to the organisation of the study tour. The MED MSME Programme will: - Mobilise ad-hoc expertise to support the SBA coordinator in the implementation of the above activities. - Mobilise specific expertise for: i) the elaboration of case studies and the facilitation of the 2 webinars mentioned above; ii) identify and organise the study tour of some circular economy projects in an EU country.
Time frame	- Support action (a): April/September 2021 - Support action (b): October 2021
Outputs	- Policy papers and 2 webinars (at least 15 participants from the target group in each webinar) - At least 1 working group meeting to support the national dialogue on the integration of Lebanese MSMEs in global and regional VCs

	- Participation of the Lebanese delegation in the study visit of circular economy projects in the EU - Report of the study visit

ANNEX

Annex 1

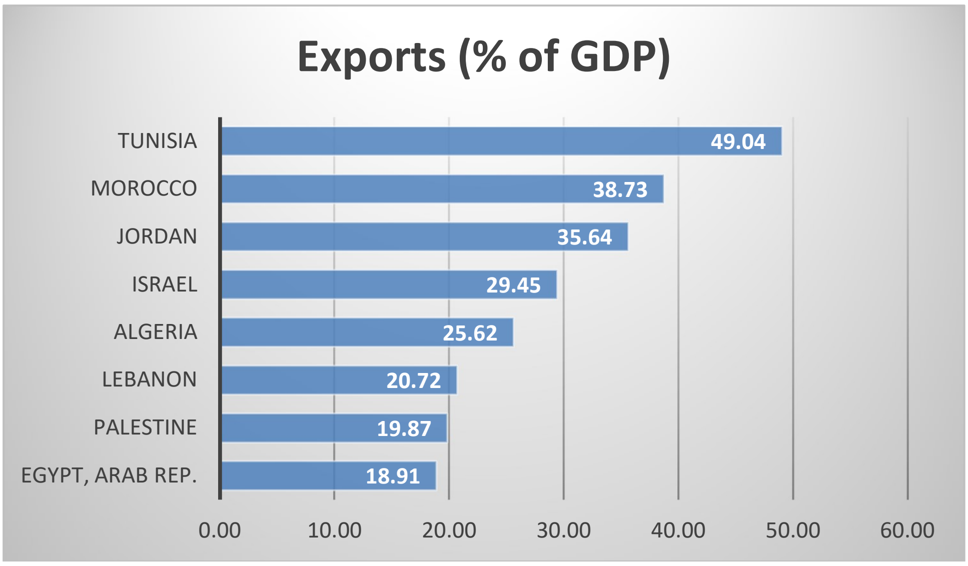
Graphic 1 – Trade openness of Lebanon (2015-2019)



Source: World Development Indicators 2020

Annex 2

Graphic 2 – Regional comparison of exports (% of GDP) in 2018



Source: World Development Indicators 2020

Annex 3

List of organizations in the SME export development ecosystem

Public Sector	- Ministry of Economy and Trade - Ministry of Industry - Ministry of Agriculture - Investment Development Authority of Lebanon (IDAL) - Banque du Liban - Kafalat SAL - Lebanese Credit Insurer (LCI) - Euro-Lebanese Centre for Industrial Modernization
Private sector	- Chamber of Commerce, Industry, and Agriculture of Beirut and Mount Lebanon (CCIA-BML) - Association of Lebanese Industrialists (ALI) - Association Libanaise pour le Développement, Al Majmoua - Lebanese League for Women in Business (LLWB) - Berytech
Donors	- EU - World Bank - UNIDO - USAID

Annex 4

- COVID-19 action sheet

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