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## Enhancement of the Business Environment in the Southern Mediterranean

### National Seminar for Lebanon

### «Capacity Building for Internationalisation of SMEs»

Concept paper by: Karim Hammoud

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## 1. What's in Lebanon: Institutions, policies, and instruments

### Public Support

There are about 45 public sector ongoing and planned initiatives and programs (some pending). The main focus on four key areas such as legal and regulatory, capabilities building and market structure. These initiatives target all of Lebanon economic sectors with a noticeable focus on Agriculture, Industry and ICT, as they were considered as promising sectors.

### Critical Relevant Initiatives in Lebanese Government

	Initiative	Description	Target Sector
Prime Minister	Association Agreement Coordination, Economic Planning, etc...	Association Agreement signed in 2002 with EU. Leads the Improving business environment in Lebanon initiative	All sectors
Ministry of Economy and Trade (MOET)	Internationalisation Support	Subsidize the participation of firms in relevant international and regional fairs	All sectors
	Trade Point	Trade Website and Support Help Centre Product ID, Trade Flows, Duties	All sectors
	QUALEB	Provide support for enterprises, public and private through provision of trainings and workshops on quality standards and certification and introducing legislative changes	All sectors
IDAL	Agri Plus Program (previously Export plus)	Grant financial incentives and provide training with the objective to enhance product quality, improve packaging, and engage in promotion & marketing	Agriculture
	Agro Map Program w/ SLF11	Subsidize the participation of agricultural firms in international and regional food fairs	Agriculture
	Support the promotion of Lebanese products	Subsidize the participation of ICT start-ups in relevant international and regional fairs	ICT
Ministry of Industry (Mol)	ACAA	Agreement on Conformity Assistance and Acceptance of Industrial Products	Manufacturing Sector
Mol	ELCIM 1 & 2	Offers general diagnosis and assistance to Lebanese MSMEs that may lead to foreign markets	All sectors

	Foreign Trade Fair Participation	Subsidize the participation of firms in relevant international and regional fairs	All sectors
Mol LIBNOR	Lebanese Norms and Standards Organization	Adoption and Development of Lebanese Standards and collection and dissemination of International standards for products and systems.	All sectors
Mol COLIBAC	Official Accreditation office	Serve as Accreditation office for the approval of certification bodies and technical standards	All Sectors
Mol IRI	National Accredited Laboratories	Avails testing as per approved International standards to facilitate trade	All sectors
Ministry of Finance (MoF)	Financial Support	Subsidies loans by covering a percentage of interest costs and through Tax Breaks	Select Sectors
Ministry of Agriculture (MoA)	Financial support 5M Euros	SMEs mostly Farmers	Agriculture & Agro-Food
Banque du Liban (BDL)	Access to Finance and Subsidies to "Production"	Schemes for subsidized loans to "Production" sectors: Agriculture, Manufacturing, and Touristic	"Production" sector
BDL Kafalat	Guarantees on Loans Access to Finance to SMEs	Key role in MSME development through Guarantee on Loans and Direct Access to Finance through various programs and services	MSMEs

### Private Support Programs

In parallel, there were more than a 100 initiatives and programs to target SMEs since signing of the association agreement in 2002. The majority of the established programs are driven by the private sector, with noticeable involvement of NGOs. Most of these programs address capability development and access to capital; they cater for all sectors, with a slight focus on ICT

### SME launch and growth engines

Initiatives to support the launch/growth of entrepreneurs and MSMEs include Incubators that offer training to entrepreneurs and SMEs (e.g., Berytech, SouthBIC, BIAT, etc.), and mentoring, coaching and networking organizations (e.g., BADER, Endeavor, LFE, etc.) In addition, many Universities with dedicated "family business and entrepreneurship" centers that help foster capabilities, promote entrepreneurial culture and provide courses (AUB, BAU, LAU, etc.) . Last but not least, online support platforms have been also created and have been promoted (e.g., Entrepreneurs Lebanon, BLC's Lebanon SME Toolkit, Alice, etc.)

### Support SME funding and access to capital

The programs mentioned above are supplemented by access to finance and subsidized loans. These include:

- Reserves Exemptions by BDL
- Credit Guarantees (Kafalat, ESFD)
- BDL 331 circular for equity financing
- Crowdfunding

- ISME World Bank project + Private sector funds
- Microfinance Institutions

### **Specific Public “Export Help” Services and Access to Markets Support in Lebanon’s Government:**

The Ministry of Economy and Trade (MoET) launched the Internationalization Support initiative to subsidize participation of Lebanese firms in global fairs. MoET also implemented and houses Trade Point Beirut (TPB), a trade promotion entity member of WTPF World Trade Point Federation and UNCTAD’s TP. TPB links to the EU Export helpdesk which offers information for exporting commodities to the EU, including general/specific requirements, tariffs, preferential arrangements, and statistics. TPB is currently not operational.

MoET also launched the Qualeb project with EU to improve quality standards through trainings and workshops. The Industrial Research Institute (IRI) hosts accredited labs for compliance testing; often necessary for exporting SMEs. IDAL supports Agricultural exporters and ICT firms through AgriPlus and AgroMap, sponsors participation in global fairs.

### **Specific Private “Export Help” Services**

#### **Access to Markets Support at Lebanon’s CCIAs and ALI’s:**

The Chambers of Commerce, Industry and Agriculture (CCIAs) Lebanese Training Center (LTC) training including Export-Import practices. CCIAs maintain trade leads database, sponsor match making and trade fair participation, assists with legal compliance such as certificates of origins and transportation documentation. In addition, the CCIAs developed the Agro-products Directory for International Export (TASDIER), a public database on technical requirements for export linking to countries most targeted by Lebanese SMEs.. Finally, the CCIAs Center for Economic Research produces annual reports on the economy and investment environments, sector and survey reports, and position papers on central issues.

On the other hand, the Association of Lebanese Industrialists (ALI), through the World Trade Center in Beirut provides matchmaking opportunities to its members and is looking to increase its assistance to prospective and established exporters.

### **The status of Capacity building programs**

Capacity building programs are available at the Lebanese Training Center (LTC) of the federation of Chamber of Commerce Industry and Agriculture’s FCCIAL/CCIAB’s. These appear however to be not be offered as frequently as need to significantly boost exports. They also are short lectures rather than interactive one to one often necessary assistance. The advantage of one to one programs is that they promote the “learn by doing” method which often produces tangible results. The short lectures offered by LTC may be video recorded and made accessible online. They cover general topics and are to build capacities and competencies of employees/executives of CCIAs members in:

- Accounting and Finance,
- Business and Labor Law,
- Import-Export Practices,
- Management and Human Resources,
- Manufacturing Process Management,
- Sales and Marketing Management,
- Taxation matters.

LTC may offer targeted seminars on specific topics help executives find solutions to problems, customized programs to meet the needs of individual clients. In-house training is organized after company diagnosis.

Further, The Association of Lebanese Industrialists delivers short term training workshops to members on as needed basis, with no planning and pre-programming currently available. The Euro-Lebanese Center for Industrial Modernization (ELCIM) established with the Ministry of Industry delivered in export promotion services and planning assistance but not stemming from the demand and objective to “Internationalize SMEs”. These were sector oriented. The Agro-food and the Furniture making sectors profited from these programs.

All incubators and accelerators involved in the promotion of entrepreneurship also provide business planning. Most major universities also offer extension programs to promote entrepreneurship and business development

None of the above specifically provides any specific capacity building to support SMEs access to global markets. The result is still weak export trends.

## **2. What MSMEs need to do to Export**

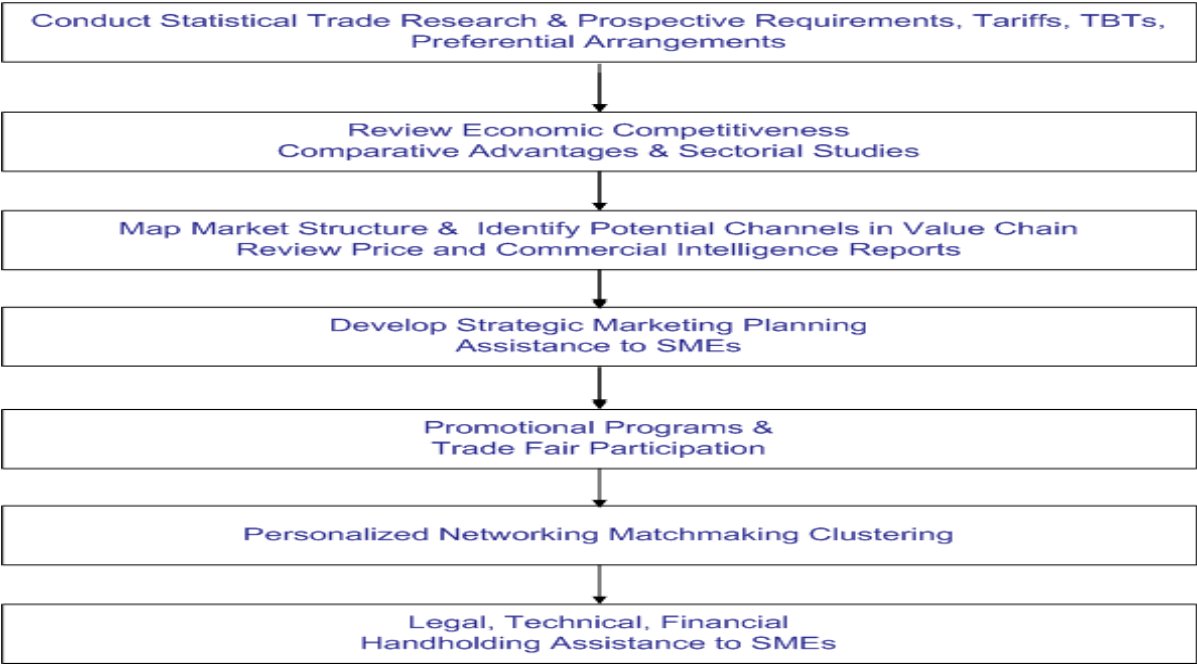
Professor Per V. Jester, Chairman of Nordic International Management Institute, China said: “We have documented that one of the fastest paths to export growth is by building sales capabilities in SMEs”

To be comprehensive and effective, SMEs today must think as borderless as possible. In order to Internationalize, SMEs must think globally. SMEs must have the commitment and resources to produce as per specs. They must build the capabilities and capacity of their staff and systems, technically and artistically adapt their products and packaging, they must also go through the marketing Ps including identify the prospective markets or place (Where, Why, How...), develop their pricing policy, to address positioning, competitiveness, and variations...). They must also develop their promotional strategy for the achieving the desired market penetration and the levels of propagation as needed and in line with the level of risk exposure that they decide. Public relations efforts and assistance are necessary. In retrospect, the SMEs must also ensure protection of local markets from dumping and illegal trade.

To accomplish the above is time consuming and very challenging for SMEs and start-ups alike. Specifically, SME managers and marketing staff usually have little disposable time. They need prompt attention and assistance, quick care and “ready” action, and fast response time in moving through the process. To succeed, SMEs need to receive from Public & Private Support Institutions the following:

- Product Identification Assistance Research
- Global Market Identification: Statistical Research
- Competitiveness Studies/Sector/Factors Dynamics
- Market Intelligence/Cyclical Surveys and Price Reports
- Field visits/ Niche ID/Networking Coaching Services
- Strategic Business/Marketing Planning Assistance
- Accredited Testing & Compliance/Quality Enviro Audits
- Match Making and Facilitation (PR, Legal...) Services
- Anti-Dumping Laws and Dumping Research
- Financial and legal support and risk dissipation mechanisms

The following process flowchart is a typical sequence of operations to be carried out by new to export



### 3. Capacity Building Actions proposed for Public and Support Institutions

**The European Enterprise Network** (<http://een.ec.europa.eu/>) offers the following:  
*Going international:* market information, database of partners, brokerage & matchmaking, fairs & events...  
*Technology transfer:* suppliers, JVs, Research, Innovation, technology and know-how transfer, commercialisation, licences, expertise competitiveness...  
*Access to finance:* venture & seed capital, business angels networks (BAN), soft loans, public financial aid, tax credits, risk guarantee, hedging, public funds and grants, hiring subsidies...  
*Research funding:* project definition and presentation, search for stakeholders & partners, international research consortia, R&D support...  
*Advice on EU law and standards:* advice, legal counselling and redress, legislation surveillance, public procurement opportunity, regulatory upgrade...  
*Intellectual property and patents:* commercial, industrial, intellectual and artistic property rights, copyright and patenting, data protection..

### Proposed Model for Capacity Building Actions in Lebanon

To improve the current situation, the following matrix facilitates the previously described exporting process. Each ministry and public agency that may be involved must do its share, under the strict and watchful lead of a dynamic export council with a dedicated policy, planning, and resources. In the taxonomy below, the Capacity Building Actions are listed in the first column. The last column offers a recommendation. The matrix list on the top row the 6 main agencies involved, including the ministry of foreign affairs (MoFF) which can in the future provide assistance from the global markets. Each of the 6 main agencies were assessed vis-à-vis the availability, operation, frequency, ability to contribute through direct subsidies. The usefulness of participation (PU) is noted as well as recommended leadership role (Lead). The code is ✓: Existing - NO: Not Operating -- NF: Not Frequent - SS: Subsidy Support – PU: Participation Useful, Lead: Suggested



## Taxonomy of Capacity Building Actions proposed for each

Capacity Building Action	MoET	MoI	MoF	CCIA	ALI	IDAL	Remark Recommendation
Trade Stat Research & Pick Market - Identify Barriers	✓/TP B NO/N C Lead			✓/SM EC Lead			Trade Point Beirut to One Stop Shop OSS- Training and monitoring
Economic Competitiveness Sectorial Studies	ERC/N F Lead	✓/NF Lead		CER NF	✓ NF		Work Outdated and Not sufficient Training and monitoring
Market Channels/Value Chain Trade Leads / Price Reports			PR Lead	NF	PR		Lacking – Seek Receptive Markets Training and monitoring
Develop Strategic Marketing Planning Assistance for SMEs		NO NC		PU	Lead		ELCIM on demand Must be at OSS Training and monitoring
Promotional Programs & Trade Fair Participation	✓ NF	✓ NF		✓ Lead	✓ NF	✓ SS	Fund dependent, not programmed... OSS Training and monitoring
Personalized Networking Matchmaking Clustering			PU	✓/NF Lead	NF		Assistance Valuable Training and monitoring
SMEs Handholding Legal & Financial Assistance	PU	PU	PU	PU Lead	PU	✓ PU	CCIAs, Banks & Field Consular Assistance Training and monitoring
Access to Markets Export Capacity Building Training in Export Procedures				✓/NF Lead	✓/ NF Lead		Best done at OSS  Training and monitoring

✓: Existing - NO: Not Operating — NF: Not Frequent - SS: Subsidy Support - PU: Participation Useful  
Lead: Suggested

#### 4. Essential Recommendations

Export capacity building programs are now not programmed nor coordinated. A Lebanese Export Council "One Stop Shop" (OSS) would plan, budget, monitor, and control the performance of service providers, and the progress of prospective exporting SMEs.

Access to Markets is a process. Capacity Building is a must for firms capable to export firms. A quick assessment of the capabilities and capacities must be done to determine aptitude and readiness. Only those firms who have the standards and capacities must venture, all can be encouraged to acquire these first and then venture. Planning for SMEs is critical, it must be private and systematic since the costs of failures can be lethal.

Proficiency is best achieved through "Learn by Doing". Training must be delivered to all the actors entrusted with each export operation, be it the public sector, the private support institutions, or the SMEs managers. Performance monitoring and control is necessary for "Access to Global Markets"

In Lebanon, there are market failures for SMEs and structural weaknesses for institutions. The deep need for Capacity Building is proportional to export potential. It should be considered a priority macro-economic investment. It is important to remember at that:

- Export Capacity-Building requires a very **high-altitude perspective**
- No **single approach by itself is sufficient** or determining
- Crucial to SMEs are : **REACTIVITY** and **COHESION OF SUPPORT**

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