



MSME Development in Lebanon: The Role of Banque du Liban

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I. Introduction

The actual contribution of promoting the micro-, small and medium-sized enterprises (MSMEs) sector to economic growth, employment improvement, productivity increase, income inequality reduction, or poverty alleviation have been demonstrated in a number of studies, though these contributions are not absolute and vary across firm sizes, types, sectors, regions and countries^{1,2}. Furthermore, MSMEs development advocates argue that MSMEs could play a central role in fostering social well-being, inclusive growth, environmental sustainability, fiscal revenues generation, national competitiveness, exports expansion, and innovation².

Developed and developing countries are facing persistent and rising challenges of sluggish and stumpy growth, scarce employment opportunities, and high inequality³. In developed countries, MSMEs represent approximately 99% of total businesses, account for 70% of jobs in average, and generate between 50% and 60% of value added on average. In developing countries, MSMEs embrace over 95% of all private firms, contribute up to 33% of GDP, and comprise 45% of total labor⁴.

Recent years have witnessed a policy debate on whether the government should intervene directly to promote the development of the MSME sector, and whether to endorse the formalization of the sector. Various approaches have been adopted across the globe^{5,6}. Some approaches are ever against interventionism, and their advocates are concerned about counter-productive effects of state interference in the free economy. Some others focused on promoting the presence of the informal MSME sector to expand its contribution to the economy, such as in India, Kenya and Columbia. And other approaches are directed towards discouraging informal work and encouraging the formalization of MSMEs, such as in Italy, UK, France, Germany, Spain, Peru, and Ecuador⁵. There is not enough evidence today on which approach yields the best results. The debate is still on.

In Lebanon, MSMEs represent the backbone of the economy. They comprise over 96.5% of the total formal enterprises, employ over 51% of the working population, and are mostly family-owned⁷. The Ministry of Economy and Trade of Lebanon trusts that “SMEs are key economic engine for growth and job creation”. It has initiated a national strategy that defines a long-term mission for all stakeholders aiming at “fostering the creation of vibrant and globally competitive SMEs that contribute to employment opportunities and high value-added economy”⁸.

Banque Du Liban (BDL) – the central bank of Lebanon, has been playing a key role in supporting the MSME sector, not only as the regulator of the banking and financial industry, but also as the prime mover of several national

entrepreneurship and financial inclusion initiatives and a key stakeholder in the National SME Strategy.

In what follows, I will firstly examine the causes of MSME informality and the potential benefits of formalization. Secondly, I will address the strengths of Lebanon's MSME sector and the challenges facing it. Thirdly, I will present the solutions undertaken by the central bank that serve to promote growth and productivity in the sector. Lastly, I will conclude with five general recommendations.

II. Impediments and solutions to MSME formalization

Informal MSMEs are enterprises that lack compliance with government regulations such as registration for the ministry of interior licences, registration with the tax administration, payment of relevant fees and taxes, conformity with labour regulations, and payment of social contributions. The main causes for MSMEs' choice not to formalize are⁶: high entry/registration costs; inadequate levels of taxes, fees and social contributions that are associated with becoming and remaining formal; and excessive compliance costs with labour regulations, property registration, and other related regulations.

Based on the evaluation of these causes and the characteristics of local informal entrepreneurs, three strategies for handling informality of MSMEs can be distinguished: exclusion strategy, exit strategy, and dual economy strategy as described in Table 1.

Table 1. Formalization strategies of MSMEs

Strategy	Motivation	Policy
Exclusion	Advocates of this strategy assume that (1) MSMEs decide to remain in informality mainly because of high entry costs and the high levels of taxes, fees and social contributions, and (2) they are similar to formal MSMEs in terms of skills and competences, motivation and potential productivity, so informal MSMEs can potentially contribute to economic growth. Most of informal MSMEs would choose to formalize if these exclusion factors don't exist – these MSMEs are known as unofficial enterprises.	The most appropriate policy to induce informal MSMEs' transition into formality is to reduce entry costs, taxes, fees and social contribution.
Exit	Advocates of this strategy assume that (1) high entry costs and other taxes and fees are not the main reasons of the choice of MSMEs to remain in informality, and (2)	The most appropriate policy to reduce informality is to increase law

	they are not productive enough to survive as formal businesses, so informal MSMEs have a harmful effect on economic growth. Most of informal MSMEs would not choose to formalize because the costs of formalizing are higher than the benefits from it.	enforcement to stimulate formal and more productive businesses.
Dual economy	Advocates of this strategy assume that (1) the lack of suitable wage jobs in the formal economy and the deficiency of social security systems are the main reasons of the large number of informal MSMEs, and (2) informal MSMEs lack skills, competences and motivation to grow as compared with formal MSMEs of similar size, so they are not able to generate economic growth. Most of informal MSMEs would not be interested by the benefits of formalization – these MSMEs are known as subsistence enterprises.	The most appropriate policy to reduce informality is to improve the general business environment in order to encourage the creation of new, formal MSMEs, and increase the supply of formal wage jobs as better-paid alternatives to informal entrepreneurs.

Source: Adapted from ILO and GIZ (2014).

The formalization of MSMEs could have various benefits for an economy including⁶:

- An increase in economic growth as a result of an increase in businesses' productivity, since formalized MSMEs tend to perform better and are more motivated to grow than informal MSMEs.
- An increase in public revenues as a result of an increase in tax revenues from newly formalized MSMEs, which accordingly can be disbursed to fund various national development projects and infrastructure investments.
- An improvement of citizens' social and economic well-being as a result of an improvement of working conditions and productivity, as well as an increase of wages of the employees of newly formalized MSMEs.
- An improvement of the rule of law and rights protection as a result of more MSMEs complying with regulations.

There are four main approaches to formalization of MSMEs⁶: (1) lowering the costs of becoming or remaining formal; (2) improving the benefits of being formal; (3) improving the general business environment; (4) strengthening law enforcement. In order to make a sustainable and positive impact on MSME development and economic growth, the choice, design and implementation of the formalization approach should be context specific based on empirical evidence. The chosen reforms should be implemented properly by a proficient

team, independent of political interference and volatility, and monitored in a responsible manner through pre- and post- impact evaluations.

Regulators from around the world have conceived and implemented various policy reforms to promote the formalization of MSMEs in their respective countries. These reforms can be classified into nine business environment domains as suggested by the Donor Committee for Enterprise Development in 2011 (Table 2).

Table 2. Policy reforms for MSME formalization

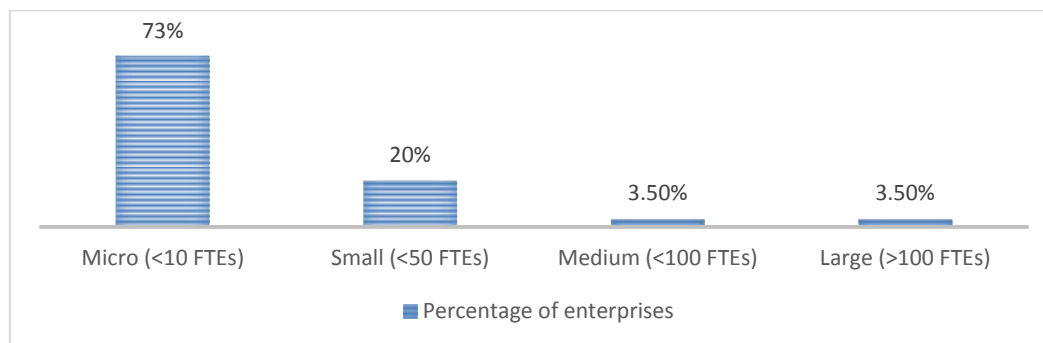
Policy reform	Description
Business registration and licensing	Adapting business registration and licensing regimes to simplify the administrative registration process (example: One-Stop-Shop).
Simplification of taxation policy and administration	Easing tax compliance (examples: more transparent and simplified tax reporting; differentiating tax schemes for different types and sizes of MSMEs).
Land ownership and titling	Reforming incomplete cadasters and onerous or costly land registration systems to enable enterprises to work from a permanent location and to raise capital through land-based collateral.
Labour and labour-related issues	Adapting the labour costs in order to provide basic social protection for workers and adequate skills development.
Judicial reform	Reducing transaction costs, improving the quality of governance methods, and improving access to justice in bureaucratic administration.
Intellectual property rights	Improving the enforcement of existing laws regarding trademarks and other property rights, in order to provide protected legal opportunities.
Improved access to financial services	Increasing the access for unbanked and underbanked MSMEs to a full range of financial services, in order to reduce the costs of raising capital.
Access to information	Awareness and understanding of existing business regulations and rules.
Incentives for reform and communication	MSMEs should see formalization as an opportunity for greater access to markets and growth.

Source: Adapted from ILO and GIZ (2014).

III. Strengths and challenges of the MSME sector in Lebanon

The majority (73%) of formal firms in Lebanon are micro-enterprises, 20% are small-sized enterprises, and 3.5% are medium-sized enterprises (Figure 1). They are mainly service-based businesses.

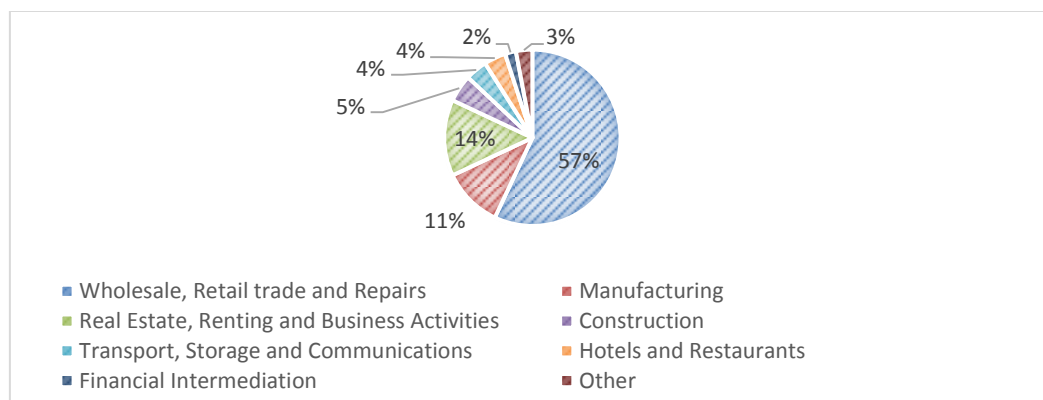
Figure 1. Percentage of enterprises - Lebanon



Source: *SMEs in Lebanon, Inventis Analysis 2014.*

More than half of the MSMEs (57%) generate turnover from wholesale, retail trade and repairs activities (Figure 2). The rest is produced from real estate activities (14%), manufacturing (11%), construction (5%), transport, storage and communications (4%), hotels and restaurants (4%), and financial intermediation (2%).

Figure 2. Distribution of MSMEs by Turnover - Lebanon



Source: *SMEs in Lebanon, Inventis Analysis 2014.*

The main factors that drive productivity and growth of these firms in Lebanon are the following:

A. Strengths

1. The Lebanese financial and banking system is well developed, stable and trustworthy. As shown in the Global Competitiveness Index reported in the 2017 World Economic Outlook Database (Figure 3), "Lebanon has one of

the highest levels of financial depth among the MENA economies, reflecting persistent, large-scale deposit inflows that result from its traditional role as a financial hub for the region and a large and loyal diaspora⁹. Accordingly, access to financing and getting credit are less restraining to doing business for MSMEs in Lebanon as compared to the MENA average (Figures 4 and 5).

2. Lebanese firms have made improvements in terms of business sophistication, technological readiness, and innovation - all considered as growth and productivity drivers for MSMEs (Figure 3). "Lebanon has the highest proportion of firms engaged in innovation in the MENA region, with half of them introducing at least one type of innovation. Lebanese firms are more likely to introduce new products than firms in any other MENA economy. They also exceed the MENA average for the proportion of firms engaged in marketing and organizational innovations"⁸. In this context, Lebanese MSMEs can capitalize on their comparative advantage in excelling at high quality and sophisticated production.
3. To mitigate the limited size of their domestic market, Lebanese firms seek to deliver goods and services that specifically meet the foreign demand. They are actively involved in regional and international markets and benefit from a national export promotion assistance (Figures 3 and 6). "Only 20% of manufacturing firms do not engage in any trade activities, compared with 33% in the MENA region on average. Lebanon has a strikingly high share of domestically owned exporters (95% compared with a regional average of 85%). This could be explained by the traditionally very high political and security uncertainty in the country, which leads domestic firms to seek stable markets for their products and foreign investors to stay away"⁸.
4. Despite the prevailing mismatch between the supply and demand for skills, the highly educated and skilled Lebanese workforce and their instinctive entrepreneurial aptitudes give the country a competitive advantage over the other MENA economies (Figure 3). "Lebanon has one of the highest tertiary school enrollment ratios in the region. Moreover, it is one of the MENA economies with the highest training intensity. About 27% of firms offer formal training, compared with a MENA average of 17%"⁸. Also, Lebanon ranks 59 out of 137 countries¹⁰ in terms of overall entrepreneurship attitude and potential (Figure 7).
5. Another driver of the growth of the Lebanese MSMEs is the growing participation of women in the economy, and particularly its high share of female business owners among micro-sized and small firms (42.8%) and medium firms (43.6%) as compared to the average MENA (Figure 8). « Lebanon has the second highest share of firms with women's ownership

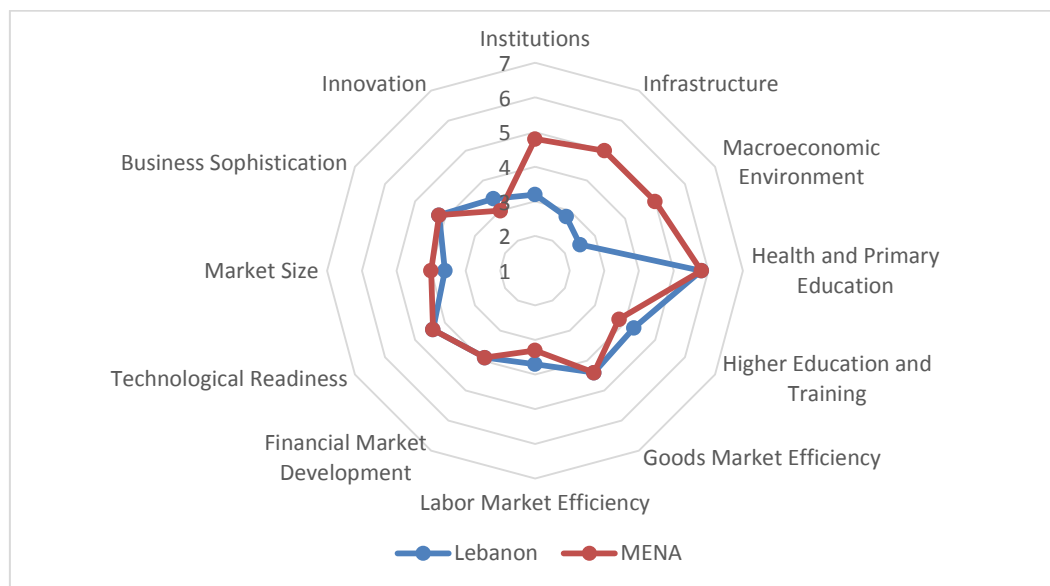
in the MENA region at 43%, outperformed only by Tunisia (50%). This compares with a regional average of 25%. When considering the percentage of firms with a woman top manager, Lebanon (4%) lags well behind Tunisia (8%) and below the regional average (5%)»⁸.

B. Challenges

1. Despite the relative stability that has been distinguishing Lebanon in the Arab region, the foremost challenge hindering the growth of MSMEs in Lebanon is the government instability (Figure 4) and political unrest (Figure 9). In Lebanon, 58% of the surveyed firms identified political instability as one of the top obstacles to their businesses, compared to 27% in the MENA region and 50% in Tunisia. Altering this situation would have positive spillovers on the institutional, macroeconomic, and microeconomic conditions of the whole economy. Firms of all sizes are impacted: 53.4% of micro- and small enterprises, 66.8% of medium-sized enterprises, and 61.7% of large businesses identified the political instability as the main obstacle to their businesses (Figure 10).
2. Continuous efforts by consecutive Lebanese governments has been exerted for developing the infrastructure that has presented a challenge for MSMEs productivity in Lebanon (Figures 3, 4, 5 and 9), namely on the levels of electricity supply, transportation networks, and the expanding ICT and Internet services. In Lebanon, 11% of the surveyed firms identified the unreliable electricity as one of the top obstacles to their businesses, compared to 12.8% in the MENA region and 9% in Egypt. Firms of all sizes are impacted: 11% of micro- and small enterprises, 9.9% of medium-sized enterprises, and 18.7% of large businesses identified the irregular electricity supplies as the main obstacle to their businesses (Figure 10).
3. Enhancing good governance practices, particularly transparency, accountability, and financial integrity remain focal objectives for Lebanese authorities. The gaps in these practices present impediments against the productivity of MSMEs (Figures 4 and 9). In Lebanon, 6.7% of the surveyed firms identified corruption as one of the top obstacles to their businesses, compared to 7.1% in the MENA region and 21% in Morocco. Firms of all sizes are impacted: 6.9% of micro- and small enterprises, 5% of medium-sized enterprises, and 12.7% of large businesses identified corruption supplies as the main obstacle to their businesses (Figure 10).
4. Fighting bureaucracy in public administration and elevating the quality of public services constitute a vital need for boosting MSMEs productivity (Figure 4). Opening and closing a business, registering a property, and dealing with construction permits still require upgrading and reform procedures (Figure 5).

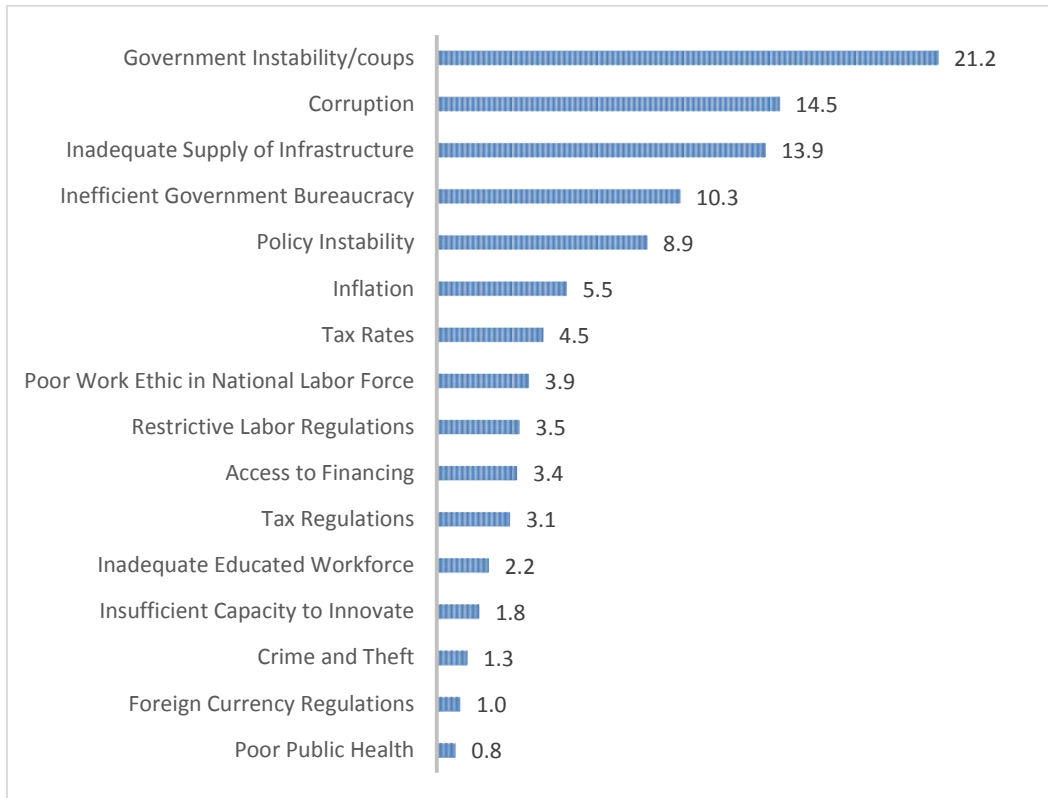
5. Despite the issuance of significant legislative laws, developing a more supportive legislative context for MSMEs development remains a vital challenge. A list of regulations need to be enacted such as modernizing the code of commerce, the labor law, the competition law, the secured lending law, the bankruptcy and resolving insolvency law, intellectual property protection law, private equity fund law, employee stock options law, and law of preferred shares. In addition, trading across borders, protecting minority investors, enforcing contracts, and judiciary mediation are impeded issues that need to be resolved for encouraging investment and enhancing competition (Figure 5).
6. The one-size-fits-all taxation needs to be revised so that tax incentives are based on firm size. Tax evasion is one of the main motivations for MSMEs to remain in informality (Figures 4, 5 and 9).
7. There is a severe lack of historical data and state-of-the-art statistics and research on MSMEs, their effective number, sectors, the gender of their owners and top managers, characteristics, performance, and financial and business development needs, etc. The lack of reliable data restricts the ability of firms, academics and policy-makers to deliver accurate analysis and evidence-based recommendations for the development of the MSME sector.

Figure 3. Performance overview of the Global Competitiveness Index



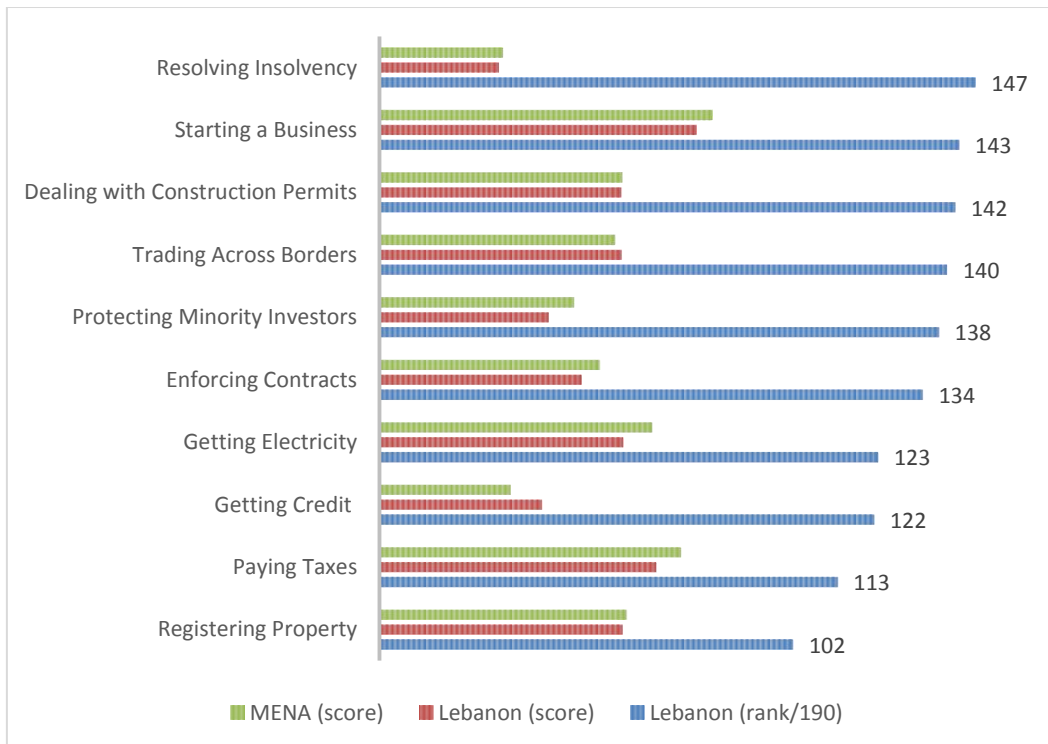
Source: World Economic Outlook Database 2017.

Figure 4. Most Problematic Factors for Doing Business - Lebanon



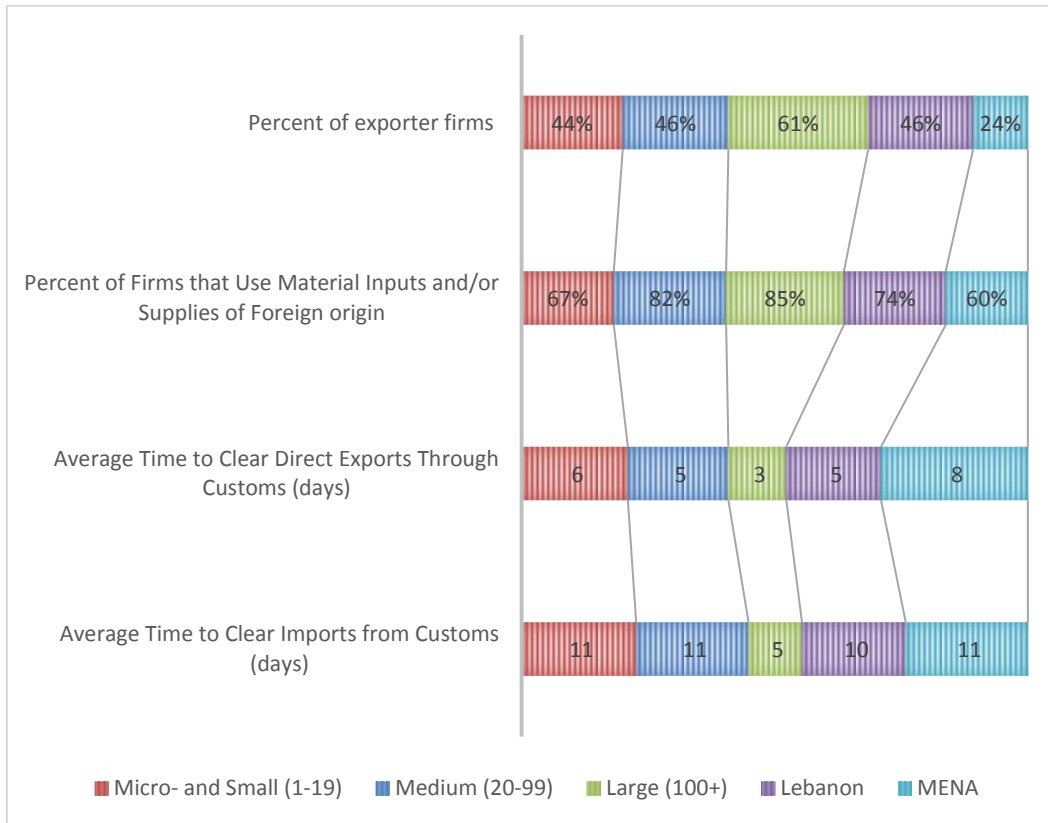
Source: World Economic Forum, Executive Opinion Survey 2017.

Figure 5. Scores and Rankings on Doing Business Topics (out of 190)



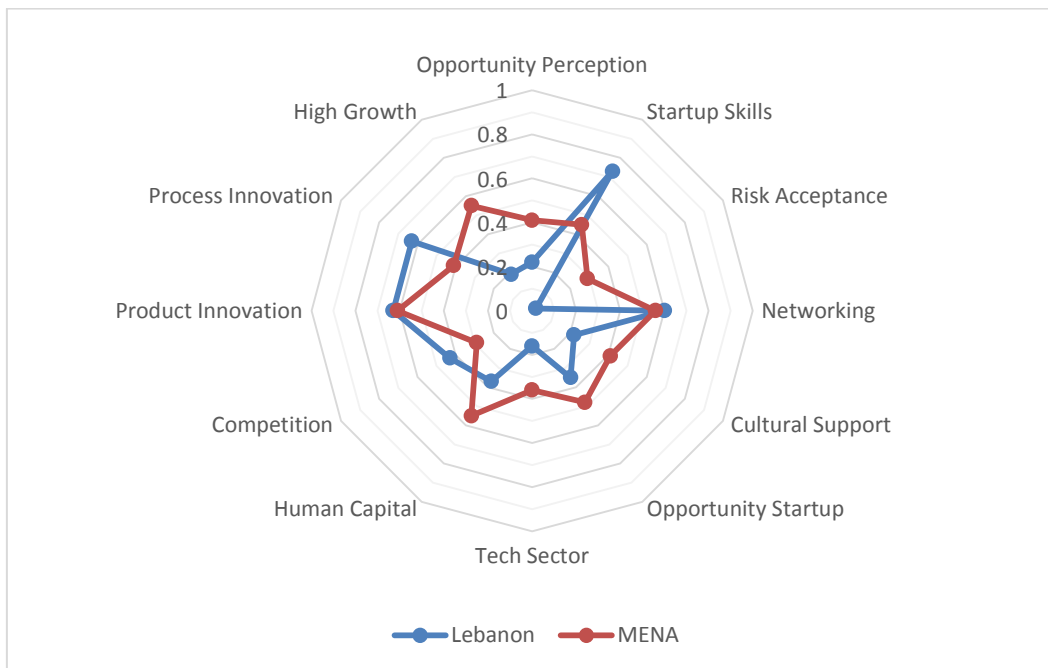
Source: The World Bank, Doing Business Survey 2018.

Figure 6. Performance of Trade indicators



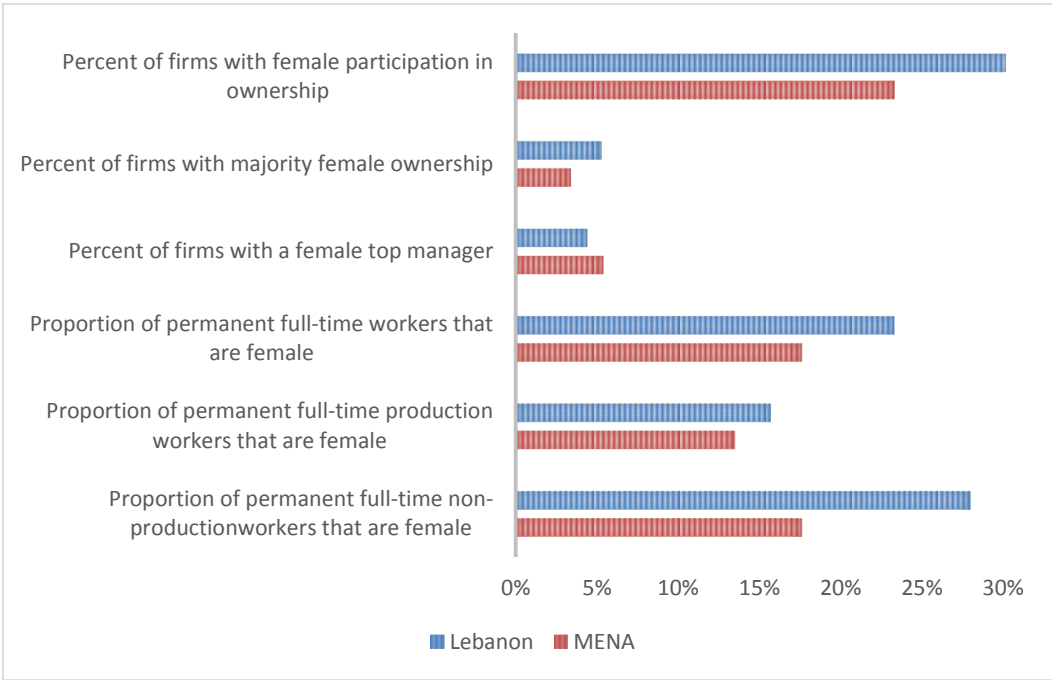
Source: The World Bank, Enterprise Survey 2013(Answers from 561 formal firms including 471 MSMEs).

Figure 7. Performance of the Global Entrepreneurship Index



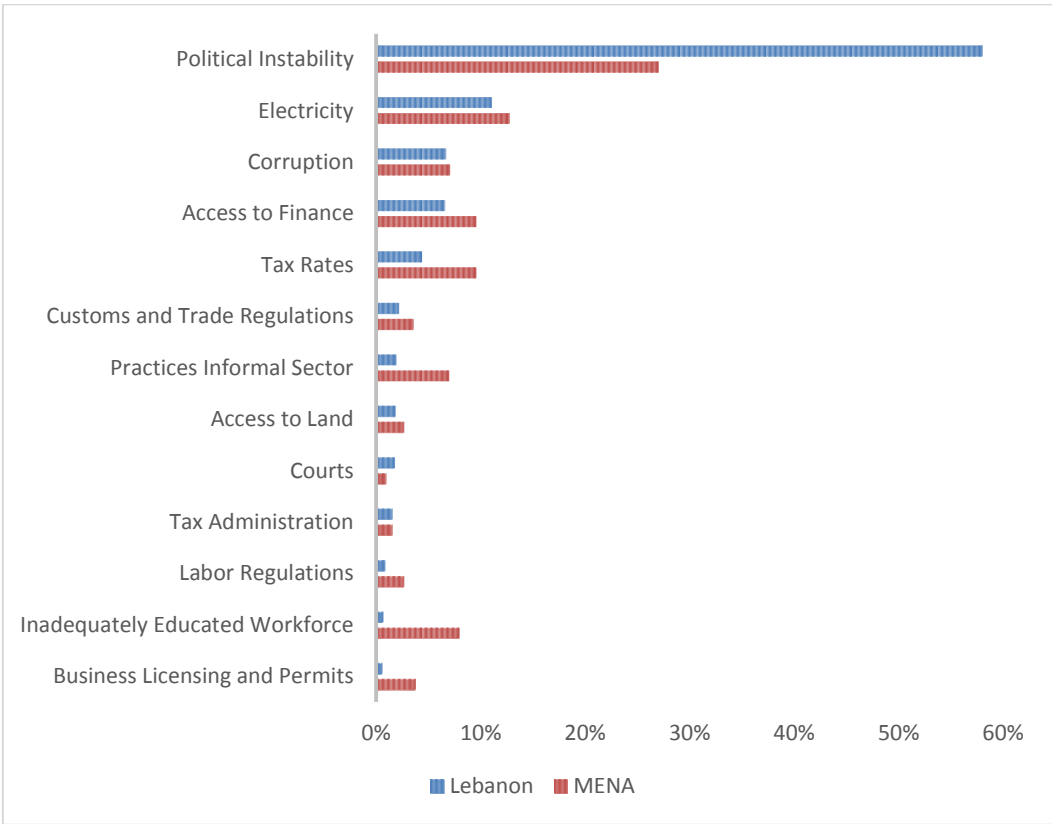
Source: Global Entrepreneurship Index 2018.

Figure 8. Performance of Female participation indicators



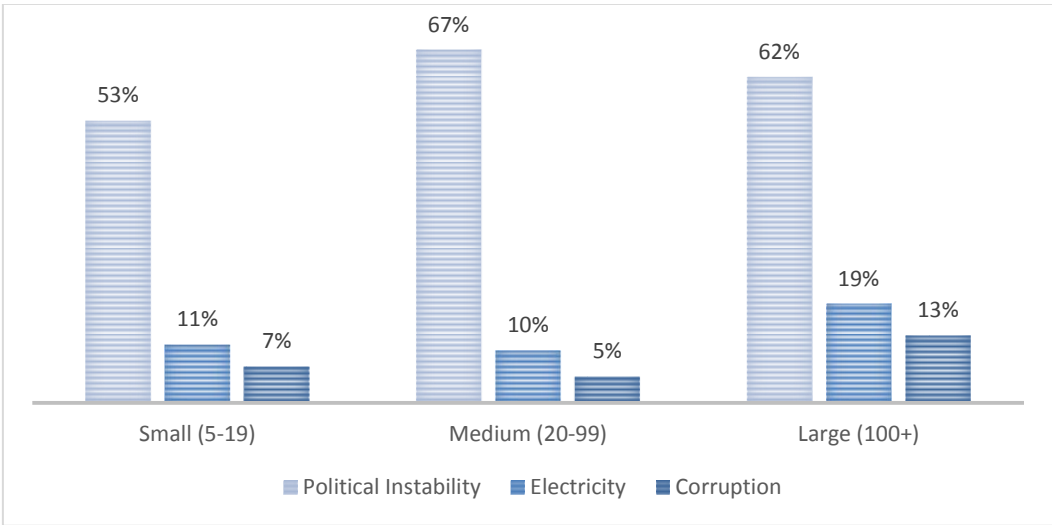
Source: The World Bank, Enterprise Survey 2013.

Figure 9. Percent of firms identifying the problem as the main obstacle



Source: The World Bank, Enterprise Survey 2013.

Figure 10. Percent of firms by size identifying the problem as the main obstacle - Lebanon

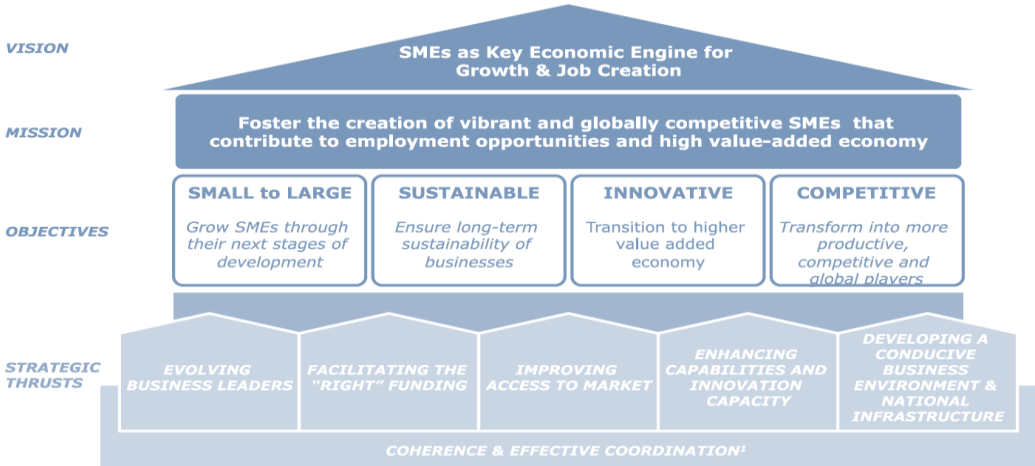


Source: The World Bank, Enterprise Survey 2013.

IV. The role of Banque du Liban in supporting MSMEs development

The SME National Strategy⁷ launched in 2014 by the Ministry of Economy and Trade aims at helping raise MSMEs to their next stage of development; ensuring long-term sustainability of businesses; developing innovative and creative SMEs to transition to a high-value economy; and transforming SMEs into more productive, competitive and global players. In order to realize these objectives, a coherent and effective coordination between all stakeholders must safeguard the development of a conducive business environment and national infrastructure facilitate the right funding for MSMEs; improve their access to markets; enhance their capabilities and innovation capacity; help evolve business leaders (Figure 11).

Figure 11. SME National Strategy Framework - Lebanon

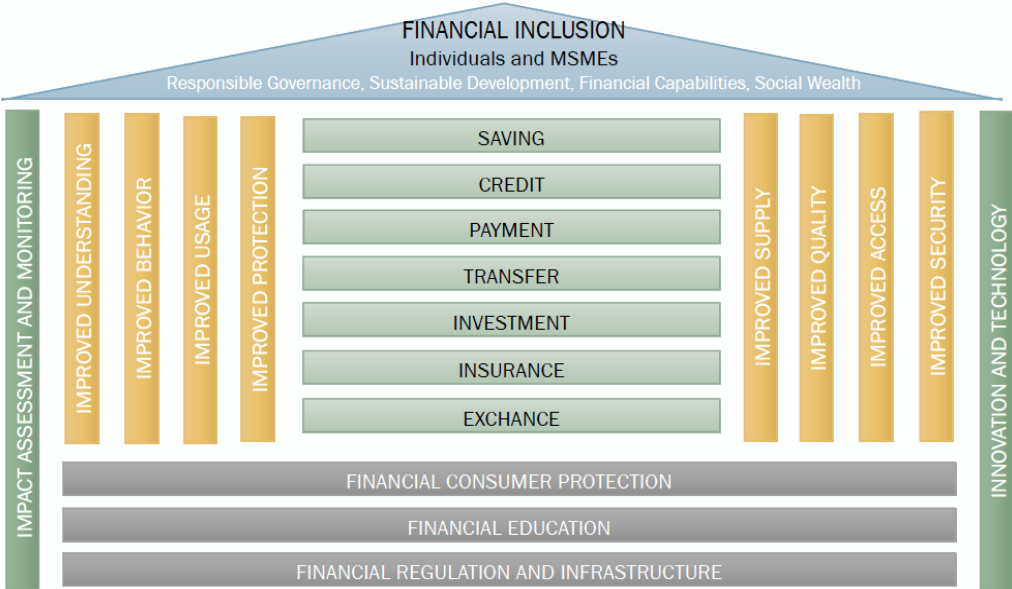


Source: Ministry of Economy and Trade, SME National Strategy 2014.

BDL is a key stakeholder of the SME National Strategy. Over the past twenty five years, the policies and initiatives of BDL had a central role in achieving various advancements, namely developing the financial and banking sector and easing access to finance; fostering technological research, innovation and knowledge economy; encouraging businesses’ competitiveness and ability to export; supporting education and skills development, and entrepreneurship; empowering women and youth.

The central bank of Lebanon is keen to maintain a resilient, dynamic and inclusive financial sector in Lebanon (Figure 12). BDL is a firm believer in the immense potential of supporting the MSMEs for a viable economic growth, a broader financial inclusion, and an enhanced social stability. Thus, MSMEs represent a central target of BDL Financial Inclusion Strategy¹¹ as specified in its fourth and fifth outcomes (Table 3).

Figure 12. Framework of BDL Financial Inclusion Strategy - Lebanon



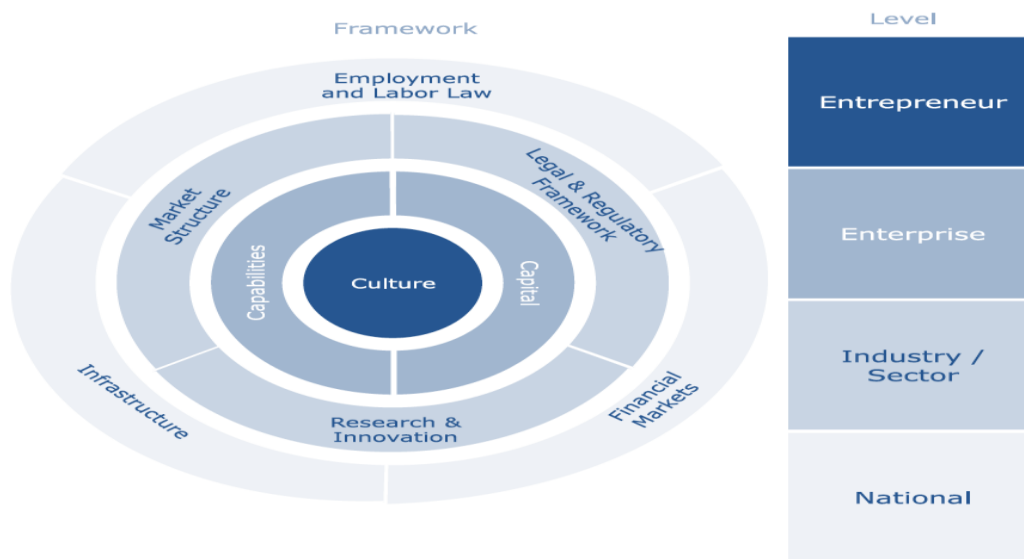
Source: Banque Du Liban Financial Inclusion Strategy 2017.

Table 3. Outcomes no. 4 and 5 of BDL Financial Inclusion Strategy

Outcome 4	Enhanced capacity of banks and other regulated financial institutions to develop customer-centric innovative products and channels to finance MSMEs, and improved business and technical skills of MSMEs in all market sectors.
Outcome 5	Fostered responsible investment attitude and promoted impact investing, coupled with developed financial markets and empowered financial and investment capabilities of both MSMEs and investors.

Source: Banque Du Liban Financial Inclusion Strategy 2017.

Figure 13. MSME Ecosystem and Assessment Framework - Lebanon



Source: SMEs in Lebanon, Inventis Analysis 2014.

The MSME support solutions initiated by BDL can be classified into nine categories (Figure 13). They are the following:

1. Financial markets: stable monetary policy; confidence in the Lebanese pound; sound financial and banking sector; well capitalized, adequately provisioned and highly liquid banking industry; high financialization and supply of a large range of retail banking services; growing adoption of biometric identification and digital financial services by the banking industry; electronic platform for the trading of securities issued by SMEs (project in the making).
2. Infrastructure: a robust multi-currency national payment system including a real time gross settlement system (RTGS), an automated clearing house of retail payment instruments (CLEAR), a system for clearing and settlement of government payments (PAYGOV), and an automated clearing and settlement system of securities (MIDCLEAR); a modernized national payment system disposed to incorporate mobile payments; a modernized credit information reporting and sharing system; a widely spread network of bank branches and ATMs; central bank digital currency (project in the making).

3. Employment: engaging unconventional policy tools that stimulate self-employment and intensify job creation in the private sector¹²ⁱ.
4. Legal and regulatory framework and enforcement: a well regulated banking and financial sector recently including microcredit institutions in compliance with international regulatory standards and practices (anti-money laundering, combating the financing of terrorism, fighting cross-border tax evasion, access to information, and General Data Protection Regulation, etc.); upgrading the financial consumer protection framework and procedures; contributing to the national legislative reform via participation in committees to review the Private-Public Partnership law (ratified), the e-commerce law on electronic transactions and personal information data (ratified), the secured transaction draft law, the new bankruptcy draft law, the new insolvency practitioners draft law; the e-signature draft law, the private equity fund draft law, and the out-of-court judiciary mediation draft law.
5. Market structure: a yearly International Innovation Hub (*BDL ACCELERATE* event) for entrepreneurs, startups, techies, innovators, bankers, investors and regulators, to encourage networking, partnerships and access to markets; information-sharing platform for entrepreneurs and their business partners; participation in the conception and implementation of regional industrial zones, clusters and support to niches industrial SME sectors (tech/innovation, agrofood, biomedical technology); specific credit incentives for working capital financing to industrial firms willing to export.
6. Research and innovation: promoting the knowledge economy sector; subsidized loans for education and research and development to endorse high-skilled labor and stimulate technological innovations; roundtables to encourage partnerships between banks and FinTech MSMEs to develop digital Blockchain-based or other technology-based applications for managing interactions with suppliers, customers and investors; conducting MSME finance demand-side surveys and collecting MSME finance supply-side data (project in the making).
7. Capabilities: customized financial awareness and literacy workshops for the MSMEs in the regions about financial management practices, as well as funding opportunities and institutions; upgrading the skills and business ethics of financial and banking industry practitioners; supporting business development services providers (incubators, accelerators, training centers, etc.) that deliver management, technical, marketing and sales capacity-building trainings for MSMEs founders, managers and employees.

ⁱ See: Section III, Page 9 « Credit Incentives » and « Equity Financing » of the cited paper.

8. Capital: enabling access to a variety of regulated financing sources including bank loans, crowdfunding, venture capital and private equity funding, and microcredits; encouraging credit guarantee schemes for MSMEs; encouraging banks with special SME financing units; encouraging banks to invest in ICT startups and SMEs; subsidizing loans and credit incentives for SMEs in value-creating sectors including agriculture, industry, energy and renewable energy, handicrafts, and audio-visual arts.
9. Culture: promoting the concept of knowledge economy; fostering the culture of equity financing; nurturing the entrepreneurship spirit among the Lebanese population and specifically the young generation and women.

V. Recommendations

I will outline five general recommendations applicable to the Lebanese context that may apply elsewhere:

1. Though the term “MSME” is generic, the concept is universal, and the MSMEs are spread all over the globe, yet their characteristics differ across sectors, countries and even local regions. Therefore, in order to design specific and effective solutions, this concept should be customized to a well-defined target audience. The primary task that the regulators should undertake is to set a national definition for MSMEs or review an existing one whereas it could better capture the geographical and sectorial attributes of firms. A draft law defining MSMEs and social enterprises based on three criteria (number of employees, annual turnover, and sector) is currently being reviewed by the Lebanese government prior to its submission to the parliament.
2. Promoting MSMEs should not be at the expense of large enterprises. Regulators’ intervention in this field should be responsible and inclusive, while preserving free economy and stimulating good competition. Rather than engaging a protectionist approach towards MSMEs, they should be encouraged to formalize, grow, compete and export. Regulators should focus on improving the business environment for all firms, facilitating their access to local funding through alleviating regulatory and administrative impediments via customer-centric supply of financial services and tiered KYC systems, and easing their access to foreign markets, namely through introducing further constructive trade and customs regulations, engaging in more favorable trade agreements for local MSMEs, and helping them improve their compliance with international standards. The firms that should be promoted first and foremost are those that are the most productive, innovative, and internationally competitive, as well as those that have particularly high positive social, societal, economic and

environmental impacts. From this perspective, the social entrepreneurship¹³ model should be encouraged in all firms of different sizes.

3. Reforms and actions undertaken to promote MSMEs should be part of a national holistic policy plan set by the government to promote sustainable, measurable and time-bound social and economic development. This plan includes e-government and digital transformation strategy, financial inclusion strategy¹⁰, the strategy to support research and innovation, cyber-security strategy¹⁴, the strategy to promote specific manufacturing and agro-industries that serve economic diversification, the strategy to foster the oil and gas sectors, among others. Regulators should strive for transparent and continuous cooperation between all stakeholders, whereby the institutional roles and mandates of each are clearly outlined. Effective actions also require establishing a central authority to champion, coordinate, monitor and assess the progress and the impact of each strategy and the whole national policy plan.
4. Regulators should invest more in technology research and development, engage in and lead the digitalization process in their economies, and contribute in setting up the right legislative and institutional environment for the technological and digital integration of all public and private organizations, including the MSMEs¹⁵. Digitalization could reconcile many of the challenges mentioned beforehand, for instance through establishing a digital one-stop-shop, possible corruption and red tape could be avoided. In addition, digitalization is likely to have positive spillovers on the productivity of MSMEs (for example, improved efficiency and management of tasks, procedures and operations; enhanced productivity of employees; raised good governance and accountability of the managers; enabled tracking of goods and transactions; improved image and reputation), the growth of MSME sector (for example, facilitated access to new niches and international markets through e-market platforms; better business experience for the clients; higher transparency vis-a-vis clients as well as investors; improved competition; easier interoperability and usage of smart contracts), and the development of the economy (for example, faster, cheaper and more streamlined company registration, property registration, and procedures with the public authorities, procedures payments to public administrations for taxes, power bills through e-government services; reduced redtape; easier access and usage of financial services and products through finTech). However, despite the immense potential advantages of digital technologies, they encompass various risks¹⁴ that need to be carefully handled including data privacy, data security and protection, technical complexity, operational risks, online connectivity and

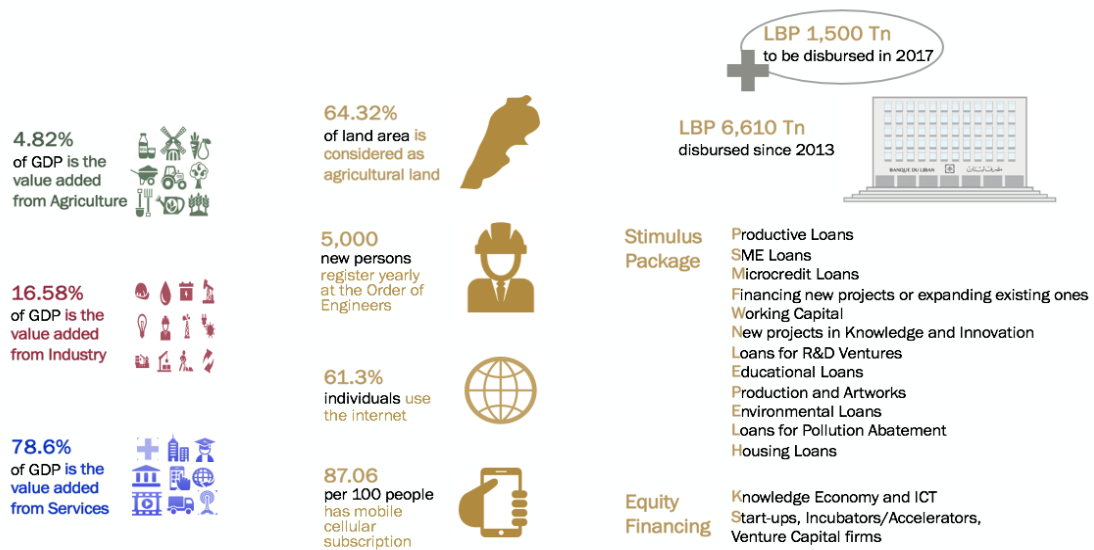
discontinuity of services, third party risk management, cyber risks and compliance risks.

5. Encourage regulators to listen consciously to firms. Sometimes what regulators offer, even in good intention, may not be relevant and actionable for the MSMEs, either because the solutions are not amply intelligible, or they are impractical, or they do not represent a necessity and a priority pro tem for firms. A purposeful and permanent public-private dialogue and coordination should be established, as well as conducting regular sectorial surveys in order to formulate impactful evidence-based policies and reforms, and to monitor and evaluate their impacts. Communication and acting considerately increases impact and saves resources.

VI. Conclusion

In conclusion, Lebanon has many underexploited resources, such as its agricultural land and moderate weather, its cost-competitive, highly educated, skilled workforce, and its young population with a pronounced appetite for digitization (Figure 14).

Figure 14. Potentials for value creation - Lebanon



Source: Banque Du Liban Financial Inclusion Strategy 2017.

These resources have an immense potential for creating real economic value for the country. In fact, by supporting MSMEs, specifically in the real productive economic sectors (agriculture and industry) powered by technology, research and innovation, BDL's foremost objective is to stimulate the production of real economic value. This strategic vision is materialized historically through BDL's various financing incentives schemes, and more specifically through its

nation-wide financial inclusion strategy. This will create new job opportunities, reduce brain drain, improve individuals and MSMEs' well-being, smoothen consumption, attract new investments, increases exports, improve the balance of payments, foster sustainable growth, and contribute to reaching the global sustainable development goals (SDGs)¹⁶. In other words, this will lift our economy up and maintain its financial, economic, societal, and social stability.

Thank you.

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