

Effective ICT and National Strategy for SMEs

Eng. Lelia EL KHAZEN

Market Analysis Manager

Market and Competition Unit

Telecommunications Regulatory Authority – Lebanon

- **Digitization Era**
 - Definition of Digitization
 - Economic and Social Impacts of Digitization

- **ICT as an enabler for SMEs**
 - SMEs challenges
 - ICT reinforcing SMEs development

- **National Strategy recommendations**
 - Policy- related Decisions
 - Regulatory Challenges

Digitization Era

Some emerging trends ...

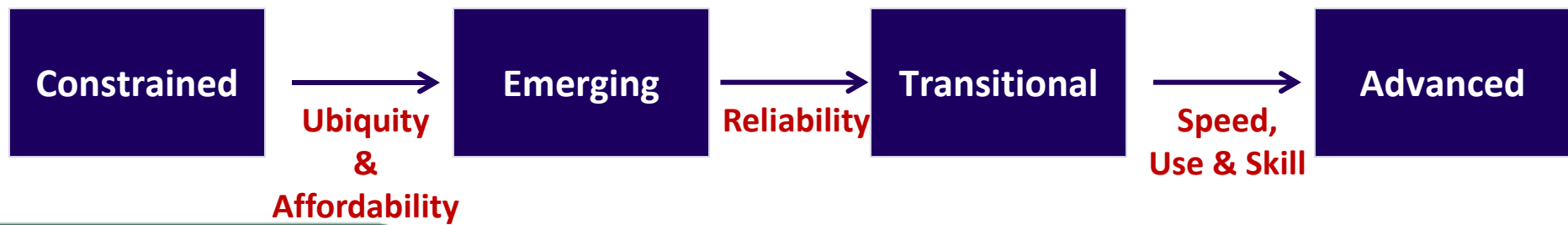
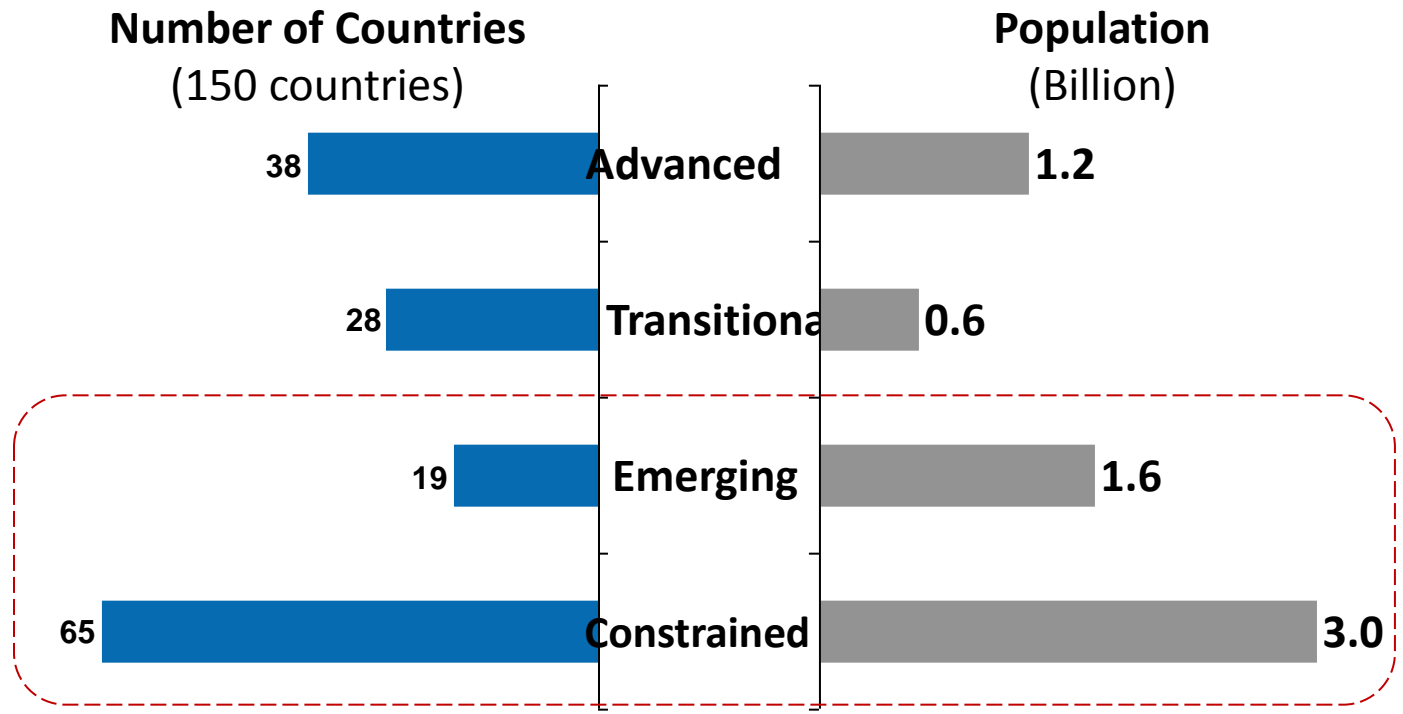
- More than 2 billion people connected to the Internet with a growth of more than 200 million per year
- ICT cuts across all industries and services
- Smart innovation enabled by the Internet and ICT developments leads to higher productivity and has benefited all industries
- The advent of ICT services is enabling dynamic new and smaller companies to develop
- SMEs grow two-three times faster when they embrace the Internet

Digitization is defined as **mass adoption** of connected digital technologies by consumers, enterprises, and governments

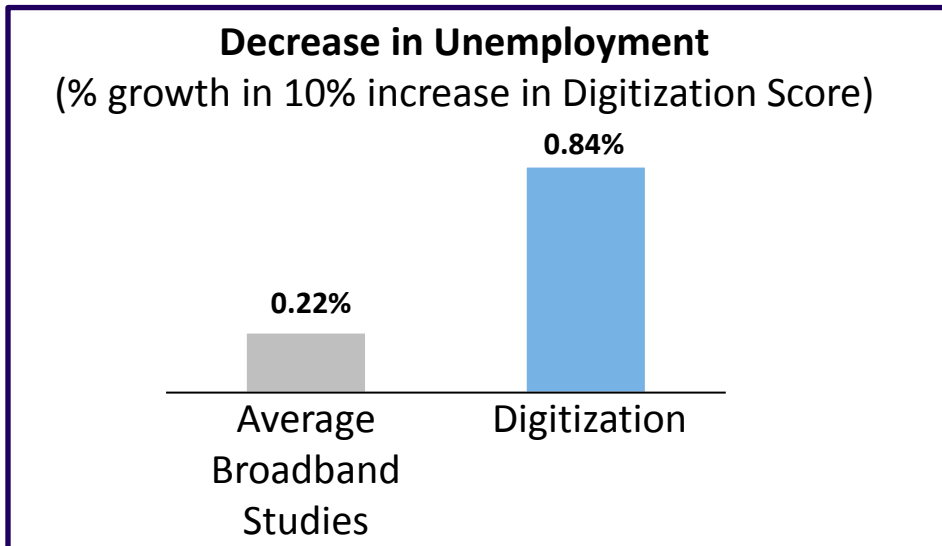
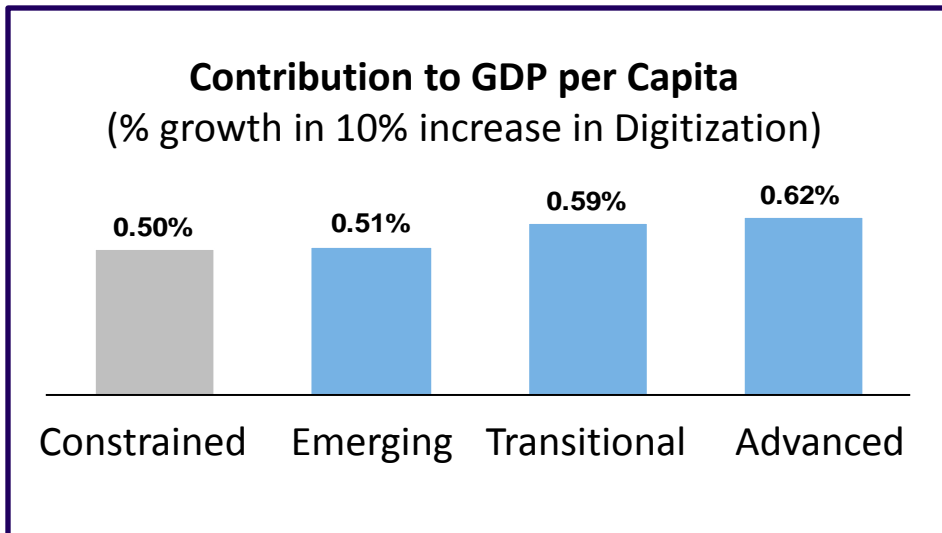
Parameters to Measure Digitization

Ubiquity	Universal access to digital services and applications
Affordability	Price that makes digital services available to as many people as possible
Reliability	Quality of available digital services
Speed	Real time digital services access
Usability	Digital services ease of use and the ability of local ecosystems to boost adoption
Skill	User ability to incorporate digital services into their lives

70% of the world's population still live in countries that are in the **Constrained or Emerging digitization** stage with the bulk of these countries being in MENA and Asia



Digitization has **more economic impact** than broadband alone and its impact increases with maturity



- Achieving Broadband penetration is only one aspect of required policies; maximizing of economic impact can only be achieved through a holistic framework covering infrastructure and adoption of internet and e-commerce
- Full deployment and effective use of ICT has a large impact on employment – more jobs in all ICT related sector
- Enhanced usage of ICT has spill-over impact on other sectors of the economy (trade, financials services, health care, ...)

Digitization enables the creation of new forms of **economic value** and is also correlated to the **quality of life and well-being**



Innovation

- 10 point increase in digitization yields a 6.4 point increase in innovation
- New ICT-enabled applications and services accelerate innovation and creates new forms of business

Life and Well Being

- 10 point increase in digitization yields a 1.3 point increase in the OECD Better Life Index
- Increasing digitization boosts societal well-being and increases social inclusion

Government Transparency

- 10 point increase in digitization yields a 1.2 point decrease in the Corruption Perception Index

E-Government

- Digitization enables the delivery of e-government services

Education

- Digitization supports better delivery of government services such as public education

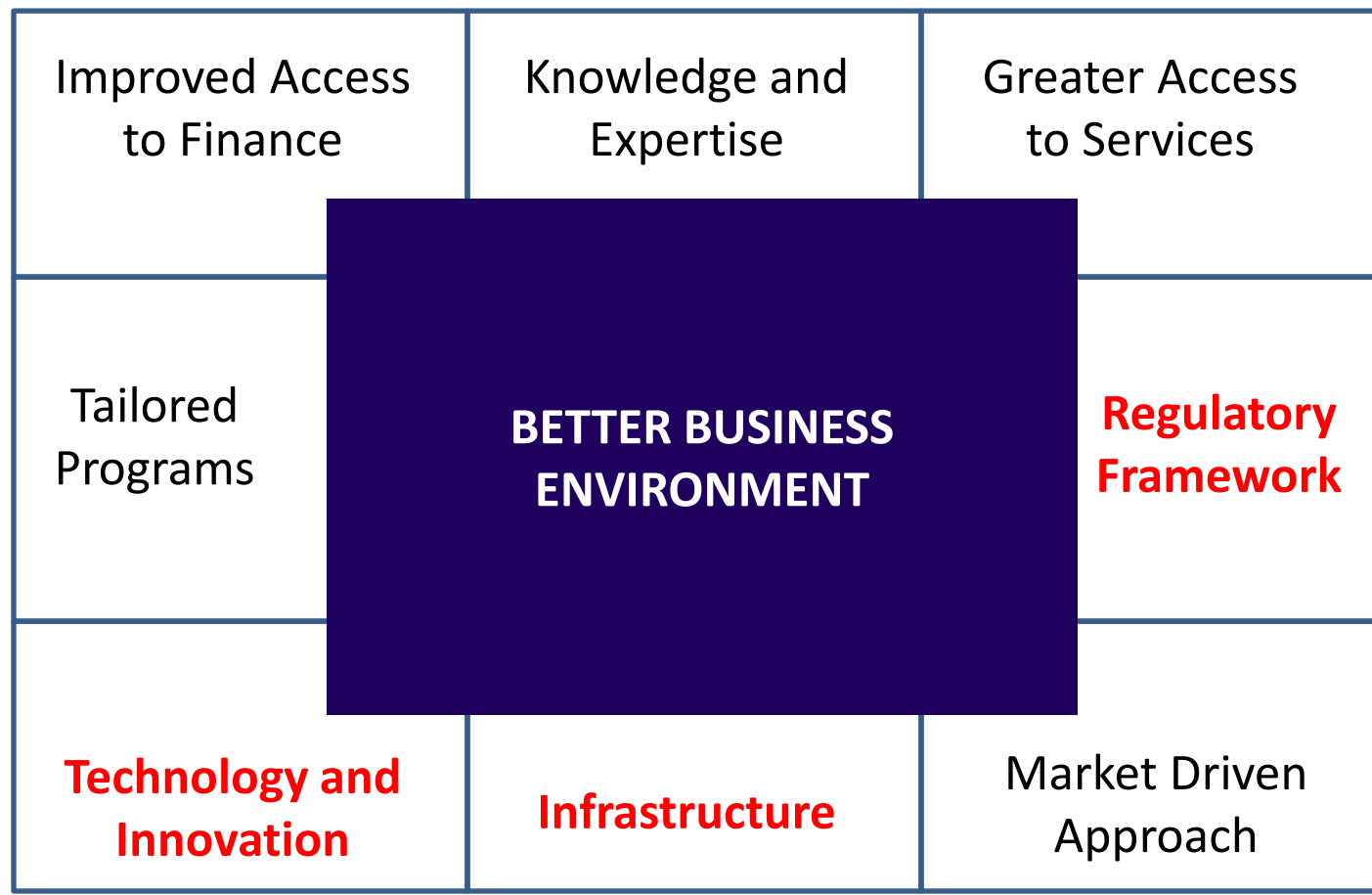
ICT as an enabler for SMEs

SMEs Challenges

SMEs are the **backbone of economies** constituting more than 90% of the businesses in a given country; small businesses making up for more than 90% of those businesses



Challenging drivers aiming at boosting the creation of SMEs and encouraging entrepreneurship



Setting policies and initiatives to ensure the successful creation of SMEs will benefit the entire economy development (1/3)

Improved Access to Finance

- Small businesses are usually at a disadvantage when it comes to accessing finance
- Need to create a **variety of financing mechanisms** to adapt to SMEs required capital
- Funding must be provided for the **right length of time** for the business to become profitable and sustainable
- Promote the development of **equity financing, venture capital and business angels**
- Increase the penetration of **microcredits**
- Provide **tax incentives** and exemptions

Greater Access to Services

- SMEs usually need services and resources that can't be afforded on their own
- Need for **business skills, entrepreneurship training**, improving access to new markets and enhancing coordination between companies in one economic sector
- Assistance in **improving competitiveness** and **access to international markets**

Setting policies and initiatives to ensure the successful creation of SMEs will benefit the entire economy development (2/3)

Knowledge and Expertise

- Encourage the establishment of **training centers**
- Develop **special programs and certificates** with schools/universities
- Provide the knowhow and assistance specifically required by SMEs
- Ensure that ICT access is available to **access online information** and needed training

Tailored Programs

- SMEs challenges and opportunities vary from one country to another, **tailored programs** will yield better results
- Provide **sector-specific training** and advisory services
- Encourage **mentorship programs**
- Achieve maximum effectiveness from an SME program by having a better coordination with programs running at the same time
- Programs need to be **flexible** enough to accommodate with changing arising

Market Driven Approach

- **Surveys** are needed to better understand the needs of a SME; predetermined views can be risky in this field

Setting policies and initiatives to ensure the successful creation of SMEs will benefit the entire economy development (3/3)

Technology and Innovation

- Encourage **Research and Development** (tax breaks for SMEs investments in R&D, co-financing funds, ...)
- Develop programs with universities
- Establish **incubators and digital cities** to provide the needed infrastructure and technologies
- Improving access to information
- Rely on **online transactions and processes** to ease the creation of SMEs and reduce the bureaucratic and administrative burdens

Infrastructure

- Provide **reliable and affordable infrastructure** (ICT services, Internet access)
- Create **parks or zones** with specific benefits (reducing costs)
- Establish incubators and digital cities to provide the needed infrastructure and technologies

Regulatory Framework

- Enact the laws needed to ease the establishment of SMEs
- Enforce the **IPR**
- Establish the appropriate framework to implement the tax incentives for SMEs

ICT Reinforcing SMEs Development

- ICTs are used by private enterprises to improve their productivity and competitiveness in the marketplace
- Various kinds of ICTs help firms in all sectors to:
 - Manage their resources more efficiently
 - Access the information needed for better business decision-making
 - Reduce the costs of business transactions
 - Enhance their ability to bring their products and services to customers
- For SMEs, the main observed benefits of ICT use are:
 - Reduction in information search and transactions costs
 - Improved communications along the supply chain
 - Strengthen social and human capital through the enhancement of skills, participation of women, empowerment and security against income loss

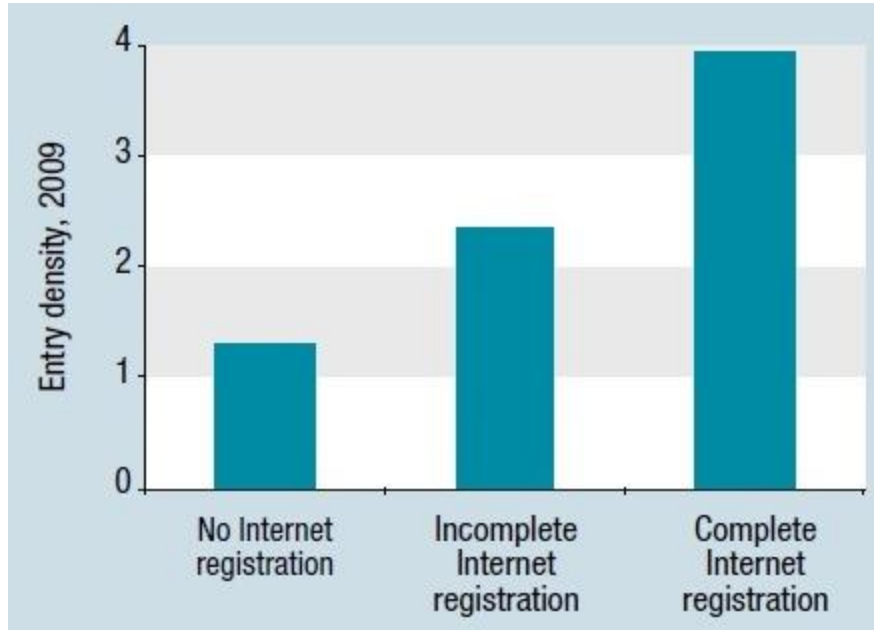
Developing-countries enterprises using ICT have better performance compared to those not using ICT with clear **improvement in growth, productivity and profitability**



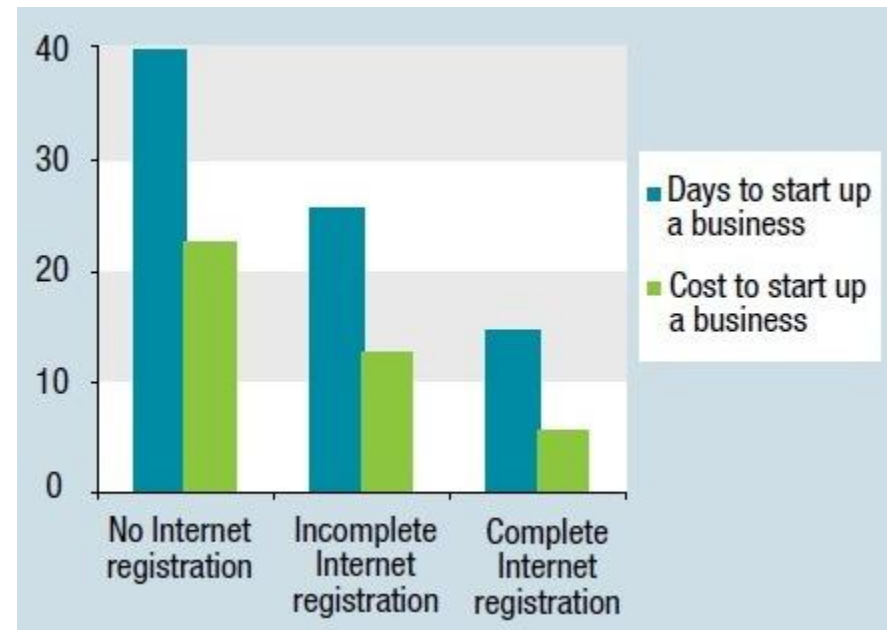
Performance Indicator	Enterprises that do not use ICTs	Enterprises that use ICT	Improvement
Sales Growth (%)	0.4	3.8	3.4
Employment Growth (%)	4.5	5.6	1.2
Profitability (%)	4.2	9.3	5.1
Labor Productivity (value added per worker, \$)	5,288	8,712	3,423
Total Factor Productivity (%)	78.2	79.2	1

The use of ICTs makes the **business environment more enabling** and **increases competitiveness** (1/2)

Number of Business Registrations



Speed and Cost of Business Registrations



- Process of registering an enterprise or obtaining a business license is improved by ICT use; enhancing access to the procedures, automating them, and reducing the scope for corruption at both national and subnational levels
- Automated registration procedures increase the number of new firms in an economy
- Average number of days and the costs to start a new business are much lower when using online registration

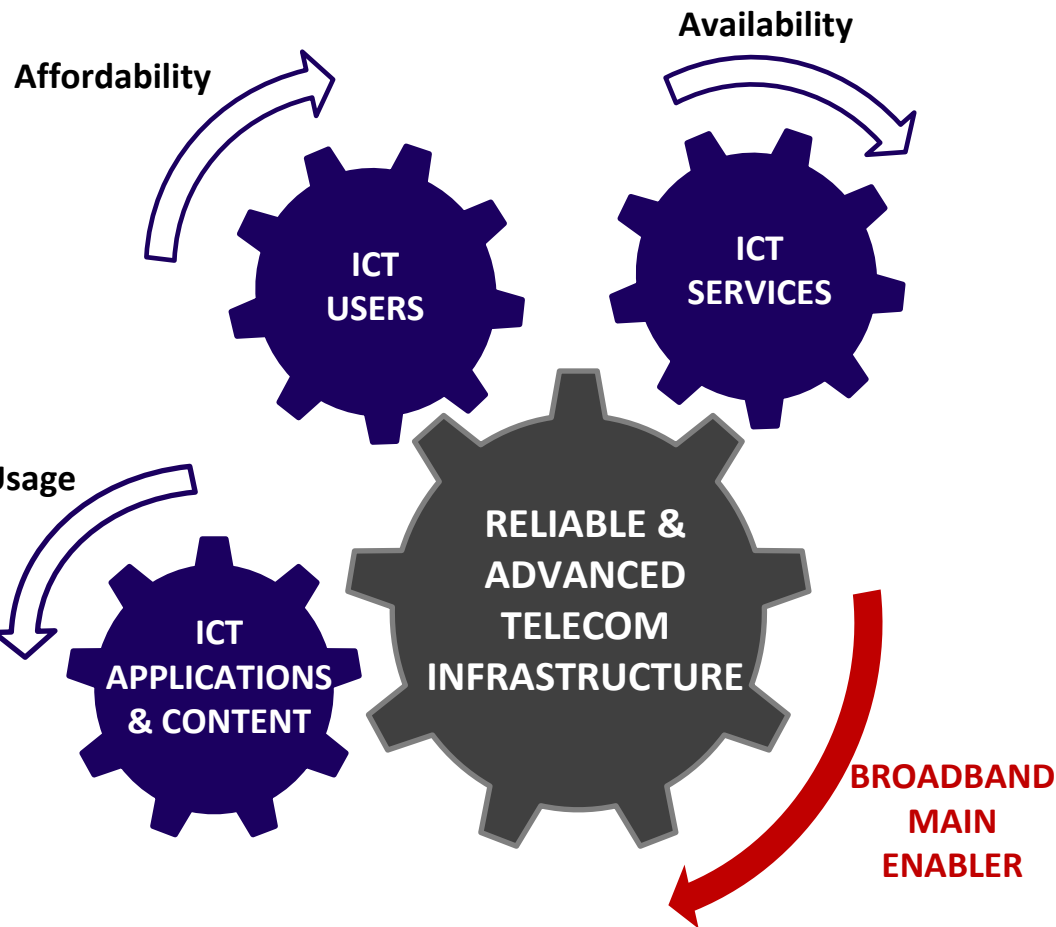
- ICTs have proven to contribute to reforms of tax policies and procedures through:
 - The introduction of electronic filing of returns
 - Electronic tax payment
 - Provision of taxpayer services via the Internet
- ICT facilitates access to funds through mobile money systems creating new possibilities for SMEs to access financial resources at reduced cost:
 - Receive and transfer – in real time – very small amounts of funds at low cost across long distances (even internationally)
 - Reduce high transactions costs related to the processing and administration of small loans

National Strategy Recommendations

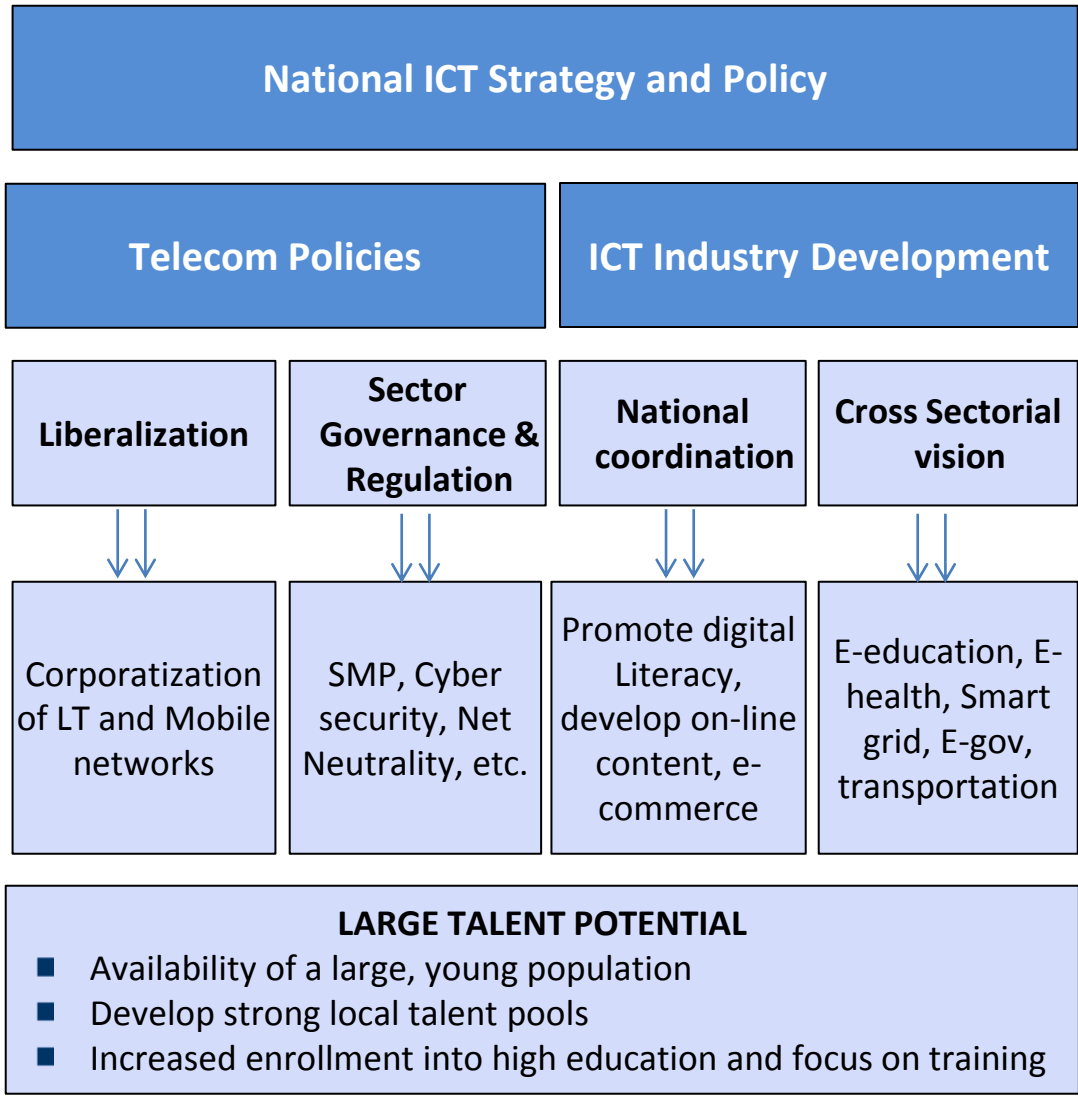
The development of the ICT sector is slowed down by a lack of consensus on the current policies and laws as well as future directions

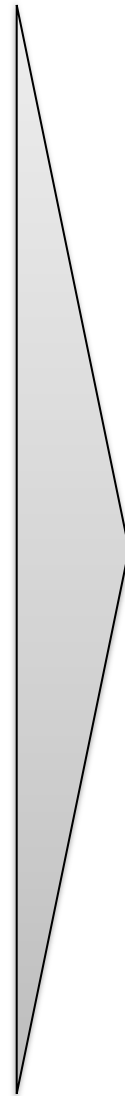
Barriers to Development

- Lack of political consensus regarding the ICT related laws
- Very low government engagement in the enactment of modern laws and policies
- Absence of a overarching knowledge economic vision
- ICT-focused activities within the government institutions are not integrated in a way to fully harness ICT potential in Lebanon



Aspirations towards a knowledge-based economy should focus on two main ICT policy areas: liberalization of the telecom market and an ICT development strategy



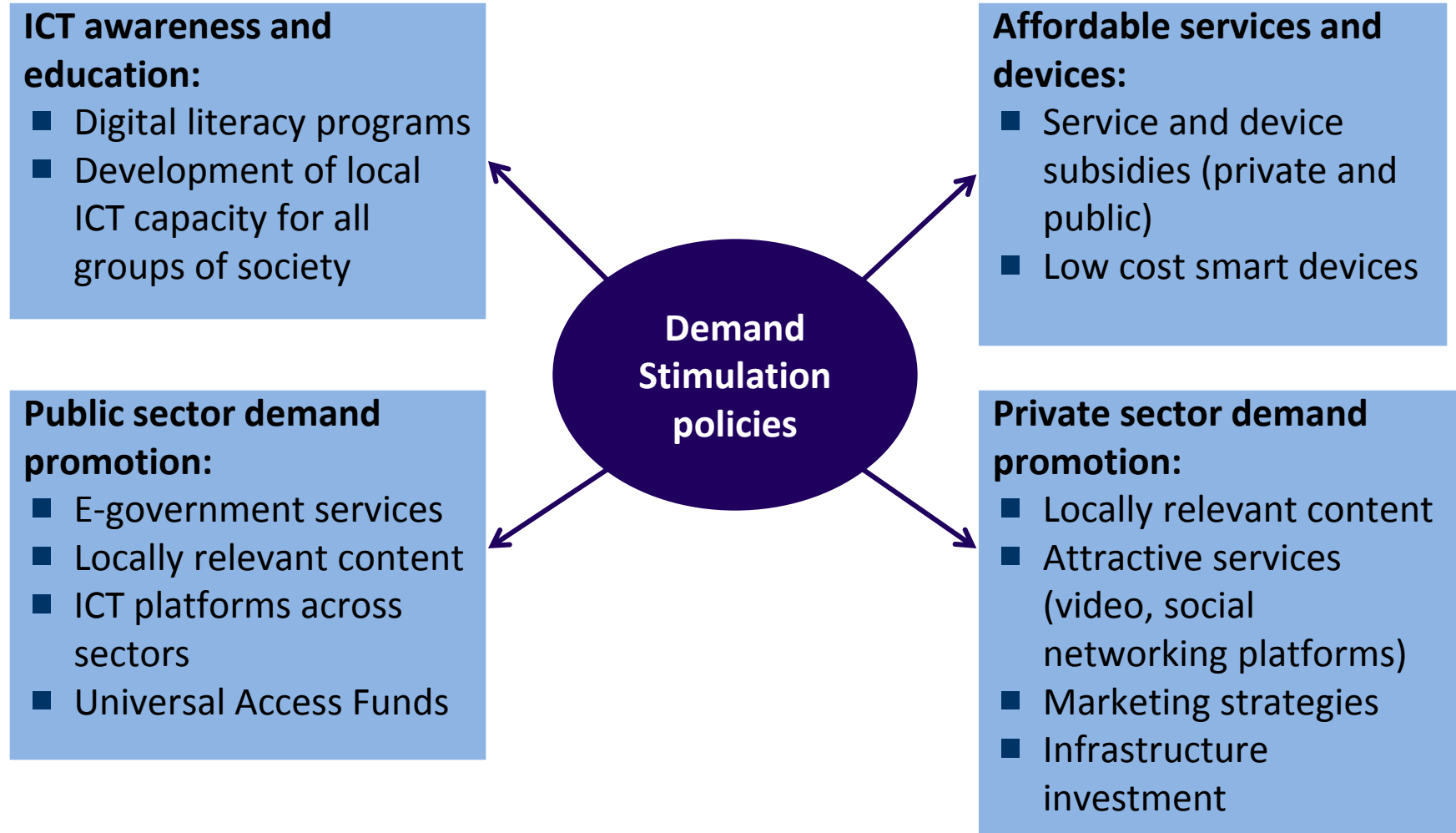
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- Economic Diversification and Growth
 - Innovation and Productivity
 - Access to Education and Healthcare
 - Government Modernization
 - Social Equity
 - Environment Safeguard
 - National Competitiveness
 - Sustainable development

Policy- related Decisions

To promote ICTs within firms and increase digitization, governments need to provide an enabling environment that is conducive to business use of ICTs

Elevate digitization on the national agenda	<ul style="list-style-type: none">▪ Ensure national policy provides the right platform for digitization▪ Develop a plan with specific objectives for a national adoption of ICT
Evolve sector governance	<ul style="list-style-type: none">▪ Segregate regulatory and policy roles▪ Clarify ownership and accountability for ICT and digitization
Create the ICT ecosystem	<ul style="list-style-type: none">▪ Address challenges and benefits of convergence▪ Develop a strategy addressing all stages of the value chain
Enable competition	<ul style="list-style-type: none">▪ Develop a competitive ICT model stimulating innovation▪ Ensure sector sustainability and investments
Ensure basic access	<ul style="list-style-type: none">▪ Ensure available robust broadband highways (possibly with PPP investments)▪ Speed up the implementation of Broadband Internet Connectivity
Stimulate demand	<ul style="list-style-type: none">▪ Boost digitization and service adoption▪ Ensure the availability of e-public services

Governments in emerging regions are developing ICT policies to drive investment and increase the adoption and usage of ICT based services



Government should adopt policies to move towards a knowledge based economy

Research and Development

- Incentivize industry players to invest in R&D
- Encourage innovation
- Encourage cooperation between academic institutions and private sector

Digital Literacy

- Promote digital literacy as a mean for innovation and more competitiveness
- Transform the national economy into an open and competitive digital economy

Social Challenges

- Address challenges related to the use of applications and the wide spread of social media
- Increase social inclusion

Incubators and Digital Cities

- Encourage the creation of incubators
- Create digital cities to encourage entrepreneurship and SMEs

Applications and Services

- Stimulate innovation
- Develop local content and e-citizen portal

- Provide incentives for the creation of SMEs:
 - Reduce administrative burdens to obtain licenses
 - Provide loans and tax breaks
 - Encourage PPP for costly but essential ICT projects
- Establish venture capitals and investments funds to support the creation of startups and SMEs in cooperation with all stakeholders
- Take measures that would incentivize national and foreign investments in the ICT sector
- Adopt national e-government policies to foster the advent of new digital culture: e-procurement, e-payments, ...
- Provide a secure connectivity to encourage online business and commerce
- Incentivize ICT skill development and attraction

Regulatory Challenges

Regulatory Reform

- Regulatory framework should cope with the evolving market structure moving from a traditional regulatory framework to a more global one encompassing all ICT related players and services
- Regulators need to see and apply long term sustainable regulatory policies and principles to encourage investments in a rapidly changing environment.
- Regulatory framework should be revised from structural and legal aspects to cope with convergence

Regulatory framework should be aligned with the national ICT agenda to ensure its successful implementation and maximizing economic benefits

IPR	<ul style="list-style-type: none">▪ Setting appropriate measures to safeguard IPR
Internet Safety	<ul style="list-style-type: none">▪ Setting appropriate measures to ensure internet safety covering online children protection, fraudulent activities, cybercrime, sensitive content and issues of patent
Network Security	<ul style="list-style-type: none">▪ Addressing the growing number of security challenges, including privacy and data integrity, which are intensified by the steady development in the ICT sector
Cloud Computing	<ul style="list-style-type: none">▪ Investment & infrastructure▪ IPR, Data privacy, confidentiality, and security▪ Dispute resolution▪ Quality of Service (QoS)
VoIP	<ul style="list-style-type: none">▪ Encouraging the use of VoIP as a main driver for cost reduction of SMEs▪ Addressing challenges to Quality of Service and specific regulations of VoIP as a substitute for PSTN telephony

THANK YOU