



**FEMISE Policy Seminar on<sup>1</sup>**  
**“Unlocking the Potential of the Private Sector in South Med Countries”**

**American University of Beirut (AUB)**  
**Beirut, Lebanon**  
**December 5, 2016**

**Context**

A dynamic private sector could make a real contribution towards achieving inclusive development in the South Med region. So far, while the sector provides more than half of the jobs in the region, its overall contribution to economic growth is relatively modest compared to its potential. Furthermore, the sector has been facing greater difficulties in the wake of the uprisings of 2011 and the associated economic and political instabilities. The challenges are at two levels:

- (1) At the macro level, the region suffers large macroeconomic imbalances and sluggish economic growth. Rising budget and balance of payments deficits are associated with large increases in government debt, volatile exchange rates, soaring inflation rates, lower credit ratings, foreign investment outflows and declining international reserves. This volatile environment is impeding the private sector from achieving its potential and calls for major intervention by governments and central banks to stabilise economies.
- (2) At the micro level, the sector faces a large number of obstacles: complex administrative procedures and access to finance top the list. While SMEs have some of the lowest levels of usage of bank loans compared with other regions in the world (except sub-Saharan Africa), start-ups face important impediments in accessing growth capital such as angel finance and venture capital from more specialized investors. Actions are needed to overcome such constraints and support access to finance.

Beside efforts by governments in the region, the international community has provided support to the sector. The EU alone has invested an average of 350 million per year in the last decade, in addition to provision of technical assistance. Other international financial institutions have done the same. However, more still needs to be done.

To this end, FEMISE and the American University of Beirut (AUB) are delighted to organise this seminar on: **“Unlocking the Potential of the Private Sector in South Med Countries,” at the premises of the AUB, Beirut, on December 5, 2016.** The seminar will gather representatives from the research community, policymakers, financial institutions, the private sector and international donors, with the ultimate aim of holding a constructive dialogue.

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## **Content**

The key question addressed in the seminar is: ***"What measures could be taken to unlock the potential of the private sector in the South Med countries?"***

To address this question, the speakers and participants in the seminar will cover three key areas:

- First, an in-depth analysis of the macroeconomic environment, showing how the current landscape has a negative impact on the development of the private sector and discussing appropriate policy responses;
- Second, an analysis of the obstacles facing the private sector more broadly and SMEs in particular, including access to finance and exploring how lessons from success stories could be transposed; and
- Third, an assessment of the role of the international community towards the development of a vibrant private sector, and exploration of new approaches.

## **Organization**

**The seminar will be organised in a single day over three main sessions and one roundtable discussion session:**

**Session 1: "Macroeconomic Challenges and the Private Sector in South-Med Countries"** will address the main macroeconomic challenges facing South Med countries and their impact on private sector development. The session will include a discussion between researchers and policy makers (e.g., central bank representatives) on what potential economic reforms could be envisaged;

**Session 2: "Private sector Development: Obstacles and Opportunities"** will look into the challenges facing private sector development in the south Med region, including access to finance, identifying what has been done, what successful measures can be replicated and which sectors/projects need to be supported and for which reasons;

**Session 3: "The Role of the International Community in Enhancing the Private Sector"** will include some of the international community's initiatives to support this sector, including the EU (DG-NEAR), OECD and other institutions.

The seminar will close with a **roundtable discussion on the way forward for the private sector**, which will entail a dialogue between the different parties.