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ENTREPRENEURIAL ECOSYSTEM'S SUPPORT OF THE GREEN AND CREATIVE ECONOMY: CHALLENGES AND RECOMMENDATIONS FOR EGYPT, LEBANON AND TUNISIA

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1 BACKGROUND

In the face of recurring crises, climate change challenges and the urgent need for sustainable job opportunities, the green and cultural creative economies emerge as strategic pathways for fostering sustainable economic growth and fostering innovation. These sectors share a common characteristic: their development not only generates employment but also exerts a positive influence on the environment, culture, creativity and national identity, respectively. Consequently, these sectors make significant contributions towards achieving the Sustainable Development Goals (SDGs). Specifically, in the context of this policy paper's focus on Egypt, Lebanon and Tunisia, these countries face significant challenges, including high youth unemployment rates¹, substantial government debt, and recurring financial and economic crises. Additionally, they grapple with water scarcity, pollution and the loss of biodiversity, all of which contribute to their lagging progress in achieving the 17 SDGs². Therefore, alongside the blue economy³, the green and cultural creative economy is of key importance in driving sustainable job creation in these nations.

According to the UNEP⁴, a green economy is low carbon, resource efficient and socially inclusive. In a green economy (GE), growth in employment and income are driven by public and private investment into such economic activities, infrastructure and assets that allow reduced carbon emissions and pollution, enhanced energy and resource efficiency, whilst preventing the loss of biodiversity and ecosystem services.

The cultural creative industry (CCI) is defined by the EU parliament⁵ as “all sectors whose activities are based on cultural values or artistic and other individual or collective creative expressions. The activities may include the development, the creation, the production, the dissemination and the preservation of goods and services which embody cultural, artistic or other creative expressions, as well as related functions such as education or management.” They incorporate architecture, archives, libraries and museums, artistic crafts, audiovisual (including film, television, video games and multimedia), tangible and intangible cultural heritage, design (including fashion design), festivals, music, literature, performing arts, books and publishing, radio, and visual arts.

¹ Youth unemployment has reached 17.7% in Egypt (2022), 25,5% in Lebanon and 37.1% in Tunisia (Source: International Labor Organisation)

² Egypt is ranked 87, Lebanon 97 and Tunisia 69 amongst the 163 tracked countries. For more information see: <https://dashboards.sdindex.org/rankings>

³ For more details on the blue economy in the target countries, please refer to (Ayadi and Forouheshfar 2023a)

⁴ United Nations Environment Programme

⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2018%3A366%3AFIN>

Circular Economy (CE), as an alternative of linear economy, has gained momentum as a sustainable means of doing business and being considered as an important pillar for greening the economy, especially in the context of the EU green deal. Several definitions arise for circular economy. We retain the meta-definition, which is based on an analysis of 114 definitions of the term by Kirchherr et al. (2017), where a circular economy describes “an economic system that is based on business models which replace the ‘end-of-life’ concept with reducing, alternatively reusing, [and] recycling [...] materials in production/distribution and consumption processes, [...], with the aim to accomplish sustainable development, which implies creating environmental quality, economic prosperity and social equity, to the benefit of current and future generations”. More operationally, 5 practices of circular economy were identified in the Flash Eurobarometer survey (European Commission 2015), representing the transition to a circular economic world by:

- Minimising waste by recycling or reselling it to other companies,
- Reviewing uses to minimise energy consumption,
- Reviewing uses to minimise water consumption or maximise water reuse,
- Modifying the design of the product or service to minimise the use of materials and/or maximise the use of recycled materials,
- Use of renewable energy.

Hence, investing in a circular economy and developing circular approaches in target countries seems to be the best solution to create jobs whilst reducing costs of production and its impact on the environment. The shift from a linear to a circular economy cannot be done without proper support from an entrepreneurial ecosystem that enables the environment for such projects.

The focus of this policy paper is to better understand how does the entrepreneurial ecosystem in Egypt, Lebanon and Tunisia support the creation and development of the GE and CCI and with a focus on CE. We tackle the status, challenges and provide policy recommendations for the development of these sectors.

Despite the geographical and cultural proximity shared by the three countries - Egypt, Lebanon and Tunisia - their entrepreneurial ecosystems exhibit distinct characteristics and encounter unique challenges. In our analysis, we comprehensively examine the specific challenges hindering the development of the green, creative and circular economy within each country and offer policy recommendations to address these obstacles.

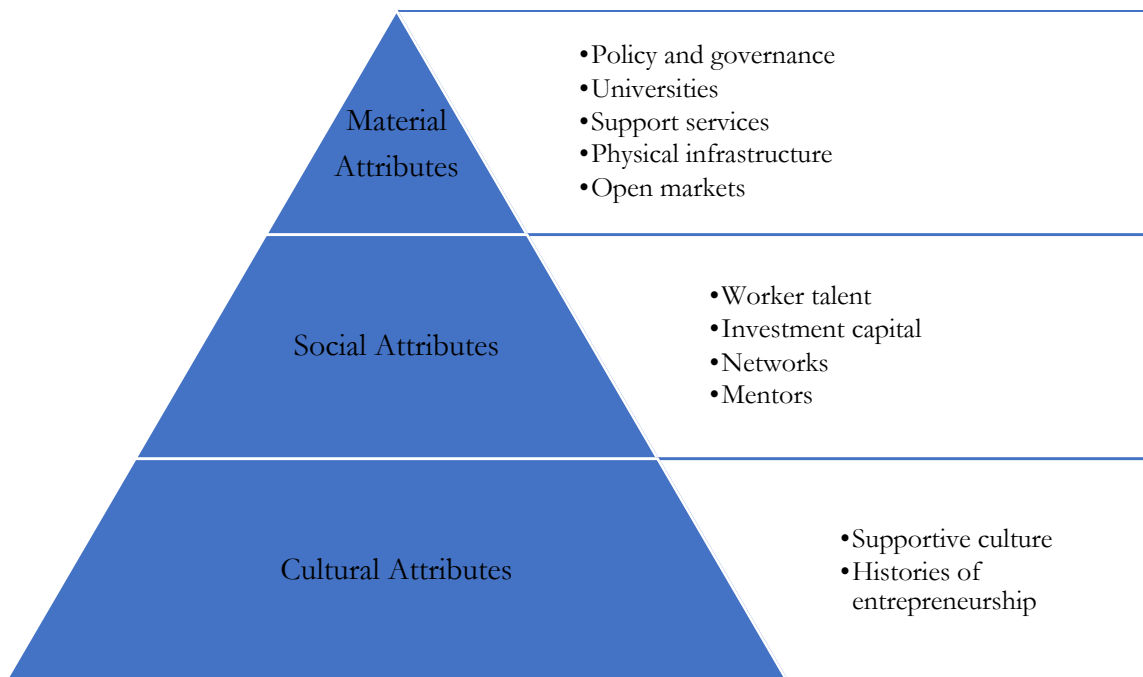
To effectively address the objectives of this policy paper, we have adopted a methodology that combines a comprehensive literature review with an original [survey](#), conducted amongst 33 entrepreneurs operating within these sectors across the three target countries. Additionally, we have conducted interviews with specialists who possess expertise in this subject. The paper is organised as

follows: We start by assessing the practices of the key players of the entrepreneurial ecosystem in the three countries, then we identify the key challenges and policy recommendations for the different actors.

2 THE ENTREPRENEURIAL ECOSYSTEM'S SUPPORT IN THE TARGET COUNTRIES: ASSESSMENT OF CURRENT PRACTICES

Entrepreneurial ecosystems are “combinations of social, political, economic, and cultural elements within a region that support the development and growth of innovative startups and encourage nascent entrepreneurs and other actors to take the risks of starting, funding, and otherwise assisting high-risk ventures” (Spigel 2017). Their success is defined by the degree of interaction of their three attributes: Cultural, Social and Material, to create a supportive environment that increases the competitiveness of new ventures. We use Spigel's framework to better understand the entrepreneurial ecosystems in the three target countries, whilst focusing on the green and circular economy.

Figure 1: Attributes of the entrepreneurial ecosystem (Spigel, 2017)



a) Cultural attributes

Cultural attributes are composed of the supportive culture of entrepreneurship and histories of entrepreneurship. According to the Global Entrepreneurship Monitor for Lebanon (Hill 2018), “Cultural and Social Norms in Lebanon are seen as providing strong support for enterprise, with a Lebanese culture that emphasises initiative, creativity and innovation and which encourages entrepreneurial risk-taking”. This entrepreneurial culture is also in existence in Egypt, but not sufficient, as it is in Lebanon (Ismail et al. 2022). Several success stories in ICT entrepreneurship in Egypt have reinforced the entrepreneurship culture, whilst for Tunisia this entrepreneurial culture is low (Hill et al. 2023), where there is a strong attraction to public sector employment (Belkacem et al. 2012).

Regarding the **green economy**, the three countries are lagging behind in the development of green sustainable solutions to reduce their CO2 emissions. Their levels of CO2 emissions have been on the rise for the last decade, with increasing challenges regarding the quality of air, the scarcity of water, problems with waste management and urban gentrification. Nonetheless, in these countries, the agricultural sector is still a key sector for food safety and for the agri-food industry. Nonetheless, more awareness is needed to reinforce the cultural aspect of environmental preservation and the circular economy. Nevertheless, in the three target countries, religion has a strong impact on cultural aspects of the economy, with all religions favouring the preservation of the environment and the tradition of reuse and recycle.

Regarding **CCI**, the three countries benefit from strong history, powerful diaspora and a rich cultural heritage, allowing the increasing potential of this sector. Egypt has a very rich cultural heritage, with the great potential of the architectural sector, furniture industry and advertising and new media, in addition to a well-established handicraft sector (EMEA 2021a). Lebanon’s geographical location provides a great deal of strength and dynamism for the country’s CCI, whilst showing potential regionally in design, advertising, architecture, fashion, gastronomy and publishing (UNIDO, 2015). Tunisia’s strong cultural heritage and strategic location can also provide an enabling environment for the development of the CCI. In Tunisia, a strong culture of handicrafts is already established and crafts, gaming and cultural heritage are considered to be the sub-sectors with the greatest potential in the CCI (EMEA 2021b).

It should be noted that more recently, with the economic crises that are facing the three countries differently, an increased tendency has been observed towards creating and exporting green and cultural products, favouring entrepreneurship and innovation.

b) Social attributes

Social attributes are the resources composed of, or acquired through, the social networks within a region. These attributes are composed of four key components, being: the networks; investment capital; mentors and dealmakers; and worker talent. The entrepreneurial networks are the social networks connecting entrepreneurs, advisors, investors and investors with a free flow of knowledge and skills. Mentors and role models are successful and experienced entrepreneurs who provide advice and support to startups. Investment capital refers to entities, such as families, angel investors or venture capitalists, that are willing to finance startups. Worker talent relates to workers who are willing to work at startups with the necessary skills. Business incubators and accelerators are playing a key role and Business Support Organisations (BSOs) in the region provide appropriate networks for entrepreneurs, providing mentorship, funding, training and networking opportunities. Their number, size and efficiency are growing in the target countries, with strong support from international organisations and the EU. In the three target countries, these entities have suffered from the COVID-19 crisis and reduction of government support. They depend largely on funding from international organisations, hence their support of entrepreneurs has been adjusted due to the global agenda.

In Egypt, pre-incubation programmes, such as (YIA, INJAZ, GESR...), incubators and accelerators (V-Lab, Flat 6...), community supporters and ecosystem developers (Rise Up Egypt) provide good infrastructure to start a business. Their availability provides effective support for new and growing firms. Nonetheless, this ecosystem is concentrated in Cairo and Alexandria and is weak in the other regions. The development of the Egyptian ecosystem still lacks massive investment and adequate financing, especially in terms of the number and volume of investments from angel investors and venture capitalists. In addition, the workforce does not have adequate skills to support the development of startups.

The Lebanese entrepreneurship ecosystem was very vibrant prior to the 2019 financial and economic crisis, as it was favoured by support from the central bank through the issuing of the circular 331⁶. This ecosystem suffered during the economic, financial and COVID crisis. However, since the Beirut blast in 2020, Lebanon has received massive aid and support from international organisations, including programmes and funds to revive the entrepreneurial ecosystem for reconstruction, job creation and growth. Access to finance for entrepreneurs is difficult in the context of a dysfunctional

⁶ The circular was issued by the central bank to support the development of the Lebanese entrepreneurial ecosystem. It allowed entrepreneurs to receive financial support directly from commercial banks or through special venture capital funds. As such, it stipulates that those kinds of investments made by a bank will get a funding and a loss guarantee up to 75% of the investments. At the same time, profits are split between the participating banks and the central bank by 50-50%.

banking system and a high level of uncertainty. Regarding skilled talent, Lebanon has a good level of skilled workers but is challenged by the massive brain drain due to the economic and social context.

In Tunisia, incubation and support programmes are growing, however, it is still observed a lack of coordination between the different actors for better efficiency (Benguergoura 2020). Like Lebanon, Tunisia is suffering from massive brain drain, after the consecutive political crises, which has endangered the supply of skilled workers.

Support for **green entrepreneurs** is growing in the three countries and this is relatively recent. The main targeted sector for development of startups was the ICT. Nonetheless, with climate change challenges and international pressure to reach climate objectives, several programmes emerged to support the development of green businesses. Numerous projects materialised at regional level to support green business, such as: SwitchMed, GIMED, InvestMed, Agrytech, Cluster4green, Clyntech, and Unido projects for the green economy⁷ etc. These projects target the ecosystem and entrepreneurs for training, capacity building, funding and mentoring.

Similarly, support for **CCI** has also grown in the three countries, to help artists and designers to structure, develop and build their businesses. Several projects were launched with programmes supported by international organisations, such as: Creact4Med, Fantasmeem and UNESCO - programmes for creative entrepreneurs. Targeted support to fund the green and creative sectors emerged, assisting their development via different channels, such as guarantee schemes and targeted loans.

c) Material attributes

Material attributes are related to policy and governance, universities, support services, physical infrastructure and open markets. Policy and governance are state run programmes or regulations, supporting entrepreneurship through direct funding or removing barriers to new ventures. Universities play a key role in training new entrepreneurs and skilled labour. Support services providing auxiliary services backing new ventures, whilst physical infrastructure including offices and transportation facilities and open markets provides the opportunity to access global markets via local support.

Egyptian policy makers have invested in promoting sustainable entrepreneurship by setting it at the heart of Egypt Vision 2030. It has engendered several projects, such as the Rowad 2030 project⁸, aiming to promote the culture of innovation and entrepreneurship and to build an inclusive and

⁷ <https://open.unido.org/projects/LB/projects/210028>

⁸ Led by the Ministry of Planning and Economic Development: <https://www.mped.gov.eg/singlenews?id=250&lang=en>

integrated entrepreneurial ecosystem. Other policies have also been put in place to support entrepreneurs, such as the one-stop-shop for firm registration and the update of the small enterprises law, which provide incentives for small businesses to invest in infrastructure and training. At university level, several institutions have established business incubators to support entrepreneurial projects, such as Cairo University, the American University of Cairo etc. This allows the development of entrepreneurial knowledge beyond business school students. Regarding infrastructure, slow internet connection and inefficient transportation services are still problematic, especially in large cities. However, the size of the Egyptian internal market is large and the most dynamic in the region (Ismail et al. 2022) allowing room for local growth for small businesses.

Lebanon suffers from high political instability and very slow decision-making processes. Since the financial crisis, governmental initiatives have been absent. Entrepreneurs are having a hard time starting their businesses, due to a complete paralysis of the banking system and governmental agencies. For example, a large employee strike hit the public sector, making firm registration a quasi-impossible task. The country's major incubators are based in universities allowing the development of entrepreneurial skills. Regarding infrastructure, the country suffers from slow internet connection, severe electricity cuts and an absence of online payment systems making it very challenging to do business. In terms of access to the global market, several initiatives have been put in place to export products and facilitate foreign investment. For example, the Ministry of Foreign Affairs has employed "economic attaches" in different countries, to support Lebanese entrepreneurs with exporting their products in their local economies or the establishment of institutions, like IDAL, to attract foreign investment.

Tunisian policy makers have recently engaged in the development of the entrepreneurship ecosystem, with the Start-up ACT⁹ in 2018, encouraging an enabling environment for startups. In addition, other initiatives have been put in place to improve digital infrastructure¹⁰, access to finance for entrepreneurs¹¹ and the development of the social and solidarity economy, with the adoption of the social and solidarity bill. Tunisian firms also are able to register, using a one-stop-shop facility simplifying procedures for entrepreneurs. Universities in Tunisia are engaging in entrepreneurship programmes, but the labour market still suffers from a skills mismatch. Tunisia's infrastructure is improving, however, to support the entrepreneurship ecosystem with increased digital and financial access.

⁹ For more information: <https://www.startupact.tn/startupact.html#entrepreneurs>

¹⁰ Digital Tunisia: <https://www.mtcen.gov.tn/index.php?id=14&L=560>

¹¹ Crowdfunding bill: http://www.tunisieindustrie.nat.tn/fr/download/news/2020/Loi_Crowdfunding-n2020-37.pdf

Regarding the **green economy**, in each country targeted policies were established to support the development of this sector. Several policies were put in place to encourage the development of this economy (Ayadi and Forouheshfar 2023c). Egypt's above-mentioned Vision 2030 has established an action plan for sustainable consumption and production practices in four economic sectors: energy, agriculture, water and waste management (Switchmed 2015). Several policies have also been put in place to support the green and circular economy relating to certain sectors, such as: energy, construction, waste management, water management, agriculture and tourism (Karam 2020). In Lebanon, the government has provided a tax reduction policy¹² on activities related to environmental conservation (up to 50%) and a reduction in customs tax for importing equipment and technologies that have a positive impact on the environment (up to 50%). In addition, the housing bank, "Banque de l'habitat", has provided exceptional short-term loans in Lebanese Pounds for individuals aiming to install solar panels¹³. This is due to the high demand for the installation of solar panels, driven by the failure of government to provide electricity and the high cost of alternatives sources of electricity. Promotion of sustainable development was affirmed in the new Tunisian constitution in 2014, with rational use of national resources. This has led to several sector specific strategies¹⁴ to green the economy, such as the national strategy for sustainable development and several action plans to support the green economy¹⁵. Nonetheless, skilled workers are scarce when it comes to the safe and sustainable instalment of this green energy in each of the three countries.

For **CCI**, in the three target countries, there is no official definition of the sector and very little spending from governments in this sector. Some policy-specific measures have been put in place to support the sector from different ministries without proper coordination. In Egypt, despite a vibrant cultural scene, there is an absence of an holistic approach within the sector, with a multiplicity of official actors that do not often coordinate with each other. Some collaborations with governments and different actors from the handicraft sector, such as Ebda'a men Masr and Misr el Kheir Foundation, have been put in place to support this sector (EMEA 2021a). In Lebanon, despite a vibrant cultural scene, the absence of governmental support, especially during the crisis has negatively affected the sector. Similarly, in Egypt, there is a need for proper coordination between the actors. Tunisian policy makers have set culture as a strategic area for development. Several initiatives have appeared, such as enhancing the cultural infrastructure, e.g., developing the "City of Culture", whilst the establishment of a Recovery Fund for Culture (Fonds Relance Culture or FRC) is dedicated to the CCI actors hit by COVID-19 and promoting creative industry fairs (EMEA 2021b). The local market size in Tunisia and

¹² the Environmental Protection Law No. 444 of 2002 (decree 167 of 2017)

¹³ https://www.banque-habitat.com.lb/en/loans/solar_energy

¹⁴ Sector specific strategies include sustainable agriculture, waste management, sustainable tourism, efficient energy and clean energy (Benguergoura 2020)

¹⁵ For more info: <https://www.environnement.gov.tn/developpement-durable>

Lebanon is small, relative to Egypt, but for cultural products, the three countries are able to export cultural products especially in the music, cinema and media industries. Several festivals have also been established to support the CCI infrastructure and to develop this industry.

3 BARRIERS TO THE ENTREPRENEURSHIP ECOSYSTEM OVERALL AND SPECIFIC FOCUS ON THE GREEN CREATIVE ECONOMY

Entrepreneurs and SMEs face many challenges in the three countries, which are experiencing the common factors of high levels of inflation¹⁶ which are impacting raw material prices and the margins for firms. In addition, the weak economic context¹⁷ and lack of fiscal space limits the ability of governments to support entrepreneurs and small businesses. This is in addition to common challenges of skills mismatch, high levels of informality and lack of access to finance (Zaki and Zeini 2019; Ayadi et al. 2017). In the following subsections, we will highlight the main barriers that were identified by our survey and focus groups with entrepreneurs from the various sectors.

a) Common barriers facing the three sectors

The most challenging barrier for entrepreneurs in the three sectors and across the three target countries is the **access to finance**. Despite the support provided by the BSOs to connect entrepreneurs with investors and grant schemes, the access to finance is still inefficient. Transaction fees are high. In the case of grants, the cost of sending/receiving the grant is high and can be rationalised to make the best use of these amounts. In the case of exporting products/services, the expensive transaction costs reduce margins. Lebanon, which in 2018 used to be the country that had the highest level of financial inclusion amongst the three countries, has regressed in this aspect, due to the banking crisis. Banks are reluctant to open bank accounts for firms and individuals, locking away opportunities to access to finance for startups. In addition, the transformation of the country into a cash economy complicates transactions with local and international clients and suppliers.

Despite increasing governmental awareness of the economic, social and environmental opportunities that are fostered by the green, circular and CC industries, the lack of **governmental support** is an important barrier to developing businesses in the three sectors. This support is found to be very limited and initiatives are scattered amongst the different stakeholders.

¹⁶ Inflation rate for 2022 in Egypt reached 13%, in Lebanon 171.2% and in Tunisia 8.3% (source: WorldBank)

¹⁷ GDP growth for 2022 being 4% in Egypt, 5.4% in Lebanon 5.4% and 2.5% in Tunisia (source: WorldBank)

Entrepreneurs also suffer from a **lack of networking opportunities** which are needed to help support their growth, to evolve and find opportunities for synergies and collaborations.

Another challenge is related to the **small market size**. Commercialised products/services are costly to produce due to different challenges mentioned relating to the price of raw materials which, hence, are destined for high end/niche clients who represent a very small part of the market. In addition, producing products/services that are destined for export can face several barriers regarding packaging, standardisation, networking and payment processes. And whilst the local market needs to export such products/services, it is not efficient environmentally.

In the three sectors, the form of social enterprise can be adequate for business models that do not only aim for profit, which is often the case for green and CCI businesses. In Lebanon and Egypt, there is **no official status of social enterprise**, which makes it very difficult to create and register firms that have dual bottom-line objectives. In Tunisia, there is an official recognition of social enterprise that was supported by the Social Solidarity Economy.

b) Specific challenges related to the Green Economy

The green economy faces challenges within its e different attributes. Regarding cultural attributes, despite the increasing awareness of the importance of GE for the environment, there is a need for more education and promotion of green businesses and models. Nonetheless, some opportunities arise to develop green businesses, especially in the context of the three countries being non-oil producers and the prices for fossil fuel energy on the rise. For example, due to the failure of the government to provide efficient electricity in Lebanon, there is an increase in the number of households investing in solar panels, established for individual use. Sometimes this is in an haphazard way that can be dangerous for household safety and the surrounding area.

On social levels, the Business Support Organisations (BSOs) anchored in the three target countries are initially trained to support the development of Information Technology (IT) businesses and are located in urban areas that are inaccessible to rural areas where a big part of green business is anchored. In addition, the BSOs are being intensively supported by international organisations to promote green and circular businesses. Nonetheless, these initiatives need to be more synergetic, in order to be more efficient and impactful on the real economy. A key challenge, observed by the interviewed panel, is the difficulty in applying for grants versus entities that are trained for proper application without a real impact on job creation.

c) Specific challenges related to the CCI sector

In the CCI sector, there is insufficient knowledge of artists with management skills and entrepreneurship. Transforming art and culture into a profitable business requires skills that are not generally provided in schools of arts. To support the CCI, several initiatives have been put in place by

different stakeholders, but there is a lack of an holistic approach within this sector that is non-defined in the target countries, hence its support is scattered between different stakeholders, such as governmental entities (ministries of tourism, culture and economy), syndicates (architects, actors, artists, designers etc) without proper coordination.

From the regulatory side, Intellectual Property Rights (IPR) regulations are not updated or implemented to support the creative sector. In addition, the three target countries have censorship practices engaged by religious/governmental entities that can limit the capacity to create and develop products and projects. Adding to this, political stability and security are key for the programming of international and local festivals, which are highly susceptible to the economic/security context.

d) Specific challenges related to Circular Economy

Different types of barriers can be suggested regarding the development of circular economy. We use the framework as suggested by Kirzherr et al. (2018): Cultural, Regulatory, Market and Technological. For the EU market, technological barriers do not seem important for the development of circular economy, but rather cultural barriers, particularly the lack of consumer interest and awareness, and regulatory barriers due to lack of synergies with governmental interventions to allow a more efficient transition to the circular economy. It should be noted that discussion on circular economy is still niche, even though it has significantly increased especially after the green deal. The target countries have similar barriers for development to circular economy. The cultural aspect is key and, despite the increasing awareness of the benefits of CE, it is still very weak. It also remains very difficult to buy second-hand products, or upcycled ones that can be considered of lower social value. Proper skills are needed to be able to develop CE skills and these need to be promoted by BSOs, in addition to universities and vocational training institutes. Technical knowledge exists in the target countries, but it needs to be disseminated in the jobs market.

Nonetheless, other barriers that are particularly important need to be considered when discussing circular economy, especially the absence of proper waste management systems and infrastructure (from collection to recycling). Unregulated dumping of waste and landfilling are a loss of resources for circular economy and they lead to environmental damage, such as soil and water contamination, methane emissions and pollution of waterways. Several initiatives (governmental and/or private) have been put in place to support recycling and reuse of waste, but they are still very niche and there is a lack of collaboration when it comes to increasing synergies and reducing costs.

Table A: Challenges facing the ecosystem

Challenges	Green Economy	CCI	Circular economy
Cultural attributes	Increasing but insufficient awareness of the importance of GE for economy and the environment.	Insufficient knowledge of managing skills to the actors of the sector.	Insufficient public awareness of the benefits and mechanisms of circular economy. Difficulty in buying second- hand products and upcycled products that can be considered of lower social value
Social attributes	Concentration in big cities of entities supporting businesses, whilst a large part of the GE is based in rural areas. Multiplicity of programmes/ initiatives supporting the sector with more synergies to be initiated. Main focus was on the IT sector by the BSOs.	Lack of coordination between the different actors to better support the sector. Lack of networking opportunities.	Increasing support and knowledge from the BSO with scattered support.
Material attributes	Scattered policies put in place to support the sector. High cost of green products that can affect market demand. The challenge between selling locally (lower margins and low carbon footprint) and exporting (high margins and higher carbon footprint). Need to enhance green skills. Difficulties in registering.	No national definitions or strategies addressing the sector. Lack of updated regulations on Intellectual Property Rights. Censorship being practiced with some CCI products. Weak economic context that greatly affects the market for cultural products.	Lack of governmental policies to support waste reduction. Lack of waste management systems, hence high cost of collecting and recovering waste. Lack of collaboration between the different industries to better manage waste.

4 KEY POLICY RECOMMENDATIONS

a) Common policy recommendations for the three sectors

At the cultural level, increasing awareness on the importance of green, CCI and CE on the jobs market and on the creation of job opportunities is key. We suggest the dissemination of awareness in schools, especially in the orientation departments for students, so they can be exposed to the career opportunities that can be facilitated by these sectors. Traditional and social media also play a key role in promoting the success stories and key skills of these sectors.

At the social level, there is a need for better coordination and synergies between the different BSOs and international programmes for more efficient support. Common portals should be put in place per country to gather all the relevant information (such as call for applications, events, facilities etc.) that are available for entrepreneurs and business ideas. This allows better reach and transparency of the projects that are funded by the international and national community in support of the entrepreneurial ecosystem.

Regarding the **access to finance**, at the EU level, we recommend negotiation of bilateral agreements under a “diplomatic wallet” with local banks swiping off transaction fees at the sender/recipient levels for grants, allowing better use of public money. Local banks should waive transaction fees in exchange for firms who open a bank account and will then use the bank for its operations. In addition, guarantee schemes and specialised loans can be used to affect these sectors.

On material attributes, in order to face the challenge of the high costs for importing raw materials and exporting goods and services, it is important to **centralise needs through a public office**. This would group orders and deliveries together, thus reducing costs, prices and carbon footprint.

To avoid the complex registrations processes, we suggest providing an **easy online portal to register** new firms, as microbusinesses (Gross Revenue below 30K euros). This would allow start-ups to avoid complex and costly administrative registration at their formation stage. Once the business is well established and provides higher revenues, it can change structure to a more traditional legal form.

b) Targeted policy recommendations

i. For green businesses

To overcome the problems of small market size, we recommend firms who engage in high end products/services to expand their market base at a local level for lower income clients, by reducing some of their production costs. For example, for local food and beverage products, a system of recipient deposits (bottles, jars etc) could bring down the production cost of packaging, thus reducing the end consumer price.

For better access to finance, subsidised loans on green projects can be put in place to reduce the cost of financing. This would encourage businesses to put the green element of their project at the core of their business plan.

To increase the quality and quantity of labour specialising in green businesses, universities and vocational training institutes need to put in place green job certificates that guarantee the necessary skills and the training that will secure the efficient implementation of green products/services.

ii. For CCI

We recommend that countries adopt a clear definition for CCI, in order to provide a framework to support this sector. Support needs to be provided within an holistic approach, with a clear strategy that engages the different stakeholders. The EU can play a key role in supporting and improving these collaborations (for more information, please refer to Ayadi and Forouheshfar 2023b). Governments and the private sector should address the healthcare/social protection issues. For instance, this type of protection in the CCI is very unequal between the different sub-sectors. This leads to the development/regression of some sectors. We recommend that policy makers address those sub-sectors that have weak social protection and to provide adequate solutions (for more information, please refer to (Ayadi, El Mekkaoui, and Forouheshfar 2023).

Another recommendation is to promote local/small businesses in the CCI within large international festivals (such as Carthage Festival, Baalbek Festival, Red Sea Film Festival), thus creating more exposure for this sector. The use of digital tools and social media is also proven to enable greater market reach for this sector.

iii. For circular economy

Promoting Public Private Partnerships (PPP) is important to improve waste collection and reuse in the country. This can happen at the local level, by relying on the role of local authorities and municipalities to promote and apply waste management practices. Artificial intelligence tools can also be of assistance for more efficient operations.

Governments can provide tax incentives to promote the use of recycled industrial products in their production. These incentives can start at the B2B level. Such incentives play a dual role of promoting recycled products by pushing down the cost of production for firms and the sales price for end consumers. Another recommendation would be to promote second-hand and upcycled products as “vintage” and “trendy” rather than “old” and “old-fashioned”. This can be done through general media campaigns and partnerships with “influencers”.

Table B: Key policy recommendations

Key recommendations	Green Economy	CCI	Circular economy
Cultural attributes	Invest in awareness of Green economy: on local television, social media etc. Promote success stories based on Green entrepreneurship.	Promote success stories in CCI that went beyond the cultural aspect to become a viable, job creating business.	Increase awareness of the importance of reusing and recycling. Encourage B2B businesses to engage in CE then to move to B2C. Promote the trend of “reusing” and “recycling”
Social attributes	Better coordination and synergies between the different BSOs and international programmes for more efficient support Provide transparent platforms that coordinate the different initiatives for better visibility and reach. Policies facilitating access to finance for the target sectors: guarantee schemes, subsidised loans and building reporting skills. Adopt bilateral agreements with banks and financial institutions to enhance the cost of receiving grants and funding for businesses through a diplomatic wallet. Include management courses for arts and engineering schools.		
Material attributes	Establishment of regional cooperation for importing/exporting green cultural creative and circular products, allowing high margins whilst keeping a low carbon footprint. Simplification of the registration process for small businesses (micro-entrepreneur status with simplified processes) and the enabling of a social enterprise status through the social and solidarity economy.		
	Specific training for innovative green skills, in	Adopting a clear definition for the sector.	PPP for efficient waste management.

	<p>collaboration with universities and capacity building institutes.</p> <p>Green certificates for skilled labour for GE jobs</p> <p>In the case of food products, establish a “bottle deposit system” that can be a win-win for local market.</p>	<p>Need for a clear, holistic approach to support the sectors.</p> <p>Widen access to the market using digital tools.</p> <p>Regional collaboration for updating and implementing intellectual property regulation.</p>	<p>Improve waste management for efficient collection/ management and reuse by using AI tools.</p> <p>Support local authorities and private initiatives at a micro level to improve waste collection.</p>
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2. APPENDIX: MAIN RESULTS OF THE SURVEY

Figure 1: Distribution of the respondents of the survey

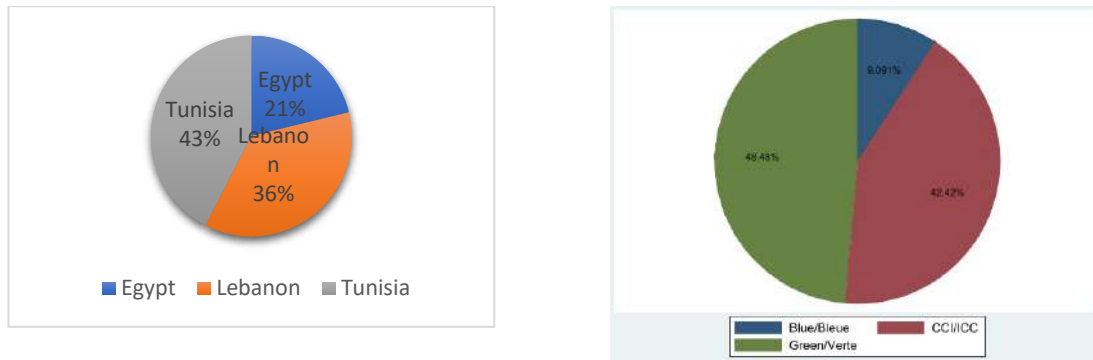


Table 1: Plans for growth in the next few years

Plans for growth	Crucial	Fairly important	Low importance	No opinion
Investing in your team and capacity building	20	12	0	1
Creating jobs	16	13	2	2
Empowering women	18	12	1	1
Attract new customers or clients	25	6	0	2
Expand into new geographic areas	20	10	1	2
Develop and launch new products and services	19	10	1	3

Table 2: The type of support needed

Type of support needed	Crucial	Fairly important	Low importance	No importance	No opinion
Financial	25	5	0	1	2
Mentorship	11	12	4	2	2
Networking	23	6	0	2	2
Technical skills	14	10	5	2	2

Other considerations: Need for legal sector mentorship, for marketing and communication mentorship, search engine optimisation and training in soft skills.

Table 3: Barriers to develop the business

Barriers	High impact	Some impact	Low Impact	No impact	No opinion
Market size	15	11	4	3	0
Access to talent and adequate skills	15	14	2	1	1
Market knowledge	19	5	5	2	1
Access to finance	24	4	2	0	3
Cash Flow	20	8	1	0	2
Physical Infrastructure	13	12	5	1	0
Digital infrastructure	18	10	3	0	2

Network	21	8	2	0	2
Lack of support from the government	23	2	1	2	2
Lack of support from advisory services	11	14	2	2	2

Other considerations: online reputation building, nepotism, need for change of mentalities and economic crises.

Table 4: Factors for building and enabling environment for CCI

Factors for building and enabling environment	Crucial	Fairly important	Low importance	No opinion
Recognition by the government as high potential sector	12	1	1	
Improving public mindset about the high potential of CCI to be a viable career	12	1	1	
Improving soft and entrepreneurial skills	9	3		2
Funding	10	3		1
Quality control process for raw materials	9	3	1	1
Strengthening Intellectual Property Rights	8	4	1	1
Access to cultural spaces	11	1	1	1

Table 5: Support provided by the entrepreneurship ecosystem to the CCI

Support provided by the entrepreneurship ecosystem to the CCI	High support	Good support	Low support	No support	No opinion
Government and public policies	7	1	3	3	
Business incubators	7	4	3	1	
Banks and financial intermediaries	3	4	5	3	
Private investors	3	6	1	2	2
Universities & teaching institutes	4	3	4	2	1
International organisations (EU, US AID etc)	8	5	1		

Table 6: Factors for building and enabling an environment for green businesses

	Crucial	Fairly important	Low importance	No opinion
Recognition by the government as high potential sector	12	3	0	0
Abundance of funding opportunity for green businesses	8	5	1	1
Developing associations and cooperatives for agri-businesses	9	4	1	0
Tax breaks and fiscal benefits for non-polluting businesses	10	4	0	1
Legal restrictions and fines for polluting businesses/ practices	11	3	0	1

Table 7: Support provided by the entrepreneurship ecosystem to green businesses

	High support	Good Support	Low support	No support	No opinion
Government and public policies	3	2	6	4	
Business incubators	4	9	2		
Banks and financial intermediaries	1	6	3	4	1
Private investors	4	7	3	1	
Universities & teaching institutes	4	8	1	1	1
International organisations (EU, US AID etc)	11	4			

ABOUT INVESTMED

Mediterranean MSMEs face important challenges in terms of competitiveness, sustainability, internationalization and capacity to innovate while urgent measures are needed to tackle common environmental challenges and untap the potential of both natural and cultural heritage to contribute to sustainable growth and economic development. Against this backdrop, the INVESTMED project aims at addressing both economic and environmental challenges, by supporting new, sustainable business opportunities for young people and women in three Mediterranean Partner Countries: Egypt, Lebanon and Tunisia.

The INVESTMED Project (InNoVative Sustainable sTart-ups for the MEDiterranean) is co-funded by the European Union under the ENI CBC Mediterranean Sea Basin Programme 2014-2020. INVESTMED has a duration of 30 months, with a total budget of €3.8 Million, of which €3.4 Million (90%) is funded by ENI CBC MED. It has 8 partners from Tunisia, Spain, Lebanon, Greece, Egypt, and Italy:

- Union of Mediterranean Confederations of Enterprises, BUSINESSMED (TU)
- Euro-Mediterranean Economists Association, EMEA (ES)
- European Institute of the Mediterranean, IEMed (ES)
- Beyond Group / Irada Group S.A.L, BRD (LE)
- Institute of Entrepreneurship Development, IED (GR)
- Libera Università Maria SS. Assunta, LUMSA (IT)
- Confederation of Egyptian European Business Associations, CEEBA (EG)
- Spanish Chamber of Commerce, CCE (ES)

INVESTMED will have an impact on MSMEs, start-ups and recently established enterprises where staff will be trained and coached to become more sustainable and competitive and financially supported via an open competition. Specific business incubation services will also be established for sustainable start-ups as well while relevant public authorities will benefit from capacity building and exchange of best practices to facilitate access and protect IPR for MSMEs.

The **Euro-Mediterranean Economists Association – EMEA** is a Barcelona-based regional think-tank that serves as a leading independent and innovative policy research institution; a forum for debate on the political and socio-economic reforms in Mediterranean and Africa; and promoter of actions and initiatives that fulfil objectives of sustainability, inclusiveness, regional integration and prosperity.

The views expressed are attributable only to the authors in a personal capacity and not to any institution with which they are associated.

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