

## **INVESTMED: how to enhance the sustainability of SMEs?**

*The Sant Pau Recinte Modernista in Barcelona hosted the second regional event of the INVESTMED project on July 10 and 11, 2023, co-organised by the Euro-Mediterranean Economists Association (EMEA) and the European Institute of the Mediterranean (IEMed). The event brought together project participants, including entrepreneurs and support structures, experts, and stakeholders, to address the challenges facing Mediterranean SMEs and explore opportunities for sustainable growth.*

According to data from the World Trade Organization (WTO), 95% of all businesses worldwide are micro, small, and medium-sized enterprises (SMEs), which create up to 60% of employment opportunities. This underscores the crucial role these entities play in the global economy. However, these SMEs often face external shocks affecting their supply chains, which impact their ability to respond effectively to market demand fluctuations. These challenges affect their competitiveness, sustainability, internationalization, and innovation capabilities. Overuse of natural resources further jeopardizes their sustainability. These obstacles are exacerbated by underlying economic and social factors, along with external events such as the global pandemic and the conflict in Ukraine, as highlighted by Rym Ayadi, the founder and president of EMEA. Established in October 2012 in Barcelona, EMEA is a research institute that actively contributes to the ongoing transition in the Euro-Mediterranean region and Africa, in light of global financial crises, geopolitical uncertainties, and conflicts.

Through the INVESTMED project, jointly implemented by 8 partners, and co-financed by the European Union under the ENI CBC Med 2014-2020 Program with a total budget of 3.6 million euros, 90% of which is funded by ENI CBC MED, the project founders aim to drive a positive transformation in SMEs, startups, and young enterprises. Specifically, INVESTMED provides training and mentoring to enhance the sustainability and competitiveness of entrepreneurs, along with financial support through a competition. It also plans to establish dedicated incubation services for these businesses and support structures to create a multiplier effect. Simultaneously, the project focuses on strengthening the capacities of public authorities, facilitating an exchange of best practices to access markets and protect the intellectual property rights of SMEs.

The goal is to address economic and environmental challenges while promoting responsible and sustainable opportunities in three countries: Egypt, Lebanon, and Tunisia. During the two days, the Barcelona event primarily aimed to support businesses in better positioning themselves by exploring various topics, including policy recommendations for a regenerative economy, improving access to financing, the role of venture capital, and promoting women's inclusion in the financial sector. Interactive workshops were organized to enhance the resilience of SMEs in the face of current and future challenges.

In her speech, Rym Ayadi emphasized the need to make regulations and market trends more transparent for SMEs. She also stressed the importance of accessible financing solutions to strengthen their resilience. The professor recommended simplifying administrative procedures and adopting digital solutions to enhance the potential of SMEs.

## **Sustainable financing: the deep-rooted hurdle**

Identifying the challenges faced by entrepreneurs was done through support structures, namely the Diane Foundation (Lebanon), Icealex (Egypt), and Westerwelle Tunis (Tunisia), as highlighted by Rym Ayadi, Roger Albinyana, Director of the Department of Mediterranean Regional Policies and Human Development at the European Institute of the Mediterranean (IEMed), and Jihen Boutiba, Secretary-General of BusinessMed. Access to financing stands out as one of the major obstacles hindering the growth of businesses in the examined regions, namely Egypt, Lebanon, and Tunisia. Banks often require substantial guarantees, making it difficult to obtain credit. Despite support organizations' efforts to connect entrepreneurs with investors, the effectiveness of access to financing remains problematic. Another issue is the absence of a credit rating system in these countries. Entrepreneurs find themselves unable to establish their solvency in financial institutions due to the lack of infrastructure bridging the gap between the banking sector and businesses. This is why experts like Rym Ayadi, Roger Albinyana, and Jihen Boutiba all stress the vital importance of enhancing small and medium-sized enterprises' (SMEs) access to clear information regarding current regulations and market trends, as well as providing affordable financing solutions. In this context, streamlining administrative procedures becomes a necessity, and the increasing adoption of digital solutions holds considerable potential for unleashing the strength of SMEs.

Moreover, the lack of government support poses a major obstacle to business growth in these three sectors. Support initiatives are fragmented and inefficient, scattered among various actors. Entrepreneurs also struggle to establish contact networks, which are essential for their growth and exploring collaboration opportunities. Additionally, the limited market size leads to high production costs, primarily due to raw material prices. Products often target a niche, high-end or limited clientele. High-interest rates, whether from banks, the private sector, or microfinance, exert significant pressure on businesses, requiring them to repay substantial amounts. Furthermore, the lack of equity complicates the use of crowdfunding despite its relatively unregulated nature. Convincing potential investors requires a clear approach, a strong business model, and attractive services. In today's rapidly evolving economy, acquiring new skills is crucial for businesses, especially SMEs. The changing economic landscape demands swift adaptation to new business models, with a focus on technological, environmental, and international competencies to stay competitive. Investing in skill development has become a key driver of growth.

The closing event of the INVESTMED project will take place in Tunisia in November 2023.