



**Speech of Mr Marcello Mori, Head of the Sustainable Development Section at  
the Delegation of the European Union to Lebanon**

**Small & Medium Enterprises:  
The Road to Economic Development and Social Justice**

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*CHECK AGAINST DELIVERY*

Excellencies,

Ladies and Gentlemen,

I am pleased to be here today amongst this audience of high level policy makers to discuss the importance of Small and Medium Enterprises (SMEs) in fostering economic development and social justice. It is also a great opportunity for me to express my appreciation for the role that the Union of Arab Banks is playing in promoting the development of SMEs with the aim of achieving social justice.

Let me first underline the strong link between long-term economic development and social justice. In fact, economic development that does not favour the integration of a large part of the population in the circuits of economic prosperity would rapidly increase inequalities and diffuse a feeling of social injustice among those who do not benefit from the dividends of growth. The events that shook the Arab world three

years ago are an example of the social and political instability that the feeling of social injustice can generate. Consequently, such instability threatens to undermine the basis for further growth, as well as the benefits that those who have struggled to develop businesses and make successful investments are expecting to reap.

So, the question is: does integration mean redistribution through compensatory social policies? Or does it mean integrated economic policies that seek to include the broadest part of the population in the core of the production process?

In other words, the question would be whether social justice can be achieved without providing the broadest part of the population with employment opportunities, and without an institutional framework that allows for the development of entrepreneurship and of SMEs.

The historical experience has clearly shown that long term economic development goes hand in hand with inclusive political and economic frameworks. Economic development and social justice are, therefore, intertwined.

Naturally, the banking sector plays a crucial role in this inclusive economic model, since it has the capacity to favour the development of SMEs and the creation of job opportunities. In that regard, I can only pay tribute to the banking sector and decision makers in the Arab world for the role they have played, often in very difficult and risky political and security circumstances, in continuing to support economic development. They have developed financial mechanisms that help to alleviate the risks incurred by the banking sector in such difficult conditions and further develop the credits to SMEs.

As you know, the European Union has been supporting the private sector in Lebanon over the past years in the belief that this sector is an engine for growth and job creation. Since 2003, more than EUR 70 million have been allocated to enhance the capacity of SMEs, to boost the private sector and improve the business environment. This support is particularly relevant now, when so many Lebanese companies are struggling because of the difficult situation in the country and the region.

With this financial support, the EU aims to ensure that the Lebanese private sector, known for its dynamism and resilience, can fully develop its potential. To this end, the EU is funding business incubators - such as Berytech, BIAT and SouhBic -, supporting the improvement of quality (the QUALEB programme), innovation and competitiveness of enterprises, creating financing mechanisms for SMEs, and helping to modernise the National Quality Infrastructure and other public institutions.

The EU has also contributed to the development of micro-enterprises and to the creation of job opportunities in poor rural areas in Lebanon by playing a leading role in the establishment of the “Economic and Social Fund for Development”.

I would like to conclude by stressing the need to integrate all the various efforts deployed by economic decision makers and actors, such as the government, central bankers, public institutions and the private sector, in order to favour the development of SMEs and of social justice within a coherent policy framework. The economic policy of a government has to be clear and accessible to all economic actors, from investors to managers, employees to job seekers and consumers. Statistical institutions should be able to effectively measure the objectives of such an economic policy, which success relies on clear visions, broad consensus and efficient public and statistical administrations.

I am, therefore, very pleased to see that this workshop will stress during the next session the importance of adopting an Arab vision for Economic and Social Development.

Thank you.