Small and Medium Enterprises in Lebanon: Obstacles and Future Perspectives

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ABSTRACT

The study aims to investigate SMEs growth barriers and to explore the impact of a lack of SME directed policy on the growth of the sector in Lebanon. In addition, the paper aimed to explore the potential importance of an SME one-stop-shop as part of a strategy to bolster the sector.

The reserch highlighted the main literature accounts that tackle the issues revolving around the contribution and role of SMEs in the overall economic and social development. In addition, the literature accounts revealed the main arguments concerning pro and against government interventions in promoting SMEs, as well as several accounts that discussed the importance of one-stop-shops and their role in elevating administrative burdens on SMEs

Adopting a mixed method research approach, the reserch relied on both quantitative and qualitative research methods including interviews, survey questionnaire and recourses from international reports in addition to several literature accounts. The results were further triangulated through the adoption of a concurrent triangulation method.

The reserch results revealed that the most hindering factors for SME development in Lebanon were the political, economic and security situations along with excessive administrative burdens and un-supporting business and regulator environments. Furthermore, the paper has drawn lines of a close tie between the lack of SMEs directed governmental policies and the growth of this sector in Lebanon.

Moving this further, the study argued that the relation between SMEs development and public policy must be approached from an overarching perspective. the fragmentation of SMEs policy approach and the absence of a national economic and social development plan play a negative role on SMEs operating within the Lebanese economy. Hence, SMEs directed policies as well as the creation of a SMEs one stop shop within the current policy framework might not be as effective. In this regard, the paper recommended generating a unified national SMEs definition in Lebanon, in addition to establishing a National SMEs Directorate that work on coordinating the efforts of different stakeholders both in the public and private sectors; which will be the first step in establishing a policy framework that caters for the need of these enterprises as vital components of the country's economic and social development.

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ABBRIVIATONS

SME	Small and Medium Enterprises
IFC	International Finance Corporation
OSS	One Stop Shop
UNDP	United Nations Development Project
MOET	Ministry of Economy and Trade
GDP	Gross Domestic Product
OECD	Organization for Economic Co-operation and Development
LE	Large Enterprises
DBR	Doing Business Report
MENA	Middle East and North Africa
GCR	Global Competitiveness Report
DBR	Doing Business Report
IDAL	Investment Development Authority of Lebanon
OMSAR	Office of the Minister of State for Administrative Reform
ILO	International Labor Organization

I. Introduction

Small and medium enterprises (SMEs), play a major role in promoting economic and social development in addition to their role as catalysts of job creation (Magableh, 2015). In the context of developing countries, SMEs comprise over 95% of total businesses, contribute up to 33% of GDP and employ 45% of the workforce (IFC, 2016).

Comprising over 97% of total private enterprises and employing over 51% of total workforce; SMEs are considered one of the main pillars of the Lebanese economy (IFC, 2014). However, the sector's growth has been hindered by several barriers both on policy and strategy levels. Furthermore, external issues and mainly the ongoing conflict in Syria and the large influx of refugees have added more strain on the Lebanese economy. Hence supporting the SME sector can play a role in alleviating some of the burdens that currently face the country on both economic and social levels.

1.2 Background

The Lebanese economy have gone through several structural changes and waves of reform after the end of the civil war in 1991. Three major structural changes were detected by a UNDP (2014) report; in the 1990's the major concern of the Lebanese government was restructuring the institutional framework of the Lebanese public administration to attract foreign investments into the country. The second wave came along in the early 2000's and concentrated on sectorial economic development. By the end of this wave the first Lebanon Doing Business Report was published in 2004, and the initiation of the SMEs support unit came in 2005. Thus, shifting governmental efforts to supporting SMEs as a sector that is not as affected by the political and security turmoil that surrounds Lebanon (UNDP, 2014).

Moving this further, the Lebanese government has taken substantive steps in promoting the SMEs sector; in 2005, the establishment of SMEs support unit as a department within the Ministry of Economy and Trade aimed at providing adequate technical support to SMEs on one hand and provide policy makers with the adequate information for policy formulation. However, the absence of national SME directed policies with clear goals and objectives have fragmented the services and support that the government can provide to this sector (Kemayel, 2015, OECD, 2014). The lack of a national policy framework and

the fragmentation of the services provided to SMEs have hindered their ability to grow. However, SMEs directed policies may not be as effective if they are not part and parcel of a whole reform process that targets different factions of the Lebanese public administration and works on enhancing the business and regulatory environments.

Furthermore, setting forth a universal definition of SMEs is a challenging task, since most countries adopt a definition that suits their context. However, OECD (2014) argues that there are two key pillars to consider in defining SMEs; number of employs and annual turnover. Hence, we can broadly define medium enterprises as firms who consist of less than 250 employees, small enterprises less than 50 employees and micro enterprises less than 10 employees (OECD, 2004).

1.3 Research Aims, Objectives and Questions

Several studies argue that there is a close tie between the development of SMEs, increase in GDP per capita, improved employment rates and economic growth (Wennekers and Thurik, 1999; OECD, 2014, OECD, 2004, Magableh,2015). However, the nature of the contribution of this sector to the overall economic and social development is still a matter of wide debate among policy scholars (Hallberg, 2000).

Based on the above, the research aimed to investigate SMEs growth barriers and explore the impact of a lack of SME directed policy on the growth of the sector in Lebanon. In addition, the research aimed to explore the potential importance of an SME one-stop-shop as part of a strategy to bolster the sector.

Moving this further, and through examining the current state of government policies and the main barriers that stand in the way of SMEs growth. The research aimed at producing a set of recommendations that can contribute towards policy options. to investigate these issues, the research asked the following set of questions:

Main question:

- Are SMEs in Lebanon affected by a lack of policy? If so, how?

And sub questions:

- What are the most daunting obstacles that stand in the way of SMEs growth?
- What are the policy priorities for alleviating the obstacles?
- Can an SMEs strategy and related policies be separate from an overall economic and administrative reform process in the country?
- Can a 'One Stop Shop' for SMEs aid in resolving administrative related issues?

On another hand, the objective of the research is to evaluate SMEs policy framework in Lebanon; and further assess the importance of the role played by the state in promoting SMEs mainly in terms of establishing an adequate business environment and easing administrative burdens.

Despite SMEs importance to the specific context of the Lebanese economy, few literature accounts have directly tackled policy issues hindering its development (Asrawi, 2010; Kemayel, 2015); more literature concentrated on the management of the firm, entrepreneurial culture, issues with owner/manager (Fahed-Sreih, et al. 2010; Pistrui, et al. 2008) as well as issues dealing with access to finance, on both the specific context of Lebanon and within the context of the broader MENA region (Kandah, 2011; Canaan, 2011; Naimy, 2011; Pedrosa-Garcia, 2013). Hence, the research and through analyzing the current policy framework and its effect on business environment and administrative procedures, has the potential of providing a set of recommendations for policy options in terms of promoting the business environment and easing the complexities of specified administrative procedures. As well as contributing to literature on the nature of the relation between governmental policies and SMEs development.

1.4 Research Methods

The research has drawn from both quantitative and qualitative data recourses while being exploratory in nature. Thus, the research utilized the usage of mixed method research design through incorporating data collection analysis, and design from both quantitative and qualitative methods (Gray, 2014). Moreover, the research adopted a constructionist approach which "relied on a combination of both qualitative and quantitative methods (mixed methods). Quantitative data was utilized in a way that supported and expanded upon qualitative data to effectively deepen data description" (Mackenzie and Knipe,2006 p.3).

Furthermore, the triangulation of research results was adopted to further validate the findings of the research and rectify the gap between the adopted research methods. Primary research methods were a survey questionnaire that was sent to SMEs owner/managers across a myriad of sectors and geographical locations. In addition to semi-structured interviews with SMEs owners/managers, experts in the field of economics and public policy as well as government officials who deal with SMEs related policies in Lebanon. On the other hand, secondary data recourses were derived from international reports such as the World Bank Doing Business Report and the Global Competitiveness Report, as well as results from the World Bank Enterprise Survey.

II. Literature Review

The topic of small and medium enterprises has attracted many literature accounts that tackled the issues revolving around the contribution and role of the sector to the overall economic and social development of a given state; stressing that government policies vary in accordance to the nature of SMEs and their allocation across sectors (Niska and Vesala, 2013; Henry and Leitch, 2003; OECD, 2014; Perren and Jennings, 2005; OECD, 2000). The following section aims at presenting literature accounts related to the research question and research aim and objectives. As well as, highlighting the research theoretical framework.

The section tackles the main arguments that revolve around governmental intervention through policies geared towards the promotion of SMEs, highlighting both pro and against intervention arguments. In addition, exploring the main arguments revolving around SME policies in transition and developing economies and an overview of the current SME policy framework in Lebanon. The section will then explore the relationship between business environment and SMEs growth as well as the effect of administrative environment and performance measurement on the process of policy making and assessment in Lebanon. Finally, the section will highlight the arguments that were detected from literature accounts concerning models for setting up one-stop-shops for SMEs services and their effect on the growth of these enterprises.

2.1 SME's Definition

A unified definition across government agencies of what constitute small and medium enterprises can aid in the development of sound strategies that are directed at the development of this sector as well as analyzing the contribution of these enterprises to the national economy. Figure (2.1) sheds the light on the importance of a unified and clear definition of SMEs.

According to UNDP (2014) the lack of a unified and clear definition of SMEs in Lebanon has been used as 'scapegoat for inaction' (p.21). The definition of SMEs varies across Lebanon's government institutions and agencies, with no official definition of SMEs in part of the government (Kemayel, 2015). For instance, the Lebanese Central Bank, defines SMEs, as enterprises that have a turnover of less that LBP 15 billion. On the other hand, Kafalat[1] defines SMEs as enterprises that have less than 40 employees. Most countries develop their

own criteria to define SMEs whether based on number of employees/annual turnover or a combination of the two elements.

Figure (2.1) Importance of SMEs definition

Source: Based on Magablah (2017)
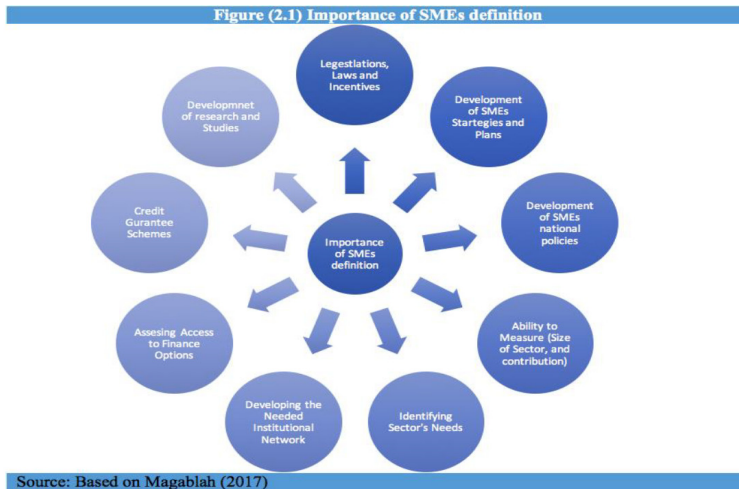
2.2 Obstacles Facing SMEs Growth and Development

Numerous literature resources identify a myriad of obstacles that face SMEs growth. In their study of obstacles that faced Asian SMEs, Yoshino and Taghizaheh-Hersary (2016) argued that access to finance was one of the major issues that hindered the growth and development of SMEs in Asia, accompanied with lack of information and usage of information technology as well as a lack of access to information that is essential to their growth and development. Furthermore, OECD (2004) highlighted access to finance as one of the most hindering factor in least developed and developing economies, in addition to the excessive administrative burdens, and complicated legal and regulatory frameworks. Furthermore, corruption has been cited in several literature accounts as one of the barriers for SMEs growth, which can lead into enterprises operating within the informal sector (IFC, 2010; OECD, 2014).

In the context of Lebanon; the strong banking sector, along with policy initiatives between the Central Bank and private banks, has alleviated the issue of SMEs access to finance (OECD, 2014). Thus, the research will concentrate on non-financial obstacles and issues that deal with a lack of policy initiatives. Furthermore, the World Bank Enterprise Survey, has identified 10 constraining obstacles that face SMEs in Lebanon, citing political instability as the most constraining factor (World Bank, 2013). This is attributed to the political and

legislative deadlock that the government has witnessed since the start of the Syrian crises and its ramifications on both the political and economic situation in the country.

2.2.1-Political Instability

The World Bank enterprise survey has cited political instability as Lebanon's leading constraining factor to SMEs growth (World Bank, 2013). Furthermore, Aisen and Veiga (2011) argue that political instability is regarded as one of the most harmful issues to economic growth, due to its effect on several microeconomic variables, such as inflation and GDP growth. Moreover, Alesina and Perotti (1996) draw a link between socio-political instability and the instability of the economic environment; which effects the chances of economic growth through reducing investment opportunities and increasing risks.

On policy level, political instability tends to limit the vison of policy makers in creating sustainable policies that cater to long term outcomes and confine them into short shock reduction policies (Aisen and Veiga, 2011). Moving this further, the spill overs from the conflict in neighbouring Syria has aggravated the political dead lock in the country. As a result, the parliament has failed to pass important and key legislations aimed at enhancing the business environment[2] (OECD, 2014). Thus, political instability has negatively contributed to hindering the process of growth for SMEs through obscuring the development of legislations that aim at enhancing the business environment, as well as increasing the level of risk associated with investments. Hence, the link between political instability and economic decline results in negative ramifications on the economy effecting both LE's and SMEs. Furthermore, Elbahnasawy et, al. (2016) argue that there is a link between political instability, over regulations and the formation of an informal economy, which will be further highlighted in the coming section.

2.2.2-Informal Sector

Over regulated economies, complicated business registry and taxation procedures, lead to the division of the economy between formal and informal sectors (Bannock et, al. 2002). One of the main issues that face economic development in developing countries is the increasing number of businesses that operate in the informal or shadow economy; most of them being micro, small and medium enterprises (Saleem, 2013). Furthermore, the informal sector or shadow economy tends to increase/decrease in relation to the increase/decrease in the cost and complexity of doing business (Djankov et, al. 2003; Johnson et, al. 1998; Schneider, 2003). Hence, governments are realizing the importance of facilitating the incorporation of SMEs that operate within the informal sector into the formal sector due to the economic gains that they will generate. In this regard, governments are encouraged to eliminate the barriers

that stand in the way of these business from operating in the formal SME sector (OECD, 2004).

Furthermore, the notion of excessive governmental regulations leads to question the validity of governmental intervention policies aimed at supporting SMEs. Along the line of exploring governmental interventions, several SME policy interventions have been mentioned in this section and we will aim at summarizing the major approaches following Storey's (2008) model of dividing interventions based on macro and micro levels:

➢   Macro Level Policies: Competition policies, Import Taxation Policies and Foreign Trade Agreements, Demand Management and Regulations.
➢   Micro Level Polices: Information Sharing (Among Governmental Agencies/ SMEs and between SMEs and Governmental Agencies), Engagement of SMEs in Public Procurement Easing Administrative Procedures, Enterprise Education, Access to Finance, Specific Tax Breaks and Enhancing Business Environment Indicators.

On the macro level, foreign trade agreements can directly harm certain sectors, especially SMEs operating within these sectors. For example, SMEs operating within the agricultural sector in Lebanon, mainly potato farmers have been demanding the government to stop importing Egyptian potatoes that has been flooding the Lebanese market at competitive prices (The Daily Star, 2017). Potato import from Egypt is subject to a bilateral agreement amended in the late 1970's, and since then the regulations have not been renegotiated casing harm to a vital sector within the economy as well as harming the SMEs operating within this sector for their inability to compete with the imported product.

On the other hand, on the micro level, policies aiming at increasing information among government agencies, especially business registry and public procurement are of utmost importance for the growth and development of SMEs. For instance, information sharing among governmental agencies in charge of business registry can aid in eliminating certain duplicated steps thus preventing additional costs and limiting the opportunities for corruption (OECD, 2014). The ease of business registry among other information related to governmental procedures such as the accessibility of SMEs to information pertaining to applying for public tender's, can aid in creating a favorable business environment for SMEs.

Moving this forward, the coming section will tackle the arguments that revolve around the issues of governmental policies directed at promoting SMEs.

2.3 SMEs Governmental Policies; To Intervene or Not to Intervene

SMEs development policies are common to both developed and developing countries (Hallberg, 2000; Harvie and Lee, 2003). However, the debate around governmental policies directed towards promoting the SME sector have attracted numerous literature accounts arguing that considering the growing importance of SMEs as economic catalysts; public policies aimed specifically towards SMEs should not be approached from the angel of isolating the sector from the economy, but rather building up policies that incorporate the sector within the larger economy (Storey, 1994; Harvie and Lee, 2003).

In the same line, Schiffer and Weder (2001) argue for "leveling the playing field" policy approach towards promoting SMEs, which argues that policies need to aim at creating a business environment that caters for enterprises regardless of their size. On the other hand, Gibb (1993) argue that in the case of developed EU countries, the focus on SMEs as a job creating tool has changed into playing a role in equality, social justice, economic growth and price stability. Which has resulted in a shift in policies directed towards the promotion of the SMEs sector based on a clear understanding of the contribution of SMEs to the overall economic and social goals.

Hence, we can argue that government intervention through SMEs directed policies is still a highly debatable and contextual topic; to assess the validity of a certain policy intervention, a study of the broader effects of such a policy need to be considered. Table (2.1) identify some of the policy options that governments can adopt in promoting SME under two major titles, macro and micro policies.

Table (2.1) Sample of Government Directed SMEs Policies (Macro and Micro Levels)	
Macro Policy Options	Micro Policy Options
- Trade Barriers Reduction - Trade Agreements that Enhance SMEs - Access to Foreign Markets	- Bureaucratic Procedure Simplifications - Micro Economic Policies: Enhancing - Competitiveness, Business Environment - Access to Information - Legislations that Protect Small Investors
Source: Based on Gibb (1993); Hallberg (2000); OECD (2014); Story (2008)	

2.3.1 Arguments Against Intervention

The main argument in several literature accounts that tackle the role of government in promoting SMEs sector stems from the uncertainty of the economic contribution of the sector to the overall economy, including its contribution to the increase of employment levels, or alleviating unemployment numbers (Harvie and Lee, 2003; Hallberg, 2000, Henry and Leitch, 2002; Frank and Landstrom, 1997). Furthermore, intervention in promoting the SMEs sector on the account of LE's may indicate the presence of a market failure. However, government's interference to correct the failure would result in more subsidies and increase in welfare spending that may distort the balance of resource allocation in favor of a certain firm-sizes (Bridge et, al. 1998; Story, 1992). Furthermore, the interference of the government through devising policies for SMEs support contradicts with the notion of free economy. In this regard, Henry and Leitch (2002) argue that SMEs thrive better within the medium of a free enterprise economy with minimum government interference in 'correcting' market mechanisms.

Furthermore, Hallberg (2000) argues that government interference and subsidizing the SMEs sector may negatively affect the growth of small enterprises, since SMEs will be reluctant to leave the comfort of the protection provided through governmental policies. Moreover, the effectiveness of the intervention has been addressed by numerous literature accounts, arguing the government interference has not been effective, citing growth as a leverage point: if the interference is effective, more businesses will be growing into LE's (Craig et al. 2007; Johnston et al, 2000).

This notion of effectiveness is further addressed in the study of how SMEs respond to public provided support outlets. For instance, despite policies that aim at supporting SMEs in OECD countries, several literature accounts highlight the reluctance of SMEs to peruse the available support tools (Boter and Lundstrom, 2005; Curran and Blackburn, 2000; Curran, 2000).

The reasoning behind this reluctance, as argued by Niska and Vesala (2013) lies in the incompatibility of SMEs policies with the notion of fostering growth, as it mainly concentrates on the maintenance of current SMEs. Another dimension, lies in the difference in efficiency and procedures in which governmental departments operate versus SMEs.

Most of the arguments that advocate or take a noninterference stance, approach the issue from a cost-effective stand point; as well as based on the argument that no coherent empirical evidence has been utilized to study the effects of SMEs to the overall economic and social development.

2.3.2 Pro-Intervention

The initiation and implementation of effective SMEs policies, requires a deep understanding of the factors that hinder or promote the growth and sustainability of these enterprises (Story, 1994). Based on their number and contribution to the economic and social growth of a society, several literature accounts support the notion of government interference in devising SMEs support policies (OECD, 2014; World Bank, 2004). Furthermore, OECD (2014) argues that SMEs polices are necessary for the development of the sector due to the lack of their capabilities and resources in dealing with obstacles, financial and non-financial in the same manner that LE's can.

However, an SME policy needs to consider the peculiarities of each sector and utilize a partnership with local and private sector institutions in the design and implementation of these efforts. Hence, the notion of interference in this case is based on the nature of each sector and on partnership between public, private and civil society organizations.

Moving this further, Smallbone and Welter (2012), argue that governmental efforts need to avert from direct support programs into playing a role in influencing the micro-economic environment; mainly through legislations that aim at curbing the obstacles that face SMEs.

Moving this further, Thurik and Wennekers (2004) argue that policy makers interest in supporting SMEs is not a new phenomenon, however, the approach to SMEs role in supporting economic and social development in a specific country is set to change into viewing SMEs as catalysts for entrepreneurship and innovation. The argument concerning the changing perspective of SME related polices was further highlighted by Niska and Vesala (2013) distinguishing between public policies geared towards supporting SMEs known as the SME policy, which aim at protecting and providing the adequate support means for existing SMEs.

As opposed to the entrepreneurial policy, which aims at encouraging the existence of new, expanding and dynamic enterprises. Furthermore, both approaches utilize the traditional SME policy measures such as training, advisory service and access to funding within the framework of the overall business environment (Hall, 2003). Table (2.2) highlights the potential impact and suitability of the above-mentioned measures as individual policies.

Table (2.2) Impact and Suitability of Selective SMEs Policy Measures		
Policy Measure	Impact	Suitability
Training	Training services directed at enhancing selective capabilities of SMEs owners/ managers (Administrative capabilities, management capabilities, financial management capabilities, innovation) can impact the overall performance of the enterprise. On the other hand, this performance enhancement can further aid these enterprises in securing the necessary support from governmental and non-governmental bodies	One of the main issues of training that is provided by governmental bodies lies in the computability of the structure and operations of governmental organizations with those of SMEs (Niska and Vesala (2013)
Advisory Services	Business advisory services, such as business incubators and accelerators, can aid SMEs in performing better and place forth better plans and targets.	The main issue that might arise in providing such services lies in the computability of the nature of the service with the goals of the enterprise.
Access to Funding (loan guarantee schemes)	Access to adequate resources of funding will aid SMEs in reaching their set targets.	The main issue with access to funding is the computability of SMEs with the requirements of acquiring funding, especially funding provided by commercial banks. Hence, here we can tie training and advisory services as possible support mechanism.

To recapitulate; the main differences between the two approaches lies in the trajectory or intended outputs and outcomes of each policy, while the "traditional SME" driven polices concentrate on maintaining the status of current SMEs, the modern entrepreneurship policy aims at fostering new growth driven enterprises.

In summary, both pro intervention and against intervention arguments tackle the issue from the perspective of SMEs contribution to economic development. Furthermore, the level of governmental intervention is a matter of debate; and

in this case, we must distinguish between policies aiming at protecting SMEs versus policies aiming at promoting SMEs.

Protection policies can foster a negative environment on the long run limiting the growth of small enterprises through the creation of comfort zones. On the other hand, protection policies and subsidies may harm market mechanisms in which all business operate. Moving this further, SMEs policies that are approached through the lens of 'whole of economy' and 'whole of government reform' are more prone to produce positive effects on the long run.

In the coming section, we will highlight the main arguments that tackled SMEs policy in transition economies and developing countries and highlight the current SMEs policy framework in Lebanon.

2.4 SMEs Policy in Transition Economies and Developing Countries

Smallbone and Welter (2001) in their study of SMEs policies in transition economies, stress on establishing a deep understanding of the sectorial distribution of SMEs within an economy and devising adequate polices in accordance. Hence, an SMEs policy is not created in a vacuum as it needs to be part of an overall economic and social policy. The importance of public policies on SMEs lie in the fact that governmental approaches and policies (including legislations) have a direct effect on the business environment and ability of SMEs to grow, compete and generate required results (Smallbone and Welter, 2001). The wider social, economic, institutional and political contexts effect the provision of SMEs directed polices. Moving this further, Smallbone and Welter (2001) identify three main levels in which governmental policies effect the small and medium sector; macroeconomic level, on the level of legislations and through providing direct technical and consultative support including business development, training and networking, among other services.

2.5 SMEs Policy Framework in Lebanon

The literature on the current state of SME policy framework in Lebanon reveals a fragmentation on the level of governmental policies directed at developing SMEs and alleviating the obstacles that may hinder their progress and curb their contribution to the economic and social development of the country (Asrawi, 2010; Kemayel, 2015; UNDP, 2014; OECD, 2014; IFC, 2010). "Traditionally, Lebanon has paid limited attention to SME policy, having adopted a lassiez-faire approach, with government refraining from engaging in proactive support policies" (OECD, 2014 p. 265).

Moving this further, in the case of Lebanon, most of the literature accounts stress the lack of a policy framework that is directed at supporting SMEs and fostering an adequate business environment along with the competitive edge that allows these enterprises to play a major role in the development of the national economy (Asrawi, 2010; OECD, 2014; Kemayel, 2015; IFC, 2014, UNDP, 2014). The fragmentation and lack of communication among governmental departments concerning issues related to SMEs policy, have resulted in a complicated, costly set of procedures and opened the door for corruption, resulting in most entrepreneurs operating within the informal sector (UNDP, 2014).

2.6 Business Environment and SMEs Growth

The business environment is considered one of the important factors in enhancing the ability of a country in attracting foreign investments and ultimately generating economic growth (Alexandrova, 2004). The SMEs business environment consists of national policies, regulatory, legal and institutional frameworks in which SMEs operate; including investment incentives, competitiveness market operations and costs of operation (ILO, 2005). Numerous literature accounts highlight the importance of the role an adequate business environment plays in promoting SMEs (OECD, 2004; Harvie and Lee, 2003, Kennerley & Neely, 2003; Neneh & Vanzyl, 2014).

Hence, we can argue that a business environment consists of several external and internal factors that affect the growth and development of enterprises. The research concentrates on the effect of policy on SMEs development, thus we are mainly concerned with the external factors that form the business environment. Moving this forward, The World Bank Doing Business Report concentrate on highlighting the regulatory environment conductivity for business to grow through a series of quantitative indicators which apply to firms of different sizes and at different stages (Doing Business, 2017). The report measures 11 different regulatory areas that effect business growth, such as: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labour market regulations (Doing Business, 2017,p.14). Moreover, other aspects of business environment, such as security, political stability, macroeconomic stability, and corruption, in addition to the institutional environment are all part of an overarching set of factors that affect business performance[3]. Based on the above, we can argue that an adequate business environment is a series of factors that help business competes and grow with a specific medium.

Furthermore, Hallberg (2000) argue that business environments effect the performance of all enterprises operating within the economy regardless of size and sector. However, there are certain aspects within the business environment such as fixed compliance costs, regulations and market access that bear effects on SMEs due to their limited recourses and inability to compete within large firms which affects SMEs development and competitiveness capabilities. On the other hand, Hill (2001) presents an argument about the importance of an environment that eventually leads SMEs to less dependency on governments on the long run through promoting efficient and effective policies.

2.7 An Overview of Lebanon's Administrative Environment and Performance Measurement

Brinkerhoff (2005) argues that re-building the capacity of public administrations and undergoing successful institutional reform is one of the main challenges that face post-conflict nations. A devastating 30-year civil war that ended in early 1990's has destructed the foundation of the Lebanon's the administrative branches (Salameh, 1991). In the aftermath of the Lebanese civil war, and in coordination with international organizations such as the United Nations Development Program (UNDP), the Office of the Minister of Administrative Reform (OMSAR) was established and delegated with the coordination of the efforts to reform Lebanese public administration (OMSAR, 2001). However, and for a decade after the end of the civil war; there was a lack of political support or 'will' to reform the public administration, which ultimately had led to weakening the system of accountability and curbing innovation (OMSAR, 2001).

Moving this further, an OMSAR (2011) report reignited the issue of public administration reform. The report addressed performance measurement importance and the "need to ease the complexity of bureaucratic methods to reach a productive administration, which sets clear goals for its activities and puts standards for good performance as well as clear indicators to measure achievement" (OMSAR 2011, p.31). The report set forth the methodology for performance measurement's input-output and outcomes mechanism. In addition, the reform plan that was highlighted by the report focused on six main sectors: capacity building, ICT and e-government, governance and accountability, experience and best practices[4] (OMSAR, 2011).

The section above shed the light on the administrative environment in Lebanon, which allow for better understanding concerning the atmosphere in which public policy is formulated in the country, providing information concerning the evaluation of the current policy framework and the creation of future policies in the country.

2.8 SMEs One-Stop-Shop

The concept of one stop shop (OSS) for government services has dominated a large portion of the public administration reform literature in the past 20 years (Janssen and Joha, 2006; Wimmer ,2002). The concept of OSS has been argued to be a tool that aid in simplifying governmental procedures and lessening the bureaucratic trail through the integration of several governmental services through one delivery point (Kubicek and Hagen, 2000; Wimmer, 2002). Furthermore, and with the advancement in information communication technology (ICT) the OSS concept has been adopted in the forms of online portals that intend to increase the accessibility of the services (Dias and Rafael. 2007). Moving this further, several literature accounts have argued that a positive link can be drawn between the simplification of over bureaucratic procedures that were introduced through OSS's and the development of a business-friendly environment (Ongaro, 2008). In this regard, Bent et al. (1999) argue that for OSS's to deliver effective services, there is a need for these shops to be set up in accordance to the specific needs of the targeted groups. Hence, the need for specialized OSS's that provide services for SMEs can be justified because the policies that are geared towards these enterprises differ from those directed towards LE's.

Several sources aimed at distinguishing between three types of OSS's: (1) First-Stop: usually serves an information counter and a second 'stop' to conclude any transaction is necessary; (2) Convenience Store: not intended for over complicated services, and usually incorporates most of the services that governments deliver in a decentralized manner; (3) True One-Stop, usually utilizes the services of one person in charge of delivering specified multi-administrative services (Bent et. al. 1999).

Following this further, "a true One-Stop-Government service integrates many, most or all services which are necessary to satisfy concerns of specific client groups or in specific events" (Kubicek and Hagen, 2000 p.9). The Italian Single business counters, are examples of a true one stop shop that delivers business services such as business licenses, construction permits and real estate services (Kubicek and Hagan, 2000). Furthermore, the Italian and Lebanese case in developing one stop shops have been studied by Castelnovo et, al. (2016) who argue that both the Lebanese and Italian cases hold resemblance in the complexity of their administrative procedures. Moreover, Castenovo et, al. (2016) highlighted some lessons from the Italian experience, which could be adopted by the Lebanese government, mainly in areas of ICT, legislations and empowerment of local governments. For an instance, OMSAR (2011) highlight that one of the main barriers to establishing OSS's in Lebanon is the complexity of the bureaucratic systems that are currently in place; thus, the process of

establishing an OSS should be accompanied with a national strategy to re design the provision of services and authority of each agency.

A one-stop-shop, can aid SMEs directly through easing the burden of administrative procedures that face them in requiring the adequate licenses, registrations and permits; and indirectly through aiding in rejuvenating the economic cycle in a given state (Dameri, 2012 cited in Castenovo et, al. 2016). The effect of the OSS in rejuvenating economic development was evident in the Italian case through the increase of Italy's ranking on two major indicators that measure economic development, the World Bank Ease of Doing Business Report and the Global Competitiveness Index.

2.9 Theoretical Framework

The research aims at aligning the concepts highlighted throughout the literature review to further build the analytical component of the research. The theoretical framework is the set of theories and concepts that run throughout the project and the core idea in which the research utilises in answering the research questions.

Moving this further, the discussion around the relationship between government policies and SMEs is tackled through two lenses: assessing the state's role in economic development and on the other hand, the assessment of the role-played by SMEs in economic development (Turner et al. 2016). The importance of the direct involvement of government and its role as a driver of economic development, has been challenged by the rise of neoliberalism (Turner et, al. 2016). However, there are arguments that government interference in economic development through adopting a role in mending market failures is necessary, but level of interference is still a matter of debate. Furthermore, Abrery (1951, cited in Tuner et, al. 2016) consider such governmental interferences driven by political and not economical motives.

The role of SMEs in economic development has been widely addressed by several literature accounts; such as their contribution in the economic development of transition economies (Smallbone and Welter, 2001), their role in increasing competitiveness and employment opportunities (OECD, 2004c, 2014a), poverty alleviation (OECD, 2004c) and innovation (World Bank,2003; OECD, 2014a).

Moving this further, one of the main issues identified by Gibb (1993) concerning the study of SMEs in general and the relationship between SMEs growth and governmental policies, is the "absence of a comprehensive theory of small and medium enterprises development which brings together all the relevant

parameters into a model and indicates how each part interacts with another" (p.18). Furthermore, You (1995, p.442) argues that the "strong policy interest in small firms has not been matched by a theoretical interest in them". Furthermore, You (1995) studied the theory of the firm from four different lenses, through the lens of the conventional macroeconomic approach, transaction cost approach, industrial organization approach and the dynamic model of the size distribution of the firm.

As important as the accounts that You (1995) are, they however do not widely address the role played by governments in promoting or hindering SMEs and the relationship between policies geared towards SMEs and their effect on the development of the enterprises.

Moreover, several literature accounts address the classical parading or thesis of SMEs development which argues that as a country's industries and economy advance, the role of SMEs will become marginal in comparison to LE's (Hoselitz, 1959 and Anderson, 1982, cited in Tambunan, 2008). On the other hand, the 'Modern Thesis' of SMEs development draws a link between the location of SMEs and their chances in growth, arguing that faster income growth is associated with SMEs in urban areas as opposed to rural areas (Liedholm, 2002).

Alternatively, a new set of literatures have emerged ushering the emergence of a theory that positively links SMEs to enhancing competitiveness of the economy and instigating innovation. The 'Pro-SME Policy' argues that government led policies have positive effects on SMEs growth (OECD, 2000, 2014; World Bank 2002, 2004,1994). The 'Pro SMEs Policy' theory is mainly advocated by international institutions that provide support for governments across the globe in enhancing their business environment and competitiveness. Figure (2.1) further sheds the light on the theoretical framework that will run throughout the research which is mainly based on the Pro SMEs policy.

Figure (2.2) Theoretical Framework

Source: Based on the World Bank (1994, 2002, 2004)
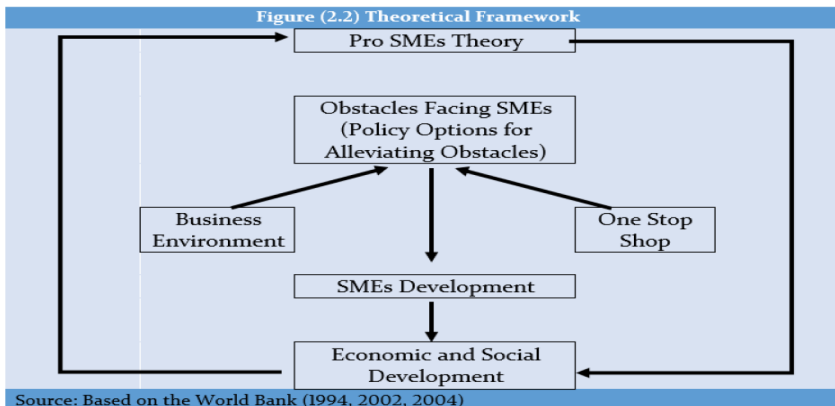
However, critics of the Pro-SME theory argue that the empirical evidence that SMEs effect the economic growth, increase employment and advance innovation is not coherent enough for government to interfere on the grounds of enhancing the business environment in favour of SMEs (Thorsten Beck et al, 2005).

Moving this further, the main research question that was presented at the beginning of this paper "Are SMEs in Lebanon affected by a lack of policy?" fits with the notion of the theory of "Pro SMEs Policy", in the manner that the research tries to investigate the effect of lack of policy and evaluate whether obstacles that hinder SMEs development in Lebanon are part of policy issues.

The section aimed at exploring and reviewing the main literature accounts that dealt with the dimensions of governmental SMEs policies and the effect of the relationship between SMEs growth and governmental policies.

One clear conclusion that can be driven by the review of the literature, is that the issue of SMEs development and its relation to economic and social growth is still a matter of wide debate among scholars.

Also, it is important to note that while we can drive conclusions from the literature on the nature of the relationship between governmental polices and SMEs growth, the issue is highly contextual and peculiar to each case.

Furthermore, the literature review that was conducted in the section will provide a firm foundation for attempting to answer the research questions as well as catering for the research aim.

Therefore, investigating the obstacles that hinder SMEs growth and development in Lebanon, and exploring policy options that aim at promoting these enterprises will consider the main arguments that were present in the section.

The next section presents the research methodology, including a detailed account of data gathering methods, tools and means of analysis.

III. Methodology

3.4 Research Methodology

Mackenzie and Knipe (2006 p.30) argue that constructivism "rely on qualitative data collection methods and analysis or a combination of both qualitative and quantitative methods (mixed methods). Quantitative data may be utilized in a way, which supports or expands upon qualitative data and effectively deepens the description". Thus, the research adopts a mixed method approach.

Gray (2014) highlights four different models of mixed methods design, and argues that quantitative and qualitative methods 'can be used interdependently and in a range of sequences' or each can tackle a different research question depending on the nature and scope of the question (p.199). The four-mixed methods design identified by Gray (2014) are (1) qualitative then quantitative, in this case the result of the qualitative methods is used to further inform quantitative methods, hence designing of a questionnaire for instance would rely on a qualitative analysis of the problem first. (2) quantitative then qualitative, here the study would rely on a quantitative method to further build and investigate qualitatively a theme that emerges from the finding of the study, for instance data emerging from a questionnaire would open the door for further analysis and would be the basis for a focus group or a set of interview questions, (3) quantitative and qualitative concurrently or (4) sequentially, the argument for concurrent and sequential mixed methods stems from the notion that quantitative and qualitative methods are not inherently interdependent and can be implemented without any specific order. Thus, utilizing different methods to answer one question. The coming section will further explain the research choice of adopting a concurrent mixed method choice and the issues that pertain to validity and reliability within this choice.

One of the most common mixed methods designs in which the research implement both quantitative and qualitative methods within the same time frame, is the concurrent triangulation design (Creswell, 2003). Within this design, data gathering "involves the concurrent, but separate, collection and analysis of quantitative and qualitative data so that the researcher may best understand the research problem" (Creswell and Clark, 2011, p. 64). Furthermore, four variations of the triangulating design were highlighted by Creswell and Clark (2011 p. 56), the validating quantitative data mode, the data transformation

model the convergence model, and the multilevel model.

Exploring the effect of the relationship between policy and SMEs in Lebanon; as well as the identification to the major obstacles that face SMEs growth. Required the researcher to adopt a quantitative approach through a survey directed at exploring SMEs owners/managers' stance on the main obstacles that hinder the growth of their enterprises.

Figure (3.2) Validity and Reliability within Mixed Methods Design: The Concurrent Triangulation Design
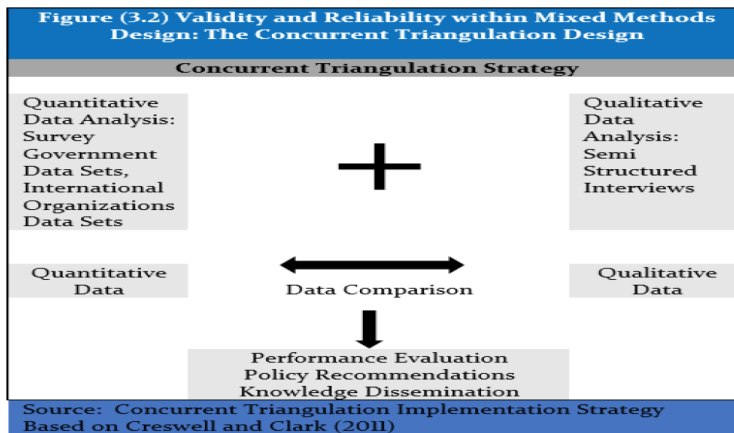
Figure (3.2) illustrates how the concurrent triangulation strategy was implemented for tying the identified obstacles with policy initiative. And further validating the information gathered from the survey and secondary data (government statistics, world bank and IFC statistics) through semi structured interviews with government officials and experts in the fields of policy development, economics and SMEs studies.

3.5 Data Collection Techniques

The following section highlights the techniques and methods employed for data collection. The section is divided into two sub sections; primary and secondary data. Survey questionnaire and semi structured interviews made up the primary data, while secondary data was obtained through international and regional reports and existing literature accounts on the topic.

3.5.1-Primary Data

> Quantitative Methods

o   Survey

Surveys are common data collection tools used to collect large amounts of data concerning a specified topic and can be classified into analytical and descriptive surveys (Gray, 2014). The survey questionnaire of this research targeted a selective set of SMEs owners/managers across a myriad of sectors and perceived their stand on the issues pertaining to policy barriers and growth of the SMEs sector. The survey was self-administered and was left to participant whether they wanted a printed copy of the survey or fill it up through an online software. Questions were transcribed in Arabic –to ensure both wider and relevant participation-the questions were translated into English by the researcher.

Moving this further, Gray (2014) argues that a well-articulated survey will ensure both relevance and participation. Thus, a pilot survey was distributed to a selective sample of 8 participants and experts. The notes that were collected ensured that the terminology and design of the survey was understood and the questions were adequate in capturing the full image of the obstacles facing SMEs owners/managers.

The survey was divided into two sections; each section provided the data concerning a specific topic. Section one provided information concerning SMEs owner/manager (Age, sex, education level). While section two provided information about the enterprise; years of establishment, status (registered/not registered), sector (industrial/agriculture / IT/Service etc). Furthermore, sections three and four, delved into the obstacles that face SMEs owners/managers as well as their interaction with specific government provided services. Below are some sample statements from section (3) of the survey, in which participants were asked to rank on the scale of (very negative, negative, moderate, positive, very positive) and which aimed at assessing the entrepreneur's view of the elements of the business environment:

- o Political and economic uncertainties
- o Bureaucracy and red tape
- o Regulations
- o Infrastructure

On the other hand, section (4) of the survey assessed SMEs owners/managers view of the elements of the business environment based on a three dimension criteria (good, fair, poor). Below is a sample of the services that were evaluated:

- o Business registry
- o Acquiring licenses
- o Paying taxes

The survey was designed based on a Likert scale that includes five and three point scales. Furthermore, an important component in designing the survey and obtaining valid responses lies in the sampling method that a researcher utilizes. Patton (2002) argues that within quantitative methods, sampling tends to be more probabilistic with the aim of generating large quantities of data. On the other hand, Fink (2002, p.1) argues that "a good sample is a miniature of the population". Following this further, the sample was generated taking in accordance the IFC (2014) survey that indicated the geographical distribution of SMEs according to sector, indicating which type of firms concentrated more in certain governorates. Following the IFC (2104) distribution of firms allowed for a smaller sample to be generated hence- the target of 200 responses was set- in addition the sample size met the resources and time allocated for questioner to be gathered.

Moving this further, the survey aided in answering key research questions, especially questions that dealt with the identification of the main obstacles as we well as shedding light to the importance of a one-stop-shops through ranking the status of specific administrative procedures.

Gray (2014) provides numerous examples on SPSS's usage, purposes, and analysis procedures. Hence, the data obtained from the questionnaire was analyzed through the SPSS software package to produce descriptive statistical data and draw connections between the effect of governmental policies and SMEs development as well as the relationship between one-stop-shops and SMEs development in terms of firms' geographical distribution.

- ➢ Qualitative Methods

  - o Semi structured interviews

Semi structured interviews were carried to further validate the findings of the survey and minimize the margin of error (Gray, 2014). Moving this further, Patton (2002) argues that within qualitative research, a purposeful approach towards sampling will yield more rich information and enhance our understating to the issues being studied. Thus, a selective sample of 10 owners/managers from the pool of survey participants will be chosen to incorporate SMEs working in several categories (agriculture, industry, IT, services etc..) as well as SMEs working within the formal and informal sector.

Below are sample questions that were asked at the interview:

- o What were the main obstacles that you as an owner/manager of an

SME have faced while registering your enterprise?
- o   From your perspective as an owner/manager, what do you believe is the area that needs most attention in terms of governmental policies geared to SMEs?

Semi structured interviews with government officials in charge of the different areas that effect the promotion of SMEs mainly in the following departments (Ministry of Industry; Ministry of Economy and Trade, Office of the Minister of State for Administrative reform, Lebanese Parliament), as well as interviews with experts on the topic of SMEs economic and social development. All interviews through the research are conducted face to face, recorded and then transcribed. Quotations from the interviews are included in the result and data analysis section, and emerging themes from each group of interviews are identified in relation to the survey results. Furthermore, the data that was acquired through the interviews is further triangulated with the results of the survey as well as with secondary data recourses (IFC data, World Bank Data) including literature on the topic.

Below are sample questions that were asked at the interviews
with government officials:

- o   What is your evaluation to the current state of SMEs in Lebanon in terms of governmental support?
- o   How does the inter ministry/agency networks effect the progress of SMEs related policies?
- o
    Sample questions that were asked at interviews with experts in the domain of public administration, public policy and economics:

- o   What kind of policy interventions are governments encouraged to pursue to promote SMEs?
- o   To what extent can government policies be effective concerning SMEs development? And can they be achieved as direct policies or policies that target the whole of government and whole of economy?
- o   Is policy options effectiveness linked to how governments define SMEs?

The interviews, and through the questions directed at each set of participants aided in answering the research questions, especially in terms of the relationship between policy and SME development, as well as shedding the light on the validity and effectiveness of such policies. On the other hand, the questions directed towards SME owners/managers will aid in further verifying the questionnaire results and expanding on these findings.

Interviews are considered a key research technique, since they offer the participants more space to express themselves as opposed to selecting answers in a questionnaire (Gray, 2014). Furthermore, Cohen and Manion (2011) argues that one of the most important roles that interviews play in a research is the ability to use them in conjunction with other data collection techniques. For instance, in the context of the research at hand, interviews are used to expand on the issues tackled by the questionnaire, as well as verify the results of the survey in line with the mixed method concurrent triangulation method.

Furthermore, Gray (2014) argues that the issue with validity of semi structured interviews as research methods, lies in the ability of the question to be aligned with the research questions, objectives and aims. On the other hand, reliability can be achieved by setting standard questions which ensures consistency. However, the issue of the interviewee bias cannot be anticipated even with the standardizing of the question.

The interview transcripts are coded in accordance to emerging themes, common themes and sub themes are divided into sets with supporting quotations based on the Taylor-Powell and Renner content analysis approach. (Taylor-Powell and Renner, 2003).   Each interviewee was given a different code to identify their answers and conceal their identity, only information that pertain to the study is revealed with the complete consent of the interviewee.

3.5.2 Secondary Data

Secondary data is utilized in this research using accounts from a myriad of international organizations which provide information and statistics relevant to the subject of study. Specifically, to the state of the Lebanese economy and administrative standing; such as the IFC, World Bank (Doing Business Reports, World Bank Entrepreneurship Survey, World Bank Data Bank) UNDP (Human Development Report, Country Reports, SMEs related research), OECD and TI in addition to Competitiveness Reports and Arab Investment Climate Report published by the Arab Investment and Export Credit Guarantee Corporation. As well as several literature accounts and books that tackle this issue.

Furthermore, data from government websites and published reports; providing insights to the policy framework that the government adopts towards SMEs as well as several legislations and parliament accords are utilized. This in turn have aided in better analyzing the research question in terms of the relation between SMEs and policy making.

Furthermore, secondary data aided in answering the research questions pertaining to relationship between business environment and policies in terms of its effect on SMEs as well as the importance of easing administrative procedures and the establishing of a one stop shop.

For instance, data from the Doing Business Report shed the light on the main determents of the business environment, while on the other hand, compositeness reports and World Bank enterprise survey shed the light on other constraining factors -political stability- that hinder SMEs development and their relation to the policy framework.

The next section, sheds the light on the research 's time frame considering the availability of resources devoted for the research.

IV. Results and Discussion

The previous section identified the research methodologies. This section presents primary and secondary data that was collected through semi structured interviews with SMEs owner/managers, experts in the field of public policy and government officials. In addition to a survey questionnaire that was sent to SME owners/managers. On the other hand, secondary sources were mainly derived from international reports, such as the World Bank Doing Business Report, the Global Competitiveness Report and the World Bank Enterprise Survey.

This Section aims at answering the research questions and is divided into two main sections: The first section presents the data findings and results and is divided into two sections primary data and secondary data. On the other hand, the second section discusses and analyzes these findings considering the emerging themes that were derived from the research literature review, questions and data results.

4.2 Primary Data

Primary data was collected through a survey questionnaire that was sent to SMEs owners/managers and a series of interviews carried with several stakeholders that are involved within the SMEs sector in Lebanon, including owners/managers of enterprises, policy experts and government officials. The data acquired from the survey and interviews is presented under themes that are linked to the initial research question and literature review section. The following section provides demographic information of the primary data.

4.2.1 Survey Demographical Information

The survey intended to explore the opinions of SMEs owners/managers across a myriad of sectors and geographical locations in Lebanon. The survey results aided in answering the research questions pertaining to the main obstacles that face SMEs. In addition to studying the emerging themes among SMEs in Lebanon concerning the establishment of an SME one-stop-shop, through examining the administrative burned placed on SMEs in relation to their geographical location.

The following section aim at highlighting the main characteristics of the respondents and firms that have been part of the survey.

Firms Geographical distribution

110 firms out of the 150 SME owners/managers that were contacted responded to the questionnaire, setting the response rate around (73%). Only 7 responses out of the 110 were incomplete and could not be used, which brings the number of questionnaire used in this study to 103.

Table (4.1) highlights the respondent's geographical distribution among Lebanon's 8 governorates.

Table (4.1) Location of Respondents Across Lebanon's 8 Governorate		
Governorate	**Number of Reponses**	**%**
Beirut	12	11.7
Mount Lebanon	45	43.7
North Lebanon	6	5.8
Beqaa	11	10.7
Nabatyeh	10	9.7
Baalbek-Hermel	7	6.8
Akkar	7	6.8
South	5	4.9
Total	103	100.0
Source: Survey Results		

Firm Sector and Respondents Demographic Distributions

The responses varied across sectors, the highest response rate was among commercial (retail) enterprises, constituting (35%) of the responses, followed by agricultural and service enterprise with (14.6%) of total responses, enterprises working in the technology field constituted (13%) of total responses, industrial (12%), construction (10%) and tourism 6% (Figure 4.1).

Figure (4.1) Response Distribution Across Sectors

- Agriculture 14%
- Industrial 12%
- Service 14%
- Tourisim 6%
- Commercial (Retail) 31%
- Construction 10%
- Technology 13%
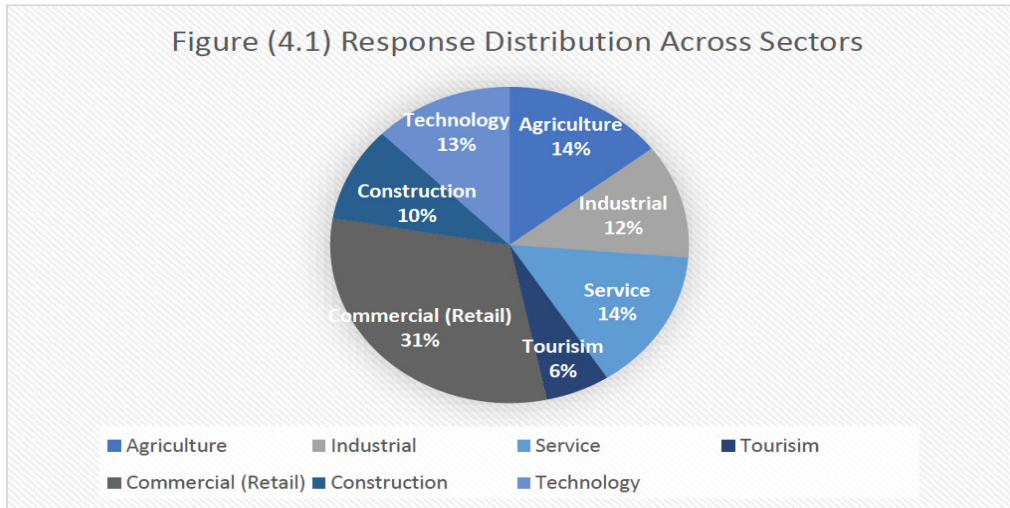
Source: Survey Results

Moving this further, (65%) of the respondents were male and (35%) female. 60% were between the ages of 21-40 and (8.7%) were above 50 years old. Furthermore, the education level of the respondents varied; (10.7 %) had basic education, (43.7%) had a high school diploma or equivalent, (36.9%) had a university degree and (8.7%) hold a higher education degree.

4.2.2 Interview and Interviewee Information

The following section highlight the demographic and topics of the interviews that were carried with SMEs owners/managers, experts in the domain of public policy and Lebanese government officials working in close conjunction to SME policy. The section also highlights the codes that were developed for each interviewee to be able to reference the direct quotations.

Interviews with SMEs Owners/Managers

Interviews were carried with (10) SMEs owners/managers, across several sectors and aimed at further exploring the survey questionnaire through delving into the details of the obstacles that hindered SMEs growth and the relationship between SMEs and government (Appendix 1-A highlights the sectors and themes emerged from interviews with SMEs owners/managers). The participants were selected during the survey collection and are distributed across different locations, sectors and age groups. Each participant was given a code for further reference (Table 4.2).

Table (4.2) SME Owner/Manager interviewee information, and Referencing Codes				
Interviewee	Sector	Location	Age/Sex	Referencing Codes
1	Industrial	Mount Lebanon	Male/34	OM1
2	Construction	Mount Lebanon	Male/44	OM2
3	IT	Beirut	Female/28	OM3
4	Retail	Baalbek-Hermel	Male/25	OM4
5	Agriculture	Bekaa	Male/32	OM5
6	Agriculture	Mount Lebanon	Female/37	OM6
7	Industrial	Akkar	Male/52	OM7
8	Commercial	Beirut	Female/35	OM8
9	Commercial	North	Male/49	OM9
10	Agriculture	South	Female/26	OM10

Interviews with Policy Experts

The series of interviews that was carried with (4) policy experts and economists, tackled main issues such as government intervention in promoting SMEs related policies, major policy areas and frameworks and the nature of the policy options that are favorable for governmental interference.

In addition, the interviews tackled contextual issues pertaining to SMEs definition in Lebanon and its effect on the development of national policies as well as issues pertaining to the creation of an SMEs true one-stop-shop.

 The interviewees were from different backgrounds and worked at different positions within the public policy field (Table 4.3).

Table (4.3) Experts Interviewee Information, and Referencing Codes				
Interviewee	Title	Area of Work	Place of Work	Code
1	Senior Economist	Economic Policy, Labor Market, Industrial Policy	Regional Organization	E-1
2	Consultant	Public Policy Development	Private Consultation Firms	E-2
3	Professor of Public Administration	Policy Framework, Management, Organizational behavior	University	E-3
4	Policy Analyst	Leadership Development, Social Policies.	International Organization	E-4

Interviews with Lebanese Government Officials

Alternatively, interviews were carried with (5) government officials concentrated on the contextual situation of SMEs in Lebanon in relation to policy practices. As well as the evaluation of the country's business, administrative and regulatory environments. The interviewees worked at different policy levels within the Lebanese government (Table 4.4).

Table (4.4) Government Officials Interviewee Information, and Referencing Codes			
Interviewee	Title	Agency	Code
1	Department Director	MOET	G0-1
2	Consultant	OMSAR	GO-2
3	Policy Maker	Parliament	GO-3
4	Regional Controller	Ministry of Industry	GO-4
5	Taxation Officer	Ministry of Finance	GO-5

4.2.3 Interview Themes

Table (4.5) highlight common themes and sub themes that were derived from the interviews. The themes were derived in accordance to their commonality and repetitiveness among the interviewees answers.

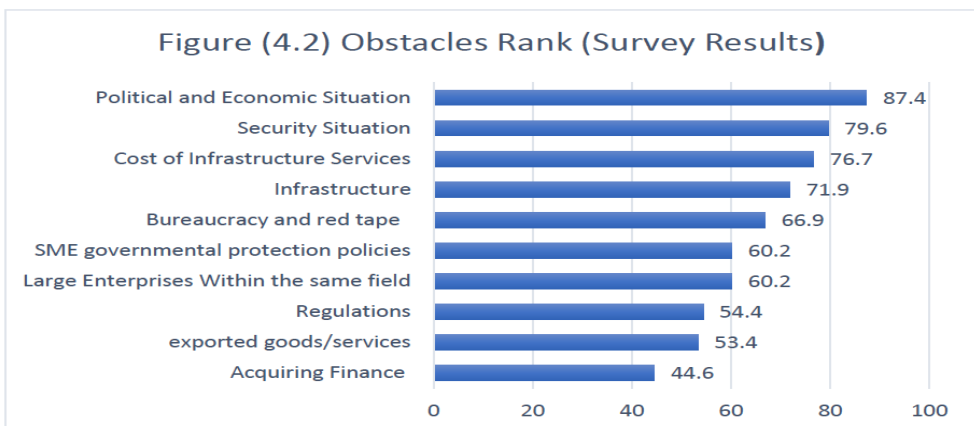| Table (4.5) interviewee information, and Referencing Codes			
Group	Number of Interviews	Themes	Sub Themes
SME/Owner Manager	10	- Administrative Burden - Benefit of Registering SMEs - International and National Subsidies - Declining Trust in Government - Informal Sector - Infrastructure	- Complexity of procedures - Geographical proximity to government agencies and Cost of Procedures - Information Availability - Growing Culture of Customer Service - Effect of Political and Economic Instability - Foreign Labor - Unregistered Enterprises and Taxation - Cost and Availability of Infrastructure
Experts	4	- Intervention and non-Intervention Approaches - Relevant Policy Areas - SMEs definition and Public Policy - One Stop Shop	- Market Failure and Market Mechanism - Wider Policy Approach - Economic Vertical Integration - Sectorial Clustering Integration - Constraint Driven Definition - Centralism and Delegating Authority
Government Officials	5	- Current Policy Framework for SMEs in Lebanon - Administrative Procedures - One Stop Shop for SMEs - Political and Economic Situation	- Fragmentation and lack of Vision - Political Constraints and Decentralization - Information Sharing and E-government

4.3 Primary Data Results

The following section present the results derived from primary data according to three themes (i) Major obstacles that face SMEs in Lebanon (ii) the creation of a one-stop-shop (OSS) and (iii) the relationship between governmental polices and SMEs promotion.

4.3.1 Obstacles Facing SMEs in Lebanon

Participants were asked to evaluate the effect of 10 different statements in terms of how the mentioned elements effected the growth of their enterprise (Appendix 2-A). Figure (4.2) highlight the rankings of the obstacles that the respondents evaluated. Political and economic situations were ranked as the element that has the most negative effect on SMEs, almost 87.4% of respondents. Followed by security situation (79.6%) and cost of infrastructure (76.7%).

The issue of Infrastructure cost was highlighted by one of the interviewees working in the technology sector arguing that the "government can aid us in growing by enhancing the infrastructure that enables us to perform better and have a higher competitive advantage.

The main issue for the SMEs working in the technology sector lies in the slow and costly internet lines and electricity services (OM-3)". On the other hand, (66.9%) consider bureaucracy and red tape to have negative effect on their enterprises. Alternatively, acquiring finance was the obstacle that the survey respondents consider having the least effect on the growth of the enterprise (Only 44.6%) considered this element negative.

Figure (4.2) Obstacles Rank (Survey Results)

Obstacle	Value
Political and Economic Situation	87.4
Security Situation	79.6
Cost of Infrastructure Services	76.7
Infrastructure	71.9
Bureaucracy and red tape	66.9
SME governmental protection policies	60.2
Large Enterprises Within the same field	60.2
Regulations	54.4
exported goods/services	53.4
Acquiring Finance	44.6

Source: Survey Results

In the same line, a government official at the Lebanese Parliament highlighted that "The most hindering factors for SMEs development in Lebanon, from the side of the government responsibility remain legislative and inherently political (GO-3)". This notion, coincides with the themes that emerged from the interviews with SMEs owners/managers and survey results in terms of citing political and economic insatiability as one of the most daunting obstacle that affected SMEs growth and development across sectors and locations. Moving this further, the following quote from one of the interviews with a firm operating within the tourism sector highlighted the effects of the instability of the political, economic and security situation on the growth of the firm "The main elements that hinder our growth and affect us in a negative manner have been the instability in the political and security situations. Which is having dire consequences on the food industry and tourism sector. Each year we are seeing less tourists than the year before. We have not yet seen any substantial steps on part of the government to protect small investors in the tourism industry (OM8)".

Administrative Burdens

Moving this further, common themes from the interviews with SME owner/managers have shown that the complexity of administrative procedures and excessive administrative and regulatory burdens are effecting the development of small and medium enterprises. As one owner of a small firm operating within the agricultural sector argues "the trips that I must make to finish any of my papers are time consuming and costly. And most of the time I am obliged to pay for the service of an intermediate office to get the papers done (OM5)". In addition to the complexity of the administrative procedures, SMEs face the lack of the availability of essential information needed for registering their enterprises and acquiring the proper licenses "The lack of information availability on what is needed to complete the registration steps of acquiring certain licenses allows for corrupt acts and hinders our ability as SME owners to know our rights and consequently grow and move further (OM2)". Following this further, the quotations highlighted above, pose a fundamental question on the quality of services that the government provide for SMEs. In this regard, the survey aimed at exploring the opinions of owners/managers concerning the evaluation of the quality of a specific set of services that the government provide.

Quality of Services

Only 4.9% of businesses consider the business registry service to be (good), compared to 49.5% who consider the service (fair) and 45.6% deemed the service (poor). The number of participants who evaluated the services (good) were fewer than those who recorded (fair) and (poor) on all service section. Moreover, the social security service has recorded the highest percentage (poor) among services 64.1% (Table 4.6).

Table (4.6) Participants Evaluations of the Governmental Services on the Survey			
Services	Good (%)	Fair (%)	Poor (%)
Business registry	4.9	49.5	45.6
Acquiring Licenses	2.9	44.7	52.4
Paying Taxes	10.7	45.6	43.7
Social Security	3.9	32	64.1
Applying to Public Tenders	5.8	52.4	41.7
Source: Survey Results			

In addition to the complexity of the procedures, the survey revealed that (35%) of participants believe that the cost of procedures was fair, and only (2%) responded that the cost was good, while (63.1%) of participants consider the number and cost of procedures to be high.

Moreover, the interview detected that due to the complexity of procedures, SMEs owners and managers highlight that the high cost attached to governmental services drive most of them to operate within the informal sector "the cost of registering the business and registering for example delivery cars or trucks is higher than the actual price of the car/or truck (OM-6)".

Moreover, managers highlighted that they find themselves paying additional costs to finalize their paper work "I am obliged to pay for the service of an intermediate office to get the papers done(OM5)".

Procedures and Geographical Location of Governmental Agencies

In addition to the complexity and cost that were highlighted above, both the interview and survey have detected issues pertaining to the geographical proximity of government agencies to SMEs.

Survey responses to the effect of geographical distance varied drastically between Lebanon's eight governorates (Table 4.7). In general (55%) of participants have evaluated the distance to the closest government agency as poor, compared to (37.9%) who evaluated it as fair and only (6.8%) of the overall participants said the distance was good.

Table (4.7) Evaluation of Geographical Location Effect of Business Development			
Location (Governorate)*	Good (%)	Fair (%)	Poor (%)
Beirut	25	41	33
Mount Lebanon	2.2	40	57
North Lebanon	0	50	50
Beqaa	18	36	45
Nabatyeh	0	40	60
Baalbek-Hermel	14.3	28.6	71.4
Akkar	0	28.6	71.4
South	0	20	80
Total**	6.8	37.9	55.3
* % Within Location			
**% Of Total Responses			
Source: Survey Results			

Moving this further, (25%) of participants from the capital city Beirut answered that geographical distance to the closet government agency was good. Which coincide with the opinion of one of the interviewees operating from within the capital city "Combining governmental services in one location is a very good idea. I am less affected by this specific issue due to my location within the capital city. However, the process of completing the documents is complicated, time consuming and costly (OM-8)". On the other hand, almost (80%) of participants from the governorates of Akkar and South have answered that geographical location has affected them negatively. The percentage of participants that had negative experience with distance to government location was high in Baalbek-Hermel and Akkar, reaching almost (71.4%) of participants. In this regard, a quotation from one of the interviews carried with an SME owner located in Akkar highlighted that "it is even harder for us due to our proximity to the closest governmental office to get the documents finalized (OM-7)".

The geographical proximity to government agencies accompanied with the complexity of administrative procedures; lead us to the next emerging theme that the primary data aimed to tackle which is the establishment of an SME one-stop-shops (OSSs) and the main hindering factors that stand in the way of establishing them.

4.3.2 SME One-Stop-Shop (OSS)

The administrative and regulatory burdens that were highlighted above, in addition to the geographical approximate to the closet governmental agency. Requires that the research explore the initiation of a one-stop-shop as a mean to ease the complexity of the procedures as well as encourage SMEs to register and operate within the formal sector.

During an interview with a firm operating in the Bekaa region, the owner noted that the geographical distance deters small enterprises from registering their businesses, thus missing opportunities to grow and develop "I believe that combining governmental services in one location would save us both time and money and maybe encourage small farmers to register their businesses to be able to benefit from the farmer co-op, foreign aid and crises relief (OM-5)". However, the establishment of such shops has been halted by number of constraining factors. For instance, a government official who was interviewed, claimed that the "The main issues that hinder the establishment of OSS's in Lebanon is not technical but political (GO-3)". Adding that "There has been a proposal to introduce a unified governmental code of procedures and would be completed with the introduction of one stop shops and e-government. However, efforts have come to a halt due to political issues with decentralization (GO-3)". The issue of centralization was highlighted by one of the experts interviewed who claimed "OSS's needs to be implemented concurrently with an e-government. However, the point remains to what extent you can fight centralism. Policy makers in Lebanon are fully occupied by the central mentality, this is the challenge, the real challenge, changing the value system (E-3)". The political situation that was cited above as one of the most constraining obstacles that faced SMEs development also effects the establishment of an SME (OSS).

The issues pertaining to the establishment of an SME (OSS) as well as the main obstacles that hinder the development of SMEs lead to the research 's main theme; the relation between SMEs governmental directed policies and the development of the sector.

4.3.3 Governmental Policies and SMEs Development

The survey results indicated that over (60%) of participants consider SMEs directed governmental policies to negatively affect the growth of their enterprises. Interviews with government officials have revealed a fragmented SMEs policy framework and a lack of a policy planning vision "The current situation of the SME policy frame, is plagued with fragmentation across the board. The main issue is the lack of a unified vision towards this sector… the first step would be understanding the procedures and responsibilities of each government department and then moving from that base to build a better systematic approach (GO-1)". In addition, "The lack of vision stems from a lack

of overall vision to economic development across sectors and regardless of enterprise size. The responsibility is now scattered among several factions of government (GO-2)".

The results have shown that the lack of policy towards SMEs stems from an overall approach to the current situation of the administrative and regulatory reform in the country. An expert that was interviewed argues that one of the main issues that plagues the current SMEs policy framework in Lebanon lies in the approach that policy makers have adopted, arguing that "An SMEs policy cannot be approached in isolation from the rest of the economy, it must be tackled as a package; not only from an economic policies perspective, but economic policies plus social stability and political stability combined (E-3)".

This notion is further asserted by a quote from one of the interviews with a government official who claims that "The current SMEs policy framework is not different from the business environment or administrative reform framework, or to be clearer, any other policy framework in the country. In other words, most of the policy framework needs to be updated and reformed.

The framework for SMEs policy as it is now, is not adequate to foster a business environment that is able to cater towards the development of these enterprises for several reasons: (1) the lack of a clear set of responsibilities and duties among government agencies (2) lack of a clear definition to what constitutes an SME (3) the lack of information about the nature of these enterprises and their sectorial divisions (GO-1)".

The data showed that the fragmentation of the policy framework in Lebanon in addition to the lack of a policy planning vision is effecting the creation of an SMEs policy framework that can cater for the growth and development of the sector.

4.4 Secondary Data Results

The following section highlights data obtained from secondary sources with the aim of further validating the primary data results. The data is derived from three sources, the World Bank Doing Business Report, the Global Competitiveness Report and the World Bank Enterprise Survey. Furthermore, the data is presented based on data collection method.

4.4.1 The World Bank Doing Business Report

The data derived from the report, aided in further triangulating the results of the survey and interviews as well as in answering key research questions that were posed by the research concerning national policies of reform.

Especially that the report aim at highlighting the regulatory environment in each country as well as identifying the major areas of reform on the level of regulation and the ease of business operations.

The Doing Business Report, is a World Bank Group report that aims at measuring business regulations and their enforcement on medium and small sized firms across 190 economies (Doing Business, 2017).

The ease of opening and maintaining a small and medium sized enterprise is measured through observing the changes and updates in 11 different areas that pertain to business development. T

he areas include, starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency[5] (Doing Business Report, 2017).

Lebanon's Rank on the Doing Business Report

Lebanon's overall ranking in the 2017 report was 126, falling back 4 rankings from 122 in the 2016 report; in addition, the country's overall distance to frontier (DTF) has fallen from (56.08) in 2016 to (55.90) in 2017 (Index 3-B and 4-B in the Index).

Furthermore, Lebanon's ranking among 21 Arab economies has fallen back 1 rank from ranking 10th in 2016 to 11th in 2017 (See Index 5-B and 6-B).

Moving this further, Lebanon's ranking on the individual topics has mainly fallen (Figure 4.3) except for the ranking on resolving insolvency (143), protecting minority investors (145), and enforcing contracts (127).

On the other hand, Lebanon's ranking on staring a business has fallen 15 ranks, from (124) on the 2016 report to (139) in 2017. Dealing with construction permits has fallen 7 points, from (128) in 2016 to (135) in 2017.

On the other hand, getting electricity indicator has witnessed a (5) rank fall from 117 in 2016 to (122) in 2017, followed by a 2-rank fall on the indicator that measures registering a property; which changed from (101) in 2016 to (103) in 2017.

In the same line, getting credit indicator has fallen by 9 ranks, paying taxes fallen by 1 rank and trading across boarders has fallen by 2 ranks (See Index 7-B).

Figure (4.3) Lebanon Doing Business Topic ranking 2016/2017
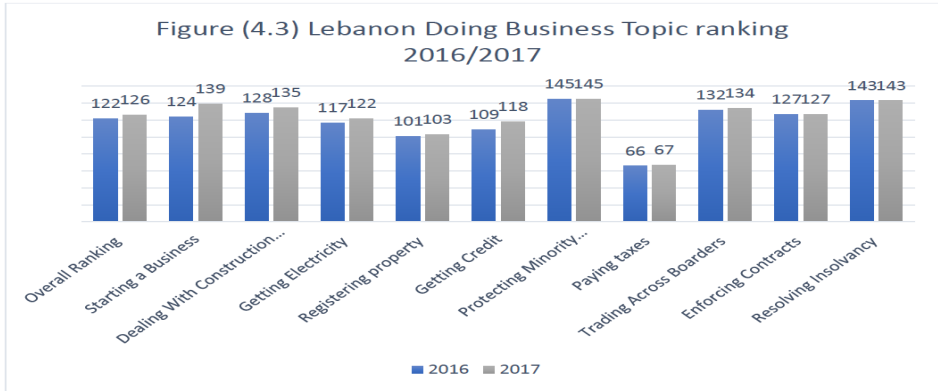
Source: Doing Business Report (2016, 2017)

Moving this further, Figure (4.4) compare the median rank of OECD countries and Arab States to Lebanon's rank on report's topics. For instance, Lebanon came 2 ranks behind the average rank of Arab States, 124 to 126; while OECD countries' overall average was 26 (See Table 5-D in the Index).

Alternatively, Lebanon's rank was better than that of the Arab States average only on two topics, getting credit (138) to (118) while OECD average was (37) and paying taxes where Lebanon's rank was (67) compared to (83) for Arab World average and OECD average (42).

In addition, Lebanon's rank came behind that of Arab World average on the rest of the topics as shown in Figure (4.5) See (Index 8-B).


Figure (4.4) Doing Busniness Rank OECD, Arab World and Lebanon
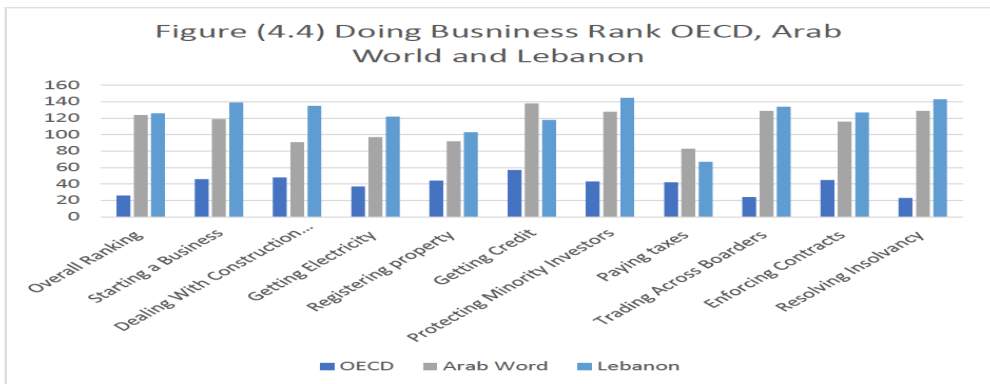
Source: Doing Business Report (2017)

Lebanon's Distance to Frontier Score

The distance to frontier score (DTF) measures best practices over 41 indicators that make up the 11 topics of doing business, the DTF measures the indicators based on a (0-100) scale; the higher the score, the better the country is performing in a specific topic (Doing Business, 2017).

Lebanon's DTF score (Figure 4.5) has witnessed a shy improvement on the overall score from)56.08(in 2016 to)55.9(in 2017.

The country also recorded a slight improvement on 2 out of the 10 major indicators; paying taxes score has risen to) 77.17(in 2017 from)77.1(in 2016, While resolving insolvency has risen from (29.94)in 2016 to (30.03)in 2017.

Figure (4.5) Lebanon Distance to Frontier (2016/2017)
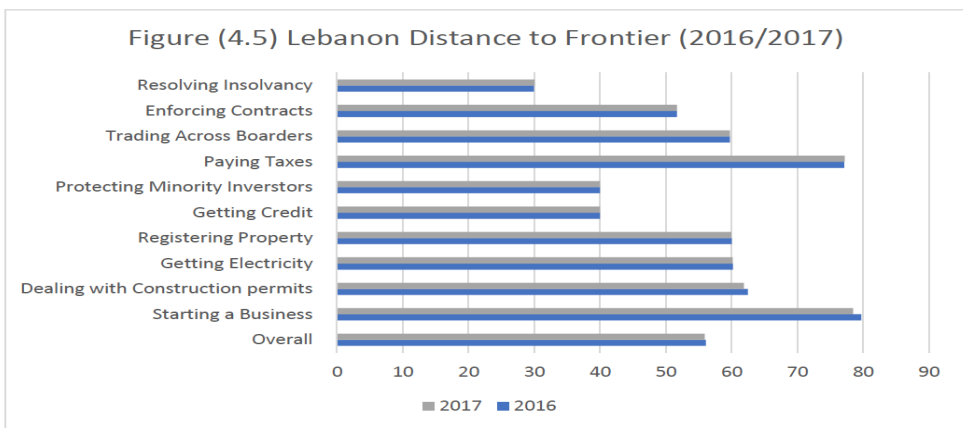
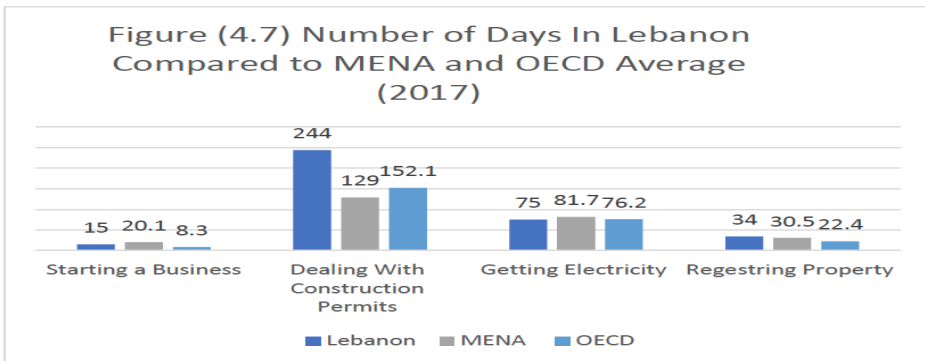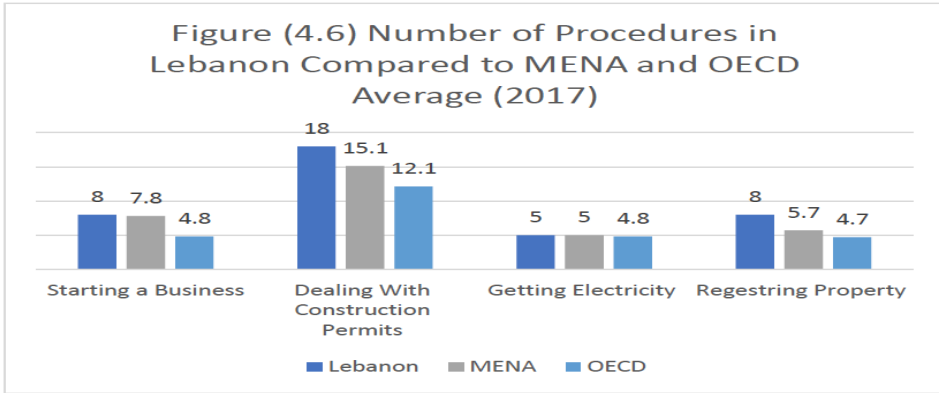Source: Doing Business Report (2016, 2017)

On the other hand, the country recoded a decline in the score of 4 indicators: starting a business, dealing with construction permits, getting electricity and registering property.

Alternatively, the score on the remaining 4 indicators, getting credit, protecting minority investors, trading across borders and enforcing contracts was maintained at the same level.

Number of Procedures and Days

According to the Doing Business Report (2017) it is important to note that the number of procedures required to start a business, dealing with construction permits, getting electricity and registering property in Lebanon had totaled 39 procedures in 2017 (Figure 4.6) and require 368 days to be completed (Figure 4.7).

Figure (4.6) Number of Procedures in Lebanon Compared to MENA and OECD Average (2017)

Figure (4.7) Number of Days In Lebanon Compared to MENA and OECD Average (2017)

Source: Doing Business Report (2017)

Figures (4.6 and 4.7) above show, the numbers of procedures and days required to complete the tasks that sum up the four indicators mentioned above; require more time and steps in Lebanon than the average number of OECD countries and then average MENA countries (Index 9-B).

Furthermore, it is important to note that Lebanon has the worst regional (MENA) performance regarding dealing with construction permits which, requires 244 to be completed. (Doing Business, 2017).

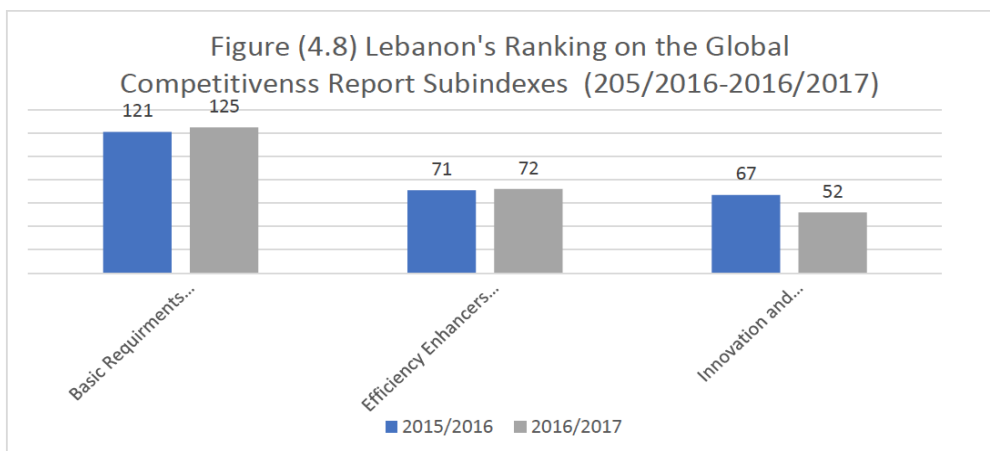### 4.4.2 Global Competitiveness Report (2015/2916-2017/2018)

The data derived from the report aided in answering key research questions, especially questions pertaining to obstacles that face SMEs in Lebanon and exploring how the declining state of infrastructure effect the competitiveness of an economy. The Global Competitiveness Report measures and analysis competitiveness through 12 pillars. The pillars are "grouped into three subindexes in line with three main stages of development: basic requirements, efficiency enhancers, and innovation and sophistication factors" (World Economic Forum, 2016).

The report defines the competitiveness of an economy as the set of policies, regulations and factors that determine the level of productivity of an economy which provide insights into the level of prosperity a country can achieve (Global Competitiveness Report, 2017). Thus, providing insights to the mechanisms on how an economy operates.

Lebanon's Competitiveness Report Ranking (2015/2016-2016/2017)

Lebanon ranked 10th out of (14) Arab States, and (101) out of (140) economies that the report measured. Maintaining the same overall ranking from the 2015/2016 report (Index 11-B).

Lebanon has improved its ranking on most of the index's 12 pillars (Figure 4.8). However, the country witnessed a decline on 2 out of the 3 subindexes, basic requirements and efficiency enhancers; on the other hand, the country ranking enhanced on the innovation and sophistication factor subindex (Figure 4.8) (Table 12-B in the Index).

Source: Global Competitiveness Report (2016/2017)

Low Performance on the Infrastructure Index

Moving this further, a key element that the report tackles is the measurement of the country's infrastructure capabilities; which according to ESCWA (2015) effects the business environment. Lebanon's ranked 12th out of 14 Arab economies measured by the GDP (2016/2017) on the infrastructure index.

Lebanon's infrastructure index rank recorded 117th worldwide, falling behind (113) ranks from the U.A.E who ranked 1st in Arab economies and 4th worldwide, and (17) ranks below Algeria, the closest Arab economy to Lebanon (11th Arab -100 world) (Index 12-B).

Table (4.8) Quality of Infrastructure/Global Competitiveness Report (2016/2017)								
	Rank**	Quality of Overall Infrastructure*	Quality of Roads*	Quality of Port Infrastructure*	Quality of Air Transport Infrastructure*	Quality of Electric Supply*	Mobile Phone Subscriptions /100 pop.	Fixed Tell Lines Subscriptions /100 pop
U.A.E	4	6.3	6.5	6.4	6.7	6.7	187.3	23.1
Qatar	18	5.1	5.1	5.5	6.2	6.4	153.6	18.2
K.S.A	31	4.9	4.9	4.6	4.9	6.2	176.6	12.5
Oman	38	4.9	5.5	4.6	4.7	6.2	159.9	10.5
Kuwait	52	4.2	4.4	4.1	3.6	5.5	231.8	13.4
Jordan	56	4.5	4.3	4.5	5.3	5.5	179.4	4.8
Morocco	58	4.5	4.4	4.8	4.7	5.3	126.9	6.5
Tunisia	83	3.7	3.5	3.3	3.9	5.1	129.9	8.4
Egypt	96	3.1	3.0	4.3	4.8	3.5	111.0	7.4
Algeria	100	3.3	3.2	3.2	3.2	4.0	113.0	8.0
Lebanon	117	2.3	2.8	3.8	4.1	1.7	87.1	19.2
Mauritania	129	1.6	2.3	2.9	2.4	2.4	89.3	1.3
Yemen	136	2.1	2.5	2.6	2.2	1.2	68.0	4.7
*Value range from 1 (worse) to 7 (best) ** Rank on Overall Second Pillar (Infrastructure)								
	Major Weakness Areas							
Source: Data gathered from the Global Competitiveness Report (2016/2017)								

Moving this further, Table (4.8) reveals Lebanon's quality of infrastructure services in comparison to Arab economies included within the report. The data shows that in addition to the overall infrastructure rank; there are 4 major areas of weaknesses. The quality of the overall infrastructure, quality of roads, quality

of electric supply and mobile phone subscriptions. Alternatively, it is important to note that Lebanon have done some improvements on the three remaining areas: quality of port infrastructure, quality of air transport infrastructure and fixed tell lines.

4.2.3 World Bank Enterprise Survey

The data from the survey aided in further exploring the main obstacles that face SMEs in Lebanon, in addition to its importance in exploring how the business environment effect SMEs and LE's at the same time. Which in turn aid in answering whether direct SMEs policy as opposed to an overarching approach may be required.
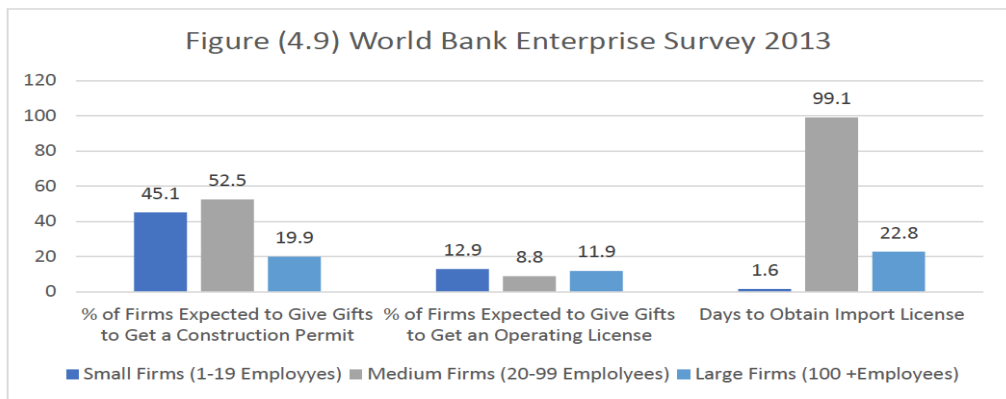The World Bank Enterprise Survey, is a firm-level survey that aims at assessing the private sector of selected economies through measuring an array of business environment topics (Enterprise Survey, 2013). The enterprise survey, differs from the World Bank Doing Business report in the fact that it measures the perceptions of large business in addition to SMEs.

It also differs from the DBR on the scope of measurement; since it measures non-regulatory obstacles that effect business growth, such as corruption, political instability, informal sector and crime. The survey, highlights political instability as the most daunting obstacle that face firms in Lebanon, in addition to corruption and electricity, on the other hand, access to finance taxation and the informal sector were less of an obstacle according to the survey (Enterprise Survey, 2013).

The inclusion of the three types of firms within the survey allows the researcher to capture the difference in perception towards the effect of the obstacles that face the promotion of an adequate business environment and its ramification on both SME's and LE's (See Index 13-B for full survey results). Hence, leading to further exploration on the effect of governmental policies on SMEs performance.

In the context of Lebanon, the survey's index highlights several areas where LE's have a leverage on SMEs. For instance, the survey detected a difference in the percentage of firms expected to give gifts to get an import license; (27.7 % of medium firms and 7.3% of large firms).

The differences between SMEs and LE's to the number of days to obtain an import license, where ME required a (99.1) days on average, and LE (22.8) days (Figure 4.9).

Figure (4.9) World Bank Enterprise Survey 2013

Source: World bank Enterprise Survey (2013)

However, the survey indicates a difference between SE (1-19 employees) and ME (20-99 employees), in the number of days spent on acquiring an import license which was (1.6) for SE and (99.1) for ME. Hence, the large gap between the SE's and ME's is quite large considering the definition that the survey adopts (Index 13-B).

4.5 Discussion

The following research questions were developed in section two to further assess the relationship between public policy and SMEs development in Lebanon:
Are SMEs in Lebanon affected by a lack of policy? If so, how?

- o   What are the most daunting obstacles that stand in the way of SMEs growth?
- o   What are the policy priorities to alleviate these obstacles?
- o   Can an SME strategy and related policies be separated from an overall economic and administrative reform in the country?
- o   Can a one stop shop (OSS) for SMEs aid in resolving administrative burden and promote growth?

The coming sections aim at answering the questions stated above under three major categories: (1) Obstacles (2) one-stop-shop and (3) Policy.

4.5.1 Obstacles

Most of the recourses cited in section two of this research have placed access to finance as one of the main obstacle that hindered the growth of SMEs in both developed and developing countries' (OECD, 2004; Yoshino and Taghizaheh-Hersary, 2016; IFC, 2010). However, in Lebanon, the classification of the

obstacles that hinder the growth of SMEs varied from most of its developing countries counterparts. Since access to finance, as indicated by the World Bank Enterprise Survey and corroborated by the research survey was not within the first four hindering obstacles. Alternatively, the instability of the political, economic and security situation, infrastructure and administrative burdens were classified as factors that most hindered SMEs growth in the country through directly effecting the creation of an adequate business environment.

The research survey results were in line with the World Bank Enterprise Survey results which highlighted political and security issues as one of the most daunting obstacles that face private firms in Lebanon. However, the results obtained from the World Bank Survey measure the stand of private firms -SMEs and Les- which indicates that the political, economic and security situation in Lebanon negatively affect firms regardless of their size. Furthermore, the result of the surveys is further collaborated by the information in section two OECD's (2014) argument that in the case of Lebanon, the current political, economic and security situation has drastically effected the process of reform in the country leaving the parliament and government in a deadlock.

On a different note, the complexity of the administrative producers posed on SMEs in Lebanon. In addition to the balance of incentives versus burdens on these businesses have pushed most of SMEs to operate within the informal sector "SMEs that operate within the informal sector have more leverage on us (registered enterprises). Since they do not pay the amounts that we do in taxes or social security that we must pay (OM-8)." In addition, "enterprises operating within the informal sector do not abide by the overburden of the complexity of procedures and regulations (OM-4)".

Moving this further, section two also highlighted that the over complications of governmental procurers accompanied with over regulatory frameworks aided in creating an informal sector. This notion coincides with the results that were obtained from the Doing Business Report (2017), which states that Lebanon has recorded the worst regional (MENA) performance regarding acquiring construction permits, which according to the report requires 244 days to complete (Doing Business Report, 2017). The amount of time, effort and complexity has placed an additional burned on SMEs operating within the formal sector and lessened their competitive advantages as opposed to those operating within the informal sector.

Alternatively, the literature review highlighted that the quality of a countries' infrastructure directly affects its business environment and ultimately its competitiveness advantage, which directly affect firms operating within the economy (ESCWA, 2015). The results from the Global Competitiveness Report, show the declining ranking of Lebanon in terms of its infrastructure compared

to its MENA counterparts. In addition, the issue has been cited in the interviews that were carried with SMEs owners/managers "The quality of the roads, the electric current as well as issues with phone lines and internet hinder our growth and burden us with additional costs. We currently pay two electric bills, one for government provided services and one for private generators (OM2)". Have hindered the creation of an adequate business environment, and lessened the competitive advantage of small firms by lessening the competitiveness of the economy. Which coincides with Hallberg's (2000) argument in section 2 concerning the effect and relation of SMEs growth to the overall state of the business environment and the economy.

The results and analysis of the current obstacles that face SMEs growth and development in Lebanon shed the light on the issues that the country is facing in terms of providing an adequate business and regulatory environments. The discussion of the obstacles above, leads us to the question whether SMEs directed policies and efforts to establish an SME One Stop Shop can alleviate the obstacles that face SMEs in the context of the Lebanese business and regulatory environments.

4.5.2 One-Stop-Shop

The research revealed that the issue of the creation of a 'one-stop-shop' in Lebanon is entangled with the issue of the administrative reform in the country. The complexity of the administrative procedures that was highlighted by (Castenovo et, al 2016; OMSAR, 2011) in section two, coincides with the results of the project survey concerning the establishment of OSSs for SMEs in Lebanon.

However, the results of the research added additional layers to the notion that was studied in section two. Interviews with SMEs owners/managers highlighted that in additional to the complexity of the procedures themselves; the geographical location of government agencies, tends to become more of an issue the more we move away from the capital city. On the other hand, the interviews with government officials added a second layer of complexity by suggesting the issue with establishing OSS's in general is "inherently political". The notion further coincides with expert opinions that were interviewed who argued that the mentality of centralism on the level of politicians in Lebanon stand in the way of the establishment of OSS's, since establishing OSS's without delegating authority for these shops might not be as effective of a solution as we might hope for.

4.5.3 Policy

The research has drawn lines that there is a close tie between the lack of SMEs directed governmental policies and the growth of this sector in Lebanon. The data derived from the questionnaire and interviews suggested that the lack of governmental policies and vision towards the SMEs sector, has resulted in creating inadequate business and administrative environments. Moreover, the fragmentation of the SME framework in Lebanon have further hindered the growth and sustainability of these enterprises and weakened their support mechanisms through placing extensive administrative burdens on them. However, and as the literature review in section (2) and data results show; SMEs do not operate within a vacuum, and governmental efforts in promoting this sector need to be approached through the adaptation of a wider perspective.

Lebanon's rank on the Doing Business Indicators, as well as the DTF score of the country, are tied to the level of reform undertaken to improve the country's business and regulatory environments. The decline in rank in the case of Lebanon has been followed with stagnation in terms of introducing reform policies. For instance, only five reforms were detected by the (DBR) throughout the period 2009/2017 (DBR, 2017). On the other hand, during the same period, two policies that brought changes to property transfer regulations and were introduced in 2016, have made it harder to do business in the country and complicated transferring property by increasing the time required for property registration (DBR, 2017). The notion coincides with OECD (2014) argument cited in section (2) of this study concerning the adoption of a "laissez- faire" policy approach by the Lebanese government towards SMEs.

Moving this further, experts interviewed for the research stated that the main issue does not lie with government intervening or not intervening, but more with the nature, scope and aim of intervention policies. Hence, the role of the state is best suited in its ability to integrate SMEs within the larger economic and business cycles in the country -including SMEs integration with LE's through vertical integration schemes. "Governments can adopt an economics vertical integrated approach, like a pyramid, on top of it LE's in the middle ME's and at the bottom SE's. And then utilize up bottom flow (E-1)". Another policy approach that governments can adopt in this regard lies in its ability to create clusters and chains of production and services across sectors "The clustering approach that the government can adopt. Means that government's aid in creating clusters. To establish a cluster of industries consisting of large scale, medium scale and small-scale enterprises (E-3)". Therefore, providing an adequate environment and opportunity to expand which goes beyond the direct effort of subsidies, and without interfering with market mechanisms.

On the other hand, the results suggested that aside from direct policy issues, the lack of trust from citizens in the ability of the government to produce sound policies accompanied with complex political and security issues have played a crucial role in hindering the foundation of a national economic and social development vision, and in turn the creation of a national SMEs vision.

Moving this further, a clear national definition for SMEs aids in structuring policy framework that caters for the need of these enterprises. Gibb (1993) cited in section two, proposes that approaching SMEs policies should be from a sectorial perspective which allow policy makers to identify the needs of SMEs and their contribution based on the sector that they operate within. On the other hand, the results from the expert interviews suggested a 'constraint driven definition' in the case of Lebanon. However, a constraint driven definition requires that a clear placement of the needs of the economy over the coming period and a vision in which the government is going to approach this issue to be set which allows policy makers to build policy frameworks accordingly.

4.6 Implications to Pro SMEs Theory

The Pro-SMEs policy theory, is the theoretical framework that was adopted in section two, and runs through the research project. The theory argues that SMEs governmental policies have a positive effect on SMEs growth, which in turn positively effects the economic and social development of a given state (OECD, 2000; World Bank 2002, 2004, 1994).

The results of the research point out that governmental polices in Lebanon directly affect the promotion of SMEs, especially the effect of these policies on the regulatory and business environments. Moving this further, the research have shown that the main issue in Lebanon does not lie in the lack of SMEs directed policies but is more an issue with the overall approach towards policy making and lack of policy planning and vision. This poses a question on how can the government create adequate business, regulatory and administrative environments for SMEs without tackling the issue of reform on the level of the whole country? Hence, we can argue that the Pro-SMEs theory is more adequate within the context of developing states that have undergone or undergoing an overarching reform process.

The section, and through the presentation of the primary and secondary data followed with the discussion, aimed at answering the research questions and exploring the detriments of the relationship between lack of policy and SMEs development. Data results and discussion has drawn a correlation between the lack of policy initiatives and the SMEs promotion in Lebanon.

The section highlighted that the development of the country's business and regulatory environment is related to the political situation in the country. Furthermore, the lack of an overarching national economic vision for the direction in which the country wants to adopt is reflected in the scattered and fragmented policy approach towards the economy in general and consequently toward SMEs.

Moreover, the section has shown that easing administrative burdens on SMEs is part and parcel of an overall reform strategy that targets the Lebanese public administration. Thus, we can conclude that while SMEs directed policy can be beneficial to the sector in the short run. The policy needs to tackle the issue from overarching scale regardless of size or sector.

The coming section presents concluding remarks, policy recommendations in addition to highlighting research limitations and questions for further research.

V. Conclusion and Recommendations

The research explored the relation between SMEs directed governmental policies and the growth of the sector. At the same time, exploring whether the burdens that effect SMEs growth in Lebanon can be approached through direct policies rather than an overarching national approach.

The previous section highlighted data results and further discussed these results considering the research aim, objective and questions and in relation to the literature review in section two.

This section is separated into six sections; section (5.2) highlights the main findings of the study. Section (5.3) revisits the research questions and section (5.4) presents a set of reconditions. Section (5.5) highlights research limitations and (5.6) explores possible further research areas. And section (5.7) conclusion of the research and summary of the study.

5.2 Study Findings

This section highlights key findings from the results and analyses that was carried in the research in accordance with the three themes that were identified based on the research, aim, objective and questions: (i) Major obstacles that face SMEs in Lebanon (ii) the creation of a one stop shop (OSS) and (iii) the relationship between governmental polices and SMEs promotion.

Theme 1: Major obstacles that face SMEs in Lebanon

The findings of the research concerning this theme can be summarized through the following points:

- Contrary to the literature review accounts that cited "access to finance' as one of the major obstacle that faced SMEs promotion in developing countries (Yoshino and Taghizaheh-Hersary, 2016; OECD,2004; Maghabah, 2015, 2016).

- The findings of the research highlighted that 'access to finance' was one of the least obstacles that faced SMEs Development in Lebanon.

- The major obstacles as identified by the survey results were: Political, economic and security situations, infrastructure, inadequacy of the administrative and regulatory environments in addition to a growing informal sector.

Theme 2: The creation of a one-stop-shop

The findings of the research concerning this theme can be summarized through the following points:

- The research found that Lebanon's standing is declining within international reports that measure the regulatory framework and the complexity of administrative procedures. Furthermore, the findings of the research, mainly those of the survey questionnaire highlighted that a high percentage of the firms surveyed were not satisfied by the services that they receive at governmental agencies, including the cost, complexity and geographical distance to the closest agency.

- The further the firm is from the capital city the harder it is to reach a government agency, thus a regional OSS across governates would encourage SMEs to register their enterprises.

- The literature review highlighted previous attempts of the Lebanese governments in setting up one stop shops. On the other hand, the research findings revealed that that in addition to the administrative complexity of the current procedures within the Lebanese administration; one of the main obstacles that hinder the creation of OSS's is political and not technical.

- The research found that before setting up SMEs OSS's there need to be a reform strategy that tackles the different areas of administrative and regulatory environment in Lebanon, to be able to establish these OSS's on solid grounds.

- The findings of the research argue that the mentality of centralism and mainly the issue with delegating authority to municipality stands in the way of creating effective OSS's.

Theme 3: The relationship between governmental policies and SMEs promotion

The findings of the research concerning this theme can be summarized through the following points:

- The findings of the research highlighted that one of the main issues that hinder the growth of the SMEs sector in Lebanon are related to the lack of an overarching national policy concerning SMEs which include:

  o Lack of a unified and formal SMEs definition.

  o Lack of a policy framework that connects governmental agencies responsible for the promotion of the sector. Including lack of communication among government agencies and between government agencies and private sector.

  o Lack of a national economic vision that sets targets, outputs and outcomes.

- The study highlights that the fragmentation of the policy framework in Lebanon has resulted in the creation of an inadequate business environment and additional administrative and regulatory frameworks. In addition to the declining trust among SMEs owners/managers in the ability of the government in designing and implementing sound policies.

- The findings of the study, argue since SMEs do not operate within a vacuum, policies aiming at promoting this sector should be part and parcel of a whole of economy and whole of administration and vision

and reform. Thus, the basis of setting up SMEs policy framework should incorporate the vision of reforming the issues.

5.3 Revisiting the Research Question

The research aimed at answering the following main and sub questions:

- ➢ Are SMEs in Lebanon affected by a lack of policy? If so, how?
- o What are the most daunting obstacles that stand in the way of SMEs development?

- o What are the policy priorities to alleviate these obstacles?

- o Can an SME strategy and related policies be separated from an overall economic and administrative reform in the country?

- o Issues with establishing one stop shops (OSS) for SMEs in Lebanon, and how can such shops promote SMEs development?

Each research question was answered through the utilization of data results from more than two sources to reach a valid and reliable answer. In addition, the results from the data was triangulated with the relevant literature review in section 2. Tables (5.1. 5.2, 5.3, 5.4 and 5.4) briefly shed the light on the data that was utilized to answer each research question, the relevant literature related to the question as well as including a brief answer for each question.

Table (5.1) Main Question: Are SMEs in Lebanon affected by a lack of policy? If so, how?	
DATA	- Survey Questionnaire - Semi Structured Interviews (Experts/Government Officials) - World Bank Doing Business (Reform Policies, Regulatory environment)
Relevant Literature	Story (1994); Harvie and Lee (2003) - Holistic approach to SMEs policies incorporating then with wider economic and social policies Schiffer and Weder (2001) - Leveling the playing field between SMEs and LE's Gibb (1993) - Policies that focus on the constraints that the economy is currently dealing with Frank and Landstrom (1997) - Government interference through SMEs polices negatively affect market mechanism. Hallberg (2000); Craig et al. (2007) - Government interference through subsides negatively affect the growth of SMEs through creating "comfort zones". (Tax breaks, ease with regulations etc..) OECD (2014); World Bank (2004 ; 1994) - In support for SMEs directed governmental policies due to the lack of capabilities of this sector to face the obstacles the same manner that LE's might. In addition to SMEs positive contribution to economic and social development. Smallbone and Welter (2012) - SMEs policies need to avert from direct "support" policies and aim towards enhancing the micro-economic environment to avoid interfering in market mechanisms. Smallbone and Welter (2001) - SME policy framework within developing economies. UNDP (2014); OECD (2014); Kemayel (2015); Asrawi (2010) - SMEs policy framework in Lebanon Kandah (2011); Fahed-Serih, et al. (2010) Naimy (2011) - SMEs policy framework in MENA region
Answer	The research has drawn lines that there is a close tie between the lack of SMEs directed governmental policies and the growth of this sector in Lebanon. The data derived from the questionnaire and interviews suggested that the lack of governmental policies and vision towards the SMEs sector, has resulted in creating inadequate business and administrative environments. Moreover, the fragmentation of the SME framework in Lebanon have further hindered the growth and sustainability of these enterprises and weakened their support mechanisms through placing extensive administrative burdens on them. The results of the research point out that governmental polices in Lebanon directly affect the promotion of SMEs; especially the effect of these policies on the regulatory and business environment. However, the research also argues that the main issue lies with a lack of a holistic policy approach towards setting a vision for economic and social development in the country.

Table (5.2) Sub Question: What are the most daunting obstacles that stand in the way of SMEs Development?	
DATA	- Survey Questionnaire - Semi Structured Interviews (SMEs owners/managers; Government Officials) - World Bank Doing Business - Global Competitiveness Report - World Bank Enterprise Survey

Relevant Literature	UNDP (2014); Kemayel (2015)
	  - Lack of clear SMEs definition
	Yoshino and Taghizaheh0-Hersary (2016)
	  - Obstacles facing SMEs in developing countries
	Magableh (2016)
	  - Obstacles facing SMEs in MENA region
	Alesina and Perotti (1996)
	  - Links between socio-political instability and the instability of the macro-economic environment
	Aisen and Veiga (2011)
	  - Sustainable policy making and shock reduction policies within instable political contexts
	Elbahnasawy et, al. (2016)
	  - Links between political instability, overregulation and informal economic sector
	Djankov et, al. (2003); Johnson el, al. (1998); Schneider (2003)
	  - Cost and complexity of doing business and the growth of the informal sector.

Answer	The results of the research argue that obstacles that hindered the growth of SMEs varied from most of its developing countries counterparts. Since access to finance, as indicated by the World Bank Enterprise Survey and corroborated by the research survey was not within the first four hindering obstacles. Alternatively, the instability of the political, economic and security situation, infrastructure and administrative burdens were classified as factors that most hinder SMEs growth in the country through directly effecting the creation of an adequate business environment, and the expansion of the informal economic sector.

Table (5.3) Sub Question: What are the policy priorities to alleviate these obstacles?	
DATA	- Semi Structured Interviews (Experts; government officials) - World Bank Doing Business Report - Global Competitiveness Report

Relevant Literature	Hallberg (2000)
	  - Micro-economic policies for SMEs development
	Niska and Vesala (2013)
	  - Policy support tools for SMEs development
	World Bank (2004)
	  - SMEs development and macro-economic policies

Answer	The research argues that in terms of policy approaches, the first step is to generate a unified SMEs definition to be able to design policies in accordance with this definition. Furthermore, the research identified a series of policy interventions. On a macro-economic level: Trade Barriers Reduction, trade Agreements that Enhance SMEs Access to Foreign Markets. On micro-economic level: bureaucratic procedure simplifications, micro economic enhancing competitiveness, business environment, access to information, legislations that Protect Small Investors. The research also highlights that integration policies and production chains can play an important role in promoting SMEs development.

Table (5.4) Sub Question: Can an SME strategy and related policies be separated from an overall economic and administrative reform in the country?	
DATA	- Semi Structured Interviews (Experts; government officials) - World Bank Doing Business Report

Relevant Literature	Henry and Leitch (2003)
	  - SMEs policies through overall economic policy approach
	Schiffer and Weder (2001)
	  - Leveling the playing field between SMEs and LE's
	OECD (2014)
	  - Policy Framework in Lebanon
	Smallbone and Welter (2001)
	  - SMEs policies in transition economies
	OMSAR (2001)
	  - Lebanon's administrative environment and performance measurement approaches

Answer	The research results show that the current administrative and regulatory environments in Lebanon are plagued with fragmentation and outdated procedures which stands in the way to initiate sound SMEs support policies. And since SMEs do not operate within a vacuum, policies aimed at the development of this sector need to take in consideration the national policy framework.

Table (5.5) Sub Question: Issues with establishing one stop shop (OSS) for SMEs in Lebanon, and how can such shops promote SMEs development?	
DATA	- Semi Structured Interviews (Experts; government officials; SMEs owners/managers) - World Bank Doing Business Report (regulatory framework)
Relevant Literature	Janssen and Joha (2006) ; Wimmer (2002) - One Stop Shop and administrative reform Kubicek and Hagen (2000) - OSS and simplifying governmental procedures Dias and Rafael (2007) - OSS and ICT Ongaro (2008) - Link between establishing OSS and enhancing business enviroenmnt Bent et. al, (1999) - Different types of one stop shop's (highlighting True One Stop Shop) Castelnovo et, al. (2016) - Lebanon and Italy's experience in establishing OSS's OMSAR (2011) - Main barriers of establishing OSS's in Lebanon
Answer	The research revealed that the issue of the creation of a 'one stop shop' in Lebanon is entangled with the issue of the administrative reform in the country. Moreover, the research results argue that in Lebanon's case, the central mentality of politicians and the overly politicized situations stand in the way of establishing OSS's. The results of the research have shown that enterprises away from the capital city have issues with reaching the closest governmental agency. In addition, the overly complicated procedures and the fragmentation of services across different agencies make it hard to register an enterprise. Making establishing such shops a necessity for the development of SMEs.

5.4 Recommendations

Following the three themes that were highlighted in section 4 and the in section 5.2 of this section. This section aims at presenting recommendations based on the literature review (section 2) and the findings of the research (Section 4 and section 5.2 of this section).

Definition

The Lebanese government, along with governmental and non-governmental stakeholders should develop a coherent, constraint driven definition of SMEs including sectorial definitions. According to the World Bank (2016) 23,000 new jobs must be created in Lebanon in the coming year; in addition to the strain on employment from the influx of Syrian refugees. Hence, the SMEs definition should take in consideration the ability of these enterprise in generating employment opportunities.

Currently, SMEs definition in Lebanon adopt two approaches, number of employees and turnover (using turnover is helpful since the only accurately available information on SMEs are derived from tax records (UNDP, 2014)). The research proposes a multi threshold definition that is based on a combination between number of employees and annual turnover (Table 5.9).

Table (5.9) Proposed SMEs Definition					
Micro		Small		Medium	
Employee	Turnover	Employee	Turnover	Employee	Turnover
0-10	500 M	10-50	5 b	50-100	25 b
Source: Based on UNDP (2014)					

Due to the scarcity of statistical information on SMEs in Lebanon, adopting the definition highlighted above will be a stepping stone into acquiring information on the nature (sector, employee, turnover) and distribution of SMEs. Hence, developing a more accurate definition at a later stage.

Establishing an SMEs General Directorate

The establishment of an SME development authority or an SMEs general directorate that represents different stakeholders involved within the development of this sector and reports to the President of the Council of Minister[6] and is governed be a director general and the supervision of board of trustees that includes several stakeholders.

The authority or directorate would have the ability to focus the policy frame and follow up on the proper legislations concerning the development of the sector. Figure (5.1) highlight the proposed board of trustees of the proposed national SMEs directorate.

Several experiences in establishing independent authorities preexist in Lebanon, for example the "The General directorate of Cereals and Sugar beets" who operated under the guidance of MOET but has the autonomy and independency to act as an independent body[7].

Figure (5.1) Proposed Board of Directors for the National SMEs Directorate

	Chairman / Board of Trustees	
Ministry Economy and Trade		Ministry of Finance
Ministry of Higher Education		Ministry of Agriculture
Ministry of Industry		Bank Association
Central Bank	Proposed Board of Directors for the National SMEs Directorate	Workers Union
IDAL		Chamber of Industry and Trade
Vocational Education Department		Chamber of Agriculture
		UNDP Country Office
	Director General	

Source: Based on information gathered from board of trustees of similar directorates and independent public institutions and agencies that currently operate in Lebanon.

On the other hand, independent stand-alone authorities such as the "Investment Development Authority of Lebanon" (IDAL) who enjoys financial and administrative autonomy and reports directly to the President of the Council of Ministers[8] (IDAL, 2017).

Moving this further, Figure (5.2) highlights the National SMEs Directorate organizational chart and main day to day tasks.

Figure (5.2) Organizational Chart and Tasks of the National SMEs Directorate

Board of Directors — Director General

External Relation

Development & Innovation Dept.

Publication & Research

Administrative and Finance Dept.

-Coordination with Partners
-Logistic Services for Conferences-Seminars-Training
-Media
-Field Support

-Business Center
-Incubators
-Coaching
-Policy advocacy
-Innovation hub
-Market aid

-Publish findings
-Conduct research and collect data
-Coordinate Training sessions and produce training packages

Source: Based on benchmark practices on national and international levels

5.5 Research Limitations

Gray (2014, p. 61) argues that 'no research is perfect' and it is important for researchers to identify the limitations and weaknesses of their research by themselves. Therefore, this section highlights the main limitations of the research. First, the lack of access and availability of official statistical data from governmental sources in Lebanon, led to rely heavily on statistics and information from international bodies, which might not always capture the whole image of the situation intended to be studied. Second, the limited time frame and resources as well as the geographical distance from the subjects of the research effected the size of the survey sample, since collecting survey responses had to be aligned with pre-set appointments for the interviews. Third, language was a constraining factor, since most of the owners/managers that were identified and approached to fill the survey and interviews did not speak English, thus both the survey and interviews were conducted in Arabic and then translated to English which posed an issue for the research with certain terminology usage.

5.6 Further Research

The ongoing debate on the effect of SMEs directed policies on the growth of the sector, in addition to the contribution of SMEs to the overall economic and social development of a given country is still at large. Literature accounts on the topic of the effect of public policy on SMEs growth in the context of Lebanon is scarce, as most studies focus on the entrepreneurial characteristics and firm managerial issues. More research on understating the nature of SMEs in Lebanon and the relation between state and SMEs need to be produced. Furthermore, the study of the relation between SMEs and sustainable development could be assessed to further identify the role of the sector in economic and social development.

Based on the research findings; future quantitative studies can concentrate on exploring the obstacles and opportunities for SMEs in relation to their geographical location in addition to qualitative studies that delve into the characteristics of the firms and their adaptability to innovative practices. Such studies can be the basis of further studies that set forth investment maps based on the context of each area studies.

In conclusion, the research aimed an exploring the effect of SME governmental policies on SMEs in Lebanon. The findings of the research highlight that the fragmented SME policy framework in Lebanon is hindering the growth of the sector. However, the findings suggest that approaching SMEs through a set of selective policies without reforming the wider policy context in terms of administrative and regulatory reform might be effective due to the lack of a proper basis to launch selective policies.

On the other hand, the research concluded that the obstacles facing SMEs in Lebanon, varies from the issues that face most developing countries. Which requires a peculiar approach, since most obstacles are not related to the nature of the enterprises but rather controlled by external factors such as the political and security situations.

Moving this further, the research recommendations start with emphasizing the importance of establishing a unified national SMEs definition in Lebanon, which will be the first step in establishing a policy framework that caters for the need of these enterprises as vital components of the country's economic and social development.

Footnotes

(1) Kafalat is an SMEs loan guarantee program that was introduced in conjunction between the Central Bank and Private Banks in Lebanon (http://kafalat.com.lb/)

(2) Several amendments to the investment law in Lebanon, better known as Law (360) have been proposed to the benefit SMEs in market access and investment opportunities in the year 2014; the law still awaits approval by the parliament (OECD, 2014). Political instability has stood in the way of proposing new legislations to better aid in supporting SMEs effecting their opportunities to grow and contribute to the national economy.

(3) A more detailed analysis for Lebanon's business environment will be carried in section 4, through the assessment of the data from 'Doing Business Report' and 'Global Competitiveness Report'.

(4) It is important to note that prior to delegating the performance measurement and evaluation system to OMSAR; the program was under the responsibility of the Civil Service Council. Due to inner clashed within the administration and the instability of the political situation within the role of the Civil Service Council was disabled (Iskandar, 1994). This notion sheds the light on the effect of politics on the fragmentation of policy in Lebanon.

(5) The 2017 Doing Business Report had two major updates from previous report, (1) the report included Somalia which raised the economies that were included to 190. (2) a gender component has been added to three of the indicators.

(6) Several success experiences in creating governmental SMEs authorities have been identified on a regional and international levels. For best practices and more information, see the Korean experience (Korea Small Business Institute: www.we-apec.com) , Ireland (Enterprise Ireland : www.enterprise-ireland.com), Singapore (SPRING: www.spring.gov.sg) , Turkey: (KOSGEB (www.kosgeb.gov.tr).

(7) For more information on the role, creation and authority of the 'General directorate of Cereals and Sugar beets' see: http://www.economy.gov.lb/index.php/serviceSubCat/2/6

(8) For more information on IDAL visit their webpage through the following link: http://investinlebanon.gov.lb/

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Appendices

Appendix (1-A) Initial Themes from SME Owner/Manager Interview Across Sectors*				
Industrial	Commercial (Retail)	Agriculture	Construction	Technology
-Lack and high cost of resources -Political and economic situation -Fragmentation of gov. provided services and information -Issues with business registration (licenses) -Lack of local industrial zones for SME factories -Foreign unregistered businesses -Lack of protection from the government for national industries -Taxation	-Instable political and economic situations -Excessive number of administrative steps -Lack of governmental support -Informal Sector -Illegal smuggled products -The burden of license renewals - Paying Taxes -Foreign unregistered businesses	-Lack of regulations on Foreign produce -Lack of Subsidies -Issues with exporting goods -Current political deadlock and economic situation / increase in prices -Benefits from registering agricultural enterprises -prolonged procedures -International standards	-Unregulated Foreign Labor -Scattered producers -Regulations -Unregistered enterprises operating within the sector -Economic and political situation -Cost of building material	-Lack of support for entrepreneurial activities -Inadequate infrastructure that caters for technological projects needs -Political and Economic issues -Additional costs imposed through duplicating the same procedures across several gov. departments -Cost of internet services
*Common themes are highlighted in matching colors				

Appendix (2-A) SMEs Owners/Managers Evaluation to the Elements that Effect Their Enterprise Growth			
Elements	Negative (%)	Moderate (%)	Positive (%)
Political and Economic Situation	87.4	12.6	N/A
Security Situation	79.6	20.4	N/A
Bureaucracy and red tape	66.9	32	1
Acquiring Finance	44.6	37.9	17.5
Regulations	54.4	37.9	7.8
Large Enterprises Within the same field	60.2	35	4.9
exported Goods/Services	53.4	43.7	2.9
SME Governmental Protection Policies	60.2	27.2	12.6
Infrastructure	71.9	24.3	3.9
Cost of Infrastructure Services	76.7	21.4	2
Source: Survey Results			

Table (3-A) : Lebanon's Ranking on the Doing Business Report (2014-2017)				
Topics	2014	2015	2016	2017
Overall Rank	111	104	122	126
Starting a Business	120	119	124	139
Dealing with Construction Permits	179	164	128	135
Getting Electricity	51	57	117	122
Registering Property	112	106	101	103
Getting Credit	109	116	109	118
Protecting Minority Investors	-	106	145	145
Paying Taxes	39	40	66	67
Trading Across Boarders	97	97	132	134
Enforcing Contracts	126	110	127	127
Resolving Insolvency	93	136	143	143
Source: Doing Business Report (2014, 2015, 2016))				

Table (4-A) Lebanon›s Distance to Frontier		
	2016	2017
Overall	56.08	55.9
Starting a Business	79.72	78.45
Dealing with Construction permits	62.44	61.85
Getting Electricity	60.18	60.12
Registering Property	60.02	59.94
Getting Credit	40	40
Protecting Minority Investors	40	40
Paying Taxes	77.1	77.17
Trading Across Boarders	59.71	59.71
Enforcing Contracts	51.7	51.7
Resolving Insolvency	29.94	30.03
Source: The Doing Business Report (2016,2017)		

Table (5-A) Ease of Doing Business for Arab Economies		
Economy	Ease of Doing Business Rank	Filtered Rank
United Arab Emirates	31	1
Bahrain	65	2
Qatar	68	3
Oman	70	4
Tunisia	74	5
Morocco	75	6
Saudi Arabia	82	7
Kuwait	101	8
Jordan	113	9
Lebanon	123	10
West bank and Gaza	129	11
Egypt, Arab Rep	131	12
Comoros	154	13
Sudan	159	14
Iraq	161	15
Algeria	163	16
Mauritania	168	17
Yemen	170	18
Djibouti	171	19
Syrian Arab Republic	175	20
Libya	188	21
Source: Data gathered from Doing Business Regional Report (2016)		

Table (6-A) Ease of Doing Business for Arab Economies		
Economy	Ease of Doing Business Rank	Filtered Rank
United Arab Emirates	26	1
Bahrain	63	2
Oman	66	3
Morocco	68	4
Tunisia	77	5
Qatar	83	6
Saudi Arabia	94	7
Kuwait	102	8
Jordan	118	9
Egypt, Arab Rep	122	10
Lebanon	126	11
West Bank and Gaza	140	12
Comoros	153	13
Algeria	156	14
Mauritania	160	15
Iraq	165	16
Sudan	168	17
Djibouti	171	18
Syria	173	19
Yemen	179	20
Libya	188	21
Source: Data gathered by the author from Doing Business Regional Reports (2017)		

Table (7-A) Lebanon's Rank on the Doing Business Report Compared to the Average Arab World and OECD Countries			
	OECD	Arab Word	Lebanon
Overall Ranking	26	124	126
Starting a Business	46	119	139
Dealing With Construction Permits	48	91	135
Getting Electricity	37	97	122
Registering property	44	92	103
Getting Credit	57	138	118
Protecting Minority Investors	43	128	145
Paying taxes	42	83	67
Trading Across Boarders	24	129	134
Enforcing Contracts	45	116	127
Resolving Insolvency	23	129	143
Source: Data gathered by the author from Doing Business Regional Reports (2017)			

Table (8-A) Lebanon's Distance to Frontier Score on the Doing Business report (2017)			
Topics	OECD	Arab Word	Lebanon
Overall Ranking	77.65	54.55	55.9
Starting a Business	91.51	79.2	78.45
Dealing with Construction Permits	75.6	63.73	61.85
Getting Electricity	84.37	65.04	60.12
Registering property	76.6	61.28	59.94
Getting Credit	62.19	27.62	40
Protecting Minority Investors	64.62	43.33	40
Paying taxes	83.07	72.28	77.17
Trading Across Boarders	93.87	53.91	59.71
Enforcing Contracts	67.48	51.65	51.7
Resolving Insolvency	77.15	26.93	30.03
Source: The Doing Business Report (2017)			

Table (9-A): Lebanon's Number of Procedures and Numbers of Days Compared to MENA and OECD Averages (2017)			
Numbers of Procedures	Lebanon	MENA	OECD
Starting a Business	8	7.8	4.8
Dealing with Construction Permits	18	15.1	12.1
Getting Electricity	5	5	4.8
Registering Property	8	5.7	4.7
Number of Days	Lebanon	MENA	OECD
Starting a Business	15	20.1	8.3
Dealing with Construction Permits	244	129	152.1
Getting Electricity	75	81.7	76.2
Registering Property	34	30.5	22.4
Source: Data gathered from Doing Business Regional Reports (2017)			

Table (10-A) Lebanon Rankings on Global Competitiveness Report		
Overall Ranking and Individual Pillar Ranking	2015/2016	2016/2017
Overall ranking	101	101
Basic Requirements	121	125
Institutions	128	119
Infrastructure	116	117
Macroeconomic Environment	139	136
Health and Primary Education	30	52
Efficiency Enhancers	71	72
Higher Education and Training	58	66
Goods Market Efficiency	56	55
Labor Market Efficiency	109	104
Financial market Development	78	69
Technological Readiness	66	72
Market Size	77	76
Innovation and Sophistication Factors	67	52
Business Sophistication	61	50
Innovation	95	58
Source: Global Competitiveness Report (2015/2016; 2016/2017)		

Table (11-A) : Global Competitiveness Report (Overall Index Ranking of Arab States 2016/2017)		
	Global Competitiveness Index	Overall Index Ranking (2016/2017)
1	United Arab Emirates	16
2	Qatar	18
3	Saudi Arabia	29
4	Kuwait	38
5	Jordan	63
6	Oman	66
7	Morocco	70
8	Algeria	87
9	Tunisia	95
10	Lebanon	101
11	Egypt	115
12	Mauritania	137
13	Yemen	138
Source : Global Competitiveness Report (2016/2017)		

Table (12-A): Overall Rank of Arab States on the GDR Infrastructure Rank (2016-2017)		
	Country	Overall Infrastructure Rank
1	U.A.E	4
2	Qatar	18
3	Saudi Arabia	31
4	Bahrain	32
5	Oman	38
6	Kuwait	52
7	Jordan	56
8	Morocco	58
9	Tunisia	83
10	Egypt	96
11	Algeria	100
12	Lebanon	117
13	Mauritania	129
14	Yemen	136
Source: Data Gathered from the Global Competitiveness Report (2016/2017)		

Table (13-A) World Bank Enterprise Survey Results 2013						
Economy	All Countries	Middle East & North Africa	Lebanon	Lebanon	Lebanon	Lebanon
Subgroup				Size	Size	Size
Subgroup Level				Small (5-19)	Medium (20-99)	Large (100+)
Bribery incidence (percent of firms experiencing at least one bribe payment request)	17.8	24.0	19.2	17.0	22.0	22.4
Bribery depth (% of public transactions where a gift or informal payment was requested)	13.9	20.7	14.3	12.4	16.4	18.4
Percent of firms expected to give gifts in meetings with tax officials	13.0	18.9	14.6	15.0	11.6	23.0
Percent of firms expected to give gifts to secure government contract	29.2	40.3	30.2	34.3	25.8	41.1
Value of gift expected to secure a government contract (% of contract value)	1.7	0.9	0.2	0.2	0.3	0.5
Percent of firms expected to give gifts to get an operating license	14.4	21.5	11.8	12.9	8.8	11.9
Percent of firms expected to give gifts to get an import license	14.6	21.2	9.6	3.0	27.7	7.3
Percent of firms expected to give gifts to get a construction permit	23.3	26.3	41.8	45.1	52.5	19.9
Percent of firms expected to give gifts to get an electrical connection	16.3	26.9	17.3	13.5	19.0	27.5
Percent of firms expected to give gifts to get a water connection	16.0	16.4	9.7	0.0	35.0	10.7
Percent of firms expected to give gifts to public officials «to get things done»	22.1	18.7	20.9	16.9	23.2	50.9
Percent of firms identifying corruption as a major constraint	33.0	53.2	61.4	57.4	69.9	61.6
Percent of firms identifying the courts system as a major constraint	14.8	15.8	8.7	10.8	4.7	5.0
Source: World Bank Enterprise Survey (2013)						

ABSTRACT

The study aims to investigate SMEs growth barriers and to explore the impact of a lack of SME directed policy on the growth of the sector in Lebanon. In addition, the paper aimed to explore the potential importance of an SME one-stop-shop as part of a strategy to bolster the sector.

The reserch highlighted the main literature accounts that tackle the issues revolving around the contribution and role of SMEs in the overall economic and social development. In addition, the literature accounts revealed the main arguments concerning pro and against government interventions in promoting SMEs, as well as several accounts that discussed the importance of one-stop-shops and their role in elevating administrative burdens on SMEs

The reserch results revealed that the most hindering factors for SME development in Lebanon were the political, economic and security situations along with excessive administrative burdens and un-supporting business and regulator environments. Furthermore, the paper has drawn lines of a close tie between the lack of SMEs directed governmental policies and the growth of this sector in Lebanon.

Moving this further, the study argued that the relation between SMEs development and public policy must be approached from an overarching perspective. the fragmentation of SMEs policy approach and the absence of a national economic and social development plan play a negative role on SMEs operating within the Lebanese economy. Hence, SMEs directed policies as well as the creation of a SMEs one stop shop within the current policy framework might not be as effective. In this regard, the paper recommended generating a unified national SMEs definition in Lebanon, in addition to establishing a National SMEs Directorate that work on coordinating the efforts of different stakeholders both in the public and private sectors; which will be the first step in establishing a policy framework that caters for the need of these enterprises as vital components of the country's economic and social development.

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