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GREEN ECONOMY IN EGYPT, TUNISIA AND LEBANON: BUILDING AN ENABLING ENVIRONMENT FOR GREEN ENTREPRENEURS

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1 BACKGROUND

Egypt, Lebanon and Tunisia, like many other countries all over the globe, are facing a range of environmental challenges such as climate change, resource depletion and pollution. These challenges have significant implications for the well-being of their populations and the sustainability of their ecosystems. In terms of climate change, these countries experience rising temperatures, changing rainfall patterns and increased frequency of extreme weather events. These changes pose risks to agriculture, water resources and public health. Rising sea levels also threaten coastal areas, including major cities and valuable infrastructure.

Embracing and fostering green businesses can play a vital role in addressing these challenges and promoting sustainable development. Green businesses, characterised by their focus on environmental sustainability and social responsibility, offer innovative solutions and technologies that reduce carbon emissions, conserve resources and create green jobs. By supporting and promoting these businesses, Egypt, Lebanon and Tunisia will not only mitigate against environmental risks but also unlock new economic opportunities, enhance energy security and improve the overall well-being of their citizens. Therefore, it is imperative for policymakers, stakeholders and investors, in order to prioritise and actively support the growth and development of green businesses in these countries.

At the global level, there is a growing concern that we are falling behind in achieving our climate goals. Despite international agreements, such as the Paris Agreement, which aim to limit global warming to well below 2 degrees Celsius, greenhouse gas emissions continue to rise and the impacts of climate change are becoming more evident. The Production Gap Report 2021 illustrates the large discrepancy between global fossil fuel production and the level needed to limit warming to 1.5°C and 2°C (UN, 2021).[1] Yet it acknowledges that the world has a long way to go to reach a turning point towards a healthier, more resilient and carbon-friendly future.

The notion of Green Economy has been developed and promoted at the global level by the United Nations Environmental Programme (UNEP). UNEP defines the Green Economy as one that aims to increase social equity and human well-being, whilst significantly reducing environmental risks and ecological scarcity. Within the Green economy, the growth of revenue and employment occurs in a market economy where public and private investments are made to reduce emissions and pollution, enlarge resource efficiency, protect biodiversity and prevent environmental pollution. From a sectoral perspective, the United Nations Conference on Sustainable Development (UNCSD), which was held in

[1] Governments are projected to increase fossil fuel production in 2030 by more than double the amount that aligns with the goal of limiting global warming to 1.5°C, This production gap has persisted without significant change since our initial analysis in 2019.

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2012 in Rio, considered the following sectors to be driving the advancement of the transition to a Green Economy: Agriculture, Fisheries, Water management, Forestry, Renewable energies, Manufacturing, Waste, Buildings, Transport and tourism.

This policy paper provides an assessment of the Green Economy in Egypt, Lebanon and Tunisia, with a focus on identifying the main challenges and proposing a way forward to foster an enabling environment for green entrepreneurs. The assessment draws upon a combination of desk research, a survey conducted amongst INVESTMED beneficiaries[2] , and expert interviews conducted in May 2023.[3] We aim to offer valuable insights into the current state of the Green Economy in these countries and provide recommendations for promoting sustainable entrepreneurship in the region.

2 ASSESSMENT AND MAIN CHALLENGES

Green businesses in Egypt, Lebanon and Tunisia face several key challenges that hinder their development and growth. These barriers often stem from a lack of supportive policies and regulations. To effectively support green businesses in Egypt, Lebanon and Tunisia, it is crucial for policymakers to take immediate action. Firstly, there is a need to establish a favourable policy framework that incentivises and rewards sustainable practices, such as providing tax incentives, grants and subsidies to green firms. Secondly, policymakers should prioritise the development of renewable energy infrastructure and provide access to financing options specifically tailored to green businesses. Lastly, there is a need for increased collaboration and knowledge-sharing between government agencies, industry stakeholders and green firms to facilitate capacity building, technology transfer and innovation in the green sector (SwitchMed, 2017a, 2017b and 2018 also Voinea et al 2019).

One of the primary challenges is the insufficient political will to prioritise and implement sustainable solutions. Without strong commitment from policymakers, it becomes difficult to create an enabling environment for green businesses to thrive.

Additionally, bureaucracy and red tape pose significant obstacles for green businesses. Cumbersome administrative procedures and excessive regulations can slow down the establishment

[2] We are grateful to the entrepreneurs who responded to the INVESTMED policy paper survey: https://docs.google.com/forms/d/e/1FAIpQLSc-WT0Jxu9NlbpWy48dRWwVr5h6Vhd3WM7I1uMH1Oa9lOZIzg/viewform?pli=1

[3] We are thankful to Alessandra Sensi from UfM and Alessandro Miraglia and Giorgion Mosangini from MedWaves for their time and participation in the expert interview sessions.

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and operation of these businesses, making it harder for them to navigate the system and achieve their goals.

Access to funding and information is another critical challenge. Green businesses often struggle to secure the necessary financial resources to invest in sustainable technologies and practices. Lack of awareness about available funding opportunities and limited access to relevant information further exacerbate this challenge.

Furthermore, the enforcement of environmental regulations is often inadequate, which undermines the level playing field for green businesses. When regulations are not effectively enforced, businesses that engage in unsustainable practices can gain a competitive advantage over their green counterparts.

One significant challenge faced by entrepreneurs and businesses in Egypt, Lebanon and Tunisia is the lack of regulatory incentives for those who offer ecologically viable solutions. Without proper regulatory frameworks and incentives, it becomes difficult for green entrepreneurs to compete with conventional businesses that may not prioritise environmentally sustainable practices.

Regulatory incentives play a crucial role in encouraging and rewarding businesses that adopt ecologically viable solutions. These incentives can include tax breaks, grants, subsidies and streamlined regulatory processes. However, in many cases, such incentives are limited or non-existent, creating a disincentive for entrepreneurs and businesses to invest in sustainable practices.

Egypt is amongst the most vulnerable regions to the impacts of climate change, with rising sea levels, water scarcity and extreme weather events posing significant challenges. According to the latest "Ecological Threat Report", Egypt faces greater risks of ecological threat, compared to Tunisia and Lebanon. The three countries are respectively ranked 76th, 129th and 152th out of 224 countries studied (IEP, 2022). However, one of the main barriers to addressing these challenges in Egypt is the country's significant reliance on fossil fuels. The energy sector is heavily dependent on fossil fuel resources, particularly natural gas and oil, which contribute to greenhouse gas emissions and exacerbate climate change.

Lebanon is currently facing a complex and challenging situation, characterised by an economic, political and social downturn, compounded by multiple crises. This combination of factors has resulted in a significant brain drain, where highly skilled individuals are leaving the country in search of better opportunities and stability. The brain drain, in turn, exacerbates the challenges faced by Lebanon, as it loses valuable human capital and expertise.

The high level of uncertainty prevailing in Lebanon further hinders the growth and development of green businesses. Uncertain political and economic conditions create a challenging

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environment for entrepreneurs and investors, as they are unsure about the stability of the business environment, access to markets and availability of resources. This uncertainty can deter potential green entrepreneurs from initiating or expanding their businesses, leading to missed opportunities for sustainable economic growth and environmental protection. Moreover, governmental support is almost non-existent and the delay in public institutions for standard procedures are extensive, hindering business development and upscaling.

In Tunisia, the green business landscape is characterised by a diversity of actors and numerous programmes and organisations dedicated to promoting entrepreneurship (the Start-up Act is an example). However, one of the key challenges faced by green entrepreneurs is the lack of transparency in the processing of files for the creation of green businesses. Transparency is crucial for fostering an enabling environment for green businesses. It ensures fairness, accountability and equal opportunities for all entrepreneurs seeking to establish and operate sustainable ventures and is essential in the fight against greenwashing.

There are a growing number of programmes and initiatives to boost green and sustainable entrepreneurship in the region, however, many entrepreneurs find the grant process burdensome and are reluctant to apply.

3 POLICY RECOMMENDATIONS

To support and promote green businesses, one important policy recommendation is to **establish a label** specifically for these types of enterprises. This label would serve as a recognition and certification system, indicating that a business meets certain criteria and standards related to environmental sustainability. The label for green businesses can incorporate various criteria, such as carbon emissions reduction, biodiversity protection, resource efficiency and sustainable practices. By setting clear and measurable criteria, the label would provide a framework for assessing and certifying the environmental performance of businesses.

This label would not only provide recognition and visibility to green businesses but also serve as an incentive for other businesses to adopt sustainable practices. It would create a competitive advantage for certified green businesses, as consumers and investors increasingly prioritise environmentally responsible choices.

To enhance the development and growth of green businesses in Egypt, Lebanon and Tunisia, it is crucial to **strengthen financial support mechanisms**. One key policy recommendation is to encourage public-private partnerships (PPPs) that bring together government entities, private investors and green businesses to collaborate on sustainable projects and initiatives. Furthermore,

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leveraging EU financial instruments can provide additional support. EU loans, guarantees, grants and other financial mechanisms can be utilised to facilitate access to capital for green businesses. These instruments can be tailored to the specific needs and challenges of each country, providing targeted financial assistance for sustainable projects, capacity building, research and development, and technology adoption.

To foster the growth and survival of green businesses, it is essential to facilitate **knowledge and technology transfer**. This can be achieved through various policy measures aimed at supporting technology transfer programmes and encouraging knowledge sharing platforms.

Firstly, establishing technology transfer programmes can facilitate the exchange of environmentally friendly technologies, expertise and best practices between developed countries and the target countries. These programmes can be supported through partnerships with international organisations, research institutions and industry associations. They can facilitate the transfer of clean technologies, renewable energy solutions and sustainable production practices to green businesses in Egypt, Lebanon and Tunisia.

Secondly, creating knowledge sharing platforms can enhance collaboration and learning amongst green businesses, researchers and policymakers. These platforms can serve as spaces for sharing experiences, success stories and challenges, thereby promoting the dissemination of knowledge and fostering innovation in the green sector. This can be achieved through the organisation of conferences, workshops and networking events that bring together stakeholders from academia, industry and government.

Acknowledgments: *We extend our heartfelt appreciation to Alessandra Sensi from UfM, Alessandro Miraglia and Giorgio Mosangini from MedWaves for their generous commitment of time and active involvement in the expert interview sessions. Their profound insights and valuable contributions have significantly enriched the findings and outcomes of this policy note.*

We would also like to express our gratitude to the INVESTMED sub-grantees who wholeheartedly dedicated their time to respond to the survey and provide us with invaluable information. The insights they shared have played a pivotal role in shaping the content and recommendations presented in this policy paper.

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5 APPENDIX - INVESTMED SURVEY RESULTS

The INVESTMED policy paper survey was distributed amongst INVESTMED sub-grantees active in green, blue and creative sectors in Egypt Lebanon and Tunisia. 33 answers were collected and some of the responses relative to CCI are presented in this Appendix.

Table 1B- Distribution of respondents by country and sector of activity

	Blue	CCI	Green	Total
Egypt	1	5	1	7
Lebanon	0	3	9	12
Tunisia	2	6	6	14
Total	3	14	16	33

Figure 1A- Women and youth proportion in the respondents

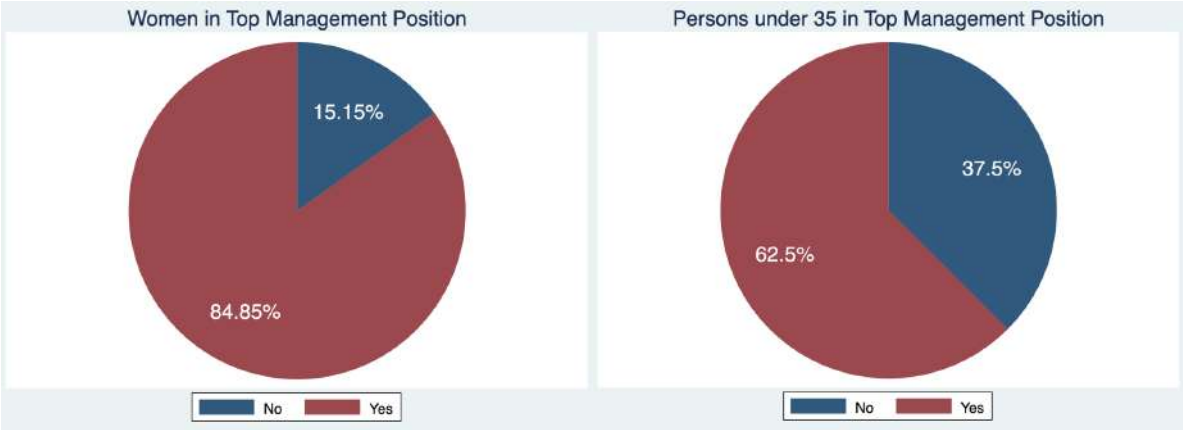

Table 1A- Green sector is perceived as of high potential amongst all respondents

Potential of the Green Economy	Freq.	Percent
High potential	24	72.73
Good potential	7	21.21
Low potential	1	3.03
I don't know	1	3.03
Total	33	100

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Table 2A- Crucial factors to build an enabling environment for green businesses

	Crucial	Fairly important	Low importance	Not important	I don't know
Recognition of the importance of green businesses	12	3	0	0	0
Abundance of funding opportunity for green businesses	8	5	1	0	1
Developing associations and cooperatives for agri-businesses	9	4	1	0	0
Tax breaks and fiscal benefits for not polluting businesses	10	4	0	0	1
Legal restrictions and fines for polluting businesses/ practices	11	3	0	0	1

***Note**: This table displays responses to this question amongst entrepreneurs active in Green Economy: What are the most important factors in enhancing an enabling environment for green businesses?*

Table 3A- Most important stakeholders within the Green Economy ecosystem

	High support	Good support	Low support	Do not support	I don't know
Government and public policies	3	2	6	4	0
Business incubators	4	9	2	0	0
Banks and financial intermediaries	1	6	3	4	1
Private investors	4	7	3	1	0

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Universities & teaching institutes	4	8	1	1	1
International organisations (EU, US AID etc)	11	4	0	0	0

***Note**: This table displays responses to this question amongst entrepreneurs active in Green Economy: To what extent are the following players in the entrepreneurship ecosystem supporting the development of the Green Economy in your country?*

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ABOUT INVESTMED

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

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

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

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

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