

# Overview of the Main Initiatives and Programs to Support the SMEs Sector in Lebanon

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**WIPO Advanced Training of Trainers Program on Effective Intellectual Property Asset Management by Small and Medium-Sized Enterprises (SMEs)**

**Beirut**

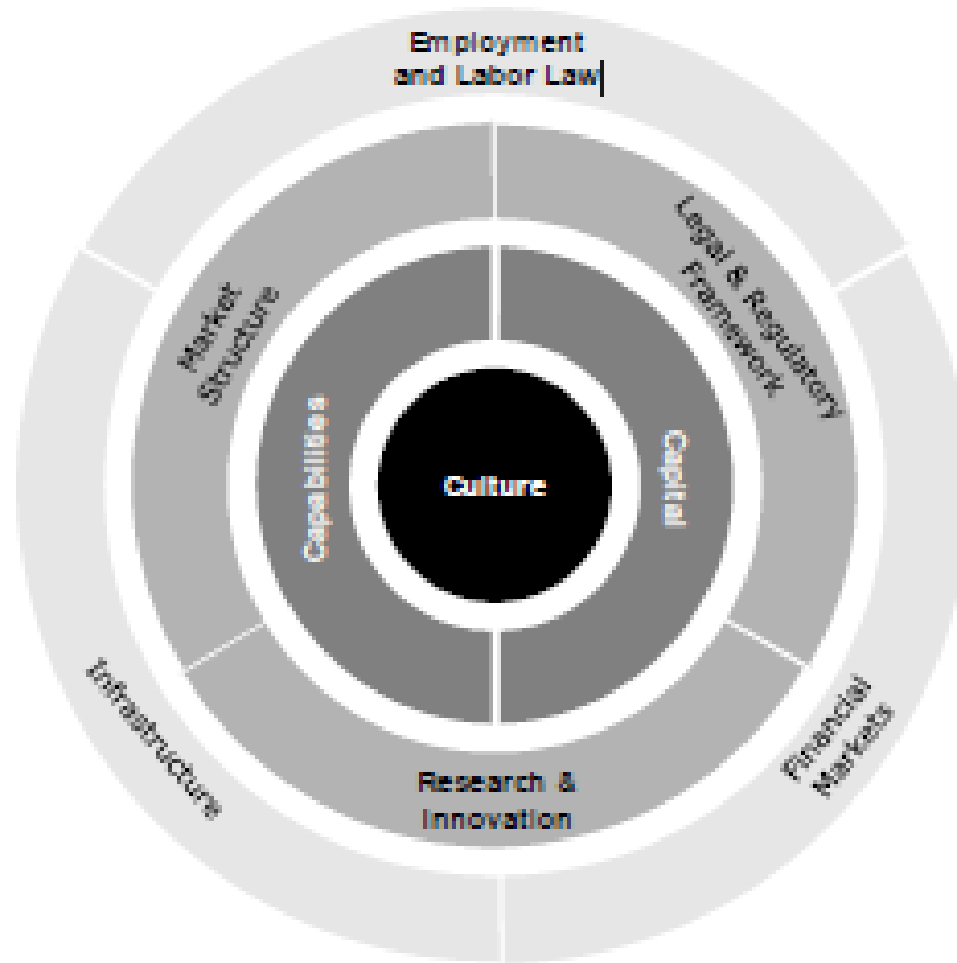
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**SMEs are enterprises with considerable growth potential but face constraints due to their size and risk; as such they need support across multiple levels**



**In the past decade Lebanon has seen the advent of several public and private sector initiatives to support entrepreneurs and businesses**

## **State of Public and Private Support**

### **Summary of Public Support**

- There are **~45 public sector ongoing and planned initiatives and programs** (some pending in the government's pipeline)
- Main focus on **four key areas such as legal and regulatory, capabilities building and market structure**
- These efforts target **all of Lebanon** and many of them catering for all sectors
- There is noticeable **focus on Agriculture, Industry and ICT sectors** as they are considered as promising sectors

### **Summary of Private Support**

- More than a **100 initiatives and programs target SMEs**
- Majority of established programs are driven by the private sector, with noticeable involvement of NGOs
- Overwhelming majority of these programs **addresses capability development and access to capital**
- Most current programs **target all of Lebanon** with the majority also catering **for all sectors, with a slight focus on ICT**

## Key Support for “Culture” & “Capabilities”

From the early 2000's, multiple initiatives have been successful in supporting the launch and growth of entrepreneurs and SMEs

- **Incubators** that offer training to entrepreneurs and SMEs (e.g., Berytech, SouthBIC, BIAT, etc.)
- **Mentoring, Coaching and Networking** organizations (e.g., BADER, Endeavor, LFE, etc.)
- **Universities** with dedicated family business and entrepreneurship centers that help **foster capabilities and promote culture and provide courses** (AUB, BAU, LAU, etc.)
- **Online Support Platforms** (e.g., Entrepreneurs Lebanon, BLC's Lebanon SME Toolkit, Alice, etc.)

## Public and Private Initiatives (*non-exhaustive*)

### Incubators/Accelerators

- **Incubators** are programs that support the successful **development of startups** through an array of business **services and resources** (typically includes a physical hosting space, capital, coaching and networking)
- **Accelerators** differ in their cohort based fast-paced programs and **equity based funding models**



### Facilitators/Mentors

- **Facilitators** are entities that **provide networking support for businesses and entrepreneurs to potential suppliers, customers, financiers, experts**
- **Mentors** are typically experienced professionals who **volunteer to coach** fledgling entrepreneurs and business owners with less experience



## Public and Private Initiatives (*non-exhaustive*)

### University Centers

- Aim at **promoting entrepreneurial culture at university level** by identifying and supporting individuals with potential through mentorship, networking and training



### Online Platforms

- Provide **online support to SME owners and entrepreneurs** such as information resources, template business plans, and interactive training tools



## Programs and Competitions (*non-exhaustive*)

Programs & Competitions	Sponsor	Description
MIT Arab Business Plan Competition	Bader / MIT Enterprise Forum	Regional business plan competition
Intel Berytech Innovation Challenge	Berytech – Intel	Regional technology business plan competition
Global Social Venture Competition	Berytech – USJ – BLC Bank	Social entrepreneurship innovation contest
National Mobile Programming Contest	Balamand – Berytech – MOT – Touch – Samsung	Mobile development contest
Netherland Game Awards	British Council – AltCity	Game development contest
Digital Arabic Content	Berytech – ESCWA	Competition for digital Arabic content
Women Entrepreneurs	Berytech – AUF – BLC Bank	Showcase of projects initiated by women
Grow my Business	Bader – Bank Audi	Business plan competition
Startup Cup	Bader	Business plan competition
WE Initiative / SME Toolkit / Brilliant Lebanese Award	BLC Bank	Women Empowerment initiatives, recognition and promotion awards
ArabNet competitions	Arabnet	Startup Demo Competition Developer Tournament

## Key Support for “Capital”

Several initiatives to support SME funding and access to capital have flourished in Lebanon:

- **Subsidized Loans by the government**
- **Reserves Exemptions by BDL**
- **Credit Guarantees (Kafalat, ESFD)**
- **BDL 331 circular for equity financing**
- **Crowdfunding**
- **ISME World Bank project + Private sector funds**
- **Microfinance Institutions**



## Financing Options Across Stage of Growth(non-exhaustive)

	SEED	START-UP/EARLY STAGE	GROWTH COMPANIES	MATURE BUSINESSES
<b>Grants</b>	– ISME World Bank Project (awaiting parliament approval)	– Competitions		
<b>Crowdfunding</b>	– Zoomal	– Zoomal		
<b>Guarantees</b>		– Kafalat – ESFD	– Kafalat	– Kafalat
<b>Equity Financing</b>	– Lebanese Business Angels	– BdL 331 (commercial banks and funds) – Berytech FUND	– ISME World Bank Project (awaiting parliament approval) – Faro Fund – Cedrus – MEVP – Abraj Capital	– ISME World Bank Project (awaiting parliament approval) – Riyada – Abraj Capital
<b>Debt</b>			– Commercial banks (subsidized loans)	– Commercial banks (subsidized loans)

# ISME World Bank Project – Co-Investment Fund

## ISME WB project

The ministry of Finance just signed a **\$30 mil loan with the World Bank** in order to create a **co-investment fund that would be managed by Kafalat**.

- Components: **US\$2.5 million for Concept Development Grants**; and **US\$25 million for equity investment in seed and growth stage firms**
- The Concept Development Grants will be extended to entrepreneurs for development of their ideas.
- To qualify for the equity investment, **the entrepreneur needs a commitment from an investor** (VC or PE fund-on the partner list) before approaching the iSME Fund.
- The objective of this fund is:
  - Promote and invest in innovation and
  - Encourage equity financing
  - Share the risk with VCs and PE funds, and thus scale up their operation

The project awaits parliament approval

## Commercial Banks/Subsidized Loans

### Interest Subsidies

**The interest rate subsidies are financed by the Lebanese treasury and administered by the Central Bank of Lebanon.**

- **Subsidized interest rate: 4.5%**
- **Sectors: industry, tourism, agriculture, craft industry and high technology**
- **Loan amount: LBP 50 million to LBP 15 billion**
- **Loan Duration: 7 years**
- **Grace period: 6 to 24 months**
- **Interest rate in LBP: 2 years Treasury bills + 1% (before subsidy)**
- **Interest rate in USD: maximum Libor 3 months + 7% (before subsidy)**

### Reserve Exemptions

**In addition to subsidies and in order to stimulate banks and to reduce their lending risk, the central bank offer banks exemption of the reserve requirement, which significantly reduces the lending bank's cost of capital, allowing lending at lower interest rates.**

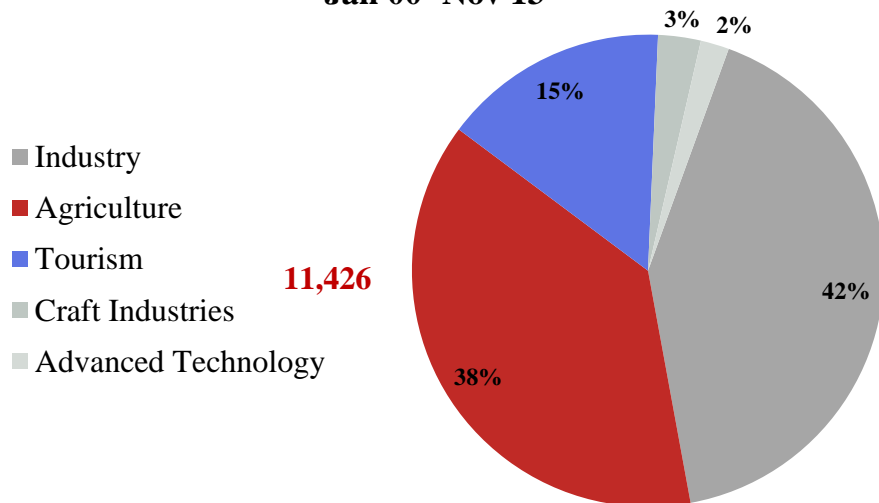
## Credit Guarantee – Kafalat (1/2)

### Kafalat

Kafalat is a Lebanese financial company with a public concern that **assists small and medium sized enterprises (SMEs) to access commercial bank funding by providing loan guarantees.**

- **Kafalat (SAL) is owned by the National Institute for the Guarantee of Deposits (75%) and fifty Lebanese banks (25%)**
- **Target group: SMEs and innovative start-ups (less than 40 employees)**
- **Sectors: industry, tourism, agriculture, craft industry and high technology**
- **Kafalat Fee: 2.5% yearly commission of the outstanding value of the guarantee (Fiscal stamps are charged once, 0.3% of the value of the guarantee)**

**Cumulative Number of Projects Guaranteed by Kafalat  
Jan 00- Nov 13**



**Cumulative amount of  
loans issued guarantees**

**USD 1,243,683,823**

**Average amount of loan**

**USD 108,847**

## Kafalat currently has 6 programs (2/2)

Program	Investment Type	Loan amount (Up to)	Duration (Up To)	Guarantee Ratio	Grace period	Interest Rate (before subsidy)
<b>Kafalat Basic</b>	Fixed Assets and Working Capital Needs	LBP 300 Mil (or equivalent)	7 yrs	75%	6 mths - 1yr	LBP: 40% TB + 3% USD: 1yr Libor + 5.5%
<b>Kafalat Plus</b>	Fixed Assets and Working Capital Needs	LBP 600 Mil (or equivalent)	7 yrs	85%	6 mths - 1yr	LBP: 40% TB + 3% USD: 1yr Libor + 5.5%
<b>Kafalat Innovative</b>	Fixed Assets and Working Capital Needs	LBP 300 Mil	5 yrs	90%	6 mths - 1yr	LBP: 40% TB + 3%
<b>Kafalat Start-ups and Innovation</b>	Fixed Assets and Working Capital Needs	LBP 650 Mil (or equivalent)	7 yrs	Innovation: 90% Startups: 85%	6 mths - 1yr	LBP: 40% TB + 3% USD: 1yr Libor + 5.5%
<b>Kafalat Agriculture</b>	Small Agriculture	LBP 65 Mil (or equivalent)	7 yrs	85%	6 mths - 1 yr	LBP: 40% TB + 3% (3% after 7 yrs) USD: 1yr Libor + 5.5%LBP
	Trees	LBP 480 Mil (or equivalent)	10 yrs	90%	6 mths - 3 yrs	
<b>Kafalat Energy</b>	Energy Efficiency	LBP 600 Mil	10 yrs	75%	6 mths - 1 yr	LBP: 3% (Applicants who benefit from a Kafalat Energy loan guarantee are automatically eligible to benefit from a 5% grant on the project value)
	Renewable Energy generation for internal use	LBP 600 Mil	15 yrs	75%	6 mths - 2 yrs	
	Renewable Energy generation for sale to third parties	LBP 1,320 Mil	15 yrs	75%	6 mths - 3 yrs	

## BdL 331 - Soft loans for banks to invest in startups, VCs, accelerators

### Central Bank New Initiative – Circular 331

**A new circular issued by the Central Bank (BDL) in august 2013 introduced new schemes to encourage the financing of startups, accelerators, and incubators through banks and financial institutions.**

- **Banks will be allowed to invest as much as 3 percent of their own funds in startup companies, accelerators, and VCs. (The equivalent of up to \$400mn will be injected in this sector in the coming 7 years.)**
- **Banks wishing to finance such companies will benefit from interest-free loans from BDL guaranteeing up to 75% of banks' investment for a maximum period of 7 years.**
- Banks can own up to 80% of the company's capital (not exceeding 80%) for the entire duration of the loan.
- The company should be a Lebanese joint stock company with nominal shares.
- The bank should liquidate all the shares it owns by the end of the maximum loan period (7 years).

Bank Equity Investment in Company X	\$100,000
BDL Loan coverage (0%, up to 7 years)	75%
Net Interest Income generated from invested BDL loan in TB	\$75,000
Interest rate on Treasury Bill for 1 year (assumption)	5.50%

Accumulated Interest Revenue End of Investment Period (7 years)	\$75,000
Required Loan Amount from BDL	\$164,951

*Calculations are not very accurate in the example*

## Key Support for “Access to Markets”

Some public sector initiatives have been successful in supporting SMEs:

- MoET launched the **Internationalization Support** initiative to subsidize participation of Lebanese firms in global fairs
- MoET also launched **Qualeb project** with EU to improve quality standards through trainings and workshops
- IDAL has been active in supporting Agricultural and ICT firms through its **Agri Plus** and **Agro Map** Programs, as well as its **sponsorship of local producers** in global fairs

	Initiative	Description	Target Sector
<b>MOET</b>	Internationalization Support	Subsidize the participation of firms in relevant international and regional fairs	All sectors
	 w EU	Provide support for enterprises, public and private through provision of trainings and workshops on quality standards and certification and introducing legislative changes	All sectors
<b>IDAL</b>	Agri Plus Program (previously Export plus)	Grant financial incentives and provide training with the objective to enhance product quality, improve packaging, and engage in promotion & marketing	Agriculture
	Agro Map Program w/ SLFI1	Subsidize the participation of agricultural firms in international and regional food fairs	Agriculture
	Support the promotion of Lebanese products	Subsidize the participation of ICT startups in relevant international and regional fairs	ICT



## Key Support for “Legal and Regulatory Framework”

A number of initiatives have been launched to improve the legal and regulatory frameworks for businesses. (some laws are waiting for parliament approval)

- Improving Business Environment in Lebanon **IBEL was launched in 2010 by PCM to** address investment climate needs and evaluate Lebanon’s performance against international indicators
- Updates to several **laws critical to SMEs** (e.g., code of commerce, competition law, intellectual property rights)
- **Private sector mediation** initiatives have been launched (e.g., USJ, Bank BEMO)
- **Some tax incentives** are available to SMEs pending certain conditions (e.g., geographical base, listing on BSE, draft law on 50% tax reduction on profits of industrial exports of Lebanese origin)

## **Laws under review (*non-exhaustive*)**

**Updating the Code of Commerce**

**Enacting the modern law on Secured Finance Transactions**

**Enacting a modern and updated bankruptcy law**

**Developing the Capital Markets/Beirut Stock Exchange**

**Developing online collateral registry for movable assets**

**Enacting Competition Law**

## Key Support for “Research and Innovation”

Several **private sector entities** currently conduct research and promote innovation through private programs, or support the protection of IP, such as:

- **Universities with in-house research and development centers** and dedicated budgets for innovation projects (e.g., AUB, LAU, BAU)
- **Public entities and institutes** - CNRS, LARI, IRI and Lebanese University
- **Private Sector entities** that conduct country and sector wide surveys and collect data

## CNRS

CNRS was established to **support research projects** with a direct impact on productive sectors, environment, public health and socio economic development

Recent projects were mainly focused on science and technology related innovation

## CIT



The Centre for Innovation and Technology (CIT) is a dynamic division of the Industrial Research Institute (IRI), established to secure sustained support and innovation to the manufacturing industry.

In February 2012 the CIT was awarded a grant from the European Union for 200,000 Euros for the implementation of the action entitled: "**Innovation Vouchers**", with the Presidency of the Council of Ministers as the Contracting Authority.

## Key Support for “Infrastructure and Enablers”

In an effort to concentrate its improvement efforts, the Government and private sector established several economic zones where it focused on particular aspects of infrastructure:

- **Ports of Beirut and Tripoli** – including Free Market Zones - with easy and direct access to port infrastructure
- **Beirut Digital District** with state of the art telecommunication and internet connectivity
- ALI will launch four **Private Industrial Parks** in Shakadif, Tebna, Dmoul and Terbol

## Port of Beirut

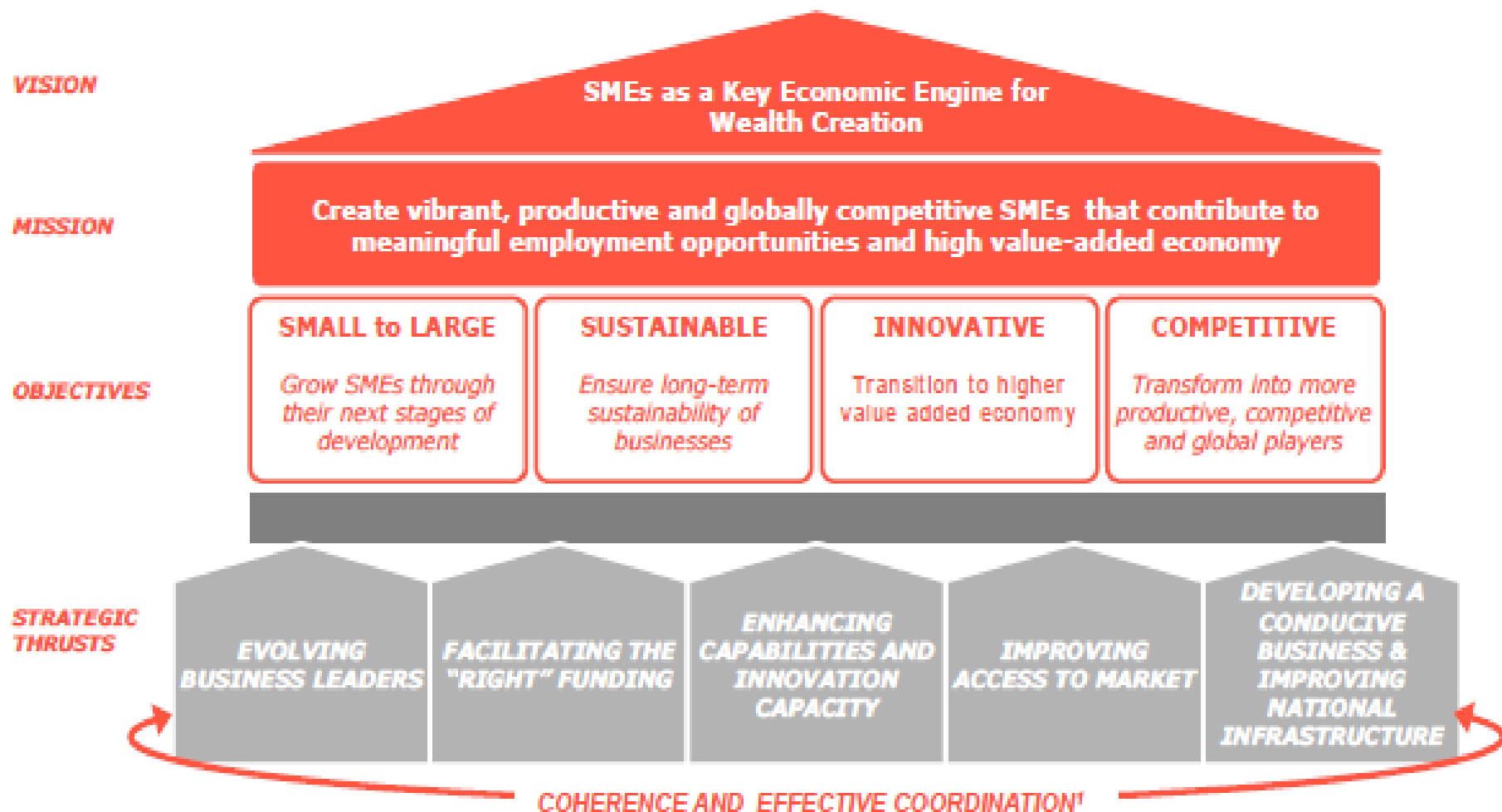
- Port of Beirut was rehabilitated in the early 90's and is operated by a private company
- It acts as a key gateway for transporting freight to Syria, Jordan, Iraq, and Gulf States
- Free Zone **contains industrial and commercial including public and private warehouses**
- Free Zone offers incentives such as:
  - Reduced tariffs
  - Duty Free market
  - Warehousing facility
- Logistic Free Zone (LFZ) was inaugurated in 2007 and contains logistics warehouses where **products can undergo some operations such as packing and re-packing**
- Investment in LFZ is open to **companies operating in transport, transit, and export sectors, as well as international trade**

## Beirut Digital District BDD

- BDD was launched in 2012 in Beirut as a Private-Public Partnership between Zein Real Estate, Berytech, and Ministry of Telecommunications (MoT)
- BDD aims to become **an all-inclusive zone dedicated to improving Lebanese digital industry through providing state-of-the-art infrastructure and support services for businesses at competitive and affordable rates**
- As part of its master plan, BDD aims to build / setup an **auditorium, an R&D center, rentable space for events, high definition studios for media production, as well as FabLabs, MediaLabs, WetLabs and FashionLabs**
- MoT acts as a facilitator by providing broadband internet and telephone infrastructure at preferential rates for BDD

**IS THIS ENOUGH? More effort needs to be done to support SMEs growth!**   
**MOET drafted a new 5 year strategy for SMEs with a wide range of initiatives.**  
**YOU will hear about it very soon!!!**

## National SME Strategy for Lebanon



**Thank you for your attention!**

**For more info on support services offered for SMEs in Lebanon please check the booklet available on the Ministry of Economy and Trade's website.**

**[http://www.economy.gov.lb/public/uploads/files/9622\\_2239\\_8969.pdf](http://www.economy.gov.lb/public/uploads/files/9622_2239_8969.pdf)**