

SMEs in Lebanon

Status, strategy and outcomes

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Ministry of Economy & Trade

SMEs in Lebanon

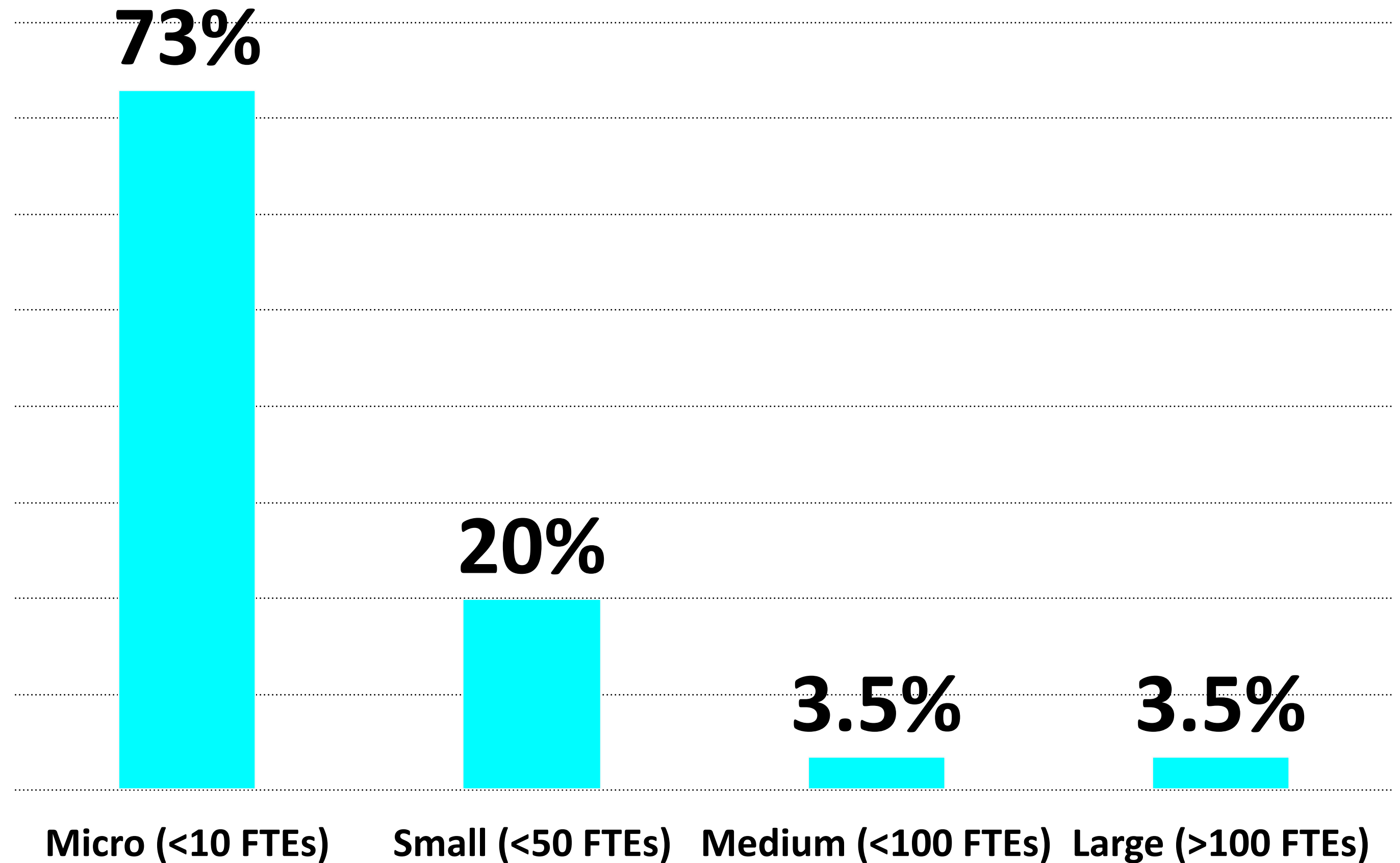
95% of companies ⁽²⁾ **50%** of employment

Worldwide **60%** of employment **40%** of GDP ⁽¹⁾

(1) <http://www.worldbank.org/en/topic/financialsector/brief/smes-finance>

(2) SME Strategy by MoET

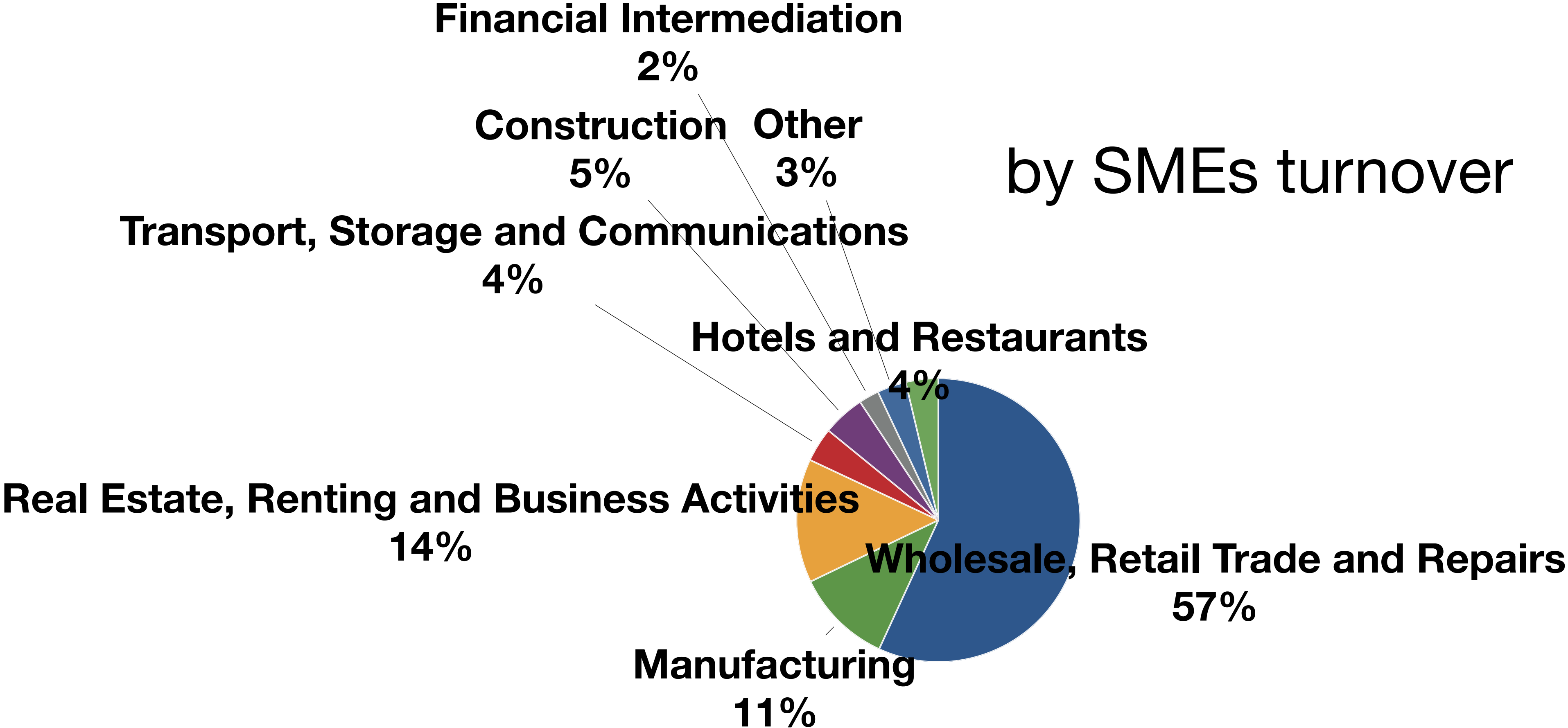
Micro enterprises constitute the largest proportion of SMEs in Lebanon



ca. 2014 Inventis Analysis

STATUS > concentration in wholesale, retail and repairs

by SMEs turnover



ca. 2014 Inventis Analysis

access to finance major constraint for **41.5%** of firms (26.7% worldwide) (1)

economic slowdown estimated **\$18.5bn** in GDP losses 2011-2015 (2)

access to markets increased production costs & uncertain output quality

skill gap **41%** believe their education is not relevant to their current occupation (3)

legislation global ranking burden of government regulation **109/137** and Women Entrepreneurship (WE) (4)

infrastructure global ranking quality of overall infrastructure **130/137** (4)

innovation lack of advanced R&D and supporting environment for innovation

(1) 2014 World Bank Enterprise Surveys

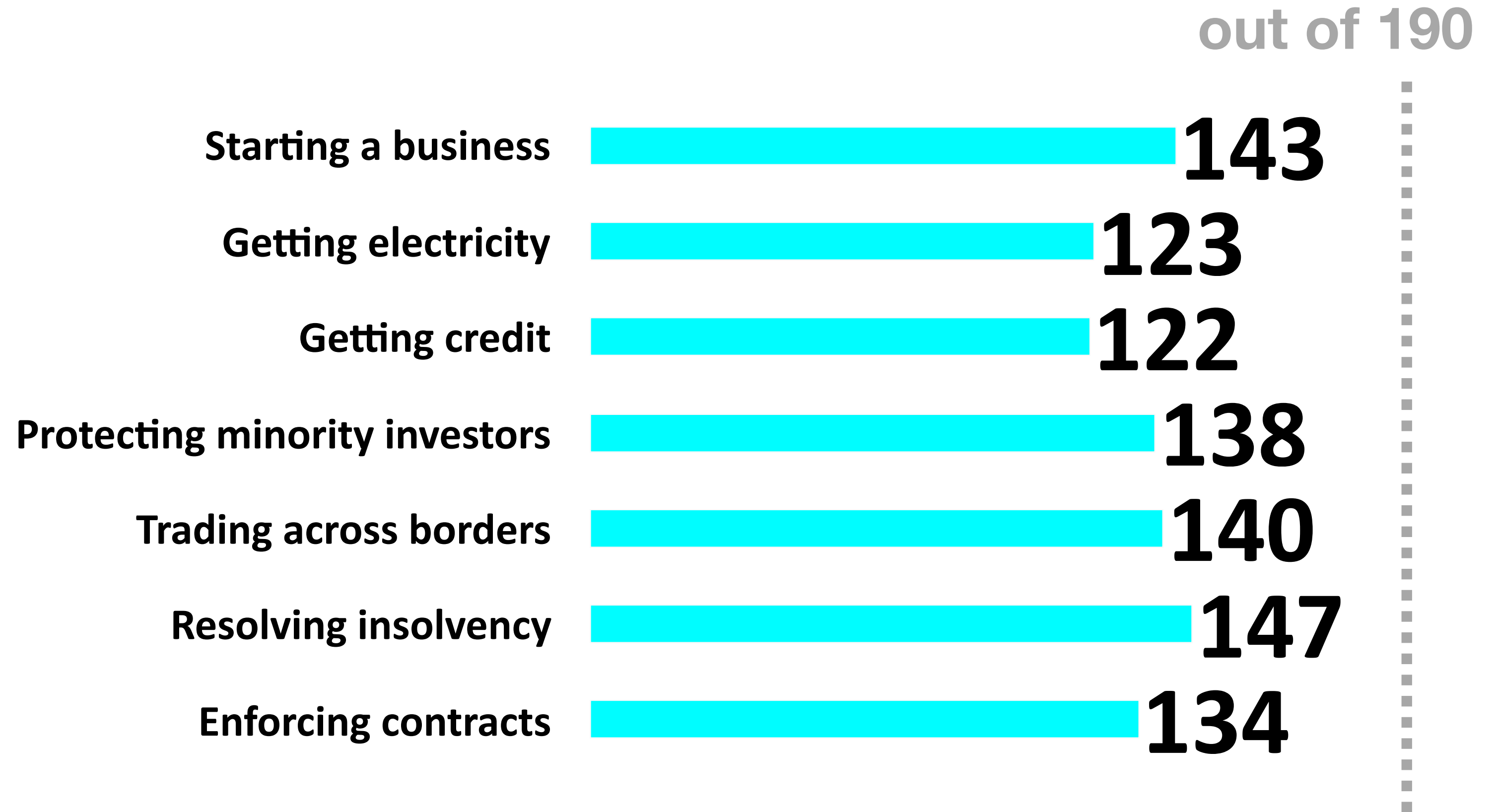
(2) World Bank

(3) data.unhcr.org/syrianrefugees/download.php?id=12834

(4) WEF Global Competitiveness Report 2017-2018

STATUS >not so easy to do business

**Global rank
ease of doing
business
133/190**

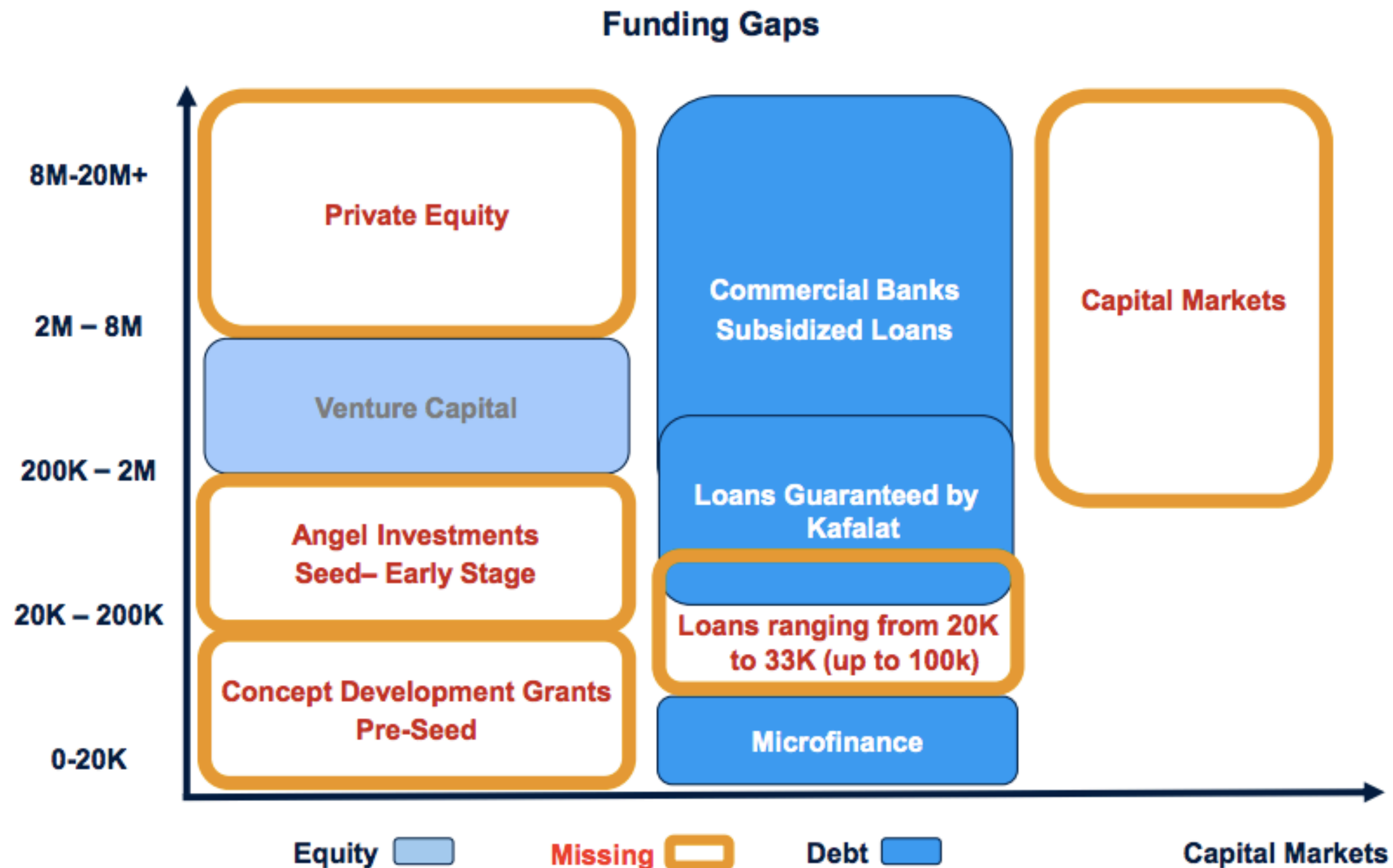


STATUS > gaps in the financing spectrum

Only 10 listed companies with a market cap ~\$11-13bn and <21% of GDP ⁽¹⁾

Lack of insolvency law and secured transactions; banks over-collateralize ⁽²⁾

51% of women owned businesses seek a loan and 17% get it ⁽³⁾



(1) World Bank and Beirut Stock Exchange website

(2) World Bank presentation at SME Forum 2017

(3) 2011 IFC Survey, 2014 World Bank Enterprise Surveys

Source: World Bank analysis

STATUS > Women Entrepreneurship (WE) is largely untapped

women constitute half the total Lebanese populationⁱ, yet

women only make up 20% of employees across all sectors in Lebanonⁱⁱ (40% in the global work forceⁱⁱⁱ), and

female founders of start-ups in Beirut amount to 18.82%^{iv}, and

Lebanon ranks 136th out of 144 in women economic participation and opportunity^v

ⁱ World Bank, 2015, retrieved from [Trading Economics](#).

ⁱⁱ UNDP, 2016. "[Mind the Gap: A labour needs assessments for Lebanon](#)".

ⁱⁱⁱ ILO, 2017, "[Matching skills and jobs in Lebanon: Main features of the labor market – challenges, opportunities and recommendations](#)".

^{iv} GEM, 2014, "[Global Entrepreneurship Monitor 2014 Women's Report](#)".

^v WEF, 2016, [Global Gender Gap Index Report](#).

lack of strategy and vision

little coordination; lack of data and focal point

social-cultural barriers moral

hurdles at home and in society

legislation maternity leave (10 weeks, ILO says 14 weeks); **prohibition to work** in certain jobs (e.g., operating machinery); **discrimination** against women in terms of tax deductions; discrimination against married women in the advent of bankruptcy; **sexual harassment** in public and work places

STATUS > room for improvement in terms of innovation

R&D expenditure (~0.24% of GDP in 2006) is **5x less** than Arab countries average and **8.7x less** than world average

ca. 2014 Inventis Analysis

Rank 120/137 in **intellectual property protection**

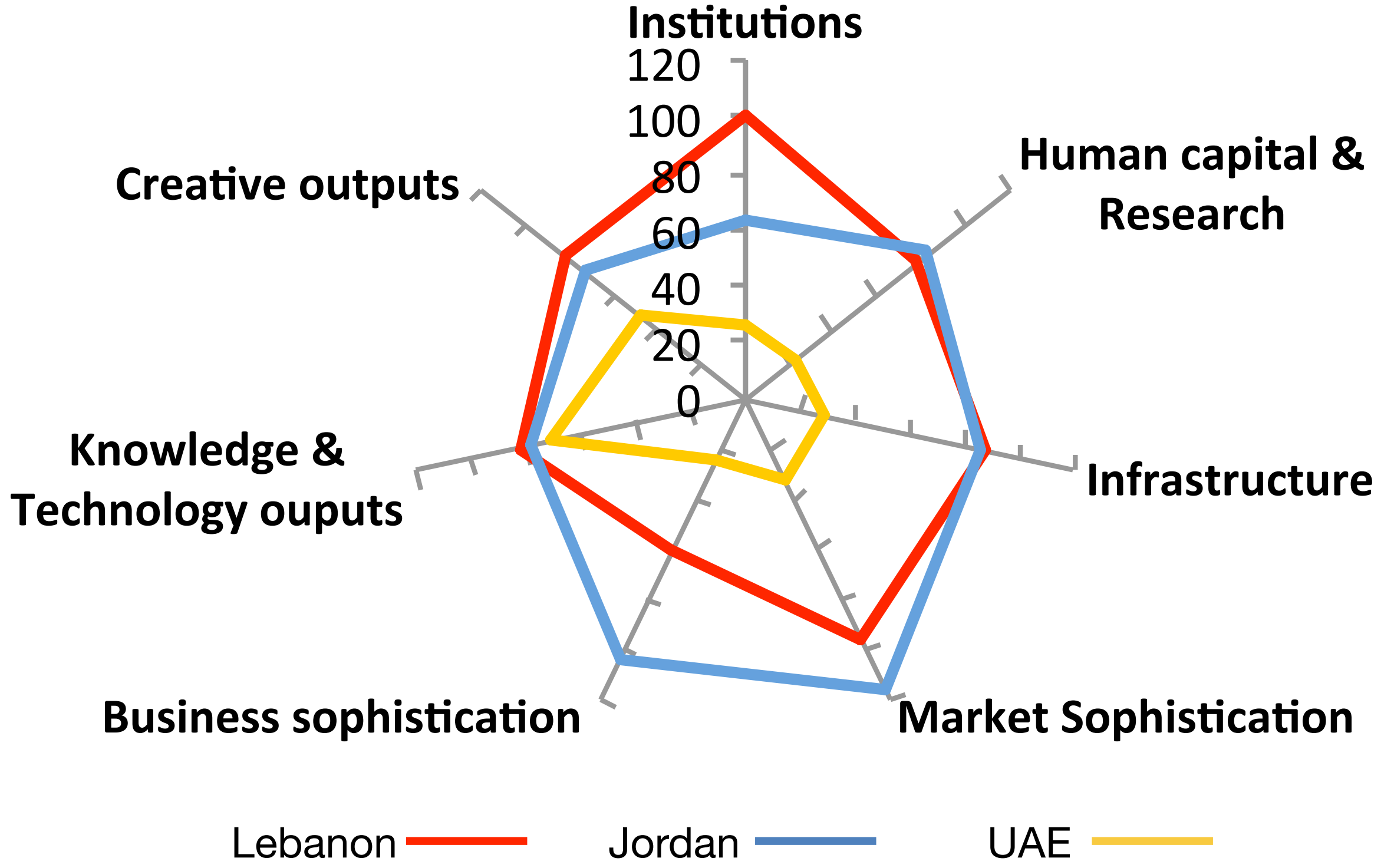
WEF Global Competitiveness Report 2017-2018

patent applications 2016: 253

Ministry of Economy and Trade

STATUS >but somewhat competitive in the Arab world

Lebanon ranks **81/127** in the **Global Innovation Index**



Derived from Global Innovation Index 2017

vision SMEs as Key Economic Engine for Growth & Job Creation

mission foster the creation of a vibrant and globally competitive SMEs that contribute to employment opportunities and high value-added economy

objectives grow SMEs to their next stage of development; ensure long-term sustainability of businesses; develop innovative and creative SMEs to transition to a high-value economy; transform SMEs into more productive, competitive and global players

six thrusts evolving business leaders; facilitating the “right” funding; improving access to markets; enhancing capabilities and innovation capacity; developing a conducive business environment and national environment; ensuring coherence and effective coordination

improving education and training

TVET matching market needs, expats, apprenticeship, incentives for employee training

strengthening R&D base

link industry to academia, optimize R&D spending on core sectors, introduce R&D expenditure tax credit

consolidating the regulatory framework for innovation

adapt judicial system to meet SME requirements

supporting innovators

improve access to capital, develop government e-services, create a full-fledged portal for SMEs and entrepreneurs, establish regional SME malls, develop competitive capabilities clusters

monitoring & evaluation

SME Observatory

Patronage of H.E. the President of the Republic



OUTCOMES > legislative reform

Public-Private Partnership law Ratified

Modernizing the Code of Commerce Drafted and in parliament

Competition law Drafted, not yet in Parliament

Secured transaction law Drafted, not yet in parliament

Bankruptcy and insolvency partitioners law Drafted, not yet in parliament

Private equity fund law & employee stock options law Not finished

Law on preferred shares Drafted and in parliament

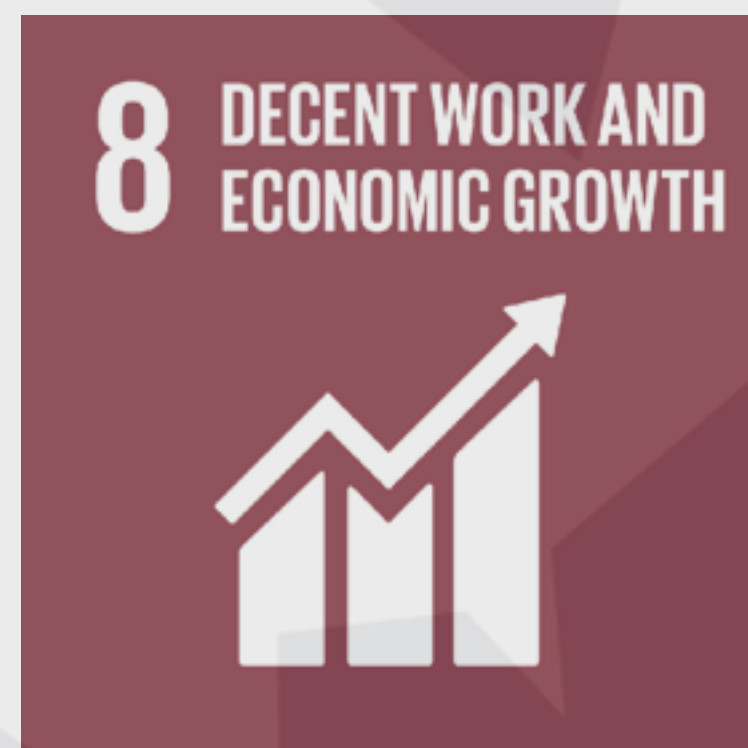
Judiciary mediation Drafted, not yet in parliament

E-commerce law Drafted and in parliament

letter of commitment by the Ministry of Economy and Trade to the principles of the UN Global Compact Network

participation by the Ministry of Economy and Trade in SDG related activities (e.g., Multi-Stakeholder Forum organized by GCNL in October 2017)

inclusion of SDGs as applicable in the vision and spirit of planned initiatives and programs



SMEs in Lebanon



evolving business leaders

Status

Initiatives

Ongoing

Mentorship networks

Not started

National recognition for SME role models

Not started

Entrepreneurship & Family Business center at LU

Not started

Develop a second launch restructuring program

Ongoing

Establish a women-friendly business environment

facilitate the “right” funding

Status Initiatives

Ongoing

Broaden C331

Ongoing

Attract top tier VC/PE and angels

Ongoing

Improve access to debt capital

Ongoing

Introduce SME exchange and crowdfunding

Done

Launch iSME project

improve access to markets

Status

Initiatives

Ongoing

Improve market competitiveness

Ongoing

Bridge SMEs to large enterprise & multinationals

Ongoing

Leverage the global Lebanese economic and diplomatic networks

Stopped

Activate the Lebanese export promotion agency (Lebex)

Ongoing

Enhance standards of SME products

Not started

Strengthen relationships with new top trading partners

develop a conducive business environment and national infrastructure

Status Initiatives

Not started

Twin ippo with an international counterpart

Ongoing

Upgrade IP framework and patent process

Ongoing

Update, ratify and implement pending laws

Not started

Adapt judicial system to meet SME requirements

Ongoing

Attract and facilitate access to skilled labor

Not started

Launch a job matching program

Not started

Develop government e-services

ensure cohesive and effective coordination

Status Initiatives

Not started

Focus all efforts on an industry/city

Not started

Establish regional “SME malls”

Ongoing

Set up an SME observatory

Ongoing

Create a full-fledged portal for entrepreneurs and SMEs

enhancing capabilities and innovation capacity

Status	Initiative
Not started	Develop competitive capabilities clusters
Ongoing	Repatriate Lebanese expat success stories
Not started	Assist SME's technology upgrade
Ongoing	Introduce apprenticeship programs
Ongoing	Expand TVET to meet market needs
Not started	Provide incentives for employee training
Not started	Establish a commercialization office
Ongoing	Link industry to academia
Not started	Optimize R&D spending on core sectors
Not started	Introduce R&D expenditure tax credit
Not started	Assist SMEs in cleaner production and resource efficiency

Embrace past efforts and extend strategies and initiatives in order to

enable a better SME business environment

Regular roundtables with individuals who can bring firsthand knowledge to come up with *actionable solutions*

SME Observatory to fill the data gap
track ecosystem status and steer policy

Portal and mobile app to sum up SME knowledge in Lebanon and become *a main interactive information hub*

SME forum to gather stakeholders and serve as *a yearly thematic event*

OUTCOMES > MoET and SME Strategy initiatives

Wave	#	Initiative
I	1.1	Develop mentorship networks
	1.3	Provide national recognition for SME role models
	2.1	Attract top-tier VC/PE firms and angel investors
	2.2	Broaden Circular 331
	2.3	Improve access to debt capital
	2.5	Launch iSME project
	3.1	Bridge SMEs to large enterprises and multinationals
	3.2	Leverage the global Lebanese network
	3.3	Activate the Lebanese Export Promotion Agency (LEBEX)
	3.4	Improve market competitiveness
	3.5	Enhance standards of SME products and services
	3.6	Strengthen relationships with new top trading partners
	4.1	Develop competitive capabilities clusters
	4.3	Assist SME's technology upgrade
	4.8	Link industry to academia with innovation vouchers
	4.11	Assist SMEs in cleaner production and resource efficiency
		Update, ratify, and implement 1st wave of pending laws
	5.3	- Code of commerce
	5.4	- Insolvency law
	5.5	- Public procurement law
5.10	Launch a job matching program	
6.1	Focus all efforts on an industry / city	
6.3	Set up an SME Observatory	

Wave	#	Initiative
II	1.5	Establish a women-friendly business environment
	4.2	Repatriate Lebanese expat success stories
	4.4	Introduce apprenticeship programs
	4.7	Establish a commercialization office
	5.1	Twin IPPO with an international counterpart
		Ratify and implement 2nd wave of pending laws
	5.6	- Domestic and foreign investment promotion law
	5.7	- Labor code
	5.9	Attract and facilitate access to skilled labor
	6.2	Establish regional "SME malls"
6.4	Create/upgrade a full fledged portal for entrepreneurs and SMEs	
Wave	#	Initiative
III	1.2	Launch entrepreneurship & family business center at the Lebanese University
	1.4	Develop a second-launch restructuring program
	2.4	Introduce SME Exchange and enhance crowdfunding
	4.5	Expand vocational and training programs to meet market needs
	4.6	Provide incentives for employee training
	4.9	Optimize R&D spending on core sectors
	4.10	Introduce R&D expenditure tax credit
	5.2	Upgrade IP framework and patenting process
	5.8	Adapt judicial system to meet SME requirements
	5.11	Develop government e-services

Underway by MoET Being considered by MoET

OUTCOMES > Lebanese SME Forum 2017 recommendations (1/2)

A	Announced by Minister	I	General	1	Digital platform for information dissemination to SMEs and communication exchange in the ecosystem
				2	Online training modules for SMEs
				3	Memorandum of understanding with Lebanese Customs
B	Challenges to SMEs	I	Competitiveness	1	Address high cost of production and leverage economies of scale
				2	Introduce special power tariffs for agriculture and industry and reduce power cost in general
				3	Introduce gas to industrial production and enable access of factories to gas
				4	Enable better competitive environment
				5	Improve the quality of national production and apply safeguard measures
				6	Prevent smuggling and improve border management
				7	Development of industrial zones in all regions and better linkages with them
				8	Enable common logistics and provide logistics support (e.g., land)
				9	Invest in R&D and create R&D centers
		II	Infrastructure	1	Establish a clear plan to rehabilitate and enhance infrastructures (roads, power, telecom, etc.)
				2	Introduce e-government (transactions, forms, etc.)
				3	Offer capital support programs for SMEs developing renewable energy solutions
				4	Secure funds to deploy a fiber optic network across Lebanon
		III	Legislative development	1	Law on industrial mergers and other modern SME related laws
				2	Enhance transparency and fight corruption
				3	Reduce difficulties and costs in opening and closing businesses
		IV	Trade facilitation and market creation	1	Economic diplomacy and access to diaspora
				2	Reduce obstacles to import and export and establish a balance between monitoring of custom work and ease of import/export
				3	Establish market access to Arab countries, Africa and Iran
		V	Capacity building	1	Address SME's difficulties in self management and financing
				2	Focus on innovation and human capital skills development
				3	Provide support to SMEs in terms of mentorship programs, accelerators, incubators
		VI	Access to finance	1	Involve capital from industrial organizations

OUTCOMES > Lebanese SME Forum 2017 recommendations (2/2)

C	Promising sectors	I	Competitiveness	1	Address risk of dumping		
		II	Legislative development	1	Address the lack of a unified national SME definition		
		III	Trade facilitation and market creation	1	Increase participation in foreign trade fairs		
		IV	Capacity building	1	Improve labor force quality and farmer training		
				2	Help SMEs grow towards more corporate structures		
		V	Opportunities	1	Encourage multinationals to transfer their technology to Lebanon		
				2	Create new sources of growth other than the traditional ones		
				3	Focus on agro-food as a promising sector		
				4	Define the value chain of sectors to identify problems and coin solutions		
		D	Access to Capital	I	Trade facilitation and market creation	1	Create a portal for SMEs to link buyers and sellers
						2	Government cooperation with banks to have them lend more to SMEs and create SME departments for more specialized services
						3	Increase equity investments, usage of risk capital and close funding gaps at seed, growth and microfinancing
						4	Push PE, VC and business angels to provide "smart money" (i.e., access to market, mentorship, etc.)
						5	Develop capital markets and develop the corporate bond segment of the capital markets (lower cost, longer maturity)
6	Insure access to capital for women						
7	Improve credit information systems and allow private credit bureaus to collect and share data						
8	Develop an electronic trading platform with listing requirement and reporting focused on SMEs						
9	Introduce specialized financing instruments (e.g. matching grants) to target dis-advantaged segments of SME sector						
10	Expand services to women business owners and develop tailored products that meet their needs						
11	Monitor and evaluate distributional impact of financial program initiatives, including BDL stimulus packages						
II	Capacity building	1	Fill the gaps in terms of information about funding options, cost of operations				
		2	Improve financial literacy				
III	Opportunities	1	Opportunity for Lebanon to contribute to the reconstruction of neighboring Arab countries				
		2	Leverage opportunities available to SMEs in the insurance sector and organize seminars on the topic of insurance for SMEs				
		3	Need to create stronger linkages between public and private sectors				

OUTCOMES > Women Entrepreneurship roundtable

A Challenges for Women entrepreneurs	1 Recommendations
B Legal and regulatory	1 Laws and policies amendments
	2 Create an economic Women quota
	3 Financial regulations
C Access to market, to finance and to capital	1 Financial and banking education and change in culture: aspects of bank culture to be addressed such a promotion and involvement of women
	2 To create risk sharing scheme between some organizations, banks and female entrepreneurship in order to encourage more participation and investment by women and easier access to finance
	3 Create a Women Fund
	4 To work towards creating specialized banks for MSMEs
D Overcoming stereotypes and achieving gender equality	1 Tailor support programs to women needs and target them specifically in marketing campaigns
	2 Bigger encouragement of VCs, Angels, and other organizations targeting women such as the Lebanese League of Women in Business (LLWB) and the Lebanese Women Angel Fund (LWAF)
E Better coordination between stakeholders	1 To make specific, more focused activities related to women by working on specific geographical area as a pilot project (with rural and urban focuses), coming up with results and then moving to another area to cover all the country
	2 Create a national institution in order to better coordinate women related initiatives
F SME official unified definition	1 Prepare a draft law for a national SME definition by MoET including suggestions form all related ministries
G Lack of Data	1 To make an initial mapping of the initiatives and the challenges of the sector especially on cultural, financial and legal level
	2 To assign a focal point
H Untapped markets and Stereotyped vision of WE	1 Target untapped segments of work
I Social Protection	1 Provide social protection for Women who re-invest 90% of their income into their families

OUTCOMES > legislative reform (1/2)

Public-Private Partnership law

Description: Parliament has recently ratified a new law pertaining to PPP which further improves the contracting process of the Government with private companies, as well as opens the door to Municipalities and Federations of Municipalities to use the framework defined in this law.

Status: ratified.

Modernizing the Code of Commerce

Description: Reduce cost, time, and procedures related to doing business (e.g., suppress minimum capital requirements, allowing online creation of a company). IBEL working group at Presidency of the Council of Minister and MoET have completed drafting those recommended amendments to the Code of Commerce chapters on SAL, SARL, and Sole Proprietorship Companies (SPC).

Status: drafted and in parliament.

Competition law

Description: Ensure competition and enhanced market access, by preventing monopoly and anticompetitive agreements and abuses of dominance.

Status: drafted but not yet in parliament.

Secured transaction draft law

Description: IBEL with technical assistance from IFC has completed drafting a law on secure transaction. This increases access and decreases the cost of credit thereby facilitating lending to SMEs. After enactment of the law, IBEL, with MoET and IFC will establish a collateral registry to make the registration of movable assets more transparent. Secured transactions allowing the use of movable assets as collateral will increase access to finance and decrease cost.

Status: drafted but not yet in Parliament.

New bankruptcy and new insolvency partitioners draft law

Description: IBEL, with IFC and MoJ is working to establish an efficient loan recovery, restructuring, and insolvency system. This shall allow unviable firms to close efficiently, while viable but financially distressed ones reorganize operations and restructure debt.

Status: drafted but not yet in Parliament.

OUTCOMES > legislative reform (2/2)

Private equity fund law & employee stock options law

Description: IBEL and Lebanon for Entrepreneurs (LFE - part of UK-based Life) has drafted a private equity fund law.

Status: next is drafting an Employee Stock Options Law. Nothing in Parliament yet.

Law on preferred shares

Description: Replacement of article 110 of the Code of Commerce with a new article framing preferred shares.
Status drafted and in parliament.

Judiciary mediation

Description: Law allowing judges to act as a catalyst to enable the parties to resolve difficulties for themselves.
Status: drafted but not yet in Parliament.

E-commerce law

Description: Law relating to electronic transactions and personal information data.
Status: drafted and in Parliament.