

**The European Union's project for ENP South Countries
EUROPEAID/133918/C/SER/MULTI**

**Enhancement of the Business Environment in the
Southern Mediterranean**

**National Seminar for Lebanon
“SPURRING ENTREPRENEURSHIP AND MSME GROWTH
IN LEBANON**

**“What is needed to blend funding and promotion of
MSMEs”**

Beirut, 6 December 2016



This project is financed
By the European Union



A project implemented by
GIZ IS and Eurecna

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This report has been prepared with financial assistance from the European Commission. The opinions expressed herein are those of the authors and may not represent the position of the Commission.

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ANNEX 1: PARTICIPANTS LIST

1. INTRODUCTION AND BACKGROUND

A workshop on **“Spurring entrepreneurship and MSMEs Growth in Lebanon - What is needed to blend funding and promotion of MSMEs more effectively in Lebanon?”** was held in Beirut on December 6th 2016. This seminar was inaugurated by H.E. Dr Hussain Al Haj Hassan, Minister of Industry, and Mr. Jose Luis Vinuesa Santamaria, Head of Sustainable Development Section, EU Delegation to Lebanon. The event gathered more than 80 participants representing major institutions from the MSME ecosystem, both from the public and private sectors.

In a context of pressing needs to stop the brain drain and the migration flow, in particular of its young educated population, and to create sustainable jobs for many thousands of young people, spurring entrepreneurship and SMEs growth is seen as a priority amongst economic development goals in Lebanon, as they are a primary driver for job creation and inclusive growth.

Based on real-life experience of entrepreneurs as well as on the results of the EBESM study entitled “Assessment of Mediterranean countries’ policies to facilitate access to finance for MSMEs”, key players of the MSME ecosystem, such as policy makers, banks and financial institutions, business support organisations, as well as entrepreneurs, discussed ways and means to better interact with each other to accompany MSME growth and support value chains.

Drawing on EU policies and good practices on how to support the MSME value chains, in particular the European Commission approach to private sector development and access to finance in the Neighbourhood South, the financing continuum of innovation developed by Bpifrance, and the SME support structures in Germany and in France, more than 80 participants debated and came up with operational recommendations on what is needed to blend funding and promotion of MSMEs more effectively in Lebanon.

The mapping study to identify existing public programmes, operational financing mechanisms and instruments supporting the development of MSMEs at country level, was carried out by the “Enhancement of the Business Environment in the Southern Mediterranean” project (henceforth called the EBESM project), in collaboration with its MED partners, namely, Algeria, Egypt, Jordan, Lebanon, Morocco, Palestine and Tunisia. The study, as well, assessed public policies, identified best practices at country level and provided policy recommendations as regards ways and means to enhance the provision of MSME financing from a demand, supply and intermediation perspectives.¹

This study was conducted in Lebanon with the support of the Ministry of Industry and its results as well as the policy recommendations, including the reforms needed to unlock Access to Finance for MSMEs in Lebanon and in the MED region, were discussed twice in Brussels in November 2015 and February 2016 with the European Commission and its partners, the European Financial Institutions, such as EIB, EBRD, The French development agency, AFD, as well as KfW, the German development bank.

¹ The study is available on the EBESM website : <http://www.ebesm.eu/posts/access-to-finance-stimulating-msme-growth-in-the-med-region>

The regional perspective depicted in the consolidated report² allowed exchanging experience, capitalising on good practices, and exploring ways to make the ecosystem as a whole more conducive for the development of MSMEs, considered individually or from the perspective of the value chains or clusters they belong to.

2. SEMINAR OBJECTIVES

Under the patronage of H.E. Dr Hussain Al Haj Hassan, Minister of Industry, this one-day high-level seminar was organised to discuss ways and reforms needed to enhance financial inclusion for Lebanese MSMEs and their development.

In particular, its objectives were to:

- Inform national stakeholders of available financing schemes, programmes and instruments in Lebanon and discuss policy recommendations arising from the study;
- Facilitate the exchange of good practices (regional, European and international) on public policies, mechanisms and instruments on key topics relevant or of particular interest for Lebanon (e.g. guarantee schemes, risk sharing mechanisms, venture capital, etc.);
- Identify and discuss quick-fixes in the form of concrete and feasible actions that could increase the role of the financial sector as a growth driver for entrepreneurs and MSMEs; Key success factors to undertaking and implementing such actions will also be discussed by the participants, paving the way to action plans that could be developed as a result of the workshop.

3. PARTICIPANTS

The seminar brought together more than 80 participants representing major institutions from the MSME ecosystem, including policy makers, public and private financial institutions, business incubators, business support organisations, business accelerators, entrepreneurs, and academia as summarised below:³

- Policymakers, such as the Banque du Liban, Kafalat, Ministry of Industry, Ministry of Economy, Council for Development and Reconstruction (CDR);
- Financial institutions, private banks, venture capitals, investment bankers microfinance institutions such as Banque Audi, Banque Libano-Francaise, Berytech Fund II, IM Capital Al Majmouaa;
- MSME support organisations including Chambers of Commerce, incubators, business accelerators (e.g. chamber of Commerce of Beirut and Zanhle, Berytech, Speed@BDD, Tech Hub, AUB Darwazah Center;
- International donors and development agencies such as Expertise France, the World Bank;
- Entrepreneurs and other members of the civil society such as academia, media, etc.

² See:

<http://www.ebesm.eu/template/default/files/Regional%20Seminar%20II/Access%20to%20Finance%20Consolidated%20Report.pdf>

³ See list of attendees in Annex 1

4. SEMINAR SUMMARY

The workshop was articulated around 5 sessions.

A. Introductory session

H.E. Dr Hussain Al Haj Hassan, Minister of Industry, set the stage for the day's debates and presentations. He recalled that an access to finance problem *per se* did not exist in Lebanon, or at least much less than elsewhere. The ecosystem was in place with a range of specialised and professional institutions, a set of effective policies and a high level of expertise in both the private and public sectors. What affected indeed the dynamics of SMEs were macroeconomic imbalances, notably imbalances in trade, the level of public debt and its costs and budget deficits. Moreover, the country had to cope with the arrival of an estimated 1,5 million Syrian refugees. 300 to 400,000 Lebanese were registered as unemployed. In his view many more SMEs in Lebanon would benefit and grow if only their access to export market was opened up.

Mr Jose Luis Vinuesa Santamaria, Head of Sustainable Development Section, EU Delegation to Lebanon reminded all of the key role of the private sector in the economic growth of a country. In its strategy to help stabilising the Neighbourhood, the EU has placed a big emphasis on economic development and the role of the private sector. The new EU approach, as highlighted in the so-called Partnership Priorities, the 'guiding' document for the EU-Lebanon partnership, is to contribute to economic stabilisation through inclusive economic development and sustainable job creation, by boosting SMEs competitiveness. A major obstacle to growth is the lack of an effective policy in support to SMEs, in particular on access to finance. Although Lebanon is doing pretty in this domain and has a robust financial system, thanks to the active role played by the Banque du Liban, however, political instability, administrative hassles and weak infrastructure make it difficult for SMEs to develop and more tangible efforts need to be undertaken to realise their potential. He invited all to actively participate into the debate and come up with concrete proposals to improve the life of entrepreneurs.

Dr Khater Abi Habib, CEO of Kafalat, a nation-wide guarantee fund with the legal form of a SARL, outlined the operations with regard to SMEs in Lebanon. Kafalat is owned by Lebanese banks and the deposit-insurance scheme. It has an equity of \$ 13,6 million. Kafalat assumes up to 75% of the default risk for bank loans to firms in five priority sectors. These loans can have tenure of up to 7 years. The ceiling has been set at \$ 200,000. Loans can also be as small as \$ 3000, The operations by Kafalat are accompanied by the Banque du Liban flexible handling of reserve requirement: banks that use Kafalat guarantees, need to reserve less at the central bank. Kafalat also its responsibility in taking care of export oriented SMEs within value chains, and to facilitate the use of seed and venture capital. Lebanese authorities were examining with interest the initiative taken in Egypt to set up a stock exchange for SME shares.

Finally, **Ms Marie-Jo Char**, Project Team Leader, EBESM, welcomed participants and informed of the background and objectives of this seminar as mentioned above. Furthermore, a specific objective would be to convert Lebanon's commitments into concrete proposals, identifying tangible and sustainable solutions to develop MSMEs and provide them with opportunities to expand, grow and create jobs, as well as to contribute to stop the brain drain and the migration flow of its young population. To conclude, she shared with the audience some data on youth unemployment and economic migration from Lebanon:⁴

- 35,000 Lebanese leave the country every year (meaning an average of 100 every day), of whom 80 % are under the age of 40, and 50% have a university degree;
- 21,000 young Lebanese enter the labour market each year, while the Lebanese economy creates only 3,400 jobs per year;
- At least 20% of the active population, of which 35% are under the age of 40, are unemployed.

B. Session 1: Setting the stage - Key findings of the assessment of Lebanese and MED countries' policies to facilitate access to finance for MSMEs

Christophe Malherbe, expert EBESM, presented the findings of the institutional landscape. In comparison with other countries in the region Lebanon was spearheading public and private sector efforts to facilitate SME promotion. The only weak spots appear to be the concentration of BDS services in urban areas as well as a certain lack of coordination between actors. But otherwise Lebanon could be considered a model for the region and a potential exporter of good practices.

C. Session 2: Real life testimonials: what are the challenges and key issues faced by entrepreneurs and SMEs?

The session 2 provided an opportunity to understand the financing constraints and opportunities from the perspective of four young start-up entrepreneurs active in medical devices, catering, interior design. There are:

- Ms Aline Kamakian, CEO, FIG Holding
- Mr Toufic Azar, CEO, Meacor
- Mr Mohamad Sabouneh, Moodfit
- Mr. Bassel Idriss – Formidable Industries

All had recently launched their companies. The presentations of these start-up trajectories allowed identifying a number of common features:

The ecosystem of start-up financing ecosystem in Lebanon has dramatically improved over the last three years. The launching of the 331 initiative by the Banque du Liban had a remarkable impact on the provision of equity financing that is supported by mentorship, coaching and other non-financial services through incubators and accelerator programmes.

This is especially particularly true for the high-tech sector.

⁴ Compiled from various sources, including the World Bank <http://www.worldbank.org/en/news/feature/2014/12/23/lebanon-developing-an-internet-ecosystem-to-keep-young-talent-at-home>), reports and press articles in local newspaper, including AnNahar.

The guarantees provided by Kafalat play a critical role in facilitating access to bank loans. This was illustrated by FIG Holding's that could access a bank loan at reasonable cost to open three restaurants. But as banks have recently been allowed to ask – in addition to the Kafalat guarantee - for collateral up to 50% of the loan value, they systematically ask for real collateral and tend to under-evaluate them; as a result, the collateral pledged is greater than the loan value.

There are still gaps in the range and scale of innovation financing. Despite the existence of grants, business angels, VCs and private equity funds, the panel spotted that there is no financial facility addressing the “proof of concept” phase, that is funding in the range of 100,000 to 200,000 USD (re. interior design and earphone). Once the concept's business case is demonstrated, funding can be mobilized more easily.

The process to access equity funding is still cumbersome. The term sheets, notably, are complicated for entrepreneurs. It takes a long time (6 months on average) to get familiarized and to be in a position to negotiate efficiently (the start-up stories of heart medical device and interior design). Most probably, many of the provisions in the term sheets and shareholders' agreements will never apply. In that respect, time and money (for lawyers' fees) could be saved, all the more so that it diverts entrepreneurs from their core business.

“Made in Lebanon” is basically a good label of quality, for customers and investors. In the technology sector, the ‘Lebanon’ brand is well perceived and companies will proudly claim that their products (medical devices, interior design) have been conceived, designed or manufactured in Lebanon.

Women entrepreneurs are at a disadvantage. The only female panellist insisted that her way to success was made more difficult because she was a woman. Banks notably rejected her loan applications based on the fact that she had no ‘partner’, parent or husband to support her. She was compelled to partner with a male relative to access financing.

Lebanese firms can be competitive in international markets, but barriers to trade remain a severe constraint in some sectors. Despite relatively high costs of factors prevailing in the country, Lebanese entrepreneurs can be competitive in terms of prices on high-end products. The two companies producing medical devices stated that their market prices will be 25% to 30% of comparable products. The catering company spotted though that SMEs experience difficulties to access European markets due to the demanding health and safety standards. Access to talents and expertise is not easy for start-ups. One of the panellists (a former P&G employee) emphasized that the level of education in Lebanon was an asset: it was among the reasons why, after setting up his company in Dubai, the company was relocated in Lebanon. But talents are “raw” and need to be developed, which is out of reach for SMEs. Too little attention is paid to traditional sectors. In these sectors (ex. furniture, food processing, construction-related professions and trades, architecture), firms are not supported by “smart money” as much as in the IT sector. Such support could prove instrumental in reducing the failure rate.

Profiles of Four young successful entrepreneurs

Fig Holding (**restaurant and catering**) was established in 2012 to launch an Armenian restaurant. After having faced several difficulties related to the fact that she was an independent female entrepreneur and that her project was in a traditional sector, she could raise her first loan thanks to Kafalat. The company also developed its catering activities and contacted potential clients in France. Difficulties to meet the health and safety standards resulted in the downsizing of this activity (from 45 to 10 employees). The company is still looking for additional financing but counts the fact that its positive track-record will facilitate the mobilization of resources.

Meacor (medical device) was established by a Lebanese national graduated from McGill University in Canada (PhD). The company undertakes R&D in Lebanon and plan to commercialize the device in North America through its subsidiary in Canada. As part of his studies; the founder developed a non-intrusive medical device meant for operating heart valves. In 2015, the concept was mature and several meetings were organized with investors following which a first round of grant money was raised in 2 weeks. The company now has 4 venture capital funds among its shareholders. The process of raising funds was time consuming, but the last deal closed in June 2016 will allow launching on-animal testing.

Moodfit (interior design) was founded by a mechanical engineer / MBA that worked for a while in the Venture Capital industry. The company developed an on-line interior design platform sparing designers and architects several site visits. The ecosystem was very supportive in terms of both mentorship and finance (50,000 USD of grants and competition awards). The company is looking now for the second round, the challenge – beyond funding – being to find the right partners.

The founder of Formidable industries (**medical device**) had been working 16 years with a large multinational prior to launching his venture. The company produces custom made earphones that are designed with a dedicated mobile app that saves costs and time. As a result, the cost of the device reaches only 25% of competitors'. Exporting is vital for the company as the domestic market is limited. The company was initially established in Dubai, but three years ago, the founders decided to relocate in Lebanon to benefit from educated workforce (that need however to be developed). The company didn't face any problems in raising financing, except at the stage of the proof of concept.

D. Session 3: The response of the financial ecosystem

This panel consisted of five representatives of a range of financial institutions involved in financing MSMEs in Lebanon:

Mr. Bechara Nader, Head of SME Credit at Bank Audi, outlined the bank's strategy targeted at the SME segment. Their client-centred approach meant notably to design products and services in response the SME needs. That entailed blending financial with non-financial support, a focus on track record and cash flow performance, and timely responses. This led to the creation of a separate business line for SME, combining features of both the

commercial one and the retail business lines. This also led to the reorganization of the branch network.

All 75 branches now are ready to support SMEs and they themselves are supported by business support offices and the head office. To that end nearly 350 bank staff had been trained. Moreover, the decision-making process is decentralized and streamlined using preliminary data obtained from the client, without necessarily going back to the head office. Based on a proof of concept, and without a real guarantee, loans can be approved for amounts of up to 100,000 \$ (LBP 150,000,000). The interest rate is up to 7,5% that can be extended for two more years given a total tenure of three years.

Mr. Fouad Rahme, CEO of an equity investment fund, pointed out that the ease of access to finance related only to debt finance, but not to equity. The fund that he helped to set up mainly targets family businesses. So far \$ 12 million out of the targeted \$ 50 million have already been raised. They will start working when they reach 25 million.

He was concerned that the Lebanese economy was based on too much credit which currently even exceeded GDP: total general commercial loans: \$ 52 billion compared to the GDP of \$ 48 billion. Donors like EIB even exacerbated the problem with credit lines that further extended liquidities.

He stated that a more serious constraint was the size of the market in Lebanon which obliged companies to export. The best help that European partners of Lebanon could provide was to open up their markets to imports from Lebanon. Incentive-based policies like those of the Banque du Liban should benefit not just firms in the IT sector but all SMEs.

Mr. Paul Chucrallah presented Berytech Fund, an innovation finance institution owned by several commercial banks. Berytech provides comprehensive support and growth to start-ups and growing SMEs in the technology, multimedia and health sectors. Berytech Fund operates 3 incubator and business development centers for networking, mentoring, funding and company hosting. There is also the Beirut Creative Cluster set up to empower creative industries in Lebanon. Berytech also offers a Venture Capital Fund for technology and innovative companies, opening up new financial opportunities for aspiring entrepreneurs.

Up to the end of 2016 Berytech has started over 90 firms, and assisted 3000 entrepreneurs, mainly in ICT, manufacturing, renewable energy, fashion and design. 70 million \$ have been invested already which helped to create over 1500 jobs. Berytech seeks cooperation with multinationals and external investors like CISCO which invested \$ 6 million in 16 projects half of which have already been exited. Berytech's exit strategy is mainly through private sales. For future exits Berytech hopes that the Banque du Liban will have opened a suitable facility at the Beirut stock exchange.

Ms. Corine Kiame, investment manager of IM Capital, presented the features of a funding mechanism specialized in equity and angel finance. Its start-up capital of \$ 15 million was provided by USAID. IM Capital invests in all types of start-ups with three main instruments:

1. Equity matching: we participate in an investment round up to 1.5 million with 50%
2. Angel: up to 60%
3. Non-Financial Support: mentoring, coaching

So far 9 investments have been undertaken leveraging \$ 7 million. These investments are in the ICT, e-commerce, internet of things, films and the honey value chain ("atelier de miel").

IM Capital always operates in partnership with matching partners, like the Swiss social investor GO BEYOND, an initiative of 26 high net worth individuals. IM Capital also arranges for mentoring.

Ms. Alia Farhat, represented Lebanon's largest microfinance institution, Al Majmoua. She recalled the challenges for the most vulnerable (youth, women, uneducated, with no networks...) to obtain regular and affordable access to finance. Al Majmoua seeks to close this gap. The average loan is \$ 1,500. Al Majmoua sees its role as a bridge-maker in a larger value chain. A key issue is access to information. Entrepreneurs do not know to whom to turn for which kind of service. Moreover, there is a lack of coordination between service providers (financial and non-financial). Commercial banks are very reluctant and do not take into account the credit history that microfinance institutions would be delighted to share. Access to finance is directly related to access to markets. Once they feel that the market is there, they will be more ready to invest in their company.

One of the features unique in microfinance is substitution for conventional collateral. Al Majmoua, for example, pursues largely a collateral-free lending approach, relying on group pressure and character assessment. As a result, microfinance loans are relatively expensive at 20 to 24%. This is comparable to a credit card.

E. Session 4: Non-financial support services to early stage and SMEs

This panel brought together representatives of four private business support organizations, all focusing on SMEs in Lebanon:

Mr. Rami BouJaoude, Assistant General Manager of Berytech, stated that the approach of this incubator was to accompany the entrepreneur over the entire duration of the value chain. That meant to intervene already before the business plan is definitively formulated. At the same time Berytech takes care not to substitute itself for the entrepreneur. The entrepreneur remains for example responsible for the public relations and communications on behalf of his/her business. In its initiatives Berytech seeks to develop and strengthen complementarities with other business support organizations. Special care is taken to develop the links to academic institutions.

Mr. Sami Abou Saab, CEO, Speed@BDD, explained the acceleration role of his organization. Lasting three months it focused on legal, regulatory and administrative issues connected with the business creation as well as on market studies, tests and marketing, etc. The implications of equity investment are analysed and explained in detail. A central role of Speed@BDD was in house coaching to ensure that entrepreneur-candidates fully understood the challenges ahead.

Mr. Nadim Zaaza, Director Tech Hub S.A.L., recalled the small market size of Lebanon which implied to integrate a regional and global dimension already at the stage of the project concept. **Tech Hub** sees itself as a catalyser for start-ups, triggering the hidden entrepreneurial energies of its clients. It tests business ideas and models first in the Lebanese market, then in Dubai or – given its British shareholders - also in the UK. In view of the large number of Lebanese firms abroad it is imperative to further explore business opportunities through the diaspora.

Ms. Fida Kanaan, Director of Executive Education, AUB The Darwazah Center recalled the need to strengthen the links to academic institutions to encourage entrepreneurship and

build a suitable incentive-based environment. Some framework would need to be drafted by public policy institutions, for instance the Ministry of Education. Another area for consideration is the almost exclusive focus of business incubators on high technology firms. This needed to be enlarged. Traditional SMEs also needed the services that come with incubation and acceleration.

F. Session 5: Can business support and financial institutions better interact with each other to accompany SME growth and support value chains?

Ms. Malin Oggero, speaking on behalf of the European Commission (DG NEAR), presented the EU approach to Private Sector Development and Access to Finance in the Neighbourhood South. The review of the Neighbourhood policy of November 2015 identified three priorities, namely, economic development for stabilisation and modernisation, structural reforms for competitiveness and inclusive and sustainable growth and social development. These three priorities would require the buy-in of the private sector.

Innovative approaches like blending were geared to create better conditions for jobs and growth. At the macro level this meant to help build an enabling environment, at the meso level the focus was on capacity building and networking and at the micro level efforts would be concentrated on finding solutions for access to finance.

The EU Initiative for Financial Inclusion adopted by the European Commission in 2015 in partnership with financial institutions (EIB, EBRD, KfW, AfD) to expand financing to MSMEs (including support to innovative start-ups). The Initiative disposes of euro 150 million and should benefit some 200,000 MSMEs in the region. It is articulated in 5 complementary facilities focusing on specific financial instruments and having a particular financial institution as lead agency:

- Risk capital/venture capital to support business start-ups and microfinance – EIB
- Guarantee funds to cover losses of local banks lending new funds to SMEs – AfD
- Advisory services to SME through grants – EBRD
- SME credit lines and capacity building to local financial institutions – EBRD
- Microfinance through local financial institutions and capacity building – KfW.

In addition, the European External Investment Plan (“Juncker Plan”) would mobilize over euro 4 billion. The Plan consists of 3 pillars, the European Fund for Sustainable Development including a new guarantee to finance micro and SMEs; secondly technical assistance to local authorities and companies and initiatives to improve conditions for the enabling environment.

Ms. Sylvie Cogneau of Bpifrance recalled the experience of enterprise promotion in France, where the emphasis was placed on innovation. Many ingredients were required apart from suitable financing packages, namely training, networking and marketing. BPI France played a central role in the ecosystem for enterprise promotion bringing together banks, public authorities, research institutes and mentors. BPI accompanied start-ups and expanding SMEs throughout the entire project cycle with the required flexibility in instruments, with loan types and equity products that were suited to the stage of the trajectory of a firm. BPI also plays an important role in risk sharing, as it can guarantee 40-70% of the default risk.

Mr. Benjamin Godel of the Federation of German Industries (BDI) recalled the multiple definitions that existed of small and medium sized enterprises. The most commonly used

criteria were number of employees, annual turnover and assets. Using the EU Commission definition and classification in Germany the 3,67 million SMEs account for 99% of all firms (revenue below 50 million EUR). They employ 29.1 million people, or 68 per cent of the working population while micro enterprises with less than 10 employees provide 34 % of workplaces in the German SME sector.

There is a fairly comprehensive network of institutions taking care of SMEs in Germany, Chambers and associations, local and cooperative financial institutions, development banks, as well as regional and the federal governments, acting occasionally as conduits for EU programmes. The focus of promotion is on research and development (including mentoring), financial and non-financial services for start-up and growth and, finally, assistance in entering export markets.

The experience made in Germany with SME promotion shows that SMEs must be innovation-driven, competitive and eager to expand also into foreign markets. The shortage of skilled labour poses a major challenge, as does the succession in SMEs. Finally, the digitalization of the economy does not spare SMEs. This makes a major investment effort necessary. In order to make it easier to meet these challenges the financial environment must be capable of providing also long term loans.

Concluding this panel **Mr. François-Louis Billon**, EBESM expert, presented as good practice, the C2IME Accelerator, a model for a comprehensive business support system currently being tested in the North of France with the active participation of local banks, trade associations, academics and local administration.

5. WRAP-UP SESSION: CONCLUSIONS AND THE WAY FORWARD

The seminar participants convened to spell out a number of priorities:

- Contain the brain drain
- Reduce youth unemployment
- Stimulate growth and welfare.

There was a general agreement about most of the stumbling blocks ahead for SME growth and entrepreneurship development: political instability, regional instability, low level of real incomes, corruption, and poor infrastructure. Participants also felt that the Lebanese context offered many assets that would augur well for the development of SMEs in the years ahead: levels of liquidity in the financial and banking sector; a fairly complete set of instruments and institutions: banks, BDL, Kafalat, equity funds, venture capital, micro finance. There is a dynamic generation of innovative entrepreneurs as the panel with start-up businessmen showed. The level of education and competencies is very high in Lebanon.

Areas for improvement:

- Better dialogue and coordination between all actors involved in SMEs growth and development;
- Chambers of Commerce and Industry could take a more active role;
- More effective links between professional education training at universities and higher school and the labour market;
- The gap in the investment cycle between the definition of a business idea and seed capital (\$ 100,000 to \$ 200,000); this has been labelled the early stage investment gap.

As entry points for **next steps** the participants singled out the following:

- Financial education in the largest sense for SME owners;
- Tailor-made short awareness raising initiatives for members of the judiciary dealing with commercial law litigation;
- Broaden basis of credit bureaux to include also SMEs;
- Develop segment-specific packages: youth, women, university graduates, by value chain and export-orientation;
- For potentially interested entrepreneurs design and circulate periodically simple message for various media transmission on the available support services
- Explore avenues to formalise informal sector operators, notably in cooperation with microfinance institutions;
- Study policies adopted by countries with large diasporas with regard to the effectiveness of incentives to return and invest in home country SMEs (e.g.India)
- Open up the upgrade quality standards and access to export markets in Europe as well as in the MED and GCC regions;
- Emphasize entrepreneurship training at universities; in this respect, it would be a good idea to make use of the young entrepreneurs, who shared their experience with the audience during session 2 as multipliers, including talks at universities and at young entrepreneurial networks, to help young entrepreneurs to share experiences and to avoid making the same mistakes over again.
- Widely disseminate information on available financial instruments and programmes to entrepreneurs.