



Enhancement of the Business Environment in the Southern Mediterranean

For: Lebanon



A project funded by the European Union



Working Meeting of MED SBA Coordinators and Access to Finance Advisors

Preliminary Findings of the Mapping Exercise Brussels – 24 November 2015



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1. Progress of the Mapping Exercise



1) Equipment term loans

	Funds allocated	Funds Origin	Targets	Terms
BdL Subsidized Loans	-	<ul style="list-style-type: none"> - Loans from Banks - Subsidy from Treasury 	Industry, Agriculture, Tourism, Technology and Crafts	<ul style="list-style-type: none"> - Up to €10M - 7 years tenure including up to 2 years grace - Subsidy = 4.5% - Net Interest = 2.34%
BdL NEEREA Loans	-	Banks	Sustainable Energy Investments	<ul style="list-style-type: none"> - 10 years tenure - Up to 2 years grace - Interest between 0.325% and 2.34%
EIB Credit Line	€ 90 Millions	European Investment Bank	Industry, High Tech, Tourism, Education, and Health	<ul style="list-style-type: none"> - Up to € 12.5M - Up to 10 years including up to 3 years grace - Available through 2 partner banks only
ESFD		EU	Unbanked SMEs	<ul style="list-style-type: none"> - Up to € 40K - 5 years tenure including up to 1 year grace



1. Progress of the Mapping Exercise



2) Loan guarantees and risk-sharing facilities

	Guarantees issued	Funds Origin	Targets	Terms
Kafalat	- More than 15,000 since 2000	Partners & International Donors	SMEs in Industry, Agriculture, Tourism, Technology, and Crafts	<ul style="list-style-type: none"> - Up to EUR 375K - Between 75% and 90% guarantee coverage - 7 years tenure including up to 1 year grace - Premium 2.5% - Subsidized interest rate
ESFD	- 8,705 since 2000	EU	All Economic Sectors incl. Services	<ul style="list-style-type: none"> - Up to € 40K - Risk Sharing through loans with participating banks - Interest between 10% and 14% declining rate



1. Progress of the Mapping Exercise



3) Equity and Venture Capital

	Funds Committed	Funds Origin	Targets	Terms
MEVP Impact	\$ 70M	BdL 331	Early & Growth ICT & Creative Industries	- \$ 1M to \$ 5M tickets - In Lebanon
Berytech Fund II	\$ 50M	BdL 331	Startups in Knowledge Industry	- In Lebanon
LEAP Ventures	\$ 70M	BdL 331	Growth stage	- \$ 3M minimum ticket - In Lebanon
IM Capital	\$ 6.5M	USAID Grant	Early stage & Startups	- Co-Investment - Investment guarantee
Kafalat iSME	\$ 25M	World Bank Loan	Innovative SMEs	- Co-Investment - \$ 25K to \$ 1.5M tickets - Total investment ≤ \$ 5M
Thimar	\$ 25M	Private	All SMEs	- In Tripoli and North region
Saned	\$ 5M	Private	Early stage	- \$ 100K to \$200K tickets
EuroMENA II	\$ 91M	Private	Growth and mature companies	- In MENA region - ≥ \$ 15M tickets
Investment Banks	-			
Other Small Funds	~ \$ 10M	Private	Y ventures and few others are under active formation	



1. Progress of the Mapping Exercise



4) Micro-finance

- More than 30 Micro Finance Institutions
- Most lenders have a ceiling of \$ 10K,
A few reach \$ 25K
- Targets are diversified: women entrepreneurs, micro businesses, small retail businesses, underprivileged individuals in all sectors
- Interest rates around 15%



1. Progress of the Mapping Exercise



5) Innovative finance (e.g. crowd funding, group lending, suppliers finance)

- Two Crowdfunding platforms: Zoomaal and Eureeca
- Total Amounts Raised (Euro): € 1.23M in Zoomaal only, Eureeca not disclosed
- Targets: Early stage and start-ups
- All Sectors can benefit
- Financing is donation/reward based (Zoomaal), and Equity based (Eureeca)



2. Strengths and Weaknesses of the instruments



Strengths:

- Instruments reasonably adapted to the financial market in the country, i.e. lending and borrowing attitudes
- Fair consideration of socio-cultural contexts, which ensures sensitivity to users' needs
- Relatively low cost of financing for various sectors

Weaknesses:

- Limited coordination between the various instruments
- Limited awareness of those instruments by their potential markets, especially in the more recently established programmes of equity funding and support for innovative entrepreneurs



3. Good Practices Identified



- In most cases, solutions and instruments are adopted with a good measure of sensitivity to existing structural realities to ensure a high impact for the amount of resources available and that are committed.
- Good incentives given to both funders and entrepreneurs
 - Banks, through exemption from Statutory Reserves
 - Borrowers, through subsidy on interests
 - Equity Funds, through supply of guaranteed funds
 - Seed businesses, through grants



4.1 Key Issues Identified



- I. An insufficient measure of awareness by potential users or segments amongst them**
- II. Insufficient coordination between providers, especially newly established ones, to achieve full chain advantages**
- III. Slow adoption of legislation to match the emerging terrain**



4.2 Necessary Measures to address the Key Issues



- I. Open the financial markets at the top, and increase the number of listings by large companies on main exchange
- II. Support the culture of financial transparency, especially in the milieu of start-ups and innovative entrepreneurs (including the use of tax incentives)
- III. Encourage the link between academic research centers and entrepreneurial support services in the field of innovation
- IV. Adopt a clear visibility policy for dissemination of information with cross reference to all instruments, whether online, on university campuses, chambers of commerce, etc.
- V. More back-up to decentralize entrepreneurial support services, to spread awareness and cooperation
- VI. Further back-up to NGOs lobbying the government and parliament about adoption of necessary legislation



4.3 Priority Reforms Needed



- I. Legislation reforms**
- II. Training a core of the judicial body in financial matters, e.g. instruments, markets, etc.**
- III. Supporting financial transparency**



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