Enhancement of the Business Environment in the Southern Mediterranean

Assessment of Lebanese Policies to Facilitate Access to Finance for MSMEs

Prepared by: Zeina El Mouallem

Date: 18 November 2015

This project is financed by the European Union

A project implemented by GIZ IS and Eurecna
Disclaimer
This report has been prepared with financial assistance from the European Union. The opinions expressed herein are those of the authors and may not represent the position of the EU.
# Table of Contents

**ABBREVIATIONS AND ACRONYMS** ................................................................. 4

1  **INRODUCTION** .......................................................................................... 5

2  **COUNTRY FACT SHEETS** ........................................................................... 6

2.1 Bank loans and facilities ................................................................................. 6
2.2 Guarantee funds and risk-sharing mechanism .................................................. 12
2.3 Private equity and venture capital ................................................................. 29
2.4 Microfinance and innovative finance ............................................................. 47
2.5 Others (e.g. grant schemes, honour loans) ....................................................... 55

3  **KEY FINDINGS OF THE FOCUS GROUP MEETING** ................................. 58

3.1 Introductory remarks ..................................................................................... 58
  3.1.1 Business Support Organizations’ Perspective ............................................ 58
  3.1.2 VCs Perspective ....................................................................................... 58
  3.1.3 Banks/Lenders/Microcredit/Guarantee Institutions’ Perspective ............... 59
  3.1.4 SMEs’ Perspective .................................................................................. 60
  3.1.5 Government (Ministry of Economy and Trade, Ministry of Industry) Perspective 62

3.2 SWOT Analyses ............................................................................................ 63
  3.2.1 Bank Loans’ Credits and Financing Facilities (including Microfinance) .... 63
  3.2.2 Guarantees and Risk Sharing Mechanisms ................................................. 64
  3.2.3 Equity and Venture Capital ...................................................................... 64

3.3 Identified good practices ............................................................................... 65

4  **POLICY/GENERAL RECOMMENDATIONS** ............................................ 65

5  **CONCLUSION** .......................................................................................... 66

**ANNEX** ........................................................................................................ 68
### ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEP</td>
<td>Association d’Entraide Professionnelle</td>
</tr>
<tr>
<td>AFD</td>
<td>Agence Française de Développement</td>
</tr>
<tr>
<td>AtF</td>
<td>Access to Finance</td>
</tr>
<tr>
<td>BDD</td>
<td>Beirut Digital District</td>
</tr>
<tr>
<td>BDL</td>
<td>Banque du Liban</td>
</tr>
<tr>
<td>BIC</td>
<td>Business Innovation Center</td>
</tr>
<tr>
<td>CDG</td>
<td>Concept Development Grant</td>
</tr>
<tr>
<td>CIT</td>
<td>Center for Innovation and Technology</td>
</tr>
<tr>
<td>EIB</td>
<td>European Investment Bank</td>
</tr>
<tr>
<td>ESFD</td>
<td>Economic and Social Fund for Development</td>
</tr>
<tr>
<td>FARO</td>
<td>Fonds d’amorçage de réalisation et d’orientation</td>
</tr>
<tr>
<td>FOF</td>
<td>Fund of Funds</td>
</tr>
<tr>
<td>GOL</td>
<td>Government of Lebanon</td>
</tr>
<tr>
<td>ICT</td>
<td>Information Communication Technology</td>
</tr>
<tr>
<td>IM Capital</td>
<td>Insure and Match Capital</td>
</tr>
<tr>
<td>iSME</td>
<td>Innovation in SMEs</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>LBP</td>
<td>Lebanese pounds</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>Mergers and Acquisitions</td>
</tr>
<tr>
<td>MEVP</td>
<td>Middle East Venture Partners</td>
</tr>
<tr>
<td>MoET</td>
<td>Ministry of Economy and Trade</td>
</tr>
<tr>
<td>MSME</td>
<td>Micro Small and Medium sized enterprises</td>
</tr>
<tr>
<td>NA</td>
<td>Not applicable</td>
</tr>
<tr>
<td>NDA</td>
<td>Non-Disclosure Agreement</td>
</tr>
<tr>
<td>NEEREA</td>
<td>National Energy Efficiency and Renewable Energy Action</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>SAL</td>
<td>Société Anonyme Libanaise</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strengths weaknesses opportunities threats</td>
</tr>
<tr>
<td>TB</td>
<td>Treasury bills</td>
</tr>
<tr>
<td>USD</td>
<td>United States dollar</td>
</tr>
<tr>
<td>VC</td>
<td>Venture Capital</td>
</tr>
<tr>
<td>YVP</td>
<td>Y Venture Partners</td>
</tr>
</tbody>
</table>
1 INTRODUCTION

The main financial instruments for MSMEs in Lebanon include guarantees, loans, microfinance and equity. The two main guarantee providers are Kafalat and the Economic and Social Fund for Development (ESFD). Most loans are provided by commercial banks, whereas microcredit is mainly supplied by specialized institutions which are also partnering with banks. Equity is gaining momentum since the last 3 years and is being sourced either through Venture Capital (VC) Funds, individual investors, Banque du Liban (BDL) circular 331 or initiatives pledged by foreign countries.

The methodology used to extract the data included desk research, contacting specific financial programs' representatives for short interviews and/or extracting more detailed information through e-mails. However, there was a limitation in the data collection since many financial institutions were not willing to share specific data that was considered confidential.

In order to assess the impact and effectiveness of the identified financial instruments, a focus group meeting was organised on the 18th of November in Beirut. It gathered 19 relevant stakeholders from different entities covering the complete SME development ecosystem. This included private sector representatives which are businesses or direct beneficiaries of financial instruments and loans, bank credit officers representing the bank associations, representatives of the risk sharing mechanisms, representatives of venture capital funds, business support institutions such as Business Innovation Centers (BICs), and government-related representatives which included the Ministry of Economy and Trade (MoET) and Ministry of Industry.

During the focus group meeting a SWOT analysis of the main financial instruments in Lebanon was carried out, where challenges and obstacles faced by SMEs were discussed and policy recommendations were formulated in order to enhance the situation and help unlock A2F for MSMEs in Lebanon.

Although the sample size of the focus group was fair in terms of number of participants, a limitation in the analysis of the feedback received from MSMEs did exist since some industries such as manufacturing or informal sector businesses were not represented. In addition, not all financial institutions were represented which also might have limited the scope of the analysis.

All in all, the intended outcome was achieved due to the quality of the contributions that highlighted the issues that SMEs face with respect to A2F programs, as well as the solutions and recommendations that could enhance access to finance for MSMEs in Lebanon.

SME Definition

The definition of MSMEs in Lebanon as specified by the Ministry of Economy and Trade (MoET) is as follows:

- **Micro**: <10 employees, turnover < LBP 500 million (EUR 313,500)
- **Small**: <50 employees, turnover < LBP 5 billion (EUR 3,134,900)
- **Medium**: <100 employees, turnover < LBP 25 billion (EUR 15,674,500)
### 2 COUNTRY FACT SHEETS

#### 2.1 BANK LOANS AND FACILITIES

<table>
<thead>
<tr>
<th>Programme</th>
<th>BDL Incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Characteristics</strong></td>
<td>The Central Bank of Lebanon has been focusing on stimulating private sector investments and is providing in this respect incentives through banks. The purpose of this strategy is to lower the cost of borrowing and encourage investments in sectors such as tourism, agriculture, industry, IT, education and environment. Conditions are:</td>
</tr>
<tr>
<td></td>
<td>• The Central Bank extends these loans at an interest rate of 1%.</td>
</tr>
<tr>
<td></td>
<td>• Funds are allocated to commercial banks on a first-come first-serve basis.</td>
</tr>
<tr>
<td></td>
<td>• Incentives are provided to support housing, education, renewable energy projects, innovative projects, research &amp; development ventures, entrepreneurship, and various productive sectors of the economy.</td>
</tr>
<tr>
<td></td>
<td>• The loan to the final beneficiary is used to finance a new project or the expansion of an existing one.</td>
</tr>
<tr>
<td></td>
<td>Incentives initiated in 2013 include subsidized loans, specific incentives for Innovative startups, microcredit and R&amp;D</td>
</tr>
<tr>
<td><strong>Total Amount committed</strong></td>
<td>A new stimulus package introduced in 2013 by the BDL consisted of LBP 1,500 billion in 2013 (EUR 940 million) and around LBP 1,200 billion (EUR 753 million) for 2014, in the form of soft loans extended to Lebanese commercial banks.</td>
</tr>
<tr>
<td><strong>Application procedure</strong></td>
<td>Application is done through contacting commercial banks. Documents include legal company documents, financial documents, business/project overview</td>
</tr>
<tr>
<td><strong>Eligibility</strong></td>
<td>Target sectors are: tourism, agriculture, industry, IT, education and environment.</td>
</tr>
</tbody>
</table>
### Terms

**Subsidized Loans:**
Loans granted in LBP to entrepreneurs provided they meet the following conditions:
- The loan must be totally invested to finance new projects in the field of knowledge innovation with a maximum value of LBP 300 Million (EUR 188,000)
- The borrower is granted a grace period for repayment of one to three years as of the disbursement date
- The reimbursement period of the loan principal does not exceed ten years excluding grace period

Loans granted in LBP to finance Research and Development ventures in productive sectors provided they meet the following conditions:
- The borrower is granted a grace period for repayment of two to four years as of the disbursement date
- The reimbursement period of the loan principal does not exceed ten years, excluding the grace period

Subsidized interest rate: 4.5%
Net interest after subsidy of 4.5% LBP: <=2.34%, USD: <=2.73%, EUR: <=2.83%

**313 BDL Loans:**
- Sector: Commercial
- Currency: LBP and USD
- Loan Duration: Up to 10 years following grace Period
- Grace Period: Between 6 months and 4 years
- Interest Rate: 40% of 1-year Lebanese Treasury Bills Yield (TBY's) + 3.3% for loans in LBP and cost of fund + 2% for Loans in USD (in the range of 6% to 6.5%)

**185 BDL Loans:**
- Sector: Commercial
- Currency: LBP and USD
- Loan Duration: Up to 10 years following grace Period
- Grace Period: Between 6 months and 4 years
- Interest Rate: 40% of 1-year Lebanese Treasury Bills Yield (TBY's) + 3% for loans in LBP and cost of fund + 2% for Loans in USD (in the range of 6 to 6.5%)

### Contact

Banque du Liban  
Masraf Lubnan street  
P.o.Box 11-5544  
Beirut – Lebanon  
Telephone: +961 1 750000

### Link

http://www.bdl.gov.lb
**LOANS**

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Characteristics</td>
<td>The “National Energy Efficiency and Renewable Energy Action” (NEEREA) is a national financing mechanism initiated by the Central Bank of Lebanon dedicated to the financing of green energy projects in Lebanon. NEEREA is a national platform built and launched on 25 November 2010 based on the BDL Circular 236 which, in collaboration with the European Union (EU) lists the terms and conditions to get subsidized green loans. In 2013, BDL introduced new incentives to focus on energy efficiency, renewable energy and certified green buildings (part of BDL circular 313). Accordingly, commercial banks can give eco-friendly or green loans to their customers (businesses or individual).</td>
</tr>
<tr>
<td>Total Amount committed</td>
<td>The loan for environment friendly projects has a ceiling of USD 20 million (EUR 18.9 million).</td>
</tr>
<tr>
<td>Application procedure</td>
<td>SMEs deal directly with commercial banks to get the eco-friendly/green loans for their businesses. SME application documents include application form and balance sheet or client and supplier invoices, statement of account for the last 6 months, tax declaration (if applicable), commercial circular (if applicable)</td>
</tr>
<tr>
<td>Eligibility</td>
<td>The loan offered through commercial banks can be used for any eco-friendly initiative in Lebanon from implementing green architectural projects to garden landscaping, recycled materials, Eco bricks, renewable energy including wind power, solar water heating panels, energy saving lighting system and much more</td>
</tr>
<tr>
<td>Terms</td>
<td>Banque du Liban shall grant these credits to the concerned banks at a 1% interest rate that is computed annually and paid monthly. Interest rate offered to beneficiaries (MSMEs) by banks is between 0.325% and 2.34% (Preferential interest rate that varies depending on sectors subsidized by the Central Bank of Lebanon and the remaining sectors) Loan amount: starting at LBP 30 million (EUR 18,800) Repayment period 10-14 years Grace period up to 2 years</td>
</tr>
<tr>
<td>Contact</td>
<td>Banque du Liban Masraf Lubnan street P.o.Box 11-5544 Beirut – Lebanon Telephone: +961 1 750000</td>
</tr>
</tbody>
</table>
## LOANS

<table>
<thead>
<tr>
<th>Programme</th>
<th>European Investment Bank (EIB) Credit Line</th>
</tr>
</thead>
<tbody>
<tr>
<td>Characteristics</td>
<td>In June 2014, the EIB signed four financial agreements totaling EUR 121 million with Fransabank, Byblos Bank, First National Bank and the Euromena III Fund to support local firms, SMEs and to create jobs. EUR 90 million is channeled through Byblos Bank and Fransabank.</td>
</tr>
<tr>
<td>Total Amount committed</td>
<td>A EUR 90 million loan will help to support local firms and create jobs through credit lines channeled through the networks of Byblos Bank and Fransabank.</td>
</tr>
<tr>
<td>Application procedure</td>
<td>Application is done through the banks (Byblos Bank and Fransabank). Documents include company documents, financial statements, company bank account statements, feasibility studies.</td>
</tr>
<tr>
<td>Eligibility</td>
<td>The EUR 90 million will be made available to firms in the areas of industry, high-tech and services, including tourism, health and education.</td>
</tr>
</tbody>
</table>
| Terms                      | Maximum loan amount up to EUR 12.5M  
Reimbursement period up to 10 years including up to 3 years’ grace period |
| Contact                    | Fransabank Headquarters, Hamra Str., Riad El Solh Beirut 1107 2803  
Lebanon  
Telephone: 1552 from Lebanon, or +961 1 734 000  
Byblos Bank Tower, Elias Sarkis Avenue, Achrafieh, Beirut  
Telephone: + 961 1 205050  
Fax number: + 961 1 334554  
E-mail: customerservice@byblosbank.com.lb |
| Link                       | [http://www.fransabank.com](http://www.fransabank.com)  
## LOANS

<table>
<thead>
<tr>
<th>Programme</th>
<th>Agriculture Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Characteristics</strong></td>
<td>Fransabank in collaboration with the Lebanese Ministry of Agriculture, offers the Agriculture Loan. The Agriculture loan gives businesses the adequate funding and the capital needed to invest and expand agribusiness projects.</td>
</tr>
<tr>
<td><strong>Total Amount committed</strong></td>
<td>Loan amount per project varies between LBP 3 million (EUR 1,880) and LBP 25 million (EUR 15,600)</td>
</tr>
<tr>
<td><strong>Application procedure</strong></td>
<td>A business can apply through contacting Fransabank. Main documents include: Questionnaire detailing the borrower profile and the agricultural project undertaken, declaration of revenues &amp; expenses, bank's statement of accounts for the last 2 years, copy of company's circular, Balance sheet for the last 2 years, tax sheets if any.</td>
</tr>
</tbody>
</table>
| **Eligibility**            | Eligible projects:  
  - Planting of fruits, vegetables and all plants  
  - Poultry  
  - Bee raising and production of honey  
  - Livestock and production of related products  
  - Fishery  
  - Manufacturing of agricultural products, plant and animal foodstuff  
  To qualify for the Agriculture Loan:  
  - Should be of Lebanese nationality  
  - Age should range between 21 and 64 years at loan maturity  
  - If the loan amount is up to LBP 15 million (EUR 9,400): Equitable mortgage and personal guarantor  
  - If the loan amount is from LBP 15 million (EUR 9,400) to LBP 25 million (EUR 15,600): Mortgage and personal guarantor |
| **Terms**                  | Currency: LBP  
  - Loan amount: between LBP 3 million (EUR 1,880) and LBP 25 million (EUR 15,600)  
  - Interest rate: 5%  
  - Grace period: up to 3 months  
  - Repayment period: between 3 and 48 months  
  Repayment of the loan is done through equal monthly installments that can reach up to 33% of monthly income |
| **Contact**                | Fransabank Headquarters, Hamra Str., Riad El Solh Beirut 1107 2803, Lebanon  
  Telephone: 1552 from Lebanon, or +961 1 734 000 |
<p>| <strong>Link</strong>                   | <a href="http://www.fransabank.com">http://www.fransabank.com</a> |</p>
<table>
<thead>
<tr>
<th>Programme</th>
<th>Faro Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Characteristics</td>
<td>FARO (&quot;Fonds d’amorçage de réalisation et d’orientation&quot;) for SMEs was established in the framework of the “Union for the Mediterranean” and in line with the model of FARO France. It aims to provide financial support for innovative projects and enhancing competitiveness and openness to global markets. FARO France started in 2010. FARO Lebanon started effectively its operations in 2013.</td>
</tr>
<tr>
<td>Total Amount committed</td>
<td>The loan committed per project can reach up to USD 20,000 (EUR 18,900) To date, around 5 companies were given the FARO loan (Each was given USD 20,000 (EUR18,900))</td>
</tr>
<tr>
<td>Application procedure</td>
<td>Application can be done through Bnooki (<a href="http://www.bnooki.com/loans/faro-loan/list">http://www.bnooki.com/loans/faro-loan/list</a>) or through the CCIB website where the &quot;Faro eligibility form&quot; can be filled and sent to <a href="mailto:edc@ccib.org.lb">edc@ccib.org.lb</a>. The form is a detailed description of the project and its financial needs. An assessment will be done and later contact will be established to discuss project details.</td>
</tr>
</tbody>
</table>
| Eligibility | FARO supports Lebanese innovative entrepreneurs who are working with at least one European or Mediterranean partner. An applicant could be:  
- Company, individual, association, etc.  
- Working with at least one European or Mediterranean partner to realize the project (A partner can be a client, a supplier, an advisor, etc.)  
- Planning to introduce an innovative product or service  
- Or planning to introduce an innovative way to deliver a product or service, or an innovative business model |
| Terms | • A loan of up to USD 20,000 (EUR 18,900)  
• At a maximum of 1% interest rate  
• Repayment schedules stretched up to 3 years  
• A grace period of up to 1 year |
| Contact | Contact Name: Hadi El Assaad  
Center for Economic Research at the CCIA-BML  
CCIA-BML Building, 1 Justinien Street, Sanayeh  
Telephone: 1314 ext.14 from landline or +961 1 353190 ext. 265  
e-mail: edc@ccib.org.lb  
hadi.elassaad@hotmail.com |
## 2.2 Guarantee Funds and Risk-Sharing Mechanisms

### GUARANTEE FUND AND RISK-SHARING MECHANISM

<table>
<thead>
<tr>
<th>Programme</th>
<th>Kafalat Start-ups and Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Characteristics</td>
<td>Kafalat Start-ups and Innovation is the result of a partnership with the European Union (represented by the European Commission) and the Lebanese Government to primarily serve the needs of innovative enterprises and start-ups in Lebanon. The fund will enable guaranteeing loans granted to highly innovative investments and conventional start-ups in 5 different sectors:</td>
</tr>
<tr>
<td></td>
<td>• Industry</td>
</tr>
<tr>
<td></td>
<td>• Agriculture</td>
</tr>
<tr>
<td></td>
<td>• Tourism</td>
</tr>
<tr>
<td></td>
<td>• High Technologies</td>
</tr>
<tr>
<td></td>
<td>• Crafts.</td>
</tr>
<tr>
<td></td>
<td>EU support enabled the extension of Kafalat's resources to increase the maximum loan amount to LBP 650 million (EUR 408,000). The value of the Kafalat approved loan will depend on these financial needs as justified in the business plan/feasibility study.</td>
</tr>
<tr>
<td>Total Amount committed</td>
<td>2013: LBP 3,797,250,000 (EUR 2,380,000)</td>
</tr>
<tr>
<td></td>
<td>2014: LBP 600,000,000 (EUR 376,000)</td>
</tr>
<tr>
<td>Application procedure</td>
<td>The borrower has first to approach a bank to present the project to be financed by the loan. Once the bank has accepted the loan application, it submits this application to Kafalat. In addition to bank loan documents, Kafalat requires a completed loan guarantee application form as well as its own set of supporting documents. Different banks have different policies; a project may be rejected by one bank while accepted by another. Different banks may require different collateral and supporting documents. Kafalat SAL does not interfere in the decision making process at bank level.</td>
</tr>
<tr>
<td>Eligibility</td>
<td>Eligible applicants are start-ups and SMEs which:</td>
</tr>
<tr>
<td></td>
<td>Employ less than 40 registered employees</td>
</tr>
<tr>
<td></td>
<td>Operate in one of the five subsidized sectors: Industry, Tourism, Agriculture, High Technologies and Crafts.</td>
</tr>
<tr>
<td></td>
<td>Are new business ventures which have not conducted business operations in the past</td>
</tr>
<tr>
<td></td>
<td>Kafalat Start-ups and Innovation loan guarantees are only given to SMEs incorporated as a Joint Stock company (Societe Anonyme Libanaise – SAL) registered in Lebanon as a profit making enterprise.</td>
</tr>
<tr>
<td></td>
<td>Priority will be given to start-ups having the following criteria:</td>
</tr>
<tr>
<td></td>
<td>• Potential to export.</td>
</tr>
<tr>
<td>Terms</td>
<td></td>
</tr>
<tr>
<td>-----------------</td>
<td></td>
</tr>
</tbody>
</table>
| • Potential to generate significant value added and/or introduce new and innovative technologies.  
  • Work with new prototypes, products, inventions based on detailed market analysis, financial and technical appraisal. |
| Kafalat Start-ups and Innovation guarantees loans with amounts varying between a minimum of LBP four million (EUR 2,500) and a maximum of LBP 650 million (EUR 408,000) and is only granted to Joint Stock Companies (S.A.L.)  
  The loan has to be repaid within a maximum of 7 years. New loan guarantees include a grace period between 6 and 12 months depending on the expected business revenue. During the grace period, the borrower makes no repayment, neither in principal nor in interest.  
  Kafalat Start-ups and Innovation programme guarantees up to 90% of the value of the loan for Innovation companies and 85% for start-ups and a similar percentage of the accrued interest during the grace period + 3 months. Thus, Kafalat Start-ups and Innovation guarantee scheme covers the repayment of 90% or 85% of the outstanding amount to the bank in case of default. However, the borrower is liable for the whole outstanding amount and not only the 10% or 15% unguaranteed. |
| **Interest Rates**  
Kafalat Start-ups and Innovation loans may be granted in either Lebanese Pounds or US Dollars.  
Loans taken in Lebanese Pounds (LBP) will be charged the following interest rate:  
Interest rate = 40% of the 1 year Lebanese Treasury Bills Yield (TBY's) + 3%  
Loans taken in US Dollars (USD) will be charged the following interest rate:  
Interest rate = 1 year Libor + 5.5%  
**Subsidy:**  
The interest subsidy is the same for all subsidized loans, currently at 4.5%. The duration of the subsidy is maximum 7 years. |
| **Kafalat Fee**  
The Kafalat fee consists of a 2.5% yearly commission of the outstanding value of the guarantee.  
**Special Conditions:**  
• The borrower must commit to making a minimum contribution of 50% in equity, either in kind (subject to Kafalat's approval) or in cash towards the cost of the project.  
• Loans may only be approved for renovation or extension of premises, machinery and equipment, and working capital.  
• The lending bank is not allowed to require from the borrower any collateral or other guarantees on top of the Kafalat loan guarantee. |
GUARANTEE

Programme

Kafalat Agriculture

Characteristics

Kafalat Agriculture is implemented in the framework of the ARDP (Agricultural and Rural Development Programme) funded by the European Union (represented by the European Commission) and executed by the Lebanese Ministry of Agriculture, which aims at financing activities related to the agriculture business in all its aspects.

This programme is co-financed by the EU and Kafalat SAL, and responds to special needs raised by activities of small scale agriculture and tree plantation.

Total Amount committed

<table>
<thead>
<tr>
<th>Programme</th>
<th>Amount</th>
<th>Currency (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kafalat Small Agriculture 2013</td>
<td>LBP 730,500,000</td>
<td>458,000</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>1,055,396,245</td>
</tr>
<tr>
<td>Kafalat Trees</td>
<td>2013</td>
<td>LBP 5,389,001,495</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>LBP 13,770,044,750</td>
</tr>
</tbody>
</table>

Application procedure

The borrower has first to approach a bank to present the project to be financed by the loan. Once the bank has accepted the loan application, it submits this application to Kafalat. In addition to bank loan documents, Kafalat requires a completed loan guarantee application form as well as its own set of supporting documents. Different banks have different policies; a project may be rejected by one bank while accepted by another. Different banks may require different collateral and supporting documents. Kafalat SAL does not interfere in the decision making process at bank level.

Eligibility

Eligible applicants are SMEs with less than 40 registered employees operating in the Agricultural Sector. Both newly founded and already existing SMEs are eligible to benefit from Kafalat Agriculture.

All types of legal economic entities are eligible for Kafalat Agriculture Loans. The borrower may be an individual, a sole proprietorship, a simple partnership, a limited liability company, a joint stock company, a cooperative or an NGO. The business activity has to take place in Lebanon and be registered as an entity in Lebanon.
Priority will be given to start-ups and SMEs having the following criteria:

- Potential to generate significant value added for the business and the Lebanese Economy.
- No default under any credit facility should have occurred for 3-years preceding the date of the loan request
- Potential to use local raw materials

**Interest**

Kafalat Agriculture guaranteed loans may be granted in either Lebanese Pounds or US Dollars, or any other foreign currency. Loans taken in Lebanese Pounds (LBP) will be charged the following interest rate:
- First 7 years: 40% of the 1 year Lebanese Treasury Bills Yield (TBY's) + 3%
- Beyond 7 years: 3%

Loans taken in Foreign Currency (e.g. USD) will be charged the following interest rate:
- Interest Rate = 1 year Libor + 5.5%

**Subsidy**

The interest subsidy is the same as for all subsidized loans, currently at 4.5%. The duration of the subsidy is maximum 7 years, beyond which the Central Bank will no longer subsidize the interest.

**Kafalat Fee**

The Kafalat fee is a 2.5% yearly commission of the outstanding value of the guaranteed. The value of the guarantee is 75% or 85% of the loan value approved by the bank and Kafalat.

**Kafalat Small Agriculture** guarantees loans with amounts varying between a minimum of LBP four million (EUR 2,500) and a maximum of LBP 65 million (EUR 40,750).

This programme finances all types of farming and agricultural activities, including fixed assets and working capital needs. The loan has to be repaid within a maximum period of 7 years. New loan guarantees include a grace period between 6 and 12 months depending upon the expected business revenue. During the grace period, the borrower makes no repayment, neither in principal nor in interest.

Kafalat Small Agriculture guarantees 85% of the value of the loan granted by the bank and 85% of the accrued interest during the grace period + 3 months.

**Special Conditions**

The lending bank is not allowed to ask for any collateral from the borrower on top of the Kafalat guarantee.

**Kafalat Trees** guarantees loans with amounts varying between a minimum of LBP four million (EUR 2,500) and a maximum of LBP 480 million (EUR 300,950).

This programme finances all types of arboriculture activities. The loan has to be repaid within a maximum of 10 years. New loan guarantees include a grace period between 6 months and 3
| **Contact** | Hamra Street, Picadilly Center, 5th Floor  
Beirut – Lebanon  
P.O.Box: 11-641  
Telephone: +961-1-341 300/1/2, +961-1-346 255  
Fax: +961-1-350 111  
E-mail: kafalat@kafalat.com.lb |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Link</strong></td>
<td><a href="http://kafalat.com.lb">http://kafalat.com.lb</a></td>
</tr>
</tbody>
</table>

**GUARANTEE**

<table>
<thead>
<tr>
<th>Programme</th>
<th>Kafalat Energy</th>
</tr>
</thead>
</table>
| **Characteristics** | Kafalat Energy is the result of a partnership between the European Union (represented by the European Commission) and Kafalat SAL to address energy constraints faced by SMEs, while ensuring reduction of negative environmental impact.  
This program will provide eligible SMEs with loan guarantees for investments in Energy Efficiency and Renewable Energy. The Kafalat Energy programme distinguishes between three types of investments, and thus three types of guarantees.  
**Programme A: Energy Efficiency**  
Kafalat Energy – Energy Efficiency guarantees loans with amounts varying between a minimum of LBP four million (EUR 2,500) and a maximum of LBP 600 million (EUR 376,180), and is available for loans in LBP only.  
This programme finances all types of projects that aim to improve the energy performance of SMEs, thus reducing the total energy consumption required for their activities.  
The loan has to be repaid within a maximum of 10 years. New loan guarantees include a grace period between 6 and 12 months depending upon the expected business revenue. During the grace period, the borrower makes no repayment, neither in principal nor in interest.  
Kafalat Energy – Energy Efficiency guarantees 75% of the value of the loan granted by the bank and 75% of the accrued interest during the grace period + 3 months.  
**Programme B: Renewable Energy Generation for Internal Use** |
Kafalat Energy – Renewable Energy for Internal Use guarantees loans with amounts varying between a minimum of LBP four million (EUR 2,500) and a maximum of LBP 600 million (EUR 376,180), and is available for loans in LBP only. This programme finances the installation of systems for power generation from renewable energies, such as wind turbines, photovoltaics, hydropower schemes, etc. The produced electricity must be entirely consumed by the SME installing the system, and must displace fossil fuel based electricity. The loan has to be repaid within a maximum of 15 years. New loan guarantees include a grace period between 6 and 24 months depending upon the expected business revenue. During the grace period, the borrower makes no repayment, neither in principal nor in interest. Kafalat Energy – Renewable Energy for Internal Use guarantees 75% of the value of the loan granted by the bank and 75% of the accrued interest during the grace period + 3 months.

**Programme C: Renewable Energy Generation for Sale to Third Party**

Kafalat Energy – Renewable Energy for Sale to Third Parties guarantees loans with amounts varying between a minimum of LBP four million (EUR 2,500) and a maximum of LBP 1,320 million (EUR 827,600) and is available for loans in LBP only. This programme finances the installation of systems for power generation from renewable energies, such as wind turbines, photovoltaics, hydropower schemes, etc. At least part of the produced electricity must be sold to an entity other than the SME installing the system which could be the public grid. The loan has to be repaid within a maximum of 15 years. New loan guarantees include a grace period between 6 and 36 months depending upon the expected business revenue. During the grace period, the borrower makes no repayment, neither in principal nor in interest. Kafalat Energy – Renewable Energy for Sale to Third Parties guarantees 75% of the value of the loan granted by the bank and 75% of the accrued interest during the grace period + 3 months.

<table>
<thead>
<tr>
<th>Total Amount committed</th>
<th>Kafalat Energy A 2013: LBP 600,000,000 (EUR 376,180) 2014: na Kafalat Energy B 2013: na 2014: LBP 842,000,000 (EUR 527,900)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application procedure</td>
<td>The application will be divided into 2 parts, a technical part comprising the Technical-Financial Study, and an economic part comprising all other documents. If the technical and financial analyses are positive, the guarantee is granted.</td>
</tr>
<tr>
<td>Eligibility</td>
<td>Eligible applicants are SMEs with less than 40 registered employees operating in one of the five subsidized sectors: Industry, Tourism, Agriculture, High Technology and Crafts. All types of legal economic entities are eligible for Kafalat Energy Loans. Independent Power Producers are companies whose activity is restricted to producing electrical power and selling it to third parties; these companies are classified as industrial and thus are</td>
</tr>
</tbody>
</table>
eligible. Both newly founded and established SMEs are eligible to benefit from Kafalat Energy Loans.

**Terms**

**Interest Rates**

Kafalat Energy guaranteed loans may only be granted in Lebanese Pounds. The maximum interest rate applied for the Kafalat Energy loans is 3%.

The interest subsidy is the same for all subsidized loans, currently at 4.5%. The duration of the subsidy is maximum 7 years, beyond which the Central Bank will no longer subsidize the interest. The Kafalat fee, applicable to the guaranteed amount which is 75% of the loan amount, will be reduced after the subsidy period (7 years) ends.

**Contact**

Hamra Street, Picadilly Center, 5th Floor
Beirut – Lebanon
P.O.Box: 11-641
Telephone: +961-1-341 300/1/2, +961-1-346 255
Fax: +961-1-350 111
E-mail: kafalat@kafalat.com.lb

**Link**

http://kafalat.com.lb

---

**GUARANTEE**

**Programme**

Kafalat Innovative

**Characteristics**

Kafalat Innovative Program is the result of a partnership between the European Union (represented by the European Commission) and the Ministry of Economy and Trade of Lebanon (MoET) to finance innovative ideas and businesses. This program is co-financed by the EU and Kafalat SAL and offers loan guarantees to start-up businesses of less than two years for investments in fixed assets and working capital needs. It helps start-ups in developing their business ideas or activities in 5 different sectors:

- Industry
- Agriculture
- Tourism
- High Technologies
- Crafts

The size of the loan requested has to reflect the needs of the project to be financed, and could reach a maximum of LBP 300 million (EUR 188,000). The value of the Kafalat approved loan will depend on these financial needs as justified in the business plan/feasibility study.

**Total Amount committed**

2013: LBP 642,500,000 (EUR 403,000)
2014: LBP 450,000,000 (EUR 282,000)

**Application procedure**

A Kafalat Innovative loan application may be presented in different ways:
Eligibility

Eligible applicants are start-up SMEs which:

1. Have less than 40 registered employees.
2. Operate in one of the five subsidized sectors: Industry, Tourism, Agriculture, High Technologies and Crafts.
3. Are bona fide new business ventures which have not conducted any business operation in the past

Priority will be given to start-ups and SMEs having the following criteria:

- Potential to export.
- Potential to generate significant value added and/or introduce new and innovative technologies.
- Work with new prototypes, products, inventions based on detailed market analysis, financial and technical appraisal.

Kafalat Innovative loan guarantees are given to incorporated SMEs such as Joint Stock Company (SAL), or Limited Liability Company (SARL), and Cooperatives, registered in Lebanon as a profit making enterprise. The business activity has to take place in Lebanon.

The business venture should be a start-up, or existing for a maximum of two years prior to the application date.

Terms

Kafalat Innovative guarantees loans with amounts varying between a minimum of LBP four million (EUR 2,500) and a maximum of LBP 300 million (EUR 188,000), which can only be granted in Lebanese Pounds.

The loan has to be repaid within a maximum of 5 years. New loan guarantees include a grace period between 6 and 12 months depending upon expected business revenues. During the grace period, the borrower makes no repayment, neither in principal nor in interest.

Kafalat Innovative guarantees up to 90% of the value of the loan granted by the bank and 90% of the accrued interest during the grace period + 3 months. Thus, the Kafalat Innovative scheme covers the repayment of 90% of the outstanding amount to the bank if case of default. However, the borrower is liable for the whole outstanding amount and not only the 10% unguaranteed.

Main Conditions are:

- The borrower must commit to making a minimum contribution of 10% in equity either in kind (subject to Kafalat’s approval) or in cash towards the cost of the
Loans may only be approved for the renovation or extension of premises, machinery and equipment, and working capital. Loan applications may be presented simultaneously by the client to the commercial bank and to Kafalat. Kafalat is entitled to issue a Letter of Intent to grant the applicant a guarantee. The lending bank is not allowed to require from the borrower any collateral apart of the Kafalat loan guarantee.

**Interest Rates**
Kafalat Innovative guaranteed loans may only be granted in Lebanese Pounds. The loan will be charged the following interest rate:

\[
\text{Interest rate} = 40\% \times \text{1 year Lebanese Treasury Bills Yield (TBY's)} + 3\%
\]

**Subsidy**
The interest subsidy is the same for all subsidized loans, currently at 4.5%. The duration of the subsidy will cover the whole duration of a Kafalat Innovative loan guarantee.

**Kafalat Fee**
The Kafalat fee consists of a 2.5% yearly commission of the outstanding value of the guarantee. The value of the guarantee is 90% of the loan value approved by the bank and Kafalat.

| Contact         | Hamra Street, Picadilly Center, 5th Floor  
|                 | Beirut – Lebanon  
|                 | P.O.Box: 11-641  
|                 | Telephone: +961-1-341 300/1/2, +961-1-346 255  
|                 | Fax: +961-1-350 111  
|                 | E-mail: kafalat@kafalat.com.lb  

### GUARANTEE

| Programme | Kafalat Plus  
|-----------|---------------
| Characteristics | Kafalat Plus Program is the result of a partnership between the European Union (represented by the European Commission) and the Ministry of Economy and Trade of Lebanon (MoET) to help finance new production capacity or sustain current production and employment. This program offers loan guarantees to existing SMEs and conventional start-ups.  
|           | It helps SMEs in their business ideas or activities through facilitating access to finance in 5 different sectors:  
|           |   - Industry  
|           |   - Agriculture  
|           |   - Tourism  
|           |   - High Technologies  
|           |   - Crafts  
|           | The size of the loan requested has to reflect the needs of the
project to be financed, and could reach a maximum LBP 600 million (EUR 376,180). The value of the Kafalat approved loan will depend on these financial needs as justified in the business plan / feasibility study.

| Total Amount committed | 2012: LBP 68,060,161,250 (EUR 42,672,550)  
2013: LBP 51,215,052,900 (EUR 32,110,950)  
2014: LBP 46,729,420,000 (EUR 29,298,540) |

Application procedure
The borrower has first to approach a bank to present the project to be financed by the loan. Once the bank has accepted the loan application, it submits this application to Kafalat. In addition to bank loan documents, Kafalat requires a completed loan guarantee application form as well as its own set of supporting documents. Different banks may require different collateral and supporting documents. Kafalat SAL does not interfere in the decision making process at bank level.

Eligibility
Eligible applicants are SMEs with less than 40 registered employees operating in one of the five subsidized sectors: Industry, Tourism, Agriculture, High Technologies and Crafts.

Kafalat Plus loan guarantees are given to incorporated SMEs such as Joint Stock Company (SAL), or Limited Liability Company (SARL), and Cooperatives, registered in Lebanon as a profit making enterprise. The business activity has to take place in Lebanon.

Priority will be given to start-ups and SMEs having the following criteria:
- Potential to use local raw materials and export.
- Potential to generate significant value added for the business and the Lebanese economy.
- No default under any credit facility should have occurred for 3 years preceding the date of the loan request.

The business venture may be an already existing one or a start-up.

Terms
Kafalat Plus guarantees loans with amounts varying between a minimum of LBP four million (EUR 2,500) and a maximum of LBP 600 million (EUR 376,180).

The loan has to be repaid within a maximum of 7 years. New loan guarantees include a grace period between 6 and 12 months depending upon expected business revenue. During the grace period, the borrower makes no repayment, neither in principal nor in interest.

Kafalat Plus guarantees 85% of the value of the loan granted by the bank plus 85% of the accrued interest during the grace period + 3 months. Thus, the Kafalat Plus scheme covers the repayment of 85% of the outstanding amount to the bank in case of default. However, the borrower is liable for the total outstanding amount and not only the 15% unguaranteed.

Special Conditions are:
- The borrower must commit to making a minimum contribution of 20% in equity, either in kind (subject to Kafalat’s approval) or in cash towards the cost of the
For start-up SMEs or expansion projects, the final debt/equity ratio should be at most 70/30, or equity should be not less than 30% of total outstanding liabilities.

Loans may only be approved for renovation or extension of premises, machinery and equipment, working capital and up to 15% of cost of professional fees and services related to the project.

The lending bank is not allowed to require from the borrower any collateral or other guarantees on top of the Kafalat loan guarantee.

**Interest Rates**

Kafalat Plus guaranteed loans may be granted in either Lebanese Pounds or US Dollars, or any other convertible foreign currency. Loans taken in Lebanese Pounds (LBP) will be charged the following interest rate:

\[
\text{Interest rate} = 40\% \text{ of the 1 year Lebanese Treasury Bills Yield (TBY's)} + 3\%
\]

Loans taken in Foreign Currency (e.g. USD) will be charged the following interest rate:

\[
\text{Interest Rate} = \text{1 year Libor} + 5.5\%
\]

**Subsidy**

The interest subsidy is the same as for all subsidized loans, currently at 4.5%. The duration of the subsidy is maximum 7 years.

**Kafalat Fee**

The Kafalat fee consists of a 2.5% yearly commission of the outstanding value of the guarantee. The value of the guarantee is 85% of the loan value approved by the bank and Kafalat.

| Contact | Hamra Street, Picadilly Center, 5th Floor  
Beirut – Lebanon  
P.O.Box: 11-641  
Telephone: +961-1-341 300/1/2, +961-1-346 255  
Fax: +961-1-350 111  
E-mail: kafalat@kafalat.com.lb |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Link</td>
<td><a href="http://kafalat.com.lb">http://kafalat.com.lb</a></td>
</tr>
</tbody>
</table>

**GUARANTEE**

<table>
<thead>
<tr>
<th>Programme</th>
<th>Kafalat Basic</th>
</tr>
</thead>
</table>
| Characteristics | Kafalat Basic is the first loan guarantee program that Kafalat started offering in 2000. This program offers loan guarantees for fixed asset and working capital financing needs of SMEs. It helps start-ups and existing businesses develop their ideas or activities in 5 different sectors:  
- Industry  
- Agriculture  
- Tourism  
- High Technologies  
- Crafts. |
The size of the loan requested has to reflect the needs of the project to be financed, and could reach a maximum of LBP 300 million (EUR 188,000). The value of the Kafalat approved loan will depend on these financial needs as justified in the business plan/feasibility study.

<table>
<thead>
<tr>
<th>Total Amount committed</th>
<th>2012: LBP 132,694,395,206 (EUR 83,197,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013: LBP 111,413,154,108 (EUR 69,854,000)</td>
</tr>
<tr>
<td></td>
<td>2014: LBP 99,357,920,474 (EUR 62,296,000)</td>
</tr>
</tbody>
</table>

Application procedure

The borrower has first to approach a bank to present the project to be financed by the loan. Once the bank has accepted the loan application, it submits this application to Kafalat. In addition to bank loan documents, Kafalat requires a completed loan guarantee application form as well as its own set of supporting documents. Different banks have different policies; a project may be rejected by one bank while accepted by another. Different banks may require different collateral and supporting documents. Kafalat SAL does not interfere in the decision making process at bank level.

Eligibility

Eligible applicants are SMEs with less than 40 registered employees operating in one of the five subsidized sectors: Industry, Tourism, Agriculture, High Technologies and Crafts. All types of legal economic entities are eligible for Kafalat Basic Loans. The borrower may be an individual, a sole proprietorship, a simple partnership, a limited liability company, a joint stock company, a cooperative or an NGO. The business activity has to take place and be registered as an entity in Lebanon. Priority will be given to start-ups and SMEs having the following criteria:

- Potential to generate significant value added for the business and the Lebanese economy.
- No default under any credit facility should have occurred for 3-years preceding the date of the loan request.

Terms

Kafalat Basic guarantees loans with amounts varying between a minimum of LBP four million (EUR 2,500) and a maximum of LBP 300 million (EUR 188,000). The loan has to be repaid within a maximum of 7 years. New loan guarantees include a grace period between 6 and 12 months depending upon expected business revenues. During the grace period, the borrower makes no repayment, neither in principal nor in interest. Kafalat Basic guarantees 75% of the value of the loan granted by the bank plus 75% of the accrued interest during the grace period +3 months. Thus, the Kafalat Basic scheme covers the repayment of 75% of the outstanding amount to the bank in case of default. However, the borrower is liable for the total outstanding amount and not only the 25% unguaranteed.

Interest Rates

Kafalat Basic guaranteed loans may be granted in either Lebanese Pounds or US Dollars, or any other convertible foreign currency. Loans taken in Lebanese Pounds (LBP) will be charged the
following interest rate:
Interest rate = 40% of the 1 year Lebanese Treasury Bills Yield (TBY’s) + 3%
Loans taken in Foreign Currency (e.g. USD) will be charged the following interest rate:
Interest Rate = 1 year Libor + 5.5%
The interest subsidy is the same for all subsidized loans, currently at 4.5%. The duration of the subsidy is maximum 7 years.

**Kafalat Fee** consists of a 2.5% yearly commission of the outstanding value of the guarantee. The value of the guarantee is 75% of the loan value approved by the bank and Kafalat.

| Contact          | Hamra Street, Piccadilly Center, 5th Floor Beirut – Lebanon  
P.O.Box: 11-641  
Telephone: +961-1-341 300/1/2, +961-1-346 255  
Fax: +961-1-350 111  
E-mail: kafalat@kafalat.com.lb |
|------------------|------------------------------------------------------------------|

## GUARANTEE

<table>
<thead>
<tr>
<th>Programme</th>
<th>IM Capital</th>
</tr>
</thead>
</table>
| IM Capital, funded by the USAID, is a newly established Holding that was launched in April 2015 and a fully-owned subsidiary of Berytech Foundation.  
It will direct investment initiatives up to USD 15 million (EUR 14 million) over a five-year period into three investment support components: Matching Capital, Equity Guarantee, and Technical Assistance.  
IM Capital is a support program directed towards a broad range of Qualified Early Stage Businesses (QESBs). IM Capital provides investment tools and support directly to companies (QESBs), or indirectly through Qualified Early Stage Investors (QESIs) that include angel investors, venture capital funds, as well as incubators and accelerators. The three programs are:  
**Matching Capital:** IM Capital has the capacity to match new private sector investment. By reducing private sector exposure to risk, it is thereby closing the funding gap in early stage businesses. Additionally, IM Capital enables qualified partners (QESIs) to scale successful investment strategies and to continue investing in early stage businesses.  
**Equity Guarantee:** IM Capital further incentivizes private sector investment, by providing qualified partners (QESIs) with a partial guarantee on investments in early stage businesses. The Equity Guarantee scheme mitigates some of the risk associated with investing in developing companies and thereby encourages |
| Characteristics          |            |
increased capitalization.

**Technical Assistance:** IM Capital provides technical assistance to improve investors’ and entrepreneurs’ skillsets.

### Total Amount committed
For equity guarantee, IM Capital committed USD 2.5 million (EUR 2.36 million) for 2015.

### Application procedure
Application is done through contacting Nicolas Rouhana at: nrouhana@im-capital.com, Telephone: +961 (1) 64 95 55. For SMEs, documents including project plan/business plan are required.

### Eligibility
The program will target early-stage startups and early stage entrepreneurs struggling to secure capital. The fund will not focus exclusively on ICT and knowledge-based startups, but is open to companies that are able to create job opportunities; any type of startup, not necessarily in ICT, is accepted if it presents a feasible and sustainable plan.

Qualified partners are defined as Qualified Investment Funds and incubators and accelerators that provide support to early-stage businesses.

Qualified investment funds are defined as investment funds for angel investors and/or venture capital investors who invest in early-stage businesses; the funds are established and controlled by a Qualified Partner and are permitted to only invest in a Qualified Investee and not in any other investee.

Outside investors are investors in a Qualified Investment Fund (or, if permitted, direct investors in a Qualified Investee) other than the IM Capital, the Qualified Partner or any of their respective affiliates.

Qualified investees are early stage businesses.

### Terms
Equity guarantee has an overall ceiling of USD 600,000 (EUR 567,100). Qualified partners will be provided with partial insurances on investments in early stage businesses. 100% Cash Collateralized Insurances will mitigate some of the risk associated with investing in early stage businesses and thereby encourage increased investment.

The IM Capital insures investments for:

1. Incubators/accelerators
3. Venture >USD 500K (>EUR 473K)

In turn, incubators/accelerators, angels and venture will invest in early stage businesses.

Prior to receiving support from the IM Capital, each Qualified Party (and each of its Qualified Investment Funds) will:

- Have certified to the IM Capital that none of its principal officers and directors is affiliated with either the Manager of IM (or any of its principal officers and directors) or any proposed Qualified Investee (or any of its principal officers...
and directors);
• Have satisfied the USAID Anti-Terrorism Restrictions;
• Have provided to the Manager of IM:
- Its legal name, address and jurisdiction and copies of its current and in effect constituent documents;
- Evidence that it is in good standing and has paid all taxes and fees in all applicable jurisdictions;
- A description of its business;
- Its financial statements (audited if reasonably available) for the past 3 years or, if shorter, its period of existence; and
- Copies of the Qualified Investment Fund’s material documents; and
• Have satisfied any other conditions set forth by USAID in the Grant Agreement with respect to Lebanon

Prior to receiving any support from the IM Capital, each Qualified Investment Fund will have provided evidence satisfactory to the Manager that it has sufficient expertise and key personnel in due diligence, evaluating, making, monitoring and exiting investment opportunities.

Prior to receiving support from the Manager or any investments by a Qualified Investment Fund, each Qualified Investee will:
• Have certified to the IM Capital Manager or the Qualified Partner of such Qualified Investment Fund, as applicable, that none of its principal officers and directors is affiliated with the Manager (or any of its principal officers and directors) or the Qualified Partner (or any of its principal officers and directors), as applicable.
• Provided to the Manager or the Qualified Partner, as applicable:
  - Its legal name, address and jurisdiction and copies of its current and in effect constituent documents;
  - Evidence that it is in good standing and has paid all taxes and fees in all applicable jurisdictions;
  - A description of its business; and
  - Its financial statements (audited if reasonably available) for the past 3 years or, if shorter, its period of existence; and
• Have satisfied any other conditions set forth by USAID in the Grant Agreement.

| Contact       | IM Capital Holding  
|               | Berytech BDD, Bldg. # 1294 
|               | Beshara El Khoury St., Beirut Digital District 
|               | E-mail: nrrouhana@im-capital.com 
|               | Telephone: +961-1-64 95 55 |

### GUARANTEE

<table>
<thead>
<tr>
<th>Programme</th>
<th>Economic and Social Fund for Development (ESFD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Characteristics</td>
<td>The ESFD is part of the Euro-Med partnership between the European Union and the Government of Lebanon. The Fund started in 2003, and is linked to the Council for Development and Reconstruction (CDR). ESFD provides credit to SMEs through commercial banks. It allows for an extensive outreach to many small enterprises in most regions of Lebanon. ESFD provides as a main lending product the Risk Sharing Scheme implemented through its partner banks. The ESFD has a portfolio guarantee fund that covers 50% of the total portfolio.</td>
</tr>
<tr>
<td>Total Amount committed</td>
<td>The amount committed per project: Minimum loan amount is undefined, but no micro loans, maximum loan amount is LBP 75,000,000 (EUR 47,000). Guarantees issued amount to 8,705 since 2000</td>
</tr>
<tr>
<td>Application procedure</td>
<td>Application is done through any of the below commercial banks. SME documents include a viable business plan and solid cash flow. Business loans to SMEs is done through the network established with the five commercial banks: Société Générale de Banque au Liban – SGBL Head Office Tel. +961 1-499813 BLC Bank – BLC Head Office Tel. +961 1-387000 Credit Libanais – CL Head Office Tel. +961 1-218608 First National Bank - FNB/CFC Head Office Tel. +961 1-980162 BLOM Bank - BLOM Bank Head Office Tel. +961 1-743300</td>
</tr>
<tr>
<td>Eligibility</td>
<td>ESFD provides financial support to Small and Medium Enterprises that perform sustainable economic activities with significant impact on poverty alleviation. Main criteria for SMEs getting a loan: - Un-banked clients, meaning not having received commercial facilities from a bank before - Clients with insufficient or none “bankable” collateral. - Un-banked projects and/or sectors, meaning projects and/or sectors generally un-served by Commercial Banks. Eligibility: All private sector business activities such as Agriculture, Trade, Services, Industry Emphasis is given to start-ups and to financing businesses that are expecting to create jobs. Borrowers can be individuals as well as legal entities</td>
</tr>
<tr>
<td>Terms</td>
<td>ESFD loans are in LBP; the maximum loan ceiling is LBP 75,000,000 (EUR 47,000). The ESFD guarantees 50% of the loan principal and accrued interest for 120 days. Minimum loan duration: 6 months Maximum loan duration: 60 months including grace period, if any Grace period: maximum of 12 months Average interest rates to end borrowers vary between 10% and 14% declining interest rate</td>
</tr>
</tbody>
</table>
| Contact                  | Contact Name: Racha Chahine Merehbi  
|                         | Weavers Center, 3rd Floor  
|                         | Clemenceau Street  
|                         | Beirut, Lebanon  
|                         | Telephone: + 961-1-373460/1/2  
|                         | E-mail: fabdallah@esfd.cdr.gov.lb |
### 2.3 Private Equity and Venture Capital

**EQUITY**

<table>
<thead>
<tr>
<th>Programme</th>
<th>iSME</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Characteristics</strong></td>
<td>The iSME Programme is a USD 30 million (EUR 28.3 million) initiative funded by the Government of Lebanon and the World Bank. The program aims to encourage the equity investment market in order to increase early stage investment finance for financially viable, new, and existing innovative firms.</td>
</tr>
<tr>
<td><strong>Total Amount committed</strong></td>
<td>Amount committed for equity is USD 25 million (EUR 22.8 million).</td>
</tr>
<tr>
<td><strong>Application procedure</strong></td>
<td>Applications will be called for and considered on a continuous basis from approved investment partners and/or entrepreneurs. Should an entrepreneur contact the project directly they would be encouraged to meet with one or more of the approved investors to get a commitment in principle for co-investment. Should the entrepreneur be successful in getting the commitment in principle from an approved project investor, they can then formally approach the iSME fund with the co-investor to be considered for an equity investment by the scheme.</td>
</tr>
</tbody>
</table>
| **Eligibility** | The iSME Programme aims to support innovative small and medium sized enterprises as well as creative entrepreneurs. Investments are possible in all sectors and throughout the different development phases of a firm (seed, early or growth). Entrepreneurs and firms that have an offer from an approved investor to invest in their business, are eligible to apply to the scheme. Additional criteria applied are that the business:  
- Is or is intending to carry out business that is not on the excluded list (Non-Eligible Financing)  
- Has a Legal form; officially registered in Lebanon  
- May be a subsidiary of a larger firm  
- Operates or intends to commence operations in Lebanon in order to generate or expand enterprise production and employment in Lebanon  
- Does not have participation or ownership by any public entity  
Entrepreneurs seeking financing at the early stage will be encouraged to meet with institutional investors to ensure that the evidence they have assembled or their business plan will address the investors’ information need. Having acquired a commitment, the partner investor and the entrepreneur can then approach iSME to seek a matching participation that will share the initial investor’s risk and add to the capital available to the new... |
business.

The iSME fund will only make equity investments in companies alongside an approved investor who is also providing new equity. The iSME facility can provide second and third round of co-equity financing with an approved Investor Partner to the same venture if judged to be viable and potentially profitable after review and approval of the Investment Committee on the requested additional financing deal.

<table>
<thead>
<tr>
<th>Terms</th>
<th>Equity co-investments will be made in an enterprise alongside another institutional investor such as Venture Capital (VC) funds, holding companies, formal business angel groups and investment banks.</th>
</tr>
</thead>
</table>
|       | **Seed Capital**  
Seed investments are made at the time of incorporating a new company and will be in the range of USD 25,000 (EUR 24,000) to USD 200,000 (EUR 189,000). |
|       | **Venture Capital**  
VC is needed at the stage when a new enterprise has been established and the preparation work for product or service launch has already been completed. VC will be in the range of USD 200,000 (EUR 189,000) to USD 500,000 (EUR 473,000). |
|       | **Growth Capital**  
Growth capital is needed to assist a company that has established its position in the market and has high growth potential which can be realized through the injection of new capital. Growth capital will be in the range of USD 500,000 (EUR 473,000) to USD 1.5 million (EUR 1.37 million). |

| Contact | Hamra Street, Picadilly Center, 5th Floor  
Beirut – Lebanon  
P.O.Box: 11-641  
Telephone: +961-1-341 300/1/2, +961-1-346 255  
Contact form at: http://www.kafalatisme.com.lb/contact-us  
Main Contact: Bassel Aoun - Project Manager  
email: bassel@kafalat.com.lb |

| Link | http://www.kafalatisme.com.lb/ |

<table>
<thead>
<tr>
<th>EQUITY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme</td>
<td>BDL Circular 331</td>
</tr>
<tr>
<td>Characteristics</td>
<td>Banque du Liban (BDL) issued Circular 331 in August 2013, essentially injecting USD 400 million (around EUR 379 million) into the Lebanese enterprise market.</td>
</tr>
<tr>
<td></td>
<td>BDL Circular 331’s main objective is to support Lebanon’s knowledge economy by providing support to the startup ecosystem. The business that can benefit from the Circular 331 must be aligned with its primary objective: growing the knowledge economy- but not necessarily technology. The business must be a joint stock company with nominal shares (SAL), and based in Lebanon – since the principal goal is to create jobs locally. BDL</td>
</tr>
</tbody>
</table>
guarantees 75 percent of banks’ investments in the knowledge economy. A bank may invest up to 3 percent of its own capital and 10 percent of that 3 percent in one given startup, forcing banks to diversify their portfolio and increasing investment opportunities for eager startups. By taking on significant risk, banks and the Central Bank become investment partners with a return on their investment. The circular stipulates banks should exit after seven years and if the businesses are cash flow positive, both the banks and the Central Bank will share rewards.

Some banks have preferred not to invest directly in businesses as they feel they lack the expertise to identify potentially successful startups – and have instead opted to pool their wealth into venture capital funds. So far, three venture capital funds have been created with Circular 331: MEVP, Berytech Fund II, and Leap Ventures – each of which specializes in different levels of investment. As a result, BDL amended Circular 331 with Circular 367 in August 2014, in an effort to have more control over how VC funds are spent.

Under Circular 331, a Lebanese start-up can receive equity capital from:
- Lebanese commercial banks
- 331-compliant VC funds (Berytech Fund II, Leap Ventures, MEVP II)
- 331-compliant incubators and accelerators (Speed@BDD)

| Total Amount committed | The total amount issued by BDL is USD 400 million (EUR 378 million). Currently more than six funds were approved as well as about 12 startups. The volume of these funds go from USD 30 million (EUR 28.3 million) to USD 75 million (EUR 70.88 million) and their ticket sizes vary from USD 300,000 (EUR 283,550) to USD 500,000 (EUR 473,000) to USD 3 million (EUR 2,835,530) and USD 5 million (EUR 4,725,890). |
| Application procedure | The concerned banks or financial institutions wishing to obtain the Central Council’s approval to benefit from the provisions of this Article, must submit a request to the Governor’s office, along with the following documents:
  a- A document evidencing the identities of the Company’s shareholders or founders, the persons intending to participate in the capital subscription and the persons holding or expected to hold senior managerial positions (an individual extract from the Civil Status Register, an identity card, a passport, or a copy of the registration file at the Trade Register if any of the founders or shareholders is a legal entity).
  b- Statements signed by each of the above-mentioned persons, including their curriculum vitae (degrees, experience and other material information), an accurate assessment of their net worth and all types of companies, in which any of them participate, whether directly or indirectly, or manage, along with the company type and relationship therewith (Chairman of the Board of Directors - member of the Board of Directors - Director shareholder - partner - general partner - etc. ...).
  c- A criminal record for each of the above-mentioned persons not
more than three months old.
d- A statement specifying the percentage of participation of each shareholder or person intending to participate in the Company’s capital.
e- The Company’s bylaws or draft bylaws, and the administrative structure adopted or to be adopted.
f- An economic feasibility study regarding the Company and its prospective operations that fall within its scope of work, provided it covers the coming three-year period and includes the balance sheet, income statement, cash flow projections, and the employment opportunities created in the Lebanese market.
g- The financial statements of the last three years, as applicable, for previously established companies.
h- The number of employees or persons expected to work in the company.
i- The procedures followed or to be followed by the Company to comply with Corporate Governance principles.
j- Any other documents deemed necessary by Banque du Liban.

The benefiting bank must submit to Banque du Liban, on an annual basis, the Company’s following documents:
- Financial statements
- List of shareholders
- List of the members of the Board of Directors, general managers and external auditors.
- The external auditors’ report on the Company’s business.

Initial SME/startup/project application documents include a viable business plan and solid cash flow (in the SME case).

The business that can benefit from the Circular 331 must be aligned with its primary objective: growing the knowledge economy - but not necessarily technology. The business must be a joint stock company with nominal shares (SAL), and based in Lebanon – since the principal goal is to create jobs locally.

Only start-ups that are Lebanese joint-stock (e.g., S.A.L) companies with nominal shares are eligible. Lebanese offshore companies, branches of foreign companies, representative offices, and S.A.R.L.s do not qualify. Main project acceptance criteria should have an element of innovation and creativity; technology, not limited to ICT such as sectors that combine tech, media, environmental projects, healthcare etc.; and that the company is incorporated in Lebanon.

The eligible institutions are:
1- The Startup companies.
2- The Incubators and Accelerators whose objects are restricted to supporting the development, success and growth of Startup companies in Lebanon by offering such companies administrative support, networking, mentoring, training, and know-how, in addition to a range of support resources and services (offices, logistics…) and/or by participating in such companies.
3- Companies whose objects are restricted to investing venture capital in Startup companies in Lebanon where they foresee in them and through them a possibility of growth and profit-making.
especially upon the transfer of their participation in such companies.

Facilities shall be granted to a bank for its participation in a Company, upon BDL Central Council approval, provided that:
- The Company is a Lebanese joint-stock company with nominal shares.
- The Company is not a financial company or an offshore company.
- The concerned bank undertakes to transfer its shares in the capital of the Company, within a period not exceeding seven years. Notwithstanding this commitment and in justifiable cases, the BDL Central Council may approve the request submitted by the concerned bank to exceed this time limit.

<table>
<thead>
<tr>
<th>Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks may benefit from interest-free facilities granted for a maximum period of seven years for their participation, at their full responsibility, in the capital of companies.</td>
</tr>
<tr>
<td>The participation of banks may not exceed, at any time, 80% of the capital of a single Company. This percentage may be exceeded if the founders of the project for which the Company was established are granted stock options entitling them to subscribe to shares held by the concerned banks and exceeding the above-mentioned 80%. Total participations of any bank in Companies may not exceed 3% of the bank’s capital, provided the participation of any bank in a single Company does not exceed 10% of the aforementioned 3%. However, the BDL Central Council may, on justified grounds, grant its approval to exceed any of these percentages.</td>
</tr>
<tr>
<td>The concerned banks must play an active role in the development of the Company’s business and in the support of its continuous growth and good governance.</td>
</tr>
<tr>
<td>The margin realized by the benefiting bank as a result of the investment of the granted facilities, shall be calculated in a way that guarantees to the concerned bank a coverage amounting to 75% of its participation in the Company. The amount of granted facilities shall be determined in a way that the net yield on the facilities invested by the benefiting bank shall be equivalent to 75% of the value of its participation in the Company. However, the BDL Central Council may authorize the concerned bank to exceed this percentage in case of insufficient capital and based on the importance of the company’s project.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contact Name: Marianne Hoayek</td>
</tr>
<tr>
<td>Executive Office Unit</td>
</tr>
<tr>
<td>Banque du Liban</td>
</tr>
<tr>
<td>Masraf Lubnan street</td>
</tr>
<tr>
<td>P.o.Box 11-5544</td>
</tr>
<tr>
<td>Beirut – Lebanon</td>
</tr>
<tr>
<td>Telephone: +961 1 750000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Link</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme</td>
</tr>
<tr>
<td>-----------------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>MEVF I Launch Date: 2010, Fund Size: USD 10M (EUR 9,451,790), Sectors: ICT companies with a focus on consumer services, Ticket Size Range: USD 200K (EUR 189,000) to USD 1M (EUR 945,170), Geography fund coverage: MENA region. MEVF I has invested in 7 Lebanese companies.</td>
</tr>
<tr>
<td>BBEF Launch Date: 2013, Fund Size: USD 7.3M (EUR 6,899,810), Sectors: ICT companies with a focus on Retail and F&amp;B, Ticket Size Range: USD 200K (EUR 189,000) to USD 1M (EUR 945,170), Geography fund coverage: MENA Region. BBEF has invested in 6 Lebanese companies.</td>
</tr>
<tr>
<td>IMPACT Launch Date: 2014, Fund Size: USD 70M (EUR 66,162,570), Sectors: ICT companies and creative industries, Ticket Size Range: USD 1M (EUR 945,170) to USD 5M (EUR 4,725,890), Geography fund coverage: Lebanon IMPACT has invested in 10 Lebanese companies.</td>
</tr>
<tr>
<td>MEVF II Launch Date: 2015, Fund Size: USD 30M (EUR 28,355,380), Sectors: ICT companies, Ticket Size Range: USD 300K (EUR 283,550) to USD 3M (EUR 2,835,530), Geography fund coverage: MENA region. MEVF II has invested in 2 Lebanese companies.</td>
</tr>
<tr>
<td>Total Amount committed</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Application procedure</td>
</tr>
<tr>
<td><strong>Eligibility</strong></td>
</tr>
<tr>
<td><strong>Terms</strong></td>
</tr>
</tbody>
</table>
| **Contact** | Contact Name: Rami Panayoti  
Ring Building-6th floor  
Fouad Chehab Avenue, Saifi Village  
Beirut, Lebanon  
PO Box: 16-7228  
Telephone: +961 1 999 605/4  
Email: info@mevp.com, rami.panayoti@mevp.com |
| **Link** | http://www.mevp.com |

**EQUITY**

| Programme | Bader Business Angels |
| **Characteristics** | In 2009, Bader created the Lebanese Business Angel (LBA) to facilitate the introduction of entrepreneurs to potential investors through presentations and other mechanisms. LBA consists of individual angel investors as well as institutions interested in financing privately held companies or ventures typically in a startup/early stage of development, based in Lebanon and in all sectors, pertaining they have a compelling value proposition and high added value, an innovative/creative product or service and the potential for regional and international reach. Bader entrepreneurs who apply to the LBA will receive equity financing to develop their project/venture as well the technical support (coaching, mentorship, and networking) to develop their project/venture. |
| **Total Amount committed** | The amount committed and the percentage of shares per project is done on a case-by-case basis. The investment range is between USD 20,000 (EUR 18,900) and USD 500,000 (EUR 473,000). |
| **Application procedure** | The application procedure starts with submitting an application form on the Bader website; the application form includes questions that relate to a business plan where supporting documentation can be attached. In summary, applicants must fill |
an online application and upload their executive summaries or business plans directly with the application. All applications fitting the LBA criteria will be reviewed and a preliminary meeting will be scheduled with the Bader team to assess the project. If selected, the company must agree to being coached in preparation for their presentation at the investment committee meeting, where they will be presenting their project in front of potential investors.

### Eligibility

Projects submitted should meet all of the following criteria:

- Project/venture is based in Lebanon (there is no restrictions on the sectors of activity)
- Project/venture should be in a startup/early stage of development
- Project/venture has a compelling value proposition, high added value, and/or an innovative/creative product or service
- Project/venture has the potential for regional and international reach

### Terms

Equity financing through Bader Business Angels could be done either through an angel investor or through an angel group. An angel investor is an individual who makes direct investments of personal funds into a venture, typically early-stage businesses. Because the capital is being invested at a risky time in a business venture, the angel must be capable of taking a loss of the entire investment, and, as such, most angel investors are high-net-worth individuals.

The size of the investment depends on the project/venture presented and the attractiveness to the investors. A broad investment range would be between USD 20,000 (EUR 18,900) and USD 500,000 (EUR 473,000). If there is sufficient interest in making an investment, two or more Angels will take the lead on the due diligence process. If a deal is reached, there will be continuous interaction between the funded project and the LBA.

### Contact

Contact Name: Fadi Bizri  
Coworking+961  
Sursock Street, Ashrafieh  
Beirut, Lebanon  
Telephone: +961 1 201519  
Mobile: +961 3 198989  
e-mail: fadi@baderlebanon.com

### Link

http://Baderlebanon.com

---

### EQUITY

#### Programme

LEAP Ventures

#### Characteristics

Leap Ventures makes investments in companies that are considered to represent high growth opportunities and/or are otherwise considered capable of superior performance after an injection of capital. In particular, investments will be made in companies that
leverage the MENA Region’s strengths, solve emerging market problems, or have the potential to scale globally, or a combination of these attributes.

Leap Ventures will seek to identify potential exit partners, and bring international venture capital firms and industry experts to advise the companies and entrepreneurs it invests in, and to advise the Fund, prior to investment, on potential growth strategies for these companies.

In March 2015, Leap officially launched the first USD 71 million (EUR 67 million) fund created in compliance with the Central Bank of Lebanon’s circular 331, which mandates investments in innovative Lebanese startups pertaining to the knowledge economy.

<table>
<thead>
<tr>
<th>Total Amount committed</th>
<th>Committed USD 71 million (EUR 67 million) in 2015.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application procedure</td>
<td>The application starts with applying on the website of Leap where the applicant is asked to send the business plan (through e-mail: <a href="mailto:businessplan@leap.vc">businessplan@leap.vc</a>).</td>
</tr>
<tr>
<td>Eligibility</td>
<td>Leap Ventures generally seeks to make investments in companies within the technology and innovation space that are at the “growth” or “Series B Financing” stage. The Fund will generally seek to make investments, on a per company basis, in amounts ranging from USD 3 million (EUR 2.8 million) to USD 10 million (EUR 9.45 million). The following criteria will apply as the relevant company must be: (a) based in the MENA Region; (b) technology-enabled or innovation-led; (c) in the “growth” stage of its life cycle, having established a market presence and seeking to further commercialize its offering (or, if applicable, the relevant company may be at a stage prior to the “growth” or “Series B Financing” of its life cycle); and (d) in a position to rapidly scale up its operations and grow regionally or into other emerging markets (or, if the relevant company is at a stage prior to the “growth” or “Series B Financing” stage, it must be considered to have the potential to rapidly scale up its operations and grow regionally or into other emerging markets).</td>
</tr>
<tr>
<td>Terms</td>
<td>The Fund will generally seek to make investments, on a per company basis, in amounts ranging from USD 3 million (EUR 2.8 million) to USD 10 million (EUR 9.45 million). Leap Ventures will generally make investments in the form of equity; however, where possible, it may make investments in the form of convertible bonds or similar hybrid debt instruments issued by the relevant company. Leap Ventures seeks to ensure that, in respect of each of its investments, a representative of the General Partner will serve as a member (or an observer) of the board of directors of the relevant company following the making of the investment in the company by the Fund. Leap Ventures also considers potential exit strategies with respect to any potential investment and seeks to ensure that there is a viable exit strategy applicable to each of its investments.</td>
</tr>
<tr>
<td>EQUITY</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td></td>
</tr>
<tr>
<td><strong>Programme</strong></td>
<td>IM Capital</td>
</tr>
<tr>
<td><strong>Characteristics</strong></td>
<td>IM Capital, funded by USAID, is a newly established Holding that was launched in April 2015 and a fully-owned subsidiary of Berytech Foundation. It will direct investment initiatives up to USD 15 million (EUR 14 million) over a five-year period into three investment support components: Matching Capital, Equity Guarantee, and Technical Assistance. IM Capital is a support program directed towards a broad range of Qualified Early Stage Businesses (QESBs). IM Capital provides investment tools and support directly to companies (QESBs), or indirectly through Qualified Early Stage Investors (QESIs) that include angel investors, venture capital funds, as well as incubators and accelerators. The three programs are:</td>
</tr>
<tr>
<td><strong>Matching Capital:</strong></td>
<td>IM Capital has the capacity to match new private sector investment. By reducing private sector exposure to risk, it is thereby closing the funding gap in early stage businesses. Additionally, IM Capital enables qualified partners (QESIs) to scale successful investment strategies and to continue investing in early stage businesses.</td>
</tr>
<tr>
<td><strong>Equity Guarantee:</strong></td>
<td>IM Capital further incentivizes private sector investment, by providing qualified partners (QESIs) with a partial guarantee on investments in early stage businesses. The Equity Guarantee scheme mitigates some of the risk associated with investing in developing companies and thereby encourages increased capitalization.</td>
</tr>
<tr>
<td><strong>Technical Assistance:</strong></td>
<td>IM Capital provides technical assistance to improve investors’ and entrepreneurs’ skillsets.</td>
</tr>
<tr>
<td><strong>Total Amount committed</strong></td>
<td>For equity, IM Capital committed USD 6.5 million (EUR 6.2 million) in 2015.</td>
</tr>
<tr>
<td><strong>Application procedure</strong></td>
<td>For SMEs, documents including project plan/business plan are required.</td>
</tr>
</tbody>
</table>
## Eligibility

The program will target early-stage startups and early stage entrepreneurs struggling to secure capital. The fund will not focus exclusively on ICT and knowledge-based startups, but is open to companies that are able to create job opportunities; any type of startup, not necessarily in ICT, is accepted if it presents a feasible and sustainable plan.

Qualified partners are defined as Qualified Investment Funds and incubators and accelerators that provide support to early-stage businesses. Qualified partners could be as well individual outside investors for Matching Capital Support only.

Qualified investment funds are defined as investment funds for angel investors and/or venture capital investors who invest in early-stage businesses, where the funds are established and controlled by a Qualified Partner and are permitted to only invest in a Qualified Investee and not in any other investee.

Outside investors are investors in a Qualified Investment Fund (or, if permitted, direct investors in a Qualified Investee) other than the IM Capital, the Qualified Partner or any of their respective affiliates.

Qualified investees are early stage businesses.

## Terms

The IM Capital matches capital for:

1. Incubators/accelerators
3. Venture > USD 500K (>EUR 473K)

In turn, incubators/accelerators, angels and venture will invest in early stage businesses.

Prior to receiving support from IM Capital, each Qualified Party (and each of its Qualified Investment Funds) will:

- Have certified to the IM Capital that none of its principal officers and directors is affiliated with either the Manager of IM (or any of its principal officers and directors) or any proposed Qualified Investee (or any of its principal officers and directors);
- Have satisfied the USAID Anti-Terrorism Restrictions;
- Have provided to the Manager of IM:
  - Its legal name, address and jurisdiction and copies of its current and in effect constituent documents;
  - Evidence that it is in good standing and has paid all taxes and fees in all applicable jurisdictions;
  - A description of its business;
  - Its financial statements (audited if reasonably available) for the past 3 years or, if shorter, its period of existence; and
  - Copies of the Qualified Investment Fund’s material documents; and
- Have satisfied any other conditions set forth by USAID in the Grant Agreement with respect to Lebanon.

Prior to receiving support from the IM Capital, each Qualified Investment Fund will have provided evidence satisfactory to the Manager that it has sufficient expertise and key personnel in due
diligence, evaluating, making, monitoring and exiting investment opportunities.

Prior to receiving support from the Manager or any investments by a Qualified Investment Fund, each Qualified Investee will:

- Have certified to the IM Capital Manager or the Qualified Partner of such Qualified Investment Fund, as applicable, that none of its principal officers and directors is affiliated with the Manager (or any of its principal officers and directors) or the Qualified Partner (or any of its principal officers and directors), as applicable.
- Provided to the Manager or the Qualified Partner, as applicable:
  - Its legal name, address and jurisdiction and copies of its current and in effect constituent documents;
  - Evidence that it is in good standing and has paid all taxes and fees in all applicable jurisdictions;
  - A description of its business; and
  - Its financial statements (audited if reasonably available) for the past 3 years or, if shorter, its period of existence; and
- Have satisfied any other conditions set forth by USAID in the Grant Agreement.

<table>
<thead>
<tr>
<th>Contact</th>
<th>IM Capital Holding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Berytech BDD, Bldg. # 1294</td>
</tr>
<tr>
<td></td>
<td>Beshara El Khoury St., Beirut Digital District</td>
</tr>
<tr>
<td></td>
<td>E-mail: <a href="mailto:nrouhana@im-capital.com">nrouhana@im-capital.com</a></td>
</tr>
<tr>
<td></td>
<td>Telephone: +961 1 64 95 55</td>
</tr>
<tr>
<td></td>
<td>Nicolas Rouhana: <a href="mailto:nrouhana@im-capital.com">nrouhana@im-capital.com</a></td>
</tr>
<tr>
<td></td>
<td>Telephone: +961 (1) 64 95 55.</td>
</tr>
</tbody>
</table>

| Link             | http://im-capital.com/ |

---

### EQUITY

<table>
<thead>
<tr>
<th>Programme</th>
<th>Wamda Capital Ventures</th>
</tr>
</thead>
</table>

Wamda Ventures was founded in 2010. It invests in seed and early stage venture Investments. In June 2015 Wamda Capital launched its regional growth stage USD 75 million (EUR 71 million) investment fund, Wamda MENA Ventures I. The Fund, the largest of its kind in the MENA region to date, completed its first close with leading regional and international investors including the International Finance Corporation (IFC), a member of the World Bank Group, the Abraaj Group, Crescent Enterprises and Zain Group. It has investment teams on the ground in the region’s innovation capitals in Dubai, Amman, Beirut, and with a planned presence in Cairo.

<p>| Total Amount committed | Committed USD 75 million (EUR 71 million) in 2015. Wamda venture capital invested in two Lebanese companies to date. |</p>
<table>
<thead>
<tr>
<th>Application procedure</th>
<th>An application through the website is available by filling the contact form.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Eligibility</strong></td>
<td>The Fund targets investments in high growth tech startups. Working through the Fund to complete the cycle to maturity, starting from early stage investing to growth, Wamda Capital looks to scale startups beyond MENA borders and create successful exits.</td>
</tr>
<tr>
<td><strong>Terms</strong></td>
<td>Investment is done in early stage to growth stage companies. Percentage of shares depends on the project and is taken on a case-by-case basis.</td>
</tr>
</tbody>
</table>
| **Contact**             | Contact Name: Fadi Ghandour  
2304 A Business Central Towers  
P.O. Box 95946,  
Media City  
Dubai – UAE  
E-mail: info@mvi.vc |
| **Link**                | http://mvi.vc/ |

**EQUITY**

<table>
<thead>
<tr>
<th>Programme</th>
<th>Berytech Fund II</th>
</tr>
</thead>
</table>
| **Characteristics** | Berytech Fund II is a Beirut based VC Fund that started officially its operations in 2015. The funds were received from major banks in Lebanon, to invest in Lebanese businesses, in the knowledge economy sector, under Circular 331 issued by the Central Bank. The fund’s objective is to invest in small and medium-sized Lebanese enterprises with high growth potential, and active in knowledge industries with high human value-added. These enterprises will be chiefly maturing start-ups, active in a number of knowledge industries, including the historical base of the wider Information & Communication Technology and Digital Content domains.  
19 banks and financial institutions have contributed to the creation of the fund, namely, BLOM Group (2 institutions), Banque Libano-Française, Bank Audi, Byblos Bank, Société Générale de Banque au Liban, Bank of Beirut, Fransabank, BankMed, Bank of Beirut & Arab Countries, BLC Bank, Al Mawarid Bank, CSC Bank, First National Bank, Jammal Trust Bank, Lebanon & Gulf Bank, Middle East & Africa Bank, Credit Libanais Investment Bank and Near East Commercial Bank. |
| **Total Amount committed** | In 2015, Berytech Fund II committed USD 50 million (EUR 47 million). |
| **Application procedure** | The application procedure starts with sending the project description or business plan to info@berytechfund.org. There is an investment committee that also takes investment decisions at advanced stages of the investment process. |
| **Eligibility** | Eligible sectors include mostly knowledge economy as well as the following sectors:  
  - Information & Communication Technologies (ICT)  
  - Digital Content / Movies / Music  
  - Design (Fashion, Jewelry…)  
  - Renewable Energies  
  - Industrial Design  
  - Life Sciences: Sub-sectors include med-tech, new agricultural methods and technologies, energy crops, drug development and much more. |
| **Terms** | Berytech Fund II investment size is about USD 500K (EUR 473K) to USD 3 million (EUR 2.8 million) with provision for certain smaller cases. Berytech Fund II will take up to 10% equity from companies. |
| **Contact** | Berytech Technology and Health  
Damascus Road, Beirut  
Contact Name: Sami Beydoun, Paul Chucrallah  
Telephone: +961 1 61 25 00  
E-mail: paul.chucrallah@berytechfund.org  
sami.beydoun@berytechfund.org |
| **Link** | http://www.berytechfund.org |

**EQUITY**

| **Programme** | Saned Equity Partners LTD. |
| **Characteristics** | Saned Partners is an independently managed Venture Capital fund, aiming to nurture early-stage companies in the MENA region into growth and profitability. Support is given to entrepreneurs once their venture is already running and showing potential, even if corresponding profits are yet to be registered. Aside from financing, Saned Partners will leverage its regional networks and solid expertise to walk its portfolio companies through their growth process and unleash their full-potential. |
| **Total Amount committed** | Amount committed per project typically ranges in value between USD 100,000 (EUR 95,000) and USD 200,000 (EUR 189,000). |
| **Application procedure** | Application process starts by contacting Saned directly. |
| **Eligibility** | Although Saned is sector agnostic, it focuses on entrepreneurs specializing in:  
  - Information Technology  
  - Telecommunication  
  - Media  
  - Light Manufacturing  
  - Food & Beverage  
  - Consumer Services |
The following criteria are thoroughly assessed and serve as the basis in forming Saned's investment approach:

- Business concept
- Target market and market drivers
- Management team
- Profitability
- Scalability
- Innovation
- Competitive advantage
- Risks and challenges
- Exit potential

**Terms**

Saned targets investments typically range between USD100,000 (EUR 95,000) and USD 200,000 (EUR 189,000), although larger investments can be considered should an out-of-the ordinary opportunity present itself.

Saned Partners seeks influential minority shares in target companies, leaving management control to the entrepreneurs. Also, Saned Partners reserves the right to have one seat on the company's Board, and exercises a commensurate level of influence over major strategic decisions impacting the sustainability of the company.

**Contact**

Sofil Center Block C, 9th Floor
Charles Malek Avenue
Telephone: +961 1 201 773 Ext: 112 Fax: +961 1 216 533
E-mail: info@sanedpartners.com

**Link**

http://sanedpartners.com/

---

**EQUITY**

**Programme**

Thimar Tripoli Fund

**Characteristics**

Thimar Triploi fund is a USD 25 million (EUR 23.63 million) fund that targets startup/early stage and growth companies. It involves a bilateral cooperation between the Chamber of Commerce of Tripoli and the fund which was launched from the chamber's headquarters as a project integrated with the business incubator (BIAT) to help micro, small and medium-sized enterprises in the city of Tripoli and neighboring areas.

**Total Amount committed**

USD 25 million (EUR 23.63 million) committed in 2015. The fund is still in its early stages. To date, Thimar invested in 3 companies.

**Application procedure**

Application started in January 2015. Contact Information: Chamber of Commerce Tripoli. Documents include business plan and feasibility study.

**Eligibility**

The Fund functions as an institution making space for initiatives that will provide job opportunities for young people through submitted projects with economic feasibility and detailed study. This is done in coordination and cooperation with Tripoli and the North Chamber through its Business Incubator.
### Terms
Percentage of shares depends on the project and is taken on a case-by-case basis.

### Contact
**Address:**
Bechara El Khoury, Chamber of Commerce, Tripoli
Telephone: +961 6 442775
E-mail: info@cciat.org.lb

### Link
http://www.cciat.org.lb

### EQUITY

<table>
<thead>
<tr>
<th>Programme</th>
<th>Y Venture Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Characteristics</td>
<td>YVP was founded at the beginning of 2014. It is a micro-VC, or a small seed fund that typically invests in early stage startups. YVP invests small tickets from USD 15,000 (EUR 14,000) to USD100,000 (EUR 95,000) taking companies from seed level to a series A type level. It invests after the proof of concept is done where the project has experienced some traction, meaning users, adopters, clients, i.e. Series “A”.</td>
</tr>
<tr>
<td>Total Amount committed</td>
<td>Up until 2014, around USD 2 million (EUR 1,890,000) were committed. YVP invested USD 0.5 million (EUR 473,000) in three companies at end of 2014. Total of 5 investments were made in 2014</td>
</tr>
<tr>
<td>Application procedure</td>
<td>Application is done through contacting Y Ventures directly.</td>
</tr>
<tr>
<td>Eligibility</td>
<td>YVP invests in tech businesses, i.e. mainly in internet startups and early stage companies who specialize in advertising, communications, mobile payment platforms, ecommerce, gaming, media, search, social networking and enabling technologies. Advisory is done through an executive committee that meets once a month or even sometimes more, and would do the executive level activities, basically strategy, budget, business plan, validation of business model, etc.</td>
</tr>
<tr>
<td>Terms</td>
<td>Equity ranges from 15% to 20% (shares in return for both investments in cash and investment in kind contribution). Ticket size ranges from USD 15,000 (EUR 14,000) to USD 100,000 (EUR 95,000) per venture, and could be USD 500,000 (EUR 473,000) in the future.</td>
</tr>
</tbody>
</table>
| Contact | Contact Name: Abdallah and Ghaith Yafi
BDD1243, 2nd Floor, Nassif El Yajzi Street, El Bachoura P.O Box 1135658 - Beirut, Lebanon
Telephone: +961 1 889084
Mobile: +961 3 935041
e-mail: info@yventurepartners.com |
<p>| Link | <a href="http://www.yventurepartners.com/">http://www.yventurepartners.com/</a> |</p>
<table>
<thead>
<tr>
<th><strong>EQUITY</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Programme</strong></td>
</tr>
<tr>
<td><strong>Characteristics</strong></td>
</tr>
<tr>
<td><strong>Total Amount committed</strong></td>
</tr>
<tr>
<td><strong>Application procedure</strong></td>
</tr>
<tr>
<td><strong>Eligibility</strong></td>
</tr>
<tr>
<td><strong>Terms</strong></td>
</tr>
<tr>
<td><strong>Contact</strong></td>
</tr>
<tr>
<td><strong>Link</strong></td>
</tr>
<tr>
<td>Programme</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>Characteristics</td>
</tr>
<tr>
<td>Total Amount committed</td>
</tr>
<tr>
<td>Application procedure</td>
</tr>
<tr>
<td>Eligibility</td>
</tr>
<tr>
<td>Terms</td>
</tr>
<tr>
<td>Contact</td>
</tr>
<tr>
<td>Link</td>
</tr>
</tbody>
</table>
### 2.4 MICROFINANCE AND INNOVATIVE FINANCE

#### MICROCREDIT

<table>
<thead>
<tr>
<th>Programme</th>
<th>Al Majmoua Financial Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Characteristics</strong></td>
<td>Al Majmoua’s aim is to provide low-income individuals with affordable financial and non-financial services to fund their activities and build sustainable businesses, thus ensuring a regular source of income to them and to their families. Al Majmoua was established in 1997 and was issued from an SCF Program. Al Majmoua financial services for SMEs consist mainly of Micro-entrepreneur, SME, and ICT loans.</td>
</tr>
</tbody>
</table>
| **Total Amount committed** | **2012:** Gross Loan Portfolio as of 2012: USD 30.774 million (EUR 29 million)  
Number of active borrowers: 36,726  
**2013:** Gross Loan Portfolio, as of 2013: USD 35.8 million (EUR 33.8 million)  
Number of active borrowers 2013: 44,295  
To date, Al Majmoua has disbursed approximately 293,000 loans totaling USD 326 million (EUR 308 million) |
| **Application procedure** | Application is done through contacting Al Majmoua directly. Main application documents include information on the debt status and company business overview. |
| **Eligibility** | Target:  
**Micro-entrepreneurs loan:** Productive individuals who have financial needs, with a focus on owners of small businesses (1-5 employees)  
**SMEs:** existing small and medium enterprises; **ICT loan:** to micro-entrepreneurs with existing or startup businesses in the Information & Communication Technology (ICT) sector working in rural areas. |
| **Terms** | Al Majmoua offers nine types of loans which are generally disbursed in USD. The loan amounts range between USD 200 (EUR 189) and USD 15,000 (EUR 14,000) over periods 6 to 36 months. With exception of group loans, the required collateral can be a pledge of fixed assets or a personal guarantor.  
**Individual loans:** Loan Term is min. 6 months, max. 18 months; size USD 500-USD 7,500 (EUR 472-EUR 7,088).  
Flat interest rate of 1.4%-1.65% per month.  
Upfront fee 2% of loan.  
Monthly repayments and no grace period.  
Guarantee: Fixed Assets or Personal Guarantee (cosigner or guarantor).  
Eligibility: Minimum 1 year in the Business.  
**Group Loans:** |

---

Enhancement of the Business Environment in the Southern Mediterranean

47/68
Enhancement of the Business Environment in the Southern Mediterranean

Loan Term 4 to 8 months; Loan size USD 200-USD 1,700 (EUR 189-EUR 1,600).
Flat interest rate of 1.65%-2% per month.
Bi-weekly or monthly repayments; no grace.
Solidarity system as guarantee.
Eligibility: Group of min. 5 micro-entrepreneurs.

Contact
Contact Name: Nadine Mahdi
Al Majmoua The Lebanese Association For Development
Abdel Kader Street, Green Building, Zarif. Beirut.
Telephone: +961 1 360914
e-mail: nadine.mahdi@almajmoua.org
contact@almajmoua.org.lb

Link
http://www.almajmoua.org

---

**MICROCREDIT**

**Programme**
ESFD-Plus and ESFD-MED micro credit programs

**Characteristics**
Created by the European Commission and the Lebanese Government, the Economic and Social Fund for Development (ESFD) provides support services to individuals and small businesses in financing small projects through ESFD-PLUS and ESFD-MED micro-credit programs.

**Total Amount committed**
The Loan amount committed per project is up to LBP 75,000,000 (EUR 47,000)

**Application procedure**
Business loans to SMEs through the network established with the five following commercial banks:
Société Générale de Banque au Liban – SGBL Head Office Tel. +961 1-499813
BLC Bank – BLC Head Office Tel. +961 1-387000
Credit Libanais – CL Head Office Tel. +961 1-218608
First National Bank - FNB/CFC Head Office Tel. +961 1-980162
BLOM Bank - BLOM Bank Head Office Tel. +961 1-743300
Main documents include a signed loan application, legal and other supportive documents related to the business, Collateral based on each case.

**Eligibility**
Purpose: to finance working capital, fixed assets or start a new project.
**ESFD Plus**
This program targets all productive economic sectors except real estate. It is dedicated to all potential borrowers over 18 years old specially women as well as existing and start-up businesses.
**ESFD Med**
This program targets all productive economic sectors with the purpose to contribute to the reconstruction and the support of economic recovery in zones affected by the armed conflict of 2006.

**Terms**
**General Terms**
- Loan amount: up to LBP 75,000,000 (EUR 47,000).
- Loan currency: Lebanese Pounds.
- Grace period: up to 12 months.
- Loan duration: up to 5 years including grace period.
- No file fees or bank commissions.

**ESFD Plus**
- Loan currency: Lebanese Pounds
- Minimum loan amount: LBP 10,000,000 (EUR 6,260)
- Maximum loan amount: LBP 75,000,000 (EUR 47,000)
- Loan maturity: between three to five years depending on the loan purpose, including the grace period
- Grace period: up to twelve months depending on the project feasibility. (Interest is to be paid during the grace period)
- Self-contribution: 15% for a new business and 10% for an existing one
- No file fees
- No Bank commission
- Guarantees could be requested.

**ESFD Med**
- Loan currency: Lebanese Pounds
- Maximum loan amount: the equivalent in Lebanese Pounds of EUR 40,000
- Loan maturity: between three to seven years depending on the loan purpose
- Grace period: up to thirty-six months depending on the loan purpose
- No file fees
- No Bank commission
- Guarantees could be requested

Interest rates could reach up to 14%

**Contact**

Contact Name: Racha Chahine Merehbi
Weavers Center, 3rd Floor
Clemenceau Street
Beirut, Lebanon
Telephone: + 961-1-373460/1/2
E-mail: fabdallah@esfd.cdr.gov.lb

**Link**

http://www.esfd.cdr.gov.lb

---

**MICROCREDIT**

**Programme**

Vitas SAL (formerly known as Ameen SAL)

**Characteristics**

Vitas S.A.L. has been a major player in the Lebanese Microfinance sector since 1999. Originally, a micro-credit program created by CHF International, Vitas evolved to become S.A.L in 2003, a Lebanese services company. In 2007, Vitas S.A.L. registered with the Central Bank of Lebanon, to become the first Lebanese financial institution specialized in Microfinance. Vitas has loans designed for micro-entrepreneurs and for Small and Medium Enterprises(SME) where the loan helps in evolving and expanding the business activity of the borrower.
<table>
<thead>
<tr>
<th><strong>Total Amount committed</strong></th>
<th>USD 22.9 million (EUR 21.64 million) total portfolio outstanding as of 30/06/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Application procedure</strong></td>
<td>Application is done through filling an online form on the website.</td>
</tr>
<tr>
<td><strong>Eligibility</strong></td>
<td><strong>Short-term Loans</strong> are designed for customers with small or micro businesses used in the purpose of expansion and/or modification of work space, purchasing equipment and replenishing working capital. The loans serve to improve, develop or finance agricultural, industry, trade businesses and employment.</td>
</tr>
<tr>
<td></td>
<td>- Vitas Micro Business Loan ranges from USD 300 (EUR 283) up to USD 5,000 (EUR 4,725)</td>
</tr>
<tr>
<td></td>
<td>- Vitas Small Business Loan ranges from USD 5,100 (EUR 4,820) up to USD 15,000 (EUR 14,000)</td>
</tr>
<tr>
<td></td>
<td>The SME loan is designed for business improvement of Small and Medium Enterprises. SME loans have a longer repayment term reaching up to 5 years and amounts going from USD 5,000 (EUR 4,725) up to USD 15,000 (EUR 14,000)</td>
</tr>
<tr>
<td><strong>Criteria for SME loan:</strong></td>
<td>Any man/woman who owns a small business for more than one year</td>
</tr>
<tr>
<td></td>
<td>- Lebanese national or foreign national with permanent residency</td>
</tr>
<tr>
<td></td>
<td>- The applicant must be over 18 years of age</td>
</tr>
<tr>
<td></td>
<td>The Vitas Information and Communication Technology loan targets ICT driven businesses and start-ups in rural and peri urban areas in Lebanon. The loan amount ranges from USD 300 (EUR 283) up to USD 10,000 (EUR 9,450) with loan tenor varying from 4 months to a maximum of 24 months.</td>
</tr>
<tr>
<td><strong>Criteria for ICT loan:</strong></td>
<td>Any man/woman who owns a small business in the ICT sector for more than one year</td>
</tr>
<tr>
<td></td>
<td>- Any man/woman wishing to start their own businesses in the ICT sector; could be Lebanese national or foreign national with permanent residency</td>
</tr>
<tr>
<td></td>
<td>- The applicant must be over 18 years old and a maximum of 64 year-old</td>
</tr>
<tr>
<td></td>
<td>Interest rate ranges between 6.5% and 13%.</td>
</tr>
<tr>
<td><strong>Terms</strong></td>
<td>The applicant can either provide physical collateral and/or co-signers with fixed income.</td>
</tr>
<tr>
<td><strong>Contact</strong></td>
<td>Vitas SAL</td>
</tr>
<tr>
<td></td>
<td>P.O Box: 45-184 Hazmieh, Lebanon</td>
</tr>
<tr>
<td></td>
<td>Telephone: +961 5 959 859</td>
</tr>
<tr>
<td></td>
<td>E-mail: <a href="mailto:info@vitaslebanon.com">info@vitaslebanon.com</a></td>
</tr>
<tr>
<td><strong>Link</strong></td>
<td><a href="http://www.vitaslebanon.com">http://www.vitaslebanon.com</a></td>
</tr>
<tr>
<td>Programme</td>
<td>Emkan SAL</td>
</tr>
<tr>
<td>-----------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Characteristics</td>
<td>Emkan Finance S.A.L is a Lebanese financial institution licensed by BDL and established by Bankmed in June 2011. Emkan’s microfinance operations originally started in 2009 under Emkan NGO, which provided access to microloans for low-income yet economically active individuals in Lebanon, thereby offering them access to microfinance services unavailable to them in the formal banking sector.</td>
</tr>
<tr>
<td>Total Amount committed</td>
<td>Loans total amount as of September 2013: USD 22.24 million (EUR 21.2 million)</td>
</tr>
<tr>
<td>Application procedure</td>
<td>Application is done through filling an online form on <a href="http://www.emkanfinance.com/LoanInquiry.aspx?language=en">http://www.emkanfinance.com/LoanInquiry.aspx?language=en</a></td>
</tr>
</tbody>
</table>
| Eligibility | Emkan Microfinance services target 3 categories of clientele namely: Micro Enterprises, Small Enterprises, and Employees. Emkan offers three types of loans for its clientele:  
- Business Expansion Loans  
- Home Improvement Loans  
- Personal / Consumer Loans  
Business Expansion Loans include:  
- Project site improvements  
- Acquisition of equipment, inventory, material, working capital, etc. |
| Terms | **Loan Amount:**  
LBP 500,000 – LBP 15,000,000 (EUR 313 – EUR 9,400)  
The Loan Amount depends on certain conditions related to the size of the project, the borrower’s income and his/her ability to repay the loan, and the existence of sufficient guarantees to take the requested loan.  
Loan Terms range from 4 to 36 Months based on Emkan’s conditions for borrowers and the ability of the borrower to repay the amount approved.  
The payments shall be under equal monthly payments paid to the branches of BankMed or one of our accredited centers according to the schedule of monthly payments.  
**Borrower Requirements:**  
- Existing micro or small enterprise owners (for more than 1 year)  
- Age between 18 and 67 years old  
- Lebanese nationality holder or permanent resident on Lebanese territories  
**Interest rates** are 10% and 9% to individuals and small enterprises respectively |
| Contact | Emkan Finance  
Sadat Street, Sadat Tower, 5th floor  
Telephone: +961 1 814 901, +961 1 814 902, +961 1 814 903  
Fax: +961 1 814 900  
PO. Box 11-1350 Beirut, Lebanon |
| Link | http://www.emkanfinance.com |
### Programme

<table>
<thead>
<tr>
<th>Programme</th>
<th>Microcredit Program</th>
</tr>
</thead>
</table>

### Characteristics

Makhzoumi Foundation was established as a microcredit program. The program was launched in 1998; it started by covering only Beirut and then expanded to cover the Greater Beirut area. Since 2011 it began covering Tripoli and some surrounding areas in the North and Baalbek area and Zahleh area in the Bekaa.

Microcredit was initiated to provide financial services to those who are unable to get these services from the banks, giving them the chance to increase their incomes and save themselves from the poverty circle.

### Total Amount committed

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Amount Committed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>USD 1,183,315 (EUR 1,118,445)</td>
</tr>
<tr>
<td>2013</td>
<td>USD 1,369,593 (EUR 1,294,500)</td>
</tr>
<tr>
<td>2014</td>
<td>USD 1,483,387 (EUR 1,402,000)</td>
</tr>
</tbody>
</table>

### Application procedure

Entrepreneurs interested in enrolling for the Micro Credit Program may initiate the application process by phoning or visiting any of the Foundation centers. Applicants that fulfill the required qualification criteria will be visited at their place of business or residence (in case their business is not yet operating). They will be introduced to the Program's terms and conditions, in addition to its procedures and required guarantees.

### Eligibility

A candidate (entrepreneur) who qualifies for enrollment in the Makhzoumi Micro Credit Program should:
- Be a Lebanese citizen.
- Have a project in the process of establishment or development.
- Be a permanent resident of Lebanon.
- Be over 18 years of age.

### Terms

Loans ranging from USD 300 – USD 7500 (EUR 283 – EUR 7088). These business investment loans are secured by personal guarantees and are repayable over a term of 6 to 24 months. Interest rate ranges between 6.5% and 13%.

### Contact

Mazraa Branch  
Zreik Str. Makhzoumi bldg.  
Telephone: +961 1 660 890, +961 1 663 901  
E-mail: info@makhzoumi-foundation.org

### Link

http://www.makhzoumi-foundation.org

---

### Programme

<table>
<thead>
<tr>
<th>Programme</th>
<th>AEP - Professional Mutual Aid Association</th>
</tr>
</thead>
</table>

### Characteristics

The AEP is a non-profit association, working for the socio-economic development in the area of micro-finance for small business development and community development. AEP provides microcredit for agricultural and environmental projects.

### Total Amount committed

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Amount Committed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>306 loans at a value of USD 1,466,887 million (EUR 1,386,470)</td>
</tr>
<tr>
<td>2012</td>
<td>251 loans at a value of USD 1,204,280 million (EUR 1,138,260)</td>
</tr>
<tr>
<td>2013</td>
<td>353 loans at a value of USD 1,624,187</td>
</tr>
<tr>
<td><strong>Application procedure</strong></td>
<td>million (EUR 1,535,140)</td>
</tr>
<tr>
<td>--------------------------</td>
<td>--------------------------</td>
</tr>
</tbody>
</table>

**Application is done by contacting AEP directly either through phone or email. Legal and other supportive documents related to the business and debt status are type of information that is needed.**

**Eligibility**

AEP gives priority to applicants that:
- cannot obtain financing from a commercial bank
- have families to support
- present a productive project, feasible and cost-effective
- have a professional experience in relation to the proposed project
- can ensure a sufficient guarantee

The project must be:
- Feasible in the circumstances of the country and the region where it is to be realized.
- Productive, i.e. part of the following sectors:
  - Primary: agriculture, beekeeping and raising cattle, poultry
  - Secondary: light industry.
  - Tertiary: trade having a productive side (e.g. a grocery store where manufacture of dairy products, juices...)
  - With real benefits, based on a feasibility study approved by management of the AEP.

**Terms**

The credit ceiling is currently set at USD 5,000 (EUR 4,725).
- The Interest rate is around 8%
- The cost of the file application fee is included in the interest rate.
- The repayment period varies between 10 and 36 months
- The rate of reimbursement varies according to project feasibility study.

**Contact**

**Contact Name:** Helene Sayad - Executive Director
**Address:** Badaro, Al Alam Str., Forest Bldg., 4th Floor P.O. Box 116-5439 Musée 1106/2040 Beirut
**Telephone:** +961 1 382610 - +961 3 750333
**e-mail:** aep@inco.com.lb

**Link**

http://www.aep.org.lb

---

**MICROCREDIT**

<table>
<thead>
<tr>
<th><strong>Programme</strong></th>
<th>Al Tamkeen Micro and Small Loans Program</th>
</tr>
</thead>
</table>

**Characteristics**

Al Tamkeen is a Lebanese Non Profit Non-Governmental Organization (NGO) that aims at improving the social, cultural, and economical and health livelihood of rural Lebanese citizens through providing various types of assistance programs and development projects. Al Tamkeen Micro and Small Loans Program is a partnership program with Byblos Bank and Banca Di Roma. The program provides microcredit for the start-up and development of successful rural enterprises in commercial sectors and in
| Total Amount committed | To date: Commercial Enterprises  
- Light Industry: 73 loans in the total value of USD 182,500 (EUR 172,495)  
- Trade: 92 loans in the total value of USD 220,200 (EUR 208,120)  
- Transport: 53 loans in the total value of USD 148,500 (EUR 140,350)  
- Services: 103 loans in the total value of USD 272,400 (EUR 257,460)  
Agriculture and agro-industry enterprises  
31 loans in the total value of USD 143,500 (EUR 135,630) |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Application procedure</td>
<td>Application is done through an application form on the website: <a href="http://altamkeen.com/Templates/InsideTemplate.aspx?PostingId=112">http://altamkeen.com/Templates/InsideTemplate.aspx?PostingId=112</a></td>
</tr>
</tbody>
</table>
| Eligibility | **Target:**  
Commercial enterprises:  
- Light industry: contracting and construction, sewing and clothes manufacturing, wrought iron production, plaster and decoration production, bakeries and pastry production, carpentry, candle production and others)  
- Trade: equipment for groceries, mini markets, cellular phones and accessories shops, perfume and beauty shops, gift shops, car accessories shops, clothes shops and others  
- Transport: purchase of pick-ups, taxis, vans and other  
- Services: Hairdressing and barber business, internet and computer access business, photography, travel booking, car repair shops, restaurant business and others  
Agriculture and agro-business- enterprises: plowing and crop production equipment, processing equipment, greenhouses, water reservoirs, beekeeping, distilling and others |
| Terms | For commercial enterprise loans, Al Tamkeen offers loans up to USD 3000 (EUR 2,835) at 9% interest rate, with a grace period up to 2 months, and a repayment period up to two years.  
For agriculture and agro-industry enterprise loans, Al Tamkeen offers loans up to USD 8000 (EUR 7,560) at 5.5% interest rate, with a grace period up to 6 months, and a repayment period up to three years. |
| Contact | Contact Name: Walid Attallah  
Al Tamkeen  
Third Floor Hassan Hassan Building, Khaldeh Main Road, Khaldeh  
Telephone: +961 5 805026  
e-mail: altamkeen@altamkeen.com |
| Link | http://www.altamkeen.com |
## 2.5 Others (e.g. Grant Schemes, Honour Loans)

<table>
<thead>
<tr>
<th>GRANT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Programme</strong></td>
</tr>
<tr>
<td><strong>Characteristics</strong></td>
</tr>
<tr>
<td><strong>Total Amount committed</strong></td>
</tr>
</tbody>
</table>
| **Application procedure** | Application for grants is done online at: http://www.kafalatisme.com.lb/user/register. Evaluation is a two-step process whereby:  
- First, a preliminary eligibility screening is done by the PMU Management team at Kafalat to assess if the application meets the eligibility criteria  
- Second, if the application passes the screening noted above, the application is forwarded to three evaluators (selected from a pool of evaluators) who will assess the proposal and decide on the winning application. In case of grant approval, the beneficiary has 6 months to submit their outputs in accordance with the requirements outlined in the evaluation process.  
If applying for a second phase grant after receiving the first phase grant, the following is required:  
A report on the outcome of the first phase grant by the Start-up within 1 month of completion of the grant activity including indicating whether further funding has been obtained on the basis of the grant.  
Should the grant be awarded, the recipient will have to sign a Grant agreement with Kafalat. |
| **Eligibility** | The iSME Programme aims to support innovative small and medium sized enterprises as well as creative entrepreneurs. Concept development grants (CDGs) will be given to eligible recipients to support the preparation and development of innovative business concepts, strategies, studies and plans. Under this grant, potential entrepreneurs with a new business idea will be invited to apply for a small grant to help them develop their innovative concept. Eligible applicants are those that show legal residency in Lebanon and may be:  
- Individuals as defined under Lebanese Law.  
- Companies incorporated in Lebanon within one year from the date of application.  
The grant is to be used to collect the information needed to support the proposed business by addressing key areas of risk such as market size, competition, revenue stream etc. The outcomes should improve the ability to demonstrate the value of |
the proposed venture, and could be:
- Business plan/modeling
- Marketing-sales strategy
- Sector or market assessment
- Prototype or other tools

The grant funds may be used for the purchase of goods and services as needed and may include:
- Additional materials needed to develop and prove an innovative technology or process including software, small parts for prototypes, brochures, printing, copying, and others
- Consultant and legal fees including assistance in technical and scientific resources, business plan development, and marketing strategy etc.
- Survey costs and related data management/administration

<table>
<thead>
<tr>
<th>Terms</th>
<th>The grants will be provided in two phases:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Phase 1: up to USD 5,000 (EUR 4,725) which would allow the entrepreneur to begin working on a proof of concept</td>
</tr>
<tr>
<td></td>
<td>- Phase 2: up to USD 15,000 (EUR 14,000) which would enable the entrepreneur to work closely with angel investors and venture capitalists (VCs) to prepare the enterprise for possible early stage equity financing</td>
</tr>
</tbody>
</table>

| Contact | Hamra Street, Picadilly Center, 5th Floor Beirut – Lebanon P.O.Box: 11-641 Telephone: +961 1 341 300/1/2, +961 1 346 255 Contact form at: http://www.kafalatisme.com.lb/contact-us Main Contact: Bassel Aoun - Project Manager Email: bassel@kafalat.com.lb |

| Link | http://www.kafalatisme.com.lb/ |

## GRANT

| Programme | CIT (Center for Innovation and Technology) |

**Characteristics**

The Innovation Voucher Project is designed to encourage innovation by offering useful resources for SMEs, individual researchers and research institutes to create new products, processes, services and to come up with innovative business models; it will especially answer the needs of small industries that do not have the means to finance their own research and development projects or do not have the experience in collaborating with R&D centers.

CIT acts as a coordination body between the knowledge supply of research institutions and the wishes and demands of local industry, as part of the reinforcement of the private sector competitiveness in Lebanon.

The voucher system grants researchers with a valid project up to EUR 10,000 covering some of their costs related to consulting and research, development and related simulation or prototyping.
**Total Amount committed**

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>5 innovation vouchers, each for EUR 10,000</td>
</tr>
<tr>
<td>2013</td>
<td>8 innovation vouchers, each for EUR 10,000</td>
</tr>
<tr>
<td>2014</td>
<td>1 innovation voucher for EUR 10,000</td>
</tr>
</tbody>
</table>

**Application procedure**

As a first step an abstract of non-confidential nature is filled answering some questions in order to collect the basic information regarding the project. For abstract submissions, the applicant can download and fill the *Innovation Abstract Form*. An initial round of vetting will be done internally by the CIT team and experts in the field based on the program criteria in order to assure promising novelty and suitability of the subject addressed. In the case of approval of the abstract, the applicant is asked to fill out the application form found on the website. Necessary documents to ensure confidentiality on paper agreements will be signed upon receiving the application. Novel projects aligned with the priorities of the CIT will be awarded a financing voucher of up to EUR 10,000.

**Eligibility**

The innovation voucher project is addressed to:
- Private sector enterprises
- Individual researchers
- Universities or research institutes

All projects should be innovative in the sense that they should respond to the following criteria:
- New product/process development
- New business model development

Other criteria are:
- Projects have to be already researched
- Proven to be valid
- Provide a new idea or novel intellectual property in the area of basic and/or applied science and technology;
- Preferably matched with an actual Lebanese industrial application or need

**Terms**

The voucher per applicant should not exceed EUR 10,000 and an applicant may not submit more than one project at a time. The voucher is not transferable and will be paid in cash to the researcher(s)

**Contact**

Industrial Research Institute.
Lebanese University Campus,
Hadath (Baabda).
Phone: +961 5 46 48 67
E-mail: info@cit-lb.org

**Link**

http://www.cit-lb.org
3 KEY FINDINGS OF THE FOCUS GROUP MEETING

3.1 INTRODUCTORY REMARKS

The focus group took place on the 16th of November in Beirut. The list of participants is provided in the Annex.

Key Findings of the Focus Group

3.1.1 Business Support Organizations’ Perspective

Business support organization participants voiced their opinions with regard to the issues that SMEs face and what could be done to improve SMEs’ Access to Finance facilities.

General Statements

To acquire funds, SMEs usually resort to Kafalat guarantee first, followed by bank loans and then equity; equity is considered a long process which requires at least one year for obtaining the funds.

Main Issues

- Access-to-finance programs are not well-known or well communicated to SMEs. Microcredit and bank loans are the most well-known. Kafalat is considered the most important program for subsidized loans but it does not address all sectors, like the trade sectors or real estate.
- SMEs lack financial valuation assessment knowledge and negotiation skills.
- It is very hard for SMEs to access loans if collateral (physical assets as guarantee) is required.
- VCs and equity financing are directed more towards IT or technology-oriented companies; non-technological companies have less chances in receiving VC funds.
- North Lebanon needs programs tailored more to micro-enterprises that are in the services and crafts sector. Entrepreneurs or entities in the Northern Lebanon region are finding difficulties in accessing finance programs.

Recommendations

- Subsidize microcredit and increase crowdfunding in North Lebanon.
- Business support organizations, private companies and stakeholders in the SME/entrepreneurship ecosystem should develop specific programs and incentives for SMEs in the Northern Lebanon region.

3.1.2 VCs Perspective

VC participants voiced their opinions with regard to the issues that SMEs face and what could be done to improve SMEs’ Access to Finance facilities.

General Statements

Cash in return for equity is considered a far better option for SMEs than bank loans that require physical collateral. Another option would be Kafalat with its diverse programs since SMEs have the opportunity to get small funds at the early stages of the company.

BDL 331 is considered a good push for the entrepreneurship ecosystem and for VCs in particular since most VC funds are sourced from circular 331. VCs however require a high level quality of projects/ideas.
Main Issues

- Private and venture capital businesses are for-profit and are the most difficult asset class in Middle East countries. Until now there is no strong record in private equity. There needs to be efficient public markets and the ability to raise capital from capital markets.
- VCs are pressured to show results in a short duration of time.
- M&A activity is almost non-existent
- The challenge is how to realize value on return on investment.
- Fund of funds is very important but is non-existent
- Main constraint for VCs is finding good quality companies/projects
- Investors are not willing to take risks at an early stage of the company
- Lack of awareness on equity funding in Lebanon
- There is no investment structure and/or framework; the investment environment should be improved.

Recommendations

- Establishing ‘Fund of Funds’ is needed since it helps raise money for VCs, anchors new funds and makes portfolio-building easier
- Should work with banks and large corporations to look at VCs as a good viable asset class
- Banks should put excess funding into VCs
- Technology, healthcare, energy are very good sectors for VC investment; these sectors should be highly encouraged
- More VCs should be developed in Lebanon

3.1.3 Banks/Lenders/Microcredit/Guarantee Institutions’ Perspective

Banks/Microcredit/Guarantee institution participants voiced their opinions with regard to the issues that SMEs face and what could be done to improve SMEs’ Access to Finance facilities.

General Statements

Companies in Lebanon usually start with microcredit as a first step, then resort to Kafalat, subsidized loans, incubators/accelerators and finally VC Funds (equity).

VC or equity funding is directed mainly towards technology-oriented companies.

Due to BDL Circular 331, many banks invested in VCs since banks lack the expertise to do this type of investment decisions.

Microfinancing is active (indirectly) in many commercial banks through collaborating with microfinance institutions.

Agriculture has special lending schemes (maturity issues where risk management is needed)

Main Issues

- No technical know-how of assessing IT/technology companies credit files
- Lack of awareness (of SMEs) of A2F programs that exist in Lebanon
• Financial education lacks in MED countries; client should know how to present good business plans that have a sound financial structure
• Concentration of loans is 85% to 5% of the population
• No access to finance possibility for unbanked people who turn to microfinance
• Unbanked clients don’t know how to prepare their application files
• Challenges lie in the outreach of programs
• Security problems make banks perceive more risk

Recommendations
• IT experts should be recruited to prepare technology-related credit files, and train staff on assessing business plans
• Banks should look for a balance between equity and debt in SME business plans (it is not good for an SME to have only loans/debt in its financial structure)
• Banks should further develop small and medium size enterprise business loans
• Bank’s role should be to communicate (raise awareness) to SMEs about the financial programs
• Banks should look at the experience and goodwill of SME/project and not only on securing the guarantee. It is important to assess whether the cash flow is positive (depends also on business plan, experience and the strong will of entrepreneurs).
• SMEs need to present business plans to banks in a more non-technical way especially if the project is very technical
• For banks to take more risk, new laws need to be put in place
• Risk sharing schemes with banks should increase
• The bank culture needs to be enhanced to focus more on cash flow assessment (and not only on collateral)

3.1.4 SMEs’ Perspective
3.1.4.1 Loan and Guarantee Beneficiaries
SME participants (loan and guarantee beneficiaries) voiced their opinions with regard to the issues they face and what could be done to improve their Access to Finance facilities. SME participants in the agriculture, IT and R&D sectors had different opinions and this is shown below.

General Statements
The problem with banks is that they are perceived as targeting only rich people. Crowdfunding might be a good option for SMEs.
For SMEs with R&D projects, Kafalat innovation or equity funding might be a good solution. VCs are perceived by SMEs as very knowledgeable; they support SMEs through providing contacts, networks, etc.

Main Issues
Agriculture Sector
• Even if an SME takes a Kafalat guarantee, more funding is needed to buy raw material where the cost of loan is very high
- Subsidized loan is very good from BDL but is not available in all banks
- Equity funding is good but not tailored for small companies. Companies in the agriculture sector for example cannot grow through banks and loans. Equity funding in Lebanon is more tailored to technology companies
- Idea of mergers to grow companies is still not accepted (since many are family businesses); in Arab culture mergers are still not popular.
- The road is still very long for improvement especially that only 5% of the market is covered by equity financing, banks and other financial programs.
- Agriculture sector has 3 years’ grace period and 7 years’ duration to repay the loan. The grace period should be longer especially for the agriculture sector.

**IT sector**
- Kafalat does not cover all industries
- The need lies in VC funds since bank loans have a short term duration for loan repayment – 7 years is considered short for IT companies
- There should be more awareness for entrepreneurs and SMEs about VC funds; more workshops should also be put into place.
- Cost of loan is very high

**New Technology/R&D**
- It is difficult to find a commercial bank that guarantees an amount of EUR 500,000 project or more
- Long duration (5 months) to get approval of bank on loans for R&D projects

**Recommendations**

A special financial program should be done for projects that require R&D in order to speed up the process of getting funding and not pose critical issues for the company

**3.1.4.2 VC Beneficiaries**

SME participants (VC beneficiaries) voiced their opinions with regard to the issues they face and what could be done to improve their Access to Finance facilities. SME participants in the Consumer internet and R&D sectors had different opinions and this is shown below.

**Main Issues**

**Consumer internet sector**
- Acquisition is sometimes the only solution for companies in this sector to grow but this strategy is not viable for all companies
- Private equity is needed to give push for companies
- No effective private equity market, no stock market
- Valuation is hard for a company in Lebanon because there is no effective equity market
- Normal and smooth exits for SMEs are lacking

**New Technology/New market (R&D)**
- Market is still not ready for R&D projects
• Mid-technology/High-Technology projects are very hard to explain to bankers when getting a loan
• It is very hard to know where to look and who to talk to when the project involves a new market or new technology
• Tech companies either get loans or equity but no government support and no grants
• Banks have no business/technical expertise; for example, out of 15 banks, only 1 bank understood the technical/business aspects of a technical-oriented business
• There is not a dedicated business support team in the VC fund (but the VC teams were very knowledgeable, supported the SME through contacts, networks, etc.).

Recommendations
• VC Funding should increase and grow
• More support structure is needed for new product/new technology companies (with respect to developing tailored financial programs, finding the right connections/right people to talk to) at different stages of the company lifecycle
• Smooth normal exits for companies should be devised.

3.1.5 Government (Ministry of Economy and Trade, Ministry of Industry) Perspective

Government representatives (specifically from the Ministry of Economy and Trade and Ministry of Industry) voiced their opinions with regard to the general SME A2F issues and what could be done to improve Access to Finance facilities.

Main Issues
• High collateral on bank loans
• Banking side: still no expertise in specific sectors, better structure is needed for credit assessment
• Equity funding is still new in Lebanon; no awareness of equity programs. Knowledge in valuation, NDAs and share % when negotiating equity shares is lacking in Lebanese SMEs.
• Lack of awareness on different access to finance programs
• Exist strategies are lacking for SMEs (stock exchange is a typical exit which does not exist in Lebanon)
• No law that regulates funds in Lebanon

Recommendations
• Educate entrepreneurs on VC Negotiation, business plan, financial valuations
• Banks should provide complementary services to SMEs like advisory services, cash flow training, financial advisory
• Develop a stock exchange/electronic platform
• Establish credit bureaus
### 3.2 SWOT Analyses

#### 3.2.1 Bank Loans’ Credits and Financing Facilities (including Microfinance)

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Ample liquidity in the banking sector ensures availability of financing for SMEs and keeps rates competitive</td>
<td>- Process to get approval for a bank loan is long</td>
</tr>
<tr>
<td>- BDL subsidized loans reduces cost of debt for SMEs relative to corporations</td>
<td>- Bank staff are still not very knowledgeable about many business sectors such as IT, new technologies/products; this poses a problem when assessing credit files of SMEs</td>
</tr>
<tr>
<td>- Microfinance is starting to tackle areas that cannot be covered by conventional providers</td>
<td>- SME guarantees comprising physical assets are the main assessment criterion of banks when assessing credit files</td>
</tr>
<tr>
<td>- Programs such as Kafalat guarantees are reducing reliance by commercial banks on physical collateral for SMEs financing</td>
<td>- Informal sectors are mostly neglected by banks (e.g. trade, craftwork, services, etc.)</td>
</tr>
<tr>
<td>- BDL circular 331 is encouraging commercial banks to boost investments in SMEs as equity participation in contrast to taking the liability side in SMEs</td>
<td>- Bank loans’ long processing time might result in the SME business (especially if R&amp;D) to lose critical time in its development process which might result in critical issues or cost overruns</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>- BDL circular 331 is encouraging commercial banks to either invest in VCs to manage their funds or to train/hire staff that are skilled in investment decisions in various sectors</td>
<td>- Bank loans perceived by many SMEs as targeting only established businesses where collateral is required; many SMEs opt to avoid banks as much as possible</td>
</tr>
<tr>
<td>- Emergence of VCs in the past 2 years might increase the financial education of entrepreneurs/SMEs/lending institutions especially with regard to investment process, investment decision-making, business plan assessment and preparation, valuation and negotiation</td>
<td>- Guarantee schemes which are used in backing commercial loans are scarce and can be exhausted without constant international funding</td>
</tr>
<tr>
<td>- Microfinance like ESFD are working on changing the bank culture for the purpose of focusing on cash flow/non-fixed assets assessment when evaluating an SME credit file</td>
<td>- Corruption at public sector is a collateral damage for corporate governance in the private sector especially SMEs</td>
</tr>
<tr>
<td>- Increase in risk sharing schemes if bank culture changes</td>
<td></td>
</tr>
</tbody>
</table>
### 3.2.2 Guarantees and Risk Sharing Mechanisms

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Kafalat has several programs covering different sectors and funding stages</td>
<td>- Available guarantee programs like Kafalat are not targeted for all business sectors</td>
</tr>
<tr>
<td>- SMEs resort to Kafalat as a first step in their financing activities</td>
<td></td>
</tr>
<tr>
<td>- Risk sharing in microfinance is also available through ESFD</td>
<td></td>
</tr>
</tbody>
</table>

**Opportunities**
- Guarantee schemes don’t cover all industry groups and programs have opportunity to expand and be more comprehensive economically

**Threats**
- Guarantee schemes which are used in backing commercial loans are scarce and can be exhausted without constant international funding

### 3.2.3 Equity and Venture Capital

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>- VC funds are providing quick access to finance for SME projects in Lebanon especially those projects requiring technical knowledge</td>
<td>- Exit Strategies are hard especially that stock market exchange does not exist in Lebanon</td>
</tr>
<tr>
<td>- VC Funds have a contact database/network which helps the SME access different business sources/knowledge (in Lebanon and abroad)</td>
<td>- SMEs’ entrepreneurs refrain from contacting VC funds in case the former lacks sufficient knowledge in financial valuations</td>
</tr>
</tbody>
</table>

**Opportunities**
- BDL circular 331 incentivizes VC funds
- Investments by VC funds induces a disciplined approach on SMEs. VC funds in Lebanon are helping SMEs’ entrepreneurs to lay out business plans and adhere to corporate governance practices
- Existence of stock exchange enhances greatly VC Funds’ exit strategies
- The existence of Fund of Funds could enhance the investment deal flow of VC Funds

**Threats**
- VC Funds face difficulty when the time comes to exit the investment especially in uncertain political situations like in Lebanon
3.3 IDENTIFIED GOOD PRACTICES

The identified good practices include:

**On the Regulatory Side**

- 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.
- Establishing BDL Circular 331 is encouraging commercial banks to boost investments in SMEs as equity participation in contrast to taking the liability side in SMEs.
- BDL circular 331 incentivizes the emergence of VC funds which is good for SME development.
- Subsidized loans and incentive loans (part of BDL Circular 313) are incentivizing SMEs to take loans from commercial banks. Special incentives for R&D projects are put into place, such as low interest rates and tax exemption. Environment-friendly loans are a good initiative to boost environmental awareness among SMEs and individuals.

**On the Supply Side**

- Good incentives are 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
- Few banks are starting to hire or train credit officers (in specific business sectors such as IT) in order to enhance assessment of SME credit files.
- Guarantee and risk sharing schemes through Kafalat and ESFD are reducing reliance by commercial banks on physical collateral for SMEs’ financing. Heavy reliance of SMEs on such schemes is resulting gradually in the increase of such programs which is advantageous for SMEs.

4 POLICY/GENERAL RECOMMENDATIONS

Recommendations are classified as regulatory, demand and supply.

**Regulatory side:**

- One definition of SMEs should be agreed upon by all governmental entities.
- Adopt a clear visibility policy for dissemination of information with cross reference to all instruments, whether online, on university campuses, chambers of commerce, etc.
- Further back-up to NGOs lobbying the government and parliament about adoption of necessary legislation.
- Change lending requirements of banks from collateral guarantees to cash flow assessment and non-fixed assets.
- 'SME guide' published by the ministry of economy and trade is a guide to all SMEs and it needs to be publicized and updated annually.

**Demand side:**

- Financial education to entrepreneurs and increasing SME awareness of financial programs is necessary.
- Education on financial valuation is necessary for entrepreneurs.
- Support the culture of financial transparency, especially in the milieu of start-ups and innovative entrepreneurs (including the use of tax incentives).
Supply Side:

- Open the financial markets at the top, and increase the number of listings by large companies on main exchange
- Encourage the link between academic research centers and entrepreneurial support services in the field of innovation
- More back-up to decentralize entrepreneurial support services to spread awareness and cooperation
- Banks need to train their staff to assess more effectively SME credit files especially if projects are in technical sectors; in addition, banks should provide complementary services for SMEs like advisory services
- Credit bureaus need to be established
- Credit scoring for SMEs needs to be established
- R&D Support through developing tailored programs should be extensively encouraged and well communicated (companies are not well aware of tax exemptions to support R&D from Ministry of Finance and BDL circular 313 that subsidizes rates for R&D projects).
- Product development centers or R&D centers are needed in Lebanon (with proper labs, equipment, and skilled industrial staff) in order to streamline SMEs in this sector to proper A2F programs like VC Funds
- Establish Fund of Funds (FOF) to help enhance the investment deal flow of VC Funds.

5 CONCLUSION

Although A2F programs in Lebanon are becoming more diversified and comprehensive, however, there are still weaknesses and some gaps that are not yet covered by the current A2F programs.

With respect to loans, BDL subsidized loans are considered beneficial for SMEs since they reduce the cost of debt. However, accessing a loan from a bank is a long process and many informal sectors are neglected by banks where collateral is an issue for most SMEs. Microfinance on the other hand is starting to tackle areas that cannot be covered by conventional providers; this is a positive step forward especially that risk sharing in microfinance does exist as well.

With respect to guarantee schemes, Kafalat guarantees are reducing reliance by commercial banks on physical collateral for SMEs’ financing. Many MSMEs resort to Kafalat as a first step in their financing activities; however, Kafalat does not cover all business sectors.

With respect to equity, BDL circular 331 is encouraging commercial banks to boost investments in SMEs as equity participation in contrast to taking the liability side in SMEs. As a result, many VC funds are emerging. VC funds require high quality projects and good quality companies in order to sustain their business. Exit strategies for VC Funds remain a challenge. Furthermore, VCs need to direct their funds towards non-technological businesses which is currently not their focus. Corporate governance of VC Funds is also highly encouraged in order to stimulate SMEs to adopt corporate governance practices as well.

Recommendations to enhance the quality of the A2F programs comprise improvements taking place on the regulatory, demand and supply levels.
On the supply side, Lebanese banks need a change of culture with respect to taking more risk, securing non-fixed assets as guarantees and accepting more informal sector businesses in their credit portfolio. Continuously developing MSMEs programs in banks is essential especially with respect to providing tailored programs targeted for R&D. Furthermore, banks need to enhance their staff expertise with respect to assessing/evaluating SME credit files especially in certain technical sectors. Providing advisory services in banks for SMEs could be a beneficial step, in addition to communicating to MSMEs detailed information on the available financial programs. Accordingly, the link between academic research centers and entrepreneurial support services (including banks) in the field of innovation should be established and strengthened.

With respect to guarantees and risk sharing schemes, such schemes have a huge potential in Lebanon where current or new programs have the opportunity to expand and be more comprehensive economically.

Also on the supply side, it is necessary to open the financial markets and increase the number of listings by large companies on main exchange. In addition, establishing Fund of Funds (FOF) is important since it helps enhance the investment deal flow of VC funds.

On the demand side, MSMEs generally lack financial education; when dealing with VCs, negotiation skills and valuation knowledge is needed. When dealing with banks, preparing complete business plans with a sound financial structure is mandatory to shorten the application process. In addition, an efficient communication channel is required from all stakeholders in order to inform MSMEs on the available and most suitable financial programs. Supporting the culture of financial transparency, especially in the milieu of start-ups and innovative entrepreneurs (including the use of tax incentives) is mandatory in order to initiate corporate governance practices.

On the regulatory side, the Ministry of Economy and Trade should issue a fixed and unified SME definition across Lebanon. It is also on the ministry of economy and trade responsibility to communicate to entrepreneurs the available financial programs. Reports such as the SME guide (developed by the MoET) should be annually updated, published and communicated effectively to MSMEs. Also, new BDL circulars that encourage MSME development (with regard to A2F activities) should be communicated in conferences specifically targeted for MSMEs. Accordingly, a clear visibility policy should be adopted for dissemination of information with cross reference to all instruments, whether online, on university campuses or chambers of commerce, etc. Finally, legislation reforms are needed where back-up should be given to NGOs lobbying the government and parliament about adoption of necessary legislation measures. Also, training a core of the judicial body in financial matters, e.g. instruments, markets, etc. is highly required.
# ANNEX

## List of Participants

<table>
<thead>
<tr>
<th>#</th>
<th>Name</th>
<th>Function</th>
<th>Institution</th>
<th>Telephone</th>
<th>Email Address</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Zeina El Houry</td>
<td>Head of Enterprise Team UNDP Project</td>
<td>Ministry of Economy and Trade</td>
<td>+214 6 89 56 66</td>
<td><a href="mailto:elhoury@economy.gov.lbn">elhoury@economy.gov.lbn</a></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Makhlouf Zouineh</td>
<td>Economist</td>
<td>MoF / National SIA Coordinator</td>
<td>+214 3 430 231</td>
<td><a href="mailto:makhloufzouine@gmail.com">makhloufzouine@gmail.com</a></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Hadi Al Assaad</td>
<td>Advisor in Charge of COARNE / FAD &amp; CEI Unit</td>
<td>Chamber of commerce in Beirut &amp; Mount Lebanon</td>
<td>+214 3 430 231</td>
<td><a href="mailto:hadi.lassaad@gmail.com">hadi.lassaad@gmail.com</a></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Elie El Ashkar</td>
<td>Director of Research at Association of Banks in Lebanon</td>
<td>Association of Banks in Lebanon</td>
<td>+961 0 222 232 31</td>
<td><a href="mailto:elie@abl.org">elie@abl.org</a>/13</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Khalil MANOULI</td>
<td>Managing Partner</td>
<td>MIVP</td>
<td>+214 1 233 431</td>
<td><a href="mailto:mail.manouli@mivp.com">mail.manouli@mivp.com</a></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Jamel Abbou Saidi</td>
<td>CEO</td>
<td>Speed Lebanon</td>
<td>+214 3 430 231</td>
<td><a href="mailto:jams@speedlebanon.com">jams@speedlebanon.com</a></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Fawaz Hamoudi</td>
<td>Director BAT</td>
<td>BAT incubator</td>
<td>+214 3 430 231</td>
<td><a href="mailto:fawaz@batincubator.org">fawaz@batincubator.org</a></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Mariam Abou  Al</td>
<td>Account Manager</td>
<td>Endeavor</td>
<td>+214 3 430 231</td>
<td><a href="mailto:moniha.abboud@endeavor.org">moniha.abboud@endeavor.org</a></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Antoine Zarifj</td>
<td>Head of SMEs Department</td>
<td>Promasak S.A.L.</td>
<td>+214 3 430 231</td>
<td><a href="mailto:antoine.carel@promasak.com">antoine.carel@promasak.com</a></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Elie Aoun</td>
<td>Middle Market RANKING</td>
<td>Banque Urbain Francaise S.A.L.</td>
<td>+214 3 430 231</td>
<td><a href="mailto:elie.aoun@bfr.com">elie.aoun@bfr.com</a></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Rachid Chahine</td>
<td>Deputy Director / Adm. Co-Manager</td>
<td>Economic and Social Fund For Development</td>
<td>+214 3 430 231</td>
<td><a href="mailto:rchahine@esfdfs-fr.gouv.lbn">rchahine@esfdfs-fr.gouv.lbn</a></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Daniel Nasrith</td>
<td>Co-Founder</td>
<td>Shabaya</td>
<td>+214 3 430 231</td>
<td><a href="mailto:daniel.nasrith@gmail.com">daniel.nasrith@gmail.com</a></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Yousef Fares</td>
<td>Founder</td>
<td>Energy 24</td>
<td>+214 3 430 231</td>
<td><a href="mailto:yousef.fares@energy24.com">yousef.fares@energy24.com</a></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Chaban Hage</td>
<td>Founder</td>
<td>Echinox</td>
<td>+214 3 430 231</td>
<td><a href="mailto:chaban@echinox.com">chaban@echinox.com</a></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Charbel Nakhle</td>
<td>Co-Founder</td>
<td>Coop Lands</td>
<td>+214 3 430 231</td>
<td><a href="mailto:charbel@cooplands.org">charbel@cooplands.org</a></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Nadia Moussieux</td>
<td>Co-Founder</td>
<td>Energy 24</td>
<td>+214 3 430 231</td>
<td><a href="mailto:nadia.moussieux@energy24.com">nadia.moussieux@energy24.com</a></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Antoine Zaib</td>
<td>Co-Founder</td>
<td>Energy 24</td>
<td>+214 3 430 231</td>
<td><a href="mailto:antoine.zaib@energy24.com">antoine.zaib@energy24.com</a></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Eneice Matts</td>
<td>General Manager</td>
<td>Exchange</td>
<td>+214 3 430 231</td>
<td><a href="mailto:eneice.matts@exchange.net">eneice.matts@exchange.net</a></td>
<td></td>
</tr>
</tbody>
</table>

Enhancement of the Business Environment in the Southern Mediterranean 68/68