



Akkar Business Climate Assessment

October 2015

Lebanon



ACRONYMS & ABBREVIATIONS

ALI	Association of Lebanese Industrialists
AUB	American University of Beirut
AUST	American University of Science and Technology
BIAT	Business Incubator Association of Tripoli
BML	Beirut & Mount Lebanon
CAS	Central Administration for Statistics
CCIAT	Chamber of Commerce Industry & Agriculture of Tripoli and North Lebanon
CDR	Council for Development and Reconstruction
EMMA	Emergency Market Mapping and Analysis
EU	European Union
FAO	Food and Agriculture Organization
FGD	Focus Group Discussion
FSLA	Food Security and Livelihoods Assessment
GDP	Gross Domestic Product
GoL	Government of Lebanon
HR	Human Resources
IECD	Institut européen de coopération et de développement
ILO	International Labour Organization
IRC	International Rescue Committee
ISIC	International Standard Industrial Classification
KII	Key Informant Interview
LAU	Lebanese American University
LBP	Lebanese Pound
LCRP	Lebanon Crisis Response Plan
LEDA	Local Economic Development Agency
MEHE	Ministry of Education and Higher Education
MENA	Middle East and North Africa
MoA	Ministry of Agriculture
MOET	Ministry of Economy and Trade
MOI	Ministry of Industry
MOL	Ministry of Labor
MSNA	Multi-Sector Needs Assessment
NEO	National Employment Office
NGO	Non-Governmental Organization
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
PRL	Palestinian Refugees from Lebanon
PRS	Palestinian Refugees from Syria
SME	Small and Medium Enterprise
TR5	Tripoli + T5 (El Batroun, El Koura, Zgharta, Bcharre and El Minieh-Dennieh)
UNDP	United Nations Development Program

UNHCR	United Nations High Commission for Refugees
UNICEF	United Nations Children Fund
UNIDO	United Nations Industrial Development Organization
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
VASyR	Vulnerability Assessment of Syrian Refugees in Lebanon
TVET	Technical and Vocational Education and Training
WFP	United Nations World Food Programme

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EXECUTIVE SUMMARY

The influx of an estimated 1.2 million Syrian refugees over the last three years is intensifying Lebanon's already strained social, economic, and political fabric. At least 107,775 refugees have settled in the governorate of Akkar in northern Lebanon alone (now making up 27% of the population), and as a consequence vulnerable Lebanese have seen their own circumstances deteriorate as the business climate and job market are negatively affected by the crisis. There is a need to support the resilience of refugees and their host communities through improving access to income-generating opportunities, as well as providing support at the institution/market level by addressing broader business constraints.

As part of its response to support economically vulnerable Lebanese and refugees, the IRC operates Livelihoods Center in Akkar and Mount Lebanon where jobseekers receive intensive counseling services and employers are given more accurate labor market information, while others are provided marketable skills and opportunities for on the job learning and short-term income. In 2015, the IRC sought to update its market information / assessment data in Akkar to ensure services such as skills training, job referrals, and internships match current market demand and are responding to skills gaps identified by private sector.

The specific objectives of this assessment included understanding the key constraints and attitudes, needs, and objectives of MSMEs and entrepreneurs in the formal and informal Akkar economy; identifying current skills gaps and market information gaps within Akkar labor market; as well as identifying market opportunities through products and services in high demand.

The assessment incorporated a mixed methods approach that blended a quantitative survey of 375 businesses in 63 locations, along transportation corridors and inside major population centers of Akkar, between August 18 and September 2, 2015, as well 12 key informant interviews with employers and key economic actors in North Lebanon, and 8 business roundtable discussions with local business owners and managers.

Key Findings

- 74.4% (279 of 375) of businesses surveyed operate in non-automotive retail sector, with 86.7% of those businesses employing fewer than five workers;
- Competition is very local with the plurality of businesses (44.3%, or 166 of 375) reporting that they face fewer than five competitors, although businesses appear to have a limited understanding of the competitive landscape;
- Most respondents said that their business is currently stable (40.0%, or 150 of 375), or downsizing (33.9%, or 127 of 375), while most respondents also indicated that their business is doing "somewhat worse" than last year (47.5%, or 178 of 369).
- Current demand for labor in the Akkar is very low, with just 12.3% (46 of 375) of businesses now planning to hire. Only 13.3% (50 of 375) of respondents indicated that they had hired anyone new in the past year. Most of those who hired a new employee used word of mouth or informal networks to advertise about the available position (78.2%, or 43 of 50).
- Over one third of respondents indicated that they do not keep regular financial records (34.4%, or 129 of 375).
- The most cited constraint to businesses was the cost of or access to energy (electricity), which was cited as "severe" problem by 31.5% (or 118 of 375), with significant minorities calling it a "major" problem (29.3%, or 110 of 375) or a "moderate" problem (18.4%, or 69 of 375). However, the fact that nearly half of respondents indicated that other constraints (such as cost of communications, lack of market information, cost or access to appropriately skilled labor, cost or access to raw

materials, and law or regulations) were “not a problem,” may suggest a lack of a fuller understanding on the part of respondents on how these factors affect their businesses.

- The vast majority of businesses are primarily self-financed (72.0%, or 270 of 375). Just 18.1% (68 of 375) of those interviewed have previously used a loan for their business, and 74.9% (281 of 375) of those surveyed have no interest in taking out a loan.
- Only 6.4% (24 of 375) of respondents said their employees have skills gaps that keep them from performing their jobs well, and the major reported skills shortages are in soft skills such as oral communication, customer service, literacy and numeracy. Likewise, most respondents expressed no interest in offering training to their staff, with 26.1% (98 of 375) saying they were not interested and 32.5% (122 of 375) saying they were not interested at all.

Conclusions

The qualitative and quantitative information from the business climate survey describe a highly segmented and largely informal ecosystem of microenterprises focused on nearby final consumers—with minimal vertical integration, business to business sales and/or generation of added value. Aside from providing a clearer understanding of the existing market dynamics facing businesses in Akkar, these observations suggest a number of concrete next steps for economic actors, humanitarian organizations and othersthat could offer coordinated solutions to the needs of both employers and job seekers:

- Akkar employers need business skills training to boost labor demand, particularly in response to an observed management gap (in financial literacy, numeracy, budget management skills, as well as business development skills);
- Entrepreneurship support should be channeled in underserved sectors with a recognizable investment potential, along with targeted technical assistance, in order to improve chances for the emergence of sustainable business that can boost demand for labor in the long run;
- Job referrals and skills trainings must be carefully marketed to businesses and employers to overcome the heavy reliance on personal networking for hiring among business owners and managers, and offer business owners and managers an incentive to go beyond their traditional hiring networks;
- Coordinate with existing business support services and select training providers to extend coverage into Akkar, and overcome the the more limited reach of national initiatives and organizations which often fail to extend fully beyond major urban centers into Akkar;
- Accelerate outreach to private and public sectors to improve ideas and targeting, including establishing regular business roundtables or associations (potentially cosponsored with CCIAT or municipalities) to solicit ideas for intervention design and assess the needs for technical support.

Background and Context

As the Syrian crisis continues to impact Lebanon it is critical to respond to immediate and basic needs of vulnerable populations, while also addressing the long-term need to create employment opportunities and the supporting infrastructure to build resilience. The influx of 1.2 million refugees (official UN estimate, the true number is likely to be much higher) over the last three years is intensifying Lebanon's already strained social, economic, and political fabric. Refugee camps have not been established in the country, and Syrian refugees live in over 1,000 villages, communities and informal settlements. Relentless displacement and a saturated labor market threaten to destabilize the country's delicate political state. 107,775 refugees have settled in Akkar – making up 27% of the population in North Lebanon - and 344,442 in Beirut and Mount Lebanon.

Vulnerable Lebanese continue to suffer and see their own circumstances deteriorate as the job market is squeezed by the crisis. At the same time, labor markets that depended on migrant labor pre-crisis are affected by increasing restrictions on the right to work for refugees, and refugee families face increasing poverty. Most work is done in the informal economy, potentially leading to increased exploitation for both refugees working under unclear and shifting regulations, and for Lebanese with no labor protection. With the anticipation of a protracted crisis, unsustainable levels of humanitarian funding, and threats to social cohesion, there is a need to support the resilience of refugees and their host communities – as well as providing support at the institution/market level. Additional priorities include improving access to income-generating opportunities for vulnerable Lebanese and refugees, as well as addressing broader constraints of businesses.

In response to the influx of Syrian refugees in Lebanon, the IRC provides cash and livelihoods support to vulnerable Lebanese and refugees with funding support from the UK government. The objective of the program is to assist vulnerable households in the most affected areas of the Akkar and Mount Lebanon in meeting their essential needs and increasing their self-reliance. The nexus of the IRC's service model is the Livelihoods Center (LC), which is a conduit to training, empowerment and employment services for jobseekers, entrepreneurs and employers.

The IRC operates centers in Akkar and Mount Lebanon where jobseekers receive intensive counseling services and employers are given more accurate labor market information, while others are provided marketable skills and opportunities for on the job learning and short-term income. Budding entrepreneurs have a chance to develop their ideas, create business plans and receive small start-up grants. Through the variety of services at the Livelihoods Centers, the IRC provides targeted assistance in compliance with Lebanese labour regulations to build household income, mitigate negative coping strategies, and develop skills useful in the employment market, in the household and in rebuilding Syria.

Objectives of the Survey

In 2015, the IRC sought to update its market information / assessment data in Akkar to ensure services such as skills training, job referrals, and internships match current market demand and are responding to skills gaps identified by private sector. Moreover, the IRC was interested in understanding coordinated solutions to the needs of both employers and job seekers through the support of micro, small, and medium enterprises (MSMEs). An assessment using a mix of quantitative and qualitative tools was developed, including a survey of a representative sample of employers in Akkar.

The specific objectives of this assessment were as follows:

- Understand and highlight **past and present, cross-cultural and market dynamics** in Akkar;

- Understand **key constraints** (time, money, transport of employees, barriers for women, etc.) for local entrepreneurs starting or operating microenterprises in the formal and informal Akkar economy;
- Understand **attitudes, needs, and objectives** of MSMEs in Akkar;
- Understand overall **market opportunities and constraints** in the Akkar economy, but also of more specific key sectors such as the services, agriculture, construction and health sectors;
- Understand **strategic priorities** of local economic stakeholders and government (as it relates to the markets and local economy);
- Understand current **skills and market information gaps** within Akkar labor market;
- Identify **new growth sectors** – products and services in high demand or with potential market entry and major local businesses in those sectors.

Methodology

This assessment incorporated a mixed methods approach to identify opportunities to strengthen existing livelihoods programming, as well identify additional market-based income-generation opportunities for target populations in Akkar. Additionally, the assessment included a review of existing relevant literature and previous labor market assessments, conducted within the context of the humanitarian response in Lebanon, to help inform the design of the quantitative survey as well as questionnaires used during key informant interviews and other discussions with target businesses.

Quantitative Research Tool

Exactly 375 surveys of individual businesses were carried out by enumerators in 63 locations across Akkar (see Figure 2) between August 18 and September 2, 2015. The enumerators were IRC staff who were trained on the use of the tool prior to field data collection. The survey included questions across at least nine categories of inquiry: firmographics; competitive landscape; general business outlook; constraints to business operations and growth; access to finance; existing labor force; skillset of existing labor force; demand for labor and hiring practices; and demand for workforce development. The survey consisted of 63 questions, and each survey lasted on average 15 minutes. Enumerators enjoyed very high respondent participation rates across the survey area, with a recorded refusal rate of less than 5% of respondents chosen through random sampling methods.

Sampling Approach

Systematic random sampling was not applicable for this survey as there was no adequate sampling frame available. Instead, proportionate cluster random sampling was applied for the data collection, under the key assumption that business density per geographic sub-region would be roughly proportional to population density of Lebanese host communities across Akkar. IRC triangulated population data of Lebanese from previous UNHCR vulnerability assessments, along with registration data of local businesses from IRC's own livelihoods center and the Chamber of Commerce Industry & Agriculture of Tripoli and North Lebanon. Prior to establishing this methodology, IRC staff also collected local business registration data from 26 municipalities, however these largely proved to be general estimates and were used only used as a reference, and not to determine proportionality.

Based on an analysis of the business geography through desktop review and interviews with local business representatives, the sampling frame was further narrowed to account for the concentration of existing businesses along transportation corridors between major population centers. As such, the enumeration team followed a “hub and spoke” method of surveying in major population centers, and the roads connecting

them (see Figure 2). Additionally, the sampling frame was bounded by IRC's logistical reach from its existing livelihoods center in Deir Dalloum, therefore the survey did not extend into Wadi Khaled. Random sampling was applied for the selection of businesses within individual clusters.

Figure 1. Population Proportion Estimates and Survey Count

Location	Est. % Total Pop.	# Surveys
Mhammara/Aabde	15.0%	58
Bebnine	7.2%	28
Fnaideq	5.4%	18
Berqayel	3.7%	13
Qoubaiyat	3.6%	15
Rahbe	3.4%	11
Halba	3.3%	15
Route - Aabde to Hissa	6.7%	17
Route - Aabde to Berqayel	4.9%	16
Route - Beyond Berqayel	5.2%	19
Route - Aabde to Halba	11.2%	46
Route - Hissa to Qoubaiyat	8.3%	33
Route - Halba to Qoubaiyat	11.3%	43
Route - Halba to Fnaideq	11.0%	43
TOTAL		375

Note on Survey Limitations

A survey sample of 375 provides a margin of error of 5% with a confidence level of 95% for an estimated business population size of 15,000 (or around one business for every 17 Lebanese residents of Akkar,¹ which likely exceeds the number of actual businesses in Akkar). However, because the vast majority (74.4%, 279 of 375) of businesses surveyed were in “Retail trade (not motor vehicles and motorcycles),” the sample of respondent businesses is not significant enough to provide a comprehensive understanding or statistically representative analysis of the situation of businesses in other specific sectors.

¹ OCHA estimate (252,917) as of Feb 2014. <https://data.unhcr.org/syrianrefugees/download.php?id=6813>

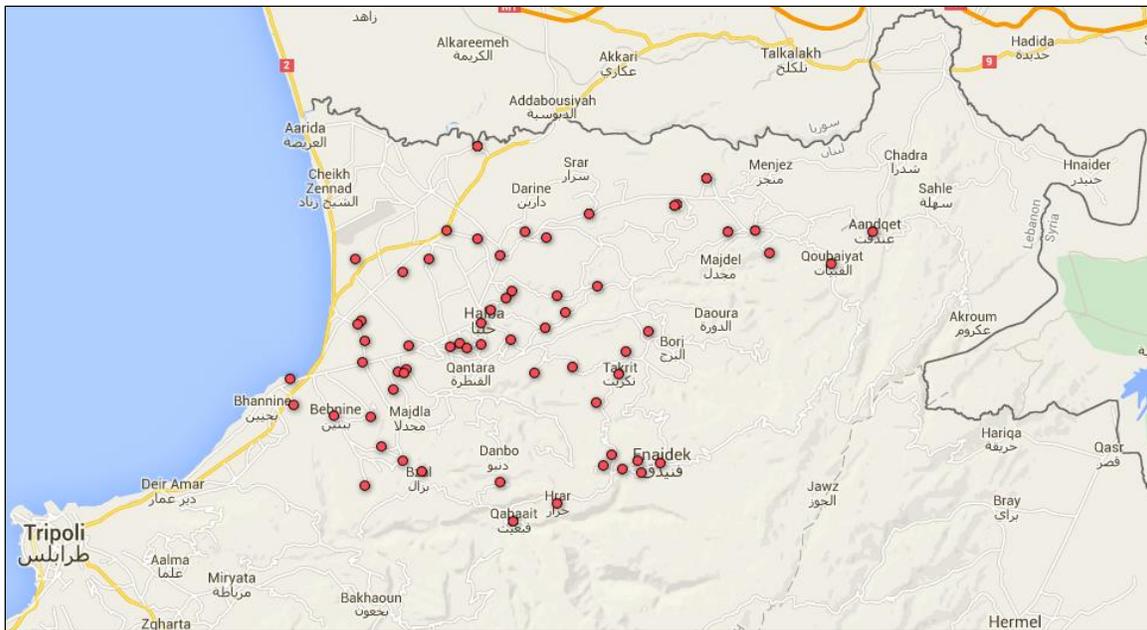


Figure 2. Map of Survey Locations

Qualitative Research Tools

In order to supplement the findings of quantitative research, and address gaps or contradictions found in the analysis of survey responses, this assessment also included a mix of qualitative approaches, including semi-structured interviews of key market participants, as well as market observations based on literature review and field research. In particular, IRC staff conducted 12 key informant interviews that included elements of the quantitative business survey tool with employers, key economic actors such as the Chamber of Commerce Industry & Agriculture of Tripoli and North Lebanon, Business Incubation Association in Tripoli (BIAT), national and local government representatives, and business owners and managers from Akkar and Tripoli.

Additionally, IRC hosted 8 business roundtables near its Livelihoods Center in Deir Dalloum. These non-traditional focus group discussions invited business owners and managers who are either beneficiaries of IRC services or businesses that were surveyed in the business survey tool above, or otherwise identified through IRC contacts with local business communities. Based on previous information or data from the survey, particularly businesses were chosen to represent sub-sectors of the Akkar economy, and to further elucidate certain questions regarding these sub-sectors—and thereby to help address some of the methodological limitations of the survey. These roundtables, which were all hosted at the Sarnay restaurant in Minyara, included:

Figure 3. Detailed List of Business Roundtable Discussions

Date	Topic/Participants	# Businesses Attending
Sept 3	Businesses registered with the Ministry of Finance	4
Sept 3	Businesses established since 2013	6
Sept 3	Large businesses (with 10 or more employees)	8

Sept 3	Women-owned businesses	6
Sept 16	Businesses who report “expansion” (sales)	4
Sept 16	Businesses who report increased hiring	7
Sept 16	Agricultural businesses	2
Sept 16	Businesses who were approved for Kafalat ² loans	3

² Kafalat is a Lebanese financial company that facilitates access to commercial bank funding through loan guarantees for small and medium sized enterprises (SMEs) in one of the five subsidized sectors: Industry, Agriculture, Tourism, High Technology and Traditional Crafts. Kafalat (SAL) is owned by the National Institute for the Guarantee of Deposits (75%) and fifty Lebanese banks (25%). See <http://kafalat.com.lb/> for more details.

General Business Climate in Akkar

Akkar is generally recognized as one of the poorest area of Lebanon,³ with some 44% of the Lebanese population there living below the official poverty line of \$4 per day.⁴ The main source of income for local residents is unskilled non-agricultural labor in informal commerce,⁵ which reflects the outsize role that unregistered businesses and small retail trade play in the composition of the local economy (see business survey data presentation below). The most recent UN assessments report average monthly household income of \$641,⁶ while previous studies have highlighted the important role of public sector employment (particularly in education and military) in sustaining household income levels in Akkar. As many as 25% of families in Akkar rely on a military salary or pension as their primary source of income.⁷ Outside of public sector employees, as many as 25% of Lebanese in Akkar are employed on either a seasonal or temporary basis, which means these workers are not entitled to social security and other benefits of regular employment.⁸

Additionally, according to the Lebanese Ministry of Social Affairs, Akkar has the lowest proportion (4%) of university educated heads of households in the country.⁹ The majority (54%) of heads of household in Akkar have received only primary education, which is a reflection of the fact that Akkar has the lowest enrollment rates at the secondary and university levels in Lebanon,¹⁰ and only one university (Lebanese International University)—a private institution which opened a satellite campus in Halba in 2014.

This state of affairs has had multiple consequences for the development of Akkar's economy, including an exaggeration of the nationally observed "brain drain" phenomenon. Jobs growth in Lebanon broadly has been concentrated in low value-added sectors such as wholesale and retail trade, transportation, and hospitality services, which do not require highly skilled labor.¹¹ Those few Akkaris who do achieve higher levels of education are quickly drawn to Tripoli, Beirut or abroad in order to seek employment that matches their qualifications.

Studies of the national labor market before the onset of the Syrian crisis had highlighted the nearly six-fold gap between existing vacancies and the number of jobs needed to absorb new entrants to the labor market.¹² This situation has historically been especially acute in Akkar, and recent estimates put the unemployment rate for the region at between 44 to 58%, depending on the specific area within Akkar.¹³ Traditionally cited key sectors of employment in Akkar, such as construction, agriculture and hospitality, have reportedly experienced steep declines in activity beginning in 2012, and have been significantly impacted by the crisis in Syria.¹⁴

It is worth noting, however, that Syrian and other migrant laborers working in unskilled, informal sector jobs has been a major feature of the Lebanese economy since the post-war period of the 1990s.¹⁵ While the recent influx of Syrian refugees represents a major demographic shift for Lebanon, Syrians and migrant

³ FAO | REACH Food Security and Livelihoods Assessment of Lebanese Host Communities, June 2015

⁴ http://www.reachresourcecentre.info/system/files/resource-documents/reach_lbn_profile_hcv_akkor_jul2015.pdf

⁵ Ibid.

⁶ Ibid.

⁷ FAO | REACH Food Security and Livelihoods Assessment of Lebanese Host Communities, June 2015

⁸ Ibid.

⁹ Ibid.

¹⁰ Forgotten Akkar, Socio-Economic Reality of the Akkar Region, Mada Association, 2008

¹¹ ACTED Labour Market Assessment in Beirut and Mount Lebanon, January 2014

¹² World Bank, 2013, Lebanon- Economic and social impact assessment of the Syrian conflict

¹³ Save the Children, Social Cohesion and Casual Labor Initiative Assessment, 2014

¹⁴ International Rescue Committee, Lebanon EMMA in North and Beqaa, April 2013

¹⁵ International Labour Organization (ILO), Towards Decent Work in Lebanon, June 2015

workers from other Arab, Asian and African countries have filled the majority of low-skilled jobs that lack access to minimum labor standards. Syrian workers in Lebanon alone are estimated to have numbered some 300,000¹⁶ prior to the civil strife in Syria, most of whom were employed in construction, agriculture and services, including on a seasonal basis.

Given the rural nature of Akkar, agriculture is a significant source of livelihoods for the population, with approximately 28% of the local population engaged in the sector,¹⁷ including full-time and part-time or seasonal labor. Up to 31% of the agricultural labor force rent the lands they cultivate, while vegetables (predominantly cucumber and tomato) make up to 39 per cent of the crops cultivated in Akkar.¹⁸ At the same time, the agricultural sector is both less developed and less competitive in Akkar than in the Beqaa, a point reflected in the fact that in Akkar, 94% of producers consume their production while only 35 per cent sell it.¹⁹ Likewise, although the 2010 agricultural census showed that Akkar has the largest distribution of herders across Lebanon, 43% of those who are raising livestock in Akkar do so with a herd ranging between 1 and 5 animals (compared to 25% nationally).

Effect of Syria Crisis

While the net effect of the Syria crisis has been variable across sectors and regions, the economic challenges facing Akkar have been exacerbated by the influx of a significant Syrian refugee population, which represents a major increase in labor supply beyond traditional rates of migrant labor. Wages of skilled and unskilled Lebanese workers have reportedly decreased,²⁰ along with the predictability and duration of part-time or seasonal employment, which as noted above is a common source of income for Akkar residents. These effects must be seen in relation to the high degrees of informality that characterized the local (and national) labor market prior to the Syria crisis, including hazardous or inadequate working conditions, low wages, relatively long working hours, irregularity of available work (beyond seasonality), few formal contracts, as well as no health, retirement or other benefits for many workers.²¹ The addition of thousands of additional workers in the form of the refugee population has therefore reinforced these preexisting dynamics in the structure of the labor market.

With Syrian refugees now constituting an estimated 35% of the national available labor force, there is strong competition between Lebanese nationals and refugees in both the formal and informal sectors.²² The ILO has attributed these factors to the fact that Syrians are willing to work for lower salaries, longer hours, and without social security benefits.²³ In Akkar specifically, 67% of respondents in a recent survey whose income had decreased in the past 24 months said it was due to fewer job opportunities. Decreases in salaries were also mentioned by 14 per cent of respondents in Akkar as a reason for a decrease in income since 2013.²⁴

One sector in which these effects have been particularly noticeable is agriculture. At a national level, the agricultural supply chain has been disrupted due to shifting trade patterns with Syria, which has increased the cost of certain agricultural inputs, closed off regional exports markets for Lebanese products, and increased the cost of bringing goods to market.²⁵ However, many of these shifts began as early as 2011—

¹⁶ Ibid.

¹⁷ Agriculture Fact Book, Investment Development Authority of Lebanon (IDAL).

¹⁸ FAO | REACH Food Security and Livelihoods Assessment of Lebanese Host Communities, June 2015

¹⁹ Ibid.

²⁰ International Rescue Committee, Lebanon EMMA in North and Beqaa, April 2013

²¹ International Labour Organization (ILO), Towards Decent Work in Lebanon, June 2015

²² Tana, The Syrian Displacement Crisis and a Regional Development and Protection Programme, February 2015

²³ International Labour Organization, Assessment of the Impact of Syrian Refugees in Lebanon and their Employment Profile, 2014

²⁴ FAO | REACH Food Security and Livelihoods Assessment of Lebanese Host Communities, June 2015

²⁵ FAO, Lebanon, Plan of Action for Resilient Livelihoods, Food Security Response and Stabilization of Rural Livelihoods. Addressing the Impacts of the Syria Crisis. 2014-2018.

before the majority of the Syrian refugee population arrived in Lebanon.²⁶ More recently, the poor security situation in border areas (particularly in regions like Akkar) has prevented Lebanese farmers and herders from accessing traditional farmland or grazing areas. Additionally, beginning in 2013, cyclical weather patterns and increased demand on local water resources led to reported 50% declines in yield for some 42% of Lebanese crops.²⁷ The net effect nationally, according to a FAO/Ministry of Agriculture study has been a decrease of 20-40% in farm-gate prices.²⁸

For individual Lebanese workers, the competition for low skilled jobs in the agricultural sector has been particularly acute as agriculture was one of the major livelihood sources for refugees before they left Syria. As a result of this glut in agricultural labor, previous studies have found a 50% decrease in wages offered in the sector, along with a similar drop in the number of work days per week.²⁹ Even among semi-skilled or skilled workers in the sector, Lebanese now reportedly face tough competition from graduates of Syrian agricultural technical schools.³⁰ However, competition among Lebanese and Syrian workers now reportedly extends to all sectors of the economy, including construction, retail trade and services. In many cases, Syrian workers compete as skilled labor, bringing specialized skills that compete favorably with Lebanese workers and businesses.³¹

Figure 4. Estimated Syrian Refugee Economic Activity Distribution in Lebanon, 2013–2014³²

Economic activity	# Employed	% Share
Agriculture	38,521	28%
Industry	6,420	4%
Construction	19,260	12%
Commerce	24,075	15%
Services	64,201	36%
Other	9,630	6%
Total	162,107	

A full understanding of the net effect of Syrian refugees on the labor market and working conditions for Lebanese workers remains elusive. According to the ILO, UNHCR refugee registration data and direct surveys of Syrian labor force in participation in Lebanon (see Figure 4 above) suggest that the overall increase in the total labor supply in Lebanon would be less than 15%, and that therefore the estimated increase in unemployment in Lebanon has been less than 5%, rather than the 10% increase projected by the World Bank in 2013.³³ The concentration of refugees in the Beqaa and North Lebanon (as well as the average profile of Lebanese workers in those areas) suggests a significant increase in competitive pressures on local informal labor markets, however a key question remains as to the extent which Syrians have taken jobs that would have only been filled by Lebanese, rather than taking informal and lower paid work that Lebanese would not have accepted in any case.

Additionally, it is important to acknowledge that increased labor supply has almost certainly lowered labor costs for businesses in agriculture and other sectors that traditionally hired Syrian workers, or unskilled labor generally, as well as those sectors that have seen an increased demand for goods and services

²⁶ Syria Needs Analysis Project, Impact of the Conflict on Syrian Economy and Livelihoods, July 2013.

²⁷ FAO | REACH Food Security and Livelihoods Assessment of Lebanese Host Communities, June 2015

²⁸ Danish Refugee Council, Roadmap to Novel Livelihood Opportunities, October 2014

²⁹ International Rescue Committee, Lebanon EMMA in North and Beqaa, April 2013

³⁰ Danish Refugee Council, Roadmap to Novel Livelihood Opportunities, October 2014

³¹ Ibid.

³² International Labour Organization (ILO), Assessment of the Impact of Syrian Refugees in Lebanon, 2014

³³ International Labour Organization (ILO), Towards Decent Work in Lebanon, June 2015

resulting from the general population influx. The opportunity to hire more workers, or lower overall labor costs through offering lower salaries and no benefits, has improved the bottom line for those businesses.

Alternatively, according to key informant interviews and roundtable discussions conducted during this assessment, businesses in Akkar report slowing overall economic activity related to myriad factors (trade shocks, changes in household consumption patterns, and declining wages for those Lebanese who do face direct competition with Syrian refugee labor) that has led to a general decline in aggregate demand for goods and services in Akkar. Heightened security risks associated with the Syria crisis are deterring local businesses from making new or additional investments, while declining incomes and general uncertainty are deterring local consumers from making significant purchases. At the same time, sporadic unrest and violence in Tripoli has further disrupted trade and transportation, and compounded Akkar's commercial isolation from other markets in Lebanon. As a consequence, businesses report fewer sales and slower turnover, as well as increased debt to suppliers and outstanding credit to customers.

However, these reports must also be set against other perception surveys and economic research that have reported increased demand raising rental prices, food prices, and increased competition between Syrian refugees and Lebanese host communities over access to basic services like health and education.³⁴ The net effect of the Syrian refugee influx remains difficult to specific or quantify, although it clearly varies by sector and geographic area within Akkar.

³⁴ FAO | REACH Food Security and Livelihoods Assessment of Lebanese Host Communities, June 2015

Firmographics

Sector Breakdown

Of the 375 business surveyed, 74.4% (279 of 375) reported that they work in the non-automotive retail sector.³⁵ This encompasses all types of sales, from supermarkets, to cell phone and clothing shops, to the sale of specific materials used by larger businesses, like paint or aluminum. Those engaged in the sale of motorcycles and other vehicles were counted separately from these, as were wholesale retailers. Wholesale and commission trade was the second-most selected response, with 9.3% (35 of 375) of respondents. Hotels, restaurants, and tourism (5.9%, or 22 of 375) and agriculture (4.3%, or 16 of 375) are the only other two sectors with more than 4% of respondents in the sample.

Business Size

The businesses surveyed are relatively small in size and scope. Very few indicated that their customer base extends to other businesses or organizations, with 99.5% (373 of 375) saying they sell to individuals and households, and just 17.6% (68 of 375) saying they sell to small businesses or traders. Even fewer indicate that they sell to large businesses (2.9%, or 11 of 375), government entities (3.5%, or 13 of 375), or NGOs (4.0%, or 15 of 375). Businesses also indicated that their scope is limited geographically. Hardly any respondents indicated that they operate internationally (0.5%, or 2 of 375) or on a national scale (3.5%, or 13 of 375). More said that they operate throughout the Akkar/North region (38.1%, or 143 of 375), while the vast majority indicated that their business is localized solely to an individual town or area (86.7%, or 325 of 375). Though just over half of respondents said that their business is not “family-owned” (51.8%, or 188 of 363), these businesses are almost all extremely small. The average number of employees is 2.5, with 47.1% (176 of 374) of businesses surveyed employing just one person, and another 39.6% (148 of 374) employing 2–4 people. Many fewer indicated that they employ 5–10 people (10.4%, or 39 of 374) or more than 10 (1.3%, or 5 of 374).

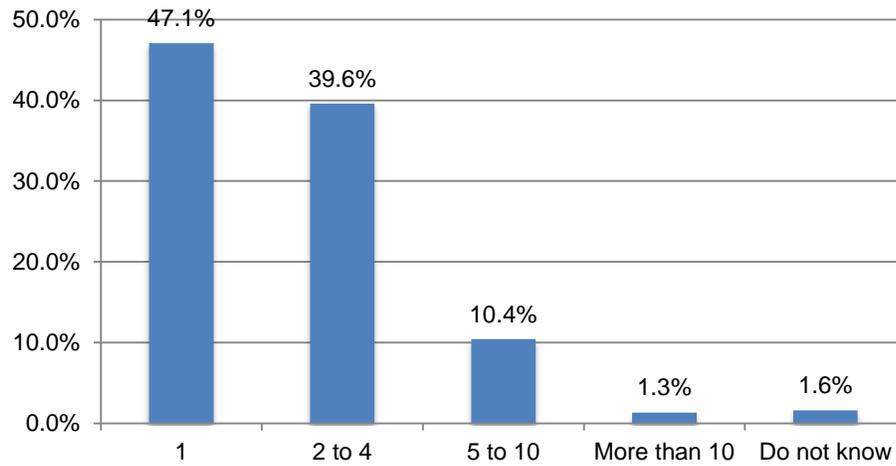
These findings compare favorably with previous research into the national SME landscape in Lebanon, although here too statistics vary significantly depending on geographic scope and whether the informal sector is considered. The Ministry of Economy and Trade’s National SME Strategy for 2020³⁶ suggests that 80% of Lebanon’s *registered* SMEs are microenterprises (with fewer than 10 employees), while other research has found that up to 91% of Lebanese businesses employ fewer than 4 workers.³⁷ In general, however, the findings from the business survey tool presented above confirm that, at least in Akkar, nearly all businesses surveyed are microenterprises focused on nearby final consumers—with minimal vertical integration, business to business sales and/or generation of added value.

³⁵ The business survey tool used the International Standard Industrial Classification of All Economic Activities (ISIC) to categorize respondents. See <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=27>

³⁶ http://www.economy.gov.lb/public/uploads/files/6833_5879_4642.pdf

³⁷ Danish Refugee Council, Roadmap to Novel Livelihood Opportunities | October 2014

Number of Employees



Gender, Age and Ownership

The individuals interviewed about these businesses were most likely to be the business owner (77.6%, or 291 of 375). A minority of interviewees were instead a manager (12.5%, or 47 of 375) or an employee (8.8%, or 33 of 375) at the business. Those interviewed were mostly men (78.4%, or 294 of 375), and the women interviewed were considerably less likely to be the business owner (58.0%, or 47 of 81) than the sample as a whole. The age of interviewees was relatively evenly distributed, with a plurality aged 40–59 (29.1%, or 109 of 375), followed closely by those aged 30–39 (23.5%, or 88 of 375), 50 or older (21.3%, or 80 of 375), and 20–29 (21.1%, 79 of 375). Very few interviewees were under the age of 20 (5.1%, or 19 of 375), likely reflecting the low level of business ownership among teens.

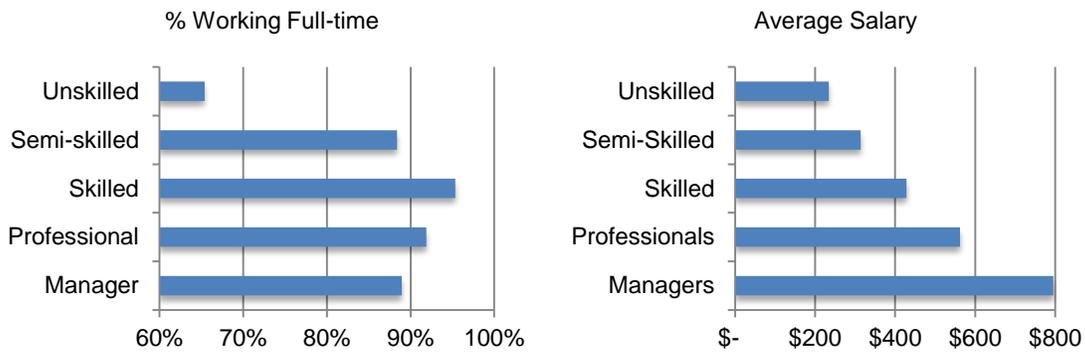
Employee Profile

According to those surveyed, most employees live in the same village or neighborhood as the business they work at (83.2%, or 312 of 375) and commute less than half an hour to work (93.9%, or 352 of 375). Employees are unlikely to be registered with Social Security (92.0%, or 345 of 375), and are unlikely to even have a formal contract with the company (94.7%, or 355 of 375). Employees reportedly work regular shifts (78.1%, or 293 of 375), and are paid monthly (66.1%, or 248 of 375) or bimonthly (26.7%, or 100 of 375). Businesses experienced relatively low turnover of staff in the past year (16.8%, or 63 of 375).

Most of these businesses employ managers (84.5%, or 317 of 375), with fewer indicating that they employ professionals (19.7%, or 74 of 375) or skilled workers (22.9%, or 86 of 375). Even fewer indicated that they employ semi-skilled (11.5%, or 43 of 375) or unskilled (6.9%, or 26 of 375) workers.

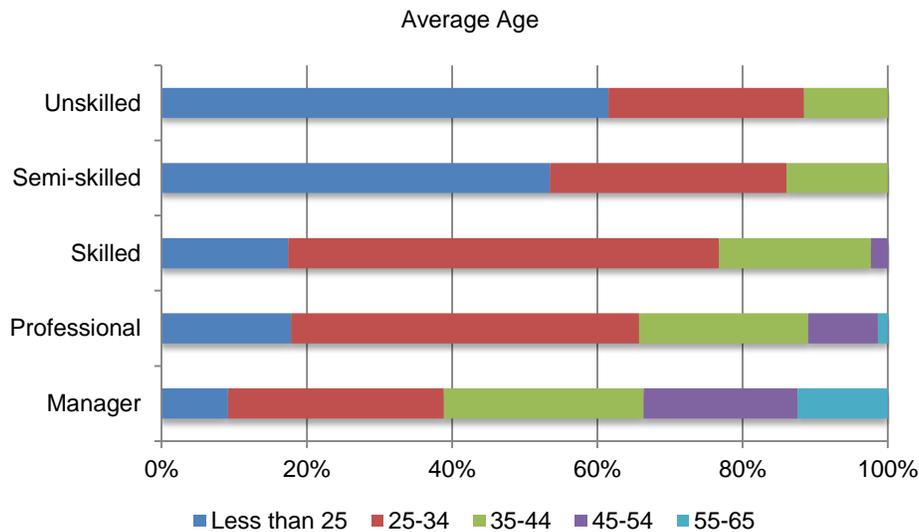
These findings suggest that labor categories as defined in the business survey tool (see ANNEX II: BUSINESS SURVEY QUESTIONNAIRE) were perhaps less relevant or meaningful to the majority of respondents, which operate in the retail sector and employ fewer than five employees. This would explain the high proportion of managers, and the relatively low reported rates of employing semi-skilled (“require some specialized training”) and unskilled (“require no special skills”) workers. These microenterprises employ a relatively limited number of workers, and therefore are unlikely to differentiate between categories of labor, beyond manager and non-manager.

The respondents also provided further information about the profile of their workers by skill level:



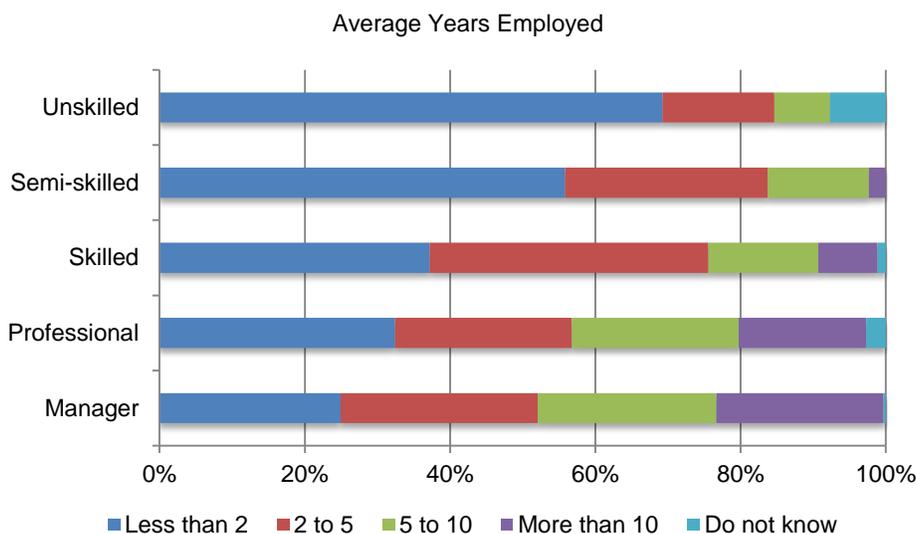
Managers make an average salary of \$795 per month, and are mostly full time employees (89.0%, or 282 of 317). A plurality of managers are between the ages of 25 and 34 (28.7%, or 91 of 317), but are also likely to be aged 35–44 (26.5%, or 84 of 317) or 45–54 (20.5%, or 65 of 317). The number of years employed at this business ranges from less than two to more than ten, with the distribution being split fairly evenly (less than 2: 24.9%, or 79 of 317; 2 to 5: 27.1% or 86 of 317; 5 to 10: 24.6% or 78 of 317; more than 10: 23.0%, or 73 of 317).

Professional workers make an average salary of \$562 per month, and are mostly full time employees (91.9%, or 68 of 74). Most professional workers are between the ages of 25 and 34 (47.3%, or 35 of 74), though a significant minority are aged 35–44 (23.0%, or 17 of 74) or younger than 25 (17.6%, or 13 of 74). The number of years employed at this business ranges from less than two to ten, with most employed less than 2 years (32.4%, or 24 of 74), and somewhat fewer employed 2 to 5 years (24.3%, or 18 of 74) or 5 to 10 years (23.0%, or 17 of 74).



Skilled workers make an average salary of \$428 per month, and are mostly full time employees (95.3%, or 82 of 86). Most skilled workers are between the ages of 25 and 34 (59.3%, or 51 of 86), and fewer are aged 35–44 (20.9%, or 18 of 86) or younger than 25 (17.4%, or 15 of 86). The number of years employed at this business is mostly less than five years, with most employed between 2 and 5 years (38.4%, or 33 of 86), and slightly fewer employed less than 2 years (37.2%, or 32 of 86).

Semi-skilled workers make an average salary of \$314 per month, and are mostly full time employees (88.4%, or 38 of 43). Most semi-skilled workers are under the age of 25 (53.5%, or 23 of 43), though a significant minority are aged 25–34 (32.6%, or 14 of 43). The number of years employed at this business is mostly less than two years (55.8%, or 24 of 43), with fewer employed between 2 and 5 years (27.9%, or 12 of 43)



Unskilled workers make an average salary of \$234 per month, and are mostly full time employees (65.4%, or 17 of 26). Most unskilled workers are under the age of 25 (61.5%, or 16 of 26), though a significant minority are aged 25–34 (26.9%, or 7 of 26). The number of years employed at this business is mostly less than two years (69.2%, or 18 of 26).

Competition

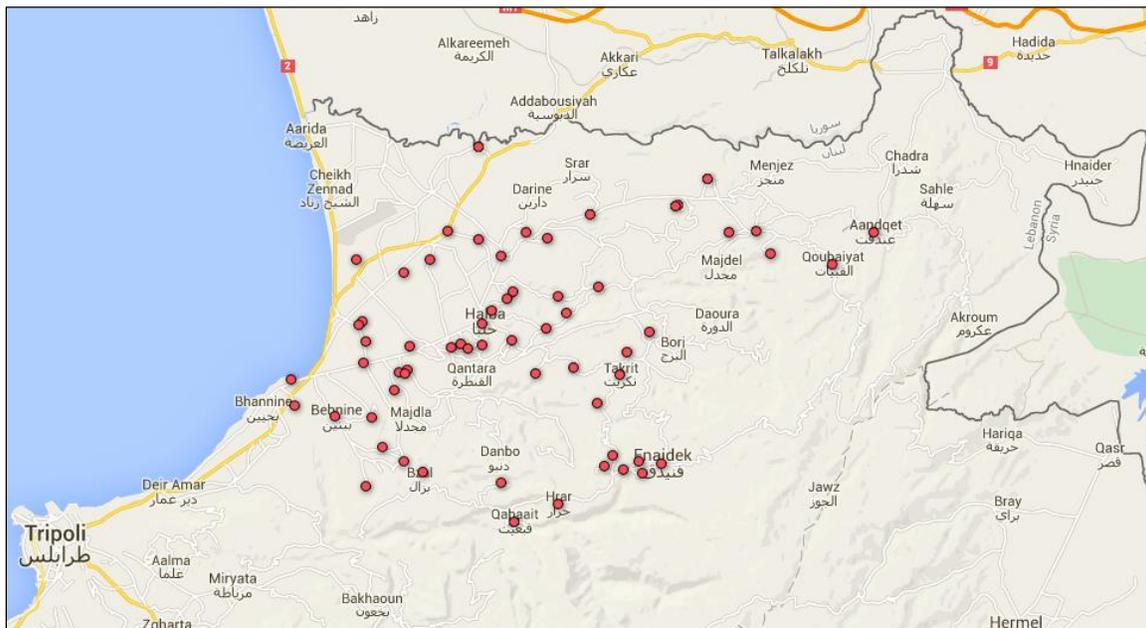


Figure 5. Map of Survey Locations

Business is “Local”

As was discussed in the business size section, most of the businesses surveyed consider their market to be extremely localized, focused on one village or geographic area. When asked about their competitors within that market, most respondents indicated that they have fewer than five competitors (44.3%, or 166 of 375), suggesting a relatively healthy competition in the market. The next most selected response was that there are 5 to 20 competitors in the market (26.4%, or 99 of 375), which suggests an oversaturated market, if the businesses are not operating beyond one or two villages. A similar proportion of respondents indicated that they have no competitors (22.4%, or 84 of 375), which more likely suggests that they are unaware of competitors in their area, rather than that there are none.

Business roundtable discussions with selected survey respondents and other business owners revealed several anecdotal trends that may help explain this spread of responses on competition. First and foremost, it was clear that the majority of businesses do not survey their potential market or assess demand for their product or service—certainly not beyond the initial phase of setting up a business. Market research remains the preserve of only the largest businesses or wealthiest business owners, and even then it remains a relatively informal activity based on qualitative assessments of medium- to long-term trends in the local economy. Only those businesses that had successfully accessed a loan guarantee through Kafalat reported having developed a marketing plan that involved assessments of competitor pricing and service offerings. At the microenterprise level, business owners may have a limited understanding of which other shops may offer similar goods and services, but few have any solid grasp of the consumption preferences of consumers in their target markets.

These factors were also observed in a portion of the business survey tool in which respondents were asked a series of questions about how they compete for market share in their industry, using a scale of one to five to assess the degree of (a) customization of products, (b) competition based on price, (c) frequency of innovation, and (d) competition based on quality. For all four questions, around 25% of respondents answered “3”, which indicates a mixed response, but appears to also potentially indicate a neutral response, or that the respondent has no clear opinion.

First, when asked to rank the customization levels in their industry, with 1 meaning all clients are offered the same goods and 5 meaning that goods or services are highly customized to client needs. Most respondents ranked their industry as a 1, or having little to no customization (39.7%, or 149 of 375). A significant minority selected 3, indicating that they do some customization (20.5%, or 77 of 375).

Second, when asked to rank the importance of price in driving competition in their industry, with 1 meaning competition depends entirely on price and 5 meaning competition is not at all dependent on price. Most respondents ranked their industry a 3, meaning competition is somewhat based on price (26.9%, or 101 of 373). Those selecting 1, or that competition is entirely based on price, were close behind (26.1%, or 98 of 373).

Third, when asked to rank how often their specific business develops new products, services, or techniques compared to other businesses in their sector, with 1 meaning rarely and 5 meaning very often. Most respondents ranked their business as a 5, meaning they very often develop new products (31.7%, or 119 of 373). This seems to contradict the earlier response that their products are generally uniform, and not customized to the needs of specific customers, although it may indicate the speed with which new products generally disseminate through the retail market in Lebanon, thanks to the large share of retail trade of imported products.

Finally, when asked to rank the quality of service their business provides, with 1 meaning a basic good or service and 5 meaning a premium quality good or service. Most respondents indicated that their business ranks is a 5, meaning providing a premium quality good or service (34.9%, or 131 of 373). This answer seems highly biased by the respondents' perceptions of their own business and competition. It is highly unlikely that all of these businesses are in fact providing the highest quality product or service on the market. More likely, they perceive (or want to perceive) themselves as providing a higher quality of good or service than that of their competitors.

Although these results may be problematic due to a lack of understanding of the questions (or question format) on the part of the respondents, it does seem that the majority of business owners in Akkar do not reflect on the role that customization and price competition plays in their businesses, while they simultaneously aspire to innovate and offer a premium product. During the business roundtables in particular, it was clear that for many of the microenterprise owners, theirs is a business based on an established model (particularly expanded retail trade of goods already available in Lebanon to particular areas of Akkar) in order to generate income in the absence of other employment opportunities. While they may feel that innovation and premium offerings is important to bolster their brand (or more likely, individual reputation), it is also unlikely that either factor plays a role in their current business model.

Outlook

Current Status of Business

Respondents were asked whether they believe that their business is expanding, stable, or downsizing. Most respondents said that their business is stable (40.0%, or 150 of 375), or downsizing (33.9%, or 127 of 375). However, a significant proportion reported that their business is expanding (25.3%, or 95 of 375). Though the very small sample size in some sectors may inflate the result, respondents in several sectors were more likely than the sample as a whole to report that their business is expanding. These are shown in the table below:

Sector	% who say business is expanding
Education and training	100.0% (1 of 1)
Sale, maintenance, and repair of motor vehicles and motorcycles	50.0% (3 of 6)
Community, social, and personal services	50.0% (3 of 6)
Health and social work	44.4% (4 of 9)
Wholesale trade and commission trade	42.9% (15 of 35)
Agriculture	31.3% (5 of 16)
Hotels, restaurants, and tourism	27.3% (6 of 22)

Current Status of Business

Respondents were asked how their business is doing compared to twelve months ago. Most respondents indicated that their business is doing “somewhat worse” than last year (47.5%, or 178 of 369). The second most selected response was that their business is doing “somewhat better” than last year (30.7%, or 115 of 369). When broken down by sector, the only one in which respondents were more likely to say business has gotten “somewhat worse” than the sample as a whole was in retail trade (48.4%, or 135 of 279).

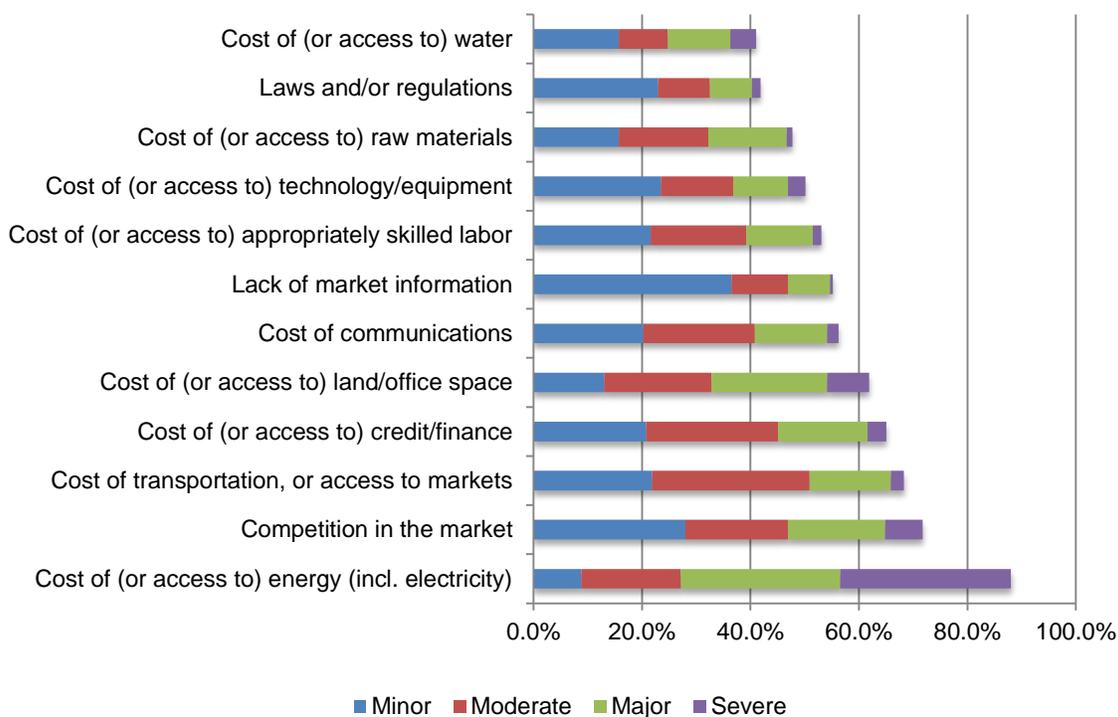
Promising Sectors

Respondents were asked to identify a sector other than their own that they believe has the potential to grow in the coming year. The most popular response was the construction sector (22.7%, or 85 of 375). The second most popular response was “none” (21.1%, or 79 of 375). This may reflect a general pessimism about the economic situation in the region.

In the business roundtable discussions, there was also a lack of consensus on which sectors hold the most promise for future potential investment or expansion in Akkar. Agriculture and construction were the most commonly cited sectors of promise, being also the traditional (and therefore more obvious) sectors. While some of the main economic stakeholders approached through key informant interviews had specific ideas on particular investment opportunities in non-traditional sectors (light manufacturing and capturing value-added activities in peripheral industries to the existing construction and agricultural sectors), the consensus was that significant investments in infrastructure are required to spur development in Akkar—and that the current political and security climate remains unfavorable. However, there was consensus that the basic value proposition for Akkar is that existing “underdevelopment” presents myriad opportunities, and that costs (for land, labor, etc.) remain significantly below those of Beirut and even nearby Tripoli.

General Constraints to Business

Respondents were asked a series of questions on general constraints to running a business, other than the security or political situation in the country. For each potential constraint, respondents were asked to decide whether it was not a problem, or a minor, moderate, major, or severe problem. Of the eleven constraints listed, five were highlighted as problems by at least 60% of respondents: cost of or access to energy, competition in the market, cost of transportation or access to markets, cost of or access to credit or finance, and cost of or access to land or office space.



It is worth noting that the business survey tool was designed to de-emphasize certain constraints to businesses that have been frequently included and cited on other assessments conducted to date in Lebanon. Aside from energy costs (or electricity access), a survey of employers in South Lebanon by Mercy Corps found that business owners identified “political uncertainties” as the main challenge to the growth of their businesses.³⁸ Likewise, a similar assessment in Beirut and Mount Lebanon by ACTED found that “government regulations” and “political uncertainties” are the main challenges to the growth of businesses.³⁹ The spectrum of choices offered to business respondents (above) in Akkar was designed to force consideration of other material constraints, as well as appropriately rank and measure the severity of each.

Energy

The most cited constraint was the cost of or access to energy, including electricity. This constraint was by far the most likely to be called a “severe” problem (31.5%, or 118 of 375), with significant minorities calling it a “major” problem (29.3%, or 110 of 375) or a “moderate” problem (18.4%, or 69 of 375). With municipal electricity only available in Akkar for an average of 12 hours per day (in comparison with 21 hours per day in Beirut), generator costs are a significant expense for businesses in the region. Additionally, the influx of Syrian refugee population has reportedly exacerbated the strain on already deficient electricity transmission infrastructure in Akkar. Now for many businesses, reliance on generators is required not only because of shortages in municipal provision of electricity, but also because the current transmission infrastructure is overburdened through illegal connections, and cannot support the operation of even basic machinery.

³⁸ Mercy Corps Labor Market Assessment South Lebanon, January 2015

³⁹ ACTED Labour Market Assessment in Beirut and Mount Lebanon, January 2014

Competition

The second most cited constraint was competition in the market. However, nearly equal numbers of respondents indicated that competition was a “minor” problem (28.0%, or 105 of 375) as said that competition was not a problem at all (28.3%, or 105 of 375). This corresponds to responses to the question of how many competitors their business has, when 44.3% (166 of 375) said they had fewer than five competitors. Many fewer called competition a “moderate” (18.9%, or 71 of 375), “major” (17.9%, or 67 of 375), or “severe” (6.9%, or 26 of 375) problem.

These responses further reinforce the conclusions from the competition section above. Namely, there appears to be wide variation in how respondents perceive their competitive landscape, or the market they face more generally. Anecdotal reports of competition in Akkar focused on the risk posed by cheaper imports from Turkey and China, or rising rental prices as more commercial spaces were converted into living spaces for Syrian refugees. Given the lack of market research cited above, and given that a majority of respondents claim competition is either not a problem or only a minor one, it suggests that most respondents often have limited information on how competition with other business affects their revenue and other performance.⁴⁰

Transportation

While the most popular response when asked about the cost of transportation or access to markets was that they were not a problem (31.7%, or 119 of 375), almost as many respondents called them a “moderate” problem (29.1%, or 109 of 375), and a significant minority also called them a “minor” problem (21.9%, or 82 of 375). Infrastructure in Akkar is a key barrier to any businesses seeking to operate regionally or nationally. Roads are generally in poor condition, and access to the region runs through Tripoli, where security concerns have often limited movement.

Many key informants and roundtable participants stressed the role that transportation plays in limiting the economic development of Akkar, particularly as concerns the trade of goods and services in and out of the region. Particularly more remote rural areas of Akkar suffer from the absence of reliable roads and public transportation, and businesses and workers face significant barriers to entry in the form of high transportation costs. This is a main factor hindering employment, particularly given low wages relative to fuel and other transportation costs. Other studies have found that households in Akkar report the highest level of difficulty nationally in accessing markets, with more than 16% saying it takes 30 minutes to one hour, and four per cent saying it takes between 1 and 2 hours. Additionally, reported transportation costs are significantly higher in Akkar than elsewhere in Lebanon, with Akkar having the highest proportion (13%) of individuals reporting they pay above 10,000 LBP to access markets to purchase food.⁴¹

The relatively low number of businesses reporting transportation as a major or severe constraint to business is likely a reflection of the “local” nature of business and markets, which has evolved no doubt at least partially in response to the challenges posed by transportation infrastructure and costs in the first place. More senior key informants cited the regional reliance on the Halba-to-Aabde highway/transportation corridor (and the resultant traffic congestion and extended travel times) as a major constraint for businesses elsewhere in Akkar to access Tripoli and beyond, as well as a barrier for other Lebanese businesses to access markets and opportunities in Akkar.

Credit/Finance

⁴⁰ Additionally, certain cultural factors are also at play, as several roundtable participants attributed their success in business (or lack of it) to religious factors, suggesting that higher income and growth were not under their control.

⁴¹ FAO | REACH Food Security and Livelihoods Assessment of Lebanese Host Communities, June 2015

Access to credit or financing was another constraint cited by more than 60% of respondents. Those interviewed were almost equally likely to call the issue a “minor” (20.8%, or 78 of 375), “moderate” (24.3%, or 91 of 375), or “major” (16.5%, or 62 of 375) problem. However, the most selected response was that access to credit is not a problem (34.9%, or 131 of 375). This finding is likely related to the result – which will be further discussed in the *Access to Finance* section – that 74.9% (281 of 375) of those surveyed have no interest in taking out a loan. The difficulty or ease of accessing credit has little effect if business owners have no interest in taking out a loan in the first place. It is possible, although it was outside the scope of this business survey, that religious factors may place a role in the lack of demand for credit (or banking services more generally), given the Islamic prohibition on lending with interest and speculative transactions.

Land / Space Rental

The most selected response when interviewees were asked about the cost of or access to land or office space was that it is not a problem (38.1%, or 143 of 375). However, those that do cite it as an issue were most likely to call it a “major” (21.3%, or 80 of 375) or “moderate” (19.7%, or 74 of 375) problem. This likely reflects the division between business owners who own the land or space they work in and those who pay rent. Those who pay no rental costs likely do not see this as a problem. Those that do pay rent, however, are more likely to call this a significant issue. Rental costs have increased significantly as a result of the enormous influx of Syrian refugees over the past three years, affecting commercial as well as residential rental costs. This is also likely a continuation of a trend that predated the Syria crisis, with demand for land increasing dramatically as a result of the construction boom that lasted until 2011-2012, and which reportedly increased the cost of land seven-fold between 2009 and 2013.⁴²

There may also be important geographic segmentation of this phenomenon within Akkar, as other studies have reported a greater incidence of land being converted from commercial (or agricultural) to residential uses along the coastal areas of Akkar.⁴³ Moreover, there are important distinctions to be made in terms of land use across business types and economic sectors, with key informants and roundtables reporting a particular shortage of land classified for industrial purposes, and even limited expansion of commercial retail space to compete with the growth in demand from businesses, and the demographic pressures (and income opportunity) represented by the Syrian refugee population.

Regulation / Government Support

The constraint of laws or regulations was said to not be a problem by 58.1% (218 of 375) of respondents. However, anecdotally, government regulation and support, or lack thereof, is one of the most common topics brought up by business owners. This mismatch may be due to a perception that, in Akkar, regulations are lightly enforced, or may indicate that while people may complain about regulations, they are not seen as being a significant obstacle to running a business. As noted above, while uncertainty due to irregular enforcement of regulations is cited (in this survey and others) as a constraint to business, many roundtable participants and key informants noted that the relative freedom of the informal sector in Akkar made certain transactions and activities easier than elsewhere in Lebanon.

Clear vs. Unclear Constraints (i.e. Plurality Says “Not a Problem”)

For most of the constraints, nearly half of respondents indicated that the issue is “not a problem”. These issues included cost of communications (43.7%, or 164 of 375), lack of market information (44.8%, or 168 of 375), cost of or access to appropriately skilled labor (46.9%, or 176 of 375), cost of or access to technology or equipment (49.9%, or 187 of 375), cost of or access to raw materials (52.3%, or 196 of 375), cost of or access to water (58.9%, or 221 of 375), and law or regulations (58.1%, or 218 of 375). While these responses might be taken as a positive sign that these factors do not represent major constraints to

⁴² International Rescue Committee, Lebanon EMMA in North and Beqaa, April 2013

⁴³ FAO | REACH Food Security and Livelihoods Assessment of Lebanese Host Communities, June 2015

business, it is also quite likely that they are a further reflection of a lack of understanding on the part of respondents on how these factors affect their businesses. Given that 86.7% of businesses are microenterprises with fewer than 5 employees, it is quite possible that respondents see their trades as “uncomplicated,” without the need for careful consideration of costs of various inputs and other potential constraints.

Access to Finance

Self-financing

Respondents were asked about their primary channel for access to credit and financing. The vast majority indicated that their businesses are primarily self-financed (72.0%, or 270 of 375). Some respondents indicated that they depend on loans from friends and/or relatives (14.4%, or 54 of 375), banks (7.5%, or 28 of 375), or microfinance institutions (3.7%, or 14 of 375) to fund their businesses. Further reinforcing the informal nature of these businesses, over one third of respondents indicated that they do not keep regular financial records (34.4%, or 129 of 375).

However, it is worth noting that in roundtable discussions several business owners reported that they were not aware of existing credit facilities and microfinance institutions available in Akkar—and were curious to learn more, if skeptical of the final possibility of accessing credit through them. In particular, in a discussion with large businesses during which some participants mentioned organizations like Kafalat or microfinance institutions such as Majmouaa, Imkan, Ibdaa, as well as social organizations such as LCD and YMCA, other respondents were generally interested to hear details and testimonials. However, those respondents who had dealt with these organizations were just as likely to cite heavy collateral and/or land registration requirements, high interest rates, or other bureaucratic hurdles for businesses in Akkar.

Limited demand for credit

Just 18.1% (68 of 375) of those interviewed have previously used a loan for their business. Overall demand for loans seems very low—of those who have previously taken a loan, 36.8% (25 of 68) said they would consider taking another, and of those who have not ever taken a loan, just 18.8% (55 of 293) said they would consider taking one. This may reflect a general unwillingness to invest in businesses or risk more than they have on a business venture. It is also possible that limited access to credit or information about credit available for small businesses has meant that securing a loan is not seen as a viable option for business owners in Akkar.

Need to buy equipment

Among those that had secured a loan, most were one-time loans (63.2%, or 43 of 68) from a bank (67.6%, or 46 of 68) or microfinance institution (26.5%, or 18 of 68). The amounts of the loans varied, with almost equal numbers borrowing more than \$10,000 (33.8%, or 23 of 68), between \$5,000 and \$10,000 (32.4%, or 22 of 68), or between \$1,000 and \$5,000 (29.4%, or 20 of 68). A large majority of those loans were used to purchase tools or equipment (76.5%, or 52 of 68), though a small minority used the money to pay debts (11.8%, or 8 of 68) or cover other operating costs (5.9%, or 4 of 68). Among those who said they would be interested in taking another loan, the vast majority said they would also use that loan to buy tools and equipment (85.5%, or 47 of 55).

It is clear that the primary use of loans by respondents has been to purchase equipment that they could not afford using their own savings. This may also provide insight into why so few respondents are interested in loans otherwise; for businesses without significant equipment costs, like clothing or other retail shops, loans may be seen as unnecessary in general, and not merely as a risk. This suggests the absence of a culture of borrowing among businesses in Akkar, which in addition to potential religious constraints and the documented conservative lending culture of Lebanese banks, likely serve as a major constraint to the development of the MSME sector in Lebanon generally.

Labor & Labor Demand

Skills gaps and demand

Respondents were asked about the impact of employees' lack of skills on business performance. They cited a number of potential effects, including increased operating costs (41.9%, or 157 of 375) and the loss of business to competitors (28.3%, or 106 of 375). However, when asked whether specific employees at their business have any skills gaps that keep them from performing their jobs well, just 6.4% (24 of 375) said yes. Of those that said their employees lacked some skills, the skills most identified were oral communication (62.5%, or 15 of 24), customer service (50.0%, or 12 of 24), literacy (41.7%, or 10 of 24), and numeracy (41.7%, or 10 of 24).

Respondents were also asked to rate the importance of a series of skills on a scale from one to five, with one meaning "not important" and five meaning "critical". The results, shown in the table below, indicate that the most highly valued skills are customer service (4.4 of 5), soft skills (including common sense, work ethic, punctuality, appearance, manners, maturity, etc.) (4.3 of 5), literacy (4.1 of 5), numeracy (4.1 of 5), and oral communication skills (4.0 of 5). Interestingly, these are the same skills as those highlighted as employee skills gaps above.

Skill	Avg. Rating
Customer service skills	4.4
Soft skills (e.g. common sense, work ethic, punctuality)	4.3
Literacy	4.1
Numeracy	4.1
Oral communication skills	4.0
Previous professional experience	3.5
Problem solving skills	3.4
Team working skills (e.g. interacting with co-workers)	3.3
Manual dexterity	3.2
Written communication skills	2.7
Planning and organization skills	2.6
Specialized technical skills	2.2
Basic computer literacy / using IT	1.9
Office administration skills (e.g. clerical duties)	1.6
Foreign language skills	1.6
Advanced IT or software skills	1.4

It is worth noting that these findings, which privilege "soft skills" among survey respondents, contradict findings of certain other labor market assessments conducted in North Lebanon, which have previously stressed the demand for particular technical skills, including electro-mechanical or IT skills.⁴⁴ However, a careful distinction must be made between those skills which are not readily available within Akkar, and those skills which are broadly in demand by local businesses. Roundtables and particularly KILs did indeed reveal the lack of technical skills as a potential market or investment opportunity (for example, machinery repair and maintenance for certain light industrial businesses in Akkar, including commercial ovens for the local hospitality industry), however the specific demand for these same skills at present is notably limited.

⁴⁴ Knowledge Development Company (KDC), Labour Market Information Collection, Collation, Analysis, and Recommendations, 31 May 2015

Existing hiring practices

Very few respondents indicated that they have hired a new employee in the past year (13.3%, or 50 of 375). Of those that did, they reported that the positions took less than one month to fill (66.0%, or 33 of 50), though some took up to two months (24.0%, or 12 of 50). Most of those who hired a new employee used word of mouth or informal networks to advertise about the available position (78.2%, or 43 of 50).

This corresponds to findings reported in other research that has found word of mouth recruitment is the most popular method, particularly in North Lebanon and its family-oriented and more traditional culture of business management, because it is perceived as the most efficient and least expensive method for hiring new employees. These personal referrals from the same family or close relationships leads to more “loyal and productive” employees.⁴⁵ According to key informants and roundtable participants, this trust element is especially important for those smaller business in which a single owner or manager cannot be present at all times, and must turn over significant responsibility (for customer relations, managing finances and inventory, etc.) to subordinates. Additionally, the sheer volume of unemployed in Akkar makes it more difficult to sort out suitable and decent candidates from all the job seekers who would reply to public vacancies.

Women and youth

Respondents were also asked about obstacles facing Syrians, women, and youth as they try to enter the job market. Most respondents indicated that they had no problem with hiring Syrians (26.9%, or 101 of 375). However, the next most selected response was that their business does not hire Syrian workers (25.9%, or 97 of 375). This may indicate divisions in business owners’ opinions of Syrian labor, with interviewees expressing strong opinions either for and against hiring Syrians.

Regarding both women and youth, respondents were most likely to say that they do not know what obstacles they face (45.9%, or 172 of 375 for women and 48.5%, or 182 of 375 for youth). The most cited obstacle for women was that the sector was deemed inappropriate for women (22.1%, or 83 of 375). Other obstacles cited included low salaries (15.2%, or 57 of 375) and lack of opportunities (12.0%, or 45 of 375). Other information collected by IRC during focus groups on employment constraints for women point to long or unacceptable hours, transportation time and costs, and cultural appropriateness of some professions as barriers. The large number of employers stating that they do not know what obstacles women face in finding employment may indicate their business or sector does not face those barriers, or that many employers do not offer working conditions or positions that women are likely to apply for or secure. The most cited obstacle for youth was low salaries (30.7%, or 115 of 375), followed by lack of opportunities (24.8%, or 93 of 375). The emphasis on lack of opportunity in the market is reflected by other data, including numbers on recent hires, employee turnover, and planned hiring—all of which are very low.

Expected demand for labor

Respondents were asked whether they plan to hire any new workers in the coming year. Just 12.3% (46 of 375) said that they were planning to hire. This, combined with other hiring data points, indicates that the demand for labor in the Akkar market is very low. A similarly low number of respondents indicated that they had hired anyone new in the past year (13.3%, or 50 of 375), and just 16.8% (63 of 375) reported any staff turnover. The lack of demand was also reflected in opinions on obstacles facing women and youth seeking to enter the job market. In both cases, lack of opportunities was one of the top three obstacles cited.

⁴⁵ Knowledge Development Company (KDC), Labour Market Information Collection, Collation, Analysis, and Recommendations, 31 May 2015

Most respondents indicated that they have not taken any steps in the past year to improve the skills of their employees (71.2%, or 267 of 375). Since most respondents have also indicated that they feel their employees do not have any skills gaps (86.1%, or 323 of 375), the lack of training may indicate that employers generally feel that employees have the needed skills, rather than indicating a lack of willingness to train employees. When asked why they did not offer training, business owners mostly answered that there was no particular reason (60.8%, or 166 of 267), though a significant minority answered that training is not considered a priority for their business (19.0%, or 52 of 267).

Those that said they had trained employees in the past year were asked to expand on the types and amount of training they gave. Most indicated that employees had more than one week of training (39.1%, or 27 of 69). They said that the means of providing training included increased supervision (82.6%, or 57 of 69), watching others as they perform their job roles (66.7%, or 46 of 69), and internal training (37.7%, or 26 of 69). The topics most commonly covered in training were specific technical skills (87.5%, or 21 of 24), customer service (83.3%, or 20 of 24), and oral communication skills (79.2%, or 19 of 24).

Finally, respondents were asked if they would be interested in offering trainings to their employees, whether during or outside of working hours. Most respondents expressed no interest in offering training to their staff, with 26.1% (98 of 375) saying they were not interested and 32.5% (122 of 375) saying they were not interested at all. However, 15.7% (59 of 375) said they would be somewhat interested in providing training and 25.6% (96 of 375) said they would be very interested. Even among those who expressed interest, there was a clear preference for trainings that occur outside of working hours (51.0%, or 79 of 155), rather than using business hours to train staff.

FINDINGS AND RECOMMENDATIONS

The qualitative and quantitative information presented above describe a highly segmented and largely informal ecosystem of microenterprises. As noted, nearly all businesses surveyed are microenterprises focused on nearby final consumers—with minimal vertical integration, business to business sales and/or generation of added value.

Perhaps more critically, various points of analysis suggested that the majority of business owners and managers working in Akkar have a limited understanding of management skills and best practices that could improve productivity or net income. Apparent contradictions in responses regarding price competition and product differentiation; the lack of market research and other business planning, including the lack of written financial records; uncertainty regarding how certain costs and constraints affect the bottom line—these various observed factors suggest that at least a significant plurality of businesses in Akkar are making suboptimal decisions and losing opportunities to become more cost competitive or otherwise more productive. As such, the lack of reported demand for labor or credit, or even the limited demand for skills training for employees, is less surprising.

Aside from providing a clearer understanding of the existing market dynamics facing businesses in Akkar, these observations suggest a number of concrete next steps that could offer coordinated solutions to the needs of both employers and job seekers:

Akkar Employers Need Business Skills Training to Boost Labor Demand

- In addition to skills courses for employees, the observed management gap (particularly in financial literacy, numeracy, budget management skills, as well as business development skills) could be addressed through courses targeted at existing business owners and managers;
- Providing this type of training can help sustain (or ideally expand) businesses already in operation, taking advantage of their sunk costs and established connections, which can be a more efficient use of time and resources;
- There is also scope for developing tailored or more specialized business management courses, on subjects such as managing credit from suppliers and to customers, or managing inventory, for relevant business sub-sectors where these are a key constraint;
- Several roundtable participants noted that they had developed low cost, ad hoc tools and methods for marketing (Facebook, Whatsapp) and market research (YouTube) that had afforded them a competitive advantage, but which could be replicated for the broader business beneficiary pool;
- In order to be more effective, business skills courses should be rooted in a strong understanding of how targeted sub-sectors and/or market chains operate in Akkar. This will allow customization of skills training (e.g. how to achieve product/service differentiation in a fairly homogenous market to move away from price competition) that will be more useful and meaningful for beneficiaries.

Entrepreneurship Support Should Be Channeled in Certain Promising Sectors

- Despite a lack of innovative ideas from respondents on which sectors in Akkar offer future investment potential, there was a consensus among key informants and roundtables that truly innovative entrepreneurship requires technical assistance and business skills tailored to the sectors identified (e.g. small-scale agriculture, agro-processing and light manufacturing) in order to improve entrepreneurs' chances for success. This is particularly true given the low levels of education and limited education/research based in North Lebanon;

- At the same time, it is essential in selecting entrepreneur beneficiaries to recognize the distinction (emphasized by the Business Incubation Association in Tripoli) between “opportunity” entrepreneurs who have recognized and are responding to a gap in the existing market, and “necessity” or “survival” entrepreneurs who are pursuing their proposed business interest because of a lack of alternative employment. Businesses started by “opportunity” entrepreneurs are far likelier to develop and mature into sustainable enterprises.

Job Referrals and Skills Trainings Must Be Carefully Marketed to Businesses, Employers

- A key challenge for providers of employment services, such as IRC’s Livelihoods Centers, is to overcome the heavy reliance on personal networking for hiring among business owners and managers. This is especially true for smaller businesses that require owners and managers to turn over significant responsibility (for customer relations, managing finances and inventory, etc.) to subordinates;
- When designing skills trainings for individuals or promoting job referrals, careful consideration must be given to ensuring the quality of referred candidates, potentially through trial employment periods or some other guarantees to employers, to offer business owners and managers an incentive to go beyond their traditional hiring networks;
- Institutions and organizations should work with larger employers in Akkar (or Tripoli for those nearby) on expanding on-the-job learning opportunities such as IRC’s apprenticeship program, as on-the-job learning points to better connections made between employers and potential employees while still developing marketable skills;
- However, further consideration must also be given to the observed skepticism of employers regarding the value of offering skills training to workers, which may manifest in a “vicious cycle” of low wages and high turnover among employees. Despite the reported need for soft skills training, particularly communication skills in the retail sector, many employers are concerned that skills training will encourage employees to find other, higher paid work;

Coordinate with Existing Business Support Services to Extend Coverage into Akkar

- Economic actors should explore partnerships (or at least coordinate) with select training providers, MFIs, banks and/or other business support providers to extend coverage to business beneficiaries in Akkar. This approach is central to overcoming the reported “Beirut syndrome” (and to a lesser extent “Tripoli syndrome”) whereby many national initiatives and organizations fail to extend fully beyond major urban centers into Akkar;
- The outreach conducted under this business climate assessment demonstrated early success in coordinating with the CCIAT and BIAT to reach Akkar business beneficiaries (e.g. IRC is now coordinating with BIAT’s Halba incubator and sharing data on access to finance). Further coordination should be explored, as well as the potential for a forum for local businesses to learn more about (or access) business support services from other national providers, including national government support such as loan schemes and extension services through various ministries;
- A corollary of this recommended approach would be to consider opportunities to bring together MSMEs to aggregate demand for business services or other common inputs for major businesses in Akkar, and thereby improve their bargaining position. This could also help attract the interest of suppliers and service providers who are otherwise reluctant to venture beyond Beirut or Tripoli because of concerns about lack of demand.

Accelerate Outreach to Private and Public Sectors to Improve Ideas, Targeting, and Buy In

- A regular business roundtable or association (potentially cosponsored with CCIAT or municipalities) should be established to replicate the success of roundtables conducted during the business climate assessment in soliciting ideas for intervention design and assessing the needs for technical support. It is important to recognize how small the communities of established businesses in Akkar are, so careful outreach can help ensure more effective networking, and working with local municipalities in organizing roundtables will improve chances for sustainability;
- Establishing a business roundtable (as outlined above) would allow business owners and managers to learn from each other. This could serve as a supplement to the business skills training outlined above; the potential was observed during the roundtable discussions when several attendees asked each other for advice on issues such as access to finance, or dealing with local NGOs for support;
- A roundtable or business association dedicated to women-owned businesses (especially entrepreneurs) could serve the same functions as above, but accommodate religious and cultural constraints that prevent women from mixing with men or leaving the home unchaperoned, as well as provide family friendly spaces to help with managing child care, etc. Women entrepreneurs interviewed during roundtables expressed great interest in this kind of gender-segregated forum, and it could also help address knowledge gaps regarding obstacles facing women revealed in the business survey tool;
- Other recommended outreach could include partnering with Lebanese universities and/or vocational schools to extend research base to Akkar (for technical assistance in certain sectors), as well as connect business students at those universities to actual challenges of the competitive environment and entrepreneurial landscape in Akkar.

Other Best Practices to Consider from Field Research

- In designing business skills courses, it is important to acknowledge there are certain constraints that cannot necessarily be addressed through more effective management (i.e. energy, security), and which therefore require independent, specialized interventions (e.g. technical knowledge and financial incentives for adopting renewal energy);
- Wherever possible, organizations should emphasize the need for cost sharing with business beneficiaries and local governments in order to improve buy in and sustainability of interventions;
- All livelihoods programming should be sensitive to Syrian-Lebanese tensions, especially regarding competition between workers and businesses. This dynamic in Akkar is evolving as the Syrian refugee population continues to adapt to a changing legal and economic environment;
- All actors should ensure that programming is sensitive to geographic and market segmentation within Akkar itself. As more business-oriented programming is pursued, a clear understanding of markets and supply chains, and how they function is required in order to provide adequate training to beneficiaries on improving their management and operations;
- Skills trainings and other business support offerings should be coordinated with other NGOs operating in Akkar to ensure minimal overlap and duplication. Key informants and roundtable participants complained that certain elements of trainings (such as reimbursing for transportation costs) were not standardized, etc., and that it was confusing to keep track of the various offerings;
- Keep an eye on the national waste management strategy, and the decision to transport waste from Mount Lebanon to Akkar, as that will change the business landscape within Akkar and potentially create opportunities for new waste management related peripheral industries.

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Several important and insightful assessments have been carried out in Lebanon since 2013, which helped influence the design and analysis of IRC's 2015 labor market assessment for Akkar:

- International Rescue Committee, Lebanon Emergency Market Mapping and Analysis (EMMA) of the Construction, Service Sector and Agricultural Labor Systems in North and Beqaa, Lebanon | April 2013⁴⁶
- Integrated Rapid Assessment Report, Mount Lebanon Governorate, Chouf District, CARE International in Lebanon | August 2013⁴⁷
- Challenges facing the Lebanese SME Sector, Enterprise Team, Ministry of Economy and Trade | May 2013⁴⁸
- ACTED Labour Market Assessment in Beirut and Mount Lebanon | January 2014⁴⁹
- Danish Refugee Council, Roadmap to Novel Livelihood Opportunities | October 2014
- Lebanon SME Strategy: A Roadmap to 2020, Ministry of Economy and Trade | Nov 2014⁵⁰
- Mercy Corps Labor Market Assessment South Lebanon | January 2015⁵¹
- Tana Copenhagen, The Syrian Displacement Crisis and a Regional Development and Protection Programme, February 2015⁵²
- FAO/REACH Food Security and Livelihoods Assessment of Lebanese Host Communities | June 2015⁵³
- Knowledge Development Company, Labour Market Information Collection, Collation, Analysis and Recommendations, May 2015
- International Labour Organization (ILO), Towards Decent Work in Lebanon: Issues and Challenges in Light of the Syrian Refugee Crisis, June 2015⁵⁴

⁴⁶ <https://data.unhcr.org/syrianrefugees/download.php?id=1993>

⁴⁷ <https://data.unhcr.org/syrianrefugees/download.php?id=3217>

⁴⁸ http://www.economy.gov.lb/public/uploads/files/8618_1911_5908.pdf

⁴⁹ <https://data.unhcr.org/syrianrefugees/download.php?id=8918>

⁵⁰ www.economy.gov.lb/public/uploads/files/6833_5879_4642.pdf

⁵¹ <https://www.mercycorps.org/research-resources/south-lebanon-labor-market-assessment>

⁵² <https://data.unhcr.org/syrianrefugees/download.php?id=4780>

⁵³ <https://data.unhcr.org/syrianrefugees/download.php?id=9122>

⁵⁴ http://www.ilo.org/beirut/publications/WCMS_374826/lang--en/index.htm

ANNEX II: BUSINESS SURVEY QUESTIONNAIRE

BACKGROUND / FIRMOGRAPHICS

Interviewee

1. Name of interviewee:
2. Title/position of interviewee at business establishment (*collect business card if possible*):
3. Name of owner (if different):
 - a. Write in
 - b. Same
4. Respondent's Gender:
 - a. Male
 - b. Female
5. Respondent's Year of Birth:
6. Respondent's Nationality:

Business

7. Name of business establishment:
8. Location/address: (SELECT IRC District and Village P CODES)
9. Best contact info (tel/mob): (WRITE-IN)
10. In what year did this business start operations: (WRITE-IN)
11. Does this business establishment have operations at multiple locations?
 - a. Yes.
 - i. Where? (SELECT IRC District and Village P CODES)
 - b. No
12. Is your company registered at the Ministry of Finance or other local institutions (i.e. Chamber of Commerce, municipality)?
 - a. Yes.
 - i. With whom? (SELECT ALL THAT APPLY)
 1. Ministry of Finance
 2. Chamber of Commerce
 3. Municipality
 4. Other (WRITE-IN)
 - ii. What were the main reasons you registered?
 1. Access to bank accounts
 2. Access to loans / capital
 3. Access to markets (export licenses)
 4. Lower harassment / corruption
 5. Other (WRITE IN)
 - b. No
 - i. Why not?
 1. Not required
 2. Bureaucratic procedures (too complicated)
 3. Taxes on registered
 4. Time cost of registration
 5. Compliance cost of registration
 6. Other (WRITE IN)

ii. Are you planning on registering in the next 12 months?

1. Yes
2. No
3. Do not know
4. Refuse to answer

13. If registered with MoF, how is the company registered?

- a. Sole proprietorship ((مؤسسة فردية))
- b. Joint Liability Company
- c. Limited Partnership
- d. Undeclared Partnership
- e. Joint Stock Company
- f. Limited Liability Company
- g. Partnership Limited by Shares
- h. Holding Companies
- i. Off-shore companies
- j. Representative of Foreign Companies
- k. Other (WRITE-IN)

14. If this business is not a sole proprietorship, is it owned *exclusively* in partnership with members of the same family?

- a. Yes
- b. No
- c. Do not know
- a. Refuse to answer

15. Could you please briefly describe the main business activity / sector of this business establishment? (MARK ALL THAT APPLY)

Instructions: Need to distinguish carefully between wholesale and retail and manufacturing. Wholesalers act as marketing intermediaries that neither produce nor consume the finished product, but instead sell to retailers, other merchants, and/or to industrial, institutional, and commercial users. Retailers are organized to sell merchandise (generally without transformation) in smaller quantities to the general public for personal or household consumption, and to other business and institutional clients.

- a. Agriculture (incl. hunting, forestry, and fishing)
 - i. Please specify (WRITE-IN)
- b. Mining and quarrying
- c. Manufacturing
 - i. Please specify (WRITE-IN)
- d. Electricity, gas, and water supply
- e. Construction
- f. Sale, maintenance and repair of motor vehicles and motorcycles
- g. Wholesale trade and commission trade (not motor vehicles and motorcycles)
 - i. Please specify (WRITE-IN)
- h. Retail trade (not motor vehicles and motorcycles)
 - i. Please specify (WRITE-IN)
- i. Retail sale of automotive fuel
- j. Repair of personal and household goods
- k. Hotels, restaurants, and tourism
- l. Transport, storage, and communications
- m. Banking and finance
- n. Real estate, renting, and business activities
 - i. Please specify (WRITE-IN)
- o. Public administration
- p. Education and training
- q. Health and social work
- r. Community, Social and Personal services

- s. Waste collection, treatment and disposal activities; materials recovery
- t. Other (WRITE-IN)

16. Who are the main buyers and consumers of the goods/services you provide? (SELECT ALL THAT APPLY)

- a. Individuals or households
- b. Small businesses/traders
- c. Large businesses
- d. Government agencies/public enterprises
- e. NGOs
- f. Other (WRITE-IN)

17. Are your products or services sold primarily to: (SELECT ALL THAT APPLY)

- a. Locally, within an individual town or local area
- b. Regionally, across Akkar/North
- c. Nationally, beyond Akkar or Tripoli
- d. Outside Lebanon
 - i. If yes, where are the main export markets? (SELECT ALL THAT APPLY)
 - 1. Middle East
 - 2. Europe
 - 3. United States
 - 4. Asia
 - 5. Other (WRITE-IN)

Competition

18. How many other businesses do you consider your direct competitors (i.e. could/also serve your customers)?

- a. None
- b. Less than 5
- c. 5 - 20
- d. More than 20
- e. Not sure

On a scale of 1 to 5, how would you describe your business if...

19. 1 indicates that all your customers are offered the identical goods/services, and 5 indicates that goods/services are highly customized depending on the needs of customers

No customization	1	2	3	4	5	DK	Substantial customization
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20. 1 indicates that competition in your industry depends entirely on price, and 5 that competition does not depend at all on price

Wholly price dependent	1	2	3	4	5	DK	Not at all price dependent
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21. 1 indicates that, compared to others in your industry, your business rarely develops new products, services or techniques, and 5 that you often introduce new products, services or techniques

Rarely innovate	1	2	3	4	5	DK	Frequently innovate
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22. 1 indicates that your business offers a standard or basic quality product or service, and 5 that you compete in a market for premium quality products or services.

Standard or basic	1	2	3	4	5	DK	Premium quality
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Business Outlook

23. What is the current status (in terms of sales, staff, production) of the company? (CIRCLE ONE)
- Expanding
 - Stable
 - Downsizing
 - Do not know
 - Refuse to answer
24. Compared to 12 months ago, how is your business performing? (CIRCLE ONE)
- A lot better
 - Somewhat better
 - Somewhat worse
 - A lot worse
 - Do not know (because the information is not recorded)
 - Refuse to answer
25. Other than your own business, which sectors do you believe will perform well in the coming 12 months? (CIRCLE ONE)
- Agriculture (incl. hunting, forestry, and fishing)
 - Please specify (WRITE-IN)
 - Mining and quarrying
 - Manufacturing
 - Please specify (WRITE-IN)
 - Electricity, gas, and water supply
 - Construction
 - Sale, maintenance and repair of motor vehicles and motorcycles
 - Wholesale trade and commission trade (not motor vehicles and motorcycles)
 - Please specify (WRITE-IN)
 - Retail trade (not motor vehicles and motorcycles)
 - Please specify (WRITE-IN)
 - Retail sale of automotive fuel
 - Repair of personal and household goods
 - Hotels, restaurants, and tourism
 - Transport, storage, and communications
 - Banking and finance
 - Real estate, renting, and business activities
 - Please specify (WRITE-IN)
 - Public administration
 - Education and training
 - Health and social work
 - Community, Social and Personal services
 - Waste collection, treatment and disposal activities; materials recovery
 - Other (WRITE-IN)
 - None

Business Constraints

26. Other than security or the political situation, how would you rate the following challenges/obstacles that the management faces in running this business?

Obstacles	None	Minor	Moderate	Major	Severe
Lack of market information					
Competition in the market					
Laws and/or regulations (red tape)					
Cost of (or access to) appropriately skilled labor					

Cost of (or access to) technology/equipment					
Cost of (or access to) land/office space (i.e. rent)					
Cost of (or access to) credit/finance					
Cost of (or access to) raw materials					
Cost of (or access to) energy (incl. electricity)					
Cost of (or access to) water					
Cost of transportation, or access to markets					
Cost of communications					

27. Is there another challenge not currently listed that poses a major constraint to your business?

- a. Yes (WRITE-IN)
- b. No

28. What is your primary channel for access to credit and financing?

- a. Bank
- b. Micro Finance Institution
- c. Self-Finance
- d. Friends and/or relatives
- e. Local businessmen and private money lender(s)
- f. Credit extensions from suppliers
- g. Financial assistance from NGOs, other social organizations
- h. Do not have one

29. Has your business previously accessed credit / taken a loan in the last five years?

- a. Yes
 - i. How often?
 1. Once
 2. 1 to 5 times
 3. More than 5 times
 - ii. For how much on average?
 1. Less than \$1000
 2. \$1000 to \$5000
 3. \$5000 to \$10,000
 4. More than \$10,000
 - iii. What was the source of the loan?
 1. Bank
 2. Micro Finance Institution
 3. Friends and/or relatives
 4. Local businessmen and private money lender(s)
 5. Credit extensions from suppliers
 6. Financial assistance from NGOs, other social organizations
 7. Do not know
 - iv. Was the loan paid back / Is it in good standing?
 1. Yes
 2. No
 3. Do not know
 - v. How have you generally used credit?
 1. Invest in (new) tools/machinery
 2. Invest in business infrastructure
 3. Invest in marketing
 4. Hire more people
 5. Invest in training/education
 6. Pay debts

7. Other operating costs
- vi. Are you now considering taking on another loan?
 1. Yes. To do what?
 - a. Invest in (new) tools/machinery
 - b. Invest in business infrastructure
 - c. Invest in marketing
 - d. Hire more people
 - e. Invest in training/education
 - f. Pay debts
 - g. Other operating costs
 2. No
- b. No
 - i. Are you now considering taking out a loan for the first time?
 1. Yes. To do what?
 - a. Invest in (new) tools/machinery
 - b. Invest in business infrastructure
 - c. Invest in marketing
 - d. Hire more people
 - e. Invest in training/education
 - f. Pay debts
 - g. Other operating costs
 2. No
 - c. Do not know

Business Strategy and Performance

30. Does your company have a business plan that specifies the objectives for the coming year?
 - a. Yes
 - b. No
 - c. Do not know
31. Does your business conduct any regular financial record keeping / reporting [in the case of sole proprietorships: that is separate from your other household accounts]?
 - a. Yes
 - b. No
 - c. Do not know

CURRENT WORKFORCE

32. Including yourself, how many people currently work directly for this business establishment? (*Just the local business, not all employees across multisite business. Exclude external contract staff such as freelancers, temporary agency workers, etc.*) (WRITE-IN)

[SURVEY CONTINUES BELOW]

Definitions of Labor Categories

Managers

This category includes anyone who plans, directs and coordinates the policies and activities of a business or other organization.

Professionals

Have advanced training in their field and usually a degree from a university. Includes engineers, lawyers, economists, IT professionals, teachers and health professionals.

Skilled employees

Require technical knowledge or abilities to perform their jobs, often gained through formal training, at upper secondary or tertiary education. It may also include skilled craftsmen who have learned their trade through years of specialized employment, such as bricklayers, plumbers, or mechanics, crop growers, gardeners and dairy and livestock producers.

Semi-skilled employees

Require some specialized training and can be taught to perform their jobs in a fairly short amount of time. This includes those who operate industrial or agricultural machinery and equipment, operates motor vehicles and mobile machinery, assemble products, or perform clerical duties like secretaries and cashiers.

Unskilled employees

Require no special skills and can be taught to perform their jobs in a short amount of time. This group consists of simple and routine tasks that mainly require the use of hand tools plus physical effort. Most occupations in this group, such as cleaners, building caretakers, doorkeepers or laborers do not require formal education qualification.

33. Could you please indicate for all employees of your company (*in case of overlapping roles, choose the one that takes up the greatest proportion of time*):
 (WRITE-IN)

Labor Categories	Gender		Nationality			Salary	Average Age	Contract Status		Average Number of Years Employed
	# of men	# of women	# of Lebanese	# of Syrians	# of Other		Less than 25 25-34 35-44 45-54 55-65 65+	# Full-time	# Part-time	
<i>Options</i>										(Less than 2 2-5 5-10 10+)
Managers										
Professionals										
Skilled employees										
Semi-skilled employees										
Unskilled employees										

34. What is the farthest distance employees of your business commute to reach work? (SELECT ALL THAT APPLY)
- Same village/neighborhood
 - Same municipality
 - From another municipality
 - From another caza
 - Do not know
35. On average, how many minutes does it take your employees to travel to and from work each day?
- Less than half an hour
 - Between half an hour and one hour
 - More than one hour
 - It varies too much to give an average
 - Do not know
36. Does the business use employment contracts?
- Yes
 - No
 - For some employees, not all
 - Do not know
 - Refuse to answer
37. Are your employees registered at the social security?
- Yes
 - No
 - For some employees, not all
 - Why are some not registered? (SELECT ALL THAT APPLY)
 - Not required (consultants, exemptions)
 - Bureaucratic procedures (too complicated)
 - Taxes on registered
 - Time cost of registration
 - Compliance cost of registration
 - Other (WRITE IN)
 - Do not know
 - Refuse to answer
38. Are workers paid on a monthly/bi-monthly basis?
- Yes
 - Is there an easy-to-read wage slip or receipt (or check)?
 - Yes
 - No
 - No
 - Daily payments
 - Irregular payments
 - Do not know
 - Refuse to answer
39. Do all employees have regularly defined working hours (8 hour shifts that start at a predictable time)?
- Yes
 - No
 - For some employees, not all
 - Do not know
 - Refuse to answer

40. In the last 12 months, how many employees have either left or resigned?

Labor Categories	# of men	# of women
Managers		
Professionals		
Skilled employees		
Semi-skilled employees		
Unskilled employees		

41. What is the main reason for turnover among employees in your company?

- a. Complaints about salary or benefits
- b. Complaints about the tasks required
- c. Personal reasons (family, illness, school, etc.)
- d. Lack of technical skills
- e. Lack of soft skills
- f. Other (WRITE-IN)
- g. Do not know

Existing Skills Gaps

42. Among your current workforce, do you face problems in skills/capacity that prevent employees from performing their jobs at the required level?

- a. Yes. If so, among which workers? (SELECT ALL THAT APPLY)
 - i. Managers
 - ii. Professionals
 - iii. Skilled employees
 - iv. Semi-skilled employees
 - v. Unskilled employees
- b. No
- c. Do not know

43. If yes (to #42), among the current employees who are not able to do their jobs at the required level, which, if any, of the following skills need to be improved? (SELECT ALL THAT APPLY)

- a. Literacy
- b. Numeracy
- c. Basic computer literacy / using IT
- d. Advanced IT or software skills
- e. Oral communication skills
- f. Written communication skills
- g. Customer services skills
- h. Team working (e.g. interacting with co-workers) skills
- i. Foreign language skills
- j. Problem solving skills
- k. Planning and organization skills
- l. Office administration skills (e.g. clerical duties)
- m. Other professional skills (common sense, work ethic, punctuality, appearance, manners, maturity)
- n. Specific technical skills

- o. Other (WRITE IN)
- p. Do not know (ALLOW SINGLE CODE ONLY)

44. If yes (to #42), the fact that some staff are not fully proficient causes the business to: (SELECT ALL THAT APPLY)

- a. Lose business or orders to competitors
- b. Delay or have difficulties developing new products or services
- c. Have difficulties meeting quality standards
- d. Experience increased operating costs
- e. Have difficulties introducing new working practices or technology
- f. Increase workload for other staff
- g. Outsource work/Using of contractors to fill shortages
- h. Withdraw from offering certain products or services altogether
- i. None
- j. Do not know

Recruitment Difficulties

45. In the last 12 months, has your company filled any vacant full-time or part-time positions?

- a. Yes
- b. No

46. How often are you able to find employees with adequate training and skills to perform their job?

- a. Always
- b. Most of the time
- c. Only sometimes
- d. Never
- e. Do not know

47. On average, how many weeks does it take to fill vacancies?

- a. Less than 4 weeks
- b. Between 1 month and 2 months
- c. More than two months
- d. Do not know

48. In your experience, could you please indicate the reasons why some positions are hard to fill? (SELECT ALL THAT APPLY)

- a. Too much competition from other employers
- b. Not enough people interested in doing this type of job
- c. Poor terms and conditions (e.g. pay, benefits) offered for post
- d. Low number of applicants with the required skills
- e. Low number of applicants with the required attitude, motivation or personality
- f. Low number of applicants generally
- g. Lack of work experience the company demands
- h. Lack of qualifications the company demands
- i. Poor career progression / lack of advancement opportunities
- j. Job entails shift work / unsociable hours
- k. Seasonal work
- l. Remote location / poor public transportation
- m. Other (WRITE IN)
- n. No particular reason (ALLOW SINGLE CODE ONLY)
- o. DO NOT READ OUT: Do not know (ALLOW SINGLE CODE ONLY)

49. What recruiting methods do you use? (SELECT ALL THAT APPLY)

- a. Government officials or local authority (municipality)
- b. National Employment Office
- c. Private employment agency
- d. Contacts with secondary schools, universities
- e. Contacts with technical or vocational schools
- f. Word of mouth/family, friend, or informal networks
- g. Newspaper advertisement
- h. Radio/TV advertisement
- i. Internet job search advertisement
- j. Street advertising (i.e. posting a notice)
- k. Other (WRITE-IN)

50. For those positions that prove *most difficult to fill*, please rate the importance of the following skills or characteristics in your employees:

(0=not sure, 1=not important, 2 = somewhat important, 3 = moderately important, 4 = important, 5 = critical?)

Skills	0	1	2	3	4	5
Literacy						
Numeracy						
Basic computer literacy / using IT						
Advanced IT or software skills						
Oral communication skills						
Written communication skills						
Customer services skills						
Team working (e.g. interacting with co-workers) skills						
Foreign language skills						
Problem solving skills						
Planning and organization skills						
Office administration skills (e.g. clerical duties)						
Manual dexterity						
Specialized technical skills						
Previous professional experience						
Soft skills (common sense, work ethic, punctuality, appearance, manners, maturity) ⁵⁵						

51. Is the salary negotiable at time of hiring?

- a. Yes
- b. No
- c. For some employees, not all

⁵⁵ Other soft skills: Willingness to work hard; Willingness to learn; Positive attitude; Conscientiousness; Emotional stability; Agreeableness; Extraversion; Leadership skills; Creative thinking; Ability to work independently; Time management; Decision making; Loyalty

- d. Do not know
- e. Refuse to answer

52. How many new employees does your firm plan to hire in the next 12 months?

Labor Categories	# full-time	# part-time
Managers		
Professionals		
Skilled employees		
Semi-skilled employees		
Unskilled employees		

Other Hiring Issues

53. Generally speaking, how often do you find that you need to look for job candidates who are not Lebanese nationals when making a hire?

- a. Very often
 - i. Managers
 - ii. Professionals
 - iii. Skilled employees
 - iv. Semi-skilled employees
 - v. Unskilled employees
- b. Somewhat often
 - i. Managers
 - ii. Professionals
 - iii. Skilled employees
 - iv. Semi-skilled employees
 - v. Unskilled employees
- c. Somewhat rarely
- d. Very rarely
- e. Do not know
- f. Refuse to answer

54. If hiring Syrian labor, what are the main issues facing your business as a result?

- a. We do not hire Syrian workers
- b. Legal concerns (i.e. work permit, residency)
- c. Disputes within the business between Lebanese and Syrian workers
- d. Perception within the local community
- e. Other (WRITE IN)
- f. No issues
- g. Do not know
- h. Refuse to answer

55. Do women face particular obstacles to work in your sector? (SELECT ALL THAT APPLY)

- a. Lack of opportunities
- b. Lack of family permission
- c. Lack of experience

- d. Lack of qualifications (education)
- e. Sector not appropriate for women
- f. Low salaries
- g. Lack of connections
- h. Do not know
- i. Refuse to answer

56. What are the obstacles youth face to work in your sector? (SELECT ALL THAT APPLY)

- a. Lack of opportunities
- b. Lack of experience
- c. Lack of qualifications (education)
- d. Low salaries
- e. Lack of connections
- f. Do not know
- g. Refuse to answer

WORKFORCE DEVELOPMENT

57. For those workers not fully qualified for the job, have you taken any steps in the last 12 months to improve the proficiency or skills of these staff?

- a. Yes (SELECT ALL THAT APPLY)
 - i. Increased supervision
 - ii. Helped staff learn through watching others perform their job roles
 - iii. Provided internal training opportunities* (orientation, skills upgrading)
 - iv. Provided external training opportunities through another firm or organization (paid or unpaid)
 - v. Other (WRITE-IN)
 - vi. DO NOT READ OUT: Do not know (ALLOW SINGLE CODE ONLY)
- b. No, but plan to
- c. No
- d. Do not know

*[*Any off-the-job training or development for employees at this site, meaning training away from the individual's immediate work position, whether on your premises or elsewhere. These are activities that would be recognized as training by the staff, and not the sort of learning by experience which could take place all the time.]*

58. If the business has offered some kind of training (internally or externally), how many of your staff have participated in the training in the last 12 months?

Labor Categories	# of men	# of women
Managers		
Professionals		
Skilled employees		
Semi-skilled employees		
Unskilled employees		

59. On average, how much training per employee?

- a. Less than a day
- b. 1 to 5 days
- c. More than 1 week
- d. Do not know

60. What kinds of skills are targeted through training offered to employees? (SELECT ALL THAT APPLY)

- a. Literacy
- b. Numeracy
- c. Basic computer literacy / using IT
- d. Advanced IT or software skills
- e. Oral communication skills
- f. Written communication skills
- g. Customer services skills
- h. Team working (e.g. interacting with co-workers) skills
- i. Foreign language skills
- j. Problem solving skills
- k. Planning and organization skills
- l. Office administration skills (e.g. clerical duties)
- m. Specialized technical skills
- n. Soft skills (common sense, work ethic, punctuality, appearance, manners, maturity)

- o. Other (WRITE-IN)

61. Who is eligible for the training offered to employees? (SELECT ALL THAT APPLY)

- a. Managers
- b. Professionals
- c. Skilled employees
- d. Semi-skilled employees
- e. Unskilled employees
- f. All employees
- g. New employees
- h. Employees (skilled or unskilled) selected by a supervisor
- i. Other (WRITE-IN)

62. If no training has been offered to employees, why? (SELECT ALL THAT APPLY)

- a. No training available in relevant subject area
- b. The relevant courses are not available locally
- c. The quality of the courses or providers locally is not satisfactory
- d. Difficult to get information about the courses available locally
- e. The start dates or times of the courses are inconvenient
- f. No money available for training
- g. External courses are too expensive
- h. Managers have lacked the time to organize training
- i. Employees are too busy to give training
- j. Employees are too busy to undertake training and development
- k. Employees are not interested in attending training
- l. Training is not considered to be a priority for the establishment
- m. Trained staff will be poached by other employers
- n. Other (WRITE-IN)
- o. No particular reason (ALLOW SINGLE CODE ONLY)

63. How much interest would you have in receiving training assistance for your employees?

- a. Very interested
 - i. During regular business hours?
 - 1. Yes
 - 2. Maybe
 - 3. No
 - 4. Do not know
- b. Somewhat interested
 - i. During regular business hours?
 - 1. Yes
 - 2. Maybe
 - 3. No
 - 4. Do not know
- c. Not very interested
- d. Not interested at all