



SME Market Overview

Lebanon

February 2016

Key Topics

- Business Climate Assessment – Akkar
- SMEs in ML & Beirut:
 - Overview
 - Methodology
 - Data Analysis
 - Conclusions & Recommendations



Akkar Assessment:

Methodology

- Mixed methods
- Qualitative
- Quantitative
- Sampling Approach
- Limitations of the survey

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

Akkar Assessment:

Firmographics

- Sectors: **74.4%** in non-automotive retail sector
- Customers: **99.5%** sell to individuals or households
- Reach: **86.7%** operate in the local town
- Average number of employees: **2.5**
- Size: **1.3%** employ **>10** (medium-sized)
- 17% are registered with MoF
- Gender of interviewees: **78.4%** men
- Age distribution: 40-59, **29%** - <20, **5%**
- Employees' turnover rate: **16.8%**

Akkar Assessment:

Access to Finance & Demand for Labor

- Self-financing: **72%**
- Loans from friends: **14.4%** - from banks: **7.5%**
- Demand for credit: **18%** have previously used loans (68)
- >10k: **34%** - Between 5k & 10K: **32%**
- Fixed assets: **77%** - a major need for repeat loans: **85.5%**
- **13.3%** hired a new employee last year
- Hiring Women: Sector inappropriate for women: **22%**
- Expected demand for labor: **12.3%** are planning to hire next year
- **41%** (155) are interested in offering training for their staff

Akkar Assessment: Recommendations

- **Akkar Employers Need Business Skills Training**
- **Entrepreneurship Support Should Be Channeled in Certain Promising Sectors**
- **Job Referrals Must Be Carefully Marketed to Businesses**
- **Coordinate with Existing BDS providers**
- **Accelerate outreach to private and public sectors**

SMEs in ML & Beirut

Overview
Methodology
Data Analysis
Conclusions &
Recommendations



Naim Baddath owns a tailoring company that provides uniforms for other businesses. Despite having run his company for over 50 years, Naim believes that he can benefit from training on financial management.

Overview

- Context
 - Growing recognition of the need for more durable solutions addressing how the Syrian crisis has affected Lebanon
 - Broader SME strategies establish need for better information
 - Focus can extend to micro and smaller enterprises
- Objectives
 - Snapshot of needs, challenges and constraints of MSMEs in Beirut and Mount Lebanon
 - Highlight the potential opportunity of MSME development to advance economic recovery and decent work for all.
 - IRC's needs

Methodology

- Partnership with Building Markets to combine technical experience and external eye with IRC and stakeholder knowledge of context.
- Desk Research
 - Regulatory framework, existing stakeholder information, global best practices
- Development of survey and other tools
- Field visit of Building Markets
 - 29 semi-structured interviews with MSMEs
 - Range of small to medium enterprises identified by IRC, partners, Chamber of Commerce lists
 - 17 Key Informant Interviews (KIIs) with buyers and other economic stakeholders
- SMEs' definition as used by CCIABML

Firmographics

- Size: **10** Median number of employees
- Age of businesses: **51%** over 20 years old
- Ownership: **55%** family owned
- Registration: **90%** registered with an authority
- Employment: **75%** employ non-Lebanese
- Admin & Finance: the **majority** lack both departments
- Access to Finance: **66%** have secured loans from banks
- Business Plan: **72%** lack a formal business plan
- Procurement: **56%** looked for bidding opportunities

Key Findings

- Not always consensus on MSME needs
- MSMEs indicated a potential need for support on business planning, customer service, sales and marketing and financial management.
- Business training can be improved to be contextualized, provide follow on support
- Lack of centralized information and access

Perceptions of Businesses

- Despite impact of crisis and competition, many businesses see themselves as stable with few dramatic shifts upcoming
- Enterprises operate as best as possible despite a lack of clear market information
- Constraints: Competition from local businesses, availability of skilled labor, Infrastructure
- Business Culture: Family first

Perceptions of Stakeholders

- Significant discrepancy between MSMEs & Stakeholders' perceptions:
- Regulation, bureaucracy & taxes
- Access to finance
- Procurement
- Business Development Services
- Training needs

Recommendations

Reliable Information on MSMEs

- Cause: lack of centralized information and lack of trust
- Impact: buyers have low visibility of market, procurement opportunities are limited,
- Potential solution
 - In partnership with GoL or an intermediary organization, establish a process to collect baseline data on local businesses – through verification.

Recommendations

Narrowing Information Asymmetries

- Cause: lack of resources or tools that allow for information sharing
- Impact: businesses don't understand financing options, dialogue doesn't produce access to finance for MSMEs that responds to their needs.
- Potential Solution:
 - Centralized & accessible online resource on training opportunities, financing options, market information & analysis, business development resources.
 - CCIAs

Recommendations

Building Capacities

- Cause: lack of perceived need, MSMEs do not understand the requirements of buyers, language barriers
- Impact: informal MSME market that does not expand, missed opportunities
- Potential Solutions:
 - Targeted training and mentorship
 - B2B mentorship
 - Access to public procurement

Recommendations

MSME Support Programs

- Build on existing efforts, develop targeted resources and mentorship
- Expand focus on micro and smaller enterprises, particularly for training
- Create links to existing providers and actors, and improve delivery standards and flexibility of approaches
- Access to finance or capital with due diligence and business planning
- Facilitate sharing of information and private-public connections

Thank you.