



Private sector engagement lessons learnt workshop report

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The private sector plays a critical role in fostering local economic development and providing job opportunities to host and refugee communities in Lebanon. As key drivers of inclusive and sustainable growth, businesses deliver indispensable goods and services while providing crucially-needed employment opportunities. Recognizing that the experience and resources that the private sector can bring to development are indispensable to the success of the crisis response in Lebanon, the livelihoods sector has designed, under the LCRP 2017-2020, an ambitious strategy aimed at strengthening existing linkages and mutual support channels between development partners and local businesses.

While the focus of the livelihoods strategy is to support small businesses' development and capacity to foster job creation in vulnerable areas, partners also recognize the need to work with the private sector not only as a beneficiary but also as a partner within all components of the sector's strategy (including skills training, decent work conditions, or labour intensive programming). Gradually building bridges, partnership and communication channels with private sector entities will not only be key to livelihoods but also to the LCRP overall objective to reinforce Lebanon's stability and resilience in the years to come.

As a first step to achieve this ambitious objective, the livelihoods sector organized a private sector engagement workshop in Beirut on 22nd June 2017. This event constituted an unprecedented opportunity to explore new and innovative channels to promote and support businesses' increased engagement in the next four-year strategy.

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Background

Providing dedicated support to Micro, Small and Medium Enterprises (MSMEs) has been a key component of the livelihoods sector strategy since the onset of the Syria crisis. Overall, 1,355 local businesses were supported through in-kind/cash grants and technology transfers since 2015, representing over 3.1m USD in financial support.

Over the years, livelihoods partners have accumulated significant experience and knowledge in the design and implementation of MSMEs support programmes. In order to take stock of best practices and lessons learnt, a SME support tracking exercise was launched in late 2016 in order to collect and consolidate data on past and present business development interventions throughout the country.

In parallel, a private sector engagement mapping initiative was launched by MoSA to assess the support provided so far to MSMEs and value chains by LCRP partners and scale up their collaboration. Overall, 1,055 engagements of private sector in livelihood programming were reported by partners under three main categories (service provision, exchange of information and engagement in design & implementation). The key objective, beyond information sharing, was to enhance the design of activities and install recommendations to improve the private sector engagement for more impactful livelihoods programming.

In order to bring the process further, the livelihoods core group decided that the immediate way forward was to organize a national workshop regrouping representatives from relevant line ministries as well as UN and NGO partners.

This document presents the output and conclusion of the workshop as well as recommended next steps for the livelihoods sector.

Objective & rationale

Considering partners' high level of interest for future programming on MSME support, reflecting a broader focus on economic opportunities and jobs following the 2017 Brussels conference, the sector decided to organize a lessons learnt workshop to guide future programming in the area and foster collaboration between the private sector and development partners. The three main objectives of the workshop were to:

1. Take stock of lessons learnt/best practices from past livelihoods interventions to guide future programming under the LCRP 2017-2020.
2. Facilitate exchange of experience between partners.
3. Strengthen existing linkages with the private sector and identify opportunities for future collaboration.

In order to help structure the discussion, the four below topics were prioritized:

- 1) Private sector engagement in bridging the gap between the demand and supply side of labor.
- 2) Access to market for MSMEs, especially in vulnerable areas.
- 3) The role of corporate social responsibility and social entrepreneurship.
- 4) Private sector engagement model and way forward.

Each group discussion was facilitated by a member of the livelihoods core group with direct experience on the topic. Guiding questions were prepared ahead of the workshop with the support of core group members. The ultimate objective of this event was to jointly agree on a common framework for collaboration, paving the way for a sustainable and inclusive partnership between private sector representatives, relevant line ministries and development partners in Lebanon.



Topic 1 - Private sector engagement in bridging the gap between demand & supply side of labor

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Rapporteur: William Barakat, UNDP BML

Key findings and takeaways

- General agreement on the low level of engagement with the private sector both at the programmatic, structural and institutional levels, emphasizing the need to:
- Increase our support to local businesses (through coaching, training, investment, ...) to develop longer-term partnerships for increased profitability and productivity.
- Developing MoUs to provide a more structured, efficient & relevant framework for collaboration among stakeholders (notably between the Chambers of commerce and MoET).

I- Engagement of the private sector in skills training programmes

Partners have used various complementary mechanisms to engage the private sector in their respective skills training programmes.

a. Market needs assessments

Consulting companies on their specific needs, challenges and expectations (under the scope of a market assessment) has been identified as a successful means of involving them as potential partners under the crisis response. Interviews with HR departments have been conducted by livelihoods partners to collect information on their specific requirements, selection process and challenges. Identified priority needs have been later addressed with the double objective of filling existing gaps and of preventing possible duplications based on the market “absorption” capacity. In addition to ensuring the relevance of partners’ programming, this approach has also provided them with the opportunity to build a strong network of companies in which to place trainees and job seekers (depending on existing opportunities).

An interesting illustration is provided by ShareQ NGO, who interviewed around 100 Lebanese companies (i.e. Liban Post ...) to better understand their constraints and expectations. The NGO adjusted the content of its programmes accordingly and combined the provision of technical training, psycho-social services and follow-up support. This pragmatic approach proved very successful, notably in increasing staff involvement and retention.

In some cases, organizations (such as GIZ) have relied on partnering schools to conduct market needs assessments, with the objective of enabling them to tailor their courses to match the geographical / sectoral specificities of the local market.

Evidence suggests that market needs assessments should have a limited geographical scope to be truly useful and relevant. Recent reports (including LEADERS’s skills gap analysis) highlighted important geographical discrepancies across sectors throughout Lebanon, calling for the development of region/ sector-specific assessments. Partners are therefore encouraged to conduct several complementary assessments if they plan on intervening in various areas across Lebanon.

As a reminder, nano and micro-businesses can greatly benefit from reliable and up-to-date market data and assessments. In Lebanon, up to 90% of Lebanese companies are estimated to be family-owned and therefore characterized by structural and technical limitations. Providing them with



valuable information on the labour market can be critical in enhancing their productivity / profitability and in raising their interest in taking a more active role under the crisis response.

b. Beneficiaries' selection, evaluation and certification

Involving the private sector in the selection of beneficiaries can be another useful means of engaging them in the implementation of skills trainings programmes.

Under the scope of LEADERS' programme, pre-enrollment tests are conducted during which businesses are provided with the opportunity to supervise the selection process of future trainees.

In parallel, GIZ is exploring the possibility of involving businesses in the certification process itself to build their trust in the quality of trainings, with positive expected outcomes in terms of job placement. Considering the limited number of partners implementing such innovative approaches, the sector encourages agencies to test these practices as a way to deepen their collaboration with the private sector.

c. Design of training curricula

A limited number of partners are currently involving the private sector in the design/drafting of skills trainings curricula. Evidence suggests that engaging businesses from an early stage in the programme cycle increases the chance for trainees to be offered internships/on-the-job trainings or to be placed into jobs.

For instance, Mercy Corps managed to develop strong partnerships with numerous Lebanese businesses (such as Roadster Dinner and others) by customizing its training curricula to match their specific needs and expectations. These consultations contributed to very high job placement rates (reaching 25% to 50%), showing the relevance of this pragmatic approach.

Another telling example concerns AVSI, who shifted its approach from a curricula design involving primarily the Ministry of Agriculture to a process centered on businesses themselves, with very positive results in terms of job placement. Building on this success, AVSI is currently exploring the possibility of supporting specific teams/departments within identified companies next year to facilitate the creation of job opportunities for its beneficiaries.

To minimize dropouts, both market needs and beneficiaries' preferences should be taken into consideration in the design of training curricula. If target beneficiaries are highly vulnerable individuals, combining the provision of technical and soft/life skills has been associated with higher job placement rates. In specific fields, such as secretarial or computer trainings, offering pre-enrollment English classes may contribute to building trainees comparative advantages on the labour market.

d. Developing skills of business managers: Technical and innovation support to businesses to increase their competitiveness

To address the quickly evolving needs of the Lebanese economy and provide companies with crucially-needed support to boost their innovation capacities, partners are increasingly focusing on enhancing their beneficiaries' digital skills. This was quite successful across many economic sectors to bridging the gap between the demand and supply side of labour. For example, under the scope of the innovation lab initiative, UNICEF conducted a digital needs assessment of Lebanese businesses' (webdesign, photoshop...) and tailored its training curricula to fill the most critical gaps identified on the labor market.

More generally, the provision of technical expertise and BDS services (including coaching/ mentoring) can constitute powerful incentives to engage businesses as partners under the crisis response, not least because they target "middle management" positions which are at the core of business growth



and expansion. Nevertheless, highlighting the tangible benefits of such support in terms of increased productivity and profitability is often necessary when targeting nano and micro enterprises.

e. Provision of financial support to companies in exchange for support on skills development

Engaging the private sector as partner can also generate mutual financial benefits through co-funding schemes in which supported businesses pay for trainees' certification (GIZ) or for business development services (World Bank) while development partners provide in-kind or cash grants.

Under the scope of its INTAJ/FORSA programmes, Mercy Corps has developed an innovative approach in which financial support is conditioned to job placement schemes. In the first phase, a call for proposals is launched which targets companies with existing in-house training curricula. The proposals are reviewed by an ad-hoc committee and MoUs are signed with selected companies to clarify each party's roles and responsibilities. The company, as a service provider, is granted financial support to deliver technical trainings to its staff as well as external beneficiaries referred by Mercy Corps. The final payment is conditioned to the recruitment of a pre-determined percentage of trainees to ensure some level of commitment from the business. This mechanism was successfully used with a number of companies (including a well-known Lebanese aluminum factory).

II- Ensuring that trainees have the necessary skills to successfully meet private sector requirements

Career guidance and job placement services are frequently offered to job seekers and trainees to increase their chances to match market requirements and/or directly access livelihoods opportunities through self-employment.

Several organizations, including ACTED, target specific groups of highly vulnerable individuals to expand their direct access to livelihoods opportunities (with a focus on women and youth). These individuals are provided with internships, apprenticeships, on-the-job trainings and career guidance services. Following the same logic, Al Majmoua developed a strategic partnership with Artisans du Liban to train vulnerable women to produce Syrian embroidery, with positive results on their livelihoods.

Improving the content, modalities and quality of skills trainings programmes (including non-formal ones) would be a critical step in ensuring trainees are provided with valuable skills. Developing guidelines or Standard Operating Procedures (SOPs) would be very helpful to achieve this particular objective, but enabling a higher number of partners to deliver official certified trainings would have the most positive impact in terms of revalorizing these alternative educational pathways.

More broadly, partners consider that involving the private sector in certification schemes would be very beneficial to build trust and confidence in the quality/relevance of market-based skills trainings in Lebanon. A few partners, like GIZ, are pioneering this approach in partnership with the Ministry of Education and Higher Education (MEHE). They are setting up a double-accreditation system in which trainees' theoretical knowledge will be assessed in partner schools while their practical knowledge will be certified by supported businesses.

Establishing an efficient and performant M&E system is also critical in building and assessing the capacities of trainees over the entire duration of a course or module:

- Most partners, including LEADERS, GIZ and Youth for Development, have established strong follow-up support mechanisms to monitor the retention rate of beneficiaries within supported companies. Setting up such systems requires a significant level of investment from partners, both in terms of time and financial resources, but can significantly contribute to building companies' trust and to improving skills training curricula to fill identified gaps.



- Partners generally proceed by calling employers and employees to identify challenges and suggest possible ways in which to address them. If the mitigation measures are not successful and the newly-employed staff leaves, companies are offered the possibility of accepting other trainees to ensure the company's operations are not discontinued. In terms of duration, partners' follow-up can vary quite extensively, from a few weeks to 6 months on average (and up to 2 year in some organizations like Mercy Corps). In general, ensuring a 5 to 6 month follow-up is critical in order to reach a satisfactory retention rate.
- Tracer studies, which are rarely conducted by partners in Lebanon, should target both employers and employees to assess their respective level of satisfaction and therefore the long-term success of job placements. Some partners, such as Mercy Corps, have brought this process further by developing very efficient tracking tools to not only monitor job retention itself but companies' increased turnover, productivity and profitability in order to provide more efficient support services.
- Partners outlined that in many foreign countries, including France, Brazil or Chili, specific entities have been established to follow up on newly recruited staff following job placements. The possibility of replicating this model in Lebanon should be explored.

III- Ensuring companies hosting interns/trainees comply with Lebanese laws and regulations pertaining to decent work

Several partners reported that prejudice and discrimination have been identified as major issues for trainees in some companies. Nevertheless, perceptions tend to vary quite extensively on the ground. If a few Lebanese entrepreneurs have indeed refused to accept Syrian beneficiaries, others, mainly in the Bekaa, have been more willing to bring in Syrians due to their reputation of reliable/hard workers.

Another critical challenge is the risk of exploitation and abuse faced by Syrian trainees/job seekers. In general, businesses also do not pay minimum wages to their staff, except for seasonal jobs (i.e. restaurant/ hotels during the summer season).

In order to establish safeguards, partners recommend to prioritize during the outreach process companies which comply with decent work laws/regulations and to sign MoUs with them.

Important steps have been taken by several agencies to prevent exploitative working conditions. For instance, LEADERS adopted concrete measures and safeguards to prevent abuse in the workplace, not least by refusing to place its trainees in farms/fields in specific geographical areas where the chance of abuse are particularly high (including in the Bekaa).

Decent work conditions are closely linked to the nature/type of the positions created/ maintained within supported businesses. Encouraging the development of middle management positions, which are crucially needed in Lebanon, could be a very efficient way of promoting decent work conditions while efficiently supporting local economic development. Middle managers are better qualified, have more time to engage in capacity building/ mentoring/ coaching sessions and play a critical role in monitoring work conditions.

Conditioning the provision of financial/non-financial support to businesses' compliance with Lebanese laws and regulations (through the development of MoUs notably) can also prevent abuse in the workplace.

IV- Private sector stakeholders engaged in skills training and employability programmes



a. Selection and prioritization of companies

Partners' selection is based upon a series of qualitative and quantitative criteria, including:

- The economic sectors in which these businesses operate;
- The specific characteristics of the local/regional labour market(s);
- Companies' level of interest, motivation and commitment (preferably secured through the development of MoUs);
- Their anticipated job creation capacities;
- Their human resources policies and compliance with Lebanese laws and regulations (with regards to decent work, occupational health...).

As previously mentioned, some partners (including Mercy Corps) have developed an extensive selection process involving a call for proposals, a review of businesses' applications by a selection committee and the subsequent conclusion of MoUs clarifying each party's expected role, missions and targets. This could be mainstreamed within the sector to allow us to better bridge the gap between the demand and supply side of labour.

b. Engaging other key stakeholders at the institutional level (Syndicates, Business associations, Chambers of Commerce...)

At the institutional level, a very limited number of partners have engaged the private sector so far. Among them, GIZ and UNDP have developed successful partnerships with local Chambers of Commerce and ILO has collaborated quite actively with the Ministry of Labor and its National Employment Office. Further engaging these entities/institutions in the work of the sector would undeniably bear fruits and contribute to reducing the gap between the demand and supply side of labour.

This could be achieved by establishing a dedicated platform with representatives of the GoL, the private sector and development partners to fuel the ongoing reflection on possible ways in which to deepen our collaboration and agree on a set of strategic priorities in the years to come. Setting up a high-level committee would also constitute an unprecedented opportunity to involve important stakeholders whose engagement with the sector has been quite limited so far (including business associations or syndicates).

At the programmatic level, MoUs should be more systematically signed with large corporations (Touch, Alpha, Aramex...) and institutions to provide a more structured framework for collaboration and facilitate the inclusion of highly vulnerable groups on the Lebanese labor market (i.e. this approach was successfully piloted by ShareQ NGO for people with disabilities). A list of focal points could be identified within these entities to be later shared with all partners.

Another recommendation would be for line Ministries to create regional desks or units (organized by clusters or sectors) to provide small, medium and large-sized enterprises with dedicated support to accompany their development on the regional, national and international markets. Their services should be offered free-of-charge to be accessible to the highest possible number of beneficiaries (to offer an alternative to the paid services currently provided by local Chambers of commerce).

Key conclusions and recommendations

The role of Private sector engagement in bridging the gap between the demand and supply side of labour has remained quite limited so far both at the programmatic, systemic and institutional levels.



- ✓ At the micro-level, very few partners have involved businesses in the design of skills training curricula but more have been willing to engage them as service providers.
- ✓ Providing technical expertise, BDS, coaching and mentoring services for at least 6 months is key in providing Lebanese MSMEs with the means to grow and expand. This could be achieved by identifying specific focal points within supported companies, preferably middle managers, to build their capacities for increased profitability and productivity. Going beyond the provision of financial/material support is key in enabling nano and micro enterprises to expand their access to the market and to better business opportunities.
- ✓ At the macro-level, the development of MoUs between key stakeholders (including line Ministries, Chambers, businesses and development partners) should be encouraged. MoUs provide a clear framework for collaboration by defining each party's expected role and contribution. They have been successfully used by numerous partners in order to condition the provision of financial support to job placement schemes. In the longer-term, they could support the development of co-funding mechanisms to notably enable businesses to fund trainees' certification (as planned by GIZ under the scope of its TVET programme).

Various successful mechanisms have been set up by partners to ensure the sustainability and relevance of jobs created within targeted companies, including by:

- ✓ Providing systematic follow-up support to address emerging challenges and issues and ensure a satisfactory retention rate.
- ✓ Conducting local assessments to identify and address priority needs and challenges;
- ✓ Ensuring a sound selection process of Lebanese businesses, service providers and trainees to bolster a high level of commitment, professionalism and motivation from all involved parties.
- ✓ Developing MoUs or signed agreements with businesses to define each party's expected contribution (i.e. Mercy Corps signed MoUs with companies to secure a 25% job placement rate).
- ✓ Influencing companies' recruitment/human resources policies to ensure competency and merit increasingly drive recruitments instead of religious/political affiliations.
- ✓ Combining the provision of financial and technical incentives to provide crucially-needed support to businesses for increased productivity /profitability, with positive results on their job creation capacities (i.e. grants should systematically be combined with technical assistance/ BDS/ coaching services).
- ✓ Developing a sound network of small, medium and large-scale companies in which trainees can ultimately be placed (through rosters, video or radio ads, etc.). Evidence suggests that increasing programmes' visibility/outreach has yielded positive results in attracting new training providers and high potential beneficiaries (i.e. Mercy Corps INTAJ project).



Topic 2 - Access to market for MSMEs, especially in vulnerable areas

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At participants' request, the main concepts referred to in the 2nd group discussion were briefly defined.

Access to market: any kind of outreach activity to secure suppliers or new customer types. This could be achieved by either a geographic expansion, a product-centric expansion or a diversification of marketing efforts. As such, the challenges, strategies and tactics / techniques should be approached under the above definition.

MSMEs: both registered and unregistered companies. Nano enterprises are below 4 employees, below LBP 50mn annual turnover. Micro-enterprises are below 10 employees, below LBP 500mn annual turnover. SMEs are between 10 and 100 employees, LBP 500Mn to 25Bn annual turnover (Small: less than LBP 5 billion and less than 50 employees. Medium: less than LBP 25 billion and less than 100 employees).

Key findings and takeaways

- Strong availability of resources to support MSMEs (notably through online marketing tools, BDS, trainings...). The main challenge for vulnerable entrepreneurs is the accessibility of market and services rather than availability itself.
- Improving market access implies to refine our knowledge of consumers' preference (which is a time-consuming & costly process involving notably the utilization of regular field surveys).
- Recommended priorities outline the need to: 1) identify and develop strategic value chains & niche markets (through brand differentiation, certification...); 2) provide technical expertise to improve the quality/marketing/branding of strategic products; 3) deepen the collaboration between the Government of Lebanon and the private sector to develop/implement an efficient export strategy.

I- Supporting MSMEs to access the Lebanese market

a. Provision of technical, material, financial support and business development services

Businesses are being supported to access the Lebanese labor market through the provision of technical, material and financial services. This support, which notably includes the provision of trainings, equipment as well as in-kind and cash grants, predominantly benefits micro and small businesses located in highly vulnerable urban and rural areas.

A broad range of BDS services (including business coaching, mentoring and matching grants) are offered to local companies to accompany their growth which materializes in the provision of specialized services & follow-up support mechanisms. A limited number of partners currently offer such services within the sector (less than 8).

b. Support to strategic value chains

A few partners support the development of strategic value chains through 3-5 year projects focusing on high priority sectors, including agro-food (ILO, UNDP...), solid waste management (Mercy Corps), handicrafts (Al Majmoua) and furniture production (UNIDO). Their main objective is to expand businesses' market access in strategic sectors and prioritize highly marketable niche products (including honey, oregano, green wheat, shanklish...). Other organizations prioritize specific geographical areas based on their competitive advantages (i.e. dairy production in the Bekaa) and



expand companies' access to local markets, before supporting their regional and international expansion.

II- **Engagement of Government institutions and other stakeholders** (Chambers of commerce, business associations, syndicates and trade unions)

The level of engagement of public institutions, as well as their respective role and contributions in private sector engagement, have varied quite extensively since the onset of the crisis. Overall, government institutions have primarily supported larger firms expand and access new export markets. **Line ministries** (including MoSA, MoET and Ministry of Industry) have provided dedicated support, guidance and advice to Lebanese businesses.

- MoSA, as the Ministry in charge of coordinating the LCRP and of leading the livelihoods sector, has played a critical role in providing strategic guidance to partners. To refine its strategy, the Ministry is currently designing a new socio-economic development plan based a comprehensive review of existing labour market assessments.
- In addition to co-leading the livelihoods sector, MoET is actively involved in supporting Lebanese SMEs by creating an enabling environment conducive to the growth and development of businesses, with the long-term objective of transforming the country into a high value-added, highly skilled, innovative economy based on a thriving enterprise sector. Under its SME Strategy and Action Plan, MoET has provided strategic guidance to partners and entrepreneurs through the organization of round-table discussions and events, the publication of business guides ("*What's in for SMEs in Lebanon*") and the envisaged creation of an online market information-sharing portal targeting entrepreneurs and job seekers. MoET is also exploring the possibility of setting up a pool fund to support MSMEs development and expansion to improve the traceability & quality of products (through standardization/certification procedures).
- MoIND has been involved in the creation of industrial legislative bases and frames and the development of industrial production and economic industrial zones, with the support of UNIDO. In addition, the Ministry has facilitated the registration/formalization of numerous businesses.

Unfortunately, many MSMEs are not proactively seeking support and remain roughly unaware of the aforementioned services, calling for the need to develop better outreach/dissemination strategies to democratize their access in the coming months and years.

- **Chambers of Commerce:** strategic partnerships between sector partners (ACTED, UNDP...) and local Chambers of commerce have taken time to materialize but have been quite successful so far. The services provided by CCIA are useful (including office space rental, market data analysis, commercial support services, etc.) but remain largely unknown to Lebanese businesses due to a lack of communication/outreach. The Chamber located in Zahle has been identified as particularly active and supportive (notably thanks to the regular registration/networking events it organizes). One of the main identified challenges is the fact that Chambers of Commerce can easily become very politicized.
- **Business associations / syndicates:** have not been genuinely involved as partners in the crisis response so far. Engaging these important players could improve the relevance and quality of our support to specific sectors, expand the size of our network and improve the effectiveness of our decent work strategies.
- **Investment Development Agency (IDAL)** has contributed to expanding local producers' access to foreign markets, notably through the regular publication of factbooks on high potential economic sectors (agro-food, industry, ICT, tourism...).



- **Municipalities** have played a more limited role so far in supporting local business development, mainly by facilitating collaboration with cooperatives, the access to public markets and the provision of commercial lands. This is directly attributable to a lack of human/financial resources (as well as a gap in market information at the micro level). A recommendation would be for municipalities to build a stronger budget autonomy by raising local taxes in order to be able to fund a series of complementary business services.

III- Main constraints to market expansion

a. Business capacity gaps

Limited technical and managerial abilities are the main identified constraints to small businesses' expansion. Going beyond the provision of financial and material support by offering technical assistance and coaching services is therefore fundamental to address these critical capacity gaps.

Since business owners are not always aware of the issues they are facing, efforts should be made by consultants and coaches to build trust in order to guarantee buy-in and smooth implementation of activities. Technical assistance in the form of traditional business consulting can bring an added value in terms of market analysis, business planning and networking. The possibility of developing peer-to-peer coaching/learning within the business community (which has not been done so far) should be further explored by the sector to promote economic growth and expansion. Larger and more established enterprises can be supported by more traditional private sector service providers. Nevertheless, their services tend to be expensive which makes the cost per beneficiary enterprise quite high and therefore limits the number of partners who can rely on such systems.

b. Quality & brand differentiation

To successfully expand market opportunities for MSMEs, a particular focus should be made on quality insurance and brand differentiation (through labeling and certification processes notably). It is particularly true concerning specific types of exportable products, including in the dairy industry (where certification is mandatory). Partners should remain aware that specific constraints, linked to the specificities of the Lebanese context, can prevent certification in some cases (i.e. Mercy Corps launched a pilot project to support women cooperatives produce organic food, which later failed due to the inadequacy of the land for organic production).

Few brand differentiation strategies have been developed so far in Lebanon, despite their obvious marketing potential. Initiatives such as the "Made in the Bekaa" campaign, launched with the support of the Chamber of commerce of Zahle, played a critical role not only in valorizing local products but also in expanding business networks of possible buyers and suppliers. The ultimate success of such strategies relies on customers' willingness to engage in ethical consumerism, calling for the need for education, awareness-raising and advocacy campaigns.

c. High levels of informality

Evidence suggests that up to 70% of Lebanese businesses could be informal. The high level of informality, coupled with many agencies' obligation to work exclusively with registered businesses, makes it difficult for partners to operate in the Lebanese environment. The lack of information and incentives to register as well as the complexity of the formalization process itself constitute overarching constraints to market access, both nationally (supermarkets) and internationally (it prevents any access to Chambers of commerce and any tangible possibility of exporting merchandises). Creating a "registration support package" and providing strong incentives for formalization (by facilitating access to finance, low-interest loans, etc.) could encourage small entrepreneurs to engage in this process.



d. Public procurement regulations

Another major constraint to market access concerns public procurement regulations. Under Lebanese law, businesses can only purchase one big plot of land that cannot be divided, which in practice constitutes a major burden for small businesses which do not have the financial means to meet these requirements. Reforming procurement regulations appears necessary in order to expand small companies access to commercial lease/property in Lebanon.

IV- What strategic approaches should be used/prioritized to expand the access to the Lebanese market for MSMEs?

Partners have identified a series of useful technics to accompany the development of Lebanese companies, with a focus on nano, micro and small registered and unregistered businesses.

a. Developing a strong business network

Selecting partners with strong local networks is key in expanding market access, especially in vulnerable areas. This approach was pioneered by Mercy Corps with positive outcomes on its networking and outreach capacities. In parallel, maintaining strong linkages with local companies plays a crucial role in building trust, keeping track of market evolutions and addressing key needs and priorities.

b. Market needs assessments & analysis

Numerous national/regional market needs assessments have been conducted by the sector to monitor the market's most prominent features and evolution trends, with positive impact on the quality and relevance on its interventions. Evidence suggests that labour market assessments should be region/sector specific and primarily conducted by local entities (including field offices) rather than external consultants (the former are more aware of regional dynamics).

Conducting complementary perception surveys may also contribute to filling information gaps by allowing the sector to keep track of (and even anticipate) consumers' preferences.

Regular business consultations, which have remained quite limited so far due to their duration and cost, can provide partners with a more in-depth understanding of businesses' needs and priorities. An interesting illustration was recently provided by Beyond NGO who managed to reach over 5,000 MSMEs in the North and Bekaa with the support of universities and technical institutes. Based on the main findings, the team adjusted its curricula to fill urgent market needs and set up a job matching tool between local companies and students.

c. BDS & Capacity building

Partners should prioritize the provision of technical support (through BDS/business consultants) to the distribution of grants and equipment. Evidence suggests that the lack of technical knowledge and expertise is indeed the main identified constraint to market access for nano and micro-businesses in Lebanon. Many business owner do not have a high level of education and lack the technical skills needed to become successful entrepreneurs. In this context, BDS services are critical in addressing these gaps and in providing small businesses with the means to understand and take advantage of labour market opportunities. In parallel, a particular focus should be made on developing beneficiaries' soft and inter-personal skills which are in high demand in various sectors and play a significant role in improving customer services (i.e. restaurants or shops).

Partners outlined the important of providing marketing/branding services to MSMEs (including online/ interactive advertising) in order to enhance their products' attractivity & appeal and promote



technological innovation and diversification. To maximize impact, the production, marketing and export strategies of supported companies should be fully aligned.

d. Prioritizing strategic economic sectors & niche products

Supporting the identification/development of **strategic value chains** and **niche products** has been identified as a key priority to expand market access in vulnerable areas.

Prioritizing key players in **high-potential sectors** can be very successful in boosting their market access and export capacities. This pragmatic approach is being tested in the honey cluster with positive spillover effects on the entire industry (including smaller producers).

In the agro-food sector, ACTED recently piloted an initiative to support the development of niche products in poor areas, which positively impacted local economic development. The production of handicrafts and embroidery can also offer interesting prospects. In this sector, linking university students with designers and traditional handicrafts producers could boost innovation and create new livelihoods opportunities for vulnerable Lebanese and Syrians women in particular.

In parallel, the need to mitigate the adverse environmental consequences of the crisis generates opportunities in other sectors, such as renewable energy or in solid waste management (i.e. Mercy Corps is building the solid waste management capacities of municipalities in the Bekaa). Similarly, the sectors which will play a critical role in the reconstruction of Syria (i.e. construction, infrastructure work...) should be prioritized both for economic and skills development prospects (notably for future Syrian returnees).

The provision of technical assistance and peer-to-peer coaching can help businesses develop efficient strategies targeting economically advantaged groups or communities. For instance, business consultants supported the development of the tourism industry by linking guest houses to potential customers through an online platform (l'Hôte Libanais) specifically directed toward the Lebanese diaspora.

e. Better information & resources sharing

Overall, partners agreed on the fact that there is a wealth of information and resources available to Lebanese businesses (including in Arabic), but a lack of awareness on how and where to access this data (including important resources such as Libnor's standards). The Chambers of commerce could play a critical role in disseminating such information (either through specific guides or directly on their website). MoET is partially filling this gap through the publication of its "*What's in for SMEs in Lebanon*" guide and the envisaged creation of an information sharing portal accessible to entrepreneurs and job seekers. MoET is also exploring the possibility of setting up a pool fund to support MSMEs development and expansion to improve the traceability/quality of products (through standardization/certification procedures). Market access strategies have been developed in high priority sectors to tailor the support provided to MSMEs according to pre-identified labour market needs (Beyond). In parallel, MoSA is designing a new socio-economic development strategy based on a comprehensive review of existing labour market assessments to define clear strategic orientations on possible ways in which to boost job creation and sustainable inclusive development.

f. At macro-level: Institutional cooperation, economic zones and infrastructure projects

At the institutional level, the Lebanese authorities and the private sector should strengthen their collaboration and jointly work towards the development of a longer-term partnership focusing on exports. In recent years, there has been greater awareness of the need to engage the private sector in policy dialogue, particularly in trade negotiations related to market access. Securing private sector participation is a critical step in developing an efficient export strategy responding to the constraints and opportunities that affect export performance. Building such a consensus on needs and priorities



through a collaborative process involving public and private sector representatives would guaranty the efficiency and effectiveness of the national export strategy.

Supporting the development of economic zones and funding large-scale infrastructure projects (roads/bridges etc.) has the capacity to foster job creation and to sustainably improve the Lebanese business environment and eco-system. Despite the costs and complexity of these interventions, several partners such as UNIDO and the World Bank have prioritized them in their programming, illustrating the recent shift in the Lebanon crisis response plan towards a longer-term development approach.

Key conclusion and recommendations to expand access to market for businesses

- ✓ One of the main identified challenges to economic growth is not the availability of resources/ services but their access for small entrepreneurs. Partners are encouraged, as intermediaries, to develop efficient outreach/dissemination strategies to expand market access for MSMEs.
- ✓ The provision of financial support and equipment is often unsuccessful in expanding MSMEs access to the Lebanese labour market due to critical overarching constraints (including the lack of managerial/technical skills of small entrepreneurs). Providing technical assistance and coaching is key in accompanying nano/micro entrepreneurs grow, anticipate and seize business opportunities.
- ✓ To successfully expand market opportunities for MSMEs, a particular focus should be made on removing the existing legal and regulatory barriers to formalization and certification. It is particularly true in certain sectors, such as dairy/agro-food production (where certification is often mandatory).
- ✓ Education, advocacy and awareness-raising will be necessary to promote ethical consumerism and fair trade to boost the development of local niche products (please refer to the next section).
- ✓ The efficiency and effectiveness of partners' support strategies ultimately depends on their capacity to address the various market access constraints faced by businesses (according to their size, type (urban/rural) and characteristics) and to adequately reflect these structural differences in their programming. In order to be efficient, support should primarily benefit existing businesses to ensure their long-term sustainability and enable them to scale up their production or access new markets. Job creation primarily relies on the capacity of MSMEs to grow, rather than on startups' ability to survive.



Topic 3 - The role of corporate social responsibility and social entrepreneurship

Facilitator: Silvana Grispino, OXFAM

Rapporteur: Yousra Taleb, UNDP South

Key findings and takeaways

- Lack of structured legal framework and of commonly-agreed definition of Social Entrepreneurship & Corporate Social Responsibility.
- In this context, partners have identified the following priorities: 1) agree on a standardized set of criteria to measure social impact (KPIs...); 2) provide dedicated support to Social enterprises to develop sound business plans (financial sustainability); 3) strengthen the link with governmental systems (including MoET SME strategy & MoSA new socio-economic strategy).
- For Lebanese authorities, the main focus should be on the provision of financial incentives (through tax breaks / low-interest loans...).
- Advocacy, education and awareness-raising should be prioritized to promote brand differentiation, ethical consumerism and fair trade products.

I- Legal Framework for Corporate Social Responsibility and Social Entrepreneurship

Participants outlined the lack of legal framework and agreed definitions on corporate social responsibility and social entrepreneurship. In order to build a common understanding of these concepts, partners agreed to rely on the below definitions:

- **Social entrepreneurship:** *signals the imperative to drive social change. This potential payoff, with its lasting, transformational benefit to society, sets this business model and its practitioners apart from more traditional corporate entities.*
- **Corporate social responsibility** (as per ISO standard 26000): *is the responsibility of an organization for the impacts of its decisions and activities on society and the environment through transparent and ethical behavior that:*
 1. *Contributes to sustainable development, the health and welfare of society;*
 2. *Takes into consideration the expectations of stakeholders;*
 3. *Is in compliance with applicable law and consistent with international norms of behavior;*
 4. *Is integrated throughout the organization and is at the core of its relationship.*

Lebanese authorities haven't yet **defined corporate social responsibility** and **social entrepreneurship**. This gap calls for the need to integrate these concepts in the Lebanese legal framework to acknowledge them as sustainable business models.

In the meantime, a **standardized set of criteria** will need to be defined by partners **to measure social impact** (through KPIs notably). To achieve this objective, the first step will be to collect/ analyze data on existing M&E systems to identify best practices. Some partners, such as Alfanar, rely on questionnaires and on a comprehensive scoring system to define whether a company should be considered as a social enterprise or not. Another interesting illustration is provided by OXFAM Enterprises Profiling Tool, which assesses the economic viability/ sustainability of enterprises as well as their social impact (criteria include the level of technical expertise, the relevance of the economic sector and beneficiaries targeting - with a focus on vulnerable populations).



From a strictly geographical perspective, social impact should be monitored and assessed in highly vulnerable areas, including in the 251 most vulnerable cadasters (cf. Inter-Agency mapping).

In terms of target beneficiaries, a particular focus should be made on disadvantaged/marginalized communities (including women, youth) in both urban and rural contexts.

Concerning the interventions themselves, they need to be scalable, sustainable and assessed according to their expected social/environmental impacts (using MoE standards, etc.). More broadly, the local context should be taken into consideration (including characteristics linked to unemployment, environmental conditions, available resources ...). The role of community engagement will be critical in this regard to identify local needs and priorities.

Overall, an efficient/relevant monitoring system combines qualitative (perception...) and quantitative assessment criteria (KPIs). Many systems currently display such an integrated approach (including the ones listed above).

II- Partners programmes to support Corporate Social Responsibility or Social Entrepreneurship

Overall, many partners have supported social entrepreneurship, but their engagement has remained quite limited in the case of corporate social responsibility (which primarily concerns larger corporations). Overall, very few Lebanese businesses have developed **CSR** policies so far: best practices include Banque Libano-Française and Chateau Ksara, one of Lebanon's oldest and largest wineries.

Partners have provided a broad range of services to support social businesses, including financial support schemes, technical assistance and capacity building.

- With regards to **social entrepreneurship** in particular, financial sustainability is key and can be ensured through various support mechanisms, including the preparation of sound business plans and long-term business development support (3-5 years minimum). This integrated approach was successfully piloted by various partners, including UNICEF, who decided to tackle the lack of economic opportunities for marginalized youth through the "innovation labs" initiative. The innovation labs combine entrepreneurship, design and innovation support schemes to provide vulnerable individuals with training, incubation services and grants.
- In order to maximize our impact throughout the life cycle of social businesses, participants highlighted the need to clarify and map the services partners provide at each stage of this cycle. It would allow social entrepreneurs to know which organization to contact depending on their specific needs (for instance, startups grants are provided by Al Majmoua, early business development support by Alfanar and the overall scaling up of operations by business incubators).

NB: according to partners like ACTED, investments which were traditionally going to standard businesses are increasingly shifting towards innovative mechanisms like social entrepreneurship incubators (i.e. ACTED lab). The role of the Lebanese diaspora in the development of CSR/SE in Lebanon shouldn't be underestimated.

III- Tangible benefits of Social Entrepreneurship and Corporate Social Responsibility for supported businesses

Placing social/environmental considerations at the core of a business model can help companies develop comparative advantages in terms of risk management and occupational health, with positive impact on their capacity to attract, motivate and retain staff.



From an economic perspective, brand differentiation, labeling and certification can constitute powerful incentives for entrepreneurs to engage in SE/CSR. An interesting illustration is provided by Fair Trade Lebanon, a Lebanese NGO who became a member of the World Fair Trade Organization (WFTO) in 2010 and has been producing since then 8 Fairtrade certified products by FLOCERT (Olives, Olive Oil, Wine, Oregano, Chickpeas, Lentils, Tomatoes and Chili). These products have been successfully marketed in Lebanon and abroad, notably with the support of Luxury hotel chains (including Radisson Blue). Building on local authorities' growing interest in this concept, the organization has built a network of Lebanese "Fair Trade Towns" which currently involve several municipalities (including Menjez, Baskinta, Ferzol and Mhaidthe, Bissariye, Kfar Tebnit and Ain Ebel).

Financial sustainability being closely linked to businesses' capacity to anticipate and address customers' preferences, promoting concepts such as ethical consumerism is essential. This can be achieved through various channels, including awareness-raising, education and advocacy campaigns. For instance, ShareQ NGO developed and marketed a successful "Mommy-made" social catering concept which enabled vulnerable women to find employment opportunities.

Finally, social enterprises benefit from a broad range of services offered by sector partners, including financial/non-financial services (grants, low-interest loans), equipment, technical expertise and coaching. Networking, mentoring and peer-to-peer support mechanisms between large corporations and small enterprises should be further explored to promote these sustainable business models.

IV- Internal policies and regulations of social businesses

There is a general consensus that social businesses shouldn't be exclusively assessed in the light of the external impact they seek to achieve, but also of their human resources policies & regulations.

Some partners, such as ShareQ NGO, have paid a particular attention to the way CSR/SE have contributed to improving the working conditions, status, benefits and commitment of staff.

In fact, one of the main challenges faced by Lebanese companies is the very high turnover compared to other countries in the region. Evidence suggests that providing decent working conditions and promoting social values can have a strong impact on staff commitment, with positive results in terms of profitability and productivity.

The evolution of human resources policies & regulations can be monitored by partners throughout the project cycle using a variety of means, including questionnaires, follow-up visits, phone calls and regular meetings. Establishing sound follow-up systems is key in improving partners' support strategies over time. Nevertheless, it requires a strong level of investment in terms of financial resources and time. Another issue is the fact that limited options exist for partners if supported businesses decide to modify their human resources policies and regulations upon the completion of a given project. Lebanese authorities (and the Ministry of Labor in particular) have a critical role to play in ensuring businesses abide by Lebanese laws/ regulations or even comply with higher standards (notably by providing them with financial/non-financial incentives).

Key conclusion and recommendations

- ✓ The government should consult with the private sector and partners to provide clear definitions of CSR/SE to be later incorporated in its legal framework. In addition, partners need to agree on a standardized set of criteria to measure social impact and harmonize their M&E systems accordingly. An evidence-based approach to social impact could attract funding from the donor community and promote SE/CSR as sustainable/relevant business models.



- ✓ In order to send a strong political signal, line ministries could set up a separate entity, such as a National Committee for Social Enterprises, involving major players (i.e. the Lebanese Association of Industrialists...). In addition to enhancing the visibility of social entrepreneurs, this would allow them to speak with a common voice and be a driving force in the decision-making process. Another step would be for the Lebanese authorities to determine which institution should own this process to bring it further.
- ✓ Financial and non-financial incentives (i.e. tax breaks, low-interest/subsidized loans, grants, co-funding schemes...) should be provided to social enterprises and CSR-abiding companies to encourage economic players to engage in sustainable business activities. Certification, brand differentiation or Fair Trade constitute interesting options to valorize the incorporation of environmental/social considerations in the value chain.
- ✓ Promoting ethical consumerism through education, advocacy and awareness-raising campaigns is key in positively influencing consumption behaviors. Several partners, including UNDP and ShareQ, consider that adding mandatory CSR/SE courses in business schools and universities could allow for a new generation of socially responsible entrepreneurs to emerge. This approach has been successfully piloted in many foreign countries, including Denmark.
- ✓ In Lebanon, the limited success of CSR/SE as a business model is partly attributable to donors. In fact, some NGOs have been funded to “do the job” of social enterprises themselves which, in practice, can lead to situations of unfair competition. Mechanisms could be established to promote social entrepreneurship, either as a distinct business model or as a hybrid system (combining within the same organization, a profit-making logic with a social-impact model funded through the former).
- ✓ Supporting the long-term development of CSR/SE depends on a series of pre-requisites: a strong political buy-in, the mobilization of influential private sector representatives and stakeholders, commonly agreed targets relying on key identified milestones to be achieved in a precise timeframe (including the percentage of companies complying with CSR/SE principles). A mapping of private sector actors and civil society organizations is ongoing under the scope of a pilot project conducted by SFCG (“Peace Pioneer”) which could help bring the process further.



Topic 4 - Private sector engagement model and way forward

Facilitator: Nada Barakat, UNIDO

Rapporteur: Bastien Revel, National sector coordinator

Key findings and takeaways

Developing an efficient and sustainable private sector engagement model will be conditioned by the capacity of partners to implement three sets of complementary actions:

- At the macro-level: better link with government strategies (including MoET SME Strategy / MoSA newly-developed socio-economic strategy) and clearly define a sustainable Private Sector Engagement model (notably through the development of public-private partnerships or the establishment of a dedicated platform providing representatives of GoL, the private sector and partners with a structured and efficient framework for collaboration).
- At the meso-level: engage bigger players (large corporations, business associations...) as partners in the crisis response to facilitate linkages with smaller businesses (→ catalyst and facilitation role). This would notably reduce the need for direct support by establishing more permanent support structures.
- At the micro-level: we need to expand small businesses' access to key information, resources and opportunities. In addition, nano and micro entrepreneurs should be supported in the adoption of quality standards and in better addressing market needs in their specific sector and areas of intervention.

I- Guiding Principles for a private sector engagement model in the LCRP

Partners have relied on various techniques to engage businesses as partners under the crisis response, including through joint market assessments, the provision of financial/technical services, labor-intensive interventions via contractors, value chain upgrading, skills trainings and youth employability projects.

- A performant Private Sector Engagement model should enable businesses' involvement throughout the programme cycle (from design/implementation to the monitoring & evaluation phase). An early engagement is more likely to bear fruits, and can be achieved by either: 1) conducting joint labour market assessments to identify businesses' main needs/priorities (OXFAM); 2) involving the private sector in the design of skills trainings curricula (GIZ); and/or 3) in the selection process of beneficiaries (LEADERS). These techniques have been quite successful in deepening our collaboration with Private Sector stakeholders, with positive results in terms of networking and job placement rates in particular. In parallel, the private sector has been involved in research, policy and advocacy activities by partners like OXFAM, Alfanar or ShareQ, who have contributed to promoting innovative business models (such as social entrepreneurship).
- The Private Sector Engagement model should involve a broad range of private sector stakeholders, including the Local Economic Development Agencies (LEDAs), Business Associations, Syndicates, local Chambers of commerce and women cooperatives to ensure an adequate and comprehensive representation of the business community and successfully bridge the gap between the demand and supply side of labour. Some partners have developed strategic partnerships with central and local-level institutions in order to build a strong and reliable business network across the country. For instance, by supporting the 7 MoA technical agricultural schools, AVSI managed to build an extensive network of over 100 companies which later provided internships, apprenticeships and on-the-job trainings to its beneficiaries. These businesses helped AVSI keep track of market needs and priorities and took part in the design of new training curricula to reduce identified skills mismatch.



- The private sector engagement model should primarily target existing companies (rather than startups) and promote local economic development and job creation.
- An integrated support package for increased profitability and productivity should be provided to develop strategic value chain in high potential economic sectors (including agro-food and solid waste management). This approach was successfully piloted by Mercy Corps under the scope of the INTAJ programme which contributed, through the provision of skills trainings, BDS and financial and technical support, to building the capacities of the solid waste management sector in the Bekaa. Another interesting example is provided by UNIDO who developed, under its “Creative Lebanon” initiative, a comprehensive strategy aimed at developing innovative goods in the agro-food sector. Its overall objective was to enhance the quality of Lebanese products to enable them to access promising markets and to meet international standards.

II- Critical components or approaches to be incorporated in Private Sector Engagement

Defining a sustainable and efficient Private Sector Engagement model should be part of a broader process involving the design of a longer-term strategy incorporating measurable achievements and milestones.

a. Incentives

Even if involved as partners in livelihoods interventions, private sector actors will only be sustainably engaged if they benefit from working with livelihoods actors. In addition to the support provided by partners directly (financial/material/technical assistance) and indirectly (costs reduction, marketing or networking support), incentives can be created for Lebanese businesses to perceive their engagement as a **business opportunity** rather than a philanthropy.

A broad range of services are currently offered by sector partners, including in-kind/cash grants (IRC, ShareQ...), low-interest loans (Al Majmoua), business development services (Mercy Corps), technical trainings, subsidies (DFID/STEP) as well as human resources and conflict mitigation services. The latter encompasses an innovative approach piloted by SFCG under its “Pioneer project” which enabled peacebuilding organizations to play a mediation role between clients and banks and mitigate internal conflicts in supported businesses. In addition to enhance transparency and accountability, it enabled these businesses to improve their image and reach new customers through the implementation of the do-no harm approach or decent work policies/regulations. Other partners have been engaged in promoting social dialogue between employers and employees, including Sonbola. Such work could be expanded with the support of the local or municipal authorities.

Other partners like UNIDO provide dedicated support to registered businesses to allow them to become certified which both contributes to guarantying products quality and promoting brand differentiation.

In terms of staffing support, an interesting illustration is provided by Mercy Corps who launched a small-scale pilot project to subsidize the wages of new employees during the first three months (50%) of their recruitment (with the possibility of continuing support for a longer period of time). An increasing number of businesses understand the value of skills training and technical support (as it was recently confirmed under MC INTAJ programme). Therefore, if partners manage to demonstrate the concrete benefits of new business practices, this would surely impact the productivity and profitability of Lebanese companies.

Complementary incentives may be developed with the support of line ministries, such as a specific certification valorizing the work of businesses who have a social impact or financial support schemes (such as tax breaks, subsidized or low-interest loans). To fill the existing information gap and provide



crucially-needed guidance to local businesses, additional tools and guides could be developed targeting small businesses (following the “*What’s in for SMEs in Lebanon*” MoET guide).

b. Focus on bigger players

If our main objective is to promote local economic development and employment generation, we need to clearly define which businesses should be prioritized. Supporting SMEs instead of nano/micro-enterprises may be more strategic considering their financial sustainability and higher potential in terms of job creation. Defining a standardized set of criteria for business selection could enable the sector to systematize its approach and shift its focus from “survival” to “opportunity” entrepreneurs. Moreover, bigger players should also be engaged to facilitate linkages with smaller businesses, in which case livelihoods partners would play more of a catalyst and facilitation role. This would notably reduce the need for direct support by strengthening more sustainable support mechanisms (through enhanced networking and collaboration). Engaging these bigger players will be conditioned by our ability to mitigate the potential business risks associated with Private Sector engagement by building trust through the provision of high quality services.

c. Broader supply chain

In order to enable vulnerable organizations to become part of the supply chain, partners should promote the development of joint ventures and MoUs. Partners have also a role to play in supporting the development of e-commerce in Lebanon.

d. Promote a cluster approach

In parallel, a cluster approach could be developed to: 1) maximize our impact in high-potential economic sectors; 2) generate growth and employment opportunities; 3) foster entrepreneurship; and 4) spur academic research and development (this approach was successfully piloted by UNIDO to support the furniture industry in Tripoli). In addition to a strong government buy-in, the success of such an initiative will mean developing the willingness of businesses to work with each other, which represents quite a change from the current mindset. Involving a limited number of interested economic players to start the process could create a positive spillover effect.

e. Link with education institutions and graduates

In parallel, a strong focus should be made on linking the private sector with education institutions. In fact, many students are more interested in joining the public sector (including as civil servant or soldiers) than in working for private companies. Schools should open career guidance offices to better link students to the labour market. To further this objective and valorize TVET programmes as credible educational pathways, GIZ is involving the private sector in the design of curricula and trainees’ certification.

Online tools (such as the Tamal portal funded by Microsoft) have been developed to better link job seekers and entrepreneurs. Despite being user-friendly and intuitive, these platforms have had a limited impact on the way most businesses operate (nano/micro-enterprises continue to recruit within their limited network, through direct contact or “word of mouth”). In the years to come, the success of similar systems will depend on how reliable and efficient they are perceived to be by small entrepreneurs. ShareQ NGO has therefore put a strong emphasis on attracting rigorous and reliable individuals to ensure the success of its job matching tool.

f. Role of Public institutions

- Designing an efficient private sector engagement model will also depend on our ability to improve the business eco-system/enabling environment by involving all major economic players and stakeholders. Setting up a dedicated platform composed of representatives of the Government,



the private sector as well as development partners would provide an efficient and structured framework for collaboration between all involved stakeholders and enable us to agree on strategic orientations. Complementary incentives may be developed with the support of line ministries, through certification or financial support schemes (such as tax breaks, subsidized or low-interest loans).

- Another interesting option would be the development of public-private partnerships. PPP is an agreement between the public sector and private businesses, in which the private sector provides the skills, technical assistance or resources needed for the completion of a given project. The private sector assumes financial, technical, and operational risks and is engaged in the maintenance of public facilities or in service delivery. Preparatory work has been conducted to adopt a PPP law in Lebanon whose adoption conditions the success and sustainability of PPP projects, with positive expected outcomes in terms of investments and economic growth.
- As host communities gradually turn to local authorities to generate livelihoods opportunities, the local government will need to play a more active role in Private Sector Engagement. To bring the process further, the sector will build on positive precedents, including the creation by UNDP of the Local Economic Development Agencies (LEDAs), which enabled successful partnerships to be concluded between local authorities and private sector around local economic development plans. The gradual scaling up of the scope and quality of local services will be critical in the years to come (and could notably be achieved by allowing local authorities to take a more active role in the provision of BDS services).
- The government should prioritize key economic sectors and improve its technical knowledge of market requirements. The work which has been conducted by MoET with countries like Russia, Armenia and Georgia is promising in this regard. In parallel, improving existing linkages between central and local level institutions appears critical (for instance, some Unions of Municipalities or Mayors have a very good understanding of the local market but are not sharing this with national authorities).
- Another important step would be to provide incentives to informal businesses to register in order to encourage formalization and support the development of a striving business eco-system. Nano/micro businesses cannot access banking services and don't have the ability or desire to expand.
- Other support mechanisms, such as business incubators could be set up in each region to provide dedicated support to startups and promote innovative approaches.

g. Ensuring information flow on existing opportunities for the private sector

Partners repeatedly underlined that one key issue limiting the expansion of businesses is that they are not aware of existing opportunities and support schemes they could take advantage of. To fill the existing information gap and provide guidance to local businesses, additional tools could be developed targeting small businesses (on the same principle as MoET guide "*What's in for SMEs in Lebanon*").

As previously mentioned, the Ministry of Economy and Trade is exploring the possibility of setting up an online platform to provide information and guidance on the Lebanese labor market to entrepreneurs and job seekers. In addition to traditional resources (guides, reports, job openings, etc.), short 30 minute videos could be uploaded on general and more specific business topics (including finance, sales, marketing, innovation and R&D). Information will be shared on applicable laws and regulations, the registration process, as well as available services (in terms of access to finance notably). For M&E purposes, the SME platform will latter incorporate other functionalities, including surveys. To make it user-friendly, it will be made accessible online, through WhatsApp and via dedicated municipalities' desks. The pilot version will be presented and tested during the SME Forum scheduled on 11th July.



III- Monitoring & Evaluation

Monitoring the quality of the support provided by partners to expand market access is quite challenging. Several organizations (including IRC, Mercy Corps, Al Majmoua) outlined that this can be achieved by assessing the increase in productivity/profitability, in the number of new commercial linkages (contracts) or of new markets accessed (either from a sectoral or geographical perspective). Partners consider that tracking revenue increase is rather complex and implies to conduct an extensive baseline assessment to be repeated on a six-monthly basis (to closely monitor return on investment, # of staff...). Providing a proof of revenue constitutes an issue for many businesses, which makes it difficult to monitor increased profitability over time. Exploring possible ways in which to enhance our M&E systems could help us refine our livelihoods programming and collect more systematic qualitative/quantitative data on best practices and lessons learnt.

Key conclusion and recommendations

- ✓ Private Sector Engagement model should be built upon an innovation approach promoting win-win partnerships between businesses and development partners (i.e. SFCG “Pioneer project” linking Lebanese companies with Peacebuilding organizations)
- ✓ Media exposure and high visibility events can incentivize businesses to commit publicly to increasing their involvement under the crisis response.
- ✓ Success stories of fruitful private sector engagements should be highlighted and showcased (including in the media).
- ✓ A well-defined set of businesses / beneficiaries’ selection criteria should be agreed upon by partners for efficiency and transparency purposes. This would enable partners to harmonize their targeting and build trust and confidence in the business community.
- ✓ Any private sector engagement model should be fully aligned with line ministries’ strategies (including MoET SME strategy and MoSA soon-to-be developed strategy on job creation and sustainable development).
- ✓ Defining a Private Sector Engagement model will also imply the organization of follow-up events and workshops (such as the upcoming SME forum which will be organized on 11 July 2017 by MoET). In addition, informal meetings will need to be scheduled with key business partners and stakeholders (including companies, business associations, syndicates, local Chambers of commerce).
- ✓ Ultimately, our capacity to engage the private sector as a key partner under the crisis response, will depend on our ability to:
 - Identify priority sectors and market leaders.
 - Provide incentives to further engage key players (through the identification of new markets and entry points, the testing of new products, certification...).
 - Agree on a strategy/safeguards to prevent any instrumentalization from the private sector.
 - Establish decentralized platforms to provide a local framework for collaboration and support the development of public-private partnerships.
 - Link more efficiently the private sector and training providers/education actors to enhance the quality/relevance of trainings, revalorize TVET, build the confidence of Lebanese businesses (in-house certification...) and ensure a good job placement rate.



Conclusion

Bridging the gap between demand and supply side of labour – private sector & skills development

- The private sector has a critical role to play in bridging the gap between the demand and supply side of labour. So far, most partners have prioritized skills development to employment services, which has negatively impacted the overall job placement rate under the current response.
- An important number of market assessments are conducted. Lebanese businesses are primarily engaged in the process as respondents. They tend to have a limited role in the assessment itself as well as in the selection of beneficiaries. In addition, Lebanese businesses are not very involved in the design of curricula (with only 2 partners engaging them in the process). The private sector is playing a more active role in the delivery of skills trainings, either as training provider or as hosting entity under the scope of internships/apprenticeships/on-the-job trainings schemes. With the support of GIZ, companies will start becoming involved in the certification of trainings. This should significantly contribute to improving businesses perceptions on the quality/relevance of trainings, which would boost job placement rates.
- At the institutional level, MoUs should be developed to provide a more structured, efficient & relevant framework for collaboration among stakeholders (notably between the Chambers of commerce and MoET). Similarly, MoUs could be signed between partners and private sector companies to deepen their collaboration.
- Considering the current lack of depth of our engagement with the Private Sector, a particular focus should be made on deepening our partnerships at the micro-level to allow businesses to take a more active part in the design/implementation and evaluation of programmes. Based on partners' experience, long-term engagement through a minimum 6-month coaching phase combined with commitments from businesses to ensure decent working conditions have proved quite successful. The gradual scaling up of Private Sector Engagement should ultimately enable partners to have more leverage in requesting businesses to provide financial support through co-funding schemes (i.e. GIZ plan on requesting companies to pay for trainees' certification).

Accessing new markets

- The access to market has been identified as a key challenge, especially in vulnerable areas. Supporting the identification/access to new markets is fundamental and can be facilitated through a variety of means including outreach, grants, mentoring (which are commonly provided by partners).
- Small entrepreneurs in particular need to improve their marketing and branding skills and diversify their production through the identification of high potential niche markets. Other actions should be taken to improve market access, including formalization (which has tangible benefits in terms of access to finance notably), product certification as well as public procurement reform (ongoing in Lebanon).
- A great variety of services are currently available (including online platforms, marketing tools ...) but may not be accessible to small enterprises (because of the language barriers or lack of training in particular). In addition, the business development and networking services offered by Chambers of commerce or syndicates remain broadly unknown to Lebanese MSMEs. NGOs could play the role of intermediaries to expand accessibility to these resources.
- To fill in the current information gap, region/sector needs assessment should be conducted at the local level to better identify and address customer preferences and develop more targeted market access strategies based on key results and findings.

Corporate social responsibility and social entrepreneurship

- Partners primarily support social entrepreneurship, very few of them having worked so far on corporate social responsibility (which generally concerns larger corporations). The lack of legal



framework/definition of both concepts has negatively impacted partners' involvement and ability to promote CSR/SE as business models. Lebanese authorities should clearly define these concepts and incorporate them in the country's legal framework. In the meantime, several line ministries have developed or are developing key strategies on which partners' interventions should be aligned (including MoET SME strategy and MoSA soon-to-be developed socio-economic strategy).

- In terms of social entrepreneurship, there is a need to standardize criteria to better define and monitor social impact.
- Financial sustainability conditioning the success of social entrepreneurship, partners should primarily support existing companies (through coaching, mentoring...) rather than startups.
- In terms of corporate social responsibility, a more limited number of partners are currently involved. Alfamar and Mercy corps have shared success stories and consider that mentoring and coaching services are an integral part of existing CSR support mechanisms.
- The tangible benefits of corporate social responsibility and social entrepreneurship are numerous and include:
 - *From an economic perspective*: development of niche products in high-priority areas through certification, labeling, fair trade, brand differentiation...
 - *From a social/environmental perspective*: positive impacts on local communities as well as on the Lebanese eco-system.
 - *From a human resources perspective*: decent working conditions, higher staff retention and motivation.
- The sustainability of these business models will ultimately depend on customers' willingness to prioritize and purchase such products. Sensitization through education, advocacy and awareness-raising campaigns will play a critical role in promoting ethical consumerism and fair trade.

Private sector engagement model and way forward

- In order to develop a sustainable and efficient private sector engagement model, partners agree on the need to combine mutually-complementing interventions at the institutional, political and programmatic levels.
- At the macro-level, a dedicated private sector engagement platform should be set up with representatives of the government, Lebanese businesses and development partners. Its main objective would be to deepen our collaboration with the private sector, agree on strategic priorities, ensure better linkages with GoL strategies and facilitate the development of public-private partnerships.
- At the meso-level, bigger players (large companies, business associations, LEDAs, syndicates...) should be engaged as partners in the crisis response to facilitate linkages with smaller businesses. These stakeholders would play a catalyst and facilitation role and ultimately reduce the need for direct support and interventions from partners.
- At the micro-level, we need to leverage our network to facilitate access to key information, resources and opportunities for small entrepreneurs who still do not have access to critical tools and services which would allow them to access better business opportunities.



Annex 1 - Workshop agenda



Agenda

Livelihoods Sector

Private sector engagement workshop

Date: Thursday 22 June 2017

Time: 8.30-13.00

Location: Crowne Plaza

8.30-9.00: Arrival and registration

9.00-9.30: Introduction session:

- Welcome and objective of the workshop
- Overview of livelihoods sector engagement so far.

9.30-11.30: Small Group sessions

Participants divide into 4 thematic groups:

- 1) Private sector engagement in bridging the gap between the supply and demand side of labor (Facilitator: ILO).
- 2) Access to market for MSMEs, especially in vulnerable areas (Facilitator: IRC).
- 3) The role of corporate social responsibility and social entrepreneurship (Facilitator: OXFAM).
- 4) Private sector engagement model and way forward (Facilitator: UNIDO).

9.30 – 10.30: First small group session-discussion

10.30 – 11.15: Rotation of participants to join a second small group session

11.15-11.30 Coffee Break

11.30-12.30 Restitution from small groups facilitators

12.30-13.00 Discussion on next steps

13.00 - Lunch



Annex 2 - Participants list

Organization	Focal point
ACTED	Madhumitha Madhavan
Alfanar	Michelle Mouracade
Al Majmoua	Alia Farhat
AVSI	Marina Molino Lova
Beyond RD	Lara Chaaban
CARE	Michel Samaha
Coordination	Bastien Revel
Coordination	Noemie Lanternier
Coordination	Lama Srour
Coordination	Yousra Taleb
Coordination	William Barakat
DFID	Rebecca Dykes
ILO	Annabella Skof
ILO	Rania Hokayem
IRC	Naim Frewat
IRC	Maria El Hassrouni
Italian Cooperation	Corrado Di Dio
GIZ	Asfana Rezaie
GIZ	Nada Mouzannar-Melki
Leaders consortium	Gita Modgil
Mercy Corps	Gaby Bayram
Mercy Corps	Rafic Traboulsi
Mercy Corps	Antoine Karam
MoET	Johnny Matta
MOSA	Mario Abou Zeid
MOSA	Hayat Nazer
MOSA	Lama Lahoud
Near East Foundation	Jinane Abou Zeki
OXFAM	Silvana Grispino
Palladium/USAID	Ali Hijazi
SFCG	Abbas Sibai
ShareQ	Samer Sfeir
ShareQ	Jane Abi Saad
UNDP	Leon Chammah
UNDP	Michelle Krogh
UNICEF	Tamara Zakharia
UNIDO	Ygor Scarcia
UNIDO	Nada Barakat
World Bank	Zeina El Khoury
Youth for Development	Elissa Qasem



Annex 3 – Feedback from participants

- ✚ Total number of participants: **40**
- ✚ Participating organizations: **25**
- ✚ Number of feedback from received: **23**
- ✚ Overall rating of the workshop: **4.3/5**
- ✚ Specific objectives:
 - Lessons learnt: **3.7/5**
 - Exchange of experiences: **4.2/5**
 - Further coordination: **3.5/5**

- ✚ Follow up:
 - Do nothing: **0**
 - *Organize similar events*: **15**
 - *Establish a private sector engagement platform*: **18**
 - **11** organizations expressed interest, including: OXFAM, ILO, IRC, LEADERS, Mercy Corps, UNIDO, ACTED and Alfamar.
 - *Draft SoPs on private sector engagement*: **14**
 - **8** organizations expressed interest, including: LEADERS, IRC, UNIDO, OXFAM, Alfamar and UNDP.



Annex 4 - Analysis of current Private Sector Engagement within the Livelihoods sector

Lessons Learnt Workshop on Private Sector Engagement

Livelihoods Working Group
22 June 2017



Background



- **Private sector** → key driver of local economic development and job creation for host & refugee communities in Lebanon.
- Support to Lebanese businesses has been a key component of the sector strategy.

Rationale



Urgent need to strengthen our collaboration with private sector under LCRP 2017-2020 to:

1) **Boost job creation**

- Only 1,754 jobs created/maintained by LH partners since 2015.

2) **Increase the quality/relevance of our support to Lebanese businesses**

- Over 1,355 business created/supported with the assistance of partners since 2015, through 3.1m USD worth of grants.
- Renewed interest in 2017 – 17 partners appealed for this activity with a cumulated target of 2,280 businesses reached.

Objectives

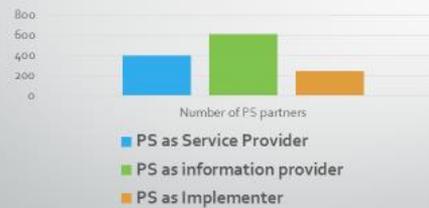


1. Take stock of lessons learnt/best practices to guide future livelihoods programming under the LCRP 2017-2020.
2. Facilitate exchange of experience between partners and relevant stakeholders.
3. Strengthen existing linkages with the private sector and identify opportunities for future collaboration.

Previous sector work on Private Sector Engagement



- Private sector engagement mapping initiative: (MOSA 2016)
 - ✓ 1,055 private sector engagements reported in LH programming



Collaboration with private sector



Link with Government Strategy

- Mapping of Livelihoods interventions contributing to MoET SME strategy (MoET and national/field working groups)

		MAPPING OF LIVELIHOOD ACTIVITIES TO SME STRATEGY											
MoET	#	Initiative	1	2	3	4	5	6	7	8	9	10	11
	1.1	Develop mentorship networks											
	1.2	Provide national recognition for SME role models											
	2.1	Attract top-tier VC/PE firms and angel investors											
	2.2	Expand "Circular 331"											
	2.3	Improve access to bank capital											
	2.4	Launch SME portal											
	2.5	Bridge SMEs to large enterprises and multinationals											
	2.6	Leverage the global Lebanese network											
	3.1	Activate the Lebanese Export Promotion Agency (LUBEX)											
	3.2	Improve market competitiveness											
	3.3	Enhance capacities of SME providers and services											
	3.4	Strengthen relationships with new top trading partners											
	4.1	Develop competitive capabilities clusters											
	4.2	Assess cluster technology upgrade											
	4.3	Link industry to academia with innovation vouchers											
	4.4	Assess SMEs in cleaner production and resource efficiency											
	4.5	Update, carry, and implement the state of pending laws											
	4.6	Code of commerce											
	4.7	Insolvency law											
	4.8	Public procurement law											
	4.9	Launch a job matching program											
	4.10	Provide an office to an industry / city											
	4.11	Set up an SME Observatory											
	1.8	Establish a women-friendly business environment											
	1.2.2	Regulate Lebanese small business zones											
	1.4	Introduce apprenticeship programs											
	1.7	Establish a commercialization office											
	1.8	Train SMEs with an international counterpart											
	1.9	Identify and implement and solve of pending laws											
	1.10	Domestic and foreign investment promotion law											
	1.11	Labour law											
	1.12	Attract and facilitate access to skilled labor											
	1.13	Establish regular "SME mass"											
	1.14	Coordinate a full-fledged portal for entrepreneurs and SMEs											
	1.15	Launch entrepreneurship & family business center at the Lebanese University											
	1.16	Develop a second-chance restructuring program											
	1.17	Introduce SME Exchange and enhance credit funding											
	1.18	Expand vocational and training programs to meet market needs											

Definition

The private sector encompasses **for-profit businesses** that are not owned/operated by the gov., as well as **social enterprises**.
=> Including micro, small and medium enterprises (MSMEs) as well as national / multi-national corporations.

PSE is about bringing businesses as partners in the crisis response

The private sector can be **engaged** through various means, including:

- As investor;
- As beneficiary of financial, material or technical support.
- As program partner (throughout the project cycle).

Aim: to jointly agree on a common framework for collaboration, paving the way for a sustainable and inclusive partnership between GoL, private sector and dev. partners.

Agenda

- 8.30-9.00:** Arrival and registration
- 9.00-9.30:** Introduction session:
 - Welcome and objective of the workshop
 - Overview of best practices and lessons learnt
- 9.30 – 10.30:** First small group session-discussion
- 10.30 – 11.15:** Rotation of participants to join a second small group session
- 11.15-11.30:** Coffee Break
- 11.30-12.30:** Restitution from small group facilitators
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Provision of BDS services and Internships

- **BDS & internship/on-the-job trainings provided by LH partners**

BDS services

Incubation services	4
Business development...	3
Growth	3
Mentoring	3
Coaching	5
Networking	4
Marketing	4
Provision of trainings	5
Provision of in-kind/cash...	5
Access to finance (micro-...	2
HR & workplace improvement	2
Legal counselling	1

Internships/OTJ Trainings

Construction, carpentry, painting	12
Electricity, mechatronics,...	11
Accounting, secretarial,...	10
Computer services	7
Agro-food/ food & dairy...	6
Sales & services	5
Hospitality, home care & nursing	5
Energy & environment	4
Others (hairdressing,...	5

- **5 partners => 15 types of services**
- **500 supported businesses**

- **9 partners => 35 types of trainings**
- **860 hosting companies, 7,478 beneficiaries**

