

The Lebanese League for Women in Business (LLWB)
The Center for International Private Enterprise (CIPE)

Access to Finance Focus Group Project
Final Report
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Prepared by: R. Abdallah, Consultant
Reviewed by: Nisreen Deeb, LLWB
Marie Principe, CIPE

Final Report Draft Outline

1- Introduction

Lebanon is undergoing a major transformation of its economy and business foundations following an unprecedented, perfect storm of crises leaving nothing and no one untouched. Particularly affected are small businesses and their ability to access financial services, with large numbers quitting every day and unemployment soaring to record levels. More so are women-owned or women-led enterprises, in a country where women are officially at par with men in business, but unofficially not as equally represented and served. The purpose of this project is to assess the current situation in Lebanon facing women in business and their ability to access financing in order to fuel their companies, ventures and ideas, and what needs to be done fundamentally alleviate the symptoms in the short term and turn the tide in the longer term. What was already bad before the economic meltdown is now far worse due to banks withholding almost entirely from providing any loans or facilities to small businesses, let alone start-ups and entrepreneurs. Adding to the misery, opening of new bank accounts is also severely restricted, coupled with very high banking fees, pushing many small enterprises to consider moving their business abroad and/or online. Alternatively, and due to the severe banking restrictions, a large number of businesses (no formal public nor private statistics) are forced to operate without incorporating, without bank accounts, without any tax declarations, and with little or no physical premises, thereby operating on the fringes of the formal economy, with cash payments and unofficial receipts prevailing. While such an informal structure may make it easier for small businesses to take off and grow initially, subsequent access to financing and scaling potential remain severely hampered.

However, amid all the gloom may emerge precious opportunities to address the real issues at stake, with business leaders now willing to discuss those openly and consider all possible solutions to the problem of access to finance and financial services. This is what this project shall attempt to do, by engaging a carefully selected sample of women-led and women-owned Micro-, Small- and Medium-sized (MSME) and Non-Government Organizations (NGO) to understand the needs, barriers and potential that could be unlocked should suitable access to financing be again available.

2- Background

Since 2015, the Lebanese League for Women in Business (LLWB) has championed women's economic empowerment in Lebanon through its activities in Beirut, Mount Lebanon, North Lebanon, and Beqaa. LLWB designs its programs taking into consideration the unique barriers faced by businesswomen and entrepreneurs in Lebanon, such as difficulty in accessing finance and financial services in general. To support women in business across Lebanon, LLWB has reached over 500 businesswomen and entrepreneurs through networking events, mentorship programs, access to finance trainings, as well as through advocacy and direct lobbying activities aimed at empowering women in leadership positions. For these reasons and many others, LLWB is uniquely positioned to lead the current access to finance focus group and has turned to finance and credit expert Raja Abdallah to assist in its efforts to steer the focus group to a meaningful conclusion.

3- Scope of Work

In the context of the above introduction and background information, LLWB sought to engage a qualified consultant to work closely with partner CIPE to examine the barriers facing LLWB's members, women-led businesses and entrepreneurs in accessing finance and related services in Lebanon, and offer pragmatic short-term and longer-term solutions. Tasks cover qualitative and quantitative research tools and include conducting desk review into the current environment and acc

ess to finance opportunities, needs assessment of LLWB's member and challenges in this area, and managing focus groups and key informant interviews to collect data from relevant stakeholders. The final deliverable is to include the desk research findings, results of the focus groups and key informant interviews, stakeholder mapping, short-term relief solutions as well as specific advocacy action plan for eventually promoting policy recommendations in the longer term.

For the sake of simplicity, the notion of MSMEs (Micro, Small and Medium-size Enterprise) shall cover businesses of all sizes commonly found in Lebanon and under consideration in this report. NGOs are also regularly referred to as part of this study, even if not mentioned every time.

4- Problem definition:

The first objective of this project is a proper understanding of the root problem: why is access to finance currently absent or severely restricted for small businesses, and how is it impacting present-day women-led SMEs and NGOs struggling to survive and sustain ?

To analyze the problem fairly and comprehensibly, one needs to differentiate among three forms of financing typically available to SMEs:

1. Grants
2. Credit, or lending
3. Equity, or share participation

Grants were not common before the crisis and therefore are not part of the immediate problem. They are however part of the landscape now and will be discussed at length below.

At the heart of the problem is the local banking system's near collapse now operating as just "glorified" cash and currency exchange tellers. More importantly has been a near-total withdrawal from its traditional lending role, due to the current environment described above. Although lending was never widespread like in other developing countries due to the very conservative nature of banks and credit regulation, the Kafalat private institution, set up to provide loan guarantees to qualified borrowers, very often intervened to assist small and medium sized enterprises (SMEs) access commercial bank funding.

However even in the current situation, Kafalat has all but ceased to provide the guarantee scheme which small business has come to rely upon significantly in the past.

While modest lending has quietly made a return in recent months, SMEs are not benefiting, being 1- unable to offer loan guarantees and collateral to secure the loan in the event of default, and/or 2- severely impacted by the crisis making its revenue, profit and cashflow too volatile to satisfy bank loan criteria, and/or 3- unable to meet the recent steep costs of banking services. Most of all, bank appetite for risk has been severely dented by the crisis, and cash levels reduced to near zero, making lending to private business the last of its priorities.

Many other players are stepping in to fill the credit financing void, mostly international government and non-government organizations (INGOs), with numbers exploding since the August 4th tragic Beirut port explosion, and financing mostly in the form of grants or soft loans. While this phenomenon is real and growing, it is largely fragmented, with information too scattered to reach beneficiaries systematically and equally. As a result, too few SMEs are benefiting, as the focus group later confirmed. The few SMEs who are informed are not always able to apply and obtain funding, often lacking the resources and know-how to complete the process and access funds successfully.

Equity financing, or financing through the sale of shares in a company, has also dried up to a large extent, with local investors unable to access their dollar savings, and foreign investors too weary of the many risks, chief of which is the country risk. While few SMEs were open to this financing option before the current crisis, many are changing their views on equity financing, and ready to shed old beliefs about partnerships in favor of more pragmatic ones, for the sake of recapitalizing the company and ensuring its survival. Equity financing is also picking up timidly, with ventures known as “social enterprise” benefiting the most, again one of the subjects of the focus group discussion.

Below the debt and equity financing shortfalls lies a deeper problem: individuals and companies have not had access to their dollar deposits since early 2020 and are cash-strapped, while having to deal with a significant drop in local business volumes and consumer purchasing power, all compounded by a steep currency devaluation. To make up for local business shrinkage, SMEs must gear up for export markets, which in turn requires significant capital for marketing, certification, re-branding, packaging and other pre-requisite measures. Whether export readiness weighed heavily on people’s mind was also the subject of survey questions and focus group discussions.

So yes, definitely, access to financing is the true underlying problem and root cause for many SME’s inability to survive, continue, grow and access badly needed export markets. The next section will scan the public domain to check out and evaluate current initiatives in Lebanon aimed at unblocking the problem and improving the state of financial inclusion to women-led SMEs.

5- Desk Review: recent history and current state of financial inclusion and financial services to women-led SMEs in Lebanon today

The first task in researching the problem at hand (or any problem) is to review the current state of the subject matter and map the key players, by scanning the public domain for all possible information. In our case of course, we are dealing with Lebanon’s SME financing and financial services landscape, including related activities such as training and acceleration, with an emphasis on initiatives and programs targeting women-led businesses in particular. The purpose of the research is to get a better feel for the problem at hand, namely the key barriers to access to finance for women business owners and entrepreneurs in Lebanon, while highlighting specific regulatory and policy issues affecting the business enabling environment. The second aim is to build a basis for the questions that have formed

Lebanese League for Women In Business (LLWB)

Sin El Fil – Aramex Bldg. – 2nd floor – Beirut – Lebanon




Mobile: 71 445 155 – www.llwb.org

the survey, were distributed over the focus group participants and turned into the subject of discussion during the focus group.

The following studies and papers were found relating to the subject matter, although in most cases the programs are now ended. The key findings may not be extremely relevant to today's crisis and its unique circumstances, but still serve to catch up on the history of the subject and feed content into the focus group survey questions :

	<p>1- LEBANON: A DIAGNOSTIC STUDY ON THE DEMAND FOR FINANCIAL SERVICES BY MICRO AND SMALL – IFC/World Bank, 2008. Somehow outdated now but a “classic” to remind us where financial inclusion stood before the crisis and provide relevant ideas for the focus group survey and discussions. Study is based on a market survey of 539 micro and small enterprises conducted in September 2007 in the cities of Beirut, Tripoli, Tyre, and Baalbek. The survey consisted of one-on-one interviews with owners and/or managers of registered and unregistered businesses in the trade, services, and production sectors; it was supplemented by several focus group meetings. It serves to identify the key issues back then and how they have evolved into the present-day crisis, giving us a better insight into the problem.</p>
	<p>2- RESOURCE GUIDE FOR GENDER INTEGRATION IN ACCESS TO FINANCE PROGRAMMING IN LEBANON. Performance management and support program for Lebanon. USAID Lebanon, May 2019. A useful resource guide designed to help USAID implement mechanisms to ensure that women and men are equally able to engage in and benefit from access to finance activities in Lebanon. It includes (1) a description of common barriers to access to finance in Lebanon from a gender perspective, (2) examples of how to address them through programming, and (3) technical resources and guidance for integrating gender at all stages of the project cycle for any access to finance project. Again, it dates to before the current crisis but is nevertheless critical in setting context for the problem at hand and feeding the focus group survey.</p>
	<p>3- THE RELATIONSHIP BETWEEN LENDING DETERMINANTS AND ACCESS TO DEBT OF LEBANESE SMALL AND MEDIUM ENTERPRISES. Z. Jadoua. PhD thesis at Beirut Arab University, 2020. SMEs are suffering from several obstacles that prevent them from growing and expanding. One of the main obstacles is getting access to debt. Few studies focused on the relationship between lending determinants and access to debt were held in developing countries including Lebanon. At the same time few studies focused on how access to debt affects SMEs performance. Therefore, this study aims to fill this gap by exploring SMEs access to debt determinants in Lebanon and the effect of getting debt on Lebanese SMEs performance for the same time period. An interesting study just as the crisis was beginning to unfold.</p>
	<p>4- INCREASING ACCESS TO FINANCE FOR WOMEN ENTREPRENEURS IN LEBANON, IFC Advisory Services, 2013. Another vintage study by the IFC in collaboration with local bank BLC to improve access to finance and support the growth of women-owned businesses in Lebanon. Even in the prosperity of the early 2010's, the study sadly notes that the main barrier to increasing the participation of women in business in Lebanon remains access to finance. The initiatives designed for women empowerment back then have all but vanished today unfortunately, but the study still provides valuable insight for future action.</p>

	
	<p>5- SME FINANCE AS DRIVER OF JOB CREATION AND SUSTAINABLE BANKING IN LEBANON. Executive Magazine Special Report on Banking, June 2019. Another insightful article on programs and initiatives at the onset of the crisis and the role played by local banks in providing credit to SMEs. “As a commercial bank, Bank Byblos has always been keen on financing and supporting SMEs. This is in our strategy. We strongly believe that the more we can reach out and support SMEs, the better it is for the economy.” Although these programs are long behind us, they serve to remind the role some banks played in the access to finance for small business and which has been severely undermined by the latest events in Lebanon.</p>
	<p>6- LEBANON OUTLOOK ON SUSTAINABLE FINANCE. Prepared for MedWaves by Tracy El Achkar, April 2022. This time, with Lebanon well into its worse crisis on record, the report provides overview of the <u>sustainable</u> finance sector in Lebanon. It looks at facilities for direct funding and business support services to existing and future green, circular and social entrepreneurs in the Mediterranean region. The report introduces the concept of sustainable finance and stresses its importance in today’s access to financing landscape.</p>
	<p>7- FINANCING LANDSCAPE FOR SMES IN LEBANON, MINISTRY OF ECONOMY AND TRADE (MoET). Overview of main players in the funding and business support schemes in Lebanon today seen on the MoET’s website, from banks, financial institutions, micro-credit institutions, private foundations, NGOs, venture capital and others. Very useful to the focus group discussion, as all participants keen on understanding the current landscape and environment for financing and state of financial inclusion.</p>
	<p>8- WOMEN ENTREPRENEURS IN LEBANON: SURVIVING THE CHALLENGE AMIDST THE CRISIS. ASSESSMENT STUDY IN BEIRUT, MOUNT LEBANON, AND SOUTH LEBANON. European Union for Women Empowerment (EU4WE), EXPERTISE FRANCE, 2021. A study aimed at assessing the current challenges, barriers, and needs of women entrepreneurs in Beirut, Mount Lebanon, and Tyre/South Lebanon. Again, helps into constructing the focus group survey and discussion by looking into the challenges and obstacles on the ground as viewed by a major European think tank and INGO.</p>
	<p>9- CAPACITY BUILDING FOR LEBANESE BUSINESSWOMEN IN TIMES OF CRISIS. Part of Mashreq Gender Facility, a World Bank - IFC Initiative, 2021. Under this initiative, the World Bank Group partnered with Berytech and the Lebanese League for Women in Business (LLWB) to provide capacity building in times of crisis for women who want to grow their businesses and enhance their business model, marketing, financing, and networking opportunities, as well as learn how to be resilient in the face of crisis.</p>

	<p>10- REVOLUTIONIZING WOMEN-LED BUSINESSES IN LEBANON THROUGH E-COMMERCE, July 2019. A project by the Government of Lebanon, with the help of a World Bank regional project financed by the Women Entrepreneurs Finance Initiative (We-Fi), aimed at helping women entrepreneurs expand their access to domestic and export markets through e-commerce platforms.</p>
	<p>11- WOMEN ENTREPRENEURS PROGRAM (WEP): QADIRAT funded by Drosos Foundation and led by the LLWB, the objective of this on-going program is to help women led startups and women led businesses to develop their ideas further and scale up their existing ventures. https://llwb.org/project/wep-qadirat/</p>
	<p>12- LLWB A COUNTRY PARTNER IN “SAWI PROJECT”, a new on-going initiative for Supporting and Accelerating Women’s Inclusion in the workplace, created by The Center for Inclusive Business and Leadership (CIBL) for Women, which sits in the region’s premier business school, the Olayan School of Business (OSB) at the American University of Beirut (AUB). SAWI aims to work directly with a network of select local employers to develop, improve, and implement inclusive human resource (HR) policies and practices for the better recruitment, retention, and promotion (RRP) of women, with a focus on higher education, STEM, healthcare, and banking across eight Arab MENA countries – Tunisia, Algeria, Bahrain, Jordan, Lebanon, Morocco, Iraq, and Libya. https://llwb.org/event/llwb-a-country-partner-in-sawi-project/</p>

Key takeaway from the above research is a comprehensive understanding of key events, past and present, marking the evolution of women-led businesses and access to financing, thereby aiding in the construction of the survey to be used for the focus group. In fact, the above research readings all contributed to providing useful questions, thoughts and ideas to the above-mentioned survey, by pointing to the relevant issues and concerns throughout recent years in Lebanon, from different the perspectives and authors mentioned above. Another conclusion that can be drawn from the readings is that the issue of access to finance for women-led business has been at the forefront of efforts to recognize and alleviate the problem, thereby proving that the problem now requires some more radical thinking and action.

In addition to the above research, interviews were conducted with the following key informants, considered influencers in the world of SMEs women-led start-ups, SMEs, projects, NGOs and initiatives:

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Mobile: 71 445 155 – www.llwb.org

1. Mrs Amira Mourad, Director SME Programs at Berytech, previously head of SME services at IDAL (Investment Authority of Lebanon)
2. Mrs Roula Nasrallah, Acting Head of Quality Unit and long-time senior staff at Ministry of Economy and Trade.

Both ladies know the women-led and women owned SME landscape intimately, and were prepared during the interviews for their respective interventions during the two Focus Group gatherings. More on that later in the report. The following section dwells on the survey design and objective.

6- The Survey and KII's

- A. Objective of the survey: the purpose of the survey is to gauge the sentiment and opinions of focus group participants on the current state of financial inclusion, access to finance and access of financial services in general to women-led and women owned SMEs, entrepreneurs and NGOs. The purpose is to generate a healthy discussion based on the survey response outcome, coming directly from the experience, concerns and sometimes frustration of the participants. Geographic scope is limited to the regions of greater Beirut and Mount Lebanon.
- B. Survey design: The survey consisted of 20 questions covering the topics of financial inclusion, access to finance and general availability of financial services and attempting to get honest and open opinions about the concerned enterprises and NGOs. Questions and suggested answers were designed to capture as much information, sentiment and perceptions on the subject from the participants:

- 1 Is your business in need of external funding at present ?
- 2 If so, please specify the reasons for funding:
- 3 What kind of funding are you currently looking for:
- 4 Do you have past experience with external funding ?
- 5 How difficult do you feel it is to search and apply for funding ?
- 6 To what extent do you consider yourself as financially literate ?
- 7 Do you have in your team a finance specialist ?
- 8 What is the effect of lack of funding on your business ?*
- 9 Do you know where best to look for information on financing ?
- 10 What would you say is the biggest obstacle to access to financing presently in Lebanon ?
- 11 What experience do you have on a personal level with the following types of debt financing (loans):
- 12 Even if you could finance your business through own profit, would you still consider external financing in the future and why ?
- 13 If you were to opt for equity financing (partnership), would you be prepared to share your capital and decision-making with others ?
- 14 If you were to opt for debt financing (loan), would you be prepared to open your books and share your financials ?
- 15 Are you informed of grants available from international NGOs and donor countries ?
- 16 Are you informed of technical assistance programs available from international and local NGOs ?

- 17 Do you have the staff, capacity and time to fill out lengthy grant applications with all supporting documents ?
- 18 Do you have corporate banking accounts for your company ?
- 19 If you are unable to access external funding in the next 12 months, what is likely to happen to your business ?
- 20 What would you like to see happen in the next 12 months in terms of access to finance for your business ?

The answers were carefully formulated to generate objective and unbiased answers to the extent possible, while giving the widest choice of answers to cover all likely outcomes and minimize answers of the type “other”. Some answers gave the possibility to the participant to expand on the answer in free style or select more than one answer or no answer at all (not desirable but accepted). The total number of answers per question is therefore not always equal to the total number of respondents. The combined outcome to both surveys is captured and provided under Annex 1.

C. Key informant interviews (KIIs) with R. Nasrallah and A. Mourad

As previously mentioned, two influential women from the world of small business, entrepreneurship and government support services were approached as influential informants and keynote speakers for the focus group gatherings. Interviews were more like open discussions about what the subject matter, the survey questions, and where each person stood with regard to the issues at hand, respective experience, etc. Most of all, discussions provided extra insight and ideas for the survey questions and focus group discussions. The latter were substantially enriched by the participation of the two ladies, in particular Amira, contributing to the discussion with useful tips, advice, real examples and opinions based on her experience first-hand with SMEs and women in business.

D. Sampling methodology

Focus group participants were first selected and contacted by e-mail among the wide variety of LLWB members, coming from various walks of life, regions, economic sectors etc. with no specific bias. To the list of responding members able to attend either the July 5th or August 5th events, an equal number of women in business or NGOs were suggested by Raja from his personal network, again carefully selected to provide diversity:

- Sector
- Company age
- Company size
- NGO and non-profit associations
- Women founders, co-founders and senior managers
- Experience with financial services and financing methods

E. In all cases, the sample was limited to what constitutes a loose definition of Micro-, Small- and Medium-size enterprises and NGOs, i.e., generally not exceeding 50 full-time employees (definition of Lebanon Ministry of Economy and Trade). Geographic scope was also limited to the regions of greater Beirut and Mount Lebanon.

Participants were then contacted to confirm their readiness to take part in either focus group and ask them to provide basic information on their firms such as:

- Name of woman owner of CEO/GM/Senior Manager
- Address and contact information
- Company purpose and brief description
- Year of Founding
- Company Latest Annual Turnover (sales) in real USD
- Average Sales Growth last 3 Years (%)
- Share of Sales Destined to Export (%)
- No. of Employees (Full time equivalent)
- Experience with loans & Other Forms of Credit

A total figure of more than 50 confirmed their participation on one of the other date, with slightly less showing up due to last-minute cancellations or force majeure. This figure is considered acceptable given the summer vacation period.

7- Obstacles and challenges: some of the topics covered during the focus groups

A. The current business environment in Lebanon: insecurity and fear of the future

Lebanon is currently undergoing a “perfect storm” of severe and unprecedented crises affecting all sections of the economy, beginning with money, banking and financial services. It’s not inadvertent that the World Bank has classified this is one of the three worst crises ever. Amidst such hardship and change, small and medium size enterprises are suffering most, not least from the steep restrictions to accessing their own bank funds, not to mention access to new financing such as short and long-term credit facilities. Equity investing, which witnessed a healthy growth with the advent of Central Bank circular 331 since 2014, has equally dried up, on account of the high country risk – not least due to the bank volatile and unpredictable regulation, therefore commanding high returns on investment that no firm can meet in such dire economic circumstances. As a result, micro and small-size businesses are taken over by a deep fear of not being able to carry on, with hundreds having “gone under” in the last 2 to 3 years, since the crisis erupted.

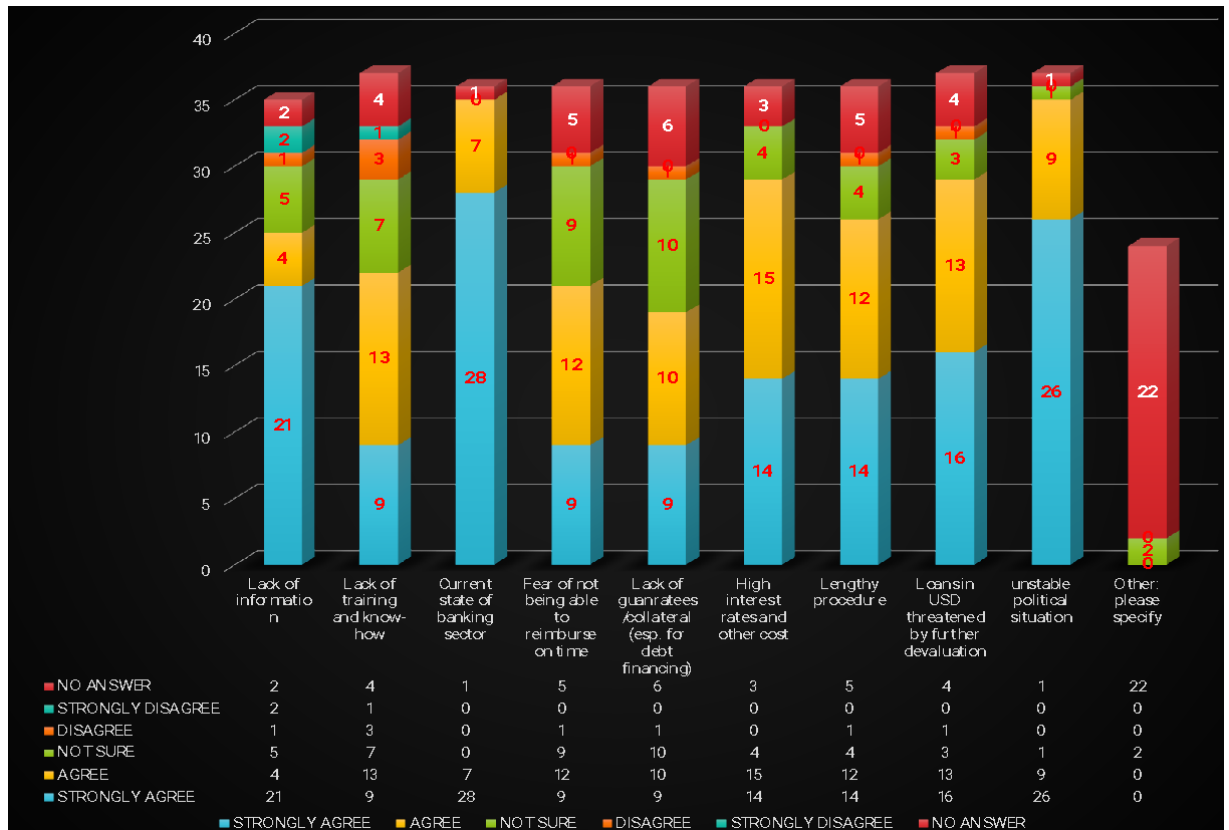
To combat this feeling, more than ever before, small and medium-size companies are welcoming opportunities to organize themselves into networks and peer groups in order to pool resources, compare notes about survival techniques, seek help from one another, and most of all, learn about scarce financing tools and sources available. In this context, associations and business lobby groups such as the LLWB gain additional importance and become pivotal to the survival of a large segment of the small business and NGO world.

Amidst such difficult circumstances for small business including mass bankruptcies and record unemployment, the time has never been better for government to pass initiatives and legislation to facilitate financing to women-led SMEs through a scheme of guarantees and other services designed to boost grants and lending by the private and NGO sectors. To be elaborated in a later section.

B. Lack of information on access to financing and training: a major worry

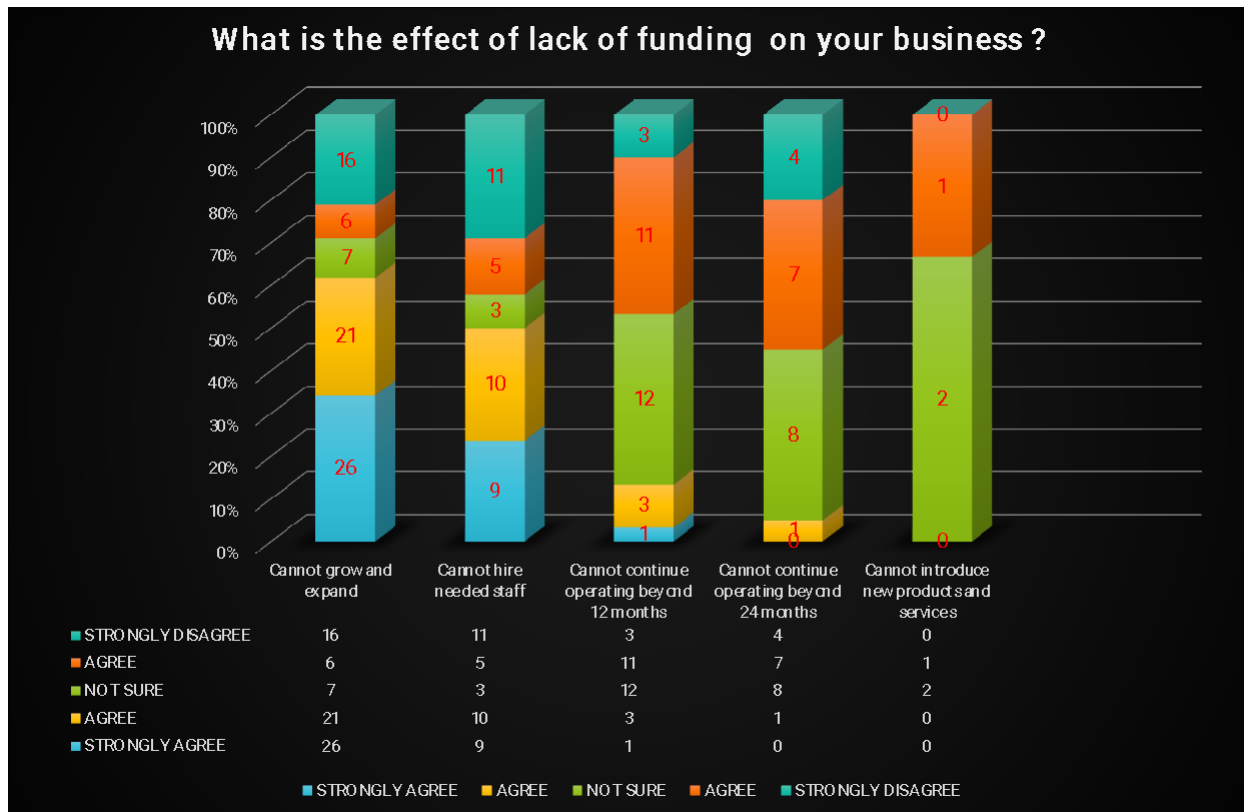
As banks quickly withdrew from the SME financing scene following the onset of the crisis, and equity investing dried up on account of the sky-high country and banking risks, new sources of funding appeared in the form of grants and soft loans mostly from entities abroad, such as international NGOs, foreign banks, friendly governments, and diaspora groups, to name a few. With the sometimes-urgent deployment of such funds, as a result of the August 4th Beirut port explosion or of the unprecedented pandemic, among others, such initiatives often go unnoticed and mis-understood by a large section of SMEs. This is the concern most often cited by participants and SMEs leaders in general, namely the fact that rumors abound about financial help to SMEs, Social Enterprises, especially those led by women but that information is scarce, vague, unclear, etc. Sometimes, claims are that assistance may be biased and targeting people with connections etc. At any rate, it is more than clear that participants are lacking sufficient, structured and consistent information about financial assistance available to SMEs and other ventures, projects, NGOs and the like. And as is often the case in Lebanon, when news does reach the potential beneficiaries, it is heavily distorted, the opportunity is missed, and discouragement and disbelief set in, leading to more despair...

With little doubt at all, serious work needs to be done at the information level.

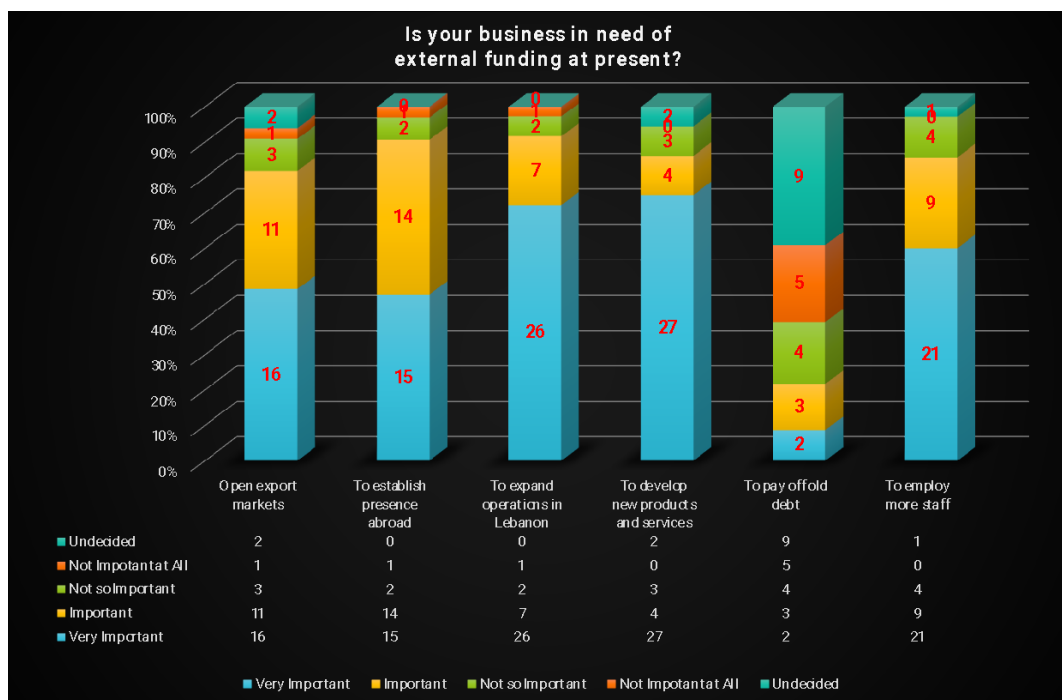


C. The funding gap and its effect

There is little doubt throughout the survey results that lack of funding is taking a severe toll on all participants, with a majority admitting they simply cannot grow and expand or hire additional staff required for growth, thus seriously crimping employment opportunities. However, on a slightly positive note, the lack of funding does not seem to have an immediate threat on survival in a 12- or 24-month timeframe, a testimony to the extreme resilience developed by the business community and population at large.



As for the reasons funding is required, the survey results point to an interesting mix of results, with the need to develop new products and services, followed by the need to expand abroad and establish an export lifeline, cited most often, both of which are badly needed in the current choked economy.



D. Funding opportunities today: grants first, where to find them and how to access them.

The most common source of information in Lebanon is Daleel Madani (DM) <https://daleel-madani.org>, regularly updated and used site by civil society organizations in Lebanon since 2006, and gathers over 1 million pageviews per month from users around the world. DM is mostly about grants, and mostly to NGOs and non-profits, but does occasionally include news about soft loans and other funding mechanisms for SMEs.

Daleel Madani, the civil society network.

Daleel Madani aims to strengthen cooperation, thus limiting duplication of work, and enhancing the civil society sector. In addition, it is dedicated to promoting accessible information about civil society, in a belief in the right to information and in the importance of transparent civil society work.

However, many other funding sources and technical training/capacity building programs that go hand in hand with funding are not included in DM and often communicated in scattered media and unstructured communication channels. This is where an effort needs to happen. Information needs to flow more systematically to LLWB members, highlighting the critical and sensitive details such as **eligibility criteria, deadlines, loan or grant amounts** etc. This is a common worry to most participants, as demonstrated by the survey outcome.

E. Company legal structure: what's best when seeking access to finance

A common question during the focus group discussion was on the best legal structure for companies in order to seek and benefit access to financing opportunities, as many of the participants still only know the “limited liability” or Sarl structure. While grants and loans are available to Sarl-type structures, the most elaborate is the SAL type of company (LLC in Anglo-Saxon law), or company with shares. This is because financing by equity investment is only possible through this structure. Undoubtedly, women entrepreneurs want legal assistance to manage their businesses, in particular when seeking and implementing financing opportunities, especially with regard to debt and equity financing, in an ever-more complicated and demanding backdrop.

F. Equity investing and finding the right partners

Still on the subject of equity investment, participants voiced frequent concern on how best to go about selecting the right equity partner in the event the company is ready to go this way to finance its growth, expansion or even survival. Discussion revolved around what is a “right” partner, whether strategic, financial, silent or active etc. and how the fit with the company vision and corporate style was most important. Checking out a potential investor – the vetting process – is a crucial step in access to financing and requires support to the SMEs, NGOs and other constituents. Discussion also touched on the subject of Angel and Venture Capital investment and its meaning to SMEs ready to open their capital and take on new investors from outside the family circle. Other points discussed:

- ⇒ Most of all, make sure you are contemplating the right equity partner, e.g. alignment of visions, objectives, expectations, ability to generate new business etc. very important !
- ⇒ In all cases, a competent accounting team is required to manage the books and keep track of all revenues and expenditures, required not only for equity finance but for debt funding and grant opportunities. Some accounting software packages (ERP) available on the Lebanon market were discussed.
- ⇒ Issue of multiple currency accounting (LBP, USD fresh, Lollar, multiple exchange rates etc.) was also discussed.
- ⇒ Angel Investment and Venture Capital discussed, and what it means for the women-led SMEs. In particular, LWAF angel investment fund for women-led business highlighted.

G. Company valuation

Still within the realm of equity investing, to which the participants were warming up more and more as the focus group discussion progressed, company valuation was discussed at length. Why, when, how, etc. The importance of carrying out a comprehensive company valuation and the inherent difficulties, as well as the interactions between buyer (investor) and seller (owner) over valuation, were explained to the participants. The vast majority of participants not having the skills to carry out a proper valuation of their companies, sometimes more than 20 or 30 years old, require assistance in this field, in order to be ready for equity investment.

H. Debt financing and the collateral system

Debt financing is the form of funding the participants are most comfortable with, having in the past taken on one form of loan or another, whether car loan, home mortgage or personal loan. Participants also know that debt financing usually requires putting up substantial collateral to secure the loan for the lender. Although bank lending is currently dormant, with very exceptions, even more for small business, once available again it would be at prohibitive conditions to SME owners. KAFALAT, the institution known to guarantee loans, is also currently dormant but expected to resume its activities soon. From my personal experience, I believe few SME owners and leaders know how the Kafalat process works and how best to guarantee its success when applying for a bank loan.

I. Crowdfunding: a useful tool not to be neglected

Among the various funding solutions available to SMEs today, crowdfunding is an increasingly popular one. Using the power of technology, internet, social media and payment gateways, crowdfunding allows any enterprise, project or non-profit association to raise funds from many people in small amounts. The funds can be in the form of donations/grants (the most common form), debt capital (i.e. carrying interest to be returned to the lenders) and equity (difficult to implement under Lebanon law). Several crowdfunding engines are available on the Lebanon market, such as the AUB Daskara Machroo3 application, which is geared more towards project with a social impact, but can also be used by SMEs to fund specific ventures with an ESG focus.

J. Banking system and the cash economy

Undoubtedly, a major worry on people's minds, as reflected in the survey and during the focus group discussions, is the current state of the banking system, the near collapse of the credit function, ever increasing charges and fees, and the quick transformation of the Lebanon economy into a pure cash economy. This is making daily business to SMEs ever more difficult, significantly chocking hopes of expansion and growth. New solutions for access to liquidity for financing need to be developed and reach qualified SMEs and other beneficiaries quickly before they are condemned to ceasing activity or substantially reducing it, including large staff layoffs.

K. Micro-finance institutions: filling the gap

Filling the financing gap are microfinance institutions, operating under license from the Central Bank albeit with substantially less regulation, allowing to provide limited credit facilities more easily, in the form of small loans generally not exceeding USD10'000 in value. Today, 25 MFIs are officially licensed by the Central Bank of Lebanon, however less than 10 are operational and less still actively lending to MSMEs. The first focus group was lucky to include the GM of one of the licensed microfinance institutions, who assured the participants that some microfinance players are still financing micro and small enterprises in local currency as well as in USD. However, such financing remains more symbolic than real, extending a lifeline to very small businesses mostly in rural areas with no access to financial services or knowledge of banking and credit.

L. Social enterprise and funding: the big thing today

If any two words have the power to attract funding to SMEs it's surely social enterprise. Designating companies that have a significant impact on social welfare, gender equality, job creation, rural development, the environment, etc. social enterprises may seek profit mostly but for the sake of sustaining and growing their activity and not dividend distribution. It has therefore become a strategic objective for many SMEs to pivot their role into that of a social enterprise, by recasting their mission and redefining their purpose accordingly. Examples of recent social enterprises were discussed during the focus group and successful financing rounds highlighted. The transformation is no easy task however, with "social" criteria becoming ever more sophisticated and demanding on small companies, who must invest in themselves to achieve the objective !

M. Technical assistance opportunities: financial literacy as a pre-requisite for accessing opportunities

One of the survey questions challenged the participants to admit that one of the problems they face is lack of or insufficient financial literacy, making them unable or uncomfortable in applying for financing opportunities such as donations, grants, loans or equity capital. Any form of financing requires a knowledge of finance fundamentals such as budget elaboration, cashflow projections, financial statements, and other concepts that figure heavily in any

application for funding as well as in the management of the grant, loan or equity process thereafter.

N. Clustering and syndicating as a means to improve access to financings

Amidst the severe crisis hitting all sectors and enterprises of all sizes, small and medium size businesses feel particularly vulnerable and in need of coming together, federating and syndicating in order to build strength and survive. The LLWB is an excellent example of such “clustering”, where members can achieve far under a common umbrella more than they would alone..

O. Accelerators and incubators, the entrepreneurship ecosystem

Both focus group discussions touched upon the subject of entrepreneurship and the Lebanon ecosystem supporting and nurturing entrepreneurship, with the ultimate aim of facilitating financing, mostly in the form of equity. Participants in the early stage of their ventures were encouraged to join incubators and accelerators as a means of improving financial inclusion and the prospect of financing their ventures quickly.

P. Branding, marketing and communications

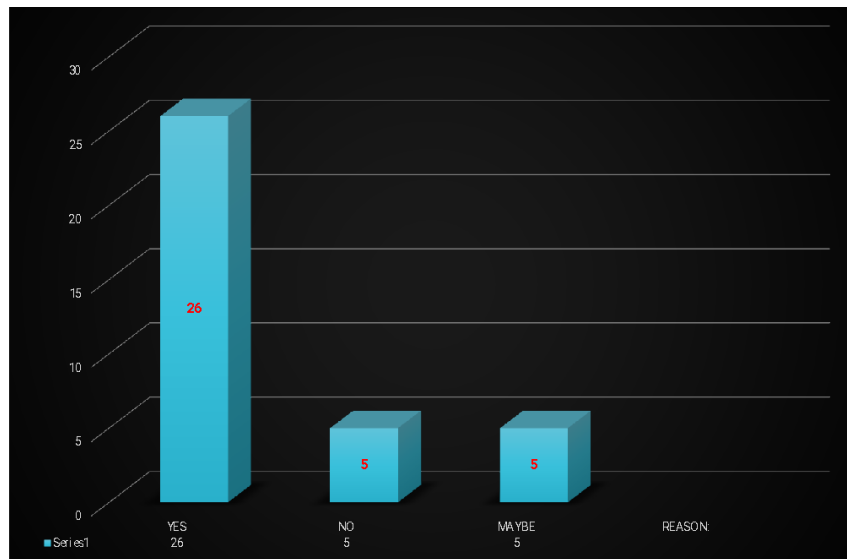
Participants to the second focus group expressed the need to strengthen their corporate image, brand identity and corporate communications as a first step towards accessing financing, especially for growth and international expansion purposes. Such consultancy services are readily available in the Lebanese market yet many SME leaders are not sure where to start to obtain competent and inexpensive services.

Q. Intellectual property (IP), trademark registration and design

Finally, participants enquired about means to protect intellectual property, trademarks and designs in Lebanon. Information on the main service provider (Saba House) was communicated, alongside the importance of doing seeking such protection early on in any venture.

A final remark made on the basis of a survey response, is that that even if companies were able to survive on their own (internal) cashflow, they would still welcome and adopt other sources of financing, thereby demonstrating a change in culture and mentality, where previously external funding was considered more of a threat than an opportunity in Lebanon.

Even if you could finance your business through own profit, would you still consider external financing in the future and why ?



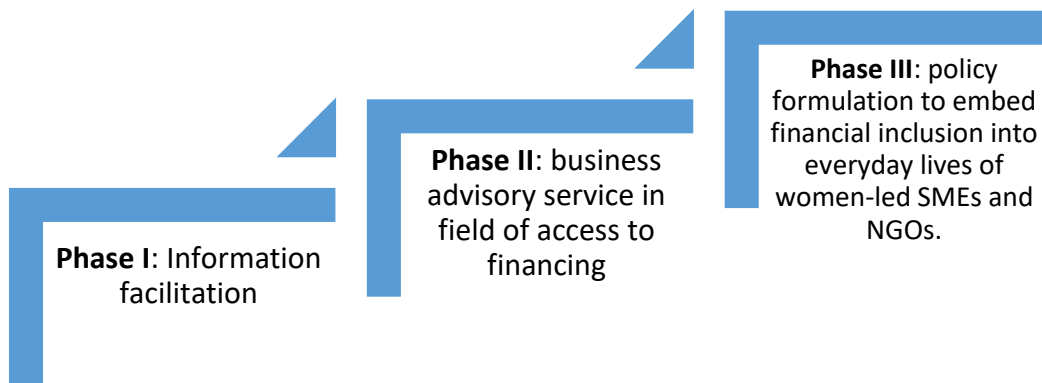
8- Outcomes and objectives:

The above topics covered during the focus group, coming largely from the surveys returned by the participants, clearly point to a number of possible actions to be carried out in the short, medium and longer terms required to address the problem of financial inclusion and relative lack of financing opportunity facing many women-led micro, small and medium-size enterprises in Lebanon.

- **Short-term:** the most pressing need is to facilitate access to information on financing opportunities and related activities such as training and capacity building in areas of grant applications, loan requests, equity investing, financial management and other relevant topics. Gathering, filtering, structuring and disseminating all such information to members in a timely and efficient manner will go far to helping members overcome this feeling of being excluded and overlooked.
- **Medium-term:** another need is gathering all services in an organized strategy, including delivering corporate and advisory services, networking and training or capacity building sessions. Such services will require significant re-tooling and re-organization. Partnerships with specialized learning institutions and specialized service providers, such as payment gateways and e-commerce platforms, will further enhance the role of a value-added partner women-led enterprise searching for business facilitation means.
- **Long-term:** policy formulation is the ultimate goal over the long and difficult road to facilitating access to finance by women-led enterprises. Policy formulation, advocacy and lobbying are all elastic and broad concepts designating initiatives to embed rules and laws into everyday business life in a sustainable manner. This can happen at various levels, beginning with other business associations and lobbies such as the RDCL all the way to government and parliament actions, at the national level. This is a long-term objective requiring concerted and focus

attempts at creating partnerships both in the private and public sector, requiring patience and resilience, especially in a country such as Lebanon.

The 3-phased approach is depicted below:



9- Recommendations

The main purpose of this paper was to understand the state of low financial inclusion and access of finance gaps for women-owned and women-led small business in present-day Lebanon. To understand the state was to understand and analyze the problems after a nearly 3-years of perfect storms battering Lebanon one after another, and what can be done to alleviate those effectively at various levels. To carry out the task, a focus group approach was adopted, relying on a carefully selected sample of 50 participants, in order to get the information first hand from the people concerned by the problem and test potential solutions simultaneously. To prepare the focus group, actually split into two groups a month apart, a 20-question survey attempted to capture the problem, its perception and its implications on small business across the country. The survey produced a number of interesting responses and reactions, and generated a healthy discussion, all of which were analyzed at length in this report. The solutions proposed were phased into three silos with each one leading to the next after successful implementation.

Exciting times ahead for the LLWB and its partners!

Annex I – Survey questions and replies

Please refer to Powerpoint Presentation containing all survey questions and replies compiled across both Focus Groups.

Annex II – accelerators and incubators in operation in Lebanon today

Berytech
The Ecosystem
for Entrepreneurs

Agrytech
A program by Berytech

Cleanergy
A program by Berytech

NUCLEUS VENTURES
TAKING FOUNDERS GLOBAL

Sf LEBANON SEED FUND

AUB
American University of Beirut
Tala and Madiha Zein
AUB-Innovation Park

FLAT 6 LABS BEIRUT

BIAT

**SMART
ESA**

b
BLOOM