



RASSEMBLEMENT DE DIRIGEANTS ET CHEFS D'ENTREPRISES LIBANAIS  
LEBANESE BUSINESS LEADERS ASSOCIATION  
تجمع رجال الأعمال اللبنانيين

# SME Innovation & Growth Support

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# Acknowledgements

The materials herein are part of the *Entrepreneurship Ecosystem Mapping and Collaboration Strategy* project executed and lead by RDCL with the financial contribution of the Nature Conservation Center at the American University of Beirut (AUB-NCC).

Study report: Exploring meaningful transformation for Lebanese small and medium enterprises (SMEs) amidst the crisis (*Mapping of the Lebanese Entrepreneurship Ecosystem*).  
Phase 1\_January 2022.

Concept report: SME Innovation & Growth Support  
Phase 2\_April 2022.

The concept report, *SME Innovation & Growth Support*, was prepared by Nada Naufal on behalf of RDCL in collaboration with coalition team members Mrs. Asma Zein, Advisor LLWB Board; Dr. Alain Daou, Director AUB-NCC and Ramy Boujawdeh, COO Berytech.

The original study, *Exploring meaningful transformation for Lebanese SMEs amidst the crisis* was prepared by Nicolas Boukather (President RDCL), Nada Naufal (Project Leader RDCL), Raja Abdallah (Head of GPA Innovation RDCL) with the support and valuable input of Dr. Najat Saliba, Professor of Chemistry at AUB, Director of the Environment Academy AUB, Co-Founder & Co-Executive Director of Khaddit Beirut; Dr. Alain Daou, Director of AUB-NCC; Salwa F. Darraj, Strategy and Financial Consultant; Fida Kanaan, Director of Executive Education AUB OSB and Co-Founder of Khaddit Beirut and Sara Abdul Samad, Board Member LBCK.

We would like to acknowledge the following participants for their contribution which helped inform the thinking behind the reports:  
(alphabetical order)

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## Project Summary

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A study report, *Exploring meaningful transformation for Lebanese SMEs amidst the crisis*, was done earlier this year with the objective of exploring and mapping Lebanon's current entrepreneurial ecosystem and finding potential value to benefit and support small and medium sized enterprises still standing amidst Lebanon's worst-ever crises.

The goal was to shed light on the current ecosystem by mapping it in detail and lining up key ecosystem experts to discuss collaborative efforts. The end-objective being to encourage and assist SMEs to innovate by pivoting their business models, as part of a national strategy proposed by the RDCL.

Such a strategy would be carried out by building an SME centric approach with support of the current entrepreneurial ecosystem using innovation skills once used on former start-ups, bridging them to the current needs of SMEs apt to scale up and pivot where all key ecosystem players participate in a collaborative approach to bring about this change.

## Why the project matters?

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- The current Lebanese entrepreneurship ecosystem, as a result of the past two and a half years, has been set back considerably by the financial meltdown, hyperinflation, the pandemic, the August 4<sup>th</sup> explosion and a growing illegal parallel economy.
- SMEs have either been forced to close down or are barely sustaining and finding ways to survive and stay afloat.
- Over the past decade, a great deal of support was provided to start-ups. Today, the SMEs making up the core of the older economy, are suffering.
- The current brain drain is causing a problem with retaining local talent and staff and jobs are being vacated as a result.

## Why the project matters? (continued)

- Professionals have been working in sectors that have been declining in size over the past few years; they can start exporting their services as individuals under the umbrella of the gig economy (with the professionals' involvement in the gig economy being formalized under a registered business structure).
- Supporting the SMEs that are apt to pivot and scale up is essential by giving them the skills and tools needed to enter a growth mindset again. This will be fundamental in helping to drive the economy forward again.

The objective is to support the Lebanese entrepreneurship ecosystem by tapping into the innovation skills once used on former start-ups and bridging them to the current needs of SMEs apt to scale up and pivot.

This would be implemented while tending to the parameters of a greener and technology/digitized economy, diversity and inclusion, gender parity, and last but not least Environmental, Social and Governance (ESG).

This in turn will help drive and shift the Lebanese economy, allowing it to compete on the world stage.

## Key findings identified in the study

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1. **The providers of services to SMEs today have been identified (reference ecosystem map, slide 10):** We need to strengthen the Business Support Organizations and bridge them with the SMEs that are willing to scale up and pivot.
2. **The needs required to upskill the SMEs in order to provide the services needed:** Business Development Services where they can use their skillsets to help themselves. There is the need to provide them with the tools in order to achieve this and the funding to make what they have available scale up. The ability to support with the network of RDCL members, CEOs and other players etc. the linkages needed to make the Lebanese economy move forward, the latter being the ultimate long haul objective.
3. **The sectors where the focus needs to be:**
  - Information & Communications technology and digital services: from creative, design, outsourcing of digital services (ex: digital call centers, programmers, coders, consulting, etc.)
  - Manufacturing: Specifically for exports or product substitution including textile, design, fashion etc. Need to start looking at clustering enterprises to increase access to markets.
  - Agriculture/Agri Tech and Agri-food.
  - Logistics and transportation.

## Strengths of the current Lebanese entrepreneurial ecosystem

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1. Significant and valuable know how exists in the entrepreneurial ecosystem that can support SMEs in transforming. Skillsets used previously on start-ups can also be used on SMEs to push for more innovation and competitiveness.
2. Strong academic institutions offering support programs for entrepreneurs (from pre-seed to early growth).
3. Availability of co-working spaces with internet facilities.
4. A significant number of SMEs supported through the USAID LED program and now USAID TIF among others such as ESA and Bloom EMEA (latter formerly known as Alt City).
5. Kafalat still undertaking a significant role in helping SMEs to sustain or grow amidst the crisis.
6. More women entrepreneurs and social enterprises are being supported.
7. RDCL's vision and determination to support SMEs amidst the crisis by leveraging on the resources of the main players in the entrepreneurial ecosystem with the support of the Innovation GPA, main role being to lobby, playing the 'god father' role in pushing and developing the economy forward.



## Gaps in the current Lebanese entrepreneurial ecosystem

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1. Most of the entrepreneurial ecosystem was to support start-ups in their raison d'être rather than SMEs.
2. The entrepreneurial support ecosystem is working in silos, lack of unified national strategy and vision.
3. No unified definition of SMEs (SME and start-up terms used interchangeably at times).
4. Data on the success of the start-ups/Impact assessment of BDL circular 331 is not available.
5. Difficult and scattered access for SMEs on what is available in terms of support/help.
6. Green transition is not yet a priority for support organizations.
7. Brain drain, jobs being vacated.
8. Very limited access to funding.
9. Obstacles in accessing foreign/new markets.
10. Additional support needed for women led SMEs in rural areas, social enterprises and entrepreneurs.
11. Lack of support and funding for research commercialization (taking applied research to market) at Academic Institutions, this usually happens through the technology transfer office which no university in Lebanon has today.
12. The entrepreneurial ecosystem is built around start-ups as the epicenter and not SMEs or scale ups.



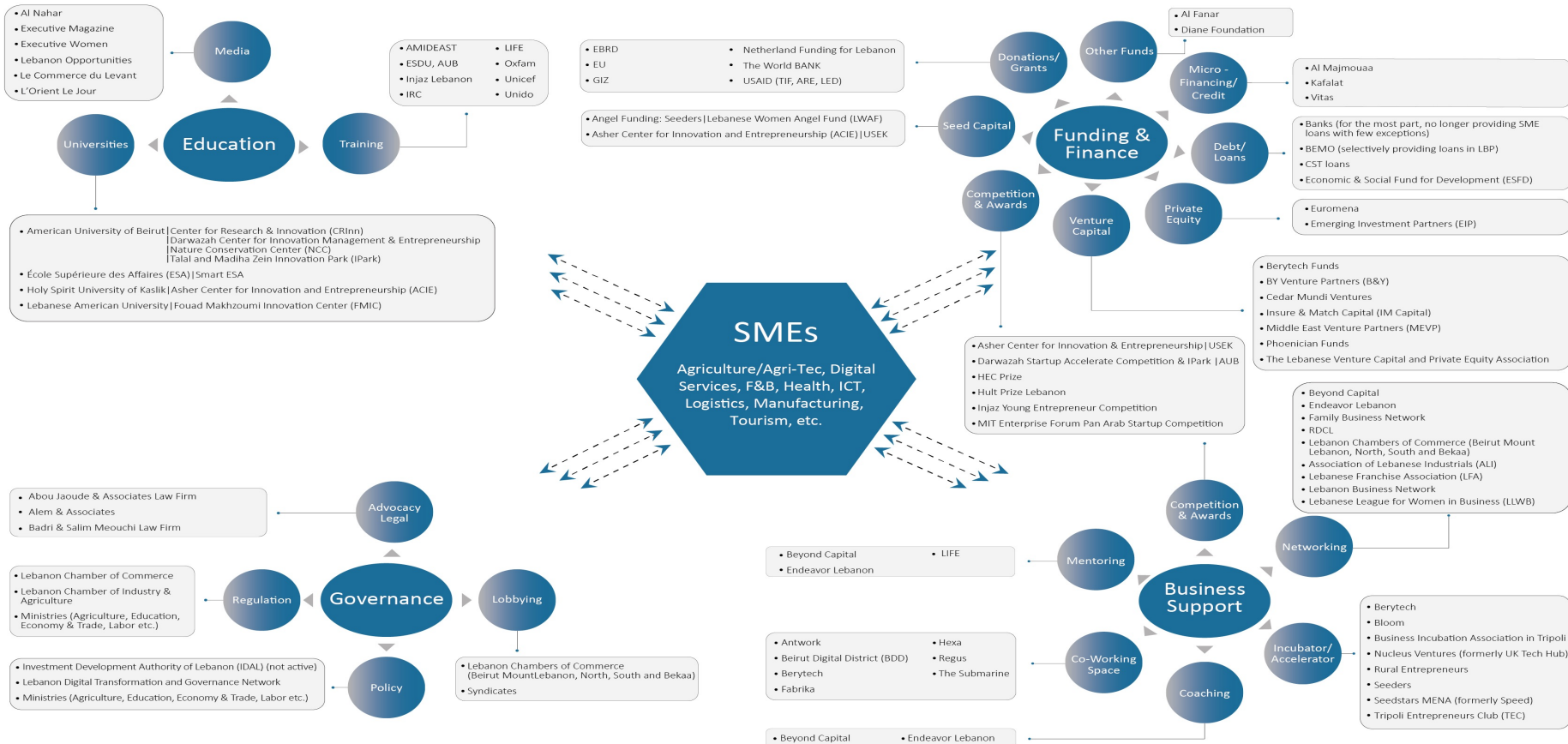
# Recommendations: National strategy and vision in support of SMEs

*(Reflecting and mirroring the gaps and challenges from the previous slide)*

1. Expand the process of the involvement of business support organizations in supporting business leaders/SMEs with equal emphasis to the small and medium enterprises, apt to pivot and scale up their business model.
2. Identify the business support organizations know-how and areas of expertise.
3. Ensure consistency of a unified SME definition and sectors with growth potential to be supported on a national level. (There are information/reports on this at the UNDP/PSDP. TIF has also worked on this; WB and IFC as well).
4. Define success criteria for the support provided to SMEs (ex: jobs retained, created, business models transformed).
5. Properly communicate the ecosystem support platform to the SMEs.
6. Support SMEs in their transition towards becoming greener, more diverse and inclusive, aiming for gender parity and ESG compliance thus becoming more competitive.
7. Increasing job employment and retention, re-vitalizing the current brain drain (business model transformation will help restore a growth mindset).
8. Encourage and foster new types of grants and funding to support in transforming and pivoting SMEs.
9. Facilitate access to foreign/new markets.
10. Support women-led SMEs across the regions of Lebanon (urban and rural) and social enterprises.
11. Advocate/support research commercialization at Academic Institutions, serving ultimately SMEs, students and the institutions.
12. Build an SME-centric approach with the support of the current entrepreneurial ecosystem players and members of the private sector to support those that have the highest potential to pivot, change and become more competitive.



# Entrepreneurship Ecosystem Map of Lebanon



This document is intended to be a general information resource for the entrepreneurship ecosystem of Lebanon as of April 2022. It is subject to periodic revision.

The model is built on previous works on entrepreneurial ecosystems by the World Economic Forum, the Organization for Economic

Co-operation and Development (OECD), and Professor Daniel Isenberg (Babson College Entrepreneurship Ecosystem Project).

For feedback and inquiries, please email rdcl@rdcl.org.lb

## Proposed call to action

### SME Innovation & Growth Support\_Work package


#### Phase 1: Support to the Business Support Organizations

1. Re-skilling through training and consulting to the network of business support organizations on how to support SMEs through:
  - Innovation, re-positioning.
  - Pivoting their business model in order to scale up.
  - Transition towards a greener, accounting for diversity and inclusion, aiming for gender parity and ensuring ESG compliance thus becoming more competitive on the regional/world stage.



#### Phase 2: Support to the Small and Medium Enterprises

1. Technical assistance and grants.
2. Growth through business model transformation (ex: digital, cultural/organizational, strategy).
3. Social impact
  - Job retention and employment (restoring a growth mindset).
  - ESG compliance/Culture transformation.
  - Diversity and inclusion.
  - Gender parity.



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