Funded by the European Union
بتمويل من الاتحاد الأوروبي

SE SUPPORT NEEDS ASSESSMENT
MAY 6, 2021

Project Title:
SOCIAL ENTREPRENEURSHIP
ECOSYSTEM (SEE) CHANGE

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SE SUPPORT NEEDS ASSESSMENT

ASSESSING THE FINANCIAL AND NON-FINANCIAL SUPPORT NEEDS OF EXISTING SOCIAL ENTERPRISES

ACKNOWLEDGEMENTS

Beyond Group has conducted this study under the "Social Entrepreneurship Ecosystem Change" (SEE Change) project, funded by the European Union (EU) and implemented by Oxfam, COSV and Beyond Group.

We would like to acknowledge the valuable feedback provided by key interview informants and ecosystem stakeholders that contributed to our data collection.

In addition, we would like to take the opportunity to thank the following partners for their support in creating the Social Enterprises (SEs) database as well as diffusing the survey among their network and giving valuable input throughout the study:

- Alfanar
- Berytech
- Fondation Diane
- Makesense Lebanon

Finally, we would also like to extend our acknowledgment to all SEs, cooperatives, non-governmental organizations (NGOs) and entrepreneurs who took the time to complete the survey and participated in our interviews.

This assessment report was produced with the financial support of the European Union. Its contents are the sole responsibility of SEE Change partners and do not necessarily reflect the views of the European Union.

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EXECUTIVE SUMMARY

This report presents the study undertaken by Beyond Group under the “Social Entrepreneurship Ecosystem Change” (SEE Change) project.

SEE change is a project funded by the EU and implemented by Oxfam, COSV and Beyond Group. The project focuses on social entrepreneurship as a tool to support local development and enhance social stability. The consortium aims to strengthen SEs to respond to the social and economic situation in Lebanon and advance the legal and institutional framework for SEs.

The aim of this study is to provide a comprehensive analysis of the support needs of SEs currently operating in Lebanon. It intends to give input on current challenges faced by existing SEs and support needs of the sector to overcome those challenges, it aims as well at enhancing the ability of Social Enterprise Support Organizations (SESOs) and ecosystem stakeholders to address these issues with greater knowledge and ability to respond.

Findings were based on a general literature review, 20 semi-structured interviews with key informants in the ecosystem, and a web-based survey through which 56 responses from SEs were recorded. The sample was, with a good spread of geographical location (North, Bekaa, Beirut and Mount Lebanon), covering a wide range of sectors and all SE progress phases along the business development cycle. SEs interviewed as well as survey participants had all reported a joint objective of realizing social impact along with financial revenue and sustainability.

The study provided rich data on the social entrepreneurship sector and its ecosystem, demonstrating the resilience of social entrepreneurs and an unaffected commitment to their organizations’ missions, as well as an understanding of their current challenges and needs for support. Under the current financial crisis, access to finance that is focused on developing the viability and sustainability of SEs is a crucial part of developing the ecosystem.

Findings show that the financial crisis, health crisis, political instability and unsecure environment are highly affecting the SEs development. The lack of a legal form for social enterprises and the absence of governmental support, along with the lack of financing and investment are as well amongst the main obstacles faced by SEs.

The main recommendations arising from the analysis focus on 3 main priorities.

1. **Developing Stronger Organizations**

- **Provide more flexible tailored and impact-oriented arrangements for funding** which are needed with adequate funding geared towards business growth development. This is mostly critical in post-start-up core funding that would allow SEs to develop their business.
- **Ensure business support is tailored and focused on developing SEs as sustainable businesses**. More social entrepreneurship programs and support organizations where people have access to tailored funding coupled with tailored SE support should be available to ensure organizational sustainability and growth.
- **Address human resource capacity-related challenges**, as social enterprises face problems in recruiting and retaining talent, while highlighting the need for training teams on managerial skills.

2. **Realizing Market Opportunity**

- **Facilitate access to new national and international markets.** Whether regional or international, SEs require support in business development and marketing to access new markets. The decrease in revenue and the subsequent actual and perceived increase in costs, as a result of the devaluation of the Lebanese pound have rendered the Lebanese market unsustainable, and hence support to accessing new markets becomes integral.
- **Enable more consumers and businesses to understand and purchase from social enterprises** with better marketing for the private sector to overcome apparent prejudices and include SEs as partners. There exists a need as well to address the cultural gap from the client point of view and to implement ways to encourage people to buy SEs’ services and products.

3. **Stimulating Social Entrepreneurship**

- **Promote awareness and understanding of the social entrepreneurship concept**. Step-up the level of recognition of social enterprise sector nationally and build links with others working towards the same goals regionally and internationally.

- **Support the creation of local social innovation hubs and co-working spaces** that aim at creating social investment-ready businesses.

In addition, actions need to be taken at the macro and meso levels of the ecosystem as well:

- Encourage **collaboration and complementarity among social entrepreneurship ecosystem players** to further organize and channel resources in the most efficient and impactful way to avoid efforts duplication.
- **Build the capacity and empower SESOs** to better provide tailored support to SEs, while addressing the support needs of the ecosystem, and enabling SEs agility and innovation in response to the constantly changing contexts.
- **Join advocacy efforts** towards the development and adoption of a social entrepreneurship strategy and legal framework in Lebanon.

INTRODUCTION

Lebanon Country Context

LEBANON KEY SOCIOECONOMIC INDICATORS[1]

There are many pressing challenges in Lebanon today that are affecting every individual, organization, and sector. A multiple crises environment: political deadlock and security problems, an economic and financial crisis, a humanitarian crisis, the COVID-19 pandemic and imposed lockdown, and the Port of Beirut explosion all resulted in significant price increases and high inflation (inflation: **112.39%** in July 2020), currency devaluation, job losses and business closures. The numbers are not only disturbing, but also unrestrainedly disastrous as described by the last issue of the Executive magazine December 2020 - January 2021**.**

GDP decreased by **25%** in 2020

Food prices increased by more than **400%** in 2020

Unemployment rate **39.5%**has quadrupled since 2019

55% of Lebanese live **below the poverty line** of 3.84 dollars a day

Murders jumped **91%** from 2019, **Robberies** shot up **57%**

Corruption perceptions index: **149/180** (2020 Rank)

Trade **deficit:** **$10.2 billion** the highest in the world

Lebanese pound depreciated by **80%**

Population:**6.82 5** million

1.5 million Syrian refugees live in Lebanon

58% living in vulnerable conditions

Imposed Informal **Capital Control** on small depositors

Lebanon **Happiness ranking** in 2020 is **123 /149**

With an estimated index of 4.584

Internet Broadband Speed **159/177** some of the slowest amongst countries in the ME.

40% of male and **30%** of female graduates migrate from Lebanon

$2.35 billion

Environmental cleanup costs

[1] A list of references for Key SocioEconomic indicators is presented in Appendix 1

WORKING ENVIRONMENT

Lebanon has always been a tough country to conduct business in, the struggle has always existed. As one interviewee described it, "*the challenges are still here today since we started, being in Lebanon by itself is a challenge***"**. Yet throughout all the storms that Lebanon has gone through over the years, Lebanese entrepreneurs prided themselves on being resilient, able to withstand any crisis, weather all the challenges and adapt to any given situation no matter how devastating it is. However with recent events, this resilience and willingness to continue and survive is at stake with pressing complex national circumstances and working environment.

Since the day that mass/widespread protests erupted on October 17, 2019 against decades of corruption and mismanagement of the ruling elite and the sectarian power-sharing system they uphold, Lebanon dived into a severe economic collapse or what the World Bank described as the "Deliberate Depression." [2] This has been exacerbated by the coronavirus pandemic, where 522,873 Covid-19 cases (as of April 27th 2020) have been recorded since early last year. It was further compounded by the massive explosion at the port of Beirut which devastated whole swathes of the capital, killing more than 200 people and causing between $6.7 billion and $8.1 billion in damage and economic losses.[3] It was like the final nail in the coffin, Lebanese people started looking for an exit.

The section below describes the current political, economic, social as well as technological context of the Lebanese ecosystem, along with the different challenges it presents. It further highlights how these elements are currently affecting SEs development and growth.

POLITICAL CONTEXT AND RECENT EVENTS

The uncertain and unstable political situation in Lebanon, as well as the absence of a strong efficient government create a massive setback for the development and growth of business in general, and of SEs in specific.

Indeed, the consociationalist system has obstructed the decision-making process and has rendered the public institutions weak and dependent on the will of a few, prioritizing their interests over those of the public. According to transparency.org, Lebanon has ranked 149th among 180 countries on the corruption index in 2020. This is evident given that the political elite is in a constant state of deadlock, unable to form a new Cabinet to launch a rescue plan and carry out much needed reforms. No decisions have been made at any level, no strategies for supporting SEs and entrepreneurship have been developed, nor any strategies for the growth of various sectors. The lack of the vision and support of the government makes it harder for SEs to pursue their mission. In addition to that, the government continually seeks procurement and partnerships from external companies, often times based on political considerations, which leaves very little room to SEs to be involved in any procurement of public services.

This widespread corruption and lack of political performance also mean that trading regulations and customs procedures are inefficient and add weight to the $10.2 billion deficit that the country is already experiencing. This has been aggravated by the Syrian crisis, which left most overland trade routes closed and the more recent Beirut Blast which wreaked havoc in the port and severely disrupted trade patterns.

ECONOMIC CONTEXT SITUATION

Lebanon is a small, primarily consumer market dominated by services and trade and a high dependence on imports. For a couple of decades, the financial sector was one of the pillars of Lebanon's macroeconomic stability. However, during the last few years it became clear that it was in dire situation. Lebanon has been struggling with a severe economic crisis since October 2019 and, more recently, a hyperinflation, which reduced its GDP by 25% in 2020 according to the IMF, [4] increased prices by 146%[5] and thus immensely decreased the consumer purchasing power and caused an ongoing wave of nationwide business closure. Moreover, the heavily indebted government has already defaulted on several payments and its credit and foreign-currency rating were subsequently lowered.

The crisis has also slashed salaries and/or reduced their purchasing power, which constrained the majority of people, especially those reliant on daily wages paid in the local currency. The crisis also caused jobs to be wiped out and the unemployment rate to rise from 11% in 2019 to 39.5% in 2020. The people's desperate need for income drove the levels of informal labor up on one hand and forced the highly skilled to seek employment abroad on the other. This also negatively affected the state of SEs

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[2] Harake, Wissam; Jamali, Ibrahim; Abou Hamde, Naji. 2020. Lebanon Economic Monitor: The Deliberate Depression (English). Washington, D.C.: World Bank Group.
[3] World Bank. 2020. Decisive Action and Change Needed to Reform and Rebuild a Better Lebanon. Available at: https://www.worldbank.org/en/news/press-release/2020/08/30/beirut-explosion-decisive-action-and-change-needed-to-reform-and-rebuild-a-better-lebanon
[4] International Monetary Fund. 2021. Lebanon. Available at: https://www.imf.org/en/Countries/LBN
[5] Ibid

because the wanted talents were swept by an increased brain drain.

Wealth has also been negatively affected by the circumstances and the already existent wealth distribution gap has been widened. Some 55% of Lebanese live below the poverty line of 3.84 dollars a day according to the UN, and up to 23% of Lebanese individuals are now living in extreme poverty.[6] Additionally, more than 3 million people belonging to the middle class have slipped into poverty. These numbers are predicting disastrous consequences and alarm that the country's food security is at risk.

The banking sector is also in trouble and the Lebanese Central Bank is running out on reserves due to decades of financial maneuvering and debt mismanagement by the Bank and the government. This means that the country will soon be unable to meet its import needs and subsidize basic essential goods, consequently banks will no longer be able nor willing to give loans or do business in dollar currency. Depositors were gravely impacted too, and suffered from a harsh haircut on their money, some even losing their lifetime savings overnight. What is worthy to note here is that despite the pound losing more than 90% of its value against the dollar, and trading being at record lows against the dollar in the black market for the first times in its history, it remains officially pegged to the greenback at 1,507 LBP.

The Lebanese market, which was already suffering from corruption, clientelism, inefficient practices, barriers to entry and weak intellectual property framework, was already in a poor state. The issue here is that acquiring accurate, reliable and recent market information, statistics, and research about the business environment in Lebanon is extremely difficult and focusing on overcoming these challenges isn't currently a priority. Even topics such as the closed and non-transparent public procurement processes are not addressed properly to support the SMEs willing to participate. The SE ecosystem has its challenges as well, for there are not any official statistics on the size of the sector and little research clearly specifying the characteristics of the industry. Moreover, the stakeholders and actors don't cooperate as much as they need to, which results in inefficient approaches to social problems and a lower than desired community participation. Furthermore, there is not a centralized information sharing platform or body in Lebanon to support, organize or regulate the activities of social entrepreneurship which reduces the scope and degree of impact on one hand, and restrains the sector from growing properly on the other.

SOCIAL CONTEXT

Lebanon is home to 6.825 million people, including around 1.5 million registered Syrian refugees and at least 180,000 Palestinians. A big portion of the population is considered marginalized, and includes low-income families, people with disabilities, migrants, refugees that are affected more than the rest of their fellow citizens. Their situation is getting worse with time, especially with the persistent deterioration of human rights protection.

Nevertheless, Lebanon's literacy rate is at 95.1%; but even then, the general market perception of individuals is flawed and their knowledge regarding the concept of social entrepreneurship and its presence as a sector is still very limited. For instance, the majority of people think that the private sector provides a better product/service than SEs, and the absence of substantial SE content in academia retards them from forming a better idea of the concept.

TECHNOLOGICAL CONTEXT

The Information, Communication, and Technology (ICT) sector in Lebanon is fairly developed. Nevertheless, there exists a few weaknesses that restrain it from becoming better. One example is the infrastructure, which constitutes a setback because of the high access costs to telecom services and very weak internet services. The sector also suffers from inefficient information services, weak IP protection system, "the lack of support in the 'go to market' process for researchers" (Berytech), and limited knowledge transfer opportunities among many others, which only makes it more challenging to SEs to perform optimally. Remote areas are still as well mostly unserved.

The government, through The Ministry of State for Investments & Technology, is attempting to tackle these issues and push Lebanon into becoming a regional hub for technology and innovation through various initiatives such as the Action Plan for 2019-2021, entitled "The Road Towards Digital Transformation: Realizing the Potential of the Lebanese Knowledge Economy." Yet the challenges faced by SEs are still many: technological infrastructure is centralized; decisions are still monopolized and cannot reach all in need. Startups in general and social enterprises in specific cannot afford the high price of developing digital innovations. Social entrepreneurs can use the achievements of digital technologies, but they cannot create them. Hiring hi-tech specialists in the social sector is difficult as salaries are much lower than in the private IT sector.

Lebanon today puts forward a great number of barriers and greater challenges that hinder the development of the social entrepreneurship sector, at the same time it has all the opportunity for the sector to grow and develop. Any strategy must ensure to enhance the capabilities of existing SEs as well as provide support to have new market driven ideas. Growth in the

[6] ESCWA. 2020. E/ESCWA/2020/POLICY Brief.15: Poverty In Lebanon: Solidarity is vital to address the impact of multiple overlapping shocks. Available at: https://www.unescwa.org/sites/www.unescwa.org/files/20-00268_pb15_beirut-explosion-rising-poverty-en.pdf

sector will be dependent on the pool of innovative ideas for start-up businesses responding to the various challenges and needs the socioeconomic context provides.

Report Objectives

The support needs assessment of SEs in Lebanon aims to understand the current challenges, gaps, and financial as well as non-financial needs of various SEs operating in Lebanon.

This report starts with presenting an overview of the current challenging situation SEs are operating under and a general assessment of the ecosystem as well as an overview of the main support supply available for SEs today. An analysis of the various gaps in support supply as perceived by SEs is then presented followed by their main planned growth strategies and various expressed needs in terms of financial and non-financial support.

The findings and analysis are finally presented; an analysis of needs based on various stages of development are observed and a set of evidence-driven recommendations for stakeholders in the social entrepreneurship ecosystem in Lebanon are concluded.

This study can be of further support to SESOs, as it sheds light on the design and development of needed social entrepreneurship support programs and interventions.

METHODOLOGY

Research Approach and Methodology

RESEARCH OBJECTIVES

This study was carried out by Beyond Group between January and April 2021, in partnership with Oxfam and COSV. The main aim was to better understand the current state of SEs operating in Lebanon; identify the main challenges and obstacles hindering their growth development, and assessing their financial support as well as their capacity building needs.

This study will also contribute to highlight where the gaps are and equip support organizations and other stakeholders in the ecosystem with the information needed to develop and tailor their support interventions to the current needs of SEs, and ultimately develop the social entrepreneurship sector.

The key objectives of the study are:

1. Identify the main challenges, and barriers hindering SEs development and growth.
2. Assess non-financial support needs of SEs.
3. Assess financial support needs of SEs.

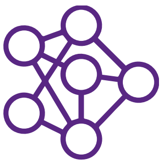
Research activities carried out in the study adopted a mixed-methods design (both qualitative and quantitative methods). They involved a number of stages, starting with a desk-based research, followed by a mapping of existing social enterprises currently active in Lebanon as well as the identification of the main ecosystem players, and finally semi-structured interviews with 20 Key Informants (KI) and 56 web-based survey responses.

DESK & DATA / LITERATURE REVIEW

Our starting point was a review of all internal project reports around social entrepreneurship and SEs, local and international media articles on successful SEs case studies in Lebanon, academic works related to SEs development in the MENA region and other literature relating to the development of SEs and their various needs for growth and increased impact.

The review helped in directing and developing the interviews guiding questions and setting the survey framework.

SE MAPPING



Surveying social enterprises is not easy, as a 'social enterprise' is not an easily identifiable sector – it is, rather, a way of doing business. There exists no census related to SEs in Lebanon; therefore, no complete mapping or quantitative data is available. For the purpose of the study, we undertook a mapping exercise to generate a list of SEs currently operating in Lebanon. The starting point was the consolidation of numerous SE lists from previously implemented social entrepreneurship support projects/programs and initiatives. A database of 270 SEs and initiatives was created by Beyond Group and its partners, which formed the survey's foundational base.

The mapping covered SEs that are at the end of the ideation and beginning of start-up phase, start-up, growth and maturity phases.

INTERVIEWS

20 semi-structured interviews with Key Informants (KI) selected from various ecosystem stakeholders were conducted over Zoom. Our 20 interviewees comprised:

- 12 SEs at different stages of development

- 8 SESOs and key ecosystem stakeholders, supporting a wide variety of social enterprises to which they offer both financial and non-financial support.

During each interview, we asked about the support available to SEs, the gaps and limitations for SEs in receiving such support, their current challenges and needs as well as recommendations for future growth of the ecosystem.

The interviews were analysed, and the information gathered helped in developing and adapting the survey questionnaire.

SURVEY

The survey was designed taking into account the various support needs of SEs that were gathered from the literature review, then was further modified and adapted based on the primary analysis of the conducted interviews. The questions of the survey addressed mainly:

- Demographic data that were judged relevant
- Current support offered in the ecosystem. The degree of satisfaction of SEs as well as the gaps they perceived in the support received.
- Non-financial support needs of SEs addressing the following areas of development: financial sustainability, organizational resilience, capacity building and new market access as well as operational and strategic support.
- SE financial support needs to reaching their business objectives
- SE financial constraints and challenges in accessing financial support and dealing with funders

The survey was developed in two languages (Arabic and English), and was web-based.

RESEARCH FRAMEWORK

To achieve the study objectives and identify the surveyed SEs, greater clarity was needed around what defines social enterprises within the Lebanese context and the sector as a whole.

A commonly reported problem not only in social entrepreneurship studies but also through various interviewed ecosystem stakeholders in Lebanon, is the lack of a shared understanding and definition of social enterprises amongst the ecosystem actors.

To that, 'social entrepreneurs' in Lebanon, with the aim to solve the many challenges that society faces and where traditional institutions failed to do so, create various forms of entrepreneurship initiatives.

Whether operated by a group of citizens, non-profit organization, or by a for-profit company, a social enterprise has two goals:

1. Achieve positive social, cultural, community, economic and/or environmental outcomes
2. Earn revenue and maintain sustainability.

For the purpose of our study and taking into consideration the element of the Lebanese context, we define Social Entrepreneurship as **any phenomenon through which a collective group of citizens strive to solve their community's social problems innovatively and sustainably by using local resources to create products or services that generate revenue, with profit reinvested to scale up the social impact.**[7]

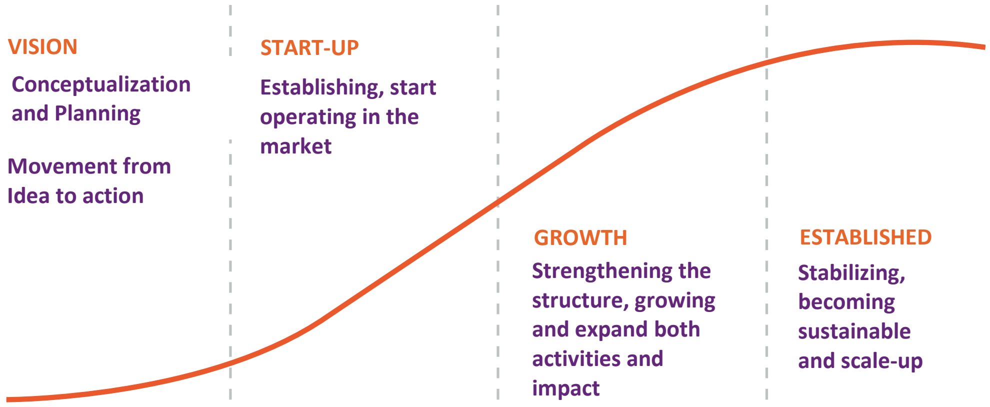
Given the absence of a unified definition within the ecosystem, the survey did not impose a definition of social entrepreneurship. However, it included key questions related to SEs core mission and that were used as inclusion or exclusion criteria. Organizations that stated 'profit first' as their core mission as well as those that stated that they do not conduct trading activities were excluded from the study.

On another note, most of the literature related to SEs reveals a differentiation in the support needs required as well as the financing method adapted to SEs in their various stages of development. Drawing on various studies and literature, four basic phases in the social enterprise journey were identified and a stage identification question was included in the survey based on

[7] Beyond Group and OXFAM, 2019. Social Entrepreneurship in Lebanon. A Proposed Policy Framework for Economic Inclusion & Social Solidarity. Beirut: Beyond Group and OXFAM.

the following definition:[8]

- *Ideation/Incubation*: Deciding on an idea and developing its concept and business plan
- *Startup Stage*: Starting first activities and building the structures around it
- *Growth Stage:* Having regular activities and running an established organization while growing impact
- *Maturity Stage:* Actively expanding to new regions or fields to grow in size and impact



The guiding frame we used to assess the social entrepreneurship ecosystem and the main areas of development support needs of SEs was based on:

- One of the most widely used models to define the entrepreneurship ecosystem, Daniel Isenberg's Ecosystem Domains, which defines six elements of the entrepreneurship ecosystem that were observe and described.
- The various support needs (financial, operational, and strategic) were drawn from the literature and multiple research reports of various support organizations as well as the interviews with KI. It focused on supporting SEs towards reaching the following three core areas of development:
  - **Financial sustainability**: have sufficient resources to continue pursuing its social mission (from both donors and revenues) (support in revenue strategy, financial management, fundraising, etc...)
  - **Organizational resilience**: development of the management team and organization (support in HR coaching and mentoring, governance system, etc.)
  - **Social impact**: measuring the social change on the target population (support to develop an evaluation framework and performance measures)

RESEARCH LIMITATIONS

There were different challenges that the research team faced during the data collection process. Herein is a mention of some of them:

- Given that no unified database, legal framework or status is available for SEs in Lebanon, these organizations tend to operate informally or register as NGOs. This has made the mapping exercise of existing SEs very challenging. The research team resorted to various partners and SESOs and gathered a comprehensive list of SEs operating across the country through their networks and databases.
- As interest in SE support is increasing, more precisely following the Beirut blast, SEs have been receiving a large number of surveys to respond to. This exhaustion was reflected in less motivated SEs and less participation in this study. The research team was able to increase the survey response rate through direct follow-ups, phone calls, emails, and the support of various partners.
- Due to COVID-19 restrictions, live meetings and interviews were not possible during data collection, hence they were conducted over Zoom online platform.

[8] The Roberts Enterprise Development Fund. 2021. Life Cycle Analysis for Assessing Social Enterprise Stage. Available at: https://redfworkshop.org/learn/life-cycle-analysis

- Although the sample size is composed of 20 qualitative interviews and 56 survey responses from different SEs representing various regions and covering all stages of development, it does not allow for the generalization of findings.
- Analysis have been conducted with the aim of providing general guidance into where best to direct the support for SEs under the current circumstances and challenges facing them. More in-depth and one-to-one needs analysis prior to support provision would allow deeper insights into patterns of support needed for each organization.

SOCIAL ENTREPRENEURSHIP ECOSYSTEM IN LEBANON

Social enterprise might appear new as a concept that gained attention in the recent years, yet in Lebanon it is essentially an old cultural phenomenon as many were and are still practicing social entrepreneurship within the scope of their work without realizing that they are doing so. With often inefficient and sometimes absent available public services, communities tend to focus mostly on solving and attending to their daily problems, needs and basic rights. To that, Lebanon has a significant history of non-profit-oriented activities, including NGOs and co-operatives, which in many of their aspects overlap with the idea of social enterprise.

There is also no specific government or institutional strategy aimed at social enterprises sector development. Other more generic policies exist to support start-ups and entrepreneurship development more widely. In the past 5 years, Banque du Liban (BDL) released Circular 331 with the objective of financing start-ups[9] as a strategy to create job opportunities and address the high unemployment rate. The circular paved the way for dozens of startups, incubators, and accelerators to develop and boost the start-up ecosystem and push Lebanon to become more attractive to entrepreneurs. Since then, different organizations have been providing finance and development support to start-ups, which in turn benefited social enterprises as well. Yet with the current financial crisis, these support organizations have difficulties in pursuing these activities.

Today, social entrepreneurs in Lebanon are operating in a nascent ecosystem that is independently and slowly building up and starting to develop. An assessment of the current social entrepreneurship ecosystem in Lebanon was conducted based on Daniel Isenberg's ecosystem analysis,[10] the information was gathered from previous social entrepreneurship related studies and the various interviews and informal discussions conducted with different key ecosystem stakeholders.

CULTURE

- Lebanon has a dynamic civil society and social economy organizations that fostered the development of the social entrepreneurship sector to date. In the past two years, various social entrepreneurship awareness-raising activities were undertaken. More attention has been drawn to social entrepreneurs in Lebanon in global and regional competitions and media outlets. The role of SEs in handling the crisis specifically after the Beirut blast has also pushed for increased traction to the sector. There is a certain level of awareness around the concept and many social enterprises are now widely recognized, yet many interviewees agreed that this is still relatively low outside of the ecosystem. The culture of charity (NGOs) still prevails.

> *We have a non-profit social entrepreneurship in Lebanon, and it has to change slowly."*
>
> Member of a SESO

- Despite a still maturing entrepreneurship ecosystem, there are many support entities that were created and a great number of them offer targeted activities to start-ups and initiatives with an impact component.
- Private sector and commercial enterprise sector initiatives and support program are starting to develop:
  - *Deloitte Middle East Corporate Responsibility and Sustainability (CR&S) developed a program that aims to help address the social challenges by empowering and supporting small and medium sized social enterprises to grow and scale their impact.*
  - *Few local banks as well launched initiative aiming at supporting enterprise with a green or social impact.*
  - *Global Compact Lebanon Network is working closely with the United Nations Global Compact Headquarters to provide opportunities for learning, policy dialogue and partnership on the Ten Principles and UN goals in Lebanon. It is providing a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment, and anti-corruption.*
- Availability and accessibility to data and research around social entrepreneurship is still very limited and uncoordinated.
  - *Various studies have been developed by the private sector or SESOs to assess the ecosystem. American University of Beirut as well has issued a couple of studies on the subject.*

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[9] Lebanon's startup sector is worth nearly a billion dollars and represents 1.5% of the country's GDP
[10] Gesellschaft Für Internationale Zusammenarbeit (GIZ). 2021. Guide for Mapping the Entrepreneurial Ecosystem. Available at: https://cdn.ymaws.com/ande.site-ym.com/resource/resmgr/publications/giz_guidemappingentrepreneur.pdf

- No regular or organized collection of statistical data are carried out, each project or program targeting SEs conducts its own studies and generated insights are limited to their needs.
- Absence of significant collaboration among the various categories of the ecosystem, with no networking and collaborative platforms developed yet.

LEGAL & REGULATORY FRAMEWORKS

- Lebanon has no statutory body, no law or legislation for social enterprises, nor there any formal incentives or distinct legal form that distinguishes social enterprises from other existing entities.
- There is no specific government strategy or policy aimed at social enterprises. With the lack of government support, there is no legal definition for social entrepreneurship in Lebanon and hence there is no legal treatment, or no tax incentives provided for such entities to grow and flourish. In order to overcome this challenge, social entrepreneurs resort to registering as an NGO, a commercial company or to using the hybrid mix model – they setup a for-profit and an NGO - to be able to benefit from both entity models, execute their social object and financially sustain themselves.
    - *Many interviewees stressed that it is costly to register and run a company. They also described the long and heavy governmental bureaucratic procedures they go through that hinder the establishment and the development of their activities. Lebanon is ranked 151 out of 190 countries in starting a business in 2020.*[11]
    - *It is important to note that the absence of a legal framework was mentioned as a barrier mainly because it makes it more difficult for SEs to attract impact investors or different types of SE targeted funding.*

Notably, and for the past few years, Beyond Group has facilitated efforts towards the development of a national social entrepreneurship framework in Lebanon to boost the social entrepreneurship ecosystem by formulating a social entrepreneurship policy and legal framework with the engagement of more than 70 stakeholders. The policy framework was approved and endorsed by ecosystem actors and the government, and subsequently the draft law is currently being developed. This dialogue and work have contributed to the enabling environment while bringing key stakeholders around the creation of a common social entrepreneurship definition in Lebanon and an institutionalized platform to support SEs. The ongoing process was slowed down by the political deadlock the country has been experiencing.

ACCESS TO MARKETS

- There are no commercial partnerships between social enterprises and other firms. SEs are still branded by cultural norms as charity work and perceived as less professional in the marketplace and there isn't much awareness among the private and public sector about the social entrepreneurship concept and the quality of product and services they might provide. To-date, there is a lack of initiatives and awareness activities towards encouraging other firms/private sector to involve social enterprises in their supply chain.
- There is a lack of initiatives or media campaigns promoting and encouraging consumers to buy products or services produced by social enterprises. Lebanese people still do not completely trust the service provided by SEs.
- COVID-19 imposed a lockdown for several months and pushed a various number of social enterprises to using new technologies to offer their products/services mostly in regional and international markets. SEs operating in rural areas do not necessarily have the technological support to do that, nor does the infrastructure in the country help in developing the online market platforms.

HUMAN CAPITAL

- Lebanon has a highly educated, skilled and professional population. Yet there are few social entrepreneurship specialized experts or trainers. Various SESOs provided a training for a group of mentors yet reported in the interviews that they lack technical expertise and specific tools and are more business-mind oriented.

[11] World Bank Group. 2020. Doing Business 2020: Comparing Business Regulation in 190 Economies - Economy Profile of Lebanon (English). Washington, D.C.: World Bank Group.

- *BERYTECH with IM Capital and in collaboration with MIT Venture Mentoring services have selected and trained a network of 30 mentors and a network of 16 coaches, on specific methodologies that are tailored for social entrepreneurs.*
- *Training for SESOs was held in 2018 with the aim of creating a network among the main actors in the social entrepreneurship ecosystem in Lebanon.*

- At the university level there are many entrepreneurship programs. Efforts and initiatives have been done to introduce specific social entrepreneurship courses, such as:
  - ***University of Saint Joseph** launched a graduate diploma on social entrepreneurship through the School of Social Work,*
  - ***American University of Beirut** integrated specific courses on social entrepreneurship within its school of business in addition to issuing couple studies on the subject,*
  - ***Smart ESA** University in 2011/2014 developed an extracurricular program to help students start their own social enterprises and organized social entrepreneurship competitions.*
- Lebanon has always suffered from brain drainage: after the consecutive crises that ended with the Beirut Blast, many people decided to leave the country. This has heavily impacted SEs who lost key team members and are currently finding difficulties in recruiting new qualified talent with the right technical skills.

> *SEs have trouble sometimes finding the right resources, but this is a problem of Lebanon it is that all the good talent has gone so it is impossible to recruit these days."*
>
> Member of SESO

SUPPORT ACTIVITIES

Mapping SESOs and describing in details localized support mechanisms available to social enterprises goes beyond the scope of this research. A different study is currently being conducted under this same project serving this specific objective. Instead, this report will provide a brief overview on services available to SEs in Lebanon and list some of the main actors in the ecosystem.

Social entrepreneurs in Lebanon are operating in a nascent ecosystem that is independently and slowly building up and growing. It witnessed a wave of ecosystem actors, including incubators and accelerator programs, as well as other support entities who seek to support social entrepreneurs' transition from ideation to a more financially sustainable and profitable phase.

Given how nascent the ecosystem is, a major part of available support services and programs in Lebanon, provided by the increasing number of support organizations, is targeting early-stage SEs and focus on supporting ones at the ideation and start-up stages. Further advanced stages of growth still have little to no dedicated support.

Several key actors in the ecosystem which provide support to social enterprises could be identified:

- Lebanon has a number of intermediaries specializing in supporting entrepreneurship through the provision of business development services, training and mentorship. Some have lately shifted their attention to include SEs within their scope of support as they face similar types of challenges as other start-ups. Dedicated training initiatives are available for key business aspects such as business management skills, business planning and development to social enterprises. Those available training initiatives do not necessarily address the specific needs of social enterprises but focus on the business development side. Many stakeholders believed that this is associated with the risk of disregarding the impact measurement component.

> Alfanar supports 37 social enterprises in their growth stage while providing them with grants as well as tailored training and one to one management support for 4 to 5 years, in addition to customized workshops.

- Incubators and accelerators[12] are available to help social enterprises become established and grow, and are mainly for early stage, where mentoring and coaching programs are available as well. Additionally, key support organizations in the ecosystem are mostly located in Beirut, while very few can be found in the North (Tripoli), leaving many regions underserved.

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[12] "**Incubators** support startups entering the beginning stages of building their company. The startups possess an idea to bring to the marketplace, but no business model and direction to transition from innovative idea to reality.
Accelerators advance the growth of existing companies with an idea and business model in place. These programs build upon the startups' foundations to catapult them forward to investors and key influencers." Zajicek, Hubert. 2017. Accelerator vs. Incubator: Which is Right for You? *Entrepreneur Middle East* [online] Available at: https://www.entrepreneur.com/article/294798 [Accessed on 6 June 2021].

- The scale of support meets some of the demands of social enterprises at their early stages of development while being on short-term basis. SEs at the growth stage have very little support available.
- Network activities help social enterprises connect with peers to learn from others' experiences and build on their knowledge: Lebanese Social Enterprise (LSE) was created with the aim to give support to SEs in terms of networking amongst one another and promotion of the activities at the national and international levels.

During interviews with service providers, two main challenges facing support organizations were highlighted:

1. Securing sustainable funding for their own operations, and
2. Lack of sector specific social entrepreneurship specialized experts and specialized social entrepreneurship trainings that take into consideration the Lebanese context.

ACCESS TO FINANCE

There is currently limited access to resources for social entrepreneurs and funding was repeatedly mentioned as one of the major challenges of both starting and scaling. Apart from grants, there is a limited range of types of financing mechanisms and tools available, most of which are dedicated to SEs at early and start-up stages, while not attending to the needs of SEs at other stages of development.

Depending on the legal form and organizational structure, social enterprises can access different types of financing, as not having an SE legal framework makes it difficult for SEs in Lebanon to access certain types of funding. A high number of SEs are working in an informal way, which makes it even harder to them to access financing. Some grants are strictly restricted to NGOs, while other business-oriented funding options are interested in returns only and no interest at all in the intended impact.

Registering as a not-for-profit would, by definition, undermine the commercial viability of the venture, which stands at odds with the sustainability aspect of social enterprises. Therefore, the market is still highly influenced and directed by the funding culture related to the development sector.

There is a limited range of funding options available today and that is only targeted to social enterprises and tailored to cover both components of business and impact. Apart from Alfanar, most SE specific funding providers are concentrated in the green and environmental sector.

Below is a list of the main types of funding available for SEs in Lebanon at their various stages of development.

TYPES OF FUNDING AVAILABLE FOR SES IN LEBANON

Ideation Stage	Personal investments, friends and family loans Traditional grants Competitions Donations	At this stage most of the financial support comes as grants from NGOs (local and international). There is an increase in frequency of competitions, giving SEs at this stage access to seed funding to pilot their idea or build a prototype.
Startup Stage	Personal investments, friends and family loans Traditional grants Competitions Venture philanthropy Crowdfunding Investment fund	A seed of SE financing institutions is starting to develop. Most of the funding to SEs at the start-up phase is mainly comprised of grants provided by INGOs rather than specialized SE financing institutions and are basically restricted to NGOs. The emphasis is usually put on the generated impact rather than the ability of the SE to sustain itself.
Growth Stage	Venture philanthropy Traditional grants Reinvestment of profit Debt financing	Financing opportunities specific to SEs at this stage are limited in availability and in numbers.

Maturity Stage	Venture philanthropy Traditional grants Reinvestment of profit	Financing opportunities specific to SEs at this stage is almost inexistent.

- Grants are available mainly targeting traditional NGOs and non-profits and have a short-term perspective. It is the main source of financing that SEs have access to today and it has a direct impact on their financial long-term sustainability. SE focused and tailored grants are limited in number.
- Access to commercial loans is very difficult and microcredit or loan specifically tailored to SEs needs are few. The Asfari Foundation, Vitas Lebanon, Ibdaa Microfinance are examples of microcredit providers. SEs cannot meet the loan requirements or provide the guarantees needed like traditional businesses therefore loans are not of a great interest for them.
- Lebanon demonstrated in the past years a significant potential to raise funds on crowdfunding platforms. Most campaigns are based on donations or are humanitarian in nature and are created by groups or associations. Some platforms also support businesses/innovative projects. Lebanon has a huge diaspora interested in giving back which turned crowdfunding to an effective financing tool. Crowdfunding platforms and experience were not yet common among the interviewed social entrepreneurship actors.
  - *The most common platform with highest activity in Lebanon is Zoomaal (it only offers a fixed funding model (all or nothing)), other platforms include Tadamon Crowdfunding Academy which supports NGOs, and LiveLebanon - the first UNDP crowdfunding platform.*
- Equity and hybrid financing models specifically targeting and tailored to SEs and publicly supported financing schemes are absent Specialized investment funds can be found mainly in the green sector, such as:
  - Fondation Diane: through VIRIDIS impact investment fund provides support to SMEs with green label (equity funding and tailored debt funding to existing portfolio are proposed).
  - *Alfanar is planning to launch a 50-million regional impact fund out of which 80% will go to Egypt, Jordan, and Lebanon with the aim of providing more variety of financial instruments: equity hybrids and revenue sharing mode. The fund will target social enterprises that are investment ready, either profitable or very close to becoming profitable.*

Stakeholders during interviews stated that finding impact investors is not the problem. Having investment-ready companies and ideas that are suitable for this type of investment is the real problem. In Lebanon, there exists a limited supply of market driven social ideas and too much demand.

> *There is a limited number of startups in Lebanon that fit a minimum standard for any venture capitalist or angel investor to invest in or to partner with; therefore, all angel investors are competing for the same number of limited startups and ideas."*
>
> *Member of a SESO*

SE SECTOR AND SUPPORT NEEDS

This section looks at the SEs identity, challenges, as well as their support needs. It draws on the in-depth interviews, as well as the results of the survey.

Today there is no quantitative data available that allows understanding the reality of social entrepreneurs in Lebanon and it is impossible to draw conclusions as to their number, profiles, the sectors they are most active in, or their geographic distribution. Being a very nascent sector, having a precise idea on the impact of SEs is almost similarly impossible. The only quantitative data found on different media publications is disseminated by Makesense and indicates that there were at least 200 social enterprises in Lebanon in 2017.

The below deep dive can be a starting point to a better understanding of the characteristics of current Lebanese social enterprises.

SOCIAL ENTERPRISE IDENTITY

Given the many challenges faced by Lebanese daily with multiple crisis, surveyed SEs had diversified their social objectives, yet most of them aimed at improving people's livelihood by creating job opportunities for unprivileged and marginalized groups, women, and youth. Objectives varied from community building to protecting the environment or promoting education.

A great number of surveyed SEs were established after 2011. This comes in parallel with a regional observation stemming from the relation between the uprisings of the Arab Spring that brought to light many deep-rooted socioeconomic challenges facing the region and the creation of social enterprises offering innovative solutions.[13] Some SEs were established long before as NGOs practicing social entrepreneurship before the concept came into light in the Lebanese context.

SCALE OF OPERATION

Surveyed social enterprises were evenly distributed around the North, Bekaa, Greater Beirut and Mount Lebanon as shown in the figure below.

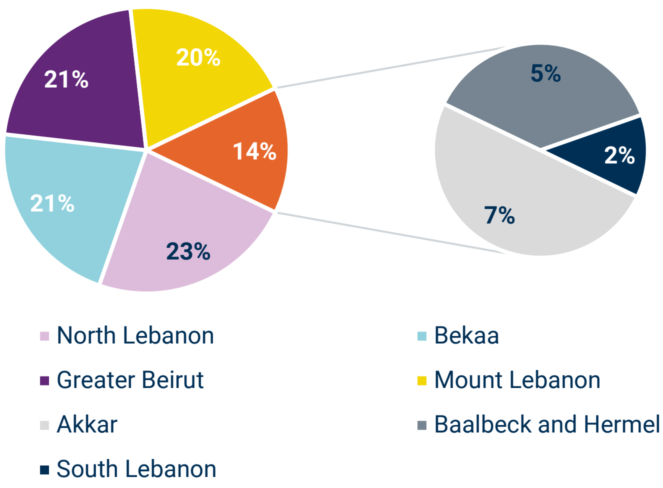


Figure 1 - Geographic location of SEs across Lebanon (single responses)

[13] Siraj, YouGov. 2012. Social Entrepreneurship: Why is it Important Post Arab Spring? Online Survey Report. Available at: https://fsi-live.s3.us-west-1.amazonaws.com/s3fs-public/White_Paper_Social_Entrepreneurship.pdf

Social enterprises in Lebanon predominantly work at national level within the country (46%), while a high percentage still operate at a local level (36%) and only 18% are working either regionally or internationally.

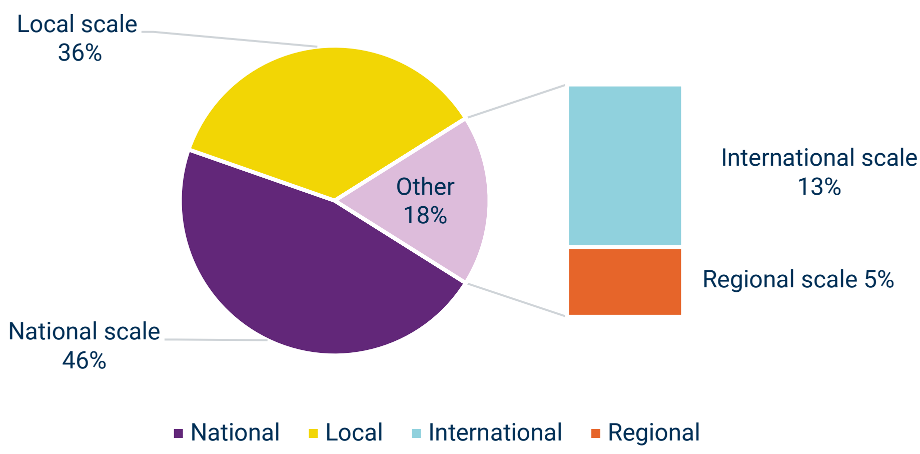


Figure 2 - Scale of operation of SEs (single responses)

Figure-3 shows how social enterprises in Beirut and Mount Lebanon compare to other regions in terms of scale of operation. SEs outside Beirut and Mount Lebanon tend to operate at a smaller scale and remain at local level or national level while SEs that have international operations tend to be located in Beirut or Mount Lebanon.

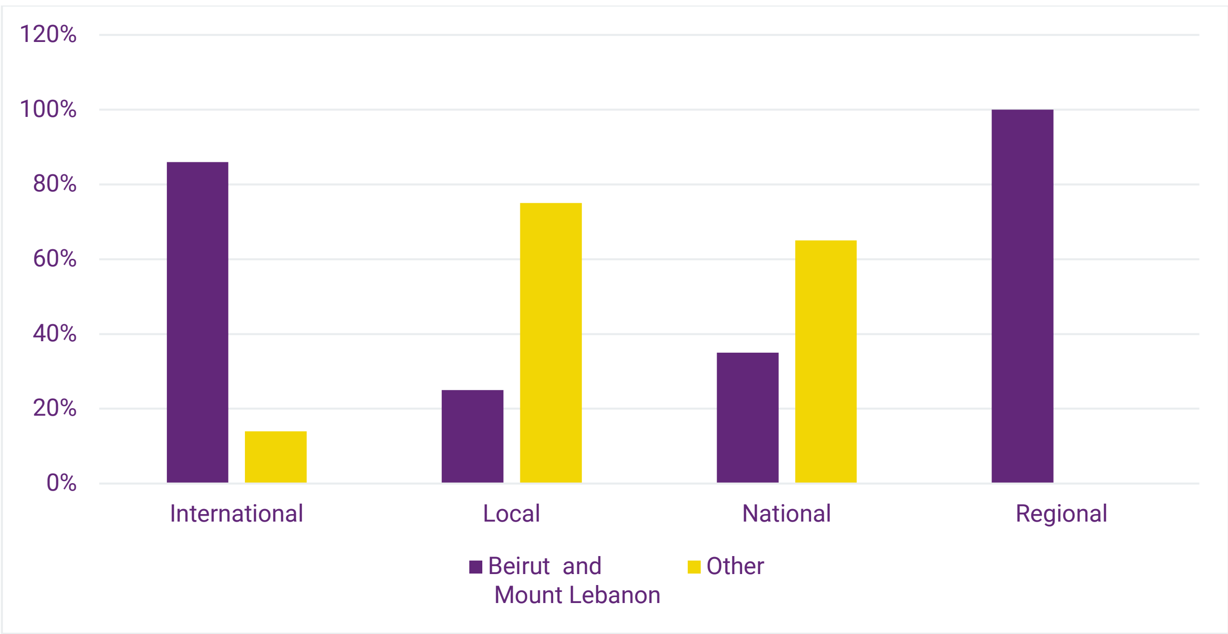


Figure 3 - Ratio of SEs in Beirut and Mount Lebanon v/s other regions by scale of operation

OPERATIONS

Surveyed SEs operate across a diverse range of sectors in the economy. As shown in Figure - 4, the main three sectors that were identified in the survey are agriculture and fisheries (14%), arts & crafts (11%), Education 9% as well as food and nutrition (9%) come in the third place.

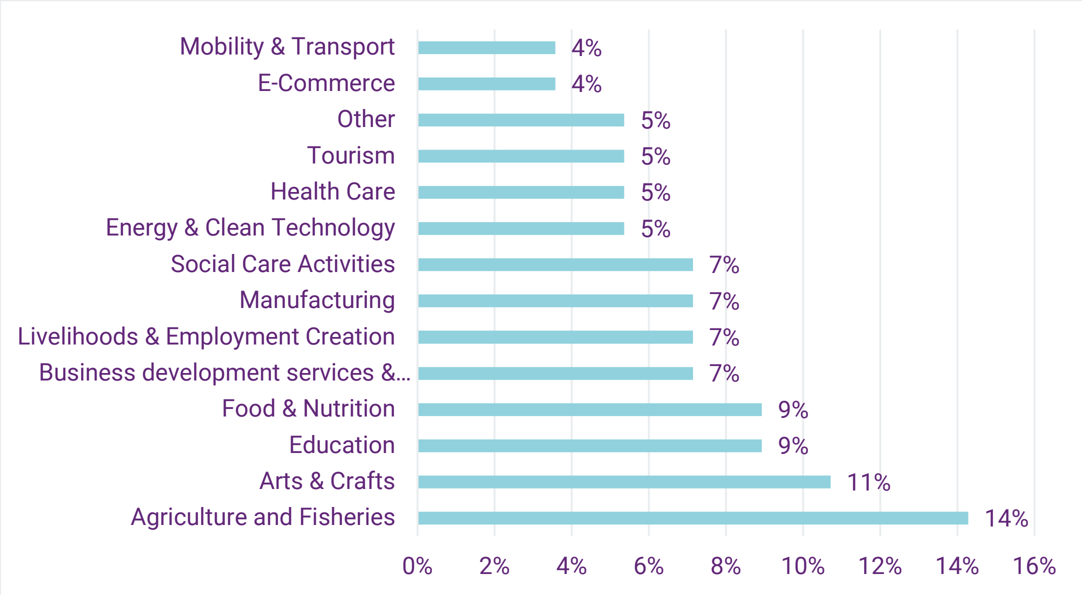


Figure 4 - Sectors that surveyed SEs are working in (single answers)

Figure - 5 shows the sectors in which social enterprises are operating, classified by location. SEs in the agricultural and fisheries, as well as arts and crafts are largely operating outside of Beirut and Mount Lebanon areas while the majority of SEs in education are in Beirut and Mount Lebanon areas.

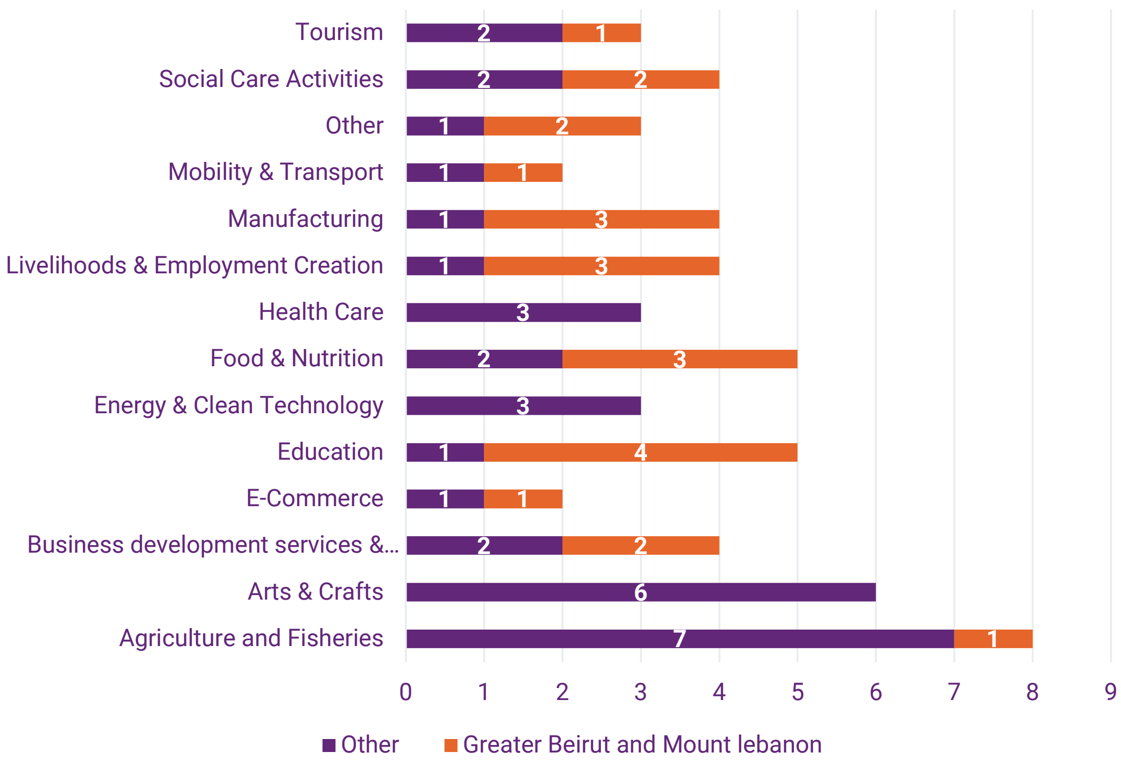


Figure 5 - Sectors classified by location

LEGAL ENTITY

SEs in Lebanon take different legal forms. Due to the lack of formal legislation for social businesses in Lebanon, most SEs are not registered (45%) or are constrained to register as private companies (30%) or as NGOs (18%). Some social businesses have a mixed approach to registration as being both an NGO and a private company (4%). Another form of formal registration for SE initiatives in Lebanon is the cooperative.

Type of Registration	Number	Percentage
Commercial company (Limited Liability Company /SAL /SARL or other)	17	30%
Cooperative	2	4%
Mixed (NGO and commercial registration)	2	4%
Non-Governmental Organization (NGO)	10	18%
Not registered	25	45%

Figure - 6 shows that the majority of SEs that were established after 2015 (the relatively younger ones), are not registered or registered in the form of a limited company. Social enterprises that are registered as NGOs or co-operatives tend to be established prior to 2015.

Social enterprises that have not registered as a legal entity (45%) stated that the absence of the legal framework, the current economic situation, the instability, the bureaucratic length of getting permits and the costs involved (registration and taxes) are main obstacles towards registering and operating informally.

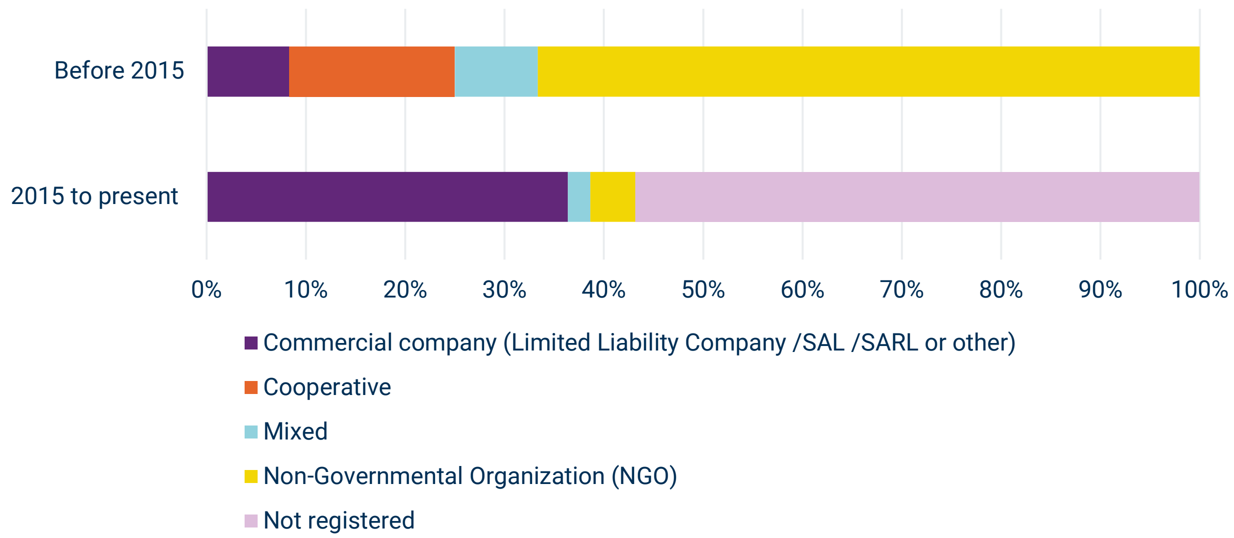


Figure 6 - Number of SEs by year of establishment and type of registration

STAGE OF DEVELOPMENT

As shown in Figure - 7, 43% percent of the surveyed enterprises (24 SEs) are in the start-up stage, and 41 % of enterprises in the growth stage (22 SEs), whereas only 11 % are in the maturity stage. Enterprises in the ideation/incubation stage constitute 5% of the sample.

As the objective of the study was to address the needs of existing SEs and help them develop and grow their impact, **84%** of survey respondents were at start up and growth stages. Since the social entrepreneurship sector in Lebanon is still nascent, SEs at ideation stage and SEs that reached the maturity stage are very limited in number.

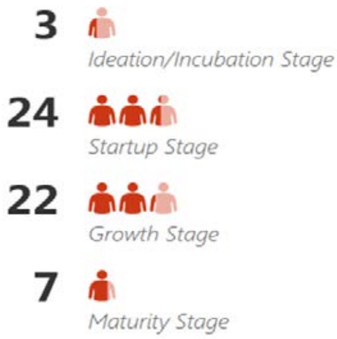


Figure 7- Development stage of surveyed social enterprises (single responses)

SE MANAGEMENT STYLE

Figure - 8 below shows that the majority of surveyed SEs (73%) reported that they did not operate under a Board of Directors while only 27% adopt a management model of a Board of Directors.

36% have a management team and 30% are run by individual managers.

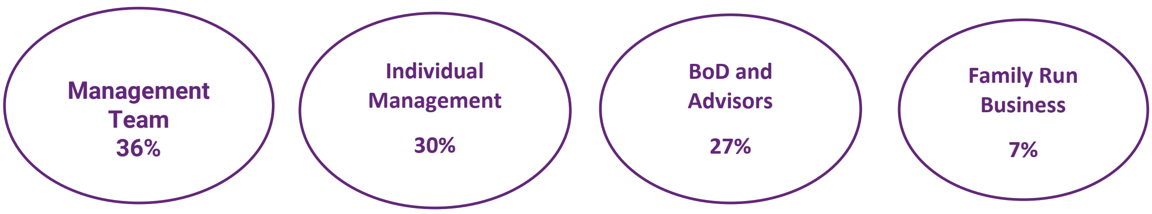


Figure 8 - Management model of surveyed social enterprises (single responses)

Figure - 9; 64% of the surveyed SEs stated that their mission was to pursue both profit and social environmental benefits jointly, while 36% focus on creating primarily social &/or environmental impact.

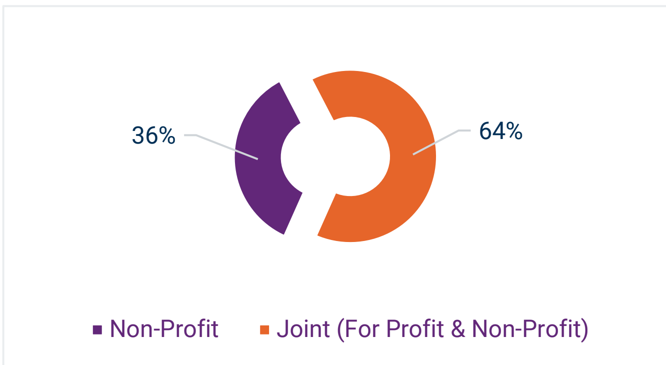


Figure 9 - Percentage of social enterprises by first priority/priorities (single responses)

SES CHALLENGES

SEs reported a number of obstacles and challenges that slow down their development. **The financial crisis was one of the heaviest challenges** across the board in rural and urban areas and regardless of the stage of development of the SE**.**

Over 86% of social enterprises stated that the financial crisis (inflation rate, banking sector, lack of access to funds) is a major obstacle. The financial crisis resulted in a decreased revenue and increased operational costs:

- Decrease of revenue as the purchasing power of the Lebanese people decreased.
- Increase in costs of operation since raw materials are priced in USD as well as all operational costs (salaries, rent, etc.) became very high and for some unaffordable.

> *We are in a "survival stage and mode."*
>
> *"It is always like management by the moment. You have to continuously adapt to the situation."*
>
> Social Entrepreneur

> *Costs are going up in a crazy way. We have 3 Profit &Loss and 3 Budgets in LBP & USD & Lollar" that needs to be changed almost on a daily basis."*
>
> Social Entrepreneur

Cash flow management and forecasting, budgeting and financial management became of a greater challenge for all entities. Most of SEs had problems in finding a way to price their products and services. Access to funds was challenging as well, with no possibility of organizing fundraising events or getting access to other sources of income due to the financial situation. The highest impact has been mostly on generating income and revenue.

The second major barrier is **the political/security instability in the country**, which is crippling the economy and accelerating the recession (impact of 68%). Instability leads to short-term mentalities and replication rather than invention.

The health crisis is also regarded as one of the major barriers to SE development impact (65%) specially because of the imposed lockdown that delayed projects implementation, slowed down all activities, pushing most SEs to digitizing their services where applicable.

The absence of an SE legal framework and government incentives is of a great challenge and was mentioned by 66% of surveyed SEs, all interviewed stakeholders similarly considered the legal framework and the **absence of government strategy** and support as major barriers that hinder the sustainable development of the sector.

Lack of funding opportunities (68%) as well as the local business environment (58%) are also identified as high impact barriers by social enterprises (see Figure -10).

It is worth noting that while surveyed SEs did not perceive community perception and cultural barriers as well as having a common SE platform as major challenges, most interviewed stakeholders in the ecosystem agree that the presence of these two aspects is crucial to support the development of the sector. This difference can be mainly explained with the overwhelming effect that the financial crisis is having on all operating entities.

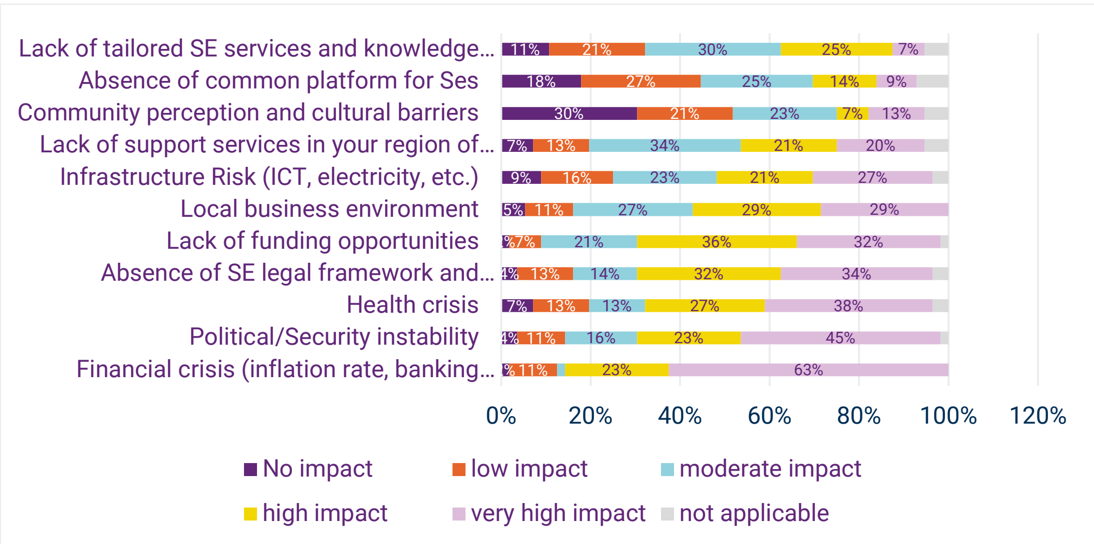


Figure 10 - Major barriers faced by social enterprises

If we want to stay in Lebanon... Everything is a challenge! How you sustain yourself in the current situation is a challenge."

Social Entrepreneur

The challenges faced by surveyed organizations were further analyzed while looking at their various stages of development as well as their geographical locations.

SEs in their growth stages of development have the local business environment as well as the lack of funding as major barriers affecting their development. While the absence of a legal framework was mentioned as a barrier for organizations that are at the maturity stage.

TOP 5 CHALLENGES BY STAGES OF DEVELOPMENT

IDEATION

- Financial crisis (inflation rate, banking sector, lack of access to funds)
- Political/Security instability
- Health crisis
- Local business environment
- Lack of funding opportunities

START-UP

- Financial crisis (inflation rate, banking sector, lack of access to funds)
- Political/Security instability
- Health crisis
- Local business environment
- Lack of funding opportunities

GROWTH

- Local business environment
- Lack of funding opportunities
- Health crisis
- Financial crisis (inflation rate, banking sector, lack of access to funds)
- Lack of support services in your region of operation

MATURITY

- Financial crisis (inflation rate, banking sector, lack of access to funds)
- Absence of SE legal framework and government incentives
- Health crisis
- Political/Security instability
- Infrastructure risk (ICT, electricity, etc.)

While looking at the challenges by geographical location in Figure - 11, SEs operating outside of Beirut and Mount Lebanon mentioned the lack of support services in their region of operation as one of the challenges impacting their activities and growth (54%); while the absence of an SE legal framework and government support were among the top 3 barriers for SEs operating in Beirut and Mount Lebanon.

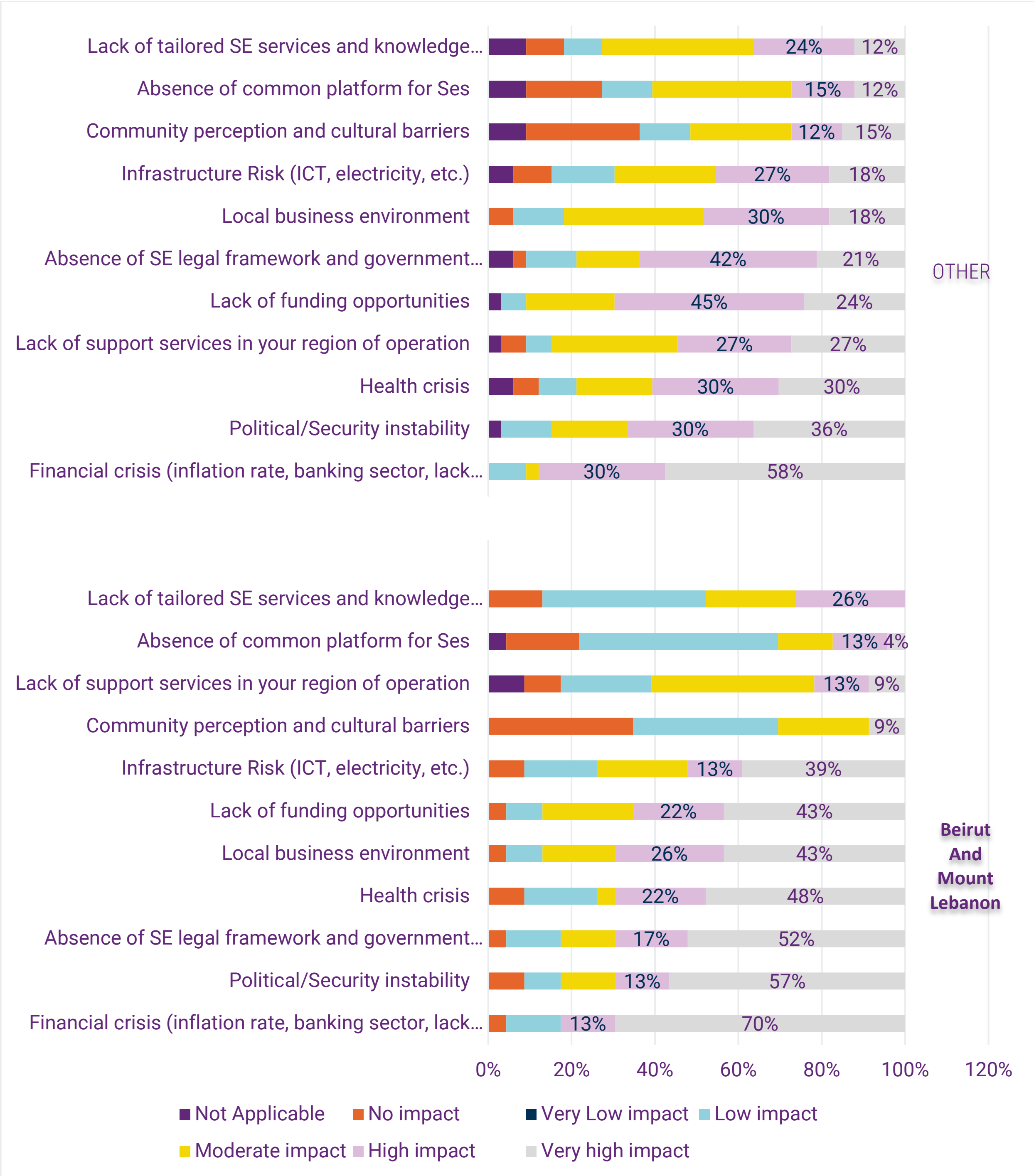


Figure 11 - Major barriers by geographical location

GAPS IN SUPPORT PROVISION

This section examines the perceived gaps in business support provision, drawing on the insights generated from the survey and interviews.

Figure - 14 examines the satisfaction of SEs with existing levels of support and how they rated the support offered by SESOs. It is worth noting that a very low percentage of survey respondents were “very satisfied” with the different support services they had received. Levels of satisfaction are the highest (85% between satisfactory and very satisfactory) for ‘Coaching’ support services. This is followed by formal/informal entrepreneurship programs that were rated as satisfactory/highly satisfactory by slightly more than two-third of participating SEs, while mentoring and training(s) support services were only rated at 67% of satisfaction/high satisfaction. This showcases how business support is mainly provided and available for social entrepreneurs through these types.

On the other hand, the least satisfactory elements of support were provision of co-working spaces, partnerships, networking, and psychological support. There are no SE-specific co-working spaces, and several of the least satisfactory elements of support are either not communicated adequately and hence do not reach all entrepreneurs, or are mainly centralized in Beirut while many SEs are located outside Beirut.

Figure 12 - SEs satisfaction of existing support services

A further analysis has been carried on the main gaps perceived in existing support services, it revealed a number of additional support gaps including:

1. **Ecosystem is not consolidated**

One major gap that was mentioned is the lack of synergies among service providers ***"the ecosystem is not consolidated, there is no collaboration, and it is hard to convince people to do so."*** Interviewees reported the need for a common space for everyone to come together on a common platform; create connections, network, and share know how that is much needed today.

> *The most challenging phase to get support is after the initial startup phase, when the company is not a startup anymore, but is not still stable enough as a business."*
>
> Social Entrepreneur

2. **Imbalance in support provided and lack of support for all stages**

Several interviewees stressed that most of the support available in the ecosystem is focused on early-stage phase of development of SEs and has a short-term span. There are very few initiatives targeting the growth and maturity stages. There is a real need to create a support system for later stage social enterprises to make them investment ready and enable them to scale up their impact.

> *The main issue that I faced was that these programs do not take into consideration the current state of Lebanon. They try to provide everything they can but in the ideal standards that exist in European countries. So many of these standards are nonexistent in Lebanon and starting a business on such standards here only makes it harder to begin with."*
>
> Social Entrepreneur

3. **Lack of SE tailored and contextualized trainings**

According to several interviewees, socially centered technical assistance is needed (mentorship, accelerators, incubator). There is a lack of suitability of available advice and support. SEs still attend to-date trainings designed for normal businesses whereas they require training, coaching, and mentoring based on impact and tailored to their needs. One interviewee attributed this gap to the fact that there are few to no social entrepreneurship experts available in the Lebanese ecosystem. There is a need for qualified mentors.

Interviewees also pointed out that the current programs are outdated. There is a need to review them in light of the Lebanese context and the developing social entrepreneurship ecosystem in Lebanon. The programs targeting early-stage SEs are satisfactory yet require some updated components to be added.

4. **Gap in reaching out to service providers**

According to several interviewees, a lack of information on how to find the right kind of support offered at the different stages of development is still missing. This might be because the provision of services is mainly concentrated in Beirut. SEs voiced the fact that they lack the knowledge on how to reach out to donors, how to find support and funding opportunities, and how to know if it is the right opportunity for the organization.

Many SEs working outside Beirut voiced the fact that support organizations were absent in their area, and they had difficulty in communicating with support providers.

> *The support and mentorship we have received has been more related to technical training and mentorship, but not so much to how to enter new markets. Networking and connecting are important aspects to growing a brand and selling a product. With all businesses going online, support in digital marketing is important as well."*
>
> Social Entrepreneur

5. **Further specific areas of development mentioned by SEs and requiring further support:**

- Pro bono financial advice, pricing strategies, cash flow management, accounting and financial systems set up (especially during the current financial challenges faced)
- HR management: training or mentoring on how to recruit people and manage the team.
- Access to new and international markets, marketing and digital marketing, market studies, supply chain, public relation, and networking

Lack of adequate funding necessary to boost the business and the non-flexibility of donors in re-adapting budgets to cope with the current situation were also amongst the highlighted gaps.

SES USE AND SATISFACTION OF AVAILABLE ONLINE LEARNING TOOLS

77% of surveyed entities were able to find various online tools or resources specific to social entrepreneurship. The geographical location had no effect on the result.

On average 50% of those who found online tools rated them as satisfactory. Figure - 13 shows the level of satisfaction by type of tool.

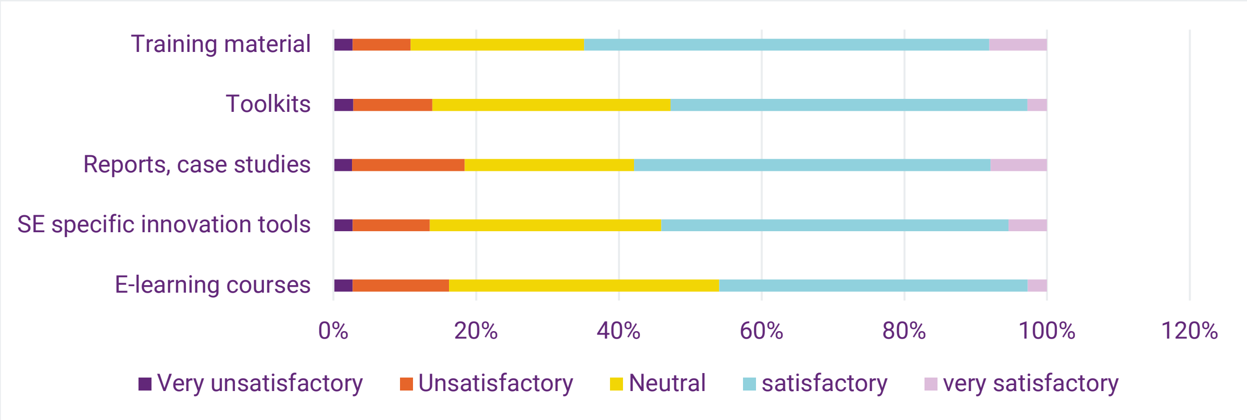


Figure 13 - SEs use and satisfaction of various online learning tools

GROWTH STRATEGIES

When looking at the realities of SEs operating in Lebanon today, it is important to highlight the courage, motivation and faith of the people who manage and run them for social purpose and impact. The fact that so many social enterprises seem to survive under the current difficult circumstances when a high number of small business are closing, is something remarkable that should be acknowledged.

Despite all the challenges, 68% of SEs surveyed have expectations of an increase in their turnover in the short term.

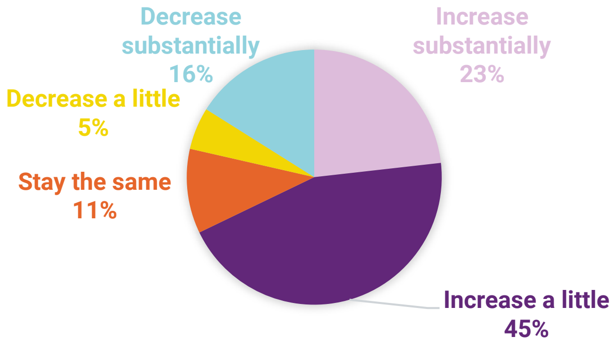


Figure 14 - SEs sales prediction for the short term

Social enterprises in Lebanon are resilient and hopeful about the future. When asked about their future business goals and strategies set to face the current crisis, most SEs (63%) reported that they aim at maintaining/improving business sustainability. As shown in Figure - 13:

39% are planning to work with more beneficiaries and increase their impact, develop new product/service lines to match the new demand in the local market (with lower purchasing power) as well as in new regional or international markets.

34% are looking to increase grant donated income to be able to develop and sustain their organizations under what they described as current survival stage.

32% are searching to scale their team as they will increase the offer to meet the new markets demand.

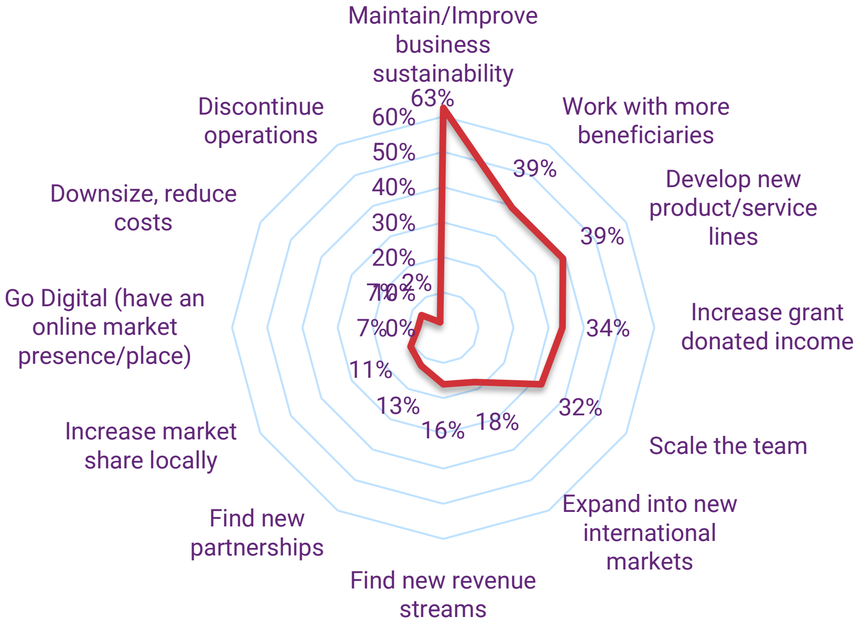


Figure 15 - Strategies for achieving growth in next few years (multiple answers)

Maintaining business sustainability and working with more beneficiaries were the main stated priorities across all stages of development. A more in-depth analysis shows few differences in these as per the following:

IDEATION STAGE

Maintain/Improve business sustainability
Work with more beneficiaries
Develop new product/service lines
Find new revenue streams

START-UP STAGE

Maintain/Improve business sustainability
Increase grant donated income
Develop new product/service lines
Work with more beneficiaries
Scale the team

GROWTH STAGE

Maintain/Improve business sustainability
Scale the team
Work with more beneficiaries
Develop new product/service lines
Expand into new international markets

MATURITY STAGE

Maintain/Improve business sustainability
Develop new product/service lines
Increase grant donated income
Work with more beneficiaries

When SEs were asked about how they were adapting and changing their business strategies to cope with the current crisis the country is facing, responses varied. Some expressed how they are just trying to maintain the status-quo in what they describe as a **"really difficult time."** Most described how they had re-shaped and re-visited their business model or found new revenue streams to continue operating.

Most SEs revisited their business models and tried to find ways to respond to the new situation. They mostly voiced out their concern that it had become hard to remain sustainable while relying only on the Lebanese market. Thus, they are trying to create new revenue streams, develop their business to access new markets abroad especially in the Gulf region, while preserving the job creation opportunities in Lebanon. Strategies devised included:

- Improving the quality of products and services to meet international standards
- Creating new products that meet the new markets demand
- Increasing the production capacity to meet the international and regional market demands
- Opening branches outside of Lebanon to mainly overcome the banking sector crisis
- Reducing the costs of products to be able to meet the shrinking purchasing power locally
- Lowering overhead and fixed costs
- Reviewing the financial and cash flow management procedures
- Seeking new sources of additional grants and funding

NON-FINANCIAL SUPPORT NEEDS

OPERATIONAL AND STRATEGIC SUPPORT

The following 13 operational and strategic support needs were identified and included in the survey questionnaire. Figure-17 shows how SEs expressed their need of support priorities at the operational and strategic level.

1. Marketing: gaining visibility, recognition, and credibility
2. Access to new clients
3. Access to physical space
4. Development of new products or services
5. Partnerships with private sector
6. Establishing a network of advisors, experts, and peers
7. Development of the business strategy
8. Procurement of raw material
9. Legal advice
10. Sector specific technical assistance
11. Technological support
12. Development of systems or procedures
13. Operational management

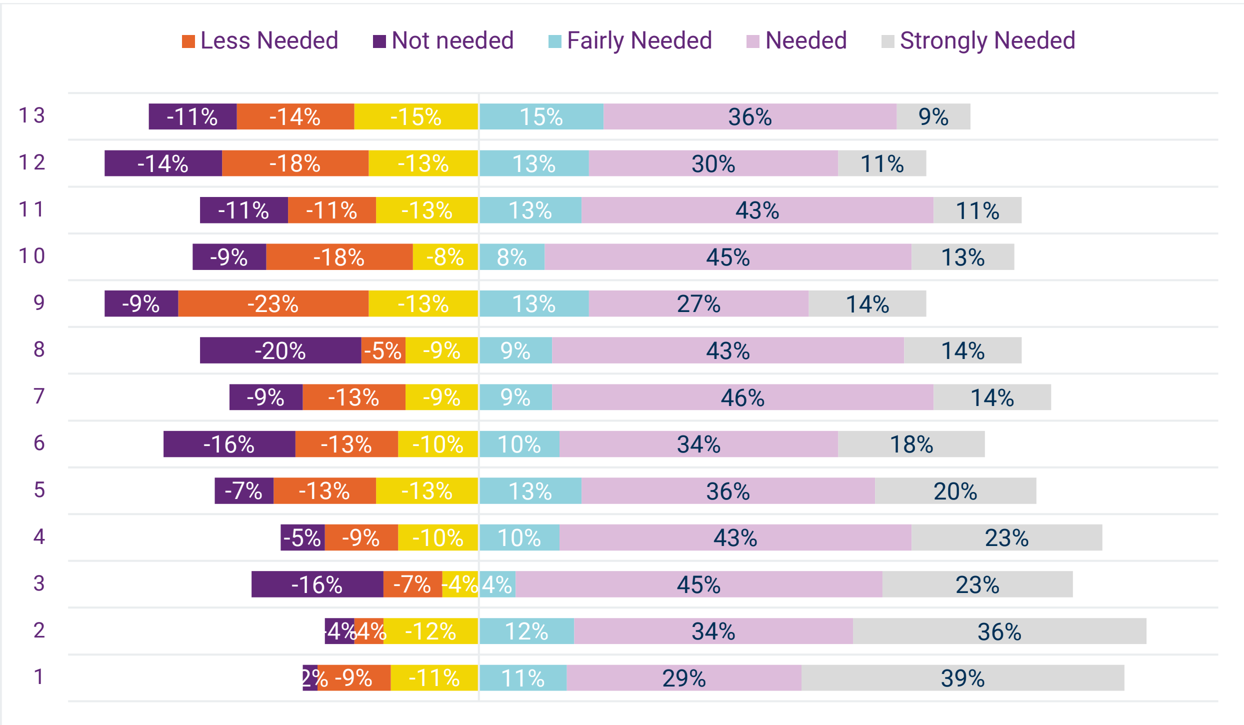


Figure 16 - Strategic and operational support needed by social enterprises (Likert scale, single answers)

The top 8 strategic and operational support needs that surveyed social enterprises had:

70%

Access new clients

68%

Marketing activities: gaining visibility, recognition, and credibility.

68%

Access physical space

66%

Development of new products/services

60%

Development of the business strategy

57%

Procurement of the raw material

56%

Build partnerships with the private sector

52%

Establish a network of advisors, networks, and peers

Observed by stage of development, the **top 6 operational and strategic support needs by stage of development** are summarized in the table below[14]:

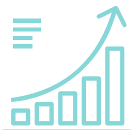
IDEATION

- Access to physical space
- Procurement of raw material
- Sector specific technical assistance
- Operational Management
- Development of the business strategy
- Technological Support

START-UP

- Access to new clients
- Marketing: gaining visibility, recognition and credibility
- Development of new products or services
- Partnerships with private sector
- Technological Support
- Access to physical space

GROWTH



- Procurement of raw material
- Access to physical space
- Marketing: gaining visibility, recognition and credibility
- Access to new clients
- Development of new products or services
- Development of the business strategy

MATURITY

- Development of the business strategy
- Access to new clients
- Operational Management
- Access to physical space
- Development of systems or procedures
- Sector specific technical assistance

[14] A graphic representation of results is presented in Annex 2

ORGANIZATIONAL RESILIENCE

43% of SEs showed a need for support in the recruitment process of talents and strengthening the management team skills. This was dominant as well across all stages of development.

It is worth noting that a more in-depth analysis of needs by stage of development showed that:

- for start-up stage, SEs have an interest in assistance to maintain personal and team commitment as well,
- growth stage SEs showed interest in assistance to restructure the team and reassignment or roles & responsibilities,
- maturity stage SEs showed interest in assistance to strengthen the board of directors/governance system.

Human Capital Support Needs	Governance Support Needs
• Recruitment/talent provision (43%) • Strengthening the management team (through mentoring/coaching) (43%) • Team restructuring and reassignment or roles & responsibilities (24%) • Maintaining commitment and motivation (29%)	• Advice or assistance to strengthen the board/governance system (21%) • Board development/governance assistance (18%)

Human Capital support needs: It is becoming harder on SEs to find skilled talent, recruit people in key positions, and retain them due to the brain drain that increased with the financial crisis and devaluation of the Lebanese Pound as well as after the Beirut Blast which pushed a great number of people into thinking of ways to leave the country. There is a need to grow the team operationally, yet the cost of payroll became high and constituted a barrier to recruitment.

A need for a tailored coaching on business and managerial skills was expressed by many, the importance for founders and managers to understand internal control dynamics and financial management was stressed as well.

In relation to the governance support needs, interviewees considered the Lebanese culture as one of the main causes of a lack or a weak governance system in SEs. Some social entrepreneurs like to keep their enterprise running as a family business, while others lack the awareness of the importance of a Board of Directors. As shown in the result, even though only 27% of surveyed SEs adopt a management model of a Board of Directors, the interest in receiving support in developing the governance system is very low (18%).

Stakeholders agreed that the culture change on governance and on moving from the charity mindset to a social enterprise mindset is something that is very important for sustainability. They further stated that it takes a lot of time to create a change and relying on trainings only would not cover what needs to be shared. There is a need for one-to-one continuous support and reminders about the importance of the governance system in managing the SE as well as in facilitating the access to funding at a post-start-up stage.

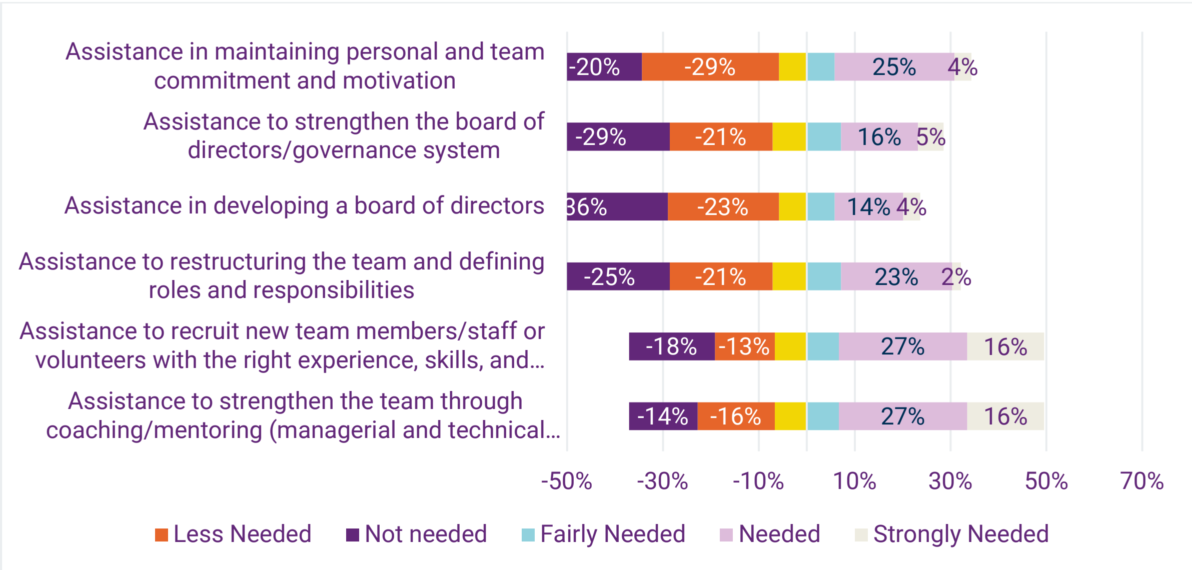


Figure 17 - Governance System

NEW MARKET ACCESS

As they are looking to maintain their financial sustainability, most social enterprises in Lebanon have found expanding into new markets a solution to overcome the current multi crisis in the Lebanese market.

Access to finance is by far the area in which most respondents would like to see additional advice and support. **Access to Finance (89%)**, was mentioned repeatedly throughout all the interviews. Most of the interviewees indicated that they require capital to access new markets (product testing and quality controls, upgrading the production quality, marketing, digitization of products etc.). Very few mentioned the need for support at the national level while the majority highlighted the need for support in access to external/international markets (e.g. find new suppliers, setup, and find clients).

They also reported that they require support to **Develop new revenue streams (77%)** that are market driven and that allow SEs to access regional or international market, to develop/create/innovate new product/services or rebrand with the aim of maintaining their sustainability.

Furthermore, they stressed on their need for support to **Find links to new markets (70%)** as networking is key in expanding: ***"we need gate openers"***

> *We are redirecting towards enhancing export this will allow us to get fresh funds, we will be able to sustain the business on the longer run and while doing so we preserve some jobs without losing any employee."*
>
> Social Entrepreneur

Likewise, interviewees emphasized their need for support to **Launch new products/services and projects (product piloting or testing with customers) (68%).** SEs regarded it as essential to them in entering new markets to meet the demand.

Conducting market research studies and analysis was as well identified as a need (63%) to be able to better understand the demand and identify markets with higher profitability.

One additional identified challenge was that all input material and assets are priced in foreign currency, accordingly, interviewees indicated their need for support to **Purchase of assets (machines, equipment, etc.) (61%)** and in some cases raw materials as well. Equally important was their need for support to **Establish firm networks (61%),** as PR connections, and exposure to the right people, etc.

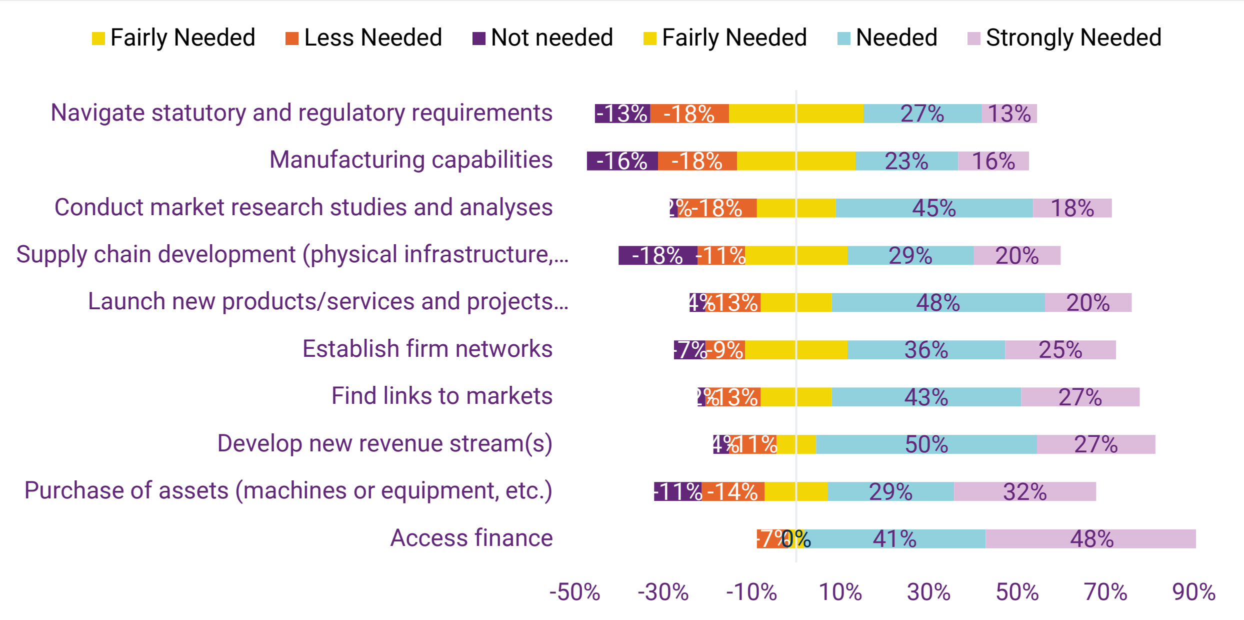


Figure 18 - SEs Needs for capacity building and new market access (Likert scale, single answers)

There are minor to no differences that can be noticed while analyzing the capacity building and market access needs identified by organizations in their various stage of development.

IMPACT ASSESSMENT

The social entrepreneurship sector is still nascent, and impact is at its early stages and can be hardly measured.

Most SEs at early stages are conscious about the importance of impact measurement in a social business yet do not consider it a priority while having limited knowledge on how to measure and/or report their impact and requiring tools and systems to be put in place to be able to do so.

Many mature SEs stated that they have a social impact measurement tool in place mainly provided by support organizations. None of the SEs stressed the need for support in this regard nor considered it a priority.

Evidence produced by measuring the impact of existing SEs should be used by incubators and support organizations widely in public debates and more widely published in order to educate SEs about its importance especially in the ability to attract impact investors.

“

Most of the social enterprises in Lebanon don't know how to collect data and report on it, to measure it, they need to be educated on how to do so and be provided with the right tools.”

Member of a SESO

FINANCIAL SUPPORT NEEDS

SE CURRENT FINANCING STRUCTURE

Surveyed SEs rely mostly on financial support in the forms of grants and donations (79%), which is the widely available source especially for the ideation and start-up stages. Reinvestment of profits (54%) is common and constitutes an important financial tool leading to sustainability. Personal Savings, friends, and family funding (50%) is also a key source of funding that social entrepreneurs rely on.

Figure 19 - SEs current financing structure (multiple responses)

These results were reflected by many interviewees who mentioned that grants are the main financial instrument offered in the Lebanese market today. Traditionally, this is the type of funding many organizations and NGOs have relied on and have experience in accessing, therefore the prevailing financial structure of most SEs is based on grants.

CONSTRAINTS TO FINANCING

Major challenges faced by the surveyed enterprises include difficulty in finding and reaching out to investors/funders (55%), limited supply of funding available in the market (46%), and absence of tailored SE specific loans (39%). The top three constraints were the same across geographic locations.

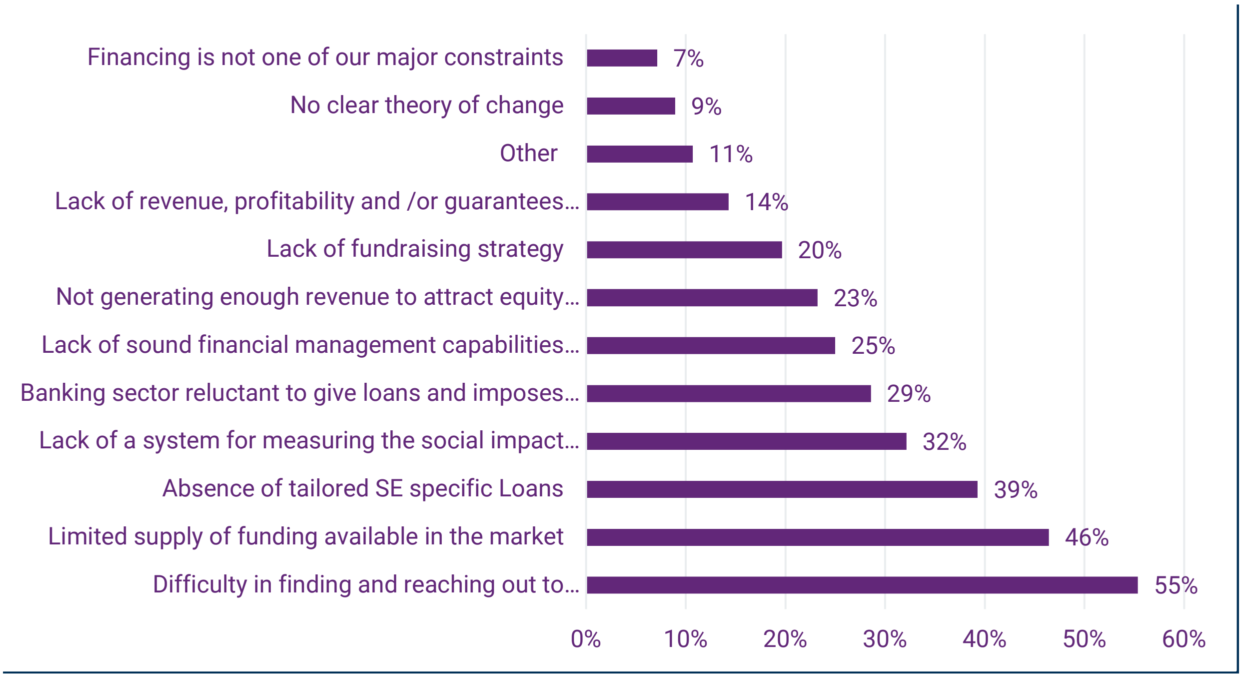


Figure 20 - SEs top constraints to financing

Like any type of business in the context of Lebanon, access to appropriate sources of finance is a key factor in a social enterprise's development. Interviewed SEs consider access to funding as the main challenge to their future success and sustainability and a key factor that would affect their organization's sustainability today. Seeking funding support and finding the right opportunities to apply to were reported as main challenges.

The top constraints to financing were further looked into based on the different stages of development. Limited supply of funding as well as finding and reaching out to investors/funders were identified as main challenges across all stages.

At the ideation stage, the lack of sound financial management capabilities and tools that SEs implement are not enough and constitute a barrier toward access to funding and attracting funds. On another hand, mature SEs stated that the lack of a system for measuring the social impact of current activities is considered a barrier to accessing funds.

The banking sector restrictions as well as the absence of tailored SE loan/financing was mentioned as a key barrier by start-up and growth stage enterprises.

The top constraints to financing by stage of development:

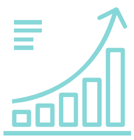
IDEATION

- Difficulty in finding and reaching out to investors/funders
- Limited supply of funding available in the market
- Absence of tailored SE specific Loans
- **Lack of sound financial management capabilities and tools**

START-UP

- Difficulty in finding and reaching out to investors/funders
- Limited supply of funding available in the market
- **Absence of tailored SE specific Loans**

GROWTH



- Difficulty in finding and reaching out to investors/funders
- Limited supply of funding available in the market
- **Absence of tailored SE specific Loans**

MATURITY

- Difficulty in finding and reaching out to investors/funders
- Limited supply of funding available in the market
- **Lack of a system for measuring the social impact of current activities**

BARRIERS TO DEALING WITH INVESTORS/FUNDERS

Surveyed SEs described a wide range of barriers they face when dealing with investors/funders as shown in figure - 16. SEs find themselves always facing financing options either targeting for profit start-ups or traditional nonprofits, therefore they have to continuously fit into the molds of "traditional non-profit association" where the social component comes first and the sustainability of funding is not a priority, or "for-profit start-up" where sustainability and return is a priority instead.

Most SEs in Lebanon come from a non-profit mindset and this is what's missing, this mindset of how we can become sustainable."

Member of a SESO

- 54% claimed that **funding has always a short-term scope and usually follows the objectives of the impact from funder perspective rather than the SE** (39%). The main driver for the funding is not an innate understanding of the need of the SE, but rather what donors want to see as evidence of impact in the entrepreneurial space.
- **Non-grant type of funding usually require return on investment** (36%) which is a great challenge for most SEs currently operating in Lebanon.
- **Lengthy processes** (34%) **and flexibility of funds received** were also challenging factors when it comes to dealing with various funding providers. As stated by social entrepreneurs:
  - To meet the speed of changes happening today, flexibility is needed in reviewing budgets and readapting the action plan (difficulty communicating with funders).
  - It is extremely difficult to reallocate budget items and get approval, it takes months and it's extremely bureaucratic and hard to get access to the donors.
  - Lengthy and time and resources consuming process and bureaucratic work for grants application and management is a challenge. Social entrepreneurs spend sometimes months preparing to apply, and often do not receive any funds. In addition, each has different requirements and types of information to fill and provide which is time consuming for entrepreneurs.

It takes months to research, apply and possibly be accepted into an accelerator or competition that provides mentorship and support."

Social Entrepreneur

Legal form chosen by SEs at the early stage is also a challenge (32%) as a lot of funding opportunities that come through grants are basically restricted to initiatives registered as NGOs.

54%

They provide short term financial support (not sustainable)

39%

They place their goal above the social mission of the SE

36%

They are usually looking for return on investment and profits, not social impact

34%

They have a lengthy process to apply to funding

32%

They require a specific legal form of entity (SARL, SAL or NGO)

21%

They lack flexibility when change in project is needed.

23%

They require a developed and advanced financial model to be in place.

There were a lot of missed opportunities because we weren't an NGO."

Social Entrepreneur

Figure 21 - SEs major barriers when dealing with funding providers

FINANCIAL NEEDS

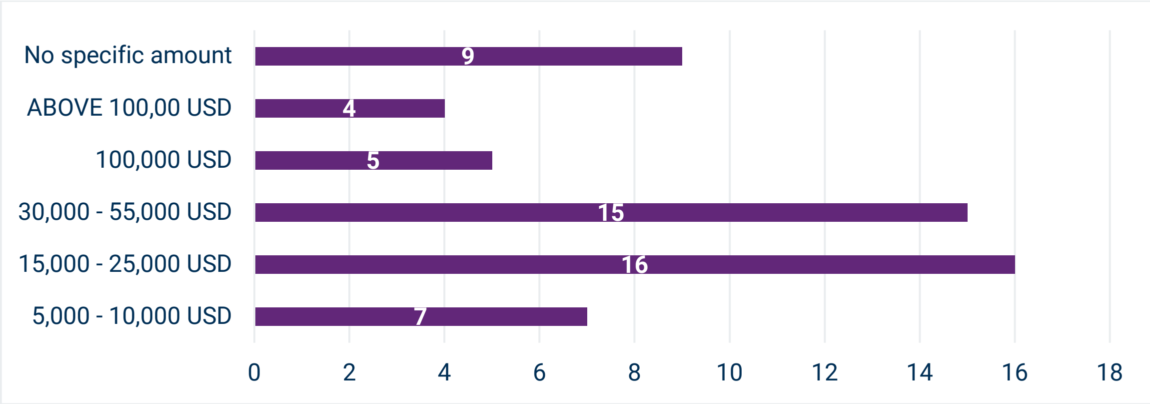


Figure 22 - SEs Financial needs

The majority of SEs showed a financing need between 15,000 USD and 55,000 USD. The figures below show the financial needs expressed by different SEs stages of development (all amounts are expressed in USD).

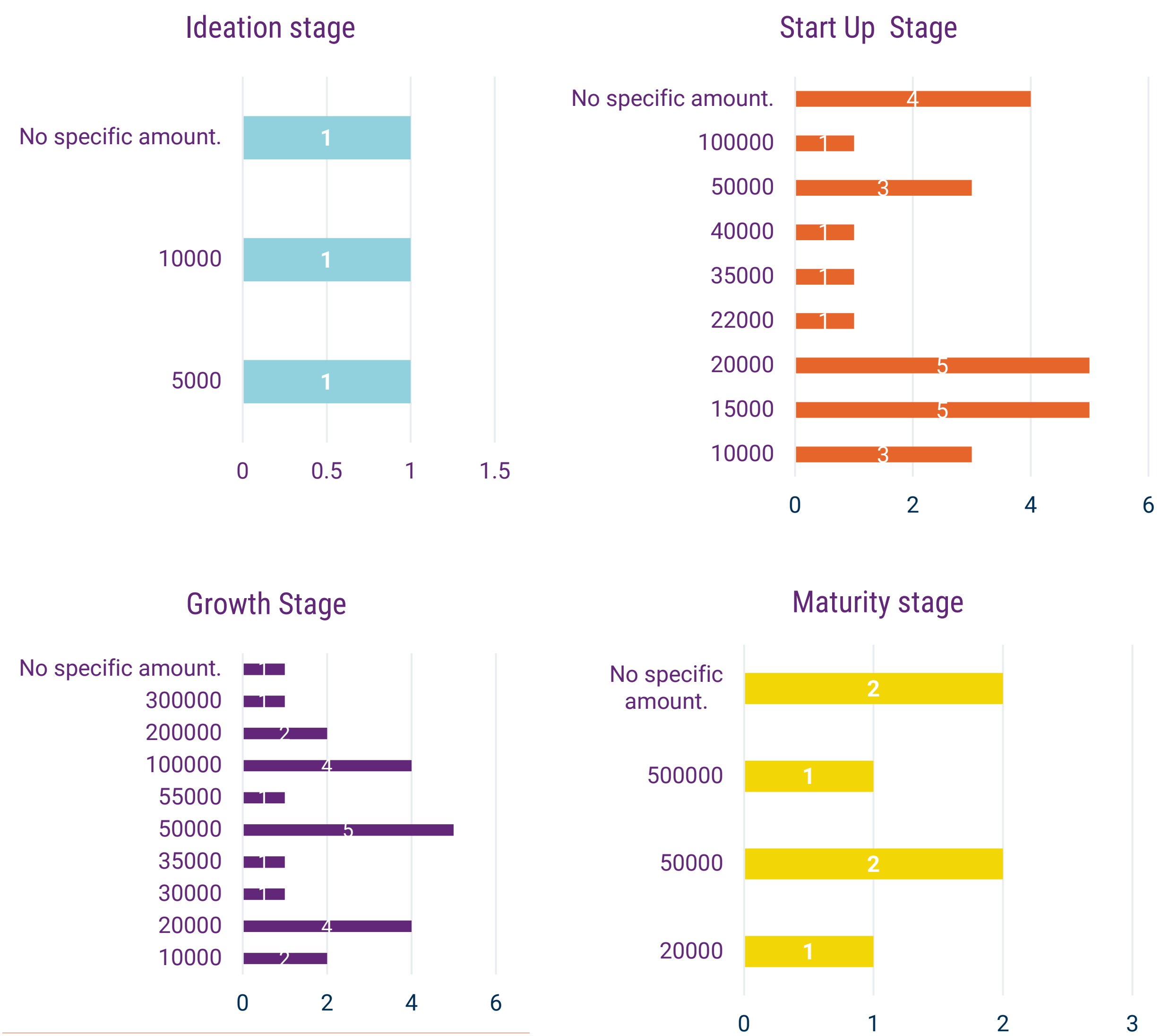


Figure 23 - SEs financial need by stage of development

PREFFERED METHOD OF FINANCING

Across all stages of development, the highest preference amongst financing instruments is still the traditional grant financing. Figure - 19 shows that 75% favour grants and 55% prefer entrepreneurship competitions (55%).

25% of survey respondents preferred impact investment funds and 20% are willing to explore crowdfunding.

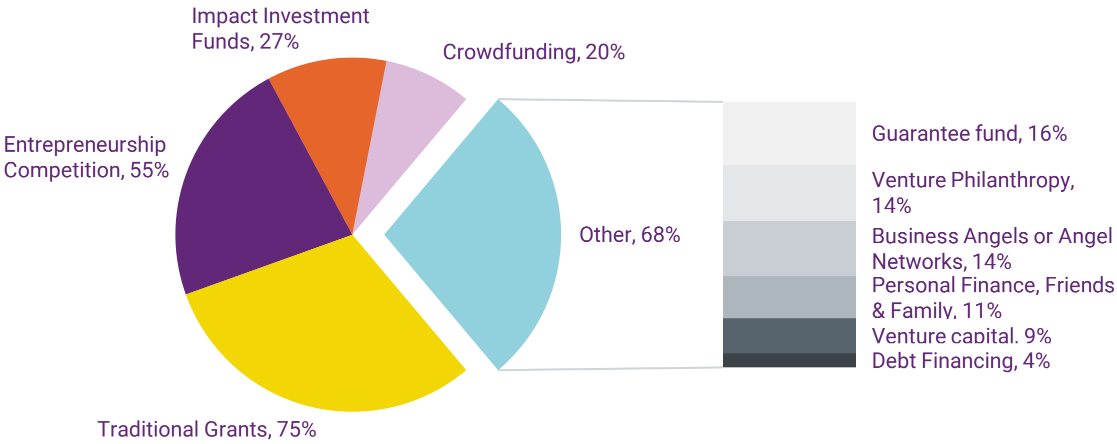


Figure 24 - SE Preferred Method of Financing (multiple answers)

Most of the interviewed organizations would prefer grants to any other form, as most probably it is traditionally the type of funding many organizations have relied on and since grants are the main financial instruments offered in the Lebanese market today, therefore organizations have experience in applying for grant funding, and consider it the most appropriate source of finance. Grant funding is seen as especially important to cover any shortfall in revenue income or costs, to help SEs build their capacity, and to financially sustain organizations through the current tough economic times when earned income may be declining.

While grant funding is the main preferable financing option to face the current situation, in-depth interviews showed that grants might be the most suitable for the ideation phase, but not the growth and scale-up phases.

While further looking into the responses, traditional grants and entrepreneurship competitions were dominant across all stages as preferred methods of financing. This underlines how even social enterprises that reached a certain maturity stage still value grant support as a way to navigate any potential shortfall in revenues in this volatile context.

The demand for non-grant finance is slowly being noticed. SEs at the start-up and maturity stages showed interest in impact investment funds, while those in the growth stage showed interest in crowdfunding instead (figure – 20).
Most of the interviewed organizations stated as well that any source of financing including grants should be impact oriented, something that organizations are not used to as what prevails in the market is a mindset of action-based funding. Key statements made by social entrepreneurs:

- *“Grants should match the goal of the SE and its impact mission, not to be conditioned by the grants’ own mission and objectives.”*
- *“Grants should be at the service of the strategy of SEs.”*
- *“Traditional grants are not enough to serve the needs of SEs at a growing or maturity stage.”*
- *“Grants should only be used to expand, test or pilot new programs, and to consolidate some things... but not a single program should run/operate on grants.”*

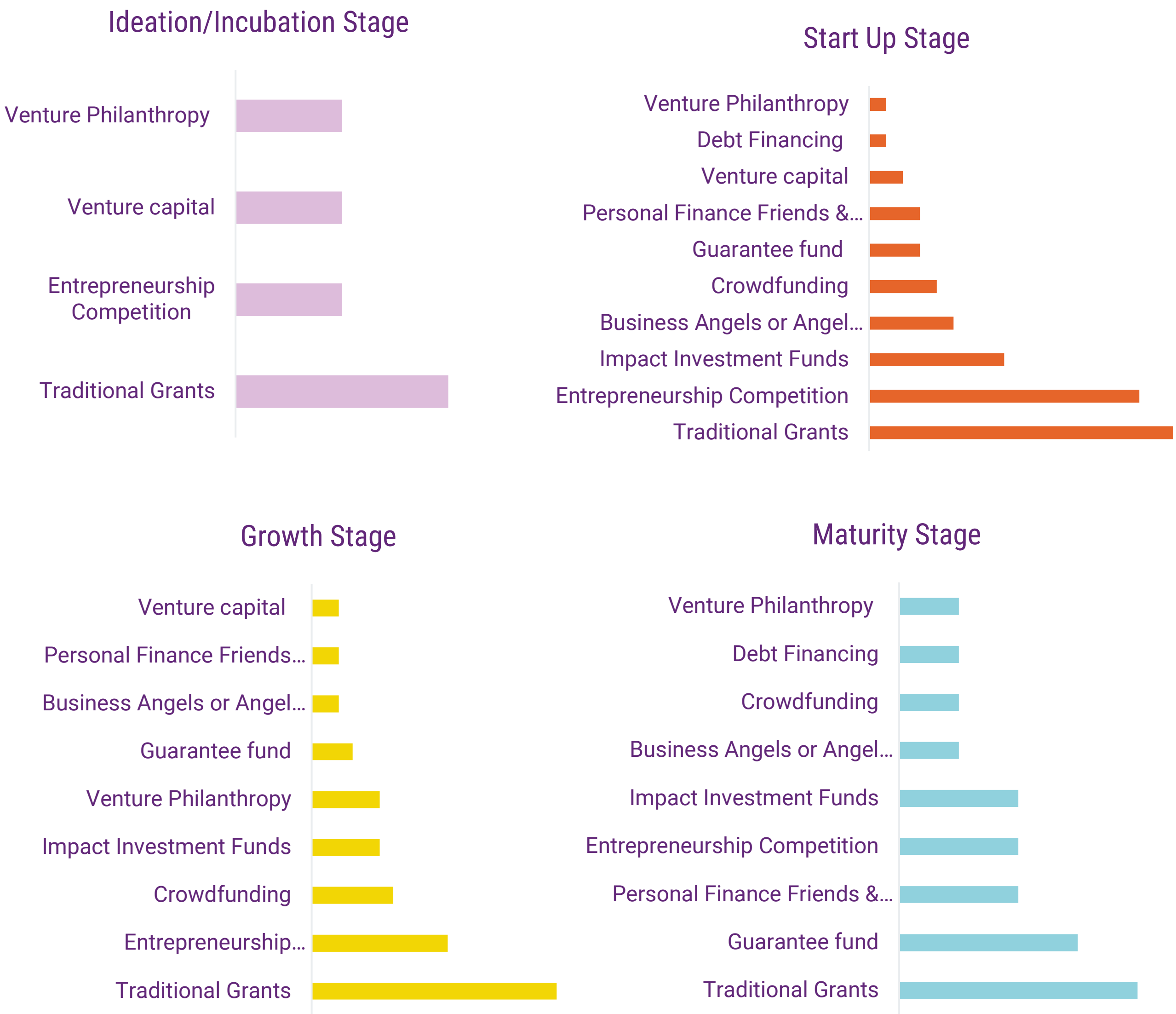


Figure 25 - SEs Preferred Method of Financing by stage of development

Observing the preferred method of financing based on the SE registration type we notice that commercial companies as well as not registered SEs tend to have interest in Impact investment funds while NGOs registered SEs are more interested in guaranteed funds and crowdfunding.

Commercial company	Traditional Grants, Entrepreneurship Competition, Impact Investment Funds, Crowdfunding
Not registered	Traditional Grants, Entrepreneurship Competition, Impact Investment Funds
Non-Governmental Organization (NGO)	
Cooperative	Traditional Grants, Guaranteed fund, Crowdfunding

CONCLUSION AND RECOMMENDATIONS

This study provides a starting point for assessing the main needs (financial as well as non-financial) that SEs operating in Lebanon have today, along with the main challenges they are facing. It is based on a web-survey and in-depth interviews with key stakeholders in the social entrepreneurship ecosystem. In this final section, the overall conclusions from the assessment study are presented along with the key recommendations that emerged.

CONCLUSION

Key findings are summarized in the following table showing the various challenges and needs of surveyed SEs in relation to the different explored areas and across all development stages. A number of differences are visible between stages and are highlighted below.

<table>
<tr><th>ALL SURVEYED ORGANIZATIONS</th><th>IDEATION STAGE</th><th>START-UP STAGE</th><th>GROWTH STAGE</th><th>MATURITY STAGE</th></tr>
<tr><td colspan="5">Top 5 Challenges Affecting SEs Development</td></tr>
<tr><td>The financial crisis (inflation, banking sector, lack of access funding)

Political/security instability

Absence of SE legal framework and government incentives

Health crisis

Lack of funding opportunities</td><td colspan="2">Financial crisis (inflation rate, banking sector, lack of access to funds)

Political/Security instability

Health crisis

Local business environment

Lack of funding opportunities</td><td>Local business environment

Lack of funding opportunities

Health crisis

Financial crisis (inflation rate, banking sector, lack of access to funds)

Lack of support services in your region of operation</td><td>Financial crisis (inflation rate, banking sector, lack of access to funds)

Absence of SE legal framework and government incentives

Health crisis

Political/Security instability

Infrastructure Risk (ICT, electricity, etc.)</td></tr>
<tr><td colspan="5">SEs Business Objectives for the Short & Medium Terms</td></tr>
<tr><td>Maintain and improve business sustainability

Work with more beneficiaries

Develop new product /service line</td><td>Maintain/Improve business sustainability

Work with more beneficiaries

Develop new product/service lines</td><td>Maintain/Improve business sustainability

Increase grant donated income

Develop new product/service lines</td><td>Maintain/Improve business sustainability

Scale the team

Work with more beneficiaries</td><td>Maintain/Improve business sustainability

Develop new product/service lines

Increase grant donated income</td></tr>
</table>

Increase Grant/donated income Expand to new international markets	**Find new revenue streams**	Work with more beneficiaries **Scale the team**	Develop new product/service lines **Expand into new international markets**	Work with more beneficiaries
SOCIAL ENTERPRISES SUPPORT NEEDS				
Capacity Building & New Market Access				
Access finance **Develop new revenue stream(s)** **Find links to markets** **Launch new products/services and projects (product piloting or testing with consumers**) Conduct market research studies and analyses Purchase of assets (machines or equipment, etc.) Establish firm networks	Access finance Develop new revenue stream(s) Find links to markets **Conduct market research studies and analyses**	Access finance Develop new revenue stream(s) Find links to markets **Establish firm networks** Launch new products/services and projects (product piloting or testing with consumers)	Access finance Develop new revenue stream(s) Find links to markets Launch new products/services and projects (product piloting or testing with consumers) **Purchase of assets (machines or equipment, etc.)**	Access finance Find links to markets **Navigate statutory and regulatory requirements** Launch new products/services and projects (product piloting or testing with consumers) **Conduct market research studies and analyses** Establish firm networks
Operational & Strategic Support				
Marketing activities: gaining visibility, recognition, and credibility. **Access physical space** **Development of new products/services** Development of the business strategy Procurement of the raw material Build partnerships with the private sector Establish a network of advisors, networks, and peers Access to new clients	Access to physical space Procurement of raw material Sector specific technical assistance Operational Management Development of the business strategy Technological Support	Access to new clients Marketing: gaining visibility, recognition, and credibility Development of new products or services Partnerships with private sector Technological Support Access to physical space	Procurement of raw material Access to physical space Marketing: gaining visibility, recognition, and credibility Access to new clients Development of new products or services Development of the business strategy	Development of the business strategy Access to new clients Operational Management Access to physical space Development of systems or procedures Sector specific technical assistance

Organizational Resilience				
Assistance to recruit new team members/staff or volunteers with the right experience, skills, and competencies Assistance to strengthen the team through coaching/mentoring managerial and technical skills	Assistance to strengthen the team through coaching/mentoring managerial and technical skills	Assistance to strengthen the team through coaching/mentoring managerial and technical skills Assistance to recruit new team members/staff or volunteers with the right experience, skills, and competencies **Assistance to maintain personal and team commitment and motivation**	Assistance to recruit new team members/staff or volunteers with the right experience, skills, and competencies Assistance to strengthen the team through coaching/mentoring managerial and technical skills **Assistance to restructuring the team and defining roles and responsibilities**	Assistance to recruit new team members/staff or volunteers with the right experience, skills, and competencies **Assistance to strengthen the board of directors/governance system** Assistance to strengthen the team through coaching/mentoring managerial and technical skills
Top Constraints to Financing				
Difficulty in finding and reaching out to investors/funder Limited supply of funding available in the market Absence of tailored SE specific Loans	Difficulty in finding and reaching out to investors/funders Limited supply of funding available in the market Absence of tailored SE specific Loans **Lack of sound financial management capabilities and tools**	Difficulty in finding and reaching out to investors/funders Limited supply of funding available in the market **Absence of tailored SE specific loans**	Difficulty in finding and reaching out to investors/funders Limited supply of funding available in the market **Absence of tailored SE specific loans**	Difficulty in finding and reaching out to investors/funders Limited supply of funding available in the market **Lack of a system for measuring the social impact of current activities**
SE Financial Needs				
The main preferred financing methods: Traditional Grants Competition Impact investment Crowdfunding	5,000 USD to 10,000 USD Traditional Grants Competition	15,000 USD to 20,000 USD Traditional Grants Competition Impact investment Business Angels	20,000 USD to 50,000 USD Traditional Grants Competition Crowdfunding Impact investment	Above 50,0000 Traditional Grants Guaranteed Funds Impact investment Personal finance

RECOMMENDATIONS

Building a sustainable social entrepreneurship sector cannot but take into consideration elements of intervention at different levels. Effective interventions range from direct entrepreneurs' support to advocacy efforts, and to that, the below recommendations are listed under micro, meso, and macro levels, with emphasis on the micro level given the focus of the study. More specifically, the micro level relates to the social enterprises and the direct support that could be catalyzed by support organizations, the meso level relates to the actors involved in support and service provision to social enterprises, and the macro level represents the enabling legal and communal environment in which social enterprises operate.

AT THE MICRO LEVEL

Efforts towards developing stronger organizations with the resources, knowledge and networks are needed. Building on the main support needs that emerged from this study, the following three priorities are identified:

PRIORITY 1: DEVELOPING STRONGER ORGANIZATIONS

Enable social enterprises' sustainability.

Support programs and suitable financing must be developed for the post start-up and scale-up phases to ensure organizational sustainability. Social enterprise support must therefore be developed using a lifecycle and holistic approach.

Provide more sustainable funding models, particularly post-start up core funding, access to business development funding, and a more flexible arrangement for funding.

The wide range of currently available funding to SEs is grants, often focused on short-term project funding and mainly for SEs in their very early stages of development**.** Expanding funding options and finance is necessary and SEs require hybrid models of capital as they transition across phases of their development and shift the mindset from the "for-profit start-up" and/or "traditional non-profit association" to focus on both sustainability and impact. More innovative financing mechanisms and funding options should be tailored to their needs at every stage with a direct link to impact.

- Design diverse levels of financial support based on sector diversification, level of establishment (early, growth, etc.), solution and targeted societal problem. It is integral for the financial support provided to cover taxation, registration and recruitment costs, and to offer a form of financial remuneration for social entrepreneurs to be able to sustain themselves as they embark on their entrepreneurial journey and while making sure people with low income can still pursue social entrepreneurship.
- Set up a specialized social entrepreneurship fund to support social innovation, a crowdfunding platform for social enterprises and support the development of microfinance provision for social enterprises.

→ Funding opportunities need to be decentralized to leverage the ability of SEs to boost local economies across regions and in different sectors.

→ Application and proposal processes for funding opportunities need to be simplified to be accessible to everyone. Clarity and transparency in selection criteria and processes for SEs receiving funding is important, while providing constructive feedback and guidance to failing SEs.

→ Support organizations such as accelerators and incubators need to provide more long-term and focused investments that ensure the sustainable growth of businesses.

Moving from grants to commercial loan and equity-like finance tailored to the financing and development needs of SEs across their various development phases should be the key objective. Yet SEs need tailored management and business development support which would help them increase their investment readiness and hence their demand for existing non-grant funds and ability to access them.

Ensure business support is tailored and focused on developing SEs as sustainable businesses.

More social entrepreneurship programs and support organizations where people have access to tailored funding coupled with tailored SE support should be available to ensure organizational sustainability and growth:

- Provide tailored management support and long-term one-to-one mentorship. SEs mainly require support from experienced social entrepreneurship practitioners who understand the sector and have the necessary skills and expertise to provide quality advice.
- Build an empowered network of business advisors and equip them with the knowledge and relationships they need to deliver the best possible support to social enterprises.
- Initiate learning communities that bring together SEs with diverse thematic areas and private sector organizations to share learning, experience, challenges and co-create solutions, synergies, and peer-to-peer support.

Offered support should be adapted to the Lebanese context and its accompanying challenges and constraints.

Address human resource capacity-related challenges.

Human resources are one of the most important factors for the success of the social enterprise. Building a team is probably the hardest part in establishing the social venture. SEs main challenges in recruiting and retaining talent can be addressed through:

- Including the cost of talent recruitment in provided budget.
- Training the team on managerial as well as technical skills (e.g. recruitment and selection, learning and development).

PRIORITY 2: REALIZING MARKET OPPORTUNITY

Facilitate access to new national and international markets.

In order to sustain their activities, SEs need to reach more beneficiaries and access new markets. Given the fact that the Lebanese market is a small one and under the current severe financial crisis, actions need to be taken to create access to market opportunities for SEs to allow exposure and further income generation for the organizations' sustainability.

- Support the first steps into international markets through raising export awareness and providing all the planning as well as the operational and financial support needed in reaching international markets (market research, marketing and visibility, legal support, quality control, logistical support, product development, etc.).
- Support in finding new revenue streams and developing/launching new products and services that meet the changing demand locally as well as internationally.
- Support SEs in broadening their target markets through supporting and subsidizing their export efforts using one platform that can later become self-sustainable through the memberships and contributions of benefiting SEs. This involves connecting existing SEs to external markets and potential partners to widen their sales base and attract more funding, investment, and support.
- Encourage the private sector to involve social enterprises in their supply chain and enhance partnership with SEs. There is a huge need for creating meaningful partnerships and setting sales strategy especially with the private sector as well as across SEs. These partnerships could be created on MSME – SE mixed clustering basis involving entities from the same geography or working in the same sector/industry.
- Encourage consumers to buy goods and/or services produced by social enterprises nationally and internationally, through recognition/certification schemes to help identify social enterprises in international markets, precisely where the concept is more developed.

Direct the support towards existing SEs as well as market driven initiatives.

Under the current situation, all stakeholders agreed that Lebanon's entrepreneurial ecosystem has changed, and priorities should be given to supporting the business development of existing SEs that has a potential to grow, have more impact, and generate new job opportunities. At the same time, all challenges faced by SEs within the current multi crisis context are opportunities as well. SEs should be equipped with **a market driven mindset with impact** to take these opportunities and turn them into social enterprises.

- Increase the number of market-driven innovative social entrepreneurs that receive seed funding and associated support through providing guidance and tools to further assess market data, conduct market studies, and examine demand shifts with product or service viability and scalability potential. This would also address the shortage in the pipeline of potentially scalable SEs that SESOs can provide support to.

PRIORITY 3: STIMULATING SOCIAL ENTREPRENEURSHIP

Promote awareness and understanding of the social entrepreneurship concept.

Since SEs are still mostly unknown outside the circle of ecosystem actors, public communication about SEs achievements needs to be further invested in. Stakeholders, such as support organizations, incubators and donors should do even more to spread awareness and understanding of social entrepreneurship in Lebanon. Networks, platforms, workshops, seminars, trade fairs, webinars forums and websites can highlight the potential of social enterprises and their generated social impact. Increasing awareness around social entrepreneurship can help attract customers as well as investments.

Efforts should be made to raise awareness nationally through:

- Supporting a major awareness and marketing campaign for social enterprises that reaches out to the broader public showcasing SEs success stories.
- Promoting SEs through various communication channels (e.g. online, press, radio, and local community media) and including them in various debates and webinars.
- Fostering social entrepreneurship awareness in schools and universities through introducing social entrepreneurship education in curriculum and adopting it as one of the options in career guidance.
- Stepping-up the level of recognition accorded to the social enterprise sector nationally and building links with others working towards the same goals internationally.

Support the creation of local social innovation hubs and co-working spaces that aim at creating social investment-ready businesses.

Despite the current physical constraints that COVID-19 pandemic has brought, actual physical working spaces are still considered a need to most participating social entrepreneurs.

- Local social innovation hubs can be launched and supported by local public and private actors interested in promoting the concept of social entrepreneurship and expanding social solidarity practices at the communal level.
- Along with the above, access to coworking spaces for social entrepreneurs and SEs at different stages of development is integral, precisely in areas outside urban hubs. Physical infrastructure is key to an attractive and enabling entrepreneurial environment where social entrepreneurs can meet people, exchange ideas, reflect and learn, create and innovate, receive expert guidance, and expand their business.

AT THE MESO LEVEL

Encourage collaboration and complementarity among social entrepreneurship ecosystem players to further organize and channel resources in the most efficient and impactful way and avoid efforts duplication.

This is integral for an enabling environment where all involved stakeholders are able to be informed, coordinate, and collaboratively design support interventions based on identified gaps. In addition to bringing these players together to align on objectives, interventions, and intended impact, it is essential to:

- Encourage key support services and programs providers to embed criteria related to the social entrepreneurship framework in Lebanon within their programs to incentivize and push SEs to attain better governance, increased impact, and enhanced financial and environmental sustainability.
- Join efforts in supporting the creation of a hub for easy access to support, a centralized information sharing and collaborative platform that facilitates SEs exposure to support opportunities, accessibility, and networking. This structure would equally serve support organizations to identify support gaps and further enhance coordination and supply of support services. This web-based hub would essentially:
  - Provide information about SEs in Lebanon
  - Provide links to learning resources and training
  - Facilitate access to available support programs and funding services
  - Provide networking opportunities for SEs

The process of establishing a national social entrepreneurship digital platform is currently being led by Beyond Group under the SEE Change project. The aim of the web platform is to support the establishment and growth of social enterprises in Lebanon by providing them with tailored and needs-based access to a digital support ecosystem that allows them to develop impactful and financially sustainable products and services.

Build the capacity and empower SESOs to better provide tailored support to SEs, while addressing the support needs of the ecosystem, and enabling SEs agility and innovation in response to the constantly changing contexts.

- Build the capacity of existing SESOs:
  - In creating interest in social entrepreneurship, getting more acquainted with the concept, intervening in a given ecosystem, and being equipped with the right tools to better serve SEs (e.g. social business modelling, social impact measurement).
  - In refining their service offering, providing innovative solutions, and complementing existing support efforts in the ecosystem through the provision of technical support.
- Support and build the capacity of SESOs as intermediaries that can help broker the relationship between finance providers/donors and social enterprises and build their capacity. Support the creation and development of intermediaries that can help strengthen the capacity of, and availability of finance for social enterprises.

AT THE MACRO LEVEL

Join advocacy efforts towards the development and adoption of a social entrepreneurship strategy and legal framework in Lebanon.

This helps social enterprises distinguish themselves as businesses, that *maintain a commitment to a social purpose* while being able to trade *as well*. All stakeholders should be encouraged to join advocacy efforts to move the ongoing process forward and build on the efforts made till date.

Interviewed and surveyed participants have emphasized the below elements as key components of the expected SE legal framework:

- A commonly agreed-upon social enterprise definition in Lebanon
- A tax incentive scheme and more fiscal incentives
- A registration process with less bureaucratic procedures and less costs
- A smaller initial capital
- An independent body which monitors the implementation of the suggested framework

Beyond Group has facilitated efforts towards the development of a national social entrepreneurship framework in Lebanon to boost the social entrepreneurship ecosystem by formulating a social entrepreneurship policy and legal framework with the engagement of more than 70 stakeholders. The policy framework was approved and endorsed by ecosystem actors and the government, and subsequently the draft law is currently being developed. This dialogue and work have contributed to the enabling environment while bringing key stakeholders around the creation of creating a common social entrepreneurship definition in Lebanon and an institutionalized platform to support SEs. The ongoing process was slowed down by the political deadlock the country has been experiencing.

APPENDIXES

APPENDIX 1

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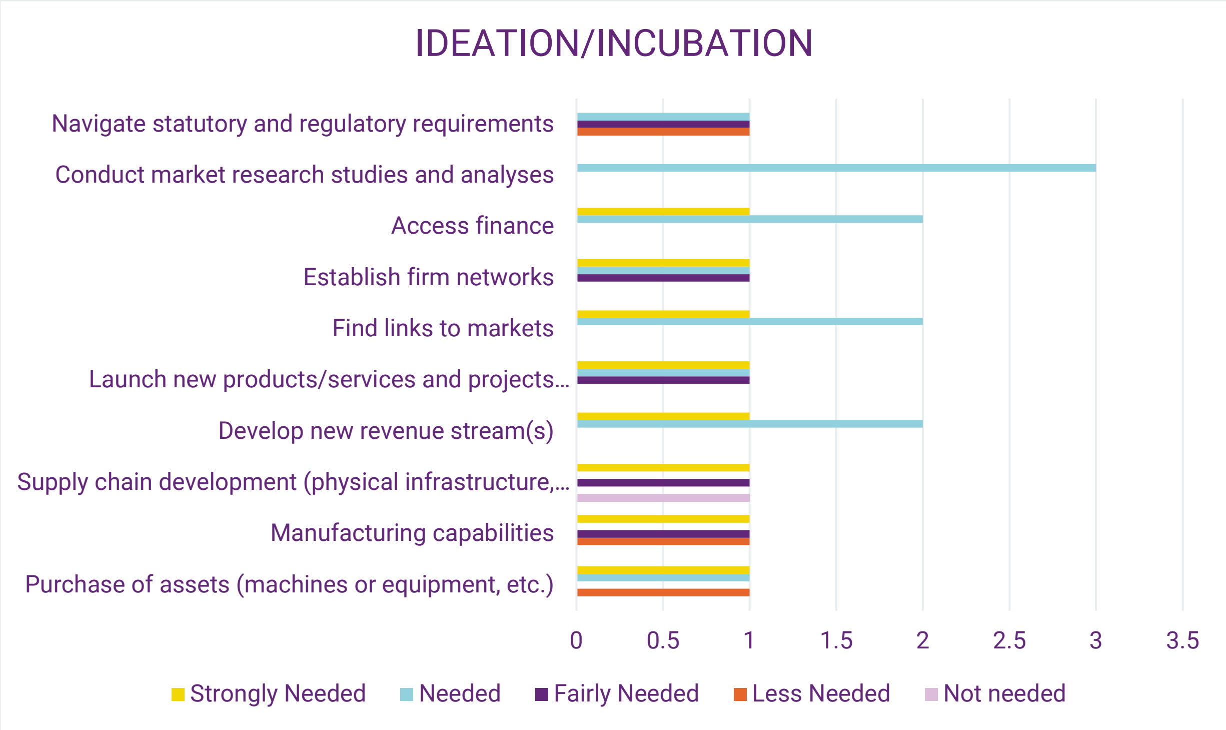
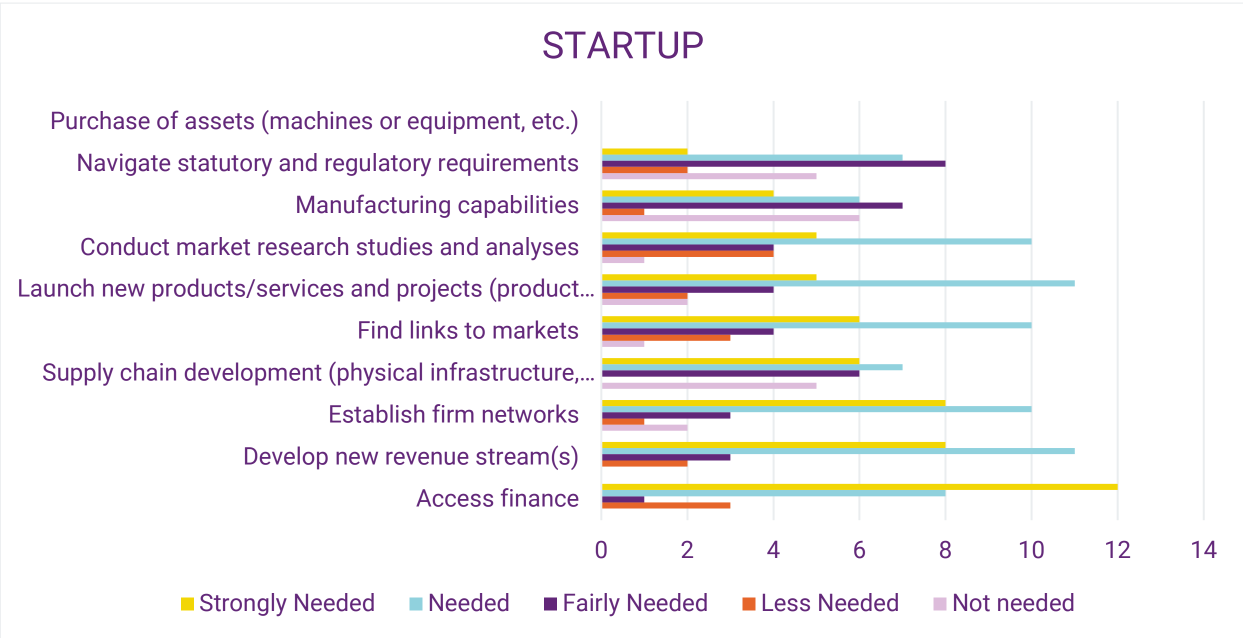
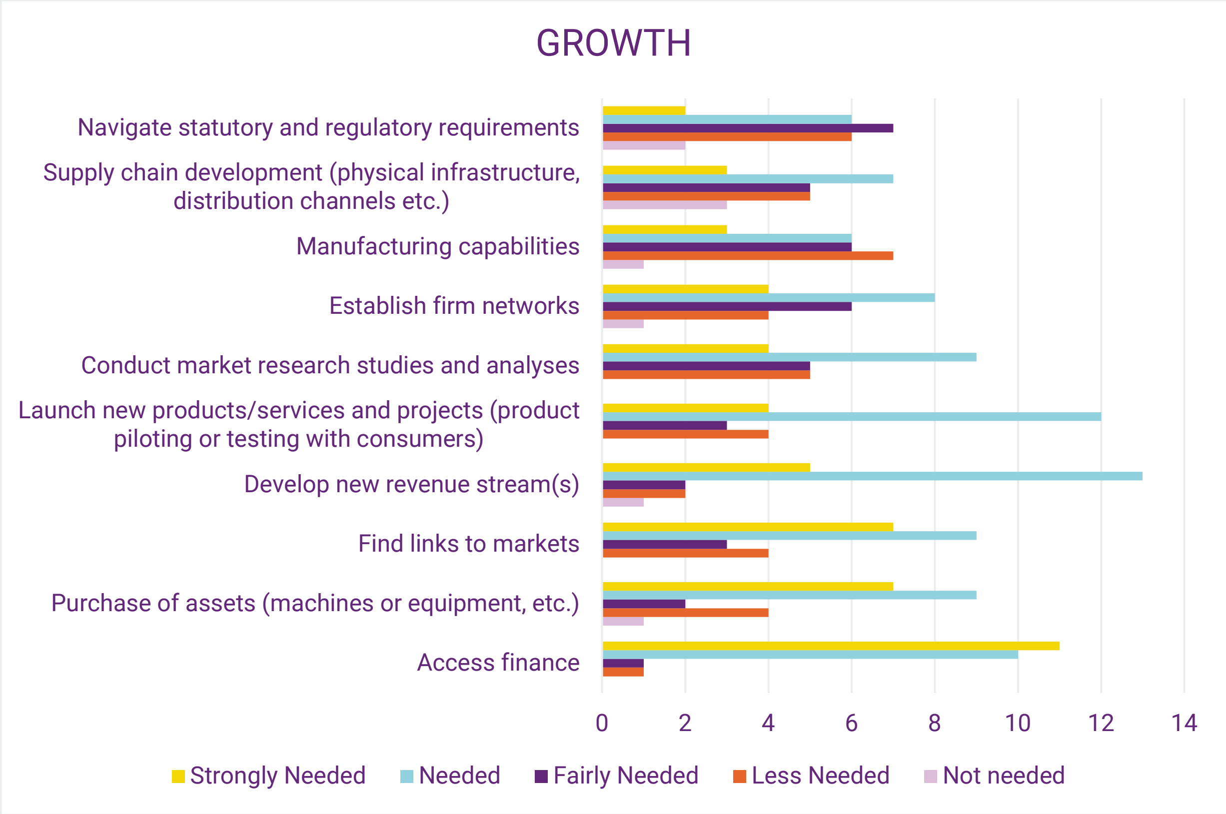
APPENDIX 2

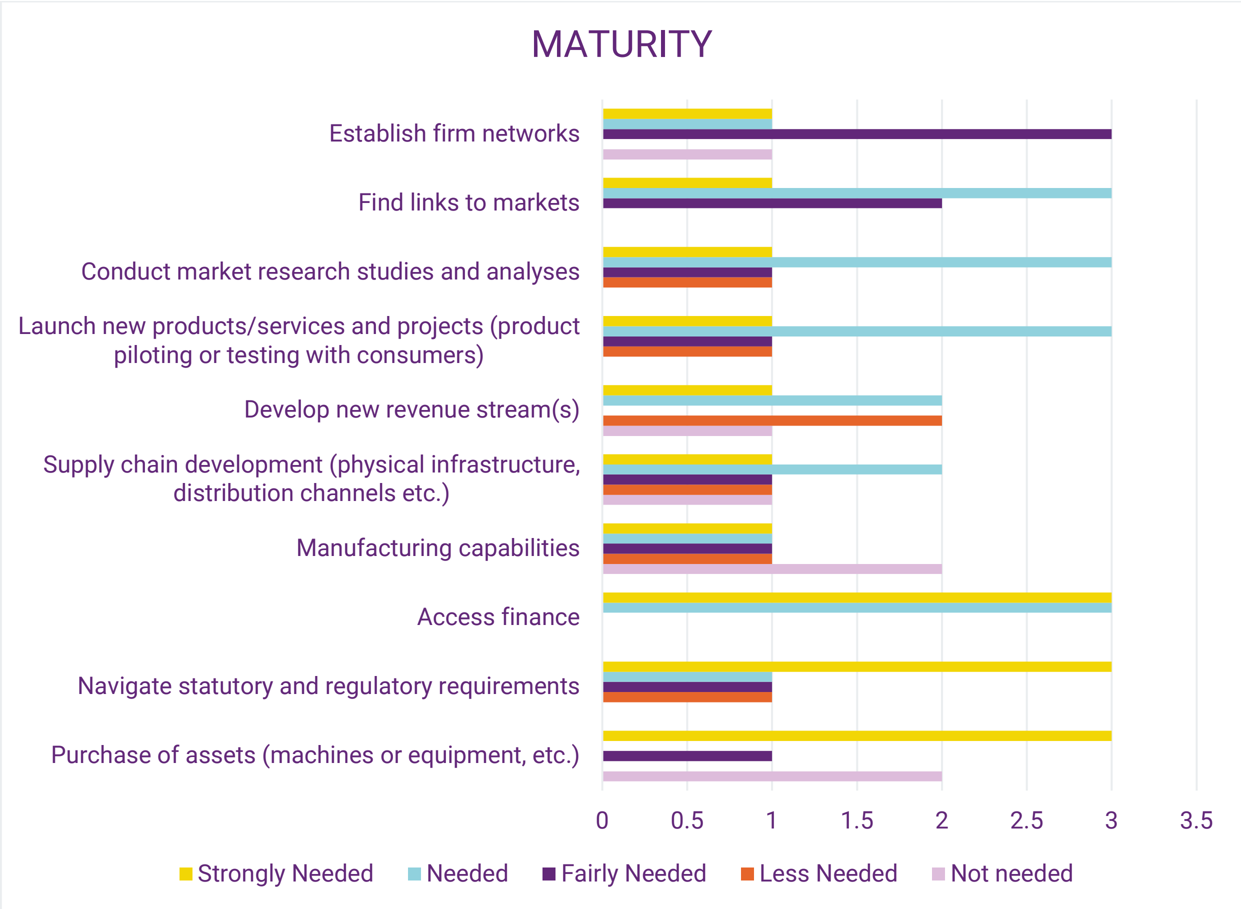
DETAILED GRAPH ANALYSIS OF SUPPORT NEEDS

CAPACITY BUILDING AND NEW MARKET ACCESS SUPPORT NEEDS BY STAGES OF DEVELOPMENT






GROWTH
Navigate statutory and regulatory requirements
Supply chain development (physical infrastructure, distribution channels etc.)
Manufacturing capabilities
Establish firm networks
Conduct market research studies and analyses
Launch new products/services and projects (product piloting or testing with consumers)
Develop new revenue stream(s)
Find links to markets
Purchase of assets (machines or equipment, etc.)
Access finance
0 2 4 6 8 10 12 14
Strongly Needed
Needed
Fairly Needed
Less Needed
Not needed


MATURITY
Establish firm networks
Find links to markets
Conduct market research studies and analyses
Launch new products/services and projects (product piloting or testing with consumers)
Develop new revenue stream(s)
Supply chain development (physical infrastructure, distribution channels etc.)
Manufacturing capabilities
Access finance
Navigate statutory and regulatory requirements
Purchase of assets (machines or equipment, etc.)
0 0.5 1 1.5 2 2.5 3 3.5
Strongly Needed
Needed
Fairly Needed
Less Needed
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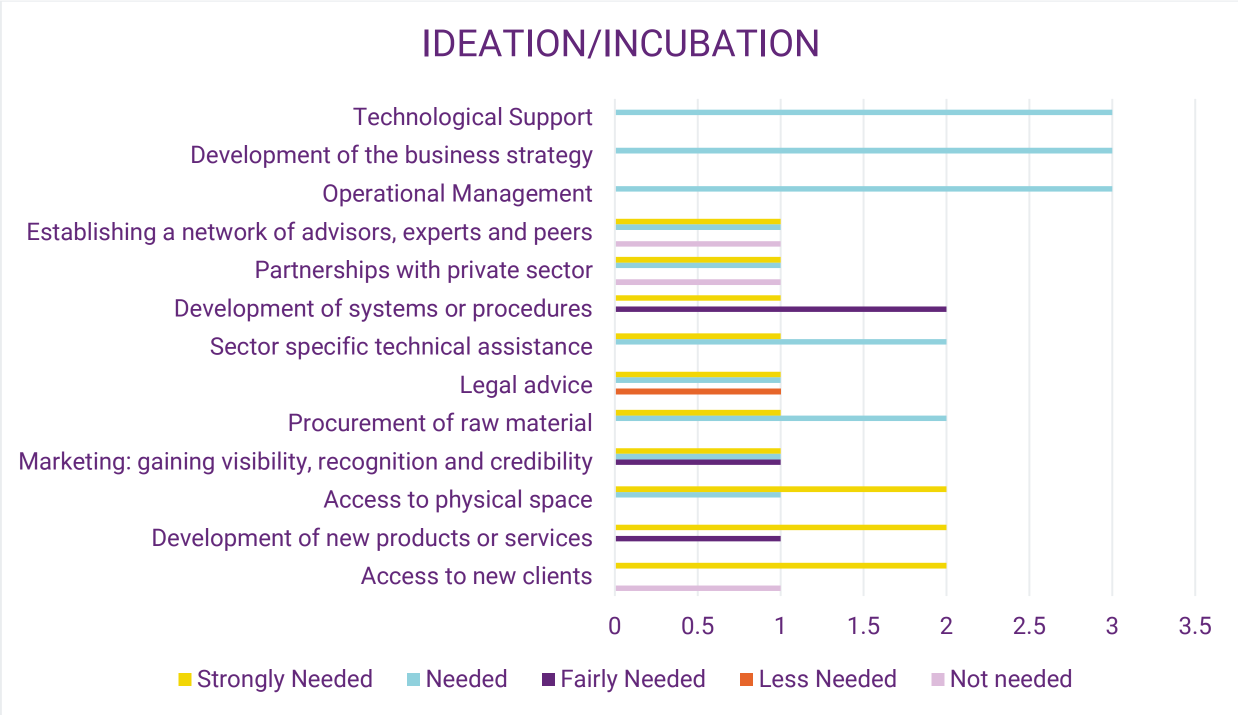
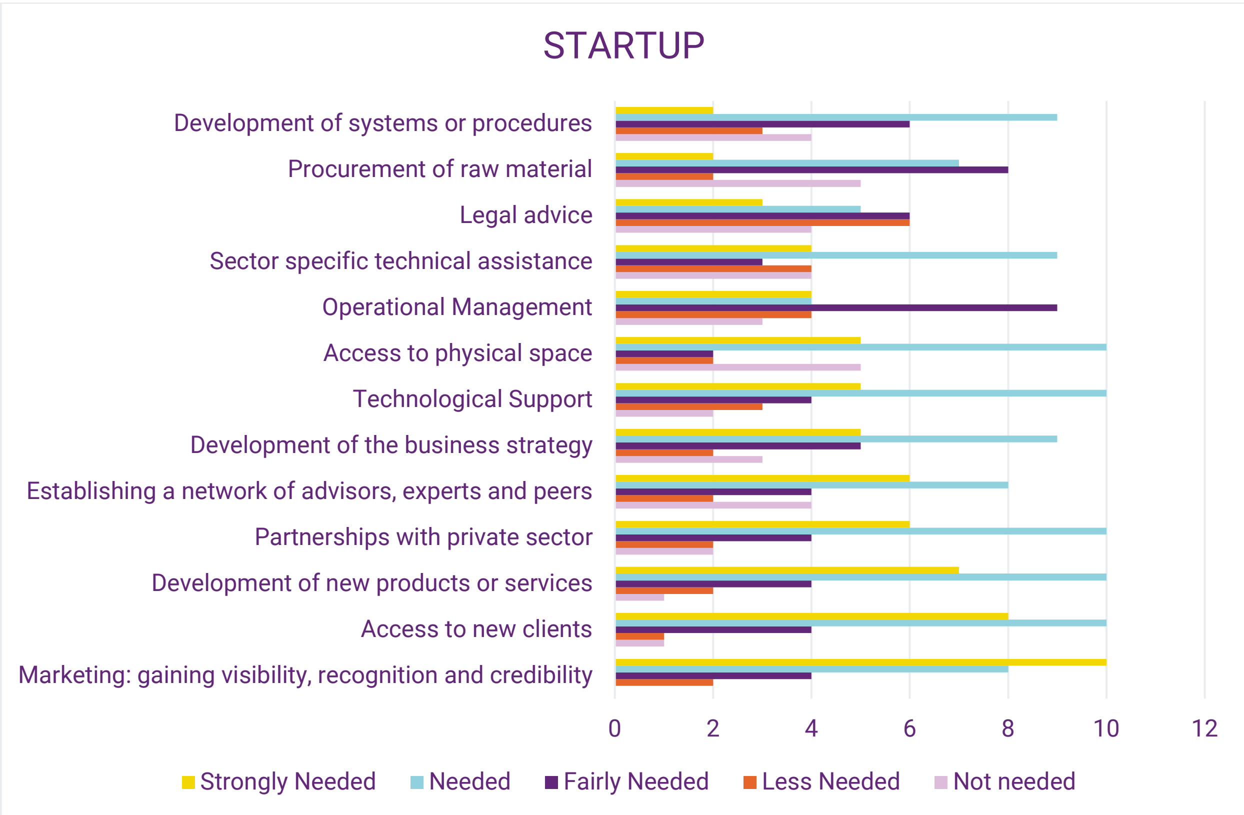
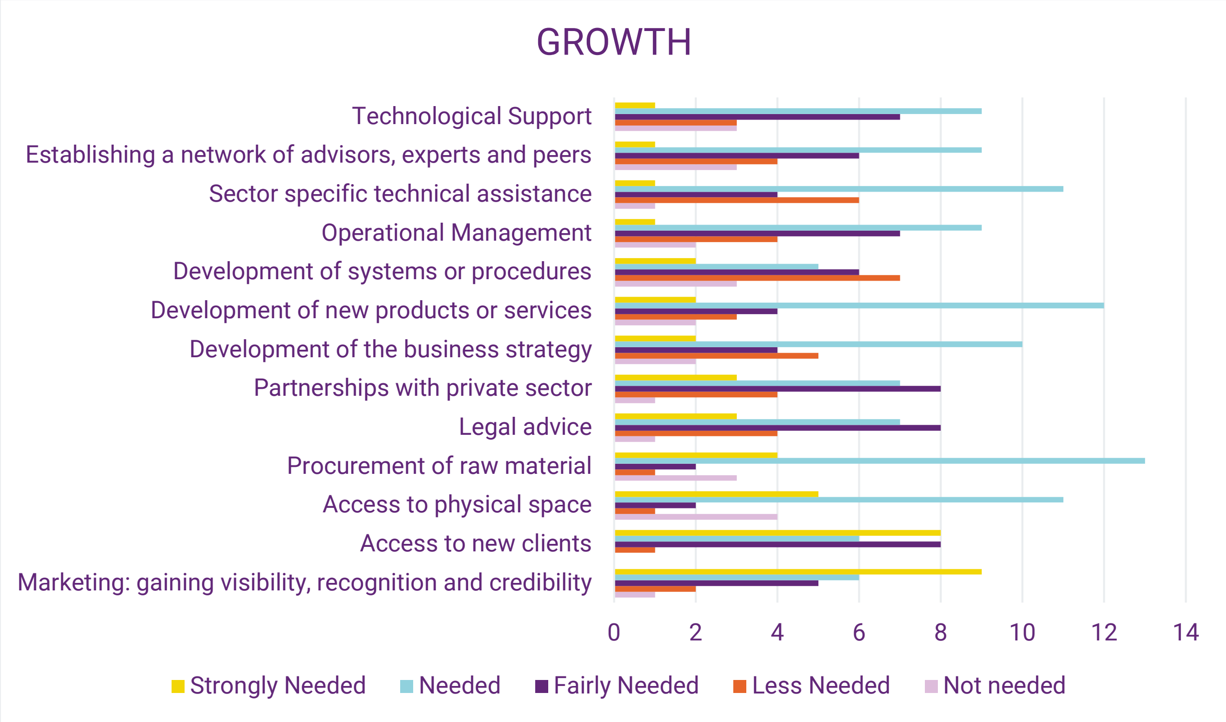
OPERATIONAL AND STRATEGIC SUPPORT NEEDS BY STAGE OF DEVELOPMENT






GROWTH
Technological Support
Establishing a network of advisors, experts and peers
Sector specific technical assistance
Operational Management
Development of systems or procedures
Development of new products or services
Development of the business strategy
Partnerships with private sector
Legal advice
Procurement of raw material
Access to physical space
Access to new clients
Marketing: gaining visibility, recognition and credibility
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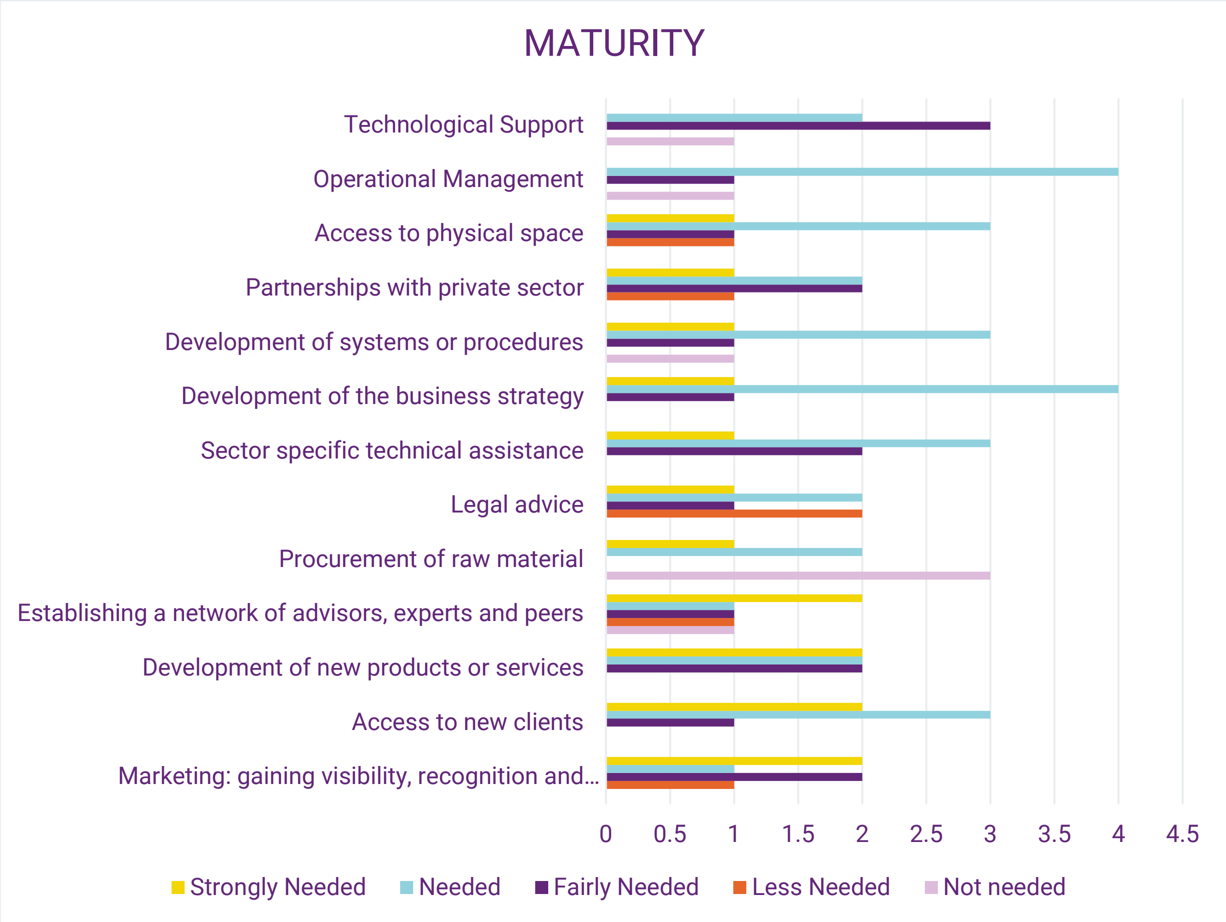
Strongly Needed
Needed
Fairly Needed
Less Needed
Not needed


MATURITY
Technological Support
Operational Management
Access to physical space
Partnerships with private sector
Development of systems or procedures
Development of the business strategy
Sector specific technical assistance
Legal advice
Procurement of raw material
Establishing a network of advisors, experts and peers
Development of new products or services
Access to new clients
Marketing: gaining visibility, recognition and...
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