

# FINANCING YOUR BUSINESS

## LOANS & OTHER FACILITIES



## FINANCING OPTIONS AVAILABLE IN LEBANON

Lebanon offers a range of financial incentives and facilities to help companies set up and expand their businesses locally and internationally.

Listed below are the schemes available to companies operating in Lebanon:

### LOANS

#### I- LOW INTEREST SCHEMES FROM THE CENTRAL BANK

As part of its efforts to secure adequate financing to the economy, the Central Bank has issued several circulars aiming at encouraging lending in Lebanese pounds at lower cost, by setting new exemptions from mandatory reserve requirements. Such credit incentives include loans to productive sectors (e.g. Agriculture, Industry, Tourism, Information Technology, Media, etc...), as well as environmentally friendly projects such as renewable energy, waste management, waste water treatment and recycling, among others.

**1. LOANS GRANTED TO DEVELOPMENT PROJECTS** in tourism, agriculture, industry, and handicrafts, as well as to local firms that manufacture information technology equipment, design programs and specialized technologies, and offer related services (excluding loans guaranteed by Kafalat S.A.L.)

##### CONDITIONS:

- The loan must be totally invested in Lebanon to fund a new project or to continue an ongoing one, with a minimum value of LBP 50 million or its equivalent in USD or Euros.
- The term of the loan must range between 5 and 7 years and 15% of the principal may fall due during the first 2 years.
- The total value of subsidized loans granted to one single institution or one single economic group, must not exceed LBP 15 billion or its equivalent in USD or Euros.

Interest and commissions (before computing the government subsidy which is equivalent to 4.5%):

» For LBP loans, they should not exceed the interest rate on two-year Treasury bills plus 1.075%

» For foreign currency loans, they should not exceed the three-month Libor or Euribor rate plus 7.075%.

LOAN'S CURRENCY	MAXIMUM COST IMPLICATED ON THE BENEFICIARY*
LBP	Interest on Treasury Bills for 2 years + 1.075%
USD	Average Libor for 3 Months + 7.075%
Euro	Average EuroLibor for 3 Months + 7.075%
*including interests and commissions prior to the introduction of state support	

**2. LOANS GRANTED IN LBP WITH THE APPROVAL OF MICRO CREDIT INSTITUTIONS** to individuals and small enterprises of 4 people or less, in order to help them create or develop their own projects in the production, services, tourism, or commercial fields (including ICT)

**CONDITIONS:**

- The loan amount does not exceed LBP 20 million.
- Its repayment period does not exceed 5 years.

**3. LOANS GRANTED IN LBP TO FINANCE NEW PROJECTS OR EXPAND EXISTING ONES**

(not benefiting from government subsidies)

**CONDITIONS:**

- The loan amount does not exceed LBP 22.5 billion.
- They are not granted for consumption purposes or for financing real estate development projects or land purchasing.
- They are not granted for the purpose of financing working capital or refinancing existing projects or purchasing stocks or shares or reimbursing previous loans.
- The borrower is granted a grace period for repayment of six months to four years as of the disbursement date.
- The reimbursement period of the loan principal does not exceed fifteen years, excluding the grace period.
- All interest and commissions should not exceed 40% of the one-year treasury bill yield plus 3.3%.

LOAN'S CURRENCY	MAXIMUM COST IMPLICATED ON THE BENEFICIARY*
LBP	40% of 1 year Treasury bills plus 3.3%
*including interests and commissions prior to the introduction of state support	

**4. LOANS GRANTED IN LBP TO FINANCE WORKING CAPITAL** of projects funded through loans that benefit from a government subsidy or loans (referred to in point 4), after 1/1/2015:

**CONDITIONS:**

- The term of the loan does not exceed 2 years, including 1 grace period .
- The value of the loan does not exceed 10% of the value of the corresponding loan that benefits from a government subsidy of that is granted according to the conditions mentioned in point 4 above.
- All interest and commissions should not exceed 40% of the 1 year treasury bills yield plus 3.3%

**5. LOANS GRANTED IN LBP TO THE PRODUCTIVE SECTORS** within the “Guarantee of Small Enterprises” program, such as loans guaranteed by the Economic and Social Fund for Development:

**CONDITIONS:**

- The loan does not benefit from a government subsidy.
- The loan amount does not exceed LBP 75 million.
- The term of the loan does not exceed 7 years, including one year grace period.
- The loan does not benefit from Kafalat S.A.L guarantee.
- The loan is not a micro loan.
- All interest and commissions should not exceed 6%.

**6. LOANS GRANTED IN LBP TO FINANCE RESEARCH & DEVELOPMENT VENTURES IN PRODUCTIVE SECTORS:**

**CONDITIONS:**

- The borrower is granted a grace period for repayment of two to four years as of the disbursement rate.
- The reimbursement period of the loan does not exceed 10 years, excluding the grace period.
- All interest and commissions should not exceed 0.75%.

**7. AGRICULTURAL LOANS** offered based on the protocol of cooperation signed between banks and the Ministry of Agriculture.

**CONDITIONS:**

- Conditions of the protocol signed between banks and the Ministry of Agriculture
- Minimum limit for subsidies: LBP 3 million
- Maximum limit for subsidies: LBP 25 million
- Subsidies’ period: ranges between 3 and 48 months with a 6-month grace period

LOAN'S CURRENCY	MAXIMUM COST IMPLICATED ON THE BENEFICIARY*
LBP	5%
*including interests and commissions prior to the introduction of state support	

**8. ENVIRONMENTAL LOANS** granted to finance new eco -friendly projects, whose goal are to preserve the environment, or are offered to develop old projects so that they become sustainable.

**CONDITIONS**

- Loans must be granted to fund productive eco-friendly projects
- The concerned bank’s responsibility is to be aware of the purpose of the loan and to ensure the applied environmental rules comply with the documented applied standards.
- Loans must not be granted and ensured by KAFALAT s.a.l.

+ BDL's conditions applied on the loans subsidized by the government

LOAN'S CURRENCY	MAXIMUM COST IMPLICATED ON THE BENEFICIARY*
LBP	Interest on Treasury Bonds' returns for 2 years
USD or Euro	Average Libor for 3 months + 6%
*including interests and commissions prior to the introduction of state support	

**9. MEDIA SECTOR LOANS (CIRCULAR 416):** The Lebanese Central Bank has issued in April 2016 intermediary circular no. 416 under the provisions of which it subsidizes the film and theater production industries. Producers of cinema or television films (documentaries, educational programs and narratives) as well as theatrical works can benefit from subsidized loans at an interest rate of around 1.075% at present (3.75% minus 50% of the one-year treasury bill rate). The subsidized loans can have a tenor of up to 16 years, including a grace period of two years, and will be capped at LBP 4,500 billion on the condition that 90% of the project should be implemented in Lebanon. For more information on this initiative refer to Circular 416.

For more information on these facilities, refer to [www.bdl.gov.lb](http://www.bdl.gov.lb)

## II- LOAN GUARANTEES

**1. Kafalat Funding Scheme:** Kafalat is a loan guarantee company, established by the Lebanese government in 1999 to support the activity of small and medium sized enterprises (SMEs). Kafalat provides financial guarantees for loans granted by commercial banks to SMEs engaged in the following economic sectors: Industry, Agriculture, Tourism, Traditional Crafts, and High Technology.

**Kafalat currently offers 4 distinct types of loan guarantees:**

» **KAFALAT BASIC:** a loan value with a ceiling of LBP 300 million (approx. USD 200,000) for SMEs. This scheme guarantees 75% of the value of the loan granted by the bank and the accrued interest during the grace period plus three months.

» **KAFALAT PLUS:** a loan value with a ceiling of LBP 600 million (approx. USD 400,000). This scheme guarantees 85% of the value of the loan granted by the bank and the accrued interest during the grace period plus three months.

» **KAFALAT INNOVATIVE:** a loan value with a ceiling of LBP 300 million (approx. USD 200,000). This scheme is set up to specifically support innovative start-ups i.e. start-ups which demonstrate the potential to create significant commercial added-value through innovation. It guarantees 90% of the value of the loan granted by the bank and the accrued interest during the grace period plus three months.

» **KAFALAT START-UPS & INNOVATION PROGRAM:** a loan value with a ceiling of LBP 650 million (approx. USD 430,000). The guarantee ratio in this program is 90% for Innovative Startups and 85% for the rest of the Startups. The fund will enable guaranteeing loans granted to highly innovative investments and conventional start-ups.

- Lending is undertaken through commercial banks
- Eligible SMEs benefit from an interest rate subsidy, paying 7% per year
- Loans can be repaid over seven years including the grace period.
- Loans can cover the entire range of capital requirements (purchase of raw materials and spare parts; working capital; construction of premises; and purchase of machinery and equipment).

For more information on Kafalat, please refer to their [website](#).

To apply you can send an email to Yolla Saredine, Head of Credit Department, at [yolla@kafalat.com.lb](mailto:yolla@kafalat.com.lb)

**2. Economic & Social Fund for Development (ESFD):** provides a risk sharing scheme implemented through 5 partner banks, for business loans to SMEs operating in the Agriculture, Trade Services, and industry sectors. It does not set a minimum loan amount, but does not provide micro-loans (loans financed or approved by NGOs as per BDL definition). The maximum loan amount is LBP 75 Million. The ESFD guarantees 50% of the loan principal and accrued interest for 120 days. All private sector business activities: Agriculture, Trade Services, Industry

**CONDITIONS:**

- Un-banked borrowers i.e. not having received commercial facilities from a bank before
- Borrowers working in any un-banked private sector business activities i.e. sectors considered risky by banks
- Borrowers with insufficient or non “bankable” collateral d) Emphasis is given on start-ups
- Emphasis is given on financing businesses that are expecting to create jobs.
- Borrowers can be individuals as well as legal entities.

For more information on ESFD, please refer to their [website](#)

### III- COMMERCIAL BANK LOANS

Banks are the major providers of credit to businesses. Today there are more than 100 commercial banks in Lebanon providing loans to SMEs operating across all sectors. Loans to the private sector have continuously been on an upward trend even during periods of economic downturns. Corporate loans account for the largest share (46.8%) of loans provided by commercial banks, while SME lending (15%) and retail loans (14.1%) come next. Doubtful loans continue to be provisioned at 89%, one of the soundest levels in the region.

While receiving loans from Lebanese banks, national and foreign investors will benefit from:

- Highly competitive interest rates
- flexible payment terms
- Credit incentives to specific sectors

You can find an exhaustive list of all commercial banks in Lebanon [here](#)

## IV- MICRO-LOANS

Microcredit Institutions in Lebanon provide micro and small loans to start-up, employees and micro-entrepreneurs. These institutions aim at improving the social, cultural, and economical and health livelihood of rural Lebanese providing in addition to the financing, various types of assistance and development services.

### 1. THE LEBANESE ASSOCIATION FOR DEVELOPMENT (AL MAJMOUA):

Al Majmoua is a Lebanese non-profit microfinance institution that focuses on supporting micro entrepreneurs, particularly women, in developing sustainable businesses all over Lebanon.

- **Group Loan:** offered to groups of 3 to 10 women entrepreneurs and some workers. No collateral for the loan is required since the group solidarity is considered a guarantee.
- **Micro-Entrepreneur Loan:** offered to owners of existing micro-businesses and few cases of starts-ups for financing fixed assets or working capital.
- **SME Loan:** offered to owners of existing or start-up small and medium enterprises
- **ICT Loan:** offered to owners of existing or start-up businesses in the information and communication technology sector located in rural areas

For more information on Al Majmoua, please refer to their [website](#)

### 2. VITAS:

Vitas provides short-term loans designed for customers with micro businesses used in the purpose of expansion and/or modification of work space, purchasing equipment and replenishing working capital. The loans serve to improve, develop or finance agricultural, industry, trade businesses and employment

For more information on Vitas, please refer to their [website](#)

### 3. EMKAN FINANCE:

The operations of Emkan Finance expand the frontier of financial services to reach the unbanked segment of the population, thereby complementing Bankmed's outreach and services within communities.

Emkan's microfinance operations originally started in 2009 under Emkan NGO which provided access to microloans and economic development projects in Lebanon.

The Emkan team has been growing steadily since the inception of the institution and has continued expansion plans over the coming years.

Emkan offers three types of loans for its clientele:

- Microenterprise loans for business expansion (including equipment, inventory, material, working capital, etc...)
- Home improvement loans for minor home improvements (including repairing roofs, walls, floors, kitchens, room construction, Purchasing land, etc...)
- Personal/Consumer loans for all kinds of personal needs (Tuition fees, medical expenses, home furniture, etc...)

Loan Amount: LBP 500,000 – LBP 15,000,000

The Loan Amount depends on certain conditions related to the size of the project, the borrower's income and his ability to repay the loan, and the existence of sufficient guarantees to take the requested loan.

For more information on Emkan Finance, please refer to their [website](#)

#### 4. CAPITAL FINANCE COMPANY (CFC):

FC Micro Loan targets small business owners with the aim of helping them develop and nourish their new or existing projects.

Product features

- Loan amount: starting 750,000 LBP
- Currency: LBP
- Loan period: up to 36 months
- Payment settlement: through fixed monthly installments at any FNB branch

For more information on CFC, please refer to their [website](#)



## EQUITY

### I- CENTRAL BANK EQUITY GUARANTEES

#### CENTRAL BANK CIRCULAR 331:

The Central Bank of Lebanon issued in 2013 Circular 331, through which an amount of up to USD 400 Million will be dedicated for Lebanese banks' equity investments into startups, incubators, accelerators, and funds operating in Lebanon. These investments will be 75% guaranteed by the Central Bank: banks wishing to finance such companies will benefit from interest-free loans from BDL guaranteeing up to 75% of banks' investment for a maximum period of 7 years. This initiative has given banks more flexibility in financing the ICT sector.

For additional information concerning Circular 331 please [click here](#).

### II- VENTURE CAPITAL

The Lebanese financial sector has witnessed the recent surge of Venture Capital (VC) funds which provide entrepreneurs and investors working in the ICT and technology sectors with additional financing options. Venture Capital funds in Lebanon include:

- **BERYTECH FUND:** Established in 2008, the fund invests in early stage ICT and digital content space. Their ticket size ranges from USD 1 to 3 million for the Berytech Fund II. To apply to the fund you can contact [Paul Chucrallah, Managing Director of the Berytech Fund II, at paul.chucrallah@beryttechfund.org](mailto:paul.chucrallah@beryttechfund.org). Examples of companies that have benefited from the Fund include Element N, and Dermendar. For more information on Berytech Fund, please refer to their [website](#).
- **MIDDLE EAST VENTURE PARTNERS (MEVP):** Established in in 2010, the fund invests in early and growth stages with a focus on Consumer Technology, Consumer Products, Consumer Services Sectors. Their ticket size ranges from USD 200 000 to 5 million. To apply to this fund you can contact Walid Mansour, Managing Partner, at [Walid.Mansour@mevp.com](mailto:Walid.Mansour@mevp.com). Examples of companies that have benefited from the Fund include Anghami, Zoomaal, and Shahiya. For more information about MEVP, please refer to their [website](#).
- **CEDRUS VENTURES:** Established in 2011, the fund invests in ICT startups based in Lebanon. Their ticket size ranges from USD 50 000 to 500 000. To apply to this fund you can contact Michel Nehme, Founder, at [mnehme@cedrusventures.com](mailto:mnehme@cedrusventures.com). For more information about Cedrus Ventures, please refer to their [website](#).
- **LEAP VENTURES:** Established in 2014, the fund invests in innovative technologies and companies operating in the ICT sector at the series B and growth stages. Their ticket size ranges from USD 3 million to 7 million. To apply to this fund you can send you business plan to [businessplan@leap.vc](mailto:businessplan@leap.vc). For more information on Leap Ventures, please refer to their [website](#).
- **B&Y VENTURE PARTNERS:** Established in 2014, the fund invests in e-commerce, mobile, digital, and gaming companies at the seed stage. Their ticket size ranges from USD 100,000 to 1 million. To apply to this fund you can send your business plan to Carole Ohanessian, at [cohanessian@byvp.com](mailto:cohanessian@byvp.com). Examples of companies that have benefited from the Fund include Servme, Quadron, and Yalla Play. For more information about Y Venture Partners, please refer to their [website](#).

### III- EARLY STAGE EQUITY PROGRAM

**THE ISME PROGRAMME BY KAFALAT:** Started in 2013, the iSME Programme is a USD 30 million initiative funded by the Government of Lebanon and the World Bank. The Program aims to encourage the equity investment market in order to increase early stage investment finance for financially viable, new, and existing innovative firms in all sectors.

#### THE PROGRAM OFFERS:

- Startup Concept Development Grants (CDG) of up to \$15,000 for entrepreneurs offering innovative ideas
- Equity co-investment in seed and growth-stage firms alongside another institutional investor as VC funds, holding companies, formal business angel groups and investment banks. To qualify for the equity investment, the entrepreneur needs a commitment from an institutional investor to invest in the firm.

To apply to the iSME Programme you can contact Bassel Aoun, Project Manager, at [Bassel@kafalat.com.lb](mailto:Bassel@kafalat.com.lb), or apply [online](#).

For more information about the iSME Programme, please refer to their [website](#).

## FISCAL INCENTIVES

### I- IDAL EXEMPTIONS & INCENTIVE SCHEMES

IDAL offers ICT and tech companies with fiscal exemptions which can go up to 100% exemptions on corporate income tax for a period of 10 years if certain criteria of investments are met.

#### 1. INVESTMENT PROJECT BY ZONE (IPZ) SCHEME:

It is a scheme based on the project's geographical location, investment size and sector type. It provides investors in the IT sector with fiscal related incentives and work permits. This scheme divides Lebanon into three geographical zones (Zone A, Zone B, Zone C).

All ICT projects located in Zone A, B and C can get a 100% exemptions on their corporate income tax for 10 years if a minimum of 200,000 USD of capital investment is made.

#### 2. PACKAGE DEAL CONTRACT (PDC) SCHEME:

It is a scheme based on the project's investment size, number of jobs created, and sector type. It provides investors with fiscal and labor related incentives as well as set-up fees reductions. Under this scheme, an investors which ensures 400,000 USD of capital investments and employs 25 people can benefit from a 100% exemption of corporate income tax for up to 10 years.

For more information on IDAL's exemptions and incentive schemes, please read our Information Technology Investment Incentives [booklet](#).

## II- TAX & CUSTOMS EXEMPTIONS

- **FREE TRADE ZONES:** Companies established in free trade zones are exempt from customs duties and are not subject to corporate taxes for 10 years. In addition, foreign employees are exempt from personal income tax.
- **CUSTOM DUTIES EXEMPTION:** Computer Hardware and Software are exempt from custom duties
- **CORPORATE INCOME TAX EXEMPTION:** profits that are reinvented and profits resulting from the production of new products for which there were no local industry before in Lebanon, are exempt from corporate income tax.
- **INCOME TAX EXEMPTION:** companies using operating profits to finance certain capital investment are allowed income tax exemption up to 50 percent for a period of up to four years, provided that such exemption does not exceed the original investment made.

## GRANTS

### CENTER FOR INNOVATION & TECHNOLOGY (CIT): THE INNOVATION VOUCHER PROJECT

The Innovation Voucher is designed to encourage innovation by offering useful resources for SMEs, individual researchers and research institutes to create new products, processes, services and to come up with innovative business models; it will especially answer the needs of small industries that do not have the means to finance their own research and development projects or do not have the experience in collaborating with R&D centers. CIT will act as a coordination body between the knowledge supply of research institutions and the wishes and demands of local industry, as part of the reinforcement of the private sector competitiveness in Lebanon. The voucher system grants researchers with a valid project up to 10.000 Euros covering some of their costs related to consulting and research, development and related simulation or prototyping.

## CROWDFUNDING

### ZOOMAL

Is a crowdfunding platform that supports innovative projects in the Arab world.

To submit your project and for more information about Zoomal please refer to their [website](#).

