LEBANESE SME FORUM

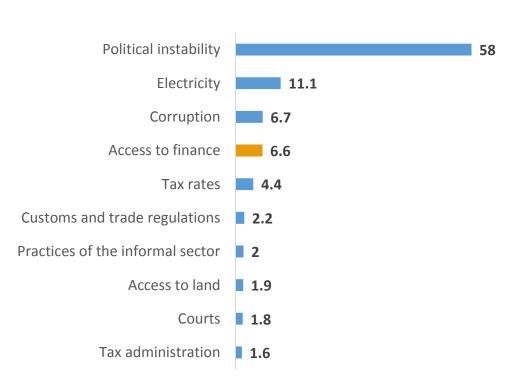
ACCESS TO FINANCE GAPS AND RECOMMENDATIONS

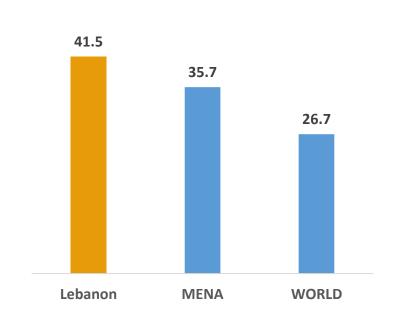


While NOT a leading constraints, Access to Finance remains a significant obstacle to SME investment and growth in Lebanon

Top Business Environment Constraints for Firms (% of firms)

Percent of firms identifying access to finance as a major constraint

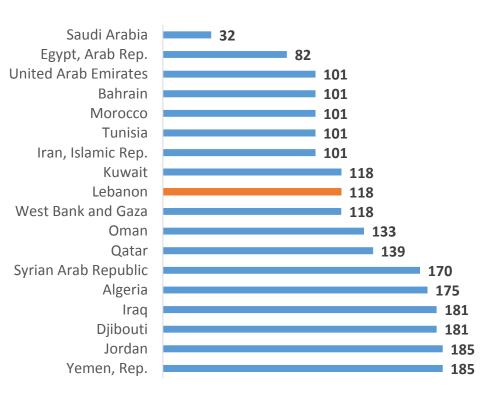




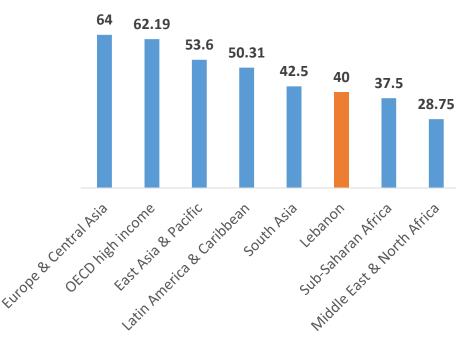
Source: 2014 World Bank Enterprise Surveys

Doing Business indicator shows that Lebanon lags behind in terms of access to credit and is 60% away from the best performance frontier

2017 Doing Business - Getting Credit Ranking (185 countries)



2017 Doing Business - Getting Credit
Distance to Frontier



Source: 2017 Doing Business Indicator

A wide range of financing sources now exist, with BdL as the principal market-maker

ILLUSTRATIVE	SEED	START-UP/EARLY STAGE	GROWTH COMPANIES	MATURE BUSINESSES
GRANTS	 ISME Concept Development Grants Total USD2.5M 	Competitions		
CROWDFUNDING		ZoomalEureeca		
GUARANTEES		 Kafalat Programs ESFD Program Insure and Match fund (Equity guarantee) USD15M 		
EQUITY FINANCING	 Lebanese Business Angels Seeders Women Angel Investor Network 	 BdL 331 (commercial banks and funds USD410M+) Insure and Match fund USD15M Thimar Tripoli USD25M Regional funds (Wamda, Saned Partners etc) 	 BdL 331 (6+ funds 	 BDL 331 (1 fund offer ticket sizes above USD5M) Regional funds (Euromena Fund etc)
DEBT	 Microfinance ch, World Bank Analysis 	Faro Fund CCIABESFD Program	 Commercial banks 	Commercial banksLeasing Companies

This is particularly evident when looking at the evolution of the Venture Capital landscape with 12 new funds with a total value of ~USD 410 ...

Evolution of VC Landscape in Lebanon (per year of establishment and fund size)

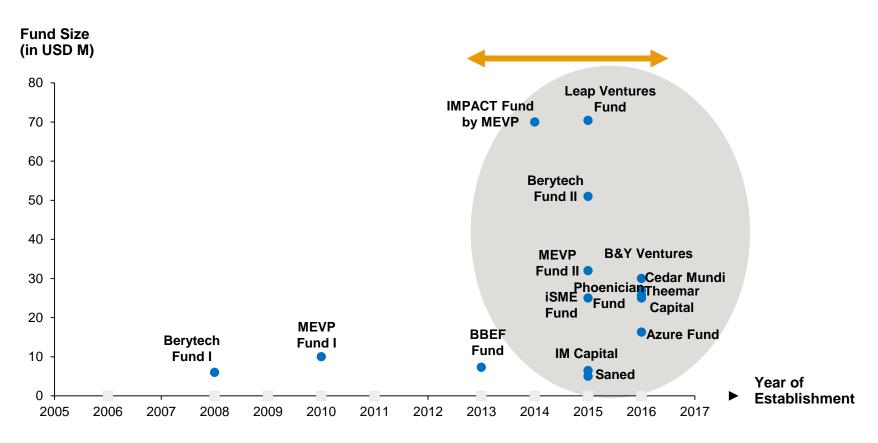
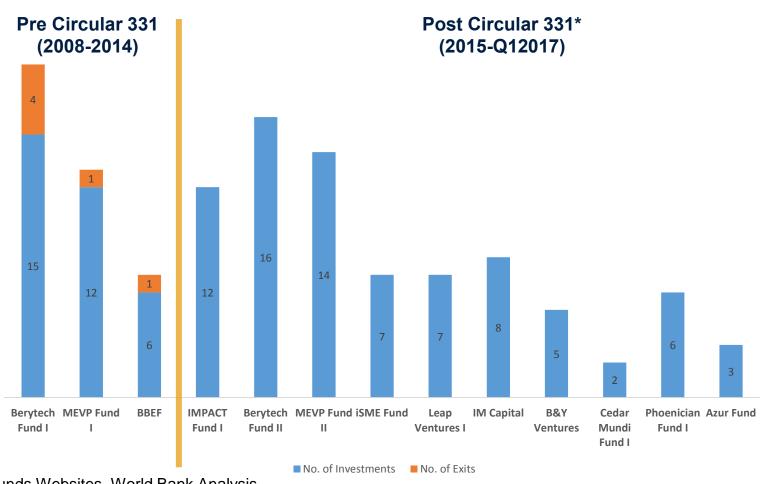


Figure does not include funds that stopped operating: BBF Fund in 2006 and Lebanon Growth Capital Fund in 2011. It also does not include Angel Funding: LBA - Business Angels in 2009, Seeders in 2016. It does not include funding made available by accelerators such as SPEED. Source: Funds Websites, World Bank analysis

... investing in 80 deals between 2015 and April 2017

Number of VC Investments per fund



Source: Funds Websites, World Bank Analysis

* Issued in August 2013

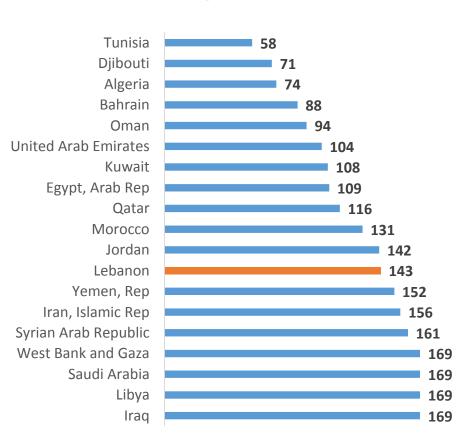
Despite the progress, gaps and opportunities exist to improve SME access to finance

Access to Finance Challenges (among others)

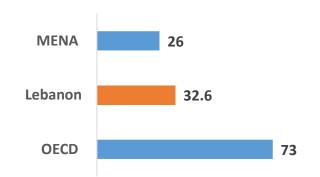
- 1 Strengthen financial infrastructure
- Close funding gaps at seed and growth
- 3 Develop capital markets
- 4 Level microfinance playing field
- 5 Improve access to finance for women

1 – The current insolvency regime and lack of secured transactions law hampers access to credit and prompts banks to over-collateralize

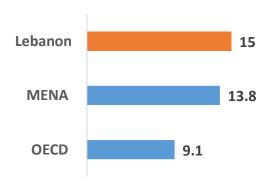
2017 Doing Business – Resolving Insolvency Ranking (185 countries)



Recovery rate (cents on the dollar)

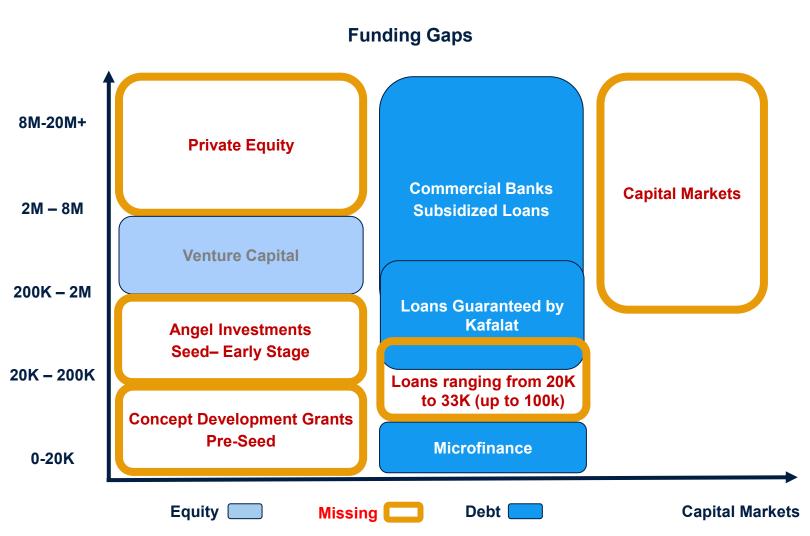


Cost % of Real Estate



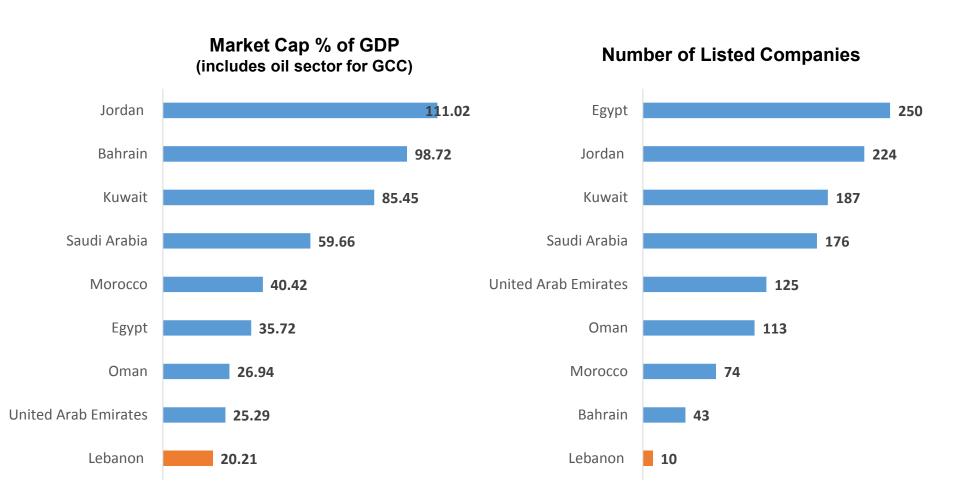
Source: 2017 Doing Business Indicator

2- Funding Gaps exist at the Pre-Seed, Seed and Growth



Source: World Bank Analysis

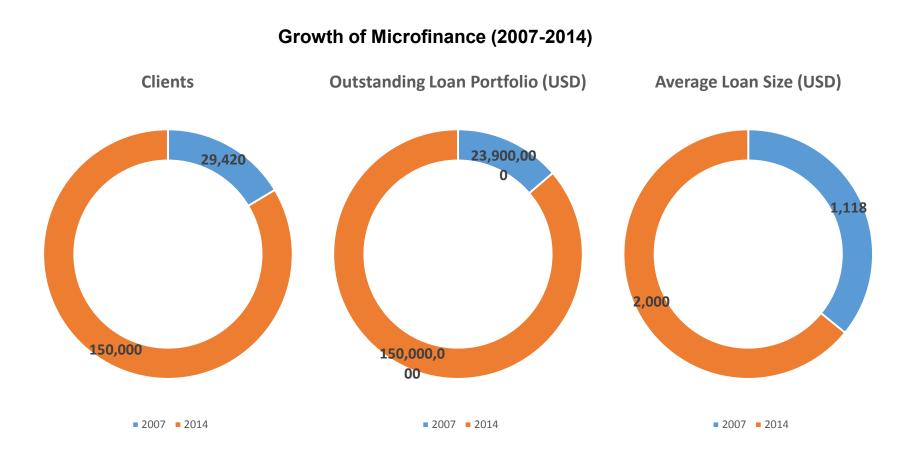
3 - Capital Markets are underdeveloped listing only 10 large companies and do not contribute to SME financing



Source: 2014, Penn State University, Measuring relative development level of stock market: Capacity and efforts of countries

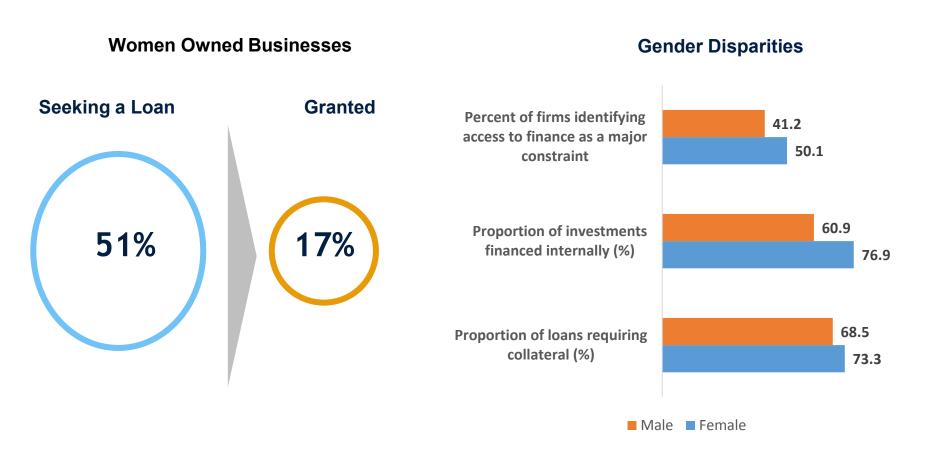
World Bank Data

4 – Effective supervision of the microfinance - estimated 30% of micro finance borrowers have cross borrowings in fast-growing market



Source: 2007 IFC, 2014 Blom Bank

5 - Women-owned SMEs have unmet financial needs and face additional hurdles when accessing credit



Source: 2011 IFC Survey, 2014 World Bank Enterprise Surveys

How To Move Forward?

	Recommendations	Short Term (12 months)	Medium Term (2-3 years)	Long Term (3-5 year)
Develop a Nati	onal Access to Finance Strategy (Inclusive)	✓		
	Adopt the laws on insolvency and secured lending (moveable asset registry)	✓		
Improve the Financial Infrastructure	Improve credit information systems and allow private credit bureaus to collect and share data		√	
	Develop and implement unified regulatory framework for MFIs with prudential rules to level the playing field among MFIs and minimize cross borrowing		V	
Develop the Capital Markets	Implement the Capital Market Development Plan and market regulations		√	
	Develop the corporate bond segment of the capital markets (lower cost, longer maturity)			√
	Develop an electronic trading platform with listing requirement and reporting appropriate to SMEs			✓

How To Move Forward?

	Recommendations	Short Term (12 months)	Medium Term (2-3 years)	Long Term (3-5 year)
Expand Product Offering	Develop new products such as portfolio guarantees and MFI financing guarantees and accelerate the introduction specialized SME Units in Banks		✓	
	Introduce specialized financing instruments (e.g. matching grants) to target dis-advantaged segments of SME sector	✓		
	Support "idea stage" financing and the development of angel investor networks	/		
	Open up 331 to non-IT start-ups and reduce BDL's risk exposure		✓	
Extend Inclusivity	Expand services to women business owners and develop tailored products that meet their needs		/	
	Improve financial literacy		√	
	Monitor and evaluate distributional impact of financial program initiatives, including BDL stimulus packages	✓		