



Market Overview of Small and Medium Enterprises in Beirut and Mount Lebanon

A report by Building Markets for the International Rescue Committee (IRC)

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As the Syria crisis continues into its sixth year, there is a growing recognition that more durable solutions are needed to assist countries hosting large numbers of refugees. Expanding the right to work and supporting income earning opportunities is also needed for refugees. Host countries, donors and civil society must also address the longer term needs of those affected by the crisis by identifying ways to create jobs and improve local economies.

The Syrian crisis has led to an influx of more than 1.2 million refugees into Lebanon, creating severe economic, political and social strains. Due to the protracted nature of the crisis, Syrian refugees and local Lebanese communities already struggling pre-crisis with high unemployment rates and a weak economy are becoming increasingly vulnerable. To better understand the effect of these strains on employers who can drive Lebanon's economic recovery, the International Rescue Committee (IRC)² has partnered with Building Markets³, an expert in accelerating the growth of local businesses in developing countries, to identify how to support the private sector to buffer the impact of the Syrian crisis on host countries and on refugees living there, possibly even creating opportunities for economic growth.

It is estimated that there are over 225,000 micro, small and medium enterprises (MSMEs) in Lebanon, two-thirds of which are concentrated in the economically dominant regions of Beirut and Mount Lebanon. While a large proportion of these businesses operate informally, MSMEs represent an important engine of potential economic growth, particularly in sectors such as agriculture, construction and services (which have historically also supported Syrian labor), and emerging sectors such as ICT and energy.

Furthermore, there is a need to ensure the protection of refugees and vulnerable Lebanese communities within the labor market. Further engagement with the Government of Lebanon and MSME employers is needed to ensure decent work standards for all. A large portion of refugees and vulnerable communities work informally in often insecure working conditions, and child labor is a re-emerging issue. Support to MSMEs can help address these issues, while also helping reduce possible tensions caused by labor competition.

The Market Overview's main points and recommendations include:

¹ This material has been funded by UK aid from the UK government; however the views expressed do not necessarily reflect the UK government's official policies.

² The International Rescue Committee operates in more than 40 countries around the world. Our mission is to work with communities affected by conflicts in order to help them survive, heal and live a better life. The IRC seeks to improve the economic well-being of people affected by crisis across the globe. From the onset of an emergency through early recovery, the IRC's economic programs engage and strengthen the capacity of individuals, households and markets and foster economic opportunities for people who need them the most, particularly women and youth.

³ Established in 2004, Building Markets is a nonprofit organization that reduces poverty in developing countries by finding, building and connecting local small and medium-sized enterprises (SMEs) to supply chains and investment. Through this approach, the organization has developed a network of 22,000 verified local SMEs, brokered more than \$1.2 billion in contracts, and helped create over 67,000 jobs in some of the world's poorest economies. The organization currently has operations in Liberia, Mozambique and Myanmar and will soon launch a new program in Turkey that will support the Syrian response effort. Website: www.buildingmarkets.org

- MSME development is a key way to mitigate the economic and overall impact of the Syrian crisis on host country Lebanon.
- Many businesses in Lebanon have limited capacity, and often understand little about the requirements of their buyers, expectations of customers and how to access finance. They can benefit from training and mentorship on sales and marketing, customer service, financial management and business planning. For example, one uniform wholesaler interviewed noted a need for his already successful company to receive training on financial management, to better understand his sales and client base.
- Services should place a particular emphasis on micro and small enterprises, female entrepreneurs and businesses negatively impacted by the Syrian crisis.
- There is a lack of reliable data on MSMEs in Lebanon and limited information sharing, which inhibits growth. The Government of Lebanon and others can be supported to collect better information, improve market research and analysis, and information sharing. If businesses can better understand the market and opportunities available to them, they will be able to make more informed decisions and take expansion risks.

Improving employer's access to services, specifically access to finance (loans for micro and small entrepreneurs are often out of reach due to heavy requirements and interest) and understanding of the market can lead to growth and new employment. For example, IRC provides business counseling services that help microenterprises and entrepreneurs identify market opportunities, develop business plans for expansion or diversification and access capital to support the execution of those plans. A tailoring and clothing repair shop recently completed this process, identifying a market need for further cloth cutting services. With IRC support, the owner has purchased updated equipment, expanded services and hired new assistants.

Many findings from the Market Overview support the IRC's previously released Akkar Business Climate Assessment. The Akkar assessment focuses on the informal economy in a geographically isolated area of Lebanon bordering Syria, and can be found here in English and Arabic, along with the SME Market Overview for Lebanon: <https://rescue.box.com/s/rw9lptxnm75yaaz6h6bevsnvg4sttgv3>