

drosos (...)

self-employment:
a path to self-reliance and economic growth in Lebanon.






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drosos (...)

(...) **DROSOS FOUNDATION** is committed to enabling disadvantaged people to live a life of dignity.

(...) For details of its mission, programmes and achievements to date, please visit its website at www.drosos.org



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(welcome)

Lebanon boasts a multicultural multilingual talent pool that places it at a competitive advantage in various sectors. Graduates are increasing in number and some are finding themselves pursuing self-employment opportunities, be it through freelancing, which offers flexibility and variability, or through entrepreneurship, which can satisfy professional ambitions while contributing to the economic health of the country by attracting investment to it and creating jobs. DROSOS FOUNDATION has been privileged to witness such growth in the professional and personal lives of the youths with which the Foundation has engaged in Lebanon.

DROSOS FOUNDATION focuses its efforts on working directly with the entrepreneurs and freelancers themselves, helping them to be aware of, prepare for and overcome hurdles, because self-employment is not without its challenges. Lack of infrastructure and regulations create obstacles that hinder progress and limit competitiveness, particularly in sectors that rely heavily on them, such as the knowledge economy and agriculture. The latter accounts for 80% of local income and 25% of jobs in some rural areas, but Lebanese agricultural producers can only compete regionally and internationally if they can adopt high production standards and quality control within their operations, which at present are not well regulated by the state.

Producers of organic and other quality goods therefore often rely on certifications given by reputable non-government bodies when looking to expand their markets. Similarly, companies operating within the knowledge economy cannot rely on the state to provide the level of connectivity needed to compete globally and so have been innovating independently of it. It is perhaps the opportunities for innovation within the knowledge economy that make it increasingly popular among investors and youths alike looking to work and engage in virtual spaces beyond the borders of what continues to be an unstable and unpredictable political climate.

That said, Lebanon's education system continues to produce graduates prepared for work in these sectors, from business majors to computer scientists to engineers. Those pursuing self-employment, be it through choice or as a result of the lack of employment opportunities in country, can find workshops and programmes providing support to better prepare them for their entrepreneurial ventures, DROSOS among them. The Foundation delights in nurturing

entrepreneurs working in a variety of disciplines as well as those who engage in stay-at-home part-time work, which offers women in particular an avenue into the job market.

While this community grows, it is important that freelancers and entrepreneurs pro-actively engage with it and expand their network of potential collaborators and clients through the various local, regional and international professional platforms available in order to enhance their access to skills, markets and financing, the three key enablers that influence the professional success of the self-employed. Without them growth, both on the individual and national levels, will remain limited.

Shazia Islamshah
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(introduction)

The information in this booklet aims to support educated youths and young adults in Lebanon seeking self-employment opportunities and is informed by over a decade of experience in the fields of economic empowerment and income generation in the country, as well as a recent in-depth study into self-employment in North Lebanon conducted by DROSOS FOUNDATION in 2019. The study was commissioned with a view to informing the development of interventions that focus on the promotion of economic independence, one of two core thematic priorities of the Foundation.

DROSOS FOUNDATION believes that this assessment and analysis of opinions, needs, opportunities and gaps is as much of value to existing and potential entrepreneurs and freelancers – particularly youths, stay-at-home adults and owners of start-ups – as it is to organisations and policy makers. This has been the impetus behind the production of this publication.

While the study focused on North Lebanon, the conclusions apply to much of the country, particularly now, as economic conditions and security throughout the Mediterranean state worsen.

DROSOS FOUNDATION believes that self-employment is an attainable and, now more than ever, necessary alternative for educated young adults in Lebanon's periphery

and aims to continue promoting entrepreneurship in a bid to support the country as it continues to face much political and economic fragility.

Economic disparity and increasing poverty gave impetus to the October 2019 revolution. Despite the dedication of youths and organisations seeking to hold authorities to account, conditions have since worsened. Regional instability and the coronavirus pandemic have not helped matters, but the ineffectuality of the state to strengthen stability and livelihoods remains the main culprit. Until such time as the state can create and sustain an environment in which citizens are economically secure, it falls on individuals and communities to secure their own livelihoods.

With this in mind the researchers consulted educated youths (those who have completed tertiary or vocational education) and women in need – in a bid to clarify and expand on their challenges and needs – as well as start-ups, small to medium-sized enterprises (SMEs), vocational schools, banks, social enterprise funds, professional syndicates, NGOs, UN agencies, and other such community based structures that directly impact the opportunities and obstacles facing potential and existing entrepreneurs.

Following these consultations, and a thorough review of available literature, they (i) assessed various economic sectors and shortlisted ten that provide the most favourable environments for self-employment, two of which are delved into in this booklet; (ii) analysed existing gaps in the funding and support required to ensure entrepreneurs have access to finance, skills and markets; and (iii) summarised the needs of the different groups that are most primed for entrepreneurial success: educated youths, stay at home adults and owners of scalable SMEs. The opportunities and needs of each of these

three groups are as different and diverse as their profiles. Young educated adults can choose to offer their services on a freelance basis, skirting a commitment to self-employment, or by establishing – alone or as part of a group – an entrepreneurial venture. In either case, they are afforded a direct path to self-employment. Stay-at-home adults have direct access to local markets and the flexibility to manage their hours – normally working only part-time – to align with their caregiving responsibilities. They are however highly limited in terms of scalability, unlike the owners of scale-up SMEs, which are small and medium-sized enterprises with proven business models that are undergoing a rapid growth phase. Scale-up SMEs account for only five percent of SMEs, but they generate eight times the levels of employment as the average SME, supporting the development of local economies and livelihoods significantly. Despite the many challenges, many SMEs in Lebanon have the potential to scale-up and contribute significantly to the local and national ecosystem, given the right support.

(self-employment)

01

promoting economic independence

DROSOS FOUNDATION is committed to supporting national and local endeavours to improve the lives of youths and young adults through the development of life skills and the promotion of economic independence. It believes that that young people and adults are less at risk of being socially excluded, discriminated against, or exploited if they are more aware of their potential, skills and competences and are economically independent. Such independence can be achieved through distinct forms of self-employment, each suited to the circumstances of different people, be they recent graduates, fulltime caregivers, or educated youths with access to capital.

what is self-employment?

Self-employment is employment created by the individual as opposed to by an employer who offers a set salary or wage in exchange for set working hours. It can take the form of (i) freelance work, for which an individual charges a fee to a client based on hours worked or outputs produced, or (ii) entrepreneurship, which involves an investment by an individual or group of individuals seeking to operate as a small business. Such businesses may remain small or have the potential to grow. Most will prioritise profit maximisation while some, known as social enterprises, will prioritise maximising benefits to society.

Freelancers often work from home, from temporary work spaces (such as cafés, libraries or

co-working spaces) or from clients' offices. Their overheads are normally low and their investment – in time and/or materials – is usually directly related to client assignments. An assignment can relate to the production of goods, such as soaps and clothes, and/or services, such as research and writing.

Freelancers can take on assignments for individuals or businesses. Examples of individuals who hire freelancers are homeowners seeking the services of a gardener or a couple seeking the services of a graphic designer to design a wedding invitation. Organisations often hire freelancers for infrequent large projects for which they do not have the capacity. These include businesses seeking a writer to

produce an annual report, a digital marketer to help launch their online sales platform or a programmer to develop a customer facing mobile app.

Professionals who work on a freelance basis do so mostly because they cannot find employment or because they prefer the flexibility and variability of such work. They may be carers having to remain home for much of the day but with the skills to write or sew or do other tasks that are not site specific. They may be carers who cannot work during school holidays, as is often required by full-time employment, or live in different locations in different parts of the year. Fewer than five per cent of freelancers end up structuring their activities into a business, though some work in collectives with other freelancers or small businesses on larger projects.

Entrepreneurs by contrast plan to offer their products and services within a business structure. Such businesses can be founded by individuals or groups of entrepreneurs, each of whom often hold a financial stake in the business, sharing in its profits and losses, as well as an operational role. Such businesses require start-up capital for overheads such as office or shop space, production materials, and marketing. This capital is either invested by the founding entrepreneurs or through “seed money” offered by investors in exchange for a share in the business (known as “equity”). Once a start-up is established and selling goods or services, its founders can seek external investment to build up the business, be it geographically or by offering more services or products.

Start-ups that experience rapid growth through cash infusions from investors impressed with their performance to date and undergo significant increases in staff sizes and capacity are referred to as scale-up SMEs. Their growth often results in the establishment of other small businesses created to serve their growing needs.

The domino effect of such scalable businesses in the creation of opportunities for both freelancers and fledgling entrepreneurs is what stands them apart from other avenues of livelihoods creation.



key enablers

Factors that significantly impact the success of an endeavour are referred to as key or critical enablers. Access to financing, markets and skills are among the key enablers of success for all self-employment ventures. The opportunities for freelancers and entrepreneurs to access funds or capital will directly impact their ability to establish or grow their operations. Similarly, their ability both to acquire or access the skills needed to produce or deliver quality products or services and to access markets of potential buyers and clients will directly impact demand for their products and services and hence their turnover and profits.

(...) Access to Financing

Financing enables the self-employed – be they freelancers or business owners – to invest in costs associated with developing, producing and delivering their goods and services before they are paid for by customers and clients. Financing opportunities differ greatly between freelancers and entrepreneurs, primarily based on the perceived value of the assets – both tangible and intangible – that they can offer as collateral.

Freelancers have little business collateral because they cannot offer equity in their business. As such the financing they have access to is tied to their personal assets. Some banks offer small personal loans to individuals without requiring a tangible asset (such as a car) based on anticipated income and personal credit score; while microloans are offered by a number of NGOs active in Lebanon wanting to facilitate self-employment, particularly among vulnerable groups such as women and refugees. Some NGOs also offer grants, which recipients are not expected to pay back. A similar source of such financing can come from family, friends and the wider public who may be interested in supporting an individual's endeavours through a crowd-funding campaign.

Less popular in Lebanon, though perhaps an opportunity for social entrepreneurs to consider developing, are invoice factoring and lines of credit. Invoice factoring involves selling future invoices at a discount to a company that pays it to you in advance. This way the freelancer receives



fees owed by a client (minus the discount) before clients make payment. This is particularly useful for freelancers who struggle because of late paying customers. Meanwhile, lines of credit function much like credit cards that charge interest, giving freelancers access to cash as and when needed – up to an agreed amount – to help with cash flow.

Entrepreneurs intending to set up small businesses – or those who have already done so using their own capital – have more options in terms of access to financing. This is because their business is based on a plan that can be reviewed and assessed by potential financiers looking for companies to invest in, in exchange for a share of future profits. A number of social enterprises, known as accelerators; individual investors, known as “angel investors”; and funds, known as “seed funds”, invest in new or recently established SMEs based on perceived feasibility and success, which they assess based on the skills and professional history of the entrepreneur(s) involved as well as the business plan or recent financial accounts presented. Banks and venture capitalists will also use this assessment approach when considering requests for start-up business loans or overdraft facilities.

Though limited in Lebanon, SMEs can also benefit from governmental grants and subsidies. Community institutions active in promoting and facilitating self-employment opportunities in Lebanon may work with government institutions to advise on and boost their ability to offer such financial support to potential and existing entrepreneurs with a view to enhancing economic activity with the country and specifically within key demographic or geographic groups.

While scalable SMEs are more likely to succeed in accessing loans in order to finance their scale-up, due to their provable success, they are less likely to secure finance through investment as most funds in Lebanon target SMEs in the initial development stages. This is because the return on their investment – that is the size of the equity they are likely to secure – is greater the earlier they invest, reflecting the risk they take in making the investment. Only 7% of investment capital in Lebanon is aimed at SMEs seeking later stage investment.

(..) Access to Skills

While freelancers rely mostly on the skills they personally possess in order to attract customers and clients and produce goods and services, some expand their opportunities by collaborating with other freelancers and businesses to offer more complex offerings. For them, it is important to tap into a network of professionals with complementary talents. The same can be said of entrepreneurs, whose business models normally rely on bringing together and synchronising the skills of several professionals to design and produce marketable packages of goods and services. As such, networks are one of the most important assets for the self-employed, and networking one of the most valuable skills.

Developing this skill requires opportunity, time and training, as does honing the skills involved in the technical aspects of producing and delivering the goods and services on offer and promoting them to various markets.

Education, vocational and soft skills training programmes are therefore an essential component of the ecosystem that supports self-employment. A conscientious and sustainable ecosystem includes institutions and organisations that (a) collaboratively identify skills gaps in growing sectors that may provide opportunities for specific demographic groups or geographic areas and (b) aid in the development and adaptation of skills, particularly among youths, to ensure such opportunities can be exploited. Some interviewees identified certain NGOs and training programmes as offering training in skills for which there is no market demand.

Ensuring the development of skills relevant to sectors that can thrive is particularly important in Lebanon, from which thousands of youths migrate each year after not finding work relevant to their skillsets. Therefore, in addition to developing curricula and other opportunities related to skills development, supporting institutions are well advised to raise awareness among youths of the future economic value of developing marketable skills. This applies to those that are in demand and relevant in Lebanon more broadly and within their local region more specifically. After all, businesses can only be competitive if they can rely on skilled labour available at competitive wages. Those that cannot source the necessary skills risk producing substandard products and those that must rely on labour abroad may find themselves paying more than they can reasonably afford.

Freelancers and entrepreneurs seeking to develop their skills and those of their teams can find opportunities not only through traditional classroom based workshops, but also through internships, during which individuals work with and learn from those further along in their careers, and opportunities for knowledge exchange, such as seminars and conferences. As developing skillsets requires investment – of time and often money – freelancers and entrepreneurs are well advised to strategically design and plan for professional development, prioritising the skills that will have the greatest impact on their ability to compete in their chosen sector. Marketing, sales and digital skills are of importance to most, if not all, self-employed professionals, and are notably lacking among stay-at-home part-time freelancers. Technical skills will however best be prioritised based on anticipated volume of work involved, as professionals may be better off outsourcing certain tasks to those more qualified to do them.

Freelancers and entrepreneurs benefitting from an expanding client base may also consider taking on interns and apprentices in order to train potential employees and collaborators in their unique products, service lines and modes of work. This will help them develop a workforce with the specific skills they need instead of relying solely on platforms through which those in need of work promote themselves. This is particularly true of the manufacturing sector, in which a trend towards more complex products is driving a need for skilled and specialised labour. That said, businesses in every sector are impacted by the availability of labourers and professionals with specific skills. The education sector in Lebanon, for example, suffers from a significant skills gap, with 90% of corporations interviewed in the North facing a skills gap and 55% of young graduates surveyed facing related challenges in their first year of employment. Supporting organisations may therefore do well by bridging the gap between inexperienced youths with (or undergoing) training and start-ups in need of professionals with certain skills.



(...) Access to Markets

Stay-at-home freelancers who work on a part time basis may be able to sell enough of their products and services through local channels. Those who cannot and for whom mobility and networking may be challenging would benefit from knowledge of, access to and perhaps training in the use of online market platforms that enable them to identify and target customers and clients – both individuals and businesses – online.

Freelancers more broadly may be able to visit marketplaces to offer their wares and services, but identifying which ones to target and how to approach them is not necessarily part of their skillset. As such, toolkits that offer training in business skills such as marketing, cash flow management and sales are a great asset to young freelancers, who should be actively seeking out opportunities for learning and regularly improving these skills. Service based freelancers, such as those working in the knowledge economy as coders or writers, have access to even wider markets, be that regionally or internationally, as their services can often be delivered remotely. As such, knowledge of virtual marketplaces that cater to other countries or regions are highly valuable. They not only enable freelancers to promote themselves but also to compare their package of services and fees to others in different markets so that they may continually enhance their competitiveness.

With a multitude of virtual and physical transport and delivery routes available, production facilities and markets do not need to be in the same area or country. Businesses do however need to be well versed in the expectations and legislations that govern potential customers and clients in different markets so that they may tailor their products and services accordingly. As such, freelancers and entrepreneurs would benefit from studying competitors, suppliers and potential customers well ahead of designing and promoting their offerings.

Production standards and quality control are of notable significance, particularly as they are not well established in Lebanon. So too are export standards. This is especially true for SMEs planning to scale-up as they will likely need to rely on foreign markets to achieve the demand needed to ensure profitability. Participation

in international forums and industry events, membership of relevant associations, and consultation with experts will likely facilitate the development of knowledge and expertise needed. So too will the establishment of an on-the-ground presence in each of the various target markets, which can be instigated by contracting consultants in order to minimise costs prior to the establishment of offices and employment contracts.

Securing financing from international funds is also likely to open the door more easily to international markets as foreign investors will have valuable knowledge of foreign markets. Financing and access to international markets are inextricably linked not only because of such knowledge but also because SMEs need to achieve certain economies of scale if they are to compete internationally. Many in Lebanon are finding it challenging to access the investment required to reach the critical size and volumes required to enable competitive pricing. This is particularly true of the agriculture sector, in which wholesale markets often dominate. There are however various mechanisms and approaches to countering such challenges, including the use of modern storage facilities and the development of niche products, both of which are considered in more detail in the later section dedicated to the agriculture sector.

Companies able to secure the financing needed to compete competitively in terms of price may find that certifications and memberships can bolster their competitiveness even further by enhancing their reputation and building trust in their products, both domestically and internationally.

The International Organization of Standardization (ISO), Fair Trade International and various organic certifying bodies are but examples of organisations that offer such certifications and memberships.

Lebanese SMEs would therefore be well advised to both gain such certifications as well as subcontract to companies that hold them. By way of example, olive oil producer Zayt Dayeetna, based in North Lebanon, is TEQ certified (transparency ethics, quality) by Fair Trade Lebanon. While stay-at-home adults may find obtaining such certifications challenging, they can become members of syndicates or cooperatives that hold them should they seek to successfully penetrate more competitive markets. Al Shallal Cooperative, representing 14 women engaged in food activities in the northern village of Bsetin Al Ossi, is one of over a dozen cooperatives registered with Fair Trade Lebanon.



(opportunities & challenges

02

paths to self-employment

Lebanon offers a diverse array of education opportunities. Different universities offer undergraduate and postgraduate degrees in Arabic, English and French, each conforming to the curriculum of Lebanon, the US or another foreign state. Meanwhile, less bookish young adults have opportunities to develop niche skills through technical and vocational education and training (TVET) programmes. The number of young adults graduating from TVET and university programmes is on the rise in Lebanon. There are at present 100,000 students enrolled in such programmes in the North alone.

Just as there are a diverse number of educational paths so too are there different paths to employment. While many join the workforce as an employee, others may find the flexibility of freelance work or the independence of entrepreneurship more appealing. Just as those seeking employment need to understand the process of job seeking, interview skills and salary negotiation in order to secure their preferred job, so too do freelancers and entrepreneurs need to understand the opportunities and challenges associated with self-employment before embarking down this advantageous yet challenging route.

While self-employment can be rewarding, both for individuals and society at large, it can also be taxing. It is therefore important to identify obstacles as far in advance as possible in order to mitigate them and seek the necessary assistance and skills to do so. Such assistance can be sought through existing community structures such as government institutions, NGOs and banks. As such, this section includes an overview of opportunities and challenges, categorised according to type of self-employment, as each has its own unique set of circumstances. They have been identified with a view to raising awareness among both (a) potential and existing freelancers and entrepreneurs and (b) community institutions that both understand the value of

promoting and facilitating self-employment and aim to support it according to existing needs and challenges.



freelancing

With unemployment on the rise in Lebanon, particularly in the North where rates have consistently been higher than the national average, many young graduates enter the job market as quickly as possible for fear of not finding another employment opportunity. Others choose freelancing, either freely or having not found employment. Alternatively, graduates may choose to continue their studies or training rather than face unemployment.

Choosing one's workload daily or seasonally is among the benefits of freelancing. Survey respondents in the North did however express concern over the uncertainty and potential instability of freelancing, particularly given the impact of economic crises and inconsistent income. Of those surveyed in the North, 95% feared the lack of financial stability associated with such self-employment, 87% were put off by a potential lack of customers and 89% were concerned that they may not have the right skills to make a success of it. Such concerns are valid and yet can be mitigated by enhanced skills in financial literacy and pricing, self-promotion and sales, client relations and self-development.

While finding clients poses its own challenges, managing their expectations as a freelancer can be even more challenging. It is a skill separate to that required to provide the service a freelancer is hired for, and yet it is an essential one to develop. As a former freelance electrician in Tripoli notes: "It was very hard to find clients, and I was not prepared to deal with their requests most of the time." He also found it challenging to manage his cash flow, in great part due to late payments by clients. Despite the challenges, the electrician, now an employee, said that he would consider returning to freelance work if he could identify regular paying customer. This highlights the value of engaging in market research and client relations prior to committing to fulltime freelance work.

One freelance electrician, however found independent work too challenging to want it for his son. "I

promoting freelance opportunities as well as limited awareness of and engagement in digital marketing platforms, particularly in the North, means that synergy between these sectors and potential and existing freelancers is currently low. This can however change with a few targeted initiatives.

Those intending to work as freelancers are therefore encouraged to (a) seek opportunities that will enhance their competitiveness in marketing and pricing, (b) network with other freelancers and small businesses to exchange lessons learned and build potential opportunities for collaboration, and (c) take on apprenticeships through which they can enhance their technical and sales skills ahead of committing to self-employment. Community based structures seeking to support freelancers are in turn encouraged to promote and facilitate said opportunities, by for example developing toolboxes for the development of soft skills, increasing access to digital platforms and creating networking platforms.



want my son to study engineering and work in a respectable company behind a desk.” Such family pressure is in fact among the reasons cited by youths for not pursuing self-employment. This becomes more acute during times of economic crisis. One interviewee worked as a freelancer in construction after five years of experience as an installer for a shop. “I had the opportunity to work on construction projects which are more profitable than individual installations.” The growing economic crisis facing Lebanon however put a halt to all but a few construction projects in Tripoli and, with a family to feed, he opted to become an employee for a Beirut-based company. “I may still return to self-employment after the crisis is over.”

Construction is indeed a more challenging domain in which to be a freelancer when the health of the local economy is poor. Many knowledge and tech based service providers can however overcome the challenges created by national economic constriction by offering services regionally or internationally. In this regard professionals in Lebanon have an advantage as many of them are fluent in Arabic (giving them a regional advantage) as well as English or French (opening them up to international markets).

To compete at the international level would however often require a freelancer (or group of freelancers) to restructure into a business, which only 5% of them end up doing. As such it is therefore important to focus on and understand potential and existing markets locally and at the national level. In this regard, the knowledge economy (business and knowledge processing, coding), transportation (supply chain and maritime) and personal services (gardening, photography) are among the sectors with the most positive outlook for freelancers in Lebanon. A lack of platforms



working part time from home

Stay-at-home adults can monetise their skills and supplement family income by offering products and services, as freelancers, based on their abilities and resources. The idea of stay-at-home adults often conjures up images of women sewing cushions to sell at the Sunday market or making pastries for a local event.

While there is no doubt that working from home could significantly boost female employment, which stands at less than 25% in the North, any adult with a skill and the will to work can do so from home.

A woman with embroidery skills and a sewing machine can produce and sell small products in her neighbourhood or to local shops, or make items to order for businesses with a wider market reach. A student or post-graduate in part-time education or an adult with a physical disability that makes commuting and working long hours challenging can write articles and reports for media outlets, marketing agencies and other businesses. The list of skills that can be utilised to work from home is as long as the list of reasons someone may need or prefer to work from home on a part-time basis.

Moreover, those who choose to work from home can enhance their skills through online educational courses. As the knowledge economy comes to represent a growing component of economic activity worldwide, so the need for programmers, graphic designers, and technical writers increases. The benefit of these jobs is that they do not require a physical presence or extensive working hours. Moreover, the market for them is global and so self-employed people who stay at home no longer need to rely on local markets as they traditionally did but can expand



their horizons together with their skills. Programming, game development, film editing, social media marketing, graphic design, writing, bookkeeping, fashion design and business strategy are but a few of the jobs suitable for individual stay-at-home part-time workers.

These jobs are all service based, and so associated overheads and investment are low. Stay-at-home workers have however traditionally engaged in artisanal work, such as embroidery and soap production, or agricultural work, such as olive harvesting, food processing and dairy production. Some are recruited by or organised within a local collective, such as was the case with the Association of Barbara's women. Most of its members were women with a university degree and over ten years of work experience. They established the collective in a bid to provide household's with supplementary

income through the production and sale of handicrafts but found it difficult to sustain for lack of regular customers beyond the northern seaside town. As the manager of a successful artisan business confirmed: “Accessing regional markets and customers willing to acquire high end hand made products is key to sustain artisan business”.

Enhanced experience and education in marketing and sales would therefore likely strengthen the opportunities of individuals and collectives that work from home and need to sell farther in order to break even.

A number of NGOs working on the development of livelihoods in Lebanon have offered grants or support to stay-at-home workers through microfinancing and training, particularly those that aim to support women’s economic empowerment. Some, which see the knowledge economy as a potentially strong opportunity for employment, are focused on training girls and young women in tech skills as opposed to production. Civil society support offered to those intending to work from home remains however significantly lower than that offered to young graduates, entrepreneurs and SMEs. A review of over 100 donor programmes in Lebanon showed that fewer than 20% targeted stay-at-home adults, despite their potential to generate significant and sustainable complementary income.

The development and promotion of, as well as training in, online platforms that connect stay-at-home workers with potential markets and clients would greatly increase the appeal and ease of such work. Given advances in online and digital technologies that facilitate communications and virtual data entry and delivery, such potential employers include SMEs and larger organisations looking to outsource business and knowledge processing tasks, such as those associated with call centres and data entry.



establishing a business with seed money

An SME is a “small to medium enterprise”. They are usually established by one person - or a small group of partners - with a vision, skills and resources that they believe can be leveraged to produce goods or offer services that are in demand. The founder or founding team members of a business usually have both a financial stake and operational role in the venture.

While freelancers offer their skills and time in exchange for a fee, entrepreneurs – those who establish businesses – go beyond offering their products and services to branding, marketing and scaling them in a bid to earn more than can be made by charging an hourly rate as an individual freelancer. This often requires investment in overheads (space and materials) and human resources (staff and contractors).

Of the 17,000 SMEs registered in North Lebanon, 92% hire four or fewer employees and are therefore considered micro-enterprises. This may reflect the limited resources entrepreneurs have to scale their businesses or it may reflect a desire on behalf of the entrepreneur to continue to be directly engaged in the production process as opposed to business management. An additional 30 to 50 thousand SMEs are believed to be active in the area but not officially registered.

While small business founders often provide the first cash injection needed to establish their business, entrepreneurship is not only for those who attended private universities or come from families with capital. New businesses based on strong evidence-based concepts and supported by skills and ambition can benefit from what is known as “seed” or “angel” investment in the early stages. In fact 69% of investment funds available to businesses in Lebanon are directed at those in these early developmental stages.

NGOs active in Lebanon are often another source of support and funding for young entrepreneurs, particularly those establishing social enterprises.

While such support has increased in recent years, in great part in response to the influx of refugees in Lebanon, few focus on regions within North Lebanon, and most focus on skills building but dedicate only limited resources to bolstering access to markets and financing, both of which are critical enablers for business sustainability and growth. Given that 87% of entrepreneurs surveyed identify a need for scaling-up in regional markets, this needs to become a priority area of support among community organisations looking to bolster local entrepreneurs.

Despite the increasing number of graduates and the focus of NGOs on skills developments, 77% of surveyed entrepreneurs in the North still find nurturing talent to be challenging. One interviewee

of DROSOS FOUNDATION's study said they had to relocate their business from Lebanon to the US in order to find the right talent to grow. "I needed skilled and advanced tech talent in hardware and software development to support the design and manufacturing processes," said the goggles producer. Another entrepreneur with clients in Europe and North America however expressed his satisfaction at finding all the talent he needed in North Lebanon, where his operations are based. These examples simply highlight the need for budding entrepreneurs to conduct a thorough assessment of local talent before establishing a business so that they can plan for short and medium term expansion.

The sectors that appear to offer the strongest outlook for potential and existing entrepreneurs in Lebanon, particularly in terms of available talent and markets, are (a) agriculture, particularly related to the organic food and food automation; (b) manufacturing, especially in the sectors of agro-food, automation and artisanal products; and (c) the knowledge economy, which attracts 57% of Lebanon's private investments. Each however has its challenges, which must be considered and mitigated for in the planning stages of a venture to maximise opportunity for success.

Among them are (a) the limited funds (at only 1% of investment) dedicated to agriculture projects; (b) the limited capacity of manufacturing businesses in Lebanon to access regional markets; and (c) the lack of local role models and mentoring opportunities for start-ups within the knowledge economy. Identifying these challenges is an important step in addressing them and working to improve the perceived synthesis of sector and entrepreneur readiness from medium to high. For example, community organisations seeking to support local entrepreneurs, be they NGOs or banks, would do well to support platforms gathering investors, established companies,

talents and start-ups in a bid to enhance the entrepreneurial ecosystem and present potential and budding entrepreneurs with role models and positive examples. Facilitating introductions to successful comparable international start-ups would likely have a similar effect. Community organisations that aim to do just that, such as the Tripoli Entrepreneurs Club, have in fact fuelled the increasing number of early stage start-ups being established in the North. A number of interviewees indeed noted or alluded to the value of success stories shared by such groups in promoting the necessary change – in both mentality and available resources – needed to boost entrepreneurship.





scaling and developing a small business

SMEs experiencing significant growth are often referred to as “scale-up SMEs”. A strong business vision, high energy and scalable skills are among the key characteristics of such scalable enterprises. The approximately five percent of SMEs that scale up can have a significant economic impact, locally and nationally. While some create a significant number of jobs, others spur on the development of other small enterprises that are established to service the various needs of the larger company as part of a new value chain. The success of these enterprises and the new business ecosystems they instigate become sources of inspiration and role models for potential and budding entrepreneurs and start-ups.

Scale-ups generate 3.4 times more revenue and 8 times more employment than SMEs. Between 2006 and 2016, five scale-ups in Lebanon gave rise to 80 new companies. One such example was the company Matelec, which instigated the creation of six new companies in the sectors of power generation, contracting, welding, and design, among others.

Provided with the right forms of support, including access to financing, skills and markets, a number of SMEs in Lebanon have the potential to scale up as Matelec did. It is however at present very challenging, in part due to the lack of funds directed at established businesses. At present only 7% of available funds (through two funds) target later stage businesses in Lebanon. Other challenges include access to international talent and to highly competitive markets globally.

The sectors in Lebanon with a distinct international competitive advantage and where the necessary infrastructure to scale is available in the North include manufacturing, specifically of capital intensive complex products; the knowledge economy; and agro-food products destined to GCC markets.

One particular challenge faced by potentially scalable enterprises in Lebanon is a lack of regulation and quality control in line with international standards. Others are a lack of

knowledge of and access to international funds and financing and to the international talent needed to expand in territories beyond Lebanon. Interventions in skills development and networks that can mitigate these challenges and promote ambition and entrepreneurial knowledge among SME owners would likely have a significant impact given that a scale-up SME gives rise not only to between 10 and 15 new companies but also to future role models that will further bolster the entrepreneurial ecosystem.

Such interventions may include networking with key players, investors and businesses internationally that can lead to capital investment; identification of relevant talent internationally; introduction to potential customers in markets internationally; and training programmes in key areas such as monitoring, quality control and safety standards, particularly relevant in the sectors of agriculture and manufacturing. While such programmes of support can be offered by NGOs, banks and other institutions, they can also be areas of focus within SMEs founded as social enterprises.



(key sectors)

03

identifying opportunities

The study identified and assessed ten sectors that provide opportunities for those looking to be self-employed. Together these sectors make up over ninety percent of the economy in North Lebanon.

Overviews of two are presented in the following pages: (i) the agriculture sector, which provides unique opportunities in many villages, particularly for women, and (ii) the knowledge economy, which provides a wealth of opportunities for a growing number of graduates to offer their services from home or through start-ups to both local and foreign markets.

The strongest sectors in terms of relative weight to the economy in the North and employment of potential freelancers and entrepreneurs are agriculture and manufacturing; then commerce, personal services and health; then education and knowledge economy. Logistics & transportation, financial services and hospitality are the least impactful in North Lebanon.



outlook within agriculture sector

The agriculture sector is among the most impactful in North Lebanon in terms of income and employment. It is particularly important because of the employment opportunities it affords to people across the area. Nationally, it contributes to 3.1% of Lebanon's GDP and employs 11% of the labour force, but in some rural areas it contributes to 80% of local revenues and 25% of employment. This explains why it is one of the two sectors most targeted by third sector funding, the other being the knowledge economy.



Among the sub-sectors identified as providing self-employment opportunities and having good potential for growth within the agriculture sector are the agro-food industry and high value agriculture. The former refers to any unit or process that adds value to agricultural produce, be it through processing, improved storability or providing links between farms and markets. The latter refers to the production of goods that have a high economic value per kilogram, per hectare, or per calorie, and include organic produce and other outputs that can be sold at premium prices.

Growth within the agriculture sector as a whole and these sub-sectors in particular are driven by skills, equipment, investment and consolidation and as such development in Lebanon will need to follow increased digital readiness, increased knowledge in regional standards, enhanced access to growth capital, improved entrepreneurial skills and the establishment and fortification of local and international networking platforms.

While various organisations, syndicates and government institutions address these concerns and cornerstones of growth in their own ways, individuals freelancers and entrepreneurs can strengthen their own preparedness and resolve to engage in the production of profitable goods and offer services of value by brushing up on both their agricultural and entrepreneurial skills, including their understanding of the overall value chain (from planting to packaging) and export standards, their professional relations



and networks, and their knowledge of relevant technologies.

Different forms of self-employment lend themselves to the agriculture sector in different ways. Stay-at-home adults working part-time may consider working as remote freelancers on business and knowledge processes (such as data entry and sales calls) for larger agricultural producers. They may also consider producing local products, so long as they can enhance their marketing and sales skills enough to build demand for their goods. Partnering with another freelancer with such skills is also a viable option.

Entrepreneurs looking to establish or expand small businesses within the agriculture sector will want to conduct thorough market research in order to identify opportunities and gaps within the market. For example, less than 2% of arable land in the North is presently used to grow high yield crops such as tomatoes. In addition to being healthier and more environmentally friendly, organic products, as well as artisanal ones, may offer high return on investment, of which there is little in Lebanon. While NGOs may dedicate many of their resources to the agriculture sector, only one percent of invested funds are dedicated to agriculture products. Engaging in the agro-food and agri-tech industries, which can be considered as falling more under manufacturing and the knowledge economy than agriculture, may help entrepreneurs attract more investment while also helping Lebanon's agriculture sector modernise and operate more competitively. The sector struggles to compete against those in other economies as a result of extremely limited technology adoption and persistent use of suboptimal techniques at all stages. To highlight the problem one need only look to the olive groves of Lebanon where yield is 1.93 tons per hectare compared to 9.3 t/ha in Egypt. Any enterprise wanting to expand their reach to regional or international markets will need to study and prepare for a shift from the national norms in terms of operating procedures and quality standards. Use of pesticides by farmers in Lebanon is, for example, three times higher than in OECD countries, severely hindering export capabilities.

Competing at a larger scale is also challenging because of the dominance of wholesale markets. There are however various mechanisms and approaches to countering such challenges, including the development and utilisation of modern cold storage and packaging facilities, for example, which may help farmers gain access to modern trade logistics and sell directly to retailers. SMEs wishing to expand beyond Lebanon may also consider developing offerings based on products for which the country already has an edge and existing reputation, such as olive oil. Derivatives of oil olive include, for example, cosmetics, for which there are niche and luxury markets worldwide.

outlook within knowledge economy

The knowledge economy, a sector driven by intellectual capital and that produces goods and services based principally on knowledge-intensive activities, has come to represent a significant component of all economic activity in developed countries. It is no wonder then that more youths in Lebanon graduate from university programmes related to this sector than any other, nor that 57% of investment in Lebanon targets knowledge based companies.

Coding, technical support, outsourced knowledge & business processing tasks (KPO/BPO), and research are among the activities associated with the knowledge economy. The sub-sectors most active in Lebanon are digital & technology, business services & outsourcing, and the creative industries. The technology sector is growing 9.4% year on year and had a turnover of \$175 million in 2016; while the creative industries employ 4.5% of the labour force and include 400 companies active in media and production, most of which are based in Beirut. North Lebanon's nascent knowledge economy meanwhile boasts around 60 BPO companies and 30 start-ups, and Akkar will soon be home to a 400 meter knowledge centre with an IT incubator and job training unit. Also expanding their presence in the North is Berytech, which has, since its foundation in 2002, supported the incorporation of over 140 tech-centred start-ups and the creation of over 2,000 jobs in Lebanon.



Berytech have offered over \$2 million in grants and invested over \$70 million in a sector that relies heavily on capital investment and skills, both of which are increasingly available with more investors and students interested in the knowledge economy than any other sector. \$53 million of venture capitalist funds went into the sector in Lebanon in 2017 alone, making it the second most VC funded country in the region for this sector. It is the fourth strongest country globally in terms of quality of education in maths and sciences, according to the World Economic Forum (2017-18). This, coupled with data suggesting that 40% of business and engineering students already have the knowledge and skills to work in BPO/KPO, and the multicultural multilingual nature of Lebanon's talent pool, amplify the sector's growth potential in Lebanon.

What the country boasts in talent and low costs however, it still lacks in infrastructure and regulation. Lebanon has long struggled with substandard connectivity and lags behind all countries

in the region in terms of digitisation. These make competing regionally more challenging. The government has however, in its vision for 2025, listed the knowledge economy among five sectors that present the highest economic potential for Lebanon and in which it intends to invest to remedy these difficulties.

The sector therefore remains an attractive one, particularly for those looking at self-employment, as it lends itself well to freelance and remote work, and enables businesses to expand their offerings across borders fairly easily. Sub-sectors in which Lebanon has been identified as having a competitive advantage include KPO/BPO, back & middle office outsourcing, and agrotechnology (the use of technology in agriculture, also known as agri-tech), the latter of which entrepreneurs can seek support for through the agro-food innovator hub Agrytech. Other sub-sectors of interest, in so much as they can be developed to support other sectors strong in Lebanon, particularly the North, include industrial automation and health-tech.



(conclusion)

The primary take-away from DROSOS FOUNDATION's work and research in the field of self-employment is that it can be of great value in promoting prosperity both to the individual and the overall economy. Countries with stagnant or dwindling economies can benefit greatly from the economic activity created by freelancers and entrepreneurs, who in turn gain in terms of both financial and personal well-being as a result of being active and productive.

At times of political instability, self-reliance is even more essential. Individuals and communities need to collaborate to fill the various gaps that result from inertia and ineffectiveness at the state level. A lack of regulatory frameworks can for example be mitigated through the provision of internationally accepted certifications and memberships organised through credible syndicates and institutions. The impact of weak infrastructure can be diminished through the development of innovative solutions. Limited financial support by government bodies can be countered by grants, loans and investment offered by NGOs, banks, accelerators, venture capitalists, social enterprise funds and the like. Gaps in skills can be remedied through the development and provision of curricula that complement the formal education system but are more flexible and adaptable to changes in market behaviours and industry needs. A good many community based structures can directly impact the opportunities afforded potential and existing freelancers and entrepreneurs, and the Foundation encourages them to facilitate their growth, knowing that it in turn will promote much needed growth nationwide.

Individual freelancers and entrepreneurs are likewise encouraged to build bridges with individuals, organisations and institutions that can help build their skills, their understanding of the sectors and markets in which they operate and their access to financing. While self-employment is often seen as a move away from organised group-based work, it requires individuals to be willing and able to organise their time and resources well and to collaborate with others towards common goals.