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GLOBAL ENTREPRENEURSHIP MONITOR

NATIONAL REPORT LEBANON 2017

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Summary & Key Findings 2017 Executive Summary

This 2017 GEM National Report for Lebanon describes in detail the level of entrepreneurial activity in Lebanon, and its relationship to a variety of perceptual and demographic variables that may foster or inhibit that activity. Entrepreneurial activity is defined and assessed in relation to different stages in the entrepreneurial development process, from entrepreneurial perceptions and opportunity identification to starting and running a new business, and then the transition from a new to established business, including any business discontinuation.

The Global Entrepreneurship Monitor (GEM) is an international collaborative research program designed to measure levels of entrepreneurship, using consistent definitions and survey methods that allow for meaningful comparisons between countries, and between years. Each national team participating in GEM in a given year undertakes two key surveys, the first of which is the Adult Population Survey (APS) – a random sample of at least 2,000 adults in each country – enquiring about entrepreneurial activity and a host of attitudinal and demographic variables. This is complemented by an in-depth National Expert Survey (NES) of at least 36 professionals with detailed knowledge and experience of the national entrepreneurial eco-system, using GEM-defined entrepreneurial framework conditions to assess the factors that constrain or encourage entrepreneurial activity in the given economy, and make recommendations for the development of that entrepreneurial eco-system.

This 2017 Report is the third consecutive annual GEM National Report for Lebanon. Together, these reports paint a detailed picture of the nature and level of entrepreneurial activity in Lebanon and its recent evolution. Throughout this report, that evolution is described with reference to these earlier reports, whilst the consistency of the GEM methodology allows entrepreneurial activity in Lebanon to be set in the MENA (Middle East and North Africa) and global contexts. Fifty-four countries participated in GEM in 2017, representing 68% of the world population and 86% of the global GDP. Eight of these countries were in the MENA region.

Chapter 1 of this report sets out the GEM conceptual framework, outlines the GEM focus upon the individual, and defines and explains the dashboard of GEM indicators, as well as key results from the 2017 GEM Global Report. Chapter 2 offers a brief description of the Lebanese economy in 2017 and its environment for enterprise, providing specific context for the GEM Lebanon survey results. Chapter 3 outlines the results of the 2017 Adult Population Survey – including attitudes toward entrepreneurship and levels of entrepreneurial activity, alongside key influences such as age and gender, household income and location – comparing them to the equivalent surveys in 2015 and 2016, and setting Lebanon alongside its neighbours in MENA. The results of the National Expert Survey for Lebanon in 2017 are contained in Chapter 4, summarizing the assessment of the 39 expert professionals who, collectively, identified the factors supporting or constraining entrepreneurial activity in Lebanon.

The final chapter includes conclusions and recommendations to develop the entrepreneurial ecosystem in Lebanon in order to enhance prosperity through additional jobs and incomes.

Key Findings: Adult Population Survey

2,000 adults were interviewed across all parts of Lebanon.

- Six out of ten adults saw good opportunities to start a new business.

- Three-quarters of adults saw themselves as having the capability to start and run a new business – the highest level of the 54 countries participating in GEM in 2017.

- Of those 54 countries, Lebanon ranked second highest in terms of GEM's new Entrepreneurial Spirit Index.

- Just one in six adults in Lebanon thought fear of failure would prevent them from starting a business.

- Almost one in three (of those not already doing so) intended to start a new business within the next three years.

- Nearly one in four adults in Lebanon was either starting or running a new business in 2017.

- One in three adults was running an established business – paying wages or salaries for 42 months or more.

- Taken together, well over half of all adults in Lebanon were starting a new business, running a new business, or running an established business.

- In 2017, Lebanon was second-highest of the eight GEM-participating MENA countries in terms of necessity driven entrepreneurship, and the second lowest starting to seize a business opportunity.

- The level of informal investment, defined as investing in someone else's startup, was estimated at US$1.35 billion in Lebanon.

- While men in Lebanon continue to be more likely than women to be starting or running a new business, the country had by far the highest level of women-driven startups of the eight GEM-participating countries in the MENA region, almost twice that of the next highest level.

- Whether male or female, more than half of those starting or running a new business in Lebanon in 2017 were under 35 years of age.

- More than half of early-stage entrepreneurs expected to employ no one but themselves in five years' time.

- Conversely, more than half of early-stage entrepreneurs claimed to be offering goods or services that were new to their customers and had few competitors.

- Six out of ten early-stage entrepreneurs in Lebanon were in the wholesale/retail sector, the highest level of the eight GEM-participating countries in MENA.

- Levels of early-stage entrepreneurship in Lebanon have generally increased for lower household income levels, and decreased for higher household income levels, since 2015.

Key Findings: National Expert Survey

Thirty-nine national experts participated in the 2017 Survey.

- Lebanon scored relatively high for entrepreneurial education, at both school level (5th out of 54 countries), and at post-school level (4th).

- Lebanon scored relatively poor for physical infrastructure and government policy – support and relevance – and for government entrepreneurship programs, (53rd out of 54 for each).

- For six of the nine GEM-defined entrepreneurial framework conditions, average expert scores for Lebanon have declined unambiguously since 2015.

- National experts saw lack of government support as the major constraint on entrepreneurial activity in Lebanon, followed by political instability/ perceived corruption and infrastructure/ Internet difficulties.

- By contrast, an open/supportive culture was the most mentioned factor supporting entrepreneurship, followed by the growth in enterprise funding and the quality of education.

- Not surprisingly, the most common recommendation from national experts was for more government support for enterprise, followed by more enterprise training and faster/cheaper Internet.

Table of Contents

The Lebanese American University

The Lebanese American University is a leading academic research institution. The university has two campuses in Lebanon and an office in Manhattan, and is chartered in the US state of New York.

LAU
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LAU is one of the top-rated universities in the Middle East, boasting seven distinct schools, and a number of institutes and centers of advanced study. Its 8,500-plus students and hundreds of faculty and staff are among the brightest in the region.

LAU is committed to academic excellence, student centeredness, civic engagement, the advancement of scholarship, the education of the whole person, and the formation of leaders in a diverse world.

LAU operates under a charter from the Board of Regents of the University of the State of New York and is accredited by the New England Association of Schools and Colleges. In addition, LAU is accredited by the Commission on Institutions of Higher Education of the New England Association of Schools and Colleges, the oldest regional accrediting association in the United States, which develops and regularly reviews standards for educational institutions of all levels.

The university boasts state-of-the-art resources, including a medical center and clinical simulation center that host advanced machinery, libraries with partnerships across the world to increase access to materials for students and faculty, and some of the only sustainably built buildings and labs in the region.


CAUTION

Adnan Kassar School of Business

The Adnan Kassar School of Business (AKSOB) at LAU, named after renowned businessman Adnan Kassar in honor of his generous contributions to the university, differentiates itself from other business schools in Lebanon for its emphasis on excellence and its student-centeredness.

LAU
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School of Business

AKSOB offers quality graduate and undergraduate business, economics and hospitality programs designed to form ethically responsible professionals who are committed to civic engagement and the economic development of Lebanon and the region.

Programs offered by ASKOB include:

- BS in Business Studies
- BS in Economics
- BS in Hospitality and Tourism Management
- Master of Business Administration
- Master of Science in Human Resources Management
- Master of Arts in Applied Economics
- Master of Laws
- Executive Master of Business Administration

In April 2016, AKSOB joined the elite five percent of international business schools accredited by the Association to Advance Collegiate Schools of Business, the most prestigious certification for business schools and programs worldwide. AKSOB's programs are also accredited by the New England Association of Schools and Colleges.

The school is committed to acquiring further business-related accreditation in the US and Europe.

The UK Lebanon Tech Hub

The UK Lebanon Tech Hub (UKLTH) – an international initiative by Banque du Liban and the British Government in Lebanon – is a program that aims to support the entrepreneurship and SME landscape in Lebanon, seeking to increase GDP and create new jobs and wealth.

UK LEBANON
TECH HUB

The UK Lebanon Tech Hub (www.uklebhub.com) took the initiative in becoming the Global Entrepreneurship Monitor (GEM) National Team for Lebanon in 2015.

Following the success of the GEM 2015 and 2016 National Reports for Lebanon, and the new insights they provided about local entrepreneurship, the UK Lebanon Tech Hub has continued this initiative by partnering with LAU to manage the GEM project in Lebanon for 2017.

www.uklebhub.com

Chapter 1

Introduction

Tracking Entrepreneurship

since 1999

1.1 Entrepreneurship and the Global Entrepreneurship Monitor (GEM) Project

Entrepreneurship, defined as "any attempt at new business or new venture creation, such as self-employment, a new business organisation or the expansion of an existing business, by an individual, a team of individuals, or an established business", (Reynolds, P. 1999, p.3), is a crucial ingredient in the economic development mix and a major determinant of current and future jobs and incomes. The Global Entrepreneurship Monitor, (GEM), is the world's largest international research project to measure and monitor entrepreneurial activity. Started as a collaboration between London Business School and Boston's Babson College, 2017 was the 19th consecutive year that GEM has tracked entrepreneurship, with the 54 countries participating in 2017 representing 86% of global GDP and almost 68% of world population.

In addition, 2017 was the third consecutive year of Lebanese participation in GEM, and this GEM 2017 National Report for Lebanon will build upon the evidence of the previous Reports, not only to establish the level of entrepreneurial activity in Lebanon, but also to track its recent evolution over time. Each country participating in GEM commits to two extensive national surveys: the Adult Population Survey (APS), a random sampling of at least 2,000 individuals in order to assess their entrepreneurial activities as well as a host of related variables such as attitudes to, and perceptions of, entrepreneurship, and key demographics such as age, gender, educational level and household income; and the National Expert Survey (NES), of at least 36 individuals with detailed professional knowledge of the local environment for enterprise. By asking the same questions in different countries and different years, comparisons can be made across both space and time. Results from both Surveys in Lebanon in 2017 will be discussed in detail in later chapters.

The central focus of GEM is on the individuals rather than the businesses: their activities in relation to enterprise, their perceptions and motivations, and the personal characteristics that may influence those perceptions and activities. Much of this Report will assess the relationship between attitudes, personal characteristics and entrepreneurial activities in order to gain some insight into the entrepreneurial development process, from initial aspirations and the identification of business opportunities to setting up the new business, and then developing the business from new to established.

Since its beginning, the GEM project has emphasized the two-way relationship between entrepreneurship and economic development. As noted earlier, new business creation promotes economic development, being an important source of jobs and incomes and a fountain of innovation through new product and process development. At the same time, a highly developed economy may provide easier access to the resources that can aid business development, including expertise and infrastructure as well as finance. Similarly, a less developed economy may provide few alternatives to self-employment. The shifting balance between opportunity and necessity as a motive for starting a business will be considered later.

1.2 The GEM Conceptual Framework

Entrepreneurial activity, wherever it occurs, takes place within a specific context, including social, political and economic dimensions that make that context unique.

In other words, place matters. The GEM conceptual framework, or the ways that key characteristics or dimensions of the entrepreneurial environment interact to influence entrepreneurial activity, is set out in **Figure 1.**

Within this framework, entrepreneurial activity is determined by the joint influence of social values and individual attributes, themselves set within a social, cultural, political and economic context that may nurture or constrain entrepreneurial activity. That entrepreneurial activity, in turn, helps to create jobs and add value, thus impacting on the social, cultural, political and economic contexts. The GEM surveys help to identify the factors that encourage or limit entrepreneurial activity, and hence may have policy implications for those seeking to enhance such activity and its impacts on incomes and jobs.

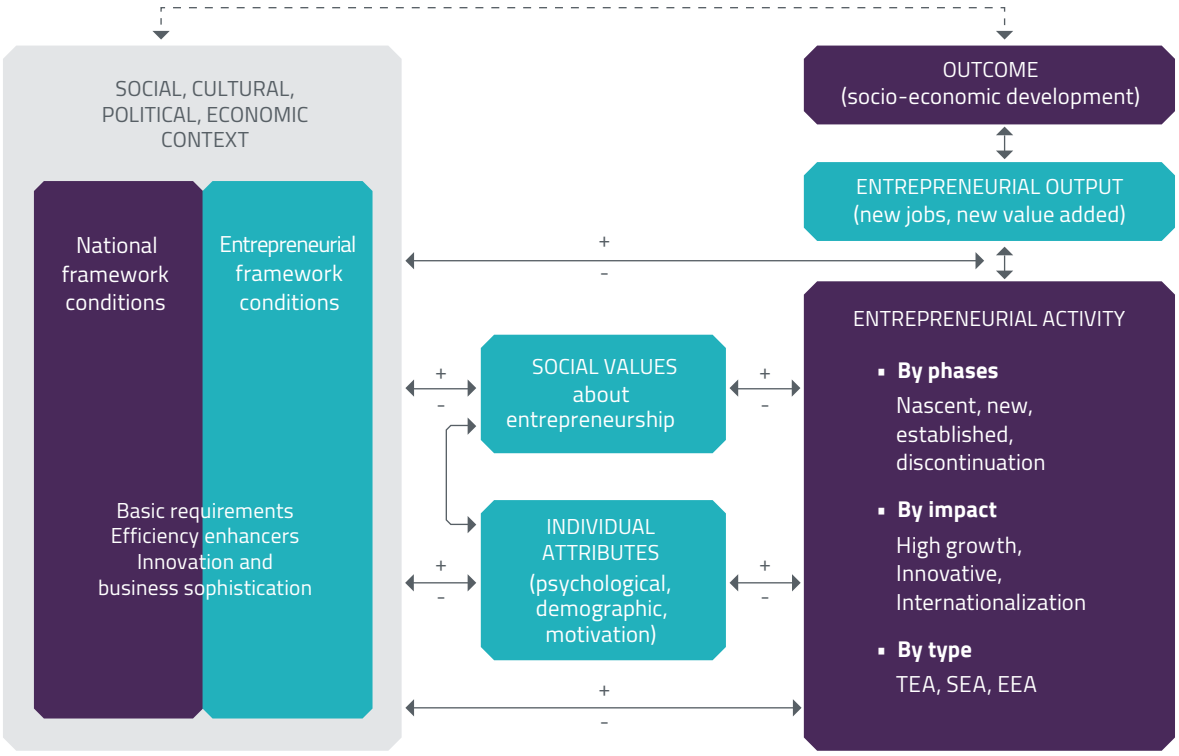


Figure 1 The GEM Conceptual Framework (Source: Global Report, GEM 2017/18)

1.3 How GEM Measures Entrepreneurship: The Dashboard of GEM Indicators

The conceptual framework of **Figure 1** sets entrepreneurial activity within its social, cultural, political and economic contexts, and thereby facilitates the assessment of both the level of such activity and its specific environment. The GEM Adult Population Survey provides the basic data to enumerate entrepreneurial activity and determine its relationship to individual perceptions, attitudes and demographic

The Dashboard of GEM Indicators

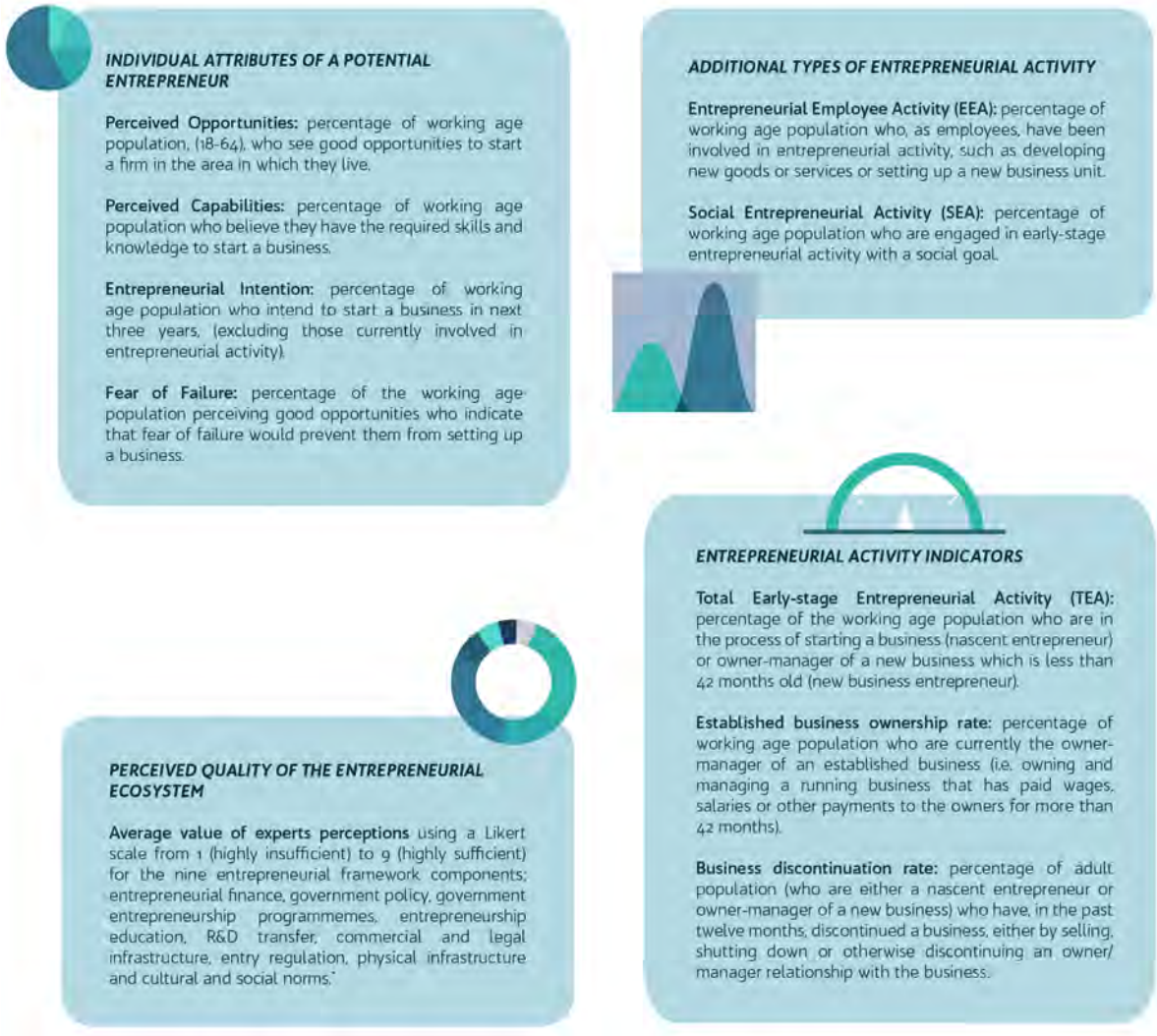


Figure 2 The Dashboard of GEM Indicators

characteristics. The National Expert Survey, on the other hand, summarizes expert professional assessments of the Entrepreneurial Framework Conditions, including entrepreneurial financing, government policies, government entrepreneurial programs, entrepreneurship education, research and development transfer, the commercial and legal infrastructure, internal market dynamics, physical infrastructure and cultural and social norms.

Entrepreneurs differ in their individual profiles, as well as in the nature of the business they start or run, and in the impacts of that business. To capture these differences, GEM provides the range of measures set out in **Figure 2** (The Dashboard of GEM Indicators). Taken together, these measures describe the unique multiple attributes of entrepreneurship in a given society, including not only the number of entrepreneurs but their attitudes, perceptions and ambitions, as well as how many people they expect to employ, and the extent to which different groups such as women, older people or low-income households are participating in the entrepreneurial process.

As noted earlier, the central focus of GEM is on the individual and their entrepreneurial behavior, as well as their attitudes, perceptions and demographic characteristics. Because of this personal focus, and the anonymity of the surveys, GEM data can provide rich detail on entrepreneurial activities in a way that firm-level data, such as company or VAT registrations, cannot. In particular, GEM captures both formal and informal activity, much of it beyond the scope of official statistics.

This individual focus also enables some insights into the characteristics of those engaged in entrepreneurial activity, such as their age, gender, location, educational background and household income, and hence facilitates assessment of the relationship between these characteristics and the likelihood of engaging in entrepreneurial activity. For example, this Report will show that in Lebanon in 2017, more than half of those engaged in running or starting a new business were under the age of 35.

GEM's focus is on the

individual

In addition, GEM asks about perceptions and attitudes, allowing some assessment of the value that society places upon entrepreneurship, as well as the ambitions and motivations of those starting or running a new business. These ambitions and motivations may be important factors in the impact of that new business over time.

[1] The Central Administration of Statistics in Lebanon includes the following statement in its publication of the National Accounts: "In Lebanon, as in many countries, activities are carried out by the informal sector, or are otherwise unrecorded. Allowances amounting to around 30% of recorded output have been included in the estimates to cover the value of such activity, although the precise level remains uncertain." (CAS, National Accounts, July 2013, p. 10).

1.3 How GEM Measures Entrepreneurship: The Dashboard of GEM Indicators (cont.)

The headline measure of entrepreneurship in GEM is the level of Total early-stage Entrepreneurial Activity, or TEA, defined as the sum of those actively engaged in starting a new business, (but who have not yet paid wages for three months or more – the nascent entrepreneur), and those running a new business (and have paid wages or salaries for three months or more, but for less than 42 months – the new business entrepreneur). Those running a business that has paid wages or salaries for more than 42 months are classified as established business owners. **Figure 3** provides an overview of the entrepreneurial process, from inception through business formation into established business ownership (and sometimes discontinuance).

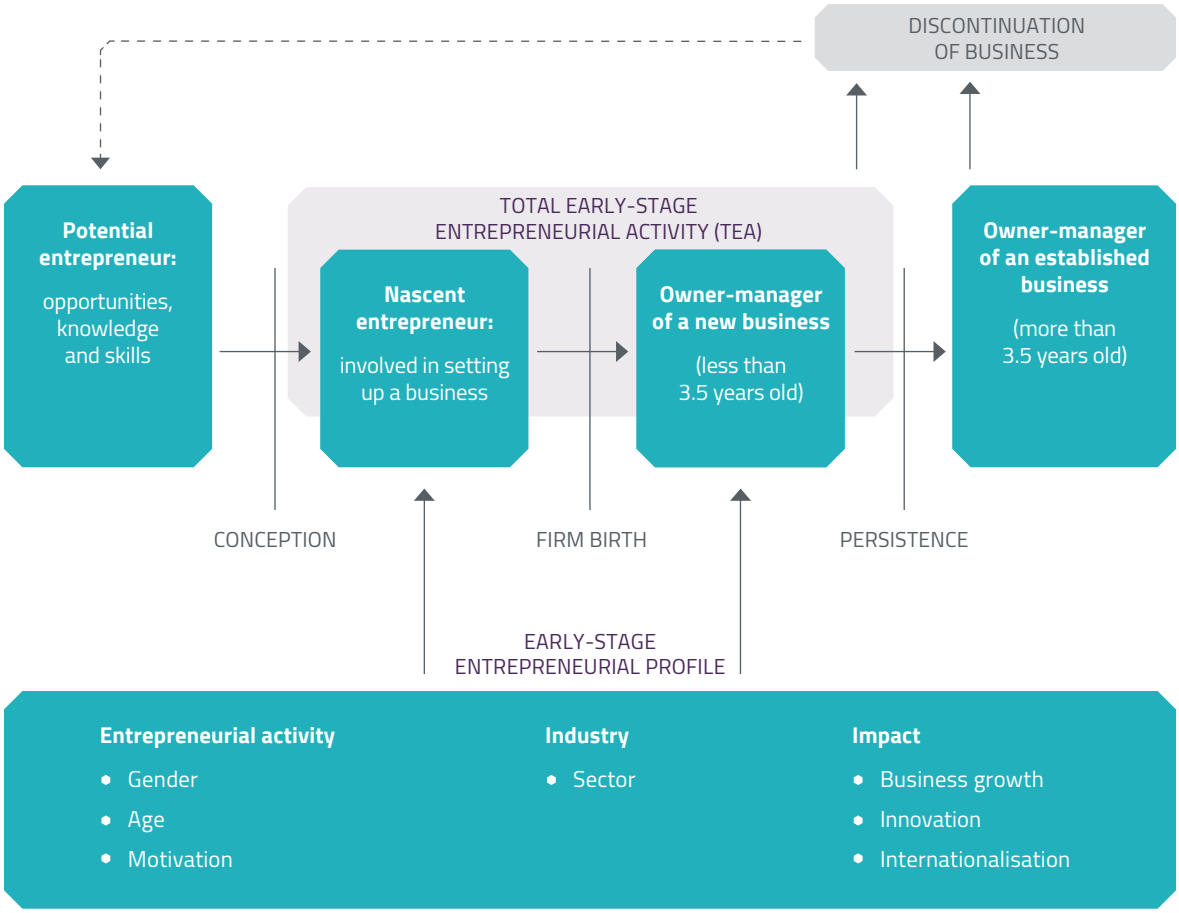


Figure 3 The Entrepreneurial Process and GEM Operational Definitions (Source: Global Report, GEM 2017/18)

1.4 The GEM Global Report, 2017

Each of the 54 countries participating in GEM in 2017 undertook the two specified surveys, using the standard GEM questionnaires under the supervision of the GEM Consortium, which then processed and standardized the results of those surveys and used them to produce the GEM Global Report for 2017/18. This section presents some highlights of that Global Report. Later chapters will outline the survey results for Lebanon in some detail, using the Global Report to make international comparisons, and focusing in particular on Lebanon relative to other GEM-participating countries in the Middle East and North Africa (MENA) region.

For the factor-driven economies, levels of Total early-stage Entrepreneurial Activity (TEA) averaged 16.4%, although **Figure 4** shows considerable variation around that average, from less than one in ten in India to nearly one in four in Vietnam. In the efficiency-driven economies, TEA ranged

	Africa	Asia & Oceania	Latin America & Caribbean	Europe	North America
FACTOR-DRIVEN	Madagascar **21.8**	India **9.3** Iran **13.3** Kazakhstan **11.3** Vietnam **23.3**			
EFFICIENCY-DRIVEN	Egypt **13.3** Morocco **8.8** South Africa **11.0**	China **9.9** Indonesia **7.5** Lebanon **24.1** Malaysia **21.6** Saudi Arabia **11.5** Thailand **21.6**	Argentina **6.0** Brazil **20.3** Chile **23.8** Colombia **18.7** Ecuador **29.6** Guatemala **24.8** Mexico **14.1** Panama **16.2** Peru **24.6** Uruguay **14.7**	Bulgaria **3.7** Bosnia & Herzegovina **4.0** Croatia **8.9** Latvia **14.2** Poland **8.9** Slovakia **11.8**	
INNOVATION-DRIVEN		Australia **12.2** Israel **12.8** Japan **4.7** Qatar **7.4** South Korea **13.0** UAE **9.0** Taiwan **8.6**	Puerto Rico **10.6**	Cyprus **7.3** Estonia **19.4** France **3.9** Germany **5.3** Greece **4.8** Ireland **8.9** Italy **4.3** Luxembourg **9.1** Netherlands **9.9** Slovenia **6.9** Spain **6.2** Sweden **7.3** Switzerland **8.5** United Kingdom **8.4**	Canada **18.8** United States **13.6**

Figure 4 Levels of Total early-stage Entrepreneurial Activity by Region and Economic Development Level, 2017. (Source: 2017/18 Global Report)

around an average of 14.9%, from less than one in 25 in Bulgaria to almost one in four in Peru. Meanwhile, in the innovation-driven economies, levels of TEA were typically much lower and less variable – generalizations confirmed by **Figure 4** – with TEA averaging 9.2% in innovation economies in 2017, though ranging from one in 25 in France to nearly one in five in Canada.

These differences in average levels of early-stage entrepreneurial activity by economic development level are reflected in similar differences in the average levels of established business ownership, which was 16% in factor-driven economies in 2017, falling to 9% in efficiency-driven and then 7% in innovation-driven economies.

Finally, **Figure 5** illustrates the complexity of the relationship between the economic development level and the rate of early-stage entrepreneurial activity, by plotting Gross Domestic Product per capita for each country in 2017 (IMF data, www.statisticstimes.com) against that country's corresponding level of TEA. While high GDP/capita countries in 2017 tended to have fairly low levels of early-stage entrepreneurial activity, the converse was not necessarily the case. Although many relatively low GDP/countries have high levels of TEA, many others do not. Examples include India (GDP/cap US$1,850, TEA 9.3%) and Bosnia (US$4,365, TEA 4%). Similarly, while levels of enterprise are both a cause and a consequence of economic development, the same may be true of economic development (as both a cause and a consequence of levels of enterprise). Disentangling this relationship is a significant challenge.

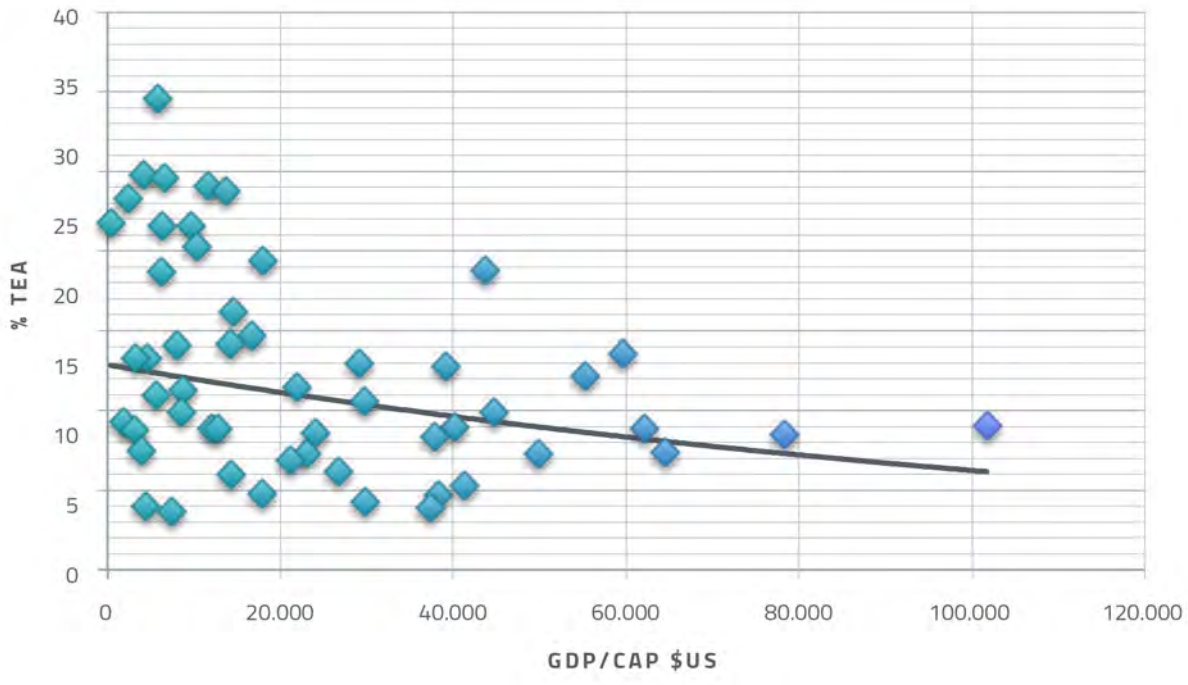


Figure 5 The Relationship between TEA and GDP per capita, all GEM-participating countries, 2017

Chapter 2

The Lebanese Economy 2017

Remittances from Lebanese Diaspora

$8 billion

2.1 Introduction

This chapter is dedicated to the exploration of the Lebanese economy and the drastic changes in 2017 that had an impact on enterprising activity.

Whenever an entrepreneur decides to start a new venture, the overall economic situation of the country is one of the first items on the business plan. Lebanese entrepreneurs, having survived economic and political turmoil for more than 30 years of civil wars and foreign invasions, always look on the bright side and seek growth opportunities.

The year 2017 had witnessed, in general, an enhancement over its predecessor in terms of both economic and political climates. This chapter will discuss the macro environment of Lebanon, the major events that took place in 2017 and their effect on the entrepreneurial ecosystem.

Lebanon has always been one of the unique economies in the Middle East & North Africa (MENA) region. It is considered an open market and free economy, surrounded mainly by controlled economies and socialist doctrine. This has granted Lebanon golden opportunities in terms of becoming a hub for investments in its three major sectors: Banking, tourism, and real estate.

All three sectors fall mainly under the services sector which, according to the latest estimates, contributes 69.4% of total GDP, followed by the industrial sector contributing 25%, with agriculture far behind at 5.7% (CIA World Factbook) as per **Figure 6**.

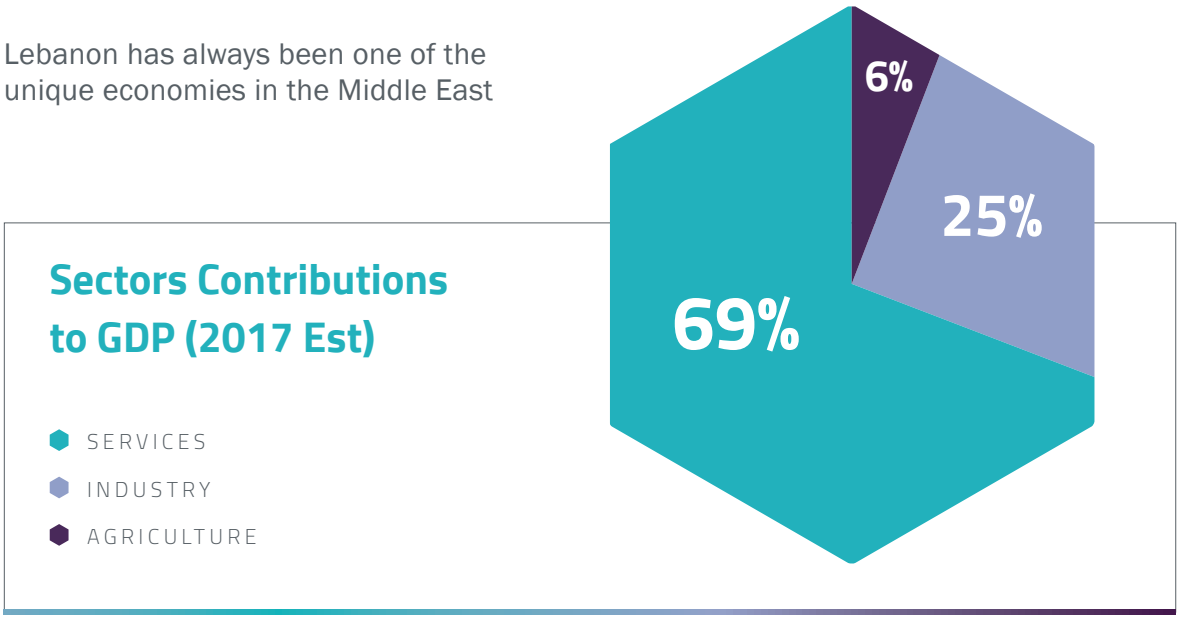


Figure 6 Major Economic Sectors in Lebanon

Accurate demographic statistics and data are hard to obtain for Lebanon. The official bureau in Lebanon is the Central Administration for Statistics (CAS), but it has not conducted recent studies and the last population survey dates back to 2009. Therefore, most of the indicators are based on estimates done by third parties such as the World Bank, UNDP, etc.

The country enjoys a wide ethnic and religious diversity, which has always been a source of strength and uniqueness. According to Hofstede Scale, Lebanese people score high on "power distance," namely 75. This reflects a culture of respect for hierarchy. Interestingly, Lebanon scores 40 on the "individualism" dimension, defined as "the degree of interdependence

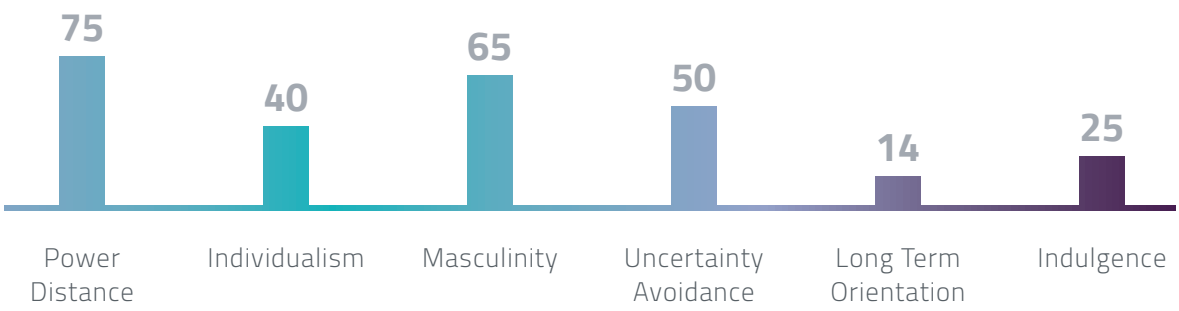


Figure 7 Lebanon's Cultural Drivers (Hofstede-Insights)

According to the CIA Factbook the population of Lebanon in 2017 was estimated at 6.2 million. The labor force is comprised of 2.2 million (De Bel-Air, 2017), with an estimated unemployment rate at 6.3%. This excludes "disguised unemployment" which, when taken into consideration, raises the rate to 11%.

Lebanon also has one of the highest skilled emigration rates in the world. In 2014, it was estimated that 885,000 Lebanese reside out of the country (Migration Policy Centre, 2017). On the positive side, remittances from the Lebanese abroad to their families in Lebanon amount to US$8 billion annually.

a society maintains among its members" (Hofstede, 1983). This means that Lebanon is more of a collectivistic society where families and communities provide support to individuals (especially entrepreneurs) all along the way. This will become evident in subsequent chapters when we discuss the effect of community support on enterprising decision as seen in **Figure 7**.

Lebanese score
40 on "individualism"

2.2 The Economy

Lebanon's GDP growth has remained at 2.1% in 2017 as projected by IMF. The imports were estimated at US$20 billion while exports (mainly agricultural) were at a low US$3.5 billion.

The low exports can be mainly attributed to the raging wars in neighboring countries. The Syrian war has made it almost impossible for land transport of export, and halted more than 85% of those land exportations. This in turn, forced businesses to rely on the much expensive and slower sea shipping.

The war turmoil also extended to the refugee crisis, where Lebanon is reported to have received over 1 million refugees by 2017. This has put a strain on the economy especially with the lagging payments of donors (UNHCR, 2017).

Lebanon also suffers from a stagnating debt-to-GDP ratio of 150%, which puts it among the top three in the world. And although the majority of the debt is internal (63%), it is still a major challenge for policymakers. However, strong engineering by the central bank (Banque Du Liban/ BDL) and a record US$43 billion in foreign reserves have helped the economy survive these economic and political upheavals.

Whenever entrepreneurs conduct an external environment analysis, political forces are keenly analyzed because of their close interdependent relationship with the economic ones. Lebanon is no exception; the year 2016 was a tough year on the region at large, the Lebanese people in general, and the entrepreneurs/business owners in particular. In our GEM 2016 report we concluded:

> "Political stagnation, languid growth, high interest rates and a hostile external environment, with a consequent influx of refugees, meant for very difficult economic circumstances in which to engage in entrepreneurship. Add in inadequate physical infrastructure, expensive and unreliable public services, and political instability/corruption identified as the most pressing business problem, and starting a new business becomes almost an act of faith rather than economic opportunism." **(Hill et al., 2017)**

Nevertheless, 2017 started on a much brighter note. A new president was elected early in the year after 29 months of political stagnation, and brought back some trust in the country and its economy. The arrival of the head of state was accompanied by the reestablishment of the government to play a major role in economic reform.

Moreover, in 2017, the parliament approved the government budget for the first time after 12 years of hiatus. This in turn gave another boost to the economy as foreign and regional investors applauded the transparency move and many projects that were previously on hold were given the green light. Add to that the passing of a new electoral law in June that paved the way to parliamentary elections in 2018 after three cycles of extension. Putting these achievements together created the political consensus that was much needed to continue halted economic reforms.

Building on that momentum, the three pillars of the economy (banking, tourism, and real estate) have benefited from such a climate. As mentioned earlier, the Lebanese economy is dependent mainly on the services sector. Chief among the services is banking. The Lebanese banking system, which is considered the backbone of the economy, is one of the most advanced in the region. It has for decades provided a safe haven for regional investments, and an anchor in a volatile economy. It is also highly regulated and closely supervised by the central bank (BDL). BDL has played a major role in the economy not only through regulation but also by systematically revitalizing the various economic sectors through well-placed, consecutive stimulus packages of approximately US$1 billion since 2013 (The Lebanese Economy–Byblos Bank, 2017).

On another front, the real estate sector, which contributes roughly 14-16% of GDP, has seen some nourishment in the form of increasing demand for small apartments. This was observed by developers in the fourth quarter of 2017, and could be attributed to the general relief in the political circles. Additionally, trust in the

Tourists increased by

12.8 %

system was reflected in tourism. The year 2017 was a very positive year for that industry where incoming tourists' numbers increased 12.8 % in the first five months of 2017 compared to the same period in 2016. Similarly, hotel occupancy increased to 65.2% compared to 58.9% in 2016 (World Bank Group, 2017).

2.2 The Economy (cont.)

The Oil & Gas sector is yet to start contributing to the economy. The reserves and blocks had been determined more than six years ago. Because of political tensions internally and externally, no real efforts have been made to shape the industry. December 2017 witnessed a breakthrough with the approval of offers made by a consortium of international oil companies to explore for natural gas in maritime blocks 4 and 9. If excavation starts in 2019 as planned, it is expected to create savings of 22% of oil & gas importations.

Policymakers seem to be moving in the right direction, benefitting from the positive environment to further push for economic reforms. It was announced in early 2018 that the government had recruited McKinsey & Co. to lead an economic restructuring project during the year.

Additionally, the government is gearing up for Paris 4, an economic summit that will take place in April 2018 and could result in funding in projects totaling US$16 billion. This in turn is expected to create growth of 6% in GDP in 2019.

All of these initiatives provide a clear indicator that the Lebanese economy is preparing for a new era where it will strive to reposition itself in order to compete regionally and globally.

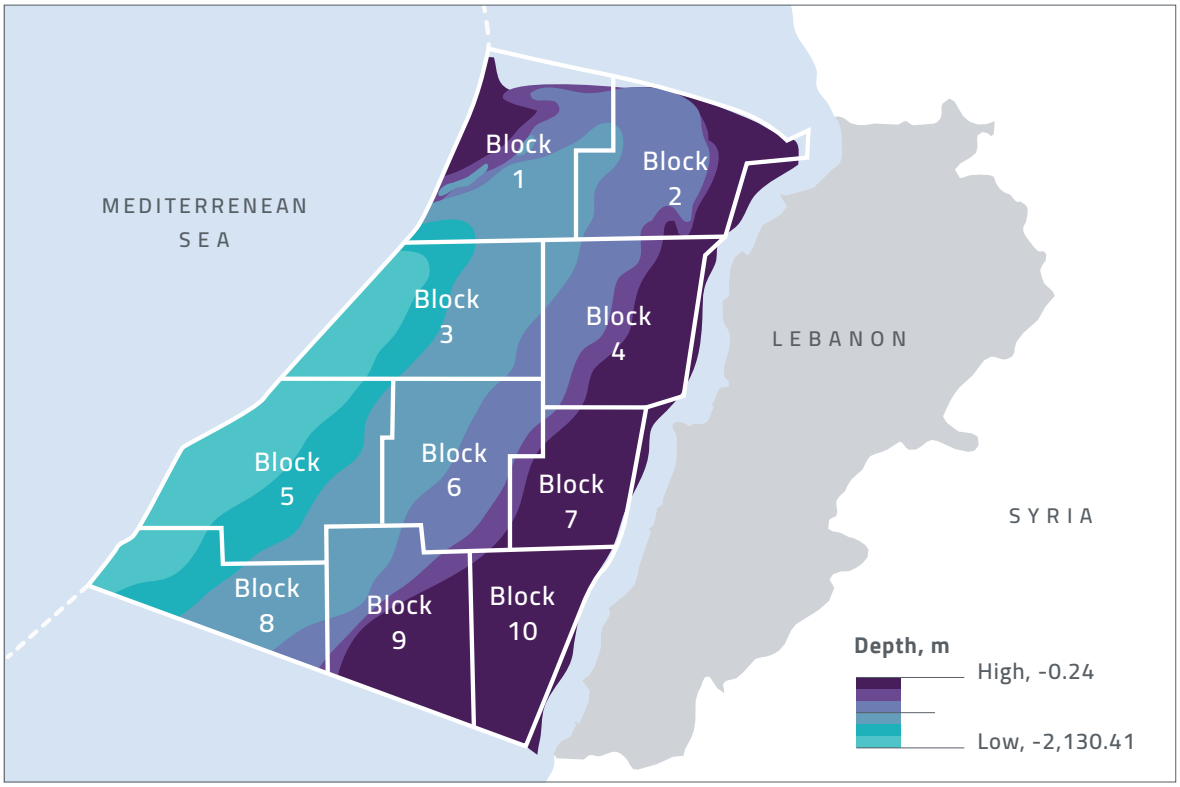


Figure 8 Oil & Gas Block Map (Oil and Gas Journal, 2017)

2.3 The Entrepreneurial Ecosystem

After the macro view of the economy, it is important to have a closer look at the Lebanese entrepreneurial ecosystem.

In order for individuals to engage in enterprising activities, an encompassing and encouraging environment should exist. This includes infrastructure, legislation, education, and funding.

Chapter 4 is dedicated to fully assess the ecosystem from the national experts' point of view. So this section will provide an overview of the major elements.

On the legislative side, BDL has come up with several laws and circulars aimed at encouraging entrepreneurial activities. In 2014, it issued "Circular 331" aimed at encouraging startups by ensuring that commercial banks' investments in these startups are guaranteed by BDL. This resulted in raising US$320 million that were invested in approximately 40 startups. While it is still shy of the initial target of US$600 million, this circular has created a significant motivation not only for startups but also for venture capitalists and incubators.

US$320 M
for 40 startups

Beirut Digital District, located in downtown Beirut, is a project aiming to create a hub for the digital and creative industries in Lebanon. Chief among these accelerators are the UK Lebanon Tech Hub and Berytech. The UK Lebanon Tech Hub was responsible in the past two years for helping 77 startups and raising more than US$20 million for them.

Other agencies for financing new enterprises include Kafalat, which had extended 541 loans in 2017 for a total of US$67 million. Approved projects covered a wide spectrum of economic activities ranging from agriculture (39%), to industrial (34%) and even tourism (22%).

In parallel, the tertiary and vocational education system is providing a top-notch pool of talent and expertise for current and entrepreneurs-to-be. In addition to the creation of bachelor's and master's programs in technology-driven subjects and in the oil industry, universities are focusing more on expanding their innovation, entrepreneurship, and SMEs management programs. For example, the Adnan Kassar School of Business at LAU has had an SME emphasis within its business degree for many years, and now has a dedicated Family Business Center. Moreover, universities are forming partnerships with accelerators and incubators to create centers for excellence in business and entrepreneurship.
The infrastructure is still the weakest link in the ecosystem, since the basic elements have a long way to go. Internet speed and reliability is a major obstacle, as cited by the national experts. Additionally, continuous electricity service is a must and an efficient network of routes and roads is needed.

Figure 9 is adapted from work by AlHussaini (2007) depicting the components of the entrepreneurial ecosystem and the various roles they play in vitalizing the enterprising activities.

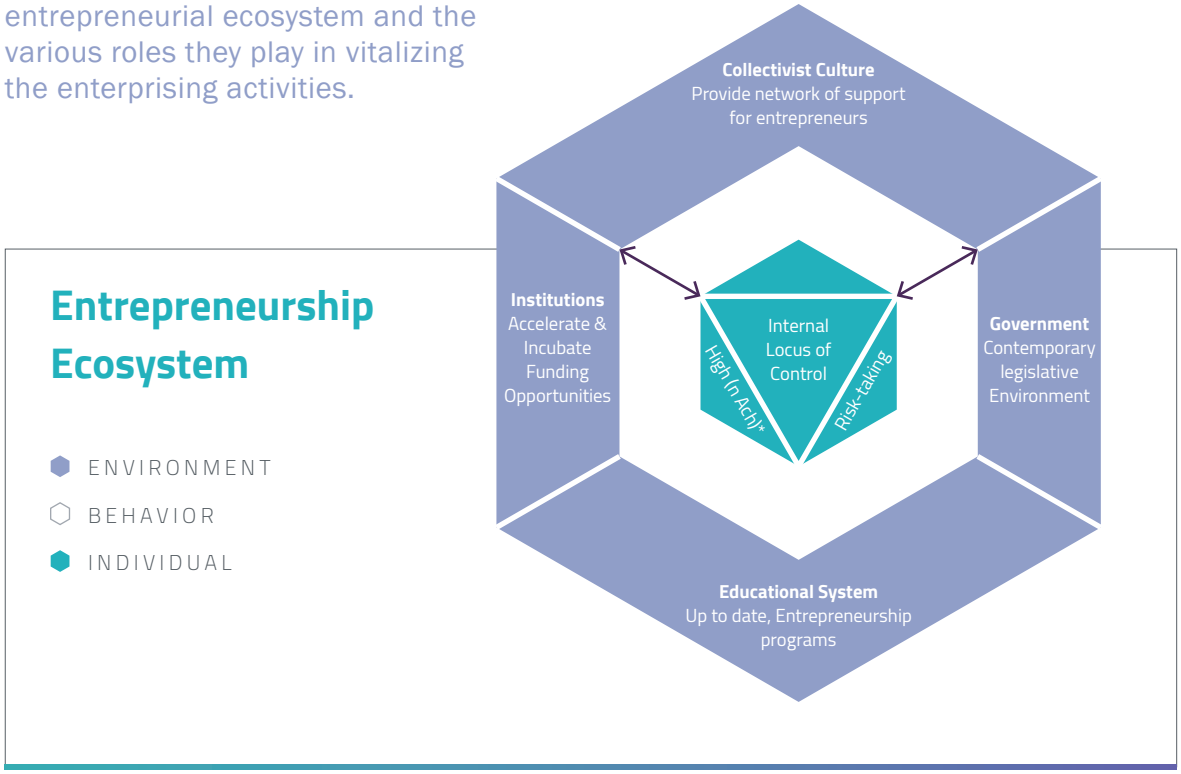


Figure 9 Entrepreneurship Ecosystem (*n Ach= Need for Achievement)

2.4 Conclusion

The year 2017 saw some relief on the political climate that reflected positively on the risk-taking mood among entrepreneurs.

It is evident that the government, aided by numerous institutions, is making tremendous efforts to create a nourishing environment for aspiring and veteran entrepreneurs. However, the slow growth of the economy and the lack of strong infrastructure, among other factors, are presenting obstacles hindering the enterprise movement. Needless to say, if the Lebanese economy is to reach its full potential, these obstacles that will be detailed in the upcoming two chapters need to be a top priority for decision makers.

Chapter 3

Entrepreneurial Activity in Lebanon

The Adult Population Survey

2,000

Face to Face Interviews

3.1 Introduction

This chapter will outline the results of the 2017 GEM Adult Population Survey (APS) for Lebanon, and will show that Lebanon continues to be one of the world's most entrepreneurially active economies, with a level of Total early-stage Entrepreneurial Activity (TEA) that ranked fourth of the 54 economies participating in GEM 2017, and first (by far) of the eight countries in the MENA region that took part.

Lebanon also ranked first for levels of Total early-stage Entrepreneurial Activity amongst the 17 GEM-participating countries in the whole of Asia & Oceania.

Recall that the 2017 APS for Lebanon involved 2,000 face-to-face interviews with adults across all parts of the country. This chapter will summarize the results of those interviews, illustrating the recent evolution of entrepreneurship in Lebanon by drawing comparisons with the outcomes of the equivalent surveys in the country in 2016 and 2015, and, where appropriate, comparing the results for Lebanon with those of the other participating countries in the MENA region, and beyond.

In summary, in 2017 Lebanon ranked 1st for established business ownership rates, 3rd for new business entrepreneurship, and 17th of the 54 economies in terms of the level of nascent entrepreneurship. Almost six out of ten adults in Lebanon saw good opportunities to start a new business, while three out of four believed themselves capable of running a new business.

Lebanon ranked highest of the 54 countries in terms of perceived self-capacity to start a new business, and lowest in terms of the proportion of surveyed adults who would be deterred from starting a business by a fear of failure.

In addition to questions about entrepreneurial activity and attitudes, the survey asks a wide range of questions about perceptual factors such as motivation and entrepreneurial intentions, as well as key demographic variables such as age, gender, education and household income. This chapter will outline the relationship between these factors and entrepreneurial activity.

Lebanon's 2017 TEA rank

4th / 54

3.2 Social Values

The decision to start a new enterprise may depend, at least in part, on social and cultural values such as whether entrepreneurship is seen as a good career choice, whether entrepreneurs are held in high regard and whether the media positively promotes enterprise. The GEM APS addresses these issues directly by asking a series of yes/no questions:

- Is starting a business seen as a desirable career choice?
- Do individuals who start a business have high status and respect?
- Does media attention to enterprise contribute to developing an entrepreneurial culture?

Table 3.1 provides a summary of responses by global region, including comparable results for 2015 and 2016. In 2017, more than three out of four adults in Africa saw entrepreneurship as a good career choice, compared to less than six in ten in Europe, although the proportion in Europe has been steadily increasing over time.

		Africa	Asia & Oceania	Latin America[2]	Europe	North America
Entrepreneurship is a good career choice (% yes)	**2017**	**76.2**	**61.9**	**60.8**	**58.5**	**64.3**
	2016	74.6	65.2	63.7	57.2	64.6
	2015	70.6	61.9	64.1	55.9	N/A
Entrepreneurs have high status (% yes)	**2017**	**74.5**	**72.5**	**60.7**	**67.3**	**74.7**
	2016	76.7	72.7	63.2	66.1	74.0
	2015	73.2	70.5	64.6	66.0	N/A
Media attention promotes enterprise (% yes)	**2017**	**60.1**	**67.5**	**60.8**	**54.3**	**75.5**
	2016	64.9	68.3	61.0	57.2	72.5
	2015	62.8	69.2	64.0	55.1	N/A

Table 3.1 Global Perceptions of the Social Value of Entrepreneurship, %, 2015-17 (Source: GEM Global Reports, 2015-2017)

Almost three out of four adults in both North America and Africa saw entrepreneurs as having a high status, compared to just six out of ten in Latin America. The largest regional differences, however, are in the proportions of adults perceiving the media as promoting enterprise, ranging from more than three in four in North America to just over a half in Europe. While perceptions of the media as promoting enterprise increased in North America between 2016 and 2017, in that same period they have been declining in all other global regions.

[2] In this and subsequent tables, Latin America includes Caribbean.

3.3 Individual Perceptions, **Lebanon 2017**

As well as Social Values, the decision to engage in entrepreneurial activity will also be influenced by individual attributes, including perceptions. The GEM Adult Population Survey addresses four key dimensions of individual perceptions:

- Perceived opportunities – do you see good opportunities for starting a business locally (within the next six months)?
- Perceived capabilities – do you believe you have the required skills, knowledge and expertise to start a business?
- Fear of failure – do you see good opportunities to start a business but the fear of failure would stop you?
- Entrepreneurial intentions – do you intend to start a business in the next three years, (excluding those who are already doing so)?

Table 3.2 sets out results for 2017 for Lebanon alongside the seven other countries participating in GEM from the MENA region.

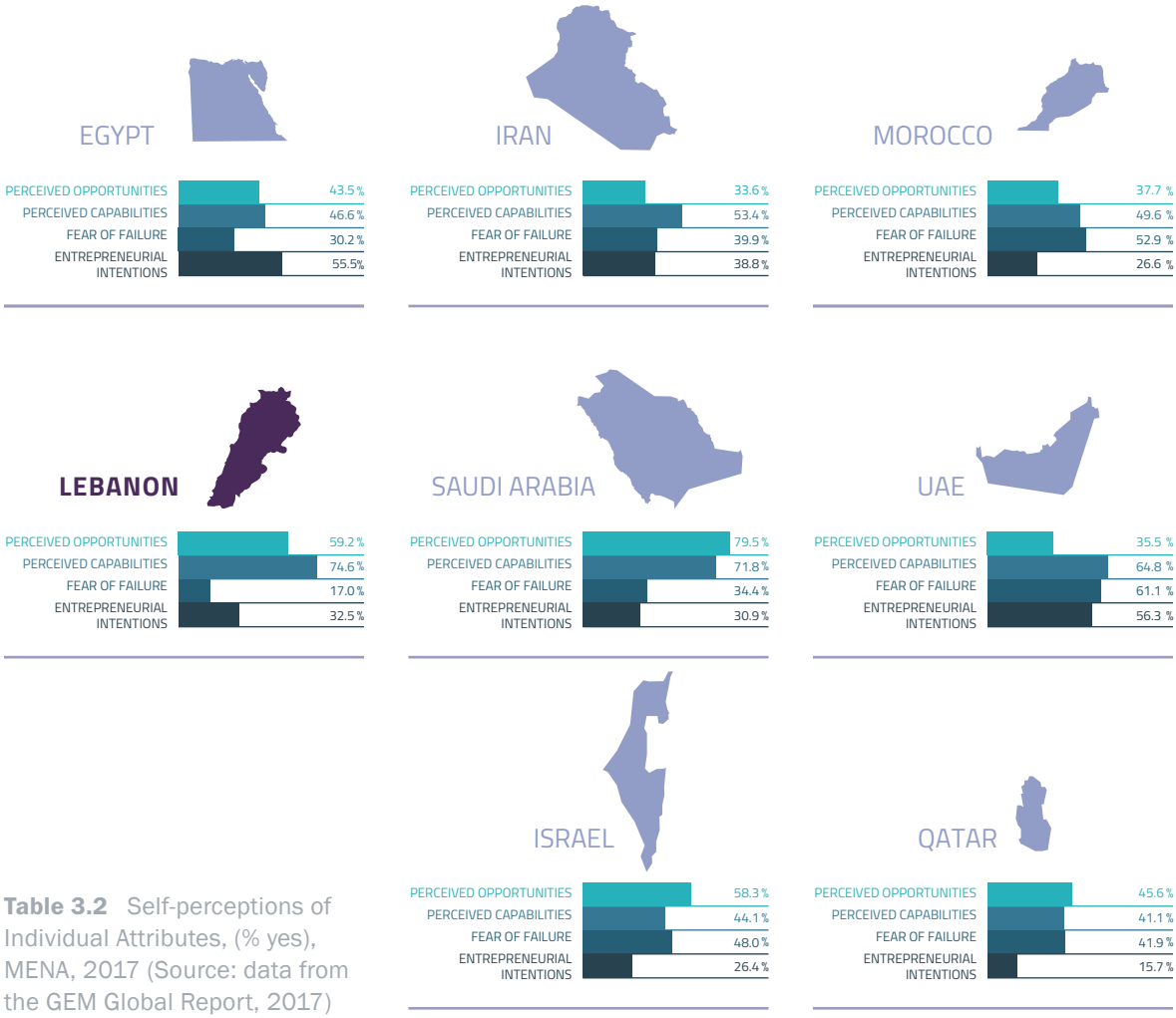


Table 3.2 Self-perceptions of Individual Attributes, (% yes), MENA, 2017 (Source: data from the GEM Global Report, 2017)

Adults in Lebanon are clearly not lacking in self-confidence in terms of their view of business opportunities and their perceived ability to seize those opportunities. In 2017, nearly six in ten saw good opportunities to start a business, while three out of four considered themselves as having the skills, experience and capabilities to start a business. Only one in six adults in Lebanon sees good opportunities but would be deterred from starting a business by fear of failure. As a result of these perceptions, nearly one in three of the Lebanese individuals interviewed intended to start a business in the next three years, (excluding those already doing so).

Out of the 54 participating countries, Lebanon had the highest proportion seeing themselves as having the perceived capability to start a business, and the lowest proportion who would be deterred by fear of failure. However **Table 3.2** shows that Lebanon lagged well behind Saudi Arabia in terms of those seeing good opportunities to start a business, and behind the UAE, Egypt and Iran in terms of entrepreneurial intentions.

Compared to 2016, the proportion of Lebanese adults believing in good opportunities to start a business was fairly stable (60% in 2016, 59% in 2017), while perceived capabilities rose (from 68% to 75%), and fear of failure declined (from 22% to 17%). However, entrepreneurial intentions also fell (from 41% to 33%).

In the 2017 GEM Global Report, the GEM Consortium introduced what it calls the GEM Entrepreneurial Spirit Index (GESI), based on answers to the three questions on: entrepreneurial awareness (do you know someone who has started a business in the past 12 months?); opportunity perception (are there good opportunities for starting a business in the local area?); and entrepreneurial self-efficacy (do you believe you have the knowledge, skills and experience to start a business?). A principal component analysis was used on the total 2017 data sample for 54 economies to develop a factor score for each country, presented as a numerical score indicating a country's relative standing in terms of entrepreneurial spirit.

Lebanon ranked **1st** in the perceived capability to start a business

The results of this process are shown in **Figure 10**, with countries arranged from highest score (Saudi Arabia), to lowest (Japan). On this relative scale between -1 and +1, Lebanon scores second highest behind Saudi Arabia.

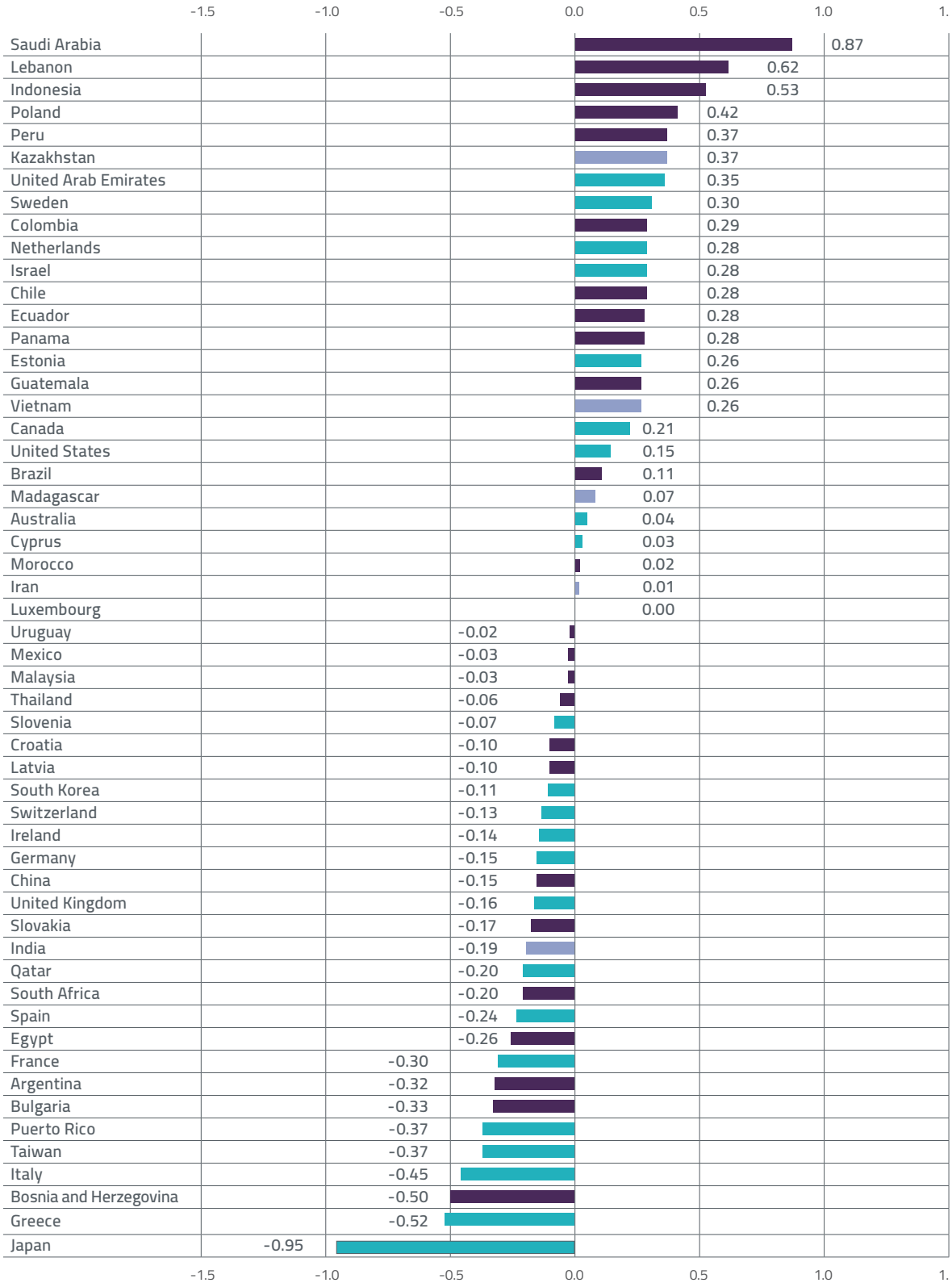


Figure 10 The Entrepreneurial Spirit Index (Source: GEM Global Report, 2017)

3.4 Entrepreneurial Activity

The key measure of entrepreneurial activity with the GEM framework is the Total early-stage Entrepreneurial Activity rate, or TEA. This is the proportion of those interviewed who are either actively engaged in starting a new business (Nascent Entrepreneurs) or who are running a new business (New Business Entrepreneurs). Nascent Entrepreneurs are those who have committed resources to starting a new business, but have not yet paid wages or salaries for more than three months, while New Business Entrepreneurs are those who have paid wages or salaries for more than three months but less than 42 months. Those paying wages or salaries for more than 42 months are classed as Established Business Owners.

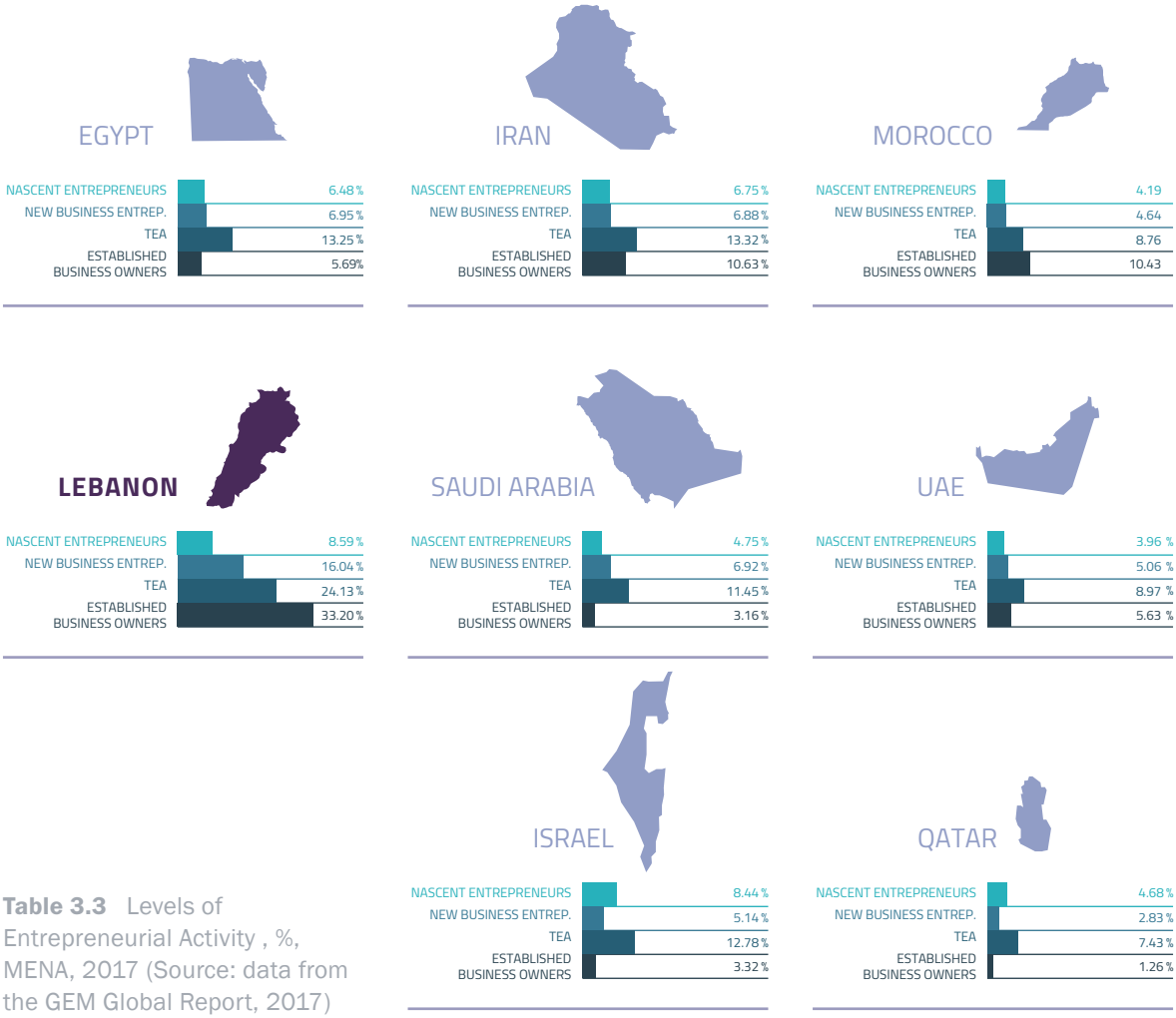


Table 3.3 Levels of Entrepreneurial Activity , %, MENA, 2017 (Source: data from the GEM Global Report, 2017)

[3] Note: TEA is slightly less than the sum of Nascent plus New Business because of overlap.

Table 3.3 shows Lebanon as much more entrepreneurial than her neighbors in the MENA region. In Lebanon in 2017, one in 11 adults was actively starting a new business, while one in six was running a new business, meaning that almost one in four was either starting or running a new business. Meanwhile almost one in three adults was running an established business. Of the 54 participating GEM countries in 2017, Lebanon ranked 17th for Nascent Entrepreneurs, 3rd for New Business Entrepreneurs, 4th for Total early-stage Entrepreneurial Activity (TEA), and 1st for Established Business Ownership. The level of early-stage entrepreneurial activity in Lebanon was more than ten percentage points higher than any other MENA country within GEM, and nearly twice that of the next highest neighbor.

The next table (**Table 3.4**) shows the evolution of entrepreneurial activity in Lebanon over the past three years. While the level of Nascent Entrepreneurship has fallen slightly year-by-year, the level of New Business Entrepreneurship fell from 2015 to 2016, before a partial recovery in 2017. As a result, the TEA level fell from 2015 to 2016, before increasing in 2017. Meanwhile the level of Established Business Ownership has been increasing year by year.

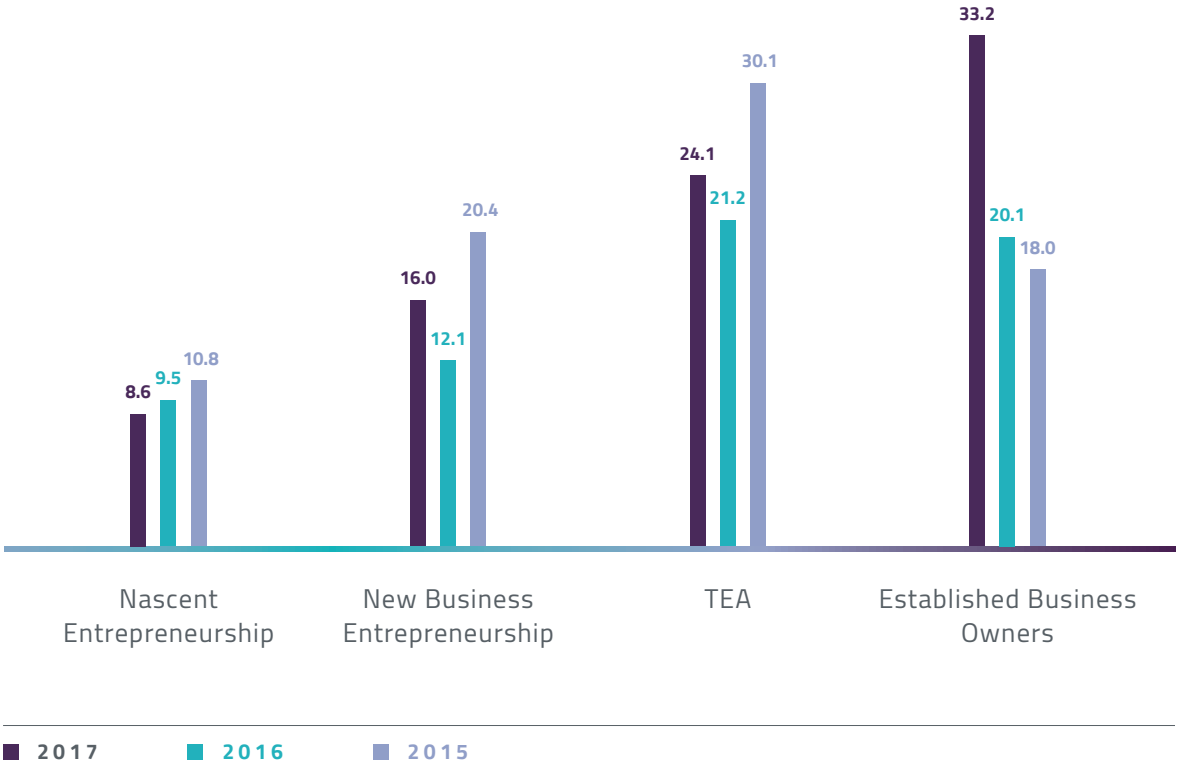


Table 3.4 Entrepreneurial Activity in Lebanon, %, 2015-17
(Source: GEM National Reports for Lebanon, 2015-2017)

3.5 Employee Entrepreneurship and Business Discontinuance

Starting a business is an obvious form of entrepreneurial activity, while those running an established business are also likely to regard themselves as entrepreneurial. In addition, some employees, rather than owners, may be engaged in entrepreneurial activities such as setting up subsidiaries, developing new products or new markets, etc.

The GEM APS asks about these activities as employees, and the proportion of survey respondents reporting that they undertake these kinds of activities is called the Employee Entrepreneurial Activity rate or EEA. **Table 3.5** shows that the EEA level in Lebanon has been declining in recent years. However the low levels overall may simply reflect the low levels of employment in Lebanon, i.e. the relatively low proportion of the adult population who are employed by someone else. The level of EEA in 2017 put Lebanon 35th of the 54 participating countries.

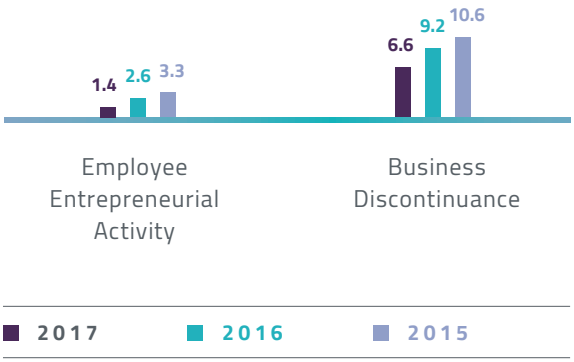


Table 3.5 Entrepreneurial Activity in Lebanon, %, 2015-17 (Source: GEM National Reports for Lebanon, 2015-2017)

Lebanon's ranked **11th** in business discontinuance

The ability to discontinue a business may be an important influence on the level of business startups, since anticipated difficulties in closing a business can act as a significant deterrent. At the same time, since not all businesses succeed, high levels of business discontinuance may simply be the corollary of high levels of startups and established business ownership. **Table 3.5** shows that the proportion of adults in Lebanon who have discontinued a business in the last 12 months has fallen steadily in the past two years. In 2017, Lebanon had the 11th highest level of business discontinuance of the 54 GEM-participating countries.

The GEM APS not only asks if you have discontinued a business in the past 12 months, but also, if you answer yes, then it asks why. **Table 3.6** shows the evolution of reasons for discontinuance in Lebanon since 2015.

None of the adults surveyed in Lebanon reported that they had sold their business in 2017, while the proportion citing unprofitability as the main reason for discontinuance has more than doubled since 2015. This was the main reason given by seven in ten of those who had discontinued a business, up from less than a half in 2016 and just over a third in 2015. All other reasons for discontinuance had declined in terms of shares of responses, with the exception of Bureaucracy, cited by one in 20 of those closing a business in 2017.

While across the 54 GEM participating countries in 2017 unprofitability was usually the most frequent reason for discontinuance, the proportion giving this as the main reason in Lebanon (70%) was much higher than anywhere else. Bulgaria was the next highest at 59%, followed by Panama at 58% and Brazil and Korea with 57%.

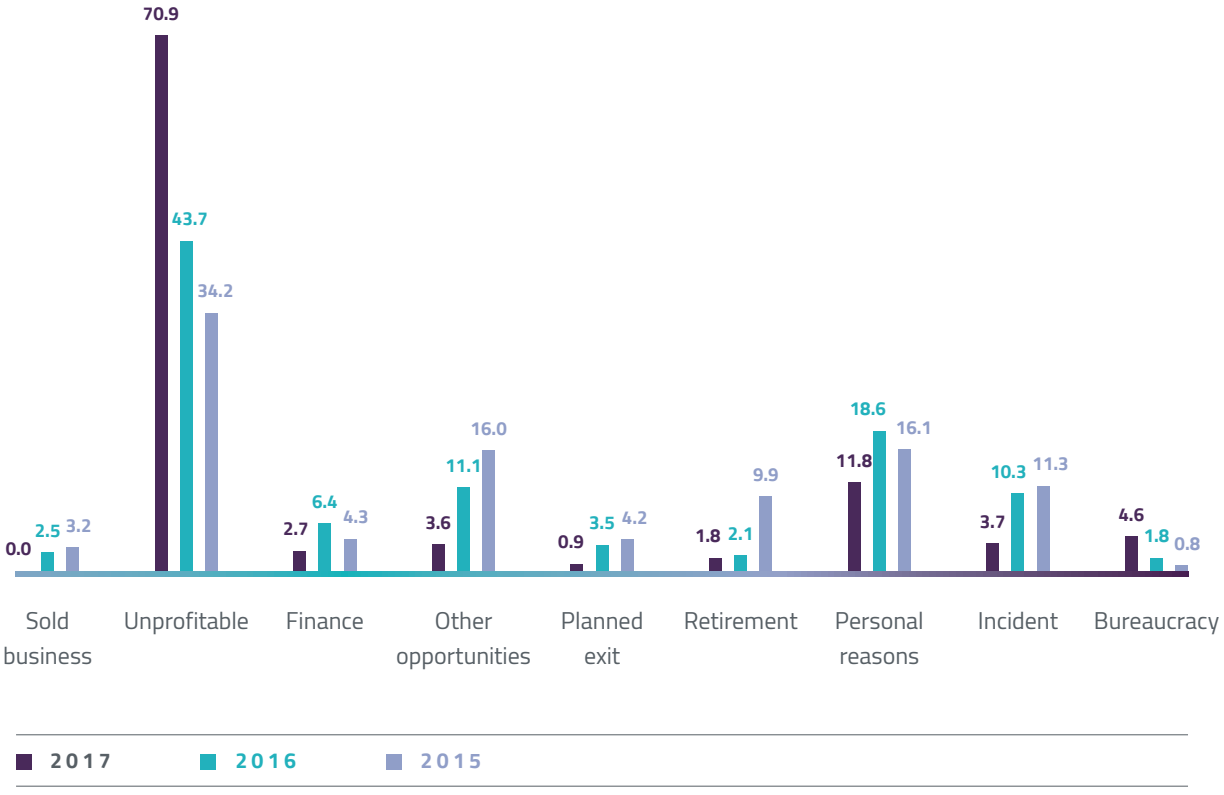


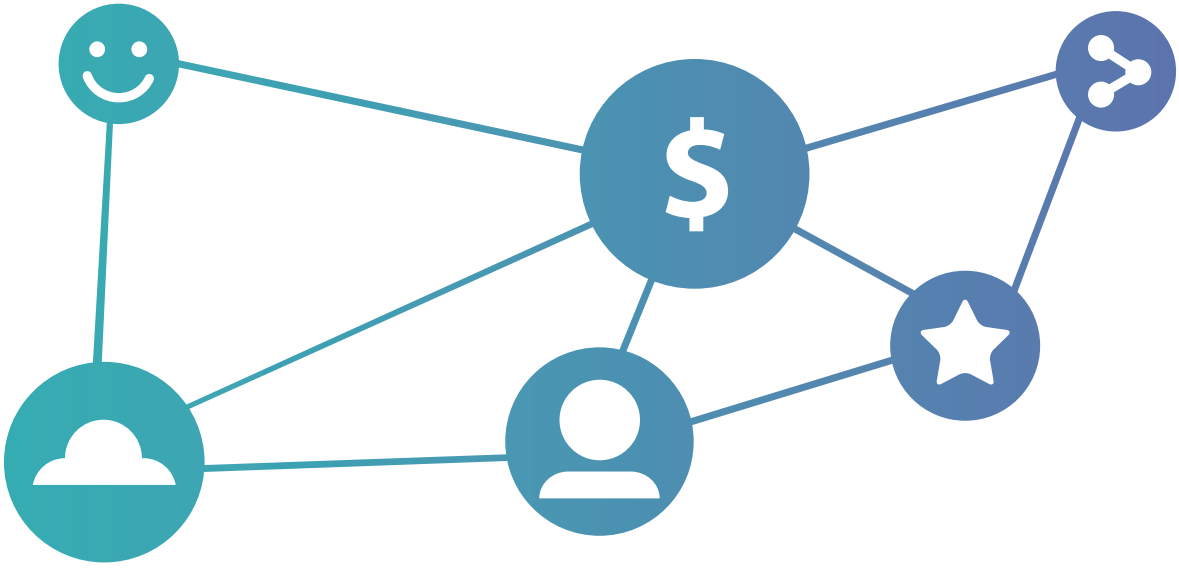
Table 3.6 Main Reasons for Discontinuing a Business, %, Lebanon 2015-17
(Source: GEM National Reports for Lebanon, 2015-2017)

3.6 The Motivation for Entrepreneurship

There are many reasons for starting a business, from the need to create an income to the desire for independence or self-fulfillment, or from seizing the chance to make some quick money to developing a career that can last a lifetime.

These reasons are important because they can affect the long-term viability of the business, as well as its potential impacts in terms of income and jobs. They also matter to those policymakers keen to encourage or develop entrepreneurship in order to promote economic development.

The GEM framework recognizes this variety of motives, which it seeks to summarize as either necessity or opportunity entrepreneurship. The necessity-driven entrepreneur starts a business because of a need for an income and the lack of alternatives, whereas the opportunity-driven entrepreneur seeks to take advantage of an identified business opportunity. Of course most people starting a business would see elements of both, but the GEM APS survey asks respondents to make a choice. Globally, around three-quarters of those starting a business say they are driven by opportunity, although that proportion is generally highest in countries at higher stages of development.



The reasons behind a business can affect its long-term viability

Table 3.7 sets out the motivation responses for the GEM-participating MENA countries in 2017. Whilst Lebanon had the highest level of Total early-stage Entrepreneurial Activity (TEA) at 24%, it also had the second highest share of this as driven by necessity (38%, behind Egypt on 43%), and the second lowest share driven by opportunity (61%, above Egypt on 54%).

Of the 54 countries globally, Lebanon ranked 5th highest in shares of TEA driven by necessity, and 49th highest in shares driven by opportunity. What these figures mean for Lebanon is that in 2017, almost one in ten adults (9.2%) started a business because of necessity, compared to the just under one in seven (14.8%) who started a business to seize an opportunity.

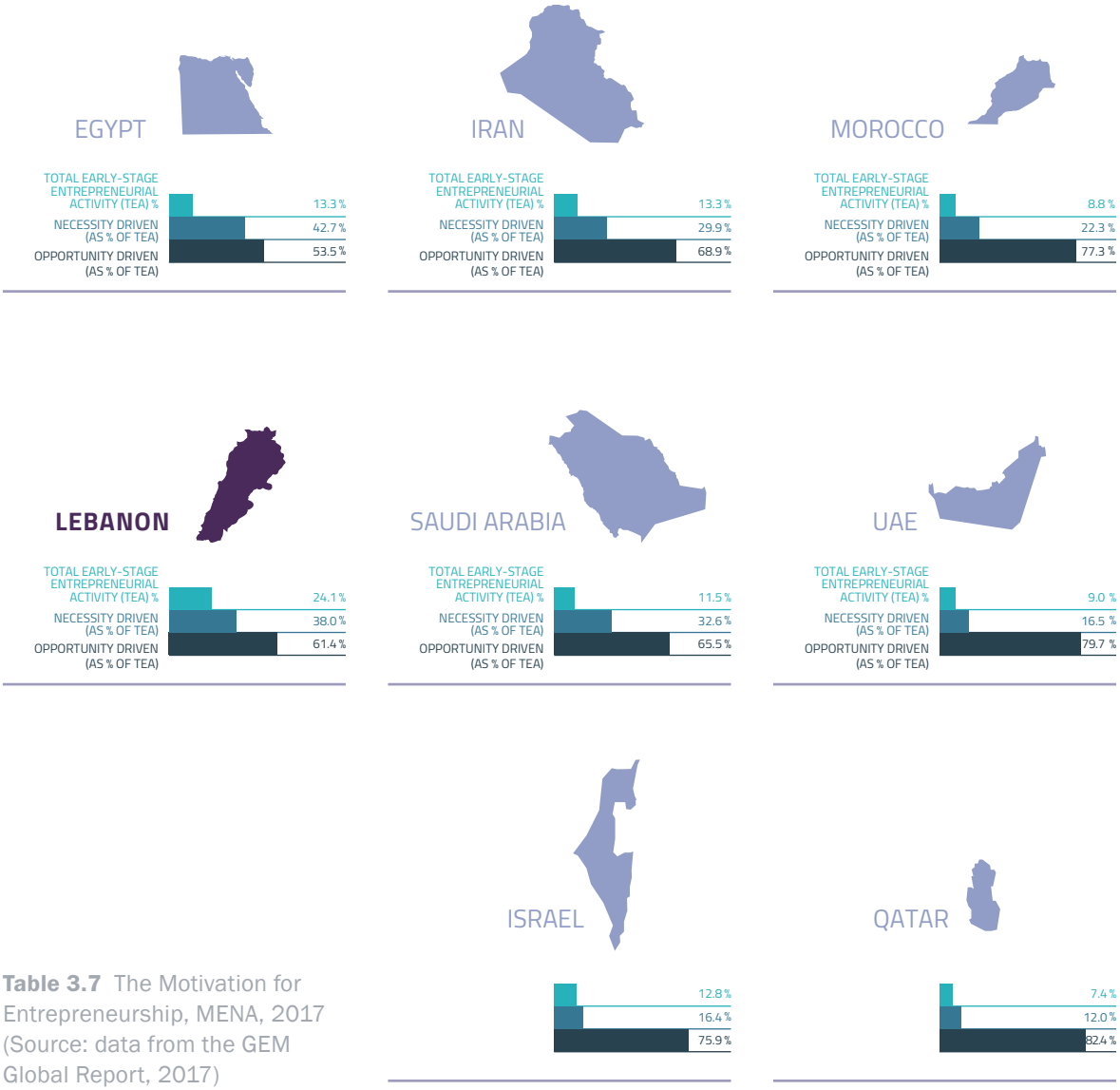


Table 3.7 The Motivation for Entrepreneurship, MENA, 2017 (Source: data from the GEM Global Report, 2017)

3.7 Informal Investment

The traditional sources of informal investment, (i.e. not from banks or other financial institutions), for startups[4] are commonly known as the three f's: family, friends and fools. In Lebanon, family is by far the dominant source of informal investment. The GEM APS asked individuals if, in the previous three years, they had provided any funds for a business startup owned by someone else. In Lebanon, in 2017, just 6% of respondents said yes, up from 4.4% in 2016. **Table 3.8** shows the corresponding rates for the MENA countries in GEM in 2017.

Those who had invested in someone else's startup were asked how much they had invested: Table 3.8 includes only those who had invested and specified the amount. Interestingly, the extent to which people were prepared to say how much they had invested varied considerably across the region. In Lebanon, all but one of the people who said they had invested in someone else's startup were prepared to say how much, whereas in both Saudi Arabia and the UAE, almost a third of those who said they had invested were not prepared to do so.

Some simple calculations reveal the magnitude of these informal investments. For Lebanon, **Table 3.8** shows 6% of adults aged 18-64 investing an average of US$9,282 in someone else's startup. The latest reported Lebanese population (http://www.moph.gov.lb) was 4,167,703, of whom 2,415,398 were aged 18-64. Then 6% of this population times US$9,282 amounts to US$1.35 billion, or approximately 2.6% of Lebanon's Gross Domestic Product.

The Survey also asked about the informal investors' relationship to the owner of the startup. In Lebanon, as anticipated, 65% were close family, with 18% being some other relative. Another 16% invested with a friend or neighbor, and just 1% with a work colleague.

Country	Egypt	Iran	Morocco	**Lebanon**	Saudi Arabia	UAE	Israel
Have invested in someone else's startup (and are prepared to say how much), **%**	3.41	7.93	1.68	6.00	7.10	5.51	4.17
Average amount invested, **$US**	5,090	3,190	4,675	**9,282**	12,048	13,987	32,950

Table 3.8 Informal Investment, MENA countries, 2017 (Source: GEM APS, 2017)

[4] The term startup is used generically here and in this chapter as referring to those actively engaged in starting or running a new business, as in used synonymously with Total early-stage Entrepreneurial Activity (TEA).

3.8 Gender, Age and Entrepreneurship

While the overall level of TEA in Lebanon in 2017 was 24.1%, for men it was considerably higher (28.8%), and for women correspondingly lower (19.8%). **Table 3.9** sets out levels of entrepreneurial activity by gender across the MENA countries, as well as the shares of that entrepreneurial activity described as opportunity or necessity. In all these countries except Qatar, the level of male entrepreneurial activity exceeded that of females. The absolute gender gap for entrepreneurial activity is set out in the penultimate column of the table, while the final column gives the ratio of female to male entrepreneurial activity levels.

	Male TEA (Tm)	Female TEA (Tf)	Male Opportunity (% TEA)	Female Opportunity (% TEA)	Male Necessity (% TEA)	Female Necessity (% TEA)	Tm-Tf	Tf/Tm
Egypt	18.8	7.5	58.6	40.5	37.6	56.1	11.3	0.40
Iran	16.1	10.5	68.4	69.7	31.3	27.7	5.6	0.65
Morocco	12.9	4.7	76.7	78.9	23.3	19.8	8.2	0.37
Lebanon	**28.8**	**19.8**	**68.7**	**51.5**	**30.9**	**47.5**	**9.0**	**0.69**
Saudi Arabia	12.4	10.3	71.7	56.5	26.7	40.9	2.1	0.83
UAE	9.3	8.3	79.9	79.2	17.8	13.4	1.0	0.89
Israel	14.8	10.7	76.0	75.7	17.8	14.4	4.1	0.72
Qatar	7.4	7.4	83.7	76.9	11.8	12.9	0.0	0.99

Table 3.9 Gender Differences in Entrepreneurial Activity, MENA 2017 (Source: GEM APS, 2017)

The absolute gender gap was highest in Egypt, where the male TEA rate was more than 11 percentage points higher than that for females, followed by Lebanon (nine points) and Morocco (eight). The lowest absolute gender gaps were in Qatar, the UAE and Saudi Arabia. It is interesting that the absolute gender gaps were substantially higher in the Mediterranean Arab countries than in what are seen as the traditionally patriarchal Gulf Arab countries. This is confirmed by the relative gender gaps, measured by the female entrepreneurial rate as a proportion of the male rate. This ranged from 0.37 in Morocco, (implying that men were almost three times more likely than women to be engaged in early-stage entrepreneurial activity), to 0.99 in Qatar (where women were more or less as likely to be entrepreneurial as men). In the full sample of 54 countries globally in 2017, only three, (Vietnam, Brazil and Ecuador), had female entrepreneurial activity rates that exceeded those of men.

Level of TEA in Lebanon
24.1%

3.8 Gender, Age and Entrepreneurship

In terms of the motivation for entrepreneurial activity, opportunity was more likely to be reported as a motive for men than for women, except for Iran and Morocco, which were the only countries were necessity as a motive was higher for men than for women. Opportunity as a share of male entrepreneurial activity ranged from 59% in Egypt to 84% in Qatar, whilst for women it varied from 41% in Egypt to 79% in the UAE. Necessity as a motive for male entrepreneurial activity ranged from 12% in Qatar to 38% in Egypt, whilst for women it varied from 13% in Qatar to 56% in Egypt.

Table 3.10 shows the evolution of entrepreneurial activity by gender in Lebanon over the past three years. Both male and female entrepreneurial activity rates fell sharply from 2015 to 2016 before partial recovery in 2017. Opportunity as a proportion of male entrepreneurial activity followed a similar pattern, whilst for women it has declined year by year. Similarly, necessity as a share of male entrepreneurial activity increased sharply between 2015 and 2016, before falling back in 2017. Meanwhile, necessity as a share of female entrepreneurial activity has increased steadily, from less than a third in 2015 to almost a half in 2017.

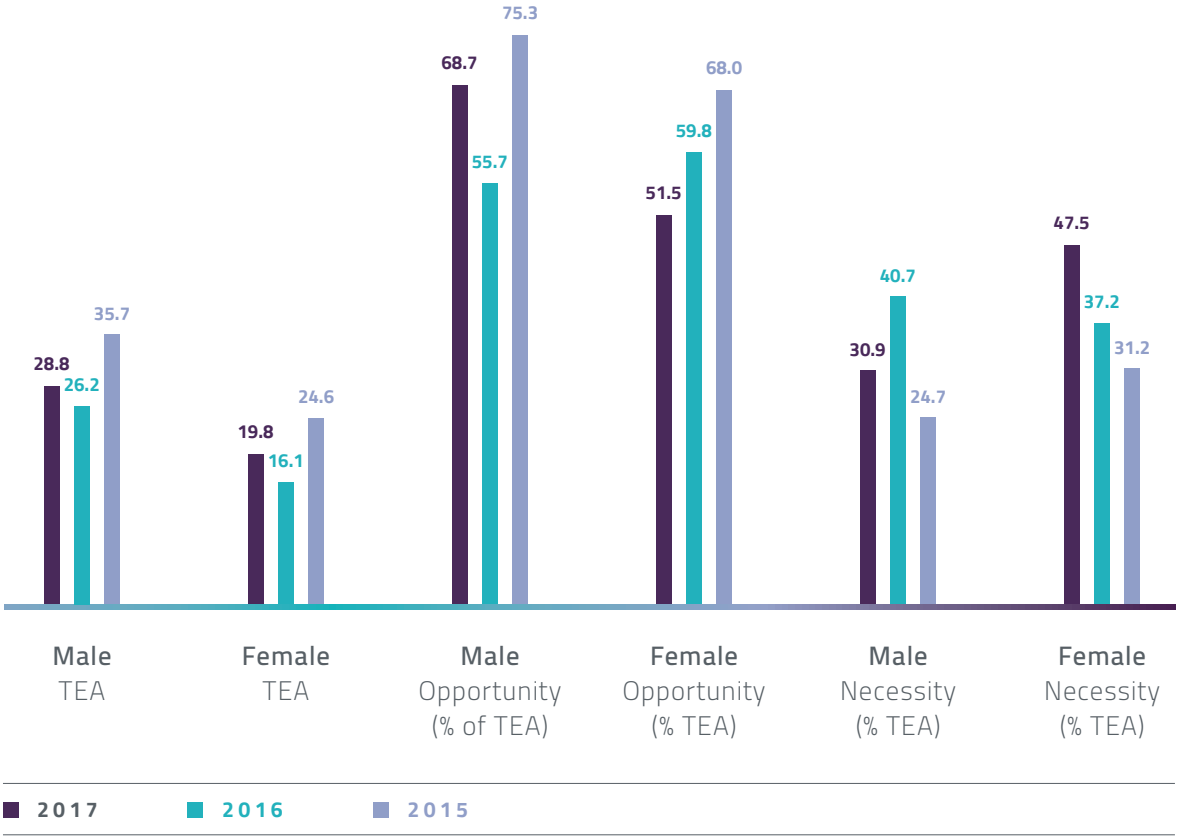


Table 3.10 Gender and Entrepreneurial Activity, Lebanon 2015-2017 (Source: GEM National Reports for Lebanon, 2015-2017)

The relative gender gap for entrepreneurial activity rates in Lebanon fell from 0.69 to 0.61 between 2015 and 2016, but returned to 0.69 in 2017. Women in Lebanon remain about a third less likely than men to be engaged in early-stage entrepreneurial activity.

In addition to gender, age is an important influence on the likelihood of entrepreneurial activity. Internationally, the highest rates of entrepreneurial activity are in the 25-44 age group. Young people may be more likely to start a business after a period of work, when they have gained some knowledge and experience, but before assuming family responsibilities. In addition, the opportunity cost of starting a business, in terms of foregone salary, may not yet be high.

The relationship between levels of early-stage entrepreneurship and age groups for Lebanon is set out in **Table 3.11**.

The table includes results from the GEM Survey conducted in Lebanon in 2009 (Stevenson et.al., 2010), and hence show how entrepreneurship in Lebanon has changed over much of the past decade. In each year, the level of early-stage entrepreneurship increases with age up to the 35-44 age group and then declines, except for 2017 when the 24-34 age group had the highest level of early-stage entrepreneurship. Coupled with the recent fall in entrepreneurship amongst the oldest age group, this evidence suggests that early-stage entrepreneurs are getting younger.

The table also shows the scaling-up of entrepreneurial activity in Lebanon since 2009 across all age groups, but for the youngest and oldest age groups in particular. Between 2009 and 2017, entrepreneurial activity by the youngest group increased almost two and a half times, whilst for the 55-64 age group it nearly trebled.

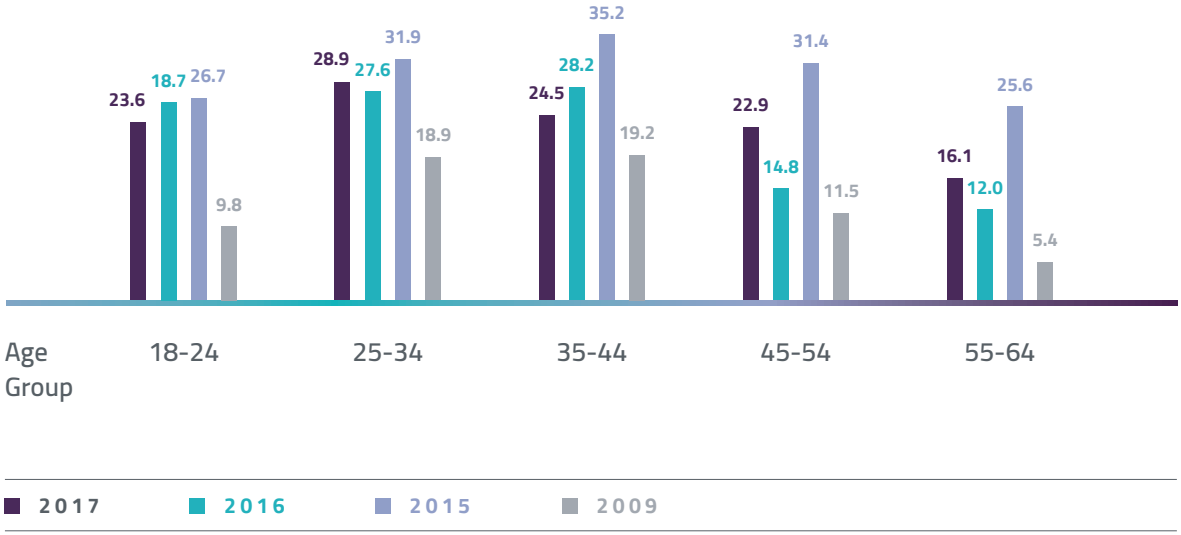


Table 3.11 The Age Distribution of Total early-stage Entrepreneurial Activity, Lebanon 2009-2017, (% in each age group engaged in TEA) (Source: GEM Lebanon National Reports, 2009-2017)

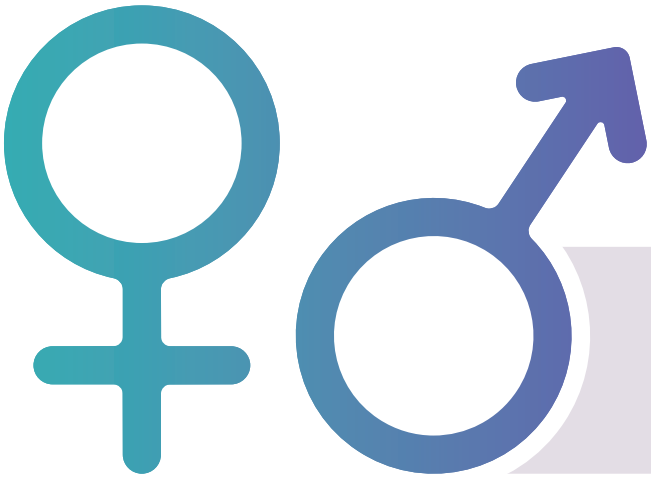
3.8 Gender, Age and Entrepreneurship

Not surprisingly these summary tables hide considerable variation by gender as well as age. **Table 3.12** shows the distribution of early-stage entrepreneurial activity in Lebanon in 2017 by age and by gender, with some surprising results. In the youngest age group (18-24), men are almost twice as likely as women to be starting or running a new business. In the next two age groups (25-34 and 35-44), men are around a half more likely than women to be starting or running a new business, while in the oldest age groups (45-54 and 55-64) men are just a quarter more likely. Then **Table 3.12** provides clear evidence that both the absolute and relative entrepreneurial gender gaps decline with age.

The final two rows of **Table 3.12** measure the proportion of early-stage entrepreneurs within each age group. More than 22% of male entrepreneurs were in the 18-24 age group, compared to just 17% of female entrepreneurs. More than half of both male and female early-stage entrepreneurs in Lebanon in 2017 were aged less than 35.

	18-24	25-34	35-44	45-54	55-64
All TEA %	23.6	28.9	24.5	22.9	16.1
Male TEA %	31.3	33.6	29.5	25.3	18.8
Female TEA %	16.6	24.6	19.8	20.7	13.7
As % of male TEA	22.1	30.8	23.2	15.2	8.7
As % of female TEA	17.0	33.5	22.3	18.0	9.2

Table 3.12 Age, Gender and Entrepreneurial Activity, Lebanon 2017 (Source: GEM APS, 2017)



Lebanon shows considerable
gender variation


CLING FILM
STRONG

3.9 Jobs, Exports and Innovation

A primary motivation for supporting business startups is the expectation that they will bring much-needed jobs and income. The GEM Survey does not track individual startups through time, and therefore the GEM approach cannot assess the eventual impacts of those startups.

However, the performance of the new businesses, in terms of growth and subsequent economic development impact, may be closely related to the ambitions and expectations of those starting the business, as well as to the innovativeness of that new business. The GEM Adult Population Survey asks those engaged in early-stage entrepreneurial activity how many people they expect to employ in five years' time; how much of their revenue they expect to derive from outside the country; and whether the product or service they are offering will be new to some or all of their customers and whether few or no other businesses offer the same product or service. The summarized answers to these questions are set out in **Table 3.13**.

Lebanon ranked **4th** globally in terms of producing goods/services that are new to their customers

Over half of Lebanese respondents expected to employ no-one apart from themselves in five years' time. This was the second highest of the MENA countries, and 13th highest of the 54 GEM-participating countries globally. At the other end of the scale, just 4% of Lebanese early-stage entrepreneurs surveyed expected to employ six people or more in five years' time. This was less than half of the next lowest of the MENA countries, and 5th lowest globally. By contrast, in both Iran and in Qatar, just over a third expected to employ no one else in five years' time, while in the same two countries more than a third expected to employ six people or more in five years' time.

The proportion of early-stage entrepreneurs in Lebanon expecting to employ only themselves in five years' time has been increasing slowly, from 42% in 2015 to 52% in 2016 and 56% in 2017. Over the same period, the share expecting to employ six people or more has fallen from 11% in 2015 to 8% in 2016, and then to 4% in 2017.

In **Table 3.13** strong export orientation is defined as those early-stage entrepreneurs expecting a quarter of revenue, or more, to come from outside the country. For Lebanon in 2017, this was just over one in six, compared to four out of five in the UAE and almost a half

in Saudi Arabia. However, the share in Lebanon was ahead of the other Mediterranean Arab states, although it had fallen substantially from 2016, when six out of ten early-stage entrepreneurs in Lebanon had expected a quarter of more or revenue from abroad.

The results for innovative early-stage entrepreneurship were more positive for Lebanon, with almost a half claiming to be producing goods or services that were new to some or all of their customers and to have few or no competitor businesses offering the same product. This share was much higher than elsewhere in the MENA countries and ranked Lebanon 4th on the global list of economies, although this was down on the nearly six in ten, (and first rank) in 2016.

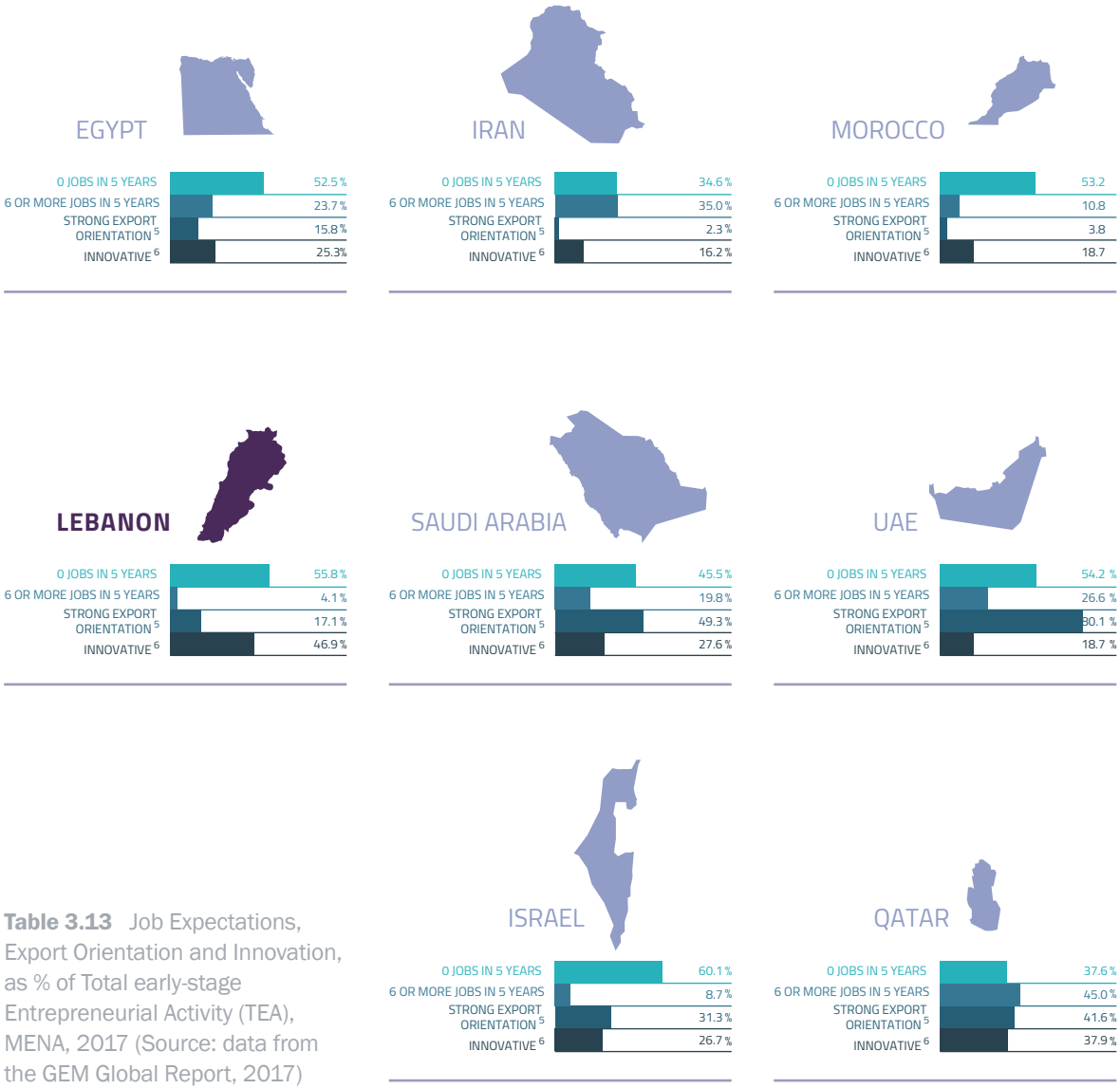


Table 3.13 Job Expectations, Export Orientation and Innovation, as % of Total early-stage Entrepreneurial Activity (TEA), MENA, 2017 (Source: data from the GEM Global Report, 2017)

[5] Expects 25% or more of revenue from outside the country.
[6] Product is new to all/some customers and few/no businesses offer same product.

3.10 The Distribution of Total early-stage Entrepreneurial Activity (TEA) by Sector

The sector distribution of entrepreneurial activity is closely related to the level of economic development in an economy, with factor-driven economies typically having one half to two-thirds of startups in Wholesale or Retail sectors, and innovation-driven economies usually having around a half of startups in Professional or Business Services, including finance, health, education and ICT.

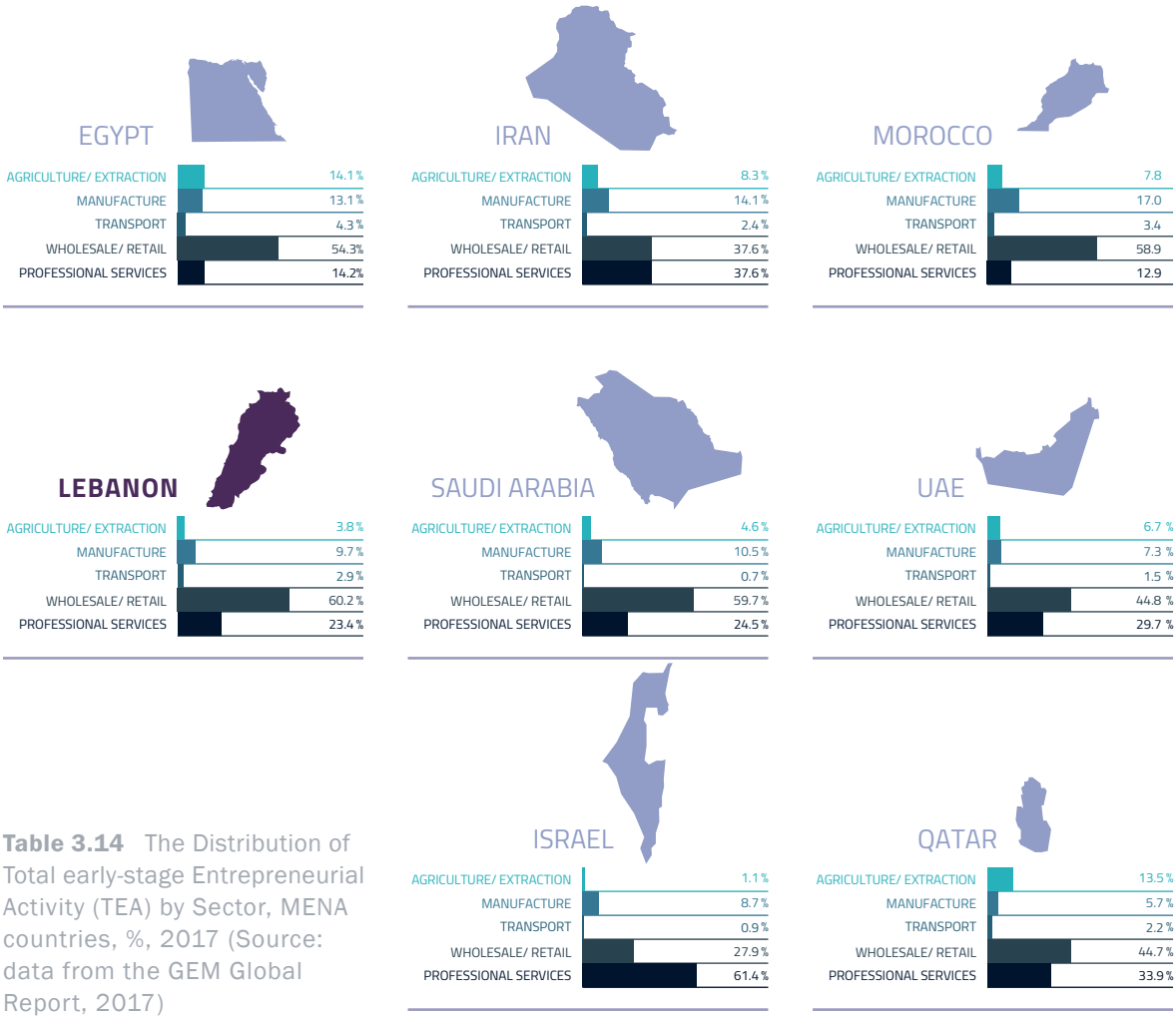


Table 3.14 The Distribution of Total early-stage Entrepreneurial Activity (TEA) by Sector, MENA countries, %, 2017 (Source: data from the GEM Global Report, 2017)

The GEM APS asked those starting or running a new business which sector it was in. **Table 3.14** shows results for the MENA countries participating in GEM in 2017, which broadly confirm these generalizations. Israel, Iran and Qatar had less than half of their startups in the Wholesale/Retail sector, while Israel alone had more than a half in Professional or Business Services.

Iran was notable in having the same share of entrepreneurial activity in Professional and Business Services as in Wholesale/Retail. Morocco, Saudi Arabia and Lebanon had the highest shares of early-stage entrepreneurial activity in Wholesale/Retail, reaching more than 60% in Lebanon. The lowest proportions of startups in Professional or Business Services were in Morocco and Egypt, at 13% and 14% respectively.

Finally, **Table 3.15** illustrates the development of entrepreneurial activity in Lebanon by sector since 2015. The share of entrepreneurial activity from the agricultural/extractive sector has fallen year by year, while just less than one in ten startups in Lebanon are in Manufacturing. However Wholesale/Retail continues to dominate the shares of startups, although the proportion in Lebanon has fallen in the past year. Meanwhile, the proportion in Professional or Business Services in Lebanon has increased year by year, and is now approaching one in four.

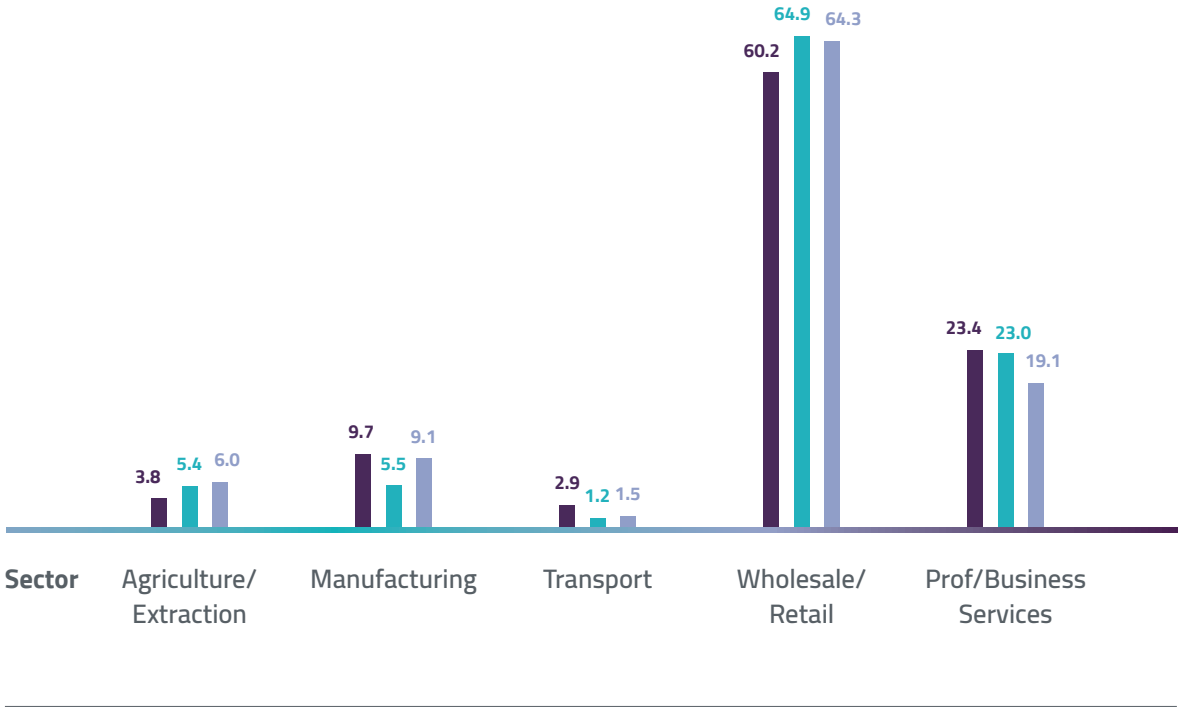


Table 3.15 The Distribution of Total early-stage Entrepreneurial Activity (TEA) by Sector, Lebanon, %, 2015-17 (Source: Lebanon GEM APS, 2017)

3.11 Educational Attainment and Entrepreneurial Activity

Although Lebanon has a highly developed education system, not all its residents have been able to take full advantage of this. While early-stage entrepreneurs can be found at all levels of educational attainment, including some of those with none at all, there may be some relationship between levels of attainment and rates of entrepreneurial activity.

The GEM Adult Population Survey asks respondents to identify their highest level of educational attainment, which can then be related to rates of entrepreneurial activity. Results for Lebanon since 2015 are set out in **Table 3.16**, and show that around a third of those with Technical, Vocational or Postgraduate attainments are early-stage entrepreneurs, and that this proportion has remained fairly constant in recent years, (despite the fluctuations in TEA over time). For those with primary or elementary attainments, the proportion engaged in entrepreneurship fell from 2015 to 2016, and then again in 2017, whereas the proportion of those with secondary attainment fell sharply from 2015 to 2016 before some recovery in 2017. More surprisingly, and for the second year running, Bachelor degree holders were less likely to engage in early-stage entrepreneurial activity than the survey average, with just over one in five bachelor's holders actively starting or running a business compared to one in four for the overall sample.

If one of the objectives of the educational system is the promotion of enterprise, then a focus on technical/vocational and postgraduate education appears most likely to increase early-stage entrepreneurial activity in Lebanon. These are the educational categories in contemporary Lebanon that have consistently had the highest levels of entrepreneurial activity.

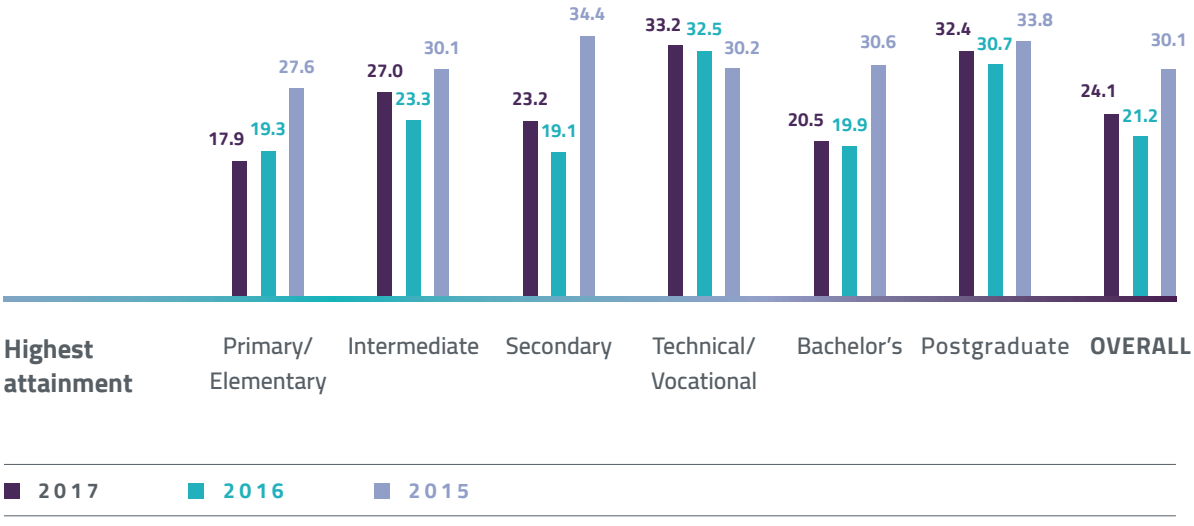


Table 3.16 Levels of Educational Attainment and Total early-stage Entrepreneurial Activity, %, Lebanon, 2015-17 (Source: GEM National Reports for Lebanon, 2015-2017)

3.12 Household Income and Entrepreneurial Activity

The relationship between household income and levels of entrepreneurial activity is unlikely to be straightforward. For example, low-income households may feel more of a necessity to start a business in order to generate or increase income, while higher-income households may see more opportunities to start a business and are more likely to have the wherewithal to do so. The 2017 GEM APS in Lebanon asked respondents to estimate their household income, or to locate that income on a specified scale. Around 80% of respondents did so, with the rest either not knowing or unable to say.

The first column of **Table 3.17** sets out that income scale, while the second shows the proportion of respondents reporting their household income within the given ranges in 2017. Around a fifth of respondents reported a household income of (the equivalent of) less than US$450 per month, while at the other end of the scale just over three in ten reported that their household income was US$2,300 per month or more. Note that reported household income may be an imperfect measure of how well-off that household is – for example the number of people per household can vary considerably.

The final three columns of **Table 3.17** show the relationship between levels of household income and rates of early-stage entrepreneurial activity in Lebanon since 2015. The level of entrepreneurial activity has generally increased for the lower income levels, and decreased for higher income levels, since 2015. For the lowest income range, (less than LL 8 million per year), the level of entrepreneurial activity has increased by a half since 2015, although overall activity levels have fallen, while for the household with highest incomes, (more than LL 64.8 million per year), the level of entrepreneurial activity in 2017 was a third lower than in 2015.

Household Income/ year LL	% Households 2017	TEA 2017	TEA 2016	TEA 2015
<8.0m	**19.7**	29.9	22.4	19.9
8.0-14.0m	**13.5**	33.5	20.0	31.0
14.0-22.8m	**15.3**	21.1	18.1	30.2
22.8-32.4m	**20.7**	14.8	24.1	31.8
32.4-42.0m	**13.7**	25.6	20.3	29.3
42-64.8m	**9.2**	23.3	21.6	29.7
>64.8m	**7.8**	23.0	21.3	36.9

Table 3.17 Household Income in millions and Entrepreneurial Activity, Lebanon, 2015-2017 (Source: Lebanon GEM APS, 2015-2017)

3.13 Location and Entrepreneurial Activity in Lebanon

Although Lebanon is a relatively small country (10,452km^2), its economic, social and physical environment varies substantially, from the plush financial district of downtown Beirut to the old souks of Saida, and from the vineyards of Bekaa to the olive and lemon groves of the South. In between is the suburban sprawl of Beirut/Mount Lebanon, where nearly half the population of Lebanon actually lives. **Figure 11** shows the Districts of Lebanon aggregated into five regions, as well as the level of early-stage entrepreneurial activity in each from the 2017 GEM APS. These levels range from almost one in three in the North, to less than one in five at the opposite end of the country in Nabatieh and the South. In between, almost three in ten were engaged in entrepreneurial activity in the Bekaa and just over one in five in Beirut.

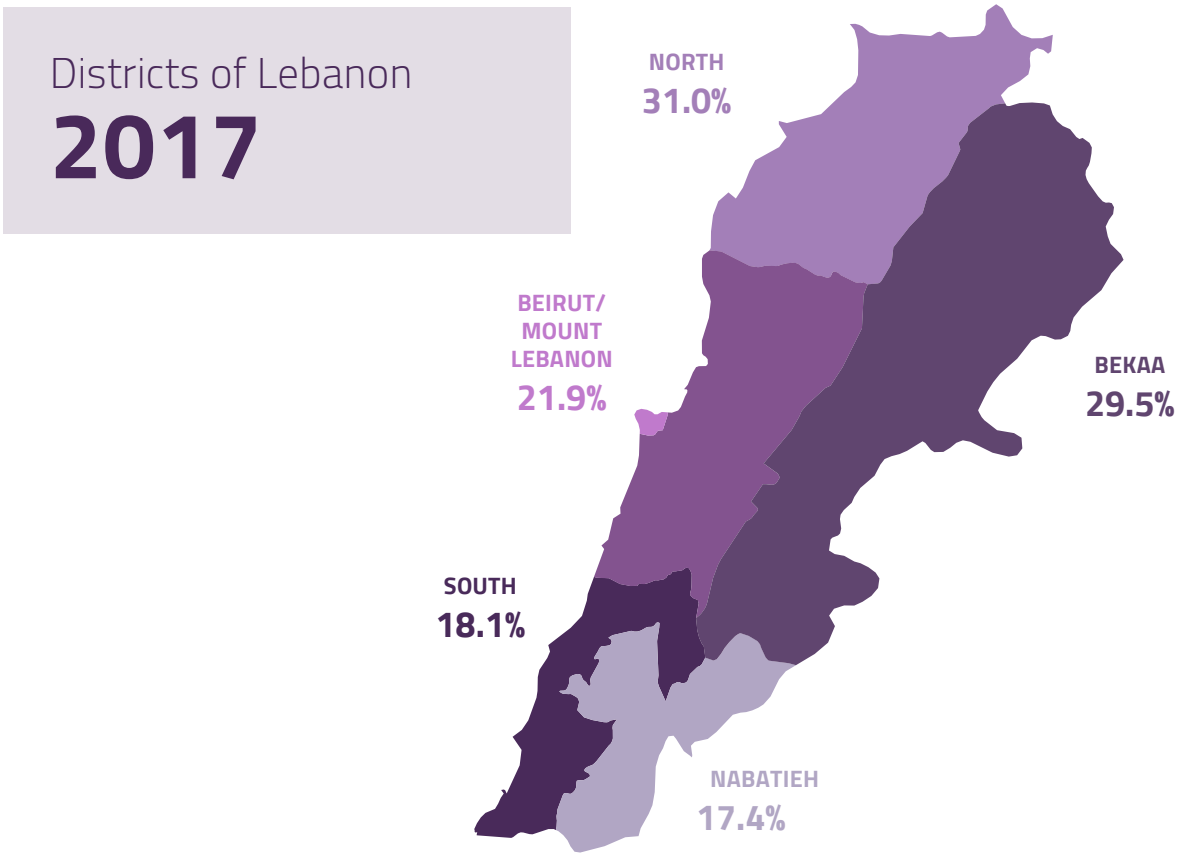


Figure 11 Districts of Lebanon and the level of early-stage entrepreneurial activity in each (Source: Lebanon GEM APS, 2015-2017)

3.14 Conclusions

This chapter has looked in detail at comprehensive survey evidence of entrepreneurial activity from a random sample of 2,000 adults in Lebanon, and has sought to place those results in a Middle East and North Africa (MENA) context, as well as assess the recent evolution of that activity in Lebanon by comparing, as far as possible, the 2017 Survey results with the preceding 2016 and 2015 Surveys.

In terms of Total early-stage Entrepreneurial Activity (TEA), Lebanon ranked 4th of the 54 countries participating in GEM in 2017 that collectively represented 68% of the global population and 86% of the global Gross Domestic Product. Lebanon ranked first of eight MENA countries, and also first of the 17 countries in Asia/Oceania taking part in GEM 2017, in terms of entrepreneurial activity.

Of the 54 countries in GEM in 2017, Lebanon ranked 3rd for levels of New Business Enterprise and 1st for Established Business Ownership. Much of this can be related to self-confidence: Lebanon ranked 1st globally for the proportion of adults interviewed who believed they had the skills and experience to start a new business, and last for the proportion of adults spotting good business opportunities but who were deterred by fear of failure. Partly as a result thereof, Lebanon ranked 2nd on the new GEM Entrepreneurial Spirit Index.

Within the eight MENA countries that participated in GEM in 2017, Lebanon had a TEA level of 24%, almost twice that of the next highest MENA-participating countries (Egypt and Iran at 13%). In particular, the level of New Business Enterprise in Lebanon (16%), was more than double that of the next highest countries, (with Egypt, Iran and Saudi Arabia at 7%).

However, Lebanon also had the second highest share of TEA described as motivated by necessity – 38%, behind Egypt (43%) – largely the product of necessity entrepreneurship amongst Lebanese women – 48%, second only to Egypt (56%) – and more than twice the level of Morocco, UAE or Qatar. The Gulf countries within GEM had much higher ratios of female to male early-stage entrepreneurship (Qatar 0.99, UAE 0.89 and Saudi Arabia 0.83), than the Mediterranean Arab countries, although of the latter Lebanon had the highest female to male entrepreneurship ratio (69%).

Less positively, more than a half of Lebanon's early-stage entrepreneurs expected to employ only themselves in five years' time, with less than one in 20 expecting to employ 6 people or more, ranking Lebanon 50th out of 54 countries for job expectations. One reason for this is that more than 60% of early-stage entrepreneurs in Lebanon are in the Wholesale/Retail sector, although this proportion is falling year by year. Promisingly, almost half of Lebanon's early-stage entrepreneurs claimed to be innovative, introducing new products or services with few or no competitors. This proportion was the 4th highest globally, and highest of the GEM MENA countries.

Finally, entrepreneurship in Lebanon is getting younger. In 2017, more than half of male or female early-stage entrepreneurs were under 35 years of age.

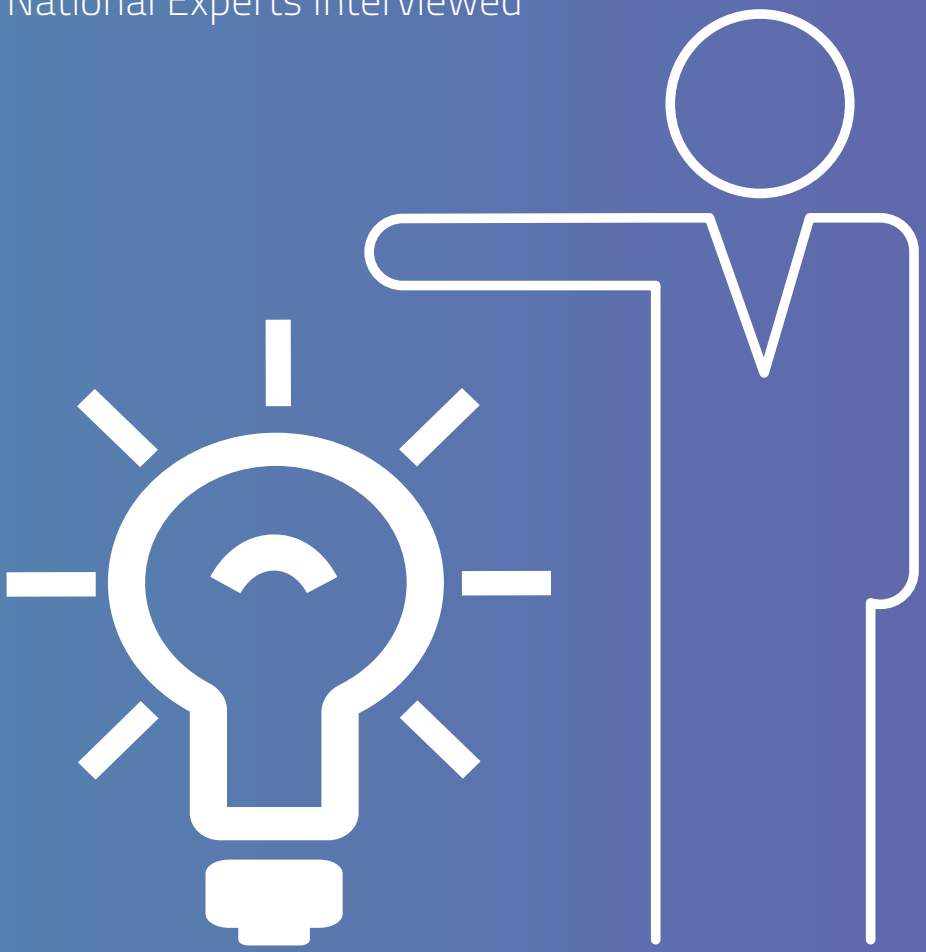
Chapter 4

Entrepreneurial Framework Conditions in Lebanon

the National Expert Survey

39

National Experts Interviewed



4.1 Introduction and Global Results

The previous chapter described in detail the level of entrepreneurial activity in Lebanon by reporting the results of the 2017 Adult Population Survey of 2,000 people across the country aged 18-64, and by relating that activity to a set of perceptual and demographic variables.

However, and inevitably, this entrepreneurial activity does not take place in a vacuum, but within a social, political and economic environment that provides the context that can help or hinder those activities, for example by providing access to low-cost finance, or by burdening the startup with excessive regulatory fees. The GEM conceptual approach defines that environment in terms of nine framework conditions, as set out in **Table 4.1**.

In each GEM-participating country, these framework conditions are assessed through a survey of at least 36 recognized national experts within that country. By asking the same questions, responses can be compared across countries, although it should be recognized that since many of the questions are posed about the adequacy or otherwise of individual framework conditions, there may be some ambiguity in individual responses. For example, an expert in a factor-driven economy may have a very different notion of the adequacy of, say, the physical infrastructure, than an expert in an innovation-driven economy.

In each country, the surveyed national experts were carefully selected according to their knowledge and experience in at least one of the framework conditions, to ensure

the surveyed national experts were carefully selected according to their **knowledge & experience**

that the survey included a minimum of four experts for each framework condition. For example, the first framework condition is entrepreneurial finance: experts in this field could include bankers, venture capitalists, financial journalists, senior civil servants from a relevant Ministry, or a relevant academic. At least one of the four experts for each condition had to be involved at some stage of the entrepreneurial process.

After agreeing to participate, and following selection approval from the GEM Consortium, each national expert was sent the standardized GEM National Expert Survey (NES) questionnaire, and asked to respond within a strict time schedule. After follow-up, the 2017 Lebanon NES included responses from 39 national experts. These were asked to rate each element within a framework condition on a Likert scale from 1 (highly insufficient), to 9 (highly sufficient).

1. ENTREPRENEURIAL FINANCE.
The availability of financial resources – equity and debt – for small and medium enterprises (SMEs) (including grants and subsidies).

2. GOVERNMENT POLICY.
The extent to which public policies support entrepreneurship. This has two components:
2a. Entrepreneurship as a relevant economic issue.
2b. Taxes or regulations – either size-neutral or encourage new businesses and SMEs.

3. GOVERNMENT ENTREPRENEURSHIP PROGRAMS.
The presence and quality of programs directly assisting SMEs at all levels of government (national, regional, municipal).

4. ENTREPRENEURSHIP EDUCATION.
The extent to which training in creating or managing SMEs is incorporated within the education and training system at all levels. This has two components:
4a. Entrepreneurship Education at basic school (primary and secondary).
4b. Entrepreneurship Education at post-secondary levels (higher education such as vocational, college, business schools, etc.).

5. R&D TRANSFER.
The extent to which national research and development will lead to new commercial opportunities and is available to SMEs.

6. COMMERCIAL AND LEGAL INFRASTRUCTURE.
The presence of property rights, commercial, accounting and other legal and assessment services and institutions that support or promote SMEs.

7. ENTRY REGULATION.
This has two components:
7a. Market Dynamics: the level of change in markets from year to year.
7b. Market Openness: the extent to which new firms are free to enter existing markets.

8. PHYSICAL INFRASTRUCTURE.
Ease of access to physical resources – communication, utilities, transportation, land or space – at a price that does not discriminate against SMEs.

9. CULTURAL AND SOCIAL NORMS.
The extent to which social and cultural norms encourage or allow actions leading to new business methods or activities that can potentially increase personal wealth and income.

Table 4.1 The GEM Entrepreneurial Framework Conditions

4.1 Introduction and Global Results

Global results from the 2017 NES are set out in Table 4.2, categorized by stage of economic development, as outlined in the first chapter. For each stage of development, the framework condition Physical Infrastructure received the highest ratings, with an overall global average score of 6.5. Recall that GEM 2017 included five countries categorized as factor-driven, 25 countries assessed as efficiency-driven and 24 regarded as innovation-driven. Entrepreneurship education at school stage was consistently rated lowest, with an overall score of 3.2, although better regarded by innovation-driven economies (average score 3.5), than in factor-driven economies (average score 2.9). Indeed, the score for most framework conditions improved at each stage of economic development. Exceptions were Government Policies: support and relevance, and Internal Market Dynamics, both scoring lower for innovation-driven economies than for those considered to be factor-driven.

Entrepreneurial Framework Condition	Factor-driven average	Efficiency-driven average	Innovation-driven average	GEM average
Entrepreneurial access to finance	4.2	4.1	4.5	4.3
Government policies: support & relevance	4.8	4.0	4.5	4.3
Government policies: taxes & bureaucracy	3.9	3.5	4.2	3.9
Government entrepreneurship programs	3.9	4.0	4.7	4.3
Entrepreneurship education at school stage	2.9	3.0	3.5	3.2
Entrepreneurship education at post-school stage	4.5	4.8	4.8	4.8
R&D transfer	3.6	3.6	4.4	3.9
Commercial and legal infrastructure	4.8	4.7	5.1	4.9
Internal market dynamics	5.6	5.1	5.0	5.1
Internal market burdens or entry regulation	4.1	4.0	4.5	4.2
Physical infrastructure	6.1	6.3	6.6	6.5
Cultural & social norms	4.8	4.6	5.1	4.8

Table 4.2 Entrepreneurial Framework Condition Average Expert Scores by Stage of Economic Development, 54 countries, 2017 (Source: GEM Global Report 2017/18)

4.2 Results for Lebanon

Figure 12 summarizes the results for Lebanon, and compares them to the average for Asia & Oceania. Lebanon scores better than the regional average for Entrepreneurial Education, both at school stage (4.8 compared to the regional average of 3.5), and for post-school stage (6.1 compared to 4.6), as well as slightly better for commercial and legal infrastructure, but worse for physical infrastructure (4.5 compared to 6.6), government policies (support and relevance, 2.9 compared to 4.7), and taxes and bureaucracy (3.1 compared to 4.1).

The picture was very similar globally, with Lebanon scoring 4th and 5th out of 54 countries for entrepreneurial education – post-school stage and school stage, respectively – but next to last (53rd out of 54) for physical infrastructure, and for government policies (both support and relevance, and entrepreneurship programmes).

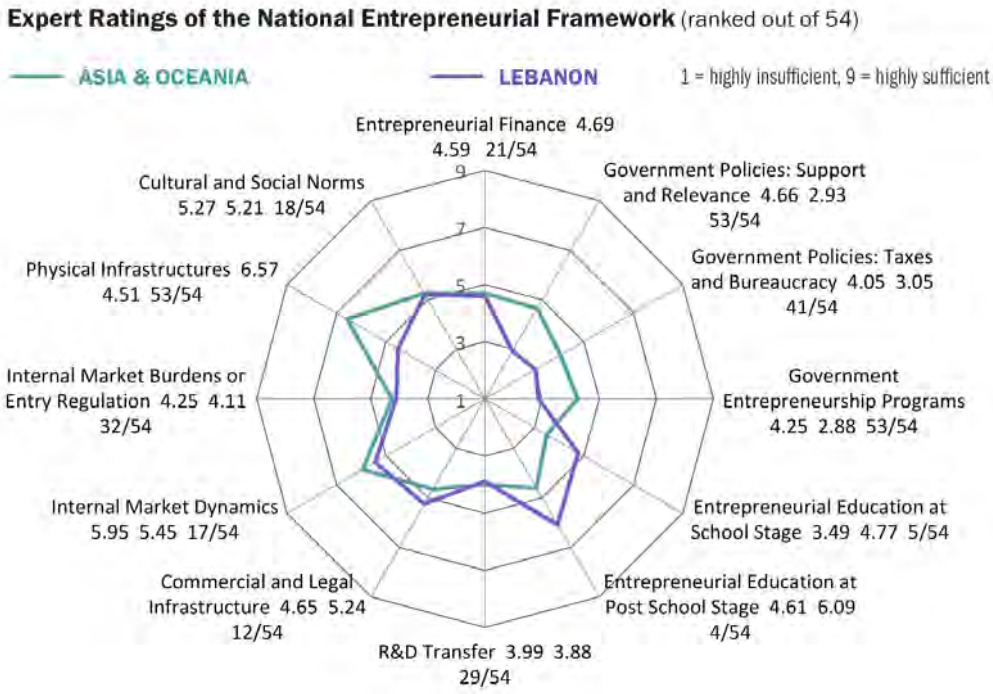


Figure 12. National Expert Ratings of Framework Conditions, Lebanon and Asia/Oceania, 2017

4.2 Results for Lebanon

However, these average framework condition scores for Lebanon mask considerable variation in individual elements. For example, the national experts were asked to rate eight individual dimensions of entrepreneurial finance, with results for Lebanon as set out in **Table 4.3**. Then, the overall score for Lebanon for entrepreneurial finance (4.59) is the mean of the eight scores in **Table 4.3**. The table shows that the lowest rated element of entrepreneurial finance was the sufficiency of initial public offerings, (rated 3.3), whereas at the other end of the scale, sufficiency of debt financing was rated much higher by the national experts (5.4).

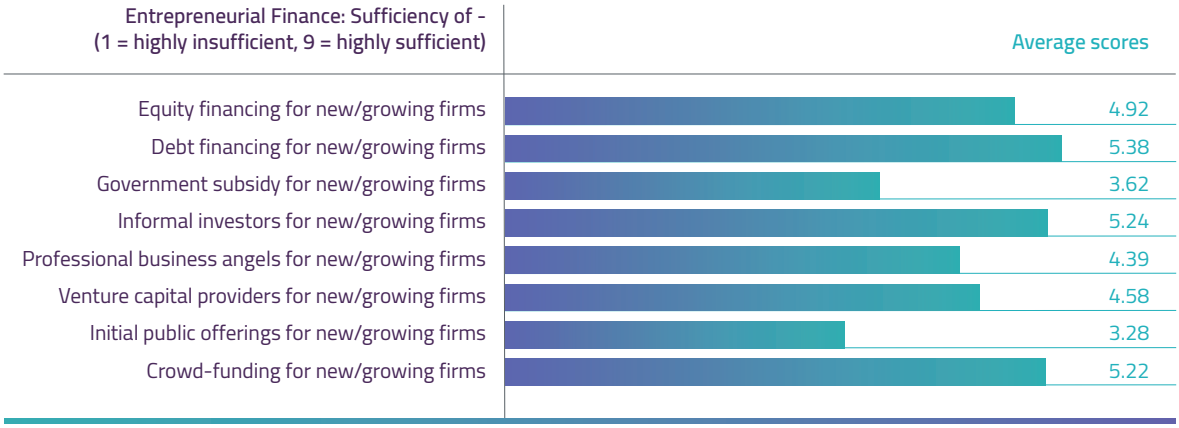


Table 4.3 Entrepreneurial Finance, Individual Element Scores, Lebanon 2017 (Source: Lebanon NES 2017)

Table 4.4 summarizes the diversity of scores between individual elements, by showing the highest and lowest rated elements for each framework condition. Note that the worst performing elements in social/cultural norms (encourage risk-taking, 4.8), in enterprise programs (school attention to enterprise, 4.4), and in commercial/legal infrastructure (affordable subcontractors, 4.2), all scored higher than the best element in government policy (regulations are predictable and consistent, 3.8).

The evolution of expert-ratings for the entrepreneurial framework conditions is set out in **Table 4.5**, which shows the average scores for each condition in Lebanon each year since 2015. **Table 4.5** suggests some overall deterioration in framework conditions over the period. For six of the nine framework conditions, the average expert score has unambiguously declined since 2015, with the steepest falls in Government Policies: taxes and bureaucracy (from 4.2 to 2.9), and in Cultural & Social norms (from 6.3 to 5.2). Significant improvements in average expert scores were limited to both parts of entrepreneurship education – with school enterprise education up from 4.3 to 4.8 and post-school enterprise education up from 4.9 to 6.1 – and to market dynamics, up from 4.4 to 5.4.

Entrepreneurial Framework Condition	Highest score	Lowest score
Entrepreneurial finance	Debt-financing (5.4)	Initial public offerings (3.3)
Government policies	Regulations are predictable and consistent (3.8)	Speed of new firm licenses (2.1)
Government entrepreneurship programs	Science parks provide effective support (4.1)	Anyone can find help from government programs (2.5)
Entrepreneurship education	Business/management education (6.2)	School attention to entrepreneurship (4.4)
R&D transfer	Technology transfer from universities (4.8)	Adequate subsidy to acquire technology (2.7)
Commercial and legal infrastructure	Good banking services (6.4)	Affordable subcontractors (4.1)
Internal markets	Stable consumer markets (5.6)	Effective anti-trust legislation (3.4)
Physical infrastructure	Affordable basic utilities (5.7)	Physical infrastructure supports new firms (3.2)
Cultural & social norms	Culture emphasizes autonomy (5.6)	Encourages risk taking (4.8)

Table 4.4 Highest and Lowest Scores, Individual Elements in the Framework Conditions, Lebanon 2017

Entrepreneurial Framework Condition	2017	2016	2015
Entrepreneurial access to finance	4.6	5.0	5.2
Government policies: support & relevance	2.9	3.6	3.3
Government policies: taxes & bureaucracy	3.1	3.8	4.1
Government entrepreneurship programs	2.9	3.9	4.2
Entrepreneurship education at school stage	4.8	4.3	4.3
Entrepreneurship education: post-school stage	6.1	5.1	4.9
R&D transfer	3.9	3.9	4.2
Commercial and legal infrastructure	5.2	5.4	5.6
Internal market dynamics	5.5	4.4	4.4
Internal market burdens or entry regulation	4.1	3.8	4.2
Physical infrastructure	4.5	3.7	4.4
Cultural & Social norms	5.2	6.2	6.3

Table 4.5 The Evolution of National Expert Average Scores for Framework Conditions in Lebanon, 2015-2017 (Source: Lebanon NES Surveys, 2015-17)

4.3 Constraints, Supports and Recommendations

In addition to completing the standard closed questions, the national experts for Lebanon were also asked, in open-ended questions, to identify up to three factors that constrained entrepreneurial activity in Lebanon, up to three factors that supported entrepreneurial activity, and to make up to three recommendations to enhance the entrepreneurial environment in Lebanon.

Figure 13 illustrates the most frequent responses from the national experts by percentage for factors contraining entrepreneurial activity. By far the most mentioned constraint was the lack of government support, noted by more than two thirds, followed, some way behind, by both political instability/corruption and the infrastructure/Internet, each mentioned by four in ten of the experts. Just three in ten of the experts saw the size of market as a contraint, with slightly fewer noting a shortage of entrepreneurial finance.

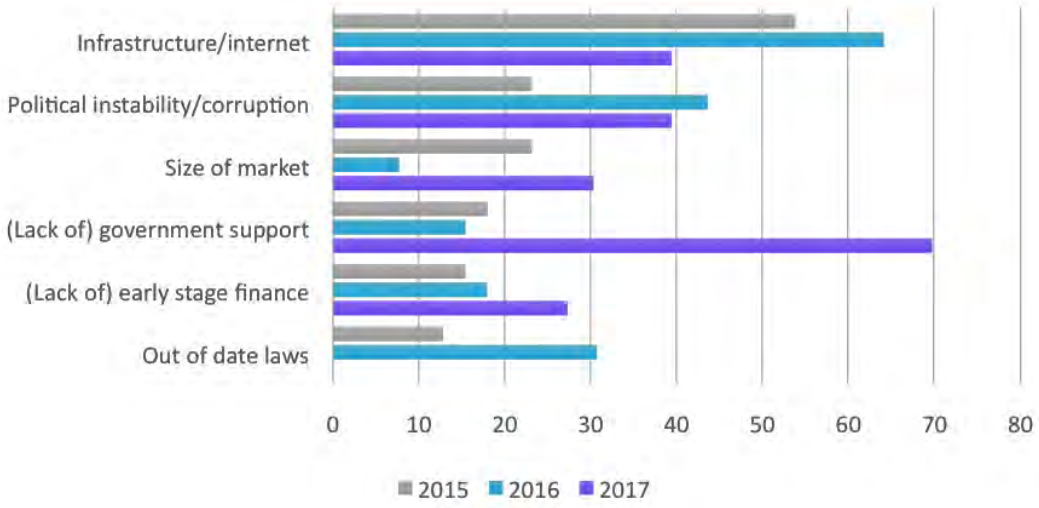


Figure 13. Factors Constraining Entrepreneurial Activity (%), Lebanon 2015-17
(Source: GEM National Expert Surveys Lebanon, 2015-17)

Their responses were then, as far as possible, categorized. Note that the sum of responses will exceed 100%, since experts could choose more than one.

The significance of lack of government support as a constraint had increased substantially from 2016 to 2017, moving from the fifth most mentioned to easily the first. Size of market and lack of entrepreneurial finance also had increasing proportions of experts listing them as constraints, whilst mentions for infrastucture/internet and political instability/corruption declined from 2016 to 2017, although they remained the second and third most noted constraints.

The same experts were asked to identify up to three factors supporting entrepreneurial activity in Lebanon. As seen in **Figure 14**, an open and supportive culture was by far the most frequent response, mentioned by more than four in five of the national experts. The second most mentioned factor supporting enterprise was the growth in entrepreneurial finance (mentioned by more than four in ten), followed by the quality of education (three in ten), and then the entrepreneurial support system (including incubators, accelerators etc.), noted by just over one in four.

Lack of government support as a constraint had increased substantially from 2016 to 2017

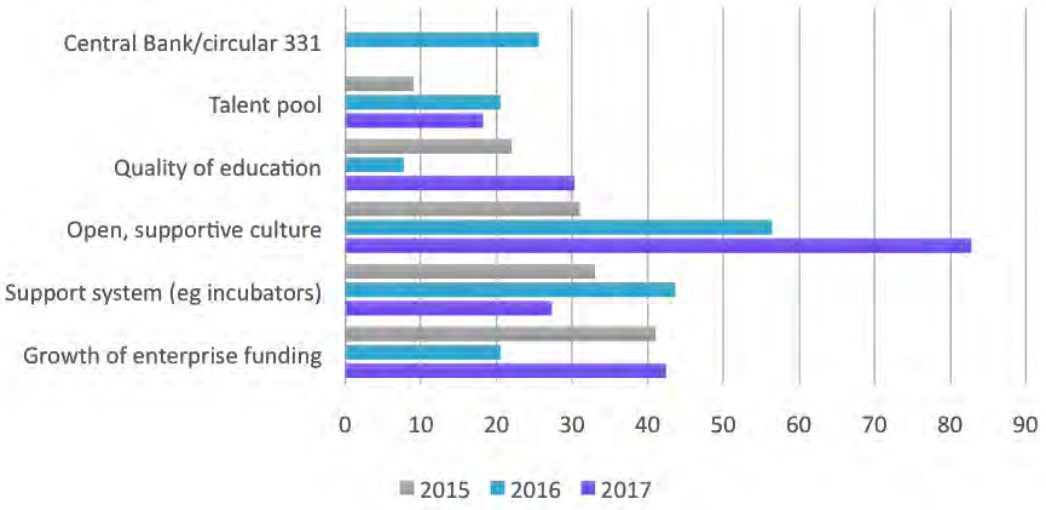


Figure 14. Factors Supporting Entrepreneurial Activity (%), Lebanon 2015-17
(Source: GEM National Expert Surveys Lebanon, 2015-17)

4.3 Constraints, Supports and Recommendations

The 2016 GEM Lebanon National Report had noted the emergence of central bank activity as a factor supporting entrepreneurial activity, led by Circular 331, which strongly encourages commercial banks to take an equity stake in technology startups in Lebanon. After being mentioned by one in four experts in 2016, it was not mentioned at all in 2017 – presumably by then it had been subsumed into factors such as growth in entrepreneurial finance or the entrepreneurial support system

Whilst an open and supportive culture was the most frequently mentioned factor supporting entrepreneurial activity in Lebanon in 2017, as it had been in 2016, its frequency of mention had strongly increased, as had mentions for the growth of entrepreneurial finance (more than doubled since 2016), and quality of education (more than trebled).

Finally, the national experts were invited to make recommendations to improve the entrepreneurial ecosystem in Lebanon. Results since 2015 are set out in **Figure 15**. In 2016, the most frequent recommendation was more enterprise training and education, followed by faster/cheaper Internet. By 2017, the most frequent response was for more government support, noted by over half of the experts, followed by more enterprise training or education (four in ten), and, in equal third, by more entrepreneurial finance, and faster/cheaper Internet, each mentioned by just under a third of the experts.

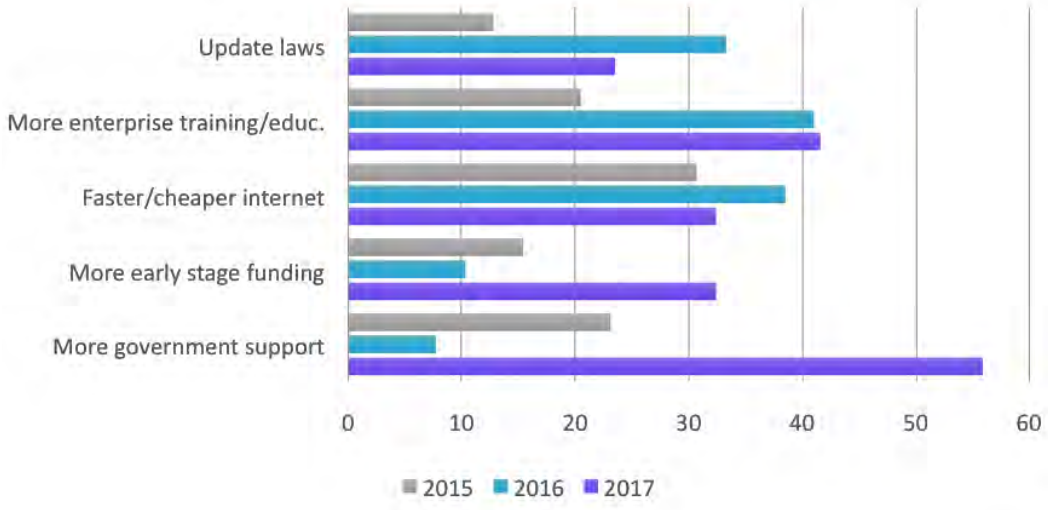


Figure 15. Recommendations to Enhance Entrepreneurial Activity, %, Lebanon, 2015-17 (Source: GEM National Expert Surveys Lebanon, 2015-17)

4.4 Conclusion

This chapter has reported results from a comprehensive survey of 39 identified national experts, seeking their views on the entrepreneurial ecosystem under which entrepreneurial activity is encouraged, or discouraged, in Lebanon.

There was some evidence that the state of that entrepreneurial ecosystem was seen to have deteriorated in the past two years, with declining ratings since 2015 for six of the nine GEM-defined enterprise framework conditions. Moreover, Lebanon was, in 2017, ranked 53rd out of 54 GEM-participating countries across the globe for the Government Policy support and relevance, for Government Entrepreneurship programs and for Physical Infrastructure. Entrepreneurship Education was the only framework condition to consistently be rated higher year by year by the Lebanese national experts.

These experts strongly agreed that the lack of government support was the major constraint on entrepreneurial activity in Lebanon, and even more strongly agreed that Lebanon's open and supportive culture was its major underpinning factor. There was less agreement on recommendations to enhance entrepreneurial activity in Lebanon, with more government support for enterprise being mentioned by just over half of the experts, followed by more entrepreneurial education and training as the second most popular recommendation.

Chapter 5

General Conclusions

General Conclusions

The year 2017 was a more promising than its predecessors in terms of political and economic breakthroughs. This Report has demonstrated that this was reflected in increasing levels of entrepreneurial activity.

Lebanon continues to enjoy a significant entrepreneurial spirit, ranking it very highly, both globally and regionally. The constituents of the entrepreneurial ecosystem still vary considerably in terms of effectiveness, with entrepreneurship education and supportive cultural & social norms being major catalysts for enterprising activities; while other components, such as government support and R&D activities, still have a long way to go.

Nevertheless, even when faced with a high degree of uncertainty, low levels of government support, and limited resources, Lebanese entrepreneurs still enthusiastically engage in founding new businesses and growing incumbent ones.

Recommendations

Encourage the continued development of innovation centers throughout Lebanon as collaborations between educational institutions and investors, (including incubators, accelerators, and venture capitalists).

Capitalize on the high level of entrepreneurial spirit by creating more incentives to start new businesses; through government policy reforms, reduction of bureaucratic barriers, etc.
Continue to build and update the infrastructure directly needed by startups, such as high-speed Internet, an efficient mail system, and an effective road network.

Sustain the momentum created by the positive political environment during the year, and build on international support (e.g. Paris 4) to stabilize and widen the entrepreneurial ecosystem.

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