

ECONOMIC Bulletin THIRD QUARTER 2017

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ECONOMIC Bulletin

THIRD QUARTER 2017

Report - Lebanon's Macro economy in the Third Quarter of 2017

I. General Introduction	2
II. Real Sector	3
III. Fiscal Policy and Indebtedness	6
IV. Inflation and Monetary Policy	7
V. Financial Markets	13
VI. Foreign Sector	14
VII. Growth Prospects	15

Study - Promoting Startups and SMEs in Lebanon through Business Incubators and Accelerators

Introduction	16
I. What are Business Incubators and their Functions?	16
II. Features and Objectives of Business Incubation	16
III. Success Components for Business Incubators	17
IV. Financial Demand and Support System in the Incubation Life Cycle	18
V. Business Incubators and Accelerators in Lebanon	19
VI. Best Practices for the Success of Incubation Activity in Lebanon	21
VII. Ten Imperatives to Support the Growth and Development of Incubation-based Startups and SMEs in Lebanon	22

II. Real Sector

The real sector of Lebanon's economy experienced an improved performance in the first nine months of 2017 relative to the corresponding period last year. The activity of several leading economic sectors enhanced, thus expanding the aggregate economic activity.

1- Agriculture and Industry

The amount of agricultural and industrial exports declined by 5.1% in the first nine months of 2017 to reach USD 2.1 billion, relative to USD 2.2 billion a year earlier.

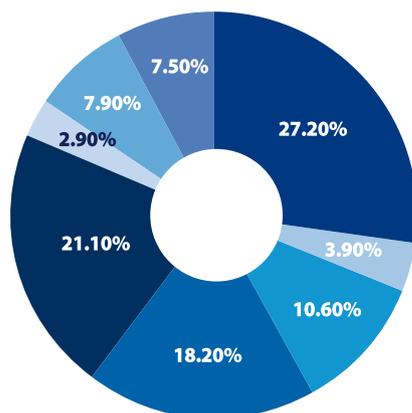
The figures released by the Central Bank show that electricity production, an indicator of industrial production, surged by 15.7% on annual basis in the first eight months of 2017 to reach 9,993 million kwh, relative to 8,635 million kwh a year earlier.

2- Real Estate and Construction

According to the figures of the Real Estate Registry and Ministry of Finance, the number of property sales operations increased by 13.4% on annual basis to reach 51,993 operations in the first nine months of 2017. Also, the value of property sales transactions rose by 14.8% annually to reach USD 7 billion during the same period.

- Value of Real Estate Transactions Distributed in Lebanese Regions

(First 9 Months of 2017) -



These figures reflect a better performing real-estate sector as far as the demand side is considered.

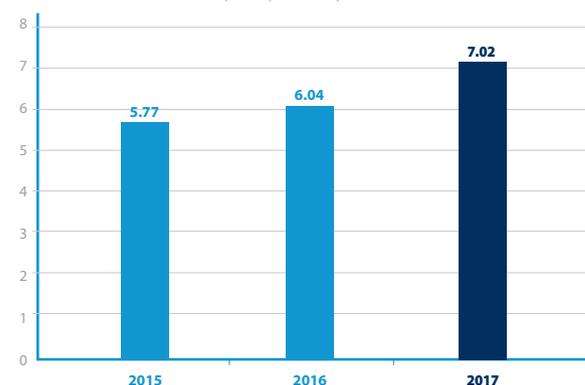
The figures released by the Orders of Engineers and Architects of Beirut and Tripoli show that the number of new construction permits reached 12,519 permits in the first nine months of 2017, with an annual decrease of 3.3% from the corresponding period of 2016. The surface area of the construction permits was 9,348,308 square meters in the first nine months of 2017, with an increase of 3% from 9,076,109 square meters in the same period last year.

The figures released by the Central Bank indicate that cement deliveries, an indicator of construction activity and real-estate supply, decreased by 1.9% on annual basis to reach 3,354,258 tons in the first eight months of 2017, relative to 3,418,717 tons in the same period last year.

These figures suggest a curbed supply in the real-estate sector in the first nine months of 2017 relative to the same period last year.

- Value of Real Estate Transactions, First 9 Months

(USD, Billion) -



3- Trade and Services

The statistics released by the Hariri International Airport indicate that the total number of passengers increased by 8.4% on annual basis to reach 6,399,347 passengers in the first nine months of 2017. The total freight handled by the airport grew by 11.4% on annual basis, during the same period to reach 70,597 tons. Also, the number of

Lebanon's Macro economy in the Third Quarter of 2017

I. General Introduction

Lebanon's macro economy recorded a relative improvement and better performance during the first nine months of 2017 relative to the same period of 2016 due mainly to improving political conditions domestically and regionally.

The real sector's performance improved with a positive growth in the leading indicators of most productive and services sectors, thus reflecting a better aggregate demand (spending) in the national economy.

The monetary authorities have maintained its monetary stabilization and economic stimulus policies. The country continues to record inflation due to expanding money supply and economic activity.

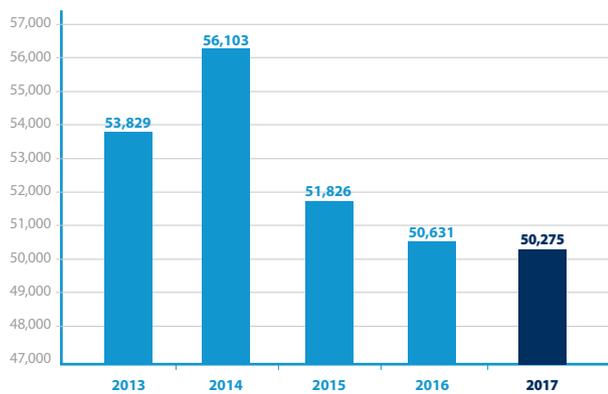
The banking sector of the country recorded a better activity, with an expanding and growing banking market.

The balance of payments achieved a deficit due to lower capital inflows and narrowed trade deficit.

The fiscal conditions, however, remain highly unfavorable due to continued fiscal deficits and growing public indebtedness.

Economic growth is expected to continue in 2017, with enhanced real growth rates. Fiscal reforms must be the major priority of domestic authorities in order to support economic growth rates in the years to come. This should be accompanied by special efforts to address the continued negative repercussions of the Syrian crisis on the domestic economy and society.

- Value of Cleared Checks, First 9 Months (USD, million) -



The Economic and Social Fund for Development (ESFD) reported that it guaranteed 406 loans for a total of USD 7.4 million to **SMEs in Lebanon** in the first nine months of 2017. Also, the loans extended to SMEs under Kafalat Guarantee reached USD 54.2 million in the first nine months of 2017, down by 24.8% from the same period last year. SMEs constitute a major pillar of the corporate sector, and a driving force of economic activity and job creation in Lebanon.

Real-Sector Indicators

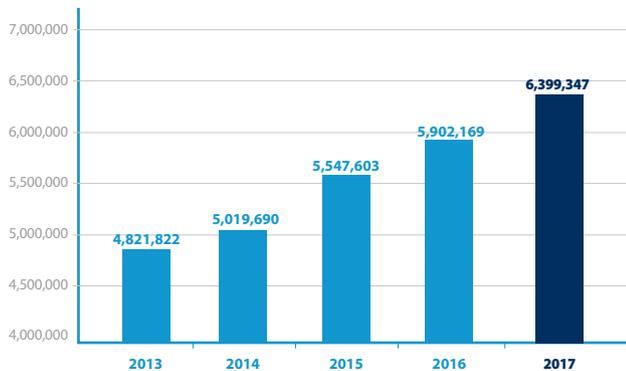
Indicators	2017 1 st 9 months	2016 1 st 9 months	% Change
Agricultural & Industrial Exports (USD, billion)	2.1	2.213	(5.1)
Construction Permits (sqm)	9,348,308	9,076,109	3.0
Cement Deliveries (tons)*	3,354,258	3,418,717	(1.9)
Real-Estate Transactions (USD, billion)	7.0	6.1	14.8
Number of Tourists	1,449,517	1,302,655	11.3
Number of Passengers at HIA	6,399,347	5,902,169	8.4
Cleared Checks (USD, billion)	50.3	50.6	(0.7)
New Car Sales (number)	27,934	28,579	(2.3)
Hotel Occupancy Rate (%)	65.2	58.9	10.7
Electricity Production (kwh, million)*	9,993	8,635	15.7
Goods Quantity at Beirut Port (tons, million)	6.4	6.6	(3.0)
Loans to SMEs under Kafalat Guarantee (USD, million)	54.2	72.0	(24.8)
Revenues of Beirut Port (USD, million)	174.5	180.4	(3.3)

* First 8 months.

Sources: Official and Related Directorates.

aircraft recorded an increase of 0.6% on annual basis to reach 54,602 planes during the said period. These figures suggest an improvement in the airport activity and hence the tourism activity.

- Passengers at the Airport - First 9 Months -



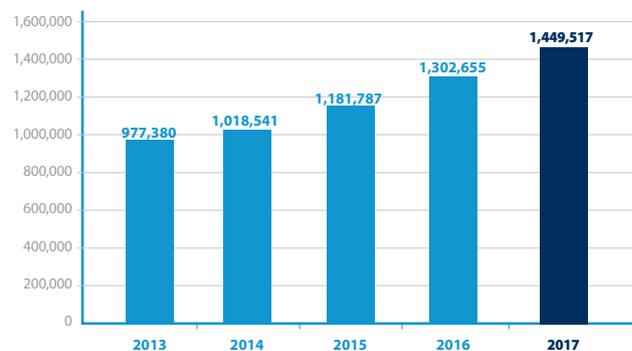
According to the statistics of the **Port of Beirut**, the Port's revenues recorded a decline by 3.3% on annual basis to reach USD 174.5 million in the first nine months of 2017. The number of ships recorded an annual decrease of 9.1% to reach 1410 ships during the same period. In addition, the quantity of goods declined by 3% year-on-year to reach 6.4 million tons during the same period. This figures indicate that the Port of Beirut activity, an indicator of maritime transport and trade, recorded a contraction in its activity during the period under consideration.

According to the Survey of Ernst and Young, the Beirut's **hotel occupancy rate**, an indicator of tourism activity, improved from 58.9% in the first nine months of 2016 to 65.2% in the same period of 2017. The average room rate at Beirut Hotels increased by 8.2% an annual basis to reach to USD 152, and the rooms yield improved from USD 83 to USD 99 during the same period. These figures reflect an improving hotel activity during the period under consideration.

According to the Ministry of Tourism figures, the **number of tourists** visiting Lebanon, mirroring the tourism activity, reached 1,449,517 tourists in the first nine months of 2017, with an annual increase of 11.3% from 1,302,655

tourists in the same period of 2016. Tourists from the Arab countries constituted nearly 30.6% of the total in the first nine months of 2017, and the tourists from European countries (33.9%), Asia (8.8%), and America and Oceania (10.8%).

- Number of Tourists - First 9 Months -



According to the figures of Global Blue, the VAT refund operator for international shoppers, indicate that **total spending by tourists** in Lebanon surged by 7% on annual basis in the first nine months of 2017. Visitors from Saudi Arabia, UAE and Kuwait accounted for 16%, 11% and 7% respectively of total tourists spending. Also, the total number of refund transactions by tourists increased by 3% in the first nine months of 2017 compared to the same period of 2016.

The statistics of the Association of Automobile Importers in Lebanon show that the number of **new sold cars** totaled 27,934 cars in the first nine months of 2017, with a decrease of 2.3% from 28,579 new cars sold in the same period last year.

According to the statistics of the Association of Banks in Lebanon, the total value of **cleared checks**, mirroring private consumption and investment spending, decreased by 0.7% on annual basis, from USD 50.63 billion in the first nine months of 2016 to USD 50.28 billion in the first nine months of 2017. Also, the total value of returned checks dropped by 3.1% on annual basis to reach USD 1,050 million in the first nine months of 2017. This reflects a slight decline in private spending during the period under consideration.

Public Debt Indicators

Indicators	2017 ^{1st8 months}	2016 ^{1st8 months}	% Change
Gross Public Debt (USD, billion)	77.3	74.1	4.3
Domestic Public Debt (USD, billion)	47.5	44.98	5.6
External Public Debt (USD, billion)	29.8	29.1	2.4
Net Public Debt (USD, billion)	67.1	64.0	4.8

Sources: Ministry of Finance and Central Bank of Lebanon.

IV. Inflation and Monetary Policy

The monetary authorities have maintained its monetary stabilization policy as well as economic stimulus policy in the first nine months of 2017. It also maintained its interest rate stabilization policy. This period experienced further inflation following deflation in the past two years.

1- Central Bank

The Central Bank's statistics reveal that its balance sheet increased by 12.4% on annual basis to reach USD 117 billion at the end of September 2017, compared to USD 104.1 billion during the same period of 2016. Assets in foreign currencies reached USD 44 billion at the end of September 2017, with an increase of 8.4% from USD 40.6 billion at the end of September 2016.

As for the gold reserves, its value declined by 2.9% year-on-year to reach USD 11.9 billion at end-September of 2017.

These figures reflect a better financial status of the Central Bank in the first nine months of 2017 relative to its position in the same period last year.

2- Inflation

The Price Index of the Central Administration of Statistics increased by 4.4% on annual basis in the first nine months of 2017, compared to a decline of 1.8% in the same period of 2016. This reflects the return of inflation in the first nine months of 2017, following deflation in 2016 and 2015.

3- BTA – Fransabank Retail Index



Seasonal factors and Eid Al Adha celebrations during the summer of 2017 had a positive impact on Lebanese trade markets activity, whereas most retail sectors witnessed higher turnovers than what they had achieved during the previous quarter.

Yet, such improved results were not sufficient to correct the overall downtrend of activity, as these Q3 figures continued to reflect a real decline when compared to figures of the same period of last year. The main cause for this continued deterioration is most probably the general apprehension prevailing amongst various economic actors about the ongoing deliberations during the period under study of the legislative authorities in the country to impose extra burdens on the Lebanese – in the form of new taxes and fees to finance directly the extra costs of new salary grid. This apprehension has undermined the propensity to consume of the main engines of market activity – Lebanese households first, but also visitors, at least outside the sphere of prime necessity goods.

III. Fiscal Policy and Indebtedness

The fiscal conditions in Lebanon remain highly unfavorable in light of continued fiscal deficits and growing public indebtedness, and the crowding-out effect of private investment fueled by public borrowing.

1- Fiscal Conditions

According to the Ministry of Finance, public revenues totaled USD 6,060 million in the first half of 2017, with an increase of 13.6% over the same period last year. Public expenditures, on the other hand, declined year-on-year by 4.2% to reach USD 6,968 million in the first half of 2017.

As a result, the fiscal balance was in deficit of USD 908 million as of end-June 2017, relative to a larger deficit of

USD 1,936 million as of end-June 2016, i.e. a decline by 53.1%.

However, the primary balance recorded a substantial surplus of USD 1,630 million for the first six months of 2017 relative to a lower surplus of USD 495 million for the same period of 2016.

Lebanon's Parliament recently approved the first budget law for 2017 in more than 12 years, thus restoring control over the State's public finances.

The 2017 budget indicates that expected public spending is at USD 15.7 billion, compared to nearly USD 15 billion in 2016. Expected public revenues are at USD 10.9 billion, up from USD 9.95 billion, during the same period. As a result, the fiscal deficit for 2017 is forecasted at USD 4.8 billion, from USD 4.9 billion last year.

Fiscal Indicators

Indicators	2017 1 st half	2016 1 st half	% Change
Public Revenues (USD, million)	6,060	5,337	13.6
Public Spending (USD, million)	6,968	7,273	(4.2)
Fiscal Deficit (USD, million)	(908)	(1,936)	(53.1)
Primary Surplus (USD, million)	1,630	495	229.1

Source: Ministry of Finance

2- Public Indebtedness

According to the Ministry of Finance figures, public indebtedness of Lebanon increased by 4.3% on annual basis, from USD 74.1 billion at end-August 2016 to USD 77.3 billion at end-August 2017. The public debt in foreign currency reached USD 29.8 billion, increasing by 2.4% from a year later. The public debt in Lebanese Pound totaled USD 47.5 billion at end-August 2017, with an increase of 5.6% from end-August 2016.

Local-currency debt accounted for 61.4% of the total public debt at end-August 2017, against 38.6% for the foreign-currency debt.

At end-August 2017, commercial banks held about 43.4% of the total public debt, relative to 46.9% a year later.

The net public debt, which excludes the public sector deposits at the Central Bank and commercial banks from overall debt figures, rose by 4.8% on annual basis to reach USD 67.1 billion at end-August 2017.

In this sense, public indebtedness continues its growth trajectory, fueled by continued fiscal deficits due to the firm imbalance between the revenues and spending of the country.

CPI (as per CAS official results)	
Q4 '14 / Q4 '13	- 0.71 %
Q1 '15 / Q1 '14	- 3.38 %
Q2 '15 / Q2 '14	- 3.37 %
Q3 '15 / Q3 '14	- 4.67 %
Q4 '15 / Q4 '14	- 3.40 %
Q1 '16 / Q1 '15	- 3.57 %
Q2 '16 / Q2 '15	- 0.98 %
Q3 '16 / Q3 '15	+ 1.03 %
Q4 '16 / Q4 '15	+ 3.14 %
Q1 '17 / Q1 '16	+ 5.12 %
Q2 '17 / Q2 '16	+ 3.48 %
Q3 '17 / Q3 '16	+ 4.15 %
Q4 '14 / Q3 '14	- 1.49 %
Q1 '15 / Q4 '14	- 0.98 %
Q2 '15 / Q1 '15	- 1.12 %
Q3 '15 / Q2 '15	- 1.18 %
Q4 '15 / Q3 '15	- 0.16 %
Q1 '16 / Q4 '15	- 1.15 %
Q2 '16 / Q1 '16	+ 1.54 %
Q3 '16 / Q2 '16	+ 0.82 %
Q4 '16 / Q3 '16	+ 1.93 %
Q1 '17 / Q4 '16	+ 0.74 %
Q2 '17 / Q1 '17	- 0.04 %
Q3 '17 / Q2 '17	+ 1.47 %

A detailed analysis of the various retail trade sectors results reveals that activity displays a nominal consolidated decline of – 1.19 % in the third quarter of 2017 as compared to the nominal turnover figures of the third quarter of 2016. However, the real consolidated turnover figures (i.e. after the application of the CPI weight for the period

under review) translate a – 5.29 % decrease (despite the + 6.41 % increase in the volume of fuels).

If the fuel sector is excluded from the consolidation, the real turnover figures decline reaches – 7.80 % between the Q3 of 2016 and the Q3 of 2017.

Yearly Variation between 3rd Quarter '16 and 3rd Quarter '17

	Q3 - 2016	Q3 - 2017	
Nominal Year to Year Variation (incl. Liquid Fuels)	100.00	98.81	
Nominal Year to Year Variation (excl. Liquid Fuels)	100.00	96.19	
CPI between Sep '16 and Sep '17 (as per the official CAS figures)		+4.15 %*	
Real Year to Year Variation (incl. Liquid Fuels)	100.00	94.71	- 5.29 %
Real Year to Year Variation (excl. Liquid Fuels)	100.00	92.20	- 7.80 %

* CAS – CPI – Sep '17

There are no surprises behind this situation of shrinking consumption levels, since it translates strictly a basic economic theory that explains that consumer's propensity to spend is dictated by the short- to medium-term expected income and not by the current revenue. This of course is a clear explanation of the currently prevailing low-spending trend that is hardly affecting most sectors. Thus, and like in previous quarters, the political matters – including of course their legislative dimension, remained a source of anxiety and gloomy perspectives for the foreseeable future amongst all various economic parties, especially consumers and traders, albeit all military and security accomplishments in terms of repelling the presence of major terrorist groups from inside the eastern borders of the country. Yet, summer and Eid Al Adha passed, immigrants and visitors came, but markets' performance was poorer than that of the previous summer in most sectors of retail trade, and mere seasonal factors were the main reason behind the improvement when compared to performance during the previous quarter.

In short, local markets are facing a persistent slowdown in consumption, and most sectors of retail trade are stagnating – if not in a recessionary mode, and the weakness of economic engines is proving to be a structural weakness; at the same time, and despite the tremendous sacrifices that traders have been extending in terms of special offers and discounts and cut prices – and also in most trades payment facilities, the latest CPI figures published by the Central Administration of Statistics for the month of September 2017 show an increase in the Consumer Price Index of + 4.15 % between September 2016 and September 2017, an increase that reflects a stronger decline between the real turnover figures of Q3 of 2016 and Q3 of 2017. As for the CPI levels between the second and the third quarter of 2017, a + 1.47 % increase

is posted, pursuing an uptrend that had started in the second quarter of 2016 and slowed down only during the second quarter of 2017.

Obviously, it is not possible to determine the exact direct impact of the current inflationary trend on the size of consumption, although it undoubtedly represents a complementary factor that undermines the purchase power of Lebanese households, a purchase power that has already been receding because of the crisis in the labor market on one side, and because of the fragility of the economic conditions and the semi lack of growth on the other side. People are now anxious to see the countering impacts of the new salary grid and the new taxes and fares on the trade markets' activity.

There is no doubt that the current economic status of the country calls for drastic measures, but mere economic basics dictate that extra burdens cannot be applied in times such as those that Lebanon is experiencing currently in terms of recessionary factors and a growth rate close to nil. Fears are that such measures will lead to opposite results of what the government is expecting, and lead to even lower growth in the economy, and instead of increasing, state revenues will decline, with a further surge of tax evasion, illegal trading and smuggling, if the government does not undertake a vast efficient anti-corruption and anti-wastage program and if does not enforce a strict application of reform, work efficiency and productivity. Credit must be given that good intentions have been clearly stated, a ministry has been set, and standards are clearly defined, but the elements and tools for the enforcement of such decisions proved to be so far insufficient, and an immediate activation of all means to reach the set objectives is highly needed.

- Shoes and Leather Products (+ 33.70 %)
- Used Cars Dealers (+24.06 %)
- Commercial Shopping Centers (+23.00 %)
- Liquors (+ 22.19 %)
- Perfumes and Cosmetics (+21.47 %)
- Watches and Jewelry (+ 17.61 %)
- Tobacco (+ 17.15 %)
- Clothing (+ 16.14 %)
- Restaurants and Snacks (+ 15.49 %)
- Pharmaceuticals (+ 15.36 %)
- Bakeries & Pastries (+ 13.67 %)
- Furniture (+ 13.47 %)
- Household Electrical Equipment (+ 11.21 %)

- Optical and Hearing Aid Instruments (+ 5.94 %)
- Silverware and Decoration (+ 2.94 %)

As a result, with the base index 100 fixed at the fourth quarter of 2011, and with a quarterly inflation rate of + 1.47 % for the third quarter of 2017, as per the official CAS report, the "BTA-Fransabank Retail Index" is (with all sectors included) at 49.93 for the third quarter of the year 2017. This figure compares to the level of 45.57 for the second quarter of 2017, and means that the index is approaching again the 50 mark.

Such figures are of course encouraging, but they are not sufficient and do not give any indication of recovery of markets activity, because most of the increases are related to seasonal factors and not to any drastic changes in the prevailing economic drivers.

BTA - Fransabank Retail Index for Q2 - 2017 (Base 100 : Q4 - 2011)

	2011				2012				2013				2014				2015				2016				2017		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3			
Real Index - w/out inflation	100	95.77	100.55	108.54	112.66	90.83	87.85	78.60	65.87	59.68	55.30	55.22	57.57	51.51	51.94	52.77	52.911	46.27	46.79	51.49	53.86	47.51	46.76	52.00			
Real Index - w/ inflation	100	94.24	101.65	99.97	102.88	89.66	86.88	78.23	64.52	58.90	55.56	54.45	58.42	52.78	53.82	55.32	55.56	49.15	48.93	53.41	54.78	47.97	45.57	49.93			
CPI						99.80	98.11	98.47	100.00	101.80	100.61	100.78	99.29	98.32	97.22	96.07	95.92	94.81	96.27	97.06	98.93	99.66	99.61	101.08			

Evolution of the BTA - Fransabank Retail Index (Base 100 : Q4 - 2011)



4- Stabilization Policy

The Central Bank of Lebanon has continued its monetary stabilization policy during the first nine months of 2017, just like in the previous years. The stability in the exchange rate (USD1 = LBP 1507.5) persists, thus contributing to overall monetary and economic stability.

The International Monetary Fund stressed that the LP peg to the US dollar is an appropriate nominal anchor. It noted that the Central Bank could use interest rates to attract deposits in case deposit inflows decelerate, following the end of its recent financial engineering operations. Also, it called on the Central Bank to continue to monitor and mitigate risks in the banking sector. In this context,

Likewise in previous quarters, figures clearly reflect a deterioration in the consolidated turnover results, and it has become obvious that the main reasons are structural and a stable political situation combined with a quiet security environment did not contribute in improving markets activity, as all other market engines remained at a standstill, while no specific corrective measures were taken: on the contrary, the outlook was, in the third quarter, quite negative, with expectations of further fiscal and monetary pressures on consumers and traders alike.

Yet, the impact was mitigated and not all sectors were affected similarly. While results of most retail trade sectors appeared to be declining (quite sharply for some) in comparison to their results during the third quarter of 2016, few others appeared to have posted an improvement – albeit modest, as detailed below:

Main sectors where declines were registered include:

- Cellular Phones (- 33.90 %)
- Musical Instruments (- 27.28 %)
- Furniture (- 15.26 %)
- Home Accessories (- 13.87 %)
- Medical Equipment (- 13.01 %)
- Construction Equipment (- 11.66 %)
- Shoes and Leather Products (- 10.93 %)
- Supermarkets and Food Shops (- 8.17 % after a - 5.69 % in the previous quarter)
- Books & Stationery & Office Supplies (- 7.49 %)
- Toys (- 6.67 %)
- Clothing (continued decline reaching - 5.13 % after a - 8.25 % in the previous quarter)
- Household Electrical Equipment (- 5.07 % after a - 4.85 % in the previous quarter)
- Pharmaceuticals (- 4.87 % after a - 4.76 % in the previous quarter)
- Silverware and Decoration (- 4.61 % after a - 3.62 % in the previous quarter)
- Sports Items & Equipment (- 3.50 %)
- Bakeries & Pastries (- 2.66 %)
- Restaurants and Snacks (- 1.33 %)
- Construction Material (- 1.13 %)
- Used Cars Dealers (- 1.09 %)

- Perfumes and Cosmetics (- 0.82 %)
- Liquor & Spirits (- 0.78 % after a - 4.18 % in the previous quarter)

The sectors that witnessed better results were, in addition to the noticeable improvement in the activity of Commercial Shopping Centers (+ 8.00 %):

- Optical and Hearing Aid Instruments (+ 16.13 %)
- Watches and Jewelry (+ 6.03 %)
- Tobacco (+ 1.45 %)

These figures appear to be quite alarming, especially the figures relating to the basic commodities sectors such as Food Products and Bakeries, Clothing, Books and also Home Accessories. Such figures are a clear indicator of the “pauperization” (impoverishment) of the Lebanese consumers and it has become critical today to counter this dangerous trend with the application of an immediate salvation plan at the level of the national economy as a whole, by also creating new openings in the labor market that would improve to a decent level the purchase power of Lebanese households, and by injecting necessary liquidities that would guarantee the re-activation of the wheel of consumption in all sectors of the local trade market.

The picture is quite different when it comes to scrutinize the results of the third quarter of this year in comparison to the results of the second quarter, whereas most retail trade sectors did post better figures, with the consolidated real increase (i.e. after the application of the CPI variation of + 1.47 % between the second and the third quarter of 2017) reaching the level of + 9.57 %.

It is important to note that the Fuel sector (included in the consolidated figures) has registered a + 12.45 % volume increase during this period.

By looking at every sector of retail trade on its own, it is noticed that many sectors reported an improvement in their performances, except – primarily, Construction Material (- 37.37 %), Books – Magazines and Stationery (- 21.43 %), Sports Items and Equipment (- 6.08 %) and Toys (- 2.23 %). Figures also indicate a slowdown in the sales of Supermarkets and Food Shops (- 2.00 %).

Other sectors where improved activity was reported included:

V. Financial Markets

The Banking Sector has maintained its growth in the first nine months of 2017. However, the performance of the Beirut Stock Exchange was inferior when compared to the corresponding period last year.

1- Banking Sector

The statistics of the Association of Banks in Lebanon reveal that the consolidated balance sheet of commercial banks in Lebanon totaled USD 213.4 billion at the end of September 2017, with an annual increase of 7.8% from the same period of 2016.

The banks' lending to the non-financial private sector reached USD 58.9 billion, with an annual growth of 4% during the same period. The dollarization rate of private

sector lending dropped from 73.6% at end-September 2016 to 70.4% at end-September 2017.

The non-financial private sector deposits grew by 6.9% on annual basis to total USD 169.1 billion at the end of September 2017. The dollarization rate of deposits was 66.9% compared to 65% in the same period last year.

The ratio of private sector loans-to-deposits was 34.8% at end-September 2017, down from 35.8% at end-September 2016.

The banks' aggregate capital base reached USD 18.65 billion in the first nine months of 2017, up by 2.3% from USD 18.2 billion in the same period of 2016.

These figures clearly reflect a continued growth in the banking sector, and further expansion in the banking activity and market.

Banking Sector Indicators

Indicators	2017 1 st 9 months	2016 1 st 9 months	% Change
Total Assets (USD, billion)	213.4	197.96	7.8
Deposits of Private Sector (USD, billion)*	169.1	158.2	6.9
Loans to Private Sector (USD, billion)*	58.9	56.6	4.0
Bank's Capital Base (USD, billion)	18.65	18.2	2.3

Sources: Central Bank of Lebanon and Association of Banks in Lebanon.
(* non-financial sector.)

2- Insurance Companies

The Statistics of the Association of Insurance Companies in Lebanon show that insurance premiums totaled USD 845.7 million in the first half of 2017, growing year-on-year by 0.7%.

Medical insurance premiums accounted for 34.2% of total premiums, followed by life insurance premiums 28%, then motor insurance premiums 21.2%, fire insurance premiums 7%, workmen compensation premiums 3.4%, cargo insurance premiums 2%, public liability premiums 1.1%, engineering insurance premiums 0.6% and others 2.5%.

3- Beirut Stock Exchange

The figures announced by the Beirut Stock Exchange (BSE) indicate that total trading volume reached 62,693,799 shares in the first nine months of 2017, with a decrease of 14.5% from 73,312,939 shares in the same period last year.

Aggregate turnover decreased by 17.1% in the first nine months of 2017 from USD 613.5 million in the first nine months of 2016 to USD 523.6 million in the first nine months of 2017.

Market capitalization of BSE increased by 2.2% on annual basis to reach USD 11.36 billion at end-September 2017.

The market liquidity ratio dropped from 5.7% in the first nine months of 2016 to 4.6% in the same period of 2017.

the Central Bank issued its Circular 141 on September 18, 2017, which details the mechanism of creating a business recovery plan for banks and financial institutions operating in Lebanon. This is to allow them to stabilize their financial situation and help them face any future challenges in times of distress.

Also, the Central Bank issued Intermediate Circular 473 on September 18, 2017 which amends Basic Circular 23 issued on March 7, 1996. It is related to the facilities that the Central Bank can provide to commercial banks and financial institutions. The new Circular increased the ceiling of mortgages that banks can extend under the stimulus package from USD 530,680 to USD 796,020. The increase in ceilings on mortgages was similarly applied to Basic Circular 84 dated June 2, 2001. This Circular says that banks can reduce their reserve requirements by 60% from the balance of housing loans granted in Lebanese pounds before February 8, 2017, by 75% after February 7, 2017, and by 60% from the balance of non-subsidized non-housing loans granted in Lebanese pound.

To support this monetary stability, the monetary authorities have maintained their policy of moderating growth in money supply. This is crucial also for controlling inflation.

5- Economic Stimulus Measures

The depressed levels of economic growth over the last years together with the monetary stability measures adopted by the Central Bank has allowed it to continue its stimulus package during the first nine months of 2017 in the form of subsidized loans to the productive sectors of the economy like housing, renewable energy, education, research and development, and innovative projects.

In this context, The Central Bank issued Intermediate Circular 475 on October 19, 2017 that amends Basic

Circular 23 issued on March 7, 1996 about the facilities that the Central Bank can provide to commercial banks and financial institutions. The circular stipulates that banks operating in Lebanon can benefit from a total of \$1 billion in financial facilities from the Central Bank with 50% of this amount in Lebanese pound-denominated loans and the other 50% in US dollar-denominated loans. The Central Bank will extend the loans to domestic banks at an interest rate of 1% per year for Lebanese pound-denominated loans, and at an interest rate equivalent to the upper limit of the U.S. Federal Funds Rate for dollar-denominated loans. In turn, banks would extend loans to the private sector at reduced interest rates.

The new economic stimulus package represents the Central Bank sixth consecutive package since 2013, following the USD 1.47 billion package in 2013, the USD 800 million initiative in 2014 and the USD 1 billion packages in each of 2015, 2016 and 2017.

However, it is the first stimulus package that the Central Bank provides in US dollars and that covers Lebanese expatriates. Also, it allocated the entire Lebanese pound-denominated portion of the package to housing loans for residents.

Further, the circular allows banks to use these facilities to extend both housing and non-housing loans in US dollars to Lebanese expatriates, provided that they meet specific conditions. It noted that the beneficiaries should hold the Lebanese nationality or demonstrate that they are of Lebanese descent and should be residing outside Lebanon for more than five years. It pointed out that the loan must be extended to finance investment projects in Lebanon and cannot be used for consumption or real estate purposes, or to refinance existing projects, to repay loans, or to buy shares or participations. It said that the amount of a single housing loan provided to an expatriate should not exceed USD 800,000 and that the maximum duration for loan repayment should not exceed 30 years.

Monetary Indicators

Indicators	2017 1 st 9 months	2016 1 st 9 months	% Change
USD/LBP Exchange Rate	1507.5	1507.5	0
Central Bank's Balance Sheet (USD, billion)	117	104.1	12.4
Central Bank's Assets in FX (USD, billion)	44	40.6	8.4
Central Bank's Gold Reserves (USD, billion)	11.9	12.26	(2.9)
Inflation Rate (%)	4.4	(1.8)	

Sources: Central Bank of Lebanon, Association of Banks in Lebanon, and Central Administration of Statistics.

Foreign Sector Indicators

Indicators	2017 1 st 9 months	2016 1 st 9 months	% Change
Trade Deficit (USD, billion)	11.8	12.043	(2.0)
Exports (USD, billion)	2.1	2.213	(5.1)
Imports (USD, billion)	13.9	14.256	(2.5)
Capital Inflows (USD, billion)	11.6	12.6	(7.9)
Balance of Payments (USD, million)	(190.1)	544.9	(134.9)

Sources: Higher Customs Council and Central Bank of Lebanon.

VII. Growth Prospects

Real economic growth is expected to continue during 2017, at rates better than the one recorded in 2016. This will be stimulated by the currently observed political and security stability, expanding aggregate economic activity, continued monetary stabilization policy, and continued capital inflows.

The IMF projects the real GDP growth rate of Lebanon at 1.5% in 2017, up from 1% in 2016, and GDP per capita to increase by 3.4% year-on-year to reach USD 11,684 at end-2017.

Inflation is estimated at 3.1% in 2017 according to the IMF, relative to deflation rates of 3.7% in 2015 and 0.8% in 2016.

The IMF also projected the fiscal deficit to widen to 9.9% of GDP in 2017 relative to 9.3% in 2016, and the public debt to increase to 152.3% relative to 148.7% of GDP in 2017 and 2016 respectively.

Also, the IMF projected that the current account deficit to narrow from 18.6% of GDP in 2016 to 18% in 2017. For 2018, the IMF projects Lebanon's real growth rate at 2%, the fiscal deficit to widen to 10.3% of GDP, and current account deficit to narrow to 16.8% of GDP.

The United Nations projected Lebanon's total population to reach 6.08 million at the end of 2017, up from 4.3 million at end-2010. The increase of 1.8 million between 2010 and 2017 reflects mainly the presence of a large number of Syrian refugees in the country.

The World Bank projected the expatriates' remittances to Lebanon to stand at USD 7.9 billion in 2017, relative to USD 7.6 billion in 2016, thus growing by 3.3% on annual basis.

The Current resignation of Prime Minister Mr. Saad Hariri has caused a substantial shock to the domestic, regional and international community, and entered the country into a state of uncertainty. However, it is still early to determine repercussions of such a political development, especially with the general consensus among the political leaders to maintain firm solidarity amidst this emerging negative shock.

Beirut Stock Exchange Indicators

Indicators	2017 1 st 9 months	2016 1 st 9 months	% Change
Market Capitalization (USD, billion)	11.36	11.12	2.2
Aggregate Turnover (USD, million)	523.6	631.5	(17.1)
Total Trading Volume (shares)	62,693,799	73,312,939	(14.5)
Market Liquidity Ratio (%)	4.6	5.7	(1.1)

Source: BSE.

VI. Foreign Sector

The balance of payments, mirroring the aggregate foreign sector activity, was in deficit in the first nine months of 2017 relative to a surplus in the same period of 2016, where the increase in capital inflows was not enough to offset of the trade deficit.

1- Trade Balance

For the first nine months of 2017, the value of total imports reached USD13.9 billion, with a decrease of 2.5% a year later. In parallel, total exports declined by 5.1% to reach USD 2.1 billion during the same period. As such, the trade deficit narrowed by 2% to nearly USD 11.8 billion during the same period.

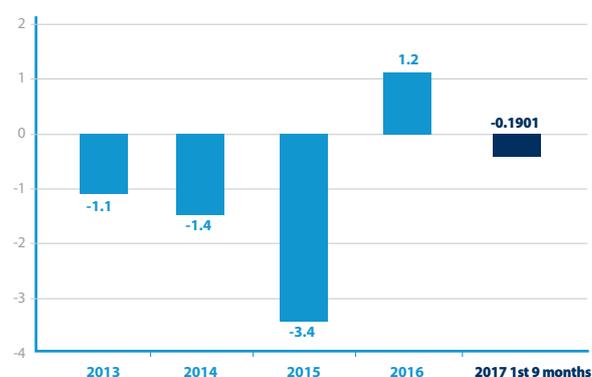
The export-to-import coverage ratio was 15.1% in the first nine months of 2017, relative to 15.5% in the same period last year, thus reflecting a decrease in this ratio due to greater decrease in exports than in imports.

The decrease in imports during the first nine months of 2017 was due to a decrease of 13.9% in the value of imported oil and mineral fuels, 12% rise in the value of imported vegetable products, and an increase of 9% in the value of imported vehicles, aircraft and vessels.

The decline in exports during the same period was stimulated by a decrease of 29.4% in the value of exported jewelry, 37% increase in the value of exported base metals, and a rise by 2.9 times in the value of mineral products.

These figures indicate a worsening trade conditions for Lebanon, during the said period, due to declining exports and imports.

- Balance of Payments (USD, Billion) -



2- Capital Balance

According to the Lebanese Customs and Central Bank figures, financial inflows to Lebanon totaled USD 11.6 billion in the first nine months of 2017, relative to USD 12.6 billion a year earlier, thus declining annually by 7.9%. This mirrors a decline in the inflow of financial funds from foreign markets.

3- Balance-of-Payments

The statistics announced by the Central Bank show that Lebanon's balance-of-payments recorded a deficit of USD 190.1 million in the first nine months of 2017, relative to a surplus of USD 554.9 million in the same period last year. The recorded deficit was due to a decrease of USD 3.14 billion in the net foreign assets of banks and financial institutions, and an increase of USD 2.95 billion in the net foreign assets of the Central Bank.

(ii) It is the physical space for the business enterprise, sharing platform for business support services and vector for supporting enterprises starting and developing, so it is of great importance for employment, local economic growth, and foreign investment.

(iii) It is the service center providing with physical space, infrastructure, and a series of service support needed to reduce startup costs and risk, improve the success rate of entrepreneurship, and promote scientific and technological achievements, so SMEs can develop and grow fast.

On the other hand, the principal objectives of business incubators are the following:

- Increase the chances of an incubate firm surviving its formative years.
- Nurture the development of an entrepreneurial companies, helping them survive and grow during the startup period, when they are most vulnerable.
- Create local jobs.
- Foster entrepreneurial Climate.
- Commercialize new technology.
- Diversify local economies.
- Build / accelerate local industry growth.
- Encourage minority or women entrepreneurship.
- Generate revenue to the domestic economy.
- Revitalize distressed neighborhood.
- Support economic growth and development.
- Opportunities for national immigrants, and nationals graduating abroad.
- Develop export-oriented production.

III. Success Components for Business Incubators

There are several components for the success of business incubators, related to its features, resources, models, structure, and business plan.

A- Incubators Features:

The major requirements of a successful business incubator are:

- (i) A managed work space providing shared facilities, advisory, training and financial services, and a nurturing environment for tenant companies.
- (ii) A small management team with core competencies.

(iii) Selection of startup companies entering the incubator, mainly 20-25 in average, to be graduated generally after 3 years.

B- Incubator Resources:

The ultimate resources of a successful business incubator are:

- (i) Access to skills and competencies: capital, technology, facilities.
- (ii) Access to financing: attraction of local and foreign investors.
- (iii) Access to the market and marketing services: advertising and branding.
- (iv) Environment for innovation: addressing patent and copy right issues.
- (v) Partnerships and networking: synergy between client firms and associations.
- (vi) Management advisory services: legal, human resources, accounting, and public relations.

C- Incubators Models:

The choice of an appropriate business incubator is a significant factor in ensuring its success.

Incubator models may vary according to their structure:

- (i) Their mandate (for-profit or not-for-profit).
- (ii) The type of sponsorship they have (private – public – mixed).
- (iii) Their focus (mixed-use or niche).

Also, business incubators may vary according to their line of activity:

- (i) First Generation Incubators: These involve building new facilities, such as science or technology parks. They depend on public investments supported by local or regional or international funds. Their focus is on new venture creation, governance with an entrepreneurial management, and a strategic marketing orientation.
- (ii) University Incubators: These are established in university campuses. They promote the development of new research / technology. The role of the university is to link research with industry.
- (iii) Virtual Incubators (Second Generation): These are hosted by universities or research centers. They operate both within wall and outside – outside: they serve newly created firms without hosting them within the incubator's

Study - Promoting Startups and SMEs in Lebanon through Business Incubators and Accelerators

Introduction

Startups and SMEs is a vital and growing segment of the private sector business in Lebanon. SMEs constitute the bulk of the national economy with more than 90% of the corporate sector are SMEs and startups. If economic growth and development, together with social development, are to be promoted in the years to come, a greater support to SMEs and startups is needed, mainly via the growth of business incubators and accelerators.

For an economy like that of Lebanon which is based on SMEs, a larger number of business incubators and accelerators needs to be created in the years to come to support the growth and development of SMEs and startups. Also, the business environment needs to be enhanced and become more enabling. In addition, access to finance is a crucial factor in ensuring a successful journey of SMEs and startups. Moreover, business incubators and accelerators need to adopt the (internationally) successful best practices related to all facets of this industry.

I. What are Business Incubators and their Functions?

A business incubator is a comprehensive business – assistance program targeted to help startup and early-stage firms, with the goal of improving their chances to grow into healthy, sustainable companies.

Hence, a business incubator is an economic development tool designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services.

In this sense, a business incubation catalyzes the process of starting and growing companies, providing entrepreneurship with the expertise, networks, and tools they need to make their ventures successful.

Incubation programs diversify economies, commercialize technologies, create jobs, and build wealth.

In this context, the major functions of business incubation are the following:

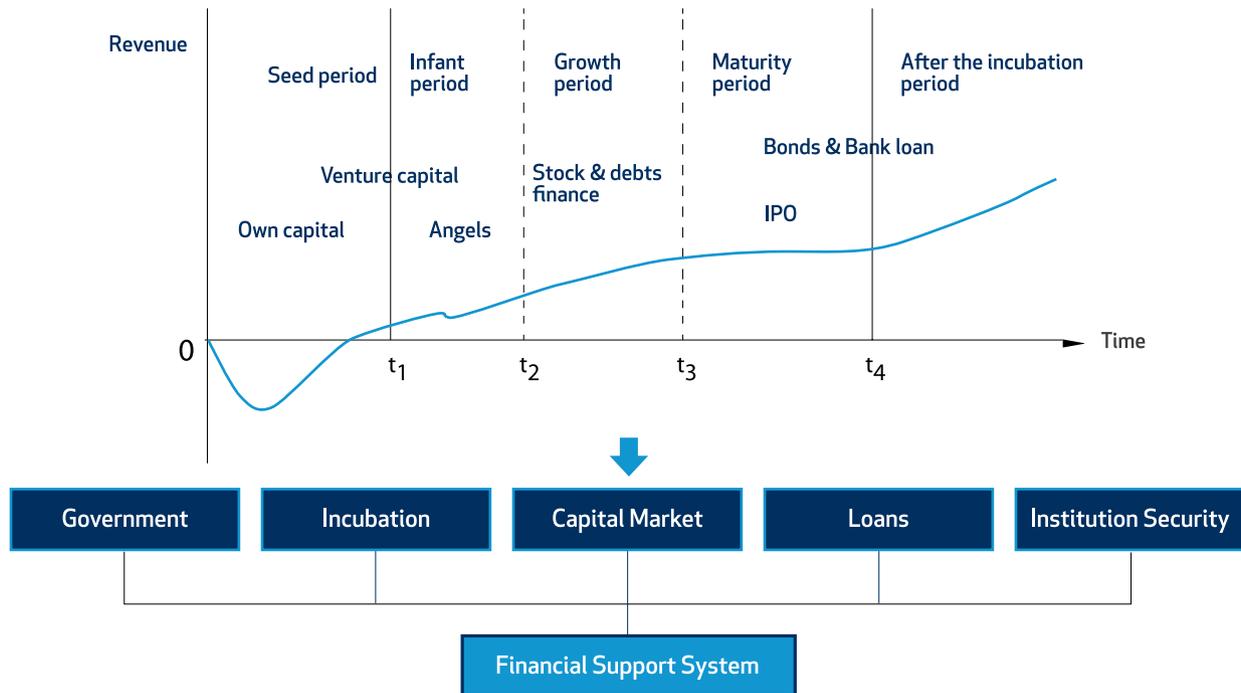
- (i) Business incubation provides SMEs and startups with the nurturing environment needed to develop and grow their businesses, offering everything from virtual support, rent-a-desk through to state-of-the-art laboratories and everything in between. It provides direct access to hands on intensive business support, access to finance and experts and to other entrepreneurs and suppliers to really allows businesses and entrepreneurs to grow.
- (ii) Business incubation provides a nurturing, instructive and supportive environment for entrepreneurs during the critical stages of starting up a new business. The goal of incubators is to increase the chance that a startup will succeed, and shorten the time and reduce the cost of establishing and growing its business. If successful, business incubators can help to nurture the companies that will form the true creators of a region's or nation's future wealth and employment.
- (iii) Incubators serve as a launching pad for young and small businesses. Startups, which are innately dynamic entities, need access to support, and incubators are a means of providing this.

II. Features and Objectives of Business Incubation

The major features of business incubation are the following:

- (i) It is a unique and highly flexible combination of business development processes, infrastructure and people designed to nurture new and small business by helping them to survive and grow through the difficult and vulnerable early stages of development.

Financial Demand Characteristics of the Life Cycle and Support System for SMEs in the Incubation



V. Business Incubators and Accelerators in Lebanon

Today, there are several business incubators and accelerators in Lebanon providing specialized support to startups and SMEs, especially the technology sector.

Following are key information about nine business incubators and accelerators in Lebanon.

1- Berytech:

It is one of the first incubators in Lebanon, which was established in 2002 by Université Saint-Joseph.

This incubator has two locations in Beirut and one location in Mount Lebanon.

Berytech is a member of the European Business Network. It supports more than 3000 entrepreneurs, working in the fields of ICT, Technology, and Agrotech.

Its services include:

- Mentoring and coaching.
- Business advisory.
- Access to markets and soft landing.
- Training.
- Hosting.
- Incubation.
- Acceleration.
- Access to funding.

2- BIAT:

This is a non-profit incubator to assist and promote startups and SMEs in North Lebanon.

This incubator was established in 2006, with the support and assistance of the integrated SME support program, which is an EU funded project at the Ministry of Economy and Trade.

facilities. They are technology oriented, and are aimed at transforming research into marketable products.

(iv) International Business Incubators (Third Generation): These provide a full range of support services. They seek the development of knowledge-based businesses which are export oriented. They have networks between universities, research institutes, venture capital and international joint ventures.

(v) Dot. Com Incubators (Fourth Generation): These have a strong venture capital orientation, and shorter incubation periods, usually few months. They are risky. Usually they are internet business accelerators.

D- Incubator Structure:

A successful business incubator should have the following structure:

- (i) Initiative Group / Board.
- (ii) Advisory Board (10-20 members).
- (iii) Managing Director.
- (iv) Project Manager.
- (v) Secretary.
- (vi) Students' participation.
- (vii) Volunteers.

The activities connected with management of the business incubator are related to the board members, project manager, students, and volunteers.

While the activities directed towards assisting the incubated companies are related to the managing director of the business incubator.

E- Incubator Business Plan:

For a business incubator to achieve success, its business plan should include:

- (i) Executive Summary.
- (ii) Effect of Incubator Establishment and Development.
- (iii) Mission, Objectives, Founders.
- (iv) Marketing Strategy:
 - Competitors.
 - Image.
 - Search and selection of new tenants.
 - Groups of tenants.
- (v) Activities:
 - Services provided:
 - Training Services.

- Technical and other services.

- Characteristics of technical basis.
- Organizational management structure.

(vi) Financial Indicators.

(vii) Risks Estimation.

IV. Financial Demand and Support System in the Incubation Life Cycle

The general lifecycle of SMEs in incubation can be classified as: seed period, infant period, growth period, and maturity period.

The finance lifecycle of SMEs is related to the general lifecycle:

- In the seed period: business incubators depend on own capital and venture capital.
- In the infant period: business incubators need funds from business angels, together with business development services.
- In the growth period: business incubators need venture capital.
- In the maturing period: business incubators depend on IPO including debt and bank finance.
- In the post-incubation period: business incubators resort to institutional investors and banks.

The basic financial support system for business incubators have to depend on four major pillars:

- (i) Government policies as guidance.
- (ii) Incubation as the platform.
- (iii) Financial markets as the multi-channel capital supply.
- (iv) Institution security through developing the firm's functions.

The crucial strategies and support system for SMEs in incubation involve the following components:

- (i) Increase the government policy support range, mainly by creating support funds.
- (ii) Develop the incubation for SMEs. Here a University Park incubator can be established around the university.
- (iii) Play the role of capital market effectively.
- (iv) Develop the financial-institution function.
- (v) Perfect legal and credit guarantee.
- (vi) Enlarge the service range by industry association.

7- FLAT 6 LABS:

This is a startup seed program and early stage fund, which was established in Beirut in 2016 based on a collaborative initiative by Flat 6 Labs, Arab Net and Lebanon Seed Fund.

It is a member of the Global Accelerator Network, and provides four months seed acceleration services, including funding, mentoring, training, legal support, hosting and networking.

Currently, more than 100 companies benefited from this accelerator which spread across the MENA region, working in fields such as ICT, technology and green technology.

8- SMART ESA:

SMART ESA is an accelerator and incubator at the same time, that capitalizes on the French tech expertise.

It was established in 2016 by the ESA University with the support of the French Embassy in Lebanon and Banque du Liban.

SMART ESA runs four different programs in the areas of idea, stage and expansion of startups and SMEs in the field of ICT sectors.

Located in Beirut, it provides a wide range of services including mentoring, incubation, hosting and access to markets.

9- BADER:

BADER YOUNG ENTREPREURS PROGRAM was established in 2005 with the mission of providing the necessary tools for the successful launching and development of high impact entrepreneurial projects in Lebanon with the aim to promote national economic development and job creation, and reduce brain drain. This mission is achieved through three main activities: education, finance and networking.

BADER's vision is to be an agent of positive change by empowering the country's youth, and providing them with new educational and business opportunities, that allow them to fulfill their potential.

Bader develops tools for, and promote, entrepreneurship education to young Lebanese through initiatives and partnership with educational institutions.

It also facilitates access to capital for startups and SMEs, through the development of financing-oriented projects, the referral to partner institutions, and Bader own initiatives.

In addition, Bader assists in developing networking opportunities within Lebanon, and with the Lebanese diaspora and international organizations to facilitate the development of Lebanese startups and SMEs.

VI. Best Practices for the Success of Incubation Activity in Lebanon

In fact, the current number of business incubators and accelerators in Lebanon does not cope with the increasing needs of startups and SMEs, and entrepreneurs.

Lebanon's economy is a small, open economy which includes a large share of SMEs and a growing number of startups.

In reality, a number of SMEs and startups do not seem to survive in the medium and long runs, given the need to adopt best practices in different facets of the incubation and acceleration activity.

For a smooth and successful functioning and management of business incubators and accelerators, the following three dimensions of the incubation activity should be considered:

- (i) Internal functioning of the incubator.
- (ii) Output produced during the incubation process.
- (iii) Horizontal flow of activities aimed at assessing and improving the performance of the previous two.

Following are the (internationally) best practices for the success of incubation and acceleration activity:

A- Best Practices for the Incubator Creation and Management:

- (i) With respect to the goals of the Incubator:

The incubator is located in Tripoli, and has an office in Akkar. It succeeded in becoming a one-stop-shop that offers a wide range of business support services for startups and SMEs.

Currently, BIAT supports 10 companies working in different economic sectors.

Its services include:

- Business advisory.
- Mentoring and coaching.
- Incubation.
- Hosting.

3- South BIC:

BIC stands for "Business Innovation Center", which is the first sustainable business development center in the South Lebanon. It was established in 2012, with the support and assistance of the integrated SME support program, which is funded by the EU at the Ministry of Economy and Trade.

This incubator has its main location in Saida, with two offices in Nabatieh and Tyre.

The ultimate purpose of this Center is to become a business center for exhibition and trade promotion for its members (currently 11 companies) working in different economic sectors.

The Center offers several services to startups and SMEs, including:

- Access to markets.
- Training.
- Human resources support.
- Mentoring and coaching.
- Marketing.
- Hosting.
- Incubation.

4- ALT CITY:

Established in 2011, ALT CITY is a business accelerator that manages three programs to support startup companies, namely: BOOTCAMP, ELEVATE, and STARTUP Campus.

It is a vital accelerator program in Lebanon, established in 2011 with the support of UNICEF.

This accelerator which is located in Beirut, gives assistance and support to more than 50 companies currently, working in the fields of ICT and technology.

ALT CITY offers these companies some specialized services, such as acceleration and business development.

5- UK LEBANON TECH HUB:

This is the first business accelerator in the region that has a global perspective, which was founded in 2015 by the Banque du Liban and the UK Government, located in Beirut.

The ultimate objective of this accelerator is to provide three months acceleration program for ideas and early-stage startups, whose number exceed today 500 companies.

This accelerator supports two major related sectors: ICT and technology; and provides services that include:

- Acceleration.
- Capacity building.
- Business support.
- Outreach.
- Research.

6- Speed @ BDD:

This is the first ecosystem-backed tech startup accelerator in Lebanon, which was founded in 2015 by the collaboration of leading investment funds and entrepreneurship support organizations in Lebanon, like Bader, Berytech, IM Capital, Lebanon for Entrepreneurs, and Middle East Venture Partners.

Speed provides three months acceleration program for idea and early-stage startups working in the ICT sector.

Located in Beirut, it currently supports 27 companies, through services such as acceleration, mentoring, human resources support, and legal support.

1. Offer a helping hand. Established entrepreneurs should give time, advice and seed funding to aspiring entrepreneurs.
2. Change behaviours and evolve the culture. Discuss entrepreneurship every day and generate hype around a handful of success stories.
3. Bring entrepreneurship to the classroom. Everyone in high school and university should learn entrepreneurial principles.
4. Bring entrepreneurship to the office. Companies should encourage employees to unleash their own talent.
5. Do not imitate Silicon Valley. Identify and leverage your country's own unique resources.
6. Welcome new ideas. Engage domestic and foreign workers to encourage a free flow of expertise and enterprise.
7. Break the stereotype. Great entrepreneurial ideas can come from anyone in any industry.
8. Embrace the diaspora. Tap successful entrepreneurs living abroad for their advice and connections.
9. Eliminate red tape. Governments should give many kinds of support to all types of entrepreneurs.
10. Expand the venture capital (VC) model. VCs need to go beyond funding and provide a support structure for entrepreneurs.

- Goals should be realistic and consistent with the market environment and domestic resources.
- Offer clients, in the long term, valuable resources at affordable cost.
- Inform about market opportunities and comparative advantage.
- Identify and address market and financial constraints.

(ii) With respect to organization and governance:

- Legal structure has to match with the mission and financial model. A board is necessary.
- General consensus on the mission.
- Management team: director and a few full-time staff.
- Recruitment of staff is important. The qualifications of the director is important.
- Attracting qualified professionals, including volunteers and interns, for specific activities at zero or low cost.

(iii) With respect to sustainability:

- Long-term sustainability of the incubator.
- Support from universities and R & D programs.
- Public support.
- International donor support.
- Equity participations, IPOs.
- Payment of royalties to the incubator for a certain number of years when a new product by an incubate company is commercialized.

B- Best Practices for Incubation Process:

(i) With respect to admission criteria and procedure:

- Criteria clearly set, guidelines and evaluation procedures are in place, and screening by professional evaluators.
- Selection based on applicant's needs and "value" services to be offered.
- Screening process according to criteria and consistent with the goals.
- Screening criteria: innovativeness of product idea, product feasibility, patent protection, market and growth potential, financial plan, risks opportunities, professional and education background of applicant, community benefits, ecological awareness... etc.

(ii) With respect to the incubation process:

- Facilities (inexpensive – networking).
- Professional services (no or low cost).
- Networking opportunities (events).
- Access to capital.
- Creation of support mechanisms and partnerships (with government, universities and corporations).

(iii) With respect to graduation:

- The incubator should define and communicate to applicants about graduation policies.
- Policies include: time limits, type, amount, and value of services provided by the incubator.

C- Best Practices for Performance Assessment:

To assess the performance of business incubators, the following issues should be considered:

- (i) Firms incubated and their survival rate.
- (ii) Jobs generated in the incubator.
- (iii) Jobs and sales created by graduates after six years.
- (iv) Public investments per year.
- (v) Research commercialized by incubated firms.
- (vi) Survey of tenant evaluation of incubator's added value.
- (vii) Sustainability of the incubator (revenues and costs).
- (viii) Taxes and other contributions by tenants and graduates.
- (ix) Social impact (measured by public opinion surveys, research contracts between industry and university).
- (x) Changes in the State policies and their financial commitments.

VII. Ten Imperatives to Support the Growth and Development of Incubation-based Startups and SMEs in Lebanon

There are ten imperatives that all stakeholders in the entrepreneurial ecosystem (governments, NGOs, companies and entrepreneurs) should follow to influence, improve, and develop the business incubation and acceleration activity in Lebanon:

The Economic Bulletin is a research document that is owned and published by Fransabank SAL. This bulletin provides the reader with an overview of the most recent developments in the Lebanese economy and the banking sector in general, coupled with a study on the most prominent emerging developments in the banking and finance sectors both on the local, regional and international aspects.

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22.334
52.123
66.345
87.677
31.224
88.345
17.347
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