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VOICE OF INVESTORS

Nicole V. Hamouche

At the crossroads of art and entrepreneurship, design attracts an eclectic crowd of investors and supporters. However, and unlike the tech scene, there is no structured and clear ecosystem that supports it. By the term investors in this sector, we refer here to diverse sources of financing: the financiers, venture capitalists and structured angel investors; the patrons, philanthropists and foundations, the more alternative possibilities such as crowdfunding in its diverse forms; and finally the borrowing and granting facilities available. As Tarek Khalife, chairman of Credit Bank and one of the biggest supporters of the scene, says: "we have all the dots in Lebanon, but not the connections". There is still not enough collaboration between the players; initiatives are sporadic and design is viewed as elitist." Joy Mardini, another major supporting figure in the field, says she would like to have the word design made mainstream, to see it enter all fields of life, hence the need to democratize access to finance.

I - VENTURE CAPITALISTS AND FINANCIAL INVESTORS

■ FKS Capital Partners

Fawzi Kyriakos Saad, a London-based Lebanese-British national who was a former CEO of Credit Suisse Europe, founded the private equity firm FKS Capital Partners (FKS) as a way to give back to Lebanon. The fund looks to invest in Lebanese companies that have a significant growth potential and international outreach. Saad describes himself as a social entrepreneur. "We bring in financial capital and human capital," he said. The fund targets established designers who have to have a proven track record and "to be recognized." Saad said he would only look at "big stuff such as Karen Chekerdian and PS Lab" as he believes that "in order to make an impact in terms of job creation, the companies need to have both a certain size and the capacity to grow, to employ more."

The fund has invested a couple of million dollars in Bokja, a furniture design brand, and in Rabih Keyrouz, a haute couture designer. While Rabih Keyrouz manufactures all but his bridal collection in France, Bokja produces its furniture entirely in Lebanon, according to the investor.

- ✓ **Bokja:** FKS provided the company with a management structure (e.g. hiring 10 to 20 people) to take it to the next level. Hires included professional marketers who reach to China and Hong Kong. "The point is to turn design into a business" says Saad. Bokja is now selling in up-and-coming shops in various locations, such as Paris, Mexico, California, London and Italy. Bokja, which produces its furniture in its atelier in Beirut, now employs 35 people.

According to FKS, the challenges faced are: an environment that is not conducive to business development, including indirect taxes, corruption and lack of an overall infrastructure; absence of good factories even if there are good artisans; lack of incentivizing export policy; high taxes; and difficulty of online selling out of Lebanon since there is no PayPal in Lebanon.

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As for exit issues, FKS considers selling the investments to a larger company, a luxury group, such as Kering or Polyform.

- ✓ **Rabih Keyrouz:** FKS is one of the investors in the company other than the Luxury Fund, Bankmed, and Hala Fadel, a partner at LEAP Ventures, a tech-oriented venture capitalist. “Aside from the bridal collection, Keyrouz manufactures in France as Lebanon doesn’t have the know-how for Keyrouz’s haute couture style,” Saad explained. “For prêt à porter, factories in Italy are cheaper than in Beirut and have new technologies.” According to industry-savvy fashion designers, Rabih Keyrouz might have other reasons for producing his collections in France.

- **Berytech**

The fund’s objective is to invest in small- and medium-sized Lebanese enterprises, which have a high growth potential and fall under the scope of “the knowledge economy.” According to Berytech’s website, “the Fund targets mainly startups in the acceleration phase that have the ability to scale up seamlessly. Industries and sectors covered are Information & Communication Technology, Digital Content, Industrial & Product Design, Fashion Design and Renewable Energies Venture Capital that benefit from Circular 331 of the Central Bank which guarantees investments in knowledge economy.” In 2016, the fund invested a few million dollars in Karoline Lang, a high-end Lebanese fashion designer, who opened a large store on Avenue Montaigne in Paris. Based on market information, the investment hasn’t been profitable so far and the designer is looking to raise more funding. Berytech hasn’t made any other investments in the sector as “the Central Bank has decided that design was no longer covered by Circular 331” according to the fund’s manager, Paul Chucrallah.

- ✓ Selection Criteria: When it comes to design, the fund doesn’t look at Profit and Loss statements, but at other criteria, including cash flow neutrality.

Challenges mentioned by Paul Chucrallah include: delay in answering capital calls set by the Central Bank, lack of further investment channels, such as a new market stock exchange (which was originally planned by authorities), and lack of market organization, which hinders planning.

- ✓ **Recommendations:** For Chucrallah, a venture capitalist should be able to make Series A investments, providing up to \$10 million to each venture. This amount is broken down into small sums that are provided gradually to the company throughout the investment period (\$2 to \$3 million as a start, followed by the remainder of the amount). The point is to be able to nurture the few stars; hence to have a \$100 million-fund available for the sector, according to Chucrallah. For this, Chucrallah suggests the mobilization of the diaspora and public money (e.g. tax rebates and research grants) and insists on the necessity of long timeframes that would allow projects to mature and plan for the next five to 10 years. He also encourages the creation of official labels, such as Haute Couture in France, and calls for public involvement, such as initiatives that take designers and artisans to design fairs, like the design fair in Italy.

- **Seeders – LWAF – IM Capital (Part of Berytech)**

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**The information below is based on public information and on the companies' website because we were unable to speak to them: companies were either not available for comments or did not respond to our emails.*

- ✓ **Seeders** is a community of qualified business angels that aims to invest in early-stage high-risk ventures. The fund invests up to \$100,000 per ticket. It has invested in a few design or design-related startups, such as Moodfit, an online interior design platform; MAD, a marketplace to launch musicians, artists and designers; Maker Brane, an online and offline platform to create, build and share designs; and Bokja, the furniture design company mentioned above.
It has also invested in Handiss, a platform that connects construction and contracting companies with freelance architects and engineers; and Geek Express, an online and offline platform offering kits, workshops and online tutorials for kids and teens in the fields of engineering, technology and arts.
- ✓ **Lebanese Women Angel Fund (LWAF)** is a women-led angel fund. Investments amounting to \$5,000 are pooled from every participant and placed into a Special Purpose Vehicle (SPV) with investment tickets ranging from \$50,000 to \$100,000.
- ✓ **Insure and Match Capital (IM Capital)** provides matching capital and equity guarantee to qualified early-stage businesses and investors in Lebanon. To qualify, startups must have a committed capital from qualified investors, angels or institutions. The matching participation from IM Capital can go up to 50% of the total outside capital, with a maximum ticket depending on the venture's status. One of the main criteria for approving any co-investment is the involvement of a solid and experienced management team, who has identified a creditable market niche with significant growth potential.

IM Capital provides qualified investors (angels and institutions) with a partial guarantee on investments in early-stage businesses and on Venture Capital Syndicated Pooled Investments. The company has provided the guarantee to Seeders and LWAF, hence incentivizing investment and mitigating risk. The guarantee for each investment differs depending on the investment bracket, and the overall ceiling is set at \$500,000.

IM Capital signed protocols of collaboration with Lebanese institutional investors in order to co-invest and share deal flows. They are: Berytech Fund II, Saned, MEVP, Phoenician Ventures, Libank, Fondation Diane, B&Y Venture Partners and Kafalat iSME.

- * In **design**, the fund has invested in the aforementioned Karoline Lang and Bokja. It has also invested in Philippe Aractingi's feature film, *Listen*. According to market information, neither Karoline Lang nor *Listen* have generated returns on investment so far. Other investments supported by IM Capital are tech platforms that promote design. They include: Moodfit, an online interior design platform; MAD, a platform that promotes musicians, artists and designers; and Handiss, an online platform that connects contracting and construction firms with freelance engineers and architects.
- **TLF Ventures, Azure**

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* *Nizar Hachem did not reply to our emails.*

Managed by Nizar Hachem, The Luxury Fund Ventures manages the Azure Fund, a venture capital fund that invests in the early and growth stages of information and communication technology (ICT), as well as design and fashion companies. The fund has invested roughly \$2 million in two internationally renowned Lebanese fashion designers, namely Elie Saab and Rabih Keyrouz.

Our analysis of the ecosystem underlines the lack of transparency in the processes and unsuccessful Lebanese investments so far. The website of the fund states that “The Luxury Fund and Azure Group have invested in over 12 luxury design and ICT companies, ranging from some of the world's leading luxury fashion brands, haute couture designers, caviar makers and artisans, to online fashion distribution and customization portals, to media-related and technology companies.” However, no names were disclosed on the website.

- **MEVP**

MEVP is a regional tech-oriented venture capitalist. It has invested in a few tech marketplaces broadly related to design, such as Modacruz, a peer-to-peer marketplace for selling and buying pre-owned luxury fashion items; Design 24, an online designer dress rental platform (which Kafalat iSME has also invested in); the Luxury Closet, an online marketplace where users buy, sell and consign pre-owned luxury bags and accessories at discounted prices; and Anghami, the music streaming service.

- **Theemar Tripoli Investment Fund**

Created in 2015 at the initiative of Tripolitan businessman and former prime minister, Najib Mikati, **Theemar Tripoli Investment Fund** was meant to be a private equity fund, investing in advanced-stage SMEs, with tickets between \$200,000 and \$1 million. The fund was shut down in 2018 without having made any investment for lack of suitable candidates. After having studied a few investment opportunities, fund managers came to the conclusion that companies in Tripoli were not ready for investment. According to Karim Soueissi, the fund's manager since 2016, the “lack of business acumen and managerial competences, as well as bad management practices,” were the main reasons for that. “You have to be very much hands-on and implicated in the day-to-day activities, which is not the role of a private equity investor,” he added.

For early-stage SMEs, Soueissi recommended an accelerator program that would be tailored for Tripoli, instead of adopting foreign models, like UK or US programs that are not adapted to the Lebanese reality, let alone Tripoli. “You can't expect a Tripoli startup to be transformed in a 3-month accelerator program,” Soueissi explained. “Financing is not the issue - those accelerators focus on investment and financing - it is more a matter of competences and culture that need to be instilled. It takes much more time. The model should be completely different.”

In partnership with 10 universities in the North, the fund launched a 3-month program known as the Theemar Business Idea Competition (TBIC) to develop the entrepreneurship ecosystem in North Lebanon and help students to become young entrepreneurs. Awards were set at \$4,500 (first prize), \$3,500 (second prize) and \$2,000 (third prize). One of the award winners was a shisha-centered design initiative, in which creators replaced the charcoal with a battery. The startup went from prototyping the product in the competition to manufacturing it in China.

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- **Crowdfunding**

Crowdfunding has been a popular way of raising funds for emerging creatives and artists in particular, and product designers in general. There are three types of crowdfunding platforms: debt, reward-based and equity-based crowdfunding.

In Lebanon, the main reward-based platform is Zoomaal, a once very active platform that is now in decline. Financed by Wamda (UAE), MEVP (MENA), Hivos (Netherlands), Cairo Angels (Egypt), N2V (KSA) and Sawari Ventures (Egypt), the startup is collapsing due to bad management. Another platform is MAD, which we mentioned in our paper on platforms supporting designers. MAD hasn't been very successful at crowdfunding due to a lack of focus on the subject, according to the company.

Hence, several Lebanese entrepreneurs are crowdfunding on international reward-based platforms such as Kickstarter and Indiegogo. In 2014, Band Industries, for example, raised \$180,000 for its automatic guitar tuner, Roadie. In 2016, it received USD \$1.5 million from Berytech VC. It recently launched another crowdfunding campaign through which it raised more than \$500,000. Another example is sandal designers Curious Red, who raised around \$100,000 on Kickstarter and Indiegogo. Equity-based platforms usually host bigger projects. The main equity-based platform in the MENA region is Dubai-based Eureecaa. Using the platform, the Dubai-based fashion accessories brand, Poupee Couture, and Jobedu, a Amman-based Arab street apparel and lifestyle brand, each raised \$100,000. Eureecaa has a presence in various markets. Its investor network includes casual and angel investors, in addition to institutional firms. However, it hasn't been able to cater to companies registered in Lebanon for legal reasons. To remedy this, the CMA put in place an equity crowdfunding and licensing framework: in order to solicit funds from Lebanese investors, a platform needs to be licensed by the Lebanese authorities. While Eureecaa "actually helped the CMA write the framework, the end result was not a workable framework for them and therefore they decided to obtain licensing in other markets and focus their efforts elsewhere," said Eureecaa's managing partner.

II - IMPACT FUNDS – SOCIAL ENTREPRENEURSHIP

Impact investors are not necessarily focused on design, but rather focus on social entrepreneurship, i.e. initiatives that create jobs and make an impact in society. By definition, impact investors typically fund for-profit initiatives that create social impact. However, the two investors in the sector mentioned below supported not-for-profit initiatives, providing them with grants instead of equity.

A few incubators supporting social entrepreneurs, including design-related initiatives, emerged, such as Souq Lb, which was funded by the British Embassy, and Make Sense. Souq Lb only lasted one year, during which it hosted (notably) L'Artisan du Liban to which it extended a couple of grants enabling the organization to create its online shop and develop its management systems (see below). Make Sense is a Paris-based global social enterprise that supports startup projects to find solutions for society's most pressing needs. In Lebanon, it is supported by L'Atelier and la Fondation des Cèdres. In Tripoli, the incubator BIAT is supporting the Tripoli Value Chain Project, which fosters furniture production and carpentry.

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- **Al Fanar** is a London-based Arab venture philanthropy fund that looks to strengthen sustainable, grassroots organizations that generate financial and social returns while transforming lives in deprived communities in the Arab world. Al Fanar invests in a project for a period of four years with the aim of empowering change. It provides advice, and financial and planning support. Al Fanar's mission is to help the NGO transform itself into a social enterprise. In Lebanon, Al Fanar supported Inaash, a Palestinian embroidery NGO.

- **The Case of Inaash:** Al Fanar provided Inaash with several grants, all the while setting milestones for the organization, including increasing the number of embroiderers, raising salaries, and hiring a production manager. Al Fanar also helped the organization with the new website, marketing, packaging, and restructuring the organization. It also allocated a budget for staffers to participate in fairs and similar events.

Other Inaash institutional supporters include: UNDP, which offered the organization a grant to renovate an ex-kindergarten school in Mar Elias camp and turn it into a workshop, and the Palestinian welfare NGO, Taawon, which provided the organization with a grant to create the installation called The Twelve Windows. Produced within the framework of a Mona Hatoum retrospective, the installation was shown in several European museums, including the Tate Modern in London.

- **Drosos Foundation** is a Switzerland-based organization that focuses on projects that have a direct bearing on improving the living conditions of particular groups of people. It specializes in the promotion of creative skills and economic independence. The foundation awarded the **Creative Space Beirut** (see Platforms supporting design) a \$650,000 grant. The foundation is also supporting the Arab Fund for Arts and Culture (AFAC) in a program that aims to foster the sustainability of independent arts and cultural institutions by focusing on entrepreneurial thinking and innovation. Through ongoing mentoring, workshops and interaction with both the public and private sectors, 24 enterprises have been selected to be part of the program.
- **L'Artisan du Liban** is funded by Mouvement Social, a long-standing Lebanese NGO. Because of this connection and its status as a not-for-profit organization, L'Artisan du Liban has faced fundraising issues. The organization has been exploring ways to transform the social activity into a sustainable business that can be presented to potential investors, while looking into the legal considerations of such a move. The platform has become ready for the transition, but it awaits the decision of the main shareholder, Mouvement Social.
- **Hivos Mideast Creatives Fund** is one of the funds launched by Hivos Impact Investment, an independent impact investment management company owned by Hivos Foundation and guided by humanist principles. The fund focused on scalable early-stage companies. Investment tickets ranged from \$100,000 to \$200,000. As for the countries targeted, they were Egypt, Tunisia, Lebanon and Jordan. The fund aimed to co-invest with local partners, such as venture capital firms, angel networks, accelerators and incubation programs, in the region. It targeted an 8% annualized financial return. According to its website, the fund sought "startups in ICT that contribute to more fair societies" and "startups in digital media, in digital creative services and ones that are innovative in core art, etc." To foster creative entrepreneurs' access to financing, Mideast Creatives collaborated with the regional

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crowdfunding platform, Zoomaal, in which it had an equity investment as well. The investment wasn't successful as the platform is faltering mainly due to management issues. The fund also invested in the media platform www.newsdeeply.com. Hivos Impact Investment has not been active in Lebanon in the last couple of years and is now more geared towards South Africa.

III – INVESTORS AND PATRONS, PHILANTHROPY

At the moment, philanthropy investors and patrons include two main players and a few banks acting as patrons in the arts and architecture sectors, namely BLF, SGBL and Saradar. A few insurers, such as Libano-Suisse, have also extended their support to ventures.

■ MAIN PATRONS

✓ Credit Bank, Tarek Khalife

Tarek Khalife, the CEO of Credit Bank, has supported Beirut Design Fair (BDF) since its inception, as well as one-on-one initiatives in the design industry. He claims to have a passion for architecture and creativity and looks to put his "credibility and reputation as a savvy investor" at the service of the design industry.

- **Beirut Design Fair:** Khalife made 1/3 of the investment into Beirut Design Fair as Credit Bank, and underwrote the rest personally. His entire engagement in 2017 amounted to \$120,000 out of a total budget of roughly \$300,000, while the rest was covered by the sale of space. "I supported BDF because it puts Lebanon on the map; you need to have an exhibition to claim you have a design scene," Khalife explained. "Its first edition was 90% Lebanese; the second edition was 75% Lebanese. With time it is becoming less Lebanese, although it was not meant to be a trade show, but rather a showcase of Lebanese designers." Khalife announced he was withdrawing his support of the fair in 2019 because of "mismanagement issues and lack of transparency."
 - **Beirut Makers:** With a \$10,000 investment, Khalife supports Beirut Makers through purchasing products, financing certain machineries, and funding their two annual events. Khalife is currently mulling an investment strategy that better supports the project. For him, some of the pitfalls of investing in a minority stake are the ways of structuring the investment and controlling the process.
 - **Width Height Depth (WHD)** is a bespoke manufacturing company combining upholstery, woodwork, metal work and a paint shop under one roof that has been gaining traction with designers. The outfit was founded by Tarek Khalife and is managed by his son.
 - **Georges Mohasseb** is a renowned designer, who launched the Avocado collection of tables. Khalife's investment approach here was akin to a "maison d'édition," as he put it. Khalife covered the production cost of the collection and the launch event, and split the revenues equally with the designer.
- ✓ Joy Mardini

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Joy Mardini owns a design gallery in the trendy Gemmayzeh area and serves as a mentor to emerging designers. In her view, an emerging designer is one who can make up to \$2,000 in sales. Mardini takes fledgling designers under her wing, mentors and guides them and produces their products. She also features a selection of permanent established designers such as David & Nicolas, Karim Chaaya and Carlo Massoud. Mardini said that she was currently supporting 17 designers. Paola Sakr, for instance, winner of the Rising Talents Award by Maison et Objets, has exhibited twice at the gallery and once at Beirut Design Fair. Mardini not only exhibits designers' works, but also sometimes helps them export them. "Designers need a support system to build international visibility," she said. She has taken a number of designers to major international fairs in Milan, Basel and Miami. In this case, as a mentor, Mardini covered transport, insurance and production costs. She believes it is essential to show a designer's work to the public. That's why she also collaborates with galleries in Europe to showcase her mentees' work.

Mardini's business model is one based on equal profit sharing between designer and gallery owner. This also applies to production costs. Contracts are customized on a case-by-case basis. According to Mardini, the model is not sustainable yet. "It would require an additional 40% in sales for it to be profitable," she said. "Betting on an emerging designer is not like betting on established ones - I take the same commission on both. You need the established ones to generate funds to finance the support of the emerging ones."

The major challenge she is facing is the fact that she has to wear multiple hats on the job; she acts as an agent, a PR agent, a distributor and a producer. "In the West, those tasks are undertaken by different players," she explained. She recommends establishing an agency to promote Lebanese designers abroad.

■ BANKS AND FOUNDATIONS: ADVOCATES OF CULTURE AND ARTS

- ✓ **BLF** supports the Arab Image Foundation, the Beirut Art Center and Help Lebanon. Raya Raphael, BLF's general manager, is on the board of House of Today.
- ✓ **SGBL** sponsors punctual artistic and cultural events and has also established long-term partnerships with cultural institutions. The bank pays particular attention to emerging talents and the new generation of artists, notably through its partnership with l'Orient le Jour and "Generation Orient", and "REVEALING by SGBL" as part of Beirut Art Fair. The bank also sponsors a few festivals and cultural events throughout the year, including the Beirut International Film Festival, the Francophonie Month, the Night at the Museums, the Beiteddine Art Festival, the Baalbeck International Festival, the Cedars International Festival and more than 10 other festivals across Lebanon.
- ✓ **Bank Audi** has invested \$1 million in culture and \$2.9 million in social and humanitarian projects as part of its corporate social responsibility (CSR) engagements, according to the bank's website.
- ✓ **Foundations and private donors**, such as Carlos Ghosn (former chairman of Renault Nissan), Marwan Assaf, and Peter & Nathalie Hrachdeki, have supported art-related initiatives, such as Ashkal Alwan and the Beirut Art Center. Lebanese or Lebanese-led foundations include Ousseimi Foundation, Aimee & Charles Kettaneh Foundation, Robert Matta Foundation, Boghossian Foundation, and Association Philippe Jabre.

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The most active foreign foundations in Lebanon include Ford Foundation, Sharjah Art Foundation, Foundation for Arts Initiative, Hivos, Sfeir Semler Gallery, and the Andy Warhol Foundation.

■ AWARDS AND COMPETITIONS

Many competitions and awards related to entrepreneurship, design and fashion provide financial rewards alongside exposure. Some of those competitions are local, such as FFE (Femmes Francophones Entrepreneures) and BLC Brilliant Lebanese Awards; some are regional, such as the Fashion Trust Arabia or MIT Enterprise Forum Arab Startup Competition; others are international. Each competition has its own eligibility criteria. While some are geared towards established designers, others target early-stage entrepreneurs and creatives. Below is an overview of a selected number of competitions:

- ✓ **Fashion Trust Arabia (FTA):** The incubator (mentioned in the Support Platforms' paper) grants roughly \$200,000 in total to the winners. Most pre-finalists and winners in the first edition this year were Lebanese.
- ✓ **BLC Brilliant Lebanese Awards:** Several designers – mostly in fashion or jewelry – have participated in this competition. The winners of the Business of the Year, Woman Entrepreneur of the Year and Tech Innovation of the Year categories each receive a \$3,000 cash prize; and the winner of the People's Choice Award gets \$5,000 in cash.
- ✓ **MIT Enterprise Forum Arab Startup Competition** is a yearly competition designed to empower entrepreneurs and foster an ecosystem of innovation and entrepreneurship in the Arab Region. The competition consists of three different tracks: Ideas, Startups and Social Entrepreneurship. The winning teams are awarded \$160,000 in equity-free funding and benefit from a range of other services including trainings, mentorship, coaching, media exposure and networking opportunities.
- ✓ Other competitions, such as **FSeedStars**, provide financial awards, in addition to exposure and connections to potential investors. They are mainly geared towards tech. Femmes Francophones Entrepreneurs (FFE), which is organized by Berytech with the support of the French embassy, awards \$10,000 to two projects: one is at the idea stage, the second is an existing startup. Participants often include designers.

IV - FINANCIAL INSTITUTIONS AND PROGRAMS TARGETING SMEs

■ KAFALAT

✓ **Loan Guarantee**

The institution has stopped Kafalat Plus and Kafalat Innovation as the default rates have been high in the last couple of years, making it impossible for the programs to be renewed. Kafalat Basic is still running, offering a \$200,000 loan. However, any Kafalat guarantee is subject to the bank's commitment. Lately, banks have been increasingly reluctant to accept such guarantees, and still impose the same requirements for a collateral.

✓ **iSME: Grants and Equity investments**

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- **Grant:** Funded by the World Bank, this program has been shut down. Kafalat is in discussion with the World Bank to launch a new fund, which has been caught up in the World Bank's bureaucracy. Procedures at the World Bank take years, according to Bassel Aoun, iSME's manager. He doesn't expect it to see the light of day before three to four years.

iSME used to provide \$15,000 grants. In three years of operation, iSME received 400 applications and have awarded 174 grants, amounting to a total of \$2.5 million. Of those 174 grantees, 50 were able to raise up to \$1 million in equity. The grant program generated a ripple effect, whereby grants affected accelerators, which affected venture capitalists in turn.

- **Venture Capital on co-investment basis:** In an effort to match other venture capitalists, Kafalat invested in around 20 startups, mostly in tech. It can co-invest up to \$1.5 million. It has invested, along with Azure and MEVP, in Design 24, a design garments rental platform.

- **GENERAL PROGRAMS SUPPORTING SMEs**

Thanks to a partnership with IFC, SGBL has access to \$100 million to finance startups and development projects for women. Through another partnership with IFC, BLC Bank can provide SMEs with advantageous financing.

- **LEBANON ENTERPRISE DEVELOPMENT (LED) - USAID**

The Lebanon Enterprise Development (LED) project, funded by the United States Agency for International Development (USAID), is currently seeking concept papers for activities that will lead to investments that will substantially increase the competitiveness of Lebanese firms and industry sectors with the objective of creating new jobs supported by increased revenue. LED is open to supporting solutions in any sector but will focus on: agro-food; tourism and hospitality; pharmaceutical; information and communications technology; and manufacturing. Preference will be given to impactful ideas, especially in the Bekaa, North Lebanon, and South Lebanon. Ideas that favor employment for youth and women are preferred.

LED is open to NGOs (not-for-profit and for-profit), business and industry associations, syndicates, and cooperatives of private enterprises. LED will award grants that offer solutions to common or shared problems faced by multiple firms or by a sector, subsector, or market niche. For example, solutions may relate to improving market access, enhancing the quality and quantity of the workforce, facilitating access to finance, or to policy, regulatory, and administrative reforms for selected business environment problems. BCC (Beirut Creative Cluster) for instance is planning to apply to this grant.

Duration and amounts: The program started in October 2018 and ended in September 2019. A two-year extension is being considered. The program's budget is LBP750 million. The program is anticipating four to 10 grants ranging from LBP15 million to LBP225 million. Grants are for 3 to 12 months and no more than 18 months. Projects must be fully completed by June 30, 2020, inclusive of final reporting and financial reconciliation.

- **EU**

The Union for the Mediterranean Secretariat regularly initiates programs addressing creative industries, craft, and entrepreneurship, such as the EU-UNIDO program, "[Support the Development](#)

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[of Culture and Creative Industries and Clusters in the Southern Mediterranean,"](#) which ran from 2014 to 2018 (see Support Platforms). We have addressed this program in the paper Platforms supporting designers.

V- FOOD FOR THOUGHT AND RECOMMENDATIONS

Investment in design has so far been sporadic and on an opportunistic basis rather than in an organized fashion. Design is still approached as an art rather than a potential business opportunity. However, while art clearly has its aficionados, design is still viewed as a sideline to art.

The major financial supporters of the design scene have been foreign institutions, be they supranationals, such as the EU within the framework of the Union for the Mediterranean; foreign service missions, such as those of the Austrians, the Dutch, the Italian or the Japanese; or international NGOs or cultural foundations, such as the Goethe-Institut and the British Council. International financing is often subject to current diplomacy agendas, hence it is short term. In addition, it is initiated from afar, which means that the outcome on the ground is not always what was expected or at least it is incomplete, when compared to the actual budgets spent. Examples of Hivos, EU- UNIDO and Souq Lb are revealing. Minjara's (mentioned in the paper Platforms supporting designers) director, Julien Schmitt, mentions the experience of Habitat producing in Lebanon - on the EU's impulse - which was not repeated as it was not successful. As for local venture capitalists and financial investors, they are looking at design and design risks as if they were a regular investment, which is not the case. They are more familiar with tech and traditional economy than with the creative design environment; their expectations in terms of returns and timeframes, for example, are not aligned with the design industry. They heavily rely on guarantees from the Central Bank, which does not support design. The term "the creative and knowledge economy" mentioned in the Central Bank's Circular 331 has long been the subject of debate. So was the Central Bank's intentions in using this term. The Central Bank only extended its guarantee to Berytech's investment in Karoline Lang. Berytech didn't make any other investments in the sector, although they did not exit Karoline Lang. The designer is still looking for funds, according to market info. Fashion designer, Milia M, who got funding from Bankmed, shut down her operations in Lebanon, while the investment arm of the bank did not pursue other investments in the sector. Based on the above, we suggest a few reflection:

- Funding schemes need to be tailored to meet local needs, local market realities and export markets requirements. Funding per se is not the issue; the problem lies in the surrounding environment and the conditions that would enable this funding.
- Duration is of the essence: Timeframes cannot be of a year, three years or even four years; timeframes have to be much longer. To invest in the sector and to cater to mutual interests, those of the designers and those of investors, investment strategies need to be creative: use of convertibles, options, milestones, etc. No venture capitalists exit so far. No success stories in Lebanon can be reported to date. Exit strategies need to be also thought of ahead of time, namely at the moment of investment so that the exit does not hinder the investment.
- It is necessary to measure project performance, and to ensure sustainability and accountability even when funding is not for profit. It should be clear whether the funding is

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for-profit projects or not-for-profit ventures from the start, because these two are very different fields. And even when funding is for a not-for-profit venture, it is essential to consider sustainability and a defined and measured social impact. Funding needs to be provided from the start, based upon clear requirements and defined outcomes.

- It is important to find ways to turn design projects into business plans. Although creativity should not be stifled, it is essential at a certain point in any design venture, especially when raising substantial financing, to “transform the designer’s language into the business/investor’s language, and to transform the designer’s material into something feasible with a business strategy and possibility said Kafalat’s Bassel Aoun. Tarek Khalife, Credit Bank’s chairman and a savvy investor, echoes the same words.
- It is important to develop an incubator/accelerator program or a granting program specifically geared towards designers. Such programs can be considered in cooperation with major lending/granting/investing institutions, such as the World Bank, the EU and Proparco.
- Tickets bigger than \$10,000 are necessary when looking for impact. This would make initiatives encompassing partnerships with academia and governmental and non-governmental associations, such as the Lebanese Industrialists Association and municipalities, more sizeable.
- Develop business models that are attractive to financiers nowadays, at the crossroads of design, tech and making. Models need to capitalize on modernity and the digital environment, whilst making the most of local craftsmanship. “The future is looking at craftsmen who use new technology” says Credit Bank’s Tarek Khalife. According to him, the Lebanese mentality looks down on manual labor. “The youth don’t want to use their hands; they want to work on technology,” he said.
- Funding could be a strategic decision for corporations that might somehow be related to the field and view design as an innovation lab for their activities. For instance, Beirut Mini Maker Faire was sponsored by RoboWeld and produced by TechnoFuture Lebanon.
- Prioritize sectors: Fashion and jewelry already have their beacons. Other sectors might be worth funding.