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# **Private Sector Strategy**

**Lebanon**

**January 2015**

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## I. Introduction

### Overview of the Lebanese Private Sector and Current Economic Situation

Historically, Lebanon's economy witnessed drastic changes in its business cycle due to the numerous conflicts the country has survived. The economic infrastructure was damaged during the 1975-1990 civil war and again during the 2006 conflict with Israel. After the civil war, the government established a thirteen-year plan from 1995 to 2007 called Horizon 2000, which targeted the reconstruction of public and social infrastructure with a budget exceeding \$11 billion. However, economic growth was insufficient and the government started relying on borrowing money. In 2001, 2002, and 2007, rounds of international conferences were held in Paris to support Lebanon in restoring and rebooting its economy, in addition to other support conferences such as the 2006 Stockholm donors' conference. As a result of each round of meetings, countries contributed large amount of funds to support Lebanon against the crisis it was facing. Moreover, to regain economic prosperity, the Central District of Beirut was reconstructed and renovated by a private stock holding company, known as *Solidere*, which is still active today. (The Lebanese Transparency Association, Reconstruction Survey: The Political Economy of Corruption in Post War Lebanon, 2007). While at a peak in its business cycle in 2006 (especially in the tourism sector), Lebanon suffered another conflict, this time against its southern neighbor. The economy took a downturn as the infrastructure in large areas was destroyed and the tourism sector was endangered. The role of the private sector at that time was critical in ensuring the reconstruction of the country through ensuring investments and generating economic growth that would help the country get off its feet.

The very vibrant private sector greatly contributed to the country's growth and recovery. Despite the political turmoil and the economic crisis, the private sector stabilized the economy and protected Lebanon from falling into a recession.

The main sectors of the Lebanese economy are banking, tourism, winery, food processing, jewelry, cement, textiles, mineral and chemical products, wood and furniture products, oil refining and metal fabricating. The bulk of the labor force is concentrated in market services and the banking sector, where around 73% of the labor force is employed.

The tourism sector is one of the main pillars of the Lebanese economy. The country's attractiveness originates from its cultural heritage, its climate, and the hosting spirit of its population. However, tourist activity has decreased by around 7% over the last couple of years due to the political mayhem in the region, and the unstable security in the country.

Thanks to its solid capital and labor mobility and its openness to trade, the country was historically a center for finance, commerce, and tourism. One of the few sectors that withstood the crisis was the banking sector. The strict Central Bank regulations shielded the economy during the 2008 global financial crisis and subsequently protected it from both regional and

national political instability. The attractiveness of the Lebanese banking system is attributed to banking secrecy; many international investors target Lebanon because it provides a safe haven for depositors in light of the attractive interest rates and the cautious Central Bank policies. (FFA Private Bank, “The Lebanese Banking Sector 2008”). However, due to the regional crisis and the national security concerns, Lebanon witnessed a slowing down of these activities, mainly affecting the tourism sector.

**CONTRIBUTION OF THE DIFFERENT SECTORS TO GDP (% share | 2011) (IDAL website, Lebanon at a Glance)**



With the ongoing regional turmoil and domestic instability, Lebanon’s economy is experiencing a general decline, as it reported a low real GDP growth of around 1% (World Bank), coupled with a mild inflation rate. Over the last few years, the real GDP growth has been stagnant, and the government deficit reached 9.3% of GDP, weakening Lebanon’s ability to deal with the spillovers of the Syrian crisis. The massive influx of Syrian refugees is estimated at more than 1 million registered individuals, which aggravated the labor market conditions and increased the demand for the provision of public services, including health and education, consequently worsening public financing and decreasing the quality of services. With an increasing unemployment rate, the Lebanese population is suffering the consequences of the cheap labor provided by the Syrian refugees and the growth of informal sectors. An estimated additional 170,000 Lebanese were pushed into poverty in 2013, on top of the 1 million citizens already below the national poverty line, representing more than a quarter of the population. (World Bank, Economic and Social Impact Assessment of the Syrian Conflict, 2013). The most vulnerable fragments of society, pay the heaviest consequences, and are the most challenged.

A constant threatening issue with the Lebanese youth is the lack of opportunities in the country. According to the Global Competitiveness Index, Lebanon ranks 120th out of 140 in losses due to brain drain. The potential lost is due to the migration of the labor force as soon as youth graduate from school or university is tremendous. Additionally, the country faces the issue of the now limited routes of transporting exported goods, and the increased use of the Lebanese ports following the closure of the Syrian ports. Trade deficit increased by 17% from 2012 to 2013, reaching 43.6% of GDP. This resulted in a greater burden on the Lebanese government and the balance of payments. The upside is the increased exports to Syria, as it is currently the top destination for Lebanese exports due to the deterioration of their industrial activity.

The political uncertainty factor should be taken into consideration as it dragged away investors from the country; the latter await for a sign of stability and permanency in the Lebanese market in order to fund projects and invest. Over time, this leads to a shrinkage in growth. However, it is noteworthy highlighting that remittances from the large Lebanese diaspora were unaffected by the regional unrest. They boosted the economy, increasing from \$7.3bn in 2012 to \$7.6bn in 2013. (Lebanon this week, issue 325, 2013)

On a positive note, the banking sector in Lebanon weathered the economic trend of the country. Economic downturn and regional instability did not adversely affect this sector as it continued to grow post the economic crisis and the Syrian uprising. "Banking activity, measured by total domestic assets of banks operating in the country, grew by 8.5% from December 2012 till December 2013 to reach USD 164.8 billion. Lebanon has one of the highest ratios of assets to GDP in the world standing at 379.0%, compared to averages of 161.9% for the world, 277.3% for the European Union, and 106.0% for Emerging Markets." (IDAL website, Lebanon at a glance)

The local Information Technology sector has been a fast growing sector with a projected annual average growth rate of 11% until 2017. Investments in the country's telecom infrastructure, broadband capacity and speed have increased over the years and have led to the advancements in this sector. The expected increase in the growth rate is mainly caused by the opportunities present in the country thanks to its highly skilled and educated workforce and the high potential return for local and foreign investors (IDAL website, Lebanon at a glance)

According to the Global Competitiveness Report of the World Economic Forum, Lebanon ranked 103<sup>rd</sup> out of 148 countries in the 2013-2014 period. The main hindering factors for doing business were inadequate supply of infrastructure, corruption, inefficient government bureaucracy, government instability/coup, policy instability, and access to financing. The entrepreneurial environment is vulnerable to all these challenges, in addition to the inefficient judiciary system that weakens property rights and discourages any sort of entrepreneurial initiative.

In short, Lebanon is facing a general economic downturn, with low investments and stagnant levels of GDP growth. Unfortunately, part of the situation is out of the control of the Lebanese citizens, and stems from regional instability and political unrest, mainly from the neighboring Syrian crisis. However, certain sectors remain unaffected and continue regular business activities.

### UNDP Lebanon's Private Sector Strategy

In order to tap on the resources of the Private Sector in Lebanon, maximize the relationship and its impacts, and institutionalize the process, UNDP's Country Office is suggesting a structuralized strategy. The Private Sector Strategy originates from the CO, based on the global strategy and initiatives developed at UNDP Headquarters, experiences and lessons learned by other country offices, but is adapted to the Lebanese context and the specificities in which it evolves. Overall, the idea is based on the fact that all initiatives led by the CO have been until date scattered and decentralized and do not follow a focused line of work. The approach to the private sector has mostly been demand-driven following trends rather than a planned purpose.

The objective of the document is to diversify the CO's partners, and strengthen the collaboration between the CO and the private sector. It is as a tool for resource mobilization. It also looks at the private sector as partners in development (technical, advocacy, etc...), increasing cross-cutting areas of work among the already existing lines of business, which are represented by the four fully fledged and operational portfolios of the CO, which are the following: Energy and Environment; Social and Local Development; Democratic Governance; and Conflict Prevention and Recovery.

The present document will introduce in five sections, the paths to be followed by the CO. In a first section it provides an overview of UNDP's Global Approach to private sector development, including an overview of the nature and types of partnerships developed. It highlights the areas UNDP globally addresses in its work with the private sector, and the latest trends that the organization follows. In a second place it defines the private sector in Lebanon, along with the status, the areas of strength and weaknesses, and accordingly highlights opportunities for UNDP CO to follow and carry through. It then, provides guiding principles that define the relationship between UNDP and the private sector, and recommends processes that are beneficial for all stakeholders. The following section focuses on the implementation of the strategy, with short, medium, and long term objectives. It introduces as a starting point the 2015 action plan, which provides concrete steps to set-up the mechanisms to advance and institutionalize private sector work within the CO. Finally, and to allow and sustain progress in the newly exploited field, the document stresses on the importance of constantly measuring results and impact, by suggesting concrete key performance indicators.

## II. UNDP's Global Approach to Private Sector Development and Partnership

According to UNDP's *"Strategy for Working with the Private Sector-2012"*, "the goal of UNDP's private sector strategy is to advance sustainable human development by deepening engagement with the private sector and supporting appropriate inclusive market-based solutions and approaches." UNDP looks at the private sector in the context of activity in a market-based economy where national/stakeholders' ownership is a primary factor. It also focuses on markets and competition as drivers towards production and where private initiatives and risk taking set activities in motion.

In 2012, UNDP published its most updated version of the private sector strategy (the previous one was developed in 2007), which advances strategic priorities, based on the latest external and internal changes. Priorities include the achievement of sustainable inclusive growth, with greater focus on key pro-poor sectors and regions, and the realization of economic recovery and strengthening in fragile states and regions. To follow suit, UNDP expanded its engagement and outreach to the private sector and enhanced policy and capacity building support for private sector development. In addition, it achieved inclusive growth and job creation objectives "through early engagement of and support to the private sector in reintegration, job creation, and peace building process" (UNDP Private Sector Strategy 2012). Moreover, UNDP established strategic partnerships with specialized UN organizations and affiliated counterparts, including International Financial Institutions and development actors, to have access to additional technical capacities and resources, and further innovation for its private sector engagement and development work. Finally, UNDP engaged in multi-stakeholder signature alliances and programs in order to combine private sector commitment and private sector development to achieve key priority areas of UNDP's global business plan.

The guiding principles for UNDP's global approach to partnership with the private sector are laid out in the *"Strategy for Working for the Private Sector"*, as in the following table; the table also explains the way UNDP achieves its strategic goals to support and improve the communities in which it operates.

## Key corporate principles for UNDP's engagement with the private sector

<b><i>Sustainable human development, inclusion and equity</i></b>	All UNDP's work with the private sector ultimately aims to contribute to the achievement of sustainable human development and more inclusive and sustainable markets, including the following key aspects of human development: <ul style="list-style-type: none"> <li>• Social progress</li> <li>• Economic empowerment and equity</li> <li>• Gender equality</li> <li>• Resource efficiency</li> <li>• Participation and freedom</li> </ul>
<b><i>Multi-stakeholder approach and civil society involvement</i></b>	UNDP's engagement with the private sector will be based on a multi-stakeholder approach, engaging government, civil society as well as private sector.
<b><i>Results and measurability</i></b>	The private sector is results focused and UNDP is committed to being a results-based organization. The organization will follow the standards for results measurement developed by the Donor Committee on Enterprise Development (DCED) and other relevant Results Based Management (RBM) tools.
<b><i>Specificity and strategic significance</i></b>	Achieving measurable results requires focus and specificity. In our work with business we will focus on UNDP's strategic priority areas where we offer expertise. We will avoid open-ended general engagements. We will take a pro-active and targeted approach in our outreach and will clearly communicate our priorities.
<b><i>Relevance to core interests of the private sector</i></b>	To ensure sustained engagement and in order to maximize development impact, UNDP will prioritize its work with the private sector in areas that are of relevance to the common core interests of both UNDP and the private sector partners.
<b><i>Value for money</i></b>	UNDP will ensure engagement with the private sector is of sufficient scale to deliver impact and value for money. We will seek to consolidate small or ad hoc projects and aim to engage with more strategic private sector coalitions, moving beyond one-on-one partnerships with individual companies that are of limited scope. Partnerships with potential for multi-country interventions will be encouraged to harness economies of scale and shared risks.
<b><i>Limit global initiatives which do not closely link to country level results</i></b>	Exceptions will be made when initiatives support the corporate agenda for change and/or leverage UNDP's leadership roles.
<b><i>Visibility and branding:</i></b>	We understand the importance to the private sector of visibility and recognition and will give due recognition to our private partners and highlight our work with the private sector, in line with our rules and regulations and in keeping with UNDP's impartiality.
<b><i>Risks and due diligence</i></b>	UNDP partner companies (particularly large and international companies) must comply with environmental, social and governance standards based on UNDP Guidelines for private sector engagement and the 2009 Guidelines on Cooperation between the United Nations and the Business Sector.

The strategy document emphasizes that UNDP will engage with the private sector in two distinct ways. First, UNDP will act as an incubator of private sector development at national and regional levels, as important contributors to economic growth and sustainable development. Second, at the global, regional, and country levels, UNDP will focus on promoting private sector engagement in the sustainable human development agenda, advancing the principles outlined in the UN Global Compact, such as sustainable and inclusive business approaches and private



sector relationships for development cooperation. Partnerships with the private sector generally include resource transfer, technical and financial assistance, facilitation and brokering innovative private investments, value chain linkages or “inclusive” business approaches, and advocacy.

Traditionally, UNDP used to establish company led, one-on-one partnerships. However, UNDP now focuses on holistic and inclusive approaches, bringing together a wide range of stakeholders, as the public sector, NGOs, donors, and companies to achieve sustainable economic, social, political, and environmental development. This collaboration requires expertise and business acumen in order for it to be successful; therefore UNDP stresses on the need for a specialized staff whose purpose is to mainstream the work with the private sector in the organization.

The main counterparts of UNDP for private sector development, representing the main actors in the market, are:

- Multinational firms and companies with global reach and presence ;
- Large national companies;
- Micro, and small and medium enterprises;
- Financial institutions;
- Business intermediaries and interlocutors, such as Chambers of Commerce and Industry, business associations, innovative alliances, business roundtables, stock exchanges and a new generation of cooperatives;
- Social enterprises active in the development field;
- Mutual organizations (such as Visa, MasterCard, asset management companies, cooperative banks, mutual saving banks, credit unions, mutual insurance/assurance and healthcare companies); and,
- State-Owned Enterprises (SOE), either wholly or partially owned by a government and that engage in commercial activities as part of an open market system.

### III. Defining the Private Sector in Lebanon / Defining UNDP CO Partners

Partnerships with the private sector can potentially cover a wide range of industries, including: the banking sector, Small and Medium Enterprises (SMEs), multinational companies, publicly-listed companies, incubators, private media outlets, chambers of commerce, traders, insurance companies, syndicates, and venture capitalists. The UNDP Lebanon CO seeks to establish partnerships with the private sector tackling different lines of business and industries. The bulk of the current work consist of partnerships with SMEs and the Banking Sector, as they represent the backbone of the Lebanese private sector. Partnerships with other industries will be evaluated on a case-by-case basis.

#### SMEs

SMEs play a central role in any economy as they generate growth, and create employment. Innovation and competitiveness are key factors in their activities, leading to a stimulation in the economy and greater opportunities for investors. As a driving force of the economy, SMEs need special regulations, policies, and support to reach their full potential.

In 2012, SMEs represented 90% of the countries' enterprises. These enterprises need support to have easy access to financing, to properly develop their business, and to have an edge in a highly competitive market. According to a study by Byblos Bank in 2012, 82% of SMEs are independent businesses, of which 64% are family owned (Lebanon this Week, issue 251, 2012).

To realize the potential of SMEs and create an enabling economic environment, the Ministry of Economy and Trade established an SME Unit, and undertook to implement the Integrated Small and Medium Enterprises Support Programme in 2005. This programme guides SMEs and provides needed information in terms of financing, market access, business development centers, and other information that would enhance SMEs' performances. Support for SMEs has increased over the years as more financing options became available; including microcredit, subsidized loans, credit guarantees, incentive loans by the Central Bank, equity financing, competitions, and, more recently, crowd-funding initiatives. Institutions like Kafalat, Endeavour, Berytech, Cedrus, Association for Rural development, EMKAN, Ideaz Prize, and others, are providing these funding services to facilitate SME development and to take part of the growth generated by these enterprises. Other institutions like AMIDEAST, Bader Lebanon, Mowgli, and eClub focus on training, mentoring, and accelerating the start-up process. (MoET, SME Workshop report, 2013)

However, although the support system is available, it is clearly segmented. The lack of coordination between the institutions leads to unfulfilled potential of SMEs. This creates the

need for a strategy focusing on the coordination on a macro level and the formation of strategic policies to help SMEs reach optimal results.

Despite the significant improvements in the financing options for SMEs, Lebanon still faces challenges. The level of collateral needed to start up a business is too high, and Lebanese entrepreneurs still do not favor venture capital, equity investments, and angel investment, as they prefer not sharing ownership. Another challenge is the lack of adequate exploitation of skilled workers. According to the World Bank Enterprise Survey in 2009, 55.5% of firms in Lebanon stated "inadequately educated workforce" as a major constraint. Future market needs are not being prioritized in universities, creating a gap between the skills acquired and the business requirements. Establishing a partnership between UNDP and SMEs significantly contributes to sustainable human development and economic growth. By sharing expertise, finding appropriate financing schemes, and coordinating and integrating the initiatives to assist SMEs, UNDP provides the necessary base for the development of these enterprises.

#### **Developing an SMEs Strategy for Lebanon**

The UNDP team at the Ministry of Economy and Trade (MoET) provides advice on policies and strategies for enterprise development, and supports the improvement of the business environment by providing proper tools for enterprises to grow. The team also raises awareness and disseminates information about SME-related public and private initiatives. The UNDP team collaborates with international organizations to attract funds for the SME sector, particularly to scale up the services of business support providers.

In 2014, the UNDP project at the MoET partnered with Inventis, a consultancy group, and developed and launched [a strategy for SMEs in Lebanon](#), as a working roadmap for both the private and public sector entities. The objective of the strategy is to support and develop SMEs as the backbone of the Lebanese economy.

#### **State Owned Enterprises (SOEs).**

The utility sector is mainly dominated by the government, with several water authorities and monopolies such as Ogero for telecom landlines and *Electricite du Liban*. Other SOEs include the *Casino du Liban*, *Regie Libanaise des Tabacs et Tombacs* for tobacco procurement, manufacturing and sales, and Middle East Airlines, the country's only national airline. One of the problems faced by these entities is the lack of supervision by the concerned ministries and public institutions. The boards of SOEs are usually politically affiliated and appointed by the

cabinet, which gives way to corruption and political agenda fulfillment instead of sound corporate governance and accountability. The privatization of SOEs has been on the agenda of the Lebanese parliament since 2000, but all plans were put on hold due to the lack of political consensus and will, as well as weak investor confidence. Utility enterprises remain monopolized; the state does not provide the necessary amount of outputs to satisfy the needs of all Lebanese people and the enterprises remain unregulated (US Department of State, 2012 Investment Climate Statement – Lebanon). Currently, UNDP does not have any projects with SOEs nor does the office foresee any collaboration in the near future.

### The Banking Sector

A pillar and pioneer in the Lebanese economy, the banking sector stood against all odds during the 2008 worldwide financial crisis and the current regional turmoil. The financial sector has been able to smoothly navigate through the consecutive shocks, including the assassination of PM Hariri, July 2006 war, and the down periods preceding the international conferences to support Lebanon, Paris II and Paris III, in 2002 and 2007 respectively, which were mainly characterized by an increasing debt accumulation. Working both domestically and internationally, this sector has a long history of stability, openness, and high standards. The absence of restrictions on capital flows and foreign exchange transactions have reinforced the sector's ability to prosper and compete on an international level. Representing a little above 6% of the Lebanese economy, this sector highly contributes to the country's economic development. Commercial banks are one of the main creditors of the government, as they hold more than 50% of the country's public debt. There are currently 72 banks registered in the Association of Banks in Lebanon. (Association of Banks in Lebanon, The Lebanese Banking Sector)

Characterized by a robust liquidity, banks are safe investments for the Lebanese population. They have the "capacity to develop, expand, improve, and diversify, even in the most atypical environments witnessed in decades" (Bank Audi report, 2013). Consolidated banks' assets grew by 8.4% in 2012 (total assets \$181.3 billion at the end of 2012) and 8.5% in 2013. Partnering with banks has proven to be highly beneficial in raising awareness on subjects relevant to UNDP, as they reach a broader base and target their approaches according to their clients. The Lebanon CO has currently ongoing partnerships with Bank of Beirut and Arab Countries (BBAC), *Banque Libano-Francaise*, and Bank Med. The Country Office also closely coordinates and works with the Central Bank of Lebanon on all policy related issues.

### The Tourism Sector

The tourism sector in Lebanon is traditionally one of the main engines contributing to the growth of the economy. The tourism sector directly relates and affects other key sectors of the economy such as transportation, real estate, and banking and financial services, and affects the long term investments in the country. That being said, political deadlock in Lebanon has been

hard on the tourism sector, which has sustained the heaviest damage. This sector is highly vulnerable to the political and security situation of the country and of the region, and growth indicators fluctuate depending on the area's stability. Events such as the civil war (1975-1990), the withdrawal of the Israeli army (2000), the assassination of Prime Minister Rafic Hariri and subsequent bombings (2005 onwards), the war with Israel (2006), the 2007 war in Nahr el Bared Camp, the May 2008 civil unrest, and the Arab Spring (as of 2010) were major contributors to the degradation of the Lebanese tourism sector.

Developing this sector has a snowball effect on other industries in the country, as mentioned above. Collaborating with entities from the tourism sector presents an opportunity for UNDP to expand its potential partners base and develop with actors from the sector targeted regional developmental projects.

#### **IV. Guiding Principles: A win-win relationship**

The private sector is a key partner to achieve the objectives of UNDP's programmatic areas as it brings networks, expertise, resources (financial, technical, and human), and strategic engagement. The Lebanese private sector is the main driver of the country's economic growth. There are significant unexploited market opportunities in Lebanon and targeting them through private sector engagement and private sector development generates considerable economic improvements. This sector is a vital source of innovative financing; it provides solutions to the difficulties faced by small producers, cooperatives, SMEs and other agents that cannot access regular sources of finance.

UNDP expects funding for specific interventions from the private sector, in addition to the knowhow and the experiences it can provide. In return, the private sector gets proper accreditation and coverage, as well as the implementation of necessary reforms and the provision of technical support to SMEs and other private sector entities. Moreover, and according to the 2012 UNDP's Private Sector Strategy, private investments and capital flows outweigh Official Development Assistance, which goes to prove that the private sector is a key actor in reaching development goals in developing countries.

Cooperation between the UNDP and the private sector provides UNDP the technical support and resources to reach its goals and achieve results. Working with the private sector is a way for UNDP to share ideas, know-how, and experiences that increase efficiency for both parties.

The relationship with the private sector is pursued by both the CO and by the projects. UNDP Lebanon CO priorities for engagement with the Private Sector are policy and institutional framework (Corporate Governance), research and knowledge management, promotion of partnerships (uni/multilateral and Private Public Partnerships), brokering of resources, and

encouraging Corporate Social Responsibility. Based on the elaborated strategy, and as is the case with all activities implemented by the CO, each year, a work plan will be developed, reflecting on all existing resources, priorities to be addressed, associated with outputs and expected results, as well as potential areas for future action, and additional resources to be mobilized. UNDP cooperation with the private sector can accomplish significant improvements in its four portfolios, democratic governance, social and local development, crisis prevention and recovery, and energy and environment. The Country Office provides support to the UNDP projects, including technical support, logistics, and securing contacts in order to develop their relationship with the private sector. However, increased support is needed for securing funding and expanding networks.

This collaboration is a win-win relationship because it contributes to the development of the private sector through capacity development, advocacy and dialogue. The link developed with UN agencies, donors, and government partners adds to the network and visibility of the private sector, helps promote their businesses, and enhances their credibility as active members of society. Moreover, this partnership increases the influence of corporations in policy reforms, which facilitates their activities and gives them a more proactive role in decision-making. Involving private sector entities in UNDP projects through financial contributions, technical support, volunteer mobilization, and ownership ensures the full engagement of companies and investors, and guarantees the maximum benefit from this partnership.

The Social and Local Development portfolio project “Live Lebanon” is an example of how UNDP can benefit from the Private Sector in various ways. The project is presently financed by the private sector and the two partners are mobilizing resources in order to achieve optimal results. Refer to the box below for details about this project. Another project working primarily with the private sector is the Democratic Governance’s project with the Investment Development Authority of Lebanon (IDAL), having as one of its objective increased international market access of Lebanese products and work on facilitating investments in Lebanon.

**Sustaining and Enhancing the Institutional Capacity of IDAL**

The Investment Development Authority of Lebanon (IDAL) provides investment and export promotion services, including financial incentives to investors which can run up to 10 year tax holidays, facilitation of key licensing requirements and reductions on work and residency permits and land registration fees for investors, in addition to market and business intelligence services and aftercare services. On the export side, IDAL has in place two programs to support access of Lebanese products to new markets: (i) the AgriPlus program, which provides production process training, packaging advice for international markets and financial support to cover a portion of packaging costs for exports; (ii) the AgroMap program which assists agro-food producers with international marketing, including the subsidizing their participation at international and regional food fairs.

### **UNDP Social and Local Development Project: Live Lebanon**

Live Lebanon is a UNDP initiative that operates as a neutral channel through which Lebanese citizens, members of the private sector and expatriates can provide direct support to the development of Lebanon's underprivileged communities. Organized into four separate, thematic campaigns, Live Lebanon targets environment, health, youth, and income generation, providing the opportunity for companies with specific philanthropic interests to participate in projects that link national priorities to specific and tangible actions for quick-impact on the ground. Designed in partnership with local municipal and civil society representatives, each project delivered through Live Lebanon is the result of both the requirements of the many communities that aim to make their lives better and the commitment of companies and individuals who wish to help make that hope become reality.

Live Lebanon has appointed individuals of high repute and influence to serve as Live Lebanon Goodwill Ambassadors (GWA). These prominent individuals are active in key Lebanese communities throughout the world and are focal points for development of Live Lebanon's relationship with those extensive diaspora communities. Live Lebanon GWAs also play a vital role in engaging the private sector in many countries to fund projects. A couple of examples where GWAs succeeded in aiding the projects are Abraj Capital, who funded a project benefitting villagers, and Water Front City Care, who funded the procurement and equipment of an ambulance to support two villages in basic health services.

BBAC, a Lebanese commercial bank, joined Live Lebanon as an institutional partner in 2012 to cover the running costs of this initiative.

Live Lebanon attracted Al Jadeed TV as media supporter; it is a leading Lebanese television channel and one of the most well known in the Arab world and among the Arab diaspora. Al-Jadeed TV launched a media partnership with United Nations Development Program (UNDP) – Live Lebanon initiative with the objective to promote local development through this initiative.

Live Lebanon has succeeded in building up beneficial partnerships with the private sector and communication media in order to strengthen the initiative and to be able to reach out to additional Lebanese communities and individuals.

As mentioned earlier in our discussion on SMEs, a challenge facing the private sector is the lack of coordination between the different entities supporting this sector. UNDP can provide support by acting as a liaison and through the dissemination of information about the initiatives and activities of institutions, thereby raising awareness and sharing of information.

As has been the case globally, UNDP and the private sector build sustainable relationships and reinforce their commitment to development through the various partnerships developed at the national and local levels, and through bi and multi-lateral initiatives. In order to achieve its goals, UNDP involves the private sector by developing business approaches and investment missions. It also hires consultants from the private sector by capitalizing on full ownership and providing visibility to partners through the strong relationship it has developed with media outlets. Furthermore, UNDP plays an intermediary role between the government and the private sector, as it provides contacts and exposure, and facilitates the interaction among them.



## VI. Implementing the strategy

The implementation of the private sector strategy will allow the establishment of networks, the development of further expertise, access to resources of financial, technical, and human nature, as well as strategic engagement. As mentioned above, UNDP CO priorities with the private sector mainly focus on the following areas:

- 1) Policy and Institutional Framework (Corporate Governance);
- 2) Research and Knowledge Management;
- 3) Promotion of Partnerships (uni/multilateral and PPPs);
- 4) Brokering of further resources; and
- 5) Encouraging Corporate Social Responsibility (CSR).

This strategy will shed light on the work of UNDP in the areas of Corporate Social Responsibility, Research and Knowledge Management, and the promotion of partnerships. As for the two remaining focus areas, UNDP will further develop its activities to achieve these priorities and partner with the appropriate private sector counterparts. It will use its already existing ties and presence in key institutions to advocate and advance policy, legal, and institutional changes.

### **Research and Knowledge Management: Promoting Millennium Development Goals**

Among its areas of work, UNDP CO focuses on creating and sharing knowledge on key development issues. This also applies to its private sector work as on the one hand it shares information with the private sector and works on developing the capacities of the sector, and on the other it provides research on private sector as a partner in development, looking into innovative ways to advance UNDP's mission in Lebanon, and advocating for change using a variety of means.

In October 2014, Formatech and UNDP have signed a Memorandum of Understanding (MoU) whereas both parties cooperate to enhance the effectiveness of their developmental efforts. Through this MOU, the parties express their interest to mutually benefit from, develop and structure their cooperation to promote awareness on UN-MDGs towards sustainable human development in Lebanon, and on the post-2015 development agenda. In accordance with this MoU, UNDP certifies the training program provided by Formatech through its division TAMAYYAZ, after reviewing and integrating the UN MDGs into the trainings.

## **Corporate Social Responsibility (CSR)**

UNDP has committed to advocate and promote CSR in the country, enabling all local companies to participate in this much-needed effort to develop the community. Participation can take various forms, including investments in schools, scholarships, hospitals, recreational activities, and environmental projects like recycling and water sanitation. UNDP's role in implementing CSR is scoping the current environment, showcasing and sharing the knowledge it has acquired about the application of CSR, defining the agenda and planning the implementation of strategies, executing these strategies, controlling their quality, and building effective and lasting partnerships with the private sector, donors, and the government.

Corporate Social Responsibility is the optimal opportunity for companies to give back to their community, while investing in their own sustainable development. Businesses can generate negative externalities on society, creating a risky environment. Implementing a CSR strategy helps turn these risks into investment opportunities and complies with international labor, human rights, and environmental standards. Taking part in the development of the communities in which they operate, companies will generate further profits as CSR creates a better potential market and promotes a positive image in the consumer's mind.

CSR advocates in Lebanon have yet to see a national strategy addressing this issue. The majority of local entities do not realize the importance and the implications of CSR on the community as a whole. Philanthropic contributions remain the main social impact companies take part of, while sustainable community development, long term profit, and corporate sustainability continue to evade the focus of corporate leaders.

### **Shop to Support Nature**

A concrete example of CSR in Lebanon is the collaboration between UNDP and Banque Libano-Francaise, focusing on achieving MDG7 (environmental sustainability), and MDG8 (developing a global partnership for development). This partnership initiated the creation of the "earth card", the first green credit card in Lebanon, from which a percentage of the profits generated by the use of this card is distributed every year to the winners of an environmental sustainability competition, organized in collaboration with UNDP, in order to work on eco-friendly projects.

## **Promotion of Partnerships (Unilateral, Multilateral and PPPs)**

UNDP promotes collaborations between different stakeholders to achieve sustainable development goals and facilitates their interaction. For this reason, the Lebanon Country Office encourages its private sector partners to reach out to other members of society such as the government and the civil society. The partnership between government entities and the private sector through UNDP is essential to stimulate sound dialogue and practical policy-making. The government can benefit from these partnerships as they add value to their work and increase their knowledge of the challenges and opportunities faced in the private sector. Through its strategic output focusing on the fostering of economic growth a number of UNDP projects present in key ministries and public institutions have established or plan to establish solid links between the public and private sectors, and act as the backbone of these partnerships. The projects fostering PPPs are for instance established at the Office of the Presidency of the Council of Ministers, the Ministry of Finance, the Ministry of Economy and Trade, and the Investment Development Authority of Lebanon.

Another valuable partner for both UNDP and the private sector is the civil society. Lebanon has a vibrant civil society, covering a broad range of national issues and providing services of different nature. The private sector can support civil society in many different ways, including through funding of developmental projects or by providing the required resources, whether technical or of human nature. A concrete example is the collaboration between Coca Cola and UNDP, where Coca Cola offers a grant, through UNDP and as part of their CSR initiatives. The purpose is to support each year community-based projects developed by NGOs addressing a specific theme and in the framework of a nation-wide competition. This case, illustrates the implementation and promotion of corporate social responsibility and partnership development.

### ***2015 Action Plan***

The short-term action plan of the CO for 2015 will include the following:

- Maintain and consolidate the already existing partnerships based on specific already agreed upon MoUs, and use experience gained to develop at least three new partnerships covering different sectors;
- Implement the CSR programme with the Lebanese Petroleum Authority developed in 2014;
- Build on the SMEs Strategy developed by UNDP in partnership with the Ministry of Economy and Trade, by ensuring proper implementation of recommendations, follow-up on required reforms, and linking the initiative to existing UNDP initiatives and partnership to promote the highest level of national ownership;

- Re-activate the structure of Together Towards Sustainable Development (T2SD) bringing together as a lobbying force, leading Lebanese private sector figures, and accordingly develop the partnerships;
- Strengthen the development of knowledge-sharing platforms by active partnerships and training, liaising with among others educational hubs and universities, and direct linkages with the private sector; and
- Explore the feasibility of recommendations advanced in a mission conducted in 2013 by the regional private sector initiative of UNDP in Istanbul looking into potential areas of work with the private sector especially while looking into the Syrian crisis' impact;
- Institutionalize the private sector initiatives and consolidate the work, to ensure dedication, and resource mobilization, and further expand the work of the CO at the Private Sector level, and cutting across the different units; and
- Develop in the framework of the unit to be established, distinct projects, following UNDP modalities of implementation, with clear resources, and partners, to be able to implement and monitor the strategy's objectives.

## VII. Measuring results and impact

Through its Private Sector strategy, the UNDP CO in Lebanon commits to deliver administrative management, implementation, and increased awareness around the private sector initiatives. The commitments of the CO are closely aligned with the above developed action plan, which will be updated and maintained through an annual work plan, specific concept notes/project documents linked to targeted action, and related ongoing reporting. Sustainability of the results will be guaranteed by constant monitoring and measurement of impact. Sustainability will be addressed at two levels, externally and internally. Externally, UNDP CO will make sure that all actions value growth, and sustainable business in Lebanon in line with development objectives. In other words, UNDP aim at establishing a culture of development, which will lead companies to further explore and maintain beyond their partnership with UNDP. On another hand, internally, UNDP strives to deliver its programmes based on results, impact, and long term sustainability. UNDP's ultimate interest is to facilitate policy making and reform engaging all stakeholders, towards sustainable project delivery.

In order to measure the impact of the strategy a thorough Monitoring and Evaluation (M&E) framework will be established and include Key Performance Indicators (KPIs) against which progression will be measured. KPIs will include, but are not limited to, the following:

- Number of partnerships developed, Memorandum of Understanding (MoUs) reached;
- Number of projects developed;
- Targeted beneficiaries;
- Impact of change on environment, health, society, gender, and policies to be measured by the specific partnerships and projects developed;
- Number of local institutions and individuals recipients of capacity development initiatives and training;
- Amount of financial resources mobilized and provided;
- Number of laws amended, suggested, and passed (based on the country's priority agenda);
- Number of policies affecting the business environment and the economy addressed and/or introduced by the CO;
- Multiplier effect of initiatives.

The performance of the CO in implementing its projected outcomes and outputs will be accordingly monitored and assessed on a regular basis.

The success of the programme will also greatly depend on the efficiency of communication among all stakeholders, in order to mitigate risk factors. A number of significant risks are to be taken into consideration by the CO, as identified below and potential mitigation approaches will be established.

#	Description	Type	Impact & Probability (1=low, 5=high)	Countermeasures / Mngt response
1	Lack of responsiveness and coordination from stakeholders	Administrative	This may cause a delay in implementation of some activities and lack of buy-in. <i>P = 3</i> <i>I = 4</i>	Lead a consultation process and ensure that activities are demand driven and respond to a necessity. Conduct regular informative sessions with stakeholders in order to create ownership and ensure buy-in
2	Companies not interested in UNDP CO private sector activities/Cynicism towards benefits of partnership	External	This may cause a delay in implementation of some activities <i>P = 1</i> <i>I = 4</i>	Strengthen communication and outreach strategies. Effective partner management with strategic partners. One on one targeted approach of potential partners.
3	Limited resource mobilization opportunities	Financial	This would substantially delay the initiation of project activities <i>P = 2</i> <i>I = 4</i>	Considering enhanced cost-sharing options. Establish a targeted resource mobilization strategy. Identification and outreach of key external donors. Considering in-house support.
4	Political instability and security situation in the country	Political	Political or security changes can hinder access to sites and delay in project implementation <i>P = 2</i> <i>I = 5</i>	Close coordination with UN DSS

## Annex A

### UNDP Lebanon Private Sector Questionnaire 2013

**Target:** UNDP Projects from the 4 portfolios – Live Lebanon, LEDAs, LMAC, DRM, LCWMC, IDAL, Ministry of Finance, and PMO.

**Objective:** Mapping of current relationship, assessment of needs, future guiding principles and directions. The ultimate objective is to consolidate the CO's Private Sector Strategy and develop a specific action plan for the short, medium, and long terms.

#### 1. What type of activities do you have with the private sector? (CSR, PPP, capacity development )

- Corporate Social Responsibility
- Private Public Partnerships

#### 2. Who are your current and potential private sector partners? How do you approach them?

- Banking sector (BBAC, BLF, Bank Med)
- SMEs
- Multinational Companies
- Publicly listed companies
- Incubators
- Private media outlets
- Chambers of commerce
- Traders
- Insurance companies
- Syndicates
- Venture capital

#### 3. What are your expectations from the private sector and what do you think they expect from you?/ For what reasons you partner with the private sector?

*What UNDP expects*

- Sustainable relationship with the Private Sector
- Resource mobilization/Financial assistance
- Technical support
- Partners in reform (especially at the economic level)

*What the Private Sector expects*

- Visibility, coverage, and networking
- Credibility
- Access to policy reform/Influence
- Technical support (especially to SMEs)

- Sharing responsibility
- Facilitation

**4. How do you involve the private sector to achieve your goal(s)?**

- Financial contribution
- In-kind contribution
- Volunteers' mobilization
- Visibility, promotion, marketing, and networking
- Involvement in activities
- Ownership
- Business approach/matching with businesses
- Dialogue and bilateral meetings

**5. What are the benefits to the project in working with the private sector?**

- Sustainability
- Reaching objectives/achieving results
- Visibility and promotion
- Efficiency
- Sharing ideas, know-how and experience
- Securing funding

**6. Are there any tools and exchange of information that happen with the private sector?**

- Electronic tools
- Requests for information/exchange of information
- Workshops and meetings
- Discussions

**7. Do you receive any support from the Country Office in terms of your work with the private sector? In case yes, can you further elaborate? In case not, what kind of support would you like to receive in the future?**

Most projects highlighted that support from the CO is either limited or inexistent. Some projects highlighted that they never approached the CO for support in private sector relationship.

*Support received*

- Logistical support
- Contacts and network
- Technical support

*Further support needed*

- Securing funding
- Partnership development/more contacts



**8. How would you face your constraints (lack of knowledge and skills, bad infrastructure, lack access to finance etc...?)**

- Through partnerships (incl. with international organizations)
- Involving the media
- Developing a vision
- Access to finance through venture capital funds
- Establishing infrastructure zones

**9. How do you think the government will interact with the private sector and what does the government expect from the private sector and vice versa?**

- Investing in PPPs
- Legal reform is needed/More rules and regulations
- Inclusive approach
- Facilitation
- Involvement from both sides
- Influence
- Exposure

**10. How do you measure the impact of your relationship with the private sector?**

In general the relationship is positive, and some projects depend greatly on private sector relationships and funding. However, a greater role should be provided by the CO to the private sector, especially in order to enhance credibility, and enhance ownership of all factions of society and state.

Participation of the private sector and involvement in UNDP initiatives is a way to measure the impact of the relationship.