SME SUPPORT CASE STUDY

DRC MENA livelihoods learning programme 2017-2019

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The Danish Refugee Council (DRC) is a humanitarian, non-governmental, non-profit organisation founded in 1956 that works in more than 40 countries throughout the world. DRC fulfils its mandate by providing direct assistance to conflict – affected populations – refugees, Internally Displaced Persons (IDPs) and host communities in the conflict areas of the world and by advocating on their behalf internationally and in Denmark.

A man in an Informal tented settlement in Zahle, Lebanon. January 2017. Photo by: Mais Salman/ DRC

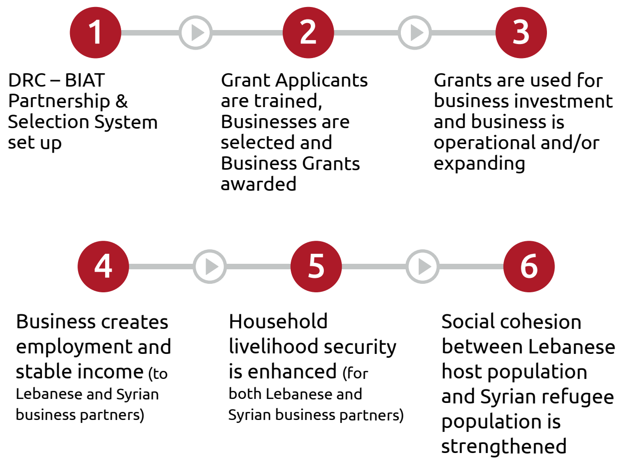
Brief project description

This project supported new and existing small and medium enterprises (SME) in Tripoli, North Lebanon in 2015 and 2016. The project provided a number of Lebanese-Syrian partnerships with cash grants (between USD 5,000 – 7,000) to help boost existing or start-up businesses. Along with its main aim of creating sustainable economic opportunities for Lebanese hosts and Syrian refugees, the project aimed to bolster social cohesion between members of the two communities by supporting partnership and cooperation. During 2015 and 2016, the project was implemented in partnership with the Business Incubation Association in Tripoli (BIAT), a local organisation specialised in economic development. Since 2017, DRC's partner organisation is Al Majmoua.

The Theory of Change / Impact Chain for this project is outlined below:

The case study looked at SMEs supported during 2015 (9) and 2016 (18).

Impact chain for the SME Support



Observations and findings

1. Although the 2015 project was a pilot, it quickly became widely known to many potential clients after BIAT posted adverts on TV, radio and social media, and more than 500 applications were received.
2. Intake and selection criteria remained a sensitive issue of discussion between DRC and the partner BIAT throughout this partnership. DRC advocated for a stronger use of vulnerability criteria and BIAT emphasised business viability. DRC and BIAT never found common ground.
3. The 2017 assessment found none of the 2015 clients were particularly vulnerable, while it seemed that vulnerability criteria had played a stronger role during 2016.
4. Partnerships between Lebanese businessmen and Syrian partners are the essence of this project; Syrian refugees cannot formally register businesses and need a Lebanese partner to register their enterprise.
5. Most business grants were used as intended, the purchased assets were still in use, and all businesses supported during 2015 were still operational. This, though, is not a surprise, given the focus on well-established enterprises. More relevant to note is that as of May 2017, 6 of the 9 partnerships created in 2015 were effectively dissolved, leaving a purely Lebanese-owned business in existence. It was too early to assess the viability of partnerships created in late 2016.
6. The majority of the 2015 Lebanese clients had well-established businesses worth far more than the USD 5,000 – 7,000 investment grant, making relations between them and their Syrian "partners" inherently unequal.

7. A grant of USD 5,000 – 7,000 is appropriate only in low investment sectors. It is not sufficient to 'purchase' a partnership within a Lebanese business. It is not enough to buy productive assets that could generate a full-time paid job in Tripoli.
8. Even in the successful partnerships, the Syrian partner had created only a part-time job from the investment, with only limited impact on the household livelihood.
9. All activities supported appeared to be safe and dignified and no concerns were reported. There were no cases where a critical income generation activity had been given up because of the grant opportunity.
10. Both Syrian and Lebanese clients reported that the partnership had brought their families closer together. No impact or potential impact could be seen, though, on relationships at a wider, community level or on social cohesion.

DAC criteria assessment

DAC CRITERIA	ASSESSMENT
RELEVANCE	Given that Syrian entrepreneurs cannot formally register their enterprises, difficulties in access to financial capital for Syrians as well as a lively business start-up and SME environment, the philosophy and objectives of this project are relevant to the context. However, given the limited impact of the project, activities and outputs implemented as part of this project had limited relevance.
COST-EFFICIENCY	A full cost-efficiency analysis has not yet been done, but it is already clear that transaction costs for this project were very high, in relation to the modest number of clients. The process of outreach, application, selection, training, grant award, etc. lasted more than 6 months and involved substantial investments from both DRC and BIAT.
EFFECTIVENESS & IMPACT	Although the assets that were purchased with the grants were still in use, with some impact on the business as a whole, this resulted in very limited creation of work (employment or self-employment) for the refugee partner for the 2015 grantees. It was too early to assess impact for the 2016 clients. The impact of such an activity has to be seen against a general success rate of approximately 20% for new start-up SMEs in the Tripoli area. The partnership component cannot be considered a success so far: most 2015 partnerships are effectively dissolved. Significant protection outcomes in terms of enhanced household welfare could only be documented in 3 of the 9 2015 cases, and in perhaps 2 of the 6 visited 2016 cases.
SUSTAINABILITY	In terms of strengthening social cohesion between Lebanese and Syrians, it is unlikely that this project will have any noticeable impact: the numbers of SMEs supported is too small and most 'partnerships' have been dissolved. The lasting economic impact will be small. More cannot be expected from what was, in effect, an additional investment of USD 5,000-7,000 in an established Lebanese business.
COVERAGE	2015 was a pilot phase, with no intention to have significant coverage. 2016 saw a 100% increase in coverage, but this is still very limited in terms of absolute numbers. If this model of assistance were to prove relevant, significant scale-up would be conditional on changing the intake and selection process so that it is less time-consuming, as well as on the availability of grant funds.

Main take-aways

- Tensions between the refugee and Lebanese populations have often been a matter of concern to aid agencies, who have used the 'social cohesion' language to justify interventions. This study suggests that it is not realistic to think that inter-community relations can be changed by small-scale economic interventions, even where they are designed to bring together individuals from the two communities.
- The partnership concept between Lebanese businessmen and Syrian partners has to be revisited and new partnership terms need to be developed.
- In future projects, it will be important to develop two different success criteria and follow-up mechanisms for existing businesses on the one hand, and start-up entrepreneurs on the other, and to carefully match the SME grant size with the type of business to be supported;
- The 2015, 2016 and 2017 SME projects should be continuously monitored by means of lean post distribution monitoring (PDM) exercises in order to further assess the economic impact;
- DRC should continue to carefully documents experiences and lessons learnt from partnerships with BIAT and Al Majmoua.

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