AMERICAN UNIVERSITY OF BEIRUT

BANQUE DU LIBAN AND INSTITUTIONAL ENTREPRENEURSHIP: ROLE OF BANQUE DU LIBAN'S CIRCULAR-331 IN FOSTERING LEBANESE TECHNOLOGY ENTREPRENEURSHIP ECOSYSTEM

by
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AN ABSTRACT OF THE PROJECT OF

Elsa George Moghabghab for Master of Business Administration
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Title: Banque du Liban and Institutional Entrepreneurship: Role of Banque du Liban's Circular-331 in Fostering Lebanese Technology Entrepreneurship Ecosystem.

Traditional entrepreneurship literature often looks at the entrepreneur as the key to a startup's success while it rarely acknowledges the importance of context in contributing to this success. The relationship of the entrepreneur to the context is same as cars to roads and gasoline stations—you cannot use cars if you need to develop your own roads or carry with you your gas—these are taken for granted if you need to drive cars. Context in our case translates into the *institutional environment*, which is also commonly referred to as the *ecosystem*. The contribution of a growing and a developing *ecosystem* to entrepreneurship success has been rarely addressed, in a theoretically rigorous and empirically meaningful manner, in the Middle East and North Africa (MENA) region.

Our research addresses this gap in the literature. It focuses on the Lebanese startup *institutional environment* development and evolution vis-à-vis the role of Banque du Liban's Circular-331. It is based on a field case study including interviews with key players, study of documents and data from various sources to identify and trace the ecosystem transformation.

Analytically and for research purposes, this study treats the *institutional environment* as an *ecosystem*. Also, it proposes that the development and evolution of that ecosystem (from a less mature *landscape* state) is dependent on the specific and directed changes in its three components: *network of participants, governance structure* and *shared logic*. The *network of participants* involves the key players within the institutional environment like the entrepreneurs, accelerators, banks, incubators, venture capital firms, universities. The densification of the network of participants occurs with the increased number in key players and role differentiation that occurs within the ecosystem, allowing for participants to contribute to the ecosystem and thus add value. The *governance structure* implies the definition and shaping of the rules of the game. It transformed from an ad hoc governance structure to the BDL being the focal actor credited with setting the rules and practices in the entrepreneurship ecosystem. The *shared logic* is the mutual awareness that

formalizes the rules of the game. It changed from a low mutually aware institutional environment to a highly mutually aware environment where key players implicitly evolve into their roles by virtue of a common shared logic that is becoming more present and noticeable. When there is more synergy among these three elements, the *ecosystem* can thrive as a fertile environment for entrepreneurship, as opposed to its previous less mature *landscape* status whose elements were present yet not necessarily formalized or mutually interacting.

This research has allowed us to identify the key role of BDL C-331 as well as the critical enabling role of BDL Accelerate as a magnet event. More to the point from the research perspective, it showed the fundamental and enabling role of *institutional entrepreneurship* in developing the *institutional environment* and how it is as important as the entrepreneur and the business opportunity.

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ABBREVIATIONS

BDL	Banque Du Liban, (Central Bank of Lebanon)
BDLA	Banque Du Liban Accelerate
C-331	Circular 331
ETP	Electronic Trading Platform
SBA	Small Business Administration

CHAPTER I

INTRODUCTION

A. Financial Sector and Institutional Entrepreneurship

It is now timely to look at Lebanon's emerging equity financing practices, with the third BDL Accelerate, i.e., 2016 event, behind us: the interest in the startup scene has grown significantly. The fast-evolving startup ecosystem that is shaping up can no longer be ignored. BDL has stepped into the arena of equity financing to boost the economy in an initiative the size of which may be unparalleled and the likes of which no other central bank in the world has engaged in. Indeed, Circular 331, issued by BDL in August 2013, has had a major role in transforming the entrepreneurship *landscape* into an entrepreneurship *ecosystem*. While several accounts have been made about the changes happening in the last few years, few have analyzed the institutional changes that have taken place. Furthermore, none have done so from the perspective of ecosystem development. This MBA project aims at looking at who, how and why the ecosystem changed focusing on parameters that enable an ecosystem to emerge i.e. network of participants, governance structure and prevailing shared logic as well as their evolution and transformation.

Theoretical Framework for Analysis

To conduct this study, I will use the institutional theory's framework to document and examine the process of early stage entrepreneurship ecosystem development from inception to growth through the enabled practices accompanying the implementation of BDL-331. I will apply and elaborate this framework to provide an enhanced understanding of how entrepreneurial practices of the ecosystem especially those related to early stage knowledge economy firms are effectively being reshaped and transformed via the enactment of BDL's C-331-triggered activities. I will also be using the elements of an ecosystem construct, in terms of its characteristics, which are the network of participants, governance structure and shared logic to trace the development of the ecosystem. The speed and timing of this growth process are highly likely to be dependent on the C-331 introduction. Moreover, it is safe to say that, the institutional transformation of the entrepreneurial eco-system in Lebanon that is underway now could not have occurred without the BDL, banks, and the multiplicity of ecosystem players collectively acting to effect a new logic of action—whereby knowledge economy startup development and finance are now considered "legitimate" activities and beginning to be taken-for-granted. As such, it is worthwhile to uncover the concrete process through which this transformation is taking place and point out potential lessons.

Dominant practice of finance among Lebanese commercial banks has traditionally focused on working with large and mature enterprises. This focus on large and mature enterprises functions as an institution—in the sense that institutions are "action scripts" that provide "stable designs for chronically repeated activity sequences" (Jepperson, 1991: 145). In particular, these so-called "scripts" dictate the practices of work especially as organizational institutions. This is based on the more than 60 years of history of banking operating in the organizational field that renders "financing mature enterprises" as the “right thing to do” with “low risk”. By the same token, equity financing of knowledge economy and technology startups would have been more or less regarded as perhaps the “high risk thing not to do” in comparison. As such to bring more attention on startups by the banks constitutes a major institutional shift and a monumental task because of the taken-for-granted-ness of the equity finance focus on large and mature enterprises. Furthermore, this change requires a set of new “practices” which are similar to how doing entrepreneurship brings new industry practices albeit from an institutional perspective.

It is important to note that there are similarities and differences between traditional startup entrepreneurship and institutional entrepreneurship proposed by DiMaggio (1988). The former refers to the process of bringing a product or service to the market, e.g., apps on mobile phones, while the latter is about bringing about institutional change to a multi-organizational field like financial services. That is, according to DiMaggio (1988: 14) “new institutions arise when organized actors with sufficient resources (institutional entrepreneurs) see in them an opportunity to realize interests that they value highly”.

The knowledge gained through this MBA project will help shed light and provide lessons for the future growth of startup ecosystem and its financial infrastructure. In addition, it can provide insights and lessons for other countries in the region. That is, potentially the unfolding process of BDL Circular 331 implementation may be adopted and adapted in new national and regional contexts.

Short Background on BDL Circular-331

In summary, I carried out a field case study on BDL-331. In August 2013, BDL released Circular 331 through which effectively established a $400 million credit facility to be used by the Lebanese banks to invest directly or indirectly in knowledge economy startups. These funds can also be used to fund incubators and accelerators provided the conditions of the C-331 are met (Banque du Liban, 2013). The startups that are qualified for investment from commercial banks have to be Lebanese joint-stock companies with nominal shares, working in the knowledge economy which can be shown to have a significant impact on the Lebanese economy, by contributing to social growth and job creation. The C-331 primarily aims at encouraging commercial banks to finance startups and mitigate their risk aversion when investing in knowledge economy. Furthermore, it supports banks in assisting startups with their setup issues as well as helping them by providing training programs and mentorship.

Circular 331 is meant to decrease the risk for the local banks by subsidizing the potential risk in the banks' portfolio diversification. Once a bank agrees to invest in a startup, it receives a seven-year interest-free credit from BDL, to be invested in treasury bonds with an interest rate of 7%. Commercial banks are allowed to participate in up to 3% of their capital in startups and funds. (Banque du Liban Accelerate) "BDL guarantees 75% of the investment, de-risking it by mitigating the potential losses and reducing them to a mere 25%. A bank can invest up to 10 % (of its 3%) in any one startup, thus spreading the risk. BDL takes on 75% of the risk and only 50% of any profit made, making the circular attractive waters to venture into." (Banque du Liban Circular Summary, 2013)

Approximately 40+ small and medium enterprises are in the process of receiving equity funding from banks with investments that exceeded $200 million since the initiation of C-331. According to Mr Riad Salameh, the Governor of the BDL, the strategy followed aims at creating investment synergy between the financial sector and other sectors, particularly the technology area (Rahbani, 2015). The most relevant sector being funded is the technology-based businesses whereby software plays a key role in the goods/services offered and additional investment is needed locally to develop the infrastructure of this arena.

Method

I will use a field case study method to answer the questions of who, why and how BDL C-331 and its stakeholders changed the entrepreneurship ecosystem (Yin, 2013). The focus will be on actual events and up-close study of key players and organizations within the ecosystem to determine their evolution with respect to BDL C-331 related activities which make it suitable to employ this method. More specifically, I obtained data on key stakeholders (e.g., BeryTech, MVEP Impact Fund, UKLTH, Speed, Endeavor, LFE, etc.) from BDL-331 sources and others. The empirical analysis was mainly focused on (1) performing interviews with the key persons inside and outside BDL-331 program including beneficiaries and stakeholders; and (2) examining public and other documents that were made available to me. My aim is to document the process of institutional entrepreneurship that BDL has engaged in via C-331. In particular, I will examine how C-331 shaped and transformed entrepreneurial ecosystem practices by looking at the key players involved and the reasons behind the actions taken. Furthermore, I will attempt to draw insights for developing and elaborating the ecosystem development concept considering the empirical context of Lebanon compared to promotion of entrepreneurship in the Western institutional environment where a mature venture capital market and entrepreneurship milieu exist.

B. Research Objectives

The main objectives of this research are summarized below:

1. How does institutional entrepreneurship work in the local context of BDL C-331?
2. How was the ecosystem development triggered and emerged via-a-vis BDL C-331?
3. Offer theoretical and policy insights

C. Research Questions

The main research questions tackled are as follows:

1. Propose a process model based on the institutional actions of BDL and stakeholders?
2. What are the specific elements of the above process of institutional entrepreneurship and what elements were salient in the context of BDL C-331?
3. Who were involved in specific processes of ecosystem development and why?
4. What is the specific role of context, which contextual elements have figured more or less prominently in shaping the process and outcomes the way they have?

I collected and analyzed data on the key aspects of the organizational environment (multi-organizational field) during the inception and evolution of C-331; focusing also on challenges and effects of institutional change introduced by C-331 on the practices of entrepreneurial ecosystem.

This study will first tackle the related literature pertaining to institutional ecosystem development as well as institutional entrepreneurship. By doing so, I will highlight the elements which have formed what we now take for granted to be the current entrepreneurship ecosystem. Then I will propose the framework that I adapted to the research data collection. After that, I will discuss the details of the methodology used with a compilation of the interviews conducted with the different stakeholders involved in transforming the investment practices on the startup and SME scene. Following that, I will be explaining my findings as well as my contribution to this research stream. Finally, I will present my conclusions and potential avenues worth exploring within future research.

CHAPTER II

LITERATURE REVIEW AND FRAMEWORK

A. Literature Review

The entrepreneurship field has long fascinated people with its risk-taking appeal and near to non-existent "rules of the game". In fact, much of the traditional entrepreneurship literature has looked at the profile and characteristics of an entrepreneur to determine what makes an entrepreneur. According to Brockhaus (1980 as cited by Gartner 1988), an entrepreneur is defined as a major owner and manager of a business venture not employed elsewhere, with a profile of attributes associated with an entrepreneur such as risk taking, proactiveness, innovativeness as Cauthorn (1989) added. Some have even gone to define a successful entrepreneur as a man or woman who started a business where there was none before, who had at least 8 employees, and who had been established for at least 5 years. (Hornaday and Aboud, 1971, as cited in Gartner 1988) However, such overgeneralized depictions often idolize the entrepreneur as a focal point to success.

In fact, entrepreneurship is a process and potential success covers a much broader spectrum of factors, that often include but are not restricted to the entrepreneur themselves. For instance, how much is Bill Gates' success independent on his early association with IBM who sponsored the development of PC-DOS operating system? *The* institutional environment within which the entrepreneurial activities take place has been rarely addressed. Nevertheless, organizational, institutional, infrastructural and other factors can and do often come into play, shaping the process and outcome of entrepreneurial ventures.

We will look into the institutional theory to further focus our research. In the paper "How Actors Change Institutions: Towards a Theory of Institutional Entrepreneurship", the authors postulate the distinction between the entrepreneur and institutional entrepreneur in that an institutional entrepreneur generates new "rules of the game" that differ from existing institutional ones, while not necessarily launching a new venture like entrepreneurs. As such, institutional entrepreneurs are actors who leverage resources to create new or transform existing institutions (DiMaggio, 1988; Garud, Hardy, & Maguire, 2007; Maguire, Hardy, & Laurence, 2004, as cited in Battilana, Leca & Boxenbaum, 2009). Certain enabling conditions explain how actors become institutional entrepreneurs, i.e., the field characteristics and the social position. Field characteristics include social upheaval, technological disruption, competitive discontinuity, regulatory changes, economic and political crises and scarcity of resources. Social position on the other hand will impact the actors' perception of the conditions and capacity to implement change.

Furthermore, the paradox of embedded agency establishes the conflict that exists for actors who are embedded in the institutional field. "Dominant actors in a given field may have the power to force change but often lack the motivation; while peripheral players may have the incentive to create and champion new practices, but often lack the power to change institutions" (Maguire, 2007 as cited in Garud, Hardy & Maguire, 2007).

This leads us to take a closer look at the role of powerful actors. A study conducted about China's environmental protection system examines the role of the state as an institutional entrepreneur adopting a "top down" process to an unstructured field (Garud, Hardy & Maguire, 2007). This however coincided with changes in other institutional fields, on an international level, that ultimately influenced the development of this field. Hence, the role of the environmental conditions emerges to facilitate the actors' activities.

Welter & Smallbone (2010) recognize that there is a growing need to study entrepreneurship within a context. This context would include "economic, political, and cultural environment in which the entrepreneur operates (Shane 2003)." The research further details the types of entrepreneurial responses to the environment and context; two of which include financial bootstrapping in cases of scarce access to finance and adaptation to conditions of institutional deficiencies.

One of the main challenges to contextualizing entrepreneurship lies in the "taken-for-grantedness" of context. Welter (2011) expands on this in his research as "Too often, context (still) is taken for granted, its influence is underappreciated or it is controlled away (Johns, 2006), although it offers deeper insights into how individuals interact with situations and how situations influence individuals, which allows us to explain seemingly "anomalous" results (Johns, 2001)." Furthermore, the different levels of embeddedness where "political, cultural, and cognitive embeddedness emphasize institutional contexts". (Welter 2011)

However, looking at the details of the transformation is also of the essence. “Indeed, we do not know much about who works, or how and why they work, to change prevailing institutions for knowledge-based regional development and, consequently, the nature of institutions often remains at an overly conceptual and generic level.” (Sotarauta & Pulkkinen, 2010). In a research focused on institutional entrepreneurship for knowledge regions, the authors propose a conceptual model to investigate the process of development of institutional entrepreneurship as a way to study regional development. Research tackling policy issues often assumes that the change is implemented without effort or institutionalization. (Sotarauta & Pulkkinen, 2010). While in fact, further research is needed to determine how this is done. Also, further research is needed in determining what kind of contexts allow for institutional entrepreneurship to take place and examining development processes. (Sotarauta & Pulkkinen, 2010)

The research has often looked at institutional development, without taking context explicitly into consideration. However, very few studies have looked at the institutional development as an ecosystem development empirically. On a conceptual level, “The Fifth Facet: The ecosystem as an organizational field”, Thomas & Autio (2014) postulate that an ecosystem is an institutional multi-organizational field. They propose that, “Developing the notion of the ecosystem is an organization field.” They also suggest that “ecosystems are distinguished – both as a category and as a theoretical concept – from other conceptions of organizational fields by their focus on collective value creation as the recognized area of institutional life (DiMaggio & Powell, 1983).” They also propose that “the ecosystem is a fifth facet of the organizational field, complementing common industries (DiMaggio &

Powell, 1983), common technologies (Garud, Jain, & Kumaraswamy, 2002), social issues (Hoffman, 1999), and the market (Beckert, 2010), as the distinguishing areas of institutional life."

Consistent with Thomas & Autio (2014), we suggest that the characteristics of an ecosystem as network of participants, governance structure and shared logic. The network of participants highlights the interdependencies between the ecosystem players highlighting participant specialization and complementarity. The second characteristic is governing structure that includes influence in terms of decision-making, membership and task coordination for the smooth operation of the ecosystem. That last characteristic is the shared logic which looks at legitimacy based on mutual awareness between the participants.

B. Proposed Conceptual Framework for Research Data Collection

We are inspired by the framework of Thomas & Autio "The fifth Facet: Ecosystem as organizational field" to address the elements of this study. The diagram shown below, illustrates an initial view of the ecosystem development process, from a fragmented *landscape* into an *ecosystem*. It considers the three highlighted elements of an ecosystem, which are the network of participants, governance structure and shared logic.

The model proposed stipulates that the evolution of each of the three characteristics has to occur in tandem with the others in order to generate real value to the ecosystem level. In this study, we trace the development of the ecosystem along the last 16 years, collecting empirical evidence that would fit into each of the identified categories representing the ecosystem. We aim at illustrating how the network of participants expanded over this time period. We will also look at how the ad hoc governance structure matured. Also, how the shared logic was changed.

The role of institutional entrepreneurship in triggering the startup ecosystem is the heart of our case as shown in the diagram.

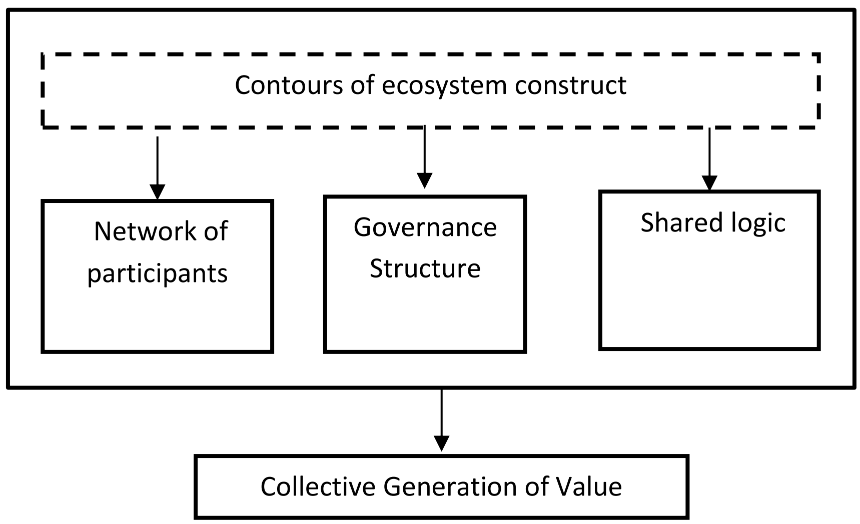

Figure 1: Conceptual Framework

CHAPTER III

RESEARCH DESIGN AND METHODS

This chapter will describe the research method used with a detailed explanation justifying the procedure and protocol of data collection and data analysis.

A. Research Approach

The focus is on institutional entrepreneurship and ecosystem development in the Lebanese context of equity finance-centered practices vis-a-vis BDL C-331. Inductive reasoning will be used in this research study to point out who, how and why transformation has occurred within the equity financing practice of startups.

Interviews were conducted in the form of semi-structured questionnaires that encouraged two-way conversation. In addition to that, data was collected from online sources as well as websites of all key organizations that were interviewed, to complement the accumulation of information. The material collected from the interviews will be assimilated, compared and analyzed. The conceptual framework will be also employed to better situate the empirical evidence within a specific theoretical perspective of institutional ecosystem development.

B. Data Collection

Interviews were conducted with BDL as well as other key players within the startup field, representing commercial banks, funds, support organizations and entrepreneurs. The sample chosen of actors are considered to be representative for the study objectives as it covers the key players who were involved in the transformation that occurred on the Lebanese equity-financing scene.

The interview structure was loosely based on a questionnaire, comprised of approximately 17 questions that were tailored to each interviewee, depending on their position with respect to the observed changes. These questions aimed at revealing the process of institutional entrepreneurship and institutional development of the multi-organizational field.

These semi-structured interviews were conducted with key people who shared their experience and first-hand knowledge of what happened in the last few years, leading up to the current state of entrepreneurship institutional field. The interviews took around an hour on average. A list of the conducted interviews is provided in the appendix.

C. Data Analysis Protocol

The data collected from the interviews and documents were used to propose a model of ecosystem development. The interviews were first transcribed then the information was coded and analyzed into categories consistent with the framework. Subsequently, the ecosystem development process emerged from my analysis of data.

CHAPTER IV

FINDINGS

A. Preamble/Context

Compared to the Western economies, the state of SME finance, in Lebanon, is less developed. The civil war that ended with the Ta'ef agreement in 1990, delayed the country's progress on many levels, making it difficult for Lebanon to catch up on a minimum of 15 years of the world's progress in financial innovation. The banking and financial services sector have concentrated on lending as the key financing mechanism. However, SME financing was in the most part focused on lending largely thanks to Kafalat which was established to financially support SMEs with its loan guarantees as banks preferred to lend bigger and more established companies.

A low level of equity investments was done through investment banking that would invest in more mature and proven businesses rather than risky startups. Even then, most of the efforts were focused on private equity rather than venture capital as banks looked into investing in existing companies that needed restructuring or strategic change in direction. There was little appetite to venture capital at the beginning of the 1990s as an investment option. (Photiades, 2004)

On a regional level, the Arab Spring highlighted an awareness of the power of social media and technology. The power for social change through technology was undeniable and awareness of the digital sphere attracted curious tech-savvy young people. The ripple effect of this awakening spilled onto the Lebanese scene through social networks and thus shed a light on the endless possibilities of the usage of technology-enabled social networks.

Furthermore, the crisis in Syria is a problem on its own as it has taken its toll on the Lebanese economy with the increasing influx of refugees straining public services and driving unemployment and poverty upwards. (IMF, 2014) In addition to that, political instability represented mainly through a lack of president for the period of almost 3 years increased uncertainty levels with the corresponding lack of legislation. The absence of sufficient governmental support drove BDL to step up and drive some sort of change to boost the economy.

Assessing Institutional Environment for Entrepreneurship

BDL began to devise ways to inject life into the economy. BDL started looking into ways to support entrepreneurs with the help of other key stakeholders in the country. According to Dr. Saad Andary, second vice governor of BDL, he started working with Dr. Khater Abi Habib, chairman of Kafalat on developing the entrepreneurship landscape through several initiatives like setting up a website for entrepreneurs, called Entrepreneurs Lebanon, meeting with the entrepreneurs, providing mentoring activities and introducing investment banks to Lebanon to support them in financing. However, most of these initiatives faltered. In parallel, a project was initiated with the help of the World Bank. The objective of the world bank loan was to boost capital equity investment in the knowledge economy. Such a concept was foreign to the World Bank and required extensive negotiation for it to be developed. Furthermore, there was growing recognition of the following factors:

i. Collateral issue: Support from most banks used to come in the form of debt. This presents a problem because startups often have no collateral to back up the needed loans. Thus, there is a need to move from debt into equity to meet startups status with the shift from money market to capital market.
ii. Mismatch between targeted sectors and young people preferences: Most of the support loans, guarantee loans and incentive loans are targeting the traditional sectors, industrial, agriculture etc. while the young people graduating from universities are not working in those sectors, rather going into knowledge economy. Hence, the need arises to channel funds in the highly-needed sectors that can provide future job opportunities, create growth and new companies. This could close the gap between the new arising trends and already established practices of lending to traditional businesses. Knowledge economy as identified included medical sector, engineering sector, fashion design, cinematography in addition to information and communication technology (ICT).

After negotiations about how the World Bank loan would be converted to equity and how payment would be done, it was agreed that the government would repay the loan of 30M within 7 years. In the meantime, investment would be done in new or existing SMEs, in an amount that does not exceed 20% of the capital of the company. Following the agreement, the governmental and parliamentary approval took around 3 years to set up the program and legal issues to be cleared out on all fronts. This sum of money, amounting to

30 million dollars, was to be managed by Kafalat, who set up a fund to run it with experts in the field, through what we now know as the iSME program.

B. Circular 331: Pre-2013 Era

1. Network of Participants

An increase in entrepreneurship-driven and startup activities was noticeable on the private sector front as several organizations were emerging and the entrepreneurship landscape was shaping up.

One of the earliest and main prominent players was Berytech, whose presence within the ecosystem for the past 16 years allowed it to amass experience along the way. Berytech was established in 2001 to serve as a business incubator focused on the ICT sector. While it had been restricted at the beginning only to USJ students, in 2003 it opened its doors to everyone and shifted to English language. This allowed it to reach out to a large audience. However, there was little entrepreneurship activity going on at the time.In 2006, the European Union mission in Lebanon launched a project to launch more incubators. As a result, BIAT and SouthBIC incubators were established and focused on general incubation in traditional sectors.

As part of its scope, Berytech provided financing support and in 2008 it had set up Berytech Fund I from pooling resources from a series of investors that included Lebanese banks, national corporations, multinational companies like Cisco and Intel, NGOs, individuals and USJ university. It managed to raise around 6 million USD with ticket sizes of 100K to 1 million USD invested in a total of 15 companies whose businesses are in the communications and technology sector (ICT).

According to Ramy Bou Jaoudeh, “Berytech Fund I allowed us to build our expertise and become comfortable with people working with hardware. It put a feather in our cap on how to do investments and helped us build our new funds.” For the duration of 2 years, Berytech was the only player handling startup investments. However, that soon changed.

In 2010, MEVP entered the venture capital industry in Lebanon and the first venture capital activity started picking up with the emergence of competition between the two main players, Berytech and MEVP. MEVP is the country’s oldest venture capital firm, with a focus on the Middle East region and an interest in investing in innovative firms and talented entrepreneurs. Those two, Berytech through its investment arm Berytech Fund I, and Middle East Venture Partners comprised the majority of the venture capital industry in Lebanon at the time.

At this stage in the institutional development process, the number of players were low and the relationships among them was sparse. Several initiatives came through from organizations operating in the entrepreneurship landscape but not necessarily interacting with each other on a high level.

In 2010, vital community support appears to have emerged through Wamda and Arabnet. Entrepreneurs desired to be connected, to gain exposure and to be advised.

According to Jonas Feller, from Wamda, “There was not one platform for the region that connected everything, since all the markets individually were smaller. It was important for all to connect to become a community.” Hence, Wamda attempted to provide a community and media platform stemming from the need to connect adjacent markets and facilitate information flow to allow room for growth and scaling up opportunities for aspiring entrepreneurs.

Along the same lines, Arabnet wanted to bring people together and brought forward the first technology driven startup event that represented a regional landmark to the technology industry.

According to Omar Christidis, from Arabnet, about the first conference in March 2010, “It wasn’t a Lebanon event, it was very regional. People came from all over the Arab world. It was the first time the industry conceived of itself as an industry. Today it is very clear that this is an industry.”

When selling this first conference, people were unclear and banks were skeptical of Arabnet’s move to be driving this. There was a lack of clarity and understanding of the significance of a tech-driven startup event. Of course, this served to embed a new meaning to technology entrepreneurship that was previously foreign, at least in the MENA region, that entrepreneurs constitute an industry that can no longer marginalized.

Furthermore, bridging the gap between the local entrepreneurship scene and the global scene was taken up by Endeavor Lebanon in 2011. It was established to fulfill three goals; job creation, economic growth and role model development that would lead the change in entrepreneurship and economic innovation. The exposure provided by Endeavor served to propel promising entrepreneurs to the international scene where they could get mentorship and feedback from world renowned business leaders. Of course, such a move had a major impact on the local scene as it created a high-profile support network, at a time when it was highly in demand.

In parallel, Lebanon for Entrepreneurs, LFE, was established in 2013, to support entrepreneurs and fulfill some main gaps like academia, mentorship and access to capital funding, legal, IT and infrastructure. With LFE's access to the diaspora, it could channel the contribution of the Lebanese expats to support entrepreneurs in a more efficient and relevant way. It created follow up procedures to track progress on all entrepreneurs and connect them to the diaspora in a useful manner to both. They also played a role in providing mentorship in Silicon Valley for the selected entrepreneurs. LFE was quite active on the local scene and very well-connected to entrepreneurs, VCs and other organizations outside. They had a key role in driving changes on the entrepreneurship scene due to their diaspora networks.

Several other initiatives also took place in the period before Circular 331 was issued. Startup communities emerged like the Beirut Creative Cluster, Lamba Labs Beirut hackerspace and Tripoli Entrepreneur Club. Educational organizations also joined with Amideast Entrepreneurship institution, Le Wagon, Darwazah Center for Innovation Management and Entrepreneurship at AUB and Center for Entrepreneurship at Beirut Arab University. Furthermore, the first startup competition, initiated back in 2006, MIT

Enterprise Forum and BADER Program, also contributed to the supporting entrepreneurs in their journey.

In the period prior to BDL C-331, the network of participants was loosely operating in the entrepreneurship landscape. It may be fair to say that most of these organizations operated in a standalone fashion.

According to Ramy Bou Jaoudeh, from Berytech “We’ve seen a lot of positive trends happening, in 2001 no one knew about entrepreneurship, it took around 8 years to see competition, like Bader, Seeqnce, Altcity...”

2. Governance Structure

The governance structure of the institutional environment in the period prior to C-331 was characterized by an ad hoc governance with the presence of many players distributed in a multipolar situation. In fact, there was no dominant entity driving the entrepreneurship activity. Each of the key players was defined by their mission, as they operated within their scope to support entrepreneurs differently. With this set of activities, ad hoc governance emerged as the organizations strived to contribute to the entrepreneurship landscape yet were not influence by any one focal actor.

It is obvious that the prevalent ad hoc approach meant as ad hoc governance system where key players strived to fulfill roles that they see fit. In situations of low role differentiation, roles and normative expectations emerge around an ad hoc-based approach and self-enforcing governance often emerges.

Some actors within the ecosystem highlight that at the level of venture capital firms, the requirements were ambiguous and the process for asking for funds was unclear. When people asked what the venture capital firms required and what standard practices were, they received several different answers as to what a company must do. Term sheet requirements were loose and often inconsistent. Practices were not uniformly agreed on, making it difficult for funding to become really accessible. The haphazard and inconsistent approach to funding led to poor guidance and uniform practices, which was due to an undefined governing structure.

3. Shared Logic

Also, there was not a well-defined shared logic among the institutional environment's participants as there was low mutual awareness about the activities going on. With low visibility and more of a closed community, the entrepreneurship landscape did not benefit from a transparent mutually aware direction. Initiatives were on an individual/organization basis that often did not connect with others and did not fully utilize each other's strength.

Not only was there low awareness between the key players themselves, but there was also low awareness about what entrepreneurship and startups are. This hindered a thriving entrepreneurship scene as people remained clustered in more or less closeted communities. The aspiring people did not really know who tech entrepreneurs are and this made it difficult for them to start and thus become a successful startup.

According to Jonas Feller, from Wamda, "People were skeptical of startups. Trust in new products was not high so you have to educate the market. A lot of time was spent by entrepreneurs pitching and explaining to people about their companies, educating the market about something they haven't heard about."

4. Ecosystem Stage

Overall, it was a weak ecosystem that resembled more of a landscape and less of a full-fledged dynamic ecosystem. It survived on the independent actions of several stakeholders who contributed each in standalone way. With the fragmented presence of the key players, there was definitely room for growth and improvement that could bring them closer and give rise to more differentiation of roles.

Finalizing the World Bank loan formally, legally and logistically took a significant time and the iSME fund only started becoming functional in 2015, after having been signed in 2013 and initiated in 2010. So, the Governor of BDL, Mr. Riad Salame, and in the wake of the big efforts and long time spent on the loan, suggested that BDL can participate in supporting the ecosystem in a similar initiative along the same lines but on a much larger scale. Instead of relying on money from the World Bank, they can use the liquidity of the banking sector because they have the money. If the banks do not have an appetite for this risk, BDL will provide them with guarantees because the objective is to broaden the productive capacity of the economy.

Towards this end, BDL identified three pillars that will put Lebanon on a more economic scale and boost its growth:

1. Banking sector which is already very successful
2. Oil and gas will be one day a very promising sector
3. Knowledge economy sector is the future of the economy

Hence, efforts were put into place to produce Circular 331 to support knowledge economy.

Circular 331 was initiated by BDL in August 2013 and it presented a novel arrangement, that would encourage startup financing through bank investment. This may be the first time a Middle Eastern Central Bank incentivizes high risk equity investments.

By virtue of the Circular, commercial banks can invest up to 3% of their capital, with a participation that does not exceed 10% per startup, either directly in startup companies or in accelerators, incubators and venture capital firms, to be injected in the economy for the period of 7 years. This amounts to approximately $400 million dollars, since the total equity of private banks in Lebanon constitutes around $13.5 billion. This lending facility is an "interest free" loan extended from BDL to the commercial banks, with a 75% guarantee over the period of the investment.

Three main conditions govern the investments:

1. The company should be a Lebanese joint stock company, with main branch and activities in Lebanon

2. Need for innovation element in startup
3. Knowledge-based startup with new technology

The details of the circular explain that banks can own up to 80% of the company's capital (not exceeding 80%) for the entire duration of the investment. The bank is required to liquidate all its shares and exit the company by the end of the loan period (7 years). Furthermore, the startup has to be based and registered in Lebanon as an SAL, with the aim of benefitting the Lebanese economy through creating jobs and investing in the country.

There is a rigorous process for a startup to incorporate in Lebanon and benefit from 331 funds. Initially, a startup can approach a bank that directly invests in startups or indirectly invests through funds, with all the documents required to study the feasibility of the business proposed and suitability of fit under C331 money. The file is studied by a compliance committee at the bank, to be thoroughly examined based on a long list of criteria specified by the Circular. The funds and the commercial banks in turn as well must report to BDL on their investments under circular 331.

Indeed, BDL studies cases extensively because it bears 75% of the risk and does not want the commercial banks nor the entrepreneurs to treat circular money as "easy money" since they are only bearing 25% of the risk. Any profits made upon exit are split between BDL and the commercial bank in a 50-50 distribution. The return for BDL would cover for the risk taken and the return for the commercial bank is mandated to be locked within its own capital and not allowed to be distributed.

The bank and a potential venture capital firm operate under the General Partner/Limited Partner structure where the general partner, being the venture capital, manages the fund and the limited partner, being the commercial bank, invests in the fund. Also, the venture capital operates on a 2%-20% scheme with the 2% covering the money management fees with a 20% of profits made on the investments. For instance, with the larger funds operating under C-331, a 2% yearly management fee may amount to $1.4 million on a $70 million fund.

In a nutshell, the circular provides “smart” incentives for stakeholders on the entrepreneurship scene to participate and become active in the knowledge economy sector. By doing so, it aims at boosting the economic and social growth in the country, by not only accelerating the startup ecosystem development but also creating a sector that would impact economic growth and GDP. This remains at the heart of BDL C-331 mission targeting the knowledge economy sector and securing its endurance and ability to create its own momentum.

C. Circular 331: Post-2013 Era

1. BDL: A Mature Actor in a New Role

BDL, like all central banks in the world, is a regulator first and foremost, responsible for monetary policy and regulation of commercial banks. To engage in other roles and enabling the launching of a whole venture capital driven entrepreneurship institutional environment was a far-reaching act.

Circular 331 was accompanied by an annual conference, organized by an organizational unit within BDL. This thrust BDL into a completely new role, that fell outside the scope of its traditional role, but boosted what had started with the issuance of the Circular 331. BDL Accelerate emerged as the region's premium startup conference which has propelled Lebanon to play a leading role for the regional institutional environment.

a. BDL Accelerate

By virtue of BDL's position, BDL Accelerate emerged as a magnet event attracting the key players to it, as it increased the visibility of the sector and promoted it for a wide range of public, increasing equality of access and maximizing opportunities. According to Marianne Hoayek, head of Executive Office of BDL, "This is not a traditional sector so we have to promote it in a non-traditional way, so we started with BDL Accelerate event."

The first BDL Accelerate event was organized and took place one year after the issuance of the circular in august 2013. Raising awareness and opening the entrepreneurship landscape to everybody was at the heart of the BDL Accelerate mission. The first BDL Accelerate event took place on November 20-21, 2014. It brought together more than 1400 entrepreneurs, investors and key business leaders to discuss insights, methods and best practices for entrepreneurs and entrepreneurship key stakeholders. Little did they know at the time about the size they would grow to in just 2 years-time.

One year later, the second BDL Accelerate event took place on December 10-11, 2015. It attracted over 6,600 attendees with more than 100 speakers, startups, and exhibitors. Around 3,000 attended the opening ceremony alone. This presented a great opportunity to produce Lebanon's Startup Ecosystem Roadmap as activity officially started picking up with noticeable changes in the environment. The event featured several stages, hackathons, startup competitions and workshop spaces. Themes included disruptive technology trends, market opportunities, innovations and venture capital topics as well as other subjects covered in panels, fireside chats, keynotes and Q&A sessions. Of course, momentum had started picking up at this point and BDL wanted to promote Beirut to the outside world, on a bigger scale and an international standard. This came through in the third BDL Accelerate event.

The third BDL Accelerate event expanded into 3 days and attracted an even bigger audience than the previous two years put together. In fact, it more than doubled every year, since its beginning with 23,250 registrations and 9 stages. Successful world-renowned professionals like Steve Wozniak, co-founder of Apple Inc., and Tony Fadell, creator of the iPhone, iPod and founder of Nest, had their own effect in attracting people to this event. The buzz created was undeniable.

The importance of scaling up the conference level is undeniable. According to Marianne Hoayek, "If we do not do this we cannot consider ourselves as a hub. We have to create a massive success for a person in the US to hear about and say I want to be a part of it."

Many key players within this emerging ecosystem were attracted to the event and attended most out of interest, and some even out of plain curiosity. BDL Accelerate has grown significantly in 3 years- and had seemed as a magnet to draw in all the players to it from the ecosystem also link them to global professionals. More importantly, BDLA conference has grown into a yearly event that would draw in younger generations and create a platform for them to exchange ideas and express themselves and ultimately be exposed to new ways of thinking.

b. Impact on Banking Sector

The relationship between BDL and the commercial banks was at the forefront of all transactions related to the circular. So, getting the banks on board and engaged in equity investments was vital for the success of the circular, especially that it would put them outside their comfort zones. However, it is safe to say that the banks appear to be stepping up to take on their new role.

According to Marianne Hoayek, "Banks have been very helpful, if banks were not really responsive or collaborative on the circular, we couldn't do anything. The central bank always works through banks and cannot have deals with individuals directly."

Effectively, from the bank's perspectives, they are bound to follow BDL's lead, indeed they would benefit from the investments. So, it was a two-way street of mobilization.

Technically, after the Circular was issued, a major question rose and that is the banks' lack of expertise in equity investment decisions, particularly for startups. Traditionally, credit departments only understood loans better and less so with capital, which required a completely different set of skills and experience.

According to Tania Moussallem, from BLC Bank, "Circular 331 allowed banks to step into equity at a time where they had never thought about it. The banks had a new area where they can play but they had no skills because again it's a different culture, the equity culture is really different from debt culture."

Similarly, Omar Christidis, from Arabnet, comments "The importance of the Circular is what it did with the banking industry. Today, the banks have a different attitude towards startups than they did before. It has created a cultural shift in the mindset of the banks."

Despite this, a few banks started investing in startups. The first direct investment was done by Al Mawarid bank in Presella, an online tickets and events reservation application. This was a first for banks as they changed from money lenders into startup investors.

However, it was soon brought to everyone's attention that there are other funds in the market, like Berytech and venture capital firms like MEVP that may have the proper know-how to handle big sized investments. So, the banks started placing this allocated money into funds.

As such, some banks chose to invest directly in startups after accumulating some experience and dedicating programs for them while others decided to allocate the money into funds, and still some banks chose to be a mixture of both.

Generally, the circular also created competition among the banks and induced them to step up their “game” to keep up and change the status quo. Prior to the Circular there was little pressure on them to innovate. Hence, another role of the Circular has been to make banks aware that their regular banking activities are under threat and, by creating incentives rather than taking a prescriptive route. This falls under typical institutional change where there are “new things” and “new ways of doing things” as the institution sets the new rules of the game.

c. New Venture Capital Firms

With the abundance of money available in the market and the little expertise that the banks had in handling startups, the need rose for more venture capital funds. Leap Ventures was among the first venture capital firms to be established in the wake of C-331, after Berytech Fund II and Impact Fund by MEVP. Other venture capital firms were subsequently established like B&Y Venture Partner, Cedar Mundi Capital, Phoenician Fund I, Saned equity partners each bringing a different type of expertise as some had backgrounds as consultants, investment bankers and entrepreneurs themselves. The first few funds that were established were for medium and growth stage startups.

There are 9 funds that have been approved and 2 are in the pipeline. They are distributed along the startup stage, with 2 or 3 funds dedicated for each stage as well as specialized funds.

The increase in number of venture capital firms of course had considerable impact on the ecosystem as it created competition in the emerging VC industry, with many fund managers focusing on the same pool of entrepreneurs. The increase in the supply of capital funds can run the risk of increasing valuations to attract more deals. Valuation represents the price; when a lot of money is seeking few opportunities, valuation may increase. In fact, some claim that certain funds have tended to overvalue startups in an effort to attract these entrepreneurs to their portfolio.

On a different level, venture capital firms attracted new funds from independent investors as C331 had a multiplier effect and created incentives for other investors to also place money in the SME sector. Arabnet quarterly report of Fall 2015 documents the increase in the number of venture capital firms as well as huge volume increase. This constituted all good news to the entrepreneurship and financing scene as the momentum created by the circular started picking up and having bigger impact.

Under the C331 scheme, venture capital firms with no C-331 participating present an interesting case. The situation is a double-edged sword for fund managers. On the one hand, they need to make a strong portfolio to build their reputation and on the other they cannot make overly risky decisions because they are not secured like commercial banks under the circular and need to optimize on their performance.

According to Ramy Bou Jaoudeh, from Berytech, "VCs do not have the luxury that BDL is giving to the commercial banks. They are as good as their investments are. So they need to make good deals, need to make the right decisions. At the same time, this limits them from taking the risks that the Circular is providing the banks because they do not have the flexibility of the risk that the banks have.”

Furthermore, the institutional environment plays a big role in the success of the venture capital industry as it creates the medium in which the VC operates and impacts the types of deals that would occur. Hence, the interdependencies of the network of participants within the institutional environment have had a sizeable impact on the success of the deals and exits that would potentially occur.

According to Tarek Sadi, from Endeavor, “Venture Capital is one of the few industries where you need everyone to win. The dynamics are very interdependent. In a country where we are very individualistic, it is integral for people to appreciate that."

Developments on Financial Front are Not Enough.

What started out as a central bank policy to nudge the commercial banks into the equity scene soon stimulated the surge of venture capital firms, and boosted the venture capital industry in Lebanon as a whole. The domino effect in the financial sphere was palpable and the access to capital problem is on its way to be solved mostly.

The entrepreneurs who were in the landscape at the time, with developed products and services and who were investment-ready soaked up the investments of the first few venture capital firms. However, soon it was noticed that more startups have to join the landscape to ensure a continuous deal flow, and a healthy one at that.

As such, the need arose for support organizations that would create knowledge startups that can go through the ecosystem and meet the supply.

d. Emergence of New Actors

New actors have emerged within the landscape after the Circular was issued. An important gap was identified which is the much-needed internationalization phase as the Lebanese market is small and there are few platforms to open the markets for startups that graduate from accelerators and other support programs. Hence, entrepreneurs sought to seek international exposure on their own. As such, UKLTH was formed as a partnership between the UK government and BDL and fully funded by C331. The purpose is to build local skills and internationalize Lebanese startups to scale up in the knowledge economy sector moving to international market via the UK as a gateway.

According to Elie Akhrass, from UKLTH, “By internationalizing the companies, we are increasing the chances for the VC for a better exit."

Hence, the importance of specialization of entities within the ecosystem emerges as the success of one organization will benefit the other organizations as well. This becomes more evident as the different pieces of the ecosystem fall within their roles and serve to complement each other in creating value on the long term.

In 2015, Speed@BDD accelerator was launched, as a product of the collaboration of funds and support organizations, BADER, Berytech, IM Capital, Lebanon for Entrepreneurs, Middle East Venture Partner. The need for more startups was resonant within the ecosystem as a whole, with an aim to minimize the risk taken on by investors.

This again showed the importance of role differentiation as the accelerators would feed quality startups into the ecosystem and increase the chances for good deals with venture capital firms.

e. Entrepreneurs

For the entrepreneurs, the landscape is becoming more vibrant. The ground has become highly fertile for entrepreneurs. Financing schemes are now available in abundance, in the forms of loans as well as equity. New forms emerged as well, like seed grants from Kafalat, that entrepreneurs do not have to repay and the number of competitions available was increasing.

According to Ramy Bou Jaoudeh from Berytech, "the system is fluid as entrepreneurs are seen moving from one incubator to the next, going to an accelerator after that, winning competitions, getting funding, meeting different venture capital firms."

Some key players like Kafalat encourage entrepreneurs to interact with different support organizations within the ecosystem. For instance, entrepreneurs are often encouraged to immerse themselves in the ecosystem after they are given grants by Kafalat's iSME program. The grants, with ticket sizes up to 15K, are given to selected entrepreneurs, who are conditioned in spending the money solely on their startups. This gives them a primary boost to kick off their ideas.

As the landscape is transitioning into an ecosystem, the pool of key players and stakeholders has become more defined and roles have become more differentiated. The pool of entrepreneurs has become visible to all key stakeholders. Not only did they have the financial means, they were also getting the support to grow, whether through networks, events, mentorship, exposure or access to international markets.

Notable exits have been made of more mature firms, giving the entrepreneurship scene a few success stories. For instance, Diwanee was acquired by Webedia with around $12.75 million invested for a 51% equity stake and Shahiya was acquired by Cookpad for $13.5 million. Some arguments claim that the development of an ecosystem is dependent on the size of the exits. “Large exits are frequently used as a key metric to judge the maturity of an ecosystem from a macroeconomic perspective based on the economic value the companies create.” (Murray, 2014)

According to Tarek Sadi, from Endeavor, “One of the reasons why people misinterpret where we are in the evolution of VC is that people think that venture capital is about how much you invest but really it is about the exit. And the exit will happen in 7 to 10 years, so we are still in the early days and can't really judge in terms of success.”

However, successful stories that lead to big exits often stem from the institutional environment or ecosystem that either serves to support or hinder growth, allowing for the exit to take place. In this light, C-331 emerges as a key instigator for creating a flourishing institutional environment that would allow for startup growth by enriching the environment with key ingredients that can support entrepreneurs.

The current key players in the ecosystem are already looking up to a few companies that show much potential on the exit front as well as impact and job creation. In fact, much of the efforts are currently being channeled towards finding and developing the right types of entrepreneurs to circumvent quality deal flow problems.

In fact, getting educational institutions on board seems to be the next logical step as universities can play a larger role in developing young talent. For instance, incubators and accelerators within universities can produce the types of quality startups that would feed into the ecosystem at later stages.

2. *Network of Participants*

After the circular was issued, the network of participants densified as there was an increase in the number of key players in the ecosystem. There was greater engagement and interaction among actors in a way that allowed for role differentiation. This differentiation was key when considering the institutional change that occurred via the activities of C-331.

Key players who were in the ecosystem since the beginning, like Berytech and Arabnet, attest to the noticeable increase in the number of participants, especially in the most recent years.

According to Ramy Bou Jaoudeh, from Berytech "It took some time. There are much more players now, message is passing faster, there is more potential financing now, there are a lot of interventions happening to bridge the Death Valley gap like angel networks with IM capital, cedars, iSME grants."

According to Omar Christidis, from Arabnet, “We have plenty of support organizations, NGOs, co-working spaces, mentorship, events, institutions, government. Some of the most robust support organizations regionally including the UAE. The support provided is community driven as opposed to Saudi, where it is government driven.”

In fact, they also highlight the importance of role differentiation post C331 as well as specialized roles that key organizations take to complement each other in the institutional environment.

According to Ramy Bou Jaoudeh, from Berytech, “We are pulling out of some activities to let others grow in those so we can focus on other things. The period after acceleration/bootcamp is still lacking. The growth phase is missing while a lot of efforts are being placed in incubators or accelerators phase.”

According to Tania Moussallem, from BLC, “Some players in the market specialize in scaling up. We [BLC] partner with Endeavor. They have an international network, they can introduce a Lebanese SME to a Saudi supplier or buyer to European contacts all over the world. These types of institutions are very important in helping companies scale up.”

According to Omar Christidis, from Arabnet, “Lebanon is in third place in number of investors in markets after UAE and Saudi Arabia. In Saudi, there are few VC funds, not as many as in Lebanon.”

3. Governance Structure

In the period after C-331, BDL emerged as a focal actor within the startup ecosystem. There is greater recognition of the central role of BDL as a key authority in defining and shaping rules-of-the-game. In 2016, ecosystem players regard the role of BDL as critical because they are defining and shaping the rules of the game.

In its simplest and most concrete forms, BDL emerged as central actor for governance structure by promoting the concrete requirements for fund acceptance, thus allowing BDL to become the leading figure in the governing structure of the entrepreneurship scene. Criteria such as the board structures, the relationships between the funds and banks, management fees, deferrals from one fund to the other, all contributed to BDL's decisions on funds as each fund came under close scrutiny before approval. BDL's scheme for fund distribution emerged to circumvent problems such as gaps in certain ticket sizes and confusion about requirements.

Furthermore, BDL moves towards becoming the central actors and key reference for all the players in the ecosystem.

According to Tania Moussallem, from BLC, "Maybe what's missing for ecosystem to mature is ideally a one-stop shop that could be the guidance place for any entrepreneur who wants to start his or her own company. In Lebanon, we have so many different players that did not exist 3 years ago. We need someone to connect the dots and gather all the stakeholders under one roof, a "Chef d'orchestre". Ideally, Accelerate would become the SBA, that would deliver an all year long type of knowledge to the public."

4. Shared Logic

As people are becoming more aware of the ecosystem being formed and the different roles that the key participants are playing in the ecosystem, a new found shared logic is emerging. It is evolving as a byproduct of the increased mutual awareness of the different organizations operating in this ecosystem. It is clear that there is a growing mutual awareness of activities which increases the formalization of the rules of the game. This increased awareness has allowed connections to occur more easily and the participants to interact in a more open environment.

According to Omar Christidis, from Arabnet, "When the industry started, everything was a club deal, i.e. you come to my VC, I send it to all the VCs I know. If it is a good deal, we all work together. The fear was that the investors would club together making terms for the entrepreneur not as good. However, the fact of the circular has made the environment more competitive which is good for the entrepreneur. It is a very respectful industry, people support each other, are friendly and very accessible. Today, you can reach a VC very quickly in Lebanon."

However, while locally awareness has been on the rise with more people informed and aware of this new sector, things were not occurring as quickly abroad.

According to Sami Bou Saab, from Speed@BDD, "More awareness needs to be created abroad because the Lebanese diaspora is not fully aware of what's happening here. Some are coming back but they have a safety net abroad so their lives do not depend on their success here."

The newly created awareness has not only been on the organizational level and their activities but also on the successes and failures that the ecosystem started witnessing. While participants and organizations in the ecosystem celebrate and embrace the emerging success stories, people agree that culture does not make it easy for failing entrepreneurs who are often shunned for their failed initiatives.

According to Bassel Aoun, from Kafalat, "Failure is both a social and technical issue. On the technical front, the bankruptcy law is very harmful and might discourage people from joining the entrepreneurship journey. On the social front, the lights are on the entrepreneurs and they are failing in front of everyone. The ecosystem has to find a way to accept failures rather than isolate them."

5. *Next Steps*

a. Circular Amendments

After Circular 331 was produced, two subsequent circulars, circular 367 and 408, were issued with amendments on several conditions within the initial circular. Two of the major changes that were decreed in the circulars depending on the success of the C-331 and the feedback that BDL received from the market are as follows:

i. Raising total capital to be invested from 3% to 4%, which amounts to $540 million as BDL thought there was still demand and wanted to allow more margin to invest in the startups and funds

ii. An Accelerator could have between 5 and 10% equity in a startup. Accelerators are 100% guaranteed and graduate several startups, some of which might succeed. As such, they want to allow accelerators to become self-sustainable and increase their chances of success as BDL. Also, funding of up to $800,000 can be obtained from BDL.

b. Electronic Trading Platform (ETP)

The electronic trading platform is a project that will be launched soon by BDL and the capital markets authority. The plan involves initiating an electronic trading platform on which many companies will be able to list, including startups. This would provide great opportunities for exits, mobilizing the Beirut stock exchange and allow for expats to participate in companies' financing as well as country's development overall. Tradable items like bonds, gold, commodities, even real estate and of course startups can be listed.

According to Marianne Hoayek, head of executive office at BDL, "When we started with C-331, the ultimate goal was to prepare the capital markets authority to prepare a pipeline of companies that could eventually exit. Because you want at one point in time a company to succeed, it has to exit. The CMA comes at the end of the chain to complete it."

The success of the ETP also depends on the appetite of people to buy shares in privately held companies. As there are a few promising as well as successful startups on the scene, it is still too early to talk about the outcome of the ETP venture.

c. Side Effects – Emerging Gaps

After very few years from the initiation of the circular, activities have started picking up with the key players emerging and developing awareness of each other's roles. Some have said with the fast pace of changes occurring, it has been difficult to keep up with all the happenings.

However, with the high interactivity levels, it was becoming easier to identify the needed gaps and the means to fulfill them. Primarily, one of the main problems that had existed lies in the infrastructure, IT and broadband issues. Such gaps fall under national improvement policies and far from the scope of a national regulator like BDL. That being said, it is noticeable that the government is getting more interested in the technology hub creation efforts by BDL and other stakeholders and the seed for communication between the authorities to push the ecosystem towards further development.

Another emerging concern is the pipeline and deal flow as investors await the next generation of startups. While the Lebanese human capital has never been an issue, entrepreneurship involves a large effort and commitment. Hence, a challenge has emerged i.e. the adequate deal flow.

To keep up with the growing trends in the digital sector and knowledge economy that is on the rise in Lebanon and the MENA region as a whole, the educational sector is expected to at least in part step up to fulfill the challenge. Schools and universities are now being asked to train students to a new way of thinking that diverges from the legacy attitudes of pushing young people to go into the long-established industries seeking employment which becomes a mirage. Creating the entrepreneurship culture has to start on a basic level, changing people's perceptions of expectations and long-established norms. A first step to that effect was the schools that engaged their students in attending BDLA16 which served as an eye-opener for students to the different sectors as opposed to the traditional sectors to which most people flock.

d. <u>Current State of Circular 331 Investments</u>

As of November 2016, a detailed tracking of the investments made via the circular is presented below. The below information is extracted from the special report about small company finance of Lebanon Opportunities magazine, issue 233.

Yafi and Jisr's B&Y Division One Fund (Bizri&Yafi####)?????
Investors • 13 banks are investors in B&Y Division One • Largest Investors: Bank Audi, Bankmed, Bank of Beirut, BLOM Bank, Fransabank and BLC Bank
Investment • B&Y Division One is a 'hybrid' fund that is raising capital from banks and from private investors at the same time. Money raised from banks, to be invested under Circular 331 amounted to $32 million • The fund has invested so far $1.5 million in four companies under Circular 331

Table 1: Yafi and Jisr's B&Y Division One Fund

MEVP's Impact Fund
Investors • 16 banks are investors in Impact Fund • Largest Investors: Blominvest Bank, Bank Audi, Bankmed, Fransabank, Credit Libanais Investment Bank and Al-Mawarid Bank
Investment • Amount pledged to the fund: $70 million • Amount invested in companies so far: $33.4 million

Table 2: MEVP Impact Fund

Berytech Fund II
Investors • 19 banks are investors in Berytech Fund II • Largest Investors: BLOM Bank, Banque Libano-Francaise (BLF), Bank Audi, BlC Bank, Fransabank, Bank of Beirut, Byblos Bank, SGBL and Bankmed
Investment • Amount pledged to the fund: $51.5 million • Amount invested in companies so far: $22 million

Table 3: Berytech Fund II

Phoenician Fund I
Investors • 12 banks are investors in Phoenician Fund I • Largest Investors: BLOM Bank, Bank Audi, Bank of Beirut, IBL Bank, SGBL and Fenicia Bank
Investment • Amount pledged to the fund: $33 million • The fund has invested or is in the process of investing $5million to $6 million so far in four to six companies

Table 4: Phoenician Fund I

Leap Ventures Fund I
Investors • 15 banks are investors in Leap Ventures' Fund I • Largest Investors: BLOM Bank, Bank Audi, Byblos Bank, SGBL and Bank Libano-Francaise (BLF)
Investment • Amount pledged to the fund: $71 million • The fund has invested $23 million so far in three companies.

Table 5: Leap Ventures Fund I

D. Trends

Some of the players point out that passing judgement about the success or failure of the C-331 initiative can be made before the circular's 7 year period is exhausted. In the meantime, contributions are being made and support is being provided, to maximize the chances of success and optimize the performance of startups.

Of course, problems are a constant that has to be dealt with such as security issues, legal frameworks, infrastructure needs and more collaboration are all needed to coalesce all the players in a more tightly knit network of players that would develop to a full-fledged functional and optimized ecosystem. One way of solving these issues would be to attract high-quality entrepreneurs from abroad, often Lebanese expats, who have accumulated experience and can bring back expertise.

Moving forward to attract more international attention including venture capital firms, investors and entrepreneurs, can only be done if the environment provide incentives for them and minimizes the hurdles so that effective international reach is obtained. This also includes attracting corporate VCs and putting local telecommunication companies on board by having them support entrepreneurs. However, telecommunication infrastructure in Lebanon is owned by the government and not privatized, making it difficult to adapt such a concept to the Lebanese context.

Indeed, BDL Circular 331 has created, enabled and otherwise shaped the change in the institutional environment from a landscape to an ecosystem. In fact, the network of participants has moved from a sparse network to a denser constellation with an increasing number of entrepreneurs, venture capital firms, accelerators, incubators and other ecosystem stakeholders.

The dynamics of the ecosystem itself have shifted from ad hoc governed structure with low stratification to a self-governing structure, primarily driven by Circular 331. The increased mutual awareness, especially because of the frequent interactions of the players with each other at several ecosystem events has started enacting a more shared logic.

E. Summary: Ecosystem Model

The last three years have witnessed immense progress in the newly-recognized emerging entrepreneurship ecosystem, after having been more of a landscape and less of a purposive ecosystem. The role of Circular 331 in stimulating the exponential growth of the ecosystem is undeniable.

Initiated by BDL, which is the country's main regulator of monetary policy, the Circular has mobilized all the stakeholders to be more active participants in the entrepreneurship scene. Providing the key players with the financial incentives and needed guarantees has proved to be an effective method to spark action. From a sparse ad hoc governed network with players that were loosely operating on the most part to a dense governed network with a significantly higher mutual awareness, an ecosystem is emerging gradually. At this point, it is still too early to tell in terms of impact but as an emergent ecosystem, it appears to be on the right track to becoming a self-sustainable environment.

Hence the developed ecosystem model is illustrated in the below diagram.

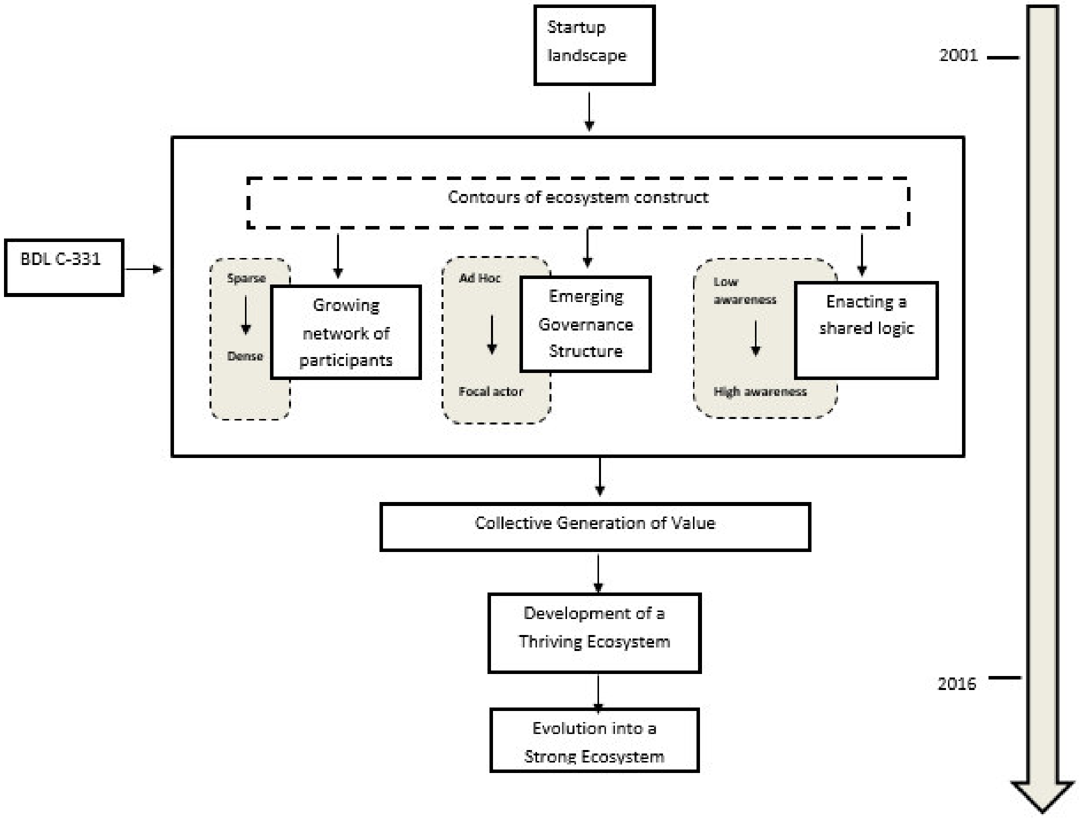

Figure 2: Elaborated Framework

CHAPTER V

DISCUSSION

A. Research Contributions

The institutional entrepreneurship literature has rarely looked at how the institutional environment or the context develops and what are its elements. We studied the development of ecosystem as how changes in the network of participants, governance system and shared logic occur. The literature has addressed neither the ecosystem nor its elements and overlooked to a certain extent the institutional environment and its evolution. It has also rarely addressed that environment as an ecosystem per se. In this study, we examine the ecosystem development in the context of the BDL initiative via circular 331. This is modest but important extension to the growing literature on how institutional entrepreneurship works is enacted in practice.

From Landscape to ecosystem

In this study, we investigate the transition occurring from an existing entrepreneurship landscape to an emerging entrepreneurship ecosystem as a process of institutional entrepreneurship. The empirical evidence obtained confirms the process of transformation which is inspired but adapted the elements suggested by Thomas and Autio (2014). Studying the intricacies of the transformative process sheds light on the importance of context and actions of a number of actors. The entrepreneurship landscape represents in our case the constellation of participants working in the same multi-organizational field while the ecosystem is a more tightly-held interactive system where these participants interact in a closer fashion with mutualistic tendencies. This study serves to define the process as a transition between landscape and ecosystem by addressing the actions that are facilitating the transformation.

Network of Participants

We represent one aspect of ecosystem development as change in the relations among existing entities and arrival and inclusion of new entities. The details of the case illustrate how the intervention by the BDL was critical in enabling more relations to be developed through its events as well as subsidize various activities through its created financial incentives. This shows vividly how an ecosystem can develop but more specifically how it can develop by making the network of actors expand and helping additional relations among them. We referred to this as *expansion and densification of network of key actors.* This increase in number of participants enables both cooperation and competition within the ecosystem that would further endorse the "ecosystem" with positive feedback effects. The coalescing of the specialized key players as the network of participants increases serves to tighten the links of the ecosystem and draw its participants to have more effective value creation.

Governance Structure

Another aspect of ecosystem development is the governance structure that indicates task identification and coordination as well as decision making. The case shows how the ad hoc governed entrepreneurship scene transformed with BDL emerging as a de-facto reference of this structure. This portrays the central role that BDL plays when placing itself among the network of participants. Furthermore, this is visible with the main event BDL Accelerate acting as a magnet to all participants in the ecosystem, BDL has emerged to drive the ecosystem forward since it provided a platform for the ecosystem interactions to be visible internally and externally. Furthermore, BDL C-331 is core to the governance aspect as it provides guidance for funding scope and strategic issues like which sectors to target. By doing so, it has emerged as a de facto provider of rules-of-the-game in the entrepreneurship ecosystem.

Shared Logic

Enacting a shared logic constitutes the third characteristic of ecosystem development. With the multitude of participants newly engaged in the ecosystem, mutual awareness rose significantly as field events brought together the key players in a highly visible manner allowing for the exchange of knowledge and expertise. The general understanding of the high-level goal of BDL C-331 in creating jobs and boosting the economy has become well-recognized by all participants within the ecosystem. This has served to bring to light the different capacities of the key players gradually moving towards a shared logic which is contributing to the ecosystem growth.

The transformation from a landscape structure to a thriving ecosystem may be said to be successful if there is change in the three ecosystem characteristics that would lead to meaningful value creation. This translates into a densification of the network of participants, emergence of a governing structure and growing recognition of a shared logic. As the case shows, the three elements were highly visible and developing in tandem, allowing for the development of an emerging ecosystem

Practical Implications

The practical implications of this study lie in the lessons learned and best practices set forth by this unique initiative. This can help other countries in the MENA region to learn from our experience and try to emulate some of the practices in their efforts to develop their own startup ecosystems. Focusing on financial instruments as means of spawning startups by the central bank is a principle that was confirmed by this thesis. But we also highlighted how the elements of the ecosystem including network of participants, governance structure and shared logic are important aspects of this process of development. Furthermore, critical complementary efforts that include events such as the holding of BDL Accelerate are also highlighted as foundational aspect of creating a magnet for the entrepreneurial hub, making the whole ecosystem much more visible to the regional as well as international scene.

B. Limitations of the Study

Due to resources and time limitations, we are not able to interview a bigger pool of stakeholders and thus restricted our interviews to a representative sample of one or two key players of each type of organization (bank, accelerators, venture capital, entrepreneur, incubator, etc.). Naturally, the list of organizations can be extended in future research.

In the future, studies may look at similar ecosystem development processes in the Western and MENA countries, either to emulate or conduct comparative analysis of ecosystems development. This would be particularly relevant in countries whose central banks can play a more active role or less active one. It would also be interesting to look at their corresponding financial policies.

Further research may look into institutional theory and identify elements that can augment the Thomas & Autio framework used in this research to further develop the process of ecosystem development. This would allow for a more concrete and detailed representation of the ecosystem development process.

CHAPTER VI

CONCLUSION

A. Summary of Research

The traditional entrepreneurship literature, has covered the important role of entrepreneur and the opportunities he or she unlocks as businesses. However, it rarely credits the context of where the entrepreneur develops the startup and grows as equal in importance. However, this context or as we refer to it, the institutional environment, is as critical to the success of any startup as the entrepreneur and her active pursuit of the focal business opportunity. The relationship of the entrepreneur to the context is same as cars to roads and gasoline stations—you cannot use cars if you need to develop your own roads or carry with you your gas—these are taken for granted if you need to drive cars.

In this research, we specifically, looked at the recent fundamental and critical changes in institutional environment of one of the Middle East and North Africa countries, Lebanon in particular, where little is known about the startup entrepreneurship institutional environment and how it has been changing at a fast pace in the past few years. Our framework is consistent with and adapted from that proposed by Thomas & Autio (2014). The empirical data was obtained by looking at the evolution of the entrepreneurship landscape as a result of the role one of the policies of the Central Bank of Lebanon—Circular-331 of Banque du Liban or BDL.

Analytically and for research purposes, this study treats the institutional environment as an ecosystem. Also it proposes that the development and evolution of that ecosystem is dependent on the specific and directed changes in its three components: *network of participants, governance structure* and *shared logic*. The *network of participants* involves the different key players within the institutional environment like the entrepreneurs, accelerators, banks, incubators, venture capital firms, universities. The densification of the network of participants occurs with the increased number in key players and role differentiation that occurs within the ecosystem, allowing for participants to contribute to the ecosystem and thus add value. The *governance structure* implies the definition and shaping of the rules of the game. It transformed from an ad hoc governance structure to the central bank being the focal actor responsible for setting the rules and practices to the entrepreneurship ecosystem. The *shared logic* is the mutual awareness that formalizes the rules of the game. It changed from a low mutually aware institutional environment to a highly mutually aware environment where key players implicitly evolve into their roles by virtue of a common shared logic that is becoming more present and noticeable. When there is more synergy among these three elements, the *ecosystem* can thrive as a fertile environment for entrepreneurship, as opposed to its previous *landscape* status whose elements were present yet not necessarily formalized or mutually interacting.

Startup "Ecosystem" has become a loosely used term to identify the entrepreneurship scene, regardless of how developed or fragmented it is. This study has shown that an *ecosystem* is a more complex notion. We have also shown that the transition from landscape into an ecosystem occurs when these three critical elements are intertwined with each other and become taken for granted. The empirical case of BDL C-331 as a fundamental enabler of the startup entrepreneurship ecosystem has provided a concrete example of what the ecosystem development really can entail up close.

B. Policy Recommendations

Complementary Matters. Stakeholders in the ecosystem agree that additional legal issues need to be addressed if efforts are to flourish further. Laws such as labor law, laws for establishing a company, diluting, bankruptcy need to be revised and updated. This would contribute to a healthier ecosystem that can facilitate and encourage Lebanese aspiring entrepreneurs to thrive. It would also attract Lebanese expats, foreign entrepreneurs and foreign investors to exploit the opportunities in Lebanon. Hence, local organizations that have connections with expat groups may play a role in bridging this gap and further research may look into how they can best direct their efforts towards this outcome.

Inclusion of Other Regions. The majority of efforts have been mostly focused on Beirut, with minor contributions mainly by Berytech to Tripoli and the South. The key players interviewed by the author suggested that more support be given to outlying regions and rural areas in Lebanon in the form of incubators, communities and other organizations as an inclusionary policy for these to become active part of the ecosystem.

APPENDIX

1. Interviews Conducted

Organization	Name	Position	Interview Date
Arabnet	Omar Christidis	Founder & CEO	January 6, 2017
BDL	Marianne Hoayek	Head of Executive Office of BDL	January 18, 2017
BDL	Saad Andary	Second vice Governor of BDL	December 19, 2016
BDL	Khaled Bohsali	Executive Director Foreign Affairs Department of BDL	January 4, 2017
BDL	Rima Younes	Vice- Director Trade in Services Coordinator Foreign Affairs Department of BDL	December 6, 2016
Berytech	Ramy Bou Jaoudeh	Deputy general manager	November 10, 2016
BLC	Tania Moussallem	Head of Marketing & Support Groups Assistant General Manager	December 20, 2016
Endeavor	Tarek Sadi	Managing Director	December 19, 2016
Kafalat	Bassel Aoun	Project Manager	November 8, 2016
Kafalat	Yolla Sarieddine	Executive Manager	November 8, 2016
LFE	Abdallah Jabbour	Managing Director	October 17, 2016
MEVP	Walid Mansour	Managing Partner	November 2, 2016
Speed@BDD	Sami Abou Saab	CEO	December 8, 2016
UKLTH	Elie Akhrass	Program Manager	November 10, 2016
Wamda	Jonas Feller	Research Associate	October 25, 2016
BDL Accelerate			November 3-5, 2016
Global Business Summit			December 22, 2016

2. Circular 331

BANQUE DU LIBAN

Intermediate Circular No 331
addressed to Banks and Financial Institutions

Attached is a copy of Intermediate Decision No 11512 of August 22, 2013 amending Basic Decision No 6116 of March 7, 1996 (Facilities that may be granted by Banque du Liban to Banks and Financial Institutions) attached to Basic Circular No 23.

Beirut, August 22, 2013

The Governor of Banque du Liban

Riad Toufic Salamé

Intermediate Decision No 11512

Amending Basic Decision No 6116 of March 7, 1996
Facilities that may be granted by Banque du Liban to Banks and Financial Institutions

The Governor of Banque du Liban,
Pursuant to the Code of Money and Credit, namely the provisions of Articles 70, 153, 174, and 177 thereof;
Pursuant to Basic Decision No 6116 of March 7, 1996 and its amendments, relating to Facilities that may be granted by Banque du Liban to Banks and Financial Institutions;
Pursuant to Basic Decision No 6938 of March 25, 1998 and its amendments, relating to the Capital of Banks, and
Pursuant to the Decision of the Central Council of Banque du Liban, taken in its meeting of August 21, 2013,

Decides the following:

Article 1: "Article 8 bis" shall be added to Basic Decision No 6116 of March 7, 1996, and shall read as follows:

-"For the purposes of the implementation of this Article, the Company or Companies shall mean:

1- The Startup companies.
2- The Incubators and Accelerators whose objects are restricted to supporting the development, success and growth of Startup companies in Lebanon by offering such companies administrative support, networking, mentoring, training, and know-how, in addition to a range of support resources and services (offices, logistics…) and/or by participating in such companies.
3- Companies whose objects are restricted to investing venture capital in Startup companies in Lebanon where they foresee in them and through them a possibility of growth and profit-making, especially upon the transfer of their participation in such companies.

- Banks may benefit from interest-free facilities granted for a maximum period of seven years for their participation, at their full responsibility, in the capital of Companies, according to the following:

I: Participation in Companies

1- Facilities shall be granted to a bank for its participation in a Company, upon BDL Central Council approval, provided that:
   a- The Company is a Lebanese joint-stock company with nominal shares.

b- The Company is not a financial company or an offshore company.

c- The Company's shareholders are not governed, whether directly or indirectly, by the provisions of Article 158 of the Code of Commerce and by Article 152, Par. (4) of the Code of Money and Credit. The concerned bank shall ensure at its own responsibility compliance with this provision.

d- The concerned bank undertakes to transfer its shares in the capital of the Company, within a period not exceeding seven years. Notwithstanding this commitment and in justifiable cases, the BDL Central Council may approve the request submitted by the concerned bank to exceed this time limit.

2- The approval of the BDL Central Council on the facilities granted under this Article is contingent on the impact of the Company's project on economic and social growth, and job creation in the Lebanese market thereby enriching the Lebanese national wealth. This approval is also contingent on the project's reliance on knowledge economy and support of creative intellectual skills (Intellectual Capital).

3- The BDL Central Council may in exceptional cases and within the conditions it specifies on a case by case basis:

-Approve the participation of several banks in the capital of a single Company.

-Approve the facilities granted under this Article to the banks for their participation in collective investment schemes established in Lebanon whose objects are limited to financing and investing in Companies.

4- The participation of banks governed by the provisions of this Article may not exceed, at any time, 80% of the capital of a single Company.

This percentage may be exceeded if the founders of the project for which the Company was established are granted stock options entitling them to subscribe to shares held by the concerned banks and exceeding the above-mentioned 80%.

5- Total participations of any bank in Companies may not exceed 3% of the bank's capital, provided the participation of any bank in a single Company does not exceed 10% of the aforementioned 3%. However, the BDL Central Council may, on justified grounds, grant its approval to exceed any of these percentages.

For the purposes of this Article, funds allocated to participations in Companies are considered as being part of the capital.

6- The concerned banks must play an active role in the development of the Company's business and in the support of its continuous growth and good governance.

II: Facilities granted by Banque du Liban

1- The concerned banks shall invest the facilities granted by Banque du Liban pursuant to the provisions of this Article in Treasury bills subscribed to in the primary market.

In case no Treasury bills are issued, these facilities may be invested in accounts or operations or securities approved by the BDL Central Council. These investments represent the sufficient guarantees required against the granted facilities, provided the guarantees and their percentage are accepted by the Central Council.

2- The margin realized by the benefiting bank as a result of the investment of the granted facilities, shall be calculated in a way that guarantees to the concerned bank a coverage amounting to 75% of its participation in the Company.

   The amount of granted facilities shall be determined in a way that the net yield on the facilities invested by the benefiting bank shall be equivalent to 75% of the value of its participation in the Company.

   However, the BDL Central Council may authorize the concerned bank to exceed this percentage in case of insufficient capital and based on the importance of the Company's project.

3- The amount of the facilities granted to finance the participation of a bank in the Company pursuant to the provisions of this Article shall be automatically reimbursed at their maturity date, upon the discount of bonds invested therein, or upon the transfer of the shares held by the said bank in the Company's capital.

4- All the conditions of the facilities, particularly their duration, shall be set in the contracts to be signed with the concerned banks.

5- The abovementioned facilities may be increased whenever the bank intends to subscribe to new shares in the same Company, without prejudice to the provisions of this Article, particularly the provisions of Sub-paragraphs 4 and 5 of Paragraph "I".

III: <u>Transfer of the Company's shares and rights of Banque du Liban</u>

1- Prior to the transfer of any share in the Company, the concerned bank must notify Banque du Liban thereof and provide it with a report prepared by the Company's external auditor that shows the value of the shares to be transferred. Banque du Liban may appoint one expert or more, at the expense of the concerned bank, to assess the shareholders' rights in the Company.

   In case the concerned bank objects to this assessment, the dispute shall be settled by ordinary arbitration, in accordance with the rules specified in Article 155 of the Code of Money and Credit.

2- The concerned bank must pay to Banque du Liban 50% of the profits that may be realized through the sale of the Company's shares and through the distribution of any dividends by the Company.

3- The amounts and revenues resulting from the sale of shares, excluding the percentage of profits due to Banque du Liban, shall be used either by reinvesting them within a maximum six-month period in shares of new Companies, in accordance with the provisions of this Article and throughout its implementation period, or by increasing the capital of the concerned bank.

IV: <u>Conditions for BDL approval and required documents</u>:

1- The concerned banks wishing to obtain the Central Council's approval to benefit from the provisions of this Article, must submit a request to the Governor's office in three copies, one of which being the original, along with the following documents:

a- A document evidencing the identities of the Company's shareholders or founders, the persons intending to participate in the capital subscription and the persons holding or expected to hold senior managerial positions (an individual extract from the Civil Status Register, an identity card, a passport, or a copy of the registration file at the Trade Register if any of the founders or shareholders is a legal entity).
b- Statements signed by each of the above-mentioned persons, including their curriculum vitae (degrees, experience and other material information), an accurate assessment of their net worth and all types of companies, in which any of them participate, whether directly or indirectly, or manage, along with the company type and relationship therewith (Chairman of the Board of Directors - member of the Board of Directors - Director - shareholder - partner - general partner - etc. ...).
c- A criminal record for each of the above-mentioned persons not more than three months old.
d- A statement specifying the percentage of participation of each shareholder or person intending to participate in the Company's capital.
e- The Company's bylaws or draft bylaws, and the administrative structure adopted or to be adopted.
f- An economic feasibility study regarding the Company and its prospective operations that fall within its scope of work, provided it covers the coming three-year period and includes the balance sheet, income statement, cash flow projections, and the employment opportunities created in the Lebanese market.
g- The financial statements of the last three years, as applicable, for previously established Companies.
h- The number of employees or persons expected to work in the Company.
i- The procedures followed or to be followed by the Company to comply with Corporate Governance principles.
j- Any other documents deemed necessary by Banque du Liban.

2- The benefiting bank must submit to Banque du Liban, on an annual basis, the Company's following documents:
- Financial statements

- List of shareholders
- List of the members of the Board of Directors, general managers and external auditors.
- The external auditors' report on the Company's business.

3- Banque du Liban may, at any time, object to the appointment of a specific person as the Company's external auditor.

V: Follow-up and sanctions

1- The external auditor of the concerned banks shall verify the sound implementation of the provisions of this Article and shall promptly notify the BDL Governor and the Chairman of the Banking Control Commission of any detected violation or discrepancy.

2- The Banking Control Commission shall control the sound implementation of the provisions of this Article and shall immediately notify the BDL Governor of any violation thereof.

3- Any bank that violates the provisions of this Article shall:
   a- Immediately reimburse the amount of facilities granted by Banque du Liban for any participation infringing the provisions of this Article.
   b- Pay an interest amounting to 15% of the value of these facilities, accrued from their granting date until their effective settlement or until the detection of the violation, as decided by Banque du Liban.

Article 2:

Table IN13 attached to Basic Decision No 6116 of March 7, 1996, shall be repealed and replaced with the new attached text.

Article 3:

This Decision shall enter into force upon its issuance.

Article 4:

This Decision shall be published in the Official Gazette.

Beirut,

The Governor of Banque du Liban

Riad Toufic Salamé

Serial Number	Code of Loan Category	Loan Category	Code of Loan Type	Interest Rate	Total Loans granted by all Banks	Ceiling of Facilities granted by BDL
١	PRDB	Loans granted to productive sectors and benefiting from an interest rate subsidy, excluding loans granted with a guarantee from Kafalat S.A.L.			LBP 333 billion	LBP 50 billion
		- of which those granted in Lebanese pound	a3	Yield of 2-year Lebanese TBs + 1.075%		
		- of which those granted in foreign currency	a3	Three-month Libor rate + ٧.٠٧٥%		
٢	RDEV	Loans granted in Lebanese pound for research and development purposes in productive sectors	rd	٠.٧٥%	LBP 6.6 billion	LBP 10 billion
٣	ENVE	Loans granted in Lebanese pound to finance eco-friendly energy projects, which do not exceed 30 million Lebanese pounds each and do not benefit from an interest rate subsidy	ev2	٣.٧٥% - (50% of the yield of 1-year Lebanese TBs)	LBP 150 billion	LBP 225 billion
٤	ENVB	Loans granted in Lebanese pound to finance eco-friendly projects, which exceed the amount of 30 million Lebanese pounds each and benefit from an interest rate subsidy	a35	Yield on 2-year Lebanese TBs + ٠.١٥ %	LBP 50 billion	LBP 15 billion
٥	INFE	Loans granted to finance eco-friendly energy projects and financed by the EIB (European Investment Bank) and AFD			LBP 160 billion	LBP 240 billion
		- of which those that do not benefit from an interest rate subsidy	a12	Margin of EIB and AFD + 0.5% BDL commission + 3.75%bank margin less (150% of interest on 1-year TBs)		
		- of which those that benefit from an interest rate subsidy	a35	The following rate shall be applied during the subsidy period: Margin of EIB and AFD + 0.5% BDL commission + ٣.42% bank margin less (70% of interest on 1-year TBs) The following rate shall be applied after the subsidy period: Margin of EIB and AFD + 0.5% BDL commission + ٣.42% bank margin less 1- (70% of interest on 1-year TBs) for the portion of the balance that equals 5/8 of the loan, and for eight years at most. 2- (150% of interest on 1-year TBs) for the portion of the balance that equals 3/8 of the loan, and for five years at most.		
6	WBEV	Loans granted to finance eco-friendly projects for pollution reduction and financed by the World Bank	a11, a12, a35	Margin of World Bank + 0.5% BDL commission + ٣.٥% bank margin less (100% of interest on 1-year TBs)	LBP 23 billion	LBP 23 billion
7	IN09	Non-housing loans granted in Lebanese pound in accordance with the stipulations of Par. I of Article 10 bis of Basic Decision No 7835 of June 2, 2001	n09, n19	40% of yield on 1-year Lebanese TBs + ٣.٣%	LBP 583.3 billion	LBP 350 billion
8	KAFB	Loans granted to productive sectors in Lebanese pound with a guarantee from Kafalat S.A.L. and benefiting from an interest rate subsidy	q2	40% of yield on 1-year Lebanese TBs + ٣.٣%	LBP 83.3 billion	LBP 50 billion

9	HIN9	Housing loans granted in Lebanese pound in accordance with the stipulations of Par. I of Article 10 bis of Basic Decision No 7835 of June 2, 2001	n29	40% of yield on 1-year Lebanese TBs + ٢.٣%	LBP 667 billion	LBP 400 billion
10	HEPH	Housing loans granted in Lebanese pound under the Protocol signed with the Public Housing Institution	p	20% of yield on 2-year Lebanese TBs + ٢.9%	LBP 600 billion	LBP 480 billion
11	HMLT	Housing loans granted in Lebanese pound under the Protocol signed between banks and the Housing System for Military Volunteers	m1	٢.١٢٨%	LBP 62 billion	LBP 62 billion
12	HJUR	Housing loans granted in Lebanese pound under the Cooperation Protocol signed between banks and the Cooperative Fund of Judges	jr	٢.١٢٨%	LBP 22 billion	LBP 22 billion
13	HDPL	Housing loans granted to displaced under the Cooperation Protocol signed between banks and the Ministry of Displaced	dp	٢.١٢٨%	LBP 30 billion	LBP 30 billion
14	HFSI	Housing loans granted in Lebanese pound under the Cooperation Protocol signed between banks and the General Directorate of Internal Security Forces	fs	٢.١٢٨%	LBP 50 billion	LBP 50 billion
15	HDSG	Housing loans granted in Lebanese pound under the Cooperation Protocol signed between banks and the General Directorate of General Security	sg	٢.١٢٨%	LBP 30 billion	LBP 30 billion
16	EDUS	Loans granted in Lebanese pound for the purpose of continuing studies in higher education institutions	u	٣.٥%	LBP 30 billion	LBP 30 billion
17	EVES	Loans granted in Lebanese pound to finance eco-friendly energy projects and which do not exceed 30 million Lebanese pounds each and do not benefit from an interest rate subsidy	ev2	٠.٧٥%	LBP 10 billion	LBP 15 billion
18	EVER	Loans granted in Lebanese pound to finance the purchase of solar energy systems in rural areas at cost price, with UNDP cooperation, and which do not exceed 30 million Lebanese pounds each and do not benefit from an interest rate subsidy	ev2	٠.٧٥%	LBP 10 billion	LBP 15 billion
19	ENTP	Loans granted in Lebanese pound to entrepreneurs in order to develop new projects in the field of knowledge and innovation	cin	٠.٧٥%	LBP 7 billion	LBP 10.5 billion
20	HABT	Housing loans granted in Lebanese pounds by the Housing Bank	a7		LBP 80 billion	LBP 80 billion
21	MICR	"Micro-loans" granted in Lebanese pound with the consent of "micro-lending institutions" and "micro-loans" financed through facilities granted in Lebanese pound to these institutions or to financial institutions.	h1, h21, h22		LBP 22.5 billion	LBP 22.5 billion

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