



SUPPORTING THE AGRIBUSINESS SECTOR IN THE AKKAR
COMPONENT 1 OF THE PSD PROGRAMME
 FUNDED BY THE EUROPEAN UNION & IMPLEMENTED BY EXPERTISE FRANCE

PARTNERSHIP BETWEEN UNIVERSITY OF BALAMAND AND FAIR TRADE LEBANON AT THE SERVICE OF AGRICULTURE AND PRODUCERS IN AKKAR



MAIN CONCERN



Farmers are switching to hybrid tomato varieties with high profits on short term, and so we are losing the local varieties that have many advantages.
 Without the local varieties, Lebanon would lose the opportunity of producing indigenous local tomatoes and so would not be able to produce tomatoes of Geographical Indications (GI) that are highly demanded in the international markets.
 Lebanese exporters will face important challenges to have competitive products with added value on international markets.

STUDY



A comparative study between the local and hybrid varieties of tomatoes was conducted by the University of Balamand students (UoB- Faculty of Agriculture Sciences) in collaboration with Fair Trade Lebanon under ARDI (Akkar Rural Development Initiative) project within the framework of the PSD-Programme.
 A comparison between the local variety (N7L and JL) and the hybrid one (N7H and JH) to see the difference in germination rates, foliar rate and the length, mass and size of the stem and roots.

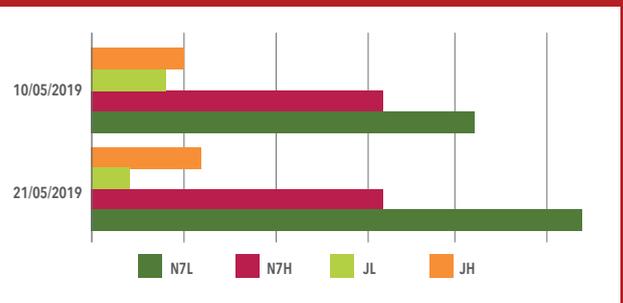
RESULTS

The results were stunning !
 Indeed, against all odds, the local varieties showed better results in terms of growth and resilience compared to the hybrid ones.
 As in the following charts:

RESULTS

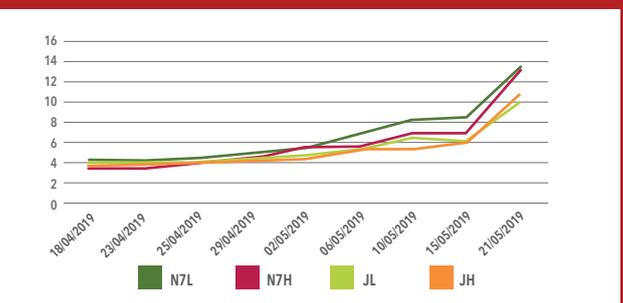


Table 1: Foliar index



Better performance for N7L, followed by N7H then JH and JL

Table 2: Comparative study on the length of the stem



Better performance for N7L, followed by N7H then JH and JL

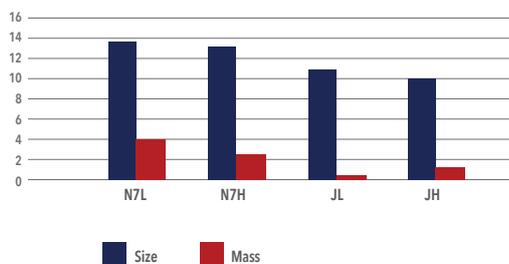


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RESULTS

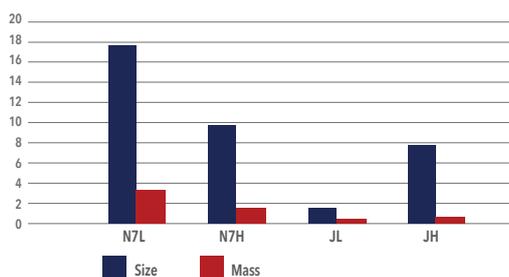


Table 3: Changes in mass and size of the stems



Significant difference (N7L>N7H>JH>JL)

Table 4: Changes in mass and size of the roots



Significant difference (N7L>N7H>JH>JL)



TOMATOES

Local

- Possibility of seeds replantation
- Heterogeneous production
- Adaptation to environmental changes

Hybrid

- No seeds re-plantation/ Seeds buying on a yearly basis
- Homogeneous production

PERSPECTIVE



The collaboration between Fair Trade and University of Balamand will continue to follow up on the results on long term and compare the performance of the different tomatoes varieties on the fructification level at both qualitative and quantitative.



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FACILITATE DIRECT SALES BETWEEN AGRICULTURAL AND FOOD-PROCESSING PRODUCERS AND CONSUMERS



CONTEXT



North Lebanon is one of the poorest areas of the country, accounting for only 12% of total GDP. 95% of agro-industries in the North are micro-enterprises and/or small, family-run businesses with few, if any, quality standards. Besides, the Syrian crisis has affected the Akkar region (North Lebanon) and the agriculture sector. It has closed the traditional export canals for Lebanese products, and on the other hand, the influx of cheap Syrian vegetables has made the Lebanese products uncompetitive.

Akkar is an important area for vegetables at a national scale and it also represents 17% of total cultivated area in Lebanon. Around 30% of the population in Akkar is involved in agriculture. The main challenge mentioned by farmers is the access to market, as the Lebanese market seems to be saturated and middlemen actors are controlling prices and quantities, leaving the farmers and producers with no leverage and no negotiation power.

Farmers and producers from Akkar are hit by this situation: producing units are far away from distribution centers and markets; they have few tools and weak knowledge in accessing new markets; market systems are paralyzed, there's a need to discover alternative sales channels; and purchasing power in the North is significantly low in comparison to Beirut and Mount Lebanon.

ACTIONS

FTL developed activities to increase competitiveness of the selected vegetables value chains in Akkar through Fair Trade practices:

- Providing technical support to farmers and producers, mainly in terms of quality and certification
- Coaching farmers and producers on market requirements and access to market
- Transferring knowledge and tools on direct sales
- Developing branding positioning for producers to build credibility towards the consumers

DIRECT SALES



Actions completed specifically on direct sales

This action was divided in two components to support the farmers and the producers to sell their products: participation in food exhibitions and organization of farmers markets. The project's beneficiaries were involved in more than 20 food exhibitions and farmers market on local and national levels. These events were focused in large and medium-sized cities and villages where purchasing power is higher than in Akkar, and where consumers are sensitive to Lebanese products of high quality, meaning with a higher price.

Farmers and producers were able to create sustainable linkages with individuals locally and with distributors on national level and to sell directly for a total amount of more than 10,000 USD.

Direct sales & fair trade

Direct selling refers to selling products directly from the producer to the consumer. This system often eliminates several of the middlemen involved in product distribution. Instead, products go from manufacturer to the direct sales company or to the consumer. The products sold through direct sales are usually not found in typical retail locations.

This type of relationship between consumers and producers falls under the Fair Trade Principles. Direct trade doesn't mean fair trade. However, fair trade uses direct sales as a tool to shorten the supply chain, to specialize niche products, to reduce prices, to create partnership between consumers and producers, and finally to build the capacities of small producers to access the market.

Direct selling should not be confused with direct marketing. Direct selling is when an individual reach out to consumers directly, whereas direct marketing is when a company markets directly to the consumer.



FACILITATE DIRECT SALES BETWEEN AGRICULTURAL AND FOOD-PROCESSING PRODUCERS AND CONSUMERS

DIRECT SALES



Types of direct sales

1- Business to Consumer (B2C)

When the business (farmer, cooperative, etc.) has its specific clients who ask for the products/services.

Example: A cooperative that produces pumpkin jam has a client in the village who requests a specific number of jars per month.

2- Business to Business (B2B)

In this case, the target consumer is not an individual, but another business.

Example: a farmer's cooperative who sells apples to a food-processing cooperative.

3- Events and exhibitions

When the business participates in a local event/exhibition and achieves sales during this participation.

It can be a regular participation (ex: farmers market that happen every week) or seasonal participation (ex: Christmas event).

Example: A food processing cooperative from Akkar participates in an event in Tripoli to meet new clients from a bigger region.

4- Social media sales

When the business owns a social media platform and uses it to market the products/services online with direct channels to sell to the end consumers.

Advantages of direct sales

- 1- Creates direct contact between the producer and the consumer
- 2- Margin of profits for the producer will be higher
- 3- Selling price for the consumer can be lower, since there is no middlemen involved
- 4- Producer can have regular consumer, so he can predict sales ahead of time
- 5- Producer can improve the product according to the consumer's feedback, since there is communication between them
- 6- Consumer trusts the product and knows the story behind it. This results in a more conscious behavior of the consumers.

DIRECT SALES



Challenges of direct sales

- 1- The quantity sold is not as high as it can be in traditional sales
- 2- It takes time to make regular and loyal clients
- 3- The quality of products might not be controlled by experts due to high fees
- 4- Producers / farmers should have salespersons to explore the market
- 5- Market requirements barrier might increase with weak market systems
- 6- Prices could be an issue of dispute and negative competition between the producers
- 7- Targeted area must have high purchasing power

CHALLENGES



- 1- Some cooperatives had no communication skills to use during events and were not at all pro-active with the consumers.
- 2- Producers / farmers don't have salespersons to explore the market.
- 3- Producers don't have access to market requirements and needs; FTL then conducted a market study and identified the products based on the results.
- 4- FTL had to impose diversification of complementary products during the events for all 11 production units to avoid negative competition between them.
- 5- Akkar and the North of Lebanon don't have high purchasing power. Therefore, this activity was more efficient in Beirut and Mount Lebanon.



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ADOPTING A NEW CULTIVATION TECHNIQUE FOR VEGETABLES: SOILLESS CULTIVATION



CHALLENGES FACED BY VEGETABLES GROWERS IN AKKAR

- Lack of soil fertility of many lands due to improper agricultural practices and the excessive use of chemical fertilizers
- High percentage of infected soil by soil parasites (Orobanche, nematodes, soil borne diseases) often due to the lack of rotation and lack of diversification
- Many lands are suitable for vegetable production but lack fertile soil
- High cost of production
- Competition between local and imported products

DEMO PLOTS OF SOILLESS CULTIVATION ADVANTAGES



- Visible results to better convince farmers to adopt new techniques
- Improving the skills of farmers through participation in the implementation process
- Introducing new cultivation techniques to improve productivity
- Reduced usage of water and mineral fertilizers through an appropriate fertigation unit and using a good fertigation program
- New and innovative technique resulting in high productivity
- Higher profitability of land space
- Elimination of certain practices such as plowing and weeding
- Improving the quality of products
- Reducing environmental impacts due to lower water consumption and fertilizer requirements
- Improving of yield precocity

ACTIVITIES



Set-up of 4 Demo plots in Sahel Akkar

The precocity in production, lower cost of production, and the production of vegetables with a lower level of residues become necessities to vegetable growers to compete in the market and obtain higher income. These can be reached if the farmer adopts new techniques such as soilless cultivation. It is worth noting that the farmers hesitate at applying new practices and need incentives to adopt new techniques. Hence, 4 Demo plots have been implemented through the PSD project in Sahel Akkar on 4 types of vegetables: tomato, eggplant, pepper and cucumber.

During the first season, the farmers participated in the implementation process and were trained on how to apply plant nutrients based on fertigation schemes and to control irrigation rate. In the second season, the farmers were requested to apply the fertigation schemes and irrigation according to their cultivation under Mada's supervision, while in the third season the farmers were able to apply the fertigation and irrigation independently.

CHALLENGES



- High initial investment cost
- Need for trained staff
- Need for agricultural infrastructure (i.e. electricity and good water quality)

ADOPTING A NEW CULTIVATION TECHNIQUE FOR VEGETABLES: SOILLESS CULTIVATION



RESULTS



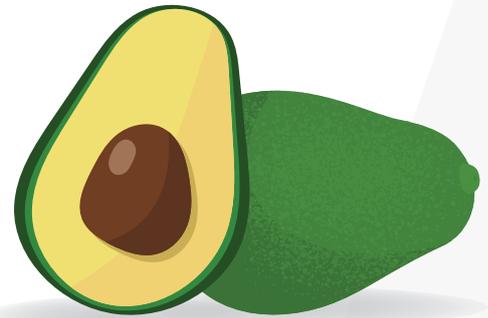
- Establishment of 4 Demo plots
- 4 water samples taken and analyzed
- 4 fertigation schemes defined
- Yield in the soilless demo-plot was 37% higher than in a conventional greenhouse
- Despite that the operational cost of a soilless demo-plot was 22% more than a conventional one
- Development of the seedlings and the vigorousness of the plants was stronger when compared to those planted conventionally
- 112 farmers attended 5 theoretical trainings on soilless cultivation
- 149 farmers attended 11 practical trainings on several topics in the Demo plots





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ONE-TO-ONE TECHNICAL CONSULTANCY



CHALLENGE



The local and international demand for avocados has significantly increased in recent years. The competitiveness of this value chain creates a lot of opportunities for the stakeholders in it. In Akkar, avocado cultivation is relatively new and the few orchards present were not set up properly leading to the production of non-commercial varieties and trees that are not suitable for the harsh climatic conditions of Akkar and high mortality at orchards. The lack of know-how results in low productivity rate and profitability impacting MSMEs' livelihoods.

SOLUTION



In order to upgrade the competitiveness of the avocado value chain across Akkar, the René Moawad Foundation (RMF), in the framework of the Private Sector Development Programme (PSD-P) funded by the European Union and implemented by Expertise France, took a holistic approach starting with equipping existing avocado farmers with the technical knowledge required to upgrade their orchards and start producing at full capacity. Building trust between farmers and the RMF technical team was a priority because at first, farmers were resistant to any new approach. This was overcome through a strategic plan that was executed through the length of the PSD-P.

SOLUTION

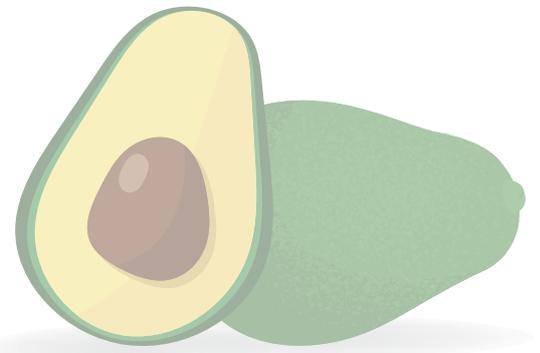


Tailored capacity building program

A theoretical and practical tailored capacity building program has been developed focusing topics that can benefit new and existing avocado farmers including:

- **Orchard establishment and selection of varieties:**
Farmers learnt all the needed steps to establish a new orchard e.g. site selection, intensity, varieties and rootstocks and pollination, choice of site, choosing commercial varieties that provide high production, local and international market requirements. Experts visited 112 sites across Akkar to assess their suitability and assisted in overseeing the plantation of 44 new orchards.
- **Pest and disease management:**
These sessions covered the basic principles of avocado plant protection, pests and disease that affect this crop, and types of agrochemicals used.
- **Frost management:**
Farmers familiarized with the agricultural practices to be conducted in order to prevent from frost risk, protection against cold damage/frost and mitigation measures if the orchard is affected. This was complimented by a collaboration with the Lebanese Agricultural Research Institute (LARI) whereby 9 preventative SMS messages were being sent to alert farmers of incoming frost and the actions to be taken.
- **Fertilization and water management:**
Farmers learnt the best fertilizer program depending on the tree maturity. As for the water management, the participants learnt the needed amount of water, when to irrigate and how to optimize the water use.
- **Harvesting and post-harvest practices:**
Farmers learnt when and how is the best way to pick the avocados using the dry matter test. These sessions also included practical field sessions for actually practicing onsite.

ONE-TO-ONE TECHNICAL CONSULTANCY



SOLUTION



One (expert) to one (farmer) field visits

One-to-one consultancy is an extension to the theoretical and practical capacity building sessions whereby the RMF technical team of experts was ensuring best production practices are employed by the farmers under expert technical assistance and supervision directly on the field. The experts were giving personalized instructions and recommendations suited to each farmer's land and it was very interactive and social. Following each visit, the expert wrote a report including an observation of the current condition of the orchard, the expert recommendations and comments after the follow up visit. The farmer signature at the bottom of the report was a way to incentivise him to follow all expert recommendations. This was also a record keeping method to measure the success and compare results following the technical assistance provided on the project.

Study visits

Study visits were organized on two separate occasions to the South of Lebanon where all the capacity building modules were applied and resulted in visible success so the farmers can see the short term and long term results of applying the agricultural practices recommended by the experts.

Social media best practices

Good use of social media platforms such as creating an "avocado farmers in Akkar" WhatsApp group by the RMF technical team and including all 4 experts. The group was used by participants as a platform to ask questions, share stories, successes and trials with one another.

RESULTS



RMF trained a total of 259 individual farmers through:

- 20 collective theoretical and practical (on the field) capacity building programs
- 246 technical one-on-one consultancy visits in the field
- Planting 272.5 dunums of new avocado orchards under close expert supervision and instruction
- Converting 59 non-commercial orchards to high yielding ones



**ACCESS TO MARKET STRATEGY
 INTEGRATED CROP MANAGEMENT
 and MERULA**



CHALLENGES



National level

- Lack of formal arrangements in local markets between farmers, distributors and traders/retailers
- Lack of transparency in price communication between wholesalers and farmers
- Long chains of transaction between farmer & consumer (farmers receiving the lower margin for their product)
- Lack of communication about consumer preferences and market demands to farmers

International level

Agricultural exporters report that they are often unable to meet market requirements when exploring export markets in terms of

- Volume: small-scale production is prevalent in Lebanon of highly varied quality and products offered to consumers. Farmers work independently and due to the small cultivated area, adopt traditional farming practices, making it more difficult to increase production volumes and achieve economies of scale
- Branding: especially on grading, sorting and packaging levels
- Quality: more specifically products in compliance with international food safety standards

ACTIONS



- 1• Improve product quality through ICM certification
- 2• Develop a brand and its relative packaging
- 3• Reduce trade inefficiencies and strengthen trading links to create greater benefits for farmers (farmers selling at higher prices and farmers benefiting from higher margins)

ACTIVITIES



Improve product quality

Integrated Crop Management (ICM) certification

Food safety and quality standards play a key role in agriculture in the developing countries and have become indeed a key purchasing criterion nowadays as consumers' concerns on product safety have increased and are looking for safe, certified and healthy products (meaning pesticide residue respecting international standards).

Compliance with some of these standards has become de facto compulsory to access markets in developed economies, reduce the production cost and sell at higher prices.

Thus, there is a need for farmers to change their mentality in managing their orchards.

Throughout the PSD-P, a group certification process (ICM) has been initiated in 2018 with two pilot groups of cherry and table grapes farmers in Kaa El Rim, Wady El Aarayech and Kfarmecheke respectively. Such type of group certification enhances the group work and cooperation between farmers from the same region.

During this pilot, phase ICM guidelines have been developed indicating the appropriate technical specifications for the production of cherries and table grapes in the Bekaa, in order to apply the best agricultural practices of the integrated crop management in the vineyards, to get a healthy and safe product. Local and international experts have been following up closely with the concerned farmers (on weekly basis through site visits) the proper implementation of these guidelines at several levels: soil testing, pruning, pesticide spraying, pests monitoring, irrigation,...

The success of this pilot initiative has led to widening the scope of certification to cover new regions and new farmers.

ACCESS TO MARKET STRATEGY INTEGRATED CROP MANAGEMENT and MERULA



What is ICM?

“ Integrated Crop Management is an eco-friendly cultivation method using techniques that guarantee lower environmental impact and a reduction of the release into the environment of chemical substances, integrating these with natural input. Adopting this method makes it possible to provide better environmental safeguards and to guarantee consumer’s greater food safety, in addition to adding more value to the products thus obtained.

For more information on the certification, please visit www.ccpb.it/en”

ACTIVITIES



Develop a brand and its relative packaging **Merula**

To value the qualitative ICM certified products that cherry and table grapes farmers have, make a memorable impression on consumers and generate goodwill and loyalty. The PSD-P has developed “Merula”, a common brand that represents who these farmers are, what they believe in and how they want to be perceived.

“Merula” is the Latin word for the bird “Al Chahrour الشحرور”, typical of our country side, and known to pick the good grapes and cherries when they become suitable for harvesting

Merula’s packaging has been developed based on studies to understand the consumer’s behaviour and criteria for purchasing cherries and table grapes. It has been tested in two in-store promotions conducted in the Lebanese market. Merula’s packaging is environmental. It reflects quality, safety, freshness and transparency.

Reduce trade inefficiencies and strengthen trading links

Merula in-store promotion

In order to highlight to farmers the added value that the certification, branding and packaging can have on their products and impact on sales, and therefore their revenues, the PSD-P organized six weeks of in-store promotions for “Merula” cherry and table grapes in Storium Saliba and some Carrefour branches. . 29 farmers were involved in these promotions.

RESULTS



- 22 ICM certified cherry farmers
- 17 ICM certified table grapes farmers
- 50 farmers are ready to apply to the ICM certification in 2020
- ICM certified farmers are now capable of respecting their soils, water, and biodiversity
- 9.5 tons of certified cherries sold (locally and internationally) at prices higher than traditional wholesale market. Farmers were paid cash after the promotion
- 121 tons of certified table grapes sold (locally and internationally) at prices higher than traditional wholesale market. Farmers were paid cash after the promotion
- Farmers and relative partners are trained how to sell their products directly to stores on contract basis
- Farmers and relative partners are familiarized with the in-store promotion concept

**SUPPORTING THE
AGRIBUSINESS SECTOR IN THE BEKAA
COMPONENT 1 OF THE PSD PROGRAMME
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Agvisor

دليلك الزراعي

CHALLENGES



Stakeholders across any agricultural value chain face many challenges limiting them to compete in local and international markets, one of them being the lack of access to information, significantly reducing their bargaining power and promoting development of non-competitive markets which impact directly the livelihood of their families.

SOLUTION



The access to and management of information at different levels of the agricultural value chain is increasing as it improves the competitiveness of the chain in general, in local and international markets, the decision making, the product improvement to fit market requirements, reach new markets,...

Studies conducted throughout the PSD-P have shown that more than 75% of the cherry and table grape value chain stakeholders are using smartphones and mobile applications. They raised their need for an effective data system with accurate information which can provide them with better planning and decision-making.

Within the framework of the Private Sector Development Program in Lebanon, the Chamber of Commerce, Industry and Agriculture of Zahle and the Bekaa, in cooperation with local experts, developed "Agvisor", a user-friendly agriculture mobile application (available in both Arabic and English languages, on Google Play and the App store for download) as well as a website (www.agvisorlb.com). "Agvisor" will enable cherry and table grapes farmers (for the time being as it is expected to be extended to cover other crops) to improve the produce quality and fostering bridges of networking and trade collaboration between the different agricultural value chains stakeholders

AGVISOR



The name

As it is an agricultural application advising its users on market prices, studies conducted/good agricultural practices (amongst other information) and giving access to a directory on the various value chain actors, "Agvisor" is a combination of both words agriculture and advisor.

The logo

The four images used in the logo, represent the main functions of the application: market price (the money photo-top left corner), the directory (photo top right corner), notification (the bell photo-bottom left corner) and the library (the open book-bottom right corner)

The features

Throughout its features, this application helps its users access the market, improve the quality of the agricultural products and facilitate trade relationships between the different stakeholders of the agriculture value chain.

RESULTS



- More than 3500 users
- 393 cherry farmers mapped
- 335 table grape farmers mapped
- 535 other stakeholders mapped
- 71 studies available in the library



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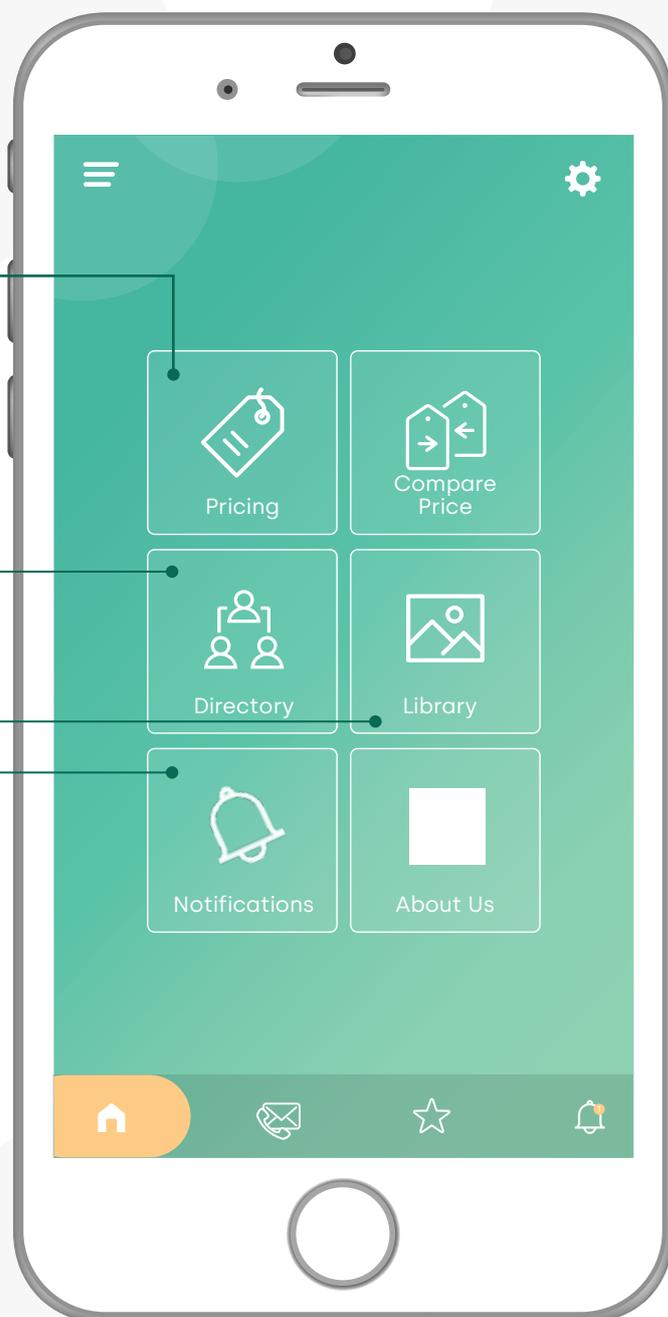
FEATURES

Prices of fruits and vegetables: this feature enables the users to get acquainted with and compare the latest prices of vegetables and fruits in the local wholesale markets (Beirut, Ferzol, Jbeil, Qab Elias, Saida, and Tripoli), followed at a later stage by retailers' prices in local and international markets

Directory: this feature enables the users to access the database of the agricultural value chains stakeholders active in the agricultural sector (such as markets, farmers, wholesale distributors, cooling and packaging centers, exporters, produce buyers, international importers, ministries, chambers' union, donors and financial institutions...) which foster bridges of networking and trade collaboration between them.

Library: this feature enable the users to benefit from the latest agricultural practices and studies to enhance their agricultural knowledge and agribusiness competencies

Notifications: this feature enables the users to receive the latest news and guidance from specialized agricultural engineers to help them improve the produce quality and protect it from diseases and effects of natural and climatic factors



www.agvisorlb.com
facebook:Agvisorlb
Google play/ Apple Store: Agvisor



**SUPPORTING THE
WOOD PROCESSING SECTOR IN TRIPOLI**
COMPONENT 2 OF THE PSD PROGRAMME
FUNDED BY THE EUROPEAN UNION & IMPLEMENTED BY EXPERTISE FRANCE

MINJARA

NEEDS



For more than a century, wood craftsmanship was a vital part of Tripoli's existence and fame for being the regional hub for luxury and beautifully crafted furniture.

Following long years of war, Tripoli's woodcraft industry suffered deeply from many ailments causing decline and disregard. This adversely affected the clients' perception (carpenters not being able to produce high quality products and having old fashioned designs) and trust. The situation was worsened due to the emergence of low-cost imported furniture dominating the market affecting the Tripolitan carpenters' sales.

Something needed to be done to:

- incentivize carpenters to improve the quality and grow the breadth of their products catering to the market trends
- professionalize the industry's engagement with potential clients
- re-build consumers' trust
- increase sales by creating an additional market for Tripoli's carpenters
- broaden collective capacities and encourage business collaborations
- raise awareness on Tripoli's wood craftsmanship heritage

INITIATIVE



Facing a crumbling industry and a massive drop in furniture manufacturing, the Private Sector Development (PSD) Programme, has identified an opportunity for a potential revival of the industry. Within this scope, Minjara was established.

Capturing the essence and unique know-how of the furniture producers in Tripoli, Minjara positions itself as a :

- business support hub (the platform) for all the carpenters of Tripoli
- furniture brand

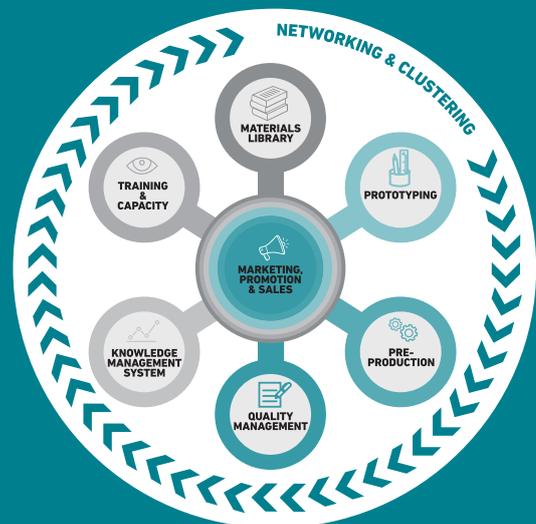
THE PLATFORM



An old building within Rashid Karami International Fair in Tripoli, designed by the famous architect Oscar Niemeyer, has been selected to host the platform. Spread over an area of 1500 square meters, the building was renovated whilst preserving its original architecture, furnished by Tripoli's carpenters and fully equipped by Expertise France with modern machines.

The platform stands today as a networking and clustering space proposing a 360° package of services to support the furniture sector in Tripoli by :

- offering a common place to work and connect with galleries, furniture shops, architects, interiors designers, product designers and consumers
- assisting the carpenters in terms of guidance, education, training and sectorial governance
- facilitating product development catering to the market trends, starting with the selection of the raw materials through its material library, to the ideation and prototyping, to pre-production and finally quality management
- assisting in product commercialization and market access



Funded by

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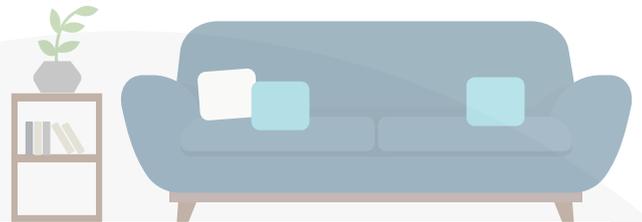
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منجرة
MINJARA

www.minjara.com

f @MinjaraTripoli



THE BRAND

The brand features the work of renowned furniture producers in Tripoli built on a solid foundation of heritage and modernity. Every piece of Minjara furniture undergoes strict control at every stage of production ensuring the best quality standards for customers.

*Development process
Timeline: 9 months*



January 2018
Carpenters weaknesses and strengths assessment



Brand positioning, brand values



Brand positioning and brand values validation through Focus Groups with stakeholders



Brand Name, logo creation and registration



Brand guidelines



September 2018
Brand corporate identity:
Website, brochure, stationary

A robust communication strategy was developed to build awareness around both Minjara the platform and the brand. This included a website, an online catalogue, social media platforms, local and international exhibitions.

MAIN ACHIEVEMENTS

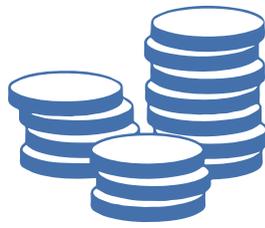
- 90,000 \$ of sales for external requests and Minjara collections
- 2 collections gathering 69 pieces developed in collaboration between 19 renowned local furniture designers/design studios and 40 Tripoli's craftsmen
- 1 international and 2 national exhibitions attended by more than 1,100 visitors
- Participation in Beirut Design Week in 2017 and 2018 and in Beirut Design Fair in 2018: 3 conferences with more than 200 participants
- 9 national and international market studies published
- 616 samples available in the material library of the platform
- 19 carpenters used the shared workshop in the platform to develop 63 projects
- 450 beneficiaries attended 25 training, workshops and master classes organized in the platform
- 10K visitors on the Minjara website
- More than 15K followers on Social Media (Facebook and Instagram: MinjaraTripoli)
- 17% Minjara brand awareness in one year of existence

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ACCESS TO FINANCE FOR MSMEs IN LEBANON

COMPONENT 3 OF THE PSD PROGRAMME

FUNDED BY THE EUROPEAN UNION & IMPLEMENTED BY EXPERTISE FRANCE

ACCESS TO FINANCE

CHALLENGES



For small scale borrowers (Micro, Small and Medium-sized Enterprises-MSMEs) in peripheral areas in Lebanon, access to finance is a major challenge for their development. For them, the Lebanese lending scene remains dominated by high collateral requirements, high interest rates and tightened monetary policy prohibiting the access to finance working capital and seasonal loans. In addition, they are largely not bankable, lack information on subsidized or dedicated loan programs designed to meet their constraints and need support in articulating and presenting their loan applications. They are mostly below their growth potential and fail to see the impact that modern techniques and new machinery can have on their growth and quality production.

From their end, the financial institutions, essentially commercial banks, expressed their interest in the PSD-P related sectors. They are willing to go down-market and up-market respectively in their financing schemes, yet they need to know more about the sectors, and more about how to serve these MSMEs.

INITIATIVE



Access to finance is a two-way street in Lebanon. Both lenders and borrowers need to know each other better. The Private Sector Development Programme's intervention aims at:

- providing assistance to MSMEs active across the targeted value chains, through a network of experts, partners and Business Development Services (BDS), in a variety of fields that include technical knowledge, management and governance skills, in order to make the MSMEs eligible for a bank loan
- giving the financial institutions confidence thanks to the fact that the capacity of their potential clients to develop their businesses is reinforced throughout the programme

ACTIONS



Within this scope, the programme has developed:

Non-financial support services to the MSMEs and financial institutions

- to strengthen the financial institutions sector's knowledge, namely field and credit officers, at headquarters and branch levels on building and analysing a loan application in the related sectors (furniture production and the agribusiness sectors)
- to improve the financial inclusion (bankability) of respective stakeholders (MSMEs) across the concerned value chains by enhancing their technical and financial knowledge, management and governance skills and encouraging formal financing

Financial support services:

Setting up a conditional grant fund mechanism as an incentive to improve the financial situation of the MSMEs active across the selected value chains by enhancing their investment capacities (financing supplementary equipment and installations, working capital,...) and access to existing financial products (access to the bank will be encouraged).

The grant fund is conditional, systematically related to a loan and proportional to it. It is not to be returned by the beneficiary, not subject to an interest rate and it is not conditional to any other constraint that is not linked to the loan granted to the beneficiary. The conditions of obtaining the loan are determined by the financial institution providing it and within its current loan products.

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ACCESS TO FINANCE
PRIVATE SECTOR
DEVELOPMENT PROGRAMME
Inclusive • Elevating skills • Driving Competitiveness



ACTIONS



It has been developed this way for the following reasons:

- the MSMEs needs are best revealed by the loan they are willing to contract and its purpose. It is a commitment that the MSMEs will take vis a vis the donor as well as with the financial institution
- to make the beneficiaries bankable, in the long term
- to avoid provoking a distortion of the market providing an unconditional grant
- to permit a professional follow-up of the application together with the established financial institutions, even after the end of the program
- to support the financial institutions to improve and customize their products in relation with the specific needs of the beneficiaries of the PSD Programme

However, the grant fund mechanism must

- avoid any competition in products within the same FI/MFI
- not affect benefits or incentives for the financial institutions or their field officers. Time spent by the financial institutions to prepare the beneficiaries' files and disburse the money must be the same as without the grant

BENEFICIARIES

Eligible beneficiaries were MSMEs active across the value chains (production, transformation, distribution, marketing and sale) targeted by components 1 and 2 of the PSD Programme:

- Table grapes and cherries
- Avocados and vegetables
- Wood processing and carpentry in greater Tripoli

Wood processing units and farmers are then the main targeted beneficiaries of the grant fund

EXCLUSION CRITERIA

Grants were not allocated in the following cases:

- applicants who have another major source of revenue, that is not in the farming or wood industry, will not be eligible for a grant
- whenever the grant is liable to create a major distortion in the economic environment. For example, if its purpose is to create a processing line or a warehouse in an area where a similar item already exists and is not operating at full capacity, then the application will not be subject to a grant
- beneficiaries of an active loan, hoping to benefit of a grant, will not be allowed to reschedule their loan. They will, therefore, not benefit from a grant, unless their loan comes to its term before the end of this program
- likewise, clients facing difficulties in reimbursement, may not reschedule their loans in order to benefit from the grant
- there is no evidence of increase in production capacity or reduction of expenses
- new entrants to the initial step in the wood, grapes and citrus value chain are excluded. The fund will not support new wood processing units. However, for current loan clients, it may decide to raise or adapt the grant to include the acquisition of safety or health prevention equipment, under strict supervision from Expertise France experts
- every beneficiary is entitled to one single grant, over the duration of the program



METHODOLOGY



The disbursement of the grant and loan to the beneficiaries was done in 2 steps:



Step 1: identification of the potential beneficiaries

The primary identification of these beneficiaries is done through the implementing partners (BIAT, CCI AZ, Mada, Fair Trade Lebanon and RMF) as well as all the network of MFIs/NGOs.



Step 2: Disbursement of the loan and grant

The disbursement of the loan and grant were done based on the following table:

	Option one			Option two
	Kafalat	ESFD	MFI / NGO	BIAT/CCI AZ
Beneficiaries	<ul style="list-style-type: none"> New and renewing actors within the concerned value chains 	<ul style="list-style-type: none"> New and renewing actors within the concerned value chains 	<ul style="list-style-type: none"> Renewing actors within the concerned value chains 	<ul style="list-style-type: none"> New within the concerned value chains
Eligibility criteria	<ul style="list-style-type: none"> For loan: Kafalat criteria 	<ul style="list-style-type: none"> For loan: ESFD criteria 	<ul style="list-style-type: none"> For FI: MFI or NGO criteria 	<ul style="list-style-type: none"> Depending on FI or Bank
Loan amount	<ul style="list-style-type: none"> < US \$ 320,000 	<ul style="list-style-type: none"> < US \$ 50,000 	<ul style="list-style-type: none"> < US \$ 7,000 	<ul style="list-style-type: none"> < US \$ 320,000
Grant amount	<ul style="list-style-type: none"> Up to \$50K, same as previous Then, up to 20% of loan amount with a max. of US \$30,000 	<ul style="list-style-type: none"> Up to \$7K, same as previous Then, up to 30% of loan amount with a max. of US \$ 9,000 	<ul style="list-style-type: none"> Up to 40% of loan amount with a max. of US \$ 2,000 	<ul style="list-style-type: none"> Previous conditions apply Depending on loan size

Disbursement can be either in LL or US\$, at the discretion of the financial institution.

ACCESS TO FINANCE FOR MSMEs IN LEBANON

COMPONENT 3 OF THE PSD PROGRAMME

FUNDED BY THE EUROPEAN UNION & IMPLEMENTED BY EXPERTISE FRANCE

MAIN BENEFITS AND ADDED VALUE OF THIS SCHEME

The developed financial scheme:

- involved all social and development actors in the areas: dissemination of information regarding the grant will be done through NGOs and MFIs as well as our partners
- targeted individual beneficiaries of all social scale and MSMEs that are active all along the value chains
- involved most of the actors within the financial sector (MFIs, FIs, Kafalat, ESFD...)
- did not lead to market distortion or over production
- did not create competition in products/programs within the same MFI and FI
- did not advantage any beneficiary over another
- guaranteed a fair disbursement of the grant between the MFIs, FIs and financial NGOs evolved based on their previous history, average loan and presence in the selected areas
- alleviated the weight of the interest rate. The weight of the interest rate on the loan is reduced as the loan is combined with the grant to which no interest rate is applicable
- in the same manner, alleviated the weight of the guarantees to be presented by beneficiaries.
- financed equipment that are excluded from existing loan programs
- provided access to cash for the acquisition of raw material, seeds, etc
- guaranteed that the use of funds will be primarily to graduate beneficiaries to an upper level of loans. Access to the bank will be encouraged

Follow up on the use of the fund will be done by Field officers and BDS, allowing for higher sustainability

RESULTS



- 628 beneficiaries
- 314 new clients for the financial institutions
- 834,864\$ amount of grants (1,329\$ average grant)
- 2,289,287\$ amount of loans (3,645\$ average loan)
- 19 training and information sessions for beneficiaries and financial institutions
- 43% of loan/grant used to buy equipment
- 52% of loan/grant used for input purchase and working capital

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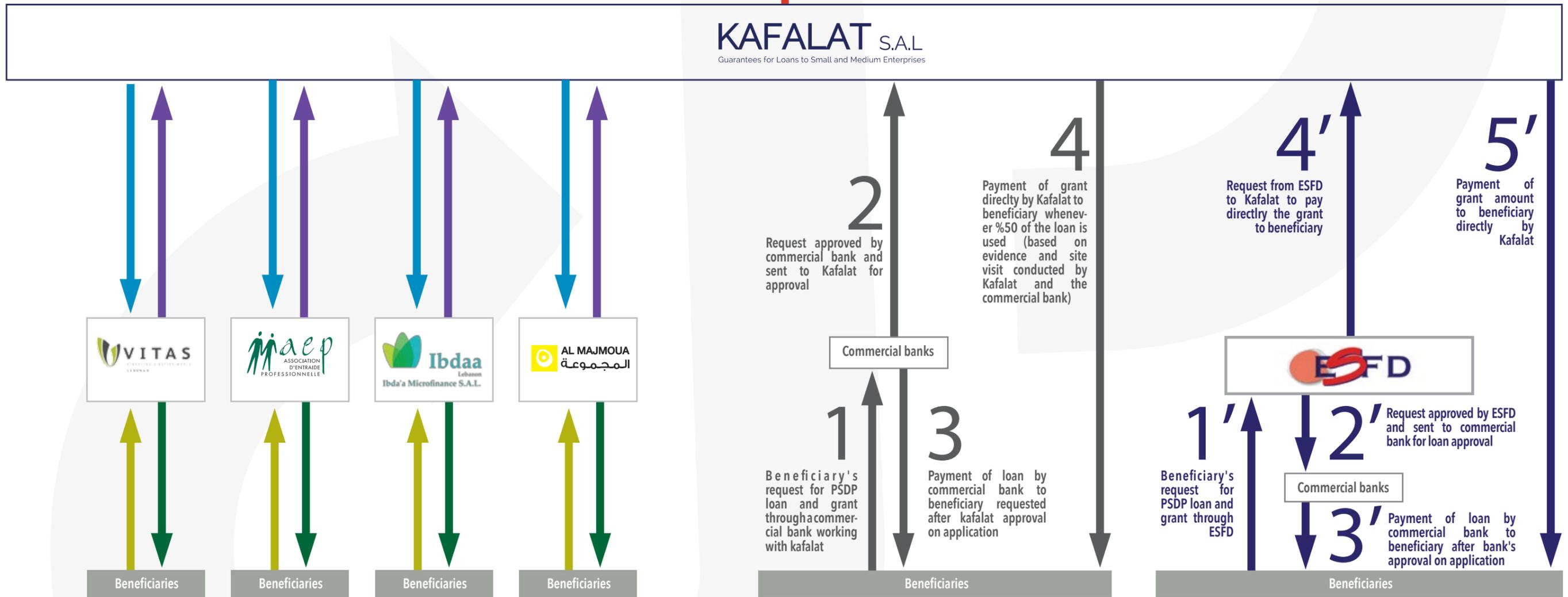


2 contracts signed with Kafalat:

Contract 1: allowing Kafalat to manage and monitor the bank account EF opened at the Central Bank of Lebanon for grant disbursement to the financial institutions

Contract 2: for grant distribution to Kafalat's final beneficiaries

NB: Expertise France signed contracts with all the MFI for grant distribution to their respective beneficiaries



A Beneficiary application submission to the MFI for loan and grant under the PSD-P

B MFI payment of loan and grant after internal approval of the beneficiary's application

C Payment of grant amount as per MFI request letter and after Expertise France's approval following a financial audit conducted on previous loans/grants disbursement

D Request letter from MFI to Kafalat to transfer a new amount of grant to MFI bank account whenever the previous one is fully disbursed. The new grant amount is predefined by the MFI according to its proper forecast.