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SPECIAL REPORT

ENTREPRENEURSHIP

> Product innovations from Lebanon to the region
> Financial solutions to business growth needs
> Export markets for stable income
> The evolution of accelerators and shared working spaces
> Social enterprises in the heart of multiple crises

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By Thomas Schellen

CONTRARIANISM SQUARED

Keeping hope and vigor alive in Lebanon's entrepreneurship ecosystem

After nearly two years of a state in turmoil, the tide of bad news in Lebanon has reached the point where everything appears broken and almost nothing looks like it would ever function again. And it is true. To a point. Nothing in Lebanon is fully functional today, for example the entrepreneurship ecosystem.

This system, which has for the last decade been hailed as one of Lebanon's biggest economic options, has been thrown back to where it was before 2013, sighs Nicolas Rouhana, general manager of IM Capital. 2012-13 was the time when the ecosystem was kicked into rapid formation by what Rouhana describes as a shock of half a billion dollars, namely the issuance of Circular 331 by Banque du Liban (BDL), the central bank of Lebanon, which set the stage for practically all investments into the entrepreneurship ecosystem over the following years.

STRIPPING DOWN THE PILLARS

However, the ecosystem that formed under the curating values of guaranteed funds and rational looking financing risks, was not driven equally well by policy and legal infrastructures as it should have been. This hints at the oddity of the system.

IM Capital, a key player in the financing of promising startups for as long as the ecosystem has existed, remains a pillar of its financial infrastructure because of its broad support mandate and nourishment with hard cash (both courtesy of the United States Agency for International Development, USAID), as well as its integrity and independence from the Lebanese public sector and banking. But it has lately been confronted with gaping holes in what used to be an imperfect but nicely growing landscape of fellow financial players, venture capital (VC) organizations, startup programs, accelerators and incubators, ancillary services providers, etc.

Of those, many noted actors such as the Hult Prize and the Flat6 Labs accelerator have exited the Lebanese stage. Such demises – and the host of incomparably graver national misfortunes which are so well known that repeating them would be an exercise in dullness – have left the remaining entrepreneurship ecosystem entities at times in situations where they feel that parts of the system have been amputated, to the point of it no longer making sense to act "because one cannot clap with one hand," Rouhana says. He notes for example that startups face immense problems because of disruptions in the administration and the banking sector, creating insurmountable barriers against basic business acts such as registering companies and opening bank accounts.

The disassembly of systemic components in the public and finance sectors was exacerbated by disruptions of funding flows or invested companies and new restraints on the financing of startups. Again, no need to reiterate what the monetary disaster of 2019-21 to date did to the accessible bank balances of those enterprises. This has led IM Capital and other members of Lebanon's VC Association to last year set up an "SOS Fund" under a paradigm of rapid fundraising. "The SOS Fund has fresh dollars and lollars and we invest directly," Rouhana explains, meaning that the SOS Fund, capitalized by the participating limited partners, made one-shot investments into the most promising startups in the portfolios of participating VCs.

Deployment issues were, according to Rouhana, also encountered by angel investors, where investment opportunities in advanced startups with larger financing needs were hit by currency restraints of angel funds. In response to this challenge, the angel funds that have been created in collaboration with IM Capital were pivoted into an angel accelerator fund for early startups.

In retrospect analysis, the financial hopes for funds that had been fueled under the regime of the BDL's Circular 331 could not but vanish with the financial instability phenomena and loss of investor trust in late 2019. "After the crisis. there were reputation issues with 331 funds because they all were based on banks that had blocked depositors' funds and because capital calls were done in LBP on the 1,500 rate, meaning they could not produce anything useful in terms of real cash," explains Rouhana.

But reorganization and reform of the financing layer of entrepreneurship was not the only struggle that was cast upon financial stakeholders. The climate in the national economy, and with it the atmospheric pressure in the entrepreneurship ecosystem, has had other repercussions according to ecosystem stalwart Rouhana who more than once in his interview with Executive resorts to terms like "back to square one" and "firefighting."

Acknowledging that the current period is a hard time for anyone to be active in the entrepreneurship ecosystem and that people just want to escape from the political environment, Rouhana says this makes it even harder for the remaining ecosystem players to operate. "All these support structures disappeared. There are few, us and others, who remain, but you need deal flow and people to do all these things. We are really back to square one," he says, adding, "Today, what makes a difference, is what you did post October 2019. Everything is recent. We are firefighting and we will see if we can rebuild."

Other stakeholders at the ecosystem's backbone share the pain of working, in a political economy context that takes the concepts of uncertainty and unreliability of everything (and of political promises specially) to heights never seen before, with an entrepreneurship development line that has been degraded from a sophisticated ecosystem into a disjointed assemblage of stuttering bits and pieces. But like Rouhana, they also display a sort of contrarian determination to keep going, for the hope of rebuilding and the sake of the many stakeholders that rely on them.

Thus exerting herculean efforts in nurture of endangered green shoots in finance, startup acceleration and the likes, these ecosystem stakeholders all the while also exude peculiar emotional or spiritual vibes. One such notion is that confidence – an overused and empty term in many mouths today – is today still a tiny bud with a long and difficult journey of recovery still to come; another that a professed and fake resilience – meaning a malpractice of adapting to keep operational in the face of ever more political evil – has to pivot to true resilience of demanding economic and social rights for one and all.

"Today, what makes a difference is what you did post October 2019. Everything is recent. We are firefighting and we will see if we can rebuild."

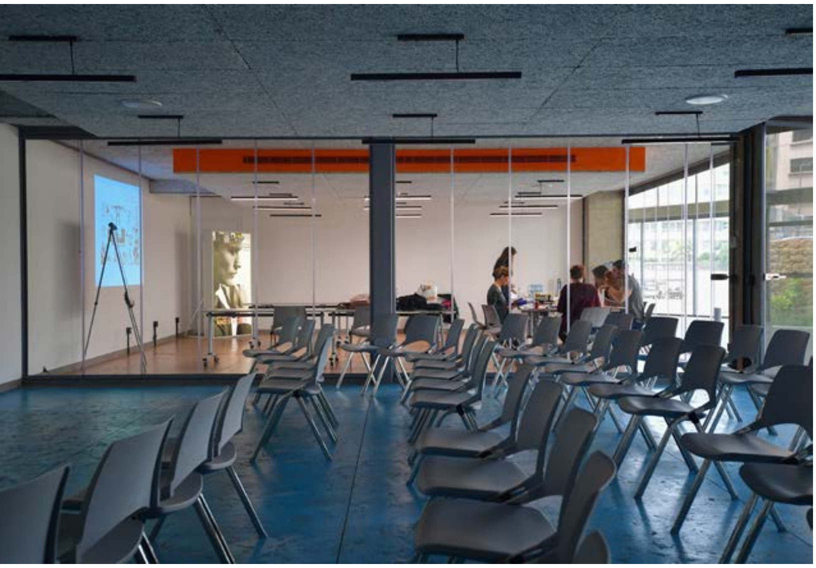
For Nadim Zaazaa, managing partner in entrepreneurship-themed multi-tasking enterprise Nucleus Ventures, the pain is undeniable. "I think the short term prospects are very dark – we are minimizing losses and have a huge talent drain. More importantly, we have what you call the stay-drain, the fact that a lot of talent that remains in the country, is working remotely for foreign employers. There is income in the country but the value creation is taking place outside," he tells Executive.

In Zaazaa's view, the single remaining advantage of Lebanese entrepreneurship is the improved competitiveness in terms of labor pricing. Even then, he sees scant light at the end of the financing tunnel or in terms of existing good entrepreneurship initiatives. "I think rebuilding an investment landscape in Lebanon requires a reset of the regulatory environment and getting investor confidence back, which we are lacking. We don't have the banking sector and the basic infrastructure for [winning investor confidence back], so realistically speaking I think the investment landscape has been rubbled. There are deals but they are not concerted and it will take time to rebuild that landscape. And a lot of painful changes," he says.

Although he asserts that human capital who remain in Lebanon under these circumstances are not necessarily contributing greatly to value creation in the country, he still sees a narrow path of opportunities. "There are three to four universities who are going to be Noah's arch for entrepreneurs – they will be what remains [of the ecosystem] and what can be nurtured. This Noah's arch will in my opinion be the only viable reset of Lebanon's economy," he says, adding that this assessment has motivated Nucleus Ventures to shift from being governmentally funded to partnering with university innovation systems.

NEW ACCELERATION PROTOTYPES

The perhaps second-most prominent layer of ecosystem components, after the financing players with their eternal lure of presumedly (but never really) easy money, were the incubators and accelerators. The impact on these engines of entrepreneurial contents was no less severe than the impact on the financing pillar. However, the withdrawal and retrenching of some well-known entities was juxtaposed with the entry of players of a different type.



"There is a change in the ecosystem in terms of accelerators and startups. You have new accelerators popping up," says Jihad Bitar, CEO of academically aligned acceleration program Smart ESA, which in 2017 (late in comparison to other accelerators in the old ecosystem) was established in association with the École Supérieure des Affieres (ESA) business school and has since grown notably in terms of both facilities and programs.

Yet instead of funding that was enticed into the ecosystem under Circular 331, the new accelerators are equipped with monies by international development agencies and donors, and operate with a model of grants. "Donors are seeing that entrepreneurship is one way to help Lebanon rebuild. Big organizations want to go beyond humanitarian help to Lebanon into rebuilding an economy and see entrepreneurship as part of this," Bitar explains.

> The withdrawal and retrenching of some well-known [incubators and accelerators] was juxtaposed with the entry of players of a different type

Munir Nabti, co-working veteran and longtime advocate of social enterprises, is one of the exponents of the new type of acceleration that has come to the Lebanese (and regional, see interview page 26) ecosystem. More than a mere executive at the helm of new accelerator Bloom, he is his ever-optimistic self. Asked about his evaluation on the ecosystem today, he aims at putting the latest troubles into some perspective by telling Executive that the system's stakeholders have seen cycles of ups and downs, including the establishment and closures of systemic entities over the past 13, 14 years.

While he agrees that there are plenty of new barriers and challenges to work through, he emphasizes that he sees new efforts for growth and collaboration in terms of accelerators, and elsewhere. "We are working on fostering the collaboration of accelerators and had several sessions that we want to keep expanding and have more ecosystem discussions. So I think there is definitely opportunity to build a really thriving ecosystem that not just helps keep people here and supports enterprises but that also helps to launch enterprises and attract enterprises from abroad to Lebanon," Nabti enthuses.

BUILDING BLOCK BY BOCK

Ralph Khairallah, the chief growth officer of the Beirut Digital District (BDD) – the central real estate cluster and community hub that provides tech enterprises and ecosystem stakeholders with many increasingly scarce services – sees Lebanon's entrepreneurship environment in transition from ecosystem 1.0 to 2.0.

In his opinion, the ecosystem 1.0 was in many regards a trial version, or trial experience, from which operators as well as startups could learn. "Everybody was learning. We as startups were learning and even the investors and mentors were learning along with the first batches of startups. Eventually everyone has matured and we now know better how to place our bets," says Khairallah, who before joining BDD had gained experience as co-founder of a startup.

Instead of the previous system that had bubble aspects and might have attracted minds into entrepreneurial gambles, operators under ecosystem 2.0 are fated to build on solid grounds and manifest as profitable industry for bringing fresh investments from abroad. "Innovation and digitization is the future. This was not a wrong bet for BDD, and today is the time to get the most out of this bet," he adds.

According to Khairallah the performances of successful investors, startups, SMEs and even NGOs in Lebanon during the crisis reflect globally very favorable economics for the digital sector, an impact that is visible in the high demand for co-working spaces in Lebanon that has improved in 2021 to date (see story page 18).

Interacting with ecosystem stakeholders in this summer of 2021, Executive actually found the number of viable appearing startup companies and exorbitantly dynamic founders (which are not by default the same things) to be surprisingly large.

From manufacturing startups (see story page 30) and an online media startup (see portrait page 40) to regrettably nontransparent and communication-averse e-commerce mall operators (too many of which declined Executive's requests for information and interviews to allow for writing of a viable story), new social enterprises (see story page 36) and some very intriguing edutech startups (see story page 42), the magazine's team found more, and more diverse, reasons for profiling of startups – and editorial excitement in doing so – than in several preceding investigations of the respective years' latest entrepreneurship novelties.

VIABLE OLD RECIPES, SPUN ANEW

This impression actually jibes with what Smart ESA's Bitar observed when he describes a trend among applicants for acceleration programs and startup competitions. "Fewer entrepreneurs are left but those that remain are more serious. The average age is higher, many being experienced people who lost their jobs or quit their jobs and see this as the right time to create something. This brings a bunch of experienced people to the market," Bitar notes, audibly glowing about the good assessments that Lebanese startups received in June at the awards ceremony of a startup competition by name of Prix Entrepreneur ESA-HEC Paris, on which Smart ESA worked in the first half of 2021 in collaboration with French business school HEC Paris.

> Operators under ecosystem 2.0 are fated to build on solid grounds and manifest as profitable industry for bringing fresh investments from abroad

Judging from remarks that Bitar made in earlier interviews with Executive, the experience of seeing improved commitments and better drives in overall shrinking numbers of startups, and ergo a gradual increase of quality in ecosystem beneficiaries, seems to be a trend that has begun already before the crises of 2019 and the following years struck Lebanon's entrepreneurship aspirants.

The insight that longer-term trends in the Lebanese entrepreneurship annals have not ac-

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tually been totally altered but at most further accentuated over the past two years of serial crises, however, should not astound. Other trends that have been highlighted in the recent past, have similarly been in existence before the crisis. Particularly the idea that Lebanese startups are well advised to maintain their "kitchen," development, and back office activities in the country of their origin but cannot sustain an optimal trajectory of growth by focusing on the local market and therefore should from inception prepare and seek access to capacious and stable markets in the region or elsewhere, is not really new.

Still, it is indubitable that Lebanese startups – with some very specific and rare exceptions – today have not only every incentive but almost an obligation to start their market journeys by immediately going abroad and hopefully generate income that will flow back to Lebanon. Owing to the entrepreneurial ingenuity and adaptability of locally incepted startups that are not afraid to jump abroad, maker and manufacturing startups thus represent good hopes even if any wishes must be abandoned to see such companies serve firstly the Lebanese market or be listed on an electronic financial market in Beirut.

Among the other bits and pieces that are momentarily working and being developed in the entrepreneurship ecosystem, those deserving most attention appear once again to be based in the financial realm. On the investability level, the comparative advantage of having discounted valuations in terms of talent-power intensive startups for example in edutech has the ability – nicely demonstrated by the acquisition of tutoring marketplace Synkers – of reeling in foreign strategic investors to viable Lebanese companies.

On the access-to-finance level, the paradigms of impact investing and development investing, with all the inherent self-interests that such paradigms entail, offer what ecosystem stakeholders Nabti and Rouhana perceive as unused potentials. Nabti suggests that by working together, highly reputed funds and impact-themed operators in the ecosystem, could mobilize "substantially more funding than what has already come to Beirut" from potent investor groups, including diaspora groups.

"I think a lot of funding doesn't come to Lebanon because there aren't enough groups that can easily deploy money. If we can figure out a model of having 10 accelerators work together with aligned basics, methods of approaches, we [as unified stakeholders] can go to a donor and say: Hey, we want to support 1,000 companies over the coming five years, 1,000 startups in Lebanon, and have proper accounting and proper mechanisms for collaboration, etc.," Nabti proposes as method which could tap into funding levels from donors and impact investors that are not in the thousands and hundred thousands of dollars but in the hundreds and thousands of millions.

Such pathways of thinking audaciously and big might seem theoretical to some who have lost every ounce of trust that the future can hold good news for this country but in fact, there are funding activities already underway in the ecosystem and plans for more funds. IM Capital's Rouhana discloses that his team, which has been very busy with implementing the SOS Fund and angel accelerator fund, is preparing the launch of a new fund towards the end of this year. This fund is expected to have a life cycle of five to six years and include a share of fresh dollars, aiming for fast delivery and total size similar to that of the (not yet fully revealed) $12 million SOS Fund. "We will look at companies and their investment readiness. Investment criteria will be export potential and growth potential of SMEs," Rouhana says.

Funding sage Rouhana, having been able with IM Capital to convince USAID of the need for a new fresh-dollar fund of $20 million, a big step up from a previous first funding of $15 million in the context of the previous ecosystem, concurs that a new and much larger series of positive financial shocks might be in order. "What is needed is perhaps $40 or $100 million per year in order to make a difference and shake the system and bring back what was lost in terms of confidence," he says.

But any assessment of the entrepreneurship ecosystem's realistic new investment paradigms and need for a systemic pivot, while an obvious necessity for more reasons than one wants to count, also today highlights again that the ecosystem's first incarnation had aspects of a prefab structure that came into being in one concerted rush under the impetus of the central bank's Circular 331.

Any ecosystem fully deserves this name only if is something organic. Also, it will be more resilient, the more organic it is. In one of Executive's many musings on the entrepreneurship ecosystem during the past eight years, our then colleague Matt Nash, in an article published five years ago, argued that most natural ecosystem disruptions are fast and furious but that the impact of Circular 331 by contrast was more comparable to climate change.

The BDL-approving metaphor may raise some eyebrows today, on several fronts. One, the ecosystem's disruption over the past two years, and the role of the Lebanese financial sector in it, was anything if not fast, furious, and debilitatingly painful. The second protest note might say that reliance on one-sided and distortive intervention

at the start, however well-meaning, brings immense risk at the next inflection point where it then can occur and become, as Rouhana stresses, more of a curse than an asset.

But the country's entrepreneurship ecosystem also shows the truth that the creation of the ecosystem by push from the central bank was at the time one of the best things that could happen in the Lebanese economy and that what is dysfunctional or disassembled today is not in all cases completely dysfunctional, or broken beyond repair and systemic redemption.

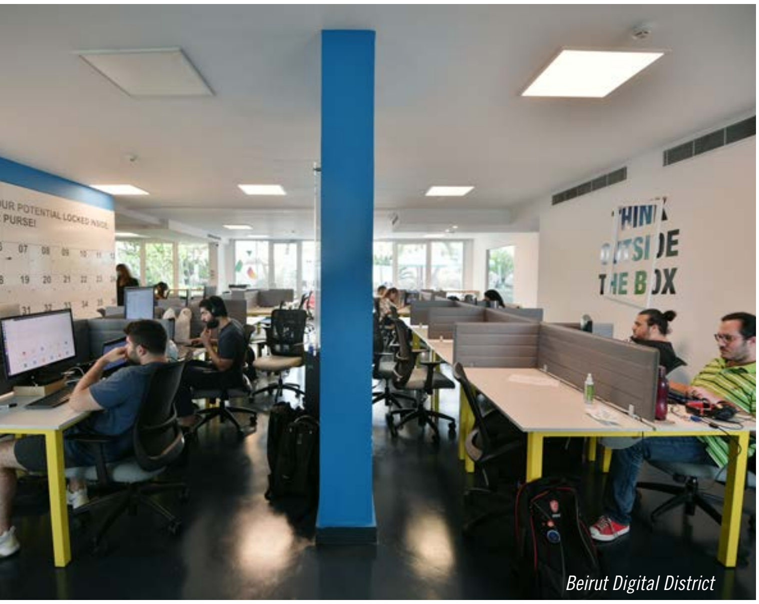
"We will look at companies and their investment readiness. Investment criteria will be export potential and growth potential of SMEs."

Both realities – the dismal situation of everything economic and the remnants of preserved functionality – apply to the entrepreneurship ecosystem. This piece of jewelry of the Lebanese economy, quasi its diadem of innovation, is partly broken, partly disassembled, and in many respects dysfunctional. It cannot escape from being part of this country. But at the same time, the entrepreneurship ecosystem in this dismal summer of '21 retains key characteristics of what it was from 2013 to '18 and early 19: a system of more – more hope and vigor than some other segments of the economy – and a system of new beginnings.

In collaboration with KONRAD ADENAUER STIFTUNG

By Thomas Schellem

COMMUNITY AND CONNECTIVITY NURTURING PRODUCTIVITY?



Beirut Digital District

Antwork

Lebanon's hottest entrepreneurship ecosystem asset

Amina, Rachelle, and Peter are young urban professionals active in graphic design, in digital marketing, and in remote consulting. When Executive makes their acquaintance, they have stationed themselves at a long office table in the foyer of a co-working space at the Beirut Digital District (BDD). In this quasi-public space, they are working, each on their own account, a few meters away from two containers (construction site type) that are holding further "hot desks," short-rental desks in one of the BDD's dedicated co-working areas.

Hot desks are non-individually assigned work spaces which, in the case of BDD, are at the disposal of the office space provider's registered subscribers, such as freelancers and micro-entrepreneurs, on a first-come first-served basis. Not a place where you settle down with your favorite potted plant, coffee mug, or other personal keepsake, but an instantaneous environment for individual creativity. "I am a graphic designer and work in creative spaces. What I love about this community is that it is an open space, which makes it easy to connect to people and move around," Peter volunteers.

The universal questions on anything work-related today are of course about power and basic connectivity. Asked if it was community or infrastructure that drew them to the BDD co-working space, Rachelle interjects that for her, the motivating fact was "definitely infrastructure," and Amina concurs. Peter, while reiterating that community is crucial for him, also concedes that co-working would not live up to its entrepreneurial promise if it weren't rooted in the reliable provision of connectivity and all the productivity boosting that elements, even as basic as electricity in these difficult times, can facilitate.

All three – whose professional focuses are as different as their characters, which already at the first encounter reveal themselves as ranging from studious to dynamic – agree that the community is something they benefit from, but confess with a laugh that their character disparities of ebullience and quietude are recipes for short disruptions of attention in the confined co-working area.

Suburban and academically affiliated co-working spaces are usually smaller [than] in an urban market have their own appeal and clientele

Smart Space

A SIZZLING NEED FOR DIGITAL WORK SAFETY

And the young professionals who have all opted the last few months or even days to bet on co-working, are far from the only ones. According to BDD's chief growth officer Ralph Khairallah, Beirut's preeminent cluster at the juncture of real estate and tech entrepreneurship has, by mid-2021, reached overall greater occupancy than at any previous time in the almost 10 years of its existence and is now populated with at least 1,600 to 1,700 persons – entrepreneurs, NGO-staffers and employees at established enterprises that took refuge at BDD after the Beirut Blast.

In terms of its dedicated co-working areas that are distributed over three of its buildings, the district has reached capacity and has to waitlist people wanting to sign up for a co-working place. "We are fully occupied and have a waiting list of people who want to join BDD," he enthuses.

High demand is not just the situation at BDD. Antwork is a co-working space that was established in 2016/7 in a restored building cluster along West Beirut's Spears Street and that has since opened additional locations in Beirut (an ecommerce-centered space in Dora), Saida, Limassol, and, this spring, Amman. At Antwork's main Spears campus, the idea of co-working saw – in a nice parallel to the sources of the demand wave seen at BDD – its greatest increase in acceptance by the entrepreneurial sector, business community, and third sector entities from the beginning of this year, says Zina Dayani, the enterprise's CEO.

According to her, the Antwork campus at Spears, with 367 desks and private offices, is 100 percent full and has a growing wait list, similar to BDD. "The wait list is much longer when comparing mid-2021 to end of last year," Dayani tells Executive.

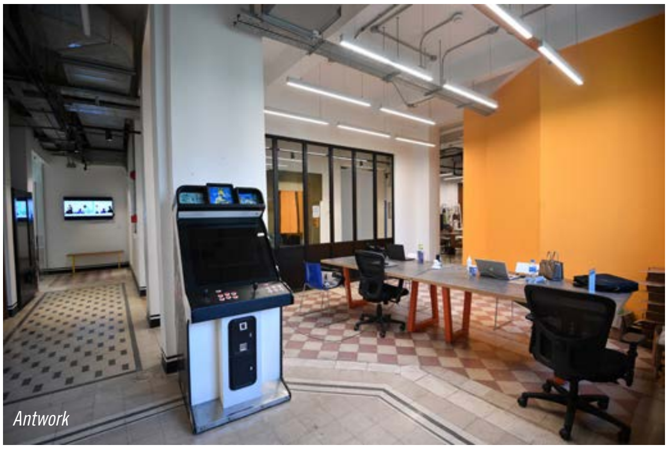
It is not only in central locations where co-working is seeing new demand, internationally as in Lebanon. Suburban and academically affiliated spaces are usually smaller than the leading co-working operations in an urban market but they have their own appeal and clienteles. However, independent co-working spaces that are somewhat remote from the real estate-tech entrepreneurship complexes in the middle of Beirut, for example the Submarine co-working space in the Jnah district, also saw an implosion of demand in 2020 and reversal of this downtrend into new growth in the first half of this year.

"At the beginning of the COVID pandemic and the devaluation of the currency, most co-working spaces, and I have seen it at the Submarine space, were battling with COVID-19 restrictions and devaluation of the currency," says Nour Alwan, an entrepreneurship ecosystem enabler who has been involved with co-working and entrepreneurship since the middle of the past decade.

In her experience at Submarine, the overwhelming drop in usage turned into new demand on the strength of the co-working space's investments in infrastructure – a buildup of supply redundancies and security in generators and internet connectivity. Ideally, co-working spaces should have both, the spirit of community and the infrastructure, Alwan notes, "but in Lebanon, you cannot have it all. Today, under the circumstances, infrastructure is key. Startups won't be able to work, won't be able to produce and profit if they don't have the appropriate infrastructure."

Also at the Smart ESA entrepreneurship hub, which is attached to the École supérieure des affaires (ESA) in Hamra, co-working demand surged in 2021 and the academically-minded hub has been

Beirut Digital District


Antwork

filled up to about half of its 100 seats. With interest in co-working facilities being on the increase, the remainder of available seats will in part be kept from the market for use by Smart ESA's cohort of newly admitted startups, chief executive Jihad Bitar tells Executive.

"Co-working at Smart ESA is seeing renewed demand, but different than before. Teams split their physical attendance time for different reasons that range from [scarcity of] petrol to employee demand to work from home," he explains. Making previously unheard-of requests, such as seeking spaces to seat half of their teams in rotation, startups are requesting an increased degree of flexibility from operators of co-working spaces, he adds.

With their approach favoring, albeit sometimes chaotic, community over ploughing away in isolation, Peter, Rachelle, and Amina are clearly part of a large and growing crowd of the digitally working who are receptive to this work environment. Moreover, they are also examples for the added twist that favors this co-working environment in Lebanon. This crucial twist is availability of air conditioning, internet, and profane electricity.

Notwithstanding the lockdowns-induced disruptions which last year deterred clustering of people in physical offices and the related accelerating trend towards home offices and remote working in Lebanon as in most countries, it appears to be the specific need of basic entrepreneurship infrastructures – which in the case of Lebanon are increasingly scarce and cherished amenities – that has this year visibly accelerated the demand for co-working spaces in the local entrepreneurship ecosystem.

Another notable external factor in favor of Lebanese co-working spaces is the confluence of demand for stable and safe basic tech infrastructure with an increased desire of the country's digital-era professionals to earn hard cash by working remotely for foreign clients. This combination has firmly positioned co-working spaces as the best bet in the ongoing recovery and realignment of the Lebanese entrepreneurship ecosystem. For an interesting but less important additional internal driver in favor of co-working culture in Lebanon, one can further speculate that the convivial character of this work environment is a good match with the general ease by which many young Lebanese interact socially.

DIGITALLY PROMISING BUT ALL NEW?

While co-working is associated with the internet, tech entrepreneurship, and the culture of the digital age, neither the basic idea nor the economics of co-working seem to actually be innovations of the digital age as much as they are twists on a very old story of productive work. The need to find a shared place to work under the social mores of the respective age might, for example in the industrial era, have been met in a profoundly physical venue, a place as venerated as the dusty halls of a university library, as exclusionary as a restrictively administrated club in the city, or as convivial as a café on Vienna's Ring boulevard.

In another, longer gone, era, what the digital era calls a co-working hub could even have been happening at an Athenian school of philosophy, such as the academy of Plato or its nearby competitor, the garden of Epicurus. But whatever the name by which the activity is known, clustering of human creativity, economic agency, relevant skills and mentors is core to the productive aggregation of intangible human and social capital of any economic era, be that pre-capitalist, industrial, knowledge, or post-knowledge economy. In this sense, irrespective of the period's label, collaborative spaces for economic activity remain manifestations of human


Beirut architecture and co-working (Peter Abdel Karim, graphic designer)

capacity for organization of labor as a task that is modulated by the tense interplay of individual ambition and team work.

From the macroeconomic and macro-social perspectives, constituent parts of the collaborative work narrative are the division of labor, the clustering of comparable skills into an expanded and easily accessible labor pool, the ambivalent practice of rentierism, and the financial dictates of matching revenue prospects with long-term obligations. Ignoring any of these elements of productive work comes with a high risk, and in some socioeconomic settings near certainty, of either moral or financial peril.

CO-WORKING CHALLENGES FOR LEBANESE ENTREPRENEURS

In the 1990s, when computers and ICT connectivity made rapid and decisive inroads into life in Lebanon, early local varietals of digitally enhanced co-working could have been the internet cafés of Beirut that were popular among youth, or hospitality venues with WiFi, such as the basement of Starbucks in Hamra. The first serious buds of co-working culture in Lebanon came to bloom a mix of internet-cafe cultures and self-funded private initiatives in the 2000s, roughly at the same time as the concept started to gain traction internationally with some very large investments into co-working startups such as US-based and famously Softbank-funded WeWork.

The next decade infused the nascent Lebanese entrepreneurship environment with the, predominantly financial, vigor that was sparked by the famed Circular 331 of the Banque du Liban, Lebanon's central bank. Along with new venture capital firms, incubators, accelerators, and the birth of the Beirut Digital District, co-working spaces became noted propositions for builders and mappers of this new entrepreneurship ecosystem.

But while some international co-working operators, again most notably WeWork, achieved meteoric growth in the early 2010s, the local market of shared office spaces, although successful of sorts, was less ebullient. Some concepts that emerged in the past decade – such as a plan to establish a journalism co-working hub – fell victim to circumstances. Several newly created, small co-working spaces for startups did fold after a year or two. And in terms of cultural resistance, there could be discouraging responses with which established businesses demonstrated their attitude, or lack of a clear grasp, vis-à-vis the concept of digitally powered third-party work environments.

> Lebanese co-working entrepreneurs [...] encountered challenging periods already before the [...] crises

Ergo, Lebanese co-working entrepreneurs, from visionary community builder altcity to the top players such as Antwork, encountered challenging periods already before the country got submerged by crises. According to Dayani, after two years of early growth at Antwork, 2019 from its first month was the venture's most challenging year in financial and operational terms. "I remember how in our first board meeting of the year [2019], we had to discuss doing cost savings and doing everything we can so we can survive that year. We were looking to raise funds and people were not responsive. Everybody had cash problems. Liquidity was very scarce even at the smallest levels. Entrepreneurs and startups were finding it hard to make commitments," she says, noting how these difficulties foreshadowed the stresses that the entrepreneurship ecosystem and the entire Lebanese economy would be exposed to in the latter part of the year.

THE INFLECTION POINT

In contrast, in 2020, the year when everything morphed from entrepreneurship ecosystem 1.0 (system 331) to ecosystem 2.0 (system non-331) Antwork passed through a positive inflection point. This shift followed soon after the detrimental first shocks of coronavirus lockdown scenarios had passed. Potential tenants of co-working spaces suddenly showed themselves as hyper-sensitive to risks that they had never felt before. "They wanted to feel safe, and the touchless experience became a big thing, [in contrast to before] when we had it and nobody understood it," Dayani says.

The idea of what she calls "touchless" interaction in running an enterprise at Antwork suddenly made sense to people who had hitherto scorned it, Dayani says. She adds that she sees the hybrid model of home office and physical presence at an office not as an "either-or" choice for enterprises but as a convergence of varied needs, for the accommodation of which the Antwork platform has been developed.

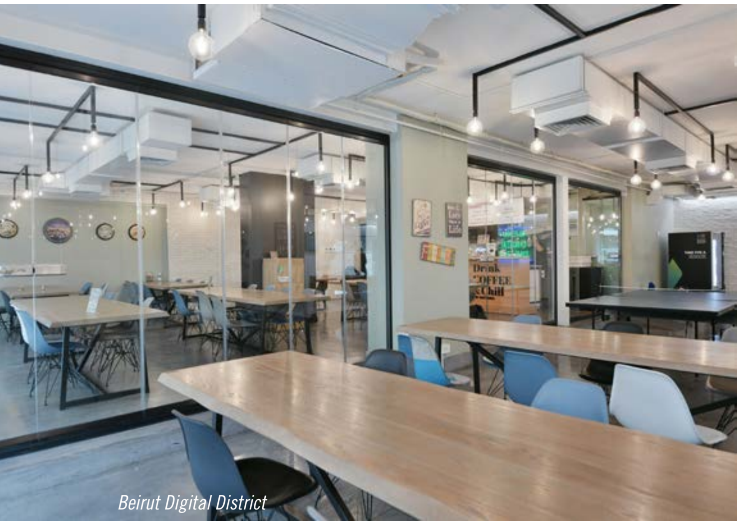
At BDD, the initial shock of COVID-19 was equally severe but soon replaced with desire for hands-free office solutions by ecommerce companies and other digital business that started thriving in the pandemic. "COVID affected us severely and people stopped coming to their offices. [But then] we got businesses that focuses on the touchless economy, which means they have technology-heavy needs," Khairallah tells Executive.

Concurring with Dayani's perspective that the hybrid model looks strongest for setting the future of co-working, he adds that academic research into companies' needs for future office work is something that is being undertaken in Lebanon in partnership of AUB and BDD. "Co-working is changing but definitely becoming more important. What we are seeing [in terms of corporate survey responses to co-working research] so far, is that hybrid is the preferred option. People have gotten used to working at home, but they need the office and need a co-working space at the office," he comments. According to him the coming models of hybrid work environments will have to satisfy new and complex needs by offering operational solutions as well as by creating new hybrid work cultures which providers such as BDD could develop in partnership with enterprises and large corporations.

GREEN SHOOTS AND QUESTIONS

A further indicator for the appeal of co-working as local investment option because of the large demand for creative work opportunities by tech talent in conjunction with an oversupply of vacant spaces that can be repurposed for co-working was the recent inauguration of a co-working space in another Beirut business cluster. At Galaxy Center, a shopping mall, boarded-up windows and dormant escalators make for a forlorn atmosphere, with just one cafe open for business. Here, Smart Spaces, a new co-working space was set up with capacity of 65 spaces and support structures, occupying two floors of a former retail clothing store.

For the operator of the new space, investments in fit-out and a solar roof for electricity generation was an opportunity to attract talent from the area that could use the space for a symbolic monthly subscription fee of $10 and possibly be activated to fill needs of the center's corporate parent group. The co-working space is geared towards advertising related apps, Chief Executive Jamil Ghaith tells Executive. "We are a big offshore Lebanese company. We have our kitchen here in Lebanon but we operate in Middle East and Europe. We have platforms for freelancers to do online campaigns and already outsource some work to Russia and South East Asia. So we thought it is a good time to get some Lebanese people," he says.


Beirut Digital District


Antwork

A nagging question in the cum-corona-virus world is of course how far work patterns will revert to the old ways. From where Dayani is positioned, the new coworking culture is here to stay. She says that he impact of COVID-19 has given "everyone a very clear idea of what hybrid and co-working means. It became more accepted and more interesting to all types of businesses. We feel that we are very well placed to capture this momentum, because we have been preaching this for the past four years." Dayani concedes, however, that the enterprise is now faced with the question on how to take this model forward. "This is what we are working on," she says, hinting at further expansion in country and Mediterranean peers.

ECONOMIC TREMORS RESHAPE CO-WORKING PROFITABILITY

The limited exposure to property risk in the current economic situation might be to the advantage of the, in international comparison, small or medium co-working operators in the country. In principle, what essentially is a for-profit real estate venture before it can be a community, a co-working space must make profits from tenancy. But a large operator invariably has to balance long term obligations on the grade A office properties they own or, more often, lease with the uncertain timeframes of short-term tenancy that can fluctuate immensely.

This has the effect that profitability of co-working operations tends to evaporate during crises. Thus in the course of the global coronavirus recession of 2020, large and small operators all around the world suffered setbacks that have yet to be recovered with new demand. At least one very large listed co-working operator has recently reported significant losses even for the first and second quarters of this year. IWG Plc, an international office space holding headquartered in Switzerland and traded in London that operates well-known co-working and office rental brands (most notably Regus and Spaces), in August announced a widening of losses for H1, 2021, to 183.4 million pounds Sterling ($250 million), from 176.2 million a year ago.

Real estate investment experts also were not horribly surprised that, despite the prophesied revolutionary synergies of real estate and tech entrepreneurship in the co-working narrative, the short history of digitally empowered co-working spaces in the 21st century has already produced one very large hype-and-bust scenario. This was the notorious case of the aforementioned globally operating WeWork – a 2010 co-working startup that rose to unicorn status, peaking at $47 billion in presumed value in January 2019, only to come down to a valuation of $12 billion or less within the space of eight months.

THE MORAL DILEMMA OF VISIONARY RENTIERISM

Morally, the WeWork story went into hubris mode in its own way with a vision of a new future that the match of real estate and co-working would be creating. Its marketing blurb promised to "revolutionize the way people and companies work." This purported culture or ideology of "we," which manipulated millennials' thirst for community, was for some critics interwoven with a nasty narrative of the WeWork co-founder Adam Neumann as a self-proclaimed tech messiah and his allegedly brainwashed acolytes.

Underlying the hype of the co-working narrative, however, is the same old question of rentierism. Both as social and as financial assets, for-profit real estate can produce genuine returns only on basis of the creation of value-added. This added value must enlarge and ideally exceed the return which is produced solely by the fact that any clustering of economic power in an urban setting brings rental income to the owner of any property, such as an office, located there – without such proprietor having necessarily a justified moral claim to this 'economic desert.'

> In the course of the global coronavirus recession of 2020, large and small operators all around the world suffered setbacks

Economic rents are gains from agglomeration that accrue to property owners and to professionals, and research has highlighted the growing contradiction between the persistently spatial and predominantly national determination of policies with rent-producing effects and the growing internationalization of social and digital networks that cannot be adequately taxed on grounds of national policies. In other words, economic rents are costly and unproductive distortions of digital transnational economies.

This dilemma of unearned and undeserved rent taking can easily cause inequity in productivity conditions, namely as soon as a productive hub is deprived of public investments that depend on the volume of taxes that are collected – but under a digital economy with many remotely working professionals not collected in fair form at the point where economic value is added.


Smart Space

For community-trumpeting operators of commercial co-working spaces, this growing dichotomy between public involvement (including taxation and investments) and productivity might, quasi by way of a balance sheet of tangible and intangible profit and loss, raise a dual economic and social survival question of a co-working space's sustainability: Will operators then in the long run have enough foresight to, by continually reinvesting and developing even in the absence of adequate public investments and policy incentives, sustainably add more value to its tenants' productivity than they extract in private profits?

The question internationally appears to have near-term macroeconomic implications up to the level of taxation and management of public goods. For local operators, however, this intriguing systemic question is in all likelihood moot. Much closer to the survival question of co-working spaces is the here and now of the Lebanese economy. According to Khairallah, the multifaceted crisis of Lebanon brought an even larger load of challenges to co-working operators as stakeholders in the entrepreneurship ecosystem. These challenges were the COVID-19 pandemic, the thawra protests, the banking and liquidity crisis, the demise of funding backed under central bank Circular 331 plus the impact that this caused on the entrepreneurship ecosystem, and lastly the instability caused by economic political malaise of Lebanon.

Most of the tornado that disrupted co-working operators along with other stakeholders in the Lebanese entrepreneurship ecosystem must be accepted as external shocks that operators could do little to avert, but some of the fallout was perhaps managed better by co-working operators than by businesses with less entrepreneurial mindsets. Co-working operators have told Executive that as far as the operational detail of profitability of local co-working spaces in the 2020 economic crisis, they handled the lira and liquidity quagmire with a lot of flexibility and a strong dose of understanding for their clienteles.

"We did very good cash flow management during the period when we were getting paid in lollars as well as Lebanese lira," says Khairallah, emphasizing that BDD accepted shouldering of many costs because it made "efforts to maintain a community rather than just a rental [property]." At Antwork, tenants were accepting that the co-working operator has moved to "adjusting prices every few months," Dayani says. She adds "We started adjusting [rates] with new contracts but until today allow anyone to pay how they want, in Lebanese, checks, transfers, fresh dollars, and we are very flexible on payment terms."

According to what both operators tell Executive, the reorganization of tenancy relations was done in such a way that mutually agreeable payment arrangements were sought, including facilitation of settlement of rents and subscription fees by check and Lebanese dollar transfers under existing contracts. In turn, tenants were portrayed by operators as understanding of the need to price contracts with a view to dollarized maintenance costs where imported materials would be involved. Nonetheless, for the overall industry, the pricing of tenancy packages became a major question that providers took time to get right, says Alwan.

> The longer-term outlook of co-working in Lebanon might benefit from the ongoing, and today far from clear, shifts in work cultures

Going forward in the near term, the challenges are not fading. It seems highly improbable that co-working spaces in Lebanon will find it easy to fulfill the self-chosen mission as entrepreneurship bastions by providing what has been looking for over a year – and in the past few weeks even scarily more so – like islands of sanity and stability surrounded by a rising tide of scarcities. However, the longer term outlook of co-working in Lebanon might benefit from the ongoing and today far from clear shifts in work cultures that can only continue in an increasingly digitized and globalized world of work and remote work. In the long run, it might all be determined by the ability of local co-working spaces to stick with their chosen missions of supporting community and entrepreneurship in changing digital environments.

DEDICATED TO SMBs, MICROSOFT LAUNCHES **DYNAMICS 365 BUSINESS CENTRAL** IN LEBANON

Microsoft is dedicated to enabling digitalisation across the Middle East and Africa. With digital transformation now a necessity, small and medium-sized businesses are seeking cost-effective, streamlined systems that will make their transition seamless. Addressing this need, Microsoft's cloud-based business management solution, Dynamics 365 Business Central, will launch in Kenya, Nigeria, Tunisia, Morocco, Algeria, and Lebanon starting July 2021.

"Dynamics 365 Business Central helps small and medium-sized businesses (SMBs) connect their financials, sales, service, and operations to streamline business processes and improve customer interactions," explains Maher Al-Khaiyat, regional business applications director for Microsoft MEA Emerging Markets. "Multiple, disconnected systems are now easily combined under one secure, centralised application."

Using Dynamics 365 Business Central, efficiency is boosted through automated tasks and workflows – all from within familiar Office tools like Outlook, Word, and Excel. "What businesses get," adds Al-Khaiyat, "is an end-to-end view of their operations, with built-in intelligence when and where they need it."

The application is easy to tailor and extend to meet unique business or industry-specific needs. By putting flexibility at the core of your business, Dynamics 365 Business Central enables you to start quickly, grow at your own pace, and adapt in real time, making it the ideal solution for SMBs.

SMBs account for over 90 percent of all businesses in Kenya, Nigeria, Tunisia, Morocco, Algeria, and Lebanon, where Dynamics 365 Business Central will launch. SMBs across these markets will be empowered to accelerate the digital transformation of their own business processes using this innovative all-in-one solution.

CONNECTING ALL ASPECTS OF YOUR BUSINESS

SMBs can bring people, processes, and data together to manage their business end-to-end, instead of juggling standalone systems that disrupt business flow. With previously disconnected systems now brought together, tasks like connecting workflows across sales and accounting to automatically track cash flow are made effortless.

Dynamics 365 Business Central is easy to integrate with applications like payroll, banking apps, or custom Application Programming Interfaces (APIs), with the same consistent and secure experience across devices, from laptops to phones, no matter where teams are accessing the application from.

Full Office 365 integration means teams can use familiar tools to work together and connect with colleagues and customers, whether creating professional-looking business documents in Microsoft Word templates, or exporting and updating data in Microsoft Excel.

HELPING YOU WORK SMARTER, NOT HARDER

A centralised, unified overview of your business offered by Dynamics 365 Business Central helps business owners and leaders make smarter, more streamlined decisions that improve productivity. Thanks to easy to create dashboards and built-in analytics, leaders can proactively inform and guide employees, manage budgets, and monitor progress with real-time data on available resources. As a real-time online application, all data stays up to date, making it simple to spot trends, prevent issues, and deliver great customer experiences.

Tracking ongoing sales performance is simple, enabling teams to leverage actionable insights to focus on customers that have the greatest potential for long-term growth.

A TECH SOLUTION THAT GROWS WITH THE BUSINESS

Dynamics 365 Business Central is easy to install, getting the business up and running quickly. Start with what the business needs and grow at your own pace to run the entire business in the cloud. What businesses get is easy set-up, management, and scalability.

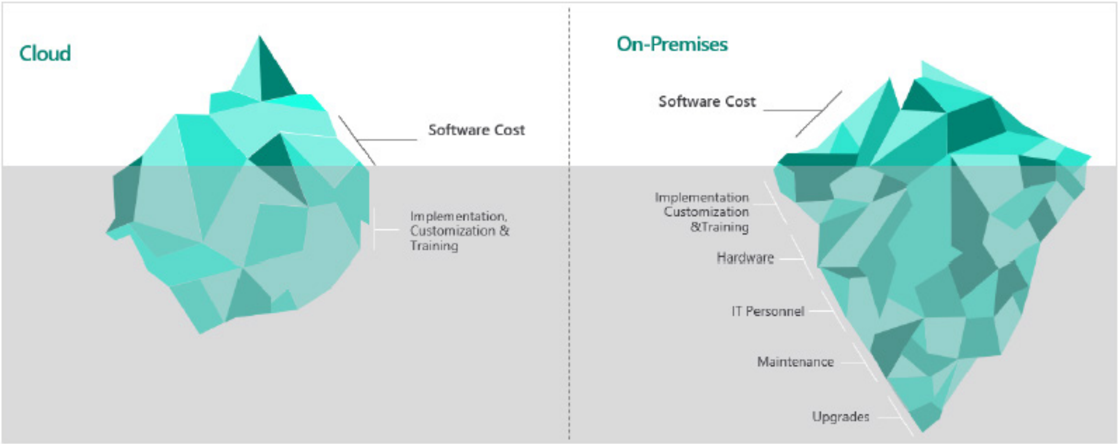
Each business has unique needs, which Dynamics 365 Business Central caters for by easily integrating add-on applications and industry-specific solutions. Importing data from other solutions using data migration wizards and assisted set-up is simple. Plus, with a user-friendly drag-and-drop interface, it's simple to rearrange fields, rename groups, and reposition elements to create workspaces for specific roles.

SMBs can deploy Dynamics 365 Business Central in the cloud, on-premise, or with a hybrid approach; no matter the requirements for data residency, compliance, or security, companies can run their business wherever and however needed. A universal, mobile-enabled user experience means users have the same powerful, intuitive experience across deployments and devices.

TODAY'S ALL-IN-ONE SOLUTION FOR TOMORROW'S BUSINESS GROWTH

The business management solution that growing SMBs need is one that is secure, centralised, easy to adopt, and capable of integration with other line-of business systems. They need a cloud-based solution that is flexible and adaptable enough to handle increased inventory and transactions as the business grows.

"Microsoft's unique ability to deliver the depth of integrated business applications necessary, alongside fully integrated analytics, productivity, and IoT solutions at cloud efficiency, and scale, drives the success of its Dynamics 365 Business Central solution," explains Al-Khaiyat. "This is the all-in-one solution to meet every SMB's business-management needs."



On the surface, cloud and on-premises solutions look identical, in fact a deeper comparative cost analysis will help you decide the best solution for your business.

In collaboration with KONRAD ADENAUER STIFTUNG

By Thomas Schellen

A NEW ACCELERATION CONCEPT

Q&A with David Munir Nabti, Bloom growth accelerator chief executive officer

Once upon a nascent ecosystem, the entrepreneurial minds in Lebanon were many but funders were few and support systems, such as incubators and accelerators, as rare as an honest politician. Then came the central bank's Circular 331 and a splurge in venture funds and acceleration programs – many of which have vanished or been forced to retrench with the cessation of bank-fueled entrepreneurship initiatives. To interact with an example for an acceleration entity of the post-331 age, Executive sat down with David Munir Nabti, chief executive officer of new growth accelerator, Bloom.

E You run a new acceleration program called Bloom and have been something of a fixture in the ecosystem for the past decade at least. However, it seems you are like an entrepreneurship nomad who carries his office on his shoulder and is not operating from a physical office. Why did you make this choice and what are your aims beyond having no physical head office?

I like finding healthy and inspiring environments (shows images of working in outdoor locations). But I also like connecting with different people. We like organizing discussions and hosting events in different places, and I'd love to do more of that.

E So despite operating in the virtual space, you are aiming for more events where people attend in person?

Yeah. The way in which we have been doing things in different phases over the last 13, 14 years, has been that we have been creating co-working spaces and then worked from co-working spaces and community spaces. We worked from here at [Beirut Digital District] BDD for a long time, and we worked from antwork for a while. All of these places are great and we need a lot more of them. In our role, though, we shifted to being online. We are now working with different groups and accelerators in Lebanon and in the region. We are now working with accelerators in seven countries, and we want to help them to do more stuff to leverage the online world […] but the physical community spaces are still super important. So ideally from our side at Bloom, we can work with dozens or hundreds of different community spaces in programs around the region and help them.

E You say "we as Bloom". What is this new brand and what is its heritage?

In the previous versions, where we were working in physical spaces, we had launched AltCity [in 2011] and prior to that there even was [a venture called] Rootspace. The idea for [the AltCity] launch really was that we wanted to see how we can create an alternative approach to a city, a version that we dream […] it was somehow utopian but also very practical in that we were living in it and making it real. It went very well, although we launched AltCity just around the same time as the crisis in Syria started really getting worse.

E How is your view on how much the future of acceleration and entrepreneurship will be online only, or how much will be happening in hybrid online and physical collaborations, and how much will be face-to-face training and discussion events?

I think there will be a lot more online only but I agree that the highest quality experiences will continue to be a hybrid mix.

E ***Was your decision to move into online from the previous AltCity model triggered by the pandemic?***

No. We shifted to that [model] about three and a half years ago, well before the pandemic. The model of AltCity originally was that we wanted to bring some of the benefits of innovation parks or incubation spaces in some way and combine this with the model of something like Starbucks. The idea was for a co-working cafe and literally to have 30, 40, [or] 50 of them around Lebanon. This was the original idea… but for whatever reason, it did not work here. We were running multiple businesses on a string line staff, on too small a budget, [and] the economics did not work quite out. It was exhausting and we were not having the impact that we wanted to have. So we and the team asked ourselves what things are going well and what things are not going well, and we changed the model. That is when we started shifting to the programmatic model, moving from a spatial office to a program office, and then we started to think a few years later if we could go fully online and do things more efficiently.

This is how we shifted to running online programs but also programs for programs. So we are still running accelerator programs but we are working more with other accelerators and other programs that offer education experiences. We have the tools and methods to help them run more effectively. We have ambitious goals. Our goal is that in the next two years, we want to graduate around 10,000 people from our programs. This can only work through a combination of three methods. One is direct programs that are supporting enterprises, [the second] is working with accelerators. It is sort of a community experience where we all learn from each other. The third is through the tools and software that we are building, which is the Bloom technology side.

E ***Is this software something that you develop and provide as software as services (SaaS) model?***

Yes, we are building it as a SaaS model. We are using some aspects of it internally now, and we will be rolling out the private data side in the next three to four months. Hopefully by [the third quarter] of this year, we will be expanding data users and soon after launching more publicly.

E ***How would you compare your operation at the time of AltCity with the online operation of Bloom?***

There are pluses and minuses of both environments. There are pluses to being in a physical space together. One [plus] is giving the people a more dedicated space to focus and also there are aspects to people being in a room together to brainstorm. There are things that are being helped by being in a physical space versus an online space, and I think the more valuable relate to serendipity, it is the random connections [that are created] as people go to the coffee machines to get coffee, or go to lunch together, bump into each other from different project teams and share some ideas. Those things are really powerful, not just for a team but for an ecosystem. These are things that we are working to address in the online environment. We have created for example casual team lunches [online] where people get together and chat about different topics, and we are seeking to have more balance between focus times and casual interaction time.

> “We are working more with other accelerators and other programs that offer education experiences. We have the tools and methods to help them run more effectively”

There are also benefits of the online space. Physical spaces can first of all be incredible distracting, and there are reports asking how many hours in an 8 or 9 hour workday people are actually doing work. There are studies showing that open plan offices are distracting for people doing team work. And it is team focused work that is actually most effective. We are trying to find ways that can help team members to focus their time and be able to engage the right people wherever they are.

E ***You say you aim for 10,000 graduates from the various entrepreneurship and acceleration programs. What would have been the maximum number of graduates that you could have dreamed of under the AltCity model?***

When we were running the early stage programs a few years ago [at AltCity], they were in person. We were running one pre-accelerator and two accelerators, working with around 20 teams per year [in the accelerators] and with around 60 teams in the pre-accelerator. About 100 were going through an early training program. When we shifted to online we did not just change [from having a focus on greater Beirut] to have people from other countries, but [added] the two different models that we are trying to expand on.

E ***It sounds like you are in the process of multiplying our impact through distributed partners, almost like a franchise restaurant.***

Exactly.

E ***It is through this aspect of communities of practice that you also want to help building effective communities of learning specifically in the acceleration space?***

This is part of our programs and we are working to build it into the software which focuses on the three pillars, which, by what we have seen in the world of entrepreneurship acceleration, is a new approach. One [pillar] is wellbeing and engagement, the second is focused on universal skills, and the third is focused on organizational development.

E ***How many people are in the team of Bloom? How many of them are developing the software suite?***

Our team is in six countries now, and we are running programs in eight countries. In Lebanon, Jordan, Palestine, Egypt, Tunisia, Algeria, [and] Morocco, plus we are working with a group of Iraqis that are in Turkey. Our team is in Lebanon, Egypt, again some Iraqis based in Turkey, France, Holland, the UK, and Qatar. We have 16 full time and another five part time, as consultants and stuff like that. There are about a third that are just focused on the programs, a third focused on the software side, and a third supporting both sides.

E ***How much of your team is in Lebanon and how much of your total operational activity is centered in Lebanon at this point?***

It probably is about half-half [in terms of team location], but we do have some people who go back and forth, spending some time here and some abroad. In terms of our operations, and the teams we are supporting [in Lebanon and in other countries], it is also about half-half, except that we have different roles in these two programs. For the program that is in Lebanon with the 50 enterprises, we are the main group managing [it] and managing the deployment of funds, etc. In the program where we are supporting groups in seven countries, we are leading the implementation of the training of the accelerators, the metrics and a lot of those activities, but are not dealing with the deployment of funds.

E ***And where are you incorporated?***

We are incorporated as a non-profit here in Lebanon and also exploring how to best incorporate outside of Lebanon. We are going to be incorporating both as a social enterprise and as a non-profit outside of Lebanon. We do have a sort of non-profit fiscal sponsorship arrangement in the US.

E ***Does that mean you want to migrate from a non-profit to a for-profit but social enterprise state of existence?***

I think we will always have both the non-profit and the social enterprise approach. We definitely want to make the social enterprise self-sustaining and hopefully profitable, so can we can be expanding our R&D, our tools, run more programs, and be more effective. That would enable a lot of benefits that are somewhere between much more difficult and impossible [to achieve] with a non-profit approach. We will always have a very strong focus on trying to reduce inequality. This is our core driving value.

> “[...] our focus really was on which groups can be sustainable creators of more jobs in Lebanon. Inclusive jobs.”

E ***It seems to be a challenge right now to pay people outside of Lebanon who are working with a Lebanese entity. How do you handle this?***

We are very lucky that our funding is primarily from outside of Lebanon and for different projects. Thus we have fresh funds that are not in Lebanese [pounds].

E ***And you circle them through Lebanon?***

For the most parts. We are trying to see how we can be hiring more both for our team and for enterprises [in our programs]. We have two programs that touch on Lebanon but one is fully focused on Lebanon. It is working to support 50 enterprises through eight accelerator cycles over the coming year. We are going to see how we can help them grow outside of Lebanon, but by growing their teams inside of Lebanon.

E ***Did the liquidity crisis of 2019 have a very severe impact on you?***

It did not change our model very much. Of course it did change our operations, the way we deal with aspects of currency exchange, transfers and funds, etc. We also did lose some funds that got locked.

However, the challenges presented by [the economic collapse were ones that] I was fearful of for many years prior.

E ***Is it correct that you had a seed funding that came from outside under a non-profit paradigm?***

We had pilot funding from several different sources, all of which has been either from outside of Lebanon or personal funding. We as co-founders have put in a substantial amount of our personal funds and of course a lot of uncompensated time and opportunity cost. But we had some seed funding to help with development.

When you say co-founders, this is you and who?

For the different elements over the years, there have been different co-founders. For the Bloom platform it is this gentleman Bilal Ghalib and myself. He is Iraqi American and also lived in Lebanon for a number of years.

Through the Bloom acceleration program, are you taking equity in any of the companies that you are accelerating?

We are not taking equity. There is grant funding that is supporting the program [of accelerating accelerators] and grant funding that is supporting the companies.

Some previously prominent acceleration programs have taken equity in the hosted companies, channeled foreign or local investments, or focused on grants. Do you see one of these methods as preferable?

I think all of these forms of finance are needed and we are running programs in all of these different flavors, equity based, grant-based, and even fee-based programs. These all are helpful and we need more of them in Lebanon and in the region. We need to give more options to startups for them to decide what is most appropriate [in response to] what they are looking for.

You as Bloom do not operate with an own investment fund, right?

We do not have a private fund. It is something that we have spoken about previously and would be happy to explore with people but part of [not having done so] is because there are only so many hours in a day.

Are any startups in your program ready for demo days, or do you sense any tech companies emerging from the underbrush that would by local standards be unicorns?

The program that we are running in Lebanon is focused on existing companies, not early stage startups. These are companies that have already had some traction and we will have a very exciting demo day in a couple of months. The venture capital world often looks for unicorns but strong economies are not usually made of unicorns. They are made from a lot of good SMEs. From this aspect, our objective was not to find unicorns, but to focus on sustainable job creation inside of Lebanon. Some of the companies are definitely investible and have mobilized investments but our focus really was on which groups can be sustainable creators of more jobs in Lebanon. Inclusive jobs.

In collaboration with KONRAD ADENAUER STIFTUNG

By Thomas Schellen and Alexis Baghdadi

THE PATHWAYS OF NEW LEBANESE MAKERS

A definitely export-bound outlook

Once upon a time of apparent – but as has been shown with overwhelming force, fake – stability in the Lebanese macroeconomic and entrepreneurship framework, the promulgated and immensely hyped dream declared the rising power of the local knowledge enterprise and tech entrepreneurship ecosystem. A large part of that dream has dissolved. It evaporated along with the illusion of a currency that could be the guarantor of startups, both makers and services providers, who would first prove themselves in the Lebanese test market, create jobs and achieve profits, and then venture into region and beyond.

Basma and Hexafresh are maker startups. They impersonate the Lebanese entrepreneurial dream in its latest incarnation. Today this means they are Lebanese tech ventures with manufacturing focus that have export potentials but no significant prospects to find clients in the country.

Hexafresh is a climate-wise compatible, zero-emission and low power consumption engineering solution for cooling needs in small spaces, like a home office. Basma combines the digital era technology of 3-D printing with the provision of a comparatively painless correction of a deeply rooted human problem: crooked teeth and imperfect smiles.

Both solutions saw the light in the past few years. Basma, which was created in 2018 with investments from founders, family, and friends, saw a first non-family funding round between the fourth quarter of 2019 and first quarter of 2020. Hexafresh, which is still in the prototyping phase of manufacture, was established in July 2020 with support from Berytech Fund's Cleanenergy program.

Both startups thus were immediately confronted with the financial barriers and market access hurdles that have sprung up in Lebanon after the stumble and fall of the lira some two years back. The worst thing about them, from a local market perspective, is that they have given up on the idea of local sales for the foreseeable future. The best thing, from a local labor and talent perspective, is that their vision remains alive for job creation in Lebanon.

BASMA

Name: Basma
Date founded: 2018
Founders: Dr. Cherif Massoud
Industry: Healthcare device manufacturing (dental aligners)
Business model: B2B, B2C
Incorporation status: Incorporated in the UK
Number of employees: 40
Latest funding received: A series investment round of $3 million was completed in June 2021

Basma is an example for adaptiveness and quick thinking in inspired innovativeness, meaning that founder Dr. Cherif Massoud did not shy away from jumping onto a winning idea that had been making inroads in developed markets but had no champion yet in the Middle East and North Africa (MENA) region. As he tells Executive, Dr. Massoud had practiced as an orthodontist in Lebanon for several years but saw his profession move into new and rising technologies of dental aligners that could for certain patient profiles substitute older corrective devices, such as orthodontic braces and retainers. "Change was happening and I had two options. I could either lead the change in our region or [see my business] die slowly," he says.

LEBANON-BORN, OVERSEAS-BASED

As aligner technology was seeing growth in developed markets, Dr. Massoud saw an opportunity in bringing the new dental devices to markets in the MENA region, even as he and a business partner with engineering background dismissed, from the get-go, the idea of registering their enterprise in Lebanon.

Moreover, when preparing to conduct a first funding round in late 2019, Basma deliberately did not seek any funding that was guaranteed under the Lebanese central bank Circular 331. In the seed round, which was completed in January 2020, the investing funds nonetheless were local, including angels and noted Lebanese venture capital players B&Y and Cedar Mundi, along with the Kafalat-affiliated iSME. Following this $1.2 million round, a $3 million Series A round was completed in June 2021. It was led by Middle East Venture Partners (MEVP) and involved iSME, Cedar Mundi, IM Capital, a UK-based fund called SOSF, and one by name of IFA capital.

Based on the venture's dismissal of Lebanon as legal base, Dr. Massoud moved to the UK. He explains that the entrepreneurship environment there is very accommodating, making it easier to get started, in addition to having a "potent market" for Basma's products. The prospective loss of the Lebanese market, however, would not deter him because it did figure in operations but not market terms. "From day one, we were physically operating in Lebanon but mentally operating in the region, and we see ourselves in the coming five years as having 50 percent of our revenue from the [MENA] region and the other 50 percent from Europe," he says.

The team of Basma has grown to 40 persons who are located in Beirut, the startup's headquarters in the UK, Riyadh, and Dubai, where the company recently set up an office. With an aim to grow its teams in all four locations, the largest cohort of Basma's employees by job description is the customer relationship management and customer support team. It is followed in size by the engineering team, developers, and three marketing teams. According to Dr. Massoud, 20 percent of employees are healthcare professionals and technicians. Most importantly for Lebanese stakeholders, he says that all employee specializations are present in the startup's Lebanon team which accounts for 75 percent of Basma's workforce and is envisioned to expand from 30 to about 100 persons by end of 2021 or early 2022.

The company's business model is informed on one hand by its manufacture of healthcare devices, which make partnerships with clinics and medical practitioners in its main target markets – currently Saudi Arabia and United Arab Emirates – a prime market access conduit. From this perspective, Basma's recently obtained funding will be dedicated largely to the development of its partnerships with dental clinics in the Gulf, where its infrastructure is designed to involve medical practitioners. "We are a healthtech startup but this is still a medical device and you need the follow up of a doctor. We thus need to increase touch points with healthcare industry on the ground and online," explains Dr. Massoud.

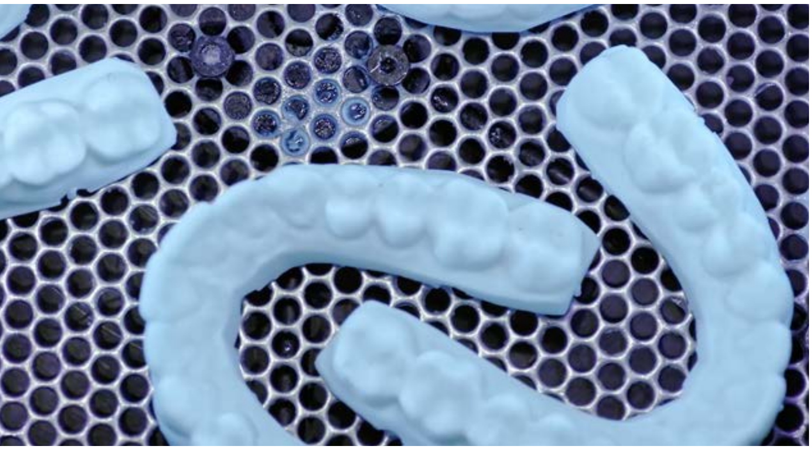
On the other hand, however, Basma was not deterred from operations during the 2020 lockdowns in target countries, because the business to consumer (B2C) channel of its online reach was impervious to the lockdown restrictions that many dental clinics were faced with (numerous surveys last summer mentioned dentistry related professions as the most exposed to coronavirus risk). To the contrary of being hurt by the pandemic, the startup's portal Basma.com was launched as digital native brand in March 2020, as first and only company to offer orthodontic digital end-to-end service in the region. "We are able to deliver our treatments fully online, this is our edge," Dr. Massoud enthuses. According to him, Basma followed the direct to consumer success of its portal by developing the additional support offering of connecting patients' to medical practitioners who are not far from their physical location.

> The best thing [about newly established Lebanese maker startups], from a local labor and talent perspective, is that their vision remains alive for job creation in Lebanon

LEADING IN THE REGION

Partner clinics will not need to be equipped with an own 3-D printer but rather with a digital scanner for dental impressions. For development of its partner network with local clinics in the immediate main target markets such as the UAE, the company is engaged with aligning clinics digitally by either integrating an existing digital scanner or providing a scanners to clinics who do not have this equipment. Additionally, given that the method of dental aligners is new and may not be known to all partner practitioners, the startup created a "Basma

“The best way how we can focus on helping the economy is by focusing on a very smart end product that we can produce in Lebanon and export to anywhere in the region”



academy” for delivering training – by video tutorials or in-person sessions – to doctors over a short term.

The overall aim is a good customer experience. “We try to make it an easy and nice experience for our users by minimizing the number of clinic visits and doing most of the work ahead of time, thus decreasing the chair time with the doctor and just making the necessary things happen in the clinic, with all the rest digital,” Dr. Massoud emphasizes, adding that by not outsourcing any part of its aligner production, the startup was able to create a strong customer support infrastructure and feedback loop with customers.

Among what he says is a $4 billion dollar addressable market in region, Basma’s prime target group are younger adults above 18 who either had had prior braces – 40 percent of customers – or had not previously had the chance to align their teeth because of financial or other reasons. The main selling points for Basma’s dental aligners according to Dr. Massoud thus are convenience, moderate costs and digital payment options, and the customer’s retained confidence because the product is discreet – the aligners are not as visible as braces.

Despite the impassive rise of this Lebanese-born dental startup, however, persons in Lebanon who would like to rely on Basma to improve their smiles, should not expect that the company’s growing MENA network will reach here any time soon. “We don’t view Lebanon as a market at all. We view Lebanon as a place for us to work, to operate, to produce and to export. We don’t look at Lebanon as a market because in the financial collapse, it cannot be a market. It is a driver and place where we can operate and attract talent, provide jobs and serve the region because we can speak the language,” Dr. Massoud explains.

The company – whose plans already envision a Series B funding round in 18 to 24 months – wants to remain independent in the short to medium term but possible exits beyond consolidating its aimed-for MENA and European market positions, could well include an acquisition by a strategic partner.

In the same breath by which he concurs that the best way to put shining smiles on the faces of residents who remain in Lebanon today would not be a dental correction but reforms and economic policy, the expatriate founder of Basma confirms, “Lebanon is in our hearts and the best way how we can focus on helping the economy is by focusing on a very smart end product that we can produce in Lebanon and export to anywhere in the region.”

HEXAFRESH

Name: Hexafresh
Date founded: July 2020
Founders: Mohamad Chaaban, Mohamed Ibrahim, Riwa Matar, Rodolphe Salem
Industry: Manufacturing (HVAC)
Business model: B2C
Incorporation status: Applying for incorporation in France
Number of employees: 5
Latest funding received: Seed funding ($17,000) through the Berytech Cleanergy Program

[Editor's note: The Hexafresh profile was researched and written by Alexis Baghdadi, Executive's managing editor].

By this time next year, Lebanese startup Hexafresh aims to start rolling out the first prototypes of its flagship environment-friendly cooling solution "made in Lebanon" to the French market. With the proviso that most materials for its units will consist of imports, Mohamed Ibrahim, Hexafresh co-founder and chief technological officer, assures us that the company's product and future ones will be assembled in Lebanon and presented as Lebanese in both concept and design, following the strategy adopted by an increasing number of European and international companies. The promise is clear: a zonal air conditioning unit that really cools and really produces zero emissions.

How ironic is it that electrical appliances designed to cool temperatures actually contribute to rising global temperatures? With a growing world population, air conditioning units are becoming increasingly essential to ensure indoor comfort in hot and humid regions, not least so in our part of the world. But such cooling devices are also becoming necessary in regions previously considered temperate but now experiencing the effects of global warming on fauna, flora, and human life. It seems the higher temperature rise, the more air conditioning units will be in demand, producing more emissions that contribute to heating the planet and locking this vicious circle in motion. With a growing demand and need, even so-called energy-efficient air conditioning units and their reduced emissions cannot offset the seemingly inexorable temperature rise. Simply put, emissions are still produced by the compressor components of air conditioners, and "energy-efficiency" only denotes savings in electrical input as a ratio of a unit's cooling capacity.

Seeking the best high-efficiency and environment-friendliness alternative to conventional air conditioners, Hexafresh opted for thermoelectric coolers. These devices cool air and diffuse it through a fan, making them more attractive than regular fans that only displace air. They also lack a compressor unit and therefore produce no emissions. Thermoelectric coolers function according to the Peltier principle whereby an electrical current passing between two dissimilar metals can produce a cooling effect going one way, and a reverse heating effect going the other way. The only input is electricity, the only output is cooled or heated air, with zero emissions. While studying at Rafic Hariri University, Ibrahim was first exposed to this technology and he put together a handmade prototype with a team of friends who would eventually become co-founders of Hexafresh. Later while pursuing advanced studies at HEC Paris university, this technology materialized into an application and business concept.

The trigger for Ibrahim were the heat waves France experiences every year. Recently, France has been recording an increasing number of deaths from heat waves year-on-year, marking a high of

1,924 casualties in 2020 according to French public health services (up from 1,500 in 2019). Factors affecting this increase include an ageing population and, as of last year, additional complications related to the COVID-19 pandemic, but the real killer remains global warming. Even as temperatures continue to rise, cooling solutions are not evident in the country: the installation of many conventional air conditioning units is banned in many residential areas in France because of their emissions, the noise they produce, or simply because they are seen as an aesthetic blight on certain neighborhoods' architecture.

And so in July 2020, Ibrahim and his co-founders applied for the Berytech Cleanergy Program and one of their concepts was selected and became Hexafresh. With USD 17,000 in seed funding from the Netherlands, the team was able to produce a minimum viable product (MVP), the eponymous Hexafresh unit, assembled in Lebanon from electrical parts, fiberglass, and aluminum. In the future, the unit's body will be 3D-printed, rendering it more lightweight and affordable. Part of the seed funding also went into running an Ansys simulation on the prototype to maximize its efficiency. "Depending on conditions, we can safely say today that Hexafresh can produce a temperature of eight to 10 degrees lower or higher than the room temperature," Ibrahim affirms. As a way of saving costs for consumers, Hexafresh designed their unit as portable and zonal. According to Ibrahim, the Hexafresh unit consumes only about 300 watts to heat or cool the air by eight to 10 degrees inside a volume of 1.3 m3, consecrating it for personal use. Being this energy-efficient, effective, portable, and sold for a fraction of the price of other alternatives, makes it an attractive value proposition for individuals at home; almost as if it was intended for the elderly in France. As added benefits, the Hexafresh unit acts as an air freshener and dehumidifier.

MIDWAY BETWEEN FRANCE AND THE GCC

For the near future, Hexafresh will seek to secure $50,000 in angel investments. After incorporation in France, this fund will be used to obtain the CE certification for their product and manufacture 300 air conditioning units that will be rolled out for user-testing in France in the summer of 2022. "We sought to incorporate in France because it makes things so much easier for us financially right now. Our main market is France and our brand identity is based on the French market and we are looking for funding opportunities and partners in France," Ibrahim says, explaining that "Hexa" is a direct reference to the roughly hexagonal outline of mainland France that earned the country its nickname "L'Hexagone," and can be seen in the shape of the Hexafresh unit. "While the economic situation in Lebanon poses many problems, it has benefited us in terms of reduced labor costs. Hopefully we can maintain our design and assembly operations in Lebanon and once the situation improves, we can contribute to better job creation." Feedback gathered from testers will serve to prepare the final consumer product that should be set for mass production in 2023.

Of course, France isn't the only target market for Hexafresh but it is an ideal testing ground. "The need for a viable air conditioning solution is a real pain in France, and it could save lives among the elderly" Ibrahim comments, adding that other countries at high risk of casualties caused by heat waves include Belgium, the Netherlands, Germany, the United Kingdom, among others. Hexafresh units could also be purchased as casual personal air conditioners in less life-threatening settings. Asked about the Lebanese market, Ibrahim admits that hyperinflation, coupled with erratic fuel and electricity provision may not put their product within easy reach of many Lebanese residents, unfortunately. Hexafresh have their sights set on penetrating GCC markets with versions of their product intended for outdoor use. "Lifestyles have started to change in the GCC," explains Ibrahim, "with the COVID-19 pandemic and confinement, people have started seeking to spend time on their balcony or in their garden, and this is the growing niche we are targeting." Currently, the only cooling solutions for limited outdoor activities in GCC markets consist of large fans with misters, which are bulky and require maintenance. Ibrahim sees virtually no competition for Hexafresh once they introduce an adapted version of their personal air conditioners equipped with batteries. According to Hexafresh's financial model, the company will be valued at $1.2 million within five years.

> "While the economic situation in Lebanon poses many problems, it has benefited us in terms of reduced labor costs."

Bayer introduces digital ophthalmology in Lebanon through its Alleye home-monitoring sponsorship program

An interview with Dr. Samer Al Faqih, managing director and commercial area head, Bayer Levant

As more and more of the way we receive healthcare shifts towards online, Bayer Middle East looks to utilize digital health to provide better eye care for local patients and support doctors through the launch of the Alleye Home Monitoring Sponsorship Program.

Dr. Samer Al Faqih, managing director and commercial area head at Bayer Levant, shares how Bayer are innovating virtual care.

Courtesy of Zaven's program "Bala tool Sira"

What is Alleye and how will it improve the patient experience?

"Alleye" is a mobile medical software application that helps detect and characterize visual distortion in patients with retinal diseases like Age-related Macular Degeneration, a moderate or severe distance vision impairment or blindness. What makes it such a revelation in terms of eye care is that patients can now check their condition by themselves at home and it is also very user friendly and simple to navigate. Patients will be able to send their vision scan results to their ophthalmologist who will, in turn, analyze their results to determine if the patient's condition is stable or has improved or progressed in a way that requires intervention.

In sum, Alleye means that patients can manage their condition from the safety of their home and therefore giving them the peace of mind they need.

What is the current landscape in terms of retinal diseases and eye care in Lebanon and the region?

As we all know, the COVID-19 pandemic caused massive disruptions in the healthcare industry, requiring professionals to re-examine the traditional face-to-face patient-physician care model. It also highlighted the need to incorporate new models of digital healthcare solutions in ophthalmology, such as home-monitoring, to meet this challenge.

Diabetic Retinopathy, a complication of diabetes, is the leading cause of preventable blindness in adults. A recent study also showed that 24.6 percent of Type 2 diabetes patients in Lebanon suffered from Diabetic Retinopathy, and diabetics with a more severe Diabetic Retinopathy condition presented late to ophthalmology clinics.

In addition, diabetes as a disease is estimated to become even more prevalent than it is in the region during the next two decades, with data from the International Diabetes Federation Diabetes Atlas revealing that diabetes cases in the Middle East are set to rise by 110 percent by 2045.

In terms of eye care, there really isn't anything like Alleye in Lebanon or the region, so this will be a revolutionary tool to help address the needs of patients and doctors when it comes to disease management.

How will the program help in this regard?

The sponsorship program enables ophthalmologists of partnering hospitals across Lebanon to keep a regular track on the vision of their retinal disease patients, with the aim of limiting deterioration linked to diabetes and aging as well as optimizing in-person ophthalmology visits. Additionally, ophthalmologists will also be able use Alleye to observe their patients' conditions, monitor disease progress, and allocate needs more closely than ever before.

Another huge benefit of Alleye, and this program in particular, is that it will also help us to detect signs of early disease before the patient is truly aware of it, giving us a chance to prevent long term and irriversable damage. A recent study showed that Alleye can detect the progression in macular disease with an accuracy of 93.8 percent and a false alarm rate of only 6.1 percent, which means that false alarm rates for the detection of progression in macular disease via home monitoring is low.

About Bayer

Bayer is a global enterprise with core competencies in the life science fields of health care and nutrition. Its products and services are designed to help people and planet thrive by supporting efforts to master the major challenges presented by a growing and aging global population. Bayer is committed to drive sustainable development and generate a positive impact with its businesses. At the same time, the Group aims to increase its earning power and create value through innovation and growth. The Bayer brand stands for trust, reliability and quality throughout the world. In fiscal 2020, the Group employed around 100,000 people and had sales of 41.4 billion euros. R&D expenses before special items amounted to 4.9 billion euros. For more information, go to www.bayer.com.

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In collaboration with KONRAD ADENAUER STIFTUNG

By Alexis Baghdadi

NEITHER WANTING NOR WASTING

The new social enterprises in Lebanon's entrepreneurial landscape

Lebanese industries have not been able to take part in the post-COVID-19 global recovery and accelerated reopening; already severely crippled by limited access to financing and the loss of a sizeable portion of their imports, they also have to contend with the surge in prices of commodities worldwide, making it ever more difficult for them to maintain productivity, much less profitability and job creation. With this upward price trajectory showing no signs of slowing down so far, the trend is toward adopting lean manufacturing principles, exploring new investment vistas, particularly the growing number of social and impact investment funds for enterprises that implement environmental, social, and governance (ESG) principles, focusing on exports, and rethinking raw materials from a local sourcing perspective. For budding social entrepreneurs, the last point present interesting opportunities that could eventually translate into profitable business models, create jobs, and even alleviate some pains in the local market.

THINKING OUTSIDE THE NORMS

Taking a step back is necessary to start understanding the landscape in terms of local and sustainable raw materials. The list isn't very long and consists mainly of agricultural produce and limited construction materials (think cement). The first category can easily meet environmental and social standards, being local, necessary for food safety, job-creating, and requiring limited imports and inputs – or almost none in the case of organic or fair-trade crops so attractive for export markets and able to bring in "fresh" US currency. It also aptly supplies growing domestic demand, exacerbated by the dearth of imports and their rising costs. Construction materials, on the other hand, do provide jobs and may generate income from exports, but they are a long way from meeting ESG standards; the main three companies in Lebanon hardly give anything back to the community and their production processes are hungry for imports of fuel and equipment, not to mention they are not exactly environment-friendly. While these producers await positive political and economic developments to resume their exports to Syria and Iraq, they will also have to contend with regional giants in Iran and Turkey, according to International Cement Review, one of the leading publications in the global cement industry. A more sustainable long-term strategy would be investing in research and development of cleaner alternatives and production chains.

In both sectors, Executive looked at a few promising examples of social entrepreneurs already actively working towards viable alternatives and models. On the more business side of things, local startup Plastc Lab, the brainchild of brothers Rami and Ralph Sbeih, is developing specialized construction materials from an unexpected and environment-friendly local source: plastic waste. Taking a less profit-oriented approach, locally-based US-born entrepreneur Brant Stewart is working on repurposing and revaluing the pro-

> "We have the opportunity to create a product that is 100 percent locally sourced and high quality, and we are well-positioned to do so"

duction, processing, and distribution chain of local wheat and other agricultural products by operating as a social enterprise.

LIFE-SIZE LEGOS

In 2019, Rami Sbeih, a biochemist by education, and his brother Ralph, a civil engineer, were introduced to preciousplastic.com, an open source of courses and diagrams for alternative plastic recycling systems, encouraging more individuals to build new products from this resource and even start businesses. The most commercial applications involve pressing plastic waste into sheets, extruding it into beams and bricks, or injecting in free-form for more customization. The brothers were immediately won over by the idea and saw the environmental benefits in it, as well as its business applications. "We have the opportunity to create a product that is 100 percent locally sourced and high in quality, and we are well-positioned to do so," says Rami. While there is no accurate data about waste in Lebanon, he estimates that plastic accounts for a large portion of that waste and that less than 10 percent of that plastic is not recycled. The brothers began experimenting in their family home, and eventually launched Plastc Lab in July 2020 after receiving $17,000 in support from Omdi, a program financed by the French Institute and French Embassy in Lebanon, in partnership with the makesense incubator. The cash was used to order a shredder, a sheet press, and an extruder from Europe in order to produce sheets, beams, and blocks that could be used in outdoor structures and interior design. While dealing with unexpected shipping delays, Plastc Lab applied for and received support from Berytech's Cleanergy Accelerator Program, which allowed them to develop the business side of their idea but also to locally assemble their own shredder and sheet press, and rent a 1,500 m^2 warehouse in Halat to start research and development. Recently, Plastc Lab won a competition organized by Seeders, a group of angel investors and part of the IM Capital investment fund, receiving financial and in-kind support that will go towards further bootstrapping their operation.

In addition to the Sbeih brothers, Plastc Lab currently employs up to 3 workers on a part-time basis. The current operating model will serve as a blueprint for future large-scale production when a larger team will be necessary. First, the company buys plastic waste from local recyclers such as Live Love Recycle and Arcenciel. Rami explains this choice: "We are not interested in collecting our own waste, although we do have a small collection point outside our warehouse where friends and neighbors drop their waste. What matters to us is integrating the existing ecosystem of recyclers. By buying from them, we are validating their work and helping maintain their operations. In addition, some recyclers sort their plastic waste by type, which facilitates our job." Even so, the second step in the process involves hand sorting on-site by type and color of plastic. There are seven types (numbers) of plastic used in different products, and most fit the bill for Plastc Lab, except type 1 (polyethylene terephthalate or PET, used in water bottles but not ideal as a resistant material) and type

3 (polyvinyl chloride or PVC, used mostly in water pipes and considered toxic to foods). Apart from type 1, the most common plastic products are type 2 and 5 (both used in food, shampoo, and other liquid containers and caps). The process could be mechanized with sophisticated infrared-equipped sorting machines but this is not on Plastc Lab's radar for now. "Taking time to sort by hand is an added value for our products, and it guarantees its composition and quality," says Rami. The plastic is then shredded and pressed into sheets at 200 degrees Celsius, or processed through and extruder to produce beams. Once Plastc Lab receives delivery of its block mold, it will also be able to produce construction blocks.

In the coming months, Plastc Lab s.a.l. will be incorporated in Lebanon while the Sbeih brothers will complete enhancing the physical characteristics of their product and acquiring all the necessary quality certifications to market their product. Once everything is set up, the company will seek Series A funding from local and international sources. Both envision maintaining their operation in Lebanon despite the country's decline. Their products will be targeted directly to contractors, architects, and interior designers, and will priced competitively according to Rami: A 1m x 1m recycled plastic sheet will cost around $15, almost the same as other materials, but with the added feature that it requires no maintenance and can be recycled over and over. They have notably developed interesting synergies with Modeo Systems, a Lebanese designer and manufacturer of modular furniture also interested in sustainable locally sourced materials. "We want to show people that plastic can be recycled well and that it is a valuable resource. Even people who sort their waste do not know what becomes of it after they drop it off. It could end up in landfills or be recycled as cheap plastic products. We want to raise awareness and show how the loop can be closed with zero waste," Rami says. To that end, part of their warehouse space will also eventually be dedicated to holding awareness sessions.

FROM FIELD TO TABLE

Near a trending corner of Gemmayzeh, Mavia Bakery is known to its customers and followers on Instagram for baking sourdough bread and other goods using locally grown wheat and other ingredients. Behind this seemingly innocuous operation is a growing network of local and international individual partners and donors concerned with revaluing local produce and also providing free food to needy Syrian and Lebanese families in Lebanon. The operation is headed by Brant Stewart, a documentarian and baker who has been seeking ways to help vulnerable demographics since he first visited the country in 2013. Initially, Stewart registered a non-profit public charity in the US under the name "Sadalsuud" (the conventional transcription of the Arabic name "luck of lucks" for a group of stars in the Aquarius constellation) and collected donations to facilitate access to education for families in Tripoli. In 2017, his operation was hosted by the Shift Social Innovation Hub in the city, and it is there that he began hobby-baking in the center's shared kitchen and teaching local women about sourdough, eventually creating a buzz. He was also introduced to local wheat varieties such as "salamouni" and "bekaai" and was surprised to learn that these were not held in high regard by local producers, as commercial bakeries and wheat mills prefer imported hybrid varieties. This set the wheels in motion and by the summer of 2019 Stewart shifted his organization's main focus to building a model full-circle operation around local wheat, from growing to harvesting, milling, baking, and even free distribution for the needy. "I believe in local wheat, and I think it is unhealthy for a country to depend so much on imports when it can grow a perfectly good alternative," he comments.

"I believe in local wheat, and I think it is unhealthy for a country to depend so much on imports when it can grow a perfectly good alternative"

Despite the unfortunate timing, by May 2020, Stewart had managed through donations to rent and equip a location in Gemmayzeh, even employing a number of women from Tripoli. "Bringing people from different backgrounds together was always at the heart of what we wanted to do, but we realized Beirut was more cosmopolitan and it was easier to bring the country to Beirut than the other way around," he explains. In efforts to provide women from underprivileged backgrounds to generate their own income and take pride in their work, the name "Mavia" harks back to a fourth-century warrior queen who ruled over Tanukhid semi-nomadic tribes in southern Syria. By Stewart's account, the bakery's customer base was growing steadily, a chef was brought on board to develop a lunch menu, and a number of local farmers and landowners showed interest in planting or donating land to grow local wheat varieties. August 4, 2020 put a temporary halt to this, with the bakery taking its share of the heavy damage from the explosion. But one month later, the bakery raised $2,000 through crowdfunding and donations from different parts of the world to rebuild and was soon back in business. In the immediate aftermath of the explosion, it served as a soup kitchen providing meals for residents of the most hard-hit areas, in collaboration with the Basmeh & Zeitooneh NGO, and the Nation Station initiative.

One year on, things are back on track for Stewart, with operational growth still rooted in donations. As at July 2021, he had managed to bring in his first harvest of wheat from Lebanese varieties, grown in different plots in the Bekaa, including in collaboration with a local seed-preserving NGO named Buzuruna Juzuruna. A state-of-the-art stone mill is on its way from Austria, which will produce whole-wheat flour for the bakery, but also for sale at a subsidized price to partner bakers, bankrolled by donations at first. As it stands, the price of wheat from local flour hovers above 10,000 Lebanese pounds per kilo, compared to 1,400 Lebanese pounds per kilo for mass-market commodity flour. The mill will also service small growers and their wheat harvests, in an effort to generate better interest in local varieties. The third component in his growth plan is the establishment of a free, subscription-based bakery in the Bekaa, serving the families most in need. From a business and logistics perspective, this plan will require partnerships. "There is much unused or mismanaged land, and we want to make it clear to landowners that they can turn a profit and contribute to improving food security simply by growing wheat conscientiously and reviving local varieties. Oversight will be necessary every step of the way," he says. Closing the loop, will be individual consumers who will drive demand. "We want to take deliberate and intentional steps to encourage people to consume better quality local products, whether through our own customer base, or through select partner bakeries buying flour from our mill at subsidized prices so their products stand out among the competition," he says. A vast program for which Stewart is currently considering incorporation, either as an NGO, or as a business, unless opportunities arise for partnering with existing entities. He admits that sales of his baked goods, while reasonably priced, are not close to generating profits at present. Current gross income stands at around 660,000 Lebanese pounds per day, but this needs to rise to 2,300,000 per day to break even. "The sad current reality is that it's easier to raise funds from donations in the US than from sales in Lebanon," he says.

By Alexis Baghdadi

CONTENT AND SATISFACTION

Beirut-born podcast app aims to increase its MENA expansion and leadership

Name: Podeo
Date founded: 2019
Founders: Stefano Fallaha
Industry: Technology and Media (Podcasts)
Incorporation status: Incorporated as a US holding (owner of Podeo FZ-LLC, Podeo Inc., and Podeo SAL)
Number of employees: 22
Funding received: Seed funding through Razor Capital with co-investments from Globivest VC and other investors
Awards and accolades: Grant from the Supreme Committee for Delivery & Legacy

Podcast hosting platforms have been around for a while, with global leaders like Buzzsprout, Podbean, and Libsyn (the pioneer in the field since 2004) serving as both content aggregators and creators, but until 2019, the Arab World market was still underserved in terms of localization. Founded by Stefano Fallaha, Podeo deserves recognition for being among the first podcast platforms from and for this region, as well as for successfully managing its rapid growth. Until it raised its first seed investment round in March 2021, Podeo had been entirely bootstrapped, generating basic revenue from its content, as well as a grant from the Supreme Committee for Delivery & Legacy in preparation for the upcoming World Cup. Today, the platform hosts the largest catalog in the region with over three million podcasts In Arabic and English, including hundreds of exclusive podcasts.

A COMMUNITY-BASED APPROACH

So what sets Podeo apart? "We want to push the audio culture in our part of the world," says Fallaha. A number of factors played into that equation, based on Podeo's learnings from audio user behaviors. First among those is the app's extensive library. In addition to curated and tailored aggregated content, available for free on the Podeo app, the company not only began creating its own high-quality exclusive content, but also opened the door for podcasters from the region to to start their podcast with Podeo, thereby launching a rapid multiplier effect that contributed to the rapid growth of its catalog. The cost of producing exclusive content depends on the type of content itself (documentary, interview, solo, cast production) and the amount of research and production that goes into it. This content is not limited in type or scope, the same as other aggregated or user-generated content, and covers anything from entertainment to politics and sociology.

Second, the platform analyzes and responds to each user's activity (searching, downloading, listening) to highlight and suggest content suited to their preferences, while of course showcasing new content, be it Podeo exclusives or brand-sponsored content.

In that same vein, a third factor crucial to Podeo's rapid growth was the platform's AI tools that allow it to analyze listener engagement and behavior. For example, whereas most platforms provide only download numbers by region, Podeo delves deeper to examine listenership behavior, providing a holistic understanding of their audience preferences and better tailor their content to meet demand.

When asked about content appropriateness and censorship, Fallaha concedes that this issue was always in the back of the platform creators' minds, but major concerns have been successfully avoided thanks to self-policing by the content team. "Content is a huge world, and being independent comes with a huge set of challenges. We are not biased against any content, as long as it does not violate community guidelines. Instead, we take a community management approach to such issues," he states. For Podeo's own exclusive podcasts, an editorial team ensures the content meets these standards and also performs the necessary research and fact-checking. However, when it comes to aggregated content, it is impossible to review millions of hours of podcasts to ensure all their content is appropriate. "Our listeners act as the community watchdogs and alert us to potentially offensive or abusive content so we can investigate and take appropriate action."

Fourth, Podeo is experimenting with a revenue-sharing model from advertising income and brand sponsorship, the details of which are not yet shared publicly. The idea would is to provide a strong incentive for content creators to produce and distribute more quality podcasts through the platform, driven by the promise of financial reward and based on the performance of their content through an algorithm.

EXPANSION AND LOCALIZATION

Podeo is incorporated as a US holding company, one of its offices operating out of Beirut, Podeo SAL, located in Lebanon. Despite the severe economic downturn in recent months, and even after their offices were damaged in the August 4, 2020 Beirut Port explosion, he considers Beirut as a good choice for Podeo's operations. "There is a great added value to working in Lebanon: We have access to a huge pool of readily available creativity and talent here," he says. The company's UAE arm, Podeo inc., comprises a much smaller team, focused mostly on sales and content.

Podeo aims to use its recent seed funding to grow its team and resources in the region, betting on localization to accelerate uptake and contribute to the development of more communities. For the fourth quarter of 2021, Fallaha hints that the platform will partner with a global player and will also be rolled out with operators based in the UAE and Saudi Arabia. "We are able to localize and restrict or highlight content by region as well as by user," he mentions. As part of that growth strategy, he tells Executive that the platform is currently working on simplifying and streamlining its internal hosting dashboard to draw in more users and generate more content, at no extra cost.

"Content is a huge world, and being independent comes with a huge set of challenges. We are not biased against any content, as long as it does not violate community guidelines."