

**DRC** DANISH  
REFUGEE  
COUNCIL

# MAPPING AND ANALYSIS OF DIASPORA BUSINESS ENGAGEMENT MODELS IN FIVE VILLAGES OF LEBANON

RESEARCH OF DIASPORA ENGAGEMENT  
IN ECONOMIC RECOVERY AND JOB CREATION

April 2023

A research done by

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# ABOUT DRC AND ITAR



The Danish Refugee Council (DRC) is a humanitarian, non-governmental, non-profit organisation founded in 1956 that works in 40 countries throughout the world. DRC fulfils its mandate by providing direct assistance to conflict-affected populations; refugees, internally displaced people (IDPs) and host communities.

DRC also operates a Diaspora Programme with the aim to facilitate, support, and enhance the role of diasporas as effective agents of humanitarian assistance, recovery and development.

In Lebanon, DRC focuses on improving the protective environment and the living conditions of displacement-affected populations as well as contributing to the achievement of durable solutions. DRC has been delivering humanitarian programming in response to various humanitarian crises in Lebanon since 2004.

Our sectors and programming in Lebanon focus on Protection and Economic Recovery.



Itar Consultants is a network of consultants that provides services to a wide variety of actors involved in the humanitarian and development sectors, including non-governmental organisations, development agencies, UN agencies, and public authorities.

Itar conducts needs assessments and strategic research to inform and support the design of humanitarian and development programmes, as well as monitoring and evaluation to track and evaluate the success and impact of projects compared to their original objective.

## ACKNOWLEDGEMENTS

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# 1. EXECUTIVE SUMMARY

## 1.1 RESEARCH CONTEXT AND OBJECTIVES

This research is a first attempt at “scratching the surface” in terms of understanding how diaspora engage in local economy and job creation in five selected communities in Lebanon. Even if it is a first attempt, it does provide a detailed description of the dynamics and models that have been developed between diaspora and relatives in their country of origin, and it does deliver documentation for how the engagement of the diaspora is essential for both livelihoods and job creation in the target area.

Diaspora is the backbone of the Lebanese economy. With 6.84 billion USD in remittances in 2022, diaspora contributed to 33% of Lebanon’s Gross Domestic Product (GDP). While the majority of diaspora sends remittances to support their families’ immediate consumption needs, some are instead supporting relatives to move away from dependency on these transfers and become self-reliant by starting up, sustaining or further expanding a business. As existing literature does not shed light on the topic in Lebanon, this study aims to:

- Identify existing diaspora business engagement models; and
- Understand the dynamics and impact of such an engagement.

The study targets Lebanese and, to a lesser extent, Syrians, in five villages in North and East Lebanon (Burj Al Arab, Wadi Al Jamous, Baalbek, Shmustar, Zahle and Majdal Anjar). The reason for only targeting these five communities is that they host a significant number of Syrian refugees, and DRC is targeting these communities with economic recovery activities. The research has been conducted to assess the viability of linking existing activities with activities around remittances and diaspora business engagement.

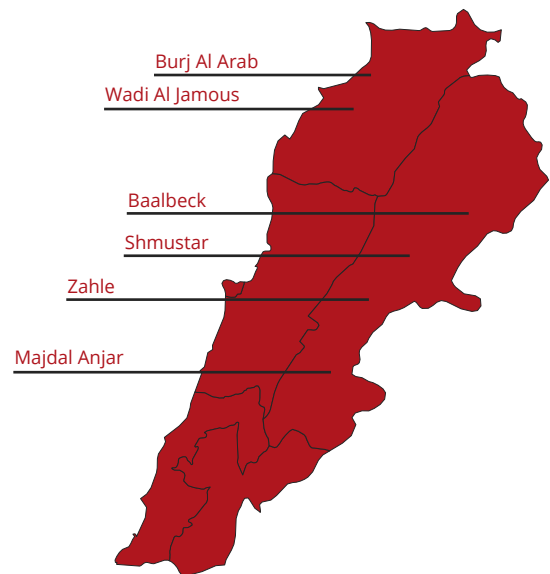


Figure 1: Map of locations of data collection

## 1.2 KEY FINDINGS

- 1. For-profit vs. for-charity:** In a number of cases diaspora members supported relatives to start a business through two main models – for-profit and for-charity. In the for-profit models, the diaspora member expects some form of return on investment and can be involved in different degrees (e.g. actively participating in decision-making or not at all). Whereas in the for-charity models, the diaspora member contributes to support a relative or someone in the community without expecting something in return.
- 2. Main motive is to support relatives:** The main motive behind the support from diaspora is to sponsor relatives through business instead of sending remittances to cover everyday consumption.
- 3. Family in focus:** In both models, diaspora members engage primarily family members. A few cases demonstrated diaspora business support to individuals outside their family and initiatives at the community level.
- 4. Familiarity and trust:** Familiarity and trust are the main reasons for maintaining business collaborations within the family circle. It is considered as a pre-requisite for diaspora to contribute financially to businesses.

5. **Readiness during crises:** Half of the cases identified were businesses created after the beginning of the crisis in Lebanon in 2019. This peak in business engagement is linked to the diaspora's intervention to support their families in maintaining a decent income despite the collapse of public and financial institutions.
6. **Financial support first:** Financial support was the main and most valued business engagement contribution. In a few cases, other important methods were mentioned including technical support (e.g. strategic advice) and in-kind support (e.g. sourcing production material from the country of residence).
7. **Personal source of finance:** Businesses are financed through diaspora personal savings in forms of equity or loan. Formal financing is limited to a few loans from micro-finance institutions and does not rely at all on the traditional banking system for loans.
8. **Informal business setting:** Businesses do not have contracts defining the relationship between the diaspora and the local partner, so the financial transactions are done through informal channels. This may lead, in some cases, to difference in expectations and misunderstandings.
9. **Creation of employment:** In the sample, larger investments from the diaspora have generally created a higher number of jobs in the business receiving the funds.
10. **Limited awareness about for-profit models and practices:** Diaspora members engaging in for-charity models have limited awareness of how to engage in for-profit investments and lack the knowledge on how to invest.
11. **More support is still needed:** Companies remain vulnerable to the challenging business environment. They are looking for financial and technical input from diaspora and business support opportunities to survive and scale-up.

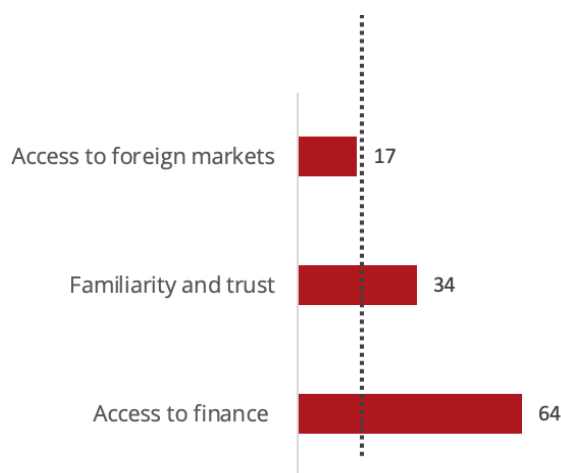


Figure 2: Top 3 benefits of diaspora business engagement according to respondents

## 1.3 STATED IMPACT

Diaspora business engagement had a clear positive impact on business owners and their families. Respondents stated (a) they could not have started the business without the financial support of the diaspora. It has helped their (b) businesses grow and (c) absorb shocks. It contributed to the (d) creation and maintenance of jobs and to (e) the enhancement of working conditions for the business owner and his or her employees. Through these investments, local business owners (f) are able to not only support their own nuclear family, but (g) the wider family as well. (h) Women in particular state that diaspora support contributed to their economic and personal empowerment. To the diaspora, the investments are perceived as a way of secure self-reliance and wellbeing of their families, and to protect their own savings and ensure their own retirement in Lebanon.

# 2. RESEARCH APPROACH

## 2.1 OBJECTIVES OF THE RESEARCH

The research objective is to identify, and detail existing diaspora business engagement models in the 5 selected refugee hosting villages.

### 1. Identify existing diaspora business engagement models

The first objective of the mapping is to identify all existing diaspora engagement models in the 5 selected refugee hosting villages.

### 2. Understand engagement models' dynamics and measure different types of impact

This mapping allowed for the classification of the different ways the diaspora engages in the studied municipal areas, and the analysis of each model following specific variables of analysis:

The methodology has considered the importance for DRC to measure the wider socio-economic influence of each diaspora engagement model. It includes measuring the economic impact on micro, small and medium size businesses (MSMEs) in the studied areas.

Beyond socio-economic impact, the report proposes a description of challenges, good practices, and lessons learned from these selected models.

## 2.2 DATA SOURCES:

### 2.2.1 Secondary Research

One of the main challenges of the mapping was to identify all existing diaspora engagement models in the areas of interest for DRC. Therefore, the research was conducted progressively in order to diversify entry points and capture all models, including less visible ones.

At the first step, a desk review provided a general overview of diaspora engagement practices in Lebanon for both Lebanese and Syrians with the aim to identify key trends, information gaps to cover during the data collection, and potential cases in the areas of interest.

### 2.2.2 Primary Research

Following this first step, the data collection approach was broken down in three phases to progressively gather the relevant information:

**The scoping visits:** were designed to interview key informants and intermediaries in the localities of interest. This allowed to gather preliminary insights on existing diaspora engagement initiatives and accordingly adjust the tools and sample strategy for the baseline mapping. A total of 17 interviews were conducted with a mix of onsite modalities and calls both at the local and the national level.

**The baseline mapping:** relying on a survey in the five localities to grasp general trends of diaspora engagement and inform the identification of the most prevalent business engagement models. Two surveys were designed: one with an entry point with households (household (HH) survey), and one with an entry point with businesses (business survey). The identification of interviewees was based on a door-to-door snowball approach with the first people to be interviewed selected during the scoping visits and through DRC's and partners' database of contacts. A total of 243 Interviews (survey format) were conducted in the North and the Bekaa with households and businesses identified as having ties with the diaspora. Through the survey, the most prevalent diaspora business engagement models were identified.

**The description of the selected diaspora engagement models:** based on complementary key informant interviews (KIIs) with profiles identified during the survey. Information gaps as well as probing questions following the survey were explored in-depth in this additional qualitative data collection. Each KIIs included a similar set of information including (1) the review of actors and processes mapping; (2) best practices and challenges; and (3) institutional frameworks. A total of 25 KIIs were conducted out of which 20 interviews were conducted with people in Lebanon. It was only possible to identify two Syrian business owners who were willing to engage in the Key Informant Interview, and three interviews with women. The remaining five KIIs were with diaspora counterparts located in Europe, the Arabian Peninsula, and Australia.



## 2.3 GEOGRAPHICAL FOCUS

The present report has conducted a mapping of existing diaspora business engagement models in five refugee hosting communities in the surroundings of Tripoli and in the Bekaa valley. The rationale for selecting these villages is both strategic and programmatic. Since DRC's mandate is to work towards durable solutions for the displaced and their hosts, DRC decided to carry the research in some of the most remote refugee hosting villages in Lebanon. Programmatically, since the research is part of an economic recovery project implemented by DRC, it was logical to document existing diaspora engagement in the same localities to assess if current activities could be modified to reflect the findings of the research. Thus, the research covered the following villages:

- Burj El Arab and Wadi El Jammous north of Tripoli; and
- Surrounding localities neighbouring Zahle, Majdal Anjar, Shumstar, and Baalbeck in the Bekaa.

## 2.4 LIMITATIONS

Data collection took place over a week with a door-to-door snowball approach in the selected communities. Enumerators specifically looked for individuals having economic ties with the diaspora. This purposive sampling was conceived as a tool to:

- Confirm identified diaspora engagement models in business resulting from the scoping step. Through the survey, we further delineate existing diaspora engagement models in businesses.
- Identify households having economic ties with the diaspora. Notably, those engaging in local businesses under different forms. The list of respondents would serve as a reference to interview in-depth selected individuals, which is the next step in the research.

However, the results of the survey do not allow:

- Comparison of statistics between villages; or
- Comparison between specific populations (status, gender).

The survey does not claim to be representative of all businesses in the villages, as the answers collected actively attempted to target businesses supported by the diaspora. Furthermore, many businesses prefer not to disclose such ties with the diaspora and are not represented in the sample.

Due to time constraints the survey only conducted five KIIs with diaspora representatives having engaged with relatives in starting or expanding businesses. Hence, data is limited around diaspora perspectives including motives, concerns, mobilisation, etc.





# 3. LITERATURE REVIEW

## Lebanon has a long history of emigration since the 19th century, with recent peaks of high skilled labour departures in the past years

Lebanese emigration dates from the middle of the 19th century during the Ottoman domination. Since then, the literature reports different phases of emigration towards the American continent, Western Europe, Australia, the Gulf and Africa but two main recent phases need to be taken into account as they structure the diaspora today:

- The civil war period (1975-1989), where an estimated 40% of the population left the country (990,000 people); and
- From the end of the civil war until the present days where emigration has been continuous due to the lack of economic opportunities and political instability. This most recent phase has been characterised by an increase in skilled migration for countries in demand of such profiles. Furthermore, emigration flows have largely increased since the beginning of the present crisis with 195,433 registered emigrants between 2019 and 2021.

The least conservative estimates indicate that the Lebanese diaspora is comprised of 14 to 15 million people with a majority of them in Latin America; while the Lebanese population living in Lebanon is estimated to be close to four times smaller with approximately four million people.

The least conservative estimates indicate that the Lebanese diaspora is comprised of 14 to 15 million people with a majority of them in Latin America; while the Lebanese population living in Lebanon is estimated to be close to four times smaller with approximately four million people.

## In Syria, forced displacements due to the civil war are extensively documented, but the Syrian diaspora is composed of less recent emigrations waves as well

By 2018, it is estimated that half of the Syrian population was forcibly displaced with six million pushed outside the country. There are officially 825,081 Syrian refugees living in Lebanon and registered as refugees. As registrations were suspended in 2015, there are likely to be many unreported individuals presently living in the country. However, little is written about the estimated 18 million people of Syrian origins that were already living abroad as diaspora before 2011 in 30 countries, including destinations in Latin America and the Caribbeans similarly to previous Lebanese emigration trends.

## Public policies related to diaspora engagement in Lebanon are limited

There is currently no national migration or diaspora policy in Lebanon. The Ministry of Emigrants that was created at the end of the civil war is now integrated as part of the Ministry of Foreign Affairs and Emigrants (MFAE) with the General Directorate of Emigrants (GDE). The GDE is responsible for issues related to emigration, diaspora and remittances.

In general, the legal framework for diaspora engagement and definition of its diaspora is considered as inadequate by the literature and lacking the relevant policies to guide public initiatives. Reported associations with other diasporas residing in other countries are poorly documented, if at all.

## While undocumented, it is assumed that Syrian diaspora support to relatives in Lebanon is significant in terms of remittances.

Literature on support from Syrian diaspora towards Syrians in Lebanon remains limited to a few specific case studies of charity actions in the sector of education. Although it is difficult to document the extent to which Syrian refugees in Lebanon receive remittances from relatives overseas, it is assumed that the flows are significant.

Remittances from Syrian diaspora into Syria represented in 2017 around 8.5 billion USD and constitute around 30% of the GDP.

**With the economic crisis, remittances from the Lebanese diaspora are considered a key contribution to households' livelihoods and are probably underreported**

Remittances are estimated to be the main tool for diaspora to support relatives in Lebanon. According to official statistics, remittances have decreased in Lebanon from 7.8 billion USD in 2016 to 6.6 billion USD in 2021. It is assumed that with the collapse of the banking sector, significant parts of the remittances flows have shifted to the informal sector, and are not captured by official statistics.

In spite of the fall in remittances from 2016 to 2021, remittances represented 53.8% of the GDP in 2021 while they only represented 12.7% of it in 2018. However, recent reports indicate that 17.3% of Lebanese and 2.3% of Syrian households in Lebanon received remittances last year; mostly used for basic needs. However, effective percentages may be much higher, with some sources estimating that up to 30% of Lebanese households are relying on remittances.



# 4. MAPPING OF EXISTING DIASPORA BUSINESS ENGAGEMENT

## 4.1 COMMON FINDINGS FROM THE SURVEY

### Remittances are the most common engagement method and are mostly used for basic needs

Out of the 243 respondents, 233 (95%) reported receiving support from their relatives abroad with the vast majority of the cases being remittances. These remittances are primarily used for basic needs and daily expenses:

- 168 respondents (72%) receive remittances regularly and use them for primary expenses, namely food, household bills, and health services.
- 76 individuals (33% of them) reported receiving support for their business operations. Among them 68 declared receiving financial support, either at multiple times (30 people – 44%) or as one-off transfers (38 people - 56%). Out of those who receive multiple financial support, 16 declared receiving on a regular basis (usually monthly or annually).
- The remaining eight respondents highlighted other forms of collaboration (technical support, advisory) as the main form of collaboration. Four businesses also mentioned receiving in-kind support (spare parts, products, specific equipment).

Diaspora investments were more frequently used as start-up investments, rather than scale-up investments or subsidies for existing enterprises.

### Average size and key metrics of the businesses supported by the diaspora

**The majority of identified businesses supported by the diaspora are small businesses, with a couple of larger operations.**

Out of the 73 identified businesses, 23 are self-employed individuals (31%) and 43 are micro enterprises with five or less employees (59%). A smaller number of seven companies (10%) reported higher levels of employment with up to 35 employees.

Only five of the 73 identified companies with diaspora engagement were Syrian-owned. However, for some of the companies the nationality of employees was both Lebanese and other nationalities. 54% of the companies reported having only Lebanese staff.

There may be a minor bias, as participants could be reluctant to share information about both Syrian ownership of companies and hiring Syrian employees informally.

**The majority of businesses are retail shops in the food and beverages industry (24%) and services in the car industry (14%).**

Other common businesses interviewed and supported by the diaspora also included agriculture and food processing (9 respondents – 12%) as well as retail and services in the beauty products industry (5 respondent – 6%).

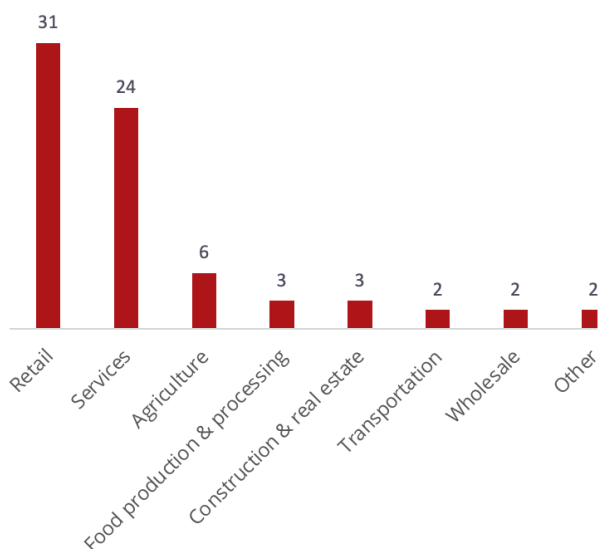


Figure 3: Type of activities with diaspora business engagement

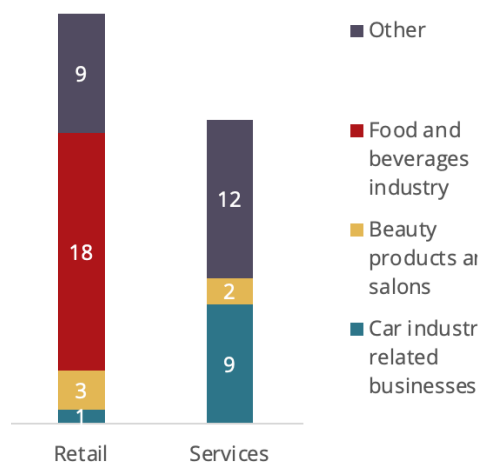


Figure 4: Breakdown of activities for retail and services companies

As such, the vast majority of sales concentrate in the local market with only a handful of producers exporting products within the region. Companies report targeting mostly Lebanese customers (76%), but with a significant part of Syrian consumers as well (24%). Only a couple of companies mention having a more international clientele (in the cases of food exportation, guesthouses or money exchange services for example).

**While some businesses are reportedly declining with the crisis, a few are growing and recently launched start-up operations.**

28 of the 73 companies (38%) report being in decline in terms of sales this is notably the case of self-employed small businesses in retail and services. However, the majority of respondents consider their business is still stable (33 respondents – 45%), or even growing (12 respondents – 17%). Growing companies mostly have a higher number of employees and often created after the beginning of the crisis (10 of the 12 respondents).

## 4.2 COMMON FEATURES OF DIASPORA BUSINESS ENGAGEMENT

Interviewed individuals displayed a set of common key features when it comes to diaspora engagement in their businesses: they are mostly done with relatives, after the beginning of the crisis, and with the size of the diaspora investments driving different engagement models.

**Diaspora engagement is mostly with family members.**

The vast majority of respondents indicated that their diaspora partner was a relative, generally a sibling, or in fewer instances a husband, a wife, or another relative. Only a handful of very specific cases include more distant partners (for example, a diaspora returnee who funded a company with the encouragement and support of a colleague and a friend he met abroad during his expatriation). Furthermore, none of the respondents interviewed were able to cite examples beyond family level collaborations in their vicinity.

**Half of investments were done after the beginning of the crisis.**

Many respondents opened businesses with the support of diaspora members after the crisis. The main stated reason was to compensate for the loss of their livelihoods, either the devaluation of their salaries or because they were dismissed of their employee position. In some cases, it is the diaspora member that suggests an opportunity to invest in the country.

Looking at all respondents (regardless of pre or post crisis investments), 38 out of 73 respondents mentioned starting their business based on a market opportunity identified by them or with the encouragement of a diaspora relative. 35 respondents mentioned that their business was rather created “out of constraint” following a job-loss or lack of other opportunity, highlighting a lack of market analysis which could lead to a less successful business performance.

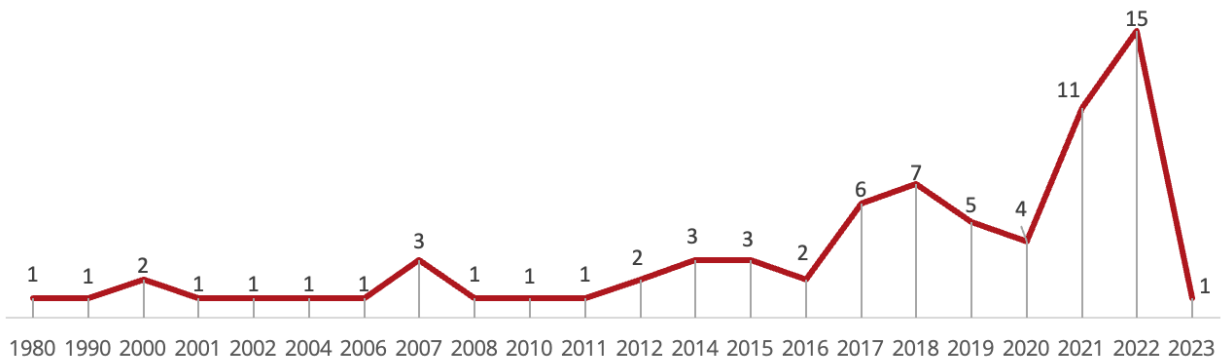


Figure 5: number of businesses created by year within the sample

**The size of a supported company in Lebanon and the relationship between partners vary depending on the size of the investment from the diaspora.**

Results indicate a link between the size of a company and the value and percentage of the investment of the diaspora partner. In this sample, bigger diaspora investments are linked with a higher number of employees.

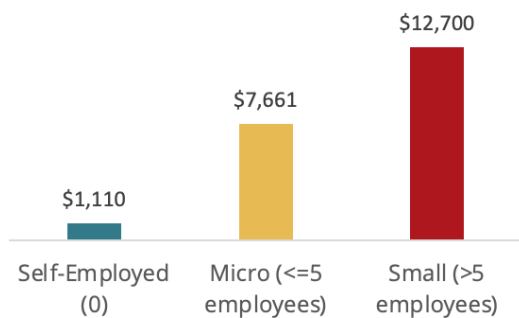


Figure 6: Average amount of diaspora start-up investment by company size

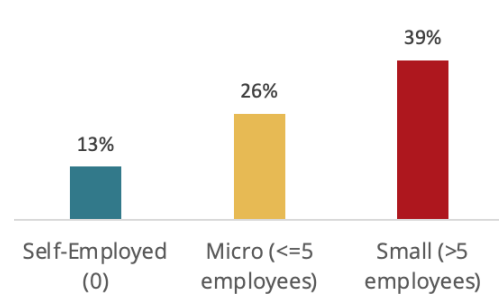


Figure 7: Share of the diaspora in the initial start-up investment

Furthermore, the type of expectations from the diaspora will also vary with the size of their investments. With a bigger investment, diaspora partners are more likely to increase their expectations in terms of profit, rentability, reimbursement and accountability. Support below 4,000USD appears generally to be unconditional. However, one should note that respondents probably tended to underreport investment levels during the quantitative survey. Indeed, respondents indicated higher level of investments during KIIs. The results in the below table can therefore be interpreted as a trend but not necessarily as a comprehensive conclusion.

Does the remittances sender expect anything in return for the support?	Average investment size	# of instances of expected type of return
To receive profits	16,600	11
To receive the money back	6,738	18
To report back	4,750	4
Other (favour)	3,600	1
No	2,640	33
Prefer not to say	2,300	2
N/A		4

Figure 8: A table showing the size of the investment by type of expectations

## 4.3 DIASPORA ENGAGEMENT PERSPECTIVES

Access to finance is the main reason of diaspora business engagement, followed by familiarity and trust.

Out of the 76 individuals identified who reported diaspora business engagement, the main benefit of diaspora engagement remains financial support (64 respondents, 84% of the sample). However, relying on trusted relatives is also considered a key benefit for working with diaspora (36 respondents, 47% of the sample). Diaspora engagement can also help in accessing new markets or skills and can be a source of motivation for a person residing in Lebanon. These key answers were further confirmed during follow-up interviews with individuals in Lebanon and their counterparts abroad. They highlight the main types and reasons for diaspora engagement (e.g., finance, access to foreign supplies, expertise, support to continue operations during the crisis as detailed in the following page).

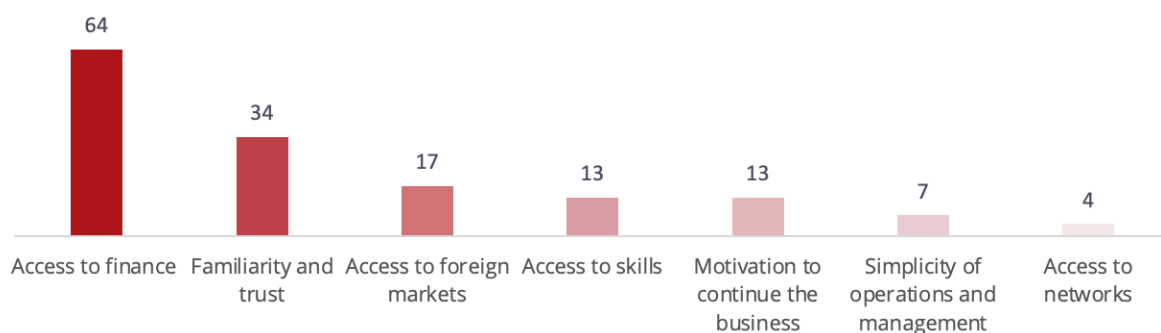


Figure 9: Top 3 benefits of diaspora business engagement according to respondents to the survey

## Familiarity and informal trust with the relatives abroad do not prevent business partners from conflicts in managing their operations.

Managing a business in a long-distance partnership was reported as the main challenge by respondents. Distance indeed complicate communication, decision-making, can affect trust among partners, and complicate financial transfers (especially in Lebanon where the classic banking system is unreliable). Respondents also highlighted that the lack of legal status or formalisation in their partnership was an issue, along with potential differences in expectations (toward the entrepreneurial project) between partners. Eventually, some respondents reported issues related to trust and cultural differences, despite most businesses being family based.

On these specific topics, another type of bias in answers could occur where respondents were more open to mention these issues on close ended questions during the survey. In contrast, they were much less prone to discuss family issues during open-ended in-depth interviews where they would rather dwell on the benefits of collaboration. This may appear in the following section detailing models based on the KIIs. Therefore, one should keep in mind these potential barriers to informal collaboration among family members.

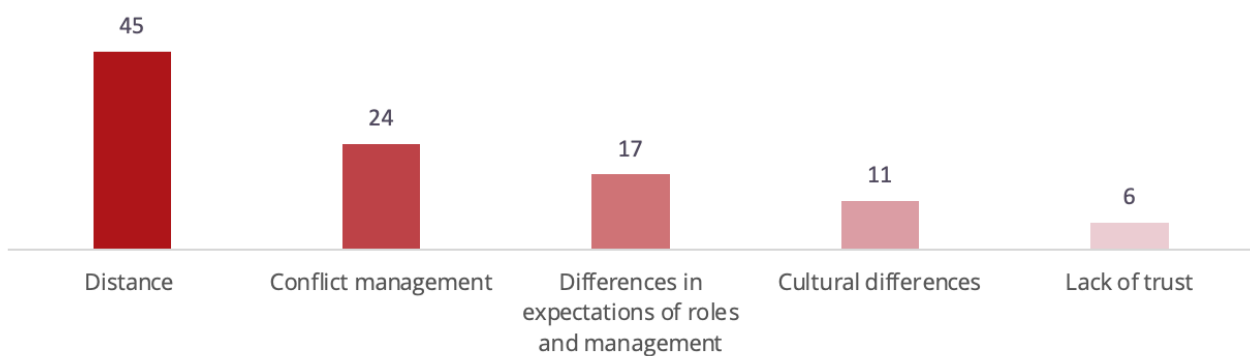


Figure 10: Top 3 challenges of diaspora business engagement according to respondents to the survey

## Respondents report a wide variety of impact of diaspora business engagement both at company and personal levels

While the size of the survey sample does not allow to draw statistical conclusions at a village level, responses to the survey indicate clear tendencies in terms of impact of diaspora engagement. Subsequently, they were further probed and confirmed during follow-up interviews with individuals residing in Lebanon and their diaspora counterparts. These mostly revolve around company activities and employment. Respondents also mentioned a wider impact of diaspora engagement at the family level through multiple dimensions.

### Diaspora engagement is often a precondition to start the business.

48% of surveyed respondents who declared relying on the diaspora for their business indicated that the main type of diaspora business engagement was initiated with financial support to start a company, which was later reconfirmed during the KII interviews.

### Growth and survival of businesses is also ensured by diaspora business engagement.

Beyond company creation, diaspora business engagement also reportedly affected both company growth and survival. For a third of the respondents, financial support to a business was used to scale-up operations. KIIs allowed to confirm that this financial support was the only perceived option in order to expand beyond an individual company. For 20% of respondents, this support was also a condition to ensure the company's survival during the crisis. In many cases, respondents confirmed that the direct impact of diaspora financial support to their business was avoiding to rely on negative coping mechanisms such as selling productive assets (e.g., machines or material used for production of goods).

### **Remittances as safety nets building resilience of businesses.**

Beyond investments, the diaspora's financial support is also building the resilience of businesses and size of income, acting as a safety net through regular unconditional cash transfers or through emergency one-off support. About half of the businesses who receive regular and frequent remittances, 7 out of 16 use remittances to cover food needs, health expenses or other similar needs other than investing in the business. In those cases, remittances fulfil the same role as a safety net to cover basic needs, until the business generates enough income for the household to graduate out of poverty.

### **An impact on quantity and quality of employment.**

As mentioned above, company owners interviewed within the sample of respondents present a visible correlation between the size of diaspora investments and the number of employees in a company, with some SMEs reporting 10 to 30 employees in some instances. Beyond this quantitative impact in terms of number of jobs created, further explorations during the open-ended interviews allowed to identify a better type of job-quality being created. With the crisis, diaspora members were reportedly engaging to create better quality job opportunities for their relatives who remained in Lebanon. They perceived their engagement as a way to improve the working conditions of siblings or cousins in terms of hours, flexibility, and income.

### **Supporting the livelihoods and empowerment of the wider circle of relatives.**

Respondents also highlighted further benefits beyond job creation and quality, with impact on family and personal levels. At the family level, diaspora business engagement is perceived as a way to contribute to the wider group of direct relatives in Lebanon (especially parents of diaspora members). At the personal level, it is a major factor of individual social and economic empowerment. This was specifically highlighted by women respondents who perceived diaspora support as the condition of their independence, impacting both their economic independence and their confidence to play an active role in their villages. Testimonies highlighted how diaspora business engagement can be crucial, especially for more vulnerable populations such as women-headed households.

### **Preserving family assets in Lebanon and ensuring the return of the diaspora.**

In terms of long-term impact, diaspora business engagement was perceived by the diaspora itself as an effective way to ensure the preservation of family assets in Lebanon- despite the crisis- by placing their savings in physical investments in Lebanon instead of liquid savings since Lebanese banks are not considered a viable option anymore. Specifically, diaspora members were often projecting their engagements as a tool to ensure themselves and their family a perspective of return and retirement with revenues in Lebanon.

## **4.4 DEFINING DIFFERENT DIASPORA BUSINESS ENGAGEMENT MODELS**

### **Two main types of engagements can be outlined: for-profit and for-charity**

The different expectations from the diaspora on their financial investments was the main element in distinguishing different models of business engagement:

- **For profit:** with the diaspora member expecting some form of return on investment.
- **For charity:** with the diaspora member only contributing to support a relative or someone from the community.



## The economic status of the diaspora is a key factor behind the different types of diaspora business engagement models

The economic status of the diaspora members is linked to the model they decide to invest in Lebanon, which may also be linked to their country of residence:

- The for-profit investors interviewed who investing large amounts of money (above 10,000 USD and up to four million USD) in companies in Lebanon were generally well-off and located in countries from the Arabian Peninsula (Kingdom of Saudi Arabia (KSA), United Arab Emirates (UAE)) where they would be able to generate substantial savings.
- Partnerships between a local person and someone from the diaspora sourcing inputs and products was observed with respondents based in European countries (France, Germany) where the diaspora has easy access to products that became difficult to procure in Lebanon.
- Small investments and for-charity support (under 10,000 USD) was observed among employed diaspora with modest and mid-level salaries in more distant countries, mostly from the Commonwealth (Australia, Canada) and some other African countries.<sup>1</sup>

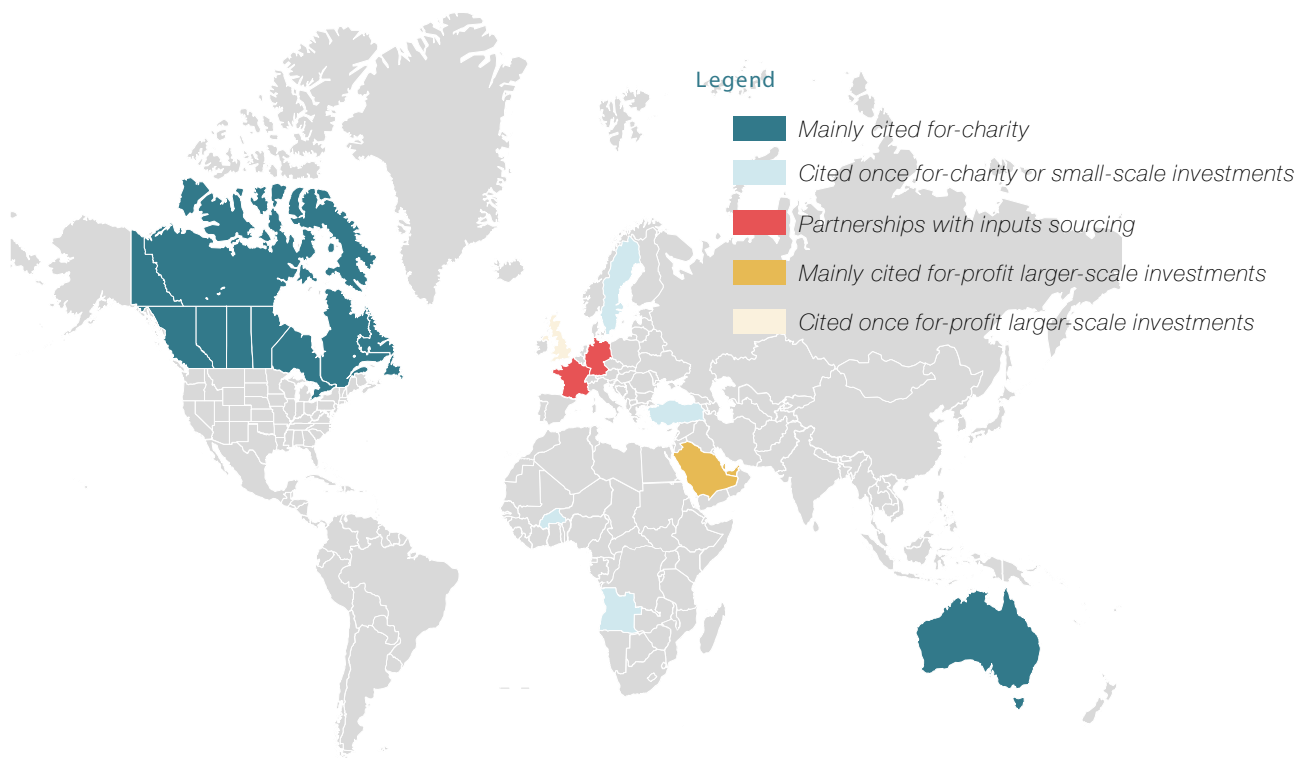


Figure 11: Map showing an overview of countries of diaspora by types of business engagement models

<sup>1</sup> These findings may be counter intuitive with the assumption that diaspora households with smaller incomes would usually expect a return on investment on their savings which are more constrained, and more accountability on how they are used. However, these patterns where smaller incomes would invest for charity with their family may be linked with the nature of relationships between the Lebanese society and its diaspora. The main purpose of remittances is to maintain the livelihoods of the family as a whole during the crisis. Additionally, amounts are relatively small (usually between a couple of hundred dollars and up to 4,000 USD) which limit the perspective of return on investment.

# 5. DETAILED ANALYSIS OF THE FOR-PROFIT MODEL THROUGH 8 KIIS

## 5.1. BUSINESS PROFILES

Interviewed company owners in the sample are financed by family members in Europe and the Arabian Peninsula and cover a wide range of activities.

For-profit diaspora business engagement includes mostly investments from Europe (in the case of partnerships) and the Arabian Peninsula (in the case of larger financial investments). All of whom were financed within the family except one. However, interviewed profiles displayed a large diversity of activities with no common trend. Activities included sales of cosmetics, auto-parts and reparations, food production and processing, construction, hospitality, retail of clothes, wholesale of food and household products.

**Pre and post crisis investments appear to be variable in size.**

Among interviewees, one can count three investments before the 2019 crisis in the country. These are larger investments in terms of amounts: 30,000 USD, 100,000 USD, and four million USD respectively, while the median investment to start a company is 29,500 USD. These companies are also the ones with the higher numbers of employees ranging between 8 to 25 employees. Their managers were also the most critical about the situation of their company in the current crisis.

This is explained for instance by the manager of a dairy factory in the Bekaa, financed by his two brothers working in KSA and the UAE:

“ At the moment the situation is bad. When we first started in 2016, we invested 3.5 million USD and had every intention of starting big and hopefully expand in the future. At first, the situation was good. Now if you check our books, we are barely covering all the expenses and our 25 employees. We are just continuing our activities at cost or with losses to maintain our investment in operational conditions.

— Key Informant from Majdal Anjar

In contrast, younger businesses are often micro companies<sup>2</sup> with a handful of employees, smaller investments, and consider their operations “slowed down” by the recent new devaluation of the Lebanese Lira, but they have a more hopeful scope about the future.<sup>3</sup>

“ Last year, we sold our first imported containers as soon as they arrived in Lebanon. As of today, with the recent devaluation, operations are much slower. I have one employee and he is not here yet at 10 am because business is very slow. But it is very specific to the last three months.

— Key Informant from Wadi El Jammous

<sup>2</sup> Between two and five employees, with most investments between 5,000 USD and 29,000 USD.

<sup>3</sup> At the time of the interviews, the value of the Lira had dropped on the black market from 70,000 LBP to 145,000 LBP for one USD.

## 5.2. RATIONALE TO ESTABLISH A BUSINESS

All respondents considered they had the right set of skills and information when launching their businesses. The establishing procedures were usually swift (under one month in most cases). While local partners are often involved in the establishing process, they often rely on expertise or input from the diaspora.

**Local partners are always involved in a company's establishing process.**

In 75% of the KIIs, respondents highlighted the importance of local partners during the establishment of a company. They play a key role in identifying gaps in the market and the right demand (even though needs are assessed often informally rather than through a systematic market assessment). The motives of the local partners are usually very important in a company's establishment. Profits for the diaspora investors are a complementary objective, besides supporting to the family.

This is described by a woman having started a shipping business of cosmetic products from France to Lebanon in the past months:



*"When I first contacted my sister with my idea, she refused. She said that Lebanon and its economy could not be trusted. But my husband passed away and I am a widow, so she quickly changed her mind. She just wanted to help me create anything to make me happy and keep my mind occupied with something different. Her motives are not only to make a profit, but to help me out of my situation and lift my spirit."*

*— Key Informant from Zahle*

**Expertise and access to input are pre-conditions for diaspora to invest besides identifying demand.**

Most of the interviewed profiles highlighted that the for-profit investments from the diaspora also were initiated due to their technical expertise in a specific sector as well as access to specific input or material in their country of residence (if not both).

This is the case, for instance, a car shop that is set up by three brothers, two of which have been working in Germany for the past 25 years in car concessions. They currently work with their brother in the north of Tripoli who receives shipments of spare parts and provides repair services in the area:



*"We decided to create the company based on our combined decades of experience in the sector and the fact that my older brother was well-established in Germany. He immigrated in 1998 and already had a successful running business. He was already shipping car parts on and off to Lebanon, Libya, and other parts of Europe." — Key Informant from Wadi El Jammous*

## 5.3. WAYS TO FINANCE THE BUSINESS

Companies are almost exclusively financed with investments under 100,000 USD from relatives' savings abroad.

All of the eight cases of the for-profits investment interviewed were established mostly based on savings of a diaspora member with a median investment of 29,500 USD. Most of the locally interviewed people declared relying on their diaspora relative as they did not have any savings themselves with the current crisis.

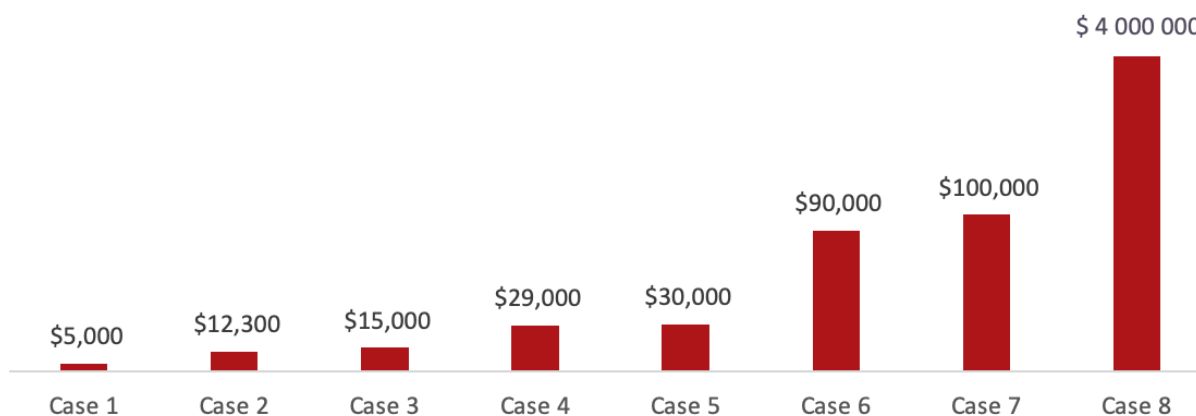


Figure 12: Size of start-up investments in the interviewed cases

Respondents mostly declare not relying on loans and financial services but rather on informal channels.

Very few of the interviewed individuals had taken up loans. As investors, both local and diaspora do not trust the banking system and funds are mostly coming from savings. Furthermore, only businesses created before the crisis reported relying- to some extent- on the formal banking sector.

In order to transfer money, three different cases were equally cited:

- Companies proposing money transfer services such as Western Union;
- Cash delivery from the diaspora relative during visits to Lebanon; and
- Exchange of money between families having diaspora members in the same country. For instance, a diaspora relative would give money to another Lebanese family in Europe. The relative in Lebanon would visit the relatives of the other family in Lebanon to collect the money.

These alternative methods can sometimes represent a logistical challenge and slow down the diaspora investments who will have to resort to alternative options to transfer the needed amounts.

“90% of the time, I get a call from my brother, and he tells me you need to go down to Beirut and pick up 12,000 USD. What happens is that he has Lebanese contacts in Germany: they need money over there and have money over here so we simply exchange.” — Key Informant from Wadi El Jammous

One should note that the person based in Lebanon is not always aware of the financing schemes used by the diaspora. It happened in interviews that diaspora members reported sourcing investments through loans to relatives and colleagues abroad, or through microfinance institutions. However, this was not communicated to the partner based in Lebanon who was not aware of these loans.

## 5.4. WAYS TO COLLABORATE

Operations are managed by the local person but with an involvement from diaspora investors which will vary depending on three sub-models

For-profit investments present a different set of particularities that were confirmed during KIIs depending on the degree of accountability and participation in decision-making of the diaspora member. Three main models of collaboration under the “for-profit” category can be distinguished:

- **The silent diaspora investor:** in some instances, investors are solely contributing financially to the business, expecting a share of profit without engaging in business decisions nor contributing with any sort of technical expertise. In such cases, interviewees indicated that the local person was in charge of operations and day-to-day decisions.
- **The active diaspora investor:** oppositely, some diaspora members are launching themselves companies in Lebanon in which case they not only finance but manage the company from abroad. They rely in these instances on local managers to deal with daily operations in the country while maintaining a lead on general operations and ownership of the company. This is often the case when the diaspora investor is also the only one with technical expertise in the sector. In such cases, she/he is in charge of taking all the important decisions.
- **The equitable partnership:** KIIs allowed to identify a third for-profit model where the individuals based in Lebanon and the diaspora members develop a company that is jointly managed and which ownership is shared. This is often the case in situations where the diaspora can source and provide products from abroad which could not be sourced in Lebanon with the crisis context. In such cases, diaspora members are consulted regularly, if not daily, on accountancy and key decisions impacting the business.

“I have the assets in Lebanon, the money to invest, and the technical expertise from my current job and training. However, I cannot stay enough in Lebanon to manage the business. My cousin is the person I trust the most. I grew up with him and have relied on him in the past. This is the reason why he is managing the part of operations I cannot follow-up on myself from afar.”

— Key Informant from Zahle

“My sister spends a bit of time every day going over our numbers, we have a basic shared excel sheet that we email to each other and we audit each other. As for the finances she is continuously reinvesting money to order new products for the business or at least using her own funds to purchase the products and then we reimburse her back as a business at the end of the month.”

— Diaspora's take in KSA

**The level of informality in collaboration remains high with a probability for misunderstandings.**

The majority of interviewees rely on verbal agreements when it comes to organising ownership, investments and revenues. Only two interviewees declared having written and legal agreements, one of which was actually not matching the verbal agreement and effective repartition of revenues. Similarly, only few businesses are relying on a formal accountancy monitoring of their businesses. This is probably explained by the high level of trust among family members which is stated as the primary reason to collaborate with relatives abroad: respondents do not consider disagreements as a probability in their business engagement.

“We do have documentation and everything is in my brother's name. Legally, he owns the business 100%. But we support and trust each other since childhood; he even financed my university degree. I don't have any reservation about the ownership and fully trust him. As for between us, we have a verbal agreement about the percentages where its 75 % of the revenues for him and 25 % for me.”

— Key Informant from Zahle

As stated above, potential disagreements with partners and family members were more easily observed through close-ended questions of the quantitative surveys than in open interviews requiring to give personal details. However, KIs confirmed the probability for misunderstandings in responsibilities and expectations due to this informality. For example, interviews with diaspora and local stakeholders within the same business allowed to identify that the diaspora investor considered himself a manager of the business in Lebanon with employees on site, while the local person considered herself a partner in the business.

**Effectively, revenues are mostly benefitting local partners regardless of original agreements.**

Common agreements between the diaspora and the local partners are conceived to ensure clarity in terms of sharing profits, either:

- 50%/50% between the two partners; or
- 70%/30% in favour of the person who came up with the business idea.

In reality, the money originally invested by the diaspora and reimbursed with sales is often reinvested in the business. Extra benefits are often going to the family based in Lebanon.

“

*“For now, my brothers reinvest everything I sell. The only money we take from the business is to pay the salary of the employee, pay the utilities and cover my family’s living expenses.”*

— Key Informant from Wadi El Jammous

“

*“I have always taken my decisions with in mind to support my family that remained in Lebanon: my parents whose public pension is not enough; my first sister who lives with her family in my flat, and my second sister who now works with me.”*

— Diaspora’s take in Burkina Faso

## **FOCUS ON GENDER CONSIDERATIONS RELATED TO DIASPORA BUSINESS ENGAGEMENT**

The few cases of interviewed women collaborating with the diaspora allowed to highlight important positive and negative dynamics on the models which are specific to women.

On one hand, interviewed women were all insisting on the benefit of the collaboration with their diaspora counterpart. It is considered as a staple of their economic empowerment, particularly in terms of soft skills (negotiation with other businesses, confidence, client management, and ability to take part in important decisions).

On the other hand, the informality of collaboration models can create risks and uncertainty for women investors where pre-existing gender inequalities and traditional social norms can thrive. For example, one of the women managing a business in Lebanon had contributed to 38% of the original investment but ownership was 100% to her male business partner abroad.

## 5.5. IMPACT OF THE DIASPORA ON A BUSINESS

Diaspora investors are seen as crucial contributors to start a business, but also provide other types of support.

The key strength of diaspora engagement includes access to finance, specific products and input from their country of residence, and technical expertise and support. Very few respondents mentioned challenges of collaborating with their family abroad. One comment associated with the informality of agreements within the family is that local partners are expected to deal with more tasks and constraints than a professional should normally agree to. However, respondents do not mention this point as a major constraint to their operations.



Figure 13: Key benefits from collaborating with the diaspora according to interviewees in Lebanon - For-profit model.

Investments ranging from 30,000 USD and above seem to favour the establishment of SMEs with higher number of employees.





In general, respondents reported employing a couple of employees within their companies besides the local and diaspora partners. The number of employees increased for larger operations such as a construction company (four employees and two partners), a farm that produces and processes milk (eight employees and three partners), as well as a wholesale supermarket (25 employees and two partners). One should note that the estimated size of employee's households ranges from four to six members according to interviewees, who often rely on these revenues in US Dollars on a monthly basis.

**Companies remain vulnerable to key challenges common to the local economy**

Equally stated issues in the interviews are:

- Corruption, especially at the customs in order to import the right inputs or products;
- Volatility of the exchange rate;
- Taxes and cost of operations in general;
- Inability of clients to pay; and
- Difficulty to find the relevant labour in the Lebanese population. Reportedly according to interviewees, this last challenge is more related to work status and salary needs than skills.

## 5.6. GENERAL CHARACTERISTICS OF THE FOR-PROFIT MODELS

			
Main motivations behind diaspora investment	Standard practices	Success factors	Risk factors
<ol style="list-style-type: none"> <li>1. Support the livelihoods of the local partner and the family in Lebanon</li> <li>2. Invest savings</li> <li>3. Diversify diaspora assets after losing savings in Lebanese banks</li> <li>4. Create capital for retirement in Lebanon</li> </ol>	<ol style="list-style-type: none"> <li>1. Quasi-exclusive reliance on personal savings</li> <li>2. Reliance on informal methods to transfer their savings</li> <li>3. High level of informality in the business agreement</li> <li>4. Regular consultation with the diaspora investor for collegial decision making.</li> </ol>	<ol style="list-style-type: none"> <li>1. Clear repartition of roles</li> <li>2. Trust between family members</li> <li>3. Access to inputs from the diaspora</li> <li>4. Access to finance from the diaspora</li> <li>5. Skills and expertise from the diaspora</li> <li>6. Market analysis with involvement of the local partner</li> </ol>	<ol style="list-style-type: none"> <li>1. Differences in expectations</li> <li>2. Informality of business management and operations and unclear agreement frameworks</li> <li>3. Limited access to the relevant supply chains and market channels</li> <li>4. Corruption in national institutions</li> <li>5. Currency volatility</li> <li>6. Distance</li> </ol>



# 6. DETAILED ANALYSIS OF THE FOR CHARITY MODEL

## 6.1 BUSINESS PROFILES

**For-charity diaspora business engagement cases are more homogenous.**

Most of the for-charity diaspora engagement cases are small-scale support at the family level. Out of the 12 KIIs (and most of the respondents from the initial surveys), there were small investments ranging between a few hundreds to a few thousand dollars at the family level to start-up a new business or support an existing one. Two of the 12 interviews allowed to explore cases of for-charity support at the community level beyond close family circles.

**Countries of destination of diaspora members are different from the for-profit investments.**

Diaspora engaging with Lebanese businesses for-charity are mostly employees in more distant countries from where they can afford to support relatives with smaller financial investments. Interviewed cases were mostly residing in Australia and Canada as well as other African countries at occasions.

**Types of businesses supported for charity are more homogenous than the for-profit investments.**

These businesses constitute of small shops focusing on food and beverages, cosmetics products, small maintenance shops, and clothing. Few other operations are focusing on vegetable production and processing as well. These activities were started equally before and after the crisis with no clear distinction within the sample of interviewee.



Figure 14: Type of activities with diaspora business engagement

## 6.2 RATIONALE TO ESTABLISH A BUSINESS

**Businesses are started at the sole initiative of the local person based on their previous experiences.**

All of the respondents confirmed that their business was kicked-off based on their experience in a specific sector or position. Very few mentioned relying on market assessments before taking the decision to start their business. The primary factor for decision making, other than experience, is often the limited investment required to start their operations. This arbitration is done independently from the diaspora members who are quasi systematically not involved in the decision process.

“Everything my family does revolve around agriculture and planting. It is my passion and I consider myself an expert in the field. I took the decision to get involved.”

— Key Informant from Burj El Arab

“I have absolutely no knowledge of the sector. I work myself in a different field in Australia. Ever since we left with my wife, it was always a given we would support my sister and her husband in Lebanon. That includes various expenses, such as tuition fees for the school of kids, as well as business needs.”

— Diaspora's take in Australia

### Diaspora engagement is different whether a company was established before or after the crisis.

While many for-profit diaspora investors supported companies at their creation, charity support will often vary depending on the date of company creation:

- Companies established before the crisis were systematically funded without the support of the diaspora. Their owners in Lebanon presently use remittances or specific loans for the company to support the business and keep it afloat despite currency devaluations and limited sales after the crisis.
- Companies established after the crisis were systematically funded with the support of the diaspora at the start-up stage to finance stocks and material necessary to operations. However, this does not prevent them from continuously relying on diaspora to either (1) sustain shocks; (2) finance scale-ups in operations. This support often comes after the loss of livelihoods caused by the crisis; either because the relative in Lebanon was laid-off, or because salaries would not cover a family's financial needs following the devaluation of the currency.

“I took the decision to open a barbershop to work independently instead of being an employee. I wanted to become my own boss. At the time I took that decision, my brother was not involved. He was still in Lebanon at the time. At first I did not need any help, business was good. Once my brother left after the economic crisis started, he began to help me from time to time. It was purely to see me succeed and not lose my shop to the crisis.”

— Key Informant from Burj El Arab, who started a business before the crisis

“I took the decision and asked my sister for financing. The idea was mine, I love to work with food so I took the decision and with her help, I was able to start this shop focusing on poultry products. I had spent a year at home. I wanted to work and more importantly open something that was mine. I figured that if I get a loan and can establish a business, I would not be a burden on my sister anymore.”

— Key Informant from Majdal Anjar, who started a business after the start of the crisis

### Diaspora members supporting their family for-charity have limited awareness of potential productive investments for-profit in Lebanon and do not know how to invest.

Diaspora respondents abroad indicated their support was unconditional to ensure the livelihoods of their relatives, but also that:

- They were unaware of investment opportunities; and
- They do not know how to invest money in the country, especially with the current situation.

“I had never even thought about investing in Lebanon before your question. I would invest with my brother-in-law if he wanted and was motivated despite the crisis. However, I would not invest with anyone else. Mohamad is like my own sibling and I trust him. I would not trust anyone else with my money if I was not in the country to monitor the investment.”

— Diaspora's take in Australia

### **For-charity diaspora engagement is mostly family based to support basic needs but not only.**

The vast majority of respondents were indeed supported by siblings living in other countries. The main objective of this support is to ensure that they can answer their minimum basic needs in the context of the crisis. However, out of the 12 interviewees, one can also note:

- Charity systems of financing put in place by non-family members: (1) the church in Zahle is organising a cooperative of Mouneh production based on donations from Canada; (2) managers of a wholesale company located in Turkey providing clothes for sale at cost to the sister-in-law of one of their employees.
- One case of a land owner in Burj El Arab who inherited land to grow vegetables, honey and poultry. When he took over the business from his father, his brother located in Germany, supported him to scale-up the business by investing in greenhouses to expand the production period of vegetables and the yearly yield. Later on, his brother-in-law, located in Australia, gifted him solar panels with the same objective to contribute to his operations.

## **6.3 WAYS TO FINANCE THE BUSINESS**

**Since the crisis, the start-up of the company is mostly financed by diaspora's savings, just like in for-profit collaborations.**

Out of the 12 businesses interviewed the average initial investment is 7,558 USD with a median at 4000 USD. Systematically, this investment is financed by the local company owner before the crisis and by the diaspora after 2019. Funds are either delivered by hand during visits or directly through Western Union. In the majority of cases, these are donations from the diaspora, with only a handful of respondents expecting to be reimbursed informally.

**The small size of operations makes it more open to other types of financial support.**

Small companies are more prone to engage in other agreements in order to finance their business including:

- Support from microfinance institution: Al Majmoua and Emkan reportedly financed two interviewed businesses.
- Loans from local friends: due to the small size of investments, close relatives were more inclined to provide small loans at occasions to start activities or scale-up.
- Agreement with other companies and brokers: some companies rely on other companies to access office spaces or source material and machinery for production in exchange for a share of their profits.

**Financial support is however not enough to support growth and improvement of operations.**

Several respondents mentioned they were considering investing in improving their facility or the quality of their products but were unable to with their current revenues.

## 6.4 WAYS TO COLLABORATE

Diaspora engagement of family members is purely financial with expectations from the diaspora to take care of the wider family in Lebanon.

None of the interviewed company owners indicated that the support of their family went beyond financial support. This financial support is often continuous beyond the initial financing. It is the main tool for company owners in order to sustain frequent shocks and the volatility of the economy.

It remains mostly informal with most of the funds given as grants rather than loans. None of the interviewees mentioned they had formalised the exchange of money, even in the cases of loans to reimburse. As a result, diaspora members involved for profit do not engage in business activities. Reportedly, this limits cases of misunderstandings and disagreements:

““No agreement and no paperwork. He is like a brother and I trust him to take care of my parents. If it were a business partnership, things would be different. I would be involved and would want to know where every penny is spent but it's not the case here.”

— *Diaspora's take in Australia*

The counterpart of these transfers is often to take care of the wider family in Lebanon and primarily parents. This responsibility towards a larger group of people is the most stated challenge of the model in the current economic situation according to interviewed individuals in Lebanon.

““My brother wanted our business to grow and be very profitable so in turn I can stay in Lebanon to provide for and take care of our parents. My brother himself was never going to come back to Lebanon. He wanted me to be successful and take care of them by association.”

— *Key Informant from Burj El Arab*

““I have no interest in the business. I was supporting my parents by sending them a few hundred dollars that can feed them for a few months, and I have sent twice a large amount. My father loaned these to my brother to start the business. I told my brother I did not mind, provided he can support my parents. This is what matters to me in the end so I agreed.”

— *Diaspora's take in Sweden*

**For-charity investments outside of the family circles indicate other types of diaspora engagement.**

- **First model:** input sourcing for a clothes retail shop. The above-mentioned clothes company in Turkey supplies the sister-in-law of their employee with products to sell in her village where she was encouraged to open a shop. Clothes are supplied for at cost; the company expects to be reimbursed at cost only for the products effectively sold, the rest would be for free. Beyond support to supply products, they also advise the shop owner in terms of store disposition and marketing. This support is reportedly solely for charity to back the family of an employee managing their own operations for the last seven years.
- **Second model:** effective marketing through a cooperative for homemade food products. The church in Zahle has replicated a model of cooperative already developed by the church in Beirut. It provides offices for a cooperative used as a selling point for homemade food products made by locals with a specific packaging (i.e., Beit Al Mouneh). The packaging is reportedly attractive to the diaspora who often buy the products during their visits as gifts for friends and relatives abroad. The church also plays a role of centralisation of donations from the diaspora during their visits in Zahle to support the business.



*“The only reason we started the business is because we have support from this business in Turkey. My business partner is my sister-in-law. She has been managing a clothes shop for more than seven years now. She developed a very good relationship with the shop owners who live and ship their products from Turkey. They loan us the clothes without any payments. After we sell the products, we reimburse them at cost. Without their support we would have no business.”*

— Key Informant from Wadi El Jammous

## 6.5 IMPACTS OF THE FOR-CHARITY DIASPORA ENGAGEMENT ON A BUSINESS

### The main impact of the for-charity diaspora engagement model is company survival

Half of the interviewees mentioned they would not be able to launch or maintain their company afloat without diaspora remittances. Respondents also mention that remittances are the only system to effectively survive the shocks of the present crisis, especially currency fluctuations. As such, diaspora support is perceived as the only reason individuals can work independently with revenues in Lebanon.

### Beyond company survival, for-charity diaspora engagement is perceived to contribute to the quantity and quality of employment.

One of the main uses of remittances is to face the current economic shocks and to maintain salaries for a few employees of a company. Reportedly, company owners would have to lay off some of their staff and rely when needed on informal work from their households. As such, remittances may contribute to maintain employment- and in some cases employment quality- as well as mitigating the risk for school dropouts which has become a visible trend in Lebanon since the beginning of the crisis.<sup>4</sup>

It is worth mentioning that even if investments are smaller than in the cases of for-profit diaspora engagement, the nature of activities is susceptible to require high intensity of labour. One of the vegetable producers in Burj El Arab counts 15 employees and 5 seasonal workers, while the company supported by the church in Zahle Beit Al Mouhne, mobilises 25 families for the production and two employees for marketing and sales. A third of the 12 companies interviewed employed more than one person.



*“I buy the homemade products from 25 different families. Alongside that we have two full time employees that are women in their fifties. The activity also keeps me busy full time.”*

— Key Informant from Zahle

### Respondents still mention using remittances for productive investments in few instances.

Half of the interviewed managers confirmed that diaspora support was directly used to increase the size and quality of both inputs and equipment used for the production. These investments include installation of solar panels in two cases which contributed to the continuity of operations and also to the reduce costs and increase of margins.



*“Due to the investment, we were able to install full solar panels and cover the electricity required to run the shop. The investment also covered the makeup supply and products in the shop.”*

— Key Informant from Baalbeck





<sup>4</sup> In %21 ,2021 of the 15 to 17 years old who did not attend school did it to work. (VASyR 2021, <https://ialebanon.unhcr.org/vasyr/#/>)

Furthermore, it is worth mentioning that only one of the interviewees mentioned that he decided to sell the productive assets he received from the diaspora to finance an attempt to irregularly travel to Europe. There was no other reported case of negative coping mechanism during key informants' interviews.

### REMAINING NEEDS BEYOND DIASPORA FINANCIAL SUPPORT

Profiles supported by the diaspora for-charity usually have extensive experience in their line of businesses and did not report needs for technical training in their domain. However, they mentioned the need for counselling to address crisis related issues including how to access relevant imported products, how to set the right prices in the current situation, and how to manage clients who do not pay and guarantee payments as well as support to develop their business' organisational structure in order to strengthen their operations management, e.g., skills to sell their products and finding funds to scale-up.

## 6.6 GENERAL CHARACTERISTICS OF THE FOR-CHARITY MODELS

			
Main motivations behind diaspora investment	Standard practices	Success factors	Risk factors
<ol style="list-style-type: none"> <li>1. Sustain shocks and maintain employees</li> <li>2. Make up for the loss of livelihoods</li> <li>3. Support the wider family, especially parents</li> <li>4. Lack of awareness on feasibility of for-profit investments</li> </ol>	<ol style="list-style-type: none"> <li>1. Decision-making independent from the diaspora</li> <li>2. Engagement limited to financial contribution</li> </ol>	<ol style="list-style-type: none"> <li>1. Previous experience in the sector from the local manager</li> <li>2. Trusted intermediary to play a connection role beyond family circles</li> <li>3. Diaspora does not engage in management decisions</li> </ol>	<ol style="list-style-type: none"> <li>1. Difference in expectations</li> <li>2. Informality of business management and operations</li> <li>3. Limited access to the relevant supply chains and market channels</li> <li>4. Lack of sustainability of subsidies scheme with low profitability outcomes</li> <li>5. Limited growth opportunities compared to for-profit models</li> </ol>

# 7. RECOMMENDATIONS

The researchers recommend the following actions within three distinct categories for consideration by DRC:

## AT COMPANY LEVEL

- Support the creation of companies that involve the diaspora, and support existing ones in scaling up. For example, it can be done through facilitating matchmaking between diaspora members and business owners.
- Support local businesses' readiness for diaspora investment: through financial support and up scaling to enhance the business' appeal to diaspora investors, for example, by addressing current company-level barriers (e.g. informality of agreements, lack of transparency). This could notably be done within value-chains which were supported by the response in Lebanon without diaspora engagement so far to "plug-in" diaspora business engagement in existing initiatives.

## AT DIASPORA LEVEL

- Support the organisation of diaspora in investment networks or support the work of existing ones. Such networks can have many functions, such as facilitating investment, transfer of business and sectoral skills, transfer of production material, and foreign market access.
- Raise awareness in the diaspora by promoting investment opportunities abroad.
- Understand investor willingness, abilities and challenges of different groups in the diaspora: the diaspora is very diverse; therefore, different segments would invest in different ways.

## AT PARTNER LEVEL

- Map and work with trustworthy intermediaries to facilitate investment: such as business support organisations, trusted financial institutions and embassies.
- Develop the capacities of public institutions and notably embassies to engage effectively with diaspora for investment.

# LAUNCH OF THE RESEARCH

On June 6, 2023, the Danish Refugee Council (DRC) launched this research by hosting an event titled “It Takes a Village: Engaging Diaspora in Lebanon’s Economic Recovery” at the Sursock Museum in Beirut, Lebanon. The chosen title emphasises the collaborative nature required from governments, UN agencies, the international community, and civil society organisations and the diaspora to support Lebanon’s economic recovery and growth, and because the majority of the Lebanese diaspora originates from villages and small towns around the country.

Despite being severely damaged during the 2020 Beirut blast, the Sursock Museum has been fully renovated through support from diaspora and donors. It provided an ideal setting for the DRC to present their research findings on diaspora engagement. The event aimed to facilitate discussions on how the broader ecosystem can collaborate with diaspora investors to enhance local opportunities for vulnerable refugees and Lebanese individuals.

During the event, key research findings were presented, shedding light on the significant role played by the Lebanese and Syrian diaspora in generating employment and fostering resilience in Lebanon.

Notable speakers included Syma Jamil, DRC’s Country Director in Lebanon; Hala Tarabay, a diaspora research expert from Itar Consultants; Charles Teffo, the Director of Itar Consultants; Anders Knudsen, DRC’s Senior Diaspora Advisor; Dr. Sami Nader, Economist and Middle East Affairs Expert; Thomas Thomsen, Head of Cooperation at the Embassy of Denmark - DANIDA; and Jakob Illemann Myschetzky, DRC’s Global Advisor.

The primary conclusion drawn from the study is that there are significant and untapped potential to harness the impact of the diaspora and drive economic recovery. Key factors in advancing these efforts include building trust, offering guidance, and facilitating business development.





# DANISH REFUGEE COUNCIL

**For more information or inquiries, please contact**

Danish Refugee Council Lebanon

Syma Jamil | Lebanon Country Director | [syma.jamil@drc.ngo](mailto:syma.jamil@drc.ngo)

Gelena Vougianovits | Lebanon Head of Programmes | [gelena.vougianovits@drc.ngo](mailto:gelena.vougianovits@drc.ngo)

**Researchers**

Charles Teffo | Director of ITAR | [charles.teffo@itarconsultants.com](mailto:charles.teffo@itarconsultants.com)

Hala Tarabay | Consultant at ITAR | [hala.tarabay@gmail.com](mailto:hala.tarabay@gmail.com)

