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Entrepreneurship in Rural Areas: A Framework for Local Economic Development in Lebanon

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About the author

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¹ See the three reports on Rashayya, Fnaidek and Hidab for a detailed sectoral analysis on NDEs in rural areas, in addition to challenges and policy recommendations for local governments. Available at: <https://www.lcps-lebanon.org/>

Introduction

Necessity-driven entrepreneurs (NDEs, hereafter) are individuals who start microbusinesses out of economic necessity and to compensate for a lack of other job opportunities. These businesses constitute a large portion of informal employment in Lebanon and struggle with precarious work conditions, especially in rural areas. Research has revealed that NDEs tend to engage in these kinds of enterprises in times of conflict, economic crisis, or recessions, largely due to the absence of job opportunities (Nasiri & Hamelin, 2018). NDEs tend to lack the means and resources to hedge against the risks of present-day crises. Thus, shocks to these businesses' sustainability can further increase poverty, grievances, and deprivation, which will ultimately have a shattering effect on the country's economic stability.

In 2021, the Lebanese Center for Policy Studies (LCPS) conducted a detailed study on NDEs,¹ consisting of individual interviews and focus groups in three rural areas in Lebanon (Rashayya, Fnaidek, and Hidab). Findings have revealed numerous challenges facing NDEs, particularly in light of the multiple crises the country is undergoing. Common challenges include difficulty in accessing financing, relatively low levels of entrepreneurial skills, smaller entrepreneurial links and market networks, and inefficient legal frameworks that constrain the formalization and growth of entrepreneurship activities. Still, launching a business out of necessity does not prohibit high growth aspirations. Policymakers are

thus urged to unlock the potential of NDEs, especially in rural areas, through high-impact strategies, ranging from well-established infrastructures to enabling ecosystems. The study concludes with a recommendation for a more inclusive and integrated entrepreneurial rural policy in Lebanon. What would such a policy entail is the subject of this policy brief.

Filling in a gap in the literature on local economic development and entrepreneurship, this brief highlights the common challenges confronting NDEs and outlines targeted actions to overcome the economic, socio-cultural, and financial barriers, particularly in rural areas. It is based on an understanding of the rural entrepreneurship context, growth dynamics of low-density economies, the role of local institutions, and entrepreneurial cultures. The brief concludes by proposing effective economic policy measures to promote rural NDE activities and economic growth.

Rural Areas: Stagnation or Opportunity?

NDEs largely explain the behavior of total entrepreneurial activity in rural areas of developing countries. Generally, rural areas are underdeveloped, relative to urban ones, which associates with problems of depopulation and stagnation: lack of physical infrastructure, lack of skilled human capital, lack of digital integration in processes, specialization in economic activity, relatively limited entrepreneurship opportunities, low wages, and an absence of innovative practices generate poor local performance and productivity. Unfortunately, rural areas backslide into poverty given the weak delivery of services to citizens, mainly social services, education, and healthcare. Tight fiscal budgets are always an additional pressure on rural communities, with public spending, investments, and revenues being minimal.² From our study on rural areas in Lebanon, several of these criteria can be highlighted, as marginalization has engendered negative repercussions on the immigration rates of Lebanese rural youth, high unemployment rates of the remaining residents, and increased poverty in the towns.

Despite the stigma on rural areas, the argument that economic development, entrepreneurship, and growth opportunities are strictly urban, is a misconception that has been challenged in the past decade. A new strand of literature is shedding light on the potential of economic development in rural areas, thus shifting the perception from ‘areas of stagnation’ to ‘areas of opportunities,’ where economic resilience can be fostered through a development paradigm shift.³ To understand the growth mechanisms of NDEs in rural areas, one must identify the diverse spatial characteristics of these areas—from well-served periphery communities close to urban areas to remote sparsely-populated areas with limited access to basic services—as well as differing cultures.⁴

² OECD, 2021a. Policies for depopulation and service delivery in rural regions. OECD. Available at: <https://www.oecd.org/regional/rural-development/rural-service-delivery.htm> [Accessed November 5, 2021].

³ For more details, see: Masot, A.N. & Gascón, J.L., 2021. Sustainable rural development: Strategies, good practices and opportunities. *Land*, 10(4), p.366.

⁴ OECD, 2021b. OECD Rural Development and rural well-being. OECD. Available at: <http://t4.oecd.org/regional/rural-development/> [Accessed November 5, 2021].

Scott et al. (2018) argue that the potential of rural regions needs to be at the forefront of development agendas due to their economic potential.⁵ On the one hand, development in rural areas can counter pressures on urban areas, such as gentrification, high population density, lack of affordable housing, and environmental pollution, among others. On the other hand, it helps limit depopulation and economic deterioration by revitalizing key sectors in rural areas, such as tourism, cultural and creative activities, and agriculture and food-processing industries, which altogether form a rural heritage worth preserving (Maddah L., 2021).⁶

Furthermore, rural areas are vital for the green transition, and governments worldwide are mobilizing vast amounts of resources to accelerate this transition in rural areas, mainly through renewable energy, efficient land use, ecosystem services, and circular economy (OECD, 2021c).⁷ In light of this, rural economies in Lebanon, through a bottom-up policy approach, can exploit their potential and change the narrative from stagnation to opportunity. This eventually translates, directly or indirectly, to NDEs in these areas. Comparably, while some rural areas in European countries have been very successful in encouraging entrepreneurship, sustaining a positive economic performance, and ensuring a good quality of life, other countries, mainly developing ones like Lebanon, have not managed to do that.

Jarabkova (2010)⁸ proposes the idea of endogenous development based on the use of internal resources of rural municipalities, support of small and medium enterprises, and the establishment of partnerships between different stakeholders from the public and private sectors. The success or failure of NDEs thus depends on the degree of development in rural areas, for they are noticeably influenced by rural infrastructure and changes in economic conditions. Therefore, Lebanon can rely on similar international policy recommendations to encourage some traditional ecotourism opportunities, such as hiking and skiing, particularly in the forests and mountains; agricultural eco-tourism, like wineries, camp sites, and other rural activities (picking apples, for example); and reviving the historic centers of rural towns, by designing a smart specialization strategy for the arts and crafts industries and cultural heritage sites, in addition to cluster policies that foster the development of creative industries.

Growth Dynamics of Low-Density Economies

As mentioned earlier, rural areas in Lebanon, vary according to their geographic location, natural environment, resources, and economic conditions. Perhaps, their common feature is the low density of population and economic activity. According to the OECD (2016), and a more recent report published in 2021 (OECD, 2021c), low-density economies are characterized by:

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Scott, K., Rowe, F. and Pollock, V. (2018): 'Creating the good life? A wellbeing perspective on cultural value in rural development', *Journal of Rural Studies* 59(1): 173-182.

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Maddah, L., 2021. Essays on Cultural and Creative Industries: Clustering, Location and Employment Growth. thesis. Reus: Universitat Rovira i Virgili.

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OECD, 2021c. Rural regions - Realising the net-zero opportunity. Available at: <https://oecd-events.org/cop26/session/008474ad-2e2c-ec11-ae72-a04a5e7d345e> [Accessed November 9, 2021].

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Jarabkova, J. 2010. Rural areas - Untapped potential for rural tourism. Nitra: Slovak University of Agriculture in Nitra. ISBN 978-80-552-0364-5.

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Many governments are increasingly trying to implement integrated and flexible approaches to the provision of services as a way of maintaining quality and access in lower density and remote areas (OECD, 2021c).

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Rodriguez-Pose, A. (2018). The revenge of the places that don't matter (and what to do about it). *Cambridge Journal of Regions, Economy and Society*, 11, 189–209.

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Rennings, K. (2000), *Redefining Innovation: Eco-Innovation Research and the Contribution from Ecological Economics*, *Ecological Economics*, 32(2), 319–332.

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FAO, 2021. Section I: Entrepreneurship and supporting institutions: An analytical approach. Rural development through entrepreneurship. Available at: https://www.fao.org/3/W6882e/w6882e02.htm#P576_79320 [Accessed November 14, 2021].

- A small local workforce that limits the number and size of firms that can efficiently operate
- Higher transportation costs and lower economies of scale, which increases the cost of service provision
- Difficulty in attracting and retaining professionals⁹
- The possibility of strong competition with regions with similar economic structures
- Sensitivity of local economies to regional and national business cycles

Understanding the growth dynamics of such areas in Lebanon is essential to create favorable environments under which rural communities can attract entrepreneurs and capital inflows, become more competitive, establish high levels of worker productivity, and create employment opportunities with wages that can enhance local residents' quality of life. As low-density areas face numerous development challenges, such weaknesses can be intensified during economic and financial crises. For rural NDEs to survive, they need the support of municipalities and to promote a local entrepreneurial ecosystem. Regional disparities and inequalities, and the so-called 'geography of discontent,' have deep and dangerous political and economic implications for national governance and institutional systems (Rodriguez-Pose, 2018),¹⁰ suggesting the need to support low-density areas. As encountered in the three towns—Fnaidek, Hidab and Rashayya—which LCPS studied, a large number of NDEs lack any form of relief from the national government. Therefore, the government and municipalities should find local solutions to best support small businesses that can play a role in entrepreneurial survival and recovery.

Local Institutions

Academic research has emphasized that rural areas need entrepreneurship activities, which in turn require several factors to innovate: (1) organizational factors, as they relate to supply (technology-push) (2) sectoral and market factors (demand-pull), and (3) regulatory (push/pull) factors affecting innovation processes.¹¹ This applies to the Lebanese context, and institutions can influence these three factors. Similarly, international organizations¹² focusing on agro-rural economies have shed light on collaborative local efforts to support small businesses and new NDEs in rural communities:

- The first local actors are educational institutions (universities, local technical schools, vocational training), through which the capacity and skills of the labor force can be built and developed. Links between rural and urban educational institutions in Lebanon can be useful for bringing technical expertise to rural areas. Also, establishing relations between universities and NDEs forms a basis for economic development in rural areas, as these entrepreneurs lack the human or financial resources to

develop innovative solutions, and universities in low-density rural areas promote knowledge spillovers through research projects involving the business community.¹³

- The second group of institutions is inter-firm related. This includes business incubators, networking institutions (NGOs, and business support centers that provide support for start-ups), emerging and established rural firms. In Lebanon, there is a large number of NGOs that operate in rural areas, yet their impact on the growth of businesses is yet to be explored. The third institutions are financial ones, from venture capital to equity financing. Tolbert (2015) has addressed how the presence or absence of different types of locally-oriented financial institutions influence the emergence and development of small rural businesses. The local financial sector has a major role to play, and small businesses do better in a climate where banks and financial intermediaries are locally-oriented. Still, other forms of financial institutions can play a role in credit-constrained areas and in times of financial crises.¹⁴ Weak local financial institutions jeopardize the accessibility of the rural community to financial resources, in addition to creating wealth inequality.¹⁵ These factors can create an adverse entrepreneurial culture, the constraint that rural areas in Lebanon are confronting, and there is a need today to shift to non-conventional financing models.
- Finally, local institutions, such as local governments and policymakers, are major players in supporting rural communities. Building on the studies of Audretsch and Lehmann (2016)¹⁶ and Aidis et al. (2012),¹⁷ we can highlight how engaging the private sector in local policymaking decisions can benefit rural areas: a) As a bottom-up approach, it can help reform and improve bureaucratic and regulatory frameworks to better design an efficient entrepreneurial ecosystem that encourages entrepreneurs to start new businesses. b) It can also reduce time and cost for the private sector to formalize businesses and have better access to resources and finances.

As shown, efficient and interactive practices of local governments are positively correlated with conducive ecosystems and entrepreneurial cultures. In Lebanon, government support is essential in order to avoid widespread social and economic distress in rural areas and reduce tensions in the labor market between local and foreign laborers, mainly in informal jobs.

Entrepreneurial Cultures

Essentially an entrepreneurial culture is an environment/context that encourages business activities. Theoretically, rural regions close to cities have more dynamic and conducive cultures than remote areas. Moore (2006) explains that an entrepreneurial culture involves 'a set of interconnected entrepreneurial actors (both potential and existing), entrepreneurial organizations (e.g. firms,

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Galvão, A., Mascarenhas, C. & Marques, C., 2020. Knowledge spillovers between universities and companies of low-density territories. *Knowledge Management Research & Practice*, pp.1–14.

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Tolbert, C.M. 2015. Local Financial Institutions and the Performance of rural entrepreneurs and small business. *Local financial institutions and the performance of rural entrepreneurs and Small Business - Baylor Univ.* Available at: <https://portal.nifa.usda.gov/web/crisprojectpages/0224482-local-financial-institutions-and-the-performance-of-rural-entrepreneurs-and-small-business.html> [Accessed November 6, 2021].

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Danisewicz, P. & Ongena, S., 2021. Stimulating entrepreneurial activity: The Role of Local Government. *VOX, CEPR Policy Portal.* Available at: <https://voxeu.org/article/stimulating-entrepreneurial-activity-role-local-government> [Accessed November 20, 2021].

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Audretsch, D.B., and Lehmann, E.E. (2016). *The Seven Secrets of Germany.* Oxford University Press.

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Aidis, R., Estrin, S., and Mickiewicz, T. (2012). Size matters: entrepreneurial entry and government. *Small Business Economics* 39, 119–139.

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Moore, J.F., (2006). Business ecosystems and the view from the firm. *The Antitrust Bulletin*, 51(1), pp.31-75.

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Beinhocker, E. (2007). *The Origin of Wealth: The Radical Remaking of Economics and What it Means for Business and Society*. London: Random House Business Books.

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Audretsch, D. B., Heger, D., & Veith, T. (2015). Infrastructure and entrepreneurship. *Small Business Economics*, 44(2), 219-230.

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Stam, E. (2014). *The Dutch entrepreneurial ecosystem*. Retrieved October 19, 2021 at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2473475

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European Commission, 2021. Rural development. *European Commission - European Commission*. Available at: https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/rural-development_en [Accessed November 23, 2021].

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OECD, 2020. Policy Implications of Coronavirus Crisis for Rural Development. *OECD*. Available at: <https://www.oecd.org/coronavirus/policy-responses/policy-implications-of-coronavirus-crisis-for-rural-development-6b9d189a/#figure-d1e332> [Accessed October 7, 2021].

venture capitalists, business angels, banks), institutions (universities, public sector agencies, financial bodies), and entrepreneurial processes (e.g. the business birth rate, numbers of high growth firms, levels of 'blockbuster entrepreneurship', number of serial entrepreneurs, degree of sell-out mentality within firms, and levels of entrepreneurial ambition), which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment.¹⁸ Within dynamic rural areas, NDEs have more opportunities to prosper and create employment opportunities. This sheds light on the need to diversify policies in Lebanon according to the geographical location of municipalities.

NDEs, like any other entrepreneurial ventures, need to be studied in a local context. Beinhocker (2007) reveals that norms, collective culture, and trust (even safety within rural neighborhoods) reward entrepreneurial action and provide additional resources to enhance cooperation between local institutions and entrepreneurial communities.¹⁹ In addition, physical infrastructure and amenities (parks, theatres, museums, cinemas, tourist attractions, art galleries), along with transportation links, either foster or constrain collaboration between the agents of the entrepreneurial ecosystem and influence the availability of opportunities in rural areas²⁰ Advanced physical infrastructure and capacity building bring proactive people together, in addition to policymakers, researchers, universities and technical institutes, NGOs, local organizations, thus generating 'third spaces' in an entrepreneurial ecosystem.²¹ Viable entrepreneurial cultures foster income creation and strengthen social, environmental, and economic sustainability in rural areas, as well as achieving a balanced territorial development of rural communities.²²

Thus, entrepreneurial cultures and local institutions in Lebanon can form the infrastructure to influence growth dynamics and exploit opportunities emerging for NDEs. Among these are: (1) the need to enhance quality and use of digital tools in rural regions, (2) remote distributed work, which can enhance and foster linkages between rural and urban areas, (3) change in consumption habits towards a preference for local products and local destinations for tourism, (4) enhanced awareness to foster accessibility to quality services in rural areas, among which is e-health, (5) reshoring of strategic industries that were once delocalized (raw materials), (6) strengthening local networks and cooperative structures to face future shocks, and (7) accelerating the transition towards circular economies in rural areas (OECD, 2020).²³ Policymaking in Lebanon must be based on rural strengths and existing opportunities, rather than a set of prearranged assumptions on specific sectors. A deeper understanding of local contexts will allow for the identification of village advantages and disadvantages, upon which policies can be directed to foster the development of new economic activities.

Policy Recommendations

Crises deepen already existing economic and social asymmetries in most countries, and Lebanon is no exception. Disparities among regions, and structural weaknesses within each region, cause rural entrepreneurs to be hit the hardest in times of crisis. Low-density economies, and the NDEs operating in them, are challenged more than ever. Still, they offer new opportunities which can contribute to the survival and growth of NDEs and facilitate the inflow of productive human resources from cities back to their villages. Only with well-fashioned, bottom-up development strategies that support local entrepreneurs, their ecosystem, institutions, and culture will these territories be able to generate the economic activity required for recovery and sustainable development.

The Role of Government

Citizens' willingness to incur risks associated with investing, launching, and managing NDEs is tied to their trust in government efficacy (Friedman 2011). It is true that each government's assessment varies depending on distinct features, however, these evaluation tools engender various effects on the growth of NDEs and constitute important indicators on whether to increase the business' investment or not. National, regional, and local government institutions in Lebanon can shift to multi-stakeholder initiatives to tackle the challenges confronting NDEs.

The Rural-Space Paradigm for NDEs

Principally, policies to target NDEs can differentiate between two categories of rural areas in which they operate: (1) the peripheries of urban parts of the country, and (2) the remote villages. The spatial-geographic analysis takes into consideration different needs, very basic characteristics, economic sectors, human capital, depopulation or overpopulation concerns, and changing demographics of different municipalities. Maximizing the potential of all NDEs requires organized governance at several relevant geographic scopes, along with the concerned ministries of economy and trade, industry, youth, social affairs, labor, and agriculture, to create better synergies that support cooperation and uncover existing and potential interrelations and interdependencies. This cannot be achieved without formulating and integrating a progressive vision for rural areas to shift them from areas of stagnation to areas of opportunity.

Local Entrepreneurial Ecosystems

Identifying the priority investment sectors in national development strategies is essential to boost a real market demand and a vibrant ecosystem. We highlight the urgent need to improve rural communities' resilient capacity, through modifying their internal components' structure and infrastructure

to survive external and internal challenges. Li et al. (2019) have proposed a framework that we can depart from:

- Supporting rural livelihood diversification, the construction of market-oriented institutions, and strong social capital that is favorable for NDEs to diversify and flourish.
- Considering the future shift towards a knowledge economy by developing new economic activities that are consistent with local characteristics and capacities to respond to potential rural demand and create new opportunities for NDEs.
- Supporting local entrepreneurship ecosystems that can establish and expand such new business activities.
- Investing in a social capital that can sustain local entrepreneurship by facilitating access to credits, labor, human capital, external markets, and external knowledge for learning and innovation (Li et al., 2019).²⁴

It is essential to consider different local contexts in rural areas in Lebanon and identify the “change” actors, the place-based characteristics, and related variety among economic sectors, to allocate local resources in supporting new businesses. Therefore, empowering NDEs locally, fostering economic growth particularly in the agricultural sector, manufacturing, creative industries and eco-tourism, enhancing regional networks, engaging the youth, and empowering women can be extremely beneficial for the case of Lebanon.

Economic Policy Instruments

Education and Vocational Training

Policy instruments can start with focusing on creating jobs and entrepreneurial opportunities for young people and NDEs in rural areas of Lebanon—jobs that match their skills. This can move hand-in-hand with developing curricula that meets the needed skills as well. Potential job opportunities in these areas exist in the agricultural sector, agro-food value chain, industrial activities (mainly traditional crafts activities), eco-tourism, and the cultural and creative industries/knowledge economy. It is essential to assist Lebanese entrepreneurs by providing them with mentorship through workshops and training sessions to increase their workforce engagement and encourage the growth of NDEs. One’s perceived capabilities have a beneficial impact on NDEs, and constitutes an essential characteristic in supporting the growth of the enterprise based on their skills and abilities.

Derived from the European context, we can develop a similar approach in Lebanon. For example, the ‘Entrepreneurship 2020 Action Plan’²⁵ advocates for further awareness specifically during the critical time we are living in, and in light of the Covid pandemic. With reference to extensive analysis of potential business incubator programs that aim to expand the growth of the

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Li, Y., Westlund, H. & Liu, Y., 2019. Why some rural areas decline while some others not: An overview of rural evolution in the world. *Journal of Rural Studies*, 68, pp.135–143.

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European Commission (2012), Available at: <https://www.eesc.europa.eu/sites/default/files/resources/docs/entrepreneurship2020---action-plan.pdf>

NDEs, boost their potential workforce, and create future market opportunities, the plan suggests offering training programs in order to assist businesses in building entrepreneurial connections and balancing their work and family life.²⁶ Some governmental initiatives can focus on the enhancement of ‘entrepreneurial education.’ This recommended policy is essential in Lebanon, to target the human capital and emphasize the value of education at all levels, starting from schools, vocational training, and beyond. Providing, for example, educational and technical assistance for agricultural initiatives can have the capacity of shifting NDEs to opportunity-based entrepreneurs.

Cooperatives and Solidarity

Policies can start with developing agricultural and industrial co-operatives/organizations and unions that are important institutions for the livelihoods of rural NDEs, farmers and industrialists, especially micro-businesses and smallholders among farmers, to safeguard a sustainable rural economy. Policies pertaining to establishing and supporting cooperatives and associations in the agri-food sector should be activated, providing viable tools to understand the constraints and opportunities in the agricultural cooperation sector, in addition to highlighting the empowerment and role of women in cooperatives in rural areas. For instance, Community Supported Agriculture (CSAs) are a powerful approach within a solidarity economy context. It represents a valuable investment in health, community, and local production, through partnerships between farmers, agro-food businesses, and consumers, allowing NDEs to thrive and build an equitable food system.²⁷ In Lebanon, organic farmers should be encouraged to form associations/cooperatives to create brands for environmentally friendly, organic products that can be distributed in local grocery stores and restaurants.

Networking Along Value Chains

Local agro-food systems, along with other local industrial activities, must become more central in national rural development plans, by considering the interest of traditional NDEs operating in upstream activities, as well as new NDEs, including the youth and women, who tend to be more attracted to downstream activities (these include the transformation of primary agricultural production into intermediate and final products). Such a framework can help create innovative jobs in direct sales and organic production, a convergence that might spur the growth of start-ups and shift NDEs to more opportunity-driven paths that meet their aspirations of quality jobs, be it directly farm-related or not.

Uniting farmers in cooperatives provides numerous opportunities. One example can be adapted from the Mancera Cooperative Society²⁸ in Spain,

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European Commission, 2021. Rural development. *European Commission - European Commission*. Available at: https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/rural-development_en [Accessed November 23, 2021].

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CAFF (2021), *Community Alliance with Family Farmers*. Available at: <https://caff.org/csa/>

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https://enrd.ec.europa.eu/sites/default/files/project/attachments/gp_es_quality_certification_tomato_crops_673_web_fin.pdf

which implemented a quality certification program for tomato crops in villages, in order to boost the added value and competitiveness of the crops for more sustainable production processes. Such initiatives create jobs, enhance product quality to meet international standards, and boost exports. Also, strategic alliances and planning can help local businesses in cost savings and other business decisions. For example, in Slovenia, farmers were advised to produce pellets from horse manure, which can be used as organic fertilizer or energy. Through similar initiatives, enhancing regional networks in Lebanon will help local producers sell their products through personal contacts, social networks, and word-of-mouth, or by displaying their products in local grocery stores.

Transfer of Finances and Technology

Unfortunately, agricultural activities in Lebanon, like many developing countries, are linked with poverty. It is essential to create an enabling environment for agro-food NDEs to better access national and foreign markets. This comprises facilitating access to financial resources, such as converting international funds into soft loans,²⁹ for rural entrepreneurs, as well as improving productivity through transfer and integration of technologies. Such a step would allow enterprises to better meet local and international standards with higher-quality products.

One good practice on this matter that can be applied to the Lebanese context, given the constraints of the financial sector, is the Technology Resource Center in France (*Centre de Ressources Technologiques*).³⁰ Co-funded by local governments, the center supports entrepreneurs by addressing their productivity bottlenecks through technology transfer. Also, in some countries, NGOs are helping SMEs in finding technological solutions. The diffusion of new technologies to businesses in Lebanon requires partnerships between the public sector, universities, research and resource centers, regional institutions, and well-established and small companies.

Another example of national information and communications technology (ICT) integration to support rural businesses is the 'Meet the Local Producer' platform, which was developed in Slovenia to connect local farm holders and food producers to their consumers, with additional benefits to local rural tourism.³¹ Also, digital integration to shorten food supply chains are good practices to boost productivity by: (1) helping farmers produce local products, (2) connecting them through cooperatives, (3) collecting their local products, and (4) distributing and selling products through specific points to the customer.³² Such platforms are also important for enhancing the rural-urban linkages in Lebanon, which have positive spatial spillover effects on rural economies. Further support for such linkages can be maintained through

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A soft loan, also called soft financing, is a loan with no interest or a below-market rate of interest.

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<https://afcr.com/les-crt/>

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https://smart-villages.eu/language/en/good_practice/meet-the-local-producer-platform/

32

Interreg (2020), Available at: https://smart-villages.eu/language/en/good_practice/blockchain-based-digital-transformation-of-a-short-food-supply-chain/

emphasizing the role of intermediate periphery cities, given that they are closer to more remote villages at one end and urban areas on the other.

Associated strategies can include inclusive and sustainable interventions that leverage the potential of these parts of the country by mainly benefiting from digitization and human capital. Digitization fosters effective delivery of public services—major infrastructural determinants for NDEs prosperity. The Lebanese government is responsible for enhancing digital infrastructure, adopting remote forms of service delivery to rural areas, and delivering e-financial and technical aid to support social innovation organizations and NDEs, with the aim of protecting the most vulnerable population in rural areas and fostering their solidarity networks.

Policies, even if short-term, can be strategic and sustainable, by addressing the ecological balance of rural areas. Such strategies can focus on an immediate response plan that includes emergency measures that can at least sustain livelihoods and e-public service delivery (health, education, and basic needs). For instance, NDEs should be encouraged to ration imports, specifically in agriculture. This can be addressed by looking at innovative agricultural technologies that enhance productivity, such as precision farming and biotechnologies. Therefore, NDEs should be more aware of new technologies that can be adopted to increase their production and performance.

Addressing Informality

Other policy measures can be directed to remove a major bottleneck for NDEs within the Lebanese context: informality. This is a main concern that limits their procurement opportunities, and any branding and exporting potential. Informal jobs and NDEs are sustaining livelihoods of thousands of people in rural areas in Lebanon, and formalizing these businesses should be accompanied by administrative facilities and effective social protection schemes, otherwise the NDEs will be further exposed to more challenging business environments. Social protection policies have to consider the differences among sectors (agriculture vs. manufacturing), workforce demographics (youth vs. older population, periphery vs. rural villages), and occupations (downstream jobs vs. upstream jobs), among other considerations.

Strategic Planning

Additionally, policymakers should promote strategic planning for rural areas, including NDEs, via regional planning and networking. A good practice on this matter can be derived from the Polish and German contexts is the National Network of Rural Areas (NRNs).³³ NRNs are networks of organizations, enterprises, associations, and institutions that work together to advance microbusinesses in rural areas. Generally, NRNs support individuals and

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Bomberski A., (2020),
Available at:
https://www.kgzs.si/uploads/dokumenty/druga_gradiva/posvet/02_2__brokering_proces_i_eip_operational_groups_in_poland_aleksander_bomberski.pdf

organizations, developing their capacities to benefit rural economic development. Policies fall under a 'strategic plan,' which covers sustainable development of farmers and agri-businesses, working conditions, biodiversity, environment, production and use of renewable energy, economic diversification, digital and scientific solutions, and better organization of supply chains in different sectors. For strategic planning in Lebanon to be more efficient and effective, it should be accompanied by political commitment, primarily in the border areas of the country.

Agricultural Planning

Derived from general understanding of rural areas in Lebanon, and the high percentage of NDEs operating in this sector, one possible solution that can guide policymaking is 'agroecology,' developed by the Food and Agriculture Organization (FAO). Agroecology is a model for the optimization of the connections in rural areas to support business survival, growth, and resilience, while also protecting the environment and social welfare. The ten interrelated elements of agroecology are: diversity; synergies; efficiency; resilience; recycling; co-creation and sharing of knowledge; human and social values; culture and food traditions; responsible governance; and circular and solidarity economy³⁴—altogether intended to create an enabling environment.

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FAO (2020), Available at:
<https://www.fao.org/3/i9037en/i9037en.pdf>

Diversification to Other Sectors

Finally, policymakers have to consider support for diversification in rural areas, where NDEs operate. Cultural and creative industries, knowledge economy activities, and eco-tourism are good examples. Eco-tourism is a key driving sector for rural economic development in Lebanon. It can serve as an instrument to promote green economies, minimize environmental damage, utilize alternative energy, and endorse local cultural heritage and creative activities.

Within the Lebanese context, tackling the current challenges confronting rural economic development in general—and NDEs more specifically—requires a strong commitment to strategic planning in these areas. This can only be achieved by creating synergies across several policy dimensions: rural development, labor market and skills, financing, spatial planning, transportation, urban-rural linkages, environment, and solidarity economy. Spurring economic development dynamics can happen via an efficient multi-level governance that facilitates cooperation and creates 'smart villages' capable of surviving today and growing tomorrow. Leveraging digital innovations can create new opportunities and alter the way we produce and consume as a society. Having emphasized in the previous sections the importance of entrepreneurship ecosystems and cultures, the government should promote an inclusive

democratic engagement in the fashioning and implementation of any targeted policies, coupled with transparent monitoring and accountability for outcomes in rural communities.

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