Lebanon has a free market economy with a GDP per capita of around 12,000 USD.

- **ECONOMIC PROFILE & SYSTEM (2017)**
  - Free Market Economy
  - Non-interventionist stance towards private investments
  - One of the most liberal investment climates in the Middle East
  - GDP at current prices (USD billion): 54.18
  - GDP/capita (current USD): 12,013
  - Real GDP growth: 1.5%
  - Average inflation rate: 4.4%
  - Trade balance (USD million): -13,110
  - FDI inflows (USD billion - 2017): 2.63
  - Unemployment rate (est. 2017): 6.3%*

*Source: International Monetary Fund (IMF Estimates), Central Bank of Lebanon, Lebanese Customs Administration, UNCTAD, *International Labor Organization (ILO)*
Foreign direct investments to Lebanon have been more or less stable despite a continuous drop of FDI flows to the region.

The largest contributor of FDI in West Asia is Turkey followed by the UAE.

Source: UNCTAD
Foreign investments are mostly concentrated in the services and real estate sectors, making the country volatile to any external shocks.

Distribution of FDI by Sector

(%) (2017)

Source: IDAL’s Calculations
Lebanon’s trade balance has been in deficit exacerbated by the closure of the border areas with Syria.

Balance of Trade (Goods)
(USD Billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports (Billion USD)</th>
<th>Exports (Billion USD)</th>
<th>Trade Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>4.25</td>
<td>4.25</td>
<td>0.00 USD</td>
</tr>
<tr>
<td>2011</td>
<td>4.48</td>
<td>4.48</td>
<td>0.00 USD</td>
</tr>
<tr>
<td>2012</td>
<td>4.26</td>
<td>4.26</td>
<td>0.00 USD</td>
</tr>
<tr>
<td>2013</td>
<td>3.93</td>
<td>3.93</td>
<td>0.00 USD</td>
</tr>
<tr>
<td>2014</td>
<td>3.31</td>
<td>3.31</td>
<td>0.00 USD</td>
</tr>
<tr>
<td>2015</td>
<td>2.95</td>
<td>2.95</td>
<td>0.00 USD</td>
</tr>
<tr>
<td>2016</td>
<td>2.97</td>
<td>2.97</td>
<td>0.00 USD</td>
</tr>
<tr>
<td>2017</td>
<td>2.84</td>
<td>2.84</td>
<td>0.00 USD</td>
</tr>
</tbody>
</table>

Source: Lebanese Customs
GDP has stagnated at around 2% way below our potential of 8% but in line with the regional slowdown hard hit by a drop in oil prices.

Source: International Monetary Fund (2017)
Lebanon has been able to sustain this growth due to the presence of structural fundamentals mainly a highly skilled labor force ...

Lebanon’s Competitive Advantages (1/4)

1. ACCESS TO HUMAN RESOURCES

LEBANON HAS ONE OF THE BEST EDUCATIONAL SYSTEM IN THE WORLD

4th GLOBALLY FOR QUALITY OF MATH & SCIENCE EDUCATION
18th GLOBALLY FOR QUALITY OF EDUCATION
1st RANKED AMONG MIDDLE-EASTERN UNIVERSITIES
90% LITERACY RATE
40% LESS THAN 24 YEARS OLD

Source: World Competitiveness Report
… An access to a regional market of more than 500 million people through multiple trade agreements…

Lebanon’s Competitive Advantages (2/4)

ACCESS TO MARKET

INInvolved in several free trade agreements

Notably with

The EU & Arab World

Notably

EFTA, GAFTA & TIFA

(Lebanon-US Trade Investment Agreement)

Source: Ministry of Finance
… Lebanon’s reputation of a stable financial system with high liquidity and bank assets base…

Lebanon’s Competitive Advantages (3/4)

ACCESS TO FINANCE

BANKS PENETRATION RATE 24 BRANCHES / 100,000
ONE OF THE HIGHEST IN THE WORLD

Liquidity Ratio
82%
AMONG THE HIGHEST REGIONALLY & GLOBALLY

GLOBALLY ON THE SOUNDNESS OF BANKS INDICATOR
ONE OF THE SAFEST BANKING SYSTEM

HIGHEST REMITTANCES % OF GDP (14%)
STANDING AT 7 BN USD

BANKING SECTOR’S CONSOLIDATED ASSETS
USD 220 BN IN 2017
424% OF COUNTRY’S GDP

ACCESS TO FUNDS
✓ KAFALAT PROGRAMS
✓ BDL CIRCULAR NO. 331
✓ BDL SUBSIDIZED LOANS
✓ 7VCS FIRM
✓ INTERNATIONAL ORGANIZATIONS

Source: World Bank, Fitch, Lebanese Bank Associations, IDAL’s research
... In addition to a very diversified geography providing room to many industries to flourish

Lebanon’s Competitive Advantages (4/4)

4. ACCESS TO NATURAL RESOURCES

- Availability of diversified climate
- Different topography allowing for different types of crops
- Access to sea & mountains enabling growth for many tourism related activities
However Lebanon has the potential to regain its growth provided that major reforms are implemented on multiple fronts.

<table>
<thead>
<tr>
<th>Sub-Optimal Investment Framework</th>
<th>Infrastructure for Businesses</th>
<th>Lack of Competition</th>
<th>Lack of an Investment Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fragmented International Investment Agreements Regime</td>
<td>Heavy and burdensome administrative requirements to establish a business</td>
<td>Lack of a comprehensive competitive policy nor a competition law</td>
<td>Absence of a national investment promotion strategy</td>
</tr>
<tr>
<td>Outdated investment Law 360 (2001)</td>
<td>No consensus over a One-Stop-Shop to efficiently serve investors</td>
<td>Rank 120 out of 137 in the effectiveness of anti-monopoly policy index</td>
<td>Lack of agreement on sectors with high potential to grow</td>
</tr>
<tr>
<td></td>
<td>Lack of e-transaction procedures across all the business value chain</td>
<td>Corruption is perceived by the private sector as one of the most significant deterrents for business in the country</td>
<td>Sub-optimal empowerment of IDAL as national investment agency</td>
</tr>
<tr>
<td></td>
<td>Insufficient institutional cooperation to facilitate investment development</td>
<td>Lebanon has lost 20 places since 2012 on the corruption index</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rank 142/190 in Ease of Doing Business (2019)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
UNCTAD upon the government request, has recommended a series of reforms - that could easily put back Lebanon on the foreign investment map - if implemented

**IPR Recommendations for Lebanon 2018**

### I. REVIEW THE FDI LEGAL FRAMEWORK
- National legal framework for FDI
- International legal framework for FDI

### II. BUSINESS ENVIRONMENT REFORMS
- Procedures to establish and liquidate a business
- Access to land and property rights
- Taxation regime reform
- Labor regime reform
- Environmental protection
- Competition Regime reform
- Governance Issues

### III. FDI PROMOTION STRATEGY
- National stakeholders engagement
- Sub-sectors selection like ICT
- Policy and promotion activities

### IV. IDAL EMPOWEREMENT
- IDAL structural reform
- Institutional cooperation
- Revision of Investment Law No.360
- ICT Strategy development and implementation
The IPR falls within the national government vision of boosting the economy, along with the CEDRE reform plan put in place this year.
The implementation of the IPR will be done in phases and will focus on government effectiveness and legislative reforms.

**Government Short And Medium Term Plan**

**Short-Term Plan**
- **Government Effectiveness**
  - Digitalization of business establishment procedures and transparency of procedures for investors
  - National Investment strategy including a Knowledge economy strategy
  - Business Environment Reforms that will curb red tape, foster competition and improve the labor market

**Medium- Term Plan**
- **Legislative Reforms**
  - Legislative changes related to the doing business environment (Taxation, Public procurement Law, Competition Law, etc)
  - Governance structures to implement anti-corruption measures and foster competition
The immediate priority is to digitize government services to streamline business development and avoid red tape

### Digitization of Business Procedures

<table>
<thead>
<tr>
<th>IPR Recommendations</th>
<th>2019 Government Plan</th>
<th>AGENCY</th>
<th>Ease of Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Stop Shop Activation</td>
<td>Online Commercial Registry is now operational for the Beirut Area only. Plan for 2019 is to expand to other areas of Lebanon / seek additional funding for roll out</td>
<td>MOJ, OMSAR</td>
<td>HIGH</td>
</tr>
<tr>
<td>E-Registration for Business establishment</td>
<td>E-registration will be implemented across Lebanon in 2019 after the finalization of the bidding process for the software company</td>
<td>MOJ, OMSAR, MOF</td>
<td>HIGH</td>
</tr>
<tr>
<td>E-Registration platform for land and property titles</td>
<td>MoU was signed with the World Bank and modernization is being implemented</td>
<td>MOF</td>
<td>HIGH</td>
</tr>
</tbody>
</table>
| E-declaration and e-payment for taxes    | - Continue the implementation of e-declaration procedures and forms for all forms of taxes (already existing for some)  
- Continue the implementation of e-payment procedures for some taxes (already exist for VAT, income tax, property, etc)  
- Plan in 2019 is to link the MOF with commercial banks for e-payment and with commercial registry  
- OMSAR will seek TA in 2019 for drafting the implementation decrees of the E-transaction law                                                                 | MOF             | HIGH                   |
| Single window for customs administration | Undergoing reforms being implemented by the Ministry of Finance (NAJEM)                                                                                                                                             | MOF             | MEDIUM                 |
This will be accompanied by a national investment strategy for the knowledge economy sector among others that will guide all future initiatives

<table>
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</thead>
<tbody>
<tr>
<td>Investment Law No.360 Revision</td>
<td>IDAL is in the process of signing an MOU with an international organization to review the Law and suggest recommendations to stimulate investments in productive sectors</td>
<td>IDAL</td>
<td>HIGH</td>
</tr>
<tr>
<td>Investment Promotion strategy for the Knowledge economy</td>
<td>IDAL plans to build on the Mckinsey findings on the knowledge economy to draft an inclusive national investment promotion strategy and implementation plan</td>
<td>IDAL</td>
<td>HIGH</td>
</tr>
<tr>
<td>National Investment Promotion Agency Empowerment</td>
<td>Seek capacity building for existing staff and reorganization of structure after Law review</td>
<td>IDAL</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>BITs Modernization</td>
<td>Engage UNCTAD to support in modernizing the treaty network based on domestic policy agenda</td>
<td>MOF</td>
<td>HIGH</td>
</tr>
</tbody>
</table>
Measures that will further improve Lebanon’s ranking on the Doing Business Indicators will be adopted on the labor and governance front

### Business Environment Reforms

<table>
<thead>
<tr>
<th>IPR Recommendations</th>
<th>2019 Government Plan</th>
<th>AGENCY</th>
<th>Ease of Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Labor Reforms</strong></td>
<td>The ILO is currently conducting a Labour Force and household Survey through CAS financed by the EU. Expected in Feb 2019. On-going projects on supporting role of women in Business and Management</td>
<td>MOL</td>
<td>HIGH</td>
</tr>
<tr>
<td><strong>Arbitration, mediation and conciliation</strong></td>
<td>Sept 2018: judicial mediation law was passed. Plan is to implement an awareness campaign through the Lebanese Mediation center under the Beirut Chamber of Commerce</td>
<td>MOJ</td>
<td>HIGH</td>
</tr>
<tr>
<td><strong>National Strategy against corruption</strong></td>
<td>Sept 2018: Law to protect whistle blowers was passed: Law to increase transparency in the oil and gas sector passed. - Plan is to send the anti-corruption Strategy to the Council of Minister for approval. - Plan is to approve the updates on the draft public procurement by the CoM and send to Parliament</td>
<td>OMSAR, MOET</td>
<td>MEDIUM</td>
</tr>
</tbody>
</table>
The implementation of the IPR will help the Lebanese Government in achieving the SDGs and moving towards an inclusive economic development

**SDG Goals**

1. **GOAL 1: NO POVERTY**
   - Investment policy reforms set in the IPR will help attract FDI again to the country, create new businesses and employ more people leading to a reduction in poverty and improvement of livelihoods.

2. **GOAL 8: DECENT WORK AND ECONOMIC GROWTH**
   - Investment policy reforms will contribute to the growth in economic activity and provide employment opportunities for the local resident population.

3. **GOAL 9: INDUSTRY AND INNOVATION**
   - Investment policy reforms will support the attraction of high-quality innovative investments and drive investors to the productive sectors.

4. **GOAL 10: REDUCED INEQUALITIES**
   - Investment policy reforms will contribute to a reduction in inequalities as they aim for an inclusive economic development where all the communities in all the regions share the benefits of FDI.