

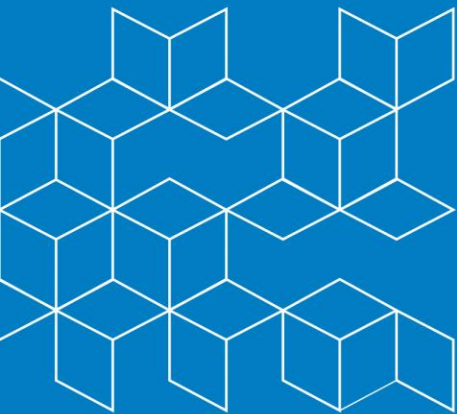


IDAL

INVEST IN LEBANON

UNCTAD RECOMMENDATIONS - IPR 2018-

DECEMBER 2018



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

A blue graphic with white text and faint background images of economic charts and documents. The text reads 'ECONOMIC PROFILE & SYSTEM (2017)'.

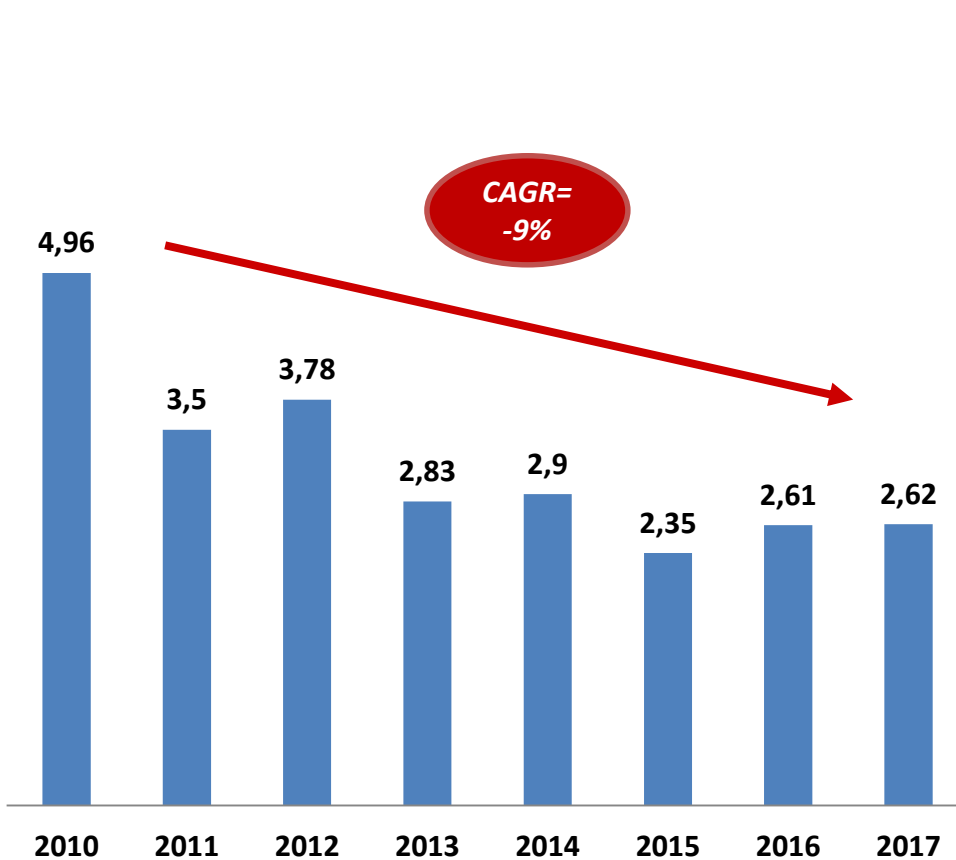
ECONOMIC PROFILE & SYSTEM (2017)

- ▶ 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%***

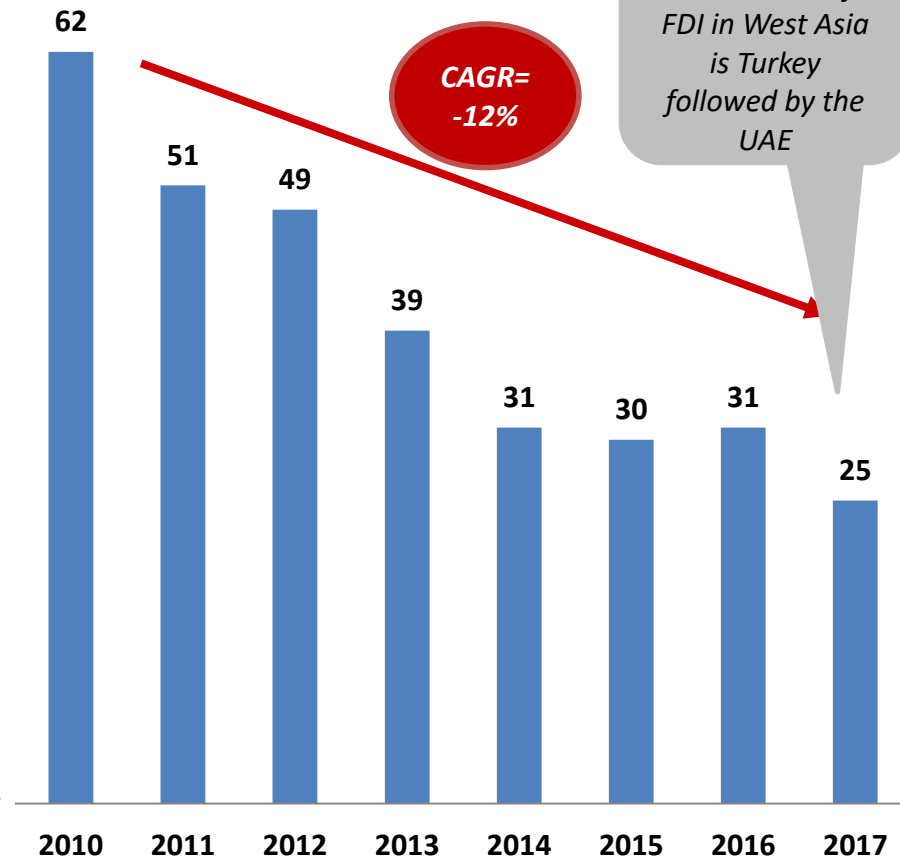
Source: International Monetary Fund (IMF Estimates), Central Bank of Lebanon, Lebanese Customs Administration, UNCTAD, *International Labor Organization (ILO)

Foreign direct investments to Lebanon have been more or less stable despite a continuous drop of FDI flows to the region

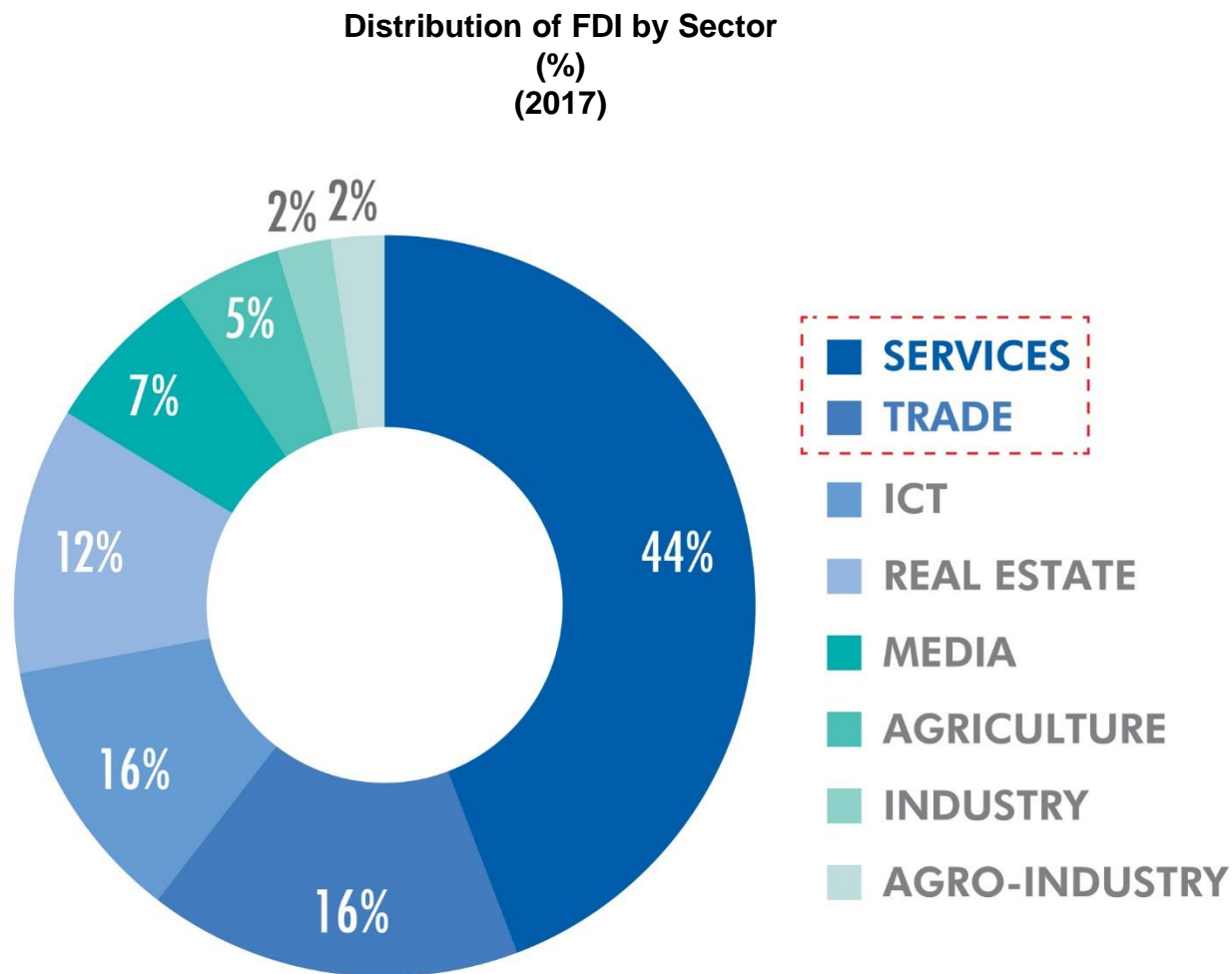
Foreign Direct Investment Flow (FDI) to Lebanon
(USD Billion)
(2012-2017)



Foreign Direct Investment Flow (FDI) to West Asia
(USD Billion)
(2012-2017)

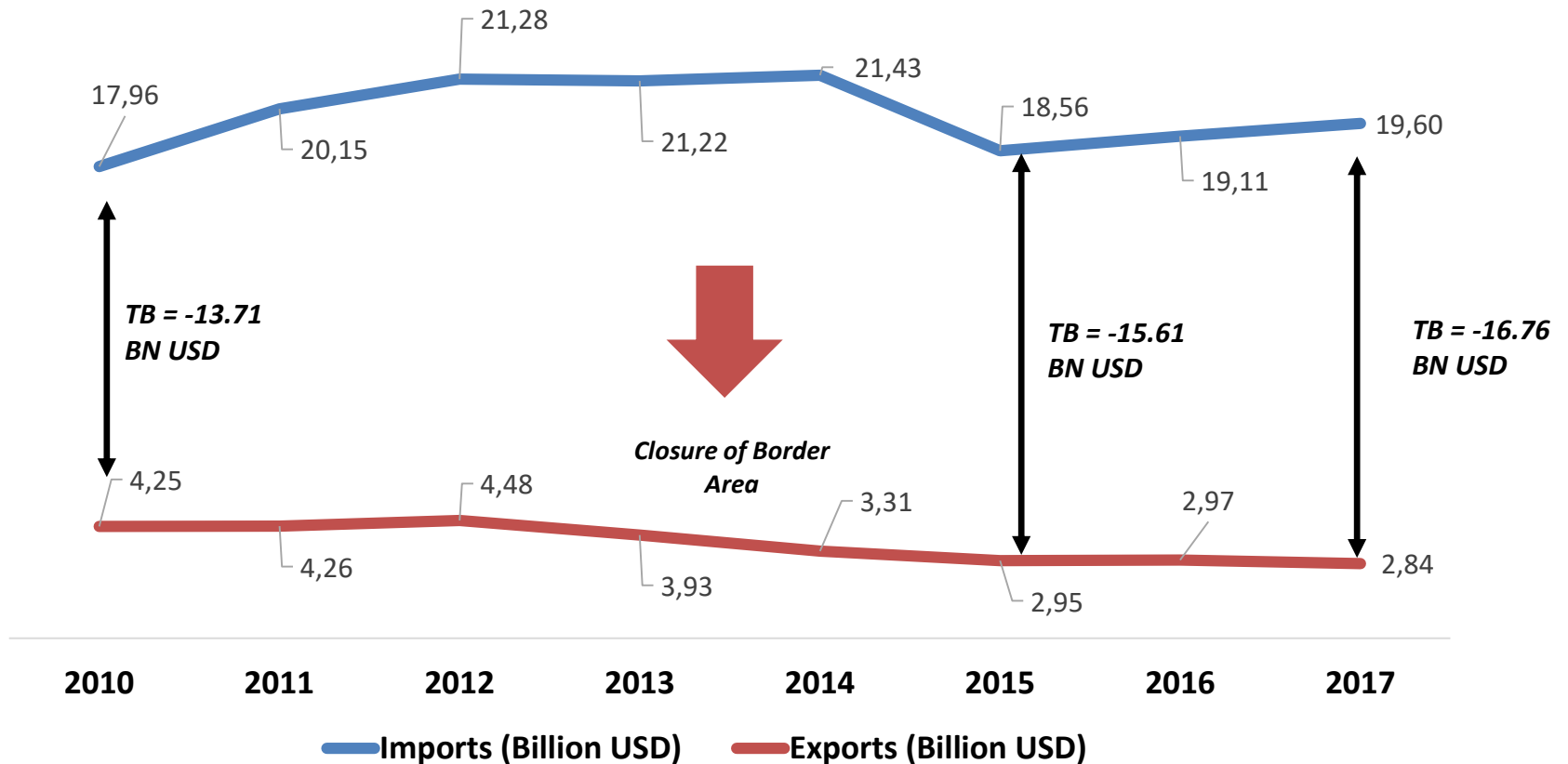


Foreign investments are mostly concentrated in the services and real estate sectors, making the country volatile to any external shocks

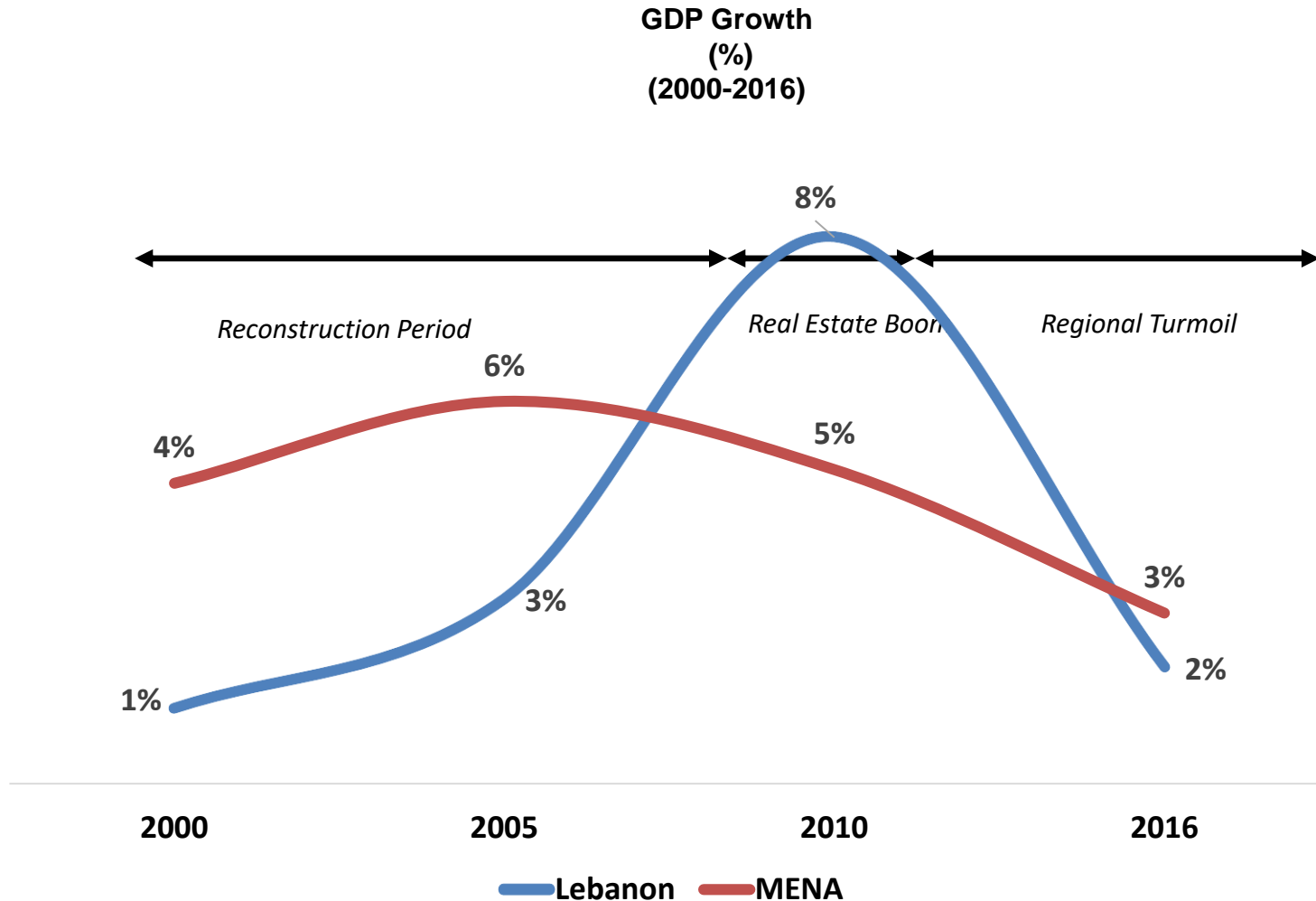


Lebanon's trade balance has been in deficit exacerbated by the closure of the border areas with Syria

Balance of Trade (Goods)
(USD Billion)
(2014-2017)



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



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
RESSOURCES

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



RANKED
AMONG
MIDDLE-EASTERN
UNIVERSITIES

1st



90%
LITERACY RATE



YOUNG POPULATION

40%
LESS THAN
24 YEARS OLD

... An access to a regional market of more than 500 million people through multiple trade agreements...

Lebanon's Competitive Advantages (2/4)



INVOLVED IN SEVERAL FREE TRADE AGREEMENTS

NOTABLY WITH
THE EU & ARAB WORLD

NOTABLY
EFTA, GAFTA & TIFA
(LEBANON-US TRADE INVESTMENT AGREEMENT)

... Lebanon's reputation of a stable financial system with high liquidity and bank assets base...

Lebanon's Competitive Advantages (3/4)

3

ACCESS TO FINANCE



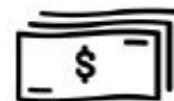
**BANKS PENETRATION
RATE 24 BRANCHES
/ 100,000**

ONE OF THE HIGHEST IN THE WORLD



**82%
LIQUIDITY
RATIO**

AMONG THE HIGHEST
REGIONALLY & GLOBALLY



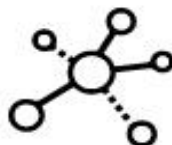
**34th
GLOBALLY ON THE
SOUNDNESS OF
BANKS INDICATOR**

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

... 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

Lebanon's Doing Business Environment

I

SUB-OPTIMAL INVESTMENT FRAMEWORK

- Fragmented International Investment Agreements Regime
- Outdated investment Law 360 (2001)

II

INFRASTRUCTURE FOR BUSINESSES

- Heavy and burdensome administrative requirements to establish a business
- No consensus over a One-Stop-Shop to efficiently serve investors
- Lack of e-transaction procedures across all the business value chain
- Insufficient institutional cooperation to facilitate investment development
- Rank 142/190 in Ease of Doing Business (2019)

III

LACK OF COMPETITION

- Lack of a comprehensive competitive policy nor a competition law
- Rank 120 out of 137 in the effectiveness of anti-monopoly policy index
- Corruption is perceived by the private sector as one of the most significant deterrents for business in the country
- Lebanon has lost 20 places since 2012 on the corruption index

IV

LACK OF AN INVESTMENT STRATEGY

- Absence of a national investment promotion strategy
- Lack of agreement on sectors with high potential to grow
- Sub-optimal empowerment of IDAL as national investment agency

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

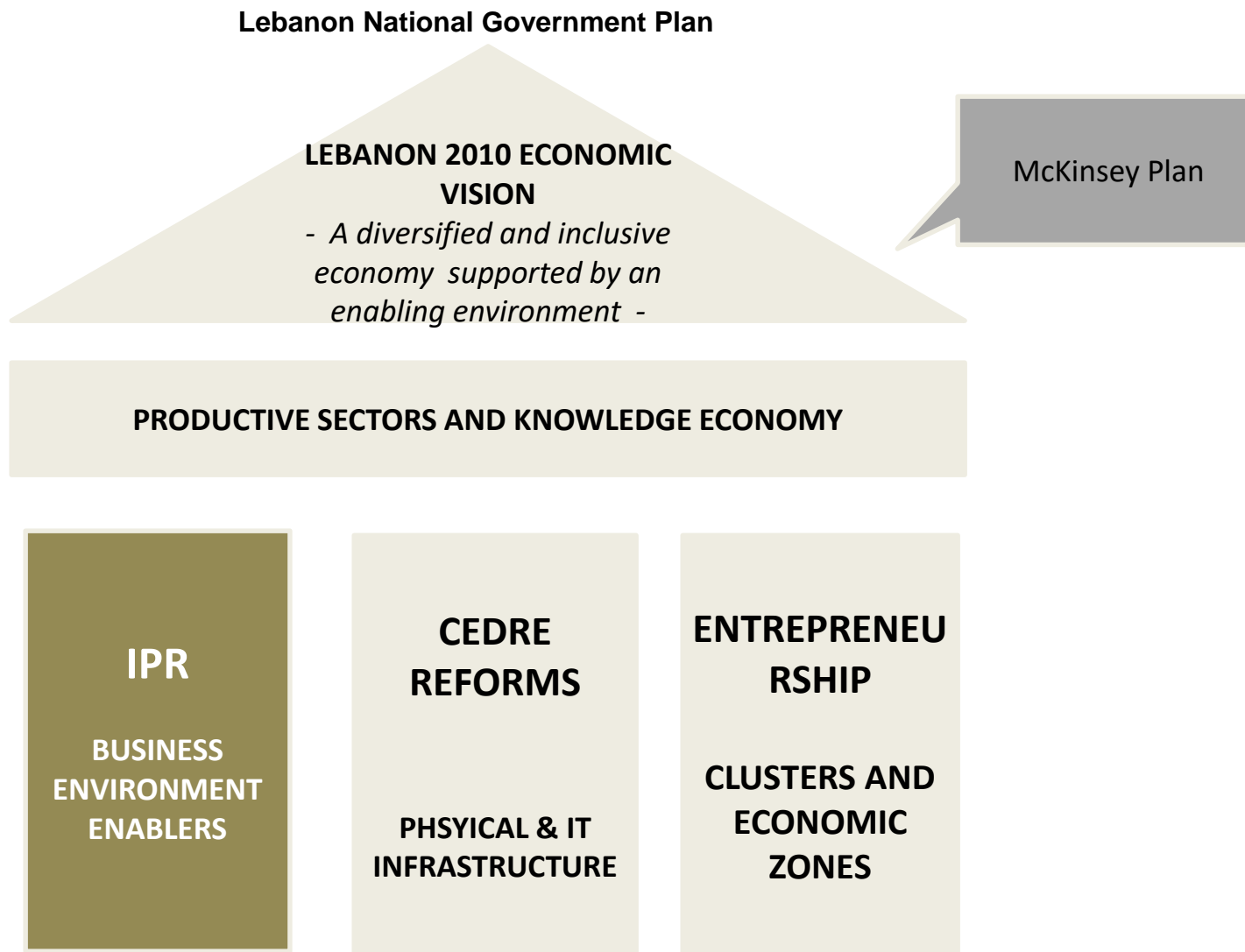
- National stakeholders engagement
- Sub-sectors selection like ICT
- Policy and promotion activities

IV

IDAL EMPOWEREMENT

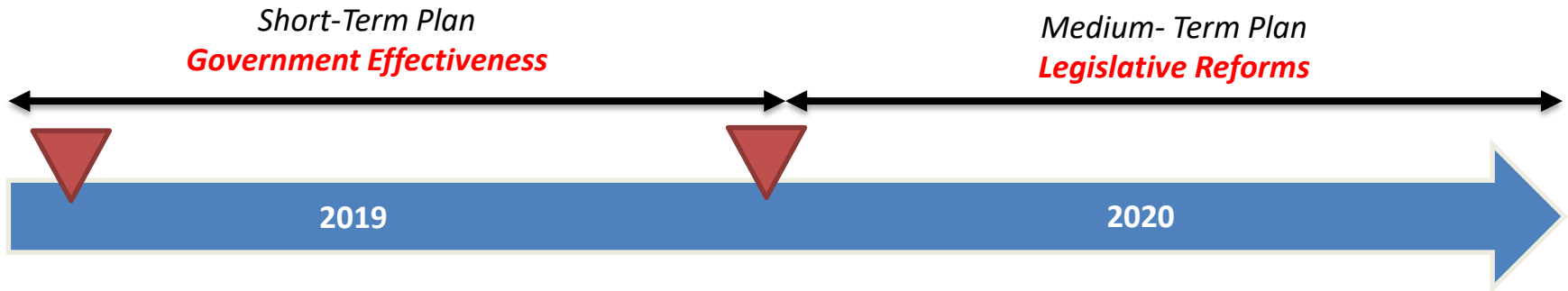
- IDAL structural reform
- Institutional cooperation
- Revision of Investment Law No.360
- ICT Strategy development and implementation

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



- **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
- **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

1

Digitization of Business Procedures

IPR Recommendations	2019 Government Plan	AGENCY	Ease of Implementation
One Stop Shop Activation	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	MOJ, OMSAR	HIGH
E-Registration for Business establishment	E-registration will be implemented across Lebanon in 2019 after the finalization of the bidding process for the software company	MOJ, OMSAR, MOF	HIGH
E-Registration platform for land and property titles	MoU was signed with the World Bank and modernization is being implemented	MOF	HIGH
E-declaration and e-payment for taxes	<ul style="list-style-type: none"> - 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



National Investment Promotion Strategy

IPR Recommendations	2019 Government Plan	AGENCY	Ease of Implementation
Investment Law No.360 Revision	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	IDAL	HIGH
Investment Promotion strategy for the Knowledge economy	IDAL plans to build on the Mckinsey findings on the knowledge economy to draft an inclusive national investment promotion strategy and implementation plan	IDAL	HIGH
National Investment Promotion Agency Empowerment	Seek capacity building for existing staff and reorganization of structure after Law review	IDAL	MEDIUM
BITs Modernization	Engage UNCTAD to support in modernizing the treaty network based on domestic policy agenda	MOF	HIGH

Measures that will further improve Lebanon's ranking on the Doing Business Indicators will be adopted on the labor and governance front

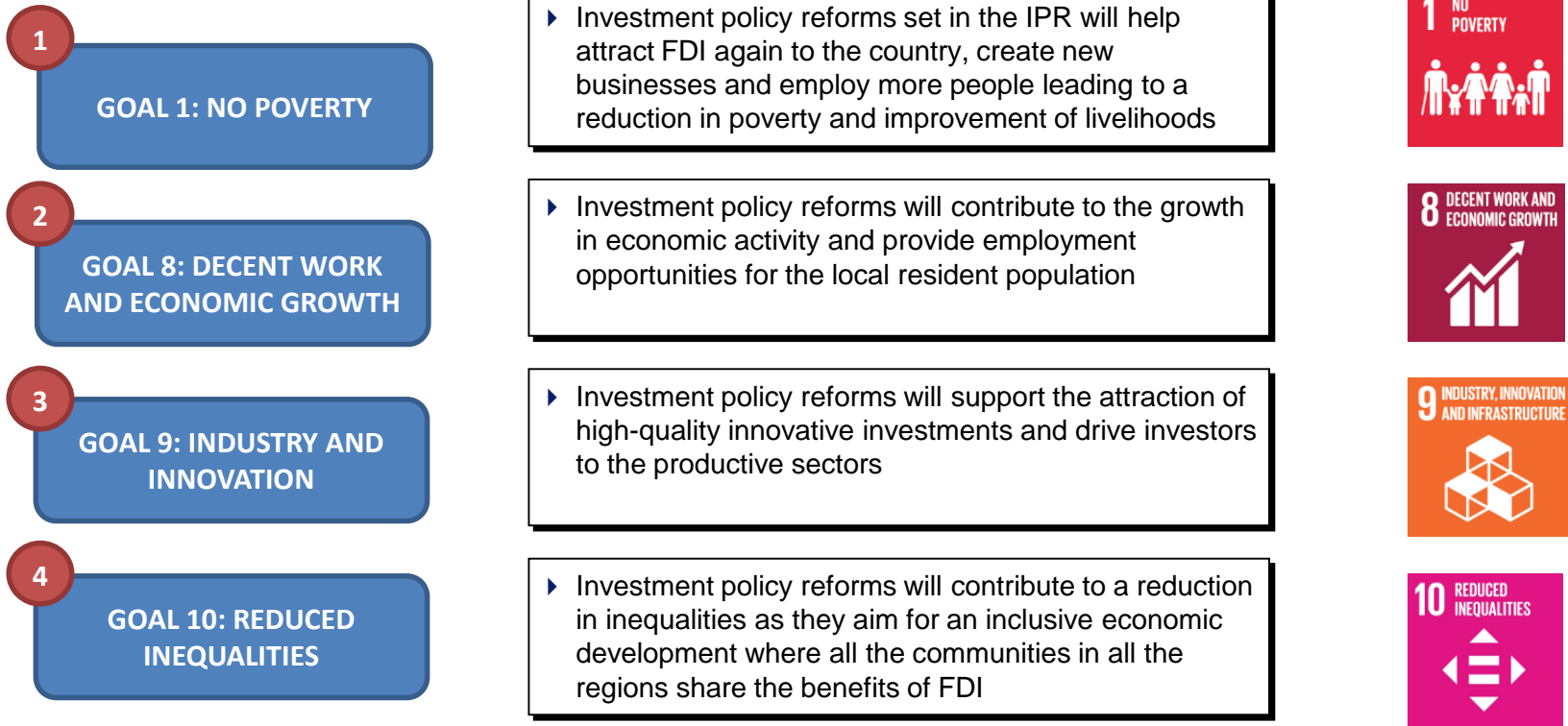


Business Environment Reforms

IPR Recommendations	2019 Government Plan	AGENCY	Ease of Implementation
Labor Reforms	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	MOL	HIGH
Arbitration, mediation and conciliation	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	MOJ	HIGH
National Strategy against corruption	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	OMSAR, MOET	MEDIUM

The implementation of the IPR will help the Lebanese Government in achieving the SDGs and moving towards an inclusive economic development

SDG Goals



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