

MOET NEWSLETTER



TOURISM

Tourism has long been one of Lebanon's leading economic sectors. In the years prior to the civil war, Lebanon was known as the "Paris of the Middle East", where a mix of Oriental and Western cultures came together in a region dominated by ancient Roman ruins, well preserved castles, limestone caves, historic Churches and Mosques, beautiful beaches nestled in the Mediterranean Sea, mountainous ski resorts, non stop nightlife and a world renowned cuisine. These factors have allowed tourism to continue to play a dominant role in the Lebanese economy, even in the years following the civil war.

This issue will explore the facts and figures that illustrate the importance of tourism to the Lebanese economy as well as present current opportunities and challenges that face the sector and the subsequent plans for developing it into a world renowned tourist destination.

I. Overview of Lebanese Tourism Industry

Lebanon gained worldwide fame as a tourist destination in the 1960s and early 70s for its eclectic mix of European flavor and traditional culture, earning its capital Beirut the nickname 'Paris of the Middle East'. The annual number of tourists reached 1.4 Million in 1974, a peak until then. However, the onset of the Lebanese Civil War, which lasted from 1975-1990, devastated the country's tourism industry.

In the years following the war, Lebanon slowly began to rebuild its tourism sector. As the data collected by the Ministry of Tourism (MoT) in Figure one below shows, the annual number of tourists

rose steadily between 1992 and 2004, before they were rocked by the assassination of late Prime Minister Rafiq Hariri in 2005 and the war with Israel in 2006. Trouble erupted again in 2008 as street violence between opposing political factions pushed the country into a period of instability. However, the Doha agreements and the ensuing election of President Michel Suleiman in May of that year restored order to Lebanon's political setting, and hence brought back confidence to the country's economy as a whole, including tourism. The sector has since been experiencing remarkable growth. Tourism activity, which includes number of tourists, tourist spending on hotels and apartments, hotel oc-

Figure One: Annual Tourist Figures



Source: Ministry of Tourism

Figure 2: Hotel Occupancy and RevPAR rates

	Hotel Occupancy	RevPaR (US\$)
2005	49.2%*	na
2006	48.6%*	87
2007	38%	51
2008	57%	100
2009	73%	172

Source: Ernst And Young; *UNWTO

Figure 3: Average Night Spent and Spending on Hotels and Apartments

	Average Night Spent per client in Hotel and Furnished Apartments	Total Money Spent on Hotels and Furnished Apartments (Millions of US\$)
2004	2.65	89
2005	2.49	68
2006	2.46	69
2007	2.23	59
2008	2.29	87
2009	2.54	203.4

Source: Ministry of Tourism

cupancy rates and revenues per average room (RevPAR)—a function that accounts for room and occupancy rates used for measuring the financial performance of the hospitality sector—all saw a reversal in fortunes in 2008, followed by record levels in 2009. In 2009, 1.9 million travelers are estimated to have visited Lebanon relative to the previously held records of 1.3 million and 1.2 million attained in 2008 and 2004 respectively in the years following the war and the 1.4 million figure attained in 1974. Similarly, hotel occupancy rates, according to the data available, also soared. In 2009, they reached 73% relative to the 55%, 35%, 48.6% and 49.2% attained in 2008, 2007, 2006 and 2005 respectively. The RevPAR also reached highs of US\$172, US\$103, US\$51, and US\$ 87 in 2009, 2008, 2007 and 2006 respectively. Likewise, spending on hotel and furnished apartments shot up by 133% in 2009 relative to 2008, reaching US\$203.4 million. This compares to the mere US\$87 million, US\$59 million, US\$ 69 million, US\$ 68 million and US\$ 89 million reached in 2008, 2007, 2006, 2005 and 2004 respectively.

Furthermore, according to the World Travel and Tourism Council (WTTC), a forum for business leaders in the travel and tourism industry, Lebanon witnessed the highest tourism growth rate in 2009, among 165 countries. Data shows that the sector directly contributed US\$ 3.8 billion to the economy in 2009, thus allowing Direct Industry GDP growth to reach 30.5%. It also provided around 150,000 jobs, which would account for 9.6% of total employment in the country. Combining these figures with the indirect coverage of tourism raises contribution levels to 35.7% of GDP and 36% of total employment. It also came in 9th position – with a growth rate of 8.5% -- among countries that are expected to show the fastest growth in their travel and tourism sector capital

investment sector. Overall, it was ranked 4th among MENA countries, behind Libya (14.3%), Egypt (11.2%) and Oman (9.1%).

The WTTC 2010 Research Tool states that Lebanon is to rank first worldwide in terms of growth in the Travel and Tourism Industry. The report expects the sector to directly contribute US\$ 4.4 Billion to the economy in 2010, thus allowing Direct Industry GDP growth to reach 11.3% in 2010, which would be enhanced by stable political and security conditions and increased confidence from Lebanese expatriates and Gulf nationals. It would also provide around 199,000 jobs, which would account for 13.7% of total employment in the country. Combining these figures with the indirect coverage of tourism raises contribution levels to 37% of GDP and 38% of total employment. It further expects that the industry will generate another 272,000 jobs, making up 16% of total employment by 2020.

Such figures come in light of Lebanon receiving top honors in 2009 as the “New York Times Travel” magazine’s recommendation to visit among 44 places to go in view of Beirut offering lavish luxury hotels, an exuberant nightlife and a diverse collection of world class restaurants. The “Jeita Grotto” was also selected as one of 28 finalists in the worldwide campaign to choose the “New 7 Wonders of Nature”. It therefore comes as no surprise that the Lebanese tourist industry performed remarkably well in the last year and will continue to do so in years to come.

Tourism- a Top Investment Recipient

The importance of the Lebanese Tourist Industry to the economy is further illustrated by figures compiled by the Investment Development Authority in Lebanon (IDAL) —the official government body that aims to spearhead Lebanon’s investment promotion

Lebanon	Travel & Tourism Economy GDP		Travel & Tourism Direct Industry GDP		Travel & Tourism Economy Employment	Travel & Tourism Direct Industry Employment
	US\$ bn	% share	US\$ bn	% share	% share	% share
1992	0.685	12.3	0.106	1.9	11.2	1.9
1993	1.053	13.9	0.224	2.9	13.1	3
1994	1.026	10.8	0.193	2	9.8	2
1995	1.13	9.6	0.198	1.6	8.8	1.7
1996	1.275	9.3	0.256	1.8	8.6	1.9
1997	1.799	11.5	0.398	2.5	10.8	2.6
1998	2.372	14	0.558	3.3	13.3	3.3
1999	1.565	9.2	0.367	2.1	8.7	2.2
2000	1.569	9.3	0.382	2.2	8.8	2.3
2001	1.766	10.2	0.431	2.5	9.8	2.5
2002	4.826	25.8	1.597	8.5	25.7	8.7
2003	7.595	38.3	2.538	12.8	38.3	13.1
2004	6.767	31.5	2.273	10.5	31.5	10.8
2005	6.734	31.2	2.257	10.4	31.2	10.7
2006	6.263	28.2	2.154	9.7	28.4	9.9
2007	6.905	27.9	2.331	9.4	27.9	9.6
2008	8.518	29.7	2.886	10	29.7	10.3
2009	10.83	35.7	3.803	12.5	36	12.8
2010	12.39	37.6	4.393	13.3	38	13.6

Source: World Travel and Tourism Council

efforts— which has been at the forefront of promoting tourism, among other sectors, through its “One Stop Shop” (OSS) service.

The OSS’s objective is to facilitate and accelerate investments in Lebanon by short circuiting and by-passing lengthy bureaucratic procedures and providing investors with a single point of contact to deal with Lebanese authorities and obtain the required permits and licenses for their projects. The OSS offers investors facilities through:

a) The Package Deal Contract: A package of special incentives, exemptions and reductions offered to investment projects bound by a contract stipulating the specific terms, rights, and obligations of both IDAL and the investor. It covers a variety of sectors, among which the tourism industry.

b) Investment Projects: Projects that work with respect to the Investment Development Law 360 and are identified by IDAL with regard to their geographical locations, sectors covered, investment cost and other criteria.

The incentives involved include:

- Exemptions from income tax and tax on distribution of dividends,
- Work permits for various categories exclusively needed for the project,
- Fee reduction on work permits and residency,
- Fee reduction on construction permits - if required for the project,
- Exemptions on land registration at the Land Registry, annexation, subdivisions, mortgages and registration of lease contracts.

IDAL’s OSS Projects

Sector	Number of Projects	Amount(\$M)
Tourism Sector	13	940
Industrial Sector	6	98
Technology Sector	6	16
Food Industry	3	15
Agricultural Sector	2	9
IT and Telecom	2	7.5
Total	32	1,086

Source: IDAL

Since its launch in 2003 up until the end of 2009, IDAL's OSS services have benefited 32 projects valued at US\$ 1,086 Million. The Tourism sector claimed the lion share of these investments, with a total of 13 projects valued at US\$ 940 Million.

II. Challenges to the Lebanese Tourism Industry

Despite the largely optimistic tourism figures in the last few years, the industry is still presented with many challenges.

First, political uncertainty and the prominence of seasonal activities are important challenges to Lebanon's tourism industry. The risk of political instability continues to prevent many foreigners from visiting the country, especially when the foreign media draws a negative image regarding local safety. In 2009, H.E. Michel Sleiman, President of the Lebanese Republic during his first visit to the UNWTO headquarters for instance, stressed the importance of the UNWTO to "*contribute more in highlighting the real image of Lebanon: an image of tolerance, openness, freedom, and democracy*". Similarly, many businesses in the tourism sector focus on seasonal activities, which may face significant problems if the weather fails to accommodate them. This was widely observed in 2010, when many businesses in the skiing industry were hard hit by the unusually warm winter weather that put a dampener on their profits.

Second, in a study by global consultancy firm HVS illustrated in a Byblos Bank report, it was stated that poor urban planning may be a constraint to growing tourism. They documented that Lebanon's infrastructure cannot cope with the growing number of tourists as both the airport and road networks have almost reached maximum capacity and are consequently facing significant pressures. A successful and sustainable future for tourism must therefore account for quality infrastructure, which would allow easy access to places of interest and a variety of means for transport in order to avoid over congestion.

Third, the environmental impact of tourism may result in negative externalities if there is no at-

tempt to encourage efficient planning procedures or to focus on areas beyond the capital city of Beirut. Although tourism in Lebanon has traditionally been urban based (i.e. most tourists head for urban areas and poles such as beach resorts, country clubs, casinos, and restaurants), in recent years however, tourist activities are increasingly being practiced in natural settings such as forests, protected areas, valleys, and mountain areas. But since more and more land is being used for new accommodation facilities in rural settings or to build new roads and other infrastructure (e.g., water supply, wastewater network, electricity) to connect to these remote areas, the need for sustainable planning arises in order to avoid the degradation of many areas of natural and cultural significance, which would cause the loss of biological and cultural diversity as well as important sources of income. Furthermore, the concentration of touristic activities in the capital of Beirut is further encouraging the MoT to promote other areas in Lebanon. For instance, it recently made a deal with Middle East Airlines to give good offers to tourists who plan to visit areas outside Beirut.

Although the MoT is aware of such challenges, it faces many constraints that may hinder Lebanon from attaining its position as a first-class tourist resort:

1. The role and power of the ministry is very limited.
2. The budget allocated to the ministry is very small and doesn't cover the needs of the sector. For instance, the total amount granted to the ministry to promote Lebanon abroad in the proposed 2010 budget is just US \$4 Million.
3. The deficiency in tourist police at the MoT reached 92%, which is a very big percentage compared to the shortages encountered in other ministries. This had led to a lack of surveillance for the delivery of goods and services related to tourism.

III. Plans to Improve Tourism

The MoT recently announced plans to effec-

tively boost the tourism industry. The work plan outlined is divided into the four following categories:

1. Increase the number of tourist police and the activation of the MoT hotline. The role of the tourist police according to H.E Abboud would include the surveillance of price and quality of tourism goods and services as well as guidance to tourists and taking care of their well-being. At present, there are only 23 officers when their numbers should actually be in the region of 200. H.E Abboud also emphasized the importance of keeping the price and quality of tourism services at competitive levels in addition to finding a solution to the institutions that are working without licenses.
2. Establishing the “Lebanese Promotion Board” which aims at improving Lebanon’s image to other countries. H.E minister Abboud stated that it is vital for countries to promote their identities because of the increasing challenges imposed on them by globalization and the high international competition. Unfortunately, Lebanon image abroad remains weak and requires much work. In doing so, he underlined the importance of participating in international and local exhibitions to promote the Lebanese identity, and to eventually, attract a lot of investments to the country.
3. The government also aims to encourage the promotion of Lebanese Tourism by bolstering and deepening bilateral relations with various nations. For instance, following bilateral talks with Turkey and the consequent lift of visa requirements, the number of Turkish tourists increased significantly. Lebanon and Qatar have also signed a memorandum of understanding (MoU) for tourism cooperation. Similarly, the China National Tourism Administration and the Lebanese Ministry of Tourism have signed a memorandum of understanding on China sending tour groups to Lebanon. The MOU says that both China and Lebanon should protect the legal rights and interests of the Chinese tourists traveling to Lebanon according to their own national laws, and that the Embassy of Lebanon in China is required

to offer convenient visa application services for Chinese tour groups.

4. Enhancing the development of activities that are considered productive to the tourism sector in Lebanon. From this perspective, H.E Minister Abboud has cited medical, cultural, and religious tourism:

a) Health tourism

With around 11,500 physicians, 170 hospitals (in addition to 7 university hospitals), 15,000 limited stay beds and 130 years of top quality medical experience, Lebanese has the potential for being a key destination for health tourism in the region. For GCC nationals and patients from other Arab countries, the advantages of choosing health care in Lebanon are a shared language, similar customs and culture, an ideal climate and geographical proximity. In 2002, the government appointed a committee to promote health tourism in Lebanon. Committee-members include the Lebanese Order of Physicians, the Syndicate of Private Hospital Owners and of Insurance Companies, and the Ministries of Information, Tourism and Health.

b) Cultural and Religious Tourism

Lebanon offers a number of key historic and cultural attractions such as Baalbeck, Beit el Dine, Jbeil, the Citadel of Tripoli, Tyre and the recently rehabilitated National Museum of Beirut. H.E Abboud emphasized on the importance of developing festivals by giving them a cultural aspect depending on the area in which they are organized. Cooperation should also be made with international and Lebanese travel agencies and tour operators to encourage them to organize tours in areas outside of Beirut, thus helping to enhance hotel activities in those areas.

Furthermore, the Director General of the Ministry of Tourism, Nada Sardouk,

has stressed the “human and economic importance of religious tourism”. Lebanon has an incredible wealth of religions and may therefore be a source of potential to this sector. The 18 official confessions registered in Lebanon have to some extent left their mark: monasteries, churches, mosques and mausoleums are plentiful. The MoT plans to release a film about Lebanon’s many religious sites and a book on 20 roads leading to both Christian and Muslim holy sites named “the Paths of Faith” on religious tourism in Lebanon.

Other forms include:

c) Business Tourism

Business tourism is another source of revenue has come to light in the past few years. Many exhibitions, trade shows and conferences are now organized in Beirut. The small size of the country and its multilingual and open-minded inhabitants make it ideal for this kind of corporate tourism. The recently opened hotels are taking this fact into consideration, and many of these offer over 100 rooms as well as all the facilities required to welcome such events.

d) Adventure Tourism

Adventure Tourism is the major part of the Lebanese tourism. The fact that the country’s geographical features are so diverse is what makes the promotion of adventure tourism in Lebanon so successful. The exotic landscapes offer numerous activities for the visitors. For instance, skiing is a thrilling part of Lebanon adventure tourism, whereby six ski resorts are available for the skiers and the snowboarders. These ski resorts are unique in that they have their own charm. For instance, nature lovers will enjoy the Cedars resort whereas the Laqlouq is suitable for families. The Lebanese mountains on the other hand are also perfect for adventure sports like climbing, hiking and trekking. In addition, rafting in the fast-flowing rivers is a popular adventure sport in Lebanon. Tourists come here to indulge in these activities.

5. Enhancement in Tourism should be accomplished in cooperation with the private sector headed by the minister of tourism and be funded by both the public and private sector. In light of the fact that the 2010 budget, for instance, has only granted the MoT with US\$4 million to promote Lebanon abroad, H.E Minister Abboud has emphasized on the importance of the private sector in helping raise a similar amount of cash. The MoT is also attempting to promote areas outside of Beirut by making a deal with Middle East Airlines to give good offers to tourists who plan to areas beyond the capital.

Meanwhile, the MoT’s detailed plans of action at the internal level include:

1. To review the legislation and laws governing tourism and to restructure and redistribute tasks at the ministry to improve efficiency.
2. To activate the oversight role of the ministry of tourism by enhancing the work of the tourism inspectors in cooperation with the ministry of interior and municipalities with a focus on increasing them to at least 200 in the first stage and engaging more women in such a position.
3. Review the services provided to tourists in terms of quality and prices and update the legislation that determines such services according to international standards.
4. Locate institutions operating without a license in order to bring back the vivacity of the tourism establishments.
5. Work towards reactivating the Lebanese Promotion Board.
6. To facilitate, streamline and accelerate the administrative transactions through the establishment of a single window at the ministry.
7. To modernize the ministry’s website, so that tourists can make all their reservations online.

IV. Conclusion

The tourism industry in Lebanon plays an important role in the growth and employment levels of the Lebanese economy. With the soaring number of tourist activities since the 2008 Doha Accords and an expected expansion in this sector in the coming years, it comes as no surprise that past challenges and new plan for developing the industry are at the forefront of the MoT's proposals for the future.

However, ambitious plans remain a challenge to the sector in achieving the recognition it deserves given its importance to the economy's GDP. The MoT has highlighted a number of ways to address such challenges. The solutions are in fact, boundless but, on the whole, they should focus on improving:

- a. Lebanon's image to foreigners by increasing promotional opportunities through the media, through the establishment of a Promotional Board for Lebanon and through continued bilateral agreements with other nations.
- b. cooperation with the private sector to directly endorse development opportunities given that the government's budget is unable to keep up with the provisions required,
- c. proper planning that accounts for the environmental impacts of tourism so that the sec-

tor remains sustainable in the long run, and,

- d. infrastructure and more efficient means of transport to accommodate for a potential rise in tourism. The elucidation of this issue would especially benefit the future of the Lebanese tourism industry since it would focus on upgrading road networks so that local and foreign tourists can visit remote places of interest. Quality infrastructure and alternative means of transportation would also deal with the high levels of traffic congestion, which may deter tourists from visiting the country. In terms of economic development, this could also have an effect on reducing regional inequalities and social disparities.

However, such challenges can only be achieved once the MoT has access to greater funds and investments from national and international counterparts and power from the government to carry out the required research and make the necessary implementations to execute such strategies. Furthermore, a restructuring of the MoT to speed up transactions and facilitate certain procedures may improve the overall efficiency of the organization in providing tourism services to visitors and investors alike.



The MOET Newsletter hopes to keep its readers up-to-date on topics important to the Ministry as well as on the current economic climate.

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