

Ministry Highlights

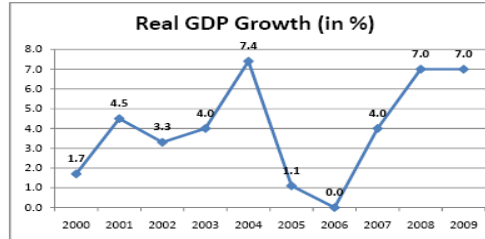
The Ministry of Economy and Trade has undertaken a number of initiatives throughout 2009 in order to boost the Lebanese economy, enhance consumer protection, encourage job creation and to meet its commitments under international agreements. These initiatives include:

1. Enacting laws that aim to encourage investment, promote intellectual property, protect the Lebanese producers and consumers as well as negotiating trade relations.
2. Undertaking several measures towards ensuring the production of quality goods and advancing the system by which general consumer complaints are dealt with.
3. Extending the activities for promoting small and medium sized enterprises.



Economic Highlights

1. Despite facing an uncertain outlook at the onset of 2009, the nation fared well throughout the year. The ongoing global and regional financial recession together with the uncertainty in the local security situation prior to - and following- the June 2009 elections, questioned Lebanon's 2009 economic stability. However, the strong economic performance in several sectors, specifically in the banking system, along with what turned out to be a stable political environment, allowed *Lebanon's economic growth rate to reach 7% in 2009, according to IMF and World Bank figures, and 9% according to the Lebanese central bank (BdL).*



2. All real sector indicators registered positive growth in 2009, supporting the buoyant economic performance. Despite a **10.73% year on year decrease in construction permits** approved to contractors, adding to the pressure on property prices, demand for real estate continued to rise, as property sales climbed 2.3%. **Inflation eased to around 3.4% in 2009**, mainly driven by a fall in global oil and food prices. **Political stability and the July 2009 elections also encouraged tourism, which witnessed a year on year jump of 39% for 2009.**
3. The US\$20.66 Billion amount of capital flowing into the country was able to cover the ever-growing trade deficit, which attained US\$12.76 Billion in 2009. This allowed the **Balance of Payments to reach a record surplus of US\$7.89 Billion by the end of the year** compared with a surplus of US\$3.5 Billion in 2009.
4. **The Fiscal Deficit rose by a mere 1.3% to reach LBP 4.46 Trillion in 2009.** The yearly percentage increase in revenues was higher than that of expenditures, resulting in a **lower cumulative deficit to spending ratio in 2009 compared to 2008.**
5. **Gross Public Debt reached LBP77.02 Billion (US\$51.1Billion)** by the end of 2009, having increased by 8.66% since December 2008. Despite this absolute rise however, the Debt to GDP ratio fell to around **154% of GDP** by the end of 2009.
6. The Lebanese environment could benefit from improvements in the legislative framework when it comes to enforcing business contracts and closing a business. In terms of the **World Bank's 2010 Ease of Doing Business rankings**, Lebanon was positioned at #108 (out of 183) in the world between April 2008 and May 2009. This compares to rankings of #101 (out of 181) between April 2007 and April 2008 and #85 (out of 178) between April 2006 and April 2007. Within MENA, Lebanon ranked #12 (out of 19) between April 2008 and April 2009 compared to #11 and #10 between April 2007 and 2008 and April 2006 and 2007 respectively. Although rankings have worsened, Lebanon made improvements in paying taxes by removing the requirement that permission be obtained to use accelerated depreciation and by introducing the idea of electronic payments. Business start-up was simplified by improving the company book stamping process.

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MINISTRY HIGHLIGHTS

The Ministry of Economy and Trade (MoET) is responsible for the planning, coordination and implementation of all economic matters and national needs in Lebanon. It aims to monitor developments and formulate national policies to enhance and facilitate trade, resolve stockpiling needs, protect the Lebanese consumer and create new jobs all the while, ensuring economic balance through planning, coordination and implementation.

Among the many initiatives MoET is committed to following, its commitments within the Paris III framework are comprised of creating new legal and administrative institutions to help realize the overall goals of economic reform and structural adjustment negotiated in the Paris III meetings. A number of programs throughout the years have been authorized and implemented in this regard, encompassing just about every department within the ministry and generally appearing under the four following initiatives:

- a. To improve the Business Environment
- b. To improve Intellectual Property Rights
- c. To promote Trade
- d. To improve the Investment Climate

Ministry achievements in 2009

I. With regards to WTO Accession

Lebanon Applied for WTO accession in January 1998 (Council of Ministers' Decision 26 dated 4/5/1998). A Working Party was then established in April 1999, which was chaired by H.E. Mrs. Laurence Dubois Destrizais (France). The Working Party is formed by all WTO Member Countries who are interested in Lebanon's Accession to the WTO, which stands at around 30-40 members.

In October 2000, the Government Adopted an Accession Master Plan for the implementation of the WTO Accession, in which the Ministry of Economy and Trade was designated to lead this process. A WTO unit was set up in May 2001 and was allocated the necessary human resources of lawyers and trade specialists. Since then, seven Working Party meetings have taken place in Geneva, whereby the Working Party examined Lebanon's replies to the questions posed by WTO Members based on the information provided in the memorandum (MFTR).

In 2009, the WTO unit:

- Held the Sixth and Seventh Working Party meetings on the February 27, 2009 and October 28, 2009. The latter of the two discussed Lebanon's Legislative Agenda, elements of the Draft Working Party Report, Lebanon's Non Tariff Measures and Lebanon's Customs Law and moved Lebanon to the last phase of Multi-lateral Accession, preparing the Draft Working Party Report.
- Sent newly revised offers on Goods and services on a bilateral basis to interested Members in April prior to the 7th Working Party meeting.
- Reached the near completion of Bilateral Negotiations with Cuba, Japan, Australia, Canada and Taiwan following the 7th Working Party meeting.

Furthermore in 2009, the following enactment was made for WTO conformity:

Legislation	WTO Agreement(s)	Status of the Law	Expected Date of Enactment
Amending ad-valorem component of fees charged by the chambers of Commerce for certifying invoices as well as for issuing certificates of origin prior	Article VIII of the GATT	All the Chambers of Lebanon through their General Assemblies voted in October 2008 and December 2008 for transferring all their ad-valorem fees into fixed fees. A decree instituting the changes will be passed at the Council of Ministers in February 2009.	Enacted Council of Ministers Decision 52 dated 26/3/2009

Meanwhile, the following enactments are expected in 2010:

Law	WTO Agreement(s)	Status of the Law	Expected Date of Enactment
International Trade and Licensing Law	Agreement on Import Licensing Procedures	Currently pending approval by last Parliamentary Committee (Administration and Justice) before being sent to General Parliamentary Assembly for ratification.	February 2010
General Food Law	Agreement on SPS	Draft Law was approved by Council of Ministers on 12 June 2006 and was transferred to Parliamentary Committees.	February 2010
Law on Technical Regulation and Conformity Assessment Procedures (revised version)	Agreement on TBT	Revised Draft sent to Council of Ministers July 2009.	February 2010
Law on Standards, (revised version)	Agreement on TBT	Revised Draft sent to Council of Ministers July 2009.	February 2010
Law on Animal Quarantine	Agreement on SPS	Law already approved by the Agriculture Parliamentary Committee on November 5, 2003	February 2010
Removal of NSSF Certificate requirement for importing/exporting activity of established traders	None	The draft decree cancelling article 65.2 of NSSF Decree 13955 dated 26/9/1963 thus removing the requirement to produce the clearance certificate from NSSF for import/export activity is currently in Parliament	February 2010
Amendments to the Budget Law to unify/ transform the <i>ad valorem</i> fees for services rendered	Article VIII of the GATT	Approved by Minister of Finance (letter 2106 dated 12 November 2005). Table 9 of draft Budget law 2008 has been amended cancelling import license fees. The budget Law 2008 was approved by Council of Ministers on 27/10/2007 and sent to Parliament for ratification.	February 2010
Competition Law	None	Draft approved by the Council of Ministers and sent to parliament on the Oct 27, 2009	February 2010

Law	WTO Agreement(s)	Status of the Law	Expected Date of Enactment
Additional IPR legislation to modernize Law No. 2385/24 "Laws and Systems of Commercial and Industrial Property". <ul style="list-style-type: none"> • The Law on Trademarks (TM) • The law on Geographical Indications (GIs) • The Law on Un-fair Competition (UC) • The Law on Industrial Designs (ID) 	TRIPS	<p>The Draft Law on TM was approved by the Council of Ministers and sent to Parliament Oct.27, 2007.</p> <p>The draft law on GIs was approved by the Council of Ministers and sent to Parliament May 21, 2007.</p> <p>The draft Law on UC was sent on 31 March 2006 to the Ministry of Public Health for completion and comments.</p> <p>The draft Law on IDs was approved by the Council of Ministers and sent to Parliament Oct.27, 2007.</p>	<p>February 2010</p> <p>February 2010</p> <p>February 2010</p> <p>February 2010</p>

II. Trade Agreements:

1. Regarding EFTA:

The European Free Trade Association (EFTA) is an intergovernmental organization set up for the promotion of free trade and economic integration to the benefit of its four Member States: Iceland, Liechtenstein, Norway and Switzerland. MoET is the focal point that ensures the implementation of the Lebanon - EFTA free trade agreement.

In 2009, MoET:

- Held the first joint committee meeting between EFTA States and Lebanon.
- Headed and prepared several national team meetings involving a number of ministries and organizations, namely the Ministry of Industry, Ministry of Agriculture, Customs, Lebanese Industrialist Association, Lebanese Chamber of Commerce, Industry and Agriculture, in order to review and identify Lebanon's negotiating position in accordance with the amendments proposed by the EFTA states in regards to the annexes of the agreement.
- Prepared and drafted Annex IV on HS 2007 amendments which included detailed updating of the National Harmonized system from HS 2003 to HS 2007 sections 25 till 94.
- Prepared and participated in a number of EFTA seminars, including:
 - a. "Sanitary and Phyto-sanitary conditions"- with 60 participants from both the public and the private sectors.
 - b. "Competition- from International and National perspectives"- with 40 participants from both the public and the private sectors.

The aim of these seminars was to introduce subjects on Sanitary and Phyto Sanitary to the Lebanese Officials and their implementation process in the EFTA Countries, and to raise awareness to the Lebanese Private Sector on Competition Issues

2. Bilateral Trade Agreements:

A number of developments were made at the level of Bilateral Trade Agreements:

- **Turkey**

MoET is the Focal Point of the Negotiating Team of the Lebanon - Turkey Free Trade Agreement.

In 2009, MoET:

a. Made revisions and comments on the text of the free trade agreement and its amendments as well as drafting the details of the final meetings of the 3rd round of negotiations.

- **Iran**

MoET is the Focal Point of the Negotiating Team of the Lebanon - Iran Free Trade Agreement.

In 2009, MoET:

a. Made revisions and amendments to the Memorandum of understanding signed during the Committee meetings.

3. Trade, Industry and Services Subcommittee

- Within the framework of the **European Neighborhood Policy (ENP)**, ambitious objectives are set for partnership with neighboring countries based on commitments to shared values, political, economic and institutional reforms and where partner countries are invited to enter into closer political, economic and cultural relations with the EU, to enhance cross border co-operation and to share responsibility in conflict prevention and resolution. The Union offers the prospect of a stake in its internal market and of further economic integration.

In 2009, MoET has:

- a. Been preparing for the EU-Lebanon Trade, Industry and Services Sub-Committee meeting held in Brussels in November 2009 in addition to following up with relevant stakeholders and updating the Sub-Committee sectoral deliverables, achievements and requested information.
 - b. Developing a working plan to update the Lebanese deliverables within the context of the commitments in the ENP Action Plan.
 - c. Coordinating information among relevant stakeholders: Ministry of Agriculture, Ministry of Industry, Ministry of Finance, Customs, IRI, LIBNOR.
 - d. Finalizing all relevant documents related to subjects on the Agenda
 - e. Preparing with the EU Secretariat the final Minutes of meetings after reviewing and approving.
 - f. Following up on all issues related to the subcommittee scope of work.
- Within the framework of the **Euro-Med Partnership (Barcelona Process)** - where the European Union stated the intention of this "partnership" is "to strengthen economic (to work for shared prosperity in the Mediterranean, including the Association Agreements on the bilateral level), political (promotion of political values, good governance and democracy) and cultural (cultural exchange and strengthening civil society) relations with the countries in the Mashriq and Maghreb regions".

In 2009, MoET participated in:

a. Meeting on the liberalization of trade in services and the right of establishment, which took place in Brussels in December 2009, that included all Mediterranean Partners countries. It was agreed that Lebanon will focus on its accession to the WTO and then start negotiations with the EU on the liberalization of services and the right of establishment.

- With regards to **the Technical Assistance and Information Exchange instrument (TAEIX), MOET is the Focal Point** for the TAEIX / EU Funded technical assistance at the Ministry of Economy and Trade under the framework of the Trade, Industry and Services Subcommittee.

In 2009, MOET:

a. Coordinated among relevant stakeholders and priorities sectors in which the Ministry is in need for technical assistance.

b. Revised and submitted TAEIX Application forms to the PAO, National Focal point for the TAEIX.

III. With regards to Trade Legislations and Regulations

- With regards to the accomplishments of the **Trade Remedies Investigative Authority (TRIA)**, the Authority was active in reviewing and investigating three petitions in 2009 from Lebanese industry, which is claiming injury from certain imports. Petitions normally go through the following general stages:

Preliminary review -> Case Initiation -> Preliminary Determination -> Final Determination

In 2009, two petitions reached the stage of Preliminary Determination and provisional measures were imposed. A third petition has led to case initiation and the outcome of its preliminary determination will soon be published. The achievements are summarized in the tables below:

Petition submitted by/on	Focus of petition	Case Initiation	Preliminary Determination	Final Determination
Petco SAL 16 April 2009	Imports of PET pre-forms (used for making plastic bottles and other containers)	16 April 2009	9 October 2009 Provisional measures imposed.	Under discussion
Federation of Chambers of Commerce 27 May 2009	Imports of wooden furniture used in bedrooms	27 May 2009	12 October 2009 Provisional measures imposed	Under discussion
OPP SAL 16 July 2009	Imports of copybooks	January 2010	N/A	N/A

- In terms of **technical assistance**, the TRIA has requested technical assistance for the Trade Remedies Unit, the Authority's technical body, from the US-AID WTO Project at the MoET for reviewing the **petition forms** issued by the Trade Remedies Unit (TRU) for use by domestic industry, as well as an **investigation questionnaire** meant for importers. The TRU has approached the Ministry of Industry and Trade in Egypt to obtain training. Similarly, the TRU is looking to partner with the Lebanese Syndicate of Accountants to obtain training courses for the TRU according to the Law of Protection and National Production and its Implementing Decree.

IV. Social Developments:

- In partnership with the Government of Lebanon and MOSA, MoET has been working on developing a **Social Action Plan**, which aims to form a social alleviation strategy for medium and long term actions to be executed in collaboration with relevant stakeholders.

The main objectives of this plan are to (i) reduce poverty and improve the quality of education and health indicators (ii) improve the efficiency of social spending while preserving budgetary allocations at an appropriate and sustainable level and (iii) minimize regional disparities and achieve better dissemination of allowances allocated in the national budget for social intervention.

In 2009, MoET representative members:

- a. at the social inter-ministerial committee have been working on implementing the social action plan.
- b. at the national committee have been preparing for the National Social Strategy.
- c. Have been following up on and revising the Paris III implementations on the Social Action Plan.
- d. Have been identifying key elements affecting the social strata of the Lebanese society
- e. Have been developing projects to alleviate poverty, eradicate school drop-outs, etc

V. With regards to Economic, Agriculture and Development Projects:

- MoET has made significant progress in terms of its participation in the **Lebanon Recovery Fund (LRF)**. The LRF is a Multi-Donor Trust Fund (MDTF) that was initially established at the request of the Government of Lebanon following the July war in 2006 to enable donors to pool their resources and rapidly provide funds to recovery and development projects focusing on conflict and conflict prone areas. The 2009 achievements include:
 - a. Reviewing proposals for recovery and development projects submitted to the fund and approving the following ones:

SC Approval Date	Participating UN Organization	Project Title	Approved Budget
26 March 2009	UNDP	Socio-Economic Rehabilitation Programme in the Framework of ART GOLD Lebanon	\$2,391,450
1 Apr 2009	UNIDO	Support for Livelihoods and Economic Recovery in War-Affected Areas of Lebanon (Phase II)	\$1,500,000
15 Apr 2009	FAO	Recovery and Rehabilitation of Dairy Sector in Bekaa Valley and Hermel-Akkar Uplands	\$2,500,000
15 Apr 2009	ILO	Supporting Local Socio-Economic Development in War-Affected Areas of South Lebanon (Phase II)	\$1,500,000
29 May 2009	UNDP	Hydro Agricultural Development for Marjeyoun Area	\$2,000,000
13 Aug 2009	UNDP	Early Recovery of Nahr el Bared Surrounding Lebanese Communities Affected by 2006 and 2007 Conflicts	\$2,500,000

- b. Taking the decision to enlarge the scope of the fund to include funding for projects having a long term development objective.
- In 2009, MoET representatives at the National Committee were assigned:
 - a. To analyze, prepare and follow up on the detailed **Action Plan** to improve the Agricultural Sector and identify key elements affecting the growth of the agricultural sector, as delegated by the Council of Ministers.
 - b. To coordinate and head several meetings among relevant stakeholders to follow up on the implementation of the **Export Plus Program** and its output on the Agricultural Sector.
 - Technical representatives at MoET participated in the **World Bank "Regional Conference on Employment and Growth"** in Damascus, Syria in March 2009 with the aim of introducing and launching the **MILES framework**

as an agenda for diagnosing the binding constraints to economic growth and employment creation in Lebanon and the identification of relevant policies and program options to correct for such constraints. The framework includes a consolidated assessment of macroeconomic (M), investment climate (I), labor (L), education (E) and social protection (S) policies and reform options.

- The MoET serves as a member of the National Technical Team that prepares Lebanon's **Millennium Development Goals (MDGR)** Report. The MDGR 2008 was published in September 2009. MoET, in cooperation with CDR, was also taking part in the regional expert group to prepare the Arab regional report, which is expected to be published by September 2010.

In addition, MoET representatives have coordinated and maintained a working relationship with several international organizations in order to strengthen ties. They include:

- **The International Monetary Fund (IMF)** where:
 - a. Preparatory meetings with Missions in charge of Emergency Post Conflict Assistance (EPCA) and updates regarding "Developments and Tariffs" were performed.
 - b. Meetings with IMF officials were conducted to produce reports and independent evaluations on the Lebanese State of Affairs.
- **The World Bank Group (WB)** where:
 - a. Preparation for a workshop were made in collaboration with the World Bank and **Multilateral Investment Guarantee Agency (MIGA)** to inform local and international investors and other interested stakeholders about Lebanon's membership in MIGA and the related services they may benefit from. MIGA's mission is to promote foreign direct investment into developing countries to help support economic growth, reduce poverty, and improve people's lives. It does this by providing political risk insurance (guarantees) to the private sector. Maintaining and coordinating a working relationship with MIGA has also been achieved through MoET's contribution in supporting voting decisions and resolutions regarding the enhancement of voice and participation of developing and transition countries, membership of new countries etc.
 - b. Providing Comments on the Suggested World Bank Disclosure Policy.
 - c. Supporting the World Bank staff, in partnership with various other ministries, in the study on "Country Environmental Analysis", which aims to assess the economic impact of environmental degradation in Lebanon.
- The **Organization for Economic Co-operation and Development (OECD)** by participating in the MENA-OECD 2nd Working Group Meeting on **SME Policy, Entrepreneurship & Human Capital Development: Financing Growth in MENA** - Barcelona in May 2009.
- The Council of Ministers have entrusted MoET with the responsibility of coordinating the Lebanese Pavilion for **2010 World Exposition in Shanghai**. This exposition seeks to expose and improve the image of all nations through their pavilions by bringing together the development of several aspects of each society- art and design education, international trade and relations, and even tourism- under one roof.
- MoET has also begun to produce a series of **Quarterly and Annual Bulletins** about Recent Developments in the Domestic Economy as well as **Thematic Newsletters** on Various Economic Subjects in order to consolidate and enhance familiarity with the economic state of affairs in Lebanon to the wider public.
- MoET continues to **respond to public queries** about Lebanon's state of affairs through a series of **National and International TV and Press Interviews** (BBC, Trends Magazine, CRTDA, Nashra, Forbes, Le Nouvel Economiste) as well as to research inquiries about Lebanon's socio-economic position to graduate stu-

dents, university professors, investor companies, law firms, other ministries, foreign embassies etc...

- MoET is dedicated to enhancing the human capabilities of its employees and thus, has arranged for the **participation in several seminars and discussion sessions**:
 - a. UNDP-MoSA/LEA/BFI discussion session on the paper "A Micro-economic Analysis of the Poverty and Equity Implications of a Rise in VAT in Lebanon"
 - b. Bloomberg Q&A Session with P.M. Siniora
 - c. BAU Conference "The Effects of the Global Financial Crisis on the Financial and Banking Sector from a Legal and Economic Perspective"

VI. With regards to Consumer Protection

The Consumer Protection Directorate is responsible for the following issues in the Lebanese market:

- Monitoring the safety of food for human consumption as well as their weight and prices.
- Combating monopoly and illegal speculation.
- Enhancing competition and following-up on matters related to commercial advertisement as well as checking their 'acceptability'.
- Controlling the quality of fuel and calibrating weights and measurements.
- Preparing draft legislation related to consumer protection.
- Surveillance over various shops and businesses.
- Examining customs declaration and carrying out the necessary legal action according to the directorate jurisdiction.
- Control of jewelry; the imported and the locally manufactured ones.

The most important achievements of the Consumer Protection Directorate in 2009 are:

- The measurement of 1,029 liquid fuel road tankers
- The control of 5,306 Gas Stations
- The rotation of 6,778 inspection shifts
- The organization of 311 penalties (referral to courts)
- The measurement of 121 petrol pump meters
- The calibration of 56 scale groups with different weights
- The measurement of 11 groups of tanks
- The control of 18 centers for gas filling
- Repairing notice to 143 fuel station (Beirut) 53 (Saida) 1 (Tripoli)
- Monitoring and following-up the prices of textbooks from publishing houses
- Planning and organizing a campaign to detect the quality of olive oil in Lebanon
- Planning and organizing a comprehensive assessment of food additives for food products in Lebanon, especially juices, beverages and meals
- Providing follow ups on more than 63 complaints related to telecommunications. Satisfaction rates were high from the plaintiffs.
- Tracking special advertisements for laptop computers in particular and their sales in general
- Analysis of 6060 various samples
- 80 operations for destroying goods

- Supervising and controlling the misleading and deceptive advertising campaigns
- Participating in technical committees at the Lebanese Standards Institution (LIBNOR)
- Sampling meat and poultry to make sure they are free from salmonella.
- In relation to counterfeit diesel, samples were taken for analysis in accredited laboratories in order to prevent fraud and punish violators. The Consumer Protection Directorate requested the laboratories to expand their analysis to identify the quality of materials and severe inflammation. Where later, it was discovered that diesel was mixed with heavy petroleum oils and other light oils. The percentage of sulfur in the samples was also over the limits of set by Lebanese Standards. The infringements are transferred to the competent appeal's Public Prosecutor.
- Concerning the chemical residues, it has been established and run the unit of controlling pesticides and chemical residues in agricultural products in coordination and permanent cooperation with the Ministry of Agriculture, in order to adjust and reform the existing imbalance in agricultural products contaminated by chemicals.
- Regarding the cellular phone sector, the complaints received from the Ministry of Telecommunications are investigated by the Consumer Protection Directorate. Many of the offenders were referred to the relevant court.
- Work is undergoing to establishing a database system whereby information can be transferred between the call center in the Consumer Protection Directorate and the Telecommunications Regulatory Authority pursuant to the "memorandum of understanding" between the two.
- As for its human resources, the Consumer Protection Directorate has recruited and trained 73 new inspectors. This was clearly reflected in the work of the market surveillance, where there was an increase in the number of inspections i.e. the number of inspected institutions increased.
- At the end of 2009, the Consumer Protection Directorate began to implement an awareness campaign, through its cooperation with educational institutions (particularly schools), since the students are the future of the society. A series of lectures were used to explain the rights of individuals in society, and define the role of the 1739 hotline. This phase is a completion of a first stage which targeted universities and will be completed in 2010 to address schools. Guidelines were also being prepared for public awareness campaigns in order to raise awareness on consumer rights and duties, and the means to complain to the Consumer Protection Directorate. These awareness campaigns were presented through television, radio broadcasts, SMS alerts, MoET website. In this context, the 1739 hotline within the Consumer Protection Directorate received around 1000 calls from consumers, either by phone, e-mail, or fax. From these, 664 complaints have been treated so far, while 253 are still under investigation. Phone calls that were not classified as complaints were processed immediately. Concerning statistics, 28% of complaints were related to the food and beverages, 18% to fuel and 8% to telecommunication complaints. The issue of damaged goods represents 30% of the complaints, pricing 27%, and expiry dates 7%. The hotline 1739 was also able to add an additional member to its team from the new inspectors.
- Kimberly Process for Trade in Rough Diamonds: CPD has been monitoring the implementation of the law regarding the import and export of rough diamonds (Kimberley Process), whereby 56 ships were imported and 56 ships exported.

In conclusion, the Consumer Protection Directorate follows the strategy of partnership with the civil society, in order to achieve its motto that every citizen must be an inspector himself.

VII. With regards to SMEs

The SME Unit was established in 2005 to implement The Integrated Small and Medium enterprise support programme (ISSP) at the Ministry of Economy and Trade. The project aimed at supporting Lebanese small and medium enterprises through creating an enabling environment conducive to the growth and development of SMEs and through developing Lebanon as a high value added, highly skilled, innovative and enterprising economy based on a thriving enterprise sector, that enables Lebanese businesses to compete globally and lead to better employment opportunities for all Lebanese citizens.

The project main achievements were:

- On the Policy level, a business and legal review was conducted, and accordingly a legal matrix was done. The matrix proposed amendments to existing law and, identified the areas of intervention, towards improving the policy and regulatory framework which facilitates the creation and growth of businesses in Lebanon.
- Creation of three Business Development Centers (BDCs) across Lebanon to help improve and build the competitiveness and capacity of start ups, existing SMEs and entrepreneurs through an array of business support services and incubation.
- Enhancing access to finance through a partnership with Kafalat by providing up to 64 million Euros of credit guarantees to start ups and existing SMEs. The loan guarantee is granted upon approval of the business plan or feasibility study where no collateral or any personal guarantee is required.

Based on the achievements of the ISSP on the private sector and after assessing the success and impact of the significant interventions of the BDCs and KAFALAT, the SME Unit focused in 2009 on enhancing the perspective of socio economic development through strengthening the private sector.

In this respect, the SME Unit highlighted the importance of the activities of the BDCs and KAFALAT and its activities included:

- Meetings with the Italian embassy to discuss future ways of cooperation. One of the proposals was to initiate a project centered on Microfinance.
- Meetings with UNIFIL regarding the establishment of a satellite BDC in Tyre.
- Meetings with Chamber of Commerce in Zahle regarding the establishment of a satellite BDC in the area.
- Working on implementing the proposed amendments to existing laws to ensure an appropriate enterprise policy framework.

Moreover, the SME unit played the main role in preparing the necessary documentations for the second financing round titled "Reinforcement of The Private Sector Competitiveness in Lebanon" which is expected to start in mid 2010. The program aims at contributing to increase the competitiveness of the Lebanese economy by supporting the following priority actions:

- Improvement of the business environment and promoting the capacity of the private sector to grow and develop. To this end, the SME Unit drafted a proposal to further support and solidify the Lebanese regulatory framework and to enhance inter-institutional coordination.
- Assist the BDCs to reinforce their capacity to provide support and incubate enterprises and start ups to further grow and develop. In this respect, the SME Unit assisted the BDCs in outlining the technical offer and forecasting the three years estimated budget in order to be inline with the EU rules and regulations. Furthermore, the SME Unit drafted new key performance indicators in order to assess the progress of the BDCs.
- Significant input of the SME Unit in drafting the KAFALAT work plan, for the establishment of the Seed

Capital Guarantee Scheme.

With regard to the continuous promotion and awareness of the SME unit achievements, 2009 also witnessed:

- The promotion of the 'little engineer business plan' for MENA 100 Business Plan competition, which aimed to support and encourage prospective entrepreneurs in the MENA region to submit their business plans and hence, demonstrate their innovative potentials.
- Preparation for and assistance in the "Entrepreneurs Forum", the pioneering event which aims to support entrepreneurs all over the MENA region by bringing together leading exhibitors, advisers and international experts to offer them their business support services.
- Preparation for the MIGA's Financing Facilities and Lebanon's Investment Opportunities conference expected to take place in Lebanon on February 23, 2010.
- The objective of this conference is to inform local and international investors about Lebanon's membership in MIGA and the related services potential investor's may benefit from.

VIII. With regards to IPR

Intellectual property has become a significant instrument for economic development in economies that are built on innovation and creativity. Following the enforcement of intellectual property protection laws in Lebanon, MoET - along with other relevant ministries and departments - is shaping practical strategies to combat counterfeiting and piracy, which aim to protect consumers and public health and to encourage national production. In particular, this is pertinent to certain sectors such as software production sector, arts and humanities, and the pharmaceutical industry.

In a study published in 2008 by the World Intellectual Property Organization (WIPO), the following statistics were made concerning the importance of the Copyright sector for the Lebanese economy:

- Copyright sector amounts to LBP 1,571 Billion, the equivalent of US\$ 1,042 Million, or 4.74% of national income.
- 50,304 workers and employees are directly and indirectly connected to this line of work, which represents 4.54% of the Lebanese workforce.

In 2009, the **IPP office at MoET organized a number of conventions** - with the help from WIPO funding - that aimed to open the path for any required developments regarding Intellectual Property:

1. The "Fifth Regional Meeting" for the heads of intellectual property rights in the Arab countries in Lebanon, accomplished in making an agreement to create an online trademark database that would serve all Arab countries.
2. The gathering of delegates from eight Latin American Countries and several Arab countries was organized in order to exchange knowledge and experience regarding awareness of Intellectual Property.
3. The official visit of the WIPO Director General, Mr. Francis Gurry, to Lebanon whereby he offered unlimited support to the development of Lebanon's IPR sector.

In terms of initiations, **the IPP unit has followed a number of schemes** in 2009 in order to improve efficiency and thus help combat counterfeiting and piracy:

1. IPP Office at MoET started a new **Geographical Indications (GI) Project** funded by World Intellectual Property Organization (WIPO). The aim of this project is to adopt and implement a special law for the protection of geographical indications or appellations of origin. The use of a GI would act as a certification that

the product possesses certain qualities, or enjoys a certain reputation, due to its geographical origin. A "GI draft law" was prepared and submitted to parliament and any updates are now in the process of awaiting revision.

2. The IPP Office at MoET began the process of establishing a **new IP system from a custom built application to a WIPO sponsored application**. This would modernize the IP system in Lebanon by documenting all registered property rights at MoET online and hence, facilitate online services for those wishing to seek information about them.
3. The IPR Office began the process of **publishing the registered Patent** in Lebanon on line in collaboration with The European Patent Office (EPO). This would also facilitate online searches for registered patents in MoET.

Along with such new initiations, the IPP office at MoET registered the following number of new property rights over 2009:

1. 5869 Trademarks
2. 352 Patents
3. 111 Industrial Design's
4. 193 Copyrights

MoET is also planning to double its efforts towards combating counterfeiting and piracy in 2010 and to increase the number of staff in the IPP office at MoET in order to control the market.

IX. With regards to the Insurance Control Commission Unit

In 2009, the Insurance Control Commission realized a number of achievements:

1. It initiated the revival of the National Insurance Board, after a three year suspension in the board's activities, with the appointment of its leading members. The National Insurance Board is currently chaired by H.E the Minister of Economy and Trade while the Vice-chairman is a state councilor appointed by the Ministry of Justice. Other public sector members are the Head of the Insurance Control Commission, the Director General of MoET, the Director General of the Ministry of Finance and the Chief of the Insurance Affaires Department in MoET. As for members from the private sector, there are two representing Lebanese Insurance Companies, two for foreign Companies, an Insurance Broker delegated by the board of the Association of Insurance Brokers and an Insurance Academic Specialist chosen by the Minister of Economy and Trade. The reinstatement of the Board has been greatly instrumental in developing and consolidating the framework for insurance regulation.
2. It played a major role in strengthening the regulatory framework by advocating the issuance and/or the amendment to the following decrees:
 - a. Decree No. 2180 issued in January 2009, defined the methods of payment of hospitalization fees between Insurance Companies and Hospitals in the settlement of claims pertaining to the Motor Compulsory Insurance policies.
 - b. Decree No. 2229, issued in January 2009, set a finite guideline of procedures to be followed by foreign insurance firms in case of their decision to liquidate their assets, guarantees or debts or to withdraw their license.
 - c. Decree No 2441, issued in June 2009, aims at adding new technical reserves and to outline their calculation.
 - d. Decree No 2442, issued in June 2009, defined the principles for assessing Admissible Assets and set the rules of calculating Technical Reserves.
 - e. It arranged an agreement between the MoET and each of the Ministries of Labor, Health, Interior and Finance to establish a system of information exchange between those Ministries aiming to improve the control over certain insurance activities namely: the Foreign Workers Insurance and the Compulsory Motor Insurance. This was followed by a memorandum of understanding between the Ministry of Labor and MoET in June 2009 regarding the exchange of information related to the health status of foreign workers.

3. It obtained and started receiving technical assistance from the French Regulatory Body of Insurance (ACAM) which, in 2009, was able to:
 - a. Provide training and technical assistance to ICC employees in order to gain a deeper understanding of the language used in insurance contracts.
 - b. Provide training in onsite and offsite inspections in the financial field and in market conduct.
 - c. Provide training on Reinsurance supervision.
4. It secured Lebanon's presence among international and regional insurance organizations through the appointment of its Head as:
 - a. Vice president in the Arab Forum for Insurance Regulators and Controllers (AFIRC).
 - b. Vice Chairman of the Regional Coordination Sub-Committee of the International Association of Insurance Supervisors (IAIS)
5. It prepared and published the first Insurance Sector Annual Report corresponding to the sectors activities of year 2007.
6. Internal developments:
 - a. Based on Law No 55 which was passed in Dec. 2008 authorizing the increase of the number of its employees from 10 to 45, ICC started preparing the grounds for an expanded organization by;
 - b. Developing a new recruitment policy along with a studied salary scale.
 - c. Establishing a new Internal Bylaw with a developed organization structure.
 - d. Preparing a Procedure Manual to facilitate administrative work within ICC.

X. With regards to the IT sector and IT Unit

MoET has continued to help strengthen the IT sector through its work in the following fields over 2009 and the last several years:

1. The direct participation and management of the IT sector in Lebanon through membership in the ministerial committee responsible for the IT sector.
2. Coordinating with the Office of the Minister of State for Administrative Reform (OMSAR) in order to develop a blueprint for electronic interoperability between the Ministry of Economy and Trade and all other Ministries.
3. The completion of an electronic system for commerce (e-commerce) whereby modern methods and technology can be used to keep track of the development and trade performance in Lebanon.
4. The completion of discussions regarding the final draft of IT law in the sub-committee of the joint parliamentary committees on 29/01/2009.
5. Furthermore in 2009, a number of initiatives were undertaken by the IT unit at MoET in order to facilitate the flow of information between MoET and other ministries and organizations and hence, improve efficiency. The following schemes have been put in place:
 6. The upgrade of the IPR application from a custom built application to a WIPO sponsored application. Once completed, Lebanon will be the 14th global member with a sponsored WIPO application system.
 7. The upgrade of the MoET website from Microsoft Content Management Server to SharePoint Server. This will update the server code by introducing new management tools and thus, lead to faster server response.
8. The completion of the connection between:
 - a. Customs and the IPR system, which aims to inform customs about the authorizations for certain items to enter Lebanon.
 - b. The Consumer Protection Directorate application and the Telecommunications Regulatory Authority (TRA) system, which aims to minimize the time required to solve a complaint regarding the telecommunication industry by automatically sending it via the internet.

- c. The Ministry of Finance and MoET's Finance department, which aims to relay MoET's required budget feedback to the Ministry of Finance.
9. The completion of the Digital Media Library (DML), which documents all information and updates regarding MoET's hardware, software and general applications into an organized system with access to all employees.
10. The initiation of new website proposals that are to be realized in 2010.
11. The implementation of a server disaster recovery plan that will ensure server recovery in a few minutes.
12. Participation in e-government meetings that are moderated by OMSAR.
13. Ongoing training courses for the Ministry's employees as part of the human capacity building plan.

XI. With regards to the Quality Programme

The Ministry is working towards building up a quality infrastructure in Lebanon. Achievements in this respect were made through an EU funded Project (from 2004 up to 2009):

- Developing a quality related legal framework of laws and technical regulations (final draft laws on technical regulations, standardization, metrology; amendment of the accreditation law; decree on the National Quality Council, etc...).
- Proposing a National Quality Policy (to be adopted by the Lebanese Government and implemented by major quality related key players in the country).
- Proposing a Lebanese national market surveillance system (MoET succeeded in hiring 100 new inspectors for the Consumer Protection Directorate - CPD; the EU funded twinning project with the UK supported CPD in developing its operational system and drafting implementation procedures).
- Supporting laboratories towards international accreditation in terms of equipment, training and consultancy.
- Offering capacity building to main stakeholders in both public and private sector organisations.
- Extending technical support in terms of training and consultancy to public and private sector institutions to adopt and implement Quality Management Systems and obtain relevant ISO certifications.
- Creating a quality culture and improving awareness of private and public sectors, including educational institutions, industries and services on quality and consumer protection issues and help them resolve international trade matters (through ABC Guide, Newsletters, seminars, etc...).
- Informing public and private sectors on international standards and conformity assessment procedures.

In 2009 alone, QUALEB engaged in:

1. Awareness promotion on quality issues, which was achieved through:
 - a. The delivery of a total number of 150 quality related seminars, training modules and conferences to more than 2000 participants.
 - b. Publication and distribution of 12 issues each of the Quality Info Newsletter and the ABC Guides.
2. Assistance to public institutions and private enterprises, which was realized by:
 - a. establishing a quality system legal infrastructure.
 - b. Promoting implementation of ISO standards in 38 industrial and services, private and public sector institutions.

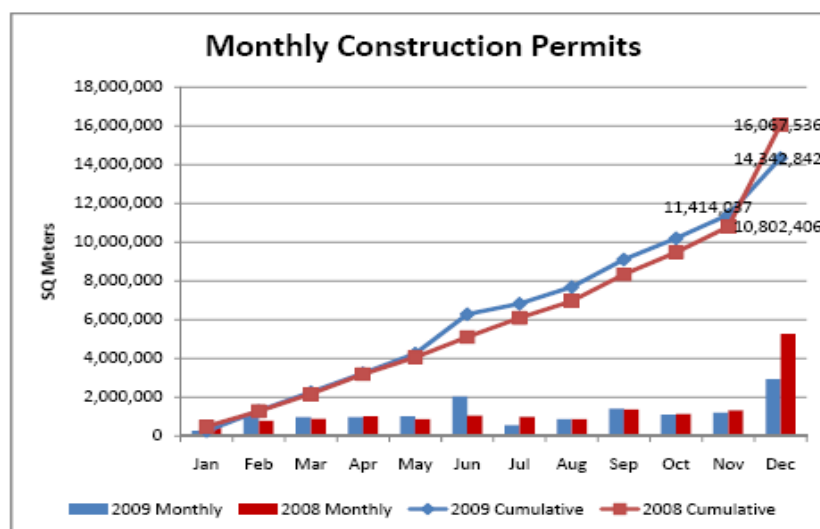
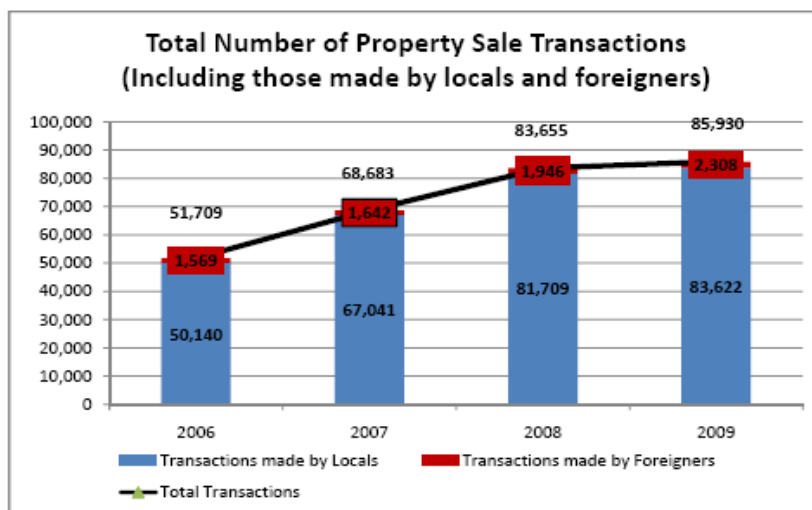
3. The design, launching and implementation of the Lebanese Quality Management Model (LQMM) and the Lebanese Excellence Award (LEA) to support competitiveness in the Lebanese business community.
4. Support (in terms of equipment, training, consultancy & proficiency testing) to 16 private and public sector laboratories for international accreditation purposes (five laboratories had already been internationally accredited in various fields).
5. Assisting LIBNOR, the Lebanese Standards Institution in improving its operational capacity (training, consultancy, database and website development) and supporting its membership and affiliation to ISO & CEN, besides developing its Technical Committees system.
6. Preparing for the establishment of the Lebanese National Accreditation Council (COLIBAC) in terms of regulations and training of potential assessors.

Economic Highlights

1. The Real Sector in Lebanon has continued to perform well despite global, regional and local impediments. All indicators have registered a growth in 2009 relative to the previous year.

1. Real Estate and Construction

According to the Real Estate Directorate, Real Estate activity— in terms of the number of transactions and the value of property sales — kept growing in 2009 despite the political uncertainty related to the local elections in June 2009 and the financial crash witnessed in the region, namely in Dubai, towards the third quarter of the year. The number of transactions is said to have increased by 2.7%, from 83,655 in 2008 to 85,930 in 2009, of which transactions made by locals rose by 2.3%, from 81,709 transactions in 2008 to 83,622 transactions in 2009 while those made by foreigners rose 18.6% from 1,946 to 2,308. The large increase in transactions made by foreigners indicates the attractiveness of the Lebanese property market to foreign investors. Furthermore, the total value of real estate transactions rose from LBP 9,770 Billion to LBP 10,484 Billion, that is, a 7.31% increase. The increase in the value of real estate given the smaller rise in the number of property sales transactions has also resulted in a rise in the average value of property sales, from LBP 116 Million in 2008 to LBP 122 Million in 2009, clearly illustrating the rising price trend of the Lebanese property market. Developers say that the strength of the local market for real estate lies in that it is an end user market rather than a speculative market.



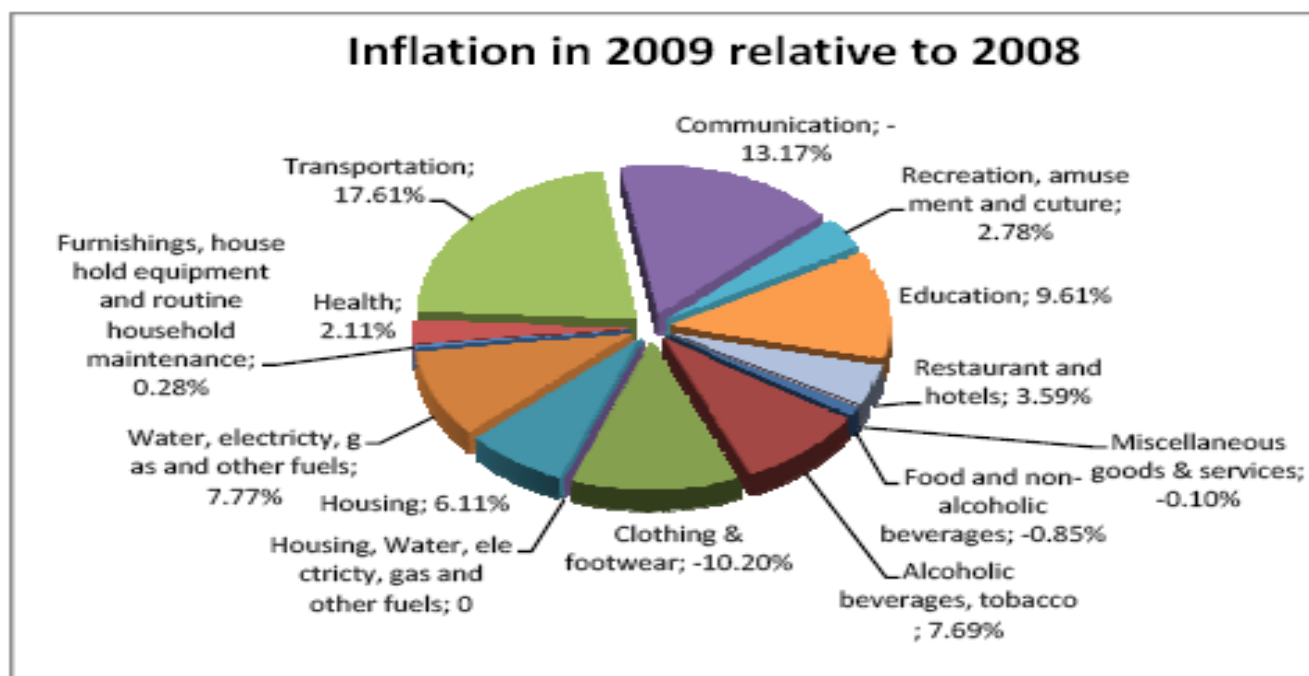
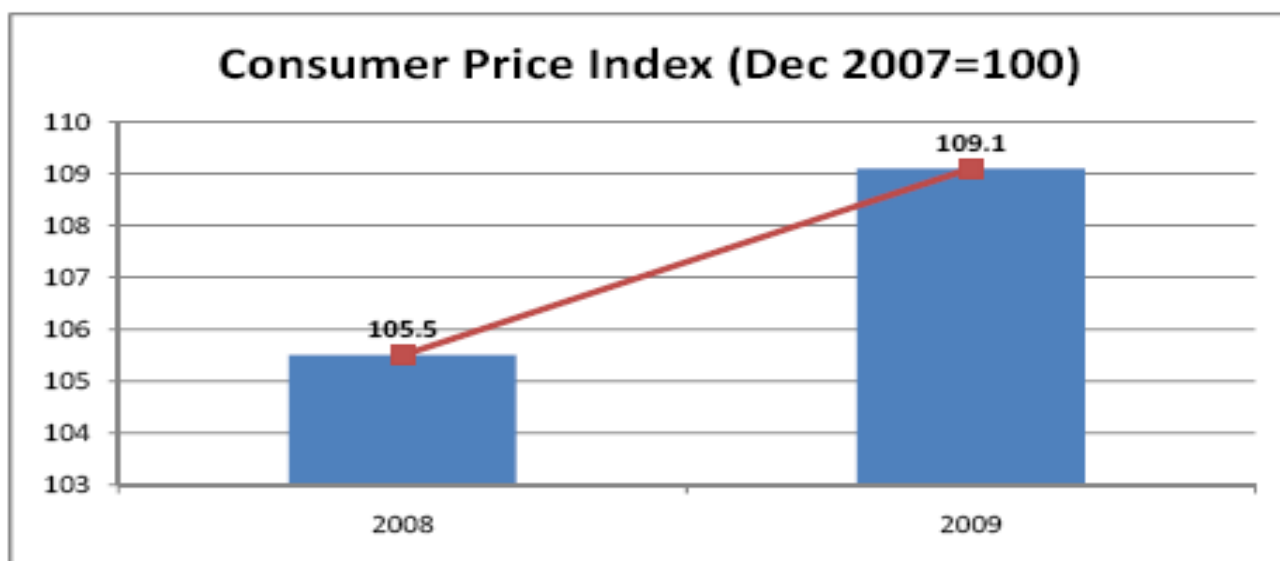
In terms of the supply of new property developments, the number of new construction permits actually fell in 2009 relative to 2008, from 16,068 Thousands of Square Meters in 2008 to 14,343 thousand of SQ M in 2009. However, this does not accurately reflect real estate activity since construction permits up until November 2009 had surpassed construction activity a year earlier, by 5.7%. Tons of cement deliveries, an indicator of building activity, also managed to outperform the levels attained in 2008. The fact that the price of cement has remained unchanged at US\$ 88 per ton throughout 2009 points towards improvements in the construction sector and in the overall real sector.

2. Inflation

Inflation rose by around 3.4% in 2009 according to estimation made by the Central Administration of Statistics (CAS).

The biggest rise in prices between December 2008 and December 2009 was seen in transport and education, as they increased by 17.6% and 9.6% respectively. Local transport rates have been on the rise since local fuel prices began to increase steadily towards the beginning of 2009, as reflected by the rise in global fuel prices. On the other hand, communication and clothing and footwear categories registered the biggest declines with a respective fall of 13.2% and 10.2%. The sharp fall in communication can be attributed to the cut in mobile phone rates at the beginning of 2009.

It is important point to note that Lebanon is an import based economy and thus, inflation is mainly imported inflation. Similarly, declines in prices are due to a global fall in prices. The decline in the restaurant category together with that in the price of food and beverages reflects the global decline in price of food items relative to the rise witnessed in 2007/2008 as well as the overall strengthening of the Dollar relative to the Euro since that period.



3. Services and Transport

2009 saw a boom in trade and services despite the uncertainty brought about by the June 2009 elections. Trade and services, especially the hospitality and tourism sectors, which are particularly vulnerable to the state of the political and security arenas, all saw great improvements.

The service sector witnessed a continued improvement, as it managed to surpass 2008 record figures. A number of indicators show this outstanding performance in the tourism sector, namely number of tourists, number of airport passengers as well as the year to date evolution of tourist spending figures. Similarly, Beirut Port Activity, in terms of tons of goods coming in and out and total revenues, also saw improvement compared to the previous year.

As the table below shows, all indicators have seen a progress made in the figures attained for 2009 compared to 2008:

	2008	2009	%
No of Tourists	1,332,551	1,850,000	+39%
Arrival (BIA)	2,025,547	2,492,204	+22%
Departure (BIA)	2,014,013	2,460,695	+23%
Transit (BIA)	45,774	32,537	-30%
Total Passengers (BIA)	4,085,334	4,985,436	+22%
Year on Year Total Tourist Spending	56%**	13%***	-43%
	relative to 2007	* relative to 2008	

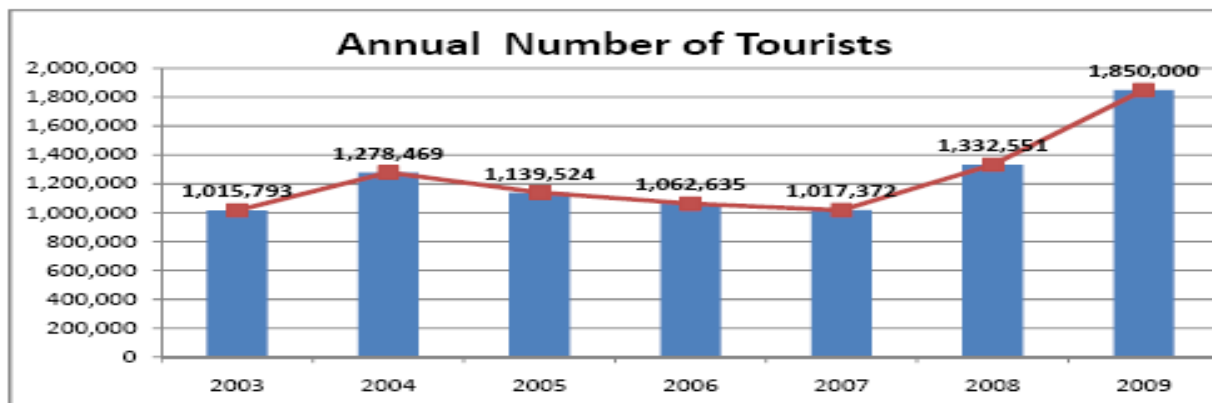
Number of tourists in 2009 totaled 1.85 Million– up by 39% relative to 2008.

▪ **Airport passengers at BIA reached 4.95 Million in 2009 -up 22% relative to 2008.**

3a- Tourism

The tourism season in 2009 was the highest reached in history given that the number of tourists totaled 1.85 Million by the end of the year. This compares with the previous record of 1.4 Million held in 1974 and the second highest of 1.33 Million reached in 2008.

This strong performance in the Lebanese Tourism industry in 2009 was recognized by the United Nations World Tourism Organization (UNWTO). Following the release of its World Tourism Barometer which measures the year to date variation in the number of visiting tourists, it stated that Lebanon came first worldwide amongst 165 countries that witnessed an increase in tourism. Furthermore, Lebanon was also voted as the number 1 destination by "New York Times Travel" to visit among 44 places to go. Lebanon's "Jeita Grotto" was additionally selected as one of 28 finalists in the worldwide campaign to choose the "New 7 Wonders of Nature". A study released by the World Travel and Tourism Council pronounced Lebanon in 9th position regarding the countries that are expected to show the fastest growth in their travel and tourism sector capital investment in 2009, with a growth of 8.5%. Within MENA Countries, Lebanon was ranked 4th behind Libya (14.3%), Egypt (11.2%) and Oman (9.1%).



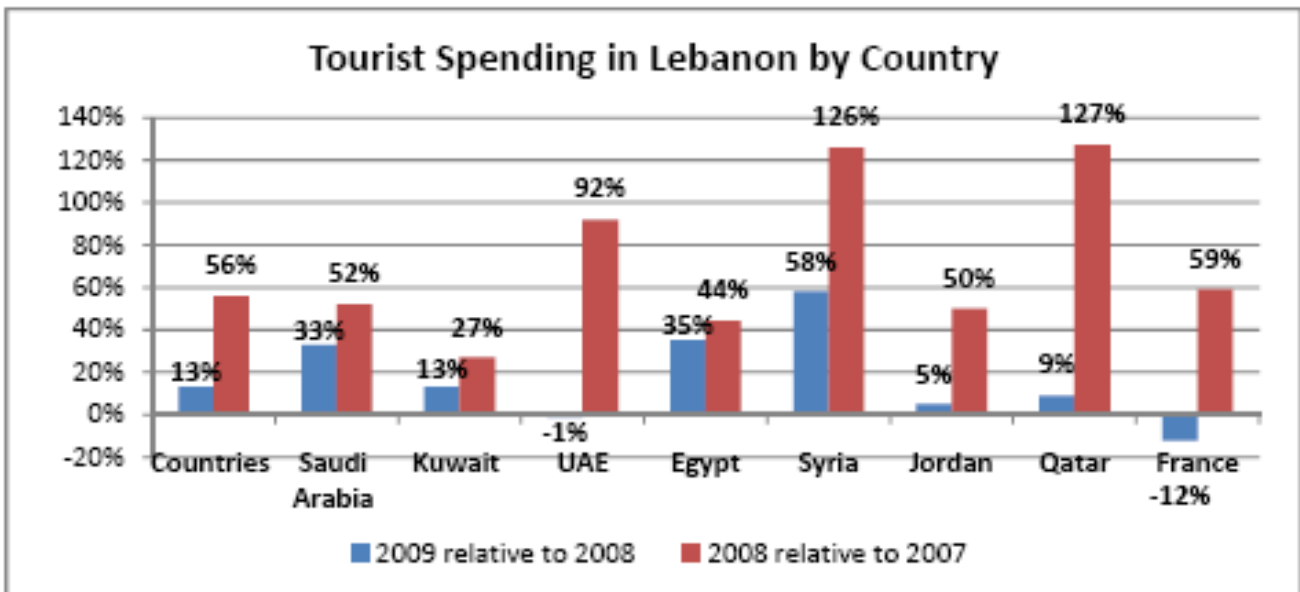
3b-Beirut International Airport

The number of airport passengers as a whole increased in 2009 year relative to 2008. This increase was the result of a rise in the number of arrivals and departures, which saw a 22% and 23% increase respectively. The 30% fall in transits on the other hand might be an indication that less goods are being left in transit but rather, as a final destination. This reflects a high amount of activity in Lebanon from foreign tourists, expatriates and businessmen, who in one way or another, add value to consumption and investment through their spending.

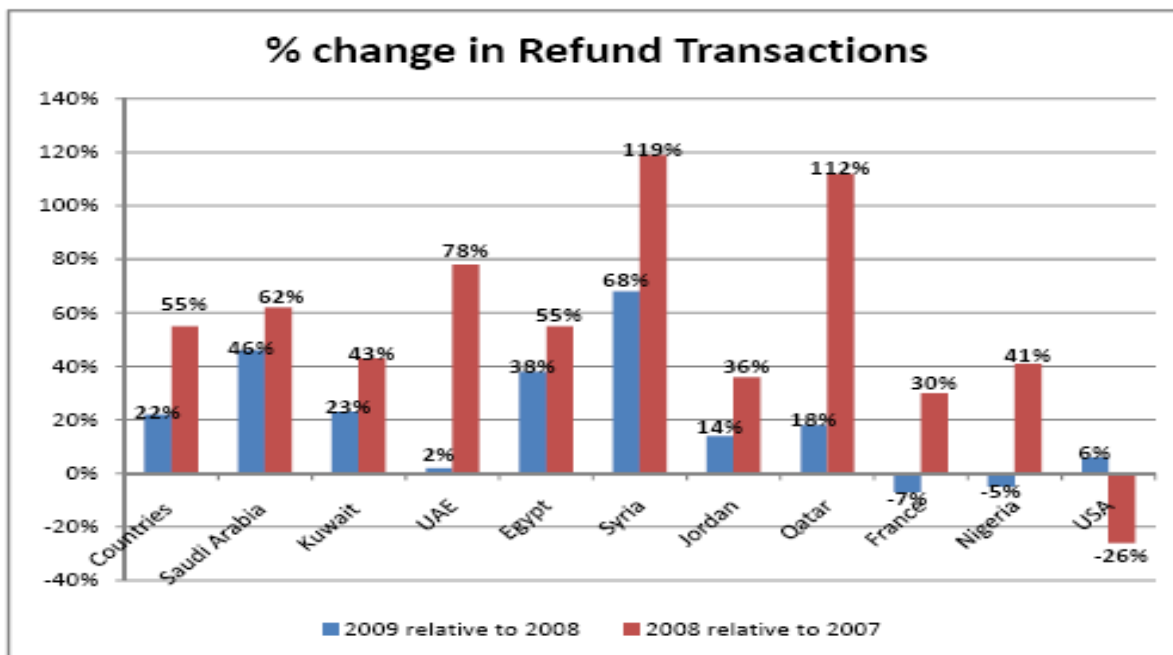


3c- Tourist Spending

The strong influx of tourists and the advantages they bring to an economy is observed through their spending pattern given that this also increased in 2009 compared to 2008. Data collected from Global Refund provides an insight into tourist spending and shows that the year to date spending evolution for 2009 relative to 2008 rose by 13%. Although this increase is not as compelling as the 56% increase witnessed in 2008 relative to 2007, it nonetheless represents a steady growth in spending by tourists. The chart below depicts the aggregate increase in spending by tourists in Lebanon together with those observed according to their country of origin.



Furthermore, the positive spillovers of tourism, can be shown throughout the number of tax free purchases in 2009 , which also increased compared to 2008, a method often portrayed as illustrating the amount of spending by tourists. Global refund, the firm that reimburses VAT to tourists at Lebanese border points, revealed that these tax free purchases reported a year on year increase of 22% in 2009 relative to 2008. Although the year on year increase was less significant than in 2008, an increase still indicates a rise in tourist activity and spending, and therefore highlights the strengthening of this sector in the last year.



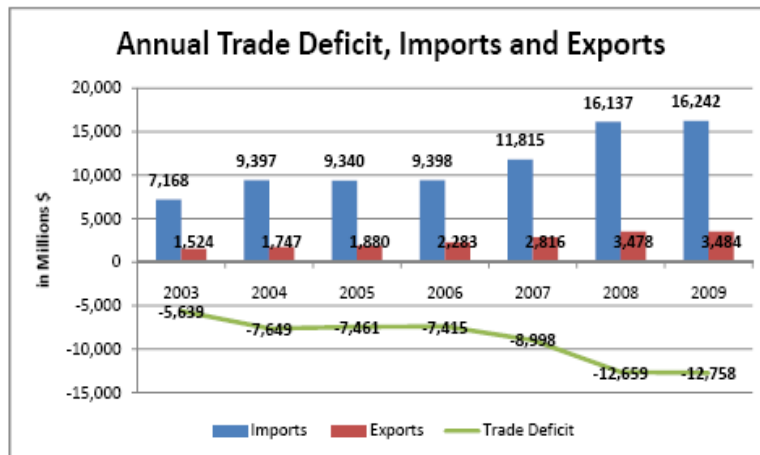
Similarly, hotel occupancy rates in Lebanon reported an average of 73% in 2009, up by 18% from the 55% registered in 2008. Furthermore, the average rate per room at hotels in Beirut increased reached US\$234 in 2009, up 26.4% from the US\$185 attained in the previous year. The improvements made are in line with the rise in the number of tourists visiting Lebanon in 2009, thus demonstrating the strength of the Lebanese hospitality sector and its resilience to the global and regional crisis.

II. The External Sector progressed slightly in terms of aggregate trade activity throughout 2009, as the latter rose by a mere 0.6%. Imports continues to be the key component driving this expansion, which also put a constraint on the performance of the sector, as the goods trade deficit consequently rose by 0.78%.

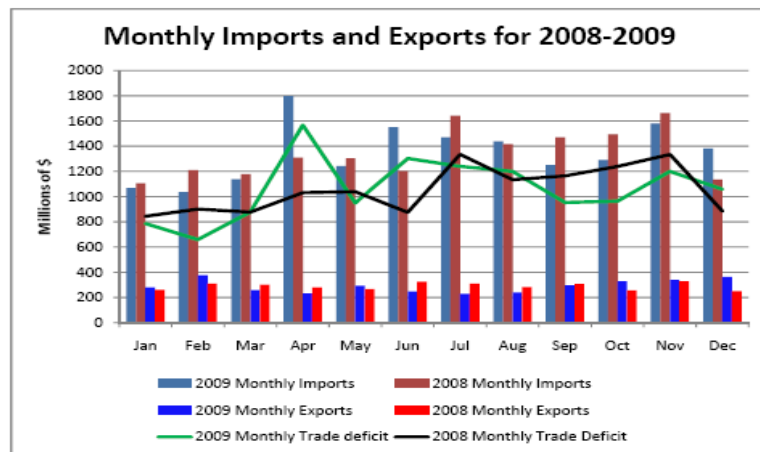
However, in spite of the goods trade deficit, Lebanon's economic regime allows it to enjoy the benefits of the continuing stream of capital transfers from non-resident Lebanese as well as non-Lebanese, mainly Arabs. Capital inflows mainly come in the form of bank deposits, remittances, transfers from tourists and FDI. Such figures have allowed the balance of payments to maintain a positive surplus throughout 2009.

2a- Trade

Rigid domestic demand continued to influence the trade sector in Lebanon as aggregate trade maintained its year on year performance, with a rise in both export and import values in 2009. Exports reached US\$3,484 Million from the US\$3,478 Million attained in 2008, that is, a 0.16% rise. Imports reached US\$ 16,242 Million from the US\$16,137 Million value attained a year earlier, and hence rising by 0.65%. The trade deficit therefore rose by 0.78% from US\$ 12,758 from the US\$ 12,659 reached in 2008.

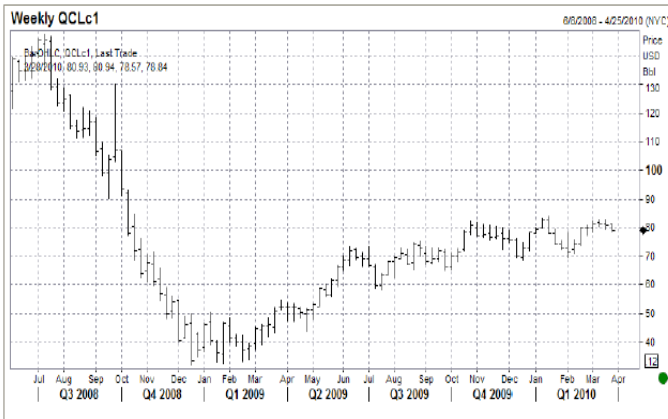


The rise in trade aggregate activity, albeit meager, comes at a time when aggregate trade activity has been falling at the global level. In 2009, world trade in goods in volume and prices fell by about 13%. This therefore illustrates Lebanon's continuous resilience against the financial crisis in terms of domestic demand. Export value rose to US\$3,484 Million by December 2009 while import values grew to reach US\$16,242 Million. However, considering that the value of imports outstripped the value of exports by the end of 2009, merchandise trade therefore continues to pose a constraint on the overall performance of the external sector. Over the 2009 period, the trend in exports and imports was as follows: exports saw a 14.3% rise in the first quarter of 2009 relative to the same period in 2008. However, they then registered a 3.3% and 7.2% plummet by the second and third quarter respectively before recording a 0.2% rise by the end of the year. Imports saw 7.4% decline by the first quarter before rising 7.1%, 1.3% and 0.7% by the first half, first three quarters and by the end of the 2009 respectively relative to the same period in 2008.

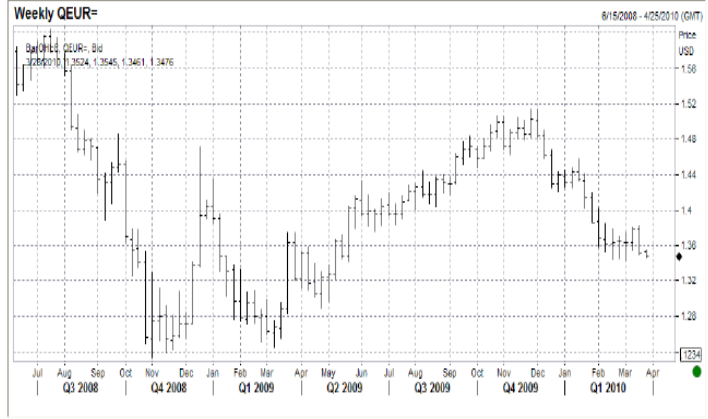


The diminutive rise in import activity in 2009 can be attributed to the combined effects of the substantial fall in the price of oil in 2009 relative their 2008 prices and the overall weakening of the Dollar against the Euro throughout 2009, as shown in the graphs on the opposite page. Not only was Lebanon's top import—petroleum— thus cheaper on international market, which significantly reduced the value of imports, but the weaker dollar also translated into European goods being cheaper on average throughout 2009 and hence, led to an overall fall in import values in 2009 relative to 2008. However, Lebanon's relatively strong domestic demand shown by the 17% rise in import volume in 2009 relative to the previous year, allowed value of imports to nonetheless witness a rise relative to 2008. The marked decline in the value of Lebanese exports in the first half and first nine months of 2009 is due to the negative spillover effects of the financial crisis on external demand. The positive rebound in the last quarter demonstrates a revival in Lebanon's main exporting economies.

Oil Price (\$/per Barrel)



\$/Euro Exchange rate



2b- Balance of Payments and Capital Inflows

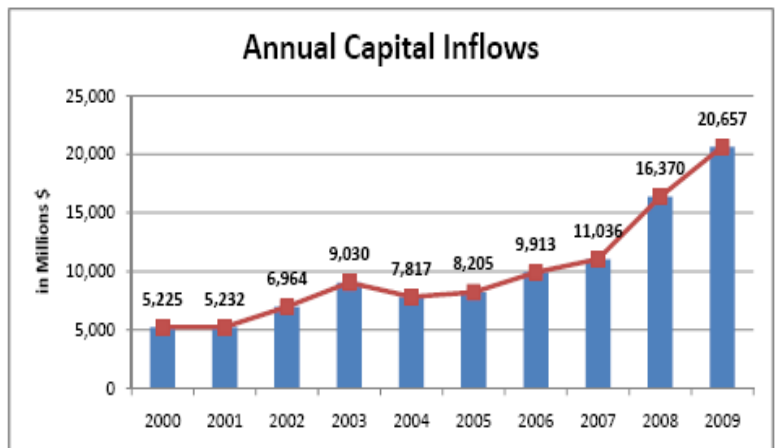
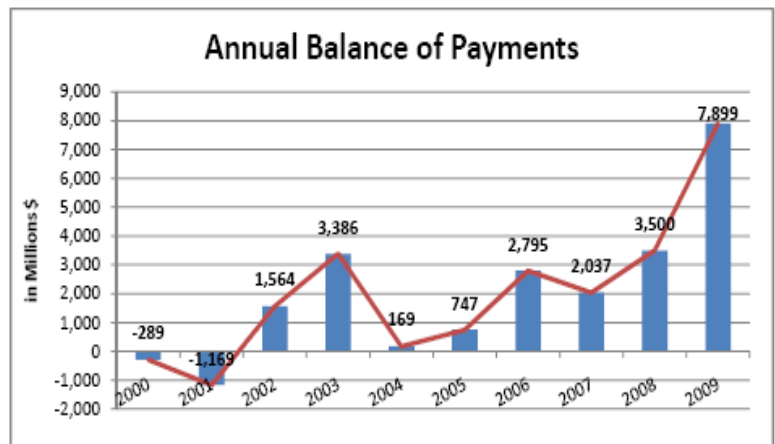
By the end of 2009, the Balance of payments sheet recorded a surplus in excess of US\$7 Billion. This indicates a 125.7% increase in the surplus compared to 2008. In order to understand the reasons behind this surplus in the BoP, one may refer to the figures for the capital inflows and the trade deficit. The trade deficit only rose by a mere 0.8% in 2009, while capital inflows grew considerably, rising by 26.2%, mainly as a result of the tremendous rise in commercial bank deposits.

The Balance of Payments saw a revival following the political resolution witnessed in Lebanon in 2008 and the economic revival that ensued thereafter. Moreover, given that the financial crisis and its repercussions were still ongoing throughout 2009, Lebanese emigrants and Arab foreign national continued to pour their money into the sound Lebanese banking system, thus resulting in an ever greater influx of foreign assets.

In 2009 for instance, commercial bank deposits rose by LBP 27,373 Billion (US\$18,157 Billion) from both residents and non residents.

Furthermore, the World Bank also estimated remittances into Lebanon to reach \$7 billion in 2009, or nearly 22% of the entire MENA's remittances. In an update its 2009 edition of the "Migration and Remittances FactBook," the World Bank said that contrary to previous expectations by the World Bank and the IMF, which had forecast a 12% plummet in remittances into Lebanon as a result of an economic slowdown in Gulf countries, evidence by October 2009 have suggested that remittances flowing into Lebanon have in fact remained solid and have dropped by a small margin of 2.5%, from the record high of \$7,180 million in 2008. Furthermore, FDI has grown 20% year on year in 2009 compared to the US\$ 3.6 Billion reached last year.

Since these elements are just some of the components that make up capital inflows, Capital inflows consequently saw a significant rise in value, reaching a record US\$20,657 Million in 2009 compared to the US\$ 16,370 witnessed in 2008.



2c- Maritime Transport Services

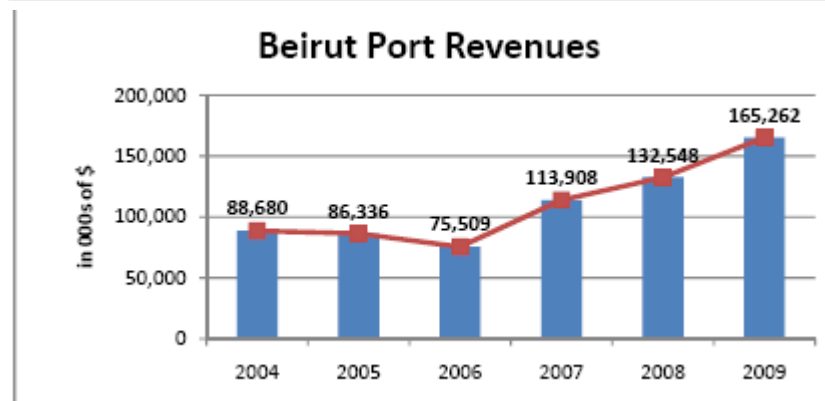
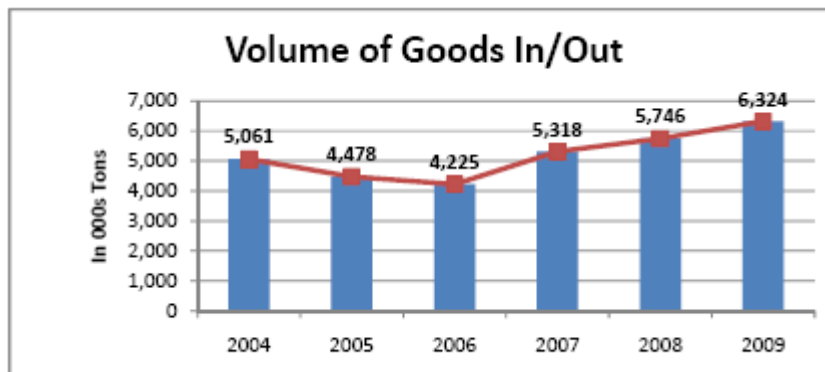
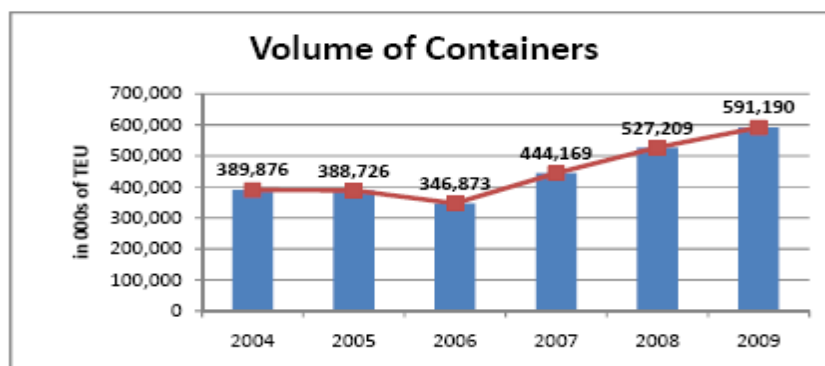
In terms of the main maritime transport services, the activities at the Port of Beirut in 2009 also reflect sound trading activity relative to those in previous years. By looking at the figures for the total number of containers (loaded and unloaded) at the port, the tons of goods (incoming and outgoing) transported and the amount of revenues generated by the Port of Beirut, we can see that in each case, trading activity has vastly increased.

Port of Beirut	Port Activity in Tons (000s)	Container Activity in TEU (000s)	Revenues (US\$)
2009	6,324	591,190	165,262,251
2008	5,746	527,209	132,548,141

BEIRUT PORT ACTIVITY

Throughout 2009, the volume of containers quantified in TEU, a measure of capacity in container transportation otherwise known as Twenty Foot Equivalent Unit, increased by 12.1%, 33.1%, 70.4%, 52.1% and 51.6% relative to 2008, 2007, 2006, 2005 and 2004 respectively. Port activity measured in total tons of goods transported in 2009 similarly increased by 10.1%, 18.9%, 49.7%, 41.2% and 24.9% respectively relative to 2008, 2007, 2006, 2005 and 2004. Finally, the total amount of revenues generated by the port of Beirut also increased in 2009 by 24.7%, 45.1%, 118.7%, 91.4 and 86.4% respectively relative to 2008, 2007, 2006, 2005 and 2004.

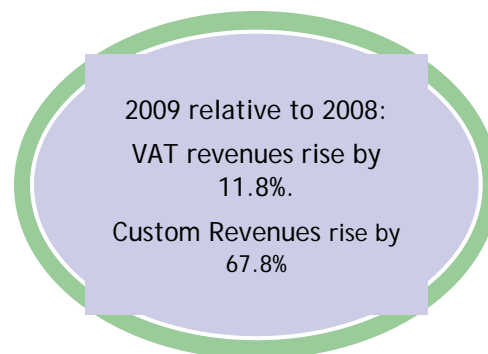
Furthermore, data obtained from Customs shows that the value of goods in transit reached US\$428,795 in 2009 relative to the US\$339,323 attained in 2008, that is, a 26.37% increase. The weight (in KGs) of the goods in transit also witnessed a 40.9% jump. Both jumps in transit figures point towards Lebanon gaining exposure in terms of becoming a regional trading hub.



III- The FISCAL Sector

was characterized by relative consistency in 2009 as the fiscal deficit attained similar levels to the ones reached in 2008. Although the absolute value in the public debt has continued to worsen, strong economic performance has kept the Debt to GDP ratio at bay.

In Millions of LBP	2008	2009	%
Budget Revenues	9,794,988	12,036,474	22.88%
Budget Spending	10,983,537	13,028,439	18.62%
Primary Budget Surplus	4,115,881	5,094,842	23.78%
Treasury Revenue	757,813	668,801	-11.75%
Treasury Spending	3,973,259	4,138,821	4.17%
Total Expenditures	14,956,796	17,167,260	14.78%
Total Revenues	10,552,801	12,705,275	20.40%
Total Fiscal Deficit	-4,403,995	-4,461,985	1.32%
Total Primary Surplus	900,435	1,624,822	80.45%



3a- Fiscal Deficit

Fiscal Deficit reaches LBP 4,461 Billion (US\$ 2,950 Billion) by the end of 2009, up by 1.32% relative to the whole of 2008.

Although total expenditures reached LBP 17,167 Billion (US\$ 11,383 Billion) given that total revenues reached LBP 12,705 Billion (US\$ 8,420 Billion), the public finances improved in relative terms as the percentage rise in total revenues surpassed that of total expenditures (20.4% versus 14.8%), thus allowing the ratio of the total deficit to expenditures to drop from 29.4% in 2008 to 25.9% in 2009.

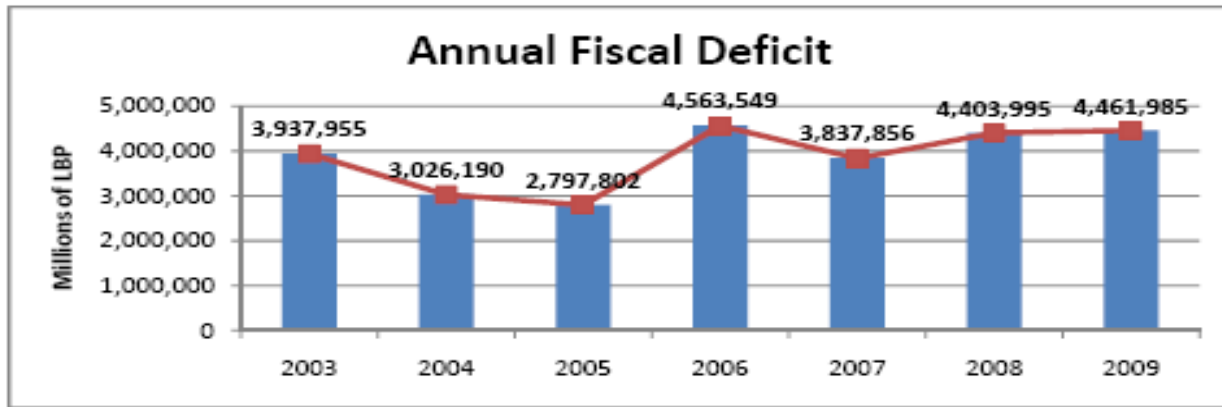
The increase in revenues was attributed to the improvement in budget revenues (tax and non tax revenues), which saw a 22.8% increase compared to 2008. Tax revenues increased 24.9% relative to 2008, reaching LBP 8,967 Billion by the end of 2009, displaying a strong performance of the following components:

- Taxes on international trade (i.e.: customs and excise duties), which saw a 67.8% increase and was due to the increase in trade activity and the decision by the Lebanese government to uncap gasoline excises following the fall in global fuel prices. Gasoline excises subsequently generated LBP 999 Billion (US\$ 663 Billion) in 2009 against LBP 112 Billion (US\$ 74.3 Billion) in 2008.
- Domestic taxes on goods and services improved by 12.6% as VAT revenues and property taxes increased by 11.8% and 3% respectively relative to 2008.
- Taxes on profits, capital gains, wages, salaries and income improved by 17.5% in 2009 relative to 2008. The implementation of Law 63, dated 31/12/2008, granted wage increases in private and public sectors and hence, an increase in tax on wages.

Non tax revenues also showed signs of improvements in 2009 as transfers from telecoms, the Rafik Hariri International Airport and in vehicle control fees saw a rise amounting to 19%, 63% and 8% respectively relative to the previous year. Treasury revenues however, fell by 11.8%.

On the spending side, the increases came as a result of a rise in current and capital expenditures, which soared 18.5% and 7% respectively. The current expenditures increase, which include personnel costs (wage, salary, retirement and end of service compensations) as well as debt repayments (domestic and foreign interest repayments and principal repayments on foreign project loans), was attributed to the implementation of the wage increase in the public sector and to the increase in the stock of domestic currency T-Bills.

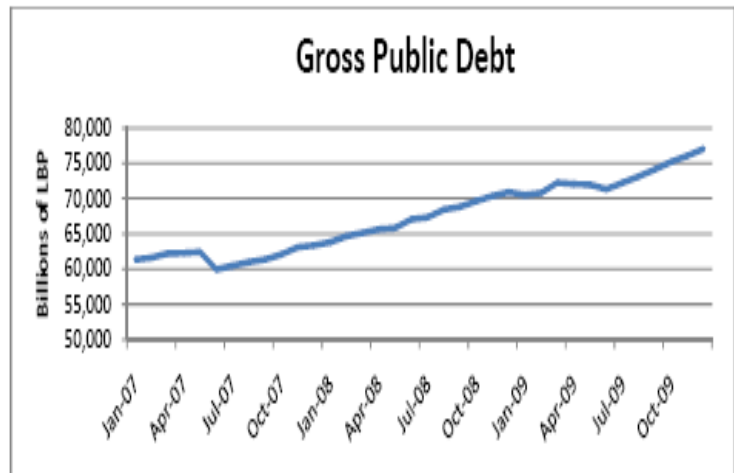
Although treasury expenditures rose by 4.2%, transfers to Electricity du Liban (EdL) actually fell by 7.1% due to the global plummet in the price of oil over 2009 relative to the previous year.



3b-Gross Public Debt

Gross Public Debt has continued to rise throughout 2009, as it reached LBP 77,024 Billion (US\$ 51.1 Billion) by the end of 2009 relative to the LBP 70,874 Billion (US\$ 47 Billion) attained by the end of 2008, that is an increase of 8.7%.

The 8.7% increase in *Gross Public Debt* is primarily due to an increase in local domestic and foreign debt, which grew by LBP 5,569 Billion (US\$ 3,694 Billion) and LBP 167 Billion (US\$ 110.8 Billion) respectively over this period. Former expenditures were financed through an increase in borrowing, mainly carried out by the Central Bank in the form of REPOs and loans to EDL to finance fuel purchases, local Commercial Banks and through the financing of T-Bills over the 2009 period. Foreign currency debt, on the other hand, increased by a mere 0.52% for the same period, whereby Bilateral and Multilateral Debt as well as Paris II loans shrunk by a respective 6.4% and 11.7% over this period. Paris III Debt together with Market issued Eurobonds and the interest accumulated on such bonds however saw a 6.2%, 3.9% and 6.9% respective increase over the similar period.



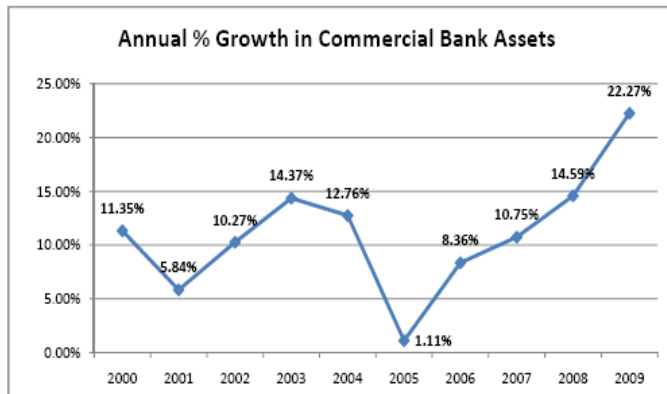
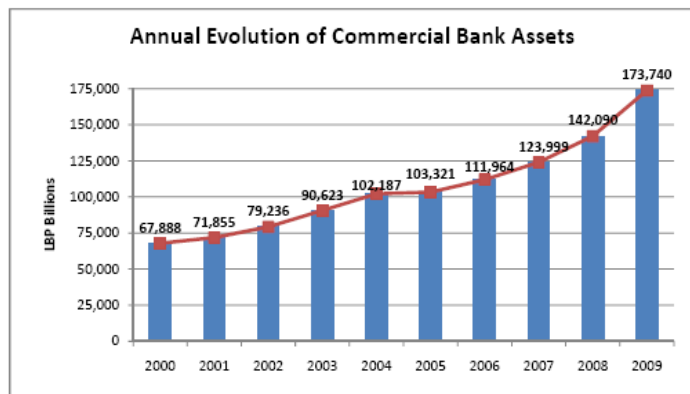
Taking account of the rise of LBP 10,347 Billion in public sector deposits for the same period, the Net Public Debt becomes LBP 66,667 Billion (US\$ 44.2 Billion).

	2008		2009	
	As a % of Local Currency Debt	As a % of Total Debt	As a % of Local Currency Debt	As a % of Total Debt
Local Currency Debt	100%	55.04%	100.00%	58.39%
Central Bank	22.51%	12.39%	22.98%	13.42%
Commercial Banks	62.35%	34.31%	60.67%	35.43%
T-Bills	15.14%	8.33%	16.35%	9.55%
	As a % of Foreign Debt		As a % of Foreign Debt	
Foreign Currency Debt	100%	44.96%	100.00%	41.61%
Bi-Multilateral & Foreign Private sector loans	8.75%	3.94%	9.26%	3.40%
Paris II related debt (Eurobonds etc.)	17.12%	7.70%	18.95%	6.26%
Paris III related debt	5.80%	2.61%	4.24%	2.55%
Market issued Eurobonds	65.66%	29.52%	64.96%	28.22%
Interest on Eurobonds	1.35%	0.61%	1.28%	0.60%
T-Bills in Foreign currency	1.31%	0.59%	1.31%	0.58%

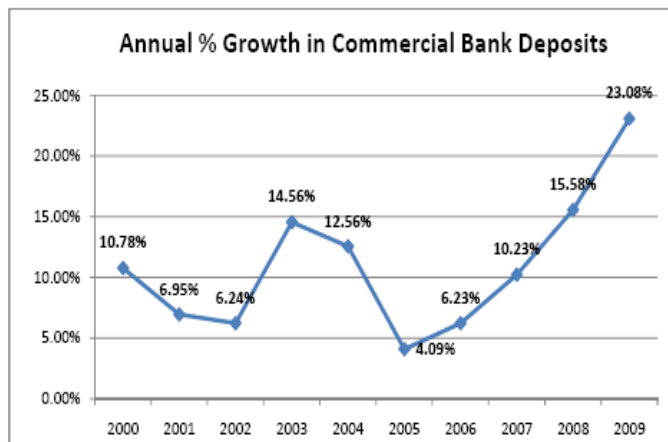
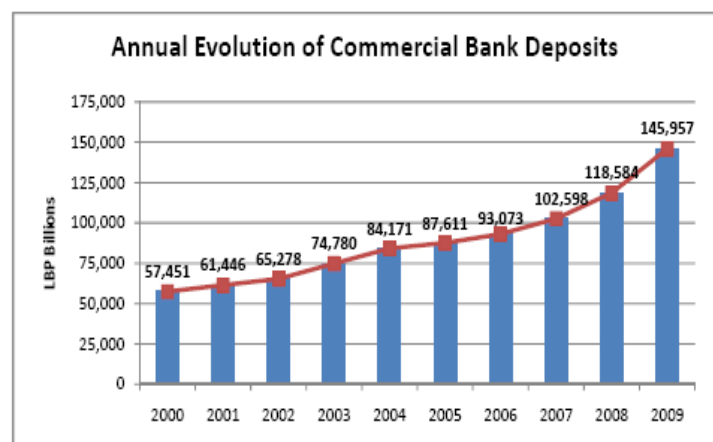
IV - The Financial Sector continued its pattern of outstanding performance in 2009, as all major aggregates reported a solid progression. **Commercial Bank Assets, Liquidity**- via the substantial rise in **Deposits**- and the **Money Supply** clearly demonstrate this trend as they all show a record in growth by the end of the year.

4a- Commercial Bank Assets and Customer Deposits

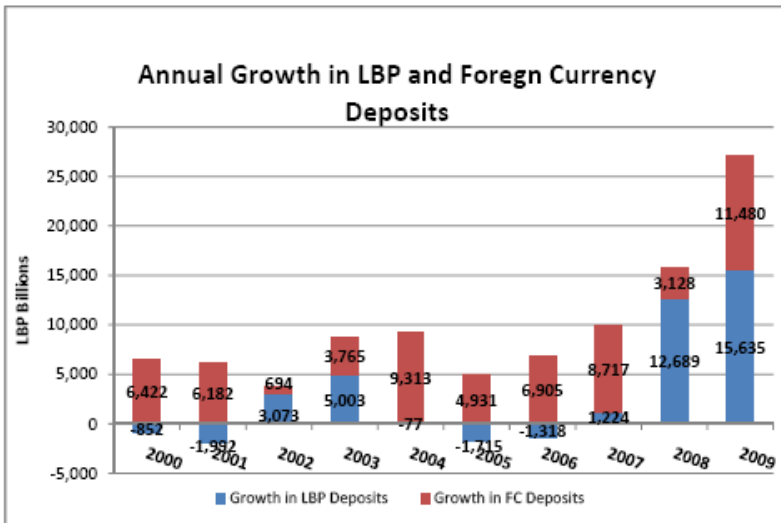
Total assets of commercial banks increased by LBP 31,650 Billion (US\$ 20.1 Billion) to reach LBP 173,740 Billion (US\$ 115.3 Billion) by the end of 2009 relative to the LBP 18,091 Billion (US\$ 12 Billion) annual growth and total bank assets of LBP 142,090 Billion (US\$ 94.3 Billion) attained over the same period in 2008. That is, in 2009, Commercial Bank assets and growth in assets increased by 22.3% and 74.9% in 2009 relative to 2008.



This high level of activity growth-measured by the growth in commercial banks' consolidated assets- continues to be driven by customer deposits. **Customer deposits grew by 23.1% in 2009**, the equivalent of LBP 27,373 Billion (US\$ 18 Billion). This growth in volume of deposits outstripped last year record growth to attain a new historical high of LBP 145,957 Billion (US\$ 96.8 Billion). This surge is a reflection of depositor confidence in the Lebanese banking sector given the conservative risk policies adopted by the Central Bank as well as the maintenance of strong inflows of capital into the country. In this context for instance, the World Bank has expressed its prospects regarding the level of inflows of foreign remittances to Lebanon and is expecting levels to remain similar to the records reached in 2008.



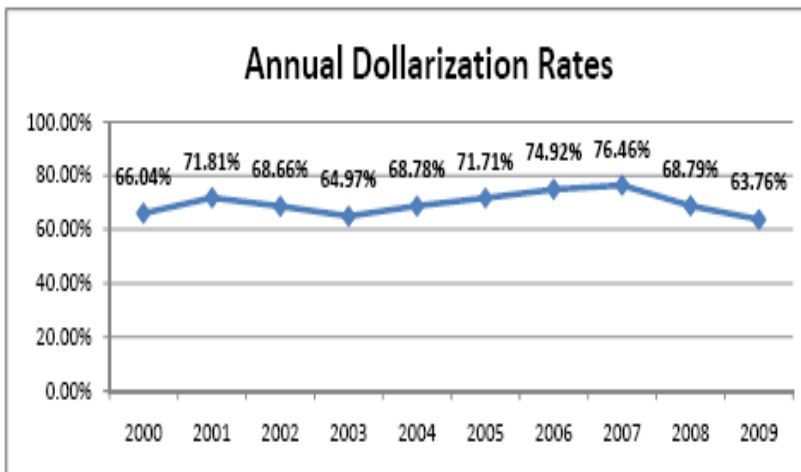
Growth in Bank Deposits was mainly in Lebanese Deposits, as they grew by 43.8% relative to that seen by Foreign Currency Deposits, which only grew by 14.1%. Foreign Currency Deposits however, remain the lion share of bank deposits, totaling 64% of Total Deposits whereas Lebanese Deposits make up 35% of Deposits.



Among the increase in deposits, **LBP deposits** saw a remarkable jump relative to **Foreign Currency (FC)** deposits by the end of 2009. As the graph aside shows, the former increased by LBP 15,635 Billion while the latter grew by LBP 11,480 Billion over the 2009 period. Growth in Lebanese pound deposits relative to FC deposits indicates confidence in the Lebanese Pound and in the Lebanese Banking sector resulting from the latter's resilience to the financial crisis since its inception in 2007.

Type of Deposit	2009 Growth	2008 Growth
Resident Private	19.49%	14.86%
Non Resident Private	44.04%	20.00%
Public	19.43%	14.42%

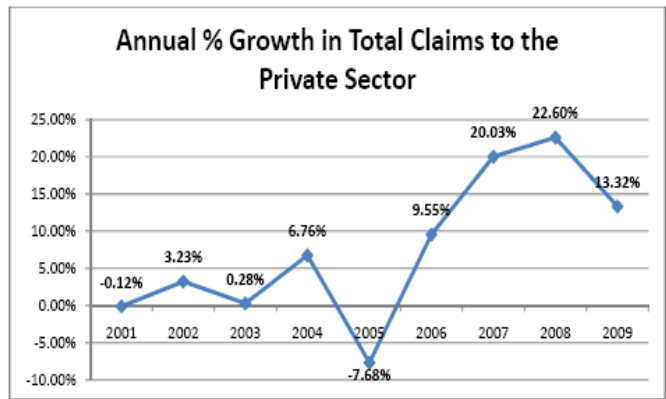
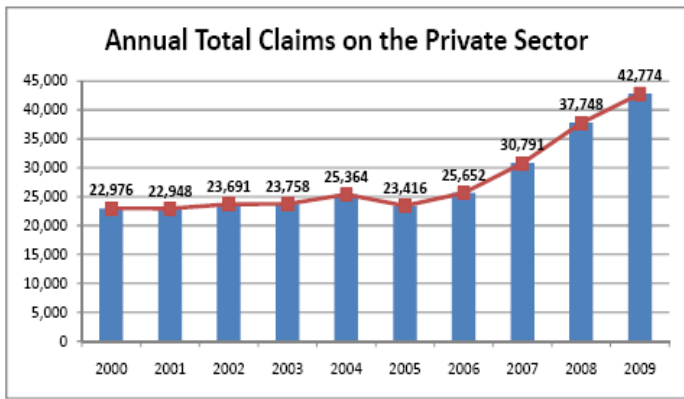
Furthermore, the opposite table shows that over the same period in 2009, the **non resident private sector** was the category with the greatest percentage increase in deposits (44.04%), followed by the **resident private sector** deposits and closely thereafter, by **public** deposits. Although the position of each category is the same as the one observed a year earlier, their values in 2009 greatly differ. In 2008, growth values for each type of deposit was much lower than in 2009, thus confirming Lebanon's position as providing a relatively safe haven to customers following the financial crisis, especially to non residents as they supplied the greatest percentage of deposits to commercial banks.



This growth in LBP deposits relative to FC deposits has consequently led to a continued fall in dollarization rates in the Lebanese Banking system. According to the total deposits and deposits in LBP obtained from the central bank, **dollarization rates** have recorded their lowest level in the last nine years, reaching 63.76% by the end of 2009.

4c- Claims to the Private sector

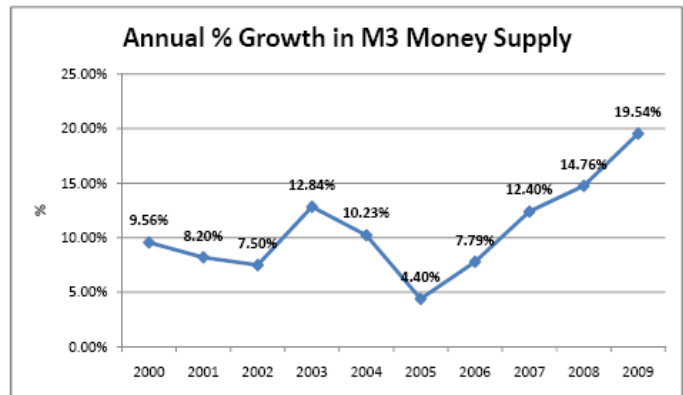
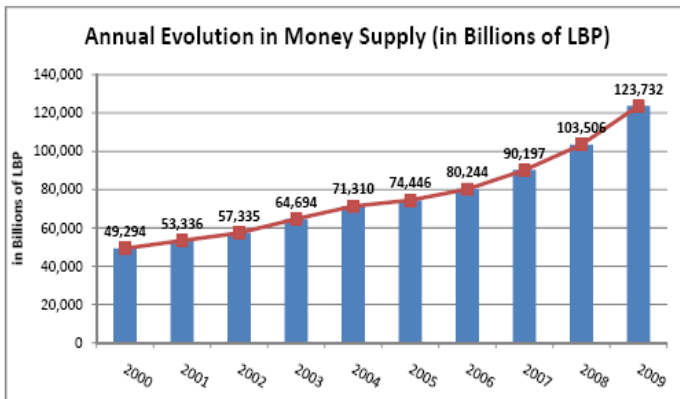
Regarding the uses side of the consolidated balance sheet, Data compiled by the Association of Banks in Lebanon shows that by the end of 2009, **Claims (lending) to the private sector** reached LBP 42,774 Billion, representing a year on year rise of 13.3%. Growth in total claims since the outset of 2009 reached LBP 5,026 Billion compared to LBP 6,957 Billion over the same period in 2008. Therefore, although total claims increased, the growth witnessed in 2009 actually fell compared to that seen in 2008 by 27.75%.



4d- Monetary Growth

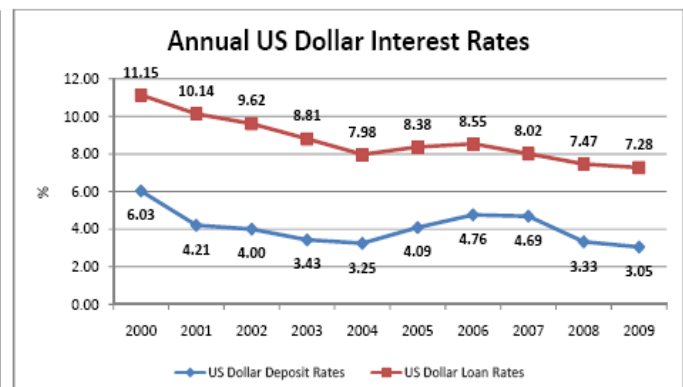
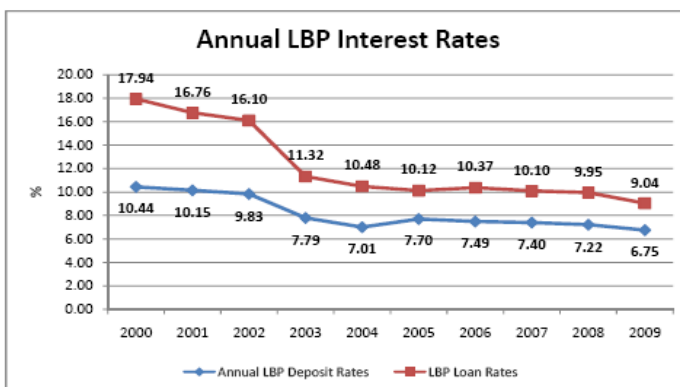
The stock of money and quasi money (M3) grew to LBP 123,732 billion by the end of December 2009, of which 58.4% was denominated in foreign currencies. M3 increased, as such, by 19.5% in 2009, compared to a 14.8% growth in 2008.

The LBP 20,226 billion increase in money supply M3 in 2009 originated from the increase in each of net foreign assets (+LBP 14,952 billion), claims on the private sector (+LBP 4,964 billion), and net claims on the public sector (+LBP 4,648 billion), partly counterbalanced by a drop in valuation adjustment (-LBP 3,159 billion) and net other items (-LBP 1,179 billion).



4e- Interest Rates

Interest rates on LBP denominated and USD denominated deposits at commercial banks decreased to 6.75% and 3.05% respectively from the 7.22% and 3.33% observed a year earlier. Similarly, interest rates on LBP and USD denominated loans by the end of 2009 fell to 9.04% and 7.28% from the 9.95% and 7.47% observed in the same period in 2008. The average 3 month LIBOR rate was almost flat at 0.25% by the end of 2009.



	T-Bills						
	45 day CD	60 day CD	3 Months	6 Months	12 Months	24 months	36 months
2000	9.5	10.25	11.18	12.12	13.43	14.64	8.87
2001	9.5	10.25	11.18	12.12	13.43	14.64	8.87
2002	6.75	7.5	7.77	9.15	9.13	9.41	8.85
2003	4.4	4.89	5.48	6.53	6.87	7.99	8.87
2004	4.4	4.89	5.22	6.31	6.69	7.89	8.87
2005	4.4	4.89	5.22	7.24	7.75	8.68	9.56
2006	4.4	4.89	5.22	7.24	7.75	8.68	9.54
2007	4.4	4.89	5.22	7.24	7.75	8.68	9.54
2008	4.4	4.89	5.1	7.1	7.58	8.43	9.2
2009	3.77	4.03	4.55	5.72	5.73	6.42	7.23

Furthermore, interest rates on LBP instruments were unchanged by the end of 2009 on 45 and 60 day certificates of deposits issued by BdL, as they remained at 3.77% and 4.03% respectively. The yields on T-Bills were further cut at the end of the period to the following rates: 4.55% for three month bills, 5.72% for six month bills, 5.73% for one year bills, 6.32% for two year bills, 7.10% for three year bills and 7.74% for five year bills. As the table above shows, interest rates have fallen consistently year after year since the beginning of the decade for Certificates of Deposits and Treasury Bills.

4f- Cleared Checks

The **total value of checks cleared** in the banking system, an indicator of overall spending patterns in the economy, climbed to USD 5,817 million (LBP and FC combined), from the USD 4,015 million observed in December 2008. In 2009, the value of checks cleared, out of which 80.3 percent denominated in foreign currencies, increased by 7.4 percent over the year 2008.

	Value of cleared checks	Number of cleared checks	Average Value of Cleared Checks (\$)
2006	32,537,000,000	9,141,079	3,559
2007	38,342,000,000	10,794,030	3,552
2008	52,544,000,000	11,486,586	4,574
2009	57,460,000,000	12,227,136	4,699

V - 2010 Outlook

Recent indicators point to ongoing strength in economic activity. Since the global financial crisis and recession has only had a limited impact on the Lebanese economy, Lebanon's exceptional performance in 2009 in many of its sectors is expected to continue throughout 2010. Among the indicators, tourism, construction activity, the balance of payments and financial services continue to expand amid improved security conditions. Inflation has dropped and, under the peg, is likely to remain low given the low inflationary outlook of Lebanon's trading partners and the fact that Lebanon relies heavily on imports. One source of concern however is a continued rise in the price of oil, which has seen a steady climb over the 2009 period. Although the fiscal deficit continues to worsen, the Debt-to-GDP ratio is showing vast improvements, suggesting strong economic activity. The Ministry of Finance had stated that economic growth forecasts could be as high as 8% in 2010, given that several economic matters are accomplished, which include long term plans for structural reforms and privatization.

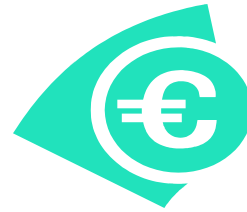
According to the Ministry of Finance, the main obstacle to economic growth in the Lebanese economy continues to be the large fiscal deficit that is driven by the hefty cost of servicing the massive public debt, which currently stands at around 156% of GDP. In a recent article in the Daily Star, they announced that plans to privatize the electricity and telecoms sector, which have been delayed following opposed plans by politicians to liberalize the two sectors, will take effect soon- either towards the end of 2010, or beginning of 2011. The sale of the Telecoms sector for instance, is expected to generate around US\$7 Billion once the global credit markets recuperate following the financial crisis and would help Lebanon tackle its massive public debt. Although interest rates on Lebanese debt have declined, the size of the domestic stock is keeping debt service costs from falling rapidly and hence, it is expected to remain a major obstacle to growth.

The Finance Ministry has also discussed plans to forge ahead with the reform measures agreed under Paris III, most important of which is raising the VAT rate from 10 to 12 percent, and gradually to 15 percent. But popular opposition to further indirect taxation is proving fierce, rendering unlikely the proposed increase to exceed 2 percentage points in 2010. However, the possibility of escalating VAT rates coupled with higher oil prices is expected to raise inflation in 2010.

The International Monetary Fund (IMF) has also made similar remarks, stating that fiscal consolidation should remain a priority in Lebanon's future economic planning. Such priorities include reducing the public Debt-to-GDP ratio to sustainable levels in order to maintain market confidence and strong deposit inflows, so that the necessary measures are taken in order to satisfy the government's large financing needs. Furthermore, the IMF has suggested that the authorities capitalize on buoyant fiscal revenues in the near term to achieve a primary surplus. The government should then swiftly re-launch the Paris III fiscal consolidation agenda. In the near term, ample liquidity should continue putting downward pressure on interest rates.

In terms of the external sector, capital inflows are expected to improve as the global economy slowly recovers from the financial crisis. Remittances are consequently also expected to increase in 2010. However, the trade deficit is expected to widen due to a sustained growth in domestic demand (assuming that the political situation remains stable), higher oil prices and a leveling off of tourism following an exceptionally high record in 2009.

On the whole, Lebanon's economy in 2010 is expected to perform well in terms of real, external and financial sector activities. The major obstacle to the Lebanese economy remains the public debt, which itself is dictated by fiscal spending, revenues and interest rates. Structural Reforms and Privatization are currently the major vehicles being promoted to help curb the public debt and therefore, strengthen the Lebanese economy.



The MOET Annual Bulletin hopes to keep its readers up-to-date on Lebanon's economic climate.

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SOURCES:

- **Growth:** Estimates based on figures from IMF (Byblos Bank LTW report #136 and #138), World Bank (Audi Bank LWM report- Week 4 2010) and BDL (Audi Bank LWM report- Week 8 2010).
- **Doing Business Rankings:** The International Bank for Reconstruction and Development / The World Bank, (2009), "Doing Business 2010" Report, Palgrave Macmillan.

Ministry Highlights:

- Collected from the respective Ministry of Economy and Trade Departments.

Economic Highlights:

1)Real Sector

- **Area of Construction Permits and Number of Transactions:** Order of Architects and Engineers of Beirut and Tripoli: <http://ordre04.oeanet.org> and www.mouhandess.org.lb
- **Cement Deliveries:** Banque du Liban: <http://www.bdl.gov.lb/edata/elements.asp?Table=t51-12>
- **Cement Prices:** Cimenterie Nationale
- **Real estate sales, value of sales and number of properties:** Directorate of Real Estate- Ministry of Finance

- **Inflation:** Estimates based on figures from
 - ⇒ The Central Administration for Statistics: www.cas.gov.lb and Byblos Bank LTW report #151

- **Airport Activity:**
 - ⇒ Banque du Liban: <http://www.bdl.gov.lb/edata/subseries.asp?SIID=1>
 - ⇒ Rafic Hariri International Airport statistics

- **Tourism**
 - ⇒ Yearly 2003-2009: Ministry of Economy and Trade DataFiles.
 - ⇒ Monthly 2009: Audi Bank LWM report- Week 9, 16,25, 38, 43, 50 2009 and Week 1 and 4 2010.
Byblos Bank LTW report #110, 117,125, 130.
 - ⇒ Tourism Spending and Number of Refund Transactions: Global Refund Lebanon S.A.L.

- **Balance of Payments**
 - ⇒ Yearly 2009: Audi Bank LWM report- Week 6 2010
 - ⇒ Monthly 2009: Audi Bank LWM report- Week 10, 25, 32, 36 and 49 2009 and Week 6 2010
Byblos Bank LTW report #111, 115, 124, 137, 149.
 - ⇒ Yearly 2000-2009: Ministry of Economy and Trade DataFiles.

- **Capital Flows**
 - ⇒ Yearly 2009: Audi Bank LWM report- Week 6 2010
 - ⇒ Monthly 2009: Audi Bank LWM report- Week 19, 32, 36, 49 2009.
 - ⇒ Yearly 2000-2009: Ministry of Economy and Trade DataFiles.

2) External Sector

- **Monthly and Yearly Trade Deficit, Exports and Imports:**

Ministry of Finance: <http://www.finance.gov.lb/Data+and+Statistics/Trade+Data/>

IMF World Economic Outlook October 2009: Sustaining the Recovery

Zawya Dow Jones, (8/10/2009), "FDI in Lebanon seen up 20% to US\$4.32 Billion in 2009"

The Daily Star, (10/11/2009), "2009 Remittances to Lebanon to reach US\$ 7 Billion"

- **Euro/US\$ Trend and Oil Prices:** www.reuters.com

- **Port Activity and Revenues:** www.portdebeyrouth.com/statistics.asp?x=1

3) Fiscal Sector

- **Fiscal Performance Indicators:**

Ministry of Finance: <http://www.finance.gov.lb/Data+and+statistics/Fiscal+Performance/>

- **Public Debt:**

Ministry of Finance- Public Finance Monitors: <http://www.finance.gov.lb/Reports+and+Publications>

4) Monetary and Banking sector

- **Monetary survey:** BDL: http://www.bdl.gov.lb/edata/elements.asp?Table=q_BDL_SID2

- **Commercial Bank Assets:** BDL: http://www.bdl.gov.lb/edata/elements.asp?Table=q_BDLa_SID4

- **Commercial Bank Deposits- by type of deposit:** BDL: <http://www.bdl.gov.lb/edata/subseries.asp?SIID=4>

- **Commercial Bank Deposits- by currency of deposit:** BDL: <http://www.bdl.gov.lb/edata/subseries.asp?SIID=6>

- **Claims on private sector:** BDL: <http://www.bdl.gov.lb/edata/subseries.asp?SIID=4>

ABL: [http://www.abl.org.lb/Library/Files/Files/Economic%20Letter%20December%](http://www.abl.org.lb/Library/Files/Files/Economic%20Letter%20December%202009.pdf)

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- **Interest Rates:** BDL: <http://www.bdl.gov.lb/edata/subseries.asp?SIID=7>

- **Cleared Checks:** BDL: <http://www.bdl.gov.lb/edata/subseries.asp?SIID=1>

5) Outlook

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- IMF Country Report No. 09/313, (November 2009), "Lebanon: Report on Performance Under the Program Supported by Emergency Post Conflict Assistance".