# Lebanon Economic Vision

FULL REPORT



### I. EXECUTIVE SUMMARY

### II. INTRODUCTION AND METHODOLOGY

- A. Methodological approach to the study
- B. Stakeholder engagement and syndication process
- C. Reviewed documentation

### **III. CONTEXT AND DIAGNOSTIC**

- A. Chapter summary
- B. Economic perspective
  - 1. Macro-economic evolution
  - 2. Trade profile (exports & imports)
- C. Sector diagnostics
  - 1. Natural resources (oil & gas)
  - 2. Agriculture
  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
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  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
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  - 2. Ease of doing business
  - 3. Monetary policy
  - 4. Economic development activation
  - 5. Trade & international agreements

### IV. THE VISION: LEBANON'S ECONOMIC ASPIRATIONS

- A. Chapter summary
- B. Burning platform
- C. Lebanon's growth imperatives
- D. Economic aspirations and macroeconomic targets
- E. Sector prioritization mechanism and rationale

### V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

- A. Chapter summary
- B. Sector deep-dives
  - 1. Agriculture
  - 2. Industry
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  - 6. Diaspora

### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

- A. Chapter summary
- B. Public administration reform requirements
- C. Infrastructure including CIP initiatives
- D. Public finance requirements
- E. Main legislative requirements
- F. Country branding & export promotion

# VII. INSTITUTIONALIZATION MECHANISMS

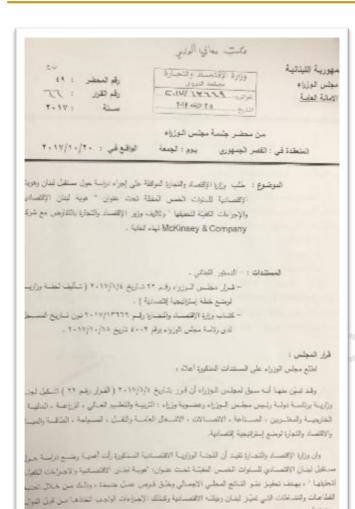
- A. Chapter summary
- B. Governance set-up: orchestration and delivery
- C. Path forward

### VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters

# The study has been launched following a Council of Ministers decree in October 2017





### The Council of Ministers decree 2017/13669

- On October 20<sup>th</sup>, 2017, the Council of Ministers approved the launch of a study aimed at setting a Vision for Lebanon's Economy under the title 'Lebanon's Economic Vision, and ways to achieve it'
- The Economic Development agenda was highlighted as one of the key priorities following CEDRE in addition to CIP, Fiscal Reforms, Sector Reforms
- The Vision would aim to grow GDP and create jobs through selecting productive sectors that could become competitive and understand the government's role in that regard

# Current efforts focus on syndication, to be followed by communication and implementation

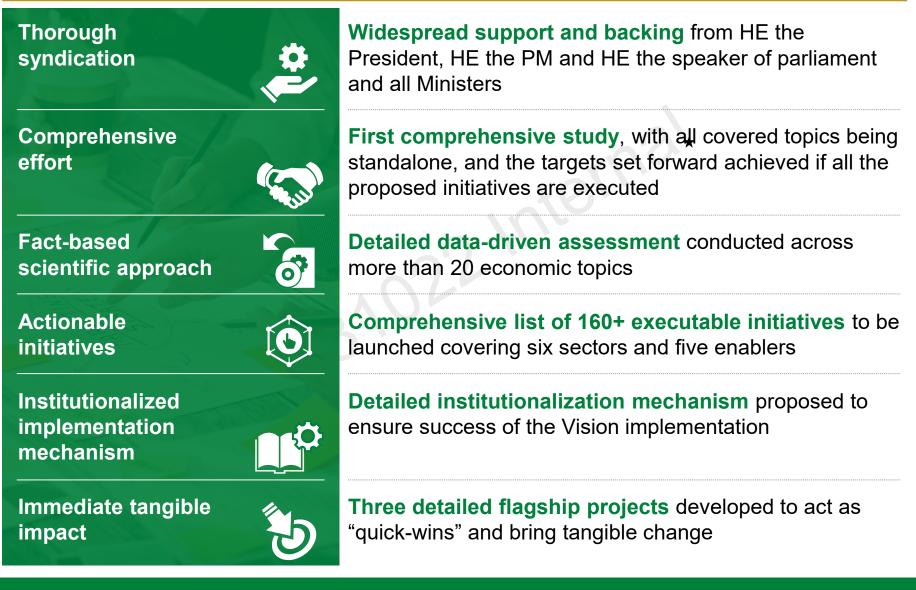


Scope of work

← Jan-Mar '18 → ◆	── Mar-Jul '18 ──►	← Aug-Oct '18 → ← Nov'18 + →
řř 🕀		
PRE-WORK INTERVIEWS	CONTENT DEVELOPMENT AND STUDY OUTPUT	SYNDICATION AND VISION REPORT DEVELOPMENT + VISION IMPLEMENTATION
<ul> <li>~15 Ministers</li> <li>Economic and Social Council</li> </ul>	<ul> <li>Analyse the current macro-economic and sector challenges and opportunities</li> </ul>	<ul> <li>Adapt outcomes from the study into a report to be submitted to the Council of Ministers for</li> <li>Design and launch the institutionalization mechanism</li> </ul>
<ul> <li>~30 Director Generals and regulators</li> <li>~5 Members of Parliament</li> <li>~30 Associations, syndicates and Orders</li> </ul>	<ul> <li>Identify and detail out</li> </ul>	<ul> <li>approval</li> <li>Syndicate vision report with speaker of the parliament and MPs</li> <li>Engage with stakeholders including</li> </ul>
<ul> <li>~10 NGOs and International Organizations</li> <li>~75 Lebanese private sector leaders</li> </ul>	<ul> <li>4 enabler requirements</li> <li>Shortlist 3 flagship initiatives to kick-off within 6 months of approving the Vision</li> </ul>	<ul> <li>Lebanese diaspora, and potential investors</li> <li>Develop the communication plan including messaging and branding</li> </ul>
<ul> <li>20+ internal global experts</li> </ul>	Το	day
		4



# What's new this time?





### **Economic Vision Outline**

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Full study

(~1000 pages)



6



# **Executive Summary**

Vicious Economic Cycle		<ul> <li>The Lebanese economy has been going through a vicious cycle, driven by:</li> <li>A highly volatile economy reliant on diaspora inflows rather than productive sectors</li> <li>Corruption and fiscal challenges driving an unconducive business environment</li> </ul>
Promising - Future	<u>'</u> -	<ul> <li>To overcome the economic challenges, Lebanon should develop a National Vision guided by:</li> <li>Consistent principles</li> <li>Indicators to be monitored to ensure the country is on the right track</li> </ul>
Focused Approach	$\sim$	<ul> <li>Five sectors could have a significant contribution to Lebanon's economic aspirations</li> <li>The sectors are to be supported by government action in infrastructure, legislation, fiscal policy and public administration</li> <li>An effective institutionalization mechanism should be setup to ensure the success of the implementation</li> </ul>



## Contents

# A Vicious Economic Cycle

- Summary of sectors & enablers diagnostic

- A Promising Future
- A Focused Approach
  - Sectors
    - Agriculture
    - Industry
    - Tourism
    - <sup>D</sup> Financial Services
    - Knowledge Economy
    - <sup>Diaspora</sup>

# – Enablers

- Infrastructure
- Other Enablers
- Flagship Projects
- Implementation Mechanism

# \*

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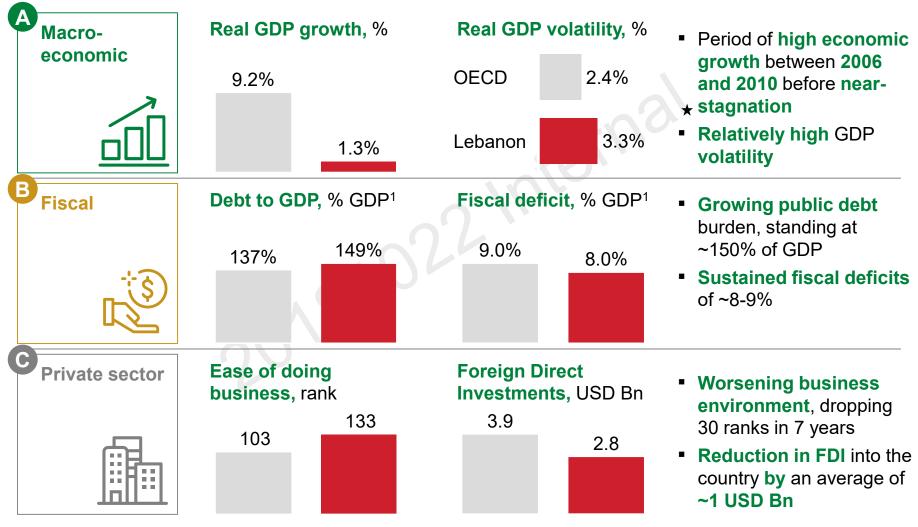
# Enablers

- Infrastructure
- Other Enablers
- Flagship Projects
- Implementation Mechanism

# Summary of the economic & fiscal indicators



2006-2010<sup>2</sup> 2010-2017<sup>2</sup>



1 GDP 2017 extrapolated from 2016 CAS numbers using IMF nominal growth rates

2 End of period for Debt and ease of doing business; average of periods for other metrics

Source: Central Administration of Statistics, IMF World Economic Outlook Database April 2018, Ministry of Finance, Corruption Perceptions Index 2017



# The Lebanese economic model seem to be stuck in a vicious circle

no incremental wealth generation ...
30% GDP per capita growth in last 40

8% in last 7 years vs.14% world average<sup>1</sup>

years vs. 120% world average



- ... driving a low contribution of productive sectors
- 14% of incremental GDP 2010-16 vs. 20% benchmark<sup>10</sup>

and limiting job creation and productivity further perpetuating the cycle of ...

### **C**2

... creating an unconducive business environment

 Drop in 28 positions on Doing Business since 2012 currently ranking 133/1909

resulting in limited investments into productive areas ...

- FDI drop by 30% from 2010 to 2017)<sup>2</sup>
  - 1 ... resulting in sub-par infrastructure

113<sup>th</sup> out of 137 countries<sup>7</sup>
 compounded with low legislative productivity

12 laws for business not passed

and high perceived corruption ...

146<sup>th</sup> out of 180 countries<sup>8</sup>

- ... with a volatile growth
- volatility ~1.4x that of OECD since 1992<sup>1</sup>
   driven by concentrated diaspora & regional inflows and sporadic donors' funds ...
- 40% growth 2005-2010 vs 3% 2010-2015 in BoP inflows<sup>2</sup>

# A3 ...and these inflows are mainly channelled into less productive sectors

 flows mainly into consumption & real estate<sup>3</sup>...

# ... and into financing the governments' increasing size and indebtedness

- Salaries 9% GDP vs. 6% benchmark<sup>4</sup>
- Fiscal deficit of 8% of GDP<sup>5</sup>
- *3<sup>rd</sup> highest Debt to GDP at 149%* leaving little room for CapEx ...
- 4% of budget in last 10 years<sup>5</sup> vs. 10-20% benchmark<sup>6</sup>

1 IMF World Economic Outlook Database April 2018 2 BDL Balance of Payments Georgia, Romania, does not include 2018 salaries increase 5 8 Corruption Perceptions Index 2017 9

ts 3 Interviews 5 MoF annual report & CAS GDP 9 World Bank - Ease of Doing Business 4 IMF Article IV of selected countries - benchmarks include Egypt, Jordan, Switzerland, UAE, Turkey, Hong Kong, 6 IMF Article IV Singapore & UAE 7 WEF - Global Competitiveness Report 2017-2018 10 CAS GDP, IHS Markit Benchmarks are Egypt, Morocco, UAE, Korea, Singapore, Switzerland

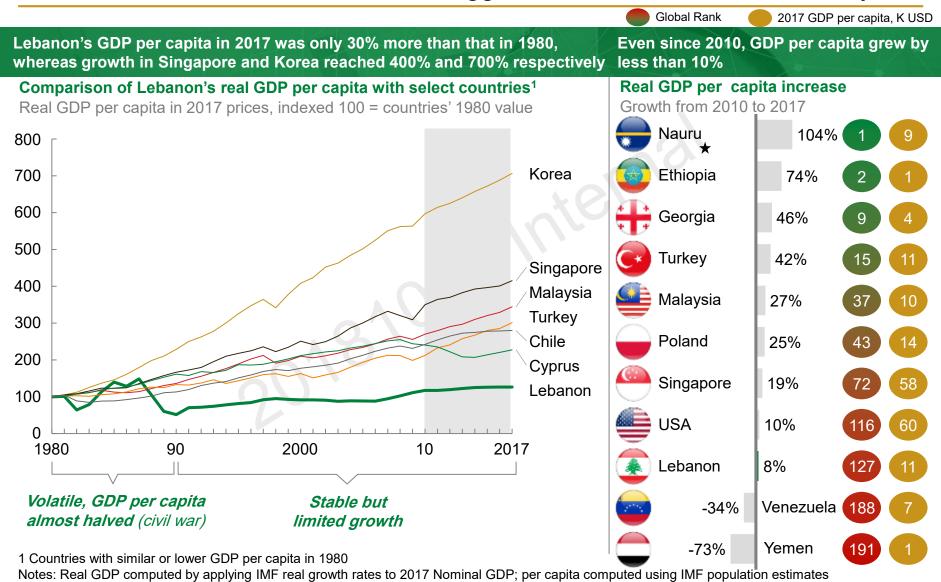
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# Over the last ~40 years, Lebanon has not created significant



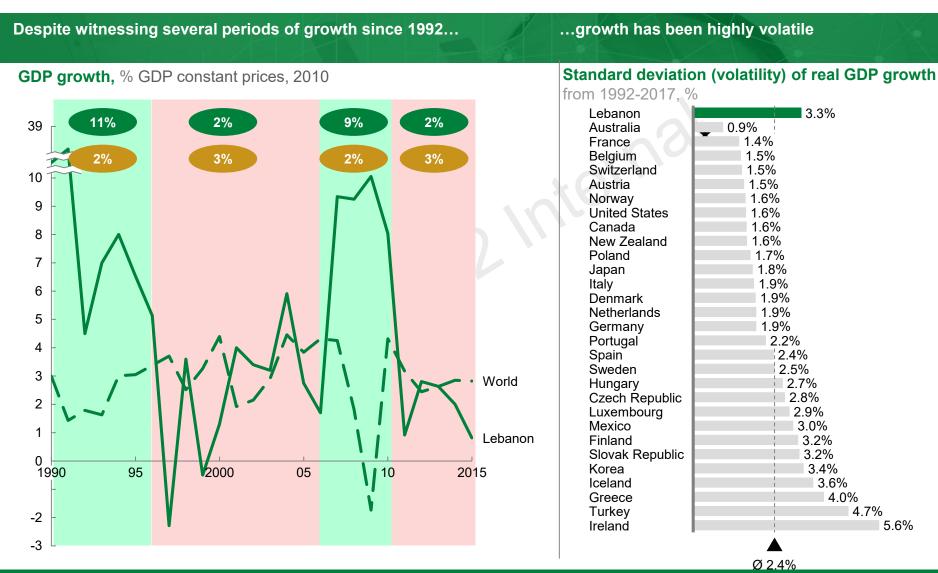
incremental wealth and has also lagged other countries in the last 7 years



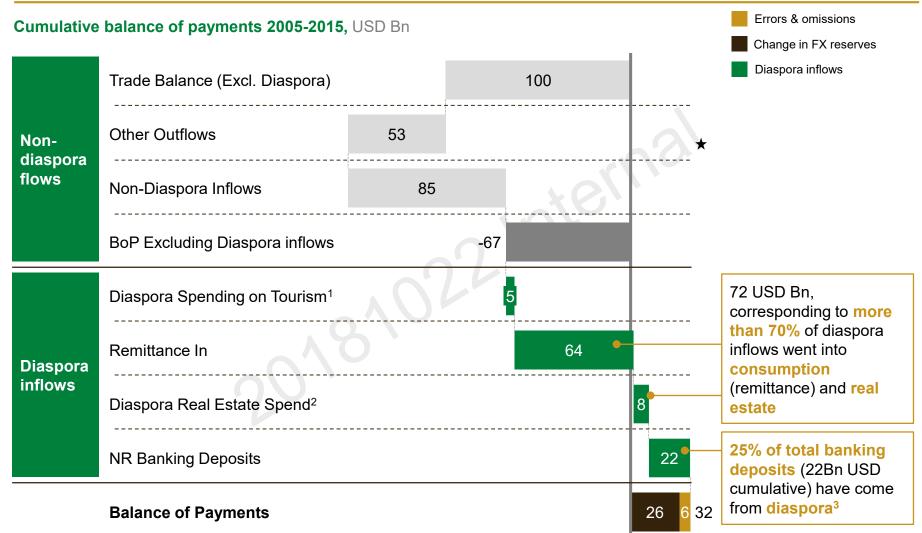
# Despite witnessing several periods of economic prosperity, growth has been highly volatile



Lebanon CAGR, %



Volatility has been influenced by the economy's reliance on diaspora inflows, channelled into real estate, banking and consumption sectors

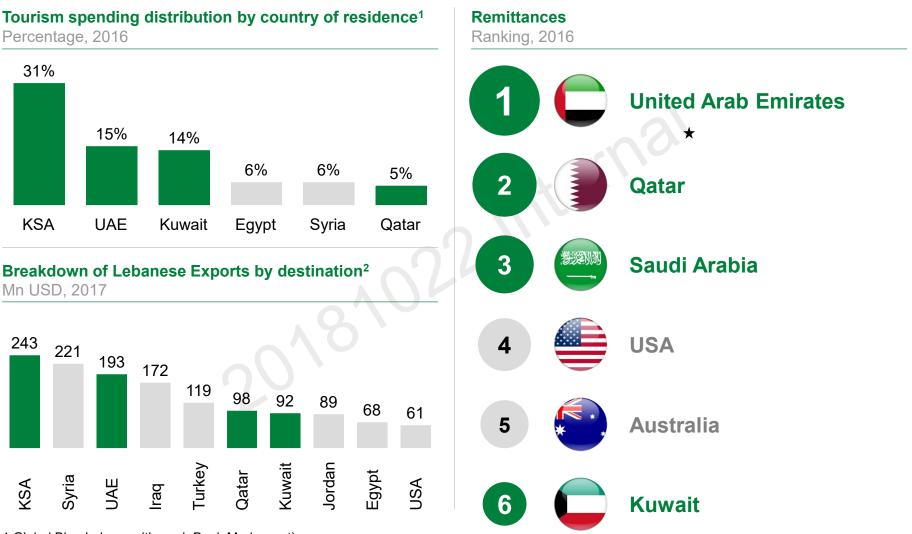


 1 Computed assuming non diaspora tourists stay in hotels
 2 Computed by using loan data as proxy and building depreciation schedule of purchases

 3 Assuming all non-resident deposits are partially or fully related to Lebanese diaspora

Note: Sovereign exposure computed as BDL deposits and public sector loans minus 15% of deposits as required reserves, and assumed to purely finance fiscal deficit

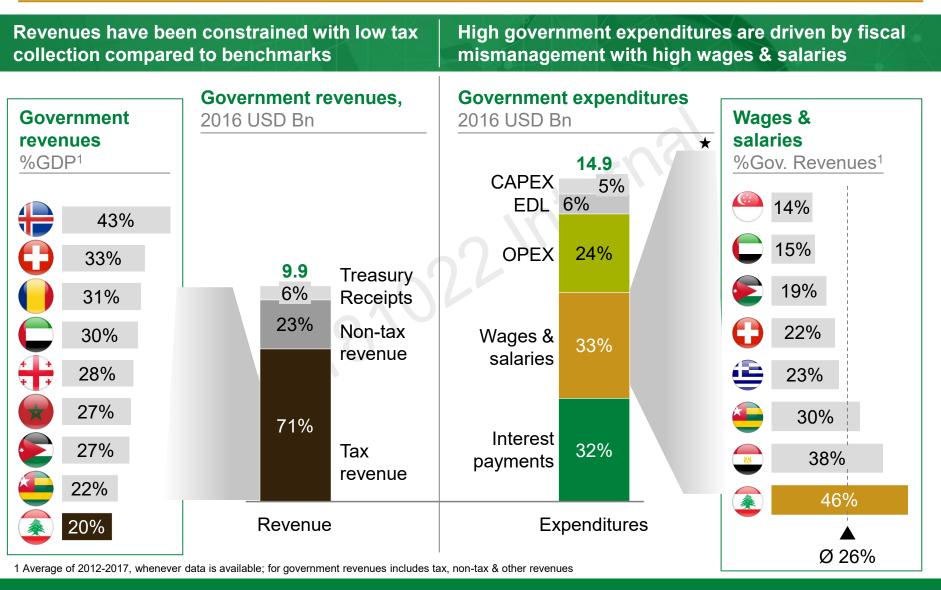
Inflows have been geographically concentrated in the GCC, further influencing volatility and the reliance on exogenous factors for growth



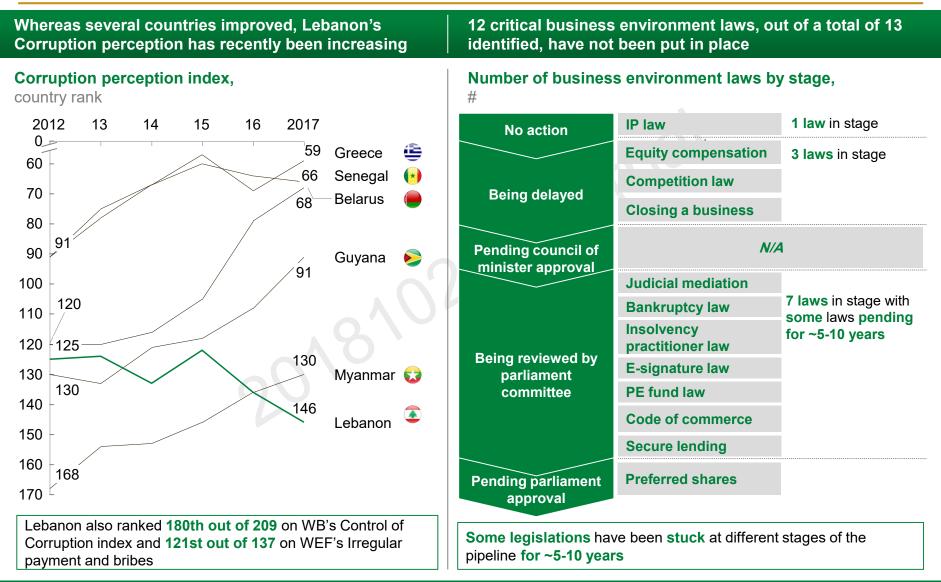
1 Global Blue Lebanon (through Bank Med report)

2 Excluding gold, diamonds, petroleum and other products not locally produced

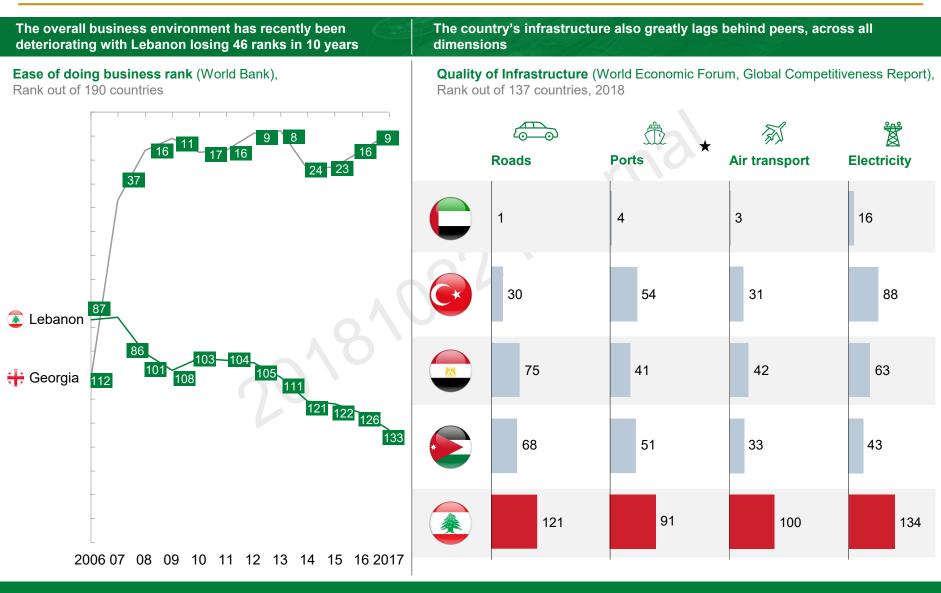
The inflows also went into financing the governments' increasing size and indebtedness leaving little room for Capital Expenditures



Persistent corruption and legislative inefficiencies have further perpetuated the government's inability to spur economic growth



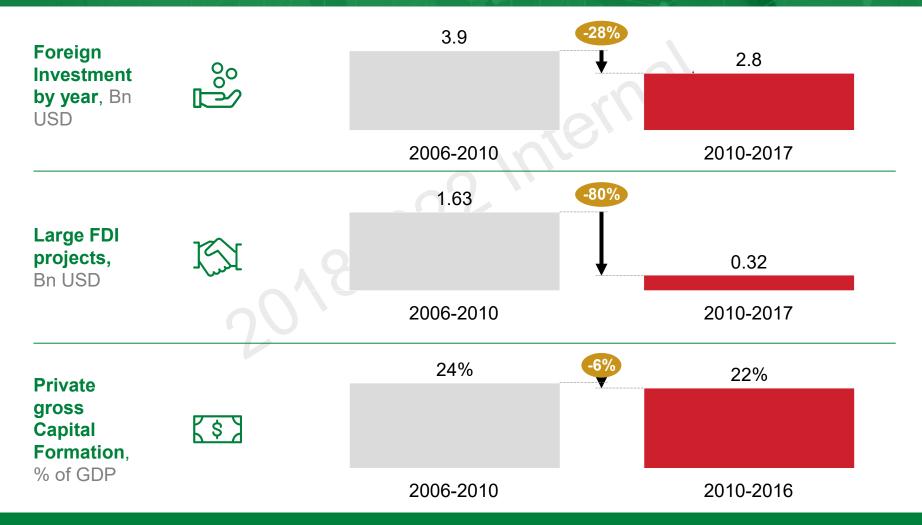
# As a result, the country has been witnessing an unconducive business environment along with a lagging infrastructure





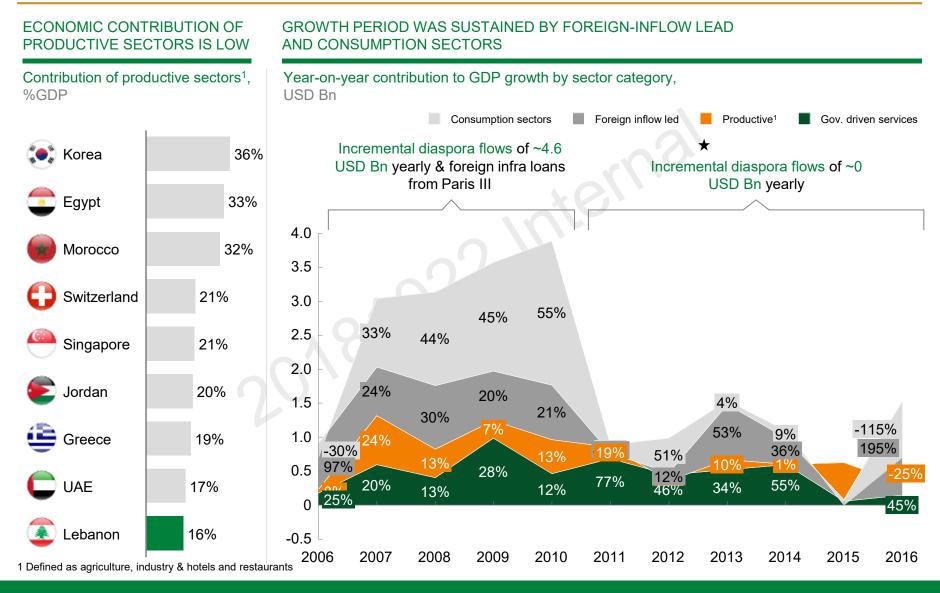
Private sector investment have therefore dropped, leading to additional economic stagnation...

Foreign & domestic investments dropped with FDI decreasing by ~30% and gross capital formation by 6% over the last 7 years





# An unconducive business environment has kept Lebanon's productive sectors underdeveloped





C3



# Productive sectors contribute to only ~16% of the country's GDP...

			Productive Sectors
Sectors	<b>GDP contribution,</b> USD Bn (2016) excluding taxes & subsidies	, % shown as total of GDP	2005-2010 2010-20 <sup>4</sup> CAGR <sup>2</sup> , % CAGR <sup>2</sup> ,
Real Estate & Construction	21%		5% 📕 2%
ि Retail & Commerce	14%		8% 📕 0%
<u> </u>	10%	*	7% 🖡 -2%
Administration	10%		6% 📕 3%
ℑFinance, Insurance		9%	10% 📕 6%
☐Education		8%	1% 🕇 3%
Business Services		7%	9% 🖡 -1%
⅔ Health		4%	8% 🖡 4%
🗒 Transport		4%	8% 🖡 5%
Hotels & Restaurants		3%	8% 🖡 -3%
agriculture □		3%	1% 🔶 1%
Personal Services		3%	13% 📕 -2%
A ICT		3%	12% 📕 3%
TUtilities: Power & Water		2%	4% 🔶 4%
Total Nominal GVA <sup>1</sup>	47		
Total taxes & subsidies			4
Total Nominal GDP	5	1	8% 📕 2%

Source: CAS



# ... while employing ~26% of the labor force



**Productive Sectors** 

Total employment, '000s (2016) Sectors 479 (24%) Trade 🛱 Real Estate & Construction 244 (12%) Agriculture  $\star$ 212 (11%) Manufacturing 194 (10%) Aministration 🚓 185 (9%) Education 161 (8%) Transport 110 (6%) Rersonal Services 106 (5%) Hotels & Restaurants 90 (5%) Finance, Insurance 50 (3%) <sup>((</sup>;)<sup>≫)</sup> ICT 44 (2%) CA Health 38 (2%) Business Services 34 (2%) Tutilities: Power & Water 30 (2%) Total 1,977

**Note:** All employment data includes both formal & informal jobs; 2010 Baseline derived from total ILOSTAT employment, using CAS sector split. Post 2010 projections based on sector real GDP growth and ILOSTAT real productivity growth; adjustments applied to Health & Agriculture based on input from Ministry of Health and meeting with agriculture stakeholders

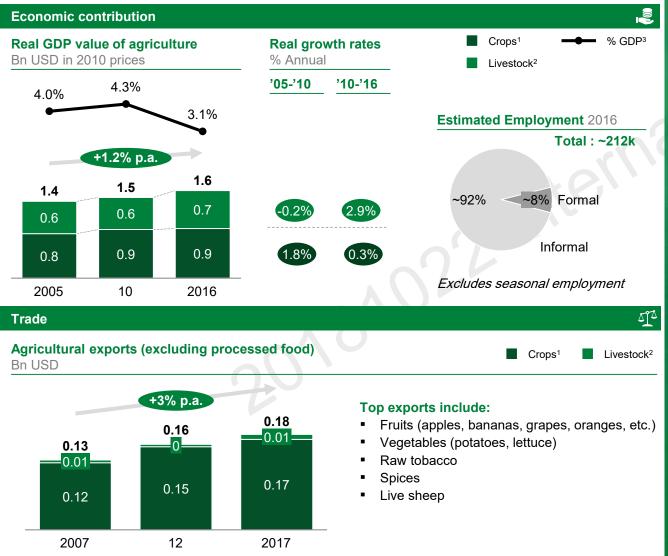
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  - Implementation Mechanism

# \*

## Agriculture – summary of diagnostic



### Key challenges

#### Low productivity and quality

- Limited modernization / technology adoption, with persistence of suboptimal techniques (harvest, post-harvest, etc.)
- Overuse of fertilizers & pesticides (452 kg/hectare, vs. 131 kg/hectare in OECD countries)
- Structural constraints
  - Small average holding sizes (1.4 ha)
  - Ineffective cooperative system (~1200 COOPs, 2/3 of which are inactive)
  - Dominant wholesale markets / distributors

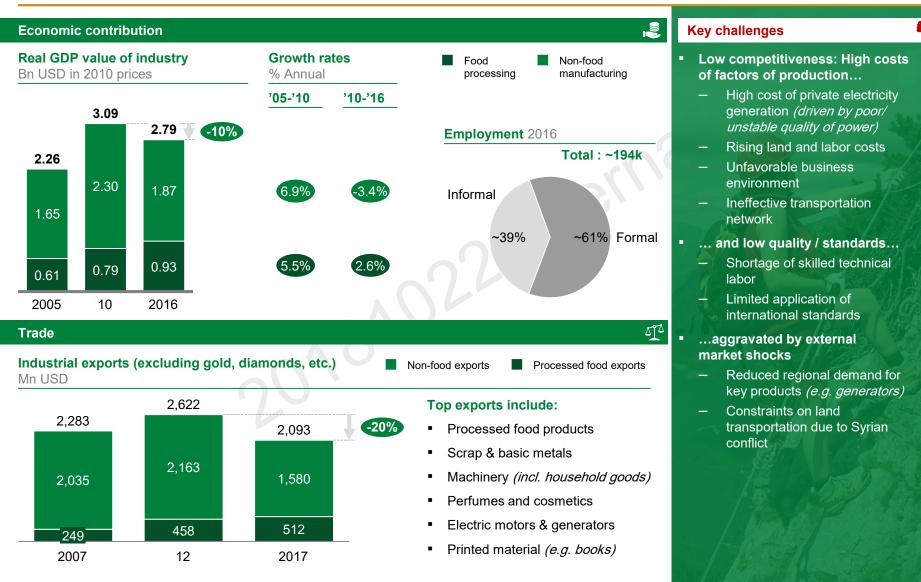
### Insufficient and poorly-targeted government support

- Limited extension and research services
- Poor controls on food safety & quality, water usage
- Limited access to financing
- Financial unsustainability
  - Rising land & transportation costs
  - Reliance on subsidies (and ad-hoc financial support)

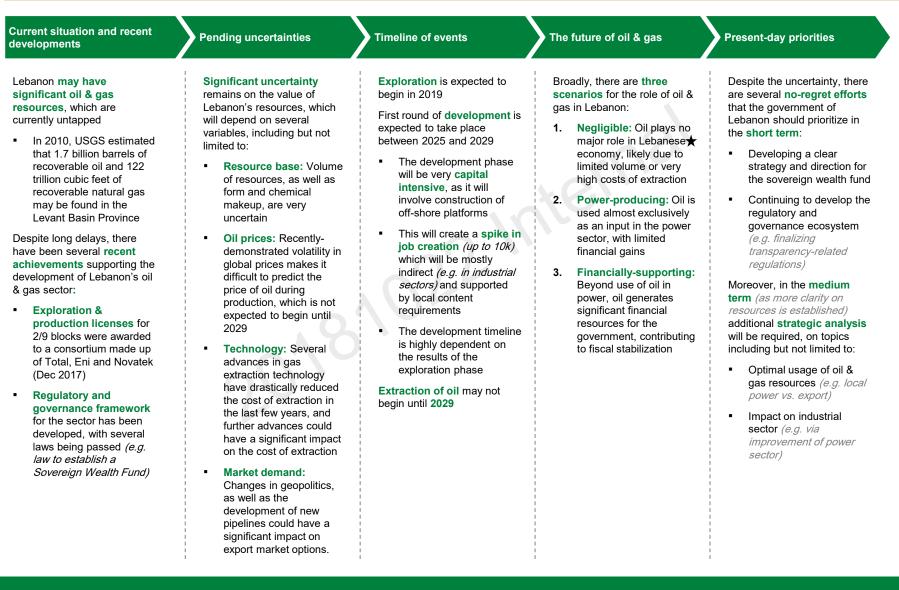
1 Includes forestry 2 Includes fishery 3 Excludes taxes and subsidies



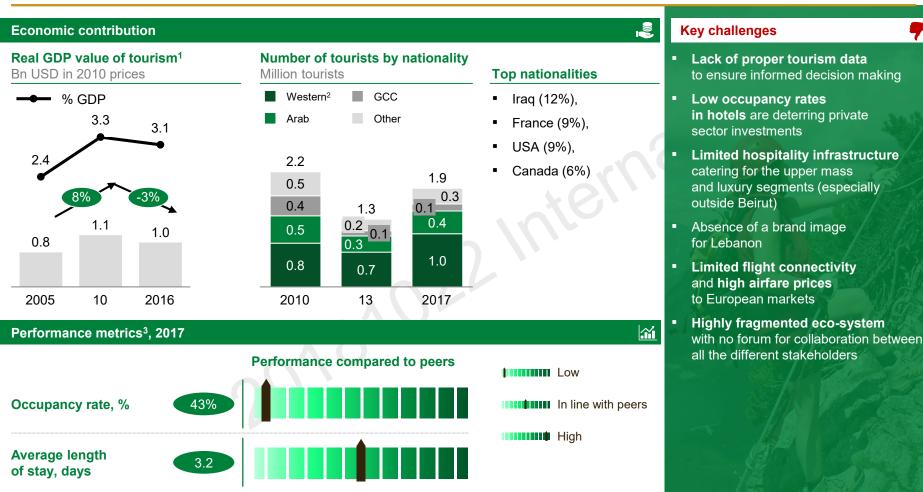
## Industry – summary of diagnostic



## Oil & Gas – summary of diagnostic



## Tourism – summary of diagnostic

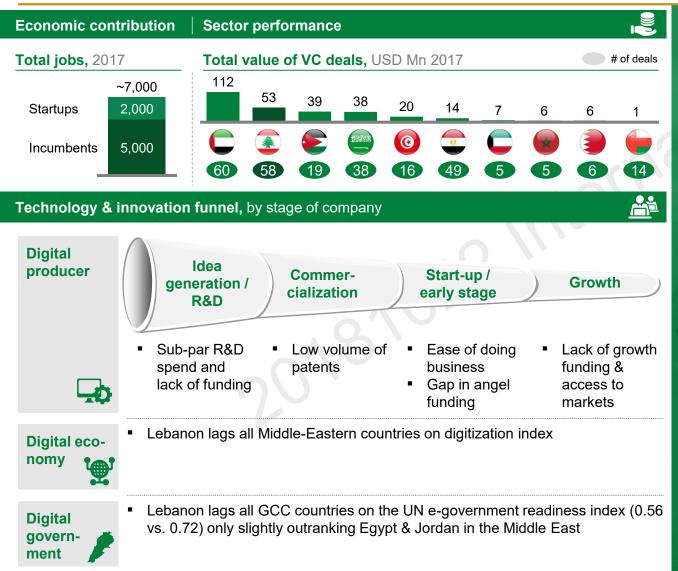


1 GDP contribution of hotels and restaurants is used as a proxy for tourism GDP

2 Includes Europe, Oceania and North America (US and Canada only); 3 Based on a sample hotel list provided by MoT



## Technology – summary of diagnostic



### Key challenges

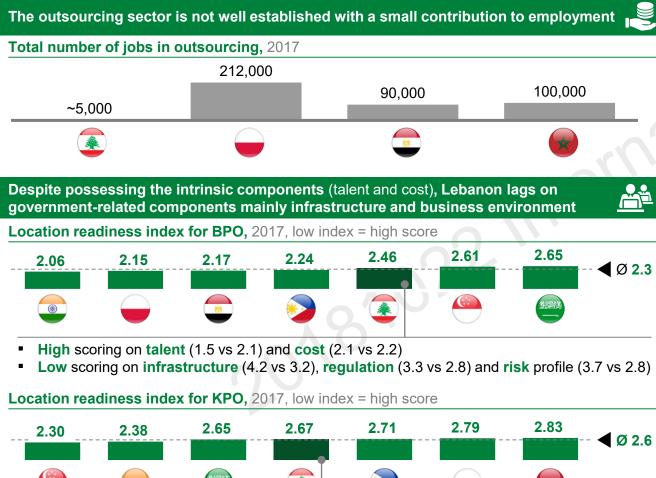
- Low availability of digital talent
  - Despite Lebanon's strong talent base, access to talent was reported to be the main obstacle faced by domestic start-ups
  - Moreover regional entrepreneurs consider Lebanon as the top source for creative & marketing talent, but as lagging behind for core technical skills

### Missing key regulatory requirements

- The sector suffers from sub-par regulations such as the current incorporation laws (preferred shares, stock-options), and a sub-par judicial system
- For e.g. only 20% of entrepreneurs offer stockoption schemes whereas ~50% of the talent pool would be willing to accept it as compensation scheme



## Outsourcing – summary of diagnostic

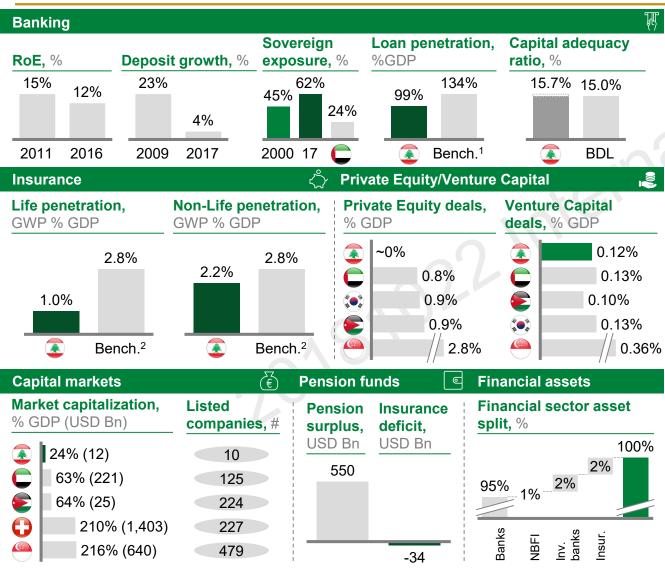


### **Key challenges**

- Sub-par virtual and physical infrastructure
  - Physical and virtual infrastructure lags with low broadband speeds (5Mbps, 127th globally) and high mobile connectivity costs
  - Un-empowered regulatory authority (TRA) leading to in lack of continuity and uniformity in the sector (e.g. stopping of the E1 lines for call centres)
- Sub-optimal regulatory framework and environment with lack of incentives
  - Sub-par ease of doing business environment
  - Required laws not in place: bankruptcy law, competition law, IP protection law
  - No zones in place offering taxincentives and lower infrastructure costs (telecom & rental costs)
- High country risk profile
  - Low macro-economic and political stability, a key input to outsourcing location criteria
- High scoring on talent (2.1 vs 3.0) and cost (2.1 vs 2.2)
  - Low scoring on infrastructure (4.2 vs 3.2), regulation (3.3 vs 2.8) and risk profile (3.7 vs 2.8)

# \*

# Financial Services – summary of diagnostic



### Key challenges

- Lack of participation of nonbanking financial services
  - Domination of financial services by banking with ~95% of assets
- Underdeveloped capital markets
  - Lack of incentives to list
  - Limited foreign investments
- Credit
  - Although a large portion of credit information is provided by BDL, sector can benefit from a credit bureau
  - Legal

- Sub-par legal framework on three fronts: (1) E2E doing business cycle (2) Private equity and fund management laws (3) Digital banking & payments
- Regulator
  - Incomplete regulatory framework for capital markets (lack of sanctioning committee & tribunal)
- Capabilities:
  - Low financial inclusion and literacy, especially outside BML

1 Includes Singapore, Switzerland, UAE, Greece, South Korea, Jordan & Morocco

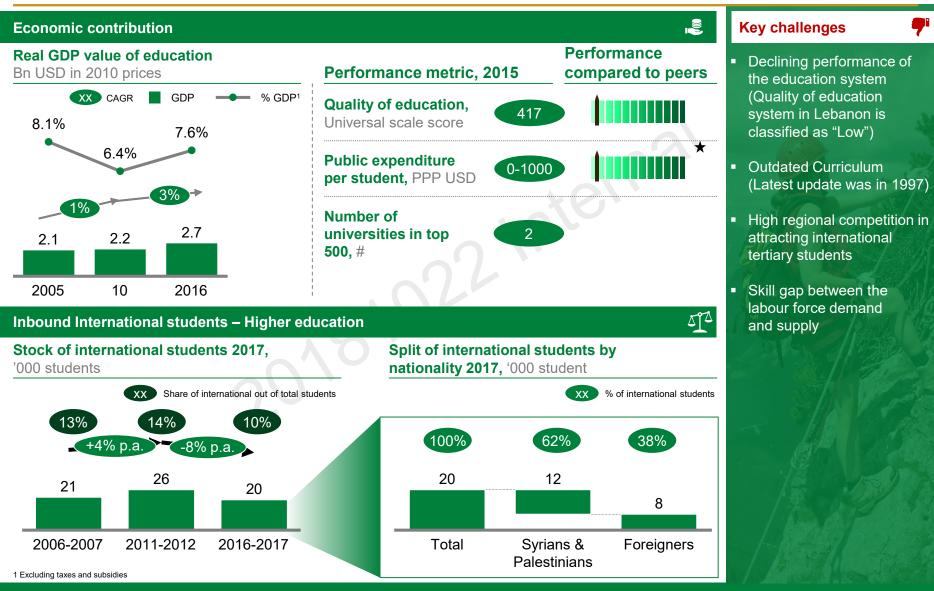
2 Includes UK, France, Italy, Netherlands, Spain, South Korea, Brazil, Hungary, KSA & Turkey

Source: IMF Article IV, Banque du Liban, BCC, ICC, World Bank, Pitchbook, Country central banks

## Education – summary of diagnostic

Low

High



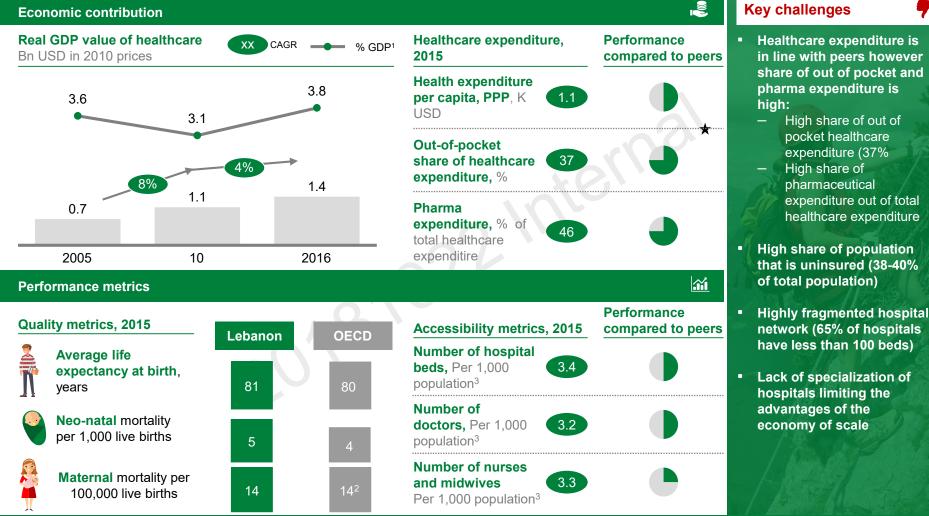
### Healthcare – summary of diagnostic

Low

In line with peers

High

\_\_\_\_\_



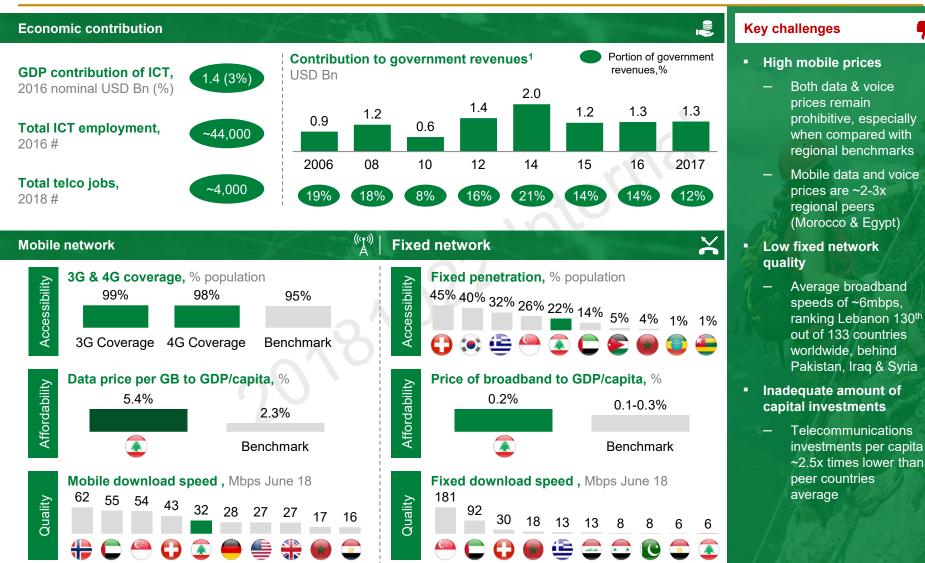
Healthcare diagnostic section covers economic contribution of the sector. This includes quality, accessibility and spend per capita on healthcare as well as size of the medical tourism exports. Social contribution and healthcare operating model are not part of the scope



Both data & voice

average

## Telecommunications – summary of diagnostic



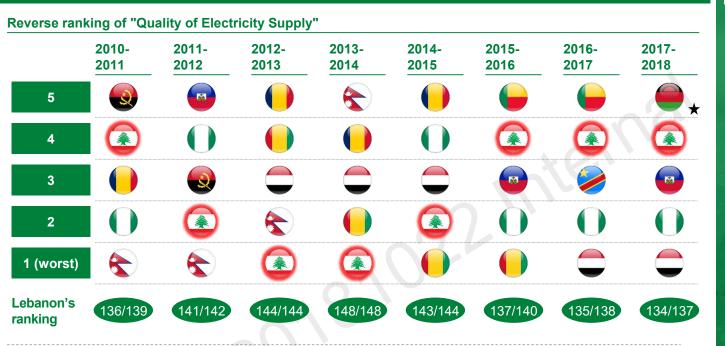
1 Excludes corporate taxation of telecom operators

Source: Ministry of Finance annual reports; Telegeography; SpeedTest; ITU; Country benchmarks; Market interviews; Operators websites; World Bank; CAS

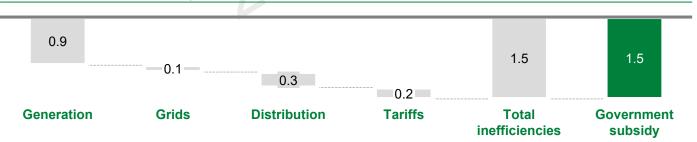


## Power sector – summary of diagnostic

### Performance metrics



### 2017 estimated breakdown of power sector in Lebanon, Bn USD



### Key challenges

#### Generation

- Missing reserve margin
- High generation cost
- Limited share of renewables

### Grids

ΔĨΔ

- High share of T&D losses
- High demand for grid built-out

### Distribution

- High non-technical losses in billing system
- Low level of energy service quality

### Tariffs

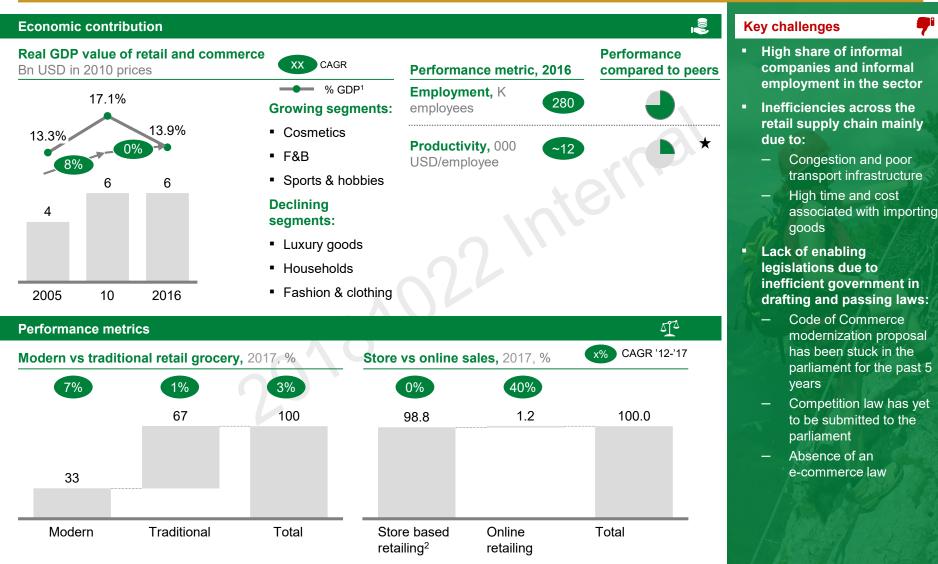
Tariffs lower than similar peers and not reflecting production cost

## Retail and commerce – summary of diagnostic



In line with peers

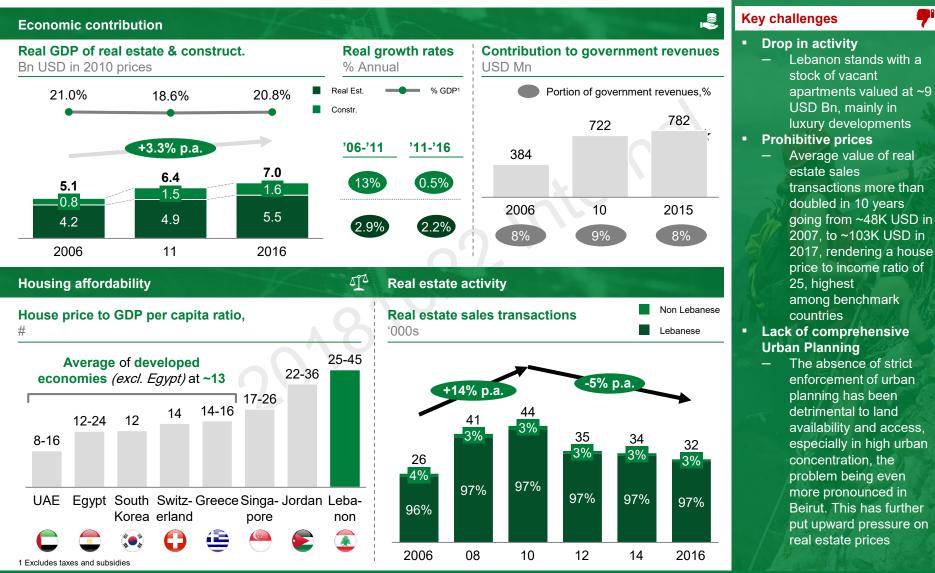
Low



1 Excludes taxes and subsidies 2 Includes small share of direct selling



# Real Estate and Construction – summary of diagnostic



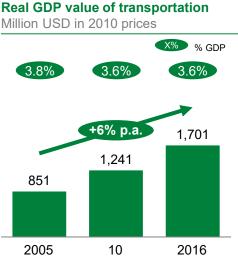
Source: Ministry of Finance Real Estate Registry; World Bank; Numbeo; Global Property Guide; Order of Engineers Beirut; Banque du Liban; CAS; World Bank A systematic country diagnostic 2015; Real Estate Association

### Logistics and transportation - summary of diagnostic

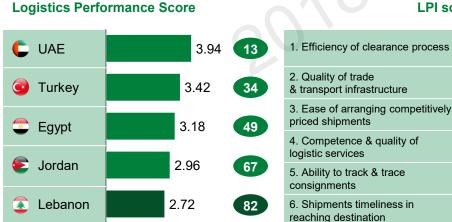
office 2017USD Bn. %

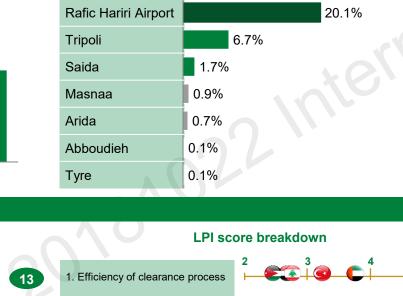
Port Of Beirut

#### Economic contribution



#### Performance metrics,





Breakdown of trade flows by customs

Maritime

Air

#### Key challenges

#### Ports

Land

69.7%

<u>~</u>

- High dwell time in Beirut Port (~13 days)
- Inefficient integration between the different ports and roads
- Unclear differentiation approach between Beirut Port and Tripoli Port (and respective expansion / development plans)

#### Airport

 Demand exceeding capacity in Rafic Hariri International Airport (6M Capacity, vs 8M+ annual demand)

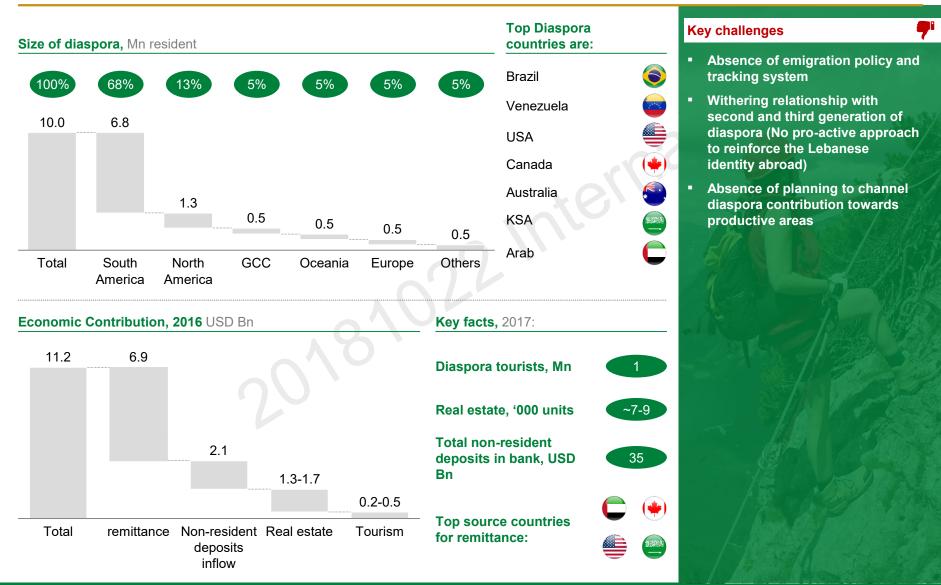
#### Roads

- Low quality roads (~15% of roads are in good condition)
- High traffic congestion on main highways

Source: CAS; Lebanese Customs; ILO; World Bank; Port of Beirut; expert interviews



### Diaspora – summary of diagnostic





### Urban Efficiency – summary of diagnostic

City planning & efficiency is a key enabler for economic development and growth

> By 2030, 60% of the population – 5 billion people – will be city dwellers ...

... and the top 600 global cities are expected to contribute to more than half of the world's GDP

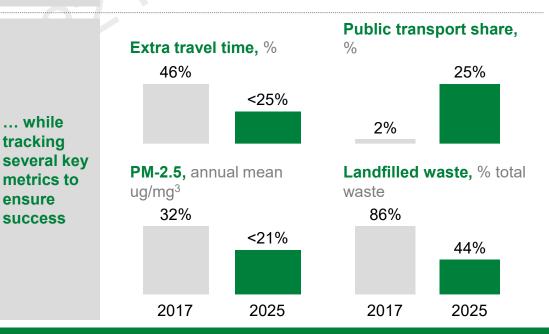
Knowledge-intensive, small-sized countries, unlocked their growth potential, through anchoring their development around an efficient urban center, at the heart of the economy

Singapore positioned the city as a key regional hub, attracting regional headquarters for 100+ companies by 1990

Dubai has developed a comprehensive strategy anchored around an efficient urban zone with SEZ around the city

Several gaps exist within Greater Beirut's efficiency that should be tackled as part of a broad city vision

- Enhance overall livability of the city, mainly pollution and waste management
- Focus on growing improving offering and growing use of public transportation, through prioritizing and incrementing relevant CIP initiatives
- Develop a fully integrated urban plan, with clear land use allocation
- Reclaim illegally used land particularly on Greater Beirut's beachfronts



Source: C40 Cities, WHO Global Urban Ambient Air Pollution Database, Lebanon municipality of Beirut sustainable energy action plan, Capital Investment Program, Press Search, Transport Authority of Countries, TomTom Index; CIP, Land Transport Authority of Singapore, Gulf News, CAS, Ministry of Health

ensure

Key

challenges

should be

tackled...

### Trade Agreements – summary of diagnostic

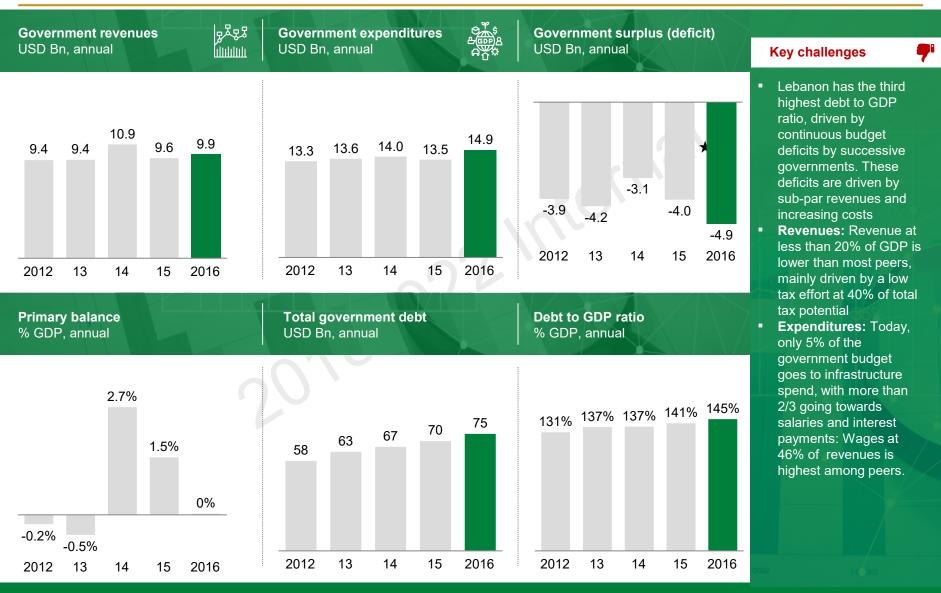
Status of	trade agreements				Key challenges
	Agreement	Partner	Status	Prelem. assessment of impact to date	<ul> <li>EU Association Agreement led to a short-lived boost to</li> </ul>
	Greater Arab Free Trade Agreement (GAFTA)	Arab countries	Entered into force in 1998	Positive impact	exports, whereas imports continue to grow
Active agreements	EU Association Agreement	European Union countries	Entered into force in 2006	Negative impact	<ul> <li>The EFTA trade agreement led to a balanced increase in both exports and imports, but gains in both have been largely lost</li> </ul>
	EFTA Free Trade Agreement	EFTA States (Iceland, Liechtenstein, Norway and Switzerland)	Entered into force in 2004	Neutral impact	<ul> <li>There is a lack of coordination between the different trade-related entities</li> </ul>
	World Trade Organization	Global	Accession in progress - last working party meeting (7th) conducted in 2009		<ul> <li>Private sector faces issues with technical and non-technical measures (e.g. SPS</li> </ul>
Ongoing discussions	MERCOSUR Free Trade Agreements	Argentina, Brazil, Paraguay, Uruguay, & other south American countries	MoU signed in 2016, discussions in progress		conditions, registration requirements)
	Agadir Agreement	Egypt, Jordan, Morocco, Tunisia	Accession in progress, following initial approvals in April 2016 and March 2017		2002 1/C 002



7'



### Public Finance – summary of diagnostic



### Ease of Doing Business – summary of diagnostic

Rank

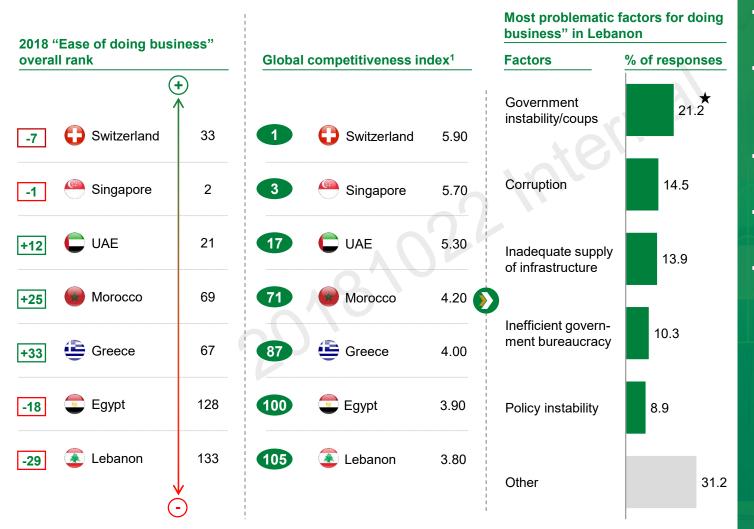
X



X Difference in ranks between 2012 and 2018

Ease of doing business ranking

#### Global competitiveness index<sup>1</sup>



#### Key challenges

- Last reform for the doing business environment was made 6 years ago
- Outdated laws/lack of proper legislations and an inefficient government in drafting and passing legislations
- High cost associated with procedures for "doing business"
- Complicated procedures for "doing business" with multiples stakeholders
- Perceived corruption of the government



### Economic Development Activation – summary of diagnostic

En	ntities involved ir	n EconDev activation	2	Key challenges
1	Investment activation	■ IDAL	IDAL	<ul> <li>Incentive package for investors is outdated (Last updated in 2001) and not competitive compared to regional peers</li> <li>IDAL is not empowered to operate its one-stop shop to efficiently serve investors</li> </ul>
2	Export promotion	<ul> <li>IDAL</li> <li>Ministry of Economy and Trade</li> <li>Central Bank – Kafalat</li> <li>Ministry of Foreign Affairs</li> </ul>	IDAL MENDEL COLLECTION KAFALAT SAL LIMIT OF LIMIT OF LIMIT OF LIMIT	<ul> <li>Export promotion efforts are highly uncoordinated across different stakeholders</li> <li>Low budget is allocated for export promotion compared to benchmarks</li> <li>Process for approval of new export programs and improvement of old programs is lengthy</li> </ul>
3	SME support	<ul> <li>IDAL</li> <li>Ministry of Economy and Trade</li> </ul>		<ul> <li>Source of capital for SMEs is volatile and highly dependent on external entities (EU grant and world Bank loan are temporary sources of capital funding)</li> <li>Little/no support is provided for access to market and access to talent/capabilities</li> </ul>
4	Regional development	<ul> <li>IDAL</li> <li>Council of the South</li> <li>Chamber of Commerce</li> </ul>	idal bal bal bal bal bal bal bal bal bal b	<ul> <li>No clear approach to spur economic growth in under-developed regions</li> <li>IDAL's proposal to change the existing incentive scheme to better drive investments in the regions is pending approval</li> </ul>



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  - Implementation Mechanism

#### **PROMISING FUTURE**

# RECAP: Lebanon's economic challenges necessitate a change in its economic model

#### ... no incremental wealth generation ...

- *30% GDP per capita growth in last 40 years vs. 120% world average*
- 8% in last 7 years vs.14% world average<sup>1</sup>
- ... driving a low contribution of productive sectors
- 14% of incremental GDP 2010-16 vs. 20% benchmark<sup>10</sup>

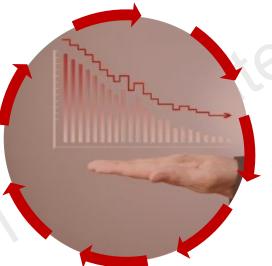
and limiting job creation and productivity further perpetuating the cycle of ...

... creating an unconducive business environment

 Drop in 28 positions on Doing Business since 2012 currently ranking 133/190<sup>9</sup>

resulting in limited investments into productive areas ...

FDI drop by 30% from 2010 to 2017)<sup>2</sup>



... resulting in sub-par infrastructure

- 113<sup>th</sup> out of 137 countries<sup>7</sup>
   compounded with low legislative productivity
- 12 laws for business not passed

and high perceived corruption ...

146<sup>th</sup> out of 180 countries<sup>8</sup>

#### ... with a volatile growth

- volatility ~1.4x that of OECD since 1992<sup>1</sup>
   driven by concentrated diaspora & regional inflows and sporadic donors' funds ...
- 40% growth 05-10 vs 3% 10-15 in BoP inflows<sup>2</sup>

## ...and these inflows are mainly channelled into less productive sectors

 flows mainly into consumption & & real estate<sup>3</sup>...

# ... and into financing the governments' increasing size and indebtedness

- Salaries 9% GDP vs. 6% benchmark<sup>4</sup>
- Fiscal deficit of 8% of GDP<sup>5</sup>
- *3<sup>rd</sup> highest Debt to GDP at 149%* leaving little room for CapEx ...
- 4% of budget in last 10 years<sup>5</sup> vs. 10-20% benchmark<sup>6</sup>

1 IMF World Economic Outlook Database April 2018 2 BDL Balance of Payments Georgia, Romania, does not include 2018 salaries increase 5 8 Corruption Perceptions Index 2017 9

ts 3 Interviews 5 MoF annual report & CAS GDP 9 World Bank - Ease of Doing Business 4 IMF Article IV of selected countries - benchmarks include Egypt, Jordan, Switzerland, UAE, Turkey, Hong Kong, 6 IMF Article IV Singapore & UAE 7 WEF - Global Competitiveness Report 2017-2018 10 CAS GDP, IHS Markit Benchmarks are Egypt, Morocco, UAE, Korea, Singapore, Switzerland



45

Countries with Lebanon's characteristics have successfully applied a clear recipe to develop their economy

Countries with similar characteristics as Lebanon have managed to create sustainable economic growth

- Small territory with large neighbors
- Limited population
- Limited natural resources
- Large diaspora (for some countries)



### ➢ KEY SUCCESS FACTORS

Develop an integrated National Vision / Economic Plan, consistently trickled down to stakeholder-level action plans with a clear & agreed upon execution mechanism

\* Double down on high value-add productive sectors which are knowledge intensive, have a high multiplier effect and are more resilient

Develop distinctive human capital in line with future needs of the economy

Ensure an efficient and effective government supported by disciplined macro policies (monetary and fiscal)

Provide a competitive business environment and infrastructure

Establish an open economy heavily focused on growing the external sector *(overall balance of payments with emphasis on exports)* 

# To overcome the challenges, Lebanon should develop a National Vision 条 guided by consistent principles



Focus the government resources and efforts on priority areas



**Improve the business environment** by reducing cost of doing business, addressing corruption in the public sector and improving overall business environment, eventually raising Lebanon's competitiveness levels



**Diversify the Lebanese economy** sectorally and by source geographic inflows thereby reducing the volatility caused by exogenous factors



**Develop high value-add future-proofed productive sectors,** relieving the distress that has been caused by a large current account deficit



**Ensure a healthy public sector** through fiscal discipline including improved collection and rational spending, thereby controlling public debt



The National Economic Vision 2025 would build on Lebanon's unique economic and social characteristics



Vision 2035



Diverse and tolerant with a unique cultural heritage

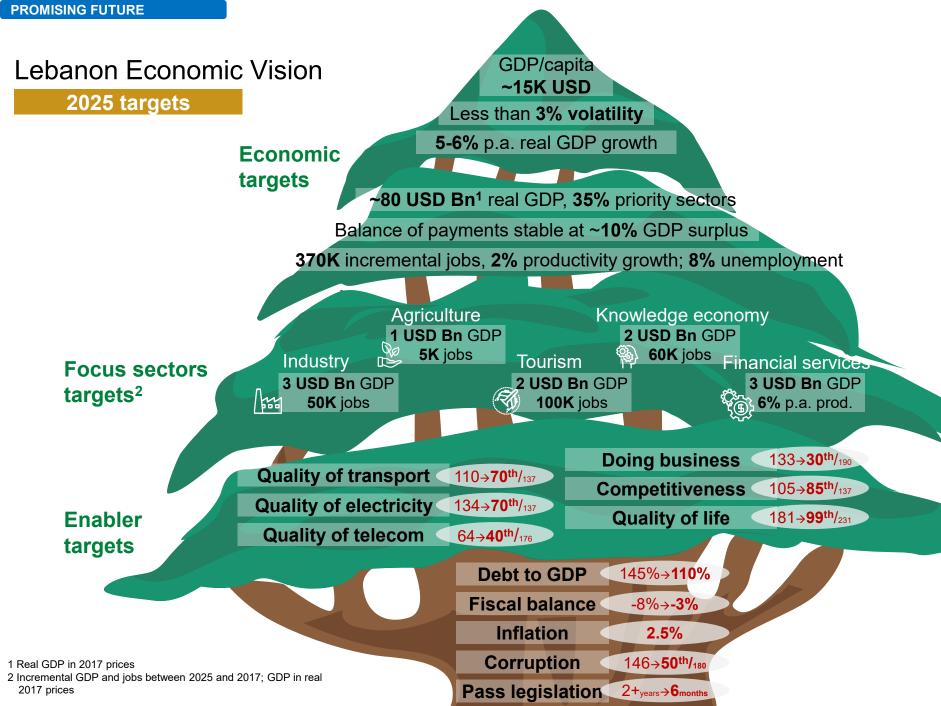
- A re-ignited productive economy supported by overhauled business environment
- Jumpstarted productive engines,
   with demonstrated showcases of success (e.g. SEZs, landmark mega projects)
- **Fixed hygiene factors of economic competitiveness** (e.g. Infrastructure, conducive business environment) and vibrant cities

**Fiscally disciplined and accountable government** and efficient public administration A high income diversified economy with a globally competitive and distinctive economic footprint

A knowledge-based high-value economy with established areas of excellence and a diversified source of inflows

Sustainable leveraging of scarce resources (e.g. water, land)

Healthy macro fiscal position and global economic influence beyond borders





### Targets – Overall macro-economic (1/2)

Plays	Metric	Target values		
Overall macro- economic targets	<b>GDP per Capita in 2017 prices</b> K USD per capita	12	16	22
	GDP volatility %	3.3%	* <3.0%	<2.0%
	Real GDP Growth %	1-3%	5-6%	4-5%
	Balance of Payments %GDP	5%	10%	15%
	Incremental number of Lebanese jobs K	N/A 2017	370 <b>25</b>	TBC <b>2035</b>



### Targets – Overall macro-economic (2/2)

Plays	Metric	Target values	
Overall macro- economic targets	Unemployment rate %	15-25%	6%
		2017	2035



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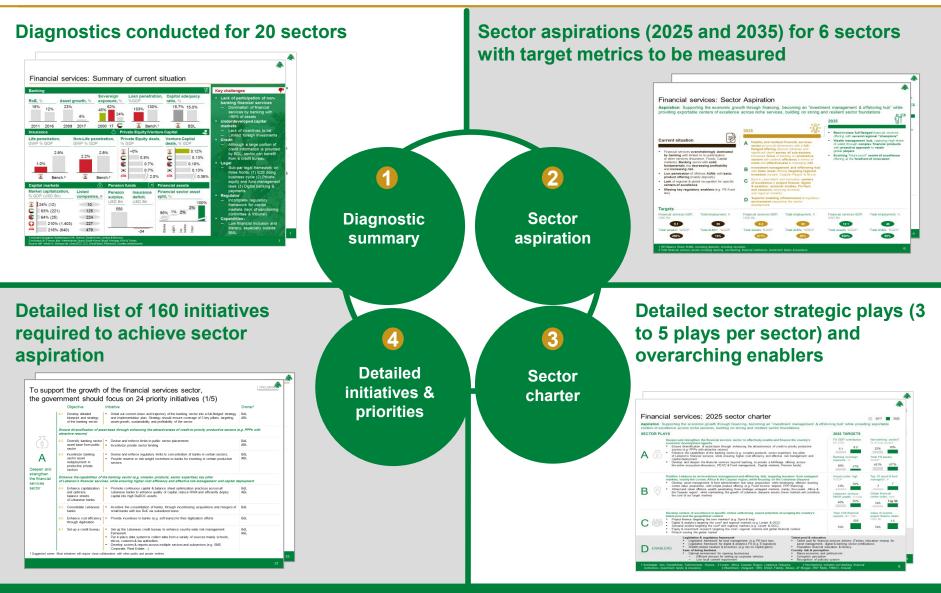
## Enablers

- Infrastructure
- Other Enablers
- Flagship Projects
- Implementation Mechanism

FOCUSED APPR Five sec econom	tors w		-	-	ghest	Core engines Economic contr covered within o		Rural Semi-urban Urban		sitive utral gative	NARY
2025 Dir Potent		A A1	Macro Aspirations	A2 Potential job	Induced	A3 Regional	B Com- parative advantage Lebanon's		of the rtunity Balance of	ВоР	
	Sector		additional GDP USD Bn	creation K Jobs <sup>1</sup>	job multiplier	balance & distribution	comparative advantage	Payments USD Bn		Diversificatio	on
High comparative	Tourism		1.6	40	2.1	▲命♀			1.4	Global	
advantage, macro potential and BoP impact	Knowledge Economy	-	2.2	48	1.5	▲命			1.1	Global	
	Financial Services	-	1.8	12	1.4				1.0	Diaspora	
High BoP potential	Industry		0.7	23	2.7	ŵ			0.3	Global	
and regional balance	Agriculture		0.5	1	1.2	ې ۲			0.5	Global	
Niche plays with BoP impact	Diaspora		N/A	N/A	N/A	▲命令			N/A		
	Education		0.7	19	1.3	氲命			0.1	Regional & diaspora	
	Healthcare		0.8	18	1.3	▲命	touri	edical sm ~500 -0.2 SD Mn		Regional & diaspora	
	Oil & Gas		0	0	1.7	$\widehat{\mathbf{M}}$			0	N/A	
Negative to low BoP impact	Real Estate & Construction		1.6 Excludi CIP	ng 10	2.3			-0.1		Regional & diaspora	
	Retail & Commerce		1.5	-7	1.2	▲命		-1.4		Domestic	
	Transport & Logistics	_	0.4	3	1.5				0	Regional	
	Power & Water		0.2	1	2.2				0		

1 Direct Impact Medium & High-Skill jobs

Developing the priority sectors should follow the targets and initiatives defined in the Economic Vision



# Progress on sector aspirations should be monitored through specific performance indicators 1/2



2017 2025

SECTOR PLAYS 2025 ASPIRATIONS **Commercial farmers:** Unlock regional export potential of Share of high-volume Agriculture exports commercial farmers by improving quality standards and crops (1k+ hectare) (excluding processed **AGRICULTURE:** food). USD mn transitioning to higher-value crops (e.g. Avocado) with top-quartile yield THE MIDDLE-% (2017 prices) Smallholder farmers: Improve productivity of smallholder EAST'S HIGHfarmers in existing crops through technology and adoption VALUE CROPS 100 of modern methods BREADBASKET 175 Medicinal Cannabis: Assuming government policy in place, explore legalization of cannabis cultivation in the aim of producing high value added medicinal products with export focus underpinned by the corresponding regulatory framework Focus subsectors: Focus efforts on 4 subsectors: food Exports of prioritized Number of processing, consumer-facing products (e.g. Perfumes, subgroups<sup>1</sup>, USD mn functioning industrial **INDUSTRY:** cosmetics), pharma, and pre-fabricated construction & zone NICHE REGIONAL +10% p.a. furniture (targeting Syria and Irag) LEADER IN **CREATIVE AND** Zones: Develop next-generation Industrial Parks, providing 1.790 6+ **HIGH VALUE** highly competitive environment (best of Lebanon) to 828 **INDUSTRIES** industrialists 0 Number of leisure Leisure tourism: Focus on leisure tourism in 15 source Number of hotel rooms countries with distinctive core offering in City&Entertainment tourists. Mn in anchor destinations. TOURISM: (including gaming), Sun&Sea and Culture across three anchor Κ THE UP-ANDdestinations and niche offering in ultra-luxury eco-tourism COMING 4.0 Business tourism: Focus Meeting and Incentives business 11-14 **MEDITERRANEAN** 1.9 travelers in GCC countries 7 **RIVERIA** Medical tourism: Develop specialized medical tourism and wellness offerings, targeting regional markets

# Progress on sector aspirations should be monitored through specific performance indicators 2/2



025 ASPIRATIONS	SECTOR PLAYS					
FINANCIAL	<ul> <li>Develop digital banking as an alternative delivery model to expand reach of sector and improve efficiency</li> </ul>	Global financial centre index, rank	Non-banking assets <sup>3</sup> , % of total assets			
SERVICES: AN OFFSHORE	<ul> <li>Deepen &amp; strengthen the FS sector to enable and finance the country's EconDev agenda</li> </ul>					
MID-HIGH NET WORTH	<ul> <li>Position Lebanon as an investment management and offshoring hub, targeting mid-high net worth individuals</li> </ul>	Top 50	33% 21%			
INDIVIDUALS	<ul> <li>Develop centers of excellence in specific niches (e.g. investment research, actuarial studies, digital analytics)</li> </ul>					
	<ul> <li>Leverage technology to grow productivity in the priority sectors, becoming an innovation-driven economy</li> </ul>	Total Number of Start-ups,#	Yearly VC funding, USD Mn			
KNOWLEDGE AND CREATIVE ECONOMY: THE SILICON VALLEY	<ul> <li>Position Lebanon as a leading regional rural cities destination for "high-value add" outsourcing services and a global hub for research &amp; analytics</li> </ul>	2,000	190			
OF THE MIDDLE EAST	<ul> <li>Become a regional creative hub, including multimedia, productive content development</li> </ul>	200	100			
	<ul> <li>Attract regional students across the board of education majors</li> </ul>					
	<ul> <li>Seed: Prepare, organize and invest in the next generation Le economy (extended market to Lebanon) while developing interest</li> </ul>					
DIASPORA: AN ENGAGED &	<ul> <li>Radiate: Strengthen the bond between Lebanon and its diaspora across all generations through promoting national identity abroad</li> </ul>					
ACTIVE DIASPORA	<ul> <li>Reap: Leverage the diaspora network to drive economic grow potential diaspora, b) access to export markets, c) directing re</li> </ul>					

• Advocate: Harness and formalize advocacy i.e. lobbying power in center of the world through establishing a diaspora advisory board of prominent diaspora members

# \*

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### Agriculture - sector aspiration

#### Aspiration: A high-value, high-quality sector which generates sustainable wealth for farmers and rural communities

#### **Current situation**

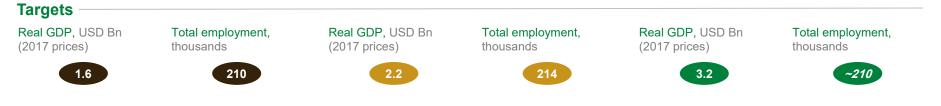
- Dominance of low-value crops, including tobacco which is cultivated at a loss
- Low productivity for many crops (e.g. olives), due to outdated techniques and low investment in technology
- Inefficient local markets in which farmers are vulnerable to unfair practices (e.g. by markets & distributors), partly due to weak cooperative system
- Poor access to global markets such as the EU, largely due to non-compliance with international standards (e.g. SPS for potatoes) & weak postharvest infrastructure
- Widespread illegal cultivation of cannabis

#### 2025

- A Higher prominence of **high-value crops** (e.g. Avocado), with reduced cultivation of tobacco and other low-value crops
- B High levels of productivity for major crops, enabled by improved techniques & application of modern agriculture technologies
- C Higher levels of local market transparency which further empower farmers
- Improved global recognition & acceptance of Lebanese agriculture products as high-quality food products
- E Emergence (potentially) of **controlled areas with legal cultivation of cannabis** for exportoriented medical purposes (*requires aligned policy & regulatory framework*)

#### 2035

- Fully optimized crop portfolio which maximizes returns for farmers (while also accounting for food security objectives)
- Best-in-class productivity across most crops, leveraging frontier advances & technologies across the agriculture value chain
- Very well-organized and effective local market
- Well-established global reach of Lebanon's agricultural products, with an established reputation for premium quality
- Near-elimination of illegal cannabis cultivation, with majority of growers being licensed and overseen by the government (requires aligned policy & regulatory framework)





### Agriculture – 2025 and 2035 targets (1/2)

Plays	Metric	Target values		V-CDX
General targets	GDP In Real 2017 prices USD Bn	1.6	2.2	3.2
	Number of jobs K	210	214	214
Modern methods	Share of high volume crops (1k+ hectares) with top- quartile yield compared to benchmarks %	34%	100%	TBC
Improve food markets	Farmer satisfaction %	M	etric to be created	d
High-value crops	Incremental high value crops agriculture land		10,000	
	Hectares	0 <b>2017</b>	25	TBC 2035



### Agriculture – 2025 and 2035 targets (2/2)

Plays	Metric	Target values		
Export potential	Agriculture exports in 2017 prices		750	
	USD Mn	175		TBC
Cannabis	Legal cannabis cultivation	170	1,000	
	Hectares	0		ТВС
		2017	25	2035

GENERAL

**FNABLERS** 

# Agriculture – 2025 sector charter

Aspiration: A high-value, high-quality sector which generates sustainable wealth for farmers and rural communities

Export development

#### SECTOR PLAYS **2025 TARGETS** Promote and support the application of modern methods and technologies to improve yield and guality of Share of highagricultural produce ~34% volume crops Leverage (and strengthen) research and extension service capabilities to drive adoption of modern methods (1k+ hectare) with (e.g. to limit overuse of fertilizers & pesticides, adopt best-practice olive harvest techniques, etc.) top-quartile yield 100% Facilitate financing of technology installations which can improve yield and quality *(incl. irrigation systems)* % Focused on family-based Improve local (and regional) food markets, with a focus on transparency and efficiency farmers Increase transparency (e.g. pricing) of wholesale markets and distributors' activities through digital solutions Improved farmer satisfaction regarding and improved regulatory oversight access to local markets & practices of Strengthen cooperatives' ability to market goods to local and regional markets (e.g. through targeted distributors / wholesale markets (New capability building efforts) metric required) Support the transformation and transition of agricultural cultivation towards higher-value crops (e.g. Agricultural land tomatoes, avocadoes) and livestock, away from Tobacco and other low-value crops (e.g. cereals, olives) transformed Conduct a comprehensive value chain analysis across all agricultural products to determine optimal crop towards highervalue crops allocation by region (including identification of target alternative crops, with a focus on tobacco regions) 10.000 Introduce a new (opt-in) subsidy program for Tobacco farmers which allows transition to alternative crops Hectares (since Focused on 2017) Leverage (and strengthen) research and extension services to support farmers through crop transitions . commercial Agriculture Unlock export potential by facilitating access to international markets farmers Increase compliance of Lebanese farms and agriculture facilities (e.g. packaging facilities) with international exports 175 standards to overcome SPS export constraints (excludina processed food). Facilitate expansion & improvement of post-harvest infrastructure (e.g. cold storage & packaging facilities) USD mn (2017 Support farmers in identifying & reaching high-potential frontier markets (e.g. in Eastern Europe) and adapting prices) cultivation practices (e.g. seed species) to meet market preferences Assuming government policy is in place, explore legalization of cannabis cultivation in the aim of Legal cannabis producing high-value-added medicinal products with export focus underpinned by a corresponding cultivation hectares regulatory framework Draft a comprehensive regulatory framework for cannabis (e.g. covering cultivation, processing, export, etc.) Note: Additional 1.000 Assess feasibility of building the institutional capabilities that would be required to implement regulatory analysis required to framework (e.g. licensing, quality assurance, etc.) assess target X.1 Government services X.2 Export support X.3 Human capital X.4 Legislation & regulation Export promotion

- Research capabilities Extension services
- Capability-building for cooperatives
- Safety controls & quality assurance

- Technical & vocational training
  - Employment attractiveness (e.g. for rural youth)
- Water law & regulatory framework
- Cannabis regulatory framework



#### 2017 2025



### Agriculture – priority initiatives (1/2)

		Objective	Owner <sup>1</sup>	Plays
B Improving Local Food Markets	AGR. B.1	Improve efficiency and transparency in local markets, including wholesale markets and distributors	<ul> <li>Ministry of Agriculture</li> </ul>	
C Transformation	AGR. C.1	Develop a crop transformation strategy	<ul> <li>Ministry of Agriculture</li> </ul>	
to higher value	AGR. C.2	Introduce an alternative program for Tobacco farmers	<ul> <li>MoET</li> </ul>	
crops	AGR. C.3	Develop a comprehensive integrated view on subsidy programs	<ul> <li>MoET</li> </ul>	
D Export promotion	AGR. D.1	Support export readiness of Lebanese products	<ul> <li>Ministry of Agriculture</li> </ul>	
E Cannabis production & export	AGR. E.1	Initiate the development of a cannabis strategy across the whole value chain	<ul> <li>Ministry of Agriculture</li> </ul>	
	AGR. X.1.	Revamp extension services	<ul> <li>Ministry of Agriculture</li> </ul>	
	AGR. X.1.2	2 Strengthen scope and scale of agricultural research	LARI	ABCDE
X.1 Government Services	AGR. X.1.3	Launch a program to strengthen co-operatives' capabilities	<ul> <li>Ministry of Agriculture</li> </ul>	1
	AGR. X.1.4	Strengthen the quality assurance ecosystem including food inspection services	<ul> <li>Ministry of Agriculture</li> </ul>	
	AGR. X.1.5	Initiate comprehensive exercise for agriculture land registration	<ul> <li>Ministry of Agriculture</li> </ul>	1

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.



### Agriculture – priority initiatives (2/2)

	Objective	Owner <sup>1</sup>	Plays
X.2 Export Support	AGR. X.2.1 Facilitate capital investment in Agriculture	<ul> <li>IDAL</li> </ul>	ABCDE
X.3 Human Capital	AGR. X.3.1 Develop agriculture human capital	<ul> <li>Ministry of Agriculture</li> </ul>	
X.4Legislation &	AGR. X.4.1 Ensure water sustainability through improved management & conservation efforts	<ul> <li>Ministry of Energy &amp; Water</li> </ul>	ABCDE
Regulation	AGR. X.4.2 Improve formalization of agriculture sector and increase protection of farmers	<ul> <li>Ministry of Agriculture</li> </ul>	

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

Other initiatives related to agriculture

# Agriculture – additional relevant initiatives detailed within other sectors or enablers



	Objective	Initiative
Fin.X.3.1	Facilitate local lending for agriculture	<ul> <li>Refer to initiative X.3.1 under Financial Services</li> </ul>
Leg.2.10	Initiate the development of a cannabis regulatory framework (if aligned with national policy)	<ul> <li>Refer to initiative 2.10 under Legislation</li> </ul>
Leg.2.11	Protect groundwater resource (Water Law 221/2000)	Refer to initiative 2.11 under Legislation
Leg.2.12	Increase transparency on food wholesale markets and distributions	<ul> <li>Refer to initiative 2.12 under Legislation</li> </ul>
Leg.2.13	Re-direct tobacco subsidies towards more productive areas	<ul> <li>Refer to initiative 2.13 under Legislation</li> </ul>
Exp.A.1	Centralize & consolidate export-support activities (e.g. within IDAL or new entity)	<ul> <li>Refer to initiative A.1 under Export &amp; Branding</li> </ul>
Exp.A.2	Expand export promotion	<ul> <li>Refer to initiative A.2 under Export &amp; Branding</li> </ul>

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### Industry – sector aspiration

#### Aspiration: A niche regional leader in creative and high-value industries and hub for regional processing

#### **Current situation**

- Limited and unfocused government support, with a decline in output and exports among most subsectors *(with notable exception of food products)*, largely driven by infrastructure-caused non-competitiveness
- Absence of real industrial zones which provide the infrastructure and services that are needed to achieve competitiveness

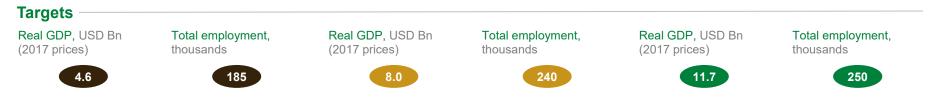
2025

A Emergence of **niche growth subsectors** which achieve high levels of competitiveness and growth through targeted government support (*e.g. pharma, food processing, perfumes*)

B Development of multiple successful national integrated industrial parks (NIIPs) which provide a significant competitive edge for industrial tenants (including a zone focused on reconstruction of Syria)

#### 2035

- **Globally competitiveness and recognized excellence** in niche subsectors which optimally capitalize on Lebanon's strengths
- Best-in-class industrial parks offering worldclass infrastructure and services





### Industry – 2025 and 2035 targets

Plays	Metric	Target values		
General targets	<b>GDP In Real 2017 prices</b> USD Bn	4.6	8.0	11.7
	Number of jobs K	185	240	250
High-potential sectors	Exports of prioritized sub- groups in 2017 prices USD Mn	828	1,790	TBC
National Integrated Industrial Parks	Number of functioning industrial zones #	0	6	TBC
		2017	25	2035



2017

### Industry – 2025 sector charter

#### Aspiration: A high-value, high-quality sector which generates sustainable wealth for farmers and rural communities

#### SECTOR PLAYS **2025 TARGETS** Prioritizing (and focusing government intervention efforts) on high-potential subsectors which capitalize on Lebanon's strengths, including: Exports of 828 prioritized Food-processing industries which rely on local agricultural production, with a focus on premium packaged subgroups1 goods based on Lebanon's fruit, vegetable, nut and dairy products USD mn $\star$ Consumer-facing products which rely heavily on creative design & marketing abilities: jewellery, perfumes & cosmetics, soaps & sanitation products, and napkins / sanitary goods (with a focus on high-end products which capitalize on Lebanon's positive image in fashion / design / etc.) Industries which capitalize on the upcoming post-conflict reconstruction in Syria and Iraq, with a focus on subsectors where Lebanon can develop a competitive advantage: pre-fab manufacturing & furniture Subsectors which require high skill levels, especially in healthcare-related fields, with a focus on . pharmaceuticals and cannabis-based medical products (e.g. cannabinoids) Developing next-generation National Integrated Industrial Parks (NIIPs) to serve as areas of excellence which overcome comparative disadvantages 0 Number of Offerings to include world-class infrastructure (including dedicated power & utilities) as well as comprehensive functioning support services (including regulatory one-stop shops) and sector-specific infrastructural support (e.g. coldindustrial zone 6+ storage facilities for food processing tenants) Immediate focus should be on developing existing plans (Tripoli Special Economic Zone, three industrial . zones proposed by Mol / UNIDO) as well as an additional zone focused on construction technology There are several opportunities to strengthen existing plans for industrial zones (Mol / UNIDO), which must be assessed Strong governance and oversight is needed to ensure coordination between industrial zones, Tripoli SEZ, and the broad economy, and to minimize cannibalization / destructive competition It will also be necessary to plan and develop additional industrial zones in other regions (e.g. Beirut, southern . Lebanon) which focus on priority subsectors which are not covered by current industrial zone plans X.1 Quality assurance X.3 Human capital Technical & vocational training Quality standards Compliance & enforcement Supply-demand matching X.4 General enablers X.2 Financing Kafalat Industry Ease-of-doing-business regulations Investment attraction Infrastructure (e.g. power)



### Industry – priority initiatives (1/2)

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inistry of dustry	
BNOR A	AB
AL A	AB
AL A	AB
)/	AL

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.



### Industry – priority initiatives (2/2)

-		· · · ·		
		Objective	Owner <sup>1</sup>	Plays
X.3 Human Capit	tal IND. X.3.	Increase availability of skilled technical labor (e.g. reorienting & strengthening TVET)	<ul> <li>Ministry of Industry</li> </ul>	AB
X.4 General Enablers	IND. X.4.	Selectively pursue new trade agreements (WTO, Agadir)	<ul> <li>Ministry of Economy &amp; Trade</li> </ul>	AB
X.4 General Enablers	IND. X.4.	2 Improve customs access (incl. duration of physical inspections)	<ul> <li>Ministry of Interior</li> </ul>	АВ

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

Other initiatives related to industry

# Industry – additional relevant initiatives detailed within other sectors or enablers



	Objective	Initiative
Fin.X.3.4	Enhance access to finance to support industrial SMEs (focused on priority industry sectors)	Refer to initiative X.3.4 under Financial Services
Leg.2.15	Resolve regulatory obstacles of industrial parks (e.g. amending Ministerial Decree 1660)	<ul> <li>Refer to initiative 2.15 under Legislation</li> </ul>
Inf.3	Reform national infrastructure (incl. power, logistics, utilities)	Refer to initiative 3 under Infrastructure
Inf.5	Prioritize financing to existing industrial zones (advancing to CIP cycle 1)	Refer to initiative 5 under Infrastructure
Exp.A.1	Centralize & consolidate export-support activities (e.g. within IDAL or new entity)	<ul> <li>Refer to initiative A.1 under Export &amp; Branding</li> </ul>
Exp.A.2	Expand export promotion	<ul> <li>Refer to initiative A.2 under Export &amp; Branding</li> </ul>

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- Financial Services
- Knowledge Economy
- Diaspora

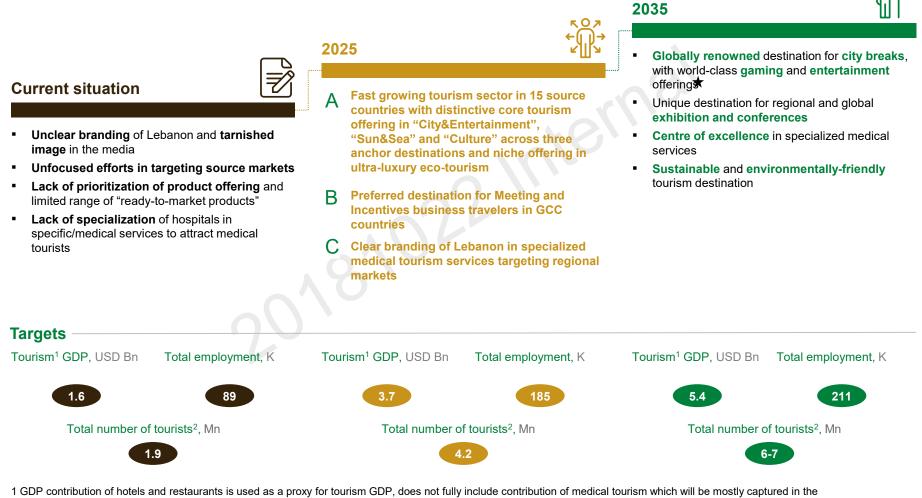
## - Enablers

- Infrastructure
- Other Enablers
- Flagship Projects
- Implementation Mechanism



### Tourism – sector aspirations

**Aspiration**: A revived Riviera destination offering a unique combination of unrivalled entertainment, immersive culture and breath-taking sea views with regional niche offerings in business M&I segment and specialized medical tourism



healthcare sector

hotels and restaurants is used as a proxy for tourism GDP, does not fully include contribution of medical tourism which will be mostly captured in t 2 Leisure, business and medical tourism



### Tourism – 2025 and 2035 targets (1/2)

Plays	Metric	Target values		
General targets	<b>GDP In Real 2017 prices</b> USD Bn	1.6	3.7	5.4
	Number of jobs K	89	* 185	211
	<b>Total number of tourists</b> Mn	1.9	4.2	6.5
Leisure tourists	Total number of leisure tourists Mn	1.9	4.0	TBC
MICE tourists	<b>Total number of MICE tourists</b> Mn	N/A	0.2	TBC
		2017	25	2035



### Tourism – 2025 and 2035 targets (2/2)

Plays	Metric	Target values
Medical tourists	Total number of medical tourists K	40 20 TBC
		2017 <b>Ž</b> 5 2035

### Tourism – 2025 sector charter

2025

Aspiration: A revived Riviera destination offering a unique combination of unrivalled entertainment, immersive culture and breath-taking sea views with regional niche offerings in business M&I segment and specialized medical tourism

SECTOR PL	YS			2025 TARGETS
A	<ul> <li>Focus on attracting leisure tourists from "City&amp;Entertainment", "Sun&amp;Sea" and Sour) and developing ultra-luxury "ecc</li> <li>Grow number of leisure visitors by for countries (KSA, UAE, Kuwait, Iraq, WUK, Italy, Sweden, Turkey) and court Australia)</li> <li>Build core tourism offering in "City development, infrastructure, incentive destinations: Beirut, Byblos and Soffering in the hinterland</li> <li>Take a "bet" on developing eco-touring (resorts) segments</li> </ul>	d "Culture" in three anchor der o-tourism" hubs cusing on 15 countries in three ty Jordan and Egypt), core Europe ntries with high number of Leb &Entertainment", "Sun&Sea" a es and marketing resources arou our; these destinations will be "I	ypes of markets: Arab and GCC an markets (France, Germany, anese diaspora (US, Canada, and "Culture" by focusing product nd the three anchor nub and spoke" for ancillary	Number of leisure tourists, N ~4.0 ~1.9 Majority of growth in the tourism sector would come from leisure tourists
B	Grow the Meeting & Incentive segmen and Iraq) and promoting Lebanon as a complimented with an attractive leisur	a high value for money destina		Number of business tourists 0.2 N/A
C	<ul> <li>Position Lebanon as a "convenient" d value proposition for high quality species leisure offering</li> <li>Incentivize the specialization of hosp procedures complimented with unpar</li> <li>Target outbound medical tourists from</li> </ul>	cialized medical services com itals and promote Lebanon as a ralleled leisure tourism offering	bined with an unparalleled	Number of medical tourists, 0.03-0.04 0.02
	Infrastructure and connectivity     Airport expansion     Urban planning and transport	Marketing <ul> <li>Marketing budget</li> <li>Branding</li> </ul>	Organization and regulation     Investments zones     Enabling legislations	S

- Urban planning and transport infrastructure revamp
- Flight connectivity

ERS

- Hotel room capacity and quality
- Branding
- Targeted marketing
- Media and perception management
- **Enabling legislations**
- Tourism board and stakeholder cooperation



# NON-EXHAUSTIVE

### Tourism – priority initiatives (1/3)

			Objective	Owner <sup>1</sup>	Plays
		TOU.A.1	Develop tourist friendly anchor destinations	<ul> <li>MoPWT</li> <li>Munici- palities</li> </ul>	
A Build core		TOU.A.2	Enhance access to/from anchor destinations to enable "hub and spoke" model	▪ МоТ	
A Build core tourism offering in anchor destinations and set-up eco- tourism hubs	<u>o</u>	TOU.A.3	Create an entertainment and gaming hub in Jounieh / Byblos	• МоТ	
	d	TOU.A.4	Create a vibrant calendar of event that matches top countries' preferences	• МоТ	
		TOU.A.5	Clean Lebanon's beaches and beachfront	<ul> <li>MoT</li> </ul>	
		TOU.A.6	Enhance the public beach offering in Byblos and Sour	<ul> <li>MoT</li> </ul>	
		TOU.A.7	Develop and protect eco-tourism hubs	<ul> <li>MoT</li> </ul>	
B Grow the M&I		TOU.B.1	Develop offering in the M&I segment	<ul> <li>MoT</li> </ul>	
segment	<u> </u>	TOU.B.2	Facilitate the issuance of bulk visas for corporates	<ul> <li>MoT</li> </ul>	
C Position Lebanon as a "convenient" destination for medical tourism		TOU.C.1	Incentivize the specialization of hospitals	<ul> <li>MoPH</li> </ul>	



### Tourism – priority initiatives (2/3)

		Objective	Owner <sup>1</sup>	Plays
C Position	TOU.C.2	Facilitate issuance of medical visas	<ul> <li>MoPH</li> </ul>	
Lebanon as a (AVA) "convenient" destination for medical tourism	TOU.C.3	Develop package offerings	<ul> <li>MoPH</li> </ul>	
	TOU.X.1.1	Increase accessibility to source markets (price and number of routes)	• МоТ	ABC
X.1 Infrastructure and connectivity	TOU.X.1.2	Improve tourist experience in airport upon arrival and departure	<ul> <li>MoPWT</li> </ul>	ABC
	TOU.X.1.3	Attract one anchor tenant in ultra-luxury eco-tourism	<ul> <li>IDAL</li> </ul>	ABC
	TOU.X.1.4	Encourage the development of authentic eco-tourism offering	<ul> <li>BDL</li> </ul>	ABC
	TOU.X.2.1	Increase marketing budget and ensuring direct access to budget	• МоТ	ABC
X.2 Marketing and	TOU.X.2.2	Launch an aggressive and targeted marketing campaign in source countries	• МоТ	ABC
communication	TOU.X.2.3	Develop online presence for leisure and MICE tourism	• МоТ	ABC



### Tourism – priority initiatives (3/3)

		Objective	Owner <sup>1</sup>	Plays
X.3 Organization 👍 and regulation	TOU.X.3.1	Set up dedicated bodies to implement the marketing strategy and the initiatives in anchor destinations	<ul> <li>MoT</li> </ul>	ABC
	TOU.X.3.2	Set up investment zones in anchor destinations	<ul> <li>IDAL</li> </ul>	ABC
X.4 Data and analytics	TOU.X.4.1	Enhance research and data analysis to drive decision making	• MoT	ABC

#### FOCUSED APPROACH

# Tourism – additional relevant initiatives detailed within other sectors or enablers



	Objective	Initiative
Fin.X.3.3	Enhance access to financing to incentivize construction of new hotels and renovation of existing hotels in anchor destinations	<ul> <li>Refer to initiative X.3.3 under Financial Services</li> </ul>
Inf.1	Expand the airport capacity	Refer to initiative 1 under Infrastructure
Inf.4	Enhance access to/from anchor destinations to enable "hub and spoke" model	<ul> <li>Refer to initiative 4 under Infrastructure</li> </ul>
Leg.2.1	Amend the regulatory framework to extend gaming licenses beyond Casino du Liban	<ul> <li>Refer to initiative 2.1 under Legislation</li> </ul>
Leg.2.2	Introduce, update, enforce laws to ensure environment standards are met as per international standards	Refer to initiative 2.2 under Legislation
Leg.2.3	Stimulate investments in the tourism sector (Law 360)	Refer to initiative 2.3 under Legislation
Leg.2.4	Incentivize the specialization of hospitals	<ul> <li>Refer to initiative 2.4 under Legislation</li> </ul>
Exp.B.1	Establish the country brand and manage the perceived instability in the country	<ul> <li>Refer to initiative B.1 under Export &amp; Branding</li> </ul>

#### Other initiatives related to tourism



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### Financial Services – sector aspiration

Aspiration: Supporting the economic growth through financing, becoming an "investment management & offshoring hub" while providing exportable centers of excellence across niche services, building on strong and resilient sector foundations

#### **Current situation**

**Targets** 

- Financial services overwhelmingly dominated by banking with limited to no participation of other services (Insurance, Funds, Capital markets); Banking sector with solid fundamentals but decreasing profitability and increasing risk
- Low penetration of offshore AUMs with basic product offering (mainly deposits)
- Lack of regional & global recognition for specific centers of excellence
- Missing key regulatory enablers (e.g. PE Fund law)

2025

- Healthy and resilient financial services sector across all dimensions with a fullfledged offering (beyond banking) and significant depth across all sub-sectors; Increased focus of banking on productive sectors with optimal efficiency in terms of costs and effectiveness in managing risk
- B Investment management and offshoring hub with basic asset offering targeting regional investors (Levant, Caspian Region & Africa)
- Best in class talent and innovative centers of excellence in project finance, digital & analytics, actuarial studies, FinTech and research, servicing domestic and regional markets
- X Superior enabling infrastructure & regulatory environment supporting the sector development (e.g. PE Fund Law)

#### 2035







Note: Increase in GDP and stagnation in employment driven by an increase in productivity from 100,000 USD/FTE to 170,000 USD/FTE or 6.5% CAGR

1 Off Balance Sheet AUMs, excluding deposits, including securities

2 Total financial services assets including banking, non-banking financial institutions, investment banks & insurance



### Financial Services – 2025 and 2035 targets (1/5)

Plays	Metric	Target values		
General targets	GDP In Real 2017 prices USD Bn	4.8	7.8	11.4
	Number of jobs K	50	50	45-50
	<b>Total financial services assets</b> %GDP	433%	490%	540%
Develop & strengthen financial services	Non-Banking assets %GDP	21%	33%	TBC
	Banking assets %GDP	412%  2017	458%	TBC <b>2035</b>



### Financial Services – 2025 and 2035 targets (2/5)

Develop & strengthen financial services       Banking sovereign exposure %       37%         %       TBC         Retail loan penetration %GDP       30%         TBC       30%	
Retail loan penetration %GDP TBC	
30%	
Portion of loans to priority sectors     19%       %     TBC	
Non-life insurance GWP     2.2%       %GDP     TBC	
Life insurance GWP %GDP 2.8% 1.0% TBC 2017 25 2035	



### Financial Services – 2025 and 2035 targets (3/5)

Plays	Metric	Target values		
Develop & strengthen financial services	Stock exchange market cap %GDP	24%	60%	TBC
	Number of listed companies #	10	20-25	TBC
	Private equity deal value %GDP	0%	0.9%	TBC
	VC deal value %GDP	0.12%	0.19%	TBC
Investment management hub	HNW wealth remaining in Lebanon %	40%	55%	TBC
	/0	2017	25	2035



### Financial Services – 2025 and 2035 targets (4/5)

Plays	Metric	Target values		V.Z. DXC
Investment management hub	Assets under management %GDP	14%	30%	TBC
	Top 10 asset & fund managers #	3	7	TBC
	<b>Global financial centre index</b> rank	N/A	Top 50	TBC
Centers of excellence	Number of Fintech #	15	45	TBC
	<b>IFZ Global Fintech ranking</b> rank	N/A 2017	Тор 30 25	TBC <b>2035</b>



### Financial Services – 2025 and 2035 targets (5/5)

Plays	Metric	Target values		
Centers of excellence	Value of project finance export deals		1.5	
	USD Bn	N/A		TBC
	Value of other CoEs exports USD Mn	terr	500	
		N/A		TBC
	2018102	2017	25	2035

**ENABLERS** 



2025

### Financial Services – 2025 sector charter

Aspiration: Supporting the economic growth through financing, becoming an "investment management & offshoring hub" while providing exportable centers of excellence across niche services, building on strong and resilient sector foundations

SECT		AYS	2025 TA	RGETS		
		Deepen and strengthen the financial services sector to effectively enable and finance the country's economic development agenda		FS GDP contribution, Bn USD 2017 prices		ng assets <sup>3</sup> , assets
٨	$\Sigma$	<ul> <li>Develop digital banking as an alternative delivery channel</li> <li>Ensure diversification of asset-base through enhancing the attractiveness of credit to priority productive sectors (e.g. PPPs with attractive returns)</li> </ul>	4.8	7.8	21%	33%
A (\$)	<ul> <li>Enhance the capabilities of the banking sector (e.g. complex products, sector expertise), key pillar of Lebanon's financial services, while ensuring higher cost efficiency and effective risk management and capital deployment</li> </ul>	Banking s exposure,	-	Total FS assets, %GDP		
		<ul> <li>Develop and deepen the financial services beyond banking, to provide a full-fledge offering across the entire ecosystem (Insurance, PE/VC &amp; Fund management, Capital markets, Pension funds)</li> </ul>	50%	37%	433%	490%
		Position Lebanon as an investment management and offshoring hub, targeting investors from untapped markets, mainly the Levant, Africa & the Caspian region, while focusing on the Lebanese diaspora	Assets under mgt., %GDP		Top 10 asset & fund managers⁴, #	
	$\bigcirc$	<ul> <li>Develop asset management &amp; fund administration hub value proposition, while developing offshore booking center value proposition, with simple product offering (e.g. Fixed Income, deposit, PPP financing)</li> <li>Attract and retain offshore wealth penetrating three strategic untapped markets, mainly, the Levant, Africa &amp; the Caspian region<sup>1</sup>, while maintaining the growth of Lebanese diaspora assets; these markets will constitute the core of our target markets</li> </ul>	14%	30%	3	7
В	$\lor$		Lebanese onshore HNWI wealth, % total		Global financial centre index, rank	
			40%	55%	N/A	Тор 50
		Develop centers of excellence in specific niches with strong export potential, leveraging the country's talent pool and the geopolitical context	Total CoE financial exports <sup>5</sup> , Mn USD		Value of e project fina	xports ance deals,
$\mathbf{C}$		<ul> <li>Project finance targeting the core markets<sup>2</sup> (e.g. Syria &amp; Iraq)</li> <li>Divite \$1, and the core \$2, and regional markets (e.g. Lowert &amp; CCC)</li> </ul>		500	USD Bn	1.5
		<ul> <li>Digital &amp; analytics targeting the core<sup>2</sup> and regional markets (e.g. Levant &amp; GCC)</li> <li>Actuarial studies targeting the core<sup>2</sup> and regional markets (e.g. Levant &amp; GCC)</li> <li>Equity &amp; investment research targeting the core<sup>2</sup>, regional markets and global financial centers</li> <li>Fintech serving the global market</li> </ul>	N/A		N/A	
		Legislation & regulatory framework Talent pool & education		<i>—</i>		

- Legal & regulatory framework for fund management (e.g. PE fund law)
- Legal & regulatory framework for digital & analytics FS (e.g. E-signature)
- Wealth-related taxation & incentives (e.g. tax on capital gains) Lending to priority sectors

Incentivize lending to priority economic sectors of the Vision

- Talent pool for financial services delivery (Tertiary education revamp for asset management, digital & banking sector certifications
- Population financial education & literacy
- 1 Azerbaijan, Iran, Kazakhstan, Turkmenistan, Russia; 2 Levant, Africa, Caspian Region, Lebanese Diaspora 3 Non-banking includes non-banking financial institutions, investment banks &
- insurance 4 BlackRock, Vanguard, UBS, SSGA, Fidelity, Allianz, JP Morgan, BNY Mello, PIMCO, Amundi
- 5 Exports of financial services including, export of actuarial services, outsourcing of financial research services, exports of FinTech & digital outsourcing



### Financial Services – priority initiatives (1/4)

		Objective	Owner <sup>1</sup>	Plays
	FIN. A.1	Develop detailed blueprint and strategy for the banking sector	<ul><li>BDL</li><li>BCCL</li><li>ABL</li></ul>	
	FIN. A.2	Diversify banking sector asset base from public sector	<ul><li>BDL</li><li>BCCL</li><li>ABL</li></ul>	
	FIN. A.3	Incentivize banking sector asset reallocation into productive private sectors	<ul><li>BDL</li><li>BCCL</li><li>ABL</li></ul>	
Deepen & 00	FIN. A.4	Enhance capitalization and optimize balance sheets of Lebanese banks	<ul><li>BDL</li><li>BCCL</li></ul>	
Strengthen 🗠	<b>FIN. A.5</b>	Promote consolidation to enhance sustainability of underperforming banks	<ul><li>BDL</li><li>BCCL</li></ul>	
services		Enhance cost efficiency through digitization	<ul><li>ABL</li><li>All Banks</li></ul>	
	FIN. A.7	Set-up a national credit bureau	<ul><li>BDL</li><li>ABL</li></ul>	
	FIN. A.8	Issue a real estate price index to enhance valuation	<ul> <li>BDL</li> <li>Lebanon Credit Bureau</li> <li>Lebanon Collateral Reg.</li> <li>Ministry of Finance</li> </ul>	



### Financial Services – priority initiatives (2/4)

	Objective	Owner <sup>1</sup>	Plays
	FIN. A.9 Design financial statement auditors ce	rtification   BDL  BCCL  ABL	
	FIN. A.10 Accelerate growth of insurance sector	<ul> <li>ICC</li> <li>Insurance Comp- anies</li> </ul>	
	FIN. A.11 Enhance NSSF investment vehicle an	d operating model ■ NSSF	
A Deepen & oo Strengthen book the financial services	FIN. A.12 Conduct contingent liabilities estimatic accordingly develop detailed plan	on exercise &  Pension Funds (incl. NSSF)	
	FIN. A.13 Ignite capital markets through growing demand for capital	and promoting Markets Authority CoM BSE	
B Position Lebanon as investment management & offshoring hub	FIN. B.1 Promote Lebanon's asset management value proposition in target markets	nt & offshore hub   ABL  Financial Institutions  CMA	6



### Financial Services – priority initiatives (3/4)

			Objective	Owner <sup>1</sup>	Plays
B Position Lebanon as investment management & offshoring hub	Lebanon as	FIN. B.2	Increase network of Double Taxation Agreements and IPPAs to cover target source markets	■ MoF ■ MoFA	             
	management & offshoring hub	FIN. B.3	Attract foreign players (banks, asset managers, specia- lized accountants & lawyers) to set up shop in Lebanon	■ IDAL ■ MoE, BdL	
С	Develop centers	FIN. C.1	Develop project finance capabilities to capitalize on Syria & Iraq reconstruction efforts	<ul> <li>Financial Institutions</li> </ul>	
of excellence in specific niches with strong export potential	specific niches	FIN. C.2	Ensure best-in-class ecosystem and framework for FinTech development	<ul> <li>BdL for licensing</li> </ul>	
	export potential	FIN. C.3	Ensure best-in-class ecosystem for financial services outsourcing (digital & analytics, research & actuarial)	<ul> <li>BdL for licensing</li> </ul>	
<b>X.</b> 1	Legislation &	FIN. X.1.1	Maintain compliance to Money Laundering & Terrorism Financing legislation	<ul><li>BDL</li><li>BCCL</li></ul>	ABC
	Regulatory Framework	FIN. X.1.2	Establish collateral registry	<ul><li>BDL</li><li>Parliament</li></ul>	ABC
		FIN. X.2.1	Revamp tertiary education coursework in line with FS sector needs	<ul> <li>Ministry of Education</li> </ul>	ABC
X.2 Talent Pool & Education		FIN. X.2.2	Enhance capabilities of current and prospective financial sector employees	<ul> <li>Ministry of Education</li> <li>ABL</li> </ul>	ABC
		FIN. X.2.3	Enhance financial awareness & literacy across all levels	<ul> <li>Ministry of Education</li> <li>ABL</li> </ul>	ABC



### Financial Services – priority initiatives (4/4)

		Objective	Owner <sup>1</sup>	Plays
	FIN. X.3.1	Facilitate local lending for agriculture	■ BDL ■ Kafalat	ABC
	FIN. X.3.2	Enhance access to financing for SMEs in the creative industries fields	<ul><li>BDL</li><li>Kafalat</li></ul>	ABC
X.3Lending to priority sectors	FIN. X.3.3	Enhance access to financing to incentive construction of new hotels and renovation of existing hotels in anchor destinations	<ul><li>BDL</li><li>Kafalat</li></ul>	ABC
	FIN. X.3.4	Enhance access to finance to support industrial SMEs (focused on priority industry sectors)	<ul><li>BDL</li><li>Kafalat</li></ul>	ABC

#### FOCUSED APPROACH

Other initiatives related to financial services

## Financial Services – additional relevant initiatives detailed within

other sectors or enablers

	Objective	Initiative
Leg.1.1	Enhance ease of doing business	<ul> <li>Refer to initiative 1.1 under Legislation</li> </ul>
Leg.2.7	Revamp legislative environment for fund & asset management	<ul> <li>Refer to initiative 2.7 under Legislation</li> </ul>
Leg.2.8	Revamp legislative environment for digital banking & fintech	<ul> <li>Refer to initiative 2.8 under Legislation</li> </ul>
Leg.2.9	Complete set-up of capital markets authority	<ul> <li>Refer to initiative 2.9 under Legislation</li> </ul>
Exp.B.1	Establish the country brand and manage the perceived instability in the country	Refer to initiative B.1 under Export & Branding

NON-EXHAUST

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### Knowledge Economy – sector aspirations

Aspiration: To become a knowledge-driven digital nation, at the forefront of innovation, acting as a talent hub for technology, outsourcing, creative industries and education

#### **Current situation**

- Emerging but nascent technology & digital industry, with limited access to global markets and low digitization across economic sectors & government
- Small and fragmented outsourcing industry, lacking regional recognition
- Intrinsically competitive in creative industries (fashion, movie) but facing several challenges
- . Strong tertiary education system but low current export potential for the sector (e.g. low attraction of international)
- Lacking regulatory environment, digital & creative talent, limited access to funding and sub-par sector governance and infrastructure

#### **Targets**

GDP, USD Bn

2025

Regional technology leader with players in FinTech, CreativeTech, EdTech & HealthTech; strong technology adoption across priority economic sectors and digital government

Regionally renowned outsourcing sector with B established brand, attracting captive centers for regional MNCs, along with flourishing domestic offering of research & analytics

Regional creative hub, globally renowned for С a set of specific niches

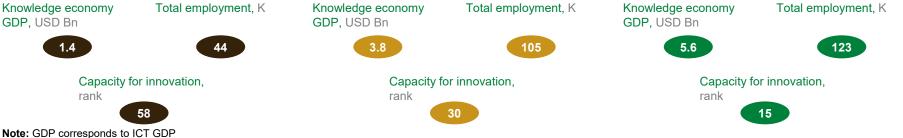
Educational hub, attracting regional students D across the board, and international students for specific niches

Vibrant ecosystem, regionally renowned as the Х "go-to" hub for startups, offering best in class regulation, abundant funding and world-class digital talent

### 2035



- Regional innovation hub with several unicorns having a 1USD Bn+ valuation; digitization as the key driver of sector productivity across all sectors and digital as the unique delivery means of **government** and private sector services
- Globally recognized as the "Go-to" global hub for research and analytics with deep regional & cultural expertise
- Creative as a core driver of all Lebanese . economic sectors
- World-class education hub, with leading tertiary institutions at a global level, attracting international students across the board



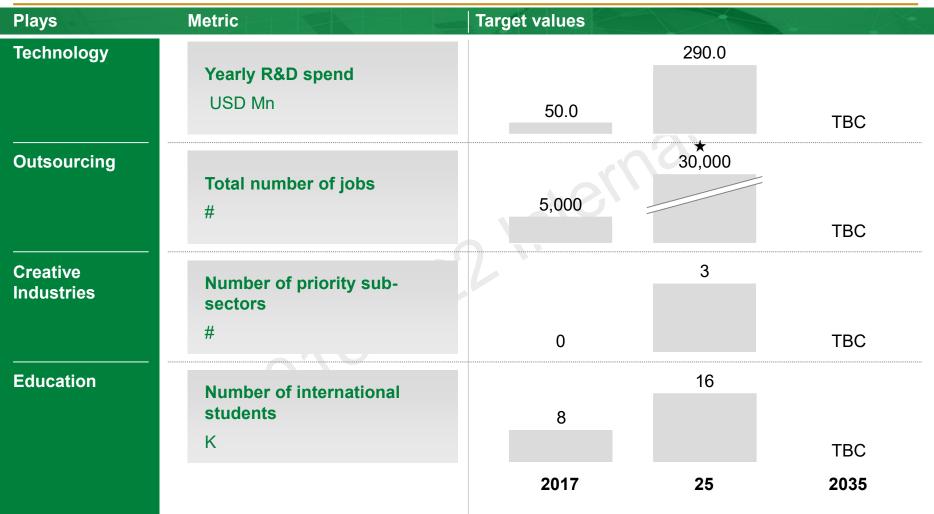


### Knowledge Economy – 2025 and 2035 targets (1/2)

Plays	Metric	Target values	
General targets	<b>GDP In Real 2017 prices</b> USD Bn	3.8	5.6
	Number of jobs K	* 105 44	123
	<b>Capacity for innovation</b> Rank	58 30	15
Technology	Total number of startups #	2,000	TBC
	Yearly VC funding USD Mn	190 100 <b>2017 25</b>	TBC 2035



### Knowledge Economy – 2025 and 2035 targets (2/2)





### Knowledge Economy – 2025 sector charter

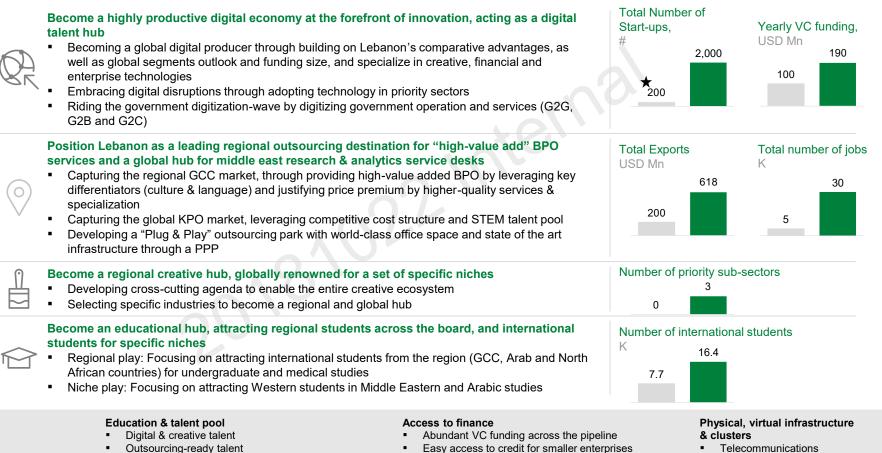
2025

2025 TARGETS

Aspiration: An knowledge-intensive and digital nation, at the forefront of innovation, acting as a talent hub for technology, outsourcing, creative industries and education

#### SECTOR PLAYS

**ENABLERS** 



- Telecommunications infrastructure
- Rental

#### Industry promotion

Physical and virtual clusters for incentives &

Easy access to credit for smaller enterprises

#### Industry governance

- Non-fragmented governance
- Global promotion campaigns

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FU			4 1 1		

# NON-EXHAUSTIVE

### Knowledge Economy – priority initiatives (1/4)

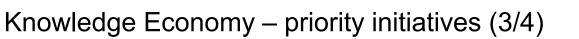
		Objective	Owner <sup>1</sup>	Plays
	KNO.A.1	Ensure continuous pipeline of R&D funding	<ul> <li>Innovation Council/ Task Force</li> </ul>	   
A Technology & Digital	KNO.A.2	Reinforce footprint of technology transfer offices	<ul> <li>Innovation Council/ Task Force</li> </ul>	
	KNO.A.3	Unlock Lebanese University's technology footprint	<ul> <li>Innovation Council/ Task Force</li> </ul>	
B Outsourcing ← →	KNO.B.1	Create an outsourcing park in a region outside Beirut & Mount Lebanon	<ul> <li>Ministry of Industry</li> </ul>	
	KNO.B.2	Set-up the Outsourcing team within IDAL	<ul> <li>IDAL</li> </ul>	
	KNO.B.3	Develop and conduct tenant attraction plan	<ul> <li>IDAL</li> </ul>	
C Creative	KNO.C.1	Take a bet on specific Creative & Cultural industries (2- 3 industries)	<ul> <li>Ministry of Culture</li> </ul>	
Industries	KNO.C.2	Invest in creative & cultural industries infrastructure	<ul> <li>Ministry of Culture</li> </ul>	
D Education	KNO.D.1	Attract international education institute to open branch in Lebanon	<ul> <li>Ministry of Education</li> </ul>	
	KNO.D.2	Address capacity constraint in selected top universities	<ul> <li>Ministry of Education</li> </ul>	-         

EO	ISED		БΒ	$\frown$	CL
EU		AP	PR	UA	
	 020			<u> </u>	

## Knowledge Economy – priority initiatives (2/4)



		Objective	Owner <sup>1</sup>	Plays
	KNO.D.3	Enhance overall education system within the country (specifically public secondary education)	<ul> <li>Ministry o Educatior</li> </ul>	1
	KNO.D.4	Enhance mobility for all educational institutions	<ul> <li>Ministry o Educatior</li> </ul>	
D Education	KNO.D.5	Provide transparency on job market supply-demand dynamics	<ul> <li>Ministry o Labor/ Ministry o Foreign Affairs</li> </ul>	
X.1 Talent Pool &	KNO.X.1.1	Revamp secondary curriculum for technology	<ul> <li>Ministry o Education</li> <li>Innovation council/ task force</li> </ul>	ו
Education	KNO.X.1.2	2 Revamp tertiary curriculum for technology	<ul> <li>Ministry o Education</li> <li>Innovation council/ task force</li> <li>Leb. Univ</li> </ul>	1





	Objective	Owner <sup>1</sup>	Plays
X.1 Talent Pool & Education	KNO.X.1.3 Revamp tertiary curriculum for outsourcing	<ul> <li>Ministry of Education</li> <li>Lebanese University</li> <li>IDAL</li> </ul>	ABCD
X.2Access to Finance	KNO.X.2.1 Ensure continuous pipeline of VC funding	<ul><li>Parliament</li><li>BDL</li><li>IDAL</li></ul>	ABCD
Finance	KNO.X.2.2 Develop philanthropy grant creative and cultural industries	<ul> <li>Parliament</li> </ul>	ABCD
X.3Physical & Virtual	KNO.X.3.1 Develop the physical "Beirut Knowledge Village" cluster in Beirut	<ul> <li>Ministry of Industr.</li> </ul>	ABCD
Infrastructure	KNO.X.3.2 Design and launch the "Smart Lebanon" virtual licensing scheme	<ul> <li>IDAL</li> </ul>	ABCD
	KNO.X.4.1 Develop and conduct country digital promotion campaign	<ul> <li>Innovation Council/ Task Force</li> </ul>	   
X.4Industry Promotion	KNO.X.4.2 Develop country branding of selected creative and cultural industries	<ul> <li>Ministry of Culture</li> </ul>	ABCD
	KNO.X.4.3 Set up an information portal for international students	<ul> <li>Education board/task force</li> </ul>	



### Knowledge Economy – priority initiatives (4/4)

		Objective	Owner <sup>1</sup>	Plays
X.4Industry Promotion	KNO.X.4.4	Promote selected universities in target source countries	<ul> <li>Education board/task force</li> </ul>	1
	KNO.X.4.5	Strengthen the perception of Lebanese graduates employability in international markets	<ul> <li>Education task force</li> <li>Ministry of Foreign Affairs</li> </ul>	ABCD
	KNO.X.5.1	Set up the national innovation council as the Task Force to drive the implementation of the digital strategy	<ul> <li>Council of ministers</li> </ul>	ABCD
X.5 Governance	KNO.X.5.2	Set-up an Inclusive organization/task force for creative industries	<ul> <li>Council of ministers</li> </ul>	ABCD
	KNO.X.5.3	Set up a task force to drive and implement the international education strategy	<ul> <li>Council of ministers</li> </ul>	ABCD

#### **FOCUSED APPROACH**

# Knowledge Economy – additional relevant initiatives detailed within the sectors or enablers

	Objective	Initiative
Fin.X.3.2	Enhance access to financing for SMEs in the creative industries fields	<ul> <li>Refer to initiative X.3.2 under Financial Services</li> </ul>
Inf.2	Implement Fiber strategy of MoT	Refer to initiative 2 under Infrastructure
Leg.2.5	Revise regulatory environment for Knowledge Economy activities	<ul> <li>Refer to initiative 2.5 under Legislation</li> </ul>
Leg.2.6	Amend Labor law for part timers including in Creative Industries	<ul> <li>Refer to initiative 2.6 under Legislation</li> </ul>
Leg.1.1	Enhance ease of doing business	Refer to initiative 1.1 under Legislation
Exp.A.1	Centralize & consolidate export-support activities (e.g. within IDAL or new entity)	<ul> <li>Refer to initiative A.1 under Export &amp; Branding</li> </ul>
Exp.A.2	Expand export promotion	<ul> <li>Refer to initiative A.2 under Export &amp; Branding</li> </ul>

Other initiatives related to knowledge economy



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    - Financial Services
    - Knowledge Economy

## Diaspora

- Enablers
  - Infrastructure
  - Other Enablers
- Flagship Projects
- Implementation Mechanism



### Diaspora – sector aspiration

Aspiration: A proactive emigration policy, with a highly engaged Lebanese diaspora actively contributing to Lebanon's economic and social development

#### **Current situation**

- Low engagement effort and withering relationships with second and third diaspora generations
- High share of non-productive diaspora inflow (consumption, realestate)
- Unorganised labour force immigration

2025

A A proactive emigration policy (e.g. tracking system for emigrants, G2G agreements)

B Highly engaged diaspora with strong ties to Lebanon (e.g. familiarization trip for young diaspora, "Lebanese diaspora day")

C Major driver of the Lebanese economy through contributions in productive investments, knowledge and market access

(e.g. remittance for regional development, sponsorship/mentorship program, "Ambassador" program for export promotion)

D Effective lobbying mechanism advocating for Lebanon's interest (Diaspora advisory board)

### 2035

- Labour force trained for the global economy, with a clear labour force supply-demand management
- Promotion of Lebanon's interest globally in an organised and systematic way
- One global community with deep ties to Lebanese roots
- Core growth engine for the Lebanese economy



### Diaspora – 2025 and 2035 targets

Plays	Metric	Target values		$X \sim - DX_{\infty}$
Seed	G2G labor agreements #		10	
		N/A		TBC
Radiate	Diaspora covered in director %	terr	\$55%	
		N/A		TBC
Reap	Number of yearly diaspora mega-projects		30	
	#	N/A		TBC
		2017	25	2035

### Diaspora – 2025 sector charter

Aspiration: A proactive emigration policy, with a highly engaged Lebanese diaspora actively contributing to Lebanon's economic and social development

SECTOR PLAYS	2025 TARGETS	
<ul> <li>Seed": Prepare, organize and invest in the next generation Lebanese workforce to be ready for the global economy and ensure a tracking system is in place to monitor emigration</li> <li>Coordinate the export of talent between job seekers and the foreign market through G2G agreements</li> <li>Track the country of residence and occupation of emigrants to pro-actively address emigration and drive decision making</li> </ul>	G2G labour agreements, #	
	Diaspora covered in directory, %	
to development projects	Number of mega projects (e.g. hotels, factories) driven by diaspora, #	



#### "Advocate": Harness and formalize advocacy i.e. lobbying power in centers of the world through establishing a diaspora advisory board

Establish a diaspora advisory board with selected diaspora members to act as advisors to the government on economic matters and advocate for Lebanon's interest in global forums

**Data and analytics** Enablers

> Data analysis

#### Awareness and accountability

- Awareness and promotion
- Availability of information (One stop shop)
- Corruption

#### Organization

Diaspora management unit



2025 targets



### Diaspora – priority initiatives (1/2)

		Objective	Owner <sup>1</sup>	Plays
A "Seed": Prepare, organize and invest in the next generation Lebanese workforce to be ready for the global economy	DIA.A.1	Organize and track emigration	<ul> <li>MoFA</li> </ul>	1 1 1
	DIA.A.2	Create visibility on local and global labor market	<ul> <li>Ministry of Labor</li> <li>MoFA</li> </ul>	
	DIA.A.3	Develop G2G bi-lateral labor force agreements for $\star$ export of talent	<ul> <li>MoFA</li> </ul>	
	DIA.A.4	Align skills to demand of external markets	<ul> <li>MoFA</li> </ul>	
	DIA.A.5	Prepare Lebanese labor force for work in external markets	<ul> <li>MoFA</li> </ul>	
B "Radiate"-	DIA.B.1	Enhance the communication between the Lebanese government and its diaspora	<ul> <li>MoFA</li> </ul>	
Strengthen	DIA.B.2	Develop vibrant diaspora communities	<ul> <li>MoFA</li> </ul>	- - - - -
the bond between Lebanon and its	DIA.B.3	Strengthen ties between diaspora youth and the country	<ul><li>MoT</li><li>MoFA</li></ul>	
diaspora	DIA.B.4	Revive sense of belonging in Lebanese diaspora through targeted program	<ul><li>MoFA</li><li>Embassies</li></ul>	
C "Reap"- Leverage diaspora as an engine for growth	DIA.C.1	Populate diaspora database	<ul> <li>MoFA</li> </ul>	1 1 1 1 1 1



## Diaspora – priority initiatives (2/2)

		Objective	Owner <sup>1</sup>	Plays
	DIA.C.2	Create appetite to send remittances towards local development projects	<ul> <li>MoFA</li> </ul>	
C "Reap"-	DIA.C.3	Encourage diaspora investments in productive sectors	<ul> <li>MoFA</li> </ul>	
diaspora as an engine for growth	DIA.C.4	Facilitate access to information on investment and★ business opportunities	<ul> <li>IDAL</li> </ul>	
C	DIA.C.5	Transfer knowledge/ expertise	<ul> <li>MoFA</li> </ul>	
D "Advocate" - Harness and formalize advocacy/lobbyi ng power of Lebanon	DIA.D.1	Form an Diaspora Advisory Board/Task force to drive the implementation	<ul> <li>Council of Ministers</li> </ul>	
(.1 Awareness & accountability	DIA.X.1.1	Restore faith of the diaspora in the Lebanese government and ensure their buy-in in government programs	<ul> <li>MoFA</li> </ul>	ABCD

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

Other initiatives related to diaspora

# Diaspora – additional relevant initiatives detailed within other sectors or enablers

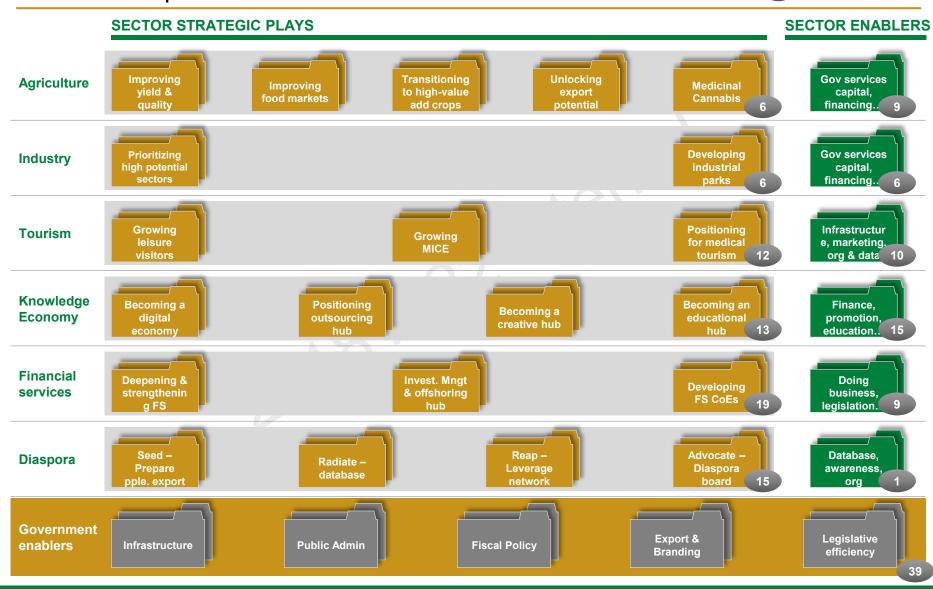


	Objective	Initiative
Exp.A.1	Centralize & consolidate export-support activities (e.g. within IDAL or new entity)	<ul> <li>Refer to initiative A.1 under Export &amp; Branding</li> </ul>
Exp.A.2	Expand export promotion	<ul> <li>Refer to initiative A.2 under Export &amp; Branding</li> <li>*</li> </ul>

# ~160 initiatives across prioritized sectors and enablers would guide the vision implementation $\square$



Number of initiatives



# The ~160 initiatives should be launched beginning with those that have the highest priority

			Fildse 5
	Phase 1	Phase 2	]
Industry	<ul> <li>Develop next-generation industrial construction technology zone (near northern border capitalizing on the reconstruction efforts)</li> </ul>	<ul> <li>Launch 2nd wave of industrial zones in southern &amp; coastal regions</li> <li>Update TVET programs in line with global best practices</li> </ul>	<ul> <li>Develop a dry port (e.g. near Chtoura) to alleviate pressure on Port of Beirut</li> <li>Streamline customs inspections processes (land &amp; maritime ports)</li> </ul>
Agriculture	<ul> <li>Assuming government policy in place, develop a regulatory framework to legalize and control cannabis for medical purposes</li> </ul>	<ul> <li>Launch alternative opt-in subsidy program for tobacco farmers</li> <li>Launch training programs (governance, ops, marketing local co-operatives)</li> </ul>	<ul> <li>Improve water sustainability through strengthened regulat. &amp; enforcement</li> <li>Increase transparency in wholesale markets through digital channels</li> </ul>
Tourism	<ul> <li>Raise ~14 Mn USD for tourism marketing focused on 15 target countri</li> <li>Launch national campaign to clean public beaches</li> </ul>	<ul> <li>Create an entertainment and gaming strip in greater Beirut area through extending gaming licenses and renovating Casino du Liban</li> </ul>	<ul> <li>Market Lebanon as a medical tourism and wellness destination with centers of excellence in specialized fields</li> </ul>
Knowledge Economy	<ul> <li>Create an outsourcing park in a region outside Beirut &amp; Mount Lebanon (e.g. Tripoli) offering best-in-class and affordable infra, rental &amp; registration</li> </ul>	<ul> <li>Develop and launch campaign promoting the Lebanese "Innovation Economy" while ensuring participation in global conferences &amp; events</li> </ul>	<ul> <li>Supply education systems with the right tools to graduate students with majors relevant to the economy (e.g. national supply demand gap survey)</li> </ul>
Financial services	<ul> <li>Develop detailed banking strategy</li> <li>Develop asset management value proposition: Launch promotion &amp; sign DTAs<sup>1</sup> for target markets (e.g. Caspiar</li> </ul>	<ul> <li>Enable capital markets through growing capital demand: (e.g. Fast- track state-owned enterprises listing;</li> <li>fund CIP through debt markets)</li> </ul>	<ul> <li>Promote consolidation to enhance sustainability of underperforming banks though providing merger incentives (e.g. soft loans)</li> </ul>
Diaspora	<ul> <li>Revive sense of belonging in diaspora through "Diaspora ID" program, recognising holders as descendants of Lebanese &amp; granting benefits</li> </ul>	labour force by skill and major	<ul> <li>Facilitate access to information on investment opportunities through setting up a portal listing opportunities accessible through IDAL's website</li> </ul>
Enabler initiatives	<ul> <li>Accelerate approval of 11 critical business environment legislations including code of commerce, bankruptcy law</li> </ul>	<ul> <li>Launch revenue growth initiatives (e.g. Tobacco tax), moving from 40% to 70% tax collection effort</li> </ul>	<ul> <li>Complete digitization of key public processes with private sector participation &amp; monitoring</li> </ul>

1 Double Taxation Agreements

~75

~45

~30

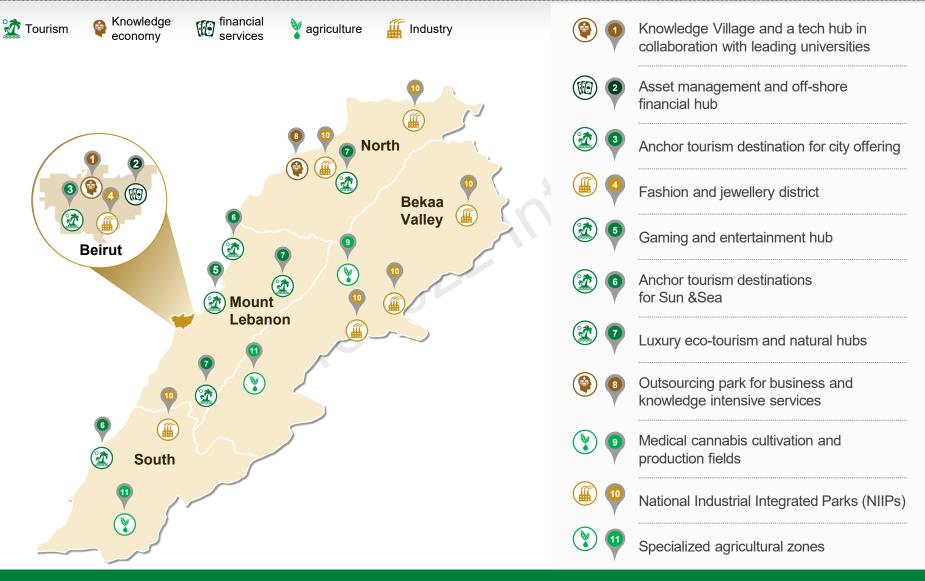
Number of initiatives

Phase 3

# Launching the developed initiatives would ensure balanced regional development



NON-EXHAUSTIVE





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# – Enablers

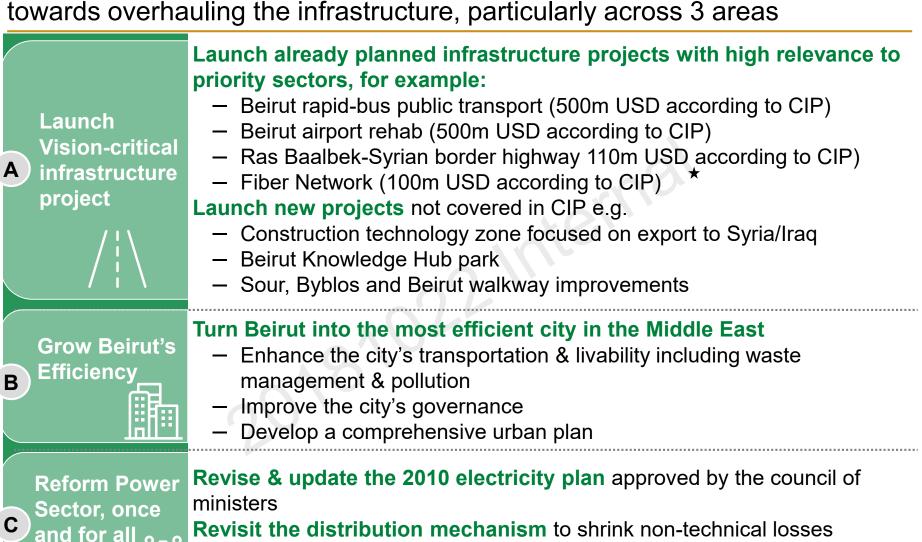
# Infrastructure

- Other Enablers
- Flagship Projects
- Implementation Mechanism

Β

С

Beyond activating productive sectors, the government should work towards overhauling the infrastructure, particularly across 3 areas



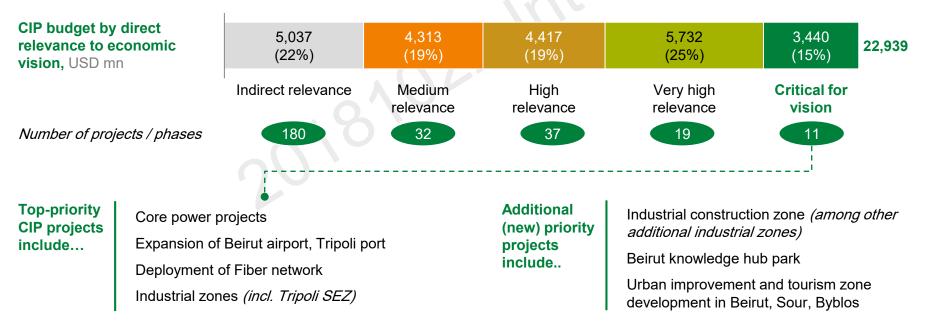
Grow reliance on renewables and set clear power-mix targets

Α

Overview

# Implementation of Capital Investment Plan should prioritize projects which are very relevant to the economic vision

- The Capital Investment Plan's ~270 projects will provided much-needed infrastructure spending<sup>1</sup> to Lebanon, and every effort must be made to ensure successful implementation
- Several projects are highly relevant to the economic growth generally, and to the economic vision more specifically
  - 11 projects (representing 15% of total CIP budget) are deemed to be vision-critical
- Thus, to ensure achievement of economic objectives, Lebanon should prioritize vision-relevant projects across several dimensions (including distribution of funds, allocation of resources, etc.)
  - Moreover, a number of additional vision-linked priority projects need to be added to the government's agenda



1 Top-down analysis suggests that Lebanon's annual infrastructure spending requirements exceed 4 billion USD, which far outweighs proposed spending under CIP. Thus, CIP is likely to be an "underestimate" of required infrastructure efforts.

Note: Beyond vision relevance, several other criteria should be taken into consideration when prioritizing CIP projects (e.g. Social impact, feasibility, interdependencies, etc..)



### Achieving Lebanon's Economic Vision will require an efficient urban and Β business centre in Beirut City planning & efficiency is a key enabler Several gaps exist within Greater Beirut's efficiency that should be for economic development and growth tackled as part of a broad city vision

Kev

challenges

should be

tackled...

By 2030, 60% of the population – 5 billion people – will be city dwellers ...

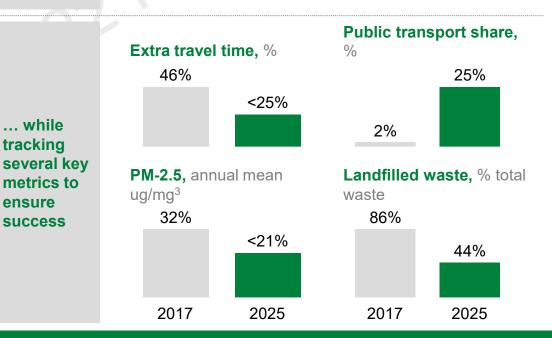
... and the top 600 global cities are expected to contribute to more than half of the world's GDP

Knowledge-intensive, small-sized countries, unlocked their growth potential, through anchoring their development around an efficient urban center, at the heart of the economy

Singapore positioned the city as a key regional hub, attracting regional headquarters for 100+ companies by 1990

Dubai has developed a comprehensive strategy anchored around an efficient urban zone with SEZ around the city

- Enhance overall livability of the city, mainly pollution and waste management
- Focus on growing improving offering and growing use of public transportation, through prioritizing and incrementing relevant CIP initiatives
- Develop a fully integrated urban plan, with clear land use allocation
- Reclaim illegally used land particularly on Greater Beirut's beachfronts



Source: C40 Cities, WHO Global Urban Ambient Air Pollution Database, Lebanon municipality of Beirut sustainable energy action plan, Capital Investment Program, Press Search, Transport Authority of Countries, TomTom Index; CIP, Land Transport Authority of Singapore, Gulf News, CAS, Ministry of Health

ensure

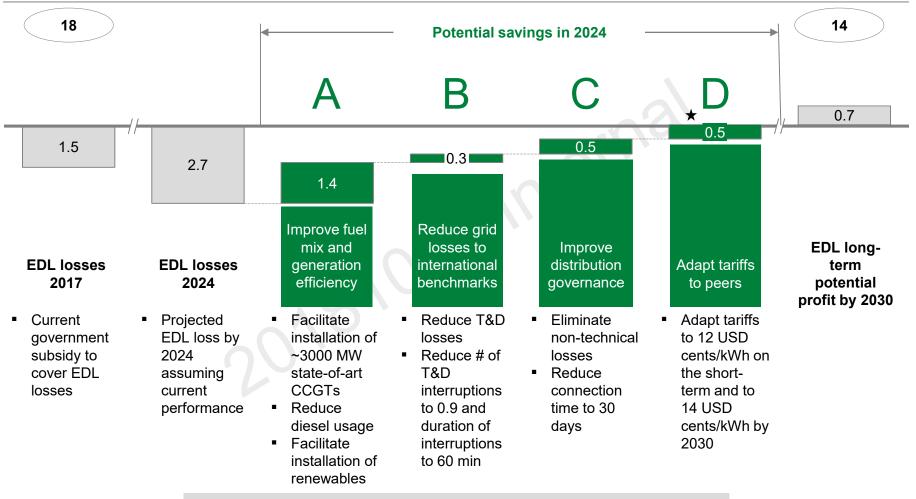
С

Immediate action by the government to reform the power sector would eliminate the need for subsidies by 2024

Consumer burden, USD cents/kWh

Х

Current EDL financial performance and potential development for 2024 and 2030, USD bn



Execution of sector recovery requires setting up proper governance and operating model of EDL i.e., restructuring and corporatization of EDL



## Infrastructure – priority initiatives

Infrastru	cture

	Objective	Owner <sup>1</sup>	Part of CIP	CIP Code
INF.1	Expand the airport capacity	<ul> <li>MoPWT</li> </ul>	$\checkmark$	■ TP16,17
INF.2	Implement Fiber strategy of MoT	<ul> <li>Ministry of Telecom</li> </ul>	$\checkmark$	<ul> <li>TL01</li> </ul>
INF.3	Reform national infrastructure (incl. power, logistics, utilities)	<ul> <li>MoPWT</li> </ul>	* 🗸	<ul> <li>E01,04, 09,06</li> <li>TP06, 20</li> </ul>
INF.4	Enhance access to/from anchor destinations to enable "hub and spoke" model	<ul> <li>MoPWT</li> </ul>	$\checkmark$	• TP10
INF.5	Prioritize financing to existing industrial zones (advancing to CIP cycle 1)	<ul> <li>CDR</li> <li>MoPWT</li> </ul>	$\checkmark$	<ul> <li>IN01,02</li> </ul>



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## – Enablers

Infrastructure

# Other Enablers

- Flagship Projects
- Implementation Mechanism

# Three overarching government enablers should also be tackled to further fuel the economic growth



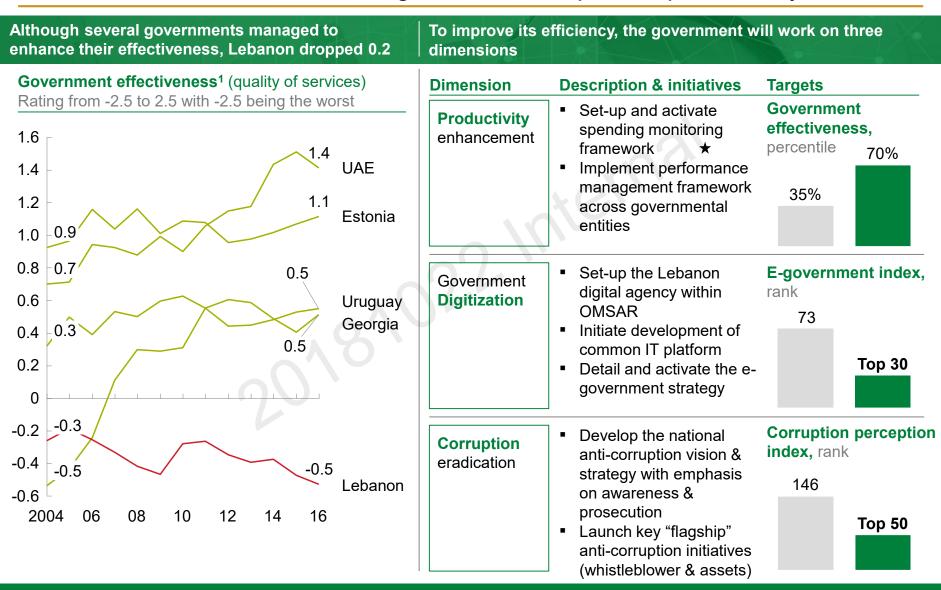
	A Public administration	<ul> <li>Disseminate radical reforms and high productivity mindset in public sector</li> <li>Assume the Vision economic targets as measures of performance of future governments and Ministers</li> <li>Launch government digitization overhaul, with private sector participation and monitoring</li> <li>Launch anti-corruption purge starting with a visible, symbolic initiative (e.g. law to disclose assets of elected officials, public sector whistleblower law)</li> </ul>
overnment	Stal B Fiscal policy	<ul> <li>Establish new fiscal rules and re-visit existing ones</li> <li>Elaborate on and publish Medium Term Expenditure Framework including the action plan to achieve 1% annual reduction in fiscal deficit</li> <li>Set a top-down government fiscal ceiling trickled to the Ministry level, following the Vision priority areas</li> <li>Launch revenue growth initiatives (e.g. Tobacco tax), moving from 40% to 70% tax collection effort</li> </ul>
C	C Legislative efficiency	<ul> <li>Overhaul parliament productivity</li> <li>Establish and approve a Legislative Agenda with key topics and legislations to amend or draft, following Vision recommendations:         <ul> <li>Accelerate the approval of 11 business environment legislations, including Code of Commerce, E-signature and Bankruptcy Law</li> <li>Amend, enforce or introduce legislations relevant for the prioritized sectors of the vision (e.g. Enforce Water Law 221-2000, amend Ministerial Decree 1660 on governance of industrial zones)</li> </ul> </li> </ul>

Α

To enhance the public administration's efficiency, three key priority dimensions will be tackled: digitization, corruption & productivity 2017



2025



Source: Worldwide Governance Indicators - World Bank; Corrpution Perceptions Index 2017; UN e-government index



## Public administration – priority initiatives

		Objective	Owner <sup>1</sup>
A Productivity enhancement	PUB.A.1	Develop and implement performance management framework across governmental entities	<ul> <li>Office of the PM</li> </ul>
P. Covernment	PUB.B.1	Set-up the Lebanon digital agency within OMSAR to lead the digitization effort	<ul><li>Ministry of Labor</li><li>MoFA</li></ul>
B Government digitization	PUB.B.2	Initiate development of common IT platform $\checkmark$ $\star$	<ul> <li>MoFA</li> </ul>
	PUB.B.3	Detail and activate the e-government strategy with prioritization of most critical processes	<ul> <li>MoFA</li> </ul>
C Corruption eradication	PUB.C.1	Develop the national anti-corruption vision & strategy	<ul> <li>State Ministry for combatting corrupt</li> </ul>
eradication	PUB.C.2	Launch key "flagship" anti-corruption initiatives	<ul> <li>State Ministry for combatting corrupt</li> </ul>
E Data systems	PUB.E.1	Enhance data & statistics capabilities within the government	<ul> <li>Central Authority of Statistics</li> </ul>
F Institutionalization mechanism	PUB.F.1	Develop and set-up the formal institutionalization mechanism responsible for overseeing the implementation of the Economic Vision	<ul> <li>Short-term interim Lebanon Vision economic team</li> </ul>

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.



## Export promotion & country branding – priority initiatives

		Objective	Owner <sup>1</sup>
A Export promotion	EXP.A.1	Centralize & consolidate export-support activities (e.g. within IDAL or new entity)	<ul> <li>Office of PCM</li> </ul>
	EXP.A.2	Expand export promotion	• TBD
B Country branding	EXP.B.1	Establish the country brand and manage the perceived instability in the country	<ul> <li>MoFA</li> </ul>

В

# Four broad categories of interventions can be leveraged to ensure fiscal discipline

Categories	Levers	Description	Example initiatives	Targets
Revenue optimizationTax revenue		<ul> <li>Design targeted initiatives to reduce the current gap in tax collection and enhance tax effort form 42% to ~60-70% of total taxation capacity</li> </ul>	<ul> <li>Enforce VAT</li> <li>Introduce tobacco tax</li> </ul>	<b>Tax revenue</b> , % GDP 20% 14%
	Non-tax revenue	<ul> <li>Leverage data analytics to assess leakages from non-tax revenues</li> </ul>	<ul> <li>Enforce real estate registration fees</li> </ul>	
Cost rational-	Salaries	<ul> <li>Stabilize and/or reduce Salaries &amp; wages to bring it in line with global benchmarks</li> </ul>	<ul> <li>Freeze hiring of public servants</li> </ul>	Government expenditures, % GDP
ization	Other OpEx	<ul> <li>Conduct analytical assessment of expenses to capture cost-cutting potential</li> </ul>	<ul> <li>Investigate rental costs</li> </ul>	27% 20%
$(\times)$	EdL pay.	<ul> <li>Reduce ~1-2 USD Bn of yearly transfers to close the electricity deficit</li> </ul>	<ul> <li>Revamp power sector to close deficit</li> </ul>	
Medium-term expenditure framework	[] 비 []	<ul> <li>Enhance current MTEF, in line with best practice, with a planning horizon beyond current budget cycle, setting revenue and expenditure estimates</li> </ul>	<ul> <li>Revamp current MTEF by macro- fiscal department</li> </ul>	Forecast deviation from actuals, % N/A 10%
Fiscal rules	Ø	<ul> <li>Develop a set of enforceable rules to ensure fiscal discipline, mainly expenditures and public debt ceilings, at a granular level</li> </ul>	<ul> <li>Enforce ceiling on salaries expenditures by ministry</li> <li>Debt to GDP &lt; 120%</li> </ul>	Fiscal deficit, % GDP -3% -8%



2025

## Fiscal policy – priority initiatives



Priority in	Indervoo	
	Objective	Owner <sup>1</sup>
FIS.1	Set-up and activate expenditure ceilings	<ul> <li>Ministry of Finance</li> </ul>
FIS.2	Set-up medium term expenditure framework	<ul> <li>Ministry of Finance</li> </ul>
FIS.3	Reduce government revenue leakages	<ul> <li>Ministry of Finance</li> </ul>
FIS.4	Develop strategy for floating state-owned enterprises	<ul> <li>Ministry of Finance</li> </ul>
FIS.5	Develop budget rationalization task force	<ul> <li>Ministry of Finance</li> </ul>

Fiscal policy & public finance

С

# In order to ensure a conducive business environment, several legislations need to be passed



70 2025 Target WGI: Regulatory quality 40 rank, percentile rank 2025 2017 Cross-cutting legislations for all sectors have Sector specific legislations have also been identified List of been identified and classified in order of priority to ensure conducive business environment legislations/ laws Drafting stage 妏 Number of years since submission of draft Dates back Number of to 1942 Sector laws/regulation Laws/regulation Agriculture 4 Critical priority Code of commerce 5 5 **High priority** Competition law Industry 1 5 Closing a business Tourism 4 Judicial mediation **Financial services** 2 Bankruptcy law 4 Knowledge economy Insolvency practitioner law 4 Others Secure lending **Priority** Equity compensation law Preferred shares 4 6 E-signature law IP Law



## Legislative agenda – priority initiatives (1/2)

<u> </u>	<u> </u>	•		
			Objective	Owner <sup>1</sup>
		LEG.1.1	Enhance ease of doing business	<ul> <li>Parliament</li> </ul>
Legislative agenda	00	LEG.2.1	Amend the regulatory framework to extend gaming licenses beyond Casino du Liban	<ul> <li>Parliament</li> </ul>
		LEG.2.2	Introduce, update, enforce laws to ensure environment standards are met as per international standards	<ul> <li>Parliament</li> </ul>
		LEG.2.3	Stimulate investments in the tourism sector (Law 360)	<ul> <li>Parliament</li> </ul>
		LEG.2.4	Incentivize the specialization of hospitals	<ul> <li>Parliament</li> </ul>
		LEG.2.5	Revise regulatory environment for Knowledge Economy activities	<ul> <li>Parliament</li> </ul>
		LEG.2.6	Amend Labor law for part timers including in Creative Industries	<ul> <li>Parliament</li> </ul>
		LEG.2.7	Revamp legislative environment for fund & asset management	<ul> <li>Parliament</li> </ul>
		LEG.2.8	Revamp legislative environment for digital banking & fintech	<ul> <li>Parliament</li> </ul>
		LEG.2.9	Complete set-up of capital markets authority	<ul> <li>Parliament</li> </ul>



## Legislative agenda – priority initiatives (2/2)

			Objective	Owner <sup>1</sup>
Legislative agenda	roon 1	LEG.2.10	Initiate the development of a cannabis regulatory framework (if aligned with national policy)	<ul> <li>Parliament</li> </ul>
	6	LEG.2.11	Protect groundwater resource (Water Law 221/2000)	<ul> <li>Parliament</li> </ul>
		LEG.2.12	Increase transparency on food wholesale markets and distributions $\star$	<ul> <li>Parliament</li> </ul>
		LEG.2.13	Re-direct tobacco subsidies towards more productive areas	<ul> <li>Parliament</li> </ul>
		LEG.2.14	Encourage export of Lebanese brand names (Franchise law)	<ul> <li>Parliament</li> </ul>
		LEG.2.15	Resolve regulatory obstacles of industrial parks (e.g. amending Ministerial Decree 1660)	<ul> <li>Parliament</li> </ul>
		LEG.2.16	Develop a Pharmaceutical prescription regulatory framework	<ul> <li>Parliament</li> </ul>
		LEG.2.17	Increase labor force participation and employment of women to further ignite the economic growth	<ul> <li>Parliament</li> </ul>
		I		



### Contents

- A Vicious Economic Cycle

   Summary of sectors & enablers diagnostic
- A Promising Future

# A Focused Approach

- Sectors
  - Agriculture
  - Industry
  - Tourism
  - Financial Services
  - Knowledge Economy
  - Diaspora

## Enablers

- Infrastructure
- Other Enablers

# Flagship Projects

Implementation Mechanism

Moreover, the identified 3 flagship projects would be launched immediately to jumpstart the momentum







- Seamless end-to-end tourism journey with a newly-overhauled airport experience
- Penetration of 2-3
   Lebanese crops into new export markets<sup>1</sup>
- "Lebanon 2020" centennial nation-wide celebration<sup>1</sup>

Capture imminent opportunities



# Build a flagship project symbolizing the Vision

 Construction technology zone on the border with Syria, capitalizing on the Syria and Iraq

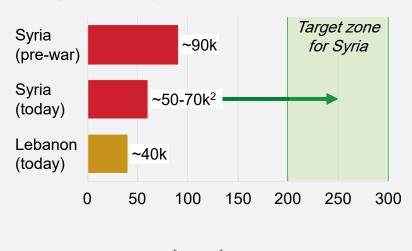
reconstruction opportunity worth ~100-300 USD Bn, and housing millions of returning refugees  "Smart Lebanon" Knowledge Hub hosting creative, technology and outsourcing companies, within and outside real estate zones (e.g. Outsourcing park in Tripoli)

# The Syrian conflict has destroyed 1-2 million homes, contributing to a total reconstruction cost of 100-350 billion USD



### **Comparison of estimated production**

capacity, # housing units/year



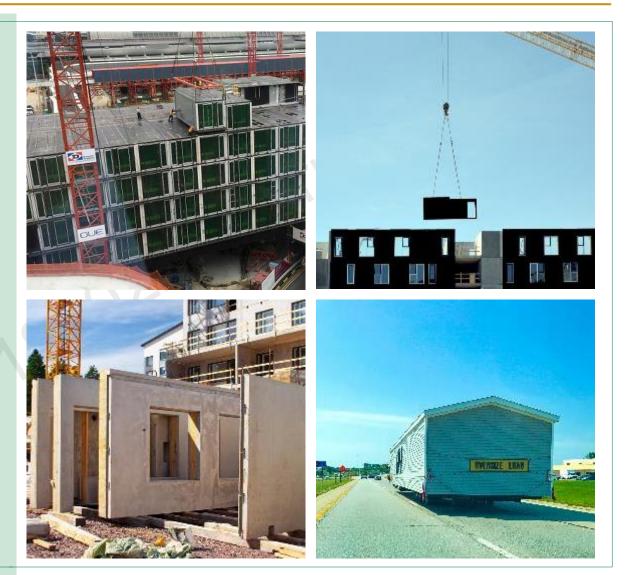
- Syria's domestic construction capacity will only be able to meet 20-30% of demand
- Annual supply gap will be at least 100,000 units, which is overwhelming larger than Lebanon's total production capacity of ~40,000 units
  - E.g. to capture 20% of the supply gap, Lebanon will need to increase its capacity by 50%
- Thus, in all likelihood, Lebanon's reconstruction efforts will not be limited by demand

1 Including natural growth rate of 100,000 homes/year; 2 Based on damage/destruction of cement factories; 3 Not limited to housing

Source: World Bank, Middle East Initiative, cement factory websites, press search

Lebanon's participation in the reconstruction of Syria should be focused on industrial construction approaches

Industrial construction entails large-scale, centralized production of units using automated & optimized industrial technologies which allow for integration across the value chain







Industrialized construction offers several advantages which are very relevant to Syrian reconstruction



### Advantages of industrialized construction

Reduced costs

20%-40% ↓

Minimization of waste due to the accurate production of precast concrete elements and reduced maintenance costs

# Short construction time (and better quality)

~50%

Optimized process and production in a controlled environment leads to efficiency and quality

### **Critical in Syria**

Due to declines in income & purchasing power

### **Critical in Syria**

Due to overwhelming supply-demand gap

Higher productivity; fewer on-site personnel

~30% \downarrow

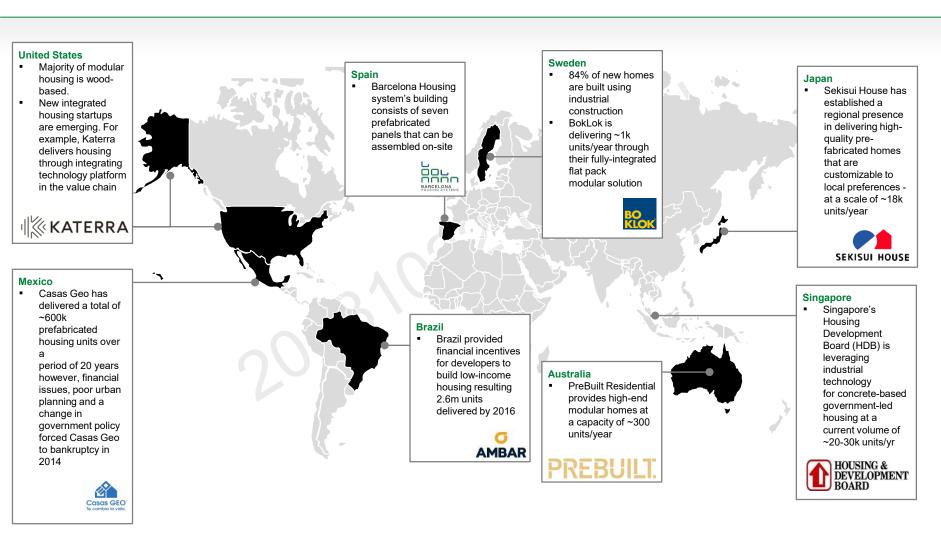
Reduced labor cost and improved productivity

Creation of high-skill employment opportunities as jobs move from site to factory

### **Critical in Lebanon**

Due to shortage of skilled job openings for Lebanese graduates & workers

Industrial construction technologies have been successfully leveraged for housing across the world...





## ... as well as in Syria and the Middle East

The "Masaken Barzeh" area in **Damascus** is almost entirely prefabricated

 $\searrow$ 

Karmod – a leading Turkish prefab company – has developed several modular housing compounds in **Iraq** 

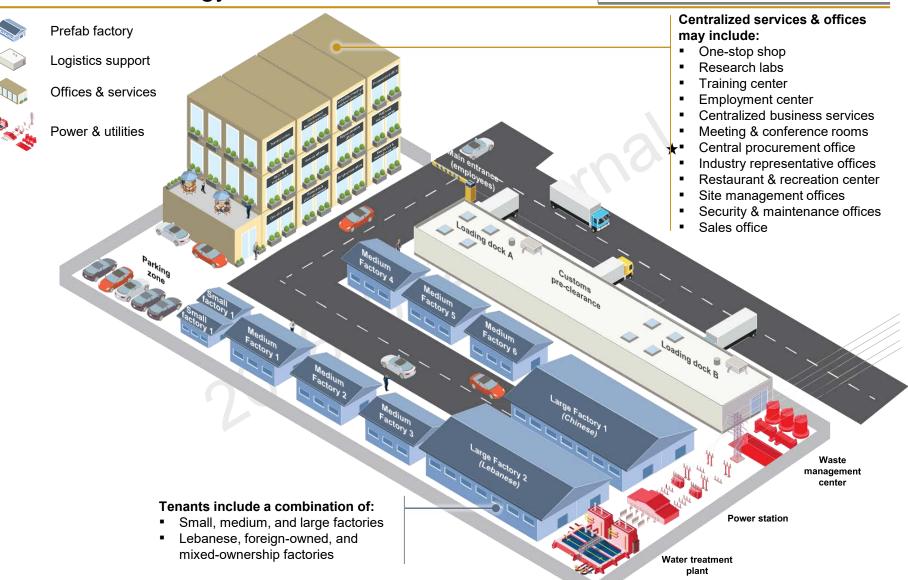


2500 units build in 12 months (2014-15)

1880 units built in 7 months (2013)

# Illustrative visualisation of industrial technology zone

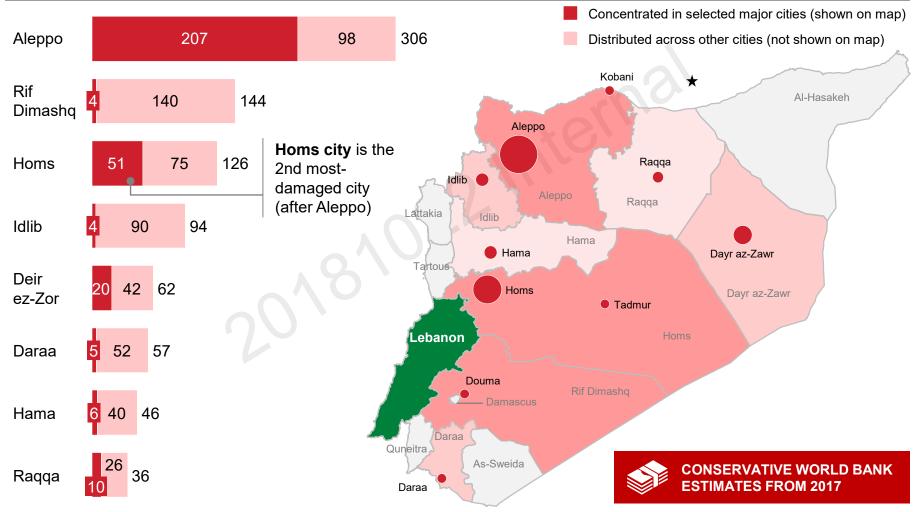




# Homs is likely to be one of the most important reconstruction markets for Syria, followed by Rif Dimashq and Aleppo

### Governorate-level distribution of damage to housing in Syria (2017)

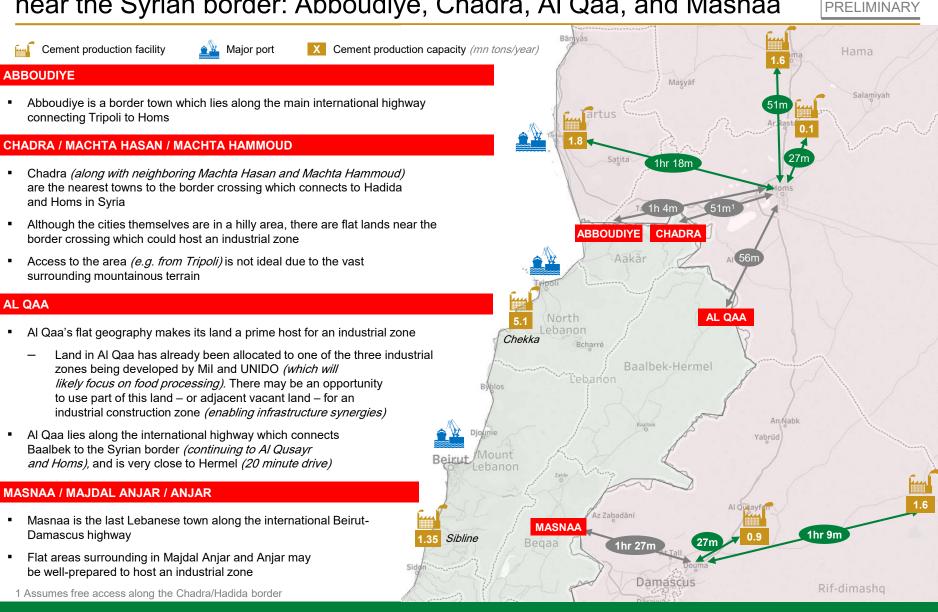
# of housing units which were destroyed or damaged, '000





### A preliminary assessment was conducted for four locations near the Syrian border: Abboudiye, Chadra, Al Qaa, and Masnaa

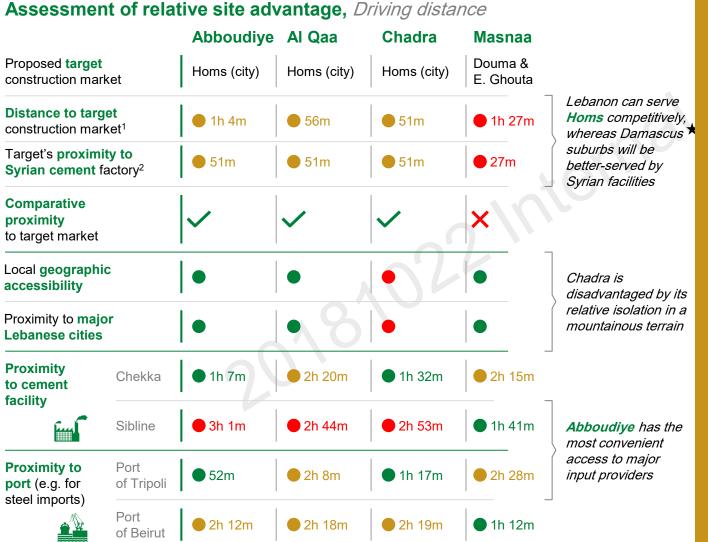




# While each location has a different value proposition, AI Qaa might be best-prepared to host an industrial construction zone



PRELIMINARY



Preliminary analysis suggests that **Abboudiye** or **Al Qaa** might be best-suited to host an industrial construction zone focused on Syrian reconstruction

- Lebanon is geographically better-equipped to address reconstruction in Homs (rather than the suburbs of Damascus), and therefore a zone near Masnaa would not be optimal
- Chadra's geographic isolation and distance from major cities threatens the feasibility of establishing an industrial zone

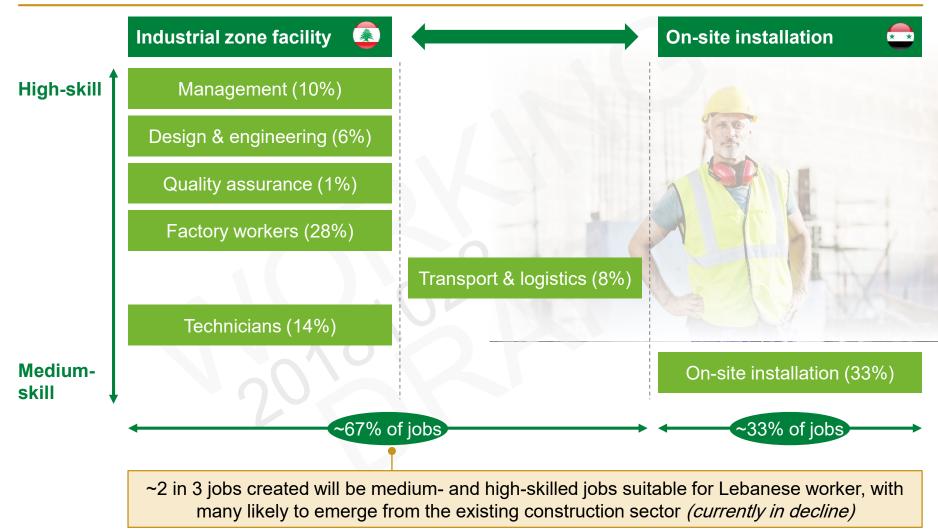
Further analysis is required to assess socioeconomic and environmental impact, land availability, infrastructure readiness, etc.

Industrial construction zone should prioritize structural and modular technologies which capture a large share of construction value chain



Industrial construction technology		Description	Structural technologies Modular technologies
Medium priority	<ol> <li>Light gauge steel frames</li> </ol>	Galvanized steel sheets, roll formed into profiles used for framing	
~25-30% of value chain can be industrialized <i>(in Lebanon)</i>	Precast concrete frames	Reinforced concrete framing elements, including columns & beams precast in factor	
	OPRECAST CONCRETE Panels	Large concrete walls and slab panels prefabricated in factory	
	4 Structurally insulated panels	Insulating foam core sandwiched between to structural facings, typically metal sheet or cement	vo
	6 Glassfiber reinforced panels	High strength fiber glass is embedded into gypsum, light weight concrete and plastic to for form panels, improved structural properti	es 6
High priority	6 Volumetric pre- cast construction	Extension of precast concrete panels system	ns
Up to ~75% of value chain can be industrialized <i>(in Lebanon)</i>	7 Modular homes	Sectional prefabricated buildings that consis of multiple modules constructed indoors on assembly lines (3D or flatpack)	t 7
	8 Complete factory built homes	Completely constructed and assembled offs in a factory	

SOURCE: MGI; Prillhofer Official website; understanding construction; precast website; Prebuilt construction; Building Construction Authority (Singapore); inhabitat; the constructor; Lindbäcks, press search Industrial construction zone will create a combination of medium-skill and high-skill jobs across both Lebanon and Syria

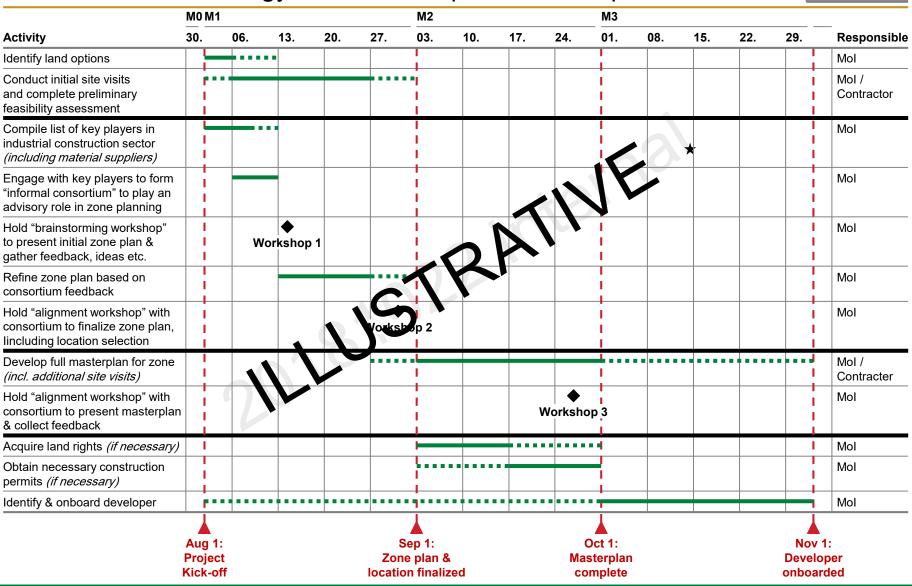


Excluding indirect jobs (e.g. cement factories, steel importers, etc.)



ILLUSTRAT

### Construction technology initiative - implementation plan





### Contents

- A Vicious Economic Cycle

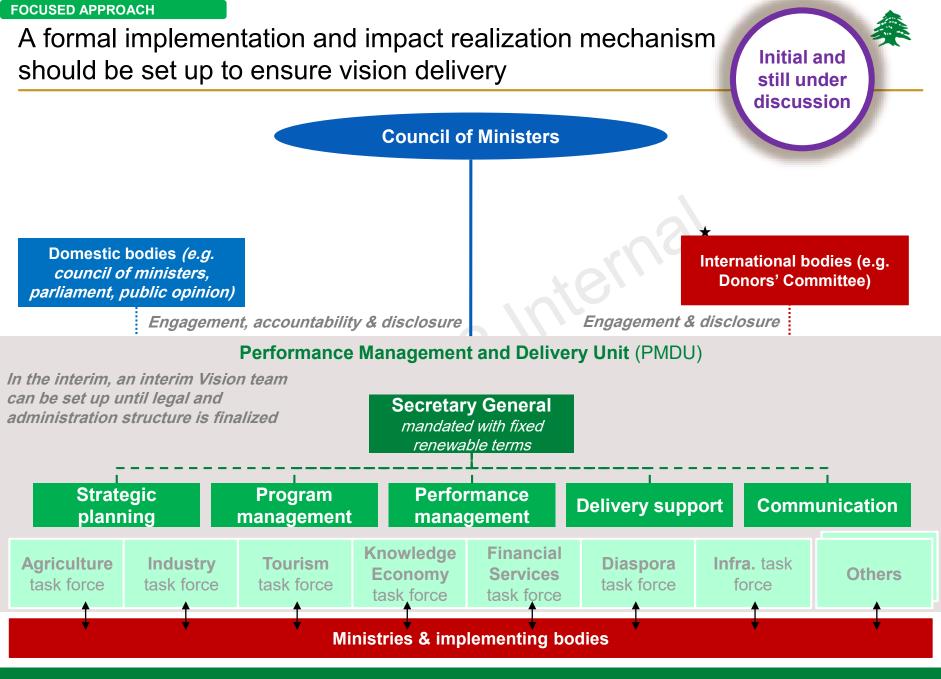
   Summary of sectors & enablers diagnostic
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# A Focused Approach

- Sectors
  - Agriculture
  - Industry
  - Tourism
  - Financial Services
  - Knowledge Economy
  - Diaspora

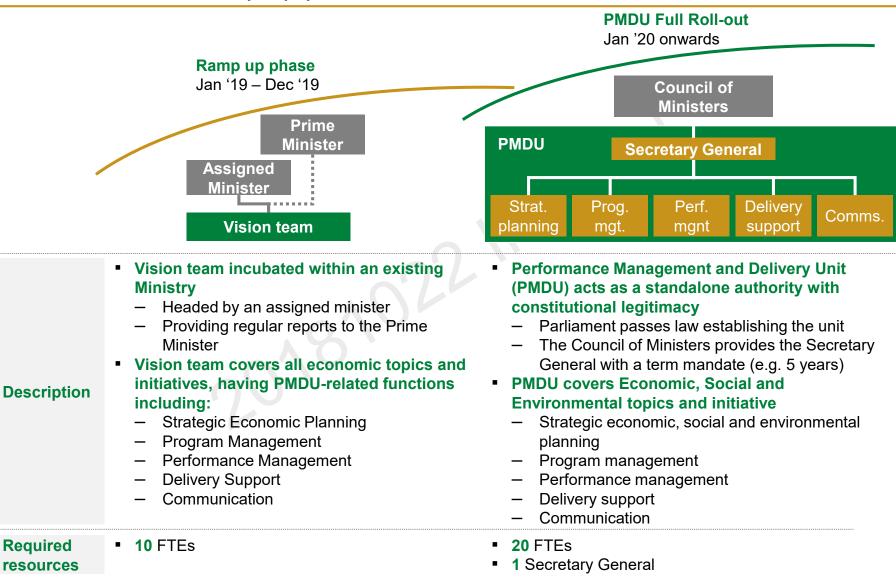
## Enablers

- Infrastructure
- Other Enablers
- Flagship Projects
- Implementation Mechanism



#### **FOCUSED APPROACH**

# Until the full institutionalization mechanism is set up, a Vision team would handle the ramp up phase





### Institutionalization mechanism: Roles and responsibilities

1	<ul> <li>The Council of Ministers will oversee the progress of execution, taking necessary measures to enforce accountability and ensure timely execution by all relevant stakeholders. Key members include:</li> <li>President of the Lebanese Republic</li> </ul>
Council of	<ul> <li>President of the Council of Ministers</li> </ul>
Ministers	<ul> <li>Deputy President of the Council of Ministers</li> </ul>
	<ul> <li>Minister of Finance</li> </ul>
	<ul> <li>Minister of Economy and Trade</li> </ul>
	<ul> <li>Minister of Foreign Affairs and Emigrants</li> </ul>
	Leads the coordination for the follow-up planning and execution phases. Reports to the Council of Ministers and has several responsibilities:



#### Performance Management and Delivery Unit

term and annual budgets, as well as developing social and environmental strategies
 Program management including tracking the progress on large projects and ensuring proper coordination between all stakeholders involved in execution, including debottlenecking issues and coordinating with supporting entities

Strategic planning including reconciliation of Programs stemming from the Vision with the medium

- Performance management through monitoring key performance indicators stemming from the Vision and issuing public reports on a regular basis. The reports would become the basis for accountability, consequence management and transparency with the public
- Delivery support for execution entities to de-bottleneck issues and provide the necessary expertise
- Communication & public relations including dialogue with the local and global community

3 Task forces Responsible and accounting for the implementation of the respective sector's agenda. Includes representatives from all relevant implementation stakeholders *(e.g. ministries)* as well as a representative from the PMDU who serves as secretariat. Operating model *(e.g. meeting frequency)* to be set by each committee.

#### FOCUSED APPROACH

## In the interim and by the end of 2019, 9 key activities should be completed



	Task	Timeline
General responsibilities	<ul> <li>Recruit &amp; train the interim economic team</li> </ul>	<ul> <li>31 Dec 2018</li> </ul>
Strategic planning	<ul> <li>Develop (revise) the proposed prioritization mechanism</li> <li>Revise and detail out the proposed list of initiatives *</li> <li>Prioritize the set of initiatives to be launched in the first year of the implementation</li> <li>Allocate the prioritized initiatives to the different task forces</li> </ul>	<ul> <li>31 Feb 2019</li> <li>31 Feb 2019</li> <li>15 Mar 2019</li> <li>15 Mar 2019</li> </ul>
Program management	<ul> <li>Design, set-up &amp; launch the different task forces that will own the various initiatives of the Vision</li> <li>Support the different task forces in detailing out the prioritized initiatives into full-fledged implementation plans (developing 3-foot plans), through meetings, workshops etc</li> </ul>	<ul> <li>31 Jan 2019</li> <li>31 Aug 2019</li> </ul>
Performance management	<ul> <li>Initiate the compilation of the different KPIs put in place and start regularly collecting these metrics from the relevant authorities for continuous monitoring</li> <li>Issue quarterly reports on the progress of the Vision, mainly the progress on activating the task forces and developing the detailed implementation plans</li> </ul>	<ul> <li>30 Jun 2019</li> <li>30 Jun 2019</li> </ul>

In parallel, the interim economic team should support in the drafting of the law related to the institutionalization of the mechanism and the formation of the PDMU: initiative PUB.F.1

- Activate syndication and communication plans
- Seek formal endorsement from the next Council of Ministers
- Engage with parliament to facilitate the endorsement of future government's economic plans and the associated legislative agenda



#### I. EXECUTIVE SUMMARY

#### II. INTRODUCTION AND METHODOLOGY

- A. Methodological approach to the study
- B. Stakeholder engagement and syndication process
- C. Reviewed documentation

#### **III. CONTEXT AND DIAGNOSTIC**

- A. Chapter summary
- B. Economic perspective
  - 1. Macro-economic evolution
  - 2. Trade profile (exports & imports)
- C. Sector diagnostics
  - 1. Natural resources (oil & gas)
  - 2. Agriculture
  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
  - 1. Public finance
  - 2. Ease of doing business
  - 3. Monetary policy
  - 4. Economic development activation
  - 5. Trade & international agreements

#### IV. THE VISION: LEBANON'S ECONOMIC ASPIRATIONS

- A. Chapter summary
- B. Burning platform
- C. Lebanon's growth imperatives
- D. Economic aspirations and macroeconomic targets
- E. Sector prioritization mechanism and rationale

### V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

- A. Chapter summary
- B. Sector deep-dives
  - 1. Agriculture
  - 2. Industry
  - 3. Tourism
  - 4. Knowledge economy
  - 5. Financial services
  - 6. Diaspora

#### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

- A. Chapter summary
- B. Public administration reform requirements
- C. Infrastructure including CIP initiatives
- D. Public finance requirements
- E. Main legislative requirements
- F. Country branding & export promotion

### VII. INSTITUTIONALIZATION MECHANISMS

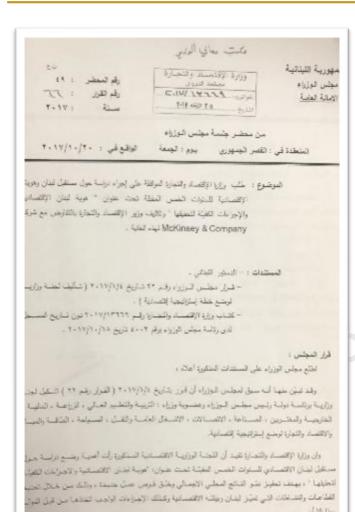
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- B. Governance set-up: orchestration and delivery
- C. Path forward

#### VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters

# The study has been launched following a Council of Ministers decree in October 2017





### The Council of Ministers decree 2017/13669

- On October 20<sup>th</sup>, 2017, the Council of Ministers approved the launch of a study aimed at setting a Vision for Lebanon's Economy under the title 'Lebanon's Economic Vision, and ways to achieve it'
- The Economic Development agenda was highlighted as one of the key priorities following CEDRE in addition to CIP, Fiscal Reforms, Sector Reforms
- The Vision would aim to grow GDP and create jobs through selecting productive sectors that could become competitive and understand the government's role in that regard

We have engaged with a range of local and global experts, benchmarks 秦 and reports

#### Interviewed 200+ stakeholders over a period of 8 months, across the Local Stakefollowing domains holders ~30 ~ 30 ~10 ~75 Lebanese Economic & Social ~15 Director Associations, NGQs and entrepreneurs Ministers Generals and syndicates International and private Council regulators and Orders Organizations sector leaders Project leadership composed of members from several key government **Project** entities, including the Ministry of Economy, the Presidency of the Lebanese team $\circ \circ \circ$ Republic, the Presidency of the Council of Ministers, the Economic and Social Council and the Investment Development Authority of Lebanon Global A team of ~10 consultants was dedicated to the project, with a further advisory 20 global experts having visited Lebanon, and several others interviewed team to understand global trends and potential solutions across multiple sectors Reviewed Capitalized and built on previous work; over 100 documents were documents **reviewed** including country reports, sector strategies, surveys and data,

from leading think tanks and international institutions

#### Current efforts focus on syndication, to be followed by communication and implementation Scope of work



	SYNDICATION AND
CONTENT PRE-WORK DEVELOPMENT AND INTERVIEWS STUDY OUTPUT	VISION REPORT DEVELOPMENT MPLEMENTATION
<ul> <li>~15 Ministers</li> <li>Economic and Social Council</li> <li>~30 Director Generals and regulators</li> <li>~5 Members of Parliament</li> <li>~30 Associations, syndicates and Orders</li> <li>~10 NGOs and International Organizations</li> <li>~75 Lebanese private sector leaders</li> <li>~75 Lebanese private sector leaders</li> <li>Analyse the current macro-economic and sector challenges and opportunities</li> <li>Select 5 productive sectors with high potential, set their aspirations, targets &amp; initiatives</li> <li>Identify and detail out 4 enabler requirements</li> <li>Shortlist 3 flagship initiatives to kick-off within 6 months</li> </ul>	<ul> <li>Adapt outcomes from the study into a report to be submitted to the Council of Ministers for approval</li> <li>Syndicate vision report with speaker of the parliament and MPs</li> <li>Engage with stakeholders including Lebanese diaspora, and potential investors</li> <li>Develop the communication plan including messaging and branding</li> </ul>

# The outcome of the study is organised around 8 chapters, concluding with the institutionalization mechanism and flagship projects



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Full study

(~1000 pages)



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## \*

### Recap of scope and deliverables

#### National Economic Vision

Strategic
Initiatives

ß

### Scope

- Developing the National Economic Vision with top-down aspirations as the 'True North' to guide long-term economic development efforts across growth sectors and enablers, along 3 phases
  - Diagnostic, guiding principles and economic aspirations
  - Defining priority sectors and cross-cutting enablers
  - Preparation of National Economic Vision report

### Deliverables

- High-level assessment of current economic situation, key challenges and opportunities
- Outline of Vision Aspirations
- Prioritized sectors, required enablers and development blueprints
- Consolidated report including Vision aspirations, refined target sector blueprints, national enablers and implementation roadmap
- Preliminary list of strategic initiatives per sector
- 1-2 prioritized initiatives with detailed charters
- Prioritized strategic initiatives with high-level business cases and implementation roadmaps
- Launching selected strategic initiatives to create instant change and build momentum to kick-start the transformation journey, across 2 phases
  - Strategic initiatives selection
  - Implementation planning

#### SCOPE AND METHODOLOGY

### Project workplan

Phase 0 4 weeks	Phase 1 5 weeks	Phase 2 4 weeks	Phase 3 4 weeks
<ul> <li>Data Gathering</li> <li>Submit data request</li> <li>Agree on scope and methodology</li> </ul>	<ul> <li>Diagnostic</li> <li>Define the burning platform</li> <li>Analyse existing opportunities</li> </ul>	<ul> <li>Selecting Growth engines</li> <li>Select 4-5 sectors as growth engines</li> <li>Develop sector aspirations</li> </ul>	<ul> <li>★ Vision report</li> <li>Syndicate Vision aspirations and growth sectors</li> <li>Finalize Vision report</li> </ul>
<ul> <li>Stakeholder engagement</li> <li>Develop and schedule list of interviews</li> </ul>		<ul> <li>Identify enablers to support the sectors and the economy</li> <li>Draft Vision Report</li> </ul>	
<ul><li>Project Governance</li><li>Define project governance</li><li>Form 'Vision Team'</li></ul>	<ul> <li>Trends &amp; Aspirations</li> <li>Research global economic archetypes and trends</li> <li>Align on guiding</li> </ul>	<ul> <li>Strategic Initiatives</li> <li>List strategic initiatives for each of the growth sectors</li> </ul>	<ul> <li>Rapid initiatives</li> <li>Design business cases for rapid initiatives</li> <li>Develop implementation</li> </ul>
<ul> <li>Communication/PR</li> <li>Approach</li> <li>Develop project messaging</li> <li>Form PR task force</li> </ul>	principles, aspirations and targets for the Lebanese Economy	<ul> <li>Prioritize 1 or 2 strategic initiatives to launch within 12 - 18 months</li> </ul>	plans



### Phase 1 roadmap

Track 1

Track 2

Diagnostic



### Activities

- High level diagnostic of the Lebanese economy, including macro-economic indicators and sectoral analysis, leveraging the existing reports conducted over the past 2-3 years with targeted updates when necessary
- Analyse competitiveness across of Lebanon across 12-15 factors/enablers compared to relevant aspiration countries and identify gaps that need to be addressed
- Research global trends and country cases, and implied economic archetypes
- Align on the economy's guiding principles, building on the learnings from the diagnostic
- Define and syndicate economic aspirations and identify macro-economic metrics and targets
- Validate internal coherence of the targets

### Deliverables

Diagnostic report, with high level assessment of current situation, key challenges and opportunities

Outline of Vision Aspiration final report



### Phase 2 roadmap

Track 1

Track 2

Growth engines



#### Strategic priorities

### **Activities**

- Assess and select growth sectors and crosscutting enablers through 3 lenses, a) Country aspirations and principles, b) global trends and c) identified gaps (from phase 1)
- Design sector objectives, supporting enablers and high level roadmap
- Stress-test selected sectors and validate their targets
- Syndicate selected sectors and their enablers with relevant stakeholders

### **Deliverables**

- Sector/enabler blueprints to be included in the final Vision report
  - Sector aspirations and targets
  - Main<sup>\*</sup>'thrusts' of the sector
  - Enablers required to achieve the sector's aspirations

- For each selected sector, develop a list of potential strategic initiatives
- Prioritize and selected 1-2 strategic initiatives to be launched within 12 months based on feasibility
- Engage with stakeholders to syndicate and refine initiatives

- Preliminary list of strategic initiatives per sector
- Detailed charters for the 1-2 prioritized initiatives



### Phase 3 roadmap

Track 1

Track 2

### National Vision Report



Initiative implementation planning

### **Activities**

- Develop the initial draft of the Vision report, including aspirations, sectoral blueprints and Vision write-ups
- Syndicate sectoral blueprints with the relevant technical experts
- Consolidate write-ups into the final report

### **Deliverables**

Consolidated Vision report including economic aspirations and targets, growth sectors, national enablers and implementation roadmap

- Develop high-level business cases for the prioritized initiatives
- Design implementation plan for the initiatives including enablers, owners, budget and measures of success
- Business case and implementation plan for the prioritized strategic initiatives

SCOPE AND METHODOLOGY

### Phase 3 roadmap

### **Activities**

- Develop the initial draft of the Vision report, including aspirations, sectoral blueprints and Vision write-ups
- Syndicate sectoral blueprints with the relevant technical experts
- Consolidate write-ups into the final report

#### Develop high-level business cases for the prioritized initiatives

 Design implementation plan for the initiatives including enablers, owners, budget and measures of success

### Deliverables

 Consolidated Vision report including economic aspirations and targets, growth sectors, national enablers and implementation roadmap

 Business case and implementation plan for the prioritized strategic initiatives



A model was developed to assess the macro-economic *formation and the macro-economic formation and the macro-economic*

## 秦

### What the model is

- The model provides guidance on target-setting for the different macro-economic metrics (overall and sectorial), achievable by the economic Vision
- The model provides a mechanism to stress-test and ensure consistency between sectorspecific targets and overall macro-economic targets
  - It provides an aggregated view of macro-economic parameters adding up the sectors' macro-economic impact
  - It links the different sector's targets (e.g. number of tourists acquired) to the sector's macro-economic impact (e.g. GDP & jobs) through basic linear regressions

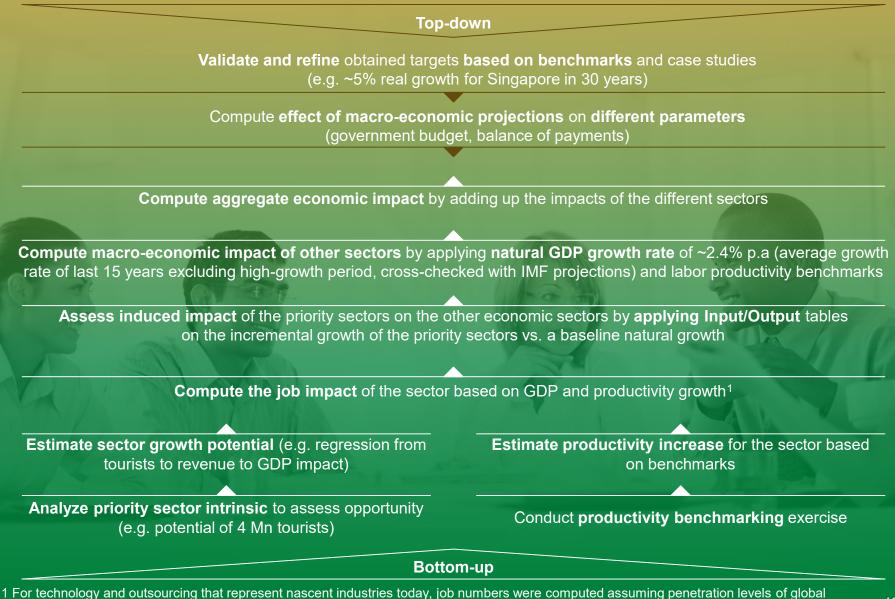
### What the model is not X

It is not a complex macroeconometric model

(e.g. General equilibrium model)

• The model is not a comprehensive all-encompassing targets model (e.g. the model excludes qualitative targets, such as quality of roads, which are assessed differently through country benchmarks)

### Both bottom-up and top-down estimations were conducted to assess the macro-economic impact of the Vision



leaders or market share capture



### A five step process was followed to build the model

2

Estimate current ) labor force and unemployment rates

Compute estimated

for 2010

baseline

force

Use the 2009 CAS

labor force based on

ILOSTAT productivity

Labor force survey as

Use Grow the Labor

1

.

Data

sources

Assess impact of prioritized sectors

Assess induced impact from prioritized sectors

3

Assess impact from natural growth of other sectors

4

 Based on market assessment and potential, compute

bottom-up the expected job impact from the prioritized sector

- Project labor productivity based on benchmark and/or aspired growth
- Compute GDP impact by multiplying jobs by labor productivity

Using jobs Input/Output tables, compute the induced impact from the jobs of the prioritized sectors on the other sectors

Assess induced GDP impact through multiplying by productivity Compute GDP growth of other sectors by applying natural GDP growth rate of

- ~2.4% p.a Project labor productivity based on benchmark and/or aspired growth
- Compute GDP impact by multiplying jobs by labor productivity

Labor market metrics

**Derive model** 

output

5

- Compute unemployment
- Government budget
  - Derive revenues from GDP growth
  - Project
     expenditures
     based on
     structural
     reforms

- CAS 2009 Labor force survey
- CAS 2015 National Accounts
- ILOSTAT productivity
- Market sizing benchmarks

.

- Data on global labor productivity (ILOSTAT)
- Benchmark on automation growth
- MGI Input-Output tables for Turkey & Romania
- IMF GDP growth projections
- Data on global labor productivity (ILOSTAT)
- Benchmark on automation growth



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  - 2. Agriculture
  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
  - 1. Public finance
  - 2. Ease of doing business
  - 3. Monetary policy
  - 4. Economic development activation
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- A. Chapter summary
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- B. Construction technology zone
- C. Smart Lebanon licensing and clusters

We have engaged with a range of local and global experts, benchmarks 秦 and reports

#### Interviewed 200+ stakeholders over a period of 8 months, across the Local Stakefollowing domains holders ~30 ~ 30 ~10 ~75 Lebanese Economic & Social ~15 Director Associations, NGQs and entrepreneurs Ministers Generals and syndicates International and private Council regulators and Orders Organizations sector leaders Project leadership composed of members from several key government **Project** entities, including the Ministry of Economy, the Presidency of the Lebanese team $\circ \circ \circ$ Republic, the Presidency of the Council of Ministers, the Economic and Social Council and the Investment Development Authority of Lebanon Global A team of ~10 consultants was dedicated to the project, with a further advisory 20 global experts having visited Lebanon, and several others interviewed team to understand global trends and potential solutions across multiple sectors Reviewed Capitalized and built on previous work; over 100 documents were documents **reviewed** including country reports, sector strategies, surveys and data,

from leading think tanks and international institutions



### Meetings conducted (1/4)

Sector	Interviewee	Organization
	Ministry of Agriculture Directors	Ministry of Agriculture
	Antoine Howeyek	Farmers' Association
	Samir Mdawar	Faculty of Agriculture at the Lebanese University
	Youssef Mahieddine	ECOSOC, Agriculture committee
	Georges Hrawi	ECOSOC, Agriculture committee
	Bachar El Qodsi	ECOSOC, Agriculture committee
	Gerges Fakhry	ECOSOC, Agriculture committee
	Majed Saayfan	ECOSOC, Agriculture committee
Agriculture	Georges El Sakr	ECOSOC, Agriculture committee
	Saeed El Mays	ECOSOC, Agriculture committee
	George Hobeika	REGIE Libanaise
	Raphael Debbane	Debbane Group
	Zafar Chaoui	Chateau Ksara
	John Touma	Arak Touma
	Nadine El Khoury	Robinson Agri
	Diane Audi	AUB - Nature Concervation Center
	Maurice Saadeh	Food and Agriculture Organization
	Riad Salameh	Banque Du Liban
	Samir Hammoud & team	Banking Control Commission
	Nadine Assali	Insurance Control Commission
Banking &	Dr. Nabil Itani & team	Investment Development Authority of Lebanon
Insurance	Dr. Joseph Torbey & team	Association of Banks in Lebanon
	Max Zakkar	Association of Insurance Companies in Lebanon
	Saad Azhari & team	BLOM Bank
	Samir Hanna & team	Bank Audi
	Gebran Bassil	Ministry of Foreign Affairs
Diaspora	Chucri Mouannes	Banque Du Liban
Diaspora	Wissam Boutros	Ministry of Foreign Affairs
	Bilal Kabalan	Ministry of Foreign Affairs
	Bahiya Hariri & team	Member of Parliament
	Marwan Hamadeh	Ministry of Education & Higher Education
Education	Fadi Yarak	Ministry of Education & Higher Education
Education	Dr Fouad Ayoub & team	Lebanese University
	Nazih Jebbawi	Syndicate of Secondary Teachers
	Pere Boutros Azar	Association of Catholique Schools



### Meetings conducted (2/4)

Sector	Interviewee	Organization
	Ali Hassan Khalil & team	Ministry of Finance
	Alain Bifani	Ministry of Finance
Finance	Talal Salman	Ministry of Finance
Findince	Firas Safieddine	Capital Markets Authority
	Ziad Hayek	Higher Council for Privatization
	Ghaleb Mahmasani	Beirut Stock Exchange
	Atef Majdalani	Member of Parliament
Healthcare	Ghassan Hasbani	Ministry of Public Health
nealthcare	Dr. Mohammad Karaki & team	National Social Security Fund
	Sleiman Haroun	Association of Hospitals
	Hussein Hajj Hassan	Ministry of Industry
	Danny Gedeon & team	Ministry of Industry
	Fadi Gemayel & team	Association of Lebanese Industrialiats
	Antoine Moughanni & team	Syndicate of Jewllers
	Neemat Frem	INDEVCO
	Jacques Sarraf	ECOSOC, Industry committee
	Ali Ghandour	ECOSOC, Industry committee
Inductry	Andre Alaour	ECOSOC, Industry committee
musuy	Adnan Rammal	ECOSOC, Industry committee
	Talal Hijazi	ECOSOC, Industry committee
	Carole Abi Karam	ECOSOC, Industry committee
	Ziad Bikdache	ECOSOC, Industry committee
	Jean Michel Mokhbat	ECOSOC, Industry committee
Industry	Chawki Daccache	ECOSOC, Industry committee
	Ibrahim El Mallah	ECOSOC, Industry committee
	Cristiano Passini & team	United Nations Industrial Development Organization
	Melhem Riachi	Ministry of Information
Media	Tony Eid & team	Tele Liban
Weula	Aouni El Kaaki	Syndicate of Journalists
	Sadek Sabbah	Cedars Art Production



### Meetings conducted (3/4)

Sector	Interviewee	Organization
	Yassine Jaber	Member of Parliament
Sector   Energy   Public Sector   Real Estate   Retail and Commerce	Mohammad Fneich	Minister of Sports and Youth
	Pierre El Khoury	Lebanese Center for Energy Convervation
Enser	Nada Boustani	Ministry of Energy and Water
Energy	Walid Nasr & team	Lebanese Petroleum Association
	Kamal Hayek & team	Electricite Du Liban
	Assaad Nakad & team	Electricite De Zahle
	Dr. Mounir Yahia	NEEDS
	Michel Aoun	President of the Lebanese Republic
	Nabih Berri	Speaker of the Lebanese Parliament
	Saad Hariri	President of the Council of Ministers
	Salim Jreisati	Minister of Justice
	Inaya Ezzedine & team	Office of the Minister of State for Administrative Reform
	Talal Erslan	Minister of Displaced
Public Sector	Mouin El Merehbi & team	State Minister for the Displaced
	Nicolas Tueini	State Ministry for Combatting Corruption
Dublic Center	Alia Abbas	Ministry of Economy and Trade
Public Sector	Ghada Safar	Ministry of Economy and Trade
	Kabalan Kabalan	Council of the South
	Nabil El Jisr & team	Council for Development and Reconstruction
	Najwa Yaacoub	Central Authority for Statistics
	Yasmina Khoury	Presidency of the Council of Ministers
	Bassem El Sabaa	Advisor to PCM Hariri
	AbdelHalim Fadlallah	Middle East Political and Economic Institute
	Philippe Lazzarini & team	United Nations Development Program
	Lama Oueijan	International Labour Organization
	Ricardo Skaff	Banque Du Liban
Real Estate	Namir Cortas	Real Estate Developers Association
	Jad Tabet	Order of Engineers
	Charles Arbid & team	Economic and Social Council
	Mohammad Choucair	Chamber of Commerce, Industry and Agriculture
	Nicolas Chammas & team	Beirut Trader Association
Commerce	Hani Bohsali	Syndicate of Importers of Food & Drinks
	Said Daher	AZADEA



### Meetings conducted (4/4)

Sector	Interviewee	Organization
	Camil Moukarzel & team	Professional Computer Association
	Mohammad Rabah	Beirut Digital District
	Walid Mansour	MEVP
Technology	Sami Bou Saab	Speed Lebanon
	Rami Abou Jaoudeh	Berytech
	Nadim Zaazaa	UK Tech Hub
	Bijan Azad	American University of Beirut
	Amine Moukheiber	Telecom Regulatory Authority
Telecom	Emre Gurkan + team	Touch
	Marwan Hayek	Alfa
	Nada Sardouk & team	Ministry of Tourism
	Georges Freiha	Ministry of Tourism
	Ghattas Khoury & team	Ministry of Culture
	Michel Pharon	Minister of State for Parliament Affairs
	Pierre El Achkar	Federation of Tourism
	Wadih Kanaan	ECOSOC, Tourism committee
	Wafaa Abded	ECOSOC, Tourism committee
	Abdel Amir Najda	ECOSOC, Tourism committee
Tourism	Haytham Fawaz	ECOSOC, Tourism committee
Tourism	Mohammad Jezzini	ECOSOC, Tourism committee
	Mohammad Dakdouk	ECOSOC, Tourism committee
	Anthony Chabarekh	ECOSOC, Tourism committee
	Georges Atallah	ECOSOC, Tourism committee
	Nayla Abi Karam	ECOSOC, Tourism committee
	Jean Abboud	Association of Travel & Tourist Agents
	Tony El Rami & team	Syndicate of Owners of Restaurants, Cafes, Night Clubs & Pastries
	Roland Khoury & team	Casino Du Liban
	Michel Elifteriades	Music Hall
	Youssef Finianos	Ministry of Transport and Public Works
-	Hassan Koraytem & team	Beirut Port
Transporation & Logistics	Lt. Mohammad Kheir & team	Higher Relief Committee
Logistics	Mohammad El Hout	Middle East Airlines
	Ammar Kanaan	Beirut Port



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### I. Previous Economic Studies (1/2)

#### A. Economic development studies done by the government

Report/Study Title	Government Institution(s)	Year(s)
<ul> <li>National Social Development Strategy</li> </ul>	<ul> <li>Ministry of Social Affairs</li> </ul>	<ul><li>2011</li></ul>
<ul> <li>Economic and Social Reform Action Plan</li> </ul>	<ul> <li>Presidency of Council of Ministers</li> </ul>	<ul> <li>2012</li> </ul>
<ul> <li>National Sustainable Development Strategy of Lebanon</li> </ul>	<ul> <li>Presidency of Council of Ministers</li> </ul>	<ul> <li>2015</li> </ul>
<ul> <li>Economic Accounts of Lebanon</li> </ul>	<ul> <li>Presidency of Council of Ministers</li> </ul>	<ul> <li>2003-2011</li> </ul>
<ul> <li>National Accounts (Revision)</li> </ul>	PCM - Central Adminstration of Statistics	<ul> <li>2004-2015</li> </ul>
<ul> <li>Supporting the Future of Syria and the Region: A vision for Stabilization and Development in Lebanon</li> </ul>	<ul> <li>Republic of Lebanon - Brusset Conference</li> </ul>	• 2017

#### B. Economic development studies done by Lebanese organizations

Report/Study Title	Lebanese Institution(s) / Organization(s) Year(s)
<ul> <li>ABL Annual Reports</li> </ul>	Association of Banks in Lebanon     2008-2016
The Business Chronicle	Chamber of Commerce Industry and Agriculture in Beirut      2011-2016
Emerging Lebanon-Towards Economic Growth and Social Welfare	The Economic and Social Council of Lebanon     2016
Lebanon at a Glance	Investment Development Authority     2012-2017

#### C. Studies / Reports developed by global organizations

Report/Study Title	International Organization(s)	Year(s)
<ul> <li>Using Lebanon's Large Capital Inflows to Foster Sustainable Long Term Growth</li> </ul>	<ul> <li>World Bank</li> </ul>	<ul><li>2008-2016</li></ul>
Lebanon - Good jobs needed : the role of macro, investment, education, labor and social protection policies (MILES)	<ul> <li>World Bank</li> </ul>	• 2011
Rethinking Economic Growth	<ul> <li>UNDP and ILO</li> </ul>	• 2012
Lebanon - Economic and social impact assessment of the Syrian conflict	<ul> <li>World Bank</li> </ul>	• 2012
Lebanon Roadmap of Priority Interventions for Stabilization from the Syrian Conflict	<ul> <li>World Bank</li> </ul>	<ul> <li>2013</li> </ul>
Republic of Lebanon : Economic and Labor Force Impact of the Change in the Wage Structure of the Public Sector	<ul> <li>World Bank</li> </ul>	• 2013
The Syrian Crisis: Implications for Development Indicators and Development Planning - Lebanon	UNDP	• 2013
Lebanon SME Strategy: Roadmap to 2020	<ul> <li>UNDP and MoET</li> </ul>	<ul> <li>2014</li> </ul>
Impact of Humanitarian Aid on the Lebanese Economy	<ul> <li>UNDP and UNHCR</li> </ul>	<ul> <li>2014</li> </ul>
Lebanon: Promoting Poverty Reduction and Shared Prosperity	<ul> <li>World Bank</li> </ul>	<ul> <li>2014-2015</li> </ul>
Informal Sector Work in Lebanon	<ul> <li>World Bank</li> </ul>	<ul> <li>2015</li> </ul>



### I. Previous Economic Studies (2/2)

#### C. Studies / Reports developed by global orgnizations

Report/Study Title	International Organization(s)	Year(s)
<ul> <li>Towards Decent Work in Lebanon: Issues and Challenges in Light of the Syrian Refugee Crisis</li> </ul>	• ILO	• 2015
Economic Costs to Lebanon from Climate Change : A First Look	<ul> <li>UNDP with Ministry of Envrionment</li> </ul>	<ul> <li>2015</li> </ul>
The Sustainable Development Framework in Lebanon: A National Assessment	<ul> <li>ESCWA</li> </ul>	<ul> <li>2015</li> </ul>
<ul> <li>Mind the Gap: A Labor Needs Assessment for Lebanon</li> </ul>	UNDP	<ul> <li>2016</li> </ul>
<ul> <li>Jobs for North Lebanon : Value Chains, Labor Markets, Skills and Investment Climate in Tripoli and the North of Lebanon</li> </ul>	World Bank	• 2017
<ul> <li>Priority Reforms for the Government of Lebanon</li> </ul>	World Bank	<ul> <li>2017</li> </ul>
<ul> <li>Vulnerability Assessment of Syrian Refugees in Lebanon</li> </ul>	UNHC - UNICEF - WFP	<ul> <li>2017 (2016)</li> </ul>
Lebanon Stabilization and Recovery Programme	UNDP	<ul> <li>2017</li> </ul>
Lebanon Economic Monitor	World Bank	<ul> <li>Bi-Annually (Fa and Spring)</li> </ul>
Lebanon Systematic Country Diagnostic	World Bank	<ul> <li>2015</li> </ul>
Lebanon Crisis Response Plan	• UN	• 2017-2020
B. Economic development studies done by Lebanese organizations	Think Tenk (Illeinersite	No or (o)

#### B. Economic development studies done by Lebanese organizations

Report/Study Title	Think Tank / University	Year(s)
Policy Briefs	<ul> <li>The Lebanese Center for Policy Studies</li> </ul>	•
Policy Papers	<ul> <li>The Lebanese Center for Policy Studies</li> </ul>	•
<ul> <li>Development in a Polarized Society: Looking at Economic and Social Development in Lebanon through a Different Lens</li> </ul>	<ul> <li>The Lebanese Center for Policy Studies</li> </ul>	• 2007
The Economics of Tobacco in Lebanon: An Estimation of the Social Costs of Tobacco Consumption	<ul> <li>American University of Beirut</li> </ul>	<ul> <li>2010</li> </ul>
Published Refereed Journal Papers	<ul> <li>American University of Science and Technology</li> </ul>	•
<ul> <li>Economic Opportunities and Job Creation: Tourism Sector</li> </ul>	<ul> <li>UN (Library) - Dr. Ghenwa Chlouk</li> </ul>	• 2016



### II. Sector Data (1/2)

#### A. Sector strategies developed by Ministries

Strategy Title	Sector	Ministry(ies)	International Organization(s)	Year(s)
<ul> <li>Health Strategic Plan</li> </ul>	<ul> <li>Healthcare</li> </ul>	<ul> <li>Ministry of Public Health</li> </ul>	•	<ul><li>2016-2020</li></ul>
<ul> <li>Mental Health and Substance Use Prevention, Promotion, and Treatment Strategy for Lebanon</li> </ul>	Healthcare	<ul> <li>Ministry of Public Health</li> </ul>	<ul> <li>World Health Organization (WHO), UNICEF, and International Medical Corps (IMC)</li> </ul>	• 2015-2020
Inter-ministerial Substance Use Response Strategy for Lebanon 2016-2021	Healthcare	<ul> <li>Public Health, Social Affairs, Education and Higher Education, Interior and Municipalities and Justice</li> </ul>	·	<ul> <li>2016-2021</li> </ul>
Health Response Strategy - A New Approach 2016 & Beyond	<ul> <li>Healthcare</li> </ul>	The Ministry of Public Health	•	<ul><li>2016</li></ul>
Strategic Plan for the Medium Term	<ul> <li>Healthcare</li> </ul>	<ul> <li>The Ministry of Public Health</li> </ul>	•	• 2016-2020
Lebanon SME Strategy: Roadmap to 2020	SMEs	<ul> <li>Ministry of Economy and Trade</li> </ul>	<ul> <li>UNDP</li> </ul>	<ul> <li>2014 - 2020</li> </ul>
Lebanon 2020 Digital Telecom Vision	<ul> <li>Telecommunication</li> </ul>	<ul> <li>Ministry of Telecom</li> </ul>	•	• 2015-2020
Lebanon Rural Tourism Strategy	Tourism	<ul> <li>Ministry of Tourism</li> </ul>	<ul> <li>USAID</li> </ul>	• 2015
National Tourism Strategy	<ul> <li>Tourism</li> </ul>	<ul> <li>Ministry of Tourism</li> </ul>	•	• 2017
A National Energy Strategy for Lebanon	<ul> <li>Energy</li> </ul>	<ul> <li>Ministry of Energy and Water</li> </ul>	•	<ul><li>2017</li></ul>
National Water Sector Strategy (NWSS)	<ul> <li>Water</li> </ul>	<ul> <li>Ministry of Energy and Water</li> </ul>	•	
Ministry of Agriculture Strategy	<ul> <li>Agriculture</li> </ul>	<ul> <li>Ministry of Agriculture</li> </ul>	•	<ul><li>2015-2019</li></ul>
Ministry of Culture Strategic Roadmap	Culture	<ul> <li>Ministry of Culture</li> </ul>	<ul> <li>Strategy&amp;</li> </ul>	<ul><li>2016</li></ul>
Land Transport Strategy for Lebanon	<ul> <li>Transport</li> </ul>	<ul> <li>Ministry of Public Works and Transport</li> </ul>	<ul> <li>EU-Funded Programme</li> </ul>	<ul><li>2013</li></ul>
Lebanon's Marine Protected Areas Strategy	<ul> <li>Environment</li> </ul>	<ul> <li>Ministry of Environment</li> </ul>	<ul> <li>IUCN</li> </ul>	• 2012
Draft National Strategy for Air Quality Management in Lebanon	<ul> <li>Environment</li> </ul>	<ul> <li>Ministry of Environment</li> </ul>	<ul> <li>EU-Funded Programme</li> </ul>	<ul> <li>2016</li> </ul>
Lebanon's National Biodiversity Strategy and Action Plan	<ul> <li>Environment</li> </ul>	<ul> <li>Ministry of Environment</li> </ul>	•	• 2016



### II. Sector Data (2/2)

#### B. Relevant Sectoral Data, Reports and Studies

Data/Report/Study	Sector	Ministry(ies)	International Organization(s)	Year(s)
<ul> <li>About the Oil and Gas Sector</li> </ul>	Oil and Gas	<ul> <li>Lebanese Petroleum Adminstration</li> </ul>	•	•
Telecommunication Regulatory Authority Studies	Telecom	<ul> <li>Telecommunication Regulatory Authority</li> </ul>	•	•
<ul> <li>Tourism Statistical Report (Tourists by Nationality)</li> </ul>	Tourism	<ul> <li>Ministry of Tourism</li> </ul>	•	<ul><li>2011-2017</li></ul>
Airport Passengers	<ul> <li>Tourism</li> </ul>	Beirut Rafic Hariri International     Airport	• \star	<ul><li>2005-2017</li></ul>
<ul> <li>Education Related Statistics</li> </ul>	<ul> <li>Education</li> </ul>	<ul> <li>Central Administration of Statistics</li> </ul>	<u> </u>	2007 and 2009
		<ul> <li>Central Administration of Statistics</li> </ul>	•	<ul><li>2012</li></ul>
		<ul> <li>Bank Med</li> </ul>	•	<b>2014</b>
<ul> <li>Infrastructure and Logistics Related Statistics</li> </ul>	<ul> <li>Telecom, Transportation and Energy</li> </ul>	<ul> <li>Investment Development Authority</li> </ul>	•	<ul> <li>2016</li> </ul>
<ul> <li>Health System Profile: Lebanon</li> </ul>	<ul> <li>Health</li> </ul>	•	<ul> <li>World Health Organization</li> </ul>	<b>2006</b>
IDAL Factbooks		<ul> <li>Investment Development Authority</li> </ul>	•	• 2013-2017
<ul> <li>Intellectual Property Rights Statistics</li> </ul>	•	<ul> <li>Ministry of Economy and Trade</li> </ul>	•	•
Consumer Protections Statistics	<ul> <li>Olive Oil, Agro-Food, Agriculture, Furniture and Woord, IT, Fintech, Telecom, Pharma Industry, Print, Clean Technology etc.</li> </ul>	<ul> <li>Ministry of Economy and Trade</li> </ul>	•	•
C. Banking Sector and BDL-related Data				
Data/Report/Study	Sector	Ministry(ies)	International Organization(s)	Year(s)
BdL Related Data	<ul> <li>Banking</li> </ul>	<ul> <li>Banque du Liban</li> </ul>	•	•
BdL Programs	<ul> <li>Banking</li> </ul>	<ul> <li>Banque du Liban</li> </ul>	•	•
ABL Services & Resources	<ul> <li>Banking</li> </ul>	<ul> <li>Association of Banks in Lebanon</li> </ul>	•	•
Kafalat Statistics	<ul> <li>Banking</li> </ul>	<ul> <li>Kafalat</li> </ul>	•	•



### III. Surveys

#### A. Surveys results done by the Government (Covering Economic and Social Topics)

Survey Title	Sector/ Topic (s)	Ministry or Govt Institution	Year (s)
<ul> <li>Demographic and Social Statistics</li> </ul>	<ul> <li>Population</li> </ul>	<ul> <li>Central Administration of</li> </ul>	<ul> <li>2004-2007- 2009</li> </ul>
	<ul> <li>Education</li> </ul>	Statistics	
	<ul> <li>Employment - Labor Force</li> </ul>		
	<ul> <li>Health insurance &amp; Disability</li> </ul>		
	<ul> <li>Children's Characteristics</li> </ul>		
	<ul> <li>Women's Characteristics</li> </ul>		*
	<ul> <li>International Migration</li> </ul>		
	<ul> <li>Household Expenditure</li> </ul>		

#### B. Surveys done by Third Parties

3. Surveys done by Third Parties	Sector/ Topic (s)	Ministry or Govt Institution	
Health access and utilization survey among Syrian refugees in Lebanon	Healthcare	UNHCR	Year(s) • 2016
Lebanon Enterprise Survey	SMEs	World Bank	• 2013



### IV. Macro-Economic Data

#### A. Macro Economic Indicators

Indicator	Ministry or Govt Institution	Year (s)
GDP (Nominal and Real) broken down by sector and region	<ul> <li>Central Adminstration of Statistics</li> </ul>	2004-2015
	<ul> <li>Presidency of Council of Ministers</li> </ul>	2003-2011
Total Population broken down by wage and region	<ul> <li>Central Administration of Statistics</li> </ul>	2004-2007-2009
Household Expenditures by type of spend	Central Adminstration of Statistics	2004-2007-2010
Total Employment broken down by private/public sector, industries, age and region	•	
Unemployment Rate	•	
Average wage rate by region and by industry	·	
Total number of enterprises broken down by FTE size, yearly turnover and regions	•	
Inflation	Central Adminstration of Statistics	2008-2017
Trade Indicators	Lebanese Customs at the Ministry of Finance	2012-2017
3. Surveys done by Third Parties		
ndicator	Ministry or Govt Institution	Year (s)
<ul> <li>Balance of Payments Data</li> <li>C. Regional breakdown by Governates</li> </ul>	<ul> <li>Banque du Liban</li> </ul>	2002-2017



### VI. Environmental Data

#### **Environmental Indicators**

Study/Report	Ministry	Other Organization(s)	Year (s)
Road Transport Sector and Air Pollution - The Case of Lebanon	<ul> <li>Ministry of Environment</li> </ul>	<ul> <li>IPTEC and UNDP</li> </ul>	2016
Environmental Indicators	<ul> <li>Ministry of Environment</li> </ul>	•	
State of the Environment Report	<ul> <li>Ministry of Environment</li> </ul>		



### Other reviewed documentation (1/2)

Sector	Study/Report	Ministry	Other Organization(s)	Year
	Resultats globaux du module de base du recensement de l'agriculture 2010	Ministry of Agriculture	FAO	2012
	Agriculture sector overview		Farmers' Association	2015
Agriculture	Managing the monopoly: past, present and future		REGIE	2009
Agriculture	Programme highlights		FAO	2017
	Economic opportunities and job creation for Agriculture sector		FAO ★	2016
	Ministry of Agriculture 2015 - 2019 strategy	Ministry of Agriculture		2015
Disenses	What is the role of the Ministry of Foreign Affairs	Ministry of Foreign Affairs		2018
Diaspora	L'apport financier des emigres et son impact sur les conditions de vie des libanais	$\gamma$	Choghog Kasparian	2010
Ease of Doing	Ease of Doing business report		World bank	2018
Business	Global competitiveness report		World Bank	2018
Education	Statistical Bulletin on Education		CRDP	2018
Energy	Lebanese petroleum fiscal regime and revenue management		UNDP	2017
	Lebanon Sovereign Wealth Fund		LPA	2018
Financial Services	Insurance sector annual report 2016		Insurance Control Commission	2016
Healthcare	Statistical bulletin on Healthcare	Ministry of Public Health		2018
	Socio-economic recovery		Association of Lebanese Industrialists	2017
	Skill gap analysis for Tripoli Economic Zone		UNDP	2017
Industry	Operational Plan 2016-2017	Ministry of Industry		2016
	Operational Plan 2018	Ministry of Industry		2018
	Industry for Lebanon's Youth 2010	Ministry of Industry		2005



### Other reviewed documentation (2/2)

Sector	Study/Report	Ministry	Other Organization(s)	Year
Industry & Agriculture	Mapping of economic opportunities and job creation in the productive sectors		UNIDO and FAO	2018
Масго	Capital Investment Plan		Council for Development and Reconstruction	2018
	Strategic Assessment: Capital Investment Plan for Lebanon		World Bank ★	2018
Macroeconomy	Lebanon: promoting poverty reduction and shared prosperity		World Bank	2016
	Towards decent work in Lebanon		ILO	2015
	Lebanese National Accounts 2004 - 2015		Central Administration for Statistics	2017
Public Administration	National Physical Master Plan for the Lebanese Territory		Council for Development and Reconstruction	2005
Retail &	LFA Observatory		Lebanse franshise association	2018
Commerce	Retailing in lebanon		Euromonitor	2018
SME	Lebanon SME Strategy: Roadmap to 2020	Ministry of Economy and Trade		2014
	Cultural strategy for Lebanon	Ministry of Culture		2017
	Report on number of hotel visitors		General Security	2018
Tourism	Annual Newsletter 2017		Syndicate of owners of restaurants, cafes, night-clubs and pastries in Lebanon	2017
	Tourism plan		Lebanese federation for tourism authorities	2018
	Tourism Plan		Visit Lebanon	2018
	Rural tourism strategy	Ministry of Tourism		2013
	Tourism factbook		IDAL	2018



#### I. EXECUTIVE SUMMARY

#### II. INTRODUCTION AND METHODOLOGY

- A. Methodological approach to the study
- B. Stakeholder engagement and syndication process
- C. Reviewed documentation

#### **III. CONTEXT AND DIAGNOSTIC**

#### A. Chapter summary

- B. Economic perspective
  - 1. Macro-economic evolution
  - 2. Trade profile (exports & imports)
- C. Sector diagnostics
  - 1. Natural resources (oil & gas)
  - 2. Agriculture
  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
  - 1. Public finance
  - 2. Ease of doing business
  - 3. Monetary policy
  - 4. Economic development activation
  - 5. Trade & international agreements

#### IV. THE VISION: LEBANON'S ECONOMIC ASPIRATIONS

- A. Chapter summary
- B. Burning platform
- C. Lebanon's growth imperatives
- D. Economic aspirations and macroeconomic targets
- E. Sector prioritization mechanism and rationale

#### V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

- A. Chapter summary
- B. Sector deep-dives
  - 1. Agriculture
  - 2. Industry
  - 3. Tourism
  - 4. Knowledge economy
  - 5. Financial services
  - 6. Diaspora

#### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

- A. Chapter summary
- B. Public administration reform requirements
- C. Infrastructure including CIP initiatives
- D. Public finance requirements
- E. Main legislative requirements
- F. Country branding & export promotion

### VII. INSTITUTIONALIZATION MECHANISMS

- A. Chapter summary
- B. Governance set-up: orchestration and delivery
- C. Path forward

#### VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters



# The Lebanese economic model seem to be stuck in a vicious circle

... no incremental wealth generation ...
30% GDP per capita growth in last 40

8% in last 7 years vs.14% world average<sup>1</sup>

years vs. 120% world average



- ... driving a low contribution of productive sectors
- 14% of incremental GDP 2010-16 vs. 20% benchmark<sup>10</sup>

and limiting job creation and productivity further perpetuating the cycle of ...

## **C**2

... creating an unconducive business environment

 Drop in 28 positions on Doing Business since 2012 currently ranking 133/1909

resulting in limited investments into productive areas ...

- FDI drop by 30% from 2010 to 2017)<sup>2</sup>
  - 1 ... resulting in sub-par infrastructure

113<sup>th</sup> out of 137 countries<sup>7</sup>
 compounded with low legislative productivity

12 laws for business not passed

and high perceived corruption ...

146<sup>th</sup> out of 180 countries<sup>8</sup>

- ... with a volatile growth
- volatility ~1.4x that of OECD since 1992<sup>1</sup>
   driven by concentrated diaspora & regional inflows and sporadic donors' funds ...
- 40% growth 2005-2010 vs 3% 2010-2015 in BoP inflows<sup>2</sup>

# A3 ...and these inflows are mainly channelled into less productive sectors

 flows mainly into consumption & real estate<sup>3</sup>...

# ... and into financing the governments' increasing size and indebtedness

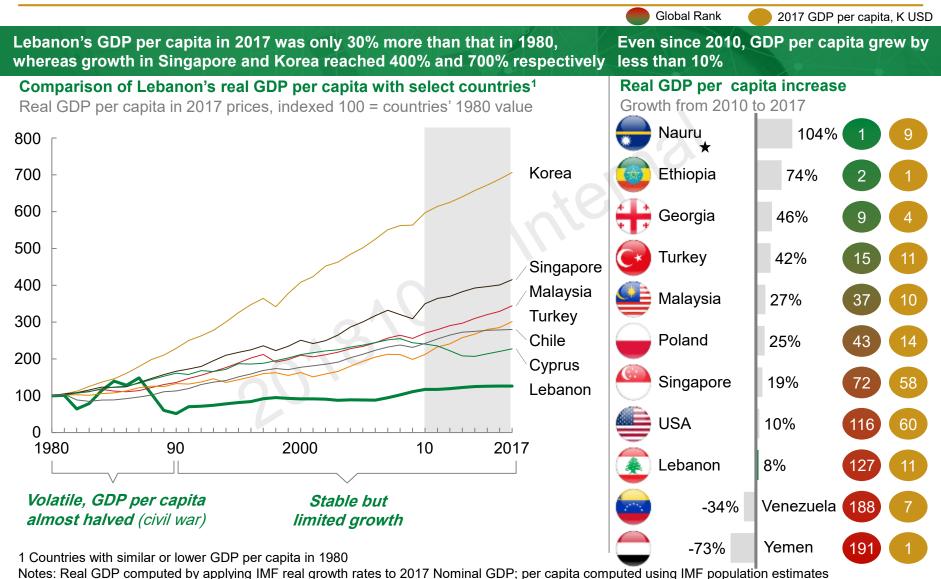
- Salaries 9% GDP vs. 6% benchmark<sup>4</sup>
- Fiscal deficit of 8% of GDP<sup>5</sup>
- *3<sup>rd</sup> highest Debt to GDP at 149%* leaving little room for CapEx ...
- 4% of budget in last 10 years<sup>5</sup> vs. 10-20% benchmark<sup>6</sup>

 IMF World Economic Outlook Database April 2018 2 BDL Balance of Payments Georgia, Romania, does not include 2018 salaries increase 5 8 Corruption Perceptions Index 2017 9

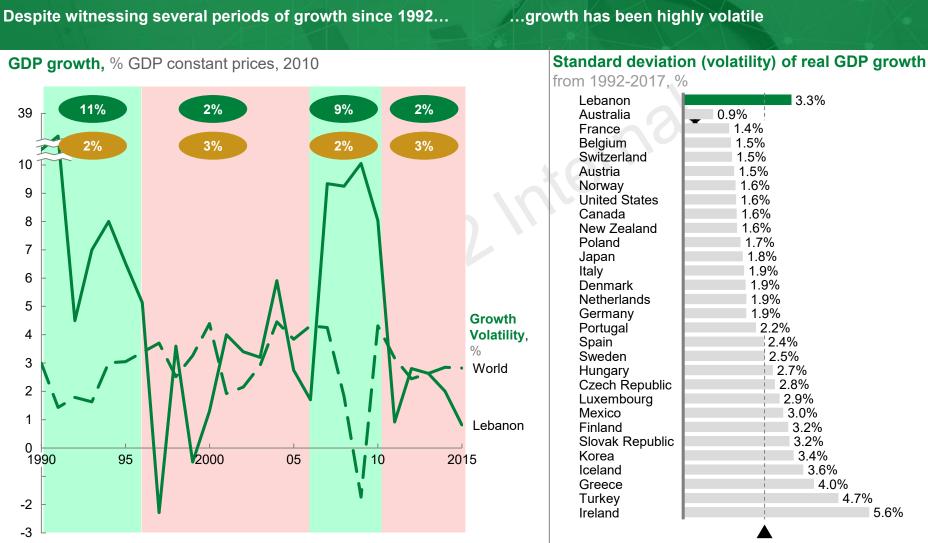
ts 3 Interviews 5 MoF annual report & CAS GDP 9 World Bank - Ease of Doing Business 4 IMF Article IV of selected countries - benchmarks include Egypt, Jordan, Switzerland, UAE, Turkey, Hong Kong, 6 IMF Article IV Singapore & UAE 7 WEF - Global Competitiveness Report 2017-2018 10 CAS GDP, IHS Markit Benchmarks are Egypt, Morocco, UAE, Korea, Singapore, Switzerland

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# Over the last ~40 years, Lebanon has not created significant **\*\*** incremental wealth and has also lagged other countries in the last 7 years A1

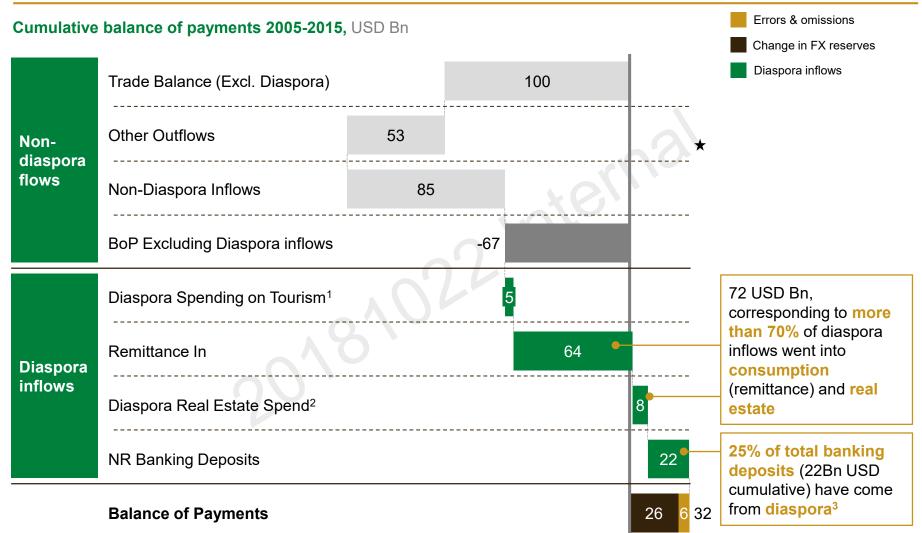


# Despite witnessing several periods of economic prosperity, growth has been highly volatile



Ø 2.4%

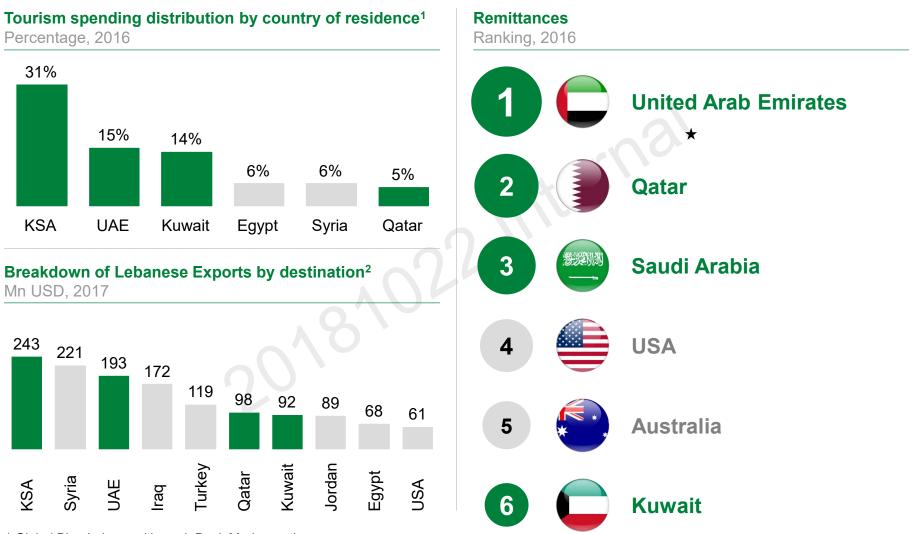
Volatility has been influenced by the economy's reliance on diaspora influence influenced by the economy's reliance on diaspora influenced into real estate, banking and consumption sectors



1 Computed assuming non diaspora tourists stay in hotels2 Computed by using loan data as proxy and building depreciation schedule of purchases3 Assuming all non-resident deposits are partially or fully related to Lebanese diaspora

Note: Sovereign exposure computed as BDL deposits and public sector loans minus 15% of deposits as required reserves, and assumed to purely finance fiscal deficit

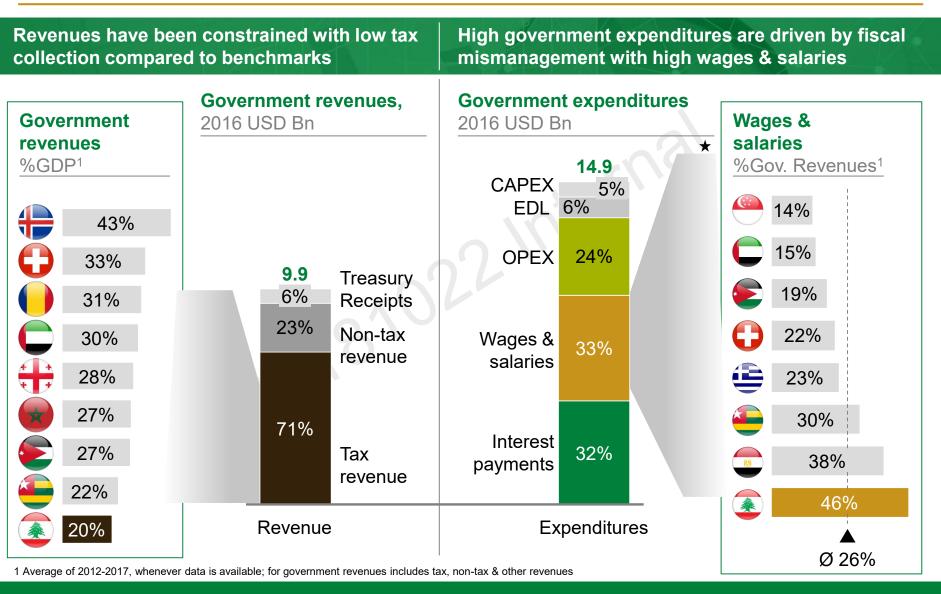
Inflows have been geographically concentrated in the GCC, further influencing volatility and the reliance on exogenous factors for growth



1 Global Blue Lebanon (through Bank Med report)

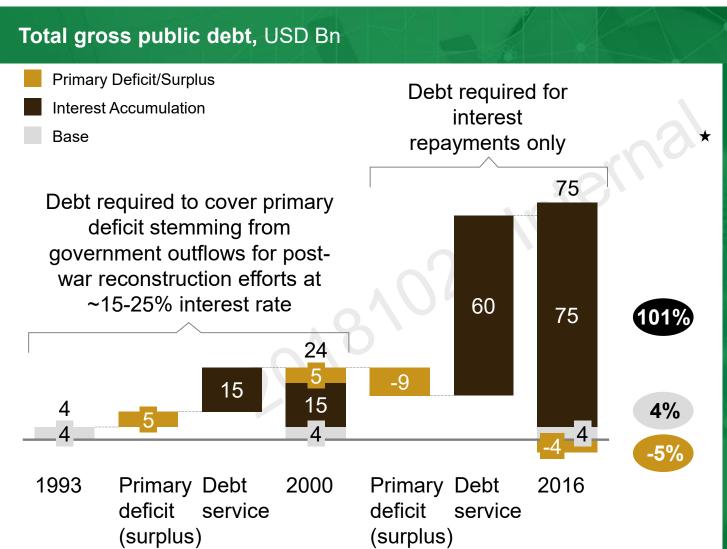
2 Excluding gold, diamonds, petroleum and other products not locally produced

The inflows also went into financing the governments' increasing size and indebtedness leaving little room for Capital Expenditures



# Economic volatility was compounded by a lack of lack of fiscal discipline...





- Only 5 USD Bn of the total accumulated debt have been used to cover primary budget deficit in the 1993-2000 period
- All of Lebanon's public debt today has come as a result of interest accumulation

# Imaking Lebanon the country with the third largest Debt-to-GDP in the world

Debt to GDP rank (highest to lowest)

S&P Credit Rating (Investment grade/junk)

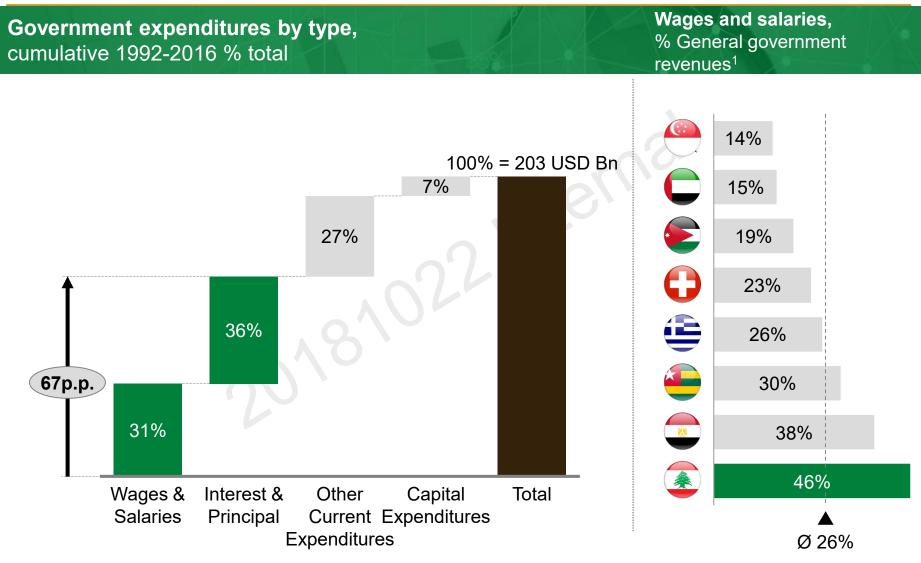
Debt service, as *% budget* 

## Gross debt to GDP Ratio, % GDP 2016

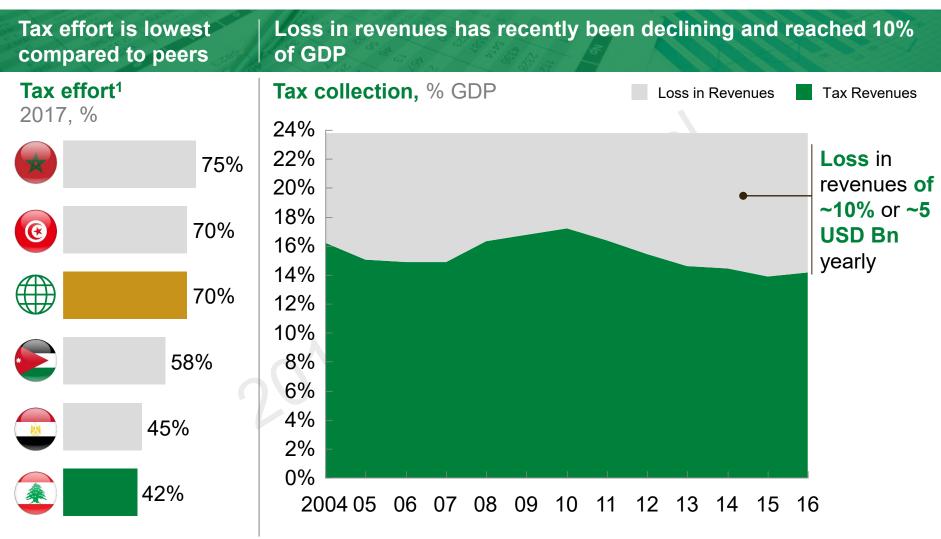
Japan		236%	1	4%	A+
Greece	18	83%	2	6%	B
Lebanon	75Bn USD 145%	, 0	3	32%	<b>B-</b>
Italy	132%		6	10%	BBB
Portugal	130%		7	9%	BBB-
Samaica 🕹	114%		13	27%	В
Singapore	107%		17		AAA
🛑 Belgium	106%		18	5%	AA
spain 💿	99%		19	7%	BBB+

- Lebanon has the 3<sup>rd</sup> highest debt to GDP ratio at ~145% (75Bn USD), the worst rated sovereign debt, and the highest debt service
- The outstanding debt of 75 USD Bn and debt to GDP ratio of 145% were reached through continuous fiscal deficits (~10% of GDP) by the consecutive govt.

On the expenditure side, two thirds of total government budget has gone to salaries & debt service, with ~6% in capital expenditures

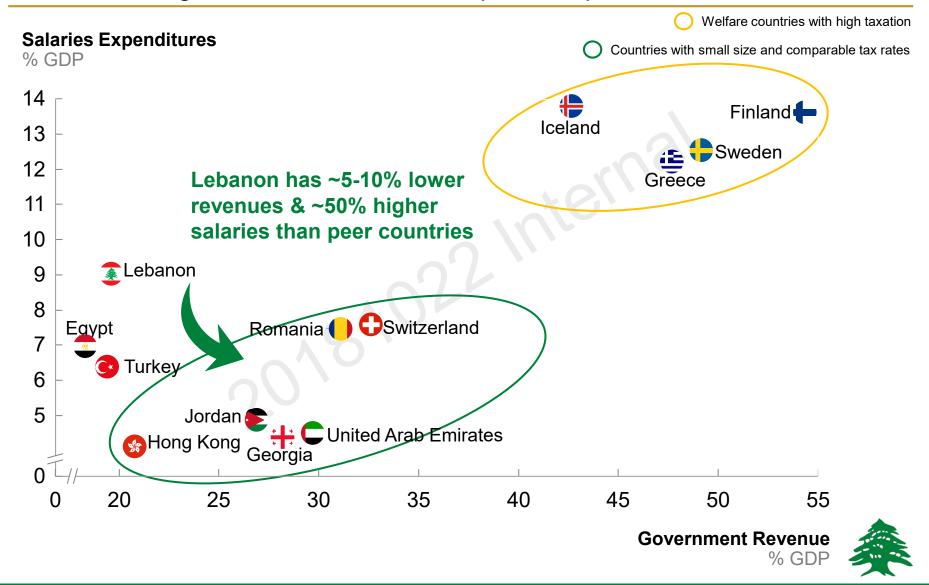


On the revenue side, Lebanon's tax performance has been significantly below its potential with a tax effort less than 50%

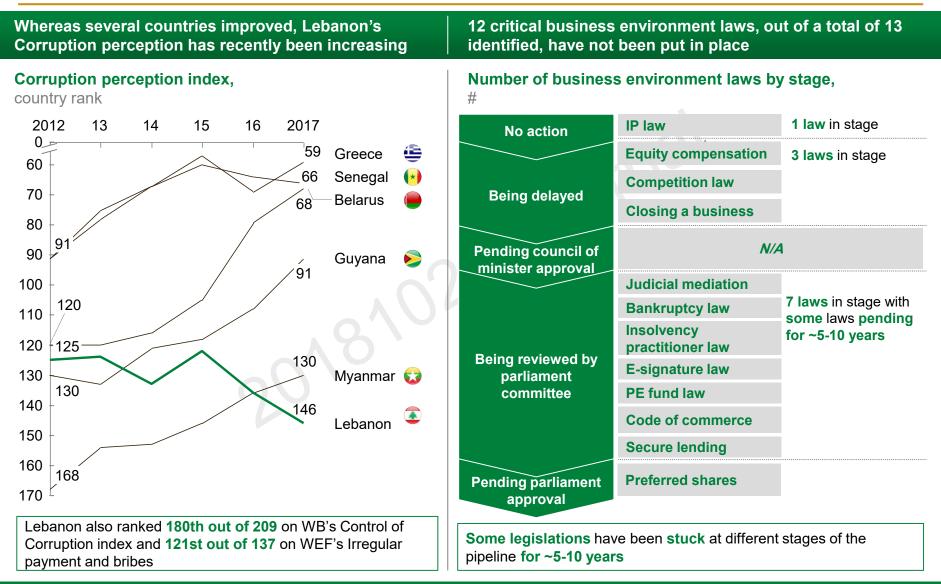


1 Percentage of tax collection to total tax capacity

# Lebanon spends ~50% more on public servant salaries and generate ~10% less government revenue compared to peer countries



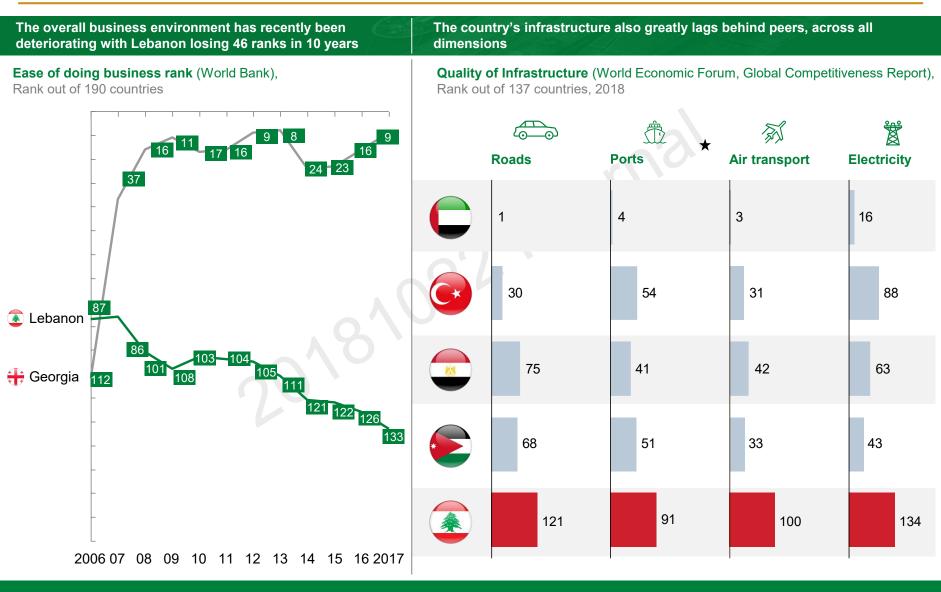
Persistent corruption and legislative inefficiencies have further perpetuated the government's inability to spur economic growth



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# As a result, the country has been witnessing an unconducive business environment along with a lagging infrastructure





# The Power Sector stands out as a culmination of Lebanese governments' inefficiencies hindering economic growth



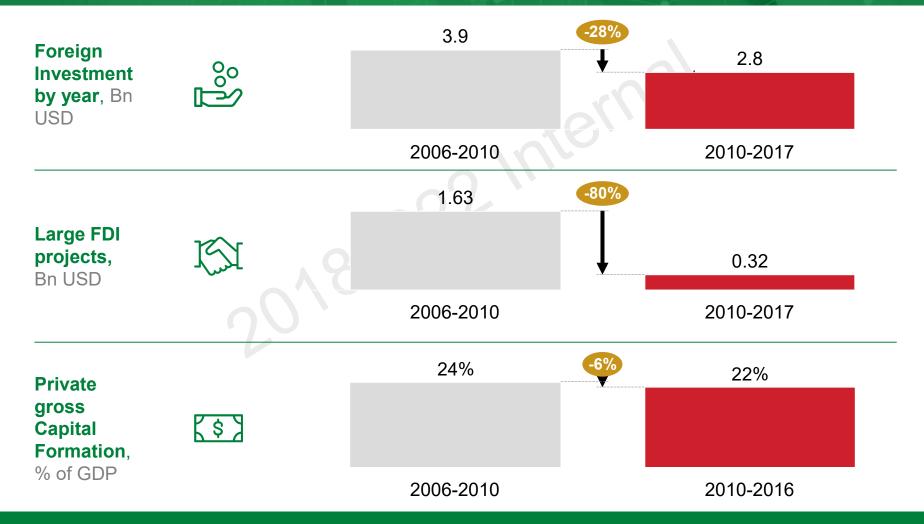
...Surrounded by countries with Lebanon's ranking on "Quality of Electricity Supply" has consistently been in the bottom five... significantly lower income levels GDP (PPP) per capita, 2017 estimate Reverse ranking of "Quality of Electricity Supply" 2011 International Dollar 2010-2011-2012-2013-2014-2015-2016-2017-17.706 Lebanon 2011 2012 2013 2014 2015 2016 2017 2018 Angola 6,151  $(\star)$ .... .\*.  $\mathbf{S}$ 200 1.1 Nigeria 5,401 1.... 9 Nepal 2.440 and a Chad 2,135  $\Rightarrow$ 2005 Benin 2.074 Q **A** 6 Guinea 1,859 2 5 1 Haiti 1.653 4 Yemen 1,173 2 3 Malawi 1.063 DRC Congo 720 2 1 (worst) Selection: countries who appeared in the lowest 5 between 2010/11 and 2017/18

#### Source: World Economic Forum - Global Competitiveness Report; IMF; team analysis

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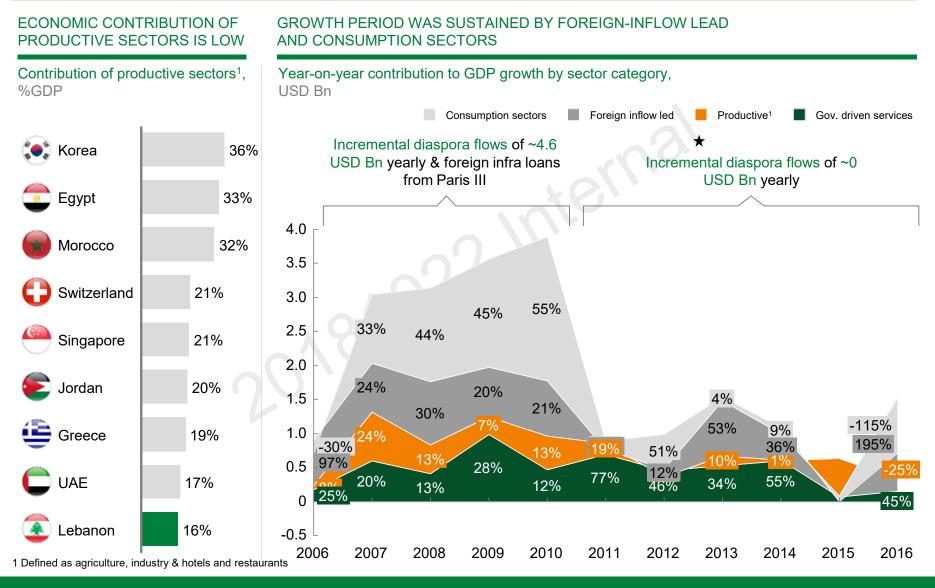
Private sector investment have therefore dropped, leading to additional economic stagnation...

Foreign & domestic investments dropped with FDI decreasing by ~30% and gross capital formation by 6% over the last 7 years





# An unconducive business environment has kept Lebanon's productive sectors underdeveloped



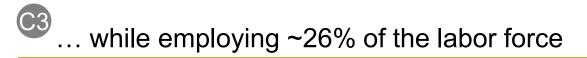




# <sup>C3</sup> Productive sectors contribute to only ~16% of the country's GDP...

					Produ	ctive	Sectors
Sectors	<b>GDP contribution,</b> USD Bn (2 excluding taxes & subsidies	2016), % s	showr	as total of GDP	2005-20 CAGR <sup>2</sup> ,		010-2016 CAGR <sup>2</sup> , %
Real Estate & Construction	21%				5%		2%
ि Retail & Commerce	14%				8%	, 📕	0%
	10%			*	7%	•	-2%
Administration	1	0%			6%	, 📕	3%
Sinance, Insurance		9%		6	10%	, 📕	6%
≌Education			8%		1%		3%
Business Services				7%	9%	, 📕	-1%
C Health				4%	8%	, 📕	4%
🛱 Transport				4%	8%	, 📕	5%
∰Hotels & Restaurants				<mark>3%</mark>	8%	, 📕	-3%
B Agriculture				3%	1%	, <b></b>	1%
Personal Services				3%	13%	•	-2%
<sup>(</sup> <sup>(</sup> <sup>™</sup> ) ICT				3%	12%	, 📕	3%
TUtilities: Power & Water				2%	4%		4%
Total Nominal GVA <sup>1</sup>		47					
Total taxes & subsidies					4		
Total Nominal GDP		51			8%		2%

average annual growth in real GDP





**Productive Sectors** 

#### Total employment, '000s (2016) Sectors 479 (24%) Trade Real Estate & Construction 244 (12%) Agriculture $\star$ 212 (11%) Manufacturing 194 (10%) Aministration 🚓 185 (9%) Education 161 (8%) 🗄 Transport 110 (6%) Rersonal Services 106 (5%) Hotels & Restaurants 90 (5%) 50 (3%) Finance, Insurance <sup>((</sup>;)<sup>≫)</sup> ICT 44 (2%) CA Health 38 (2%) Business Services 34 (2%) Tutilities: Power & Water 30 (2%)

Total

1,977

**Note:** All employment data includes both formal & informal jobs; 2010 Baseline derived from total ILOSTAT employment, using CAS sector split. Post 2010 projections based on sector real GDP growth and ILOSTAT real productivity growth; adjustments applied to Health & Agriculture based on input from Ministry of Health and meeting with agriculture stakeholders

The drop in economic activity has led to an increase in unemployment, further compounded by the Syrian migrant crisis

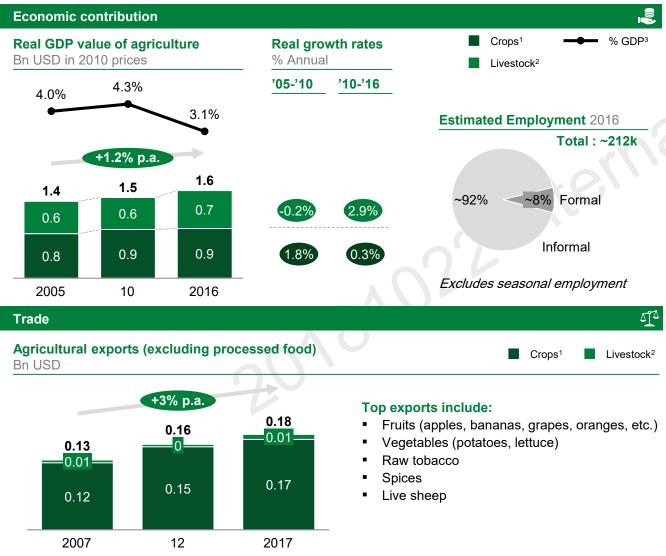
## Estimated unemployment rate, %



- Refugee crisis leading to inflow of migrants
- Period of low economic growth



# Agriculture – summary of diagnostic



## Key challenges

#### Low productivity and quality

- Limited modernization / technology adoption, with persistence of suboptimal techniques (harvest, post-harvest, etc.)
- Overuse of fertilizers & pesticides (452 kg/hectare, vs. 131 kg/hectare in OECD countries)
- Structural constraints
  - Small average holding sizes (1.4 ha)
  - Ineffective cooperative system (~1200 COOPs, 2/3 of which are inactive)
  - Dominant wholesale markets / distributors

#### Insufficient and poorly-targeted government support

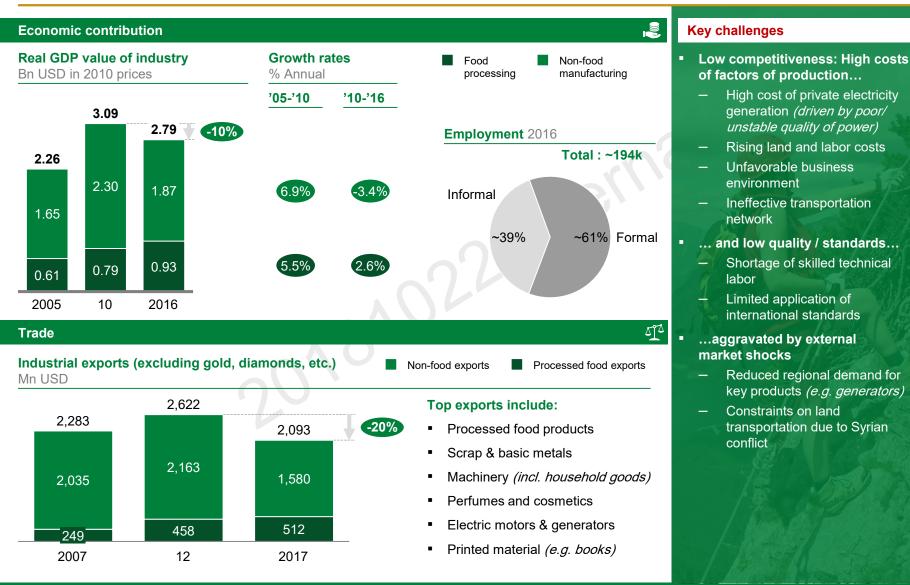
- Limited extension and research services
- Poor controls on food safety & quality, water usage
- Limited access to financing
- Financial unsustainability
  - Rising land & transportation costs
  - Reliance on subsidies (and ad-hoc financial support)

1 Includes forestry 2 Includes fishery 3 Excludes taxes and subsidies

Source: CAS, ILO, Ministry of Health, Lebanese Customs, FAO, expert interviews



# Industry – summary of diagnostic





# Oil & Gas – summary of diagnostic

Current situation and recent developments	Pending uncertainties	Timeline of events	The future of oil & gas	Present-day priorities
<ul> <li>Lebanon may have significant oil &amp; gas resources, which are currently untapped</li> <li>In 2010, USGS estimated that 1.7 billion barrels of recoverable oil and 122 trillion cubic feet of recoverable natural gas may be found in the Levant Basin Province</li> <li>Despite long delays, there have been several recent achievements supporting the development of Lebanon's oil &amp; gas sector:</li> <li>Exploration &amp; production licenses for 2/9 blocks were awarded to a consortium made up of Total, Eni and Novatek (Dec 2017)</li> <li>Regulatory and governance framework for the sector has been developed, with several laws being passed (e.g. law to establish a Sovereign Wealth Fund)</li> </ul>	<ul> <li>Significant uncertainty remains on the value of Lebanon's resources, which will depend on several variables, including but not limited to:</li> <li>Resource base: Volume of resources, as well as form and chemical makeup, are very uncertain</li> <li>Oil prices: Recently- demonstrated volatility in global prices makes it difficult to predict the price of oil during production, which is not expected to begin until 2029</li> <li>Technology: Several advances in gas extraction technology have drastically reduced the cost of extraction in the last few years, and further advances could have a significant impact on the cost of extraction</li> <li>Market demand: Changes in geopolitics, as well as the development of new pipelines could have a significant impact on export market options.</li> </ul>	<ul> <li>Exploration is expected to begin in 2019</li> <li>First round of development is expected to take place between 2025 and 2029</li> <li>The development phase will be very capital intensive, as it will involve construction of off-shore platforms</li> <li>This will create a spike in job creation (up to 10k) which will be mostly indirect (e.g. in industrial sectors) and supported by local content requirements</li> <li>The development timeline is highly dependent on the results of the exploration phase</li> <li>Extraction of oil may not begin until 2029</li> </ul>	<ul> <li>Broadly, there are three scenarios for the role of oil &amp; gas in Lebanon:</li> <li>Negligible: Oil plays no major role in Lebanese economy, likely due to limited volume or very high costs of extraction</li> <li>Power-producing: Oil is used almost exclusively as an input in the power sector, with limited financial gains</li> <li>Financially-supporting: Beyond use of oil in power, oil generates significant financial resources for the government, contributing to fiscal stabilization</li> </ul>	<ul> <li>Despite the uncertainty, there are several no-regret efforts that the government of Lebanon should prioritize in the short term:</li> <li>Developing a clear strategy and direction for the sovereign wealth fund</li> <li>Continuing to develop the regulatory and governance ecosystem (<i>e.g. finalizing transparency-related regulations</i>)</li> <li>Moreover, in the medium term (as more clarity on resources is established) additional strategic analysis will be required, on topics including but not limited to:</li> <li>Optimal usage of oil &amp; gas resources (<i>e.g. local power vs. export</i>)</li> <li>Impact on industrial sector (<i>e.g. via improvement of power sector</i>)</li> </ul>



# Tourism – summary of diagnostic

#### **Economic contribution** Number of tourists by nationality Real GDP value of tourism<sup>1</sup> **Top nationalities** Bn USD in 2010 prices Million tourists GCC Western<sup>2</sup> % GDP Iraq (12%), 3.3 Other Arab France (9%), 3.1 USA (9%), 2.2 Canada (6%) 1.9 0.5 0.3 0.4 0.1 1.3 0.2 0.1 0.4 1.1 0.5 1.0 0.8 0.3 1.0 0.8 0.7 2005 10 2016 13 2017 2010 Performance metrics<sup>3</sup>, 2017 Performance compared to peers Low **Occupancy rate**, % 43% In line with peers Hiah **Average length** 3.2 of stay, days

**Key challenges** 

- Lack of proper tourism data to ensure informed decision making
- Low occupancy rates in hotels are deterring private sector investments
- Limited hospitality infrastructure catering for the upper mass and luxury segments (especially outside Beirut)
- Absence of a brand image for Lebanon
- Limited flight connectivity and high airfare prices to European markets

~

Highly fragmented eco-system with no forum for collaboration between all the different stakeholders

1 GDP contribution of hotels and restaurants is used as a proxy for tourism GDP

2 Includes Europe, Oceania and North America (US and Canada only); 3 Based on a sample hotel list provided by MoT



# Technology – summary of diagnostic

Economic contribution	Sector performance
Total jobs, 2017	Total value of VC deals, USD Mn 2017
~7,000Startups2,000Incumbents5,000	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$
Technology & innovation	funnel, by stage of company
<ul> <li>Sub- spen</li> </ul>	Idea beration / R&DCommer- cializationStart-up / 
Digital eco- nomy	on lags all Middle-Eastern countries on digitization index
Dioitai	on lags all GCC countries on the UN e-government readiness index (0.56 2) only slightly outranking Egypt & Jordan in the Middle East

## **Key challenges**

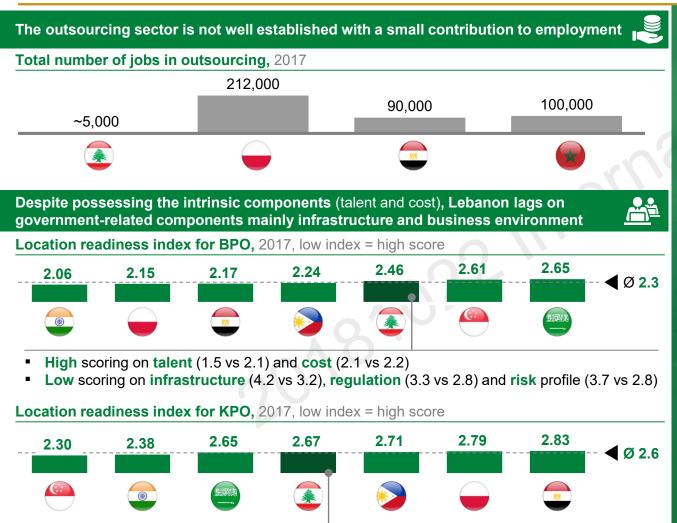
- Low availability of digital talent
  - Despite Lebanon's strong talent base, access to talent was reported to be the main obstacle faced by domestic start-ups
  - Moreover regional entrepreneurs consider Lebanon as the top source for creative & marketing talent, but as lagging behind for core technical skills

#### Missing key regulatory requirements

- The sector suffers from sub-par regulations such as the current incorporation laws (preferred shares, stock-options), and a sub-par judicial system
- For e.g. only 20% of entrepreneurs offer stockoption schemes whereas ~50% of the talent pool would be willing to accept it as compensation scheme



# Outsourcing – summary of diagnostic



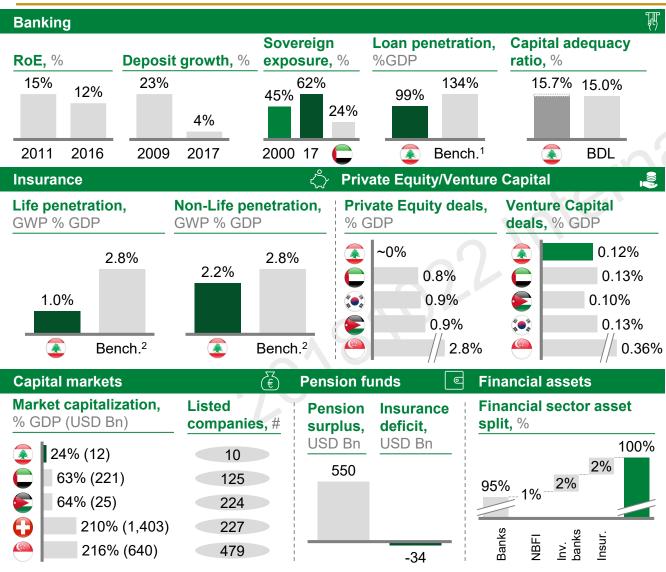
- High scoring on talent (2.1 vs 3.0) and cost (2.1 vs 2.2)
- Low scoring on infrastructure (4.2 vs 3.2), regulation (3.3 vs 2.8) and risk profile (3.7 vs 2.8)

#### **Key challenges**

- -7
- Sub-par virtual and physical infrastructure
  - Physical and virtual infrastructure lags with low broadband speeds (5Mbps, 127th globally) and high mobile connectivity costs
  - Un-empowered regulatory authority (TRA) leading to in lack of continuity and uniformity in the sector (e.g. stopping of the E1 lines for call centres)
- Sub-optimal regulatory framework and environment with lack of incentives
  - Sub-par ease of doing business environment
  - Required laws not in place: bankruptcy law, competition law, IP protection law
  - No zones in place offering taxincentives and lower infrastructure costs (telecom & rental costs)
- High country risk profile
  - Low macro-economic and political stability, a key input to outsourcing location criteria



# Financial Services – summary of diagnostic



## Key challenges

- Lack of participation of nonbanking financial services
  - Domination of financial services by banking with ~95% of assets
- Underdeveloped capital markets
  - Lack of incentives to list
  - Limited foreign investments
- Credit
  - Although a large portion of credit information is provided by BDL, sector can benefit from a credit bureau
  - Legal

- Sub-par legal framework on three fronts: (1) E2E doing business cycle (2) Private equity and fund management laws (3) Digital banking & payments
- Regulator
  - Incomplete regulatory framework for capital markets (lack of sanctioning committee & tribunal)
- Capabilities:
  - Low financial inclusion and literacy, especially outside BML

1 Includes Singapore, Switzerland, UAE, Greece, South Korea, Jordan & Morocco

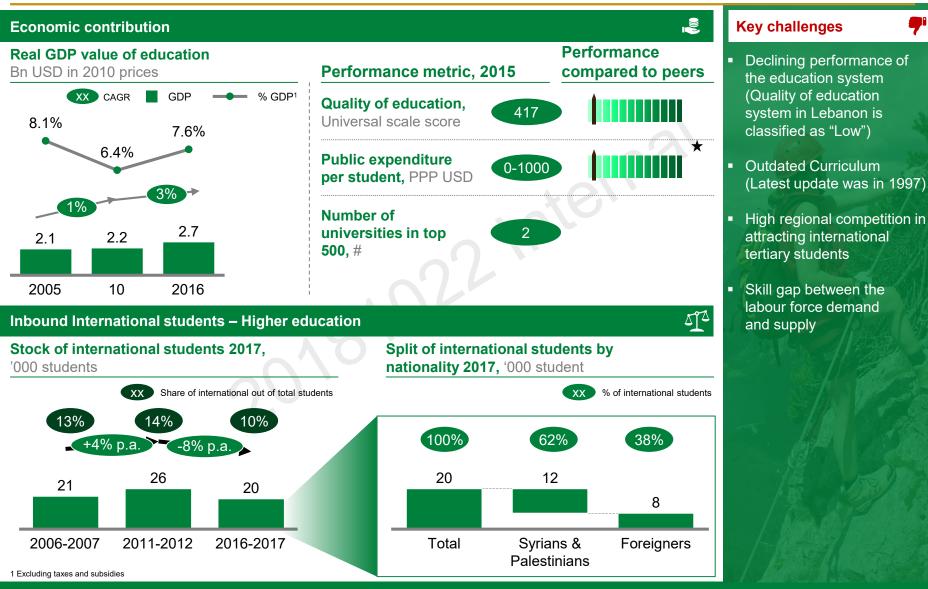


# Education – summary of diagnostic

Low



High





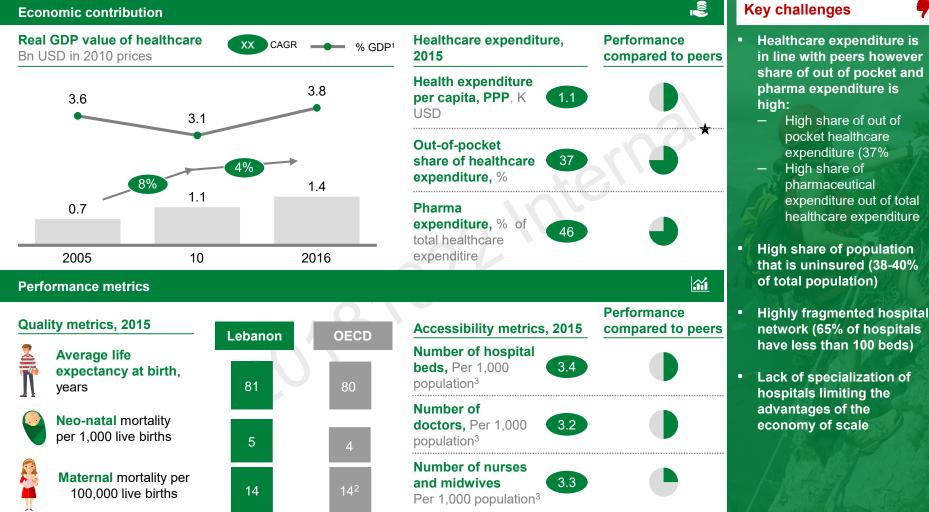
# Healthcare – summary of diagnostic

Low

In line with peers

High

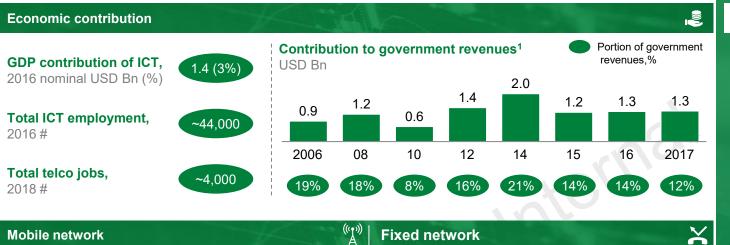
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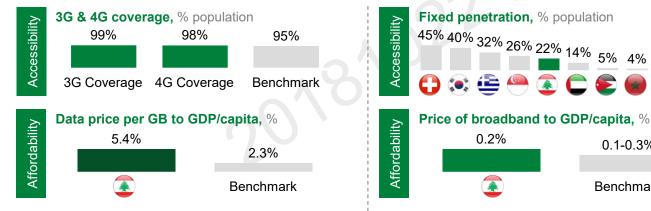


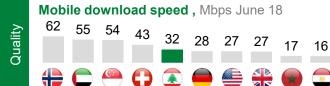
Healthcare diagnostic section covers economic contribution of the sector. This includes quality, accessibility and spend per capita on healthcare as well as size of the medical tourism exports. Social contribution and healthcare operating model are not part of the scope



# Telecommunications – summary of diagnostic







1 Excludes corporate taxation of telecom operators

Source: Ministry of Finance annual reports; Telegeography; SpeedTest; ITU; Country benchmarks; Market interviews; Operators websites; World Bank: CAS

Quality

181

92

0.2%

30

Fixed download speed, Mbps June 18

13

13

8

18

## **Key challenges**

- **High mobile prices** 
  - Both data & voice prices remain prohibitive, especially when compared with regional benchmarks
  - Mobile data and voice prices are ~2-3x regional peers (Morocco & Egypt)
  - Low fixed network quality

4%

0.1-0.3%

Benchmark

8

1%

1%

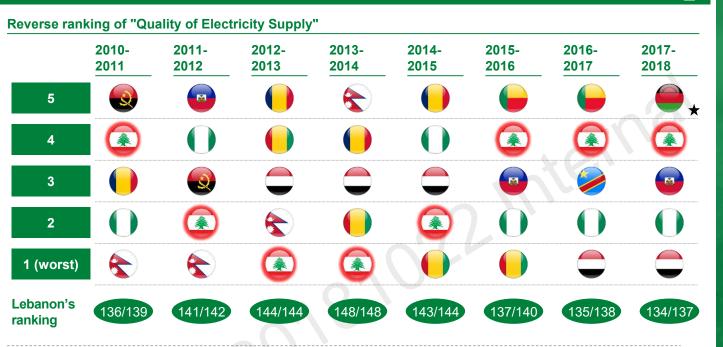
6

- Average broadband speeds of ~6mbps, ranking Lebanon 130<sup>th</sup> out of 133 countries worldwide, behind Pakistan, Iraq & Syria
- Inadequate amount of capital investments
  - Telecommunications investments per capita ~2.5x times lower than peer countries average

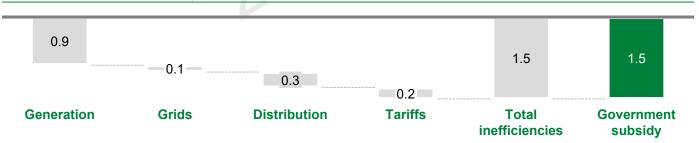


# Power sector – summary of diagnostic

#### **Performance metrics**



#### 2017 estimated breakdown of power sector in Lebanon, Bn USD



#### Key challenges

#### Generation

- Missing reserve margin
- High generation cost
- Limited share of renewables

#### Grids

ΔĨΔ

- High share of T&D losses
- High demand for grid built-out

#### Distribution

- High non-technical losses in billing system
- Low level of energy service quality

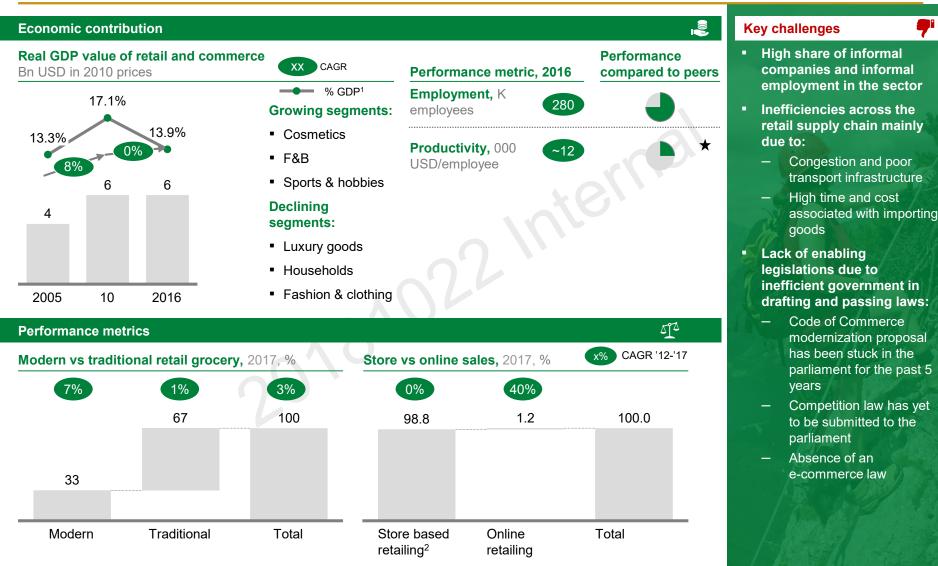
#### Tariffs

Tariffs lower than similar peers and not reflecting production cost

# Retail and commerce – summary of diagnostic



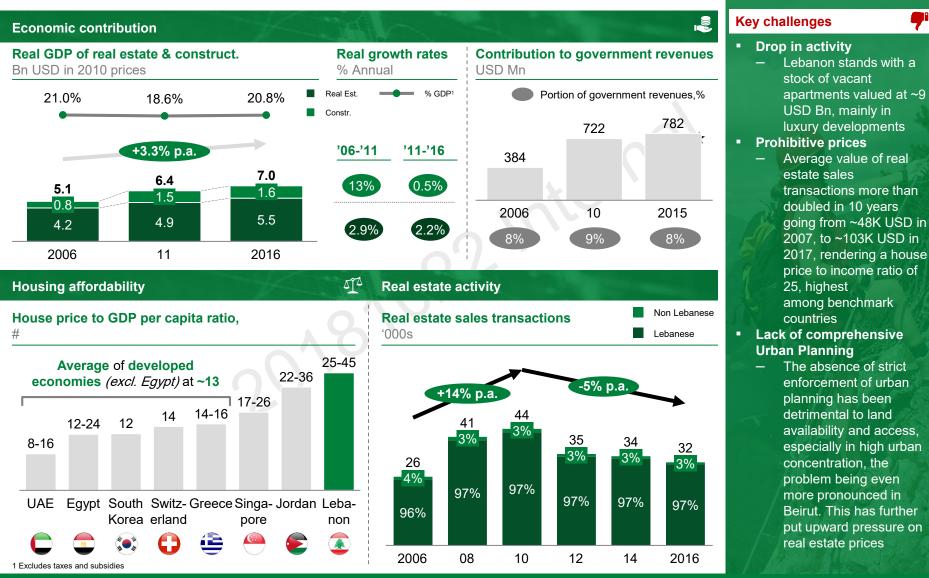
Low



1 Excludes taxes and subsidies 2 Includes small share of direct selling



# Real Estate and Construction – summary of diagnostic

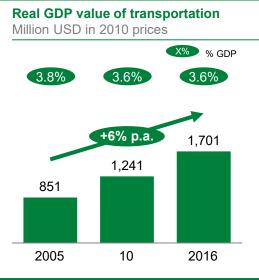


Source: Ministry of Finance Real Estate Registry; World Bank; Numbeo; Global Property Guide; Order of Engineers Beirut; Banque du Liban; CAS; World Bank A systematic country diagnostic 2015; Real Estate Association

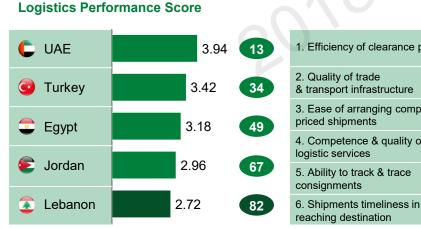


# Logistics and transportation - summary of diagnostic

#### Economic contribution



#### Performance metrics,



#### Breakdown of trade flows by customs office 2017USD Bn. % Maritime Air Land 69.7% Port Of Beirut **Rafic Hariri Airport** 20.1% 6.7% Tripoli 1.7% Saida 0.9% Masnaa Arida 0.7% Abboudieh 0.1% 0.1% Tyre

# LPI score breakdown 1. Efficiency of clearance process 2. Quality of trade & transport infrastructure 3. Ease of arranging competitively priced shipments 4. Competence & quality of logistic services 5. Ability to track & trace

#### Key challenges

#### Ports

<u>~</u>

- High dwell time in Beirut Port (~13 days)
- Inefficient integration between the different ports and roads
- Unclear differentiation approach between Beirut Port and Tripoli Port (and respective expansion / development plans)

#### Airport

 Demand exceeding capacity in Rafic Hariri International Airport (6M Capacity, vs 8M+ annual demand)

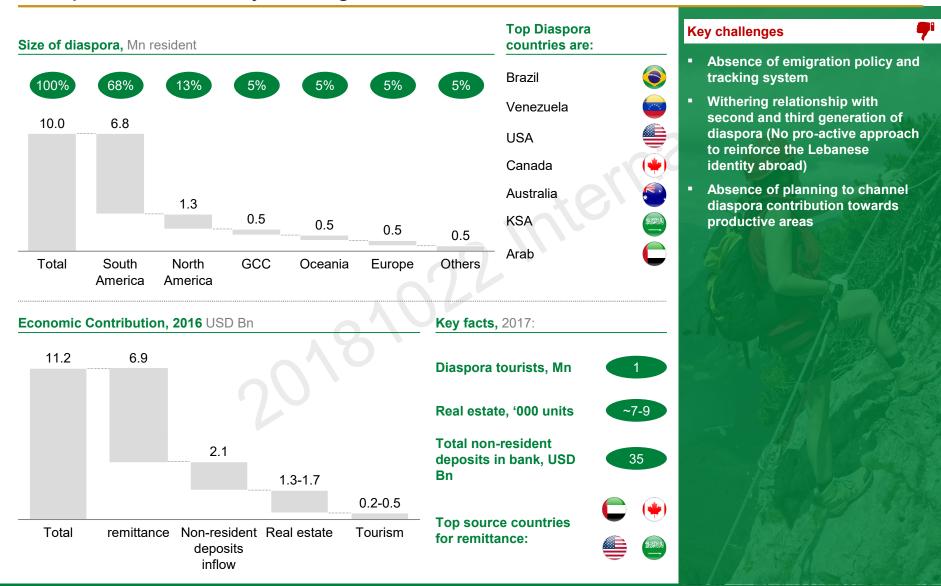
#### Roads

- Low quality roads (~15% of roads are in good condition)
- High traffic congestion on main highways

Source: CAS; Lebanese Customs; ILO; World Bank; Port of Beirut; expert interviews



## Diaspora – summary of diagnostic





# Urban Efficiency – summary of diagnostic

City planning & efficiency is a key enabler for economic development and growth

> By 2030, 60% of the population – 5 billion people – will be city dwellers ...

... and the top 600 global cities are expected to contribute to more than half of the world's GDP

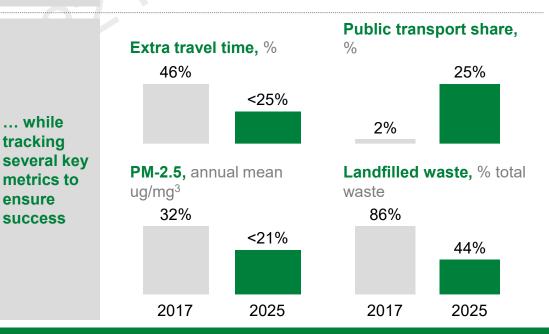
Knowledge-intensive, small-sized countries, unlocked their growth potential, through anchoring their development around an efficient urban center, at the heart of the economy

Singapore positioned the city as a key regional hub, attracting regional headquarters for 100+ companies by 1990

Dubai has developed a comprehensive strategy anchored around an efficient urban zone with SEZ around the city

Several gaps exist within Greater Beirut's efficiency that should be tackled as part of a broad city vision

- Enhance overall livability of the city, mainly pollution and waste management
- Focus on growing improving offering and growing use of public transportation, through prioritizing and incrementing relevant CIP initiatives
- Develop a fully integrated urban plan, with clear land use allocation
- Reclaim illegally used land particularly on Greater Beirut's beachfronts



Source: C40 Cities, WHO Global Urban Ambient Air Pollution Database, Lebanon municipality of Beirut sustainable energy action plan, Capital Investment Program, Press Search, Transport Authority of Countries, TomTom Index; CIP, Land Transport Authority of Singapore, Gulf News, CAS, Ministry of Health

ensure

Key

challenges

should be

tackled...



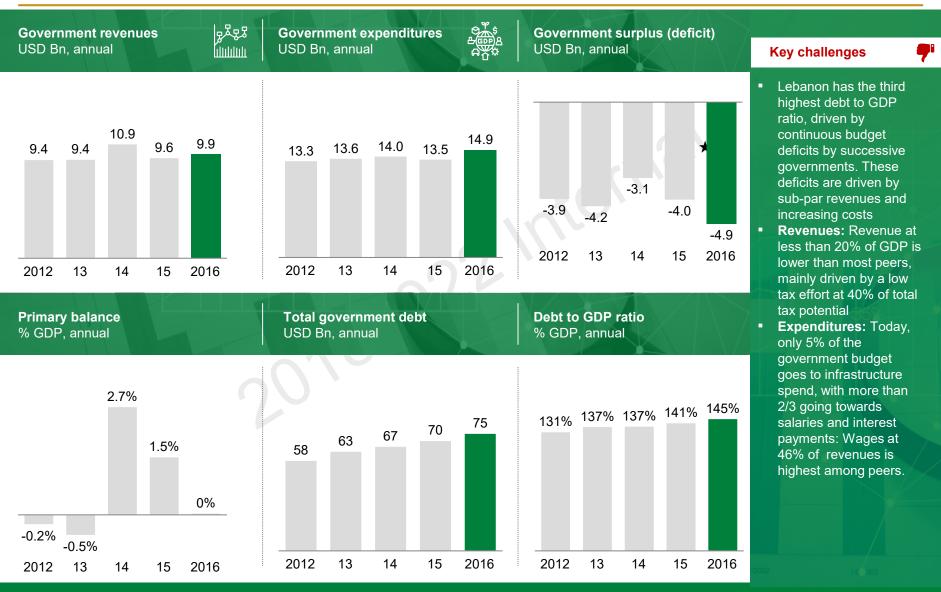
7'

# Trade Agreements – summary of diagnostic

Status of	Key challenges						
	Agreement	Partner	Status	Prelem. assessment of impact to date	<ul> <li>EU Association Agreement led to a short-lived boost to</li> </ul>		
	Trade Agreement Arab countries		Entered into force in 1998	Positive impact	exports, whereas imports continue to grow The EFTA trade		
Active agreements	EU Association Agreement	European Union countries	Entered into force in 2006	Negative impact	agreement led to a balanced increase in both exports and imports, but <b>gains in</b> <b>both have been largely</b> <b>lost</b>		
	EFTA Free Trade Agreement	EFTA States (Iceland, Liechtenstein, Norway and Switzerland)	Entered into force in 2004	Neutral impact	<ul> <li>There is a lack of coordination between the different trade-related entities</li> </ul>		
	World Trade Organization	Global	Accession in progress - last working party meeting (7th) conducted in 2009		<ul> <li>Private sector faces issues with technical and non-technical measures (e.g. SPS</li> </ul>		
Ongoing discussions	MERCOSUR Free Trade Agreements Argentina, Brazil, Paraguay, Uruguay, & other south American countries		MoU signed in 2016, discussions in progress	conditions, registration requirements)			
	Agadir Agreement	Egypt, Jordan, Morocco, Tunisia	Accession in progress, following initial approvals in April 2016 and March 2017		2002 1/6 002		



# Public Finance – summary of diagnostic



#### X Rank

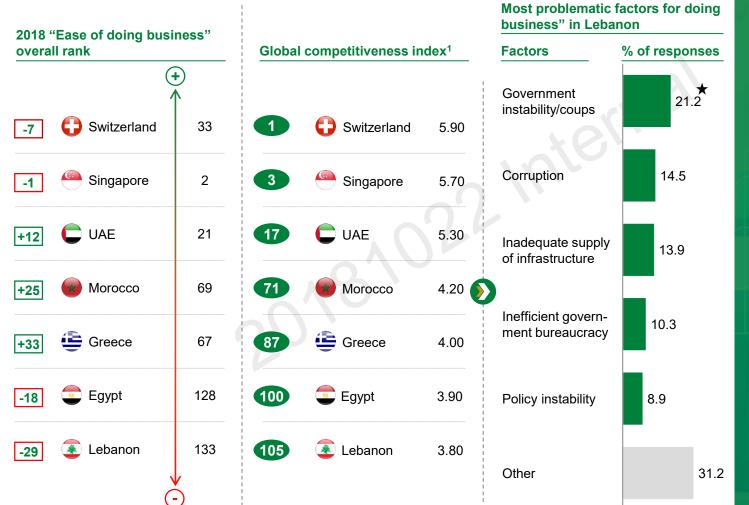
X



# Ease of Doing Business – summary of diagnostic

Ease of doing business ranking

#### Global competitiveness index<sup>1</sup>



### Key challenges

Difference in ranks between 2012 and 2018

- Last reform for the doing business environment was made 6 years ago
- Outdated laws/lack of proper legislations and an inefficient government in drafting and passing legislations
- High cost associated with procedures for "doing business"
- Complicated procedures for "doing business" with multiples stakeholders
- Perceived corruption of the government



# Economic Development Activation – summary of diagnostic

Entities involved in	n EconDev activation		Key challenges
1 Investment activation	• IDAL	IDAL	<ul> <li>Incentive package for investors is outdated (Last updated in 2001) and not competitive compared to regional peers</li> <li>IDAL is not empowered to operate its one-stop shop to efficiently serve investors</li> </ul>
2 Export promotion	<ul> <li>IDAL</li> <li>Ministry of Economy and Trade</li> <li>Central Bank – Kafalat</li> <li>Ministry of Foreign Affairs</li> </ul>	IDAL IDAL MENNEL OF LEVENER KAFALAT SAL MENNEL OF LEVENER	<ul> <li>Export promotion efforts are highly uncoordinated across different stakeholders</li> <li>Low budget is allocated for export promotion compared to benchmarks</li> <li>Process for approval of new export programs and improvement of old programs is lengthy</li> </ul>
3 SME support	<ul><li>IDAL</li><li>Ministry of Economy and Trade</li></ul>		<ul> <li>Source of capital for SMEs is volatile and highly dependent on external entities (EU grant and world Bank loan are temporary sources of capital funding)</li> <li>Little/no support is provided for access to market and access to talent/capabilities</li> </ul>
4 Regional development	<ul> <li>IDAL</li> <li>Council of the South</li> <li>Chamber of Commerce</li> </ul>	IDAL IDAL IDAL	<ul> <li>No clear approach to spur economic growth in under-developed regions</li> <li>IDAL's proposal to change the existing incentive scheme to better drive investments in the regions is pending approval</li> </ul>



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  - 3. Industry
  - 4. Tourism
  - 5. Knowledge Economy (tech, media)
  - 6. Financial Services
  - 7. Education
  - 8. Healthcare
  - 9. Real Estate & Construction
  - 10. Retail & Commerce
  - 11. Logistics & Transportation
  - 12. Telecom
  - 13. Power and water
  - 14. Diaspora
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  - 5. Trade & Intl. Agreements

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- D. Economic aspirations and macroeconomic targets
- E. Sector prioritization mechanism and rationale

## V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

- A. Chapter Summary
- B. Sector deep-dives (6 sectors with high potential contribution to economic growth)
  - 1. Agriculture
  - 2. Industry
  - 3. Tourism
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  - 6. Diaspora

### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

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- B. Public sector reform requirements
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- E. Main legislative requirements
- F. Country branding & export promotion

# VII. INSTITUTIONALIZATION MECHANISMS

- A. Chapter Summary
- B. Governance set-up: Orchestration and delivery
- C. Path forward (Including specific areas requiring further specification)

# VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters



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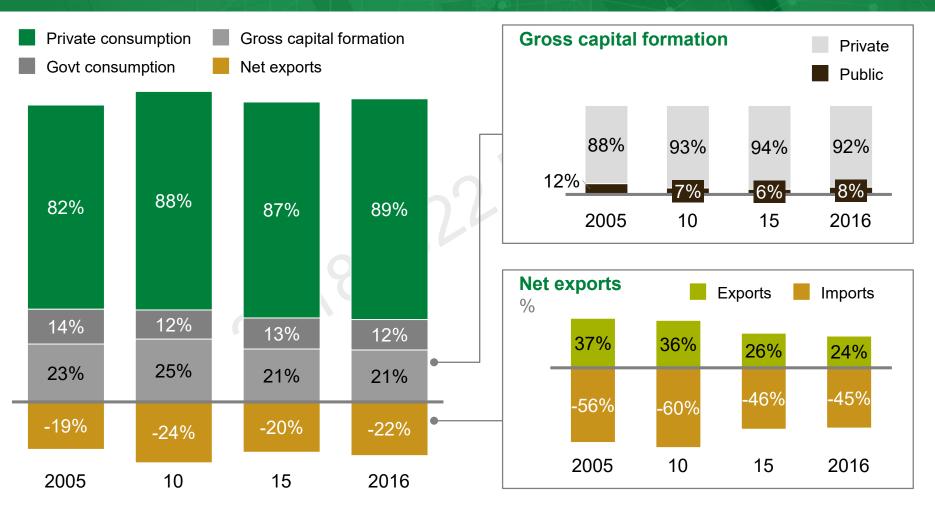
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Today, Lebanon's GDP growth remains subdued as the Lebanese economy is vulnerable to the Syrian crisis and the increasing debt burden

# GDP real growth, % change of real GDP in 2010 prices



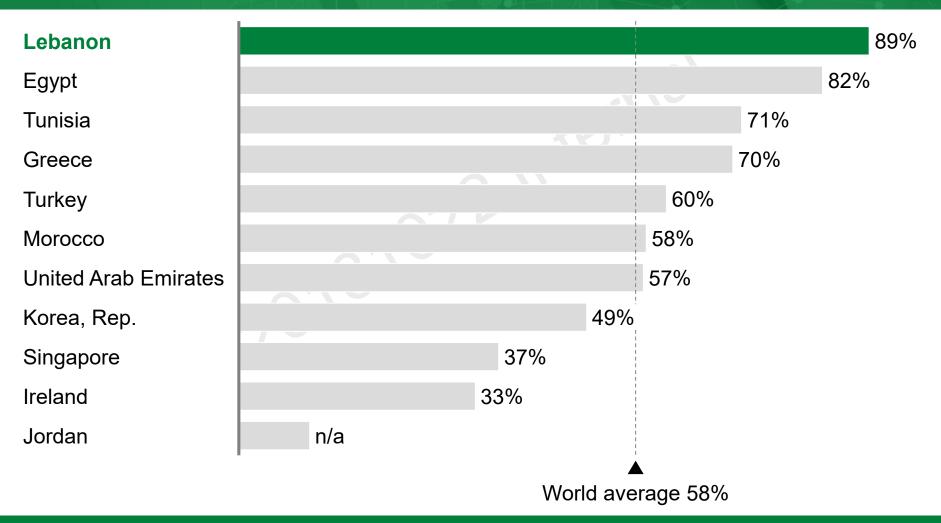
# GDP composition by expenditure component, % of total GDP



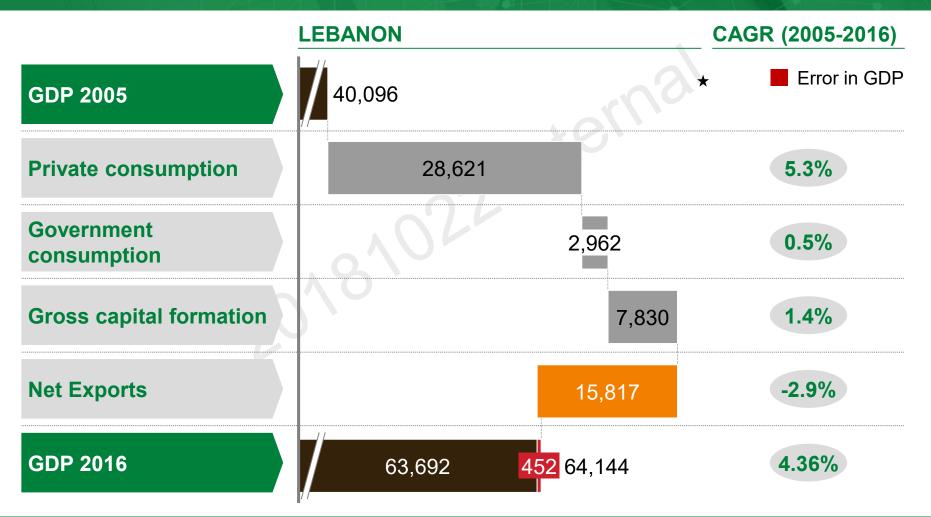
In fact, Lebanon has the highest private consumption contribution to GDP, higher than world average and selected peer countries



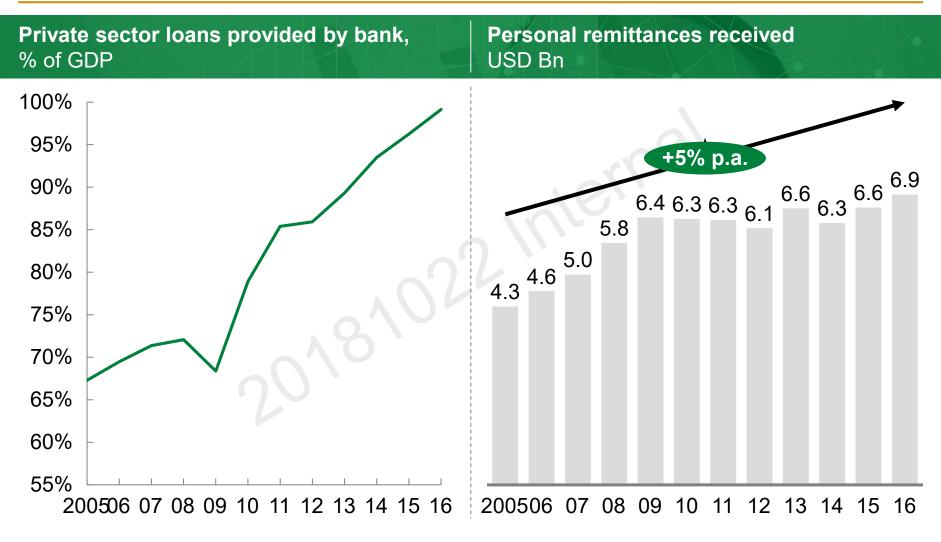
# Private consumption contribution to GDP, % of GDP, 2016



Contribution to real GDP growth per GDP component, GDP constant prices, 2010, LL Bn



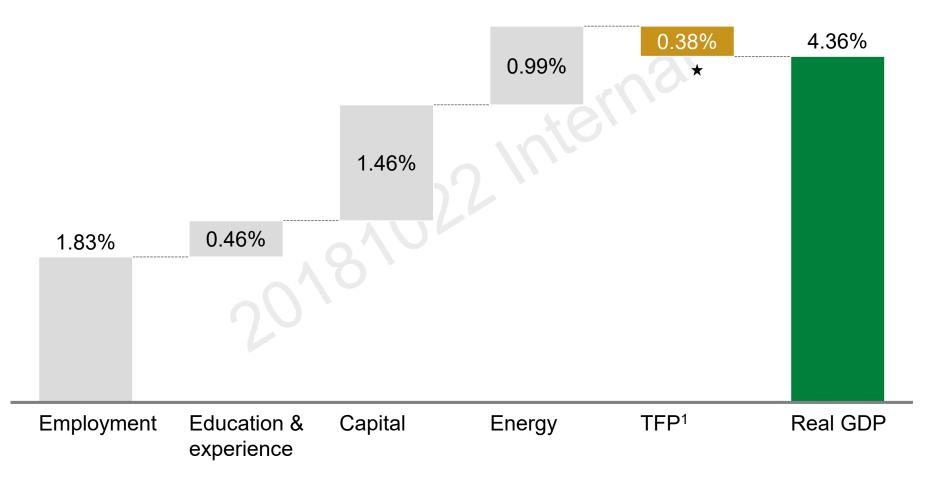
Private consumption and domestic demand has mainly been driven by high remittances and strong financial credit provided by banks



1 Personal remittances comprise personal transfers and compensation of employees. Personal transfers consist of all current transfers in cash or in kind made or received by resident households

# From the supply side, the country's GDP is mainly driven by labor and capital, with a decreasing productivity

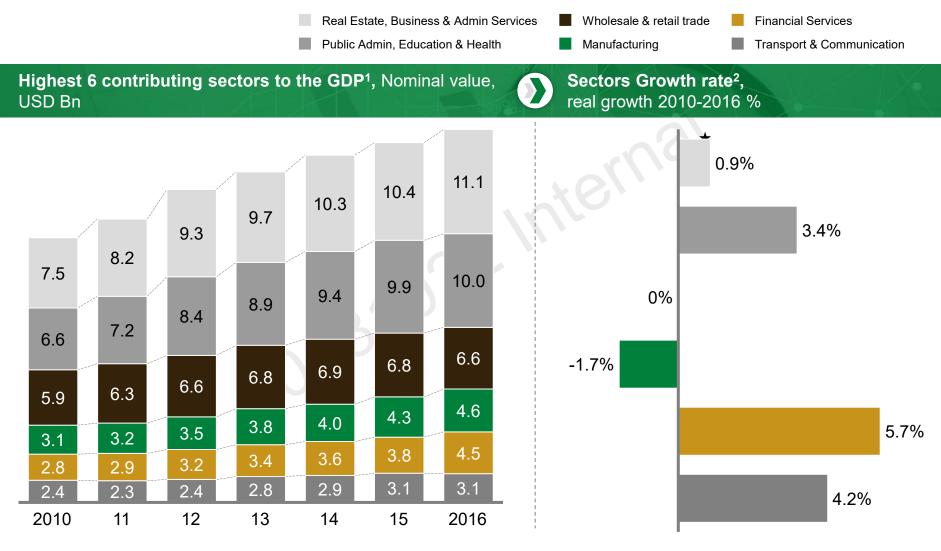
# Supply side growth decomposition, % CAGR (2005-16)



1 TFP is total factor productivity after accounting for capital, employment, education & experience, and energy



# Real estate and business services contribute the most to GDP; financial services have grown fastest in the last 5 years



1 At current prices 2 Based on real GDP, at 2010 prices



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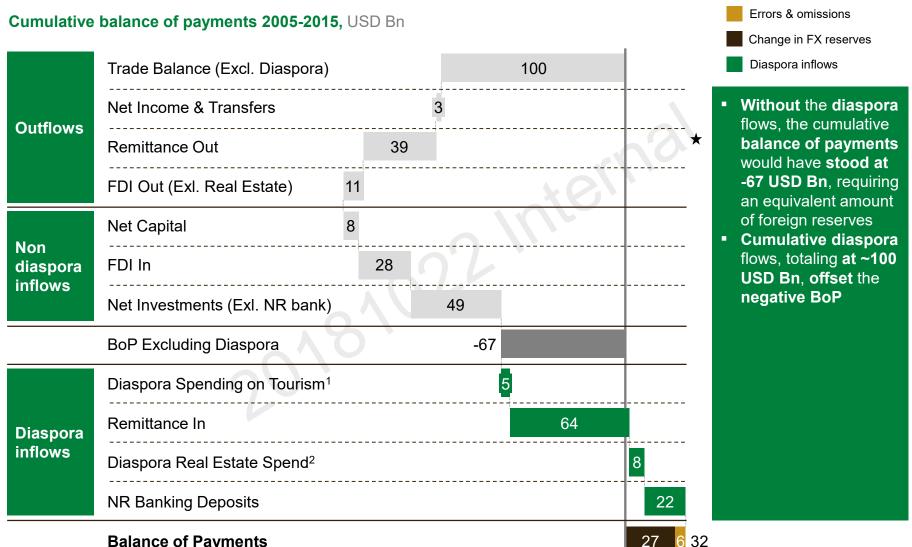
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# Summary of Lebanon's balance of payments



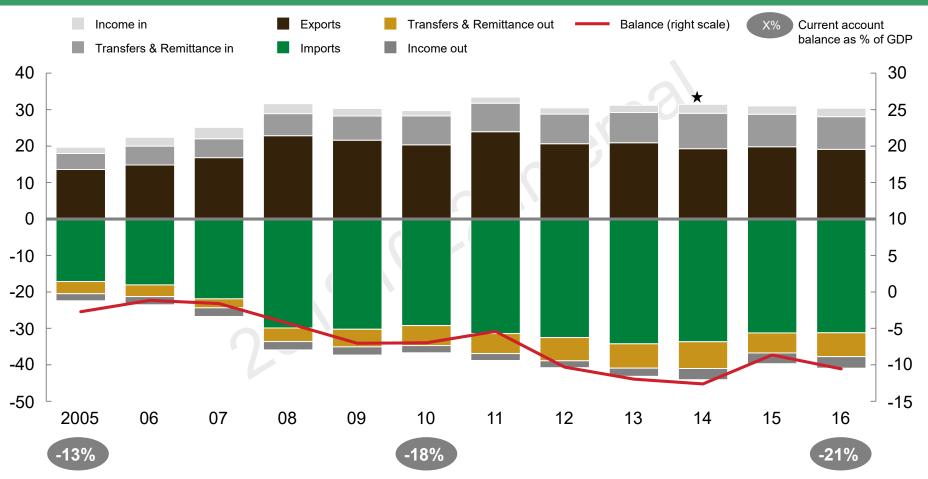
# **Balance of Payments**

1 Computed assuming 80% of foreign tourists stay in hotels

2 Computed by using loan data as proxy and building depreciation schedule of purchases

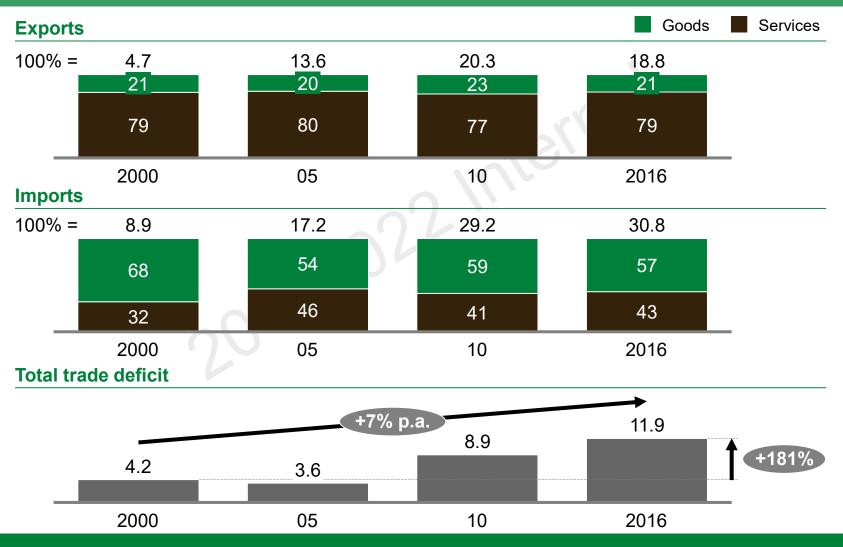
Lebanon maintains a large and persistent current account deficit mostly driven by trade deficit; it reached ~20% of GDP in 2016

# Lebanon current account balance decomposition, 2005-16, USD Bn



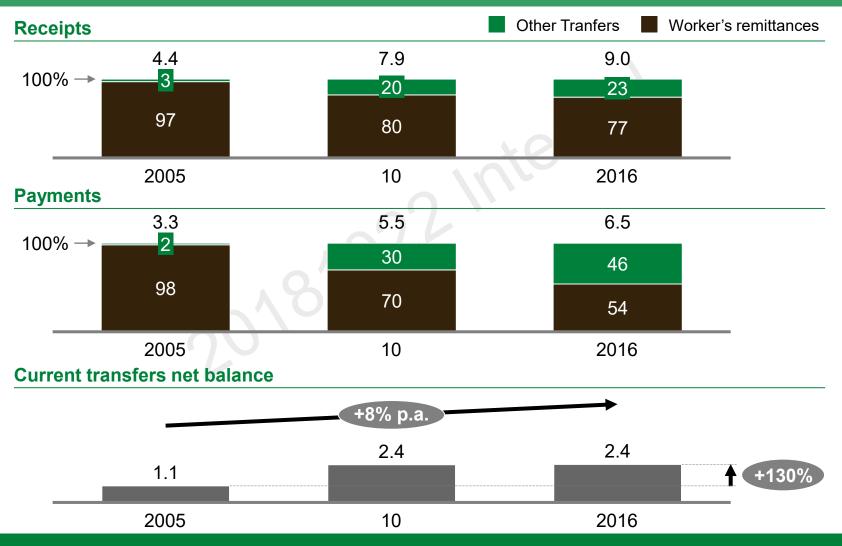
Note: Income includes interest and dividend payments private transfers; currents transfers cover money other than capital transfers received by residents of a reporting country from abroad without any good, service, or asset in return; exports and imports include goods and services Exports are mostly driven by services while imports are more balanced towards goods; the trade balance has remained persistently negative

# Lebanon trade of goods and services, 2000-16, USD Bn



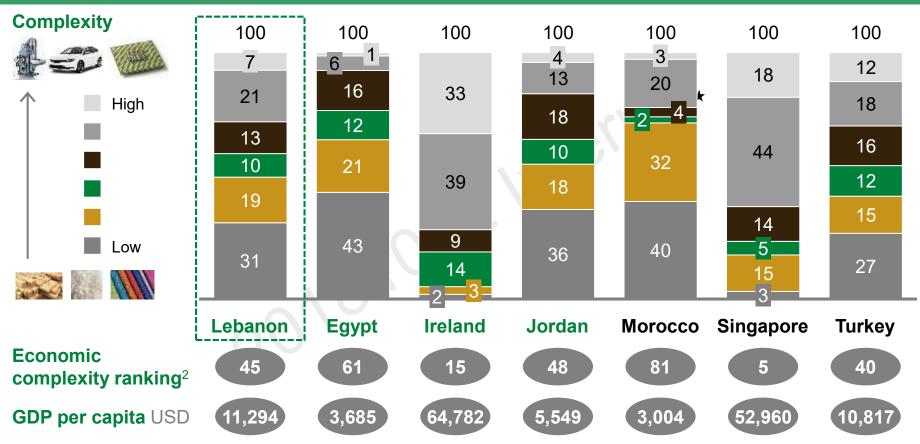
Current transfers are predominantly driven by worker's remittances; the net balance has been historically positive and follows an increasing trend

Lebanon current transfers, 2005-16, USD Bn, % Split



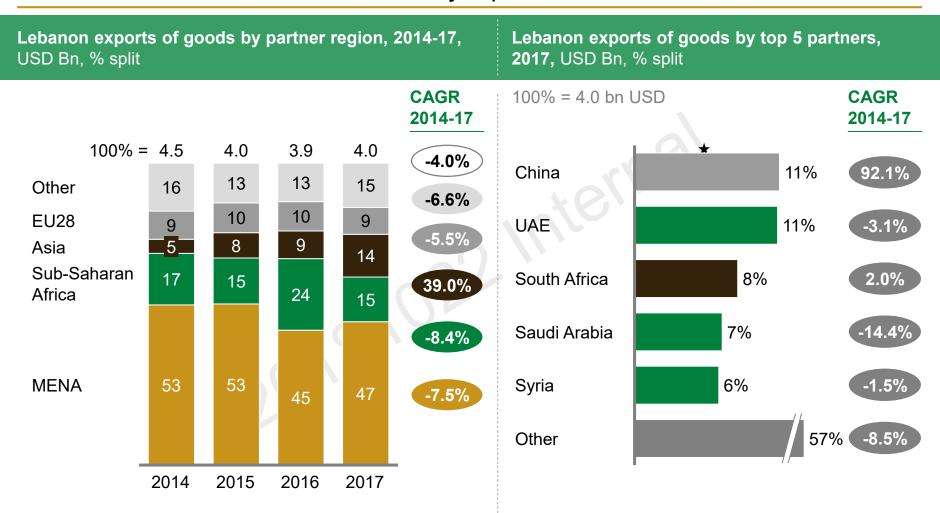
# Lebanon's export profile is skewed towards products of low complexity – moving up the value chain should be a key priority

# Economic complexity<sup>1</sup> of exports (2016), Percentage distribution across complexity levels

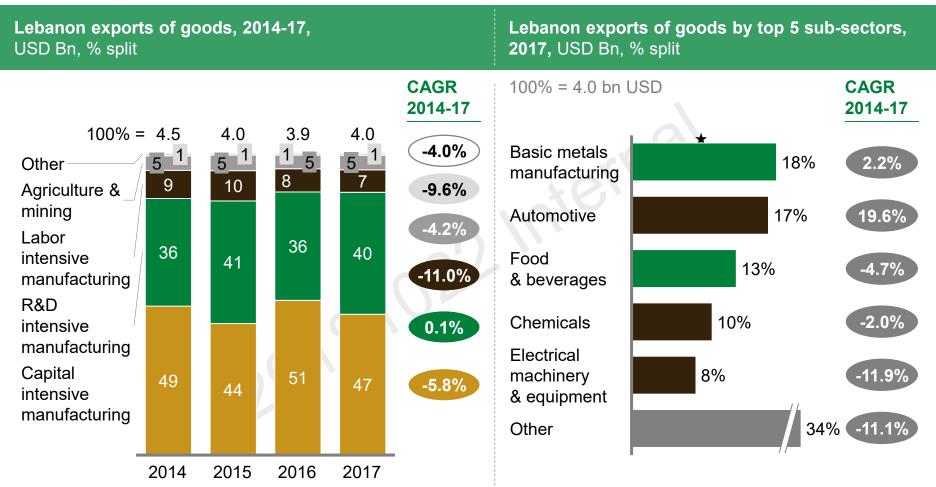


- 1 Economic complexity is a standard measure of the relative knowledge intensity of a product, calculated by the country's diversification of exports and the ubiquity of those exports (i.e., the number of countries that export that product). The most complex products are machinery, chemicals, and electrical/electronic equipment, while the least complex products are raw materials and commodities (agricultural and mineral).
- 2 Ranking of countries by the Economic Complexity Index in 2015 out of 108 countries

Middle East is the largest destination of exports but shows a decreasing a trend; share of Asian trade has nearly tripled since 2014



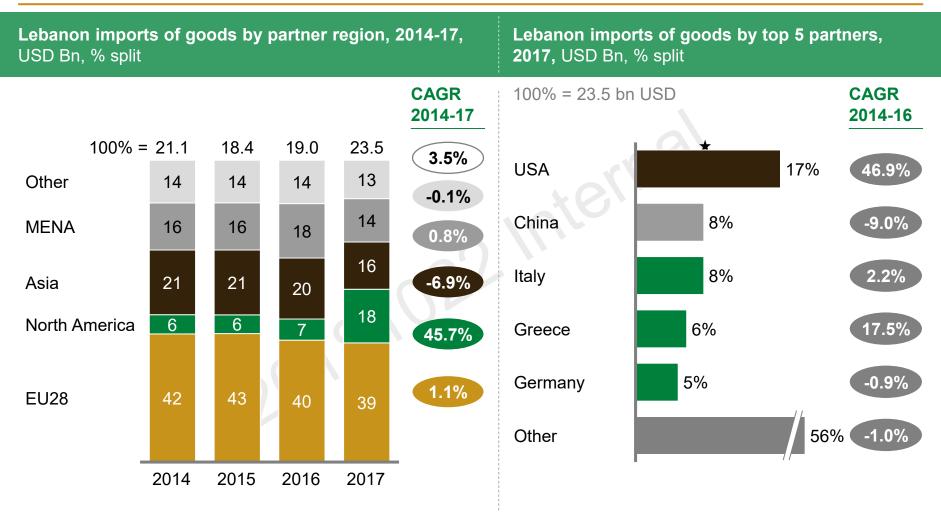
Nearly 90% of exports of goods are manufactures intensive in capital and R&D; top sub-sectors are basic metals and automotive



1 Capital-intensive manufacturing includes food, beverages, and tobacco; paper products and publishing; manufacturing of petroleum, rubber, plastic, mineral, and metal products

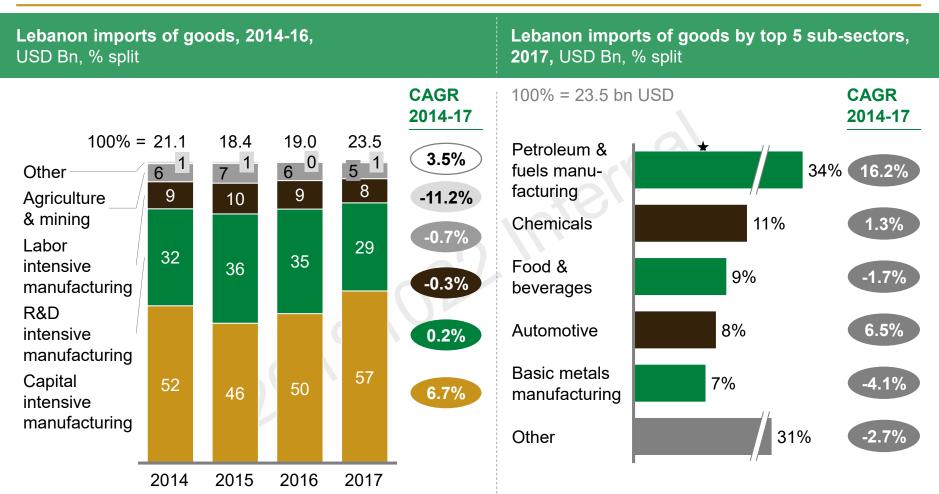
2 R&D-intensive manufacturing includes chemicals and chemical products; electrical, telecommunication, and computing machinery; automotive and other transport equipment; medical, precision, and optical instruments; other machinery and equipment 3 Labor-intensive manufacturing includes textiles, leather, and apparel; wood products and furniture 4 Primary resources include agriculture and mining

EU and North America are the largest source regions of Lebanese importer accounting for ~60% of the total; USA is currently the top partner country



Imports of goods are largely driven by capital and R&D intensive manufacturing; petroleum and chemical products show the greatest shares

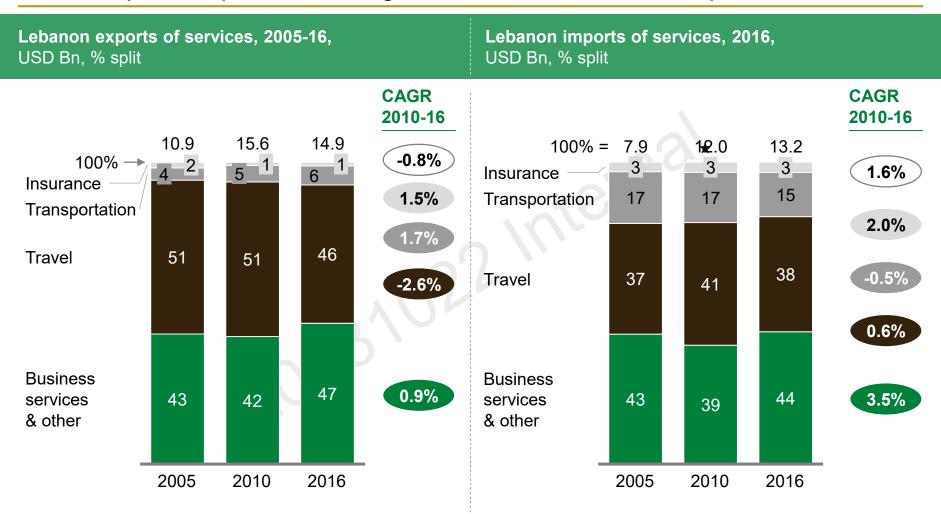
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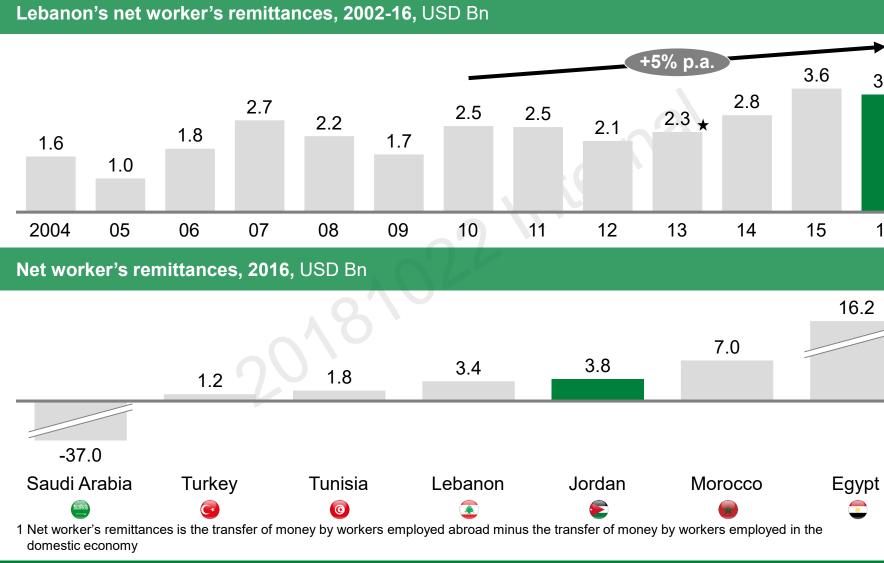
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Trade in services is driven mainly by business services & others, and fravel; exports experienced stagnation since 2010 while imports increased



Net worker's remittances are positive, similar to most peers. Additionally, the trend has been increasing; it expanded 5% p.a. since 2010



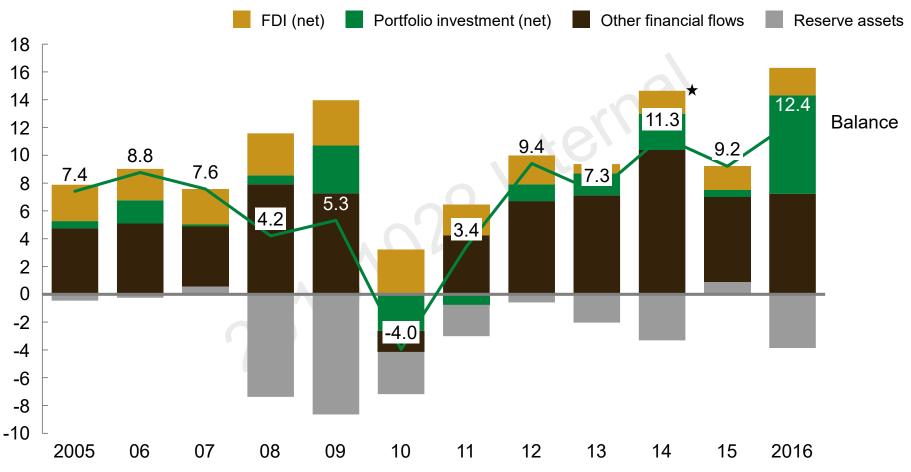
3.4

16

# Lebanon reports a positive balance in the financial account mostly driven by "other financial flows"

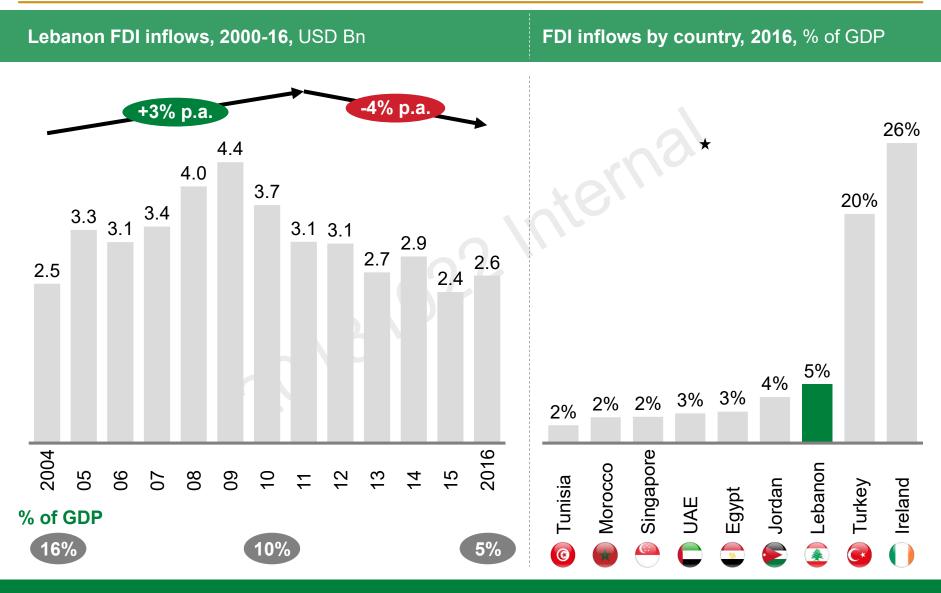


# Lebanon financial account balance decomposition, 2005-16, USD Bn



1 Portfolio investment includes equity and debt securities 2 Other financial flows include any other assets not classified as FDI or portfolio investment (e.g. loans, currency, pensions, standardized guarantee schemes, trade credit and advances, other accounts receivable/payable, and special drawing rights)

Lebanon's FDI inflows followed a decreasing trend since 2009; the relatives size of the flows remains above most regional peers but lags global leaders





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# Summary of oil & gas diagnostic

# Diagnostic

- Lebanon has made **several advancements** towards unlocking its oil & gas resources, but remains at the **early stages of a 10+ year journey** 
  - Achievements-to-date include awarding of exploration & production licenses and establishment of a regulatory and governance framework
  - However, exploration is unlikely to begin before 2019, and extraction is not expected to commence until 2029
- There are **many uncertainties** surrounding the true value of Lebanon's oil & gas reserves, and the role that they will play in Lebanon's future economy
  - Factors of uncertainty include volume and chemical makeup of reserves, cost of extraction, as well as
    prices and market dynamics in the future oil market
  - While it is possible that oil & gas reserves will provide a key source of revenue for the government, it is also possible that they will not have any noteworthy contribution to the economy



# Overview of oil & gas sector

Current situation and recent developments	Pending uncertainties	Timeline of events	The future of oil & gas	Present-day priorities
<ul> <li>Lebanon may have significant oil &amp; gas resources, which are currently untapped</li> <li>In 2010, USGS estimated that 1.7 billion barrels of recoverable oil and 122 trillion cubic feet of recoverable natural gas may be found in the Levant Basin Province</li> <li>Despite long delays, there have been several recent achievements supporting the development of Lebanon's oil &amp; gas sector:</li> <li>Exploration &amp; production licenses for 2/9 blocks were awarded to a consortium made up of Total, Eni and Novatek (Dec 2017)</li> <li>Regulatory and governance framework for the sector has been developed, with several laws being passed (<i>e.g. law to establish a Sovereign Wealth Fund</i>)</li> </ul>	<ul> <li>Significant uncertainty remains on the value of Lebanon's resources, which will depend on several variables, including but not limited to:</li> <li>Resource base: Volume of resources, as well as form and chemical makeup, are very uncertain</li> <li>Oil prices: Recently- demonstrated volatility in global prices makes it difficult to predict the price of oil during production, which is not expected to begin until 2029</li> <li>Technology: Several advances in gas extraction technology have drastically reduced the cost of extraction in the last few years, and further advances could have a significant impact on the cost of extraction</li> <li>Market demand: Changes in geopolitics, as well as the development of new pipelines could have a significant impact on export market options.</li> </ul>	<ul> <li>Exploration is expected to begin in 2019</li> <li>First round of development is expected to take place between 2025 and 2029</li> <li>The development phase will be very capital intensive, as it will involve construction of off-shore platforms</li> <li>This will create a spike in job creation (up to 10k) which will be mostly indirect (e.g. in industrial sectors) and supported by local content requirements</li> <li>The development timeline is highly dependent on the results of the exploration phase</li> <li>Extraction of oil may not begin until 2029</li> </ul>	<ul> <li>Broadly, there are three scenarios for the role of oil &amp; gas in Lebanon:</li> <li>Negligible: Oil plays no major role in Lebanese economy, likely due to limited volume or very high costs of extraction</li> <li>Power-producing: Oil is used almost exclusively as an input in the power sector, with limited financial gains</li> <li>Financially-supporting: Beyond use of oil in power, oil generates significant financial resources for the government, contributing to fiscal stabilization</li> </ul>	<ul> <li>Despite the uncertainty, there are several no-regret efforts that the government of Lebanon should prioritize in the short term:</li> <li>Developing a clear strategy and direction for the sovereign wealth fund</li> <li>Continuing to develop the regulatory and governance ecosystem (e.g. finalizing transparency-related regulations)</li> <li>Moreover, in the medium term (as more clarity on resources is established) additional strategic analysis will be required, on topics including but not limited to:</li> <li>Optimal usage of oil &amp; gas resources (e.g. local power vs. export)</li> <li>Impact on industrial sector (e.g. via improvement of power sector)</li> </ul>

Lebanon has made several advancements towards unlocking its oil & gas resources ...





- Lebanon may have significant oil & gas resources, which are currently untapped
- In 2010, USGS estimated that 1.7 billion barrels of recoverable oil and 122 trillion cubic feet of recoverable natural gas may be found in the Levant Basin Province

Despite long delays, there have been several recent achievements supporting the development of Lebanon's oil & gas sector:

- Exploration & production licenses for 2/9 blocks were awarded to a consortium made up of Total, Eni and Novatek (Dec 2017)
- Regulatory and governance framework for the sector has been developed, with several laws being passed (e.g. law to establish a Sovereign Wealth Fund)





# ... but remains at the early stages of a 10+ year journey



2 Despite recent achievements, there are many uncertainties surrounding the true value of Lebanon's oil & gas reserves

# Sources of uncertainty



# **Resource base**

Volume of resources, as well as form and chemical makeup, are very uncertain



# Oil prices

Recentlydemonstrated volatility in global prices makes it difficult to predict the price of oil during production, which is not expected to begin until 2029



# Technology

Several advances in gas extraction technology have drastically reduced the cost of extraction in the last few years, and further advances could have a significant impact on the cost of extraction



# Market demand

Changes in geopolitics, as well as the development of new pipelines could have a significant impact on export market options.



2 Thus, the role of oil & gas in Lebanon's future remains unknown, and can fall into one of three broad scenarios



# Scenario 1: Negligible Impact

Oil plays no major role in Lebanese economy, likely due to limited volume or very high costs of extraction Scenario 2: Power production

Oil is used almost exclusively as an input in the power sector, with limited financial gains

Scenario 3 Fiscal support

Beyond use of oil in power, oil generates significant financial resources for the government, contributing to fiscal stabilization







# **Opportunities and priorities**



Despite the uncertainty, there are several **no-regret efforts** that the government of Lebanon should prioritize in the **short term:** 

- Developing a clear strategy and direction for the sovereign wealth fund
- Continuing to develop the regulatory and governance ecosystem (e.g. finalizing transparency-related regulations)



Moreover, in the **medium term** (as more clarity on resources is established) additional **strategic analysis** will be required, on topics including but not limited to:

- Optimal usage of oil & gas resources (e.g. local power vs. export)
- Impact on industrial sector (e.g. via improvement of power sector)





# I. EXECUTIVE SUMMARY

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- A. Methodological approach to the study
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  - 15. Urban efficiency

- D. Institutional and policy enablers
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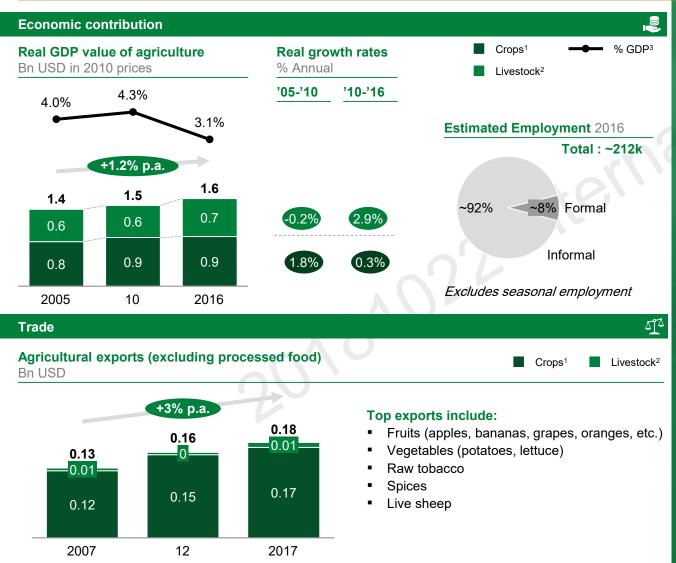




All analysis related to international trade relies on data from Lebanese Customs and the World Bank's World Integrated Trade Solution (WITS), retrieved in May 2018. Data from WITS excludes uncategorized and unreported trade flows. Efforts to clean and process data were performed on a best-effort basis, including classification of agricultural / industrial / raw non-industrial tradeable goods, reconciliation of data discrepancies and inconsistent use of HS classification systems, and interpolation of results where necessary.



## Agriculture – summary of diagnostic



## Key challenges

#### Low productivity and quality

- Limited modernization / technology adoption, with persistence of suboptimal techniques (harvest, post-harvest, etc.)
- Overuse of fertilizers & pesticides (452 kg/hectare, vs. 131 kg/hectare in OECD countries)
- Structural constraints
  - Small average holding sizes (1.4 ha)
  - Ineffective cooperative system (~1200 COOPs, 2/3 of which are inactive)
  - Dominant wholesale markets / distributors

#### Insufficient and poorly-targeted government support

- Limited extension and research services
- Poor controls on food safety & quality, water usage
- Limited access to financing
- Financial unsustainability
  - Rising land & transportation costs
  - Reliance on subsidies (and ad-hoc financial support)

1 Includes forestry 2 Includes fishery 3 Excludes taxes and subsidies

Source: CAS, ILO, Ministry of Health, Lebanese Customs, FAO, expert interviews



## Agriculture diagnostic - key performance measures (1/2)

## A. Key performance measures

Macroeconomic performance

- A1 The agriculture sector represents a small and declining share of productive economic activity in Lebanon
  - In 2016, agriculture accounted for 1.5 billion USD of value-add, representing ~3% of GDP
  - Over the last 10 years, agriculture and livestock sectors have been relatively stagnant, with aggregate real annual growth of ~1.2% well below the overall economy
    - Despite year-on-year fluctuations, the distribution between livestock and agriculture hasn't changed since 2005
  - However, there has been modest growth in food processing, which grew at 5.5% from 2005-2010 but slowed down to grow at 2.6% p.a. between 2010-2016



Despite its limited economic role, the agriculture sector is an important driver of employment and rural development

- The agriculture sector is estimated to employ ~212,000 people (excluding seasonal and part-time employees) and is predominantly informal, as only ~8% of workers in agriculture are formally employed
- Agriculture is particularly important in rural areas, where the sector contributes to ~25% of the employment and 80% of local GDP
- Thus, agriculture plays a key role in rural development, which in turn limits rural-urban migration (alleviating stress on major cities) and promotes social stability and cohesion
- Moreover, the agriculture sector is an important source of exports, with exports of food products (including processed foods) reaching ~0.7 bn USD in 2017
  - The majority of food exports (~75%) are processed, rather than raw, and therefore also involve the food processing sector
    - Processed foods include products of locally-produced crops & livestock as well as processing of imported raw food products
  - Food exports were growing aggressively from 2007 to 2014, but have declined by ~12% since then, due largely to disruptions to Syrian trade routes
    - Decline in food product exports between 2014 and 2016 was driven by reductions in exports to Syria, KSA, UAE, Iraq, Qatar and Jordan, with Irag and Jordan (Syria's neighbors) experiencing the greatest declines
    - IDAL's MLEB program played a major role in alleviating the disruption by facilitating maritime trade alternatives
    - The decline in exports was accompanied with a decline in imports (and net imports), suggesting that the impact to production was limited by import substitution



## Agriculture diagnostic - key performance measures (2/2)

## A. Key performance measures

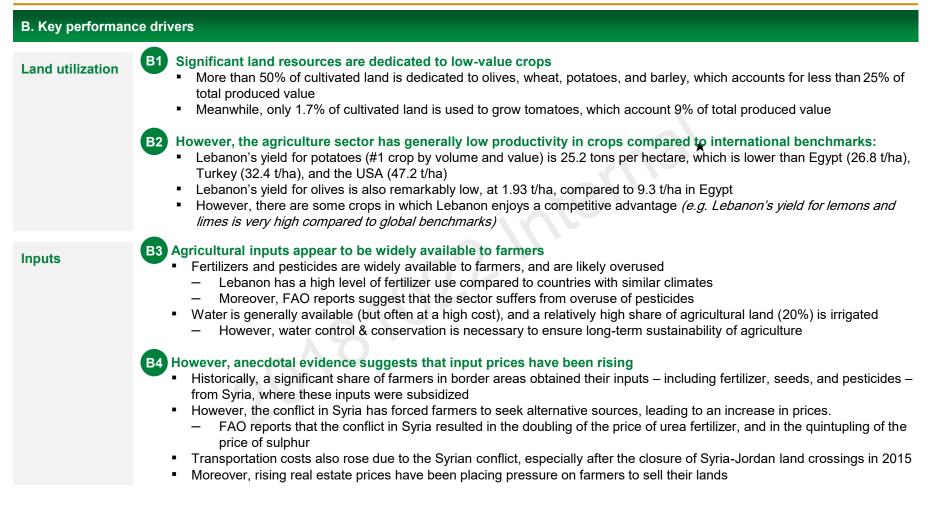
A4

Sector performance

- Lebanon has a relatively large and diversified agricultural land (representing 63% of total land the largest share in the Middle East)
- Lebanon has 658,000 hectares of agricultural land:
  - 258,000 hectares are cultivated for growing crops, including 132,000 of arable land (used for short-term crops) and 126,000 hectares for permanent (long-term) crops
  - Meanwhile, there are 400,000 hectares of permanent meadows and pastures, which may be used to support livestock production
- The majority of cultivated land lies in the Baalbeck-Hermel (25%) and Bekaa (18%) provinces, with other concentrations on the north and south
- Lebanon's rich agricultural biodiversity allows the production of 60+ types of crops and 10+ livestock products
  - Crops account for 64% of agriculture production by value, led by potatoes, tomatoes, apples, olives, and oranges.
  - Livestock products account for 36% of agriculture production by value, led by cow milk, cattle meat, and chicken meat
- A5 Moreover, anecdotal evidence suggests that quality of local products lags behind imports
  - Weak quality control mechanisms allow for the proliferation of quality-inhibiting practices, including the overuse of pesticides and the use of contaminated / unfiltered water sources



## Agriculture diagnostic - key performance drivers





## Agriculture diagnostic - enablers (1/4)

## C. Enablers C1 Agriculture in Lebanon is a very fragmented sector, with poor organization Structure Lebanon has a small average holding area of 1.4 hectares, compared with European average of 34.2 hectares 70% of holdings have a utilized agricultural area (UAA) less than 1 hectare, whereas less than 4% of holdings have a UAA that exceeds 6 hectares Sector structure varies widely by region, with average holding areas ranging from 0.7 hectares in Mount Lebanon to 3.3 hectares in Bekaa In addition to inhibiting productivity, the small scale of Lebanon's farms limits export potential, as export partners typically seek partners with significant production volumes Lebanon has a large but inactive network of cooperatives There are ~1,238 cooperatives registered in Lebanon, including ~630 agricultural cooperatives However, anecdotal evidence suggests that only one in three cooperatives are active Moreover, the vast majority of registered farmers - over 95% - are not members of any cooperative



## Agriculture diagnostic - enablers (2/4)

C. Enablers	
Supply chain	<ul> <li>Cooperatives are failing to provide much-needed supply chain services to the agricultural community         <ul> <li>Globally, cooperatives play a critical role in agriculture, supporting farmers with the procurement of inputs (<i>e.g. seeds, fertilizer</i>), post-harvest operations (<i>processing, storage, marketing, and distribution</i>), access to financing, and other areas which benefit from economies of scale</li> <li>However, Lebanon's cooperatives are largely focused on securing funds from government sources and international donors, and facilitation of sales to local markets</li> <li>Most cooperatives operate at a local scale, and have limited market access</li> <li>Cooperatives are focused on direct sales channels, with limited linkages with the food processing industrial players, which account for less than 5% of cooperative sales</li> <li>Only 55% of fruit cooperatives provide access beyond their local caza (39% for olive cooperatives)</li> <li>Only 25% of fruit cooperatives provide export access to international markets (7% for olive cooperatives)</li> <li>Only 25% of fruit cooperatives are well-organized and maintain a relatively high amount of leverage over farmers, in part due to the small scale of most farmers</li> <li>As a result, farmers are often forced to sell their produce at unfair prices</li> </ul> </li> <li>Shortage of cold storage facilities often forces farmers to discard unsold crops</li> <li>Majority of processing &amp; packaging facilities do not meet international safety requirements, which limits export potential to European (<i>and other</i>) markets</li> </ul>



# Agriculture diagnostic - enablers (3/4)

C. Enablers	
Regulatory oversight	<ul> <li>Weak regulatory oversight is endangering food safety and limiting export potential</li> <li>The regulatory infrastructure in agriculture is weak, especially related to food quality         <ul> <li>Current legislation on food inspectors is inadequate, and no clear standards are being applied</li> <li>Lebanon's domestic food inspection system is weak, and is not ISO 17020 certified</li> <li>Food cooperatives lack Hazard Analysis Critical Control Point (HACCP) certification</li> </ul> </li> <li>Lack of compliance with international quality concerns has inhibited exports to the European Union, which places stringent sanitary and phytosanitary (SPS) conditions on imports</li> </ul>
	<ul> <li>Cooperatives are hampered by regulations and limited government support</li> <li>The Directorate General of Cooperatives lacks the financial and human resources to effectively provide technical support to agricultural cooperatives (<i>e.g. 65% of its positions are vacant</i>)</li> <li>Moreover, the current regulatory framework for cooperatives is outdated, and prevent cooperatives from expanding beyond their municipal / village borders</li> </ul>
	C8 There is a complex stakeholder environment, with many government entities involved in the regulation of the agriculture sector
Farmer support	<ul> <li>C9 Limited extension services and support capabilities have not allowed the adoption of good practices in farming</li> <li>The government's extension services are limited</li> <li>Ministry of Agriculture's strategy does not have a clear perspective on crops (e.g. investment, support, and subsidies are not targeted)</li> <li>Moreover, the majority of cooperatives lack the capabilities to provide meaningful education and training to their members without the support of third-party players (especially programs run by international donors)</li> <li>This contributes to the prevalence of several poor practices: <ul> <li>There is widespread irrational use of fertilizers and pesticides (which may be linked to farmers' reliance on extension services from private input providers)</li> <li>Water resources are being drained and damaged</li> <li>Crop selection is not optimized</li> <li>Outdated and harmful harvest and post-harvest techniques are employed</li> </ul> </li> </ul>



## Agriculture diagnostic - enablers (4/4)

C. Enablers		
Trade policy & competition	C10	Agricultural products suffer severe competition from imports, both legal and illegal
Financing	<b>C11</b>	<ul> <li>Farmers lack adequate access to finance</li> <li>Financing to agricultural players is limited <ul> <li>In Lebanon, agriculture represents ~1% of credit (lending), whereas international benchmarks suggest that it should account for ~5% of credit</li> <li>This is largely due to banks' hesitancy to provide loans to agricultural players, as seasonality negatively affects yield consistency (and by extension, NPL rates)</li> <li>Moreover, bank loan interest rates are typically prohibitively high for farmers, especially small-holder farmers</li> <li>The government has launched several programs to financially support farmers, but impact has bene limited – e.g. the government's "Kafalat" program, which guarantees Agricultural loans, only covered 2,522 loans in 2017, and its portfolio size has been declining</li> </ul> </li> <li>Furthermore, farmers are not sufficiently insured against natural risks, with the absence of efficient collective insurance schemes</li> </ul>
	C12	<ul> <li>Cooperatives have limited access to financing, and are reliant on foreign aid</li> <li>Nearly half of cooperatives have not made any investments in the last 3 years</li> <li>More than half of investments have been supported by international donors, with only 1 in 6 supported by the ministry of agriculture</li> <li>Foreign aid has been particularly critical in unlocking export markets for cooperatives, which requires additional investments (<i>e.g. cold storage and packing</i>)</li> <li>As a result, investment in technology is very limited</li> <li>Only three percent of cooperative investment in the last 3 years was directed towards innovative technologies which can increase productivity (including ICT solutions as well as advanced irrigation and production systems)</li> </ul>



## Contents – Agriculture



# A The agriculture sector represents ~3% of GDP and has been resiliently stagnant over the last 10 years



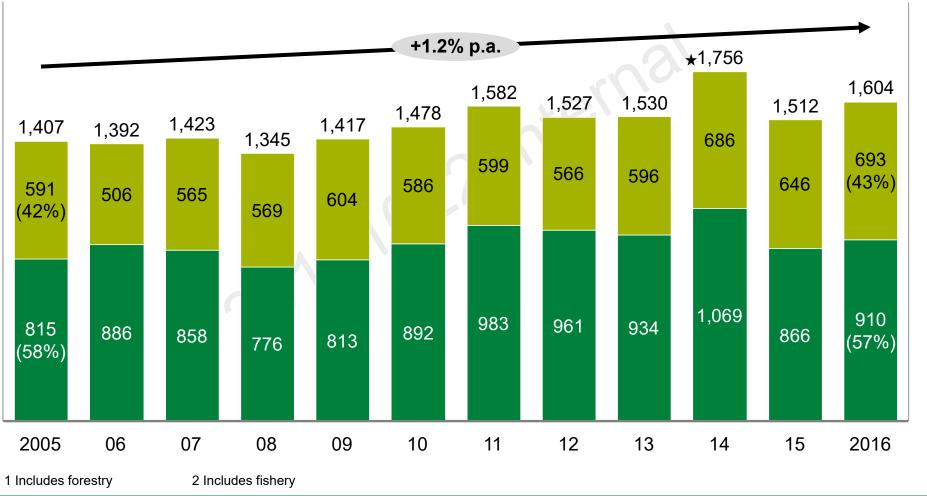
Sectors				5), % s	howr	as total of GDP			0 2	evant Secto 010-2010
Sectors	excluding tax	es & subsid	ies		13			CAGR <sup>2</sup> , % CAGR <sup>2</sup> , %		
Real Estate & Construction	21%							5%	₽	2%
न्न Retail & Commerce		14%						8%	₽	0%
🛄 Manufacturing		1(	)%			*		7%	┛	-2%
Administration			10%					6%	↓	3%
🖾 Finance, Insurance				9%		6		10%	┛	6%
☆ Education					8%			1%	1	3%
Business Services						7%		9%	┛	-1%
🔅 Health						4%		8%	┛	4%
🛱 Transport						4%		8%	┛	5%
M Hotels & Restaurants						3%		8%	₽	-3%
Agriculture						<mark>3%</mark>		1%		1%
Personal Services						3%		13%	↓	-2%
<sup>(</sup> A <sup>®)</sup> ICT						3%		12%	┛	3%
Utilities: Power & Water						2%		4%	$\longleftrightarrow$	4%
Total Nominal GVA <sup>1</sup>			47							
Total taxes & subsidies							4			
Total Nominal GDP			5	51				8%	L	2%

1 GVA (Gross Value Add) represents nominal GDP excluding taxes & subsidies; 2 CAGR (Compound Annual Growth Rate) representing average annual growth in real GDP

## Source: CAS

Real GDP value of agriculture

Million USD in 2010 prices



# A1 Despite some year-on-year volatility, the distribution between agriculture and livestock has remained nearly constant

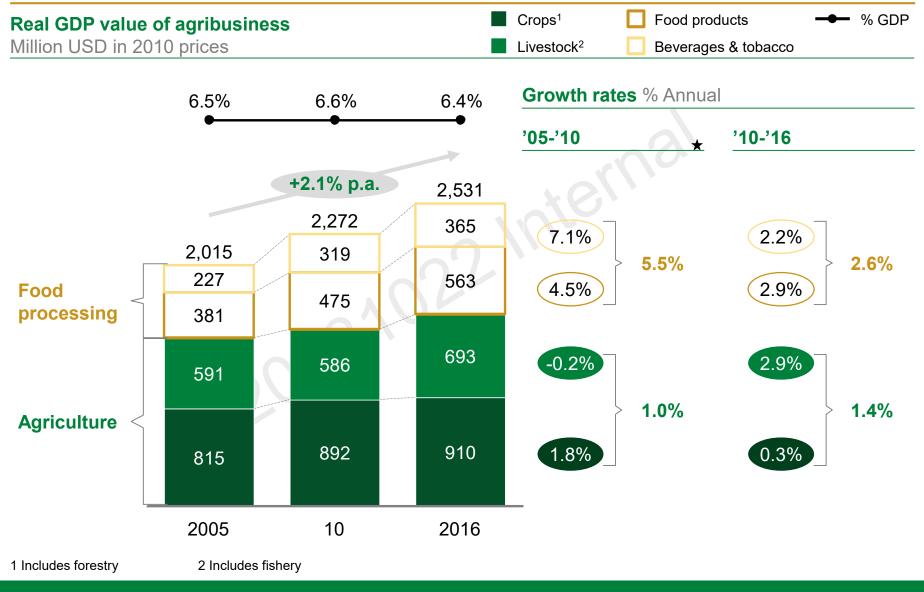


Crops<sup>1</sup>

Livestock<sup>2</sup>

A1 Growth in agribusiness has been fueled by food processing, whereas agriculture (crops & livestock) has been stagnating





A2 The agriculture sector is one of Lebanon's largest employers, with

212,000 permanent employees (excl. seasonal employees)

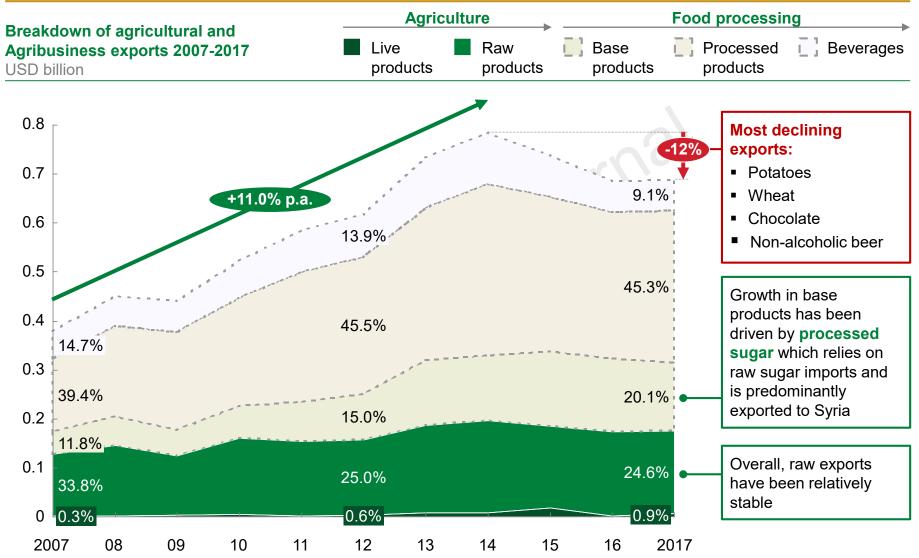


HIGH-LEVEL ESTIMATES

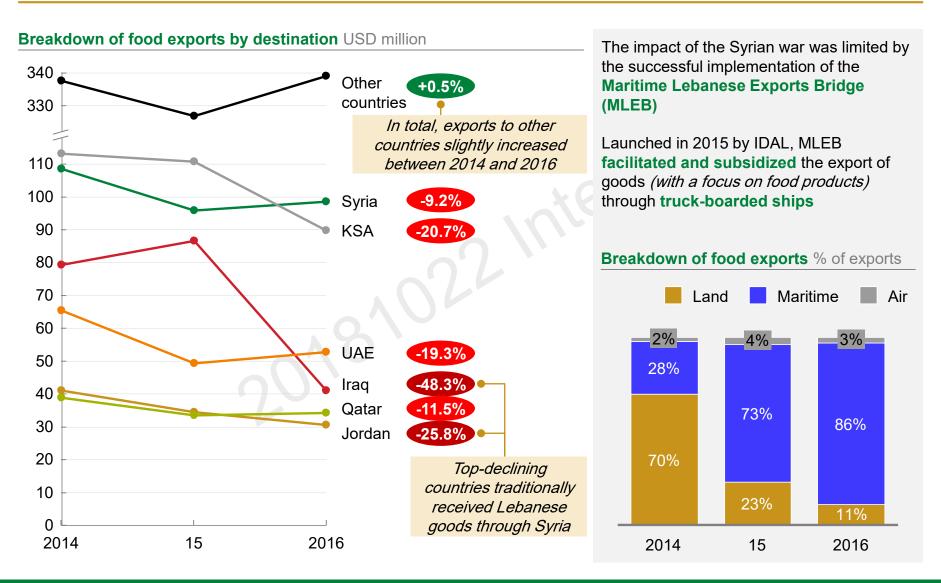
Sectors	Total employment, '00	00s (2016)						
े⊟ Trade	47	79 (24%)						
Real Estate & Construction		244 (129	%)	Excl	udes	seasor	nal & pa	art-
Agriculture			212 (11%) 🛛 🔶	time	emple	oyees,	child la	abor
🛄 Manufacturing			194 (109	%)				
Administration				185 (9	%)			
☆ Education					161 (	8%)		
🛱 Transport		0			-	110 (69	%)	
Personal Services						10	06 (5%)	)
M Hotels & Restaurants	0						90 (5	5%)
S Finance, Insurance							50	(3%)
<sup>((</sup> ∦ <sup>≫)</sup> ICT	h V						4	14 (2%)
🔅 Health								38 (2%)
Business Services								34 (2%)
Tilities: Power & Water								30 (2%)
Total			1,977					

**Note:** All employment data includes both formal & informal jobs; 2010 Baseline derived from total ILOSTAT employment, using CAS sector split. Post 2010 projections based on sector real GDP growth and ILOSTAT real productivity growth; adjustments applied to Health & Agriculture based on input from Ministry of Health and meeting with agriculture stakeholders

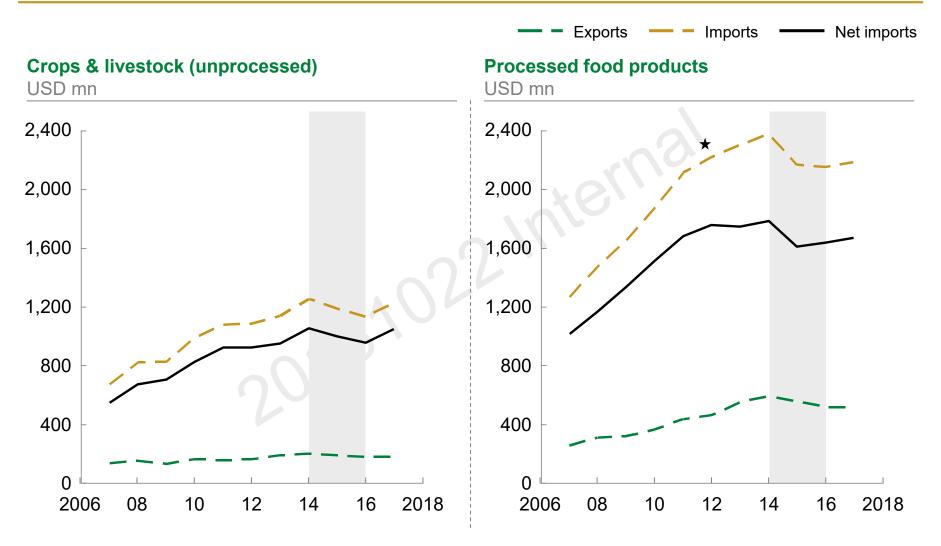
# A3 Agribusiness exports were growing rapidly until 2014, but have now stagnated



# A3 The decline in exports between 2014 and 2016 was driven by disruptions to land routes through Syria, but limited due to MLEB efforts

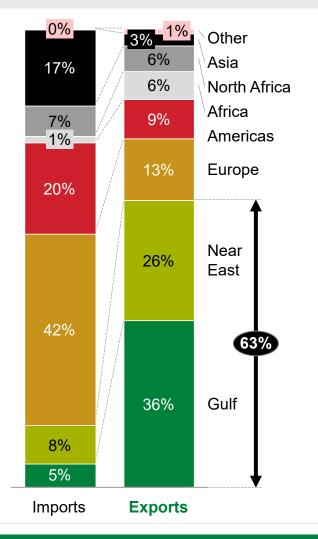


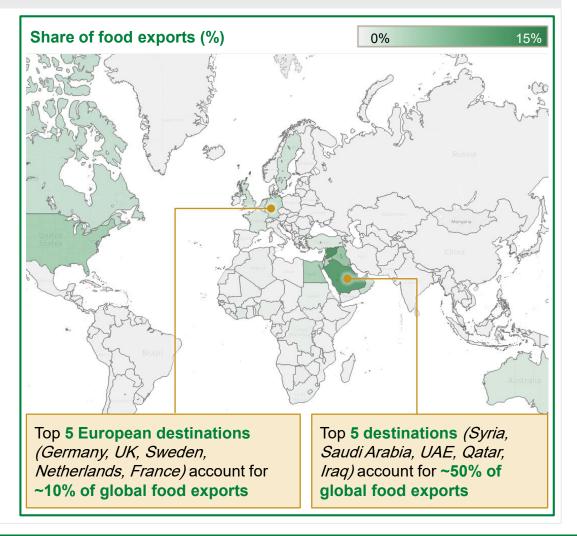
A3 Decline in imports (and net imports) between 2014 and 2016 imply that exports were replaced with local consumption



# A3 Lebanon's food exports are very concentrated in the region, with 63% going to near east & gulf states

Agribusiness trade flows by region, % of trade flows, 2017



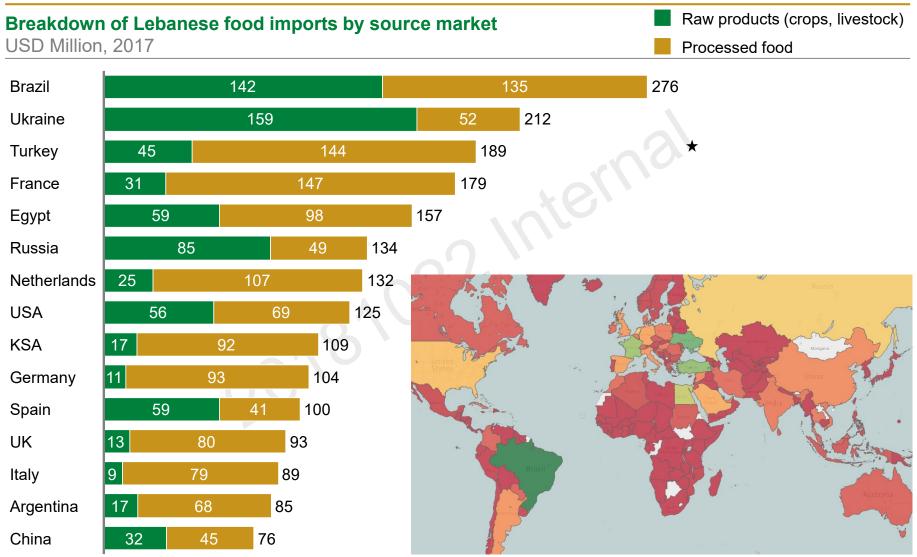




# A3 Lebanon's top 6 agricultural export destinations are Arab countries



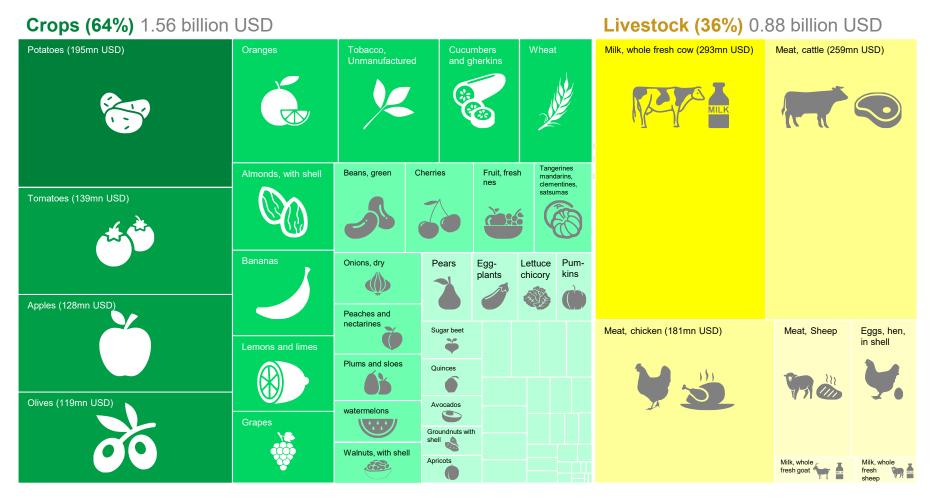
# A3 Lebanon's food imports are less geographically concentrated than its exports





# Lebanon has a diverse agricultural sector, with 60+ crops and ~10 livestock products

## Breakdown of major agricultural products by value of production (2014)



Excludes processed products & minor products with unavailable data

秦



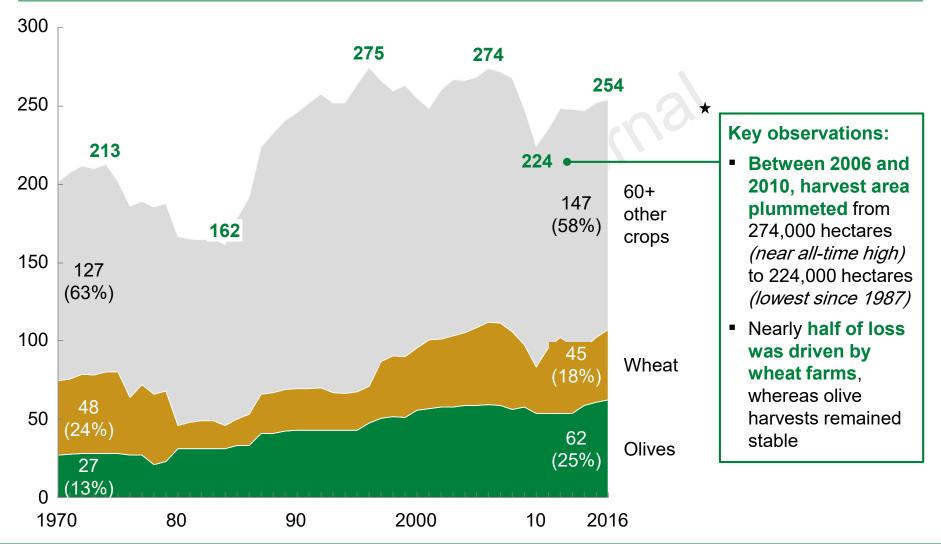
# A4 Overview of major crops

Main products by value Million USD (2014)		Main products by volum Thousand tons (2014)	10	Main crops by land cultivated Thousand hectares (2014)				
Potatoes	195	Potatoes	452	Olives	59			
Tomatoes	139	Tomatoes	325	Vyheat	37			
Apples	128	Oranges	163	Potatoes	18			
Olives	118	Wheat	140	Barley	14			
Oranges	80	Cucumbers and gherkins	130	Apples	10			
Tobacco, unmanufactured	77	Apples	127	Grapes	8			
Cucumbers and gherkins	61	Olives	114	Tobacco, unmanufactured	8			
Wheat	55	Eemons and limes	104	Oranges	7			
Almonds, with shell	55	Bananas	91	Cherries	6			
Bananas	53	Onions, dry	90	Almonds, with shell	6			

A Over the last 45 years, olives has replaced wheat as the top crop by harvest area, and has demonstrated relative resiliency



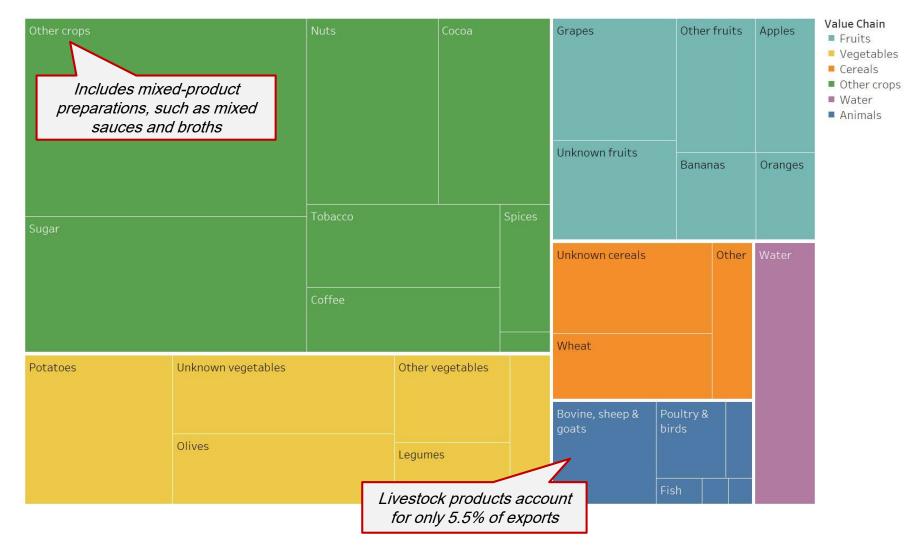
## Breakdown of harvested areas Hectares '000



Exports are dominated by fruits, vegetable and other crops, with livestock value chains accounting for only ~5% of exports



## Breakdown of agricultural and agribusiness exports 2017 by value chain USD billion





## Contents – Agriculture

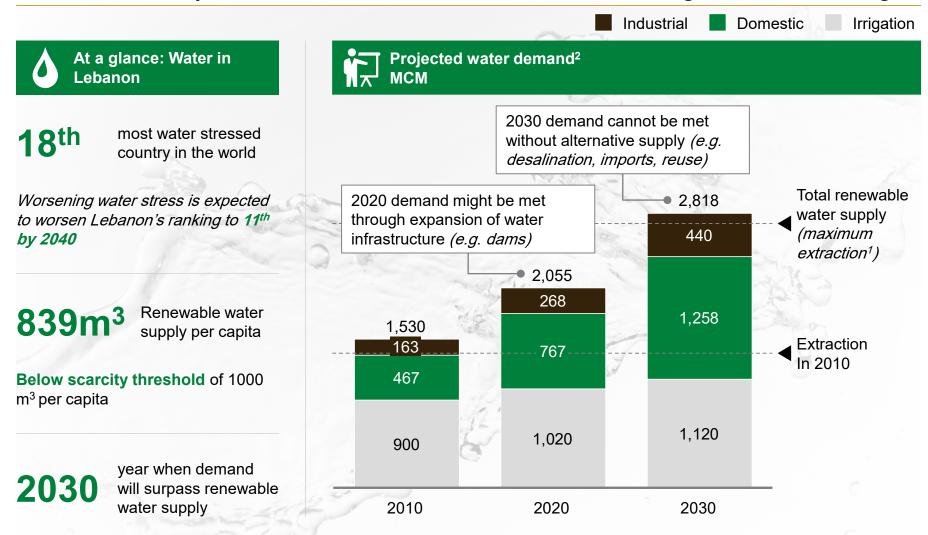
Key performance measures

# **B** Key performance drivers

Enablers

Α

B3 Water usage in agriculture needs to be actively managed to ensure sustainability, as Lebanon's water stress levels are high and increasing



1 Assumes no change in flow of surface water to other countries, or flow of groundwater to sea / other countries

2 Based on World Bank estimates (2009). MOEW estimates (2010) are more conservative, with demand reaching only 1703 MCM by 2030



## Contents – Agriculture

Key performance measures

Key performance drivers

**C** Enablers

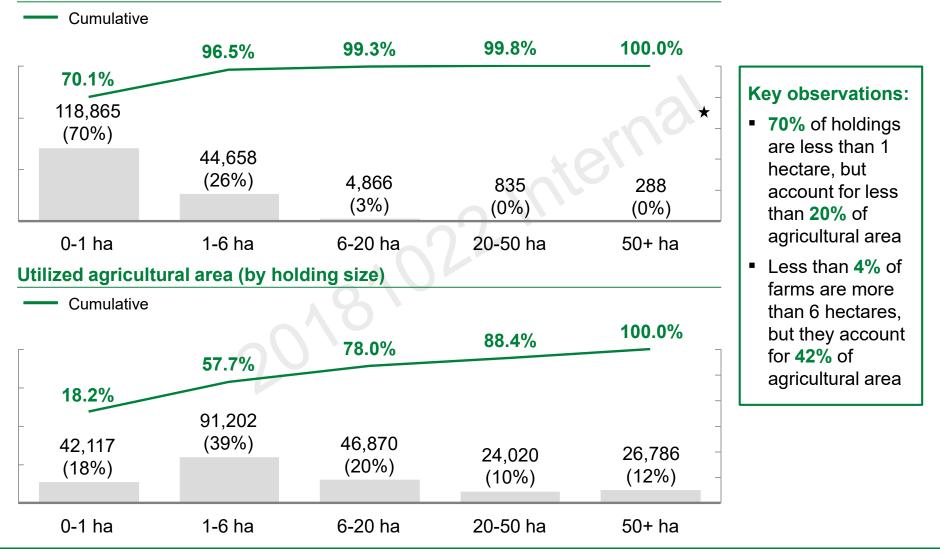
Α

В



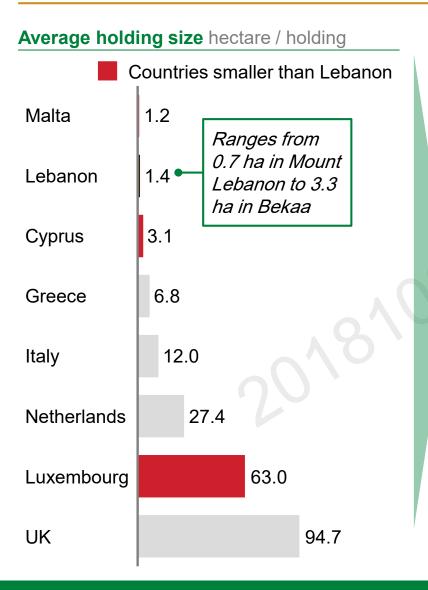
# C1 Lebanon's agricultural holdings are highly fragmented...

## Number of holdings (by holding size)





# Output: Content of the second state of the



Fragmentation of agricultural holdings can be an **impediment to growth** in several ways:

- Reaching export markets requires scale and uniformity of production
- Achieving high productivity is challenging for small holdings, due to the lack of economies of scale
- Similarly, investment in technology is challenging for small farms, as up-front capital requirements may prove to be too large

However, these constraints can be overcome by **successful cooperatives**, which can provide:

- Produce aggregation to reach export volumes
- Shared equipment & systems to unlock higher levels of productivity
- Group financing which enables investments

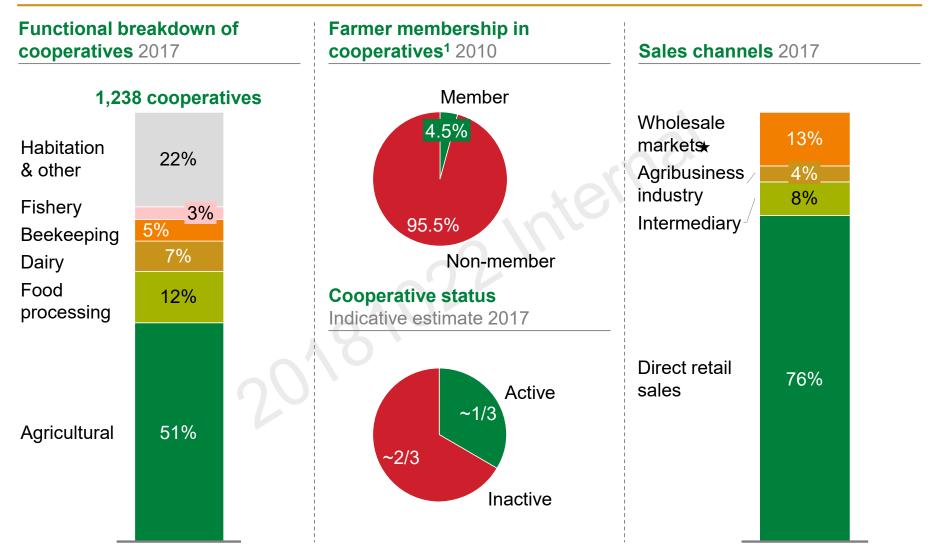
Alternative solutions include **contract farming** and **farmland consolidation** *(e.g. through rentals)* 

C3 Cooperatives can play an important role in enabling and expanding market access for small farmers, but do not do so in Lebanon

## **Best-practice role**

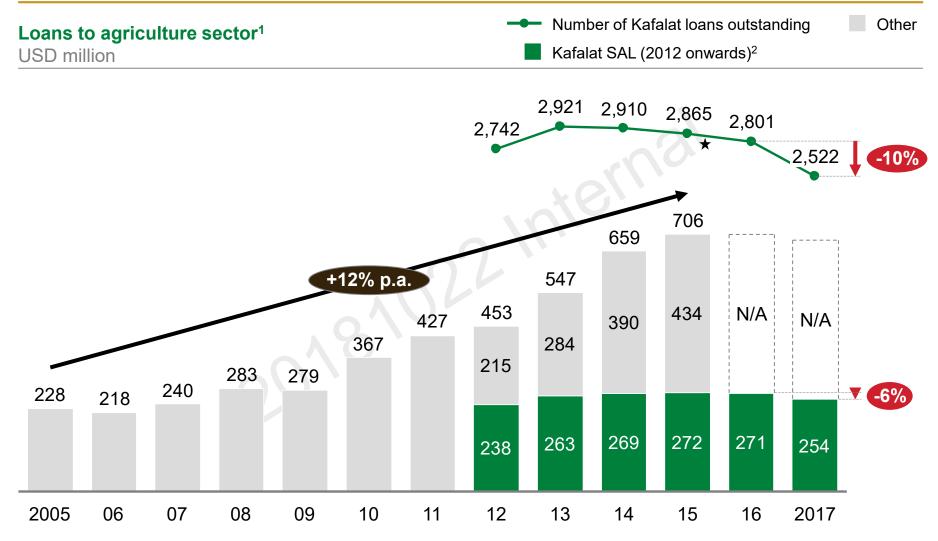
Supply of inputs	<ul> <li>Negotiating bulk purchase of all inputs with suppliers <i>(seeds, chemicals, equipment, etc.)</i></li> <li>Facilitating supply logistics including delivery &amp; distribution of inputs</li> </ul>					
Technical support	<ul> <li>Organizing technical assistance programs in partnership with extension providers</li> <li>Supporting implementation of new technologies (e.g. through cooperative-owned equipment)</li> </ul>	In Lebanon, cooperatives are largely used as vehicles to access funding, either from the				
Processing	<ul> <li>Aggregating produce and leading post-harvest operations, including storage and processing</li> <li>Performing quality and safety checks</li> </ul>	Ministry of Agriculture or through international donors In part due to the limited offerings, only <b>5% of farmers</b> are members of cooperatives				
Marketing	<ul> <li>Promotion, branding, and product sales</li> <li>Distribution to wholesalers and markets beyond immediate vicinity <i>(including exports, food processing industries, etc.)</i></li> </ul>	<i>Note: Cooperatives have been successful in several niche areas, including beekeeping</i>				
Financing	<ul> <li>Facilitating credit &amp; investments from local &amp; foreign sources, as well as from cooperative self-funds</li> <li>Facilitating enrollment in group insurance schemes</li> </ul>					

C3 There is a large number of cooperatives in Lebanon, but many are inactive, and only 5% of farmers belong to one



1 Among registered farmers - based on 2010 census

C11 Lending to the agriculture sector was consistently growing until 2015, but Kafalat's portfolio has been declining recently



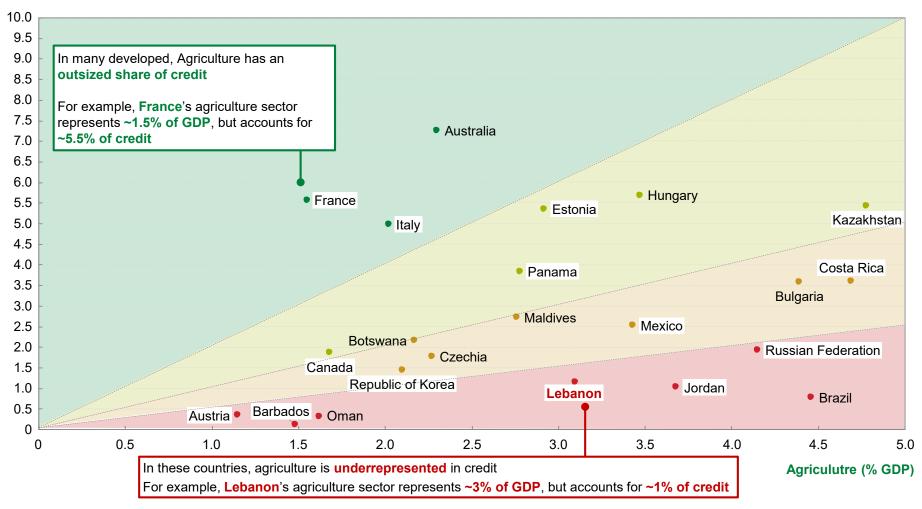
1 Figures exclude investments in food processing industries

2 Includes Kafalat S.A.L. loans to Agriculture sector only. Data available from 2012 onwards.

# Overall, credit to Lebanon's agriculture sector is significantly lower than credit levels observed in more developed countries

```
Ratio between Agriculture credit and GDP, % of credit / % GDP \rightarrow • 0.0-0.5 • 0.5-1.0 • 1.0-2.0 • 2.0+
```

#### Agriculutre (% Credit)



Includes countries where agriculture represents 1-5% of GDP and has a contribution not less than 50 million USD



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  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
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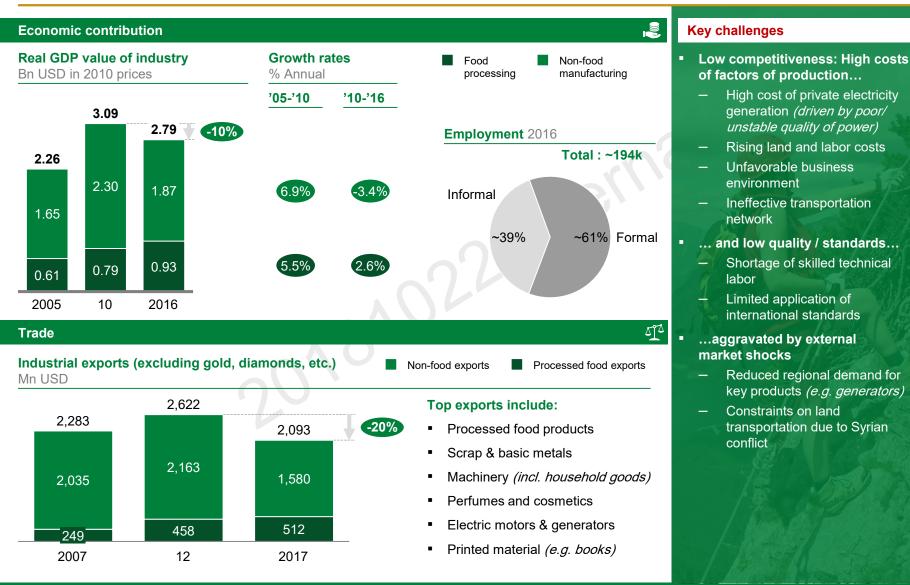




All analysis related to international trade relies on data from Lebanese Customs and the World Bank's World Integrated Trade Solution (WITS), retrieved in May 2018. Data from WITS excludes uncategorized and unreported trade flows. Efforts to clean and process data were performed on a best-effort basis, including classification of agricultural / industrial / raw non-industrial tradeable goods, reconciliation of data discrepancies and inconsistent use of HS classification systems, and interpolation of results where necessary.



## Industry – summary of diagnostic





## Industry diagnostic – key performance measures

## A. Performance measures

Macro-economic & sector performance

Industry is an important economic sector and currently accounts for ~10% of GDP (4.6 Bn USD) while employing an A1 estimated 194,000 people

 There are ~4,700 registered industrial factories in Lebanon (excluding an estimated ~2,000 informal factories), with over 50% involved in food processing, manufacturing of metal & electric products, and construction material



#### A2 However, in recent year the sector has been shrinking

- Between 2010 and 2016, industry's real contribution to GDP declined by ~2% annually
- Loss was witnessed most industrial subsectors, with the notable exception of food processing, which grew by 2.6% per year in the same period

A3 This has been accompanied with a 27% decline in non-food industrial exports between 2012 and 2017

- In line with GDP, decline in exports affected all non-food sub-sectors
- However, some sectors were affected much more strongly: chemical exports only declined by 3%, whereas non-metallic manufacturing exports declined by 70%
- Meanwhile, food processing exports grew by 12% over the 5-year period



#### Industry diagnostic – key performance drivers

B. Key performan	B. Key performance drivers & enablers				
Exogenous factors	<ul> <li>The decline in Lebanon's industry sector can only be partially attributed to exogenous factors</li> <li>The Syrian conflict had a negative effect on exports to neighboring countries, but was not the primary driver of the decline in exports <ul> <li>Decline in Saudi Arabia and UAE exceeded that in Syria, Iraq and Jordan (in both absolute and relative terms)</li> <li>Furthermore, trade routes to the most-impacted countries (Japan, Angola, Libya) were not impacted by the Syrian conflict</li> <li>Import substitution is also unlikely to be a driver of the decline in exports, as net imports have been increasing</li> <li>However, in many countries, including Saudi Arabia and UAE, decline in Lebanese exports was associated with a decline in aggregate demand (general import demand as well as demand for specific goods exported by Lebanon)</li> </ul> </li> </ul>				
Competitiveness	<ul> <li>B2 The primary driver of industry's decline is the fact that Lebanon is lagging on several competitiveness factors necessary to excel in industry, with few strengths (labor, capital) overshadowed by numerous weaknesses (infrastructure, regulatory environment, etc.)</li> <li>Key advantages include availability of capital and medium/high-skilled labor at a relatively low price         <ul> <li>Overall, financing to the industrial sector has been increasing, and is not a driver of the sector's decline, but may present an obstacle to specific industrial subgroups and SMEs</li> <li>Key disadvantage include power and logistics sectors, business environment, and macroeconomic conditions             <ul> <li>The top issue identified by a survey of industrial players is intermittent supply of energy (37%) followed by the cost of electricity (11%)</li> </ul> </li> </ul> </li> </ul>				



#### Contents – Industry

В



) Key performance drivers



# M The manufacturing sector represents ~10% of GDP but has been recently been declining



	<b>GDP contribution</b> , USD E excluding taxes & subsidie		), % s	hown as total of GDP		2005-2010 CAGR <sup>2</sup> , %		0-201
$\textcircled$ Real Estate & Construction	21%					5%		2%
ित्न Retail & Commerce	14%					8%		0%
🛄 Manufacturing	10 <sup>0</sup>	<mark>%</mark>			*	7%	1 (	-2%
Administration		10%				6%		3%
🗊 Finance, Insurance			9%			10%		6%
				8%		1%		3%
Business Services				7%		9%	1 (	-1%
≫ Health				4%		8%		4%
🖺 Transport				4%		8%		5%
🕅 Hotels & Restaurants				3%		8%	1 (	-3%
agriculture				3%		1%		1%
🗏 Personal Services				3%		13%	1 (	-2%
<sup>™</sup> ICT				3%	,	12%		3%
TUtilities: Power & Water				2	%	4%	$\longleftrightarrow \bullet$	4%
Total Nominal GVA <sup>1</sup>		47						
Total taxes & subsidies					4			
Total Nominal GDP		5	1			8%		2%

1 GVA (Gross Value Add) represents nominal GDP excluding taxes & subsidies; 2 CAGR (Compound Annual Growth Rate) representing average annual growth in real GDP

### A The industrial sector employees ~10% of Lebanon's workers



HIGH-LEVEL ESTIMATES

**Relevant Sectors** 

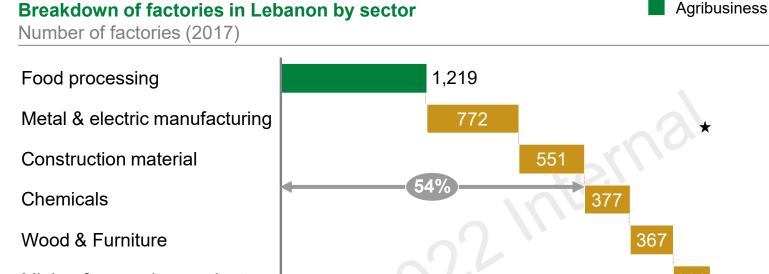
Sectors	Total employment, '000s (20	016)			
Ъ∄ Trade	479 (24	%)			
Real Estate & Construction		244 (12%)			
Bariculture		212 (11%)	*		
Manufacturing		194 (*	10%)		
Administration			185 (9%)		
☆ Education			161	1 (8%)	
🛱 Transport	0			110 (69	%)
Personal Services				10	06 (5%)
🕅 Hotels & Restaurants	0				90 (5%)
S Finance, Insurance					50 (3%)
<sup>((</sup> ເງື <sup>(</sup> )) ICT					44 (2%)
🔅 Health	6				38 (2%)
Business Services					34 (2%)
Tilities: Power & Water					30 (2%)
Total		1,977			

**Note:** All employment data includes both formal & informal jobs; 2010 Baseline derived from total ILOSTAT employment, using CAS sector split. Post 2010 projections based on sector real GDP growth and ILOSTAT real productivity growth; adjustments applied to Health & Agriculture based on input from Ministry of Health and meeting with agriculture stakeholders

#### A From Lebanon's ~4,700 factories, ~50% are focused on food processing, metal & electric manufacturing, and construction material



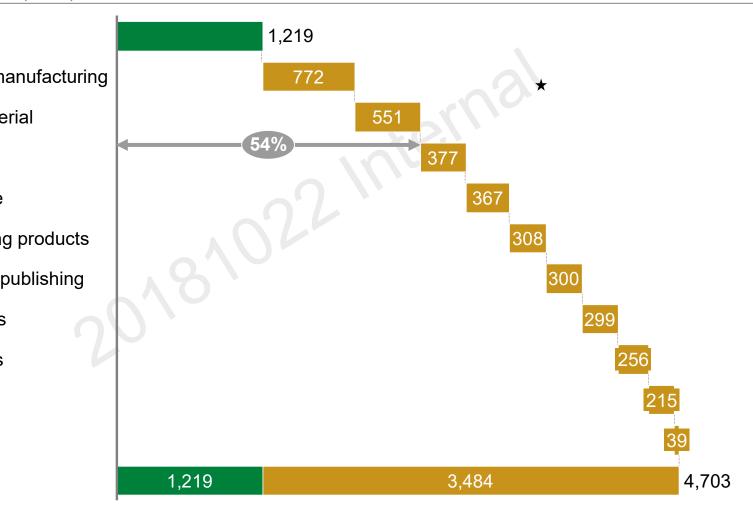
Other industry



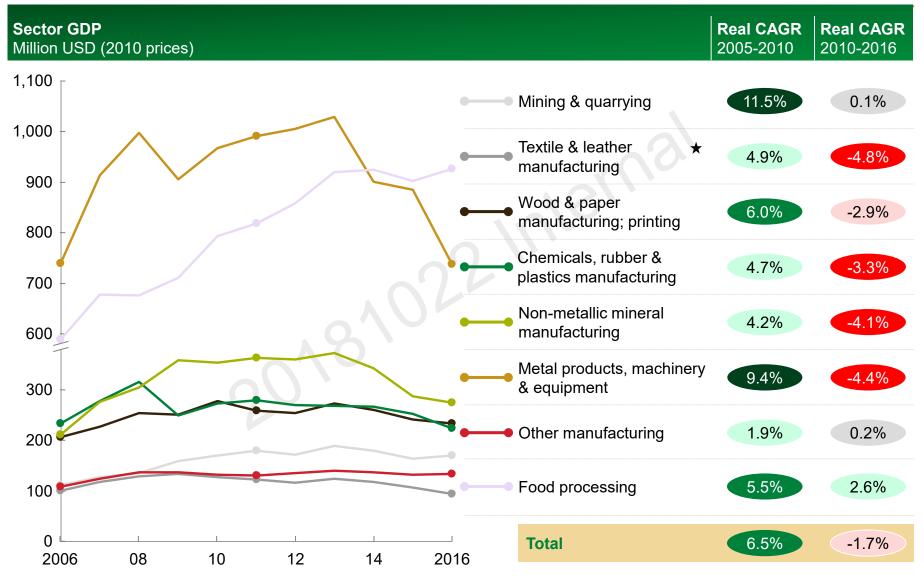
- Mining & quarrying products
- Paper, printing & publishing
- **Clothing & textiles**
- **Rubber & plastics**
- **Basic metals**

Other

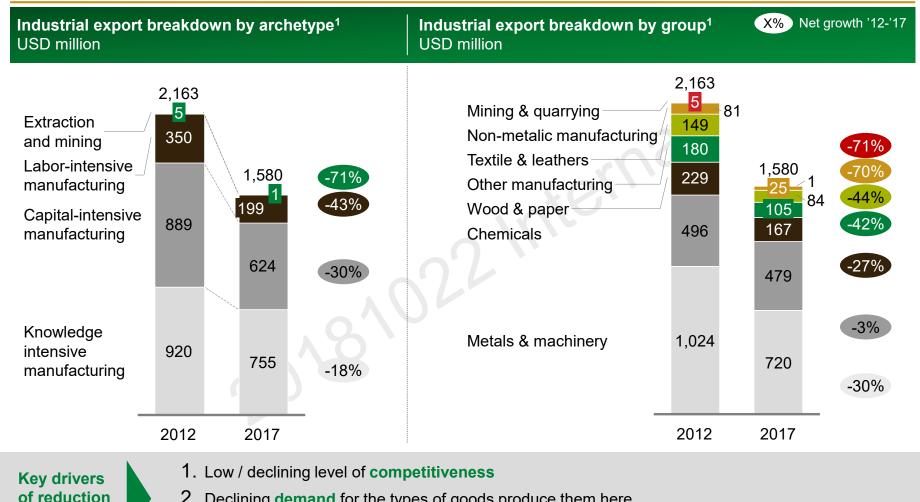
Total



## The decline in GDP has affected all industrial sectors, except for food-related industries



### A3 Non-food industrial exports have also been declining across all sectors, albeit at a sharper rate than real GDP



- 2. Declining **demand** for the types of goods produce them here
- 3. Disruptions to land trade routes due to Syrian conflict

1 Excludes agricultural & food processing exports and non-industrial tradeable exports (gold, diamonds, petroleum, etc.)

in exports



#### Contents – Industry

Α

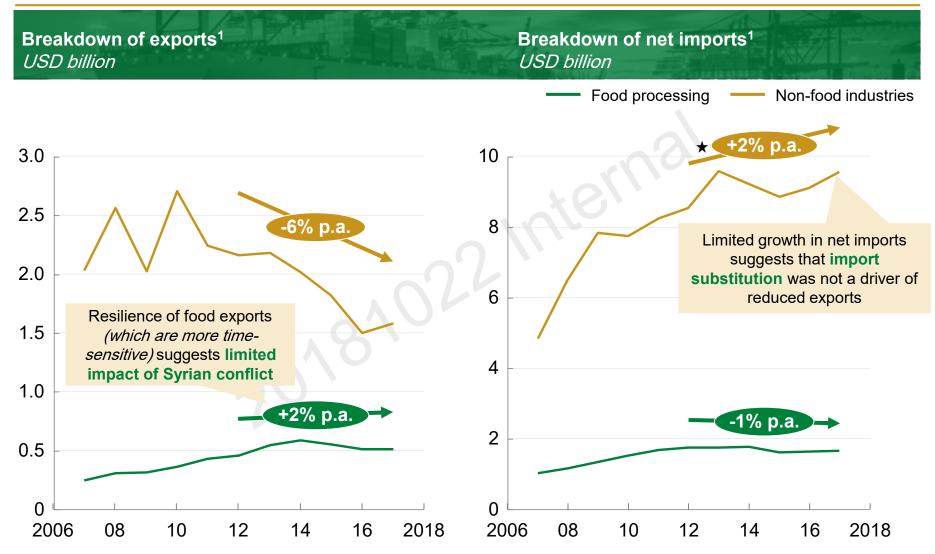
Key performance measures

### **B** Key performance drivers



Aggregate analysis suggests that decline in non-food industrial exports was not driven by border disruptions or import substitution





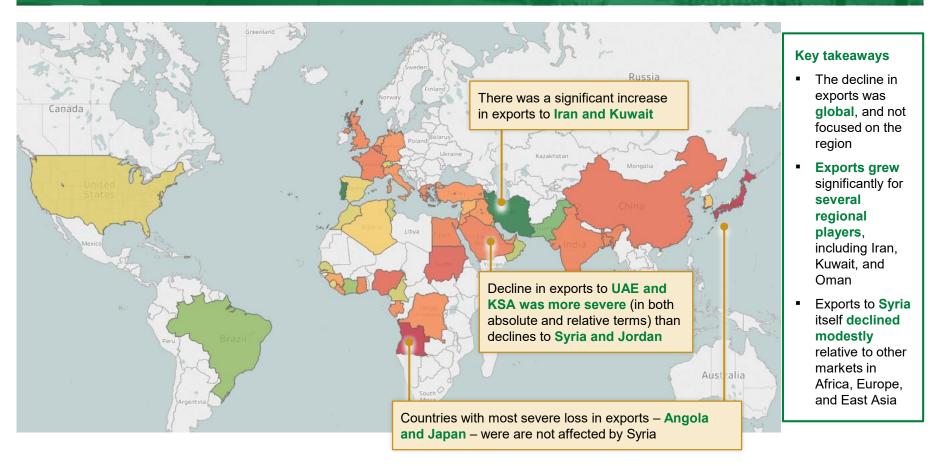
1 Excludes live/raw agricultural exports as well as non-industrial tradeable goods (gold, diamonds, petroleum, etc.)

B1 Country-level analysis of exports confirms that drop in exports is global, not solely linked to disruptions in Syrian land routes (1/2)



% growth in exports, 2012-2017

Change in non-food industrial exports<sup>1</sup>, 2012-2017 %



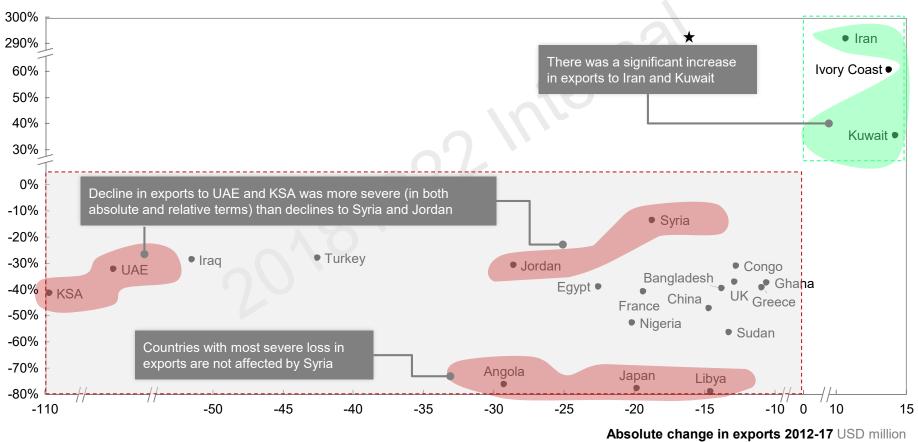
1 Excludes minor markets where 2017 exports did no exceed 5 million USD

B1 Country-level analysis of exports confirms that drop in exports is global, not solely linked to disruptions in Syrian land routes (2/2)

## \*

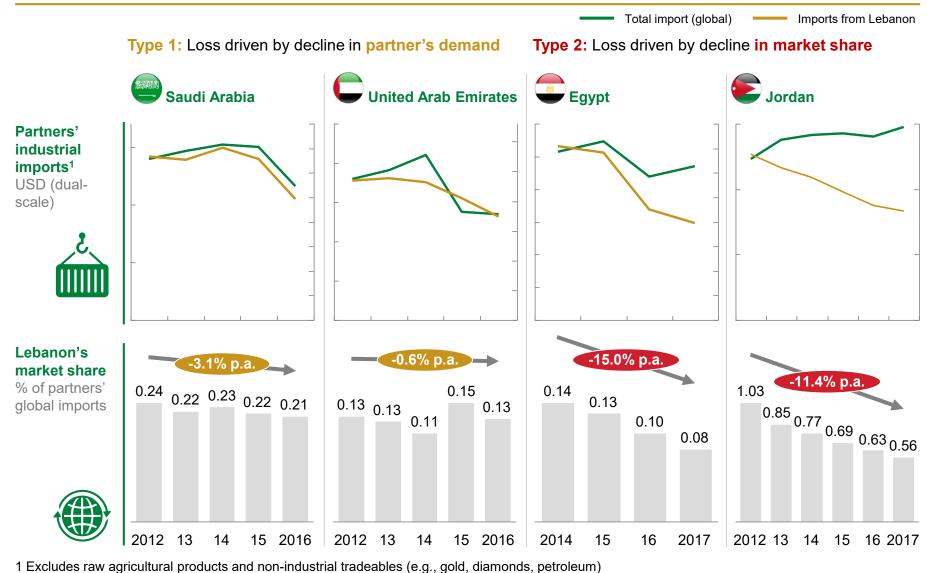
#### Country-level breakdown of change in non-food industrial exports<sup>1</sup> from 2012 to 2017

#### % growth in exports 2012-17

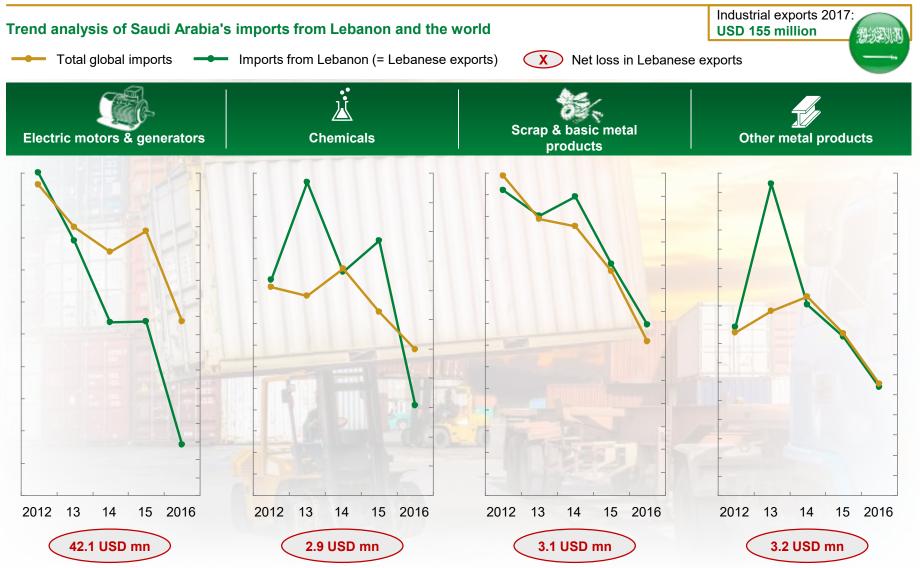


1 Excludes raw agricultural products and non-industrial tradeables (e.g., gold, diamonds, petroleum)

### Drivers of decline in exports include declining demand (KSA, UAE) and declining market share of Lebanese goods (Egypt, Jordan)

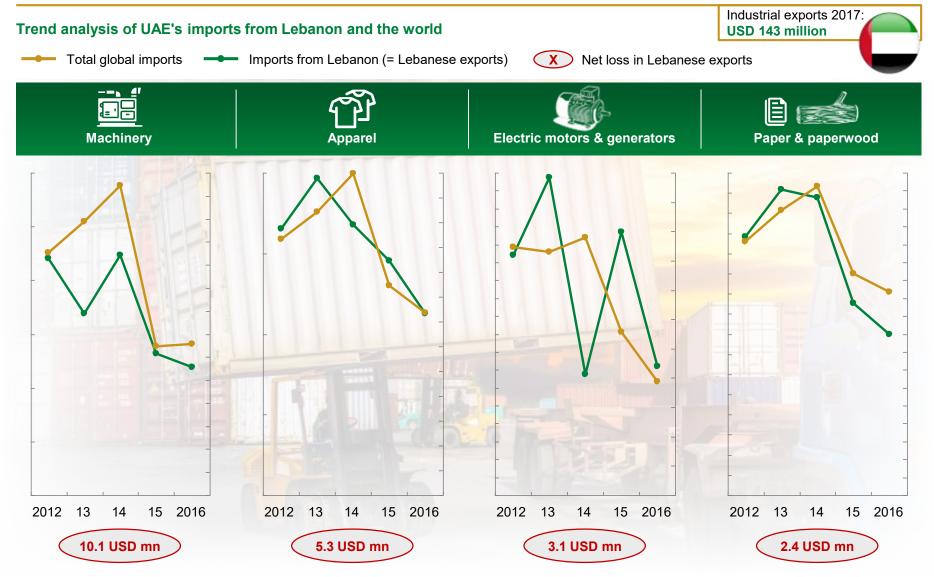


### Decline in exports for specific products was particularly impacted by a decline in trade partners' demand (1/3)

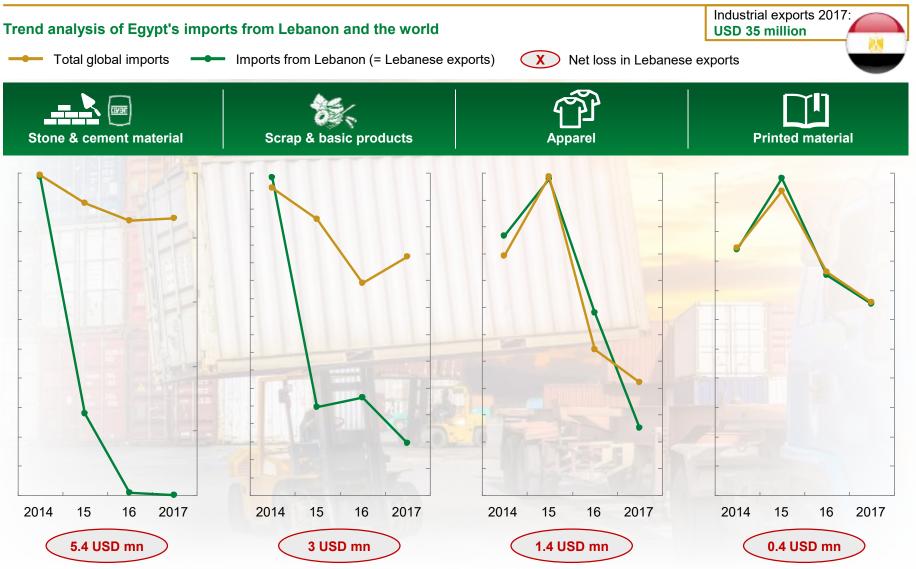


### Decline in exports for specific products was particularly impacted by a decline in trade partners' demand (2/3)

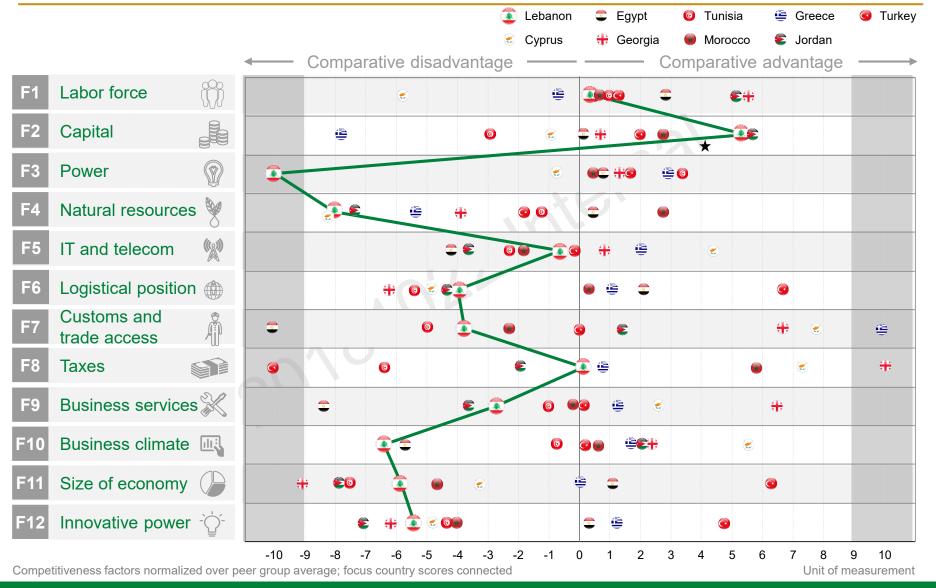




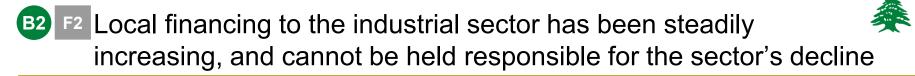
### Decline in exports for specific products was particularly impacted by a decline in trade partners' demand (3/3)



### Lebanon's industrial sector suffers from comparative disadvantages due to lack of competitiveness on key factors

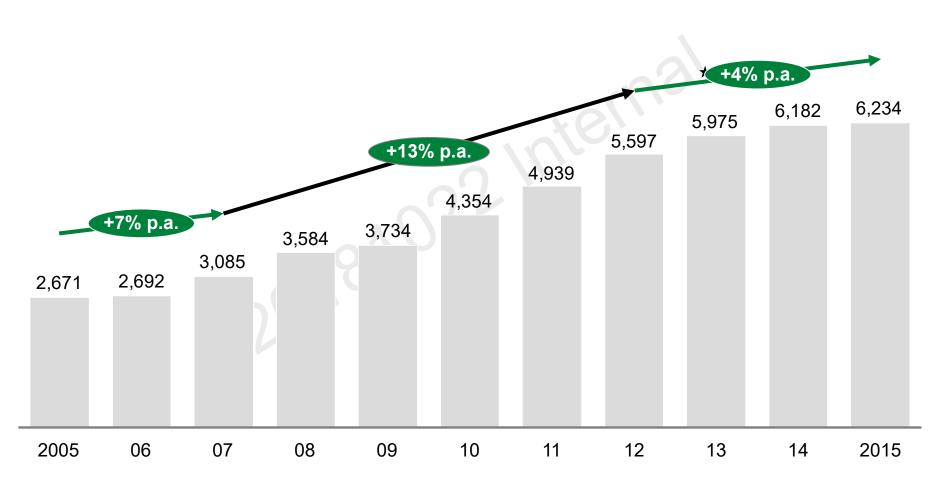


PRFI IMINARY



Loans to industrial sector<sup>1</sup>

**USD** million



1 Figures include investments in food processing industries



#### F3 Lebanon's power sector is one of the worst in the world

Lebanon's ranking on "Quality of Electricity Supply" has consistently been in the bottom five...

...Surrounded by countries with significantly lower income levels

	2010- 2011	2011- 2012	2012- 2013	2013- 2014	2014- 2015	2015- 2016	2016- 2017	2017- 2018
10	<b>&gt;</b>	(*)	-	-		<u></u>	<u> (2</u> )	
9		>	0	<b>6</b>		>		0
8		Θ	>	0	<u></u>		$\mathbf{\Theta}$	0
7	$\diamond$	$\bigcirc$	0	<u></u>	٩		/ 🍖	
6		0	•	0	10		<u></u>	
5	0	•			50			
4		0			0			
3	0	0				•	0	•
2	0			0		0	0	0
1 (worst)		8			0			

#### Reverse ranking of "Quality of Electricity Supply"

**B**2

#### GDP (PPP) per capita, 2017 estimate

2011 International Dollar

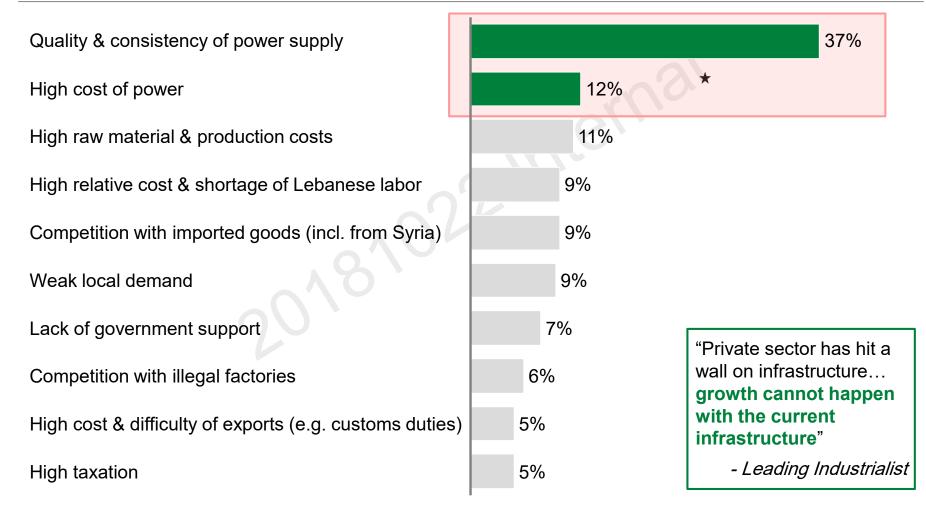
🔹 Lebanon		17,706
Angola	6,151	
Nigeria	5,401	
🐑 Nepal	2,440	
e Chad	2,135	
enin 🕒	2,074	
🛑 Guinea	1,859	
o Haiti	1,653	
CYemen	1,173	
e Malawi	1,063	
DRC Congo	720	

Selection: countries who appeared in the lowest 5 between 2010/11 and 2017/18

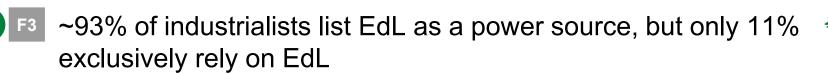
## F3 The power sector clearly stands out as the single greatest obstacle to the industrial sector

#### Major challenges to industrialists

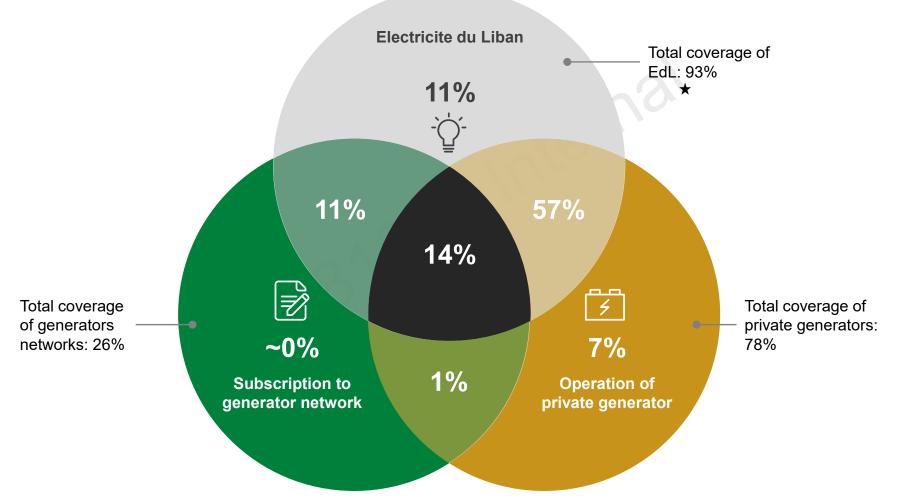
Share of industry survey respondents who identified issue as being one of the "top 3 challenges"





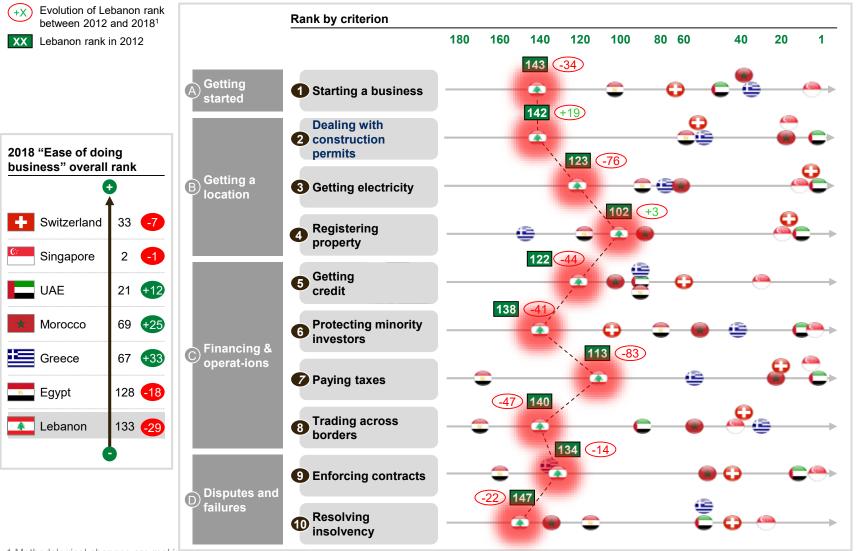


Breakdown of factories by power source %1



1 Note: figures may not add to 100% due to rounding

E10 Lebanon lags behind peers on ease of doing business, which severely impacts the industrial sector (especially SMEs)



1 Methodological changes are making comparisons extremely weak





### B2 Description of comparative advantages and disadvantages (1/3)

	Sub-factors comparative disadvantage	Sub-factors comparative advantage
Labour force	<ul> <li>Falling behind peers on the number of students</li> </ul>	<ul> <li>Availability and quality of medium- and high-skill labor at relatively low wages</li> </ul>
Capital	<ul> <li>Country's risk rating shows as a clear competitive disadvantage, and contributes to high cost of capital / high interest rates</li> </ul>	<ul> <li>Restrictions on capital #ows ensure high stability of banks, more so than in other peer countries</li> <li>Banking sector provides relatively high levels of domestic credit</li> <li>Financial services are relatively accessible</li> </ul>
Power	<ul> <li>Availability and quality of energy is among the worst in the world</li> <li>There are difficulties and complexities related to establishing new permanent connections</li> <li>Limited own energy production &amp; use of renewables contributes to extremely high energy dependency</li> </ul>	
Natural resources	<ul> <li>Scarcity of all natural resources compared to peers</li> <li>Extraction of mineral reserves is not very profitable</li> </ul>	<ul> <li>High share of agricultural land</li> </ul>
IT and telecom	<ul> <li>Average mobile infrastructure and very limited fiber infrastructure</li> <li>Very high tariffs</li> </ul>	<ul> <li>Large number of internet (and mobile internet) users</li> <li>Network performance is better than average</li> </ul>



### B2 Description of comparative advantages and disadvantages (2/3)

	Sub-factors comparative disadvantage	Sub-factors comparative advantage
Logistical position	<ul> <li>Low number of passengers carried via airplane and below average port traffic</li> <li>Poor quality of road infrastructure and existent rail network</li> </ul>	<ul> <li>Close proximity to large markets in Saudi Arabia and relatively low cost of shipping/routing compared to peer group (threatened by Syrian crisis which is disrupting land routes)</li> </ul>
Customs and trade access	<ul> <li>Process of exporting and importing goods can be lengthy due to security and inspection requirements</li> </ul>	
Taxes	20181	<ul> <li>Total tax rate slightly lower than that of peers, which may encourage business</li> </ul>
Business services	<ul> <li>Business-related procedures are relatively difficult – e.g. dealing with construction permits, ease and cost of registering property, etc.</li> </ul>	



### B2 Description of comparative advantages and disadvantages (3/3)

	Sub-factors comparative disadvantage	Sub-factors comparative advantage
	<ul> <li>The least stable macroeconomic environment and low political stability</li> </ul>	
	<ul> <li>Highest levels of perceived corruption and lowest trust in the rule of law</li> </ul>	
	<ul> <li>Poor ability to enforce contracts</li> </ul>	
Business	<ul> <li>Struggling with ease of starting and running business</li> </ul>	
climate	<ul> <li>Minority investors do not feel protected</li> </ul>	
	<ul> <li>Difficulties in obtaining information about changes in government policies</li> </ul>	
	<ul> <li>Minimal measures put in place for protection of intellectual property rights</li> </ul>	
Size of economy	Lebanon's economy is relatively small, even when compared to peers	
Innovative power	<ul> <li>Very low levels of R&amp;D spending (as % of GDP) Ineffective patent system, with low number of applications</li> </ul>	<ul> <li>Higher than average number of knowledge intensive jobs (potentially due to availability of high-skilled labor)</li> </ul>



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#### Tourism – summary of diagnostic

#### **Economic contribution** Number of tourists by nationality Real GDP value of tourism<sup>1</sup> **Top nationalities** Bn USD in 2010 prices Million tourists GCC Western<sup>2</sup> % GDP Iraq (12%), 3.3 Other Arab France (9%), 3.1 USA (9%), 2.2 Canada (6%) 1.9 0.5 0.3 0.4 0.1 1.3 0.2 0.1 0.4 1.1 0.5 1.0 0.8 0.3 1.0 0.8 0.7 2005 10 2016 13 2017 2010 Performance metrics<sup>3</sup>, 2017 Performance compared to peers Low **Occupancy rate**, % 43% In line with peers Hiah **Average length** 3.2 of stay, days

**Key challenges** 

- Lack of proper tourism data to ensure informed decision making
- Low occupancy rates in hotels are deterring private sector investments
- Limited hospitality infrastructure catering for the upper mass and luxury segments (especially outside Beirut)
- Absence of a brand image for Lebanon
- Limited flight connectivity and high airfare prices to European markets

~

Highly fragmented eco-system with no forum for collaboration between all the different stakeholders

1 GDP contribution of hotels and restaurants is used as a proxy for tourism GDP

2 Includes Europe, Oceania and North America (US and Canada only); 3 Based on a sample hotel list provided by MoT



#### Tourism diagnostic – key performance measures

Macro- economic perform- ance	At Hotels and restaurants, used as a proxy for the tourism sector, contributes to 3% of Lebanon's GDP and directly employs ~90K people
	<ul> <li>A2 The tourism sector's performance has been declining since 2010</li> <li>GDP declined at a rate of 4% p.a from 2010 till 2013</li> <li>From 2013-2016, the tourism sector's performance kept declining but at a slower rate (1% p.a.)</li> </ul>
	<ul> <li>A3 The tourism sector has not been able to attract major investments in the last few years mainly due to a low revenue per average room</li> <li>Revenue per average room (RevPAR) in Beirut is lower than peers, mainly due to low occupancy rates, which is deterring potential investors in the sector (RevPAR in other regions is even lower than Beirut)</li> </ul>
Perform- ance measures	<ul> <li>Lebanon attracted ~1.9 Mn visitors in 2017, out of which majority are western tourists with a high share of tourists belonging to the Lebanese diaspora</li> <li>Number of western tourists from Europe, North America and Australia constituted the majority of tourists arrival (52% of total), followed by Arab (22%) and GCC countries (6%)</li> <li>Visitors from diaspora constitute ~50%<sup>2</sup> of total foreign visits to Lebanon</li> <li>Despite recent growth, number of tourists has not yet fully picked up since the drop between 2010-2013</li> <li>The drop in number of tourists is mostly attributed to the drop in GCC tourists (~67% decrease in numbers since 2010)</li> <li>In parallel, number of western tourists increased by 25% since 2010</li> </ul>
	<ul> <li>The shift in type of visitors between 2013-2016 (increase in number of western tourist and decrease in number of GCC tourists) who have different spending habits, could potentially explain the decrease in GDP despite the increase in number of tourists</li> <li>In 2014, share of GCC tourists was 8% of total vs 5% in 2016</li> <li>On average spending of GCC tourist is higher than European tourists</li> </ul>

1 Assumed all arrivals are unique visitors; Includes all arrivals to Lebanon with foreign passports 2 Assuming 80% of foreign tourists stay in hotels



#### Tourism diagnostic – key performance measures (1/2)

roduct ifering	E1 Lebanon has rich natural endowment and multi-faced tourism offerings across Sun&Sea, nature, ski, entertainment and culture (including religious offerings) which are unique relative to the Levant and Middle East; however the sector has yet to reach its full potential mainly due to a limited range of "ready-to-market products"
	<ul> <li>Travel agencies are mainly focused on outbound tourism and the sector lacks comprehensive packages and offers for inbound tourists (airline, hotels, tours)</li> </ul>
	<ul> <li>Lebanon offers a limited range of tours: Trip advisor, one of the world's largest travel sites, shows 40 tours and excursions for Lebanon vs ~150 for Amman in Jordan alone</li> </ul>
	<ul> <li>Cultural heritages lack modern complimentary offerings (F&amp;B, souvenirs, shopping)</li> </ul>
	<ul> <li>Lebanon has very limited beach offerings despite its prime location on the Mediterranean (small available area for public beach, limited number of luxury beach resorts)</li> </ul>
	<ul> <li>Other products that are lacking are offering tailored for families (e.g. parks, amusement/water parks) and venues/conference centers for MICE events</li> </ul>
	B2 Moreover, Lebanon is facing increasing competition from its regional peers in terms of competitive product offerings and packages
	<ul> <li>GCC countries are increasingly providing attractive offerings (e.g. Dubai offers free travel packages, all inclusive, for children during summer)</li> </ul>
	<ul> <li>Cyprus and Dubai are increasingly competing with Lebanon as destinations for entertainment, gaming and nightlife</li> </ul>
	<ul> <li>Lebanon is lagging behind in cultural offerings (museums and exhibitions) especially in light of increasing competition from GCC countries (Abu Dhabi has recently opened Louvre and Guggenheim museums)</li> </ul>



### Tourism diagnostic – key performance measures (2/2)

B. Performance drivers				
Infrastruc -ture and connec- tivity	<ul> <li>Bebanon has 406 hotels with a capacity of ~22,000 rooms; however their geographical distribution is not equal across all regions</li> <li>~76% of hotels (150 hotels) are found in Beirut, Keserwen and Metn and the remaining 24% (48 hotels) are in Beqaa, North, South, Jbeil and Chouf</li> <li>Average occupancy rate in Lebanon for 2017 was 43% which suggests that Lebanon can absorb increased number of tourists; however this occupancy rate varied greatly across regions *</li> <li>Average occupancy rate in Beirut was 60% while in the rest of the areas it was ~20-30%</li> <li>The hospitality sector does not cater for all customer segments across different geographical locations</li> <li>Only 12 5-star hotels can be found outside of Beirut</li> <li>~70 % of hotels in Beirut are 4 and 5 stars hotels</li> <li>Bebanon has limited accessibility through direct flights and has poor air transport infrastructure</li> <li>While Lebanon offers lenient visa policy, it has limited connection through its routes (only 60 direct flights destinations from Lebanon)</li> <li>It also presents a low perceived quality of air transport infrastructure</li> <li>Local authorities have not negotiated agreements with Middle East Airlines to offer new strategic routes regardless of profitability</li> </ul>			
Marketing and promotion	<ul> <li>Lebanon spent 3.3<sup>1</sup> Mn in 2017 on marketing and has not been able to manage the country's perception in the media against regional political unrest</li> <li>The Ministry of Tourism spent less than 1.8 USD/tourist in 2017 (~4x lower than average)</li> <li>Lebanon's brand image has been tarnished in the media over the years without pro-active efforts from the public sector to manage the country's perception; Word-cloud shows that top searches for Lebanon are mainly associated with neighboring countries and political instability</li> </ul>			

1 Mainly spent on fairs and familiarization trips. Does not include festival subsidies



#### Tourism diagnostic – enablers

C. Enablers	
Sector governance and regulations	C1 Lebanon's tourism ecosystem is highly fragmented and involves many stakeholders which leads to uncoordinated efforts
	<ul> <li>Tourism related initiatives are uncoordinated across the different stakeholders in the tourism eco-system (e.g. MoT, MoC, MoFA, other ministries, state owned enterprises – Casino, MEA, municipalities, tourism federation, tour operators, NGOs)</li> </ul>
	<ul> <li>The ministry of tourism has little authority over other stakeholders to efficiently implement its tourism strategy</li> </ul>
	<ul> <li>The committee for tourism in the parliament has convened less than 5 times in the last 25 years<sup>1</sup></li> </ul>
Political stability	Geo-political tension and perceived political instability contributed to Lebanon ranking 130/141 on the safety and security according to the Travel & Tourism Competitiveness Index
	<ul> <li>Geo-political tensions between Lebanon and Golf states has led GCC countries to exercise travel bans to Lebanon in 2016 and to advising their citizens to avoid Lebanon in 2012, 2013 and 2017</li> </ul>
	<ul> <li>The US travel state recommends its citizen to reconsider travelling to Lebanon due to crime, terrorism, and armed conflict while it attributes less severe recommendations on travel to on peer countries such as Jordan, Egypt and Tunisia</li> </ul>



#### Contents – Tourism



## A The tourism sector represents ~3% of GDP and has been declining in the past 6 years



									Rele	vant Secto
	GDP contribution, excluding taxes & su			i), % sl	hown as to	tal of GDP		2005-201 CAGR <sup>2</sup> , <sup>0</sup>		
Real Estate & Construction	21%							5%	₽	2%
ित्न Retail & Commerce	14%				Used as a proxy to estimate the tourism sector's contribution to GDP; actual contribution is possibly greater but no official data exists		timate	8%	Ļ	0%
🛄 Manufacturing		10%						7%	₽	-2%
Administration			10%				•	6%	┛	3%
🖾 Finance, Insurance				9%			10%	┛	6%	
☆ Education					8%			1%	1	3%
Business Services					7%			9%	↓	-1%
🏵 Health					40	%		8%	₽	4%
🛱 Transport						4%		8%	↓	5%
M Hotels & Restaurants						3%		8%	┛	-3%
Agriculture						3%		1%	$ \longleftrightarrow $	1%
Personal Services						3%		13%	↓	-2%
🖗 ICT						3%		12%	┛	3%
TUtilities: Power & Water						2	%	4%	$\leftrightarrow$	4%
Total Nominal GVA <sup>1</sup>			47							
Total taxes & subsidies							4			
Total Nominal GDP			5	51				8%		2%

average annual growth in real GDP

## A The tourism sector employs 90,000 people in the hotels and restaurants sector alone

HIGH-LEVEL ESTIMATES

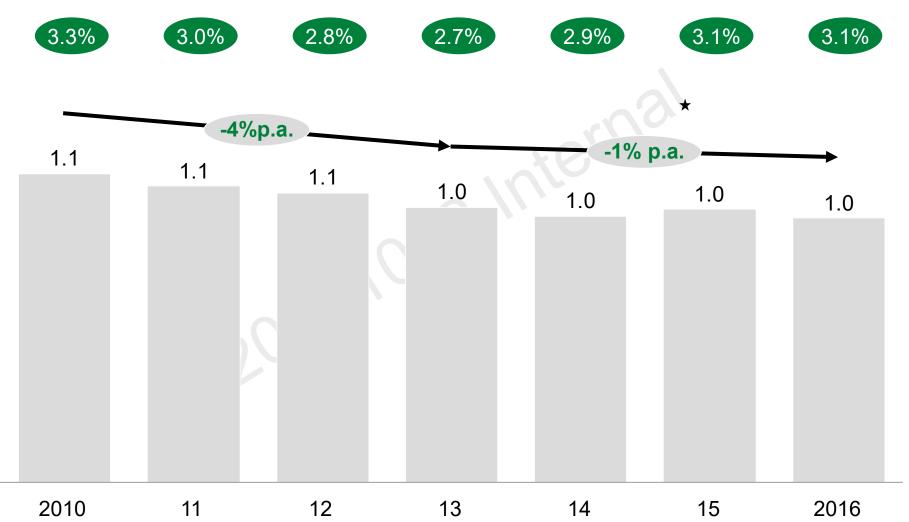
**Relevant Sectors** 

Sectors	Total employment, '000s (2016)				
ि Trade	479 (24%)	Used as a proxy to estimate			
Real Estate & Construction	244 (12%)	the number of people			
🖧 Agriculture	212 (11%)	*	employed in tourism; actual number is possibly greater but no official data exists		
🛄 Manufacturing	194 (1	0%)			
Administration		185 (9%	6)		
☆ Education			161 (8%)		
📳 Transport			110 (6%)		
Personal Services			106 (5%)		
M Hotels & Restaurants			90 (5%	)	
S Finance, Insurance			50 (3	%)	
<sup>(°</sup> ∦ <sup>®)</sup> ICT			44	(2%)	
🔅 Health			3	8 (2%)	
Business Services				34 (2%)	
Tilities: Power & Water				30 (2%)	
Total	1,977				

**Note:** All employment data includes both formal & informal jobs; 2010 Baseline derived from total ILOSTAT employment, using CAS sector split. Post 2010 projections based on sector real GDP growth and ILOSTAT real productivity growth; adjustments applied to Health & Agriculture based on input from Ministry of Health and meeting with agriculture stakeholders

### A2 The tourism sector has been on a decline since 2010

#### Hotels and restaurants GDP contribution, USD Bn in 2010 prices







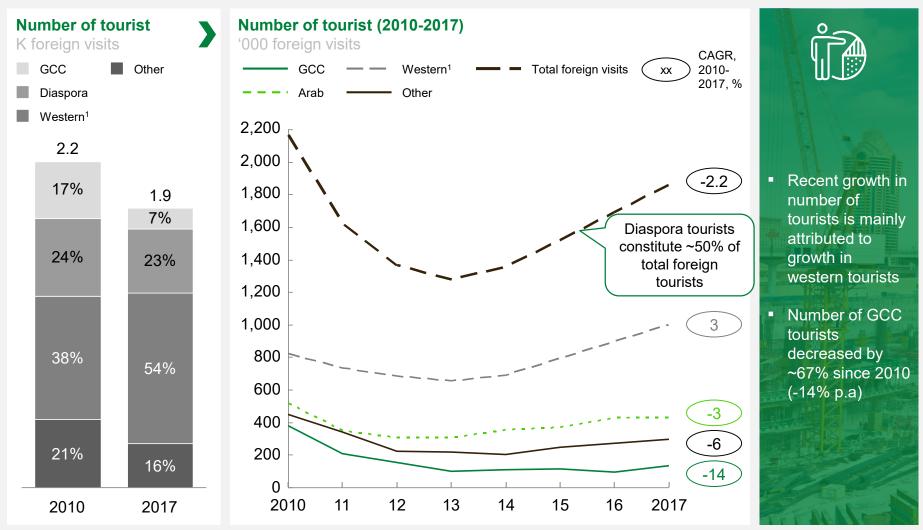
### Low hotel occupancy rates have deterred private sector investments

<b>Revenue p</b> e USD, 2016	er average room 😑	Average daily USD, 2016	rate <sup>1</sup>	Hotel occup Percent, 201	
Dubai	148	Dubai	192	Dubai	77
Muscat	119	Muscat	183	* Muscat	65
Abu Dhabi	91	Beirut	140	Doha	62
Doha	81	Doha	131	Abu Dhabi	72
Beirut	69	Abu Dhabi	126	Istanbul	50
Istanbul	50	Istanbul	100	Georgia	61
Georgia	44	Georgia	69	Egypt	55
Egypt	36	Egypt	65	Beirut	49
	Ø 80		▲ Ø 126		▲ Ø 61

1 Input for Georgia and Egypt are for 2017

SOURCE: STR Global, Ministry of Tourism, EY Middle East Hotel Benchmark Survey

A Despite recent growth, the tourism sector has not yet fully recovered since the drop between 2010-2013



1 Includes North America (US and Canada), Europe and Oceania



### Contents – Tourism

Key performance measures

## **B** Key performance drivers

C) Enablers

Α



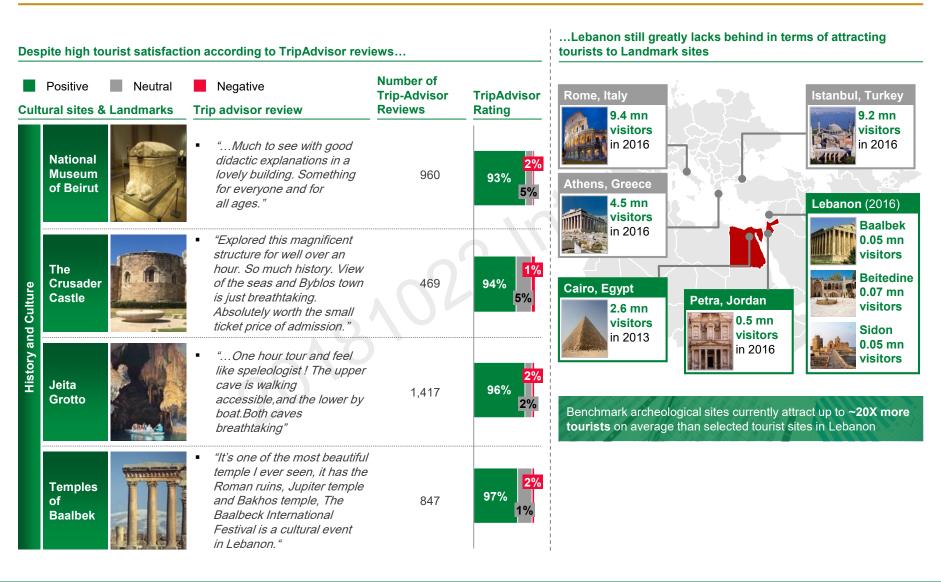
B1 Lebanon has made efforts to develop product offerings tailored to its endowments across different areas of the sector



Tourism areas	Description	Examples
Cultural	<ul> <li>Lebanon has a high density of cultural tourism options with 14 UNESCO World Heritage sites<sup>1</sup></li> <li>Lebanon hosts 8 yearly events built around its cultural heritage and mainly centered around music and entertainment</li> </ul>	<ul> <li>Baalbeck, Byblos, Wadi Qadisha, Tyre, Anjar</li> <li>Byblos International Festival, Jounieh International Festival, Baalbeck International festival</li> <li>International festival</li> </ul>
Entertainment	<ul> <li>Lebanon is one of two Arab countries to offer gaming, with the largest casino in the Middle East.</li> <li>Lebanon has 45+ wineries with local wine production</li> <li>Lebanon is a world acclaimed night-life destination which caters to different segments and age groups</li> </ul>	<ul> <li>Caino du Liban</li> <li>Ksara/Kefraya/Ixsir</li> <li>Bo-18/Mar Mikhayel/SkyBar</li> </ul>
Nature and beaches	<ul> <li>Lebanon is the only Arab country with access to ski slopes, with 6 ski resorts of world class standards</li> <li>Lebanon has rich mountains and rural areas which can be explored through the Lebanese mountain trail, a 470-km mountain trail that transacts through more than 75 Lebanese towns</li> <li>Lebanon has access to 225 km of Mediterranean coastline beaches and favorable summer weather</li> </ul>	<ul> <li>Faraya/Zaarour</li> <li>Douma/Tannourine/Falougha</li> <li>Batroun/Sour</li> </ul>

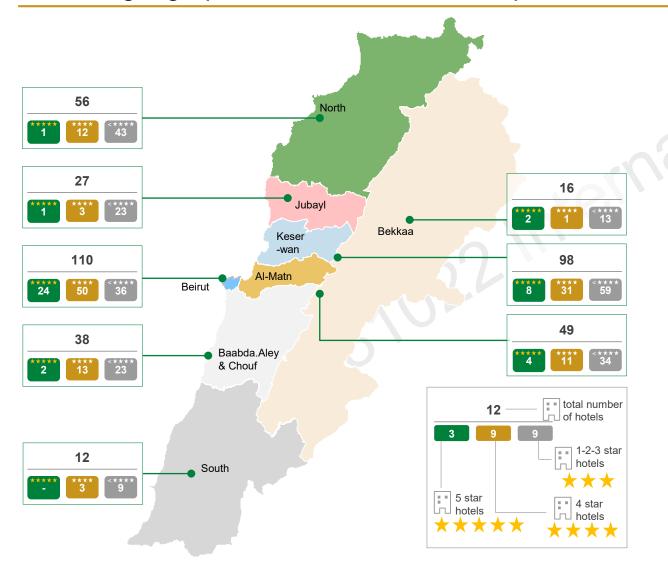
1 Includes 5 UNESCO world heritage sites and 9 sites currently in the application process for UNESCO world heritage status

## B1 Despite high tourist satisfaction, Lebanon greatly lacks behind in terms of attracting tourists to Landmark sites





B4 Lebanon has 406 hotels with a capacity of ~22,000 rooms; however 条 their geographical distribution is not equal across all regions



Lebanon has 406 hotels with a capacity of ~22,000 rooms

The hospitality network is characterized by:

- Un-even distribution in number of hotels across regions:
  - ~65% of hotels are found in Beirut, Keserwen and Metn
  - Remaining 35% are in Beqaa, North, South, Jbei and Chouf areas which are very rich in cultural and nature tourism
- Variability in occupancy rate across regions:
  - Average occupancy rate in Beirut was 60% while in the rest of the areas it was ~20-30%

Hospitality segment does not cater for all customer segments across regions:

- 57% of 5 star hotels are in Beirut (Only 18 5-star hotels can be found outside of Beirut)
- ~70 % of hotels in Beirut are 4 and 5 stars hotels

## **B5** Lebanon has a lenient visa policy for majority of countries



### Visa requirement score<sup>1</sup>

Score over 100, 2017

<ul> <li>Singapore</li> <li>UAE</li> <li>Jordan</li> <li>Turkey</li> </ul>		55 54 51	65 16 28 30 34	Eussia	46 <sup>*</sup> 35	<ul> <li>Lebanon offers visa free for selected Arab and GCC countries</li> </ul>
Bahrain Lebanon	39	48	40 48	🔊 Brazil	30	(Jordan, KSA, Kuwait, UAE) ■ Most other
Egypt	35 32		51 56	Singapore	22	nationalities get visa on arrival for a fee of 30 USD,
Worocco	32 24	78	56 73	💽 Turkey	14	slightly higher than peer
連 Greece ៍ Oman	24 20		73 112	Malaysia	7	average of 22 USD
C Kuwait	14		118			
Qatar	12		119	South Africa 0		
🔤 KSA	0		135	- I I I I I	▲ Ø 22	

Tourist visa entry fee<sup>2</sup>

USD

1 From the World Economic Forum's Travel & Tourism Competitiveness Report's Visa Requirements metric - Scored by number of countries whose citizens are exempt from obtaining a visa [= 1.0], able to obtain one upon arrival [= 0.70], or obtain an electronic visa [= 0.50] out of all UN countries 2 Moderately taxed countries were selected as a peer group

## B5 However, Lebanon is less connected than peers, and presents a low perceived quality of air transport infrastructure



Number of direct-flight destinations 2018				Air transport infrastructure quality <sup>1</sup> Score over 7, 2017				
	London		351		UAE		5.8	3
	Paris		291	_	Singapore		5.3	6
	Frankfurt		278	- 0	Switzerland		4.9	11
	Amsterdam		242			~ ~ ~ ~		
(	Istanbul		239		Turkey		4.7	14
	Munich		217		Qatar		4.3	25
$\bigcirc$	Brussels		214	_	Greece		4.3	26
	Dubai		213	<b>"</b> •	South Korea		4.3	27
$\bigcirc$	Rome		184		KSA		3.7	38
	Doha		146				 	
	Abu Dhabi	109	0'\		Bahrain		3.5	45
	Jeddah	101			Oman	3.0	1	57
*	Casablanca	95			Egypt	2.9	1	59
	Cairo	83			Morocco	2.8	- 1 1 1	63
	Beirut	60		— 產	Jordan	2.6	1 1 1 1	69
	Kuwait	58	1 1 1				1 1 1	
C	Muscat	57	1 1 1 1		Kuwait	2.5	I I	74
	Amman	53	,     	4	Lebanon	2.4	1     	81
۲	Bahrain	43	     					
1 Ba	sed on the WEF s	survey results $\sigma$	160			Ø	3.8	

Source: CIP, The Travel & Tourism Competitiveness Report 2017, Airport websites



## Contents – Tourism

Key performance measures

Key performance drivers

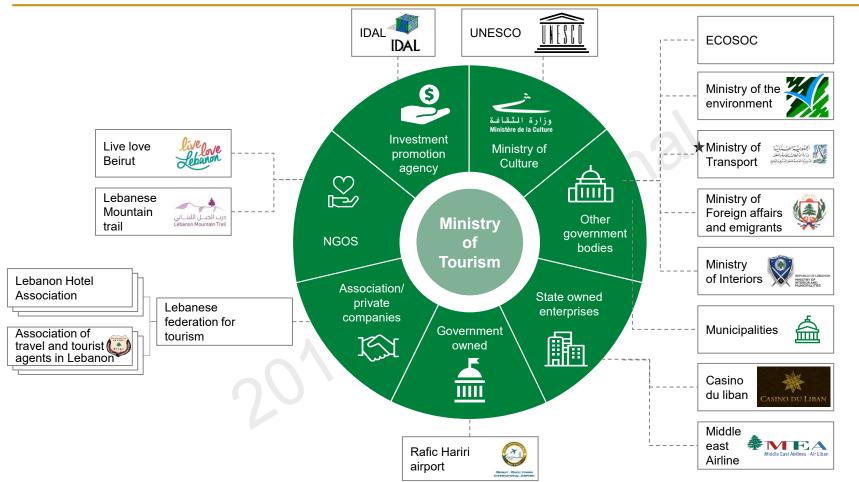
**C** Enablers

Α

В



# Lebanon's tourism ecosystem lacks coordination across several stakeholders

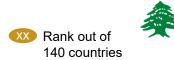


### The tourism ecosystem in Lebanon is fragmented

Absence of a governing body that is able to implement a cross-cutting tourism strategy

The Ministry of tourism does not have direct authority over other stakeholders in the tourism eco-system This leaves room for individual initiatives

## C2 Lebanon performs poorly on safety and security and ranks 125th /140 countries



Internationally, Lebano & Security Score Score over 7, 2017	n rank 125 <sup>th</sup> /140 on the safety	In addition, GCC countries have advised their citizens to refrain from visiting Lebanon in recent years due to geo-political tension
UAE Oman Singapore	6.6 <b>2</b> 6.5 <b>4</b> 6.5 <b>6</b>	<ul> <li>Ministry of Foreign Affairs and International Cooperation urged the UAE's citizens to completely avoid travelling to Lebanon from the UAE or from any other country" – UAE MOFA, Nov. 2017</li> </ul>
Switzerland Qatar Morocco South Korea Jordan	6.4 8 6.3 10 6.1 20 5.8 37 5.8 38	*Due to the current situation in Lebanon, the Kingdom has asked its citizens, whether visiting or residents, to leave Lebanon as soon as possible. We also advise citizens not to travel to Lebanon from any international destination" – KSA MOFA, Nov. 2017
<ul> <li>Kuwait</li> <li>Bahrain</li> <li>Greece</li> </ul>	5.7       43         5.7       47         5.6       53	"The foreign ministry has advised the Saudis to avoid traveling to Lebanon in the light of the unstable political and security circumstances prevailing in the country" – KSA MOFA, Aug. 2012
<ul> <li>KSA</li> <li>Turkey</li> <li>Lebanon</li> <li>Egypt</li> </ul>	5.5 61 4.1 116 3.6 125 3.3 130	<i>contact the Qatari embassy in Beirut to provide</i> <i>them with the necessary facilities and assistance</i> "
	Ø 5.6	

....

Source: The Travel & Tourism Competitiveness Report 2017, Press search

C3 Word-cloud shows that top searches for Lebanon are mainly associated with neighbouring countries and political instability

Size of words reflect the recurrence of the word association



- Most searches related to Lebanon refer to other Arabic countries with relative political unrest (e.g. Iraq, Syria)
- Other terms like "Armed Forces" and "Hezbollah" appear with searches related to Lebanon
- The terms "Weather", "Time" and "Baalbek" that are usually associated with tourists searches, appeared the least



### I. EXECUTIVE SUMMARY

#### II. INTRODUCTION AND METHODOLOGY

- A. Methodological approach to the study
- B. Stakeholder engagement and syndication process
- C. Reviewed documentation

### **III. CONTEXT AND DIAGNOSTIC**

- A. Chapter summary
- B. Economic perspective
  - 1. Macro-economic evolution
  - *2. Trade profile (exports & imports)*
- C. Sector diagnostics
  - 1. Natural resources (oil & gas)
  - 2. Agriculture
  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
  - 1. Public finance
  - 2. Ease of doing business
  - 3. Monetary policy
  - 4. Economic development activation
  - 5. Trade & international agreements

#### IV. THE VISION: LEBANON'S ECONOMIC ASPIRATIONS

- A. Chapter summary
- B. Burning platform
- C. Lebanon's growth imperatives
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- E. Sector prioritization mechanism and rationale

### V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

- A. Chapter summary
- B. Sector deep-dives
  - 1. Agriculture
  - 2. Industry
  - 3. Tourism
  - 4. Knowledge economy
  - 5. Financial services
  - 6. Diaspora

#### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

- A. Chapter summary
- B. Public administration reform requirements
- C. Infrastructure including CIP initiatives
- D. Public finance requirements
- E. Main legislative requirements
- F. Country branding & export promotion

## VII. INSTITUTIONALIZATION MECHANISMS

- A. Chapter summary
- B. Governance set-up: orchestration and delivery
- C. Path forward

### VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters



## Technology – summary of diagnostic

Economic contribution	Sector performant	ce					
Total jobs, 2017	Total value of VC deals, USD Mn 2017						
~7,000Startups2,000Incumbents5,000	112 53 39 60 58 19	38       20         Image: Constraint of the second sec	14 7 (*) (*) (*) (*) (*) (*) (*) (*)	6 6	1		
Technology & innovation	<b>funnel,</b> by stage of c	ompany					
<ul> <li>Sub- spend</li> </ul>		rolume of • ts	Start-up / early stage Ease of doing business Gap in angel funding	<ul> <li>Growt</li> <li>Lack of funding access markets</li> </ul>	growth & to		
Digital eco- nomy	n lags all Middle-Eas	tern countries o	on digitization	index			
Dioitai	n lags all GCC coun 2) only slightly outran		0		ex (0.56		

### Key challenges

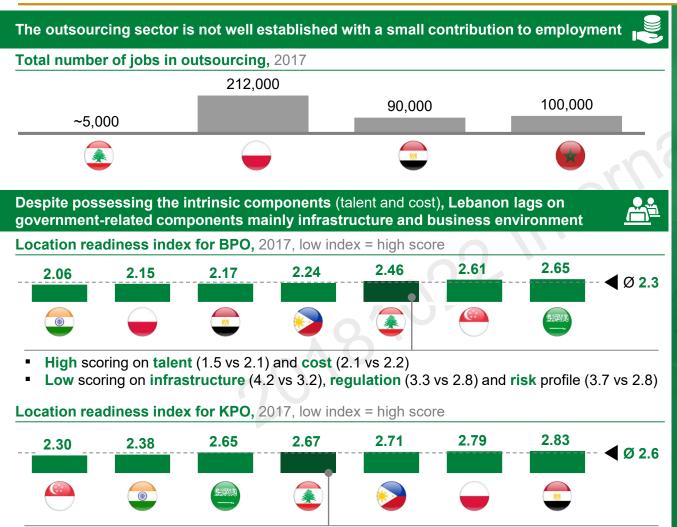
- Low availability of digital talent
  - Despite Lebanon's strong talent base, access to talent was reported to be the main obstacle faced by domestic start-ups
  - Moreover regional entrepreneurs consider Lebanon as the top source for creative & marketing talent, but as lagging behind for core technical skills

### Missing key regulatory requirements

- The sector suffers from sub-par regulations such as the current incorporation laws (preferred shares, stock-options), and a sub-par judicial system
- For e.g. only 20% of entrepreneurs offer stockoption schemes whereas ~50% of the talent pool would be willing to accept it as compensation scheme



## Outsourcing – summary of diagnostic



- High scoring on talent (2.1 vs 3.0) and cost (2.1 vs 2.2)
- Low scoring on infrastructure (4.2 vs 3.2), regulation (3.3 vs 2.8) and risk profile (3.7 vs 2.8)

### **Key challenges**

- 7
- Sub-par virtual and physical infrastructure
  - Physical and virtual infrastructure lags with low broadband speeds (5Mbps, 127th globally) and high mobile connectivity costs
  - Un-empowered regulatory authority (TRA) leading to in lack of continuity and uniformity in the sector (e.g. stopping of the E1 lines for call centres)
- Sub-optimal regulatory framework and environment with lack of incentives
  - Sub-par ease of doing business environment
  - Required laws not in place: bankruptcy law, competition law, IP protection law
  - No zones in place offering taxincentives and lower infrastructure costs (telecom & rental costs)
- High country risk profile
  - Low macro-economic and political stability, a key input to outsourcing location criteria



### A. Macro-economic contribution

#### Macro contributi A1 In the context of Lebanon, the Knowledge economy is broadly defined as four sub-sectors: Digital & technology, Business services & outsourcing, Creative industries & Education The knowledge economy is broadly defined as the production of goods and services based on knowledge-intensive

on

- The knowledge economy is broadly defined as the production of goods and services based on knowledge-intensive activities; The key component of a knowledge economy is a greater reliance on intellectual capabilities than on physical inputs or natural resources
- In the context of Lebanon, Knowledge Economy is defined as four-sub sectors, sharing a set of common overarching enablers
  - Digital & Technology: Includes all players involved in the innovation pipeline from R&D (Universities and R&D centers), to IP & patenting (govt., commercialization offices) to commercialization of the product with an emphasis on digital (i.e. focus on digital startups)
  - Business services & outsourcing: Includes all plays whereby a process is offshored by a company to either a
    nearshore or remote location for efficiency gains. It spans the whole outsourcing spectrum from lower-skill call
    centers to higher-skill data analytics centers
  - Creative Industries: Includes sectors whose primary resource is creativity. It mainly includes core creative industries (performing arts, music...), core cultural industries (movies, libraries), wider cultural industries (digital media, publishing) and related industries (architecture and fashion)
  - Education: Includes "economic" and "exportable" plays within education, mainly, attracting foreign students, exporting educational material (curriculums, books), building EdTech content, attracting Arabic language learners, exporting school brands – Education is covered in a different section as part of the diagnostic but within Knowledge Economy in the solution space

### A2 No GDP data is available on Knowledge economy, but ICT & business services can be used as proxies

Business services & ICT contribute ~10% of the country's GDP while employing ~4% of the total employed population

## Knowledge Economy diagnostic – technology key performance measure

### B. Key performance measures – Technology

B	<ul> <li>potential</li> <li>Market size reached ~175 Mn USD in 2016 and is expected to growth at ~9.7% p.a. to reach ~231 Mn USD in 2019<sup>1</sup>; software development &amp; services companies employ ~5,000 people</li> <li>Companies are mainly in software products (~50%) and web solutions (~40%), with more than ~80% of companies exporting their products, with the Gulf being the primary export destination</li> <li>Regional imbalances in the sector are marked with ~95% of companies operating from Beirut &amp; Mount Lebanon</li> <li>Several incumbents have established themselves as leading enterprise solution developers with global reach</li> <li>Murex, founded in 1986, provides integrated trading, risk management, processing and post-trade solutions, and today serves global markets</li> <li>A more recent example is FOO, founded in 2009, with a Fin-tech emphasis, that managed to cater for big regional clients (e.g. Emirates, VISA, Zain, Dubai Police)</li> <li>Most incumbents fall within four categories: enterprise, e-payments, financial software and creative &amp; digital media, infrastructure &amp; e-Payments</li> </ul>

# Knowledge Economy diagnostic – technology key performance drivers & enablers (1/2)

### C. Key performance drivers & enablers – Technology

R&D and patents	<ul> <li>C1 Lebanon lags global and regional peers in terms of R&amp;D spending mainly driven by a lack of funding</li> <li>R&amp;D spending, standing at ~0.22% of GDP, greatly lags regional peers and global innovation hubs benchmarks, where R&amp;D spend stands at ~1.7% of GDP on average, reaching up to 4% in some countries (e.g. South Korea)</li> <li>C2 Lebanon also lags global and regional peers in terms of number of patents</li> <li>ICT/PCT patents standing at 0.4 per 100,000 people lag the average of ~30 observed in regional and global benchmarks, ranking Lebanon 61<sup>st</sup> worldwide. Leading innovation hubs typically rank in the top 20</li> </ul>
Starting a business	Compared to placed by the and regional nears. Laborer region last an at stimp a business, and 442th worldwide
Access to financing	<ul> <li>C4 Financial support from the central bank has allowed the sector to thrive</li> <li>In 2013, building on the developed financial sector, the Central Bank has provided room for commercial banks to indirectly invest a total of ~400 Mn USD (3% of total bank capital standing at ~20 USD Bn) into start-ups</li> <li>The BdL's effort has also lead to the creating of several VC funds; Lebanon hosts today ~13% of the MENA investors</li> <li>A total of ~375 USD Mn has already been pledged, with only ~242 USD Mn invested:</li> <li>Today, venture capital available is in line with benchmarks. However, despite the recent efforts, access to funding remains challenging at the seed stages</li> <li>VC funding standing at ~0.12% of GDP is in line with the benchmark average of 0.15%</li> <li>However 68% of tech start-ups rely on personal savings to finance their projects, followed by competition funds, grants and loans; only a quarter of the start-ups did not manage to raise any funding</li> <li>VCs remain risk averse, leading to a funding gap at the early stages (50-300K USD)</li> <li>Moreover, underdeveloped capital markets make exit opportunities challenging</li> <li>Underdeveloped capital markets make exits challenging; in global hubs yearly startup IPO stands at ~0.26% of GDP</li> </ul>

# Knowledge Economy diagnostic – technology key performance drivers & enablers (2/2)

### C. Key performance drivers & enablers – Technology

Availabil- ity of talent	<ul> <li>driven by a skills mismatch</li> <li>More than 70% of interviewed entrepreneurs cite lack of Lebanese talent as the major bottleneck they face; most face issues especially when looking for talent with the right technical skills</li> <li>This mismatch mainly exists mainly due to a lack of coordination between governments, universities and companies</li> </ul>
Comms. & branding	<ul> <li>The sector also lacks the right mix of regulation and government incentives to facilitate growth, as well as a lack of communication and branding</li> <li>Most start up today face issues with the business registration process and the associated costs</li> <li>Shareholder-related laws are either missing or sub-par (e.g. bankruptcy law, stock options)</li> <li>The judicial system lacks training and awareness and judiciary processes are generally long</li> <li>Financial regulations inhibit the growth of certain verticals (e.g. e-signature law)</li> </ul>
Physical and virtual infra- structure	<ul> <li>Although the sector typically suffers from a sub-par infrastructure, newly formed "districts" and upcoming telecom projects should cater for current shortcomings</li> <li>Physical and virtual infrastructure still lags with low broadband speeds and high mobile connectivity costs</li> <li>New digital clusters being formed (e.g. Beirut Digital District), targeting technology companies and start-ups, provide for better than average infrastructure</li> <li>Moreover, planned &amp; future telecommunications investments should cater for current shortcomings</li> <li>Typically, innovation hubs around the world form around anchor institutions, driven by networking effects</li> <li>Silicon valley tech hub developed around Stanford University: Active support and resources from Stanford allowed launch of multiple firms: 39,900 active companies trace their roots to Stanford ; they have created ~5.4 million jobs and generate annual world revenues of \$2.7 tr</li> <li>Greater Boston innovation hub developed around a dense network of hospitals &amp; universities</li> <li>50% of top 18 NIH funded research hospitals are in Massachusetts</li> <li>High density of leading research institutions and universities</li> <li>High density of leading research institutions and universities</li> </ul>

## Knowledge Economy diagnostic – outsourcing key performance measures

### D. Key performance measures – Outsourcing

Macro & sector performa nce	<ul> <li>The process outsourcing (xPO) industry broadly covers four sub-sectors: Customer relationship management (CRM), Business process outsourcing (BPO), Knowledge process outsourcing (KPO) and IT Outsourcing (ITO)</li> <li>CRM is the contracting of voice processes (e.g. call centres)</li> <li>BPO is the contracting of non-primary/support business activities, functions and processes to a nearshore or remote third-party provider (e.g. HR, Accounting)</li> <li>KPO is the contracting of all or parts of the IT functions that are usually core to an organization (e.g. Analytics, research, financial modelling)</li> <li>ITO is the contracting or all or parts of the IT functions of a company to an external party (e.g. Datacenter, IT Helpdesk)</li> <li>Offshoring, through outsourcing or captive centers, represents the export-driven "play"</li> <li>Typically, services are categorized along two dimensions and into four buckets:         <ul> <li>Shared services center (e.g. Lebanese restaurant conglomerate centralizing HR of all restaurants in one location in Lebanon)</li> <li>Onshore outsourcing (e.g. Apple outsourcing HR functions to Lebanese 3rd party)</li> <li>Offshore outsourcing (e.g. Apple outsourcing HR functions to Lebanese 3rd party)</li> <li>Only captive centers and offshore outsourcing are export-driven "plays"</li> </ul> </li> <li>The Lebanese landscape mainly focuses on BPO &amp; ITO with limited presence in the high-value KPO sector             <ul> <li>BPO sector revolves mainly around call centres with 10 centres employing ~5,000 people mainly in BPO &amp; ITO</li> <li>The Lebanese landscape mainly focuses on BPO &amp; ITO with limited presence in the high-value KPO sector</li> <li>BPO sector revolves mainly around call centres with 10 centres employing ~900 people; remaining BPO activity lies within back office operations mainly in Finance, Accounting &amp; HR</li> <li>ITO companie</li></ul></li></ul>

# Knowledge Economy diagnostic – outsourcing key performance drivers

E. Key per	formance drivers & enablers – Outsourcing
Location readiness	<ul> <li>The location readiness index shows that Lebanon scores close to regional &amp; global outsourcing hubs driven by competitive cost structure and talent, but lagging infrastructure &amp; regulation along with a current nascent industry</li> <li>Lebanon scores 2.7 on BPO services compared to a global and regional hubs average of 2.3 and scores 2.8 on KPO services compared to an average of 2.5</li> </ul>
Cost compet- tiveness	<ul> <li>Lebanon provides for a competitive cost structure when compared to global and regional peers, especially on knowledge services</li> <li>Fully loaded cost for voice &amp; data processes stands at ~26,000 USD, slightly higher than global and regional hubs, whereas knowledge services cost is in line with benchmarks at ~37,000 USD</li> </ul>
Availabili ty of talent	<ul> <li>Lebanon also provides for talent adequate to establish a flourishing outsourcing industry, ranking higher than global hubs on education-related metrics</li> <li>Lebanon has the highest number of tertiary graduates to population ratio among regional and global outsourcing hubs; moreover, most Lebanese graduates are fluent in three different languages: English, French &amp; Arabic</li> <li>Lebanon provides for an optimal emphasis of students towards certain majors: ~39% of total tertiary graduates are BPO-ready with a further ~32% graduates that are KPO-ready</li> </ul>
Infrastr- ucture	<ul> <li>However, the sector suffers from a sub-par infrastructure</li> <li>Physical and virtual infrastructure still lags with low fixed broadband speeds and high mobile connectivity costs</li> <li>Lack of regulatory authority has led to a lack of continuity and uniformity in the sector (e.g. stopping of the E1 lines for call centres)</li> </ul>
Regulatio n & environ- ment	<ul> <li>E5 The sector also lacks the right mix of industry incentives to facilitate growth</li> <li>Lack of bankruptcy &amp; competition laws</li> <li>Sub-optimal and outdated IP &amp; data protection laws</li> <li>Lack of zones in place to offer tax-incentives and lower infrastructure costs (telecom &amp; rental costs)</li> </ul>

## Knowledge Economy diagnostic – creative industries key performance measures

<sup>=</sup> . Key per	. Key performance measures – Creative Industries				
sector performa nce	<ul> <li>Control of the country across the full spectrum of sub-sectors</li> <li>Lebanon's media &amp; production sector comprises of ~400 companies and employs around ~4.5% of the total labour force of the country across the full spectrum of sub-sectors</li> <li>Lebanon's media sector involves television broadcasting, advertising services, production and post-production, publishing, music and digital media</li> <li>Albough the overall sector has been stagnating in recent years, several niches and emerging subsectors are acrowing fast</li> <li>The overall advertising spending across all mediums, serving as a proxy for the overall media industry, has been stagnant at ~150 USD Mn yearig</li> <li>Digital media as well as production witnessed a staggering growth         <ul> <li>Digital advertising expenditure has been growing at ~56% p.a. to reach ~23 USD Mn in 2015</li> <li>Investments in film production has been growing at ~100% p.a. to go from a mere 350K USD in 2009 to reach ~11 USD Mn in 2014</li> </ul> </li> <li>Cleaton is a regional leader on production and post-production, exporting content to most of the Arab world</li> <li>There are currently around ~97 production &amp; post-production companies working at an average of 1000 shooting days per year. They are involved in content creation for local as well as regional television channels with an emphasis on entertainment, drama series, reality shows and talk shows</li> <li>Hits such as Superstar, The Voice, Dancing with the Stars and Arab Idol, make Lebanon the market leader in entertainment shows in the region. The Voice Arabia's 2014 final episode, attracted an estimated 100 million viewers from the Arab Region.</li> <li>More recently, film production has witnessed a marked growth with notable achievements</li> <li>Total yearly number of movies produced increased from 4 in 2004 to 31 in 2014, corresponding to a ~22% p.a. growth</li> <li>The 2017 movie, "The Insult", was the first</li></ul>				

## Knowledge Economy diagnostic – creative industries key performance drivers & enablers



### G. Key performance drivers & enablers – Creative Industries

Positive enablers	<ul> <li>The sector has all the success factors mainly:</li> <li>The access to talent</li> <li>Lebanon's natural endowment (e.g. the scenery for shooting movies)</li> <li>The ease of getting a license for shooting movie scenes</li> </ul>
Hindering factors	62 However, the sector lacks the right government support and incentives



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## **Macro-economic contribution**

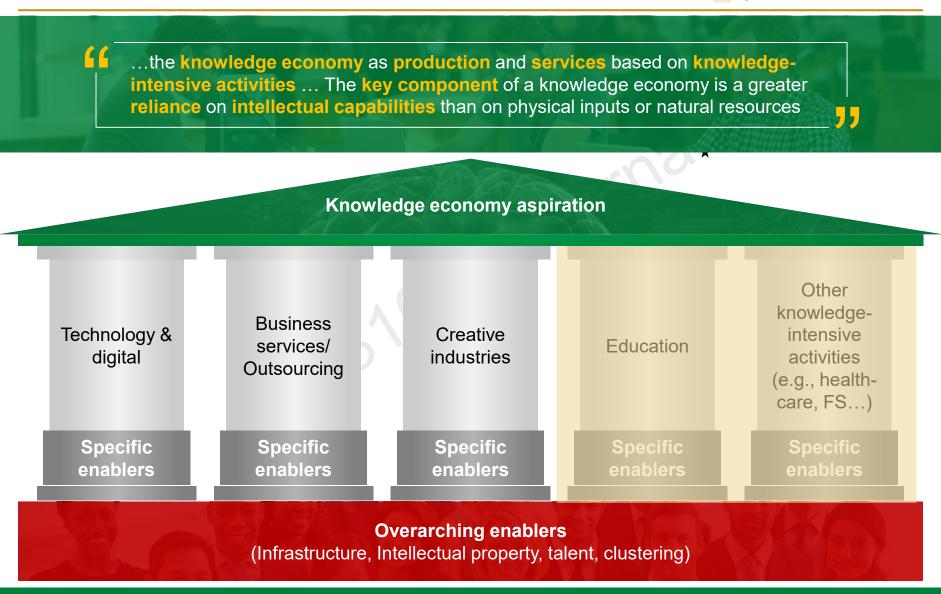
Key performance measures – technology

Key performance drivers & enablers – technology

Key performance measures – outsourcing

Key performance drivers & enablers – outsourcing

## A In the context of Lebanon, knowledge economy is broadly defined as four focus sub-sectors





### Categories

### Description

Technology & digital

Includes all players involved in the **innovation pipeline** from R&D (Universities and R&D centers), to IP & patenting (govt., commercialization offices) to commercialization of the product with an **emphasis on digital** (i.e. focus on digital startups)

## Business services/ Outsourcing

Creative industries



Includes all plays whereby a **process** is **offshored** by a company to either a nearshore or remote location for efficiency gains. It **spans** the **whole** outsourcing **spectrum** from lower-skill call centers to higher-skill data analytics centers

Includes sectors whose primary resource is **creativity**. It mainly includes **core creative** industries (performing arts, music...), **core cultural** industries (movies, libraries), **wider cultural** industries (digital media, publishing) and **related** industries (architecture and fashion)

## No GDP data is available on Knowledge economy, but ICT & business services can be used as proxies



Sectors	<b>GDP contribution</b> , USD E excluding taxes & subsidie		, % s	hown a	s total of GDP			10 2	evant Secto 2010-2010 CAGR <sup>2</sup> , %
$\stackrel{\frown}{\gtrsim}$ Real Estate & Construction		5	68° 69°	E I			5%	70 C	2%
 ├ॢ Retail & Commerce	14%						8%	Ĭ	0%
	109	%			*		7%	Ļ	-2%
Administration		10%					6%	ļ	3%
S Finance, Insurance			9%			G	0%	₽	6%
				8%			1%	1	3%
Business Services		_ ()		7	<mark>%</mark>		9%	Ļ	-1%
ℬ Health					4%		8%	₽	4%
🛱 Transport					4%		8%	₽	5%
M Hotels & Restaurants					3%		8%	₽	-3%
Bariculture					3%		1%		1%
Personal Services					3%	(	3%	₽	-2%
🖗 ICT					3%	G	2%	₽	3%
TUtilities: Power & Water					2%		4%		4%
Total Nominal GVA <sup>1</sup>		47							
Total taxes & subsidies						4			
Total Nominal GDP		51					8%		2%

1 GVA (Gross Value Add) represents nominal GDP excluding taxes & subsidies; 2 CAGR (Compound Annual Growth Rate) representing average annual growth in real GDP

A2 These two proxy sectors employ ~80K people combined, representing ~4% of the country's employment



**Relevant Sectors** 

Sectors	Total employment, '000s (2016)	
ि Trade	479 (24%)	
🚊 Real Estate & Construction		
Bariculture	212 (11%)	*
🛄 Manufacturing	194 (10	0%)
Administration		185 (9%)
☆ Education		161 (8%)
🛱 Transport		110 (6%)
Personal Services		106 (5%)
M Hotels & Restaurants		90 (5%)
🖾 Finance, Insurance		50 (3%)
( <sup>(</sup> <sup>(</sup> ))) ICT		44 (2%)
🔅 Health		38 (2%)
Business Services		34 (2%)
Tilities: Power & Water		30 (2%)
Total	1,977	

**Note:** All employment data includes both formal & informal jobs; 2010 Baseline derived from total ILOSTAT employment, using CAS sector split. Post 2010 projections based on sector real GDP growth and ILOSTAT real productivity growth; adjustments applied to Health & Agriculture based on input from Ministry of Health and meeting with agriculture stakeholders



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Macro-economic contribution

## Key performance measures – technology

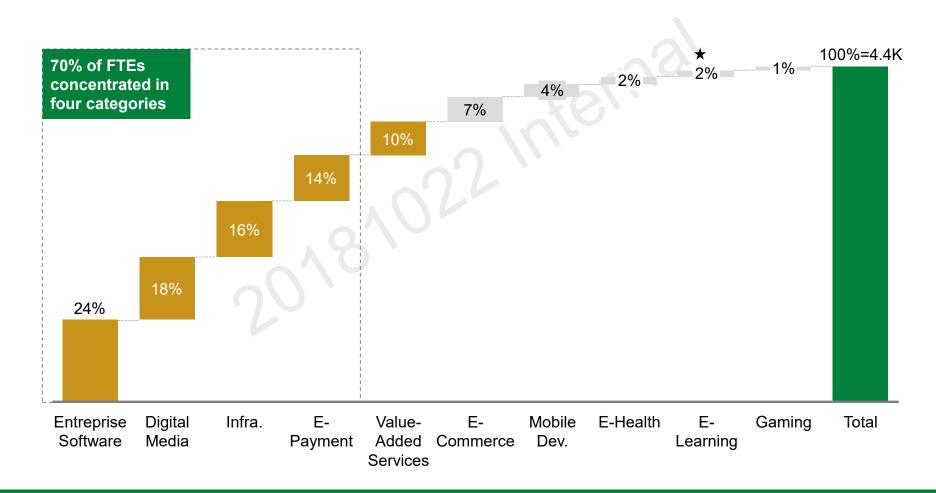
Key performance drivers & enablers – technology

Key performance measures – outsourcing

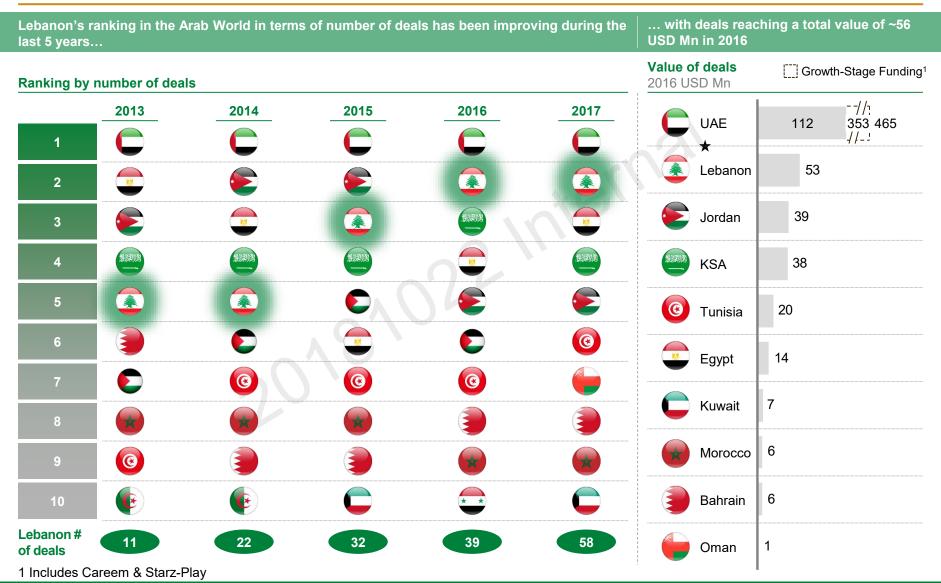
Key performance drivers & enablers – outsourcing

B3 Most incumbents fall within four categories: enterprise, e-payments, financial software and creative & digital media

Number of employees by category, % total



## Lebanon's start up ecosystem has been recently growing, becoming the second in the Arab world in terms of number and value of deals



Source: ArabNet - The state of digital investment in MENA 2018



B

С

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Macro-economic contribution

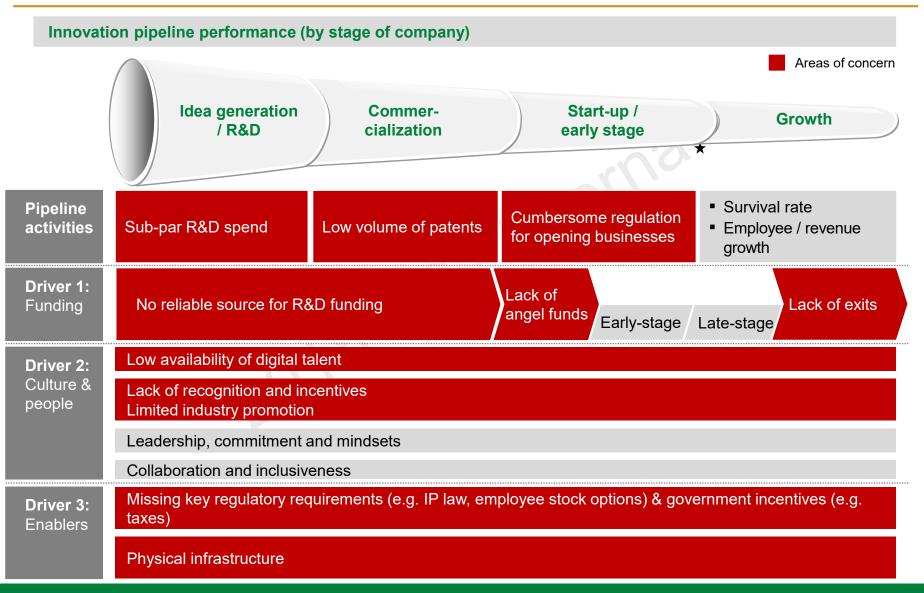
Key performance measures – technology

## Key performance drivers & enablers – technology

Key performance measures – outsourcing

Key performance drivers & enablers – outsourcing

## C Lebanon faces several shortcomings across the innovation pipeline that need to be addressed



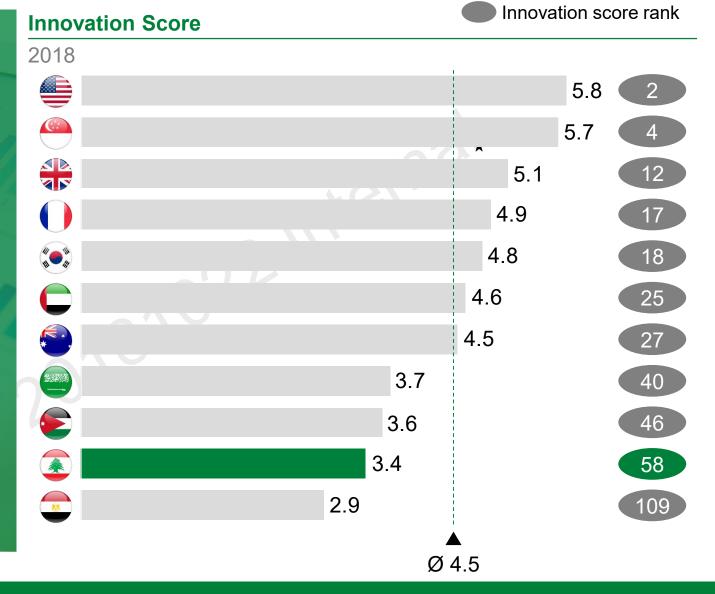
## \*

## Lebanon lags global hubs and regional peers on innovation

 Lebanon ranks
 58<sup>th</sup> worldwide on innovation score

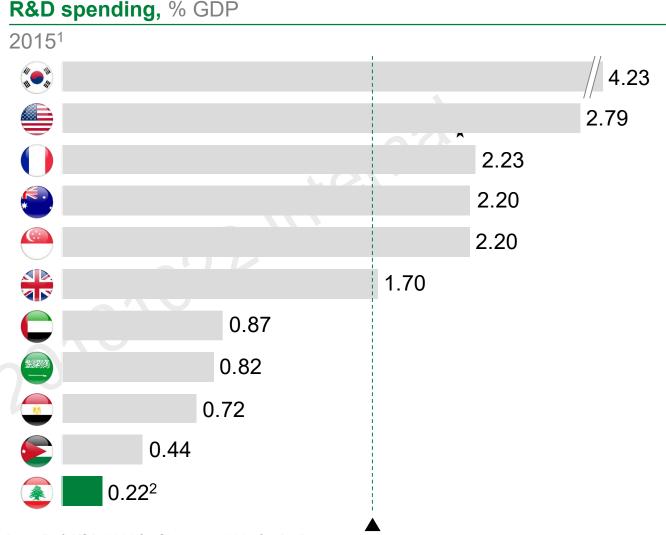
С

 However, compared to leading global hubs and regional peers, Lebanon lags ~1 point in scoring



C1 Lebanon lags global and regional peers in terms of R&D spending mainly driven by a lack of funding

 Lebanon R&D spending is lowest compared to global innovation hubs and regional peers
 Lack of funding drives the low spend on research

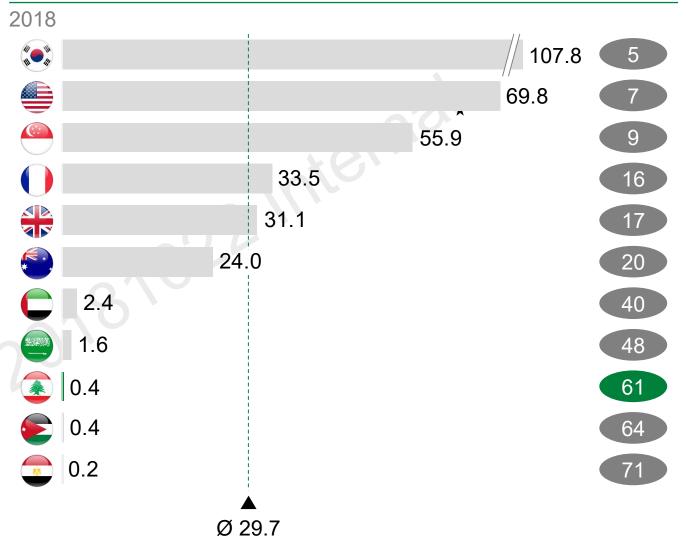


Ø 1.7

1 2015 data for all country but 2013 for Australia & KSA, 2014 for Singapore, 2008 for Jordan 2 2013 Wamda Press Search as no data available

## C2 Lebanon also lags global and regional peers in terms of number of patents

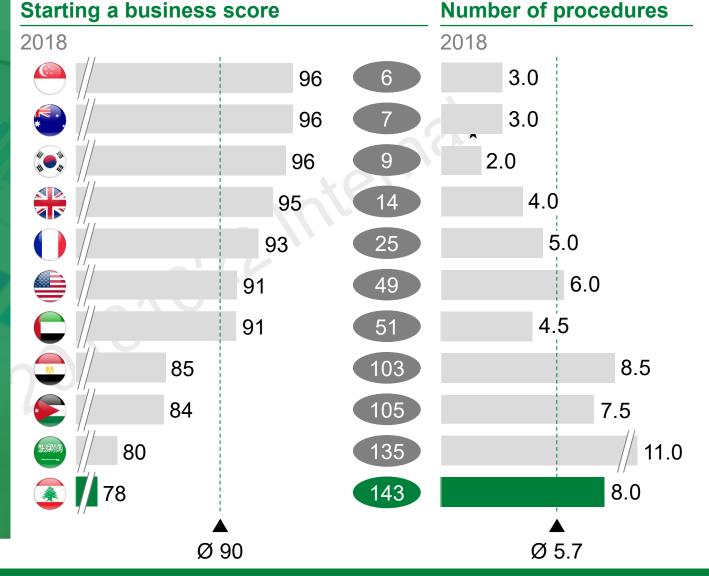
 Lebanon ranks 61<sup>st</sup> worldwide in terms of patents, ~60 times less than the average of global and regional peers



### ICT/PCT patents per 100,000 people

C3 Compared to global hubs and regional peers, Lebanon ranks last on starting a business, and 143th worldwide Starting a business rank

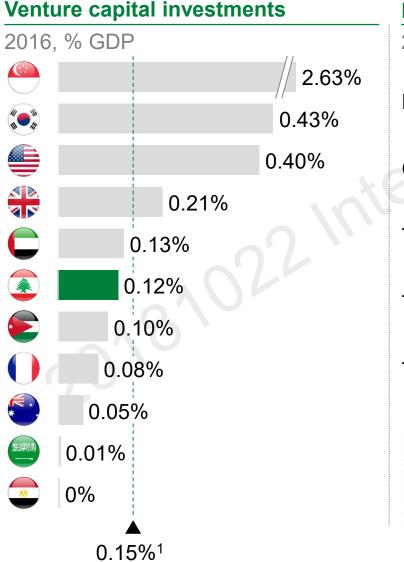
- Lebanon scores 12 points lower than global and regional peers on ease of starting a business
- Number of procedures to start a business stands at 8, ~33% higher than benchmarks, rendering a lengthy and costly process

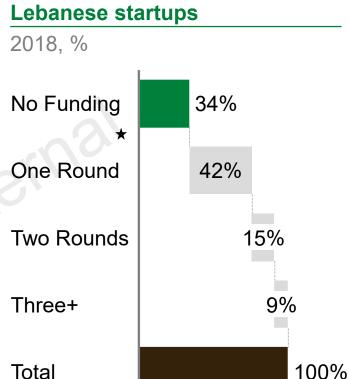


C5 Total VC investments is in line with global hubs; however a gap exists at the angel and seed stages
Rounds of funding received by

The Central Bank has provided room for commercial banks to indirectly invest a total of ~400 Mn USD into startups Today around ~242 USD Mn have so already been invested Lebanon stands as a regional leader but far from global innovation hubs

1 Excluding Singapore





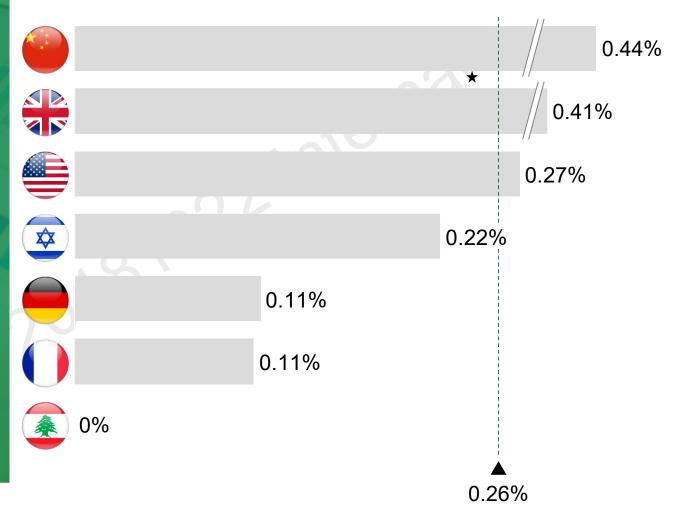
*"It is very hard for startups to get angel funding, especially for ticket sizes less than 50K; awareness should be raised among investors"* 

Our Conderdeveloped capital markets make exits challenging; in global hubse yearly startup IPO stands at ~0.26% of GDP

### Yearly startup IPO value to GDP

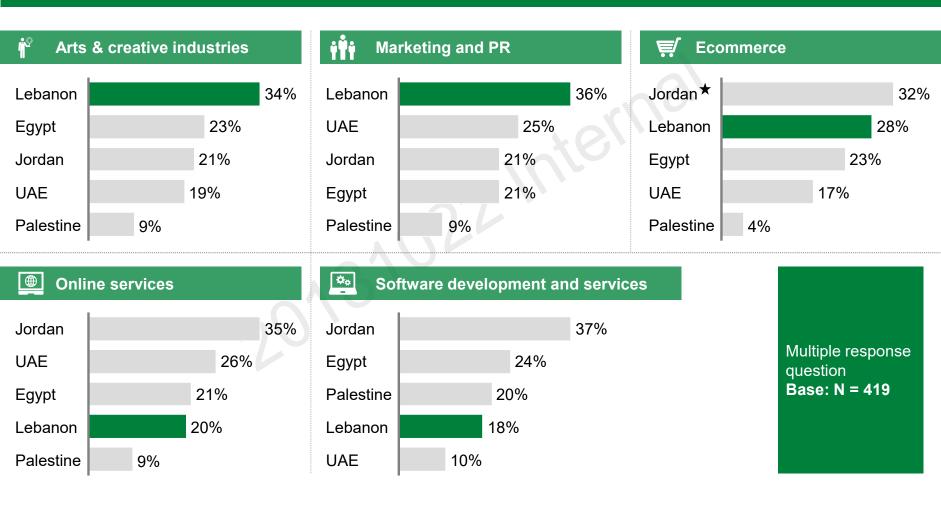
2010-2015 cumulative average, % GDP

 Lebanon has underdeveloped capital markets with only ~10 companies listed
 In global hubs, start-up IPOs stand at ~0.2-0.3% of total GDP value

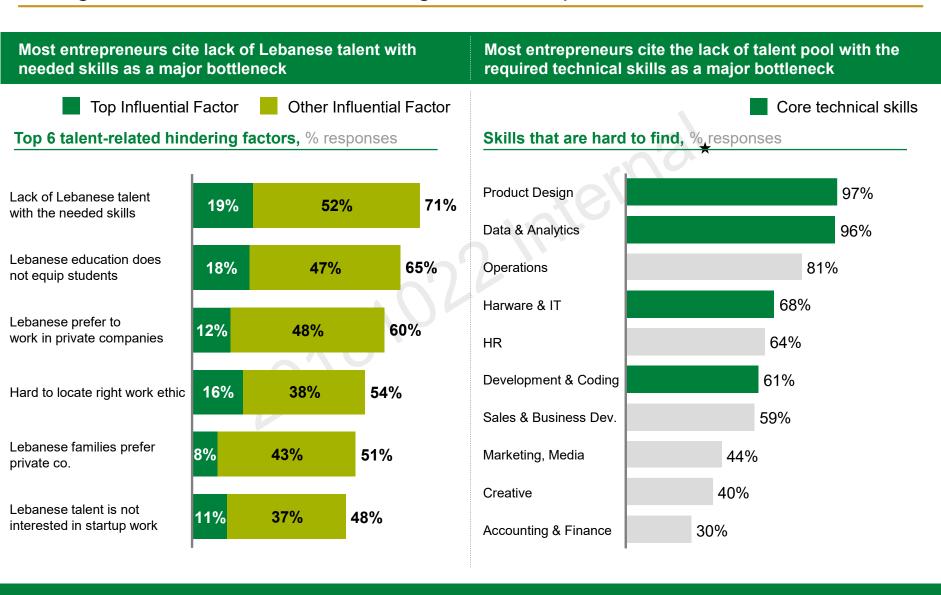


Regional entrepreneurs find Lebanon as the top source for creative and marketing talent but lags regional peers on core technical skills

#### Where entrepreneurs from selected industries think the most talented employees are located, % respondents



Or Despite Lebanon's strong human capital base, access to technical & digital talent has been hindering the development of the sector

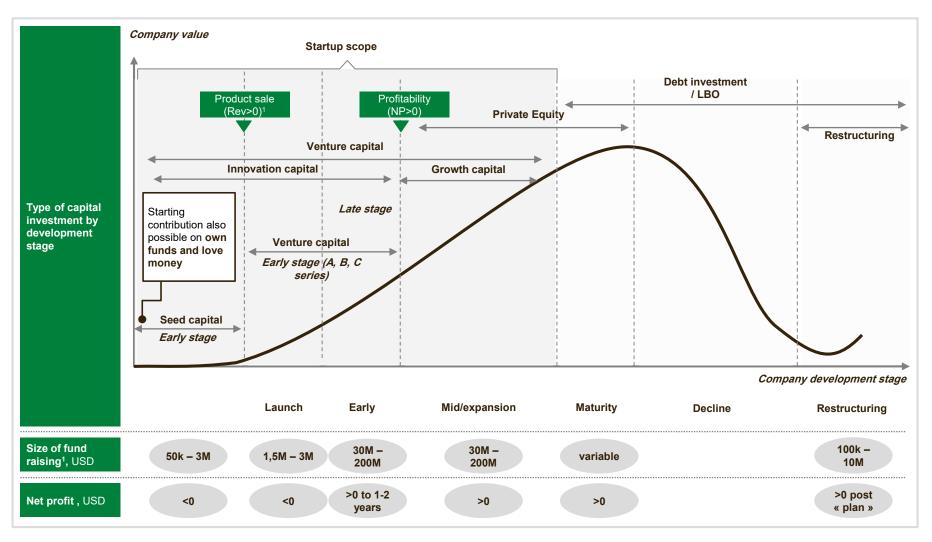


C3 Although 53% of talent pool is ready to work for equity-based compensation, only 20% of start-ups offer it, driven by regulatory barriers

CASE STUDY FROM WAMDA

	Regulatory & legal barriers hinder the usage of stock option as a compensation means
% responses, N=1569     Agree   Disagree   Undecided   Image: Construction of the construction	<ul> <li>Lack of legislation</li> <li>Apart from law n.308, there is no tailored general framework that governs stock options in Lebanon</li> <li>There exist several mechanisms of the civil and commercial law that can be used to create a contractual framework for stock options</li> <li>Minimal legal expertise</li> <li>There is a minimal legal specialization with stock options, which complicates the process for structuring the deals</li> <li>Lack of expertise in the field might lead to contract provisions that are not always adapted and enforceable under the Lebanese law</li> <li>Mascent concept</li> <li>A large number of employees are not aware of the stock-option incentive with entrepreneurs giving minimum to no guidance and/or awareness towards that option</li> </ul>

# CA "start-up" is a company that has not achieved yet its financial maturit and benefits from love money, VC or PE investments



1 Estimates, based on interviews



B

E

Macro-economic contribution

Key performance measures – technology

Key performance drivers & enablers – technology

Key performance measures – outsourcing

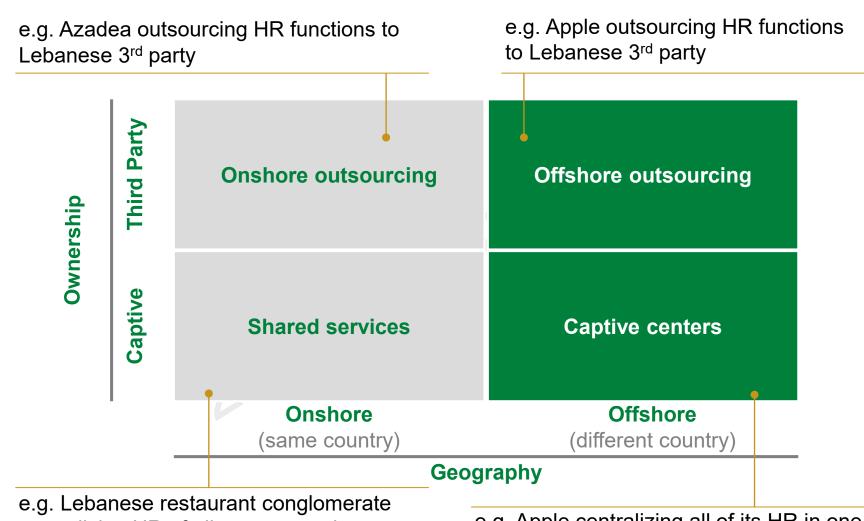
Key performance drivers & enablers – outsourcing

### DThe process outsourcing, xPO, industry broadly covers four sub-sectors. CRM, BPO, KPO and ITO

-)	ݣॣॗ <sup>-</sup> Definition	💥 Sample Functions	Key Drivers
Customer relationship management (CRM)	Contracting of <b>voice</b> <b>processes</b> to a nearshore or remote third-party provider	Call Center	<ul> <li>Pure cost game</li> <li>Requires language knowledge and time- * zone</li> </ul>
Business process outsourcing (BPO)	Contracting of <b>non-</b> <b>primary/support</b> business activities, functions and processes to a nearshore or remote third-party provider	<ul> <li>Human Resources</li> <li>Finance &amp; Accounting</li> </ul>	<ul> <li>Lower cost</li> <li>No specialized talent pool required</li> </ul>
Knowledge process outsourcing (KPO)	Contracting of <b>knowledge-</b> <b>intensive functions</b> that are usually core to an organization	<ul> <li>Market research</li> <li>Marketing analytics</li> <li>Financial modeling and valuation</li> </ul>	<ul> <li>Added value</li> <li>Specialized talent required but decent jobs generated</li> </ul>
Information technology outsourcing (ITO)	Contracting of all or parts of the <b>IT functions</b> of a company to an external party	<ul> <li>Data Center</li> <li>Application development and management</li> <li>End-user IT Helpdesk</li> </ul>	<ul> <li>Lower cost</li> <li>Specialized IT talent</li> </ul>



Export-driven



centralizing HR of all restaurants in one location in Lebanon

e.g. Apple centralizing all of its HR in one location in Lebanon

Lebanon's process outsourcing sector is still nascent, lagging behind regional and global peers that have leveraged the sector for job creation

	Lebanon	Poland	Egypt	Morocco
Employment in		$\overline{}$	28	
in outsourcing industry	~5,000	212,000	90,000 *	100,000
Global player operating in the country	<ul> <li>Limited to none</li> </ul>	<ul> <li>&gt;50 of the top BPO vendors</li> <li>~50 captive centers</li> <li>HSBC I WNS I E ABSL</li> <li>HSBC I ABSL</li> </ul>	<ul> <li>10-20 of the top BPO vendors</li> <li>10-20 captive centers</li> <li></li></ul>	<ul> <li>24 of top 50 French IT companies</li> <li>Image: Company of the company of the</li></ul>
Industry organization	• N/A	<ul> <li>Association of 180 major vendors in Poland</li> </ul>	<ul> <li>Executive IT arm of the Ministry of Communication &amp; IT</li> </ul>	<ul> <li>Invest in Morocco</li> <li>Moroccan association for customer relationship</li> </ul>
Incentives	<ul> <li>Tax breaks offered</li> </ul>	<ul> <li>Some incentives: CIT exemption in SEZs; Grants for R&amp;D         <ul> <li>50-65% for industrial research</li> <li>25-40% for experimental development</li> </ul> </li> </ul>	<ul> <li>Some incentives:         <ul> <li>Dedicated technology parks with one-stop shop registration</li> <li>Tax reduction</li> </ul> </li> </ul>	<ul> <li>Some incentives:         <ul> <li>Exoneration of corporate tax for 5 years</li> <li>BPO parks with cheap infrastructure</li> </ul> </li> </ul>



B

Macro-economic contribution

Key performance measures – technology

Key performance drivers & enablers – technology

Key performance measures – outsourcing

### E Key performance drivers & enablers – outsourcing

E Successful global outsourcing hubs must achieve a baseline level across six axis, with cost being the most important

#### Most Important Axis

#### **Global value proposition axis**

1 Cost competitiveness	<ul> <li>Outsourcing services must be provided at a competitive cost on the global scale; without cost advantage, establishing a hub is very challenging</li> </ul>
2 Availability of talent	<ul> <li>People and talent base with relevant skills and potential to innovate         <ul> <li>Foster and retain local talent with open access to high quality education</li> <li>Function and industry specific-skills</li> <li>English language/Multi lingual capabilities</li> </ul> </li> </ul>
Physical & 3 virtual infra- structure	<ul> <li>Ensure high functioning network of physical infrastructure (e.g., roads, public transportation, power, water)</li> <li>Provide adequate virtual infrastructure (e.g., telecom, Wi-Fi) to power the sector</li> </ul>
Regulation & environment	<ul> <li>Allow sector to flourish through enhancing and eliminating burdensome regulations that inhibit the growth of the sector, e.g. Labor laws, business set-up, FDI policy, corruption</li> <li>Enhance business environment through overall ease of doing business as well as strengthen investor protection framework</li> <li>Ensure high quality of living to attract and retain MNCs</li> </ul>
5 Country Risk	<ul> <li>Build confidence in the market by supporting economic and political stability in the country, as well as legal transparency and data protection laws</li> </ul>
6 Industry محمد maturity آ	<ul> <li>Current size of the industry in terms of employment and number of companies</li> </ul>

### When looking into BPO Lebanon ranks highly on cost and talent but lags peers mainly on infrastructure and risk profile

Index scale - 1 is the most attractive and 5 is the least attractive score

Factors	Cities							Weights
	<b>Bangalore</b>	Krakow	Cairo	Manilla	Beirut	Singapore City ★	Riyadh	
Average Score	2.06	2.15	2.17	2.24	2.46	2.61	2.65	<b>◄</b> Ø 2.3
1 Cost com- petitiveness	1.88	2.16	1.50	1.96	2.14	3.24	3.30	33%
Availability of talent	1.58	1.40	1.74	1.48	1.50	2.75	2.05	33%
Physical & 3 virtual infra.	2.78	3.11	3.07	3.70	4.23	2.34	2.30	11%
4 Regulation & govt. support	2.73	2.64	3.25	3.16	3.27	1.58	2.85	11%
5 Country risk profile	2.66	2.90	3.48	2.97	3.69	1.57	2.68	11%
Industry 6 maturity	1.00	1.87	2.23	1.00	5.00	1.00	4.12	0%

When looking into KPO Lebanon ranks highly on cost and talent but lags peers mainly on infrastructure, risk profile and industry size

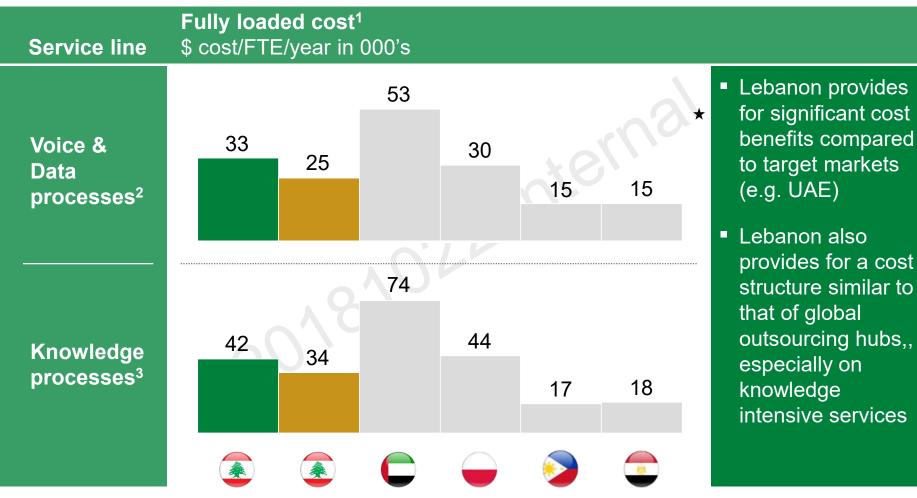
Index scale - 1 is the most attractive and 5 is the least attractive score

Factors	Cities							Weights
						$\bigcirc$		
	Singapore City	Bangalore	Riyadh	Beirut	Manilla	Krakow ★	Cairo	
Average Score	2.30	2.38	2.65	2.67	2.71	2.79	2.83	◀ Ø 2.6
1 Cost com- petitiveness	3.24	1.88	3.30	2.14	1.96	2.16	1.50	33%
Availability of talent	1.82	2.55	2.05	2.14	2.90	3.33	3.72	33%
<sup>3</sup> Physical & virtual infra.	2.34	2.78	2.30	4.23	3.70	3.11	3.07	11%
4 Regulation & govt. support	1.58	2.73	2.85	3.27	3.16	2.64	3.25	11%
5 Country risk profile	1.57	2.66	2.68	3.69	2.97	2.90	3.48	11%
Industry 6 maturity	1.00	1.00	4.12	5.00	1.00	1.87	2.23	0%

Lebanon provides a competitive cost structure, especially in knowledge intensive activities

Lebanon Tier I

Lebanon Tier II



1 Includes employee cost, rental cost, telecom cost and G&A normalized to a per FTE basis 3 Software developer salary used as a proxy

2 Accountant salary used as a proxy

## Lebanon ranks highest in BPO & KPO-relevant education metrics, an has a relatively large pool of tertiary graduates

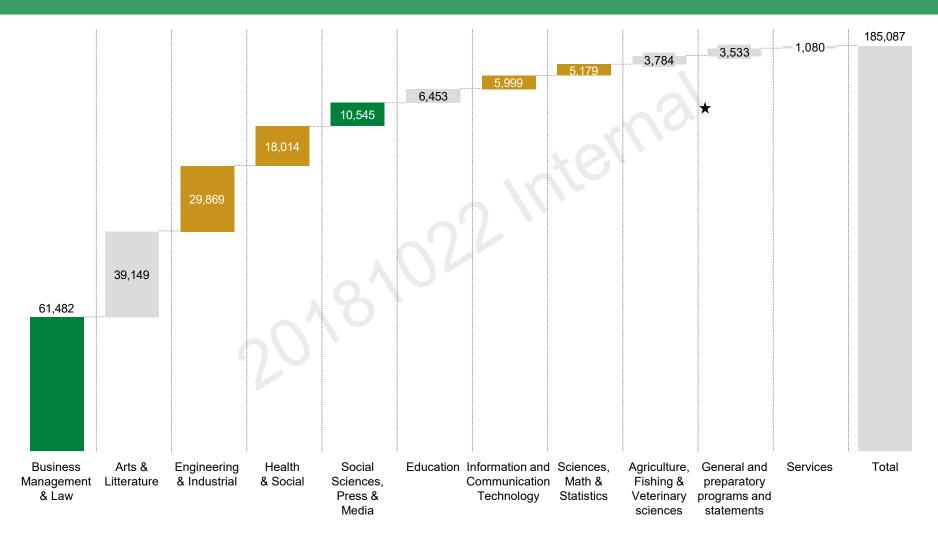
	Number of tertiary students to population %	Quality of education system <sup>2</sup> Scale: 1-7	Quality of Maths and science education <sup>2</sup> Scale: 1-7	Quality of manage- ment schools <sup>2</sup> Scale: 1-7	
Poland	4.2%	3.6	4.5	4.2	
Lebanon	3.7% 4.8% <sup>3</sup>	5.1	5.8	5.7	
Phillipines	3.5%	4.2	3.9	4.8	<ul> <li>Quality of education is higher than all</li> </ul>
Romania	2.7%	2.8	5.0	3.3	outsourcing hubs
Egypt	2.9%	2.5	2.8	3.2	<ul> <li>Tertiary education penetration is also higher than</li> </ul>
lndia	2.4%	4.6	4.6	4.6	all of the benchmarks
Morocco	2.8%	2.7	3.8	4.0	
Malaysia	4.3%	5.2	5.3	5.3	

1 I otal number of graduates 3 Including & excluding refugees 2. World Economic Forum report. On a scale of 1-7 where 1 = worst ; 7 = best

including & excluding relugees

## Control Con

#### Number of tertiary students, # of students



Other



#### I. EXECUTIVE SUMMARY

#### II. INTRODUCTION AND METHODOLOGY

- A. Methodological approach to the study
- B. Stakeholder engagement and syndication process
- C. Reviewed documentation

#### **III. CONTEXT AND DIAGNOSTIC**

- A. Chapter summary
- B. Economic perspective
  - 1. Macro-economic evolution
  - 2. Trade profile (exports & imports)
- C. Sector diagnostics
  - 1. Natural resources (oil & gas)
  - 2. Agriculture
  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
  - 1. Public finance
  - 2. Ease of doing business
  - 3. Monetary policy
  - 4. Economic development activation
  - 5. Trade & international agreements

#### IV. THE VISION: LEBANON'S ECONOMIC ASPIRATIONS

- A. Chapter summary
- B. Burning platform
- C. Lebanon's growth imperatives
- D. Economic aspirations and macroeconomic targets
- E. Sector prioritization mechanism and rationale

#### V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

- A. Chapter summary
- B. Sector deep-dives
  - 1. Agriculture
  - 2. Industry
  - 3. Tourism
  - 4. Knowledge economy
  - 5. Financial services
  - 6. Diaspora

#### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

- A. Chapter summary
- B. Public administration reform requirements
- C. Infrastructure including CIP initiatives
- D. Public finance requirements
- E. Main legislative requirements
- F. Country branding & export promotion

### VII. INSTITUTIONALIZATION MECHANISMS

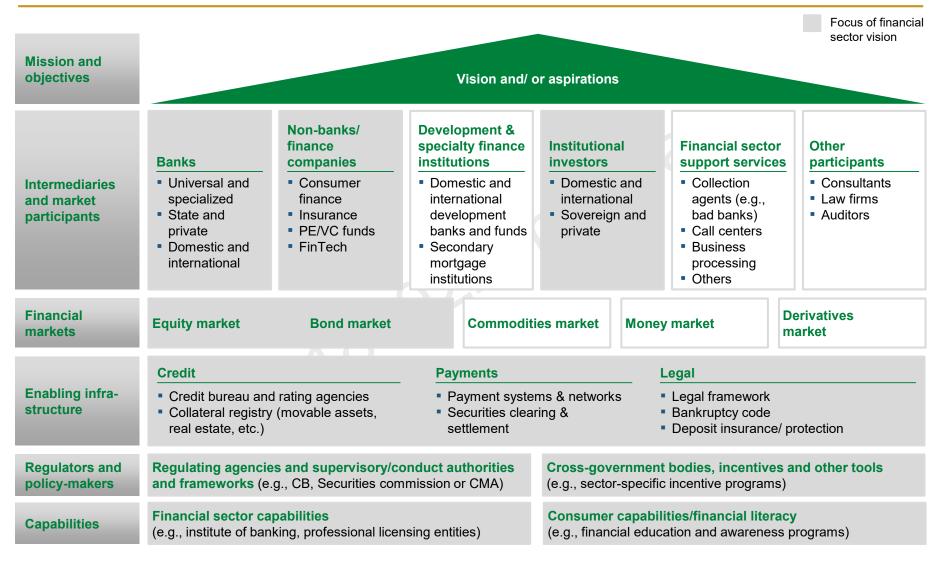
- A. Chapter summary
- B. Governance set-up: orchestration and delivery
- C. Path forward

#### VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters

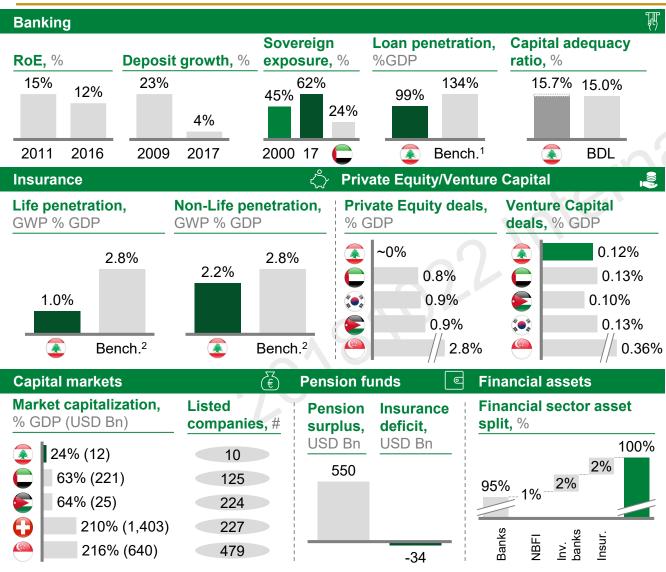


### **Financial Services Framework**





### Financial Services – summary of diagnostic



#### Key challenges

- Lack of participation of nonbanking financial services
  - Domination of financial services by banking with ~95% of assets
- Underdeveloped capital markets
  - Lack of incentives to list
  - Limited foreign investments
  - Credit

- Although a large portion of credit information is provided by BDL, sector can benefit from a credit bureau
- Legal
  - Sub-par legal framework on three fronts: (1) E2E doing business cycle (2) Private equity and fund management laws (3) Digital banking & payments
- Regulator
  - Incomplete regulatory framework for capital markets (lack of sanctioning committee & tribunal)
- Capabilities:
  - Low financial inclusion and literacy, especially outside BML

1 Includes Singapore, Switzerland, UAE, Greece, South Korea, Jordan & Morocco

2 Includes UK, France, Italy, Netherlands, Spain, South Korea, Brazil, Hungary, KSA & Turkey

Source: IMF Article IV, Banque du Liban, BCC, ICC, World Bank, Pitchbook, Country central banks



### Financial services diagnostic - key performance measures banking (1/2)

#### A. Key performance measures - Banking

<ul> <li>Macro contributi on</li> <li>Lebanon's financial services sector currently contributes to ~9% of GDP and employs ~50K FT ~3% of the total Labor force</li> <li>The financial services sector in Lebanon currently contributes ~9% of the country GDP and employ labor force, with no jobs in the informal sector; sector also contributes to more than 30% of the go</li> <li>The sector has demonstrated continuous real growth at 10% p.a. from 2005 till 2010, higher than growth, and 6% p.a. during the last 6 years, outperforming the growth of the economy for that period</li> </ul>	bys ~3% of the total overnment's income tax overall economic
<ul> <li>Banking performance</li> <li>Banking performance</li> <li>ance</li> <li>ance</li> <li>ance</li> <li>ance</li> <li>Today more than 50 commercial banks operate in Lebanon, with an additional 16 investment bank</li> <li>Total banking assets have grown at ~15% p.a. during the 2006-2010 economic growth period beforms, banking assets have grown at ~15% p.a. during the 2006-2010 economic growth period beforms, banking assets have grown at ~15% p.a. during the 2006-2010 economic growth period beforms, banking assets have grown at ~15% p.a. during the 2006-2010 economic growth period beforms, banking assets have grown at ~15% p.a. during the 2006-2010 economic growth period beforms, banking assets have grown at ~15% p.a. during the 2006-2010 economic growth period beforms, banking assets have grown at ~15% p.a. during the 2006-2010 economic growth period beforms, banking assets have grown at ~15% p.a. during the 2006-2010 economic growth period beforms, banking assets have grown at ~15% p.a. during the 2006-2010 economic growth period beforms, banking assets have grown at ~15% p.a. during the 2006-2010 economic growth period beforms, banking assets have grown at ~15% p.a. during the 2006-2010 economic growth period beforms, banking assets have grown at ~15% p.a. during the 2006-2010 economic growth period beforms, banking assets have grown at ~15% p.a. during the 2006-2010 economic growth period beforms, banking assets are booked of ~1000 more during assets as the deposite to GDP ratios worldwide, standing at ~323%, ~2.3 times allowing for broader global strategy</li> <li>Today, Lebanese banks operate ~360 banking units (branches, subsidiary branches &amp; representa countries, with leading banks having built full-fledged operations mainly in Egypt and Turkey</li> <li>At the consolidated group levels, ~16% of total Lebanese Alfa and Beta bank assets are booked or contributing to a significant part of the bank's customer base and profits</li> </ul> Moreover, key metrics show that Lebanon banking's sector health i	ks fore declining to ~8% the assets to GDP ratio <b>pora remittances</b> s higher than peers by a low penetration of <b>success stories</b> , ative offices) in foreign outside Lebanon, <b>standards and regional</b> 2018, well above the at ~15.7% at the end of
<ul> <li>High NPL ratio is offset by a high NPL coverage ratio</li> <li>Source: CAS; ILO; Ministry of Health; Bangue du Liban; Central Bank websites; Press search; World Bank; Banks annual reports</li> </ul>	,



### Financial services diagnostic - key performance measures banking (2/2)

#### A. Key performance measures - Banking

Banking performance measures

- A6 Overall, the Lebanese banking market remains profitable; however, returns and margins are decreasing
  - Lebanese banks achieved an average return on equity of ~12% with some banks reaching RoE levels higher than 15% RoE has however been declining in recent years with a net compression in margins witnessed over the last three years

- Margin compression as a result of increasing cost of funding
- Average cost structure of banking system, standing at 46-50% cost to income is higher than ~30-40% high performing regional benchmarks and 30% (or less) for global digital benchmarks \*

Banks penetration metrics show an "overbanking" of the Lebanese population especially when compared to benchmarks

- Key metrics show that the Lebanese market is "overbanked": 32 branches per 100K adults vs. 21 globally, 81K people per bank vs. 720K regionally, 58 ATMs per 100K adults vs. 47 regionally
- The metrics also highlight marked regional discrepancies with a clear under penetration outside Beirut & Mount Lebanon
- Banking market landscape enforces relevance of scale for business sustainability, with Alpha banks commanding **A**8 higher RoE than Beta banks
  - Most beta banks with low market shares sustain returns on equity less than 7%
  - The sector also witnesses a low digital banking penetration with 27% of adults having made a digital transaction vs. 60% regional and global benchmarks



### Financial services diagnostic - key performance drivers banking

#### B. Key performance drivers – Banking

Balar shee struc	<ul> <li>Sector driven model to a post-war credit engine for the public-sector's reconstruction efforts</li> <li>Pre-war, the Lebanese banking sector was not reliant on government with only ~5% of sovereign exposure; the sector also had a certain global positioning and was a regional financial center</li> <li>During the war sovereign exposure fluctuated greatly</li> <li>Post war banks starting financing reconstruction efforts by the government: coupling of baking sector and government has since steadily increased: today commercial banks assets have 62% of sovereign exposure with only 25% of total assets servicing the credit needs of the private sector: in the LIAE sovereign exposure stands at 24%</li> </ul>
	<ul> <li>Increasing government debt was historically met through the increasing deposits; high growth era of 2006-2010 further gave room for new initiatives driven by the Central Bank</li> <li>During the 2006-2010 economic boom, deposits were growing at ~15% p.a whereas public debt was growing at ~7% p.a.</li> <li>Higher growth in deposits gave room for BDL to launch incentive packages with the purpose of further stimulating economic growth, such as Kafalat and subsidized loans</li> </ul>
Cost funds	<ul> <li>coupled with local instability increased the challenge of deposit gathering by banks</li> <li>Deposit growth slowed down to ~7% p.a. post 2010, with a 10-year low growth of only 4% in 2017</li> <li>Attracting foreign deposits was made challenging due to a mix of factors: Global as well as regional economic slowdown, local macroeconomic conditions &amp; increase in global interest rates</li> </ul>
	<ul> <li>Decrease in the availability of funds and increased sovereign risk lead to an increase in deposits interest rates and cost of funds</li> <li>Crowding out effect from an increase in government demand for funds from the increasing public debt pushed "price" of funds upwards, with funds not being used for productive investments by the government</li> <li>Mix of global and regional factors increased Lebanon's sovereign risk driving a need for higher interest rates to attract foreign deposits</li> </ul>
	<ul> <li>Increase in cost of funds has put upward pressure on credit interest rates deterring private sector loans and inhibiting growth</li> <li>Current structure pushes bank to charge ~10.4% interest on credit facilities for financial sustainability, deterring private sector credit and inhibiting economic growth</li> <li>Loans to the private sector that were growing at ~19% p.a. pre-2010, witnessed a drop in growth to reach ~6% between 2015 and 2016</li> </ul>



### Financial services diagnostic - key performance measures non-banking (1/2)

C. Key pe	rformance measures & drivers – Non Banking
Non- Banking	<ul> <li>So far, non-banking financial services have stayed as the "humble siblings" of banking with clear room to further grow and develop in order to reduce public sector pressure on the banking sector</li> <li>Out of the total financial sector assets, 95% are banking assets with a mere 5% contributed by non-banking services</li> </ul>
Insur- ance	<ul> <li>C2 Despite the steady growth witnessed historically, the insurance sector represent a small portion of the total financial services sector compared to banking</li> <li>Insurance sector has been growing steadily with GWP growing at ~4% p.a. from 1.3 USD Bn in 2012 to 1.6 USD Bn in 2016</li> <li>Total profits from banking sector stood at ~2,441 USD Mn in 2016 whereas insurance sector reported profits ~17 times lower at ~140 USD Mn</li> </ul>
	<ul> <li>C3 Lebanon Insurance sector remains underpenetrated across all lines; the sector also faces several issues</li> <li>Life GWP penetration stood at ~1% of GDP, compared to an average of ~2.8% across peers</li> <li>Non-life GWP at ~2.2% was also ~1.2 times lower than benchmark countries average</li> </ul>
Private equity & venture capital	<ul> <li>Mutuals and coops provide insurance plans &amp; coverage with no oversight from the ICC</li> <li>Private equity &amp; venture capital activity remains low         <ul> <li>Limited presence and activity of PE firms with deal value at ~0% of GDP vs. 0.8-2.8% benchmarks</li> <li>VC funding of ~0.12% of GDP in-line with benchmarks, but funding lacks at angel, early and growth stages</li> <li>Fintech scene is emerging with ~10% share of all Fintech's ranking Lebanon 3<sup>rd</sup> in MENA</li> </ul> </li> <li>Pension funds face several issues mainly a lack of visibility on contingent liabilities, lack of investment in government securities and cross-subsidization of health insurance by the pension fund</li> <li>Pension system is mainly composed of public pension funds (civil servants and military funds for public sector personal and NSSF for private sector) and private pensions administered by Labor unions &amp; professional orders</li> <li>NSSF faces several issues, mainly             <ul> <li>Use of the surplus of the pension (~550 USD Mn surplus in 2011) to cover the health insurance deficit (~34 USD Mn deficit in 2011)</li> <li>Lack of investment in sovereign securities</li> </ul> </li> </ul>
	<ul> <li>Lack of investment in sovereign securities</li> <li>Lack of visibility on the fund's contingent liabilities putting at risk its solvency, liquidity &amp; sustainability; same pressure applies to public sector pensions</li> </ul>



### Financial services diagnostic - key performance measures non-banking (2/2)

#### C. Key performance measures & drivers - Non Banking

Capital markets

C6 Capital markets are underdeveloped with low market capitalization at ~21% GDP vs. ~60% regional benchmarks and ~200% for global financial hubs; and only 10 listed companies (out of which 6 banks)

- Lack of incentives for domestic companies to list their shares
- Limited foreign investments driven by sub-optimal business & regulatory environment
- The capital market authority (CMA) was setup but still lacks a sanctioning committee and a financial markets tribunal to become fully operational



### Financial services diagnostic – enablers (1/2)

### D. Enablers

Enabling	D1 Credit
infra- structure	<ul> <li>Although a large portion of credit information is provided by BDL through the CDR, sector can benefit from having a dynamic and commercialized credit bureau that can tailor credit reports across segments and sectors, using advanced</li> </ul>
Structure	analytics to support credit decisioning
	Lack of collateral registry
	D2 Payments
	<ul> <li>Lebanon was historically the regional leader in setting up a National payment system</li> <li>While the Central Bank has had a thorough grasp on payment systems, looking forward, there is a need for continuous modernization and digitization of the underlying payments infrastructure to match digitization efforts of banks and future payment mechanisms and currencies that are being discussed by BDL</li> </ul>
Regulat-	D3 Legal
ing agencies	<ul> <li>Sub-par legal framework on three fronts: (1) E2E doing business cycle: outdated insolvency and bankruptcy laws, banking tax law (2) Private equity and fund management laws: lack of private equity investment law and (3) Digital banking and payments: lack of e-signature law</li> </ul>
	D4 Regulating agencies
	<ul> <li>Incomplete regulatory framework for capital markets (lack of sanctioning committee &amp; tribunal)</li> </ul>
	<ul> <li>BDL's risk regulation today is in-line with best practise. Going forward, the regulatory environment should hit the right balance between allowing the future modernization and development of the sector while keeping the highest risk management standards</li> </ul>
	<ul> <li>The Insurance Control Commission (ICC), reporting to the Ministry of Economy, is not fully independent</li> </ul>

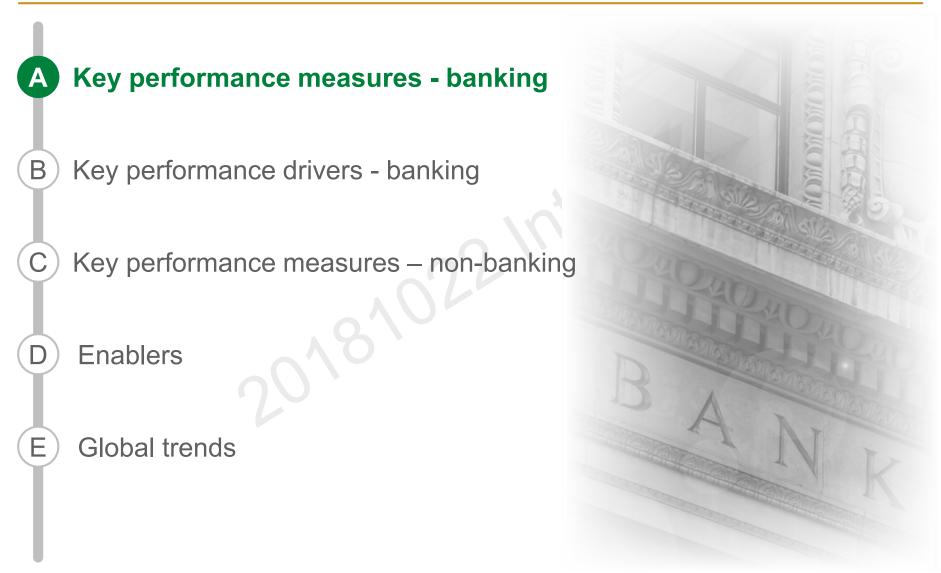


### Financial services diagnostic – enablers (2/2)

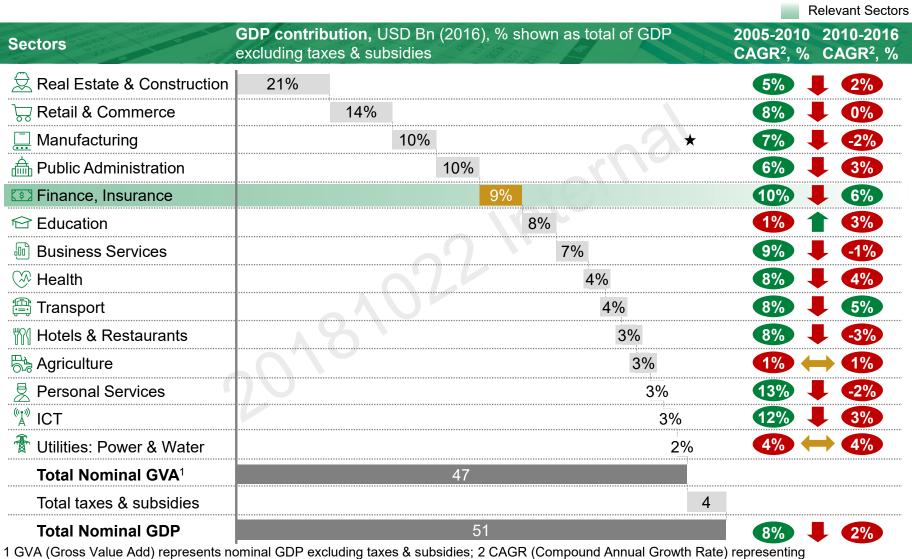
D. Enablers	
Cross- govt.	<ul> <li>Cross government bodies</li> <li>The Association of Banks in Lebanon, ABL, has been very effective in international advocacy; however, gaps exist when it comes to local advocacy with government and regulators and promotion of the brand and image of the sector</li> </ul>
Financial sector capabiliti es	<ul> <li>Financial sector capabilities</li> <li>Lebanon enjoys a high-quality talent pool for financial services; BDL has over the years continuously introduced new regulation on qualifications to further enhance the talent pool's quality through trainings and certifications</li> <li>However, the country faces issues in retaining talent and expertise driven by high retention costs (i.e. better external opportunities)</li> <li>Changing sector dynamics as a result of digitization require a shift in people's capabilities with most financial institutions</li> </ul>
Consume r capabiliti es	<ul> <li>lacking readiness and planning for the transition</li> <li>Consumer capabilities</li> <li>Lack of financial inclusion with only 0.65 bank accounts per capita vs. 2.3 Singapore</li> <li>Despite "overbanking" at the country-level, regional disparities underline the financial inclusion issue with 52 branches &amp; 94 ATMs per 100K adults in Beirut &amp; Mount Lebanon vs. 15-18 and 27-29 in the other regions</li> <li>Financial literary of 44% higher than regional peers (30%) but lower than advanced economies (53%), driven by a lack of proper financial education in secondary schools (e.g. savings, expense management)</li> </ul>



### Contents – Financial services



The financial services sector represents ~9% of the country's GDP and has outpaced the growth of the economy in the last 10 years



1 GVA (Gross Value Add) represents nominal GDP excluding taxes & subsidies; 2 CAGR (Compound Annual Gro average annual growth in real GDP



A1 The sector also employs a total of ~50K people, corresponding to ~3% of total employment in the country



HIGH-LEVEL ESTIMATES

**Relevant Sectors** 

Sectors	Total employment, '000s (2016)	5 8 8			
ि Trade	479 (24%)				
🚊 Real Estate & Construction	24	44 (12%)			
🖧 Agriculture		212 (11%)	*		
🛄 Manufacturing		194 (1	10%)		
Administration			185 (9%)		
☆ Education			161	(8%)	
🚔 Transport	01			110 (6%)	
Personal Services				106 (	(5%)
M Hotels & Restaurants				9	00 (5%)
Insurance, Insurance					50 (3%)
<sup>(</sup> "∦ <sup>™</sup> ICT	n U				44 (2%)
🧭 Health					38 (2%)
Business Services					34 (2%)
Tutilities: Power & Water					30 (2%)
Total		1,977			

**Note:** All employment data includes both formal & informal jobs; 2010 Baseline derived from total ILOSTAT employment, using CAS sector split. Post 2010 projections based on sector real GDP growth and ILOSTAT real productivity growth; adjustments applied to Health & Agriculture based on input from Ministry of Health and meeting with agriculture stakeholders

## A3 The country also presents a high banking penetration when compared to peers, driven by a large deposits base

Country <sup>3</sup>	Banking assets/GDP, Percent, 2016	Deposits/GDP Percent, 2016	Loans/GDP Percent, 2016	Retail Ioans <sup>1</sup> /GDP Percent, 2016	Corporate Ioans/GDP Percent, 2016	Retail loans/ capita <sup>2</sup> K USD PPP, 201
Singapore	679%	286%	296%	78%	217%	95
Lebanon	397%	323%	99%	30%	69%	7
Switzerland	281%	172%	162%	113%	50%	108
UAE	204%	122%	115%	34%	80%	29
Greece	191%	80%	116%	52%	64%	26
South Korea	187%	83%	95%	41%	54%	21
Jordan	169%	143%	79%	10%	69%	2
Morocco	127%	91%	76%	25%	51%	3
Egypt	48%	36%	16%	3%	12%	1
	Ø 263%	▲ Ø 140%	Ø 134%	Ø 50%	Ø 84%	

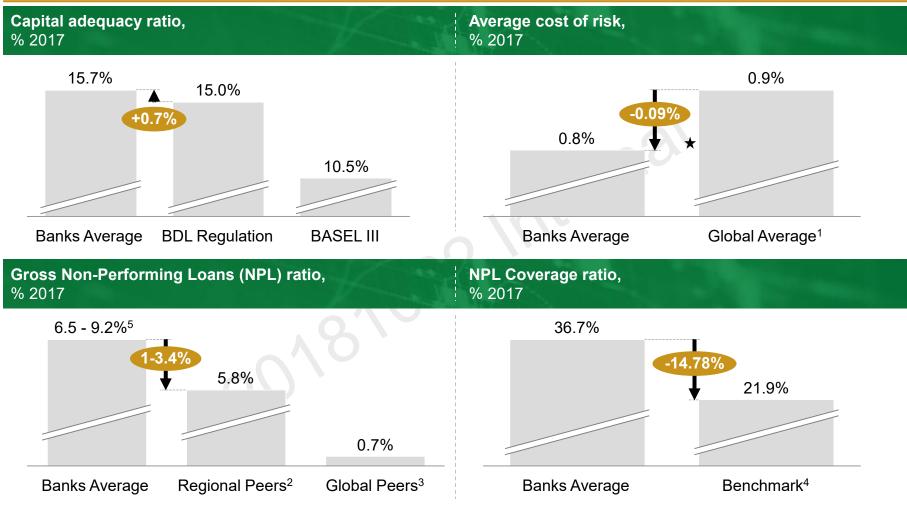
SOURCE: Central Bank websites; Press search; World Bank







### Banking Sector – Key Health Metrics



1 2014 Global Average

2 Includes Egypt, Jordan, Morocco & UAE 4 Includes Jordan & Singapore; Only includes specific provisions

3 Includes Switzerland & South Korea

5 6.5% as computed from banks annual reports; 9.2% as reported by BDL

A6 RoE has however been declining in recent years with a net compression in margins witnessed over the last three years

秦

**RoE evolution of local commercial banks**, % 2011-2016

Central Bank deployed financial levers (i.e., high interest rates and SWAPs), to attract USD deposits boost bank profitability

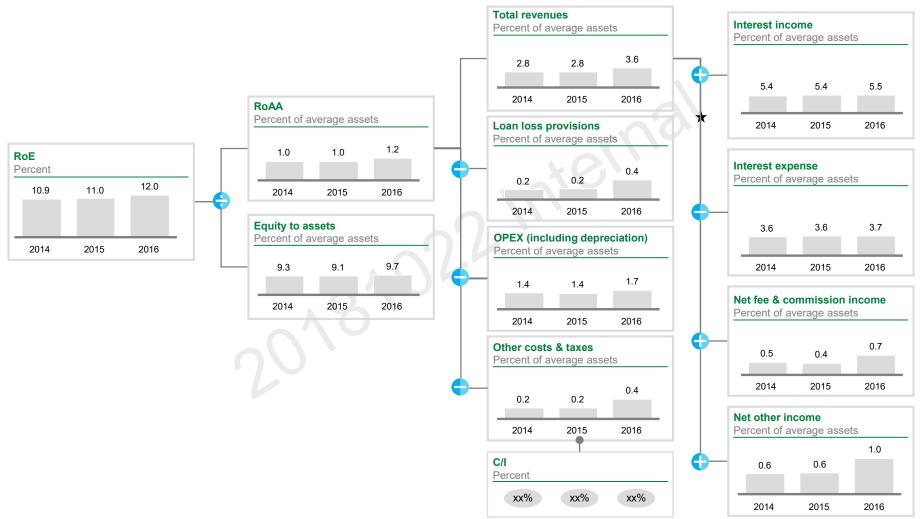


<sup>1</sup> Alpha Banks used as proxy for total market

SOURCE: Banque du Liban; Lebanon IMF Article IV 2016; Banks annual reports

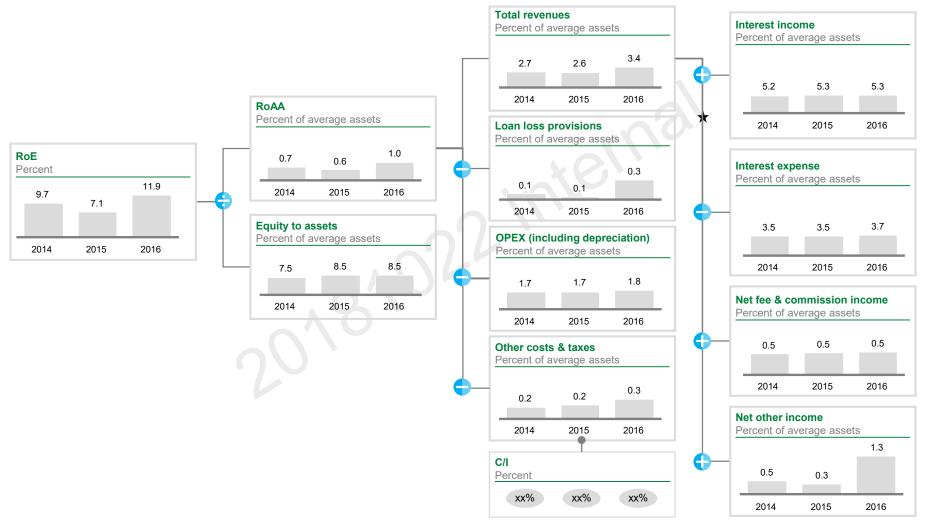
## A6 Decline in RoE in recent years is driven by an increase in cost of funds witnessed over the last three years - Alfa banks

RoE tree; 2014-2016; P&L items as percent of average assets; Percent



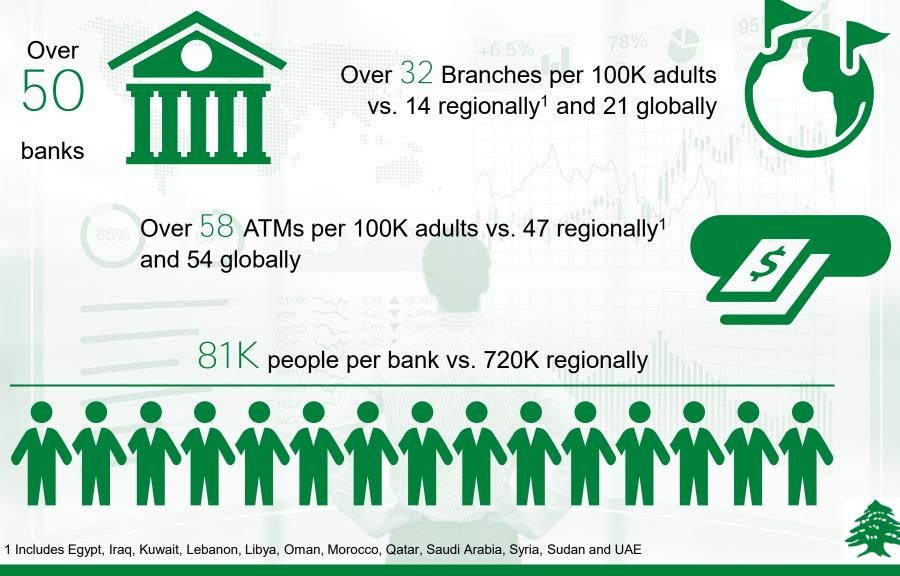
## A6 Decline in RoE in recent years is driven by an increase in cost of funds witnessed over the last three years - Beta banks

RoE tree; 2014-2016; P&L items as percent of average assets; Percent



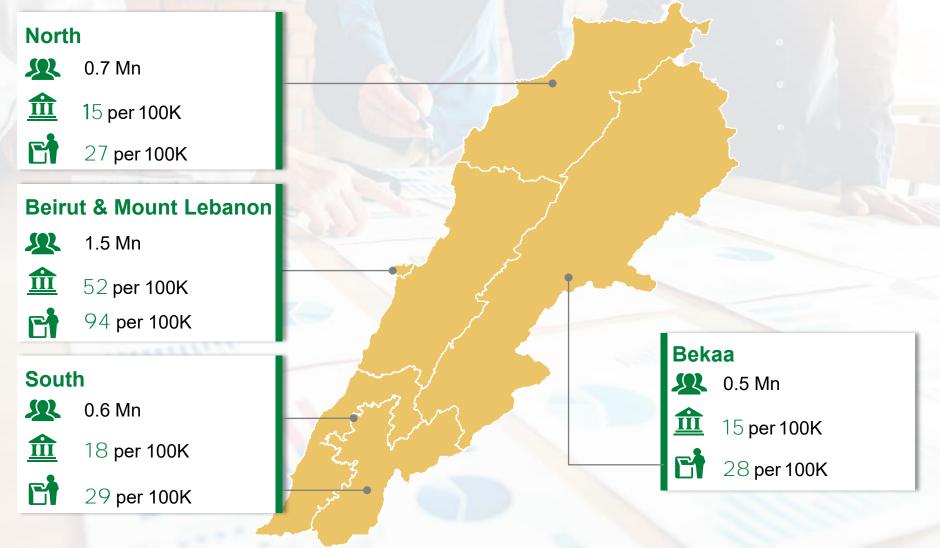


A7 Banks penetration metrics show an "overbanking" of the Lebanese population especially when compared to benchmarks



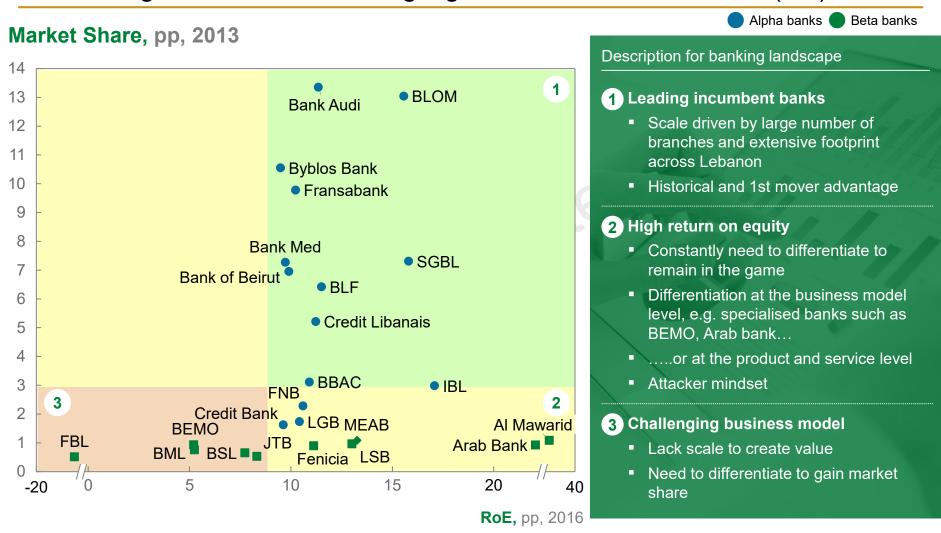
A7 The metrics also highlight marked regional discrepancies with a clear under penetration outside Beirut & Mount Lebanon

Population 15+
Branches
ATM's



Note: Adults population only age i.e.15+; Penetration metrics exclude refugees

Banking market landscape enforces relevance of scale for sustainability, with larger banks commanding higher RoE than small banks (1/4)

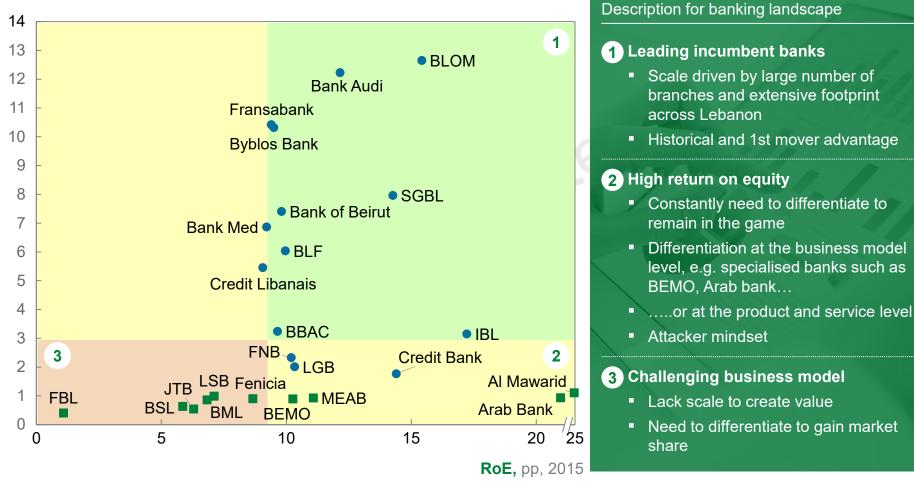


Banking market landscape enforces relevance of scale for sustainability, with larger banks commanding higher RoE than small banks (2/4)

#### Alpha banks Beta banks Market Share, pp, 2014 Description for banking landscape 14 1 13 1 Leading incumbent banks BLOM **Bank Audi** Scale driven by large number of 12 branches and extensive footprint 11 across Lebanon Fransabank • Byblos Bank 10 Historical and 1st mover advantage 9 2 High return on equity 8 **Bank Med** SGBI Constantly need to differentiate to Bank of Beirut remain in the game 7 Differentiation at the business model BLF 6 level, e.g. specialised banks such as Credit Libanais 5 BEMO, Arab bank... 4 .....or at the product and service level Attacker mindset BBAC 3 IBL 3 LGB FNB 2 2 **Credit Bank** Al Mawand 3 Challenging business model BEMO BML Arab Bank MEAB FBL Lack scale to create value BSL LSB JTB Fenicia Need to differentiate to gain market 12 14 16 22 2 4 6 8 10 20 0 32 share **RoE**, pp, 2014

A8 Banking market landscape enforces relevance of scale for sustainability, with larger banks commanding higher RoE than small banks (3/4)

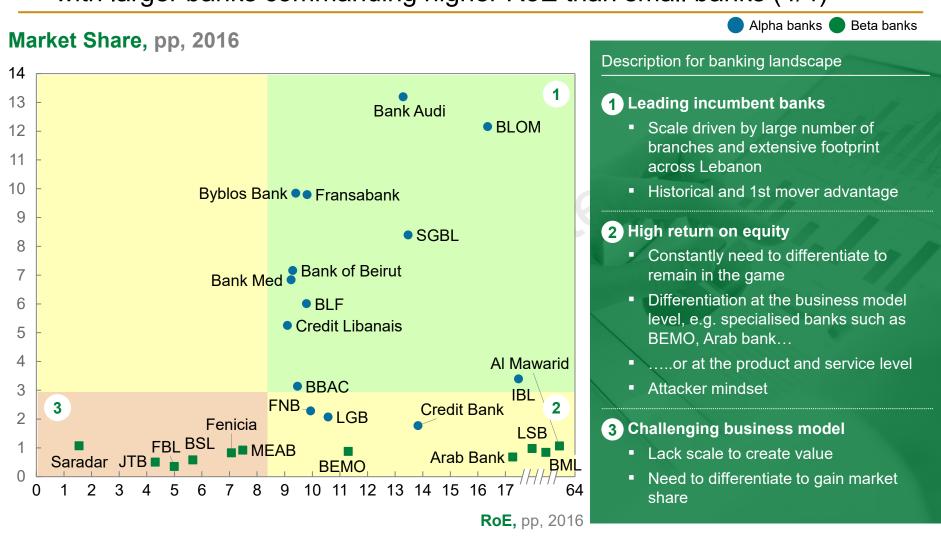
### Market Share, pp, 2015



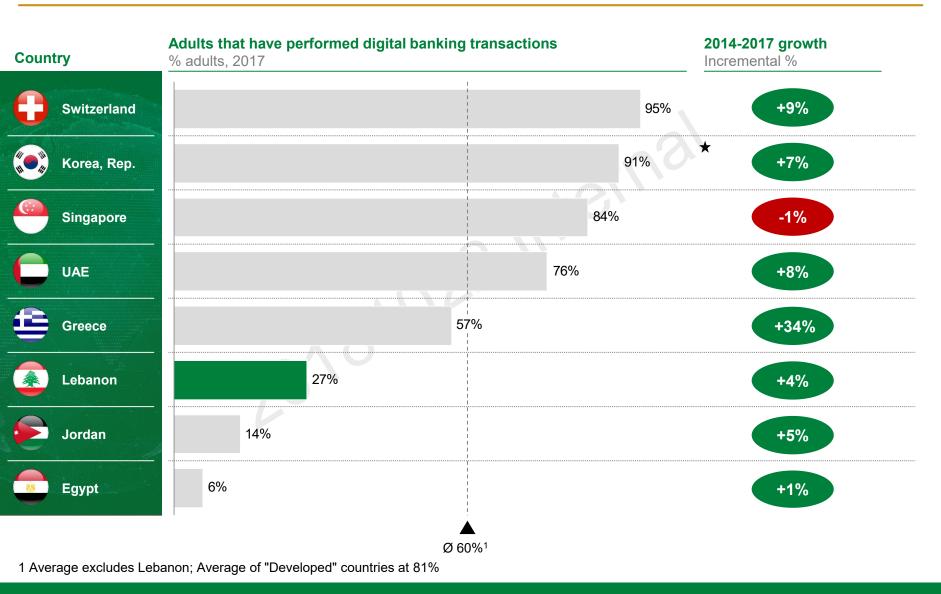
Alpha banks

Beta banks

Banking market landscape enforces relevance of scale for sustainability, with larger banks commanding higher RoE than small banks (4/4)



A9 The sector also witnesses a low digital banking penetration with 27% of adults having made a digital transaction vs. 60% benchmarks





### Contents – Financial services

Key performance measures - banking

Key performance drivers - banking

Key performance measures - non-banking

Enablers

Α

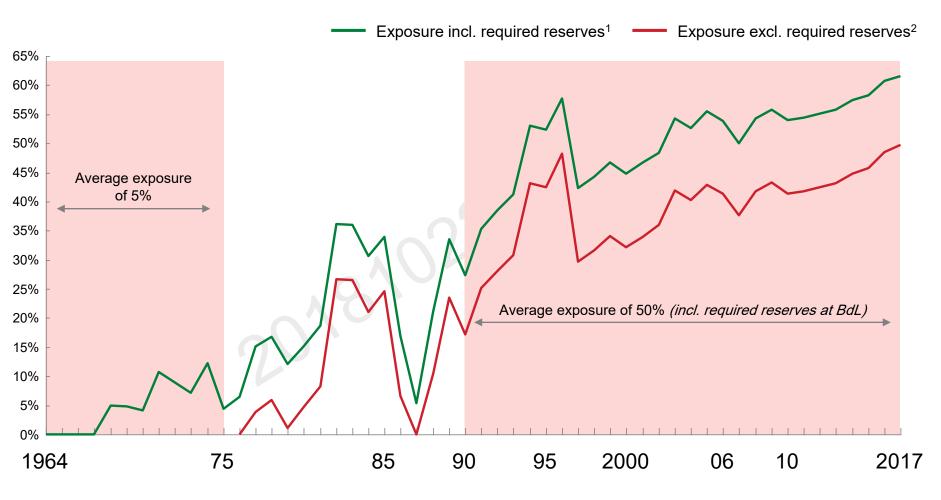
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Global trends

In the Banking sector in Lebanon has gone through several phases: from pre-war private sector driven to post-war public sector credit engine





1 As defined by deposits at the Central Bank and claims on the Public Sector; also includes required reserves at the BdL 2 Approximation of exposure excluding required reserves assuming required reserves at ~15% of total deposits of the year

In order for banks to ensure sustainable profits under current cost of funds structure, credit interest rates charged are prohibitive at ~10.4%

Component	Current	Explanation		
Interest rate RARoC	9.82% - 10.39% 12.00%	<ul> <li>The product pricing cap is calculated to account for banks' costs</li> <li>Banks' Risk Adjusted Return on Capital is at the minimum expected RoE</li> </ul>		
Cost of capital	<b>1.80%</b> <sup>1</sup>	<ul> <li>The rate of return required to issue a toan</li> <li>Based on an RWA of 100% on corporate loans and an expected RoE of 12%</li> </ul>		
Cost of funding	6.92 - 7.49%	<ul> <li>Average interest paid on the required funding for a loan of 5 years maturity</li> <li>Based on the Funds Transfer Pricing curve built by taking the risk free curve, adding an average bank liquidity premium and adjusting for deposits rate</li> </ul>		
Cost of credit risk	0.80% <sup>2</sup>	<ul> <li>Average rate required to cover potential loss in case of default</li> <li>Varies by borrower profile (e.g. 0.08% in Malaysia for ex gov. employed pensioners)</li> </ul>		
Servicing fee	0.30% <sup>3</sup>	<ul> <li>Average rate of return required to cover operational cost</li> <li>May decrease with automation (e.g. in Malaysia, varies between 0.15% and 0.2%)</li> </ul>		

1 RWA (100%) x CAR (15%) x Cost of Capital (12%) 3 Based on global benchmarks 2 Cost of credit based on historical average NPL and cost of default figures



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Key performance measures – non-banking

Enablers

В

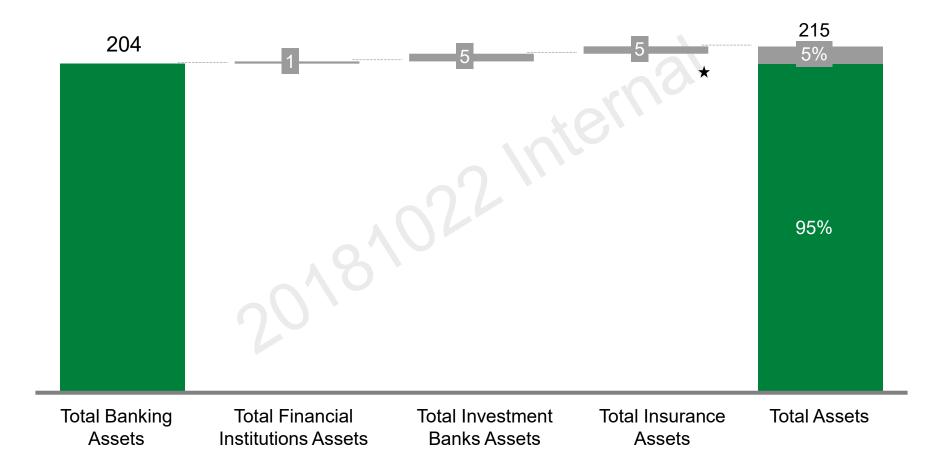
С

Ε

## Global trends

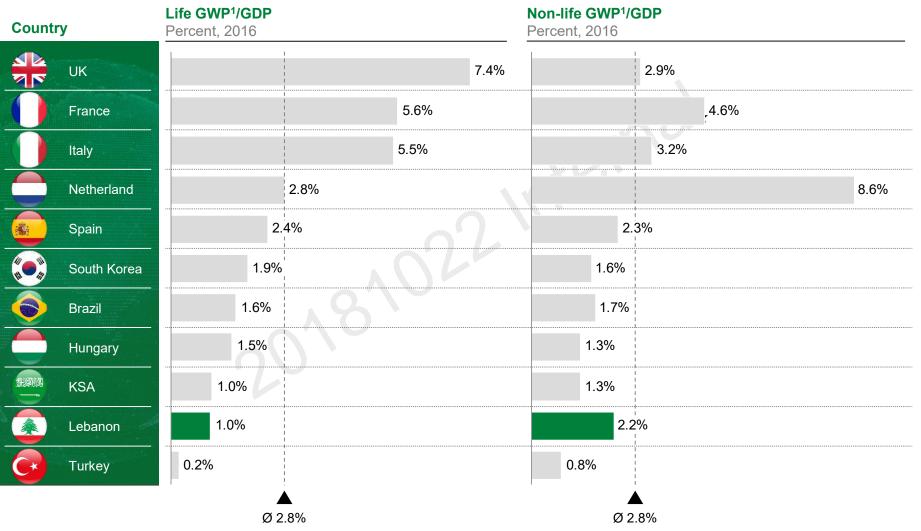
# C1 So far, non-banking financial services have stayed as the "humble siblings" of banking

Total financial sector assets, 2016 USD Bn



Banking

## C3 Lebanon Insurance sector remains underpenetrated across both life and non-life lines of business



1 Gross Written Premium



## Private equity & venture capital activity remains low

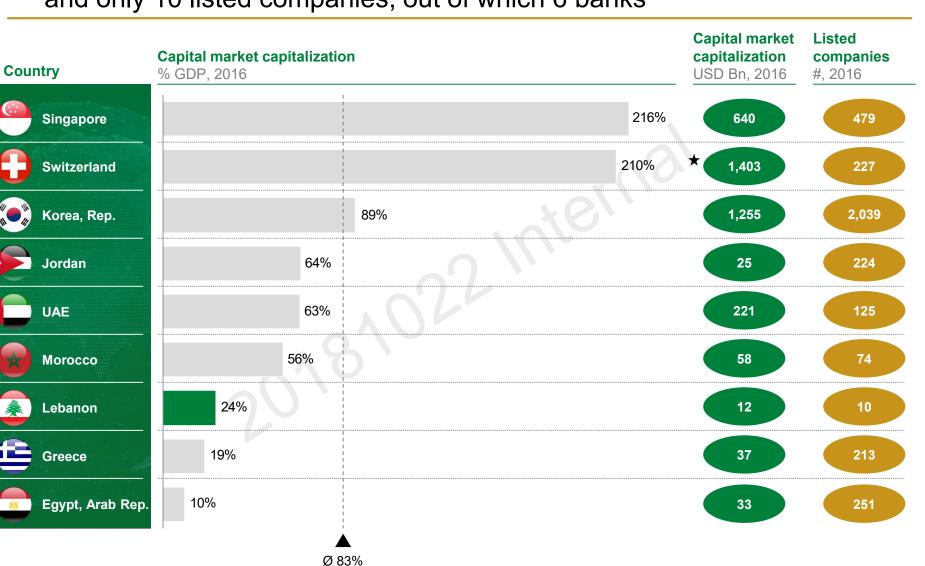
Coun	try	Private Equity deal val % GDP, 2013-2016 ave	<b>ue</b> rage	Venture Capital % GDP, 2016	deal value	
<u>@</u>	Singapore		2.89	%	*	0.36%
£	Greece		1.6%		0.28%	
	Jordan	0.9%	~??		0.13%	
	South Korea	0.9%	8	0.	10%	
	UAE	0.8%			0.13%	
	Lebanon	~0%			0.12%	
		Ø 1.	4% <sup>1</sup>		▲ Ø 0.19%	

1 Average excludes Lebanon

**C**4

Source: Pitchbook - PE deals only (All Buyout Types) for Private Equity;

# Co Capital markets are underdeveloped with low market capitalization and only 10 listed companies, out of which 6 banks





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## Global trends



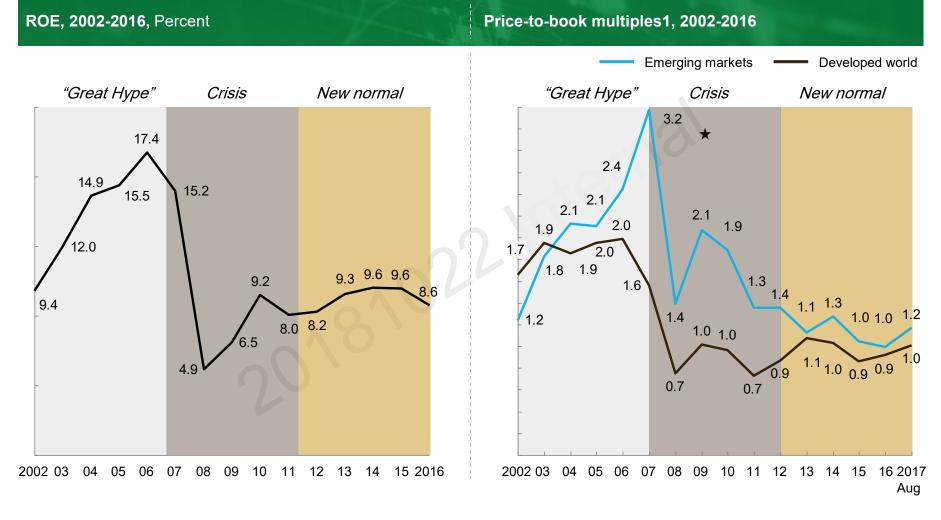


## Global banking industry

E

- The global banking industry shows many signs of renewed health. The recovery from the financial crisis is complete, capital stocks have been replenished, and banks have taken an ax to costs. Yet profits remain elusive
- In the short term, banks need to take on full-scale digital industrialization to capture the \$350 billion digital opportunity
- In the longer term, banks may need to take on the big players in digital ecosystems that offer a range of services that go beyond banking and reach many more customers
  - "Platform" companies such as Alibaba, Amazon and Tencent are reshaping one industry after another
  - Banks that successfully orchestrate a basic "ecosystem" strategy, by building partnerships and monetizing data, could raise their ROE to about 9 to 10 percent
  - Banks could also find success, though less profit, with two other business models: a white-label balance sheet operator, or a focused or specialized bank.

## E ROE and Price-to-book are trending sideways after a few years of stability



NOTE: Book value does not exclude goodwill as the data is available only for ~60% of covered banks 1 Based on a sample of listed banks with >\$2 billion in assets

Source: Bloomberg; Compustat; Datastream; OECD; SNL; Thomson Reuters



\_

Expected to decrease
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		Unsustainable expansion ('02-07)	Crisis (2008-11)	New reality (2012-16)	What's next? (2017-2020)
		Robust growth, high ROE, high multiples	below COE, low	Slow growth, plateaued ROE and multiples around 1; improved costs	Same as now + innovation drives growth
Average ROE		14.0%	7.3%	9.0%	
Revenue growth <sup>1</sup>	and the second	16.8%	3.9%	5.3% <sup>2</sup>	
Emerging markets' share of revenue <sup>1</sup> growth		26.9%	69.0%	70.8% <sup>2</sup>	
Tier 1 Ratio	-	10.5%	12.1%	12.4%	
	Developed	124.6%	128.8%	105.8%	
Loan/deposit	Emerging	75.6%	81.1%	77.0%	
	Developed	2.2	1.0	0.9	
Price/book value	Emerging	2.2	1.7	1.1	
% of banks	Developed	28.4%	66.0%	61.7%	_
trading below book value	Emerging	19.2%	27.9%	37.2%	
Primary driver of economic growth		Volume	Risk cost	Operational efficiency	Entering new non classical banking markets/businesses

1 Revenues before risk cost.

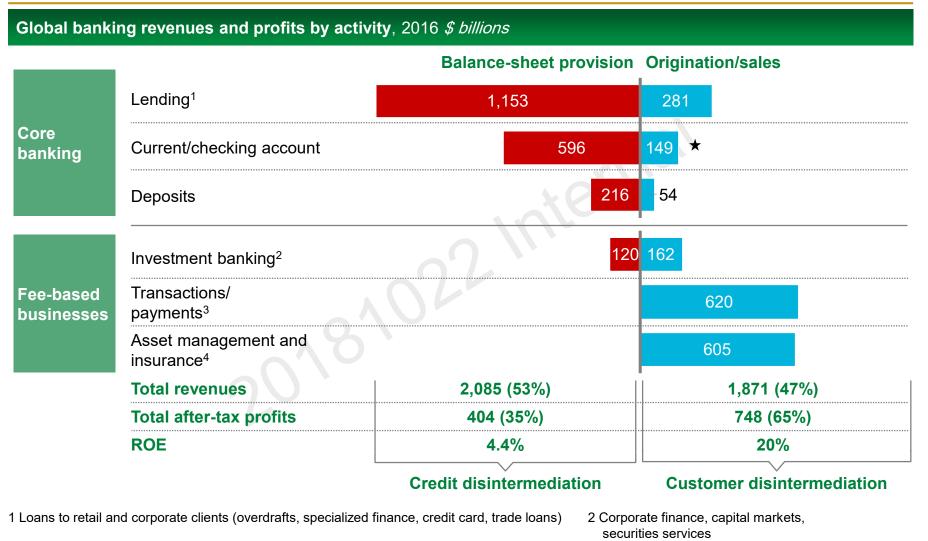
2 Fixed conversion rate, \$ 2016

# E Large platform players are already making meaningful plays in financial services



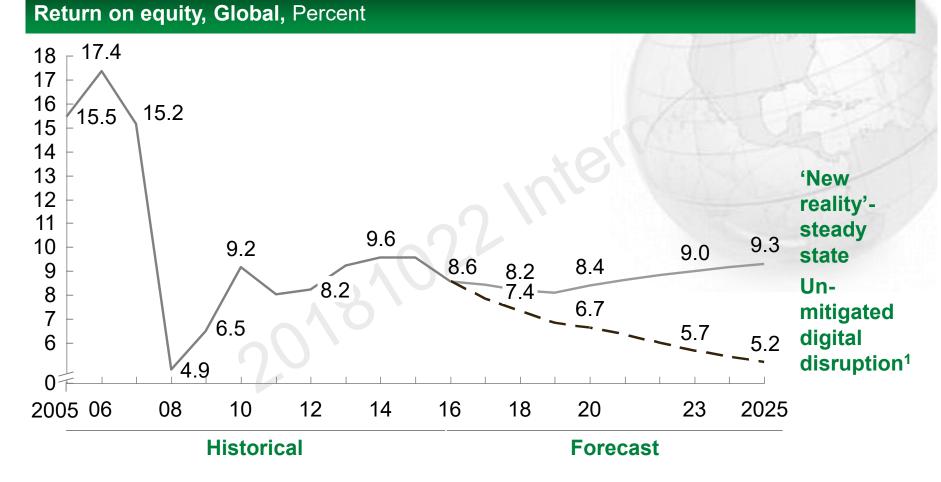
	Payment	P2P	Consumer financing	SME financing	Deposit gathering and wealth mng.
Google		N Google Wallet			
F	$\sim$	$\sim$		*	
amazon	amazon pay amazon cash		amazon Prime monthly payment option	amazonlending	amazon
EZ. Alibaba Group	支熱病	支旗集	<b>约</b> 蚂蚁花砚 ANT CHECK LATER	MYbank MYbank の 野 い 成 の の の の の の の の の の の の の	余额宝 Yu'e Bao
Tencent 腾讯	<b>Mom</b>	<b>Mil m</b>	₩ 航粒街	<mark>₩eBank</mark> 微众银行	🧭 理财通
了JD.com	京东支付	京东钱包	京东白条 HOROTAL GTHOLE	企业金采 京小贷 京保贝 动产融资	<sup>京东小金库</sup> 定期 理财

Origination and sales – the focus of non-bank attackers – account for ~65% of global banking profits



3 Retail and wholesale payment transactions, incl. Cross border payments and remittances and pension products. Insurance includes bank-sold insurance only 4 Asset management includes investment

E Future profitability is limited; an unmitigated digital disruption can further reduce it to half



1 Unmitigated margin disruption defined bottom up by product, total impact ~11.6%



## Digital at industrial scale: the new imperative

Transform front office productivity	1. Building better marketing skills, as excellence in digital marketing is now a core foundational capability				
۲	2. Reshaping the distribution architecture to create a true multi-channel experience for customers				
Automate	3. Using digital tools and analytics to enhance sales productivity, e.g., by equipping relationship managers with a digital workbench				
middle and back office	4. Industrializing operations through automation and artificial intelligence, e.g., robotic process automation and cognitive technologies				
ţĊ	5. Reimagining underwriting, using data and analytics, to build a truly data-driven underwriting process and capabilities				
Embed cutting edge capabilities	6. Embracing cloud computing, open APIs, and other essential technologies, such as shared digital utilities				
≫	<ol> <li>Creating an agile organization that is both stable (resilient, reliable and efficient) and dynamic (fast, nimble and adaptive)</li> </ol>				



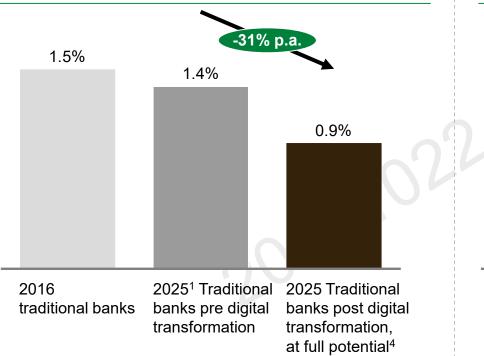
## Digital transformation could unlock \$~350 billion for the top 1000 banks

Traditional banks could decrease their cost-to-assets ratio by 30%, by fully closing the efficiency gap vs. digital banks...

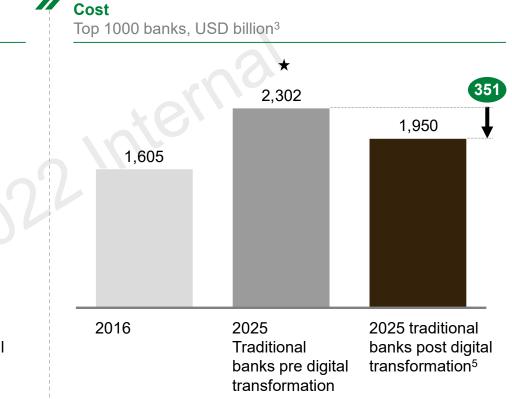
#### Cost-to-assets

Ε

Top 1000 banks, percent



... closing half of the gap would translate into \$~350 cost<sup>2</sup> saving



1 Steady scenario; 2 For banks greater than asset 2 bn USD, assumed 50% of full potential would be achieved; 3 Fixed 2016 USD

4 Assuming gap vs digital players is fully closed and efficiency gains are not competed away

5 Assuming only half of the value created from closing the gaps vs. digital players is captured



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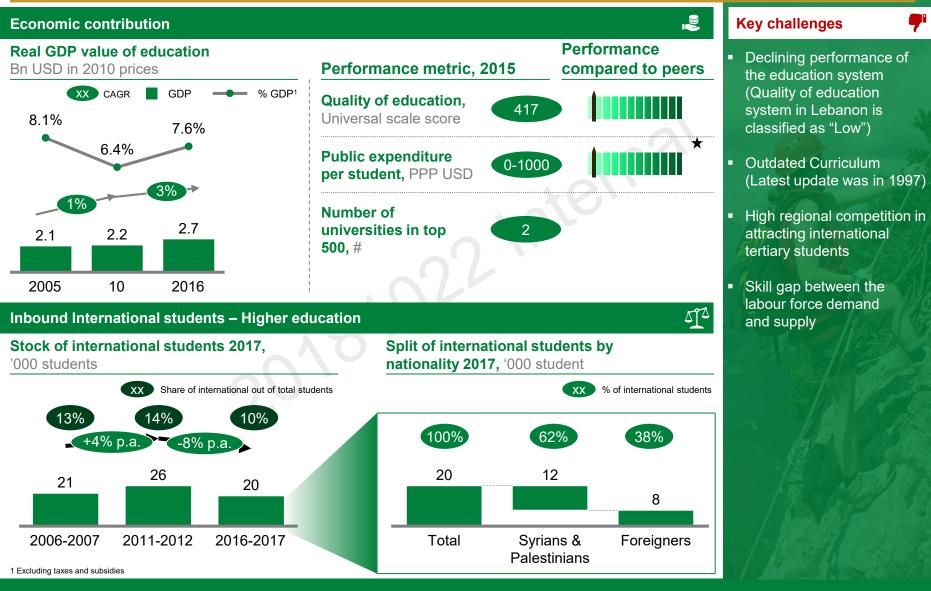


### Education – summary of diagnostic

Low

In line with peers

High



Source: CAS, Ministry of education, World Bank. PISA scores



## Education diagnostic – Key performance measures

#### A. Key performance measures





## Education diagnostic – Key performance drivers & enablers

#### B. Key performance drivers & enablers Competiti B1 Lebanon is facing growing regional competition in attracting regional and international students. Egypt, Saudi Arabia and the United Arab Emirates (UAE) have made significant efforts to become education hubs, on hosting 3% of the global share of mobile students in 2016 Saudi Arabia and the UAE have outpaced the UK in attracting students from the Arab states and have become the third most popular destination (after France and the US) for regional outbound students. 32 Many universities in Lebanon offer bi-lateral & institutional partnerships which facilitate mobility of students **Mobility** Top 10 universities (which host 80% of total university students) all have international partnership facilitating student mobility Lebanese institutions are either bi-lingual or tri-lingual which facilitates the mobility of international students Lebanon's school curriculum is outdated (Latest update of the curriculum is in 1997). Moreover, Lebanon lags **B**3 Moderniz behind benchmarks on key metrics for research output ation A large skill gap exists in Lebanon, mainly due to lack of awareness of skills required by employers, relevance of Skill gap **B**4 educational outcomes & poor upskilling programs Survey among job seekers and employers in Lebanon show that 55% of respondents believe there is a skill gap between the labour force demand and supply



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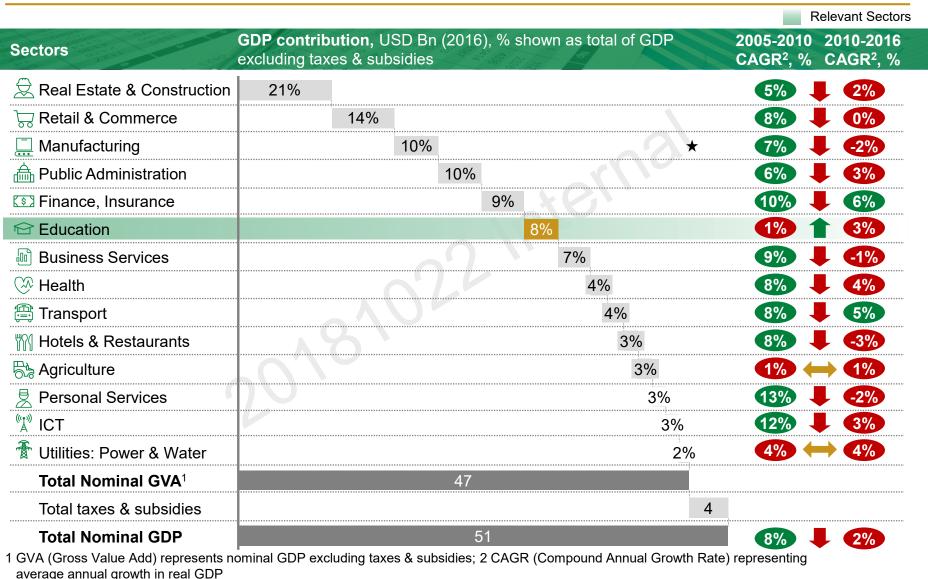
В



Key performance drivers & enablers



# A Education contributes to 8% of the country's GDP and it has been growing at a rate faster than the base economy



Source: CAS



# A2 The education sector is the 6<sup>th</sup> largest employer in the country with a stotal of 161K employees

Sectors	Total employment, '000s (2016)	
🗔 Retail & Commerce	479 (24%)	
Real Estate & Construction	244 (12%)	
Bariculture	212 (11%)	*
🛄 Manufacturing	15	94 (10%)
Administration		185 (9%)
☆ Education		161 (8%)
🛱 Transport	01	110 (6%)
Personal Services		106 (5%)
M Hotels & Restaurants		90 (5%)
S Finance, Insurance		50 (3%)
<sup>(</sup> <sup>™</sup> ) ICT		44 (2%)
🔅 Health		38 (2%)
Business Services		34 (2%)
Tilities: Power & Water		30 (2%)
Total	1,977	

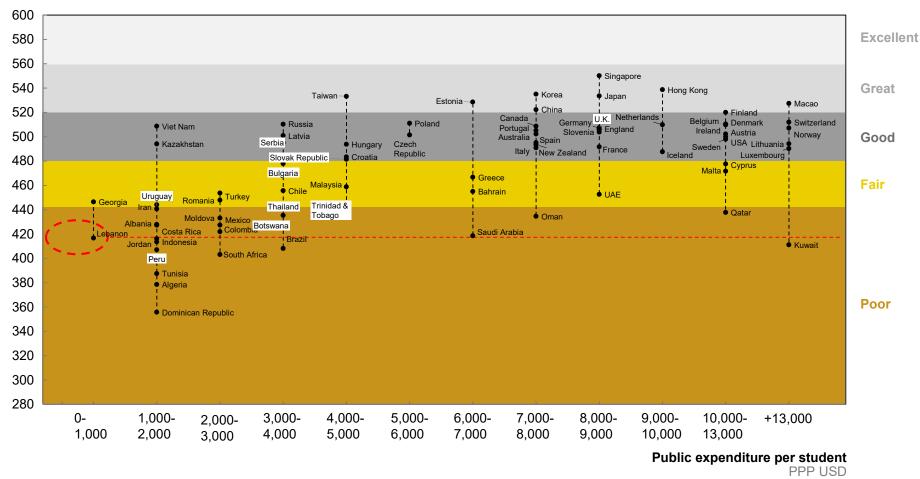
**Note:** All employment data includes both formal & informal jobs; 2010 Baseline derived from total ILOSTAT employment, using CAS sector split. Post 2010 projections based on sector real GDP growth and ILOSTAT real productivity growth; adjustments applied to Health & Agriculture based on input from Ministry of Health and meeting with agriculture stakeholders

Relevant Sectors

## A3 Lebanon's education sector is classified as "poor", with relatively low expenditure per student

#### Universal Scale score<sup>1</sup> 2015

PISA 2000 units



1 The Universal Scale was created by McKinsey & Company, based on the methodology of Hanushek & Woessmann, to allow comparisons between school systems; 2016 PIRLS scores were included in 2015 analysis

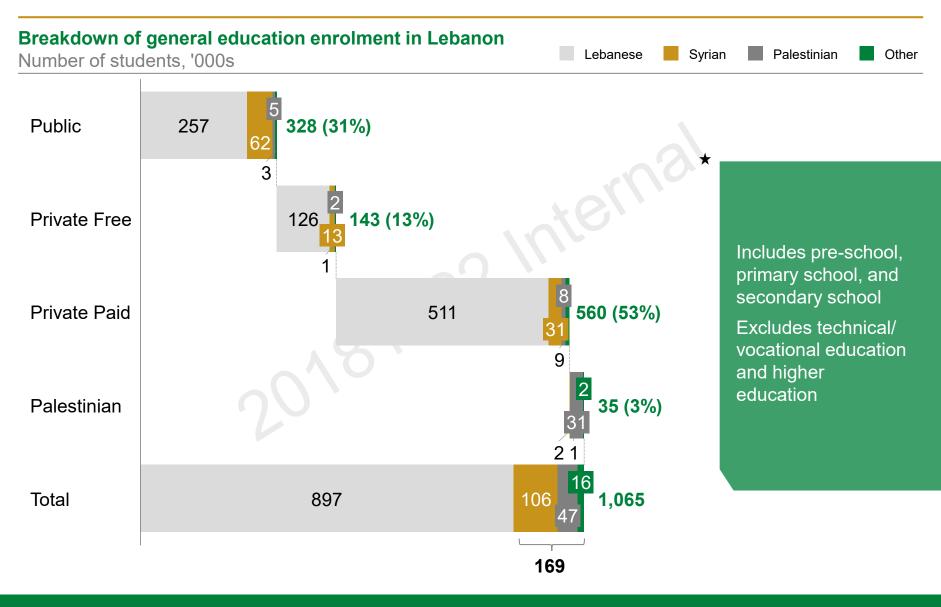
# A Lebanon's educational reputation for excellence is built around the prominent institutions and high-achievers in top universities



AUB Ranks third in the region's top universities		ÛÛÛ	Lebanon has a high enrollment rate in top universities compared to other regional peers			
Rank 2018	University	Score 2018		Country	MIT students per 1 million citizen	# students 2017-18
1	MIT		100.0	eessingapore	// 18.19	102
9 2	Stanford		98.7	🔶 Canada	7.64	277
9 3	Harvard		98.4	🧭 Cyprus	6.84	8
173	KFUPM	50.3		蓬 Lebanon	3.33	20
221	King Saud University	44.5		🗿 Bahrain	2.11	3
235	AUB	43.0	0	Saudi Arabia	0.99	32
267	King Abdul Aziz University	40.1		C United Arab Emirates	0.65	6
349	Qatar University	33.8		퇃 Jordan	0.53	5
390	UAE University	31.1		O Tunisia	0.53	6
395	AUC	30.7		C Kuwait	0.49	2
2 411-4	20 AUS	29.5		늘 Oman	0.45	2
9 411-4	20 Arabian Gulf University	29.2		🜗 Qatar	0.39	1
2 451-4	60 Khalifa University	27.4		😅 Syria	0.38	7
491-5	00 Universite Saint Joseph	23.5			1	

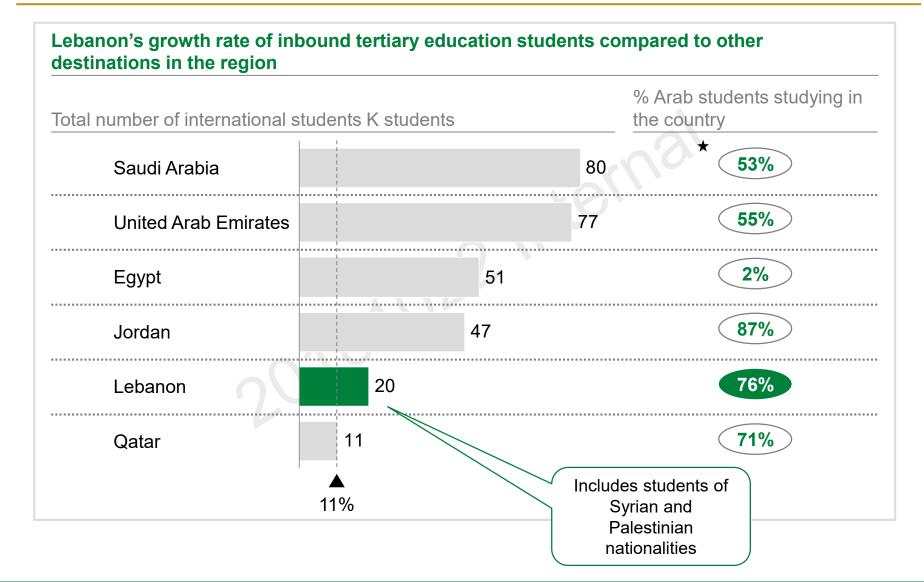
# Around 170,000 non-Lebanese students study in Lebanese schools 秦

A5

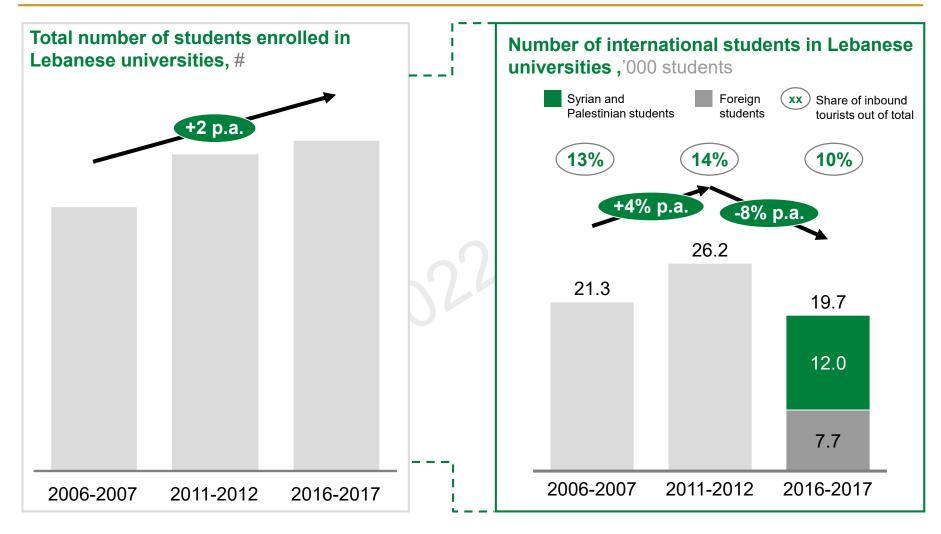


## A5 Countries in the region have been increasingly able to attract outbound students, most of them from Arab countries





A6 Number of international students studying in Lebanese universities has been declining in recent years at a rate of 8% p.a.





### **Contents – Education**

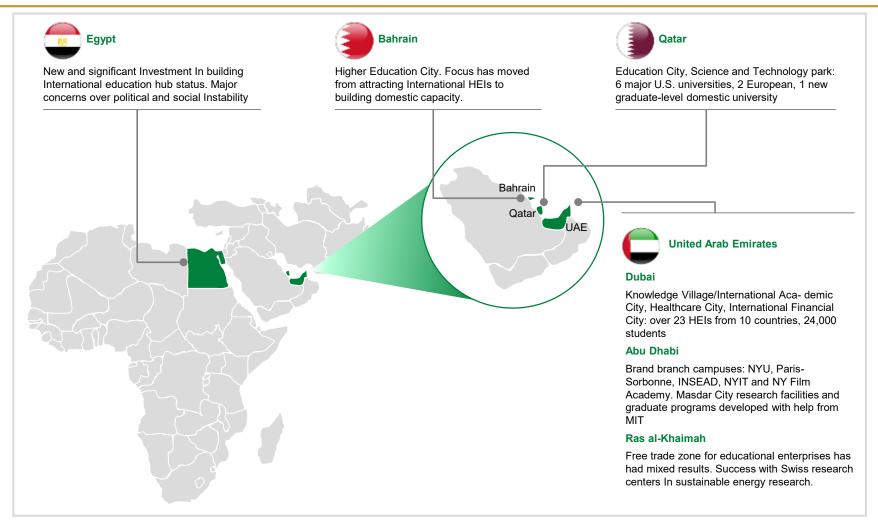
Α

Key performance measures

## **B** Key performance drivers & enablers



# B1 Many Arab countries are at an advanced stages of developing their educational sector



## Particularly, KSA, UAE and Jordan have outpaced the UK in attracting students from the Arab states

	Outbound students from Arab states by destination country, 2015	% of total Arab students studying abroad	
United States of America	82,661	19%	
France	63,254	14%	
United Arab Emirates	41,317	9%	UAE, KSA and Jordan have outpaced the
Saudi Arabia	38,771	9%	UK in attracting students from
Jordan	34,336	8%	the Arab states and have become the
UK and Northern Ireland	30,729	7%	third and fourth most popular
Malaysia	20,274	5%	destination (after France and the US) for
Turkey	13,812	3%	students from the region.
Germany	12,920	3%	
Canada	11,937	3%	

## B2 In Lebanon, top 10 universities covering 80% of total students all have international partnerships facilitating student mobility

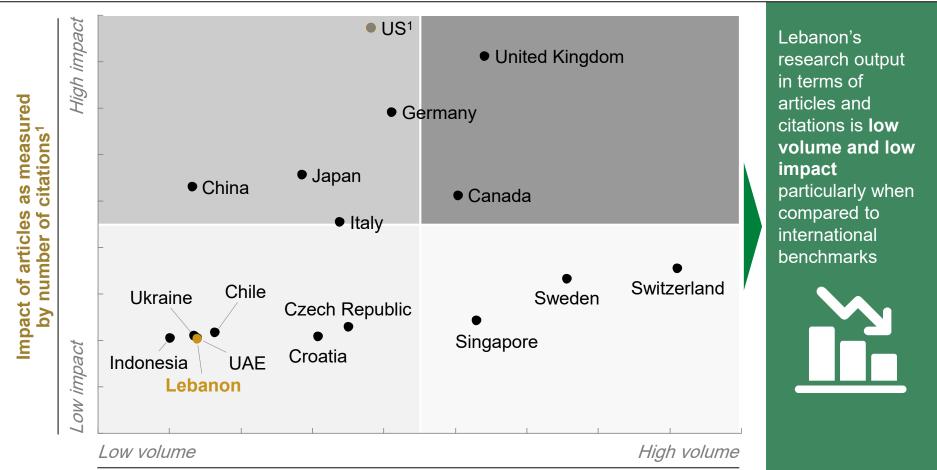


University	Partnerships with international universities		Logos
Lebanese international university	The University of Kansas School of Medicine University of Wollongong Australia Hochshule worms University of applied sciences	Emuni University Ohio University	SCHOOL OF MEDICINE Transmission
Lebanese university	The University of Jordan (UJ) Naif Arab University for Security Sciences		JORDAN CONTRACTOR
Beirut Arab university	Paris-Sorbonne University (Paris IV) Stockholm University	University of Savoy University of Barcelona	Stockholm Universitates BARCELONA
Lebanese American University	Sciences Po Richmond-The American International University in London University of Ottawa	UC Berkeley Cornell University	Berkeley
Universite Saint Joseph	University of Hamburg University of Vienna Cairo University	Paris Sorbonne University Georgetown University	Universität Hamburg Der rescounce i der under i der eindere Wei rescounce i der under eindere eindere Wei rescounce i der under eindere eindere Wei rescounce i der eindere ein
Notre Dame University - Louaize	Linnaeus University University of Crete Reorient University		
American university of Beirut	American University in Cairo Charles III University of Madrid Boston University New York University		<ul> <li>THE AMERICAN UNIVERSITY IN CAIRO UNIVERSITY IN CAIRO Italaa III de Madrid</li> <li>BOSTON UNIVERSITY</li> <li>NEW YORK UNIVERSITY</li> </ul>
Holy Spirit University of Kaslik	Laval University National Center for Scientific Research Saint Luke Higher School of Architecture	Special School of Architecture- Paris (ESA) Russian Federation State Institute of Cinematography (VGIK)	
Arts, Sciences and Technology University in Lebanon	Ecole Nationale d'Ingénieurs de Brest (ENIB) Wales University, School of Electronic Engineering University of Atlanta	American University for Humanities Emporia State University	SCHOOL OF ELECTRICAL AND ELECTRICAL

# B3 However, Lebanon lags behind benchmarks on key metrics for research output



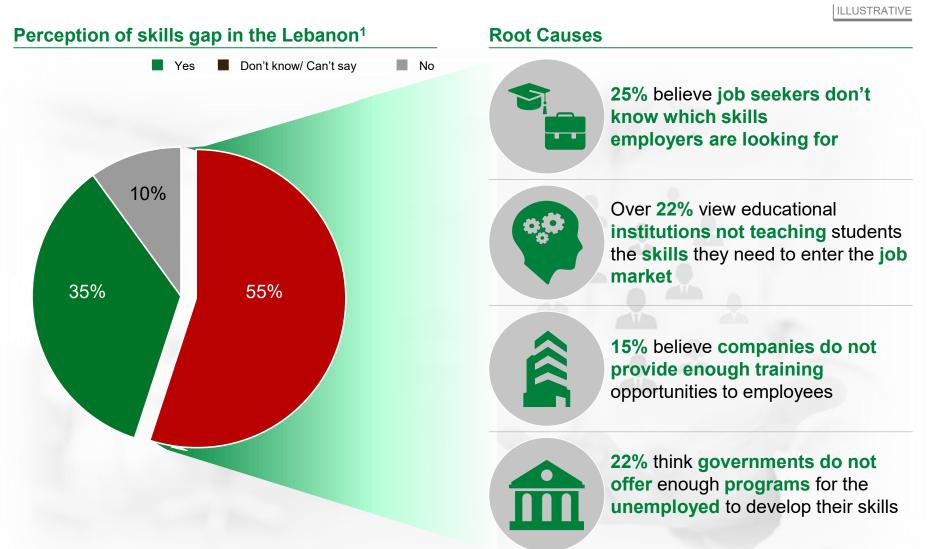
Volume and impact of research output, Nr and citations of publications, 1996-2016



### Articles produced by higher education institutions per head of population

1 USA data point is not to scale as overall citations are almost 4 times higher than the next closest country

Moreover, 55% of employers in Lebanon highlight a skill gap between the job requirement and the graduates acquired skills



1 Based on Bayt.com and YouGov skills gap in MENA survey 2016 covering 170 job seekers in the Lebanon



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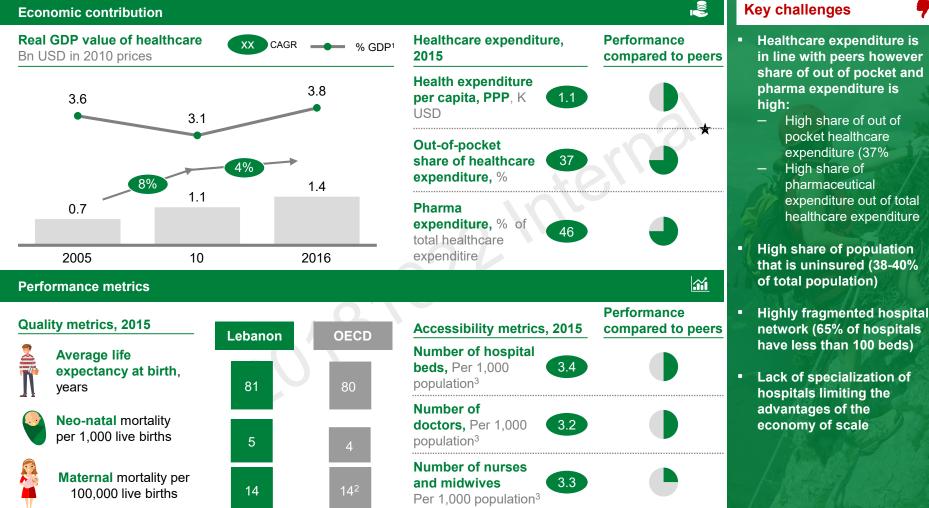


## Healthcare – summary of diagnostic

Low

In line with peers

High



Healthcare diagnostic section covers economic contribution of the sector. This includes guality, accessibility and spend per capita on healthcare as well as size of the medical tourism exports. Social contribution and healthcare operating model are not part of the scope



## Healthcare diagnostic - key performance measures

### A. Key performance measures

Macro- economic trends	<ul> <li>Healthcare contributes to 4% of the country's GDP<sup>1</sup> (2016). The sector has experienced a slowdown in growth in the past 6 years despite the increase of its contribution as a % of GDP</li> <li>The healthcare sector has been growing at 8% p.a. between 2005-2010 and at 4% p.a between 2010-2016</li> <li>Healthcare sector contributed to 3.1% of GDP in 2010 vs 3.6% in 2016</li> <li>In addition, the healthcare system employs ~38,000 medical staff (including nurses, doctors, dentists and pharmacists)</li> </ul>
Performance measures	<ul> <li>Lebanon's healthcare expenditure per capita is in line with peer average; however 37% of expenditure is paid out of pocket potentially leading to an increased risk of poverty</li> <li>Lebanon's healthcare expenditure per capita (PPP-adjusted) is in line with peer average (upper middle income average)</li> <li>Out of pocket healthcare expenditure share is high compared to peers (37%), which could have the highest impact on the low income population</li> <li>Moreover, ~38-40% of the population is uninsured and their healthcare expenditure is covered by MoPH; this can lead to a burden on the government</li> </ul>
	<ul> <li>Lebanon's share of pharma expenditure out of total healthcare expenditure is more than 3x higher than global average mainly due to high share of patented drug sales</li> <li>Pharma market in Lebanon is 1.63 Bn USD (2015) and accounts for ~46% of total healthcare expenditure;</li> <li>High share of pharmaceuticals spend can be correlated with high sales of patented drugs (49% of sales) vs generic drugs (30%) and over-the-counter drugs (21%)</li> </ul>
	<ul> <li>In 2015, Lebanon attracted ~14,000 medical tourists<sup>2</sup> which is less than ~6% of Jordan's medical tourism market</li> <li>Lebanon was ranked 40<sup>th</sup> out of 41 countries on the Medical tourism index in 2016 which assess the attractiveness of countries for medical tourism</li> <li>Lebanon's medical tourism segment is small (2% of total admissions) with around ~14,000 admissions in 2015, mainly from Iraq</li> <li>The medical tourism market in the region is mainly focused in 3 host countries: Turkey (~750K medical tourists), UAE (~300K medical tourists) and Jordan (~250K medical tourists)</li> </ul>

1 Excluding taxes and subsidies

2 Based on number of Iraqi medical tourists which are assumed to be the majority of medical tourist



## Healthcare diagnostic - key performance drivers

B. Performand	e drivers
Accessibility	<ul> <li>Overall number of hospital beds and medical staff per capita is in line with OECD countries</li> <li>Lebanon has more than 170 hospitals<sup>1</sup> with ~16,500 beds across all governates out of which ~85% (of hospitals) are private and ~15% are public</li> <li>Lebanon's ratio of physicians per 1000 capita and number of hospital beds per 1000 capita is in line with OECD countries; however, Lebanon has a shortage is nursing and midwives staff compared to OECD countries</li> </ul>
Quality	<ul> <li>Lebanon's overall quality of medical services meets high standards and is in line with OECD countries</li> <li>Average life expectancy in Lebanon is 80 years (2016); in line with OECD average</li> <li>Neo-natal and maternal mortality rates are also in line with average OECD countries</li> </ul>
Speciali- zation	<ul> <li>Lebanon's healthcare system is highly fragmented and lacks specialization.</li> <li>60% of private hospitals in Lebanon have less than 100 beds</li> <li>Majority of hospitals operate as standalone facilities with lack of consolidation into hospital chains across Lebanon</li> <li>Majority of hospitals in Lebanon lack specialization potentially leading to higher costs (no economy of scale) and a missed opportunity in R&amp;D and a high value / high quality offerings</li> </ul>
	<ul> <li>Lebanon is one of the leading destinations for cosmetic surgery in the Middle East with initiatives to promote it nationally and internationally</li> <li>Lebanon's First National Bank offers loans of up to \$5,000 for cosmetic surgery</li> <li>It is estimated that 20% of plastic surgeries in Lebanon are performed on medical tourists</li> </ul>
1 Includes private a	nd public hospitals/ includes short, medium and long stay hospitals



## Healthcare diagnostic - enablers

C. Enablers	
	C1 Lebanon's regulatory framework does not incentivize specialization of hospitals rather they incentivize increased number of departments (tariffs for hospitals depend on number of departments)
Regulations and	C2 Lebanon introduced new regulations to reduce spend on drugs
legislations	<ul> <li>Lebanon has developed regulations to standardize prescription of drugs</li> </ul>
	<ul> <li>Moreover, a new tax was introduced on certain patented drugs to further incentivize sales of generic dugs</li> </ul>
Data and analytics	C3 The healthcare system lacks proper data to drive informed decision making, lead to more specialized of hospitals and healthier competition (especially in the imaging field)
Digital and hard Infra- structure	Lebanon does not currently have a centralized digital portal with a list of all hospitals (public and private) along with updated information on specialization, number of beds <sup>1</sup> , surgeries, etc.

1 Syndicate has a website with list of private hsopitals only but information is outdated



## Contents – Healthcare



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# A1 The healthcare sector represents ~4% of GDP and has experienced a slowdown in growth in the past 6 years



										Rel	evant Secto
	GDP contrib			6), % s	howr	as total	of GDP				010-2010 AGR <sup>2</sup> , %
Real Estate & Construction	21%	ļ							5%	₽	2%
ि Retail & Commerce		14%							8%	┛	0%
🛄 Manufacturing		1	0%					*	7%	┛	-2%
Administration			10%						6%	┛	3%
🖾 Finance, Insurance				9%					10%		6%
ি Education					8%				1%	1	3%
Business Services						7%			9%		-1%
🔅 Health		6				<mark>4%</mark>			8%	↓	4%
🛱 Transport						4	%		8%		5%
M Hotels & Restaurants							3%		8%		-3%
Agriculture							3%		1%		1%
Personal Services							3%		13%		-2%
<sup>(</sup> Å <sup>®</sup> ICT							3%		12%	┛	3%
TUtilities: Power & Water							2	%	4%		4%
Total Nominal GVA <sup>1</sup>			47								
Total taxes & subsidies								4			
Total Nominal GDP			Ę	51					8%		2%

1 GVA (Gross Value Add) represents nominal GDP excluding taxes & subsidies; 2 CAGR (Compound Annual Growth Rate) representing average annual growth in real GDP

# A1 The healthcare sector employs ~38K people, 2% of the total workforce



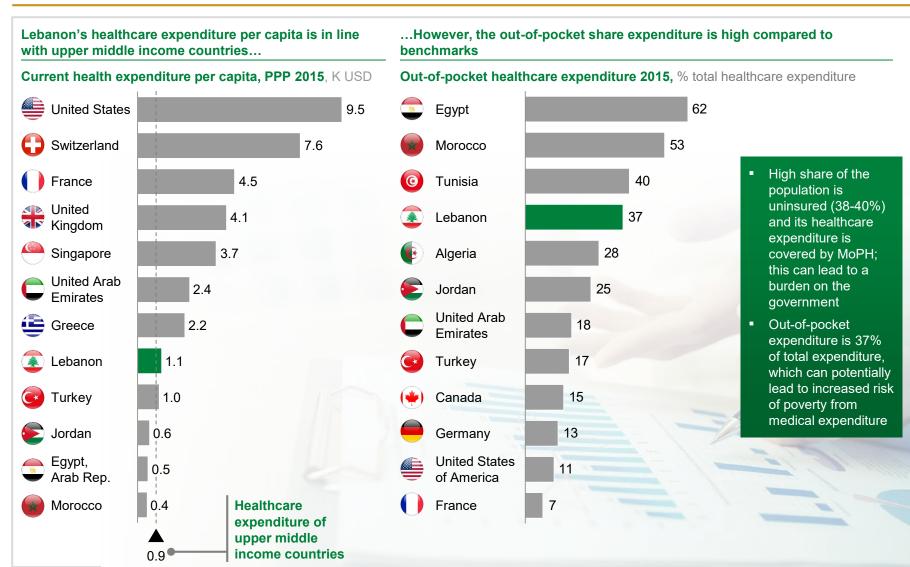
HIGH-LEVEL ESTIMATES

**Relevant Sectors** 

Sectors	Total employment, '000s (	2016)					
ि Trade	479 (2	24%)					
Real Estate & Construction		244 (12	2%)				
Shariculture			212 (11%)	*			
🛄 Manufacturing			194 (	(10%)			
Administration				185 (9%)			
☆ Education				16 <sup>-</sup>	1 (8%)		
🛱 Transport					110 (6%	<b>b</b> )	
Personal Services					10	6 (5%)	
M Hotels & Restaurants						90 (5%	6)
S Finance, Insurance						50 (	3%)
<sup>(</sup> <sup>™</sup> ) ICT						44	l (2%)
C Health							38 (2%)
Business Services							34 (2%)
Tilities: Power & Water							30 (2%)
Total			1,977				

**Note:** All employment data includes both formal & informal jobs; 2010 Baseline derived from total ILOSTAT employment, using CAS sector split. Post 2010 projections based on sector real GDP growth and ILOSTAT real productivity growth; adjustments applied to Health & Agriculture based on input from Ministry of Health and meeting with agriculture stakeholders

# A2 37% of healthcare expenditure in Lebanon is paid out of pocket potentially leading to an increased risk of poverty

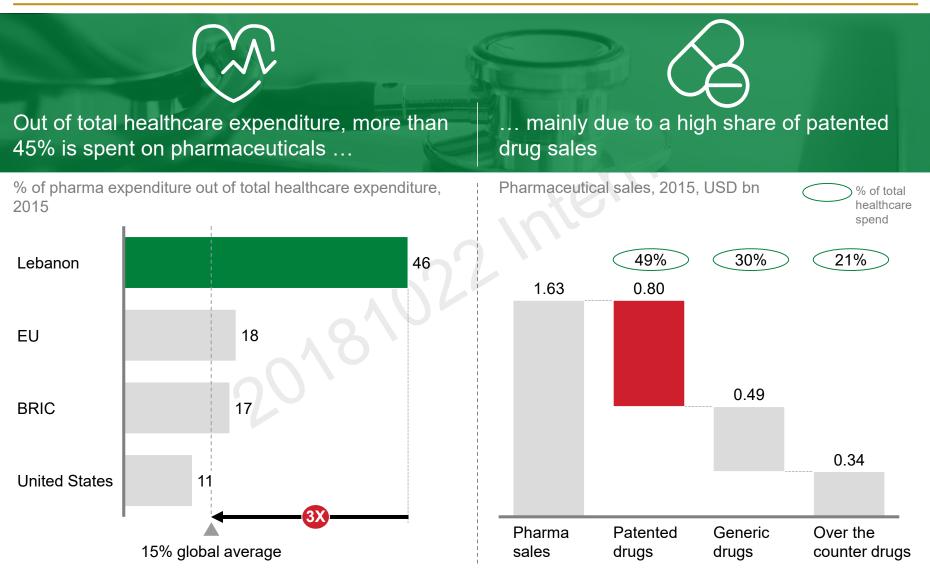


SOURCE: WHO Global Health Expenditure Database, MoPH bulletin, interviews

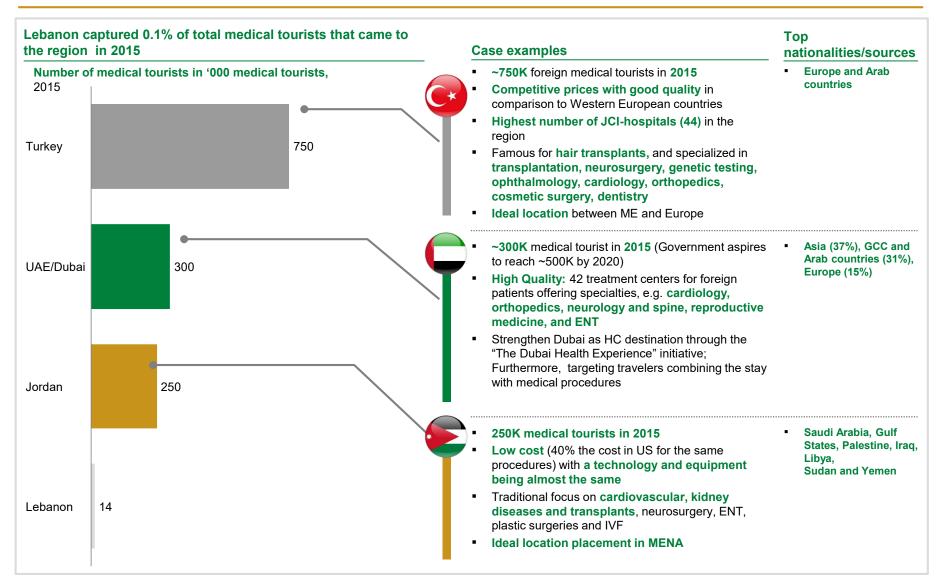


3 Lebanon's share of pharma expenditure out of total healthcare expenditure is more than 3x higher than global average





# A4 In 2015, Lebanon attracted ~14,000 medical tourists less than 6% Jordan's medical tourism market





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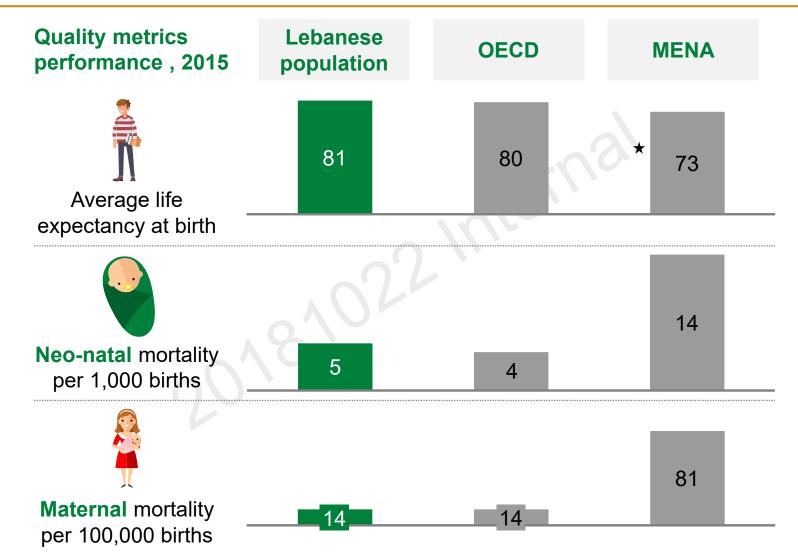
B1 Overall number of hospital beds and physicians per capita is in line with peers however there is a shortage in number of nurses

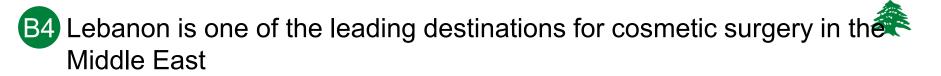


	<b>ber of doctors,</b> 1,000 habitants, 2016		<b>ber of nurses and midwives</b> ,000 habitants, 2016	<b>Num</b> Per 1	<b>ber of hospital beds</b> ,000 habitants, 2012
0	4.2	0	18.2 <sup>3</sup>		8.2 <sup>1</sup>
	4.2 <sup>3</sup>		13.8 <sup>3</sup>	$\mathbf{O}$	6.4 <sup>1</sup>
	3.4 <sup>3</sup>	$\mathbf{O}$	10.6 <sup>3</sup>	0	5.0 <sup>1</sup>
0	3.2		8.4		3.4 <sup>3,4</sup>
	<b>3.2<sup>3,4</sup></b>		7.1		2.9 <sup>1</sup>
	2.8		3.3 <sup>3,4</sup>		2.0 <sup>1</sup>
	2.3		3.1 <sup>3</sup>		1.8
	1.6 <sup>2</sup>		3.1 <sup>2</sup>		1.1
	0.8 <sup>2</sup>		1.4 <sup>2</sup>		0.9
	0.6 <sup>2</sup>		0.9 <sup>2</sup>		0.5

1 FY 2011; 2 FY 2014; 3 FY 2015; 4 Based on Lebanese population only

B2 Lebanon's overall quality of medical services meets high standards and is in line with OECD countries





## **Overview**

- The Lebanese plastic surgery industry has flourished in recent years with surgically enhanced beauty becoming increasingly desirable among image-conscious locals
- Cheaper and more affordable than western countries, e.g. USA
- Many Arab patients from abroad choose Lebanon because they feel more comfortable with doctors of the same cultural background
- Middle East Airlines, Lebanon's national carrier, has a link on its web site about the benefits of medical tourism

### **Hospitals**

 ISO certified hospitals (e.g. Bellevue Medical Center) are among the leaders in servicing foreign patients

## **Government initiatives**

 Banks in Lebanon (e.g. First National Bank) offer loans of up to \$5,000 for cosmetic surgery



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# **D** Opportunities and priorities



Lebanon should focus on increasing generic drug sales, protecting household income and positioning Lebanon as a medical hub



### **Key priorities** Detailed in the tourism strategy Decrease spending on pharmaceuticals by introducing drug pricing reforms and Update incentivize the sales of more generic medicine (co-pay schemes, higher regulations to commissions ...) F incentivize the Change current regulations on tariffs to incentivize hospitals to specialize instead purchase of of build new departments generic drugs Enhance data Introduce a "Health card" to better leverage population health data and act as a collection catalyst for better hospital specialization Protect Protect household income by designing insurance caps to make sure that no household patient is impoverished due to medical procedures income Position Lebanon as a $\bigcirc$

Develop a medical tourism strategy for Lebanon by focusing on the "convenience" play which requires specialization to target medical tourists from regional markets

medical

tourism hub



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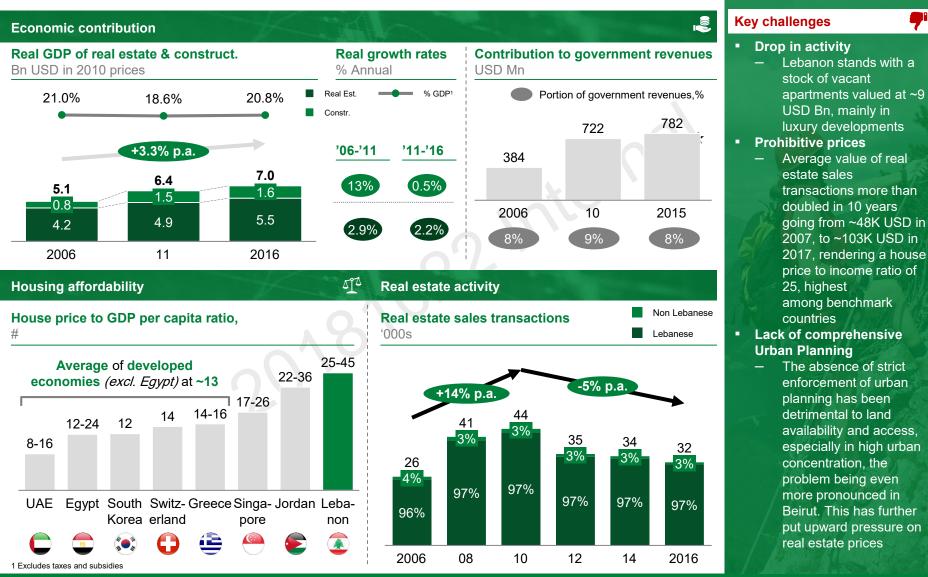
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- C. Path forward

### VIII. FLAGSHIP PROJECTS

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- B. Construction technology zone
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## Real Estate and Construction – summary of diagnostic



Source: Ministry of Finance Real Estate Registry; World Bank; Numbeo; Global Property Guide; Order of Engineers Beirut; Banque du Liban; CAS; World Bank A systematic country diagnostic 2015; Real Estate Association

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## Real estate & construction diagnostic - key performance measures

Key performance measures
<ul> <li>Real estate &amp; construction is the single largest contributor to Lebanon's GDP, standing at ~21% and employs ~12% of the total labour force.</li> <li>Real Estate &amp; Construction sector is the main contributor to the Lebanese economy currently contributing to ~21% of GDP: real estate contributes to 15% of GDP while construction contributing to a further 5%.</li> <li>The sector witnessed a marked growth at ~5% p.a. during 2005-2010, before witnessing a reduced growth of ~2% in the last 6 years.</li> <li>The sector employs an estimated total of ~244K people, representing ~12% of the total labour force.</li> <li>The sector is also a major contributor to the government's revenues, ~0.8Bn USD annually, corresponding to ~8% of the total, through built property tax, real estate registration fees &amp; inheritance tax</li> </ul>
<ul> <li>After witnessing a period of growth during the 2006-2010 boom, real estate &amp; construction activity has witnessed a continuous decline</li> <li>Sales transactions witnessed a growth of ~14% p.a. pre-2010, before steadily declining at ~5% p.a. afterwards, accompanied by a declining contribution of foreign investors</li> <li>Sales transactions increased by ~14% yearly starting 2006, to reach ~44K yearly in 2010; total value of sales grew at ~34% p.a. and reached ~4.6 USD Bn in 2010</li> <li>Post 2010, sales transactions started declining at ~5% p.a. to stand at ~32k in 2016 whereas total value of sales stagnated at ~5 USD Bn; an uptake in sales value was witnessed in 2017 reaching ~6.7 USD Bn</li> <li>Foreigners contributed to ~3% of the total sales transactions across the years; their contribution to sales value however dropped from ~11% in 2006 to ~6% in 2007</li> <li>Construction activity, as proxied by immediate construction permits &amp; cement deliveries, followed the same trends that affected sales transactions</li> <li>Number of immediate construction permits grew by ~25% p.a. starting 2006, to reach ~12 Mn sqm in 2010; also cement deliveries grew by 18% p.a. during the same period</li> <li>Number of immediate construction permits declined afterwards by ~3% p.a. to reach ~10 Mn sqm in 2010; also cement deliveries stagnated at 5-5.5 Mn tons</li> <li>Today, Lebanon stands with a stock of vacant apartments valued at ~9 USD Bn, mainly in luxury developments</li> </ul>



## Real estate & construction diagnostic - key performance drivers

### **B. Key performance drivers**

Overall	В
demand	
notontial	

~300,000 dwellers live in slums, driven by prohibitive pricing: The average Lebanese pays double what he/she would on average in other countries

## Jieniiai

- UNHABITAT (Fawaz and Peillen 2003) estimates that the 'slum' to urban population in the Greater Beirut Area was around 20% pre-Syrian crisis, corresponding to ~300,000 dwellers
- Prohibitive pricing is the main driver for the formation of slums: Average value of real estate sales transactions more than doubled in 10 years going from ~48K USD in 2007, to ~103K USD in 2017, rendering a house price to income (GDP per capita) ratio of 25-45, highest among benchmark countries

B2 Managing to stimulate unmet potential demand would help sustain current supply momentum of housing units

- Going forward, yearly potential demand for housing units is projected to stand at ~42-44K yearly stemming from three different sources
  - Increase in household demand driven by the natural population growth, standing at ~24K units per year \_
  - Foreign & expat demand, standing at ~10K units in line with historical trends
  - Resorption of current stock potential (slums) during the next 8-10 years, standing at ~7.5-10K units
- Yearly market supply of new housing units is expected to stand at ~48K driven by two sources
  - Newly built units projected at ~42K yearly based on the immediate construction permits area —
  - Resorption of the current stock of vacant units during the next 5 years, standing at ~5K units
- B3 Achieving that goal would require a readjustment of supplied units allocation by target segment
  - Expected oversupply of ~17K units expected for high-income housing
  - Expected shortage of ~12K units expected for low-income housing

Capital Investment Program is expected to revive the growth in public works, which has historically been **B4** low, at only ~3% of government's budget

- Government yearly capital expenditures on public works fluctuated between 240 and 430 USD Mn, corresponding on average to ~3% of government's budget
- The 16 USD Bn CIP program is expected to generate ~0.5 USD Bn of GDP yearly and ~20K jobs
- If the implemented CIP initiatives do not enable and unlock the growth in other sectors, GDP & job creation impact would be muted post capital investment period: initiatives phasing & prioritization is critical



## Real estate & construction diagnostic - enablers

C. Enablers	
<ul> <li>Access to finance</li> <li>Developed financial sector allowed for easy access to financing, towards both consume state developers, fuelling the real estate boom of the 2006-2010 period</li> <li>Increase in availability of bank funds, driven by the high growth in remittances and deposit to double down on housing loans as well as loans for construction &amp; real estate</li> <li>Housing loans increased by ~60% p.a. during the same period, loans for construction and today account for the largest portion of credit given by banks, standing at ~35% or across most regions</li> <li>People in the low-income brackets (average household income of ~1,200 USD monthly) c property worth 45-65K USD, even with subsidized mortgage loans with 5% interest rates</li> </ul>	ts, drove banks by ~21% p.a., f the total <b>hing property</b> can only afford
Urban planning • The absence of strict enforcement of urban planning has been detrimental to land availability especially in high urban concentration, the problem being even more pronounced in Beirut put upward pressure on real estate prices	ility and access,
<ul> <li>Public housing policy was historically absent and recently geared towards providing shousing loans</li> <li>National housing &amp; affordable-housing policies have not included measures commonly four countries. There are, for instance, no public housing projects in the country apart from few association or municipality-driven initiatives.</li> <li>Policies have been geared towards increasing house ownership through providing subsidi loans: EPH, BDH &amp; BDL subsidized housing loans</li> </ul>	und in other / community,
<ul> <li>Real estate legislati on</li> <li>Cumbersome real estate registration process, as well as excessive taxation has further foreign investors post the real estate boom</li> <li>Excessive taxation and lack of proper incentives</li> <li>High cost and lengthy property registration process</li> </ul>	r deterred





Key performance drivers

Enablers

В

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**Opportunities & priorities** 

A The real estate & construction sector is the major contributor to the Lebanese economy representing ~21% of GDP

ACTORS	<b>GDP contribution,</b> U excluding taxes & sub		(2016	), % showi	n as tot	al of GDP			10 2	evant Sec 010-201 AGR <sup>2</sup> , 9
Real Estate & Construction	21%							5%		2%
ि Retail & Commerce	14%							8%		0%
🛄 Manufacturing		10%				*		7%		-2%
📥 Public Administration			10%					6%		3%
🖾 Finance, Insurance				9%				10%		6%
☆ Education				8%				1%		3%
Business Services					7%			9%		-1%
🔅 Health					4%	6		8%		4%
🛱 Transport						4%		8%		5%
M Hotels & Restaurants						3%		8%		-3%
B Agriculture						3%		1%		1%
Personal Services	7.9					3%		13%		-2%
<sup>(</sup> <sup>(</sup> ) ICT						3%		12%		3%
TUtilities: Power & Water						2%		4%		4%
Total Nominal GVA <sup>1</sup>			47							
Total taxes & subsidies							4			
Total Nominal GDP			5	1				8%		2%

Source: CAS

average annual growth in real GDP

# A1 The sector is one of Lebanon's largest employers, with 244,000 permanent employees



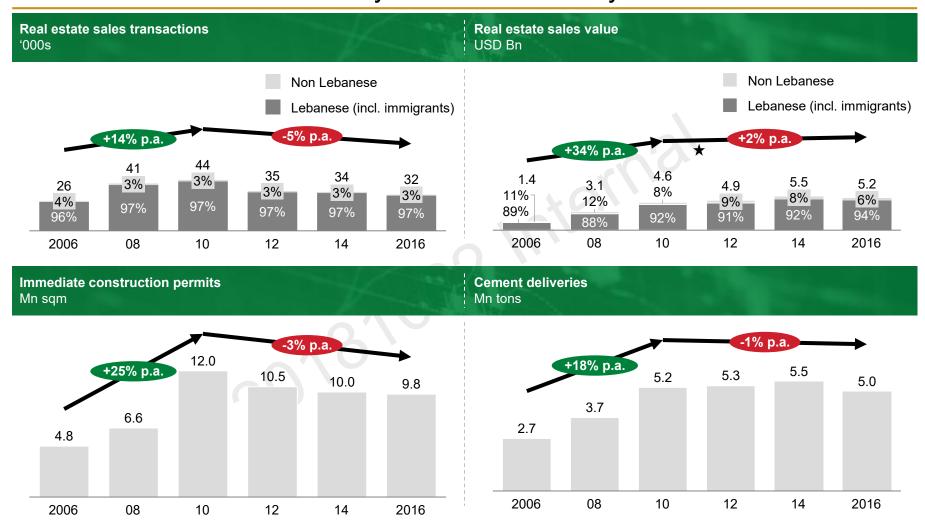
HIGH-LEVEL ESTIMATES

**Relevant Sectors** 

Sectors	Total employment, '000s (2016)			5.5
े⊟ Trade	479 (24%)			
Real Estate & Construction	244 (12%)			
Shariculture	212 (11%)			
🛄 Manufacturing	194 (10%)			
Administration	185 (9%)			
☆ Education	161	(8%)		
🛱 Transport		110 (6	%)	
Personal Services		1(	06 (5%)	)
M Hotels & Restaurants			90 (5	5%)
S Finance, Insurance			50	(3%)
<sup>((</sup> <sup>™</sup> )) ICT			4	4 (2%)
🔅 Health	6			38 (2%)
Business Services				34 (2%)
Tilities: Power & Water				30 (2%)
Total	1,977			

**Note:** All employment data includes both formal & informal jobs; 2010 Baseline derived from total ILOSTAT employment, using CAS sector split. Post 2010 projections based on sector real GDP growth and ILOSTAT real productivity growth; adjustments applied to Health & Agriculture based on input from Ministry of Health and meeting with agriculture stakeholders

# After witnessing a period of growth during the 2006-2010 boom, real a steady decline



**Notes:** (1) Real estate transactions volume & value for sales only, for subdivided units (only those registered in the Integrated Registry System); (2) Immediate construction permits data from Beirut Order of Engineers, Tripoli data extrapolated as data was not received



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## Key performance drivers

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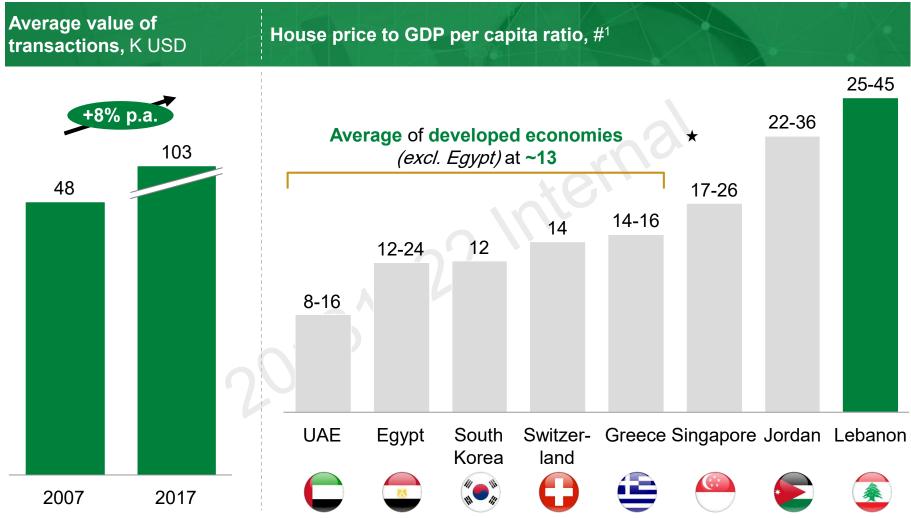
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D

**Opportunities & priorities** 

Driven by the twofold increase in prices, the average Lebanese pays double what he/she would on average in other countries



1 Average house size of 100sqm assumed; House prices taken outside city centre from Numbeo for lower bound and Global Property Guide average prices for upper-bound, Country's capitals used as reference **Note:** Average transaction value computed as total value of transactions to total number of transactions with Real Estate Department Data

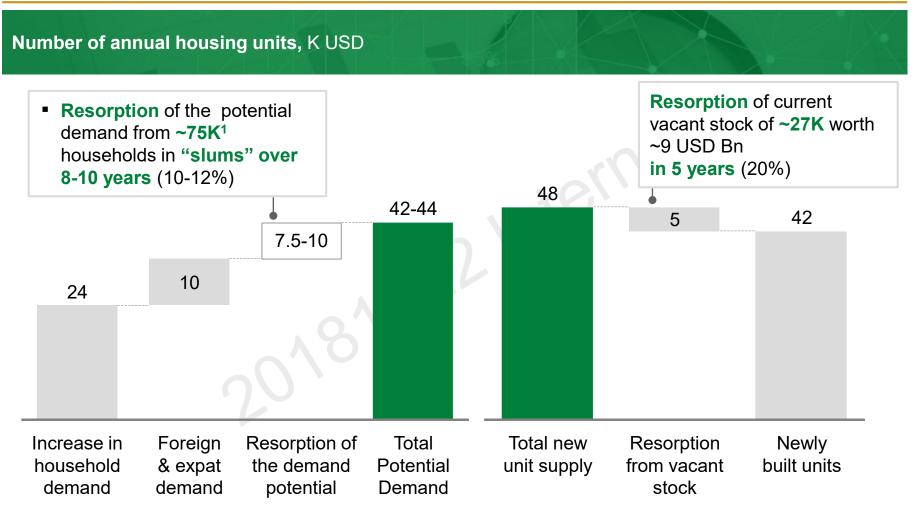
Source: Ministry of Finance Real Estate Registry; World Bank; Numbeo; Global Property Guide



B2 Managing to stimulate unmet potential demand would help sustain current supply momentum of housing units



HIGH LEVEL ESTIMATES

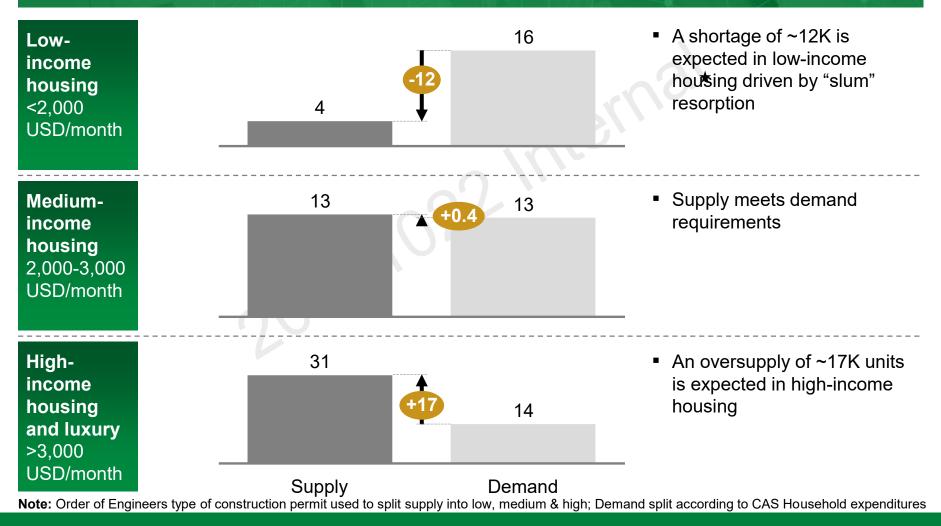


1 Computed from the 300,000 dwellers and an average household size of ~4

Note: Increase in household demand computed using World Bank population projections and CAS average household size of ~4 and 1 housing unit per new household; Newly built units computed from total residential immediate construction permits size in sqm divided by average unit size of 135 sqm and grossing factor of 40%

B3 Achieving that goal would require a readjustment of supplied units allocation by quality and target segment

Number of annual housing units, K USD

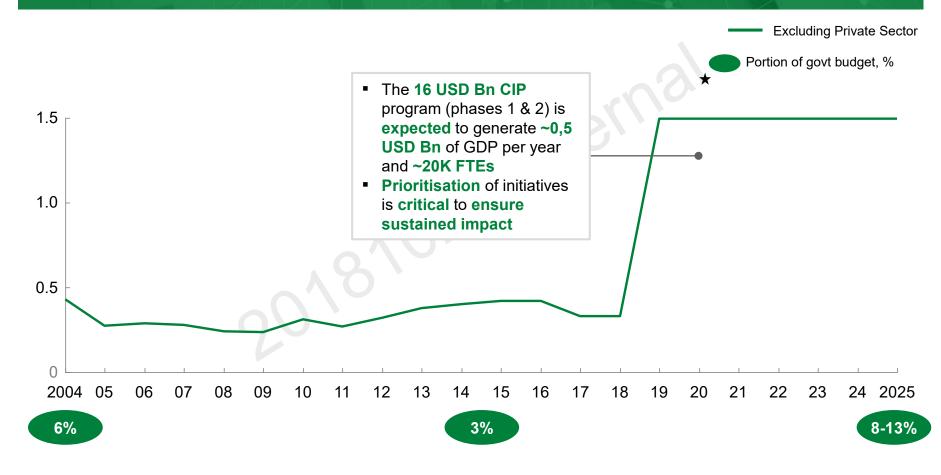


Source: Ministry of Finance Real Estate Registry; Order of Engineers Beirut; CAS; UNHABITAT; Real Estate Association; World Bank

B4 CIP is expected to revive the growth in public works, which has historically been low, at only ~3% of government's budget



Public works expenditures, USD Bn



Source: Ministry of Finance annual budgets; CIP



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Key performance measures

Key performance drivers

# **C** Enablers

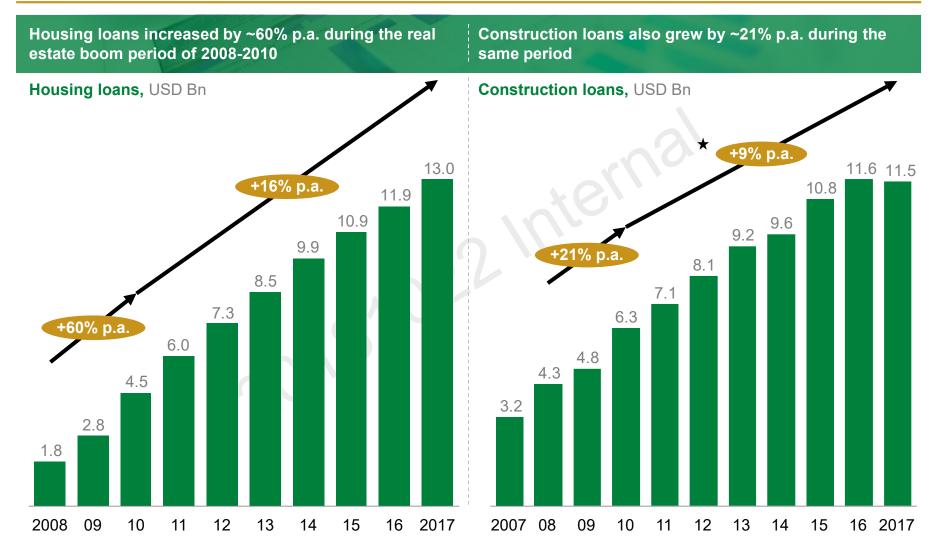
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В

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**Opportunities & priorities** 

## C1 Ease of access to finance further fueled the real estate and construction growth

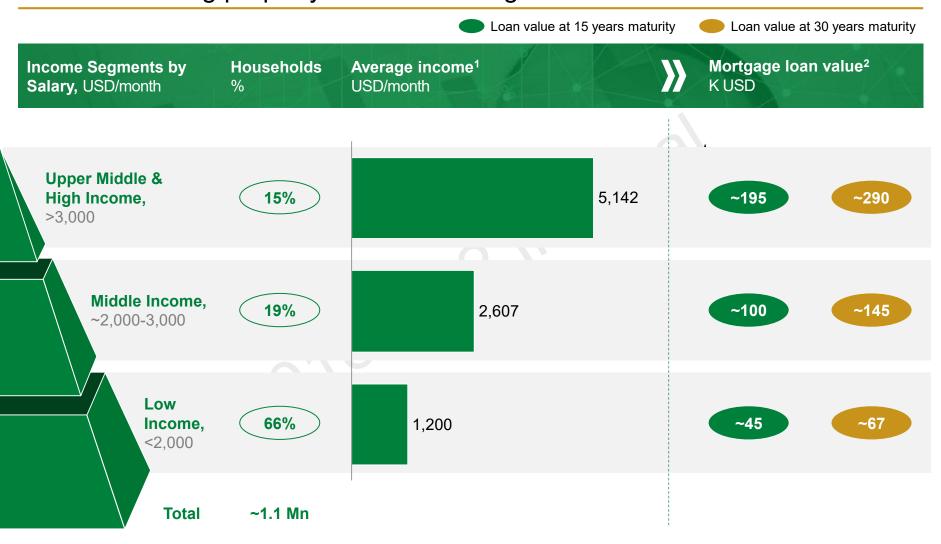


Note: Construction loans exclude real estate loans as defined by the Banque du Liban



## Even with low interest housing loans ~66% of households cannot afford owning property across most regions





1 Income computed from total household expenditure brackets assuming an 8,12,15% savings rate based on global benchmarks 2 Loan value computed assuming a 5% interest rate and either 15 or 30 years maturity

C5 Cumbersome real estate registration process, as well as excessive foreign investors post the real estate boom

Ease of re property ra			<b>Time</b> days				Cost % prop	erty \	value		Procedure numbers	es		
10		UAE	2				0,2				2			
16	0	Switzerland		16			0,3			2,		1		
19		Singapore	5					2,9	6			6		
72		Jordan		17						9,0		6		
86		Morocco		22		$\sim$ L			6,4			6		
102		Lebanon			34				5,9				8	
119		Egypt				75	1,1						8	
139		Ethiopia			52	2			6,0				7	
145		Greece		20					4,8				10	)
			I	▲ Ø 27	,		I	ø 4,	1		1	▲ Ø 6		



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**D** Opportunities & priorities



## Key priorities for the government

D

Public	<ul> <li>Develop an affordable housing program with the focus of absorbing current unmet demand (slums), encompassing the different levers</li> </ul>
housing	<ul> <li>Ensure proper sector incentives to allow for a revised mixed of supplied units to match the demand mix</li> </ul>
Urban D2 planning	<ul> <li>Revise current Lebanon master plan with an emphasis on Beirut's urban plan</li> </ul>
planning	Enforce abidance to urban plan and construction guidelines
D3 Legislation	<ul> <li>Streamline current real estate registration process and revise taxation on real estate</li> </ul>
	<ul> <li>Enforce real estate registration to close the gap of unregistered property and increase government revenue</li> </ul>
	Review access to financing
Access to financing	

## Several examples are emerging of breakthroughs in delivering housing impact – (1/2) Brazil



Minha Casa Minha Vida	US \$20 billion fund established by Brazil's Federal Government 1 million households targeted (now expanded to ~3 million) Program incentives and private sector obligations co-created with the private sector Directly reporting to the President with periodic performance dialogues
Buyers	<ul> <li>Provide loans at 5-8% interest for up to 90% of a house's value <ul> <li>Those making up to 3x minimum wage access full subsidy, up to US \$27,000</li> <li>Those between 3-6x minimum wage have access to smaller subsidy and loan size</li> <li>Loan must be re-financed within 3 years</li> </ul> </li> <li>Reduce or eliminates stamp fees and other one-time costs</li> <li>No down payment or any other payment before occupation</li> </ul>
Construction companies	<ul> <li>Improve financing conditions <ul> <li>Lower interest rates</li> <li>Helps manage land purchase cash requirements</li> <li>Few pre-sale requirements (30% committed for approval)</li> </ul> </li> <li>Cost reduction <ul> <li>Insurance</li> <li>Taxes</li> <li>Tributes and contributions</li> </ul> </li> </ul>
Material supplier companies	<ul> <li>Suppliers are encouraged to develop new materials, especially for the supply of the programme</li> <li>Fabrimar, a metal company will launch a completely new line sold directly to the construction companies</li> <li>Suvinil, a paint company from BASF group, is investing in low pricing product line to paint a million houses, with just 50 million litres of paint.</li> </ul>

1 Subsidies based on income segment and approved loan, with a cap on installment to income ratio for each income segment

Several examples are emerging of breakthroughs in delivering housing impact – (2/2) Turkey & Morocco



# 



- TOKI has access to public land that it can change zoning on
- Innovative revenue sharing agreements and traditional property development models
- Contractors bid for development

### **BETWEEN 2003-2012**

535,000 housing units completed at 2,350 sites86% social affordable housing14% luxury projects for fund raising

### Morocco Public Private Partnership (PPP)

- Creation of a public fund to guarantee up to 70% of the loan
- Tax breaks for private developers
- Reduced price for land against the commitment for
  - 1/3 of land for flats < MAD</li>
     140k
  - 1/3 of land for flats < MAD 200k</li>
  - 1/3 of land for free development

### **BETWEEN 2008-2012**

**200,000** housing units planned

International examples suggest certain key interventions to deliver housing at scale, with speed while generating wealth for stakeholders

Setup an effective housing program with a focus on delivery

Plan and create communities, cities and jobs, not just settlements

Support 'industrialization' of housing construction to scale-up rapidly

- Output the second secon
- B Design and deliver the right PPP or public led programs that can unlock the most critical bottlenecks such as land availability and provide the right incentives for the private sector to participate in the build-out
- C Focus on implementing the 3-4 most critical policy levers relevant in the local context and align all stakeholders to deliver on these levers
- Proactively enable access to financing through lending institutions while ensuring that lending is geared to happen in practice
- E Integrate housing development plans with economic development plans and employment initiatives to create 'live-work-play' communities where people aspire to relocate
- **E** Accelerate momentum through delivery networks that can stimulate entrepreneurship and create a network of SMEs, sector organizations and government delivery units working in tandem
- **Collaborate with the private sector to lower unit costs and industrialize housing construction** by bringing in the right technology enablers and building systems (eg: pre-cast factory built homes)

## D1 Public and private led models suggest 'cross-subsidisation' as a key principle in incentivising the private sector

	PPP model used	Impact of model used	Key learnings		
<b>Turkey</b>	TOKI issues tenders for the <b>disposal of</b> <b>government-owned land</b> for mass housing projects. Private developers submit plans indicating <b>how many</b> <b>dwellings</b> they <b>provide</b> and what <b>proportion</b> of these they <b>give back</b> to TOKI for the government to rent or sell	TOKI has delivered more than <b>500,000</b> housing units in over 2,000 projects over Turkey in the past 25 years.	TOKi has proven itself to be a successful method of delivering mass market housing across other markets where <b>the government has</b> <b>control over large areas of</b> <b>land</b>		
Morocco	Government offered 3,800 hectares of land at a reduced price to developers who use land to sell flats as outlined: 1/3 of land: flats < 61,000 SAR 1/3 of land: flats < 87,000 SAR 1/3 of land: any other types of property	Such PPPs have resulted in <b>130,400</b> housing units built in Morocco; developer Addoha has had <b>57% revenue increase</b> in 2010 based on a business model with 80% of its projects in affordable housing	Morocco demonstrates that such PPPs work when government can offer subsidised land and high/mid/low-end product mix of units to cross-subsidise and improve profitability		
(India)	Department of Urban Development Housing uses several models, including <b>minimum requirements</b> of construction for low- and bottom-ncome groups, paired <b>with various incentives</b> for the private	PPP models are used to build <b>75,000</b> of the 125,000 houses (government target for <b>2009-2014</b> ).	Rajasthan proves that, even without government land, urban planning efforts can use a combination of models, based on land type can be		

based on land type can be customised in order to set a variety of requirements

waived external expenses, etc)

sector (e.g, free cost of government land,



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  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
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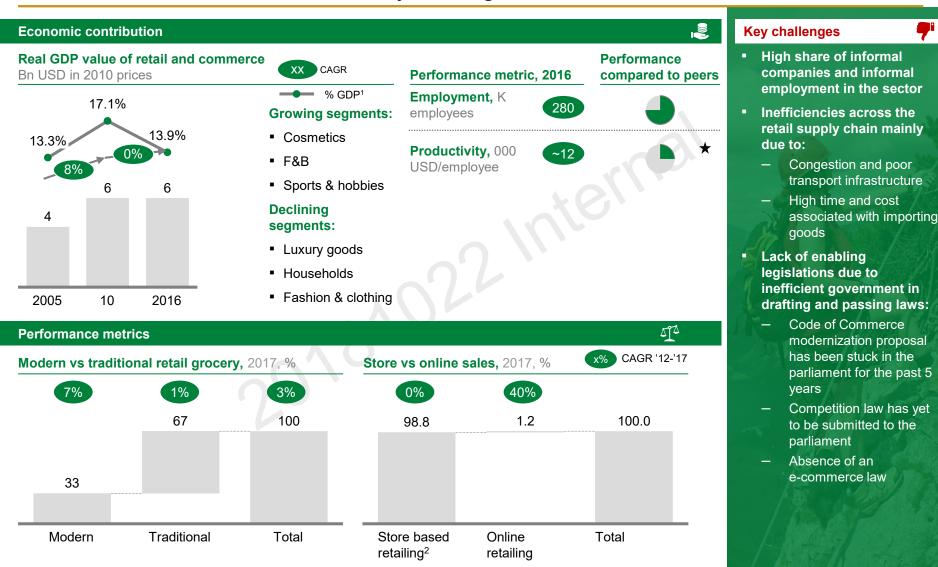
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## Retail and commerce – summary of diagnostic



Low



1 Excludes taxes and subsidies 2 Includes small share of direct selling



## Retail – Key performance measures

A. Key performanc	asures	
		rce is the second main contributor to the Lebanese economy in terms of GDP ne first in terms employment; the sector has been experiencing a stagnation in the ng at 0% p.a.)
	<ul> <li>Wholesale and response</li> </ul>	etail constitutes 14% of GDP <sup>1</sup> with 6 Bn USD (in 2010 prices) contribution
	It also employs 2	4% of the workforce, out of which ~60% is estimated to be informal labour
Macro-economic	<ul> <li>The sector's grov p.a. (2010-2016)</li> </ul>	wth has seen a slowdown in the last 6 years; growth went from 8% p.a. (2005-2010) to 0%
performance		countries, the retail and commerce sector in Lebanon has a high total contribution yment but a low productivity
		P <sup>1</sup> contribution as a % of total GDP <sup>1</sup> is high compared to peer group, in line with Malaysia ail sector) and USA (high productivity retail sector)
		highest employment contribution among peer group (~24%) followed by Greece and and 17% respectively)
	<ul> <li>The sector produ USD/FTE in 201</li> </ul>	activity is low (~12,000 USD/ FTE in 2016) when compared to peer group average (51,000 6)
Sector		ctor can be segmented into three categories: non-grocery <sup>2</sup> (60% of total sales), tal sales) and mixed (3% of total sales) with majority of sales share coming from
performance	Sales have been gr goods have slowed	owing in F&B, cosmetics and sports& hobbies while sales in clothing and luxury I down

- 1 Excluding taxes and subsidies
- 2 Includes apparel and footwear specialist retailers, Electronics and appliance specialist retailers, Health & beauty specialist retailers, Home and garden specialist retailers, Leisure and personal goods specialist retailers, Other non-grocery retailers
- 3 Includes retailers selling predominantly food/beverages/tobacco and other everyday groceries.



## Retail – Key performance driver

B. Key performance	e drivers
Traditional vs modern retail	<ul> <li>B1 Traditional grocery<sup>1</sup> has 66% market share of total grocery sales vs 33% for modern<sup>2</sup> grocery; however modern grocery is 5x more productive and growing at a faster rate</li> <li>Sales of traditional grocery is 2x higher than modern grocery but occupy 8x more selling space</li> <li>However, modern grocery retailing is ~3 times more productive than traditional retailing (sales/sqm)</li> <li>Modern grocery is also growing at a rate of 7% p.a. while traditional grocery has been stagnating (1% growth in sales p.a)</li> </ul>
E-commerce	<ul> <li>Store based retailing accounts for majority of sales in Lebanon and share of online sales is still low (~1.2% of total retail sales) especially compared to countries with similar internet penetration</li> <li>E-commerce's share in the retailing sector is still very small (1.2% of total)</li> <li>Moreover, Lebanon's online sales fall behind benchmark countries with comparable or even lower internet penetration rates</li> <li>However, e-commerce is witnessing a fast very growth of 40% p.a from 2012-2017 despite lack of appropriate legislations to support that growth (E-commerce law is currently drafted and in parliament)</li> </ul>
Informal businesses and employment	<ul> <li>B The informal sector plays a big role in the retail sector, both in terms of informal retail companies and informal employment within formal retail companies</li> <li>The highest percentage of informal businesses are reportedly in the retail sector with 66 % of informal firms engaging in the selling of food, clothes, household items, electronics and other goods</li> <li>60% of employees in the retail sector are informal employees</li> </ul>
Exports	<ul> <li>Lebanon's retail sector has successfully exported concepts across retail segments mainly in F&amp;B and high end fashion</li> <li>High end fashion is a successful export segment with Lebanese designers getting world-wide recognition through regular appearances of their design at red carpet events (e.g. Elie Saab, Zuhair Mourad, Reem Acra, Georges Chakra)</li> <li>Lebanese F&amp;B products and concepts have been successfully exported in the region and globally through franchising the brand names (e.g. Patchi, Kababji, Zaatar w Zeit); despite the lack of proper franchising law in Lebanon</li> </ul>

1 Includes non-chained grocery retailers which are mainly independent Small Grocers, Food/Drink/Tobacco Specialists and Other Grocery Retailers 2 Includes Hypermarkets, Supermarkets, Discounters, Forecourt Retailers and Convenience Stores



## Retail – Enablers

C. Enablers	a 🛉 🕈
Enabling	Several laws that would enhance the business environment in retail are either still being drafted or pending parliament approval
legislations	<ul> <li>Modernizing the Code of Commerce to facilitate credit sales procedures and debt instruments, and defining special judicial recourse for the collection of trade debts.</li> </ul>
	<ul> <li>A competition Law is needed to promote healthy competition, enhance market access and prevent monopoly, anticompetitive agreements and abuses of dominance</li> </ul>
3	<ul> <li>An e-commerce Law is needed to enable the growth of the online retailing channel (currently drafted and in parliament)</li> </ul>
/_	<ul> <li>Franchising Law is needed to allow the licensing of a company's business model and trademark</li> </ul>
Customer	The customer protection department and the private sector are working to enhance customer protection in the market
protection	<ul> <li>Protection department has reported 825 violations in 2017 against the customer protection rights with most of them being related to food quality and pricing</li> </ul>
	<ul> <li>Customer protection strategy for 2018 aims at leveraging technology to build a database, improving regulations and raising awareness</li> </ul>
ij	<ul> <li>The BPG (Brand Protection Group), a lobby group made up of local companies and multinationals, is cooperating with UNCTAD Mena Programme to launch a regional training centre in Lebanon which will focus on implementing strategies for enhanced consumer protection (incl. product safety, risk assessment, e-commerce, financial services, tourism and misleading advertisements)</li> </ul>
Efficient and	C3 Several inefficiencies across the retail supply chain lead to an increase in consumer prices/decrease in margins
effective logistics	<ul> <li>Time and cost associated with importing goods to Lebanon is very high compared to MENA and OECD average (Cost and time to import goods is respectively 30% and 60% higher than MENA average)</li> </ul>
	<ul> <li>Congestion leads to a decrease in efficiencies for transport of goods and higher transportation costs</li> </ul>
<b>0</b>	<ul> <li>Poor infrastructure is also an obstacle for the development of e-commerce which is highly dependent on a logistics play</li> </ul>



### Contents – Retail and Commerce



Key performance drivers

Enablers

В

7

Opportunities and priorities

## A Retail and commerce is the second largest contributor to the economy and represents 14% of total GDP



	<b>GDP contribution</b> , USD Bn (2016) excluding taxes & subsidies	, % showr	n as total of GDP	2005-2010 CAGR², %	0 20	
$\textcircled$ Real Estate & Construction	21%			5%	₽	2%
🛱 Retail & Commerce	14%			8%	┛	0%
🛄 Manufacturing	10%		*	7%	┛	-2%
Aministration	10%			6%	↓	3%
🗊 Finance, Insurance		9%		10%	┛	6%
		8%		1%		3%
Business Services	~?		7%	9%	↓	-1%
🖉 Health			4%	8%	↓	4%
🖺 Transport			4%	8%	↓	5%
M Hotels & Restaurants	101		3%	8%	↓	-3%
Sta Agriculture			3%	1%	$\longleftrightarrow$	1%
Personal Services			3%	13%	↓	-2%
<sup>™</sup> ICT			3%	12%	┛	3%
TUtilities: Power & Water			2%	4%	$\leftrightarrow$	4%
Total Nominal GVA <sup>1</sup>	47					
Total taxes & subsidies			4			
Total Nominal GDP	51	1		8%		2%

Source: CAS

## A2 The retail and commerce sector is Lebanon's largest employer, employing 24% of the workforce



HIGH-LEVEL ESTIMATES

Relevant Sectors

Sectors	Total employment, '000s (2016)	
😽 Retail & Commerce	479 (24%)	
Real Estate & Construction	244 (12%)	
🔂 Agriculture	212 (11%)	
🛄 Manufacturing	194 (10%)	
Administration	185 (9%)	
☆ Education	161 (8%)	
🛱 Transport	110 (6%	<b>b</b> )
Personal Services	106	6 (5%)
M Hotels & Restaurants		90 (5%)
Insurance, Insurance		50 (3%)
<sup>(</sup> ∦ <sup>®</sup> ICT		44 (2%)
🔅 Health		38 (2%)
Business Services		34 (2%)
Water     Water		30 (2%)
Total	1,977	

**Note:** All employment data includes both formal & informal jobs; 2010 Baseline derived from total ILOSTAT employment, using CAS sector split. Post 2010 projections based on sector real GDP growth and ILOSTAT real productivity growth; adjustments applied to Health & Agriculture based on input from Ministry of Health and meeting with agriculture stakeholders

## A2 We benchmarked Lebanon's retail and commerce sector against comparable and best in class countries



## A2 The sector's contribution to GDP and employment is high compared to benchmarks...



## Retail and Wholesale contribution to GDP<sup>1</sup>, 2016

👙 Malaysia	16.6		
🤗 Singapore	14.2		
🛟 Switzerland	14.2		
💿 Lebanon	13.9		
Turkey	12.9		
C United Arab Emirates	12.7		
United States	12.2		
Egypt	11.4		
🕀 United Kingdom	11.0		
连 Greece	10.2		
e Germany	9.9		
France	9.9		
🥮 China	9.9		
Morocco	9.0		
Jordan	8.4		

## Retail and Wholesale contribution to employment, 2016, %

💿 Lebanon	24
😉 Greece	18
🔮 Malaysia	17
Singapore	17
China	17
Morocco	16
\varepsilon Jordan	15
e Germany	14
🞯 Turkey	14
France	13
United Kingdom	13
Switzerland	12
Egypt	12
United States	12
C United Arab Emirates	11

1 Excluding taxes and subsidies

## ...However, overall productivity of the sector is low compared to A2 benchmarks

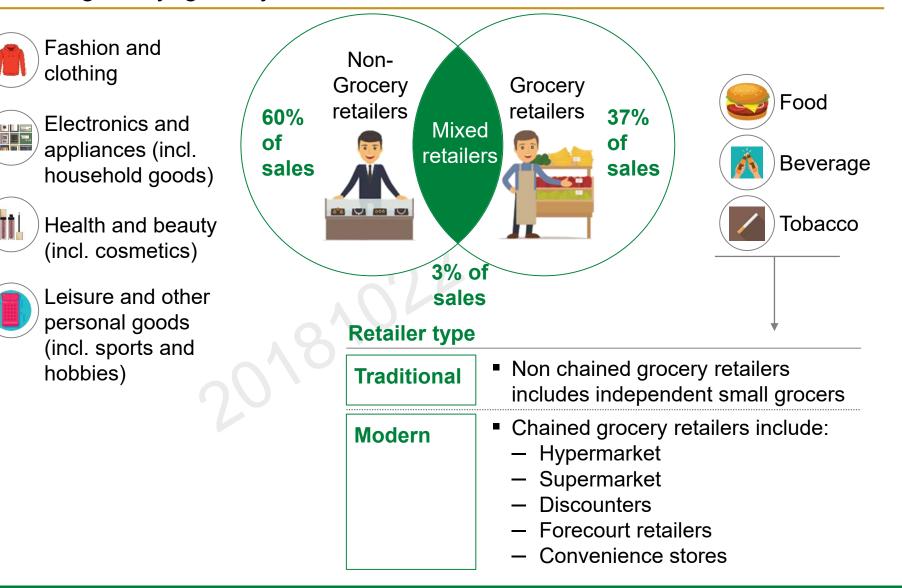
### Retail and wholesale real productivity per employee 2016<sup>1</sup>, 000 USD/employee

C Switzerland		181
United States		116
Singapore		99
I France		75
🟶 United Kingdom		73
🛑 Germany		60
C United Arab Emirates		60
😻 Korea, South	28	
💽 Turkey	28	
🕒 Greece	27	
👙 Malaysia	21	
📀 Lebanon 💦 🦷	12	
🗲 Jordan	9	
🔁 Egypt	9	
🔴 China	6	
Morocco	5	

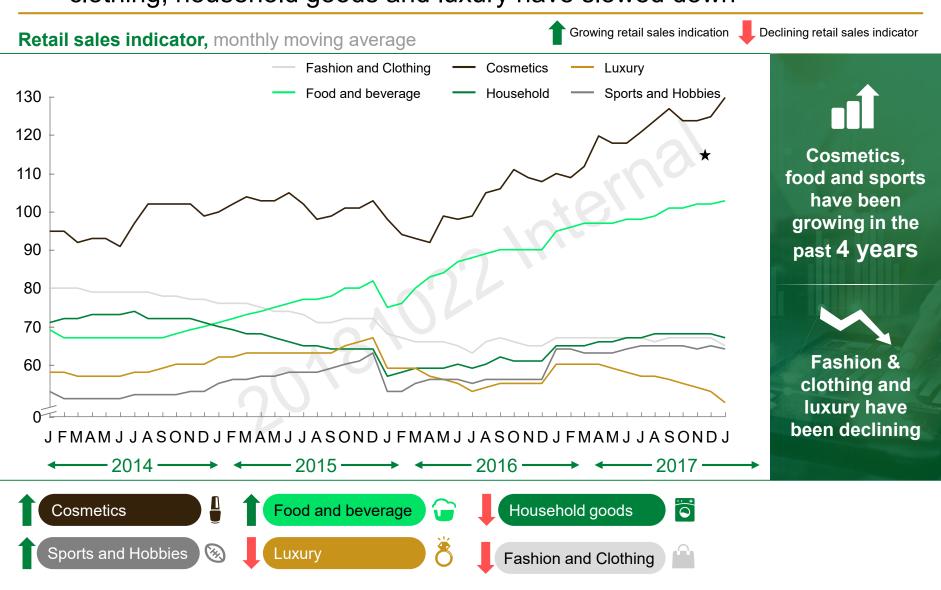
1 Based on real 2016 GDP before tax and subsidies in 2010 prices and before tax and subsidies and before tax and subsidies in 2010 prices and before tax and subsidies and before tax and subsidies in 2010 prices and before tax and subsidies and before tax and subsidies and before tax and subsidies and before tax and before tax and subsidies and before tax and before tax and subsidies and before tax and befor



A3 Lebanon's retail sector can be segmented into three categories: non-grocery, grocery and mixed



## Sales grew in F&B, cosmetics and sports&hobbies while sales in clothing, household goods and luxury have slowed down





### Contents – Retail and Commerce

Key performance measures

- **B** Key performance drivers
  - ) Enablers

Α

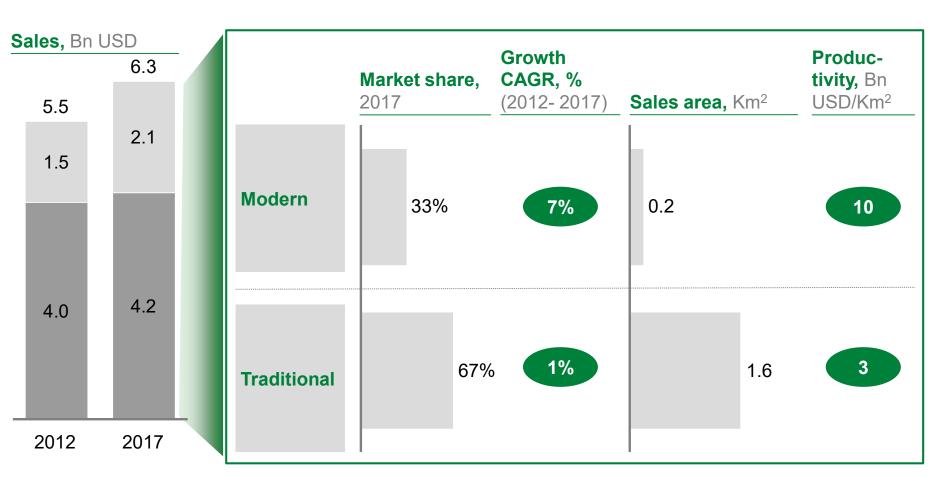
С

Opportunities and priorities

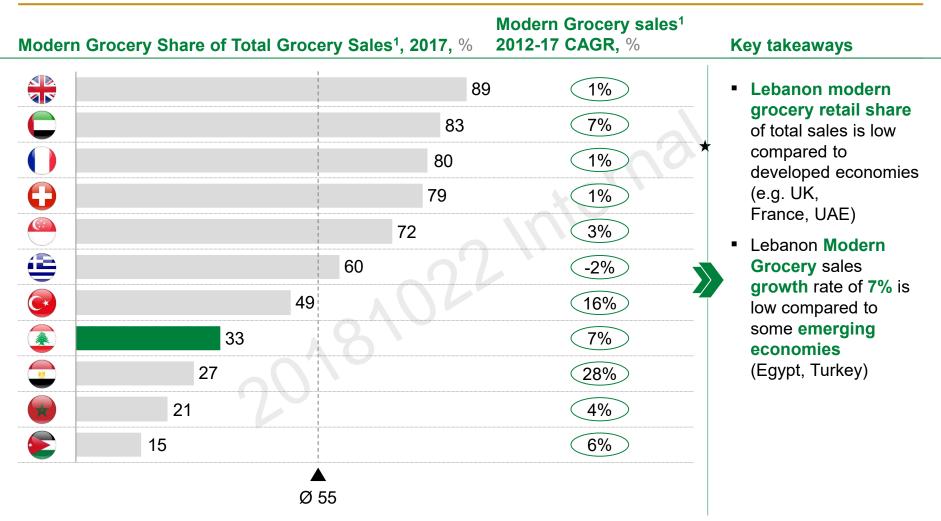
B1 Modern grocery is growing ~7x faster than traditional grocery and is ~3x more productive



Modern Traditional

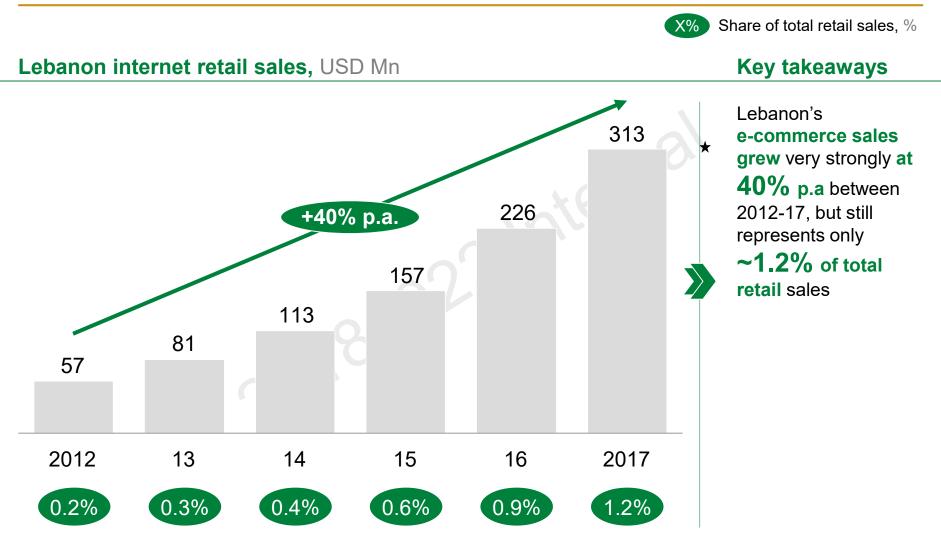


## B1 However, Lebanon's modern grocery retail penetration still lags behind global benchmarks



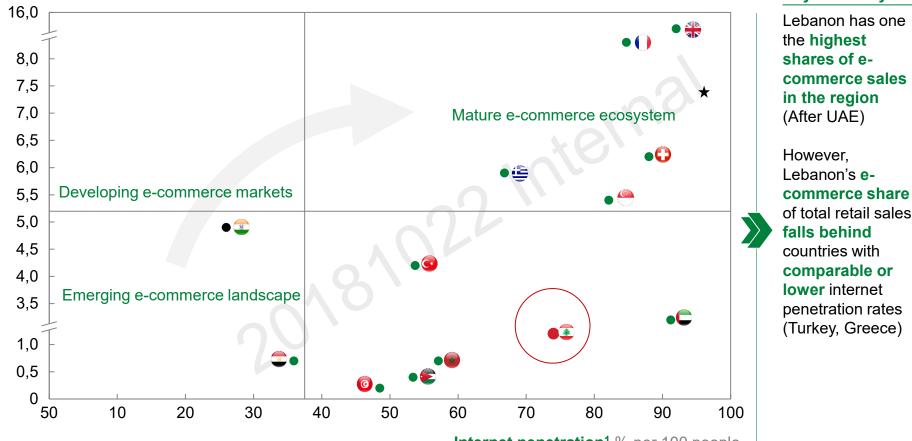


B2 Despite a steep growth in the past 5 years (40% p.a), Lebanon's internet sales are still only 1.2% of total retail sales



B2 Lebanon's share of e-commerce is among the highest in the region solution but still falls behind countries with comparable internet penetration rates

#### E-commerce share of total retail sales, 2017 %



Internet penetration<sup>1</sup>,% per 100 people

1 Based on 2015 internet penetration

Key takeaways



### Contents – Retail and Commerce

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## **D** Opportunities and priorities

## Key trends in the retail industry today are driven by technological disruption and change in consumer behaviour



	1	2	3	4
Key global trends in Retail	Increased consumer focus on experiences, rather than transactions	Wide digital adoption among consumers	Adoption of technology & automation by Retailers	Intensifying global competition and accelerating consolidation
Context in Lebanon vis- à-vis global trends	<ul> <li>Lebanon's retail spend per capita has been stagnating (0.2% growth p.a. in the last 5 years)</li> <li>Lebanon is highly dependent on tourism and will have to match international offering in retail experiences</li> </ul>	<ul> <li>Despite a high internet penetration compared to peers (74%), e-commerce accounts for only ~1.2 % of retail sales</li> </ul>	<ul> <li>Retail market is still predominantly traditionally operated— Traditional grocery has 66% market share of total grocery sales vs 33% for modern grocery</li> </ul>	<ul> <li>Lebanon's retail landscape is highly fragmented (traditional retailers account for ~89% of selling space of grocery retail outlets)</li> <li>However, traditional retailers face competition from modern retailer and have already experienced a slowdown in growth (1% growth of traditional retailers vs 7% growth of modern retailers)</li> <li>Also, selling space of traditional retailers has decreased by 16% since 2012 while modern retailer has grown by a 100%</li> </ul>

Moving forward, retail sector can grow and act as an enabler for other sectors through potentially three plays

Become the HQ hub of the Middle East for e-commerce players (focus on talent)



Description

 Develop value proposition and incentive pack for ecommerce companies to establish their HQ talent hub in Lebanon Export brands and concepts through franchising

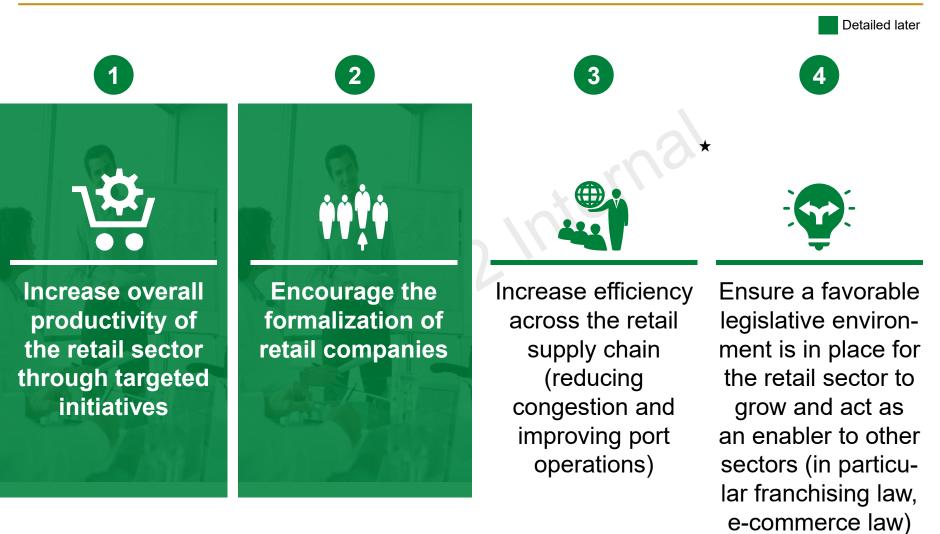
 Ensure the right legislative regulations are in place to enable franchising of Lebanese brands

1 1/1

Actively promote
 Lebanese brands and
 concepts in fairs and
 roadshows

Leverage the retail sector to promote Lebanese products through partnerships with modern retailers

 Incentivize retailers to promote Lebanese products by developing a national marketing campaign and developing incentives for Lebanese brand promotion Key priorities for the government include increasing overall productivity **and efficiency of the sector and ensuring a favorable legislative environment** 



Increasing the overall productivity of the retail sector should be done through growth of retail sales can be

#### Empower traditional retailers to grow their sales

Grow modern retail while protecting healthy share of traditional trade

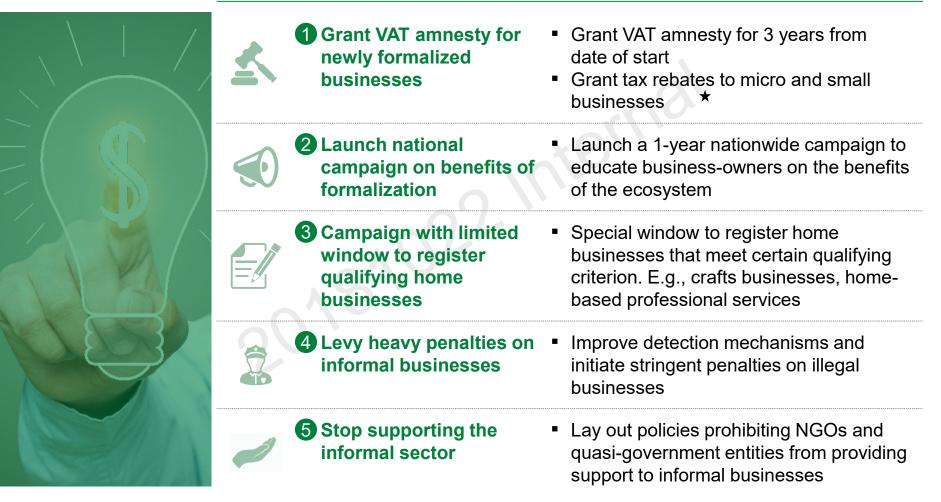
Incentivize the growth of ecommerce

- Description
- Facilitate access to capital for traditional retailers willing to invest in tools to increase efficiency (POS payment, inventory management systems)
- Provide trainings for traditional retailers on ways to grow their sales (improve assortment, optimize sales channels)
- Align on a healthy share of modern vs traditional retail by sub-category and grow modern retail accordingly through targeted incentives
- Incentivize growth of modern retail in the regions (outside of Beirut) to increase reach to new customer segments and provide wider product offering
- Speed-up the approval of the e-commerce law in the parliament
- Incentivize the growth of e-commerce leading to increased GDP and employment
  - Increased GDP by increased sales through improved product selection and wider offerings
  - Creation of new e-commerce businesses and tapping into new segment of customers



## 2 Five initiatives can encourage the formalization of companies

#### Initiatives





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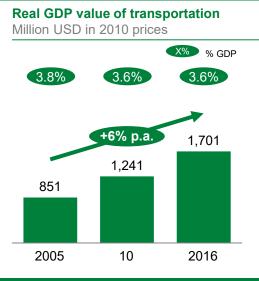
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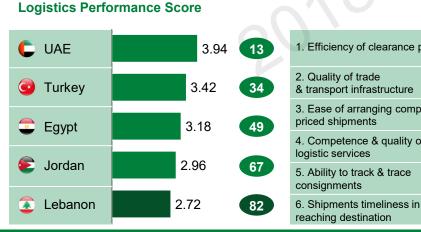


## Logistics and transportation - summary of diagnostic

#### Economic contribution

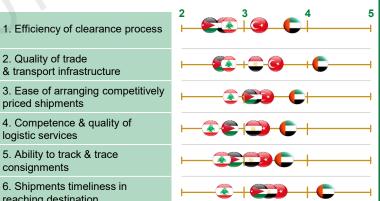


#### Performance metrics,



Breakdown of trade flows by customs         office 2017USD Bn, %       ■ Maritime       Air       Land				
Port Of Beirut	69.7%			
Rafic Hariri Airport	20.1%			
Tripoli	6.7%			
Saida	1.7%			
Masnaa	0.9%			
Arida	0.7%			
Abboudieh	0.1%			
Tyre	0.1%			

## LPI score breakdown



#### Key challenges

#### Ports

*~* 

- High dwell time in Beirut Port (~13 days)
- Inefficient integration between the different ports and roads
- Unclear differentiation approach between Beirut Port and Tripoli Port (and respective expansion / development plans)

#### Airport

 Demand exceeding capacity in Rafic Hariri International Airport (6M Capacity, vs 8M+ annual demand)

#### Roads

- Low quality roads (~15% of roads are in good condition)
- High traffic congestion on main highways

Source: CAS; Lebanese Customs; ILO; World Bank; Port of Beirut; expert interviews



## Logistics & transportation – key performance measures

#### A. Key performance measures

## Performance measures

#### A1 The transport sector is one of the fastest growing sectors in Lebanon, and is a significant employer

- In 2016, transportation represented ~3.6% of Lebanon's GDP
- Transportation's contribution to GDP grew at an annual rate of 7.8% from 2005 to 2010 and 5.4% from 2010 to 2016
  - Despite a deceleration in growth, the transport sector was the 2<sup>nd</sup>-fastest growing sector between 2010 and 2016, which is a testament to the sector's resilience and importance
- The transport sector employs ~110,000 workers



#### 2 However, Lebanon's suffers from weak transportation infrastructure...

- Lebanon transportation infrastructure is ranked poorly by international measures:
  - Ranked 82nd in logistics performance, 121st in quality of road infrastructure, 91st in quality of port infrastructure, and 100th in quality of air transport infrastructure

#### ...which is negatively affecting economic growth

- Poor logistics infrastructure is leading to high transportation costs for local economic players, including goods exporters
- Low quality and congestion of inter-city roads, in particular, contributes to urban migration and negatively impacts regional inequality
- Moreover, congestion within and between cities (especially in the Greater Beirut Area) is negatively impacting Lebanon's attractiveness as a tourism destination



### Logistics & transportation – key performance drivers (1/4)

### **B. Key performance drivers**

**Road network** 

#### Lebanon has an expansive road network

 According to World Bank figures, Lebanon has a road network totalling 21,705 km, including 6,380 km of national classified roads which are managed by the Ministry of Public Works and Transport



**B1** 

#### B2 However, the quality of Lebanon's roads is very poor

- Lebanon's global ranking on quality of road infrastructure is among the lowest (121/138), and its score has been slightly declining in recent years
- In 2010, it was estimated that only 15% of roads were in good condition, with 50% in fair condition and 35% in poor condition
- Underinvestment in maintenance has further reduced the quality of Lebanon's roads: the estimated required maintenance spend stands at ~100 USD Mn yearly whereas the actual spend has been around ~40 USD Mn
  - There have been no major national efforts to enhance or expand the road network since the 1960s



### Logistics & transportation – key performance drivers (2/4)

### B. Key performance drivers

**Airports** 

#### B3 Lebanon has 3 airports, but only one is economically active

- The main and only international airport is Beirut Rafic Hariri International Airport, which is the main passenger port of entry
- In addition, there are two small airports which currently serve exclusively as military bases, with no commercial activity:
  - Rayak Air Base (Bekaa valley), which houses the Lebanese Air Force training school
  - Rene Mouawwad Airport (Koleiat, Akkar), which was previously used for internal flights

#### B4 Beirut Rafic Hariri International Airport plays an important economic role

The airport serves today as a hub for three airlines, including the national flag carrier Middle East Airlines, and is also an
operational base for several charter carriers (e.g. Wings of Lebanon)

 $\star$ 

- The airport connects Beirut to more than 60 international destinations through more than 45 major international airlines
- Moreover, the airport accounts for 32% of exports and 18% of imports by value

#### B5 However, the airport's capacity has been strained by vibrant growth

- Between 2000 and 2015, the number of annual passengers grew at a rate of ~7.5% annually, reaching 8.2 million in 2017
- However, the capacity of the airport is 6 million, and is thus being exceeded by ~36%

#### B6 The Capital Investment Plan aims to increase Lebanon's airport transportation capacity through two main projects:

- Expansion of Beirut Rafic Hariri International Airport (to reach an estimated capacity of 16 million passengers)
- Rehabilitation of Rene Mouawwad Airport to serve as a hub for cargo, charter, and internal flights



### Logistics & transportation – key performance drivers (3/4)

### **B.** Key performance drivers

#### Maritime ports

#### B7 Lebanon has four main maritime ports:

- Port of Beirut (70% of Lebanon's import/export value)
- Port of Tripoli (7% of Lebanon's import/export value)
- Saida Port (2% of Lebanon's import/export value)
- Tyre Port (0.1% of Lebanon's import/export value)

#### B8 Beirut's port is the main port in Lebanon, accounting for 72% of imports and 51% of exports by value

- Beirut Port is successfully operated using a PPP agreement (with high potential to replicate the model elsewhere)
- Beirut's port has become increasingly connected, with direct shipping lane connections to 56 ports (compared to 10 in 2004)
- The port has witnessed a doubling of export volumes since 2010 (from 45k containers in 2010 to 93k containers in 2016), largely due to the war in Syria which diverted many exports towards the port (with the assistance of the MLEB program)

#### B9 The Tripoli port is undergoing a 13.5x expansion plan

- Gulftainer, a UAE-based port management and logistics company, was awarded a concession to invest in the Port of Tripoli and operate it
- As a result of investment, the port's capacity is expected to increase terminal capacity from 20,000 TEU to 270,000 TEU per year
- The extent of cannibalization from Beirut's port is unclear, and lack of coordination between the two ports may lead to direct competition



### Logistics & transportation – key performance drivers (4/4)

### B. Key performance drivers

## Performance of airports & maritime ports

Land crossings

#### **B10** Lebanon's airport and maritime ports are generally efficient enablers of trade

- Lebanon has an excellent lead time of 1 day for both imports and exports, exceeding regional benchmarks (including the UAE)
- Furthermore, the number and documents required for imports and exports is best-in-class within the region
- However, there is room for improvement:
  - A high dwell time (13 days on average) causes congestion
  - Beirut Port has a Berth productivity of 52 moves per hour, which is very similar to neighbouring countries (52 in Turkey and Egypt, 51 in Saudi Arabia) but is far from global best-practice (e.g. 81 in UAE's Jebel Ali)

#### **B11** However, ports but are constrained by cumbersome inspection and clearance procedures

- 61% of goods are physically inspected, compared to 27% in Egypt and 14% in Jordan and the UAE
- Moreover, 18% of goods undergo multiple inspections
- This is driven partly by inefficient coordination among a large number of stakeholders (e.g. Lebanese customs, Lebanese army, Lebanese General Security)

### B12 Ports are also hindered by inefficient integration with roads and highways, driven by insufficient urban planning

#### B13 Lebanon has 3 main border crossings with Syria

- Al Masnaa- Al-Jdeidah, along the international highway between Damascus and Beirut
- Al-Arida-Tartous, on the northern coastline
- Al-Abboudiyeh Al-Dabouseyah, which connects Tripoli to Homs

#### **B14** The economic importance of land crossings has declined as a result of the Syrian crisis

- Security and logistical constraints in Syria has forced exports to seek alternative routes, most commonly through Beirut's port
  - Land crossings accounted for 22% of Lebanon's exports in 2014, but only 9% in 2017
- However, the Syrian crisis led to some positive infrastructural developments: In 2016, a new terminal was built at the Aboudiyeh crossing, with a capacity to process 6000 people per day

## A The transport sector accounts for ~4% of GDP, and is one of the few sectors that has been witnessing strong growth since 2010



ACTORS	GDP contrib excluding tax			i), % s	howr	as total	of GDP		10 2	evant Sect 010-201 CAGR <sup>2</sup> , %
$\textcircled$ Real Estate & Construction	21%							5%		2%
न्न Retail & Commerce		14%						8%		0%
🛄 Manufacturing		1(	0%				*	7%		-2%
Administration			10%					6%		3%
🗊 Finance, Insurance				9%				10%		6%
					8%			1%		3%
Business Services						7%		9%		-1%
🔅 Health						4%		8%		4%
🖺 Transport			) –			49	6	8%		5%
🕅 Hotels & Restaurants							3%	8%		-3%
Stariculture							3%	1%		1%
Personal Services							3%	13%		-2%
<sup>™</sup> ICT							3%	12%		3%
TUtilities: Power & Water							2%	4%		4%
Total Nominal GVA <sup>1</sup>			47							
Total taxes & subsidies							4			
Total Nominal GDP			5	51 _				8%		2%

1 GVA (Gross Value Add) represents nominal GDP excluding taxes & subsidies; 2 CAGR (Compound Annual Growth Rate) represent average annual growth in real GDP



### A1 The transport sector employs ~110,000 people

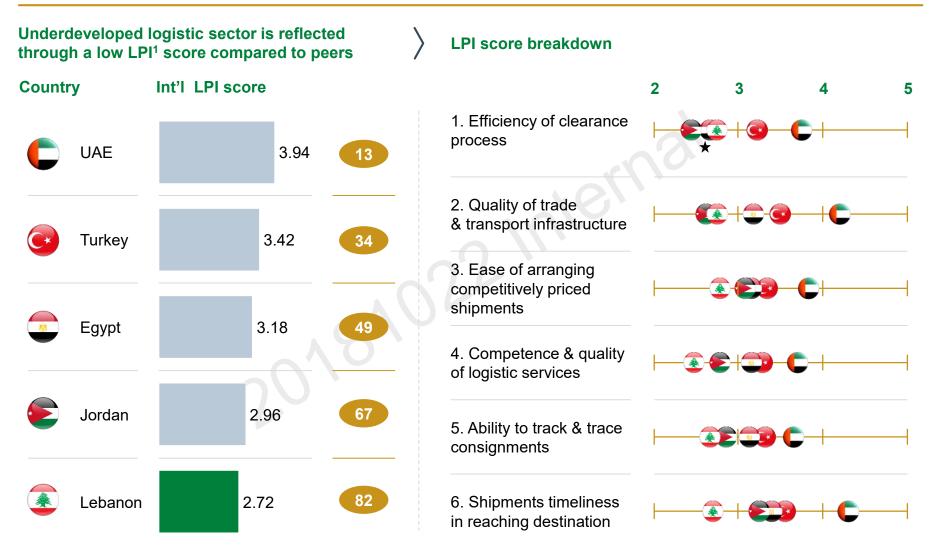
**Relevant Sectors** 

Sectors	Total employment, '000s (2016)	
ि Trade	479 (24%)	
🚊 Real Estate & Construction	244 (12%)	
Bariculture	212 (11%)	
🛄 Manufacturing	194 (10%)	
Administration	185 (9%)	
☆ Education	161 (8%)	
🚔 Transport	110 (6	6%)
Personal Services	1	06 (5%)
M Hotels & Restaurants		90 (5%)
💿 Finance, Insurance		50 (3%)
<sup>(</sup> "∦ <sup>™</sup> ICT		44 (2%)
🔅 Health		38 (2%)
Business Services		34 (2%)
Tutilities: Power & Water		30 (2%)
Total	1,977	

**Note:** All employment data includes both formal & informal jobs; 2010 Baseline derived from total ILOSTAT employment, using CAS sector split. Post 2010 projections based on sector real GDP growth and ILOSTAT real productivity growth; adjustments applied to Health & Agriculture based on input from Ministry of Health and meeting with agriculture stakeholders

### Lebanon's logistics infrastructure is weak relative to regional peers

**X** Ranking among 160 countries



1 Based on the World Bank's 2016 Logistics Performance Index, which measures trade logistics performance

## A2 Lebanon's logistics infrastructure is weak relative to regional peers

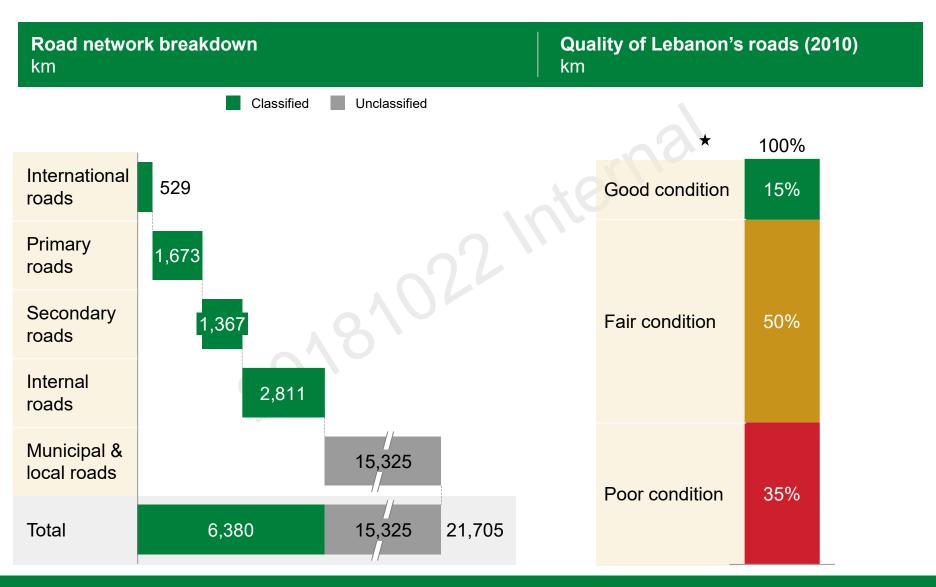
**X** Ranking among 137 countries

### WEF Global Competitiveness 2017-2018: Score (1-7)

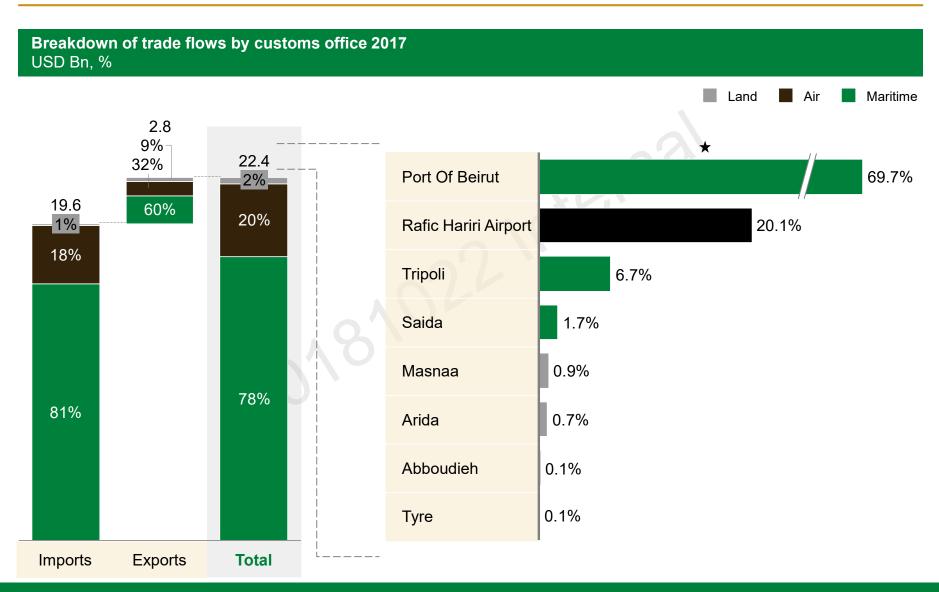
Country	Roads	I	Port infrastructure	Air transpo	デ rt infrastructure
UAE	6.37	1	6.23	4	6.60 3
Turkey	5.04	30	4.49	54	5.41 31
Egypt	3.95	75	4.67	41 5	.14 42
Jordan	4.09	68	4.53	51 5	.36 33
Lebanon	2.65	121	3.53	91 3.81	100



### **B2** 85% of Lebanon's road network is in fair or poor condition



## Part of a structure of the structure





- 53	Emerging trends

	Growing port-city mismatch	<ul> <li>While historically ports and cities were connected by very close ties, we observe a growing mismatch between the functions of each. Standardization of services and automation decrease the demand for local manpower. At the same time growing vessel size, emissions, growth of T/S services and manufacturing activity at the ports is making them less attractive occupants of land within the city</li> <li>We're seeing transformation of some old ports into residential and commercial areas (e.g. Barcelona, NYC, London) and creating new greenfield ports outside of the city (e.g. London Gateway, King Abdullah</li> </ul>
		Economic City, Tanger Med.)
	Growing opex and capex requirements	<ul> <li>Larger ships and larger container alliances are driving the increase in opex and capex requirements for successful ports. These results in less frequent and larger calls that drive the demand for peak capacity as the networks consolidate</li> <li>There is also a bigger processor for faster and more error free operations.</li> </ul>
		<ul> <li>There is also a bigger pressure for faster and more error-free operations</li> </ul>
	Service consolidation	<ul> <li>With growing alliances, services are being consolidated resulting in a pressure at current transshipment hubs. Many are at risk of losing volumes</li> </ul>
i I Į	Digital opportunities	<ul> <li>New real-time solutions to optimize port operations (predictive berth planning, intelligent stacking etc.)</li> </ul>
	Automation	<ul> <li>While ports were traditionally very labor intensive, we see a significant shift towards partial or full automation of port services. This is especially visible in the most standardized areas like container shipping</li> </ul>
	Private management & financing	<ul> <li>Many new port projects will be managed and partially or fully financed from private funds. This is a major change from the past, where usually ports were both managed and financed from public funds. Currently a large share of ports are operated as PPP while some are private ventures</li> </ul>
	FTZs, manufacturing & innovation clusters	<ul> <li>Good transportation connections, land availability and wide service offering are turning port areas into manufacturing clusters. Many sectors such as oil &amp; gas, automotive, FMCG are opening new facilities within the port areas. Additionally many ports (e.g. Rotterdam, Hamburg, Antwerp) are incentivizing IT and Hi-Tech by offering better land leases, access to value added services etc.</li> </ul>
		<ul> <li>Ports are historically a great location for free trade zones and see many synergies from locating nearby</li> </ul>



### I. EXECUTIVE SUMMARY

#### II. INTRODUCTION AND METHODOLOGY

- A. Methodological approach to the study
- B. Stakeholder engagement and syndication process
- C. Reviewed documentation

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- B. Economic perspective
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- C. Sector diagnostics
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  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
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  - 9. Real estate and construction
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  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
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  - 2. Ease of doing business
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- C. Lebanon's growth imperatives
- D. Economic aspirations and macroeconomic targets
- E. Sector prioritization mechanism and rationale

### V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

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- B. Sector deep-dives
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  - 2. Industry
  - 3. Tourism
  - 4. Knowledge economy
  - 5. Financial services
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#### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

- A. Chapter summary
- B. Public administration reform requirements
- C. Infrastructure including CIP initiatives
- D. Public finance requirements
- E. Main legislative requirements
- F. Country branding & export promotion

### VII. INSTITUTIONALIZATION MECHANISMS

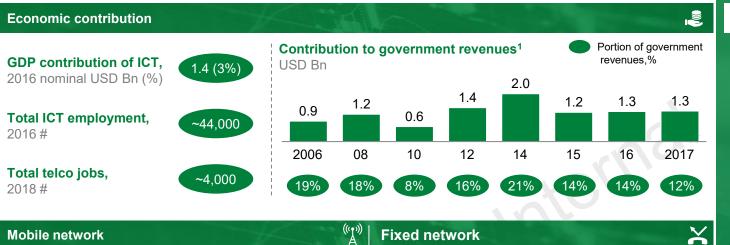
- A. Chapter summary
- B. Governance set-up: orchestration and delivery
- C. Path forward

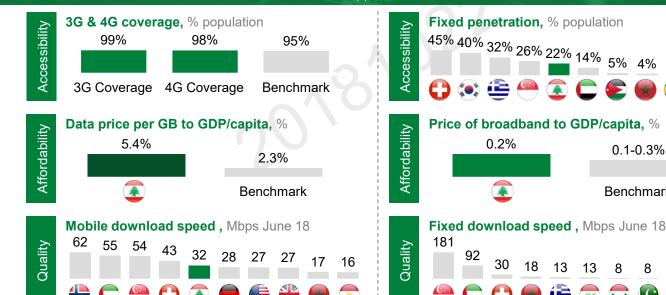
### VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters



### Telecommunications – summary of diagnostic





### **Key challenges**

- **High mobile prices** 
  - Both data & voice prices remain prohibitive, especially when compared with regional benchmarks
  - Mobile data and voice prices are ~2-3x regional peers (Morocco & Egypt)
  - Low fixed network quality

4%

0.1-0.3%

Benchmark

8

13

8

1%

1%

6

- Average broadband speeds of ~6mbps, ranking Lebanon 130<sup>th</sup> out of 133 countries worldwide, behind Pakistan, Iraq & Syria
- Inadequate amount of capital investments
  - Telecommunications investments per capita ~2.5x times lower than peer countries average

1 Excludes corporate taxation of telecom operators

Source: Ministry of Finance annual reports; Telegeography; SpeedTest; ITU; Country benchmarks; Market interviews; Operators websites; World Bank: CAS



### Telecommunications diagnostic - key performance measures (1/3)

### A. Key performance measures

•	Macro contributi on	<ul> <li>The ICT sector, that includes telecom, currently contributes to 3% of GDP but recently witnessed a reduced growth rate; the sector also represents a considerable source for government revenues at ~10-20%</li> <li>The Information, communication &amp; technology (ICT) sector in Lebanon currently contributes 3% of total GDP and employs a total of ~44K FTEs; the two mobile operators employ a total of ~1,800 people</li> <li>The ICT sector has demonstrated continuous growth at ~12% from 2005 till 2010 and ~3% from 2010 till 2016, outperforming the growth of the economy during both phases</li> <li>In addition, Telecom is a main contributor to the government's revenues, generating ~1.2-2.0 Bn USD annually, the equivalent of ~13-19% of the government's income</li> </ul>
	perfor- mance	<ul> <li>Telecom sector must typically achieve the right balance between three key components while the current industry focuses on governmental and operator's objectives</li> <li>The telecom sector should work towards achieving a balance between three different components:         <ul> <li>Customer satisfaction level: accessibility, quality and affordability of telecom services for both consumers &amp; businesses</li> <li>Government's fiscal objectives: contribution to government's total revenues</li> <li>Operator's sustainability: sustainable and profitable operation and growth of service providers</li> </ul> </li> <li>Today, the industry's thorough effort is channeled towards meeting government's fiscal objectives and ensuring profitable growth of the state-owned operators, at the expense of customer's satisfaction</li> <li>Lebanon mobile sector provides for accessibility and quality in line with peers but prices remain highly prohibitive</li> <ul> <li>Mobile sector provides for accessibility with a 3G network covering 99% of the population and a 4G network covering 98% of the population, in line with peer average</li> <li>The sector provides for high average speeds standing at ~32mbps ranking Lebanon 35th out of 124 countries worldwide, just in front of developed economies such as the US, UK or Germany</li> <li>Quality of service is also in-line with peers and international standards, with a call drop rate of 0.86%, in line with the &lt;2% standards. Successful call completion rate standing at 97.3% is higher than the standard of 95%.</li> <li>However, both data &amp; voice prices remain prohibitive, especially when compared to regional benchmarks: Data prices at 5.4% GDP are ~2.3 Morocco &amp; Egypt at 3.2% and 2.3%. Voice prices at 2.3% GDP are ~2.3 Morocco &amp; Egypt.</li> </ul> <li>The prohibitive nature of prices leads to an ARPU of 27 USD: as such the operators can achieve EBITDA</li></ul>



### Telecommunications diagnostic - key performance measures (2/3)

### A. Key performance measures

<ul> <li>Fixed network provides coverage and pricing in line with peers; speeds however, at 6mbps, lag Syria &amp; Iraq ranking Lebanon 130<sup>th</sup> worldwide out of 133 countries</li> <li>Today, the DSL network covers ~93.5% of the Lebanese territory; fixed broadband penetration in Lebanon is in line with peer average at ~22%; However, many subscription requests (~100,000) are pending due to a lack of capacity in central offices</li> <li>Pricing is affordable at ~18 USD monthly, in line with the ~21 USD average of peer countries; pricing to GDP per capita, standing at ~0.2%, is also in line with benchmarks pricing</li> <li>However, network quality is bad, with average fixed broadband speeds of ~6mbps, ranking Lebanon 130<sup>th</sup> out of 133 countries worldwide, behind Pakistan, Iraq &amp; Syria</li> </ul>
A5 Lebanon remains one of few countries with a fully state owned telecommunication sector witnessing limited to inexistent private sector participation
<ul> <li>Lebanon is one of 3 countries globally with state owned mobile operators, the other two being Andorra &amp; Ethiopia</li> <li>Private sector participation in the fixed sector is also very limited; the sole owner of the fixed infrastructure is Ogero, the government owned enterprise, with private ISP's operation limited to capacity-leasing from Ogero</li> </ul>
A6 Today telecom contributes ~10-20% of yearly revenues; however industry dynamics put downward pressure on revenues
<ul> <li>Overall, the telecom sector funds ~10-20% of total government revenues, rendering the government reluctant to drive privatisation efforts in a bid to foster competition, reduce prices and enhance quality of service</li> <li>However, the industry is drastically shifting from voice towards data as a main revenue contributor: Current prevalent pay-per-minute model does not allow to capitalize on voice to data shift, and puts downward pressure on future potential revenues</li> </ul>
<ul> <li>However, overall revenue opportunity remains from low mobile penetration</li> <li>Mitigating revenue risks form shifting dynamics is achievable through increasing mobile penetration. Current penetration of ~72-96% (including and excluding refugees), compared to an average of ~114% across peer countries, signifies a</li> </ul>



### Telecommunications diagnostic - key performance measures (3/3)

### A. Key performance measures

Operat- ional performa nce	<ul> <li>Number of customers has been consistently growing in recent years to achieve penetration rates of 21% and 81% in fixed broadband and mobile respectively.</li> <li>Fixed broadband customers have been increasing at ~44% p.a. starting 2007, to reach 1.3 Mn in 2016; the growth was mainly driven by a ~650 K jump in broadband customers between 2013 and 2014.</li> <li>Mobile customers have also increased at ~14% p.a. starting 2007, to reach 4.5 Mn customers in 2017, equivalent to an 72-96% penetration</li> <li>Data consumption has also increased at 50% p.a. since 2013, and stands today at 1.4GB/data subscription</li> </ul>



### Telecommunications diagnostic - key performance drivers & enablers

### B. Key performance drivers & enablers

Telecom infra. & capital invest- ment	<ul> <li>Today, the telecom sector lags behind in terms of capital spend on infrastructure investments, especially regarding the Fixed network</li> <li>Lebanon currently underinvests in the telecom sector with total yearly telecommunications investments to GDP ~2.5x times lower than peer countries average</li> <li>Recent efforts have been channelled towards upgrading parts of the infrastructure, from both the international cables side as well as the network backbone</li> <li>50Gb of global connectivity is provided through IMEWE &amp; CADMOS/Alexandros potentially expandable to 900Gb</li> <li>The 300 fixed central offices constituting the core network have been completely connected with fibre in 2012 and activated in 2016</li> <li>The main problem with quality and speed in the fixed sector remains within the access network where majority of customers are connected through copper</li> <li>Mobile access network on the other hand, mainly relies on 3G and 4G technology, driving higher quality and speeds</li> <li>Today, and under the umbrella of the ministry's 2020 digital telecom vision, a plan is in motion to deploy FTTx throughout the nation, with the exception of LTE-A in remote region, with the objective of reaching connection speeds of 50mbps by 2020</li> </ul>
Regulat- ory authority & regulat- ions	<ul> <li>Today no regulatory authority is present to ensure that service level agreements and proper regulation are in place</li> <li>Currently no agency extensively regulates telecommunications in Lebanon. SLAs &amp; revenue targets that have been set are non-binding, with no proper accountability in place</li> <li>A 2002 law set up the Telecommunications Regulatory Authority, currently employing 30 people, to transfer the regulatory function from The Ministry of Telecom to the TRA; The ministry however, did not give the TRA its own prerogatives rendering the agency not operational.</li> <li>Had the previous privatisation efforts materialized in 2002, the debt to GDP ratio could have been lowered to ~110-125% by 2015, driven by an uptake in GDP growth</li> <li>A privatisation law was passed in 2002 but has never been implemented; had the mobile &amp; fixed provides been privatized in 2005, debt to GDP ratio could have been lowered to ~110 - 125% by 2015, mainly driven by an accelerated growth of GDP</li> </ul>



### **Contents – Telecommunications**

### Key performance measures

Key performance drivers & enablers

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 $\square$ 

**Opportunities & priorities** 

A The Information, communication & technology (ICT) sector represents ~3% of GDP and recently witnessed a reduced growth rate

								Rele	evant Sector
Sectors	GDP contribute excluding taxes			), % show	n as tot	al of GDP	2005-201 CAGR <sup>2</sup> , 9		010-2016 AGR², %
🚊 Real Estate & Construction	21%						5%	₽	2%
🛱 Retail & Commerce		14%					8%	┛	0%
🛄 Manufacturing		10	%			*	7%	┛	-2%
Administration			10%				6%	┛	3%
🗊 Finance, Insurance				9%			10%	┛	6%
Image: Contract C				8%			1%	1	3%
Business Services					7%		9%	┛	-1%
🔅 Health					4%	6	8%	┛	4%
🛱 Transport						4%	8%	┛	5%
🕅 Hotels & Restaurants	λ.Υ					3%	8%	┛	-3%
State Agriculture						3%	1%	$ \longleftrightarrow $	1%
Personal Services						3%	13%	₽	-2%
<sup>(</sup> <sup>™</sup> ) ICT						3%	12%	₽	3%
TUtilities: Power & Water						2%	4%	$ \longleftrightarrow $	4%
Total Nominal GVA <sup>1</sup>			47						
Total taxes & subsidies						4			
Total Nominal GDP			_5	1			8%	┛	2%

average annual growth in real GDP

## A1 The sector also employs a total of ~44K people, corresponding to ~2% of total employment in the country



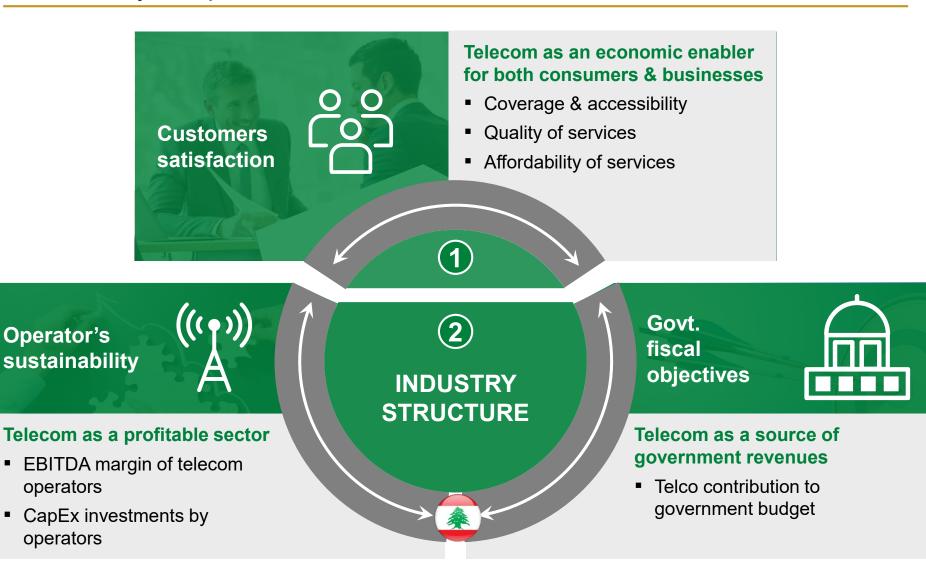
HIGH-LEVEL ESTIMATES

**Relevant Sectors** 

Sectors	Total employment, '000s (2016)			
ि Trade	479 (24%)			
🚊 Real Estate & Construction	244 (12%)			
🖧 Agriculture	21	2 (11%)	t	
🛄 Manufacturing		194 (10%)		
Administration		185 (9	9%)	
☆ Education			161 (8%)	
🚔 Transport	0.1		110 (6	%)
Personal Services			1(	06 (5%)
M Hotels & Restaurants				90 (5%)
Is Finance, Insurance				50 (3%)
<sup>(</sup> <sup>™</sup> ) ICT				44 (2%)
🔅 Health				38 (2%)
Business Services				34 (2%)
Tutilities: Power & Water				30 (2%)
Total	1,97	77		

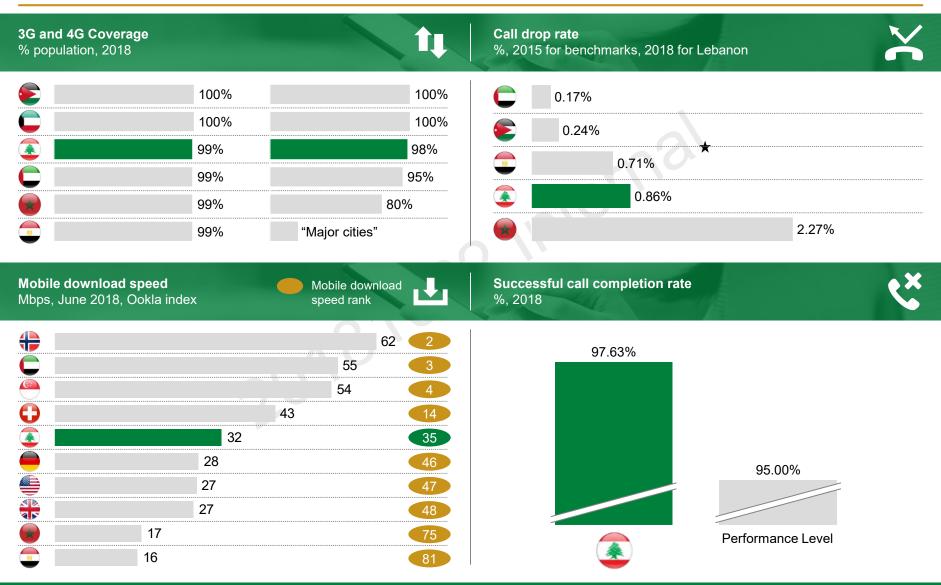
**Note:** All employment data includes both formal & informal jobs; 2010 Baseline derived from total ILOSTAT employment, using CAS sector split. Post 2010 projections based on sector real GDP growth and ILOSTAT real productivity growth; adjustments applied to Health & Agriculture based on input from Ministry of Health and meeting with agriculture stakeholders

A2 Telecom sector must typically achieve the right balance between three key components

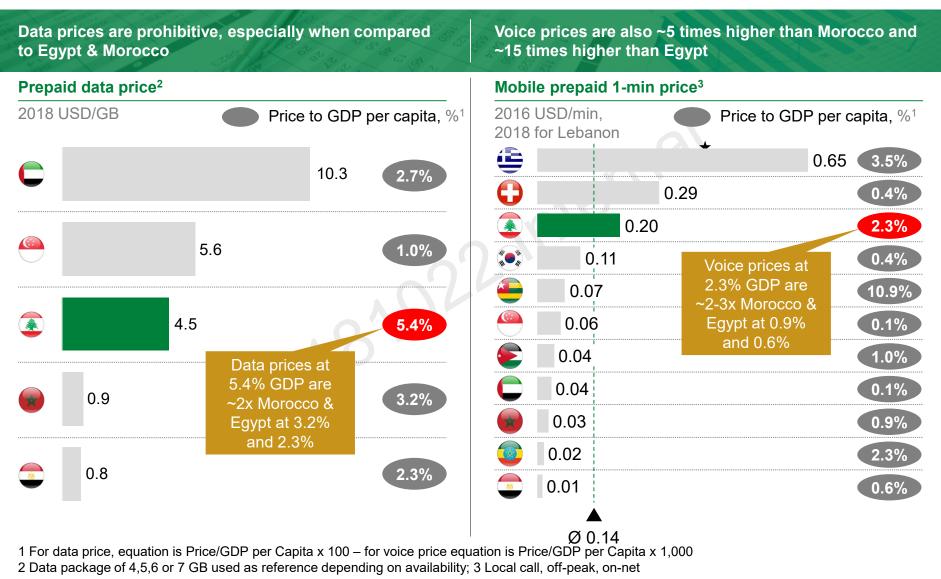


A3

### Mobile coverage and quality of service is in line with peer countries



### A3 However, prices are prohibitive, with both data & voice prices ~2-3x regional peers



Source: ITU; Country benchmarks; Market interviews; Operators websites; World Bank; Mobile Operators

A Fixed sector provides coverage and pricing in line with peers; speeds however, at 6mbps, lag Syria & Iraq ranking Lebanon 130<sup>th</sup> worldwide

Fixed sector provides for good coverage and affordable pricing

### Fixed broadband penetration

% population, 2016

▶ ■					45%
					40%
				32%	
)				6%	
			22%		
		14%			
	5%				
	4%				
	1%				
	1%				

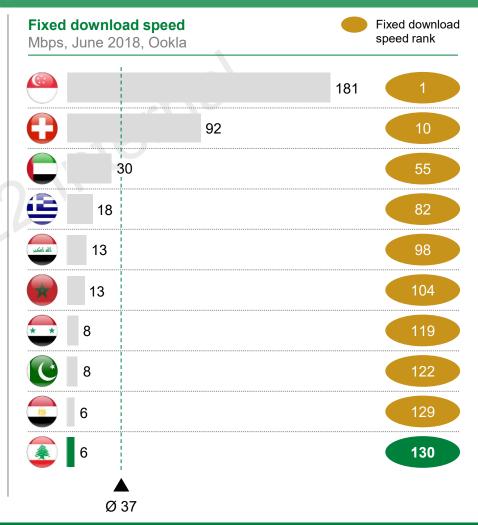
### Fixed broadband internet monthly price

2016 USD

Price to GDP per capita, %

	5				0.1%
	10				0.3%
		8			0.2%
C		19			0.0%
٢		20			0.1%
		22			0.0%
			34		0.1%
0				40	0.1%

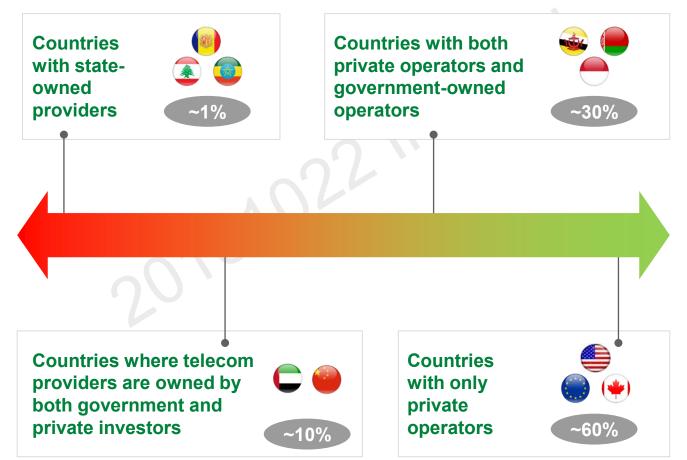
### However quality remains poor, with speeds of 5mbps ranking Lebanon 130<sup>th</sup> out of 133 countries



A5 Lebanon remains one of few countries with fully state owned telecommunication sector witnessing limited private sector participation

Lebanon is one of only three countries to still operate fully state-owned telecom operators

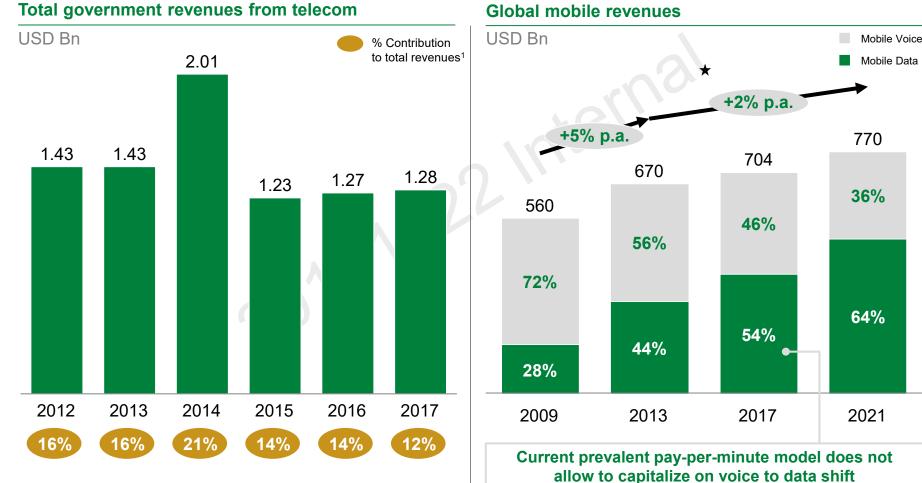
DEGREE OF GOVERNMENT PARTICIPATION



 $\wedge$  Today telecom contributes ~10-20% of yearly revenues, industry dynamics however put downward pressure on revenues

Telecom drives today ~10-20% of government's yearly revenues

However changing industry dynamics put downward pressure on revenue



1 Excluding Treasury Receipts

Source: ITU; Yankee Group; Pyramid Research; Ministry of Finance; Mason; Merrill Lynch; Connect; Informa WCIS; annual reports; Mobile Operators



Mobile Data

# A However, overall revenue opportunity remains from low mobile penetration



Mobile penetration 2016 %

United Arab Emirates					215	5%	
Singapore			1		1 <del>5</del> 0%		
G Switzerland				134%			
🍋 Korea (Rep.)				121%			
Morocco				118%			
Greece	1			12%			
🦻 Jordan	104			%			
Egypt	102			%	Increasing penetration to		
Lebanon	72%	96%1			benchmark ~115% increases revenue pool		
🥌 Togo	-	72%					
💿 Ethiopia	50%		         				
1 Including & excluding "guests"			ø 11	6%			



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Key performance measures

### Key performance drivers & enablers

Global trends

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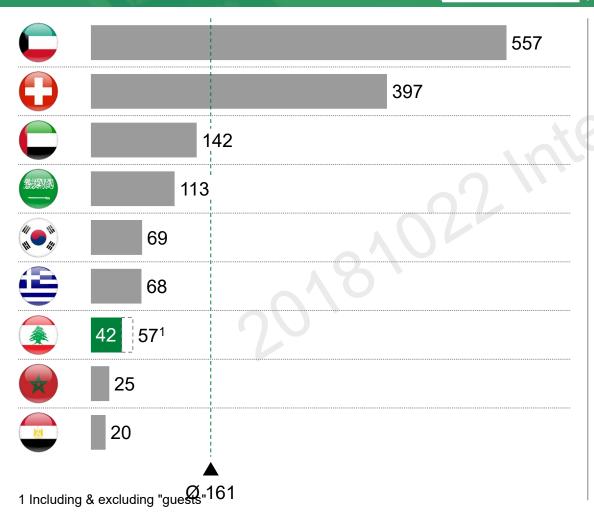
B

Π

**Opportunities & priorities** 

B1 Today, the telecom sector lags behind in terms of capital spend on infrastructure investments, especially regarding the Fixed network

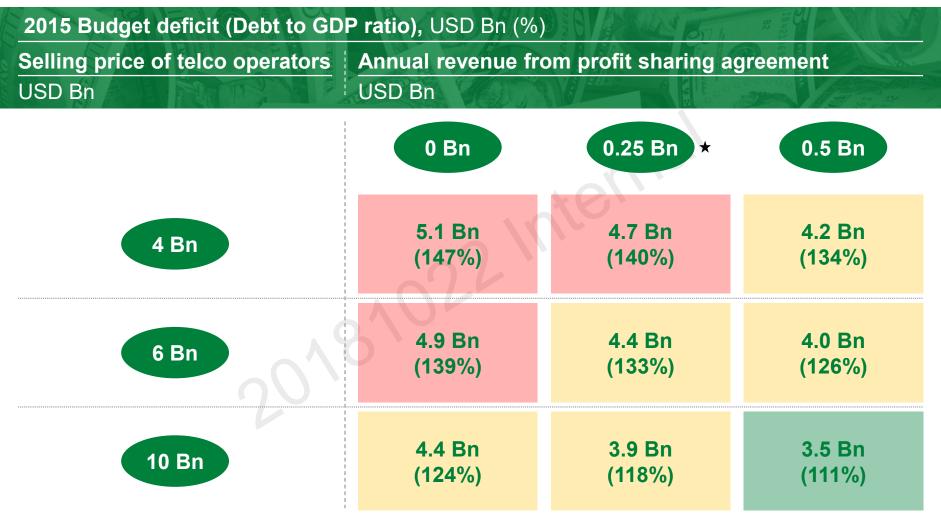
Annual investment in telecom services per capita, 2015 USD/capita, Average 2012-2017 for Lebanon | ESTIMATE FOR LEBANON



CapEx investment-related shortcomings inhibiting sector

- Main problem with quality and speed in fixed sector is the access network where majority of customers are connected through copper
- Many subscription requests (~100,000) are pending due to a lack of capacity in central offices
- There is a plan to deploy FTTx throughout the nation with the objective of reaching connection speeds of 50mbps by 2020

B3 The government should develop scenarios to understand the overall seffects of privatizing the mobile operators



1 All scenarios assume increase in yearly growth of GDP, and as such of revenues collected by 0.7% yearly due to increased penetration and enhanced service and quality level fuelling economic growth – World Bank report states the growth is ~1.3%



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Key performance measures

Key performance drivers & enablers

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**Opportunities & priorities** 

C Thorough assessment of industry disruptions indicates move towards connectivity agnostic world where Apple & Samsung provide connectivity

Imagine a world shaken by mass adoption of **eSIM**...

- Customers are very ecosystem loyal
- Customers just expect to be connected- They are completely agnostic towards connectivity provider and whether it is mobile or Wi-Fi network
- Apple, Google, Samsung and others enter the market as connectivity providers acting as MVNOs or even building out own networks (e.g. Google FI, Apple Connectivity)
- These players purchase wholesale capacity for all devices sold with OS and bill through e.g. Apple Store
- eSIM enable seamless switching between operators without users noticing
- **OTT applications** provide virtually **all connectivity** *Customers don't really need phone numbers anymore as they call and text via apps*

This is a world where many operators are likely to lose the customer relationship and become lean wholesalers: Disruption strengthens need for private sector teleco



### **Contents – Telecommunications**

Key performance measures

Key performance drivers & enablers

Global trends

Α

В

7

**D** Opportunities & priorities



### Key priorities for the government

Sustain investments in mobile infrastructure to remain at the forefront of the sector

### Infrastructure



- **Restart investing massively in** the **fixed broadband** network, **through the execution** of the **FTTH plan**, under the umbrella of the Lebanon Digital Strategy 2020. Priority should be on dense regions providing the highest Rol and where majority of businesses are concentrated
- Empower the Telecom Regulatory Authority (TRA) by fully transferring, from the Ministry of Telecommunications, the key regulatory responsibilities (i.e. tariffs setting, quality control, data collection & analysis, spectrum management), through applying the 2002 law 431 (or a revised version of the law) in full

Regulation & regulator

Assess and study the different options & schemes allowing for more competition and protection against disruptive sector dynamics, including the privatization of the mobile and fixed operators





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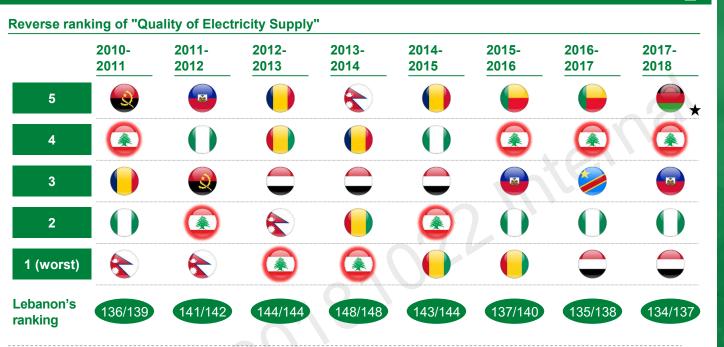
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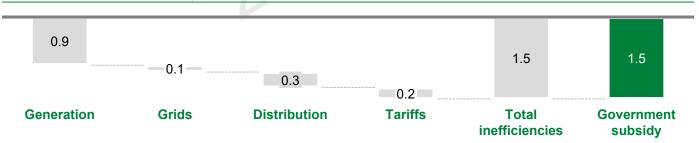


### Power sector – summary of diagnostic

#### **Performance metrics**



#### 2017 estimated breakdown of power sector in Lebanon, Bn USD



### Key challenges

#### Generation

- Missing reserve margin
- High generation cost
- Limited share of renewables

#### Grids

ΔĨΔ

- High share of T&D losses
- High demand for grid built-out

#### Distribution

- High non-technical losses in billing system
- Low level of energy service quality

#### Tariffs

Tariffs lower than similar peers and not reflecting production cost

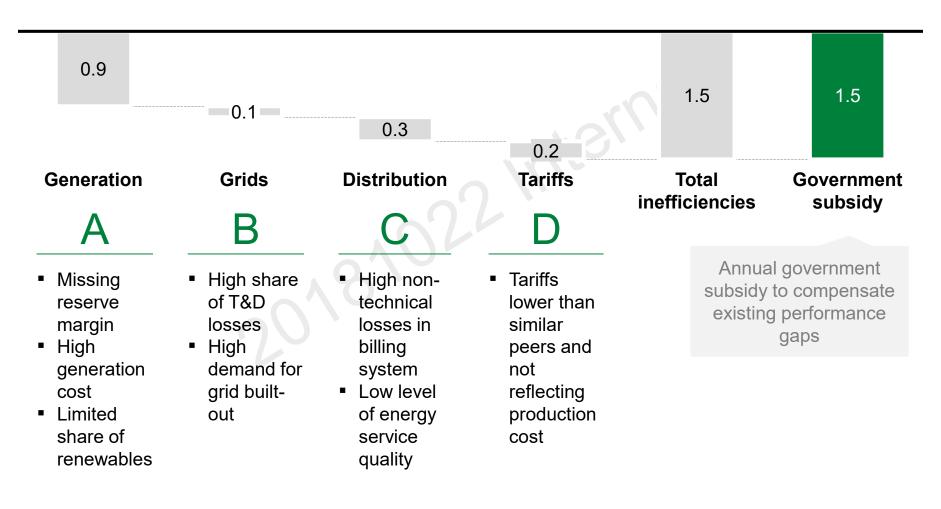






## Power Sector – summary of diagnostic

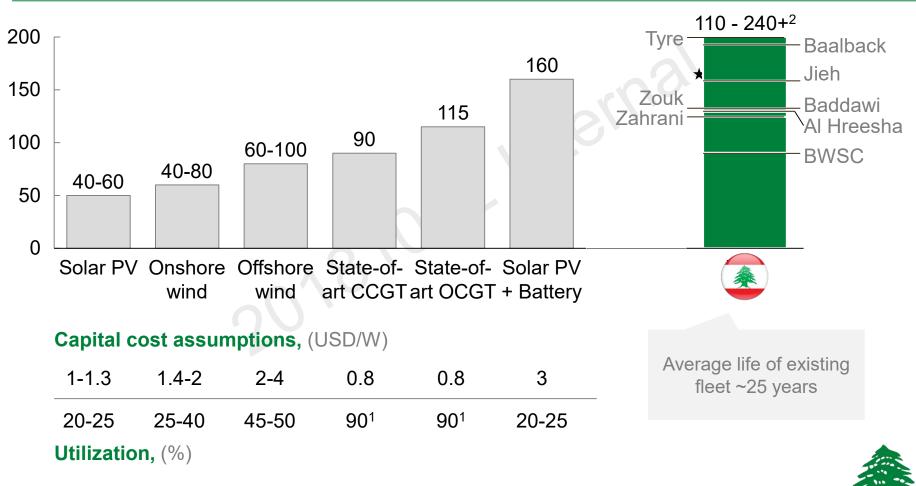
#### Sector inefficiencies and government subsidy, USD bn



# Generation cost of existing fleet is significantly higher compared to state-of-art technologies

## Average LCOE of state-of-art technologies and comparison with EDL fleet

USD/MWh, assumed 5% WACC



1 Based on gas prices of 55 USD/MWh and 60% efficiency

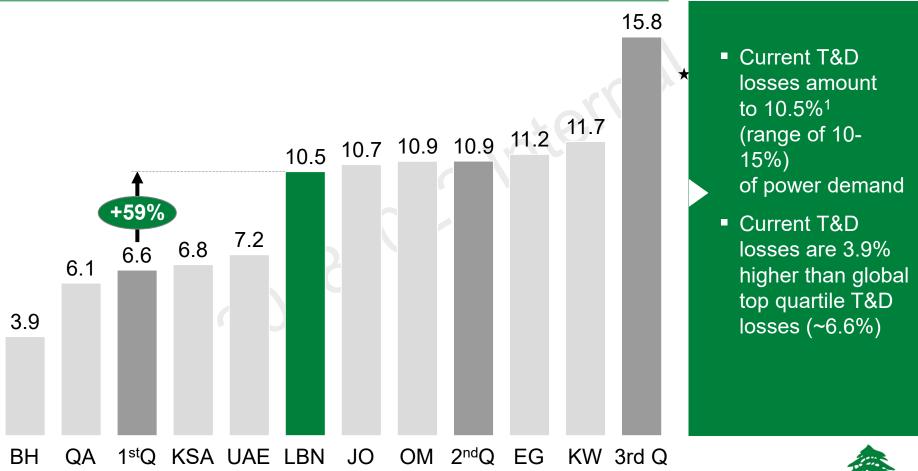
2 Average of 140 USD/kWh, assuming oil price of 80 USD/bbl



## B T&D losses are ~60% higher than top quartile

## **T&D** losses of selected countries and global benchmarks

2014 Percentage (%)



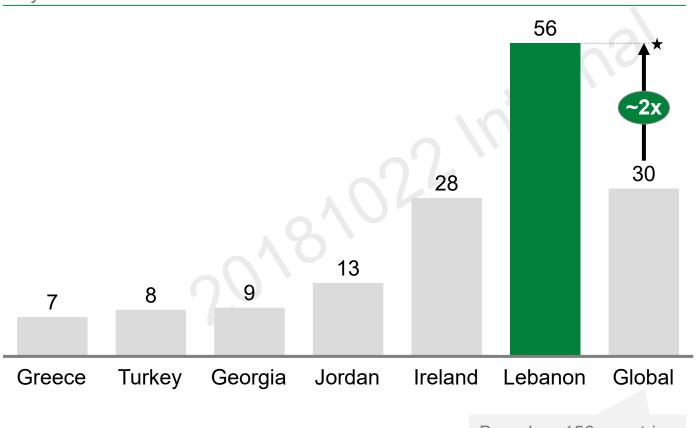
1 Based on WorldBank 2014 data

Source: World Bank



## Comparison of connection time between EDL and global benchmarks

Days



 Duration to get new electricity connection impacts country business attractiveness

In addition sector nontechnical losses are significantly high around 20-25%

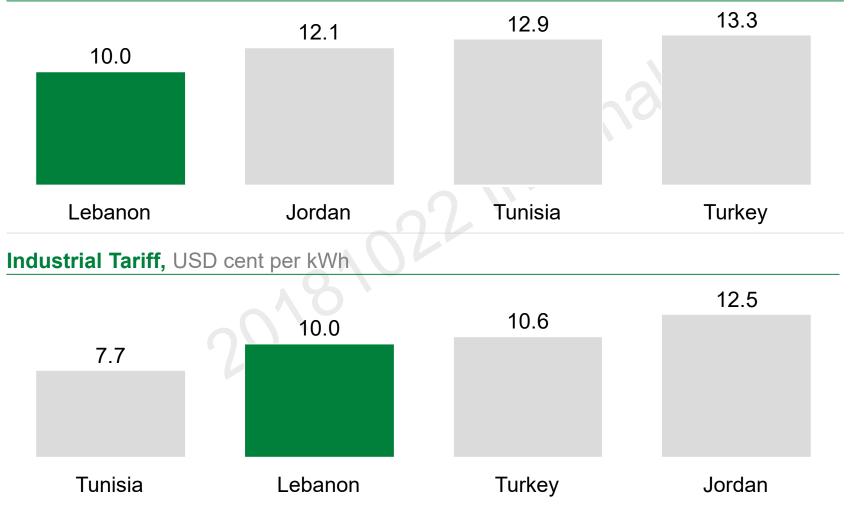
Based on 156 countries globally

1 Based on existing publications from 2013/2014

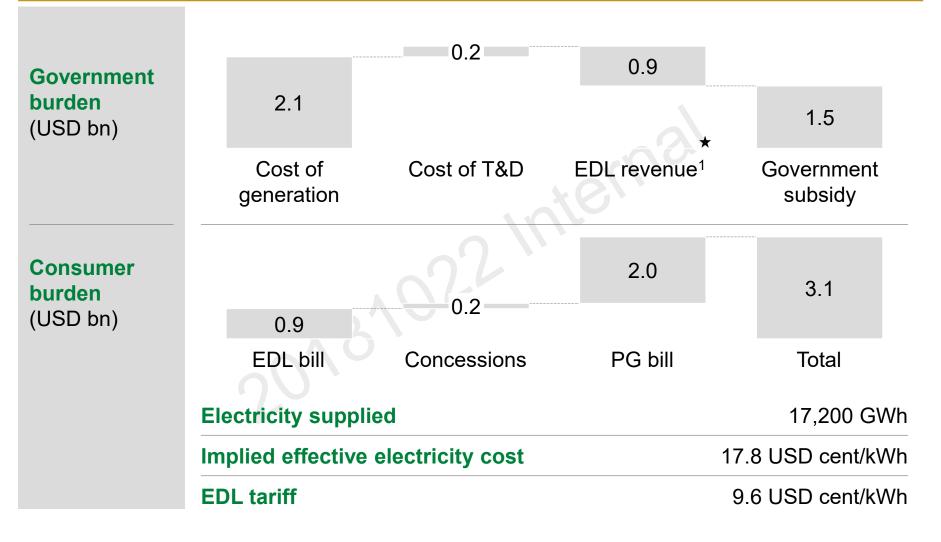
## EDL electricity tariffs are lower than comparable peers for both residential and industrial customers

## 粂

### Residential Tariff, USD cent per kWh



Performance gap also creates significant financial burden on endconsumers







### Contents – Power

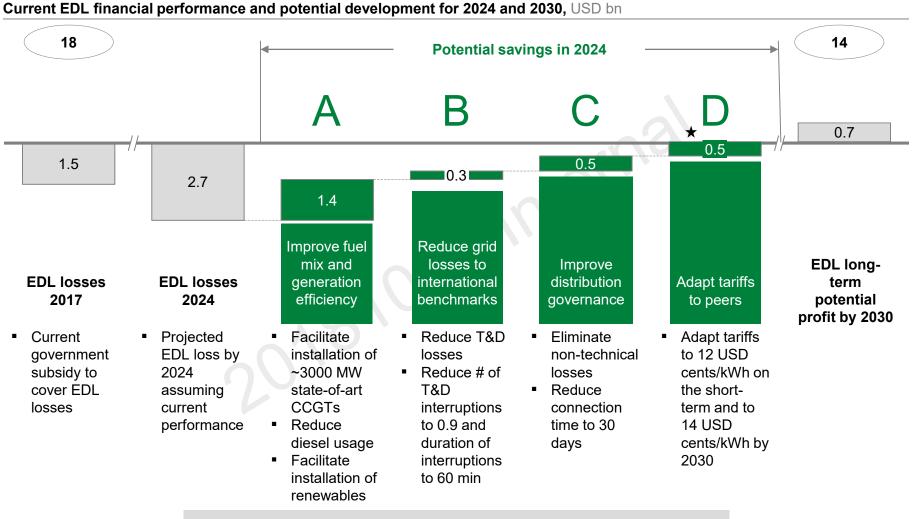
A) Diagnostic of current sector performance

## **Projection of sector development**

## Performance improvement would eliminate need for government subsidy by 2024

Consumer burden, USD cents/kWh

Х



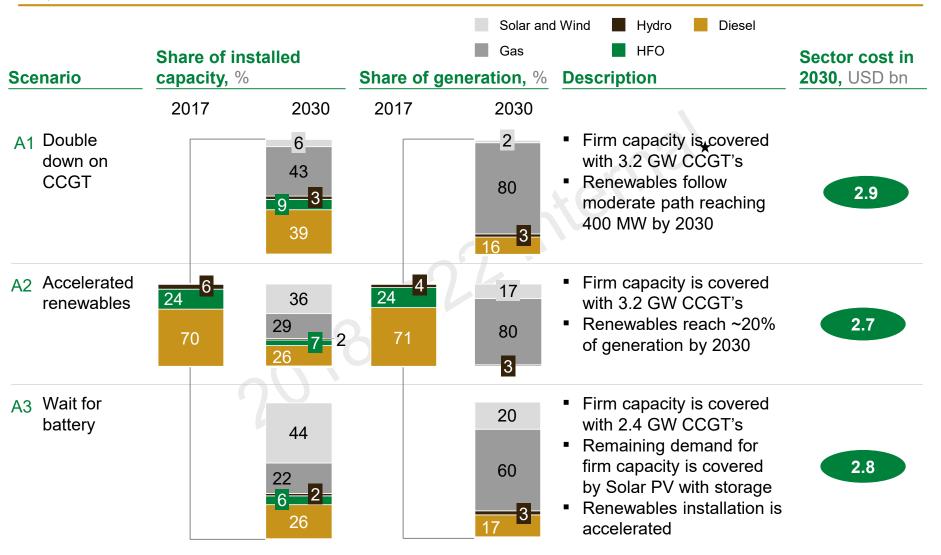
Execution of sector recovery requires setting up proper governance and operating model of EDL i.e., restructuring and corporatization of EDL

Increasing generation capacity and improving cost efficiency could learn to significant savings for the government and consumers

Observed issues Capacity gap	<ul> <li>High share of unmet electricity demand (~14% of total demand) due to lack of installed capacity</li> </ul>	<ul> <li>Potential target</li> <li>Facilitate installation of state-of-art (i.e., &gt;60% efficiency) CCGTs to achieve healthy capacity reserve margin of 10%</li> </ul>
High share of liquid fuel	<ul> <li>75% of sector power generation is based on costly HFO</li> </ul>	<ul> <li>Reduce usage of HFO to be used only for peak demand, where required</li> </ul>
Limited deployment of renewables	<ul> <li>Low share of renewables generation mainly based on hydro (~60 MW)</li> </ul>	<ul> <li>Introduce solar PV as cheapest technology to cover part of the demand</li> <li>Solar PV is intermittent and only the combination with battery allows usage for base load generation</li> </ul>
Low efficiency of generation fleet	<ul> <li>Average fleet efficiency is low at 30-35% as existing generation fleet is old and requires modernization</li> </ul>	<ul> <li>Reduce utilization of existing fleet to cover only peak demand</li> <li>Selectively upgrade existing assets based on business case</li> </ul>

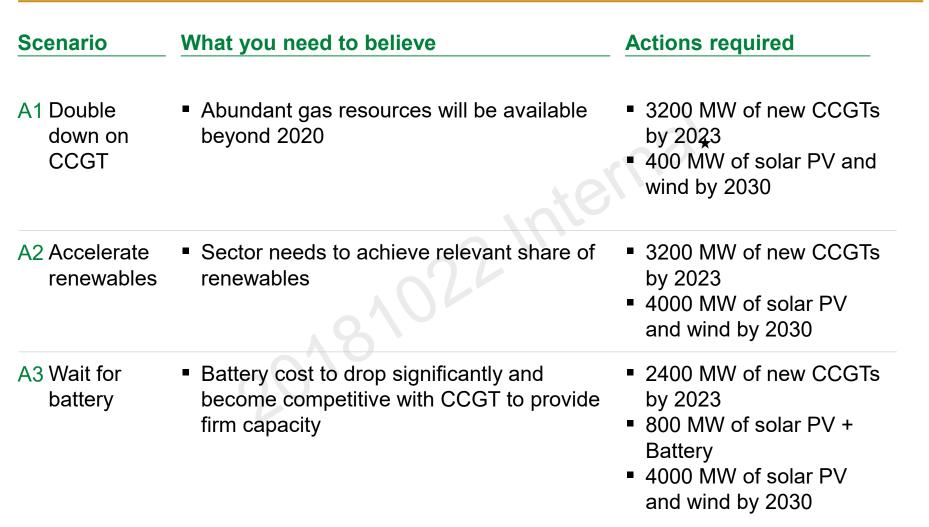


## Three potential options exist for the target generation mix

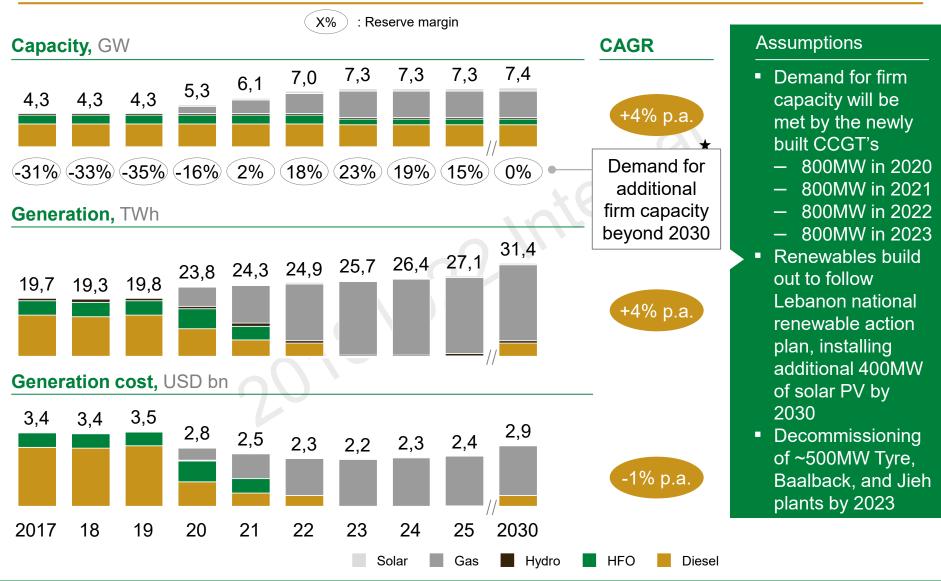


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Selection of options depends on the outlook for gas resources, the relevance of renewables and the development cost for batteries

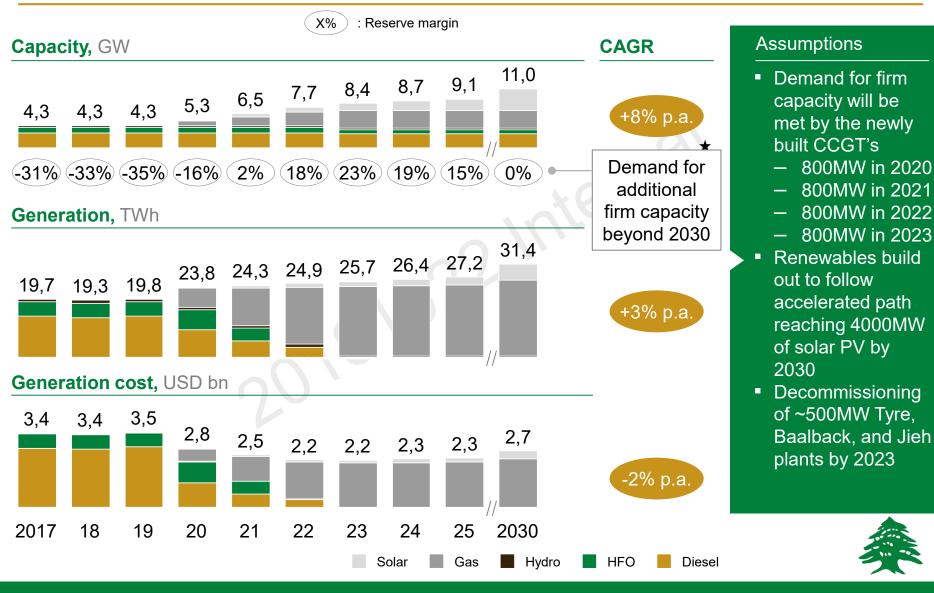


# A1 Scenario "Double Down on Gas": immediate focus on the installation of 3200MW CCGT's by 2023



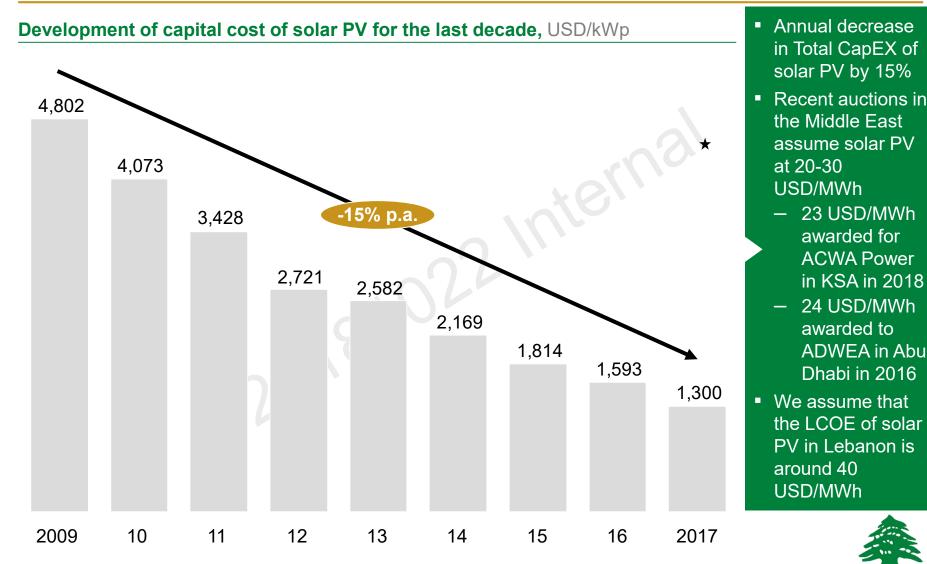


# A2 Scenario "Accelerate Renewables": parallel focus on CCGT's and solar PV deployment



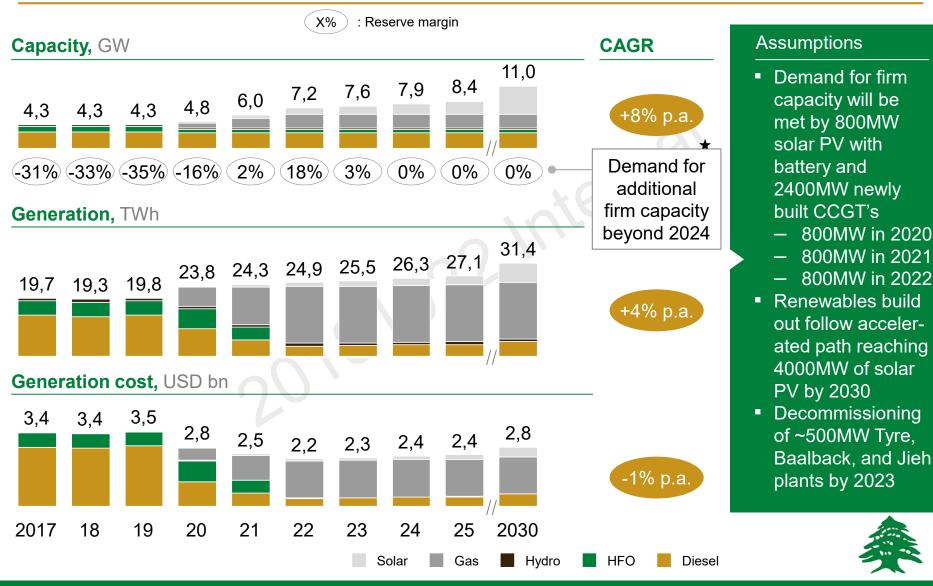


# A2 Cost of solar PV dropped by 15% annually over the last decade making solar PV the cheapest technology





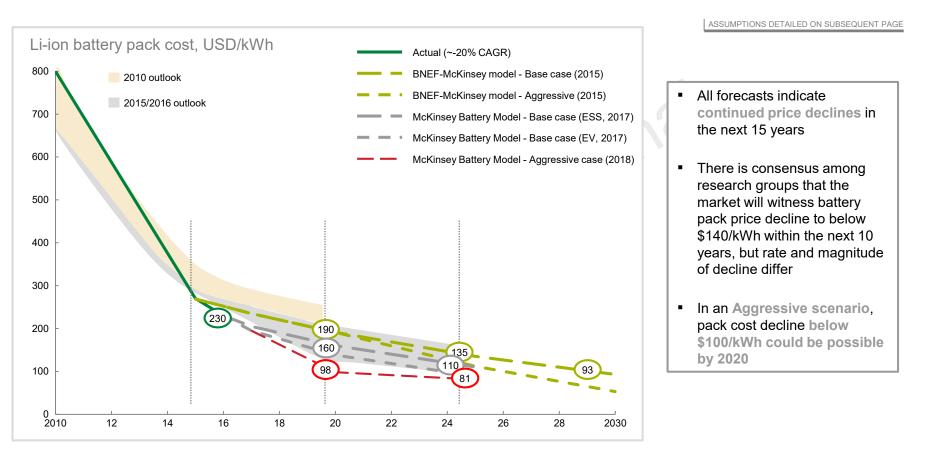
# A3 Scenario "Wait for battery": immediate focus on CCGT's shifting towards solar PV with battery beyond 2025



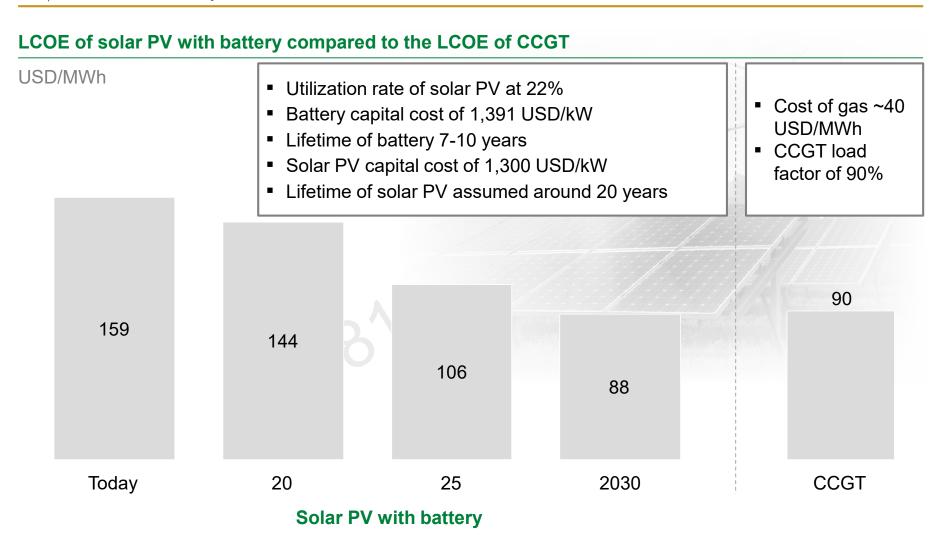




## A3 Cost for batteries is projected to reduce significantly over the next decade



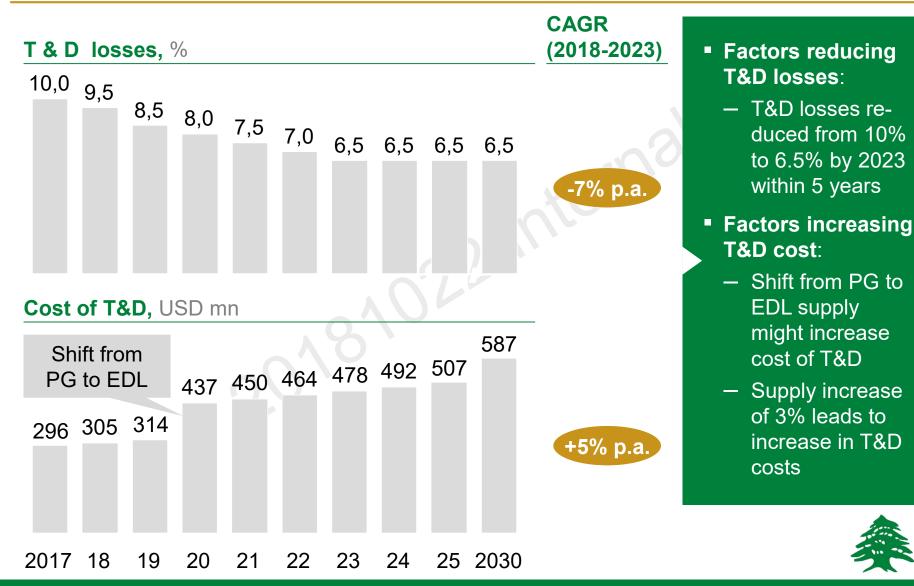
A3 Application of solar PV and battery to provide firm capacity will only become competitive around 2030



B Technical losses in T&D need to be reduced by 50% along with network reliability improvements

Observed issues	Current state	Potential target				
High technical losses in T&D	High technical losses for T&D of ~10-15%	<ul> <li>Reduce T&amp;D technical losses to 6.5%</li> </ul>				
	Transmission losses around 3%					
	<ul> <li>Distribution losses around 7-12%</li> </ul>					
Network reliability	<ul><li>Very low network reliability</li><li>SAIFI measured at 600</li></ul>	<ul> <li>Achieve reasonable ranges for network reliability</li> </ul>				
	interruptions per year	<ul> <li>SAIFI at ~0.9 interruptions per</li> </ul>				
	<ul> <li>SAIDI estimated at 3,150 hours per year</li> </ul>	year — SAIDI at ~60 minutes per year				

T&D cost increases by 5% p.a. as supply increases, despite reducing losses to international benchmark



B



Performance improvement in distribution requires reducing non-technical losses and improving connection time

## Observed issues Non-technical losses

### **Current state**

Non-technical losses currently at 25% includes uncollected bills and lack of supply governance

### Potential target \*

Non-technical losses at ~1% equals healthy level of doubtful receivables

Average time to connect customers



Average duration for electricity connection of 56 days starting from day of application Connection time of ~30 days for average of 156 countries

Sector profitability could be improved by increasing tariffs and adapting regulatory enablers

### **Observed issues**

#### **Current state**

Residential and industrial tariffs

\$

Average tariff in Lebanon is around 9.6 cents USD/kWh

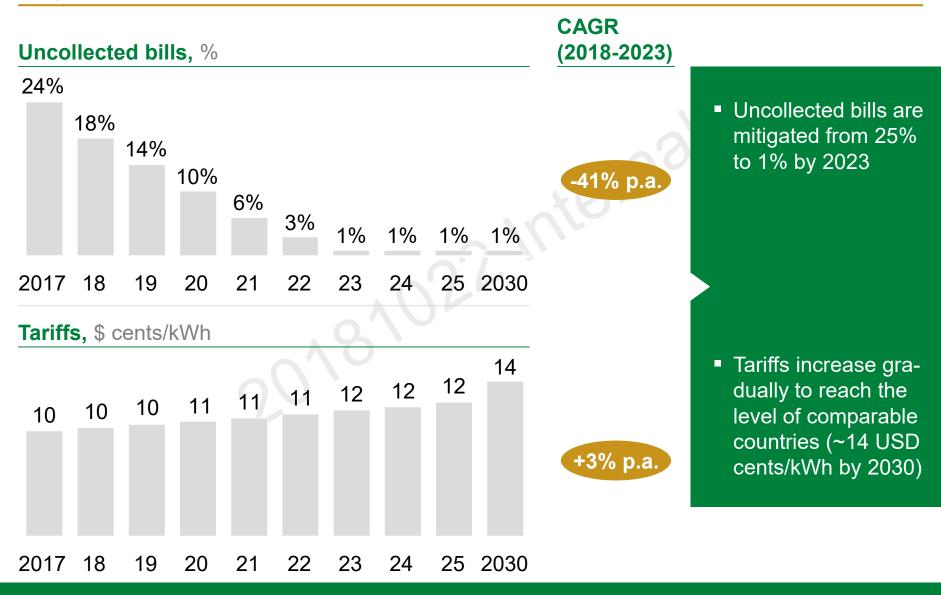
### Potential target \*

Tariff could be increased gradually to match similar countries in the region reaching up to 14 USD cents/kWh by 2030 (3% annual increase)

## Regulatory performance

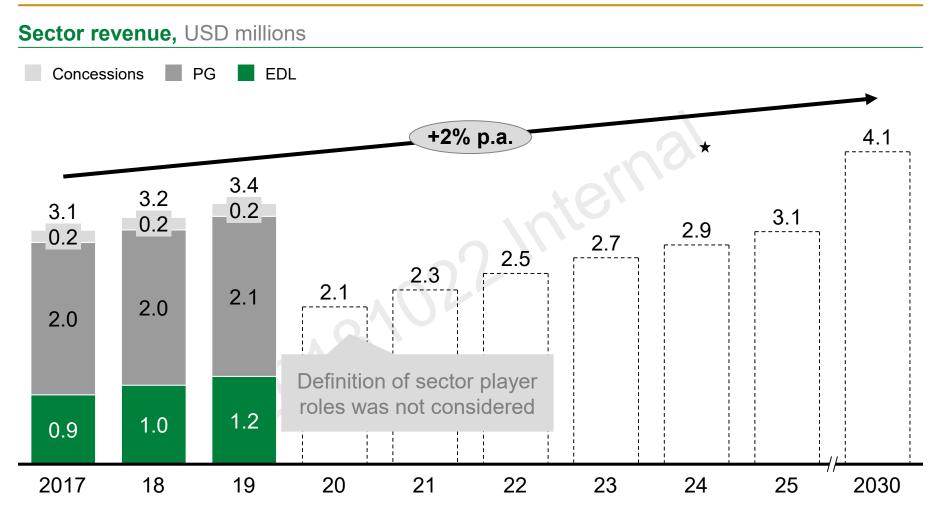
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Lack of institutional capabilities, weak governance and limited steering of sector improvement Set-up of proper governance and operating model of EDL considering restructuring and corporatization Improving performance of billing mechanism and increasing tariffs by





## Consequently, sector could reach a revenue of USD 4 bn by 2030





## EDL reaches profitability by 2024 in all three scenarios

### EDL profitability (Collected tariffs – sector cost<sup>1</sup>)

**USD** millions





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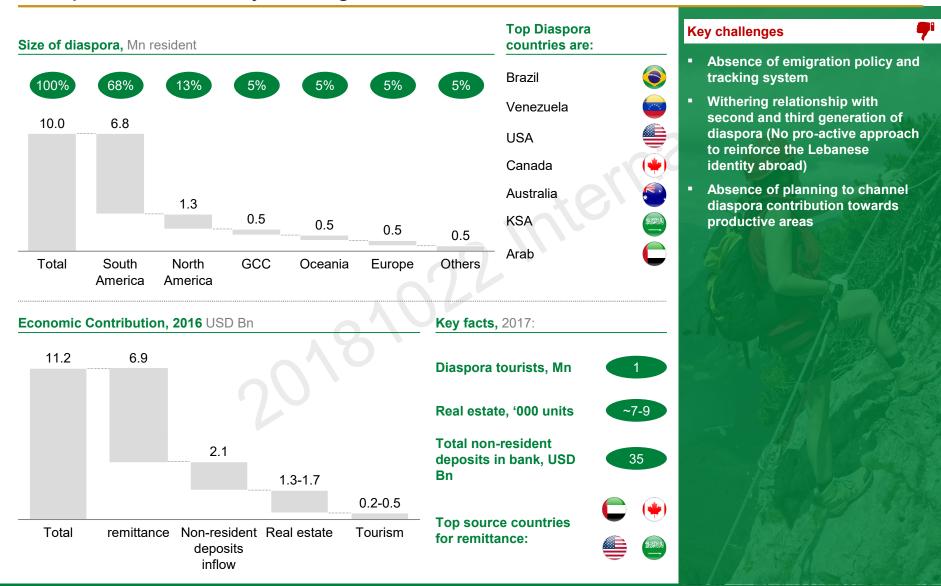
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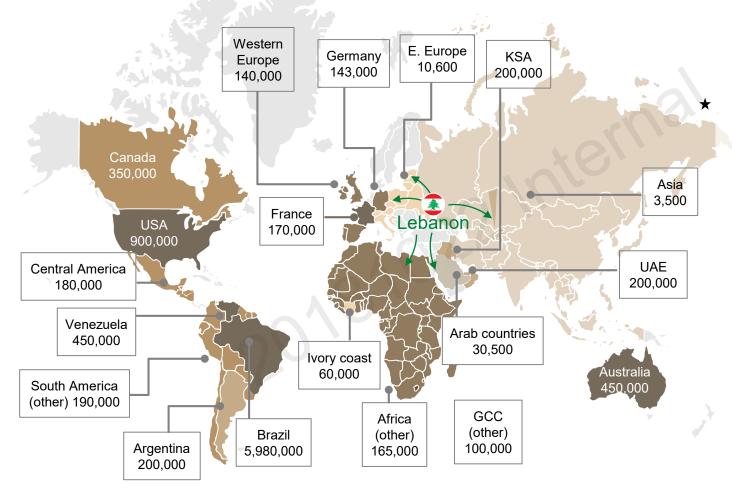


## Diaspora – summary of diagnostic



Lebanese diaspora is estimated to be ~10 Mn but no official record of the diaspora size exists by location





### Total Lebanese immigrants ~9-10 Mn

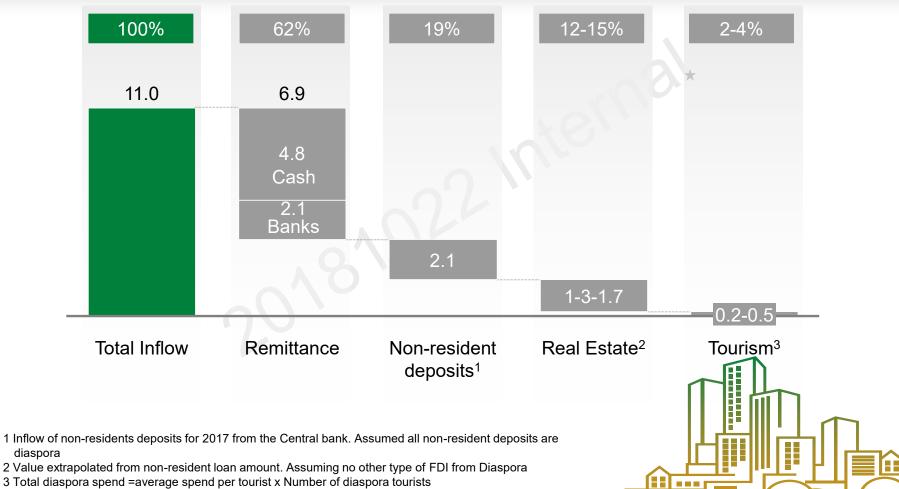
**ESTIMATES** 

- The Lebanese diaspora refers to the Lebanese emigrants and their descendants living abroad
- No official record exists about the number of Lebanese diaspora in the world and their split by country

## The Lebanese diaspora contribute ~11Bn USD per year to the **Balance of Payments**

# **ESTIMATES**

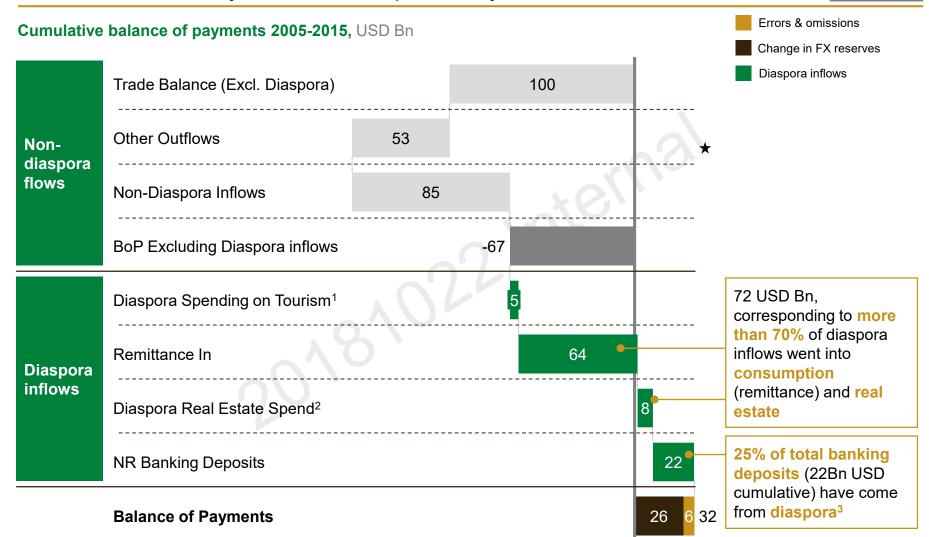
#### Inflow from Diaspora into the country 2016, Bn USD



(Number of diaspora tourists is computed assuming 80% of foreign tourists stay in hotels)

diaspora

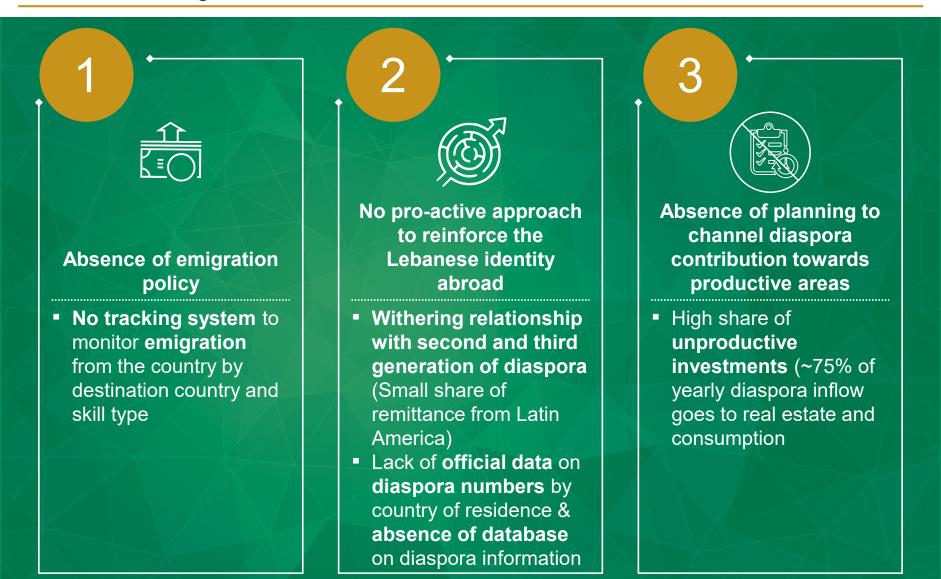
## Diaspora inflows have played an important role in decreasing the gap in the Balance of Payments in the past 10 years



1 Computed assuming non diaspora tourists stay in hotels2 Computed by using loan data as proxy and building depreciation schedule of purchases3 Assuming all non-resident deposits are partially or fully related to Lebanese diaspora

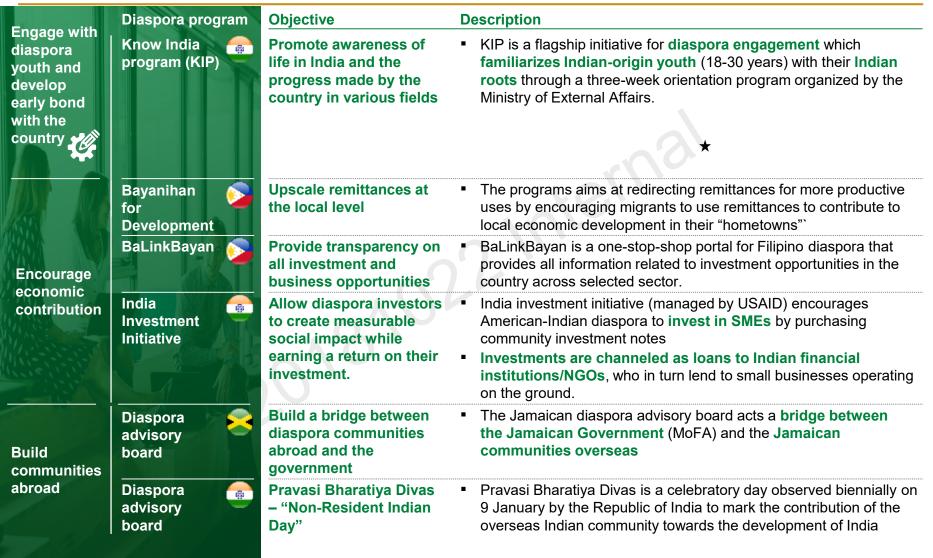
Note: Sovereign exposure computed as BDL deposits and public sector loans minus 15% of deposits as required reserves, and assumed to purely finance fiscal deficit

## Despite the diaspora's historic contribution to Lebanon, several challenges remain





## Countries have made efforts to actively engage with their diaspora through several type of initiatives



CASE EXAMPLE: India has made significant efforts to actively engage with its 16 Mn+ diaspora members

~16Mn	~65B	5n	10	)+		1
Largest diaspora in the world	Largest recipier of remittances			ora	Dedicated division under MoEA that leads diaspora initiatives ★ One-stop shop portal for organising overseas employment and engaging with diaspora	
Know India program (KIP)	Scholarship program for Diaspora Children (SPDC)		as Citizenship scheme (OCI)			India Development Foundation of Overseas Indians (IDF-OI)
Familiarizes Indian- origin youth (18-30 years) with their Indian roots through a three-week orientation program and promotes awareness of life in India and the progress made by the country in various fields	Promote higher education in Indian Universities/ Institutes in different fields for Indian diaspora students (awarding scholarship up to USD 4000 per annum)	Indian o	registration of diaspora as ees citizens of	Biennial cele event to man contribution of the overs Indian comm towards the developmen and provide to discuss i and concer diaspora	rk the n seas munity t of India a forum ssues	Enables Overseas Indians to <b>send</b> <b>contributions</b> for implementation of <b>social</b> and <b>development</b> <b>projects</b> in India.



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## Urban Efficiency – summary of diagnostic

City planning & efficiency is a key enabler for economic development and growth

> By 2030, 60% of the population – 5 billion people – will be city dwellers ...

... and the top 600 global cities are expected to contribute to more than half of the world's GDP

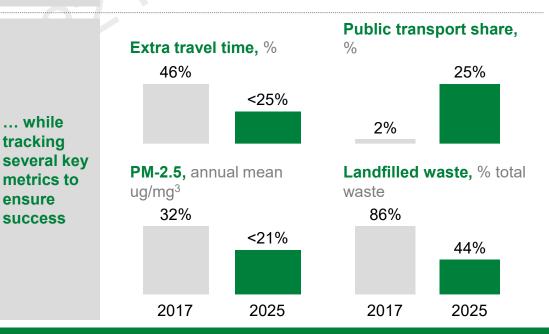
Knowledge-intensive, small-sized countries, unlocked their growth potential, through anchoring their development around an efficient urban center, at the heart of the economy

Singapore positioned the city as a key regional hub, attracting regional headquarters for 100+ companies by 1990

Dubai has developed a comprehensive strategy anchored around an efficient urban zone with SEZ around the city

Several gaps exist within Greater Beirut's efficiency that should be tackled as part of a broad city vision

- Enhance overall livability of the city, mainly pollution and waste management
- Focus on growing improving offering and growing use of public transportation, through prioritizing and incrementing relevant CIP initiatives
- Develop a fully integrated urban plan, with clear land use allocation
- Reclaim illegally used land particularly on Greater Beirut's beachfronts



Source: C40 Cities, WHO Global Urban Ambient Air Pollution Database, Lebanon municipality of Beirut sustainable energy action plan, Capital Investment Program, Press Search, Transport Authority of Countries, TomTom Index; CIP, Land Transport Authority of Singapore, Gulf News, CAS, Ministry of Health

ensure

Key

challenges

should be

tackled...



## Urban efficiency diagnostic - key performance measures

#### A. Sector performance measures

#### **Key performance** measures

#### Overall, city planning & efficiency across different aspects is a key enabler for **A1** economic development and growth

- In 2030, more than half of the world's GDP is expected to be produced within the top 600 global cities
- Most small-sized countries that managed to unlock their growth potential, anchored their economic development around a strong and efficient urban center
  - Singapore positioned the city as a key regional hub, attracting regional headquarters for 100+ companies by 1990
  - Dubai has developed a comprehensive strategy anchored around an efficient urban zone with SEZ around the city

For a city to reinforce its livability, it should enhance its performance across 9 dimensions

Nine key dimensions enable sustainable and competitive city growth: Transportation, energy & environment, education, water, solid waste, safety, healthcare, housing & urban planning



A3 Today, Beirut ranks poorly when compared to regional and global peers, only outranking Lome & Addis Ababa

Today Beirut ranks 188<sup>th</sup> out of ~230 cities on guality of life, standing behind regional and global peers



# Urban efficiency diagnostic - key performance drivers & enablers (1/4)

#### B. Key performance drivers & enablers

#### **Transport**

- Lebanon overall's road infrastructure ranks poorly when compared to global and **B1** regional peers
  - Lebanon is ranked 121<sup>st</sup> worldwide on road quality driven by a poorly maintained road network



- B2 Within Beirut, urban mobility is hindered by high congestion levels in main cities leading up to ~46% extra travel time
  - Congestion in the city leads to an estimated increase of travel time by ~46% on average, ranking Beirut in the top 25 most congested cities worldwide
  - Congestion in Beirut is driven by a high penetration of cars, lack of reliable public transport (less than 2% of trips taken through public transport) and uncoordinated public works

#### **Energy &** environment

- B3 Greenhouse gases emissions are in line with global and regional averages, however air pollution is amongst highest
  - CO2 emissions, standing at 6 ton/capita are in-line with global cities average, with room for improvement when compared to Scandinavian cities
  - However, air pollution level, standing at 32ug/m, is amongst highest compared to regional and global benchmarks. Globally, Beirut ranks ~2,500<sup>th</sup> out of ~3,000 cities in terms of pollution



# Urban efficiency diagnostic - key performance drivers & enablers (2/4)

#### **B.** Key performance drivers & enablers

Solid Waste

- B4 When compared to benchmarks, per capita waste production is in line with regional and global peers at 1.18 kg/capita/day
  - Per capita waste production stands at 1.18 kg/capita/day compared to a peer average of 1.35



B5 In the summer of 2015, Lebanon witnessed a solid waste crisis, with Beirut & Mount Lebanon mostly affected

- Beirut & Mount Lebanon's waste management system relied mainly on the Naameh landfill, that was originally opened in 1997, and planned to serve for 5 years and receive a total of ~2-3 Mn tons of waste
- After years of expansions & operation extensions, the landfill was closed in the summer of 2015 triggering a solid waste crisis, which saw open dumping and open burning practices expand across the country, with hazardous environmental and health consequences



The main bottleneck with Lebanon's waste management system is the recovery rate, driven by low composting & recycling capacity and lack of WtE facilities

- Whereas the initial plan was designed for a ~25% recovery rate, today the recovery rate hovers around ~14% compared to a 47% EU average
- Landfill rate of total waste, standing at 85%, is more than 3x EU average, driven by a lack of WtE (e.g. incineration) procedures
- Moreover, under the status quo, no enhancement in the recovery rate is expected; total landfill waste is estimate to reach ~25 Mn tons, double the size of the Naameh landfill as it stands today

Moreover, a lack of source (household & business level) waste sorting renders the **B7** sorting facilities activities harder and less efficient due to waste compaction



# Urban efficiency diagnostic - key performance drivers & enablers (3/4)

B. Key performance drivers & enablers				
Water	<ul> <li>Beirut's water distribution network provides for a wide coverage but low reliability driven by rationing.</li> <li>More than 80% of households are connected to the water network in Beirut &amp; Mount Lebanon, higher than the 75% MENA average, but much lower than the 100% best practice.</li> <li>However, water supply is limited and seasonal in Beirut &amp; Mount Lebanon, with only 3 hours/day during dry season.</li> <li>More than 50% of the transmission network is past its useful life with 45% of the transmission and 33% of the distribution network more than 30 years old</li> </ul>			
Healthcare	<ul> <li>Beirut provides for a highly accessible healthcare network when compared to regional benchmarks but lags OECD countries</li> <li>Beirut has the highest beds/1,000 people amongst regional benchmarks, standing at ~5.6 beds per 1,000 people and higher than OECD average of ~3.8 beds per 1,000 people. When looking at the Beirut &amp; Mount Lebanon region, bed penetration drops to ~3.3 beds per 1,000 people</li> </ul>			



# Urban efficiency diagnostic - key performance drivers & enablers (4/4)

B. Key performance drivers & enablers				
Housing	<ul> <li>Housing public policy was historically absent and recently geared towards providing subsidized housing loans</li> <li>National housing &amp; affordable-housing policies have not included measures commonly found in other countries. There are, for instance, no public housing projects in the country apart from few community, association or municipality-driven initiatives.</li> <li>Policies have been geared towards increasing house ownership through providing subsidized housing loans: EPH, BDH &amp; BDL subsidized housing loans</li> </ul>			
Urban Planning	<ul> <li>Lebanon lacks proper urban planning, negatively affecting land availability and pushing prices upwards</li> <li>The absence of strict enforcement of urban planning has been detrimental to land availability and access, especially in high urban concentration, the problem being even more pronounced in Beirut. This has further put upward pressure on real estate prices</li> </ul>			
Security	<ul> <li>Road safety is amongst best regional and global peers; homicide rate on the other hand is amongst the highest</li> <li>Deaths from road accidents, standing at 8.6 per 100,000, are lower than peer average of ~15</li> <li>Homicide rate on the other head is third highest, standing at 4 per 100,000, 1.5x the regional and global average of 2.7</li> </ul>			
Education	<ul> <li>Beirut provides for K-12 education penetration in line with global benchmark, and is home to high quality universities</li> <li>K-12 schools penetration, standing at 0.41 schools per 1,000 people for Beirut &amp; Mount Lebanon is in line with the global benchmark of 0.2 schools per 1,000 people</li> <li>AUB is ranked 237<sup>th</sup> globally and 1<sup>st</sup> in the Arab world with USJ ranking 500<sup>th</sup></li> </ul>			



# Contents – Urban efficiency





City livability and competitiveness matters because:

# By 2030, 60% of the population – 5 billion people – will be city dwellers ...

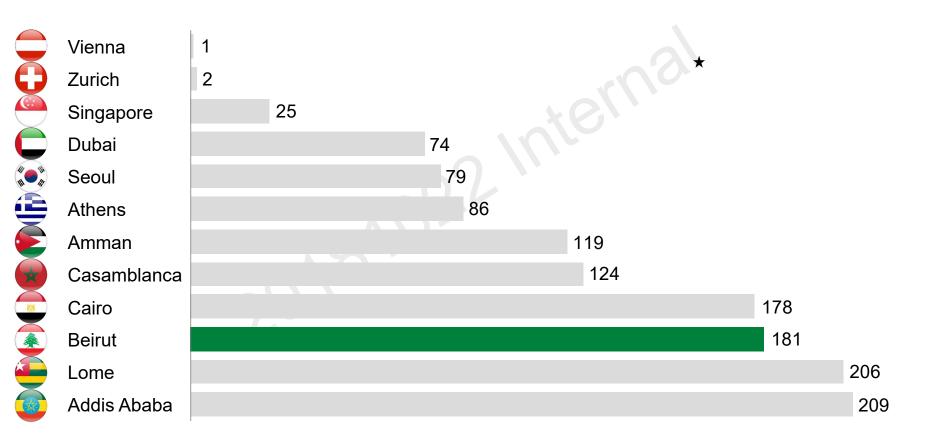
# ... and more than 60% of global GDP will come from only 600 cities





# Today, Beirut ranks poorly when compared to regional and global peers

**Mercer's quality of life index,** 2018 rank



#### Total number of 231 cities in the survey



# Contents – Urban efficiency

Α

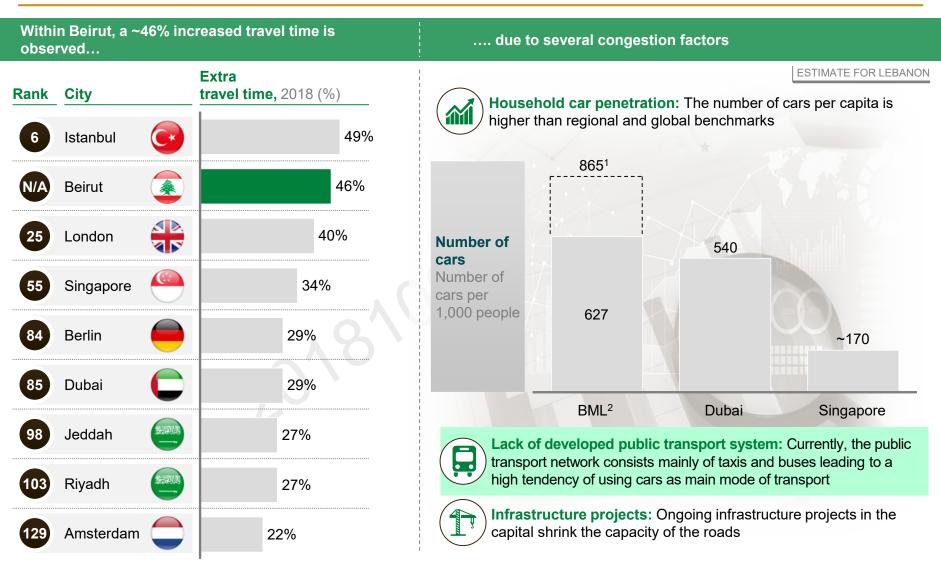
B

Key performance measures

# Key performance drivers & enablers

Opportunities & priorities

# B2 Within Beirut, urban mobility is hindered by high congestion levels in main cities leading up to ~46% extra travel time



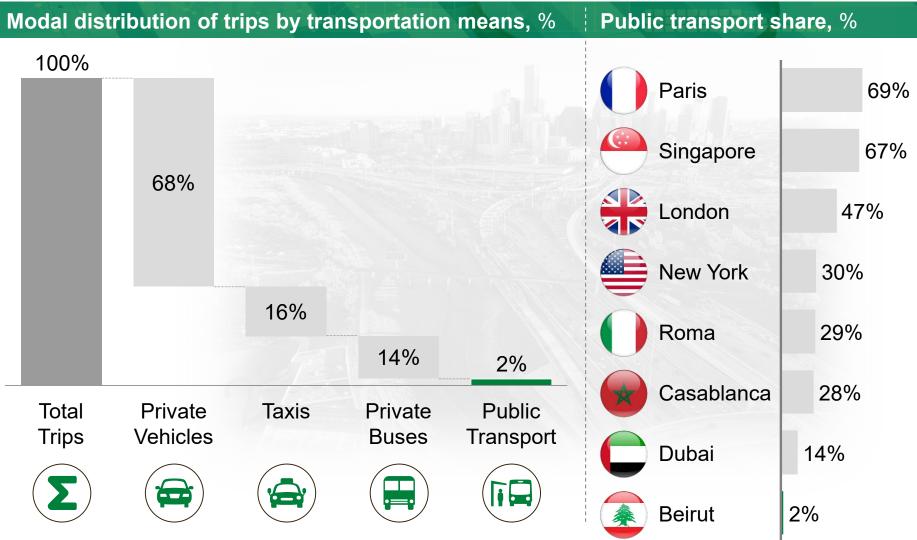
1 Including & excluding refugees; Estimated by applying BML portion of yearly registration to 2Mn stock of cars 2 Beirut & Mount Lebanon

Source: TomTom Index; CIP; Beirut Peripherique Highway feasibility; Land Transport Authority of Singapore; Gulf News; World Bank; CAS; Ministry of Health



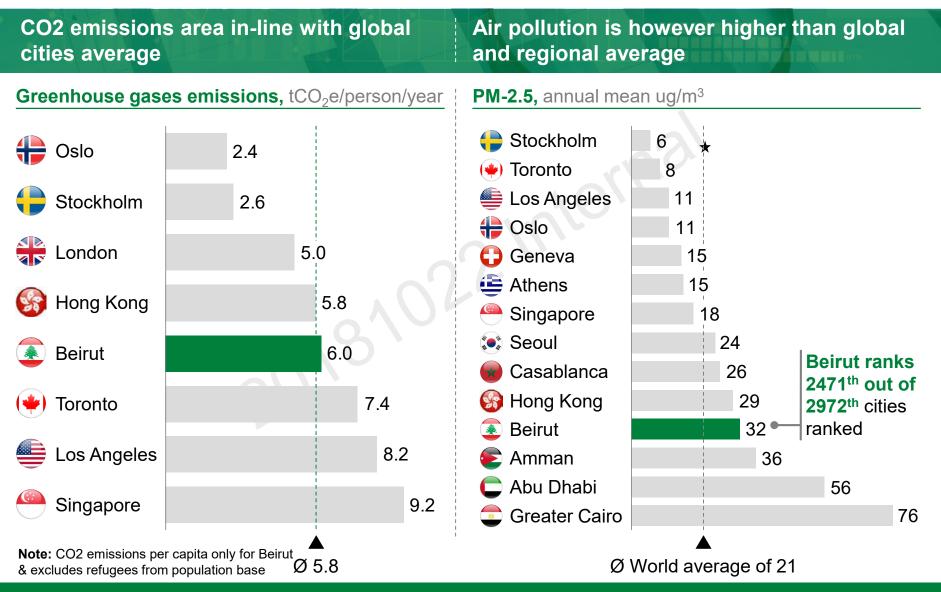


# Public transportation contributes to only 2% of total completed trips



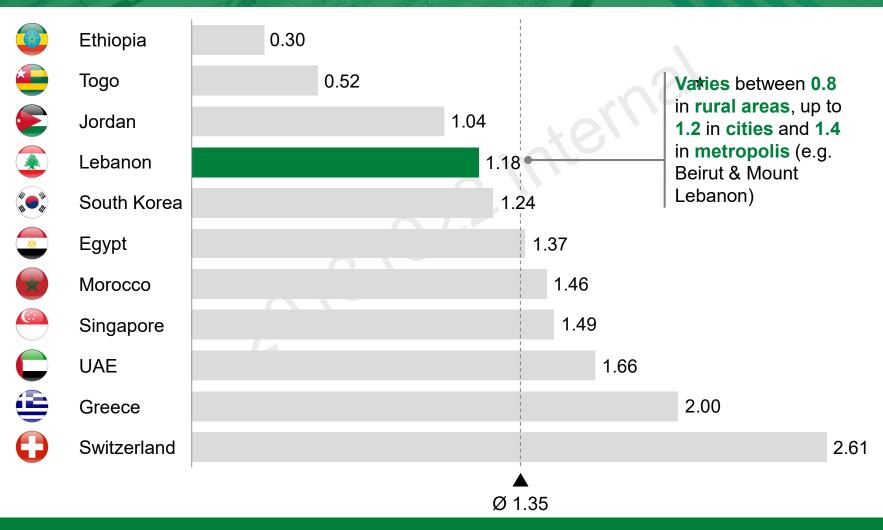
B3 Greenhouse gases emissions are in line with global and regional averages, however air pollution is amongst highest





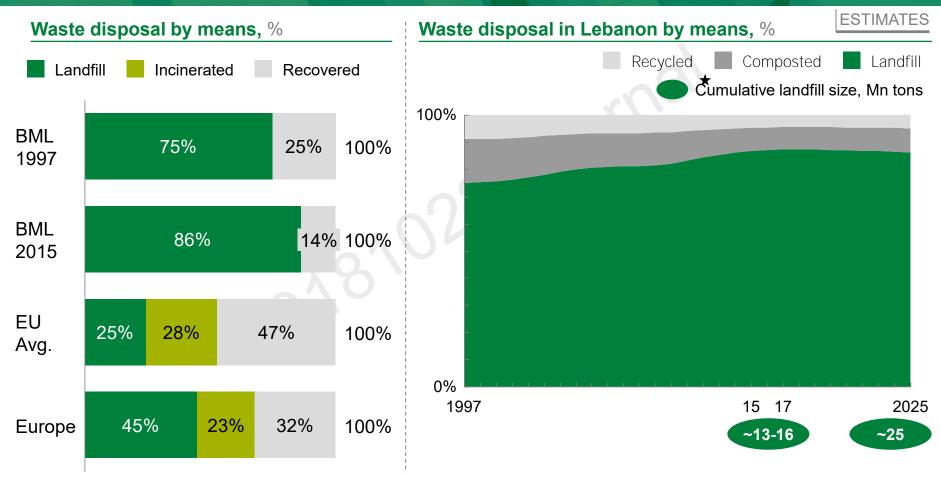
When compared to benchmarks, per capita waste production is line with regional and global peers at 1.18 kg/capita/day

Waste production, kg/capita/day



B6 Landfill portion of waste greatly exceeds global benchmarks; under status-quo landfill size expected to be double the Naameh size today

86% of produced waste ends up in Under status-quo, total landfilled waste is landfills vs. a Europe average of 45% estimated to reach ~25 Mn tons, 2x today



Note: Estimations made by computed total waste generated in Beirut & Mount Lebanon from World Bank population estimates and CAS waste generation per capita

Source: C40 Cities; WHO Global Urban Ambient Air Pollution Database; Lebanon municipality of Beirut sustainable energy action plan; Eurostat Waste management statistics; SOER 2010 Lebanon - UNDP BML provides for a highly accessible healthcare network when compared to regional benchmarks but lags OECD countries

Number of hospital beds, Number of beds per 1,000 people

Beirut	5.6 <sup>1</sup>
Beirut & Mount Lebanon	3.3 <sup>1</sup>
Kuwait City	2.2
Dubai	2.1
Singapore	2.0
Riyadh	1.0
OECD Average	3.8

1 Excludes refugees

Source: Country's Ministry of Health; World Bank; Syndicate of Hospitals in Lebanon

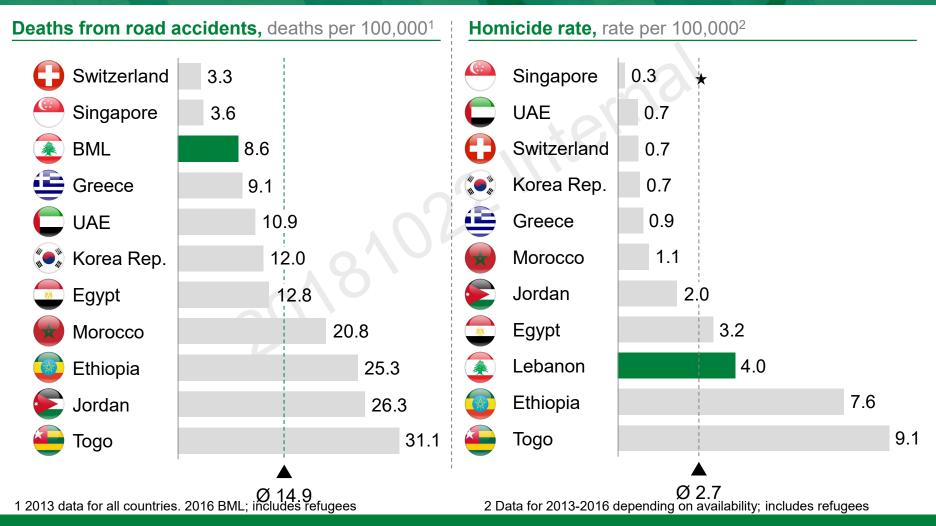


Road safety is amongst best regional and global peers; homicide rate on the other hand is amongst the highest





Homicide rate however is among highest compared to peer countries



Source: WHO - Status Report on Road Safety; CAS; UNODC; World Bank



# Contents – Urban efficiency

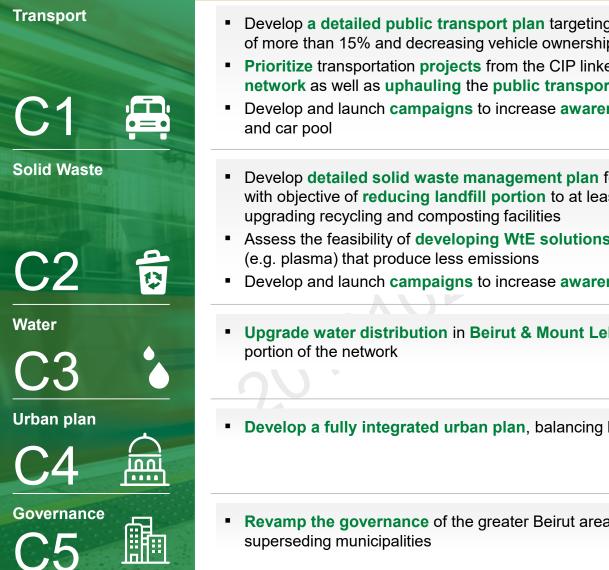
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Β

Key performance measures

Key performance drivers & enablers

C Opportunities & priorities

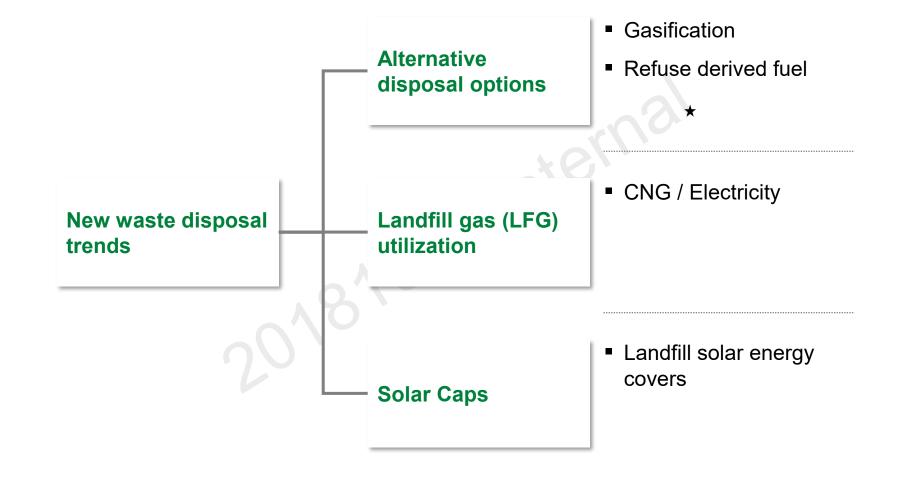


- Develop a detailed public transport plan targeting a public transport share of more than 15% and decreasing vehicle ownership rates to ~250-400 per 1,000 people
- Prioritize transportation projects from the CIP linked to upgrading Greater Beirut road network as well as uphauling the public transport system
- Develop and launch campaigns to increase awareness of benefits from public transport
- Develop detailed solid waste management plan for Beirut & Mount Lebanon with objective of reducing landfill portion to at least 65% as per global benchmarks, through
- Assess the feasibility of developing WtE solutions with an emphasis on future technologies
- Develop and launch campaigns to increase awareness of source sorting importance
- Upgrade water distribution in Beirut & Mount Lebanon with an emphasis on the outdated
- Develop a fully integrated urban plan, balancing between the different areas

**Revamp the governance** of the greater Beirut area to ensure single coordinating board/entity

C2 The waste management industry is seeing additional trends in recovery and disposal





C2 Across the world waste to energy is gaining traction, however many OECD countries are suffering from overcapacity

#### Tailwinds

- Across the world, shift from landfilling as core waste strategy, to value-recovery waste treatment methods – this can be observed both at the regulatory level (national/regional), at the administrative level (municipalities), and corporate level (zero-waste policies)
- Organic waste, which is large fraction of MSW, and even more so in emerging markets, now increasingly valorized through WtE via anaerobic digestion
- Newer technologies, like plasma gasification, are already showing economic advantages over incineration, and since they are at the beginning of the learning curve, more gains are to be expected
- Over the last few decades environmental pollution control technology has improved dramatically, with the potential to eliminate public and environmental health concerns

#### Headwinds

- In OECD countries, generated waste volumes are dwindling, with growth slower than GDP and volumes even declining in absolute terms
- In North America still strong NYMBY towards incinerators; permitting difficulties as a consequence
- Incineration is a mature technology, and hence not much more efficiency gains to be expected from a technology perspective
- In Western Europe, already WtE overcapacity, with countries like Sweden, Germany, and the Netherlands trying to attract crossborder waste volumes
- In Europe, regulatory push towards material recovery rather than energy recovery, which has impact on actual volumes available

# C2 Incineration dominates the market as the key mature WtE technology, although gasification technologies are emerging



Technology		Description	Key characteristics	
Emerging WTE technologies	Plasma gasification	<ul> <li>Uses plasma torch/arc to break down waste primarily into elemental gas and solid waste (inert vitrified glass)</li> <li>Does not combust the waste as incinerators do</li> </ul>	<ul> <li>Eliminates more than 99% of MSW</li> <li>Can process mix MSW with relatively low preparation</li> <li>More favoured in the sub 1,500 tpd scale</li> <li>More costly than anaerobic digestion</li> </ul>	
	2 <b>Thermal</b> gasification	<ul> <li>Uses a gas-reforming process to recover purified synthetic gas from municipal waste and industrial waste</li> </ul>	<ul> <li>Requires significant preparation of MSW</li> <li>Needs to improve costs to compete with plasma gasification</li> </ul>	
Mature WTE technology	3 Incineration	<ul> <li>Combustion of MSW, converting the waste into ash, flue gas, and heat</li> <li>The flue gases must be cleaned of gaseous and particulate pollutants before they are dispersed into the atmosphere</li> </ul>	<ul> <li>Established technology</li> <li>Relative low cost; scale of more than 1,500 tpd</li> <li>Generates more emissions than competing technologies</li> <li>Residues (mainly ash) need to be landfilled</li> <li>Permitting is virtually impossible in some jurisdictions due to perception issues (e.g., U.S.)</li> </ul>	
	4 Anaerobic digestion	<ul> <li>Bacterial breakdown of organic materials in the absence of oxygen</li> <li>Produces biogas, principally composed of methane and carbon dioxide</li> </ul>	<ul> <li>Cost leader among alternatives to land filling</li> <li>Favoured in some RFPs evaluations (e.g., LA)</li> <li>No smoke stack</li> <li>~20%-30% of the MSWs still need to be further processed or sent to a land fill (nonbiological/ nonrecyclable materials)</li> <li>Proper sorting is critical to avoid contamination</li> </ul>	



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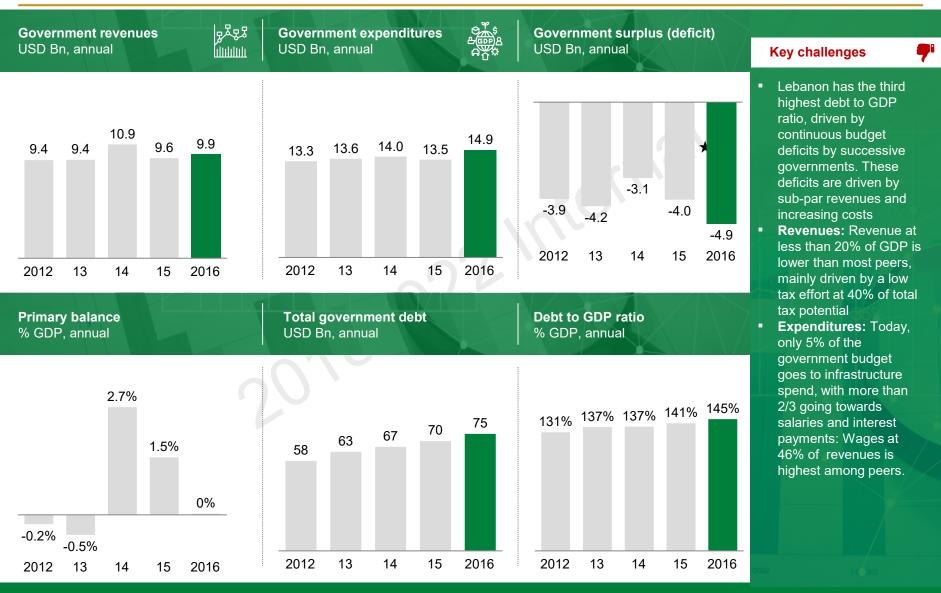
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- C. Smart Lebanon licensing and clusters



# Public Finance – summary of diagnostic





# Public finance diagnostic - key performance measures

#### A. Key performance measures A Lebanon currently has the third highest public debt-to-GDP ratio in the world standing at ~145% (in 2016) Public The aggregate outstanding debt of 75 USD Bn and debt to GDP ratio of 145% (in 2016) were reached through debt cumulative fiscal deficits over the last 10 years Less than 5 USD Bn of the total accumulated debt has been used to cover primary budget deficit, while the rest is the result of interest accumulation Historically, the debt to GDP ratio has been decreasing from 2006 and 2011, driver by a strong economic outlook and strong growth in GDP, driving a growth in government revenues From 2004 to 2011, the government was operating at primary surplus of ~3-4% GDP; Debt to GDP ratio decreased from its highest level of 183% in 2006 to 131% in 2012 The primary surplus was also growing at ~23% p.a, mainly driven a ~13% yearly growth in government revenues A3 Debt to GDP ratio began to increase again post 2011, once the economy entered a recession Low GDP growth translated into a stagnation of government revenues growing at ~1%; the stagnation was accentuated by the removal of fuel taxes that occurred during the period of economic growth Government expenditures on the other hand sustained a ~5% growth despite a decrease in oil prices and lower EDL deficits Government's primary surplus decreased to reach ~0% in 2016; adjusting to pre-2014 oil prices leads to a primary budget deficit of -2% Today, 62% of Lebanon's debt is in local currency, reducing risk of government default but putting additional A4 Debt pressure on the L.L. structure Today 62% of the total public debt is in local currency giving the government negotiation power with bond holders; moreover, ~84% of the public debt is held locally reducing exposure to foreign markets A5 Local currency debt is concentrated in short-term obligations whereas foreign currency debt is long-term Local debt is concentrated in short-term securities with an ATM of 3.84 years and 72% securities less than 7 years tenor Foreign currency debt is concentrated in long term Eurobonds with 54% having ATM more than 5 years A6 However, if Lebanon retains the same trajectory, then by 2030, Debt to GDP ratio would reach ~200% and expenditures excluding interest would exceed government revenues Assuming constant oil prices, with other expenditures as well as revenues growing at historical rate, fiscal deficit is expected to reach ~15% of GDP for an outstanding debt of ~200 USD Bn With nominal GDP growing at ~5% IMF projections, debt to GDP ratio is expected to hit ~200% by 2030 Source: Standard & Poor's; Ministry of Finance; CAS; Country's IMF article IV; IMF World Economic Outlook April 2018; Banque du Liban; 599 Banks annual reports



# Public finance diagnostic - key performance drivers & enablers

#### B. Key performance drivers & enablers

Public expendi-	B1 Since 1992, ~36% of the government budget went towards servicing debt, with only ~7% representing capital expenditures, giving small room for productive investments
tures	<ul> <li>~36% of the budget, went towards debt servicing; average interest rate on the debt has historically hovered around ~7%</li> </ul>
	<ul> <li>Only 7% of government's budget goes toward productive investments that stimulate economic growth</li> </ul>
	<ul> <li>Transfers to close EDL deficit further contributed to ~8% of government's expenditures in 2017; the yearly EDL deficit</li> </ul>
	decreased by ~50% after the drop-in oil prices in 2014 and historically reached up to ~17% of government's budget in 2012
	Public sector size in terms of government expenditures is in line with global average at ~30%; budgeted expenditure for 2018, hovering at 40% will imply a net deviation from global average
	<ul> <li>Today, total government expenditures stand at ~27% of GDP, comparable to peer countries operating at 27-33%. Moreover, world average stands at ~30%</li> </ul>
	B3 However, public sector employees' salaries, corresponds to ~46% of total government revenues, the highest ratio compared to global and regional benchmarks
	<ul> <li>Personnel costs (salaries, wages &amp; benefits) have been steadily increasing at ~7.5% per year during the last 10 years</li> <li>Today, it makes up ~33% of total government expenditures, expected to increase in 2018. Public sector size in terms of employment is highest amongst peers when looking at it relatively to government revenues. Average of peer countries stands at ~28%, highlighting a savings opportunity equal to ~18% of revenues</li> </ul>
	Revenues are mainly driven by taxes, at ~70% contribution, with clear room for improvement: ~5 USD Bn of taxes can be gathered yearly through better VAT compliance and collection
revenues	<ul> <li>Lebanon's tax effort is estimated at 42% with average tax revenue standing at ~15% of GDP, the lowest among peers and ~10% lower than world average</li> </ul>



# Contents – Public Finance



# A1 Lebanon currently has the third highest public debt-to-GDP ratio in the world standing at $\sim$ 145% (in 2016)

Debt to GDP rank (highest to lowest) S&P Credit Rating (Investment grade/junk)

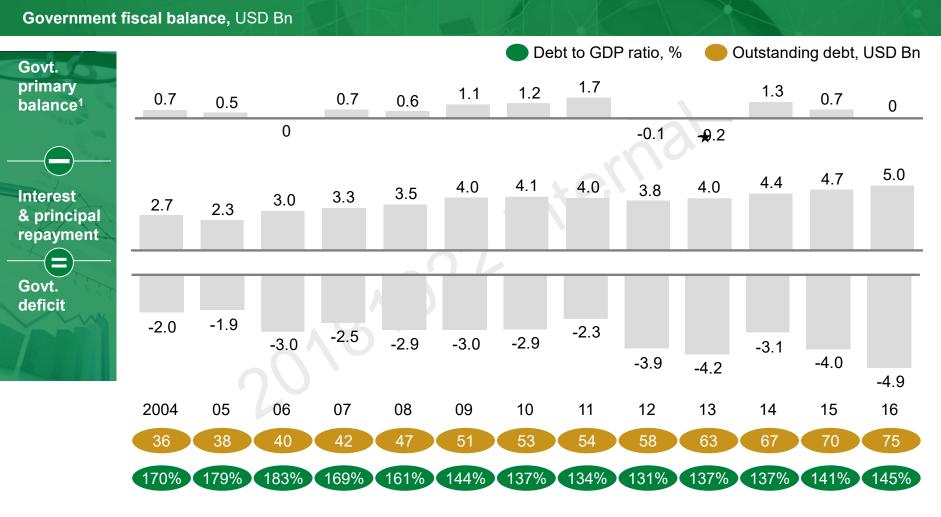
Debt service, as % budget

### Gross debt to GDP Ratio, % GDP 2016

Japan		236% 1	4%	A+
Greece	183	3% 2	6%	В
Lebanon	75Bn USD 145%	3	32%	B-
Italy	132%	6	10%	BBB
Portugal	130%	7	9%	BBB-
Samaica 🕹	114%	13	27%	В
Singapore	107%	17		AAA
🛑 Belgium	106%	18	5%	AA
🦲 Spain	99%	19	7%	BBB+

- Lebanon has the 3<sup>rd</sup> highest debt to GDP ratio at <u>~145% (</u>75Bn USD), the worst rated sovereign debt, and the highest debt service
- The outstanding debt of 75 USD Bn and debt to GDP ratio of 145% were reached through continuous fiscal deficits (~10% of GDP) by the consecutive govt.

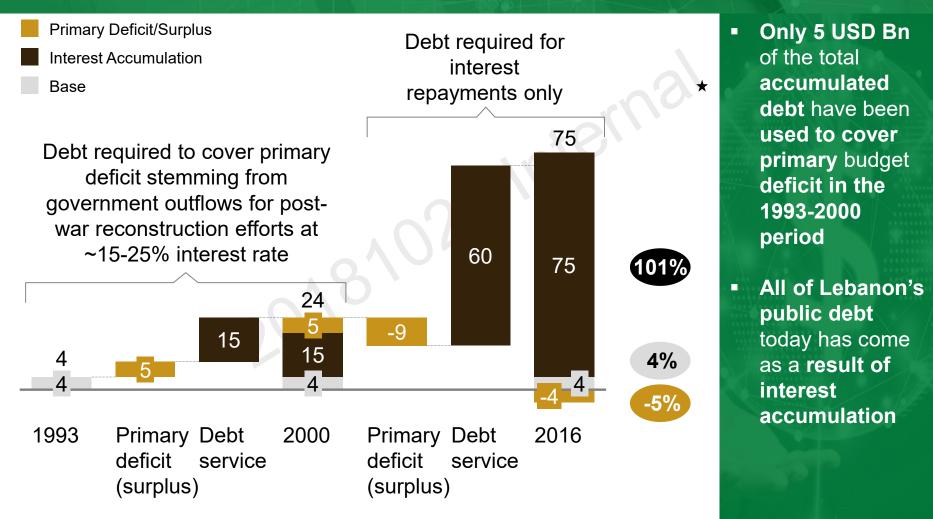
The aggregate outstanding debt of 75 USD Bn and debt to GDP ratio 145% were reached through fiscal deficits over the last 10 years



1 Fiscal balance excluding interest and principal payments

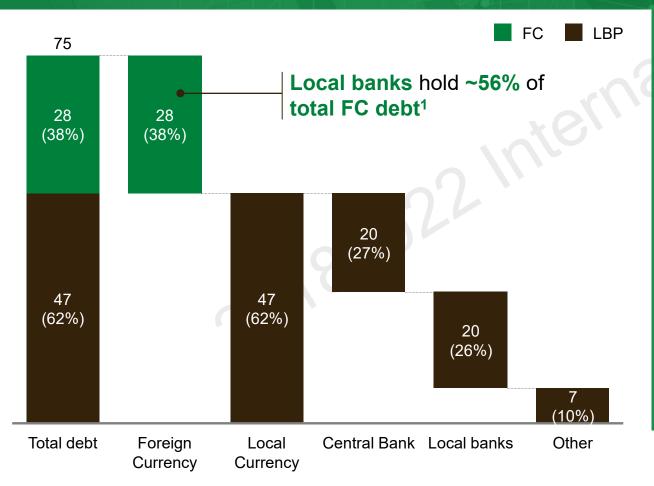
A Less than 5 USD Bn of the total debt has been used to cover primary budget deficit, while the rest is the result of interest accumulation

## Total gross public debt, USD Bn



4 62% of Lebanon's debt is in local currency with 84% held locally, feducing risk of government default but putting pressure on the economy

### Total gross public debt by currency, 2016 USD Bn

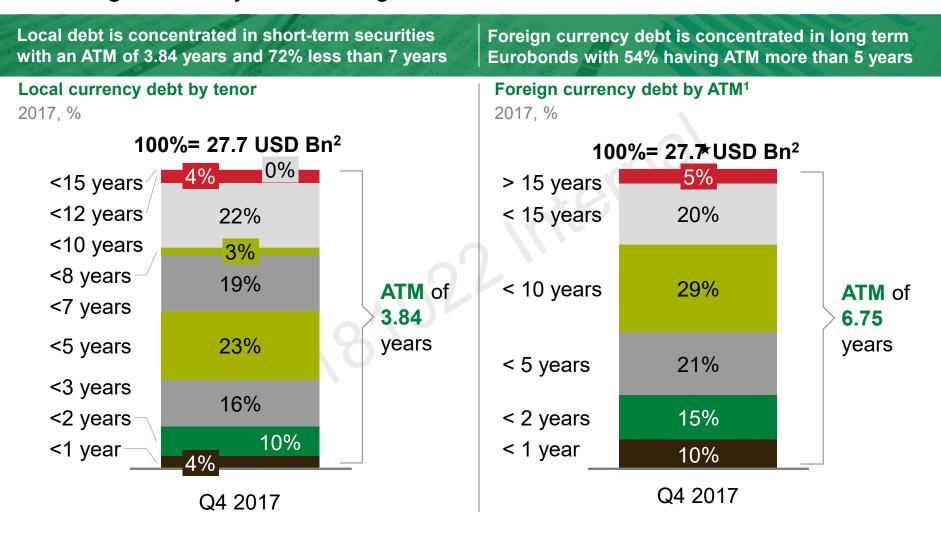


Central Bank monetary policy flexibility to allow the government to repay its debt obligations but adds pressure on the banking system and the overall economy

 ~84% of the total public debt is held locally by either the BdL, commercial banks or other private investors

1 Estimated based on banks financial statements & annual reports

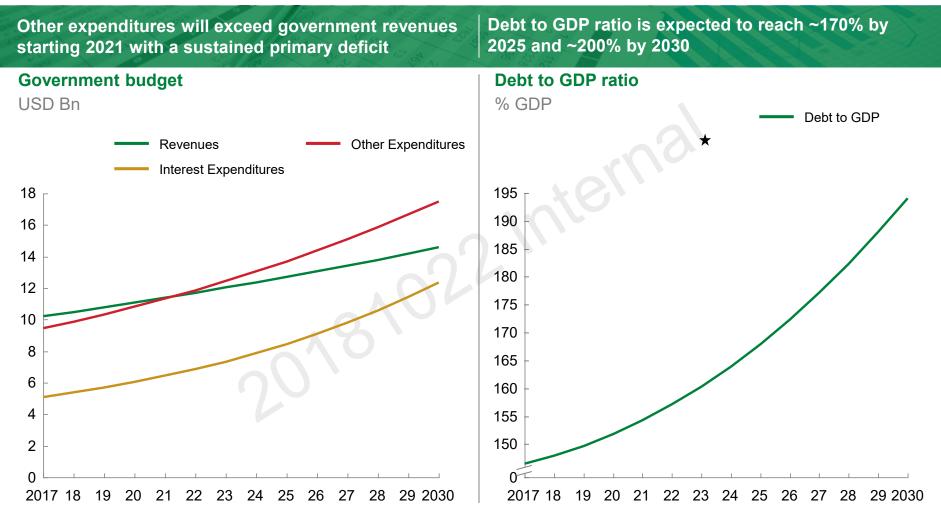
A5 Local currency debt is concentrated in short-term obligations whereas foreign currency debt is long-term



1 Average time to maturity

2 Includes market-issued Eurobonds

If Lebanon retains same trajectory, debt to GDP ratio could reach 200 and other expenses would exceed government revenues by 2021



**Note:** All simulations exclude the impact of CIP for status-quo – Simulations assume 2016 as base year and 2017 as first projected year Simulation assumes IMF 5% nominal GDP growth forecast, 3% historical growth in revenues, 6% historical growth in personnel costs, 4% for EDL deficit and an interest rate on the debt of ~7%; Expenditures exclude projected increase in salaries for 2018



## Contents – Public Finance

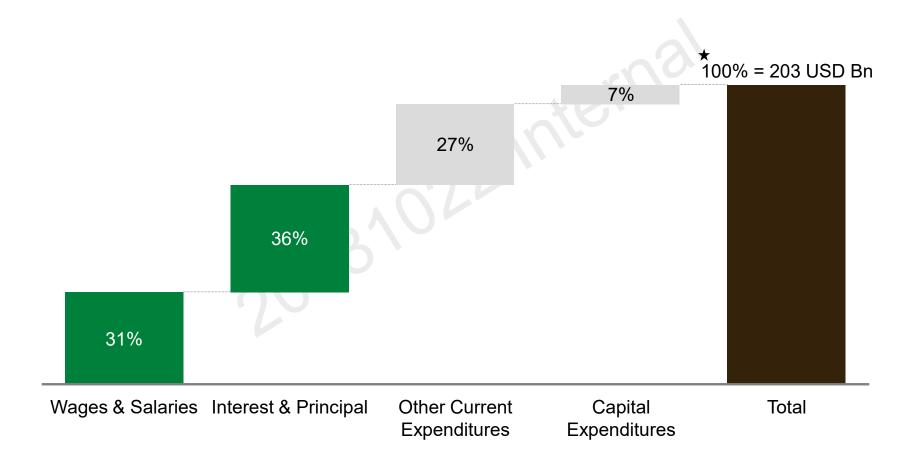
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Key performance measures

# **B** Key performance drivers & enablers

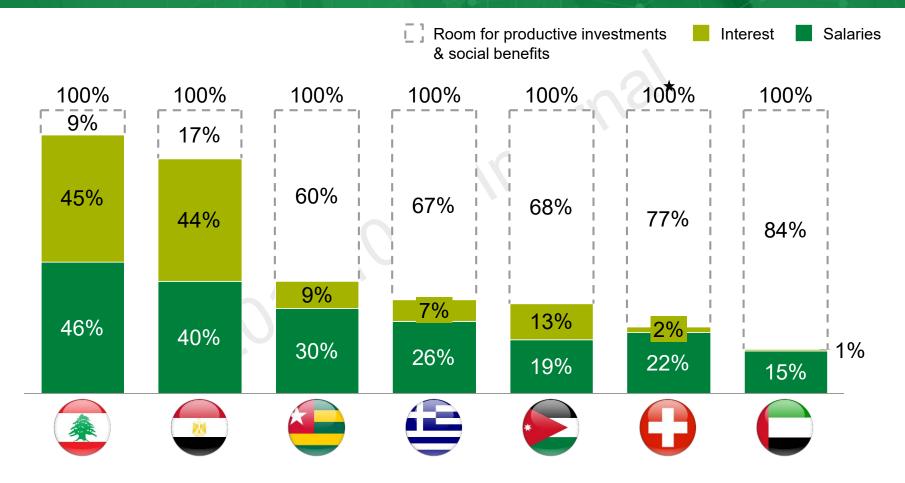


**Government expenditures by type,** cumulative 1992-2016 % total



Ourrent size of interest repayments & personnel cost, leave a tight room for productive investments & social benefits compared to benchmarks

Current expenditures, % General government revenues<sup>1</sup>

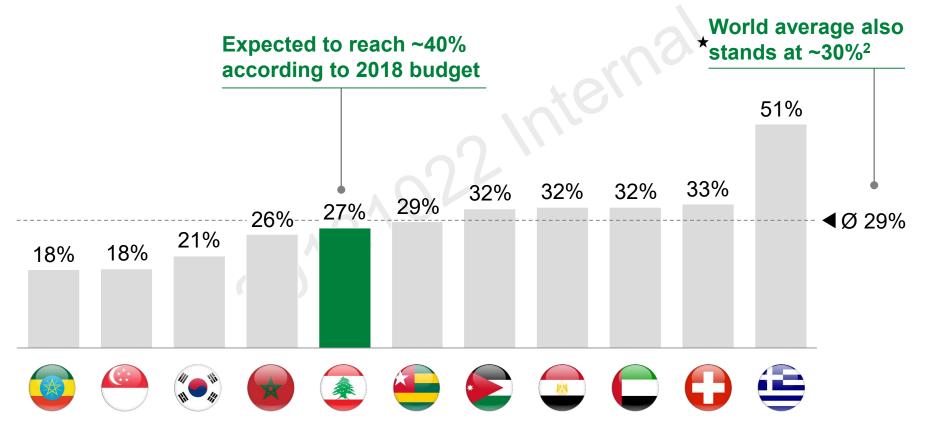


1 Average of 2012-2017 wherever the years where available, includes salaries & wages and interest payments

Source: Countries IMF Article IV tables; Ministry of Finance; World Bank

Public sector size in terms of government expenditures is in line with global average at ~30%; expenditure for 2018 of 40% will be higher

**General government expenditures**, % GDP<sup>1</sup>

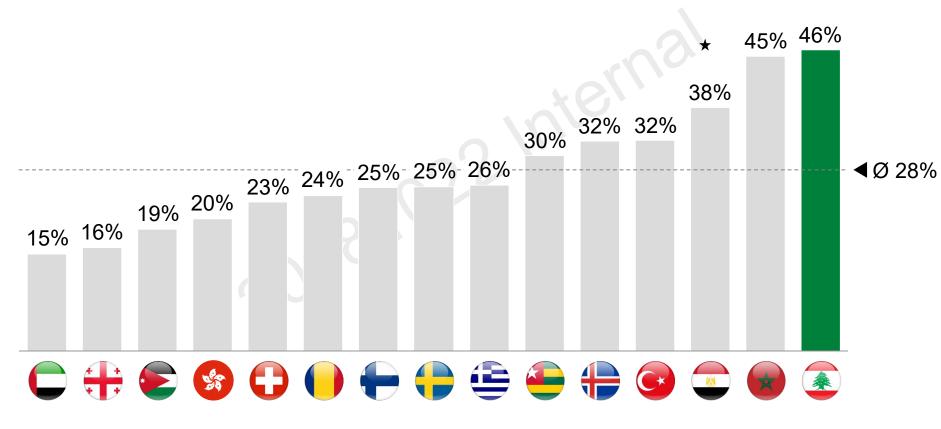


1 Average of 2012-2017 wherever the years where available 2 World Bank Analysis

Source: Countries IMF Article IV tables; Ministry of Finance; World Bank

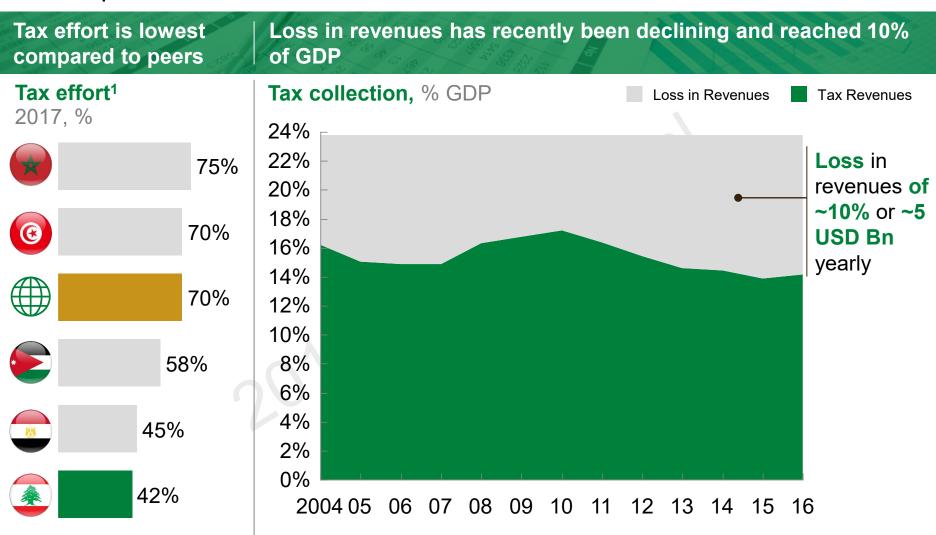
B3 However, public sector size in terms of employment is highest among regional and global benchmarks

Wages and salaries, % General government revenues<sup>1</sup>



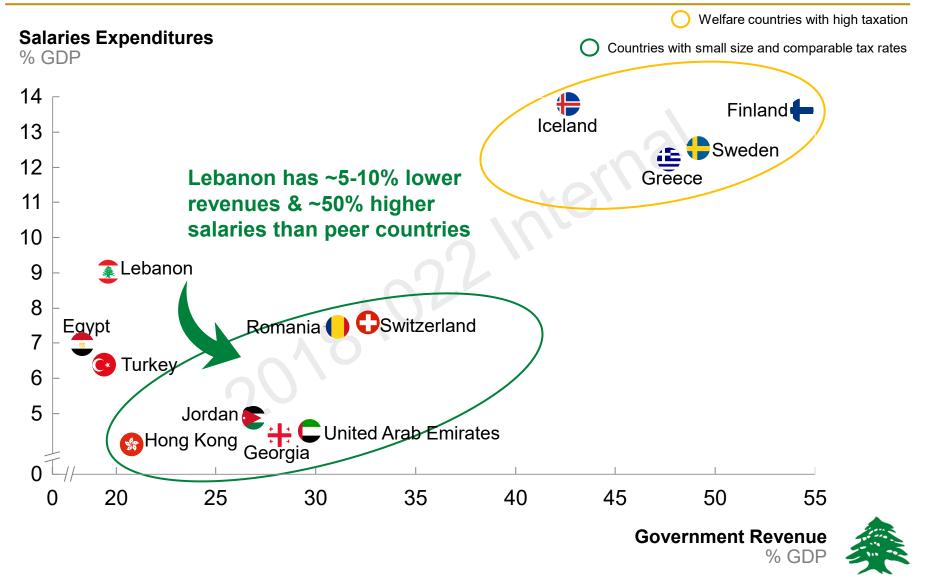
1 Average of 2012-2017 wherever the years where available

64 ~5 USD Bn of taxes can be gathered yearly through better VAT compliance and collection



1 Percentage of tax collection to total tax capacity

# As such, Lebanon spends ~50% more on public servant salaries and generates ~10% less government revenue compared to peer countries





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#### X Rank

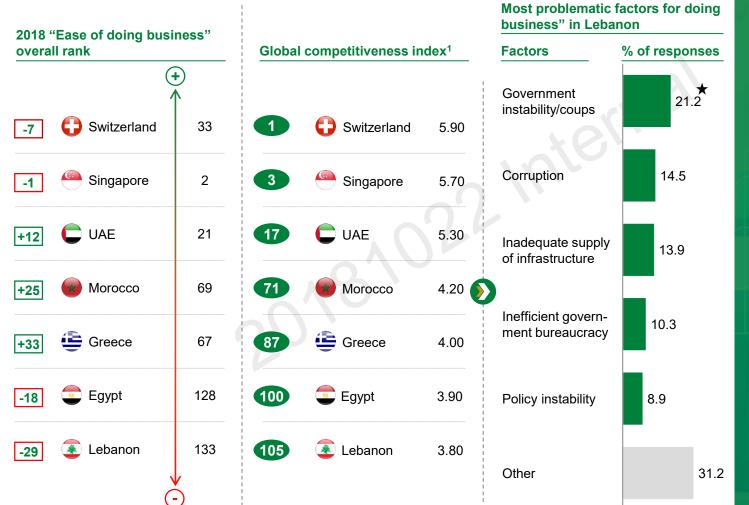
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# Ease of Doing Business – summary of diagnostic

Ease of doing business ranking

#### Global competitiveness index<sup>1</sup>



#### Key challenges

Difference in ranks between 2012 and 2018

- Last reform for the doing business environment was made 6 years ago
- Outdated laws/lack of proper legislations and an inefficient government in drafting and passing legislations
- High cost associated with procedures for "doing business"
- Complicated procedures for "doing business" with multiples stakeholders
- Perceived corruption of the government



# Ease of doing business executive summary

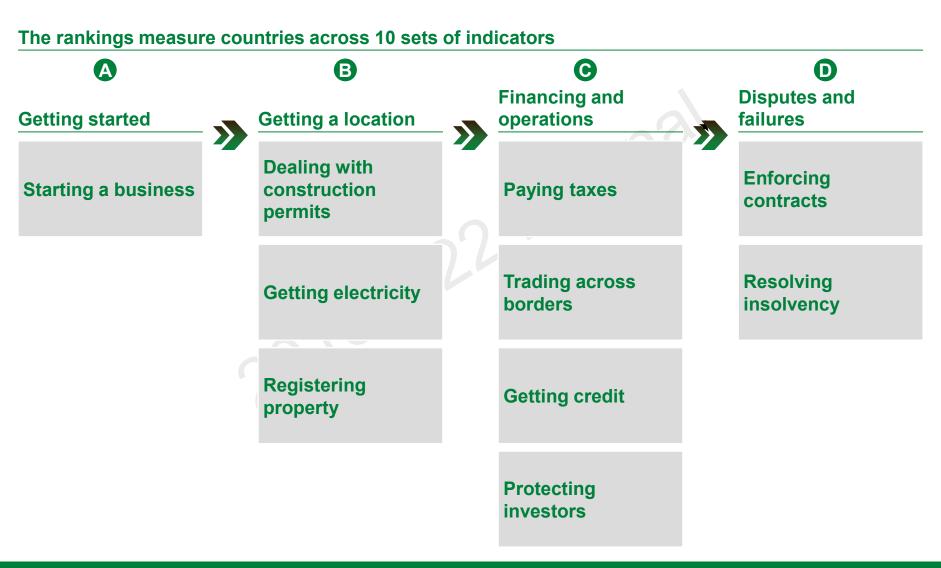
A Doing business in Lebanon has been increasingly difficult in recent years. Lebanon has regressed in global ranks from 104 in 2012 to 133 in 2018

- Lebanon is in the third quartile compared to peers across all dimensions of doing business according to the Doing Business report 2018
- Lebanon's business environment shows that businesses face difficulties across their entire lifetime, i.e. starting a business, finding a location, financing, and settling disputes
- No serious reforms have been made since 2012 to improve the business environment (Other countries make on average 7-8 changes per year to improve across the doing business dimensions)
- B Lebanon's business environment has not been conducive for doing business mainly due to an ineffective government in drafting and passing laws, the perceived corruption, and the high cost and complicated procedures associated with doing business in Lebanon
- Up to 50% of companies rank government instability, corruption, and inadequate supply of infrastructure as the 3 most problematic factors for doing business in Lebanon
- Procedures associated with doing business in Lebanon are complicated and involve multiple stakeholders (e.g. 8 procedures to start a business, 19 to handle construction permits, 20 payments per year for tax purposes, all of which are considerably higher than regional averages)
- Processes associated with doing business in Lebanon are costly compared to global and regional average
- In the last 8 years, the government has been inefficient in drafting and passing laws identified as critical for a conducive business environment
- Lebanon has lost 20 places since 2012 on the corruption index

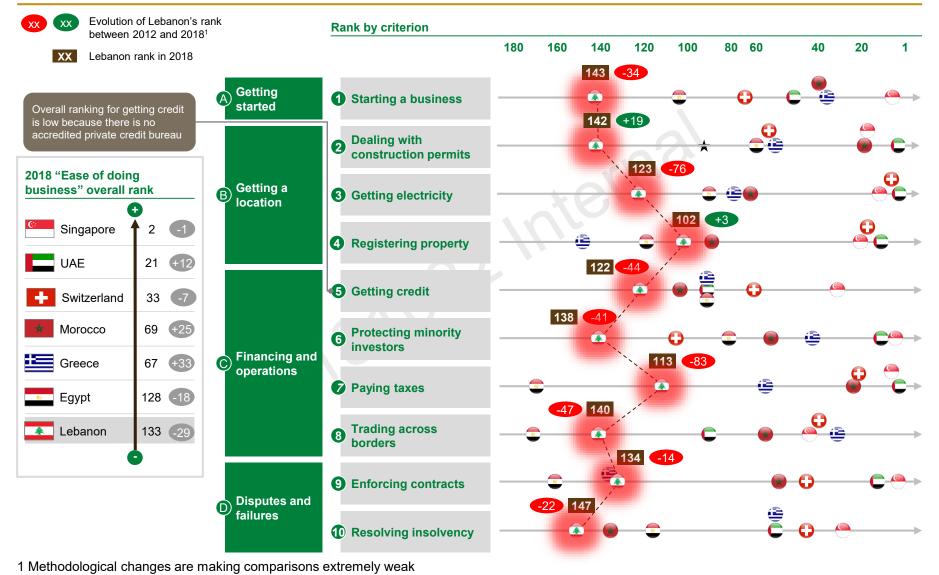
# C Moving forward, government should focus on 5 main initiatives around legislative reforms and government effectiveness to improve the business environment in Lebanon

- Improve the legislative environment by speeding up the drafting and passing of the laws identified as critical for doing business in Lebanon
- Increase government effectiveness through
  - Increasing transparency by introducing an online platform to serve as a single source of information for all processes related to doing business
  - Digitizing processes and activating the e-government strategy with prioritization of most critical procedures
  - Institutionalizing reorganization of processes by reviewing and clarifying mandates of the institutions in order to avoid overlaps
  - Increasing accountability across government entities through activating and empowering the audit body to ensure standards for government entity effectiveness

A World Bank's Doing Business Ranking helps with ranking economies globally & identify improvement opportunities along the business life cycle



Compared to 2012, Lebanon's 2018 "doing business" index moved down 29 ranks, mainly due to worsening on 8 out of the 10 criteria

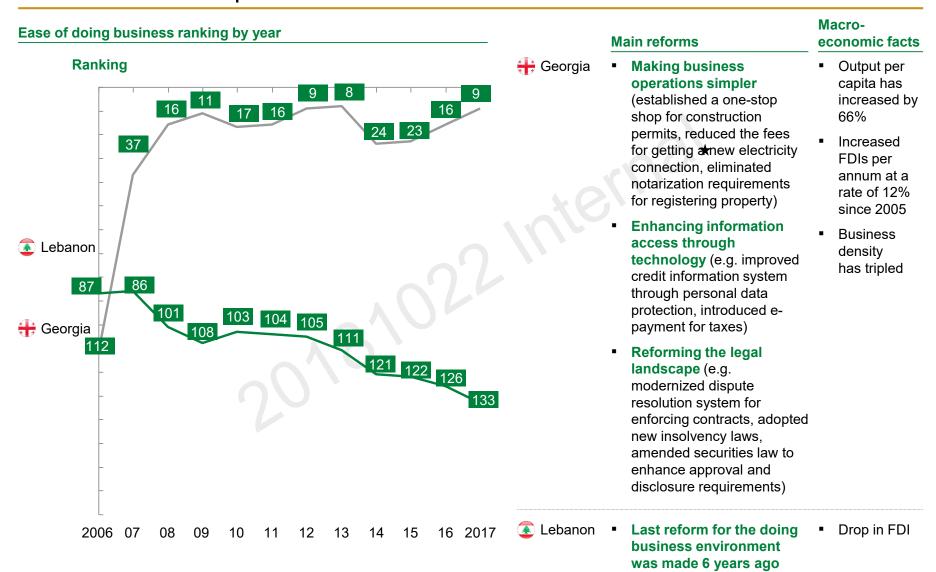


SOURCE: World Bank Ease of Doing business report

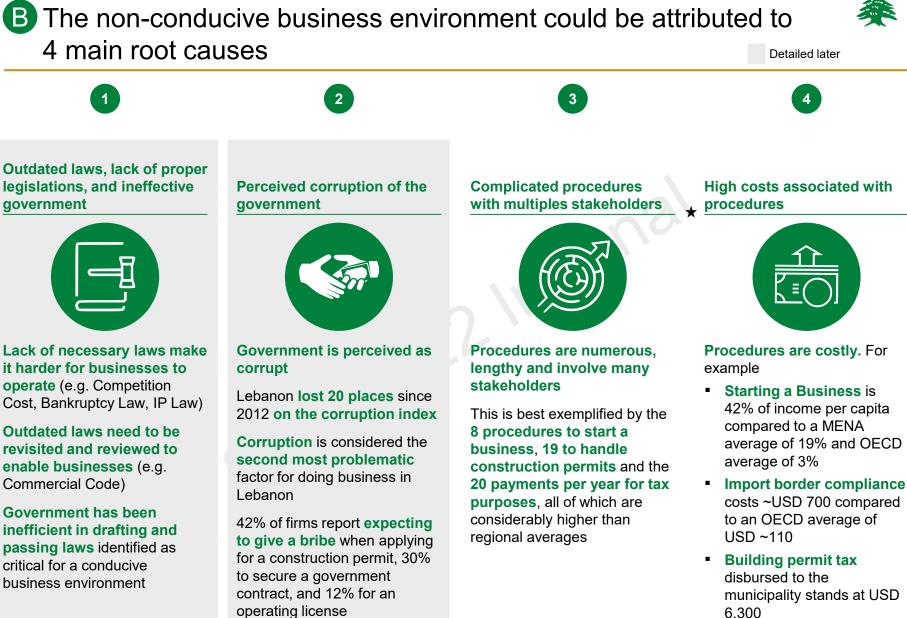
# Lebanon has made very little effort in the last 6 years to introduce reforms and improve the business environment



PRELIMINARY



B The non-conducive business environment could be attributed to



B1 Several laws that have been identified as crucial for an overall conducive business environment but are still pending approval

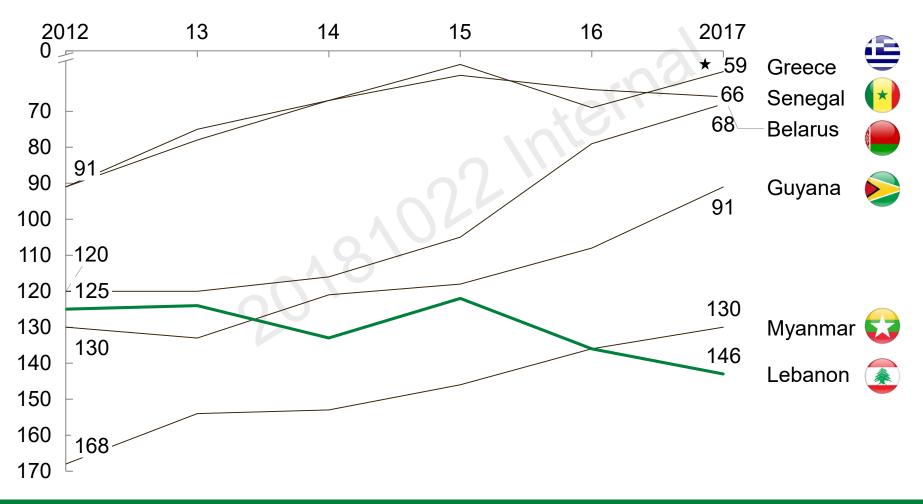


Pipeline		Pipeline
No action	IP law	<ul> <li>Allows companies to register and own proprietary ideas and invention</li> </ul>
	Equity compensation	<ul> <li>Allows companies to grant stock options to employees</li> </ul>
Being delayed	Competition law	<ul> <li>Regulates anti-competitive practices )e.g., monopoly, collusion, exclusive dealing, misuse of patent, etc.)</li> </ul>
	Closing a business	<ul> <li>Facilitating the process of closing a business (reduction of time and cost)</li> </ul>
Pending council of minister approval		No laws currently in this stage
	Judicial mediation	<ul> <li>Speeds up court matters by allowing judges to send the proceeding directly to mediation</li> </ul>
	Bankruptcy law	<ul> <li>Allows companies in distress to re-structure their debt</li> </ul>
	Insolvency practitioner law	<ul> <li>Introduces right to license an insolvency practitioner to provide advise to business in distress</li> </ul>
Being reviewed by	Secure lending	Facilitates access to capital through allowing companies to take loan on movable assets
parliament committee	Code of commerce	<ul> <li>Modernizing the code of commerce for SAL, SARL and solo partnerships. Amendments include: Online creation of a company, soul partnership, suppressing minimum capital requirements</li> </ul>
	E-signature law	<ul> <li>Grants legal recognition to e-signatures</li> </ul>
	Preferred shares	<ul> <li>Allows non-financial companies to issue preferred shares</li> </ul>
Pending parliament approval		

# While other countries managed to improve their corruption rank, Lebanon lost ~20 places since 2012

# **Corruption perception index**

Country rank, 2012-17



# In addition to corruption, government instability and poor infrastructure put additional strain on doing business in Lebanon

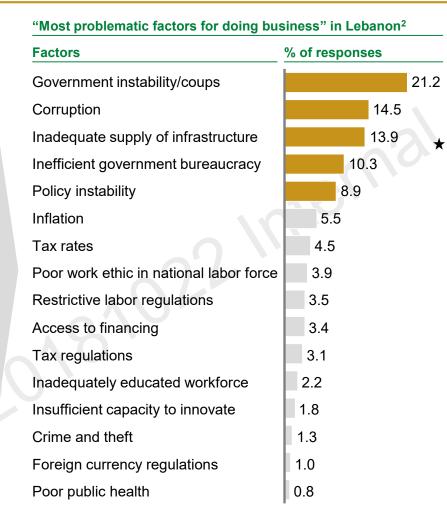


Rank

 Between 2012 and 2018, Lebanon lost 16 places (moving down from the 89th to the 105th rank on competiteveness)

- Businesses view government instability, corruption and supply of infrastructure as the top three most problematic factors to doing business in Lebanon
- In fact, 42% of firms report expecting to give a bribe when applying to a construction permit, 30% to secure a government contract and 12% for an operating license

Lebanon vs reference group Global competitiveness index<sup>1</sup> Switzerland 5.90 Singapore 5.70 UAE 5.30 4.20 Morocco Greece 4.00 Eavpt 3.90 🔹 Lebanon 3.80



1 The scale of score ranges from 1 to 7

2 Participants had to pick and rank within a predefined list of factors the 5 "most problematic factors for doing business" in their country. The graph presents the responses weighted according to their ranking

# C The Lebanese government should focus on 5 main initiatives around legislative reforms and government effectiveness

	Initiative	Benefits	International examples
	Prioritize the approval of laws that have been		<ul> <li>Georgia has improved 100</li> </ul>
	identified as critical for a conducive business environment in Lebanon	<ul> <li>Encourage businesses to open in Lebanon through ensuring the right</li> </ul>	spots in Ease of Doing Business through 39 regulatory
Legislative reform			reforms
	<ul> <li>Introduce online platforms to serve as a single source of information for all processes</li> </ul>	<ul> <li>Allow users to access the services 24/ s from any location</li> </ul>	<ul> <li>Usa.gov is a one-stop service for citizens, all information</li> </ul>
2 Information/ Transparency	related to doing business	<ul> <li>Provide a better customer experience through one-stop shop websites for a information</li> </ul>	
	<ul> <li>Revisit procedures and reduce number of unnecessary steps</li> </ul>	Improve efficiency and reduce time required for the processes	<ul> <li>UK launched a massive digitization effort across its</li> </ul>
3 Digitization of processes (e- government) 4 Institutional re- organization	<ul> <li>Activate the e-government strategy with prioritization of most critical procedures</li> </ul>	<ul> <li>Cut costs through reduced staff needs government strategy estimates 20% reduction in operational cost for all administrations)</li> </ul>	different services (e-
nt effe		<ul> <li>Decrease bribe propensity by decreas direct interactions with businesses</li> </ul>	sing
	<ul> <li>Review and clarify mandates of the institutions in order to avoid overlaps</li> </ul>	<ul> <li>Reduce time spent by businesses on procedures</li> </ul>	<ul> <li>Columbia improved its process of starting a business and</li> </ul>
organization	<ul> <li>Reactivate IDAL's one-stop shop to facilitate starting a business</li> </ul>	<ul> <li>Reduce overall processing time</li> </ul>	created a one-stop shop. This allowed to cut both time and costs by ~75%
	<ul> <li>Activate and empower the audit body to ensure standards for government entity</li> </ul>	<ul> <li>Ensure oversight on all government bodies and abidance by the regulations</li> </ul>	
5 Audit bodies/ accountability	effectiveness	<ul> <li>Increase accountability and transparency</li> </ul>	proper use of public budget across different entities and provide transparency to citizens
		<ul> <li>Monitor performance across all government entities</li> </ul>	

# C Georgia has improved by 100 spots on ease of doing business through 39 regulatory reforms



	Georgia improved largely through regulatory reforms to ease business operations and modernize the legal system			
<ul> <li>Georgia improved from #112 (2005) to #16 (2017), reaching as high as #8 in 2014</li> <li>Output per capita has increased by 66%</li> </ul>	Streamlined processes	<ul> <li>Making business operations simpler         <ul> <li>Established a one-stop shop for construction permits</li> <li>Reduced the fees for getting a new electricity connection</li> <li>Eliminated notarization requirements for registering property</li> </ul> </li> </ul>		
	Increased access to information and digitized	<ul> <li>Enhancing information access through technology</li> <li>Improved its credit information system through personal data protection</li> <li>Introduced e-payment for taxes</li> </ul>		
<ul> <li>Business density has tripled</li> </ul>	Regulatory reform	<ul> <li>Reforming the legal landscape         <ul> <li>Modernized its dispute resolution system for enforcing contracts</li> <li>Adopted new insolvency laws</li> <li>Amended its securities law to enhance approval and disclosure requirements</li> <li>Introduced provisions allowing shareholders greater access to corporate information</li> </ul> </li> </ul>		



## I. EXECUTIVE SUMMARY

### II. INTRODUCTION AND METHODOLOGY

- A. Methodological approach to the study
- B. Stakeholder engagement and syndication process
- C. Reviewed documentation

## **III. CONTEXT AND DIAGNOSTIC**

- A. Chapter summary
- B. Economic perspective
  - 1. Macro-economic evolution
  - 2. Trade profile (exports & imports)
- C. Sector diagnostics
  - 1. Natural resources (oil & gas)
  - 2. Agriculture
  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
  - 1. Public finance
  - 2. Ease of doing business
  - 3. Monetary policy
  - 4. Economic development activation
  - 5. Trade & international agreements

#### IV. THE VISION: LEBANON'S ECONOMIC ASPIRATIONS

- A. Chapter summary
- B. Burning platform
- C. Lebanon's growth imperatives
- D. Economic aspirations and macroeconomic targets
- E. Sector prioritization mechanism and rationale

## V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

- A. Chapter summary
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### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

- A. Chapter summary
- B. Public administration reform requirements
- C. Infrastructure including CIP initiatives
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- E. Main legislative requirements
- F. Country branding & export promotion

# VII. INSTITUTIONALIZATION MECHANISMS

- A. Chapter summary
- B. Governance set-up: orchestration and delivery
- C. Path forward

## VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters



# Monetary policy diagnostic

## A. Performance measures, drivers & enablers

Key performance measures, drivers & enablers

# An The Banque du Liban has historically played a key role in preserving the country's stability through supporting the currency peg and prudential policies

- Due to the large currency devaluation and following fluctuations witnessed post-war the currency was pegged to the USD since 1997
- The BdL maintains the fixed exchange rate, purchases government debt, keeps interest rates steady at moderate levels, maintains high gross international reserves, provides economic stimulus, and addresses weak banks
- Several crises have tested the monetary system and proved that it constitutes a bedrock of stability for the country

The Banque du Liban however, has over the years, beard much of the burden

A2 stemming from the economic and fiscal policies of the country, by operating as *"policy maker of last resort"* 

- Sustained fiscal and balance of payments deficit, coupled with a decrease in deposits growth in recent years, has led to a decrease in the Central Bank's foreign reserves by ~10% between July 2015 and May 2016 to reach 34.6 USD Bn
- Extraordinary financial engineering operations were conducted to attract fresh foreign currency into the country, and increase the Central Bank's foreign reserves back to ~40 USD Bn in August 2016



# Monetary policy diagnostic

## A. Performance measures, drivers & enablers

**Key performance** measures, drivers & enablers

# A3 Moreover, the BdL has surpassed its mandate and stepped in to support the country's economic growth through stimulus packages

- Globally sound central banks typically perform 12 key functions: Supervision, enforcement, licensing, regulation, consumer protection, AML, financial stability, monetary management, reserves management, research & statistics, operations and payment systems
- The BDL has surpassed the typical mandate of central banks to fill the void left by the government and support the country's economic growth through stimulus packages mostly on real estate but also targeting specific sectors: tech, industry and agriculture



Going forward maintaining the current structure could prove challenging: While A4 central bank policies have helped maintain confidence, fiscal adjustments in government budget should be conducted to reduce risks to financial stability

Fiscal adjustment and a return to a declining public debt ratio are needed to reduce the burden borne by the BdL, and the reliance on deposit inflows to cover financing needs. Fiscal adjustment should also be accompanied by a stepping back from quasi-fiscal operations (subsidized loans)

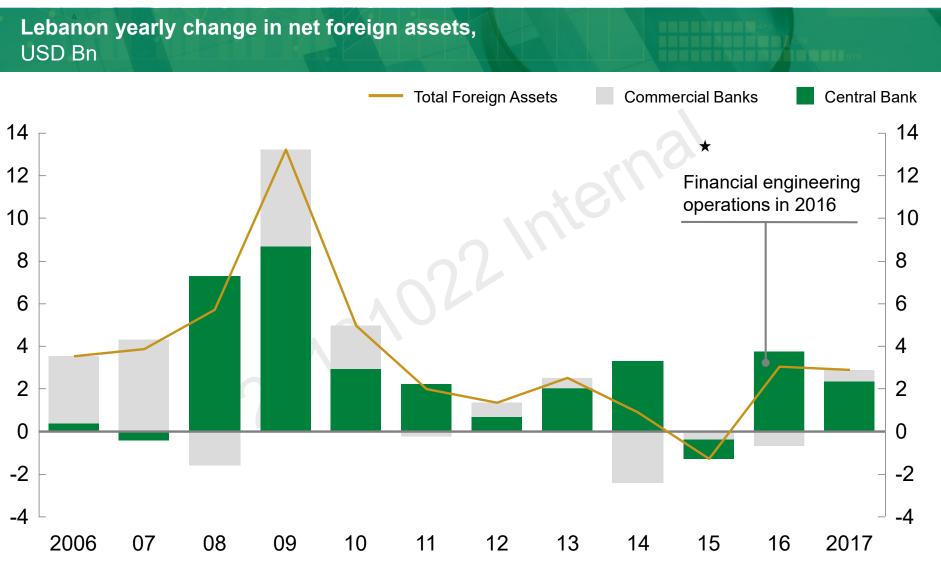


# Contents – Monetary policy



A2 Financial engineering operations were put in place in 2016 to reverse the trend of declining foreign assets







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# Economic Development Activation – summary of diagnostic

Entities involved in EconDev activation			ا ک	Key challenges		
•	Investment activation	• IDAL	IDAL	<ul> <li>Incentive package for investors is outdated (Last updated in 2001) and not competitive compared to regional peers</li> <li>IDAL is not empowered to operate its one-stop shop to efficiently serve investors</li> </ul>		
	Export promotion	<ul> <li>IDAL</li> <li>Ministry of Economy and Trade</li> <li>Central Bank – Kafalat</li> <li>Ministry of Foreign Affairs</li> </ul>	IDAL MENNENDER OF LEMENSEE KAFALAT SAL	<ul> <li>Export promotion efforts are highly uncoordinated across different stakeholders</li> <li>Low budget is allocated for export promotion compared to benchmarks</li> <li>Process for approval of new export programs and improvement of old programs is lengthy</li> </ul>		
3	SME support	<ul> <li>IDAL</li> <li>Ministry of Economy and Trade</li> </ul>	DAL	<ul> <li>Source of capital for SMEs is volatile and highly dependent on external entities (EU grant and world Bank loan are temporary sources of capital funding)</li> <li>Little/no support is provided for access to market and access to talent/capabilities</li> </ul>		
	Regional development	<ul> <li>IDAL</li> <li>Council of the South</li> <li>Chamber of Commerce</li> </ul>		<ul> <li>No clear approach to spur economic growth in under-developed regions</li> <li>IDAL's proposal to change the existing incentive scheme to better drive investments in the regions is pending approval</li> </ul>		



# Executive summary – Economic development activation

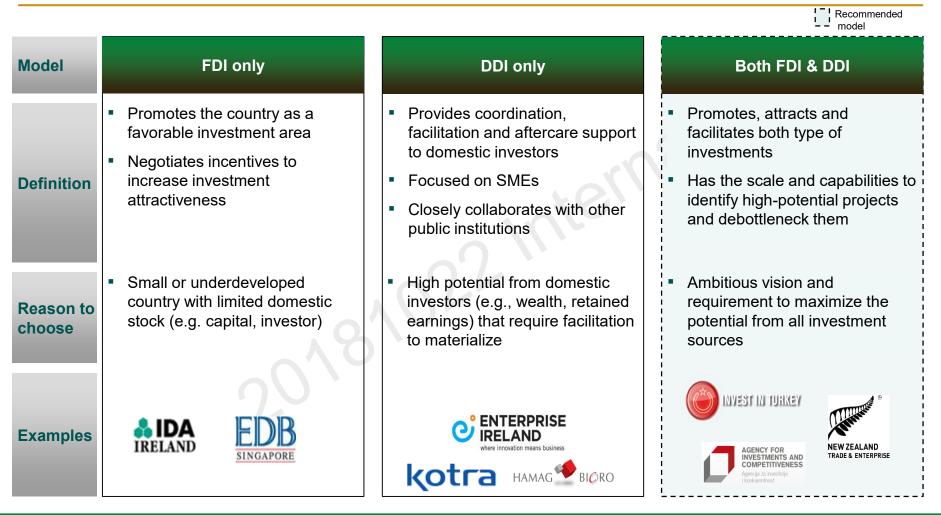
Private sector investments have been declining in recent years due to deteriorating infrastructure, high interest rate, and an unfavorable business environment Context Typically, governments can play a role in activating economic development through institutions with targeted roles . Institutions need to be in place to fill four main objectives: Investment activation, export promotion, SME support and regional development IDAL has been the central entity responsible for investment promotion in Lebanon, through a) prioritizing sectors for investments based on Lebanon's competitive edge, b) developing a marketing campaign and c) offering incentives for investors IDAL is mainly focusing on domestic investors with little effort being done to pro-actively attract foreign investor. In order to unlock IDAL's full Investment potential in attracting investments. 3 key areas need to be addressed: activation Pro-actively target investors and promote Lebanon in international mediums (e.g. roadshows) \_ Update the incentives offering (dating back to 2001) to meet current business reality and compete with reginal peers \_ Enhance aftercare services offered to investors and address their bottlenecks more efficiently (e.g. round tables) Several government entities are responsible for export promotion in Lebanon: IDAL, MoET, MoFA and other ministries (e.g. MoI, MoA) IDAL promotes exports of selected industries by participating in fairs, subsidizing packaging and offering information and advisory services while MoET and MoFA handle G2G agreements to facilitate access to markets The budget allocated for export promotion is ~3-4x lower than peers and the majority of it is managed by IDAL . Budget for export promotion in Lebanon is 0.003% of government's budget versus peer group average of 0.1% IDAL manages ~90% of export promotion budget and allocates it to fair participation across four different export promotion programs (Agriculture, Export Agri-food, Industry and Chinese loan) promotion Remaining ~10% of budget Is managed by MoET and allocated to fair participation The three main entities responsible for export promotion in Lebanon face several challenges: Suboptimal communication between the three entities which is leading to uncoordinated efforts and lack of synergy between the export promotion . strategies Lengthy process for approval of new export programs and improvement of old programs Limited scope of work (e.g. responsibilities do not currently cover training for companies on branding of export) Limited access to markets due to the lack of strategic alliances Three entities are involved in SME support: SME unit, Kafalat and IDAL. Some entities also offer support across the "doing business" dimension through simplified procedures, reduction in fees, exemption of taxes Typically countries have gone for a "one-stop-shop SME model" providing access along 3 dimensions: 1) capital, 2) markets, 3) talent/capabilities SME Currently, level of support/consulting for SMEs In Lebanon along their lifecycle is low: support Volatile source of capital for SMEs (EU grant and world Bank loan are temporary sources of capital funding) Little/no support is provided for access to market and access to talent/capabilities Access to capital is highly dependent on external entities (e.g. EU, World Bank) IDAL has developed a regional strategy and identified priority sectors by region with a distinctive incentive plan to efficiently promote Regional investments develop-In Southern Lebanon, a dedicated Counsel has been formed in 1971, responsible for undertaking development projects for the region ment (reconstruction, infrastructure)

# CONTEXT: Four main pillars are critical to enable economic development activation

	Description	International examples		Lebanon	
1 Investment activation	<ul> <li>Promotes the country as a favorable investment area</li> <li>Negotiates incentives to increase investment attractiveness</li> </ul>	<ul> <li>Singapore Economic Development Board (EDB)</li> <li>Malaysian Investment Development Authority (MIDA)</li> <li>IDA Ireland</li> </ul>	EDB singapere	▪ IDAL	IDAL
2 Export promotion	<ul> <li>Provides coordination, facilitation and aftercare support to domestic investors to activate exports of local brands</li> </ul>	Ie Singapore	ENTERPRISE CONCEPTION	<ul> <li>IDAL</li> <li>Ministry of Economy and Trade</li> <li>Ministry of foreign affairs</li> </ul>	
3 SME support	<ul> <li>Support SMEs with access to finance, consulting and competency building</li> </ul>	<ul> <li>BNDES - Brazil</li> <li>Bpi France</li> <li>SME Bank - Malaysia</li> <li>Innovation Norway</li> </ul>	BNDES bpifrance SME BANK	<ul> <li>Central Bank – Kafalat</li> <li>IDAL</li> <li>Ministry of Economy and Trade</li> </ul>	KAFALAT SAL
4 Regional develop- ment	<ul> <li>Economic development of all regions</li> <li>Activation of regional investments</li> </ul>			<ul> <li>IDAL</li> <li>Council of the south</li> <li>Chamber of Commerce</li> </ul>	Echjäg ácturalg öjtäll ögyt Charafer of Commerce Industry att Agentura

Case studies show that best-in-class investment promotion agencies serve both domestic & foreign investors in a full-scoped model





IDAL is responsible for attracting FDIs and DDIs (as per the recommended model); However majority of its current work revolves around supporting DDIs

# 1 Investment promotion agencies typically offer a broad range of services in the value chain



Strategy and policy formulation							
Formulate the economic policy and/or legislation		Identify target industry sectors & potential sources of investment	Create favourable business environment				
		_ (2	*				
Lead generation	Investment facilitation	Investment execution	Aftercare				
Identify individual companies and sub- sectors to actively target	Channel incoming investment leads	Assist in licensing & other administrative requirements	Provide account management services				
Source and develop investment projects	Identify and prioritize key investments that require facilitation	Offer funding	Troubleshoot on manpower, infrastructure and service needs				
Develop business case and pitch pack	Identify and eliminate the bottlenecks	Offer incentives					
Conduct targeted investor outreach	Link the investors to peer companies, potential partners, public institutions	Provide assistance in recruitment, infrastructure, etc.					

# 1 IDAL has a clear investment promotion strategy but is not providing competitive incentives and effective aftercare services



X Not offered V Partially offered/not implemented V Offered

	Activity	Provided by IDAL	Description
	<ul> <li>Formulate the economic policy and/or legislation</li> </ul>	$\checkmark$	<ul> <li>IDAL proposes changes and recommendations to current legislations to improve the business environment but approval is needed from the council of ministers or the parliament (delays are faced)</li> </ul>
Strategy and policy formulation	<ul> <li>Develop the value proposition; Country branding, marketing campaigning</li> </ul>	Ŵ	<ul><li>There is no clear branding/identity for the country</li><li>Marketing plan is developed but not implemented</li></ul>
Tormulation	<ul> <li>Identify target industry sectors &amp; potential sources of investment</li> </ul>	nt 🗸	<ul> <li>Potential market plays where Lebanon is competitive have been identified (e.g. BPO)</li> </ul>
	Create favourable business environment	×	• N/A
	<ul> <li>Identify individual companies and sub-sectors to actively target</li> </ul>	Ŵ	<ul> <li>IDAL identifies potential investors through the Times database (no other database/ active research is being done)</li> </ul>
Lead	<ul> <li>Source and develop investment projects</li> </ul>	×	<ul> <li>No effort is being done at the individual investment</li> </ul>
generation	<ul> <li>Develop business case and pitch pack</li> </ul>	N/	Investor pitch is developed however detailed business case is not developed
	Conduct targeted investor outreach	×	<ul> <li>No targeted investor outreach Is being done (e.g. roadshows)</li> </ul>
	Channel incoming investment leads	$\checkmark$	IDAL is the interface of prospective investors
lassa afaa aast	<ul> <li>Identify and prioritize key investments that require facilitation</li> </ul>	s//	<ul> <li>IDAL has limited access to foreign investor database; main focus is on local investors</li> </ul>
Investment facilitation	Identify and eliminate the bottlenecks	S/	<ul> <li>IDAL coordinates with relevant parties to try to remove bottleneck</li> </ul>
	<ul> <li>Link the investors to peer companies, potential partners, public institutions</li> </ul>	*	<ul> <li>IDAL currently has limited connections to link investors to peer companies</li> </ul>
	Assist in licensing & other administrative requirements	~//	<ul> <li>In some cases, IDAL provides subsidies on land registration costs</li> </ul>
	Offer funding	×	• N/A
Investment execution	Offer incentives	s/	<ul> <li>Incentives scheme is outdated (since 2001) and not competitive compared to the region and other countries (Incentives are limited to tax exemption)</li> </ul>
	<ul> <li>Provide assistance in recruitment, infrastructure, etc.</li> </ul>	×	• N/A
	Provide account management services	×	<ul> <li>N/A</li> </ul>
Aftercare	<ul> <li>Troubleshoot on manpower, infrastructure and service needs</li> </ul>	s/	<ul> <li>IDAL partially provides support on basic infrastructure needs (e.g. electricity)</li> </ul>

1 Three key points need to be addressed to unlock the full potential of the investment promotion agency in Lebanon



## Pro-actively target investors and promote Lebanon in international mediums (e.g. roadshows)

- Contract a branding agency to develop a national brand for Lebanon that meets sector selection
- Develop and implement a regional and international promotion campaign (e.g. Ads on international media, roadshows)
- Define the operating model between inhouse scouting and external databases/FDI consultancies
- Develop a calendar of events for investment promotion including roadshows in priority countries and major events for target sectors (in partnership with ministries)

# Update the incentives offering (dating back to 2001) to meet current business reality and compete with reginal peers

- Update the decrees of investment Law 360 related to conditions for getting incentives (e.g. capital requirement, employment)
- Update the Law itself regarding the types of incentives offered to be able to compete with regional and international peers on investor attraction

## Enhance services offered to investors and address more efficiently their bottlenecks (e.g. round tables)

- Allocate dedicated account managers for investors
- Activate IDAL's "One-stop-shop" to be able to better serve investors (e.g. faster processing of licenses for businesses)
- Implement yearly foreign investors roundtables to ensure re-investments in Lebanon and discuss ease of doing business issues

CASE EXAMPLE: Turkey's government agency ISPAT offers extensive services to local and foreign investors through a one-stop-shop approach

Official organization for promoting Turkey's investment



INVEST IN TURKEY

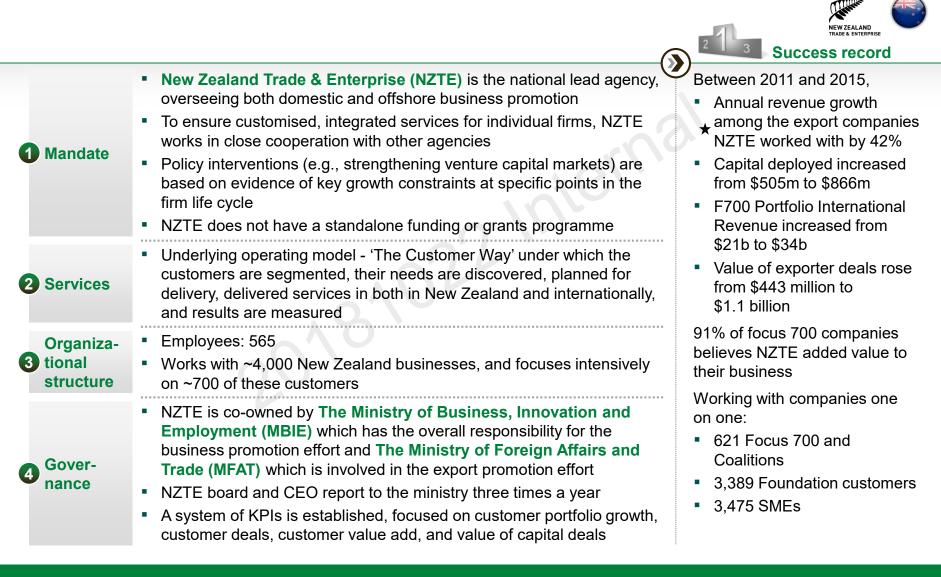
Among 181 National

Success record

1 Mandate	<ul> <li>opportunities</li> <li>Lead the promotion activities regarding the investment climate</li> </ul>	Investment Promotion Agencies, ISPAT ranked <sup>1</sup> ;
Manuale	in turkey Report systematic problems on ministerial level Coordinate macro investment projects	In "general performance assessment" in the world in World Bank's Global
Organiza- 2 tion	<ul> <li>Organization structured both vertically and regionally</li> <li>Dedicated 15 country teams, 12 sectoral teams and also special task forces (land research, incentives, working permits, investment</li> </ul>	Investment Promotion Benchmarking Report 2009
structure	environment improvement)	In inquiry handling in Europe and 5 <sup>th</sup> in the
<b>3</b> Gover- nance	<ul> <li>Positioned as a special unit within the Prime Minister's office with administrative and financial autonomy</li> <li>Consultancy Board comprises Ministries assigned by the Prime Minister and representatives from private sector. PM chairs the Board</li> </ul>	world in World Bank's Global Investment Promotion Benchmarking Report 2009
4 Range of services	<ul> <li>Market information and analyses</li> <li>Industry overviews and comprehensive sector reports</li> <li>Assessment of the conditions for investments</li> <li>Site selection</li> <li>Finding of companies for potential partnerships and joint ventures</li> <li>Negotiations with relevant governmental institutions</li> </ul>	Best IPA Web Portal in the world in Global Investment Promotion Best Practices 2012 Report

Facilitation of legal procedures and legislation issues

CASE EXAMPLE: New Zealand Trade & Enterprise has a highly intensive program for the potential high growth firms



CASE EXAMPLE: Crotia's Agency for Investments & Competitiveness promotes Croatia, proactively attracts investors and helps in implementing large projects

AGENCY FOR INVESTMENTS COMPETITIVE

Success record

<ol> <li>Mandate</li> <li>Services</li> </ol>	<ul> <li>Provide all necessary help and assistance to foreign and domestic investors</li> <li>Facilitate the implementation of investments</li> <li>Enable these projects to achieve their maximum business potential</li> <li>Promotion of Croatia as an investment destination         <ul> <li>Strengthening of Croatia's image as a globally competitive economy</li> <li>Coordination of all promotional activities on the international market with partner institutions</li> </ul> </li> <li>Support of the implementation of investment projects through:         <ul> <li>Offering of all the necessary information on business opportunities in Croatia</li> <li>Preparing projects for investment in Croatia</li> <li>Supporting investment projects in all phases of realization through the "tailor-made" approach</li> </ul> </li> <li>Increasing the competitiveness of the Croatian economy:         <ul> <li>Improvement of investment environment</li> <li>Removal of administrative barriers</li> </ul> </li> </ul>	<ul> <li>Between 2011 and 2015,</li> <li>Agency for Investments and Competitiveness won the award for best investment project in Eastern Europe in 2015</li> <li>In 2014, FDI flows reached EUR 2.87 billion, their highest level since 2009</li> <li>Crotia has been the most successful country in attracting foreign investments in the region<sup>1</sup></li> </ul>
<b>3</b> Gover- nance	<ul> <li>Managed by the Managing Director and Steering Committee, and is organized into two sectors: Sector for Investments; Sector for Competitiveness</li> <li>Steering Committee consisting of President (Minister of Economy) and members from Ministries of Regional Development and EU Funds, Finance, Tourism, Construction, etc.</li> </ul>	

1 According to the 2013 annual report by the United Nations Conference on Trade and Development (UNCTAD)

the most

2 Best practice export promotion agencies provide support across 6 dimensions



2 Three main entities are responsible for export promotion and partially provide the services recommended by best practices

	-	•
	Key activities	Key limitations/challenges
1	<ul> <li>Provides subsidies for packaging agribusiness export products</li> </ul>	<ul> <li>Limited training on upgrading of technical specs to ensure competitiveness of Lebanese exports</li> </ul>
	<ul> <li>Provides information on market access and export requirements</li> </ul>	<ul> <li>Limited B2B agreements to facilitate access to market</li> </ul>
INVEST IN LEBANON	<ul> <li>Participates in fairs to promote Lebanese pavilion</li> </ul>	<ul> <li>Ad-hoc branding of Lebanese pavilion (Not done on a strategic basis)</li> </ul>
	<ul> <li>Leads G2G engagement with foreign markets to form strategic alliances</li> </ul>	<ul> <li>Unsuccessful rate of G2G agreements due to dependency on diplomatic relationship between Lebanon and some countries</li> </ul>
يورية الار	<ul> <li>Coordinates between foreign markets and relevant Lebanese government antition (Mol. MOA) to premate experts</li> </ul>	<ul> <li>Lack of prioritization across different types of export products</li> </ul>

Coordinates between foreign markets and relevant Lebanese government entities (MoI, MOA) to promote exports, augmented through the recently appointed Trade Diplomats

Negotiates trade agreements and finds news markets for Lebanese exports

 Leading agri-food diplomacy program (promotion of Lebanese agri-products)

ts,

Other ministries also are involved in export promotion within their own industry (e.g. Ministry of Agriculture, Ministry of Industry)

# 2 Share of budget allocated for export promotion in Lebanon is low compared to peers



	Share of government budget, $\%$	Share of exports, %				
Philippines (80 M\$)	0.19%	0.13%	<ul> <li>Budget for export promotion is</li> </ul>			
Morocco (40 M\$)	0.12%	0.17%	concentrated within IDAL			
South Kore (195 M\$)	ea 0.08%	0.03%	<ul> <li>Budget for export promotion has not changed in the</li> </ul>			
Australia <i>(300 M\$)</i>	0.07%	0.12%	last 5 years ■ Only 1% of			
Russia <i>(370 M\$)</i>	0.06%	0.07%	IDAL's budget is allocated for			
Japan <i>(270 M\$)</i>	0.03%	0.04%	active marketing and branding of Lebanese exports			
Brazil <i>(180 M\$)</i>	0.02%	0.08%	while remaining 99% are using to subsidize			
<i>Lebanon</i> (0.37 M\$)	0.003%	0.01%	packaging of agricultural			
Budget from ID	ØAL Ø 0,1	▲ Ø 0,1%	produts			

2 Main challenges in export promotion can be attributed to lengthy process for approval of programs and difficulty in accessing markets

## Main challenges faced

Lack of coordination between all entities involved in export promotion (IDAL, MoET, Chamber of Commerce and relevant ministries) and the absence of a national strategy on export

- Diverging strategies for export promotion e.g. IDAL focuses its export promotion strategy on 4 main industries (agriculture (Agri Plus program, agro-food (Agro Map program, ICT (not yet approved), Industry (MLEB), and Chinese Loan program) while MoET and MoFA have independently developed a list of products that they promote for external countries
- Lack of coordination on branding of one Lebanese pavilion
- Lack of communication on fairs participation

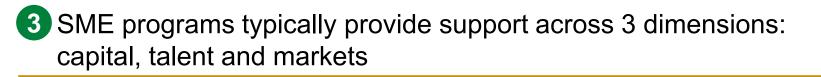
2

Process for approval of new export programs and improvement of old programs is very lengthy

- Proposal made by IDAL to update current export programs like Agri Plus and Agro Map are still pending approval
- New program proposed by IDAL for export promotion of Media and ICT programs are still pending approval
- 3

# Access to markets is very challenging

- MoET has faced several challenges in closing trade agreement for promotion experts
- IDAL does not currently have direct access to international markets to successfully connect local companies to suppliers



# Support tools

Access t	o capital		Alter	Access to	o talent/ cap	Dabilities	Access to	o markets	
e e e				$\square$		Ĭ	<b>J</b>	<b>V</b> P	
Direct lending	Guarantees	Venture capital	Subsidies	Advisory services across the SME lifecycle	Running active capability- building	Planning strategic requirements in terms of skills	Transparency on opportuni- ties and facilitating access to public procurement	Developing active strategic procurement support facilities	Promoting local SMEs internationally and supporting exports

- The optimal support mechanism varies by SME depending on their level of development and the relevant problems facing their sector
- SME support programs can also offer support on the ease of "doing business" dimension through simplified procedures, reduction in fees, exemption of taxes

3 Several countries have gone for a "one-stop-shop SME model" providing support on a variety of dimensions

		Brazil BNDES		Ireland C ENTERPRISE IRELAND INTERNATIONAL	Singapore SPRING SINGAPORE Enabling Enterprise	South Korea		Malaysia	France
								SME BANK	bp <mark>ifrance</mark>
Access to capital	Direct lending	$\checkmark$	$\checkmark$		$\checkmark$		Aminto aon	$\checkmark$	$\checkmark$
	Guarantees	$\checkmark$	$\checkmark$		$\checkmark$	$\checkmark$		$\checkmark$	$\checkmark$
	Venture capital	$\checkmark$		$\checkmark$	$\checkmark$		$\checkmark$		$\checkmark$
	Subsidies	✓	✓	$\checkmark$	$\checkmark$				$\checkmark$
	Advisory services across the SME lifecycle		$\checkmark$	$\checkmark$	$\checkmark$	$\checkmark$	$\checkmark$	$\checkmark$	$\checkmark$
Access to alent/ apabilities	Running active capability-building			$\checkmark$	$\checkmark$		$\checkmark$	$\checkmark$	
	Planning strategic requirements in terms of skills						$\checkmark$		
	Transparency on opportunities and facilitating access to public procurement		sa <sup>st</sup>	$\checkmark$			ta and		$\checkmark$
Access to narkets	Developing active strategic procurement support facilities		tan an a	4					✓
	Promoting local SMEs internationally and supporting exports	$\checkmark$	$\checkmark$	$\checkmark$			$\checkmark$		$\checkmark$



3 However, in Lebanon, 3 entities are currently involved in SME suppor with little support is being provided across the 3 dimensions

			IDAL	Description	No support/insufficient support
Access to	Direct lending	$\checkmark$		Provides access to financing to SMEs	-
capital	Guarantees	1		EU offered loan guarantees to SMEs which was managed by Kafalat (currently depleted)	support/ consulting
	Venture capital	<ul> <li>✓</li> <li>✓</li> </ul>		iSME program managed by Kafalat engages in co-funding of SMEs with the support of other VCs. Loan form the World Bank for the funding was taken by the Ministry	low:
<b>~</b>	Subsidies		W.	IDAL subsidizes packaging for agri-food SMEs for exports	<ul> <li>Volatile source o capital for SMEs (EU grant and</li> </ul>
Access to talent/ capabilities	Advisory services across the SME lifecycle	1		Ministry acts as an information center for inquiries related to SMEs	world Bank loan are temporary sources of capital funding)
capabilities	Running active capability- building				<ul> <li>Little/no support is provided for</li> </ul>
	Planning strategic requirements in terms of skills	1×0)		Ministry developed the SME strategy which identified skill gaps required for SMEs to grow	access to marke and Access to talent/ capabilities
Access to markets	Transparency on opportunities and facilitating access to public procurement				<ul> <li>Access to capita is highly dependent on external entities</li> </ul>
	Developing active strategic procurement support facilities				(e.g. EU, World Bank)
<b>F</b> 0	Promoting local SMEs internationally and supporting exports		<b>**</b> **	IDAL participates in fairs to promote SME export products in prioritized sectors	



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  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
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  - 14. Diaspora
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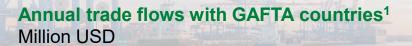


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## Trade Agreements – summary of diagnostic

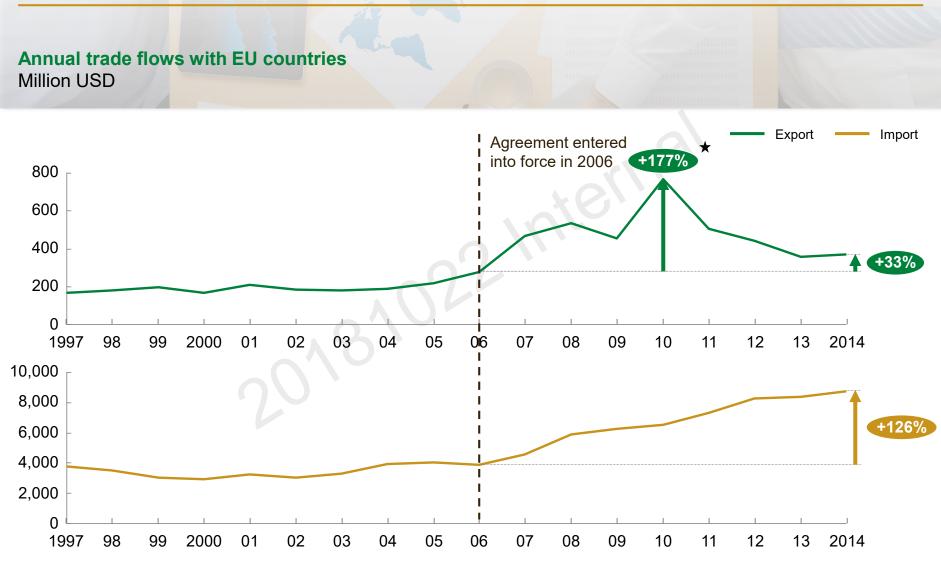
Status of	trade agreements				Key challenges 🗧 📍		
	Agreement	Partner	Status	Prelem. assessment of impact to date	<ul> <li>EU Association Agreement led to a short-lived boost to</li> </ul>		
Active agreements	Greater Arab Free Trade Agreement (GAFTA)	Arab countries	Entered into force in 1998	Positive impact	exports, whereas imports continue to grow The EFTA trade		
	EU Association Agreement	European Union countries	Entered into force in 2006	Negative impact	agreement led to a balanced increase in both exports and imports, but <b>gains in</b> <b>both have been largely</b> <b>lost</b>		
	EFTA Free Trade Agreement	EFTA States (Iceland, Liechtenstein, Norway and Switzerland)	Entered into force in 2004	Neutral impact	<ul> <li>There is a lack of coordination between the different trade-related entities</li> </ul>		
Ongoing discussions	World Trade Organization	Global	Accession in progress - last working party meeting (7th) conducted in 2009		<ul> <li>Private sector faces issues with technical and non-technical measures (e.g. SPS</li> </ul>		
	MERCOSUR Free Trade Agreements	Argentina, Brazil, Paraguay, Uruguay, & other south American countries	MoU signed in 2016, discussions in progress		conditions, registration requirements)		
	Agadir Agreement	Egypt, Jordan, Morocco, Tunisia	Accession in progress, following initial approvals in April 2016 and March 2017		2002 1/C 002		

GAFTA has been relatively advantageous to Lebanon, allowing exports to consistently grow, whereas imports began to decline in 2011





## EU Association Agreement led to a short-lived boost to exports, whereas imports continue to grow



The EFTA trade agreement led to a balanced increase in both exports and imports, but gains in both have been largely lost



1 Iceland, Norway and Switzerland (data on trade with Liechtenstein not available)

Annual trade flows with EFTA countries<sup>1</sup>

Million USD



## Moving forward, there are 3 key trade-related priorities for the government

ξÕζ

## 1

Improving coordination among trade-related entities, including but not limited to:

- Ministry of Agriculture
- Ministry of Industry
- Ministry of Economy and Trade
- Ministry of Foreign Affairs and Emigrants
- IDAL
- Local chambers of commerce

## 2

Proactively supporting the private sector in overcoming technical and non-technical

**measures** which are limiting exports, in order to maximize benefits of trade agreements

Priority measures include SPS conditions on food exports, registration requirements for pharmaceutical products, and rule-of-origin constraints for industrial goods

## 3

Adopting a more proactive and analysis-driven approach to trade-related policy-making especially regarding 1) entering/renegotiating/withdrawing from trade deals, 2) imposing tariff and non-tariff measures on imports



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## The Vision: Chapter Summary

To reverse the downward spiral, the economy should be guided by a set of principles	<ul> <li>RECAP: Lebanon's economic challenges necessitate change in its economic model. Challenges could be summarized in 3 areas:</li> <li>A highly volatile economy</li> <li>Limited government ability to ignite growth</li> <li>A non-conducive business environment</li> </ul> Other countries were able to achieve ambitions doing business transformations (e.g. Georgia) and sustained GDP growth (e.g. Singapore) through a clear Vision and disciplined government interventions and reforms To overcome the challenges, Lebanon needs to build its economy around consistent principles <ul> <li>Focus the government resources and efforts on priority areas</li> <li>Improve the business environment by reducing cost of doing business, addressing corruption in the public sector and improving overall business environment, eventually raising Lebanon's competitiveness levels Diversify the Lebanese economy sectorally and by source geographic inflows thereby reducing the volatility caused by exogenous factors Develop high value-add future-proofed productive sectors, relieving the distress that has been caused by a large current account deficit</li></ul>
	<ul> <li>Ensure a healthy public sector through fiscal discipline including improved collection and rational spending, thereby controlling public debt</li> </ul>
following a consistent and ambitious Vision	<ul> <li>Lebanon can follow consistent and ambitious aspirations, aiming to become a high income wealth generating nation. Building on the country's endowment and competitive advantages, Lebanon can reach its economic potential, articulated around 2 horizons:</li> <li>Mid-to-long term horizon Vision 2025: A re-ignited productive economy supported by overhauled business environment</li> <li>Fixed hygiene factors of economic competitiveness</li> <li>Fiscally disciplined and accountable government</li> <li>Jumpstarted target productive engines</li> <li>Demonstrated showcases of success</li> <li>Long term Vision 2035: A high income diversified economy with a globally competitive and distinctive footprint</li> <li>A knowledge-based high-value economy with established areas of excellence</li> <li>Diversified source of inflows and economic contribution</li> <li>Healthy macro fiscal position</li> <li>Sustainable leveraging of scarce resources</li> <li>Global economic influence beyond borders</li> <li>Several indicators should be monitored to ensure Lebanon is on track to achieve its Vision, with the ultimate goal to increase GDP per capita with minimal volatility</li> </ul>

## RECAP: Lebanon's economic challenges necessitate a change in its economic model

### ... no incremental wealth generation ...

- *30% GDP per capita growth in last 40 years vs. 120% world average*
- 8% in last 7 years vs.14% world average<sup>1</sup>
- ... driving a low contribution of productive sectors
- 14% of incremental GDP 2010-16 vs. 20% benchmark<sup>10</sup>

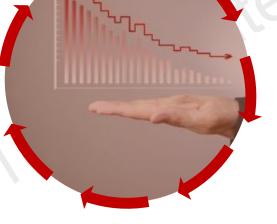
and limiting job creation and productivity further perpetuating the cycle of ...

... creating an unconducive business environment

 Drop in 28 positions on Doing Business since 2012 currently ranking 133/190<sup>9</sup>

resulting in limited investments into productive areas ...

FDI drop by 30% from 2010 to 2017)<sup>2</sup>



... resulting in sub-par infrastructure

- 113<sup>th</sup> out of 137 countries<sup>7</sup>
   compounded with low legislative productivity
- 12 laws for business not passed

and high perceived corruption ...

146<sup>th</sup> out of 180 countries<sup>8</sup>

### ... with a volatile growth

- volatility ~1.4x that of OECD since 1992<sup>1</sup>
   driven by concentrated diaspora & regional inflows and sporadic donors' funds ...
- 40% growth 2005-2010 vs 3% 2010-2015 in BoP inflows<sup>2</sup>

## ...and these inflows are mainly channelled into less productive sectors

 flows mainly into consumption & real estate<sup>3</sup>...

## ... and into financing the governments' increasing size and indebtedness

- Salaries 9% GDP vs. 6% benchmark<sup>4</sup>
- Fiscal deficit of 8% of GDP<sup>5</sup>
- *3<sup>rd</sup> highest Debt to GDP at 149%* leaving little room for CapEx ...
- 4% of budget in last 10 years<sup>5</sup> vs. 10-20% benchmark<sup>6</sup>

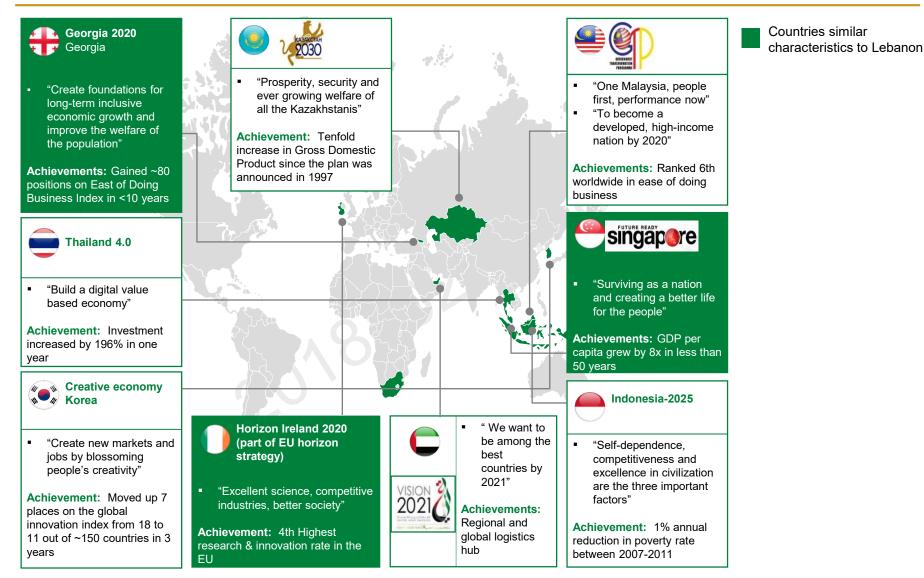
1 IMF World Economic Outlook Database April 2018 2 BDL Balance of Payments Georgia, Romania, does not include 2018 salaries increase 5 8 Corruption Perceptions Index 2017 9

ts 3 Interviews 5 MoF annual report & CAS GDP 9 World Bank - Ease of Doing Business 4 IMF Article IV of selected countries - benchmarks include Egypt, Jordan, Switzerland, UAE, Turkey, Hong Kong, 6 IMF Article IV Singapore & UAE 7 WEF - Global Competitiveness Report 2017-2018 10 CAS GDP, IHS Markit Benchmarks are Egypt, Morocco, UAE, Korea, Singapore, Switzerland



Many countries have followed to several paths to lead successful economic transformations, guided by a clear Vision and strategy





Countries with Lebanon's characteristics have successfully applied a clear recipe to develop their economy

Countries with similar characteristics as Lebanon have managed to create sustainable economic growth

- Small territory with large neighbors
- Limited population
- Limited natural resources
- Large diaspora (for some countries)



### ➢ KEY SUCCESS FACTORS

Develop an integrated National Vision / Economic Plan, consistently trickled down to stakeholder-level action plans with a clear & agreed upon execution mechanism

 $\star$ 

Double down on high value-add productive sectors which are knowledge intensive, have a high multiplier effect and are more resilient

Develop distinctive human capital in line with future needs of the economy

Ensure an efficient and effective government supported by disciplined macro policies (monetary and fiscal)

Provide a competitive business environment and infrastructure

Establish an open economy heavily focused on growing the external sector *(overall balance of payments with emphasis on exports)* 

# To overcome the challenges, Lebanon should develop a National Vision 秦 guided by consistent principles



Focus the government resources and efforts on priority areas



**Improve the business environment** by reducing cost of doing business, addressing corruption in the public sector and improving overall business environment, eventually raising Lebanon's competitiveness levels



**Diversify the Lebanese economy** sectorally and by source geographic inflows thereby reducing the volatility caused by exogenous factors



**Develop high value-add future-proofed productive sectors,** relieving the distress that has been caused by a large current account deficit

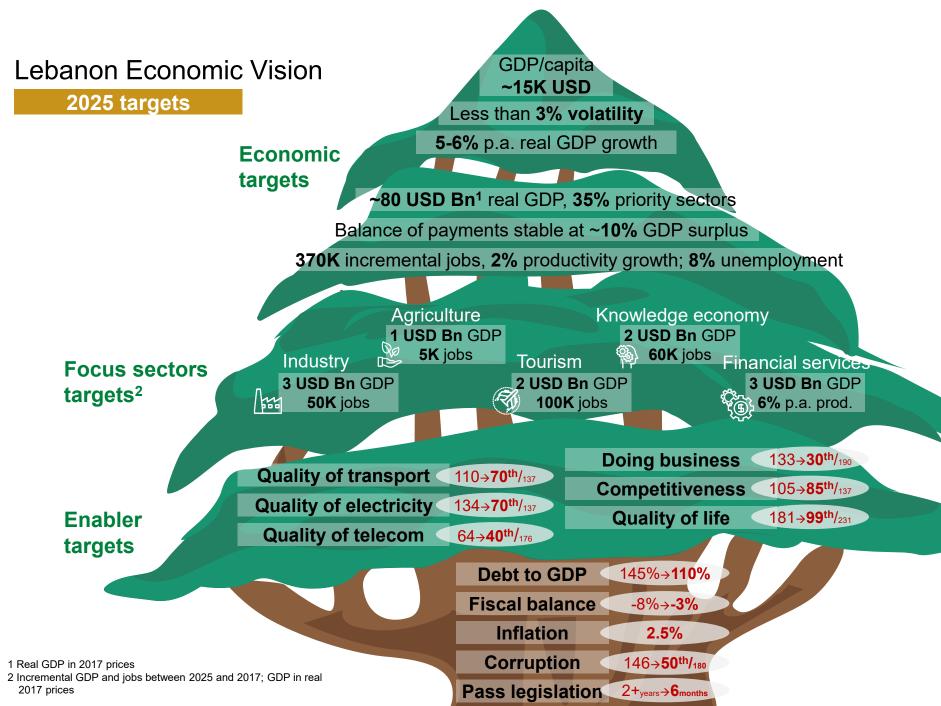


**Ensure a healthy public sector** through fiscal discipline including improved collection and rational spending, thereby controlling public debt

The National Economic Vision 2025 would build on Lebanon's unique economic and social characteristics



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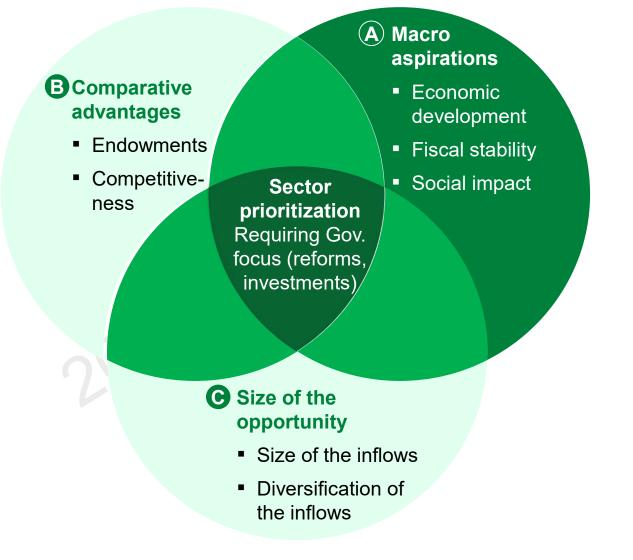
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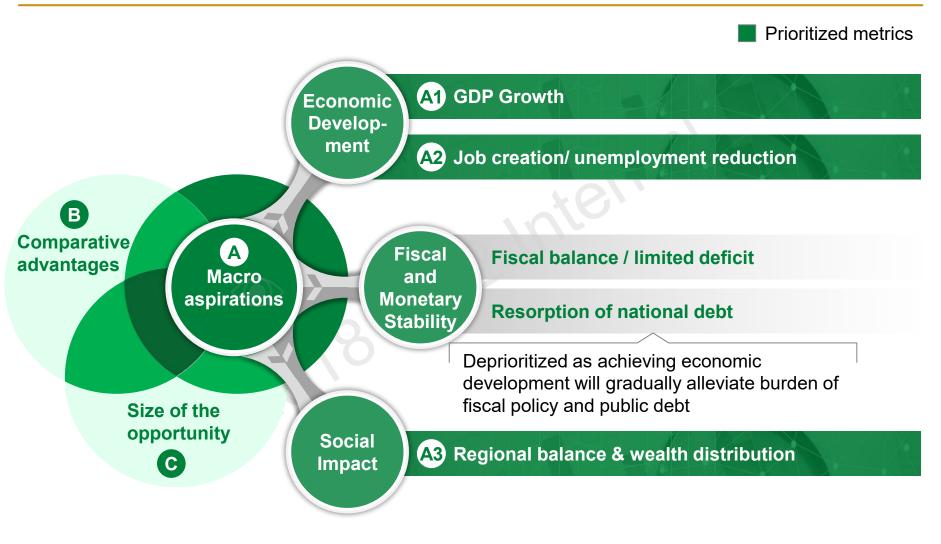
## Productive Sectors: Chapter Executive Summary

Productive sectors should be selected	<ul> <li>Selecting the productive sectors and sector 'plays' would follow 3 main criteria:</li> <li>Lebanon's comparative advantages within the sector based on historical performance</li> <li>Regional and global emerging opportunities</li> <li>Lebanon's top-down macro economic aspirations including GDP growth and job creation</li> </ul>
and bold aspirations should be set for each of them, following Vision 2025 objectives and targets	<ul> <li>6 sector have been selected to receive priority government support:</li> <li>Tourism: Lebanon should build on its strong natural endowments and strategic locations to tap into its fair share of inbound tourists (~4m tourists by 2025)</li> <li>Agriculture: Lebanon has the largest arable lands in the Middle East, and a potential to become the main supplier of high quality fruits and vegetation for the levant and GCC</li> <li>Industry: Lebanon should capitalize on its creative edge to become a leader in high human value-add artistic products including jewellery, furniture and fashion</li> <li>Knowledge Economy: Lebanon should aspire to become the leading Knowledge Hub for the Middle East, serving as the region's KPO/BPO destination and the number 1 tech ecosystem</li> <li>Financial Services: Lebanon has the highest deposits relative to its GDP in the world, allowing it to become the financial hub for the middle east and a gateway for financial transactions globally</li> <li>Diaspora: Lebanon should aspire to greatly leverage the large diaspora to further drive economic growth</li> </ul>

# Selecting Lebanon's productive sectors would follow three main criteria



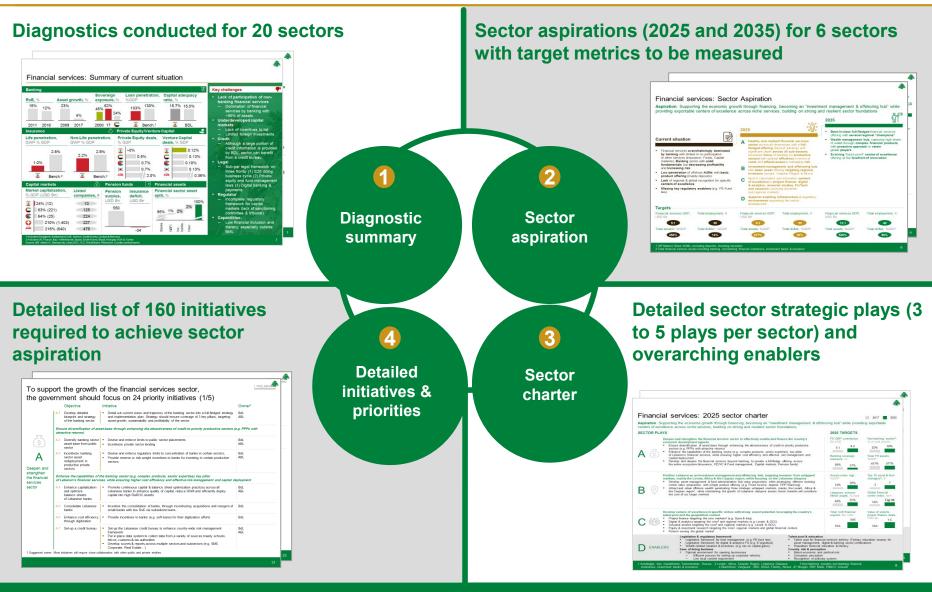
Three key metrics were prioritized to assess the sector's contribution towards reaching the macro aspirations



econ	iomic p	otential	for Leband	on	Economic contril covered within c	110 C-	] Urban	PRELIN	MINAF
2025 Direct Potential		A Macro Aspira				B Com- parative advantage	<b>O</b> Size of the opportunity	۲	
	Sector	A1 Potential additional GD USD Bn	P A2 Potential job creation K Jobs <sup>1</sup>	Induced job multiplier	A3 Regional balance & distribution	Lebanon's comparative advantage	Impact on Balance of Payments USD Bn	of BoP Diversifica	ition
High comparative advantage, macro potential and BoP impact	Tourism	1.6	40	2.1	▲命令			1.4 Global	
	Knowledge Economy	2.2	48	1.5	▲		1	I.1 Global	
	Financial Services	1.8	12	1.4			1.	.0 Diaspora	·
High BoP potential and regional balance	Industry	0.7	23	2.7	ŵ		0.3	Global	
	Agriculture	0.5	1	1.2	ې ۲		0.5	Global	
liche plays with 3oP impact	Diaspora	N/A	N/A	N/A	▲命令		N/A		
	Education	0.7	19	1.3	▲命		0.1	Regional & diaspora	k 🌗
	Healthcare	0.8	18	1.3	▲命	tou	/ledical rism <b>∼500</b> -0.2 ISD Mn	Regional & diaspora	<u>د</u>
	Oil & Gas	0	0	1.7	$\hat{\mathbf{W}}$		0	N/A	
Negative to low BoP impact	Real Estate & Construction	1.6	CIP 10	2.3		-	-0.1	Regional & diaspora	k 🌗
	Retail & Commerce	1.5	-7	1.2	∎		-1.4	Domestic	
	Transport & Logistics	0.4	3	1.5			0	Regional	
	Power & Water	0.2	1	2.2			0		

1 Direct Impact Medium & High-Skill jobs

G Developing the priority sectors should follow the targets and initiatives defined in the Economic Vision





### G Progress on sector aspirations should be monitored through specific ጃ performance indicators 1/2 2017 2025

2025 ASPIRATIONS

AGRICULTURE:

THE MIDDLE-

EAST'S HIGH-

VALUE CROPS

BREADBASKET

### SECTOR PLAYS

industrialists

- **Commercial farmers:** Unlock regional export potential of Share of high-volume commercial farmers by improving quality standards and transitioning to higher-value crops (e.g. Avocado)
- Smallholder farmers: Improve productivity of smallholder farmers in existing crops through technology and adoption of modern methods
- Medicinal Cannabis: Assuming government policy in place, explore legalization of cannabis cultivation in the aim of producing high value added medicinal products with export focus underpinned by the corresponding regulatory framework

furniture (targeting Syria and Irag)

Agriculture exports crops (1k+ hectare) (excluding processed with top-quartile vield food). USD mn % (2017 prices) 100 175

Focus subsectors: Focus efforts on 4 subsectors: food Exports of prioritized Number of processing, consumer-facing products (e.g. Perfumes, subgroups<sup>1</sup>, USD mn functioning industrial cosmetics), pharma, and pre-fabricated construction & zone Zones: Develop next-generation Industrial Parks, providing 1.790 6+ highly competitive environment (best of Lebanon) to 828 0 Number of leisure Leisure tourism: Focus on leisure tourism in 15 source Number of hotel rooms countries with distinctive core offering in City&Entertainment tourists. Mn in anchor destinations. (including gaming), Sun&Sea and Culture across three anchor Κ destinations and niche offering in ultra-luxury eco-tourism 4.0 11-14 1.9

**INDUSTRY:** NICHE REGIONAL LEADER IN **CREATIVE AND HIGH VALUE** 

TOURISM: THE UP-AND-COMING **MEDITERRANEAN RIVERIA** 

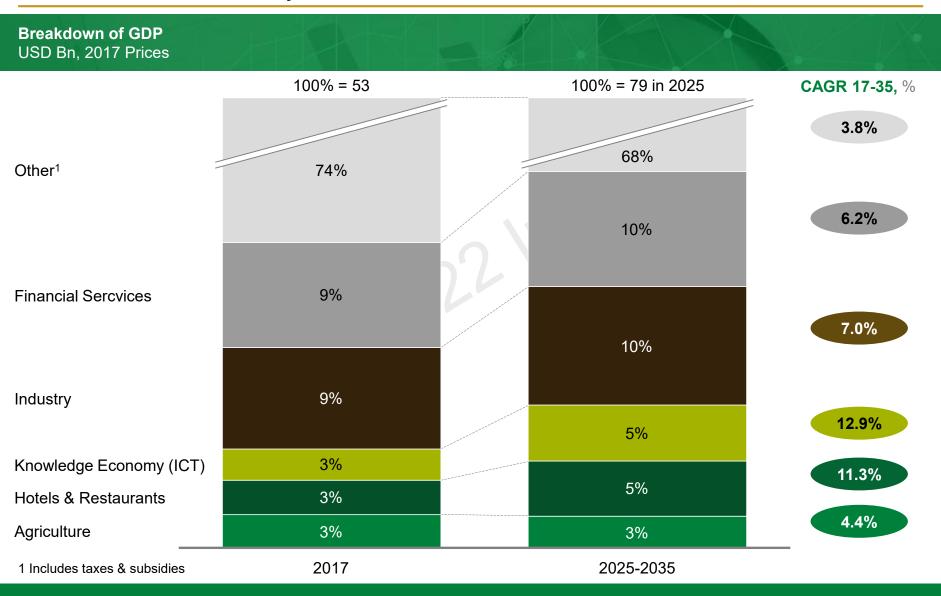
**INDUSTRIES** 

- Business tourism: Focus Meeting and Incentives business travelers in GCC countries
  - Medical tourism: Develop specialized medical tourism and wellness offerings, targeting regional markets

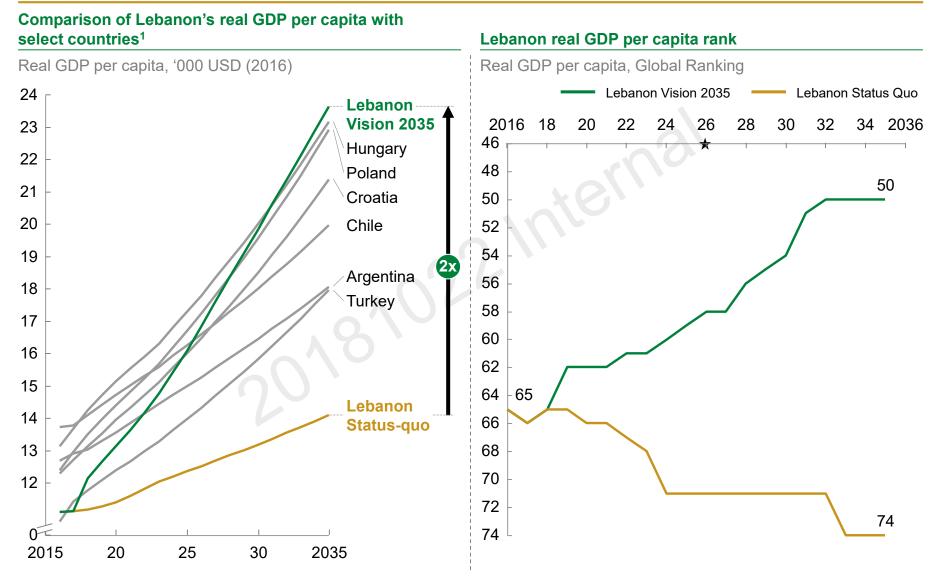
# G Progress on sector aspirations should be monitored through specific sperformance indicators 2/2

2025 ASPIRATIONS	SECTOR PLAYS							
FINANCIAL	<ul> <li>Develop digital banking as an alternative delivery model to expand reach of sector and improve efficiency</li> </ul>	Global financial centre index, rank	Non-banking assets <sup>3</sup> , % of total assets					
SERVICES: AN OFFSHORE	<ul> <li>Deepen &amp; strengthen the FS sector to enable and finance the country's EconDev agenda</li> </ul>							
MID-HIGH NET WORTH	<ul> <li>Position Lebanon as an investment management and offshoring hub, targeting mid-high net worth individuals</li> </ul>	Top 50	33% 21%					
INDIVIDUALS	<ul> <li>Develop centers of excellence in specific niches (e.g. investment research, actuarial studies, digital analytics)</li> </ul>							
KNOWLEDGE AND	<ul> <li>Leverage technology to grow productivity in the priority sectors, becoming an innovation-driven economy</li> </ul>	Total Number of Start-ups,#	Yearly VC funding, USD Mn					
CREATIVE ECONOMY: THE SILICON VALLEY	<ul> <li>Position Lebanon as a leading regional rural cities destination for "high-value add" outsourcing services and a global hub for research &amp; analytics</li> </ul>	2,000 19						
OF THE MIDDLE EAST	<ul> <li>Become a regional creative hub, including multimedia, productive content development</li> </ul>	200	100					
	<ul> <li>Attract regional students across the board of education majors</li> </ul>							
	<ul> <li>Seed: Prepare, organize and invest in the next generation Lebanese workforce to be ready for the global economy (extended market to Lebanon) while developing intelligence of stock and trend of emigrants</li> </ul>							
DIASPORA: AN ENGAGED &		pora across all generati	ions through promoting					
ACTIVE DIASPORA	<ul> <li>Reap: Leverage the diaspora network to drive economic growth through a) economic contribution of high potential diaspora, b) access to export markets, c) directing remittances to development projects</li> </ul>							
	<ul> <li>Advocate: Harness and formalize advocacy i.e. lobbying povelosities of the second secon</li></ul>	wer in center of the worl	d through establishing a					

## G Through Vision 2035, Lebanon's prioritized sectors would grow their GDP contribution by ~6%



# G Moreover, GDP per capita would grow by 2x versus its status quo GDP per capita





Unemployment rate would also drop from 20-25% to 4-6%





Source: CAS Labour Force Survey 2004,2007,2009; World Bank; Press search

G



## Contents – Productive sectors chapter summary





## Agriculture – sector aspiration

### Aspiration: A high-value, high-quality sector which generates sustainable wealth for farmers and rural communities

### **Current situation**

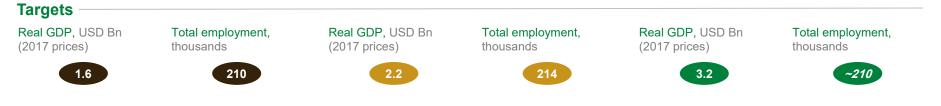
- Dominance of low-value crops, including tobacco which is cultivated at a loss
- Low productivity for many crops (e.g. olives), due to outdated techniques and low investment in technology
- Inefficient local markets in which farmers are vulnerable to unfair practices (e.g. by markets & distributors), partly due to weak cooperative system
- Poor access to global markets such as the EU, largely due to non-compliance with international standards (e.g. SPS for potatoes) & weak postharvest infrastructure
- Widespread illegal cultivation of cannabis

### 2025

- A Higher prominence of **high-value crops** (e.g. Avocado), with reduced cultivation of tobacco and other low-value crops
- B High levels of productivity for major crops, enabled by improved techniques & application of modern agriculture technologies
- C Higher levels of local market transparency which further empower farmers
- Improved global recognition & acceptance of Lebanese agriculture products as high-quality food products
- E Emergence (potentially) of **controlled areas with legal cultivation of cannabis** for exportoriented medical purposes (*requires aligned policy & regulatory framework*)

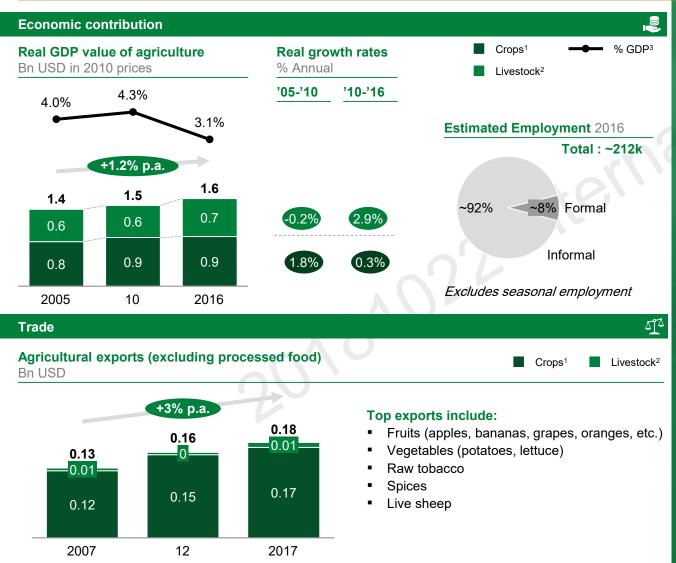
### 2035

- **Fully optimized** crop portfolio which maximizes returns for farmers *(while also accounting for food security objectives)*
- Best-in-class productivity across most crops, leveraging frontier advances & technologies across the agriculture value chain
- Very well-organized and effective local market
- Well-established global reach of Lebanon's agricultural products, with an established reputation for premium quality
- Near-elimination of illegal cannabis cultivation, with majority of growers being licensed and overseen by the government (requires aligned policy & regulatory framework)





## Agriculture – summary of diagnostic



### Key challenges

#### Low productivity and quality

- Limited modernization / technology adoption, with persistence of suboptimal techniques (harvest, post-harvest, etc.)
- Overuse of fertilizers & pesticides (452 kg/hectare, vs. 131 kg/hectare in OECD countries)
- Structural constraints
  - Small average holding sizes (1.4 ha)
  - Ineffective cooperative system (~1200 COOPs, 2/3 of which are inactive)
  - Dominant wholesale markets / distributors
- Insufficient and poorly-targeted government support
  - Limited extension and research services
  - Poor controls on food safety & quality, water usage
  - Limited access to financing
- Financial unsustainability
  - Rising land & transportation costs
  - Reliance on subsidies (and ad-hoc financial support)

1 Includes forestry 2 Includes fishery 3 Excludes taxes and subsidies

Source: CAS, ILO, Ministry of Health, Lebanese Customs, FAO, expert interviews



2025

2017

### Agriculture – 2025 sector charter

Capability-building for

Safety controls & quality

cooperatives

assurance

FNABI FRS

### Aspiration: A high-value, high-quality sector which generates sustainable wealth for farmers and rural communities

#### SECTOR PLAYS **2025 TARGETS** Promote and support the application of modern methods and technologies to improve yield and guality of Share of highagricultural produce ~34% volume crops Leverage (and strengthen) research and extension service capabilities to drive adoption of modern methods (1k+ hectare) with (e.g. to limit overuse of fertilizers & pesticides, adopt best-practice olive harvest techniques, etc.) top-quartile yield 100% Facilitate financing of technology installations which can improve yield and quality *(incl. irrigation systems)* % Focused on family-based Improve local (and regional) food markets, with a focus on transparency and efficiency farmers Increase transparency (e.g. pricing) of wholesale markets and distributors' activities through digital solutions Improved farmer satisfaction regarding and improved regulatory oversight access to local markets & practices of Strengthen cooperatives' ability to market goods to local and regional markets (e.g. through targeted distributors / wholesale markets (New capability building efforts) metric required) Support the transformation and transition of agricultural cultivation towards higher-value crops (e.g. Agricultural land tomatoes, avocadoes) and livestock, away from Tobacco and other low-value crops (e.g. cereals, olives) transformed towards higher-Conduct a comprehensive value chain analysis across all agricultural products to determine optimal crop value crops allocation by region (including identification of target alternative crops, with a focus on tobacco regions) 10.000 Introduce a new (opt-in) subsidy program for Tobacco farmers which allows transition to alternative crops Hectares (since Focused on 2017) Leverage (and strengthen) research and extension services to support farmers through crop transitions . commercial Unlock export potential by facilitating access to international markets Agriculture farmers Increase compliance of Lebanese farms and agriculture facilities (e.g. packaging facilities) with international exports 175 (excludina standards to overcome SPS export constraints processed food). Facilitate expansion & improvement of post-harvest infrastructure (e.g. cold storage & packaging facilities) USD mn (2017 Support farmers in identifying & reaching high-potential frontier markets (e.g. in Eastern Europe) and adapting prices) cultivation practices (e.g. seed species) to meet market preferences Legal cannabis Assuming government policy is in place, explore legalization of cannabis cultivation in the aim of producing high-value-added medicinal products with export focus underpinned by a corresponding cultivation hectares regulatory framework Draft a comprehensive regulatory framework for cannabis (e.g. covering cultivation, processing, export, etc.) Note: Additional 1.000 Assess feasibility of building the institutional capabilities that would be required to implement regulatory analysis required to framework (e.g. licensing, quality assurance, etc.) assess target X.1 Government services X.2 Export support X.3 Human capital X.4 Legislation & regulation Water law & regulatory Research capabilities Export promotion **Technical & vocational** Extension services Export development framework training GENERAL

Employment

rural youth)

attractiveness (e.g. for

•

Cannabis regulatory

framework

678



## Contents – Productive sectors chapter summary





### Industry – sector aspiration

### Aspiration: A niche regional leader in creative and high-value industries and hub for regional processing

### **Current situation**

- Limited and unfocused government support, with a decline in output and exports among most subsectors *(with notable exception of food products)*, largely driven by infrastructure-caused non-competitiveness
- Absence of real industrial zones which provide the infrastructure and services that are needed to achieve competitiveness

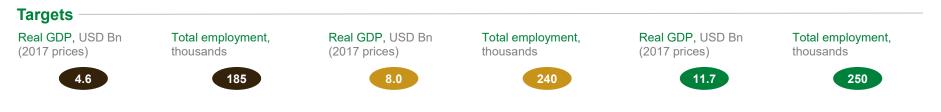
2025

A Emergence of **niche growth subsectors** which achieve high levels of competitiveness and growth through targeted government support (*e.g. pharma, food processing, perfumes*)

B Development of multiple successful national integrated industrial parks (NIIPs) which provide a significant competitive edge for industrial tenants (including a zone focused on reconstruction of Syria)

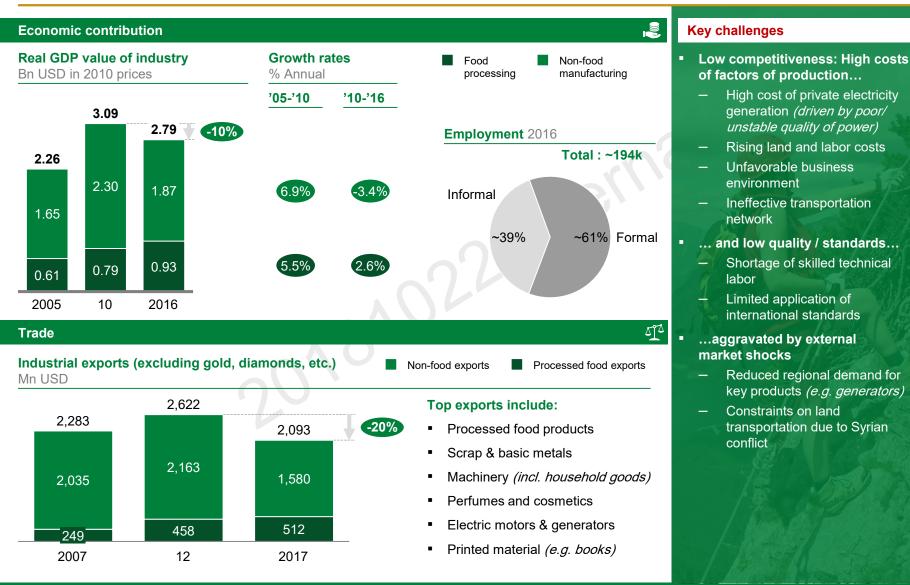
### 2035

- **Globally competitiveness and recognized excellence** in niche subsectors which optimally capitalize on Lebanon's strengths
- Best-in-class industrial parks offering worldclass infrastructure and services





## Industry – summary of diagnostic





2017

828

### Industry – 2025 sector charter

#### Aspiration: A high-value, high-quality sector which generates sustainable wealth for farmers and rural communities

### SECTOR PLAYS

### Prioritizing (and focusing government intervention efforts) on high-potential subsectors which capitalize on Lebanon's strengths, including: Food-processing industries which rely on local agricultural production, with a focus on premium packaged goods based on Lebanon's fruit, vegetable, nut and dairy products Consumer-facing products which rely heavily on creative design & marketing abilities: jewellery, perfumes & cosmetics, soaps & sanitation products, and napkins / sanitary goods (with a focus on high-end products which capitalize on Lebanon's positive image in fashion / design / etc.) Industries which capitalize on the upcoming post-conflict reconstruction in Syria and Iraq, with a focus on subsectors where Lebanon can develop a competitive advantage: pre-fab manufacturing & furniture Subsectors which require high skill levels, especially in healthcare-related fields, with a focus on . pharmaceuticals and cannabis-based medical products (e.g. cannabinoids) Developing next-generation National Integrated Industrial Parks (NIIPs) to serve as areas of excellence which overcome comparative disadvantages

- Offerings to include world-class infrastructure (including dedicated power & utilities) as well as comprehensive support services (including regulatory one-stop shops) and sector-specific infrastructural support (e.g. coldstorage facilities for food processing tenants)
- Immediate focus should be on developing existing plans (Tripoli Special Economic Zone, three industrial . zones proposed by Mol / UNIDO) as well as an additional zone focused on construction technology
  - There are several opportunities to strengthen existing plans for industrial zones (Mol / UNIDO), which must be assessed
  - Strong governance and oversight is needed to ensure coordination between industrial zones, Tripoli SEZ, and the broad economy, and to minimize cannibalization / destructive competition
- It will also be necessary to plan and develop additional industrial zones in other regions (e.g. Beirut, southern . Lebanon) which focus on priority subsectors which are not covered by current industrial zone plans
  - X.1 Quality assurance
  - Quality standards
  - Compliance & enforcement

#### X.2 Financing

- Kafalat Industry
- Investment attraction

- X.3 Human capital
- Technical & vocational training
- Supply-demand matching

#### X.4 General enablers

- Ease-of-doing-business regulations
  - Infrastructure (e.g. power)

### 2025 TARGETS

Exports of

prioritized

subgroups1 USD mn  $\star$ 0 Number of functioning industrial zone 6+



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## **Knowledge Economy**

Tourism

**Financial Services** 

Diaspora



## Knowledge Economy – sector aspirations

Aspiration: To become a knowledge-driven digital nation, at the forefront of innovation, acting as a talent hub for technology, outsourcing, creative industries and education

### **Current situation**

- Emerging but nascent technology & digital industry, with limited access to global markets and low digitization across economic sectors & government
- Small and fragmented outsourcing industry, lacking regional recognition
- Intrinsically competitive in creative industries (fashion, movie) but facing several challenges
- . Strong tertiary education system but low current export potential for the sector (e.g. low attraction of international)
- Lacking regulatory environment, digital & creative talent, limited access to funding and sub-par sector governance and infrastructure

### Targets

GDP, USD Bn

### 2025

Regional technology leader with players in FinTech, CreativeTech, EdTech & HealthTech: strong technology adoption across priority economic sectors and digital government

Regionally renowned outsourcing sector with B established brand, attracting captive centers for regional MNCs, along with flourishing domestic offering of research & analytics

Regional creative hub, globally renowned for a set of **specific niches** 

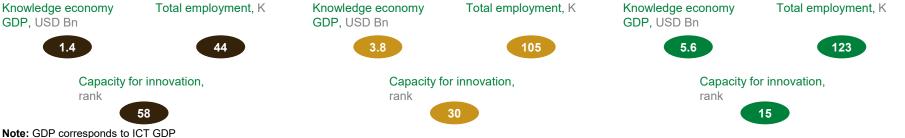
Educational hub, attracting regional students D across the board, and international students for specific niches

Vibrant ecosystem, regionally renowned as the Х "go-to" hub for startups, offering best in class regulation, abundant funding and world-class digital talent

## 2035



- Regional innovation hub with several unicorns having a 1USD Bn+ valuation; digitization as the key driver of sector productivity across all sectors and digital as the unique delivery means of **government** and private sector services
- Globally recognized as the "Go-to" global hub for research and analytics with deep regional & cultural expertise
- Creative as a core driver of all Lebanese . economic sectors
- World-class education hub, with leading tertiary institutions at a global level, attracting international students across the board





## Knowledge Economy: Technology – summary of diagnostic

Economic contribution	Sector performance				
Total jobs, 2017	Total value of VC deals, USD Mn 2017				
~7,000 Startups 2,000 Incumbents 5,000	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$				
Technology & innovation	funnel, by stage of company				
<ul> <li>Sub- spen</li> </ul>	Idea peration / R&DCommer- cializationStart-up / early stageGrowthpar R&D d and of funding• Low volume of patents• Ease of doing business• Lack of growth funding & 				
Digital eco- nomy	on lags all Middle-Eastern countries on digitization index				
Didital	on lags all GCC countries on the UN e-government readiness index (0.56 2) only slightly outranking Egypt & Jordan in the Middle East				

### Key challenges

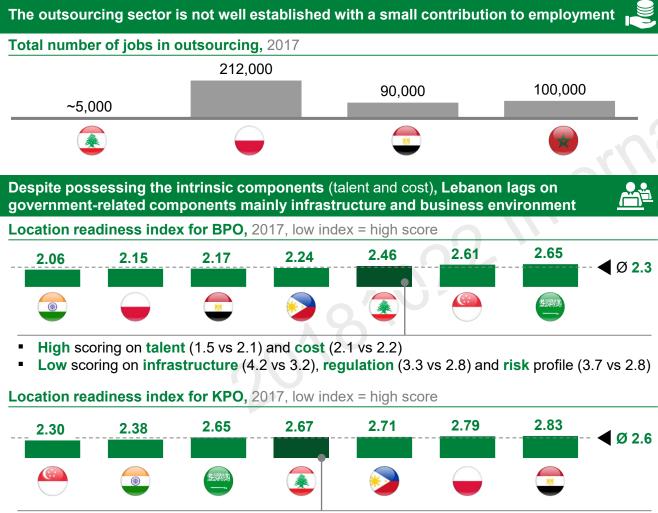
- Low availability of digital talent
  - Despite Lebanon's strong talent base, access to talent was reported to be the main obstacle faced by domestic start-ups
  - Moreover regional entrepreneurs consider Lebanon as the top source for creative & marketing talent, but as lagging behind for core technical skills

### Missing key regulatory requirements

- The sector suffers from sub-par regulations such as the current incorporation laws (preferred shares, stock-options), and a sub-par judicial system
- For e.g. only 20% of entrepreneurs offer stockoption schemes whereas ~50% of the talent pool would be willing to accept it as compensation scheme



## Knowledge Economy: Outsourcing – summary of diagnostic



- High scoring on talent (2.1 vs 3.0) and cost (2.1 vs 2.2)
- Low scoring on infrastructure (4.2 vs 3.2), regulation (3.3 vs 2.8) and risk profile (3.7 vs 2.8)

### **Key challenges**

- 7
- Sub-par virtual and physical infrastructure
  - Physical and virtual infrastructure lags with low broadband speeds (5Mbps, 127th globally) and high mobile connectivity costs
  - Un-empowered regulatory authority (TRA) leading to in lack of continuity and uniformity in the sector (e.g. stopping of the E1 lines for call centres)
- Sub-optimal regulatory framework and environment with lack of incentives
  - Sub-par ease of doing business environment
  - Required laws not in place: bankruptcy law, competition law, IP protection law
  - No zones in place offering taxincentives and lower infrastructure costs (telecom & rental costs)
- High country risk profile
  - Low macro-economic and political stability, a key input to outsourcing location criteria

秦

High

## Knowledge Economy: Education – summary of diagnostic In line with peers

**Economic contribution Key challenges** Performance Real GDP value of education Declining performance of Bn USD in 2010 prices Performance metric, 2015 compared to peers the education system (Quality of education XX CAGR GDP % GDP<sup>1</sup> Quality of education, 417 system in Lebanon is Universal scale score 8.1% 7.6% classified as "Low") × 6.4% **Public expenditure** 0-1000 Outdated Curriculum per student, PPP USD (Latest update was in 1997) 3% 1% Number of High regional competition in 2.7 2 universities in top attracting international 2.2 2.1 500, # tertiary students 2005 10 2016 Skill gap between the labour force demand  $\Delta^{\Delta}$ Inbound International students – Higher education and supply Stock of international students 2017, Split of international students by nationality 2017, '000 student '000 students XX Share of international out of total students XX % of international students 13% 10% 100% 62% 38% +4% p.a. -8% p.a. 26 20 12 21 20 8 2006-2007 2011-2012 2016-2017 Total Syrians & Foreigners Palestinians 1 Excluding taxes and subsidies



## Knowledge Economy – 2025 sector charter

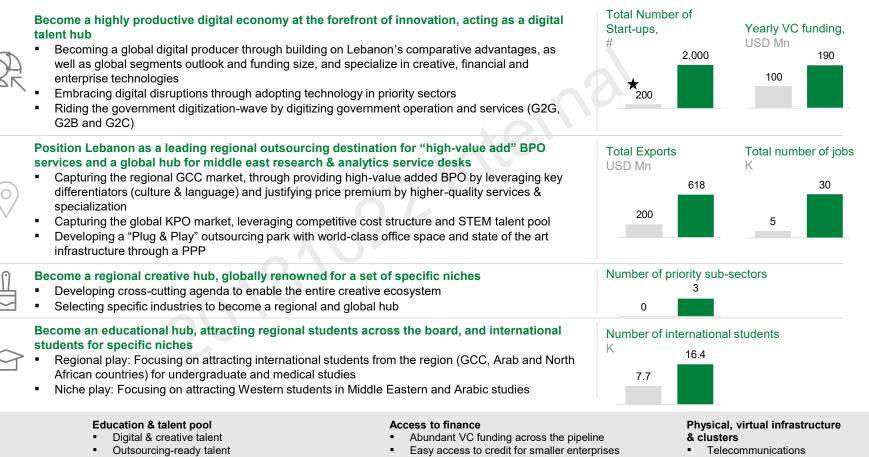
2017 2025

2025 TARGETS

**Aspiration**: An knowledge-intensive and digital nation, at the forefront of innovation, acting as a talent hub for technology, outsourcing, creative industries and education

### SECTOR PLAYS

**ENABLERS** 



- Industry promotion
- Physical and virtual clusters for incentives &

### \_\_\_\_\_ 100000100

- Industry governance
- Non-fragmented governance
   Clobal promotion comparison
- Global promotion campaigns

- Telecommunications infrastructure
- Rental



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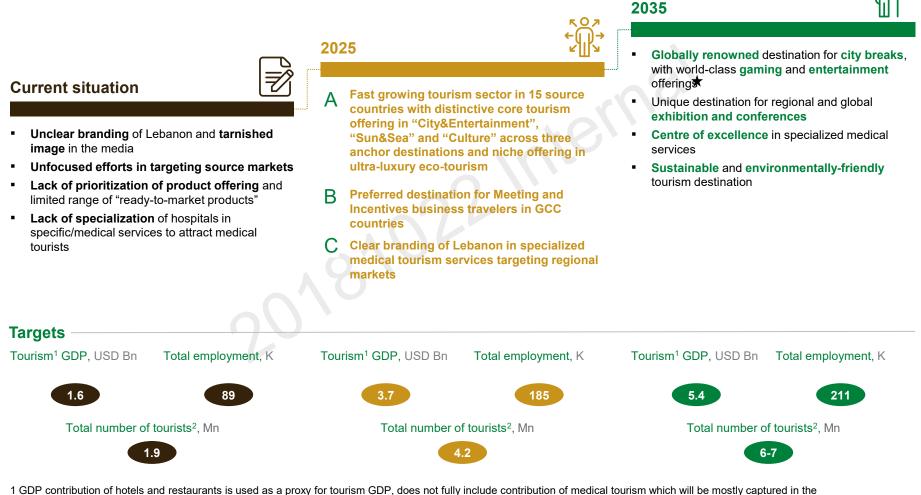
Diaspora





## Tourism – sector aspirations

**Aspiration**: A revived Riviera destination offering a unique combination of unrivalled entertainment, immersive culture and breath-taking sea views with regional niche offerings in business M&I segment and specialized medical tourism



healthcare sector

and restaurants is used as a proxy for tourism GDP, does not fully include contribution of medical tourism which will be mostly captured in th 2 Leisure, business and medical tourism



## Tourism – summary of diagnostic

#### **Economic contribution** Number of tourists by nationality Real GDP value of tourism<sup>1</sup> **Top nationalities** Bn USD in 2010 prices Million tourists GCC Western<sup>2</sup> % GDP Iraq (12%), 3.3 Other Arab France (9%), 3.1 USA (9%), 2.2 Canada (6%) 1.9 0.5 0.3 0.4 0.1 1.3 0.2 0.1 0.4 1.1 0.5 1.0 0.8 0.3 1.0 0.8 0.7 2005 10 2016 13 2017 2010 Performance metrics<sup>3</sup>, 2017 Performance compared to peers Low **Occupancy rate**, % 43% In line with peers Hiah **Average length** 3.2 of stay, days

**Key challenges** 

- Lack of proper tourism data to ensure informed decision making
- Low occupancy rates in hotels are deterring private sector investments
- Limited hospitality infrastructure catering for the upper mass and luxury segments (especially outside Beirut)
- Absence of a brand image for Lebanon
- Limited flight connectivity and high airfare prices to European markets

~

Highly fragmented eco-system with no forum for collaboration between all the different stakeholders

1 GDP contribution of hotels and restaurants is used as a proxy for tourism GDP

2 Includes Europe, Oceania and North America (US and Canada only); 3 Based on a sample hotel list provided by MoT



## Tourism – 2025 sector charter

Aspiration: A revived Riviera destination offering a unique combination of unrivalled entertainment, immersive culture and breath-taking sea views with regional niche offerings in business M&I segment and specialized medical tourism

SECTOR PLA	YS			2025 TARGETS	
A 🗭	<ul> <li>"City&amp;Entertainment", "Sun&amp;Sea" an Sour) and developing ultra-luxury "ed</li> <li>Grow number of leisure visitors by fo countries (KSA, UAE, Kuwait, Iraq, UK, Italy, Sweden, Turkey) and cour Australia)</li> <li>Build core tourism offering in "City development, infrastructure, incentive destinations: Beirut, Byblos and S offering in the hinterland</li> </ul>	a from 15 source countries by building core offerings in and "Culture" in three anchor destinations (Beirut, Byblos and "eco-tourism" hubs of focusing on 15 countries in three types of markets: Arab and GCC eq, Jordan and Egypt), core European markets (France, Germany, bountries with high number of Lebanese diaspora (US, Canada, "ity&Entertainment", "Sun&Sea" and "Culture" by focusing product tives and marketing resources around the three anchor d Sour; these destinations will be "hub and spoke" for ancillary bourism hubs across authentic (B&B) and ultra-luxury		Number of leisure tourists, Mn ~4.0	
B	Grow the Meeting & Incentive segmer and Iraq) and promoting Lebanon as a complimented with an attractive leisu	a high value for money destina		Number of busines	s tourists, M 0.2
C	<ul> <li>Position Lebanon as a "convenient" of value proposition for high quality speleisure offering</li> <li>Incentivize the specialization of hosp procedures complimented with unpare Target outbound medical tourists from</li> </ul>	cialized medical services com nitals and promote Lebanon as a ralleled leisure tourism offering	bined with an unparalleled	Number of medical	<b>tourists,</b> Mn 0.03-0.04
	Infrastructure and connectivity     Airport expansion     Urban planning and transport	Marketing <ul> <li>Marketing budget</li> <li>Branding</li> </ul>	Organization and regulation     Investments zones     Enabling legislations	S	

- Urban planning and transport infrastructure revamp
- Flight connectivity

ERS

- Hotel room capacity and quality
- Branding
- Targeted marketing
- Media and perception management
- Enabling legislations
- Tourism board and stakeholder cooperation

2017 2025



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## Financial Services – sector aspiration

Aspiration: Supporting the economic growth through financing, becoming an "investment management & offshoring hub" while providing exportable centers of excellence across niche services, building on strong and resilient sector foundations

### **Current situation**

- Financial services overwhelmingly dominated by banking with limited to no participation of other services (Insurance, Funds, Capital markets); Banking sector with solid fundamentals but decreasing profitability and increasing risk
- Low penetration of offshore AUMs with basic product offering (mainly deposits)
- Lack of regional & global recognition for specific centers of excellence
- Missing key regulatory enablers (e.g. PE Fund law)

2025

- Healthy and resilient financial services sector across all dimensions with a fullfledged offering (beyond banking) and significant depth across all sub-sectors; Increased focus of banking on productive sectors with optimal efficiency in terms of costs and effectiveness in managing risk
- B Investment management and offshoring hub with basic asset offering targeting regional investors (Levant, Caspian Region & Africa)
- Best in class talent and innovative centers of excellence in project finance, digital & analytics, actuarial studies, FinTech and research, servicing domestic and regional markets
- X Superior enabling infrastructure & regulatory environment supporting the sector development (e.g. PE Fund Law)

### 2035



- Best-in-class full-fledged financial services offering with several regional "champions"
- Wealth management hub, capturing high share of wallet through complex financial products, with proactive approach to retain global players
- Evolving "future-proof" center of excellence offering at the forefront of innovation

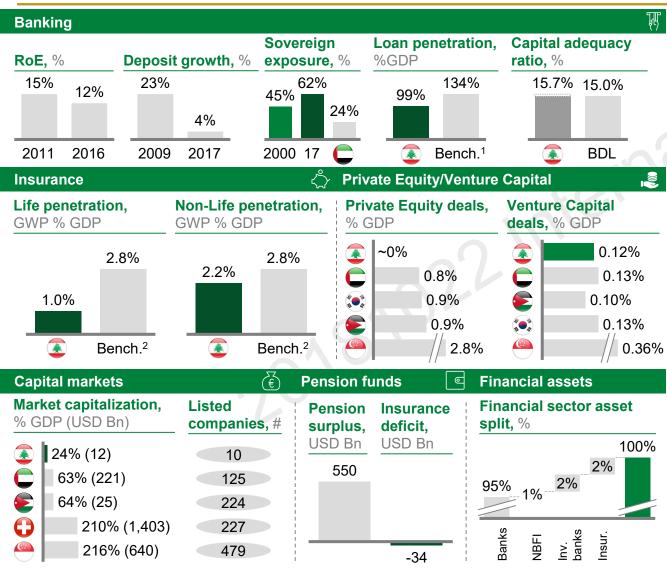


1 Off Balance Sheet AUMs, excluding deposits, including securities

2 Total financial services assets including banking, non-banking financial institutions, investment banks & insurance



## Financial Services – summary of diagnostic (1/4)



### Key challenges

- Lack of participation of nonbanking financial services
  - Domination of financial services by banking with ~95% of assets
- Underdeveloped capital markets
  - Lack of incentives to list
  - Limited foreign investments
- Credit
  - Although a large portion of credit information is provided by BDL, sector can benefit from a credit bureau
  - Legal

- Sub-par legal framework on three fronts: (1) E2E doing business cycle (2) Private equity and fund management laws (3) Digital banking & payments
- Regulator
  - Incomplete regulatory framework for capital markets (lack of sanctioning committee & tribunal)
- Capabilities:
  - Low financial inclusion and literacy, especially outside BML

1 Includes Singapore, Switzerland, UAE, Greece, South Korea, Jordan & Morocco

2 Includes UK, France, Italy, Netherlands, Spain, South Korea, Brazil, Hungary, KSA & Turkey

Source: IMF Article IV, Banque du Liban, BCC, ICC, World Bank, Pitchbook, Country central banks



## Financial Services – summary of diagnostic (2/4)

Banks	<ul> <li>Declining profitability of banks (RoE from 15% in 2011 to 12% in 2016), especially for smaller banks that do not have a diversified value proposition; low RoE for small banks signals potential for consolidation         <ul> <li>Margin compression as a result of increasing cost of funding and declining gross interest income (due to heavy substitution of private sector lending with sovereign exposure)</li> <li>Average cost structure of banking system (46-50% C/l v.s. ~30-40% for high performing regional benchmarks and 30% (or less) for global digital benchmarks)</li> <li>High rate of non-performing loans compared to benchmarks<sup>2</sup> (6.5-9.2% vs. 5.8%), mainly driven by deteriorating economic conditions, coupled with underdeveloped underwriting capabilities for risky sectors (e.g. SMEs &amp; Real Estate)</li> </ul> </li> <li>Reduced growth in assets down from ~22% in 2009 to ~8% in 2017</li> <li>High sovereign exposure of asset-base (62% vs 24% for UAE; includes regulatory reserves)</li> <li>Limited private sector lending especially on the retail front: Retail lending penetration (30% of GDP; domestic loans only) lower than global benchmarks<sup>1</sup> (50% of GDP)</li> <li>High concentration of overall private sector lending (particular corporate lending) in higher risk and nonproductive sectors such as real estate (~25% real estate vs ~17% for Singapore)</li> <li>Low capital cushion on top of regulatory capital (~0.7% on top of 15% regulation) along with average bank capital efficiency, further hindering growth of the asset base</li> <li>Low digital banking penetration with 27% of adults having made a digital transaction vs. 60% benchmark<sup>12</sup></li> <li>Sector remains at the core of the Lebanese economy contributing to more than 30% of the government's income tax (Profits, capital gains, interest tax)</li> </ul>
B Non-Banks finance companies	<ul> <li>Limited participation of non-banking financial institutions constituting only ~5% of total financial sector assets Insurance</li> <li>Insurance sector has been growing steadily with GWP growing at ~4% p.a. from 1.3 USD Bn in 2012 to 1.6 USD Bn in 2016</li> <li>Comparison to benchmarks shows a low penetration of life (1% of GDP) and non-life insurance (2% of GDP) compared to benchmarks<sup>3</sup> (3% for life and non-life)</li> <li>ICC<sup>4</sup> plays a key role in maintaining the soundness of the industry with some room for improvement</li> <li>Mutuals and coops provide insurance plans &amp; coverage with no oversight from the ICC</li> <li>Private equity and asset &amp; fund management</li> <li>Limited presence and activity of PE firms with funding at ~0% of GDP vs. 0.8-2.8% benchmarks<sup>1</sup></li> <li>VC funding of ~0.12% of GDP in-line with benchmarks<sup>1</sup>, but funding lacks at angel stages</li> <li>Fintech scene is emerging with ~10% share of all Fintech's ranking Lebanon 3<sup>rd</sup> in MENA</li> </ul>



## Financial Services – summary of diagnostic (3/4)

C	Institutional investors	<ul> <li>Pension funds</li> <li>Pension system is mainly composed of public pension funds (civil servants and military funds for public sector personal and NSSF for private sector) and private pensions administered by Labor unions &amp; professional orders</li> <li>NSSF faces several issues, mainly <ul> <li>Use of the surplus of the pension (~550 USD Mn surplus in 2011) to cover the health insurance deficit (~34 USD Mn deficit in 2011)</li> <li>Lack of investment in sovereign securities</li> <li>Lack of visibility on the fund's contingent liabilities putting at risk its solvency, liquidity &amp; sustainability; same pressure applies to public sector pensions</li> </ul> </li> </ul>
D	Equity and bond markets	<ul> <li>Underdeveloped capital markets with low market capitalization at ~21% GDP vs. ~60% regional benchmarks and ~200% for global financial hubs; with only 10 listed companies (o.w. 6 banks)</li> <li>Lack of IPOs vs. 0.3% of GDP in yearly startups IPO in developed countries</li> <li>Lack of incentives for domestic companies to list their shares</li> <li>Limited foreign investments driven by sub-optimal business &amp; regulatory environment</li> <li>The capital market authority (CMA) was setup but still lacks a sanctioning committee and a financial markets tribunal to become fully operational</li> </ul>
E	Enabling infrastructure	<ul> <li>Credit <ul> <li>Although a large portion of credit information is provided by BDL through the CDR, sector can benefit from having a dynamic and commercialized credit bureau that can tailor credit reports across segments and sectors, using advanced analytics to support credit decisioning</li> <li>Lack of collateral registry</li> </ul> </li> <li>Payments <ul> <li>Lebanon was historically the regional leader in setting up a National payment system</li> <li>While the Central Bank has had a thorough grasp on payment systems, looking forward, there is a need for continuous modernization and digitization of the underlying payments infrastructure to match digitization efforts of banks and future payment mechanisms and currencies that are being discussed by BDL</li> </ul> </li> <li>Legal <ul> <li>Sub-par legal framework on three fronts: (1) E2E doing business cycle: outdated insolvency and bankruptcy laws, banking tax law (2) Private equity and fund management laws: lack of private equity investment law and (3) Digital banking and payments: lack of e-signature law</li> </ul> </li> </ul>



## Financial Services – summary of diagnostic (4/4)

F	Regulating agencies	<ul> <li>Incomplete regulatory framework for capital markets (lack of sanctioning committee &amp; tribunal)</li> <li>BDL's risk regulation today is in-line with best practise. Going forward, the regulatory environment should hit the right balance between allowing the future modernization and development of the sector while keeping the highest risk management standards</li> <li>The Insurance Control Commission (ICC), reporting to the Ministry of Economy, is not fully independent</li> </ul>
G	Cross- government bodies	<ul> <li>The Association of Banks in Lebanon, ABL, has been very effective in international advocacy; however, gaps exist when it comes to local advocacy with government and regulators and promotion of the brand and image of the sector</li> </ul>
H	Financial sector capabilities	<ul> <li>Lebanon enjoys a high-quality talent pool for financial services; BDL has over the years continuously introduced new regulation on qualifications to further enhance the talent pool's quality through trainings and certifications</li> <li>However, the country faces issues in retaining talent and expertise driven by high retention costs (i.e. better external opportunities)</li> <li>Changing sector dynamics as a result of digitization require a shift in people's capabilities with most financial institutions lacking readiness and planning for the transition</li> </ul>
0	Consumer capabilities	<ul> <li>Lack of financial inclusion with only 0.65 bank accounts per capita vs. 2.3 Singapore</li> <li>Despite "overbanking" at the country-level, regional disparities underline the financial inclusion issue with 52 branches &amp; 94 ATMs per 100K adults in Beirut &amp; Mount Lebanon vs. 15-18 and 27-29 in the other regions</li> <li>Financial literary of 44% higher than regional peers (30%) but lower than advanced economies (53%), driven by a lack of proper financial education in secondary schools (e.g. savings, expense management)</li> </ul>



2025

## Financial Services – 2025 sector charter

Aspiration: Supporting the economic growth through financing, becoming an "investment management & offshoring hub" while providing exportable centers of excellence across niche services, building on strong and resilient sector foundations

#### SECTOR PLAYS 2025 TARGETS FS GDP contribution, Non-banking assets<sup>3</sup>, Deepen and strengthen the financial services sector to effectively enable and finance the country's % of total assets Bn USD 2017 prices economic development agenda . Develop digital banking as an alternative delivery channel 7.8 33% 21% 4.8 Ensure diversification of asset-base through enhancing the attractiveness of credit to priority productive sectors (e.g. PPPs with attractive returns) Enhance the capabilities of the banking sector (e.g. complex products, sector expertise), key pillar Banking sovereign Total FS assets. of Lebanon's financial services, while ensuring higher cost efficiency and effective risk management and exposure, % %GDP capital deployment 490% 433% Develop and deepen the financial services beyond banking, to provide a full-fledge offering across 50% 37% the entire ecosystem (Insurance, PE/VC & Fund management, Capital markets, Pension funds) Position Lebanon as an investment management and offshoring hub, targeting investors from untapped Assets under mgt., Top 10 asset & fund markets, mainly the Levant, Africa & the Caspian region, while focusing on the Lebanese diaspora %GDP managers<sup>4</sup>, # Develop asset management & fund administration hub value proposition, while developing offshore booking 30% center value proposition, with simple product offering (e.g. Fixed Income, deposit, PPP financing) 3 14% Attract and retain offshore wealth penetrating three strategic untapped markets, mainly, the Levant, Africa & the Caspian region<sup>1</sup>, while maintaining the growth of Lebanese diaspora assets; these markets will constitute Global financial Lebanese onshore the core of our target markets HNWI wealth. % total centre index. rank 55% Top 50 40% N/A Develop centers of excellence in specific niches with strong export potential, leveraging the country's Total CoE financial Value of exports talent pool and the geopolitical context exports<sup>5</sup>, Mn USD project finance deals. Project finance targeting the core markets<sup>2</sup> (e.g. Syria & Iraq) USD Bn 500 1.5 Digital & analytics targeting the core<sup>2</sup> and regional markets (e.g. Levant & GCC) Actuarial studies targeting the core<sup>2</sup> and regional markets (e.g. Levant & GCC) N/A N/A Equity & investment research targeting the core<sup>2</sup>, regional markets and global financial centers Fintech serving the global market

- Legislation & regulatory framework
- Legal & regulatory framework for fund management (e.g. PE fund law)
- Legal & regulatory framework for digital & analytics FS (e.g. E-signature)
- Wealth-related taxation & incentives (e.g. tax on capital gains)

### **Talent pool & education**

- Talent pool for financial services delivery (Tertiary education revamp for asset management, digital & banking sector certifications
- Population financial education & literacy

Lending to priority sectors

**ENABLERS** 

Incentivize lending to priority economic sectors of the Vision

699



## Contents – Productive sectors chapter summary

Agriculture

Industry

Knowledge Economy

Tourism

**Financial Services** 





## Diaspora – sector aspiration

Aspiration: A proactive emigration policy, with a highly engaged Lebanese diaspora actively contributing to Lebanon's economic and social development

### **Current situation**

- Low engagement effort and withering relationships with second and third diaspora generations
- High share of non-productive diaspora inflow (consumption, realestate)
- Unorganised labour force immigration

2025

A A proactive emigration policy (e.g. tracking system for emigrants, G2G agreements)

B Highly engaged diaspora with strong ties to Lebanon (e.g. familiarization trip for young diaspora, "Lebanese diaspora day")

C Major driver of the Lebanese economy through contributions in productive investments, knowledge and market access

(e.g. remittance for regional development, sponsorship/mentorship program, "Ambassador" program for export promotion)

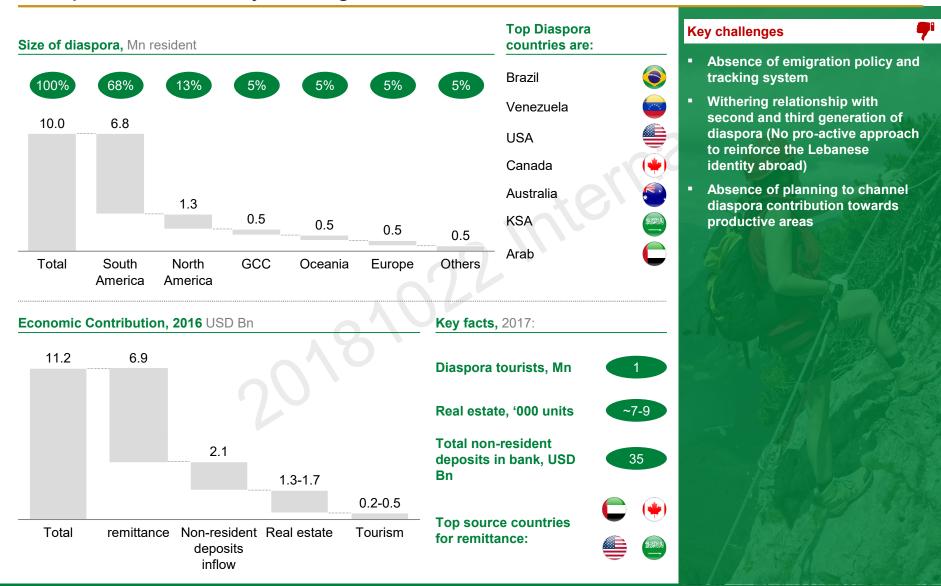
D Effective lobbying mechanism advocating for Lebanon's interest (Diaspora advisory board)

### 2035

- Labour force trained for the global economy, with a clear labour force supply-demand management
- Promotion of Lebanon's interest globally in an organised and systematic way
- One global community with deep ties to Lebanese roots
- Core growth engine for the Lebanese economy



### Diaspora – summary of diagnostic





2025 targets

## Diaspora – 2025 sector charter

Aspiration: A proactive emigration policy, with a highly engaged Lebanese diaspora actively contributing to Lebanon's economic and social development

SECTOR PLAYS	2025 TARGETS
<ul> <li>Seed": Prepare, organize and invest in the next generation Lebanese workforce to be ready for the global economy and ensure a tracking system is in place to monitor emigration</li> <li>Coordinate the export of talent between job seekers and the foreign market through G2G agreements</li> <li>Track the country of residence and occupation of emigrants to pro-actively address emigration and drive decision making</li> </ul>	G2G labour agreements, #
	Diaspora covered in directory, %
👝 👘 👘 👘 👘 👘 👘 👘 🖉	Number of mega projects (e.g. hotels, factories) driven by diaspora, #



### "Advocate": Harness and formalize advocacy i.e. lobbying power in centers of the world through establishing a diaspora advisory board

Establish a diaspora advisory board with selected diaspora members to act as advisors to the government on economic matters and advocate for Lebanon's interest in global forums

**Data and analytics** Enablers

> Data analysis

### Awareness and accountability

- Awareness and promotion
- Availability of information (One stop shop)
- Corruption .

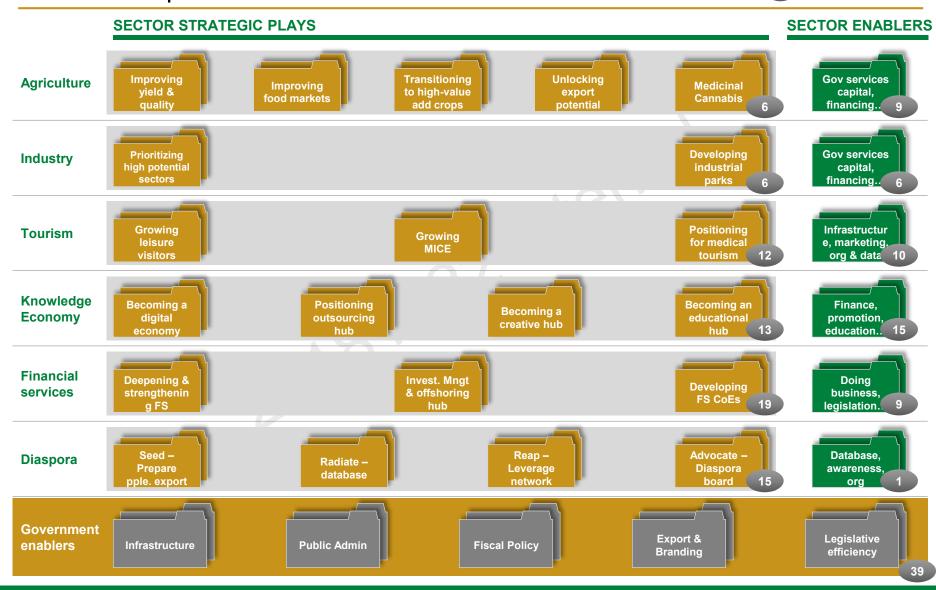
### Organization

Diaspora management unit

## ~160 initiatives across prioritized sectors and enablers would guide the vision implementation $\square$



Number of initiatives



## The ~160 initiatives should be launched beginning with those that have the highest priority

			Phase 3 Number of initiatives
	Phase 1	Phase 2	
Industry	<ul> <li>Develop next-generation industrial construction technology zone (near northern border capitalizing on the reconstruction efforts)</li> </ul>	<ul> <li>Launch 2nd wave of industrial zones in southern &amp; coastal regions</li> <li>Update TVET programs in line with global best practices</li> </ul>	<ul> <li>Develop a dry port (e.g. near Chtoura) to alleviate pressure on Port of Beirut</li> <li>Streamline customs inspections processes (land &amp; maritime ports)</li> </ul>
Agriculture	<ul> <li>Assuming government policy in place, develop a regulatory framework to legalize and control cannabis for medical purposes</li> </ul>	<ul> <li>Launch alternative opt-in subsidy program for tobacco farmers</li> <li>Launch training programs (governance, ops, marketing local co-operatives)</li> </ul>	<ul> <li>Increase transparency in wholesale markets through digital channels</li> </ul>
Tourism	<ul> <li>Raise ~14 Mn USD for tourism marketing focused on 15 target countries</li> <li>Launch national campaign to clean public beaches</li> </ul>	<ul> <li>Create an entertainment and gaming strip in greater Beirut area through extending gaming licenses and renovating Casino du Liban</li> </ul>	<ul> <li>Market Lebanon as a medical tourism and wellness destination with centers of excellence in specialized fields</li> </ul>
Knowledge Economy	<ul> <li>Create an outsourcing park in a region outside Beirut &amp; Mount Lebanon (e.g. Tripoli) offering best-in-class and affordable infra, rental &amp; registration</li> </ul>	<ul> <li>Develop and launch campaign promoting the Lebanese "Innovation Economy" while ensuring participation in global conferences &amp; events</li> </ul>	<ul> <li>Supply education systems with the right tools to graduate students with majors relevant to the economy (e.g. national supply demand gap survey)</li> </ul>
Financial services	<ul> <li>Develop detailed banking strategy</li> <li>Develop asset management value proposition: Launch promotion &amp; sign DTAs<sup>1</sup> for target markets (e.g. Caspian)</li> </ul>	<ul> <li>Enable capital markets through growing capital demand: (e.g. Fast- track state-owned enterprises listing; fund CIP through debt markets)</li> </ul>	<ul> <li>Promote consolidation to enhance sustainability of underperforming banks though providing merger incentives (e.g. soft loans)</li> </ul>
Diaspora	<ul> <li>Revive sense of belonging in diaspora through "Diaspora ID" program, recognising holders as descendants of Lebanese &amp; granting benefits</li> </ul>	<ul> <li>Create visibility on profile of Lebanese labour force by skill and major</li> <li>Incentivize students to pursue certain studies through job guarantees &amp; loans</li> </ul>	<ul> <li>Facilitate access to information on investment opportunities through setting up a portal listing opportunities accessible through IDAL's website</li> </ul>
Enabler initiatives	<ul> <li>Accelerate approval of 11 critical business environment legislations including code of commerce, bankruptcy law</li> </ul>	<ul> <li>Launch revenue growth initiatives (e.g. Tobacco tax), moving from 40% to 70% tax collection effort</li> </ul>	<ul> <li>Complete digitization of key public processes with private sector participation &amp; monitoring</li> </ul>

1 Double Taxation Agreements

~75

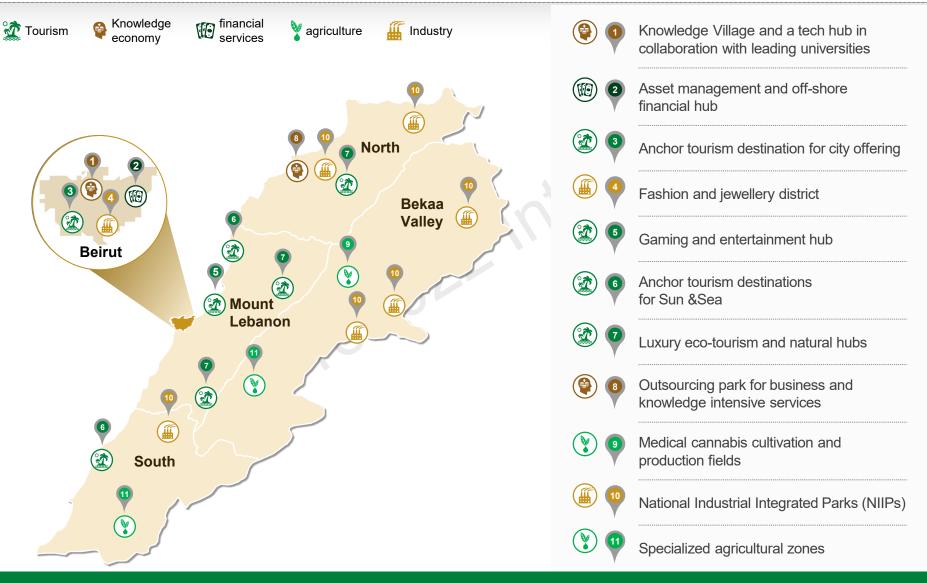
~45

~30

# Launching the developed initiatives would ensure balanced regional development



NON-EXHAUSTIVE





### I. EXECUTIVE SUMMARY

### II. INTRODUCTION AND METHODOLOGY

- A. Methodological approach to the study
- B. Stakeholder engagement and syndication process
- C. Reviewed documentation

### III. CONTEXT AND DIAGNOSTIC

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- B. Economic perspective
  - 1. Macro-economic evolution
  - *2. Trade profile (exports & imports)*
- C. Sector diagnostics
  - 1. Natural resources (oil & gas)
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  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
  - 1. Public finance
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  - 4. Economic development activation
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### IV. THE VISION: LEBANON'S ECONOMIC ASPIRATIONS

- A. Chapter summary
- B. Burning platform
- C. Lebanon's growth imperatives
- D. Economic aspirations and macroeconomic targets
- E. Sector prioritization mechanism and rationale

### V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

- A. Chapter summary
- B. Sector deep-dives
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  - 6. Diaspora

### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

- A. Chapter summary
- B. Public administration reform requirements
- C. Infrastructure including CIP initiatives
- D. Public finance requirements
- E. Main legislative requirements
- F. Country branding & export promotion

## VII. INSTITUTIONALIZATION MECHANISMS

- A. Chapter summary
- B. Governance set-up: orchestration and delivery
- C. Path forward

### VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters





All analysis related to international trade relies on data from Lebanese Customs and the World Bank's World Integrated Trade Solution (WITS), retrieved in May 2018. Data from WITS excludes uncategorized and unreported trade flows. Efforts to clean and process data were performed on a best-effort basis, including classification of agricultural / industrial / raw non-industrial tradeable goods, reconciliation of data discrepancies and inconsistent use of HS classification systems, and interpolation of results where necessary. Many stakeholders contributed to the assessment of the agriculture sector







## Agriculture – sector aspiration

### Aspiration: A high-value, high-quality sector which generates sustainable wealth for farmers and rural communities

### **Current situation**

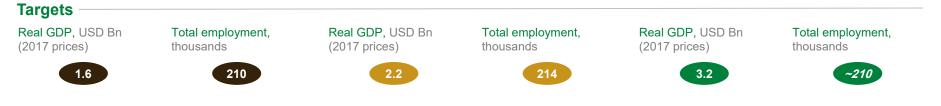
- Dominance of low-value crops, including tobacco which is cultivated at a loss
- Low productivity for many crops (e.g. olives), due to outdated techniques and low investment in technology
- Inefficient local markets in which farmers are vulnerable to unfair practices (e.g. by markets & distributors), partly due to weak cooperative system
- Poor access to global markets such as the EU, largely due to non-compliance with international standards (e.g. SPS for potatoes) & weak postharvest infrastructure
- Widespread illegal cultivation of cannabis

### 2025

- A Higher prominence of **high-value crops** (e.g. Avocado), with reduced cultivation of tobacco and other low-value crops
- B High levels of productivity for major crops, enabled by improved techniques & application of modern agriculture technologies
- C Higher levels of local market transparency which further empower farmers
- Improved global recognition & acceptance of Lebanese agriculture products as high-quality food products
- E Emergence (potentially) of **controlled areas with legal cultivation of cannabis** for exportoriented medical purposes (*requires aligned policy & regulatory framework*)

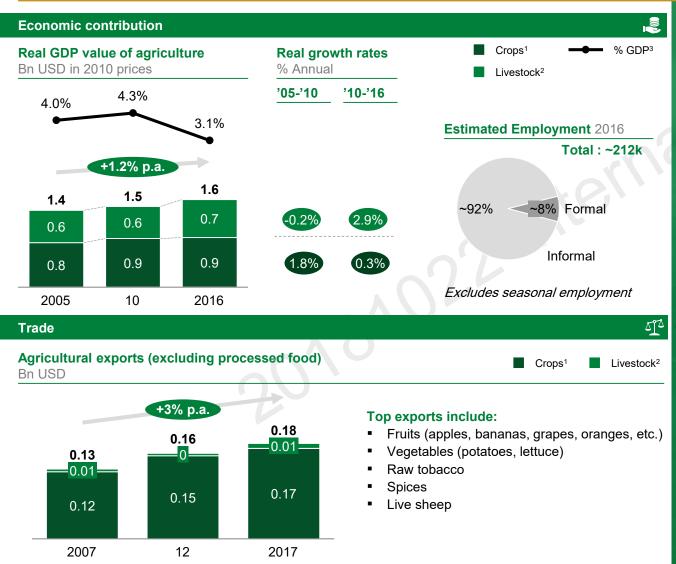
### 2035

- **Fully optimized** crop portfolio which maximizes returns for farmers *(while also accounting for food security objectives)*
- Best-in-class productivity across most crops, leveraging frontier advances & technologies across the agriculture value chain
- Very well-organized and effective local market
- Well-established global reach of Lebanon's agricultural products, with an established reputation for premium quality
- Near-elimination of illegal cannabis cultivation, with majority of growers being licensed and overseen by the government (requires aligned policy & regulatory framework)





## Agriculture – summary of diagnostic



### Key challenges

### Low productivity and quality

- Limited modernization / technology adoption, with persistence of suboptimal techniques (harvest, post-harvest, etc.)
- Overuse of fertilizers & pesticides (452 kg/hectare, vs. 131 kg/hectare in OECD countries)
- Structural constraints
  - Small average holding sizes (1.4 ha)
  - Ineffective cooperative system (~1200 COOPs, 2/3 of which are inactive)
  - Dominant wholesale markets / distributors
- Insufficient and poorly-targeted government support
  - Limited extension and research services
  - Poor controls on food safety & quality, water usage
  - Limited access to financing
- Financial unsustainability
  - Rising land & transportation costs
  - Reliance on subsidies (and ad-hoc financial support)

1 Includes forestry 2 Includes fishery 3 Excludes taxes and subsidies



2025

2017

### Agriculture – 2025 sector charter

### Aspiration: A high-value, high-quality sector which generates sustainable wealth for farmers and rural communities

#### SECTOR PLAYS **2025 TARGETS** Promote and support the application of modern methods and technologies to improve yield and guality of Share of highagricultural produce ~34% volume crops Leverage (and strengthen) research and extension service capabilities to drive adoption of modern methods (1k+ hectare) with (e.g. to limit overuse of fertilizers & pesticides, adopt best-practice olive harvest techniques, etc.) top-quartile yield 100% Facilitate financing of technology installations which can improve yield and quality *(incl. irrigation systems)* % Focused on family-based Improve local (and regional) food markets, with a focus on transparency and efficiency farmers Increase transparency (e.g. pricing) of wholesale markets and distributors' activities through digital solutions Improved farmer satisfaction regarding and improved regulatory oversight access to local markets & practices of Strengthen cooperatives' ability to market goods to local and regional markets (e.g. through targeted distributors / wholesale markets (New capability building efforts) metric required) Support the transformation and transition of agricultural cultivation towards higher-value crops (e.g. Agricultural land tomatoes, avocadoes) and livestock, away from Tobacco and other low-value crops (e.g. cereals, olives) transformed towards higher-Conduct a comprehensive value chain analysis across all agricultural products to determine optimal crop value crops allocation by region (including identification of target alternative crops, with a focus on tobacco regions) 10.000 Introduce a new (opt-in) subsidy program for Tobacco farmers which allows transition to alternative crops Hectares (since Focused on 2017) Leverage (and strengthen) research and extension services to support farmers through crop transitions . commercial Unlock export potential by facilitating access to international markets Agriculture farmers Increase compliance of Lebanese farms and agriculture facilities (e.g. packaging facilities) with international exports 175 (excludina standards to overcome SPS export constraints processed food). Facilitate expansion & improvement of post-harvest infrastructure (e.g. cold storage & packaging facilities) USD mn (2017 Support farmers in identifying & reaching high-potential frontier markets (e.g. in Eastern Europe) and adapting prices) cultivation practices (e.g. seed species) to meet market preferences Legal cannabis Assuming government policy is in place, explore legalization of cannabis cultivation in the aim of producing high-value-added medicinal products with export focus underpinned by a corresponding cultivation hectares regulatory framework Draft a comprehensive regulatory framework for cannabis (e.g. covering cultivation, processing, export, etc.) Note: Additional 1.000 Assess feasibility of building the institutional capabilities that would be required to implement regulatory analysis required to framework (e.g. licensing, quality assurance, etc.) assess target X.1 Government services X.2 Export support X.3 Human capital X.4 Legislation & regulation Water law & regulatory Research capabilities Export promotion **Technical & vocational** Extension services Export development GENERAL

Safety controls & quality

Capability-building for

cooperatives

assurance

FNABI FRS

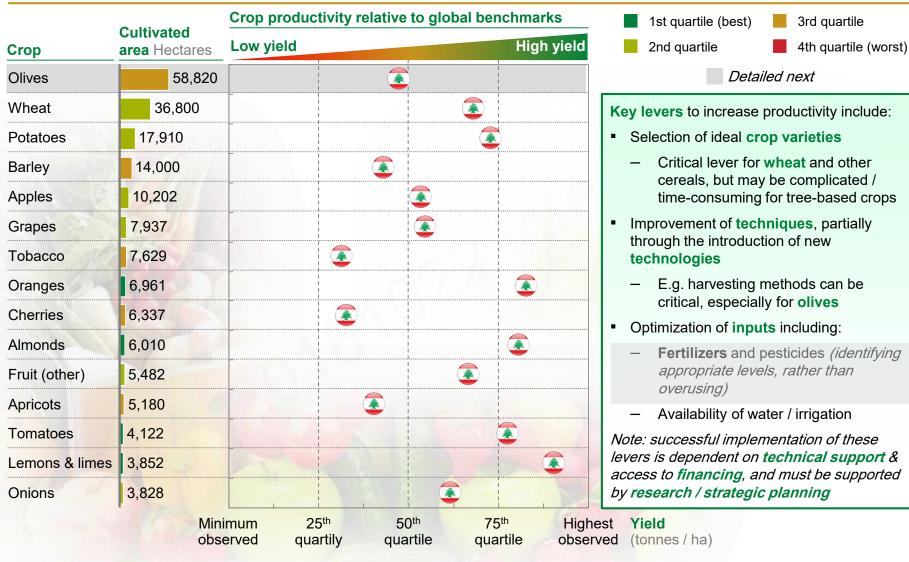
- training
- Employment attractiveness (e.g. for rural youth)
- framework •
- Cannabis regulatory framework

## Different objectives and strategic drivers will need to be prioritized for family-based farmers and commercial farmers



		Selected priority	Short-term priority level		
Strategic driver	Requirements & feasibility	opportunities	Family	Commercial	
A (yield) and improving quality of products	<ul> <li>Increasing yield and quality requires strong technical &amp; financial support to support implementation, including investments (e.g. in technology) which should be supported by research-backed strategic planning &amp; analysis (including feasibility &amp; market assessments, crop testing, etc.)</li> </ul>	Improving productivity of olive cultivation	High	Medium Assuming higher existing productivity	
Improving access to local & regional markets	<ul> <li>Requires marketing &amp; processing support and organized linkages between farmers and other stakeholders (including food processing players)</li> </ul>	Applicable across all products, but particularly effective for fruit & vegetables as well as dairy products	High	Medium Likely to possess economies of scale	
Transitioning to cultivation of higher-value crops and products	<ul> <li>Crop replacement can be a long journey (up to 5-7 years for tree crops) with short-term losses that may need to be compensated</li> <li>Identification &amp; implementation of alternative crops requires rigorous research and extensive technical support</li> </ul>	Transitioning crop selection towards tomatoes, oranges, almonds, avocado, strawberries	Low (except tobacco) Requires extensive support	High	
Improving access to export markets	<ul> <li>Expanding exports requires active export promotion and adoption of health and safety-related certifications (e.g. ISO) to overcome SPS barriers</li> <li>Investment in storage and packing infrastructure is also necessary to enable access to international (and off-season local) markets</li> </ul>	General	Low Global exports difficult without scale / effective cooperatives	High	
Exploring legalization of cannabis cultivation for medical purposes	<ul> <li>May require a significant shift in government policy &amp; extensive political alignment and coordination</li> <li>Exporting medical cannabis products likely requires extensive diplomatic outreach</li> </ul>	Cannabis	Low	High	

# Productivity can & should be improved for many of Lebanon's major crops through three main levers

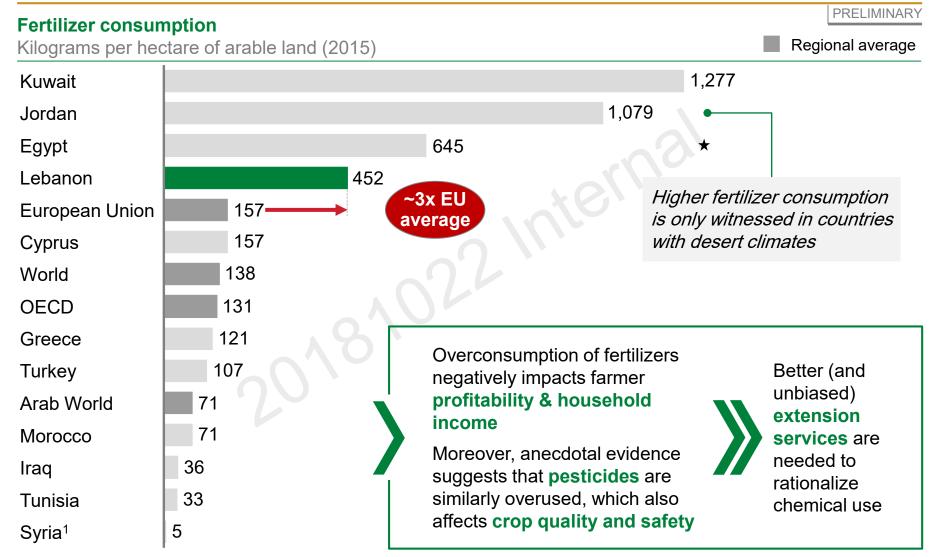




PRELIMINARY

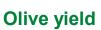
A Public extension services should address Lebanon's high use of fertilizers and pesticides, which are harming profitability & safety



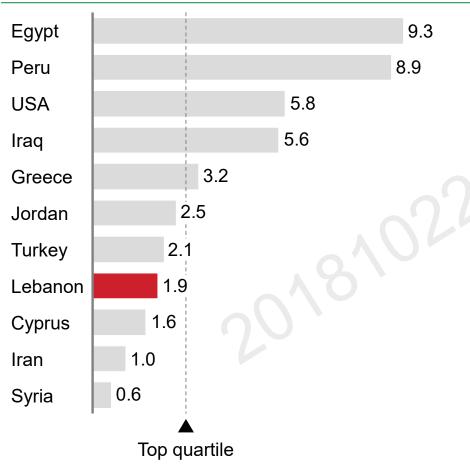


1 Pre-conflict maximum of 88 kg / hectare in 2008

# A Olives should be prioritized for productivity enhancement, with a focus on improving harvesting techniques



Tonnes / hectare



### Olive-specific challenges:

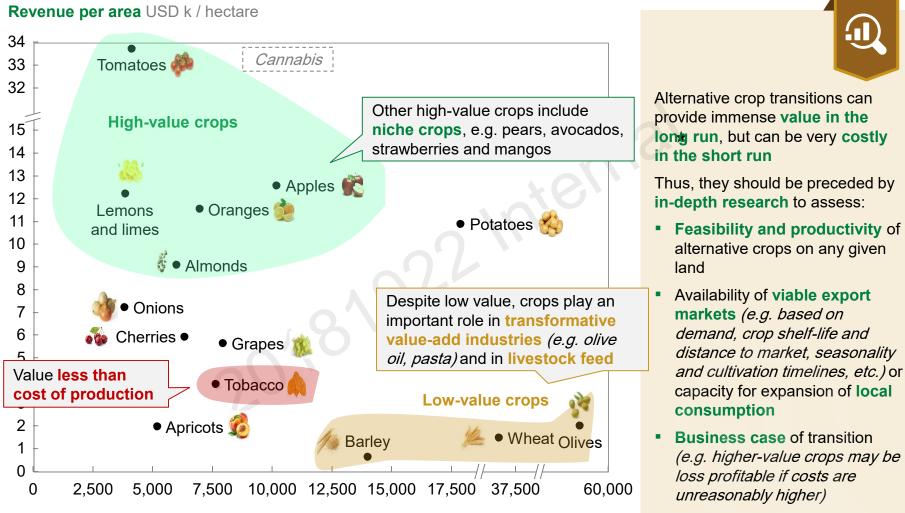
- Proliferation of absentee / part-time farming, driven by migration of land-owners to cities and popularity of olive harvesting as a lowcost "side business"
- Reliance on outdated harvesting techniques (e.g. beating & shaking trees) which reduce labor costs but can cause significant tree damage

### Olive-specific opportunities:

- Developing specialized & professionalized private / contract farm operators, targeting non-resident farm owners
- Establishing research partnerships with olivefocused centers, such as the UC Davis Olive Center

Note: Variation in yield may be partially explained by variation in olive subspecies

## C Lebanon's crop-mix should be gradually shifted towards higher-value crops, away from unprofitable crops such as tobacco



Note: Only major crops displayed

Area harvested Hectares

# Crop reallocation should also prioritize crops with high export growth potential

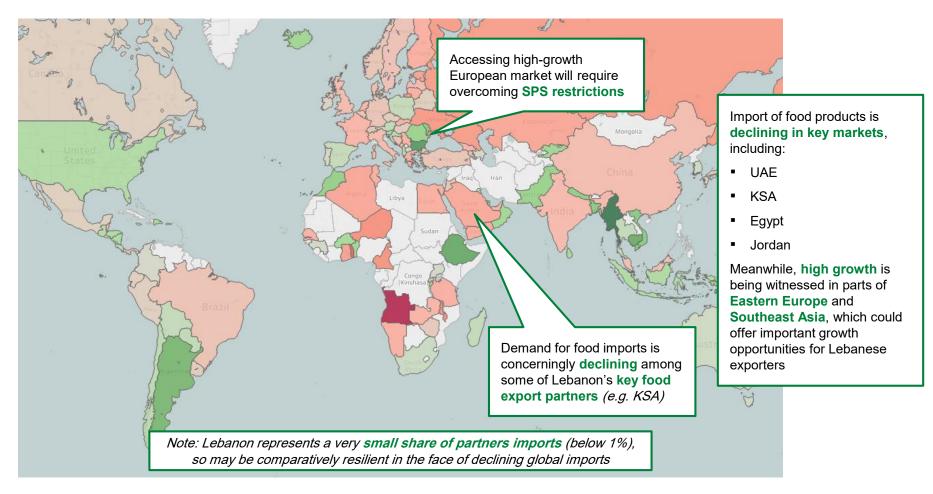
Lebanon yield		
1st quartile	3rd quartile	
2nd quartile	4th quartile	

Potential to increase Lebanese exports (based on global demand, assuming constant market penetration)

	Limited potential	Low potential	Medium potential	High potential		Crops should be
No local	Legumes	Coffee	Сосоа			considered
production	Other cereals	Other crops	Other fruits			for
Based on	Other vegetables	Spices (other)	•			cultivation if
available	Теа			*		climate
data	Unknown vegetables					allows for it
	Lupins & vetches	Carobs	Avocado	Anise etc.		
	Sugar		Nuts (other)	Cauliflower & Broccoli		Further
Limited	Grapefruit		Figs	Chillies or peppers		cultivation
local	Sesame		$\sim$	Lentils		of high-
production	Artichokes			Garlic		potential
(0-1k ha)				Strawberries		crops should be
				Carrots		encouraged
				Oats		
	Beans	Bananas	Lemon	Quinces		
Medium	Cabbages	Lettuce	Cucumbers and gherkins	Tomatoes		
local	Ground nuts	Plums and sloes	Pumpkins	Watermelons		
production	Maize	Eggplant	Tangerines	Walnuts		
(1-5k ha)		Onions	Spinach	Melons		
		Pears				
High local	Oranges	Almonds	Peas			
production	Cherries	Grapes			٢	
(5-10k ha)	Tobacco	Apricots				
Very high 🛛	Apples	Olives				
local	Potatoes •					
production <i>(10k+ ha)</i>	Wheat	Further cultivation of limi	ted-potential crops should b	e discouraged		
( <i>10k+11a)</i>	Barley					

## DLebanon should strengthen agri-trade ties with Eastern Europe and other high-growth regions to counter declining demand in key markets

### Growth in import of food products (including processed foods)



% growth in imports (3-year)

D Lebanon should proactively seek to increase exports of highvalue products to countries with significant & growing imports





Target countries selected for each crop based primarily on magnitude and growth rate of global imports

D Lebanon should proactively seek to increase tomato exports to Bangladesh, Azerbaijan, Belarus, Bulgaria and Bahrain

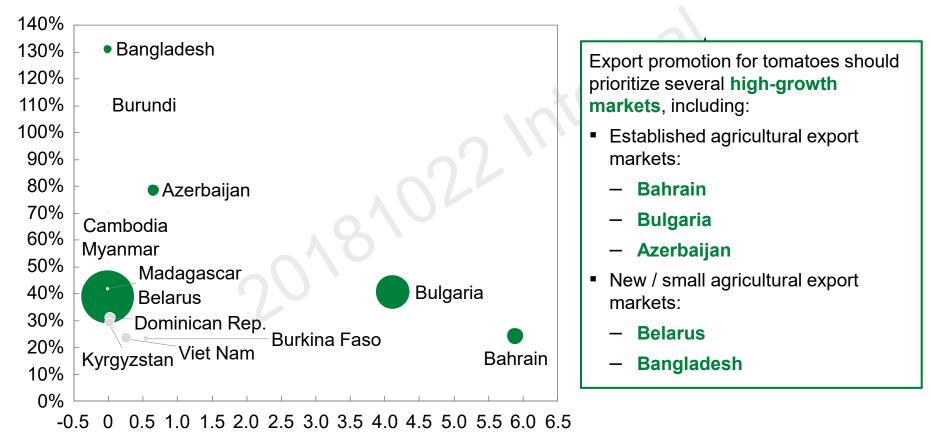


## Case Example 1: High-growth export market for tomatoes

## Annual growth rate in tomato imports % Annual growth



Bubble size represents total tomato imports



## Total agriculutral imports from Lebanon USD Million

D Lebanon should proactively seek to increase almond exports to Vietnam, Pakistan, Bulgaria, Turkey, and Qatar

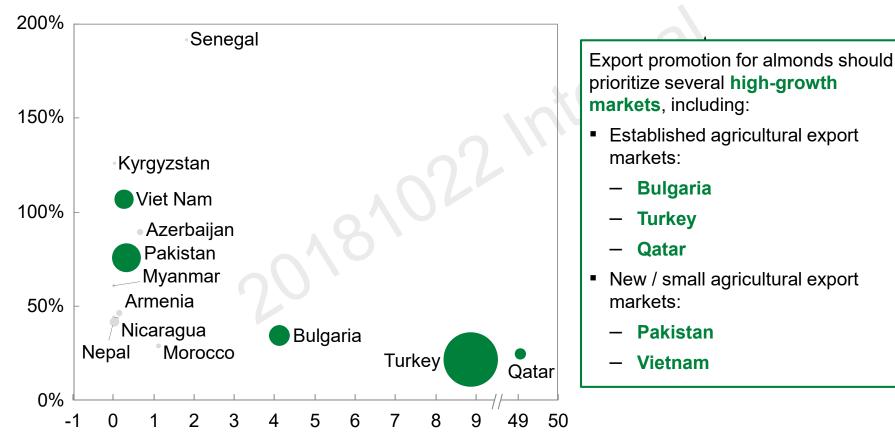


## Case Example 2: High-growth export market for almonds

## Annual growth rate in almond imports % Annual growth

No. and a second second

Bubble size represents total almond imports



## Total agriculutral imports from Lebanon USD Million

# E Lebanon is a major producer of cannabis and a leading global supplier of cannabis resin



### Cannabis cultivation area by country<sup>1</sup>

Hectares

Morocco47,000Mongolio15,000Afghanistan10,000United States9,079	Base repor respo Leba • Th pr
Afghanistan 10,000	respo Leba ▪ Ťh
	Leba ■ Ťh
United States	
3,019	pr
Kyrgyzstan 5,014	
Nigeria 4,529	fol Afg
Lebanon 3,500 Figure from 2012 is likely to be a	• As
Paraguay 2,783 2,783 significant underestimate, as	- As ca
Swaziland 1,500 the Syrian conflict has limited the	Af
Indonesia 367 government's eradication efforts in recent years. It is therefore	Му
Sierra Leone 190 likely that cultivation has returned	The v
Uganda 150 to 2005 levels (~6,400 hectares)	produ but re
Moldova 100 or 2002 levels (~15,000 hectares)	up to

Based on member country reports and questionnaire responses, the UN estimates that **Lebanon is:** 

- The world's 3<sup>rd</sup> largest provider of cannabis resin, following Morocco and Afghanistan
- Asia's 5<sup>th</sup> largest provider of cannabis herbs, following Afghanistan, Kyrgyzstan, Myanmar, and Laos

The value of Lebanon's cannabis production is difficult to estimate, but reports have indicated values **up to 4 bn USD**<sup>2</sup>

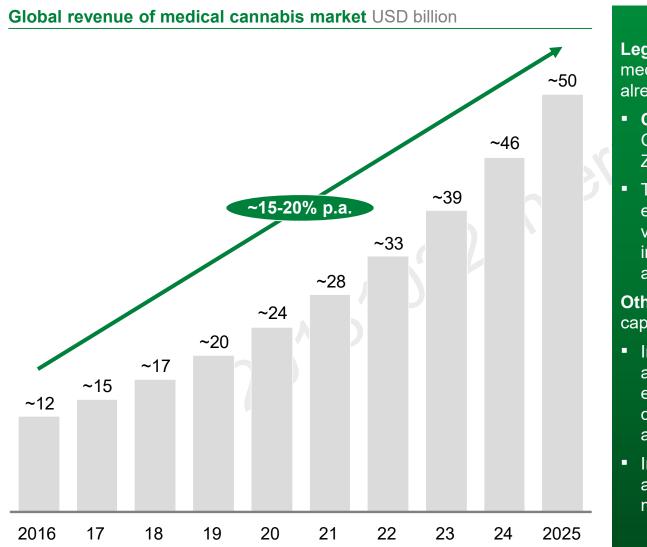
- Efforts to provide alternative crop options to cannabis growers including a UN campaign in the 1990s have failed, in part due to the low production cost and high profitability of cannabis
- Eradication campaigns, led by security forces, have also been unable to prevent the production of cannabis, and have lately been hindered by the Syrian conflict

 $\bigwedge$ 

1 Countries with available estimates not less than 100 hectares. Data for 2016 or latest period available between 2010 and 2016 (Lebanon estimate for 2012). Estimate of harvestable land used for United States.

2 Reported figures suggest a wide range of production value, from 50 million USD to 4 billion USD. Figure of 4 billion USD reported by BBC likely represents global retail value.

The international market for medical cannabis is rapidly growing, with several countries already claiming a first-mover export advantage



Legal international trade in medical cannabis products is already happening:

- Canada is exporting to Germany, Croatia, New Zealand, Brazil, and Chile
- The Netherlands is exporting to Australia, and various EU countries, including Italy, Germany, and Finland

**Other countries** are quickly capturing the export potential:

- In 2017, Uruguay announced plans to begin exporting medical cannabis oil to Canada and Mexico
- In 2018, **Australia** approved the export of medical cannabis products



# Agriculture – priority initiatives (1/2)

		Objective	Owner <sup>1</sup>	Plays
B Improving Local Food Markets	AGR. B.1	Improve efficiency and transparency in local markets, including wholesale markets and distributors	<ul> <li>Ministry of Agriculture</li> </ul>	       
C Transformation	AGR. C.1	Develop a crop transformation strategy	<ul> <li>Ministry of Agriculture</li> </ul>	I I I I I I
to higher value	AGR. C.2	Introduce an alternative program for Tobacco farmers	<ul> <li>MoET</li> </ul>	     
crops	AGR. C.3	Develop a comprehensive integrated view on subsidy programs	<ul> <li>MoET</li> </ul>	
D Export promotion	AGR. D.1	Support export readiness of Lebanese products	<ul> <li>Ministry of Agriculture</li> </ul>	,           
E Cannabis production & export	AGR. E.1	Initiate the development of a cannabis strategy across the whole value chain	<ul> <li>Ministry of Agriculture</li> </ul>	           
	AGR. X.1.	Revamp extension services	<ul> <li>Ministry of Agriculture</li> </ul>	ABCDE
	AGR. X.1.2	2 Strengthen scope and scale of agricultural research	■ LARI	ABCDE
X.1 Government Services	AGR. X.1.(	Launch a program to strengthen co-operatives' capabilities	<ul> <li>Ministry of Agriculture</li> </ul>	ABCD
	AGR. X.1.4	Strengthen the quality assurance ecosystem including food inspection services	<ul> <li>Ministry of Agriculture</li> </ul>	ABCDE
	AGR. X.1.	Initiate comprehensive exercise for agriculture land registration	<ul> <li>Ministry of Agriculture</li> </ul>	1

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.



# Agriculture – priority initiatives (2/2)

	Objective	Owner <sup>1</sup>	Plays
X.2 Export Support	AGR. X.2.1 Facilitate capital investment in Agriculture	<ul> <li>IDAL</li> </ul>	ABCDE
X.3 Human Capital	AGR. X.3.1 Develop agriculture human capital	<ul> <li>Ministry of Agriculture</li> </ul>	
X.4Legislation & Regulation	AGR. X.4.1 Ensure water sustainability through improved management & conservation efforts	<ul> <li>Ministry of Energy &amp; Water</li> </ul>	ABCDE
	AGR. X.4.2 Improve formalization of agriculture sector and increase protection of farmers	<ul> <li>Ministry of Agriculture</li> </ul>	

# We considered 15 priority initiatives that underpin the vision of the agriculture sector (1/12)



		Objective	Initiative	Owner <sup>1</sup>
B Improving Local Food Markets	Agr.B.1	Improve efficiency and transparency in local markets, including wholesale markets and distributors	<ul> <li>Lebanon's fragmented agricultural holdings (average holding size is 1.4 hectares per holding) and poor organization of farmers into cooperatives (according to MoA) has created market dynamics favoring wholesale markets and distributors over farmers. Market dynamics could be improved through several approaches:</li> <li>Partner with the private sector to leverage digital tools (e.g. app for farmers, distributors and wholesalers), creating transparency over market dynamics (e.g. allowing farmers to share market prices &amp; create transparency around discrepancies). Such tools would also allow the enforcement of regulations (e.g. enabling farmers to report non-compliance)</li> <li>Creating a rating system for wholesale markets and distributors (e.g. rated on level of transparency and fair prices) and provide rating-based-incentives that would encourage fair practices (e.g. providing access to funds)</li> <li>Enforcing strict controls (e.g. withdrawal of licenses) on wholesale markets and distributors who are reported for unfair practices</li> <li>May require introduction of new regulations</li> </ul>	Ministry of Agriculture
C C Transfor- mation to higher value crops	Agr.C.1	Develop a crop transformation strategy	<ul> <li>Significant agricultural lands are dedicated to low-value crops (e.g. Tobacco) or crops with shrinking demand in Lebanon's export markets (e.g. Potatoes). A comprehensive crop strategy is required is to systematically drive large / commercial farmers towards high-value in-demand crops. The strategy should include:</li> <li>Analyzing the crop value chains, leveraging existing research already conducted by FAO and LARI and round-table discussions with large / commercial farmers</li> <li>Understanding market forecasts for export markets and expected demand gaps and opportunities (in collaboration with MoFA)</li> <li>Based on value chain analysis, export market forecasts and soil analysis, prioritizing top 5-10 crops to promote with large / commercial farmers <ul> <li>Crop promotion programs would include informative workshops, technical assistance (through extension services), financial incentives (e.g. crop-specific grants/loans) and time-bound support mechanisms</li> <li>Crop allocation and optimization should extensively consider water reliance, and should prioritize crops with low water requirements minimizing the growing water stress levels</li> <li>Developing a transformation roadmap which identifies pilot program and rollout timeline across geographies and crops</li> </ul> </li> </ul>	Ministry of Agriculture

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

# We considered 15 priority initiatives that underpin the vision of the agriculture sector (2/12)

		Objective	Initiative	Owner <sup>1</sup>
C Transfor- mation to higher value crops (contd.)	Agr.C.2	Introduce an alternative program for Tobacco farmers	<ul> <li>The tobacco subsidy program is costing the government ~40m USD per year with no significant economic contribution: Tobacco is a low-value crop, and market prices are lower than cost of its cultivation. At the same time, 45,000 people in rural areas depend (partially or fully) on tobacco cultivation for their livelihood. Alternative options should be considered, providing greater economic contribution while maintaining or promoting the farmer interests, through:</li> <li>Conducting research to analyze the potential to replace tobacco dultivation with higher-value crops.</li> <li>Research to analyze soil, climate, water availability and overall feasibility (including access to local or export markets)</li> <li>Following the research and round-table discussion with farmers, considering alternative opt-in programs which would facilitate transitioning from tobacco to higher-value crops</li> <li>Programs to consider multiple variables, including type and level of support from the government (e.g. extension services, cold-storage facilities, market/price guarantee), farmer profitability, timeline and requirements for monitoring and regulation</li> <li>Programs to consider international examples in transitioning away from tobacco subsidy and cultivation (e.g. Turkey, Mexico, Taiwan, Tanzania, Indonesia)</li> <li>Launching a pilot for opt-in alternative program.</li> </ul>	<ul> <li>Ministry of Economy &amp; Trade</li> </ul>
	Agr.C.3	Develop a comprehensive integrated view on subsidy programs	<ul> <li>An integrated view on subsidy programs has not been established, with no clear rationale for approving or rejecting requests for subsidies. With the primary objective of increasing value-generation in the agricultural sector (and a secondary objective of reducing government obligations), the government should re-evaluate existing subsidy programs, through the following criteria:</li> <li>Understanding the main objectives of the current programs</li> <li>Assessing effectiveness and efficiency of current programs</li> <li>Assessing potential alternatives to the programs</li> <li>In particular, additional research is required to assess the effectiveness of the wheat subsidy program, which should take into account:</li> <li>Dependent food-processing industries (e.g. local pasta industry)</li> <li>Food security considerations</li> <li>Potential to increase productivity of wheat (to be assessed by LARI)</li> </ul>	<ul> <li>Ministry of Economy &amp; Trade</li> </ul>

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

# We considered 15 priority initiatives that underpin the vision of the agriculture sector (3/12)

	Objective	Initiative	Owner <sup>1</sup>
Agr.D.1	Support export readiness of Lebanese products	<ul> <li>Lebanese agricultural exports across several product categories have been dropping over the past few years. Drop in exports has resulted from, drop in demand from target markets, land blockage and barriers. As such, barriers could be tackled through: <ul> <li>Identifying barriers which are imposed by priority export markets (current &amp; new target markets), including:</li> <li>Sanitary and phytosanitary (SPS) regulations (e.g. requirements on animal and plant health, including tolerance limits for pesticide residues and restrictions on other substance use)</li> <li>Technical barriers to trade (TBT) (e.g. related to size of crops, labelling, packaging format, quality of production / transportation / storage facilities, traceability, etc.)</li> </ul> </li> <li>Prioritizing restrictions to overcome (e.g. ISO certification) and develop roadmap to build Lebanon's capacity for best-in-class export standards <ul> <li>Quality &amp; certification-related efforts to be coordinated with LIBNOR and COLIBAC</li> </ul> </li> <li>Providing farmers and exporters with the required financial support to facilitate attainment of necessary certifications (beyond IDAL's current support efforts for food packaging facilities)</li> <li>Enforcing regulatory requirements in coordination with the private sector</li> <li>Beyond importer-applied restrictions, addressing local infrastructural challenges to exports, including: <ul> <li>Ensuring that airport and port expansion projects provide the necessary capacity to enable export growth in a timely manner</li> <li>Reducing duration of customs inspections wherever possible, particularly for fresh products</li> </ul> </li> </ul>	Ministry of Agriculture

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

Export promotion



## We considered 15 priority initiatives that underpin the vision of the **NON-EXHAUST** agriculture sector (4/12)

		Objective	Initiative	Owner <sup>1</sup>
E Cannabis production and export	Agr.E.1	Initiate the development of a cannabis strategy across the whole value chain	<ul> <li>Today, Lebanon is the 3<sup>rd</sup> largest provider of cannabis resin, despite its illegality, with the value of the production estimated to up to 4 USD Bn in some reports. In order to capture the opportunity, and if public policy is aligned, the government could legalize the production of cannabis for export purposes, through developing a full-fledge strategy, while setting up the necessary entities and authorities to control the industry. The government is also to develop a regulatory framework <i>(Detailed under the legislation section)</i>:</li> <li>Production: Growth of cannabis for medical products to be licended, and subject to restrictions related to area of cultivation, quality standards, etc.</li> <li>A licensing entity for cannabis production should be put in place along with a detailed licensing scheme.</li> <li>Processing: A licensing entity for cannabis processing should be put in place along with a detailed licensing scheme.</li> <li>Export infrastructure: Dedicated facilities (e.g. at the Port of Beirut) may be needed for inspection and processing of cannabis-based products</li> <li>Enforcement: Strict and effective controls will be needed to ensure that cultivation of cannabis occurs in line with the regulatory framework and quality assurance standards. A dedicated authority should be set up to conduct strict controls over the cannabis production and processing facilities.</li> <li>Design of the regulatory framework for cannabis should be informed by similar recent efforts in Uruguay, Netherlands, Australia, Canada, Turkey, the United States (in select states, including California), as well as others</li> </ul>	Ministry of Agriculture

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

## We considered 15 priority initiatives that underpin the vision of the NON-EXHAUS agriculture sector (5/12)

	Objective	Initiative	Owner <sup>1</sup>	Plays
Agr.X. X.1 Government Services	1.1 Revamp extension services	<ul> <li>Several smallholder farmers have still been using traditional techniques of harvesting (e.g. beating olive trees, overuse of pesticides), resulting in lower yield over the long term. Strengthening and expanding the official extension services would be needed to 1) promote productivity-enhancing techniques and technologies, and 2) rationalize usage of pesticides, fertilizers, and water. Extension services would drive excellence in:</li> <li>Knowledge of best-practices related to farming, use of pesticides and fertilizer, harvesting, post-harvesting, and other relevant areas forgell locally-produced products, with priority given to large-volume crops (e.g. wheat) and new alternative crops (e.g. crops which will replace tobacco)</li> <li>Ability to provide technical support for crop transformations (e.g. switching to higher-value crops)</li> <li>Note: Dedicated and structured support programs should be offered to farmers wishing to pursue alternative crops, in collaboration with LARI (which should be responsible for suggesting alternative crops and identifying best practices)</li> <li>To ensure that all farmers across Lebanon have timely, cost-effective access to agricultural knowledge and extension services, advanced digital extension services should be considered</li> <li>The Ministry should engage (and potentially develop cooperation agreements) with international counterparts (e.g. in Nigeria and Ethiopia) which have been able to provide extension services at scale (e.g. through combining training of young digitally-enabled recruits with more experienced public and private sector extension agents)</li> <li>An institutionalized way of coordination of private and public sector providers of extension services (e.g. fertilizer providers) should be considered to avoid duplication of efforts and ensure consistency of technical advice</li> </ul>	Ministry of Agriculture	AECDE

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

## We considered 15 priority initiatives that underpin the vision of the **NON-EXHAUST** agriculture sector (6/12)

		Objective	Initiative	Owner <sup>1</sup>	Plays
X.1 Government Services (contd.)	Agr.X.1.2	Strengthen scope and scale of agricultural research	<ul> <li>Extensive agricultural research would be needed to update the Agriculture sector strategy (including identification of high-value alternative crops), covering:</li> <li>Developing a revised national soil map (using new samples) and allocation of homogeneous agriculture zones</li> <li>Analyzing the impact of climate change on agriculture, and environmental sustainability of the sector more broadly (e.g. including sustainability of water supplies)</li> <li>Conducting a new &amp; more detailed agricultural census &amp; survey (building on 2010 census) to update estimates of number of farmer, socioeconomic impact of agriculture, distribution of crops, cost structure and profitability by crop, etc.</li> <li>Identifying and conducting feasibility testing of alternative crops for each homogeneous region, particularly areas where low-value crops are being cultivated (including tobacco)</li> <li>Comprehensive value chain analysis (including analysis of cost competitiveness, market opportunities, feasibility based on soil and climate conditions, etc.) would be required to identify high-potential crops</li> <li>Assessing the feasibility of introducing new agricultural technologies in Lebanon</li> <li>Developing research expertise in international best-practices across the agriculture value chain is critical, and serves as a key prerequisite for many other initiatives (e.g. related to strengthening extension services, crop transformation, Tobacco subsidy reform, etc.)</li> <li>Ensuring a consistent research agenda, overseen by the Lebanese Agriculture Research Institute (LARI) but also done in close collaboration with the relevant stakeholders (local universities, local private sector institutions, international thought leaders and institutions)</li> </ul>	Lebanese Agriculture Research Institute (LARI)	ABCDE

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

## We considered 15 priority initiatives that underpin the vision of the agriculture sector (7/12)



NON-EXHAUS

		Objective	Initiative	Owner <sup>1</sup>	Plays
X.1 Government Services (contd.)	Agr.X.1.3	Launch a program to strengthen co-operatives' capabilities	<ul> <li>To properly understand and prioritize shortcomings in the current cooperative ecosystem, relevant data should be collected (e.g. through a survey of farmers – potentially in parallel to revised census) – separately for each value chain and geography. Analysis to include:</li> <li>Log of all existing cooperatives including scope of work, members, level of effectiveness</li> <li>Heat-map of challenges facing farmers (in areas typically addressed by cooperatives), including access to inputs, product aggregation and sales, post-harvest processing (including storage), access to financing, etc.</li> <li>Shortlisting, by area/crop, activities which could potentially be addressed by cooperatives</li> <li>For the priority pain -point areas, targeted support programs should be launched focusing on:</li> <li>Strengthening organizational capabilities of existing cooperatives, including facilitating governance and transparency</li> <li>Strengthening organizational capabilities within cooperatives, including procurement optimization, market access, etc.</li> <li>Introducing digital technologies which can greatly facilitate cooperatives' capabilities</li> <li>Collaboration with international best-in-class cooperatives and cooperative governing institutions (e.g. Agrial in France, National Agricultural Cooperative Federation in S. Korea) should be considered to develop support programs</li> <li>Ensuring roles are clear across the relevant stakeholders (e.g. General Directorate of Cooperatives, Cooperative Credit Union, General National Union of Cooperative Associations, etc.) to avoid duplication and ensure continuous collaboration</li> </ul>	Ministry of Agriculture	ABCDE

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

# We considered 15 priority initiatives that underpin the vision of the agriculture sector (8/12)

NON-EXHAUSTIVE

		Objective	Initiative	Owner <sup>1</sup>	Plays
X.1 Government Services (contd.)	Agr.X.1.4	Strengthen the quality assurance ecosystem including food inspection services	<ul> <li>Quality &amp; safety standards would be a main driver in growth of exports, and should begin with strengthening standards and certifications associations (including LIBNOR and COLIBAC). Efforts should cover:</li> <li>Supporting technical implementation of quality standards by local farmers &amp; agriculture players in coordination with extension services and export readiness support programs</li> <li>Measuring and enforcing local compliance with quality standards through inspection services and testing laboratories, aiming to ensure compliance with the relevant international requirements (e.g. ISO 17020 and 17025)</li> <li>Standards related to quality of water in light of the common use of untreated water in irrigation systems. Inspection and enforcement would require collaboration across multiple stakeholders (including MoA, MoEW, CDR), insuring that irrigation requirements are appropriately reflected in implementation of CIP's water- and wastewater-related initiatives</li> <li>Inspection approach should be risk-based while prioritizing export-unlocking efforts (e.g. value chains and sources of production which are most affected / bottlenecked by inspection-related SPS restrictions)</li> <li>Strengthening of quality controls &amp; restrictions should be reflected in testing of imported food products, which needs to occur more systematically and consistently across all entry points, including land border crossings</li> <li>Incentivizing private sector players – including supermarkets and other retail markets – to demand quality compliance from farmers and intermediaries</li> </ul>	Ministry of Agriculture	ABCDE

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

# We considered 15 priority initiatives that underpin the vision of the agriculture sector (9/12)



NON-EXHAUSTIVE

		Objective	Initiative	Owner <sup>1</sup>	Plays
X.1 Government Services (contd.)	Agr.X.1.5	Initiate comprehensive exercise for agriculture land registration	<ul> <li>Today, farmers face several issues with current agriculture land registration practices and status. As such, the government should initiative a comprehensive exercise targeting the agriculture land registration issues through:</li> <li>Coduct roundtable discussions and meetings with all relevant stakeholders (e.g. Coops, agricultural associations, farmers) to understand current status and shortcomings of the current system</li> <li>Develop long-list of interventions required</li> <li>Launch prioritized interventions through the Agriculture task force</li> </ul>	Ministry of Agriculture	ABCDE

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

# We considered 15 priority initiatives that underpin the vision of the agriculture sector (10/12)

		Objective	Initiative	Owner <sup>1</sup>	Plays
Traditional X.2 Export Support	Agr.X.2.1	Facilitate capital investment in Agriculture	<ul> <li>Several investment opportunities would exist within the agriculture sector, through the implementation of the required reforms. Potential areas include:</li> <li>Private food storage facilities (including cold storage)</li> <li>Private food processing facilities (with a focus on facilities that overcome export requirements, such as EU SPS restrictions)</li> <li>Development and sale of advanced irrigation systems (e.g. hydroponics) and other IT-related systems</li> <li>Potential investors include: <ul> <li>Development finance organizations</li> <li>Governmental &amp; private donor agencies</li> <li>Private sector players (with a potential focus on social and impact investing) competitions / support programs / etc.</li> </ul> </li> <li>Launching public marketing campaigns to increasing attractiveness of agriculture as a career path (with a focus on youth in rural communities) <ul> <li>In addition to addressing urban migration, attracting youth to agriculture would be essential to ensure sustainability of the sector, and to facilitate adoption of new (e.g. digital) technologies</li> </ul> </li> </ul>	• IDAL	ABCDE
X.3 Human Capital	Agr.X.3.1	Develop agriculture human capital	<ul> <li>Local talent should be nurtured to ensure local skills are developed across the agriculture value chain. Talent development programs would cover:</li> <li>Expanding and strengthening agricultural education offerings at public and private universities as well as TVET providers with a focus on skills related to modern cultivation techniques and technologies <ul> <li>Organized and systematic outreach to farmers and sector exports should be conducted to quantify the mismatch between supply and demand of various skills, and to identify areas where quality needs to be improved</li> <li>Working with start-up accelerators, venture capital firms, and other players to support innovation in agriculture through dedicated hackathons / pitch</li> </ul> </li> </ul>	<ul> <li>Ministry of Agriculture</li> </ul>	ABCDE

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.



NON-EXHAUSTIVE

# We considered 15 priority initiatives that underpin the vision of the agriculture sector (11/12)

NON-EXHAUSTIVE

		Objective	Initiative	Owner <sup>1</sup>	Plays
X.4 Legislation & Regulation	Agr.X.4.1	Ensure water sustainability through improved management & conservation efforts	<ul> <li>Given Lebanon's water stress levels and concerns about the long-term sustainability of agriculture in the face of increasing demand for water, and in order to sustain Lebanon's regional comparative advantage in water, water management and conservation efforts should be augmented, including:</li> <li>Updating data and analysis using global best practices in water management modelling, including analysis of renewable water supplies, wells, underground reserves, depletion rates and projected impact of climate change</li> <li>Reforming regulations governing water usage rights generally (including usage of groundwater, digging of private wells, digital meters, etc.) and irrigation systems more specifically (e.g. restrictions on irrigation system efficiency, etc.)</li> <li>Improving enforcement capabilities (e.g. to tackle illegal wells)</li> <li>Incentivizing use of water-conserving &amp; water management technologies (e.g. drip irrigation), including digital technologies (e.g. water control systems, water sensors, etc.)</li> <li>To be conducted in close collaboration with extension services and private providers</li> <li>To be supported with financing enablers when needed (e.g. Kafalat)</li> </ul>	<ul> <li>Ministry of Energy &amp; Water</li> </ul>	ABCDE

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

# We considered 15 priority initiatives that underpin the vision of the agriculture sector (12/12)

NON-EXHAUSTIVE

		Objective	Initiative	Owner <sup>1</sup>	Plays
X.4 Legislation & Regulation (contd.)		Improve formalization of agriculture sector and increase protection of farmers	<ul> <li>The predominant informality of the agricultural sector has been a critical impediment to growth and development. Two key dimensions should be addressed:</li> <li>Land registration: Non-registration of large areas of farming land and absence of formal legally-binding title deeds prevents farmers from using their land as collateral, which increases accessibility of funds and cost of capital. Uncertainty surrounding land ownership also incentivizes against capital expenditure, which limits productivity</li> <li>Farmer recognition &amp; protection: Farmers should be legally recognized and registered, and should be provided access to structured social protection programs as well as legal protection under the applicable laws (e.g. labor law). Formalization would also facilitate financing, but also to facilitate government services and to improve attractiveness of the sector to youth.</li> <li>Access to insurance: Increasing access to health insurance, as well as property insurance against natural disasters (including through established mutual fund).</li> <li>Addressing these issues requires a dual-approach:</li> <li>Regulatory reforms are needed to create the right conditions for formalization</li> <li>Further analysis would be needed to identify full spectrum of regulatory constraints that need to be addressed – especially those related to land policy</li> <li>A national registration drive should be launched, in collaboration with cooperatives and municipalities, proactively seeking to register farmers and farmland, while also offering expedited mechanisms to resolve disputes surrounding land ownership (requiring cooperation with local and national courts)</li> <li>Formalization efforts should be accompanied with offers to enroll farmers in health &amp; property insurance schemes</li> </ul>	Ministry of Agriculture	ABCDE
1 Cummantad aug	aan Maatin	vitiativaa vuill raquira alaaa	collaboration with other public and private antitice		

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

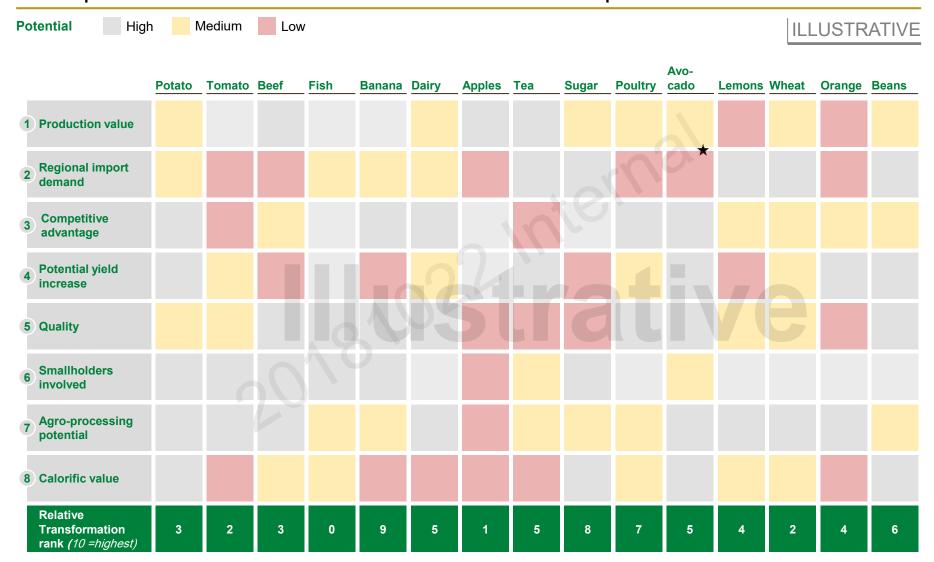
# Agriculture – additional relevant initiatives detailed within other sectors or enablers

Other initiatives related to agriculture



	Objective	Initiative
Fin.X.3.1	Facilitate local lending for agriculture	<ul> <li>Refer to initiative X.3.1 under Financial Services</li> </ul>
Leg.2.10	Initiate the development of a cannabis regulatory framework (if aligned with national policy)	<ul> <li>Refer to initiative 2.10 under Legislation</li> </ul>
Leg.2.11	Protect groundwater resource (Water Law 221/2000)	Refer to initiative 2.11 under Legislation
Leg.2.12	Increase transparency on food wholesale markets and distributions	Refer to initiative 2.12 under Legislation
Leg.2.13	Re-direct tobacco subsidies towards more productive areas	Refer to initiative 2.13 under Legislation
Exp.A.1	Centralize & consolidate export-support activities (e.g. within IDAL or new entity)	Refer to initiative A.1 under Export & Branding
Exp.A.2	Expand export promotion	<ul> <li>Refer to initiative A.2 under Export &amp; Branding</li> </ul>

To prioritize alternative crops by region, LARI should conduct an indepth assessment of value chains across multiple dimensions



# Tobacco farmers, and the government, would benefit from a new opt-in subsidy program



Cultivation of tobacco in Lebanon is **unproductive**, and has **negative consequences** on farmers

- On average, Tobacco farmers generate an annual profit of ~4,000 USD / hectare<sup>2</sup>, whereas the cost to the government is ~6,000 USD / hectare
- Majority of cultivated tobacco is sold (raw) at a loss to Egypt<sup>3</sup>, as the cost of production exceeds market value
- The income security created by the subsidy, combined with the lack of technical and financial support, prevents farmers from organically transitioning to more profitable crops

Introduction of an **alternative opt-in subsidy program** of tobacco would have **long-term benefits for both farmers and the government** 

## **Option 1**: Unconstrained cash handout *(lifetime or 10-year)*

Annual cash grant of ~5,000 USD per Regie-registered hectare<sup>1</sup>

- No restrictions on land use
- No state purchase of Tobacco
- Farmers are encouraged to utilize technical & financial support to transform towards higher-value alternative crops

## **Option 2:** Alternative crop purchase program

Government launches a **structured crop transformation program** for tobacco farmers, with extensive technical and financial support

Tobacco farmers who **commit** to the program will be offered a **guaranteed purchase price** *(on a per-kg basis)* equating to an expected **10,000 USD**<sup>4</sup> per registered hectare

 After successful implementation, market prices should exceed government guarantee, so farmers will naturally opt-out

1 Based on average tobacco yield - value will need to be adjusted by region based on existing yields

3 Only a small share is utilized in the local cigarette industry

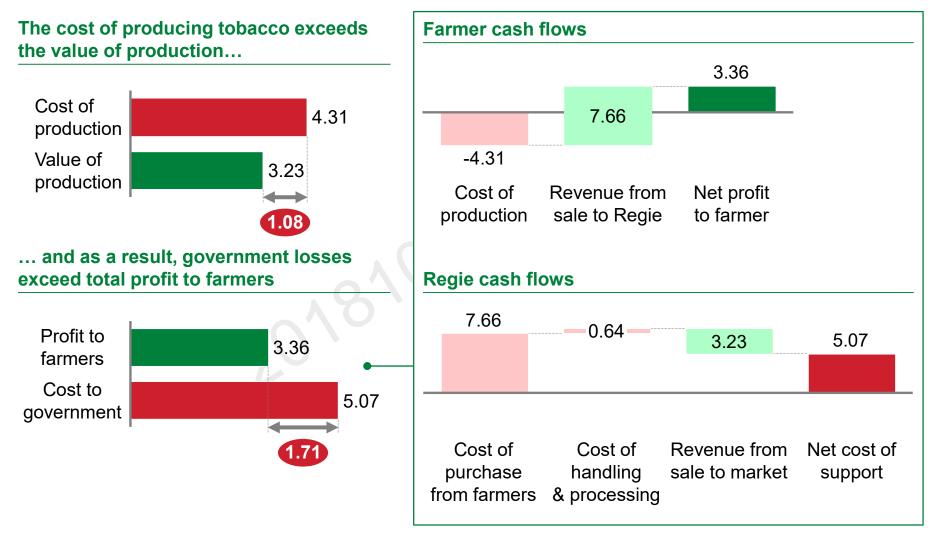
elds 2 Based on fixed sale price of 7.66 USD / kg

4 To be adjusted based on cost of production of alternative crops to ensure increased profitability

# Tobacco farms in Lebanon produce negative value, as cost of production far exceeds market value of produce



## USD / kg of tobacco produced (2015)



Providing an alternative opt-in subsidy program would decrease government costs while increasing farmers' profits



#### **Current program Tobacco sector financials USD** million Farmers grow tobacco for a **fixed sale price** of 7.66 USD / kg of tobacco, which translates to profit of Current program ~4,000 USD / hectare<sup>2</sup> Alternative fixed-cash program Alternative (additional) program 39.8 Cost to Farmers are offered a fixed price of ~5,000 USD / -6.7 mn USD government hectare<sup>2</sup> for land currently registered with Regie 33.1 (regardless of crop) Program is opt-in, so no change is imposed on farmers (in the short term<sup>1</sup>) 26.3 Profit to -26% Farmers who opt-in will be provided technical farmers 33.1 support and financing to grow alternative highvalue crops (to be specific based on further research) Severe under-estimate which excludes land income (assumes alternative crops provide no profit)

1 In the long term, adjustments to the program may be necessary to improve sustainability

2 Based on average tobacco yield - value will need to be adjusted by region based on existing yields

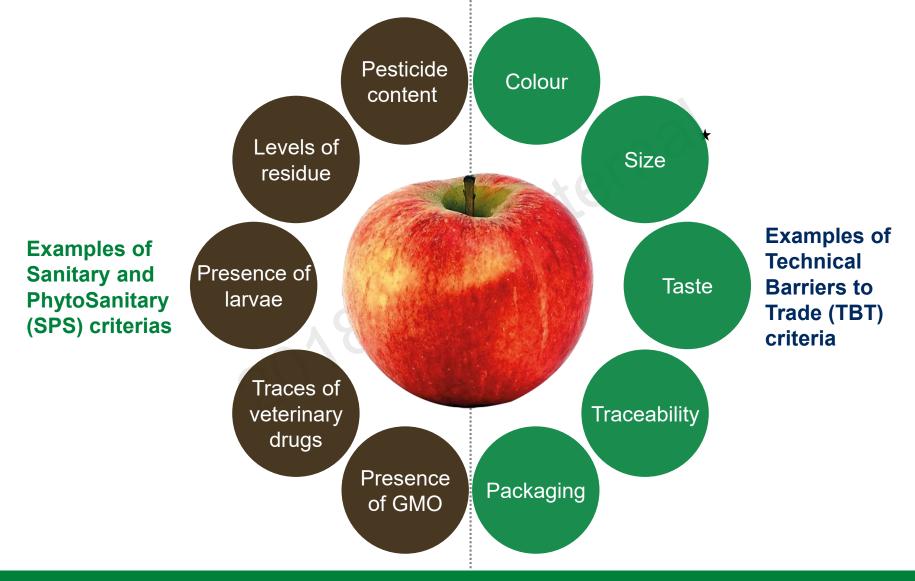
SPS and TBT measures cover a large scope of standards and can be very specific & technical



Measure	Scope		Examples
SPS (Sanitary and phyto- sanitary measures)	Veterinary drugsImage: Constraint of the second se	Materials in contact with the productsImage: ContaminantsMRL (maximum residue limit)Image: ContaminantsFood additivesImage: Contaminants	<ul> <li>Absence of foot and mouth disease in the country of origin for products with a bovine origin</li> <li>Tomatoes must not contain any trace of Tuta absoluta (tomato leafminer)</li> <li>Levels of residue Y must not exceed 3.2mg/kg in pears</li> </ul>
	Definition/Identity	Packaging	<ul> <li>Size of oranges should be between 8cm and 15cm diameter inclusive</li> </ul>
	Size	Production process	<ul> <li>Requirement to record the name of the region of origin of turkey barns on</li> </ul>
TBT <i>(Technical barriers to trade)</i>	Quality standards	Transportation and storage	<ul> <li>the packaging of the ham</li> <li>Minimum acetic acid content of vinegars of 5 grams per 100 ml</li> </ul>
	Chemical composition	Sample analysis	
	Labelling	Traceability	
	Branding		

#### Source: Expert interviews

SPS measures deal with health issues whereas TBT measures deal with quality issues: SPS measures are consequently more critical



# Case example: Egypt put in place a large range of SPS measures blocking imports of strategic agricultural products



#### Principal current issues being encountered by US and European exporters, all contested by exporters as considered to have no scientific basis Context Broad use by Egypt of Products: Processed Products: Seed products: Beef NTM as tools for blocking chicken potatoes imports Rationale: Rationale: Rationale: × Treatment of steers 2 objectives: Slaughtering Analysis of extended based on synthetic To block imports of procedures considered risk, despite 4 years of hormones strategic products for to be non halal, despite negotiations the Egyptian economy factory inspections all considered as standard To use these barriers as by the Egyptian sanitary negotiating levers to authorities open up export markets (e.g. lemons to the US versus potatoes to Egypt) Products : Products : Products : Maize and wheat Beef Processed chicken Resistance to US and Rationale: Rationale: Rationale: Restriction European pressure Excessive level of Requirements for the on imports linked to the despite NTMs sometimes Ambrosia seeds found slaughter of cattle threat of bird flu with no scientific basis in cereals before the age of 48 months to limit the risk of BSE<sup>1</sup>



## Agriculture Appendix

3181022 Interna



### **Context and objectives**

- Morocco's Ministry of Agriculture defined "Plan Maroc Vert" (PMV) in 2007 to stimulate agriculture and key value chains, with 3 main objectives:
  - Modernize and generate targeted growth around the most competitive integrated crops within the framework of tradebased agriculture
  - Preserve social/territorial equilibria and existing structures of Morocco's rural environment
  - Preserve environmental equilibria for sustainable development

#### Approach

- Ran a complete diagnosis of Agriculture Sector at macroeconomic and business level (e.g., by crops and value chains<sup>1</sup>, type of players)
- Formulated strategy at the national level in 3 levels:
  - Portfolio strategy and target setting
  - I0-12 detailed strategies by crops / value chains
  - Transversal policies (e.g., land, water, etc.)
- Defined 16 detailed regional plans, including detailed deployment roadmap identifying ~900 concrete projects and investment opportunities
- Change agent model of nucleus farms enabled government to effectively reach large numbers of smallholder farmers
  - Sought greater water efficiency
    - Farmers required to register their wells with meters in order to be eligible for subsidies, but deemed largely impossible to administer across 100,000+ wells
    - Focus on illegal drilling of new wells
    - Distinguishing a *reduction in the consumption* of water from the larger goal *- increasing the added-value* (*valorisation*) of the use of water.

### Key findings and impact

- Substantial agriculture GDP growth (+43% in 2012 vs. 2005) and tripling of smallholder incomes with 700k smallholders reached
- Improved water management -by 2014, the annual rate of conversion to drip irrigation had been increased fivefold, with an average of 50,000 ha of land per year, compared to 10,000 ha before the PMV
- Strong investment dynamic: with >USD 3 bn investments by national players and international players and donors (e.g., World Bank, GEF, etc.)
- Acceleration of structural reforms : reorganization of the Ministry, full operationalization of ADA
- Strong mobilization of public and private players incl. farmers

1 Including the tradeoffs in crop prioritization (e.g., water use, expert potential, smallholder income)

# Case study 2: Developing an agricultural transformation strategy in Ethiopia in 2010



## **Context and objectives**

### Context

- Although Ethiopia has significant endowments for agriculture, productivity was still significantly below potential 2010 despite years of prioritizing ag sector
- Core challenges included:
  - High degree of fragmentation,
  - Lack of access to inputs,
  - Underdeveloped irrigation potential,
  - Land potential and soil fertility,
  - Difficult market access, and gaps in key enablers (e.g., finance, infrastructure, and technology enablers)

### Approach

- Ethiopian Agricultural Extension System was a key focus for investment and reform
- Developed strategies to improve key prioritized agricultural inputs to ensure locally adapted fertilizer blends and seed varieties available
- After diagnostic work to determine national, regional and international competitive advantage, developed strategies for prioritized value chains to identify investment opportunities, policy enablers and institutional innovations needed
- Development of an integrated agricultural growth program, including the setting up of the Agricultural Transformation Agency (ATA) with evidence-based approach to policy innovations
- Development of Special Economic Zones

## Key findings and impact

- Transformation agency (ATA) remains an internationally lauded transformation institution
- Significant productivity growth, cereal yields grew 7% CAGR from 2005-2012, after growing just 1% p.a. from 1995-2004
- Output growth, ag value added grows at 8% p.a. after 2005 compared with 2% during the prior 10 year period
- Poverty decline, rural poverty rate falls by nearly a quarter between 2004-2010 (39% to 30%)
- ŀ

## Case study 3: Vietnamese agricultural transformation during 1990s



## Context

### Context

- Three quarters of the population under the poverty line in 1984
- After the Vietnam war, the country held a socialist industrialization strategy
- Centrally planning economy
- Cooperative land ownership structures

### Approach

- Entrepreneurial policy-making, eventually leading to global integration
- Moved from import-substitution to an export-orientation strategy necessitating the reformulation of macroeconomic, trading and sectoral policies
- Development of Special Economic Zones and Export Processing Zones
- Encouraged business enabling environment and foreign-owned businesses, but still some protection of certain commodities and industries
- Land reform in the early 1990s facilitated land transfers and greater tenure security, but challenges in aggregation of land remain

## Key findings and impact

- Poverty, which had been stubborn for decades
   declines from ~75% in 1984 to 35% by 1998
- Cereal yields grew ~38% over the decade ending in 1998 compared to ~30% the previous decade
- Historically a net importer of rice, Vietnam now ranks among the top five global exporters in products as diverse as shrimp, coffee, cashews, rice, and pepper
- Challenges still ahead productivity increases not globally competitive, Vietnam seen as not eco-friendly, need to move toward more value-added

# Case study 4: Kenya transforms fresh fruit and veg sector to exports 👽 🙊 to Europe

## **Context and objectives**

### Context

- Kenya's post colonial horticulture was produced by small scale farmers
- Industry was largely supply-driven
- Global FFV industry had not yet undergone its 'revolution'
- Cooperatives and producers' groups largely unable to implement traceability or quality standards, or to keep up with changing demands
- National associations not yet leading KEPHIS (Kenya Plant Health Inspection Services) and KEBS (Kenya Bureau of Standards)

### Approach

- Many exporters adopted backward integration, enabling control over raw materials and ensuring traceability and control
- Shift from spot markets and traditional wholesale markets to use of relational and vertical coordination mechanisms
- Shift from local procurement by individual stores, to centralized procurement using distribution centers
- Strict out-grower governance smallholders operate under intensive oversight with audits (including record-keeping of planting schedules, seed procurement, production records for individual plots, pesticide use, storage, etc.)
- Able to meet rise in demand for 'high care' products (e.g. mixed salads, cut vegetables) produced under severe hygienic conditions
- Access to (outsourced) modernized packhouse facilities for purposes of quality assurance and food safety management systems within the leading companies – possible due to clustering economies

## Key findings and impact

- Export of vegetables more than doubled in volume within 10 years
- Vertically integrated and demand-driven value chains
- Adopted the use of private standards, quality and safety mostly driven by the EU retailers
- Industry has been able to adapt to consolidation of retail powers and increased regulatory frameworks
- long-term mutual trading relationships among countries now exist
- Increased employment
- Market expansion, foreign direct investments, foreign know-how
- Public-private collaborations with considerable public sector leadership in standards

# Aquaculture might be able to reduce reliance on imported fish, but government intervention will be required to overcome its challenges



## Opportunity

Despite Lebanon's rich water sources, only ~20% of fish consumption is local, with ~80% imported

In 2017, Lebanon spent 155 million USD on imported fish (compared to 2 million USD of exports)

This can be reduced by developing off-shore aquaculture, which does not currently exist<sup>1</sup> in Lebanon despite its coastal geography

## Anticipated challenges

#### Capability building

Aquaculture is a knowledge-intensive industry, so extensive knowledge transfer will be required from other countries

#### Competition

- The current market is highly consolidated, with a high degree of inorganic growth through mergers and acquisitions
- Lebanon's relatively small scale may prevent local players from reaching high levels of productivity and profitability

#### Geography

Lebanon's coastline is highly congested, with very expensive coastal real estate and highly polluted waters in many areas

#### Consumption

- The major types of imported fish (salmon, tuna, sardines, shrimps) may not be viable for aquaculture in Lebanese waters
- Meanwhile, there is almost no demand in Lebanon for seabass and seabream - which is likely to be a key opportunity

## Government priorities

#### Water zoning:

Developing regulations related to water zoning and usage rights

#### Sector governance

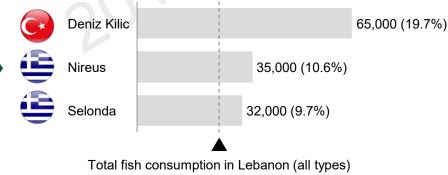
Developing a clear and comprehensive sector governance framework is

needed, as the sector is relevant to multiple ministries (agriculture, water, industry)

### International partnerships

Formal agreements with knowledgeable players (including governments of leading countries) would significantly accelerate the development of the sector

#### Global seabass / seabream aquaculture players Tons produced in 2017 (% global production) Lebanon's Deniz Kilic natural opportunity in aquaculture is Nireus likely in offshore farming of Selonda seabass and seabream



## Quick win:

To kick-start the sector, the Lebanese government should facilitate and incentivize the development of joint ventures with Turkish and/or Greek aquaculture players

1 With the possible exception of one shrimp farm in Akkar

# Digitization and automation of farms are profoundly changing farming operations – 1/2



## Context

- Digitization and automation of farms are profoundly changing farming operations
  - From labour-intensive to capital-intensive
  - Better-informed decisions through data analysis
  - Tailored approach to land management
- The technology revolution will enable a new paradigm in productivity improvements, quality control, and production resilience of farms through
  - Advanced automation
  - Advanced sensing and analytics
  - Microsegmentation

### Implications

- To stay competitive, developed markets will need to rapidly deploy advanced farming technologies to improve productivity
  - E.g., GPS soil sampling, satellite imagery, and yield monitoring data analysis
- To adapt to the revolution, farmers will need to develop their skills along 4 dimensions
  - Management skills
  - Financial risk management skills
  - New technologies
  - Advanced analytics

# Digitization and automation of farms are profoundly changing farming operations -2/2



Automation and new equipment are transforming farming from a labour-intensive to a capital- intensive industry

- Traditional equipment (e.g., tractors) is being augmented with new technology to be remotecontrolled or fully automated
- New equipment (e.g., drones) is being used to perform tasks that farmers could not have done on their own (e.g., pictures of land or parcels of the land)
- Routine tasks are being increasingly automated (e.g., measurements, soil preparation)

## Example

Remote-controlled tractors enable a single individual to oversee the farming of larger portions of land



An increased amount of data is being gathered and analyzed, enabling farmers to make better informed decisions

- Sensors are increasingly used to gather a wide range of data points (e.g., weather, land yield, production output)
- Software solutions are used to process the data, track them in real time, and generate insights, all of which enables farmers to compare their operations with those of their peers as well as improve their decision making

### Example

Yield monitors and variable-rate application control systems represented ~45% of the USD 1.2 billion spent on precision agriculture in 2011



Land management is evolving from the same approach for the entire farm to one that is tailored to each parcel of land

- To maximize land productivity, a granular approach is increasingly adopted
- Land characteristics and needs are assessed on a granular basis
- Solutions are determined exclusively for a given parcel of land
- Sophisticated equipment will administer the tailored solution to the targeted parcel of land

### Example

Software solutions can identify areas with a below-average yield and help adjust fertilizing and watering accordingly



The technology revolution will enable a new paradigm in productivity improvements, quality control, and production resilience of farms

\*

## Advanced automation

- Automated and selective harvesting
- Automated measurements (land and product characteristics)
- Automated soil preparation and weeding

## Farms' new paradigms

- Productivity
- Quality control and standardization
- Resilience



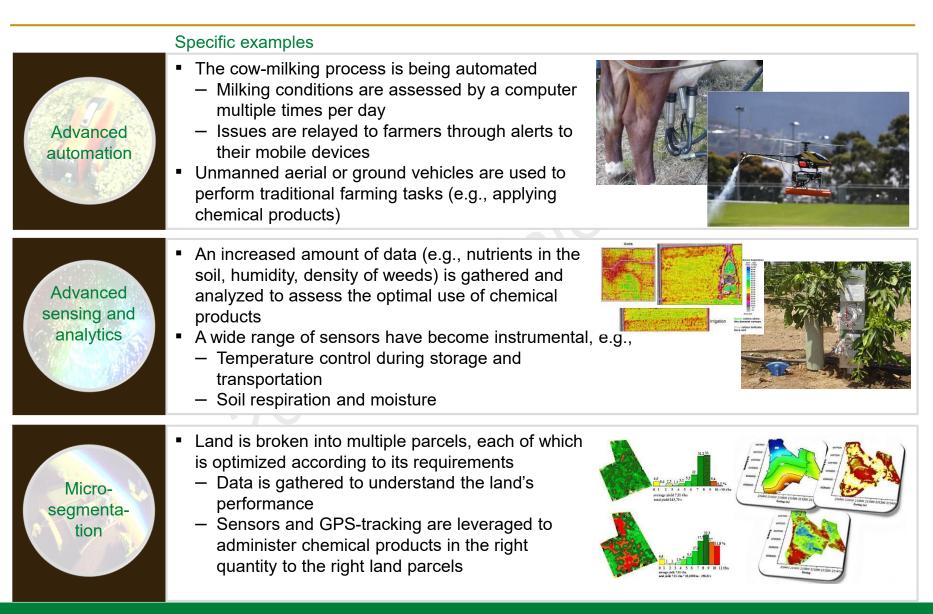
## Microsegmentation

- Granular view of the farm's activity (land characteristics, crops, and animal health)
- Granular and tailored intervention (feed, fertilizer)
- Global positioning of equipment

Advanced sensing and analytics

- Real-time tracking of production KPIs
- Micro-optimization of genetics, irrigation, and fertilization
  - Advanced forecasting

# Case examples of technology revolutions in farming





To remain competitive, farmers will need to develop their skills along 4 dimensions to adopt the technology revolutions



### Improved management skills

Farm sizes are changing, with large-scale operations increasingly replacing familysize ones; farmers will need to gain more advanced management skills to control and optimize the output of large operations

## Understanding new technologies

From automation to genomics, new technologies are emerging and evolving extremely fast; farmers, primarily those in mature agricultural markets, will need to embrace this new reality and rapidly develop the corresponding knowhow and capabilities

## Financial risk management skills

Pricing of agricultural commodities will become increasingly volatile; to smoothen out the impact, while ensuring the stability of operations and of their financial performance, farmers will need to master hedging techniques

## Advanced analytics

Similar to industries in other sectors of the economy, farm operations are becoming increasingly data-driven; tomorrow's farmers will have learned to gain access and capitalize on this unexploited asset to measure their operations, benchmark against peers, and make better informed decisions



### I. EXECUTIVE SUMMARY

#### II. INTRODUCTION AND METHODOLOGY

- A. Methodological approach to the study
- B. Stakeholder engagement and syndication process
- C. Reviewed documentation

### III. CONTEXT AND DIAGNOSTIC

- A. Chapter summary
- B. Economic perspective
  - 1. Macro-economic evolution
  - 2. Trade profile (exports & imports)
- C. Sector diagnostics
  - 1. Natural resources (oil & gas)
  - 2. Agriculture
  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
  - 1. Public finance
  - 2. Ease of doing business
  - 3. Monetary policy
  - 4. Economic development activation
  - 5. Trade & international agreements

#### IV. THE VISION: LEBANON'S ECONOMIC ASPIRATIONS

- A. Chapter summary
- B. Burning platform
- C. Lebanon's growth imperatives
- D. Economic aspirations and macroeconomic targets
- E. Sector prioritization mechanism and rationale

### V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

- A. Chapter summary
- B. Sector deep-dives
  - 1. Agriculture
  - 2. Industry
  - 3. Tourism
  - 4. Knowledge economy
  - 5. Financial services
  - 6. Diaspora

#### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

- A. Chapter summary
- B. Public administration reform requirements
- C. Infrastructure including CIP initiatives
- D. Public finance requirements
- E. Main legislative requirements
- F. Country branding & export promotion

## VII. INSTITUTIONALIZATION MECHANISMS

- A. Chapter summary
- B. Governance set-up: orchestration and delivery
- C. Path forward

### VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters





All analysis related to international trade relies on data from Lebanese Customs and the World Bank's World Integrated Trade Solution (WITS), retrieved in May 2018. Data from WITS excludes uncategorized and unreported trade flows. Efforts to clean and process data were performed on a best-effort basis, including classification of agricultural / industrial / raw non-industrial tradeable goods, reconciliation of data discrepancies and inconsistent use of HS classification systems, and interpolation of results where necessary. Many stakeholders contributed to the assessment of the industry sector







## Industry – sector aspiration

### Aspiration: A niche regional leader in creative and high-value industries and hub for regional processing

### **Current situation**

- Limited and unfocused government support, with a decline in output and exports among most subsectors *(with notable exception of food products)*, largely driven by infrastructure-caused non-competitiveness
- Absence of real industrial zones which provide the infrastructure and services that are needed to achieve competitiveness

2025

A Emergence of **niche growth subsectors** which achieve high levels of competitiveness and growth through targeted government support (*e.g. pharma, food processing, perfumes*)

B Development of multiple successful national integrated industrial parks (NIIPs) which provide a significant competitive edge for industrial tenants (including a zone focused on reconstruction of Syria)

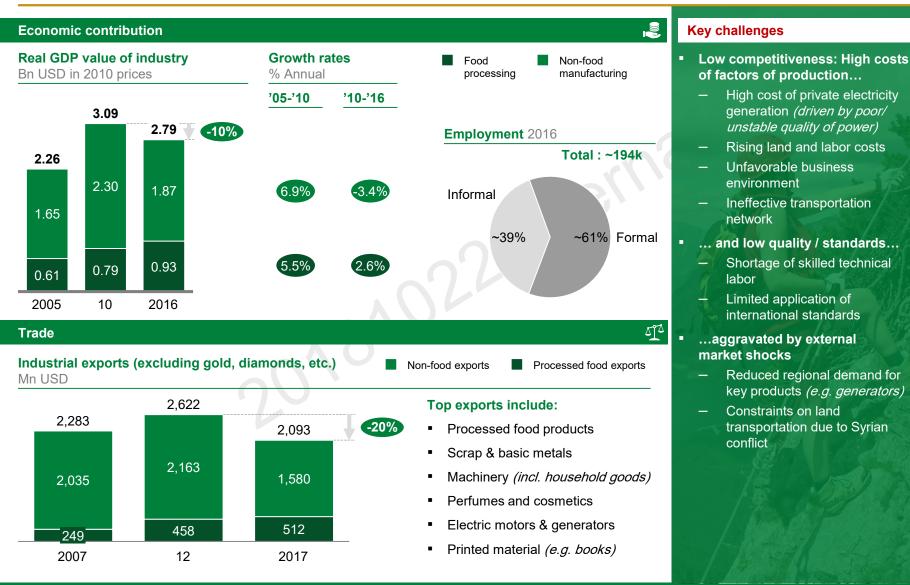
### 2035

- **Globally competitiveness and recognized excellence** in niche subsectors which optimally capitalize on Lebanon's strengths
- Best-in-class industrial parks offering worldclass infrastructure and services





## Industry – summary of diagnostic





2017

828

## Industry – 2025 sector charter

#### Aspiration: A high-value, high-quality sector which generates sustainable wealth for farmers and rural communities

## SECTOR PLAYS

#### Prioritizing (and focusing government intervention efforts) on high-potential subsectors which capitalize on Lebanon's strengths, including: Food-processing industries which rely on local agricultural production, with a focus on premium packaged goods based on Lebanon's fruit, vegetable, nut and dairy products Consumer-facing products which rely heavily on creative design & marketing abilities: jewellery, perfumes & cosmetics, soaps & sanitation products, and napkins / sanitary goods (with a focus on high-end products which capitalize on Lebanon's positive image in fashion / design / etc.) Industries which capitalize on the upcoming post-conflict reconstruction in Syria and Iraq, with a focus on subsectors where Lebanon can develop a competitive advantage: pre-fab manufacturing & furniture Subsectors which require high skill levels, especially in healthcare-related fields, with a focus on . pharmaceuticals and cannabis-based medical products (e.g. cannabinoids) Developing next-generation National Integrated Industrial Parks (NIIPs) to serve as areas of excellence which overcome comparative disadvantages Offerings to include world-class infrastructure (including dedicated power & utilities) as well as comprehensive support services (including regulatory one-stop shops) and sector-specific infrastructural support (e.g. coldstorage facilities for food processing tenants) Immediate focus should be on developing existing plans (Tripoli Special Economic Zone, three industrial . zones proposed by Mol / UNIDO) as well as an additional zone focused on construction technology There are several opportunities to strengthen existing plans for industrial zones (Mol / UNIDO), which must be assessed Strong governance and oversight is needed to ensure coordination between industrial zones, Tripoli SEZ, and the broad economy, and to minimize cannibalization / destructive competition

- Number of functioning industrial zone
- 0 6+

- It will also be necessary to plan and develop additional industrial zones in other regions (e.g. Beirut, southern . Lebanon) which focus on priority subsectors which are not covered by current industrial zone plans
  - X.1 Quality assurance

#### Quality standards

- Compliance & enforcement
- X.2 Financing
- Kafalat Industry
- Investment attraction

- X.3 Human capital
- Technical & vocational training
- Supply-demand matching

#### X.4 General enablers

- Ease-of-doing-business regulations
  - Infrastructure (e.g. power)

#### 1 Food processing, furniture, iewellery, napking & sanitation, perfumes & cosmetics, pharmaceuticals, prefabricated buildings, soaps & sanitation

### 2025 TARGETS

Exports of

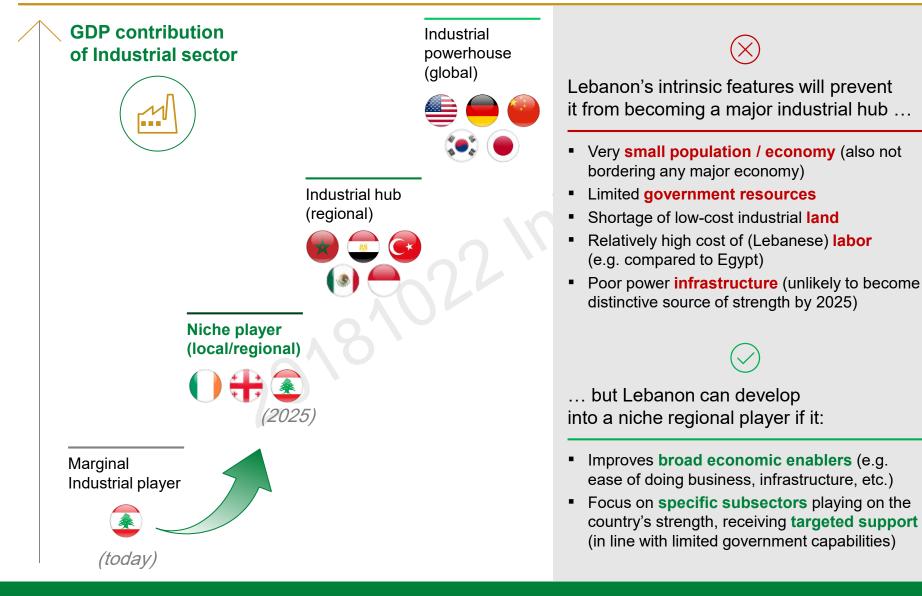
prioritized

subgroups1

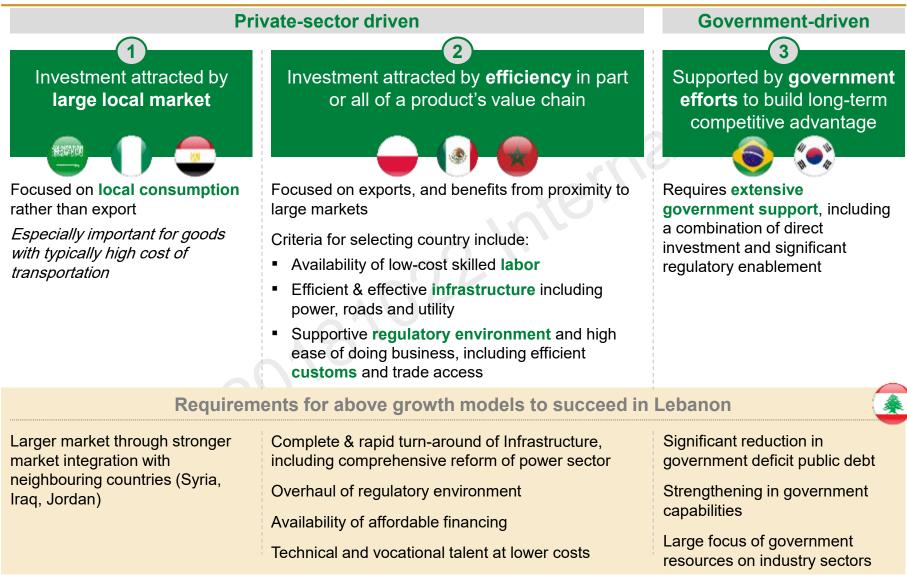
USD mn  $\star$ 



## Lebanon should aspire to be a niche regional industrial player by 2025

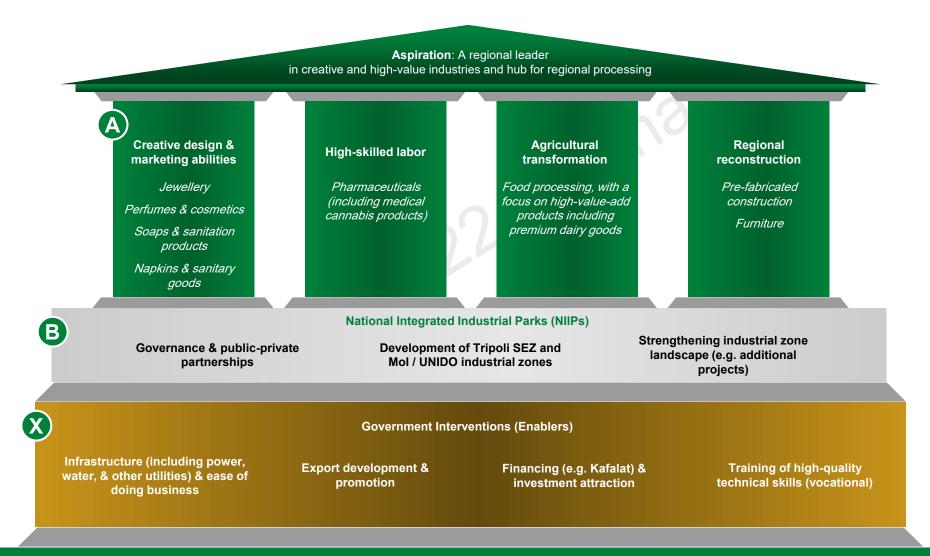


Beyond focusing on niche industries, Lebanon is currently not very well suited for any of the typical models of industrial development





## Industry sector overview



A Industrial subsector were prioritized based on assessment of four primary dimensions...



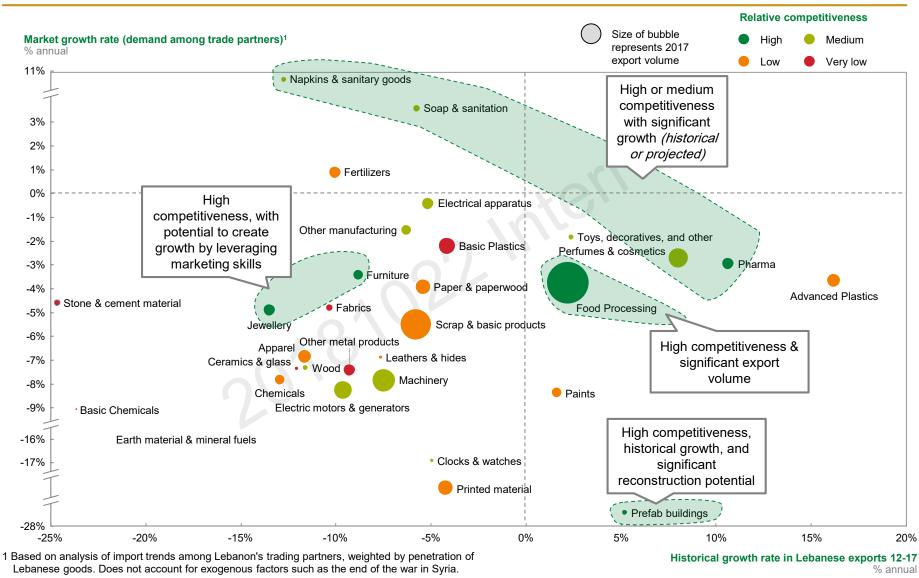
Prioritization of subsectors is important to **focus government support** across several areas: **export promotion** and **investment attraction** efforts, **industrial zone** design & services offerings, **TVET** strengthening, and **infrastructure** investments

# A ... leading to 8 subsectors across 4 growth themes which capitalize on Lebanon's strengths

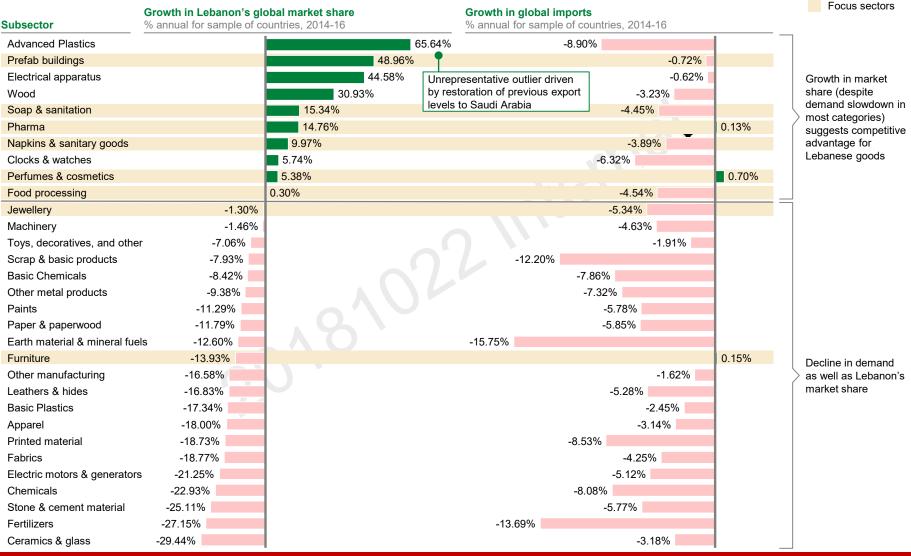


Leveraged strengths	Rich agricultural production	Creative capabilities in design & marketing	Availability of <b>high-skilled</b> labor	Proximity to <b>post-war</b> <b>reconstruction</b> zones in Syria and Iraq
Industrial focus	Food processing industries	Marketing-based consumer-facing products	Pharmaceutical industries	<b>Construction</b> -related sectors
Priority subgroups	Food processing	Jewellery Soaps & sanitation products Perfumes & cosmetics Napkins & sanitary products	Pharmaceuticals	Furniture Pre-fabricated construction
Potential plays	Establishing regional / global Lebanese agri- business brands, e.g. focus on premium fruits, nuts, vegetables, confectionary	Developing premium Lebanese brands, building on Lebanon's reputation for beauty/fashion and consumer know-how	Strengthening local capabilities and diversifying production towards generics (focused local / regional markets)	Developing capacity & access to be a leading player in reconstruction of Syria and Iraq

# A Prioritization is based on an assessment of 31 subsectors across 4 main criteria



## Focus sectors were mostly selected among subsectors with increasing market share, suggesting comparative advantage PRELIMINARY & INDICA



Note: Figures are based on a sample of countries based on data availability and are therefore indicative

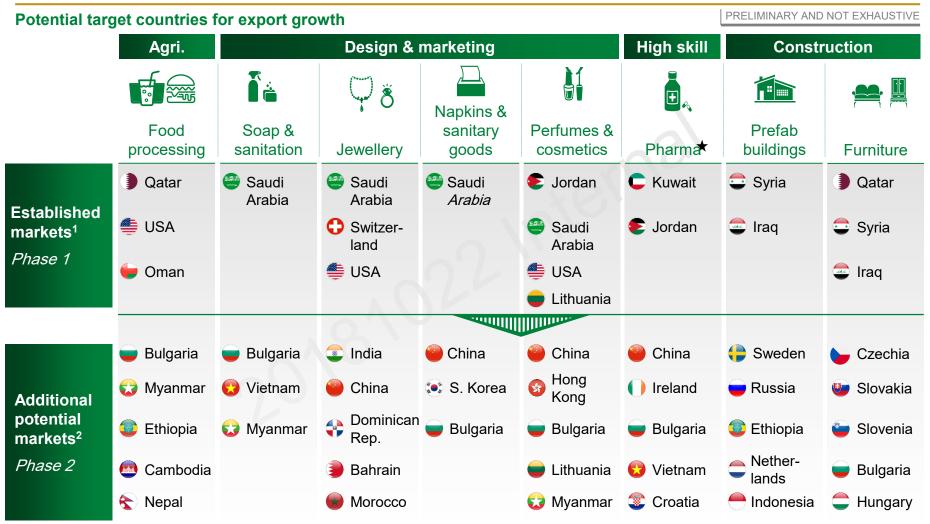
# A Each subsector's competitiveness was scored based on assessment of comparative advantages relative to peers



#### Competitiveness relative to other sectors: **Competitiveness score** Scored 1-100 based on factor competitiveness<sup>1</sup> relative to peer group Medium High Low Very low Jewellery 41.66 Leathers & hides 32.92 Prefab buildings 32.48 35.73 Paper & paperwood Furniture 35.65 (X) Chemicals 32.31 Pharma 35.14 Printed material 32.04 Electric motors & generators Scrap & basic products 31.74 34.69 **Electrical apparatus** 34.69 31.39 പ്പ Paints E B 34.69 Fertilizers 31.31 Machinery 協 34.25 **Basic Chemicals** Napkins & sanitary goods 31.16 þ $\bigcirc$ Clocks & watches 33.58 Ceramics & glass 31.08 <del>.</del>П Perfumes & cosmetics 33.21 e Fabrics 28.94 A state Soap & sanitation 33.14 Stone & cement material 28.58 ₩ Toys, decoratives, and other 33.07 **Advanced Plastics** 26.48 Wood 33.06 **Basic Plastics** 24.94 \$<u>6</u> 33.03 24.31 Other manufacturing *;*/\f Other metal products ¢Ϋ Earth material & mineral fuels 23.28

1 Competitiveness factors cover labor, power, trade & customs, market size, regulatory environment, and other enablers

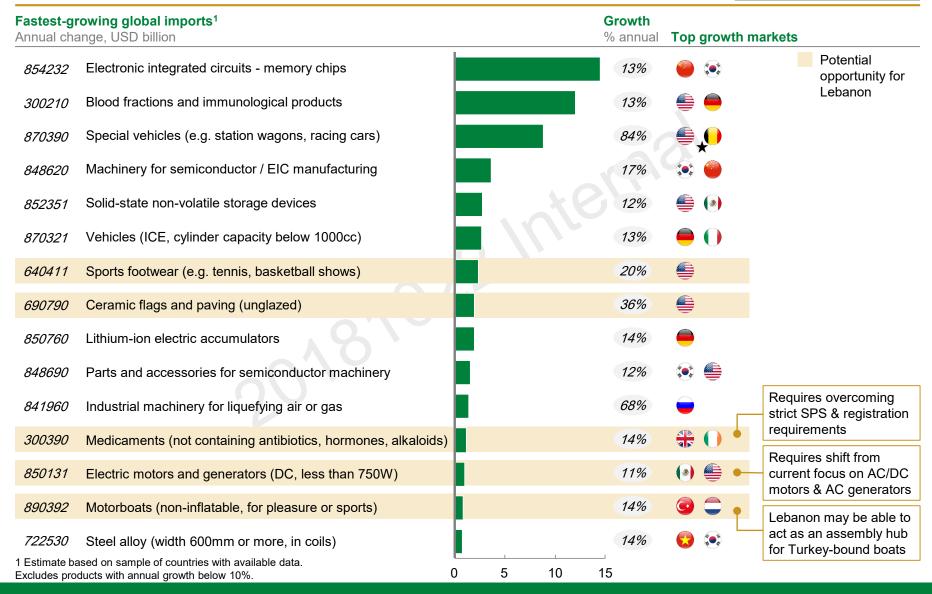
# A High-growth markets have been identified for each of the priority sectors



1 Countries where current Lebanese exports (in specific subgroup) exceed 1 million USD, and where Lebanon's "fair share" growth in exports (assuming no change in market share) exceeds 100k USD. Syria and Iraq added on an exceptional basis due to expected increase in demand

2 Markets where annual growth exceeds 10% and 10 million USD

# Additionally, Lebanon could take advantage of some of the highest- 🏼 🖗 growth products around the world



#### Source: WITS

B New generation industrial zones can alleviate most of the constraints currently facing Lebanon's industrial sector (in the short term)

Production constraint <sup>1</sup>	Beneficial industrial zone features	Ability to address issue in industrial zone
Prohibitive <b>regulatory</b> environment and poor government services	<ul> <li>On-site one-stop-shop for all government services</li> <li>Ability to act as a "regulatory sandbox" with separate government regulations</li> </ul>	$\checkmark$
High cost and ineffectiveness of utilities (e.g. power, water)	<ul> <li>Dedicated shared off-grid electric generation network</li> <li>High-quality water infrastructure, fiber telecom networks, etc.</li> <li>Shared waste management services</li> </ul>	$\checkmark$
<b>High land prices</b> (driven by real estate sector)	<ul> <li>Land dedicated for industrial purposes (protected from real estate pressure)</li> <li>Rent subsidies (e.g. for new movers)</li> </ul>	$\checkmark$
High <b>cost of logistics</b> due to congested and inefficient road network, border inspections, etc.	<ul> <li>Proximity to ports / land borders</li> <li>High-quality logistics infrastructure within zone, including customs control in zone</li> </ul>	$\checkmark$
Poor access to international markets	<ul> <li>Dedicated customs inspection &amp; clearance operations</li> <li>Dedicated export promotion service &amp; access to network of global partners</li> </ul>	$\checkmark$
Limited availability of <b>financing</b> and investment (local and foreign)	<ul> <li>Preferential treatment in access to government programs (e.g. Kafalat)</li> <li>Organized zone-centered investment promotion activities</li> </ul>	the second s
<b>Increasing cost of labor</b> , in part due to non-attractiveness of industrial jobs	<ul> <li>Shared HR and recruiting / talent attraction services</li> </ul>	to a final second se

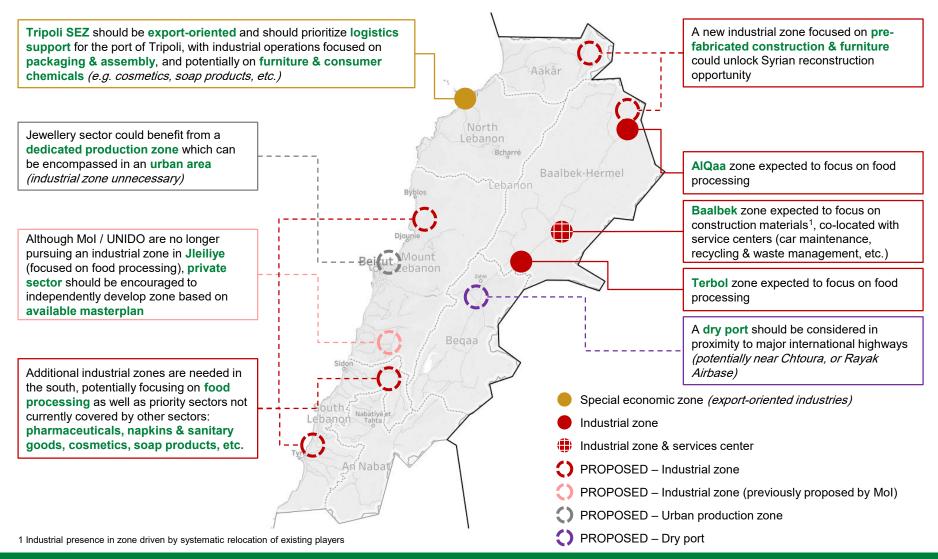
1 Focused on supply-side constraints. Excludes demand-based constraints, such as internal and external competition.



## **B** Today, there are 4 major industrial zones under development

Zone		Focus areas	Current status	Format	
Tripoli Special Economic Zone		Logistics & mixed industries <i>(including consumer chemicals)</i>	Masterplan complete – final preparations undergoing <i>(e.g.</i> <i>incl. regulatory</i> <i>environment)</i>	Special economic zone with separate regulatory environment, comprehensive tax incentives	Improvement opportunities
	Terbol	Food processing <i>(including agri- tech)</i>	Masterplan complete – Implementation underway (CDR)	Industrial zone with dedicated infrastructure and regulatory support, but limited	Improving coordination and specialization between zones to ensure strategic alignment
Mol / UNIDO Industrial zones	Baalbek	Waste management & recycling, construction material <i>(incl.</i> arafab) cor	Masterplan complete – Implementation underway (CDR)		Developing additional industrial zones, including one focused on prefab construction
zones	Alkaa	<i>prefab),</i> car services Food processing <i>(TBC)</i>	Masterplan in progress	services	Strengthening <b>value proposition</b> for planned zones (e.g. industry specific services, vocational training centers)

B Lebanon should establish a network of National Industrial Integrated Parks (NIIPs) with a clear focus and value proposition for each zone



# B The National Industrial Integrated Parks should be defined along several criteria providing a very competitive environment



PRELIMINARY – TO BE DEEPENED

				Assumed current hypoth	esis (based on masterplan)	Recommended
					Next generation	Improvement potential
	Governance	Owned & managed by public sector	Government-owned, rented to private operator with limited government oversight	Government-owned, privately-operated under strict service agreement	Owned & managed by private sector	Limited
Zone setup & structure		Unconstrained	Non-inclusive, but services & incentives targeted towards specific sectors	Partially constrained <i>(e.g. quota for specific sectors)</i>	Fully constrained <i>(e.g. plot allocation aligned in advance)</i>	Limited
	Access to plots	Plots for sale	Plots for rent	Plots for rent, pre-authorized for industrial construction	Plots for rent with prefabricated building <i>(ready to use)</i>	Limited
	Infrastructure	Standard access to national infrastructure	Developed logistics infrastructure <i>(e.g. roads, ports, etc.)</i>	Shared / dedicated power & utilities <i>(incl. water, waste, etc.)</i>	Dedicated sector-specific infrastructure (e.g. cold storage, packing facilities)	High
	Support services	None / limited	Site management services (e.g. security, maintenance, common areas etc.)	Centralized support services (e.g. transportation, training, HR, finance, etc.)	Professional & sector- specific services <i>(e.g. consulting services)</i>	Medium
Value propos- ition	Financial incentives	None / limited	Controlled rent	Targeted incentives for priority sectors <i>(e.g. infra, lending, etc.)</i>	Tax rebates & exemptions (e.g. economic free zone)	Medium
	Regulatory enablement	None / limited	Facilitation agreement with authorities	One-stop shop with single coordinator	Real one stop shop with delegation of power	Limited
	Export enablement	None / limited	Centralized pre-customs support ( <i>e.g. documentation, weighing, etc.</i>	Preferential customs treatment at border	On-site customs representation <i>(incl. inspection services) ([BC</i>	High

# B Summary of recommended parameters for the Industrial zones along the different dimensions

PRELIMINARY - TO BE DEEPENED

		Recommendation	Improvement potential
	Governance	Government-owned, privately-operated under strict service agreement	Limited
Zone setup & structure	Target industries	Non-inclusive, but services & incentives targeted towards specific sectors	Limited
	Access to plots	Plots for rent, pre-authorized for industrial construction	Limited
	Infrastructure	Dedicated sector-specific infrastructure (e.g. cold storage, packing facilities)	High
	Support services	Centralized support services (e.g. transportation, training, HR, finance, etc.)	Medium
Value propos- ition	Financial incentives	Targeted incentives for priority sectors <i>(e.g. infra, lending, etc.)</i>	Medium
	Regulatory enablement		
	Export enablement	On-site customs representation (incl. inspection services) ([BC	High





## Industry – priority initiatives (1/2)

		Objective	Owner <sup>1</sup>	Play
	IND. B.1	Set-up governance structure to ensure strategic oversight and alignment among industrial zones	<ul> <li>Ministry of Industry</li> </ul>	       
	IND. B.2	Strengthen value proposition of planned zones through specialization and additional services	<ul> <li>Ministry of Industry</li> </ul>	
B National	IND. B.3 Accelerate launch of planned zones in Tripoli, * Terbol, Baalbek and AlQaa	Accelerate launch of planned zones in Tripoli, ★ Terbol, Baalbek and AlQaa	<ul> <li>Ministry of Industry</li> </ul>	
Integrated A II Industrial Parks	IND. B.4	Develop next-generation construction technology zone, potentially in AlQaa, targeting Iraq and Syria	<ul> <li>Ministry of Industry</li> </ul>	       
	IND. B.5	Plan second wave of industrial zones in Mount Lebanon, Beirut and the South	<ul> <li>Ministry of Industry</li> </ul>	
	IND. B.6	Assess potential for dry port at international highway crossing (e.g. near Chtoura)	<ul> <li>Ministry of Industry</li> </ul>	
K.1 Quality Assurance	IND. X.1.1	Adopt, enforce, and support compliance with industry quality standards	<ul> <li>LIBNOR</li> </ul>	AB
K.2 Financing	IND. X.2.1	Strengthen investment attraction efforts (focused on domestic and diaspora investments)	<ul> <li>IDAL</li> </ul>	AB
	IND. X.2.2	Activate investment article of law 360	<ul> <li>IDAL</li> </ul>	AB

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.



## Industry – priority initiatives (2/2)

		Objective	Owner <sup>1</sup>	Plays
X.3Human Capit	tal IND. X.3.1	Increase availability of skilled technical labor (e.g. reorienting & strengthening TVET)	<ul> <li>Ministry of Industry</li> </ul>	AB
X.4 General Enablers	IND. X.4.1	Selectively pursue new trade agreements (WTO, Agadir)	<ul> <li>Ministry of Economy &amp; Trade</li> </ul>	AB
X.4 General Enablers	IND. X.4.2	Improve customs access (incl. duration of physical inspections)	<ul> <li>Ministry of Interior</li> </ul>	АВ

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

# We considered 12 priority initiatives that underpin the vision of the industry sector (1/5) $\boxed{100}$

	Objective	Initiative	Owner <sup>1</sup>
Ind.B.1	Set-up governance structure to ensure strategic oversight and alignment among industrial zones	<ul> <li>Alignment of objectives and approach between Mol / UNIDO's industrial zones and the Tripoli Special Economic Zone (and any other relevant efforts, presently or in the future), would be needed, through: <ul> <li>Regularly conducting organized discussion forum among all relevant stakeholders (including IDAL, ECOSOC, Tripoli Economic Zone Authority, etc) to maintain an understanding of the specializations and targets of various efforts</li> <li>Identifying areas of potential overlap between the different efforts e.g. destructive competition for the same tenants</li> <li>Addressing areas of overlap through clarified objective functions per zone, with alignment on allocation of target tenants and subsectors per zone</li> <li>Discussing areas of potential collaboration and synergy creation across the zones, including shared services (e.g. procurement)</li> <li>Setting-up a committee to ensure continuous collaboration and debottlenecking of issues</li> </ul> </li> </ul>	<ul> <li>Ministry of Industry</li> </ul>
Ind.B.2	Strengthen value proposition of planned zones through specialization and additional services	<ul> <li>The Ministry of Industry, in cooperation with UNIDO, has been developing economic zones with clear advantages for tenants, including affordable rent, access to high-quality infrastructure (e.g. 24/7 power, utility networks, etc.) and management services (site management, security, maintenance, etc.). The value proposition of these zones could be strengthened through providing a combination of the following:</li> <li>Centralized sector-specific services (e.g. cold storage facilities and ISO-certified food packaging facilities in food processing zones)</li> <li>Shared business services (e.g. training facilities, centralized HR and finance operations, etc.)</li> <li>Export-enabling infrastructure (e.g. on-site customs inspection zones)</li> <li>Close collaboration with export development and promotion agencies</li> <li>Providing targeted capability building sessions on required technical skills</li> </ul>	<ul> <li>Ministry of Industry</li> </ul>

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

National Integrated Industrial Parks



# We considered 12 priority initiatives that underpin the vision of the industry sector (2/5)

		Objective	Initiative	0	wner <sup>1</sup>
5	Ind.B.3	Accelerate launch of planned zones in Tripoli, Terbol, Baalbek and AlQaa	<ul> <li>Lebanon's existing pipeline of industrial zones (Mol / UNIDO zones as well as Tripoli Special Economic Zone) are essential to improving the country's competitiveness factors in industry. Therefore the launch of these zones should be accelerated, and provided additional attention potentially through: <ul> <li>Clarifying milestones and horizon to develop and operate each zone, with direct oversight from the highest country authorities</li> <li>Establishing a governance structure, integrated with the Vision institutionalization mechanism</li> <li>Creating transparency on timelines and bottlenecks, and publishing regular progress reports</li> </ul> </li> <li>Key issues where accelerated progress is needed: <ul> <li>Identification of private sector operators for the different zones</li> <li>Development of infrastructure (constrained partially by financing approvals)</li> </ul> </li> </ul>	•	Ministry of Industry
-	Ind.B.4	Develop next-generation construction technology zone, potentially in AlQaa, targeting Iraq and Syria reconstruction	<ul> <li>The current industrial zone landscape – including zones planned by Mol / UNIDO – do not sufficiently prepare Lebanon to fully leverage the Syrian (and Iraqi) reconstruction opportunity. Lebanon should swiftly seek to establish a new construction-focused economic zone targeting reconstruction in Syria. More specifically, to gain a competitive advantage, Lebanon should focus on prefab construction and other construction technologies, as well as secondary subsectors such as furniture.</li> <li>Priority next steps include:</li> <li>Size the potential export opportunity and identifying target markets &amp; focus area</li> <li>Identify high-potential technologies &amp; services and potential international partners to serve as anchor tenants</li> <li>Develop a perspective on key features required in the zone, including infrastructure, services, and incentives</li> <li>Identify an area of land to serve as the site for the zone</li> <li>High-potential areas including subset of current Alqaa zone, or adjacent (unoccupied land)</li> <li>Develop detailed masterplan for the zone</li> </ul>	•	Ministry of Industry

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

National Integrated Industrial Parks (contd.)

## We considered 12 priority initiatives that underpin the vision of the industry sector (3/5)

е	*
NON-E	XHAUSTIVE

		Objective	Initiative	Owner <sup>1</sup>
₽ B	Ind.B.5	Plan second wave of industrial zones in Mount Lebanon, Beirut and the South	<ul> <li>To ensure regional development and to capitalize on untapped potential across Lebanon's territories, another "wave" of industrial zones should be planned, with the following criteria:</li> <li>Be located regions not serviced by current economic zone plans (e.g. Southern Lebanon, Mount Lebanon, Beirut)</li> <li>Be focused on priority sectors which are not addressed in current plans (including jewelry, napkins &amp; sanitary goods, soap products, cosmetics, etc.)</li> <li>Priority next steps include:</li> <li>Develop a demand analysis for industrial zones in the South of Lebanon, Mount Lebanon and Beirut, mapping areas to the priority subsectors</li> <li>Shortlist potential land plots along key transportation corridors for industrial zones</li> <li>Conduct discussions with local industrialists and authorities to understand subsector potential and skills gap in industry</li> <li>Develop the masterplans</li> <li>Tender the development and operation process to the private sector while launching tenant attraction activities within and outside of Lebanon</li> </ul>	Ministry of Industry
National Integrated Industrial Parks (contd.)	Ind.B.6	Assess potential for dry port at international highway crossing (e.g. near Chtoura)	<ul> <li>Due to the current congestion at Beirut's port, and given the anticipated increase in exports in the coming years, Lebanon should consider developing a separate dry port which can facilitate trade by increasing storage &amp; logistics capacity and alleviating pressure on existing infrastructure. Priority actions include:</li> <li>Developing projections for exports (by port of exit), trade routes and corresponding infrastructure requirements</li> <li>Assessing the activity per industrial zone and the respective target markets</li> <li>Developing list of activities needed within dry port including storage, custom clearance</li> <li>Assigning an authority to be responsible for the dry port, and align on roles vis-a-vis the private sector</li> </ul>	Ministry of Industry

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

# We considered 12 priority initiatives that underpin the vision of the industry sector (4/5)

		Objective	Initiative	Owner <sup>1</sup>	Plays
X.1 Quality Assurance	Ind.X.1.1	Adopt, enforce, and support compliance with industry quality standards	<ul> <li>A key pre-requisite to unlocking export potential is quality improvement. Mechanism to review and approve suggested standards should to be accelerated (and potentially reformed) to ensure timely introduction of standards moving forward</li> <li>Strengthening standards associations (e.g. LIBNOR) and formalizing their standards <ul> <li>Prioritizing international standards to enforce – especially those relevant to technical barriers to trade which are inhibiting growth in the industrial sector.</li> </ul> </li> <li>Developing a strong monitoring and enforcement mechanism to ensure compliance with safety and quality requirements, in parallel to training &amp; technical support mechanisms to facilitate adoption of standards <ul> <li>In the short term, a "grace period" during which technical assistance is provided to support compliance transitions</li> <li>In the medium term, compliance should be linked to permit procedures and/or access to financing (e.g. Kafalat)</li> <li>In the long term, quality compliance can be used to tackle informal economy</li> </ul> </li> </ul>	<ul> <li>LIBNOR</li> </ul>	AB
× X.2	Ind.X.2.1	Strengthen investment attraction efforts (focused on domestic and diaspora investments)	<ul> <li>To strengthen investment attraction efforts, a centralized and structured approach for reaching out to potential foreign investors should be developed, particularly from the active-investor Lebanese diaspora.</li> <li>Establishing the governance structure to ensure collaboration across the relevant stakeholders (including IDAL, Mol, MoET, MoFA) and allocating responsibilities to pitch investment projects to Lebanese diaspora</li> <li>Ensuring investment attraction approach takes into consideration the industrial zone strategy – e.g. specific outreach efforts may be needed for industrial zone investments, specifying approach and criteria for offering incentives – financial or otherwise – to investment partners</li> </ul>	• IDAL	AB
Financing	Ind.X.2.2	Activate investment article of law 360	Article 10 as part of law 360 allows IDAL to participate in the capital of joint- stock companies, as means to support businesses and attract international donations. The article should be activated after setting up the proper governance structure for such a fund, and align its objectives and scope of work with the broader Vision efforts	• IDAL	AB

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.



# We considered 12 priority initiatives that underpin the vision of the industry sector (5/5)

		Objective	Initiative	Ow	ner <sup>1</sup>	Plays
X.3 Human Capital	Ind.X.3.1	Increase availability of skilled technical labor (e.g. reorienting & strengthening TVET)	<ul> <li>The growing shortage in skilled technical local labor has been filled by foreign labor. The skill gap would need to be addressed through:</li> <li>Increasing quality and accessibility of training opportunities, such as technical &amp; vocational education opportunities (TVET) as well as on-the-job training / apprenticeship programs <ul> <li>Round table discussions between the private sector, education institutions and the public sector to align on required skills and projected gap in the labor market</li> <li>Improving linkages between factories and the job market (e.g. building on the Ministry of Industry's efforts with the National Employment Office)</li> </ul> </li> <li>Supporting innovation in the industrial sector through dedicated channels (e.g. pitch competitions, accelerators, etc.) in collaboration with funding players (e.g. venture capital firms)</li> </ul>	• 1	Ministry of Industry	AB
	Ind.X.4.1	Selectively pursue new trade agreements (WTO, Agadir)	Discussed separately	l	Ministry of Economy & Trade	AB
∑ X.4	Ind.X.4.2	Improve customs access (incl. duration of physical inspections)	Covered in another section		Ministry of Interior	AB
General Enablers						

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

## Industry – additional relevant initiatives detailed within other sectors or enablers

Other initiatives related to industry



	Objective	Initiative
Fin.X.3.4	Enhance access to finance to support industrial SMEs (focused on priority industry sectors)	<ul> <li>Refer to initiative X.3.4 under Financial Services</li> </ul>
Leg.2.15	Resolve regulatory obstacles of industrial parks (e.g. amending Ministerial Decree 1660)	<ul> <li>Refer to initiative 2.15 under Legislation</li> </ul>
Inf.3	Reform national infrastructure (incl. power, logistics, utilities)	Refer to initiative 3 under Infrastructure
Inf.5	Prioritize financing to existing industrial zones (advancing to CIP cycle 1)	Refer to initiative 5 under Infrastructure
Exp.A.1	Centralize & consolidate export-support activities (e.g. within IDAL or new entity)	<ul> <li>Refer to initiative A.1 under Export &amp; Branding</li> </ul>
Exp.A.2	Expand export promotion	<ul> <li>Refer to initiative A.2 under Export &amp; Branding</li> </ul>



## **Industry Appendix**

0181022 Internal



## Lebanese case example: Prefabricated buildings and construction material

### History

- Established by Marwan Nakfour in 1995
- A 40,000 m2 manufacturing plant in Batroun with an office in Achrafieh







Life in focus

NALGORITHM

## Lebanese case example: Pharmaceuticals

## History

- Established in 1961 as a subsidiary of Merck, until 1989 when it was bought by its Lebanese shareholders
- Currently based in Zouk, run by the Ghorayeb family

## Activities and products **Export markets** Manufacturing and packaging non-sterile oral pharmaceuticals and creams, including: Cardiometabolic Gastroenterology Infectiology Neurology Number of employees >500 employees



## Lebanese case example: Consumer goods

### History

- Established in 1974 in Beirut in cooperation with Spartan Chemical Company in USA
- Currently the company is headquartered in Choueifat and has 4 other factories / warehouses in Tripoli, Bekaa, Mkalles, Beer Hassan, run by Al Rifai family





## Lebanese case example: Food processing

### History

- Subsidiary of Daher International Food Company, established in 1998
- Manufacturing facility covering 35,000 m2 and products sold through 22,000 points of sale throughout Lebanon







### I. EXECUTIVE SUMMARY

#### II. INTRODUCTION AND METHODOLOGY

- A. Methodological approach to the study
- B. Stakeholder engagement and syndication process
- C. Reviewed documentation

### III. CONTEXT AND DIAGNOSTIC

- A. Chapter summary
- B. Economic perspective
  - 1. Macro-economic evolution
  - 2. Trade profile (exports & imports)
- C. Sector diagnostics
  - 1. Natural resources (oil & gas)
  - 2. Agriculture
  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
  - 1. Public finance
  - 2. Ease of doing business
  - 3. Monetary policy
  - 4. Economic development activation
  - 5. Trade & international agreements

#### IV. THE VISION: LEBANON'S ECONOMIC ASPIRATIONS

- A. Chapter summary
- B. Burning platform
- C. Lebanon's growth imperatives
- D. Economic aspirations and macroeconomic targets
- E. Sector prioritization mechanism and rationale

### V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

- A. Chapter summary
- B. Sector deep-dives
  - 1. Agriculture
  - 2. Industry
  - 3. Tourism
  - 4. Knowledge economy
  - 5. Financial services
  - 6. Diaspora

#### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

- A. Chapter summary
- B. Public administration reform requirements
- C. Infrastructure including CIP initiatives
- D. Public finance requirements
- E. Main legislative requirements
- F. Country branding & export promotion

## VII. INSTITUTIONALIZATION MECHANISMS

- A. Chapter summary
- B. Governance set-up: orchestration and delivery
- C. Path forward

### VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters

## Many stakeholders contributed to the assessment of the tourism sector

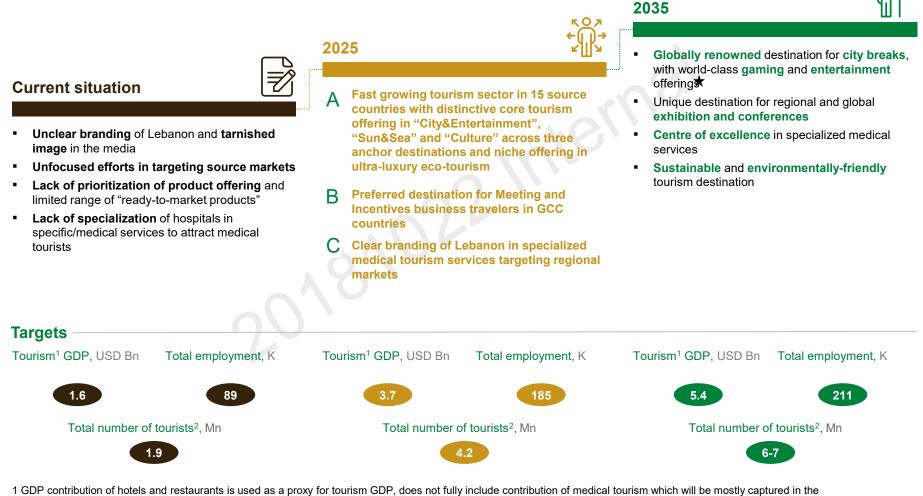






## Tourism – sector aspirations

**Aspiration**: A revived Riviera destination offering a unique combination of unrivalled entertainment, immersive culture and breath-taking sea views with regional niche offerings in business M&I segment and specialized medical tourism



healthcare sector

s and restaurants is used as a proxy for tourism GDP, does not fully include contribution of medical tourism which will be mostly captured in th 2 Leisure, business and medical tourism



### Tourism – summary of diagnostic

#### **Economic contribution** Number of tourists by nationality Real GDP value of tourism<sup>1</sup> **Top nationalities** Bn USD in 2010 prices Million tourists Western<sup>2</sup> GCC % GDP Iraq (12%), 3.3 Other Arab France (9%), 3.1 USA (9%), 2.2 Canada (6%) 1.9 0.5 0.3 0.4 0.1 1.3 0.2 0.1 0.4 1.1 0.5 1.0 0.8 0.3 1.0 0.8 0.7 2005 10 2016 13 2017 2010 Performance metrics<sup>3</sup>, 2017 Performance compared to peers Low **Occupancy rate**, % 43% In line with peers Hiah **Average length** 3.2 of stay, days

**Key challenges** 

- Lack of proper tourism data to ensure informed decision making
- Low occupancy rates in hotels are deterring private sector investments
- Limited hospitality infrastructure catering for the upper mass and luxury segments (especially outside Beirut)
- Absence of a brand image for Lebanon
- Limited flight connectivity and high airfare prices to European markets

~

Highly fragmented eco-system with no forum for collaboration between all the different stakeholders

1 GDP contribution of hotels and restaurants is used as a proxy for tourism GDP

2 Includes Europe, Oceania and North America (US and Canada only); 3 Based on a sample hotel list provided by MoT



## Tourism – 2025 sector charter

Aspiration: A revived Riviera destination offering a unique combination of unrivalled entertainment, immersive culture and breath-taking sea views with regional niche offerings in business M&I segment and specialized medical tourism

SECTOR PLA	YS			2025 TARGETS	
A	<ul> <li>Focus on attracting leisure tourists fr "City&amp;Entertainment", "Sun&amp;Sea" ar Sour) and developing ultra-luxury "ed</li> <li>Grow number of leisure visitors by focuntries (KSA, UAE, Kuwait, Iraq, UK, Italy, Sweden, Turkey) and cour Australia)</li> <li>Build core tourism offering in "City development, infrastructure, incentive destinations: Beirut, Byblos and Soffering in the hinterland</li> <li>Take a "bet" on developing eco-tour (resorts) segments</li> </ul>	ad "Culture" in three anchor des co-tourism" hubs bousing on 15 countries in three ty Jordan and Egypt), core Europe ntries with high number of Leb v&Entertainment", "Sun&Sea" a res and marketing resources arou Sour; these destinations will be "I	ypes of markets: Arab and GCC an markets (France, Germany, ★ anese diaspora (US, Canada, and "Culture" by focusing product nd the three anchor nub and spoke" for ancillary	<ul> <li>~1.9</li> <li>Majority of the tourism would cor leisure to</li> </ul>	~4.0 growth in n sector ne from
B	Grow the Meeting & Incentive segme and Iraq) and promoting Lebanon as complimented with an attractive leisu	a high value for money destina		Number of busi	ness tourists, M 0.2
C 💎	<ul> <li>Position Lebanon as a "convenient" value proposition for high quality specialization of fering</li> <li>Incentivize the specialization of hosp procedures complimented with unpara</li> <li>Target outbound medical tourists from the specialization of hosp procedures complemented with unpara</li> </ul>	ecialized medical services com bitals and promote Lebanon as a ralleled leisure tourism offering	bined with an unparalleled	Number of med	i <b>cal tourists,</b> Mn 0.03-0.04
Y ENABL	Infrastructure and connectivity     Airport expansion     Urban planning and transport	Marketing <ul> <li>Marketing budget</li> <li>Branding</li> </ul>	Organization and regulation     Investments zones     Enabling legislations	IS	

- Urban planning and transport infrastructure revamp
- Flight connectivity

ERS

- Hotel room capacity and quality
- Branding
- Targeted marketing
- Media and perception management
- Enabling legislations
- Tourism board and stakeholder cooperation

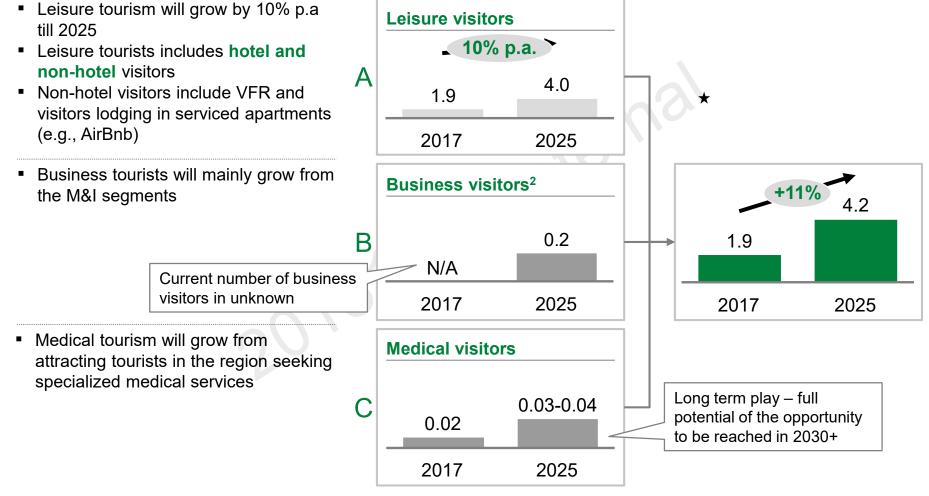
2017 2025

# Lebanon's 2025 target number of inbound tourists is achievable if historical growth rate is maintained



# Most of the growth in the number of tourists would come from leisure visitors

X% p.a. growth, 2017-2025



Target number of visitors, Mn

1 Non-hotel visitors includes service apartments, cruises, etc,. Assumed to equal 15% of leisure tourists 2 Includes IBT (independent business travellers) which are considered negligible in Lebanon and MICE tourists

Assumptions and drivers

# A The leisure tourism segment has the potential grow up by

B



+11%

2025

1.9

2017

Long term play – full

potential of the opportunity

to be reached in 2030+

~10% p.a. by 2025 Focus of this section X% p.a. growth, 2017-2025 Assumptions and drivers Target number of visitors, Mn Leisure tourism could grow by 10% Leisure visitors p.a till 2025 10% p.a. Leisure tourists includes hotel and non-hotel visitors Α 4.0Non-hotel visitors include VFR and 1.9 visitors lodging in serviced apartments

2017

N/A

2017

**Medical visitors** 

0.02

2017

**Business visitors<sup>2</sup>** 

2025

0.2

2025

0.03-0.04

2025

Business tourists will mainly grow from the M&I segments

(e.g., AirBnb)

Current number of business visitors in unknown

Medical tourism will grow from 

specialized medical services

attracting tourists in the region seeking

1 Non-hotel visitors includes service apartments, cruises, etc., Assumed to equal 15% of leisure tourists 2 Includes IBT (independent business travellers) which are considered negligible in Lebanon and MICE tourists A Fifteen top source markets of tourists to Lebanon in 2025 were reached following extensive projections and analysis

Leisure	visitors in 2016	Detailed next
	Identify current top source markets as per number of visitors	
	Estimate the ratio of leisure to business visitors in each source market $\star$	
	Calculate the country/city's current share of the top 15 source markets' outbound t	ourism
Leisure	visitors in 2025	
	Estimate increase in number of leisure visitors as a result of natural growth Utilize projections on growth in outbound leisure tourism from each source market to determine natural increase in number of visitors	
	Calculate the target market share that Lebanon could capture from outbound markets	d tourists in 15
1	Determine Lebanon's fair share of outbound tourist for the 15 markets as per their distance to Lebanon based on an analysis of historical outbound tourist data	Apply target market shares
2	Set a ceiling for growth rate in outbound tourists to Lebanon from these 15 markets based on growth rate of comparable peers	to projected outbound
3	If Lebanon's current market share of outbound tourists from a certain market is greater than the "fair share" calculated, maintain current market share	visitor growth for all source
4	Adjust growth rates for country specific dynamics (e.g. diaspora markets in Lebanon)	markets

Fair share of source markets was determined based on extensive international benchmarking

Fair market share **benchmarking was conducted on ~60 countries** through the following approach:

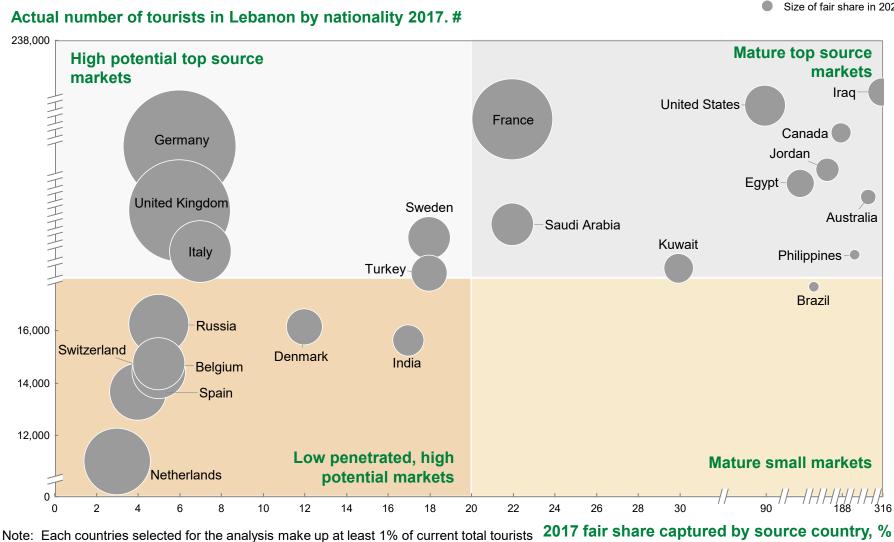
- Identification of source markets per destination country
- Classification of source markets into a haul category based on their distance in flight time to each destination country
- Identifying the average market share of each source received by destination countries
- Calculating the average market share of each haul category based on the benchmarking across destination countries and their sources

Haul	Distance by flight time, # of hours	Number of benchmarks <sup>1</sup>	Fair market share
Short	< 3	~375*	7.5%
Medium	3 - 6	~225	5.2%
Long	6 - 11.5	~165	2.1%
Very-long	> 11.5	~55	0.6%

1 Number of benchmarks (source market to destination) utilized to determine the fair market share of the haul category



Source markets were classified into 4 categories



Size of fair share in 2025

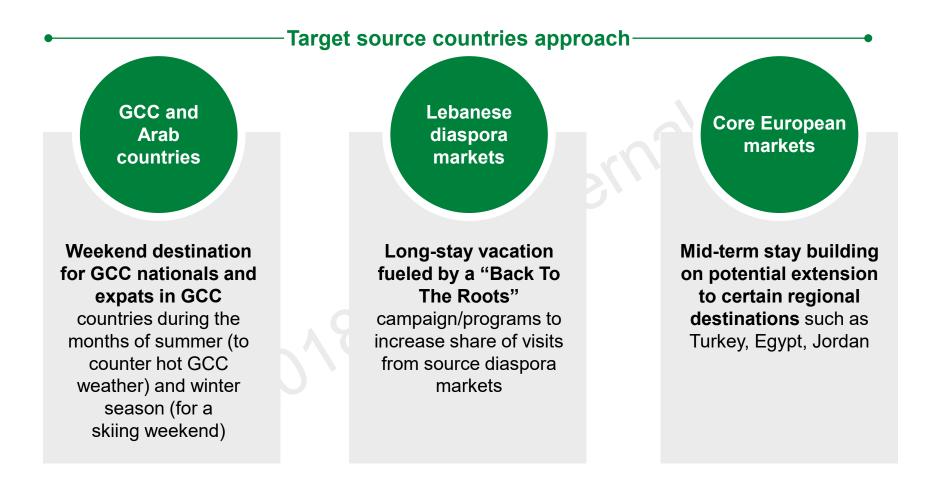
## A Top 15 markets were selected as priority for marketing Lebanon as a tourist destination

Target source countries strategy			Number visitors	of touri	sts 2016	<b>62,</b> '000	<b>Target 2025</b> '000 visitors		
		Iraq				236	220-	240	
Build on recent growth in	٤	Jordan		87			80-90		
GCC and Arab countries		Egypt		83			110-130		
	<u></u>	Saudi Arabia	40				150-170	) •	In case travel ban
	C	Kuwait	26				90-110	•	is lifted
	C	UAE (incl. expats)	N/A				60-75		
Maintain growth in		United States			154		265	5-285	
countries with high number	۲	Canada		100			100-110		
of Lebanese diaspora <sup>1</sup>	9	Australia		73			75-90		
	0	France		•	146				570-590
Grow share of outbound	•	Germany		88				340-36	0
tourists from core		United Kingdom	6	2			240-	260	
European markets	•	Sweden	35				130-145		
	$\mathbf{O}$	Italy	30				110-125		
		Turkey	25				90-110		

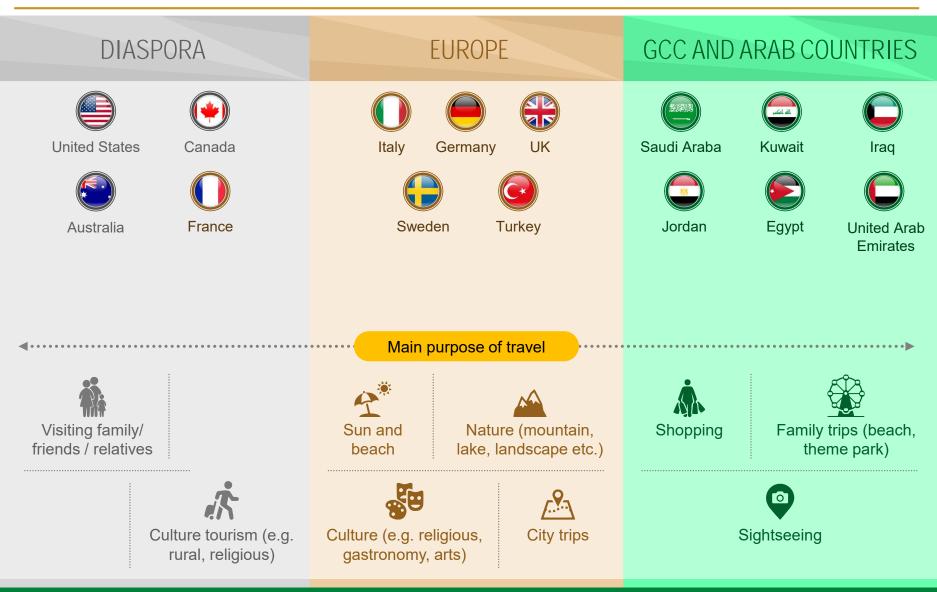
Top 15 markets account for ~70% of total target number of tourist

1 Since Lebanon is already capturing its fair share of tourists from these countries, targets are based on outbound market growth 2 by nationality

Tailored marketing campaigns, packages and offerings should be developed for each source market



Tourists from each source market seek different product offerings for leisure travel destinations



A Lebanon should develop three core offerings in city & entertainment, 🙊 sun & beach and culture, while also taking a bet on eco-tourism

characteristics product offering



# City and entertainment

Big cities characterized by their vibrancy, excitement and diversity

### Sun and sea

Costal locations/islands with direct access to the beach

### Culture

Old cities/sites with rich heritage and history

### Ecotourism

Pristine, undisturbed and preserved natural areas

Nightlife, gaming, shopping, dining, sightseeing Relaxation on the beach, water activities, entertainment

Cultural heritages, historical & religious sites, museums

Glamping, hiking, adventure activities

Three anchor cities should be further developed with enhanced day tr offerings to other sites in Lebanon

	Key actions
	Select three anchor destinations (Beirut, Byblos and Sour) four unique core leisure tourism offerings and accommodation
$\bigcirc$	<ul> <li>Beirut would offer an urban experience (e.g. shopping, vibrant city nightlife, F&amp;B) and a cultural experience (e.g. heritage sites, museums, exhibitions, religious monuments)</li> </ul>
Develop core	<ul> <li>Byblos would offer culture, sun &amp; beach and gaming activities</li> </ul>
offerings in three	<ul> <li>Sour would offer culture, religion and sun &amp; beach activities</li> </ul>
anchor destinations	These three destinations would become priority tourism investment zones with dedicated incentives packages for private investors, public infrastructure investments, product development and marketing
	Develop other destinations with rich natural endowments through a "hub and spoke" model:
Develop a hub-spoke model from anchor	<ul> <li>Other tourists destinations such as Jeita, Baalbeck, Batroun, Saida etc. should be easily accessible through day trips from the three anchor destinations</li> </ul>
destinations to other cities with rich natural endowments	<ul> <li>These areas should build on Lebanon's natural endowment in culture (e.g. Baalbeck), adventure/nature (Jeita, Tannourine), sun &amp; beach (Batroun, Damour/Jiyeh) and religious tourism, accessible through day trips from the anchor cities</li> </ul>

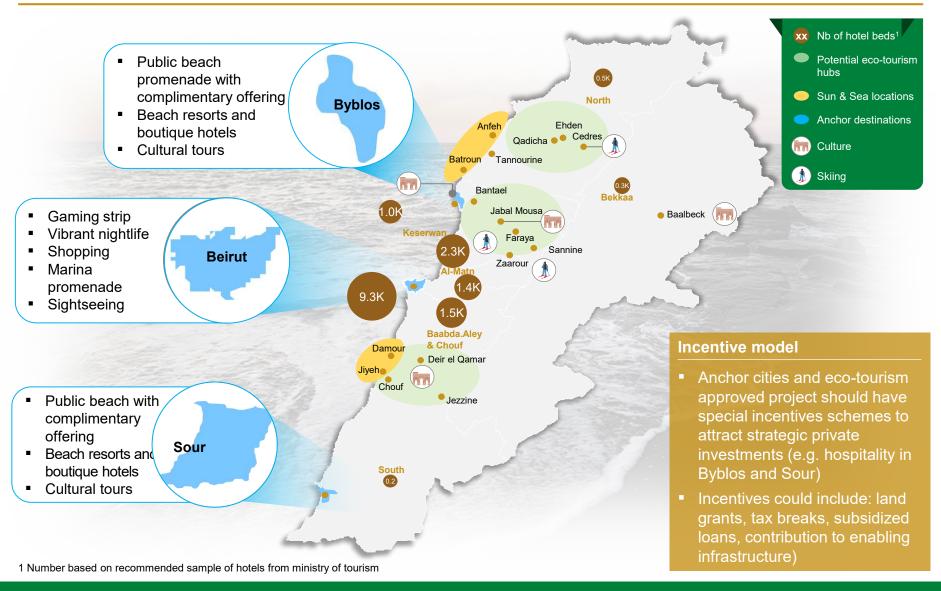


Take a "bet" on eco-tourism Develop eco-tourism hubs offering activities and relaxation across two segments

- Ultra-luxury segment: Attract one first ultra-luxury in a natural region (e.g., Six Senses, Banyan Tree) as an anchor tenant for a broader eco-based luxury offering
- Authentic B&B segment: Continue supporting access to market of existing authentic B&B offerings in rural regions offering truly "Lebanese" experience clustered

# 秦

# A Beirut, Byblos and Sour should be developed as anchor tourism destinations each with its unique offering and identity



### B Business tourism in Lebanon has potential to grow to around 200K visitors by 2025 Focus of this section X% CAGR, 2017-2025



Assumptions and drivers Target number of visitors, Mn Α

Leisure tourism could grow by 10% Leisure visitors p.a till 2025 10% p.a. Leisure tourists includes hotel and non-hotel visitors 4.0Non-hotel visitors include VFR and 1.9 visitors lodging in serviced apartments (e.g., AirBnb) 2025 2017 B Business tourists will mainly grow from **Business visitors<sup>2</sup>** +11% the M&I segments 0.2 1.9 Current number of business visitors in unknown N/A 2017 2025 2017 2025 С Medical tourism will grow from **Medical visitors** attracting tourists in the region seeking specialized medical services Long term play – full 0.03-0.04 potential of the opportunity 0.02 to be reached in 2030+ 2025 2017

1 Non-hotel visitors includes service apartments, cruises, etc., Assumed to equal 15% of leisure tourists 2 Includes IBT (independent business travellers) which are considered negligible in Lebanon and MICE tourists

# B Business tourism is defined as meetings, incentives, conference and exhibitions (MICE)



### Definition

## Μ

General term indicating the coming together of a number of people in one place, to confer or carry out a particular activity. Frequency: can be on an ad-hoc basis or according to a set pattern, e.g., annual general meetings, committee meetings, etc. Meeting event as part of a program which is offered to its participants to reward a previous performance

## С

Participatory meeting designed for discussion, problem-solving and consultation. Conferences are of limited duration with specific objectives and of no specific frequency (~500 participants on average)

## E

Events at which products and services are displayed (~500 participants on average)

# B Growth in business tourism would mainly be driven by the M&I segment



Relevant for Lebanon

	Meetings and incentives	Conference and exhibition	Implication
Strategic offering	<ul> <li>Presence of a synergetic leisure offering that is able to attract business tourists and extend average lengths of stay</li> </ul>	<ul> <li>Lack of large associations in Lebanon and lack of country branding in specific fields which typically attract international conventions</li> <li>Aspiration to become a hub for dialogue and communication (Ministry of Information)</li> </ul>	Focus on M&I segment which can be complimented by Lebanon's leisure offering De-prioritize C&E segments in the medium term due to major investments needed in:
Infrastructure	<ul> <li>High density of 4/5 star hotels in Beirut with available meeting rooms</li> </ul>	<ul> <li>Limited capacity and lack of proper convention and exhibition centres in Lebanon (only Emile Lahoud center can cater for C&amp;E segment)</li> </ul>	<ul> <li>Froper infrastructure for convention and exhibition centres</li> <li>Human capital by setting up a dedicated entity that executes the national MICE strategy and a « bidding team »</li> </ul>
Market size	<ul> <li>Growing size of regional source markets in terms of meetings and incentives (companies are increasingly looking at nearer destinations to host meetings and incentives)</li> </ul>	<ul> <li>Presence of massive over supply in the region (GCC) with very high quality</li> </ul>	<b>Re-assess Lebanon's</b> <b>potential in C&amp;E segment</b> if Lebanon becomes a hub for dialogue and communication (based on the Ministry of Information's strategy) beyond 2025

#### SOURCE: Ministry of tourism interview

# B Lebanon should capitalize on the regional and global trends shaping M&I



# Key trends

1

2

3

5

Companies are increasingly looking at **nearer destinations** to host corporate meetings and incentives

Companies are becoming increasingly rate conscious and value focused in their expenditure on business travel

Companies are **outsourcing** the planning and organization of meetings and incentives to **third party organizers** who specialize in certain destinations

4 Companies are opting for **one-stop-shop destinations** that serve both **meeting and incentive needs** 

**Executive learning** is **gaining traction** as a significant segment within Meetings and Incentives

## Implication on Lebanon

Focus on **5 regional source markets** (Iraq, KSA, UAE, Qatar and Kuwait) given their proximity to Lebanon and Lebanon's cost competitiveness in these markets

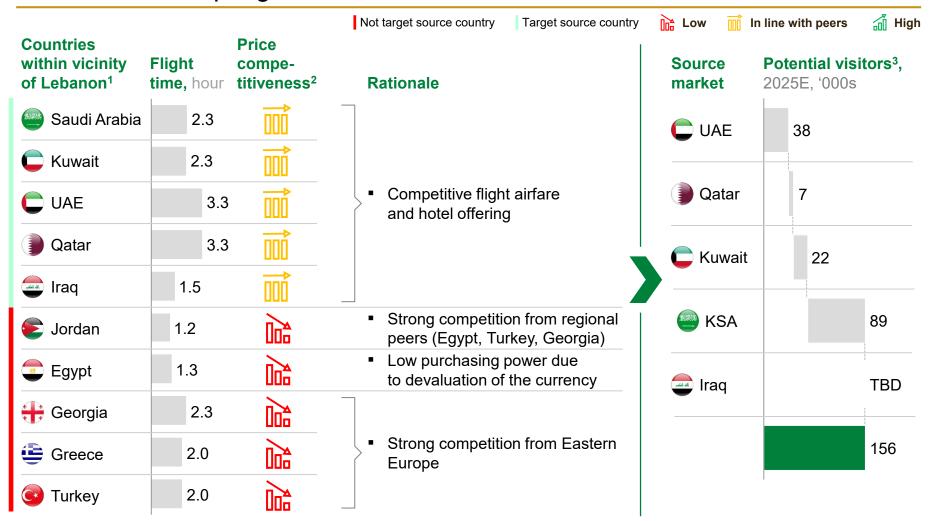
Promote Lebanon as a **high value for money destination** to attract **budget conscious** organizers

**Expand overall efforts** to attract Meeting and Incentives **beyond corporates** to **include 3rd party organizers** 

Provide a **combined corporate meeting and incentive offering** and promote Lebanon's complimentary **leisure offering** 

Build an **executive learning offering** that **leverages universities in Beirut** (AUB, ESA)

# B Lebanon should focus on regional & global companies based in the GCC and Iraq to grow its share of business M&I tourists

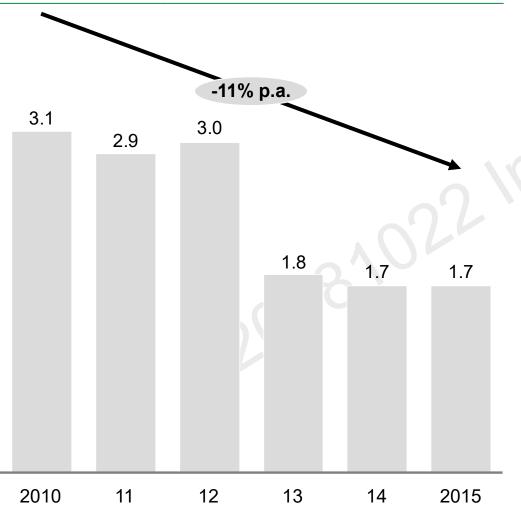


Note: Syria is excluded because of war

1 Countries considered are within 1-2 hours fight distance from Lebanon with the exception of UAE and Qatar who were added strategically as potential source countries (UAE has a strong diaspora Lebanese business community and Qatar has been isolated from many of its neighbouring peers due to political reasons); 2 Price competitiveness is based on airfares from source countries to destinations within 1-2 hours and average daily room rates per country; 3 Calculated based on outbound M&I (assumed 25% of total business tourists) market in each country and fair share of each country based on distance to Lebanon

BI Recently, companies have been seeking nearer destinations to host meetings and incentives

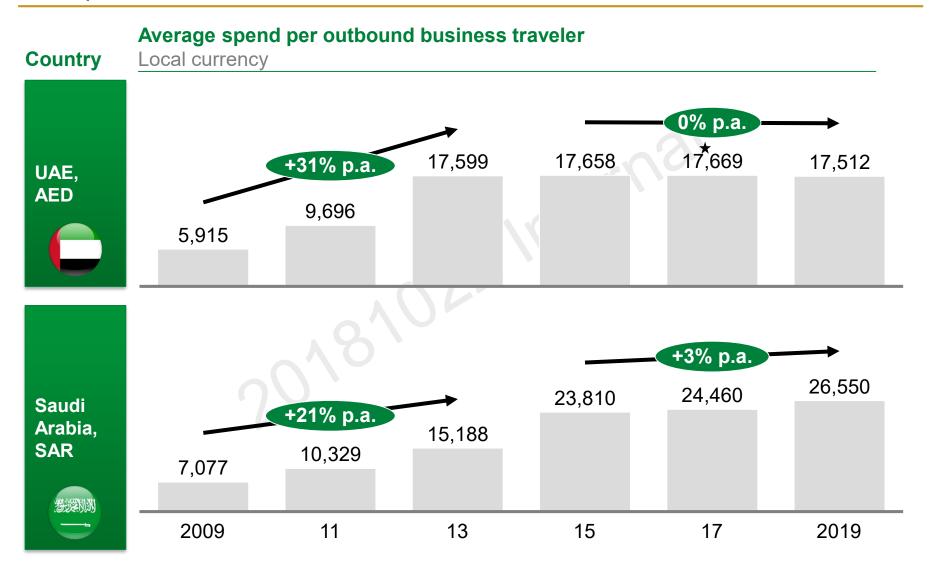
Average flight time from global corporate HQs to M&I event destinations, hours



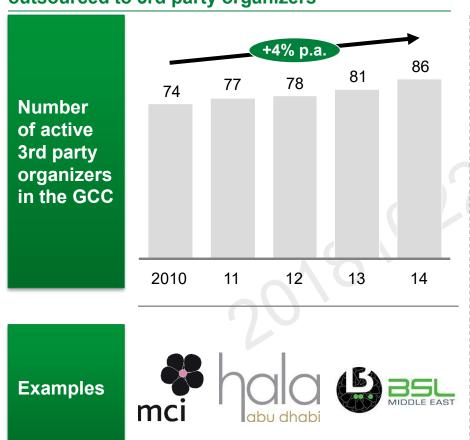
#### Considerations

- Companies are looking to reduce the cost of meeting and incentives:
- Flight tickets represent the largest portion of overall M&I costs (typically 30-50%)
- Technological improvements such as video conferencing are reducing the requirement for travel
- Domestic/regional destinations are better positioned to cater to the unique requirements of neighboring markets (e.g. cultural and linguistic similarities)
- Companies are becoming increasingly conscious around the duration of travel

# B2 Moreover, large corporations are becoming rate conscious in their expenditure on business travel



B3 Lebanon should expand its overall efforts beyond corporates to include 3rd party organizers



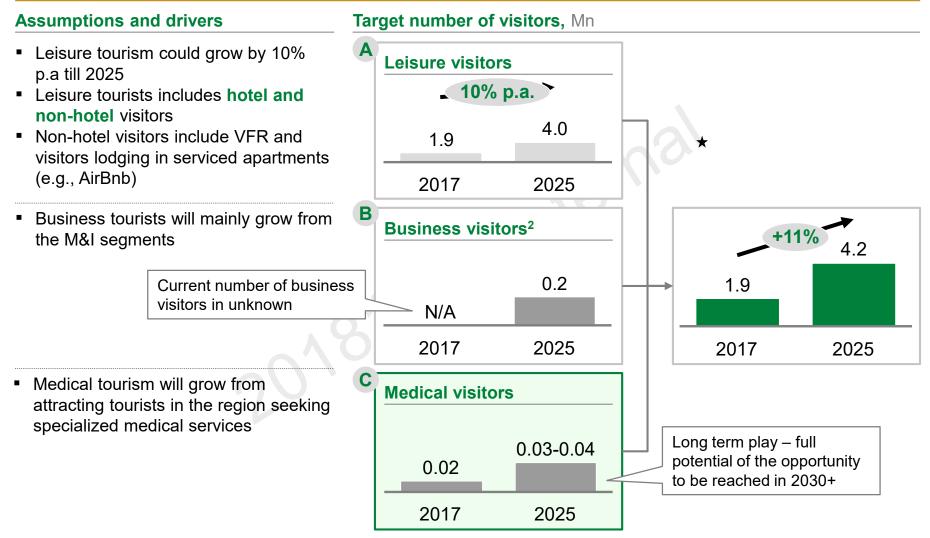
# Meetings and incentives are increasingly beingLebanon shouldoutsourced to 3rd party organizersparty organizers

- Lebanon should expand efforts to include 3rd party organizers
- Develop advertising and promotions coherently with leisure segment to promote Lebanon as a destination for business with a very attractive leisure offering
- Assign and train dedicated ministry employees to interact on a regular basis with 3<sup>rd</sup> party organizers and enable a smooth and seamless service

C Medical tourism could grow through specialization of medical

services and convenient packages to patients

Focus of this section X% CAGR, 2017-2025

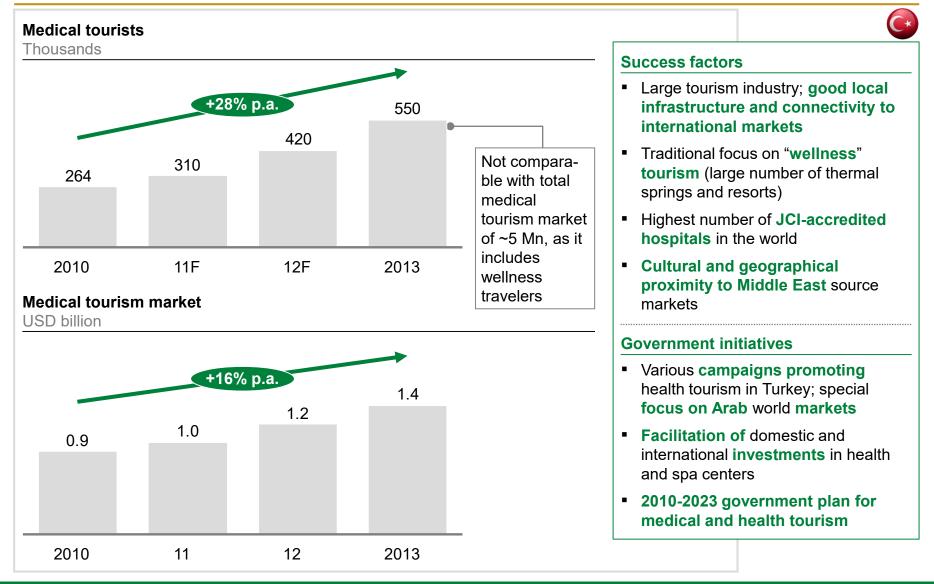


1 Non-hotel visitors includes service apartments, cruises, etc., Assumed to equal 15% of leisure tourists 2 Includes IBT (independent business travellers) which are considered negligible in Lebanon and MICE tourists C Lebanon should position itself as a convenient, high quality, specialized medical tourism hub for the region



		Potential medical tourism plays	Key players
1	Globally renown high quality medical institute- ions	<ul> <li>World-class quality services &amp; specialized treatments for high-end segments</li> <li>Top-notch doctors and experts *</li> <li>Well-branded advanced research facilities / programs and top universities</li> <li>Excellent infrastructures and staff</li> <li>Targeting mostly sophisticated / wealthy patients from emerging countries</li> </ul>	<ul> <li>USA</li> <li>Singapore</li> <li>South Korea</li> <li>Germany</li> </ul>
2	Convenient & relatively high quality destination	<ul> <li>Convenience for elective procedures across segments (depending on country)</li> <li>Convenient and comparatively better offering than in home country</li> <li>Proximity or attractive regulations, e.g. procedures not allowed at home</li> <li>Privacy or opportunity to include holidays</li> </ul>	<ul> <li>Turkey</li> <li>Jordan</li> <li>Lebanon</li> <li>UAE</li> </ul>
3	Low cost offerings	<ul> <li>Lower cost &amp; good quality of services / infrastructures for mass/mid-range segments</li> <li>Average primary (hospitals, etc.) and secondary (hotels, transportation) infrastructures, good doctors</li> <li>Clinically focused hospitals</li> <li>High patients volumes, low waiting time</li> <li>Catering patients from countries without insurance or with limited budget/time</li> </ul>	<ul> <li>India</li> <li>Malaysia</li> <li>Mexico</li> <li>Thailand</li> </ul>

# Case Study: Turkey has targeted the medical tourism segment using a high-quality convenience play



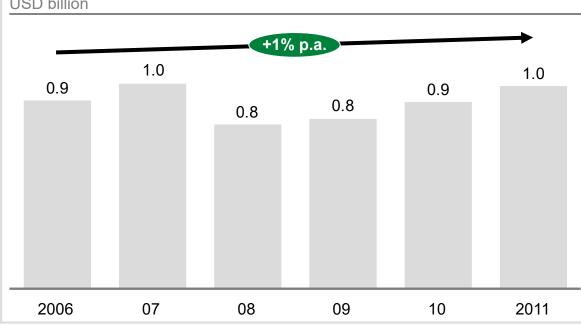
## Case Study: Jordan has targeted the relatively low-cost convenience medical tourism segment

#### Overview

- 250,000 medical tourists in 2015
- Ideal location placement in MENA
- Traditional focus on cardiology, orthopedics, cosmetic surgery, dentistry
- Low cost (66% compared to US) with high quality of infrastructures and doctors
- Tourist origin: Irag (38%), Palestine (30%), Sudan (31%)

### Medical tourism market

**USD** billion



#### Success factors

- Large tourism industry; good local infra-structure and connectivity to ME markets
- Medical Tourism Corporation (MTC) has arranged with its network hospitals in Jordan to have special guest suites designed to comfortably accommodate the patient and the accompanying guest
- MTC has made special arrangements with recovery resorts that have 24 x 7 nursing for any post-hospital discharge care

#### Government initiatives

 The Ministry of Health has set up a counter at the airport, which is meant specifically to guide medical tourists



C Special incentives need to be put in place in order to gear private sector investments towards specialization of medical services

### CONTEXT

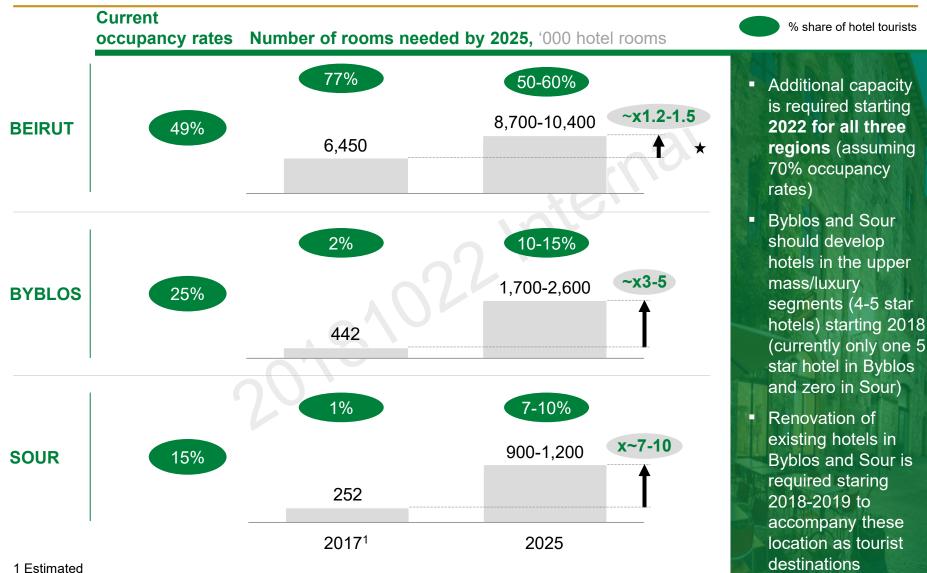
- Lebanon's healthcare system lacks specialization (i,.e. most hospitals offer several types of medical services and surgeries)
- Most Lebanese hospitals that are JCI accredited, operate at full capacity
- Lebanon's healthcare system is highly fragmented (~65% of hospitals have less than 100 beds) and hence cannot benefit from an economy of scale while performing procedures

## **OPPORTUNITY**

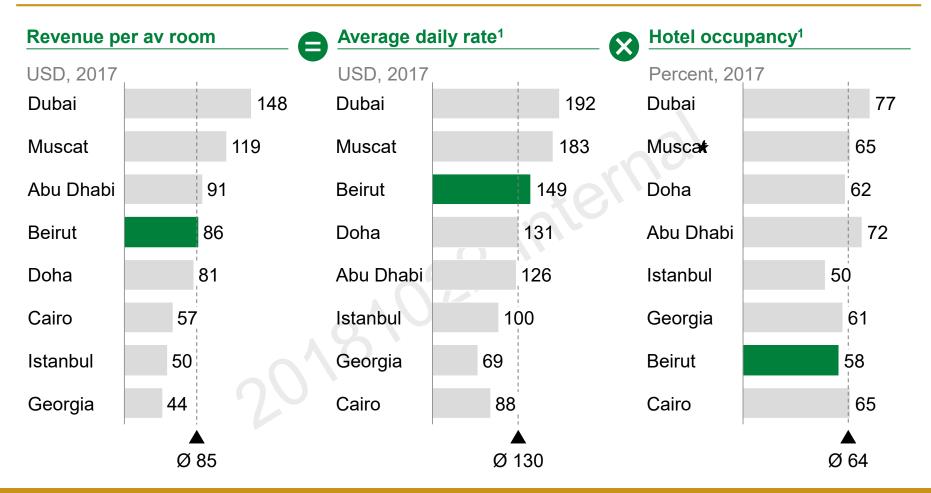
- Lebanon has the opportunity to grow the number of its medical tourists by position itself as a specialized hub for specific procedures
- Special incentives need to be put in place in order to gear private sector investments towards specialization of medical services
- Private investment in the sector is needed in order to:
  - Accommodate for the additional tourists
  - Ensure high quality of medical institutions with specific specialization
- Investment will be directed towards:
  - Greenfield investments to build specialized institutions
  - Brownfield investments to consolidate existing healthcare facilities and upgrade their offerings into specific areas of specialization



Additional ~5 to 9.5K hotel rooms would be needed in Beirut, Byblos 条 and Sour to accommodate for the increased number of tourists...



Efforts should be made to ensure higher occupancy rates, through targeted marketing & promotion efforts, to attract private sector investors



Marketing will be a critical short term lever to boost occupancy rates of existing hotels

Aggressive incentives will be needed in the three destinations to attract further investments

1 Input for Georgia and Egypt are for 2017

SOURCE: STR Global, Ministry of Tourism, EY Middle East Hotel Benchmark Survey

X1 Flight availability to source markets should cater for the target growth,

\*

and airfare prices should be evaluated vis-a-vis competing destinations

			Avail	lable flights	d direct flights	No direct flights
Countries		Presence of direct flights	Frequency	Additional flighs per week needed	Flight prices com competing destin	
Short	Saudi Arabia		<ul> <li>Jedda, Riyadh and Dammam (5 per day)</li> </ul>	11	-8%	LCC bench-
	Jordan		<ul> <li>Amman (4+ per day)</li> </ul>	N/A	-37%	marks were excluded
	Kuwait	$\bigcirc$ $\bullet$	<ul> <li>Kuwait (4+ per day)</li> </ul>	8-13 ★	+10%	
flights	Iraq		<ul> <li>Baghdad (2+ per day)</li> </ul>	N/A	-26%	
	Egypt		<ul> <li>Cairo (4+ per day)</li> </ul>	4	-27%	
	UAE		<ul><li>Dubai (7+ per day)</li><li>Abu Dhabi (2 per day)</li></ul>	N/A	-12%	
	France	•	<ul> <li>Paris (3+ per day)</li> </ul>	40	-20%	
	Germany		<ul><li>Frankfurt (2+ per day)</li><li>Berlin (3 per week)</li></ul>	24	+32%	
Short- Medium	United kingdom		<ul> <li>London(2+ per day)</li> </ul>	17	-2%	
haul flights	Italy		<ul><li>Rome(1+ per day)</li><li>Milano (4 per week)</li></ul>	8	+24%	
	Turkey	<b>S</b>	<ul> <li>Istanbul (6+ per day)</li> </ul>	7	-6%	
	Sweden	•	<ul> <li>Stockholm (2 per week)</li> </ul>	9	N/A	
Long	United States		• N/A	N/A	N/A	
Haul	Canada	•	• N/A	N/A	N/A	
flights	Australia	<u></u>	<ul> <li>N/A</li> </ul>	N/A	N/A	

1 Competing destinations are assumed to be destinations within similar flight distance to source market as Lebanon (4-7 competing destinations were used per source market)

Lebanon should increase the frequency of flights to top source countries, provide more competitive airfares and expand airport capacity

### Initiatives



Stage the airport expansion project in CIP across two phases (2022 and 2030) to accommodate for the additional anticipated traffic (1Mn additional foreigner by 2022)

### B FLIGHT PRICES



Decrease flight prices to Lebanon by ~20% for European markets to ensure competitive airfare price

**C CONNEC-**TIVITY



Increase frequency of flights to accommodate for anticipated increase in tourists from source markets

#### Options

- Incentivize low cost airlines to increase frequency of flight/open new routes from Europe to Lebanon for specific months of the year (e.g. discounts of parking & landing fees, subsidizing flights)
- Reduce exit tax on flight prices to be in line with benchmarks
- Cross subsidize new routes through profitable MEA flights
- Incentivize MEA to rent and operate charter flights during peak season to source countries

# The tourism marketing budget should be increased by 5-10x between 2019-2025 to position Lebanon as a tourism destination

Country	<b>Total market</b> USD mn, 201		<b>Marketing spend / tourist arrival,</b> USD	
New Zealand		83		22.3
Costa Rica <sup>1</sup>		69		2.1
Egypt <sup>1</sup>		67	12.4	
Ireland		131	12.3	
➡ Mauritius <sup>1</sup>	15		11.7	
Australia		101	11.4	
🕩 Sri Lanka¹	23		11.0	
≽ South Africa		89	8.6	
🖲 Japan	1	// 227	7.9	
Portugal <sup>1</sup>	4	11	4.3	
👻 Canada	1	76	3.7	
Hungary	44		3.0	
O Tunisia	20		2.9	
🕢 Morocco	32		2.8	
퇃 Jordan	11		2.8	
😻 Croatia	43		2.6	
🥶 Maldives	3		2.4	
🔹 Lebanon	3		1.8	
Singapore <sup>1</sup>	20		1.2	
👙 Malaysia	27		1.0	
Netherlands <sup>1</sup>	9		0.6	
	Ø	54	Ø 7	

# Lebanon's marketing budget

Total budget of MoT allocated to events and promotions is ~6.6 Mn USD

-50% is used for subsidizing festivals -50% is used for marketing

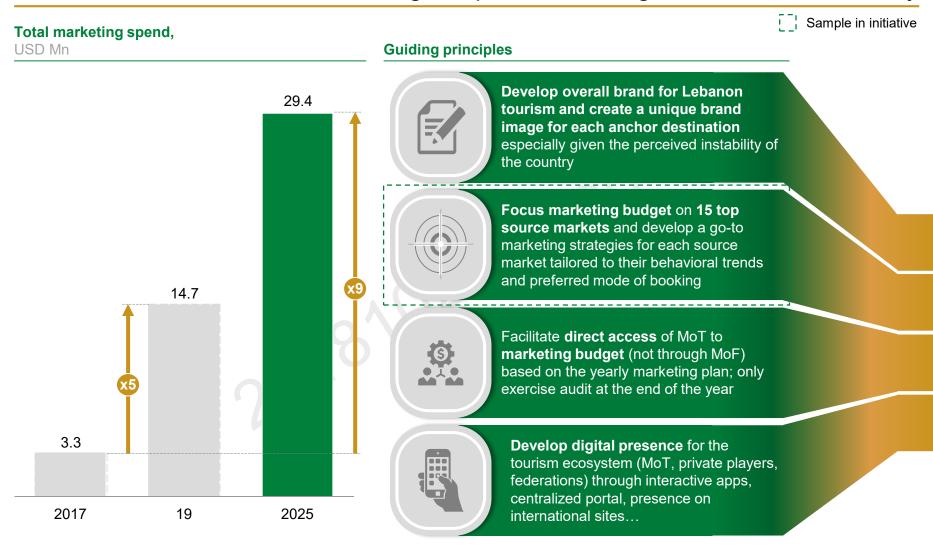
Lebanon spends 1.8 USD/tourist arrival (~4 times lower than benchmarks)

**5-9X** increase in marketing budget is needed between 2019-2025

Tourism departments typically spend USD 7 per tourist. Less mature tourism sectors have higher budgets per tourist

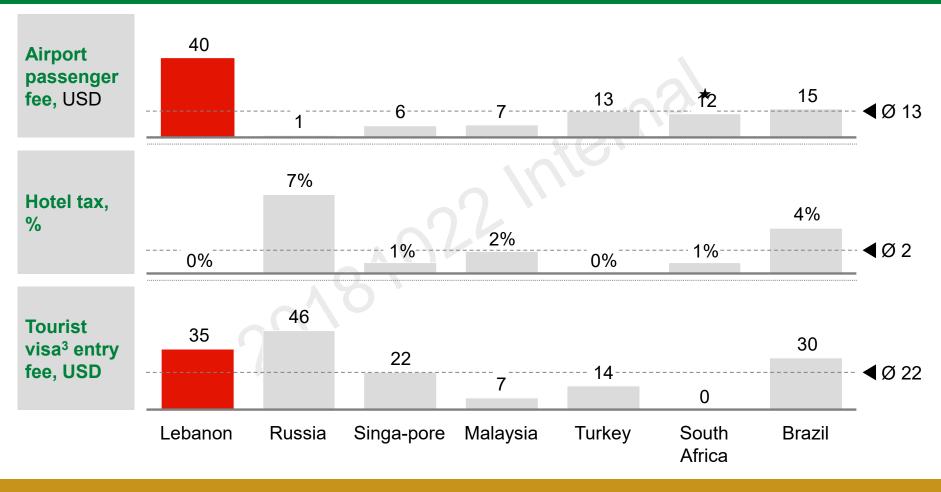
1 Year 2016

Lebanon's marketing efforts should be targeted to selected source countries & focused on building unique brand images for each anchor city



One option to raise part of the marketing budget, would be through increasing hotel tax to be in line with peers

### Lebanon is under taxed on hotel taxes compared to benchmarks



Selection of peer countries is based on level of taxation (moderately taxed countries)

Sour key responsibilities should be held across the tourism sector stakeholders



### Data

 Data and research arm of the Ministry to expand knowledge base through airport departure surveys, brand trackers, etc. (e.g., diaspora vs international, business vs leisure, experience feedback from visitors, direct data integration with hotels)

### Marketing

 Marketing arm of the Ministry to aggressively market anchor destinations and develop their brand image, focus budget on target source markets, and leverage subsidies to festivals to enhance offerings



### Development

 Development arm of the ministry to drive and gear investments in the sector towards anchor destination

### Coordination

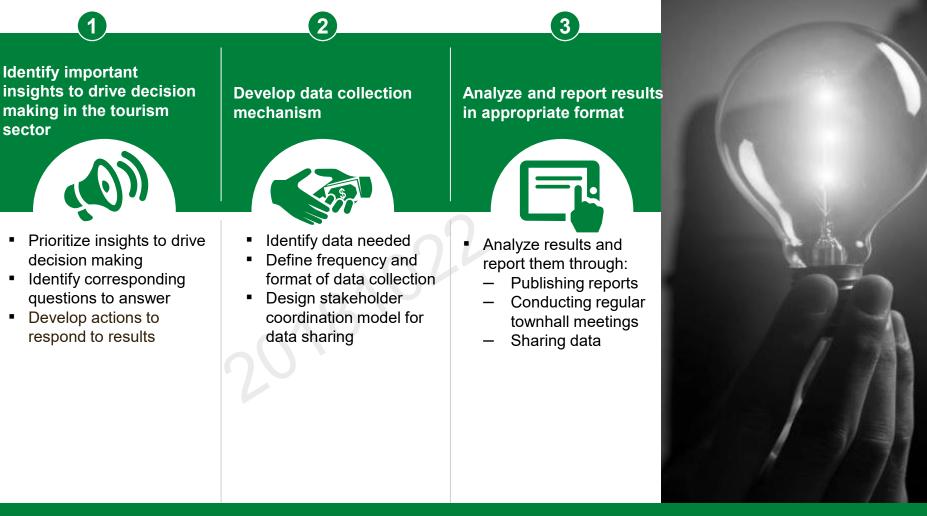
- Tourism board to drive the coordination between different stakeholders across the tourism ecosystem and implement the strategy
- Committees to drive the coordination of efforts in the anchor destination across private and public sector

Sour to ensure efficient implementation of the strategy in the anchor cities

	Participants	Key agenda topics	Frequency of meeting
Beirut activatio commit		<ul> <li>Align on master plan for Beirut and upcoming development plans for the city (pavement of roads for cycling, cleaning of the public beachfront and development of complimentary offering)</li> <li>Create alignment and coordination between multiple stakeholders to ensure developments are effectively contributing to master plans</li> <li>Provide updates on the progress of developments and plans (e.g. completion timelines etc.)</li> <li>Develop initiatives to increase private sector investments in the tourism sector</li> </ul>	<ul> <li>Bi- Monthly</li> </ul>
Byblos/ promoti commit	on • Government development	<ul> <li>Align on master plan for Byblos and upcoming development plans for the city</li> <li>Develop strategy to incentivize private sector investment in the hospitality sector (greenfield investment and refurbishment of existing hotels)</li> <li>Develop a marketing strategy and coordinate marketing efforts to ensure delivery of a consistent message</li> <li>Ensure regular sharing of intelligence (e.g. customer insights, potential new clients, client feedback)</li> </ul>	• Bi- Monthly

Reporting and analyzing data to drive informed decision making in the tourism sector requires a 3-step approach







## Tourism – priority initiatives (1/3)

			Objective	Owner <sup>1</sup>	Plays
	Т	TOU.A.1	Develop tourist friendly anchor destinations	<ul> <li>MoPWT</li> <li>Munici- palities</li> </ul>	
A Build core	000	TOU.A.2	Enhance access to/from anchor destinations to enable "hub and spoke" model	▪ МоТ	
tourism offering in anchor	T	TOU.A.3	Create an entertainment and gaming hub in Jounieh / Byblos	▪ МоТ	
destinations and set-up eco-	d	TOU.A.4	Create a vibrant calendar of event that matches top countries' preferences	▪ МоТ	
tourism hubs		TOU.A.5	Clean Lebanon's beaches and beachfront	<ul> <li>MoT</li> </ul>	
		TOU.A.6	Enhance the public beach offering in Byblos and Sour	<ul> <li>MoT</li> </ul>	
		TOU.A.7	Develop and protect eco-tourism hubs	<ul> <li>MoT</li> </ul>	
B Grow the M&I	ا کر	TOU.B.1	Develop offering in the M&I segment	<ul> <li>MoT</li> </ul>	
segment	·	TOU.B.2	Facilitate the issuance of bulk visas for corporates	<ul> <li>MoT</li> </ul>	
C Position Lebanon as a "convenient" destination for medical tourism		TOU.C.1	Incentivize the specialization of hospitals	■ MoPH	



## Tourism – priority initiatives (2/3)

Lebanon as a	TOU.C.2 TOU.C.3	Facilitate issuance of medical visas	MoPH	1
"convenient"	TOU.C.3			
medical tourism		Develop package offerings	MoPH	
	TOU.X.1.1	Increase accessibility to source markets (price and number of routes)	МоТ	ABC
X.1 Infrastructure and	TOU.X.1.2	Improve tourist experience in airport upon arrival and departure	MoPWT	ABC
connectivity	TOU.X.1.3	Attract one anchor tenant in ultra-luxury eco-tourism	IDAL	ABC
	TOU.X.1.4	Encourage the development of authentic eco-tourism offering	BDL	ABC
	TOU.X.2.1	Increase marketing budget and ensuring direct access to budget	МоТ	ABC
X.2 Marketing and	TOU.X.2.2	Launch an aggressive and targeted marketing campaign in source countries	МоТ	ABC
communication ໍ <u>ໍ່</u> ໍໍ່	TOU.X.2.3	Develop online presence for leisure and MICE tourism	МоТ	ABC



## Tourism – priority initiatives (3/3)

		Objective	Owner <sup>1</sup>	Plays
X.3 Organization A and regulation	TOU.X.3.1	Set up dedicated bodies to implement the marketing strategy and the initiatives in anchor destinations	<ul> <li>MoT</li> </ul>	ABC
	TOU.X.3.2	Set up investment zones in anchor destinations	<ul> <li>IDAL</li> </ul>	ABC
X.4 Data and analytics	TOU.X.4.1	Enhance research and data analysis to drive decision making	• MoT	ABC

## We considered 22 priority initiatives that underpin the vision of the tourism (1/8)



		Objective	Initiative	Owner <sup>1</sup>
	Tou.A.1	Develop tourist friendly anchor destinations	Building tourism hubs around anchor cities (e.g. Beirut, Byblos, Tyre) will require infrastructure enhancement in those cities. A detailed study should be conducted to understand gap areas and potential projects in each of those cities, including:	<ul> <li>Ministry of Public Works &amp; Transportation</li> <li>Municipalities</li> </ul>
			<ul> <li>Building tourist friendly paths passing though the anchor destination's main attractions (paved roads for walking/cycling, signages) (e.g. Freedom road in Boston)</li> </ul>	
00			<ul> <li>Building tourist information points and products in each anchor destination (e.g .map of the city with on recommended itinerary/attractions)</li> </ul>	
	Tou.A.2	Enhance access to/from anchor destinations to	Tourism anchor cities should be complement with easy access to 'day-trip' destinations. Transportation options should be developed, through:	Ministry of Tourism
A Build core tourism offering in anchor destinations and set-up eco-tourism hubs		enable "hub and spoke" model	<ul> <li>Creating transparency and visibility of existing transport options (e.g. through app for real-time bus location and stops, equipping buses with multilingual signages)</li> </ul>	
			<ul> <li>Developing a comprehensive country-wide public transport strategy, overhauling and regulating existing services to accommodate for Lebanese and foreign passengers</li> </ul>	
	Tou.A.3	Create an entertainment and gaming hub in Jounieh / Byblos	Lebanon is one of the few countries in the Middle East and Arab world to host gaming services. The current concession agreement through Casino Du Liban contains several improvement areas that could unlock the tourism potential of the gaming industry, allowing for:	Ministry of Tourism
			<ul> <li>Renovating and expanding Casino du Liban, with enhanced offering (e.g. hotel, restaurants, night clubs) accommodating for high-end entertainment</li> </ul>	
			<ul> <li>After thorough analysis, assessing the potential to expand the current license beyond the existing facility (e.g. within selected hotels in Lebanon) or extending licenses to new players</li> </ul>	
			<ul> <li>Expansion could happen around a gaming and entertainment strip (e.g. building a model similar to Las Vegas) with tailored tourism offerings (e.g. F&amp;B, night clubs, hotels), leveraging the accessibility created through the Jounieh Port</li> <li>collaboration with other public and private entities.</li> </ul>	

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

## We considered 22 priority initiatives that underpin the vision of the tourism (2/8)



		Objective	Initiative	Owner <sup>1</sup>
	Tou.A.4	Create a vibrant calendar of event that matches top countries' preferences	<ul> <li>Despite having tourism offerings across all seasons, the number of tourists between November - April is almost half of the number of tourists between May and October. The country's calendar of events should be revisited, to augment the activity during the low season, through:</li> <li>Developing and promoting events around the low season (e.g. Skiing events, shopping festivals, Christmas markets, indoor sports events)</li> <li>Develop a set of clear eligibility criteria for support of tourism events (e.g. target number of audience, P&amp;L of the event, target source market tourists)</li> </ul>	<ul> <li>Ministry of Tourism</li> </ul>
A Build core ourism offering in inchor lestinations ind set-up	Tou.A.5	Clean Lebanon's beaches and beachfront	<ul> <li>Promoting tourism would require positive messaging and branding for the country, coupled with initiatives tackling existing pain points. Particularly, sun &amp; beach tourism would require accessible and clean beaches, through:</li> <li>Promoting and investing in technologies to clean Lebanon's beaches and restore acceptable compositions as per international guidelines</li> <li>Developing a national campaign, in collaborations with NGOs, schools and municipalities to clean public beachfront in Byblos</li> <li>Assessing the current areas for public beaches, and developing a governance structure to continuously monitor cleanliness and safety within those beaches</li> <li>For non-public beaches, develop strict criteria for beach access, including penalties for unlawful restriction of beach access</li> </ul>	<ul> <li>Ministry of Tourism</li> </ul>
eco-tourism hubs	Tou.A.6	Enhance the public beach offering in Byblos and Sour	<ul> <li>Almost 30% of tourist travellers site 'sun and beach' as a main reason for selecting their tourism destinations. Lebanon should leverage its beach access and develop tourist-friendly destinations, including:</li> <li>Developing a public beach promenade in Byblos and Sour, potentially through private sector participation, providing a wide array of tourism offerings (e.g. F&amp;B, shopping, nightlife)</li> <li>Setting up rules and regulations for behavioural conduct in public beach promenade (e.g. littering, loitering) and enforce them by placing police patrols on the sites</li> </ul>	<ul> <li>Ministry of Tourism</li> </ul>

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

## We considered 22 priority initiatives that underpin the vision of the tourism (3/8)

		Objective	Initiative	Owner <sup>1</sup>
00	Tou.A.7	Develop and protect eco- tourism hubs	Apart from anchor city destinations, Lebanon should leverage is natural endowments to provide niche offerings through:	Ministry of Tourism
A			<ul> <li>Classifying specific rural areas as eco-tourism hubs and enforcing strict environmental regulations for entire area with implications on master planning</li> </ul>	
Build core tourism			<ul> <li>Expanding the number and variety of natural reserves / parks, and provide access to information on these parks (e.g. through social media)</li> </ul>	
offering in anchor … <i>(Cont'd)</i>			<ul> <li>Creating a label for "eco-tourism" and defining clear guideline for resorts to be classified as eco-tourism destination</li> </ul>	
	Tou.B.1	Develop offering in the M&I segment	While several Convention and Exhibition offerings exist in the Middle East, an opportunity exist in the Meetings and Incentives field capitalizing on Lebanon's location and recreational offerings. M&I clients should be actively solicited, while adequate infrastructure should be provided through:	Ministry of Tourism
			<ul> <li>Building an executive learning offering (e.g. e-MBA) that leverages universities in Beirut (e.g. AUB, ESA)</li> </ul>	
B Grow the M&I segment			• Cooperating with Federation of Tourism to develop a catalogue showcasing Lebanon's value proposition for M&I segments (list of hotels with conference rooms, sample itinerary etc)	
			<ul> <li>Shortlisting target companies in the MENA region and approaching them with M&amp;I options and offerings</li> </ul>	
	Tou.B.2	Facilitate the issuance of bulk visas for corporates	Growing the M&I sector should be accompanied by a smooth interface with public sector authorities. Facilitating the growth in inbound M&I should happen through:	Ministry of Tourism
			<ul> <li>Developing fast track and bulk visa applications for M&amp;I attendees, potential facilitated through private sector vendors</li> </ul>	
			<ul> <li>Automating the visa application and landing card procedures, simplifying the transfer of information from tourists</li> </ul>	

#### We considered 22 priority initiatives that underpin the vision of the **NON-EXHAUST** tourism (4/8)

		Objective	Initiative	Owner <sup>1</sup>
	Tou.C.1	Incentivize the specialization of hospitals	<ul> <li>While no exhaustive statistics exist on the level of specialization of Lebanese hospitals, empirical evidence suggests that hospitals have not been incentivized to specialize. Attracting medical tourists will require developing a clear value proposition, between specialization, convenience and proximity, through:</li> <li>Assessing the main purpose of travel of outbound medical tourists from Arab and GCC countries</li> <li>Shortlist specialization that exist and have the potential to grow in Lebanon</li> <li>Incentivize the specialization of hospitals in the shortlisted procedures through revisiting existing laws and tax structures</li> </ul>	<ul> <li>Ministry of Public Health</li> </ul>
C Position Lebanon as a "convenient" destination for medical tourism	Tou.C.2	Facilitate issuance of medical visas	<ul> <li>Growing the medical tourism sector should be accompanied by a smooth interface with the public sector authorities. Facilitating the growth in inbound medical tourism should happen through:</li> <li>Streamlining the visa, insurance and booking application for medical visas with proof of bookings in line with Schengen medical treatment visa, Indian medical visas etc.</li> </ul>	<ul> <li>Ministry of Public Health</li> </ul>
	Tou.C.3	Develop package offerings	<ul> <li>Growing the medical tourism sector should take into consideration the decision making process of medical tourists, including insurance approvals, through:</li> <li>Developing tailored packages for international insurances to incentivize them to channel their patients to Lebanon</li> </ul>	<ul> <li>Ministry of Public Health</li> </ul>
			<ul> <li>Creating medical packages that include examinations, multiple sessions and post-procedure treatments</li> <li>Creating comprehensive packages that combine medical offerings, with flights, visa, transport and hotels</li> </ul>	

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

#### We considered 22 priority initiatives that underpin the vision of the NON-EXHAUS tourism (5/8)

		Objective	Initiative	Owner <sup>1</sup>	Plays
X.1 Infrastructure and connectivity	Tou.X.1.1	Increase accessibility to source markets (price and number of routes)	<ul> <li>Current flight availability to source markets does not cater for the expected growth in demand, and airfare prices are in general more expensive than competing destinations. Flight connectivity and prices should be tackled through:</li> <li>Incentivizing low cost airlines to increase frequency of flights/open new routes from core markets (e.g. through discounts of parking &amp; landing fees)</li> <li>Assessing the feasibility for MEA to rent &amp; operate charter flights during peak season to source countries</li> <li>Negotiating with MEA the option to cross subsidize new routes through profitable MEA flights</li> <li>Potentially reducing exit tax on flight prices to be in line with benchmarks</li> </ul>	<ul> <li>Ministry of Tourism</li> </ul>	ABC
	Tou.X.1.2	Improve tourist experience in airport upon arrival and departure	<ul> <li>The airport infrastructure and experience is low compared to benchmarks. Improving the airport experience could be done through:</li> <li>Improving accessibility from airport to local destinations through organizing taxi and shuttle services at the airport, regulating prices and tailoring the offering to different segments</li> <li>Conducting regular training and assessment airport staff to ensure highest professionalism standards</li> <li>Streamlining the queuing process at the airport and introducing layout changes (e.g. S-shaped queuing lines), reducing queuing time at different steps in the airport (visa/immigration/security check)</li> <li>Enhance service and product offering</li> <li>Introduce wayfinding signs and boards to improve navigation at the airport</li> </ul>	<ul> <li>Ministry of Public Works &amp; Transporati on</li> </ul>	ABC
	Tou.X.1.3	Attract one anchor tenant in ultra-luxury eco- tourism	<ul> <li>The ultra-luxury eco-tourism sector should start with a pilot, allowing for proof of concept before scaling up the sector. The pilot would provide the following:</li> <li>Shortlisting areas in Lebanon with potential for an ultra-luxury eco-tourism attraction. Criteria for selection include a) proximity to airport, b) level of isolation, c) availability of land and others</li> <li>Designing special incentives (e.g. tax break, land grants) in line with global case studies</li> <li>Shortlisting and actively soliciting potential investors (e.g., Six Senses, Banyan Tree)</li> </ul>	• IDAL	ABC

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.



## We considered 22 priority initiatives that underpin the vision of the tourism (6/8)



NON-EXHAUSTIVE

		Objective	Initiative	0	wner <sup>1</sup>	Plays
X.1 Infrastructure and connectivity	Tou.X.1.4	Encourage the development of authentic eco-tourism offering	<ul> <li>Beyond luxury eco-tourism, authentic rural and eco-tourism offerings should continue to be supported through:</li> <li>Facilitating access to capital for existing authentic B&amp;B offerings in rural regions offering the "Lebanese" experiences (e.g. culinary, traditional industries)</li> <li>Building on existing efforts to promote authentic B&amp;B offerings through consolidation of efforts and organized support</li> </ul>	•	Banque du Liban	ABC
X.2 Marketing and communi- cation	Tou.X.2.1	Increase marketing budget and ensuring direct access to budget	<ul> <li>On average, peer countries spend around 7 USD in marketing per tourist, whereas Lebanon currently spends less than 2 USD per tourist. As such, Lebanon's tourism offerings should be further marketed through:</li> <li>Increasing tourism marketing budget to 14 Mn in 2019 in line with global benchmarks, and growing it year-on-year with the growth in tourists</li> <li>Financing the marketing budget through potentially increasing bed tax (e.g. from 2-7%) and providing new value-added services to tourists (e.g., Meet &amp; Greet, airport taxi fee)</li> </ul>	•	Ministry of Tourism	ABC
	Tou.X.2.2	Launch an aggressive and targeted marketing campaign in source countries	<ul> <li>Lebanon's branding and image within target source markets has not been actively monitored and developed. Therefore, it would be essential to:</li> <li>Develop Lebanon's tourism brand, in line with the country brand, and translate it into clear messages and compelling visualization (e.g., color schemes, logo, visuals, etc)</li> <li>Promote Lebanon as a high value for money Meetings &amp; Incentives destination within regional multinational and large local corporations while also capitalizing on Lebanon's complimentary leisure offering</li> <li>Participate in regional exhibitions and roadshows to promote Lebanon as a Medical Tourism destination, highlighting Lebanon's value proposition in specialty medicine (e.g. cardiology, oncology, plastic surgery)</li> <li>Develop a tailored marketing approach for each of the 15 source markets, in collaboration with identified tour operators in source countries with high share of B2B booking to prepare for 2019 season</li> </ul>	•	Ministry of Tourism	ABC

## We considered 22 priority initiatives that underpin the vision of the tourism (7/8)



		Objective	Initiative	0	wner1	Plays
X.2 Marketing and communica- tion (Cont'd)	Tou.X.2.3	Develop online presence for leisure and MICE tourism	<ul> <li>Currently, the Visit Lebanon initiative provides a stepping stone for growing digital presence of the tourism sector. These effort should be built on through:</li> <li>Leveraging technology including interactive apps, centralized portal, presence on international sites</li> <li>A tailored interactive digital portal should be developed for medical tourism, providing the following:</li> <li>Directories detailing available healthcare professionals, facilities, services etc.</li> <li>Allowing to book and purchase medical and comprehensive packages online</li> </ul>	•	Ministry of Tourism	ABC
益 X.3	Tou.X.3.1	Set up dedicated bodies to implement the marketing strategy and the initiatives in anchor destinations	<ul> <li>Implementing initiatives within the tourism sector requires collaboration of 20+ different entities. As such setting up a governance structure, in line with the Vision institutionalization mechanism, would be key, through:</li> <li>Setting-up a tourism board / task force to become the formal coordination channel between public and private tourism stakeholders, including MEA, General Security, Customs, Beirut Airport, Hotels, etc</li> <li>Setting-up committees for anchor cities (e.g. Tyre Tourism Committee, Byblos Tourism Committee, Beirut Tourism Committee) to drive relevant projects in each city and build the city's tourism brand image, in line with tourism and country brand</li> </ul>	•	Ministry of Tourism	ABC
Organization and regulation	Tou.X.3.2	Set up investment zones in anchor destinations	Anchor tourism cities (Beirut, Byblos, Tyre) will require additional hotel capacity to be built, accommodating for the growth in number of tourists. As such, investment zones should be set up, to support with promoting anchor cities with dedicated incentives packages for private investments, public infrastructure investments, product development and marketing	•	IDAL	ABC

## We considered 22 priority initiatives that underpin the vision of the tourisn

**Data and** analytics

ourism (	(8/8)		NON-EXHA	USTIVE
	Objective	Initiative	Owner <sup>1</sup>	Plays
X.4 ta and alytics	Tou.X.4.1 Enhance research and data analysis to drive decision making	<ul> <li>Any growth in the tourism sector should be accompanied by collection and analysis of the relevant data, monitoring progress and helping with proactive decision making. The tourism data analytics and research team would support with:</li> <li>Collecting and analyzing data across all steps of the tourist journey (prioritize key analyses, identify indicators and data sources, define data collection mechanism)</li> <li>Working closely with Central Statistics Authority, and to recruit high caliber talent capable of conducting complex analytical exercises</li> <li>Leveraging live analysis (e.g. occupancy rates) in decision making (e.g. package promotion during low season)</li> </ul>	Ministry of Tourism	ABC

## Tourism – additional relevant initiatives detailed within other sectors or enablers

Other initiatives related to tourism



	Objective	Initiative
Fin.X.3.3	Enhance access to financing to incentivize construction of new hotels and renovation of existing hotels in anchor destinations	<ul> <li>Refer to initiative X.3.3 under Financial Services</li> </ul>
Inf.1	Expand the airport capacity	Refer to initiative 1 under Infrastructure
Inf.4	Enhance access to/from anchor destinations to enable "hub and spoke" model	Refer to initiative 4 under Infrastructure
Leg.2.1	Amend the regulatory framework to extend gaming licenses beyond Casino du Liban	<ul> <li>Refer to initiative 2.1 under Legislation</li> </ul>
Leg.2.2	Introduce, update, enforce laws to ensure environment standards are met as per international standards	Refer to initiative 2.2 under Legislation
Leg.2.3	Stimulate investments in the tourism sector (Law 360)	Refer to initiative 2.3 under Legislation
Leg.2.4	Incentivize the specialization of hospitals	<ul> <li>Refer to initiative 2.4 under Legislation</li> </ul>
Exp.B.1	Establish the country brand and manage the perceived instability in the country	<ul> <li>Refer to initiative B.1 under Export &amp; Branding</li> </ul>

## Example of tourist-friendly destination (1/2) The Boston Freedom Trail

#### **Overview**

- Description: the Freedom Trail is a collection explanatory ground markers, graveyards, notable churches and buildings, and a historic naval frigate. The sites tell the story of the American Revolution
- Length: 2.5-mile-long (4.0 km)
- Location: path through downtown Boston, Massachusetts, largely marked by bricks
- Cost: most of the sites are free or suggest donations. The Old South Meeting House, the Old State House, and the Paul Revere House charge admission
- Management: overseen by the City of Boston's Freedom Trail Commission and partially supported part by grants from nonprofits and foundations, private philanthropy, and Boston National Historical Park
- Facilities: the trail is outside and is always open for walking. Public restrooms are available in some of the sites

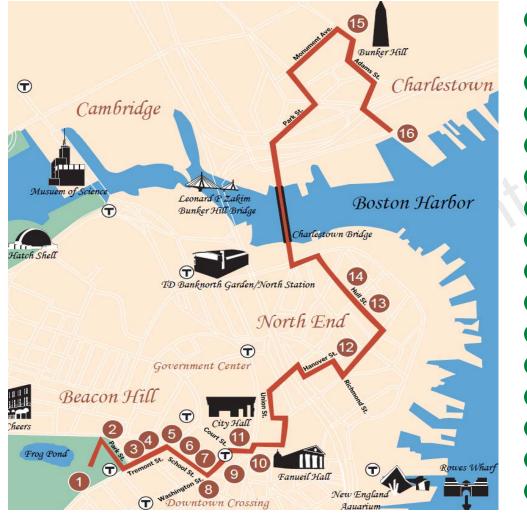
### Signs







## Example of tourist-friendly destination (2/2) The Boston Freedom Trail



**Boston Common** 2 State House 3 Park Street Church (4) **Granary Burial Ground** 5 Kings Chapel 6 Ben Franklin and Old City Hall **Old Corner Bookstore** 7 8 **Old South Meeting House Old State House** 9 (10)**Boston Massacre Site** 11 Faneuil Hall 12 Paul Revere House **1**3 Old North Church Copp's Hill Burying Ground (14) 15 **Bunker Hill Monument** 16 **USS** Constitution

The Boston Freedom trail passes by 16 locations of significance in US history



## Unlike other cities, most of Lebanon's tourism events happen within the span of 2 months

	Jan	Feb	Mar	Apr	Мау	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
New York City		Fashion Week		Tribeca Film Festival Cherry Festival	Internatior Festi NYC Design			US Tennis Open Fringe Festival	NYC Film Festival Fashion Week		Macy's Parade NY Comedy Festival	Time Square NYE	12
Dubai	Dubai Shopping Festival	Dubai Food Festival Dubai Jazz	Art Dubai GITEX Meydan Dubai WC	Dubai Fashion		Dubai Spo Ramadan in Dubai	   			Design Week Dubai Fashion Forward		Dubai Film Festival Rugby Sevens	14
Singapore				World Gourmet Summit	Asia Fashion	Great Singa		Mid-Autumn fe	F1 Grand Prix	Diwali/ Deepavali		Xmas in the Tropics	10
Lebanon		Al-Bustan	Fashion Step			т	The Baalbek International Festival The Byblos International Festival he Beiteddine Art Festival Zouk Mikael International Festival	4	Holidays				8
Montreal		Montréal en Lumière'				F1 Grand Prix	Jazz Festival	Osheaga Music and Arts Festival			Taste Montreal		5
Sydney				Sydney Carnival		Vivid Sydney		4 1 1 1 1 1 1 1 1 1 1 1	Avronov I I I I I I I	Crave Sydney Food Festival	Sydney Inter- national Art Series	New Year's Eve	5

6 key anchor event themes emerge across international benchmarks: Food, Retail & Fashion, Sports, Art, Music and Lights



## Guiding principles for developing tourism calendar of events

Guiding principles					
Optimize number of anchor events	International benchmarks of cities with vibrant event calendars indicate the necessity of <b>~5-15 anchor events per year</b>				
Ensure offerings in- corporate key themes	International benchmarks demonstrate the presence of 6 key themes across anchor events including: Food, Retail & Fashion, Sports, Art, Music and Lights				
Develop complimen- tary offerings	Anchor events should be supported by a <b>cohesive set of</b> <b>satellite events</b> in line with the overarching theme to ensure <b>city-wide activation</b> and <b>appeal across visitor segments</b>				
Counter seasonality	Large scale events intended to drive tourism should be aligned with key source market travel preferences and school holidays				
Ensure reoccurrence	Key anchor events should be <b>hosted during the same time</b> <b>period annually</b> to ensure visitors are able to reliably plan holidays based on the event				



# Case example – Athens Airport set up an incentive program to stimulate new traffic

	<ul> <li>For adding 3 or more new</li> </ul>	Total routes at Athens airport					
Incentives for new routes	<ul> <li>international routes, parking &amp; landing charges are heavily discounted <ul> <li>100% discount for first 2 years</li> <li>50, 25 and 15% discount for following 3 years</li> </ul> </li> <li>For introducing a new international long-haul1 route <ul> <li>100% discount for first 3 years</li> <li>75 and 50% discount for following 2 years</li> </ul> </li> </ul>	104	110	125	124	127	
Adding frequencies	<ul> <li>For additional long haul1 international frequencies <ul> <li>100% and 50% discount in year 1 and 2</li> </ul> </li> <li>For additional short-haul international or domestic frequencies <ul> <li>50% discount on year 1 and 2</li> <li>25, 15 and 10% discount for the following 3 years</li> </ul> </li> </ul>	Europe 15th W Athens	07 Routes Air 2009' – 5 Yorld Route wins first Eagle awa t 2003	th consec Develop place in E	cutive yea ment for Europe, 2	ar um – 2009	

1 >4.5.hours



## Prague airport has large variety of offers in their incentives scheme



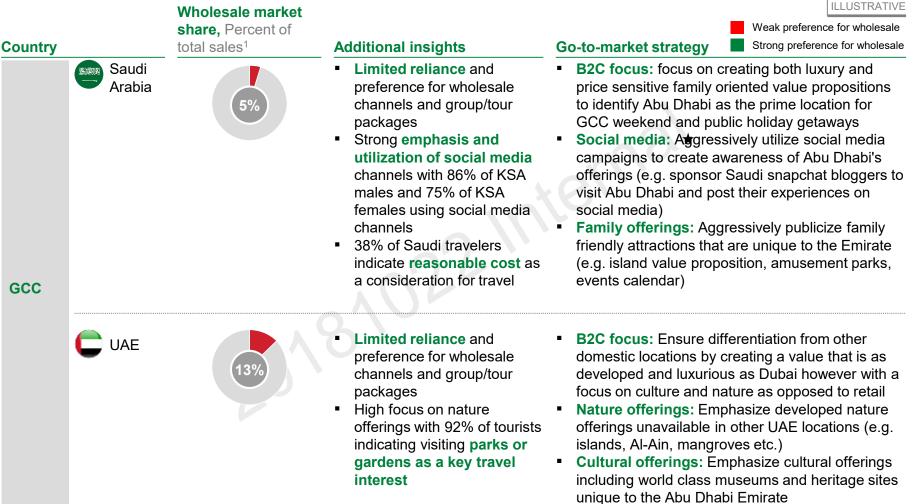
	Overview	Conditions					
Discounts of airport fees	defined period	<ul> <li>Ranked among the five biggest carriers by number of passengers</li> <li>Hub at Prague Airport, but not among the five biggest carriers</li> <li>f Start opening new destination</li> <li>Increase the total seat capacity and frequency on existing connection</li> </ul>					
Co-brandin	<ul> <li>Incentive that aims to promote airlines and airport through covering locations in other main cities</li> </ul>	<ul> <li>Airlines eligible to incentive <ul> <li>Achieve an annual volume of more than 50,000 passengers</li> <li>Start operating a new route</li> <li>Increase the total seat capacity and frequency on any existing connection</li> </ul> </li> <li>Prague Airport acquires the media in which the airline publish ist advertisement (e.g., print media, online banners, press releases)</li> <li>Creating "Fly with your airline via Prague to a number of destinations" campaings</li> </ul>					

X.1.1

## Template of qualitative Consumer research in source countries (1/2)



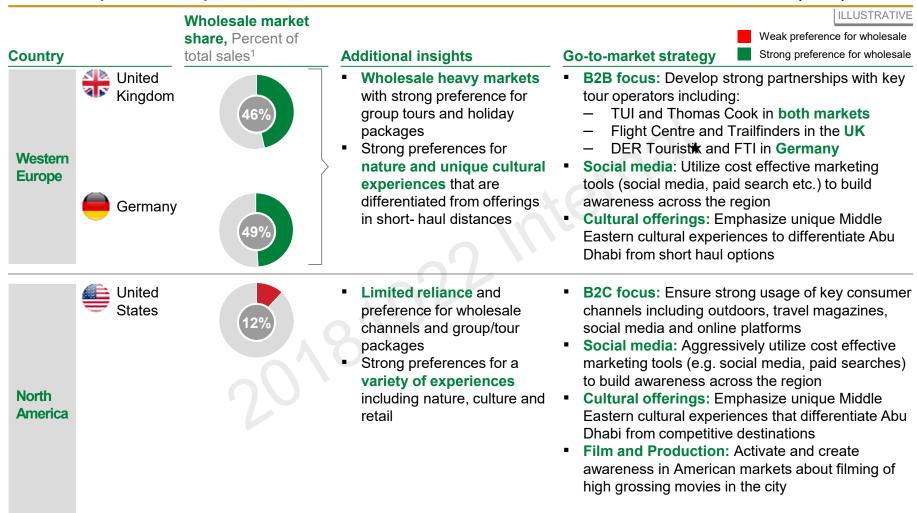
ILLUSTRATIVE



1 Percent share of total intermediary sales in 2014 attributed to packaged tour sales (includes online platform sales) 2 Based on DVS survey conducted in 2014

X.2.2

## Template of qualitative Consumer research in source countries (2/2)



1 Percent share of total intermediary sales in 2014 attributed to packaged tour sales (includes online platform sales) 2 Based on DVS survey conducted in 2014





#### I. EXECUTIVE SUMMARY

#### II. INTRODUCTION AND METHODOLOGY

- A. Methodological approach to the study
- B. Stakeholder engagement and syndication process
- C. Reviewed documentation

#### III. CONTEXT AND DIAGNOSTIC

- A. Chapter summary
- B. Economic perspective
  - 1. Macro-economic evolution
  - 2. Trade profile (exports & imports)
- C. Sector diagnostics
  - 1. Natural resources (oil & gas)
  - 2. Agriculture
  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
  - 1. Public finance
  - 2. Ease of doing business
  - 3. Monetary policy
  - 4. Economic development activation
  - 5. Trade & international agreements

#### IV. THE VISION: LEBANON'S ECONOMIC ASPIRATIONS

- A. Chapter summary
- B. Burning platform
- C. Lebanon's growth imperatives
- D. Economic aspirations and macroeconomic targets
- E. Sector prioritization mechanism and rationale

#### V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

- A. Chapter summary
- B. Sector deep-dives
  - 1. Agriculture
  - 2. Industry
  - 3. Tourism
  - 4. Knowledge economy
  - 5. Financial services
  - 6. Diaspora

#### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

- A. Chapter summary
- B. Public administration reform requirements
- C. Infrastructure including CIP initiatives
- D. Public finance requirements
- E. Main legislative requirements
- F. Country branding & export promotion

## VII. INSTITUTIONALIZATION MECHANISMS

- A. Chapter summary
- B. Governance set-up: orchestration and delivery
- C. Path forward

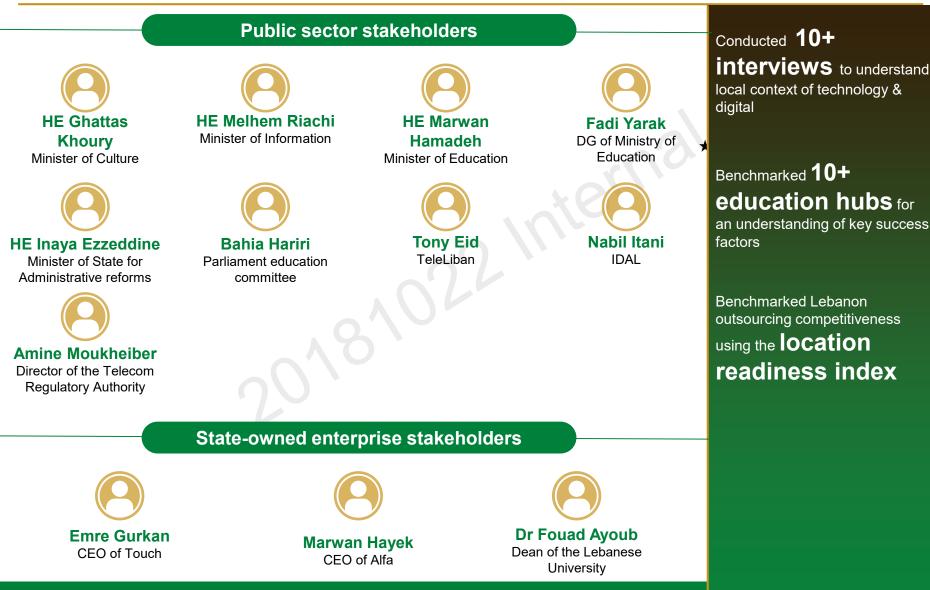
#### VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters





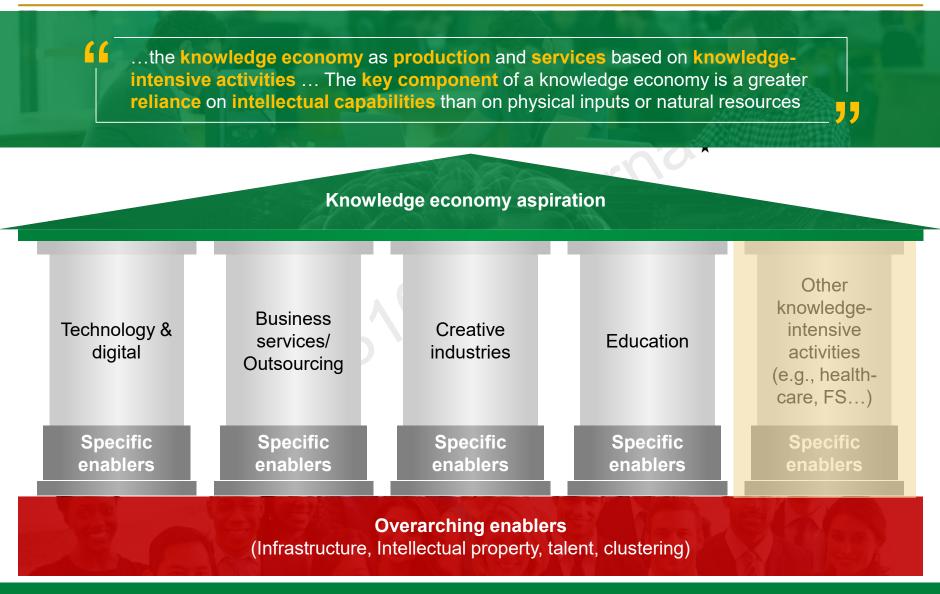
A key pre-requisite for the Knowledge Economy sector would be to establish the institutional setup governing the sector, including Ministerial governance. Our knowledge economy strategy has engaged a range of experts, benchmarks and sector reports (1/2)



Our knowledge economy strategy has engaged a range of experts, benchmarks and sector reports (2/2)



## In the context of Lebanon, knowledge economy is broadly defined as four focus sub-sectors





### Knowledge Economy sub-category description

#### Categories

#### Description

Technology & digital



Includes all players involved in the **innovation pipeline** from R&D (Universities and R&D centers), to IP & patenting (govt., commercialization offices) to commercialization of the product with an **emphasis on digital** (i.e. focus on digital startups)

Business services/



Creative industries



Education



Includes all plays whereby a **process** is **offshored** by a company to either a nearshore or remote location for efficiency gains. It **spans** the **whole** outsourcing **spectrum** from lower-skill call centers to higherskill data analytics centers

Includes sectors whose primary resource is **creativity: core creative** industries (performing arts, music...), **core cultural** industries (movies, libraries), **wider cultural** industries (digital media, publishing) and **related** industries (architecture and fashion)

Includes "economic" and "exportable" plays within education: attracting foreign students, exporting educational material (curriculums, books), building EdTech content, attracting Arabic language learners, exporting school brands



## Knowledge Economy – sector aspirations

Aspiration: To become a knowledge-driven digital nation, at the forefront of innovation, acting as a talent hub for technology, outsourcing, creative industries and education

#### **Current situation**

- Emerging but nascent technology & digital industry, with limited access to global markets and low digitization across economic sectors & government
- Small and fragmented outsourcing industry, lacking regional recognition
- Intrinsically competitive in creative industries (fashion, movie) but facing several challenges
- . Strong tertiary education system but low current export potential for the sector (e.g. low attraction of international)
- Lacking regulatory environment, digital & creative talent, limited access to funding and sub-par sector governance and infrastructure

#### Targets

Knowledge economy GDP, USD Bn

#### 2025

Regional technology leader with players in FinTech, CreativeTech, EdTech & HealthTech: strong technology adoption across priority economic sectors and digital government

Regionally renowned outsourcing sector with B established brand, attracting captive centers for regional MNCs, along with flourishing domestic offering of research & analytics

Regional creative hub, globally renowned for a set of **specific niches** 

Educational hub, attracting regional students D across the board, and international students for specific niches

Vibrant ecosystem, regionally renowned as the Х "go-to" hub for startups, offering best in class regulation, abundant funding and world-class digital talent

## 2035



- Regional innovation hub with several unicorns having a 1USD Bn+ valuation; digitization as the key driver of sector productivity across all sectors and digital as the unique delivery means of **government** and private sector services
- Globally recognized as the "Go-to" global hub for research and analytics with deep regional & cultural expertise
- Creative as a core driver of all Lebanese . economic sectors
- World-class education hub, with leading tertiary institutions at a global level, attracting international students across the board





## Knowledge Economy: Technology – summary of diagnostic

Economic contribution	Sector performance							
Total jobs, 2017	Total value of VC deals, USD Mn 2017 # of deals							
~7,000 Startups 2,000 Incumbents 5,000	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$							
Technology & innovation	funnel, by stage of company							
<ul> <li>Sub- spen</li> </ul>	Idea peration / R&DCommer- cializationStart-up / early stageGrowthpar R&D d and of funding• Low volume of patents• Ease of doing business• Lack of growth funding & 							
Digital eco- nomy	on lags all Middle-Eastern countries on digitization index							
DIONAL	on lags all GCC countries on the UN e-government readiness index (0.56 2) only slightly outranking Egypt & Jordan in the Middle East							

#### **Key challenges**

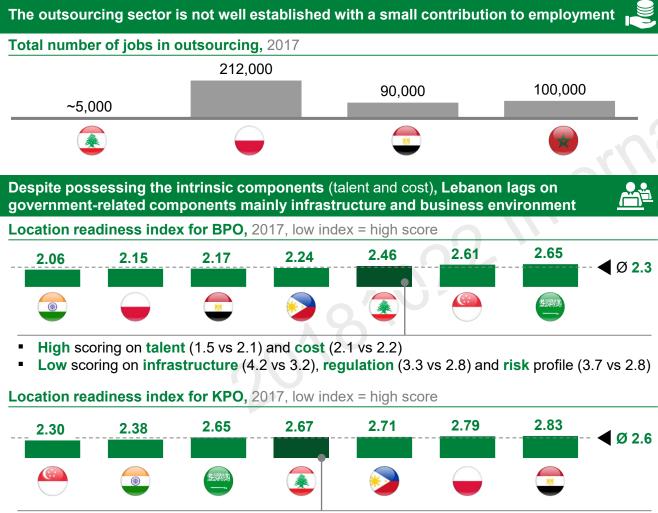
- Low availability of digital talent
  - Despite Lebanon's strong talent base, access to talent was reported to be the main obstacle faced by domestic start-ups
  - Moreover regional entrepreneurs consider Lebanon as the top source for creative & marketing talent, but as lagging behind for core technical skills

#### Missing key regulatory requirements

- The sector suffers from sub-par regulations such as the current incorporation laws (preferred shares, stock-options), and a sub-par judicial system
- For e.g. only 20% of entrepreneurs offer stockoption schemes whereas ~50% of the talent pool would be willing to accept it as compensation scheme



## Knowledge Economy: Outsourcing – summary of diagnostic



- High scoring on talent (2.1 vs 3.0) and cost (2.1 vs 2.2)
- Low scoring on infrastructure (4.2 vs 3.2), regulation (3.3 vs 2.8) and risk profile (3.7 vs 2.8)

#### **Key challenges**

- 7
- Sub-par virtual and physical infrastructure
  - Physical and virtual infrastructure lags with low broadband speeds (5Mbps, 127th globally) and high mobile connectivity costs
  - Un-empowered regulatory authority (TRA) leading to in lack of continuity and uniformity in the sector (e.g. stopping of the E1 lines for call centres)
- Sub-optimal regulatory framework and environment with lack of incentives
  - Sub-par ease of doing business environment
  - Required laws not in place: bankruptcy law, competition law, IP protection law
  - No zones in place offering taxincentives and lower infrastructure costs (telecom & rental costs)
- High country risk profile
  - Low macro-economic and political stability, a key input to outsourcing location criteria

秦

High

## Knowledge Economy: Education – summary of diagnostic In line with peers

**Economic contribution Key challenges** Performance Real GDP value of education Declining performance of Bn USD in 2010 prices Performance metric, 2015 compared to peers the education system (Quality of education XX CAGR GDP % GDP<sup>1</sup> Quality of education, 417 system in Lebanon is Universal scale score 8.1% 7.6% classified as "Low") × 6.4% **Public expenditure** 0-1000 Outdated Curriculum per student, PPP USD (Latest update was in 1997) 3% 1% Number of High regional competition in 2.7 2 universities in top attracting international 2.2 2.1 500, # tertiary students 2005 10 2016 Skill gap between the labour force demand  $\Delta^{\Delta}$ Inbound International students – Higher education and supply Stock of international students 2017, Split of international students by nationality 2017, '000 student '000 students XX Share of international out of total students XX % of international students 13% 10% 100% 62% 38% +4% p.a. -8% p.a. 26 20 12 21 20 8 2006-2007 2011-2012 2016-2017 Total Syrians & Foreigners Palestinians 1 Excluding taxes and subsidies



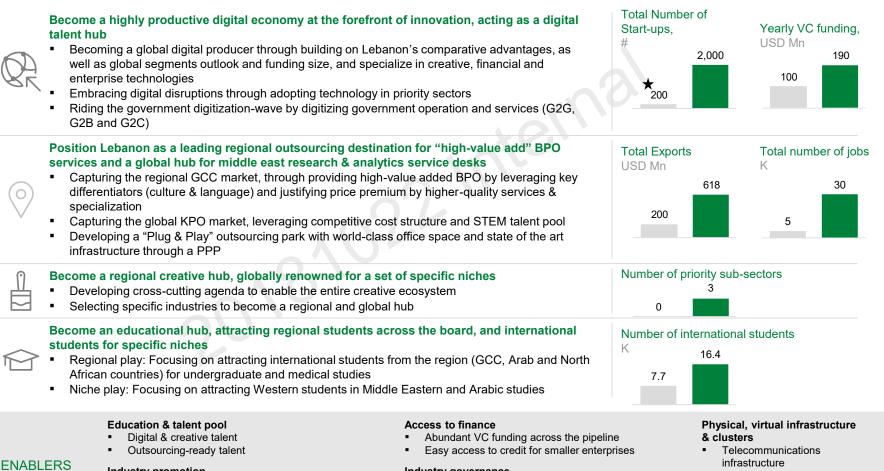
## Knowledge Economy – 2025 sector charter

2025

2025 TARGETS

Aspiration: An knowledge-intensive and digital nation, at the forefront of innovation, acting as a talent hub for technology, outsourcing, creative industries and education

#### SECTOR PLAYS

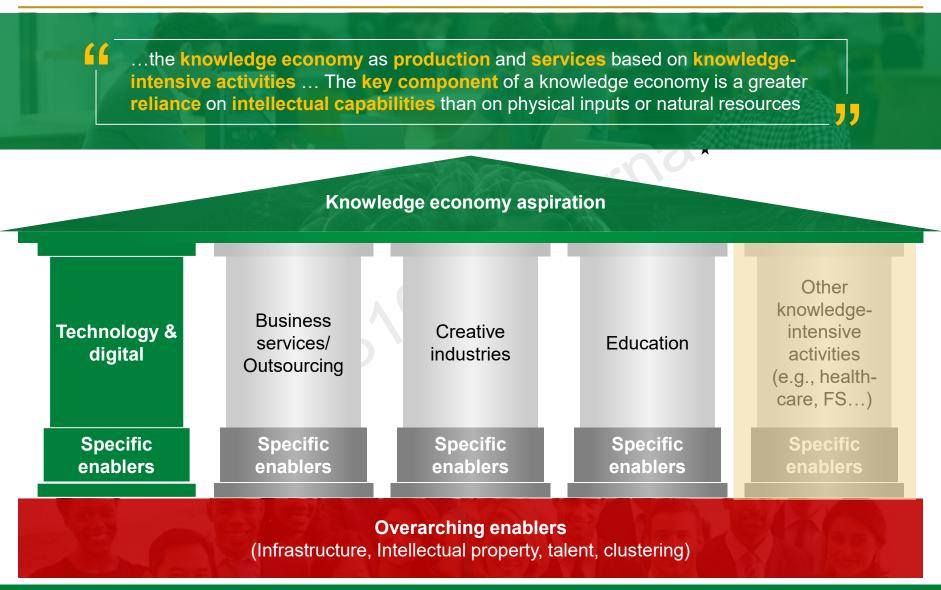


- Industry promotion
- Physical and virtual clusters for incentives &

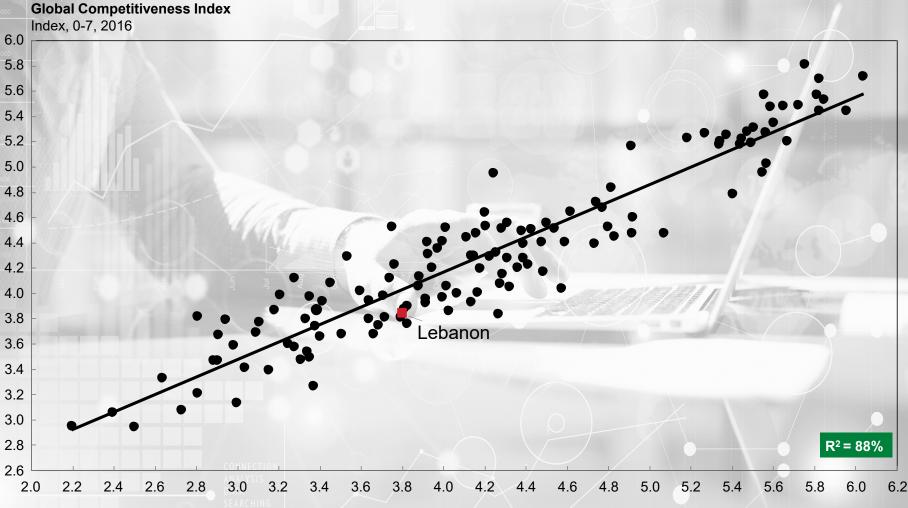
- Industry governance
- Non-fragmented governance
- Global promotion campaigns

- infrastructure
- Rental

## In the context of Lebanon, knowledge economy is broadly defined as four focus sub-sectors



## There is a strong correlation between digital development and country competitiveness



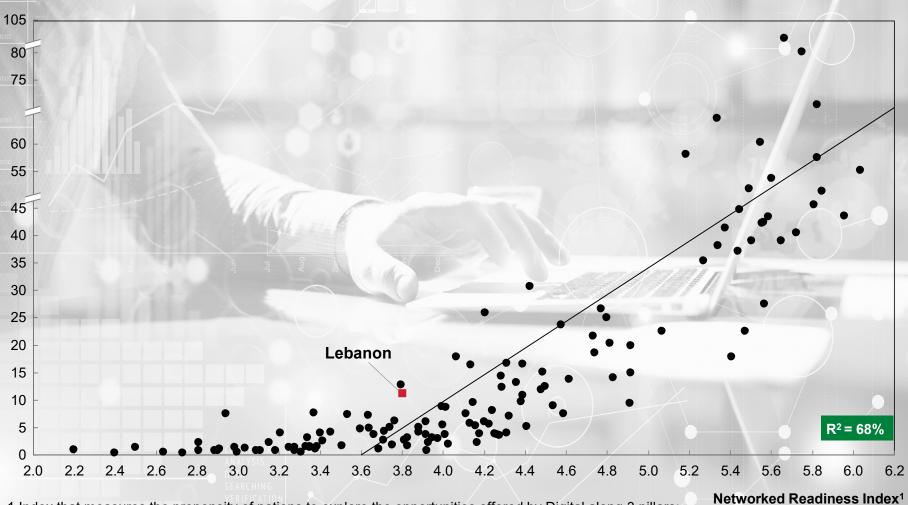
NB: One must consider that these indexes share many components, so the strong correlation is expectable 1 Index that measures the propensity of countries to explore the opportunities offered by Digital

Networked Readiness Index<sup>1</sup> Index 0-7

Source: World Economic Forum

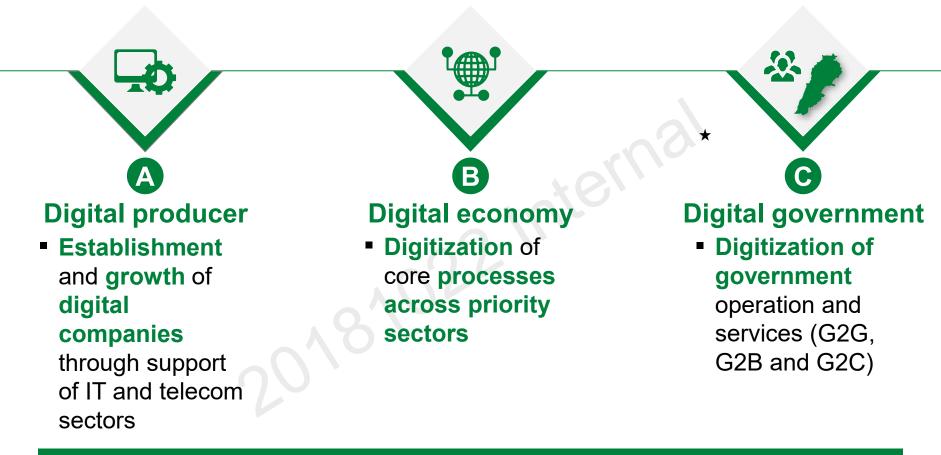
## Moreover, digital development is highly correlated with a country's per capita GDP

#### Per capita GDP K USD, 2016



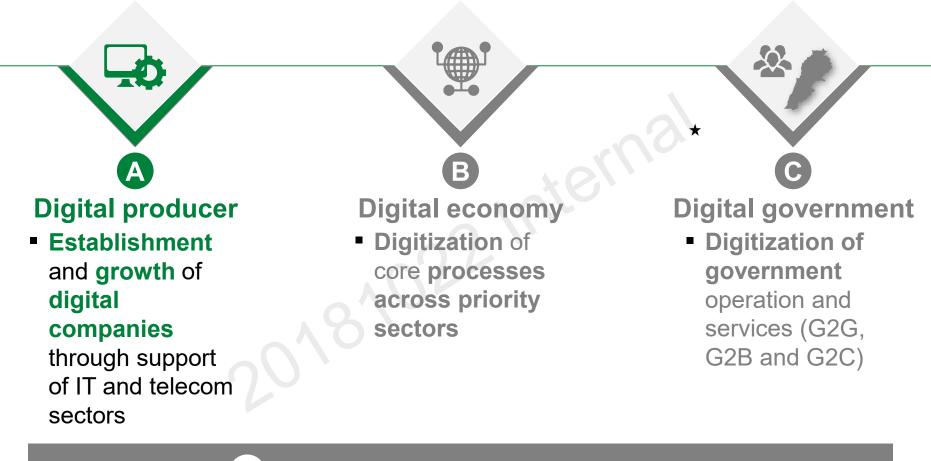
Index 0-7

1 Index that measures the propensity of nations to explore the opportunities offered by Digital along 3 pillars: environment (a political and business environment that supports Digital adoption), readiness for use (cost, digital content, capability) and utilization (individual, company, government) Source: World Economic Forum; IMF A country's digital strategy typically revolves across three key pillars with overarching enablers



Environment & enablers
 Mobile & fixed infrastructure, payments, cybersecurity...

A country's digital strategy typically revolves across three key pillars with overarching enablers



Environment & enablers
 Mobile & fixed infrastructure, payments, cybersecurity...

To enable the growth of the sector, the government should work on growing mid-sized players while setting the right framework for startups

Today, the technology landscape is dominated by small companies (75% of firms are below 25 employees) and startups (~300 startups employing ~2,000 employees)



Focus on enhancing the digital & technology ecosystem to enable highgrowth of the start-up scene

- Vibrant ecosystem,
- regionally renowned as a DESCRIPTION "go-to" hub for startups, offering
  - Best in class regulation, abundant funding, worldclass digital talent



Focus on growing current

medium-sized companies

into national champions

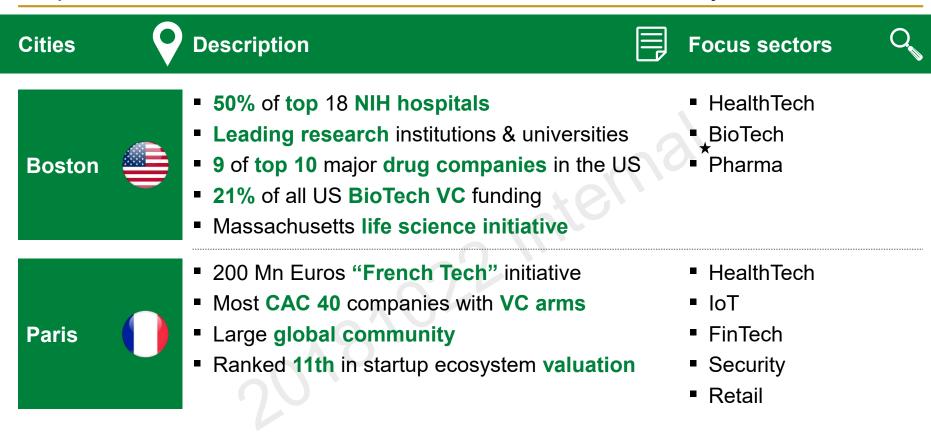
Higher success rate than startups

A Four dimensions can be tackled to address the main challenges hindering the effective growth and export potential of technology





To realize the full growth and export potential, global hubs specialize and position themselves as centers of excellence around key focus sectors



A Regional success stories have specialized in areas extensively leveraging country's comparative advantages



# Sanghami Careem

- Advantage leveraged: Creative industries
- Anghami is the first legal music streaming platform and digital distribution company in the Arab World providing unlimited Arabic and International music to

stream



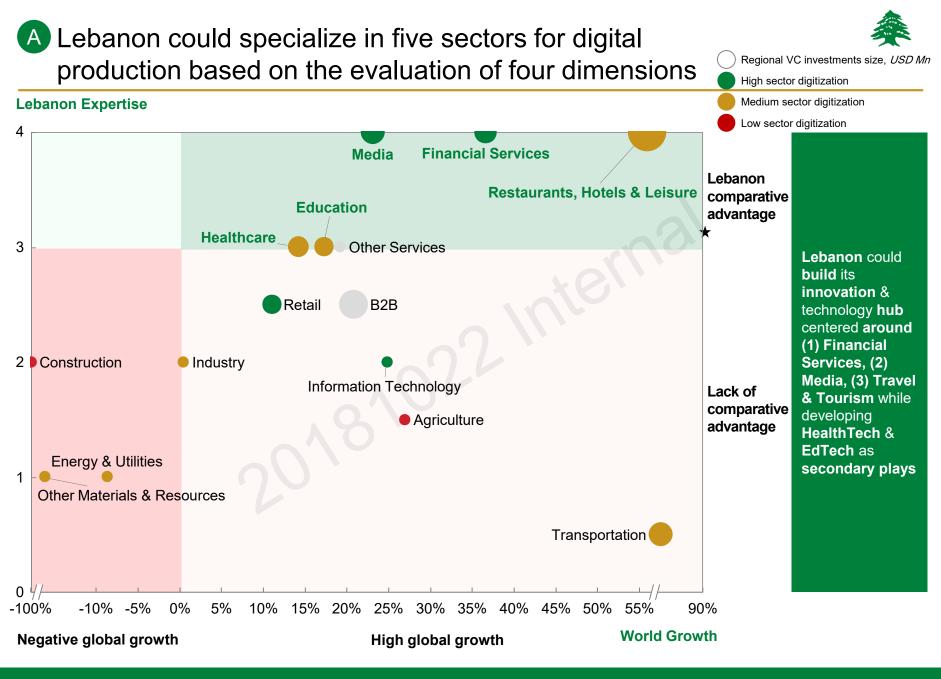
- Advantage leveraged: Large base of corporates & MNCs
- Careem is a transportation network company based in Dubai, with operations in 80 cities in 13 countries in the Middle East, North Africa, and South Asia



SOUQ.com fetchr?

- Advantage leveraged: Transportation & logistics
- Souq.com is the largest ecommerce platform in the middle east
- Fetchr is an international express, mail delivery and logistics services company





A Global innovation & technology hubs managed to create ~4 companies per 10,000 for a total valuation of 5% GDP; Lebanon can create 20K jobs

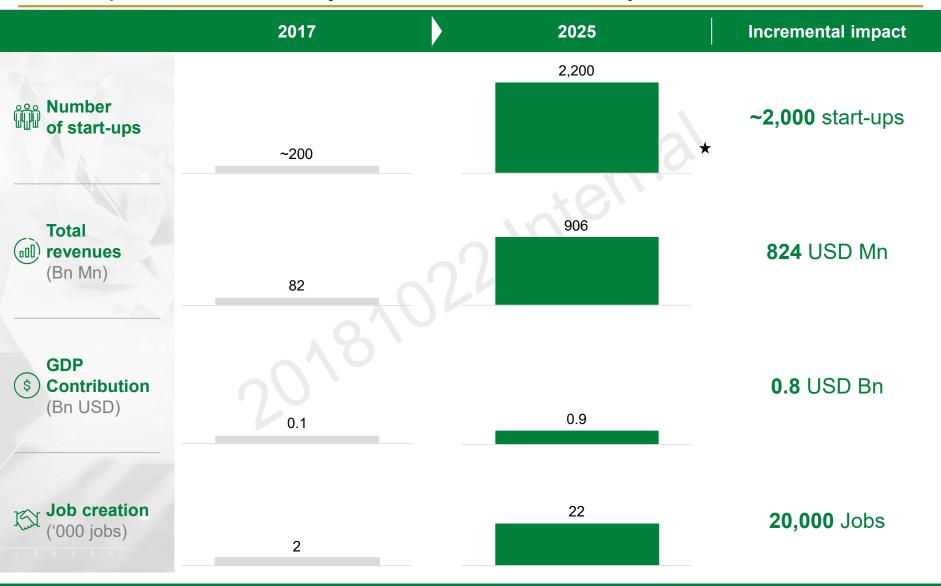
Country	Ecosystem valuation, USD Bn, 2017	Number of startups K, 2017	Metropolitan GDP USD Bn, 2017	Metropolitan population Mn, 2017	<b>Valuation/</b> <b>GDP</b> %, 2017	Number of startups per 10,000, 201	7
Silicon Valley	264	15	619	8	42.6%	19.1	<ul> <li>Global hubs achieved penetrations of ~3.8 startups</li> </ul>
New York	71	7	1,559	24	4.6%	2.9	per 100,000 people and a <b>valuation</b> at
London	44	5	542	14	8.1%	3.6	<ul> <li>~5% of region/country</li> <li>GDP</li> <li>■ Assuming</li> </ul>
Boston	30	3	382	5	7.9%	7.2	Lebanon can reach' global hubs
Paris	12	2	688	12	1.7%	1.9	<b>penetration</b> levels, <b>~2,000</b> new <b>startups</b> could be
Singapore	11	2	264	6	4.2%	3.6	created leading to ~20,000 new jobs <sup>2</sup>
Sydney	7	2	320	5	2.1%	3.4	
1 Excluding Silicon V	/alley				Ø 5% <sup>1</sup>	▲ Ø 4 <sup>1</sup>	

2 Assuming 10 FTEs per startup

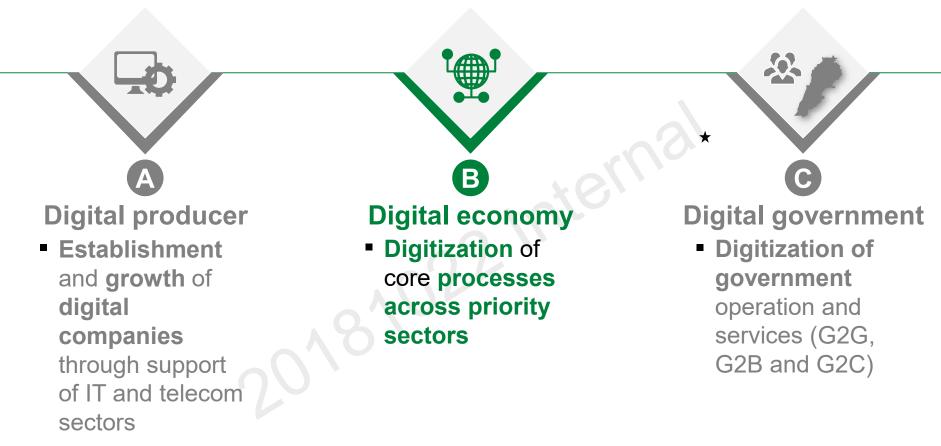
Achieving aspirations can result in a GDP impact of USD ~0.8 Bn

and provide ~20K new jobs for the local economy in 2025





A country's digital strategy typically revolves across three key pillars with every every



Environment & enablers
 Mobile & fixed infrastructure, payments, cybersecurity...

Beyond digital production, Lebanon has the potential to capture a GD uplift of 6-10% by 2025, from focused sector digitization

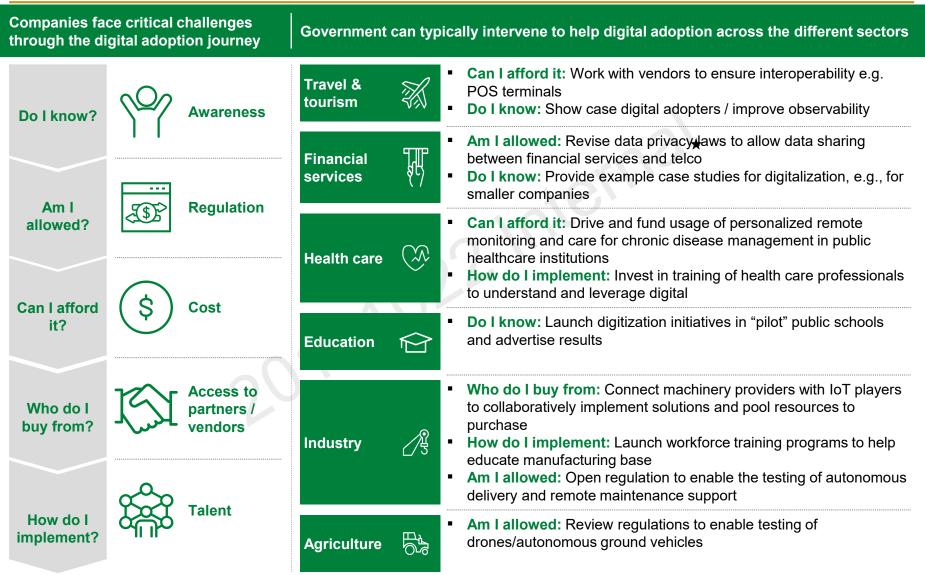
Countries can typically achieve a ~6-10% uplift in GDP Lebanon should focus on the digitization of 7 from domestic sector digitization key sectors **Global level of digitization** GDP uplift from digitization, %, 2015-2025 🛑 Low 😑 Medium 🔵 High Upper estimate Lower estimate Fravel & tourism EU 7% 4% 11% Media & creative technologies **Priority** sectors for **Financial services** digital production 2% 8% US 6% **Healthcare Education** Australia 7% 5% 12%  $\oplus$ Industry **Priority** sectors from country 4% 2% 6% Brazil **Agriculture** vision

B Several digital disruptive trends are shaping the future of Lebanon's priority sectors NOT EXHAUSTIVE

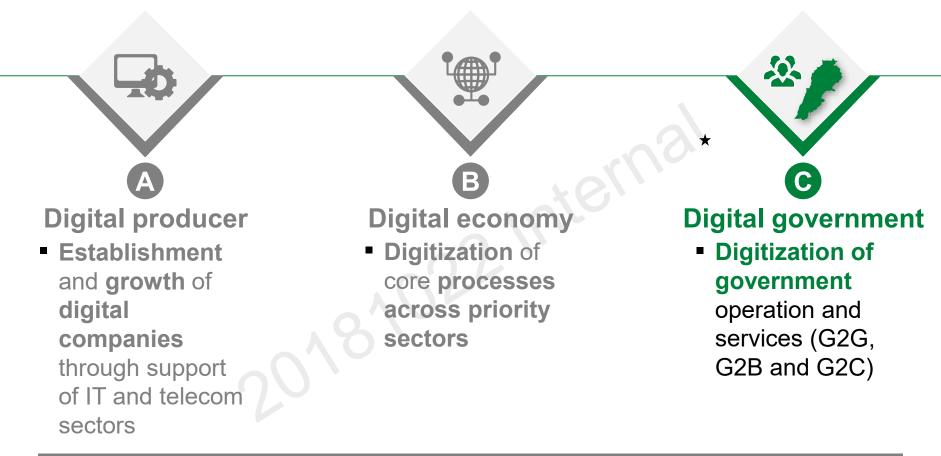
	Travel & Tourism	Media & 🏦 creative 🖂	Financial Services	Healthcare	Education	Industry	Agriculture
1	Online travel agencies • Explosion of online and mobile bookings Expedia	<ul> <li>3D Printing</li> <li>3D printing is a process in which material is joined under computer control</li> </ul>	Innovative FinTechs • Fully Digital Operations • High service 7 TransferWise	Remote diagnostic Use of telecom. and IT to provide clinical health care from distance MEDCATE	<ul> <li>Unbundled offering</li> <li>Offering "micro- credentials" for discrete skills in lieu of degrees</li> <li>Impedia OpenBadges</li> </ul>	<ul> <li>Real-time machine monitoring to provide operator feedback</li> </ul>	<ul> <li>Biologics</li> <li>Microorganisms that enhance plant roots' ability to access nutrients</li> </ul>
2	<ul> <li>Sharing economy</li> <li>Airbnb: Innovative offering with corporate travel and group, tours and activities</li> <li>Control Control</li> <li>Control</li> <li>Control<td><ul> <li>AR/VR</li> <li>VR &amp; AR as technology mediums to deliver creative output</li> </ul></td><td>New attackers • Completely online banks • Robotic advisory model • Spending patterns • Minibank</td><td><ul> <li>Tele-radiology refers to the electronic transmission of radiological images through the Internet</li> </ul></td><td>Blended learning • Combination of in-person and technology- based solutions</td><td><b>IoT</b> • Collect real-time after-sales data from sensors and customers (e.g., connect to factory operations, predictive quality control)</td><td><ul> <li>Precision irrigation</li> <li>Sensor driven drip-irrigation or mechanical to maximize area irrigated, reduce wastage, and optimize cost/ profitability</li> </ul></td></li></ul>	<ul> <li>AR/VR</li> <li>VR &amp; AR as technology mediums to deliver creative output</li> </ul>	New attackers • Completely online banks • Robotic advisory model • Spending patterns • Minibank	<ul> <li>Tele-radiology refers to the electronic transmission of radiological images through the Internet</li> </ul>	Blended learning • Combination of in-person and technology- based solutions	<b>IoT</b> • Collect real-time after-sales data from sensors and customers (e.g., connect to factory operations, predictive quality control)	<ul> <li>Precision irrigation</li> <li>Sensor driven drip-irrigation or mechanical to maximize area irrigated, reduce wastage, and optimize cost/ profitability</li> </ul>
	Advanced analytics	Artificial intelligence	Incumbents perusing digital transformation	Omni-channel delivery	Crowdsourcing platforms	Advanced analytics	Drones
3	<ul> <li>Rising guest expectations: "know, recognize me"</li> <li>Proliferation of data (internal and 3<sup>rd</sup> party)</li> </ul>	<ul> <li>Study devices that perceive their environment and take actions to maximize the chances of success</li> </ul>	<ul> <li>Cut costs or die</li> <li>Breakthrough digitization</li> <li>BBVA</li> </ul>	<ul> <li>Delivering clinical services through a seamless experience</li> </ul>	<ul> <li>Providers who consolidate courses and link education content providers to students</li> </ul>	<ul> <li>Implement advanced algorithms for spare parts forecasting and supply planning</li> </ul>	<ul> <li>Enable live monitoring of the field to enable the farmer to make analytically driven decisions.</li> </ul>
Sc	ource: Press Search						877

## B Government interventions can aid companies through the digital adoption journey





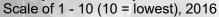
A country's digital strategy typically revolves across three key pillars with overarching enablers

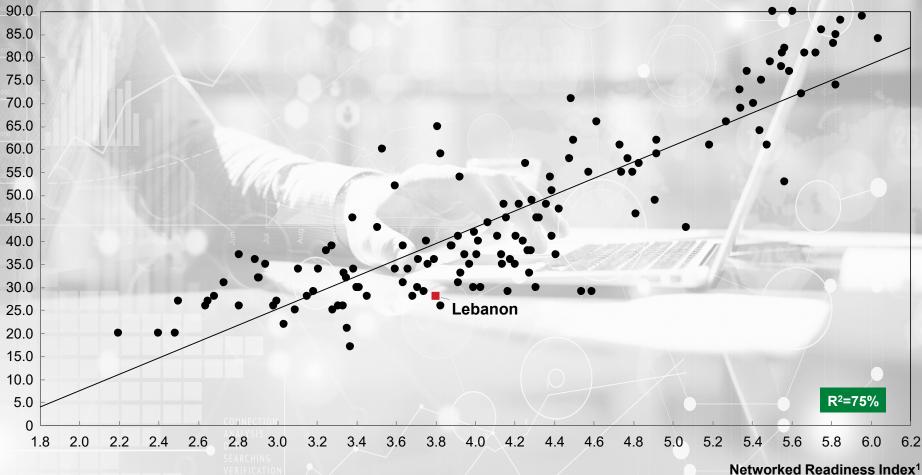


Environment & enablers
 Mobile & fixed infrastructure, payments, cybersecurity...

## C A clear correlation exists between digital development and public sector transparency

Perception of corruption





Index, 0-7

1 Index that measures the propensity of countries to explore the opportunities offered by Digital

Source: Transparency International; World Economic Forum

## C New technology disruptions are changing the service paradigm in the public sector



**Personalized citizen** and business identifiers help present an authenticated single view of the customer to all parts of governments

New technologies and

collaborate and serve

engaging the public as

co-producers of public

value and improving

accountability and

transparency

citizens more effectively

social media help



Mobility and portal devices help serve citizens seeking "anytime, anywhere" service delivery in the future



Interactive governance can enable governments to build deeper, richer and more collaborative relationships with the people they serve



Analytics can help cope with big data and enable governments to make better use of data insights to be more proactive in public services



A new generation of processes and tools help build more productive public services that improve relationships and lives

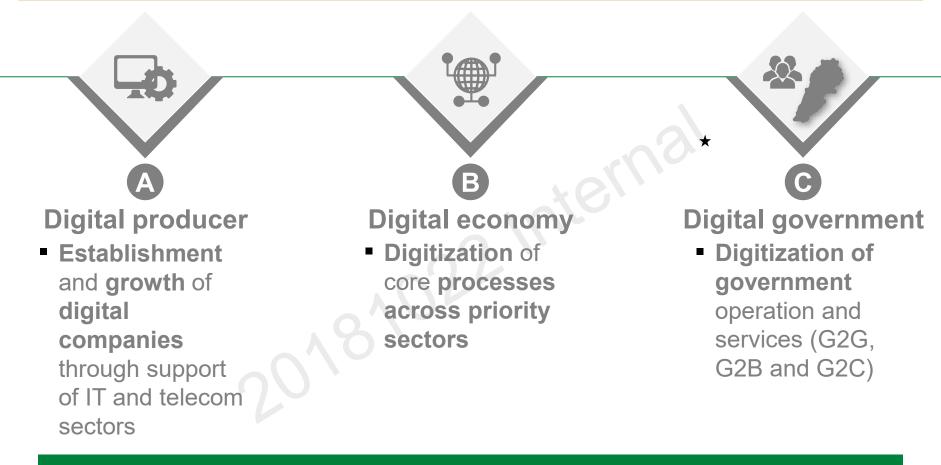


**Cloud-based IT** architectures can help governments gain flexibility and integrate services at reduced cost



**Connected health uses knowledge** and technology in new ways for more effective, efficient healthcare, such as mobilizing healthcare information electronically across organizations with a region, community or hospital system for improved outcomes at lower cost Digital government strategy currently developed by OSMAR to adopt disruptions and disseminate digital culture in the public sector

A country's digital strategy typically revolves across three key pillars with overarching enablers



Environment & enablers
 Mobile & fixed infrastructure, payments, cybersecurity...

D To strength its positioning as a digital country, Lebanon should tackle shortcomings across the different dimensions of innovation



7. Technology & Digital Governance



D1 To be in line with global innovation leaders, R&D spend should grow B ~20+% p.a.

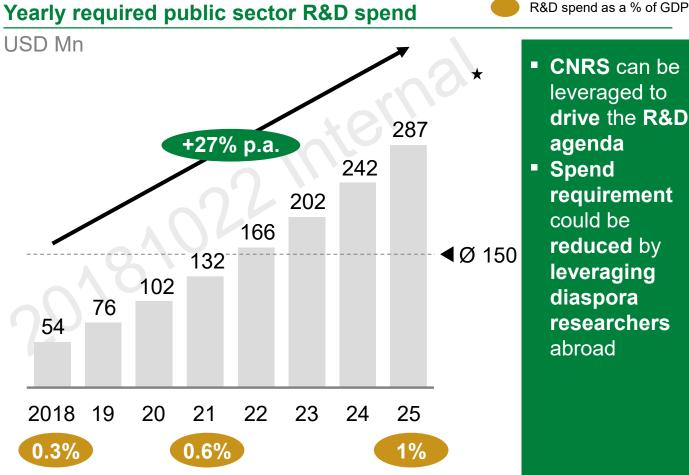
Key learnings from global lessons

The government has a key role in driving growth in R&D spend, either through direct investments or through incentives

R&D is a long term game with continuous spend even during economic downturn

Successful countries spend at least 1-2% of **GDP** on R&D

The public sector needs to instigate the R&D efforts a typically provide 30%+ of total **R&D** 



**CNRS** can be leveraged to drive the R&D agenda Spend requirement could be reduced by leveraging diaspora

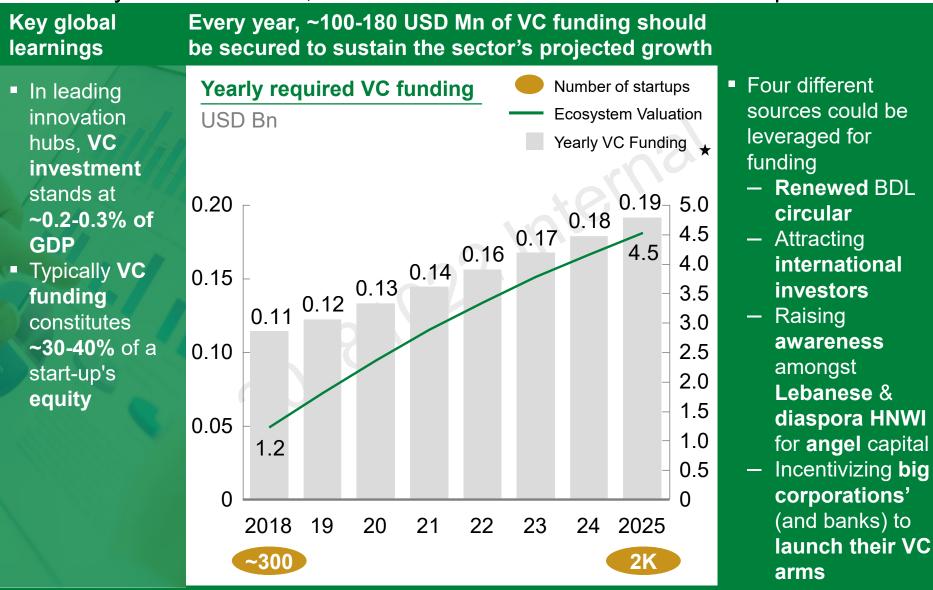
researchers

abroad

# D2 To nurture digital talent, the government, should follow global trends and invest in coding initiatives, supported by the private sector

National Initiatives	<ul> <li>Code@SG: Introduced in 2014, IMDA (Infocomm and Media Development Authority) works with relevant stakeholders to introduce coding and computational thinking to more students in schools through a combination of infocomm clubs, competitions, and enrichment programmes. The programme has reached more than 130,000 students</li> </ul>
	<ul> <li>Curriculum overhaul: In September 2014 coding was introduced to every child aged 5- 16 years old, making the UK the first major G20 economy in the world to implement on a national level. The new curriculum teaches children how to code, and how to create their own programs; not just how to work a computer, but how a computer works and how to make it work for you</li> </ul>
Global organizations	<ul> <li>Code Club International: Code club is an international voluntary initiative which aims to provide opportunities for children aged 9 to 13 to developing coding skills through free after-school clubs. It has volunteers and clubs in over 125 countries and has helped over 150,000 learn coding</li> </ul>
	<ul> <li>Code.org: Code.org is a non-profit dedicated to expanding access to computer science and increasing participation. Code.org organizes the annual Hour of Code campaign which has engaged 10% of all students in the world and provides the leading curriculum for K-12 computer science in the largest school districts in the United States.</li> </ul>
Active entrepreneurs involvement	<ul> <li>École 42: Brainchild of Xavier Niel, a French billionaire, Ecole 42 is a teacher less coding school in Paris started in 2013. A batch of 1000 students accepted on merit get tasks every morning which have 48 hours to complete them, so they are always juggling various projects, sort of like in real life.</li> <li>Students figure the tasks and mistakes themselves and are graded by peers. École 42 is both project-based learning and peer-to-peer learning</li> </ul>

In order to sustain projected growth in start-up and reach ~4.2 USD B ecosystem valuation, ~100-180 USD Mn of VC funds are required

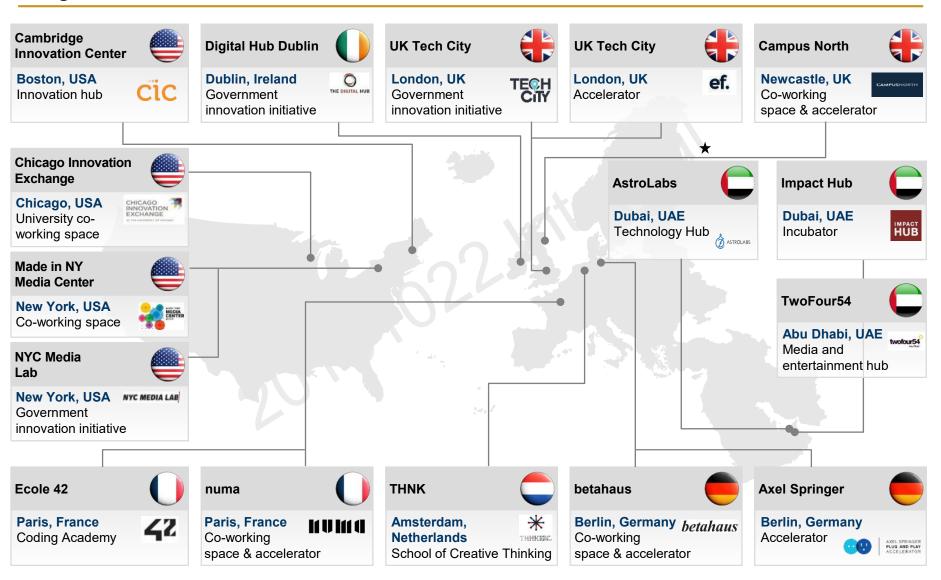


### Several key regulatory requirements and government incentives were identified

Key regulatory changes	Description			
Bankruptcy law	Modernize insolvency and bankruptcy laws			
Tax law	Introduce tax reductions/exemptions for startups	Agree	Disag <del>t</del> ee	Undecided
IP law	Modernize intellectual property laws to ensure IP protection	53%	21%	<u>ر</u> ق 26%
Capital markets	Activate capital markets to ensure IPO opportunities		reneurs offering equity	
Incorporation laws	Introduce startup friendly legal structure (e.g. stock options, preferred shares)	% responses, N=963		<ul><li>Offer Equity</li><li>Do not Offer Equity</li></ul>
Customs	Reduce custom duties and optimize clearance process specifically on hardware			
Special fees	Introduce the "Free-zone" concept with subsidized utilities fees		80%	

Source: Wamda; ArabNet; Beirut Digital District; Market interviews

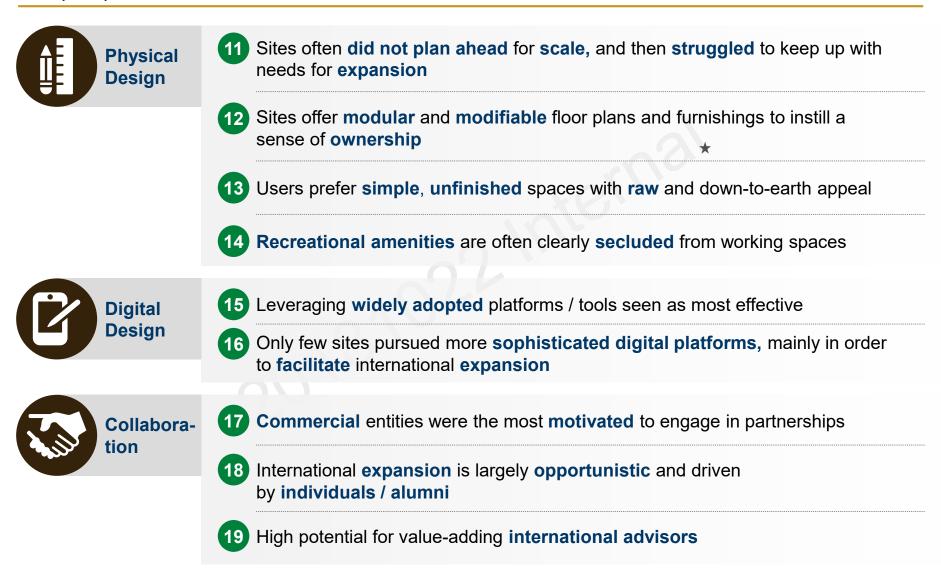
### Countries across the world have set up digital hubs to further enable the growth of the sector



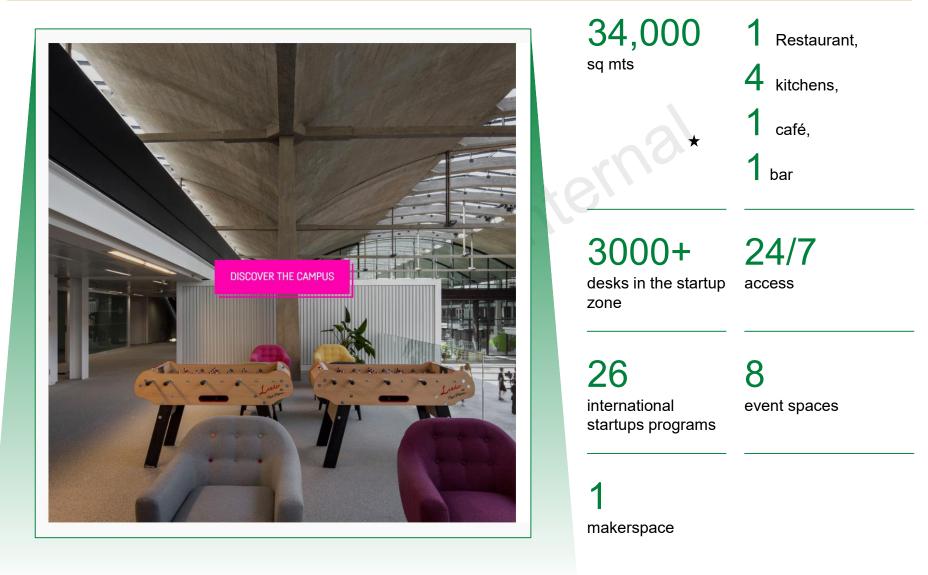
19 key insights summarize the main learnings from international hubs (1/2)



19 key insights summarize the main learnings from international hubs (2/2)



D5 France founded Station F, one of the largest startup shared space in the world, offering a full-fledged array of support services



### Illinois's Innovation Council serves as a potential model for a coordinating body



In 2011, Governor Pat Quinn announced the creation of the Illinois Innovation Council as part of his annual budget address. The Council aims to identify and advance strategies that accelerate innovation, economic growth, and job creation. It was recommended by the Governor's Economic Recovery Commission

#### **Functions**

- Promote the role and importance of innovation in economic development and quality of life
- Partner with academic institutions, businesses and government entities to improve support for innovation and align public and private resources
- Attract innovation-driven enterprises and individuals to Illinois in order to expand existing industry clusters and develop new ones
- Develop policies to cultivate and retain entrepreneurs, innovative researchers, and other enterprises
- Recommend criteria to measure, index, and communicate Illinois' performance as a global source for innovation
- Establish grant or investment programs to support innovators from research institutions, entrepreneurs, and others

Members				
Profile	Example			
<ul> <li>Serial entrepreneurs</li> </ul>	<ul> <li>Co-Founder, Groupon</li> </ul>			
<ul> <li>Research institutions</li> </ul>	<ul> <li>Provost, University of Chicago</li> </ul>			
<ul> <li>Financiers</li> </ul>	<ul> <li>Managing Partner, Pritzker Group Venture Capital</li> </ul>			
<ul> <li>Executives from large corporates</li> </ul>	<ul> <li>CIO, Hyatt Hotels</li> </ul>			
<ul> <li>Support organizations</li> </ul>	<ul> <li>Co-Founder, Chicago Innovation Awards</li> </ul>			
<ul> <li>Political leaders</li> </ul>	<ul> <li>Alderman, City of Chicago</li> </ul>			
25 total: meets 4x / year				

#### Implementing partner



Non-profit, member organization that drives publicprivate partnerships between industry, research universities, federal labs and government to increase research and technology-based investment, talent, awareness and job growth in Illinois A "Digital & Entrepreneur Task Force", consisting of experts from across the innovation funnel, could provide senior stakeholder input on strategy

Ecosystem component	Profile description			ablish an "Entrepreneur Council" to e country's innovation strategy
Entre- preneur support	<ul> <li>CEO(s) of leading incubators in priority sector(s)</li> </ul>	<ul> <li>Optimize for individuals with</li> </ul>	Potential council function	Illustrative role
Entre-	<ul> <li>Successful serial entrepreneur based in Lebanon</li> </ul>	time and passion to commit, not		<ul> <li>Provide critical intelligence from members' respective parts of ecosystem</li> </ul>
preneurs	<ul> <li>Successful new entrepreneur based in Lebanon</li> </ul>	simply a prestigious title	Develop and refresh fact base	<ul> <li>Provide expert perspective on impact of country-wide trends on</li> </ul>
	<ul> <li>Partner(s) from angel or seed funds headquartered in the country</li> </ul>	<ul> <li>Target ~10-20 members</li> </ul>		start-ups
Finance	<ul> <li>Partner(s) from venture capital or micro- /small-cap PE firms headquartered in the country</li> </ul>	<ul> <li>Ensure all regions of the state are</li> </ul>	Set country- wide new	<ul> <li>Support prioritization to ensure strategy remains focused</li> <li>Support development of</li> </ul>
Descent	<ul> <li>Director of Technology Transfer from public and private universities in State</li> </ul>	represented • Leverage	business creation strategy	recommended actions for government
Research	<ul> <li>Leaders of other major public or private research institutions in State</li> </ul>	stakeholders who have been actively	"Quarterback"	<ul> <li>Identify or serve as initiative</li> </ul>
Corpo- rates	<ul> <li>Leader of new business creation effort of major domestic corporation and banks (e.g., head of corporate venture arm)</li> </ul>	involved in the work as potential	select strategic priorities	<ul> <li>sponsors</li> <li>Serve as technical experts on detailed designs of specific initiatives</li> </ul>
State	<ul> <li>Minister of telecommunications</li> <li>Members of key State programs supporting start-ups and SMEs</li> </ul>	members and/or source of referrals	Build consensus around fact base	<ul> <li>Build consensus within, and surface concerns from, members' respective parts of ecosystem</li> </ul>
Talent	<ul> <li>Leadership from the Lebanese University and leading private universities</li> </ul>		and strategy	

Lebanon could promote the industry and build a public promotion trademark campaign similar to France's "La French Tech"



## The French Tech is a 200 MEUR public promotion trademark...

- The "French Tech" is a collective trademark launched on Nov 27<sup>th</sup> 2013 by the French Government, which encompasses:
  - The French start-ups ecosystem
  - All French Public initiatives aiming at supporting the creation and development of start-ups
- The French Tech initiative is implemented by the French Tech Mission (~20 people) in conjunction with the Ministries of Economy and Finance (General Directorate for Enterprises, General Directorate of the Treasury), of Foreign Affairs and the General Commissariat for Investment.
- Financing of the French Tech Initiative is part of the Future Investments Program (PIA): 200+ MEUR

... that aims at federating, accelerating and spreading the success of the French start-ups ecosystem

One core ambition: "*Make France one of the greatest start-ups nations. The French champion start-ups will become creator of future jobs and growth*", with 3 main actions:



#### Federate

 Federate a community (of Public and Private actors) around one core brand and a structured network of French Tech metropolis or thematic groups (13 metropolis + 9 thematic networks)



#### Attract

 Spread the success of the French start-ups by creating an attractiveness platform, some hubs abroad and initiatives to welcome successful foreign entrepreneurs

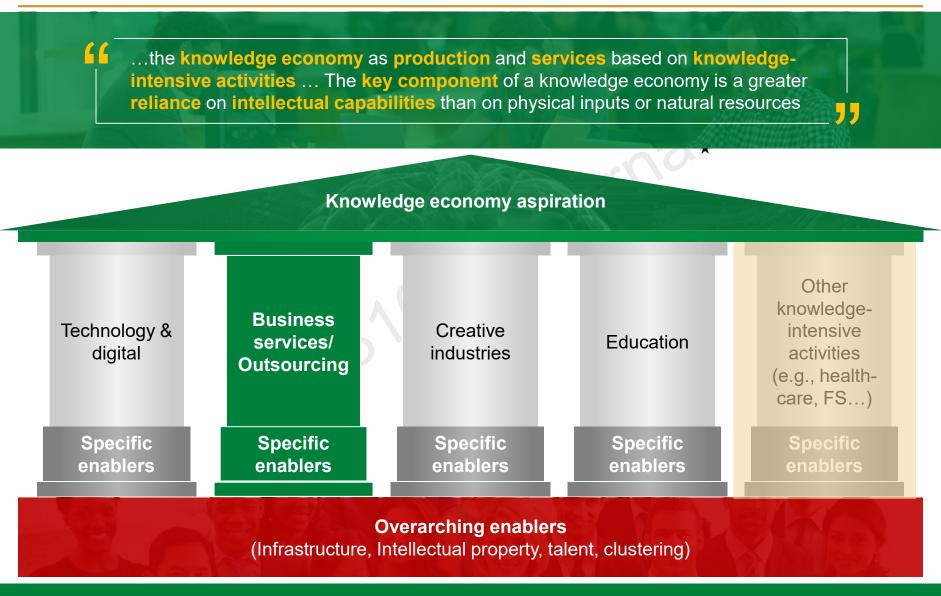


#### Accelerate

 Accelerate start-ups development through several financing tools including a 200 MEUR investment funds and other French Tech subsidies (e.g. French Tech grants, French Tech Pass<sup>1</sup>)

1 Premium and coordinated services for "hyper-growing" companies

## In the context of Lebanon, knowledge economy is broadly defined as four focus sub-sectors



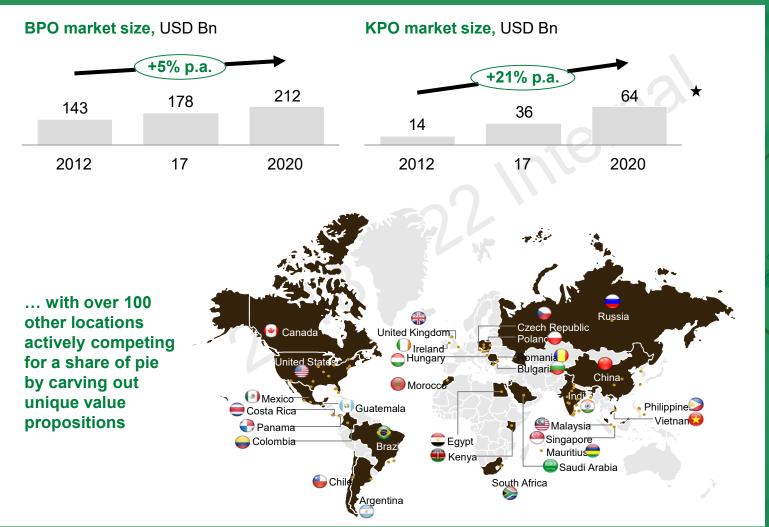
## The process outsourcing, xPO, industry broadly covers four sub-sectors: CRM, BPO, KPO and ITO

	َٰکٍ' Definition	🔆 Sample Functions	Key Drivers
Customer relationship management (CRM)	Contracting of <b>voice</b> <b>processes</b> to a nearshore or remote third-party provider	Call Center	<ul> <li>Pure cost game</li> <li>Requires language knowledge and time- to the second second</li></ul>
Business process outsourcing (BPO)	Contracting of <b>non-</b> <b>primary/support</b> business activities, functions and processes to a nearshore or remote third-party provider	<ul> <li>Human Resources</li> <li>Finance &amp; Accounting</li> </ul>	<ul> <li>Lower cost</li> <li>No specialized talent pool required</li> </ul>
Knowledge process outsourcing (KPO)	Contracting of <b>knowledge-</b> <b>intensive functions</b> that are usually core to an organization	<ul> <li>Market research</li> <li>Marketing analytics</li> <li>Financial modeling and valuation</li> </ul>	<ul> <li>Added value</li> <li>Specialized talent required but decent jobs generated</li> </ul>
Information technology outsourcing (ITO)	Contracting of all or parts of the <b>IT functions</b> of a company to an external party	<ul> <li>Data Center</li> <li>Application development and management</li> <li>End-user IT Helpdesk</li> </ul>	<ul> <li>Lower cost</li> <li>Specialized IT talent</li> </ul>

With the right government framework, the outsourcing sector presents a valuable opportunity with the potential to create 25-35K jobs



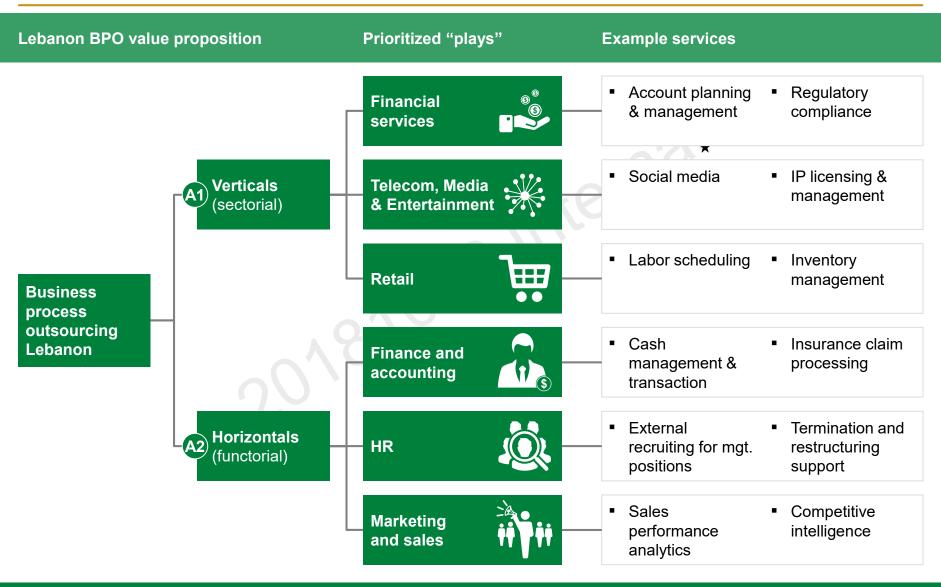




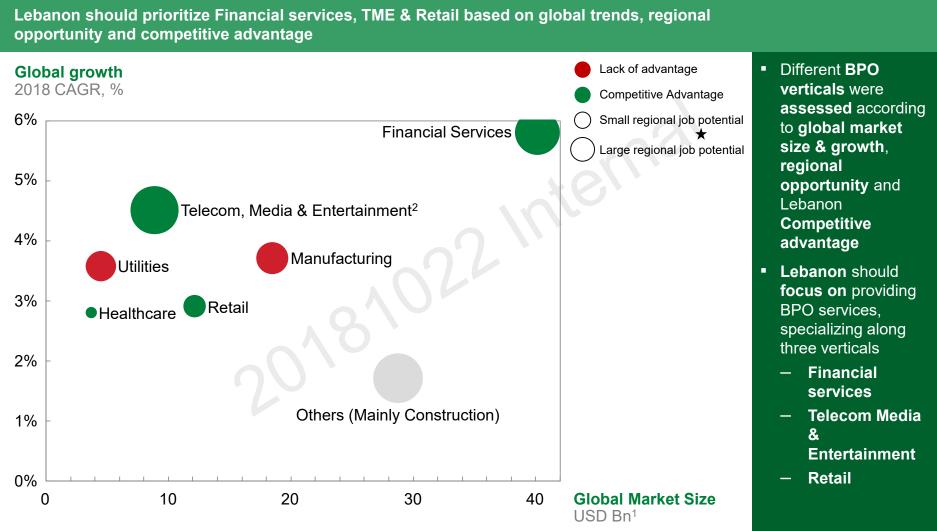
Capturing a "fair share" would allow the creation of ~20,000 jobs in BPO and a further ~10,000 jobs in KPO by 2025 Developing the Lebanon outsourcing sector would occur through 2 main

"plays"		Job potential Do not target Strategically target Actively target					
Key advantages							
<ul> <li>Large and high- quality talent base with business and STEM backgrounds offering</li> <li>Cost competitiveness</li> </ul>	CRM	<ul> <li>Pure cost game, cannot compete against regional hubs</li> <li>Need to target to build industry foundations</li> </ul>	<ul> <li>Pure cost game, cannot compete against global hubs (i.e. Philippines &amp; India)</li> </ul>				
<ul> <li>competitiveness against GCC countries</li> <li>Specialized knowledge in financial services and creative industries</li> </ul>	вро	<ul> <li>A Proximity is a major factor</li> <li>"High-skill" services can be offered at a premium</li> <li>Can compete by specializing</li> </ul>	<ul> <li>Cost is a major factor, cannot compete on costs against global hubs and cannot offer superior quality to justify premium</li> </ul>				
<ul> <li>Deep regional knowledge and understanding of culture &amp; language</li> </ul>	KPO	<ul> <li>B Knowledge intensive services offered at a premium for specialization and higher quality of services</li> <li>Can compete on type of offering against global hubs by leveraging Lebanon's key differentiators (e.g. regional knowledge to establish a GCC research desk)</li> </ul>					
		Middle East regional	Global				

# A Lebanon's BPO value proposition is to be built around three sectorial 💸 three functional plays



# The three verticals were prioritized based on the evaluation of the 7 B



1 Excludes "low skill" CRM services, only includes HR, F&A and vertical core services 2 Includes Telecom, Hotels & Restaurants & travel

### A Lebanon should specialize in three functions, F&A, HR and M&S, with

Actively target Opportunistically target

an emphasis on high-skill services

	Finance & Accounting	HR Functions	Marketing & Sales	Customer relationship mgt.	Procurement
Rationale	Large pool of "Busine High-quality talent for	ess & Finance" grads (43 r marketing & sales	3k yearly graduates)	<ul><li>Pure cost game</li><li>Credibility-building</li></ul>	<ul> <li>Lack of competitive advantage</li> </ul>
Low skills required	General ledger accounting Accounts payable Accounts receivable Travel & expense Standard management reporting	<ul> <li>Timesheet tracking</li> <li>Training design &amp; delivery</li> <li>Payroll and benefit processing</li> <li>Retirement plan design</li> </ul>	<ul> <li>Basic secondary information retrieval</li> <li>Marketing promotion activities</li> <li>Performance dashboards</li> <li>Sales management</li> </ul>	<ul> <li>Low and medium complexity calls         <ul> <li>Customer service</li> <li>Inbound sales</li> <li>Outbound sales</li> <li>Internal helpdesk</li> </ul> </li> </ul>	<ul> <li>Vendor inquiries</li> <li>Invoice payment</li> <li>Baseline analysis</li> <li>SLA/ standards monitoring</li> <li>Compliance management</li> <li>Vendor selection &amp; contracting</li> </ul>
High skills Required	Cash management & transaction processing Tax transaction, compliance & processing Insurance claim processing	<ul> <li>Temporary labour recruitment and coordination</li> <li>External recruiting for management positions (ex: universities)</li> <li>Termination &amp; restructuring support</li> <li>sis to be placed on high</li> </ul>	<ul> <li>Quantitative market research</li> <li>Competitive intelligence</li> </ul>	<ul> <li>Collections</li> <li>High complexity calls for internal helpdesk and collections</li> <li>Customer tech support</li> </ul>	<ul> <li>Process and systems implementation</li> </ul>

Strategically target

#### **B** The country should specialize as well in two main KPO functions: research & analytics and engineering Laboran Datantial Dlay



1626	L	ebanon Potential Plays			
	Research & Analytics	Engineering	Supply Chain	Legal	Healthcare services
Rationale	<ul><li>Large pool of STEM</li><li>High-quality talent fo</li></ul>	graduates or math and engineering	<ul> <li>No comparative</li> </ul>	advantage	
Example Services	<ul> <li>Research design and project planning</li> <li>Data analysis and report writing</li> <li>Market assessment</li> <li>Data cleansing</li> <li>Sales &amp; marketing analytics</li> <li>Financial modeling and analytics</li> <li>Social media research</li> <li>Risk analysis and assessment</li> </ul>	<ul> <li>Product development &amp; commodity management</li> <li>Business platforms</li> <li>Plant solutions &amp; services</li> <li>Geospatial technology solutions</li> <li>CAD design</li> </ul>	Specialization through tailorin to regional nee requirements: e • Market resea with emphasi • Arabic social sentiment an	ng services eds & .g. arch desk is on GCC media	
Vendors & Providers	SUTHERLAND GLOBAL SERVICES* Measurable Performance Delivered Globally	Infosys®	HCL	UNITEDLEX	AMRI Hungary Formetly known of Continent
	EVALUESERVE Expert Knowledge Services	TATA CONSULTANCY SERVICES	GENPACT	Empowering Attorneys	Inno
					902

C To enable the success of the sector, key shortcomings are to be addressed, mainly IP laws, business environment and infrastructure

	🕭 Lebanon 😡	Morocco	Egypt 🧧	Jordan	Poland	💿 India	Philippi	nes 🥃 Bu	Ilgaria 🔮	Malays
			Compara	tive disadva	antage		Compa	arative adva	intage	
Infrastructure	Quality of Infrastructure			$\bigcirc$		۲	$\bigcirc$	۲		
Country Risk Profile	Transparency of Regulation	-	-	$\bigcirc$	-	>	۲			
Prome	Fairness of Legal System	<b>e</b>		$\bigcirc$	$\mathbf{i}$			<b>e</b>	E	ć
	Bureaucracy		$\mathbf{i}$		20			E		é
	Political Risk					٤		-	4	(
	Macroeconomic Stability			E	۲	۲	$\overline{}$		-	(
, <del>f</del>	Country Credit Score			E		-	$\mathbf{i}$	۲	<b>e</b>	(
	Protection of IP				$\bigcirc$	$\mathbf{i}$		۲	E	(
Business	Labor Laws		$\bigcirc$	$\mathbf{i}$			>>	۶	۲	(
Environment	Time to Start a Business	2	۲		-	4			-	(
	Corruption			$\bigotimes$		۲		4	E	(
	Business sophistication	-	$\overline{}$		$\mathbf{i}$			۲		(
	Strength of Investor Protectio	on 🗲		8			$\bigcirc$		۲	
	Frequency of Flights		E		-	4			۲	(
		1	2	3	4	5	6	7	8	

C An outsourcing park could be developed, along with an offering targeting these different shortcomings

See next page

A dedicated site with of world-class infrastructure, office space and facilities A "ready for output" offer with high quality business services provided by international suppliers

Very competitive rental costs in line with the most competitive destinations

Very competitive telecommunication costs

C The outsourcing park should be "ready for output", offering high qualit business services provided by international suppliers



# Case Study: Casanearshore, Landmark project of Morocco's offshoring strategy







#### Full serviced dedicated park

- 300,000 m<sup>2</sup> of ready to use offices
- Full range of facility business and specialized services
- SLA special zone with dedicated telecom operator

#### Clear success within 5 years of launch

- Awarded Best Offshoring destination by the European Outsourcing Association
- ~400 Mn USD in investments
- 20,000 additional jobs
- Already over 100 MNCs attracted



# Case Study: Rabat Technopolis, City of technology in the capital of Morocco



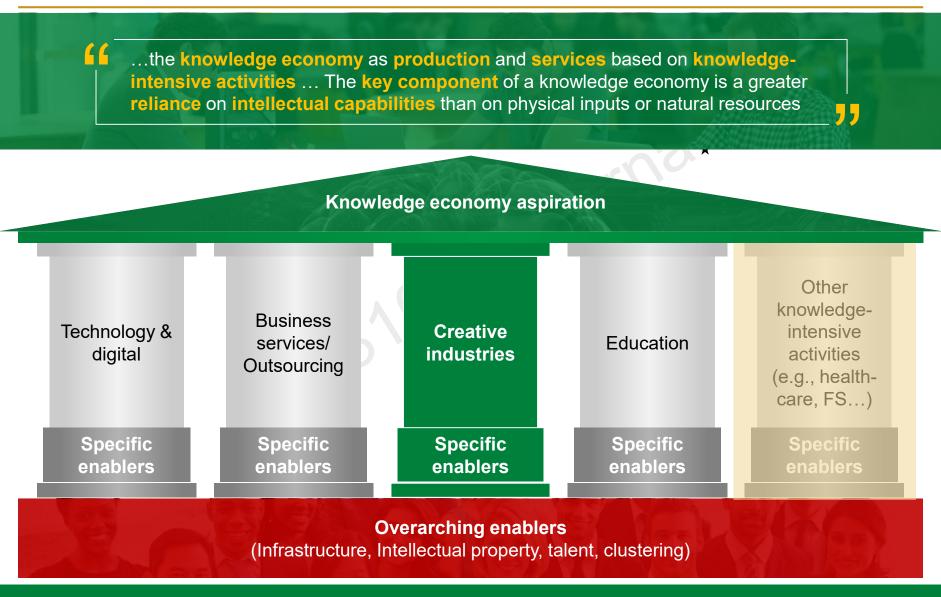


### D Lebanon should aim at developing tailored programs to meet the prospective talent demand of the sector

Tertiary
 Vocational
 Certification

Skill level	Program	Example tracks to be pursued	<b>Talent requirement,</b> by 2025	Institution
	Engineering	<ul> <li>Computer sciences &amp; communications engineering</li> <li>Civil engineering</li> </ul>	7.5K	
High skill	Mathematics & Finance	<ul> <li>Financial engineering</li> <li>Big data, analytics &amp; software development</li> <li>Mathematics, statistic &amp; econometrics</li> </ul>	* 7.5K	
	Management	<ul> <li>Offshoring Platform Manager (operations)</li> <li>Offshoring project management (feasibility study, editing,)</li> </ul>	0.5K	
Medium skill	Administrative	<ul> <li>Accountants (GGC standards &amp; Islamic banking, IFRS,)</li> <li>Back Office employees (payment methods manager,)</li> <li>Insurance Technicians</li> </ul>	10-15K	
Low skill	Customer representative	<ul> <li>Customer service operators (passive / inbound sales)</li> <li>IT Help Desk (first level: office,)</li> <li>Data archivists (filing of documents)</li> </ul>	5-10K	

## In the context of Lebanon, knowledge economy is broadly defined as four focus sub-sectors





### **Overview of Cultural and Creative Industries**

The creative economy is defined by its primary resource **CREATIVITY** 

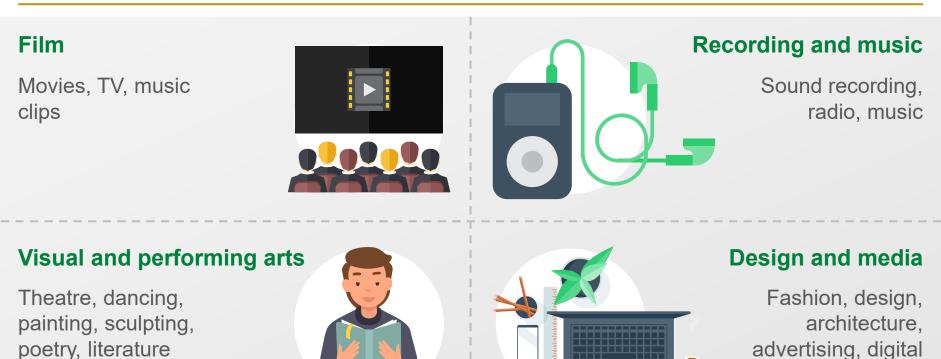
A complex system that derives its value from the facilitation of economic evolution – a system that manufacture attention, complexity identity and adaption through the primary resource of creativity



Culture and creativity are inextricably linked and feed of each other

- The creative industries have as their ecosystem a cultural heritage
- Culture, in turn, is continuously responding to new creativity

Culture and creative industries can be classified into 5 main family group



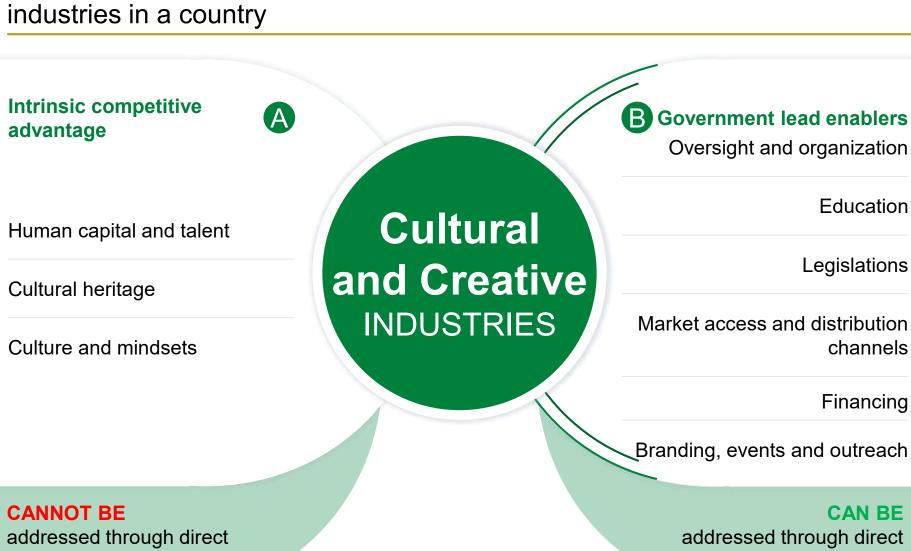
#### **Cultural institutions**

Museums, cultural heritages, libraries



media, video and computer games

government intervention



government intervention



### Lebanon is intrinsically competitive in cultural and creative industries

Lebanon's has an intrinsic competitive advantage in the creative and cultural industries

- Cultural heritage: Lebanon's cultural heritage (e.g. UNESCO world heritage)
- Human Capital and talent: Success stories globally and regionally in creative industries (movies, music, theater, fashion)
- Culture and mindset: Lebanon has a very versatile culture (18 religions) and three spoken languages



B At the same time, the cultural and creative ecosystem in Lebanon is facing 5 key challenges
Detailed later



Fragmented representation of the ecosystem in the government



Educational gap in CC industries

Lack gover

Lack of needed governing laws



Difficulty accessing external markets

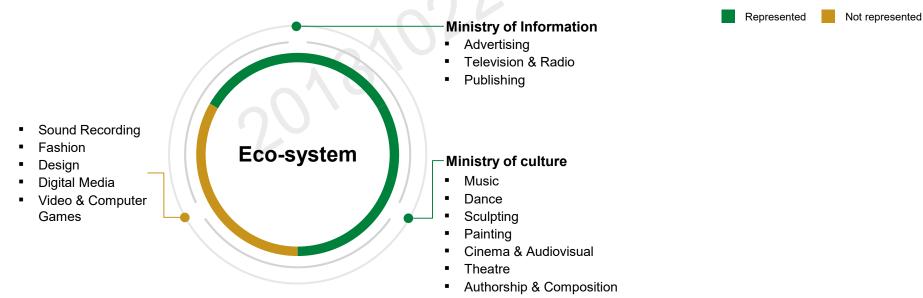
Limited access to financing

- While several cultural and creative industries are represented in either the Ministry of Information of Ministry of culture. some are not represented at all in the government (e.g. fashion, design, digital media)
- A gap exists between the need and the availability of trained technical talent, with the gap being filled by lower wage skilled non-Lebanese labor
- Pending approval of enabling legislations to the CC industries (e.g. IP rights, secured transactions law)
- Lack of security for people employed in the sector especially given the precarious nature of the business
- Limited local market
- No structural support for export of services or access to external markets
- Perceived high risk of CC industries leading to difficulty in access to finance
- Limited risk-management from the banking sector in creative industries

Majority of CC industries are represented by two government entities; several industries however are not fully represented in the government

The ministry of Culture and ministry of information cover most of the creative and cultural industries ...

... However, some industries remain not represented in the government



CASE STUDY: UK's creative industries contributes to  $\sim$ 5% of the country's GDP<sup>1</sup> and is growing at twice the rate of the economy



CASE STUDY: Morocco has grown into a preferred location for filming of blockbuster movies, TV shows and movie clips



1 including movies, ads, TV series

CASE STUDY: South Korea is home of the fast growing K-Pop genre that is gaining worldwide market share and popularity

Size of the K-pop industry	International awards in 2017	K-pop songs on billboard charts in 2017 <sup>1</sup>
406	7 Japan Gold Disc Award	185 Japan Hot 100
ldol group debut in the last 10 years	4 Yinyuetai V chart Awards	36 Billboard Philippines Hot 100 <sup>2</sup>
494 Mn USD	2 Mnet Asian Music Awards	17 China V chart(Top 30)
Revenues in 2017	Billboard Music Awards	6 Canadian Hot 100
443 Mn USD	1 MTV Europe Music Awards	2 US Billboard Hot 100
Korean Music Exports		C Contra
6th		
Largest Music market size I 2017		

1 Number of K-pop songs on billboard charts with at least one week.

2 Chart started on June 12th, 2017

The government should enable all CC industries while also implementing

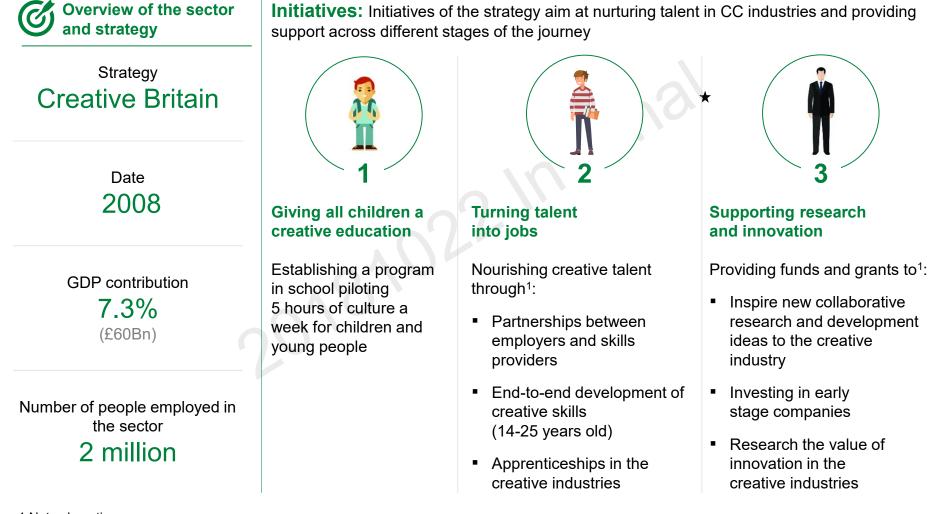


A Countries have developed strategies to enable the growth of CC industries by implementing interventions across the entire ecosystem

Detailed later

	Strategy		Description	Initiative
Government can		Creative Britain	"A vision of creativity as the engine of economic growth for towns, cities and regions. It's also a vision of dynamic, innovative, successful creative businesses providing prosperity and fulfilling job opportunities right across the country"	<ul> <li>The strategy covers the whole creative process from the grassroots to the global marketplace:</li> <li>Implementing culture in children education</li> <li>Linking education to the world of work (e.g. apprenticeships)</li> <li>Investing in creative and culture research</li> </ul>
enable Cultural & Creative industries to emerge and grow through looking at the entire ecosystem and identifying		Creative industries development strategy	"Our vision is to develop a vibrant and sustainable creative cluster to propel the growth of Singapore's Creative Economy"	The strategy lists initiatives across three clusters of CC industries: Arts&Culture, design and media
bottlenecks across the 5 stages of the creative pipeline	*	Creative Industries, a Strategy for 21st Century	"Achieving a competitive creative industries sector is vital to Australia's prosperity, propelling a creative, imaginative nation in the 21st century."	<ul> <li>The strategy has three main themes to enable its CCI:</li> <li>Leverage national foundations (investments in infrastructure, human capital and research)</li> <li>Optimise commercial capacity (access to markets, financing and business development)</li> <li>Grow creative content and services (incl. legislations, creative networks and spaces)</li> </ul>

A CASE EXAMPLE: UK recognised the importance of creative industries and developed a strategy to enable it across different stages



B CASE EXAMPLE: In parallel, the UK launched sector specific initiatives to grow high potential creative industries





 Up to 25% tax reductions tax reductions for qualifying expenses in the production process

Video games



 The government has set up a UK Games Fund that help video game companies grow with grants to support new projects and talent

#### **Arts**



- Tax breaks for philanthropists who donate a part of their inheritance to cultural bodies & charities
- State-franchised lottery system from which a part of the money generated goes to sponsoring art & culture organizations

#### **Music**



The UK hosts a series of international music festivals that are internationally recognized and cater of all genres of music

B CASE EXAMPLE: Morocco aggressively grew its film industry througk targeted initiatives and incentives

#### **Fiscal enablers**

- Rebates granted by Royal Air Maroc for the air transport of goods and passengers
- Symbolic tariffs for shooting films at historic sites and monuments
- VAT exemption for all goods and services acquired in Morocco



#### **Non-Fiscal enablers**

- Simplification of the procedure for temporary imports of arms and munitions required for film shoots
- Simplification of the customs-clearance procedure for importing and exporting filmshooting equipment
- Dedicated department (within the CCM) that further facilitate procedures and contacts with authorities involved in film shoot
- Deployment of government and army resources (e.g. tanks) to shoot scenes



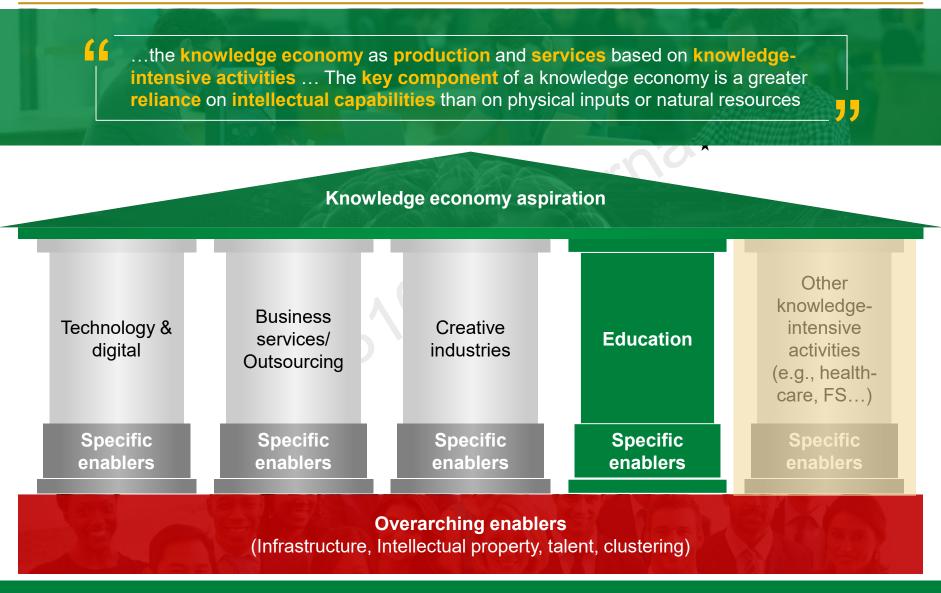
B In order to compete internationally in specific CC industries, Lebanon should provide enablers across three main areas

Enablers for selected CC industries

Select CC industries to grow through targeted initiatives

Branding	<ul> <li>Yearly festivals to promote the selected industry</li> <li>International delegation and familiarization tips for leaders in the industry</li> <li>Promotion in international fairs</li> </ul>
Targeted incentives	<ul> <li>Fiscal incentives (E.g. Tax breaks, cash rebate)</li> <li>Non-fiscal incentives (E.g. facilitated permits)</li> </ul>
Infrastructure	<ul> <li>Proper space for selected industry (E.g. theater, recording studio)</li> <li>Knowledge creative hub</li> </ul>

## In the context of Lebanon, knowledge economy is broadly defined as four focus sub-sectors



## Lebanon should focus on growing the educational sector through increasing number of inbound international students



Focus area

Type of exports	Definition	Includes	Share of education export <sup>1</sup>	Implications on Lebanon
Inbound international students for higher education	Foreign students that pursue tertiary education within a host country	<ul> <li>Tertiary education</li> </ul>	~70%	
Inbound international students for non- tertiary education	Foreign students that pursue other education within a host country	<ul> <li>Vocational education</li> <li>High school education</li> <li>K-12 education</li> </ul>	r ~10%	<ul> <li>Highest share of education exports typically comes from international</li> </ul>
Supplementary education services	Private education providers (other than schools) that <b>directly</b> <b>interact with students</b> and/or parents	<ul> <li>Enrichment, language and remedial classes</li> </ul>	, ~10%	<ul> <li>students in higher education</li> <li>Lebanon should focus on attracting international students to</li> </ul>
Peripheral education services	Private providers of services to school operators that directly affect educational outcomes	<ul> <li>Curriculum developers (e.g., e-learning)</li> <li>Textbook publishers</li> <li>Educational software providers</li> <li>Teacher training institutions</li> </ul>	s ~10%	achieve economic growth from the education sector

1 Based on UK share of education exports for 2014

Globally, it has been observed that hosting international students in higher education institutions benefits the country in multiple ways

	International students contribute to the national income through:
Economic	<ul> <li>Direct spends, e.g., school fees</li> </ul>
benefits	Indirect spends, e.g., transportation fees
	<ul> <li>Spill-over effects, e.g., tourist receipts from friends/family of international students</li> </ul>
Improvement in overall quality of	<ul> <li>Accelerated internationalization requires improving the infrastructure, standardizing systems (e.g. testing, admissions), upgrading the curriculum which improves overall quality of education</li> </ul>
education	Increasing richness of research and innovation from exchanges with source countries
Accelerated innovation	<ul> <li>Educational exchanges allow for sharing technology, ideas and knowledge between countries, resulting in proliferation of niche, high- quality infrastructure and incubation centres</li> </ul>
	Improved image of the host country
Increase in global stature	<ul> <li>Regarded as "safe, open and full of opportunities for youth"</li> </ul>
	<ul> <li>Positive feedback loop by international students</li> </ul>

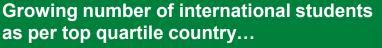


### Contents – Education

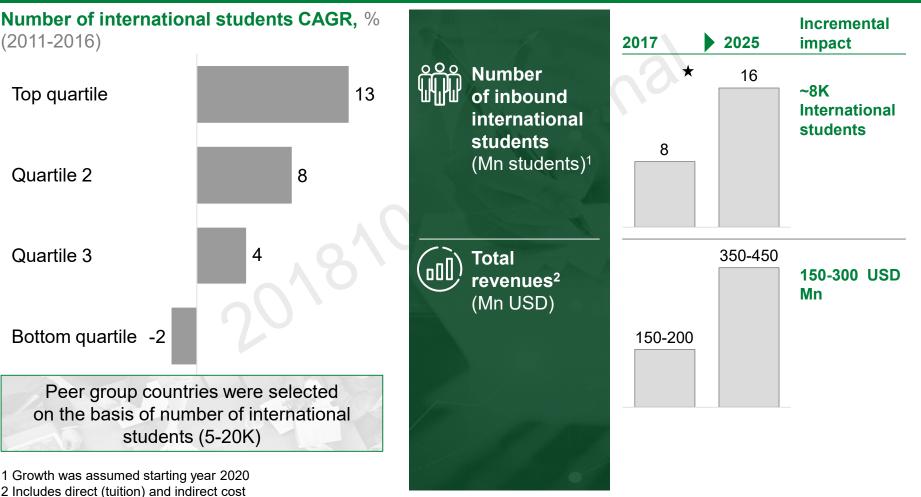


Lebanon should grow the number of international students in universities by 13% p.a., in line with fastest growth peer countries





...Will lead to doubling the number of international students and growing revenues by 150-300 Mn USD



# Institution reputation is the most important reason for students to seek education abroad



#### International student motivations

*Decision factors among international students studying in the UK* Scale from 4 = "very important" to 1 = "not important at all"

Reasons	Aggregate ranking
Institution reputation	3.46
Specific course of study	3.43
Earning potential	3.33
Personal safety	3.31
Research quality	3.27
Cost of living	3.17
Location	3.13
Opportunities for further studies	3.12
Cost of study	3.09
Work opportunities	3.01
Social life	3.01
University scholarship/bursary	2.87
Opportunity to work while studying	2.86
Visa process	2.61
Permanent residence	2.60

Institutional reputation can be measured through:

Aggragate

- Global recognition
- Research output
- Employability of graduates



Lebanon could grow the number of international students in existing universities while attracting global universities to launch campuses

Focus on growing number of international students in well-established top Lebanese universities

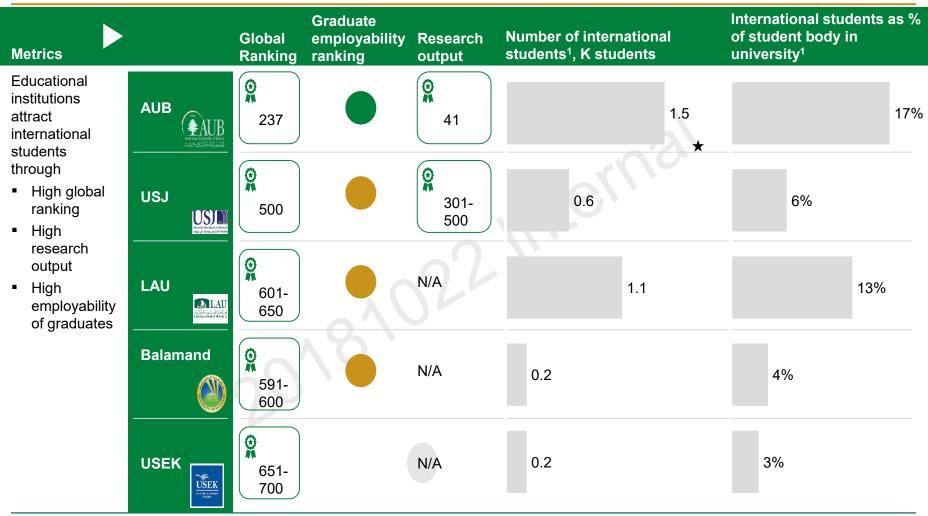
- Launch an aggressive marketing campaigns to promote top Lebanese universities (roadshow, education fairs)
- Offer incentives for universities to improve their research output
- Assess capacity constraints in top universities to accommodate for increased number of international without decreasing number of seats for Lebanese students

### Attract international universities to open branches in Lebanon

B

 Partner with international universities/institutions to open campuses in Lebanon (Growing trend in the GCC region which are competing with Lebanon as education hubs)

# 1A 5 universities can potentially drive the highest growth in international students



 Capacity in the 5 selected universities needs to be assessed to ensure that international students are not taking the place of Lebanese students

In case the universities are already operating at full capacity, the government should offer incentives for capacity expansion

1 Excluding Syrian and Palestinian students Source: Ministry of Education; QS ranking Medium

Low

1B Moreover, global universities could launch campuses in Lebanon, provided that resources are available and support is provided

INSEAD

Singapore Government Integrity · Service · Excellence

> Technische Universität

### Successes examples of global expansions of universities

COVERNMENT OF D

YORK UNIVERSITY

 $MIT_{\&}MI$ 

#### Key reasons behind success

- Provision of ample funding and resources by host country
- Consensus on common goals in a specific area of study
- Ability for international university to generate employment in host country
- Provision of world-class education and teaching staff by international university
- Ability to maintain international reputation, ensuring continual enrolment
- Relatively stable government and economy in host country

# 1B Global university partnerships have benefits for both the university and the host city in the fields of research and education

	Partnerships	Type of Partnership	Benefit for incoming institution	Benefit for host country
مکروم ابوط بر المعام المعام معام المعام معام	NYU and Government of Abu Dhabi	Branch campus	<ul> <li>Endowments from Abu Dhabi Government</li> </ul>	<ul> <li>Build Abu Dhabi's reputation as an education hub through high profile higher education institution</li> </ul>
HMSDC RARVARD MEDICAL SCHOOL OUTAL CENTER MARVARD MEDICAL SCHOOL OUTAL CENTER MARVARD MEDICAL SCHOOL OUTAL CENTER GOVERNMENT OF DUBAL	Harvard Medical School Dubai (HMSDC) and Government of Dubai	Branch campus	<ul> <li>USD 13.6 million from Dubai Government for the creation of the Maktoum-Harvard Library in Dubai Healthcare City</li> <li>Unique opportunities to experiment with healthcare</li> </ul>	<ul> <li>Local medical students and graduates to train at Harvard Medical School, or its affiliated hospitals in Boston</li> <li>Build Dubai Health Care City's reputation</li> </ul>
Technische Universität Berlin	Technische Universität Berlin and Government of Egypt	Branch campus via non-profit Public-Private Partnership	<ul> <li>Opportunity to leverage satellite campus to make research advancements in the area of sustainable development</li> </ul>	<ul> <li>Leverage donation from TUB alumni to allow Egyptian students to further R&amp;D in science, subject to German standards</li> </ul>
Singapore Government Integrity · Service · Excellence	INSEAD Singapore campus	Branch campus	<ul> <li>Access to high growth region and provides international opportunities for faculty and students</li> </ul>	<ul> <li>International exposure and development of an entrepreneurial focus for Singaporean students</li> </ul>
RCSI	The Irish Royal Surgeon's college in Bahrain	Branch campus	<ul> <li>Advance global healthcare and research and make use of land donated by Bahraini government</li> </ul>	<ul> <li>Produce renowned healthcare researchers and professionals for Bahrain</li> </ul>
<b>9</b> Mit& <b>mi</b>	MIT and MASDAR Institute	Cooperative Program	<ul> <li>Leverage Abu Dhabi's capital and MASDAR's focus on sustainable development and renewable energy</li> </ul>	<ul> <li>Potential to grow Abu Dhabi into a hub for renewable energy and also generate human capital</li> </ul>

International students from regional and global destinations require a tailored approach for each target segment



2A Regional hubs are emerging and are competing with traditional education hubs as more students are opting to stay closer to home



#### Trend

Leading destinations like the US, the UK, Germany, France and Australia are steadily losing their share due to increasing competition from emerging markets

More students are opting to stay closer to home and study in universities which offer more affordable and culturally-relevant programmes.



Egypt, Saudi Arabia and the **United Arab Emirates (UAE)** are making efforts to recruit students from abroad. These three Arab countries hosted 4% of the global share of mobile students in 2014



- The US share of internationally mobile students dropped from 22% in 2000 to 19% in 2015, even as the absolute number of foreign students increased from approximately 475,000 to 900,000
- Between 1999 and 2015, the UK—where enrolment has flattened in recent years in the face of more restrictive visa policies-has witnessed a decline in share from 11% to 9%
- As against a global average of 5% during 2011–16, the growth in inbound students in South and West Asia has been the fastest at 14%, followed by Central and Eastern European countries at 9%, the Arab states at 8%, and East Asia and the Pacific at 3%.

- Egypt, Saudi Arabia and the United Arab Emirates (UAE) hosted 4% of the global share of mobile students in 2015.
- In the Arab states, the share of mobile students studying within the region increased from 22% to 31% between 2011 and 2016.
- Saudi Arabia, UAE and Jordan have outpaced the UK in attracting students from the Arab states and have become the third most popular destination (after France and the US) for students from the region.



## Lebanon could position itself as a regional hub targeting Arab students



Potential number of students interested in staying near their country home

2B Lebanon should also develop a niche excellence for European and American students majoring in Middle Eastern and Arabic studies

## Lebanon's competitive advantage

Well-established centre for Middle Eastern and Arabic studies

Moderate and accepting country



### **Rich and authentic Middle Eastern culture**



### Description

 Majority of universities in Lebanon offer Middle Eastern and Arabic studies

- Highly tolerant and open country especially compared to the region
- Highly diverse community with high share of bi-lingual and tri-lingual Lebanese students which facilitates the communication and integration of international students
- Diverse and immersive culture which emerged from various civilizations over thousands of years.
- Leader in Middle Eastern arts and literature (home to many poets and artists, leader in theatre and music)

3 In order to achieve the target number of international students, Lebanon should ensure that 4 key metrics are in place





Improved overall perception/ reputation of the country as an educational excellence hub

- Marketing and promotion
- Student academic results
- Graduates success stories

#### Superior offering compared to regional and international peers

- Quality of education
- Cost competitiveness

## Adequate environment for students

- Visa approval process
- Student friendly housing facilities
- Proper transport infrastructure

### Potential employment opportunities in the country

 Supply-demand of labor force in the country 3 Four initiatives could jumpstart the systematic attraction of international students



Current situation	Description	Implication on Lebanon
Low overall quality of the secondary education system despite strong reputation of Lebanese graduates globally and in the region	<ul> <li>Low quality of secondary education system (PISA scores)</li> <li>High relative share of students enrolled in top universities</li> <li>Strong reputation of Lebanese graduates in the region</li> </ul>	1 Introduce reforms to enhance the overall quality of the educational system especially at the public school level (High quality teachers, specific standards for public schools)
Strong regional competition from Arab and GCC countries	<ul> <li>Fast growing number of international students in Arab and GCC countries vs declining share in Lebanon</li> <li>Top global higher education institutions in GCC countries due to high public sector investments (NYU, Sorbonne, INSEAD, Carnegie Mellon, UCL, Cornell, HEC)</li> </ul>	2 Promote Lebanon as an educational hub to attract international students (Appointment of brand champion, Media management, participation in educational fairs)
Student friendly environment but poor transport infrastructure	<ul> <li>Low quality of public transportation</li> <li>Tri-linguistic country</li> <li>Lenient student visa process</li> <li>Availability of student housing on/off campus depending on university</li> </ul>	<b>3</b> Development of an information portal for international students (visa, housing, transport, culture, etc.)
Low potential employment opportunities in the country	<ul> <li>High unemployment rate (~15-25%) limiting job opportunities in Lebanon for international students in Lebanon</li> </ul>	4 Supply the educational system with the right tools and information to graduate students with majors relevant to the economy (e.g. research, national surveys)

4 Similar to other emerging leaders, Lebanon should set up a nodal agency to develop and implement the international student strategy

Country	Nodal agency	Manner of appointment	Key responsibilities
Australia	Australian Education International (AEI)	Created via MoUs signed between all key government departments involved with international education	<ul><li>Drafting the "International Students Strategy"</li><li>Creating a marketing campaign</li></ul>
New Zealand	Education New Zealand (ENZ)	Formed by the government to lead the promotion of New Zealand education globally	<ul> <li>Strategy development</li> <li>Information dissemination and Marketing</li> <li>Coordination with agencies and educational institutes for quality enhancement</li> </ul>
Malaysia	Education Malaysia Global Services (EMGS)	Wholly owned subsidiary of the Ministry of Higher Education established	<ul> <li>Administration of the Education Malaysia brand and website</li> <li>One stop center for international student services</li> <li>Responsible for achieving the country's international recruitment goals</li> </ul>
Singapore	Economic Development Board (EDB)	Appointment of the lead government agency for planning and executing strategies to enhance Singapore's position as a global business center	<ul> <li>Strategy development</li> <li>Coordination with international stakeholders including international universities1</li> </ul>

1 Marketing activities executed by the Singapore Tourism Board



## Knowledge Economy – priority initiatives (1/4)

		Objective	Owner <sup>1</sup>	Plays
	KNO.A.1	Ensure continuous pipeline of R&D funding	<ul> <li>Innovation Council/ Task Force</li> </ul>	
A Technology & R Digital	KNO.A.2	Reinforce footprint of technology transfer offices	<ul> <li>Innovation Council/ Task Force</li> </ul>	
	KNO.A.3	Unlock Lebanese University's technology footprint	<ul> <li>Innovation Council/ Task Force</li> </ul>	
R Outcoursing ROA	KNO.B.1	Create an outsourcing park in a region outside Beirut & Mount Lebanon	<ul> <li>Ministry of Industry</li> </ul>	
B Outsourcing ← →	KNO.B.2	Set-up the Outsourcing team within IDAL	<ul> <li>IDAL</li> </ul>	
	KNO.B.3	Develop and conduct tenant attraction plan	<ul> <li>IDAL</li> </ul>	   
C Creative	KNO.C.1	Take a bet on specific Creative & Cultural industries (2- 3 industries)	<ul> <li>Ministry of Culture</li> </ul>	
Industries	KNO.C.2	Invest in creative & cultural industries infrastructure	<ul> <li>Ministry of Culture</li> </ul>	
D Education	KNO.D.1	Attract international education institute to open branch in Lebanon	<ul> <li>Ministry of Education</li> </ul>	
	KNO.D.2	Address capacity constraint in selected top universities	<ul> <li>Ministry of Education</li> </ul>	-         



## Knowledge Economy – priority initiatives (2/4)

		Objective	Owner <sup>1</sup>	Plays
	KNO.D.3	Enhance overall education system within the country (specifically public secondary education)	<ul> <li>Ministry of Education</li> </ul>	
	KNO.D.4	Enhance mobility for all educational institutions	<ul> <li>Ministry of Education</li> </ul>	
D Education	KNO.D.5	Provide transparency on job market supply-demand dynamics	<ul> <li>Ministry of Labor/ Ministry of Foreign Affairs</li> </ul>	
X.1 Talent Pool & Education	KNO.X.1.1	Revamp secondary curriculum for technology	<ul> <li>Ministry of Education</li> <li>Innovation council/ task force</li> </ul>	
	KNO.X.1.2	Revamp tertiary curriculum for technology	<ul> <li>Ministry of Education</li> <li>Innovation council/ task force</li> <li>Leb. Univ.</li> </ul>	



## Knowledge Economy – priority initiatives (3/4)

	Objective	Owner <sup>1</sup>	Plays
X.1 Talent Pool & Education	KNO.X.1.3 Revamp tertiary curriculum for outsour	rcing • Ministry of Education • Lebanese University • IDAL	ABCD
X.2Access to	KNO.X.2.1 Ensure continuous pipeline of VC func	ling * Parliamen BDL IDAL	ABCD
Finance	KNO.X.2.2 Develop philanthropy grant creative an industries	nd cultural <ul> <li>Parliament</li> </ul>	ABCD
X.3 Physical & Virtual Infrastructure	KNO.X.3.1 Develop the physical "Beirut Knowledg in Beirut	ge Village" cluster <ul> <li>Ministry of Industr.</li> </ul>	ABCD
	KNO.X.3.2 Design and launch the "Smart Lebano licensing scheme	n" virtual   ■ IDAL	ABCD
X.4Industry Promotion	KNO.X.4.1 Develop and conduct country digital pl campaign	romotion    ■ Innovation Council/ Task Force	   
	KNO.X.4.2 Develop country branding of selected cultural industries	ed creative and   Ministry of Culture	ABCD
	KNO.X.4.3 Set up an information portal for interna	ational students <ul> <li>Education</li> <li>board/task</li> <li>force</li> </ul>	



### Knowledge Economy – priority initiatives (4/4)

KNO.X.4.4	Promote selected universities in target source countries	1	Education	1
			board/task force	
KNO.X.4.5	Strengthen the perception of Lebanese graduates employability in international markets		task force	ABCD
		i.	Council of ministers	ABCD
KNO.X.5.2	Set-up an Inclusive organization/task force for creative industries	i	Council of ministers	ABCD
		1	Council of ministers	ABCD
	KNO.X.5.1 KNO.X.5.2 KNO.X.5.3	<ul> <li>employability in international markets</li> <li>KNO.X.5.1 Set up the national innovation council as the Task Force to drive the implementation of the digital strategy</li> <li>KNO.X.5.2 Set-up an Inclusive organization/task force for creative</li> </ul>	employability in international markets*KNO.X.5.1Set up the national innovation council as the Task Force to drive the implementation of the digital strategy•KNO.X.5.2Set-up an Inclusive organization/task force for creative industries•KNO.X.5.3Set up a task force to drive and implement the•	employability in international marketstask forceMinistry of Foreign AffairsKNO.X.5.1Set up the national innovation council as the Task Force to drive the implementation of the digital strategy• Council of ministersKNO.X.5.2Set-up an Inclusive organization/task force for creative industries• Council of ministersKNO.X.5.3Set up a task force to drive and implement the• Council of

### We considered 28 priority initiatives that underpin the vision of the NON knowledge economy sector (1/9)

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		Objective	Initiative	Owner <sup>1</sup>
Image: Constraint of the constra	Kno.A.1	Ensure continuous pipeline of R&D funding	<ul> <li>R&amp;D spend in Lebanon stands at 0.22% of GDP whereas the average of global and regional innovation hubs stands at ~1.7% of GDP. The country should as such increase the spend on R&amp;D, with the government driving this increase in spend through for example:</li> <li>Dedicating government budget annually to R&amp;D grants towards companies operating within the fields of the prioritized sectors</li> <li>Expanding the scope of circular 331 or any subsequent circular to include R&amp;D project financing</li> <li>Providing incentives for the private sector to allocate investments to R&amp;D</li> </ul>	<ul> <li>Innovation Council/Task Force</li> </ul>
	Kno.A.2	Reinforce footprint of technology transfer offices	<ul> <li>Building on existing academic research, commercialization should be augmented to monetize and scale up current and future technologies, through:</li> <li>Raising awareness on the requirements to bring products to market</li> <li>Supporting the development of technology transfer offices in leading universities <ul> <li>The role of transfer offices is to commercialize research output through engaging with the private sector to understand current needs</li> </ul> </li> <li>Setting up a governance structure, integrated with the Vision institutionalization mechanism, to ensure collaboration between universities and the private sector allowing for sharing of ideas and discussing market needs</li> </ul>	<ul> <li>Innovation Council/Task Force</li> </ul>
	Kno.A.3	Unlock Lebanese University's technology footprint	<ul> <li>The government should allow the Lebanese University (graduating 50% of tertiary education Lebanese students) to collaborate, with minimal restrictions, with the private sector particularly as relates to technology:</li> <li>Launching incubators and accelerators within the Lebanese University's branches throughout Lebanon. Space to be provided by the Lebanese University, while the incubators / accelerators to be operated / managed through private sector initiatives</li> <li>Opening up dialogues between the Lebanese University and tech. players (e.g. VCs, start-ups) to understand skill requirements (e.g. coding). Launch hackathons and trainings within the university's campuses</li> <li>Driving innovation within the Lebanese University through events and competitions (e.g. start-up competition across the Lebanese University's branches, with prizes including monetary and training compensations) <ul> <li>Events to cover branches of the Lebanese University in the different regions, beyond just Beirut</li> </ul> </li> </ul>	<ul> <li>Innovation Council/Task Force</li> </ul>

## We considered 28 priority initiatives that underpin the vision of the knowledge economy sector (2/9)

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	Objective	Initiative	Owner <sup>1</sup>
Kno.B.1	Create an outsourcing park in a region outside Beirut & Mount Lebanon	<ul> <li>Typically, leading outsourcing hubs develop specialized parks to enhance the country competitiveness, through offering best-in-class infrastructure, tax incentives, centralized services, one-stop-shop for administrative services (e.g. Casanearshore &amp; Rabat Technopolis in Morocco). As part of the outsourcing sector strategy, the government should develop a full-fledged "Plug &amp; Play" outsourcing park with world-class office space and state of the art infrastructure delivered through a PPP in a region outside Beirut (for e.g. Tripoli). The park should:</li> <li>Provide specific incentives including competitive telecom costs, cheap electricity and low real estate costs; achieving these savings entails setting up the park in a "Tier II" region but close enough to education institutes (e.g. Jbeil)</li> <li>Provide a full-fledge offering comprising on-site training/skills development facilities, shared services such as business services (e.g., "one-stop shop", IT operations, recruiting support) and general services (e.g., childcare, night transportation, catering and facility management)</li> <li>Ensure PPP contract is structured in such a way as to incentivize private concessionaire to maximize area dedicated for outsourcing companies and minimize "mixed-used" allocations (e.g. provide cross-subsidized)</li> <li>Phase out the construction in order to start with a small proof of concept before expanding when tenant demand picks up</li> </ul>	<ul> <li>Ministry of Industry</li> </ul>
ng Kno.B.2	Set-up the Outsourcing team within IDAL	<ul> <li>The outsourcing industry does not clearly fall under the mandate of any government entity. As such, a clear mandate should be provided and the agenda should be driven by an accountable entity, potentially through:</li> <li>Setting up an outsourcing team within IDAL to lead the outsourcing branding, promotion and outreach effort</li> </ul>	<ul> <li>IDAL</li> </ul>
Kno.B.3	Develop and conduct tenant attraction plan	<ul> <li>In order to attract international players and drive the establishment of captive centers for large regional corporations, a tenant attraction effort should be conducted mainly through:</li> <li>Developing a long list of potential regional corporations to target for captive centers</li> <li>Developing a long list of potential global outsourcing companies to target</li> <li>Developing a tenant pitch pack and conducting tenant attraction plan through global visits &amp; roadshows</li> </ul>	• IDAL

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

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		Objective	Initiative	Owner <sup>1</sup>
	Kno.C.1	Take a bet on specific Creative & Cultural industries (2-3 industries)	<ul> <li>Countries with a distinct creative edge have overarching strategies tackling all aspects of the creative &amp; cultural industries (e.g. Creative Britain), while taking a bet on specific niches (e.g. TV production, Video Games, Arts &amp; Music for the UK - Movie Industry for Morocco). As such, Lebanon should select 2-3 creative industries and incentivize their growth through: <ul> <li>Organizing round tables with experts in the field to understand potential of the different creative industries (e.g. Fashion, film industry).</li> <li>Devising a mechanism to shortlist 2-3 creative industries to focus on, with high job creation and economic contribution potential</li> <li>Launching a joint public-private sector initiative to support the selected sector (e.g. film industry), through either soft loans, investment attraction, support in marketing &amp; promotion &amp; distribution</li> </ul> </li> </ul>	<ul> <li>Ministry of Culture</li> </ul>
Creative Industries	Kno.C.2	Invest in creative & cultural industries infrastructure	<ul> <li>Selection of creative industries to focus on should be accompanied by the development of built-for-purpose infrastructure for the sector, through:</li> <li>Conducting round-table discussions to understand infrastructure requirements and gap areas within the selected creative industries (e.g. recording studio, theatre, exhibition centres)</li> <li>Develop business case for each project through understanding current and projected demand</li> <li>Solicit potential investors' interest to invest in the required infrastructure projects</li> <li>Understand investors' requirements and concerns to invest, tackle the concerns accordingly by prioritizing quick-wins</li> </ul>	Ministry of Culture
D Education	Kno.D.1	Attract international education institute to open branch in Lebanon	<ul> <li>As part of the international students attraction strategy, an incremental 8,000 international students are to be accommodated from now till 2025. In order to expand the current student capacity, the government should attract international universities to open branches in Lebanon through: <ul> <li>Understanding the requirements needed to attract international institutions</li> <li>Assessing the feasibility of opening up branches in Lebanon and the impact on local universities</li> <li>Actively targeting ~5 schools and launching discussions to open branches in Lebanon</li> </ul> </li> </ul>	<ul> <li>Ministry of Education</li> </ul>



# We considered 28 priority initiatives that underpin the vision of the knowledge economy sector (4/9) $^{\mbox{$NO$}}$



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	Objective	Initiative	Owner <sup>1</sup>
Kno.D.2	Address capacity constraint in selected top universities	<ul> <li>As part of the international students attraction strategy, an incremental 8,000 international students are to be accommodated from now till 2025. In order to expand the current student capacity, the government should support domestic universities in their expansion through:</li> <li>Engaging in dialogue with selected universities to understand capacity constraints/availability to accommodate target international students</li> <li>Assessing and launching incentive schemes and agreements with universities targeting international students</li> </ul>	<ul> <li>Ministry of Education</li> </ul>
Kno.D.3	Enhance overall education system within the country (specifically public secondary education)	<ul> <li>In order to further enhance the attractiveness of the country as a destination for international students, the government should enhance the overall quality of the education system, to restore Lebanon's reputation as an education power house by:</li> <li>Restoring the prestige of the teacher position and offer better working conditions to incentivize good/top performers to pursue a career in teaching</li> <li>Setting clear KPT (Key Performance Targets) per public school (primary, secondary and tertiary) and regularly assessing that all public schools adhere to these standards</li> </ul>	<ul> <li>Ministry of Education</li> </ul>
Kno.D.4	Enhance mobility for all educational institutions	<ul> <li>A key enabler to attracting international students is enhancing students &amp; staff mobility through for example:</li> <li>Engaging in international agreement and policy dialogues with other governments and their higher education institutes (HEIs)</li> <li>Developing streamlined process for student visa</li> <li>Entering into MOUs and other co-operations for: <ul> <li>Staff exchanges</li> <li>Development of institutional links</li> <li>Co-operation in research and development</li> <li>Recognition of qualifications and credit transfer</li> <li>Exchange of information on education policy, systems, curriculum development, governance, education materials</li> <li>Development of twinning programs</li> </ul> </li> </ul>	Ministry of Education
Kno.D.5	Provide transparency on job market supply- demand dynamics	<ul> <li>To enhance the employability of students, the government should supply the educational system with the right tools and information to graduate students with majors relevant to the economy through for example:</li> <li>Conducting national survey to understand the supply-demand gap in the labor force</li> <li>Conducting market research to understand labor demand in international markets (detailed in diaspora section)</li> </ul>	<ul> <li>Ministry of Labor/ Ministry of Foreign Affairs</li> </ul>

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

Education (Contd.)

## We considered 28 priority initiatives that underpin the vision of the knowledge economy sector (5/9) $\sqrt{5/9}$

	Objective	Initiative	Owner <sup>1</sup>	Plays
KnoX1.1	Revamp secondary curriculum for technology	<ul> <li>Today, 71% of entrepreneurs cite lack of Lebanese talent with needed skills as a major bottleneck, with 60% of them citing coding and development as a hard to find skill. Innovation leaders have tackled the problem through a curriculum overall (e.g. UK introduced coding classes to all students aged 5-16). The government should as such update the curriculum at K-12 level to introduce coding classes:</li> <li>The curriculum should teach children how to code, and how to create their own programs; not just how to work a computer, but how a competer works and how to make it work for you</li> <li>Workshops should be conducted between MoE and private sector technology players including VCs and startups to understand required skills prior to updating the curriculum</li> </ul>	<ul> <li>Ministry of Education</li> <li>Innovation council /task force</li> </ul>	ABCD
KnoX12	Revamp tertiary curriculum for technology	<ul> <li>Today, 71% of entrepreneurs cite lack of Lebanese talent with needed skills as a major bottleneck, with 60% of them citing coding and development as a hard to find skill. Innovation leaders have tackled the problem through a curriculum overall (e.g. UK introduced coding classes to all students aged 5-16). The government should as such update the tertiary curriculum at universities through for example:</li> <li>Developing a "Computer sciences" and "Software engineering curriculum" in the Lebanese University (that graduates ~50% of all students)</li> <li>Tailoring course offering towards the four prioritized sectors through conducting workshops with key private sector participants from the target segment to develop matrix of required skills in the near future and decided on course offering (e.g. Offer a blockchain course with emphasis on block-chain as a currency)</li> </ul>	<ul> <li>Ministry of Education</li> <li>Innovation council /task force</li> <li>Lebanese University</li> </ul>	ABCD
Kno.X.1.3	Revamp tertiary curriculum for outsourcing	<ul> <li>In order to enhance the employability of graduates in the BPO &amp; KPO sectors, the government should overhaul the relevant tertiary curriculum, through for example:</li> <li>Conducting roundtable discussion with key stakeholders in order to understand targeted initiatives on tertiary education as well as technical and vocational education classes, following BPO and KPO requirements.</li> <li>Encouraging the update of courses (particularly at the Lebanese University) to cater to the respective needs and required skills for BPO and KPO</li> </ul>	<ul> <li>Ministry of Education</li> <li>Lebanese University</li> <li>IDAL</li> </ul>	ABCD

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

X.1

Education & Talent Pool



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## We considered 28 priority initiatives that underpin the vision of the knowledge economy sector (6/9)

		Objective	Initiative	Owner <sup>1</sup>	Plays
X.2 Access to Finance	Kno.X.2.1	Ensure continuous pipeline of VC funding	<ul> <li>Today, VC funding stands at ~0.12% of GDP, in-line with global &amp; regional peers average of ~0.15%. Circular 331 issued by the BDL helped with the provision of venture funding across the country. In order to sustain the growth, the government should ensure a continuous pipeline of funding of ~150 USD Mn (Equivalent on average to ~0.12% of GDP) yearly through leveraging four different sources:</li> <li>Assessing the feasibility of renewing Circular 331</li> <li>Designing and driving communication campaign, with the support IDAL, to promote the Lebanese Innovation sector and attract foreign investors</li> <li>Designing and driving communication campaigns to raise awareness amongst Lebanese &amp; Diaspora HNWI regarding angel funding</li> <li>Incentivizing large domestic corporations and banks to set-up their own VC funding arms through providing means of de-risking the investments (e.g. MIC1 and MIC2 VC fund)</li> </ul>	<ul> <li>Parliament</li> <li>BDL</li> <li>IDAL</li> </ul>	ABCD
T manee	Kno.X.2.2	Develop philanthropy grant creative and cultural industries	<ul> <li>Companies operating in the realm of creative industries typically face difficulties when obtaining credits from banks, driven by a limited understanding of their risk profile. As such, access to finance could be developed through a philanthropy grant to finance creative and cultural industries by:</li> <li>Reaching out to diaspora members interested in supporting creative and cultural industries</li> <li>Promoting Lebanese creative and cultural industries internationally to raise international grants</li> </ul>	<ul> <li>Parliament</li> </ul>	ABCD
X.3 Physical & Virtual Infrastructure	Kno.X.3.1	Develop the physical "Beirut Knowledge Village" cluster in Beirut	<ul> <li>Countries across the world have set up digital hubs to further enable the growth of the sector (e.g. UK Tech City in London &amp; Cambridge Innovation Center in Boston). In fact, innovation clusters are widely recognized as a major tool for economic development, promoting innovation, collaboration &amp; localized access. The government should as such design and build the physical "Beirut Knowledge Village" cluster offering: <ul> <li>Optimal regulatory framework with "one stop shop" and centralization of services offering</li> <li>Subsidized rental and telecommunications cost</li> <li>Best-in-class physical telecommunications infrastructure</li> <li>Required support (financing, government benefits and incentives)</li> </ul> </li> </ul>	<ul> <li>Ministry of Industry</li> </ul>	ABCD



# We considered 28 priority initiatives that underpin the vision of the knowledge economy sector (7/9) $\sqrt{2}$



NON-EXHAUSTIVE

		Objective	Initiative	Owner <sup>1</sup>	Plays
X.3 Physical & Virtual Infrastructure (Cont'd)	Kno.X.3.2	Design and launch the "Smart Lebanon" virtual licensing scheme	<ul> <li>In order to ensure regional development and that knowledge-intensive industries are not uniquely concentrated in physical cluster, the government should develop a virtual licensing system to offer the incentive packages for Knowledge intensive companies (The licensing scheme would also cover the physical clusters). In order to develop the incentives scheme, the government could:</li> <li>Shortlist the type of companies that would have access to the license</li> <li>Benchmark incentives given in other countries</li> <li>Develop the eligibility criteria for the licenses</li> </ul>	<ul> <li>Ministry of Education</li> </ul>	ABCD
	Kno.X.4.1	Develop and conduct country digital promotion campaign	<ul> <li>In order to promote the Lebanese "Innovation &amp; Technology" sector globally the government should design and conduct a communication campaign</li> <li>The campaign could be part of a broader marketing campaign involving other sectors</li> <li>The campaign should ensure the country's participation in key international technology &amp; digital events</li> </ul>	<ul> <li>Innovation Council /Task Force</li> </ul>	ABCD
X.4 Industry Promotion	Kno.X.4.2	Develop country branding of selected creative and cultural industries	<ul> <li>In order to develop and spur the growth of the export-driven portion of creative industries, the government should brand the country as a destination/hub for selected creative and cultural industries through:</li> <li>Sponsoring businesses to participate in international festivals and sending a delegation to promote Lebanon in these festivals</li> <li>Hosting international festivals for selected industry (e.g. music festival, movie festival, fashion festival)</li> <li>Aggressively advertising success stories and emerging talent in the selected creative and cultural industry</li> <li>Inviting international leaders in the field to familiarize with the Lebanese creative and cultural industries eco-system and provide advertisement for Lebanon</li> </ul>	<ul> <li>Ministry of Culture</li> </ul>	ABCD
	Kno.X.4.3	Set up an information portal for international students	<ul> <li>While regional and international students have been traveling to Lebanon for education, there efforts have been individual, with minimal support from formal Lebanese authorities. Inbound students should be provided with all the relevant information needed to decide to relocate to Lebanon, potentially through:</li> <li>Developing a website that serves as the first touchpoint for majority of international students</li> <li>Conducting digital campaigns through the website and social media to engage prospective students</li> </ul>	<ul> <li>Education board / Task Force</li> </ul>	ABCD

## We considered 28 priority initiatives that underpin the vision of the knowledge economy sector (8/9)

		Objective	Initiative	Owner <sup>1</sup>	Plays
X.4	Kno.X.4.4	Promote selected universities in target source countries	<ul> <li>In order to attract international students, Lebanon should promote Lebanon as an educational hub through pushing selected universities in targeted source counties through for example:</li> <li>Participating in educational fairs in target countries with representation from selected universities</li> <li>Managing the perception of Lebanon in the media (refer to initiative Exp.B.1)</li> </ul>	<ul> <li>Education board/task force</li> </ul>	ABCD
Industry Promotion (Cont'd)	Kno.X.4.5	Strengthen the perception of Lebanese graduates employability in international markets	<ul> <li>In order to further enhance the attractiveness of the country as a destination for international students, the government should actively promote the success stories of Lebanese graduates worldwide, within and outside of diaspora communities, through for example:</li> <li>Issuing reports and statistics on Lebanese graduates employability in international markets</li> </ul>	<ul> <li>Intl. education board/ Ministry of Foreign Affairs</li> </ul>	ABC <b>D</b>
X.5 Governance	Kno.X.5.1	Set up the national innovation council as the Task Force to drive the implementation of the digital strategy	<ul> <li>Global innovation hubs have set-up councils as coordinating bodies to deliver the country or state digital &amp; innovation strategy. As the technology and innovation sector does not clearly fall within the mandate of any government entity, the governance to deliver the strategy should be reinforced, mainly through: <ul> <li>Setting-up the national innovation council composed of key selected senior stakeholders</li> <li>Setting-up the council's secretariat, responsible of the day-to-day management of the innovation strategy <ul> <li>The secretariat should ensure the following functions:</li> <li>Communication &amp; promotion</li> <li>Data collection and analysis to create a single source of truth</li> <li>Refresh of strategy and follow-up on implementation of the different initiatives</li> </ul> </li> </ul></li></ul>	Council of ministers	ABCD

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.



NON-EXHAUSTIVE

## We considered 28 priority initiatives that underpin the vision of the knowledge economy sector (9/9) $\sqrt{8}$

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	Objective	Initiative	Owner <sup>1</sup>	Plays
Kno.X.5.2	Set-up an Inclusive organization / task force for creative industries	<ul> <li>Today several creative industries (e.g. Sound recording, Fashion, Digital media) do not fall within the mandate of any government entity. As such, and to ensure the delivery of the creative industries strategy, the governance should be reinforced, mainly through:</li> <li>Extending the mandate of the Ministry of Culture/Ministry of Information to remaining cultural and creative industries that currently do not have representation in the public sector</li> <li>Establishing a central industry coordinator / task force, tasked with overseeing Lebanon's cultural and creative industries initiatives while orchestrating the various roles played by the many stakeholder. Task force to be integrated with overall Vision institutionalization mechanism</li> </ul>	Council of ministers	ABCD
Kno.X.5.3	Set up a task force to drive and implement the international education strategy	<ul> <li>Emerging education leaders (e.g. Australia, Malaysia) typically set-up a nodal agency to develop and implement the international student strategy (e.g. Australian Education International, Education Malaysia Global Services). Lebanon should set-up a similar dedicated agency to be integrated with the overall Vision institutionalization mechanism:</li> <li>The dedicated agency / task force should be formed in collaboration with the Ministry of Education and top universities in Lebanon. This task force should be integrated with the overall Vision institutionalization mechanism</li> <li>All key stakeholders should be involved in strategy development stage through consultations, roundtables and committees</li> </ul>	Council of ministers	ABCD

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

X.5

Governance (Cont'd)



NON-EXHAUSTIVE

## Knowledge Economy – additional relevant initiatives detailed within other sectors or enablers

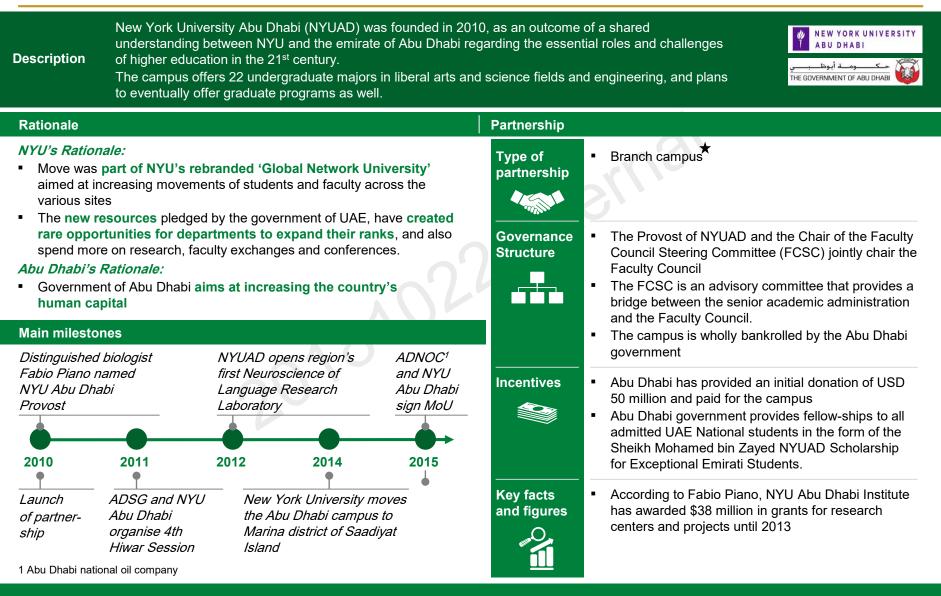
Other initiatives related to knowledge economy

	Objective	Initiative
Fin.X.3.2	Enhance access to financing for SMEs in the creative industries fields	Refer to initiative X.3.2 under Financial Services
Inf.2	Implement Fiber strategy of MoT	<ul> <li>Refer to initiative 2 under Infrastructure</li> </ul>
Leg.2.5	Revise regulatory environment for Knowledge Economy activities	Refer to initiative 2.5 under Legislation
Leg.2.6	Amend Labor law for part timers including in Creative Industries	Refer to initiative 2.6 under Legislation
Leg.1.1	Enhance ease of doing business	Refer to initiative 1.1 under Legislation
Exp.A.1	Centralize & consolidate export-support activities (e.g. within IDAL or new entity)	<ul> <li>Refer to initiative A.1 under Export &amp; Branding</li> </ul>
Exp.A.2	Expand export promotion	<ul> <li>Refer to initiative A.2 under Export &amp; Branding</li> </ul>

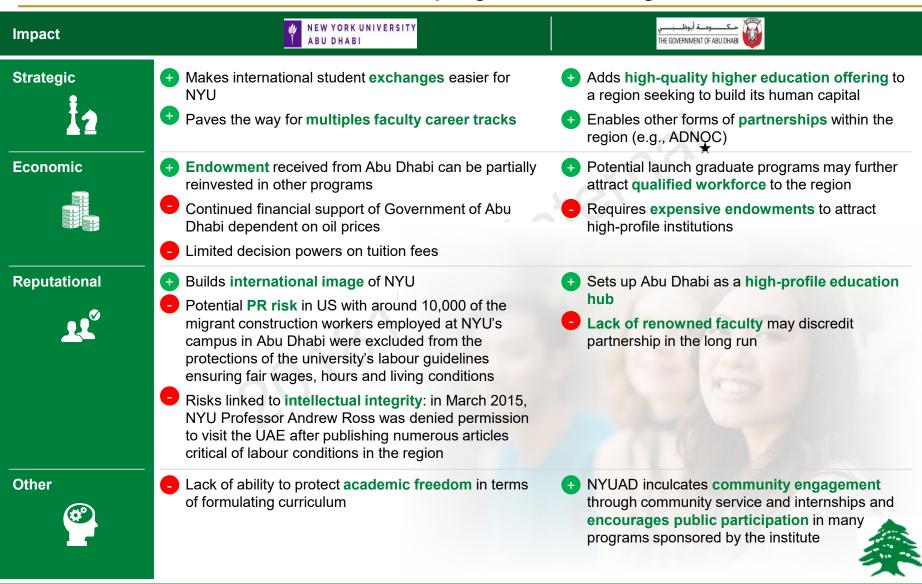
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## D-1 Branch campus example: New York University (NYU) and Government of Abu Dhabi





Despite facing challenges in UAE, NYU-Abu Dhabi is an important contributor towards educational progress in the region



## D-1 Branch campus example: George Mason University (GMU) and Ras el Khaimah (RAK)

Description	George Mason University (GMU), Ras Al Khaimah (RAK) campus was initially designed to offer four-year undergraduate degree programs in business, information technologies, nursing and pharmacy. Later, a two-year master's program in business administration was added, along with undergraduate programs in engineering.			MASON UNIVERSITY	
Main reasons for failure		agreement with RAK regarding their funding, ed to low enrolment growth, making the runn			Ras Al Khaimah Campus, UAE
Rationale			Partnership		
<ul> <li>Opportunity class camp</li> <li>Providing str gain a new</li> <li>Ras Al Khaima</li> <li>Opportunity academic str</li> <li>Opportunity</li> </ul>	us in order to expan udents at the Virginia cultural experience th Rationale: to uplift education upport and programm for students in RAM	te on the provision of land and a world- d and grow its campuses a campus, the opportunity to transfer and in the region with the provision of full	Type of partnership	<ul> <li>Branch campus</li> <li>Dean of Academics provided by Geo University</li> <li>Governing body composed of three Mason staff and three full-time mem Human Development Foundation (R</li> </ul>	full-time George bers of the RAK AK-HDF)
Main mileston	es			<ul> <li>RAK-HDF has full oversight of the ca infrastructure, salaries and operating</li> </ul>	
GMU campus is established in RAK	New campus under- construction	Signs MoU with Sheikh Saqr Program, which will provide scholarships to 50 nominated GMU-RAK students	Incentives	<ul> <li>GMU was given approximately 200 Emirates highway</li> <li>Agreements with RAK included a ful constructed state-of-the-art campus</li> </ul>	
Sharon Siverts, participates in C	2007 punces the appointm PhD, as vice presid GETEX <sup>1</sup> 2007 tional oil company		Key facts and figures	<ul> <li>Did not have any graduates due to the closing within three years of its initial</li> </ul>	•



P.1 Funding woes and contractual disagreements between GMU and RAR were the biggest reasons for the closure of the campus in 2009

Challenges	Description
Strategic	<ul> <li>Global economic crisis affected funding, as investors started to dramatically cut-down on subsidies</li> <li>GMU and the RAK government started having disagreements over the initial funding agreement drawn out between the two parties</li> <li>GMU was unable to meet investor expectations in terms of profits, thus making the entire venture non-profitable and non-viable</li> <li>GMU provided no funding support, in spite of having ownership over the brand name and academic programs</li> </ul>
Economic	<ul> <li>The push-back on funding led to slower enrolment growth, making it difficult for GMU-RAK to sustain the campus in a viable manner</li> <li>The campus was initially opened in RAK with the understanding that it would be a self-sustaining university at the end of five years, which looked unachievable when enrolment and funding took a hit</li> </ul>
Reputational	<ul> <li>GMU worried that the conflicts over funding and administrative issues would prevent the university from maintaining educational quality and eventually affect accreditation</li> <li>News about the conflicts also had the possibility of further hampering student enrolment rates</li> <li>The initial agreement held between GMU and RAK did not pan out, as classes were held in prefabricated buildings that were not even located on the allotted 200 acres of land. Students who transferred with expectations of seeing a world-class campus, were disappointed with what was offered in reality.</li> </ul>
Other	<ul> <li>During the very first year of the campus' opening, issues began when professors and employees failed to receive compensation on time</li> <li>RAK-HDF conducted a routine audit, which affected timely payment of compensation. The audit was unknown to the university's faculty.</li> </ul>

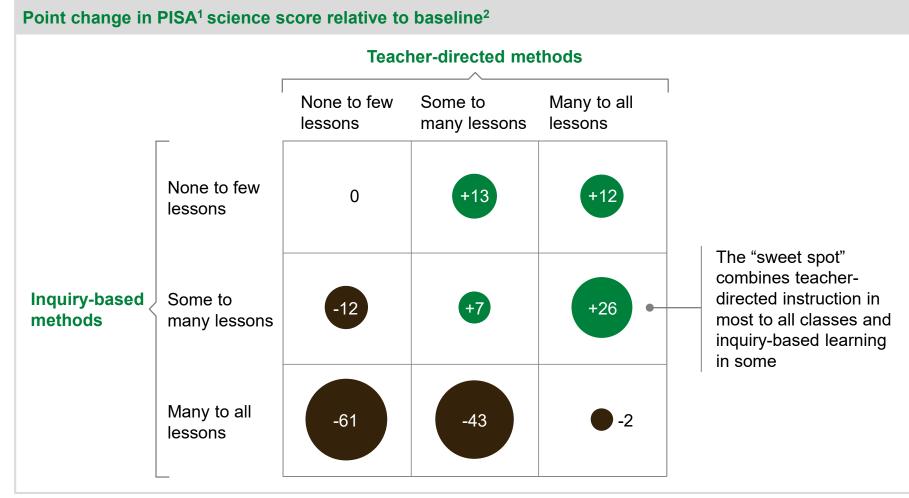
D.3 Students who receive a blend of teacher-directed and inquiry-based

Average score increases

OR

Decreases

instruction have the best outcomes



1 Program for International Student Assessment

2 Statistically significant expected change in score controlling for PISA's index for economic, social, and cultural status, public/private schools, and urban/rural location for all quadrants except for teacher-directed and inquiry-based instruction in all classes (-2), which was not significant at 93% confidence level

x.5.2 Ownership of the CC space must be resolved on the government's end

There exists a need for a central industry coordinator, tasked with overseeing Lebanon's CCI initiatives while orchestrating the various roles played by the many stakeholder





Roles and responsibilities Maintains vibrant channels of communication between government entities and industry participants as well as between different industry participants

The UK's

🔽 🔽 Creative Britain

#### **Runs special** programs that do not fall under the preview

of existing stakeholders Fosters a nuanced understanding of the individual needs of the numerous subsectors as well as maintaining an understanding of

industry wide

Malaysia's Multi-media

Super Corridor



issues

Periodical reviews

Creative Strategy

new developments

to accommodate

and updates the

Cultural and





SOURCE: Team Analysis

Benchmark &

Pathfinders

Coordinates efforts

industries across

government entities

related to CC

different



#### I. EXECUTIVE SUMMARY

#### II. INTRODUCTION AND METHODOLOGY

- A. Methodological approach to the study
- B. Stakeholder engagement and syndication process
- C. Reviewed documentation

#### III. CONTEXT AND DIAGNOSTIC

- A. Chapter summary
- B. Economic perspective
  - 1. Macro-economic evolution
  - 2. Trade profile (exports & imports)
- C. Sector diagnostics
  - 1. Natural resources (oil & gas)
  - 2. Agriculture
  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
  - 1. Public finance
  - 2. Ease of doing business
  - 3. Monetary policy
  - 4. Economic development activation
  - 5. Trade & international agreements

#### IV. THE VISION: LEBANON'S ECONOMIC ASPIRATIONS

- A. Chapter summary
- B. Burning platform
- C. Lebanon's growth imperatives
- D. Economic aspirations and macroeconomic targets
- E. Sector prioritization mechanism and rationale

#### V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

- A. Chapter summary
- B. Sector deep-dives
  - 1. Agriculture
  - 2. Industry
  - 3. Tourism
  - 4. Knowledge economy
  - 5. Financial services
  - 6. Diaspora

#### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

- A. Chapter summary
- B. Public administration reform requirements
- C. Infrastructure including CIP initiatives
- D. Public finance requirements
- E. Main legislative requirements
- F. Country branding & export promotion

## VII. INSTITUTIONALIZATION MECHANISMS

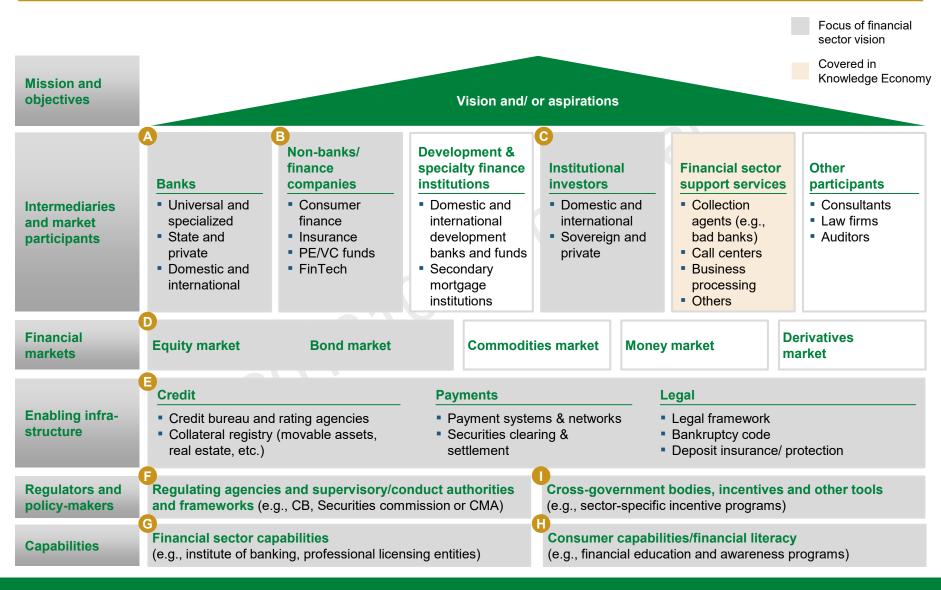
- A. Chapter summary
- B. Governance set-up: orchestration and delivery
- C. Path forward

#### VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters

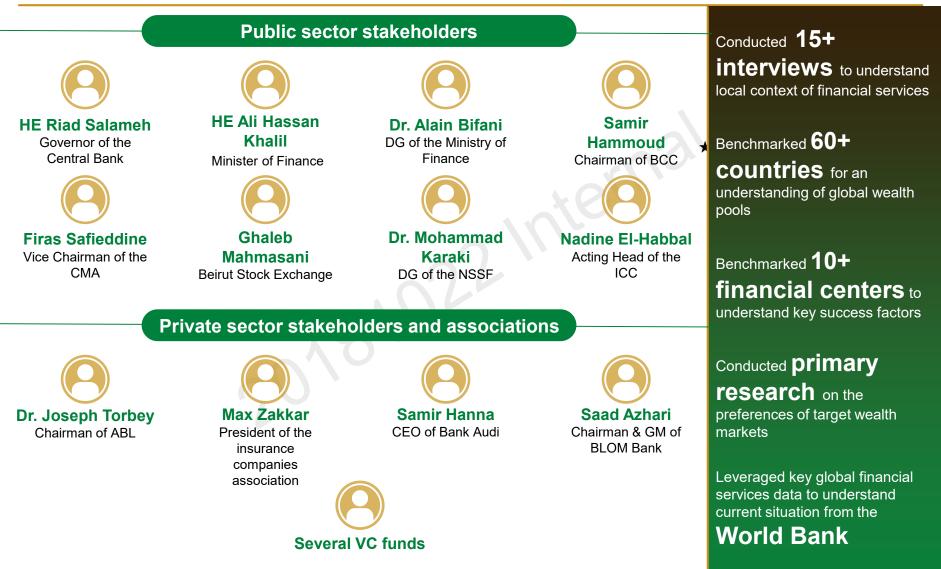


### Financial services framework



## Our financial services strategy has engaged a range of experts, benchmarks and sector reports







### Financial Services – sector aspiration

Aspiration: Supporting the economic growth through financing, becoming an "investment management & offshoring hub" while providing exportable centers of excellence across niche services, building on strong and resilient sector foundations

#### **Current situation**

- Financial services overwhelmingly dominated by banking with limited to no participation of other services (Insurance, Funds, Capital markets); Banking sector with solid fundamentals but decreasing profitability and increasing risk
- Low penetration of offshore AUMs with basic product offering (mainly deposits)
- Lack of regional & global recognition for specific centers of excellence
- Missing key regulatory enablers (e.g. PE Fund law)

2025

- Healthy and resilient financial services sector across all dimensions with a fullfledged offering (beyond banking) and significant depth across all sub-sectors; Increased focus of banking on productive sectors with optimal efficiency in terms of costs and effectiveness in managing risk
- B Investment management and offshoring hub with basic asset offering targeting regional investors (Levant, Caspian Region & Africa)
- Best in class talent and innovative centers of excellence in project finance, digital & analytics, actuarial studies, FinTech and research, servicing domestic and regional markets
- X Superior enabling infrastructure & regulatory environment supporting the sector development (e.g. PE Fund Law)

#### 2035



- Best-in-class full-fledged financial services offering with several regional "champions"
- Wealth management hub, capturing high share of wallet through complex financial products, with proactive approach to retain global players
- Evolving "future-proof" center of excellence offering at the forefront of innovation

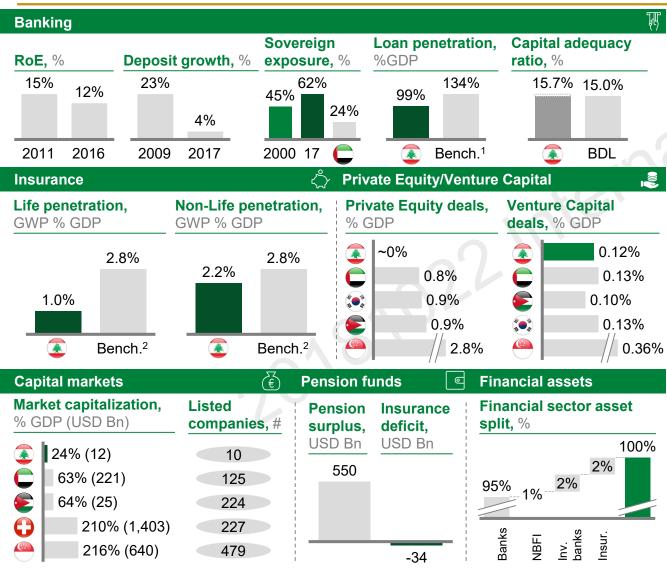


1 Off Balance Sheet AUMs, excluding deposits, including securities

2 Total financial services assets including banking, non-banking financial institutions, investment banks & insurance



## Financial Services – summary of diagnostic (1/4)



#### Key challenges

- Lack of participation of nonbanking financial services
  - Domination of financial services by banking with ~95% of assets
- Underdeveloped capital markets
  - Lack of incentives to list
  - Limited foreign investments
  - Credit

- Although a large portion of credit information is provided by BDL, sector can benefit from a credit bureau
- Legal
  - Sub-par legal framework on three fronts: (1) E2E doing business cycle (2) Private equity and fund management laws (3) Digital banking & payments
- Regulator
  - Incomplete regulatory framework for capital markets (lack of sanctioning committee & tribunal)
- Capabilities:
  - Low financial inclusion and literacy, especially outside BML

1 Includes Singapore, Switzerland, UAE, Greece, South Korea, Jordan & Morocco

2 Includes UK, France, Italy, Netherlands, Spain, South Korea, Brazil, Hungary, KSA & Turkey

Source: IMF Article IV, Banque du Liban, BCC, ICC, World Bank, Pitchbook, Country central banks



### Financial Services – summary of diagnostic (2/4)

Banks	<ul> <li>Declining profitability of banks (RoE from 15% in 2011 to 12% in 2016), especially for smaller banks that do not have a diversified value proposition; low RoE for small banks signals potential for consolidation         <ul> <li>Margin compression as a result of increasing cost of funding and declining gross interest income (due to heavy substitution of private sector lending with sovereign exposure)</li> <li>Average cost structure of banking system (46-50% C/I v.s. ~30-40% for high performing regional benchmarks and 30% (or less) for global digital benchmarks)</li> <li>High rate of non-performing loans compared to benchmarks<sup>2</sup> (6.5-9.2% vs. 5.8%), mainly driven by deteriorating economic conditions, coupled with underdeveloped underwriting capabilities for risky sectors (e.g. SMEs &amp; Real Estate)</li> </ul> </li> <li>Reduced growth in assets down from ~22% in 2009 to ~8% in 2017</li> <li>High sovereign exposure of asset-base (62% vs 24% for UAE; includes regulatory reserves)</li> <li>Limited private sector lending especially on the retail front: Retail lending penetration (30% of GDP; domestic loans only) lower than global benchmarks<sup>1</sup> (50% of GDP)</li> <li>High concentration of overall private sector lending (particular corporate lending) in higher risk and nonproductive sectors such as real estate (~25% real estate vs ~17% for Singapore)</li> <li>Low capital cushion on top of regulatory capital (~0.7% on top of 15% regulation) along with average bank capital efficiency, further hindering growth of the asset base</li> <li>Low digital banking penetration with 27% of adults having made a digital transaction vs. 60% benchmark<sup>12</sup></li> <li>Sector remains at the core of the Lebanese economy contributing to more than 30% of the government's income tax (Profits, capital gains, interest tax)</li> </ul>
B Non-Banks finance companies	<ul> <li>Limited participation of non-banking financial institutions constituting only ~5% of total financial sector assets insurance</li> <li>Insurance sector has been growing steadily with GWP growing at ~4% p.a. from 1.3 USD Bn in 2012 to 1.6 USD Bn in 2016</li> <li>Comparison to benchmarks shows a low penetration of life (1% of GDP) and non-life insurance (2% of GDP) compared to benchmarks<sup>3</sup> (3% for life and non-life)</li> <li>ICC<sup>4</sup> plays a key role in maintaining the soundness of the industry with some room for improvement</li> <li>Mutuals and coops provide insurance plans &amp; coverage with no oversight from the ICC</li> <li>Private equity and asset &amp; fund management</li> <li>Limited presence and activity of PE firms with funding at ~0% of GDP vs. 0.8-2.8% benchmarks<sup>1</sup></li> <li>VC funding of ~0.12% of GDP in-line with benchmarks<sup>1</sup>, but funding lacks at angel stages</li> <li>Fintech scene is emerging with ~10% share of all MENA Fintechs ranking Lebanon 3<sup>rd</sup></li> </ul>



### Financial Services – summary of diagnostic (3/4)

С	Institutional investors	<ul> <li>Pension funds</li> <li>Pension system is mainly composed of public pension funds (civil servants and military funds for public sector personal and NSSF for private sector) and private pensions administered by Labor unions &amp; professional orders</li> <li>NSSF faces several issues, mainly <ul> <li>Use of the surplus of the pension (~550 USD Mn surplus in 2011) to cover the health insurance deficit (~34 USD Mn deficit in 2011)</li> <li>Lack of investment in sovereign securities</li> <li>Lack of visibility on the fund's contingent liabilities putting at risk its solvency, liquidity &amp; sustainability; same pressure applies to public sector pensions</li> </ul> </li> </ul>
	Equity and bond markets	<ul> <li>Underdeveloped capital markets with low market capitalization at ~21% GDP vs. ~60% regional benchmarks and ~200% for global financial hubs; with only 10 listed companies (o.w. 6 banks)</li> <li>Lack of IPOs vs. 0.3% of GDP in yearly startups IPO in developed countries</li> <li>Lack of incentives for domestic companies to list their shares</li> <li>Limited foreign investments driven by sub-optimal business &amp; regulatory environment</li> <li>The capital market authority (CMA) was setup but still lacks a sanctioning committee and a financial markets tribunal to become fully operational</li> </ul>
E	Enabling infrastructure	<ul> <li>Credit <ul> <li>Although a large portion of credit information is provided by BDL through the CDR, sector can benefit from having a dynamic and commercialized credit bureau that can tailor credit reports across segments and sectors, using advanced analytics to support credit decisioning</li> <li>Lack of collateral registry</li> </ul> </li> <li>Payments <ul> <li>Lebanon was historically the regional leader in setting up a National payment system</li> <li>While the Central Bank has had a thorough grasp on payment systems, looking forward, there is a need for continuous modernization and digitization of the underlying payments infrastructure to match digitization efforts of banks and future payment mechanisms and currencies that are being discussed by BDL</li> </ul> </li> <li>Legal <ul> <li>Sub-par legal framework on three fronts: (1) E2E doing business cycle: outdated insolvency and bankruptcy laws, banking tax law (2) Private equity and fund management laws: lack of private equity investment law and (3) Digital banking and payments: lack of e-signature law</li> </ul> </li> </ul>



### Financial Services – summary of diagnostic (4/4)

F	Regulating agencies	<ul> <li>Incomplete regulatory framework for capital markets (lack of sanctioning committee &amp; tribunal)</li> <li>BDL's risk regulation today is in-line with best practise. Going forward, the regulatory environment should hit the right balance between allowing the future modernization and development of the sector while keeping the highest risk management standards</li> <li>The Insurance Control Commission (ICC), reporting to the Ministry of Economy, is not fully independent</li> </ul>
G	Cross- government bodies	<ul> <li>The Association of Banks in Lebanon, ABL, has been very effective in international advocacy; however, gaps exist when it comes to local advocacy with government and regulators and promotion of the brand and image of the sector</li> </ul>
H	Financial sector capabilities	<ul> <li>Lebanon enjoys a high-quality talent pool for financial services; BDL has over the years continuously introduced new regulation on qualifications to further enhance the talent pool's quality through trainings and certifications</li> <li>However, the country faces issues in retaining talent and expertise driven by high retention costs (i.e. better external opportunities)</li> <li>Changing sector dynamics as a result of digitization require a shift in people's capabilities with most financial institutions lacking readiness and planning for the transition</li> </ul>
0	Consumer capabilities	<ul> <li>Lack of financial inclusion with only 0.65 bank accounts per capita vs. 2.3 Singapore</li> <li>Despite "overbanking" at the country-level, regional disparities underline the financial inclusion issue with 52 branches &amp; 94 ATMs per 100K adults in Beirut &amp; Mount Lebanon vs. 15-18 and 27-29 in the other regions</li> <li>Financial literary of 44% higher than regional peers (30%) but lower than advanced economies (53%), driven by a lack of proper financial education in secondary schools (e.g. savings, expense management)</li> </ul>



2025

### Financial Services – 2025 sector charter

Aspiration: Supporting the economic growth through financing, becoming an "investment management & offshoring hub" while providing exportable centers of excellence across niche services, building on strong and resilient sector foundations

#### SECTOR PLAYS 2025 TARGETS FS GDP contribution, Non-banking assets<sup>3</sup>, Deepen and strengthen the financial services sector to effectively enable and finance the country's % of total assets Bn USD 2017 prices economic development agenda . Develop digital banking as an alternative delivery channel 7.8 33% 21% 4.8 Ensure diversification of asset-base through enhancing the attractiveness of credit to priority productive sectors (e.g. PPPs with attractive returns) Enhance the capabilities of the banking sector (e.g. complex products, sector expertise), key pillar Banking sovereign Total FS assets. of Lebanon's financial services, while ensuring higher cost efficiency and effective risk management and exposure, % %GDP capital deployment 490% 433% Develop and deepen the financial services beyond banking, to provide a full-fledge offering across 50% 37% the entire ecosystem (Insurance, PE/VC & Fund management, Capital markets, Pension funds) Position Lebanon as an investment management and offshoring hub, targeting investors from untapped Assets under mgt., Top 10 asset & fund markets, mainly the Levant, Africa & the Caspian region, while focusing on the Lebanese diaspora %GDP managers<sup>4</sup>, # Develop asset management & fund administration hub value proposition, while developing offshore booking 30% center value proposition, with simple product offering (e.g. Fixed Income, deposit, PPP financing) 3 14% Attract and retain offshore wealth penetrating three strategic untapped markets, mainly, the Levant, Africa & the Caspian region<sup>1</sup>, while maintaining the growth of Lebanese diaspora assets; these markets will constitute Global financial Lebanese onshore the core of our target markets HNWI wealth. % total centre index. rank 55% Top 50 40% N/A Develop centers of excellence in specific niches with strong export potential, leveraging the country's Total CoE financial Value of exports talent pool and the geopolitical context exports<sup>5</sup>, Mn USD project finance deals. Project finance targeting the core markets<sup>2</sup> (e.g. Syria & Iraq) USD Bn 500 1.5 Digital & analytics targeting the core<sup>2</sup> and regional markets (e.g. Levant & GCC) Actuarial studies targeting the core<sup>2</sup> and regional markets (e.g. Levant & GCC) N/A N/A Equity & investment research targeting the core<sup>2</sup>, regional markets and global financial centers Fintech serving the global market

- Legislation & regulatory framework
- Legal & regulatory framework for fund management (e.g. PE fund law)
- Legal & regulatory framework for digital & analytics FS (e.g. E-signature)
- Wealth-related taxation & incentives (e.g. tax on capital gains)

#### Talent pool & education

- Talent pool for financial services delivery (Tertiary education revamp for asset management, digital & banking sector certifications
- Population financial education & literacy

Lending to priority sectors

Incentivize lending to priority economic sectors of the Vision

**ENABLERS** 

1 Azerbaijan, Iran, Kazakhstan, Turkmenistan, Russia; 2 Levant, Africa, Caspian Region, Lebanese Diaspora 3 Non-banking includes non-banking financial institutions, investment banks & insurance 4 BlackRock, Vanguard, UBS, SSGA, Fidelity, Allianz, JP Morgan, BNY Mello, PIMCO, Amundi

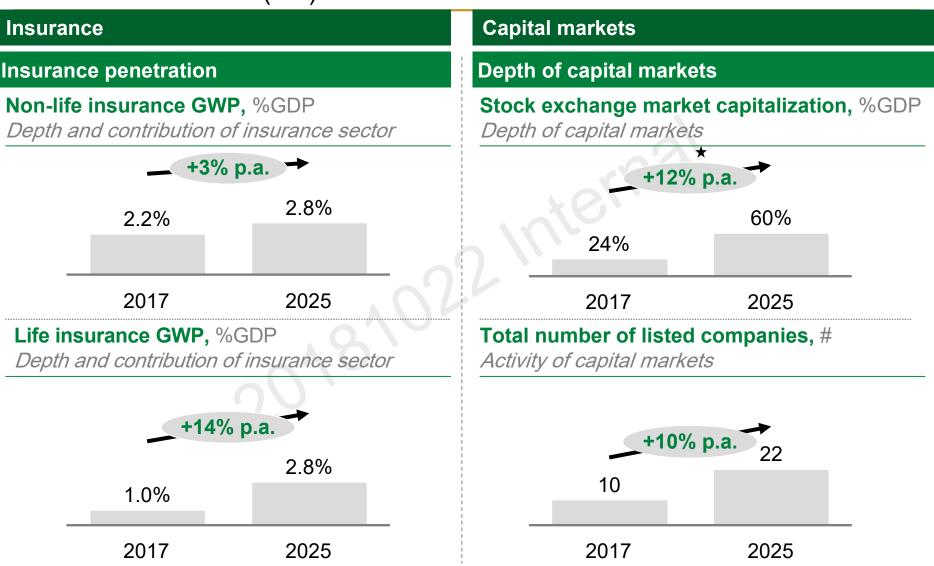
5 Exports of financial services including, export of actuarial services, outsourcing of financial research services, exports of FinTech & digital outsourcing

Several key financial metrics will guide the strengthening of the banking sector...

#### **Banking sector Economic growth support** Strength of the banking sector **Retail loan penetration**, %GDP Total banking assets, %GDP Size of the banking sector Access to financing for households +5% p.a. 1.3% p.a. 458% 50% 412% 30% 2017 2025 2015 2025 Portion of loan to priority sectors Sovereign exposure, % total assets % total corporate loans Access to financing for priority sectors Portion of banking assets with government risk -4% p.a. +6% p.a. 50%<sup>1</sup> 30% 37% 19% 2017 2025 2017 2025 1 Excludes required reserves at BDL

## A ... and the increase in contribution and depth of the non-banking financial services (1/2)





 $\mathbf{x}$  ... and the increase in contribution and depth of the non-banking



financial services (2/2)

**Private Equity** 

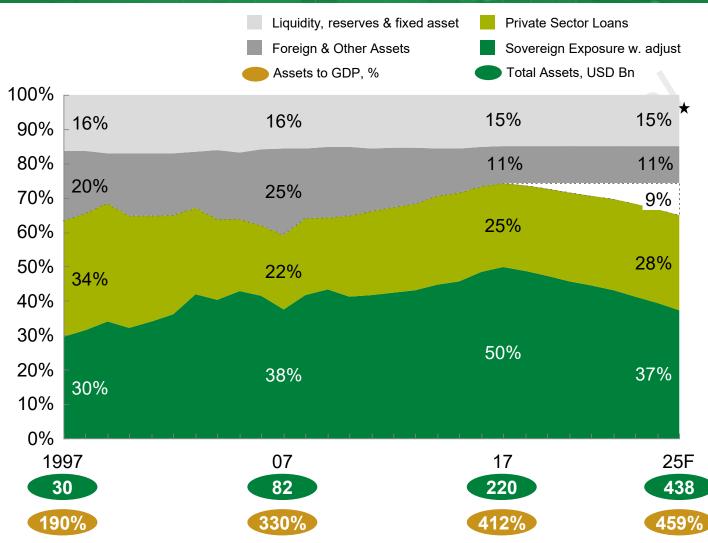
**Private Equity & Venture Capital** 

**Private Equity deal value,** %GDP Depth of PE deals



A Achieving balanced sovereign exposure while increasing loan penetration would still give room for ~40 USD Bn of productive investments

## Commercial banks asset by asset-class, %



Increasing retail loan penetration to benchmark will maintain banks' lending portfolio at ~28% of total assets

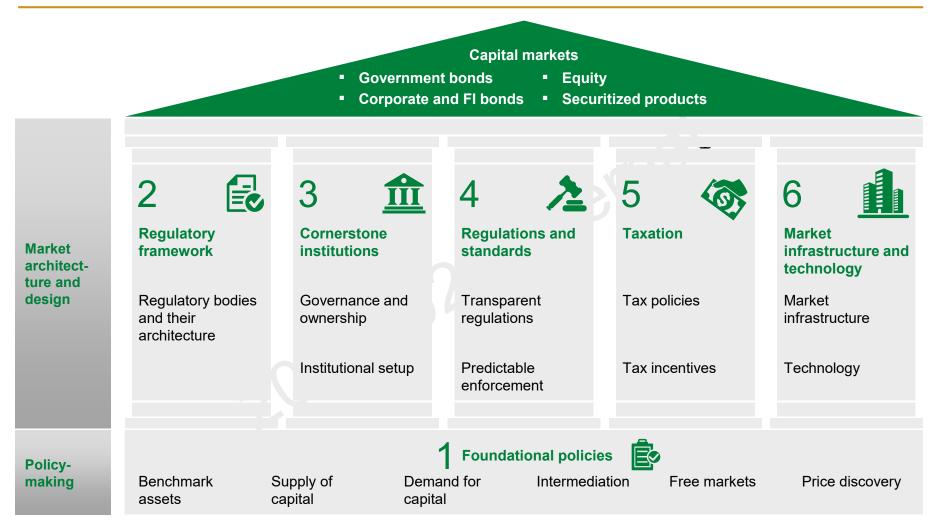
 Better fiscal situation will lead to a decrease in sovereign exposure, down to ~37%, giving a 9% (~40 USD Bn) room in the asset base for productive investments (domestically & abroad)

## A Deepening and developing capital markets typically has several economic benefits



Benefits of debt capital markets	How can Lebanon benefit from capital markets?	How does the US benefit from capital markets?
Additional funding sources	<ul> <li>Diversification of existing funding for Govt., GREs and corporates away from banks</li> <li>Additional capital available to banks to lend to the wider economy (e.g. SME's)</li> <li>Supplementary financing for infrastructure and developmental projects</li> </ul>	<ul> <li>Approximately 1,306 U.S. companies issued \$1.5 trillion in corporate bonds to fund their operations and growth in 2015</li> <li>The state and local governments regularly use municipal bond proceeds for infrastructure development (e.g. bridges, transportation systems, power plants)</li> </ul>
Reduced funding costs	<ul> <li>Reduced funding cost due to availability of capital and increased competition</li> </ul>	<ul> <li>Mortgage securities have helped individuals own homes by reducing borrowing costs</li> </ul>
Reduced risk	<ul> <li>Reduction in exchange rate risks by providing an alternative source of multi-currency financing</li> <li>Reduction in maturity mismatch risk due to the availability of capital at various tenors</li> </ul>	<ul> <li>Asset-backed security markets have allowed lenders to shift risks (e.g. auto loans, student loans, credit cards etc.)</li> </ul>
Investors	<ul> <li>Increased demand from international investors for high quality assets</li> </ul>	<ul> <li>Corporate bond markets have promoted broader investor interest</li> </ul>
Additional tools for monetary policy	<ul> <li>Provision of enhanced tools to monetary authority</li> </ul>	And

A To further drive the growth and development of capital markets, Lebanon should tackle 6 dimensions

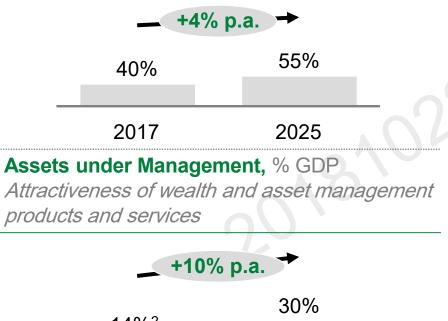


B Positioning Lebanon as an investment management and offshoring has requires reaching a specific set of targets across different metrics



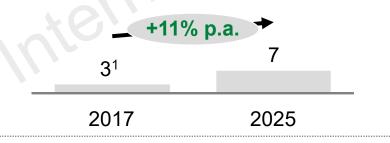
### Asset attraction and retention

**HNW wealth that remains within Lebanon**, % *Competitiveness of local products and services to HNWIs* 



## Ecosystem & environment

Number of top 10 asset and fund managers Renowned as global financial hub



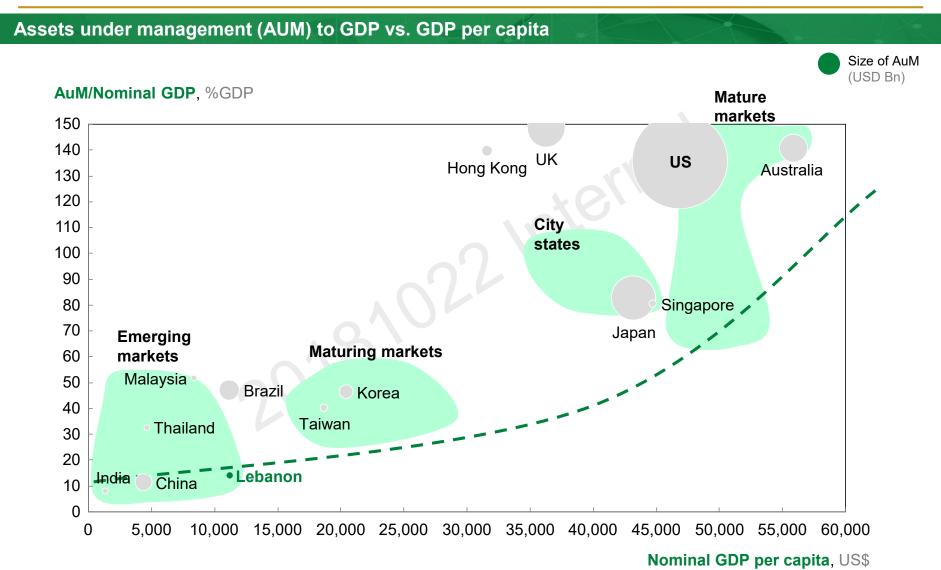
**Global financial center index,** rank Market and regulatory environment for financial center



1 o.w. two representative offices for UBS and BNY Mellon 2 Computed assuming 25% of AUMs of local players are domestic based on Audi ratio

Source: McKinsey Private Banking Survey 2016; Bank Audi Investor Relations presentation Jun. 2017; Dec. 2016

## B Assets under management as a percent of GDP are amongst the lowest in Lebanon



## B Competition for financial hub models takes place on a global level



Failure cases



#### Gibraltar

- Positioned as the only British offshore centre that is part of the EU
  - Able to provide financial institutions with access the EU single market
  - Does not apply EU VAT or common external tariff regimes
  - Favourable 1% income tax for online gambling businesses
- Attracts over 60% of online gaming business worldwide

#### Gambia

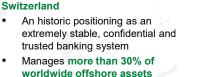
- Introduced state-of-the-art online corporate registry, offering quick and cheap incorporation in July 2013
- Struggles to gain traction without the right network of DTAs and the backing of big corporate service providers

#### Delaware

- Considered most business-friendly state of the US, due to
  - Zero taxation policies
  - Increased protection of the corporate assets against bankruptcy by individual members

18

 Legal home of 64% of Fortune 500 companies



#### Luxembourg

- Centre of excellence for a large variety of investment funds thanks to:
  - Lightly regulated and tax efficient fund vehicles
  - Strong historic financial secrecy
- Second largest mutual fund industry world-wide, after US

#### Morocco

- Established an offshore banking and holding law in 1991
- Only 8 offshore banks were established, none of them from global players, and less than 10 holdings incorporated

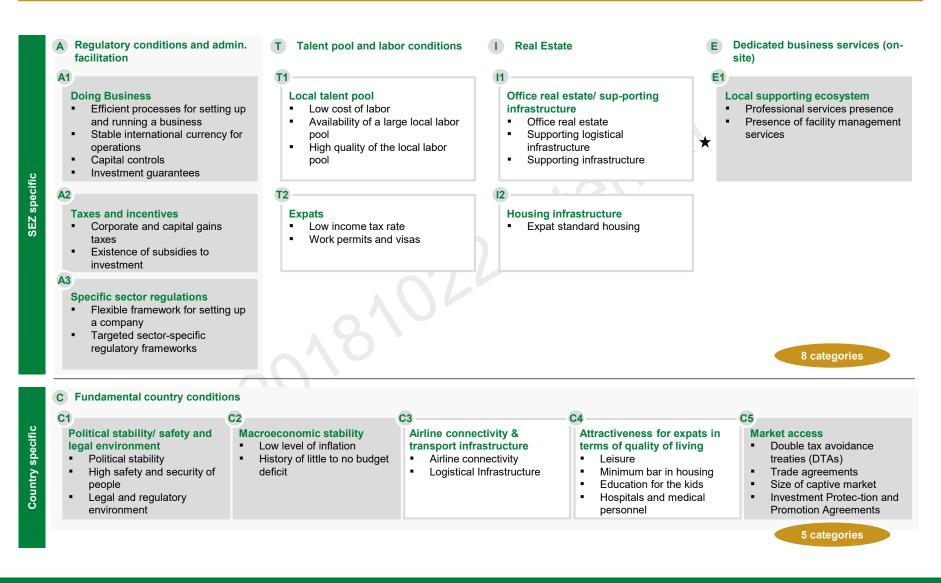
#### Mauritius

- Preferred financial platform for inward and outward investment to/from Africa and India thanks to:
  - A well-established network of DTAs
  - Quick and easy processes for setting up and running a corporate entity
- 43% of FDI into India through Mauritius

#### Botswana

- Attempts to position itself as an International Financial Services Centre focusing on the provision of financial services to clients who are domiciled in other countries
- Second largest stock exchange for commodity trading in Africa, after South Africa

13 dimensions define the hub model out of which 7 are of particular importance for offshore banking hubs



## B 7 dimensions are key focus for offshore banking and incorporation hubs

Categories	Dimensions	Criteria
	A1 Doing business	<ul> <li>Efficient processes for setting up a corporate vehicle</li> <li>Stable international currency for operations</li> <li>No/low restriction on foreign exchange transactions</li> </ul>
Regulatory A conditions and admin faciliat.	A2 Taxes and incentives	<ul> <li>Low effective corporate tax rate</li> <li>Low/zero tax rate on capital gains, payments of dividends, royalties, and interest</li> </ul>
	A3 Sector-specific regulations	<ul> <li>Low/no local content requirements for setting up an offshore vehicle</li> <li>Limited physical presence required for opening a bank account</li> <li>Flexible prudential framework for targeted financial services</li> </ul>
E Dedicated business services (on-site)	E1 Local supporting ecosystem	<ul> <li>Presence of international banks, qualified lawyers and accountants</li> </ul>
		<ul> <li>Political stability and predictable regime</li> </ul>
	Political stability/	<ul> <li>Internationally recognized judiciary system or option for arbitration by extra-territorial jurisdiction</li> </ul>
	C1 safety and legal environment	<ul> <li>Compliance with international norms (ML/TF<sup>1</sup> tax transparency) while maintaining financial secrecy</li> </ul>
C Fundamental country conditions		<ul> <li>Strong supervisory body for banks, lawyers and accountants</li> </ul>
- country conditions	C2 Macroeconomic stability	<ul> <li>Trusted banking system or free choice of bank account location</li> </ul>
	C5 Market access	<ul> <li>Extensive network of DTA<sup>2</sup> treaties with relevant partners</li> <li>Extensive network of favorable IPPAs<sup>3</sup></li> </ul>
Money Laundering/Terrorism Fir	nance 2 Double Tax Av	voidance 3 Investment Protection and Promotion Agreements

Source: Expert interviews

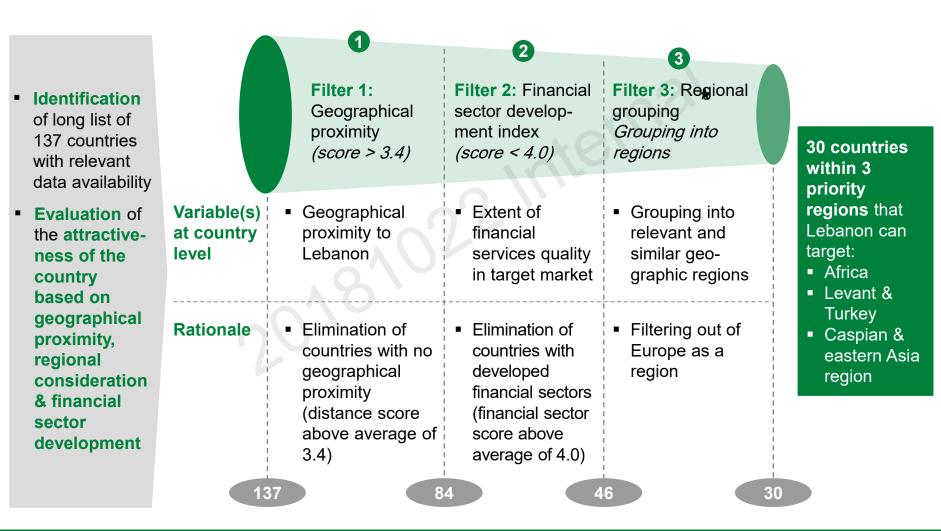
## 3 Lebanon should address several shortcomings, despite strong fundamentals and banking secrecy

	Dimensions	Level of strength of dimensions in place Low Medium Strong	Key enablers & areas to be addressed
	a Efficient processes for setting up a corporate vehicle	<b>∢û</b> →→	<ul> <li>Ranked 133 out of 190 on ease of doing business</li> </ul>
A1 Doing business	b Stable international currency for operations	<b>←</b>	Pegged currency for the last 20 years
	c No/low restriction on foreign exchange transactions	<b>←</b>	No FX controls
Taxes and	a Low effective corporate tax rate	<b>←</b>	• 17%
A2 incentives	b Low/zero tax rate on capital gains, payments of dividends, royalties, and interest	<b>←</b>	• 7%
	Low/no local content requirements for setting up an     offshore vehicle	< <u>↑</u>	<ul> <li>Ranked 133 out of 190 on ease of doing business</li> </ul>
A3 Sector-specific regulations	Limited physical presence required for opening a bank account		Physical signature required for opening bank account
	Flexible prudential framework for targeted     financial services	<b>←</b>	•
E1 Local supporting ecosystem	Presence of international banks, qualified lawyers and accountants	↓ ↓ ↓	<ul> <li>Presence of big 4 accountants</li> <li>Lack of presence of global banking legal firms</li> </ul>
	a Political stability and predictable regime	< <u>€</u>	<ul> <li>Historic political instability</li> <li>Score of 3 out of 10 on political stability Index 2010</li> <li>Ranked 142 out of 182 on Corruption Perception Index 2017</li> </ul>
Political stability/ C1 safety and legal	Internationally recognized judiciary system or option for arbitration by extra-territorial jurisdiction	<b>∢≙</b> →→	<ul> <li>Sub-par judiciary system</li> </ul>
environment	Compliance with international norms (ML/TF tax transparency) while maintaining financial secrecy	←	<ul> <li>Extremely strong history of financial secrecy (ranked 11<sup>th</sup> out of 112 countries) and ML/TF practises at par with global benchmarks</li> </ul>
	d Strong supervisory body for banks, lawyers and accountants	<b>←</b>	<ul> <li>Strong and globally recognized Central Bank</li> </ul>
C3 Macroeconomic stability	a Trusted banking system or free choice of bank account location	<→	<ul> <li>Banking system regionally recognized as reliable and trusted</li> </ul>
C5 Market access	a Extensive network of DTA treaties with relevant partners	<b>← û</b> →	• ~30 DTAs
Co Market access	Extensive network of favorable IPPAs	<b>←a</b> →→	• ~50 IPPAs



## A 3-step analysis has been conducted in order to identify the 3 target regions for wealth attraction

Process for prioritization of target countries





Number of countries prioritized

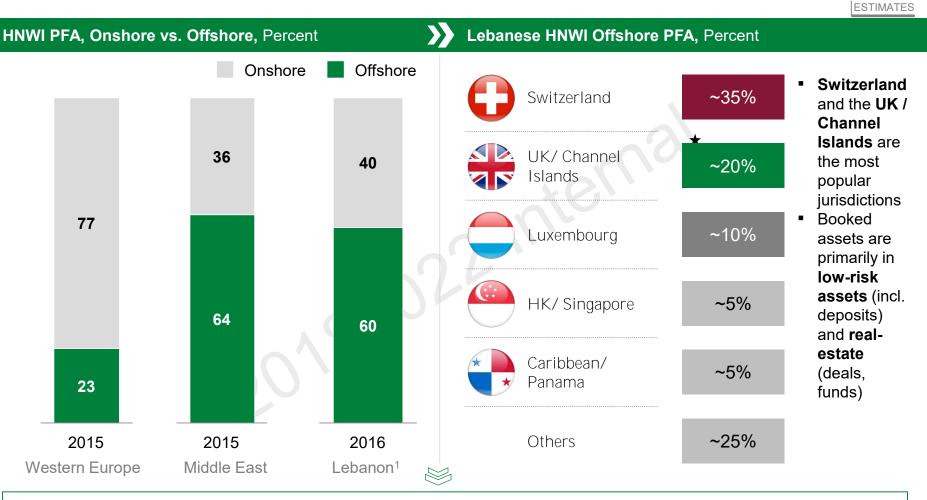
## B Global wealth pools where then used to validate the chosen regional 条 target markets

Countries	Total wealth pool, USD Tr	Private banking penetration, %	Offshore portion, %	Diaspora concentration	Preference Global plays	Disaspora plays
United States	// 13.7	55%	10%		Digital, omnichannel, wealth tiers	
Japan	5.2	24%	10%		Price sensitive, digital, high-interaction model	
China	5.0	43%	22%		Price sensitive, digital, high-interaction model	
Others EMEA <sup>1</sup>	3.8	81%			Price sensitive, digital 🔶 🗡	<ul> <li>Based on the</li> </ul>
Middle East	3.2	68%	90%		Not price sensitive, focus on solutions	assessment of the top 17 global
Western Europe <sup>2</sup>	2.4	79%	29%		Price sensitive, digital	wealth pools, Lebanon should
UK	1.9	63%	26%		Price sensitive, digital	target <b>two</b> global plays
Germany	1.9	74%	32%		Price sensitive, digital	(Middle East, &
Russia & Poland	1.5	15%	40%		Premium service, conservative	Russia) and one diaspora
Canada	1.4	57%	7%		Digital, Omnichannel, Wealth Tiers	play (Latin & Central America)
Italy	1.3	85%	23%		Price sensitive, digital	<ul> <li>Capturing ~1% of these target</li> </ul>
Others APAC <sup>3</sup>	1.3	38%	15%		Price sensitive, digital, high-interaction model	markets
SE Asia <sup>4</sup>	1.1	64%	36%		Price sensitive, digital, high-interaction model	represents 50% of target asset-
Brazil	0.9	67%	44%		Personal relationship, confidentiality & privacy	base
Australia	0.8	38%	25%		Digital, omnichannel, wealth tiers	
Others Americas <sup>5</sup>	0.8	75%	44%		Personal relationship, confidentiality & privacy	
Mexico	0.7	71%	44%		Personal relationship, confidentiality & privacy	

 1 Denmark, Finland, Ireland, Norway, Sweden, Czech Republic, Hungary, Romania, Slovakia, Oman, Kuwait
 2 Spain, Portugal, France, Belgium, Netherlands, Luxembourg

 3 Philippines, South Korea, Thailand, Vietnam
 4 Malaysia, Indonesia, Singapore
 5 Argentia, Chile, Columbia, Peru

An estimated ~60% of Lebanese HNW PFA is held offshore, driven largely by deposits and real estate investment in Swiss and UK centres



Middle Eastern markets, including Lebanon, typically have higher proportion of offshore, driven by HNWI preferences for booking assets in more developed markets

1 Extrapolated from BDL deposits data and public bank financial data

Source: Private Banking Survey 2016; Bank Audi Investor Relations presentation Jun. 2017, Dec. 2016

B To retain majority of domestic wealth onshore, three key features are required in the financial ecosystem



- Ensure high standards of confidentiality
- Establish strict regulations to deal with any breach of confidentiality
- Establish regulations for ethical walls within banking departments

# BACKUP: Switzerland currently manages more than 30% of worldwid

## An historic positioning as an extremely stable, confidential and trusted banking system

- A long history of family-run private banks, e.g., Pictet & Cie, one of Europe's leading independent asset management specialists:
  - Established over 200 years ago in Geneva as a family business
  - Still owned and managed by 8 general partners, among which 1 direct family member
- A history of neutrality and political independence, helping to build international trust in the independence of the banking system
- Extremely strong financial secrecy
  - Codified in the Banking Law of 1934 to prevent Nazi's from investigating financial property of Jews in Switzerland
  - Legally equivalent to the doctor-patient professional secrecy oath
- Targeting international private banks and their upscale clients, on a world-wide basis



Achieved to become the world's leading private banking hub

- Considered most prestigious and trustable banking system in the world
- An estimated USD 2.8 trillion assets under management, of which USD 2.1 trillion assets from offshore wealth (~34% of worldwide offshore assets)
- Home of the top 2 private banks worldwide, UBS and Crédit Suisse
- Over 327 authorized banks and securities dealers

CREDIT SUISSE



## BACKUP: Switzerland developed its value proposition around politica

			Level of strength of dimensions in place	Key elements
		Dimensions	Low Medium Strong	
		a Efficient processes for setting up a corporate vehicle	<b>←⊖</b> →→	<ul> <li>Need to have a residence permit for at least one of the partners/directors and a registere office</li> </ul>
A1)	Doing business	b Stable international currency for operations	←	<ul> <li>Use of stable and strong CHF or any international currency</li> </ul>
		c No/low restriction on foreign exchange transactions	<b>← · · · · ·</b>	<ul> <li>No Fx controls</li> </ul>
		a Low effective corporate tax rate	<b>← · · · · · · · · · · · · · · · · · · ·</b>	• 16-25%
42)	Taxes and incentives	Low/zero tax rate on capital gains, payments of dividends, royalties, and interest	<b>↓</b>	<ul> <li>0% for residents</li> <li>35% withholding tax on Swiss Franc denominated accounts</li> <li>0% withholding tax on other accounts</li> </ul>
		a Low/no local content requirements for setting up an offshore vehicle	<b>←0</b> →	<ul> <li>~20days</li> <li>Notarification of articles of association, involving legalized signatures</li> </ul>
43	Sector-specific regulations	b Limited physical presence required for opening a bank account	←	<ul> <li>Possibility to open up a private bank account online</li> <li>Possibility to set up a meeting with a personal banker in location of your choice, includin outside Switzerland</li> </ul>
		c Flexible prudential framework for targeted financial services	<b>↔</b>	<ul> <li>Regulated by Swiss Financial Market Supervisory Authority</li> <li>Home of the bank for international settlements</li> </ul>
1	Local supporting ecosystem	Presence of international banks, qualified lawyers and accountants	<b>↔</b>	<ul> <li>Presence of Big Four accountants and top 10 international banking law firms</li> </ul>
		a Political stability and predictable regime		<ul> <li>Historic Swiss neutrality and sovereignty</li> <li>Score of 3.4 out of 10 on political stability Index 2010</li> <li>Ranked 6 out of 176 on Corruption Perception Index 2012</li> </ul>
	Political stability/	b Internationally recognized judiciary system or option for arbitration by extra-territorial jurisdiction	<b>← · · · ·</b>	<ul> <li>Internationally recognized judiciary system</li> </ul>
21)	safety and legal environment	Compliance with international norms (ML/TF tax transparency) while maintaining financial secrecy	€≻	<ul> <li>Extremely strong history of financial secrecy (codified in Banking Law of 1934) and enforced by the FINMA</li> </ul>
		d Strong supervisory body for banks, lawyers and accountants	<b>← →</b>	<ul> <li>Financial Market Supervisory Authority internationally respected and participating in tas forces by OECD, Basel Committee and IMF</li> </ul>
:3)	Macroeconomic stability	a Trusted banking system or free choice of bank account location	<b>← · · · · ·</b>	<ul> <li>Banking system recognized as most trusted and reliable world wide</li> </ul>
		a Extensive network of DTA treaties with relevant partners	<b>← · · · ·</b>	• 85 + DTAs
25)	Market access	b Extensive network of favorable IPPAs	<b>←</b>	Over 120 IPPAs, the world's third largest network of such agreements

# BACKUP: Luxembourg became the second largest fund administration platform world-wide

Clear positioning as a highly competent and flexible platform for mutual funds, at European and worldwide level

- Initially a steel-based economy, located in the heart of Europe, at a crossroads of 3 languages
- Proactively introduced targeted financial regulations:
  - Swiftly implemented the first UCITS<sup>1</sup> European directive, establishing a common market for mutual funds, in local law in 1988
  - Has since then always been at the forefront of implementing international norms, combining international compliance with an unequaled degree of flexibility in fund design by developing different types of fund structures targeting different client risk profiles
- Introduced a low taxation regime on capital gains, combined to a non-cooperation policy for international tax sharing agreements
- Developed and attracted a wide range of specialized services providers such as lawyers, accountants, computer technicians, enabling fund managers to subcontract non-core activities and benefit from economies of scale



### The preferred hub for investment managers

- Manages 2.6 trillion USD assets, accounting for 10% of the investment fund industry worldwide
- Second largest hub for mutual funds after the US (~50% of industry assets)
- Presence of all top 20 asset managers and a total of 361 asset managers
   Deutsche Bank
   Deutsche Bank
   STATE STREET
   UBS
   BLACKROCK
   FORTIS
   Schroders
   Fidelity

1 Undertakings for Collective Investment in Transferable Securities

BACKUP: Luxembourg developed its value proposition around highly to a supported by zero capital gains taxes

				of strength on sions in place		
		Dimensions	Low	Medium	Strong	
		a Efficient processes for setting up a corporate vehicle	<b>C</b> -			Central fund administration must be located in Luxembourg
A1	Doing business	b Stable international currency for operations	-		→	Use of the EUR
		No/low restriction on foreign exchange transactions	-		-⊂+	No Fx controls
		a Low effective corporate tax rate	-			No corporate income tax
A2	Taxes and incentives	Low/zero tax rate on capital gains, payments of dividends, royalties, and interest	-			<ul> <li>Not subject to withholding tax except if EU savings directive (= EU exchange of information mechanism) applies</li> <li>Alternative options have been developed in those cases</li> </ul>
		a Low/no local content requirements for setting up an offshore vehicle	-	<u> </u>		<ul> <li>Need for multiple documents, such as the articles of incorporation, the development plan, data regarding the sponsor, scheme of the management,</li> </ul>
A3	Sector-specific regulations	b Limited physical presence required for opening a bank account	-	C	<b>→</b>	<ul> <li>No need to be resident</li> <li>Option to open account online, but documents to be sent by mail</li> </ul>
		Flexible prudential framework for targeted financial services	-			<ul> <li>No restriction on the eligible assets, but prior approval by the CCSF required; less stringen risk diversification requirements than abroad</li> </ul>
E1	Local supporting ecosystem	Presence of international banks, qualified lawyers and accountants	-			<ul> <li>Presence of all needed support services in custody, fund admini-stration and transfer agency, business and tax consultants, audit firms, international and local law firms,</li> </ul>
		a Political stability and predictable regime	-		-⊂+	<ul> <li>Score of 3.6 out of 10 on Political Stability Index (2010)</li> <li>Ranked 12 out of 176 on CPI (2012)</li> </ul>
	Political stability/	<ul> <li>Internationally recognized judiciary system or option for arbitration by extra-territorial jurisdiction</li> </ul>	-		-⊂+	<ul> <li>Trusted jurisdiction, Luxembourgish jurisdiction itself considered a global center for arbitrage in financial services</li> </ul>
C1	safety and legal environment	Compliance with international norms (ML/TF tax transparency) while maintaining financial secrecy	-		-⊂+	<ul> <li>Not blacklisted on any list</li> <li>Ranked 3 out of 78 on Financial secrecy Index</li> <li>Will introduce automatic exchange of information as of 2015</li> </ul>
		d Strong supervisory body for banks, lawyers and accountants	-		-⊂→	<ul> <li>Banking system supervised by Commission de Surveillance du Secteur Financier (CCSF), renowned to be accessible, open to dialogue and easy to contact</li> </ul>
<b>C</b> 3	Macroeconomic stability	a Trusted banking system or free choice of bank account location	-		+	<ul> <li>Extremely stable and trusted banking system</li> </ul>
		a Extensive network of DTA treaties with relevant partners	-			92 DTA treaties with all EU-member states, including almost all OECD member states
C5	Market access	b Extensive network of favorable IPPAs	-		→	80 + IPPAs signed

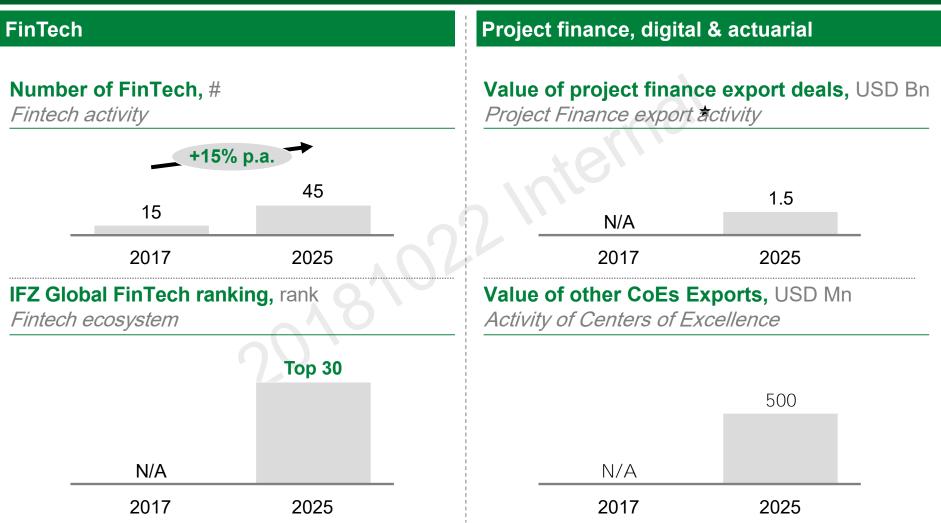
BACKUP: Financial secrecy, a cornerstone of most offshore banking *mathematical secrecy*, a cornerstone of most offshore banking *hubs*, is slowly disappearing under international pressure

	2000 Establishment of the Financial Action Task Force against money laundering and terrorism finance (FATF) - Inter-governmental organization involving most global financial centers	2009-2010	
An increased focus on the fight against terrorism and money laundering post 9/11 An increased concern for fiscal justice in a context of global economic crisis: an estimated USD 250	<ul> <li>Listing non-cooperative countries such as Bahamas, Cayman Islands or Liechtenstein</li> <li>Most of these countries removed by 2007</li> </ul>	Vote of the US Foreign Account Tax Compliance Act (FATCA), forcing all signatory countries to communicate assets held by American citizens in their country Launch of tax information sharing agreements between most OECD countries Introduction of the EU Savings Directive, establishing stringent automatic information exchange agreements between EU countries	2013 • Investigation of 11 Swiss banks accused of helping American residents in evading tax by the US, including the arrest and attempt to extradition of a former UBS top executive
billion loss in taxes each year by governments worldwide as a result of wealthy individuals holding their assets offshore	<ul> <li>Switzerland and Luxembourg take part and cooperate sufficiently to not be black-listed</li> </ul>	Switzerland does not sign any information sharing agreements, but banks like UBS cooperate by disclosing the names of US citizens to US authorities Luxembourg negotiates to keep its financial secrecy in exchange for introducing a selective withholding tax for EU residents, while simul- taneously developing loopholes	<ul> <li>Switzerland states its intent to sign the OECD information sharing agreements, while not taking part in automatic information exchanges</li> <li>Luxembourg plans to give up financial secrecy as of 2015</li> </ul>

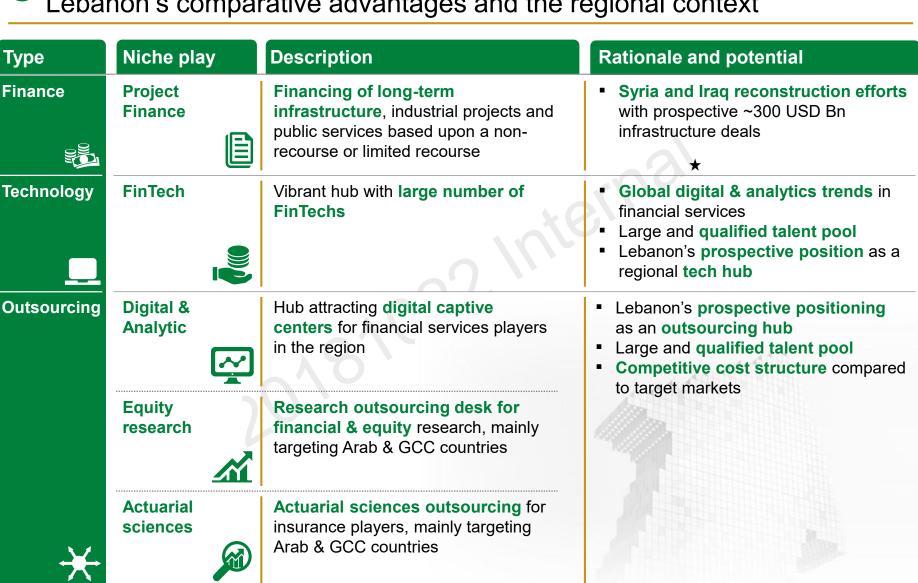
Key

C Developing the financial sector centers of excellence requires reaching a specific set of targets across different metrics

## **Centers of Excellence**



C Four niche centers of excellence should be developed, leveraging Lebanon's comparative advantages and the regional context





## Financial Services – priority initiatives (1/4)

			Objective	Owner <sup>1</sup>	Plays
		FIN. A.1	Develop detailed blueprint and strategy for the banking sector	<ul><li>BDL</li><li>BCCL</li><li>ABL</li></ul>	
		FIN. A.2	Diversify banking sector asset base from public sector	<ul><li>BDL</li><li>BCCL</li><li>ABL</li></ul>	
		FIN. A.3	Incentivize banking sector asset reallocation into productive private sectors	<ul><li>BDL</li><li>BCCL</li><li>ABL</li></ul>	
Deepen &	00	FIN. A.4	Enhance capitalization and optimize balance sheets of Lebanese banks	<ul><li>BDL</li><li>BCCL</li></ul>	
Strengthen the financial	Ľ	FIN. A.5	Promote consolidation to enhance sustainability of underperforming banks	<ul><li>BDL</li><li>BCCL</li></ul>	
services	FIN	FIN. A.6	Enhance cost efficiency through digitization	<ul><li>ABL</li><li>All Banks</li></ul>	
		FIN. A.7	Set-up a national credit bureau	<ul><li>BDL</li><li>ABL</li></ul>	
	FIN. A.8 Issue a real estate price index to enhance valuation	<ul> <li>BDL</li> <li>Lebanon Credit</li> </ul>			
		Bureau <ul> <li>Lebanon</li> <li>Collateral</li> </ul>			
				Reg. Ministry of	
				Finance	1



## Financial Services – priority initiatives (2/4)

		Objective	Owner <sup>1</sup>	Plays
	FIN. A.9	Design financial statement auditors certification	<ul><li>BDL</li><li>BCCL</li><li>ABL</li></ul>	
	FIN. A.10	Accelerate growth of insurance sector	<ul> <li>ICC</li> <li>Insurance Comp- anies</li> </ul>	
	FIN. A.11	Enhance NSSF investment vehicle and operating model	<ul> <li>NSSF</li> </ul>	
A Deepen & oo Strengthen the financial services	FIN. A.12	Conduct contingent liabilities estimation exercise & accordingly develop detailed plan	<ul> <li>Pension Funds (incl. NSSF)</li> </ul>	
	FIN. A.13	Ignite capital markets through growing and promoting demand for capital	<ul> <li>Capital Markets Authority</li> <li>CoM</li> <li>BSE</li> </ul>	
B Position Lebanon as investment management & offshoring hub	FIN. B.1	Promote Lebanon's asset management & offshore hub value proposition in target markets	<ul> <li>ABL</li> <li>Financial Institutions</li> <li>CMA</li> </ul>	



## Financial Services – priority initiatives (3/4)

			Objective	Owner <sup>1</sup>	Plays
B Position Lebanon as investment	Lebanon as	FIN. B.2	Increase network of Double Taxation Agreements and IPPAs to cover target source markets	■ MoF ■ MoFA	             
	management & offshoring hub	FIN. B.3	Attract foreign players (banks, asset managers, specia- lized accountants & lawyers) to set up shop in Lebanon	1	
C Develop centers of excellence in specific niches with strong export potential	Develop centers	FIN. C.1	Develop project finance capabilities to capitalize on Syria & Iraq reconstruction efforts	<ul> <li>Financial Institutions</li> </ul>	
	specific niches	FIN. C.2	Ensure best-in-class ecosystem and framework for FinTech development	<ul> <li>BdL for licensing</li> </ul>	1 1 1 1 1 1
	•	FIN. C.3	Ensure best-in-class ecosystem for financial services outsourcing (digital & analytics, research & actuarial)	<ul> <li>BdL for licensing</li> </ul>	
<b>(</b> .1	Legislation &	FIN. X.1.1	Maintain compliance to Money Laundering & Terrorism Financing legislation	<ul><li>BDL</li><li>BCCL</li></ul>	ABC
	Regulatory Framework	FIN. X.1.2	Establish collateral registry	<ul><li>BDL</li><li>Parliament</li></ul>	ABC
		FIN. X.2.1	Revamp tertiary education coursework in line with FS sector needs	<ul> <li>Ministry of Education</li> </ul>	ABC
X.2 Talent Pool & Education		FIN. X.2.2	Enhance capabilities of current and prospective financial sector employees	<ul> <li>Ministry of Education</li> <li>ABL</li> </ul>	ABC
		FIN. X.2.3	Enhance financial awareness & literacy across all levels	<ul> <li>Ministry of Education</li> <li>ABL</li> </ul>	ABC



## Financial Services – priority initiatives (4/4)

		Objective	Owner <sup>1</sup>	Plays
	FIN. X.3.1	Facilitate local lending for agriculture	■ BDL ■ Kafalat	ABC
	FIN. X.3.2	Enhance access to financing for SMEs in the creative industries fields	<ul><li>BDL</li><li>Kafalat</li></ul>	ABC
X.3Lending to priority sectors	FIN. X.3.3	Enhance access to financing to incentive construction of new hotels and renovation of existing hotels in anchor destinations	<ul><li>BDL</li><li>Kafalat</li></ul>	ABC
	FIN. X.3.4	Enhance access to finance to support industrial SMEs (focused on priority industry sectors)	<ul><li>BDL</li><li>Kafalat</li></ul>	ABC

### We considered 28 priority initiatives that underpin the vision of the NON-EXHAUST financial sector (1/8)

		Objective	Initiative	Owner <sup>1</sup>
	Fin.A.1	Develop detailed blueprint and strategy for the banking sector	<ul> <li>The banking sector has been operating without a consistent and unifying strategy to guide progress. As such, the sector, should develop an overarching detailed sector blueprint based on the high-level strategy and sector plays defined in the Lebanon Economic Vision. The detailed blueprint should mainly tackle three key objectives:</li> <li>Growing the asset base of the sector (Year-on-year asset growth has dropped from 23% in 2009 to 4% in 2017)</li> <li>Ensuring a sustainable and profitable sector growth (RoE has dropped from 15% in 2011 to 12% in 2016)</li> <li>Conducting digitization efforts across the sector</li> </ul>	<ul><li>BDL</li><li>BCCL</li><li>ABL</li></ul>
A Deepen &	Fin.A.2	Diversify banking sector asset base from public sector	<ul> <li>Currently, the asset base of the banking sector has a significantly high exposure to soveign risk with a 62% exposure vs. 24% benchmarks. The sovereign exposure of the assets should be further reduced through for example:</li> <li>Devising and enforcing limits to public sector placements</li> <li>Developing a list of revenue and expenditure reforms required from the government and jointly lobbying to get them enforced</li> <li>Incentivizing private sector lending (Covered under initiatives Fin.A.3 &amp; Fin.X.3.1-4)</li> </ul>	<ul><li>BDL</li><li>BCCL</li><li>ABL</li></ul>
Strengthen the financial services	Fin.A.3	Incentivize banking sector asset reallocation into productive private sectors	<ul> <li>Today, bank lending is concentrated in non-productive and higher-risk segments (e.g. real estate, construction &amp; housing constitute 35% of credit). In order to further support the economic growth agenda, credit should be redirected towards productive sectors through for example:</li> <li>Devising and enforcing regulatory limits to concentration of banks in certain high risk and non-productive sectors (e.g. real estate) after assessing and studying the overall impact of such limits by the BDL</li> <li>Providing reserve or risk weight incentives to banks for deploying capital in certain productive sectors after assessing and studying the overall impact of such risk-weight reductions by the BDL</li> </ul>	<ul> <li>BDL</li> <li>BCCL</li> <li>ABL</li> </ul>
	Fin.A.4	Enhance capitalization and optimize balance sheets of Lebanese banks	<ul> <li>Lebanese banks currently operate with a relatively small buffer on top of the regulatory capital requirement by BDL (15.7% vs 15% regulation). As such sound practices of regular optimization of capital &amp; balance sheets across all Lebanese banks should be promoted to:</li> <li>Enhance quality of capital</li> <li>Reduce Risk Weighted Assets (RWA)</li> <li>Efficiently deploy capital into high RaROC (Risk-adjusted return on capital) assets</li> </ul>	<ul><li>BDL</li><li>BCCL</li></ul>

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.



### We considered 28 priority initiatives that underpin the vision of the NO financial sector (2/8)

*
N-EXHAUSTIVE

		Objective	Initiative	Owner <sup>1</sup>
A Deepen & Strengthen the financial services (contd.)	Fin.A.5	Promote consolidation to enhance sustainability of underperforming banks	<ul> <li>Smaller banks achieve on average lower RoEs. (For example, most Beta banks consistently acheive RoEs less than 9%). As such, the sustainability of underperforming Lebanese banks could be elevated by incentivizing consolidation through speficif benefits (e.g. continue giving out soft loans for mergers)</li> </ul>	<ul><li>BDL</li><li>BCCL</li></ul>
	Fin.A.6	Enhance cost efficiency and reach through digitization	<ul> <li>The sector witnesses a low digital banking penetration with 27% of adults having made a digital transaction vs. 60% benchmarks. The sector also has a significant portion of assets owned by non-residents (20% of deposits). As such, launching end-to-end digitization efforts (front and back office) to enhance customer experience and reach (in and outside Lebanon), enhance efficiency and reduce costs</li> </ul>	<ul><li>ABL</li><li>All Banks</li></ul>
	Fin.A.7	Set-up a national credit bureau	<ul> <li>Today, risk management practises are not at par with international standards, mainly driven by a lack of credit bureau. There is a need to set-up a "Lebanese credit bureau" to support banking services across the value chain (including lead generation, underwriting, servicing, and collection)</li> <li>The credit bureau should tap into all available data sources (e.g., mainly schools, TelCos, customs &amp; tax authorities) and should provide credit scores &amp; analytical reports across multiple sectors and subsectors (e.g. SME, Corporate, Real Estate)</li> </ul>	<ul><li>BDL</li><li>ABL</li></ul>
	Fin.A.8	Issue a real estate price index to enhance valuation	<ul> <li>The lack of a real-estate index renders the valuation of collaterals relatively harder. The problem is further exacerbated with ~35% of credit going towards real estate, construction and housing <i>(Excluding other credit backed by a real estate collateral)</i>. As such, a real estate index could be developed and issued, to be used as a reference for valuation of house &amp; land collaterals, for better risk management.</li> <li>The index to be based on data from Credit Bureau, Collateral Registry &amp; Real Estate Registry</li> </ul>	<ul> <li>BDL</li> <li>Lebanon Credit Bureau</li> <li>Lebanon Collateral Registry</li> <li>Ministry of Finance</li> </ul>
	Fin.A.9	Design financial statement auditors certification	<ul> <li>Debtors sometimes submit erronous financial statements leading to risk misjudgments. To overcome the issue, the government could develop and launch a certification mechanism for auditors</li> <li>Financial statements submitted with a loan application are to be vetted by certified auditors only</li> </ul>	<ul><li>BDL</li><li>BCCL</li><li>ABL</li></ul>

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

### We considered 28 priority initiatives that underpin the vision of the NON-EXHAUST financial sector (3/8)

		Objective	Initiative	Owner <sup>1</sup>
A Deepen & Strengthen the financial services (contd.)	Fin.A.10	Accelerate growth of insurance sector	<ul> <li>Insurance penetration is low compared to benchmarks across all Lines of Business (LOBs) (1% of GDP for life insurance vs. 2.8% benchmark and 2.2% of GDP for non-life insurance vs. 2.8% benchmark). The growth of the insurance sector should be further spurred, reducing the weight beared by the banking sector, through different levers, for example:</li> <li>Enhancing product development, marketing, sales and distribution across life products</li> <li>Increasing growth of non-life LOBs, by leveraging technology &amp; advanced analytics</li> <li>Assessing the introduction of new compulsory insurance scheme (e.g. compulsary medical insurance)</li> <li>Introducing private pension funds</li> </ul>	<ul> <li>ICC</li> <li>Insurance Companies</li> </ul>
	Fin.A.11	Enhance NSSF investment vehicle and operating model	<ul> <li>Today, the NSSF places most of the assets under management in bank deposits, while using the surplus from the pension fund to cover losses from the health insurance. The operating model of the NSSF could be enhanced through for example:</li> <li>Augmenting the investment office of the NSSF and ensuring the independence of the fund (revamping the fund's governance structure)</li> <li>Diversifying the investment portfolio of the NSSF away from bank deposits into long term government securities</li> </ul>	<ul> <li>NSSF</li> </ul>
	Fin.A.12	Conduct contingent liabilities estimation exercise & accordingly develop detailed plan	• The country's pension funds (including the NSSF) have limited visibility over their contingent liability which could drive liquidity and solvency problems going forward. As such, the issue should be addressed through conducting a thorough exercise of estimating and analyzing contingent liabilities of all the different pension funds (public pension, NSSF and private pensions) and devising a country-wide strategic pension system plan accordingly	<ul> <li>Pension Funds (incl. NSSF)</li> </ul>
	Fin.A.13	Ignite capital markets through growing and promoting demand for capital	<ul> <li>Capital markets penetration is significantly lower than regional and global benchmarks (24% of GDP vs. 60% for regional benchmarks) There is a need to ignite the growth of capital markets through for example</li> <li>Assessing and then accelerating the partial privatization/listing of publicly-owned corporations (e.g. Liban Telecom)</li> <li>Funding major private-sector CIP infrastructure projects through debt &amp; equity markets (e.g. SOLIDERE)</li> <li>Reviewing and enhancing incentives for listing companies on the Beirut Stock Exchange</li> </ul>	<ul> <li>Capital Markets Authority</li> <li>Beirut Stock Exchange</li> <li>Council of Ministers</li> </ul>

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.



### We considered 28 priority initiatives that underpin the vision of the NON-EXHAUST financial sector (4/8)

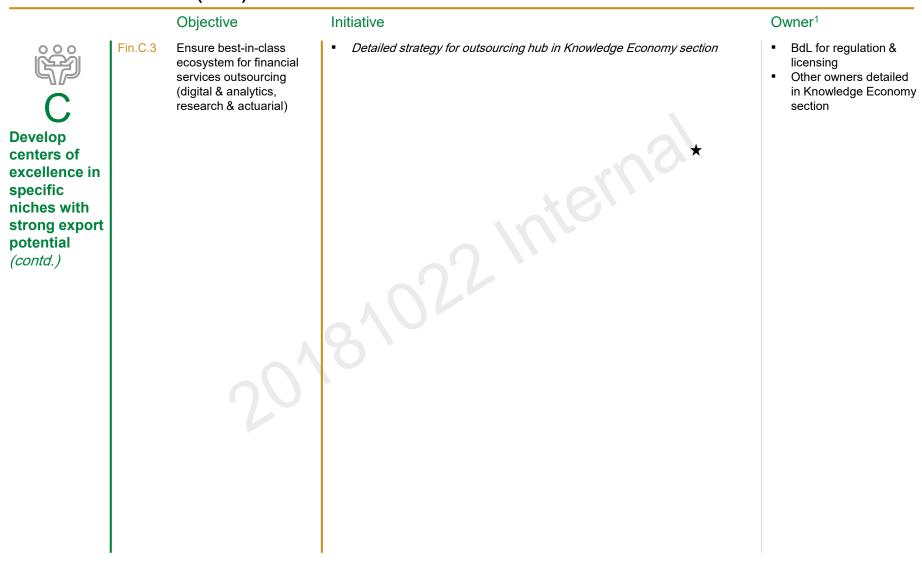
		Objective	Initiative	Owner <sup>1</sup>
$\bigcirc$	Fin.B.1	Promote Lebanon's asset management & offshore hub value proposition in target markets	As part of the asset management and offshoring play, the country should develop & launch a thorough promotion campaign, targeting the core markets, mainly the Levant, the Caspian Region and Africa	<ul> <li>ABL</li> <li>Financial Institutions</li> <li>Capital Markets Authority</li> </ul>
B Position Lebanon as Investment management & offshoring hub	Fin.B.2	Increase network of Double Taxation Agreements and IPPAs to cover target source markets	A key enabler to attracting foreign wealth into the country is to have an extensive network of double taxation agreements (DTAs) & Investment Promotion & Protection Agreements (IPPAs). As such the government should sign DTAs and IPPAs, to attract and protect investors, with all the target source countries, mainly the Levant, the Caspian Region and Africa	<ul> <li>Ministry of Finance</li> <li>Ministry of Foreign Affairs</li> </ul>
	Fin.B.3	Attract foreign players (banks, asset managers, specialized accountants & lawyers) to set up shop in Lebanon	<ul> <li>Presence of international players across the spectrum of asset management &amp; offshoring (asset managers, banks, lawyers, accounting firms) is critical to build a solid foundation. As such a roadshow pitching the country's value proposition to prospective players could be conducted mainly targeting:</li> <li>Global (top 20) asset &amp; wealth managers</li> <li>PE and mutual funds</li> <li>Global accounting and law firms with banking specialization</li> </ul>	<ul> <li>IDAL</li> <li>Ministry of Economy</li> <li>BdL</li> <li>All banks</li> </ul>
C Develop centers of excellence in specific niches with strong export potential	Fin.C.1	Develop project finance capabilities to capitalize on Syria & Iraq reconstruction efforts	<ul> <li>As part of building a center of excellence in project finance capitalizing on the reconstruction if Syria &amp; Iraq, the financial services sector should invest in elevating project finance capabilities at Lebanese banks to build on the existing expertise through for example:</li> <li>Hiring world class experts that can help build local capabilities</li> <li>Sending Lebanese talent to conduct global level trainings and capability building programs</li> <li>Promoting rotational programs for project finance experts between Lebanese and international branches/subsidiaries</li> </ul>	<ul> <li>Financial Institutions</li> </ul>
	Fin.C.2	Ensure best-in-class ecosystem and framework for FinTech development	<ul> <li>Detailed strategy for technology hub in Knowledge Economy section</li> </ul>	<ul> <li>BdL for regulation &amp; licensing</li> <li>Other owners detailed in Knowledge Economy section</li> </ul>

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.



## We considered 28 priority initiatives that underpin the vision of the financial sector (5/8) $\sqrt{28}$





## We considered 28 priority initiatives that underpin the vision of the financial sector (6/8) $\boxed{100}$

е	
NON-E	XHAUSTIVE

		Objective	Initiative	Owner <sup>1</sup>	Plays
X.1 Legislation & Regulatory Framework	Fin.X.1.1	Maintain compliance to Money Laundering & Terrorism Financing legislation	<ul> <li>As part of building an asset management and offshoring hub, the country could increase investor confidence while attracting foreign wealth through:</li> <li>Maintaining compliance to Money Laundering and Terrorism Financing laws (2015 ALM/CTF laws), continuously matching with international standards, best practices &amp; FATF recommendations, while maintaining banking secrecy in place</li> </ul>	<ul><li>BdL</li><li>BCCL</li></ul>	ABC
	Fin.X.1.2	Establish collateral registry	<ul> <li>While land and buildings are widely accepted as collateral for loads, the use of movable collateral (such as inventory, accounts receivables, crops and equipment) is restricted because of a lack of legal framework and registries to govern secured transactions. This limits lending to SMEs driven by a limited understanding of the associated risks         <ul> <li>The government could establish a collateral registry for movable assets (e.g. equipment, vehicles) to support lending (e.g., SME lending for working capital)</li> <li>Collateral registries are publicly available databases of interests in or ownership of assets (including movable), allowing borrowers to prove their creditworthiness and potential lenders to assess their ranking priority in potential claims against particular collateral</li> </ul> </li> </ul>	<ul> <li>BdL</li> <li>Parliament</li> </ul>	ABC
X.2 Talent Pool & Education	Fin.X.2.1	Revamp tertiary education coursework in line with FS sector needs	<ul> <li>The government should tailor the tertiary curriculum to meet the demands of the financial services sector arising from the different sector plays through:</li> <li>Conducting roundtable discussions to discuss steps towards revamping the educational curriculum for business-related majors and defining the profile of the talent of the future; sample interventions could include for example: <ul> <li>Introducing digital, agile-related and blockchain technologies</li> <li>Placing emphasis on asset &amp; wealth management courses</li> <li>Introducing actuarial science curriculum in all major universities</li> </ul> </li> </ul>	<ul> <li>Ministry of Education</li> </ul>	ABC
	Fin.X.2.2	Enhance capabilities of current and prospective financial sector employees	<ul> <li>The BDL should capitalize on its current financial services sector employees capability building program (exams) through:</li> <li>Introducing advanced training courses for the sector's employees to support the priorities in the sector vision covering topics related to risk, digital, marketing and sales, complex underwriting, cybersecurity, AML etc.</li> </ul>	<ul><li>Ministry of Education</li><li>ABL</li></ul>	ABC

## We considered 28 priority initiatives that underpin the vision of the financial sector (7/8) $\[NC]$

		Objective	Initiative	Owner <sup>1</sup>	Plays
X.2 Talent Pool & Education (contd.)	Fin.X.2.3	Enhance financial awarness, inclusion & literacy across all levels	<ul> <li>Today, financial inclusion is low with only 0.65 bank accounts per capita vs. 2.3 Singapore. Moreover significant regional disparities exist with 52 branches &amp; 94 ATMs per 100K adults in Beirut &amp; Mount Lebanon vs. 15-18 and 27-29 in the other regions. Financial literary, on the other hand, at 44%, is higher than regional peers (30%) but lower than advanced economies (53%). Financial awarness, inclusion &amp; litteracy could be enhanced through for example:</li> <li>Introducing basic concepts at the early education stages across the country (e.g. savings, expense management)</li> <li>Educating middle class population on benefits of placing savings in mutual funds, unit-linked insurance and other medium-term products (e.g. better risk-return management)</li> <li>Educating corporations on the benefits of capital markets (e.g. lower cost and more flexible sources of funding)</li> </ul>	<ul> <li>Ministry of Education</li> <li>ABL</li> </ul>	ABC
X.3 Lending to Priority Sectors	Fin.X.3.1	Facilitate local lending for agriculture	<ul> <li>Today, credit to the agriculture sector is limited when compared to the sector's GDP contribution (1% of loans vs. 2-3% GDP vs. 5.5% of loans and 1.5% GDP in developped countries). To support growth in the agriculture sector, and especially among small-holder farmers / SMEs, it is critical to improve access to financing. Thus, the well-established Kafalat Agriculture program, which has demonstrated success, could be expanded and strengthened, which would require:</li> <li>Improving the accessibility of Kafalat's programs to farmers and SME, in part by:</li> <li>Providing application support and guidance (including financial literacy) for farmers and SMEs who require it Strengthening marketing efforts in regions which have witnessed limited uptake</li> <li>Working with banks and farmers to improve risk-modelling in the agriculture sector, to increase the banking sector's comfort with lending to farmers</li> <li>(Potentially) Increasing Kafalat's available capital</li> <li>The expansion of Kafalat Agriculture should prioritize projects with high socioeconomic impact, including (but not limited to):</li> <li>Funding purchase of productivity-enhancing or water-saving machinery / systems</li> <li>Moreover, access to Kafalat should be leveraged to support quality standards and other initiatives</li> <li>For example, satisfaction of LIBNOR-enforced quality standards can be a prerequisite for Kafalat funding (or, could lead to a higher level of support)</li> </ul>	<ul> <li>BDL</li> <li>Kafalat</li> </ul>	ABC

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.



NON-EXHAUSTIVE

## We considered 28 priority initiatives that underpin the vision of the financial sector (8/8) $\boxed{\mathbb{N}^{10}}$



NON-EXHAUSTIVE

	Objective	Initiative	Owner <sup>1</sup>	Plays
Fin.X.3.2	Enhance access to financing for SMEs in the creative industries fields	<ul> <li>Companies operating in the realm of creative industries typically face difficulties when obtaining credits from banks, driven by a limited understanding of their risk profile. As such, access to finance could be enhance through for example:</li> <li>Extending the Kafalat loans program to include creative industries SMEs after assessing and studying the overall impact of such program by the relevant authorities &amp; BDL</li> <li>Working with banks and creative companies to improve risk-modelling in the creative industries sector, to increase the banking sector's companies to these companies</li> </ul>	<ul> <li>BDL</li> <li>Kafalat</li> </ul>	ABC
Fin.X.3.3	Enhance access to financing to incentivize construction of new hotels and renovation of existing hotels in anchor destinations	<ul> <li>To incentivize the construction and renovation of hotels in anchor destination, access to finance could be enhance through for example:</li> <li>Extending the Kafalat loans program to include hotel rennovation &amp; construction in anchor destinations after assessing and studying the overall impact of such program by the relevant authorities &amp; BDL</li> </ul>	<ul><li>BDL</li><li>Kafalat</li></ul>	ABC
Fin.X.3.4	Enhance access to finance to support industrial SMEs (focused on priority industry sectors)	<ul> <li>Idustrial investments face prohibitively-high lending rates. Enhancing access to finance for the priority industry sectors could be acheived through: <ul> <li>Understanding the growth potential per Industry sub-sector and its impact on required financing</li> <li>Expanding the scope and accessibility of Kafalat program (loan guarantees) to cope with projected growth in demand</li> <li>Assessing the necessity of updating Kafalat's application process to include criteria relevant to priority sectors and conformity with LIBNOR standards</li> <li>Beyond Kafalat, Lebanon could also assess the opportunity to launch new financing program (e.g. similar to BdL's circular 331) targeting industrial players in focus sectors</li> </ul> </li> </ul>	<ul> <li>BDL</li> <li>Kafalat</li> </ul>	ABC

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

X.3

Lending to Priority Sectors (contd.)

## Financial Services – additional relevant initiatives detailed within other sectors or enablers

	Objective	Initiative
Leg.1.1	Enhance ease of doing business	<ul> <li>Refer to initiative 1.1 under Legislation</li> </ul>
Leg.2.7	Revamp legislative environment for fund & asset management	<ul> <li>Refer to initiative 2.7 under Legislation</li> </ul>
Leg.2.8	Revamp legislative environment for digital banking & fintech	Refer to initiative 2.8 under Legislation
Leg.2.9	Complete set-up of capital markets authority	Refer to initiative 2.9 under Legislation
Exp.B.1	Establish the country brand and manage the perceived instability in the country	Refer to initiative B.1 under Export & Branding





### I. EXECUTIVE SUMMARY

### II. INTRODUCTION AND METHODOLOGY

- A. Methodological approach to the study
- B. Stakeholder engagement and syndication process
- C. Reviewed documentation

### III. CONTEXT AND DIAGNOSTIC

- A. Chapter summary
- B. Economic perspective
  - 1. Macro-economic evolution
  - 2. Trade profile (exports & imports)
- C. Sector diagnostics
  - 1. Natural resources (oil & gas)
  - 2. Agriculture
  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
  - 1. Public finance
  - 2. Ease of doing business
  - 3. Monetary policy
  - 4. Economic development activation
  - 5. Trade & international agreements

#### IV. THE VISION: LEBANON'S ECONOMIC ASPIRATIONS

- A. Chapter summary
- B. Burning platform
- C. Lebanon's growth imperatives
- D. Economic aspirations and macroeconomic targets
- E. Sector prioritization mechanism and rationale

### V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

- A. Chapter summary
- B. Sector deep-dives
  - 1. Agriculture
  - 2. Industry
  - 3. Tourism
  - 4. Knowledge economy
  - 5. Financial services
  - 6. Diaspora

### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

- A. Chapter summary
- B. Public administration reform requirements
- C. Infrastructure including CIP initiatives
- D. Public finance requirements
- E. Main legislative requirements
- F. Country branding & export promotion

## VII. INSTITUTIONALIZATION MECHANISMS

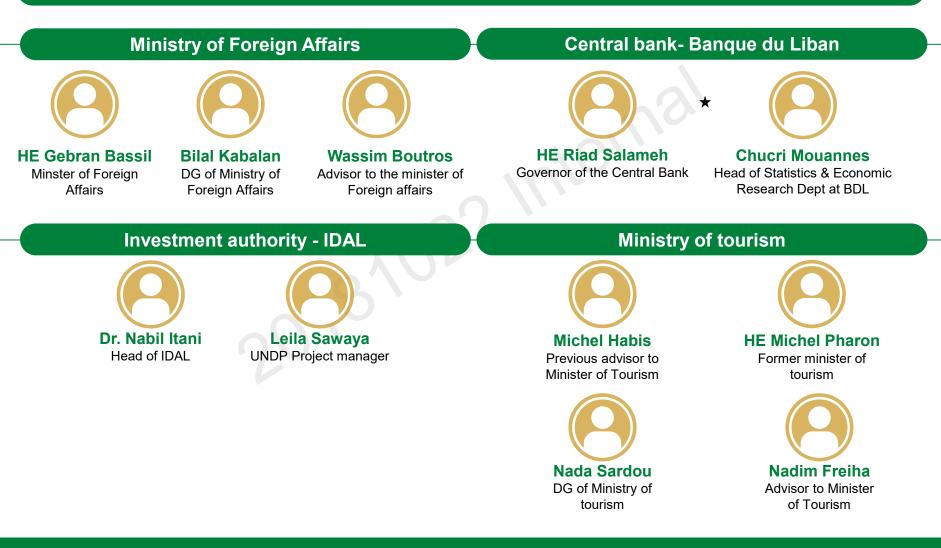
- A. Chapter summary
- B. Governance set-up: orchestration and delivery
- C. Path forward

### VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters

The diaspora strategy has been formulated with the cooperation of several stakeholders from the public sector

### Public sector stakeholders





## Diaspora – sector aspiration

Aspiration: A proactive emigration policy, with a highly engaged Lebanese diaspora actively contributing to Lebanon's economic and social development

### **Current situation**

- Low engagement effort and withering relationships with second and third diaspora generations
- High share of non-productive diaspora inflow (consumption, realestate)
- Unorganised labour force immigration

2025

A A proactive emigration policy (e.g. tracking system for emigrants, G2G agreements)

B Highly engaged diaspora with strong ties to Lebanon (e.g. familiarization trip for young diaspora, "Lebanese diaspora day")

C Major driver of the Lebanese economy through contributions in productive investments, knowledge and market access

(e.g. remittance for regional development, sponsorship/mentorship program, "Ambassador" program for export promotion)

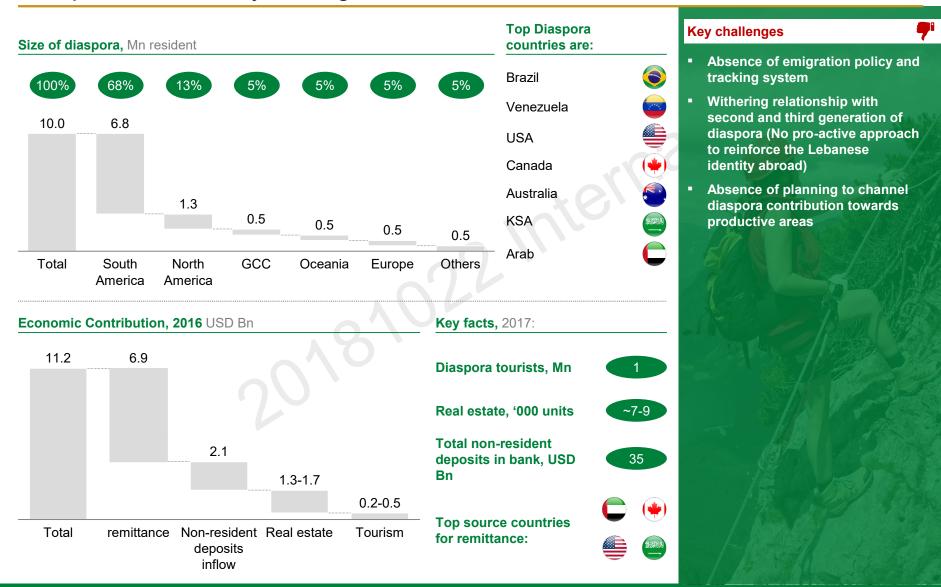
D Effective lobbying mechanism advocating for Lebanon's interest (Diaspora advisory board)

### 2035

- Labour force trained for the global economy, with a clear labour force supply-demand management
- Promotion of Lebanon's interest globally in an organised and systematic way
- One global community with deep ties to Lebanese roots
- Core growth engine for the Lebanese economy



## Diaspora – summary of diagnostic





2025 targets

## Diaspora – 2025 sector charter

Aspiration: A proactive emigration policy, with a highly engaged Lebanese diaspora actively contributing to Lebanon's economic and social development

SECTOR PLAYS	2025 TARGETS
<ul> <li>Seed": Prepare, organize and invest in the next generation Lebanese workforce to be ready for the global economy and ensure a tracking system is in place to monitor emigration</li> <li>Coordinate the export of talent between job seekers and the foreign market through G2G agreements</li> <li>Track the country of residence and occupation of emigrants to pro-actively address emigration and drive decision making</li> </ul>	G2G labour agreements, #
	Diaspora covered in directory, %
👝 👘 👘 👘 👘 👘 👘 👘 🖉	Number of mega projects (e.g. hotels, factories) driven by diaspora, #



#### "Advocate": Harness and formalize advocacy i.e. lobbying power in centers of the world through establishing a diaspora advisory board

Establish a diaspora advisory board with selected diaspora members to act as advisors to the government on economic matters and advocate for Lebanon's interest in global forums

**Data and analytics** Enablers

> Data analysis

#### Awareness and accountability

- Awareness and promotion
- Availability of information (One stop shop)
- Corruption .

#### Organization

Diaspora management unit

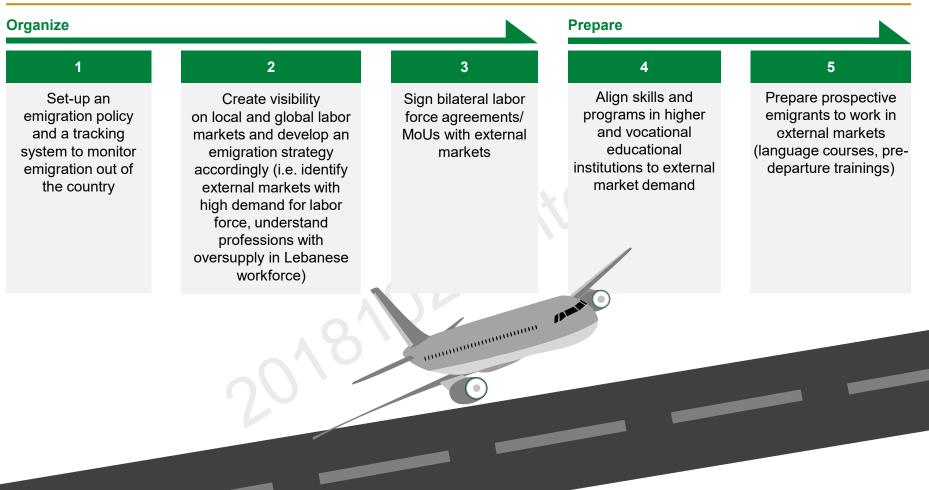
The government should focus on engaging with its diaspora across the different stages of their journey



2025 horizon 2035+ horizon

A	В	C	D	
Seed	Radiate	Reap	Advocate	Next generation diaspora
Supporting job placement through G2G agreements Bi-lateral labor force agreement/MoUs Pre-departure training Understanding workplace requirements and building skills accordingly Language courses Education (Special	<ul> <li>Pro-actively engaging with diaspora</li> <li>Diaspora community boards and national Lebanese events</li> <li>Familiarization programs for youth</li> <li>Diaspora ID program</li> </ul>	Re-directing capital inflows to productive areas Remittances FDIs Facilitating transfer of knowledge/ expertise Mentorship and sponsorship programs Opening access for Lebanese exports to external markets Ambassador	Formalize advocacy/lobbying power of Lebanon • Diaspora advisory board	<ul> <li>Understanding the specs and enablers</li> <li>Specs of the new diaspora generation</li> <li>Enablers to roll- out the next generation diaspora</li> </ul>
programs/majors )           X1         Diaspora intellig	ence/database	program		
X2 Awareness & acc	countability	<ul> <li>Raising awareness on diaspora initiatives</li> </ul>	<ul> <li>Fighting corruption</li> </ul>	<ul> <li>Building a one- stop shop portal</li> </ul>
<b>X3</b> Organization		<ul> <li>Setting up a dedicat</li> </ul>	ed unit for diaspora affairs	5

A Lebanon should proactively address its emigration through organizing and preparing its labor for the global economy



Organizing and pro-actively preparing Lebanese workforce for work in external markets will:

- Balance out the demand-supply dynamics in the Lebanese labour market
- Help the government identify and respond to excessive brain drain

B Lebanon should focus on three programs to efficiently engage with its diaspora and build strong communities within host countries



Program name	Objective	Description	Case examples
"One Lebanon"	Form vibrant communities in country of residence	<ul> <li>Setting up a committee of influential diaspora members that promotes a two-way communication between the Lebanese government (MoFA) and diaspora communities through:         <ul> <li>Developing a clear understanding of the issues,* interests and concerns of diaspora communities abroad and reporting them to the Lebanese government</li> <li>Briefing their respective communities of the priority areas for development of the Government</li> </ul> </li> </ul>	<ul> <li>Jamaica- Diaspora advisory board</li> </ul>
"Back to the Roots"	Strengthen ties with the young diaspora gene- rations	<ul> <li>Develop an orientation program for Lebanese youth to familiarize them with Lebanon and raise awareness of the different projects happening across various fields</li> <li>Promote Lebanese universities among diaspora students as a destination for tertiary studies</li> </ul>	<ul> <li>India - Scholarship</li> </ul>
"Truly Lebanese"	Revive the sense of be- longing within all diaspora gene- rations	<ul> <li>Revive the sense of belonging in diaspora generations through special diaspora IDs that grant their holders special benefits in Lebanon</li> <li>Enable the participation of diaspora in politics and civic engagement by setting up the necessary logistics mechanisms</li> </ul>	<ul> <li>India - Overseas Citizenship of India scheme</li> </ul>

Develop a rich diaspora database to extend and enhance reach of all engagement initiatives

C Lebanon should leverage its diaspora to increase capital inflows, transfer knowledge and lobby in international mediums

2

Pro-actively approach diaspora investors and encourage their investments in productive sectors

## 1. Investments

Increasing/re-directing remittances to development projects in the country

## 2. Remittances

## 4. Access to markets

Develop an "ambassador program" with strategically selected diaspora individuals/businessmen to open access for Lebanese exports in key markets

## 3. Knowledge transfer

Create a mentorship/sponsorship program to connect diaspora experts to local individuals and businesses and promote knowledge sharing/expertise



D The "diaspora advisory board" would advise the Lebanese government on international economic matters and advocate for Lebanon's interest

	Description
Objective	<ul> <li>The advisory board is a powerful asset to navigate unfamiliar situations, get objective advice, screen the marketplace and identify future trends</li> <li>The advisory board provides an outside perspective and access to a broader network</li> <li>The advisory board acts as a powerful lobbying tool to advocate for Lebanon's interest internationally</li> </ul>
Mandate	<ul> <li>The mandate and purpose of the board are:</li> <li>Provide advice to the government on enhancing the business environment in Lebanon and on attracting investments and generate concrete recommendations</li> <li>Enhance the government's understanding of, and communication relating to, international economic matters of relevance to the country</li> <li>Support Lebanon's economic agenda in international mediums and act as a lobbying committee advocating for Lebanon's interest</li> </ul>
Potential Profiles	<ul> <li>Possible types of advisory board members</li> <li>Business executives (particularly retired executives)</li> <li>High-performing entrepreneurs</li> <li>Financial experts</li> <li>Consultants</li> <li>Business professors</li> <li>The advisory board should convene once a year, and may convene interim meetings as</li> </ul>
Cadence	and when necessary

# Building a diaspora intelligence is crucial to ensure proper engagement with diaspora



	Preparation	Collection	Monitoring
Purpose	<ul> <li>Preparing emigrants for employment abroad</li> <li>Identify and respond to excessive brain drain</li> </ul>	<ul> <li>Engaging diaspora communities</li> <li>Fill domestic labour market gap</li> <li>Understanding stock and profile of emigrants worldwide</li> </ul>	<ul> <li>Measuring the impact of diaspora initiatives</li> <li>Enhancing engagement with diaspora by leveraging</li> <li>advanced analysis</li> </ul>
Data type	<ul> <li>Stock and profiles of domestic labor (by occupation/skill level)</li> <li>Number and profile of population that emigrates</li> <li>Occupational gaps worldwide (by sector/skill level/destination country)</li> <li>Education and training courses needed to prepare domestic workers for the global market (by profession/skill level/geographic unit)</li> </ul>	<ul> <li>Size and characteristics of diaspora communities</li> <li>Number of diaspora members by skills profile (incl. educational/training background, occupation, areas and years of work experience)</li> <li>Number of emigrants by destination country</li> </ul>	<ul> <li>Remittance volumes (by migrant demographics, skill level/occupation, destination country, recipient location)</li> <li>Diaspora FDIs (by migrant demographics, skill level/occupation, destination country, recipient location)</li> <li>Tourism spend (number of emigrants visits as tourists geographies)</li> </ul>
Mode of data collection	• MoFA	<ul> <li>Consulate databases</li> <li>NGO databases</li> <li>Senses by diaspora communities in host countries</li> </ul>	<ul> <li>Central Bank database for inflows</li> <li>Surveys at the airport</li> </ul>

Surveys at the airport



Raise awareness about new initiatives in place



Raise awareness about the initiatives by:

- Promoting the initiatives through various modes of communication (traditional and digital media, conferences, visits)
- Active outreach to Lebanese communities abroad through embassies

Show early signs of change and a will to fight corruption



Fight corruption to restore faith of the diaspora in the Lebanese government and ensure their buy-in to the initiatives. It is done through:

- Providing full transparency on the output of each initiative
- Ensuring accountability across different initiatives (e.g. investments in development projects in the country)

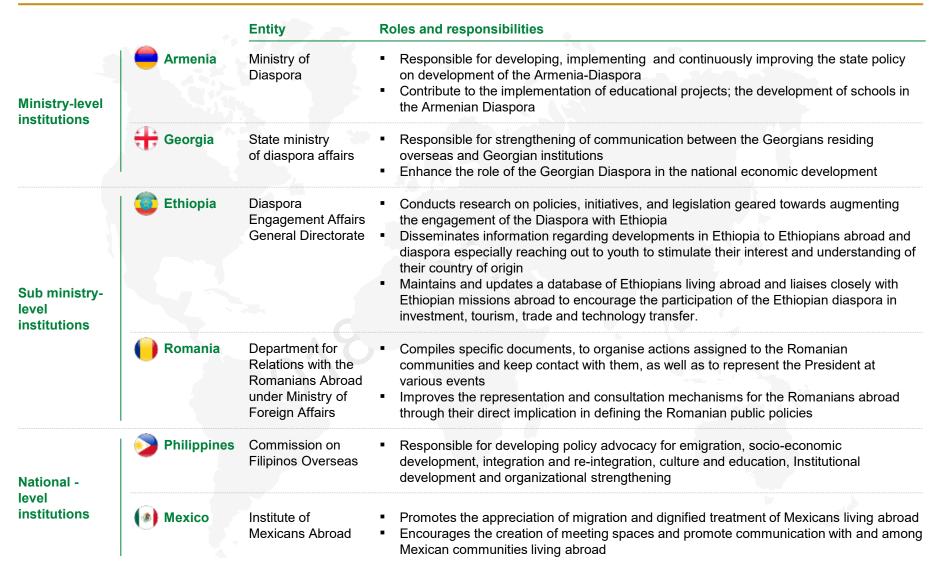
Ensure availability and ease of access to information



Ensure all information related to the initiatives are available and easily accessible through a onestop-shop portal accessible to all



# Contract Con



Continuity would be responsible for leading engagement efforts with diaspora as well as promoting and emigration efforts

## Description

### **Regulator role:**

- Monitors and tracks emigration by requiring all prospective emigrants to register their information
- Identify and respond to excessive brain drain

Preparing Lebanese workforce for external markets



### **Coordinator role:**

- Facilitates generation of jobs through bilateral labor agreements with host countries
- Coordinates with educational bodies to communicate skills needed as per host countries labor demand

### Service provider:

 Delivers services to ensure integration of emigrants in their host country (language courses, pre-departure training, work-visa facilitation)

### Engagement programs lead:

- Acts like a central point of contact for diaspora communities
- Responsible for collecting diaspora intelligence and leveraging it to enhance engagement initiatives
- Operates the one stop shop portal for all information related to diaspora

Engagement with diaspora





## Diaspora – priority initiatives (1/2)

		Objective	Owner <sup>1</sup>	Plays
	DIA.A.1	Organize and track emigration	<ul> <li>MoFA</li> </ul>	   
A "Seed": Prepare, organize and invest in the	DIA.A.2	Create visibility on local and global labor market	<ul> <li>Ministry of Labor</li> <li>MoFA</li> </ul>	
next generation Lebanese	DIA.A.3	Develop G2G bi-lateral labor force agreements for $\star$ export of talent	<ul> <li>MoFA</li> </ul>	
workforce to be ready for the	DIA.A.4	Align skills to demand of external markets	<ul> <li>MoFA</li> </ul>	1
global economy	DIA.A.5	Prepare Lebanese labor force for work in external markets	<ul> <li>MoFA</li> </ul>	
B "Radiate"-	DIA.B.1	Enhance the communication between the Lebanese government and its diaspora	<ul> <li>MoFA</li> </ul>	
Strengthen	DIA.B.2	Develop vibrant diaspora communities	<ul> <li>MoFA</li> </ul>	
the bond between Lebanon and its	DIA.B.3	Strengthen ties between diaspora youth and the country	<ul><li>MoT</li><li>MoFA</li></ul>	
diaspora	DIA.B.4	Revive sense of belonging in Lebanese diaspora through targeted program	<ul><li>MoFA</li><li>Embassies</li></ul>	
C "Reap"- Leverage diaspora as an ⊡⊡⊡ engine for growth	DIA.C.1	Populate diaspora database	<ul> <li>MoFA</li> </ul>	       

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.



## Diaspora – priority initiatives (2/2)

			Objective	Owner <sup>1</sup>	Plays
		DIA.C.2	Create appetite to send remittances towards local development projects	<ul> <li>MoFA</li> </ul>	
С	"Reap"-	DIA.C.3	Encourage diaspora investments in productive sectors	<ul> <li>MoFA</li> </ul>	
diaspora as an engine for	diaspora as an engine for growth	DIA.C.4	Facilitate access to information on investment and★ business opportunities	• IDAL	
	5	DIA.C.5	Transfer knowledge/ expertise	<ul> <li>MoFA</li> </ul>	
D	"Advocate" - Harness and formalize advocacy/lobbying power of Lebanon	DIA.D.1	Form a Diaspora Advisory Board	<ul> <li>Council of Ministers</li> </ul>	
<b>X</b> .:	2Awareness & accountability	DIA.X.2.1	Restore faith of the diaspora in the Lebanese government and ensure their buy-in in government programs	<ul> <li>MoFA</li> </ul>	ABCD

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

## We considered 16 priority initiatives that underpin the vision of the diaspora (1/8)



		Objective	Initiative	Owner <sup>1</sup>
	Dia.A.1	Organize and track emigration	<ul> <li>Today, there are no official statistics on the Lebanese diaspora (numbers range between 6 and 14 Mn), and the government does not track emigration with emigration happening on an individual manner. In order to leverage the extensive diaspora network the government should start by tracking &amp; organizing emigration and develop a comprehensive program, mainly through:</li> <li>Pre-emigration registration in Lebanon</li> <li>Registration at local embassy upon arrival in external country</li> <li>Tracking system within host country for changes in information (e.g. address, occupation, marital status etc)</li> </ul>	<ul> <li>Ministry of Foreign Affairs</li> </ul>
A eed: repare, rganize and ovest in the ext eneration ebanese vorkforce to e ready for ne global conomy	Dia.A.2	Create visibility on local and global labor market	<ul> <li>Despite the Vision efforts to promote economic growth and create jobs, according to job creation forecasts emigration will continue to be sought by a portion of the Lebanese people. Several countries have managed to organize the emigration of their citizen (e.g. Philippines). The government should as such support and facilitate the process through developing a deeper understanding of the labor force fabric while understanding global labor market demand trends.</li> <li>To understand the structure of the labor force, the government should develop visibility on current stock and profiles of Lebanese diaspora labor force through for example: <ul> <li>Incentivizing all existing "First-generation" emigrants (holders of Lebanese passports) to register their information in the Lebanese embassies of their country of residence (Incentives could include granting free passports upon registration)</li> <li>Requiring from all prospective emigrants to register their information and future occupation in MoFA</li> </ul> </li> <li>To better understand global labor market trends, the government could launch targeted initiatives such as: <ul> <li>Coordinating with Lebanese embassies abroad (and foreign embassies in Lebanon) to study the labor supply-demand dynamics in their respective countries and identify occupational gaps in these countries</li> <li>Developing a list of potential skillsets to export per country</li> </ul> </li> </ul>	<ul> <li>Ministry of Labor</li> <li>Ministry of Foreign Affairs</li> </ul>

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

## We considered 16 priority initiatives that underpin the vision of the diaspora (2/8)



		Objective	Initiative	Owner <sup>1</sup>
	Dia.A.3	Develop G2G bi-lateral labor force agreements for export of talent	While existing emigration efforts have been taking place on an individual basis, going forward formal relationships should be developed with host countries around labor and job placement, through the establishment of G2G agreements. Such agreements would cover:	<ul> <li>Ministry of Foreign Affairs</li> </ul>
			<ul> <li>A shortlist of universities and majors for fast-track of emigration and job applications</li> </ul>	
			<ul> <li>Data-sharing agreements on education and job market data as wall as Lebanese emigrants registered in those countries</li> </ul>	
A	Dia.A.4	Align skills to demand of external markets	After understanding global labor market trends and identifying relevant skillset in target markets, the government should support the development of these skills within Lebanese graduates through:	<ul> <li>Ministry of Foreign Affairs</li> </ul>
Seed: Prepare,			<ul> <li>Coordinating with universities/vocational institutions to offer majors in line with the demand of external markets</li> </ul>	
organize and invest in the next generation Lebanese workforce to be ready for the global economy			<ul> <li>Incentivizing students to pursue certain studies based on external market demand trends, in line with G2G agreement (e.g. through a guaranteed job upon graduation, tuition loans backed by foreign governments)</li> </ul>	
	Dia.A.5	Prepare Lebanese labor force for work in external markets	To unlock opportunities for prospective emigrants, preparation effort should be considered (benefiting from global case studies), focusing on prospective emigrants through:	<ul> <li>Ministry of Foreign Affairs</li> </ul>
			<ul> <li>Offering basic language courses to prospective emigrants in coordination with host countries)</li> </ul>	
			<ul> <li>Offering a pre-departure training on social and economic implication of living in host country (e.g. tax system, housing, healthcare)</li> </ul>	

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

# We considered 16 priority initiatives that underpin the vision of the diaspora (3/8)



		Objective	Initiative	Owner <sup>1</sup>
B Radiate - Strengthen the bond between Lebanon and its diaspora	Dia.B.1	Enhance the communication between the Lebanese government and its diaspora	<ul> <li>In order to efficiently engage with the Lebanese diaspora and build strong communities within host countries, a two-way communication should be established between the government and the Lebanese diaspora communities through:</li> <li>Set up governance structure for communication with the diaspora, ensuring coordination and data sharing across public and private institutions (e.g. Religious institutions, alumni clubs, professional associations, etc)</li> <li>Rallying all diaspora community groups in different countries under one central coordination unit led by diaspora influencers in their host countries</li> <li>Establishing a communication mechanism between the central unit and the government (MoFA) and advising on a communication mechanism between the central unit and the communities</li> <li>Collecting feedback, concerns and recommendations from the central unit and communicating Lebanon's priority areas for development</li> </ul>	<ul> <li>Ministry of Foreign Affairs</li> </ul>
	Dia.B.2	Develop vibrant diaspora communities	Lebanese communities already exist in clusters all around the world. In line with events organized by other communities (e.g. Italians, Chinese, Indians), Lebanon should drive the launch of regular community events globally, in coordination with embassies and the private sector (e.g. centennial events, Diaspora day in Lebanon, Lebanon day abroad). These events would aim at maintaining the diaspora's sense of pride and belonging to the Lebanese identity, while also promoting Lebanese products abroad	<ul> <li>Ministry of Foreign Affairs</li> </ul>
	Dia.B.3	Strengthen ties between diaspora youth and the country	<ul> <li>To further strengthen and deepen the ties between the diaspora youth and Lebanon, organized, subsidized trips to Lebanon should be considered, benefiting from global experiences such as the Know India program and the Birth right program. Such a 'Back to the Roots' program should be launched through:</li> <li>Securing funding from donors, investors and lenders, while assessing the level of interest from Lebanese diaspora in the program         <ul> <li><i>The government could liaise with philanthropist emigrants to develop a fund to subsidize both programs</i></li> </ul> </li> <li>Piloting the program with a selected number of students (e.g. ~300 students). Derive the learnings and scale up the efforts</li> <li>During the trips, promoting Lebanese education institutions particularly tertiary institutions</li> </ul>	<ul> <li>Ministry of Foreign Affairs</li> </ul>

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

## We considered 16 priority initiatives that underpin the vision of the diaspora (4/8)



		Objective	Initiative	Owner <sup>1</sup>
B Radiate - Strengthen the bond between Lebanon and its diaspora	Dia.B.4	Revive sense of belonging in Lebanese diaspora through targeted program	Other countries with an extensive diaspora network have set-up successful schemes (e.g. India's Overseas Citizenship of India program) to revive the sense of belonging to the country. As such, the government could develop a comprehensive "Diaspora ID" program to recognize Lebanese diaspora (holders of foreign passports) through a special ID card as descendants of Lebanese ancestors. In order to successfully launch the program, the government should:	<ul> <li>Ministry of Foreign Affairs</li> <li>Embassies</li> </ul>

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

# We considered 16 priority initiatives that underpin the vision of the diaspora (5/8)



		Objective	Initiative	Owner <sup>1</sup>
C C Reap - Leverage diaspora as an engine for growth	Dia.C.1	Populate diaspora database	<ul> <li>Today, there are no official statistics on the Lebanese diaspora (numbers range between 6 and 14 Mn) which hinders data-based decision making by the government, as well as limits the reach of any initiative conducted by the government and targeting the Lebanese diaspora. The government should as such set up data collection mechanisms across different sources to build a rich diaspora database (Data source can include the LDE conference, the Diaspora ID program, data collection procedures at the airport, information gathered from embassies, active outreach to diaspora communities, collaboration with foreign government through formalized G2G agreements). Building this database would require:</li> <li>Identifying indicators and data sources needed to answer the questions and formulate insights</li> <li>Setting up data collection mechanisms across the different stakeholders</li> <li>Building the analytics arm of MoFA that coordinates efforts related to data collection and analyses it for insightful decision making</li> </ul>	<ul> <li>Ministry of Foreign Affairs</li> </ul>
	Dia.C.2	Channel remittances towards local development projects	<ul> <li>Today, most remittances are directed towards non-productive sectors, mainly real estate and consumption. The government should work towards steering the remittances into more productive sectors through for example:</li> <li>Establishing an investment fund to re-direct remittances to development projects at the local community level</li> <li>Providing transparency on all development projects through a one centralized portal</li> <li>Linking diaspora to various development projects in the country and in their respective community/hometowns</li> </ul>	<ul> <li>Ministry of Foreign Affairs</li> </ul>

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

## We considered 16 priority initiatives that underpin the vision of the diaspora (6/8)



		Objective	Initiative	Owner <sup>1</sup>	
	Dia.C.3	Encourage diaspora investments in productive sectors	FDI into the country has witnessed a drop of ~1 USD Bn between 2010 and 2017. To spur the growth of diaspora-lead investments into the country's productive sectors, proactive campaigns should be launched, reaching out to prospective investors and devising a thorough strategy to attract investments towards productive sectors, mainly through:	<ul> <li>Ministry of Foreign Affairs</li> </ul>	
			<ul> <li>Developing pitch packs for potential investments (in line with the vision strategy) with special incentives tailored towards these investors</li> </ul>		
			<ul> <li>Establishing contact with diaspora investors and pro-actively approaching them with investment pitch packs and investment opportunities</li> </ul>		
			<ul> <li>Developing an incentives-based remuneration scheme for the "special team", with pre-set targets and KPIs (e.g. 30 mega projects from diaspora investors)</li> </ul>		
C Reap - Leverage diaspora as an engine for growth	Dia.C.4	Facilitate access to information on investment and business opportunities	Attracting FDI should be coupled by an enhancement in the level of transparency around investment opportunities through developing a one-stop shop portal to:	• IDAL	
			<ul> <li>Provide online (possibly on IDAL's website) a live list of all investments opportunities within the different sectors</li> </ul>		
			<ul> <li>Provide all procedural information related to investments within a certain sector (processes, legal requirement, stakeholders, overview of the sector and key players)</li> </ul>		
	Dia.C.5	Transfer knowledge/ expertise	The joint knowledge and experience of the Lebanese diaspora should be leveraged to support the local economy, potentially through a mentorship/sponsorship program between local and diaspora-owned businesses. This could happen through:	<ul> <li>Ministry of Foreign Affairs</li> </ul>	
			<ul> <li>Pro-actively reaching out to diaspora and consolidating a list of experts in various fields interested in signing up to the program and volunteering to assist local business</li> </ul>		
			<ul> <li>Matching local business seeking knowledge/expertise with diaspora experts in the relevant fields</li> </ul>		

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

# We considered 16 priority initiatives that underpin the vision of the diaspora (7/8)



		Objective	Initiative	Owner <sup>1</sup>
D Advocate - Harness and formalize advocacy/lob bying power of Lebanon	Dia.D.1	Form a Diaspora Advisory Board	<ul> <li>Several countries with an extensive diaspora network, have set-up diaspora advisory boards, that constitute powerful asset to navigate unfamiliar situations, get objective advice, screen the marketplace and identify future trends in the people's respective countries. These boards provide an outside perspective and access to a broader network, while acting as a powerful lobbying tool to advocate for the country's interest internationally. The government should as such, set-up a similar "Lebanon Diaspora Advisory Board" with clear mandate and selection criteria for members and meeting cadence to best servet its objectives</li> <li>The board would serve as an advisory body to the Diaspora task force, responsible for delivering the diaspora strategy, and should be integrated with the overall Vision institutionalization mechanism</li> <li>The board should have a secretary to drive the meeting agendas, set the cadence for the meetings and coordinate with the Lebanese government</li> </ul>	Council of Ministers

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

## We considered 16 priority initiatives that underpin the vision of the diaspora (8/8)



		Objective	Initiative	Owner <sup>1</sup>	Plays
	Dia.X.2.1	Restore faith of the diaspora in the Lebanese government and ensure their buy-in in government programs	Regaining diaspora's confidence in the country's willingness to improve, highlight the upcoming changes & programs, would be key to promote their sense of belonging and pride. Therefore an integrated diaspora strategy should be developed and communicated to the Lebanese diaspora through various communication channels (traditional and digital media, conferences, visits). Sample communication approaches could include:	<ul> <li>Ministry of Foreign Affairs</li> </ul>	ABCD
			<ul> <li>Actively reaching out to Lebanese communities abroad through the network of embassies, providing information (e.g. by email, seminars, leaflets)</li> </ul>		
			<ul> <li>Leveraging the prospective Lebanon Vision website to create a centralized portal of all the diaspora-related initiatives (investment opportunities, engagement efforts and export of talent)</li> </ul>		
			<ul> <li>Showing early sign of fight against corruption early on through selecting a visible anti-corruption campaign (e.g. whistle-blower protection)</li> </ul>		
X.2			<ul> <li>Providing full transparency on the output of the Vision implementation, through PR and communication (reports, media)</li> </ul>		
Awareness & accountability			<ul> <li>Ensuring accountability across different initiatives through consequence management</li> </ul>		

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

# Diaspora – additional relevant initiatives detailed within other sectors or enablers

Other initiatives related to diaspora



Objective	e Initiative	
export-sup	& consolidate   Refe port activities DDAL or new	r to initiative A.1 under Export & Branding
	port promotion • Refe	r to initiative A.2 under Export & Branding

# EXAMPLE: Singapore is a potential market for labor force export in managerial and engineering professions



Unfilled For At Least Six Months

Occupation with highest number of vacancies		Other consideration for labor
Software, Web & Multimedia Developer	1,060	Language compatibility
Civil Engineer	590	Diplomatic relationship
<ul> <li>Systems Analyst</li> </ul>	380	with Lebanon
Commercial & Marketing Sales Executive	350	Case of hiring foreign labor
<ul> <li>Enrolled/Assistant Nurse (Excluding Registered Nurse)</li> </ul>	260	Attractive salaries
<ul> <li>Business Development Manager</li> </ul>	240	
Computer Technician (Including IT User Helpdesk Technician)	240	
Mechanical Engineering Technician	220	
Teaching & Training Professional	210	
<ul> <li>Information Technology Security Specialist</li> </ul>	200	
Top reasons for hard to fill vacancies		
Lack the necessary work experience		
Lack the necessary specialized skills		
Competition for local candidates from other employers is too	stiff	
(\$) Find pay unattractive		



### I. EXECUTIVE SUMMARY

### II. INTRODUCTION AND METHODOLOGY

- A. Methodological approach to the study
- B. Stakeholder engagement and syndication process
- C. Reviewed documentation

### **III. CONTEXT AND DIAGNOSTIC**

- A. Chapter summary
- B. Economic perspective
  - 1. Macro-economic evolution
  - 2. Trade profile (exports & imports)
- C. Sector diagnostics
  - 1. Natural resources (oil & gas)
  - 2. Agriculture
  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
  - 1. Public finance
  - 2. Ease of doing business
  - 3. Monetary policy
  - 4. Economic development activation
  - 5. Trade & international agreements

#### IV. THE VISION: LEBANON'S ECONOMIC ASPIRATIONS

- A. Chapter summary
- B. Burning platform
- C. Lebanon's growth imperatives
- D. Economic aspirations and macroeconomic targets
- E. Sector prioritization mechanism and rationale

### V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

- A. Chapter summary
- B. Sector deep-dives
  - 1. Agriculture
  - 2. Industry
  - 3. Tourism
  - 4. Knowledge economy
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  - 6. Diaspora

#### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

- A. Chapter summary
- B. Public administration reform requirements
- C. Infrastructure including CIP initiatives
- D. Public finance requirements
- E. Main legislative requirements
- F. Country branding & export promotion

## VII. INSTITUTIONALIZATION MECHANISMS

- A. Chapter summary
- B. Governance set-up: orchestration and delivery
- C. Path forward

### VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters

Beyond activating productive sectors, the government should work towards overhauling the infrastructure, particularly across 3 areas

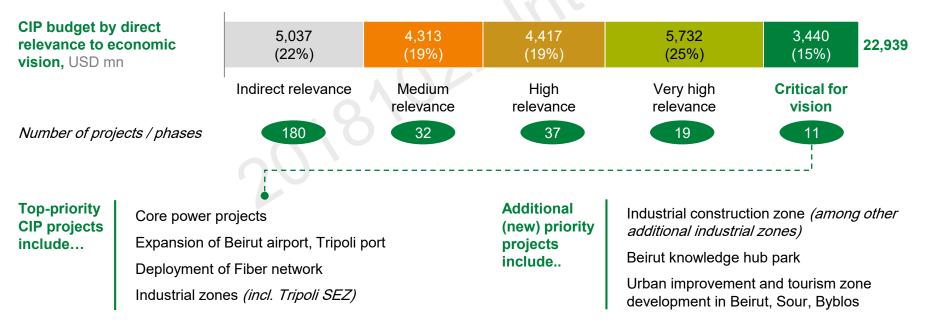




Grow reliance on renewables and set clear power-mix targets

# Implementation of Capital Investment Plan should prioritize projects which are very relevant to the economic vision

- The Capital Investment Plan's ~270 projects will provided much-needed infrastructure spending<sup>1</sup> to Lebanon, and every effort must be made to ensure successful implementation
- Several projects are highly relevant to the economic growth generally, and to the economic vision more specifically
  - 11 projects (representing 15% of total CIP budget) are deemed to be vision-critical
- Thus, to ensure achievement of economic objectives, Lebanon should prioritize vision-relevant projects across several dimensions (including distribution of funds, allocation of resources, etc.)
  - Moreover, a number of additional vision-linked priority projects need to be added to the government's agenda

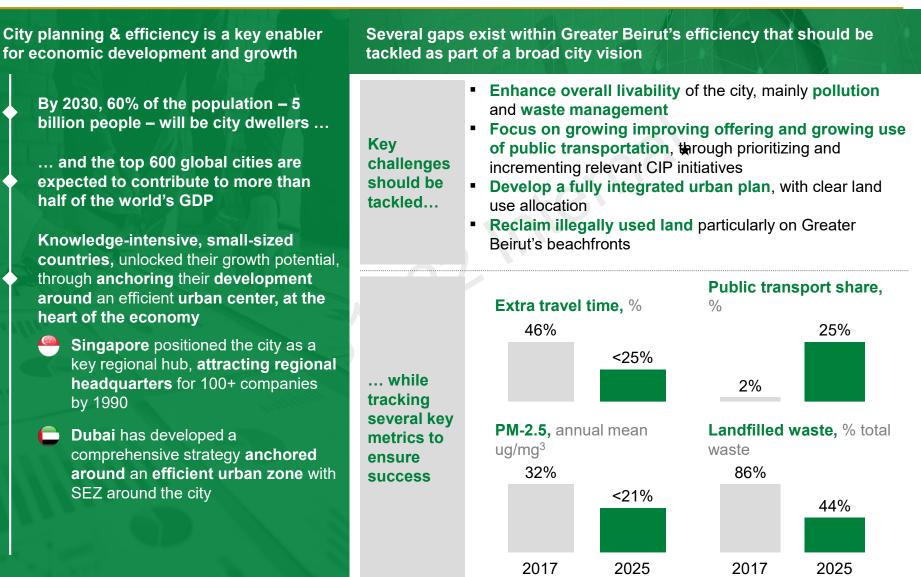


1 Top-down analysis suggests that Lebanon's annual infrastructure spending requirements exceed 4 billion USD, which far outweighs proposed spending under CIP. Thus, CIP is likely to be an "underestimate" of required infrastructure efforts.

Overview

Note: Beyond vision relevance, several other criteria should be taken into consideration when prioritizing CIP projects (e.g. Social impact, feasibility, interdependencies, etc..)

# B Achieving Lebanon's Economic Vision will require an efficient urban and business centre in Beirut



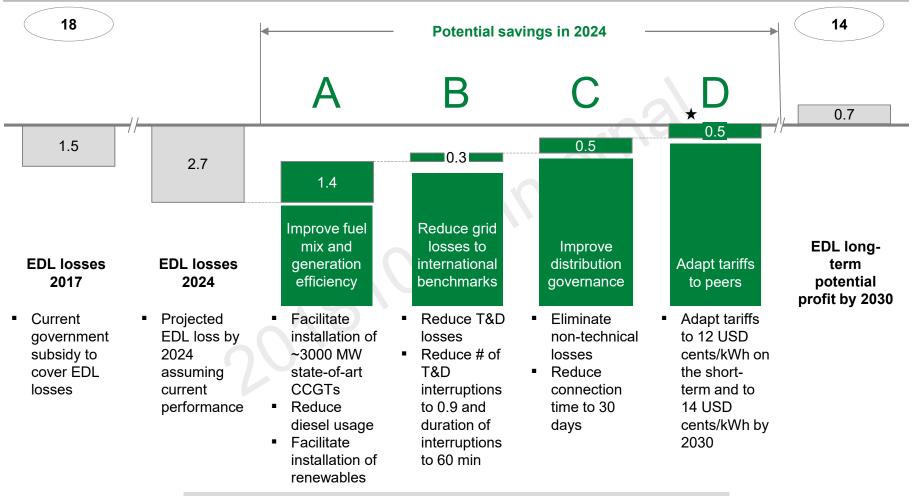
Source: C40 Cities, WHO Global Urban Ambient Air Pollution Database, Lebanon municipality of Beirut sustainable energy action plan, Capital Investment Program, Press Search, Transport Authority of Countries, TomTom Index; CIP, Land Transport Authority of Singapore, Gulf News, CAS, Ministry of Health Immediate action by the government to reform the power sector would eliminate the need for subsidies by 2024

Consumer burden, USD cents/kWh

Х

Current EDL financial performance and potential development for 2024 and 2030, USD bn

С



Execution of sector recovery requires setting up proper governance and operating model of EDL i.e., restructuring and corporatization of EDL

Three overarching government enablers should also be tackled to further fuel the economic growth



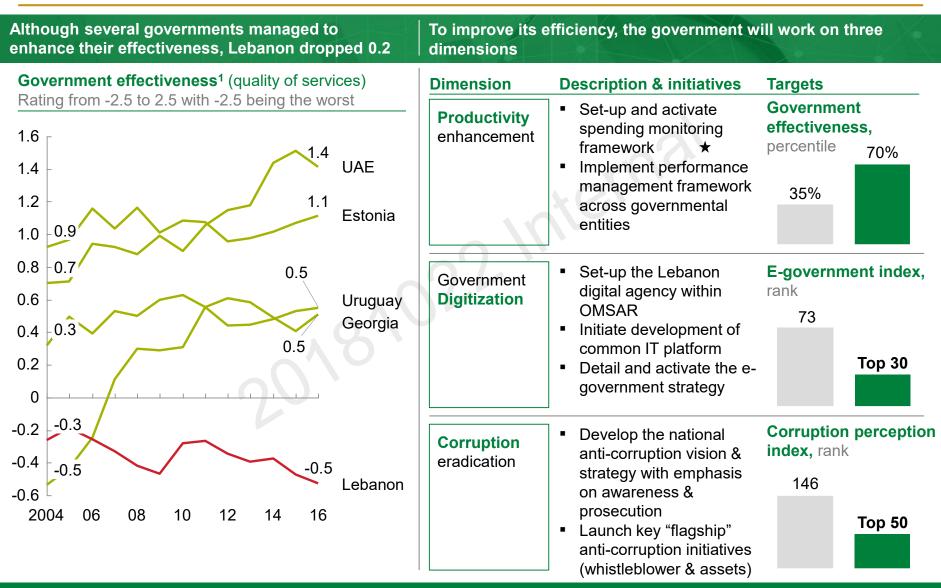
	A Public administration	<ul> <li>Disseminate radical reforms and high productivity mindset in public sector</li> <li>Assume the Vision economic targets as measures of performance of future governments and Ministers</li> <li>Launch government digitization overhaul, with private sector participation and monitoring</li> <li>Launch anti-corruption purge starting with a visible, symbolic initiative (e.g. law to disclose assets of elected officials, public sector whistleblower law)</li> </ul>			
overnment	Stepped B Fiscal policy	<ul> <li>Establish new fiscal rules and re-visit existing ones</li> <li>Elaborate on and publish Medium Term Expenditure Framework including the action plan to achieve 1% annual reduction in fiscal deficit</li> <li>Set a top-down government fiscal ceiling trickled to the Ministry level, following the Vision priority areas</li> <li>Launch revenue growth initiatives (e.g. Tobacco tax), moving from 40% to 70% tax collection effort</li> </ul>			
U	C Legislative efficiency	<ul> <li>Overhaul parliament productivity</li> <li>Establish and approve a Legislative Agenda with key topics and legislations to amend or draft, following Vision recommendations:         <ul> <li>Accelerate the approval of 11 business environment legislations, including Code of Commerce, E-signature and Bankruptcy Law</li> <li>Amend, enforce or introduce legislations relevant for the prioritized sectors of the vision (e.g. Enforce Water Law 221-2000, amend Ministerial Decree 1660 on governance of industrial zones)</li> </ul> </li> </ul>			

To enhance the public administration's efficiency, three key priority dimensions will be tackled: digitization, corruption & productivity 2017

Α



2025



Source: Worldwide Governance Indicators - World Bank; Corrpution Perceptions Index 2017; UN e-government index

# Four broad categories of interventions can be leveraged to ensure fiscal discipline

В

Categories	Levers	Description	Example initiatives	Targets
Revenue optimization	Tax revenue	<ul> <li>Design targeted initiatives to reduce the current gap in tax collection and enhance tax effort form 42% to ~60-70% of total taxation capacity</li> </ul>	<ul> <li>Enforce VAT</li> <li>Introduce tobacco tax</li> </ul>	<b>Tax revenue</b> , % GDP 20% 14%
	Non-tax revenue	<ul> <li>Leverage data analytics to assess leakages from non-tax revenues</li> </ul>	<ul> <li>Enforce real estate registration fees</li> </ul>	
Cost rational-	Salaries	<ul> <li>Stabilize and/or reduce Salaries &amp; wages to bring it in line with global benchmarks</li> </ul>	<ul> <li>Freeze hiring of public servants</li> </ul>	Government expenditures, % GDP
ization	Other OpEx	<ul> <li>Conduct analytical assessment of expenses to capture cost-cutting potential</li> </ul>	<ul> <li>Investigate rental costs</li> </ul>	27% 20%
$(\times)$	EdL pay.	<ul> <li>Reduce ~1-2 USD Bn of yearly transfers to close the electricity deficit</li> </ul>	<ul> <li>Revamp power sector to close deficit</li> </ul>	
Medium-term expenditure framework	[]       	<ul> <li>Enhance current MTEF, in line with best practice, with a planning horizon beyond current budget cycle, setting revenue and expenditure estimates</li> </ul>	<ul> <li>Revamp current MTEF by macro- fiscal department</li> </ul>	Forecast deviation from actuals, % N/A 10%
Fiscal rules	Ø	<ul> <li>Develop a set of enforceable rules to ensure fiscal discipline, mainly expenditures and public debt ceilings, at a granular level</li> </ul>	<ul> <li>Enforce ceiling on salaries expenditures by ministry</li> <li>Debt to GDP &lt; 120%</li> </ul>	Fiscal deficit, % GDP -3% -8%

2025

# In order to ensure a conducive business environment, several legislations need to be passed



2025 Target	WGI: Regulator rank, percentile		70		
		2017	2025		
List of legislations/	1 Cross-cutting legislations for all sectors have been identified and classified in order of priority 2 Sector specific legislations have also been identified been identified and classified in order of priority 2 to ensure conducive business environment				
laws	Drafting stage ᅇ Nur	mber of years since submission of draft Laws/regulation	Dates back to 1942	Sector	Number of laws/regulation
	Critical priority	Code of commerce 5		Agriculture	4
	High priority	Competition law	5	Industry	1
		Closing a business	5	Tourism	4
		Judicial mediation		Financial services	2
		Bankruptcy law		Knowledge economy	4
		Insolvency practitione	er law 🔵	Others	4
		Secure lending			
	Priority	Equity compensation law			
		Preferred shares	4		
		E-signature law	6		
		IP Law			

С



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  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
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#### IV. THE VISION: LEBANON'S ECONOMIC ASPIRATIONS

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## VII. INSTITUTIONALIZATION MECHANISMS

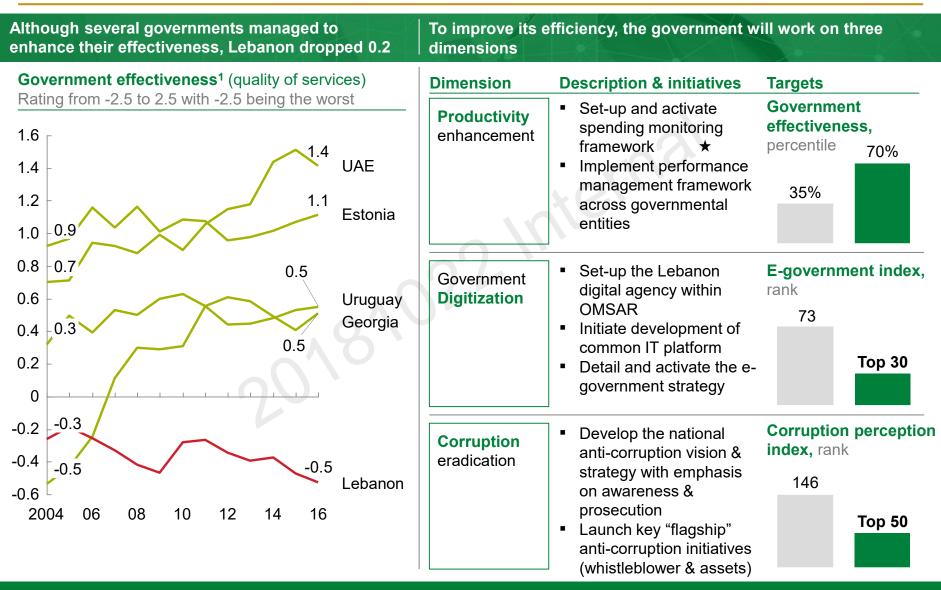
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To enhance the public administration's efficiency, three key priority dimensions will be tackled: digitization, corruption & productivity





Source: Worldwide Governance Indicators - World Bank; Corrpution Perceptions Index 2017; UN e-government index



## Contents – Public Sector reform requirements

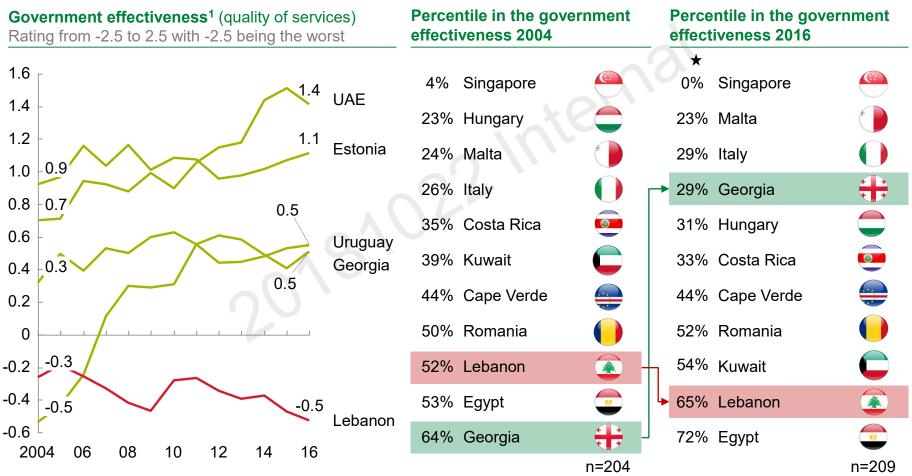


Although Lebanon has witnessed a reduction in efficiency & quality of public services, inspiring countries managed to challenge the trend





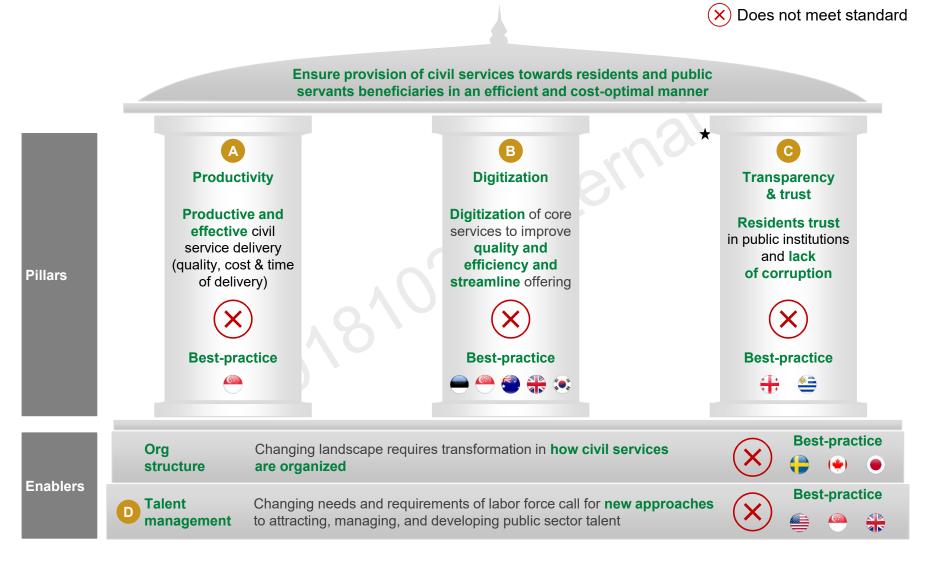
Georgia went from being located as the 130th most efficient government in the world to rank 61 globally in 12 years



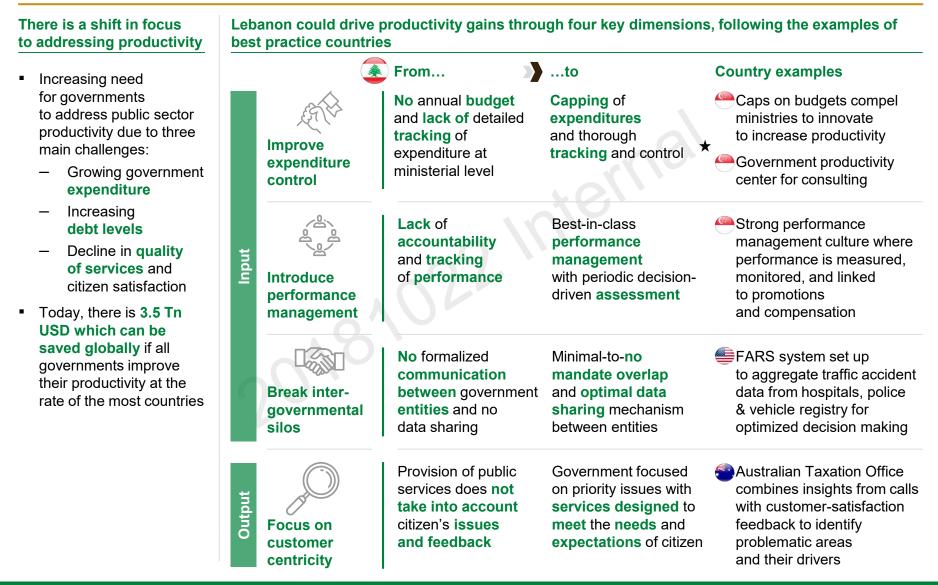
1 Defined as perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures

Best in class provision of public services relies on three key pillars with Lebanon not meeting the standard across the board





A The government should focus its attention on improving productivity to drive better outcomes at lower expenditures



# B Lebanon's government digitization agenda should focus on five key tasks



1 Set a clear digital strategy and targets



### Criteria for success

standardization of core IT

Set ambitious but measurable goals; adopt a unified management approach



0	
O	
Γ	

Enable electronic identification, easy access to information, seamless data exchange and service level agreements (SLAs) across public-sector institutions

3 Define technical standards



4 Facilitate change through legislation



Make aspirational digital goals more formal; scan administrative rules to remove obstacles to digitization

Actively guide development of enterprise architecture,

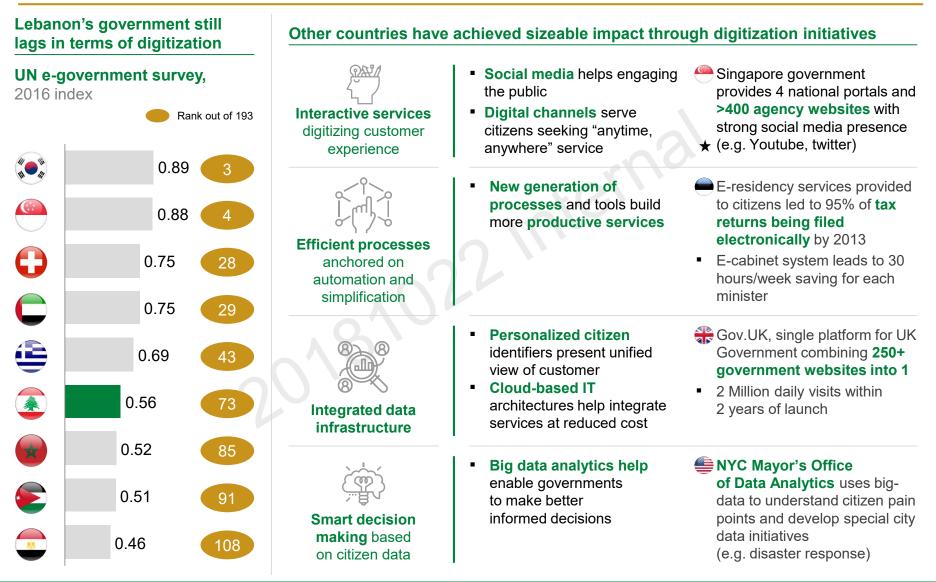
best practices in IT project management, and

Incubate pilot projects and build critical skills



Support development of "lighthouse" case studies, strengthening internal capabilities in process

Lebanon has yet to fully embrace digital disruptions, while other countries' governments have greatly benefited from digitization efforts



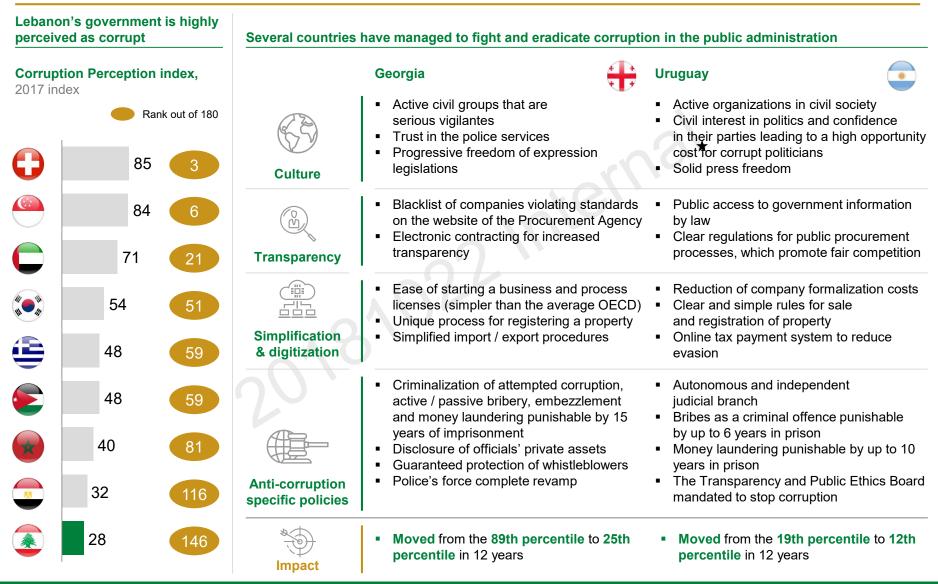
### Case study: Digitization of government – United Kingdom

L



Scope of digitization	<ul> <li>Almost 20,000 government datasets a online at "GOV.UK" since October 20</li> <li>Completion of transition of over 300 a and arm's length bodies, as well as H to "GOV.UK", the single online home government information and services</li> <li>2014: already 16 exemplar services a to the public, and a further 4 will be av Q1/15</li> <li>By October 2014, more than 3.7 millio transactions had been made across th services publicly accessible at that tim</li> <li>Current development of further cross-platforms</li> <li>First digital delivery centers established depth training for digital specialists, and specific programs to support the services of the service of the service</li></ul>	12 gencies MRC, for in 2014 iccessible vailable in on user ne 15 ne government ed for in- nd project-	a year by movin channels (and m in the process) Community of le Digital 5 group Partners: South and UK GOV.UK was bu No expensive so In use by other of Estonia, Norway Government Dig	ng between £1.7 and £1.8 billion ng services from offline to digital more if they are fully redesigned eading digital governments: A Korea, Estonia, New Zealand uilt using open source technology oftware licensing costs governments e.g. Australia, y gital Inclusion Strategy: Target mber of people who are offline by
1	2	3		4
2 major platforms: ,GOV.UK" and " GOV.UK verify"	<ul> <li>Efficiency savings of £210 million during 2013 to 2014 by:</li> <li>Scrutinizing digital and IT spend requests across government</li> <li>Moving websites across to GOV.UK</li> <li>Transforming online services</li> </ul>	Access of government information online higher than ever before: e.g. 1.98 million average visits per day in October 2014	<ul> <li>Replacement of 1,700 government websites with just one - GOV.UK</li> </ul>	<section-header><section-header><section-header><section-header><section-header><section-header><section-header><section-header><section-header><section-header><section-header><section-header><section-header><section-header><section-header><section-header><section-header><section-header><section-header><section-header><section-header><text><text><text><text></text></text></text></text></section-header></section-header></section-header></section-header></section-header></section-header></section-header></section-header></section-header></section-header></section-header></section-header></section-header></section-header></section-header></section-header></section-header></section-header></section-header></section-header></section-header>

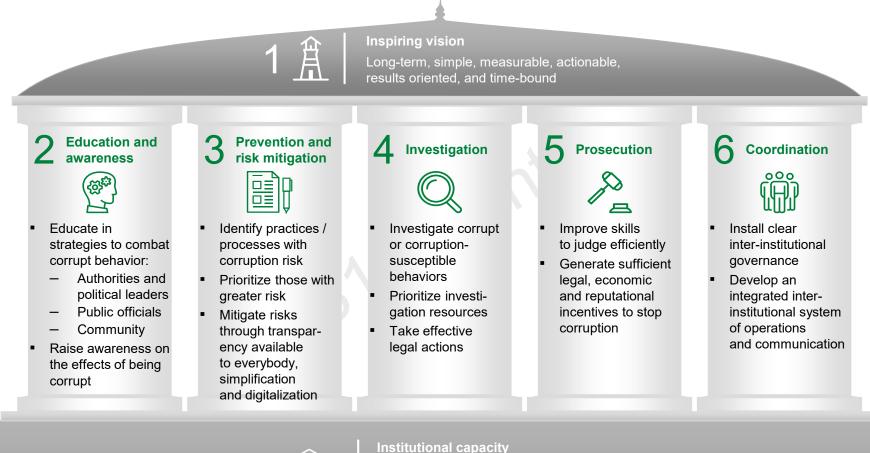
### C While Lebanon ranks 146<sup>th</sup> in terms of corruption perception, several countries managed to reverse the trend through comprehensive efforts



### Successful countries typically focus their anti-corruption strategies on seven key dimensions







- Management capacity (central and territorial)
   Human capital
- Digital and technical capacity

## The government's anti-corruption strategy is to be pressure tested against a 22-point checklist along the 7 pillars



ILLUSTRATIVE

				◯ Not included ◯ Partially included ◯ Inc	cluded
			1	Long-term	Ο
	1		2	Simple	Ο
会		Inspiring	3	Measurable	0
A		vision	4	Actionable	0
			5	Results oriented	0
			6	Time-bound	0
( Ma		Education	7	Educate authorities and political leaders	Ο
	2	and	8	Educate public officials	0
		awareness	9	Educate the community	0
		Prevention and risk mitigation	10	Identify practices / processes with corruption risk	0
$\bigcirc$			11	Prioritize those with greater risk	0
$\sim$			12	Mitigate risks through transparency, simplification and digitalization	0
		Investigation	13	Investigate corrupt or corruption-susceptible behaviors	0
	4		14	Prioritize investigation resources	Ο
] \			15	Take effective legal actions	0
$\bigotimes$	F	Prosecution	16	Improve skills to judge efficiently	0
2	5	Prosecution	17	Generate sufficient legal, economic and reputational incentives to stop corruption	0
000	C	Coordination	18	Install clear inter-institutional governance	0
	6	Coordination	19	Develop an integrated inter-institutional system of operations and communication	0
			20	Management capacity (central and territorial)	0
ÎÌÌ	7	Institutional	21	Human capital	Ó
		' capacity	22	Digital and technical capacity	Ó

After the Rose Revolution in 2003, Georgia executed and sustained aggressive actions along all seven pillars to root out corruption





Pillars		Actions from 2003 to 2011	
Â	Inspiring vision	<ul> <li>Be in the top 10 of the global competitiveness index in 10 years (they started in position # 110)</li> </ul>	GEORGIA Business, energy, culture and wine in the fast-growing Caucasus
	Education and awareness	<ul> <li>Shared commitment among national leadership</li> <li>Installed an anti-corruption culture and changed the mentality of public officials from "I am the boss" to "the user is always right"</li> <li>Guaranteed the whistleblowers protection</li> </ul>	A zeal for reform pays dividends The drive for transparency has brought dout a comprehensive cultural change in Georgia. It has proved good for business, writes Justin Keay.
Q	Prevention and risk mitigation	<ul> <li>Simplified bureaucracy: the number of taxes decrease permits from 909 to 137</li> <li>Limited personal contact in processes between citiz</li> <li>Strengthened efforts in transparency, technology and</li> </ul>	zens and public officials
	Investigation	<ul> <li>Prioritized investigation in the most corrupt institution</li> </ul>	<b>ns</b> , such as the Ministry of Education
	Prosecution	<ul> <li>Rapidly increased criminal and economic penalties</li> <li>Dismissed, arrested and imprisoned high profile correction of reforms</li> </ul>	
	Coordination	<ul> <li>Formed a central team of legislators, led by the pre facilitating coordination</li> <li>Strategically coordinated cross-cutting communicati corruption message</li> </ul>	
	Institutional capacity	<ul> <li>Installed a corporate government as first step</li> <li>Replaced key positions with highly competitive and was a statement.</li> </ul>	well-paid human capital

Globally, several initiatives were launched to enhance talent attraction, retention & quality in order to meet higher quality standards

Talent themes	International examples
Plan workload and workforce	<ul> <li>Federal financial services agency uses workload/workforce planning to predict:</li> <li>Impact of budget on workload</li> <li>Gap in employees and therefore hiring targets</li> </ul>
Attract and retain the right people	<ul> <li>Government follows aggressive upstream recruitment (e.g. via internship programs, scholarships, and career fairs)         <ul> <li>Careers@Gov is a government job and internship search engine on web and mobile app</li> </ul> </li> <li>Provide competitive salaries in line with private sector benchmarks</li> </ul>
Grow and develop leaders	<ul> <li>Civil Service College provides core skill training programs related to public administration</li> <li>Personal Development Planning is a yearly exercise allowing civil servants to discuss career path with their superiors</li> </ul>
Track and encourage high performance	<ul> <li>Create strong performance management culture where employee performance is measured, monitored, and linked to promotions and compensation</li> </ul>
Engage employees	<ul> <li>Military Service uses online forum created for commanders to build combat- ready teams by sharing insights, experiences, lessons learned, tools, and methods</li> </ul>
Create talent culture	<ul> <li>Norfolk County Council adopts open leadership / staff conversations and feedback opportunities to boost engagement and identify areas for improvement</li> <li>For example, "Outstanding Contribution" awards were introduced after survey respondents asked for more recognition and praise</li> </ul>

Source: McKinsey Center for Government analysis, literature search; Singapore Government websites; Interviews with current/previous Singapore Civil Servants



### Contents – Public Sector reform requirements





### Public administration – priority initiatives

		Objective	Owner <sup>1</sup>
A Productivity enhancement	PUB.A.1	Develop and implement performance management framework across governmental entities	<ul> <li>Office of the PM</li> </ul>
B Government	PUB.B.1	Set-up the Lebanon digital agency to lead the digitization effort	<ul><li>Office of PCM</li><li>OMSAR</li></ul>
digitization	PUB.B.2	Initiate development of common IT platform	<ul><li>Office of PCM</li><li>OMSAR</li></ul>
	PUB.B.3	Detail and activate the e-government strategy with prioritization of most critical processes	<ul> <li>OMSAR</li> </ul>
C Corruption eradication	PUB.C.1	Develop the national anti-corruption vision & strategy	<ul> <li>State Ministry for combatting corrupt</li> </ul>
eradication	PUB.C.2	Launch key "flagship" anti-corruption initiatives	<ul> <li>State Ministry for combatting corrupt</li> </ul>
E Data systems	PUB.E.1	Enhance data & statistics capabilities within the government	<ul> <li>Central Authority of Statistics</li> </ul>
F Institutionalization mechanism	PUB.F.1	Develop and set-up the formal institutionalization mechanism responsible for overseeing the implementation of the Economic Vision	<ul> <li>Short-term interim Lebanon Vision economic team</li> </ul>

1

## To effectively reform the public administration the government should focus on 8 priority initiatives (1/3)

		Objective	Initiative	Owner <sup>1</sup>
A Productivity enhancement	Pub.A.1	Develop and implement performance management framework across governmental entities	<ul> <li>Enhancing productivity within the public sector is a pre-requisite to improving public sector services to citizens. While Lebanon still lacks formal accountability and performance tracking within the public sector, several countries have managed to introduce performance measures into the public servant evaluation (e.g. Singapore), providing case examples for a revamp of Lebanon's public sector through:</li> <li>Developing and imposing KPIs/KPTs for senior public sector positions and creating a set of standards to validate data for the key performance and conducting annual reviews</li> <li>Linking ministry employee's performance to variable remuneration</li> </ul>	<ul> <li>Office of the President of the council of ministers</li> </ul>
	Pub.B.1	Set-up the Lebanon digital agency to lead the digitization effort	<ul> <li>Successful government digitization normally relies on a central digital unit to drive the implementation of the digital strategy. In Lebanon a central digitization unit should be created to take ownership of the government's digital agenda. Key tasks to perform could include:</li> <li>Ensuring and facilitating coordination among public authorities &amp; stakeholders</li> <li>Holding owners accountable to deliver the government's digital strategy</li> </ul>	<ul> <li>Office of the President of the council of ministers</li> <li>OMSAR</li> </ul>
B Government digitization	Pub.B.2	Initiate development of common IT platform	<ul> <li>Successful global government digitization examples mainly rely on 5 key tasks, one of them being the provision of a common IT platform. The government should as such initiate the design of the main building blocks of the IT infrastructure, to be made available to all public authorities to reuse, mainly:</li> <li>The set-up and management of a unique electronic identity</li> <li>A portal system centralizing all the digital processes of the government</li> <li>A central data hub to centralize and enhance the access to information</li> </ul>	<ul> <li>Office of the President of the council of ministers</li> <li>OMSAR</li> </ul>
	Pub.B.3	Detail and activate the e- government strategy with prioritization of most critical processes	To build on OMSAR strategy once shared	<ul> <li>OMSAR</li> </ul>



## To effectively reform the public administration the government should focus on 8 priority initiatives (2/3)

	•	<b>,</b>		
		Objective	Initiative	Owner <sup>1</sup>
	Pub.C.1	Develop the national anti- corruption vision & strategy	<ul> <li>Today Lebanon ranks 146th out of 180 countries on Transparency International's Corruption Perceptions Index. Several countries have managed to reverse the trend such as Georgia (Moved from the 89th percentile to 25th percentile in 12 years) and Uruguay (Moved from the 19th percentile to 12th percentile in 12 years) through an agressive and comprehensive anti-corruption strategy. The government should as such develop &amp; launch a detailed and comprehensive anti-corruption strategy, along with an inspiring vision, initially focusing on 2 key pillars mainly:</li> <li>Education &amp; awareness</li> <li>Prosecution</li> </ul>	<ul> <li>State Ministry for combatting corruption</li> </ul>
C Corruption eradication	Pub.C.2	Launch key "flagship" anti-corruption initiatives	<ul> <li>In order to quickly regain the confidence of the Lebanese people and enhance the people's perception of government corruption, the government should launch several "flagship" initiatives targeting corruption, including:</li> <li>Passing a public sector whistle-blowers protection law</li> <li>Passing a law regarding the disclosure of private assets of public officials</li> <li>Launching a thorough corruption investigation lead by an independent authority</li> <li>Establishing an independent anti-corruption commission. Main responsibility includes conducting perception survey across government entities and publishing results comparing levels of corruption and improvement across entities</li> <li>Publishing clear regulations for public procurement processes to promote fair competition while blacklisting companies violating standards on the website of the relevant government authorities</li> <li>Launching a national reclamation campaign for Lebanon's beachfront</li> </ul>	<ul> <li>State Ministry for combatting corruption</li> </ul>
E Data systems	Pub.E.1	Enhance data & statistics capabilities within the government	<ul> <li>Today, country data &amp; statistics do not allow agile decision-making (e.g. no exhaustive labour force survey conducted and no accurate visibility on unemployment rate). As such the government should augment the Central Authority for Statistic's capabilities &amp; scope of work ensuring prompt and accurate analysis of data through for example:</li> <li>Extending the scope of work to include gathering and publishing data &amp; statistics beyond national accounts (e.g. sector data, surveys with support of relevant stakeholders), while acting as the single source of truth regarding all government statistics</li> <li>Gathering, consolidating and publishing KPIs related to the Lebanon Economic Vision objectives</li> <li>Launching quick-wins mainly, conducting an exhaustive labour force survey and having the exercise done on a yearly basis (currently underway)</li> </ul>	<ul> <li>Central Authority of Statistics</li> </ul>



## To effectively reform the public administration the government should focus on 8 priority initiatives (3/3)

		Objective	Initiative	Owner <sup>1</sup>
F Institutionali zation mechanism	Pub.F.1	Develop and set-up the formal institutionalization mechanism responsible for overseeing the implementation of the Economic Vision	<ul> <li>The interim economic team should work towards developing and setting-up the end-state mechanism that will be responsible of overseeing the implementation of the Economic Vision. The governance of the institutionalization mechanism should consist of: <ul> <li>The council of ministers: With the highest levels of representation, the council will oversee the progress of execution, taking necessary measures to enforce accountability and ensure timely execution by all relevant stakeholders.</li> <li>The economic, social &amp; environmental development authority (PMDU: performance management &amp; delivery unit): Leads the coordination for the follow-up planning and execution phases. Reports to the council of ministers and has several responsibilities</li> <li>Task forces: Responsible and accountable for the implementation of the respective sector's agenda. Includes representatives from all relevant implementation stakeholders (<i>e.g. ministrise</i>) as well as a representative from the PMDU who serves as secretariat. Operating model (<i>e.g. meeting frequency</i>) to be set by each committee.</li> </ul> </li> <li>Details of the mechanism can be found in the institutionalization mechanism chapter</li> </ul>	Short-term interim Lebanon Vision economic team

## Moreover, 20 initiatives from the remaining sectors could be launched (1/4)



NON-EXHAUSTIV

		Objective	Initiative	Owner <sup>1</sup>
Oil & gas	Oth.1	Prepare the regulatory framework for oil & gas	<ul> <li>Develop a clear strategy and direction for the oil &amp; gas sovereign wealth fund and domestic usage of gas</li> <li>Continue to develop the regulatory and governance ecosystem (e.g. finalizing transparency-related regulations) for oil &amp; gas</li> </ul>	<ul> <li>Lebanese Petroleum Administration</li> </ul>
	Oth.2	Update regulations to incentivize the purchase of generic drugs	<ul> <li>Decrease spending on pharmaceuticals by introducing drug pricing reforms and incentivize the sales of more generic medicine (co-pay schemes, higher commissions)</li> </ul>	<ul> <li>Ministry of Public Health</li> </ul>
lealthcare	Oth.3	Enhance healthcare data collection	Introduce a "Health card" to better leverage population health data and act as a catalyst for better hospital specialization	<ul> <li>Ministry of Public Health</li> </ul>
	Oth.4	Protect household income	Protect household income by designing caps on insurance payments to make sure that no patient is impoverished due to medical procedures	<ul> <li>Ministry of Public Health</li> </ul>
	Oth.5	Develop public housing programs	<ul> <li>Develop an affordable housing program (outside of BdL) with the focus of absorbing current unmet demand (slums), encompassing the different levers</li> <li>Ensure proper sector incentives to allow for a revised mix of supplied units to match the demand mix</li> </ul>	<ul> <li>Ministry of Social Affairs</li> </ul>
leal estate	Oth.6	Update the urban masterplan for the country	<ul> <li>Revise current Lebanon master plan with an emphasis on Beirut's urban plan</li> <li>Enforce abidance to urban plan and construction guidelines</li> </ul>	<ul> <li>Ministry of Public Works</li> </ul>
& construction	Oth.7	Enhance the legislative environment for real estate	<ul> <li>Streamline current real estate registration process and revise taxation on real estate</li> <li>Enforce real estate registration to close the gap of unregistered property and increase government revenue</li> </ul>	<ul> <li>Ministry of Finance</li> </ul>
	Oth.8	Revamp & review financing schemes for housing	<ul> <li>Review access to financing to reduce reliance on BdL for access to housing</li> </ul>	<ul><li>Ministry of Finance</li><li>Banque du Liban</li></ul>

## Moreover, 20 initiatives from the remaining sectors could be launched (2/4)



NON-EXHAUSTIVI

		Objective	Initiative	Owner <sup>1</sup>
	Oth.9	Grant VAT amnesty for newly formalized businesses	<ul> <li>Grant VAT amnesty for 3 years from date of VAT registration</li> </ul>	<ul> <li>Ministry of Economy &amp; Trade</li> </ul>
	Oth.10	Increase awareness on benefits of formalization	Launch a 1-year nationwide campaign to educate business-owners on the benefits of the ecosystem	<ul> <li>Ministry of Economy &amp; Trade</li> </ul>
Retail & commerce	Oth.11	Register qualifying home businesses	Launch a special window to register home businesses that meet certain qualifying criterion. E.g., crafts businesses, home-based professional services	<ul> <li>Ministry of Economy &amp; Trade</li> </ul>
	Oth.12	Levy heavy penalties on informal businesses	Improve detection mechanisms and initiate stringent penalties on illegal businesses through shared data across different government institutions and the private sector (e.g. banks)	<ul> <li>Ministry of Economy &amp; Trade</li> </ul>
	Oth.13	Stop the support of the informal sector	Lay out policies prohibiting NGOs and quasi-government entities from providing support to informal businesses	<ul> <li>Ministry of Economy &amp; Trade</li> </ul>
	Oth.14	Improve the telecommunications infrastructure	<ul> <li>Sustain investments in mobile infrastructure to remain at the forefront of the sector</li> <li>Restart investing in the fixed broadband network, through the execution of the FTTH plan, under the umbrella of the Lebanon Digital Strategy 2020. Priority should be on dense regions providing the highest Rol and where majority of businesses are concentrated</li> </ul>	<ul> <li>Ministry of Telecommunications</li> </ul>
Telecommun ications	Oth.15	Enhance the telecommunications regulatory framework	<ul> <li>Empower the Telecom Regulatory Authority (TRA) by fully transferring, from the Ministry of Telecommunications, the key regulatory responsibilities (i.e. tariffs setting, quality control, data collection &amp; analysis, spectrum management), through applying the 2002 law 431 (or a revised version of the law) in full</li> <li>Assess and study the different options &amp; schemes allowing for more competition and protection against disruptive sector dynamics, including the privatization of the mobile and fixed operators</li> </ul>	<ul> <li>Ministry of Telecommunications</li> </ul>

## Moreover, 20 initiatives from the remaining sectors could be launched (3/4)



NON-EXHAUSTIVE

	Objective	Initiative	Owner <sup>1</sup>
Oth.16	Improve the transport system within Beirut & Mount Lebanon	<ul> <li>Develop a detailed public transport plan targeting a public transport share of more than 15% (vs. 2% today) and decreasing vehicle ownership rates to ~250-400 per 1,000 people (from 700-800 today)</li> <li>Prioritize transportation projects from the CIP linked to upgrading Greater Beirut road network as well as uphauling the public transport system</li> <li>Develop and launch campaigns to increase awareness of benefits from public transport and car pooling</li> </ul>	<ul> <li>Beirut &amp; Mount Lebanon municipalities</li> <li>Ministry of Public Works</li> </ul>
Oth.17	Improve solid waste management in the Larger Beirut Area	<ul> <li>Develop detailed solid waste management plan for Beirut &amp; Mount Lebanon with objective of reducing landfill portion to at least 65% as per global benchmarks, through upgrading recycling and composting facilities</li> <li>Assess the feasibility of developing WtE solutions with an emphasis on future technologies (e.g. plasma) that produce less emissions</li> <li>Develop and launch campaigns to increase awareness of source sorting importance</li> </ul>	<ul> <li>Beirut &amp; Mount Lebanon municipalities</li> </ul>
Oth.18	Upgrade the water network in Beirut	Upgrade water distribution in Beirut & Mount Lebanon with an emphasis on the outdated portion of the network	<ul> <li>Beirut &amp; Mount Lebanon municipalities</li> </ul>
Oth.19	Improve the governance of the Larger Beirut Area	Revamp the governance of the greater Beirut area ensuring streamlined coordination amongst the different municipalities	<ul> <li>Beirut &amp; Mount Lebanon municipalities</li> </ul>
	Oth.17 Oth.18	Oth.16Improve the transport system within Beirut & Mount LebanonOth.17Improve solid waste management in the Larger Beirut AreaOth.18Upgrade the water network in BeirutOth.19Improve the governance	Oth.16       Improve the transport system within Beirut & Mount Lebanon <ul> <li>Develop a detailed public transport plan targeting a public transport share of more than 15% (vs. 2% today) and decreasing vehicle ownership rates to ~250-400 per 1,000 people (from 700-800 today)</li> <li>Prioritize transportation projects from the CIP linked to upgrading Greater Beirut road network as well as uphauling the public transport system</li> <li>Develop and launch campaigns to increase awareness of benefits from public transport and car pooling</li> </ul> <li>Oth.17</li> <li>Improve solid waste management in the Larger Beirut Area</li> <li>Develop detailed solid waste management plan for Beirut &amp; Mount Lebanon with objective of reducing landfill portion to at least 65% as per global benchmarks, through upgrading recycling and composting facilities</li> <li>Assess the feasibility of developing WtE solutions with an emphasis on future technologies (e.g. plasma) that produce less emissions</li> <li>Develop and launch campaigns to increase awareness of source sorting importance</li> <li>Oth.18</li> <li>Upgrade the water network in Beirut</li> <li>Upgrade water distribution in Beirut &amp; Mount Lebanon with an emphasis on the outdated portion of the network</li> <li>Oth.19</li> <li>Improve the governance</li> <li>Revamp the governance of the greater Beirut area ensuring streamlined</li>

## Moreover, 20 initiatives from the remaining sectors could be launched (4/4)



NON-EXHAUSTIVE

	Objective	Initiative	Owner <sup>1</sup>
Oth.16	Improve framework for trade agreements & export	<ul> <li>Improve coordination among trade-related entities, including but not limited to: <ul> <li>Ministry of Agriculture</li> <li>Ministry of Industry</li> <li>Ministry of Economy and Trade</li> <li>Ministry of Foreign Affairs and Emigrants</li> <li>IDAL</li> <li>Local chambers of commerce</li> </ul> </li> <li>Proactively support the private sector in overcoming technical and non-technical measures which are limiting exports, in order to maximize benefits of trade agreements: <i>Priority measures include SPS conditions on food exports, registration requirements for pharmaceutical products, and rule-of-origin constraints for industrial goods</i></li> </ul>	Ministry of Economy & Trade



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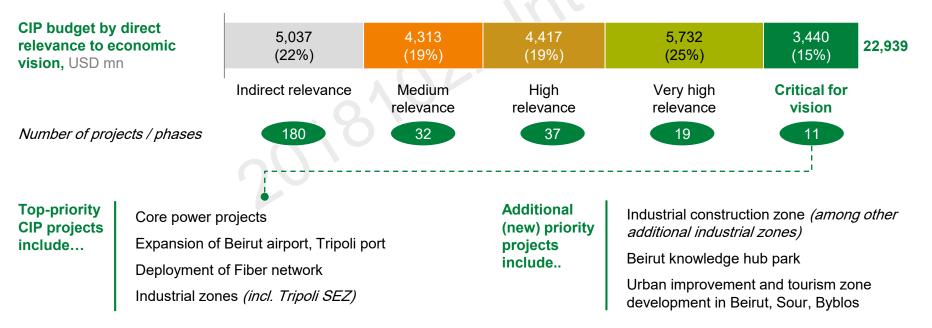
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## Implementation of Capital Investment Plan should prioritize projects which are very relevant to the economic vision

- The Capital Investment Plan's ~270 projects will provided **much-needed infrastructure spending**<sup>1</sup> to Lebanon, and every effort must be made to ensure successful implementation
- Several projects are highly relevant to the economic growth generally, and to the economic vision more specifically
  - 11 projects (representing 15% of total CIP budget) are deemed to be vision-critical
- Thus, to ensure achievement of economic objectives, Lebanon should prioritize vision-relevant projects across several dimensions (including distribution of funds, allocation of resources, etc.)
  - Moreover, a number of additional vision-linked priority projects need to be added to the government's agenda



1 Top-down analysis suggests that Lebanon's annual infrastructure spending requirements exceed 4 billion USD, which far outweighs proposed spending under CIP. Thus, CIP is likely to be an "underestimate" of required infrastructure efforts.

Overview

Note: Beyond vision relevance, several other criteria should be taken into consideration when prioritizing CIP projects (e.g. Social impact, feasibility, interdependencies, etc..)

The economic vision has several implications on the implementation of the Capital Investment Plan (CIP) which need to be taken into account

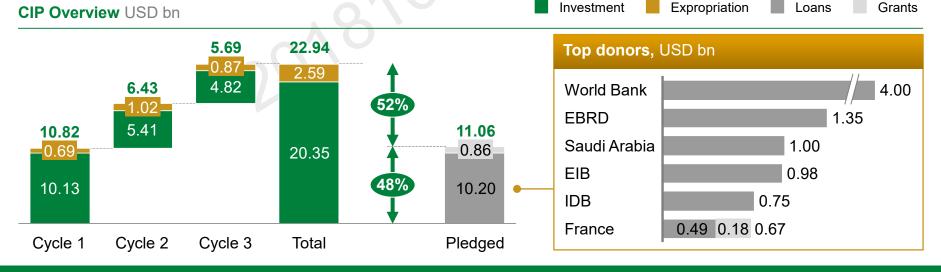
#### Context

- Lebanon's Capital Investment Plan contains ~270 projects across various infrastructure sectors, including transportation, telecom, utilities (power, water, waste), tourism and industry (but excluding healthcare, education, etc.)
- Following the **CEDRE conference** in April 2018, Lebanon secured a total pledge of ~11.1 billion USD in the form of loans and grants
- If materialized, CEDRE pledges would cover Cycle 1 costs, but would account for less than half of the total budget requirement for CIP (across all cycles)

### Implications of Economic Vision

To ensure compatibility between the infrastructure agenda (including CIP) and the economic vision, the government needs to:

- A Prioritize vision-relevant CIP projects in distribution of funding & allocation of implementation resources
- B Add new / additional infrastructure projects which are required by the economic vision (e.g. additional industrial zones)
- Increase infrastructure spending beyond CIP to allow for sustainable growth



## Prioritization of CIP projects needs to account for multiple dimensions beyond relevance to the economic vision

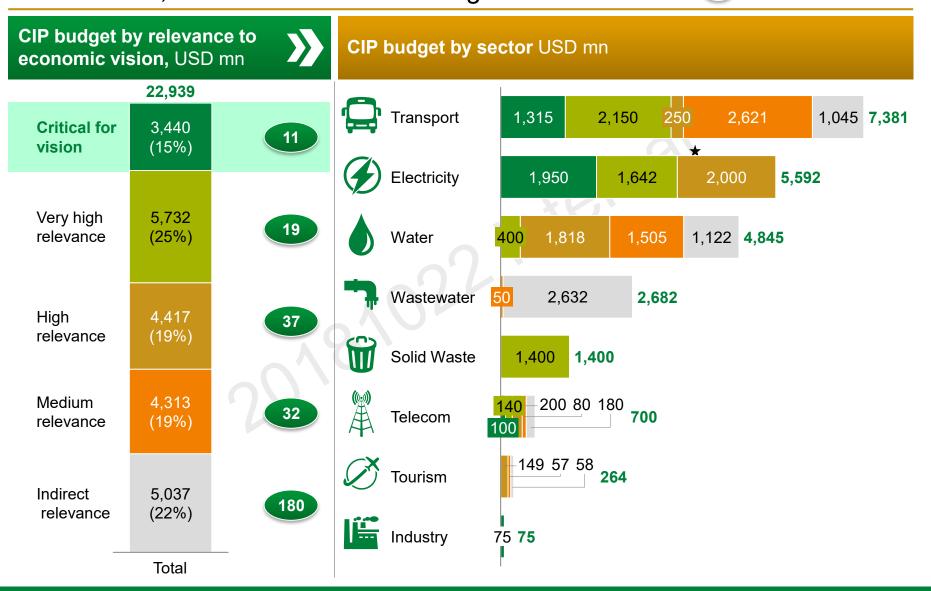


Prioritization of projects should be the	Prioritization dimension				
<ul> <li>key driver of:</li> <li>Distribution of available funds (both foreign and local)</li> <li>Prioritization and scheduling of planning &amp; execution for activities</li> <li>Prioritization of project-associated reforms &amp; regulatory</li> </ul>	Economic impact including impact on GDP, trade balance, and job creation	Social impact including inclusivity of economic growth, poverty reduction improvement in quality of life & health outcomes, environmental impact, etc.	Feasibility & risks including availability of funding, feasibility (technical, regulatory, institutional capabilities, etc.), and financial risks (e.g. overspending)	Direct relevance to economic vision objectives and initiatives	
enablers in the legislative agenda	0	Not covered in this document		Covered in this document	
		•			

Note: The World Bank has conducted a strategic assessment of all CIP projects, which provides a perspective on many of these dimensions and serves as a starting point for prioritization Each CIP project's relevance to the economic vision was assessed, with 11 identified as being "vision-critical"



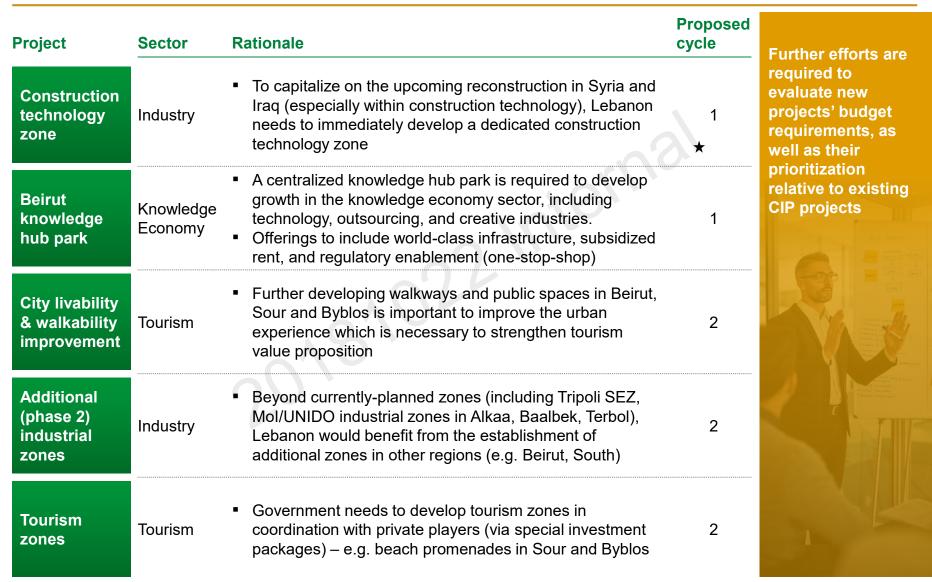
XX Number of projects / phases



11 "vision-critical" CIP projects, with a total budget of 3.4 bn USD, should be prioritized for funding
Investment Land Expropriation

			~	
	Code	Project topic	Cycle	Budget, USD mn
Ø	E01	IPP Power Plants (1GW)	1	1,200
	TP10	Beirut rapid-bus public transport	1	500
	TP16	Beirut Airport rehab	1	500
Ø	E04	Hydro power plants (0.3GW)	1	264
Ø	E09	DSP - Smart Meters	1	263
Ø	E06	Power transmission	1	224
	TP06	Ras Baalbak- Syrian border highway	1	110 <sub>55</sub>
	TP20	Tripoli Port rehab	3	150
A	TL01	Fiber network	1	100
Ë	IN01	Industrial zones (Alkaa, Baalbek, Terbol)	2	50
Ë	IN02	Tripoli Special Economic Zone	2	25
		Total		3,385 <mark>55</mark> 3,440

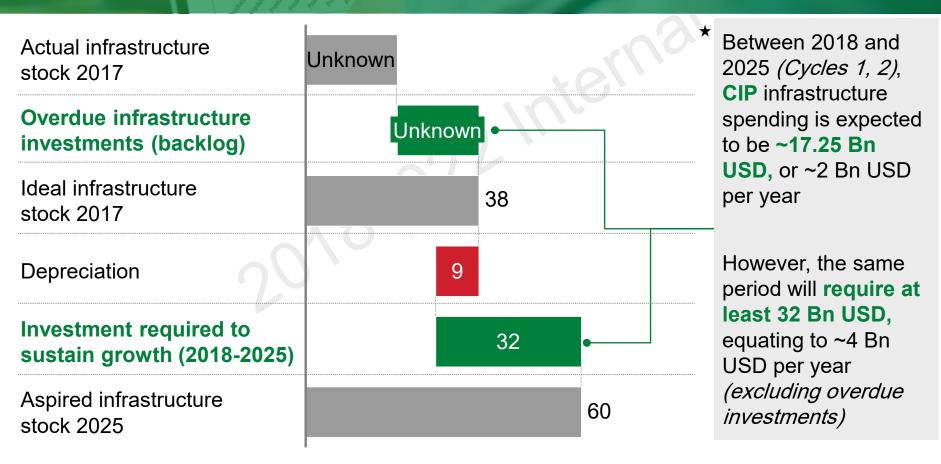
## Beyond CIP projects, 5 additional priority projects should be added to the infrastructure agenda



C Beyond CIP, a top-down assessment should be conducted to understand required annual investment in infrastructure

## \*

### Lebanon's Infrastructure stock USD billion





### Infrastructure – priority initiatives

		Objective	Owner <sup>1</sup>	Part of CIP	CIP Code
	INF.1	Expand the airport capacity	<ul> <li>MoPWT</li> </ul>	$\checkmark$	<ul> <li>TP16,17</li> </ul>
Infrastructure	INF.2	Implement Fiber strategy of MoT	<ul> <li>Ministry of Telecom</li> </ul>	$\checkmark$	<ul> <li>TL01</li> </ul>
	INF.3	Reform national infrastructure (incl. power, logistics, utilities)	<ul> <li>MoPWT</li> </ul>	* 🗸	<ul> <li>E01,04, 09,06</li> <li>TP06, 20</li> </ul>
	INF.4	Enhance access to/from anchor destinations to enable "hub and spoke" model	<ul> <li>MoPWT</li> </ul>	$\checkmark$	■ TP10
	INF.5	Prioritize financing to existing industrial zones (advancing to CIP cycle 1)	<ul> <li>CDR</li> <li>MoPWT</li> </ul>	$\checkmark$	■ IN01,02

## We considered 5 priority initiatives related to the Vision's main infrastructure requirements



		Objective	Initiative	Owner <sup>1</sup>
	Inf.1	Expand the airport capacity	The Beirut Rafic Hariri International Airport's visitors (inbound and outbound) has exceeded the airport capacity (8 million vs. 6 million). Moreover, the projected growth in the number of inbound tourists is expected to outpace the timeline set for the airport expansion. As such, the airport capacity expansion initiative within CIP should be prioritized and accelerated	<ul> <li>MoPWT</li> </ul>
	Inf.2	Implement Fiber strategy of MoT	Lebanon's fixed network speed of ~6 Mbps ranks the country 130th worldwide, behind Syria, Iraq & Pakistan. Telecommunications infrastructure being a key enabler for knowledge-intensive activities (one of the 6 priority sectors), should be prioritized, and the launch of Fibre network implementation should be expedited as part of CIP	<ul> <li>Ministry of Telecom</li> </ul>
Infrastructure	Inf.3	Reform national infrastructure (incl. power, logistics, utilities)	To enhance the country's competitiveness in industry (one of the six priority sectors) the launch of IPPs and other Power-related CIP projects should be prioritized and expedited	<ul> <li>MoPWT</li> </ul>
	Inf.4	Enhance access to/from anchor destinations to enable "hub and spoke" model	To facilitate the transport of tourists to/from and within anchor destinations (Beirut, Byblos, Tyre), the public transport project within CIP should be prioritized, expedited and extended to cover key tourism areas creating smooth routes with day-trip destinations	<ul> <li>MoPWT</li> </ul>
	Inf.5	Prioritize financing to existing industrial zones (advancing to CIP cycle 1)	<ul> <li>Currently, the two CIP projects related to industrial zones are allocated to Implementation Cycle 2:         <ul> <li>IN1: Infrastructure for 3 industrial cities, Alkaa, Baalbek, and Terbol – Phase 2</li> <li>IN2: Infrastructure for the Tripoli Special Economic Zone</li> </ul> </li> <li>Allocation of projects to cycle 2 was based on the assumption that short-term efforts can be covered by other sources (e.g. Mol / UNIDO zones to be financed by EIB, EBRD, and Government of Italy based on existing agreements at various levels of finalization). However, due to their importance in unlocking growth in the industrial sector, industrial zones should be given prioritized access to CIP funds in the event of any delays or shortages in other funding sources</li> </ul>	<ul> <li>CDR</li> <li>MoPWT</li> </ul>



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## Four broad categories of interventions can be leveraged to ensure fiscal 🐲 discipline

Categories	Levers	Description	Example initiatives	Targets
Revenue optimization	Tax revenue	<ul> <li>Design targeted initiatives to reduce the current gap in tax collection and enhance tax effort form 42% to ~60-70% of total taxation capacity</li> </ul>	<ul> <li>Enforce VAT</li> <li>Introduce tobacco tax</li> </ul>	Tax revenue, % GDP           20%           14%
ris Le	Non-tax revenue	<ul> <li>Leverage data analytics to assess leakages from non-tax revenues</li> </ul>	<ul> <li>Enforce real estate registration fees</li> </ul>	
Cost rational-	Salaries	<ul> <li>Stabilize and/or reduce Salaries &amp; wages to bring it in line with global benchmarks</li> </ul>	<ul> <li>Freeze hiring of public servants</li> </ul>	Government expenditures, % GDP
ization	Other OpEx	<ul> <li>Conduct analytical assessment of expenses to capture cost-cutting potential</li> </ul>	<ul> <li>Investigate rental costs</li> </ul>	27% 20%
	EdL pay.	<ul> <li>Reduce ~1-2 USD Bn of yearly transfers to close the electricity deficit</li> </ul>	<ul> <li>Revamp power sector to close deficit</li> </ul>	
Medium-term expenditure framework	같ㅁ미 밤뷔빎	<ul> <li>Enhance current MTEF, in line with best practice, with a planning horizon beyond current budget cycle, setting revenue and expenditure estimates</li> </ul>	<ul> <li>Revamp current MTEF by macro- fiscal department</li> </ul>	Forecast deviation from actuals, % N/A 10%
Fiscal rules	Ø	<ul> <li>Develop a set of enforceable rules to ensure fiscal discipline, mainly expenditures and public debt ceilings, at a granular level</li> </ul>	<ul> <li>Enforce ceiling on salaries expenditures by ministry</li> <li>Debt to GDP &lt; 120%</li> </ul>	Fiscal deficit, % GDP -3% -8%



### Contents – Public Finance



) Global trends

В

C) Fiscal consolidation case studies





### Public finance – opportunities & priorities

### A. Opportunities & priorities

Fiscal targets & rules

## A Going forward government has committed to conduct both fiscal consolidation programs, through increasing the primary surplus by ~5%, 1% a year, as well as structural reforms e.g. fiscal governance and public-sector restructuring

- The government aims at achieving an incremental primary surplus of 5% over 5 years, one percentage point a year, through revenue measures (e.g. improved collection & reduction of loopholes), as well as a reduction in spending (e.g. reduction in transfers to EDL through power sector strategy)
- The government will also implement a set of fiscal reforms, to strength the fiscal governance, modernize the land administration system, reform customs, digitize the government, modernize & restructure the public sector and enhance the procurement process

### Achieving the target fiscal surplus while launching the CIP program requires either a reduction in expenditures by ~17% or an entailed nominal GDP growth of ~29% in the first year of the program!

- Assuming no reduction in expenditures is to be achieved, GDP would be required to grow by 29% in the first year of the program
- Assuming a nominal GDP growth rate of ~11% p.a. during the 5 years of the CIP program, an initial reduction of 17% in expenditures would be required to achieve the targeted primary surplus

A3 Stabilising the debt to GDP ratio or putting it back on a downward trajectory, requires varying levels of primary surplus depending on the GDP growth achieved

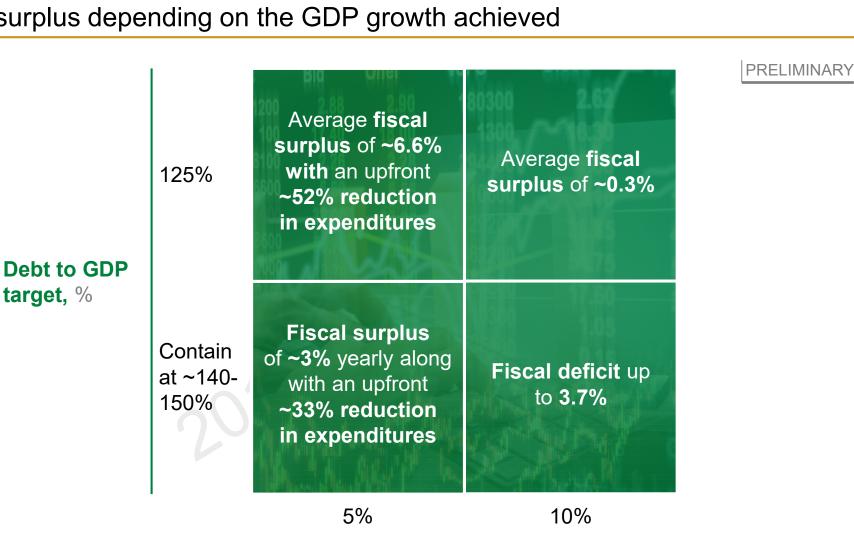
- If CIP manages to sustain a ~10% p.a. nominal GDP growth, then the government can operate at a ~3.7% primary
  deficit and maintain constant debt to GDP; reducing it to ~125% over 5 years requires the government to have a
  balanced primary budget
- However, if GDP growth remains at historical ~5% p.a., containing debt to GDP becomes more challenging: that would require a 3% yearly primary surplus with an upfront 33% reduction in current expenditures

A2 Achieving the target surplus with CIP requires either a reduction in expenditures by ~17% or a GDP growth of ~29% in the first year!



	How to get there?	PRELIMINARY
Fiscal targets	GDP growth rate	
<ul> <li>Fiscal primary surplus of 5% over 5 years, one percentage point a year</li> <li>Launch of the Capital</li> </ul>	<ul> <li>Assumes that no decrease in expenditures will occur</li> <li>GDP should grow by ~29% in the state of the state of</li></ul>	he first year
Investment Program (CIP)  Revenues as a % of GDP remains constant at historical ~20%  Putting debt to GDP on a	<ul> <li>Reduction in expenditures</li> <li>Assumes that nominal GDP gromaintains a ~11% p.a. value during years of the program</li> </ul>	
declining trajectory	<ul> <li>Government expenditures shound it is a shound it is a</li></ul>	

A3 Stabilising the debt to GDP ratio requires varying levels of primary surplus depending on the GDP growth achieved



GDP growth achieved, %



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Opportunities & priorities

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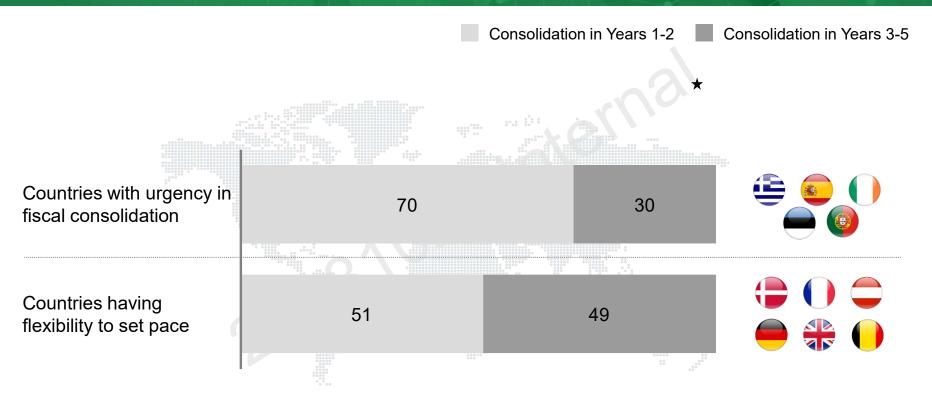


## B Four key global learnings regarding programs for fiscal consolidation and cost reduction emerge

#### Learnings Description Launch of staff reduction programs **Reduction of spending on** Reduction in the overall number of civil servants by non-replacement of 0 in public sector wages & some retirements and facilitated redundancies Cessation of the ' job for life' principle for civil setvants along with a salaries \_ harmonization of the status and employment conditions of civil servants across the ministries and standardization of working conditions A freeze on public sector salary increases Administration cost reduction plan for state-owned companies Reorganization and rationalization of central government administration: Review of governance & Reduction in the number of government agencies modernisation of public Mergers of government agencies and departments with responsibilities for sector the same areas of public policy (e.g. tax, social security, etc.) **Pooling of government departments (for HR and ministerial purchases)** with the creation of centralized or regional centers Launch of public sector digitalization projects through e-gov strategy (incl. e-ID, electronic billing by government departments, restructured websites, etc.) in a bid to reduce operational expenditures Introduction of culture Introduction of a culture built around performance and indicators via a series built around performance of strategic programs with reporting obligations from the different governmental and indicators agencies Performance and guality monitoring of government departments Submission of a performance plan from each public department Set up of new rules to index salaries against performance

B Experiences show that fiscal consolidations are typically front-loaded, front-loa

Front-loaded versus back-loaded consolidation<sup>1</sup>, % consolidation



1 Average consolidation in first 2 years and years 3-5 across countries in this category

B The following four learnings are to be taken into consideration when implementing fiscal consolidation plans

Learnings	Implications for fiscal consolidation program design and implementation
<ul> <li>Fiscal rules were implemented alongside fiscal reforms</li> </ul>	<ul> <li>Support fiscal reform with strong fiscal rules</li> <li>*</li> </ul>
Typically run by MOF with further empowerment	<ul> <li>Many benchmark countries had supplementary parliamentary, legal and constitutional measures to ensure that reform could be pushed through</li> <li>Senior MOF leader responsible for driving program (e.g., Principal secretary) on internal committee basis</li> </ul>
Build new unit for areas lacking to drive reform	<ul> <li>In some cases a dedicated unit is formed e.g., for privatization or for streamlining revenue collections</li> </ul>
Having fiscal data is critical to ensure implementation	Ministry needs to ensure that fiscal data and reporting systems allow to capture accurately budget execution

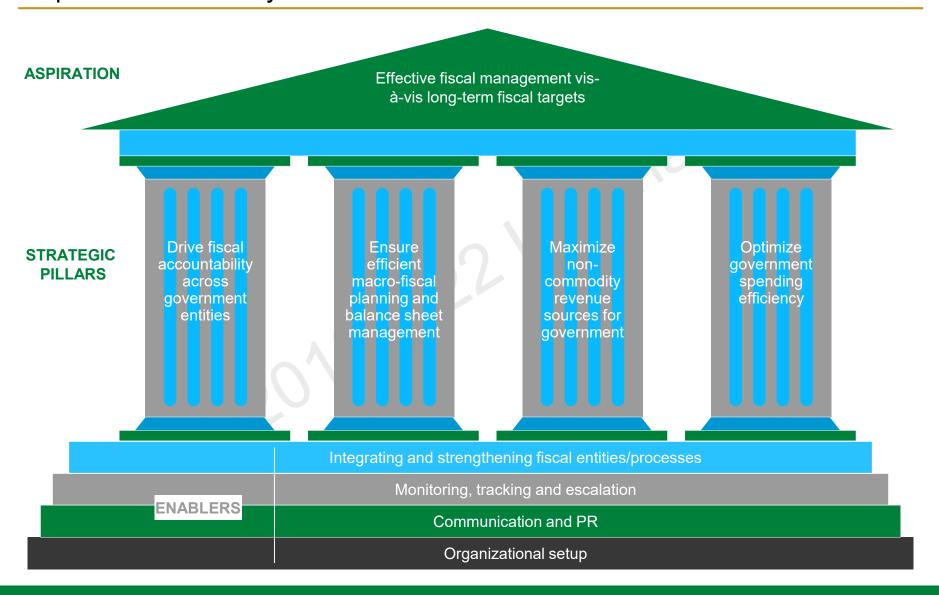


## Three different archetypes exist for fiscal consolidation

Option	Fiscal stimulus	Balanced fiscal consolidation	Aggressive fiscal consolidation
Description	Fiscal stimulus until economic growth accelerates	Gradual deficit reduction while sustaining minimum GDP growth ★ rate	Aggressive front loaded fiscal consolidation
Impact on GDP	GDP growth accelerates <sup>1</sup>	GDP growth to remain positive but low compared to historic	Likely to generate severe recession
When does it make sense?	Government facing risks or shocks to the economy and has buffers to provide fiscal stimulus	Government has buffers to go for gradual reductions and faces pressures/expectations to maintain welfare or economy growing	Government facing high risk of insolvency or default on its debt
Typical time- line to impact (years)	6+	5-6	<4
Examples post 2009 global crisis		🥐 🌑 🍊	0 💿 들

1 Not sustainable over long term and will lead to accumulation of unsustainable debt

B An effect fiscal consolidation strategy should rely on four strategic pillars and four key enablers





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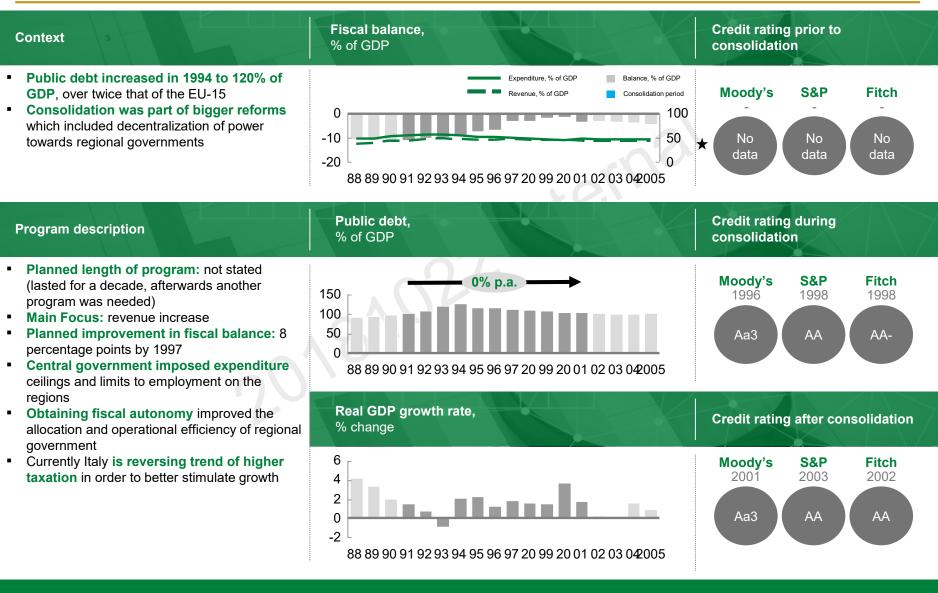
В

**C** Fiscal consolidation case studies

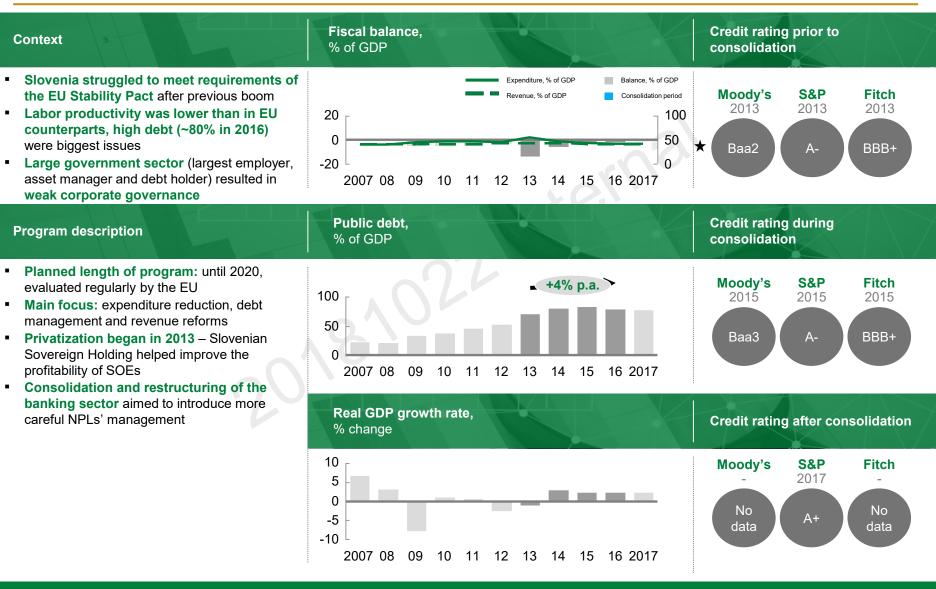


## Italy introduced tax hikes to reign in its deficits and debt levels

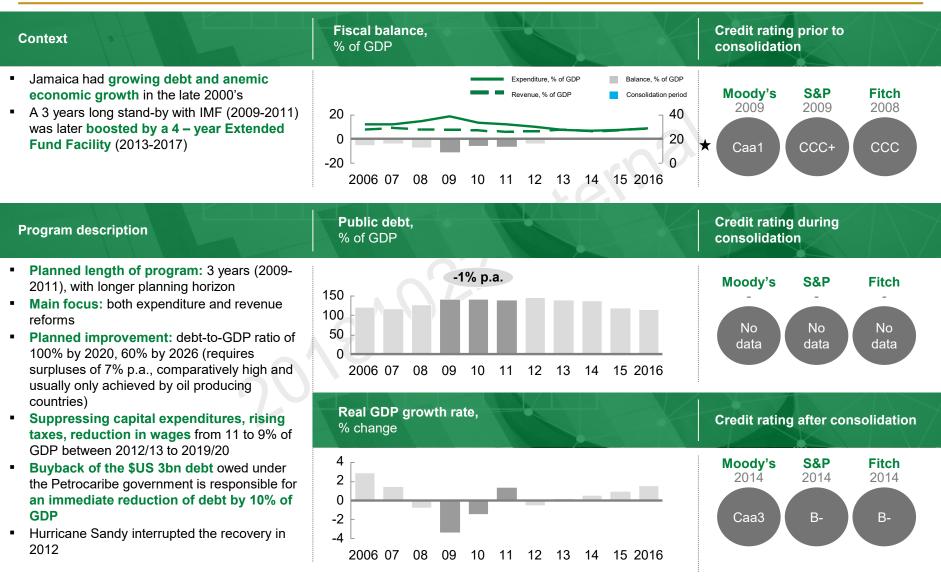




# C Slovenia's recovery was result of government expenditure reduction, prudent debt management, and revenue reforms



# C Long-term fiscal planning helped Jamaica stay on the right track after consolidation





## Fiscal policy – priority initiatives

		Objective	Owner <sup>1</sup>
	FIS.1	Set-up and activate expenditure ceilings	<ul> <li>Ministry of Finance</li> </ul>
Fiscal policy & public finance	FIS.2	Set-up medium term expenditure framework	<ul> <li>Ministry of Finance</li> </ul>
	FIS.3	Reduce government revenue leakages	<ul> <li>Ministry of Finance</li> </ul>
	FIS.4	Develop strategy for floating state-owned enterprises	<ul> <li>Ministry of Finance</li> </ul>
	FIS.5	Develop budget rationalization task force	<ul> <li>Ministry of Finance</li> </ul>

### We considered 5 priority initiatives related to the Vision's main fiscal policy requirements



		Objective	Initiative	Owner <sup>1</sup>
	Fis.1	Set-up and activate expenditure ceilings	<ul> <li>After passing the first formal budget in 2018, the government should set up a suitable structure to ensure that the different ministries abide by the defined budget, mainly through:</li> <li>Seting-up a spending monitoring framework and ceiling per Ministry and ensure all government entities abide by the budget constraints imposed</li> </ul>	<ul> <li>Ministry of Finance</li> </ul>
	Fis.2	Set-up medium term expenditure framework	<ul> <li>Lebanon has the third highest debt to GDP globally standing at ~150% of GDP. One of the pillars that countries with similar characteristics as Lebanan, that have managed to create sustainable economic growth, is to have fiscal discipline. As such the country should work towards putting debt level back on a downwards trajectory, mainly through:</li> <li>Developing &amp; publishing medium term expenditure framework with strategy to reduce debt levels and guide the annual government budgeting procedure</li> </ul>	<ul> <li>Ministry of Finance</li> </ul>
iscal policy public nance	Fis.3	Reduce government revenue leakages	<ul> <li>Today, leakage in government revenues is significant with an overall tax effort (tax collected divided by theoretical tax capacity) standing at 42% compared to a global average of 70%. The government should detail out initiatives with timeline &amp; owner, to formally reduce revenue leakages, gradually increasing the tax effort. As an example, sample initiatives include enforcing land border control, enforcing custom inspection and enforcing corporate and income tax reporting &amp; collection</li> </ul>	<ul> <li>Ministry of Finance</li> </ul>
	Fis.4	Develop strategy for floating state-owned enterprises	<ul> <li>Privatisation of state-owned entreprises stimulates the growth of capital markets while at the same time offering a diversified source of government funding. The government should develop a strategy for the privatisation of state-owned enterprises with a clear rationale on which assets to keep and which to float/privatise</li> </ul>	<ul> <li>Ministry of Finance</li> </ul>
	Fis.5	Develop budget rationalization task force	<ul> <li>In order to contain the increase in government spending, a task force enforcing spending limits for operating expenditures based on benchmarks and analysis (e.g. water &amp; electricity tariffs) could be set-up</li> </ul>	<ul> <li>Ministry of Finance</li> </ul>

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.



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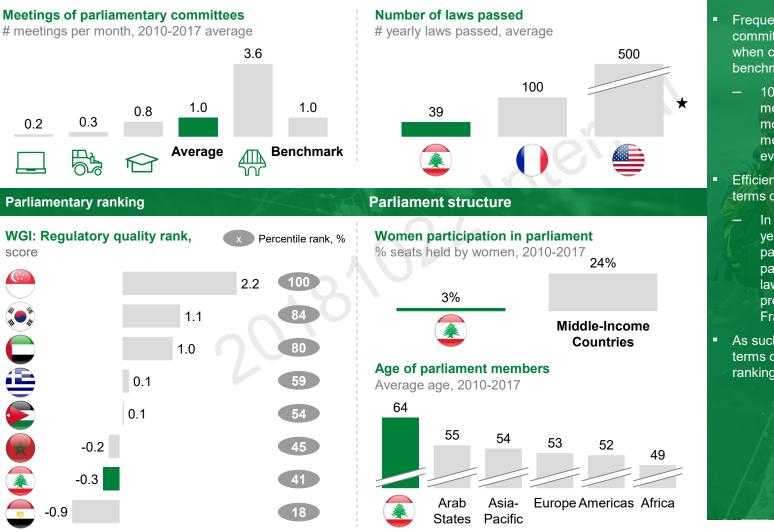
The legislative requirements have been assessed up to May 2018. Laws have been and continue to be passed beyond that date, necessitating a continuous updating and refresh of the legislative requirements and gap areas.

## Lebanon's parliament lacks in terms of efficiency when compared to regional and global benchmarks



#### Key highlights

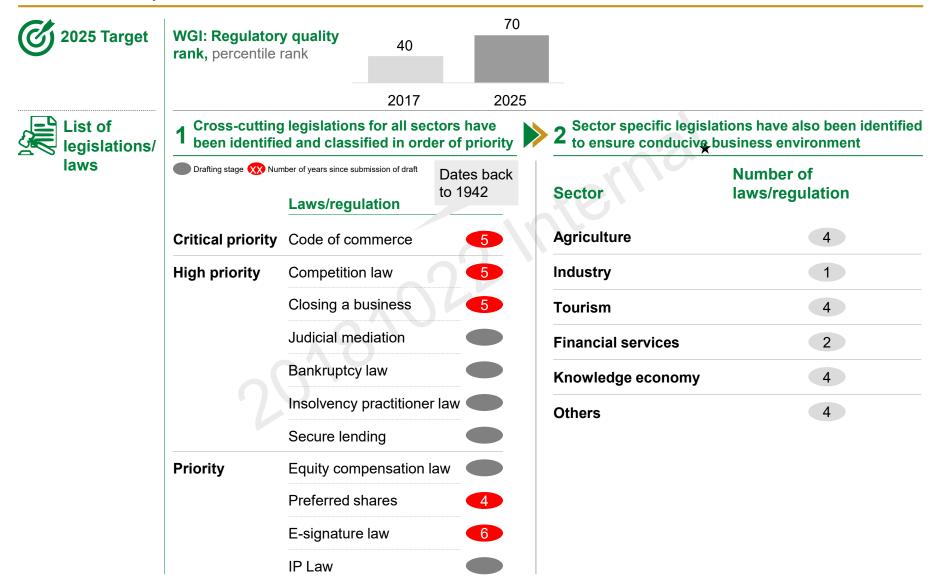
- Frequency of parliamentary committees meetings is low when compared to benchmarks
  - 10 out of 16 committees meets less than once a month with 7 committees meeting less than once every two month
- Efficiency of parliament in terms of passing laws
  - In the 2009-2017 period (9 years), 352 laws were passed by the Lebanese parliament vs. ~400-500 laws during the 5-year presidential terms in France
- As such, Lebanon ranks low in terms of regulatory quality, ranking in the 40% percentile



Source: WGI World Bank, Niyabatan Aani, Press Search, Parliementary Websites

**Parliament efficiency** 

## In order to ensure a conducive business environment, several legislation



## 1 General laws required for a conducive business environment

æ

Years in current stage

Law	Current stage of law	Description
G1. IP law	Not drafted	<ul> <li>Allows companies to register and own proprietary ideas and inventions</li> </ul>
G2. Equity compensation		<ul> <li>Allows companies to grant stock options to employees</li> </ul>
G3. Competition law 5	Being drafted	<ul> <li>Regulates anti-competitive practices (e.g., monopoly, collusion, exclusive dealing, misuse of patent, etc.)</li> </ul>
G4. Closing a business 5		<ul> <li>Facilitates the process of closing a business (reduction of time and cost)</li> </ul>
G5. Judicial mediation		<ul> <li>Speeds up court matters by allowing judges to send the proceeding directly to mediation</li> </ul>
G6. Bankruptcy law		<ul> <li>Allows companies in distress to re-structure their debt</li> </ul>
G7. Insolvency practitioner law	Being reviewed by relevant	<ul> <li>Introduces right to license an insolvency practitioner to provide advise to business in distress</li> </ul>
G8. E-signature law 6	Parliament Committee	<ul> <li>Grants legal recognition to e-signatures</li> </ul>
G9. Code of commerce 5		<ul> <li>Modernizes the code of commerce for SAL, SARL and solo partnerships. Amendments include: Online creation of a company, soul partnership, suppressing minimum capital requirements</li> </ul>
G10. Secure lending		<ul> <li>Facilitates access to capital through allowing loans on movable assets</li> </ul>
G11. Preferred shares	Pending Parliament approval	<ul> <li>Allows non-financial companies to issue preferred shares</li> </ul>

#### In addition, sectors need to be enabled through 2 specific laws and regulations (1/4)

Amend/endorse	

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More research

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Initiative number in the sector

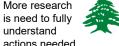
Sector	Objective	Law/regulation	Action required	Description	deep-dives
	Stimulate investments in the tourism sector	<ul> <li>Law 360</li> </ul>		<ul> <li>Review incentive programs in the anchor destinations to attract investments</li> <li>Develop special incentive programs for eco- tourism to attract investments</li> <li>Activate IDAL's one-stop shop to ensure an easy process for obtaining licenses and permits</li> </ul>	• Leg.2.3
Tourism	Extend gaming license	<ul> <li>Decree 6005</li> </ul>	ß	<ul> <li>Endorse decree 6005 which allows the extension of casino du Liban beyond the current facility in Maamelten</li> <li>Amend regulations (if needed) to allow hotels and other facilities to obtain gaming licenses and build the Greater Beirut area as a gaming and entertainment hub</li> </ul>	• Leg.2.1
	Enhance protection of the environment -1-	<ul> <li>Solid waste management law</li> </ul>		<ul> <li>Approve solid waste management (SWM) draft law (sitting in the parliament since 2012) that sets up a SWM board, bans open dumping and burning of waste, and sets penalties for violations.</li> <li>Introduce and enforce regulations for littering in anchor destinations through the deployment of police force to monitor transgressions</li> </ul>	• Leg.2.2
	Enhance protection of the environment -2-	<ul> <li>Waste water management law</li> </ul>	[> J	<ul> <li>Update and enforce laws covering wastewater disposal, solid waste discharge, industrial wastewater discharge, and other water pollutants and ensure they are compliant with international standards</li> </ul>	• Leg.2.2
Industry	Amend role of private sector in industrial parks / zones	<ul> <li>Ministerial Decree 1660</li> </ul>	ß	<ul> <li>Amend decree to allow formation of empowered "local committees" to oversee each industrial zone</li> </ul>	<ul> <li>Leg.2.15</li> </ul>
Retail	Encourage export of Lebanese brand names	Franchise Law		<ul> <li>Allow the establishment of a legal and commercial relationship between the owner of an "exclusive name"<sup>1</sup> and someone who seeks to use that identification in a business</li> </ul>	• Leg.2.14

1 Trademark, service mark, trade name, or advertising symbol

## 2 In addition, sectors need to be enabled through specific laws and regulations (2/4)

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actions needed

Sector	Objective	Law/regulation	Action required	Description	Initiative number in the sector deep-dives
Health care	Incentivize hospitals to specialize	<ul> <li>Tariffs on hospitals</li> </ul>	ß	<ul> <li>Change current regulations on tariffs to incentivize hospitals to specialize instead of build new departments</li> </ul>	<ul> <li>Leg.2.4</li> </ul>
	Limit NSSF spend on drugs with available substitutes	<ul> <li>Pharmaceutical prescription regulatory framework</li> </ul>	Ē	<ul> <li>Introduce/Enhance drug prescription regulations to reduce spend on patented drugs through creating transparency on availability of generic/cheaper alternatives</li> </ul>	<ul> <li>Leg.2.16</li> </ul>
Agri- culture	Protect groundwater resource	<ul> <li>Water Law 221/2000</li> </ul>		<ul> <li>Review and enforce regulatory framework for irrigation systems, including water rights (e.g. private extraction of groundwater reserves / consumption of surface water)</li> <li>Review and enforce governance model established in Water Law 221, including role of Regional Water Establishments</li> </ul>	• Leg.2.11
	Increase transparency on food wholesale markets and distributions		8	<ul> <li>Assess opportunity to increase and enforce price transparency &amp; fair pricing methods among wholesale food retailers and distributors</li> </ul>	<ul> <li>Leg.2.12</li> </ul>
	Regulate production and consumption of cannabis	<ul> <li>Regulatory framework for cannabis</li> </ul>	( <del>+</del> )	<ul> <li>Develop a comprehensive regulatory framework for cannabis, covering the licensing &amp; controls of production, processing, exports, local sales, consumption, etc., as well as governance and institutional mechanisms to implement</li> </ul>	<ul> <li>Leg.2.10</li> </ul>
	Re-direct tobacco subsidies towards more productive areas	<ul> <li>Tobacco Law</li> </ul>	ß	<ul> <li>Amend tobacco law to introduce a new (opt- in) alternative subsidy program, which may require new / separate governance structure (note: alternatively, changes could occur through new law)</li> </ul>	• Leg.2.13

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Sector	Objective	Law/regulation	Action required	Description	deep-dives
Out- sourcing	Support the secure outsourcing of data to Lebanon	<ul> <li>Data protection &amp; privacy Law</li> </ul>	<i>[</i> 3	<ul> <li>Modernize the data protection law to make at par with best-practice (e.g. UK Data protection act 1998 DPA and France Law No. 2004-8021)</li> </ul>	• Leg.2.5
Tech-	Support the development of E-Commerce	Ecommerce Law	(†	<ul> <li>Facilitate electronic transactions and personal information data transfers</li> <li>Law is drafted and currently in parliament</li> </ul>	• Leg.2.5
nology	Provide incentives for Knowledge firms	<ul> <li>Regulatory framework for virtual hub licencing</li> </ul>	Ē	<ul> <li>Develop licensing requirements as well as incentive packages for "Knowledge- intensive" export-driven companies</li> </ul>	• Leg.2.5
Financial	Enable capital markets	<ul> <li>Capital market authority set-up law</li> </ul>	Ŧ	<ul> <li>Establish a sanctioning committee and a financial markets tribunal</li> </ul>	• Leg.2.9
Financial services	Enable growth of funds	<ul> <li>Private Equity fund law</li> </ul>	Ŧ	<ul> <li>Allow the establishment of commercial entities best suited for firms offering PE &amp; VC avenues (e.g. partner &amp; limited partner structure)</li> </ul>	• Leg.2.7

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on, sectors need to be	0	ß	Amend/endorse	understand actions needed
aws and regulations (	4/4)	1	Enforce	

Sector	Objective	Law/regulation	Action required	Description	Initiative number in the sector deep-dives
Creative industrie s	Amend Labour law for Creative Industries	<ul> <li>Labor law for creative industries</li> </ul>	ß	<ul> <li>Introduce amendments to the labour law through organizing dialogues with stakeholders to identify main reforms needed to address precarity of jobs in CC industries</li> </ul>	<ul> <li>Leg.2.6</li> </ul>
Other	Increase labor force participation and employment of women	• N/A	25	<ul> <li>Introduce amendments to the relevant legislation in order to enhance women participation in the labour force</li> </ul>	• Leg.2.17

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### Legislative agenda – priority initiatives (1/2)

•	<u> </u>	•		
			Objective	Owner <sup>1</sup>
		LEG.1.1	Enhance ease of doing business	<ul> <li>Parliament</li> </ul>
Legislative agenda	00	LEG.2.1	Amend the regulatory framework to extend gaming licenses beyond Casino du Liban	<ul> <li>Parliament</li> </ul>
		LEG.2.2	Introduce, update, enforce laws to ensure environment standards are met as per international standards	<ul> <li>Parliament</li> </ul>
		LEG.2.3	Stimulate investments in the tourism sector (Law 360)	<ul> <li>Parliament</li> </ul>
		LEG.2.4	Incentivize the specialization of hospitals	<ul> <li>Parliament</li> </ul>
		LEG.2.5	Revise regulatory environment for Knowledge Economy activities	<ul> <li>Parliament</li> </ul>
		LEG.2.6	Amend Labor law for part timers including in Creative Industries	<ul> <li>Parliament</li> </ul>
		LEG.2.7	Revamp legislative environment for fund & asset management	<ul> <li>Parliament</li> </ul>
		LEG.2.8	Revamp legislative environment for digital banking & fintech	<ul> <li>Parliament</li> </ul>
		LEG.2.9	Complete set-up of capital markets authority	<ul> <li>Parliament</li> </ul>



## Legislative agenda – priority initiatives (2/2)

	-	_		
			Objective	Owner <sup>1</sup>
Legislative		LEG.2.10	Initiate the development of a cannabis regulatory framework (if aligned with national policy)	<ul> <li>Parliament</li> </ul>
agenda	0	LEG.2.11	Protect groundwater resource (Water Law 221/2000)	<ul> <li>Parliament</li> </ul>
		LEG.2.12	Increase transparency on food wholesale markets and distributions $\star$	<ul> <li>Parliament</li> </ul>
		LEG.2.13	Re-direct tobacco subsidies towards more productive areas	<ul> <li>Parliament</li> </ul>
		LEG.2.14	Encourage export of Lebanese brand names (Franchise law)	<ul> <li>Parliament</li> </ul>
		LEG.2.15	Resolve regulatory obstacles of industrial parks (e.g. amending Ministerial Decree 1660)	<ul> <li>Parliament</li> </ul>
		LEG.2.16	Develop a Pharmaceutical prescription regulatory framework	<ul> <li>Parliament</li> </ul>
		LEG.2.17	Increase labor force participation and employment of women to further ignite the economic growth	<ul> <li>Parliament</li> </ul>
				1

## We considered 18 priority initiatives related to the country's legislative agenda (1/6)

	Objective	Initiative	Owner <sup>1</sup>
Leg.1.1	Enhance ease of doing business	<ul> <li>Doing business in Lebanon has been increasingly difficult in recent years. Lebanon has regressed in global ranks from 104 in 2012 to 133 in 2018. The government has identified a set of laws to enhance the business environment. However, 11 are still to be passed. The government should prioritize fully passing all 11 laws &amp; regulations to enhance the overall ease of doing business environment.</li> </ul>	<ul> <li>Parliament</li> </ul>
Leg.2.1	Amend the regulatory framework to extend gaming licenses beyond Casino du Liban	<ul> <li>As part of developping the Greater Beirut area as an anchor destination, globally renowned for city breaks, with world-class gaming and entertainment offerings, the gaming industry should be developped beyond the Casino du Liban. As such, the government could:</li> <li>Endorse decree 6005 which allows the extension of Casino du Liban beyond the current facility in Maamelten</li> <li>Amend regulations (if needed) to allow hotels and other facilities to obtain gaming licenses</li> </ul>	Parliament
Leg.2.2	Introduce, update, enforce laws to ensure environment standards are met as per international standards	<ul> <li>To enhance the attaractiveness and appeal of anchor destinations, espacially for the sun &amp; beach offering, the government should improve environment protection procedures &amp; standards, through for example:</li> <li>Approving the solid waste management (SWM) draft law (sitting in the parliament since 2012) that sets up a SWM board, bans open dumping and burning of waste, while setting penalties for violations</li> <li>Introducing and enforcing regulations for littering in anchor destinations through the deployment of police force to monitor transgressions</li> <li>Updating and enforcing laws covering wastewater disposal, solid waste discharge, industrial wastewater discharge, and other water pollutants and ensure they are compliant with international standards</li> </ul>	Parliament
Leg.2.3	Stimulate investments in the tourism sector (Law 360)	<ul> <li>In order to incentivize the construction of hotels in anchor destinations to cater for the prospective increase in the number of tourists, the government should review incentive programs to attract hotel investments, mainly through:</li> <li>Developing special incentive programs &amp; packages tailored towards ecotourism offerings to attract investments in the field</li> <li>Activate IDAL's one-stop shop to ensure an easy process for obtaining licenses and permits</li> </ul>	<ul> <li>Parliament</li> </ul>

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

Legislative agenda

## We considered 18 priority initiatives related to the country's legislative agenda (2/6)

	Objective	Initiative	Owner <sup>1</sup>
Leg.2.4	Incentivize the specialization of hospitals	<ul> <li>Establishing a medical tourism hub requires the specialization of hospital. This could be achieved for example through:</li> <li>Changing the current regulations on tariffs that today incentivize hospitals to build new departments instead of specializing</li> </ul>	<ul> <li>Parliament</li> </ul>
Leg.2.5	Revise regulatory environment for Knowledge Economy activities	<ul> <li>Today, the lack of several enablers inhibits the growth of Knowledge-intensive activities: mainly the lack of best-in-class IP law and the process for setting up a business especially for smaller companies and startups. As such the regulatory environment should be reviewed and brough up to "best-in-class" standards &amp; global benchmarks. Key requirements include:</li> <li>Introducing a start-up friendly legal structure as per international standards (e.g. allowing stock options plans, reduce company incorporation set-up fees, revise regulation on voting, non-voting and preferred shares, revising the legal status for startups)</li> <li>Ensuring best-practice data protection law is in place (specifically for the outsourcing industry)</li> <li>Ensuring best in class IP protection &amp; secured transactions laws are in place</li> <li>Ensuring e-commerce law is in place (specifically for the technology industry)</li> </ul>	Parliament
Leg.2.6	Amend Labor law for part timers including in Creative Industries	<ul> <li>In order to address precarity of jobs in creative &amp; cultural industries, the government could introduce specific amendments to the labor law through organizing dialogues with key stakeholders in the field</li> </ul>	<ul> <li>Parliament</li> </ul>
Leg.2.7	Revamp legislative environment for fund & asset management	In order to ignite the growth of Private Equity & fund management activity (as part of increasing the penetration of non-banking financial services) the government should allow the establishment of commercial entities best suited for firms offering PE & VC avenues (e.g. partner & limited partner structure) mainly through: Passing the private equity investment law	<ul> <li>Parliament</li> </ul>

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

Legislative agenda (Cont'd)

#### We considered 18 priority initiatives related to the country's legislative NON-EXHAU agenda (3/6)

		Objective	Initiative	Owner <sup>1</sup>
	Leg.2.8	Revamp legislative environment for digital banking & fintech	<ul> <li>The financial sector witnesses a low digital banking penetration with 27% of adults having made a digital transaction vs. 60% benchmarks. Moreover, as part of the sector strategy, a center of excellence in Fintech should be set-up, capitalizing on the available talent, and Lebanon's prospective positioning as a technology hub. In order to support both aspects, the government should provide the required enabling regulatory and legal environment allowing for automation &amp; digitization through for example:</li> <li>Developing a sandbox for banks to experiment with limited risk under the purview of the regulator (Bahrain is a best-in-class case example on that front)</li> <li>Passing the e-signature law</li> </ul>	<ul> <li>Parliament</li> <li>BDL</li> </ul>
Legislative agenda (Cont'd)	Leg.2.9	Complete set-up of capital markets authority	Capital markets penetration is significantly lower than regional and global benchmarks (24% of GDP vs. 60% for regional benchmarks) There is a need to ignite the growth of capital markets; the Capital Markets Authority (CMA) being a key stakeholder, the government should complete the governance of the CMA through: • Establishing a Sanctioning committee • Establishing a capital markets court	Parliament

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

#### We considered 18 priority initiatives related to the country's legislative NON-EXHAU agenda (4/6)

0	<b>\</b>	Objective	Initiativa	Owner <sup>1</sup>
		Objective	Initiative	Owner
Legislative agenda (Cont'd)	Leg.2.10	Initiate the development of a cannabis regulatory framework (if aligned with national policy)	<ul> <li>A key prerequisite to the development of a formal cannabis-based medical products industry is the development of a comprehensive regulatory framework which must cover many elements related cannabis, including but not limited to:</li> <li>Production: Growth of cannabis for medical products to be licensed, and subject to restrictions related to area of cultivation, quality standards, etc. License restrictions should be considered along a number of dimensions, including total cultivation area, number of players, volume of production, etc.</li> <li>Processing: Producers of medical products to be separately licensed and governed, with close controls on supply chain (e.g. sourcing of raw materials, destination markets, etc.)</li> <li>Licenses to specify the types of products permitted (e.g. oils, cannabinoids, etc.), but also allow for, and incentivize, product innovations (e.g. alternate delivery channels, combinations with food products, etc.) which will be an important driver of competitiveness in the global market</li> <li>Quality assurance: To enable exports, strict quality assurance efforts are needed, which may need to be separated from the other food-related quality assurance efforts</li> <li>Financing: Cannabis sector players may require dedicated financing schemes, as traditional providers of funding may be limited by legal / international restrictions</li> <li>Export infrastructure: Dedicated facilities (e.g. at the Port of Beirut) may be needed for inspection and processing of cannabis-based products</li> <li>Enforcement: Strict and effective controls will be needed to ensure that cultivation of cannabis occurs in line with the regulatory framework</li> <li>Taxation: Special taxation rules may be applied for cannabis growers and medical product producers, which may be used to fund the operationalization and enforcement of the cannabis regulatory framework</li> <li>Design of the regulatory framework for cannabis should be informed by similar recent efforts in Uruguay, Netherlands, Australia, Canad</li></ul>	Parliament

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

## We considered 18 priority initiatives related to the country's legislative agenda (5/6)



	Objective	Initiative	Owner <sup>1</sup>
Leg.2.11	Protect groundwater resource (Water Law 221/2000)	<ul> <li>Given Lebanon's water stress levels and concerns about the long-term sustainability of agriculture in the face of increasing demand for water, and in order to sustain Lebanon's regional comparative advantage in water, the government should workd on several legislative changes related to water management and conservation, including:</li> <li>Reviewing and enforcing regulatory framework for irrigation systems, including water rights (e.g. private extraction of groundwater reserves / consumption of surface water)</li> <li>Reviewing and enforcing the governance model established in Water Law 221, including role of Regional Water Establishments</li> </ul>	<ul> <li>Parliament</li> </ul>
Leg.2.12	Increase transparency on food wholesale markets and distributions	<ul> <li>Lebanon's fragmented agricultural holdings (average holding size is 1.4 hectares per holding) and poor organization of farmers into cooperatives (according to MoA) has created market dynamics favouring wholesale markets and distributors over farmers. Market dynamics could be improved through:</li> <li>Assessing the opportunity to increase and enforce price transparency &amp; fair pricing methods among wholesale agriculutural food retailers and distributors</li> </ul>	<ul> <li>Parliament</li> </ul>
Leg.2.13	Re-direct tobacco subsidies towards more productive areas	<ul> <li>The tobacco subsidy program is costing the government ~40m USD per year with no significant economic contribution: Tobacco is a low-value crop, and market prices are lower than cost of its cultivation. At the same time, 45,000 people in rural areas depend (partially or fully) on tobacco cultivation for their livelihood. The government should ratify the legislation related to providing alternative options through:</li> <li>Amending the tobacco law to introduce a new (opt-in) alternative subsidy program, which may require new / separate governance structure (note: alternatively, changes could occur through new law)</li> </ul>	<ul> <li>Parliament</li> </ul>
Leg.2.14	Encourage export of Lebanese brand names (Franchise law)	<ul> <li>The government should pass the Franchise Law, allowing the establishment of a legal and commercial relationship between Franchisors and Franchisees</li> </ul>	<ul> <li>Parliament</li> </ul>

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

Legislative agenda (Conťd)

### We considered 18 priority initiatives related to the country's legislative agenda (6/6)



NON-EXHAL

		Objective	Initiative	Owner <sup>1</sup>
	Leg.2.15	Resolve regulatory obstacles of industrial parks (e.g. amending Ministerial Decree 1660)	<ul> <li>Ministerial Decree 1660/ 1979 regulates the governance of industrial parks – including the mandate and authority of a private developer or operator. However, this decree requires certain amendments to empower private developers / operators to have a more significant role (under the supervision of the Ministry of Industry)</li> <li>Such an amendment is especially important to allow the creation of "one-stop-shop" coordination services, among others</li> </ul>	<ul> <li>Parliament</li> </ul>
	Leg.2.16	Develop a Pharmaceutical prescription regulatory framework	<ul> <li>One of the drivers behind NSSF's health insurance deficit is the expenditures on patented drugs instead of generic ones.</li> <li>Drug prescription regulations should be introduced/enhanced to reduce spend on patented drugs through creating transparency on availability of generic/cheaper alternatives</li> </ul>	<ul> <li>Parliament</li> </ul>
Legislative agenda (Cont'd)	Leg.2.17	Increase labor force participation and employment of women to further ignite the economic growth	<ul> <li>In 2009, labor force participation rate stood at ~49%, mainly driven by a low participation rate of women standing at 26%. Tapping into the inactive labor force can further drive economic growth. As such, the government should develop the required legislation supporting the entering of women into the labor force through: <ul> <li>Conducting roundtable discussions with associations and representatives to understand the short-comings of the current regulatory framework as well as other factors affecting the participation of women in the labor force</li> <li>Short-listing ~5 initiatives to be launched to tackle the low labor force participation problem (e.g. Requiring part-time job employers to provide social security as well as benefits)</li> <li>Developing and passing the required legislation in parliament</li> </ul> </li> </ul>	<ul> <li>Parliament</li> </ul>

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.



#### I. EXECUTIVE SUMMARY

#### II. INTRODUCTION AND METHODOLOGY

- A. Methodological approach to the study
- B. Stakeholder engagement and syndication process
- C. Reviewed documentation

#### **III. CONTEXT AND DIAGNOSTIC**

- A. Chapter summary
- B. Economic perspective
  - 1. Macro-economic evolution
  - 2. Trade profile (exports & imports)
- C. Sector diagnostics
  - 1. Natural resources (oil & gas)
  - 2. Agriculture
  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
  - 1. Public finance
  - 2. Ease of doing business
  - 3. Monetary policy
  - 4. Economic development activation
  - 5. Trade & international agreements

## IV. THE VISION: LEBANON'S ECONOMIC ASPIRATIONS

- A. Chapter summary
- B. Burning platform
- C. Lebanon's growth imperatives
- D. Economic aspirations and macroeconomic targets
- E. Sector prioritization mechanism and rationale

#### V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

- A. Chapter summary
- B. Sector deep-dives
  - 1. Agriculture
  - 2. Industry
  - 3. Tourism
  - 4. Knowledge economy
  - 5. Financial services
  - 6. Diaspora

#### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

- A. Chapter summary
- B. Public administration reform requirements
- C. Infrastructure including CIP initiatives
- D. Public finance requirements
- E. Main legislative requirements
- F. Country branding & export promotion

## VII. INSTITUTIONALIZATION MECHANISMS

- A. Chapter summary
- B. Governance set-up: orchestration and delivery
- C. Path forward

#### VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters



### Several entities currently play a role in export promotion



0%



MoET conducts trade analysis on global trade data to understand agricultural products imports globally and develops preliminary recommendation on profitable crops

MoA / MoI build on the MoET analysis to develop sector strategies prioritizing 5-10 products / crops for export IDAL incentivizes foreign investments directed towards producing the prioritized products / crops stemming from the MoA/MoI sector strategy

BdL & Kafalat incentivizes financing to domestic manufacturers / farmers producing the prioritized products / crops

MoFA promotes Lebanese goods and services abroad through network of trade diplomats, ambassadors and consuls as well as diaspora

> MoFA assesses the requirements of the different markets, and matches to country produce in collaboration with MoI and MoA

MoET reviews current trade agreements to ensure they cover the prioritized crops and develop new ones if required

## Export promotion will require close collaboration across all relevant entities for optimal impact 2/2

PRELIMINARY

R = Responsible, A = Approver, S = Support, C = Consulted, I = Informed

				es	
Processes	MoA/Mol	IDAL	BdL/Kafalat	MoET	MoFA
Develop & continuously update the relevant sector strategy to determine the prioritized exportable products	R/A		*	С	С
<b>Conduct global trade analysis</b> to understand trends in product imports globally	Α	×e		R	S
<b>Incentivize FDI into</b> the production of <b>prioritized products</b> (Develop packages)	A	R			S
Incentivize access to finance of producers of the prioritized products (Develop packages)	Α		R		S
Revise the current trade agreements	С			R/A	С
<b>Develop new trade agreements</b> to cater for the strategies developed by the relevant ministries	С			R/A	С
<b>Develop &amp; revise the network of trade diplomats</b> to cater for the strategies developed by the relevant ministries	С			С	R/A
<b>Promote Lebanese goods &amp; services abroad</b> through network of trade diplomats, ambassadors, consuls and diaspora	C			С	R
Leverage trade diplomats to assess the product requirements in target countries and revise offering	Α			S/C	R



### Export promotion & country branding – priority initiatives

		Objective	Owner <sup>1</sup>
A Export promotion	EXP.A.1	Centralize & consolidate export-support activities (e.g. within IDAL or new entity)	<ul> <li>Office of PCM</li> </ul>
	EXP.A.2	Expand export promotion	• TBD
B Country branding	EXP.B.1	Establish the country brand and manage the perceived instability in the country	<ul> <li>MoFA</li> </ul>

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

## We considered 3 priority initiatives to enhance Lebanon's country branding and export promotion (1/2)



		Objective	Initiative	Owner <sup>1</sup>
A Export promotion	Exp.A.1	Centralize & consolidate export-support activities (e.g. within IDAL or new entity)	<ul> <li>The export promotion ecosystem is fragmented with no clear roles and responsibilities (as well as overall) for each of the different entities envolved (MoFA, MoET, IDAL). The government should as such clarify roles of all stakeholders with respect to export promotion:</li> <li>MoA / Mol: Develop strategies for Agricuture / Industry sectors, prioritizing key subsectors and crops with high potential for growth given comparative advantages and strategic focus</li> <li>Council of Ministers: Set policy guidelines for collaborative requirements with selected countries</li> <li>MoET: Ratify bilateral and multilateral trade agreements in line with Council of Ministers policy guidelines, optimizing for MoA / Mol sector strategies</li> <li>IDAL: Attract foreign investors for selected focus areas following MoA / Mol strategies. Investments to take into consideration export potential following existing bilateral / multilateral agreements</li> <li>MoFA: Promote Lebanese goods and services abroad through network of trade diplomats, embassadors and consuls. Assess requirements of the different markets, and match to country produce in collaboration with Mol and MoA. MoFA to leverage diaspora in access to markets</li> </ul>	Office of PCM
	Exp.A.2	Expand export promotion	<ul> <li>Following the emphasis on export-driven productive sectors, a large share of growth in the agriculture and industry sectors will need to be export-driven, which requires strengthening export promotion activities, including:</li> <li>Participation in international fairs</li> <li>Marketing and promotion of Lebanon's brand as a producer of high-quality industrial and agricultural products</li> <li>Proactively identifying market opportunities (e.g. based on analysis of import and consumption trends)</li> <li>Engaging with embassies and diaspora in a systematic, organized, and proactive manner</li> <li>Note: export development activities are covered separately</li> <li>Note: export promotion activities, which are currently performed by IDAL and multiple ministries, should be better organized to avoid duplication of efforts.</li> <li>Note: trade policy – including the establishment of new trade agreements – should be closely informed by export promotion activities, including the identification of market opportunities</li> </ul>	• TBD

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.

## We considered 3 priority initiatives to enhance Lebanon's country branding and export promotion (2/2)



	Objective	Initiative	Owner <sup>1</sup>
B Country branding	8.1 Establish the country brand and manage the perceived instability in the country	<ul> <li>The government should pro-actively manage the country's perception in the eyes of global media outlets as well as other governments through for example:</li> <li>Collaborating with interior state departments of target source countries (for both tourism and financial services) to tailor their warning messages associated with visits to Lebanon</li> <li>Establishing the "Lebanon brand" in harmony with Vision objectives and priority sectors, enhancing Lebanon's image internationally</li> <li>Signing MoUs with regulators and key financial sector custodians in key markets that are relevant for the vision and the sector plays (especially the financial hub play)</li> </ul>	• MoFA

1 Suggested owner. Most initiatives will require close collaboration with other public and private entities.



#### I. EXECUTIVE SUMMARY

#### II. INTRODUCTION AND METHODOLOGY

- A. Methodological approach to the study
- B. Stakeholder engagement and syndication process
- C. Reviewed documentation

#### **III. CONTEXT AND DIAGNOSTIC**

- A. Chapter summary
- B. Economic perspective
  - 1. Macro-economic evolution
  - 2. Trade profile (exports & imports)
- C. Sector diagnostics
  - 1. Natural resources (oil & gas)
  - 2. Agriculture
  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
  - 1. Public finance
  - 2. Ease of doing business
  - 3. Monetary policy
  - 4. Economic development activation
  - 5. Trade & international agreements

#### IV. THE VISION: LEBANON'S ECONOMIC ASPIRATIONS

- A. Chapter summary
- B. Burning platform
- C. Lebanon's growth imperatives
- D. Economic aspirations and macroeconomic targets
- E. Sector prioritization mechanism and rationale

#### V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

- A. Chapter summary
- B. Sector deep-dives
  - 1. Agriculture
  - 2. Industry
  - 3. Tourism
  - 4. Knowledge economy
  - 5. Financial services
  - 6. Diaspora

#### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

- A. Chapter summary
- B. Public administration reform requirements
- C. Infrastructure including CIP initiatives
- D. Public finance requirements
- E. Main legislative requirements
- F. Country branding & export promotion

#### VII. INSTITUTIONALIZATION MECHANISMS

- A. Chapter summary
- B. Governance set-up: orchestration and delivery
- C. Path forward

#### VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters

Governments have set up performance management & delivery units to **Related to a content** act as "third line of defence"

Historical structure Recent trend

#### Public sector performance management's three lines of defence

Parliament



Examine and challenge the work of the government

**Ministry PMO** 



Follow up on Independent project management function within each ministry Performance management & delivery unit

> Provide support & conduct performance management on cross-cutting government delivery programs

Establishing a performance management and delivery unit (PMDU) in Lebanon should follow a set of principles



WORK IN HARMONY	The follow-up structure should ensure <b>coordination</b> between and within the executive and legislative bodies to operate on the same goals and drive an <b>inter-ministerial delivery</b>
BE EMPOWERED	The follow-up team and the <b>head</b> of the authority should be <b>empowered</b> , through adequate tools and level of authority, with a <b>direct reporting link to decision makers</b> (country's top leadership)
BUILD AN AGILE WORKING ENVIRONMENT	Delivery <b>coordination</b> should take place <b>centrally</b> , while the relevant Ministries would be responsible for <b>execution</b> in collaboration with the relevant regional authorities (e.g. Municipalities) through the formation of <b>task forces</b> . At the same time, <b>agility</b> should be maintained to adapt and deploy resources on most pressing topics
CREATE TRANSPARENCY	<b>Transparency</b> should be created during the Vision follow-up phase through <b>publishing of</b> progress updates and <b>reports</b>
ATTRACT TOP TALENT	<b>Meritocracy</b> and independence should be maintained in driving the technical agenda of the Vision implementation, while ensuring consensus and political coverage

## The unit should have a well-defined role across three key dimensions: planning, oversight, and operations

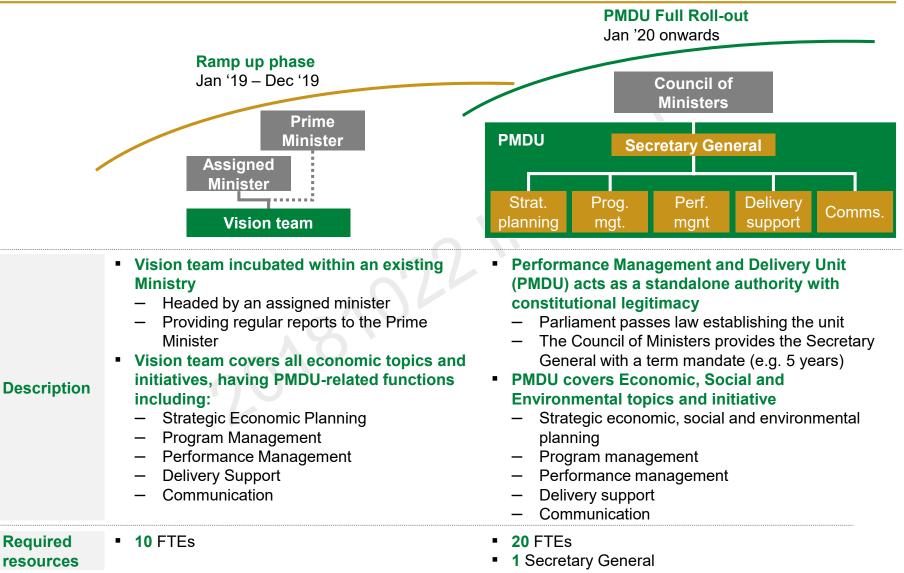
	Planning	ি Oversight		Recommended for Lebanon
	No input	No oversight	No operational role	<ul><li>New entity should:</li><li>Provide strategic plans with</li></ul>
	Financial guidelines / controls	Indirect oversight <i>(report-based)</i>	Escalation of risks & bottlenecks	high-level initiative charters, without developing a full implementation roadmap for each initiative
	Strategic guidelines	Formal governance <i>(e.g. via committee)</i>	Stakeholder coordination	<ul> <li>Maintain close oversight over implementation through formal membership in governance</li> </ul>
	Strategic planning	Accountability over implementation	Capability-building & technical support	structure of initiatives and active monitoring & reporting
	Operational planning	0	Ownership of operational elements	<ul> <li>Resolve bottlenecks through coordination efforts (including with external / private players) without being</li> </ul>
Level of involvement				actively involved in supporting operations <i>(e.g. through</i>

capability building or technical

support)

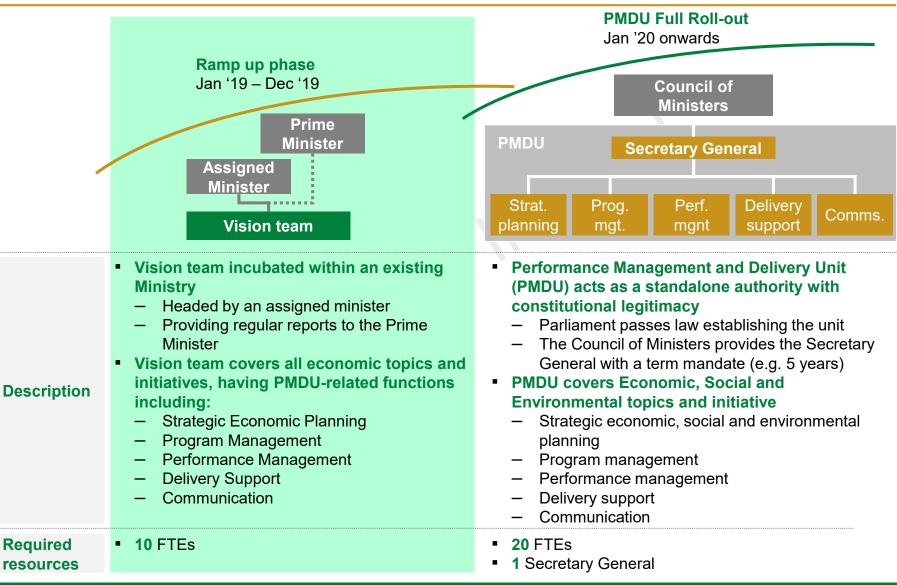
#### Until the full institutionalization mechanism is set up, a Vision team would handle the ramp up phase

Required





#### The interim Vision team



The interim Vision team would be headed by a Minister appointed by the Region Council of Ministers

**Description** 

President to select minister	Ministry to set-up the interim team	Interim Vision team to be hired	Launch of the team
The <b>Council of</b> <b>Ministers</b> assigns a Minister to support the Vision team and incubate it within his/her Ministry	The ministry is to develop the processes and to set-up the structure of the interim Vision team (with the support of an external 3 <sup>rd</sup> party)	The Vision team is to be hired according to the structure put in place. The job offerings should offer attractive compensation and benefits for best-in-	

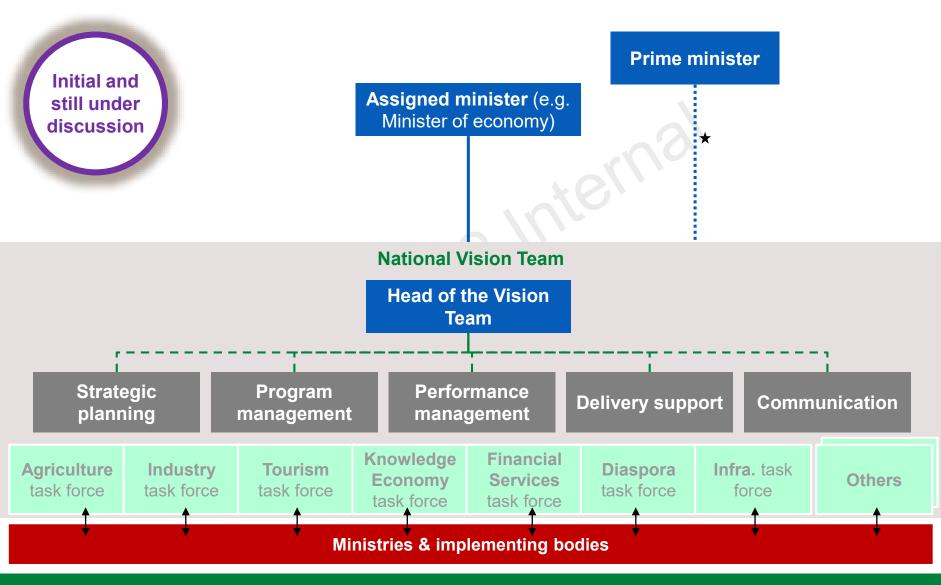
# The interim Vision team should conduct nine key functions during its 12 条 month mandate

	Task	Timeline
General responsibilities	<ul> <li>Recruit &amp; train the interim economic team</li> </ul>	<ul> <li>31 Dec 2018</li> </ul>
Strategic planning	<ul> <li>Develop (revise) the proposed prioritization mechanism</li> <li>Revise and detail out the proposed list of initiatives *</li> <li>Prioritize the set of initiatives to be launched in the first year of the implementation</li> <li>Allocate the prioritized initiatives to the different task forces</li> </ul>	<ul> <li>31 Feb 2019</li> <li>31 Feb 2019</li> <li>15 Mar 2019</li> <li>15 Mar 2019</li> </ul>
Program management	<ul> <li>Design, set-up &amp; launch the different task forces that will own the various initiatives of the Vision</li> <li>Support the different task forces in detailing out the prioritized initiatives into full-fledged implementation plans (developing 3-foot plans), through meetings, workshops etc</li> </ul>	<ul> <li>31 Jan 2019</li> <li>31 Aug 2019</li> </ul>
Performance management	<ul> <li>Initiate the compilation of the different KPIs put in place and start regularly collecting these metrics from the relevant authorities for continuous monitoring</li> <li>Issue quarterly reports on the progress of the Vision, mainly the progress on activating the task forces and developing the detailed implementation plans</li> </ul>	<ul> <li>30 Jun 2019</li> <li>30 Jun 2019</li> </ul>

In parallel, the interim economic team should support in the drafting of the law related to the institutionalization of the mechanism and the formation of the PDMU: initiative PUB.F.1



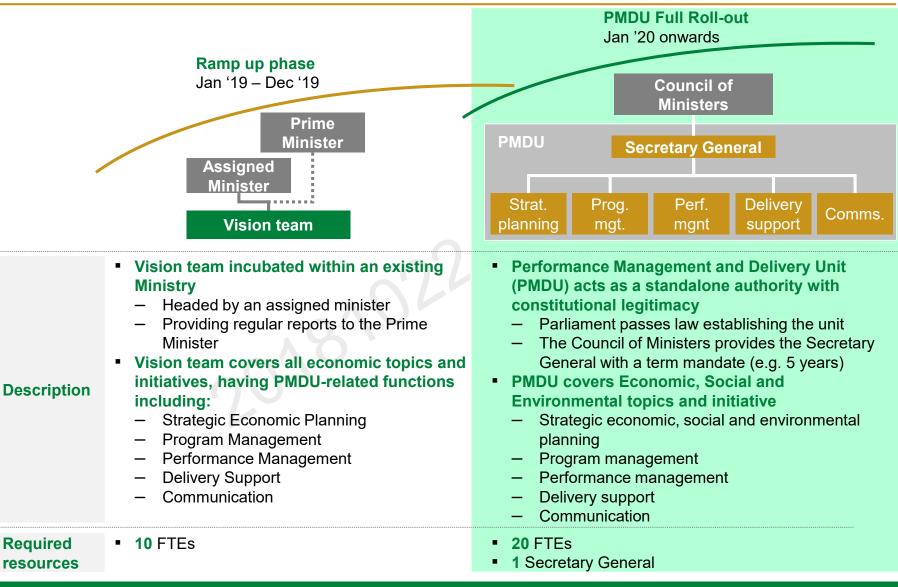
#### Governance of the interim Vision team



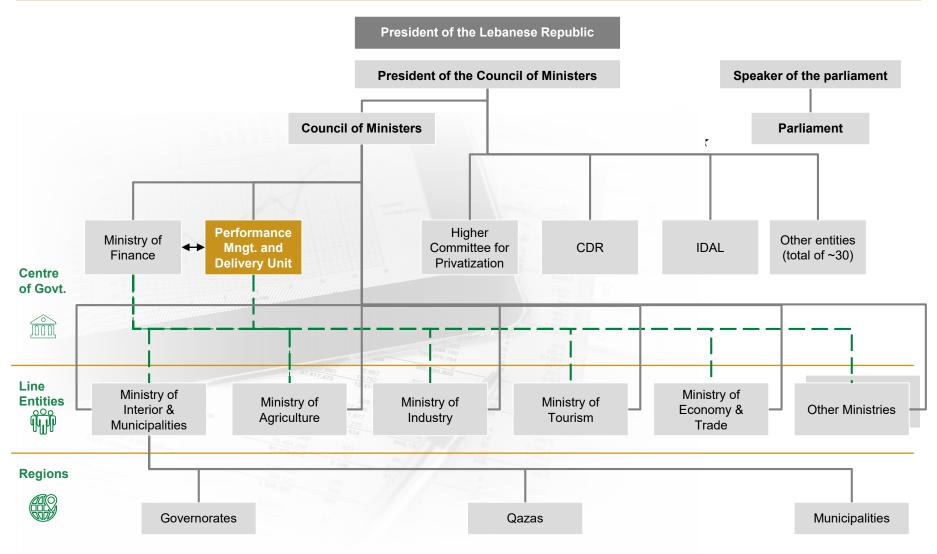


Detailed Next

#### The Performance Management & Delivery Unit (PMDU)

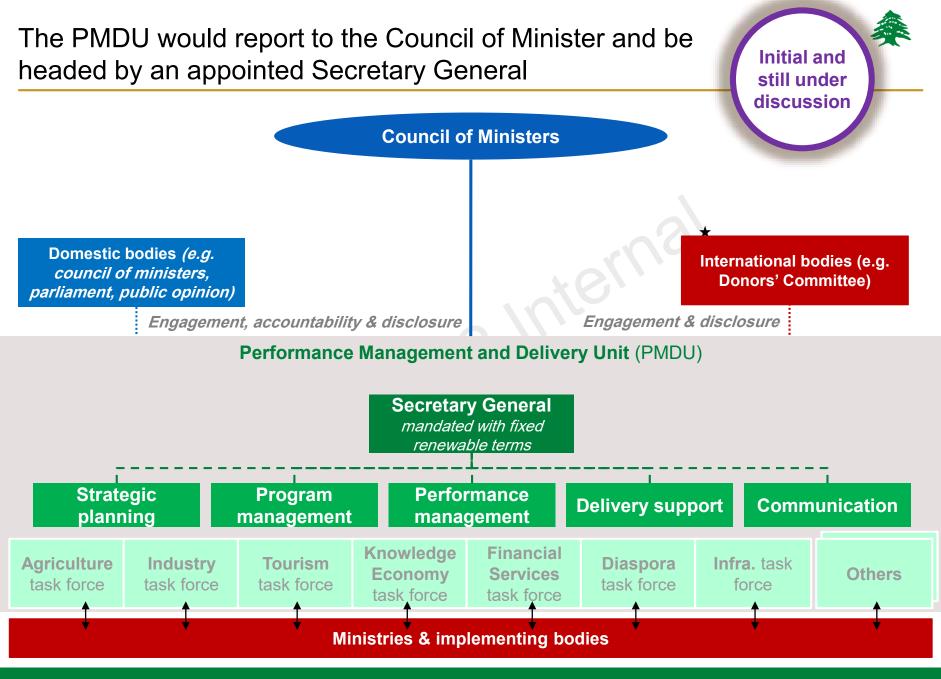


## The PMDU should be and independent & self-standing authority to coordinate the Vision delivery with all relevant stakeholders



1 Performance management and delivery unit







#### Institutionalization mechanism: Roles and responsibilities

<b>1</b> Council of Ministers	<ul> <li>The Council of Ministers will oversee the progress of execution, taking necessary measures to enforce accountability and ensure timely execution by all relevant stakeholders. Key members include:</li> <li>President of the Lebanese Republic</li> <li>President of the Council of Ministers</li> <li>Deputy President of the Council of Ministers</li> <li>Minister of Finance</li> <li>Minister of Economy and Trade</li> <li>Minister of Foreign Affairs and Emigrants</li> </ul>
2	<ul> <li>Leads the coordination for the follow-up planning and execution phases. Reports to the Council of Ministers and has several responsibilities:</li> <li>Strategic planning including reconciliation of Programs stemming from the Vision with the medium term and annual budgets, as well as developing social and environmental strategies</li> </ul>

#### Performance Management and Delivery Unit

- term and annual budgets, as well as developing social and environmental strategies
   Program management including tracking the progress on large projects and ensuring proper coordination between all stakeholders involved in execution, including debottlenecking issues and coordinating with supporting entities
- Performance management through monitoring key performance indicators stemming from the Vision and issuing public reports on a regular basis. The reports would become the basis for accountability, consequence management and transparency with the public
  - Delivery support for execution entities to de-bottleneck issues and provide the necessary expertise
- Communication & public relations including dialogue with the local and global community

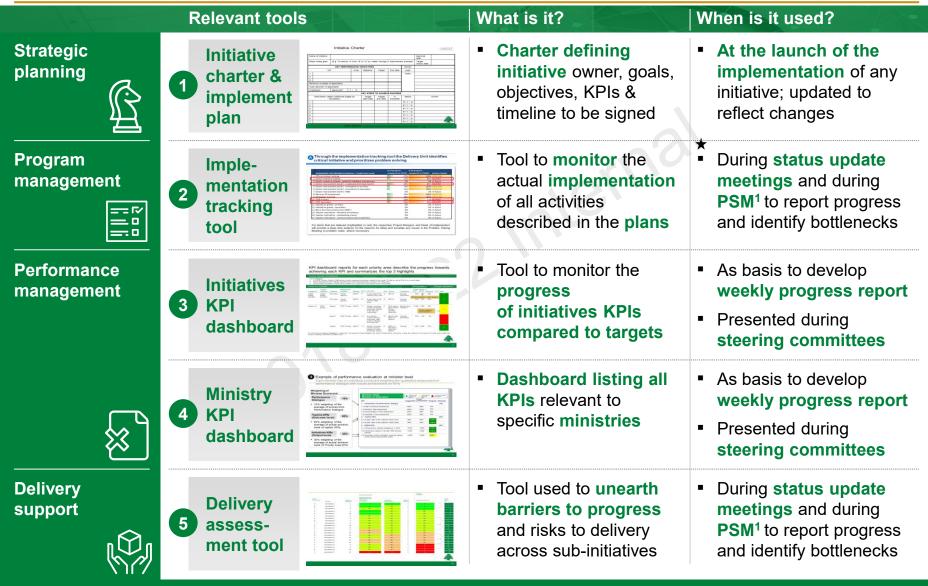
3 Task forces Responsible and accounting for the implementation of the respective sector's agenda. Includes representatives from all relevant implementation stakeholders *(e.g. ministries)* as well as a representative from the PMDU who serves as secretariat. Operating model *(e.g. meeting frequency)* to be set by each committee.



# 2 The PMDU should be organized along 5 key functions

	Unit	Objective	Responsibilities
<b>ر</b> کے	Strategic	Supporting	1 Coordinating review & refinement of planned initiatives by ministries & implementation bodies
B	planning unit	ministries in developing and	2 Assessing projects (e.g. on economic & social impact, feasibility, etc.) to determine prioritization
		approving sector strategies	3 Defining implementation agenda & schedule (project phasing, including start & end dates)
		-	4 Determining budget recommendations & coordinating fund delivery (in coordination with Ministry of Finance)
			5 Defining project objectives & KPIs (in coordination with Performance Management Unit)
			6 Developing & refining list of projects with ministries(based on changes in national priorities)
ംകം	Program	Overseeing	1 Coordinating all sector committee activities (including formation, meeting scheduling & agenda, etc.)
$(\mathcal{A})$	management unit	implementation of all vision-related	2 Forming detailed implementation roadmaps for each project (in coordination with committee)
		programs	3 Overseeing progress for all sector initiatives (at a granular, day-to-day level)
			4 Identifying risks & bottlenecks for each project (including regulatory, technical, coordination issues)
			5 Facilitating coordination among different players (incl. external / private players) to resolve bottlenecks
	Performance management	Tracking and consolidating performance and outcomes	1 Systematically collecting and quantifying information on project progress (through program management unit) across multiple dimensions, including milestone completion, spending (e.g. vs. budget estimates), etc.
	unit		2 Working with relevant stakeholders & external entities (e.g. CAS) to assess project impact (based on quantitative project KPIs)
			3 Aggregating & analysing data to generate impact projections, budget implications, etc.
	Delivery Support	Supporting	1 Assessing capabilities of government entities in implementing their respective initiatives
	Joupport	government entities in debottlenecking issues	2 Forming specialized teams on topics where capability gap areas exist (e.g. digital)
			3 Supporting government entities in their day-to-day implementation of initiatives and required coordination
IS I	Marketing & public relations	Developing image and brand	1 Developing and implementing a marketing & PR strategy to promote economic vision, with the ultimate goal of securing public endorsement of the vision
	unit	recognition for the vision and its	2 Publishing reports on vision objectives, progress and achievements
		projects	3 Engaging with the press & civil society, as well as the general public (e.g. through social media)

# **2** A set of tools would support the activities of the Authority across its five key functions (1/2)



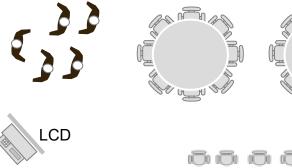
# ${\bf 2}$ A set of tools would support the activities of the Authority across its five key functions (2/2)

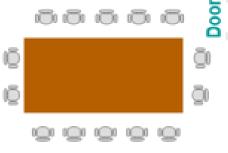
	Relevant tools	What is it?	When is it used?
Communication	6 Social media sentimenta analysis	<ul> <li>Social media analysis tools e.g. Word cloud, trending keywords</li> </ul>	<ul> <li>Periodically to assess and understand people's views and response to Vision progress</li> </ul>
	7 Published progress report	Report published to the public summarizing progress & key achievements	<ul> <li>Monthly or annual report published to the public for transparency on vision progress</li> </ul>

# 2 An effective unit will require a physical office and a visual war room for proper functioning

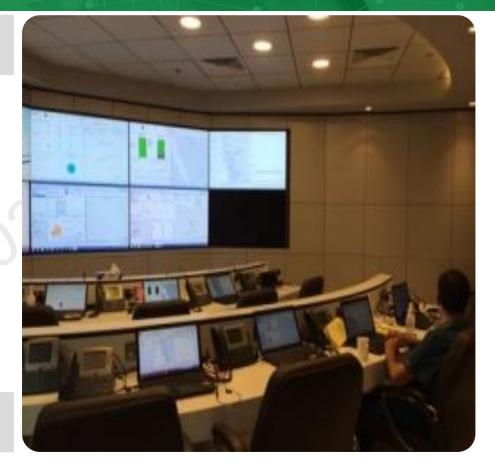
Example of actual war room

#### **Performance management dashboards**





#### Program management dashboards



### 2 To ensure transparency and accountability, five types of reports should be regularly updated and circulated



PRELIMINARY AND NOT COMPREHENSIVE

Repo	ort Initiative charter / report	Frequency Monthly	Responsible… Sector manager (on behalf of committee)	<ul><li>Shared with</li><li>Secretary general</li><li>Performance management unit</li></ul>	Coverage Single initiative	Content Update on progress (status of activities), KPIs, etc.
	Sector performance reports	Quarterly	Sector manager (on behalf of sector committee)	Council of Ministers	Single sector <b>↓</b> committee	Overview of sector progress & performance, key risks & bottlenecks, etc.
	Vision progress brief	Quarterly	Marketing & public relations unit In coordination with performance management unit	Public	Comprehensive Emphasis on sectors with high activity	Update on overall vision program, including status of all sectors / initiatives Emphasis on highlighting progress & achievements
() R	Vision realization annual report	Annual	Secretary General In coordination with all Economic Dev. Authority units	<ul><li>Council of Ministers</li><li>Public</li></ul>	Comprehensive / economy-wide Emphasis on priority economic sectors	Comprehensive
R R	Economic Dev. Authority annual plan	Annual	Secretary General In coordination with all Economic Dev. Authority units	<ul> <li>Council of Ministers</li> </ul>	Comprehensive	Detailed annual plan of ESEDA activities and priorities

2 As part of its strategic planning function, the Unit should further detail the draft initiatives into full-fledged implementation plans



	Initiative Agr.C.1: Crop Transformation	Initiative Charter	Detailed 3-foot plan	Implementation phase
<b>Description</b>	One of 160 initiatives from the Lebanon Vision (e.g. Agr.C.1: Develop a crop transformation strategy)	Detailed initiative charter including approximate budget (e.g. 50 USD Mn), strategic objectives, high-level timeline et	to deliver initiative	
Additional	<ul> <li>Micro-climate map</li> </ul>	<ul> <li>Budget allocated to</li> </ul>	Required third	

input required to move to next phase

- Micro-climate m of Lebanon
- Soil testing results per area
- Crop demand in export markets
- Budget allocated to Agriculture as part of overall Vision
- Split of roles regarding initiative implementation
- Required third party contractors for crop transformation
- Role of cooperatives

# 2 Detailed process for further refining the implementation plans on a vearly basis

Ja	an '19 	Apr 	Jul 	Oct I	Jan '20 Apr 
Council of Ministers		Approve the submitted 2020 yearly plan <i>(includes 4 of the 5</i> agriculture initiatives)			
Ministry of Finance	Develop draft envelope of 2 Bn budget for the Vision for the year 2020 based on the MTEF			Approve total Vision budget of 2 Bn, with 40 Mn allocated to Agriculture	Develop draft envelope of 2 Bn budget for the Vision for the year 2021 based on the MTEF
Economic development authority	Distribute list of 12 Agriculture Vision initiatives along with initiative prioritization template	Consolidate all priority initiatives from the different taskforces and submit the 2020 plan	Develop high-level charter for each of the 4 approved agriculture initiatives	Reach agreement on 4 initiatives for Agriculture & 40 Mn Budget	Distribute 2021 initiative prioritization template
Agriculture task force	Prioritize 5 initiatives for 2020 and fill the prioritization template accordingly	22	and pass to relevant owner for further detailing	Review, finalize & submit 3-foot plan and proposed budget to EDA	Prioritize 3 initiatives for 2021 and fill the prioritization template accordingly
Relevant ministries / owners			Develop detailed (3- foot) implementation plan for initiative along with estimated budget	Submit 3-foot plan for 4 initiatives with estimated budget of 50 Mn to task force	Initiate implementation of 2020 plans



PRELIMINARY AND NOT COMPREI

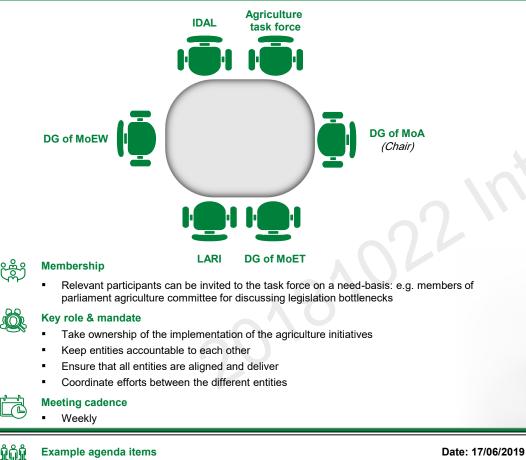
# **3** Overview of the operating model of the task forces

Formation and dissolution	<ul> <li>To be formed / dissolved based on strategic and implementation priorities following the request of the the Performance Management and Delivery Unit's Secretary General</li> </ul>
Meeting frequency	Weekly or bi-weekly, to be determined separately by each committee
Membership selection	<ul> <li>To be formed / dissolved based on strategic and implementation priorities following the request of the the Performance Management and Delivery Unit's Secretary General</li> <li>Weekly or bi-weekly, to be determined separately by each committee</li> <li>Chair to be appointed by the secretary general (on behalf of the Higher Committee), and could be a minister of sector-governing ministry</li> <li>All committees must include a representative from the Economic Development Authority to act as secretariat, with primary responsibilities including setting meeting agenda, aligning committee around list of tasks &amp; owners, following-up on task completion, identifying bottlenecks &amp; solutions</li> <li>Committee chair will be responsible for nominating other members, which should include directors-general and director-level representatives from all ministries &amp; public entities which are directly involved in the implementation of sector initiatives</li> </ul>



### **3** Example of a task force: Agriculture

#### Agriculture task force composition



- Provide an update on the progress of the different agriculture initiatives
- Present and discuss proposed alternative tobacco programs and agree on the path forward
- De-bottleneck issues related to soil-testing as part of the crop-transformation strategy

#### Task force "Action folder"

	orce will own the initiatives under the agric with each initiative having a unique accoun		
	Objective	Ov	vner <sup>1</sup>
AG. B.1	Improve efficiency and transparency in local markets, including wholesale markets and distributors	-	MoA
AG. C.1	Develop a crop transformation strategy	•	MoA
AG. C.2	Introduce an alternative subsidy program for Tobacco farmers	•	MoET
AG. C.3	Assess the effectiveness of the wheat subsidy and other subsidy programs	•	MoET
AG. D.1	Support export readiness of Lebanese products	•	MoA
AG. X.1.1	Revamp extension services	•	MoA
AG. X.1.2	Strengthen scope and scale of agricultural research	•	LARI
AG. X.1.3	Launch a program to strengthen co- operatives' capabilities	•	MoA
AG. X.1.4	Strengthen the quality assurance ecosystem including food inspection services	•	MoA
AG. X.2.1	Facilitate capital investment in Agriculture	•	IDAL
AG. X.3.1	Develop agriculture human capital	•	MoA
AG. X.4.1	Ensure water sustainability through improved management & conservation efforts	•	MoE W
AG. X.4.2	Improve formalization of agriculture sector and increase protection of farmers		MoA



#### Proposed timeline of next steps

	Activity	2018 2019												
Categories		Nov	Dec	Jan	Feb	Mar	Apr	May	Jun Jul	Aug	Sep C	ct N	Nov Dec	Responsible
Interim Economic Team Set-Up	Appoint responsible minister for interim mechanism													President
	Develop the full design of interim Vision team													Responsible Ministry
	Hire & train the vision team										*			Interim Vision Team
Interim Economic Team Operation	Design, set-up and launch the different task forces				-			0						Interim Vision Team
	Revise and finalize the sector priorities & list of initiatives													Interim Vision Team
	Prioritize the yearly initiatives to be launch in the first year of implementation													Interim Vision Team
	Develop the 3-foot-plan for the prioritized initiatives													Task Forces
	Launch the yearly prioritized initiatives													Task Forces
PMDU Set-Up	Fully design the PMDU including mandate, organization chart, etc													Ministry of Economy
	Formalize the PMDU through necessary parliamentary actions													Parliament
	Organizational development and scale-up of the PMDU													PMDU





#### Overview

- Formally established in 2009 as a unit under the Prime Minister's Department
- Chairman of the PEMANDU board is the Prime Minister of Malaysia
- Created to drive two programmes:
  - Government Transformation Programme (GTP): Designed to provide all Malaysians access to improved public services
  - Economic Transformation
     Programme (ETP): Designed to
     transform Malaysia into a high income nation by 2020

- Delivery Task Force (DTF) National Key Results Areas (NKRAs)
  - Approve delivery plans and KPIs for all NKRAs (including variations) in the implementation year
  - Monitor progress and delivery of NKRA programmes, projects and activities against targets; provide ideas and solutions to remove roadblocks in implementation
  - Provide steer and direction on NKRA implementation strategies and policies and approve changes to that effect (if required) to meet the objectives
  - Approve requests for NKRA budget allocation (OE and DE) including incremental allocations from NKRAs in the implementation year and beyond
  - Final arbiter in dispute resolution on NKRA between implementing ministries and agencies at federal and state levels
- Steering Committee National Key Economic Areas (NKEAs)
  - Provide ideas and solutions to alleviate roadblocks in implementation.
  - Evaluate and decide on new proposals (new Entry Point Projects (EPPs) / Business Opportunities (BOs), additional funding, changes to current plans)
  - Track and monitor progress of EPPs





#### Performance & Resource Management (PRM) Directorate

#### Overview

- A Central Ministry which aims to "create a better Singapore through finance"
- Vision
  - Advance leading ideas
  - Drive synergies across the government
  - Ensure fiscal prudence
- Strategic outcomes
  - Sound public finances
  - Growth with opportunity for all
  - High-performance government

- Sound public finances
  - Managing Singapore's reserves to balance the present and future financial needs of Singapore
  - Ensuring the government's fiscal sustainability in the medium to long term
- Growth with opportunity for all
  - Promoting economic growth through the use of financial levers
  - Creating opportunities for a better life for all and building a strong community
  - Facilitating the growth of businesses and nurturing and entrepreneurial environment
  - Increasing opportunities for Singapore's businesses globally
- High performance government
  - Allocating government resources to achieve Whole-Of-Government objectives and achieving maximal outcome with available resources
  - Ensuring that government agencies are held accountable for the use of their resources
  - Achieving service-wide synergies in policies, programmes, processes, and systems
  - Anticipating future challenges and opportunities for the Whole-Of-Government and the nation







#### Overview

- Evolution of performance management occurred under Tony Blair's administration between 1997 and 2007 and Gordon Brown's administration between 2007 and 2010
- Introduced top-down targets to hold government agencies accountable
- While numerous entities were involved, the most prominent entities were HM Treasury and the Prime Minister's Delivery Unit within the Cabinet Office (abolished in 2010)

- Prime Minister's Delivery Unit (PMDU)
  - Managing performance policy, i.e. the Public Service Agreement framework; developing the public service reform agenda and approach to crossdepartmental working
  - Capability building and cross-government learning on delivery, i.e. knowledge management; encouraging departmental delivery units; and running SRO network and training
  - Monitoring performance, i.e. data tracking and reporting
  - Unblocking delivery obstacles, i.e. priority reviews; problem solving; follow-up work with, and brokering between departments
- HM Treasury
  - Determining public spending: including departmental spending, public sector pay and pension, annually managed expenditure (AME) and welfare policy, and capital investment
  - Setting financial services policy: including banking and financial services regulation, financial stability, and ensuring competitiveness in the City
  - Overseeing the UK tax system: including direct, indirect, business, property, personal tax, and corporation tax
  - Delivering infrastructure projects across the public sector and facilitating private sector investment into UK infrastructure
  - Ensuring the economy is growing sustainably







#### Overview

- The Government Performance and Results Act (GPRA) was enacted in 1993, requiring agencies to do the following:
  - Develop five-year strategic plans, including results-oriented goals
  - Prepare annual performance plans that establish performance goals for the applicable year
  - Prepare annual performance reports that review success or failure in achieving the targeted performance
- The Office of Management and Budget (OMB) was tasked with producing an annual report on agency performance
- Performance Improvement Council (PIC) is composed of Performance Improvement Officers of Federal Agencies as well as senior officials from the OMB

- Office of Performance & Personnel Management (within the OMB)
  - Leads the effort to drive mission-focused performance gains across the Federal government
  - Coordinates the Administration's goal-setting and performance review process for agencies' high priority performance goals and guides agency strategic and annual planning, performance reviews and performance reporting
  - Works closely with the U.S. Office of Personnel Management (OPM) to implement effective personnel policies and practices across the Federal government.
- Performance Improvement Council
  - Provides support to agency Performance Improvement Officers and other program officials to facilitate development of cross-agency and agency goals, including Priority Goals
  - Supports implementation planning and coordination on cross-cutting performance areas, including working with OMB, policy councils, and agencies on the Cross-Agency Priority (CAP) Goals
  - Delivers services for Federal Agencies that deepen performance improvement capability and facilitate sharing of effective practices. This includes the Performance Enthusiasts/Ambassadors program and in-person training program offerings to meet demand from agency staff
  - Leads cross-agency working groups on areas such as goal setting, agency performance reviews, and capability building to improve agency performance management capacity. These working groups allow agency leaders from across the Federal Government to collaborate and benchmark best practices and lessons learned that strengthen data-driven management and informed decision making
  - Responsible for establishing a Collaboration Studio to bring teams together and facilitate engagements that can spark cross-cutting performance improvements

#### Case Example – Canada



# Privy Council Office

#### Overview

- The Treasury Board is a Cabinet committee of the Queen's Privy Council of Canada
- Treasury Board Secretariat serves as the administrative arm of the Treasury Board
- Vision: "Better government: with partners, for Canadians"
- Mission:
  - Effective People
  - Effective Policies
  - Effective management of the Public Purse

- Treasury Board of Canada Secretariat
  - Supporting the Treasury Board as a committee of ministers
  - Fulfilling the statutory responsibilities of a central government agency
  - Providing advice and support to Treasury Board ministers in their role of ensuring value-for-money as well as providing oversight of the financial management functions in departments and agencies
  - Making recommendations and providing advice to the Treasury Board on policies, directives, regulations, and program expenditure proposals with respect to the management of the government's resources
  - Fulfilling responsibility for the comptrollership function of government
- Selected activities from specific branches with the secretariat
  - Holding responsibility for key policy and planning activities that underpin both government-wide management excellence and efficient and effective corporate governance within the Secretariat
  - Working with all departmental sectors to ensure that Treasury Board policy advice is coordinated and consistent
  - Providing leadership for governance and planning processes within the Secretariat to ensure coherence in corporate priorities, progress on key files, clear accountabilities, and continuous improvement
  - Conducting annual performance reviews in line with the Management Accountability Framework
  - Overseeing performance and compliance across the federal government



#### I. EXECUTIVE SUMMARY

#### II. INTRODUCTION AND METHODOLOGY

- A. Methodological approach to the study
- B. Stakeholder engagement and syndication process
- C. Reviewed documentation

#### **III. CONTEXT AND DIAGNOSTIC**

- A. Chapter summary
- B. Economic perspective
  - 1. Macro-economic evolution
  - 2. Trade profile (exports & imports)
- C. Sector diagnostics
  - 1. Natural resources (oil & gas)
  - 2. Agriculture
  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
  - 1. Public finance
  - 2. Ease of doing business
  - 3. Monetary policy
  - 4. Economic development activation
  - 5. Trade & international agreements

#### IV. THE VISION: LEBANON'S ECONOMIC ASPIRATIONS

- A. Chapter summary
- B. Burning platform
- C. Lebanon's growth imperatives
- D. Economic aspirations and macroeconomic targets
- E. Sector prioritization mechanism and rationale

#### V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

- A. Chapter summary
- B. Sector deep-dives
  - 1. Agriculture
  - 2. Industry
  - 3. Tourism
  - 4. Knowledge economy
  - 5. Financial services
  - 6. Diaspora

#### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

- A. Chapter summary
- B. Public administration reform requirements
- C. Infrastructure including CIP initiatives
- D. Public finance requirements
- E. Main legislative requirements
- F. Country branding & export promotion

#### VII. INSTITUTIONALIZATION MECHANISMS

- A. Chapter summary
- B. Governance set-up: orchestration and delivery
- C. Path forward

#### VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters

Three identified flagship projects should be launched immediately to jumpstart the momentum of the Vision



Discussed next





**Create immediate and visible impact** (Launch ~3 quick-win projects)

- Seamless end-to-end tourism journey with a newly-overhauled airport experience
- Penetration of 2-3
   Lebanese crops into new export markets<sup>1</sup>
- "Lebanon 2020" centennial nation-wide celebration<sup>1</sup>

Capture imminent opportunities



### Build a flagship project symbolizing the Vision

#### Construction technology zone on the border with

Syria, capitalizing on the Syria and Iraq reconstruction opportunity worth ~100-300 USD Bn, and housing millions of returning refugees  "Smart Lebanon" Knowledge Hub hosting creative, technology and outsourcing companies, within and outside real estate zones (e.g. Outsourcing park in Tripoli) Tourists' experience in Lebanon can be improved by looking holistically at the journey



PRELIMINAR'

Tourist journey has suffered from...

This is mainly driven by...

Improvement to the tourist journey will require...



Unclear value proposition of Lebanon as a tourist destination



Absence of a holistic view on the end to end tourist journey



Unorganized and unclear process upon arrival to/from the airport



Complex ecosystem and lack of communication between stakeholders



Lack of "tourist friendly" cities



Absence of a data to drive decision making across the tourist journey



Mapping of the end to end tourist journey and understanding key pain points



Designing the ideal tourist journey and assigning an owners to each part



Define efficient feedback and data collection mechanisms to ensure constant improvement to the tourist journey



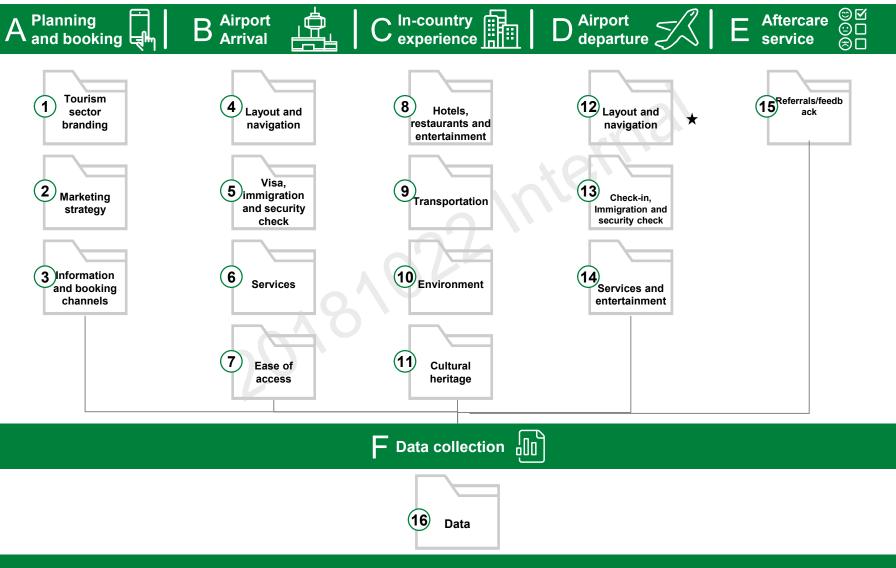
#### The tourism journey has several challenges that should be tackled

NON EXHAUSTIVE

Pre- arrival	Airport Arrival	In-country	Airport departure	Aftercare/ ☺☑ ভ□ Feedback ⊜□			
<ul> <li>Lack of identity and clear value proposition for the tourism sector</li> <li>Unfocused marketing efforts on specific markets and sub- optimal use of marketing channels</li> <li>Absence of Lebanon product offering in B2B channels</li> </ul>	Disorganized immigration queuing and visa process Unorganized and unregulated taxi service at the exit Missing / low visibility of services crucial for tourists to kick-start their visit	<ul> <li>Unorganized public transport system with no proper signages</li> <li>Polluted cities and beaches</li> <li>Lack of proper maintenance of cultural sites and presence of standards for tourist guides</li> </ul>	<ul> <li>Unclear check-in process</li> <li>Multiple security checks</li> <li>Gate anxiety prior to entering the gate (security check is after the shops)</li> <li>Limited retail and F&amp;B offering</li> </ul>	<ul> <li>No concrete efforts to actively encourage referrals and returns</li> </ul>			
Data collection							
Absence of data collection to drive informed decision making							

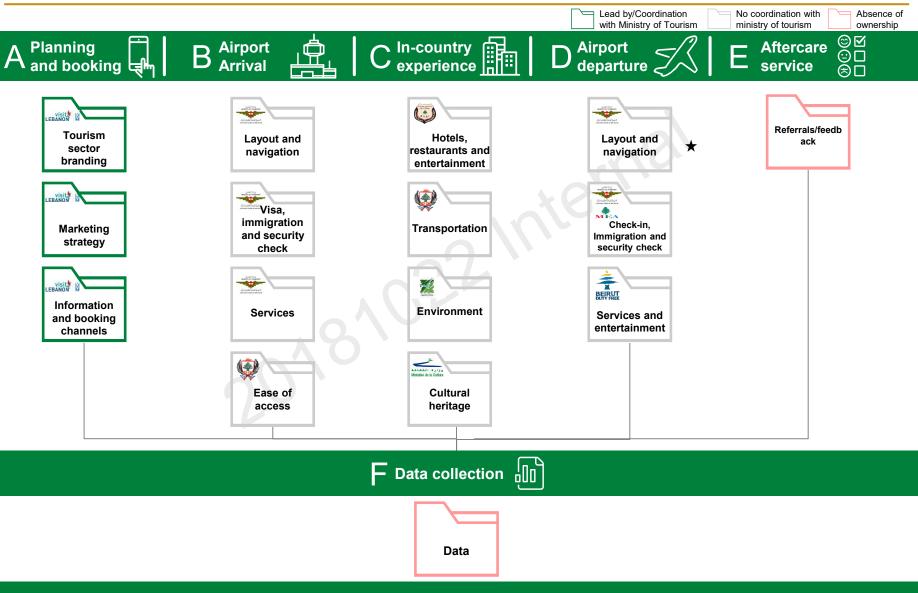
- Absence of data collection to drive informed decision making
- Lack of data sharing between stakeholders

## In the short term, improving a tourist's journey requires work on 16 folders across 6 stages

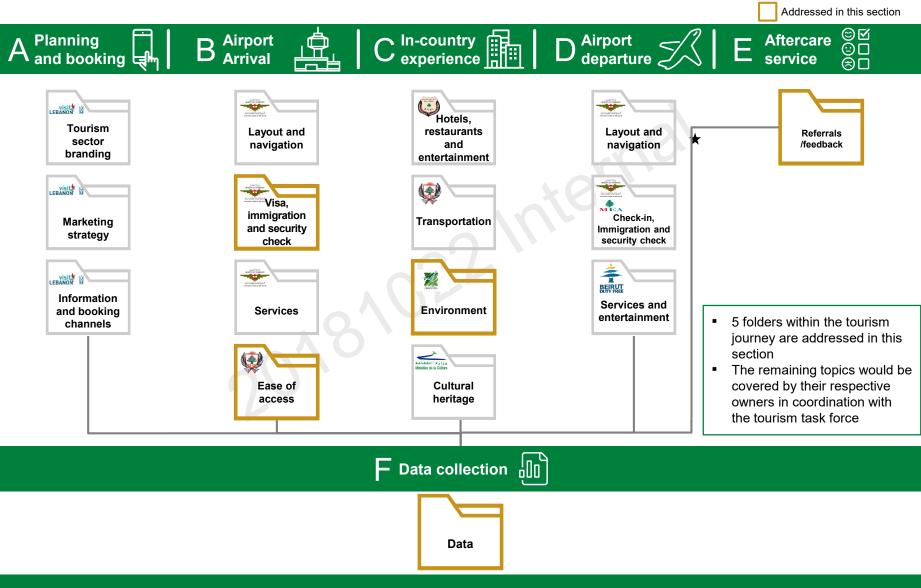




### Out of the 16 folders, currently only 3 are being coordinated with the Ministry of Tourism and 2 do not have clear owners



5 folders are addressed in this document with remaining topics to be detailed out by their respective owners in line with the tourism initiatives



A Lebanon should develop a clear brand image for its tourism sector & promote it using a targeted go-to market campaign in source countries

		Owner	Interdependency	Objective
Planning and booking	Tourism sector branding	Visit Lebanon	<ul> <li>Ministry of economy and trade</li> </ul>	<ul> <li>Clear identity and brand for Lebanon's tourism sector translated into punchy messages and compelling visualization, in line with Lebanon's "umbrella" country brand</li> </ul>
<b>R</b> I	Marketing strategy	Visit Lebanon	Embassies	<ul> <li>Focused marketing strategy on priority source markets with targeted go-to-market strategy based on traveler behavior</li> </ul>
	Information and booking channels	Visit Lebanon	<ul> <li>Association of travel and tourist agents in Lebanon</li> <li>Lebanon Hotel Association</li> </ul>	<ul> <li>Availability of information online and secured contracts with tour operators in priority source countries with high share of B2B booking</li> </ul>

# B Lebanon should improve the arrival experience of its tourists at the airport across 4 dimensions



	Owner	Interdependency	Objective
Airport Arrival	Ministry of Public work and transport navigation	<ul> <li>Visit Lebanon</li> <li>Directorate General of Civil Aviation</li> </ul>	<ul> <li>Unique and memorable arrival experience infused with a local flavor</li> <li>Clear universal signs and directions to navigate through the airport (E.g. info boards for baggage claim, universal signs for immigration/visa/exit)</li> </ul>
	Visa, immigration and security check	<ul> <li>Ministry of Interior</li> <li>Ministry of Finance</li> </ul>	<ul> <li>Streamlined visa process on arrival (one-stop-shop with POS payment and e-visa option)</li> <li>Friendly and professional staff at visa, immigration and security check</li> <li>Quick and clear process to pass through immigration and security check with minimum quieting time</li> </ul>
	Directorate General of Civil Aviation	<ul> <li>Telco companies</li> <li>Banks/currency exchange offices</li> <li>MoT</li> <li>Car rental companies</li> <li>Tour operators</li> </ul>	<ul> <li>Availability of business class treatment (e.g. Meet and greet)</li> <li>Improved access to information upon arrival (WIFI, information leaflets)</li> <li>24/7 availability of services necessary to launch tourist journey with regulated prices and visible stations (ATM, currency exchange, rent a car, tours)</li> </ul>
	Ministry of Public work and Transport     Ease of     access	<ul> <li>Directorate General of Civil Aviation</li> </ul>	<ul> <li>Organized and regulated taxi service at the airport with tailored offering to different segments</li> <li>Safe and secure exit from the airport with dedicated waiting areas</li> </ul>

C Tourist's in-country experience should be enhanced through training of 秦 staff, organising transportation and setting strict environmental regulations

		Owner	Interdependency	Objective
In-country experience	Hotels, restaurants & entertainment	<ul> <li>Lebanon Hotel Association</li> <li>Syndicate of Ow- ners of restaurants cafes, night-clubs, and pastries and pastries in Lebanon</li> </ul>	<ul> <li>Ministry of tourism</li> </ul>	<ul> <li>Friendly and multi-lingual tourist facing staff in hotels/restaurants and entertainment venues</li> <li>Availability of information online with accurate reference for top attractions on popular tourist platforms (e.g. TripAdvisor)</li> </ul>
	Transportation	<ul> <li>Ministry of Public Work</li> </ul>	<ul> <li>Municipalities</li> <li>Ministry of tourism</li> </ul>	<ul> <li>Facilitated movement of tourists in the country through creating transparency around available transport options for different preferences (private vs public)</li> <li>Availability of public and private transport options in anchor destinations with connection to key nearby attractions through public transport</li> <li>Tourist-friendly walking paths in anchor destinations (information points, paved roads)</li> </ul>
	Environment	<ul> <li>Ministry of Environment</li> </ul>	<ul> <li>Municipalities</li> </ul>	<ul> <li>Cleaned beachfront with restored environmental indicators within acceptable international limits</li> <li>Clean and attractive anchor destinations with strict monitoring for domestic and industrial waste</li> <li>Well maintained and preserved eco-tourism hubs through strict environmental regulations for entire area and implications on area on master planning</li> </ul>
	Activities	<ul> <li>Ministry of Culture</li> </ul>	Association of travel and tourist agents in Lebanon	<ul> <li>Well maintained cultural heritages with availability of complimentary offering (authentic F&amp;B and retail offering)</li> <li>Well trained, informed and professional tour guides</li> </ul>

Departure experience should be improved by implementing structural layout changes and enhancing the retail and F&B offering

	C	Owner	Interdependency	Objective
Airport departure	Layout	Ministry of Public work and transport	<ul> <li>Visit Lebanon</li> <li>Directorate General of Civil Aviation</li> </ul>	<ul> <li>Unique and memorable departure experience infused with a local flavor</li> <li>Maximized time in the duty free with minimum gate anxiety (e.g. place security check before duty free area, eliminate 1st security check prior to check-in counters)</li> <li>Clear universal signs and directions to navigate through the airport with introduction of screens when necessary (E.g. screens for appropriate counter for check-in)</li> <li>Comfortable seating areas with available amenities (toilets, resting areas, mobile power stations)</li> </ul>
	Services and entertainment	• Beirut Duty Free	<ul> <li>Directorate General of Civil Aviation</li> </ul>	<ul> <li>Availability of business class treatment (e.g. Meet and greet)</li> <li>Improved access to information upon arrival (WIFI)</li> <li>Wide variety of F&amp;B outlets1 with enhanced retail assortment to provide unique and exclusive retail experience</li> </ul>
	Check-in, Immigration and security check	Directorate General of Civil Aviation	<ul> <li>MEA and other airlines</li> </ul>	<ul> <li>Friendly and professional staff at check-in, immigration and security check</li> <li>Quick and clear process to pass through immigration and security check with minimum quieting time</li> </ul>

1 Suggested initiatives to be reassessed in light of the airport expansion project (timeline and scope of work)

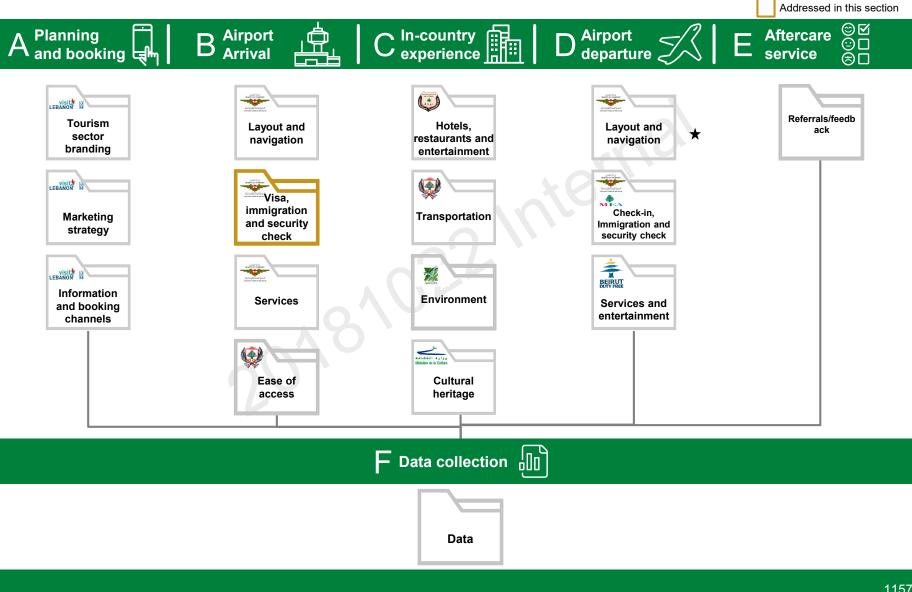
E/F Generation of referrals/feedback and data collection is crucial to continuously enhance tourism journey encourage returns



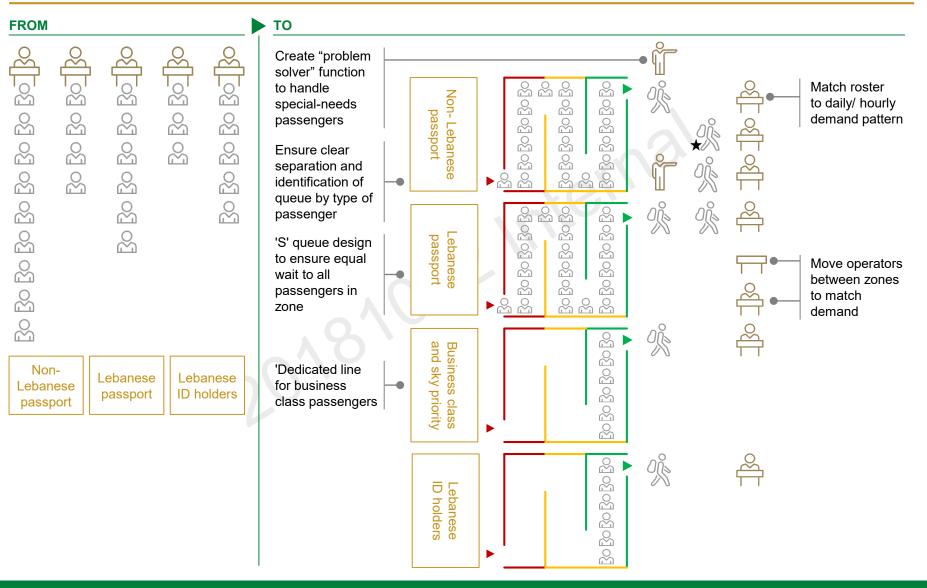
	Owner	Interdependency	Objective
Aftercare service ☺⊡ ⊜□	Ministry of tourism     Referrals     Feedback	<ul> <li>Lebanon Hotel Association</li> <li>Syndicate of Owners of restaurants cafes, night-clubs, and pastries and pastries in Lebanon</li> </ul>	<ul> <li>Generation of more user generated content e.g. on Facebook, Tripadvisor through encouraging people to share their experiences, post reviews, and stay engaged with the country in other ways</li> </ul>
Data collection	Data • Ministry of tourism	<ul> <li>Internal and external data sources (detailed later)</li> </ul>	• Fully operational data arm of the ministry that is able to develop insights and intelligence across all steps of the journey in order to enhance tourist experience as well as improve sector performance:



## Airport arrival – Visa, immigration and security check



# Through implementing simple measures, queuing time at immigration can be significantly reduced



## Airport arrival – Visa, immigration and security check implementation timeline

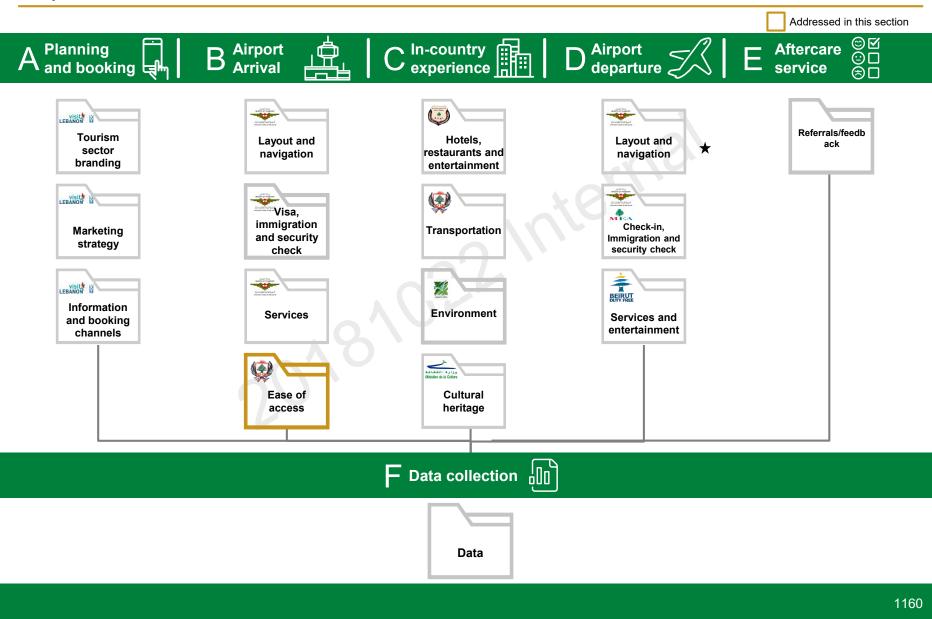


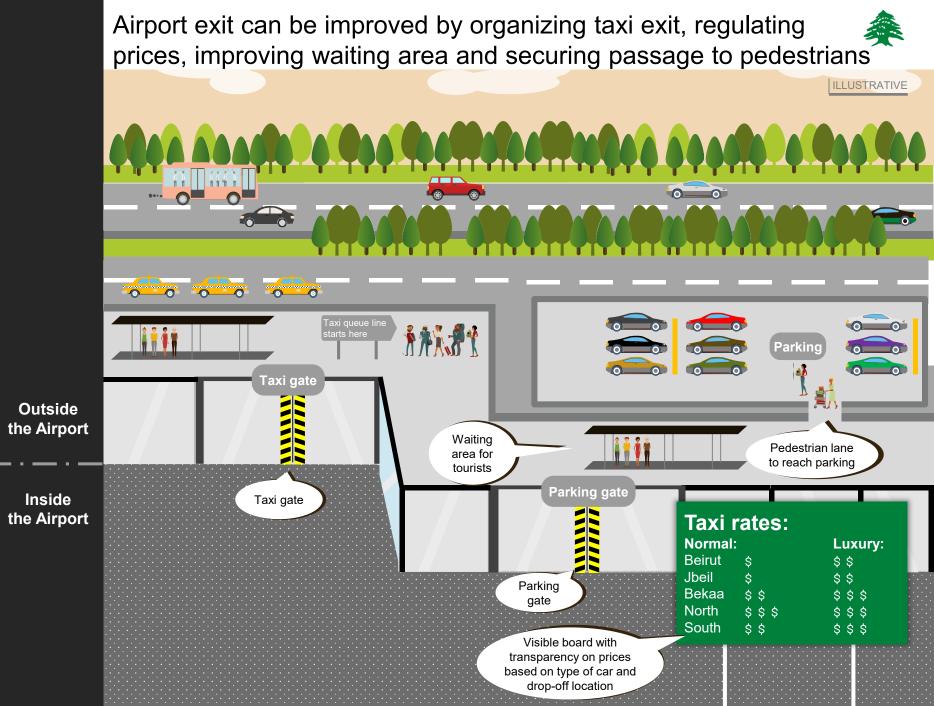
TO BE UPDATED AT LAUNCH OF THE IMPLEMENTATION MECHANISM

	Activity	M0	M1	M2	M3	M4	M5	M6	Owners
	Understand legal requirements and approval needed to initiate e-visa services								Mol
	<ul> <li>Present a comprehensive proposal to issue e-visas for countries that currently require visa on arrival with technical and legal requirement (e-visa process, documentations, security checks, staffing and skill requirement)</li> </ul>							1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Mol
Offer option for online visa	Set-up a portal for e-visa applications				i i 📻				Mol
omme visa	<ul> <li>Set-up back-office operations to process e-visa applications</li> </ul>								Directorate General
	<ul> <li>Improve wayfinding signs to arrive to the visa station and make sure the station is visible</li> </ul>					*			DGCA
Set-up a one	<ul> <li>Set-up a one stop shop for visa on arrival (include visa approval and payment in one station)</li> </ul>						1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Mol/MoF
stop shop for	<ul> <li>Offer payment through POS system at visa on arrival station</li> </ul>								Mol/MoF
visa issuance	<ul> <li>Develop a system to monitor revenues form visa issuance on a daily basis to limit corruption</li> </ul>				1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Mol/MoF
	<ul> <li>Create a video illustrating the step by step process for getting through the airport and documents needed at each steps</li> </ul>								DGCA
Ensure clarity in process and documents	<ul> <li>Showcase videos on screens in the airport hallways upon disembarking from the airport</li> </ul>								DGCA
needed at immigration	<ul> <li>Built a visible station right before immigration with a clear signage referring to the paper that the tourist needs to fill and present at immigration.</li> </ul>				1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	DGCA
Reinforce	<ul> <li>Develop a training for airport staff on professional conduct</li> </ul>								MoPW
training of	Finalize training of all airport staff								MoPW
airport staff on professional conduct	Enforce strict regulations to uphold highest professional conduct								MoPW
conduct	Introduce a dedicated line for business class passenger								DGCA
	Ensure clear separation and identification of queue by type of passenger								DGCA
Optimize layout	<ul> <li>Introduce 'S' queue design to ensure equal wait to all passengers in zone</li> </ul>				······································				DGCA
and streamline immigration	Create "problem solver" function to handle special-needs passengers								DGCA
process to reduce	<ul> <li>Develop new roster schedule to ensure all stall are filled at all times (e.g. visa counter, immigration lines)</li> </ul>								DGCA
passenger processing	<ul> <li>Study weekly flows and processing time by time of passengers (e.g. Lebanese vs non-Lebanese) and match roster to daily/hourly demand pattern</li> </ul>								DGCA
time	<ul> <li>Understand the root causes behind long processing time of foreign passport holder and resolve it accordingly (e.g. update IT systems, streamline process in the backend)</li> </ul>							1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	DGCA



### Airport arrival – Ease of access





## Airport arrival – Ease of access implementation timeline

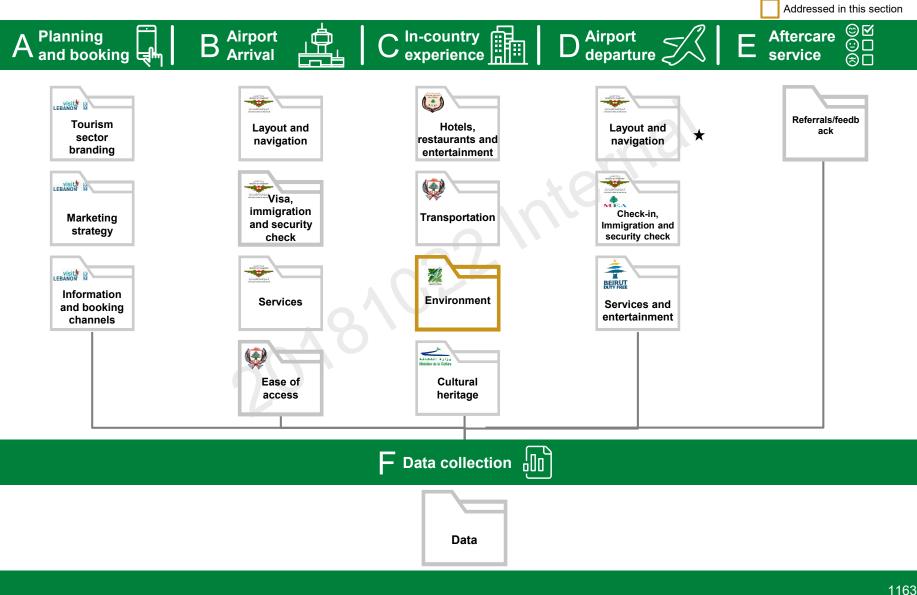


### TO BE UPDATED AT LAUNCH OF THE IMPLEMENTATION MECHANISM

	Activity	M0	M1	M2	М3	M4	M5	M6	Responsible
	Introduced dedicated exit for taxis with queuing system								MoPW
	Impose fines on drivers poaching tourists for rides				1   1   1   1   1   1   1   1   1   1   1				MoPW
Organize taxi service at the airport, regulate prices and	Introduce new "luxury" segment for taxi service depending on car model (set standards for classification of "luxury" vs "normal" car)					<b>X</b> r		Image: Normal and the second	MoPW
tailor offering to different segments	Design taxi service rates based on segment of car and region for drop-off							I         I	MoPW
	Implement a sign board near the taxi exit with taxi rates								MoPW
	Build a waiting area for tourists with a shield roof at the exit to improve tourist waiting time (protection from rain and sun)							I         I         I         I         I           I         I         I         I         I         I           I         I         I         I         I         I           I         I         I         I         I         I           I         I         I         I         I         I           I         I         I         I         I         I           I         I         I         I         I         I           I         I         I         I         I         I           I         I         I         I         I         I	MoPW
Improved passage	Build a pedestrian lane to secure passage of tourists from airport exit to the parking				1         1         1         1           1         1         1         1         1           1         1         1         1         1           1         1         1         1         1           1         1         1         1         1           1         1         1         1         1           1         1         1         1         1           1         1         1         1         1           1         1         1         1         1			1         1         1         1         1           1         1         1         1         1         1           1         1         1         1         1         1           1         1         1         1         1         1           1         1         1         1         1         1           1         1         1         1         1         1           1         1         1         1         1         1           1         1         1         1         1         1           1         1         1         1         1         1	MoPW
for pedestrians from exit to parking	Strictly regulate overcrowding of passenger vehicles in front of the exit gate								MoPW
	Understand the plan and timeline of the public transport project in Lebanon and the links with airport								MoPW
Assess the feasibility of implementing a bus transport service from the airport	Develop the business case for setting up independent bus lines from the airport to anchor destinations in the short-medium term (number of tourists, frequency of flights, ridership rate, drop-off destinations)								MoPW



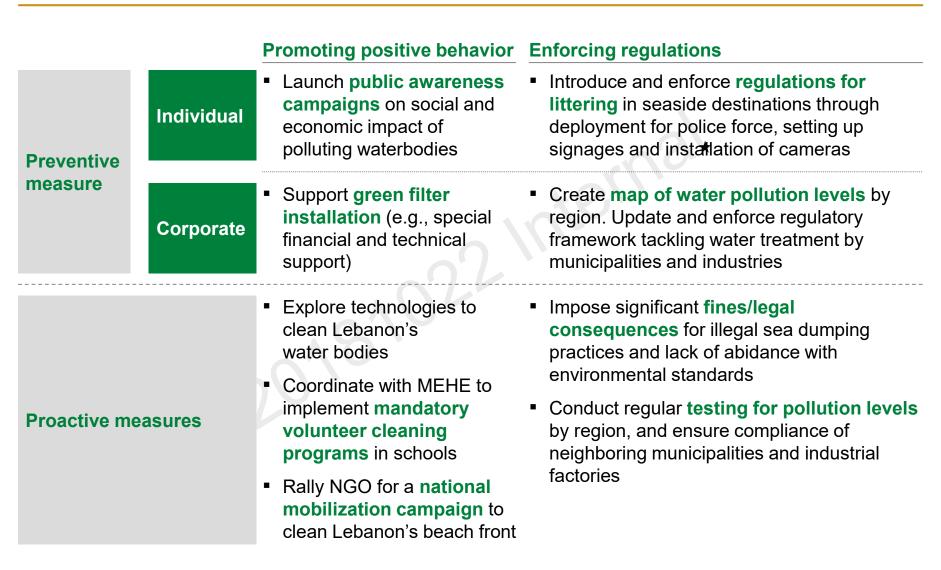
### In country experience - Environment



As part of the tourism strategy, Lebanon could focus on 4 initiatives related to the environment

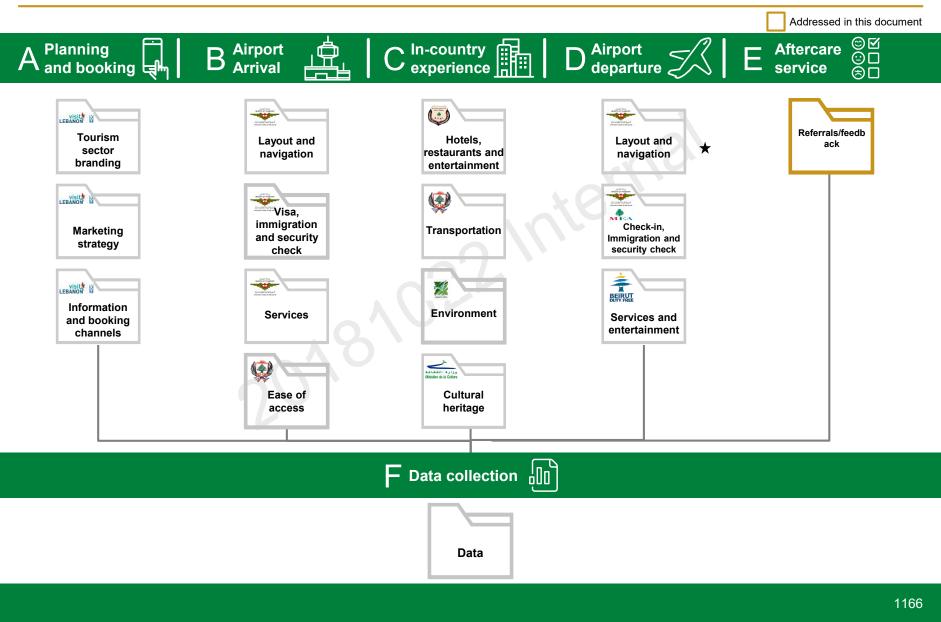


The Ministry of Environment should implement a series of preventive and proactive measures to address water pollution





### Aftercare service – Referrals/feedback



Lebanon should encourage and promote user generated content and referrals to promote Lebanon as a tourism destination



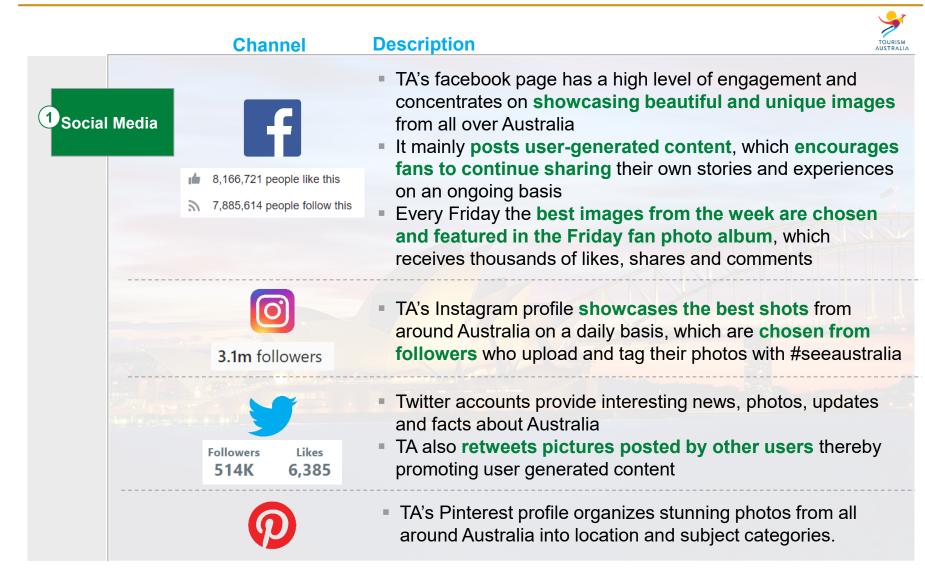
**Platform/Channel** 

### Develop a vibrant and active social media presence to push, promote and interact with tourists Social media to Encourage tourists to engage on social create, share media and publish context about their and push user visit in Lebanon to further increase generated reach to broader audience content Partner with different travel channels/ platforms to organize, aggregate and tripadvisor<sup>®</sup> store user generated content for **Partnerships** marketing livefyre to understand customer Aggregate and organize tourist feedback satisfaction and and reviews on social media to formulate store content understanding on client satisfaction

Tourism Australia's Social Media Program focuses on stimulating conversations about Australia through key platforms



CASE S



# Tourism Australia has partnered with Adobe & Livefyre to introduce new arrangements with Tripadvisor

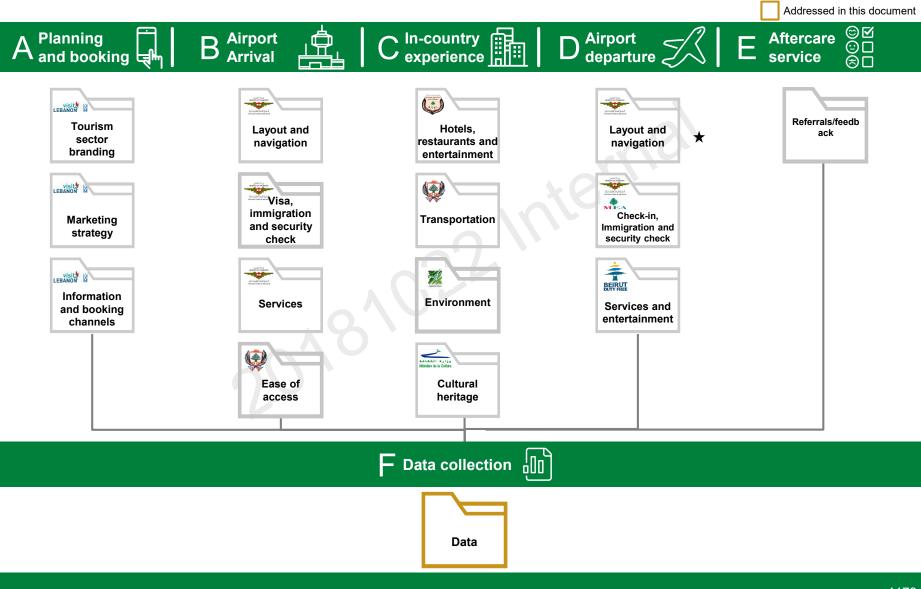


CASE STUDY

	Channel	Description Tourism
2 Partnerships	<image/> <image/> <image/>	<ul> <li>TA partnered with Livefyre and Adobe to aggregate user- generated content from social media and deliver it on australia.com</li> <li>Adobe marketing cloud, including Livefyre provided TA with a unified platform</li> <li>Livefyre helped automate tedious tasks of finding, moderating, storing and organizing massive amounts of content</li> <li>Impact:</li> <li>66% increase in time on site</li> <li>30% rise in site engagement</li> <li>77% increase in leads</li> </ul>
	Contripadvisor*	<ul> <li>Entered into a partnership with TripAdvisor content relating to key Australian tourist destinations which is now available on www.nothinglikeaustralia.com, with the content powered by the Australian Data Warehouse (ATDW)</li> <li>With the help of TripAdvisor, visitors are able to read reviews from over 30,000 great Australian holiday experiences on nothinglikeaustralia.com</li> </ul>



### Data collection - Data



Reporting and analyzing data to drive informed decision making in the tourism sector requires a 3-step approach

sector



# The Ministry of Tourism should prioritize 4 insights that are needed to drive decision making

Insight	Key questions/analysis required	Indicators	Data sources	Challenges with indicators
Hospitality sector performance	<ul> <li>What is the performance hospitality sector at specific month/year?</li> <li>Where are tourists sating during their stay?</li> <li>Does the performance of the sector varies at different star ratings, zones, regions, or specific hotels?</li> </ul>	<ul> <li>Type of accommodation</li> <li>Occupancy rate of hotels</li> <li>Hotel revenues</li> <li>RevPar</li> <li>Total room capacity</li> <li>No of guests</li> <li>Guests nationalities</li> </ul>	<ul> <li>Hotel database</li> <li>Entry paper at airport</li> </ul>	<ul> <li>Data collected covers a sample of hotels only</li> <li>DG does not report data from "entry paper"</li> <li>Hotel do not report accurate data</li> </ul>
Number of tourists	<ul> <li>What is the number of tourists (Lebanese and non-Lebanese) at specific month/year?</li> <li>How is the tourism sector performing compared to the targets?</li> <li>What is the number of tourists from source markets?</li> </ul>	<ul> <li>Number of Lebanese and non-Lebanese tourist arrival</li> </ul>	<ul> <li>Passport scan at arrival</li> </ul>	<ul> <li>Lebanese residents holder of dual passports are reported as tourists</li> <li>Non-resident Lebanese are not reported as tourists</li> </ul>
Source market behavior	<ul> <li>What are the spend habits of visitors?</li> <li>How long is the average length of stay of visitors?</li> <li>What are the preferred hotels and attractions for priority markets?</li> </ul>	<ul> <li>Number of visitors</li> <li>Average length of stay</li> <li>Spend behavior</li> <li>Average spend</li> <li>Preferred hotels by nationality</li> <li>Preferred attractions by nationality</li> </ul>	<ul> <li>Hotel database</li> <li>Departure survey</li> <li>Mastercard</li> <li>Global Blue</li> </ul>	<ul> <li>Data collected covers a sample of hotels only</li> <li>Absence of cooperation with external vendors (Master Card)</li> </ul>
Tourist satisfaction	<ul> <li>How happy are tourists with their overall experience in Lebanon?</li> <li>What are the major pain points faced during the visit to Lebanon?</li> </ul>	<ul> <li>Referrals/Returns</li> <li>TripAdvisor Rating</li> <li>Social Media Sentiment</li> </ul>	<ul><li>Departure survey</li><li>Brandwatch</li><li>Tripadvisor</li></ul>	<ul> <li>Absence of cooperation with external vendors</li> <li>No effort to conduct departure survey</li> </ul>



2 These insights should be gathered from several stakeholders systematically

		Stakeholders	Frequency and data collection/sharing mechanism
A	Integrate ID passport reader at airport arrival with MoT systems	<ul> <li>Directorate general of Civil Aviation</li> <li>General Security</li> </ul>	<ul> <li>Real-time reporting, integrating the DGCA's system with Ministry of Tourism's central database for relevant information<sup>1</sup></li> </ul>
B	Simplify and automate "entry card" for foreigners	<ul> <li>Directorate general of Civil Aviation</li> <li>General Security</li> </ul>	<ul> <li>DGCA to scan and compile information from the "Entry Cards" in appropriate format<sup>2</sup> and share with MoT on a weekly basis</li> </ul>
С	Integrate hotel reporting with 'Visit Lebanon' portal	Hotels	<ul> <li>Hotels to report information real-time within the 'Visit Lebanon' portal, integrated with the Ministry of Tourism's central database</li> </ul>
D	Launch tourist departure satisfaction survey	<ul> <li>Ministry of Tourism</li> </ul>	<ul> <li>Bi-yearly departure survey conducted on sample survey of 200 respondents</li> <li>Survey results to be published, with clear decision-making tackling the low satisfaction areas</li> </ul>
9	Coordinate with external sources to leverage their data	<ul> <li>Master Card</li> <li>Global Blue</li> <li>TripAdvisor</li> <li>Brandwatch</li> </ul>	<ul> <li>Ministry of Tourism to select KPIs to monitor, and solicit external private sector players for the relevant data on a regular basis</li> </ul>
1.51	paring aggregate information, excluding pe	rsonal information 2 Fo	ormat to be developed by MoT based on data needed and shared with DGCA

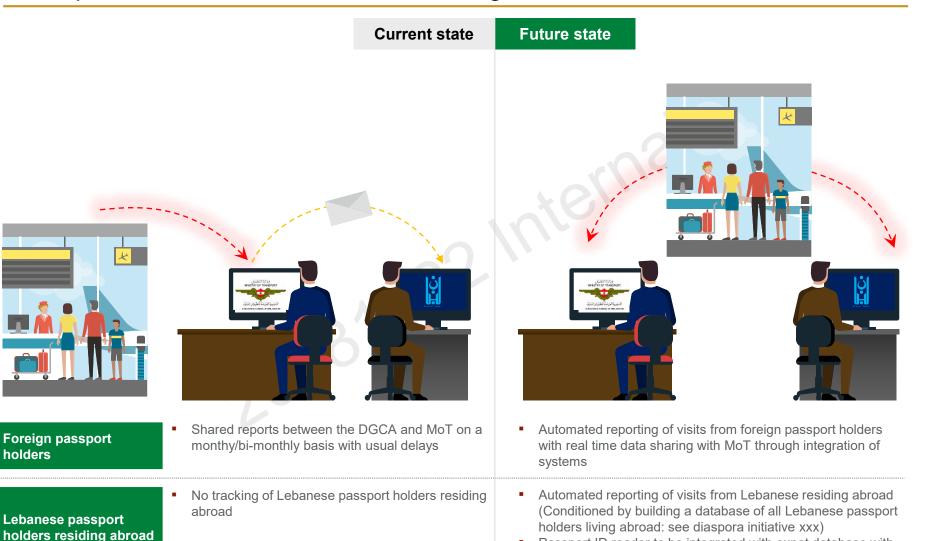
1 Sharing aggregate information, excluding personal information

2 Format to be developed by MoT based on data needed and shared with DGCA



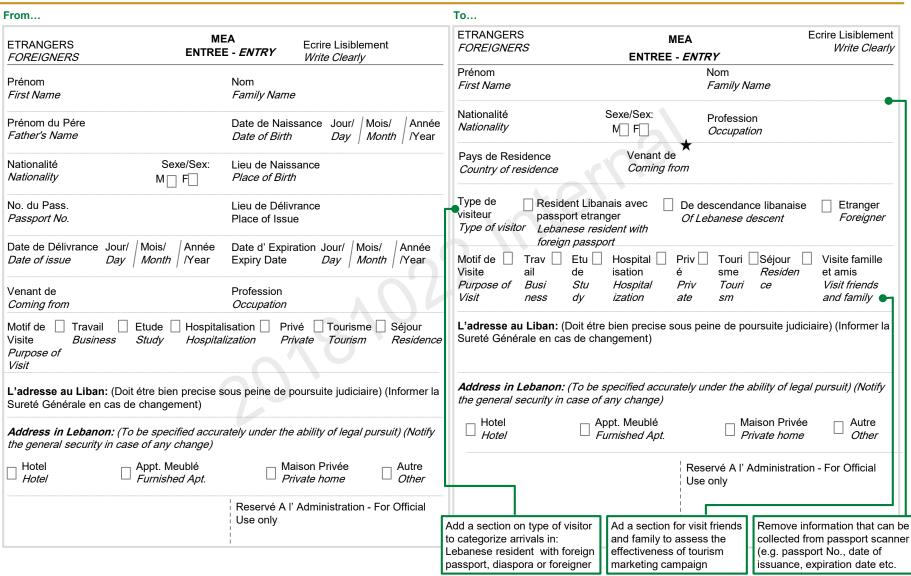
Detailed later

2A MoT's system should be integrated with the passport ID reader at airport arrival for real time data sharing of information



 Passport ID reader to be integrated with expat database with real-time reporting to MoT

# B Digitize "entry card" for foreigners and modify it to include only information that cannot be obtained automatically from passport





2C Hotel reporting should be automated, possibly through Visit Lebanon initiatives, to eliminate existing data collection issues

Hotel data reporting present four important issues



Short and medium term actions should be taken to address these issues

### Compliance

~50% of the hotels do not report data<sup>1</sup>

### Comprehensiveness

Data capture doesn't include all valuable indicators for the ministry of tourism (e.g. Revues from hotels)

### **Frequency and timeliness**

Hotels report data only once per month, limiting the ministry's ability to identify patterns and take short-term action

### Accuracy

Multiple hotels report inaccurate data for tax evasion reasons

### Short term

Meet with hotels to discuss data challenges and potential solutions

Add new fields to the e-Revenue system and ask hotels to start reporting them

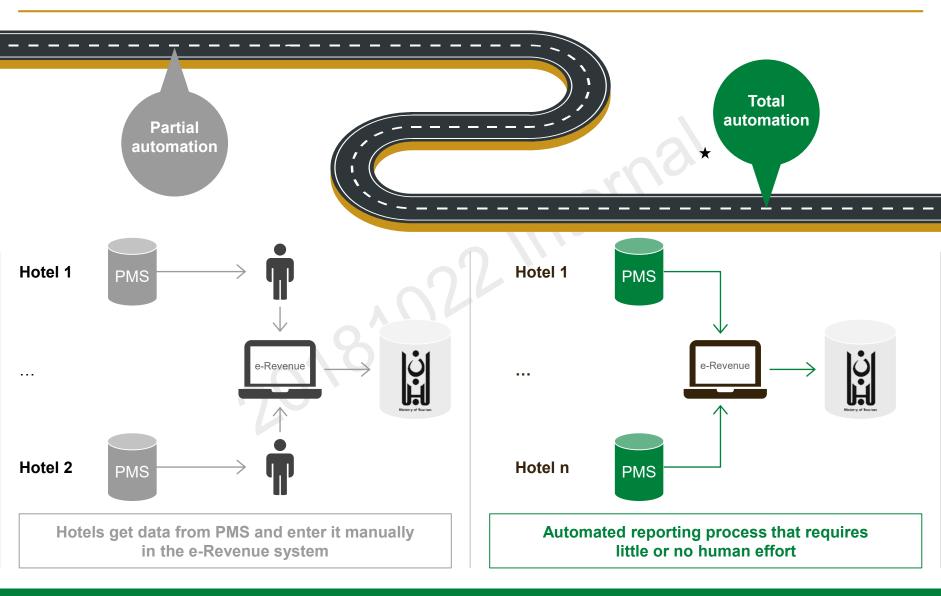
Ask hotels to report data on weekly basis

### Future state

Automate the reporting process to have higher accuracy and timeliness of data

## 2C Automatic reporting would smoothen future data capturing





**2D** Tourism surveys should be deployed following a set of principles



	Guiding principles
1 Defining purpose	<ul> <li>Understanding survey objective</li> <li>Deciding on how results will be used</li> <li>Identifying target population</li> </ul>
2 Drafting survey	<ul> <li>Drafting questions that add value for analysis</li> <li>Calculating survey completion time</li> </ul>
3 Piloting	run Testing on a small sample Modifying survey questions if needed
Selecting data 4 collectio method respond	<ul> <li>Selecting respondents, random sampling or other method</li> <li>Avoiding selection bias (e.g. ensuring that % respondents is representative and</li> </ul>
5 Executin surveys	<ul> <li>Ensuring high response rates</li> <li>Reducing execution bias (e.g. respondent composition is proportional to key population breakdowns)</li> </ul>
6 Analyzin results	<ul> <li>g ► Interpreting the data collected</li> <li>► Creating insights from survey results based on output envisioned</li> </ul>

upon departure of tourists

## 2D A customer satisfaction survey could be conducted at the airport



ILLUSTRATIVE

Detailed later

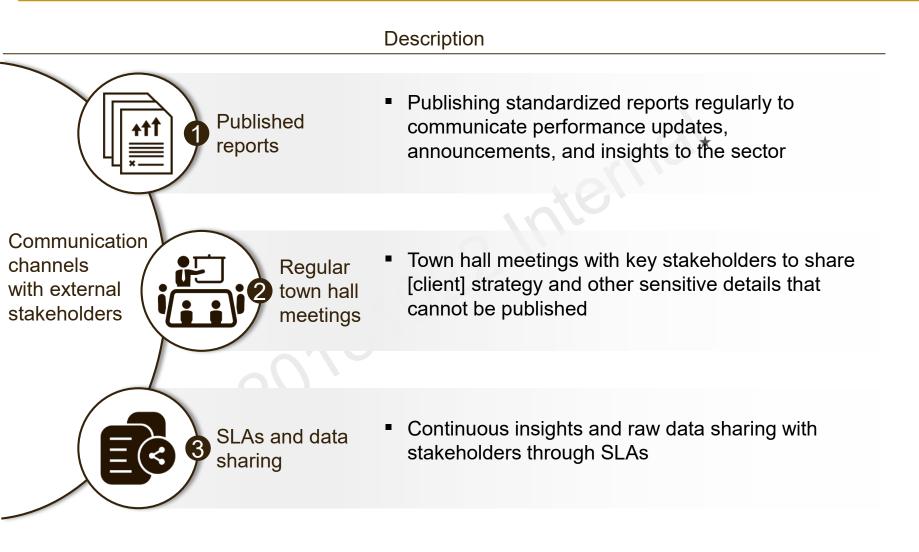
		2	3		5	6
	Defining purpose	Drafting survey	Piloting run	Selecting data collection method & respondents	Executing surveys	Analyzing results
Descrip- tion	Develop a survey that aims at improving journey , encouraging return visits and providing a platform for tourists to be heard	characteristics: ■ 10-12	<ul> <li>Pre-launch, test survey on a sample of 50 respondents to evaluate:</li> <li>Time needed to fill survey</li> <li>Completion rate</li> <li>Ease of comprehensio n of the questions</li> <li>Quality of answers</li> </ul>	<ul> <li>Define sample characteristics to run survey<sup>1</sup></li> <li>Create survey application form to be accessed through tablets</li> <li>Run survey in the airport upon departure (after immigration) through deploying volunteers to collect input on tablets</li> </ul>	<ul> <li>Runtsurvey at the airport upon departure twice per year</li> <li>Close survey upon getting 200 respondents with target sample size mix</li> </ul>	<ul> <li>Analyse survey results and identify priority key actions to improve customer journey</li> <li>Report survey results in the form of a townhall with stakeholders and develop action plan to implement key priority actions</li> </ul>



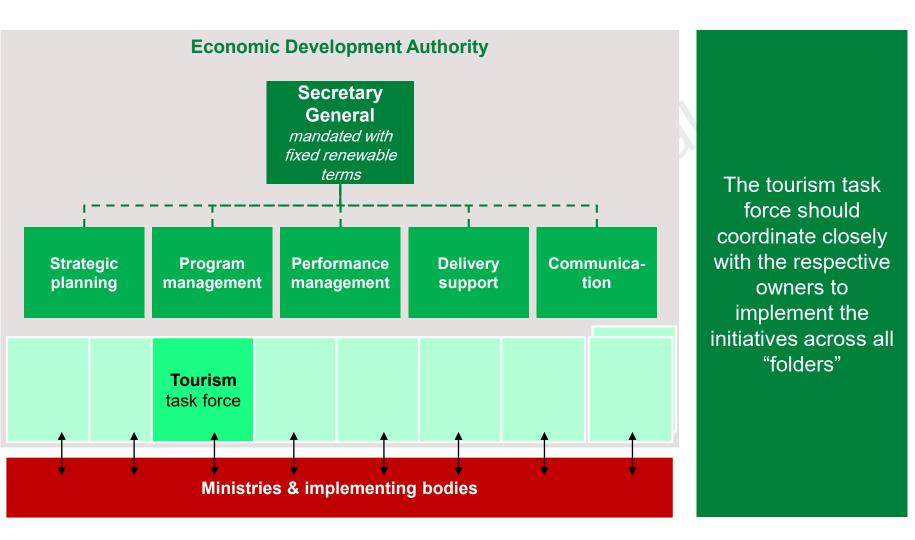


	••	×			م لا
←	→ C				☆ =
1.	Are you:	Diaspora	Lebanese non-resident	Foreign visitor	
2.	Nationality	•		*	
3.	Country of residence:	•			
4.	Purpose of travel Business	Leisure	Hospitalization	Study	Work
5.	Average length of trip (in days)	Enter number			
6.	Approximate spent during stay (e	500-1000 USD	1000-2500 USD	2500-4000 USD	More than 4000 USD
7.	How would you rate your overall exp How likely are you to visit Lebanon a			1 (low) 2	3 4 5 (high)
8.	What was your favorite activity: Eating at restaurants Shopping	Outdoor activities Visiting cultural sites	Exploring the rural areas Other	Relaxing on the beach	Clubbing and gaming
9.	How can we improve your experie	ence in Lebanon			

Outcomes of surveys and data findings should be regularly communicated with the relevant stakeholders and made public



The tourism task force should become the node for coordination of all tourism-related initiatives





### I. EXECUTIVE SUMMARY

#### II. INTRODUCTION AND METHODOLOGY

- A. Methodological approach to the study
- B. Stakeholder engagement and syndication process
- C. Reviewed documentation

### **III. CONTEXT AND DIAGNOSTIC**

- A. Chapter summary
- B. Economic perspective
  - 1. Macro-economic evolution
  - 2. Trade profile (exports & imports)
- C. Sector diagnostics
  - 1. Natural resources (oil & gas)
  - 2. Agriculture
  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
  - 1. Public finance
  - 2. Ease of doing business
  - 3. Monetary policy
  - 4. Economic development activation
  - 5. Trade & international agreements

#### IV. THE VISION: LEBANON'S ECONOMIC ASPIRATIONS

- A. Chapter summary
- B. Burning platform
- C. Lebanon's growth imperatives
- D. Economic aspirations and macroeconomic targets
- E. Sector prioritization mechanism and rationale

### V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

- A. Chapter summary
- B. Sector deep-dives
  - 1. Agriculture
  - 2. Industry
  - 3. Tourism
  - 4. Knowledge economy
  - 5. Financial services
  - 6. Diaspora

#### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

- A. Chapter summary
- B. Public administration reform requirements
- C. Infrastructure including CIP initiatives
- D. Public finance requirements
- E. Main legislative requirements
- F. Country branding & export promotion

## VII. INSTITUTIONALIZATION MECHANISMS

- A. Chapter summary
- B. Governance set-up: orchestration and delivery
- C. Path forward

### VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters

Three identified flagship projects should be launched immediately to jumpstart the momentum of the Vision



Discussed next





- Seamless end-to-end tourism journey with a newly-overhauled airport experience
- Penetration of 2-3
   Lebanese crops into new export markets<sup>1</sup>
- "Lebanon 2020" centennial nation-wide celebration<sup>1</sup>

Capture imminent opportunities



# Build a flagship project symbolizing the Vision

 Construction technology zone on the border with Syria, capitalizing on the Syria and Iraq

reconstruction opportunity worth ~100-300 USD Bn, and housing millions of returning refugees  "Smart Lebanon" Knowledge Hub hosting creative, technology and outsourcing companies, within and outside real estate zones (e.g. Outsourcing park in Tripoli)



## The Syrian reconstruction opportunity

Building a comparative advantage for Lebanon

Initial perspective on industrial construction zone

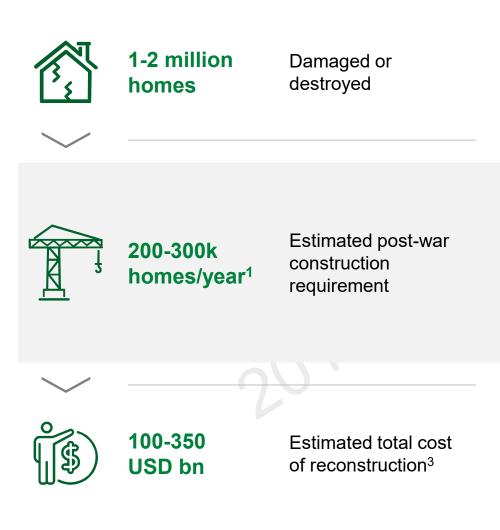
- Location assessment
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- Governance
- Technology focus

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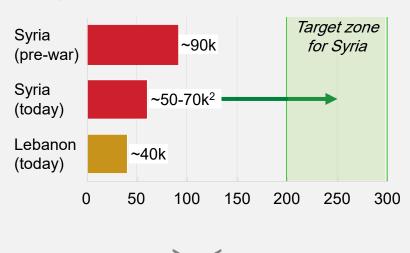
Appendix

# The Syrian conflict has destroyed 1-2 million homes, contributing to a total reconstruction cost of 100-350 billion USD



### **Comparison of estimated production**

**capacity,** *#* housing units/year

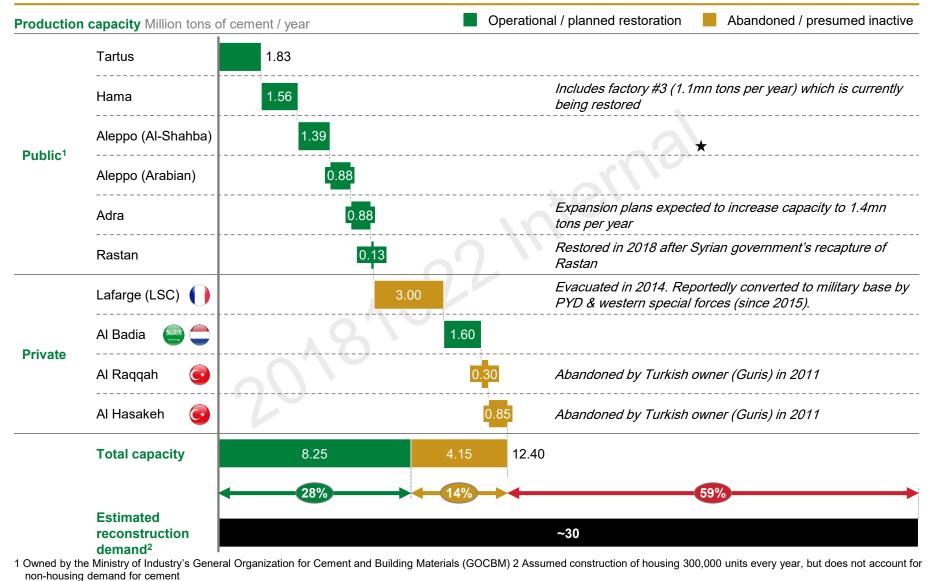


- Syria's domestic construction capacity will only be able to meet 20-30% of demand
- Annual supply gap will be at least 100,000 units, which is overwhelming larger than Lebanon's total production capacity of ~40,000 units
  - E.g. to capture 20% of the supply gap, Lebanon will need to increase its capacity by 50%
- Thus, in all likelihood, Lebanon's reconstruction efforts will not be limited by demand

1 Including natural growth rate of 100,000 homes/year; 2 Based on damage/destruction of cement factories; 3 Not limited to housing

Source: World Bank, Middle East Initiative, cement factory websites, press search

# After losing 1/3<sup>rd</sup> of its cement production capacity during the conflict, Syria's domestic supply of cement represents < 30% of demand



Source: Middle East Initiative, Syrian Ministry of Industry, press search, company websites



## Contents – Industrial Construction Zone

The Syrian reconstruction opportunity

## Building a comparative advantage for Lebanon

Initial perspective on industrial construction zone

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Appendix



### Lebanon's comparative advantages at a glance

of Lebanon's fastest growing exports)



Geographical proximity to major reconstruction areas, including Homs, Aleppo, and Damascus countryside (Douma, Eastern Ghouta, etc.)



 $\mathbf{O}$ 

Relatively positive investment & business environment (compared to Syria, Irag) which will continue to improve through reforms



Syria, Iraq)

Availability of high-skilled labor in relevant fields (e.g. architecture, engineering) with strong understanding of Syria's housing needs (e.g. due to similar preferences)



Strong cultural & language ties (e.g. vs. Iran, Turkey) and a favourable political relationship with Syria (e.g. vs. Turkey, Saudi Arabia and Jordan) A liberal environment with high standards of living which enable a positive lifestyle for foreigners (e.g. compared to

Industrial construction allows savings in cost and production time as well as higher quality, which will be very relevant

Industrial construction allows Lebanon to capture a significant share of reconstruction value, as it transfers "value-add"



truction?



from construction sites to factories (to be located inside Lebanon) Lebanon prefabricated construction sector is well-established, externally focused, and growing (prefab material is one

Whv Industrial Zone?

Industrial zone will offer highly effective and efficient infrastructure including utilities (e.g. power) and industrial Щ. infrastructure (e.g. storage areas, loading docks)

in the reconstruction in Syria (e.g. partially to facilitate return of refugees)



Industrial zone will offer financial enablers including competitive land lease offers, prioritized access to financial support programs (e.g. Kafalat), and customized investment attraction packages



Industrial zone will offer regulatory enablers including a one-stop shop which coordinates all regulatory affairs (e.g. licensing)



Industrial zone will offer extensive support services including business operations support, facilitated access to suppliers / service providers, research facilities, site management & security, etc.

Co-location of industrial construction firms (and adjacent services) creates economies of scale (e.g. bulk purchasing, machinerv sharing. etc.) which improve profitability

Global experience shows that competitiveness in construction technology requires an optimal positioning across four dimensions



Advantage provided by zone  $\mathbf{X}$  Comparative disadvantage  $\sqrt{}$  Comparative advantage

Availability of talent competitors lengthy Maturity of the industry proportionally at-par with Turkey Distance to export markets competitors



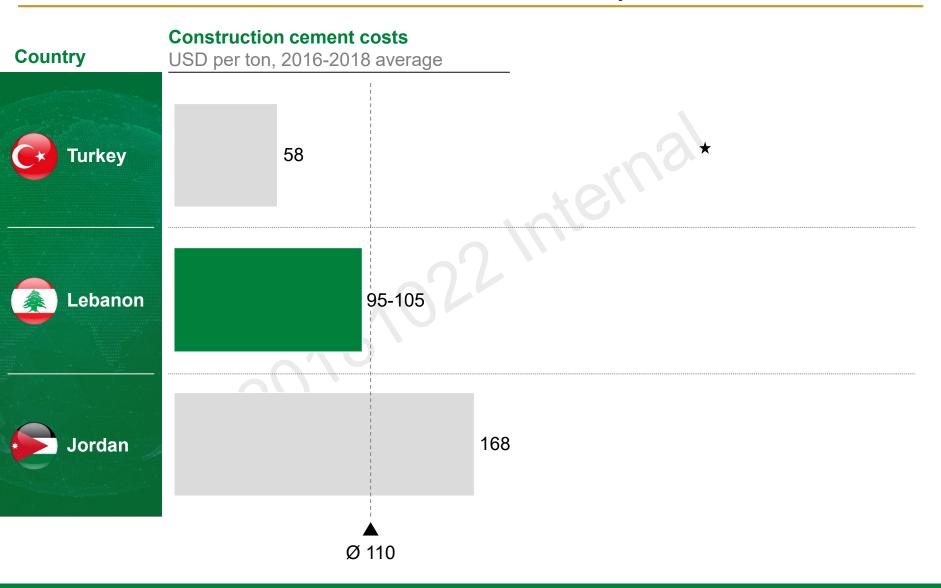
**Physical** infrastructure (power, roads...)



- Technology construction requires more high-skill knowledgeintensive labor vs. regular
- Lebanon has a larger pool of talent than regional
- Ramping-up technological requirements and know-how is
- Lebanon has a more established industry than Jordan and
- Cost of transportation is a major cost component
- Specific target markets are closer to Lebanon than regional
- Physical infrastructure in Lebanon is lagging compared to regional peers
- Construction zone will provide best-in-class infrastructure (power, telecom) and connectivity (revised road & ports)
- Major cost components include steel and cement
- Lebanon lags competitiveness on cost of material when compared to Jordan & Turkey



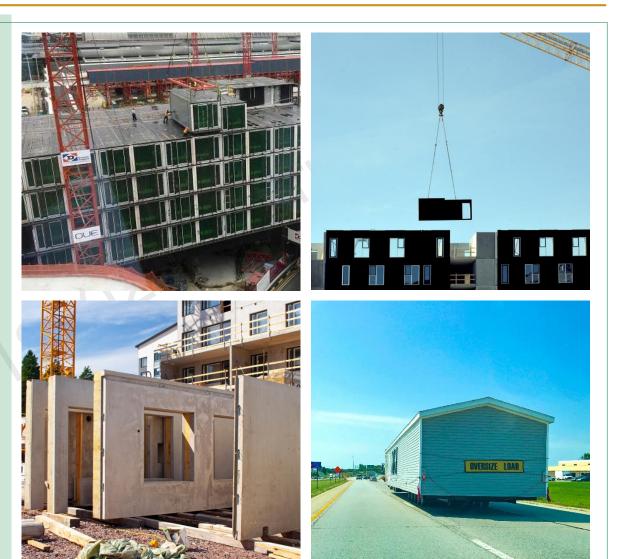
#### Cement costs are lower than Jordan but ~2x Turkey's costs





## B What is industrial construction?

Industrial construction entails large-scale, centralized production of units using automated & optimized industrial technologies which allow for integration across the value chain





B Industrialized construction offers several advantages which are very relevant to Syrian reconstruction



#### Advantages of industrialized construction

Reduced costs

20%-40%↓

Minimization of waste due to the accurate production of precast concrete elements and reduced maintenance costs Short construction time (and better quality)

~50%

Optimized process and production in a controlled environment leads to efficiency and quality

#### **Critical in Syria**

Due to declines in income & purchasing power

**Critical in Syria** 

Due to overwhelming supply-demand gap

Higher productivity; fewer on-site personnel

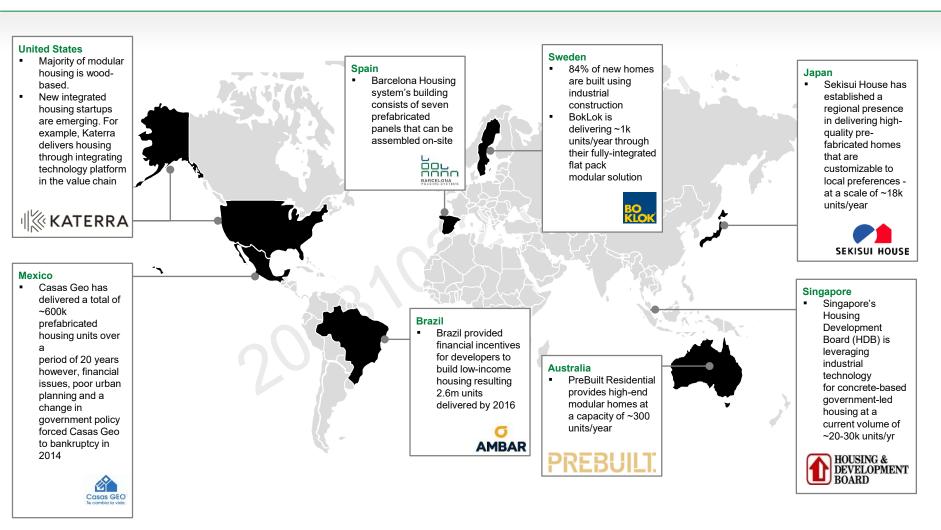
~30% 🗸

Reduced labor cost and improved productivity

Creation of high-skill employment opportunities as jobs move from site to factory

#### **Critical in Lebanon**

Due to shortage of skilled job openings for Lebanese graduates & workers B Industrial construction technologies have been successfully leveraged for housing across the world...





The "Masaken Barzeh" area in **Damascus** is almost entirely prefabricated

 $\searrow$ 

Karmod – a leading Turkish prefab company – has developed several modular housing compounds in **Iraq** 

2500 units build

in 12 months

(2014-15)



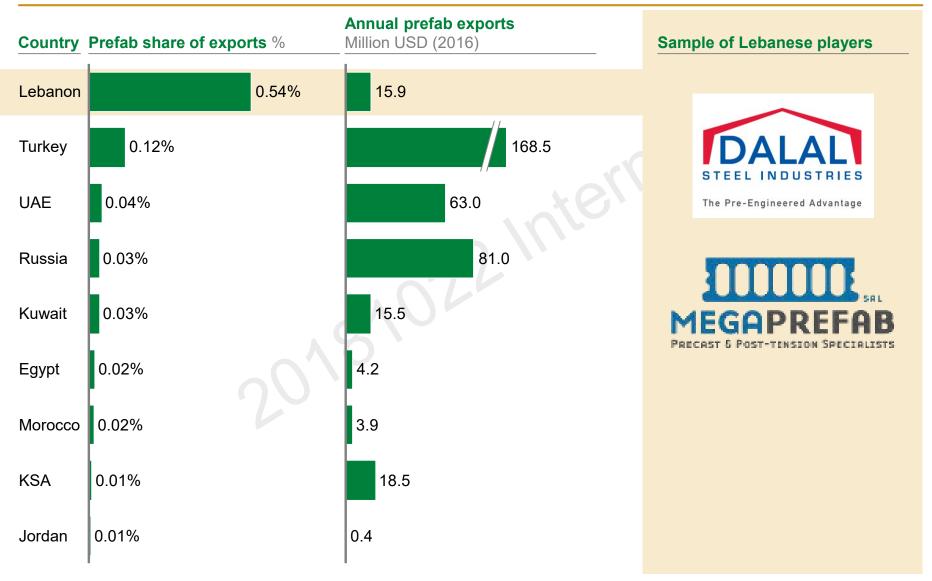
1880 units built

in 7 months

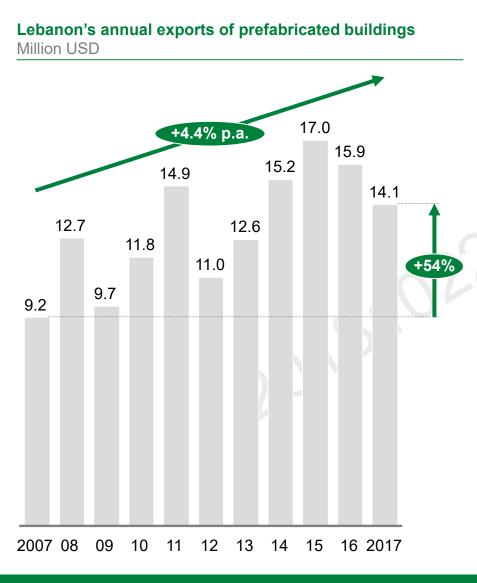
(2013)

B Lebanon has the advantage of having a relatively well-established prefab sector which accounts for a significant share of exports



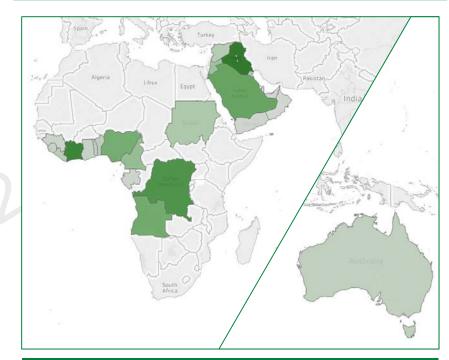


## B Exports of prefabricated buildings grew by over 50% over the last 10 years, with destinations across the Middle East and western Africa



#### Geographical breakdown of export destinations

Total exports 2007-2017

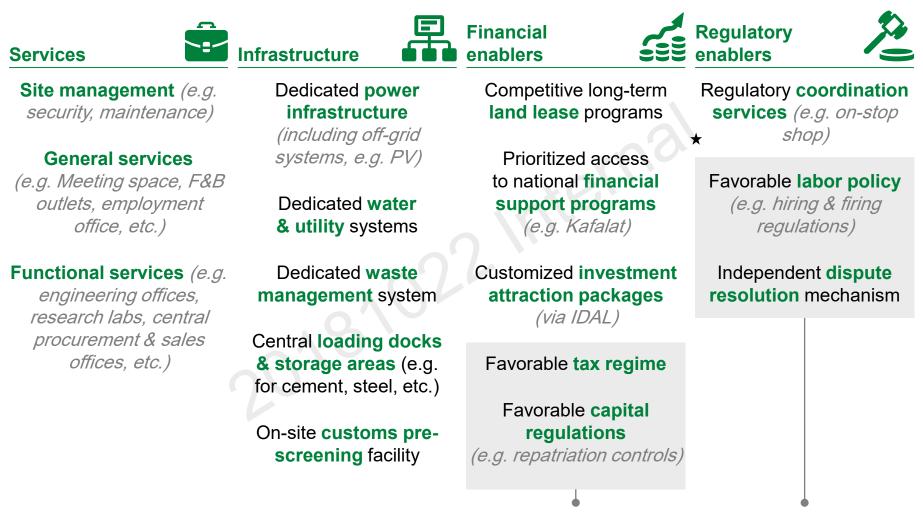


#### Top 5 export markets for prefabricated buildings:

- Iraq
- Ivory Coast
- Congo
- Saudi Arabia
- Angola



C An industrial construction zone in Lebanon can create a strong value 🙊 proposition for Lebanon across four dimensions



Requires extensive regulatory action to develop independent regulatory ecosystem (e.g. similar to Tripoli SEZ), and further assessment is required to assess feasibility / impact



The Syrian reconstruction opportunity

Building a comparative advantage for Lebanon

## Initial perspective on industrial construction zone

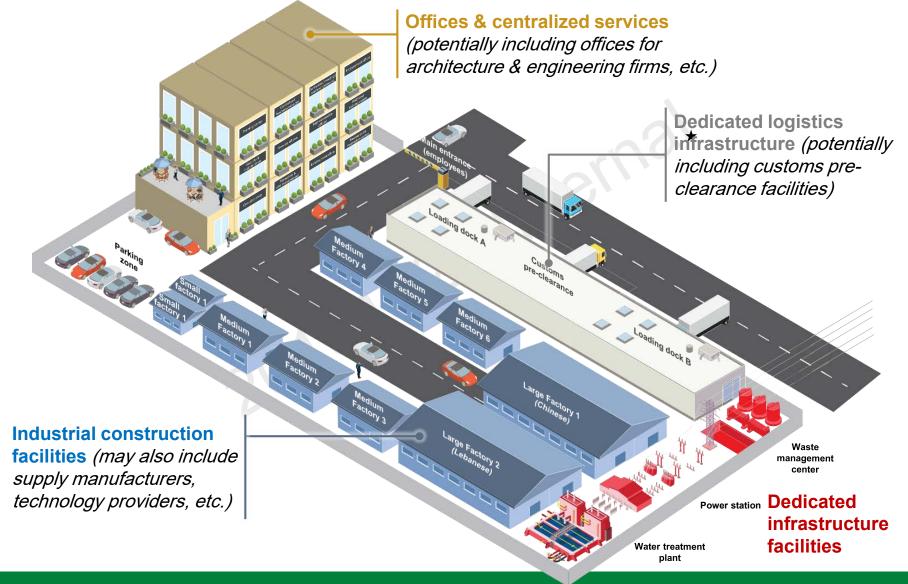
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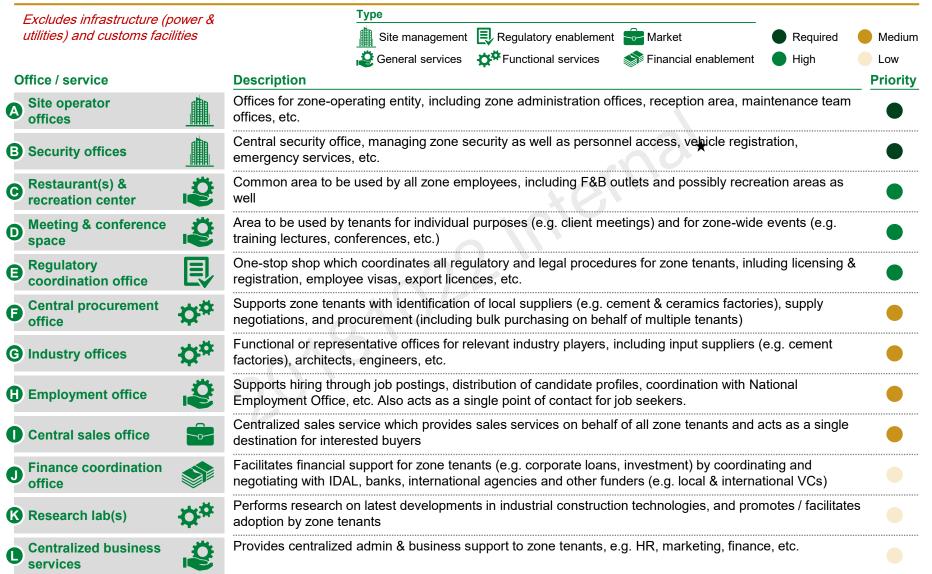
Implementation roadmap

## Illustrative visualisation of industrial construction zone





Beyond infrastructure, the industrial construction zone should seek to develop 12 key services (with varying levels of priority)





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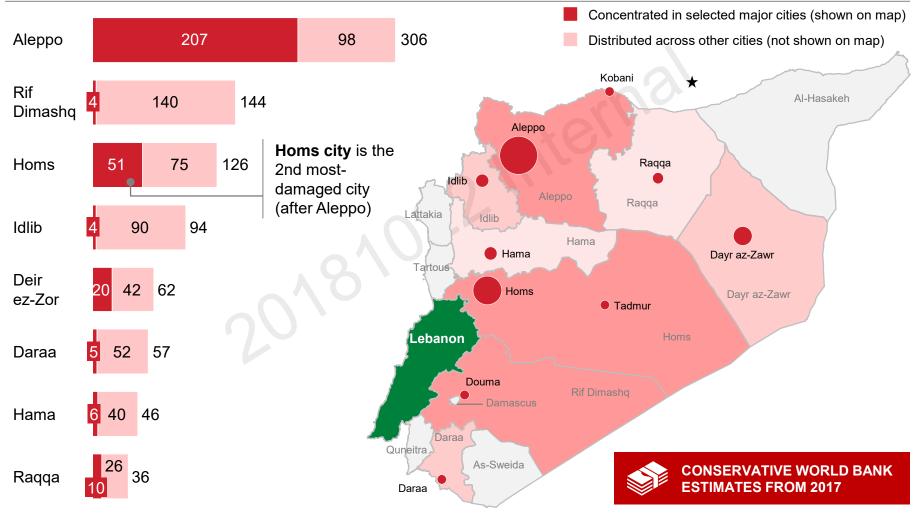
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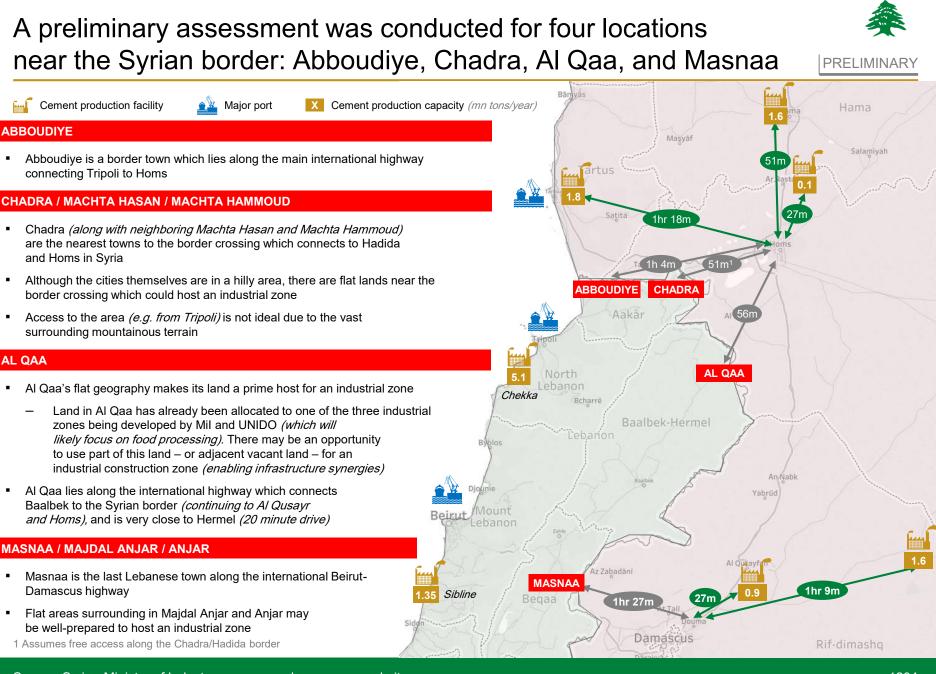
# Homs is likely to be one of the most important reconstruction markets for Syria, followed by Rif Dimashq and Aleppo

#### Governorate-level distribution of damage to housing in Syria (2017)

# of housing units which were destroyed or damaged, '000





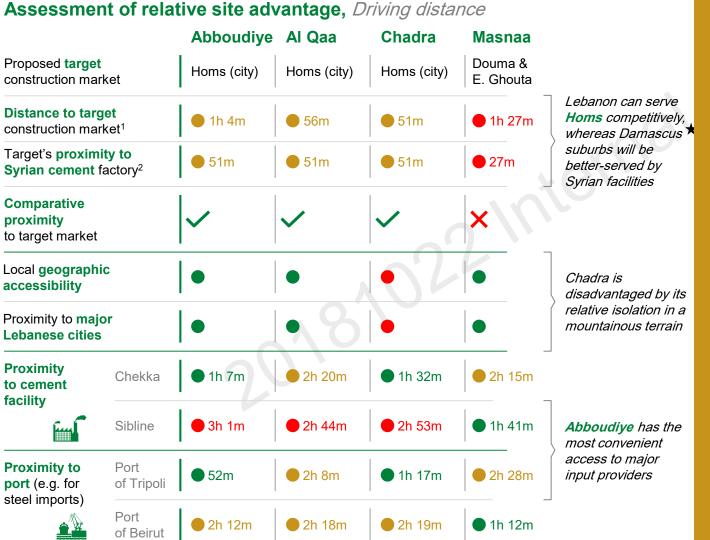


Source: Syrian Ministry of Industry, press search, company websites

# While each location has a different value proposition, AI Qaa might be best-prepared to host an industrial construction zone



PRELIMINARY



#### Preliminary analysis suggests that **Abboudiye** or **Al Qaa** might be best-suited to host an industrial construction zone focused on Syrian reconstruction

- Lebanon is geographically better-equipped to address reconstruction in Homs (rather than the suburbs of Damascus), and therefore a zone near Masnaa would not be optimal
- Chadra's geographic isolation and distance from major cities threatens the feasibility of establishing an industrial zone

Further analysis is required to assess socioeconomic and environmental impact, land availability, infrastructure readiness, etc.

1 Transportation can be a major driver of cost and competitiveness for industrial construction components (especially 3D modular components) 2 Excluding factories with annual production below 500,000 tons



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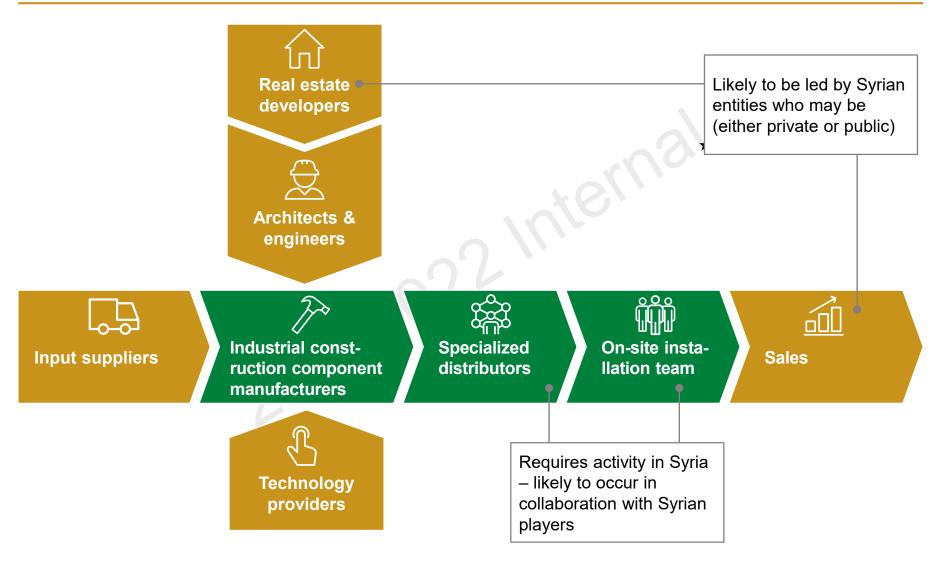
## Initial perspective on industrial construction zone

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Implementation roadmap

## Industrial construction zone should attract players across the entire value chain (1/2)



Primary

Secondary

#### Industrial construction zone should attract players across the entire value chain (2/2)Level of importance



Primary Secondary

Player type	Description of activities	Importance in zone	
Input suppliers	Producing necessary input materials, including cement and steel as well as ceramics, pipes, HVAC materials, furniture, paints, etc.	Zone tenants should seek to leverage and support existing supply chain providers in Lebanon (e.g. cement & ceramics factories) to the extent possible	
Industrial construction factories	Manufacturing industrial construction components, ranging from pre-cast concrete panels to 3D modular elements	Core industrial construction activity (focus of zone)	Services
Specialized logistics providers	Transporting industrial construction material from factory to construction site, using specialized large-size trucks	Critical adjacent service which is ideally offered by industrial construction factory itself <i>(but may occur with Syrian partners, as activities occur inside Syria)</i>	often provided by individual industrial constructior
On-site installation team	Perform on-site installation of industrially- produced components	Critical adjacent service which is ideally offered by industrial construction factory itself <i>(but may occur with Syrian partners, as activities occur inside Syria)</i>	companies
Construction technology providers	Provide and maintain industrial construction technologies <i>(including machinery, IT solutions, etc.)</i> for manufacturing facilities	Although it is possible to rely on partnerships with international providers, tenants would benefit from local players	
Architecture and engineering services	Provide architecture, design and engineers services	Collaboration with architects/engineers is very important, but does not strictly require co-location in the zone, especially since Lebanon already has many well-established players	
Real estate developers	Typically own land (or coordinate with land owner) and oversee all project development elements, including awarding of contracts to construction companies	Although close coordination developers is needed, it may be more effective to work Syrian developers or existing Lebanese developers	
Real estate sales offices	Responsible for marketing and sales of residential units	Requires presence inside Syria. Lebanon firms can be involved <i>(especially in preparation of marketing</i> <i>material, reach-out to Syrians in Lebanon)</i> but there is a limited need to be co-located in industrial zone	

## Lebanon's industrial construction zone can attract 4 types of players, which should be prioritized to different extents



Approach	Comments	Accelerated time to impact	Preliminary assessment of priority
A Incubating new local players	Incubating new start-ups is an efficient way to <b>leap-frog</b> technologies / adopt best-in-class techniques, but requires high-risk investment	6-12 months ★	Medium
B Expanding capacities and capabilities of local players	Lebanon has <b>several well-established players</b> with high growth potential, but may <b>require support</b> to adopt latest technologies & to develop specific capabilities in low- income housing	3-6 months	High
C Developing new joint venture efforts between local players & regional / global leaders	Joint ventures allow local industry players to effectively adopt <b>global best-practice</b> <i>(e.g. latest technological</i> <i>advances)</i> while also leveraging <b>external funding source</b>	12-18 months	Very high
D Attracting regional & global leaders to set up operations in Lebanon	Attracting global players requires significant efforts, but can lead to the creation of <b>significant scale</b> in a relatively short period of time	12-24 months	High

# A differentiated strategy would be required to attract different types of players

Approach	Top priorities	Suggested approach	Critical zone dependencies
A Incubating new local players	<ul> <li>Availability of start-up capital financing</li> <li>Functional &amp; marketing support</li> <li>Recruiting</li> <li>Regulatory</li> </ul>	<ul> <li>Create partnerships with local &amp; international VCs</li> <li>Creating connections with local industry players and suppliers</li> <li>Facilitating registration &amp; licensing</li> <li>Supporting recruiting efforts</li> </ul>	<ul> <li>Finance office</li> <li>Supply coordination office</li> <li>One-stop-shop</li> <li>Employment office</li> </ul>
B Expanding capacities and capabilities of local players	<ul> <li>Financing to support expansion</li> </ul>	<ul> <li>Provide prioritized access to Kafalat &amp; other financing mechanisms</li> </ul>	<ul> <li>Finance office</li> </ul>
Developing new joint venture efforts between local players & regional / global leaders	<ul> <li>Overcoming legal &amp; regulatory burdens</li> </ul>	<ul> <li>Support legal negotiations with support of established Lebanese legal firms</li> </ul>	<ul> <li>One-stop-shop (including coordination with local legal firms)</li> </ul>
Attracting regional & global leaders to set up operations in Lebanon	<ul> <li>Overcoming legal &amp; regulatory burdens</li> <li>Access to local talent</li> <li>Establishing relationships with local partners &amp; suppliers</li> <li>Financial incentives to off-set high levels of risk</li> </ul>	<ul> <li>Facilitating registration &amp; licensing, including residence for foreign employees</li> <li>Supporting recruiting efforts</li> <li>Creating connections with local industry players and suppliers</li> <li>Providing special investment packages</li> </ul>	<ul> <li>One-stop-shop</li> <li>Employment office</li> <li>Supply coordination office</li> <li>Finance office</li> <li>Special labor policy</li> <li>Special tax policy (e.g. subsidies)</li> </ul>



The Syrian reconstruction opportunity

Building a comparative advantage for Lebanon

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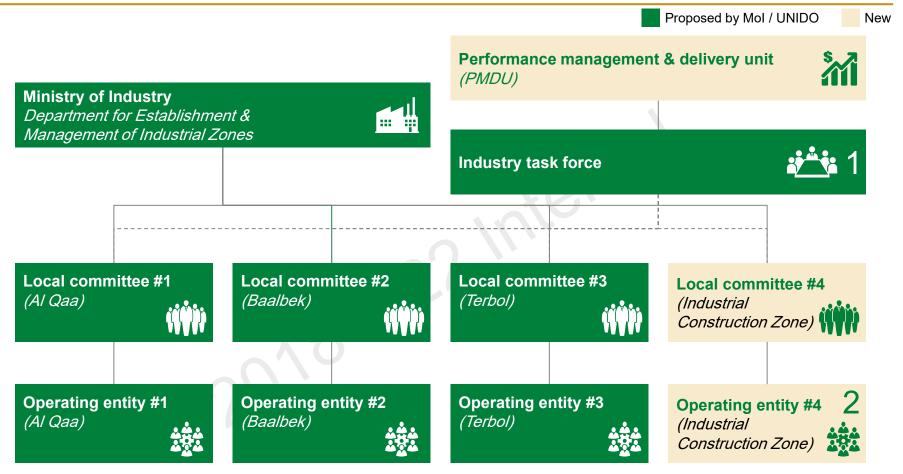
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Impact assessment

Implementation roadmap

Industrial Construction Zone should follow the framework and governance adopted by MoI / UNIDO for the other industrial zones





The working group proposed in the Mol / UNIDO masterplan can serve as a the industry "task force" reporting to the Economic Development Authority *(which will oversee a task force for each priority sector)*  To avoid creation of parallel structures, Industrial Construction Zone should follow the governance structure proposed by Mol / UNIDO for the other industrial zones



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Implementation roadmap

Industrial construction zone should prioritize structural and modular technologies which capture a large share of construction value chain



Industrial con	struction technology	Description	Structural technologies 📃 Modular technologies
Medium priority	1 Light gauge steel frames	Galvanized steel sheets, roll formed into profiles used for framing	
∼25-30% of value chain can be	Precast concrete frames	Reinforced concrete framing elements, including columns & beams precast in factor	
industrialized <i>(in Lebanon)</i>	OPRECAST CONCRETE Panels	Large concrete walls and slab panels prefabricated in factory	
	4 Structurally insulated panels	Insulating foam core sandwiched between tw structural facings, typically metal sheet or cement	
	5 Glassfiber reinforced panels	High strength fiber glass is embedded into gypsum, light weight concrete and plastic to for form panels, improved structural properti	
High priority	6 Volumetric pre- cast construction	Extension of precast concrete panels system	ns
Up to ~75% of value chain can be industrialized <i>(in Lebanon)</i>	Modular homes	Sectional prefabricated buildings that consist of multiple modules constructed indoors on assembly lines (3D or flatpack)	
	8 Complete factory built homes	Completely constructed and assembled offs in a factory	te

SOURCE: MGI; Prillhofer Official website; understanding construction; precast website; Prebuilt construction; Building Construction Authority (Singapore); inhabitat; the constructor; Lindbäcks, press search



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Building a comparative advantage for Lebanon

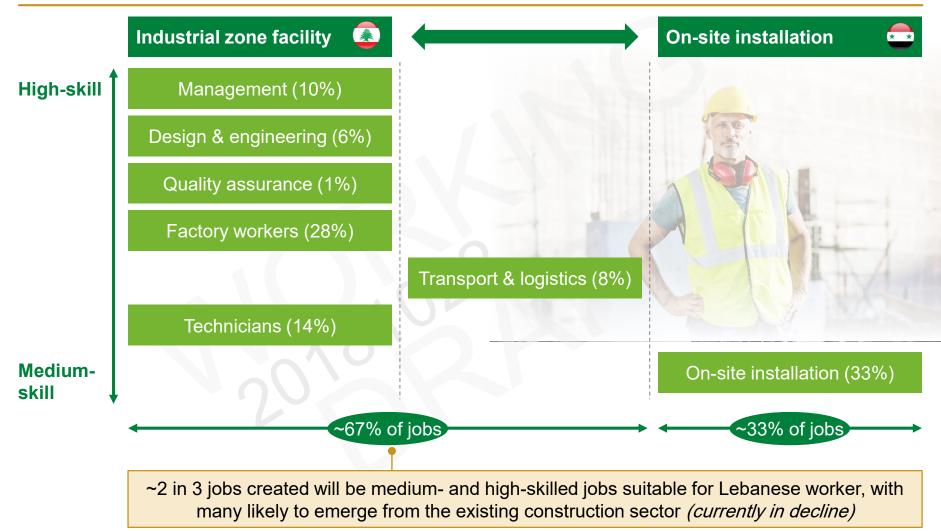
Initial perspective on industrial construction zone

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#### Impact assessment

Implementation roadmap

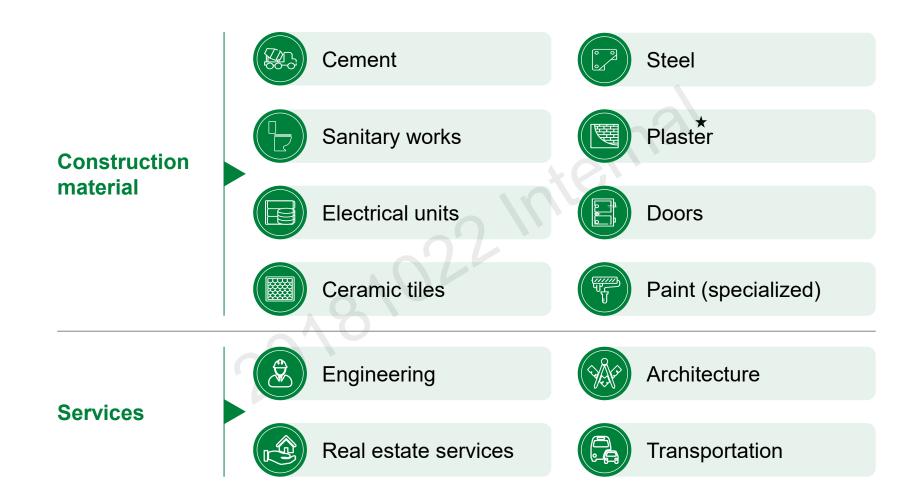
Industrial construction zone will create a combination of medium-skill and high-skill jobs across both Lebanon and Syria...



Excluding indirect jobs (e.g. cement factories, steel importers, etc.)



... and will also indirectly support job creations in adjacent industries





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Impact assessment

### Implementation roadmap

lestone description	Target deadline
lasterplan complete	January 1⁵t, 2019
al estate developer onboarded	February 1 <sup>st</sup> , 2019
nstruction begins	June 1 <sup>st</sup> , 2019
dustrial zone operational (1-3 tenants)	March 1 <sup>st</sup> , 2020
) <sup>th</sup> zone tenant onboarded	March 1 <sup>st</sup> , 2021



ILLUSTRATIVE

## Preliminary timeline for construction technology zone

		M1					M2				М3					
Activity	30.		06.	13.	20.	27.	03.	10.	17.	24.	01.	08.	15.	22.	29.	Responsible
Identify land options											-					Mol
Conduct initial site visits and complete preliminary feasibility assessment		р в в 1					•1				   					Mol / Contractor
Compile list of key players in industrial construction sector <i>(including material suppliers)</i>												8	*			Mol
Engage with key players to form "informal consortium" to play an advisory role in zone planning		1     								R						Mol
Hold "brainstorming workshop" to present initial zone plan & gather feedback, ideas etc.		   	Wor	∲ kshop 1	I		1				1				1	Mol
Refine zone plan based on consortium feedback		   														Mol
Hold "alignment workshop" with consortium to finalize zone plan, lincluding location selection		   			0	♦ Worksh	op 2				,     					Mol
Develop full masterplan for zone <i>(incl. additional site visits)</i>						· · · · ·					1	• • • • •				Mol / Contracter
Hold "alignment workshop" with consortium to present masterplan & collect feedback									\ \	♦ Norksho	p 3					Mol
Acquire land rights <i>(if necessary)</i>		I					-				- 1				1	Mol
Obtain necessary construction permits <i>(if necessary)</i>																Mol
Identify & onboard developer											-					Mol
	Pro	g 1: bject k-off					ep 1: e plan 8 n finali			Mas	Oct 1: sterplan mplete				Nov Develo onboa	oper



0181022 Internat

Tanger Free Zone: a manufacturing and services base to Europe, within an integrated logistics hub





#### Integrated infrastructure set-up

- Tanger Med port and integrated logistics platform
- 3000 Ha land reserve
- Open to multiple sectors (export focused)
- Tax free zone with integrated no customs control
- Shared business services at international standards

- 500 companies
- ~2 Bn USD in private investments
- ~50 000 additional jobs
- Export revenues of 2 Bn USD in 2012
- Attracted international players in automotive, aeronautics and services



## Industrialized construction was deployed as an affordable solution for massive housing shortages





#### WHAT IS 'INDUSTRIALIZED CONSTRUCTION'?

A building system in which the structural components are manufactured in a controlled environment. These structural components are transported to the final location and assembled at the location

#### **Key characteristics**



#### **Centralized production**

Pre-fabrication of components at the factory



#### Mass production

 Large number of product units to justify the investment



#### **Optimization/automation**

Optimized production processes in terms of automation and mechanization



#### **Standardization**

Standardization of components but still maintaining flexibility of design



Interaction of building design, production planning and production/construction

#### **Examples**

Both UK and Sweden used industrialized construction to meet shortages in a quick time post-WWII

Sindapore used industrialization to revolutionize the construction sector and deliver quality housing products



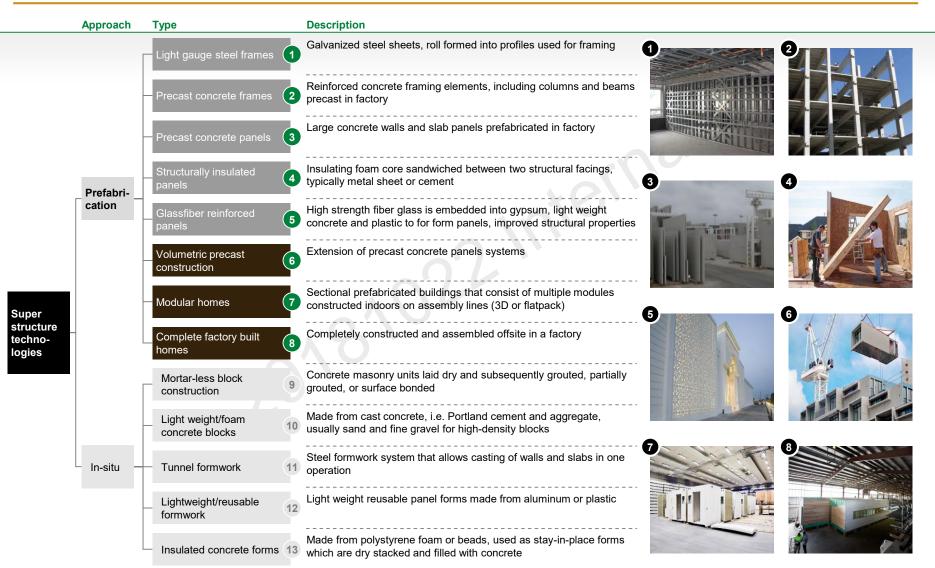
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Today, start-ups in the US and Australia are using industrialization to solve issues in quality and productivity in the construction sector

## There are several structural and modular technologies that can be used to industrialize housing construction

echnologies Modular technologies



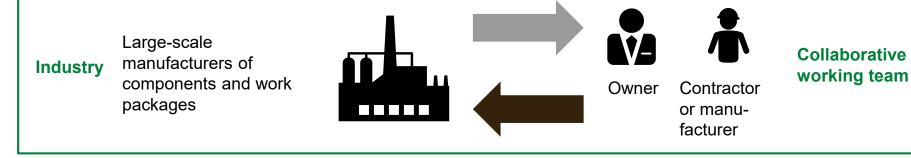
Structural and modular technologies differ in focus on the housing value chain, with modular covering the larger part of the chain

	Building construction value chain					Considerations		
				Î∎		×	S.m.	<ul> <li>To enable</li> </ul>
Value chain of 'Build' costs	Excavation / infra	Foundation	Structure	Erection	MEP	Plastering & coating	Flooring & misc.	housing technologies especially
% of total build cost	~2%	~7%	~25%	~11%	~15%	~19%	<b>★</b> ~21%	modular technologies, certain levers can be leveraged:
Structural technologies			Structural technologies focus only of the structure part of the va chain with potential to impact 25 – 30% of the value chain					<ol> <li>Standardization and design-to- value</li> <li>Full integration of the supply chain (economies of scale through procurement)</li> </ol>
Modular technologies			Modular tec additional c value chain impact an a value chain	omponents have the po	in the otential to			3. Full integration of design and logistics

In addition to impacting the value chain, industrialization technologies impact the approach and process of housing construction projects



Design and procurement	Approvals and testing	Manufacture	Supply chain coordination	Site work	Post- construction
<ul> <li>Components selected on digital marketplace with full transparency on lifetime costs</li> </ul>	<ul> <li>Streamlined approvals process and testing at production facility</li> </ul>	<ul> <li>High-quality offsite manufacture facilitated through automation and new lightweight materials</li> </ul>	<ul> <li>Supply chain, with tools such as just-in-time and just-in- sequence, replaces project management as the predominant coordination challenge</li> </ul>	<ul> <li>Site work is minimized to assembly of components and packages facilitated through universal interfaces supported by technology</li> </ul>	<ul> <li>Lifetime guarantees on components and packages</li> </ul>
		NO NO	challenge		- - - - - -





### Lebanese case example: Dalal Steel Industries



The Pre-Engineered Advantage

Dalal Steel Industries (DSI) is one of Lebanon's top prefab companies, with **experience across a wide range of technologies and solutions** (including affordable housing)

DSI has a **global footprint**, having exported its products to over 20 countries including:

### **Illustrative sample of DSI projects**











### Lebanese case example: MegaPrefab

### History

- Established by Marwan Nakfour in 1995
- A 40,000 m2 manufacturing plant in Batroun with an office in Achrafieh





# Private sector players globally are leveraging industrial technology to deliver homes, but with differing technologies, scale and building materials

NOT EXHAUSTIVE

1229

Company	Country	Technology	Sample highlights
sembcorp	🐣 Singapore	Prefabricated / modular (PPVC)	Used specialized composite material and PPVC to build a dormitory in 4 months
Dregages	🦲 Singapore	Prefabricated / modular (PPVC)	Currently building the tallest modular building in the world (40-stories)
MODERNA Homas	🦲 Singapore	Prefabricated / modular (PPVC)	Piloted PPVC technology successfully on numerous projects
LINDBÄCKS	😝 Sweden	Modular	Manufactures 20 apartments per week
BO	😝 Sweden	Flatpack modular	Successful collaboration with Ikea in 1200 prefabricated homes per year
SEKISUI HOUSE	🔵 Japan	Prefabricated	Built a total of 2.2 million prefabricated homes in Japan over its lifetime
	💿 Spain	Prefabricated	Unique system of 7 panels that can be assembled on site. Pipeline of 45,000 units
	🏶 UK	Modular	Built the 2 <sup>nd</sup> largest modular building in the world
ا∦ً KATERRA	👙 USA	Modular / prefabricated <sup>1</sup>	Fully-integrated timber housing company
	e China	Prefabricated / modular	Has their own system for prefabricated and modular housing
CNBM	🔴 China	Precast / prefabricated	Signed a $\pounds 2.5B$ deal in the UK to build 6 prefabricated housing factories
PREBUILT.	Australia	Modular	Develops ~300 mid-income homes annually with a fully-integrated approach
POLCOM	e Poland	Modular	Shipped a 300-room hotel modules to the US
	<ul> <li>Mexico</li> </ul>	Prefabricated	Delivered ~600k prefabricated homes in Mexico
G AMBAR	Brazil	Prefabricated	Develops energy-efficient affordable housing at high-scale in Brazil

1 Katerra's Spokane Factory produces prefabricated structural elements, while their Phoenix factory has an advanced manufacturing lines with additional components (Katerra). The Phoenix factory will produce modular assemblies (Construction Dive)

SOURCE: Sembcorp; Dragages; Moderna Homes; Lindbäcks; Boklok; Sekisui House; Barcelona Housing system; Katerra; Putian Homes; CNBM; Prefbuilt Residentials; Casas Geo; Ambar; Construction Dive; press search; expert calls; team analysis

## In Sweden, BokLok is delivering ~1k units/year through their fully-integrated flat pack modular solution

### **Boklok Concept**

- Prefabricated homes (flat pack) designed and manufactured as a collaboration between construction company Skanska and furniture manufacturer lkea
- ~1,200 flat pack houses sold in Sweden annually
- 80% manufactured off-site
- 1 day to install on-site
- Is available for sale in Ikea stores in Europe, UK, and the US
- Products include block of flats, terraced houses, flexible flats
- Wooden construction

### **Recent Projects**

- 250 residential units will be built in Southern Gunsta, Sweden
- Municipality plans to build a total 1,500 units

### **Future projects**







Sweden's Lindbäcks uses a fully industrialized and automated process to manufacture 20 fully-functional apartments every week (1/4)



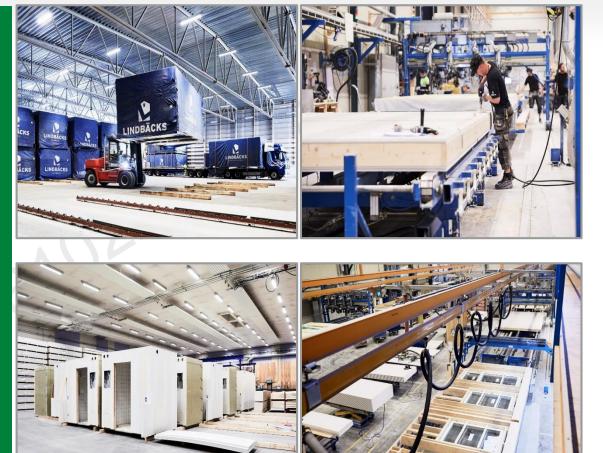
### Production capacity

- Lindbäcks' current factory in Öjebyn has an annual capacity of ~800 apartments
- In December 2017, launch of a second factory1 will triple Lindbäcks' production capacity to ~2400 apartments per year
- Factories utilize latest Randek machinery to industrialize and automate construction processes

### Process

- Lindbäcks produces fully-functional volumetric modules, which are complete with:
  - Floor, walls, and ceilings
  - Painting
  - Doors and windows
  - Kitchens and tiled bathrooms
  - Heating, water, and electrical installations

### Lindbäcks in-factory production processes



1 In Haraholmen

# Lindbäcks can be adapted to a wide range of housing design preferences (2/4)





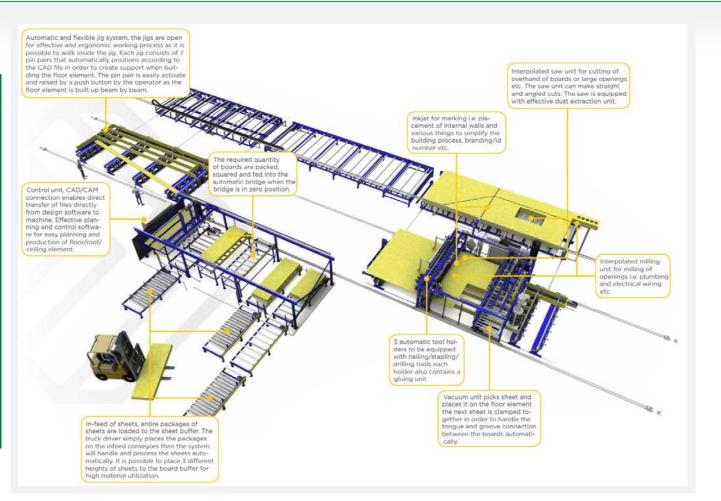
Lindbäcks uses Randek's high-end industrial construction machinery which can automate a variety of construction tasks (3/4)



The **AUTOFLOOR** system is an integrated solution for producing floor and roof components

Automated functions include:

- Nailing
- Milling of openings
- Sheet cuttings
- Gluing
- Inkjet markings
- Sheet addition and handling



Lindbäcks uses Randek's high-end industrial construction machinery which can automate a variety of construction tasks (4/4)

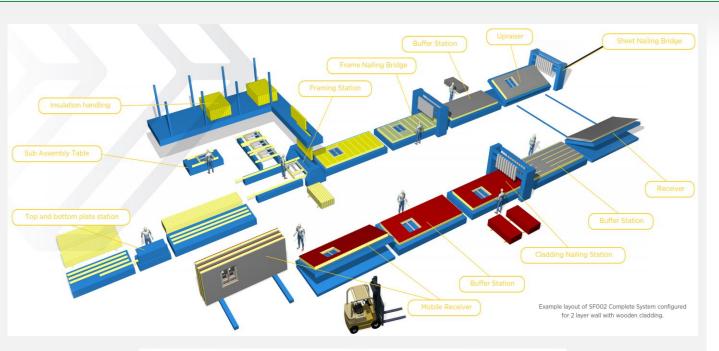


The SF002 COMPLETE SYSTEM is an comprehensive solution for the production of insulated walls

### SF002 is very flexible, and can be configured for a wide range of:

- Wall layers (1/2/3)
- Wall length
- Wall width
- Wall height

SF002 machines are controlled by CADgenerated data, with minimal need for programming



Technical description	Min	Max		
Wall dimensions				
Wall length	1200 mm	4800 mm - 12000 mm		
Wall height	2100 mm	3300 mm		
Wall thickness (Main framework. Total wall thickness by demand)	63 mm	250 mm		
Production line (with stations for Max wall length of 8,4 meters and U-shaped layout)				
Length	60 meters			
Width	36 meters			
Area	2100 m2			

China's modular market is set up for export, however China is projecting growth in domestic modular construction over the next 4 years



Modular

Non-Modular

# Current baseline and targets for area built using industrial construction in China<sup>1</sup> odular 2015 – 2021, in millions m<sup>2</sup>

5.593 5,430 5.272 5,119 4,969 4,825 18% 4.684 15% 12% 9% 6% 3% 1% 97% 94% 99% 91% 88% 85% 82% 2015 16 17 18 19 20 2021

### Chinese modular companies typically use a majority of their capacity to support external demand

- In China, modular is typically used in high-rise buildings (and typically hotels) with minimal use in residential projects
- The government is encouraging modular construction in commercial buildings – main driver is sustainability and recyclability of modules

1 This includes all construction activities (residential and commercial)

Putian Home provides fully-integrated affordable housing around the world, with a capacity of 3,000 units yearly



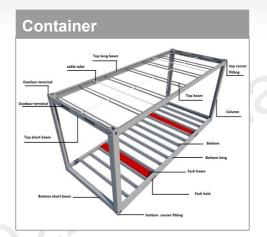
### Overview

### **Company Information**

- Fully-integrated housing solution
- 4 main building categories:
- Heavy steel structure building
- Light steel Villa
- Container homes
- Modular homes (shipped as precast concrete elements)
- Annual capacity of ~300,000 m2 for all types of building

### Specifications for light steel villas

- Lifespan of 50 years
- Designed for earthquake, wind, and fire
- Reduced construction time by 50% (from traditional construction)
- Provides different options for finishes (e.g. different windows and doors types





### Modular Homes

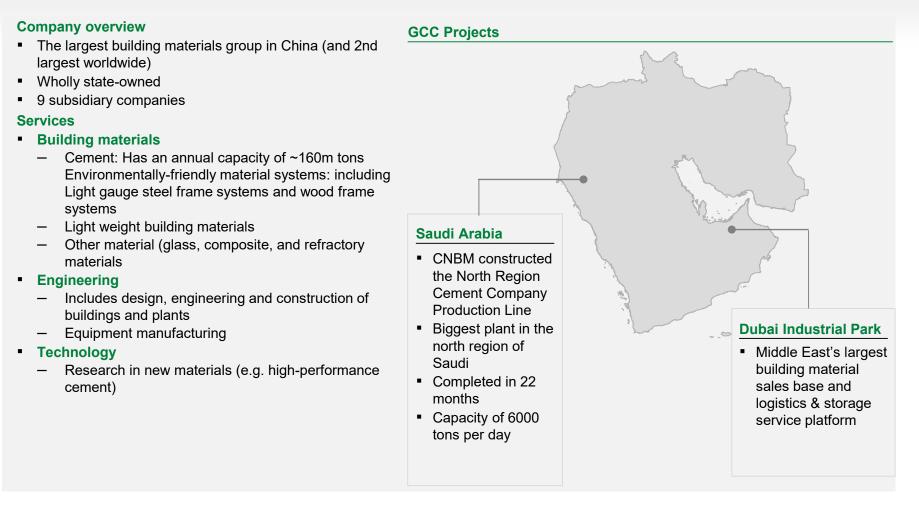


### Modular Homes



CNBM<sup>1</sup> is one of the largest building materials companies in the world and has completed two projects in the GCC (1/3)





# One of CNBM's subsidiary, BNBM<sup>1</sup> manufactures 4 types of prefabricated housing (2/3)



### Company overview

- Manufacturing subsidiary that focuses on housing/buildings including new materials and new construction technologies.
- Has an affordable housing segment

### Prefabricated building types

- Light Steel Frame System
  - Suitable for 1-3 story buildings
- Steel and Wood Composite Structure System
  - Light steel structure and wooden enclosure
- 3. 2" X 4" Wood Structure System
  - Suitable for 1-3 story buildings
  - Environmentally-friendly
- Heavy Steel / Steel-concrete Frame-wall System
  - Suitable for a maximum of 30 story's
  - Heavy steel or concrete beam and column
  - Manufacturing is based on industrialization, quick assembly, continuity, and standardization

### Sample housing projects



Qingbaijiang Garden Village, China (2010)



Shitang Road New Village (2012)



Dali Villas, China (2014)



High-End Residences, Zambia (~4,000 units, 2013)

1 Beijing New Building Material Company

# CNBM signed a $\pounds$ 2.5B deal with Your Housing Group (YHG) to build 6 factories in the UK (3/3)





### Execution plan

- 6 factories to be built in UK Over 5 years to supply 25,000 units annually for affordable housing
- Light Gauge Steel frame and panelized components Technology supplied by Barcelona Housing System
- CNBM will provide the financing and engineering / construction experience
- Solar powered Energy efficient
- Expected Employment : 1,000 people





### I. EXECUTIVE SUMMARY

#### II. INTRODUCTION AND METHODOLOGY

- A. Methodological approach to the study
- B. Stakeholder engagement and syndication process
- C. Reviewed documentation

### **III. CONTEXT AND DIAGNOSTIC**

- A. Chapter summary
- B. Economic perspective
  - 1. Macro-economic evolution
  - 2. Trade profile (exports & imports)
- C. Sector diagnostics
  - 1. Natural resources (oil & gas)
  - 2. Agriculture
  - 3. Industry
  - 4. Tourism
  - 5. Knowledge economy (e.g. tech)
  - 6. Financial services
  - 7. Education
  - 8. Healthcare
  - 9. Real estate and construction
  - 10. Retail and commerce
  - 11. Logistics and transportation
  - 12. Telecommunications
  - 13. Power and water
  - 14. Diaspora
  - 15. Urban efficiency

- D. Institutional and policy enablers
  - 1. Public finance
  - 2. Ease of doing business
  - 3. Monetary policy
  - 4. Economic development activation
  - 5. Trade & international agreements

#### IV. THE VISION: LEBANON'S ECONOMIC ASPIRATIONS

- A. Chapter summary
- B. Burning platform
- C. Lebanon's growth imperatives
- D. Economic aspirations and macroeconomic targets
- E. Sector prioritization mechanism and rationale

### V. SECTORAL ENGINES FOR LEBANON'S ECONOMIC GROWTH

- A. Chapter summary
- B. Sector deep-dives
  - 1. Agriculture
  - 2. Industry
  - 3. Tourism
  - 4. Knowledge economy
  - 5. Financial services
  - 6. Diaspora

#### VI. REQUIRED ENABLERS TO SUPPORT THE ASPIRATIONS

- A. Chapter summary
- B. Public administration reform requirements
- C. Infrastructure including CIP initiatives
- D. Public finance requirements
- E. Main legislative requirements
- F. Country branding & export promotion

## VII. INSTITUTIONALIZATION MECHANISMS

- A. Chapter summary
- B. Governance set-up: orchestration and delivery
- C. Path forward

### VIII. FLAGSHIP PROJECTS

- A. Tourism end-to-end journey
- B. Construction technology zone
- C. Smart Lebanon licensing and clusters

Three identified flagship projects should be launched immediately to jumpstart the momentum of the Vision



Discussed next



**Create immediate and visible impact** (Launch ~3 quick-win projects)

- Seamless end-to-end tourism journey with a newly-overhauled airport experience
- Penetration of 2-3
   Lebanese crops into new export markets<sup>1</sup>
- "Lebanon 2020" centennial nation-wide celebration<sup>1</sup>

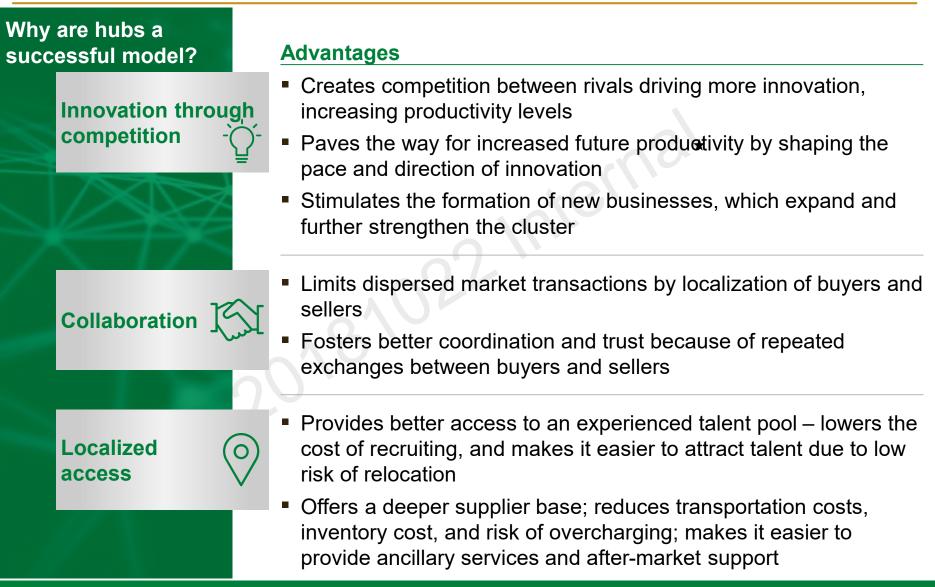
Capture imminent opportunities



## Build a flagship project symbolizing the Vision

### Construction technology zone on the border with

Syria, capitalizing on the Syria and Iraq reconstruction opportunity worth ~100-300 USD Bn, and housing millions of returning refugees  "Smart Lebanon" Knowledge Hub hosting creative, technology and outsourcing companies, within and outside real estate zones (e.g. Outsourcing park in Tripoli) Innovation clusters are widely recognised as a major tool for economic development, promoting innovation, collaboration & localized access



# Physical clusters will support enhancing the country's competitiveness across the different key success factors for knowledge activities

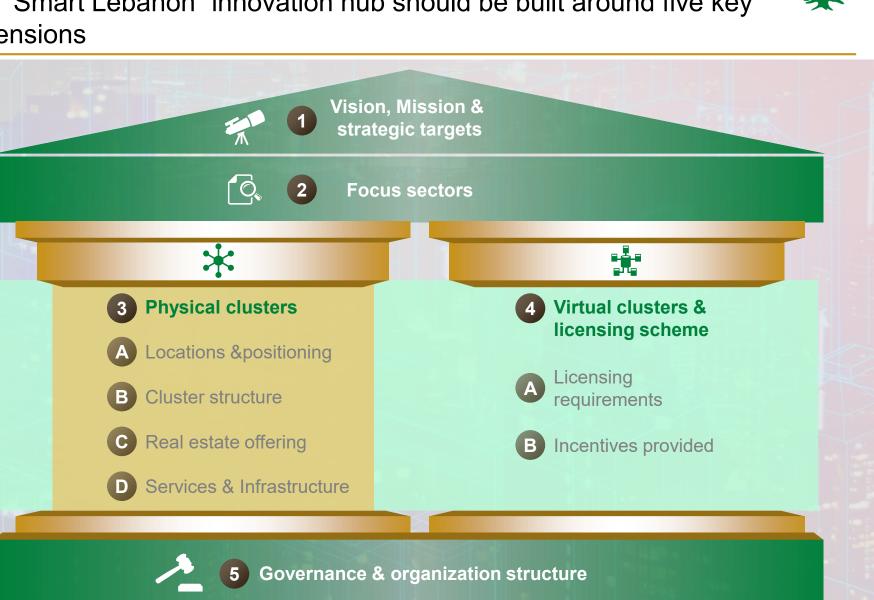
## \*

### Competitiveness against global and regional benchmarks

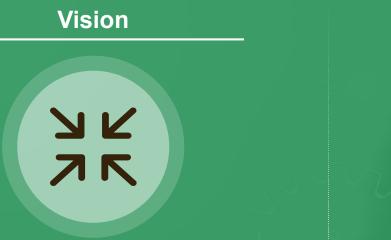
Key success factors	Key metrics	Low High	Cluster support
Cost competit- iveness	Fully Loaded Cost for medium-skill		To be enhanced through <b>subsidies</b> ,
	Fully Loaded Cost for high-skill	-	tax incentives and centralization
Talent quality ແມຼິງ	Overall quality of talent pool		Clustering enhances
	Tailoring of tertiary curriculum		availability of talent
Physical infrastruc- ture ((())) Å	Fixed telecom infrastructure		Cluster to provide
	Mobile telecom infrastructure		network
Doing business	Transparency of Regulation		Streamlined &
	Bureaucracy		standalone process for setting up
	Time to Start a Business	-	<ul><li>business</li><li>One-stop shop</li></ul>
	Rating of overall business enviornment		for all admin and support services
		mum 25 <sup>th</sup> 50 <sup>th</sup> 75 <sup>th</sup> High erved quartily quartile quartile obse	
		Sooro coroso dimono	iono

Score across dimensions

## The "Smart Lebanon" innovation hub should be built around five key dimensions



The "Smart Lebanon" initiative would serve as the flagship of the Country's Knowledge economy agenda



*"A flourishing cluster serving as the corner stone of a knowledge-intensive and digital nation"* 



- Develop a framework for the operation of "Knowledge" firms providing a best-inclass ecosystem
- Provide world class infrastructure to fuel the growth of knowledge-intensive sectors
- Provide centralized services to enhance ease of setting up a business
- Develop a licensing system to guarantee incentives & benefits

# The success of the hub could be guided by four qualitative and quantitative targets



### Success of the initiative could be measured through four main targets

~20,000 people strong "Smart Lebanon" community

50+ international events & conferences yearly

Unicorns at 1USD Bn + valuation by 2035

h

Android was founded here" achievement

### **International Case examples**

**Quantitative indicators** 

**80,000 people**: Annual walk throughs

\$150mn: Alumni firm valuations

**1.46mn:** Employment in digital industry

700: Annual Events



### **Qualitative indicators**

€30M Startup found first<br/>investorbetahausStudents found high paying jobs42Android was started hereCiCWhenever a startup leaves

## In the context of the "Smart Lebanon" initiative, five focus subsectors should be targeted



...the knowledge economy as production and services based on knowledgeintensive activities ... The key component of a knowledge economy is a greater reliance on intellectual capabilities than on physical inputs or natural resources

### 1.Technology & digital

Includes all players involved in the innovation pipeline from R&D to IP & patenting to commercialization of the product



### 2.Business services/ Outsourcing

Includes all plays whereby a process is offshored by a company to either a nearshore or remote location for efficiency gains



### **3.Creative industries**

Core creative (performing arts, music...)

- Core cultural (movies, libraries)
- Wider cultural (digital media, publishing)
- Related (architecture and fashion)



### **4.Financial Services**

Includes asset management companies as well as financial services exports (e.g. equity research desk)



### **5.Education**

Includes "economic" and "exportable" plays within education, mainly, attracting foreign students and exporting educational material (curriculums, books)



# 3 Five criteria should be assessed to decide on the location of the cluster

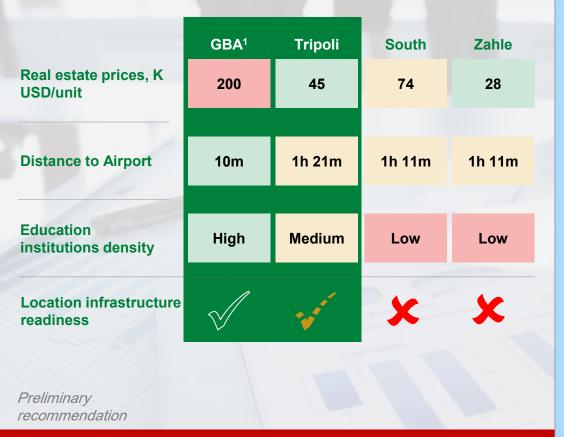


		Dimensions	Criteria Detailed next
Choice of location	Regional selection	F1 Logistics	<ul> <li>F1.1 : Real estate prices</li> <li>F1.2 : Distance from airport</li> <li>F1.3 : Location infrastructure readiness</li> </ul>
for clusters need to take into account several constraints		Education & talent pool	<ul> <li>F2.1 : Density of educational institutions</li> </ul>
<ul> <li>Employee's housing &amp; living requirements</li> </ul>	Land plot selection	F3 Physical plot	<ul> <li>F3.1 : Size of the land</li> <li>F3.2 : Build-up area (e.g. regulation on building height)</li> </ul>
<ul> <li>Investor's accessibility requirements</li> </ul>		Land availability	<ul> <li>F3.3 : Possibility of zone extensions</li> </ul>
<ul> <li>Technical constraints of land plot</li> </ul>		F4 Environment & livability	<ul> <li>F4.1 : Security</li> <li>F4.2 : Proximity of residential offering</li> <li>F4.3 : Proximity of retail offering</li> <li>F4.4 : Overall look &amp; feel</li> </ul>
		F5 Positioning & integration	<ul> <li>F5.1 : Alignment with the area's urban plan</li> <li>F5.2 : Opportunity cost of land</li> </ul>

3A preliminary assessment reveals that physical clusters could be developed in Tripoli & Greater Beirut

PRELIMINARY





Physical clusters are to build in Beirut & Tripoli, with virtual licensing system developed to cover all the other regions within the country's territory



1 Greater Beirut Area

Source: Ministry of Finance Real Estate Registry, Google Maps, Press search

③A "Smart Lebanon" would be anchored around two physical clusters and scattered "virtual" corridors



Tripoli Outsourcing park for business and knowledge intensive outsourcing services

### Beirut Knowledge Village,

including a digital, creative, education and financial districts, in partnership with leading institutions



3A The Beirut Knowledge Village could be designed as a collection of districts, with Beirut Digital District being one of them

Beirut Digital District I Knowledge Village remaining districts



The Beirut Knowledge Village could be built as an aggregation of several "Districts", BDD being one of them

## Beirut Digital district

already set up in the area with plans for expansion The Tripoli Outsourcing Park could be established as a remote extension of the SEZ currently under development



📘 Tripoli Outsourcing park 🔲 Tripoli Special Economic Zone

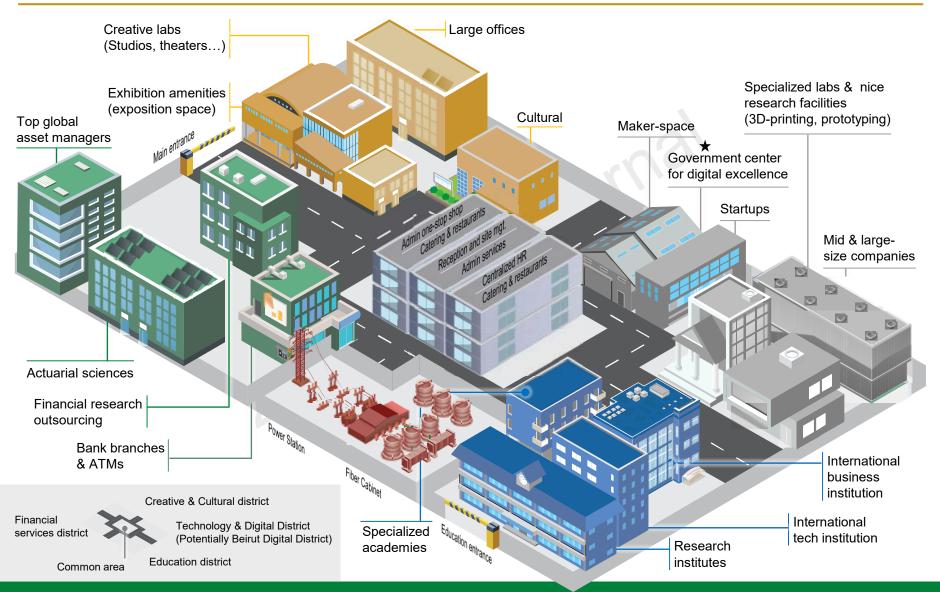


Tripoli Special Economic Zone currently under construction

Tripoli Outsourcing Park for business outsourcing services

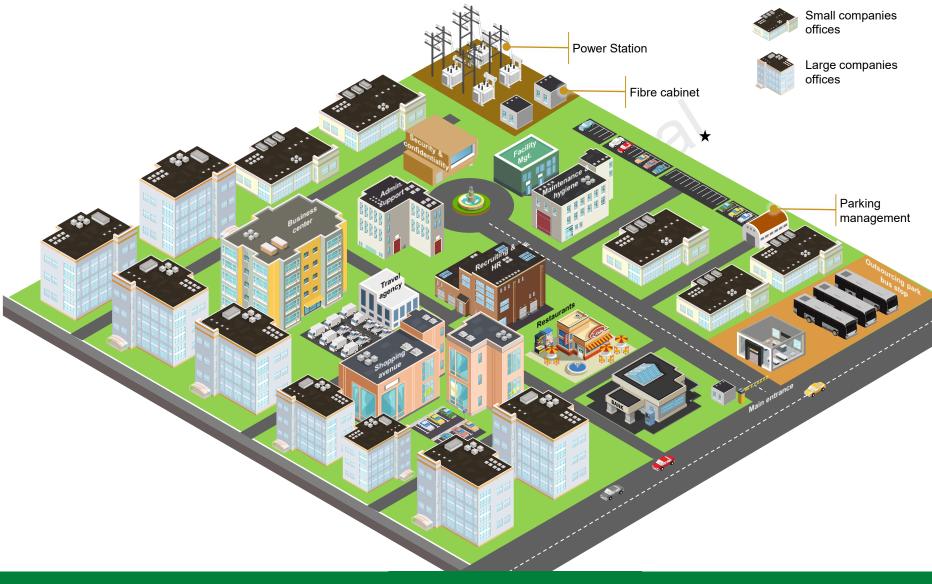
## 3B Cluster Concept 1/2 Illustrative visualization of Beirut Knowledge cluster



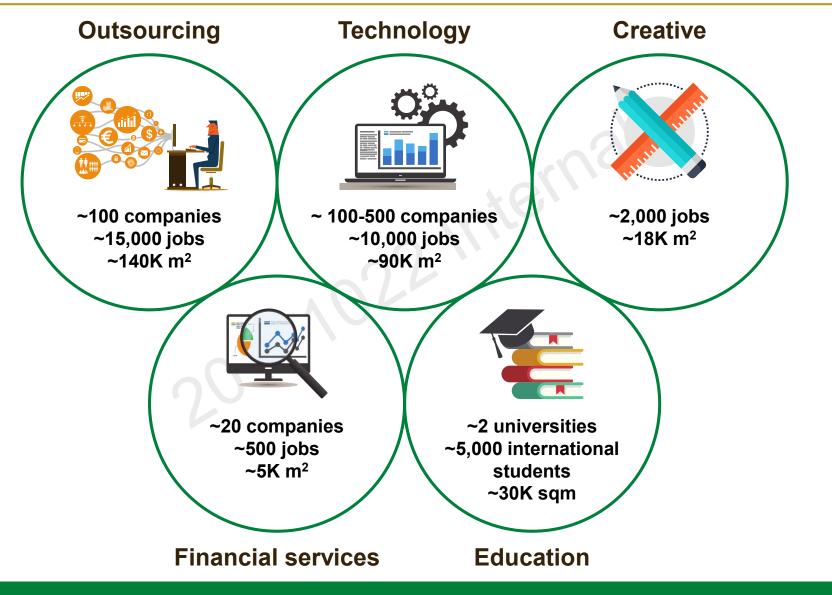


## ③B Cluster Concept 2/2 Illustrative visualization of Tripoli Outsourcing Park





The physical clusters would require a total of ~300K sqm of buildup area and would house ~25-30K jobs



# Case Study: Casanearshore, Landmark project of Morocco's offshoring strategy









### Full serviced dedicated park

- 300,000 m<sup>2</sup> of ready to use offices
- Full range of facility business and specialized services
- SLA special zone with dedicated telecom operator

### **Clear success within 5 years of launch**

- Awarded Best Offshoring destination by the European Outsourcing Association
- ~400 Mn USD in investments
- 20,000 additional jobs
- Already over 100 MNCs attracted



# 3B Case Study: Rabat Technopolis, City of technology in the capital of Morocco







### Park key assets

- Over 300,000 m<sup>2</sup> of work spaces and services
- 107 Ha of wooded park
- Loop telecom "carrier grad"
- SLA special area

### **Clear success within 5 years of launch**

- Awarded Best Offshoring destination by the European Outsourcing Association
- ~375 Mn USD in investments
- 30,000 jobs created on the park
- ~375 Mn USD contribution to GDP by 2015



3B Case Study: TECHNOPARK® Zürich is a melting pot of small startup type companies and corporate R&D subsidiaries
1P TECHNOPARK



### Park key assets

- Hosts > high tech companies, services, applied research institutions, university spin-offs
- 1,750 collaborators
- Member of European Technopark alliances
- Support companies with services
  - Coding, consulting
  - Infrastructure, all facilities
  - Flexible rent schemes
- Companies stay for 1 month to 10 years, and can contribute to Technopark service activities

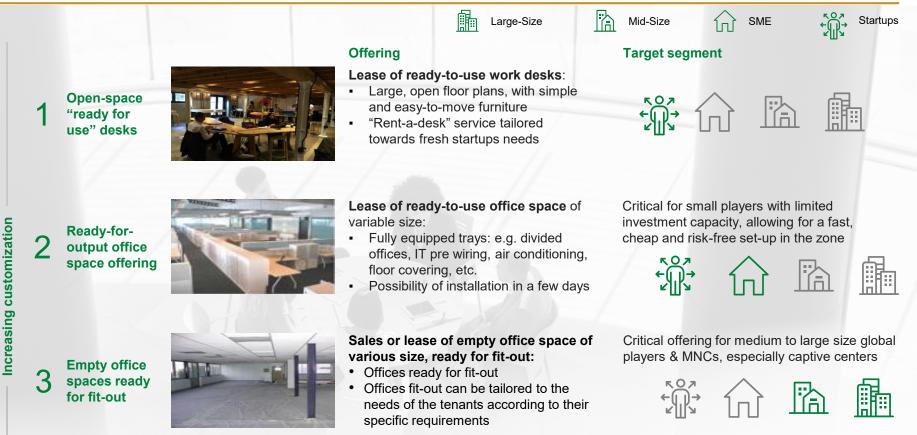
### **Objectives of Technopark Zürich**

- Establish a centre for technology transfer by connecting collaborators in the technology space
  - Attracting small businesses, connecting established corporate technology teams
  - Mix of disciplines and industries
  - Setting incentives for entrepreneur-ship by offering business plan competitions



3C The physical clusters real estate offering should be diverse and flexible, with four potential offerings targeting different tenants size





Serviced land offering for on-demand construction



Sale or lease of serviced land\* for large investors having specific requirements, with a possibility for building construction according to the investors' specifications

Critical offering for medium to large size global players & MNCs, especially captive centers

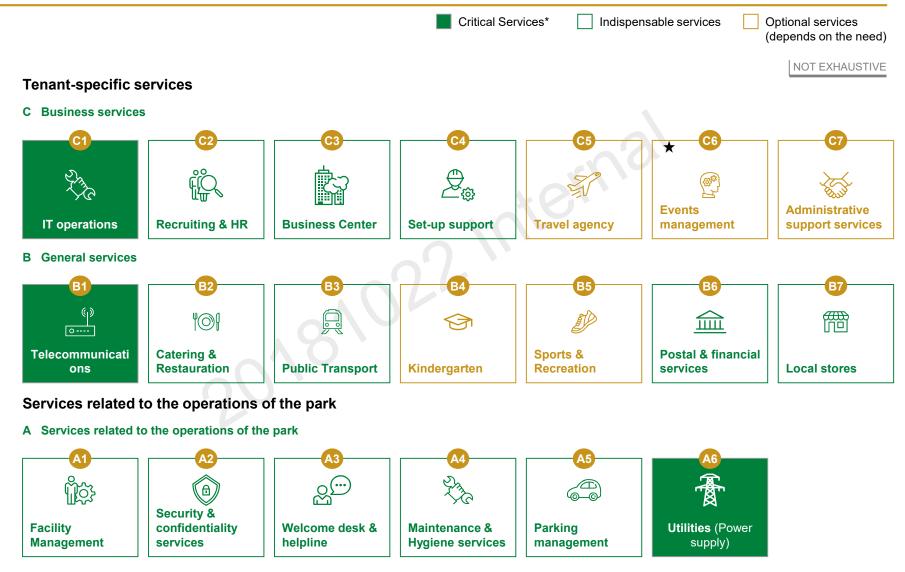


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## The physical clusters should provide a wide array of service offerings



# The services would be phased according to criticality (1/3)

H1 : At zone launching H2 : After critical mass



Low

High



	Description	Details	Criticality for tenants	Implementation phase
A1 Facility Management	<ul> <li>Management of subcontracts with service providers</li> <li>Technical maintenance of the area and premises (e.g. plumbing, ventilation, air conditioning)</li> <li>Management of safety systems (e.g. fire protection)</li> </ul>		•	H1
A2 Security & Confidentiality services	<ul> <li>Zone security services: guard, entrance/exit control (e.g. entry card system), video surveillance</li> <li>Security and access control to client buildings (ensuring protection of customer confidentiality)</li> </ul>	<ul> <li>Should be accounted for from zone inception</li> </ul>	•	H1
A3 Welcome desk & helpline	<ul> <li>Physical reception and telephone helpdesk for visitors (e.g. processing inquiries)</li> <li>Internal help line for the zone: centralization and processing of all customer requests (e.g. essential technical assistance)</li> </ul>	Dedicated space at the zone entrance	•	H2
Maintenance & Hygiene services	<ul> <li>Maintenance and cleaning of the site and the facilities (common areas), incl. maintenance of interior green spaces in the area, hygiene and office maintenance services for tenants</li> </ul>		•	H1
Parking management	<ul> <li>Management and allocation of parking spaces to tenants and visitors</li> </ul>	<ul> <li>Should be accounted for from zone inception</li> </ul>	•	H1
A6 Utilities (Power supply)	<ul> <li>Provision of water and electricity: in particular, provision of sufficient electricity capacity to absorb long-term demand for the site</li> <li>Establishment and management of backup infrastructure for power supply (e.g. dual network connection points, emergency generator)</li> </ul>	<ul> <li>Should be accounted for from zone inception</li> </ul>	•	H1

# The services would be phased according to criticality (2/3)

H1 : At zone launching H2 : After critical mass



Low

High

	Description	Details	Criticality for tenants	Implementation phase
B1 Telecommunications _○	<ul> <li>Voice and data telecommunication services at par with the highest international standards of quality and price</li> <li>Area-specific infrastructure managed by a single specialized operator</li> <li>Possibility of connecting customers to any operator</li> <li>Flexible solutions allowing a constant upgrade to the best technologies available on the market</li> <li>Guaranteed quality of service by strict SLAs</li> <li>Competitive prices regularly benchmarked internationally</li> </ul>	<ul> <li>Best-in-class quality of services (SLA, continuous availability, back-up solutions)</li> <li>Should be accounted for from zone inception</li> </ul>	•	H1
B2 Catering & Restauration	<ul> <li>Restaurant services offering tailored for corporations:</li> <li>Collective on-site catering</li> <li>Meal tray delivery services</li> </ul>	Dedicated space in the center of the zone	•	H1
<b>B3</b> Public transport	<ul> <li>Public transport servicing the zone with a specific stop</li> <li>Transport of the employees from the zone to their place of residence (city or surrounding districts)</li> </ul>	• Bus arrival and employee waiting area	•	H1
B4 Kindergarten	Kindergarten for employee's children	Dedicated covered area		H2
<b>B5</b> Sports & Recreation	<ul> <li>Relaxation area: reading, table tennis (social works)</li> <li>Sports area: gym, sports, bike/jogging circuit and locker rooms</li> </ul>	<ul> <li>Sports hall &amp; Gym</li> <li>Dedicated space in the center of the zone</li> </ul>		H2
Postal & Financial services	<ul> <li>Postal and financial services, grouped around the centre of the zone: Mainly 1 or 2 banks branches amongst leading banks, along with post office</li> </ul>	Dedicated space in the center of the zone	•	H2
B7 Local stores	<ul> <li>Small-size "shopping centre" grouping different shops with a dual offering:         <ul> <li>Products related to tenants activities: e.g. office automation, small computer equipment</li> <li>Products for employees: kiosk/bookstore, supermarket</li> </ul> </li> </ul>	Dedicated space in the center of the zone	•	H2

**3D** The services would be phased according to criticality

(3/3)

H1 : At zone launching H2 : After critical mass



Low

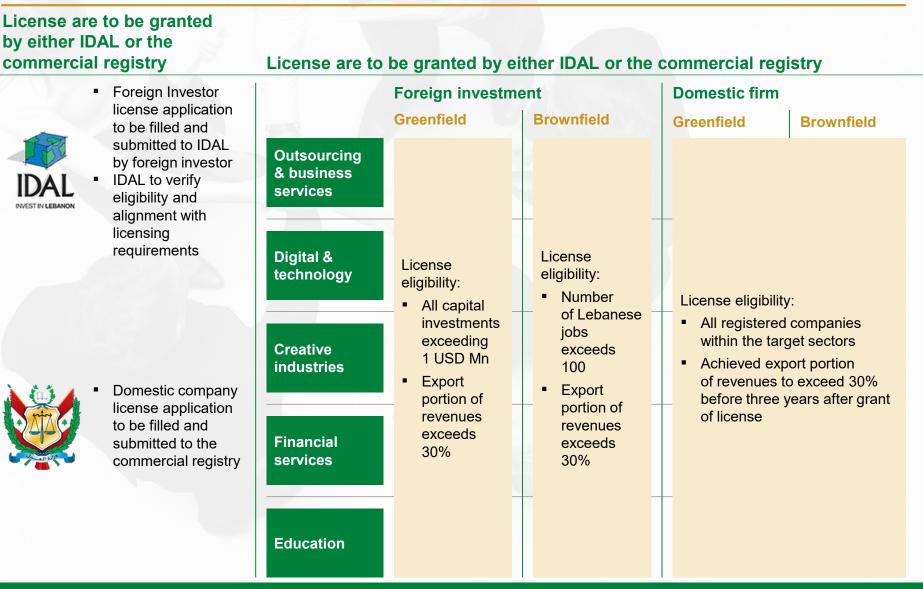
High

		Description	Details	Criticality for tenants	Implementation phase
C	IT operations	<ul> <li>Installation and maintenance of hardware equipment: dedicated services company physically present in the zone for emergency requests</li> <li>Optional added-value services including:         <ul> <li>Provision of shared IT services for the tenants</li> <li>Provision of data centers with high-end security systems (both technical and non-technical risks)</li> </ul> </li> </ul>	<ul> <li>Dedicated technical rooms and required wiring to be accounted for at zone inception</li> </ul>	•	H1
C	2 Recruiting & HR	<ul> <li>Sourcing &amp; recruiting services for low to medium-skill profiles in coordination with specialized training institutes and universities – provision of interim staff</li> </ul>	Dedicated space in the center of the zone	•	H1
Services	3 Business Center	<ul> <li>Provision of meeting rooms for zone's tenants</li> <li>Complete services offering including telecom, executive assistant etc</li> </ul>	Dedicated 2-4 meeting rooms	•	H1
Business	4 Set-up support	<ul> <li>Advice on the arrangement and furnishing of office trays (incl. Sale / rental - no showrooms)</li> <li>Moving service / help with installation / small jobs</li> </ul>		•	H2
C	5 Travel agency	<ul><li>Ticketing services for tenants</li><li>Group bookings and business trips organization</li></ul>		•	H2
C	Events management	<ul> <li>Management and operation of the conference center</li> <li>Event organization and promotion of the clusters</li> </ul>	Dedicated conference center	•	H2
C	Administrative support services	<ul> <li>Administrative support services for tenants         <ul> <li>Fiduciary and accounting services</li> <li>Notary and lawyer services</li> </ul> </li> </ul>	Dedicated space     in the center of the zone	•	H2

# The cluster would also house a "One-Stop-Shop" offering administrative assistance towards investors, at par with best-in-class standards

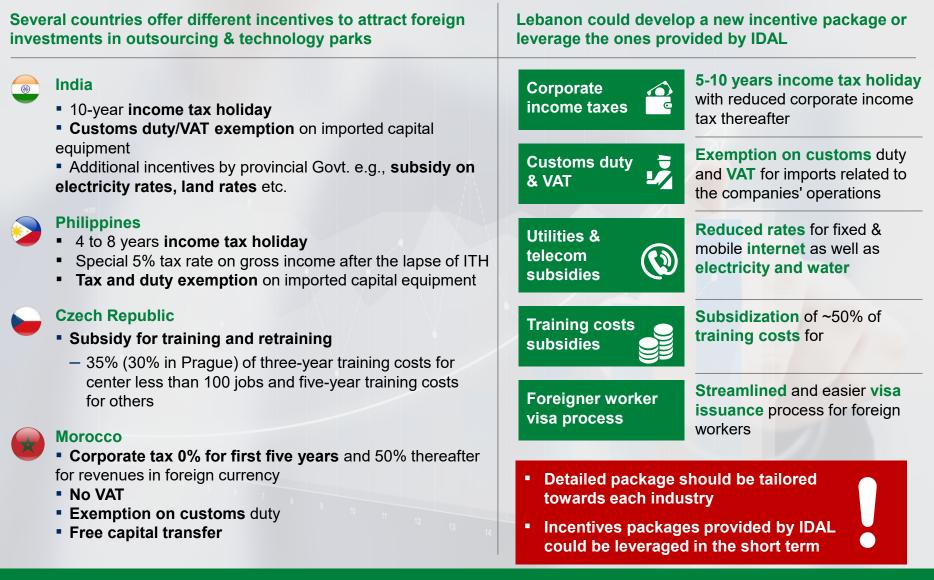
Purpose of the one stop shop			Description of services	On-zone presence
<ul> <li>Centralization of all the key administrative services in the same dedicated area of the zone</li> </ul>	Commercial Counter	Zone developer & manager	<ul> <li>Marketing &amp; sales</li> <li>Investors' single point of contact for operational, business and general services</li> <li>Where applicable, usage of delegated administrative powers (e.g. construction and setting up a business authorization)</li> </ul>	<ul> <li>Local branch</li> <li>Part-time at 40%</li> </ul>
with delegation of authority • Speed and		Beirut & Tripoli Municipalities	<ul><li>Construction permits</li><li>Auditing &amp; signature of document</li></ul>	<ul><li>Local branch</li><li>Part-time at 40%</li></ul>
simplification of procedures by the dedication of full-time staff		IDAL	<ul> <li>Simplification &amp; speed-up of opening a business procedures</li> <li>Orientation and investor-support</li> </ul>	<ul> <li>Full-time agency or local branch</li> </ul>
solely for the needs of investors in the park		Tax authorities	<ul> <li>Simplification of tax &amp; fiscal procedures: VAT, taxes on salaries &amp; wages, income tax, etc.</li> </ul>	<ul> <li>Full-time agency or local branch</li> </ul>
	Administrative counter – Recurrent administrative procedures	Customs	<ul> <li>Grouping of on-site customs services         <ul> <li>Control of goods</li> <li>Administrative forms and paperwork for admissions and exists</li> </ul> </li> </ul>	<ul> <li>Full-time agency or local branch</li> </ul>
		totall agental قرارة Ministry of Labor	<ul> <li>Reimbursement &amp; subsidization of training costs</li> <li>Issuance of work and residence permits for foreigners</li> <li>Provision of jobseekers database for vacancy matching</li> <li>Provision of key administrative procedures:         <ul> <li>Registration of employees</li> <li>Declaration of salaries</li> <li>Contributions and benefits payments</li> </ul> </li> </ul>	<ul> <li>Full-time agency or local branch</li> </ul>

# The "Smart Lebanon" licensing could be handled by IDAL and the commercial registry



# To drive growth, companies meeting the licensing criteria should be provided with incentives across five key categories

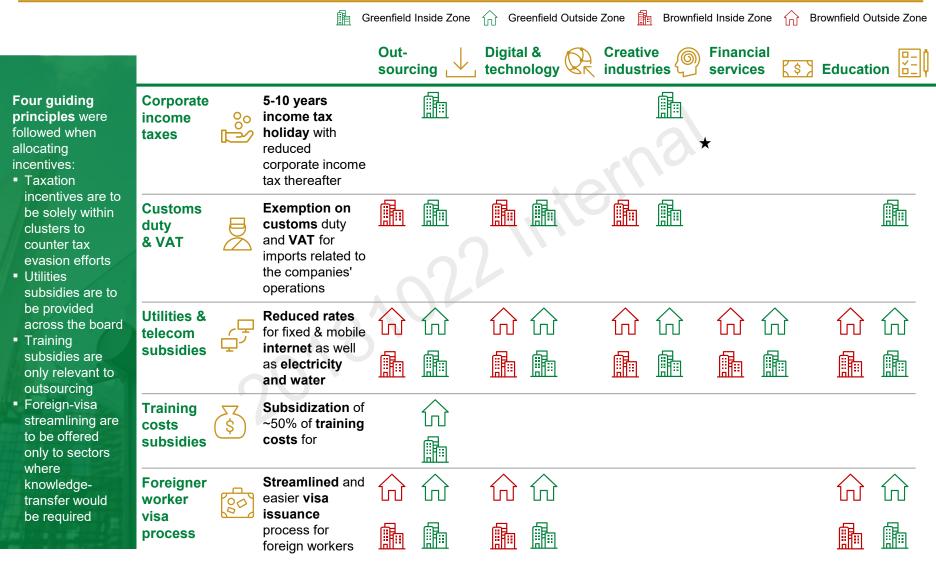




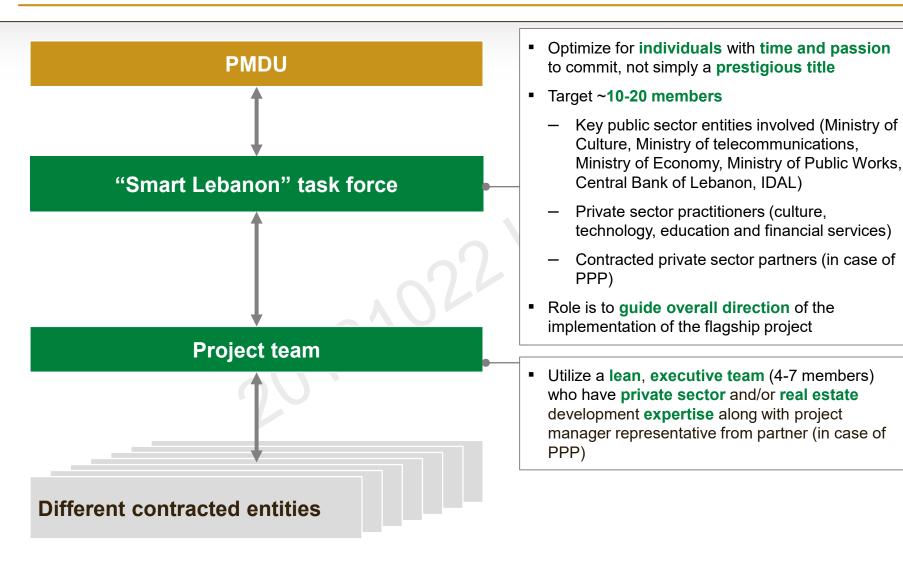
The incentives provided would vary according to the sector, the



location and the greenfield/brownfield operations of the company



5 A task force, comprised of private and public sector officials, will be accountable for the delivery, supported by a lean managerial team





# Key milestones for Tripoli Outsourcing park

#### TIMELINE DEPENDANT ON APPROVAL OF ECONOMIC PLAN BY THE GOVERNMENT

Milestone description	Target deadline
Masterplan complete	December 1 <sup>st</sup> , 2018
Real estate developer onboarded	December 31 <sup>st</sup> , 2018
Construction begins	January 1 <sup>st</sup> , 2019
Outsourcing park operational (25 tenants)	May 1 <sup>st</sup> , 2020
100 <sup>th</sup> park tenant onboarded	May 1 <sup>st</sup> , 2021



### Key milestones for Beirut Knowledge Village

#### TIMELINE DEPENDANT ON APPROVAL OF ECONOMIC PLAN BY THE GOVERNMENT

Milestone description	Target deadline
Masterplan complete	December 1 <sup>st</sup> , 2018
Real estate developer onboarded	December 31 <sup>st</sup> , 2018
Construction begins	January 1 <sup>st</sup> , 2019
Knowledge Village operational (25 tenants)	May 1 <sup>st</sup> , 2020
100 <sup>th</sup> Knowledge Village tenant onboarded	May 1 <sup>st</sup> , 2021



### Key milestones for "Smart Lebanon" licensing scheme

TIMELINE DEPENDANT ON APPROVAL OF ECONOMIC PLAN BY THE GOVERNMENT

Milestone description	Target deadline
Discussion & negotiation around incentives (mainly tax exemptions and utilities & telecom subsidies)	January 1 <sup>st</sup> , 2019
Incentives & licensing requirements drafted	March 30 <sup>th</sup> , 2019
Incentives & licensing scheme approved by Parliament	June 30 <sup>th</sup> , 2019
First "Smart Lebanon" licensing given out	July 15 <sup>th</sup> , 2019
500 licenses given out to eligible companies	December 31 <sup>st</sup> , 2019



VERY PRELIMINARY

# Gantt Chart for Tripoli Outsourcing park

	Aug	3	0	S	ер		C	Oct			Ν	lov			D	)ec			Jai	ı			
Activity		06.13.20.27.03.10.17.24.01.08.15.22.29.05.12.19.26.03.10.17.24.31.07.14.21.												.21.	_	Responsible							
Form and on-board team from all relevant public sector players to lead the effort																							Vision Steering Committee
Identify land options for the Outsourcing zone											-												Outsourcing team
Conduct initial site visits and complete preliminary feasibility assessment																		r					Outsourcing team
Compile long list of key potential investors (e.g. companies run by Lebanese diaspora) & relevant stakeholders													Ś										IDAL
Engage with key stakeholders to form an "informal consortium" to play an advisory role in zone planning																							Outsourcing team
Develop preliminary plan for the Outsourcing park including proposed structure, infrastructure, service offering																							Outsourcing team
Hold "brainstorming workshop" to present initial zone plan & gather feedback, ideas etc.										Wo	•rks	hoj	o 1										Outsourcing team
Refine zone plan based on consortium feedback											-			•									Outsourcing team
Hold "alignment workshop" with consortium to finalize zone plan, including location selection	2											w	ork	♦ shc	op 2								Outsourcing team
Develop full masterplan for zone (incl. additional site visits) taking into account phasing plan																							Outsourcing team/ Contractor
Hold "alignment workshop" with consortium to present masterplan & collect feedback														V	Vor	∳ ksh	op 3						Outsourcing team
Acquire land rights (if necessary)											-												Outsourcing team
Obtain necessary construction permits (if necessary)													-										Outsourcing team
Identify & onboard developer	$\square$														-				-				Outsourcing team
Launch the first phase of the zone construction																							Developer



VERY PRELIMINARY

# Gantt Chart for Beirut Knowledge Village

		<i>,</i>			0												
	Aug		S	бер		Oct	:		Nov		Dec	:		an			
Activity	06.13202703.10.17240108.15222905.12.192603.10.17243107.1421.														421.	Responsible	
Form and on-board team from all relevant public sector players to lead the effort																Vision Steering Committee	
Identify land options for the Beirut Knowledge Village			-													Cluster working team	
Conduct initial site visits and complete preliminary feasibility assessment														*		Cluster working team	
Develop an advisory board made of key private sector players in the four priority sectors							•				c					Cluster working team	
Engage with the advisory board to form an "informal consortium to play an advisory role in zone planning	"							h		0						Cluster working team	
Develop preliminary plan for the Beirut Knowledge Village including proposed structure, infrastructure, service offering																Cluster working team	
Hold "brainstorming workshop" to present initial zone plan & gather feedback, ideas etc.			N				v	Vork	♦ shor	<b>)</b> 1						Cluster working team	
Refine zone plan based on consortium feedback																Cluster working team	
Hold "alignment workshop" with consortium to finalize zone plan, including location selection									Wo	<b>♦</b> orksh	op 2					Cluster working team	
Develop full masterplan for zone (incl. additional site visits)										-						Cluster working team/ contractor	
Hold "alignment workshop" with consortium to present masterplan & collect feedback										١	Vorks	hop 3	3			Cluster working team	
Acquire land rights (if necessary)																Cluster working team	
Obtain necessary construction permits (if necessary)										-						Cluster working team	
Identify & onboard developer																Cluster working team	
Launch the construction of the cluster																Developer	



VERY PRELIMINARY

### Gantt Chart for "Smart Lebanon" licensing

		2018	1	2019									
Categories	Activity	Jan	Feb	Mar	Apr	Мау	Jun J	ul Aug	g Sep O	ct No	ov De	c Jan	Responsible
Team set-up	Appoint 2 people from IDAL and 2 people from the commercial registry to form working team												IDAL/ Commercial Registry
	Review all incentive packages currently offered for the knowledge industries (outsourcing, financial services, cultural, education & technology)									•			IDAL/ Commercial Registry
	Develop/revise preliminary 5x5 benefits/incentives matrix mapping the list of benefits to the priority sectors (similar to the one in the flagship)												IDAL/ Commercial Registry
Incentives & subsidies packages	Conduct benchmarking on incentives values (mainly tax holidays, customs, utilities discounts & training cost subsidies) given by other countries								0				IDAL/ Commercial Registry
	Develop financial model to understand effect of incentives of companies' business cases and on the government's budget					C						-	IDAL/ Commercial Registry
	Conduct roundtable discussion with experts in the fields to refined and revise the value of incentives given											-	IDAL/ Commercial Registry
	Finalize incentives matrix and seek approval from IDAL & Commercial Registry leadership												IDAL/ Commercial Registry
	Develop draft of license eligibility matrix defining the requirements for the incentive packages									•			IDAL/ Commercial Registry
Eligibility & require- ments	Set-up and conduct roundtable discussions with experts in the fields to develop eligibility criteria across four dimensions (greenfield/brownfield) and (foreign/domestic)										•		IDAL/ Commercial Registry
	Finalize eligibility matrix and seek approval from IDAL & Commercial Registry leadership												IDAL/ Commercial Registry
	Develop the draft of the licensing legislation defining the incentive packages and the eligibility requirements per package												IDAL/Parliement
Drafting licensing	Set-up and conduct roundtable discussions with experts in the fields to revise the developed licensing legislation												IDAL/Parliement
legislation	Finalize licensing legislation and seek approval from IDAL & Commercial Registry leadership												IDAL/ Commercial Registry
	Present and seek approval on developed legislation from parliement												Parliement
	Set-up process for applying to a license by Foreign Investors												IDAL
Launch the "Smart	Set-up process for applying to a license by domestic companies												Commercial Registry
Lebanon"	Launch the "Smart Lebanon" licensing scheme and provide license to first set of companies							-					<ul> <li>IDAL/ Commercial Registry</li> </ul>
	Give out a license to the 1000th company/investor											•	IDAL/ Commercial Registry