

IDAL

INVEST IN LEBANON

TELECOMMUNICATION

FACT BOOK
2015



Content

SECTOR OVERVIEW	p 4
INVESTMENT OPPORTUNITIES	p 8
REGULATORY FRAMEWORK	p 10
INVESTMENT INCENTIVES	p 11
USEFUL CONTACTS	p 14

SECTOR OVERVIEW

The growing demand for IT and mobile services in Lebanon and the MENA region has driven massive investments in Lebanon’s telecom infrastructure, estimated to amount to USD 500 million by 2016. The sector has achieved a remarkable growth in the past few years, driven by various policy initiatives & government decisions to modernize and support the expansion of the sector. The “Lebanon 2020 Digital Telecom Vision” project, launched on July 1st 2015, is a 5 year plan which aims to revamp the telecommunications infrastructure in the country. It plans to make fiber-optic connectivity as well as 5G connections available throughout the country by 2020. Despite the Lebanese economy being amongst the most liberal in the region, the public sector controls most operations in the telecommunications sector

with the Ministry of Telecommunications owning and regulating both fixed and mobile telecom networks. Telecommunication is the second income generating sector for the state treasury after the VAT, with net revenues exceeding USD 1.4 billion in 2011¹. From 1998 to 2009, Transport & Communications contributed to 9.4% of GDP².

FIXED TELEPHONY

Day-to-day operations in fixed telephony are carried out by the state-owned enterprise OGERO³, the only entity responsible for fixed telecom operations in the country. Fixed telephone subscribers amounted to 870,000 in 2013, corresponding to a penetration rate of 18.04%, the highest in the region (Table1) compared to a regional average of 8.9%.

Table 1: Fixed-telephone subscriptions in Lebanon

Fixed-Telephone subscriptions	2013
Fixed Telephone subscriptions	870,000
Fixed Telephone Penetration rate	18.04%

Source: Ministry of Telecommunications, 2013

MOBILE TELEPHONY

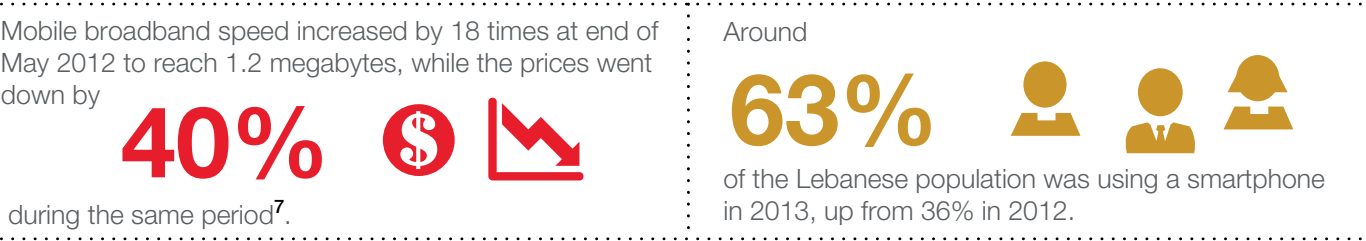
Mobile networks in Lebanon are owned and regulated by the Ministry of Telecommunications, and managed by 2 private operators: Orascom Telecom and Zain are the network managers for MC1 (Alfa) and MC2 (Touch). In 2011, 3G services were launched to cover most of the country. Today, mobile broadband services cover around 90% of Lebanon with a capacity of 33 gigabytes per second⁴. Mobile subscriptions grew significantly in Lebanon during the 2006 -2011 period, by a CAGR of 23.8% compared to a CAGR of 19.7% in Arab countries⁵. Mobile penetration rates hovered

at 87% in 2013, similar to levels registered in selected emerging economies but still lower than the Arab average of 119%, highlighting room for additional growth in the medium term⁶. Mobile broadband penetration rates have also been on the rise, reaching 43% at end of December 2013, compared to 27.3% in Arab states. The 2.35 million mobile broadband subscribers record a 739% increase from the 280,000 subscribers in 2011 (Table 2). This surge is fueled by the increase of mobile broadband speed and the decline in prices resulting from the Ministry of Telecom implemented strategies.

Table 2: Mobile broadband subscriptions in Lebanon

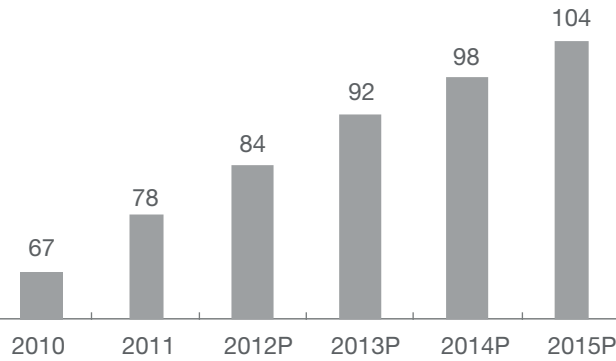
Mobile Broadband subscriptions	2011	2013
Mobile broadband penetration rates	6.7%	43%
Number of mobile broadband subscribers	280,000	2,350,000
Average speed of mobile broadband (per second)	70 Kilobytes	21.6 Megabytes

Source: Ministry of Telecommunications, 2013



The prospects of the mobile telecommunications sector in Lebanon (Figure 1) and the pent up in the penetration rates in the region, point to the great potential present for future local and regional mobile operators and service providers. A high percentage of the Arab population are using smartphones with 79% of the KSA population, 72% of the UAE and 70% (up from 36% in 2012) of the Lebanese population using smartphones in 2014⁸.

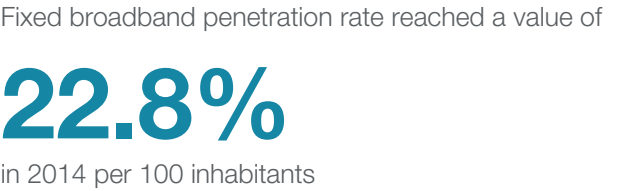
Figure 1: Projected mobile subscribers penetration in Lebanon | % population



Source: Deloitte & Touche

BROADBAND

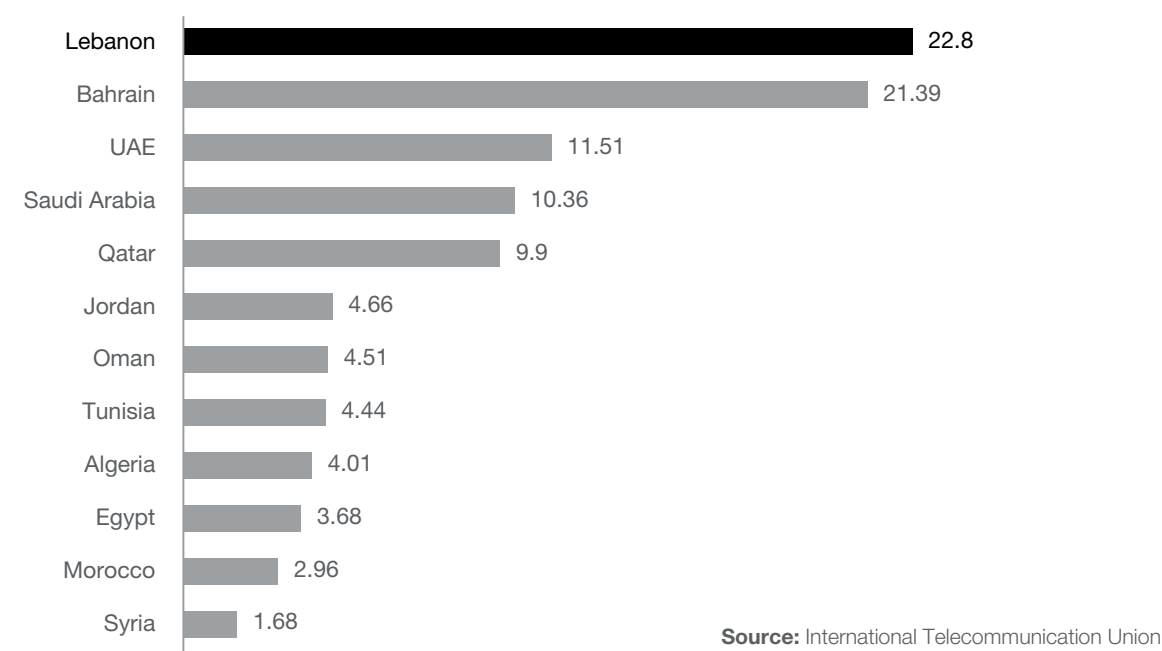
By the end of 2010, Internet and wireless broadband services were provided to both residential and corporate users in Lebanon by 30 licensed Internet Service Providers. Fixed broadband penetration rates reached 22.8% in 2014, one of the highest rates amongst the Levant countries, and other MENA economies (Figure 2).



1 Lebanese Ministry of Telecommunications, One Year Progress Report 2011 - 2012
2 International Monetary Fund
3 Blom Bank, The Lebanese Mobile Internet Market: Strident Steps in 2014 to Revitalize the Sector
4 Euromoney, 2013 Guide to Lebanon
5 Economy and Ecology Online, 14 Jul. 2012
6 Blom Bank, The Lebanese Mobile Internet Market: Strident Steps in 2014 to Revitalize the Sector

7 Lebanese Ministry of Telecommunications, 2013
8 IPSOS

Figure 2: Fixed (wired) Broadband Penetration in Selected Arab Countries subscriptions per 100 inhabitants | 2013



The fixed broadband penetration rate per household hovered at 24 % in 2013 compared to a 20% rate in 2011, **(Table 3)** still a low figure compared to selected MENA countries but clearly highlighting opportunities for providers.

Moreover, the aggressive upgrade of the internet infrastructure and the expansion and modernization of national transmission network are expected to fuel an exponential expansion of the subscribers base.

Table 3: Fixed broadband in Lebanon

Fixed Broadband subscriptions	2011	2013
Fixed broadband penetration/household	20%	24%
Number of DSL subscribers	200,000	240,000
Average speed of fixed broadband	40 Kilobytes	60 Megabytes

Source: Ministry of Telecommunications, 2012

SPEED AND PRICES

The decline in prices as well as the increase in capacity underlie the upsurge in internet usage and in the increased demand for e-services. Prices of DSL packages have been reduced by 80% as a result of the Ministry’s infrastructure upgrade accompanied by a capacity increase of 2 to 5 times⁹. Usage at night is now unlimited and free of charge. Prices have been also revised for businesses and corporations: the price of international E1 (equivalent to 2 Mbps) for companies decreased by 84% and now stands at USD 420. It is 33% cheaper for companies located at more than 20km from Beirut, with the aim of promoting regional development¹⁰. In addition, the price of international leased lines to companies decreased from USD 15,000 to USD 2,700¹¹. For Low and High Usage Packages, the extra MB Price in Lebanon is 58% and 54% below the Arab average respectively¹². The “Lebanon 2020 Digital Telecom Vision” project, launched on July 1st 2015, plans to increase the speed of internet connections up to 100 megabits per second (Mb/s), compared to the current 8 Mb/s.

BROADBAND ACCESS NETWORKS

To tackle mobile connectivity problems, both operators Touch and Alfa upgraded their networks in 2011. At present, 3G services cover around 90% of Lebanon, and Wimax services have been deployed since 2008. The Ministry of Telecommunications completed the project of deploying a new optical fiber platform that serves as the main digital transport infrastructure for telecom services. It includes the provision of at least 300 fiber connections to ISPs, educational and governmental institutions. In addition, Lebanon is benefiting from the Mitsubishi Electric’s new India-Middle East-Western Europe (IMEWE) Cable Network, a 12,091km cable with 10 terminal stations comprised of three optical fiber cable pairs with two fiber pairs on an express path¹³. The “Lebanon 2020 Digital Telecom Vision” project aims to make fiber-optic connectivity as well as 5G connections available throughout the country by the year 2020.

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Free

Usage at night is now unlimited and free of charge

33% BEIRUT

cheaper for companies located at more than 20km from Beirut

⁹ Lebanese Ministry of Telecommunications, 2013
¹⁰ Lebanese Ministry of Telecommunications, 2013
¹¹ Lebanese Ministry of Telecommunications, 2013
¹² Lebanese Ministry of Telecommunications, 2013
¹³ Lebanese Ministry of Telecommunications, One Year Progress Report 2011 – 2012


INVESTMENT OPPORTUNITIES

CALL CENTERS

Lebanon offers numerous incentives for companies wishing to outsource their contact center services or establish **high end call centers** in the region: it offers a wide pool of highly skilled, qualified and flexible workforce at competitive prices. The Lebanese workforce is characterized by its strong command of foreign languages, mainly French and English, in addition to the Arabic native language. With its multilingual and multicultural workforce, Lebanon is an excellent location to serve not only Arabic speaking markets, but also markets in Europe, the US and North Africa.

Global companies will benefit from a time zone advantage given the geographical location of Lebanon, especially American and East Asian companies wishing to deliver a 24 hour customer care support. The number of high end call centers in Lebanon is expected to reach 20 by end of 2013² and cover the world’s largest consumer markets.


So far the expansion of the call center industry in Lebanon was noticeable:



In 2009, Teleperformance, the French provider of contact based CRM has opened its call center in Lebanon.

Call Center International

Also in 2009, Call Center International, a US professional outsourcing services announced its plan to open 5 contact centers in Lebanon.



In 2007, Canadian Atelka, a leader in outsourcing systems served worldwide customers from its base in Beirut, relying on the local staff’s multilingual communication skills

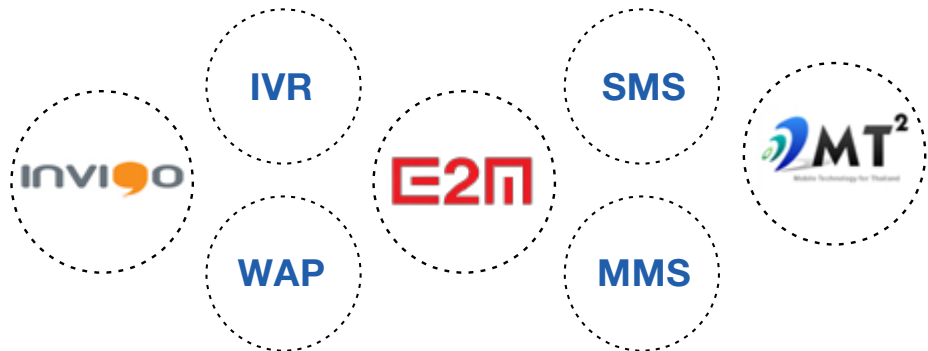
Jana,LIBACOM

JANA, LIBACOM, Smart source, and Tele support have also been operating from Lebanon providing high quality services to international markets and benefiting from the competitive offers by the Lebanese Ministry of Telecommunications.

VALUE ADDED SERVICES

As mobile communications enter the next generation network (NGN), Lebanon witnesses the expansion of **content and value added service providers**. New investments in the development of telecom services, ranging from Interactive Voice Response (IVR), Short Message Service (SMS), MMS and WAP Services, Interactive TV Service to Value Added Services are increasing. MT2, E2M and Invigo are examples of successful companies

providing customized and cost efficient solutions to mobile operators and media companies in regional as well as European markets. The platforms, solutions and services developed by Lebanese experts are rapidly adopted in foreign markets as they are highly flexible and can easily adapt to newer technologies, new contents and new countries’ requirements.



INVESTMENTS MEDIATED BY IDAL



Ericsson Global Service Delivery Center

As part of its plan to develop global and local services and capabilities in the Middle East, Ericsson opened a Global Service Delivery Center (GSDC) in Lebanon to cater to the MENA and support other regions such as North America, Latin America and Europe. The Ericsson GSDC has been offering technology services to telecom providers since 2007. Ericsson has 18 GSDCs which aim to provide global expertise in a cost-efficient manner.

Investment Size: USD 2.2 million
Jobs Created: 221

Ericsson has now expanded in Lebanon and has opened a new local business support center in 2013, which will serve Ericsson business support systems operations around the world. It will promote Ericsson’s new Charging and Billing in One Solution (CBIO) system among telecommunications companies and mobile operators. So far, this service is only available in 10 similar centers in key locations worldwide.

“Lebanon was selected among many other locations in the region to serve as Ericsson center of Excellence based on the firm’s strategic planning purposes that it would be best served by being established in Lebanon. It now embraces over 200 engineers, who support Ericsson’s customers throughout the Middle East and Africa in particular as well as worldwide in general”.

Hans Severin, Ericsson Lebanon Communications



Cedarcom

Cedarcom is a Broadband Wireless Data Operator licensed to deploy and operate wireless data networking and last-mile solutions throughout Lebanon. Cedarcom deployed the first Fixed Broadband Wireless Access network in 2004 covering all Lebanon, and is today the first to introduce Mobile Broadband Wireless Access network in Lebanon and the MENA region with MobiTM.

Investment Size: USD 4 million
Jobs Created: 34

² According to the Ministry of Telecommunications

REGULATORY FRAMEWORK

In recognition of the impact of the legal environment on the performance of the Information, Communication and Technology (ICT) sector, the government has placed a special focus on the reform and modernization of ICT related laws. The main regulations governing the sector are mentioned below.

TELECOMMUNICATIONS LAW

Law 431, or the Telecommunications Law as it is often referred to, was issued in 2002 to provide the governance framework organizing the telecommunications services sector and to set the rules for its transfer to the private sector. The Telecommunications Regulatory Authority was subsequently formed to regulate the liberalization of the sector, and ensure the creation of a competitive environment.

INTELLECTUAL PROPERTY LAW

The Intellectual Property Law (IP) was drafted by the Ministry of Economy and Trade (MoET), and passed as a law in 1999. Provisions under the law cover patents, industrial designs, trademarks, copyrights, unfair competition, and penalties for infringement.

INVESTMENT LAW NO.360

IDAL offers companies engaged in the Telecom sector a set of incentives and facilitation services as per the Investment Law No.360. Companies can benefit from up to 100% exemption on corporate income tax over a period of 10 years in addition to other fiscal incentives, provided that they meet certain requirements in terms of investment size and employment generation.

COMPETITION LAW

The new competition law - drafted by the MoET - prevents all forms of anti-competitive agreements and abuses of dominance. These provisions ensure competition and easier market access, and therefore allow for greater consumer welfare, economic efficiency, increased output and rapid technical advancement.

E-COMMERCE BASKET OF LAWS

The Ministry of Economy and Trade has drafted and presented to the Parliament a basket of laws in support of the ICT sector. This basket includes amendments as well as new laws destined to enable e-commerce in the country. Laws cover the fields of E-signature, E-payment, E-transactions, consumer protection, privacy, copyright, and cyber-crimes.

LAW ON ANTI-DUMPING, SUBSIDIES AND SAFEGUARDS

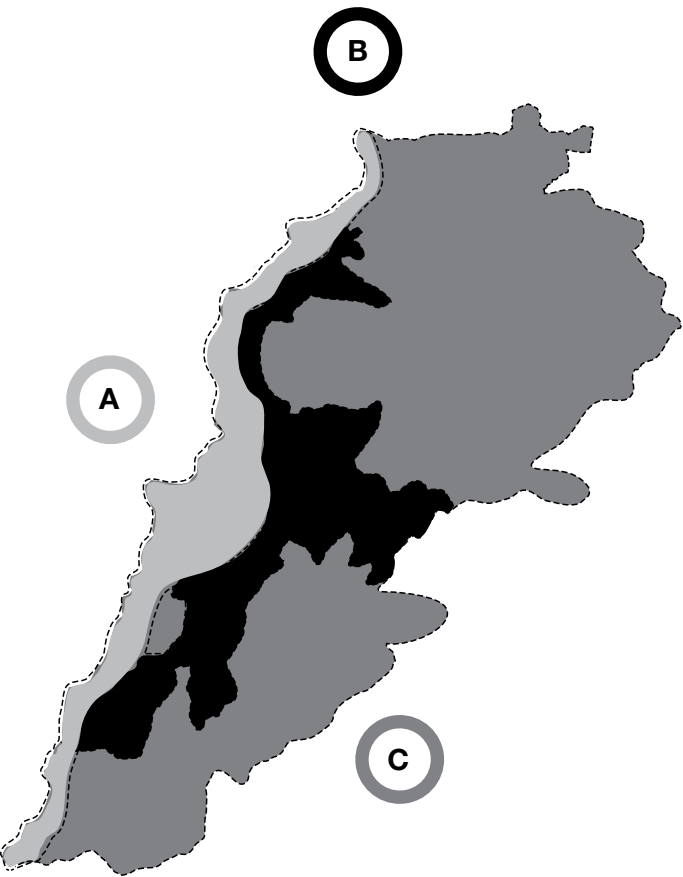
The law was issued with the aim of protecting national production as well as legitimate original products from dumped and subsidized imports.

INCENTIVES AVAILABLE TO PROJECTS IN THE TELECOMMUNICATION SECTOR

1. INCENTIVES PROVIDED BY IDAL

a. Region Based Incentives or Investment Project by Zone (IPZ)

Due to the importance of this sector to the economy, all projects located in Zone A and B benefit from Zone C exemptions which provides the maximum amount of incentives to projects.



Zone C

ELIGIBILITY CRITERIA:
MINIMUM INVESTMENT REQUIREMENT IS USD 200,000

- **Incentives:**
A 100% exemption from corporate income tax and taxes on project dividends for a period of 10 years.
The exemption shall be applicable as soon as excavation works for the project commence, in accordance with the provisions of the Law
- **Work permits for various categories,** exclusively needed for the project, provided that at least two Lebanese nationals are employed for each foreigner.
All employees should be registered with the National Social Security Fund



b. Region Based Incentives or Package Deal Contract (PDC)

ELIGIBILITY CRITERIA:
MINIMUM INVESTMENT REQUIREMENT IS USD 400,000
MINIMUM NUMBER OF JOBS REQUIRED: 25

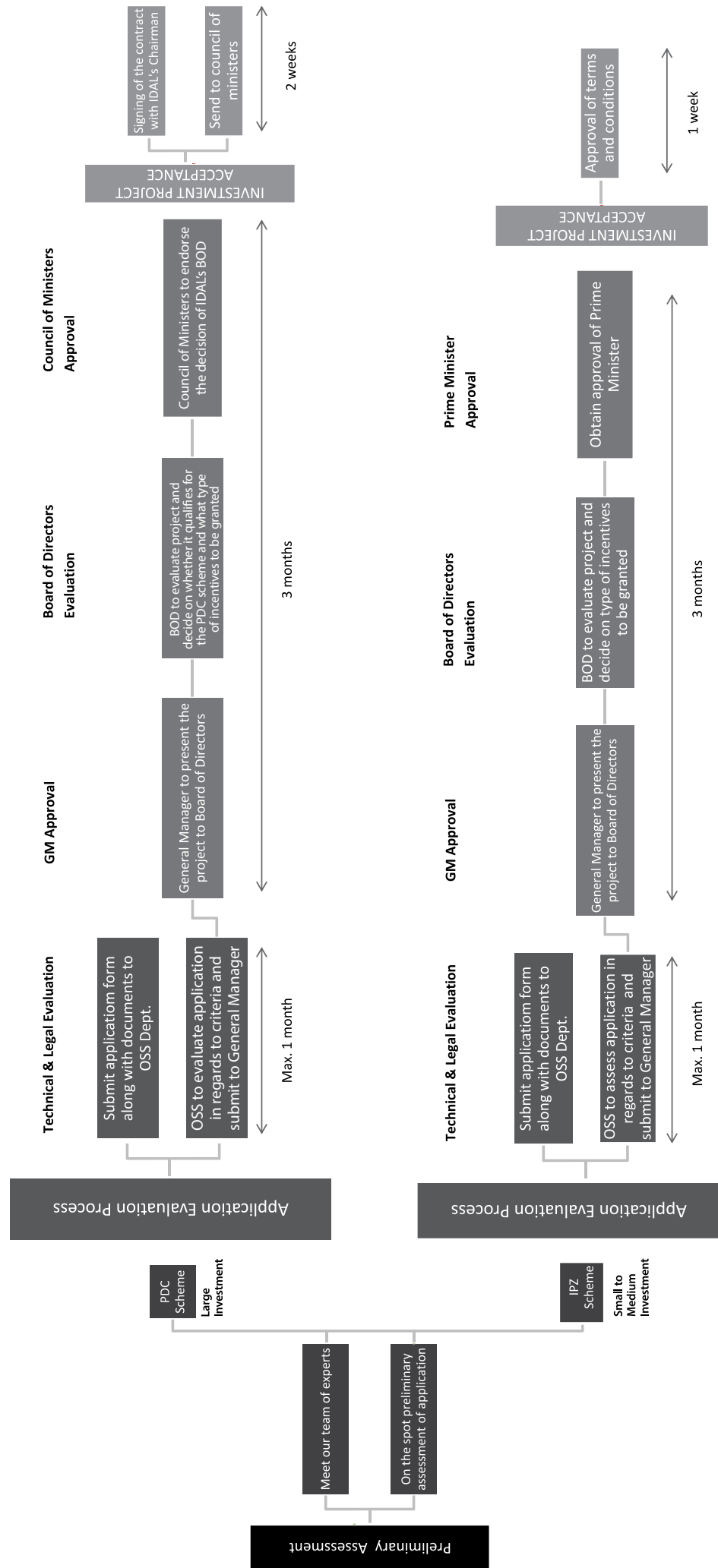
- **INCENTIVES:**
 - 100% exemption from Corporate Income Taxes for up to ten years** starting as from the commencement date of the exploitation of the project
 - **100% exemption of Taxes on Project Dividends for up to ten years** starting as from the commencement date of the exploitation of the project
 - **Up to 50% Reduction on Work and Residence Permit Fees** regardless of their category and depending on the number of permits required. Also the value of the certificate of deposit entrusted to the Housing Bank shall be reduced by half
 - **Up to 50% Reduction on Construction Permit Fees** related to the buildings to be established & needed for the execution of the project benefiting from the provisions of the Package Deal Contract
 - **100% exemption from Land Registration Fees** at the Real Estate Register and from fees needed for annexation, sub-division, mortgage and registration of lease contracts at the Real Estate Register
 - **Obtaining Work Permits** of all categories provided that the project benefiting of the Package Deal Contract preserves the interests of the local labor force through employing at least two Lebanese nationals against one foreigner, and registering them in the National Fund for Social Security
 - **Exemption from the obligation of including** Lebanese natural and legal persons in the Board of Directors in Joint Stock companies

ADDITIONAL REQUIREMENTS TO BENEFIT FROM THESE INCENTIVES

- At least 60% of the workforce generated by this project needs to be skilled
- The project needs to allocate at least 3% from its total sales on research & development



3. APPLICATION PROCESS AT IDAL



USEFUL CONTACTS

Ministry of Telecommunications
www.mpt.gov.lb

Ministry of Economy and Trade
www.economy.gov.lb

Telecommunications regulatory authority
www.tra.gov.lb

Office of the Minster of State for Administrative Reform
www.omsar.gov.lb

Council for Development and Reconstruction
www.cdr.gov.lb

Presidency of the Council of Ministers,
National ICT coordinating office
ict.pcm.gov.lb

Investment Development Authority of Lebanon - IDAL
www.investinlebanon.gov.lb

OGERO
www.ogero.gov.lb

Professional Computer Association of Lebanon - PCA
www.pca.org.lb

Berytech
www.berytch.org

Business Incubation Association in Tripoli (BIAT)
www.biatcenter.org

South Business Innovation Center (SOUTH BIC)
www.southbic.org

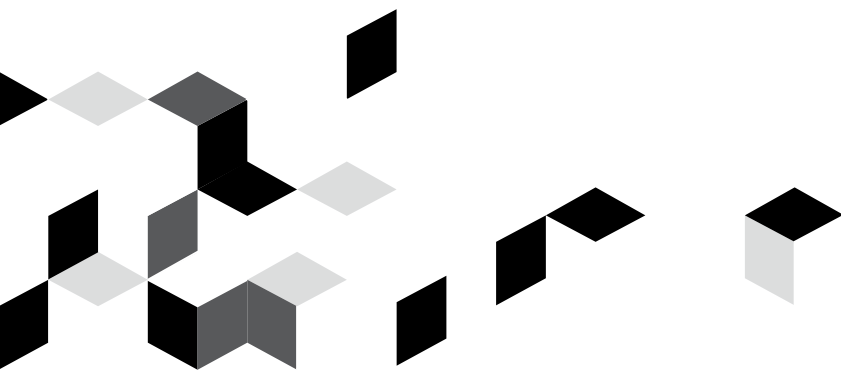
Bader
www.baderlebanon.com

Endeavor
www.endeavor.org

Seeqnce
www.seeqnce.com

Kafalat
www.kafalat.com.lb

Altcity
www.altcity.me



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